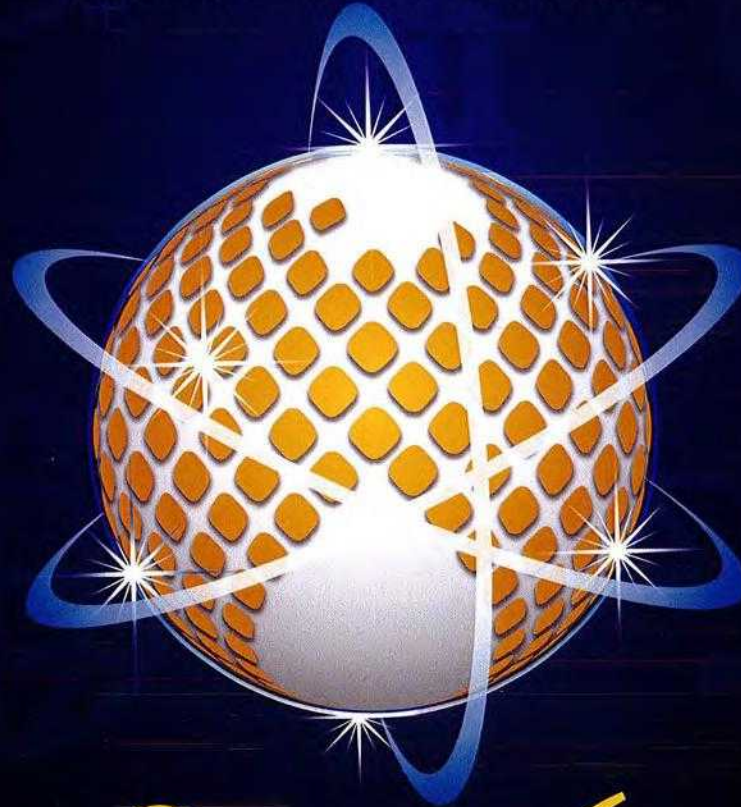


Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016



2016



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

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, 2016**

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**

MAILING ADDRESS

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

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**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal - Unaudited	5
2016 Retirement Board of Trustees	10
Administrative Staff.....	11
Professional Consultants	12
Organizational Chart.....	14
Certificate of Achievement.....	15
Plan Summary.....	16

FINANCIAL SECTION

Independent Auditors' Report.....	21
Management's Discussion & Analysis -Unaudited..	23
Financial Statements:	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	32
<u>Required Supplementary Information</u> - Unaudited:	
Schedules of Changes in Net Pension Liability	
CPERS Trust & Police Guarantee Trust	55
Schedules of Employers' Net Pension Liability	57
Schedules of Investment Returns	58
Schedules of Employer Contributions:	
CPERS Trust & Police Guarantee Trust	59
Notes to Required Schedules:	
CPERS Trust.....	61
Police Guarantee Trust.....	62
<u>Supporting Schedules:</u>	
Schedules of Administrative Expenses	65
Schedules of Investment Expenses	66
Schedules of Payments to Consultants.....	67
Schedule of Compensation, Benefits and Other	
Payments to Retirement Administrator	68

INVESTMENT SECTION - UNAUDITED

Consultant's Report on Investment Activity.....	71
Statement of Investment Policies and Objectives	73
Investment Summary:	
CPERS Trust	78
Police Guarantee Trust	79
Charts - Asset Allocation.....	80
List of Investments:	
CPERS Trust & Police Guarantee Trust	81
Investment Performance Measurements	85
Annual Rates of Return.....	87
Schedules of Investment Fees	88
Schedule of Commissions Paid to Brokers	89

ACTUARIAL SECTION - UNAUDITED

<u>CPERS Trust</u>	
Actuary's Certification Letter	93
Summary of Principal System Provisions	96
Summary of Actuarial Assumptions and Methods	101
Schedule of Funding Progress.....	104

ACTUARIAL SECTION – UNAUDITED (CONT'D)

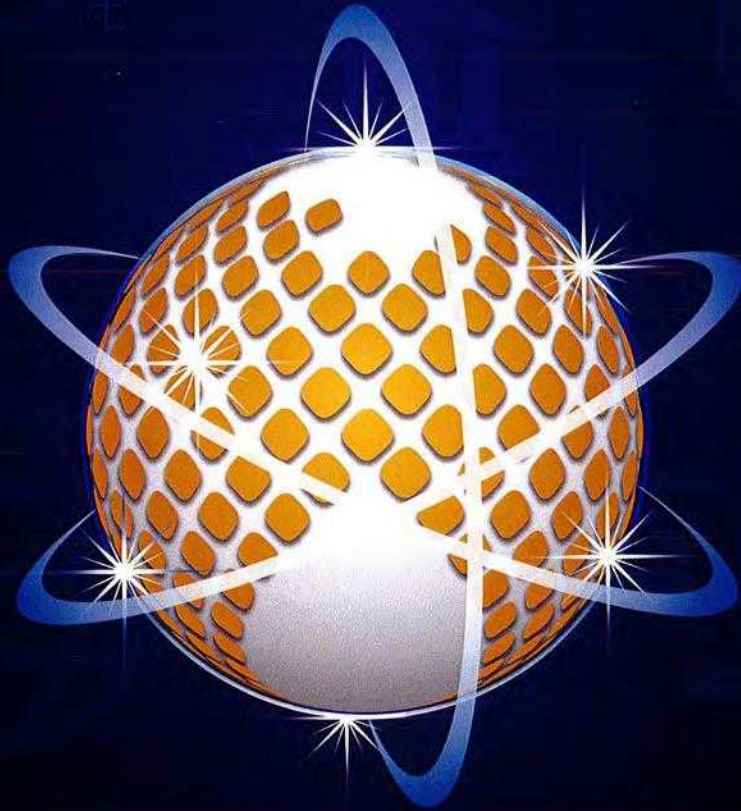
<u>CPERS Trust (Cont'd)</u>	
Summary of Actuarial Accrued Liabilities and	
Percentage Covered by Actuarial Value of	
Assets / Solvency Test.....	105
Analysis of Actuarial Gain/Loss.....	106
Active Membership Data.....	107
Schedule of Retirees and Beneficiaries Added.....	107
Total Membership Data	108
<u>Police Guarantee Trust</u>	
Actuary's Certification Letter.....	111
Summary of Principal System Provisions	114
Summary of Actuarial Assumptions and Methods.	115
Schedule of Funding Progress	118
Summary of Actuarial Accrued Liabilities and	
Percentage Covered by Actuarial Value of	
Assets / Solvency Test.....	119
Active Membership Data.....	120
Schedule of Retirees and Beneficiaries Added.....	120
Total Membership Data	121

STATISTICAL SECTION - UNAUDITED

Statistical Section Narrative	125
Number of Administrative Staff Positions.....	126
Schedule of Participating Employers for	
2016 & 2007	127
Number of Active Members	128
Number of Retirees, Beneficiaries, Vested	
Terminated, and Deferred Retirees.....	129
Schedule of Retired Members by Type of Benefit	130
Number of Retirees and Benefit Expenses	131
Number of Retired Deferred Retirement Option	
Plan Participants and Payments	131
Schedule of Benefit Expenses by Type	132
Average Monthly Service Retiree Benefit:	
CPERS Trust	133
Police Guarantee Trust	134
Number of Excess Benefit Plan Participants and	
Benefit Expenses	135
Number of Refunds of Contributions	135
Schedule of Changes in Net Position (CPERS).....	136
Schedule of Changes in Net Position (PGT)	137
Map – Retirees at December 31, 2016.....	138

**ALTERNATIVE RETIREMENT PLANS –
UNAUDITED, AND OTHER AUDITOR'S
REPORT**

Deferred Retirement Option Plan - DROP	141
Excess Benefit Plan	142
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	143



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 27, 2017

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:

It is a pleasure 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, 2016. 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 2016 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 for the 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 schedule of funding progress, 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 schedule of funding progress, 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 ensure 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

Relative to investments, the CPERS Board contracted with Drum Capital Management, LLC for their Special Situation Partners IV Fund, and committed \$8.0 million toward the fund. This was the fourth 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 to eight years with commitments to various funds with differing investment opportunity emphasis such as secondaries, venture capital, buyout, etc. Another commitment is scheduled in 2017.

The Investment Committee began a series of educational sessions for the purpose of exploring the Risk Parity asset class. This asset class seeks to invest in equities, fixed income, and commodities, but does so in a manner that risk is balanced between the three types of investments. The strategy is expected to yield equity-like returns, but with much lower risk and volatility than a traditional equity portfolio.

With concerns about the decreasing funding level of the Police Guarantee Trust, the Board passed a motion to change the funding method of the PGT from the aggregate cost method to the entry age normal cost method with a 15-year open amortization of unfunded accrued liability. This resulted in a substantial reduction of the required employer contribution rate for the coming year. The Board continues to explore methods to increase funding to the PGT, such as committing savings from future decreases in the contribution rate of the Municipal Police Employees' Retirement System.

CPERS paid out its tenth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2016. 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 2,425 retirees totaled \$1.34 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.

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 part of a predictable pattern, payments to retirees, survivors, and beneficiaries continue to increase, and in 2016 the System paid out \$78.3 million in regular monthly benefits compared to \$75.7 million in 2015; an increase of 3.4%. Distributions of \$19.8 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to \$18.3 million in 2015. This represented an increase of 7.9%. Combined, CPERS and PGT paid out \$98.1 million to eligible retirees, survivors, and beneficiaries during the year, exclusive of separation benefits. Compared to \$94.0 million paid out in 2015, total benefits paid increased by 4.3%.

The average monthly benefit of CPERS retirees continued to increase as both salaries and the number of retirements increased. For 2016, retirees drew an average monthly benefit of \$1,973, which represented an increase of 2.0% over the 2015 average of \$1,935. The average monthly withdrawal for DROP funds was \$1,267, a moderate increase of 0.5% from 2015's average of \$1,261. The DROP interest rate was set at 6.2 percent, which continued to help slow member withdrawals from the DROP. DROP withdrawals included approximately \$989,000 in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2016, refunds were issued to 215 members who terminated employment, and to beneficiaries of deceased members, compared to 239 issued during 2015. 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 122 members retired during 2016, which represented a decrease from the 146 who retired in 2015. A total of 108 members entered DROP during 2016 compared to 122 during 2015.

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 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.

Contributions from members remained at 9.5 percent during 2016 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 28.90 percent produced 2016 General Fund and non-General Fund/Other Employer contribution rates of 26.60 percent and 31.37 percent respectively.

CPERS maintains its goal of becoming a fully funded public employees' retirement system through collecting required retirement contributions, steady growth of the investment markets, and meeting investment performance objectives. CPERS' 2016 gross investment performance of 8.55 percent was positive news compared to 2015's performance, and beat the target investment performance of 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 slightly increased to 64.09 percent when comparing the plan fiduciary net position to the total pension liability. The comparable number for 2015 was 63.95 percent. 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 for 2016 was 42.10 percent as compared to 2015 when it was 48.91 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 73 through 77. 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 78 through 80. During 2016, CPERS retained relationships with eighteen of its investment managers, including an allocation to another private equity 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 2016 was 8.55 percent with the three-year, and five-year returns being 4.38 percent and 8.43 percent respectively. For the PGT, the 2016 gross investment return was 7.39 percent, with the three-year and five-year returns being 3.42 percent and 7.00 percent respectively. A summary of the largest investment holdings in non-pooled accounts can be found on page 81.

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 2016 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, 2015. This was the nineteenth 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

Once again, 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 2016 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 twentieth 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 nineteenth consecutive year.



Jeffrey R. Yates, CPA
Retirement Administrator



Russell P. Smith, CPA
Retirement Financial Manager

2016
RETIREMENT BOARD OF TRUSTEES

Marsha J. Hanlon
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

Mary H. Harb
Regular Employees' Representative
Term: 1/1/16– 12/31/19

Brian K. Bernard
Regular Employees' Representative
Term: 5/26/16 – 5/25/20

Lieutenant Jonathan Dunnam
Police Employees' Representative
Term: 8/28/15 – 8/27/19

Chief Richard W. Sullivan
Fire Employees' Representative
Term: 3/1/16 – 2/29/20

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
Chief 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 Oby
Senior Retirement Analyst

Rebecca Delaughter
Retirement Analyst

PROFESSIONAL CONSULTANTS

ACTUARY

Foster & Foster
13420 Parker Commons Blvd., Suite 104
Fort Myers, FL 33912

AUDITOR

Postlethwaite & Netterville, CPA's
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

Akers & Wisbar, LLC
8280 YMCA Plaza Drive, Building 8-C
Baton Rouge, LA 70810

MEDICAL CONSULTANT

D. J. Scimeca, Jr., M.D.
P. O. Box 83029
Baton Rouge, LA 70884-3029

IT CONSULTANT

Relational Systems Consultants
102 Emily Circle
Lafayette, LA 70508

COST ANALYSIS CONSULTANT

MGT Consulting Group
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

Fidelity Institutional Asset Management
900 Salem Street, Mailzone OT2N1
Smithfield, RI 02917

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

AJO Partners

100 High Street, 25th Floor
Boston, MA 02110-1734

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

The Barn
1125 Airport Road
Coatesville, PA 19320

PRIVATE EQUITY

Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104

Morgan Stanley Investment Management

100 Front Street – 7th Floor
West Conshohocken, PA 19428

Top Tier Capital Partners, LLC

600 Montgomery Street, Suite 480
San Francisco, CA 94111

PROFESSIONAL CONSULTANTS (CONTINUED)

PRIVATE EQUITY, CONT'D

Drum Capital Management LLC
107 Elm Street, 10th Floor
Stamford, CT 06902

MASTER LIMITED PARTNERSHIPS

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

REAL ESTATE EQUITY

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

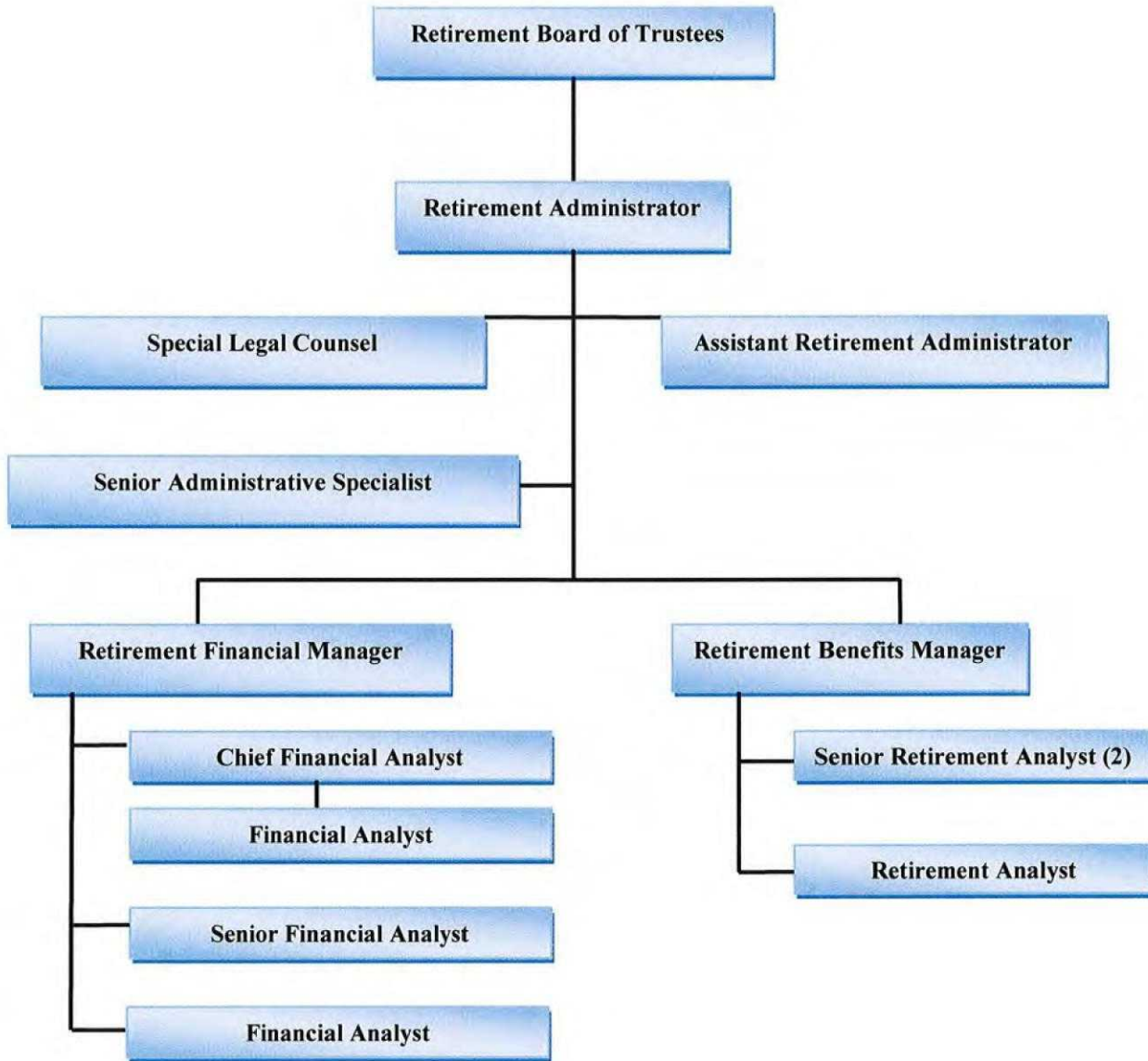
HEDGE FUND OF FUNDS

Magnitude Capital LLC
200 Park Avenue, 56th Floor
New York, NY 10166

RISK PARITY

BlackRock
55 East 52nd Street
New York, New York 10055

**RETIREMENT SYSTEM
ORGANIZATIONAL CHART**



Student Interns (2)

See pages 12 and 13 for specific information regarding investment professionals. A schedule of commissions paid to brokers can be found on page 89 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, 2015

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan', is positioned above the title of the signatory.

Executive Director/CEO

PLAN SUMMARY

SERVICE RETIREMENT ALLOWANCES

- **For members hired prior to September 1, 2015**, 25 years or more, any age, 3% of average compensation for each year of service; maximum 90% of average compensation

For members hired on or after September 1, 2015, 25 years or more age 55 for non-public safety members and age 50 for public safety members, 3% of average compensation for each year of service; maximum 90% of average compensation.

- **For members hired prior to September 1, 2015**, 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;

For members hired on or after September 1, 2015, 20 years or more, but less than 25 years, a retirement allowance reduced to an actuarial equivalent benefit for commencement prior to the attained age of 55 for non-public safety members and age 50 for public safety members.

- **For members hired prior to September 1, 2015**, 10 years or more, but less than 25 years, age 55, 2.5% of average compensation for each year of service.

For members hired on or after September 1, 2015, 10 years or more, but less than 25 years, age 60 for non-public safety and age 55 for public safety, 2.5% of average compensation for each year of service.

- **For members hired prior to September 1, 2015**, 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.

For members hired on or after September 1, 2015, 10 years or more, but less than 25 years, under age 60 for non-public safety members and age 55 for public safety members, 2.5% of average compensation for each year of service upon attaining 60 for non-public safety members and age 55 for public safety members

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 of 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.

PLAN SUMMARY (CONTINUED)

- 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.
- **For members hired prior to September 1, 2015,** the surviving spouse of a service retiree or a service-connected disability retiree receives a monthly benefit of 50% of the service retiree or service-connected disability 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.

For members hired on or after September 1, 2015, the surviving spouse of a service retiree or service-connected disability retiree who elected an optional allowance receives the monthly benefit provided for under that optional allowance.

- **For members hired prior to September 1, 2015,** 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.

For members hired on or after September 1, 2015, the surviving spouse of a DROP participant who elected an optional allowance receives the monthly benefit provided for under that optional allowance. .

- 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 2 or more.

DEFERRED RETIREMENT OPTION PLAN (DROP)

- **For members hired prior to September 1, 2015,** 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.

For members hired on or after September 1, 2015, must have not less than 25 years or more than 33 years of service at age 55 for non-public safety members or age 50 for public safety members, to be eligible for up to 5 year participation, except that members who do not reach the minimum required retirement age must exercise the option to participate in the DROP no later than 60 days following the attainment of age 55 for non-public safety member or age 50 for public safety members to be eligible to participate up to 5 years.

- **For members hired prior to September 1, 2015,** members with at least 10 years, but less than 25 years of service, and who are age 55 or older are eligible for up to 3 year participation.

For members hired on or after September 1, 2015, member with at least 10 years, but less than 25 years of service, and are age 60 for non-public safety members or age 55 for public safety 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.

PLAN SUMMARY (CONTINUED)

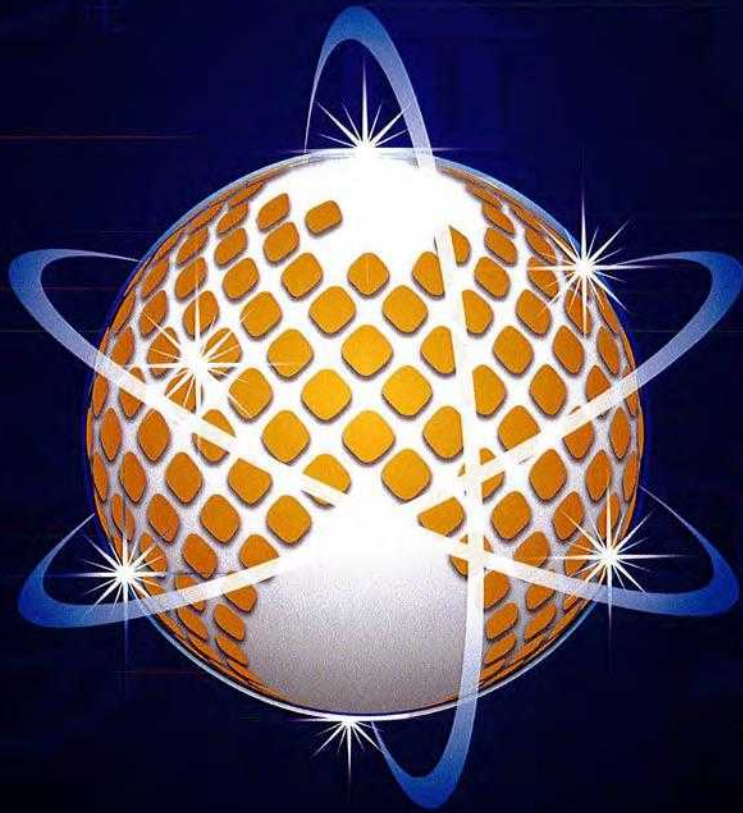
- Upon employment termination, it is mandatory to roll severance/separation pay into an existing DROP account for members who are non-public safety officers age 55 or older, while the members younger than age 55 are given the option to roll the funds into the DROP or another qualified plan, or take receipt of the funds. For public safety officers the qualifying age is 50.

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), Code Sec. 401 (a) qualified trust, 408 (b) individual retirement annuity, 403(a)&(b) annuity plans, 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.



Financial Section





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 (CPERS Trust) and the Police Guarantee Trust (PGT), collectively referred to as 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, 2016, 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 Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS Trust) and the Police Guarantee Trust (PGT), collectively the Retirement System, as of December 31, 2016 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.

Report on Summarized Comparative Information

We have previously audited the Retirement System's December 31, 2015, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 as listed 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017 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 27, 2017



**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

- Investment performance in 2016 rebounded nicely with a positive return of 8.55%, as compared to the assumed rate of return of 7.25%. On top of the return, CPERS also outperformed its total fund policy index by 132 basis points, to place it in the 19th percentile among its peers. Although CPERS' asset allocation detracted from performance by 48 basis points, active managers added 180 basis points. Both US and international equities performed well above the expectation with 12.43% and 9.12% respectively, as did fixed income at 5.24%. Real estate continued a good run with a 9.35% return. Regarding alternative investments, hedge fund of funds performed at a disappointing -1.91%, although private equity had an excellent internal rate of return of 11.87%. Oil and oil-related stocks came roaring back in 2016 allowing CPERS' Master Limited Partnerships holding to gain 20.24%. The investments in the Police Guarantee Trust, which are more defensively postured, returned 7.39% for the year.
- Retirement benefit payments increased by 4.0% or \$3.8 million. Increased pension amounts for new retirees accounted for most of the increase. Included in benefit payments was payment of the tenth consecutive Supplemental Benefit Payment of over \$1.3 million. Refunds and withdrawals decreased by 14% or \$433,000 as fewer members terminated employment.
- The CPERS plan fiduciary net position as a percent of the total pension liability remained level at 63.3% after factoring in actuarial experience and data changes. Overall, the plan's funding level at December 31, 2016 was 64.09% versus the December 31, 2015 level of 63.95%, as measured in accordance with GASB 67 standards. However, on a funding basis, the system's funded percentage at December 31, 2016 stood at 67.9% versus 69.3% at December 31, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the System's 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, 2016 and provides comparative combined totals at December 31, 2015.

Statement of Changes in Fiduciary Net Position – This statement reports the results of operations during the calendar year 2016 with comparative combined totals for 2015, 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, fair value disclosures of investments, and types of investment risk and measurement of that risk for the System's 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, 2016 were \$1.08 billion, representing an increase of \$35.9 million, or 3.4% above the \$1.04 billion restricted for pensions at December 31, 2015.

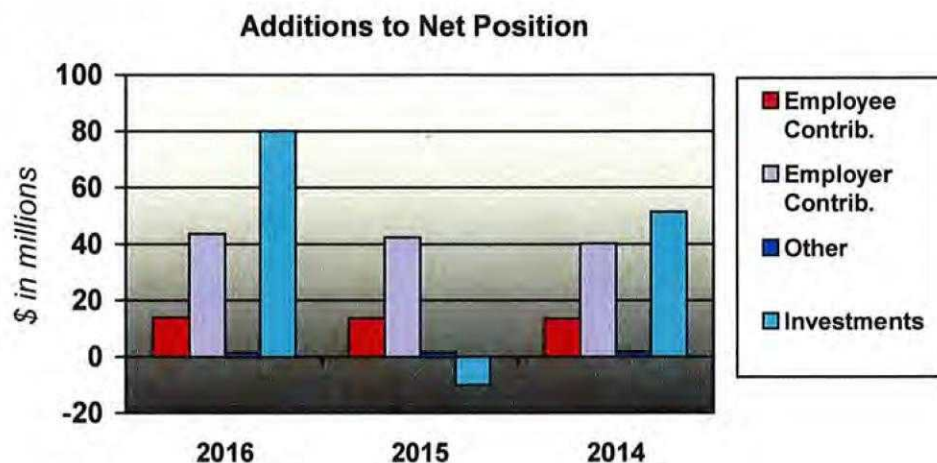
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2016	2015	2014	2016 Increase (Decrease)	2016 % Change
Cash	\$ 13,039,231	\$ 14,138,891	\$ 12,663,282	\$ (1,099,660)	(7.8) %
Receivables	10,587,315	8,535,730	10,051,769	2,051,585	24.0
Investments (fair value)	1,055,053,001	1,020,962,509	1,073,751,974	34,090,492	3.3
Capital Assets	564,262	565,317	571,724	(1,055)	(0.2)
Total Assets	1,079,243,809	1,044,202,447	1,097,038,749	35,041,362	3.4
Total Liabilities	1,613,960	2,449,916	3,074,870	(835,956)	(34.1)
Net Position Restricted for Pensions	\$1,077,629,849	\$1,041,752,531	\$1,093,963,879	\$ 35,877,318	3.4 %

Additions to Net Position Restricted for Pensions

Additions to the Systems' 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 2016 and 2015 increased by \$200,000 as salaries were affected mainly by annual merit raises. Employer contributions increased by approximately \$1.3 million as the required employer contribution rate again increased for 2016, as recommended by the System's actuary. The blended employer contribution rate for 2016 was 28.90% of payroll, while in 2015 the rate was set at 28.10%. Investment performance turned positive and even exceeded its assumed rate of return by 130 basis points with both domestic and international equity leading the way, and even fixed income performing well. In 2016, the System saw an investment gain of \$85.8 million, compared to 2015's loss of \$3.3 million. In total, 2016 additions to net position restricted for pensions were \$138.9 million as compared to additions of \$47.5 million for 2015.



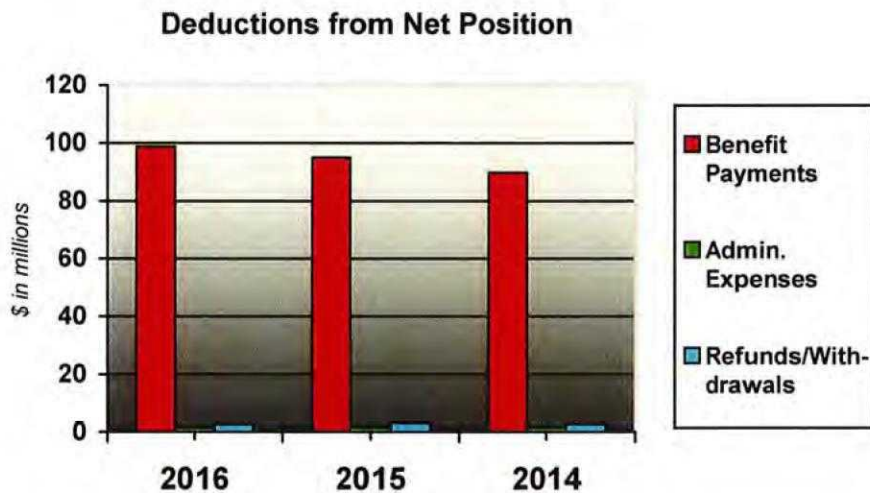
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Net Position	2016	2015	2014	2016 Increase (Decrease)	2016 % Change
Employee Contributions	\$ 13,895,336	\$ 13,695,647	\$ 13,463,174	\$ 199,689	1.5 %
Employer Contributions	43,630,902	42,338,901	40,127,044	1,292,001	3.0
Net Investment Income	80,019,428	(10,012,523)	51,327,523	90,031,951	899.2
Other	1,343,631	1,457,940	1,534,821	(114,309)	(7.8)
Total Additions	\$ 138,889,297	\$ 47,479,965	\$ 106,452,562	\$ 91,409,332	192.5 %

Deductions from Net Position Restricted for Pensions

Deductions from the Systems' 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 2016, benefit payments to retirees, survivors, and beneficiaries totaled \$98.8 million, which represented a 4.0% increase from the \$95.0 million paid out in 2015. This was primarily due to higher pension amounts paid to more recent retirees. The normal monthly payments to pensioners continued to increase, and both the number of pensioners and the average monthly pension payments increased. The Board of Trustees was pleased to pay the tenth consecutive Supplemental Benefit Payment of \$1.3 million to qualifying retirees. The 2016 administrative expenses decreased to \$1.60 million from \$1.63 million in 2015 representing a decrease of 2.2%. The decrease resulted from reduced professional fees from attorneys and actuaries, due to less litigation and fewer actuarial special studies. And finally, refunds and withdrawals of member contributions decreased by 14.0%, totaling \$2.7 million in 2016, as compared to \$3.1 million in 2015.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Net Position	2016	2015	2014	2016 Increase (Decrease)	2016 % Change
Benefit Payments	\$ 98,761,809	\$ 94,971,379	\$ 89,805,233	\$ 3,790,430	4.0 %
Refunds & Withdrawals	2,655,064	3,088,270	2,823,522	(433,206)	(14.0)
Administrative Expense	1,595,106	1,631,664	1,721,986	(36,558)	(2.2)
Total Deductions	\$ 103,011,979	\$ 99,691,313	\$ 94,350,741	\$ 3,320,666	3.3 %

Net Increase (Decrease) in Net Position (Total Additions less Total Deductions)	\$ 35,877,318	\$ (52,211,348)	\$ 12,101,821	\$ 88,088,666	168.7 %
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Investments

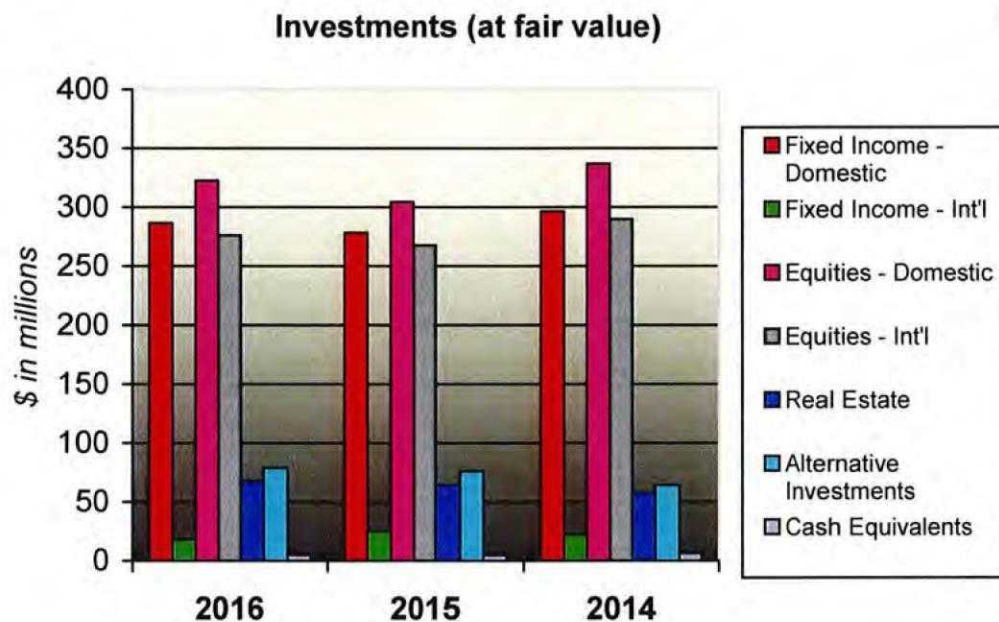
The System's investments were bolstered by strong investment markets in 2016. The fair value of investments totaled \$1.055 billion at December 31, 2016 as compared to \$1.021 billion at December 31, 2015, which represented an increase of \$34.1 million or 3.3%. Equities in both domestic and international markets came back strongly from 2015 with returns of 12.4% and 9.1% respectively. Domestic fixed income also contributed to the positive returns, generating a positive gain of 5.2%. Real estate, which has been a consistent performer since the 2008 correction, continued to perform impressively by returning 9.4%. Hedge fund of funds disappointed as the only negative performer in the strong market with a return of -1.9%. At the recommendation of the investment consultant, CPERS continued to add to its stable of private equity managers with its fourth commitment to the asset class. Further diversification of the portfolio can be expected to mitigate, but not eliminate risk. CPERS' investment return of 8.55% exceeded the expected 7.25% target, and also outperformed the Total Fund Policy Index by 132 basis points, indicating that the active management by the investment managers contributed positively to the performance. 2016 investment expenses decreased 11.9% from the prior year. 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 few 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:

	2016 %	2015 %	2014 %
US Equity Composite	12.43	1.27	12.91
International Equity Composite	9.12	(2.38)	(3.25)
Fixed Income Composite	5.24	(0.14)	5.29
Real Estate Composite	9.35	15.71	13.16
Hedge Funds Composite	(1.91)	5.81	7.83
Private Equity	11.87	19.28	17.95
Cash Composite	0.22	0.01	0.05
Master Limited Partnerships	20.24	(30.07)	N/A
Total Fund Composite	8.55	(0.51)	5.28

**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)	2016	2015	2014	2016 Increase (Decrease)	2016 % Change
Fixed Income - Domestic	\$ 286,684,981	\$ 278,424,005	\$ 296,467,525	\$ 8,260,976	3.0 %
Fixed Income - International	18,138,857	25,126,199	22,209,075	(6,987,342)	(27.8)
Equities - Domestic	322,465,897	304,449,133	336,848,968	18,016,764	5.9
Equities - International	276,312,517	267,689,986	289,862,337	8,622,531	3.2
Real Estate	67,579,331	64,441,591	57,892,372	3,137,740	4.9
Alternative Investments	78,802,264	76,049,768	64,226,072	2,752,496	3.6
Cash Equivalents	5,069,154	4,781,827	6,245,625	287,327	6.0
Total Investments	\$ 1,055,053,001	\$ 1,020,962,509	\$ 1,073,751,974	\$ 34,090,492	3.3 %

**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, 2016
AND COMPARATIVE COMBINED TOTALS FOR 2015**

	CPERS Trust	Police Guarantee Trust	2016 Combined Total	2015 Combined Total
Assets				
Cash	\$ 11,043,324	\$ 1,995,907	\$ 13,039,231	\$ 14,138,891
Receivables:				
Employer contributions	6,210,877	411,596	6,622,473	3,993,261
Employee contributions	622,272	1,037	623,309	615,625
Interest and dividends	17,227	427	17,654	5,739
Pending trades	3,077,879	136,800	3,214,679	3,782,243
Other	109,200	-	109,200	138,862
Total receivables	<u>10,037,455</u>	<u>549,860</u>	<u>10,587,315</u>	<u>8,535,730</u>
Investments (at fair value):				
Fixed Income – Domestic	280,935,033	5,749,948	286,684,981	278,424,005
Fixed Income – International	17,813,746	325,111	18,138,857	25,126,199
Equities – Domestic	318,580,353	3,885,544	322,465,897	304,449,133
Equities – International	273,244,881	3,067,636	276,312,517	267,689,986
Real estate investments	67,579,331	-	67,579,331	64,441,591
Alternative investments	78,033,688	768,576	78,802,264	76,049,768
Cash equivalents	4,009,468	1,059,686	5,069,154	4,781,827
Total investments	<u>1,040,196,500</u>	<u>14,856,501</u>	<u>1,055,053,001</u>	<u>1,020,962,509</u>
Properties at cost, net of accumulated depreciation of \$741,251 and \$735,297, respectively	<u>564,262</u>	<u>-</u>	<u>564,262</u>	<u>565,317</u>
Total Assets	<u>1,061,841,541</u>	<u>17,402,268</u>	<u>1,079,243,809</u>	<u>1,044,202,447</u>
Liabilities				
Accrued expenses and benefits	889,224	138,119	1,027,343	1,186,007
Pending trades payable	586,617	-	586,617	1,263,909
Total Liabilities	<u>1,475,841</u>	<u>138,119</u>	<u>1,613,960</u>	<u>2,449,916</u>
Net position restricted for pensions	<u>\$ 1,060,365,700</u>	<u>\$ 17,264,149</u>	<u>\$ 1,077,629,849</u>	<u>\$ 1,041,752,531</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, 2016 AND
COMPARATIVE COMBINED TOTALS FOR 2015**

	CPERS Trust	Police Guarantee Trust	2016 Combined Total	2015 Combined Total
Additions:				
Contributions:				
Employee	\$ 13,831,480	\$ 63,856	\$ 13,895,336	\$ 13,695,647
Employer	43,049,895	581,007	43,630,902	42,338,901
Severance contributions from employee	1,343,631	-	1,343,631	1,457,940
Total contributions	<u>58,225,006</u>	<u>644,863</u>	<u>58,869,869</u>	<u>57,492,488</u>
Investment income:				
Net appreciation in fair value of investments	84,733,399	1,080,457	85,813,856	(3,308,325)
Interest and Dividends	428,071	13,218	441,289	373,075
	<u>85,161,470</u>	<u>1,093,675</u>	<u>86,255,145</u>	<u>(2,935,250)</u>
Less investment expenses	6,116,631	119,086	6,235,717	7,077,273
Net investment income	<u>79,044,839</u>	<u>974,589</u>	<u>80,019,428</u>	<u>(10,012,523)</u>
Total additions	<u>137,269,845</u>	<u>1,619,452</u>	<u>138,889,297</u>	<u>47,479,965</u>
Deductions:				
Benefit payments	96,110,412	2,651,397	98,761,809	94,971,379
Refunds and withdrawals	2,655,064	-	2,655,064	3,088,270
Administrative expenses	1,325,596	269,510	1,595,106	1,631,664
Total deductions	<u>100,091,072</u>	<u>2,920,907</u>	<u>103,011,979</u>	<u>99,691,313</u>
Net increase (decrease) in net position	37,178,773	(1,301,455)	35,877,318	(52,211,348)
Net position restricted for pensions				
Beginning of year	<u>1,023,186,927</u>	<u>18,565,604</u>	<u>1,041,752,531</u>	<u>1,093,963,879</u>
End of year	<u>\$ 1,060,365,700</u>	<u>\$ 17,264,149</u>	<u>\$ 1,077,629,849</u>	<u>\$ 1,041,752,531</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, 2016 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.

Beginning with the 2016 reporting, the System added GASB 72 Fair Value Measurement disclosures. The System also complies 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. The Retirement System itself has no component units as defined under GASB 14 as amended by GASB 61. 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 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 with a percentage of indirect expenses at the rate of 16.3% for 2016, and 19.0% for 2015, 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, 2016 and 2015, membership in the Retirement System for CPERS and the PGT consisted of:

Inactive - CPERS:	<u>2016</u>	<u>2015</u>
Retirees and beneficiaries currently receiving benefits	3,304	3,257
Vested terminated employees	19	20
Deferred retirees	<u>357</u>	<u>341</u>
Total inactive	<u>3,680</u>	<u>3,618</u>
Active - CPERS:		
Fully vested	1,164	1,167
Nonvested	<u>1,898</u>	<u>1,971</u>
Total active	<u>3,062</u>	<u>3,138</u>
Total CPERS Membership	<u>6,742</u>	<u>6,756</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(I) 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>2016</u>	<u>2015</u>
Retirees and beneficiaries currently receiving benefits	17	19
Vested terminated employees	3	4
Deferred retirees	<u>49</u>	<u>52</u>
Total inactive	<u>69</u>	<u>75</u>
Active - PGT:		
Fully vested	158	174
Nonvested	<u>0</u>	<u>0</u>
Total active	<u>158</u>	<u>174</u>
Total PGT Membership	<u>227</u>	<u>249</u>

D. Benefits

An employee's benefit rights vest after he/she 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. As a cost-saving measure, certain benefits were changed affecting members whose most recent hire date was September 1, 2015 or later. The service requirements and benefits granted for each category and by hire date, for NPS (non-public safety members) and PS (public safety members) are shown below.

	Members hired before 9/1/2015	Members hired on or after 9/1/2015
Full retirement benefits	25 years' service, any age	25 years' service, age 55 NPS or age 50 PS
Formula	3% of avg. comp. times number of years of service	3% of avg. comp. times number of years of service
Minimum eligibility benefits	20 years' service, any age, or 10 years at age 55	20 years' service, any age, or 10 years at age 60 NPS, or age 55 PS
Formula	2.5% of avg. comp. times number of years of service	2.5% of avg. comp. times number of years of service
Average compensation	Highest successive 36 months	Highest successive 60 months
Early retirement	20 years' service, 3% penalty for each year below age 55	20 years' service, actuarially reduced benefit below age 55 NPS, or age 50 PS
Disability retirement:		
Service connected	50% of avg. comp. plus 1.5% for each service year above 10 years	50% of avg. comp. plus 1.5% for each service year above 10 years
Ordinary	10 years' service, 50% of avg. comp, or 2.5% times number of years of service, whichever is greater	10 years' service, 50% of avg. comp, or 2.5% times number of years of service, whichever is greater

**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

Continued	Members hired before 9/1/2015	Members hired on or after 9/1/2015
Survivor benefits		
Service Allowance	Automatic 50% J&S benefit, or member can purchase additional survivor benefits by actuarial benefit reduction	All survivor benefits must be purchased by actuarial benefit reduction
Service-connected disability	Automatic 50% J&S benefit.	All survivor benefits must be purchased by actuarial benefit reduction
Ordinary disability	No survivor benefits provided	No survivor benefits provided
Member with 20 or more years of service	100% J&S benefit, based on member's benefit	100% J&S benefit, based on member's benefit
Member with less than 20 years of service, not retirement eligible	\$600/month benefit until earlier of death or remarriage, plus \$150/month per child under age 18 (limit \$300/month)	\$600/month benefit until earlier of death or remarriage, plus \$150/month per child under age 18 (limit \$300/month)

The System has no true cost of living benefit, but did implement the Supplemental Benefit Payment (SBP) in 2006, which is a non-guaranteed lump sum payment to qualifying retirees, and which must be declared for payment by the Board each year. Funding comes from CPERS' share of an ad-valorem tax, 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 members who are eligible for retirement, but have chosen to continue employment for up to a maximum of five years. 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 eligibility requirements and benefits are shown on the following page and may vary for non-public safety (NPS) and public safety (PS) members.

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

E. DROP, Continued

	Members hired before 9/1/2015	Members hired on or after 9/1/2015
5-Year DROP Eligibility	25 years' service, any age	25 years' service, age 55 NPS, or age 50 PS
3-Year DROP Eligibility	=>10 < 25 years' service, age 55	=>10 < 25 years' service, age 60 NPS, or age 55 PS

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, 2016 were \$217,056,218 and \$23,023,195. For December 31, 2015, the DROP accounts for the CPERS and PGT trusts totaled \$203,241,944 and \$21,836,366 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2016 totaled 1,534 and 169. For December 31, 2015, 1,488 and 164 members maintained DROP accounts in the two trusts respectively.

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 2016 and 2015, 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 2016 and 2015, the City General Fund employer rates were 26.60% and 25.81% respectively, while the non-general fund and other employer rates were 31.37% and 30.57% 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. Included in the financial statement employer contributions amounts are non-employer amounts received each year by CPERS for its share of East Baton Rouge Parish ad-valorem taxes. The amounts totaled \$1,045,915 for 2016 and \$1,033,486 for 2015.

(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 2016, with combined totals for 2015 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.

**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

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.

The System adopted GASB Statement No. 72, *Fair Value Measurement and Application* during 2016. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value guidance, and enhancing disclosures about fair value measurements.

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 \$5,954 and \$6,407 for years ended December 31, 2016 and December 31, 2015 respectively.

(3) CASH AND INVESTMENTS

A. Deposit and Investment Risk Disclosures

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

**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

A. Deposit and Investment Risk Disclosures, Continued

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.

At December 31, 2016, the carrying amount of the Retirement System's demand deposit accounts plus amounts held in trust accounts classified as cash was \$13,039,231 and the bank balance was \$13,385,130, 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, 2015, the carrying amount of the Retirement System's cash book balance was \$14,138,891 and the bank balance was \$14,569,293, 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)

**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

Equity Investments – US and Foreign Common and Preferred Stocks, Convertible Bonds, American Depositary Receipts (ADR's), Equity Real Estate, and 144a Securities

Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, and 144a Securities
Real Assets, Private Markets, and 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, 2016, the Retirement Board had committed, but only partially funded, a 5% allocation to three private equity funds, which fall in the category of Private Markets.

Equity securities shall not exceed 5% of cost and 7% of fair value in any one company, and fixed income shall not exceed 2.5% of cost and 3% of fair 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% or more of the assets held in trust for pension benefits, and no single company's securities shall represent more than 5% of the cost basis or 7% of the fair value of any manager's portfolio.

There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2016 and 2015, 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, 2016 and December 31, 2015 are shown in the table on the following page.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Investment Type	Fair Value @ 12/31/2016	Fair Value @ 12/31/2015
Domestic Equities - Active Separate Accounts	\$ 71,986,780	\$ 61,310,617
Domestic Equities - Pooled Funds	250,476,121	243,138,516
Domestic Fixed Income - Pooled Funds	236,668,342	228,504,978
Emerging Markets Equities	73,888,325	71,367,975
Equity Real Estate Fund	67,579,331	64,441,591
Hedge Fund of Funds	53,334,415	56,916,580
International Fixed Income	18,138,857	25,126,199
International Equity - Pooled Funds	202,424,191	196,322,011
Private Equity	25,467,849	19,133,188
Short-Term Investment Fund/Cash Equivalents	5,069,154	4,781,827
United States Treasury Inflation-Protected Securities	50,013,571	49,915,172
Other Securities Held in Trust	6,065	3,855
Total	\$ 1,055,053,001	\$ 1,020,962,509

E. Fair Value Disclosures

CPERS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and as set forth in GASB 72 *Fair Value Measurement and Application*. The System has recurring fair value measurements as of December 31, 2016 and December 31, 2015, respectively as shown in the table on the following page.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

	December 31, 2016	Fair Value Quoted Prices in Active Markets (Level 1)	Measurements Using Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Small Cap Growth	\$ 28,315,124	\$ 28,315,124		
Master Limited Partnership	43,671,656	43,671,656		
Other	6,065		\$ 3,068	\$ 2,997
Total Investments at Fair Value Level	\$ 71,992,845	\$ 71,986,780	\$ 3,068	\$ 2,997
Investments Measured at NAV:				
Commingled Funds:				
Fixed Income - Domestic	\$ 286,681,913			
Fixed Income - International	18,138,857			
Domestic Equity - Large Cap	219,061,033			
- Small Cap	31,415,087			
International Equity - Large Cap	108,505,510			
- Small Cap	93,918,682			
Emerging Markets Equity	73,888,325			
Real Estate	67,579,331			
Hedge Fund of Funds	53,334,415			
Private Equity	25,467,849			
Total Investments at NAV	\$ 977,991,002			
Total Investments at Fair Value	\$ 1,049,983,847			

**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. Fair Value Disclosures, Continued

	December 31, 2015	Fair Value Quoted Prices in Active Markets (Level 1)	Measurements Using Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Small Cap Growth	\$ 26,171,557	\$ 26,171,557		
Master Limited Partnership	35,134,013	35,134,013		
Other	8,902		\$ 3,855	\$ 5,047
Total Investments at Fair Value Level	\$ 61,314,472	\$ 61,305,570	\$ 3,855	\$ 5,047
Investments Measured at NAV:				
Commingled Funds:				
Fixed Income - Domestic	\$ 278,420,150			
Fixed Income - International	25,126,199			
Domestic Equity - Large Cap	217,353,596			
- Small Cap	25,784,920			
International Equity - Large Cap	108,082,953			
- Small Cap	88,239,058			
Emerging Markets Equity	71,367,975			
Real Estate	64,441,591			
Hedge Fund of Funds	56,916,580			
Private Equity	19,133,188			
Total Investments at NAV	\$ 954,866,210			
Total Investments at Fair Value	\$ 1,016,180,682			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2016 are presented in the table on the following page:

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

	Fair Value December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Fixed Income - Domestic	\$ 286,681,913	\$ --	Daily	2 – 15 Days
- International	18,138,857	--	Daily	2 – 15 Days
Domestic Equity - Large Cap	219,061,033	--	Daily	2 – 4 Days
- Small Cap	31,415,087	--	Daily	5 Days
International Equity - Large Cap	108,505,510	--	Monthly	2 – 10 Days
- Small Cap	93,918,682	--	Monthly	30 Days
Emerging Markets Equity	73,888,325	--	Monthly	30 Days
Real Estate	67,579,331	--	Quarterly	90 Days
Hedge Fund of Funds	53,334,415	--	Quarterly	65 Days
Private Equity	25,467,849	31,605,355	N/A	N/A
Total Investments at NAV	\$ 977,991,002			

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2015 is presented in the following table:

	Fair Value December 31, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Fixed Income - Domestic	\$ 278,420,150	\$ --	Daily	2 – 15 Days
- International	25,126,199	--	Daily	2 – 15 Days
Domestic Equity - Large Cap	217,353,596	--	Daily	2 – 4 Days
- Small Cap	25,784,920	--	Daily	5 Days
International Equity - Large Cap	108,082,953	--	Monthly	2 – 10 Days
- Small Cap	88,239,058	--	Monthly	30 Days
Emerging Markets Equity	71,367,975	--	Monthly	30 Days
Real Estate	64,441,591	--	Quarterly	90 Days
Hedge Fund of Funds	56,916,580	--	Quarterly	65 Days
Private Equity	19,133,188	29,861,715	N/A	N/A
Total Investments at NAV	\$ 954,866,210			

Fixed Income

This investment type includes several commingled funds that invest within agreed upon guidelines to maximize returns, but with processes designed to limit risk. Strategies ranked by risk include Treasury Inflation Protected Securities (TIPS), core bonds, core-plus bonds, and an unconstrained fund. The core-plus and unconstrained funds have the ability to invest in below investment grade and international fixed income securities to enhance performance. With the exception of TIPS, each fund seeks diversification with multiple sources of return. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

**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. Fair Value Disclosures, Continued

Domestic Equity

These investment commingled funds include both large capitalization and small capitalization strategies for diversification purposes. The underlying indices they operate around include the Russell 1000 Index, the S&P 500 Enhanced Index, the Russell 2000 Value Index, and the Russell 2000 Growth Index. The S&P 500 fund is an actively managed quantitative strategy commingled fund, while the other funds are true index funds. The System uses these funds to gain exposure to the broad domestic equity markets, but without the higher fees of active management, since there are fewer inefficiencies inherent in large capitalization stocks. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

International Equity

These investments are commingled funds consisting of an international equity large cap value fund, an international equity large cap growth fund, and an international equity small cap fund. All three funds are actively managed, and can acquire exposure to a small percentage of emerging markets equity securities to enhance returns. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

Emerging Markets Equity

Emerging markets equity investments are comprised of two commingled funds, both of which are actively managed but with very different investment approaches. One fund operates as a long-only fund, investing in deep value emerging markets equities. The other fund purchases closed-end funds of emerging markets countries at deep discounts and sells them at target levels of appreciation. The two strategies do not closely correlate and therefore provide greater diversification in this space. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

Real Estate

The real estate investment is contained in one open-end commingled fund that seeks to maximize return in a core real estate strategy that diversifies holdings by property type (office, apartment, retail, industrial, hotel, etc.), and by geographical location within the US. The strategy concentrates on high occupancy properties for generating income, combined with the market appreciation of the properties themselves. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

Hedge Fund of Funds

The Hedge Fund of Funds commingled fund is designed to provide consistent equity-like returns in a variety of market conditions, and to protect and preserve equity in down markets. A Fund of Funds manager purchases units in approximately 40 individual underlying hedge funds which employ many different investment strategies (e.g. equity long-short, statistical arbitrage, etc.). The manager has full discretion to liquidate positions and purchase new or additional positions in various funds. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

Private Equity

The private equity exposure is comprised of several different vintage year funds made up of securities and debt in operating companies that are not publicly traded on an exchange. These funds separately employ a combination of strategies (e.g. buyout, venture capital, special situations) seeking to earn superior risk-adjusted returns. The investors in these funds commit a fixed amount of capital, which is transferred to the fund manager (General Partner) through a series of capital calls. The investors in turn receive distributions from the manager

**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. Fair Value Disclosures, Continued

as underlying investments of the funds are liquidated. The life of any one fund is anticipated to be approximately 10 years from the final close of fund raising. These funds are illiquid to the investor outside of regular distributions from the General Partner. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the System's ownership interest in partners' capital.

F. Custodial Credit Risk

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

CPERS' investments are held by its custodian separately from the custodian's assets in the name of the System, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. CPERS had no custodial credit risk as of December 31, 2016, and December 31, 2015.

G. 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, 2016 CPERS' fixed income securities were managed only in commingled or pooled accounts.

The System's 2016 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 pooled or commingled funds are shown in the table below.

Pooled Funds	Fair Value @ 12/31/2016	Rating	Fair Value @ 12/31/2015	Rating
Core Bond Domestic	\$ 82,494,093	AA-	\$ 84,142,496	AA-
Core-Plus	\$ 87,944,619	A	\$ 85,957,562	A
Absolute Return	\$ 84,368,487	A-	\$ 83,531,119	A-
TIPS	\$ 50,013,571	AA+	\$ 49,915,172	AA+

**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. 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% of fair value. At December 31, 2016 and December 31, 2015 the System had exposure of less than 5% in any single investment issuer.

I. Interest Rate Risk

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

The System does not have a formal policy relating to interest rate risk. The System's 2016 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 @ 12/31/2016	Average Duration	Fair Value @ 12/31/2015	Average Duration
Core Bond Domestic	\$ 82,494,093	5.89 years	\$ 84,142,496	5.53 years
Core-Plus	\$ 87,944,619	5.80 years	\$ 85,957,562	5.13 years
Absolute Return	\$ 84,368,487	2.49 years	\$ 83,531,119	1.11 years
TIPS	\$ 50,013,571	7.57 years	\$ 49,915,172	7.76 years

J. 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, 2016 and December 31, 2015, CPERS had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

K. 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.

**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

K. Money-Weighted Rate of Return, Continued

	CPERS Original Trust	Police Guarantee Trust
2016	8.01 %	6.87 %
2015	(0.87) %	(1.93) %

(4) ACTUARIAL – GASB 67 DISCLOSURES - CPERS

A. Net Pension Liability

	<u>12/31/2016</u>	<u>12/31/2015</u>
Total pension liability	\$ 1,654,616,109	\$ 1,599,966,548
Plan fiduciary net position	<u>(1,060,365,700)</u>	<u>(1,023,186,927)</u>
Net pension liability	\$ 594,250,409	\$ 576,779,621

Plan fiduciary net position as a percent of the total pension liability	64.09%	63.95%
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B. Actuarial Assumptions

Actuarial cost method	Entry Age Normal
Asset method	Market Value of Assets
Discount rate	7.25%
Expected long-term rate of return	7.25%
Municipal bond rate	3.78%
Inflation	2.75%
Investment rate of return, including inflation, and net of investment expenses	7.25%
Mortality rates (healthy)	RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019
Mortality rates (disabled)	RP-2000 Disabled Mortality Projected with Scale BB to 2019

Salary increases

<u>Age</u>	<u>BREC/Reg.</u>	<u>Fire/Police</u>
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%

**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

B. Actuarial Assumptions, Continued

Retirement rates

< 25 Years of Service		=>25 Years of Service	
Age 55-60	10%	25 years	20%
Age 61-63	20%	26 years	30%
Age 64	25%	27 years	40%
Age 65+	100%	28+ years	100%

Ad-hoc cost-of-living increases

None

Measurement date

December 31, 2016 with a valuation date of January 1, 2016
(The total pension liability was rolled forward from the valuation date to the System's fiscal year ending December 31, 2016 using generally accepted actuarial principles.)

Experience study

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

C. Plan Membership (as of January 1, 2016)

Inactive plan members and beneficiaries currently receiving benefits	3,598
Inactive plan members entitled to but not yet receiving benefits	20
Active plan members	<u>3,138</u>
Total plan members	<u>6,756</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 7.25%. 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, 2016 are summarized in the table on the next page:

**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

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

Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Core Fixed Income	15.0	2.00
Core-Plus Fixed Income	15.0	2.80
Large Cap Domestic Equity	19.5	5.50
Non-Large Cap Domestic Equity	3.0	5.80
International Large Cap Equity	15.0	6.00
International Small Cap Equity	2.5	6.00
Emerging Market Equity	5.0	8.00
Core Real Estate	5.0	4.80
Master Limited Partnerships	5.0	9.80
Private Equity	5.0	8.80
Risk Parity	5.0	6.30
Hedge Funds	5.0	3.80
Total	100.0	

E. Discount Rate

The Discount Rate used to measure the Total Pension Liability was 7.25%. 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 Sponsor 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.

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 746,615,235	\$ 594,250,409	\$ 466,369,251

**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

A. Net Pension Liability

	<u>12/31/2016</u>	<u>12/31/2015</u>
Total pension liability	\$ 41,009,565	\$ 37,961,347
Plan fiduciary net position	<u>(17,264,149)</u>	<u>(18,565,604)</u>
Net pension liability	\$ 23,745,416	\$ 19,395,743
Plan fiduciary net position as a percent of the total pension liability	42.10%	48.91%

B. Actuarial Assumptions

Actuarial cost method	Entry Age Normal
Asset method	Market Value of Assets
Discount rate	5.66%
Expected long-term rate of return	7.25%
Municipal bond rate	3.78%
Inflation	2.75%
Investment rate of return, including inflation, and net of investment expenses	7.25%
Mortality rates (healthy)	RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019
Mortality rates (disabled)	RP-2000 Disabled Mortality Projected with Scale BB to 2019

Salary increases

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

Retirement rates

	< 25 Years of Service	=>25 Years of Service
Age 55-60	10%	25 years 20%
Age 61-63	20%	26 years 30%
Age 64	25%	27 years 40%
Age 65+	100%	28+ years' service 100%

Ad-hoc cost-of-living increases

None

Measurement date

December 31, 2016 with a valuation date of January 1, 2016
(The total pension liability was rolled forward from the
valuation date to the System's fiscal year ending December
31, 2016 using generally accepted actuarial principles.)

**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

Experience study

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

C. Plan Membership (as of January 1, 2016)

Inactive plan members and beneficiaries currently receiving benefits	71
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>174</u>
Total plan members	<u>249</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 7.25%. 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, 2016 are summarized in the table below.

Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Core Fixed Income	21.3	2.00
Core-Plus Fixed Income	21.3	2.75
Large Cap Domestic Equity	17.3	5.50
Non-Large Cap Domestic Equity	2.7	5.75
International Large Cap Equity	13.3	6.00
International Small Cap Equity	2.2	6.00
Emerging Market Equity	4.4	8.00
Master Limited Partnerships	5.0	9.75
Risk Parity	5.0	6.25
Hedge Funds	5.0	3.75
Cash	2.5	1.00
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 5.66%. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The long-term expected rate of return of 7.25% was used to discount funded projected benefit payments and the municipal bond rate of 3.78% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 5.66%. The discount rate for the prior year ended December 31, 2015 was 6.53%.

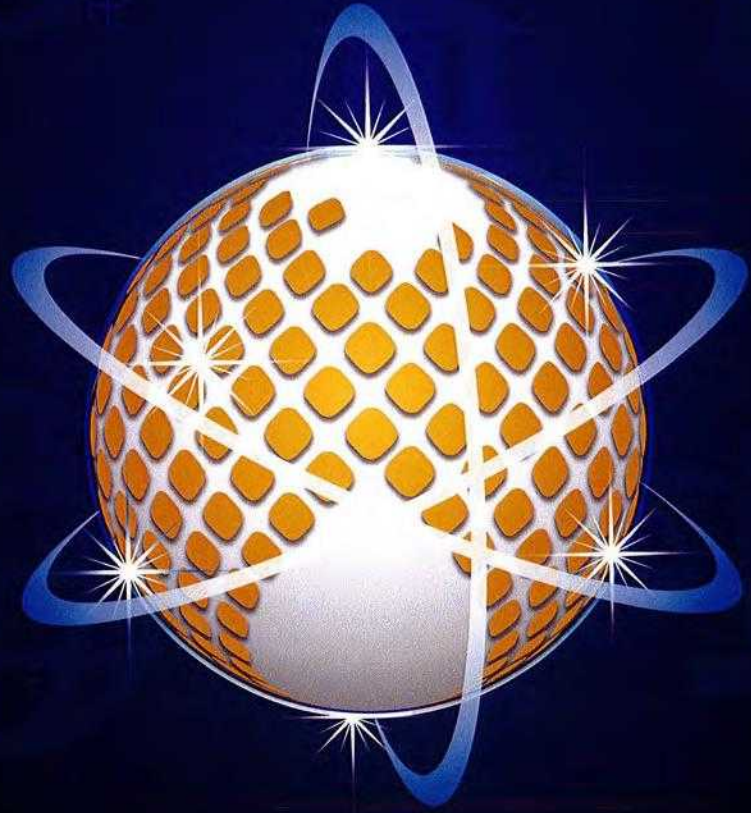
F. Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following chart presents the net pension liability, calculated using the discount rate of 5.66%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.66%) or one percentage point higher (6.66%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.66%	5.66%	6.66%
Net Pension Liability	\$ 24,208,358	\$ 23,745,416	\$ 23,313,993

(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.



Required Supplementary Information

CP
Employees'
Retirement System



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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2016***

CPERS TRUST

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 21,666,750	\$ 21,575,938	\$ 23,180,006
Interest	113,988,166	111,124,207	108,726,199
Changes of Benefit Terms	(248,311)	0	0
Differences Between Expected and Actual Experience	18,008,432	2,317,200	680,646
Changes of Assumptions	0	47,540,972	0
Benefit Payments, Including Refunds of Member Contributions	(98,765,476)	(96,206,645)	(90,949,249)
Net Change in Total Pension Liability	\$ 54,649,561	\$ 86,351,672	\$ 41,637,602
Total Pension Liability – Beginning	\$ 1,599,966,548	\$ 1,513,614,876	\$ 1,471,977,274
Total Pension Liability – Ending (a)	\$ 1,654,616,109	\$ 1,599,966,548	\$ 1,513,614,876
Plan Fiduciary Net Position			
Contributions – Employer	\$ 42,003,980	\$ 40,354,154	\$ 38,356,684
Contributions – Employee	15,175,111	15,054,222	14,907,221
Contributions – Nonemployer Contributing Member	1,045,915	1,033,486	1,006,487
Net Investment Income (Loss)	79,044,838	(9,608,883)	50,531,109
Retirement Benefits, Including Refunds of Member Contributions	(98,765,476)	(96,206,645)	(90,949,249)
Administrative Expenses	(1,325,595)	(1,318,104)	(1,388,242)
Other	0	0	0
Net Change in Plan Fiduciary Net Position	\$ 37,178,773	\$ (50,691,770)	\$ 12,464,010
Plan Fiduciary Net Position – Beginning	\$ 1,023,186,927	\$ 1,073,878,697	\$ 1,061,414,687
Plan Fiduciary Net Position – Ending (b)	\$ 1,060,365,700	\$ 1,023,186,927	\$ 1,073,878,697
Net Pension Liability – Ending (a) – (b)	\$ 594,250,409	\$ 576,779,621	\$ 439,736,179
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.09%	63.95%	70.95%
Covered Employee Payroll	\$ 136,334,630	\$ 135,556,888	\$ 137,789,518
Net Pension Liability as a Percentage of Covered Employee Payroll	435.88%	425.49%	319.14%

*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, 2016***

POLICE GUARANTEE TRUST

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 477,571	\$ 454,961	\$ 437,310
Interest	2,423,493	2,338,200	2,565,879
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual Experience	2,243,050	1,721,888	0
Changes of Assumptions	555,501	(979,283)	340,742
Benefit Payments, Including Refunds of Member Contributions	<u>(2,651,397)</u>	<u>(1,853,004)</u>	<u>(1,679,506)</u>
Net Change in Total Pension Liability	\$ 3,048,218	\$ 1,682,762	\$ 1,664,425
Total Pension Liability - Beginning	\$ 37,961,347	\$ 36,278,585	\$ 34,614,160
Total Pension Liability - Ending (a)	\$ 41,009,565	\$ 37,961,347	\$ 36,278,585
Plan Fiduciary Net Position			
Contributions - Employer	\$ 581,006	\$ 951,261	\$ 763,873
Contributions - Employee	63,856	99,365	90,774
Contributions - Nonemployer Contributing Member	0	0	0
Net Investment Income (Loss)	974,590	(403,640)	796,414
Retirement Benefits, Including Refunds of Member Contributions	(2,651,397)	(1,853,004)	(1,679,506)
Administrative Expenses	(269,510)	(313,560)	(333,744)
Other	0	0	0
Net Change in Plan Fiduciary Net Position	\$ (1,301,455)	\$ (1,519,578)	\$ (362,189)
Plan Fiduciary Net Position - Beginning	\$ 18,565,604	\$ 20,085,182	\$ 20,447,371
Plan Fiduciary Net Position - Ending (b)	\$ 17,264,149	\$ 18,565,604	\$ 20,085,182
Net Pension Liability - Ending (a) - (b)	\$ 23,745,416	\$ 19,395,743	\$ 16,193,403
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.10%	48.91%	55.36%
Covered Employee Payroll	\$ 13,271,888	\$ 14,066,159	\$ 14,282,440
Net Pension Liability as a Percentage of Covered Employee Payroll	178.92%	137.89%	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

	2016	2015	2014	2013
Total Pension Liability	\$ 1,654,616,109	\$ 1,599,966,548	\$ 1,513,614,876	\$ 1,471,977,274
Plan Fiduciary Net Position	<u>1,060,365,700</u>	<u>1,023,186,927</u>	<u>1,073,878,697</u>	<u>1,061,414,687</u>
Employers' Net Pension Liability	\$ 594,250,409	\$ 576,779,621	\$ 439,736,179	\$ 410,562,587
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.09%	63.95%	70.95%	72.11%
Covered Employee Payroll	\$ 136,334,630	\$ 135,556,888	\$ 137,789,518	\$ 137,426,654
Employers' Net Pension Liability as a Percentage of Covered Employee Payroll	435.88%	425.49%	319.14%	298.75%

POLICE GUARANTEE TRUST

	2016	2015	2014	2013
Total Pension Liability	\$ 41,009,565	\$ 37,961,347	\$ 36,278,585	\$ 34,614,160
Plan Fiduciary Net Position	<u>17,264,149</u>	<u>18,565,604</u>	<u>20,085,182</u>	<u>20,447,371</u>
Employers' Net Pension Liability	\$ 23,745,416	\$ 19,395,743	\$ 16,193,403	\$ 14,166,789
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.10%	48.91%	55.36%	59.07%
Covered Employee Payroll	\$ 13,271,888	\$ 14,066,159	\$ 14,282,440	\$ 15,428,420
Employers' Net Pension Liability as a Percentage of Covered Employee Payroll	178.92%	137.89%	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

<u>Fiscal Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2016	7.89%
2015	(.87)%
2014	4.93%

POLICE GUARANTEE TRUST

<u>Fiscal Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2016	5.59%
2015	(1.93)%
2014	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
	\$	\$	\$	\$	
12/31/07	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	39,363,171	(647,901)	137,789,518	28.57%
12/31/15	39,173,320	41,387,640	(2,214,320)	135,556,888	30.53%
12/31/16	41,887,796	43,049,895	(1,162,099)	136,334,630	31.58%

*Includes East Baton Rouge Parish ad-valorem tax contribution and DROP Severance Contribution

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

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
	\$	\$	\$	\$	
12/31/07	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%
12/31/15	3,029,216	951,261	2,077,955	14,066,159	6.76%
12/31/16	2,752,642	581,006	2,171,636	13,271,888	4.38%

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

*The Police Guarantee Trust used the Aggregate actuarial cost method for funding purposes prior to 2016. In 2016, the cost method was changed to Entry Age Normal. See page 118 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, 2016, 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, 2016
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	28 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

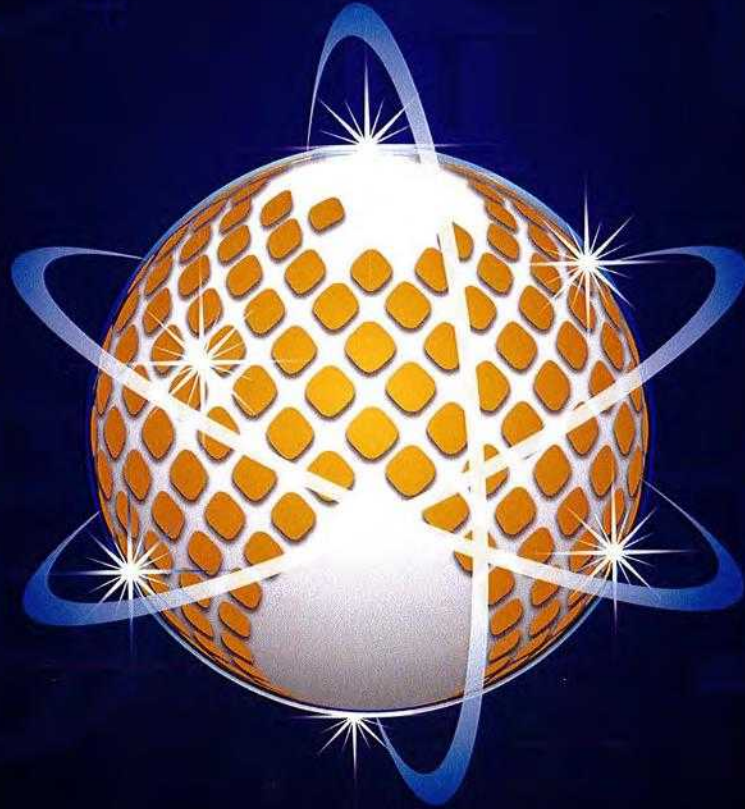
POLICE GUARANTEE TRUST

Valuation date	December 31, 2016
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability effective January 1, 2016. Prior to 2016, the Aggregate actuarial cost method was used.
Amortization method	15-year open period amortization method.
Remaining amortization period	15 years
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Expected Value Method 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%



Supporting Schedules





**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2016 Combined Total</u>	<u>2015 Combined Total</u>
Salaries:				
Salaries - regular	\$ 666,310	\$ 129,753	\$ 796,063	\$ 770,396
Other compensation – student interns	17,380	3,384	20,764	20,596
Other compensation – auto allowance	8,067	1,571	9,638	9,637
Related benefits	<u>305,262</u>	<u>59,447</u>	<u>364,709</u>	<u>382,802</u>
Total salaries	<u>997,019</u>	<u>194,155</u>	<u>1,191,174</u>	<u>1,183,431</u>
Travel and training expenses	<u>6,073</u>	<u>1,183</u>	<u>7,256</u>	<u>10,849</u>
Operating services:				
Dues and memberships	2,273	442	2,715	3,675
Utilities	9,307	1,813	11,120	10,789
Custodial and extermination	12,546	2,443	14,989	14,990
Printing and binding	7,179	253	7,432	6,081
Telephone	5,358	1,043	6,401	3,790
Postage	25,564	4,978	30,542	28,220
Insurance	14,367	2,798	17,165	18,462
Rentals – office equipment	7,521	1,465	8,986	6,805
Repairs and maintenance - buildings	17,727	3,452	21,179	74,219
Repairs and maintenance - office equipment	<u>3,252</u>	<u>487</u>	<u>3,739</u>	<u>5,109</u>
Total operating services	<u>105,094</u>	<u>19,174</u>	<u>124,268</u>	<u>172,140</u>
Supplies	<u>22,723</u>	<u>4,278</u>	<u>27,001</u>	<u>14,274</u>
Professional services:				
Accounting and auditing	39,339	7,661	47,000	31,000
Legal	31,578	9,388	40,966	49,182
Actuarial	61,924	23,555	85,479	101,718
Other professional	<u>62,986</u>	<u>10,116</u>	<u>73,102</u>	<u>69,293</u>
Total professional services	<u>195,827</u>	<u>50,720</u>	<u>246,547</u>	<u>251,193</u>
Depreciation expense	<u>5,954</u>	--	<u>5,954</u>	<u>6,407</u>
Capital outlay	--	--	--	--
Other expenses (revenues)	<u>(7,094)</u>	--	<u>(7,094)</u>	<u>(6,630)</u>
Total administrative expenses	<u>\$ 1,325,596</u>	<u>\$ 269,510</u>	<u>\$ 1,595,106</u>	<u>\$ 1,631,664</u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2016 Combined Total</u>	<u>2015 Combined Total</u>
Fixed Income:				
Fixed Income - Domestic	\$ 841,657	\$ 21,418	\$ 863,075	\$ 837,440
Fixed Income - International	<u>88,888</u>	<u>1,887</u>	<u>90,775</u>	<u>136,730</u>
Total Fixed Income	<u>930,545</u>	<u>23,305</u>	<u>953,850</u>	<u>974,170</u>
Equity Securities:				
Equities - Domestic	1,125,752	11,505	1,137,257	1,230,533
Equities - International	<u>2,120,059</u>	<u>26,437</u>	<u>2,146,496</u>	<u>2,275,597</u>
Total Equity Securities	<u>3,245,811</u>	<u>37,942</u>	<u>3,283,753</u>	<u>3,506,130</u>
Alternative Investments:				
Hedge Fund of Funds	543,892	8,486	552,378	931,372
Real Estate Investments	617,240	--	617,240	567,555
Private Equity	<u>512,297</u>	<u>--</u>	<u>512,297</u>	<u>770,080</u>
Total Alternative Investments	<u>1,673,429</u>	<u>8,486</u>	<u>1,681,915</u>	<u>2,269,007</u>
Custodian Fees	<u>116,186</u>	<u>20,013</u>	<u>136,199</u>	<u>147,966</u>
Advisor Fees	<u>150,660</u>	<u>29,340</u>	<u>180,000</u>	<u>180,000</u>
Total Investment Expenses	<u>\$ 6,116,631</u>	<u>\$ 119,086</u>	<u>\$ 6,235,717</u>	<u>\$ 7,077,273</u>

See accompanying independent auditors' report.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2016 Combined Total</u>	<u>2015 Combined Total</u>
Accounting and Auditing	\$ 39,339	\$ 7,661	\$ 47,000	\$ 31,000
Auditors - Postlethwaite & Netterville				
Legal	31,578	9,388	40,966	49,182
Legal Counsel - Akers & Wisbar LLC				
Klausner & Kaufman				
Strasburger & Price LLC				
Actuarial	61,924	23,555	85,479	101,718
Actuary - Nyhart				
Other Professionals:	62,986	10,116	73,102	69,293
Medical Examiner - D. J. Scimeca, Jr. , M.D.				
Computer Consultant - Relational Systems Consultants				
Cost Allocation Services- MGT of America Inc				
Web Design Services- Velocity Squared LLC				
Total	\$ <u>195,827</u>	\$ <u>50,720</u>	\$ <u>246,547</u>	\$ <u>251,193</u>

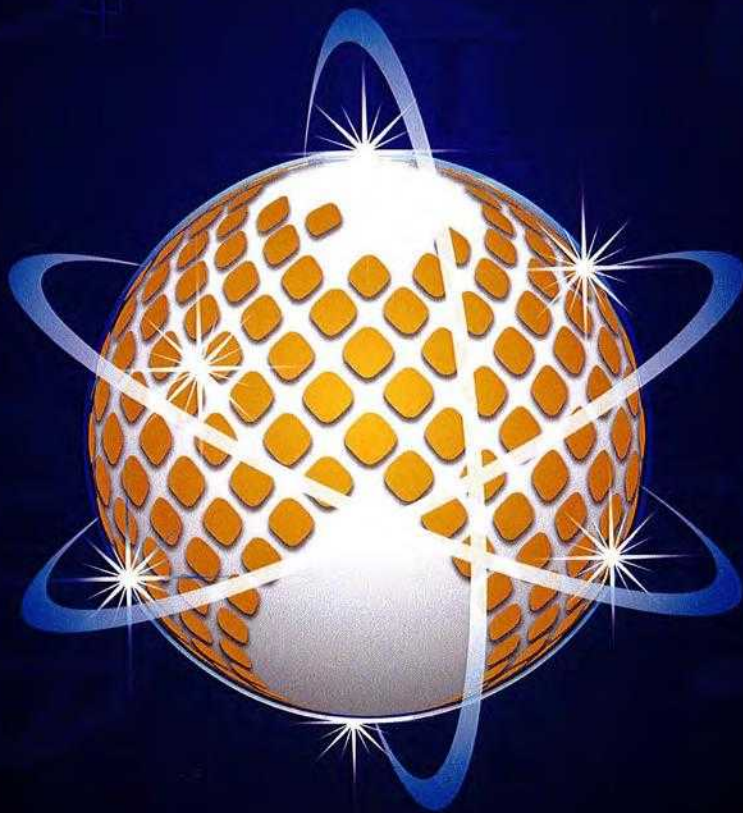
A schedule of brokerage commissions paid is shown on page 89.

See accompanying independent auditors' report.

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO RETIREMENT ADMINISTRATOR
FOR THE YEAR ENDED 2016**

Agency Head Name: Jeffrey R. Yates

<u>Purpose</u>	<u>Amount</u>
Salary	\$81,260
Benefits-insurance	\$9,728
Benefits-retirement	-
Benefits-other	-
Car allowance	\$4,800
Vehicle provided by government	-
Per diem-due diligence visits	-
Reimbursements	\$1,292
Travel-due diligence visits	\$1,145
Registration fees	-
Conference travel	-
Continuing professional education fees	\$481
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$98,706</u>



Investment Section



CP
Employees'
Retirement System





Summit Strategies Group

March 15, 2017

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

2016 saw continued economic and employment improvement despite increased equity market volatility to kick off the year. A volatile start to the year saw equity markets decline more than 10% in response to resurfacing recessionary fears, uncertainty around global monetary policy, and concerns around China's currency and growth outlook. Halfway through the first quarter, positive economic data releases started being reported along with a more accommodative tone from the US Federal Reserve. This led markets towards recovery to end a tumultuous quarter mostly flat. In the second quarter, despite the surprising result of the UK referendum to exit the European Union at the end of June, global equity market indices ended the quarter with modest gains. Global economic growth remained slow and steady during the third quarter. Following the Brexit vote at the end of June, financial markets showed resiliency due in part to increased monetary policy accommodation from central banks throughout the world. This and expectations that the Federal Reserve would not raise interest rates as soon as previously anticipated as well as signs of further stabilization in emerging markets helped risk assets move higher for the quarter. The fourth quarter market performance was driven by the mostly unexpected election of Donald Trump as the 45th President of the United States, as investors adjusted to likely policy changes. US equities gained, and bond yields increased, with surveys following the election showing increased expectations for future demand and economic activity. Also during the quarter, the Federal Reserve increased interest rates at its December meeting by 25 basis points. Continued progress in the labor market and increasing consumer and business confidence contributed to the case for the second rate hike since the financial crisis.

The S&P 500 finished the year with a return of 12.0%. Small cap stocks, represented by the Russell 2000 Index, led the way with a return of 21.3%. Much of this came on the results of the US Presidential Election and investor outlook for US growth. On the non-U.S. side, stocks in the EAFE (Europe, Asia, and the Far East) Index (Net) turned in a 1.0% return for the year, while the MSCI Emerging Markets Index (Net) posted an 11.2% return, just shy of the US stock market performance over the year. In the bond and credit markets, the Bloomberg Barclays US Aggregate Index generated a 2.7% return, while the Bloomberg Barclays US Corporate High Yield Index returned 17.1%. Outperforming even US equities for 2016. US Treasuries generated a 1.0% return. By the end of the year, the yield curve had widened, leading to a spread of 186 bps between 2- and 30- year Treasuries as markets priced in the Fed's rate hike and potential inflationary effects of new US economic policies. It was a strong market for risk assets in 2016, led by MLPs as the Alerian MLP Index returning 18.3%.

On December 31, 2016, the CPERS portfolio had a fair value of \$1,041.9 million. Assets in the Police Guarantee Trust totaled \$14.9 million. For the 12-month period, CPERS returned 8.6% and outperformed its Policy Index by 1.3%. For the trailing three years the fund is up an annualized 4.4%, and over the last five years, the fund has returned 8.4% on an annualized basis. The fund outperformed its policy benchmark by 1.3% annualized over both

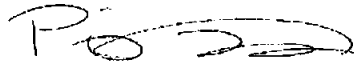
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Board of Trustees
March 15, 2017
Page 2

the last three and five years. Over these same 1-, 3-, and 5-year periods, the Police Guarantee Trust earned returns of 7.4%, 3.4%, and 7.0%, respectively. The PGT has outperformed its Policy Index over each of these time periods. All calculations were prepared using a time-weighted rate of return based on fair values at December 31, 2016. The two portfolios are invested similarly, but the funds' respective sizes dictate implementation differences, resulting in some return differences between the two.

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,

A handwritten signature in black ink, appearing to read "Phineas W. Troy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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	40%	45%	50%
US		22.5%	
Non-US		22.5%	
Private Markets	0%	5%	10%
Public Fixed Income	25%	30%	35%
Hedge Funds	0%	5%	10%
Risk Parity	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	22.5%	Russell 3000
Non-US Equities	22.5%	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
Risk Parity	5%	60% MSCI World/40% Citigroup WGBI
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
Risk Parity	Actively managed	60% MSCI World/40% Citigroup WGBI
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.

Permissible Investments

The Board recognizes that a prudent level of risk is necessary in order to allow the fund the opportunity to achieve satisfactory long-term results consistent with its objectives.

The fund will be invested in a manner consistent with all applicable local and State laws. Investments may not be made in any investment that is prohibited by the Internal Revenue Service, the Department of Labor or statutory restrictions. CPERS' assets may be held in separate accounts, commingled vehicles or limited partnership investment structures. Commingled vehicles including, mutual funds, exchange-traded funds, collective trusts and/ or limited partnerships are by necessity governed by the prospectus or offering 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.

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.

Investments in various Hedge Fund strategies 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.

The System may invest in funds that employ a Risk-Parity strategy which improves the risk-adjusted returns of the overall portfolio by reducing market risk, providing low correlation with traditional asset classes and providing consistently positive nominal returns.

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;

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;
- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board);
- 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.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Diversification

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

Style Adherence

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

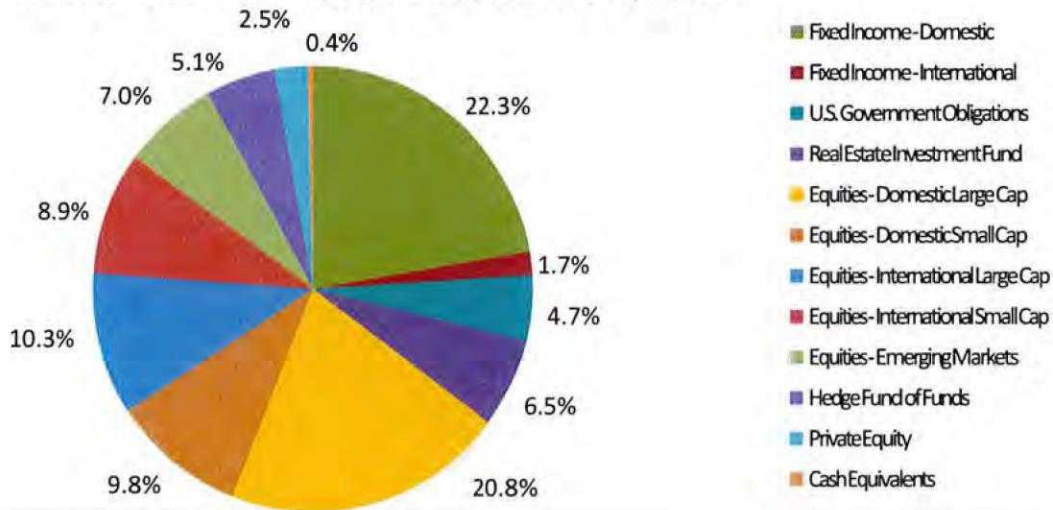
Because of the complexities and lack of public information in the area of terrorism, CPERS must rely upon federal agencies such as the Securities and Exchange Commission and the State, Commerce, Justice and Treasury Departments to provide factual information to act upon. To date this information has 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, 2016 AND 2015**

CPERS TRUST

Type of Investment:	December 31, 2016		December 31, 2015	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income – Domestic	\$ 231,621,974	22.3%	\$ 222,887,457	22.2%
Fixed Income - International	17,813,746	1.7%	24,610,440	2.4%
U.S. Government Obligations	49,313,059	4.7%	49,129,749	4.9%
Equities:				
Equities – Domestic Large Cap	216,554,759	20.8%	214,601,333	21.4%
Equities – Domestic Small Cap	102,025,594	9.8%	85,856,363	8.5%
Equities – International Large Cap	107,263,103	10.3%	106,657,856	10.6%
Equities – International Small Cap	93,002,274	8.9%	87,263,564	8.7%
Equities – Emerging Markets	72,979,504	7.0%	70,337,963	7.0%
Alternative Investments:				
Hedge Fund of Funds	52,565,839	5.1%	56,011,148	5.6%
Real Estate Investment Fund	67,579,331	6.5%	64,441,591	6.4%
Private Equity	25,467,849	2.5%	19,133,188	1.9%
Cash Equivalents	<u>4,009,468</u>	<u>0.4%</u>	<u>4,156,610</u>	<u>0.4%</u>
Total Investments	<u>\$ 1,040,196,500</u>	<u>100.0%</u>	<u>\$ 1,005,087,262</u>	<u>100.0%</u>

CPERS ASSET ALLOCATION AS OF DECEMBER 31, 2016

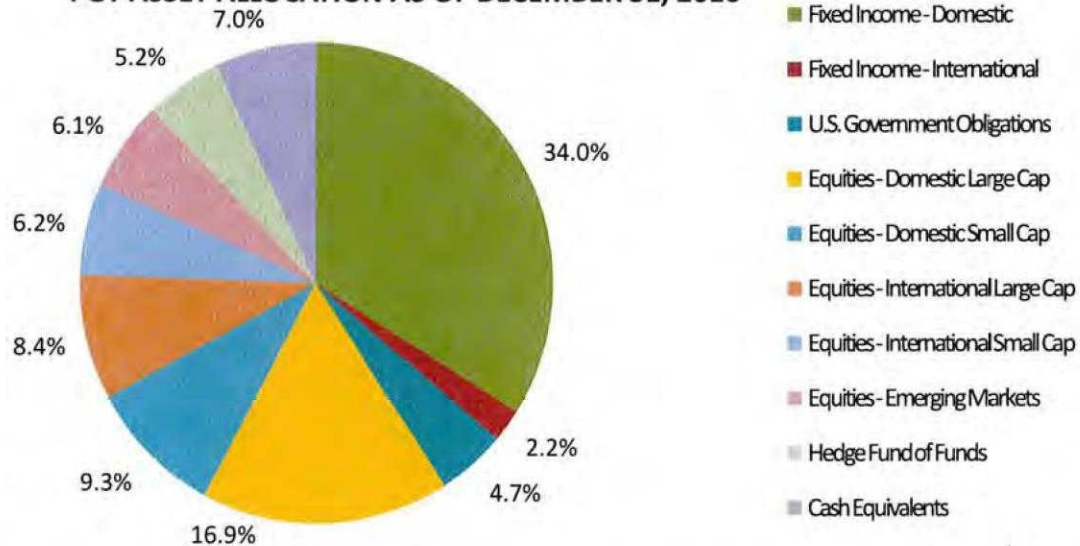


**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2016 AND 2015**

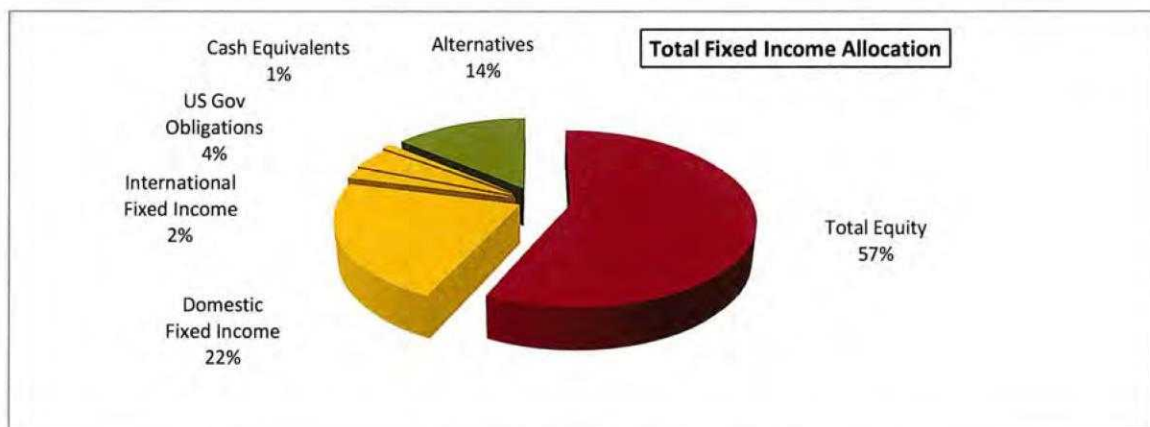
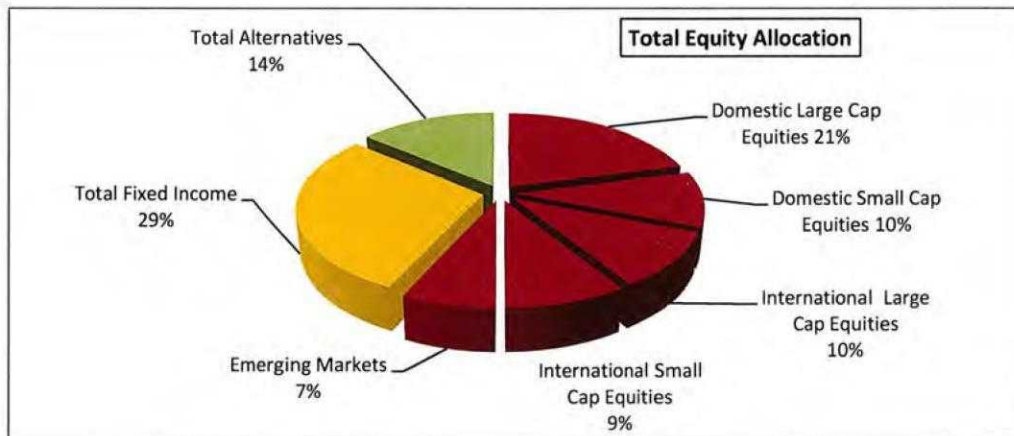
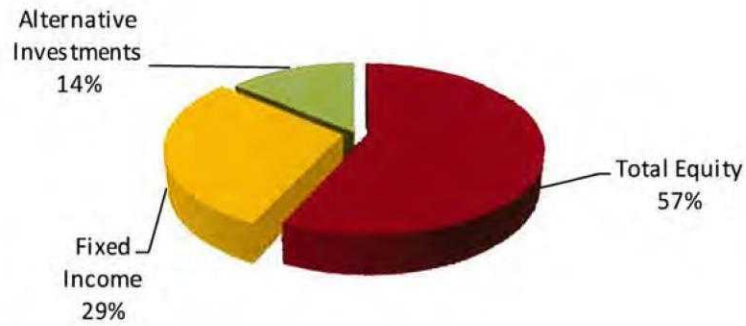
POLICE GUARANTEE TRUST

Type of Investment:	December 31, 2016		December 31, 2015	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income - Domestic	\$ 5,049,436	34.0%	\$ 5,621,376	35.4%
Fixed Income - International	325,111	2.2%	515,759	3.2%
U.S. Government Obligations	700,512	4.7%	785,423	4.9%
Equities:				
Equities – Domestic Large Cap	2,506,274	16.9%	2,752,264	17.3%
Equities – Domestic Small Cap	1,379,270	9.3%	1,239,173	7.8%
Equities – International Large Cap	1,242,407	8.4%	1,425,096	9.0%
Equities – International Small Cap	916,408	6.2%	975,494	6.1%
Equities – Emerging Markets	908,821	6.1%	1,030,013	6.5%
Alternative Investments:				
Hedge Fund of Funds	768,576	5.2%	905,432	5.7%
Cash Equivalents	<u>1,059,686</u>	<u>7.0%</u>	<u>625,217</u>	<u>3.9%</u>
Total Investments	<u>\$ 14,856,501</u>	<u>100.0%</u>	<u>\$ 15,875,262</u>	<u>100.0%</u>

PGT ASSET ALLOCATION AS OF DECEMBER 31, 2016



ASSET ALLOCATION AS OF DECEMBER 31, 2016



**CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2016**

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DOMESTIC FIXED INCOME				
GSAA HOME EQUITY TRUST	VARIES	12/25/2036	\$ 3,531	\$ 1,792
LEHMAN BROTHERS HOLDING	0.000%	08/22/2009	21,000	1,207
WAMU ASSET BACKED CERTIFICATE	VARIES	04/25/2037	118	53
FNMA POOL #0250111	8.500%	08/01/2024	14	16
TOTAL DOMESTIC FIXED INCOME			<u>\$ 24,663</u>	<u>\$ 3,068</u>

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,668,241	\$ 69,549,859
DOMESTIC FIXED INCOME – CORE	3,771,100	80,291,954
DOMESTIC FIXED INCOME – CORE PLUS	4,204,478	81,777,093
US TREASURY INFLATION PROTECTED SECURITIES	3,853,901	49,313,059
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	<u>15,497,720</u>	<u>\$ 280,931,965</u>

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	703,918	\$ 13,346,278
INTERNATIONAL FIXED INCOME – CORE PLUS	229,690	4,467,468
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	<u>933,608</u>	<u>\$ 17,813,746</u>

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
MASTEC INC	27,520	\$ 1,052,640
NUVASIVE INC	15,397	1,037,142
BANK OF THE OZARKS INC	19,330	1,016,565
ADVANCED MICRO DEVICES INC	89,044	1,009,759
PRA HEALTH SCIENCES INC	14,593	804,366
WESTERN ALLIANCE BANCORP	16,390	798,357
INTEGRA LIFESCIENCES HOLDINGS	9,194	788,753
MICROSEMI CORP	12,425	670,577
CIRRUS LOGIC INC	11,245	635,792
OLD DOMINION FREIGHT LINE INC	6,389	548,112
OTHER EQUITY SECURITIES-DOMESTIC	777,482	19,956,057
TOTAL DOMESTIC EQUITY SECURITIES	<u>999,009</u>	<u>\$ 28,318,120</u>

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

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	11,702	\$ 30,825,658
RUSSELL 1000 FUND	667,229	110,253,985
S&P 500 FUND	3,845,379	106,300,774
MASTER LIMITED PARTNERSHIP	46,801,508	42,881,816
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	51,325,818	\$ 290,262,233

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	870,675	\$ 52,497,071
INTERNATIONAL GROWTH EQUITY FUND	2,980,455	54,766,032
INTERNATIONAL SMALL CAP FUND	3,818,705	93,002,274
EMERGING MARKETS FUND	773,253	72,979,504
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	8,443,088	\$ 273,244,881

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	33,433	\$ 52,565,839
REAL ESTATE INVESTMENT FUND	49,707	67,579,331
PRIVATE EQUITY	25,656,640	25,467,849
	25,739,780	\$ 145,613,019

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	\$ 4,009,468
TOTAL CPERS INVESTMENTS	\$ 1,040,196,500

A complete list of portfolio holdings is available upon request.

**PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2016**

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	65,153	\$ 1,235,302
DOMESTIC FIXED INCOME – CORE	103,428	2,202,139
DOMESTIC FIXED INCOME – CORE PLUS	82,879	1,611,995
US TREASURY INFLATION PROTECTED SECURITIES	54,746	700,512
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	306,206	\$ 5,749,948

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	12,503	\$ 237,048
INTERNATIONAL FIXED INCOME – CORE PLUS	4,528	88,063
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	17,031	\$ 325,111

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 LARGE CAP FUND	7,428	\$ 1,227,420
S&P 500 LARGE CAP FUND	46,262	1,278,854
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	5,421	301,976
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	7,802	287,453
MASTER LIMITED PARTNERSHIP	24,702	789,841
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	91,615	\$ 3,885,544

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	9,886	\$ 596,070
INTERNATIONAL GROWTH EQUITY FUND	35,175	646,337
INTERNATIONAL SMALL CAP FUND	37,628	916,408
EMERGING MARKETS FUND	9,956	908,821
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	92,645	\$ 3,067,636

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	489	\$ 768,576

PGT LIST OF INVESTMENTS (CONTINUED)

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	<u>\$ 1,059,686</u>
TOTAL PGT INVESTMENTS	<u>\$ 14,856,501</u>

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank*
Comparative Rates of Return on Total Fund – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	8.55 %	19
Police Guarantee Trust	7.39 %	46
Median Total Fund	7.26 %	50
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	12.43 %	48
Police Guarantee Trust	12.01 %	54
Median Domestic Equity Composite	12.28 %	50
Russell 3000	12.74 %	42
Comparative Rates of Return on International Equities – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	9.12 %	11
Police Guarantee Trust	8.94 %	11
Median International Equity Composite	4.34 %	50
MSCI ACWI ex US (Net)	4.50 %	48
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	5.24 %	43
Police Guarantee Trust	5.08 %	44
Median Bond Composite	4.51 %	50
Barclays Capital Aggregate Index	2.65 %	78
Comparative Rates of Return on Real Estate – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	9.35 %	50
Median Real Estate Fund	9.32 %	50
NCREIF Property Index	7.97 %	74
Comparative Rates of Return on Hedge Fund – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	(1.91)%	N/A
Police Guarantee Trust	(1.92)%	N/A
HFRI Fund of Funds Comp. Index	0.71 %	N/A
Comparative Rates of Return on Master Limited Partnership – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	20.24 %	72
Police Guarantee Trust	20.06 %	73
Median Master Limited Partnership	25.58 %	50
S&P MLP Index	21.95 %	69
Comparative Rates of Return on Private Equity – Year Ended December 31, 2016		
City-Parish Employees' Retirement System	11.9%**	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 time-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 the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, is as follows:

One-year period ending December 31, 2016	8.55 %
Two-year period ending December 31, 2016	3.48 %
Three-year period ending December 31, 2016	4.38 %
Four-year period ending December 31, 2016	6.66 %
Five-year period ending December 31, 2016	8.43 %

ANNUAL RATES OF RETURN

	ANNUALIZED					3 YRS.	5 YRS.
	2012	2013	2014	2015	2016		
TOTAL FUND							
City-Parish Emp. Retirement System	13.9%	15.7%	5.3%	(0.5)%	8.6%	4.4%	8.4%
Police Guarantee Trust	12.9%	12.3%	4.7%	(1.6)%	7.4%	3.4%	7.0%
Median Total Fund	12.8%	17.0%	6.6%	(0.0)%	7.3%	4.6%	8.5%
Inflation (CPI)	1.8%	1.5%	0.7%	0.7%	2.1%	1.2%	1.4%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	17.5%	35.3%	12.9%	1.3%	12.4%	8.7%	15.4%
Police Guarantee Trust	16.2%	34.1%	12.5%	1.0%	12.0%	8.4%	14.7%
Median Domestic Equity Fund	16.5%	33.9%	10.9%	0.2%	12.3%	7.7%	14.2%
Russell 3000	16.4%	33.6%	12.6%	0.5%	12.7%	8.4%	14.7%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	18.7%	14.7%	(3.3)%	(2.4)%	9.1%	1.0%	7.0%
Police Guarantee Trust	19.0%	15.3%	(3.4)%	(3.2)%	8.9%	0.6%	6.9%
Median International Equity Fund	18.4%	18.0%	(2.3)%	(2.9)%	4.3%	(0.6)%	6.8%
MSCI ACWI ex US (Net)	16.8%	15.3%	(3.9)%	(5.7)%	4.5%	(1.8)%	5.0%
FIXED INCOME							
City-Parish Emp. Retirement System	7.4%	(1.6)%	5.3%	(.01)%	5.2%	3.4%	3.2%
Police Guarantee Trust	8.9%	(0.3)%	5.6%	0.0%	5.1%	3.5%	3.8%
Median Bond Fund	7.9%	(1.8)%	5.8%	0.1%	4.5%	3.4%	3.3%
Barclays Capital Aggregate Index	4.2%	(2.0)%	6.0%	0.1%	2.7%	3.0%	2.2%
REAL ESTATE							
City-Parish Emp. Retirement System	10.9%	12.8%	13.2%	15.7%	9.4%	12.7%	12.4%
Median Real Estate Fund	10.8%	12.4%	13.6%	12.6%	9.3%	11.6%	12.5%
NCREIF Property Index	10.5%	11.0%	11.8%	13.3%	8.0%	11.0%	10.9%
HEDGE FUND OF FUNDS							
City-Parish Emp. Retirement System	N/A	4.6%	8.0%	5.8%	(1.9)%	3.8%	N/A
Police Guarantee Trust	N/A	4.6%	8.0%	5.8%	(1.9)%	3.8%	N/A
HFRI Fund of Funds Comp. Index	N/A	8.7%	3.4%	(0.3)%	0.7%	1.3%	N/A
MASTER LIMITED PARTNERSHIP							
City-Parish Emp. Retirement System	N/A	N/A	0.7%	(30.1)%	20.2%	N/A	N/A
Police Guarantee Trust	N/A	N/A	0.7%	(30.1)%	20.1%	N/A	N/A
Median MLP	N/A	N/A	(3.6)%	(30.5)%	25.6%	N/A	N/A
S&P MLP Index	N/A	N/A	(5.7)%	(35.1)%	22.0%	N/A	N/A
PRIVATE EQUITY							
City-Parish Emp. Retirement System	N/A	N/A	18.0%	22.4%	6.3%	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, 2016**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income – Domestic	\$ 280,935,033	\$	841,657
Fixed Income – International	17,813,746		88,888
Equity Securities:			
Equities – Domestic	318,580,352		1,125,752
Equities – International	273,244,883		2,120,059
Alternative Investments:			
Hedge Fund of Funds	52,565,839		543,892
Real Estate Investments	67,579,331		617,240
Private Equity	25,467,849		512,297
Total Investment Managers' Fees			<u>5,849,785</u>
Custodian Fees			116,186
Advisor Fees			<u>150,660</u>
Total Investment Expenses		\$	<u><u>6,116,631</u></u>

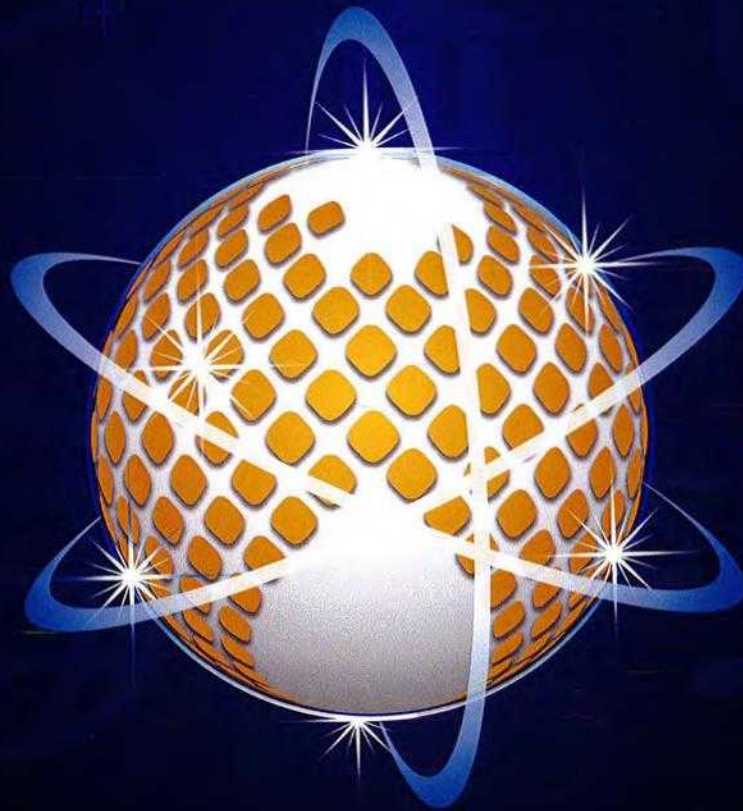
**SCHEDULE OF PGT INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income – Domestic	\$ 5,749,948	\$	21,418
Fixed Income – International	325,111		1,887
Equity Securities:			
Equities – Domestic	3,885,543		11,505
Equities – International	3,067,637		26,437
Alternative Investments:			
Hedge Fund of Funds	768,576		<u>8,486</u>
Total Investment Manager's Fees			<u>69,733</u>
Custodian Fees			20,013
Advisor Fees			<u>29,340</u>
Total Investment Expenses		\$	<u><u>119,086</u></u>

**SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
National Financial Services Corp	450,452	\$ 14,589	\$.0324
Merrill Lynch, Pierce, Fenner & Smith, Inc.	393,167	9,837	.0250
Instinet Corp	483,954	8,606	.0178
Pershing, LLC	222,394	6,922	.0311
J.P. Morgan Clearing Corp	156,040	4,852	.0311
Stifle, Nicolaus & Company	145,665	4,732	.0325
Bloomberg Tradebook	124,215	4,013	.0323
Jefferies & Company, Inc.	500,572	3,684	.0074
Piper Jaffray & Company	125,902	3,615	.0287
William Blair & Company	94,591	3,403	.0360
Goldman Sachs & Company	108,886	3,247	.0298
D.A. Davidson & Company	99,834	3,233	.0324
Wells Fargo Securities, LLC	234,710	3,088	.0132
BNY Convergenx	94,716	2,701	.0285
Robert W. Baird & Company	72,166	2,451	.0340
Stephens Inc.	70,507	2,354	.0334
Oppenheimer & Company, Inc.	62,309	2,012	.0323
Morgan Stanley & Company, Inc.	59,202	1,967	.0332
Deutsche Bank Securities, Inc.	44,800	1,661	.0371
Sanford C Bernstein & Company	57,362	1,659	.0289
Raymond James & Associates, Inc.	61,796	1,634	.0264
Cantor Fitzgerald & Company, Inc.	68,931	1,604	.0233
Wedbush Morgan Securities, Inc.	42,500	1,315	.0309
Knight Clearing Services, LLC	63,778	1,276	.0200
Credit Suisse	34,075	1,195	.0351
Citigroup Global Markets, Inc.	32,728	982	.0300
Barclays Capital, Inc.	28,824	981	.0340
RBC Capital Markets, LLC	72,935	712	.0098
BMO Capital Markets Corp	19,124	538	.0281
Janney Montgomery Scott, LLC	16,599	512	.0308
ICBC Financial Services	13,846	444	.0321
C.L. King & Associates	13,972	440	.0315
Merrill Lynch Professional Clearing	12,814	384	.0300
State Street Global Markets, LLC	33,289	333	.0100
UBS Securities, LLC	7,203	216	.0300
Webstreet Securities	384	5	.0130
Total	4,124,242	\$ 101,197	\$.0245

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Actuarial Section CPERS Trust

CP
Employees'
Retirement System



June 23, 2017

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:

This is to certify that Foster & Foster, Inc. has completed the annual actuarial valuation of the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2017. The valuation report was prepared at the request of the Board and is intended for use by the System staff and those designated or approved by the Board.

The primary purpose of the actuarial valuation report is to determine the funding requirements of the members and participating employers, to describe the current financial condition of the System, and to analyze changes in the System's funding condition since the prior valuation. In addition, the report provides various summaries of data. The report may not be appropriate for other purposes. The financial reporting requirements of the Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) is provided under separate cover.

Funding Objective of the Plan

The combined employer and employee contribution requirements are established in order to fully fund all current normal costs and payments sufficient to liquidate the unfunded actuarial accrued liability as determined in accordance with the Board adopted actuarial cost method, asset valuation method, and amortization method. The amortization method was initially established with the objective of liquidating the unfunded liability as of January 1, 1995 over a thirty-year period with subsequent changes in unfunded liabilities amortized over thirty years. The amortization method has been modified several times since 1995. More recent changes include a modification beginning with the January 1, 1995 valuation, to 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 with reductions in successive amortization periods until reaching a 15-year open period. As of January 1, 2017, the unfunded liability was \$537,021,665 and the first mid-year amortization payment is \$34,271,175.

The actuarial cost method was changed from the Aggregate Entry Age Normal Cost Method to the Individual Entry Age Normal Cost Method, effective January 1, 2010.

Based on the prior actuary's 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, 2016, is \$1,137,769,215.

Board of Trustees
Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge
June 23, 2017

Effective with the 2000 year, the Board introduced a one-year delay from the valuation date to the year for which the employer contribution rate calculated in the valuation is applied. Thus January 1, 2016 valuation was the basis for the 2017 employer contribution rate, and the January 1, 2017 valuation is the basis for the 2018 employer contribution rate. The employer contribution rate for the 2017 year is set to 30.4%, as determined by the prior actuary. The employer contribution rate for the 2018 year is set to 33.1%.

Progress Toward Realization of Funding Objective

The employer contributions determined by the January 1, 2017 actuarial valuation and the member contributions, paid as a percentage of payroll, are expected to be sufficient to achieve the funding objective set forth above. The progress toward achieving the intended funding objectives can be measured by funding level, determined as the ratio of actuarial assets to the actuarial accrued liabilities. In the absence of benefit improvements and if the experience develops as assumed, this ratio is expected to increase over time.

Plan Provisions

A summary of plan provisions used in the actuarial valuations can be found on page 32 of the actuarial valuation report. Beginning January 1, 2016, the following plan changes were recognized for members with dates of hire on or after September 1, 2015: (a) retirement eligibility of age 55 (public safety) or 60 (non-public safety) with at least 10 years of service or 20 years of service regardless of age, (b) full retirement eligibility is age 50 (public safety) or age 55 (non-public safety) with at least 25 years of service, (c) early retirement benefits are reduced to an actuarial equivalent benefit, (d) normal form of benefit is a life annuity, (e) final average compensation is based on highest 60 consecutive months, and (f) the policy of rounding service up to the next highest quarter has been abolished.

Data

In performing the January 1, 2017 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Participant data was not audited but was reviewed for reasonableness and consistency relative to data used for prior year valuations. Plan assets were compared with information furnished for the prior plan year's valuation and reviewed for consistency.

Actuarial Methods and Assumptions

The present values shown in the January 1, 2017 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board. There were no changes in actuarial assumptions or methods for the January 1, 2017 valuation. These assumptions and methods are detailed on pages 12 through 14 of the valuation report. The assumptions were selected by the Board following the most recent experience study following the advice of the prior actuary. We believe the assumptions are reasonable and represent a reasonable expectation of future experience under the plan.

Board of Trustees
Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge
June 23, 2017

Funding calculations have been made in accordance with generally accepted actuarial principles and practice. Actuarial Standard of Practice, No. 44, states that an essential element of an asset valuation method is that the actuarial value of assets converge to the market value of assets within a reasonable period of time, when assuming the investment return assumption is realized in future periods. In our view, the current method used to determine the actuarial value of assets for funding purposes does not meet this description. However, we believe the value produces is within an acceptable corridor around the market value of assets, and is not out of range from results that could be determined using an approach that satisfies the Standard. We will provide recommended alternative methods that meet the guidance for the Board to consider adopting for future valuations.

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. 67.

We provided the following schedules, included in the Actuarial Section of this report:

Summary of Principal System Provisions
Summary of Actuarial Assumptions and Methods
Schedule of Funding Progress
Summary of Actuarial Accrued Liabilities Percentage
covered by Actuarial Value of Assets/Solvency Test
Active Membership Data
Schedule of Retirees and Beneficiaries Added
Total Membership Data

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 and represent our best estimate of the funding requirement to achieve the Retirement System's Funding Objective, unless otherwise noted herein. Shelley is an Associate in the Society of Actuaries and Pat is a Fellow in the Society of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

FOSTER & FOSTER INC.



Shelley R. Johnson, ASA, MAAA



D. Patrick McDonald, FSA, EA, MAAA, FCA

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2017 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. Amended effective August 12, 2015 (Ordinance No. 16039 and 16040).
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:	<p><u>For members hired prior to September 1, 2015:</u> Average compensation during the highest 36 successive months of creditable service.</p> <p><u>For members hired on or after September 1, 2015:</u> Average compensation during the highest 60 successive months of creditable service.</p>

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Service Retirement
Eligibility: (1:265A)

For members hired prior to September 1, 2015:

- (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.

For non-public safety members hired on or after September 1, 2015:

- (1) Full retirement: 25 years of service, age 55.
- (2) Minimum eligibility: Age 60 with 10 years of service, or 20 years of service regardless of age.

For public safety members hired on or after September 1, 2015:

- (1) Full retirement: 25 years of service, age 50.
- (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)

For members hired prior to September 1, 2015:

If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

For non-public safety members hired on or after September 1, 2015:

If not eligible for full retirement: Benefits are reduced to an actuarial equivalent benefit.

For public safety members hired on or after September 1, 2015:

If not eligible for full retirement: Benefits are reduced to an actuarial equivalent benefit.

Disability:
(1:265D)

Ordinary Disability: After 10 or more years of creditable service, 2.5% of final average compensation times creditable service, with a minimum benefit of 50% of final average compensation. Ordinary disability benefits are paid on a life annuity basis.

Service-Connected: 50% of final average compensation, plus 1.5% of final average compensation times creditable service in excess of 10 years, with a maximum benefit of 90% of final average compensation. For members hired prior to September 1, 2015, service-connected disabilities are paid on a 50% Joint & Survivor basis.

Benefits are offset by workers' compensation (1:264F).

Benefits are offset by earned income (1:265G).

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

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 100% joint & survivor actuarially equivalent without reduction for early commencement or a refund of the member's contributions.(2) If not eligible for retirement, surviving spouse may elect a monthly benefit of \$600 payable until remarriage, or a refund of the member's contributions.(3) If eligible children under age 18, monthly benefit of \$150 per child (maximum \$300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2).(4) If member died prior to May 24, 1989, monthly benefit to surviving spouse of \$600. (July 1, 2002)(5) If no benefits are payable under (1), (2) or (3), \$150 monthly benefit to unmarried dependent parent until death or remarriage.
Employment Termination: (1:267, 1:268)	After 10 years of creditable service, based on creditable service and final average compensation at termination date. For members hired prior to September 1, 2015 benefits are deferred to age 55, for members hired on or after September 1, 2015, benefits are deferred to age 60 for non-public safety and age 55 for public safety. If member contributions are withdrawn, benefit is forfeited.
Optional Allowances: (1:265C)	For members hired prior to September 1, 2015, normal form is joint and 50% contingent survivor. For members entitled to service retirement benefits, actuarially equivalent to regular retirement allowance: Option 1: Refund of excess of member's contributions over aggregate benefits paid; Option 2: 100% Joint & Survivor to designated contingent annuitant; any other form, approved by the Board. For members hired on or after September 1, 2015, Options 1 through 5 joint and survivor benefits available for purchase.
Retirement Benefit Adjustments: (1:269)	For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of \$600 effective July 1, 1992 plus \$30 for each full year retired.
Supplemental Benefit Payments: (1:269)	To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Compensated Absences:
(1:262)

Upon written consent of the member or his surviving spouse, the Retirement System will provide the following with respect to unused, accumulated vacation time and sick leave:

- (a) Cash payment for a portion, with the remainder added to the member's Creditable Service, on the basis of one (1) hour for each two (2) hours of unused time.
- (b) Conversion of all of the accumulated time to creditable service, on the basis of one (1) hour for each hour of unused accumulated vacation time and sick leave.

Any unused time converted to service credit is included in determining eligibility for retirement and benefits. For purposes of determining final average compensation, compensation at the time of retirement or death is assumed to continue for the period of added service.

Deferred Retirement
Option Plan (DROP):
(1:271)

Prior to July 1, 1991:

Eligibility: If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of creditable service.

Duration: The lesser of 5 years, or 32 years minus creditable service at DROP entry.

Benefits: Service retirement allowances are paid into the member's DROP account, and credited with interest at the rate set by the actuarial formula. No further member or employer contributions are payable, and no further benefits are accrued.

Upon retirement and termination of DROP participation (or death), the member (or beneficiary) may elect one of the following:

- (a) A lump sum of DROP account balance;
- (b) A life annuity based on the DROP balance;
- (c) Any other method of payment approved by the Board of Trustees.

Normal survival benefits payable to survivors of retirees are paid upon death of the member while a DROP participant.

On and after July 1, 1991:

Comparable to pre-July 1, 1991 provisions, except interest is not credited to DROP account until the conditions of DROP participation have been satisfied. If the member does not terminate employment at the end of the DROP period, potential interest credits are forfeited.

On and after July 1, 2002: If the member has at least ten (10) years of creditable service and has attained at least age 55, with DROP duration not greater than three (3) years

On and after September 1, 2015:

Eligibility: Not less than 25 years of creditable service at age 55 for non-public safety employees or age 50 for public safety. Duration 5 years if election to participate is exercised prior to attaining 33 years of creditable service. except for members not reaching minimum required retirement age, option to participate made no later than 60 days after age 55 for non-public safety employees and age 50 for public safety employees. Has not less than 10 years of creditable service at age 60 for non-public safety employees or age 55 for public safety, duration 3 years.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Changes Since Prior
Valuation:

For members hired on or after September 1, 2015:

- Service retirement eligibility is age 55 for public safety members and 60 for non-public safety members with at least 10 years of service or 20 years of service regardless of age.
- Full retirement eligibility (3% of final average compensation for each year of creditable service) is age 50 for public safety members or age 55 for non-public safety members with at least 25 years of service.
- Early retirement benefits are reduced to an actuarial equivalent benefit.
- The normal form of benefit is a life annuity.
- Final average compensation is based on the average compensation during the highest 60 consecutive months of creditable service.
- The policy of rounding service up to the next highest quarter has been abolished

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2017 Actuarial Report)

Valuation Date:	December 31, 2016
Valuation Method:	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> 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>
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. *(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 was furnished by Retirement Office staff.
Changes Since Prior Valuation:	None.

SCHEDULE OF FUNDING PROGRESS
 (Source: 2017 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)
	\$	\$	\$		\$	
12/31/07	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%
12/31/15	1,119,731,517	1,614,978,634	495,247,117	69.3%	137,591,450	360.0%
12/31/16	1,137,769,215	1,674,790,880	537,021,665	67.9%	139,807,313	384.1%

*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, 2016
(Source: 2017 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)
	-\$-	-\$-	-\$-	-\$-	-\$-	-%-	-%-	-%-	-%-
12/31/07	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
12/31/15	306,319,701	2,005,865	966,095,357	340,557,711	1,119,731,517	100.0	100.0	84.0	0.0
12/31/16	315,984,448	2,019,223	996,658,142	300,316,821	1,137,769,215	100.0	100.0	82.3	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF ACTUARIAL GAIN/LOSS

(Source: 2017 Actuarial Report)

**GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2012 – 2016
RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE**

	\$ Gain or (Loss) For Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Investment Return	\$ (20,304,794)	\$ (3,486,533)	\$ (8,520,730)	\$ (24,525,014)	\$(19,785,680)
Salary Increases	3,017,967	12,896,696	4,046,219	(5,256,555)	(12,876,120)
Retirements	3,351,339	(398,081)	(1,433,818)	(10,489,140)	(3,937,829)
Mortality	(3,643,276)	1,047,985	467,752	3,173,491	1,370,680
Disability	148,348	(698,808)	185,079	(267,256)	(758,916)
Turnover	571,654	(1,710,221)	1,375,127	(1,411,162)	(1,059,303)
New Members	(2,204,660)	(1,417,682)	(570,624)	(380,672)	(224,307)
Contribution Differences	N/A	N/A	N/A	N/A	N/A
Leaves, Transfers, Etc.	<u>3,124,006</u>	<u>0</u>	<u>(2,869,596)</u>	<u>(4,766,070)</u>	<u>(4,023,130)</u>
Gain or (Loss) from Financial Experience	(15,939,416)	6,233,356	(7,320,591)	(43,922,378)	(41,294,605)
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	--	--	--	248,311	--
Composite Gain/(Loss) During Year	<u>\$ (10,632,511)</u>	<u>\$ 7,280,701</u>	<u>\$ (54,861,563)</u>	<u>\$ (43,674,067)</u>	<u>\$(41,294,605)</u>

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2016
(Source: 2017 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> -%-
12/31/07	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
12/31/15	3,138	(1.4)	137,591,450	43,847	2.9
12/31/16	3,062	(2.4)	139,807,313	45,659	4.1

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2016
(Source: 2017 Actuarial Report)**

<u>Valuation Date</u>	<u>Additions</u>	<u>Change in Number at EOY</u>		<u>Annual Allowances</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>						
12/31/07	195	5,114,419	89	1,107,527	2,637	4.2	51,529,267	6.7	19,541
12/31/08	158	3,275,314	84	1,261,826	2,711	2.8	53,542,755	3.9	19,750
12/31/09	195	4,109,206	105	1,403,519	2,801	3.3	56,248,442	5.1	20,082
12/31/10	167	4,401,513	92	964,405	2,876	2.7	59,685,550	6.1	20,753
12/31/11	173	4,400,751	79	1,227,453	2,970	3.3	62,858,848	5.3	21,165
12/31/12	191	4,904,590	103	1,607,987	3,058	3.0	66,155,451	5.2	21,634
12/31/13	156	4,753,829	88	1,392,522	3,126	2.2	69,516,758	5.0	22,238
12/31/14	144	4,349,774	89	1,404,169	3,181	1.8	72,462,363	4.2	22,780
12/31/15	197	4,942,646	121	2,018,112	3,257	2.4	75,386,897	4.0	23,146
12/31/16	170	4,446,732	123	2,032,306	3,304	1.4	77,801,323	3.2	23,548

TOTAL MEMBERSHIP DATA
(Source: 2017 Actuarial Report)

Actives:

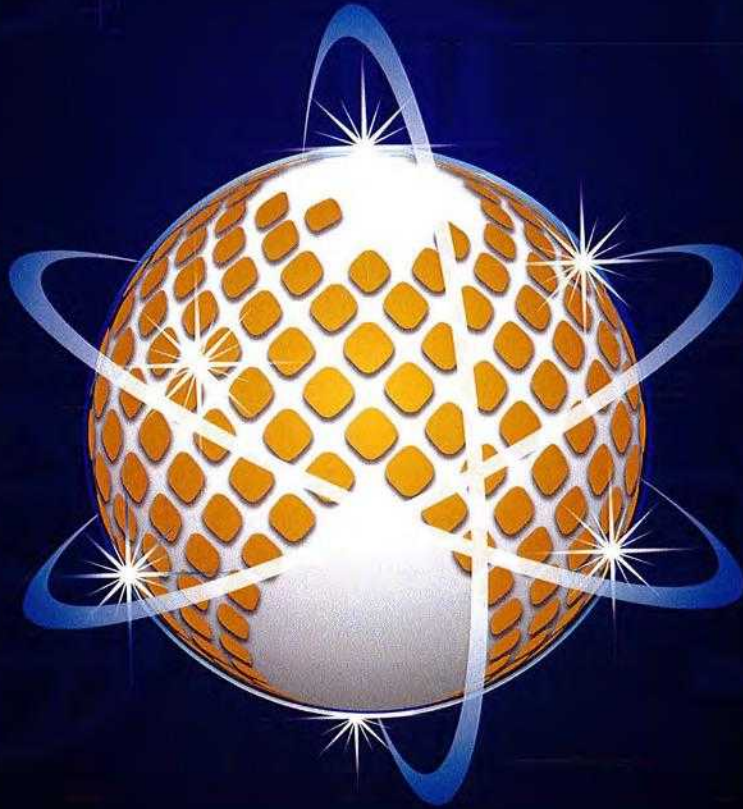
	2016		2015	
	Count	Average Salary	Count	Average Salary
BREC	439	\$38,872	406	\$38,893
Regular	2,096	43,363	2,181	41,665
Fire	504	59,660	525	55,382
Police	23	77,640	26	71,281
Total/Average	3,062	\$45,659	3,138	\$43,847

Annuitants:

	2016		2015	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	3,102	\$24,046	3,055	\$23,644
Disabilities	202	15,903	202	15,609
DROP	357	45,197	341	44,804
Total/Average	3,661	\$25,659	3,598	\$25,179

Inactive Members:

	2016		2015	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	19	\$12,069	20	\$11,972



Actuarial Section Police Guarantee Trust

CP
Employees'
Retirement System



June 23, 2017

Board of Trustees
Police Guarantee Trust of the Employees' Retirement System
of the 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:

This is to certify that Foster & Foster, Inc. has completed the annual actuarial valuation of the Police Guarantee Trust of the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2017. The valuation report was prepared at the request of the Board and is intended for use by the System staff and those designated or approved by the Board.

The primary purpose of the actuarial valuation report is to determine the funding requirements of the participating employers, to describe the current financial condition of the System, and to analyze changes in the System's funding condition since the prior valuation. In addition, the report provides various summaries of data. The report may not be appropriate for other purposes. The financial reporting requirements of the Governmental Accounting Standard Board Statement No. 67 (GASB No. 67) are provided under separate cover.

Funding Objective

The Police Guarantee Trust was established on February 26, 2000 to provide supplemental benefits to a closed group of 637 police officers electing to transfer to the statewide Municipal Police Employees' Retirement system. The funding objective 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 initial valuation was prepared as of January 1, 2000, and is the basis for the city contribution rates of 0% for the 2000 and 2001 years. Administrative expenses of the plan are included as part of the total required contribution.

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 2016 valuation will apply to the year 2017.

The current contribution requirements, in the absence of material gains and losses, assuming paid when due, are sufficient to achieve the funding objective set forth above. However, contribution deficits will result in significantly higher funding requirements in order to adequately provide for the plan's benefit obligations.

Progress Toward Realization of Funding Objective

The employer contributions determined by the January 1, 2017 actuarial valuation and the member contributions, paid as a percentage of payroll, are expected to be sufficient to achieve the funding objective set forth above. The progress toward achieving the intended funding objectives can be measured by funding level, determined as the ratio of actuarial assets to the actuarial accrued liabilities. In the absence of benefit improvements, and assuming the full actuarially determined contribution is paid when due, this ratio should increase over time. The prior cost method did not determine an actuarial accrued liability, unfunded actuarial accrued liability, or a funded ratio. However, based on the Entry Age normal, recently adopted by the Board of Trustees, the funded ratio has been determined to be 52.6%.

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 contribution deficits and actuarial losses, there is a current unfunded liability in the PGT of \$19,084,912 as of December 31, 2016.

Plan Provisions

A summary of plan provisions, on which the actuarial valuation is based, can be found in the actuarial valuation report and in the schedules prepared for the CAFR.

Data

In performing the January 1, 2017 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Participant data was not audited but was reviewed for reasonableness and consistency relative to data used for prior year valuations. Plan assets were compared with information furnished for the prior plan year's valuation and reviewed for consistency.

Actuarial Assumptions and Methods

The objective of the asset valuation method is to smooth the volatility due to market conditions on the measurement date. 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. This method results in actuarial value of assets of \$21,173,125 as of December 31, 2016.

Effective January 1, 2017, the Board of Trustees of the Police Guarantee Trust adopted a change in actuarial cost method from Aggregate to Entry Age Normal. The Police Guarantee Trust uses the same actuarial assumptions as the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. The actuarial assumptions were recommended to the Board by the prior actuary, Nyhart, based upon the CPERS 2009-2013 experience study.

Board of Trustees of the Employee's Retirement System
of the City of Baton Rouge and Parish of East Baton Rouge
June 23, 2017

The present values shown in the January 1, 2017 actuarial valuation and supporting schedules of these certifications have been prepared in accordance with the actuarial methods and assumptions approved by the Board. The actuarial cost method and assumptions used for funding purposes are, in the actuary's opinion, reasonable and represent a reasonable expectation of future experience under the plan. The actuarial assumptions remained unchanged from last year and are identical to the assumptions used for the January 1, 2016 valuation of the Employees' Retirement System. Actuarial Standard of Practice, No. 44 (ASOP No. 44), states that an essential element of an asset valuation method is that the actuarial value of assets converge to the market value of assets within a reasonable period of time, when assuming the investment return assumption is realized in future periods. In our view, the current method used to determine the actuarial value of assets for funding purposes does not meet this description. If the actuarial value of assets differ from the market value of assets by a substantial margin and does not converge to the market value of assets within a reasonable period of time, the resulting contribution requirements may not result in assets appropriate to fund plan benefits (may be too high or too low). We will provide recommended alternative methods that meet the description provided by ASOP No. 44 for the Board to consider adopting for future valuations.

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. 67. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. We provided the following schedules included in this section:

Summary of Principal System Provisions
Summary of Actuarial Assumptions and methods
Schedule of Funding Progress
Summary of Actuarial Accrued Liabilities
Percentage covered by Actuarial Value of Assets/Solvency Test
Active Membership Data
Schedule of Retirees and Beneficiaries Added
Total Membership Data

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 Actuarial Standards of Practice, unless otherwise noted herein, established by the Actuarial Standards Board, are reasonable and represent our best estimate of the funding requirement to achieve the Retirement System's Funding Objective. Shelley is an Associate in the Society of Actuaries and Pat is a Fellow in the Society of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

FOSTER & FOSTER INC.



Shelley R. Johnson, ASA, MAAA



D. Patrick McDonald, FSA, EA, MAAA

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS

(Source: 2017 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: 2017 PGT Actuarial Report)

Valuation Date:	December 31, 2016		
Valuation Method:	Entry Age Normal Actuarial Cost Method <i>(Adopted July 28, 2016)</i>		
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 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:	The actuarial cost method changed from aggregate to entry age normal, with changes to the unfunded actuarial accrued liability amortized as a level dollar over a 15-year open period. <i>(Adopted July 28, 2016)</i>

SCHEDULE OF FUNDING PROGRESS*
(Source: 2017 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)
	\$	\$	\$		\$	
12/31/07	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%
12/31/15	22,850,794	38,992,367	16,141,573	58.6%	14,177,878	113.9%
12/31/16	21,173,125	40,258,037	19,084,912	52.6%	13,271,888	143.8%

*The above schedule of funding progress is prepared using the entry age normal 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, 2016
(Source: 2017 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)
	-\$-	-\$-	-\$-	-\$-		-%-	-%-	-%-	-%-
12/31/07	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
12/31/15	23,724,080	3,186,174	8,900	13,220,191	22,850,794	96.3	0.0	0.0	0.0
12/31/16	23,716,549	3,611,137	68,781	12,861,570	21,173,125	89.3	0.0	0.0	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2016
(Source: 2017 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> -%-
12/31/07	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
12/31/15	174	(7.4)	14,177,878	81,482	8.9
12/31/16	158	(9.2)	13,271,888	83,999	3.1

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2016
(Source: 2017 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> -\$-					
12/31/07	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
12/31/15	3	18,365	1	27,915	19	11.8	136,043	(6.6)	7,160
12/31/16	0	--	2	72,719	17	(10.5)	63,324	(53.5)	3,725

* 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: 2017 PGT Actuarial Report)

Actives:

	2016		2015	
	Count	Average Salary	Count	Average Salary
Police	158	\$83,999	174	\$81,482

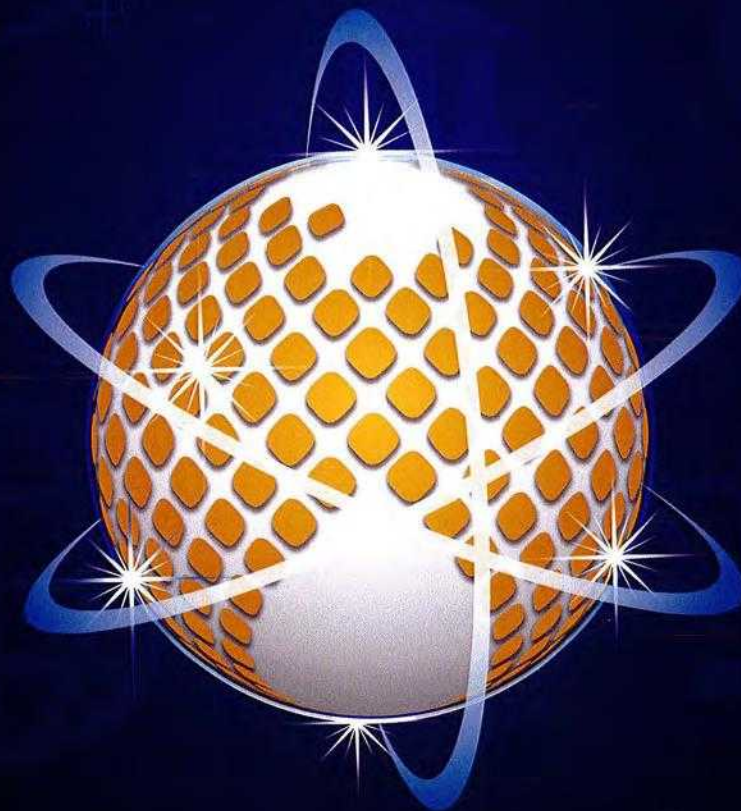
Annuitants:

	2016		2015	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	15	\$53,712	17	\$51,670
Disabilities	2	15,297	2	15,297
DROP	49	69,873	52	67,115
Total/Average	66	\$64,546	71	\$61,957

Inactive Members:

	2016		2015	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	3	\$18,661	4	\$24,963

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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 2016 and 2007
- 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, 2016

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

STATISTICAL SECTION NARRATIVE (CONTINUED)

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>
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%
2015	12	0.00%
2016	12	0.00%

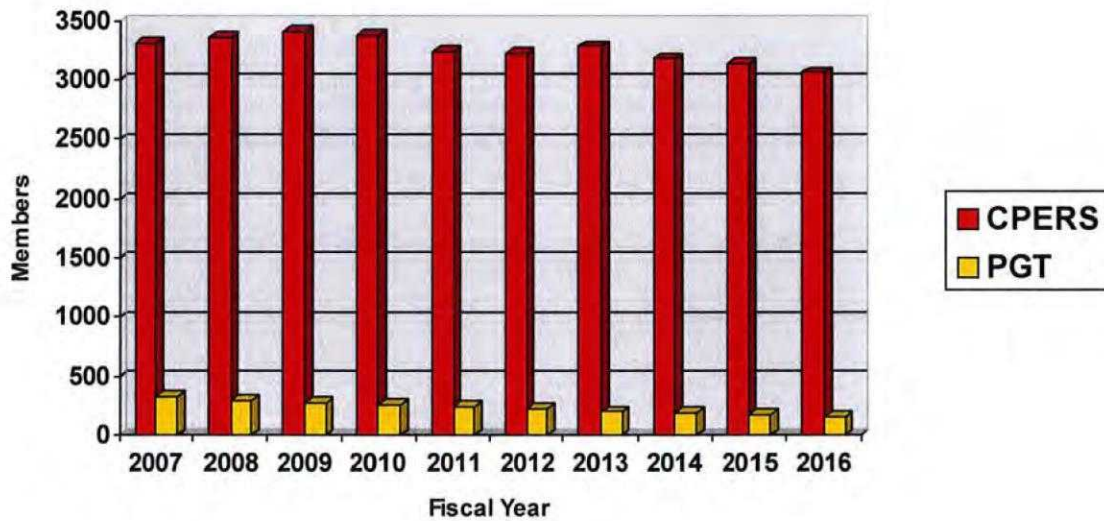
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2016 AND 2007

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2016</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,498	1	81.58%
Recreation and Park Commission for the Parish of East Baton Rouge	439	2	14.34%
District Attorney of the Nineteenth Judicial District	78	3	2.55%
Office of the Coroner of East Baton Rouge Parish	16	4	.52%
East Baton Rouge Parish Juvenile Court	14	5	.46%
East Baton Rouge Parish Family Court	12	6	.39%
Brownsfield Fire Protection District	3	7	.10%
St. George Fire Protection District	1	8	.03%
Eastside Fire Protection District	1	9	.03%
2016 Total	3,062		100.00%

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2007</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,783	1	84.00%
Recreation and Park Commission for the Parish of East Baton Rouge	399	2	12.05%
District Attorney of the Nineteenth Judicial District	64	3	1.93%
East Baton Rouge Parish Juvenile Court	22	4	.67%
East Baton Rouge Parish Family Court	12	5	.36%
Eastside Fire Protection District	9	6	.27%
Office of the Coroner of East Baton Rouge Parish	9	7	.27%
East Baton Rouge Parish Fire Protection District No. 6	6	8	.18%
St. George Fire Protection District	5	9	.15%
Brownsfield Fire Protection District	4	10	.12%
2007 Total	3,313		100.00%

NUMBER OF ACTIVE MEMBERS

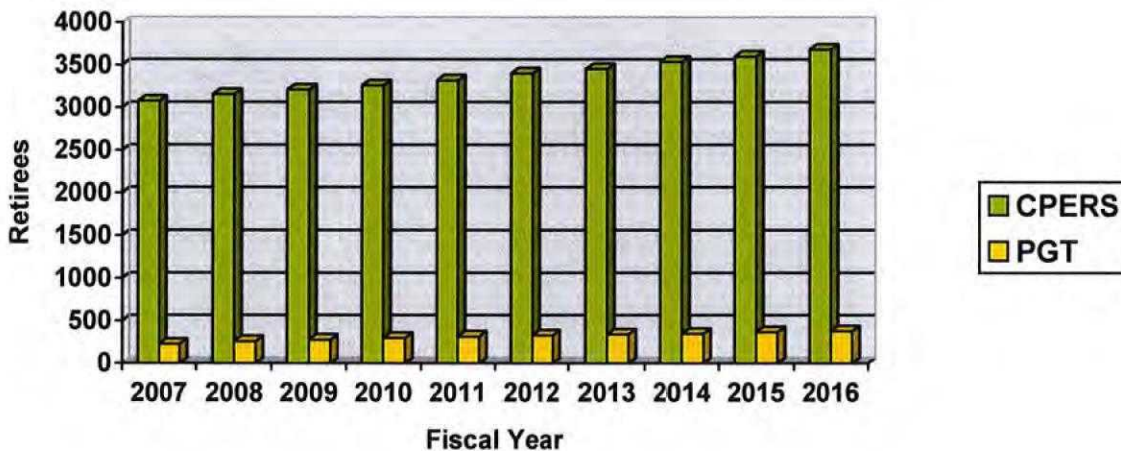
<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Members</u>	<u>% Increase Each Year</u>	<u>Members</u>	<u>% Increase Each Year</u>
2007	3,313	0.1 %	329	(6.0)%
2008	3,357	1.3 %	297	(9.7)%
2009	3,419	1.8 %	275	(7.4)%
2010	3,379	(1.2)%	252	(8.4)%
2011	3,245	(4.0)%	235	(6.7)%
2012	3,226	(0.6)%	218	(7.2)%
2013	3,283	1.8 %	198	(9.2)%
2014	3,181	(3.1)%	188	(5.1)%
2015	3,138	(1.4)%	174	(7.4)%
2016	3,062	(2.4)%	158	(9.2)%



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

Fiscal Year	CPERS		PGT	
	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
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%
2015	3,618	2.3%	366	5.2%
2016	3,680	1.7%	378	3.3%

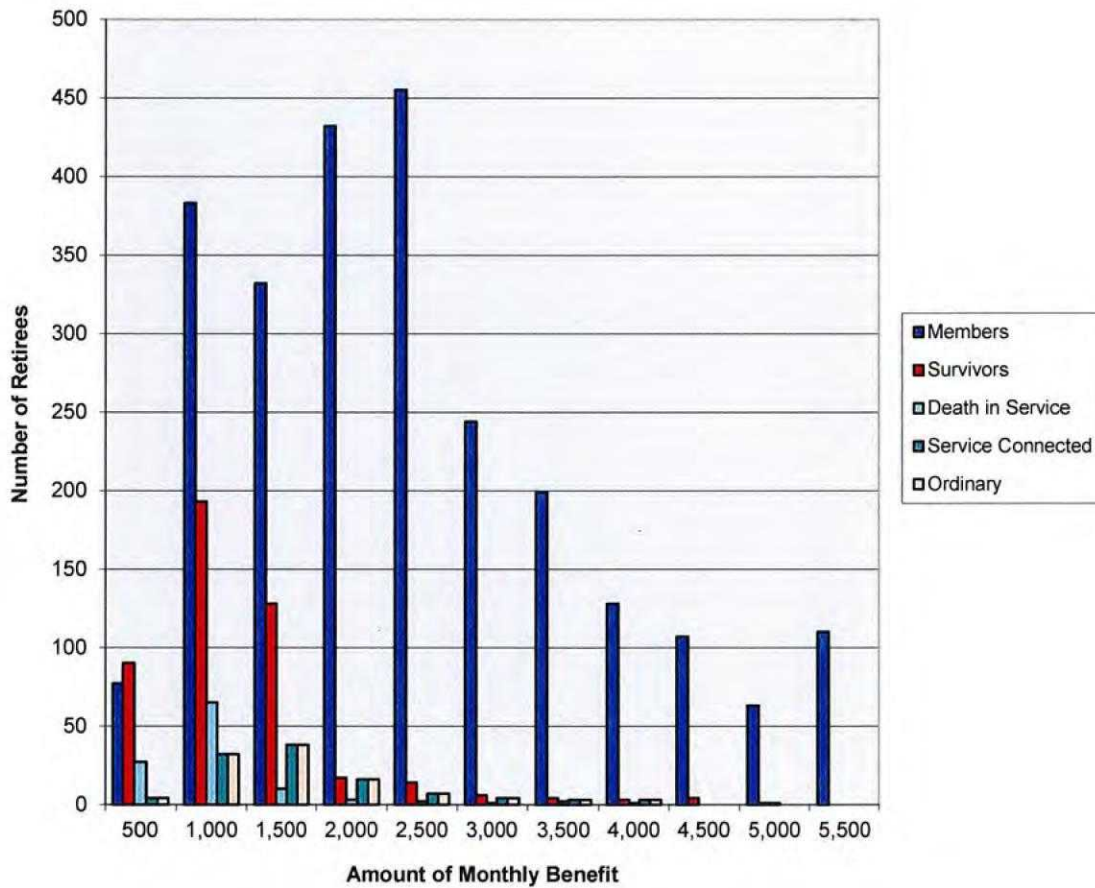
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (CPERS)

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement				
		Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
\$1-500	202	77	90	27	4	4
501-1,000	692	383	193	65	32	19
1,001-1,500	559	332	128	10	38	51
1,501-2,000	482	432	17	3	16	14
2,001-2,500	484	455	14	2	7	6
2,501-3,000	256	244	6	1	4	1
3,001-3,500	208	199	4	2	3	--
3,501-4,000	135	128	3	1	3	--
4,001-4,500	111	107	4	0	--	--
4,501-5,000	65	63	1	1	--	--
Above \$5,000	110	110	--	--	--	--
Totals	3,304	2,530	460	112	107	95

* 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>
		\$		\$
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
2015	3,257	75,613,052	19	132,445
2016	3,304	78,214,124	17	116,396

* Does not include deferred retirees

** Includes only retirees receiving monthly benefits from PGT

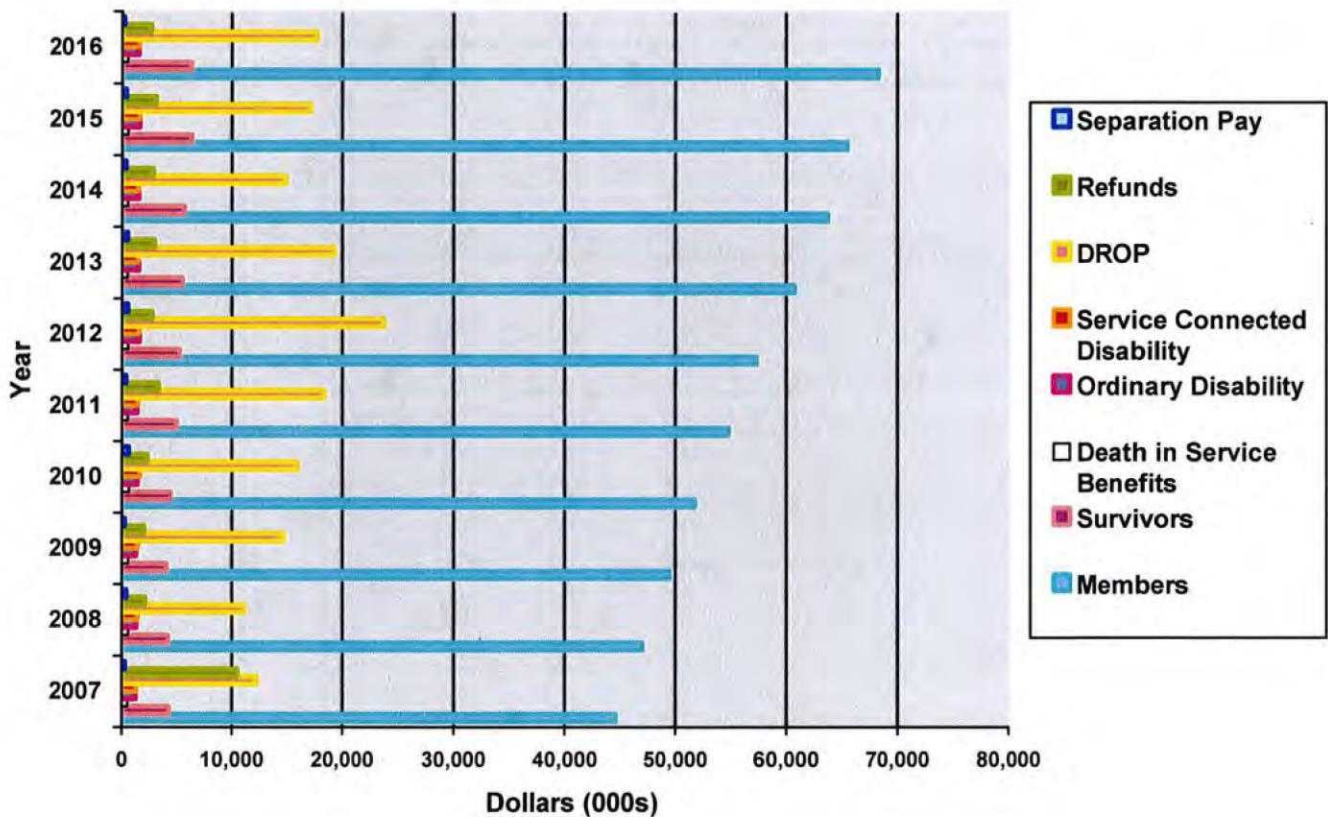
NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

<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>
		\$		\$
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
2015	1,133	17,140,815	110	1,170,706
2016	1,164	17,703,924	116	2,062,190

SCHEDULE OF BENEFIT EXPENSES BY TYPE (CPERS)

Year Ending	Service Benefits		Death in Service Benefits	Disability Benefits				Separation Benefits	Total
	Members	Survivors		Ordinary	Service Connected	DROP	Refunds		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
2015	65,487,500	6,380,359	536,492	1,595,590	1,613,111	17,140,815	3,088,270	364,508	96,206,645
2016	68,263,205	6,352,841	520,166	1,532,200	1,545,712	17,703,924	2,655,064	192,364	98,765,476

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



AVERAGE MONTHLY SERVICE RETIREE BENEFIT (CPERS) *

Retirement Date		Years of Service Credit						
		0-5	6-10	11-15	16-20	21-25	26-30	>30
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
2015	Avg. Monthly Benefit - \$	966.66	670.56	1,131.77	1,711.34	3,294.81	4,052.35	0.00
	Avg. Final Average Salary - \$	1,933.32	2,682.75	3,285.76	3,586.49	4,839.45	5,103.55	0.00
	Number of Retirees	2	13	32	20	44	33	0
2016	Avg. Monthly Benefit - \$	0.00	829.20	1,228.06	1,653.32	3,548.38	4,738.66	0.00
	Avg. Final Average Salary - \$	0.00	2,972.79	3,483.89	3,456.11	4,649.35	5,721.25	0.00
	Number of Retirees	0	16	20	20	29	29	0

* 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
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
2015	Avg. Monthly Benefit - \$	0.00	0.00	0.00	2,460.79	5,217.95	5,941.29	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	5,543.43	6,957.65	7,389.42	0.00
	Number of Retirees	0	0	0	2	10	9	0
2016	Avg. Monthly Benefit - \$	0.00	0.00	0.00	2,800.96	5,102.17	5,917.25	6,583.92
	Avg. Final Average Salary - \$	0.00	0.00	0.00	5,683.32	6,772.91	7,315.74	7,315.46
	Number of Retirees	0	0	0	2	8	6	1

* 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>
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
2015	14	195,611	N/A	N/A
2016	18	291,532	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> %
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
2015	239	.42	0	(100.00)
2016	215	(10.0)	0	0.00

SCHEDULE OF CHANGES IN NET POSITION (CPERS)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Position
	\$	\$	\$	\$
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
2015	15,054,222	41,387,640	(9,608,883)	46,832,979
2016	15,175,111	43,049,895	79,044,839	137,269,845

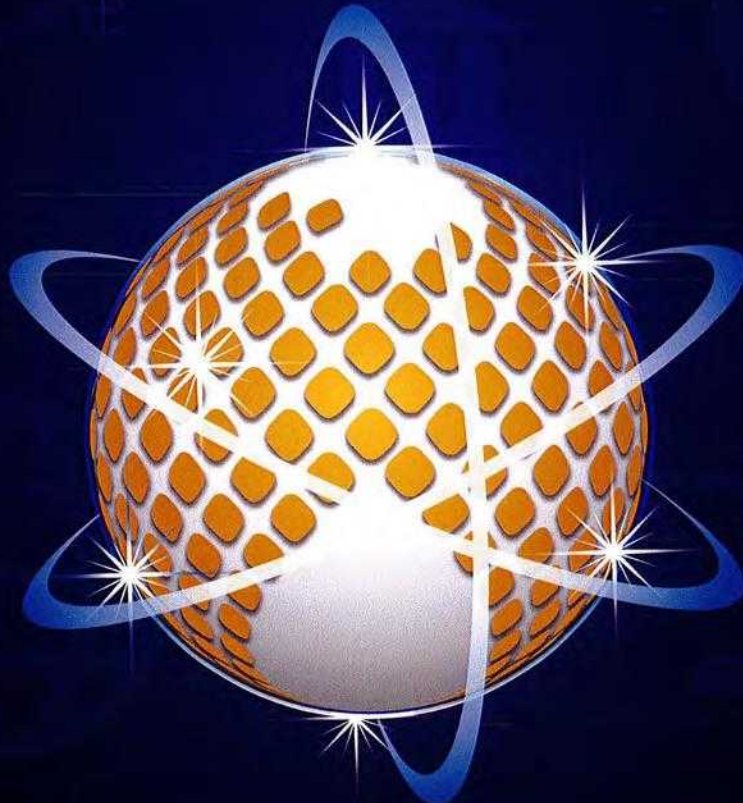
Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Position	Total Changes in Net Position
	\$	\$	\$	\$	\$
2007	64,567,396	*10,507,501	1,073,946	76,148,843	5,305,277
2008	65,990,013	2,092,148	1,095,697	69,177,858	(323,674,357)
2009	71,721,911	2,016,840	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
2015	93,118,375	3,088,270	1,318,104	97,524,749	(50,691,770)
2016	96,110,412	2,655,064	1,325,596	100,091,072	37,178,773

* 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>
	\$	\$	\$	\$
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
2015	99,365	951,261	(403,640)	646,986
2016	63,856	581,007	974,589	1,619,452

<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>
	\$	\$	\$	\$	\$
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)
2015	1,853,004	0	313,560	2,166,564	(1,519,578)
2016	2,651,397	0	269,510	2,920,907	(1,301,455)



Alternative Retirement Plans

CP
Employees'
Retirement System



DEFERRED RETIREMENT OPTION PLAN - DROP

The Deferred Retirement Option Plan became effective January 1, 1982, and was created essentially to provide a cost of living increase for retirees, which would be cost neutral to the System and the employer. It has undergone several structural changes over the years, including changes in 2015. 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. **For members hired prior to September 1, 2015**, 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. **For members hired on or after September 1, 2015**, eligible members are considered those who (a) have attained 25 years of creditable service and not more than 33 years of creditable service, (b) are non-public safety members age 55 or public safety members age 50, or (c) have attained at least 10 years of service and are non-public safety members age 60 or public safety members age 55, or (d) do not reach the minimum required retirement age but exercise the option to participate in the DROP no later than 60 days following the attainment of age 55 for non-public safety members or age 50 for public safety members.

Participation

For members hired prior to September 1, 2015, participation in the DROP is 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 hired on or after September 1, 2015**, participation in the DROP is for a period not exceeding 5 years. 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.

DEFERRED RETIREMENT OPTION PLAN – DROP (CONTINUED)

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.

**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 (CPERS Trust) and the Police Guarantee Trust (PGT), collectively referred to as the Retirement System, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2017.

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 27, 2017





CP Employees'
Retirement System



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