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Release Date 7/13/11

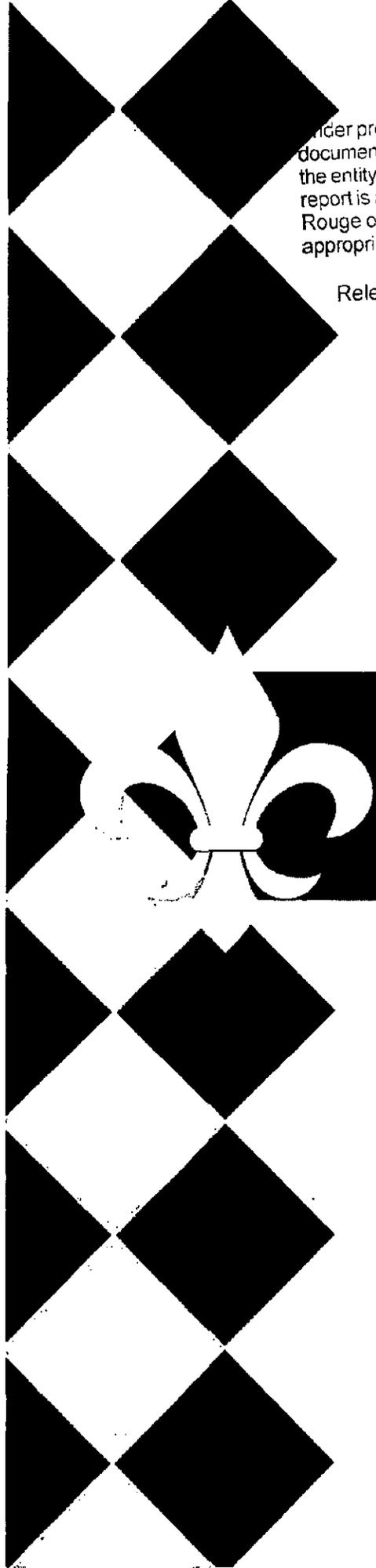
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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

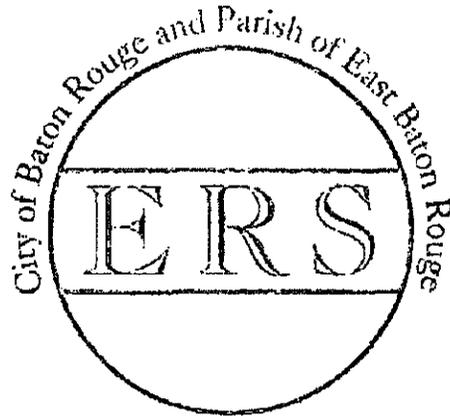
For the Fiscal Year Ended December 31, 2010



City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana



CP  
Employees'  
Retirement System



**CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE  
EMPLOYEES' RETIREMENT SYSTEM  
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, 2010**

**JEFFREY R. YATES**  
RETIREMENT ADMINISTRATOR

**OFFICE LOCATION**  
CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE  
EMPLOYEES' RETIREMENT SYSTEM  
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BATON ROUGE, LOUISIANA 70802  
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P. O. BOX 1471  
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**PREPARED BY THE ADMINISTRATIVE AND  
ACCOUNTING DIVISIONS OF THE CITY OF  
BATON ROUGE AND PARISH OF EAST BATON  
ROUGE EMPLOYEES' RETIREMENT SYSTEM**

**COVER AND DIVIDER DESIGN BY:**  
**THE IMAGE SOURCE, INC.**  
BATON ROUGE, LOUISIANA  
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**CITY OF BATON ROUGE AND  
PARISH OF EAST BATON ROUGE  
EMPLOYEES' RETIREMENT SYSTEM**

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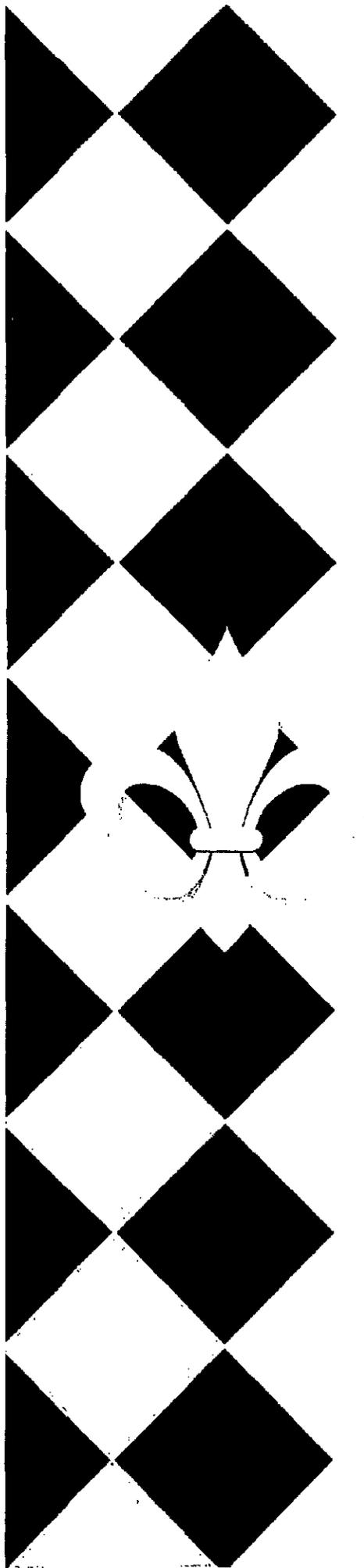
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City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

# 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 24, 2011

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

Dear Retirement Board Members:

We are pleased to again submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System) for the fiscal year ended December 31, 2010. This CAFR is submitted in accordance with Section 1:253 of the Retirement Ordinances, which requires an annual audit report. This section specifically mandates that the Board of Trustees shall have prepared and submitted annually to the Metropolitan Council, an audit report by an independent firm of certified public accountants.

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

As in past years, the format for the Comprehensive Annual Financial Report reflects separate disclosures in appropriate sections relative to the City-Parish Employees' Retirement System (CPERS) original trust and the Police Guarantee Trust (PGT). The 2010 CAFR is divided into the following seven sections as listed below:

- The Introductory Section contains the letter of transmittal, a listing of the members of the Retirement Board of Trustees, a listing of the administrative staff and professional consultants, the Retirement System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, and an overall plan summary.
- The Financial Section is composed of the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements, and Notes to the Financial Statements, followed by Required Supplementary Information and Supporting Schedules.
- The Investment Section is comprised of the investment consultant's report on investment activity, the Statement of Investment Policies and Objectives, Investment Summary, charts showing the actual and target asset allocations, List of Investments, Investment Performance Measurements, Annual Rates of Return, and a Schedule of Commissions Paid to Brokers.
- The Actuarial Section (CPERS trust) sets forth information applicable to the City-Parish Employees' Retirement System CPERS trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, schedules showing accrued liability analysis and reconciliation, an analysis of financial experience, active and retiree membership data, and other pertinent actuarial data.
- The Actuarial Section for the Police Guarantee Trust (PGT) is applicable only to the Police Guarantee Trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a summary of actuarial accrued liabilities and net assets available for benefits, and active and retiree membership data.

- The Statistical Section displays trend information on selected data such as active, DROP, and retired members, amounts of benefits paid, System revenues and expenses, various statistical graphs, and a list of employing agencies that remit contributions to the Retirement System.
- The last section, Alternative Retirement Plans, contains information on the Retirement System's two additional alternative retirement plans: the Deferred Retirement Option Plan (DROP) and the Excess Benefit Plan, the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and the Schedule of Findings and Questioned Costs.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

CPERS' independent auditors, Postlethwaite & Netterville, have conducted an independent audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. The scope and findings of their audit are presented in their *Independent Auditors' Report* on page 21. Part of this audit includes consideration of CPERS' internal control over financial reporting as expressed in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards* on page 125. Management has provided the independent auditors with unrestricted access to all records, policies, and procedures during this audit.

## **DEFINITION AND PURPOSE OF ENTITY**

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

## **MAJOR INITIATIVES**

The CPERS Board, with the recommendation of its investment consultant, Summit Strategies Group, voted to make changes to the asset allocation of the System's investment portfolio in an effort to capture positive performance of markets that were projected to perform well in the future. The changes included a shift from domestic equities to international equities that resulted in a 50/50 mix of both. Exposure to emerging markets was increased by 8.4 percent, and a new allocation was made to international small cap equity for 8.1 percent. During implementation of the changes, the entire portfolio was rebalanced to set all allocations to their recommended levels. The Board of Trustees also continues to consider incorporating alternative assets into the portfolio.

At a time when cost of living increases of any kind were a rare commodity, CPERS paid out its fourth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2010. Because of the mix of funding sources for the SBP, the prior bear markets did not drastically impede SBP funding. The total amount paid to 1,961 retirees totaled \$1.46 million, and no recipient received less than \$600. Future declarations and payments of the SBP will depend on availability of funds from excess investment revenues, ad-valorem tax receipts, and differentials in the annual Retirement Benefit Adjustment payments. Future declarations and payments of the SBP will depend on availability of funds from excess investment revenues, ad-valorem tax receipts, and differentials in the annual Retirement Benefit Adjustment payments.

CPERS' staff performed over 1,000 benefit calculations during the year, developed additional retirement brochures, and conducted a dozen retirement educational training classes to various member groups.

With the guidance of special tax counsel, CPERS revised its retirement ordinances to comply with changes to federal law governing qualified pension plans, and submitted the revised plan to the Internal Revenue Service in anticipation of receiving a renewed tax qualification letter.

## **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 are the key elements to being successful. Increased awareness through improved communication, and technological advances have afforded us the opportunity and capability of continually providing more accurate and timely services such as the issuance of retirement benefit payments, electronic funds transfers, DROP distributions, DROP and contribution tax-deferred rollovers, supplemental funding of DROP accounts, Excess Benefit Plan payments, Supplemental Benefit Payments, refunds of member contributions, member counseling, retiree payroll-related changes, and many more. Federal, state, and local laws affecting pensions frequently change, and CPERS must often change policies and procedures to accommodate these laws.

Payments to retirees, survivors, and beneficiaries continued to increase, and in 2010 the System paid out just over \$60 million in benefits compared to almost \$57 million in 2009; an increase of 5.4%. Distributions of almost \$17 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to \$16 million in 2009. This represented an increase of 6%. Combined, CPERS paid out \$77 million to eligible retirees, survivors, and beneficiaries during the year. Compared to just under \$73 million paid out in 2009, total benefits paid increased by 5.5%.

The average monthly benefit of CPERS retirees continued to increase as salaries and the number of retirements increased. For 2010, retirees drew an average monthly benefit of \$1,734, which represented an increase of 2.6% over the 2009 average of \$1,690. The average monthly withdrawal for DROP funds was \$1,380, a moderate increase of 1.2% from 2009's average of \$1,364. The DROP interest rate continued to outpace the rates offered for traditional savings accounts and money market instruments. DROP withdrawals include \$1.6 million in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2010, refunds were issued to 259 members who terminated employment and to beneficiaries of deceased members, compared to 263 issued during 2009. 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 141 members retired during 2010, which is coincidentally the same as 2009. A total of 87 members entered DROP during 2010 compared to 78 during 2009.

## **INTERNAL CONTROL**

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

## **ACCOUNTING SYSTEM**

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

## **FUNDING**

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

Contributions from members remained at 9.5 percent during 2010 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 22.17 percent produced 2010 General Fund and non-General Fund/Other Employer contribution rates of 19.83 percent and 24.93 percent respectively.

CPERS maintains its goal of becoming a fully funded public employees' retirement system through steady growth of the investment markets, and meeting investment performance objectives. CPERS' 2010 gross investment performance of 15.76 more than doubled the target investment performance of 7.5 percent, and all but overcame the losses suffered in 2008 and early 2009. CPERS' asset allocation of 65 percent equities and 35 percent fixed income and real estate remained unchanged during the year, in accordance with the recommendation of the investment consultant, and with the expectation that actuarial assumptions and funding goals will be met over an extended time horizon. When comparing the market value of assets with the total actuarial liability, the System's funded ratio increased to 68.1 percent at December 31, 2010 compared to 62.9 percent at December 31, 2009. Another method of measuring funded status is to compare the actuarial value of assets with the actuarial liability. When comparing the actuarial value of assets with the total actuarial liability, the System's funded ratio decreased slightly to 73.9 percent at December 31, 2010 compared to 74.3 percent at December 31, 2009.

For the Police Guarantee Trust, when comparing the market value of assets with the total actuarial liability, the funded ratio decreased to 62.7 percent at December 31, 2010, compared to 65.7 percent at December 31, 2009. When comparing the PGT actuarial value of assets with the total actuarial liability, the funded ratio decreased to 72.0% at December 31, 2010 from 79.7% at December 31, 2009. Schedules of funding progress for both CPERS and the Police Guarantee Trust, using the total actuarial value of assets, are shown in the Required Supplementary Information on page 47.

## **CASH MANAGEMENT**

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

## **INVESTMENTS**

The investments of the Retirement System are governed by the Statement of Investment Policies and Objectives as shown in summary on pages 60 through 65. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. Studies show that the most influential tool used by the Board to achieve maximum investment performance is that of asset allocation. With guidance from its investment consultant, the Board has adopted a policy, which currently includes investments in large and small-cap domestic equities, international equities, emerging markets equities, core, core-plus, and absolute return fixed-income securities, real estate, and short-term cash. Within these allocations, both value and growth equity biases are utilized over both large and small capitalization stocks. Charts with the current asset allocations are shown on pages 66 through 68. During 2010, CPERS retained relationships with nine of its ten investment managers and added two additional managers. The performances of all the managers are measured against predetermined universally recognized indices (benchmarks) as recommended by the investment consultant. CPERS continues to rebalance the allocation of its portfolio to counter market value changes that occur through market value appreciation and depreciation, thereby ensuring that the asset mix remains within acceptable parameters and the portfolio remains true to the targeted asset allocation. As a separate legal trust, the PGT uses its own asset allocation, which closely resembles that of the original CPERS trust, thereby assuring that investment performance will approximate that of the CPERS trust. Separate

investment reports are issued for the PGT showing performance as measured against standard benchmarks. Investment performance for the two trusts is measured separately and the assets for each are maintained separately. Investment return for CPERS' assets, gross of investment fees for 2010 was 15.76 percent with the three-year, and five-year returns being 1.26, and 4.52 percent respectively. A summary of the largest investment holdings can be found on pages 69 through 71.

## **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 2010 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letter can be found in the Financial Section of this report.

## **AWARDS**

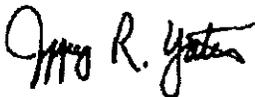
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009. This was the thirteenth consecutive year that CPERS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **ACKNOWLEDGEMENTS**

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

I also want to thank the Retirement Office staff for their continued efforts in making the 2010 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it is. While continuing to perform their regular duties in the most professional manner, they were dedicated to gathering data, inputting and typing, proofing and assembling this document. This is the fourteenth 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 thirteenth consecutive year.



Jeffrey R. Yates, CPA  
Retirement Administrator



Russell P. Smith, CPA  
Retirement Financial Manager

**2010  
RETIREMENT BOARD OF TRUSTEES**

**Mark W. Gamble**  
*Chairman & Regular Employees' Representative*  
Term: 5/15/10 - 5/14/14

**Joseph R. Toups**  
*Vice-Chairman & Metropolitan Council Representative*  
Term: 3/28/08 - 3/27/12

**M. Brian Mayers**  
*Metropolitan Council Representative*  
Term: 3/28/08 - 3/27/12

**Linda T. Hunt**  
*Regular Employees' Representative*  
Term: 1/1/08 - 12/31/11

**Corporal Chad M. King**  
*Police Employees' Representative*  
Term: 3/1/07 - 2/28/11

**Marsha J. Hanlon**  
*Mayoral Representative*  
Term: Appointed By Mayor-President

**Captain Richard W. Sullivan**  
*Fire Employees' Representative*  
Term: 3/1/07 - 2/28/11

**ADMINISTRATIVE STAFF**

**Jeffrey R. Yates, C.P.A.**  
*Retirement Administrator*

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

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

**Mark Williams**  
*Retirement Benefits Manager*

**Linda Verbois**  
*Senior Administrative Specialist*

**Kyle Drago**  
*Senior Financial Analyst*

**Katherine Wesley**  
*Financial Analyst*

**Jeffrey Lagarde**  
*Financial Analyst*

**Marshall Reilly**  
*Financial Analyst*

**Adrienne Matthews**  
*Senior Retirement Analyst*

**Salli Withers**  
*Senior Retirement Analyst*

**Ana Paula Justino-Isaac**  
*Retirement Analyst*

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**MEDICAL EXAMINER**

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Baton Rouge, LA 70884-3029

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Lafayette, LA 70508

**COST ANALYSIS CONSULTANT**

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Wichita, KS 67212

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Baton Rouge, LA 70821-1511

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Pyramis Global Advisors  
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Boston, MA 02109

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Highclere International Investors  
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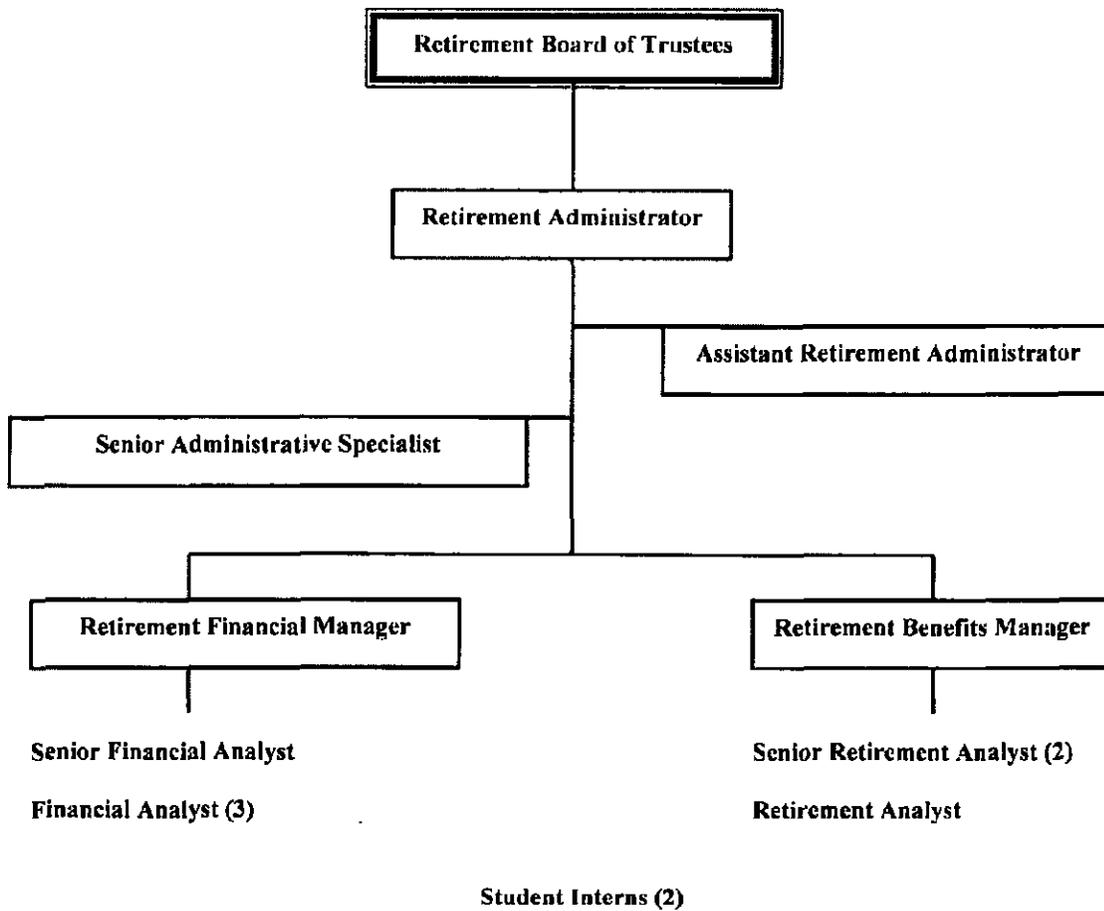
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20 Bay Street - Suite 1905  
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1125 Airport Road  
Coatesville, PA 19320

**REAL ESTATE EQUITY**

Clarion Partners  
230 Park Avenue, 12<sup>th</sup> Floor  
New York, NY 10169

**RETIREMENT SYSTEM  
ORGANIZATIONAL CHART**



See page 12 for specific information regarding investment professionals. A schedule of commissions paid to brokers can be found on page 76 in the Investment Section of this CAFR.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

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



President

Executive Director

## **SUMMARY OF 2010 LOCAL LEGISLATIVE CHANGES**

The following local legislation became law in 2010:

ORDINANCE 15062 -- AMENDING TITLE I (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES' RETIREMENT SYSTEM), SUBPARTS 1, 2, 3 AND 4, OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, SO AS TO PROVIDE FOR QUALIFIED PLAN LANGUAGE REVISIONS AS REQUIRED BY THE INTERNAL REVENUE CODE.

On December 8, 2010, the Metropolitan Council approved Ordinance 15062 that amended the following sections:

Section 1:251. -- Added a reference to the section of the Internal Revenue Code, 401(a)(17), dealing with annual limits on earned compensation.

Section 1:258.A. -- Added language pertaining to the plan's exemption from federal income taxes.

Section 1:261.B. and C. -- Changed reference for military service from USFERRA to the section of the Code, 414(u).

Section 1:264.A.6. -- Deleted language that was no longer applicable under the Code concerning member contributions.

Section 1:265.C.2(b) -- Added the word "persons" to Option 2 to include multiple beneficiaries so that Option 3 is no longer necessary.

Section 1:265.C.2(c) -- Deleted, see C.2(b) above.

Section 1:265.C.4. -- Added language to clarify the actuarial assumptions used in calculations.

Section 1:265.G.3. -- Corrected the spelling of the word "one".

Section 1:272. -- Added language concerning limits on benefits in compliance with Section 415 and 401(a)(17) of the Internal Revenue Code.

Section 1:273.A. -- Added the effective date of January 1, 1993.

Section 1:273.B.(1)(a)(b)(c),(2),(3),(4). -- Added language pertaining to eligible rollover distributions in compliance with the Internal Revenue Code.

Section 1:274.J. -- Minor wording changes to enhance meaning.

Section 1:276.B. -- Added reference to the police guarantee trust and changed Code citation.

Section 1:277.A1 and 2., B., D. -- Added reference to the police guarantee trust.

Section 1:278. -- Added reference to the police guarantee trust.

Section 1:280. -- Added qualification language concerning the police guarantee trust.

Section 1:281.F. and G. -- Added language that the police guarantee trust is a tax-qualified trust and other minor wording changes.

Section 1:288. -- Added the sections in the plan that are applicable to the police guarantee trust.

## PLAN SUMMARY

### SERVICE RETIREMENT ALLOWANCES

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

### OPTIONAL RETIREMENT ALLOWANCES

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

### DISABILITY RETIREMENT ALLOWANCES

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

### SURVIVOR BENEFITS

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

### PLAN SUMMARY (CONTINUED)

- The surviving spouse of a service-connected disability retiree receives a monthly benefit of 50% of the service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the service-connected disability retiree on his date of service-connected disability retirement or (2) legally married to the service-connected disability retiree for at least 2 years prior to the service-connected disability retiree's death.
- Minor child or children of contributing member receive a monthly benefit of \$150 per child until age 18, maximum benefit of \$300 if survived by more than 2 children.

### DEFERRED RETIREMENT OPTION PLAN (DROP)

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

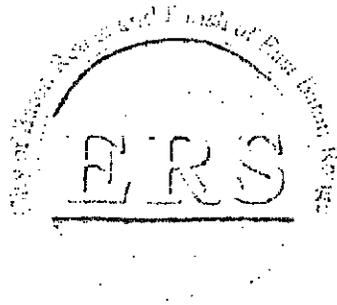
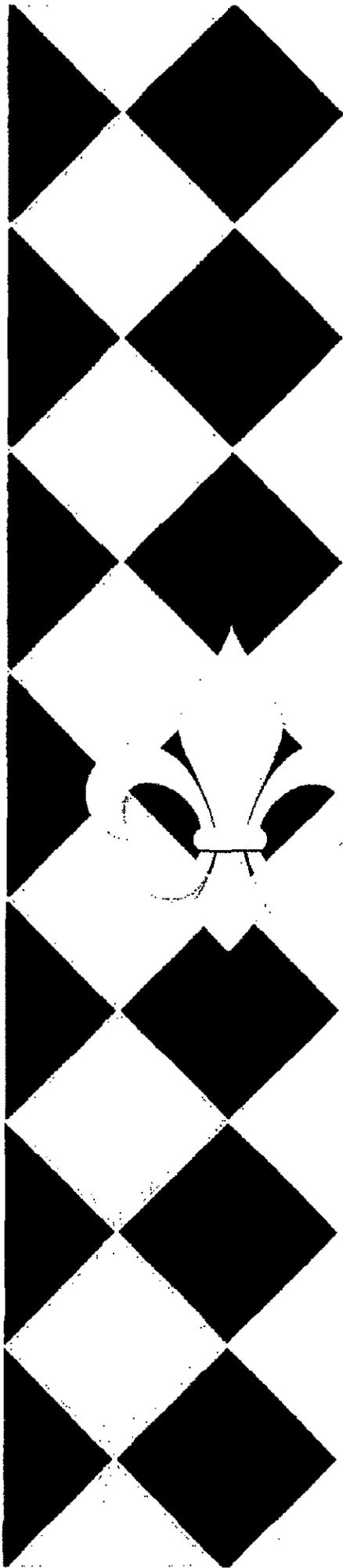
### ROLLOVER OF ELIGIBLE DISTRIBUTIONS

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

### MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

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

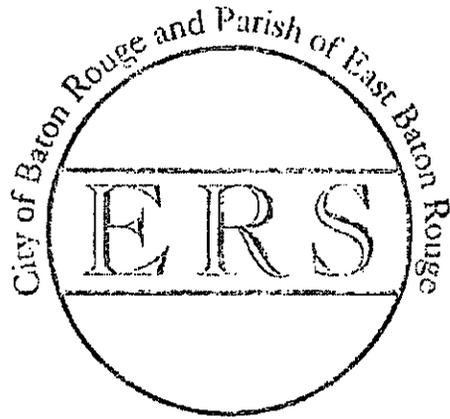
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City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

Financial Section

CP  
Employees'  
Retirement System





A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
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### Independent Auditors' Report

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

We have audited the accompanying statement of plan net assets of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), a component unit of the City of Baton Rouge - Parish of East Baton Rouge, as of December 31, 2010 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System as of December 31, 2010 and the changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011 on our consideration of the Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress listed as Required Supplemental Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Retirement System. The accompanying financial information as listed in the Table of Contents as Schedules of Administrative Expenses, Schedules of Investment Expenses and Schedules of Payments to Consultants is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 financial information in the investment section, the actuarial section and the statistical 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 it.

The combined statement of plan net assets and combined statement of changes in plan net assets as of and for the year ended December 31, 2009 are presented for comparative purposes. These combined totals were included as part of the Retirement System's December 31, 2009 basic financial statements which were audited by us and upon which we issued an unqualified opinion in our report dated June 25, 2010.

*Postlethwaite & Nettenville*

Baton Rouge, Louisiana  
June 24, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is management's discussion and analysis of the financial performance of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement 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**

- The net assets held in trust for pension benefits continued a double digit increase begun back in 2009. Net assets grew by \$94.2 million, or 10.8 percent. The broad markets, including real estate, enjoyed a steep recovery year, which served to help overcome some of the losses suffered in 2008 and early 2009. Domestic and international equities, and real estate all returned over 15 percent, and fixed income did well with returns in excess of 8 percent.
- The gross rate of return on the market value of the System's investments in 2010 was 15.8 percent, versus a gross return of 25.4 percent in 2009. The system out-performed its policy index by 3.9 percent and ranked in the top decile among its peers. In particular, CPERS' fixed income holdings beat their benchmark by 2.3 percent, international equity by 8.1 percent, US equity by 5.2 percent, and real estate by 6.1 percent.
- The amounts of retirement benefit payments paid in 2010 increased by 5.6 percent over 2009 as both the number of retirees and the average benefit amounts continued to increase. Included in this number was payment of the fourth consecutive Supplemental Benefit Payment of over \$1.4 million. Refunds and withdrawals increased by 13.8 percent.
- The System's funded status decreased slightly from 74.3 percent in 2009 to 73.9 percent in 2010, as measured in accordance with GASB 25/27. On a market value basis, the funded ratio improved for the second year in a row, going from 62.9 percent to 68.1 percent. The unfunded actuarial accrued liability increased \$14.6 million as the System continued to struggle to overcome the investment losses experienced in 2008. The market value trailed the actuarial value of assets at year end by \$81 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Statement of Plan Net Assets** – This statement reports the System's assets, liabilities, and resulting net assets held in trust for pension benefits. The original CPERS trust and Police Guarantee Trust are shown both separately and combined. Although not a comparative financial statement per se, it shows the prior year comparative combined totals by line item. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2010 and provides comparative combined totals at December 31, 2009.

**Statement of Changes in Plan Net Assets** – This statement reports the results of operations during the calendar years 2010 with comparative combined totals for 2009, categorically disclosing the additions to and deductions from plan net assets. The net decrease to plan assets on this statement supports the change in net assets held in trust for pension benefits on the Statement of Plan Net Assets. The original CPERS trust and Police Guarantee Trust are again shown both separately and combined, and again with a column showing the comparative combined totals for the prior year, although the statement is not a comparative financial statement by definition.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

- Note 1 (Plan Description) provides a general description of the Retirement System, including the original CPERS trust and the Police Guarantee Trust. Information is included regarding plan membership, a description of retirement benefits, a description of the Deferred Retirement Option Plan (DROP), and retirement contributions.
- Note 2 (Summary of Significant Accounting Policies) provides information disclosing certain accounting methods and policies used in determining amounts shown on the financial statements. Included in this note is information relative to the basis of accounting, and the determination of estimates, including System investments and property and equipment.
- Note 3 (Cash and Investments) describes System investments and their relationship with the custodian bank. This note includes information regarding the System's cash and investments, use of the custodian's Short Term Investment Fund (STIF), bank balances and their collateralization, and types of investment risk and measurement of that risk for the CPERS investment portfolio.
- Note 4 (Securities Lending Program) provides details of the System's securities lending program as governed by the contract between CPERS and the custodian bank. This note describes how the program is administered by the custodian, and how loans of securities are collateralized.
- Note 5 (Funded Status and Funding Progress) provides disclosures regarding how well the System is funded and able to meet its obligations. Also included are the actuarial assumptions used for determining the funded status.
- Note 6 (Contingencies) provides information relative to any retirement matters being litigated and possibly subjecting the system to some financial exposure.

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

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

**CPERS FINANCIAL ANALYSIS**

CPERS provides retirement benefits to essentially all eligible City-Parish employees and employees of other member employers. These benefits are funded through member contributions, employer contributions, and earnings on investments. Total System net assets held in trust for pension benefits at December 31, 2010 were \$966.8 million, which represented an increase of \$94.2 million, or 10.8 percent from the \$872.7 million held in trust at December 31, 2009.

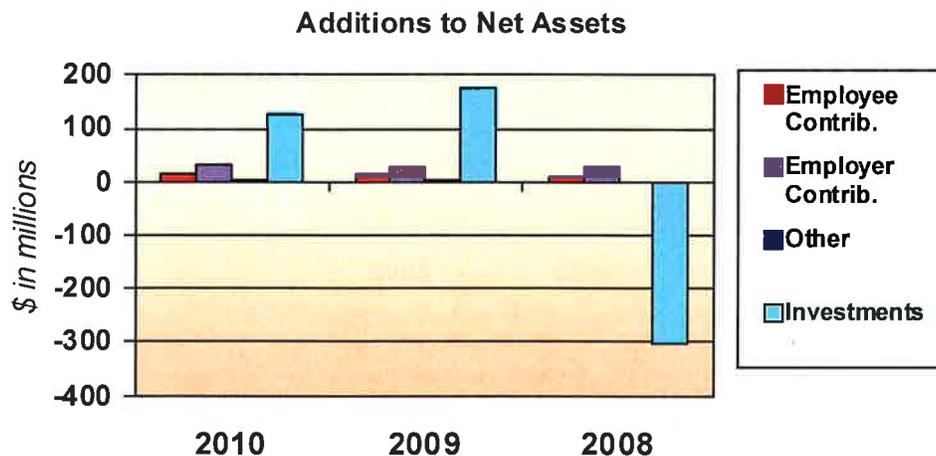
**CITY OF BATON ROUGE AND  
PARISH OF EAST BATON ROUGE  
EMPLOYEES' RETIREMENT SYSTEM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	2010	2009	2008	2010 Increase (Decrease)	2010 % Change
Cash	\$ 4,230,933	\$ 8,428,044	\$ 7,732,306	\$ (4,197,111)	(49.8) %
Receivables	36,075,380	9,096,748	42,159,210	26,978,632	296.6
Investments (fair value)	966,664,739	866,685,305	737,201,059	99,979,434	11.5
Securities Lending Collateral	4,848,773	4,654,585	4,147,518	194,188	4.2
Capital Assets	594,467	601,653	622,926	(7,186)	(1.2)
Total Assets	1,012,414,292	889,466,335	791,863,019	122,947,957	13.8
Total Liabilities	45,566,531	16,807,066	58,424,022	28,759,465	171.1
Total Plan Net Assets	\$ 966,847,761	\$ 872,659,269	\$ 733,438,997	\$ 94,188,492	10.8 %

Additions to Plan Net Assets

Additions to CPERS net assets held in trust for pension benefits include regular contributions from employees and employers, contributions received from employers for purposes of paying severance pay to employees, and investment income. Employee contributions, which continued at 9.5% of payroll for both 2010 and 2009, rose by \$31.9 thousand primarily due to normal payroll growth. Employer contributions increased by \$5.3 million, also due to normal payroll growth plus a significant increase in the required employer contribution rate as recommended by the System's actuary. The blended employer contribution rate for 2010 was 22.17% of payroll, while in 2009 the rate was set at 18.56%. Investment performance continued its recovery, which began in March of 2009 as all market segments rebounded from the 2008 global recession. In 2010, CPERS recognized a net investment income of \$128.1 million, compared to a net investment income in 2009 of \$174.3 million. In total, 2010 additions to plan net assets were \$176.0 million as compared to additions of \$216.4 million for 2009.



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

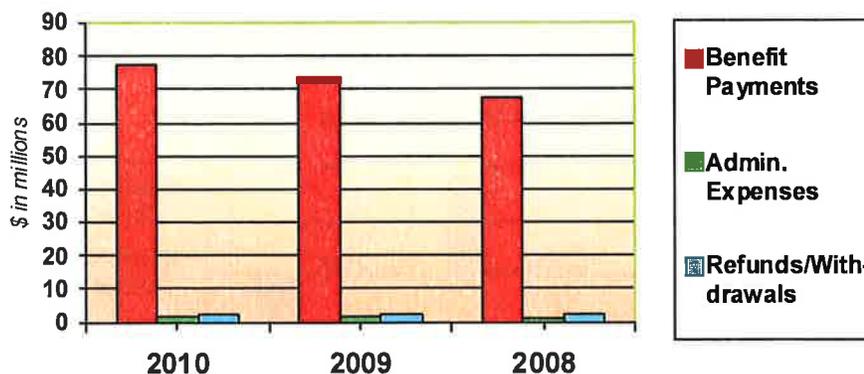
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Additions to Net Assets</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010 % Change</b>
Employee Contributions	\$ 13,430,397	\$ 13,398,458	\$ 12,863,784	0.2 %
Employer Contributions	32,554,742	27,299,381	26,244,658	19.3
Net Investment Income	128,072,880	174,333,006	(302,299,590)	(26.5)
Other	1,935,967	1,399,949	1,043,625	38.3
<b>Total Additions</b>	<b>\$ 175,993,986</b>	<b>\$ 216,430,794</b>	<b>\$ (262,147,523)</b>	<b>(18.7) %</b>

Deductions from Plan Net Assets

Deductions from CPERS net assets held in trust for pension benefits are comprised primarily of retirement benefit payments to CPERS retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses, and refunds and withdrawals of employee contributions. For 2010, benefit payments to retirees, survivors, and beneficiaries totaled \$77.8 million, which represented an increase of 5.6 percent from the \$73.7 million paid out in 2009. The normal monthly payments to pensioners continued to increase, and both the number of pensioners and the average monthly pension increased. The Board of Trustees was pleased to pay the fourth consecutive Supplemental Benefit Payment of \$1.4 million to qualifying retirees. The 2010 administrative expenses increased to \$1.67 million from \$1.50 million in 2009 representing an increase of 11.9%. And finally, refunds and withdrawals of member contributions increased by 13.8%, totaling \$2.3 million in 2010 from \$2.0 million in 2009.

**Deductions from Net Assets**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Deductions from Net Assets</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010 % Change</b>
Benefit Payments	\$ 77,835,709	\$ 73,696,868	\$ 67,586,649	5.6 %
Refunds and Withdrawals	2,299,742	2,021,306	2,092,580	13.8
Administrative Expenses	1,670,043	1,492,348	1,359,073	11.9
<b>Total Deductions</b>	<b>\$ 81,805,494</b>	<b>\$ 77,210,522</b>	<b>\$ 71,038,302</b>	<b>6.0 %</b>

<b>Change in Net Assets (Total Additions less Total Deductions)</b>	<b>\$ 94,188,492</b>	<b>\$ 139,220,272</b>	<b>\$(333,185,825)</b>	<b>(32.5)%</b>
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Investments

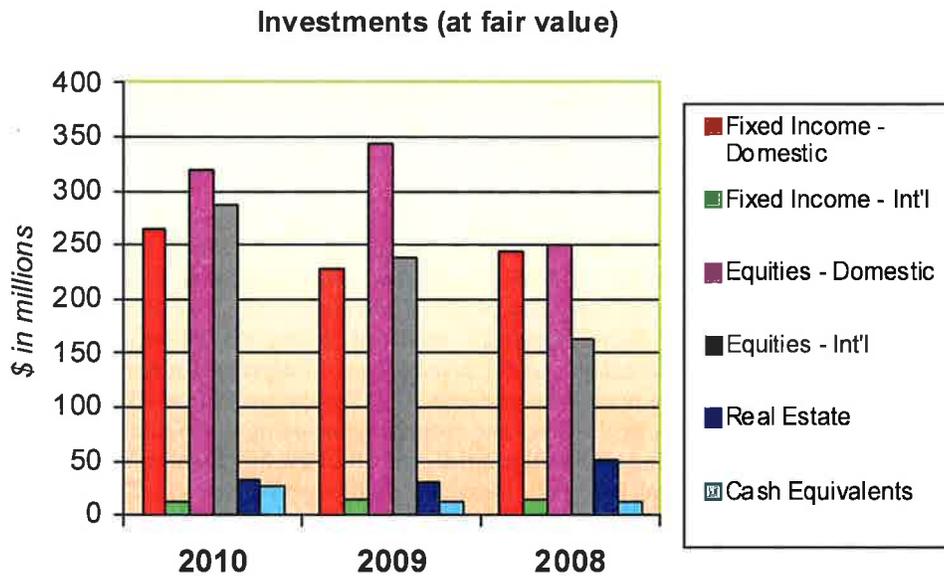
The System's investments, exclusive of securities lending collateral, totaled \$966.7 million at December 31, 2010 as compared to \$866.7 million at December 31, 2009, which represented an increase of \$100.0 million or 11.5%. 2010 saw a continuation of the economic recovery that began in March of 2009. All asset classes experienced positive gains for the year; most in double digits. Domestic small cap stocks led the way, with emerging markets and international equities following close behind. After several years of depressed returns, domestic real estate turned the corner and experienced a positive run for the year also. The System maintained its target asset allocation of 65% of investments in equities and 35% in fixed-income securities, including a 5% allotment to domestic real estate. Diversification of the portfolio continued to mitigate risk, and all of the traditional investment types performed well and met or exceeded expectations for the year. Domestic equities performed at a 22.15% rate, with international equities returning a 15.82% rate for the year. Fixed income continued to do well with an 8.8% performance. CPERS' investment return of 15.76% was 389 basis points above its Total Fund Policy Index and attested to another outstanding year for investment managers' performance. Investment expenses were down by 6.9%, primarily because of a renegotiated fee arrangement with one of the fixed-income managers. Late in 2010, the System increased exposure to international equity and particularly to emerging markets. With a 65% exposure to equities overall, the System continued to rebound more rapidly than its peers. CPERS replaced one investment manager because of performance issues, and hired two additional managers including a second emerging markets equity manager, and an international small cap equity manager. The further diversification is expected to decrease the overall volatility of the portfolio. The System's asset allocation is set based on long-range performance horizons and no attempts are made to try and time the market.

	<b>2010 %</b>	<b>2009 %</b>	<b>2008 %</b>
US Equity Composite	22.15	31.29	-36.62
International Equity Composite	15.82	39.99	-43.75
Fixed Income Composite	8.80	21.27	-6.75
Real Estate Composite	19.16	-38.65	-12.5
Cash Composite	.03	0.18	2.1
<b>Total Fund Composite</b>	<b>15.76</b>	<b>25.43</b>	<b>-28.49</b>

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

**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 CPERS' investments performed overall.



<b>Investments (at Fair Value)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010 % Change</b>
Fixed Income – Domestic	\$ 263,806,969	\$ 227,405,253	\$ 243,636,058	16.0 %
Fixed Income – International	13,223,442	14,207,992	15,576,494	(6.9)
Equity securities – Domestic	318,641,169	343,466,712	250,413,182	(7.2)
Equity securities – International	286,732,637	238,739,928	163,800,048	20.1
Real Estate	33,823,882	30,133,669	51,124,345	12.2
Cash equivalents	50,436,640	12,731,751	12,650,932	296.1
<b>Total Investments</b>	<b>\$ 966,664,739</b>	<b>\$ 866,685,305</b>	<b>\$ 737,201,059</b>	<b>11.5 %</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REQUESTS FOR INFORMATION**

This Comprehensive Annual Financial Report is designed to provide a general overview of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System's finances 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.

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

**STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2010  
AND COMPARATIVE COMBINED TOTALS FOR 2009**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2010 Combined Total</u>	<u>2009 Combined Total</u>
<b>Assets</b>				
Cash	\$ 3,504,643	\$ 726,290	\$ 4,230,933	\$ 8,428,044
Receivables:				
Employer contributions	3,266,762	11,985	3,278,747	2,010,413
Employee contributions	946,760	2,513	949,273	940,681
Interest and dividends	474,428	21	474,449	491,814
Pending trades	30,981,516	105,650	31,087,166	4,808,828
Other	285,745	-	285,745	845,012
<b>Total receivables</b>	<u>35,955,211</u>	<u>120,169</u>	<u>36,075,380</u>	<u>9,096,748</u>
Investments (at fair value):				
Fixed Income - Domestic	254,867,074	8,939,895	263,806,969	227,405,253
Fixed Income - International	12,406,272	817,170	13,223,442	14,207,992
Equities - Domestic	312,219,563	6,421,606	318,641,169	343,466,712
Equities - International	280,338,116	6,394,521	286,732,637	238,739,928
Real estate investments	33,823,882	-	33,823,882	30,133,669
Cash equivalents	50,099,866	336,774	50,436,640	12,731,751
<b>Total investments</b>	<u>943,754,773</u>	<u>22,909,966</u>	<u>966,664,739</u>	<u>866,685,305</u>
Securities lending collateral:				
Short term securities - securities lending program	4,848,773	-	4,848,773	4,654,585
<b>Total securities lending collateral</b>	<u>4,848,773</u>	<u>-</u>	<u>4,848,773</u>	<u>4,654,585</u>
Properties at cost, net of accumulated depreciation of \$704,468 and \$697,282, respectively				
	594,467	-	594,467	601,653
<b>Total Assets</b>	<u>988,657,867</u>	<u>23,756,425</u>	<u>1,012,414,292</u>	<u>889,466,335</u>
<b>Liabilities</b>				
Accrued expenses and benefits	802,783	344,421	1,147,204	1,493,059
Pending trades payable	39,570,554	-	39,570,554	10,659,422
<b>Total accounts payable and other liabilities</b>	<u>40,373,337</u>	<u>344,421</u>	<u>40,717,758</u>	<u>12,152,481</u>
Securities lending obligations:				
Obligations held under securities lending program	4,848,773	-	4,848,773	4,654,585
<b>Total securities lending obligations</b>	<u>4,848,773</u>	<u>-</u>	<u>4,848,773</u>	<u>4,654,585</u>
<b>Total Liabilities</b>	<u>45,222,110</u>	<u>344,421</u>	<u>45,566,531</u>	<u>16,807,066</u>
Net assets held in trust for pension benefits	<u>\$ 943,435,757</u>	<u>\$ 23,412,004</u>	<u>\$ 966,847,761</u>	<u>\$ 872,659,269</u>
See accompanying notes to financial statements				

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010 AND  
COMPARATIVE COMBINED TOTALS FOR 2009**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2010 Combined Total</u>	<u>2009 Combined Total</u>
Additions:				
Contributions:				
Employee	\$13,352,349	\$ 78,048	\$ 13,430,397	\$ 13,398,458
Employer	32,304,628	250,114	32,554,742	27,299,381
Severance contributions from employee	1,935,967	-	1,935,967	1,399,949
Total contributions	<u>47,592,944</u>	<u>328,162</u>	<u>47,921,106</u>	<u>42,097,788</u>
Investment income:				
Net appreciation in fair value of investments	126,554,771	2,772,539	129,327,310	174,967,376
Interest	2,487,727	2,188	2,489,915	3,354,452
Dividends	125,054	-	125,054	163,940
	<u>129,167,552</u>	<u>2,774,727</u>	<u>131,942,279</u>	<u>178,485,768</u>
Less investment expenses	3,766,905	109,896	3,876,801	4,164,131
Net investment income before securities lending	<u>125,400,647</u>	<u>2,664,831</u>	<u>128,065,478</u>	<u>174,321,637</u>
Securities lending income:				
Income from securities lending activities	12,338	-	12,338	19,065
Less borrower rebates/fees and related expenses	4,936	-	4,936	7,696
Net securities lending income	<u>7,402</u>	<u>-</u>	<u>7,402</u>	<u>11,369</u>
Net investment income	<u>125,408,049</u>	<u>2,664,831</u>	<u>128,072,880</u>	<u>174,333,006</u>
Total additions	<u>173,000,993</u>	<u>2,992,993</u>	<u>175,993,986</u>	<u>216,430,794</u>
Deductions:				
Benefit payments	76,395,588	1,440,121	77,835,709	73,696,868
Refunds and withdrawals	2,297,390	2,352	2,299,742	2,021,306
Administrative expenses	1,390,779	279,264	1,670,043	1,492,348
Total deductions	<u>80,083,757</u>	<u>1,721,737</u>	<u>81,805,494</u>	<u>77,210,522</u>
Net increase	92,917,236	1,271,256	94,188,492	139,220,272
Net assets held in trust for pension benefits:				
Beginning of year	<u>850,518,521</u>	<u>22,140,748</u>	<u>872,659,269</u>	<u>733,438,997</u>
End of year	<u>\$943,435,757</u>	<u>\$23,412,004</u>	<u>\$966,847,761</u>	<u>\$872,659,269</u>

See accompanying notes to financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) PLAN DESCRIPTION**

**A. General Organization**

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (Retirement System/CPERS) is the administrator of a cost-sharing multiple-employer plan (the Plan). At December 31, 2010 the Retirement 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  
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 Retirement System is considered a component unit of the financial reporting entity of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) and is included as a pension trust fund in the City-Parish Comprehensive Annual Financial Report. The accompanying financial statements reflect the activity of the Retirement System.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the definition of a reporting entity is based primarily on the concept of financial accountability. 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;
- The Retirement System is funded by the investment of contributions from the City-Parish and member employers who are obligated to make the contributions to the Retirement System based upon actuarial valuations.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) PLAN DESCRIPTION, CONTINUED**

**A. General Organization, Continued**

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

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

**B. Police Guarantee Trust (PGT)**

The Police Guarantee Trust (PGT) was established as a separate legal trust fund on February 26, 2000 to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred their membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights in CPERS. When established, the Trust was funded from the original CPERS trust through a trustee-to-trustee transfer, for the full actuarially determined amount necessary to pay all present and future contractually guaranteed benefits to eligible members and their survivors. The PGT is charged with all of its direct expenses and charged with a percentage of indirect expenses at the rate of twenty percent (20%) for both 2010 and 2009, based on an administrative cost allocation study performed by an outside consultant. The PGT funds are invested similarly to the original CPERS trust funds, with separate investment performance measurement, separate accounting records, and a separate annual actuarial valuation. The Retirement Board is responsible for administering the assets and making investment policy decisions for the PGT.

**C. Membership**

At December 31, 2010 and 2009, membership in the Retirement System (CPERS trust only) consisted of:

	<u>2010</u>	<u>2009</u>
Inactive:		
Retirees and beneficiaries currently receiving benefits	2,876	2,801
Vested terminated employees	46	46
Deferred retirees	<u>337</u>	<u>361</u>
Total inactive	<u>3,259</u>	<u>3,208</u>
Active:		
Fully vested	1,398	1,422
Nonvested	<u>1,981</u>	<u>1,997</u>
Total active	<u>3,379</u>	<u>3,419</u>
Total Membership	<u>6,638</u>	<u>6,627</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) PLAN DESCRIPTION, CONTINUED**

**C. Membership, Continued**

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

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

	December 31, 2009		Active		Total Active
	Inactive		Vested	Nonvested	
Regular	2,068		1,032	1,395	2,427
BREC	133		70	367	437
Police	360		42	1	43
Fire	<u>647</u>		<u>278</u>	<u>234</u>	<u>512</u>
	<u>3,208</u>		<u>1,422</u>	<u>1,997</u>	<u>3,419</u>

**D. Benefits**

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

1. Full retirement benefits:
  - a. Granted with 25 years of service, regardless of age.
  - b. Defined as 3% of average compensation times the number of years of service.
  
2. Minimum eligibility benefits:
  - a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
  - b. Defined as 2.5% of average compensation times the number of years of service.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) PLAN DESCRIPTION, CONTINUED**

**D. Benefits, Continued**

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

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

**E. DROP**

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

DROP deposits are included in plan net assets. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2010 were \$179,270,858 and \$16,363,630. For December 31, 2009, the DROP accounts for the CPERS and PGT trusts totaled \$172,719,175 and \$14,840,813 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2010 totaled 1,320 and 147. For December 31, 2009, 1,274 and 132 members maintained DROP accounts in the two trusts respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(1) PLAN DESCRIPTION, CONTINUED**

**F. Contribution Requirements**

Contribution rates for each participating employer and its covered employees are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council of the City-Parish. The contribution rates are determined based on the benefit structure established by the Plan provisions. For both 2010 and 2009, Plan members contributed 9.5% of their annual covered salary, which was the maximum rate under Part IV, Subpart 2, Sec. 1:264A1(b). Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. For 2010 and 2009, the City General Fund employer rates were 19.83% and 16.16% while the non-general fund and other employer rates were 24.93% and 21.44%. The City-Parish provides annual contributions to the Plan as required by Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge, which requires that the Retirement System be funded on an actuarially sound basis. Administrative costs of the Retirement System are provided through investment earnings.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting and Presentation**

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

The financial statements present the CPERS trust and Police Guarantee Trust separately and combined for 2010, with memorandum combined totals for 2009 presented for comparative purposes. The assets of each trust can only be used to pay expenses of that trust, and therefore the combined total columns are not comparable to a consolidation. Inter-trust transactions have not been eliminated in the aggregation of this data.

**B. Estimates**

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

**C. Method Used to Value Investments**

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

**CITY OF BATON ROUGE AND  
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EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**D. Property and Equipment**

Property and equipment are carried at historical cost. Depreciation is computed on the straight-line method over 5 to 25 years. Minor equipment and furniture acquisitions are charged to operations as capital outlays in the period they are made. Depreciation expense totaled \$7,186 and \$21,273 for years ended December 31, 2010 and December 31, 2009 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 results consistent with its objectives. Because the financial statements present the investments by asset class, and because CPERS has a substantial amount of investments in pooled investment funds, the data in the tables may not categorically correlate directly with the investments shown in the statements.

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

**B. Cash and Cash Equivalents**

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

At December 31, 2010, the carrying amount of the Retirement System's demand deposit accounts classified as cash, was \$4,230,933 and the bank balance was \$4,359,361, of which \$2,450,000 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, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name. At December 31, 2009, the carrying amount of the Retirement System's cash book balance was \$8,428,044 and the bank balance was \$8,580,293, of which \$250,000 was covered by Federal

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(3) CASH AND INVESTMENTS, CONTINUED**

**B. Cash and Cash Equivalents, Continued**

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

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

**C. Short-Term Investments**

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

**D. Investments**

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

Cash Equivalent Investments – US Treasury Bills, Commercial Paper, Repurchase Agreements, Money Market Funds, Custodian STIF and STEP Funds

Currency Investments – Foreign Exchange Futures, Forwards, Swaps (applies to global or non-US managers for hedging purposes)

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

The Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investment in derivatives, reverse repurchase agreements and other non-traditional types of investments are not specifically authorized under the Board's investment policy, however, in the case of commingled, or pooled/mutual accounts, the provisions of the prospectus or Declaration of Trust take precedence.

Equity securities shall not exceed 5 percent of cost and 7 percent of market value in any one company, and fixed income shall not exceed 2.5 percent of cost and 3 percent of market value; however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio. No investments in any one organization shall represent 5 percent or more of the net assets available for pension benefits, and no single company's securities shall represent more than 5 percent of the cost basis or 7 percent of the market value of any manager's portfolio. There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2010 and 2009, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(3) CASH AND INVESTMENTS, CONTINUED**

**D. Investments, Continued**

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

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

The fair values of the Retirement System's investments as of December 31, 2010 and December 31, 2009 are shown in the table below:

Investment Type	Fair Value @ 12/31/2010	Fair Value @ 12/31/2009
Asset Backed Securities	\$ 7,688,728	\$ 4,887,992
Corporate Bonds/Notes – Domestic	20,906,813	21,524,112
Domestic Equities - Active Separate Accounts	31,786,742	54,691,927
Domestic Equities - Pooled Funds	286,854,427	290,299,016
Domestic Fixed Income – Pooled Funds	126,769,470	157,589,875
Emerging Markets Equities	111,376,271	40,200,092
Equity Real Estate Fund	33,823,882	30,133,669
International Fixed Income	13,223,442	14,207,992
International Equity - Pooled Funds	175,356,366	198,539,835
Mortgage Backed Securities	39,856,749	22,212,727
Short-Term Investment Fund/Cash Equivalents	50,436,640	12,731,751
United States Government Agencies	2,059,724	16,161,145
United States Treasury Bonds	25,506,605	8,159,757
United States Treasury Inflation-Protected Securities	45,867,653	--
<b>Total</b>	<b>\$ 971,513,512</b>	<b>\$ 871,339,890</b>

**E. Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement 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 Retirement 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, 2009, and on December 31, 2010 did have exposure to custodial credit risk as noted in Note 3.B.

**CITY OF BATON ROUGE AND  
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EMPLOYEES' RETIREMENT SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS**

**(3) CASH AND INVESTMENTS, CONTINUED**

**F. Credit Risk**

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

The following table can be used in determining CPERS' level of exposure to credit risk as of December 31, 2010 and December 31, 2009 for fixed-income securities held in trust at the custodian bank. The "not rated" designation is applicable to medium term notes in default.

S&P/Moody Rating	Fair Value @ 12/31/2010	2010 %	Fair Value @ 12/31/2009	2009 %
Government	\$ 26,307,715	27.5	\$ 12,320,123	16.9
Agency (AAA)	35,958,516	37.4	18,253,376	25.0
AAA	9,732,377	10.1	20,692,671	28.4
AA	3,504,646	3.6	6,989,658	9.6
A	11,435,315	11.9	9,354,142	12.8
BBB	7,970,510	8.3	3,676,260	5.0
BB	--	--	200,567	0.3
B	--	--	47,824	0.1
CC	178,464	0.2	--	--
CCC	931,046	1.0	1,411,022	1.9
NR (not rated)	30	0.0	90	0.0
<b>Total</b>	<b>\$ 96,018,619</b>	<b>100.0%</b>	<b>\$ 72,945,733</b>	<b>100.0%</b>

The table above does not include Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed-income strategies managed in pooled accounts in which CPERS was invested during 2010 and 2009. For these contractual relationships, the Declaration of Trust documents take precedence over CPERS' investment policy, and CPERS' custodian bank does not have custody of the assets in these accounts. Assets in the Core-Plus fund had a December 31, 2010 fair market value of \$69,894,476 and carried an average quality rating of A+. On the same date, the Absolute Return fund had a fair market value of \$70,098,435 and carried an average quality rating of A-. Also on that date, TIPS had a fair market value of \$45,867,654 and carried a "Government" rating.

**G. Concentration of Credit Risk**

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issuer. CPERS' *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issuer to 7 percent of fair value. At December 31, 2010 and 2009 the System had exposure of less than 5 percent in any single investment issuer.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(3) CASH AND INVESTMENTS, CONTINUED**

**H. Interest Rate Risk**

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

The tables below reflect the Retirement System's domestic fixed-income investments and maturities in actively managed accounts at December 31, 2010 and December 31, 2009.

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

December 31, 2009		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	5 - 10	> 10
US Treasuries	\$ 8,159,757	\$ --	\$ --	\$ --	\$ 8,159,757
US Gov't Agencies	16,161,145	3,130,353	10,581,308	1,597,356	852,128
Mortgage Backed Sec.	22,212,727	6,300,882	347,952	1,515,873	14,048,020
Corp. Bonds/Notes	21,524,112	68,508	12,582,978	5,070,427	3,802,199
Asset Backed Sec.	4,887,992	--	2,620,271	1,201,121	1,066,600
<b>Total</b>	<b>\$ 72,945,733</b>	<b>\$ 9,499,743</b>	<b>\$ 26,132,509</b>	<b>\$ 9,384,777</b>	<b>\$ 27,928,704</b>

The tables above do not include Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed-income strategies managed in pooled accounts in which CPERS invested during 2010 and 2009. For these contractual relationships, the Declaration of Trust documents take precedence over CPERS' investment policy, and CPERS' custodian bank does not have custody of the assets in these accounts. The fair value of CPERS' share of the Core-Plus account totaled \$69,894,476 with an average duration of 4.68 years, while the Absolute Return account totaled \$70,098,435 with an average duration of 2.69 years. The fair value of the TIPS account was \$45,867,654 and carried an average duration of 5.04 years.

**I. Foreign Currency Risk**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(4) SECURITIES LENDING PROGRAM**

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

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

In December of 2008 the System imposed a restriction on JPMorgan/Chase whereby the securities lending limit was capped at \$5,000,000 until further notice. In the event of a failure or default on the part of a borrower, the bank provides indemnity for the market value of the loaned securities on behalf of the System. There were two names in the collateral account that defaulted in 2008 – Lehman Brothers and Sigma Finance Corporation. There were no new defaults in 2010, and a payout was received for Sigma for 5.2 percent of the outstanding amount. To protect the interest of its clients, in September of 2008 JPMorgan/Chase categorized the collateral security holdings and placed them in three newly created funds. The Active Fund is comprised of securities that continued to be traded and experienced no or little illiquidity. The great majority of CPERS' holdings are traded from this fund, and the investments of any new securities lending clients are designated exclusively for this fund. The Segregated Fund was created for securities that were under liquidity pressure in the investment market. Some of these securities had been downgraded, but there had been no defaults. These securities are predominantly asset-backed securities and debt of various insurance providers. A large percentage of these obligations have matured and paid the face amount to the holders. The others continue to pay down principal and interest, but maturity dates are regularly extended beyond the original expected maturity dates at the time of issuance. When investments in this fund mature, the proceeds become part of the Active fund. The Liquidating Fund contains the non-performing or illiquid securities that have defaulted on the original obligation. At December 31, 2010, these consisted of only Lehman Brothers and Sigma Finance Corporation in the aggregate amount of \$92,687.67. The inclusion of these securities has a negative impact on both net asset value and portfolio yield.

At December 31, 2010 and December 31, 2009 the System had no credit risk exposure to borrowers because the bank provides indemnity against borrower default. The collateral held on those dates respectively was valued at \$4,848,773 and \$4,654,585 and the market value of the securities on loan was \$4,763,191 and \$4,560,142 respectively. The cash portion of the collateral is reflected in the Statement of Plan Net Assets.

The table on the following page shows the December 31, 2010 and December 31, 2009 fair value of the securities loaned and the fair value of the collateral held, categorized by security type. Cash collateral of \$4,848,773 consists of US Treasuries and corporate bonds.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(4) SECURITIES LENDING PROGRAM, CONTINUED**

Security Type	Fair Value of Securities Loaned at 12/31/2010	Fair Value of Collateral Held at 12/31/2010	Fair Value of Securities Loaned at 12/31/2009	Fair Value of Collateral Held at 12/31/2009
Corporate Bonds	\$ 355,210	\$ 358,625	\$ 1,493,200	\$ 1,524,232
US Agencies	--	--	1,266,020	1,293,373
US Treasuries	4,407,981	4,490,148	1,800,922	1,836,980
<b>Total</b>	<b>\$ 4,763,191</b>	<b>\$ 4,848,773</b>	<b>\$ 4,560,142</b>	<b>\$ 4,654,585</b>

**(5) FUNDED STATUS AND FUNDING PROGRESS - CPERS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$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%

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

Additional information as of the December 31, 2010 actuarial valuation follows:

Actuarial cost method:	Individual Entry Age Normal Actuarial Cost Method with UAAL
Amortization method:	Level percentage of payroll with 30-year open amortization
Remaining amortization period:	30 years
Asset valuation method:	Expected Value Method with 20 percent of gains/losses recognized each year
Actuarial assumptions:	
Investment rate of return:	7.5 percent compounded annually
Projected salary increases:	3.5 percent compounded annually, plus longevity and merit increases
Aggregate payroll growth:	2.5 percent compounded annually
COLAs	None
Inflation assumption:	3.5 percent

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

**NOTES TO THE FINANCIAL STATEMENTS**

**(5) FUNDED STATUS AND FUNDING PROGRESS - PGT**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$ 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%

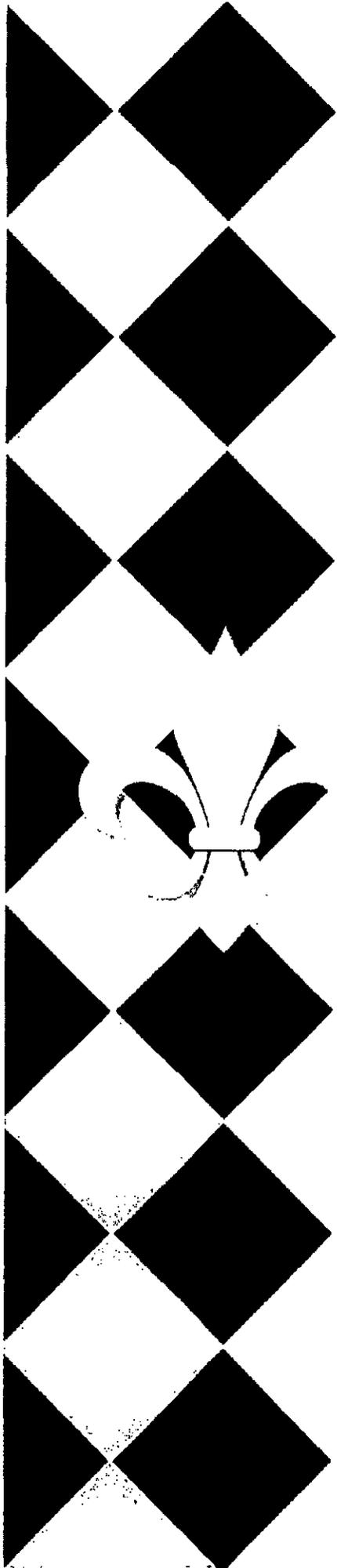
The Schedule of Funding Progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits. The above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

Additional information as of the December 31, 2010 actuarial valuation follows:

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

**(6) CONTINGENCIES**

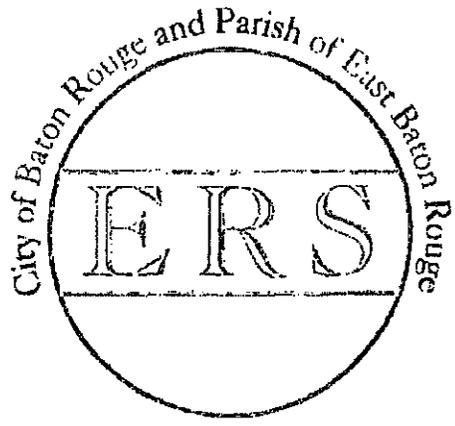
The System is defendant to several lawsuits, and is subject to claims of various parties for which the outcome is uncertain. As of the date of these financial statements, these matters are not expected to have a material impact on the financial condition of the System.



City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

Required Supplementary Information

CP  
Employees'  
Retirement System



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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULES OF FUNDING PROGRESS**

**CPERS TRUST**

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (b-a) \$	Funded Ratio (a/b)	Annual Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01**	813,977,773	902,821,264	88,843,491	90.2%	102,793,456	86.4%
12/31/02	818,150,788	947,726,617	129,575,829	86.3%	101,339,785	127.9%
12/31/03	847,227,425	985,671,695	138,444,270	86.0%	106,240,559	130.3%
12/31/04**	883,663,240	1,057,269,629	173,606,389	83.6%	109,887,349	158.0%
12/31/05	924,904,837	1,111,081,729	186,176,892	83.2%	115,559,703	161.1%
12/31/06	979,597,562	1,163,175,147	183,577,585	84.2%	120,067,013	152.9%
12/31/07	1,020,575,797	1,206,648,213	186,072,416	84.6%	123,524,590	150.6%
12/31/08	997,853,412	1,270,104,552	272,251,140	78.6%	131,041,421	207.8%
12/31/09	1,002,378,598	1,350,074,067	347,695,469	74.3%	136,119,407	255.4%
12/31/10	1,023,450,890	1,385,722,119	362,271,229	73.9%	136,123,660	266.1%

**PGT TRUST\***

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (b-a) \$	Funded Ratio (a/b)	Annual Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01**	24,815,273	18,629,335	(6,185,938)	133.2%	20,920,112	(29.6)%
12/31/02	25,481,771	20,457,991	(5,023,780)	124.6%	19,793,300	(25.4)%
12/31/03	26,468,255	21,765,022	(4,703,233)	121.6%	19,324,588	(24.3)%
12/31/04**	27,588,419	23,978,260	(3,610,169)	115.1%	20,587,122	(17.5)%
12/31/05	27,317,297	24,728,066	(2,589,231)	110.5%	19,964,426	(13.0)%
12/31/06	28,273,898	26,372,573	(1,901,325)	107.2%	20,507,475	(9.3)%
12/31/07	29,042,317	28,724,481	(317,836)	101.1%	19,754,110	(1.6)%
12/31/08	27,725,379	33,196,793	5,471,414	83.5%	20,084,707	27.2%
12/31/09	26,874,490	33,723,310	6,848,820	79.7%	18,836,479	36.4%
12/31/10	26,869,584	34,845,145	7,975,561	77.1%	17,315,930	46.1%

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**CPERS TRUST**

<u>Year Ended</u>	<u>Annual Required Contribution</u> \$	<u>Percentage Contributed</u>
12/31/01	13,708,997	80%
12/31/02*	16,110,422	74%
12/31/03	18,479,710	76%
12/31/04*	19,623,023	95%
12/31/05**	20,785,669	106%
12/31/06**	22,129,069	113%
12/31/07**	22,431,367	120%
12/31/08**	22,931,211	118%
12/31/09**	29,050,693	98%
12/31/10**	33,890,884	101%

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

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

**POLICE GUARANTEE TRUST**

<u>Year Ended</u>	<u>Annual Required Contribution</u> \$	<u>Percentage Contributed</u>
12/31/01	--	--%
12/31/02	--	--%
12/31/03	22,283	100%
12/31/04	112,913	74%
12/31/05	127,781	74%
12/31/06	367,957	34%
12/31/07	124,607	99%
12/31/08	215,291	59%
12/31/09	479,630	31%
12/31/10	1,634,905	15%

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOTES TO THE SCHEDULES OF TREND INFORMATION**

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

**CPERS TRUST**

Valuation date	December 31, 2010
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	Level percentage of payroll, 30 year open amortization method using payroll growth of 2.5% per annum.
Remaining amortization period	30 years
Asset valuation method	Market value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% unrealized gains (losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.50%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

\* compounded annually and including inflation of 3.50%

(1) revised from 2008 assumption of 7.75%

(2) revised from 2008 assumption of 3.75%

(3) revised from 2003 assumption of 5.0%

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOTES TO THE SCHEDULES OF TREND INFORMATION - CONTINUED**

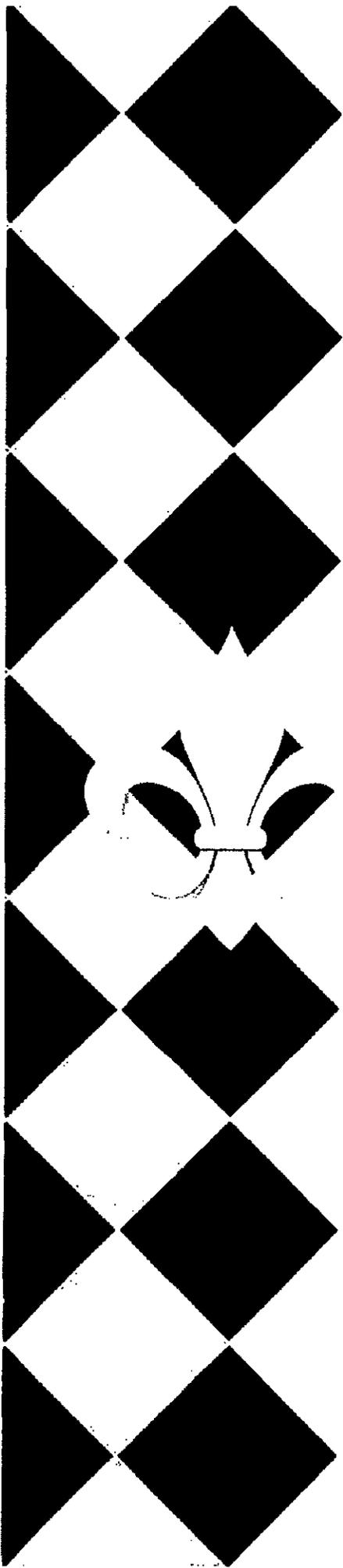
**POLICE GUARANTEE TRUST**

Valuation date	December 31, 2010
Valuation method	Aggregate Actuarial Cost Method (Does not identify or separately amortize unfunded actuarial liabilities)
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.50%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	N/A

\* compounded annually and including inflation of 3.50%

(1) revised from 2008 assumption of 7.75%

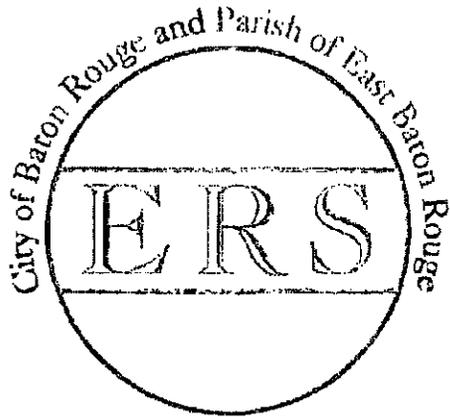
(2) revised from 2008 assumption of 3.75%



City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

Supporting Schedules

CP  
Employees'  
Retirement System



**SCHEDULES OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2010 Combined Total</u>	<u>2009 Combined Total</u>
<b>Salaries:</b>				
Salaries - regular	\$ 548,004	\$ 137,000	\$ 685,004	\$ 696,671
Other compensation – student interns	17,290	4,322	21,612	29,960
Other compensation – auto allowance	3,855	964	4,819	4,819
Related benefits	<u>216,812</u>	<u>52,650</u>	<u>269,462</u>	<u>237,684</u>
Total salaries	<u>785,961</u>	<u>194,936</u>	<u>980,897</u>	<u>969,134</u>
Travel and training expenses	<u>17,193</u>	<u>4,298</u>	<u>21,491</u>	<u>21,901</u>
<b>Operating services:</b>				
Dues and memberships	2,970	742	3,712	2,510
Utilities	11,571	2,893	14,464	11,749
Custodial and extermination	13,419	3,355	16,774	15,626
Printing and binding	11,639	1,931	13,570	11,390
Telephone	4,890	1,593	6,483	5,974
Postage	17,179	4,295	21,474	17,605
Insurance	11,253	2,813	14,066	11,644
Repairs and maintenance - buildings	7,164	1,791	8,955	8,911
Repairs and maintenance - office equipment	<u>9,349</u>	<u>2,337</u>	<u>11,686</u>	<u>10,935</u>
Total operating services	<u>89,434</u>	<u>21,750</u>	<u>111,184</u>	<u>96,344</u>
Supplies	<u>15,050</u>	<u>3,762</u>	<u>18,812</u>	<u>13,146</u>
<b>Professional services:</b>				
Accounting and auditing	17,600	4,400	22,000	19,421
Legal	68,801	14,038	82,839	138,973
Actuarial	56,643	22,990	79,633	115,357
Other professional	<u>61,271</u>	<u>13,090</u>	<u>74,361</u>	<u>92,302</u>
Total professional services	<u>204,315</u>	<u>54,518</u>	<u>258,833</u>	<u>366,053</u>
Depreciation expense	<u>7,186</u>	<u>--</u>	<u>7,186</u>	<u>21,273</u>
Capital outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,975</u>
Other expenses (revenues)	<u>271,640</u>	<u>--</u>	<u>271,640</u>	<u>(16,478)</u>
Total administrative expenses	\$ <u><u>1,390,779</u></u>	\$ <u><u>279,264</u></u>	\$ <u><u>1,670,043</u></u>	\$ <u><u>1,492,348</u></u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2010 Combined Total</u>	<u>2009 Combined Total</u>
Fixed income:				
Fixed Income - Domestic	\$ 684,190	\$ 27,023	\$ 711,213	\$ 1,149,760
Fixed Income - International	64,657	2,834	67,491	90,346
Real Estate Investments	<u>310,275</u>	<u>--</u>	<u>310,275</u>	<u>405,177</u>
Total fixed income	<u>1,059,122</u>	<u>29,857</u>	<u>1,088,979</u>	<u>1,645,283</u>
Equity Securities				
Equities - Domestic	1,308,479	13,452	1,321,931	1,174,675
Equities - International	<u>1,229,693</u>	<u>34,531</u>	<u>1,264,224</u>	<u>1,155,712</u>
Total equity securities	<u>2,538,172</u>	<u>47,983</u>	<u>2,586,155</u>	<u>2,330,387</u>
Custodian fees	<u>57,611</u>	<u>4,056</u>	<u>61,667</u>	<u>48,461</u>
Advisor fees	<u>112,000</u>	<u>28,000</u>	<u>140,000</u>	<u>140,000</u>
Total investment expenses	<u>\$ 3,766,905</u>	<u>\$ 109,896</u>	<u>\$ 3,876,801</u>	<u>\$ 4,164,131</u>

See accompanying independent auditors' report.

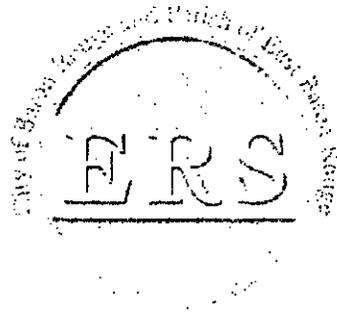
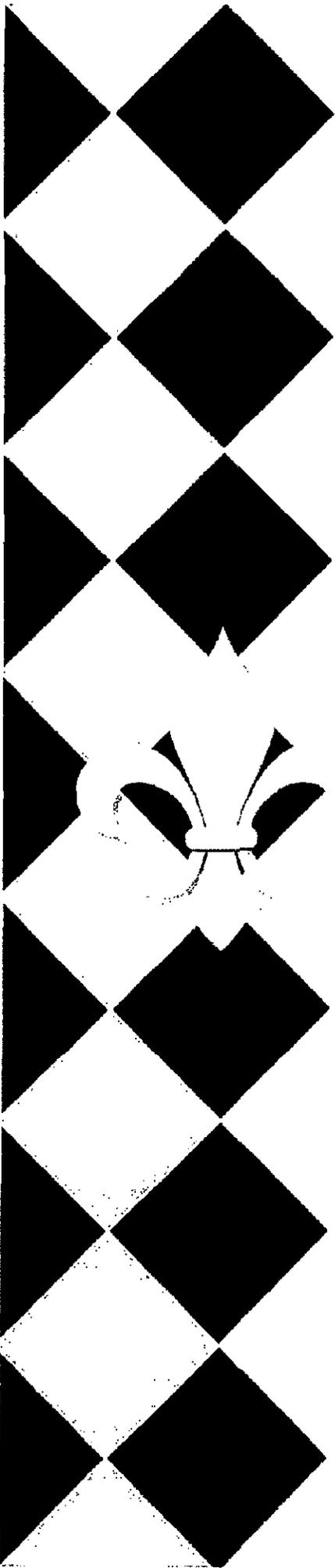
**SCHEDULES OF PAYMENTS TO CONSULTANTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2010 Combined Total</u>	<u>2009 Combined Total</u>
Accounting and Auditing	\$ 17,600	\$ 4,400	\$ 22,000	\$ 19,421
Auditors - Postlethwaite & Netterville				
Legal	68,801	14,038	82,839	138,973
Legal Counsel - Akers & Wisbar LLC				
Strasburger & Price LLC				
Law Offices of Randy P. Zinna				
Actuarial	56,643	22,990	79,633	115,357
Actuary - Nyhart				
Other Professionals:	61,271	13,090	74,361	92,302
Medical Examiner - D. J. Scimecca, Jr., M.D.				
Computer Consultant - Relational Systems Consultants				
Graphics and Editorial Consultant - JoAnne McMullen				
Cost Allocation Consultant - MAXIMUS, Inc.				
Total	\$ <u>204,315</u>	\$ <u>54,518</u>	\$ <u>258,833</u>	\$ <u>366,053</u>

A schedule of brokerage commissions paid is shown on page 76.

See accompanying independent auditors' report.

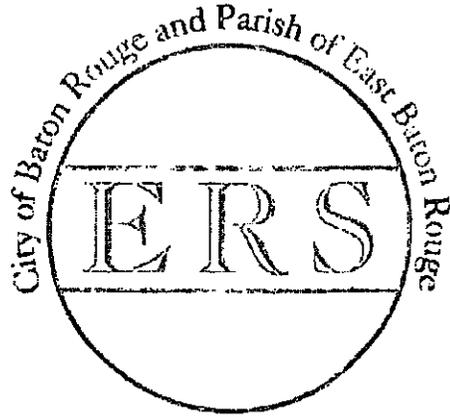
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City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

# Investment Section

CP  
Employees'  
Retirement System





## Summit Strategies Group

April 15, 2011

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

For the ten years ending March 31, 2010, the S&P 500 produced an annualized return of -0.7%, marking the end of America's second "lost decade" (with the first occurring during the Great Depression). The markets did well in the first quarter, even with concerns about tightening economic policies on the horizon. The second quarter was difficult, as economic statistics indicated a slowing growth rate. Demand in the housing market ground to a halt, and jobless claims were up as companies remained skittish on hiring. The worst recession in seven decades waned on. In the third quarter, the unemployment rate was at 9.6%, and September marked the longest period of elevated joblessness since 1948. The economy saw lackluster growth and consumer confidence remained low amid speculation that the Fed would buy more bonds to boost the US economy. The fourth quarter witnessed mid-term elections resulting in changes in Washington and state capitols around the country. Overseas, sovereign risk concerns returned as the EU bailed out Ireland. The Fed declared more efforts necessary and established QE2, a program to purchase \$600 billion of Treasury securities. Unemployment fell, and the economy saw some stabilization with strong earnings reports. Finally, the consumer came back as retail spending rose to 5.5% during the holiday season. In summary, there was no shortage of activity to keep track of in 2010.

After all that, the S&P 500 finished the year with a return of 15.1%. Small Cap Stocks, represented by the Russell 2000 Index, earned a 26.9% return. On the non-U.S. side, stocks in the EAFE (Europe, Asia and Far East) Index (Net) turned in 7.8% for the year, while Emerging Markets earned 18.9%. In the bond and credit markets, the Barclays Aggregate Index generated a 6.5% return, while High Yield bonds again had a big year with a 15.1% return.

On December 31, 2010, the CPERS portfolio had a market value of \$937.8 million. Assets in the Police Guarantee Trust totaled \$22.9 million. For the 12-month period, CPERS returned 15.76% and for the trailing three years, the fund was up 1.26%. Over the last five years, the fund generated 4.52%. For the year, the Fund outperformed its benchmark by 3.89%, and turned in a 10th percentile ranking in its peer universe. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns of 13.47% and 1.63%, respectively. For the five-year period, the PGT earned 4.63%. The two portfolios are invested similarly, but the funds' sizes dictate implementation differences, resulting in some return differences between the two.

My letter to you last year stated, "Perhaps the worst is behind us, but the road to recovery will be long and challenging." We saw evidence of this in 2010 with lots of ups and downs but, all in, a pretty good year. We can't predict the future, but things do seem to be moving forward. We continue to look for a slow-growth recovery, but given the global political, economic, and social uncertainties we believe diversification remains a critical component of portfolio strategy. We have been working with the Board to refine your portfolio to improve its risk-return profile. We began this process last year, and expect it to continue over the next several quarters as the Board evaluates its overall strategies and market opportunities.

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

Sincerely,

Mark A. Caplinger, CFA  
Senior Vice President

**STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES**

**Investment Goals and Objectives**

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

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

**Asset Allocation**

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

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

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

**Rebalancing**

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

**Performance Evaluation and Review**

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

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

**STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)**

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

While the Total Fund is measured against this Policy Index, individual Investment Managers will be measured against appropriate style indices, and also relative to an appropriate peer universe, as determined by the System's Investment Consultant. Based on the current Investment Manager structure of the System, the indices and peer groups in the following table will be used for performance measurement purposes.

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

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

**Investment Manager Responsibilities and Communications**

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

**Internal Cash Management Investment Guidelines**

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

**Permissible Investments**

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

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

**STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)**

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

**Cash Equivalents:**

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

**Currency Investments:**

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

**Equities:**

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

**Domestic Fixed Income:**

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

**Real Estate:**

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

**Restricted Investments**

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

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

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## STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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

### General Cash and Cash Equivalent Guidelines

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

### General Fixed Income Portfolio Guidelines

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

### Diversification

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

### Portfolio Quality

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

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

### Performance Objectives

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

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

## STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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

### General Real Estate Portfolio Guidelines

#### **Core Equity Real Estate**

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

#### **Performance Objectives**

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

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

### General Equity Portfolio Guidelines

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

#### **Diversification**

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

#### **Style Adherence**

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

### Proxy Voting

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

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**STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)**

**Securities Lending**

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

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

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

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

**CPERS Brokerage Policy**

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

**Investment Compliance Issues Policy**

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

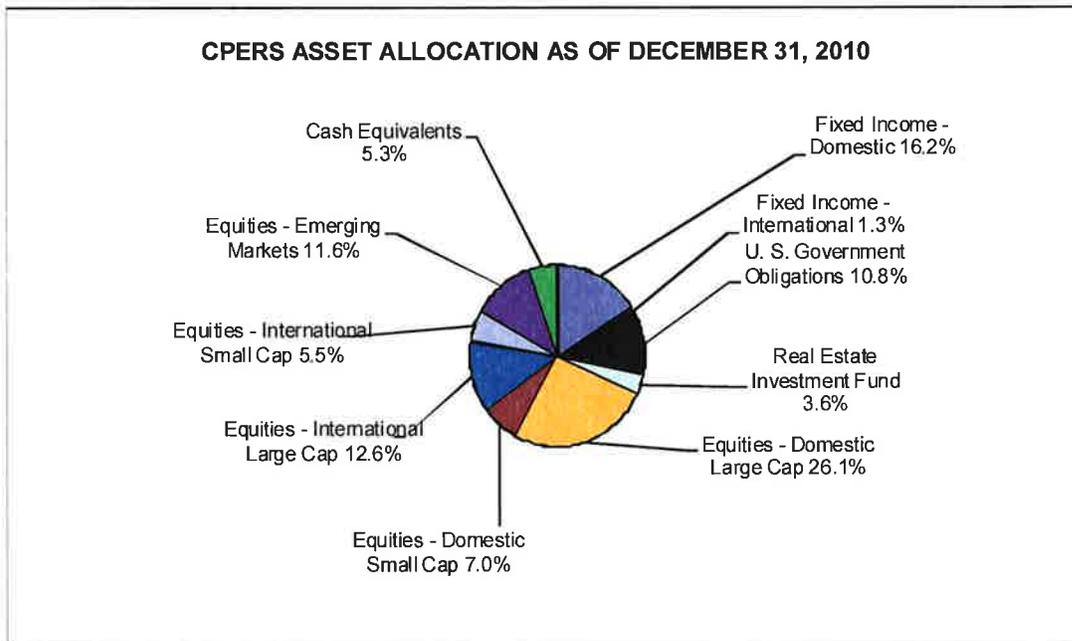
**Anti-Terrorism Investment Policy**

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

**INVESTMENT SUMMARY  
AS OF DECEMBER 31, 2010 AND 2009**

**CPERS TRUST**

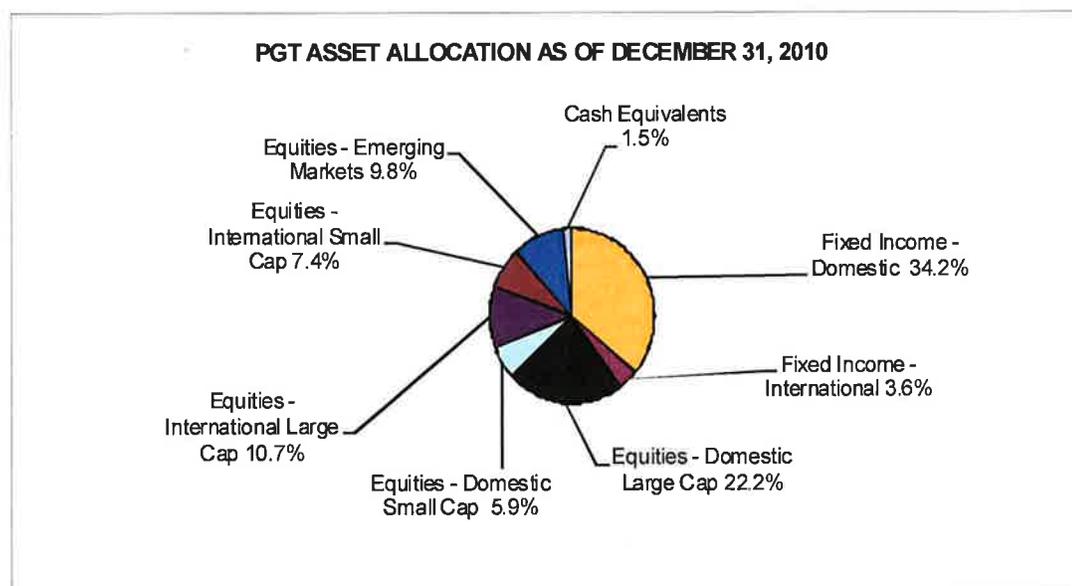
Type of Investment:	December 31, 2010		December 31, 2009	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
<b>Fixed Income:</b>				
Fixed Income - Domestic	\$ 152,860,023	16.2%	\$ 193,862,685	22.9%
Fixed Income - International	12,406,272	1.3%	13,614,679	1.6%
U. S. Government Obligations	102,007,051	10.8%	26,960,056	3.2%
Real Estate Investment Fund	33,823,882	3.6%	30,133,669	3.6%
<b>Equities:</b>				
Equities - Domestic Large Cap	245,944,630	26.1%	204,070,379	24.1%
Equities - Domestic Small Cap	66,274,933	7.0%	131,835,622	15.6%
Equities - International Large Cap	118,851,269	12.6%	193,843,245	22.9%
Equities - International Small Cap	52,361,232	5.5%	0	0.0%
Equities - Emerging Markets	109,125,615	11.6%	39,211,610	4.6%
Cash Equivalents	50,099,866	5.3%	11,518,718	1.4%
<b>Total Investments</b>	<b>\$ 943,754,773</b>	<b>100.0%</b>	<b>\$ 845,050,663</b>	<b>100.0%</b>



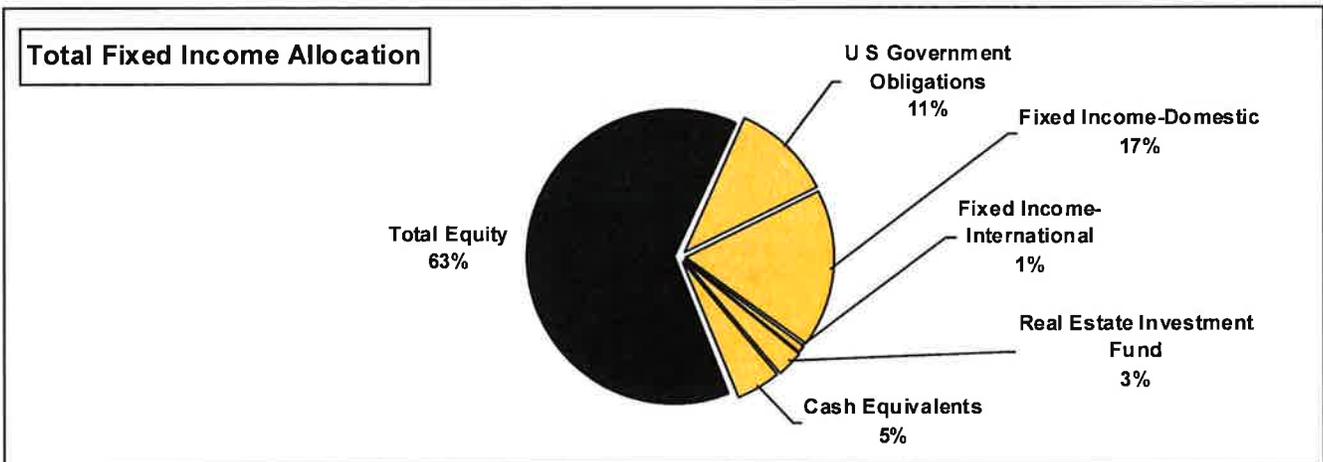
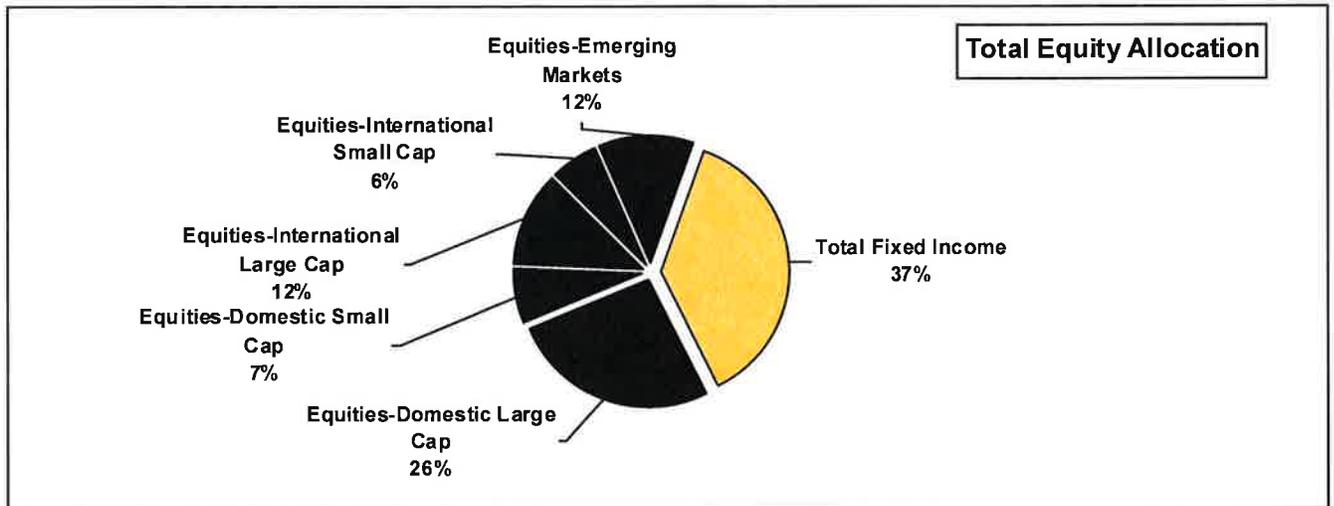
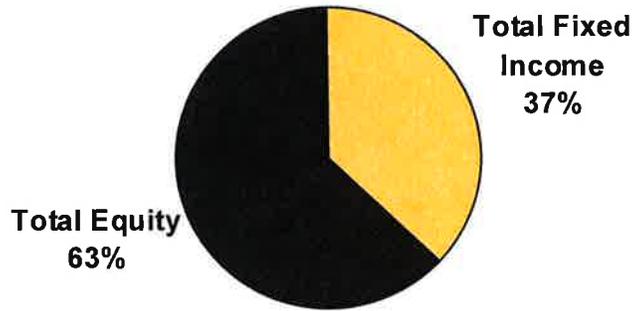
**INVESTMENT SUMMARY  
AS OF DECEMBER 31, 2010 AND 2009**

**POLICE GUARANTEE TRUST**

Type of Investment:	December 31, 2010		December 31, 2009	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
<b>Fixed Income:</b>				
Fixed Income - Domestic	\$ 7,833,881	34.2%	\$ 6,582,512	30.4%
Fixed Income - International	817,170	3.6%	593,313	2.8%
U. S. Government Obligations	1,106,014	4.8%	0	0.0%
<b>Equities:</b>				
Equities - Domestic Large Cap	5,078,383	22.2%	4,535,929	21.0%
Equities - Domestic Small Cap	1,343,223	5.9%	3,024,782	14.0%
Equities - International Large Cap	2,455,121	10.7%	2,810,931	13.0%
Equities - International Small Cap	1,688,744	7.4%	1,885,660	8.7%
Equities - Emerging Markets	2,250,656	9.8%	988,482	4.6%
Cash Equivalents	336,774	1.5%	1,213,033	5.6%
<b>Total Investments</b>	<b>\$ 22,909,966</b>	<b>100.0%</b>	<b>\$ 21,634,642</b>	<b>100.0%</b>



ASSET ALLOCATION AS OF DECEMBER 31, 2010



**CPERS LIST OF INVESTMENTS  
AS OF DECEMBER 31, 2010**

**FIXED INCOME**

**LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>COUPON RATE</b>	<b>MATURITY DATE</b>	<b>PAR VALUE</b>	<b>FAIR VALUE</b>
<b>US GOVERNMENT OBLIGATIONS</b>				
UNITED STATES TREAS NTS	0.500%	11/30/12	\$ 7,540,000	\$ 7,530,273
FNMA POOL #AH0944	4.000%	12/01/40	5,800,000	5,775,640
FNMA POOL #AE8212	4.000%	11/01/40	5,613,316	5,589,740
FNMA GTD MTG PASSTHRU	4.500%	01/13/11	3,700,000	3,797,717
UNITED STATES TREAS NTS	0.750%	12/15/13	2,755,000	2,735,412
FNMA GTD MTG PASSTHRU	5.000%	01/13/11	2,200,000	2,312,750
UNITED STATES TREAS NTS	2.125%	12/31/15	2,200,000	2,211,682
FNMA GTD MTG PASSTHRU	3.500%	01/19/11	1,300,000	1,308,944
FNMA GTD MTG PASSTHRU	6.000%	01/13/11	1,200,000	1,304,256
FNMA POOL #AH0942	4.000%	12/01/40	1,300,000	1,294,540
OTHER US GOVERNMENT OBLIGATIONS			22,383,831	23,384,457
<b>TOTAL US GOVERNMENT OBLIGATIONS</b>			<b>\$ 55,992,147</b>	<b>\$ 57,245,411</b>

**DOMESTIC FIXED INCOME**

ISRAEL ST GTD NT	5.500%	09/18/23	\$ 800,000	\$ 918,296
SLM STUDENT LN TR LN BKD NT	0.660%	07/25/17	765,008	762,384
CITIBANK OMNI MASTER TR 2009	2.360%	05/16/16	675,000	683,363
SLM STUDENT LN TR LN BKD NT	1.990%	07/25/23	640,000	665,658
MORGAN STANLEY GLOBAL MED TERM NT	4.200%	11/20/14	585,000	597,654
MET LIFE GLOBAL NT	5.125%	04/10/13	550,000	592,196
BP CAP MKTS P L C GTD NT	3.125%	10/01/15	575,000	574,603
ALLY AUTO RECEIVABLES TR 2010-5	1.000%	03/15/16	555,000	549,123
BEAR STEARNS COML MTG 2006-PWR11	5.460%	03/11/39	500,000	540,595
HONDA AUTO RECEIVABLES 2009-3	2.310%	05/15/12	534,498	540,468
OTHER FIXED INCOME HOLDINGS - DOMESTIC			27,323,598	27,500,095
<b>TOTAL DOMESTIC FIXED INCOME</b>			<b>\$ 33,503,104</b>	<b>\$ 33,924,435</b>

**DOMESTIC FIXED INCOME – POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>FAIR VALUE</b>
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,923,107	\$ 59,195,760
DOMESTIC FIXED INCOME – CORE PLUS	4,001,328	59,739,828
US TREASURY INFLATION PROTECTED SECURITIES	4,154,349	44,761,640
<b>TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS</b>	<b>12,078,784</b>	<b>\$163,697,228</b>

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	435,416	\$ 6,569,999
INTERNATIONAL FIXED INCOME – CORE PLUS	390,909	5,836,273
<b>TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS</b>	<b>826,325</b>	<b>\$ 12,406,272</b>

REAL ESTATE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
REAL ESTATE INVESTMENT FUND	41,108	\$ 33,823,882

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
LORAL SPACE & COMMUNICATIONS INC	11,875	\$ 908,438
EMERGENCY MED SVCS CORP	13,820	892,910
UNITED THERAPEUTICS CORP	12,860	813,009
GEOEYE INC	17,341	735,085
MEDNAX INC	10,480	705,199
TRACTOR SUPPLY CO	14,135	685,406
SXC HEALTH SOLUTION CORP	16,040	684,671
RADWARE LTD	17,475	655,487
KRONOS WORLDWIDE INC	15,335	651,584
FINISAR CORP	20,325	603,449
OTHER EQUITY SECURITIES – DOMESTIC	1,483,446	24,451,504
<b>TOTAL DOMESTIC EQUITY SECURITIES</b>	<b>1,633,132</b>	<b>\$ 31,786,742</b>

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	27,171	\$ 34,488,191
RUSSELL 1000 FUND	1,512,019	123,727,075
S&P 500 FUND	9,095,118	122,217,555
<b>TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS</b>	<b>10,634,308</b>	<b>\$ 280,432,821</b>

A complete list of portfolio holdings is available upon request.

## CPERS LIST OF INVESTMENTS (CONTINUED)

## EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	1,200,796	\$ 58,639,895
INTERNATIONAL GROWTH EQUITY FUND	4,178,327	60,211,376
INTERNATIONAL SMALL CAP FUND	1,526,629	52,361,232
EMERGING MARKETS FUND	2,414,671	109,125,615
<b>TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS</b>	<u>9,320,423</u>	<u>\$ 280,338,116</u>

## CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
NORTHERN TRUST BANK MONEY MARKET FUND	\$ 23,192,000
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	26,907,866
<b>TOTAL CASH EQUIVALENTS</b>	<u>\$ 50,099,866</u>
 <b>TOTAL CPERS INVESTMENTS</b>	 <u>\$ 943,754,773</u>

**PGT LIST OF INVESTMENTS  
AS OF DECEMBER 31, 2010**

**FIXED INCOME**

**DOMESTIC FIXED INCOME – POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>FAIR VALUE</b>
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	258,456	\$ 3,899,841
DOMESTIC FIXED INCOME – CORE PLUS	263,499	3,934,040
US TREASURY INFLATION PROTECTED SECURITIES	102,650	1,106,014
<b>TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS</b>	<b>624,605</b>	<b>\$ 8,939,895</b>

**INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>FAIR VALUE</b>
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	28,685	\$ 432,835
INTERNATIONAL FIXED INCOME – CORE PLUS	25,742	384,335
<b>TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS</b>	<b>54,427</b>	<b>\$ 817,170</b>

**EQUITIES**

**EQUITIES – DOMESTIC POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>FAIR VALUE</b>
RUSSELL 1000 LARGE CAP FUND	31,152	\$ 2,549,114
S&P 500 LARGE CAP FUND	188,222	2,529,269
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	22,782	657,639
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	35,121	685,584
<b>TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS</b>	<b>277,277</b>	<b>\$ 6,421,606</b>

**EQUITIES – INTERNATIONAL POOLED ACCOUNTS**

<b>DESCRIPTION</b>	<b>UNITS</b>	<b>FAIR VALUE</b>
INTERNATIONAL VALUE EQUITY FUND	24,487	\$ 1,195,819
INTERNATIONAL GROWTH EQUITY FUND	87,594	1,259,302
INTERNATIONAL SMALL CAP FUND	114,107	1,688,744
EMERGING MARKETS FUND	49,693	2,250,656
<b>TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS</b>	<b>275,881</b>	<b>\$ 6,394,521</b>

**CASH EQUIVALENTS**

<b>DESCRIPTION</b>	<b>FAIR VALUE</b>
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	\$ 336,774
<b>TOTAL PGT INVESTMENTS</b>	<b>\$ 22,909,966</b>

A complete list of portfolio holdings is available upon request.

## INVESTMENT PERFORMANCE MEASUREMENTS

	<u>Rate of Return</u>	<u>Rank*</u>
<b>Comparative Rates of Return on Total Fund – Year Ended December 31, 2010</b>		
City-Parish Employees' Retirement System	15.76%	10
Police Guarantee Trust	13.47%	37
Median Total Fund	12.75%	50
Allocation Index **	12.41%	61
<b>Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2010</b>		
City-Parish Employees' Retirement System	22.15%	8
Police Guarantee Trust	20.52%	18
Median Domestic Equity Composite	17.76%	50
Russell 3000	16.93%	66
<b>Comparative Rates of Return on International Equities – Year Ended December 31, 2010</b>		
City-Parish Employees' Retirement System	15.82%	18
Police Guarantee Trust	16.53%	14
Median International Equity Composite	12.49%	50
MSCI EAFE	7.75%	91
<b>Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2010</b>		
City-Parish Employees' Retirement System	8.80%	45
Police Guarantee Trust	9.75%	32
Median Bond Composite	8.56%	50
Barclays Capital Aggregate Index	6.54%	82
<b>Comparative Rates of Return on Real Estate – Year Ended December 31, 2010</b>		
City-Parish Employees' Retirement System	19.16%	2
Police Guarantee Trust	N/A%	N/A
Median Real Estate Fund	10.23%	50
NCREIF Property Index	13.11%	29

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

One-year period ending December 31, 2010	15.76%
Two-year period ending December 31, 2010	20.49%
Three-year period ending December 31, 2010	1.26%
Four-year period ending December 31, 2010	2.00%
Five-year period ending December 31, 2010	4.52%

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

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

ANNUAL RATES OF RETURN

	ANNUALIZED					3 YRS.	5 YRS.
	2006	2007	2008	2009	2010		
<b>TOTAL FUND</b>							
City-Parish Emp. Retirement System	15.2%	4.3%	(28.5)%	25.4%	15.8%	1.3%	4.5%
Police Guarantee Trust	15.2%	4.5%	(28.0)%	28.5%	13.5%	1.6%	4.6%
Median Total Fund	12.8%	8.4%	(24.0)%	19.7%	12.8%	1.1%	4.5%
Inflation (CPI)	2.6%	2.9%	0.1%	2.8%	1.5%	1.4%	2.2%
<b>DOMESTIC EQUITY</b>							
City-Parish Emp. Retirement System	16.4%	(2.2)%	(36.6)%	31.3%	22.2%	0.5%	3.0%
Police Guarantee Trust	17.8%	5.1%	(35.5)%	25.2%	20.5%	(0.9)%	2.5%
Median Domestic Equity Fund	14.7%	5.4%	(37.3)%	29.0%	17.8%	(1.7)%	2.9%
Russell 3000	15.7%	5.1%	(37.3)%	28.3%	16.9%	(2.0)%	2.7%
<b>INTERNATIONAL EQUITY</b>							
City-Parish Emp. Retirement System	27.5%	10.5%	(43.8)%	40.0%	15.8%	(3.0)%	5.1%
Police Guarantee Trust	20.9%	10.4%	(43.8)%	39.7%	16.5%	(2.9)%	5.2%
Median International Equity Fund	26.3%	12.9%	(42.6)%	37.2%	12.5%	(4.4)%	4.7%
EAFE (NET)	26.9%	11.2%	(43.4)%	31.8%	7.8%	(7.0)%	2.5%
<b>FIXED INCOME</b>							
City-Parish Emp. Retirement System	4.3%	4.2%	(6.8)%	21.3%	8.8%	7.2%	6.0%
Police Guarantee Trust	4.3%	3.8%	(11.2)%	27.8%	9.8%	7.6%	6.2%
Median Bond Fund	4.7%	6.7%	(1.4)%	12.1%	8.6%	6.6%	6.2%
Barclays Capital Aggregate Index	4.3%	7.0%	5.2%	5.9%	6.5%	5.9%	5.8%
<b>REAL ESTATE</b>							
City-Parish Emp. Retirement System	15.0%	17.2%	(12.5)%	(38.7)%	19.2%	(13.8)%	(2.9)%
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	16.1%	13.9%	(13.9)%	(27.7)%	10.2%	(9.3)%	0.1%
NCREIF Property Index	16.6%	15.8%	(6.5)%	(16.9)%	13.1%	(4.2)%	3.5%

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

**SCHEDULE OF CPERS INVESTMENT FEES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Assets Under Management</u>	<u>Investment Service Fees</u>
Fixed income:		
Fixed Income - Domestic	\$ 254,866,974	\$ 684,190
Fixed Income - International	12,406,372	64,657
Real Estate Investments	33,823,882	310,275
Equity Securities		
Equities - Domestic	312,219,563	1,308,479
Equities - International	\$ 280,338,116	<u>1,229,693</u>
Total investment managers' fees		<u>3,597,294</u>
Custodian fees		57,611
Advisor fees		112,000
Securities lending fees		<u>4,936</u>
Total investment expenses		\$ <u><u>3,771,841</u></u>

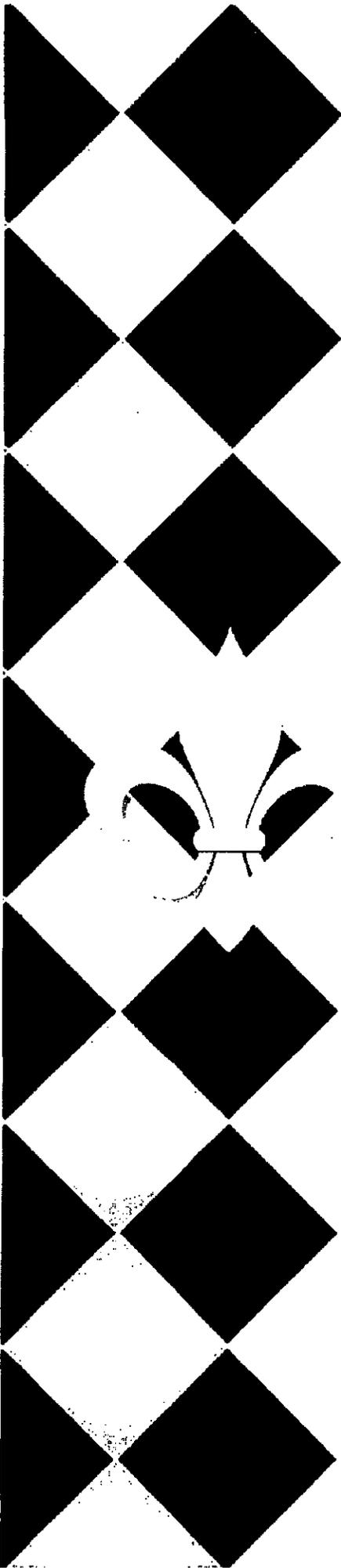
**SCHEDULE OF PGT INVESTMENT FEES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Assets Under Management</u>	<u>Investment Service Fees</u>
Fixed income:		
Fixed Income - Domestic	\$ 8,939,895	\$ 27,023
Fixed Income - International	817,170	2,834
Equity Securities		
Equities - Domestic	6,421,606	13,452
Equities - International	\$ 6,394,521	<u>34,531</u>
Total investment manager's fees		<u>77,840</u>
Custodian fees		4,056
Advisor fees		<u>28,000</u>
Total investment expenses		\$ <u><u>109,896</u></u>

**SCHEDULE OF COMMISSIONS PAID TO BROKERS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Credit Suisse Securities (USA)	4,660,236	\$ 54,136	\$ .0116
Instinct Corporation	2,207,317	46,113	.0209
Liquidnet Inc.	1,343,990	24,140	.0180
Piper Jaffray & Co.	1,184,843	18,467	.0156
Cantor Fitzgerald & Co., NY	662,683	16,104	.0243
BNY Convergx Execution Solutions, LLC	340,662	12,983	.0381
Jefferies & Co., Inc	424,096	12,364	.0292
Craig-Hallum	344,340	11,509	.0334
Stephens Inc.	310,129	9,535	.0307
Thomas Weisel Partners, LLC	301,070	8,914	.0296
Wedbush Morgan Securities, Inc	211,700	7,974	.0377
Stifel, Nicolaus & Co., Inc.	219,640	7,909	.0360
Dougherty Company	237,551	7,721	.0325
Merriman Curhan Ford & Co.	196,130	7,454	.0380
D.A. Davidson & Co.	191,914	7,265	.0379
Lazard Capital Markets, LLC	184,920	7,127	.0385
Northland Securities Inc.	193,150	6,992	.0362
National Financial Services Corp.	296,538	6,896	.0165
Cowen & Company, LLC	216,240	6,760	.0313
Robert W. Baird & Co.	185,700	6,735	.0363
Oppenheimer & Co.	164,895	6,596	.0400
Needham & Co.	165,970	6,403	.0386
Canacoro Adams, Inc.	178,240	6,083	.0341
Knight Securities Broadcort	478,615	5,923	.0124
RBC Capital Markets Corp	135,592	5,218	.0385
Cruttenden Roth, Inc.	127,485	5,099	.0400
Raymond James & Associates Inc.	125,635	5,025	.0400
Keybank Capital Markets, Inc.	145,565	4,715	.0324
Deutsche Banc Securities	116,185	4,647	.0400
William Blair & Co.	109,445	4,378	.0400
Sidoti & Company, LLC	108,750	4,350	.0400
Weeden & Co.	184,775	4,277	.0231
Direct Brokerage, Inc.	127,015	4,191	.0330
Keefe Bruyette and Woods, Inc.	114,315	3,966	.0347
Jones Trading Institutional SE	147,433	3,901	.0265
Buckingham Research, NY	105,286	3,758	.0357
Gordon, Haskett & Co.	90,575	3,623	.0400
Suntrust Capital Markets, Inc.	87,810	3,357	.0382
Collins Stewart LLC	81,565	3,263	.0400
Other (48 Firms) *	1,962,020	63,427	.0323
<b>Total</b>	<b>18,670,020</b>	<b>\$ 439,292</b>	<b>\$ .0235</b>

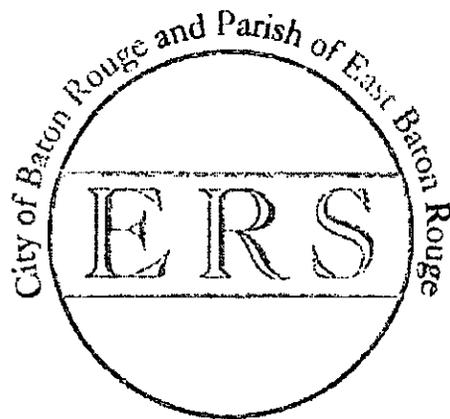
\* Firms that had less than \$3,263 commissions paid.



City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

# Actuarial Section CPERS Trust

CP  
Employees'  
Retirement System



June 22, 2011

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

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2011. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

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

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

Effective with the 2000 year, the Board decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2011 valuation will apply to the year 2012. The 2010 valuation was the basis for the 2011 contribution rate.

The City contribution rate for the 2011 year is set to 24.90%. This reflects a 2.73% increase from the 2010 rate.

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Board of Trustees  
Employees' Retirement System  
City of Baton Rouge and  
Parish of East Baton Rouge  
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June 22, 2011

Based on our recommendation, the Board of Trustees approved a change in the method of determining the actuarial value of assets, effective with the January 1, 2002 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. The resulting actuarial value of assets as of December 31, 2010 is \$1,023,450,890.

In performing the January 1, 2011 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

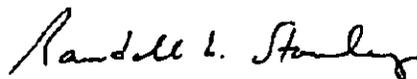
The present values shown in the January 1, 2010 and January 1, 2011 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial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

Board of Trustees  
Employees' Retirement System  
City of Baton Rouge and  
Parish of East Baton Rouge  
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June 22, 2011

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

Our firm prepared a number of schedules which are included in the Retirement System's 2010 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 2010 and 2009, Annual Amortization of UAAL, Determination of UAAL, Reconciliation of UAAL, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets / Solvency Test, Analysis of Financial Experience, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,



Randall L. Stanley, FSA, MAAA, EA  
Actuary



Frans Christ, FSA, MAAA, EA  
Actuary

RLS/FC/di  
BROUGE34B

**SUMMARY OF PRINCIPAL SYSTEM PROVISIONS**  
**(Source: 2011 Actuarial Report)**  
**(Based on Ordinance Nos. 235 and 276)**

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

**SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)**

**Disability:** (1:265D) Ordinary Disability: After 10 or more years of Creditable Service, 2.5% of Final Average Compensation times Creditable Service, with a minimum benefit of 50% of Final Average Compensation.

Service-Connected: 50% of Final Average Compensation, plus 1.5% of Final Average Compensation times Creditable Service in excess of 10 years, with a maximum benefit of 90% of Final Average Compensation.

Benefits are offset by Workers' Compensation (1:264F). Ordinary disability benefits are paid on a life annuity basis; service-connected disabilities are paid on a 50% Joint & Survivor basis.

**Survivor Benefits:** (1:270) (1) If Member eligible for retirement, or at least twenty (20) years of Creditable Service, surviving spouse may elect Option 2 benefits (including 100% Joint & Survivor actuarially equivalent to 50% Joint & Survivor, without reduction for early commencement) or a refund of the Member's contributions.

(2) If not eligible for retirement, surviving spouse may elect a monthly benefit of \$600 payable until remarriage, or a refund of the Member's contributions.

(3) If eligible children under age 18, monthly benefit of \$150 per child (maximum \$300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2).

(4) If member died prior to May 24, 1989, monthly benefit to surviving spouse of \$600. (July 1, 2002)

(5) If no benefits are payable under (1), (2) or (3), \$150 monthly benefit to unmarried dependent parent until death or remarriage.

**Employment Termination:** (1:267, 1:268) After 10 years of Creditable Service, based on Creditable Service and Final Average Compensation at termination date. Benefits are deferred to age 55. If Member contributions are withdrawn, benefit is forfeited.

**Optional Allowances:** (1:264C) Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance:

Option 1: Refund of excess of Member's contributions over aggregate benefits paid;

Option 2: 100% Joint & Survivor to designated contingent annuitant;

Option 3: Any other form approved by the Board.

**Retirement Benefit Adjustments:** (1:269) For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of \$600 effective July 1, 1992 plus \$30 for each full year retired.

**Supplemental Benefit Payments:** (1:269) To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

**SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)**

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

Prior to July 1, 1991:

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

Duration: The lesser of 5 years, or 32 years minus Creditable Service at DROP entry.

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

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

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

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

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

On and after July 1, 1991:

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

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

Compensated Absences:  
(1:262)

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

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

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

Changes Since Prior  
Valuation:

None.

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

(Source: 2011 Actuarial Report)

Valuation Date: December 31, 2010

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

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

Actuarial Assumptions:

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

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

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

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

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

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

Disabled Mortality: Same as Non-Disabled Mortality.

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

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

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

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

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

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

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

	<u>Total</u>
BREC	1.0 year
Regular	1.0 year
Fire	1.75 years
Police	1.50 years

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

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

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

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

Type of Disability:	A percentage of disabilities is assumed to be ordinary disabilities, as shown below: <i>(Adopted October 18, 2004)</i>						
	<table> <tr> <td>BREC, Regular</td> <td>25% service-connected, 75% ordinary</td> </tr> <tr> <td>Fire</td> <td>50% service-connected, 50% ordinary</td> </tr> <tr> <td>Police</td> <td>75% service-connected, 25% ordinary</td> </tr> </table>	BREC, Regular	25% service-connected, 75% ordinary	Fire	50% service-connected, 50% ordinary	Police	75% service-connected, 25% ordinary
BREC, Regular	25% service-connected, 75% ordinary						
Fire	50% service-connected, 50% ordinary						
Police	75% service-connected, 25% ordinary						
Recovery:	No probabilities of recovery are used. <i>(Adopted March 2, 1995)</i>						
Remarriage:	No probabilities of remarriage are used. <i>(Adopted March 2, 1995)</i>						
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. <i>(Adopted March 2, 1995)</i>						
Marital Status:	80% of employees are assumed to be married. <i>(Adopted March 2, 1995)</i>						
Amortization Method:	Level percentage of payroll 30-year open amortization.						
Investment Expenses:	The rate of return on assets is assumed to be net of investment expense. <i>(Adopted October 18, 2004)</i>						
Administrative Expenses:	The actual amount of the prior year's expense is added to the normal cost.						
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. <i>(Adopted March 2, 1995)</i>						
Changes in Ordinance Provisions Not Reflected:	None.						
Other:	The liability for Retirement Benefit Adjustments and the funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustments is combined into a perpetuity.						
Sources of Data:	Membership and asset data as of December 31, 2010 was furnished by Retirement Office staff.						
Changes Since Prior Valuation:	None						

**ACCRUED LIABILITY ANALYSIS FOR 2011 AND 2010**  
(Source: 2011 Actuarial Report)

	<u>2011</u>	<u>2010</u>
Present Value of Future Benefits:		
Active Members:		
Retirement	\$ 442,467,278	\$ 582,408,531
Disability	7,719,550	16,734,598
Death	4,557,828	8,409,831
Vesting	7,073,583	14,841,778
Total	<u>461,818,239</u>	<u>622,394,738</u>
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	556,404,551	531,080,239
Disability Retirements	25,735,102	24,982,109
Terminated Vested Members	4,396,791	4,156,485
Leave Balances	3,325,183	2,333,722
DROP (Future Benefits)	146,525,721	151,919,829
DROP (Accounts)	177,070,532	171,132,733
RBA Benefits	10,446,000	10,446,000
Total	<u>923,903,880</u>	<u>896,051,117</u>
 Total Accrued Liability	 <u>\$1,385,722,119</u>	 <u>\$1,518,445,855</u>

**ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
(Source: 2011 Actuarial Report)

Date Established	Initial Amount	Remaining Balance at 12/31/09	Amortization Payment as of 01/01/10	Remaining Balance at 12/31/10	Amortization Payment as of 01/01/11
	\$	\$	\$	\$	\$
12/31/01	19,553,834	19,014,385	1,514,046	--	--
12/31/02	41,180,218	41,077,947	3,270,885	--	--
12/31/03	9,190,241	9,190,241	731,785	--	--
12/31/04	173,606,389	--	--	173,606,389	10,892,894
12/31/05	186,176,892	--	--	186,176,892	11,681,627
12/31/06	183,577,585	--	--	183,577,585	11,518,534
12/31/07	186,072,416	--	--	186,072,416	11,675,072
12/31/08	272,251,140	--	--	272,251,140	17,082,336
12/31/09	347,695,469	--	--	347,695,469	21,267,217
12/31/10	362,271,229	--	--	362,271,229	22,158,761
		<u>69,282,573</u>	<u>5,516,716</u>	<u>1,711,651,120</u>	<u>106,276,441</u>

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

**DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
**(Source: 2011 Actuarial Report)**

## Entry Age Normal Actuarial Accrued Liability:

Active Members	\$ 461,818,239
Retired Members and Beneficiaries	<u>923,903,880</u>
Total	1,385,722,119
Actuarial Asset Value as of December 31, 2010	<u>1,023,450,890</u>
Unfunded Actuarial Accrued Liability as of December 31, 2010	<u>\$ 362,271,229</u>

**RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
**(Source: 2011 Actuarial Report)**

A. Unfunded Actuarial Accrued Liability as of December 31, 2009	\$ 347,695,469
B. Unfunded Actuarial Accrued Liability Increase Due to Revised Assumptions and Methods	N/A
C. Valuation System Change	N/A
D. Normal Cost for 2010	21,760,631
E. Interest at 7.50% on ( A ), ( B ), ( C ) and ( D )	27,709,208
F. Net Contributions	(44,266,199)
G. Interest on ( F )	<u>(1,988,738)</u>
H. Expected Unfunded Actuarial Liability as of December 31, 2010	350,910,371
I. 2010 (Gain) Loss	<u>11,360,858</u>
J. Unfunded Actuarial Accrued Liability as of December 31, 2010	362,271,229
K. Assumptions and Methods	N/A
L. Final Unfunded Actuarial Accrued Liability as of December 31, 2010	<u>\$ 362,271,229</u>

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE  
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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)
	-\$-	-\$-	-\$-	-\$-	-\$-	-%-	-%-	-%-	-%-
12/31/01	170,232,470	3,840,108	446,993,673	281,755,013	813,977,773	100.0	100.0	100.0	68.5
12/31/02	179,875,436	4,224,586	485,156,581	278,470,014	818,150,788	100.0	100.0	100.0	53.5
12/31/03	190,501,659	3,441,763	508,211,266	283,517,007	847,227,425	100.0	100.0	100.0	51.2
12/31/04	166,648,034	2,810,515	559,595,787	328,215,293	883,663,240	100.0	100.0	100.0	47.1
12/31/05	185,590,714	2,777,542	592,961,470	329,752,003	924,904,837	100.0	100.0	100.0	43.5
12/31/06	196,143,559	3,398,410	629,048,416	334,584,762	979,597,562	100.0	100.0	100.0	43.3
12/31/07	212,407,644	3,229,816	660,297,629	330,713,124	1,020,575,797	100.0	100.0	100.0	43.7
12/31/08	235,554,734	3,719,456	689,274,354	341,556,008	997,853,412	100.0	100.0	100.0	20.3
12/31/09	256,663,672	4,156,485	720,761,899	368,492,011	1,002,378,598	100.0	100.0	100.0	5.6
12/31/10	267,075,592	4,396,791	742,436,557	371,813,179	1,023,450,890	100.0	100.0	100.0	2.6

\* Including DROP accounts.

\*\* Including DROP participants' future benefits.

**ANALYSIS OF FINANCIAL EXPERIENCE**  
(Source: 2011 Actuarial Report)

**GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2006 – 2010  
RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE**

	\$ Gain or (Loss) For Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Investment Return	\$ 11,572,540	\$ 3,703,857	\$(71,465,958)	\$(38,437,581)	\$(20,396,885)
Salary Increases	511,417	(11,057,142)	(12,291,095)	2,882,364	7,087,550
Retirements	(2,564,712)	(2,085,335)	2,975,339	3,839,301	26,986,427
Mortality	(1,093,841)	2,002,693	8,050,198	(6,198,778)	(9,830,807)
Disability	(251,451)	(623,951)	(70,536)	163,987	(570,786)
Turnover	(1,141,020)	(1,343,869)	(494,934)	(9,883,007)	(10,119,063)
New Members	(2,523,118)	(2,193,515)	(2,418,464)	(2,143,500)	(1,461,549)
Contribution Differences	2,279,010	3,620,538	5,303,016	N/A	N/A
Leaves, Transfers, Etc.	<u>900,168</u>	<u>4,558,277</u>	<u>(13,925,568)</u>	<u>1,630,981</u>	<u>(3,055,745)</u>
Gain or (Loss) from Financial Experience	7,688,993	(3,418,447)	(84,338,002)	(48,146,233)	(11,360,858)
Non Recurring Elements:					
Valuation Software	--	--	--	--	--
Assumption Changes	(4,896,297)	--	--	(24,625,616)	--
Asset Method Changes	--	--	--	--	--
Plan Amendment	--	--	--	--	--
Composite Gain/(Loss) During Year	<u>\$ 2,792,696</u>	<u>\$ (3,418,447)</u>	<u>\$ (84,338,002)</u>	<u>\$ (22,771,849)</u>	<u>\$ (11,360,858)</u>

**ACTIVE MEMBERSHIP DATA  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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> -%-
12/31/01	3,315	(1.8)	102,793,456	31,009	5.2
12/31/02	3,220	(2.9)	101,339,785	31,472	1.5
12/31/03	3,321	3.1	106,240,559	31,991	1.6
12/31/04	3,314	(0.0)	109,887,349	33,159	3.6
12/31/05	3,229	(2.6)	115,559,704	35,788	7.9
12/31/06	3,309	2.5	120,067,016	36,285	1.4
12/31/07	3,313	0.1	123,524,590	37,285	2.8
12/31/08	3,357	1.3	131,041,421	39,035	4.7
12/31/09	3,419	1.8	136,119,407	39,813	2.0
12/31/10	3,379	(1.2)	136,123,660	40,285	1.2

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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>						
12/31/01	137	3,488,781	71	1,596,748	2,072	3.3	35,203,329	5.7	16,990
12/31/02	129	2,808,183	66	891,291	2,135	3.0	37,120,221	5.4	17,387
12/31/03	127	3,029,116	70	1,157,493	2,192	2.7	38,991,844	5.0	17,788
12/31/04	146	3,214,961	60	549,921	2,278	3.9	41,656,884	6.8	18,287
12/31/05	171	4,053,408	46	718,363	2,403	5.5	44,991,929	8.0	18,723
12/31/06	192	4,543,484	64	1,042,766	2,531	5.3	48,492,647	7.8	19,159
12/31/07	195	5,114,419	89	1,107,527	2,637	4.2	51,529,267	6.7	19,541
12/31/08	158	3,275,314	84	1,261,826	2,711	2.8	53,542,755	3.9	19,750
12/31/09	195	4,109,206	105	1,403,519	2,801	3.3	56,248,442	5.1	20,082
12/31/10	167	4,401,513	92	964,405	2,876	2.7	59,685,550	6.1	20,753

**TOTAL MEMBERSHIP DATA**  
**(Source: 2011 Actuarial Report)**

## Actives:

	2010		2009	
	Count	Average Salary	Count	Average Salary
BREC	450	\$33,635	437	\$34,475
Regular	2,397	37,722	2,427	37,358
Fire	497	57,238	512	54,058
Police	35	60,618	43	62,965
Total/Average	3,379	\$40,285	3,419	\$39,813

## Annuitants:

	2010		2009	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,705	\$21,164	2,631	\$20,607
Disabilities	171	14,257	170	13,885
DROP	337	38,456	361	37,658
Total/Average	3,213	\$22,471	3,162	\$22,193

## Inactive Members:

	2010		2009	
	Count	Average Deferred	Count	Average Deferred
Deferred Vested	46	\$12,793	46	\$11,756

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City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

Actuarial Section Police Guarantee Trust

CP  
Employees'  
Retirement System



June 22, 2011

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

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge Police Guarantee Trust as of January 1, 2011. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

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

- a) fully fund all projected liabilities determined at inception, through a trust-to-trust transfer of \$24,627,209 in assets from CPERS; and
- b) fund any future actuarial losses through employee and employer contributions on included compensation for CPERS that is excluded for MPERS benefits; and
- c) in the event that there is a shortfall after taking into account the above, the shortfall will be funded as a level percentage of future payrolls, using the Aggregate Actuarial Cost Method.

The Board has decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2011 valuation will apply to the year 2012.

In order to maintain comparability and consistency with results for the Employees' Retirement System, the Police Guarantee Trust uses the same actuarial assumptions and the same actuarial valuation methodology. This year the actuarial assumptions for PGT were the same as the CPERS assumptions based on the 1999-2003 experience study. Since the intent was to fund the projected liability through the initial trust to trust transfer of \$24,627,209 from the Employees' Retirement System, no unfunded actuarial accrued liability was expected. However, due to actuarial losses in 2001 through 2010, there is an unfunded liability in the PGT of \$10,124,758, as of December 31, 2010.

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**Board of Trustees  
Employees' Retirement System - Police Guarantee Trust  
City of Baton Rouge and  
Parish of East Baton Rouge  
Page 2  
June 22, 2011**

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

The method of determining the actuarial value of assets is the same method as is currently used for CPERS, effective with the January 1, 2003 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. Under this method, the actuarial value of assets as of December 31, 2010 is \$26,869,584.

In performing the January 1, 2011 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

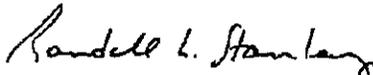
The present values shown in the January 1, 2011 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions are identical to the assumptions used for the January 1, 2011 valuation of the Employees' Retirement System. The funding method used is the Aggregate Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 25. Under the Aggregate Cost Method there is no amortization of unfunded liabilities.

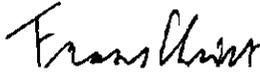
Board of Trustees  
Employees' Retirement System - Police Guarantee Trust  
City of Baton Rouge and Parish of East Baton Rouge  
Page 3  
June 22, 2011

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

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

Sincerely,

  
Randall L. Stanley, FSA, MAAA, EA  
Actuary

  
Frans Christ, FSA, MAAA, EA  
Actuary

RLS/FC/di  
BRPGT34B

**SUMMARY OF PRINCIPAL SYSTEM PROVISIONS**  
**(Source: 2011 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: 2011 PGT Actuarial Report)

Valuation Date: December 31, 2010

Valuation Method: Aggregate Actuarial Cost Method.

Asset Valuation Method: Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year.

Actuarial Assumptions:

Investment Return: 7.5% compounded annually, net of investment expenses. *(Adopted March 25, 2010)*

Salary Increases: 3.5% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted March 25, 2010)*

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

Aggregate Payroll Growth: Not applicable.

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

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

Disabled Mortality: Same as non-disabled mortality.

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

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

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

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

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

<u>Year</u>	<u>PGT</u>
1-4	60%
5-10	50%
11+	25%

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

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

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

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

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

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

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. <i>(Adopted February 26, 2000)</i>
Marital Status:	80% of employees are assumed to be married. <i>(Adopted February 26, 2000)</i>
Interest on Future MPERS DROP Accounts:	Three years of interest, compounded annually at 7.75%, on CPERS DROP deposits while member participates in MPERS DROP, payable at DROP exit. <i>(Adopted October 18, 2004)</i>
Investment Expenses:	None provided for. <i>(Adopted October 18, 2004)</i>
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. <i>(Adopted February 26, 2000)</i>
COLA:	MPERS benefits in pay status are assumed to increase 2% annually. <i>(Adopted February 26, 2000)</i>
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) were assumed to be greater than CPERS ancillary benefits. <i>(Adopted February 26, 2000)</i>
Sources of Data:	Membership data, asset information, and aggregate DROP balances as of December 31, 2010 were furnished by Retirement Office. For active members, MPERS compensation was estimated as: CPERS compensation, minus member contributions to PGT divided by .095. For members who are in CPERS DROP but not in MPERS DROP, MPERS compensation was estimated as City-Parish contributions to MPERS divided by .095.
Changes Since Prior Valuation:	None

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE  
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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)
	-\$-	-\$-	-\$-	-\$-		-%-	-%-	-%-	-%-
12/31/01	4,024,374	4,724,586	--	10,480,337	24,815,273	100.0	100.0	100.0	100.0
12/31/02	6,737,203	4,285,414	--	10,008,154	25,481,771	100.0	100.0	100.0	100.0
12/31/03	8,231,086	3,182,942	--	10,890,774	26,468,255	100.0	100.0	100.0	100.0
12/31/04	9,641,791	3,143,864	--	10,261,837	27,588,419	100.0	100.0	100.0	100.0
12/31/05	9,314,027	1,630,156	--	10,414,479	27,317,297	100.0	100.0	100.0	100.0
12/31/06	9,570,474	1,713,136	--	11,467,524	28,273,898	100.0	100.0	100.0	100.0
12/31/07	10,755,863	2,895,401	--	11,458,129	29,042,317	100.0	100.0	100.0	100.0
12/31/08	13,570,146	4,236,669	--	11,708,710	27,725,379	100.0	100.0	100.0	84.7
12/31/09	15,408,593	3,746,234	--	11,065,584	26,874,490	100.0	100.0	100.0	69.8
12/31/10	17,009,458	4,491,949	--	10,097,628	26,869,584	100.0	100.0	100.0	53.2

\* Including DROP accounts.

\*\* Including DROP participants' future benefits.

**ACTIVE MEMBERSHIP DATA  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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> -%-
12/31/01	483	(9.0)	20,920,112	43,313	2.1
12/31/02	455	(5.8)	19,793,300	43,502	0.4
12/31/03	419	(7.9)	19,324,588	46,121	6.0
12/31/04	385	(8.1)	20,587,122	53,473	16.0
12/31/05	372	(3.4)	19,964,426	53,668	0.4
12/31/06	350	(5.9)	20,507,475	58,593	9.2
12/31/07	329	(6.0)	19,754,110	60,043	2.5
12/31/08	297	(9.7)	20,084,707	67,625	12.6
12/31/09	275	(7.4)	18,836,479	68,496	1.3
12/31/10	252	(8.4)	17,315,930	68,714	0.3

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED  
FOR THE TEN YEARS ENDED DECEMBER 31, 2010  
(Source: 2011 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> -\$-					
12/31/01***	4	69,088	22	815,455	10	(64.3)	184,274	(80.2)	18,427
12/31/02	4	18,088	2	86,057	12	20.0	116,305	(36.9)	9,692
12/31/03	4	50,585	1	45,062	15	25.0	121,828	4.7	8,122
12/31/04	3	79,818	2	26,418	16	6.7	175,228	43.8	10,952
12/31/05	4	29,124	0	--	20	25.0	204,352	16.6	10,218
12/31/06	3	85,113	2	45,007	21	5.0	244,458	19.6	11,641
12/31/07	4	21,093	4	116,893	21	0.0	148,658	(39.2)	7,079
12/31/08	0	--	1	40,338	20	(4.8)	108,320	(27.1)	5,416
12/31/09	3	86,204	0	--	23	15.0	194,524	79.6	8,458
12/31/10	1	30,713	1	33,897	23	0.0	191,340	(1.6)	8,319

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

\*\* Includes only monthly annuities paid through PGT annualized

\*\*\* Regarding mergers/transfers, Louisiana Revised Statute 11:2225(A)(11)(a)(ii) places the responsibility of the transferring members' benefit payments on the transferring system for a period of one year following the effective date of the transfer. Therefore, the Police Guarantee Trust was responsible for paying transferred members who retired after February 26, 2000. On February 26, 2001 most of these members' payments became the responsibility of the Municipal Police Employees' Retirement System of Louisiana.

**TOTAL MEMBERSHIP DATA**  
**(Source: 2011 PGT Actuarial Report)**

Actives:

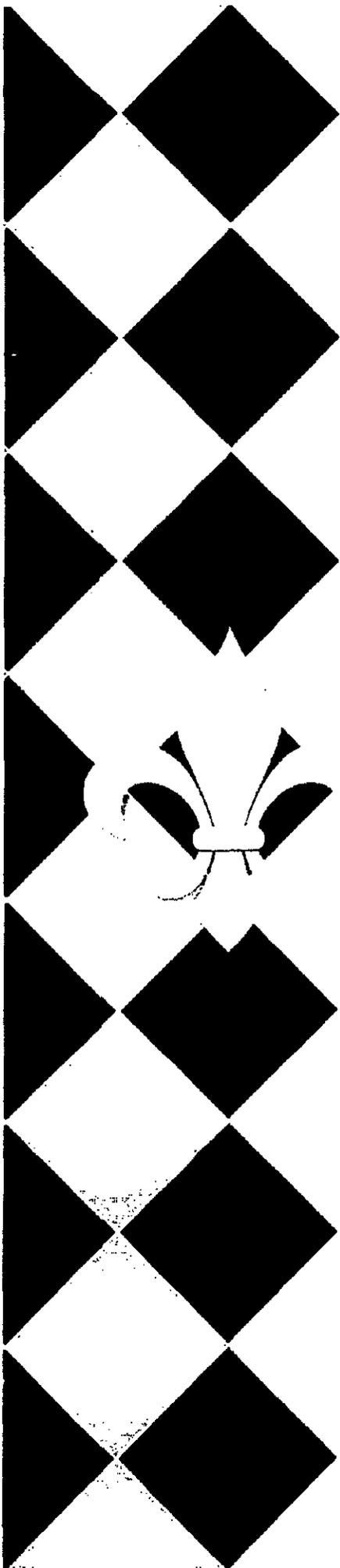
	<u>2010</u>		<u>2009</u>	
	<u>Count</u>	<u>Average Salary</u>	<u>Count</u>	<u>Average Salary</u>
Police	252	\$68,714	275	\$68,496

Annuitants:

	<u>2010</u>		<u>2009</u>	
	<u>Count</u>	<u>Average Annuity</u>	<u>Count</u>	<u>Average Annuity</u>
Retirees and Survivors	24	\$37,030	23	\$37,622
Disabilities	--	--	--	--
DROP	<u>71</u>	60,077	<u>57</u>	57,845
Total	95	\$54,255	80	\$52,031

Inactive Members:

	<u>2010</u>		<u>2009</u>	
	<u>Count</u>	<u>Average Deferred Annuity</u>	<u>Count</u>	<u>Average Deferred Annuity</u>
Deferred Vested	--	--	--	--



City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

Statistical Section

CP  
Employees'  
Retirement System



**STATISTICAL SECTION**

**DATA SOURCES, ASSUMPTIONS, AND METHODOLOGIES**

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

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

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**

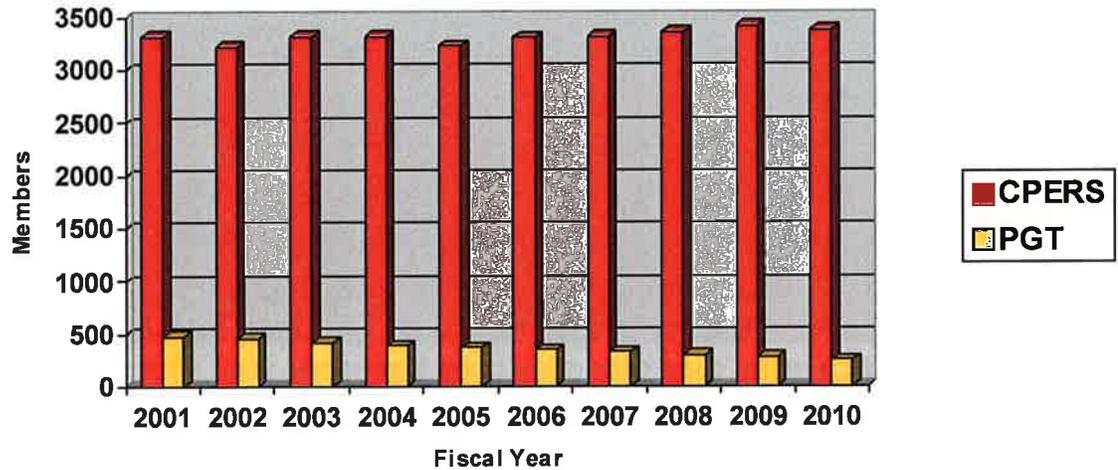
<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
2001	12	0.00%
2002	12	0.00%
2003	12	0.00%
2004	11	(8.33)%
2005	11	0.00%
2006	11	0.00%
2007	11	0.00%
2008	11	0.00%
2009	12	9.00%
2010	12	0.00%

**SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2010 AND 2001**

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2010</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,792	1	82.63%
Recreation and Park Commission for the Parish of East Baton Rouge	450	2	13.32%
District Attorney of the Nineteenth Judicial District	78	3	2.31%
East Baton Rouge Parish Juvenile Court	20	4	.59%
Eastside Fire Protection District	13	5	.38%
Office of the Coroner of East Baton Rouge Parish	10	6	.30%
East Baton Rouge Parish Family Court	9	7	.26%
Brownsfield Fire Protection District	4	8	.12%
St. George Fire Protection District	3	9	.09%
2010 Total	3,379		100.00%
<u>2001</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,905	1	87.63%
Recreation and Park Commission for the Parish of East Baton Rouge	228	2	6.89%
District Attorney of the Nineteenth Judicial District	82	3	2.47%
St. George Fire Protection District	39	4	1.18%
East Baton Rouge Parish Juvenile Court	21	5	.63%
East Baton Rouge Parish Family Court	12	6	.36%
East Baton Rouge Parish Fire Protection District No. 6	9	7	.27%
Office of the Coroner of East Baton Rouge Parish	8	8	.24%
Central Fire Protection District	6	9	.18%
Brownsfield Fire Protection District	3	10	.09%
Eastside Fire Protection District	2	11	.06%
2001 Total	3,315		100.00%

**NUMBER OF ACTIVE MEMBERS**

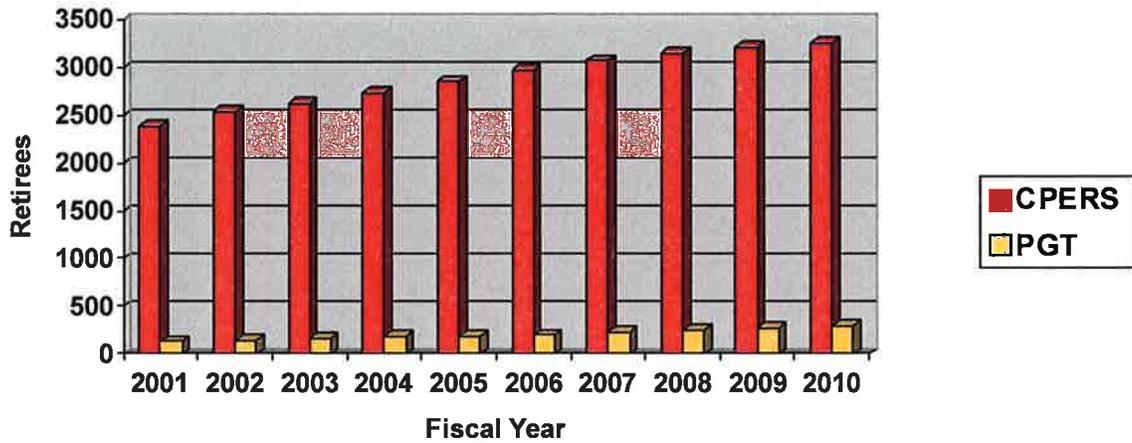
Fiscal Year	CPERS		PGT	
	Members	% Increase Each Year	Members	% Increase Each Year
2001	3,315	(1.8)%	483	(9.0)%
2002	3,220	(2.9)%	455	(5.8)%
2003	3,321	3.1%	419	(7.9)%
2004	3,314	(0.2)%	385	(8.1)%
2005	3,229	(2.6)%	372	(3.4)%
2006	3,309	2.5%	350	(5.9)%
2007	3,313	0.1%	329	(6.0)%
2008	3,357	1.3%	297	(9.7)%
2009	3,419	1.8%	275	(7.4)%
2010	3,379	(1.2)%	252	(8.4)%



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

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Retirees and Deferred Retirees</u>	<u>% Increase Each Year</u>	<u>Retirees and Deferred Retirees*</u>	<u>% Increase Each Year</u>
2001	2,394	4.6%	133	29.1%
2002	2,537	6.0%	149	12.0%
2003	2,621	3.3%	163	9.4%
2004	2,733	4.3%	183	12.3%
2005	2,852	4.4%	191	4.4%
2006	2,980	4.5%	201	5.2%
2007	3,074	3.2%	226	12.4%
2008	3,155	2.6%	258	14.2%
2009	3,208	1.7%	276	7.0%
2010	3,259	1.6%	298	8.0%

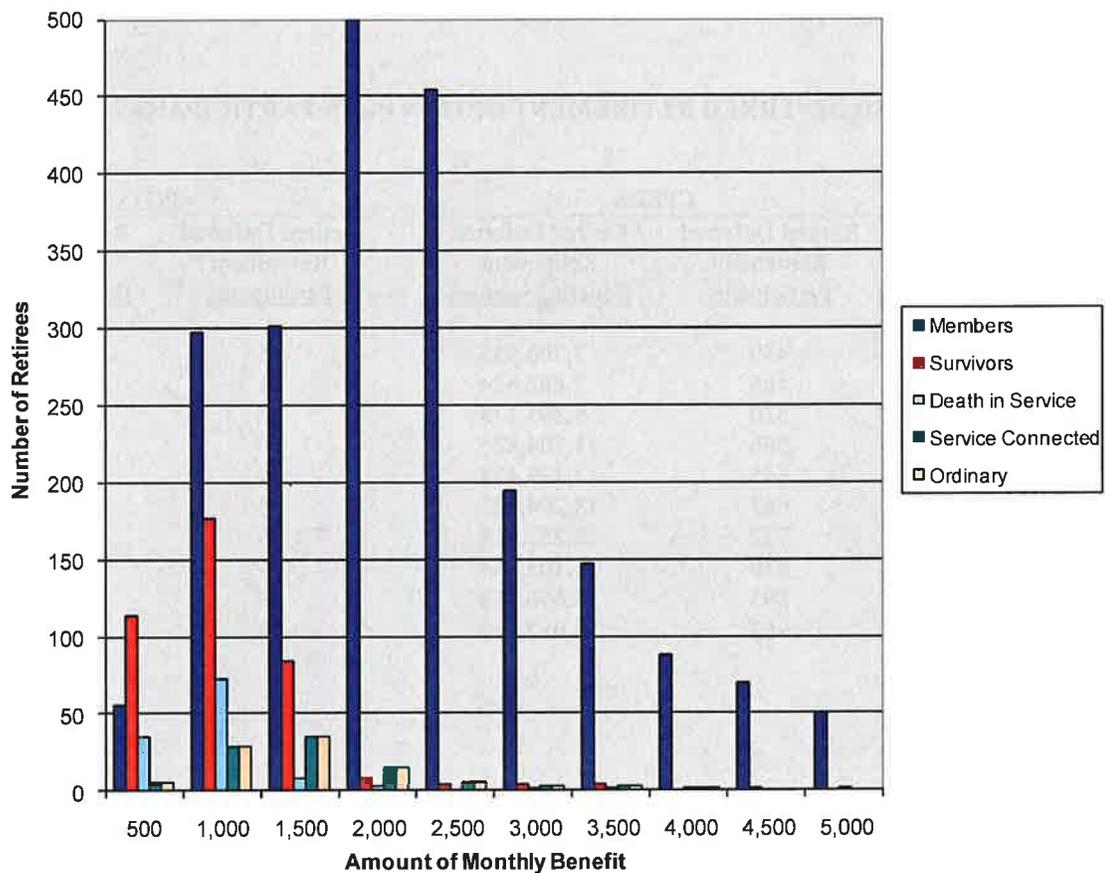
\* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



**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	215	56	114	35	5	5
501-1,000	608	298	177	73	29	31
1,001-1,500	471	301	84	8	35	43
1,501-2,000	541	508	8	3	15	7
2,001-2,500	470	455	4	--	6	5
2,501-3,000	203	195	4	1	3	--
3,001-3,500	155	147	4	1	3	--
3,501-4,000	90	88	--	1	1	--
4,001-4,500	71	70	1	--	--	--
Above 4,500	52	51	--	1	--	--
<b>Totals</b>	<b>2,876</b>	<b>2,169</b>	<b>396</b>	<b>123</b>	<b>97</b>	<b>91</b>

\* 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> \$
2001	2,072	35,124,531	10	266,434
2002	2,135	36,982,809	12	118,046
2003	2,192	39,037,900	15	130,839
2004	2,278	41,239,596	16	162,885
2005	2,403	43,982,717	20	184,736
2006	2,531	47,494,047	21	187,492
2007	2,637	52,037,439	21	202,542
2008	2,711	54,496,365	20	136,906
2009	2,801	56,806,690	23	156,548
2010	2,876	59,849,703	23	195,643

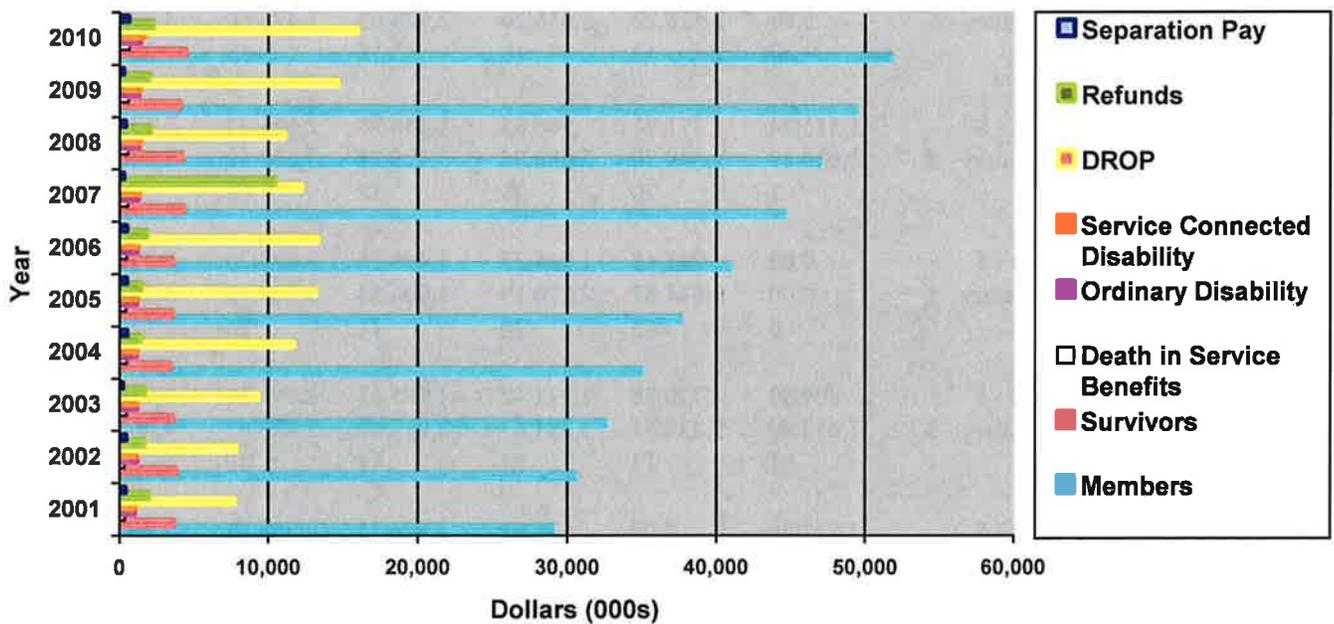
\* Includes only retirees receiving monthly benefits from PGT.

**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> \$
2001	450	7,706,555	15	455,076
2002	486	7,882,624	31	366,547
2003	520	9,305,178	32	727,756
2004	566	11,704,825	40	882,895
2005	645	13,139,478	54	2,045,762
2006	683	13,294,922	55	1,205,207
2007	772	12,252,218	66	1,009,996
2008	820	11,103,463	69	1,196,429
2009	895	14,650,958	69	1,350,644
2010	963	15,952,259	73	1,003,754

**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		
	\$	\$	\$	\$	\$	\$	\$	\$	
2001	29,048,861	3,662,696	349,700	1,034,810	1,067,769	7,706,555	1,999,902	390,717	45,261,010
2002	30,562,762	3,813,030	325,511	1,152,986	1,128,521	7,882,624	1,670,141	420,608	46,956,183
2003	32,606,340	3,573,038	452,365	1,187,346	1,218,810	9,305,178	1,681,537	218,298	50,242,912
2004	34,998,477	3,400,247	479,215	1,161,635	1,200,022	11,704,825	1,432,612	481,921	54,858,954
2005	37,624,671	3,530,787	416,203	1,166,417	1,244,639	13,139,478	1,462,779	469,930	59,054,904
2006	40,989,616	3,563,309	479,965	1,182,300	1,278,858	13,294,922	1,858,661	466,207	63,113,838
2007	44,615,779	4,294,423	529,944	1,268,931	1,328,362	12,252,218	10,507,501	277,739	75,074,897
2008	47,001,074	4,197,385	560,819	1,306,957	1,430,130	11,103,463	2,092,148	390,186	68,082,161
2009	49,453,836	4,066,816	577,864	1,286,099	1,422,075	14,650,958	2,016,840	264,263	73,738,751
2010	51,729,953	4,454,287	635,750	1,395,276	1,634,438	15,952,259	2,297,390	593,625	78,692,978



**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
2001	Avg. Monthly Benefit - \$	0.00	750.46	964.56	1,235.46	2,285.36	3,008.14	5,871.44
	Avg. Final Average Salary - \$	0.00	2,249.07	2,571.53	2,692.39	3,206.17	3,747.16	7,380.08
	Number of Retirees	0	9	12	9	55	23	1
2002	Avg. Monthly Benefit - \$	850.98	871.70	993.70	1,434.57	2,527.85	2,991.54	0.00
	Avg. Final Average Salary - \$	1,701.97	2,216.38	2,722.76	3,151.58	3,493.53	3,844.01	0.00
	Number of Retirees	3	8	14	7	64	22	0
2003	Avg. Monthly Benefit - \$	926.16	1,016.17	1,465.53	1,706.54	2,261.76	3,197.90	5,215.26
	Avg. Final Average Salary - \$	1,852.31	3,302.81	3,453.42	3,832.95	3,190.77	4,034.68	5,794.74
	Number of Retirees	2	6	8	8	58	24	1
2004	Avg. Monthly Benefit - \$	1,611.89	809.29	1,123.58	1,723.81	2,742.79	3,014.85	0.00
	Avg. Final Average Salary - \$	3,223.78	2,940.57	2,902.41	3,839.94	3,701.81	3,943.00	0.00
	Number of Retirees	1	8	12	10	72	35	0
2005	Avg. Monthly Benefit - \$	884.10	748.71	952.19	1,419.70	2,748.10	3,183.44	0.00
	Avg. Final Average Salary - \$	9,455.60	2,340.64	2,901.88	3,227.51	3,841.90	3,968.87	0.00
	Number of Retirees	1	17	32	22	80	41	0
2006	Avg. Monthly Benefit - \$	0.00	683.76	1,101.62	1,329.48	2,451.22	3,676.65	0.00
	Avg. Final Average Salary - \$	0.00	2,528.22	3,056.20	2,928.08	3,476.60	4,599.53	0.00
	Number of Retirees	0	12	16	18	75	34	0
2007	Avg. Monthly Benefit - \$	1,315.24	771.71	966.65	1,488.95	2,663.42	3,539.33	2,774.38
	Avg. Final Average Salary - \$	2,630.49	2,549.70	2,680.06	3,425.21	3,622.59	4,546.12	3,087.05
	Number of Retirees	1	20	23	18	62	48	2
2008	Avg. Monthly Benefit - \$	0.00	783.48	1,016.27	1,448.35	2,633.26	3,379.46	0.00
	Avg. Final Average Salary - \$	0.00	2,674.87	2,870.19	3,004.84	3,569.12	4,202.29	0.00
	Number of Retirees	0	15	28	11	36	26	0
2009	Avg. Monthly Benefit - \$	809.90	770.58	1,311.42	1,385.63	2,796.54	3,216.72	0.00
	Avg. Final Average Salary - \$	1,613.80	2,439.51	3,281.63	3,013.08	3,808.43	4,068.46	0.00
	Number of Retirees	1	13	24	14	40	42	0
2010	Avg. Monthly Benefit - \$	1,211.09	0.00	922.01	1,824.21	2,758.81	3,827.58	0.00
	Avg. Final Average Salary - \$	2,422.18	0.00	2,496.55	3,715.00	3,804.22	4,799.70	0.00
	Number of Retirees	2	0	24	15	37	59	0

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

**NUMBER OF EXCESS BENEFIT PLAN PARTICIPANTS  
AND BENEFIT EXPENSES**

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u> \$	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u>
2001	5	39,304	N/A	N/A
2002	5	33,968	N/A	N/A
2003	5	51,279	N/A	N/A
2004	4	43,913	N/A	N/A
2005	5	74,118	N/A	N/A
2006	5	77,924	N/A	N/A
2007	6	76,515	N/A	N/A
2008	5	66,176	N/A	N/A
2009	5	52,431	N/A	N/A
2010	7	95,741	N/A	N/A

**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>
2001	230	--	4	300.00%
2002	232	0.87%	4	0.00%
2003	236	1.72%	5	25.00%
2004	237	0.42%	3	(40.00)%
2005	245	3.38%	4	33.33%
2006	262	6.94%	3	(25.00)%
2007	272	3.82%	2	(33.33)%
2008	259	(4.78)%	1	(50.00)%
2009	263	1.54%	2	100.00%
2010	259	(1.52)%	2	0.00%

**SCHEDULE OF CHANGES IN NET ASSETS (CPERS)**

<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Total Additions to Net Assets</u>
	\$	\$	\$	\$
2001	8,972,290	11,516,686	(15,367,043)	5,121,933
2002	9,223,966	12,053,689	(62,739,109)	(41,461,454)
2003	9,063,451	14,531,806	157,622,501	181,217,758
2004	11,148,409	17,739,809	90,816,134	119,704,352
2005	12,597,356	20,637,086	75,536,830	108,771,272
2006	12,828,206	23,833,249	133,028,303	169,689,758
2007	13,724,573	25,221,447	42,508,100	81,454,120
2008	13,841,465	26,117,571	(294,455,535)	(254,496,499)
2009	14,716,581	27,150,202	169,456,489	211,323,272
2010	15,288,316	32,304,628	125,408,049	173,000,993

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Refunds and Withdrawals</u>	<u>Administrative Expenses</u>	<u>Total Deductions from Net Assets</u>	<u>Total Changes in Net Assets</u>
	\$	\$	\$	\$	\$
2001	43,261,108	1,999,902	789,316	46,050,326	(40,928,393)
2002	45,286,042	1,670,141	817,319	47,773,502	(89,234,956)
2003	48,561,375	1,681,537	954,294	51,197,206	130,020,552
2004	53,426,342	1,432,612	836,043	55,694,997	64,009,355
2005	57,592,125	1,462,779	878,515	59,933,419	48,837,853
2006	61,255,177	1,858,661	1,042,144	64,155,982	105,533,776
2007	64,567,396	*10,507,501	1,073,946	76,148,843	5,305,277
2008	65,990,013	2,092,148	1,095,697	69,177,858	(323,674,357)
2009	71,721,911	2,016,840	1,216,718	74,955,469	136,367,803
2010	76,395,588	2,297,390	1,390,779	80,083,757	92,917,236

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

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**SCHEDULE OF CHANGES IN NET ASSETS (PGT)**

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Assets
	\$	\$	\$	\$
2001	45,442	117,845	(238,149)	(74,862)
2002	43,427	55,955	(1,820,472)	(1,721,090)
2003	49,586	76,982	4,926,746	5,053,314
2004	55,315	83,317	3,097,500	3,236,132
2005	53,883	93,973	1,835,087	1,982,943
2006	62,990	125,314	3,904,125	4,092,429
2007	67,285	123,140	1,006,614	1,197,039
2008	65,944	127,087	(7,844,055)	(7,651,024)
2009	81,826	149,179	4,876,517	5,107,522
2010	78,048	250,114	2,664,831	2,992,993

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Assets	Total Changes in Net Assets
	\$	\$	\$	\$	\$
2001	790,646	466	301,978	1,093,090	(1,167,952)
2002	531,005	600	258,758	790,363	(2,511,453)
2003	988,682	644	219,814	1,209,140	3,844,174
2004	1,134,928	1,097	200,810	1,336,835	1,899,297
2005	2,405,005	212	266,382	2,671,599	(688,656)
2006	1,562,831	3,137	230,070	1,796,038	2,296,391
2007	1,501,715	61	251,644	1,753,420	(556,381)
2008	1,596,636	432	263,376	1,860,444	(9,511,468)
2009	1,974,957	4,466	275,630	2,255,053	2,852,469
2010	1,440,121	2,352	279,264	1,721,737	1,271,256





City of Baton Rouge and Parish of East Baton Rouge  
**EMPLOYEES' RETIREMENT SYSTEM**  
A Component Unit of the Consolidated Government of the  
City of Baton Rouge and Parish of East Baton Rouge, Louisiana

# Alternative Retirement Plans

CP  
Employees'  
Retirement System



## DEFERRED RETIREMENT OPTION PLAN - (DROP)

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

### Eligibility

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

### Participation

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

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

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

### Interest Rate

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

### Termination of Participation

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

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

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

### Survivor Benefits

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

### **EXCESS BENEFIT PLAN**

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

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

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

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



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

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

We have audited the financial statements of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

The Retirement System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Retirement System's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees of the Plan, the Retirement System's management, the City of Baton Rouge and Parish of East Baton Rouge, and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite + Netterville*

Baton Rouge, Louisiana  
June 24, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial statements noted?   x   yes    \_\_\_\_\_ no

**B. Findings – Financial Statement Audit**

**2010-1) Collateralization of Cash Balances**

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**2010-1) Collateralization of Cash Balances (continued)**

Management's Response:

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

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

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

**2009-1) Unreturned Appellate Bond Deposit**

Criteria: Louisiana Law prohibits the unauthorized use of a government's assets by its officers, employees and others in positions of authority or custody over those assets.

Condition: In 1999, the Retirement System deposited \$300,000 with the 19<sup>th</sup> Judicial District Registry of the Court which was required by the 19<sup>th</sup> Judicial District Court (the District Court) in order to suspend the payment of a judgment rendered in the matter of case #35632 (the "Carter Lawsuit") while the Retirement System appealed the District Court's decision. The Retirement System lost its appeal to First Circuit Court of Appeals. The Retirement System then paid the judgment to the plaintiff in January 2001, thereby entitling it to a return of the funds deposited with the 19<sup>th</sup> JDC Registry of the Court. In June 2001, the Retirement System's legal counsel filed a "Motion and Order to Withdraw Bond and Security for Appeal" with the District Court which was approved. East Baton Rouge Clerk of Court documents show three checks were issued in settlement of this deposit. Two of the checks were made payable to the Retirement System through legal counsel, Law Office of Randy P. Zinna in the combined amount of \$340,392.93, representing the original deposit of \$300,000 plus interest (less Clerk of Court costs). The third check was issued to the Clerk of Court 19<sup>th</sup> Judicial District for court costs in the amount of \$2,445.66. The documentation we observed from the Clerk of Court's office showed that Randy Zinna signed as receiving the two checks made payable to the Retirement System. The Retirement System has not received a return of these funds from its former legal counsel Randy Zinna, in cash, as of the date this report was released.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**2009-1) Unreturned Appellate Bond Deposit (continued)**

In April and May of 2010, upon discovery of the facts, circumstances, and events surrounding this unreturned deposit, the Retirement System ended its relationship with its legal counsel, Randy Zinna, and informed the Legislative Auditor and the 19<sup>th</sup> JDC District Attorney of this matter, in accordance with LA R.S. 24:523.

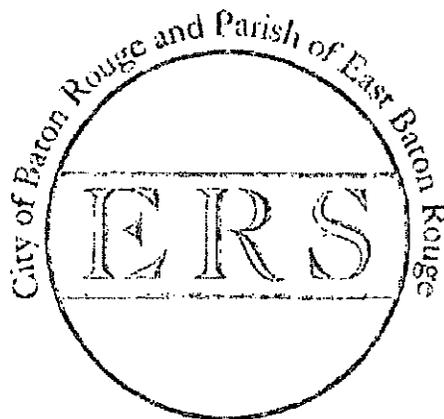
Effect: Misappropriation of the Retirement System's assets may have occurred.

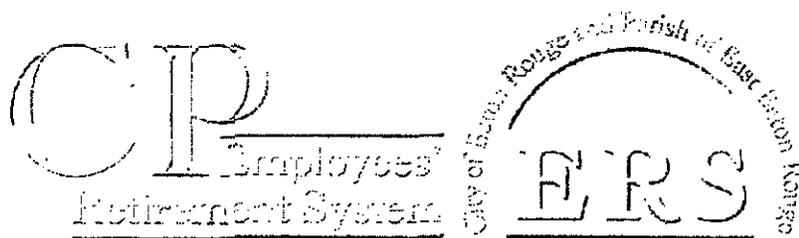
Recommendation: The Retirement System should seek all available courses of action to recover the unreturned deposit, plus interest.

Updated Response:

At the direction of CPERS' Board of Trustees, CPERS' legal counsel filed civil suit No. 592778 Division "D" against Randy P. Zinna, DBA Law Offices of Randy P. Zinna, and Continental Casualty Company to recover the proceeds of the appeal bond released to Mr. Zinna but never received by CPERS. On June 22, 2011 the case is still in the discovery stage. CPERS is also exploring the possibility of collecting a portion of the appeal bond proceeds from its own liability insurance policy through the Commercial Crime Coverage Form; a provision of the policy that provides coverage for monetary losses caused by unlawful acts of trustees, managers, directors, and representatives. Legal counsel is working with the insurance provider to determine if a partial recovery is possible. Mr. Zinna has signed a plea agreement in United States District Court and the result to CPERS of that plea agreement will be known at the time of sentencing -- currently scheduled for September 22, 2011.

CP  
Employees'  
Retirement System





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