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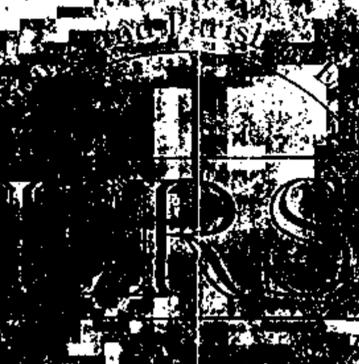
Comprehensive Annual Financial Report

Under provisions of state law, this report is a public document. A copy of this report will be provided to the entity and object and made public on-line. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 12 2000

For the fiscal year ended December 31, 1999

City of Baton Rouge and Parish of East Baton Rouge *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, 1999**

**JEFFREY R. YATES
RETIREMENT ADMINISTRATOR**

OFFICE LOCATION

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

MAILING ADDRESS

**CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE
EMPLOYEES' RETIREMENT SYSTEM
P.O. BOX 1471
BATON ROUGE, LOUISIANA 70821**

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	5
Board of Trustees	11
Administrative Staff	12
Professional Consultants.....	13
Organizational Chart	14
Certificate of Achievement	15
Summary of 1999 Local Legislative Changes.....	16
Plan Summary	18

FINANCIAL SECTION

Independent Auditors' Report.....	23
General Purpose Financial Statements:	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	25
Notes to the Financial Statements.....	26
Required Supplementary Information – Unaudited:	
Schedule of Funding Progress.....	35
Schedule of Employer Contributions.....	36
Notes to the Schedules of Trend Information.....	37
Supporting Schedules:	
Schedules of Administrative Expenses	41
Schedules of Investment Expenses	42
Schedules of Payments to Consultants.....	43

COMPLIANCE AND INTERNAL CONTROL

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Govern- ment Auditing Standards</i>	47
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INVESTMENT SECTION - UNAUDITED

Consultant's Report on Investment Activity	51
Statement of Investment Policies and Objectives....	52
Investment Summary.....	61
Charts - Asset Allocation.....	62
Charts - Fixed Income & Equity Allocation	63
List of Investments.....	64
Investment Performance Measurements	72
Annual Rates of Return	73
Schedule of Commissions Paid to Brokers	74

ACTUARIAL SECTION - UNAUDITED

Actuary's Certification Letter	77
Summary of Principal System Provisions.....	80
Summary of Actuarial Assumptions and Methods..	83
Accrued Liability Analysis for 1999 and 1998	86
Annual Amortization of Unfunded Actuarial Accrued Liability.....	87
Determination of Unfunded Actuarial Accrued Liability.....	88
Reconciliation of Unfunded Actuarial Accrued Liability.....	88

ACTUARIAL SECTION – UNAUDITED (CONTD)

Summary of Actuarial Accrued Liabilities and Percentage Covered by Net Assets Available for Benefits	89
Analysis of Financial Experience.....	90
Employer Contribution Calculation Results for 1999 and 1998.....	91
Active Membership Data.....	92
Schedule of Retirees and Beneficiaries Added	92
Total Membership Data.....	93

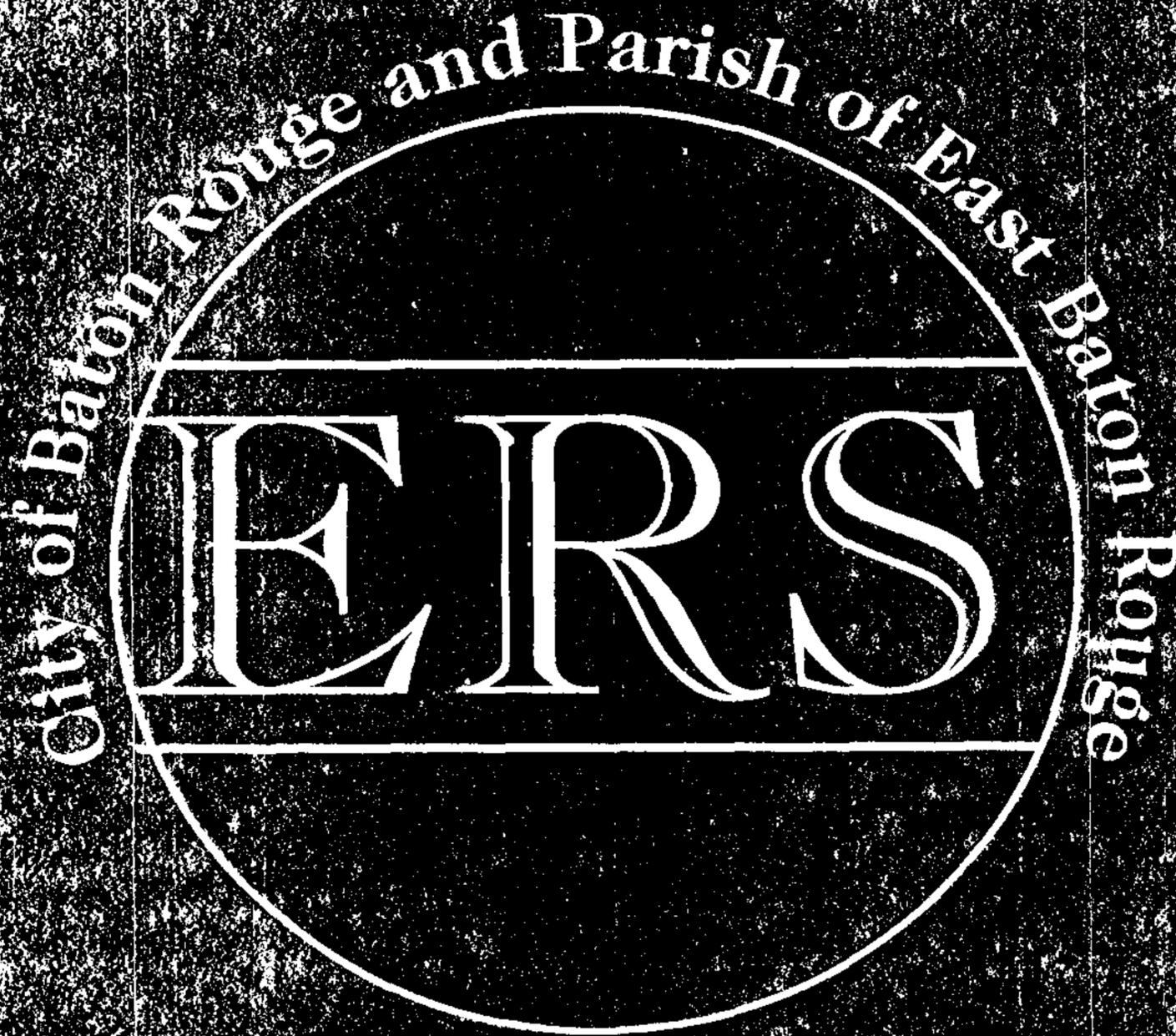
STATISTICAL SECTION - UNAUDITED

Number of Active Members	97
Number of Retirees, Beneficiaries, Vested Terminated, and Deferred Retirees.....	97
Graph – Number of Active Members.....	97
Graph – Number of Retirees, Beneficiaries, Vested Terminated, and Deferred Retirees	97
Number of Service Retirees and Benefit Expenses.....	98
Number of Deferred Retirements and Benefit Expenses.....	98
Number of Excess Benefit Plan Participants and Benefit Expenses.....	98
Average Monthly Service Retiree Benefit.....	99
Average Monthly Deferred Retirement Benefit.....	99
Number of Refunds of Contributions.....	99
Number of Administrative Staff Positions.....	100
Revenues by Source	100
Expenses by Type	100
Charts - Revenues by Source and Expenses by Type.....	101
Schedule of Participating Employers	102
Graph - Retirees at December 31, 1999	103

ALTERNATIVE RETIREMENT PLANS

Deferred Retirement Option Plan	107
Excess Benefit Plan.....	108

introductory section



City of Baton Rouge and Parish of East Baton Rouge
Employees Retirement System

comprehensive annual financial report



Employees' Retirement System



City of Baton Rouge
Parish of East Baton Rouge

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

Phone: (225) 389-3272
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LETTER OF TRANSMITTAL

April 14, 2000

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 Board Members:

The Comprehensive Annual Financial Report 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, 1999 is hereby submitted, as required by Section 1:253 of the Retirement Ordinance. This section 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. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The Comprehensive Annual Financial Report is divided into six sections as listed below:

The Introductory Section contains the letter of transmittal, a listing of the 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, a summary of the 1999 local ordinance changes affecting the Retirement System, and a plan summary.

The Financial Section is composed of the Independent Auditors' Report, Independent Auditors' Report on Compliance and Internal Control Structure, general purpose financial statements, Notes to the Financial Statements, 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 the Schedule of Brokerage Commissions Paid.

The Actuarial Section contains the actuary's certification letter, a summary of Retirement System provisions, Summary of Actuarial Assumptions and Methods, schedules showing accrued liability analysis and reconciliation, an analysis of financial experience, Employer Contribution Calculation, active and retiree membership data, and other pertinent actuarial data.

The Statistical Section displays trend information on selected data, various 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.

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 (CPERS) for the sole benefit of the membership, both active and retired.

MAJOR INITIATIVES

For the Year:

Much of CPERS' resources in 1999 were directed toward the research and execution of the transfer of qualifying police officers to the Municipal Police Employees' Retirement System of Louisiana (MPERS). For the majority of the year, concentrated efforts were made to evaluate the transaction on a legal, actuarial, and administrative basis. The System worked through general legal counsel, as well as special counsel, tax counsel, and the Internal Revenue Service in establishing the particular legalities of the proposed transfer. During the course of the research, it was established that the transfer could be legally executed provided that it was properly structured to protect the rights of each electing individual. A guarantee of benefits contract was developed, which delineated exactly what retirement rights were preserved or waived, with each electing member being required to sign the contract as part of the overall agreement. Next, an intense educational plan was launched, in which numerous group education sessions were conducted, specifically for the purpose of explaining the transaction in detail. As part of the educational process, updates were posted to the City's Metronet, Internet, and a 24-hour phone message line was established at the CPERS' office. In addition, there were several mass mailings for the purpose of distributing educational materials, retirement handbooks, and contract copies to all eligible members. Simultaneously, CPERS' staff began establishing the necessary computer applications, accounting records, bank checking accounts, bank trust accounts, benefits counseling procedures, and documents needed to facilitate the transfer. At year-end, it was apparent that a large majority of the eligible employees were electing to transfer their membership to MPERS and that the research and efforts of the System and its consultants would be put into operation in early 2000.

During the police transfer process, research was also done for a possible transfer of firefighters to the statewide Firefighters' Retirement System of Louisiana (FRS). Many of the same early processes were performed for this transaction, as that of the police transaction, however, it was determined by legal counsel that there were potential complications, which could affect member rights. The decision was made to seek an opinion through a determination letter from the Internal Revenue Service. As of the end of the year, the System was still awaiting the response.

The System stepped up its usage of the City's Metronet information system, sending regular announcements of retirement-related information, and providing links to the System's Metronet page for viewing meeting agendas.

CPERS completed its project of indexing the minutes of all Retirement Board meetings, as well as the minutes of all committee meetings, and all legal opinions. The finished product is available to the staff for performing research for the Board of Trustees, System members and/or System consultants. The project will be ongoing for all future meeting minutes.

The System replaced substantially all of its computer hardware to both remedy obsolescence, and to prepare for potential Y2K problems. The new hardware allowed for the establishment of improved control and backup procedures and better integration with the City's overall computer network.

Numerous educational sessions were held at various departments and in the City's training center to help educate members about their retirement benefits. The System worked to coordinate its presentations with those of the Social Security Administration and the City's deferred compensation program.

For the Future:

CPERS is planning to implement a website to provide an Internet presence for both members and the general public. The site would provide news updates, the Retirement Ordinance, a benefit calculation estimator, and other features.

CPERS is fully aware that, as a result of the police transfer transaction, and with a similar transfer of firefighters pending, normal office procedures will be evolving for some time to come. This reinforces the importance of documenting benefits and accounting procedures in a formal policies and procedures manual. Completion of these documents is expected near the end of 2000.

SERVICE EFFORTS AND ACCOMPLISHMENTS

CPERS constantly strives to achieve a greater level of service to its members, both active and retired. These services include the issuance of retirement benefit payments, DROP withdrawals, DROP and contribution tax-deferred rollovers, refunds of member contributions, member counseling, retiree payroll-related changes, and many more.

In 1999, CPERS paid retirees, survivors, and beneficiaries in excess of \$31 million in benefits. In addition, distributions of more than \$9.3 million were made to participants from the Deferred Retirement Option Plan (DROP). Combined, CPERS paid out in excess of \$40.7 million to System retirees during the year.

The average monthly benefit of a retiree continues to increase. For 1999, retirees drew an average monthly benefit of \$1,343, which represented an increase of 1.51% over the 1998 amount of \$1,323. The average monthly withdrawal for DROP funds was \$1,956, an increase of 11.7% from 1998's average of \$1,751. DROP withdrawals include \$4.8 million in rollovers to qualified Individual Retirement Accounts (IRAs).

Also, during 1999, refunds were issued to 306 members who terminated employment and to beneficiaries of deceased members compared to 225 issued during 1998. 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 139 members retired during 1999 compared to 115 during 1998. A total of 106 members entered DROP during 1999 compared to 64 during 1998.

CPERS continues to circulate its newsletter *Retirement News* to over 4,000 active employees and almost 2,000 retirees in an effort to keep the entire membership informed of important issues and news of interest. The newsletter features pertinent articles of interest, authored by staff and consultants.

INTERNAL CONTROL

In accordance with Board and management's goals and policies, CPERS maintains a system of internal controls 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, our independent auditors review the system of internal controls.

ACCOUNTING SYSTEM

An explanation of CPERS' accounting policies is contained in the Notes to the Financial Statements. The basis of accounting, fund structure, and other significant information on financial policy are explained in detail in the Notes to the Financial Statements.

ADDITIONS TO PLAN NET ASSETS

CPERS' benefits are funded through employee and employer contributions and investment revenue. The following table shows the sources from which additions to plan net assets were made during 1999 as compared to 1998.

ADDITION TYPE	1999	1998	VARIANCE	% CHANGE
Employee Contributions	\$ 11,776,623	\$ 11,632,339	\$ 144,284	1.2%
Employer Contributions	20,334,067	20,120,542	213,525	1.1%
Net Investment Income	<u>93,398,150</u>	<u>89,345,159</u>	<u>4,052,991</u>	4.5%
Totals	<u>\$ 125,508,840</u>	<u>\$ 121,098,040</u>	<u>\$ 4,410,800</u>	3.6%

Though the employee and employer contribution rates remained the same during 1999 as those of 1998, a small increase in the totals reflects salary increases during the year.

Net investment income shows a healthy increase from 1998, even though 1998 was itself an excellent year for investment returns. The equity market continued to drive the positive returns with an exceptional performance from the System's international equity holdings.

DEDUCTIONS FROM PLAN NET ASSETS

CPERS was established and placed under the management of the Board of Trustees for the purpose of providing service retirement allowances and disability retirement allowances, under the provisions of the Retirement Ordinance, to qualifying members. Payments made to members and terminated members, as well as administrative expenses are shown in the following table.

DEDUCTION TYPE	1999	1998	VARIANCE	% CHANGE
Benefit Payments	\$ 40,759,659	\$ 37,095,474	\$ 3,664,185	9.9%
Refunds and Withdrawals	2,012,039	1,493,287	518,752	34.7%
Administrative Expenses	<u>944,577</u>	<u>1,015,699</u>	<u>(71,122)</u>	(7.0)%
Totals	<u>\$ 43,716,275</u>	<u>\$ 39,604,460</u>	<u>\$ 4,111,815</u>	10.4%

The preceding table shows a significant increase in benefits paid, as a result of an increasing number of retirements, as well as continued DROP rollovers. A large increase in refunds occurred in 1999 as the turnover of employees increased, probably due to an abundance of job opportunities, away from the System's employers, in the growing economy. Administrative expenses actually decreased during 1999 because of unfilled staff positions, some renegotiated contractual agreements and a reduction in travel and training expenses.

FUNDING

The funding requirements for the Retirement System are determined by the Retirement System's actuary. Required contributions are broken down between normal cost and amortization of unfunded accrued liability and then stated as a percentage of payroll. CPERS is amortizing the unfunded accrued liability over a 30 year period, with 1999 being the 5th year in the amortization schedule.

The employer contribution rate for 1999 was 16.13%, as it was for 1998. Because of the significant impact of the transfer of police employees, as well as other experience factors, the System's actuary anticipates an employer contribution rate change which could be implemented in the year 2000.

It is anticipated that the police transfer will cause a sizeable decrease to the System's unfunded accrued liability, since the System will be relieved of the liability for each transferring member, while the corresponding assets will remain under the authority of the System's Board. In addition, the Board of Trustees has in place, an asset allocation designed to protect the System's assets from temporary market fluctuations, through diversification, while enabling it to capitalize on positive market moves that may occur.

CASH MANAGEMENT

CPERS manages in-house short-term cash. This cash represents the daily needs of the Retirement System, primarily for paying benefits to retirees, as well as uninvested funds of the Retirement System's money managers. Essentially, CPERS sweeps each cash account and invests overnight in repurchase agreements after obtaining competitive interest rate bids. CPERS receives U.S. Treasury collateral valued at 102% of the funds being invested. The entire process is coordinated through the custodian bank and is governed by a policy endorsed by the investment consultant and approved by the Board of Trustees.

INVESTMENTS

The investments of the Retirement System are governed by the Statement of Investment Policies and Objectives as shown on pages 52 through 60. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. One of the primary tools 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 includes investments in large and mid-cap domestic equities, international equities, core fixed income securities, and short-term cash. Charts showing the current and target asset allocations are shown on pages 62 and 63. CPERS maintained the five (5) contractual relationships with money managers it had at the end of 1998. The performances of these managers are measured against predetermined universally recognized indices. CPERS continues to rebalance the allocation of its portfolio to counter market value changes that occur. This ensures that the asset mix will never be overweighted or underweighted in any asset class.

Investment return, net of investment fees, for 1999 was 12.5% with the three year and five year returns being 14.4% and 15.5% respectively. A detail of investment holdings is found on pages 64 through 71.

INDEPENDENT AUDIT

Each year, independent auditors perform a financial and compliance audit in accordance with Generally Accepted Accounting Principles, and *Government Auditing Standards*. As part of their audit, the internal control structure of the Retirement System is evaluated. For the 1999 annual audit, the auditors were KPMG LLP, Baton Rouge, Louisiana.

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, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System has received this Certificate of Achievement in its first two years of submission. We are confident our current report continues to conform to the Certificate of Achievement program requirements, and we are again submitting it to GFOA for their review.

ACKNOWLEDGEMENTS

I would like to thank the staff of the Retirement Office for their diligent efforts in creating another accurate and well organized Comprehensive Annual Financial Report (CAFR). It is a time-consuming and sometimes difficult task to gather data, input and type, proof and assemble a document of this kind, and I am grateful for the efforts of the staff towards its preparation. This is the third CAFR prepared by the Retirement Office for submission to the GFOA, and we have every reason to believe that we will be awarded our third consecutive Certificate of Achievement for Excellence in Financial Reporting.

I am also very grateful to the Retirement Board of Trustees for your continued support of the Retirement Office by providing the support and resources needed to perform our jobs in the most optimum manner. It is a pleasure to work for a Board that continually demonstrates, through its efforts, a desire to provide the best in member benefits, while responsibly managing system assets.

Sincerely



Jeffrey R. Yates, CPA
Retirement Administrator

1999
BOARD OF TRUSTEES

Otha L. Schofield
Chairman of the Board
Term: Appointed by Mayor-President

Donald Ray Spillman
Vice-Chairman & Fire Employees' Representative
Term: 3/1/98 - 2/28/01

Steve Lanclos
Regular Employees' Representative
Term: 1/1/99 - 12/31/01

Mark W. Gamble
Regular Employees' Representative
Term: 5/15/00 - 5/14/03

Cpl. Cory N. Recch
Police Employees' Representative
Term: 3/1/98 - 2/28/01

M. Brian Mayers
Metropolitan Council Representative
Term: 3/28/99 - 3/27/01

Joseph R. Toups
Metropolitan Council Representative
Term: 3/28/99 - 3/27/01

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.
Accounting Manager

Ann G. LeSage
Administrative and Investment Coordinator

Kyle Drago
Accountant II

Phil Massey, Jr.
Accountant II

Patty Appling
Benefits Coordinator

Gladys Williams
Administrative Specialist II

Rebecca Saucier
Senior Fiscal Specialist

Dominica Medine
Senior Fiscal Specialist

PROFESSIONAL CONSULTANTS

ACTUARY

Stanley, Holcombe & Associates, Inc.
Eight Piedmont Center, Suite 310
3525 Piedmont Road, N.E.
Atlanta, GA 30305

AUDITOR

KPMG LLP
Certified Public Accountants
Bank One Centre – North Tower
451 Florida Blvd. – Suite 1700
Baton Rouge, LA 70801-1705

INVESTMENT CONSULTANT

Summit Strategies Group
7700 Bonhomme Avenue, Suite 300
St. Louis, MO 63105

LEGAL COUNSEL

Law Offices of Randy P. Zinna
8732 Quarters Lake Road
Baton Rouge, LA 70809

OF SPECIAL COUNSEL

Robert D. Klausner, P.A.
6565 Taft Street, Suite 200
Hollywood, FL 33204

Lawson & Fields, P.C.
5323 Spring Valley Road, Suite 300
Dallas, TX 75240

MEDICAL EXAMINER

D. J. Scimecca, Jr., M.D.
Occupational Health Clinic
Baton Rouge General Health
3870 Convention Street
Baton Rouge, LA 70806

COMPUTER CONSULTANT

Relational Systems Consultants
P.O. Box 665
St. Martinville, LA 70582

DOMESTIC FIXED INCOME

BlackRock Financial Management
345 Park Avenue
New York, NY 10154

DOMESTIC EQUITY

Trinity Investment Management Corp.
75 Park Plaza
Boston, MA 02116

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

GLOBAL FIXED INCOME

State Street Global Advisors
Two International Place
Boston, MA 02110

INTERNATIONAL EQUITY

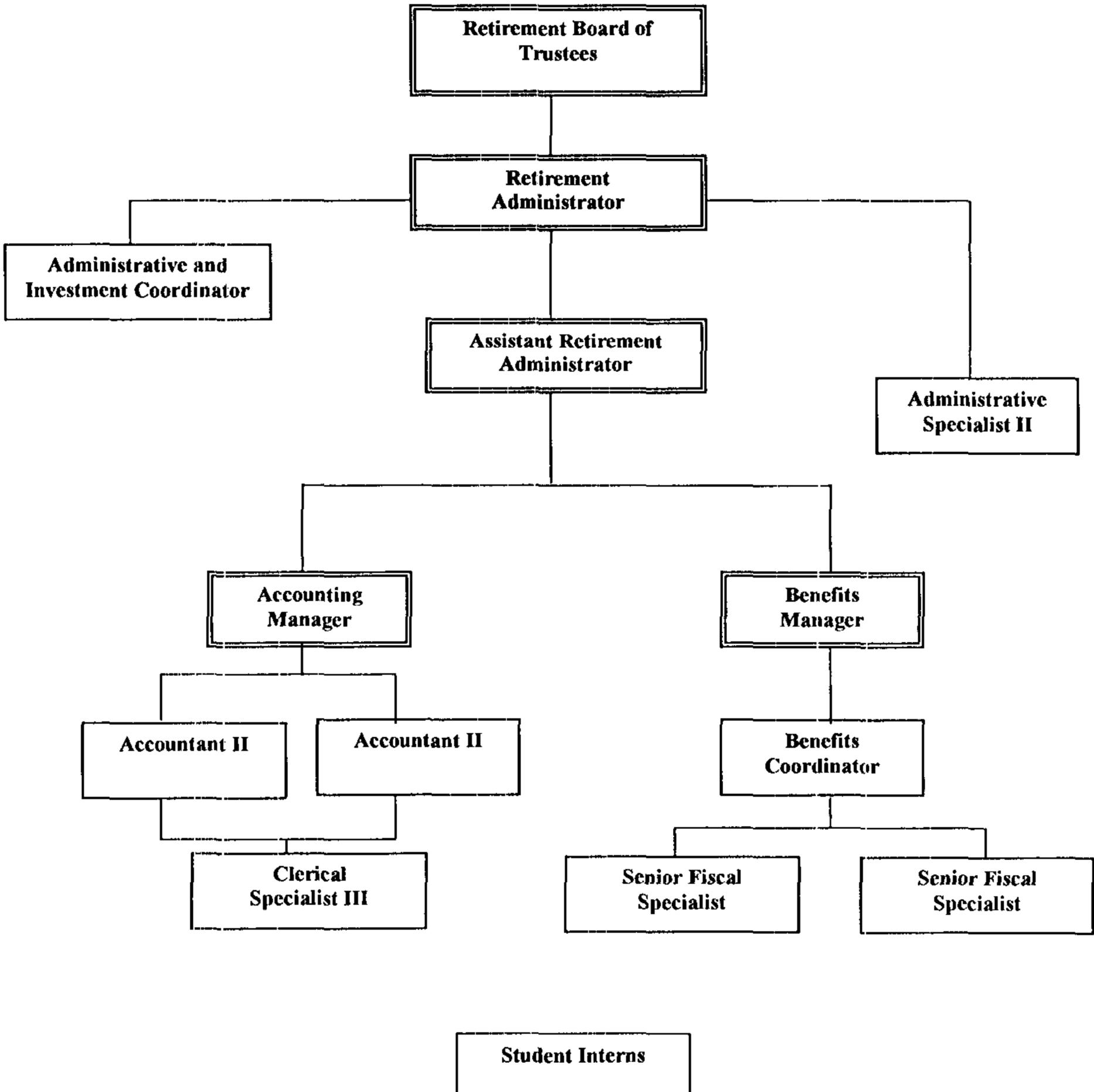
Capital Guardian Trust
333 South Hope Street
Los Angeles, CA 90071

CUSTODIAN BANK

Bank One, Louisiana, N.A.
P.O. Box 1511
Baton Rouge, LA 70821-1511

**RETIREMENT SYSTEM
ORGANIZATIONAL CHART**

(See page 13 for specific information regarding investment professionals)



Certificate of Achievement for Excellence in Financial Reporting

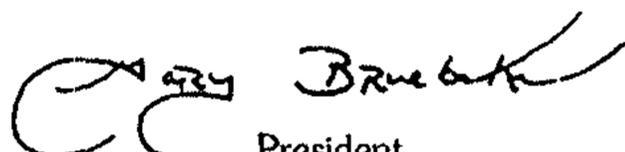
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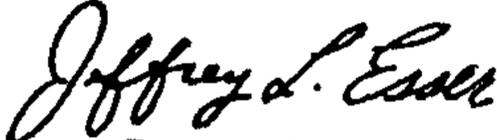
City of Baton Rouge & Parish
of East Baton Rouge
Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1998

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.




Cary Brueckner
President


Jeffrey L. Esler
Executive Director

SUMMARY OF 1999 LOCAL LEGISLATIVE CHANGES

The following Ordinance and Resolutions were adopted by the City-Parish Metropolitan Council during 1999:

1. **RESOLUTION 39337 – APPROVING A POLICY CONCERNING EMPLOYEES RETURNING TO WORK AFTER COMPLETION OF THEIR D.R.O.P. PROGRAM.**

Resolution 39337 represents action taken by the Council on March 10, 1999 to approve a policy concerning employees (exclusive of Municipal Fire and Police Civil Service) returning to work on a full-time or part-time basis after completion of their D.R.O.P. program and termination of City-Parish employment. These rules were needed for clarification of certain issues. A brief summary follows:

Under the full-time rules, these employees are considered noncontributing members of the Retirement System and their monthly retirement benefit ceases. These employees have no access to their D.R.O.P. account but the account continues to accrue interest for the term of their full-time employment. They are categorized as new full-time employees for purposes of accruing vacation and sick leave and availability of other benefits, however, their longevity percentage is the same as their pre-termination percentage. Their rate of pay is determined in accordance with a table that is attached to the rules, and under current federal law no social security is deducted from this pay.

The part-time rules categorize employees that return to work on a part-time basis as retired, therefore, monthly retirement benefits continue. These employees have access to their D.R.O.P. account and it continues to accrue interest. They are considered new part-time employees for purposes of accruing vacation and sick leave and their longevity percentage is the same as their pre-termination percentage. Their rate of pay is also determined in accordance with a table that is attached to the rules, and under current federal law no social security is deducted from this pay.

2. **ORDINANCE 11384 - AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3, PART IV (EMPLOYEES' RETIREMENT SYSTEM), OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, SO AS TO AMEND AND RE-ENACT SECTION 1:251 THEREOF, RELATIVE TO THE DEFINITION OF "EMPLOYER".**

On March 24, 1999, the Council approved Ordinance 11384 which amended the definition of employer in Title 1, Chapter 3, Part IV, section 1:251 of the Code of Ordinances of the City of Baton Rouge and Parish of East Baton Rouge. The amendment added specific language that excluded Central Fire Protection District No. 4 and St. George Fire Protection District No. 2 as employers under this Part with respect to all employees hired after December 31, 1998. December 31, 1998 represents the date after which new employees under these districts were required to enroll as members of the Firefighters' Retirement System of Louisiana. The two districts retained employer status under this Part for all employees hired on or prior to December 31, 1998 that were enrolled as members of CPERS.

3. RESOLUTION 39889 – APPROVING THE AGREEMENT AND GUARANTEE OF RETIREMENT RIGHTS AND BENEFITS PROPOSED FOR EXECUTION BETWEEN THE CITY OF BATON ROUGE AND INDIVIDUAL ELIGIBLE POLICE EMPLOYEES; AND AUTHORIZING THE MAYOR-PRESIDENT TO DESIGNATE AN APPROPRIATE TIME FOR A ONE-TIME, THIRTY-DAY ELECTION TO BE HELD AFTER A DETERMINATION OF THE TRANSFER DATE HAS BEEN FINALLY ASCERTAINED.

On November 3, 1999, the Council approved Resolution 39889, the purpose of which was threefold.. The first part was approval of the Agreement and Guarantee of Retirement Rights and Benefits between the City of Baton Rouge and individual eligible police employees. Under state law, specifically LA R.S. 11:2225(A)(11)(a)(ii), eligible police employee members of CPERS were eligible to transfer to the Municipal Police Employees' Retirement System of Louisiana. To legally accomplish this transfer under state law, the City-Parish was required to contractually guarantee certain retirement benefits and rights which eligible City-Parish police employees and their survivors and/or beneficiaries would have had in CPERS had they remained under the CPERS plan. The Agreement and Guarantee of Retirement Rights and Benefits accomplished this.

Another section of the resolution authorized the Mayor-President to designate an appropriate time for a one-time, thirty-day election to be held after a transfer date was established. The transfer date subsequently established was February 26, 2000 and the election period was held from November 29, 1999 to January 11, 2000.

Lastly, the resolution stipulated that the transfer agreement relative to the election was subject to final approval of the Metropolitan Council. The final approval of the transfer agreement was still pending at December 31, 1999.

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, age 55, 2.5% of average compensation for each year of service;
- 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 20 years, age 55, 2.5% of average compensation for each year of service; and
- 10 years or more, but less than 20 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 to receive the same reduced retirement allowance for the life of the person so designated.
- Member may elect a reduced retirement allowance and designate any person to receive a form of 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.
- 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 a least 2 years prior to the DROP participant's death.
- The surviving spouse of a service-connected disability retiree receives a monthly benefit of 50% of the service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the service-connected disability retiree on his date of service-connected disability retirement or (2) legally married to the service-connected disability retiree for at least 2 years prior to the service-connected disability retiree's death.
- Minor child or children of contributing member receive a monthly benefit of \$150 per child until age 18, maximum benefit of \$300 if survived by more than 2 children.

DEFERRED RETIREMENT OPTION PLAN (DROP)

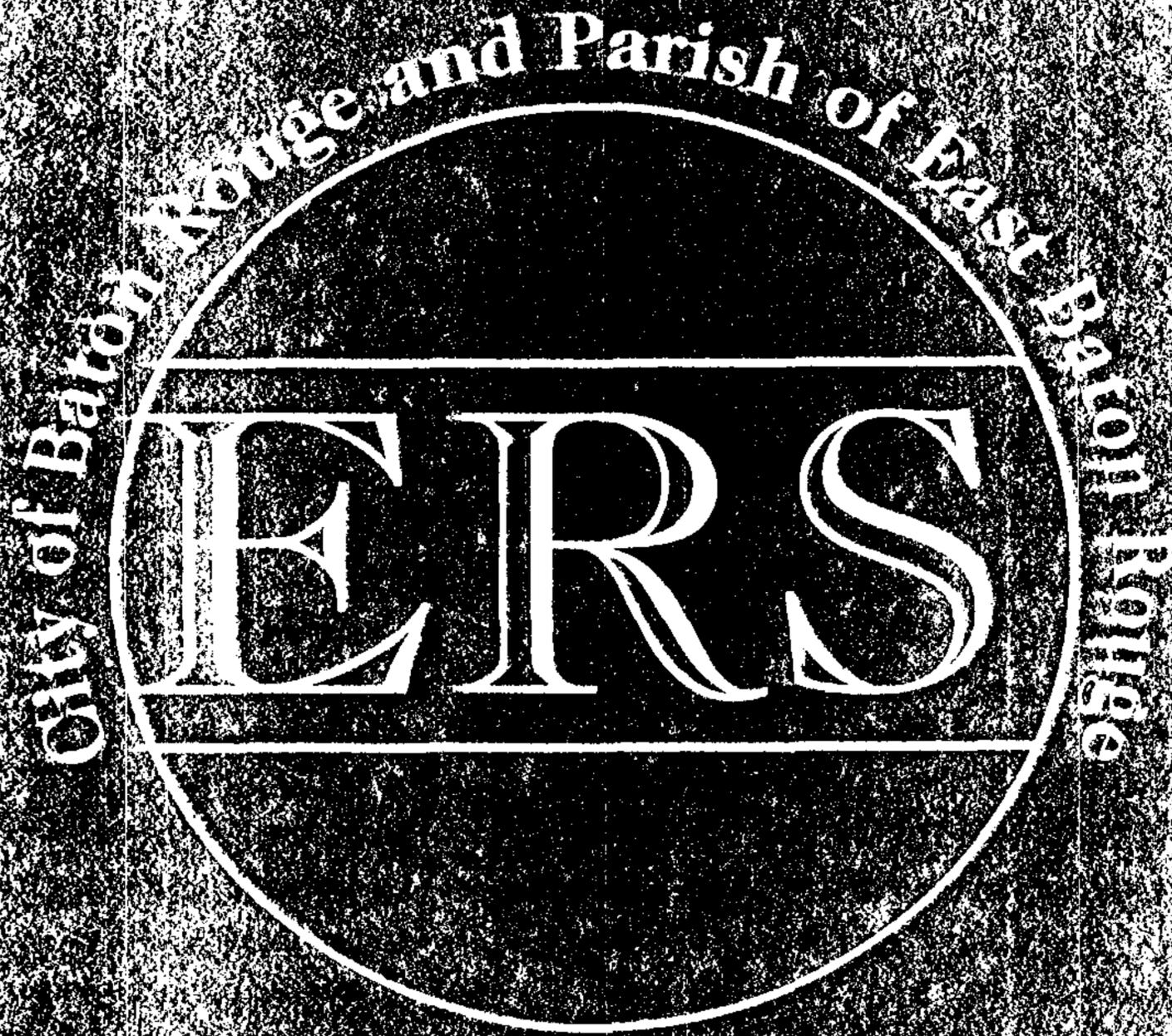
- Member must have not less than 25 nor more than 30 years of service to be eligible.
- Maximum period of participation is 5 years, or 32 years combined service and participation period, whichever is less.
- For DROP participants prior to July 1, 1991 who do not terminate employment at the end of participation, 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.

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), or other qualified plan.
- Distributions based upon life expectancy or for a specified period of 10 years or more are not eligible for rollover.

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financial section



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report





Bank One Centre-North Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

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 statements 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, 1999 and 1998, and the related statements of changes in plan net assets for the years 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 audits.

We conducted our audits 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 1999 and 1998, and the changes in plan net assets for the years 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 April 14, 2000 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 grants. 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.

The accompanying financial information as listed in the Table of Contents as Supporting Schedules, on pages 41-43, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Retirement System. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

April 14, 2000



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

STATEMENT OF PLAN NET ASSETS

AS OF DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>Assets</u>		
Cash	\$ 127,370	\$ 46,450
Receivables:		
Employer contributions	1,185,072	1,091,190
Employee contributions	812,621	735,743
Interest and dividends	1,799,960	1,258,028
Pending trades	--	1,036,931
Other	348,951	6,682
Total receivables	<u>4,146,604</u>	<u>4,128,574</u>
Investments (at fair value):		
U.S. Government obligations	64,988,877	38,049,404
Bonds – Domestic	60,136,686	72,816,522
Bonds – Enhanced Index Fund	131,913,351	118,563,819
Equity securities – Domestic	418,492,524	418,648,154
Equity securities – International	155,937,044	99,113,587
Cash equivalents	10,100,000	13,340,000
Total investments	<u>841,568,482</u>	<u>760,531,486</u>
Land and buildings at cost net of accumulated depreciation of \$559,412 and \$509,848, respectively	<u>874,318</u>	<u>923,882</u>
Total assets	<u>846,716,774</u>	<u>765,630,392</u>
<u>Liabilities</u>		
Accrued expenses and benefits	410,552	240,121
Pending trades payable	<u>1,422,188</u>	<u>2,298,802</u>
Total liabilities	<u>1,832,740</u>	<u>2,538,923</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 35)	<u>\$ 844,884,034</u>	<u>\$ 763,091,469</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 YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Additions:		
Contributions:		
Employee	\$ 11,776,623	\$ 11,632,339
Employer	<u>20,334,067</u>	<u>20,120,542</u>
Total contributions	<u>32,110,690</u>	<u>31,752,881</u>
Investment Income:		
Net appreciation in fair value of investments	83,703,462	79,443,675
Interest	8,416,039	8,836,503
Dividends	<u>2,345,440</u>	<u>2,447,741</u>
Total investment income	94,464,941	90,727,919
Less investment expenses	<u>1,066,791</u>	<u>1,382,760</u>
Net investment income	<u>93,398,150</u>	<u>89,345,159</u>
Total additions	<u>\$125,508,840</u>	<u>\$121,098,040</u>
Deductions:		
Benefit payments	40,759,659	37,095,474
Refunds and withdrawals	2,012,039	1,493,287
Administrative expenses	<u>944,577</u>	<u>1,015,699</u>
Total deductions	<u>43,716,275</u>	<u>39,604,460</u>
Net increase	81,792,565	81,493,580
Net assets held in trust for pension benefits:		
Beginning of year	<u>763,091,469</u>	<u>681,597,889</u>
End of year	<u><u>\$844,884,034</u></u>	<u><u>\$763,091,469</u></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) is the administrator of an agent multiple-employer pension plan (the Plan). The Retirement System provides 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
Nineteenth Judicial District Court
East Baton Rouge Parish Family Court
East Baton Rouge Parish Juvenile Court
St. George Fire Protection District
Brownsfield Fire Protection District
Central Fire Protection District
East Baton Rouge Parish Fire Protection District No. 6
Eastside Fire Protection District
East Baton Rouge Recreation and Park Commission (BREC)

The Retirement System is considered part 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 component unit 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 employees who are members of the Retirement System;
- four of the seven Board members are elected by the employees who participate in the Plan, and
- 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.

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. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

**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

Substantially all full-time employees of the City-Parish, the Fire Protection Districts, and BREC are covered by the Retirement System. The Retirement System actuarially determines the contributions required to fund the plan. The Retirement System exists for the sole benefit of current and former employees of the various entities above who are members of the Retirement System.

B. Membership

At December 31, 1999 and 1998, membership in the Retirement System consisted of:

	<u>1999</u>	<u>1998</u>
Inactive:		
Retirees and beneficiaries currently receiving benefits	1,925	1,805
Vested terminated employees	29	28
Deferred retirees	<u>319</u>	<u>284</u>
Total inactive	<u>2,273</u>	<u>2,117</u>
Active employees:		
Fully vested	1,655	1,722
Nonvested	<u>2,299</u>	<u>2,290</u>
Total active	<u>3,954</u>	<u>4,012</u>
Total membership	<u>6,227</u>	<u>6,129</u>

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them consist of:

	<u>Inactive</u>	<u>Active</u>		<u>Total Active</u>
		<u>Vested</u>	<u>Nonvested</u>	
December 31, 1999:				
Regular	1,305	966	1,656	2,622
BREC	72	76	117	193
Police	438	318	294	612
Fire	<u>458</u>	<u>295</u>	<u>232</u>	<u>527</u>
	<u>2,273</u>	<u>1,655</u>	<u>2,299</u>	<u>3,954</u>
December 31, 1998:				
Regular	1,211	991	1,689	2,680
BREC	67	69	123	192
Police	414	338	237	575
Fire	<u>425</u>	<u>324</u>	<u>241</u>	<u>565</u>
	<u>2,117</u>	<u>1,722</u>	<u>2,290</u>	<u>4,012</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

C. 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: full retirement benefits and 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. The computed benefit amount is reduced by 3% for each year below age 55, if service is less than 25 years. Benefits paid to employees shall not exceed 90% of average compensation.

Pension provisions include both service-connected and ordinary disability benefits. Under a service-connected disability, the disabled employee is entitled to receive 50% of average compensation, plus an additional factor for each year of service in excess of ten years. Under an ordinary disability, ten years of service are required to receive 50% 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 under 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. A retiree may also purchase an optional benefit for a spouse or other designated person, which reduces the monthly pension benefit by an actuarially computed factor. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit, if eligible; or \$600 per month plus \$150 per month for each minor child (limited to \$300) if the employee was not eligible for benefits at the time of death.

D. 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. Pension annuities are fixed for these employees, and contributions are no longer made to the Retirement System on their earnings. Benefits for these employees are placed in a deferred reserve account until the deferred retirement option period elapses or until the employee discontinues employment. Failure to terminate employment after five years on the DROP results in the enforcement of certain penalty provisions. The amounts held in DROP accounts as of December 31, 1999 and 1998 total \$72,540,728 and \$67,104,502 respectively, and are included in plan net assets. Members maintaining accounts in the DROP program as of December 31, 1999 and 1998 were 720 and 666, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

E. 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. Plan members are required to contribute 9.5% of their annual covered salary for years beginning in 1998. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. The City-Parish provides annual contributions to the Plan as required by the City-Parish Plan of Government, which requires that the Retirement System be funded on an actuarially sound basis.

Administrative costs of the Retirement System are financed through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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 in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

B. Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Investments

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the 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 as follows:

Equity Investments – common stocks, convertible bonds, preferred stocks
Fixed Income Investments – bonds, mortgages and mortgage-backed securities, asset-backed securities,
cash-equivalent securities, money market funds, bank STIF and STEP
funds, equity real estate (only under specific authorization)

Additionally, the Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investment in derivatives and reverse repurchase agreements are not specifically authorized under the Board's investment policy, however, in the case of commingled or mutual accounts, the prospectus or Declaration of Trust takes precedence over the investment policy.

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

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Investments, Continued

The securities representing equity or fixed income in any one company shall not exceed 5% of the cost basis or 7% of the fair value of any manager's portfolio, however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as determined by the Retirement System's investment consultant.

No investments in any one organization represent 5% or more of the net assets available for pension benefits. 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 1999, final oversight remains with the Board.

Purchases and sales of investments are recorded on a trade date basis. The Retirement System's Statement of Investment Policies and Objectives prohibits the use of securities that use any form of leverage, or in which interest or principal position is tied to any prohibited type of investment. During 1999 and 1998, there were no securities lending arrangements in force in actively managed accounts.

D. Property and Equipment

Land and building 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 for the years ended December 31, 1999 and 1998 was \$49,564 and \$52,792 respectively.

(3) INVESTMENTS AND DEPOSITS

All investments of the Retirement System are registered in the Retirement System's name, or held by the custodian bank, Bank One, N.A., Baton Rouge, LA, or its intermediaries in the Retirement System's name.

The Retirement System's policy is that securities underlying its repurchase agreements must have a market dollar value of at least 102% of the cost of the repurchase agreement. The Retirement System's repurchase agreements at December 31, 1999 and 1998, were fully collateralized.

At December 31, 1999, the carrying amount of the Retirement System's cash was \$127,370 and the bank balance was \$127,370, of which \$100,000 was covered by Federal Depository insurance. The remainder was collateralized by securities held by the System's agent, Bank One, N. A., Baton Rouge, LA, in a custodial account in the Retirement System's name. At December 31, 1998, the carrying amount of the Retirement System's cash was \$46,450 and the bank balance was \$46,450, all of which was covered by Federal Depository insurance of \$100,000.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) INVESTMENTS AND DEPOSITS, CONTINUED

The following table provides information about the level of credit risk assumed by the Retirement System. Category 1 includes investments that are insured or registered or for which the securities are held by the Retirement System or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or agent in the Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, but not in the Retirement System's name. The investments were as follows at December 31, 1999 and 1998:

	CATEGORY			1999 FAIR	CATEGORY			1998 FAIR
	1	2	3	VALUE	1	2	3	VALUE
Fixed Income:								
U.S. Treasury Bonds	\$ 17,751,151	--	--	\$ 17,751,151	\$ 7,583,904	--	--	\$ 7,583,904
Corporate Bonds	60,136,686	--	--	60,136,686	72,816,522	--	--	72,816,522
U.S. Agency Bonds	47,237,726	--	--	47,237,726	30,465,500	--	--	30,465,500
Corporate Stocks	88,925,804	--	--	88,925,804	101,568,415	--	--	101,568,415
Repurchase Agreements	10,100,000	--	--	10,100,000	13,340,000	--	--	13,340,000
Total Categorized	<u>\$224,151,367</u>	--	--	<u>\$224,151,367</u>	<u>\$225,774,341</u>	--	--	<u>\$225,774,341</u>
Corporate Stock								
Index Funds				329,566,720				317,079,739
International Equity Fund				155,937,044				99,113,587
Enhanced Bond								
Index Fund				<u>131,913,351</u>				<u>118,563,819</u>
Total Investments				<u>\$841,568,482</u>				<u>\$760,531,486</u>

(4) CONTINGENCIES

At December 31, 1999, litigation was still outstanding regarding claims of retirement benefit additions relating to off-duty security services rendered by members of the City Police force. Management considers the plaintiffs' success possible; however, in the event of plaintiffs' success, both employee and employer contributions will offset some of the benefits to be paid by the Retirement System.

(5) SUBSEQUENT EVENTS

At December 31, 1999, enrollment was taking place, which would allow certain members of the Retirement System, working in designated law enforcement positions, to transfer their membership to the statewide police retirement system – Municipal Police Employees' Retirement System of Louisiana (MPERS) with an effective date of February 26, 2000.

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

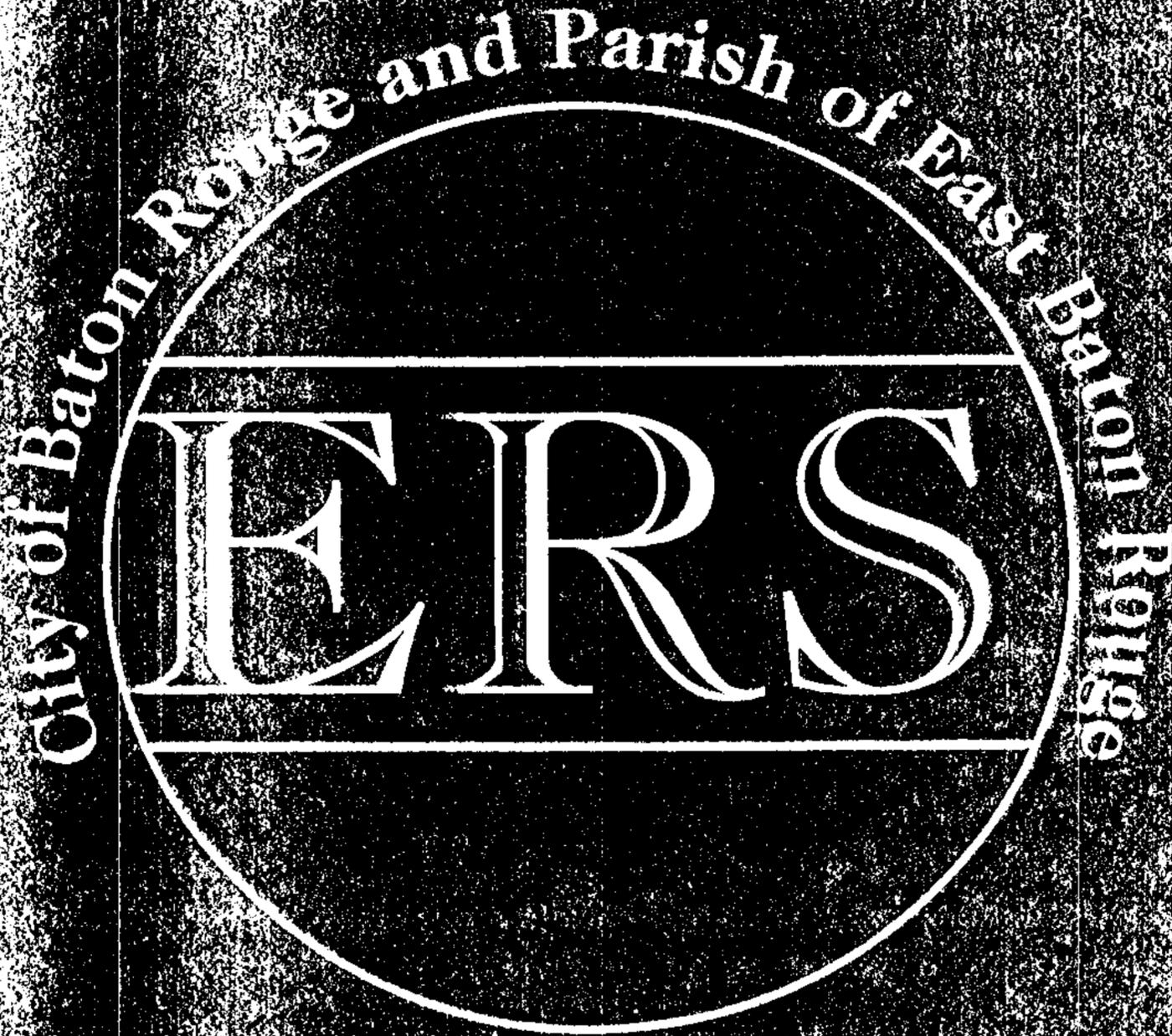
NOTES TO THE FINANCIAL STATEMENTS

(5) SUBSEQUENT EVENTS, CONTINUED

This transaction will significantly decrease the accrued liability of the Retirement System by transferring the liability for the individual electing members to MPERS. Conversely, no Retirement System assets will be required to be transferred from the Retirement System to MPERS. The cost of the transferred liability will be borne by the City-Parish General Fund in the form of a 30-year interest-bearing note.

The Retirement System will be required, as part of the agreement, to set aside an actuarially determined amount of assets, in a qualified trust named the Police Guarantee Trust, which are intended to guarantee the level of benefits the transferring members had before the transfer took place. This guarantee was rendered in the form of individual contracts between each electing member and the employer.

**required supplementary
information**



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report



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

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a percentage of covered payroll (b-a)/c</u>
12/31/94	\$ 480,505,268	\$ 657,162,178	\$ 176,656,910	73.1%	\$ 100,596,231	175.6%
12/31/95	551,301,959	718,277,070	166,975,111	76.8%	104,601,384	159.6%
12/31/96	587,193,233	773,936,127	186,742,894	75.9%	109,658,886	170.3%
12/31/97	635,463,896	811,977,242	176,513,346	78.3%	114,102,750	154.7%
12/31/98	740,257,038	875,075,687	134,818,649	84.6%	118,742,991	113.5%
12/31/99	766,189,353	927,021,891	160,832,538	82.7%	119,251,634	134.9%

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

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/95	\$17,845,851	80.0%
12/31/96	17,773,028	91.3%
12/31/97	19,510,792	94.3%
12/31/98	17,967,514	112.0%
12/31/99	15,658,856	129.9%

Note: Only five years of data are available.

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

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NO. 25, CONTINUED

NOTES TO THE SCHEDULES OF TREND INFORMATION

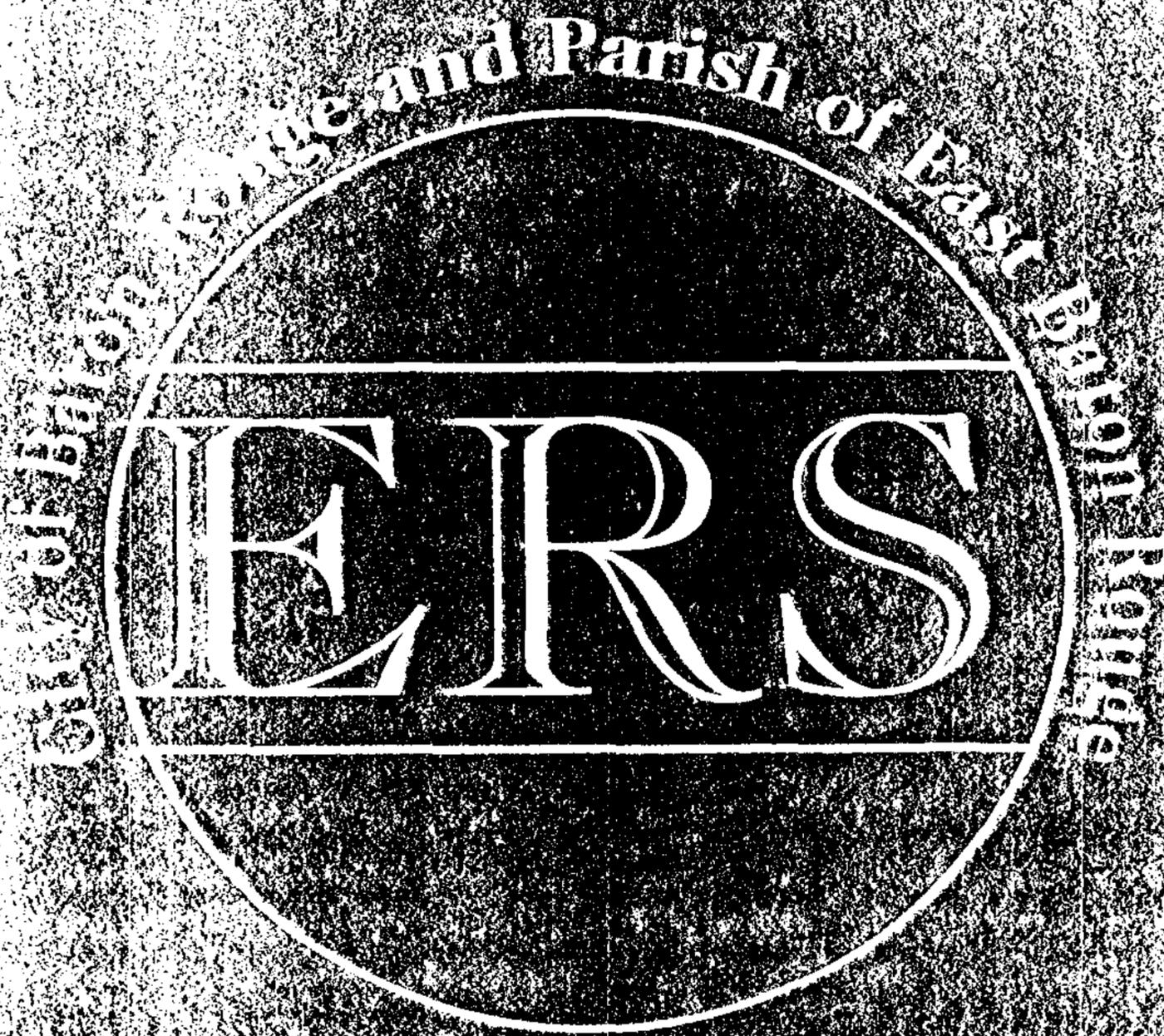
The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 1999
Actuarial cost method	Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability
Amortization method	Increasing 4%/year for first 15 years and level percent for next 15 years - closed.
Remaining amortization period	25 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.
Actuarial assumptions:	
Investment rate of return	8.0%*
Projected salary increases	4.0%* plus longevity/merit
Aggregate payroll growth	6.0%*

* compounded annually and including inflation of 4%

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supporting schedules



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report



**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Salaries:		
Salaries – regular	\$ 353,854	\$ 349,839
Other compensation – student labor	17,174	13,705
Other compensation – auto allowance	4,819	4,966
Related benefits	<u>86,899</u>	<u>82,892</u>
Total salaries	<u>462,746</u>	<u>451,402</u>
Travel and training expenses	<u>17,990</u>	<u>27,650</u>
Operating services:		
Dues and memberships	2,852	2,952
Utilities	15,158	14,206
Custodial and extermination	7,866	8,491
Printing and binding	8,359	8,626
Telephone	10,416	9,901
Postage	9,766	12,013
Insurance	6,732	5,717
Rentals – office equipment	19,735	35,758
Repairs and maintenance – buildings	13,595	19,692
Repairs and maintenance – office equipment	<u>6,203</u>	<u>7,119</u>
Total operating services	<u>100,682</u>	<u>124,475</u>
Supplies	<u>16,131</u>	<u>17,448</u>
Professional services:		
Accounting and auditing	8,580	8,580
Legal	134,369	138,712
Actuarial	85,677	119,068
Other professional	<u>93,925</u>	<u>103,635</u>
Total professional services	<u>322,551</u>	<u>369,995</u>
Depreciation expense	<u>49,564</u>	<u>52,792</u>
Capital outlay	<u>18,192</u>	<u>15,726</u>
Other revenues	<u>(43,279)</u>	<u>(43,789)</u>
Total administrative expenses	<u>\$944,577</u>	<u>\$1,015,699</u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Fixed income:		
U. S. Government obligations and other bonds - Domestic	\$ 218,175	\$ 278,607
Bonds - Enhanced Index Fund	<u>65,088</u>	<u>77,866</u>
Total fixed income	<u>283,263</u>	<u>356,473</u>
Equity securities:		
Equity securities - Domestic	176,108	340,981
Equity securities - International	<u>468,824</u>	<u>481,126</u>
Total equity securities	<u>644,932</u>	<u>822,107</u>
Custodian fees	<u>28,596</u>	<u>94,180</u>
Advisor fees	<u>110,000</u>	<u>110,000</u>
Total investment expenses	<u>\$1,066,791</u>	<u>\$1,382,760</u>

See accompanying independent auditors' report.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

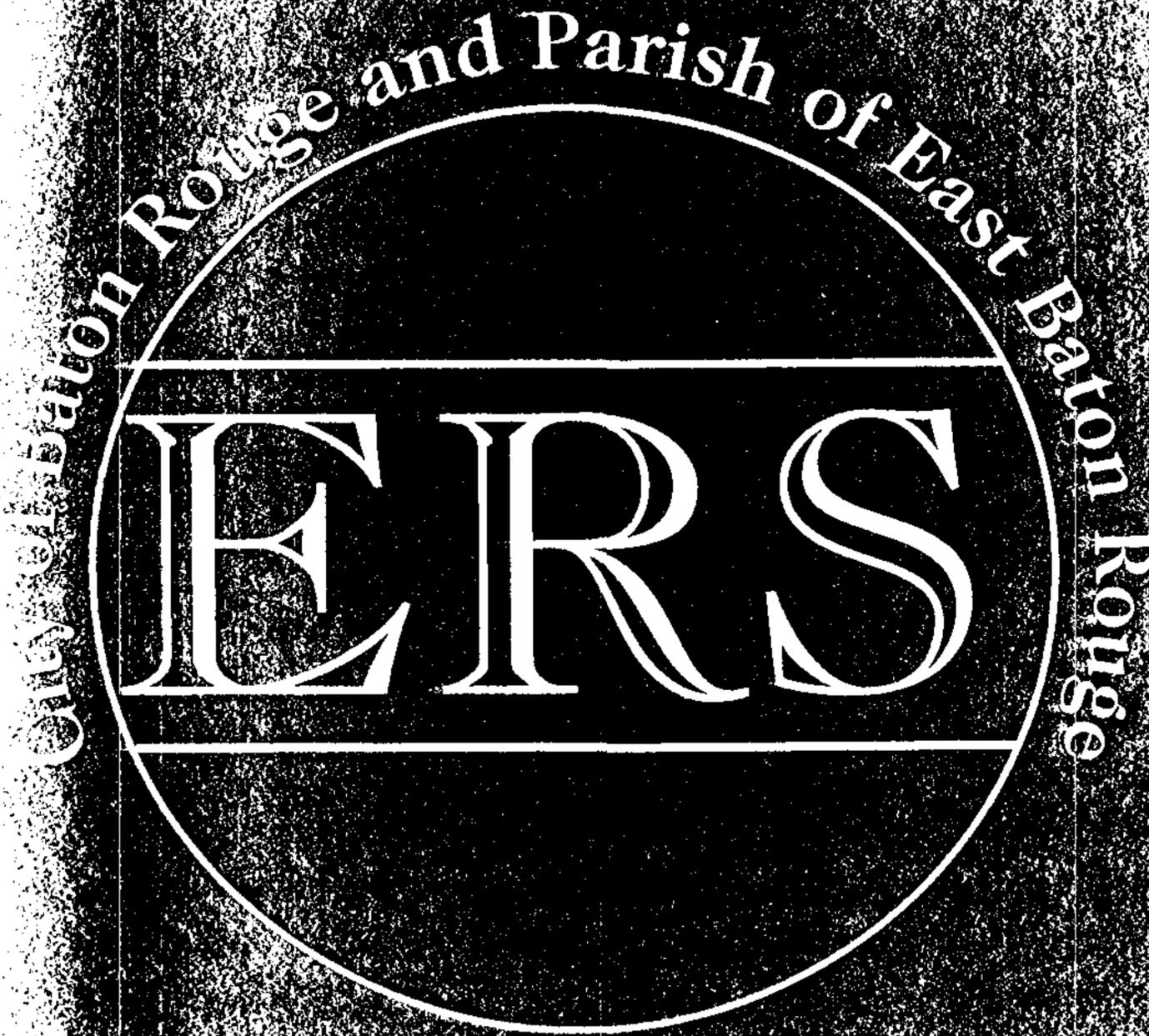
	<u>1999</u>	<u>1998</u>
Accounting and Auditing Auditors - KPMG LLP	\$ 8,580	\$ 8,580
Legal Legal Counsel - Law Offices of Randy P. Zinna	134,369	138,712
Of Special Counsel: Robert D. Klausner, P.A. Lawson & Fields, P.C.		
Actuarial Actuary - Stanley, Holcombe & Associates, Inc.	85,677	119,068
Other Professionals: Medical Examiner - D. J. Scimeca, Jr., M.D.	93,925	103,635
Computer Consultant - Relational Systems Consultants		
Graphics and Editorial Consultant - JoAnne McMullen		
	<u> </u>	<u> </u>
Total	<u>\$322,551</u>	<u>\$369,995</u>

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

See accompanying independent auditors' report.

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**compliance and
internal control**



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report





Bank One Centre-North Tower
Suite 1700
451 Florida Street
Baton Rouge, LA 70801-1705

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

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

We have audited the financial statements of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the System), as of and for the year ended December 31, 1999, and have issued our report thereon dated April 14, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

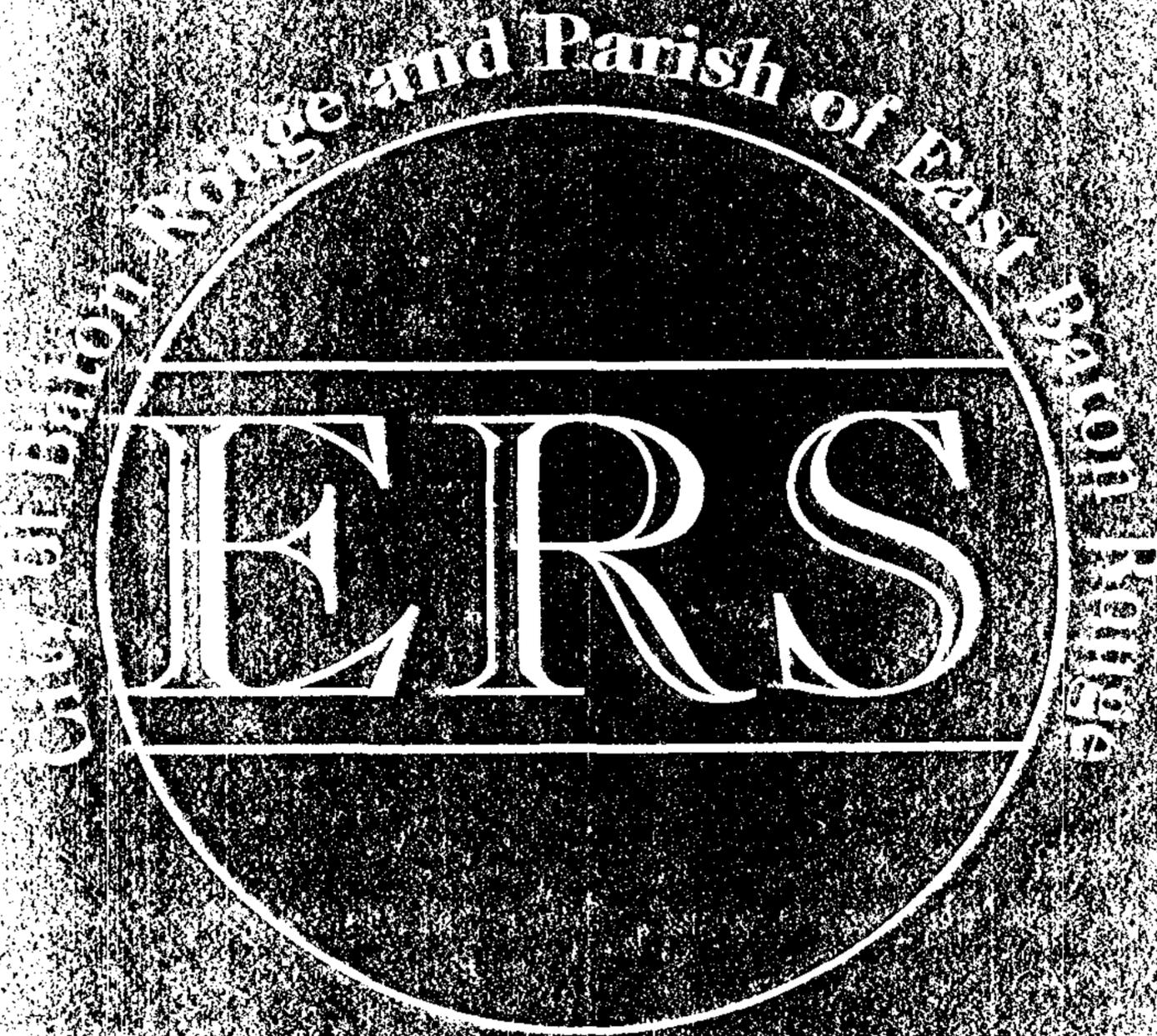


This report is intended solely for the information and use of the Board of Trustees of the Plan, the System's management, the City of Baton Rouge and Parish of East Baton Rouge, and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified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

KPMG LLP

April 14, 2000

investment section



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report





Summit Strategies Group

7700 Banhomme Ave.
Suite 300
St. Louis, MO 63105
info@summitstrategies.com
314-727-7211
314-727-6068 fax

March 23, 2000

Board of Trustees

City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System
P.O. Box 1471
Baton Rouge, LA 70821

1999 was another very good year for investors. This follows an incredibly strong prior four years and in fact is the 17th year of an extended bull market that has seen U.S. stocks (S&P 500) increase in value 14-fold. This is far and aware the best long-term performance of a major market in the history of investing. Interestingly, 70% of the gains CPERS earned in all of 1999 came in the last two months of the year.

CPERS returned 12.6% in 1999. This return was above the median fund in the I.C.C. sample of similar pension funds. All returns were calculated according to AIMR standards. In dollars and cents, this return allowed the fund to grow \$94 million from investment during the year and is now valued at \$841 million. If you add this to the \$93 million investment return in 1998 and the \$102 million in 1997, the three-year dollar return from investments has been almost \$290 million. Another way of putting this remarkable investment period in perspective is to realize that 1 out of every 3 dollars held in trust for the retirees of the City/Parish has been generated by the investment portfolio since 1997.

As is the case with a diversified portfolio, we had investment positions that worked very well and other that lagged. Our biggest success in 1999 came from international stocks. International stocks have lagged U.S. stocks during the 1990's. However, in 1999 international stocks outperformed U.S. stocks for the first time since 1994, 27.3% versus 21.0%. This good event for international stocks was made great by the performance of the System's international manager, Capital Guardian. While the international market was up over 27%, Cap Guardian was up over 67%.

In the domestic equity portion of the portfolio, the portfolio has a decided bent towards value stocks, both in the large cap and small cap portfolios. Because value stocks sell at a discount, they have historically gone down less when markets go down. 17 years into a Bull market as we discussed above, the probability of a market downturn are quite high. This was the rationale behind the value tilt. However, 1999 (especially the 4th quarter) was the year of the Internet. Despite earnings losses, these companies screamed to levels never seen before in the marketplace. Put simply, 1999 was a tough year for any value investor, and CPERS was no exception. Fixed income did as expected.

Overall, CPERS had a good year and has experienced unprecedented growth in the last several years. We continue to appreciate your faith in Summit and the relationship we have built.

Sincerely,



Stephen P. Holmes, CFA
President

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

I. STATEMENT OF POLICY

Purpose

This document shall serve as the official policy regarding the investment practices of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the "System"). The policies in this document have been adopted by the Board of Trustees, who have the fiduciary duty of overseeing the pension fund investments. The policies are not to be deviated from by any responsible party without the written permission of the Board of Trustees. All previous System objectives and policies are superseded by this document. Any revisions to this document will be promptly supplied to the appropriate parties in written format.

Investment Goals

The purpose of the Fund is to accumulate the financial reserves necessary to provide for the retirement or pensioning of the officers and employees and the widows and children of deceased officers and employees of the City of Baton Rouge and Parish of East Baton Rouge. Given this purpose, the System's liquidity requirement, and the source and predictability of contributions, the Board elects to assume normal pension fund risk in pursuing an investment program.

The Trustees, with help from the investment consultant, will use the Fund's asset allocation as the primary tool to achieve this goal. As this is a long-term projection and investments are subject to short-term volatility, the main investment review focus of the Trustees will be towards the Total Fund versus its absolute and relative targets, each asset segment's composite performance versus appropriate market benchmarks, and each money manager's performance versus a specified asset class style benchmark and style peer comparisons over relevant time periods. Each manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

Investment Philosophy

The Fund is a permanent one.

The benefit obligations of the Pension Plan must be met on a timely and regular basis.

For at least the next five years, there is no expectation of need for significant liquidity from the Fund's portfolio.

The Fund shall be considered a total return fund, with appropriate recognition given to both current income and capital appreciation. Taxes shall not be a consideration. As such, market value will be the only relevant basis for investment value.

In the long run, ownership (equity investment) is a prudent investment vehicle for preservation of real values. The purpose of fixed income investments is to protect the principal and provide a measure of stability to the portfolio.

As a long-term fund with a commitment to funding the full benefits of the participants, cash flow considerations shall take precedence over the liability stream when considering overall asset allocation of fund assets.

Identification of Duties

There are several parties acting as fiduciaries regarding the investment program for the Fund. This document will set out specific duties and responsibilities for the investment-related parties as they carry out their specific roles towards achieving the objectives of the Fund.

II. INVESTMENT RESPONSIBILITIES

Board of Trustees

The Board of Trustees has the fiduciary responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will select, monitor, and evaluate the investment consultant, investment managers, bank custodian, and other parties to ensure that actual results meet objectives.

Investment Consultant

The investment consultant's duty is to work with the Board to manage the investment process. This includes meeting regularly with the Board to provide perspective as to the Fund's goals, structure, and the investment management team, as well as the progress being made in fulfilling each. The consultant will work with the Board to develop and maintain a properly diversified portfolio.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

Fund allocation and performance will be regularly reviewed and recommendations will be made as appropriate. The consultant will assist the Board in the area of investment manager selection, when needed, and will promptly inform the Board and discuss the impact of material changes taking place within any current manager's organization and/or investment process. Within this process, the investment consultant assumes fiduciary responsibility for advice given regarding the management of the investment process.

Investment Managers

The investment managers will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement and which are specified in this document. They will select specific securities, buy and sell such securities, and modify the asset mix within the guidelines. The Board also believes that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion is delegated to the investment managers to carry out the investment of their portfolios within stated guidelines. They will also allocate brokerage commissions and use only acceptable investment vehicles as defined in this statement.

Bank Custodian(s)

The bank custodian(s) will hold all cash and securities, and will regularly summarize these holdings for the Trustees' review. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash prior to allocating it to the investment manager, and to invest such cash in liquid, interest-bearing instruments.

III. FIDUCIARY CONDUCT

An investment fiduciary is defined as a person who exercises discretionary authority or control in the investment of the assets of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the "System") or who renders, for a fee, advice for the System, including, but not limited to, the members of the Board of Trustees, the Retirement System staff, the investment consultant, investment managers and bank custodian.

An investment fiduciary shall discharge his or her duties in the interest of the participants in the System and their beneficiaries and shall:

1. Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
2. Act with due regard for the management, reputation and stability of the issuer and the character of the particular investments being considered;
3. Make investments for the sole purpose of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the System; and
4. Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role which the investment or investment course of action plays in that portion of the investments for which the investment fiduciary has responsibility. For purposes of this subdivision, "appropriate consideration" shall include, but is not necessarily limited to, a determination by the investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or investment course of action:
 - (a) the diversification of the investments of the System;
 - (b) the liquidity and current return of the investment of the System relative to the anticipated cash flow requirements of the System; and
 - (c) the projected return of the investments of the System relative to the funding objectives of the System.

IV. PERMISSIBLE INVESTMENTS

Listed below are the investment vehicles specifically permitted currently under this Statement of Investment Policies and Objectives. They are categorized as equity or fixed income to indicate how

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

they are classified for purposes of the asset-mix guidelines in a subsequent section. Unless given authorization in writing, managers are allowed to invest only in the security types listed below for the asset class for which they have been hired.

Equities

- Common Stocks
- Convertible Bonds
- Preferred Stocks

Fixed Income

- Bonds
- Mortgages and Mortgage-Backed Securities
- Asset-Backed Securities
- Cash-Equivalent Securities
- Money Market Funds, Bank STIF and STEP Funds
- Equity Real Estate (only under specific authorization)

1. The above assets can be held in commingled (mutual) funds as well as privately managed separate accounts. If held in a commingled account or mutual fund, the prospectus or Declaration of Trust takes precedence over this document.
2. Private placement bonds are not permitted. 144a securities are allowable.
3. Investments may not be made in any investment that is prohibited by the Internal Revenue Service, the Department of Labor or statutory restrictions.
4. For purposes of definition, cash equivalent securities are any fixed income investment with less than one year to maturity or reset date.
5. The securities representing debt and equity of any one company shall not exceed 5% of the cost basis or 7% of the market value of any managers' portfolio except for direct obligations of the U.S. government and its agencies. Portfolio concentration limits apply to all mortgage-backed, asset-backed, and corporate securities.
6. The fund will be invested in a manner consistent with all applicable local and State laws.

7. 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. 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 the above securities are the same as for any other security.

INVESTMENT PORTFOLIOS

V. GENERAL FIXED INCOME PORTFOLIO GUIDELINES

Eligible Holdings

The portfolio will be invested exclusively in publicly traded fixed income securities, as described on the previous page under "Permissible Investments". Securities are not allowed that use any form of leverage, or in which interest or principal position is tied to anything not specifically allowed in these guidelines.

Diversification

The diversification of the fixed income 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. (This does not apply to obligations of the U.S. Government or its agencies).

144(a) securities shall be limited to no more than 5% of the portfolio at market value of any manager's portfolio.

Portfolio Quality

Fixed income securities shall not be rated less than Baa3 or its equivalent by a nationally-recognized rating agency (S&P or Moody's) unless specific permission is granted to a manager. Issues rated AAA or AA3 and its equivalent by S&P or Moody's may have a 5% position at cost and 7% at market value. Issues rated AA3 or its equivalent by S&P or Moody's may have a 2% position at cost or 3% at market value. Split-rated securities in which one rating is below investment grade shall not comprise more than 5% of the market value of any manager's portfolio unless specific authority has been granted.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

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.

Money market instruments shall 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.

Unless specific authority has been granted, in the event of a bond's downgrade below BAA- 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 the way 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 segment of the fund should rank above median performance in a universe of managed fixed income portfolios.
- The total return of the fixed income composite should exceed, after fees, the return of the Lehman Brothers Aggregate Bond Index.
- Passive fixed income investment products are expected to equal the return of the underlying index gross of fees.

EQUITY REAL ESTATE

The term "equity" real estate refers to the direct ownership of tangible properties as compared to a mortgage loan. While equity is in the asset class title, the equity real estate portion of the fund shall be considered a fixed income instrument for broad asset allocation purposes because its primary characteristics of stable cash flows as the primary return component, low volatility, and low correlation to the other major asset classes are substantially more like fixed income than equity. The portion of the fund invested in equity real estate shall be held in commingled fund(s). As

such, the prospectus or Declaration of Trust governing the fund must supersede any document such as this Policy. The Board shall 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 the System.

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

VI. EQUITY PORTFOLIO GUIDELINES

Eligible Holdings

The portfolios will be invested in publicly traded marketable securities. Restricted or letter stock etc., is not permitted.

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

The most important feature any individual manager brings to a multi-manager portfolio is style adherence. Quarterly, fundamental portfolio characteristics and style benchmark comparisons will be monitored for adherence to a manager's identified style.

Performance Objectives

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

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

- Passive investment vehicles are expected to match the return of their respective benchmarks gross of fees.
- The total return of the domestic equity segment of the total fund should rank above median in a universe of equity style peers.
- The total return of the domestic equity composite should exceed, after fees, the total return of the Russell 3000 Index, and rank above median in a universe of equity style peers.

VII. RESPONSIBILITIES OF EACH INVESTMENT MANAGER

The duties and responsibilities of each investment manager appointed to manage the Fund's assets are:

- Managing 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.
- Promptly informing the Board regarding all significant matters pertaining to the investment of the assets. The Board should be kept apprised of major changes in investment strategy, portfolio structure, market value of the assets, and other matters affecting the investment of the assets. The Board should also be informed promptly of any significant changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the investment management organization.
- Initiating written communication with the Board whenever the investment manager believes that this Statement of Investment Policies and Objectives should be altered. No deviation from guidelines and objectives shall occur prior to receiving written permission from the Board.
- Each investment manager is hereby authorized and empowered to vote proxies, said voting to be performed in good faith and for the exclusive benefit of the System 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 of the Board. Each investment manager shall annually report to the Board in writing as to actions taken with regard to proxy voting issues.
- The System has identified specific commission targets that it considers targets that its equity managers should strive to achieve as part of their efforts to prudently manage trading costs. It is the manager's responsibility to meet or exceed the commission reduction targets or to provide an annual letter explaining why it was not in the System's best interests to achieve these targets.

VIII. TOTAL PENSION FUND INVESTMENT OBJECTIVES

Both relative and absolute results will be considered in the evaluation of the total Fund's performance. The following are the performance expectations for the Fund:

The Fund's total return after fees should exceed the total return of an index composed of a mix of asset class benchmarks in proportions set out in Appendix I.

The time period for this objective is one market cycle (usually 3-5 years).

IX. EVALUATION AND REVIEW

On a timely basis, but not less than annually, the Board will review actual investment results achieved to determine whether:

- The investment managers performed in accordance with the policy guidelines set forth herein.
- Asset allocation remains reasonable and each manager's decision-making process remains consistent with the style and methodology represented by the manager.
- The investment manager performs satisfactorily when compared with:
 - the objectives stated herein, as a primary consideration,
 - other Fund managers, and
 - recognized market indices

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

- On an annual basis, the Board will review investment manager proxy voting procedures and proxy voting records, and
- Review commissions generated, commission rates charged and firms used by the money managers. Compliance with specific directives regarding commission cost management will be regularly reviewed.

Also, at least annually, the Board will formally review this Statement of Investment Policies and Objectives to determine whether it continues to be appropriate in light of the Board's investment philosophy and objectives, and changes in the capital markets and/or Fund structure.

X. SECURITIES LENDING-SPECIFIC POLICIES AND GUIDELINES

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 by the Board.

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 shall have full discretion over the selection of borrowers and shall 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. Such 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 the System.

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.

Appendix I Asset Allocation & Rebalancing Guidelines

Asset Allocation

The Trustees believe that the level of risk assumed in Fund is a function, in large part, of the Fund's asset allocation. The proportion of assets allocated for equity investments is the most important determinant of volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return.

Based on its determination of the appropriate risk posture for the Fund and its long-term return expectations, the Board and investment consultant have established the following asset mix guidelines for the Fund:

<u>Asset Class</u>	<u>Fund Guidelines</u>
Equity Investment	65%
Fixed Income Investment	35%

The board, in conjunction with advice from the investment consultant, is responsible for broad asset allocation decisions. A manager's cash can disrupt this position. Therefore, each equity manager's portfolio is to be fully invested at all times, although cash may be held briefly when a security is sold prior to deciding which new security should be purchased. In no case shall cash comprise more than five (5) percent of the portfolio without prior written approval of the Board. This directive is consistent with the Board's decision to have managers avoid market-timing decisions. Fixed income managers are exempt from this because of the use of "barbell" strategies in constructing a fixed income portfolio. However, each fixed income manager accepts the Board's intention to avoid market timing and acknowledges that total portfolio performance (including cash) shall be compared to established performance objectives.

Rebalancing

The Board has established its strategic asset allocation mix and believes it prudently positions the assets of the System so as to achieve its long-term goal of providing established benefits to the participants at a reasonable cost to the employer. Market movements will result in a portfolio that differs from this strategic mix. The desire to maintain this constant strategic mix must be balanced with the very real cost of portfolio rebalancing. Therefore, a range has been set for the actual asset

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

allocation of the System's assets to allow for the fluctuations that are inherent in marketable securities. Once market movement has moved the actual allocation outside these ranges, the Board has authorized staff and consultant to rebalance the portfolio back to its long-term strategic asset allocation target. This shall be done within a month of a triggering event caused by market movement. When these broad targets are rebalanced, the Board will also use this opportunity to rebalance among portfolios within asset classes (large cap, small cap, and international equities, for example). The target allocations and rebalancing trigger percentages are:

	<u>Low Trigger</u>	<u>Target</u>	<u>High Trigger</u>
Common Stocks	62%	65%	68%
Fixed Income	32%	35%	38%

It is the responsibility of the custodian to calculate market value based asset allocation range and report these to staff and consultant monthly.

**Appendix II
Asset Class Diversification**

- Within the broad definition of equities and fixed income for allocation purposes, the Trustees with advice from the consultant, believe it is prudent to diversify within asset classes. The intra-asset class categories and their proportion of the total asset class allocation shall be:

<u>Equities:</u>		<u>Fixed Income:</u>	
Large Cap Domestic	60%	Cash	0%
Small Cap Domestic	20%	Core Fixed Income	100%
International	20%	Long Term Bonds	0%
		Equity Real Estate	0%

- While the Trustees, with advice from the consultant, believe that diversification is prudent, they also believe that over-diversification is detrimental to the System. Therefore, the Trustees shall not consider an asset segment for inclusion in the portfolio that does not warrant a 5% allocation of the total fund. Additionally, the Trustees will consider using one specialist per asset segment for implementation.
- Rebalancing will take place when the broad asset class trigger percentages have been reached.

**Appendix III
Asset Class Sector & Individual Manager
Performance Expectations**

A. Fixed Income Portfolio Managers

Over a market cycle:

- The long-term objective for each fixed income manager is to add value after fees to a specified broad market benchmark. The broad market benchmark for the fixed income composite is:

	<u>Benchmark</u>
CPERS Fixed Income Composite	Lehman Brothers Aggregate Bond Index

- It is recognized that different maturity ranges and sectors within the broad market categories 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 following are the references the Board will use on a quarter-by-quarter basis to monitor each manager.

Domestic Fixed Income Managers

<u>Manager</u>	<u>Style</u>	<u>Peer Sample</u>	<u>Style Benchmark</u>
BlackRock	Core	Core	Customized Index
State Street Global	Core	Core	Lehman Aggregate

- The customized index created for BlackRock shall be:

50% Lehman Brothers Corporate Index
30% Lehman Brothers Mortgage Backed Index
20% Lehman Brothers Government Bond Index

B. Equity Real Estate Managers

The long-term objective for each equity real estate manager is to add value after expenses to a broad market benchmark. The benchmark for comparison purposes shall be:

<u>Manager</u>	<u>Style</u>	<u>Peer Sample</u>	<u>Style Benchmark</u>
N/A	Equity Real Estate	Equity Real Estate	NCREIF Property Index

C. Equity Portfolio Managers

Over a market cycle:

- The long-term objective for each active equity manager is to add value after expenses to a broad market benchmark. The broad benchmarks are as follows:

	<u>Market Benchmark</u>
Large Cap Domestic Equity Managers	S&P 500

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

Mid/Small Cap Domestic
Equity Managers *Russell Mid Cap Value*

International Equity
Managers MSCI EAFE

Domestic Equity Composite Russell 3000

- Passive investment products are expected to match the duration of their respective benchmark, gross of fees.
- We recognize that styles within broad market categories move in and out of favor. Therefore, short-term examination of each manager's performance will focus on style adherence, style peer comparisons, and style benchmarks. The following are the references the Board will use on a quarter-by-quarter basis to monitor each manager.

Large Cap Domestic Equity Managers

<u>Manager</u>	<u>Style</u>	<u>Peer Sample</u>	<u>Style Benchmark</u>
Barclays	Core	Core	S&P 500
Barclays Value	Value	Value	Russell 1000 Value

Mid/Small Cap Domestic Equity Managers

<u>Manager</u>	<u>Style</u>	<u>Peer Sample</u>	<u>Style Benchmark</u>
Trinity	Mid Cap Value	Mid Cap Value	Russell Mid Cap Value

International

<u>Manager</u>	<u>Style</u>	<u>Peer Sample</u>	<u>Style Benchmark</u>
Capital Guardian	International	International	MSCI EAFE (non-hedged)

Currency management is at the discretion of the manager.

Appendix IV**Internal Cash Management Investment Guidelines**

Internal staff manages the cash equivalent securities of the System. Using the projected cash balance software of the custodian bank, the daily amount of cash available for investment by the System is identified. The cash of the System includes the specified short-term account set up to serve as a disbursing account for benefits and expense payments as well as the un-invested funds of the investment managers. These cash balances are to be invested fully by staff on a daily basis within the following policy guidelines:

- The daily cash balances are to be invested in overnight Repurchase Agreements (Repo) from primary dealers with the following characteristics:
 - Only direct U.S. Government debt of 10 years or less will be accepted as collateral. Zero coupon government securities shall be restricted to a maturity of 5 years or less;
 - A minimum of 102% of the dollar value of the loan shall be pledged as collateral by the borrowing entity. The pricing source of the collateral shall be agreed upon by both parties in advance;
 - The custodian bank shall accept physical delivery of the collateral each day;
 - At least three (3) competitive bids shall be obtained from separate brokerage firms for each transaction and staff will award the business based on the highest rate bid;
 - Master Repo Agreements are required to be executed with all brokerage firms engaging in Repo activity.

In the event there is an extended absence with internal staff handling the Repo activity, the custodian will be notified in writing at least three (3) business days in advance by the Administrator to initiate the "Sweep Account" function with the funds as outlined above, which are to be invested in the custodian's pre-approved money market fund. The specific money market fund shall be pre-approved by the Retirement Board of Trustees.

**Appendix V
CPERS Brokerage Policy**

The Board, at its discretion, may identify a brokerage firm or firms to receive consideration from the System's managers when it is viewed to be in the best interest of the beneficiaries. This will be officially acted upon by the Board and this directive will be communicated officially to all investment firms by the fund. In the absence of such official recognition and documentation, managers and potential managers shall disregard any individual or firm which claims to speak for the Board, have influence with the Board, or in any way infer that association with the individual or firm has impact on the Board or its decisions. In fact, dealing, as they regard CPERS with such an individual or firm by any of the System's current or prospective investment professionals without first notifying the Executive Director is considered material by the Board with significant negative implications.

With regard to transaction expense, each manager recognizes commissions as an asset of the System and

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (Continued)

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 managers to manage the commission activity using all available trading mechanisms to maintain commission levels on listed trades of three (3) cents or less. The consultant shall report on commission levels quarterly, and failure to achieve these commission levels in a given quarter must be accompanied by a letter of explanation to the Board. If at any time a manager feels compliance with this policy is adversely affecting the System, the manager has the responsibility to immediately notify the Board of its concern(s).

the arbiter and it is the consultant's decision that will resolve such disputes.

**Appendix VI
Performance Based Fees**

CPERS may enter into performance based fees with specific managers. While each specific contract will be the ultimate authority regarding the actual arrangement, the following factors will be consistent in any arrangement CPERS enters into:

Base Fee: A base fee will be paid quarterly to the manager regardless of performance outcome.

Performance Sharing Formula: A percentage of the manager's net outperformance (base fee subtracted) over the predetermined benchmark for the determined period will be paid when applicable. Whatever the dollar amount calculated by the formula, the fund will pay the quarterly equivalent, or one-fourth, of this amount.

Fee Ceiling: There will be a performance fee ceiling expressed in basis points which will not be exceeded regardless of performance.

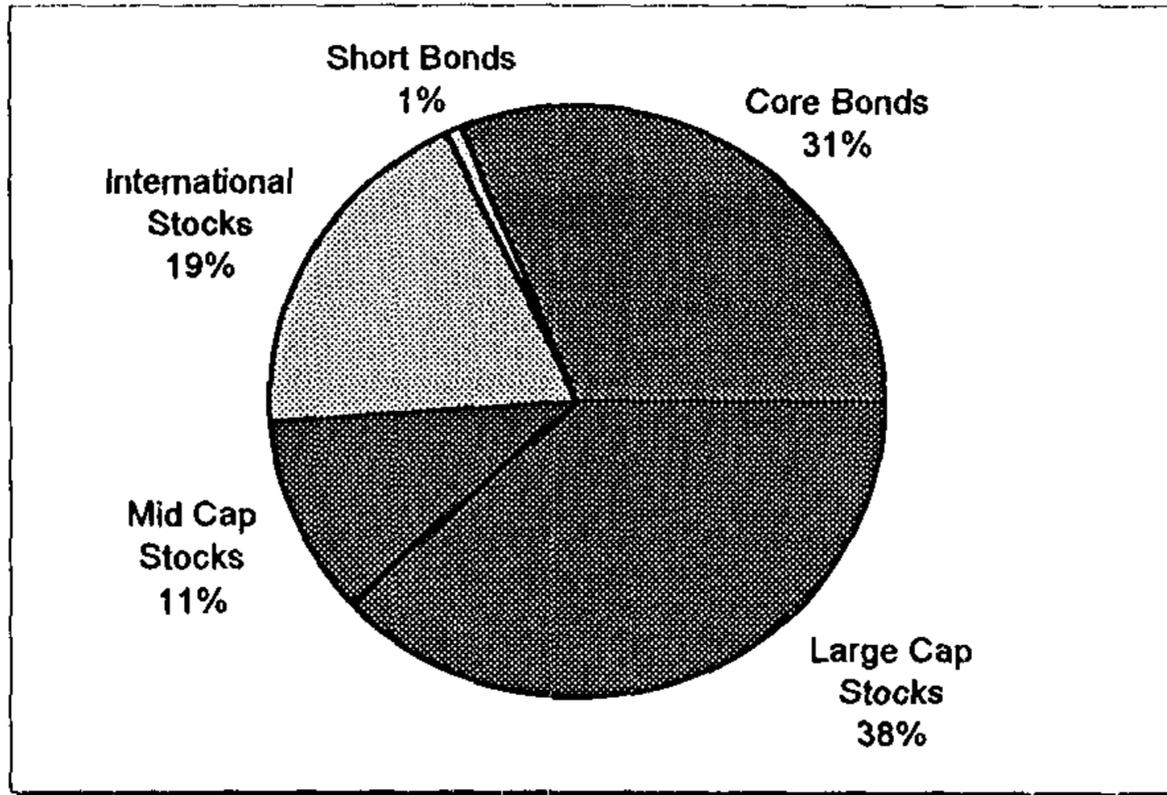
Time Horizon: Each contract will specify a rolling time period for which the annualized returns of both the total portfolio and the benchmark will serve as the basis for the performance calculation.

The custodian bank will price the portfolio and will be the basis for the consultant's calculation of the specific portfolio's performance. The publisher of the benchmark will determine the performance of the benchmark. In the event that the manager has a dispute with the custodian's pricing, he/she will express the discrepancy in writing to both the custodian and the consultant. The consultant will be

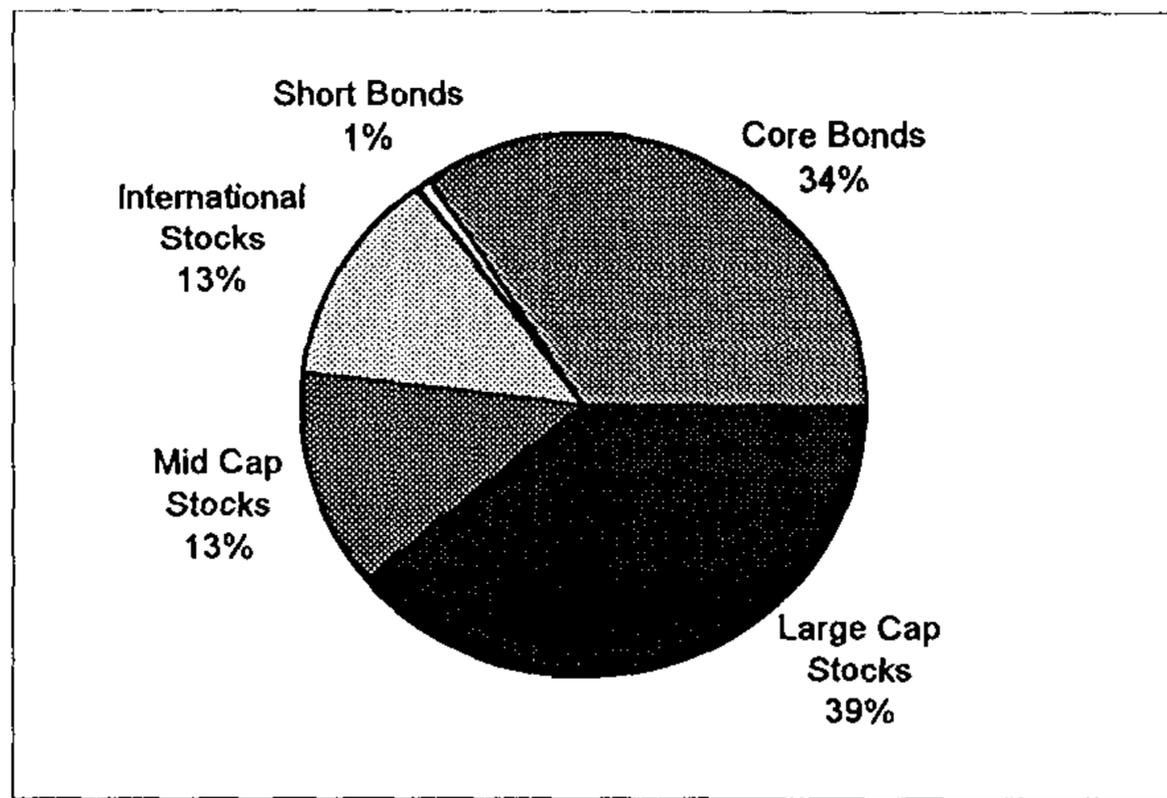
**INVESTMENT SUMMARY
AS OF DECEMBER 31, 1999 AND 1998**

<u>TYPE OF INVESTMENT</u>	<u>DECEMBER 31, 1999</u>		<u>DECEMBER 31, 1998</u>	
	<u>FAIR VALUE</u>	<u>% TOTAL FAIR VALUE</u>	<u>FAIR VALUE</u>	<u>% TOTAL FAIR VALUE</u>
<i>Fixed income:</i>				
U.S. Government obligations	\$ 64,988,877	7.7%	\$ 38,049,404	5.0%
Bonds – Domestic	60,136,686	7.1%	72,816,522	9.6%
Bonds – Enhanced Index Fund	131,913,351	15.7%	118,563,819	15.6%
<i>Equities:</i>				
Equity securities - Domestic	88,925,804	10.6%	101,568,415	13.3%
Equity securities – Russell 1000 Index Fund	155,841,695	18.5%	155,797,579	20.5%
Equity securities – S & P 500 Index Fund	173,725,025	20.7%	161,282,160	21.2%
Equity securities - International	155,937,044	18.5%	99,113,587	13.0%
Cash equivalents	<u>10,100,000</u>	<u>1.2%</u>	<u>13,340,000</u>	<u>1.8%</u>
Total investments	<u>\$841,568,482</u>	<u>100.0%</u>	<u>\$760,531,486</u>	<u>100.0%</u>

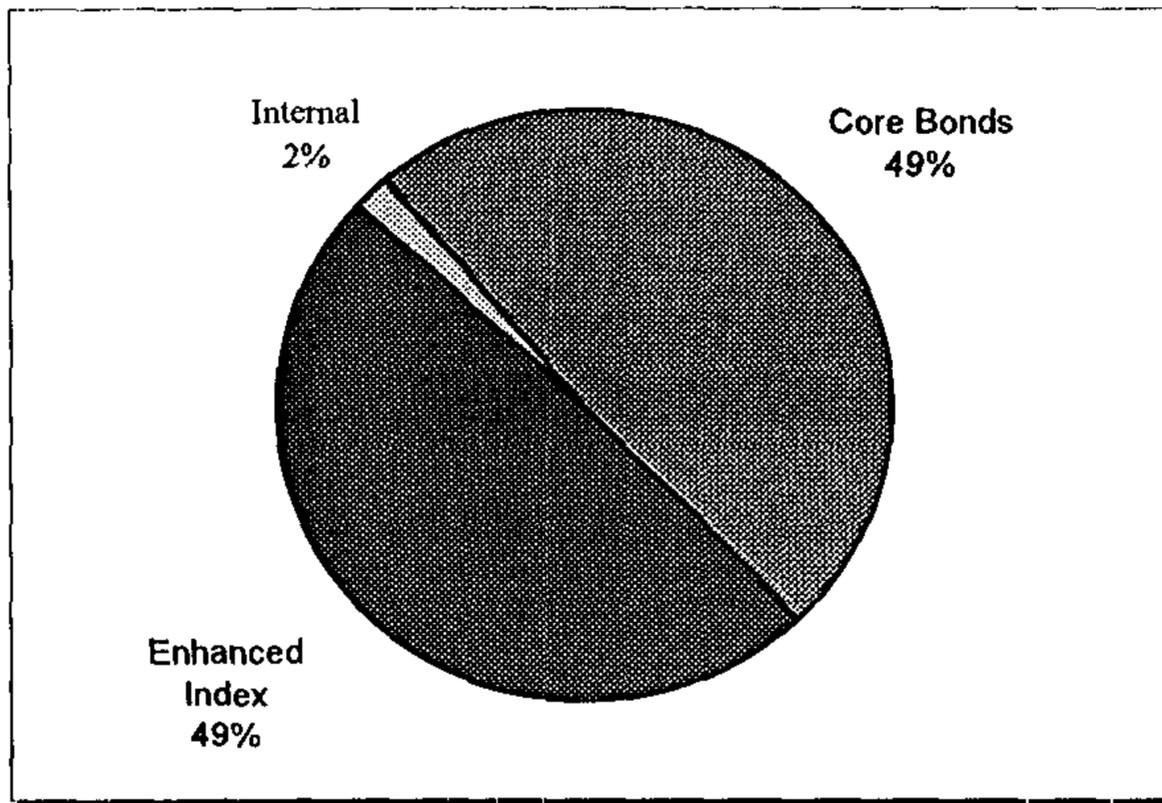
CPERS' ACTUAL ASSET ALLOCATION AS OF DECEMBER 31, 1999



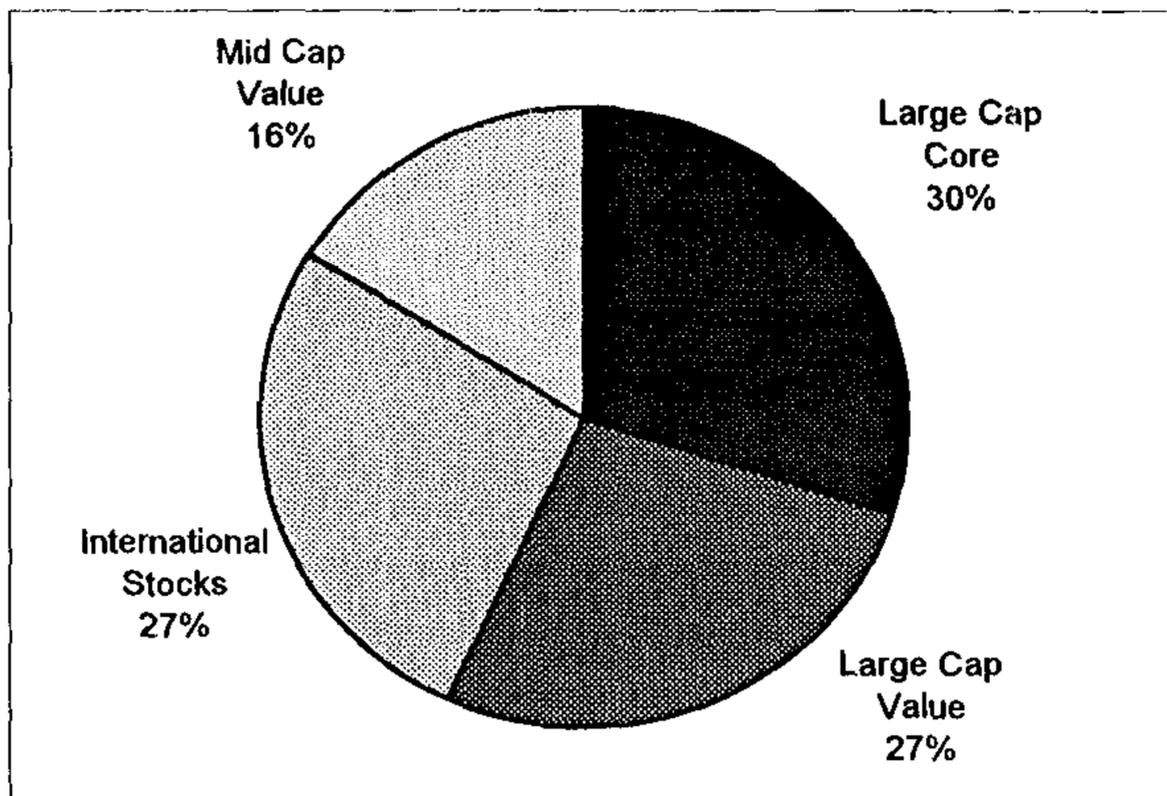
CPERS' TARGET ASSET ALLOCATION



CPERS' ACTUAL FIXED INCOME ALLOCATION AS OF DECEMBER 31, 1999



CPERS' ACTUAL EQUITY ALLOCATION AS OF DECEMBER 31, 1999



**LIST OF INVESTMENTS
AS OF DECEMBER 31, 1999**

FIXED INCOME

U.S. GOVERNMENT OBLIGATIONS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
FEDERAL HOME LOAN MTG CORP DEB	5.750	03/15/2009	\$ 1,525,000	\$ 1,389,656
FEDERAL HOME LOAN MTG CORP DEB	6.450	04/29/2009	800,000	746,504
FEDERAL HOME LOAN MTG CORP DEB	0.000	03/15/2024	140,000	56,099
FEDERAL HOME LOAN MTG CORP DEB	6.500	05/01/2029	1,769,756	1,669,659
FEDERAL HOME LOAN MTG CORP DEB	5.500	04/01/2013	701,859	652,687
FEDERAL HOME LOAN MTG CORP DEB	6.000	06/01/2013	1,289,955	1,227,573
FEDERAL HOME LOAN MTG CORP DEB	5.500	07/01/2013	660,927	614,623
FEDERAL HOME LOAN MTG CORP DEB	5.500	10/01/2013	1,291,572	1,201,084
FEDERAL HOME LOAN MTG CORP DEB	6.000	10/01/2012	380,669	363,470
FEDERAL HOME LOAN MTG CORP DEB	6.500	10/01/2012	1,075,027	1,046,829
FEDERAL NAT'L MTG ASSN DEB	6.170	01/15/2008	1,525,000	1,417,152
FEDERAL NAT'L MTG ASSN DEB	6.190	04/22/2009	1,925,000	1,776,910
FEDERAL NAT'L MTG ASSN DEB	6.500	04/29/2009	2,475,000	2,318,778
FEDERAL NAT'L MTG ASSN POOL	6.500	07/01/2029	1,947,029	1,835,678
FEDERAL NAT'L MTG ASSN POOL	6.500	04/01/2029	951,997	899,104
FEDERAL NAT'L MTG ASSN POOL	6.500	03/01/2029	644,160	608,370
FEDERAL NAT'L MTG ASSN POOL	6.500	02/01/2029	273,887	258,224
FEDERAL NAT'L MTG ASSN POOL	7.000	10/01/2025	51,099	49,628
FEDERAL NAT'L MTG ASSN POOL	6.000	08/01/2014	68,981	65,482
FEDERAL NAT'L MTG ASSN POOL	6.000	07/01/2014	633,912	601,754
FEDERAL NAT'L MTG ASSN POOL	6.000	06/01/2014	289,834	275,131
FEDERAL NAT'L MTG ASSN POOL	6.000	04/01/2014	451,508	429,059
FEDERAL NAT'L MTG ASSN POOL	6.000	03/01/2014	964,413	917,678
FEDERAL NAT'L MTG ASSN POOL	6.000	01/01/2014	470,622	446,747
FEDERAL NAT'L MTG ASSN POOL	6.000	12/01/2013	143,101	135,986
FEDERAL NAT'L MTG ASSN POOL	5.500	12/01/2013	1,790,789	1,662,999
FEDERAL NAT'L MTG ASSN POOL	5.500	11/01/2013	3,731,612	3,465,324
FEDERAL NAT'L MTG ASSN POOL	5.500	10/01/2013	750,868	697,286
FEDERAL NAT'L MTG ASSN POOL	5.500	07/01/2013	1,805,122	1,676,308
FEDERAL NAT'L MTG ASSN POOL	6.000	06/01/2013	1,393,910	1,325,745
FEDERAL NAT'L MTG ASSN POOL	6.000	05/01/2013	1,651,750	1,570,452
FEDERAL NAT'L MTG ASSN POOL	5.500	04/01/2013	1,871,787	1,738,216
FEDERAL NAT'L MTG ASSN POOL	6.000	03/01/2013	951,617	904,304
FEDERAL NAT'L MTG ASSN POOL	5.500	03/01/2013	1,414,773	1,313,815
FEDERAL NAT'L MTG ASSN POOL	6.000	02/01/2013	23,797	22,614
FEDERAL NAT'L MTG ASSN POOL	5.500	01/01/2013	93,723	87,324
FEDERAL NAT'L MTG ASSN POOL	5.500	08/01/2012	232,547	216,669
FEDERAL NAT'L MTG ASSN POOL	6.500	12/01/2012	449,295	437,124
FEDERAL NAT'L MTG ASSN POOL	7.000	09/01/2011	1,134,758	1,124,500
FEDERAL NAT'L MTG ASSN POOL	0.000	02/25/2024	145,000	65,978
FEDERAL NAT'L MTG ASSN POOL	0.000	10/25/2029	98,204	44,206
FEDERAL NAT'L MTG ASSN POOL	0.000	04/25/2024	125,000	50,154
FEDERAL NAT'L MTG ASSN POOL	0.000	12/25/2023	105,000	36,985
FEDERAL NAT'L MTG ASSN POOL	0.000	02/25/2024	133,562	63,366
FEDERAL NAT'L MTG ASSN POOL	6.500	01/31/2029	1,500,000	1,414,218

FIXED INCOME

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
FEDERAL NAT'L MTG ASSN POOL	8.500	08/01/2024	\$2,945	\$2,945
GOVERNMENT NAT'L MTG ASSN POOL	7.500	08/15/2029	584,135	578,049
GOVERNMENT NAT'L MTG ASSN POOL	7.500	10/15/2029	1,573,397	1,557,001
GOVERNMENT NAT'L MTG ASSN POOL	7.500	11/15/2029	2,835,540	2,805,994
GOVERNMENT NAT'L MTG ASSN POOL	7.500	12/15/2029	1,426,119	1,411,259
GOVERNMENT NAT'L MTG ASSN POOL	6.500	11/15/2023	1,120,139	1,065,028
GOVERNMENT NAT'L MTG ASSN POOL	6.500	12/15/2023	336,668	320,104
GOVERNMENT NAT'L MTG ASSN POOL	7.500	12/15/2028	581,306	575,894
U.S. TREASURY BONDS	12.750	11/15/2010	1,150,000	1,486,375
U.S. TREASURY BONDS	8.500	02/15/2020	325,000	384,111
U.S. TREASURY BONDS	8.000	11/15/2021	855,000	969,895
U.S. TREASURY BONDS	6.000	02/15/2026	1,295,000	1,184,524
U.S. TREASURY BONDS	6.375	08/15/2027	2,080,000	1,996,800
U.S. TREASURY BONDS	5.250	02/15/2029	4,225,000	3,494,878
U.S. TREASURY BONDS	6.125	08/15/2029	815,000	777,054
U.S. TREASURY BONDS	3.625	04/15/2028	3,078,045	2,751,003
U.S. TREASURY BONDS	3.875	04/15/2029	5,038,768	4,706,511
TOTAL U.S. GOVERNMENT OBLIGATIONS			\$69,175,484	\$64,988,877

BONDS - DOMESTIC

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
A T & T CORP NT	5.600	03/15/2004	\$440,000	\$415,800
A T & T CORP NT	6.500	03/15/2029	1,290,000	1,106,175
A T & T CAP CORP MED TERM NTS	6.300	05/15/2001	1,400,000	1,385,314
ABBY NATIONAL PLC SUB DEB	7.900	10/26/2029	380,000	379,414
ALLMERICA FIN CORP SR NT	7.600	10/15/2025	1,300,000	1,221,272
ALLSTATE CORP SR NTS	7.200	12/01/2009	410,000	398,151
AMERICAN GEN CORP SRB NTS	6.600	02/15/2029	500,000	426,450
AMERICAN RE CORP SR NT SER B	7.400	12/15/2026	410,000	388,988
AUTO LEASING INVS L L C 1997	6.100	02/13/2004	2,500,000	2,411,551
AVON ENERGY PARTNERS HLDGS SR NT	7.000	12/11/2007	960,000	902,438
BARCLAYS BK PLC SUB NT	7.400	12/15/2009	285,000	280,001
CIT GROUP HLDGS INC MEDIUM TERM SR NT	6.400	10/01/2002	750,000	734,993
CHEMICAL BK N Y N Y SUB NT	6.600	08/15/2005	220,000	212,416
CHRYSLER CORP DEB	7.400	03/01/2027	270,000	262,097
CHRYSLER CPRP DEB	7.400	08/01/1997	505,000	466,221
CITICORP MEDIUM TERM SUB NTS	6.400	11/15/2008	450,000	415,382
COCA-COLA ENTERPRISES IN MEDIUM TERM NTS	5.700	03/18/2037	790,000	789,305
COMM 1999-1 COML NTG NTS	6.500	09/15/2008	265,000	245,957
CONTINENTAL AIRLS	6.500	08/02/2020	959,588	870,346

FIXED INCOME

BONDS – DOMESTIC (CONTINUED)

<u>DESCRIPTION</u>	<u>COUPON RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>FAIR VALUE</u>
DAIMLER-CHRYSLER NORTH AMER HLDG CORP	6.900	09/01/2004	\$145,000	\$143,605
DEUTSCHE MTG & ASSET RECEIVING CORP	6.200	09/15/2007	464,382	446,141
DONALDSON LUFKIN & JENRETTE INC NEW	5.900	04/01/2002	850,000	825,095
EOP OPER LTD PARTNERSHIP NT	6.400	01/15/2002	1,035,000	1,010,367
EMPRESA ELECTRICA PEHUENCHE SA NT	7.300	05/01/2003	855,000	831,427
ENRON CORP SR NT	6.400	11/15/2001	390,000	385,355
EQUITABLE COS INC NTS	6.500	04/01/2008	880,000	820,398
FMR CORP DEB 144A	7.600	06/15/2029	340,000	326,900
FAIRFAX FINL HLDGS LTD NT	7.400	03/15/2006	295,000	265,701
FEDERATED DEPT STORES INC DEL TERM	6.100	09/01/2001	750,000	734,640
FINOVA CAP CORP NT	7.300	11/08/2004	360,000	356,054
FIRST SEC AUTO OWNER TR 1999-2	6.000	10/15/2003	575,000	569,423
FIRST UNION – LEHMAN BROS COML MTG	6.600	11/18/2029	1,350,000	1,293,800
FIRST UNION NATL BK N C CHARLOTTE	5.800	12/01/2008	215,000	189,811
FIRSTPLUS HOME LN OWNER 1998-3 CL A-8	7.200	05/10/2024	1,000,000	941,120
FLORIDA WINDSTROM UNDRWR ASSN SER 1999A	7.100	02/25/2019	1,000,000	917,740
FLOWERS INDS INC DEB	7.100	04/15/2028	925,000	724,145
FORD HOLDINGS INC DEB	9.400	03/01/2020	465,000	529,933
FORD MTR CO DEL NT	9.000	09/15/2001	1,000,000	1,033,760
FORD MTR CR CO ED	6.700	07/16/2004	850,000	831,487
GE GLOBAL INS HLDG CORP NTS	6.400	03/01/2019	845,000	741,640
GENERAL MTRS ACCEP CORP NT	6.800	06/17/2004	85,000	83,588
GENERAL MTRS CORP NT	8.800	03/01/2021	550,000	606,320
GENERAL MTRS CORP DEB	7.700	04/15/2016	520,000	521,503
GOLDMAN SACHS GROUP INC NT	6.600	05/15/2009	1,005,000	936,248
GREEN TREE RECREATIONAL EQUIP	5.900	02/15/2009	1,250,000	1,242,250
HOUSEHOLD FIN CORP NT	7.000	06/17/2004	110,000	108,823
IBM CR CORP MEDIUM TERM NT	6.400	11/12/2002	480,000	472,939
IMPAC SECD ASSETS CMB TR 1998-1	6.800	03/25/2012	1,800,000	1,780,920
INDIANA MICH PWR CO SR NT	6.900	07/01/2004	1,300,000	1,256,008
JONES APPARAEI GROUP INC	6.300	10/01/2001	970,000	944,363
KINDGER MORGAN ENERGY PARTNERS LP	6.300	02/01/2009	820,000	731,850
LB COML CONDUIT MTG TR SER 1998-C1	6.500	01/18/2008	375,000	353,408
LEHMAN BROS HLDGS INC NTS	6.600	02/05/2006	420,000	396,010
LIBERTY MUTUAL SURPLUS NT	7.900	10/15/2026	350,000	320,400
LANDESBANK BADEN-WURTTENBERG SUB NT	7.600	02/01/2023	150,000	146,852
MARSH & MCLENNAN COS INC SR NT	7.100	06/15/2009	195,000	188,730
MERRILL LYNCH & CO INC SR UNSUB NT	6.000	02/17/2009	1,000,000	896,350
MONSANTO CO DEB 144A	6.500	12/01/2018	1,000,000	875,080
MONSANTO CO DEB 144A	6.600	12/01/2028	260,000	223,444
MORTGAGE CAP FDG INC SER 1998	6.300	11/18/2031	1,300,000	1,202,578
NATIONAL CITY CORP SUB NT	6.900	05/15/2019	420,000	376,677
NAT'L RURAL UTILS COOP FIN CORP SR EURO	6.300	04/15/2003	1,200,000	1,162,250
NIAGRA MOHAWK PWR CORP SR DISC NT	0.000	04/01/2010	500,000	377,670
POWER AUTH	6.300	07/01/2010	1,200,000	1,171,764
NOREM ENERGY CORP DEB	6.500	02/01/2008	770,000	708,415
NORWEST CORP MEDIUM TERM SR NTS	6.900	08/08/2006	590,000	574,719
PENN PWR & LT NT	6.100	05/01/2001	1,500,000	1,487,895
PACIFIC BELL DEB	7.400	06/15/2025	250,000	227,235

FIXED INCOME

BONDS – DOMESTIC (CONTINUED)

<u>DESCRIPTION</u>	<u>COUPON RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>FAIR VALUE</u>
PAINE WEBBER GROUP INC SR NTS	7.600	12/01/2009	\$560,000	\$545,552
POPULAR NORTH AMER INC MEDIUM TERM	6.900	06/15/2001	1,000,000	993,780
PRUDENTIAL INS CO AMER SR NT 144A	6.400	07/23/2006	240,000	223,771
QUEBEC PROV CDA NT	7.500	09/15/2029	700,000	678,559
ROHM & HAAS CO DEB	7.800	07/15/2029	850,000	854,267
SEARS CR ACCOUNT MASTER TR II SER 1991-1	5.600	03/15/2009	250,000	238,218
TERRA NOVA INS U K HLDGS PLC GTD SR NT	7.000	05/15/2008	85,000	78,175
TEXACO CAP INC	9.800	03/15/2020	870,000	1,027,688
TEXACO CAP INC DEB	8.900	09/01/2021	1,150,000	1,276,581
TIME WARNER INC DEB	9.100	01/15/2013	1,115,000	1,204,200
USAA AUTO LN GRANTOR TR AUTO LN	6.100	02/15/2006	1,030,025	1,020,920
US BANCORP MEDIUM TERM NTS	6.900	12/01/2004	540,000	532,272
US BK NAT'L BK ASSN MINNEAPOLIS MINN	5.700	12/15/2008	620,000	544,490
UNION PLANTERS MTG FIN CORP SER 1998-1	6.600	06/25/2028	1,000,000	976,780
UNION TEXAS PETE HLDGS INC MAND	7.000	04/15/2008	1,400,000	1,362,214
UNITED TECHNOLOGIES CORP NT	7.000	09/15/2006	365,000	359,689
WACHOVIA CORP NEW SUB NTS	5.600	12/15/2008	1,000,000	879,890
WAL-MART STORES INC SR BD	6.900	08/10/2009	530,000	515,933
ZURICH REINSURANCE CORP SR NOTES	7.100	10/15/2023	252,000	218,605
TOTAL BONDS - DOMESTIC			<u>\$62,600,995</u>	<u>\$60,136,686</u>

BONDS – ENHANCED INDEX FUND

	<u>UNITS</u>	<u>FAIR VALUE</u>
STATE STREET GLOBAL ADVISORS	<u>8,127,247</u>	<u>\$131,913,351</u>

EQUITIES

EQUITY SECURITIES - DOMESTIC

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>FAIR VALUE</u>
ADAPTEC INC	8,500	\$423,938
ADOLPH COORS CO	10,700	561,750
AIR PRODUCTS & CHEMS	23,500	788,719
ALLMERICA FINANCIAL	15,800	878,875
AMBAC FINANCIAL GRP	11,500	600,156
AMERICAN FINL GROUP	9,400	247,925
AMER POWER CONVERSION	23,100	609,263
AMSOUTH BANCORP	1,100	21,244
APACHE CORPORATION	17,900	661,181
APARTMENT INVT & MGMT	19,800	788,288
ARMSTRONG WORLD INDS	10,600	353,775
ASHLAND INC	19,100	629,106
ASTORIA FINL CORP	18,300	557,006

EQUITIES

EQUITY SECURITIES -- DOMESTIC (CONTINUED)

DESCRIPTION	SHARES	FAIR VALUE
ATMEL CORP	40,400	\$1,194,325
AUTOZONE INC	28,500	920,906
BB&T CORP	41,500	1,136,063
BALL CORPORATION	8,900	350,438
BARNES & NOBLE INC	10,900	224,813
BAUSCH & LOMB INC	6,400	438,000
B F GOODRICH COMPANY	28,300	778,250
BLACK & DECKER MFG	4,800	250,800
BORG WARNER AUTO	5,900	238,950
BRIGGS & STRATTON	6,800	364,650
BRINKER INTL	27,200	656,200
CMS ENERGY CORP	26,900	838,944
CNF TRANSPORTATION	16,700	576,150
CARLISLE CORPORATION	6,800	244,800
CAROLINA PWR & LT CO	10,100	307,419
CARRAMERICA RLTY CORP	18,800	401,850
CENTRAL & SOUTH WEST CORP	40,700	814,000
CHARTER ONE FINL	39,050	746,831
CHIRON CORP	11,600	491,550
CHRIS-CRAFT IND	5,000	360,625
COASTAL CORPORATION	15,000	531,563
COLONIAL BANCGROUP INC	32,500	337,188
COMERICA INC	2,700	126,056
COMPASS BANCSH INC	32,400	722,925
COMPUTER SCIENCES	4,800	454,200
CONNECTIVE INC	20,600	346,338
CONSECO INC	29,700	529,031
C R BARD INC	5,400	286,200
CONSTELLATION ENERGY	36,800	1,067,200
COOPER INDUSTRIES	22,400	905,800
COOPER TIRE & RUBBER	21,200	333,900
COUNTRYWIDE CREDIT	8,400	212,100
CUMMINS ENGINE INC	8,400	405,825
DST SYSTEMS INC	5,800	442,613
DANA CORPORATION	37,200	1,113,660
DARDEN RESTAURANTS	40,700	737,688
DELHAIZE AMER C1 B	22,600	471,775
DELUXE CORPORATION	23,700	650,269
DIAMOND OFFSHORE DRIL	11,800	360,638
DIME BANCORP INC NEW	33,800	511,225
DONNELLEY RR & SONS	27,000	669,938
DUKE-WEEKS REALTY CP	20,800	405,600
EOG RESOURCES INC	22,400	393,400
ENGELHARD CORP	3,800	71,725
ENTERGY CORPORATION	46,700	1,202,525
FMC CORPORATION NEW	7,900	452,769
FEDERAL MOGUL CORP	20,400	410,550
FINOVA GROUP INC	18,000	639,000
FIRSTMERIT CORP	13,100	301,300

EQUITIES

EQUITY SECURITIES – DOMESTIC (CONTINUED)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>FAIR VALUE</u>
FIRSTENERGY CORP	44,200	\$1,002,788
FORTUNE BRANDS INC	27,900	922,444
GATX CORPORATION	16,500	556,875
GPU INC	31,000	922,250
GEN GROWTH PPTYS INC	16,800	470,400
GEORGIA PAC GROUP	16,300	827,225
GOLDEN ST BANCORP	17,200	296,700
H R BLOCK INC	19,100	835,625
HARCOURT GENERAL	15,600	627,900
HERCULES INC	27,600	769,350
HIBERNIA CORP C1 A	47,500	504,688
HOUGHTON MIFFLIN CO	6,100	257,344
HUNTINGTON BANCSHS	43,800	1,045,725
IBP INC	21,900	394,200
INGERSOLL RAND CO	7,500	412,969
INTL GAME TECHNOLOGY	26,200	532,188
JOHNSON CTLS INC	19,200	1,092,000
KNIGHT-RIDDER	18,400	1,095,950
LSI LOGIC CORP	16,900	1,140,750
LAFARGE CORPORATION	11,300	312,163
LANCASTER COLONY CORP	3,500	115,938
LEAR CORP	19,500	624,000
LINCOLN NATIONAL	34,600	1,384,000
LIZ CLAIBORNE	15,000	564,375
LUBRIZOL CORP	8,900	274,788
M&T BANK CORPORATION	2,200	911,350
MBIA INCORPORATED	22,900	1,209,406
MALLINCKRODT GROUP	20,000	636,250
MASCO CORPORATION	20,800	527,800
MIDAMERICAN ENERGY	15,500	522,156
MOHAWK INDUSTRIES IN	8,600	226,825
NCR CORPORATION	21,300	806,738
NABISCO GROUP HLDGS	59,200	629,000
NATL SERVICE INDS	12,000	354,000
NAVISTAR INTL CORP NEW	3,300	155,100
NEW YORK TIMES CO	26,600	1,306,725
NICOR INCORPORATED	11,500	373,750
NISOURCE INC	31,700	566,638
NOBLE AFFILIATES INC	12,300	263,681
NOBLE DRILLING CORP	12,900	422,475
NORTHERN STATES PWR	21,400	417,300
NORTHROP GRUMMAN	12,700	686,594
NUCOR CORP	12,400	679,675
OLD KENT FINANCIAL	23,400	827,775
PALL CORPORATION	35,400	763,313
PENTAIR INC	5,000	192,500
PEOPLES HERITAGE FINL GROUP	36,500	549,781
PINNACLE WEST CAP CORP	27,600	843,525

EQUITIES

EQUITY SECURITIES -- DOMESTIC (CONTINUED)

DESCRIPTION	SHARES	FAIR VALUE
PUBLIC STORAGE INC	25,300	\$573,994
QUANTUMM CORP DSS GRP	45,500	688,188
QUESTAR CORPORATION	25,600	384,000
RPM INC	33,600	342,300
READERS DIGEST ASSN	6,700	195,975
REGIONS FINANCIAL	44,200	1,110,525
ROSS STORES INC	13,800	247,538
ROUSE CO	18,100	384,625
RYDER SYSTEMS INC	21,200	518,075
ST JUDE MEDICAL INC	7,000	214,813
SEAGATE TECHNOLOGY	15,500	721,719
SEMPRA ENERGY	56,800	986,900
SHAW INDUSTRIES INC	16,400	254,200
SIMON PROPERTY GROUP	17,200	394,525
SONOCO PRODUCTS CO	10,600	241,150
SOVEREIGN BANCORP INC	52,800	393,524
SUPERVALU INC	28,000	560,000
TECO ENERGY INC	22,600	419,513
TELEFLEX INC	10,200	319,388
TEMPLE INLAND INC	11,900	784,656
3COM CORPORATION	24,600	1,156,200
TIDEWATER INC	18,100	651,600
TIMES MIRROR INC	3,800	254,600
TYSON FOODS INC	35,500	576,875
UAL INCORPORATED	7,300	566,206
USX - MARATHON GROUP	58,500	1,444,219
UST INCORPORATED	36,500	919,344
USG CORP	13,900	655,038
USX - US STEEL GROUP	30,500	1,006,500
UNICOM CORP COM	31,200	1,045,200
UNION PACIFIC RSRC G	46,200	589,050
UNITED HEALTHCARE	24,800	1,317,500
UNUMPROVIDENT CORP	38,500	1,234,406
UTILICORP UNITED INC	19,200	373,200
WENDYS INTL INC	8,300	172,744
WESTERN RESOURCES INC	18,800	318,425
WESTVACO CORP	25,000	815,625
WHIRLPOOL CORP	14,500	943,406
YORK INTERNATIONAL	12,000	329,250
ZALE CORP	8,600	416,025
TOTAL EQUITY SECURITIES - DOMESTIC	<u>3,117,050</u>	<u>\$88,925,804</u>

EQUITIES**EQUITY SECURITIES – RUSSELL 1000 VALUE INDEX FUND**

	<u>UNITS</u>	<u>FAIR VALUE</u>
BARCLAYS GLOBAL INVESTORS	<u>4,066,087</u>	<u>\$155,841,695</u>

EQUITY SECURITIES – S & P 500 INDEX FUND

BARCLAYS GLOBAL INVESTORS	<u>473,597</u>	<u>\$173,725,025</u>
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EQUITY SECURITIES - INTERNATIONAL

CAPITAL GUARDIAN INTL NON-U.S. EQUITY – #003	<u>525,262</u>	<u>\$155,937,044</u>
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REPURCHASE AGREEMENTS

<u>DESCRIPTION</u>	<u>RATE</u>	<u>DATE</u>	<u>MATURITY VALUE</u>	<u>FAIR VALUE</u>
CANTOR DTD 12/30/99	2.75%	1/03/00	<u>\$10,100,000</u>	<u>\$ 10,100,000</u>
TOTAL CASH EQUIVALENTS			<u>\$10,100,000</u>	<u>\$ 10,100,000</u>
TOTAL INVESTMENTS				<u>\$841,568,482</u>

INVESTMENT PERFORMANCE MEASUREMENTS

	<u>Rate of Return</u>	<u>Rank**</u>
Comparative Rates of Return on Total Fund – Year Ended December 31, 1999		
City-Parish Employees' Retirement System	12.6%	48
Comparison indices:		
Median Total Fund	12.6%	50
Allocation Index *	10.7%	62
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 1999		
City-Parish Employees' Retirement System	8.5%	67
Comparison indices:		
Median Domestic Equity Fund	17.9%	50
Russell 3000	20.9%	42
Comparative Rates of Return on International Equities – Year Ended December 31, 1999		
City-Parish Employees' Retirement System	67.6%	6
Comparison indices:		
Median International Equity Fund	32.3%	50
EAFE	27.3%	66
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 1999		
City-Parish Employees' Retirement System	-0.6%	64
Comparison indices:		
Median Bond Fund	0.1%	50
Lehman Brothers Aggregate Bond Index	-0.8%	73
The total performance as compared to public funds in the Independent Consultants' Cooperative universe, as reported by Summit Strategies Group, Investment Consultant for City-Parish Employees' Retirement System, is as follows:		
One-year period ending December 31, 1999	12.6%	48
Two-year period ending December 31, 1999	13.2%	53
Three-year period ending December 31, 1999	14.6%	55
Four-year period ending December 31, 1999	13.6%	80
Five-year period ending December 31, 1999	15.7%	76

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

** Rank indicates CPERS' relative investment performance in relation to other total funds in the Independent Consultants' Cooperative universe of funds.

ANNUAL RATES OF RETURN

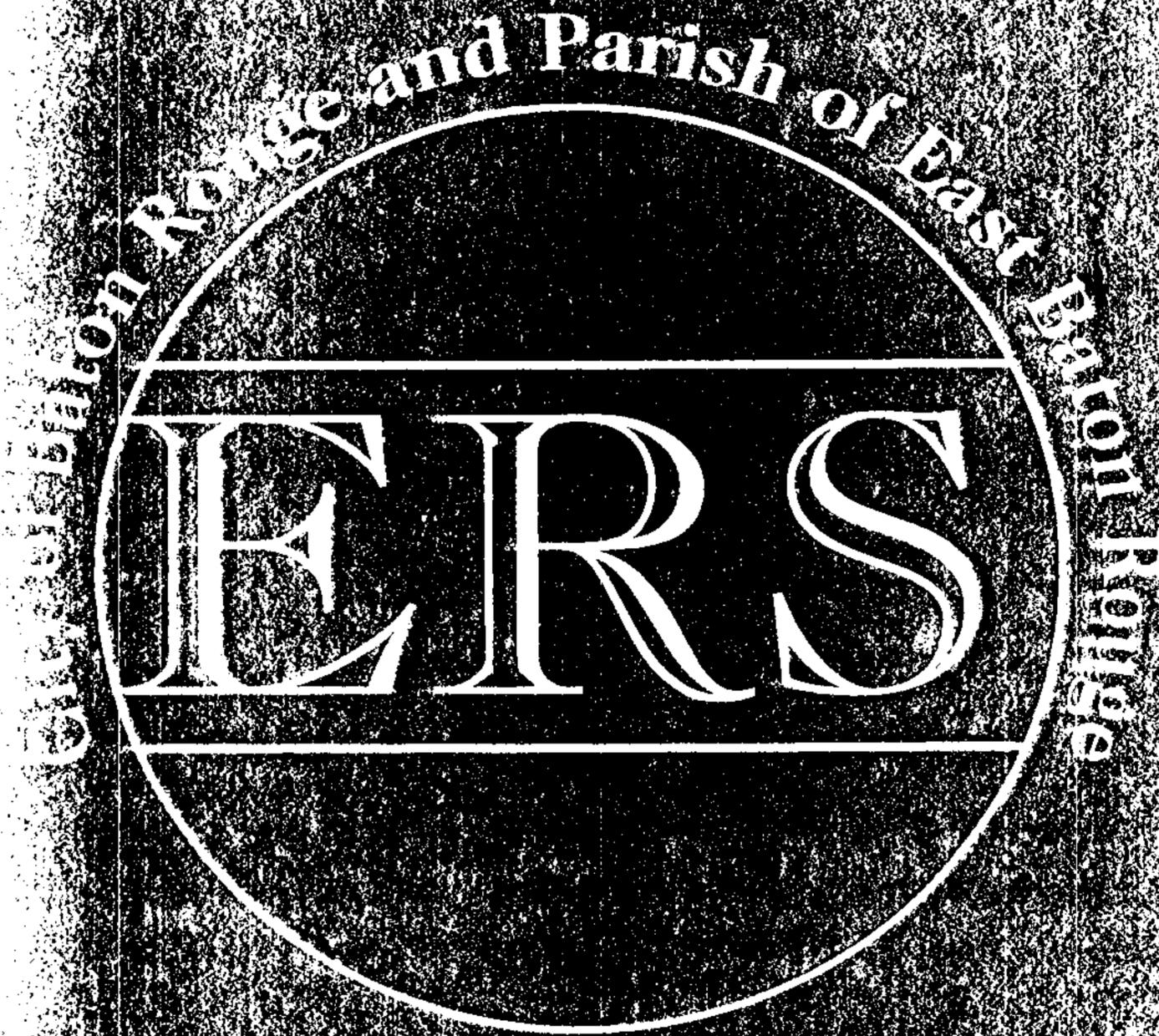
	YEARS ENDING DECEMBER 31					ANNUALIZED	
	1995	1996	1997	1998	1999	3 YRS.	5 YRS.
TOTAL FUND							
City-Parish Employees' Retirement System	24.6%	10.5%	17.6%	13.8%	12.6%	14.6%	15.7%
Median Total Fund	24.7%	13.1%	18.0%	13.0%	12.6%	15.3%	17.0%
Inflation (CPI)	2.5%	3.3%	1.8%	1.6%	2.7%	2.0%	2.4%
DOMESTIC EQUITY							
City-Parish Employees' Retirement System	39.4%	19.8%	26.3%	17.1%	8.5%	17.1%	21.8%
Median Domestic Equity Fund	33.3%	21.5%	27.9%	14.3%	17.9%	22.0%	24.3%
Russell 3000	36.8%	21.8%	31.8%	24.1%	20.9%	25.5%	26.9%
INTERNATIONAL EQUITY							
City-Parish Employees' Retirement System	N/A	15.6%	10.5%	15.2%	67.6%	28.7%	N/A
Median International Equity Fund	N/A	16.0%	7.4%	14.3%	32.3%	17.2%	N/A
EAFE	N/A	6.4%	2.1%	20.3%	27.3%	16.1%	N/A
FIXED INCOME							
City-Parish Employees' Retirement System	23.9%	2.3%	11.8%	8.2%	-0.6%	6.3%	8.8%
Median Bond Fund	18.0%	4.2%	9.6%	8.4%	0.1%	5.8%	7.8%
Lehman Brothers Aggregate Index	18.5%	3.6%	9.7%	8.7%	-0.8%	5.7%	7.7%

**SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Bear Stearns	1,665,800	\$76,885	\$.0462
Cantor Fitzgerald Co., Inc.	460,750	15,682	.0340
Charles Schwab & Co., Inc.	627,772	18,600	.0296
Donald Lufkin & Jen. Sec.	406,800	17,249	.0424
First Boston Corporation	207,400	7,304	.0352
Fleming, Robert	104,800	4,716	.0450
Goldman, Sachs	898,400	44,575	.0496
Instinet (Thru SEC Sell #563)	616,118	16,518	.0268
Merrill, Lynch, Pierce, Fenner & Smith	252,832	9,327	.0369
Morgan Stanley Co.	608,165	26,451	.0435
Oppenheimer & Co.	479,400	19,176	.0400
S & P Securities	25,700	1,285	.0500
Salomon Smith Barney Inc.	192,200	5,524	.0287
Spear, Leeds & Kellogg	463,000	11,386	.0246
Weeden & Company	37,200	1,248	.0335
Morgan, J.P. Securities, Inc.	37,600	1,128	.0300
Investment Technology Group	1,652,450	33,049	.0200
Jones & Associates	60,800	1,419	.0233
Lehman Bros. Inc.	99,300	3,476	.0350
Quaker Securities Inc.	469,550	9,391	.0200
Citation Group/BCC CLRG	35,200	1,760	.0500
B-Trade Services LLC	65,968	1,319	.0200
First Union Capital Markets	37,700	1,885	.0500
Other (7 firms) *	100,400	3,271	.0326
Total	<u>9,605,305</u>	<u>\$332,624</u>	.0346

* Firms that had less than \$1,000 commissions paid.

actuarial section



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report



Stanley,
Holcombe
& Associates, Inc.

May 12, 2000

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 seventh annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2000. 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 the remaining portion of the thirty years.*

Effective with the 2000 year, 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 2000 valuation will apply to the year 2001. The 1999 valuation will be the basis for the 2000 contribution rate.

Effective February 26, 2000, there were 635 police officers who had elected to transfer to the statewide Municipal Police Employees' Retirement System. This event, subsequent to the January 1, 2000 valuation has a significant impact on contribution rates. Therefore, the January 1, 2000 valuation results were prepared both as if no transfer would take place (Before Transfers) and as if the transfers took place on January 1, 2000 (After Transfers).

Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
May 12, 2000

The City contribution rate for the 2000 year is set to 9.57%. This reflects the 16.13% contribution rate from the 1999 valuation, reduced by 6.56% due to the impact of the Police Transfers. Note that the 6.56% reduction was calculated as part of the 2000 actuarial valuation.

The methodology for determining the actuarial value of assets, approved by the Board of Trustees, values all assets using an adjusted market value, with 20% of the unrealized gains or losses from the past five years recognized each year. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending on December 31, 1999 was \$741,562,144, which compares to a market value of \$820,256,852. The method was last reinitialized at Market Value as of January 1, 1996.

In performing the January 1, 2000 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.

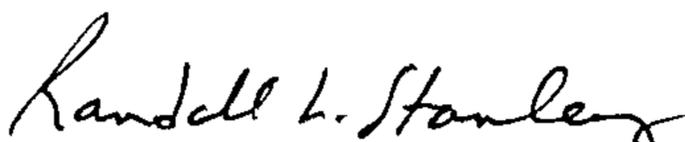
The present values shown in the January 1, 1999 and January 1, 2000 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions were last revised for the January 1, 1995 valuation, based on the 1989-1993 experience study. At January 1, 1995 the actuarial cost method and actuarial asset value method were changed to the methods currently in use. Assumptions relating to turnover, transfers, and spouses' ages were also changed at that time. The funding method used is the Entry Age Normal Cost Method. The actuarial assumptions and methods used for funding purposes comply and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. For 1999 the amortization approach is within the parameters of GASB 25/27.

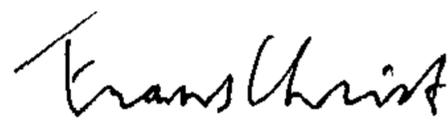
Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 3
May 12, 2000

Additional information is provided in Exhibit 9, the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the Trend Information Schedule, the Schedule of Funding Progress and the Schedule of Employer Contributions which were prepared for the Financial 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 1999 Comprehensive Annual Financial Report - specifically the Summary of Principal Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 1999 and 1998, Annual Amortization of UAAL, Determination of UAAL, Reconciliation of UAAL, Summary of Accrued Liabilities and Percentage Covered by Net Assets Available for Benefits, Analysis of Financial Experience, Employer Contribution Calculation Results for 1999 and 1998, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data.

Sincerely,


Randall L. Stanley, F.S.A., M.A.A.A., E.A.
Consulting Actuary and Principal


Frans Christ, F.S.A, M.A.A.A., E.A.
Consulting Actuary

RLS/FC/dg/ct
BROUGECAFRB

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS**(Source: 2000 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). Last amended effective January 1, 1998 (Ordinances No. 11019 and 11020).
Fiscal Year:	Calendar year.
Membership: (1:259, 1:266)	Any regular employee of the City-Parish. Part-time council members with service prior to January 1, 1997, retroactive to December 31, 1976.
Contributions: (1:264A)	Members: 9.5% of compensation, adjusted if City contribution is less than 15% to be the larger of 8% or 60% of the City contribution. Member contributions are picked up by the City. City: Balance, as actuarially determined.
Creditable Service:	Service credited under Retirement System; military service (maximum of three years).
Final Average Compensation:	Average compensation during the highest 36 consecutive 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 Average Compensation for each year of Creditable Service. Minimum eligibility: 2.5% of Final Average Compensation for each year of Creditable Service. Maximum of 90% of Final Average Compensation.
Early Service Retirement: (1:265A-2)	If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

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

Disability: (1:265D)	<p>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.</p> <p>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.</p> <p>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.</p>
Survivor Benefits: (1:270)	<p>(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.</p> <p>(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.</p> <p>(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).</p> <p>(4) If no benefits are payable under (1), (2), or (3), \$150 monthly benefit to unmarried dependent parent until death or remarriage.</p>
Employment Termination: (1:267, 1:268)	<p>After 10 years of Creditable Service, based on Creditable Service and Final Average Compensation at termination date. Benefits are deferred to age 55. If Member contributions are withdrawn, benefit is forfeited.</p>
Optional Allowances: (1:264C)	<p>Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance:</p> <p>Option 1: Refund of excess of Member's contributions over aggregate benefits paid;</p> <p>Option 2: 100% Joint & Survivor to designated contingent annuitant;</p> <p>Option 3: Any other form approved by the Board.</p>
Retirement Benefit Adjustments: (1:269)	<p>For Members who retired before December 31, 1989, or surviving spouses of such Members, who did not enter DROP, an annual payment of \$600 at July 1, 1992 plus \$30 for each year retired since then (excluding first year).</p>

**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 the 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.

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 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: 2000 Actuarial Report – Exhibit 9)

Valuation Date: January 1, 2000.

Valuation Method: Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.

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.

Actuarial Assumptions:

Investment Return: 8% compounded annually.

Salary Increases: 4% compounded annually due to inflation, plus longevity/merit in accordance with following schedule:

<u>Age</u>	<u>BREC/Regular</u>	<u>Fire/Police</u>
30	+1.25%	+2.00%
35	+1.00%	+1.75%
40	+.75%	+1.50%
45	+.50%	+.50%
55	0%	0%

Aggregate Payroll Growth: 6% compounded annually.

Non-Disabled Mortality: 1971 Group Annuity Mortality Table, producing following specimen rates:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0503%	.0260%
30	.0809%	.0469%
40	.1633%	.0938%
50	.5285%	.2151%
60	1.3119%	.5489%
70	3.6106%	1.6477%

Disabled Mortality: Same as non-disabled mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates:

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

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on the table below:

The ultimate turnover rates are modified as follows, based on years of employment:

<u>Year</u>	<u>Regular, BREC</u>	<u>Fire, Police</u>
1	200%	60%
2	150%	60%
3	100%	50%
4	100%	50%
5	100%	50%
6+	70%	40%

Assumed Transfers to Retirement System (for accumulated vacation and sick leave, e.g.):

	<u>Total</u>
BREC	1.0 year
Regular	1.0 year
Fire	1.7 years
Police	1.5 years

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Retirement:	Earlier of 25 years of service credit or age 55 with 10 years of service credit.						
Type of Disability:	A percentage of disabilities is assumed to be ordinary disabilities, as shown below:						
	<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.						
Remarriage:	No probabilities of remarriage are used.						
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males.						
Marital Status:	80% of employees are assumed to be married.						
Investment Expenses:	None provided for.						
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions.						
Sources of Data:	Membership data as of December 31, 1999 was furnished by Retirement Office. Compensated absence data as of December 31, 1999 was furnished by Department of Finance.						
Changes Since Prior Valuation:	None.						

ACCRUED LIABILITY ANALYSIS FOR 1999 AND 1998
(9.5% MEMBER CONTRIBUTION RATE)
 (Source: 2000 Actuarial Report)

	<u>1999</u>	<u>1998</u>
Present Value of Future Benefits:		
Active Members:		
Retirement	\$521,455,873	\$519,553,470
Disability	8,729,317	8,671,261
Death	<u>8,312,391</u>	<u>8,344,151</u>
Total	538,497,581	536,568,882
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	280,312,503	255,943,264
Disability Retirements	17,992,926	16,058,873
Terminated Vested Members	2,060,880	2,027,160
Leave Balances	503,552	950,538
DROP (Future Benefits)	117,197,769	97,882,661
DROP (Accounts)	72,540,728	67,104,502
COLA Benefits	<u>7,897,118</u>	<u>8,127,696</u>
Total	498,505,476	448,094,694
Total Accrued Liability	<u>\$1,037,003,057</u>	<u>\$984,663,576</u>

ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(9.5% MEMBER CONTRIBUTION RATE)
 (Source: 2000 Actuarial Report)

<u>Date</u> <u>Established</u>	<u>Initial</u> <u>Amount</u>	<u>Remaining</u> <u>Balance</u> <u>at 12/31/98</u>	<u>Amortization</u> <u>Payment as</u> <u>of 01/01/99</u>	<u>Remaining</u> <u>Balance</u> <u>at 12/31/99</u>	<u>Amortization</u> <u>Payment as</u> <u>of 01/01/00</u>
12/31/94	\$176,656,909	\$185,950,645	\$12,362,022	\$187,475,713	\$12,856,503
12/31/95	(12,401,873)	(12,856,365)	(854,693)	(12,961,806)	(888,881)
12/31/96	17,458,146	17,851,019	1,186,738	17,997,423	1,234,208
12/31/97	(12,493,691)	(12,621,813)	(839,100)	(12,725,330)	(872,664)
12/31/98	(43,504,837)	(43,504,837)	(2,892,207)	(43,861,640)	(3,007,895)
12/31/99	24,908,178	-----	-----	<u>24,908,178</u>	<u>1,708,126</u>
		<u>\$134,818,649</u>	<u>\$8,962,760</u>	<u>\$160,832,538</u>	<u>\$11,029,397</u>

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(9.5% MEMBER CONTRIBUTION RATE)
 (Source: 2000 Actuarial Report)

Entry Age Normal Actuarial Accrued Liability as of December 31, 1999:

Active Members	\$428,516,415
Retired Members and Beneficiaries	<u>498,505,476</u>
Total	927,021,891
Actuarial Asset Value as of December 31, 1999	<u>766,189,353</u>
Unfunded Actuarial Accrued Liability as of December 31, 1999	<u>\$160,832,538</u>

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(9.5% MEMBER CONTRIBUTION RATE)
 (Source: 2000 Actuarial Report)

A. Unfunded Actuarial Accrued Liability as of December 31, 1998	\$134,818,649
B. Normal Cost for 1999	6,697,096
C. Interest at 8% on (A) and (B)	11,321,260
D. City Contributions	(20,333,128)
E. Interest on (D)	<u>(813,325)</u>
F. Expected Unfunded Actuarial Accrued Liability as of December 31, 1999	131,690,552
G. 1999 Loss	<u>29,141,986</u>
H. Unfunded Actuarial Accrued Liability as of December 31, 1999	160,832,538
I. Plan Amendments	N/A
J. Change in Assumptions	N/A
K. Change in Methods	N/A
L. Change in Applicable Laws	N/A
M. Unfunded Actuarial Accrued Liability as of December 31, 1999	<u>\$160,832,538</u>

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY NET ASSETS AVAILABLE FOR BENEFITS FOR THE EIGHT YEARS ENDED DECEMBER 31, 1999
(Source: 2000 Actuarial Report)

Valuation Date	(1) Retirees And Survivors**	(2) Terminated Vested Members	(3) Active Members' Contributions ***	(4) Active Members Employer Contribution	Net Assets Available for Benefits ****	(1)	(2)	(3)	(4)
						Percentage of Actuarial Liabilities Covered by Assets			
12/31/92*	\$249,936,281	\$1,299,470	\$99,627,832	N/A*****	\$439,838,235	100.0%	100.0%	100.0%	N/A*****
12/31/93	269,636,416	1,966,391	111,008,205	N/A*****	486,842,955	100.0	100.0	100.0	N/A*****
12/31/94	279,585,049	2,117,499	123,717,539	\$251,742,091	451,829,129	100.0	100.0	100.0	18.4%
12/31/95	301,934,866	2,244,846	132,421,606	281,675,752	551,301,959	100.0	100.0	100.0	40.7
12/31/96	330,846,679	2,591,163	142,100,816	298,397,469	599,358,282	100.0	100.0	100.0	41.5
12/31/97	351,227,198	2,722,929	144,327,095	313,700,020	681,597,891	100.0	100.0	100.0	58.4
12/31/98	378,012,494	2,977,698	157,699,747	336,385,748	762,739,589	100.0	100.0	100.0	66.6
12/31/99	423,400,316	2,564,432	171,802,254	329,254,889	844,884,061	100.0	100.0	100.0	75.1

* Based on the 1992 report prepared by the previous actuary.
 ** Including DROP participants' future benefits.
 *** Including DROP accounts.
 **** Reflects fair market value of assets rather than actuarial value of assets.
 ***** For 1992 and 1993 the Aggregate Cost Method was used; comparable information for these years is not available.

ANALYSIS OF FINANCIAL EXPERIENCE

(Source: 2000 Actuarial Report)

**GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 1995 – 1999
RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE**

<u>Elements of Experience</u>	<u>\$ Gain or (Loss) For Year</u>				
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Investment Return	\$ (7,834,000)	\$ (825,000)	\$16,693,000	\$ 57,642,000	\$ (24,490,613)
Salary Increases	(8,908,000)	(6,223,000)	3,099,000	(8,544,000)	3,597,488
Retirements	1,646,000	(1,307,000)	2,982,000	(577,000)	463,510
Mortality	(379,000)	(861,000)	(1,457,000)	139,000	1,003,550
Disability	(302,000)	(287,000)	(388,000)	(445,000)	(1,024,032)
Turnover	(1,314,000)	(1,792,000)	(2,817,000)	(2,344,000)	878,868
New Members	(2,128,000)	(1,855,000)	(2,137,000)	(2,262,000)	(2,464,878)
Leaves, Transfers, Etc.	<u>(2,021,000)</u>	<u>(1,476,000)</u>	<u>(1,552,000)</u>	<u>(1,236,392)</u>	<u>(7,105,879)</u>
Gain or (Loss) from Financial Experience	(21,240,000)	(14,626,000)	14,423,000	42,392,608	(29,141,986)
Non Recurring Elements:					
Asset Valuation Method	46,310,000	--	--	--	--
COLA	(8,669,000)	--	--	--	--
Assumption Change	--	(329,000)	--	--	--
Plan Amendment	<u>--</u>	<u>(416,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Composite Gain/(Loss) During Year	<u>\$16,401,000</u>	<u>\$(15,371,000)</u>	<u>\$14,423,000</u>	<u>\$ 42,392,608</u>	<u>\$(29,141,986)</u>

EMPLOYER CONTRIBUTION CALCULATION RESULTS FOR 1999 AND 1998
(9.5% MEMBER CONTRIBUTION RATE)
 (Source: 2000 Actuarial Report)

	<u>1999</u>	<u>1998</u>
A. Present Value of Future Benefits	\$1,037,003,057	\$984,663,576
B. Actuarial Asset Value	766,189,353	740,257,038
C. Present Value of Future Member Contributions	59,613,944	59,493,226
D. Unfunded Actuarial Accrued Liability	160,832,538	134,818,649
E. Present Value of Future Normal Costs (A-B-C-D)	50,367,222	50,094,663
F. Present Value of Future Payrolls	815,317,913	813,240,597
G. Normal Cost as a Percentage of Payroll (E/F)	6.178%	6.160%
H. Current Payroll of Active Members *	108,572,471	108,719,084
I. Total Normal Cost - Beginning of Year	N/A	N/A
J. City Normal Cost - Beginning of Year (G x H)	6,707,607	6,697,096
K. 30-Year Amortization of (D), from 1/1/95 (25 years remaining)	13,950,552	11,547,857
L. Total City Contribution (J + K)	20,658,159	18,244,953

* For Members under Expected Retirement Age.

**ACTIVE MEMBERSHIP DATA
FOR THE EIGHT YEARS ENDED DECEMBER 31, 1999
(Source: 2000 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> -%-
12/31/92*	3,641	3.3	91,616,185	25,162	3.5
12/31/93	3,706	1.8	94,471,936	25,492	1.3
12/31/94	3,917	5.7	100,596,231	25,682	0.7
12/31/95	3,934	0.4	104,601,384	26,589	3.5
12/31/96	3,962	0.7	109,658,886	27,678	4.1
12/31/97	4,015	1.3	114,102,750	28,419	2.7
12/31/98	4,012	(0.1)	118,742,991	29,597	4.1
12/31/99	3,954	(1.4)	119,251,634	30,160	1.9

*Based on the 1992 report prepared by the previous actuary.

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE EIGHT YEARS ENDED DECEMBER 31, 1999
(Source: 2000 Actuarial Report)**

<u>Valuation Date</u>	<u>Number of Annuitants*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Percentage Change in Membership</u> -%-	<u>Annual Annuities</u> -\$-	<u>Percentage Change in Annuities</u> -%-
12/31/92**	1,581	N/A	N/A	9.0	24,579,173	8.6
12/31/93	1,647	N/A	N/A	4.2	26,122,418	6.3
12/31/94	1,727	151	71	4.9	27,752,170	6.2
12/31/95	1,827	119	19	5.8	30,545,204	10.1
12/31/96	1,926	138	39	5.4	32,676,514	7.0
12/31/97	1,999	105	32	3.8	34,823,622	6.6
12/31/98	2,089	154	64	4.5	37,506,535	7.7
12/31/99	2,244	214	59	7.4	41,849,149	11.6

*Including DROP participants.

**Based on the 1992 report prepared by the previous actuary.

TOTAL MEMBERSHIP DATA
(Source: 2000 Actuarial Report)

Actives:

	1999		1998	
	<u>Count</u>	<u>Average Salary</u>	<u>Count</u>	<u>Average Salary</u>
BREC	193	\$24,255	192	\$23,588
Regular	2,622	27,246	2,680	26,705
Fire	527	35,912	565	34,491
Police	612	39,553	575	40,275
Total	3,954	\$30,160	4,012	\$29,597

Annuitants:

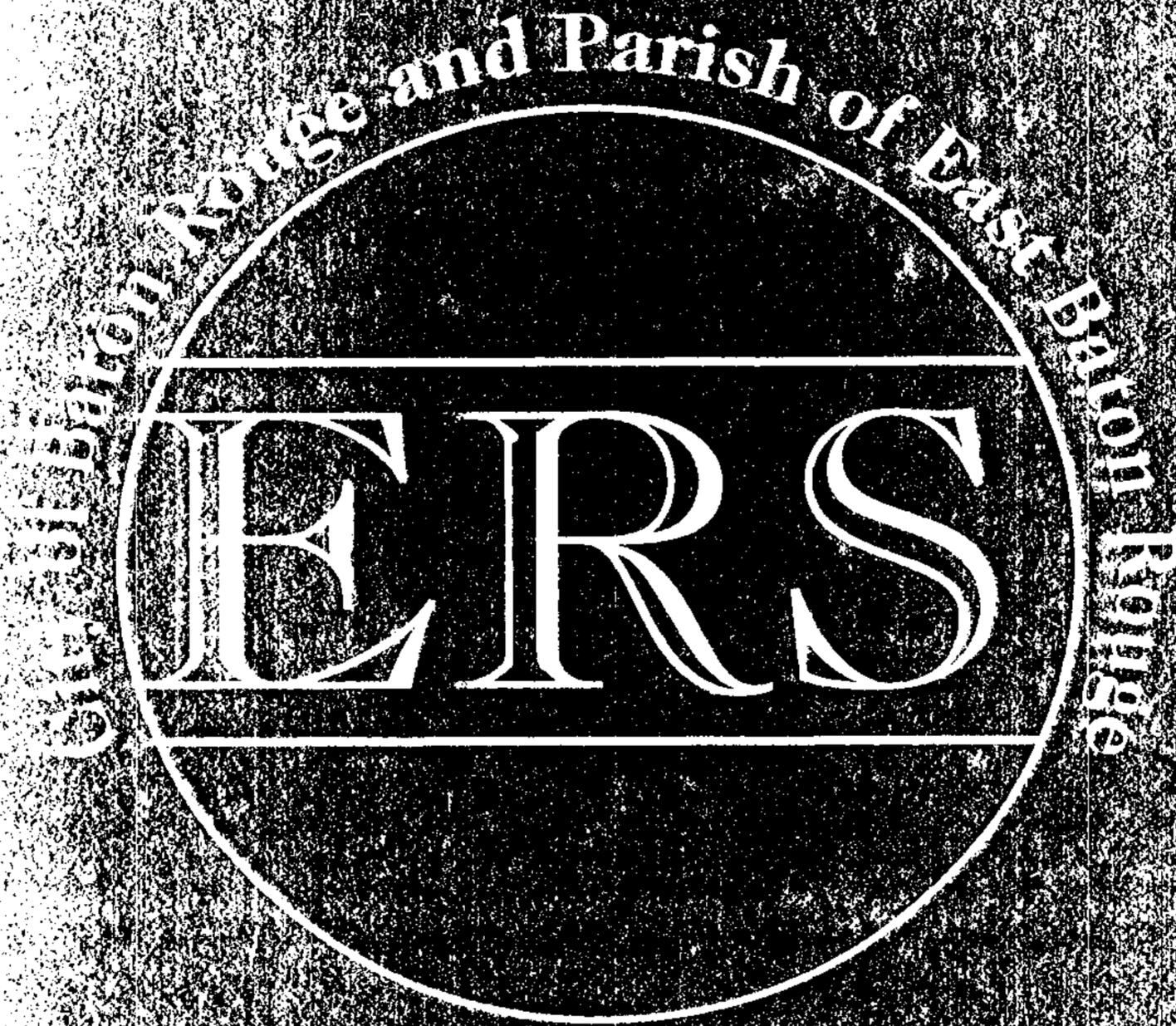
	1999		1998	
	<u>Count</u>	<u>Average Annuity</u>	<u>Count</u>	<u>Average Annuity</u>
Retirees and Survivors	1,775	\$16,757	1,665	\$16,327
Disabilities	150	11,385	140	10,948
DROP	319	32,598	284	30,948
Total	2,244	\$18,649	2,089	\$17,594

Inactive members:

	1999		1998	
	<u>Count</u>	<u>Average Deferred Annuity</u>	<u>Count</u>	<u>Average Deferred Annuity</u>
Deferred vested	29	\$9,886	28	\$10,202

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statistical section



City of Baton Rouge and Parish of East Baton Rouge
Employees Retirement System

comprehensive annual financial report



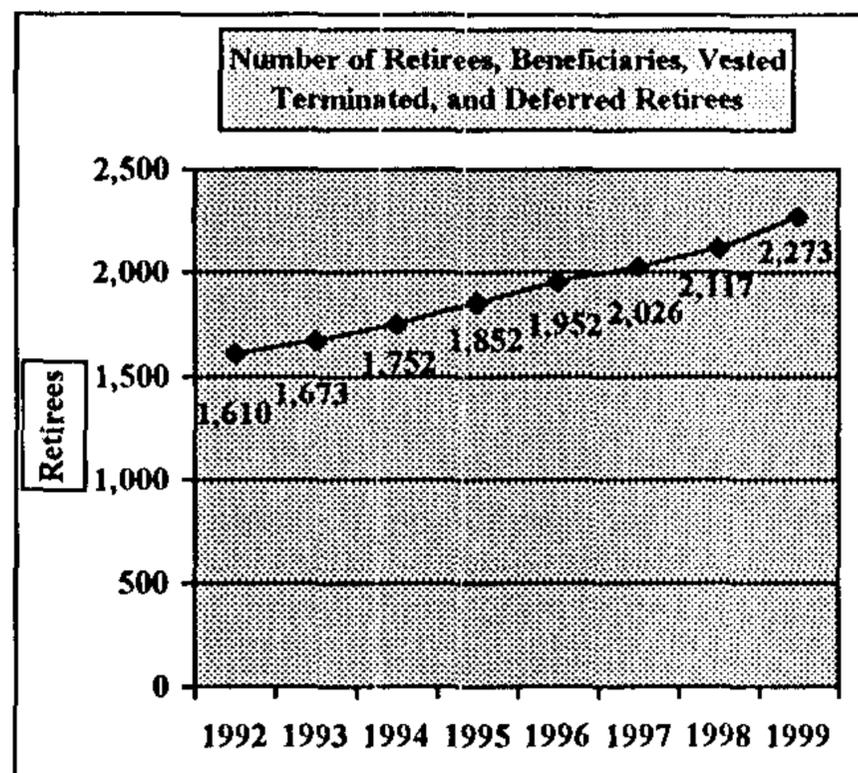
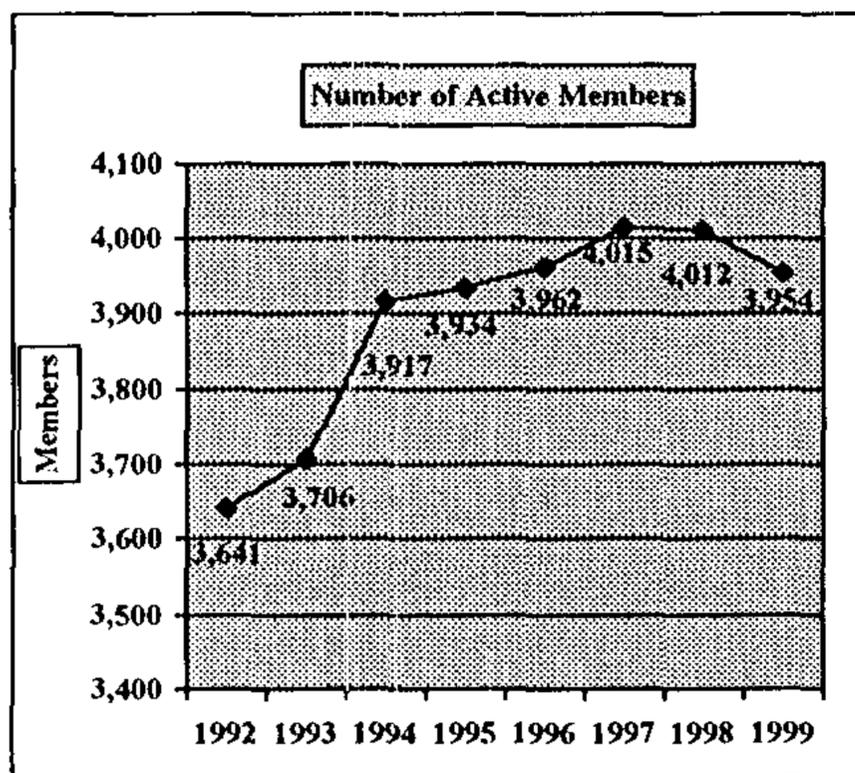
EIGHT-YEAR INFORMATION ON SELECTED DATA

NUMBER OF ACTIVE MEMBERS

<u>Fiscal Year</u>	<u>Members</u>	<u>% Increase Each Year</u>
1992	3,641	
1993	3,706	1.8%
1994	3,917	5.7%
1995	3,934	0.4%
1996	3,962	0.7%
1997	4,015	1.3%
1998	4,012	(0.07%)
1999	3,954	(1.4%)

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

<u>Fiscal Year</u>	<u>Retirees</u>	<u>% Increase Each Year</u>
1992	1,610	
1993	1,673	3.9%
1994	1,752	4.7%
1995	1,852	5.7%
1996	1,952	5.4%
1997	2,026	3.8%
1998	2,117	4.5%
1999	2,273	7.4%



EIGHT-YEAR INFORMATION ON SELECTED DATA**NUMBER OF SERVICE RETIREES AND
BENEFIT EXPENSES**

<u>Fiscal Year</u>	<u>Service Retirees</u>	<u>Benefit Expenses</u>
1992	1,296	\$19,349,655
1993	1,392	20,555,763
1994	1,467	22,037,111
1995	1,502	23,388,121
1996	1,657	25,187,004
1997	1,723	27,065,377
1998	1,811	28,752,074
1999	1,925	31,027,600

**NUMBER OF DEFERRED RETIREMENTS AND
BENEFIT EXPENSES**

<u>Fiscal Year</u>	<u>Deferred Retirement</u>	<u>Benefit Expenses</u>
1992	285	\$ 2,785,255
1993	275	2,619,249
1994	337	3,026,779
1995	360	5,214,481
1996	444	5,479,425
1997 *	355	17,722,183
1998	382	8,025,626
1999	400	9,390,136

* Rollovers related to deferred retirement accounts were \$10,581,429 in 1997, which was the first year of rollover eligibility.

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

<u>Fiscal Year</u>	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u>
1998	2	\$ 13,101
1999	4	33,596

EIGHT-YEAR INFORMATION ON SELECTED DATA**AVERAGE MONTHLY SERVICE RETIREE BENEFIT**

<u>Fiscal Year</u>	<u>Average Monthly Benefit</u>	<u>% Increase Each Year</u>
1992	\$1,244	
1993	1,231	(1.05%)
1994	1,252	1.71%
1995	1,298	3.67%
1996	1,267	(2.39%)
1997	1,309	3.31%
1998	1,323	1.07%
1999	1,343	1.51%

AVERAGE MONTHLY DEFERRED RETIREMENT BENEFIT

<u>Fiscal Year</u>	<u>Average Monthly Benefit</u>	<u>% Increase Each Year</u>
1992	\$ 814	
1993	794	(2.46%)
1994	748	(5.79%)
1995	1,207	61.36%
1996	1,208	0.08%
1997	4,160	244.37% *
1998	1,751	(57.91%)
1999	1,956	11.71%

* Includes rollover amounts related to deferred retirement accounts in 1997, which was the first year of rollover eligibility.

NUMBER OF REFUNDS OF CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Number of Refunds</u>	<u>% Increase Each Year</u>
1992	251	
1993	248	(1.20%)
1994	235	(5.24%)
1995	273	16.17%
1996	298	9.16%
1997	261	(12.42%)
1998	225	(13.80%)
1999	306	36.00%

EIGHT-YEAR INFORMATION ON SELECTED DATA

NUMBER OF ADMINISTRATIVE STAFF POSITIONS

<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
1992	10	
1993	11	10.00%
1994	10	(9.09%)
1995	11	10.00%
1996	11	0.00%
1997	12	9.09%
1998	12	0.00%
1999	12	0.00%

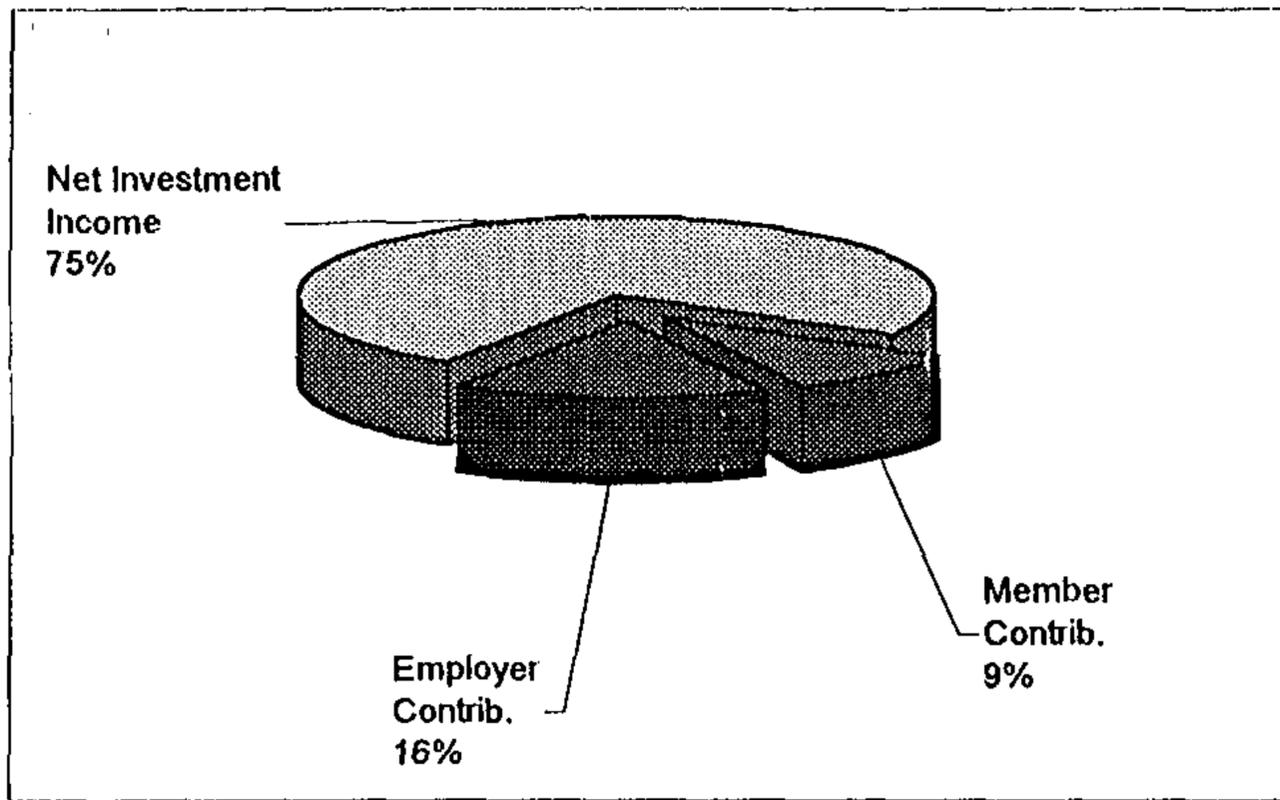
REVENUES BY SOURCE

<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Total</u>
1992	\$7,631,349	\$12,096,356	\$ 37,418,586	\$ 57,146,291
1993	7,979,402	12,521,766	45,938,522	66,439,690
1994	8,071,425	12,559,091	8,078,771	28,709,287
1995	8,751,553	14,276,717	107,562,578	130,590,848
1996	9,033,167	16,219,697	56,162,936	81,415,800
1997	9,645,590	18,405,695	101,484,199	129,535,484
1998	11,632,339	20,120,542	89,345,159	121,098,040
1999	11,776,623	20,334,067	93,398,150	125,508,840

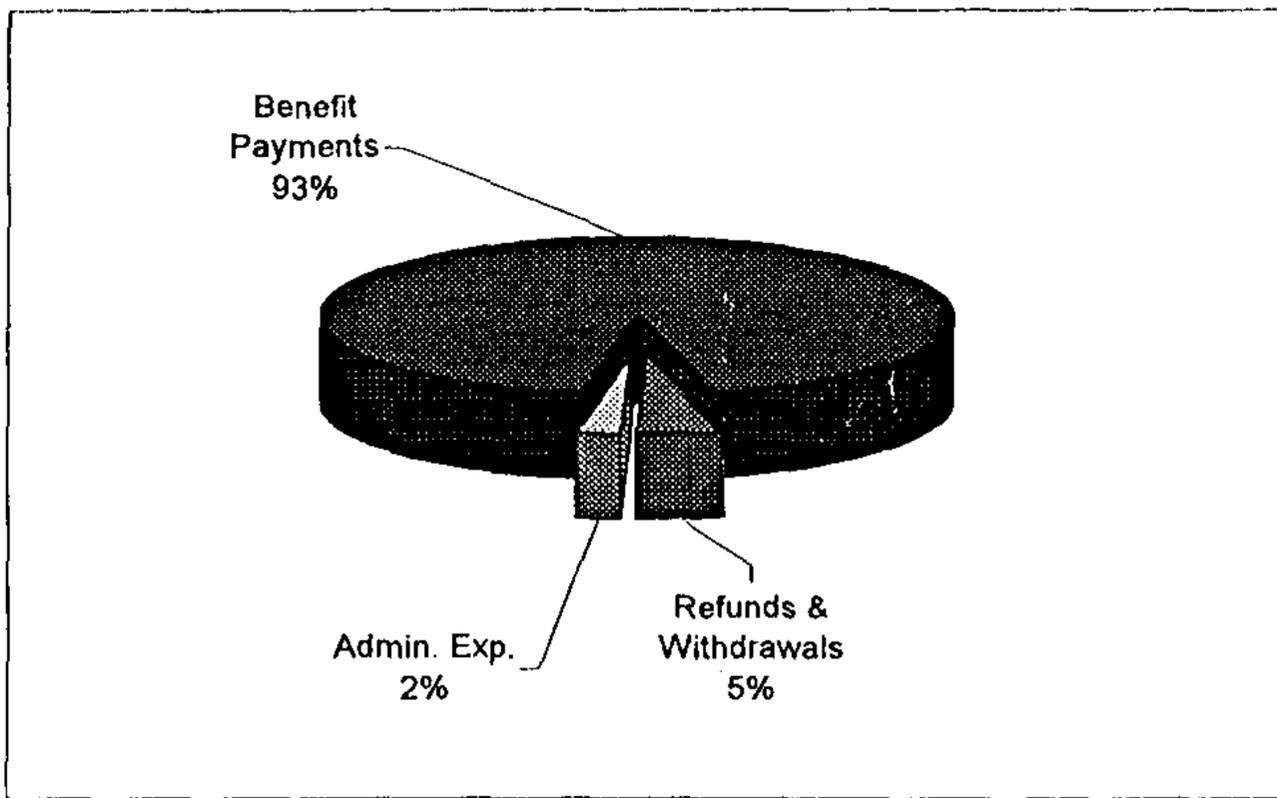
EXPENSES BY TYPE

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Refunds and Withdrawals</u>	<u>Administrative Expenses</u>	<u>Total</u>
1992	\$22,134,910	\$1,315,215	\$598,133	\$24,048,258
1993	23,175,012	1,372,805	739,135	25,286,952
1994	25,063,890	1,094,799	744,448	26,903,137
1995	28,602,602	1,724,025	791,387	31,118,014
1996	30,666,429	1,815,573	877,475	33,359,477
1997	44,787,560	1,487,729	1,020,585	47,295,874
1998	37,095,474	1,493,287	1,015,699	39,604,460
1999	40,759,659	2,012,039	944,577	43,716,275

CPERS' REVENUE BY SOURCE FOR 1999



CPERS' EXPENSES BY TYPE FOR 1999



SCHEDULE OF PARTICIPATING EMPLOYERS

City of Baton Rouge and Parish of East Baton Rouge

District Attorney of the Nineteenth Judicial District

Nineteenth Judicial District Court

East Baton Rouge Parish Family Court

East Baton Rouge Parish Juvenile Court

St. George Fire Protection District

Brownsfield Fire Protection District

Central Fire Protection District

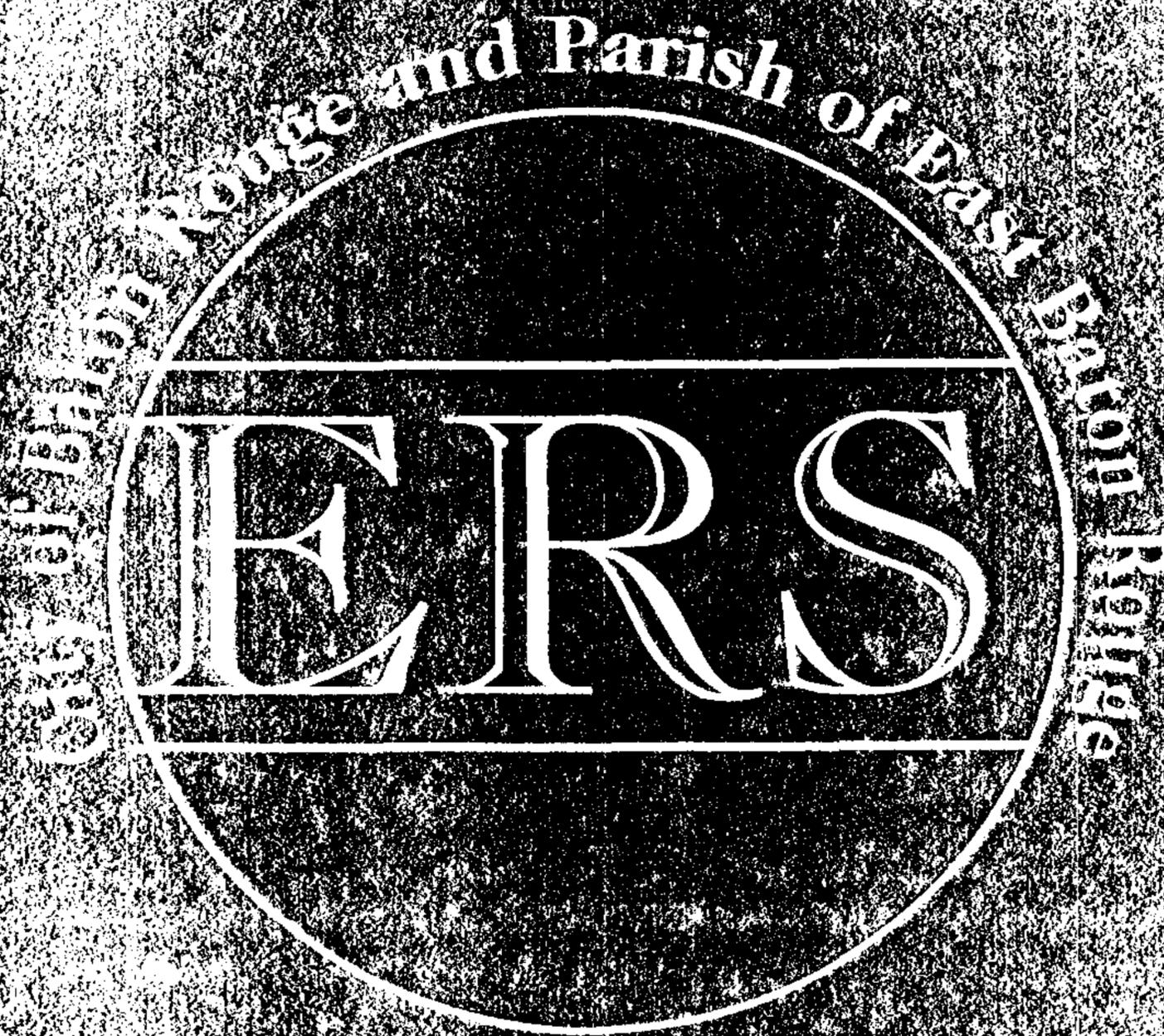
East Baton Rouge Parish Fire Protection District No. 6

Eastside Fire Protection District

East Baton Rouge Recreation And Park Commission (BREC)

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**alternative
retirement plans**



City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System

comprehensive annual financial report



DEFERRED RETIREMENT OPTION PLAN

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 retirement allowance, 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 have attained 25 years of creditable service and not more than 30 years of creditable service (for those entering after July 1, 1991).

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 in the System, equals 32. 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.

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 either the long-term or short-term earnings rate. The long-term rate is the percentage rate certified by the actuary less one annual percentage point (100 basis points); whereas the short-term rate is equal to the percentage rate less two annual percentage points (200 basis points). Eligible members receive either the long-term or short-term rate based on certain criteria. The long-term rate applies if the member's withdrawals during an annual period do not exceed twenty

(20) percent of the balance of the account at the beginning of the annual period. The long-term rate also applies to accounts with a beginning of period balance of \$10,000 or less. The short-term rate applies to all accounts for which the member withdraws more than twenty (20) percent of the beginning of period balance.

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.

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.



Employees' Retirement System

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