2018 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2018

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

**EMPLOYEES' RETIREMENT SYSTEM OF THE
CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, LOUISIANA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR

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

COVER AND DIVIDER DESIGN BY:
**STAN DARK CREATIVE
BATON ROUGE, LOUISIANA
www.standarkcreative.com**

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

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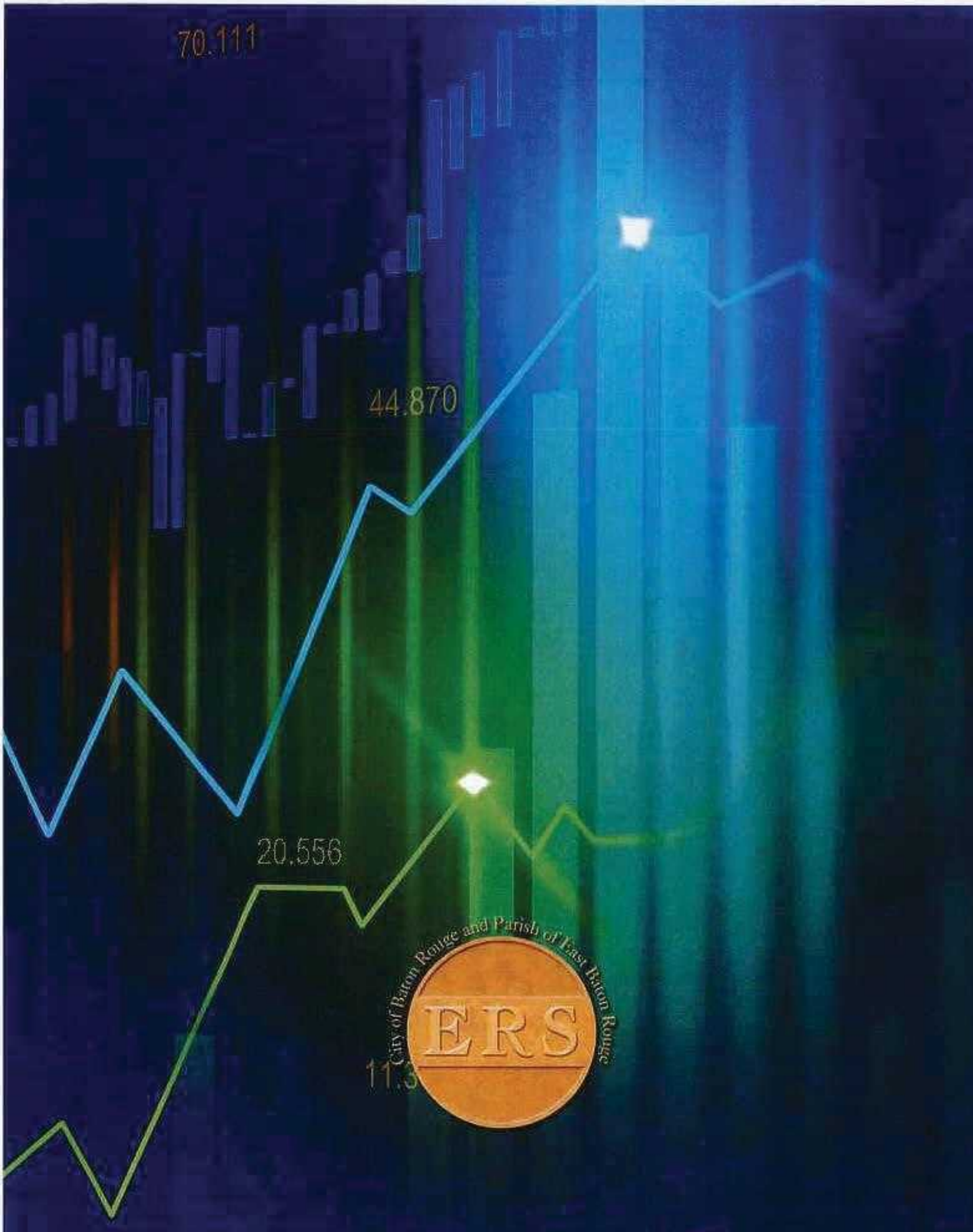

Introductory Section

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

CP Employees'
Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Employees' Retirement System

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Parish of East Baton Rouge

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LETTER OF TRANSMITTAL

June 21, 2019

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

Dear Retirement Board Members:

It is a pleasure to again submit to you the Comprehensive Annual Financial Report (CAFR) for the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the Retirement System, or System) for the fiscal year ended December 31, 2018. The CAFR is submitted in accordance with Section 1:253 of the Retirement Ordinances, which requires an annual audit report. This section specifically mandates that the Board of Trustees shall have prepared and submitted annually to the Metropolitan Council, an audit report by an independent firm of certified public accountants.

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

As in past years, the format for the Comprehensive Annual Financial Report reflects separate disclosures in appropriate sections relative to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) original trust and the Police Guarantee Trust (PGT). The 2018 CAFR is divided into the following seven sections:

- The Introductory Section contains the letter of transmittal, a listing of the members of the Retirement Board of Trustees, a listing of the administrative staff and professional consultants, the Retirement System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, legislative changes, and an overall plan summary.
- The Financial Section is composed of the Independent Auditors' Report, the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Management's Discussion and Analysis, the System's Financial Statements, and Notes to the Financial Statements, followed by Required Supplementary Information and Supporting Schedules.
- The Investment Section is comprised of the Investment Consultant's Report on Investment Activity, the Statement of Investment Policies and Objectives, Investment Summary, charts showing the actual and target asset allocations, List of Investments, Investment Performance Measurements, Annual Rates of Return, Schedule of Investment Fees and a Schedule of Commissions Paid to Brokers.
- The Actuarial Section for the CPERS trust sets forth information applicable to the City-Parish Employees' Retirement System CPERS trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a schedule of funding progress, a summary of actuarial accrued liabilities covered by actuarial value of assets, an analysis of actuarial gains and losses, active and retiree membership data, and other pertinent actuarial data.

- The Actuarial Section for the Police Guarantee Trust (PGT) is applicable only to the Police Guarantee Trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a schedule of funding progress, a summary of actuarial accrued liabilities covered by actuarial value of assets, and active and retiree membership data.
- The Statistical Section displays data sources, assumptions and methodologies, trend information on selected data such as active, DROP, and retired members, amounts of benefits paid, System revenues and expenses, various statistical graphs, and a list of member employers that remit contributions to the Retirement System.
- The last section, Alternative Retirement Plans, contains information on the Retirement System's two additional alternative retirement plans: the Deferred Retirement Option Plan (DROP) and the Excess Benefit Plan.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

DEFINITION AND PURPOSE OF ENTITY

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

MAJOR INITIATIVES

Relative to investments, the CPERS Board contracted with Aberdeen Standard Investments for their Aberdeen U.S. Private Equity VII Fund, and committed $12 million to the fund. This was the sixth installment of private equity for CPERS as it follows the schedule designed by the investment consultant to invest 5 percent of the system's assets in private markets. This is being done over a period of six to eight years with commitments to various funds with differing investment opportunity emphasis such as secondaries, venture capital, buyout, special situations, etc. Another commitment is planned for 2019.

The System's investment consultant, Summit Strategies Group, was acquired by Mercer during October of 2018, and because Mercer does not do full consulting for public plans, the System was forced to begin a search process for a new consultant. AndCo agreed to serve as consultant in the interim while CPERS' Board of Trustees embarked on a Request-For-Proposal (RFP) process, with the assistance of an independent third party which specialized in these types of searches. In early 2019 the Board heard presentations from 3 finalists, and chose Wilshire Consulting. Unable to successfully negotiate a consulting contract with Wilshire, the Board subsequently passed a motion to contract with AndCo.

On the recommendation of the System's actuary, the Board passed motions to change the Police Guarantee Trust's amortization of accrued liability from a 15-year period to a 4-year period, and to lower the expected investment rate of return from 7.25% to 5.75%. Because the PGT is a closed system, and because of the more defensive posture of the PGT asset allocation, the Board believed these changes more properly reflected the liabilities and funding level of the PGT.

CPERS paid out its twelfth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2018. It was again necessary to continue the scaled-back amounts established in 2012 in order to make meaningful distributions to qualifying retirees. The aggregate amount paid to 2,469 retirees totaled $1.35 million, and no recipient received less than $450. Future declarations and payments of the SBP will depend on availability of funds from excess investment revenues, ad-valorem tax receipts, and differentials in the annual Retirement Benefit Adjustment payments.

SERVICE EFFORTS AND ACCOMPLISHMENTS

CPERS continues to concentrate its efforts in providing the highest level of member service possible to both active and retired members. For CPERS, communication and service have always been the key elements to being successful. Increased awareness through improved communication, and technological advances have afforded us the opportunity and capability of continually providing more accurate and timely services such as the issuance of retirement benefit payments, electronic funds transfers, DROP distributions, DROP and contribution tax-deferred rollovers, supplemental funding of DROP accounts, Excess Benefit Plan payments, Supplemental Benefit Payments, refunds of member contributions, member counseling, retiree payroll-related changes, online access to DROP balances and account activity, and many more. Federal, state, and local laws affecting pensions frequently change, and CPERS must often change policies and procedures to accommodate the requirements of these laws.

As expected, payments to retirees, survivors, and beneficiaries continue to increase, and in 2018 the System paid out $83.9 million in regular monthly benefits compared to $80.7 million in 2017; an increase of 4.0%. Distributions of $21.3 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to $17.8 million in 2017. This represented an increase of 19.7%. Combined, CPERS and PGT paid out $105.2 million to eligible retirees, survivors, and beneficiaries during the year, exclusive of separation benefits. Compared to $98.5 million paid out in 2017, total benefits paid increased by 6.8%.

The average monthly benefit of CPERS retirees continued to increase as both salaries and the number of retirements increased. For 2018, retirees drew an average monthly benefit of $2,052, which represented an increase of 1.8% over the 2017 average of $2,015. For CPERS, the average monthly withdrawal for DROP funds was $1,253, a notable increase of 11.9% from 2017's average of $1,120. The DROP interest rate was set at 7.7 percent, which helped encourage members to keep DROP funds on deposit. DROP withdrawals for CPERS included approximately $746,000 in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2018, refunds were issued to 210 members who terminated employment, and to beneficiaries of deceased members, compared to 237 issued during 2017. 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 134 CPERS members retired during 2018, which represented an increase from the 126 who retired in 2017. A total of 99 CPERS members entered DROP during 2018 compared to 94 during 2017.

INTERNAL CONTROL

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

ACCOUNTING SYSTEM

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

FUNDING

The funding requirements for the Retirement System are determined by the Retirement System's actuary through a required annual actuarial valuation. Required contributions are broken down between normal cost and amortization of unfunded accrued liability and then stated as a percentage of total system payroll.

Contributions from members remained at 9.5 percent during 2018 in conformance with the requirement of the Retirement Ordinances, which state that the employee contribution rate be set at 50 percent of the maximum employer contribution rate, not to exceed 9.5 percent. A blended employer contribution rate of 33.10 percent produced 2018 General Fund and non-General Fund/Other Employer contribution rates of 30.84 percent and 35.49 percent respectively.

CPERS maintains its goal of becoming a fully funded public employees' retirement system through collecting required retirement contributions, steady growth of the investment markets, and meeting investment performance objectives. CPERS' 2018 gross investment performance of -5.40 percent was disappointing, especially when compared to 2017's exceptional performance of 16.71 percent. In accordance with the new standards of GASB 67 *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25,* CPERS' net position as a percent of the total pension liability decreased to 59.36 percent when comparing the plan fiduciary net position to the total pension liability. The comparable number for 2017 was 68.80 percent. For the Police Guarantee Trust, when comparing the plan fiduciary net position to the total pension liability, the net position as a percent of the total pension liability for 2018 was 32.50 percent as compared to 2017 when it was 40.81 percent. The City-Parish, as plan sponsor, is ultimately responsible for funding the PGT.

CASH MANAGEMENT

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

INVESTMENTS

The investments of the Retirement System are described in the Statement of Investment Policies and Objectives as shown in summary on pages 75 through 79. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. Studies show that the most influential tool used by the Board to achieve maximum investment performance is that of asset allocation. With guidance from its investment consultant, the Board has adopted a policy, which currently includes investments in large and small-cap domestic equities, international equities, emerging markets equities, core, core-plus, and unconstrained fixed-income securities, real estate, short-term cash, hedge fund of funds, private equity, risk parity, and master limited partnerships. Within some of these allocations, both value and growth equity biases are utilized over both large and small capitalization stocks. Charts with the current asset allocations are shown on pages 80 through 82. During 2018, the System retained relationships with 22 of its investment managers, including an allocation to another private equity manager. The performances of all the managers are measured against predetermined universally recognized indices (benchmarks) as recommended by the investment consultant. The System continues to rebalance the allocation of its portfolio to counter fair value changes that occur through fair value appreciation and depreciation, thereby ensuring that the asset mix remains within acceptable parameters and the portfolio remains true to the targeted asset allocation. As a separate legal trust, the PGT uses its own asset allocation, which closely as possible resembles that of the original CPERS trust, however, because the PGT is a closed system, the portfolio is more conservatively invested and with greater liquidity. Separate investment reports are issued for the PGT showing performance as measured against standard benchmarks. Investment performance for the two trusts is measured separately and the assets for both are maintained separately. Investment return for CPERS' assets, gross of investment fees for 2018 was -5.40 percent with the three-year, and five-year returns being 6.23 percent and 4.68 percent respectively. For the PGT, the 2018 gross investment return was -5.21 percent, with the three-year and five-year returns being 4.82 percent and 3.48 percent respectively. A summary of the largest investment holdings in non-pooled accounts can be found on page 83.

INDEPENDENT AUDIT

Each year, independent auditors perform a financial audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*. As part of their audit, the internal control structure of the Retirement System is considered. For the 2018 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letter can be found in the Financial Section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. This was the twenty-first consecutive year that CPERS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Thanks also go to the Retirement Office staff for their continued efforts in making the 2018 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it continues to be. While continuing to perform their regular duties in the most professional manner, they were dedicated to gathering data, inputting and typing, proofing and assembling this document. This is the twenty-second CAFR prepared by the Retirement Office for submission to the GFOA, and we are confident that it will again be found deserving of the Certificate of Achievement for Excellence in Financial Reporting.

Jeffrey R. Yates, CPA
Retirement Administrator

Russell P. Smith, CPA
Assistant Retirement Administrator

2018
RETIREMENT BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

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

Russell P. Smith, C.P.A.
Assistant Retirement Administrator

Kyle Drago
Retirement Financial Manager

Mark Williams
Retirement Benefits Manager

Linda Verbois
Senior Administrative Specialist

Jeffrey Lagarde, C.P.A.
Chief Financial Analyst

Katherine Wesley
Financial Analyst

Marshall Reilly
Financial Analyst

Rae Labat
Financial Analyst

Salli Withers
Senior Retirement Analyst

Ana Paula Oby
Senior Retirement Analyst

Rebecca Delaughter
Retirement Analyst

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13420 Parker Commons Blvd., Suite 104
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AUDITOR
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INTERIM INVESTMENT CONSULTANT
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IT CONSULTANT
Relational Systems Consultants
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Lafayette, LA 70508

COST ANALYSIS CONSULTANT
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Tallahassee, FL 32311

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Western Asset Management Company
385 East Colorado Boulevard
Pasadena, CA 91101

Fidelity Institutional Asset Management
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Smithfield, RI 02917

DOMESTIC EQUITY
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San Francisco, CA 94105

INTECH
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Hood River Capital Management, LLC
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Dimensional Fund Advisors, Inc.
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Toronto, Ontario, Canada, M5H 3M7

Segall Bryant & Hamill
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Highclere International Investors
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Westport, CT 06880

Gryphon International Investment Corporation
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PRIVATE EQUITY
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Stamford, CT 06902

MASTER LIMITED PARTNERSHIPS
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Wayne, PA 19087

HEDGE FUND OF FUNDS
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New York, NY 10166

RISK PARITY
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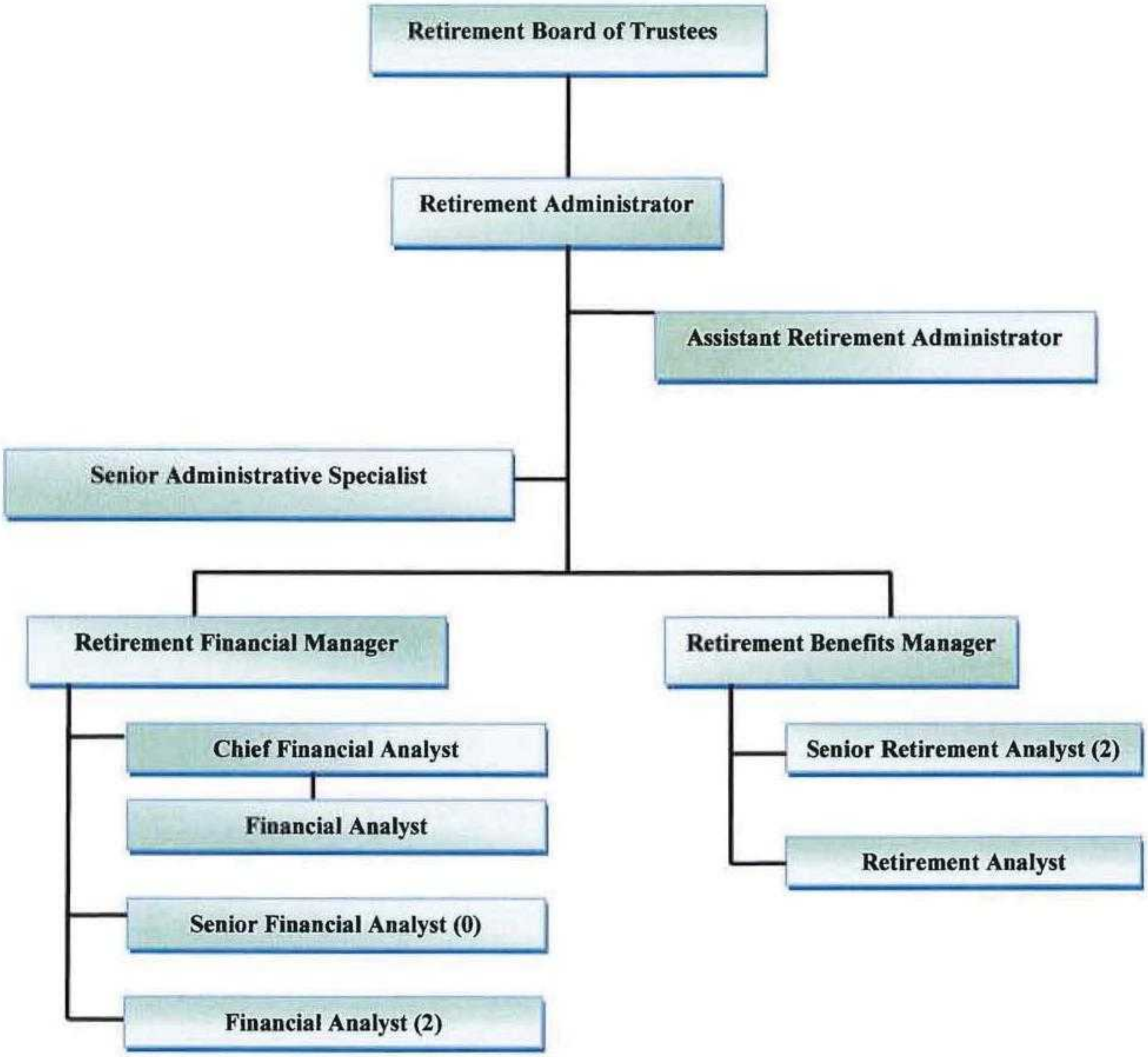
New York, New York 10055

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

RETIREMENT SYSTEM
ORGANIZATIONAL CHART



Student Interns (2)

See pages 12 and 13 for specific information regarding investment professionals. A schedule of commissions paid to brokers can be found on page 91 in the Investment Section of this CAFR.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baton Rouge & Parish

of East Baton Rouge Employees'

Retirement System, Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

PLAN SUMMARY

SERVICE RETIREMENT ALLOWANCES

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

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

- **For members hired prior to September 1, 2015**, 20 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service less a 3% penalty on the total retirement allowance for each year the member's age at retirement is under 55;

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

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

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

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

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

OPTIONAL RETIREMENT ALLOWANCES

- Member may elect a reduced retirement allowance and designate any person to receive the balance of his member contributions in the event member dies before receiving retirement benefits exceeding the amount of his member contributions as of the date of his retirement.

- Member may elect a reduced retirement allowance and designate any person or persons to receive a survivor's benefit certified by the retirement system actuary to be of equivalent actuarial value.

DISABILITY RETIREMENT ALLOWANCES

- Ordinary disability, minimum 10 years of service required, minimum 50% of average compensation; additional 2.5% of average compensation for each year of service in excess of 20 years.

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

SURVIVOR BENEFITS

- The surviving spouse of a contributing member eligible for retirement, or who has at least 20 years of service, receives an actuarially computed benefit for life; or a refund of member contributions.

PLAN SUMMARY (CONTINUED)

- The surviving spouse of a contributing member not eligible for retirement receives a monthly benefit of $600 for life or until remarriage, whichever occurs first; or a refund of member contributions limited to the amount remaining after the payment of minor child or unmarried dependent parent benefits, if any.

- **For members hired prior to September 1, 2015,** the surviving spouse of a service retiree or a service-connected disability retiree receives a monthly benefit of 50% of the service retiree or service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the retiree on his date of service retirement or (2) legally married to the retiree for at least 2 years prior to the retiree's death.

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

- **For members hired prior to September 1, 2015,** the surviving spouse of a DROP participant receives a monthly benefit of 50% of the DROP participant benefit for life, provided that the surviving spouse was either (1) legally married to the DROP participant on the effective date of his DROP participation or (2) legally married to the DROP participant for at least 2 years prior to the DROP participant's death.

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

- Minor child or children of contributing member receive a monthly benefit of $150 per child until age 18, maximum benefit of $300 if survived by 2 or more.

DEFERRED RETIREMENT OPTION PLAN (DROP)

- **For members hired prior to September 1, 2015,** member must have not less than 25 or more than 30 years of service, regardless of age, to be eligible for up to 5 year participation, or combined service and DROP participation not exceeding 32 years, whichever is less.

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

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

  For members hired on or after September 1, 2015, member with at least 10 years, but less than 25 years of service, and are age 60 for non-public safety members or age 55 for public safety are eligible for up to 3 year participation.

- Members may participate in DROP only once and are prohibited from becoming a contributing member of the system after participation.

- For DROP participants prior to July 1, 1991 who do not terminate employment at the end of participation, interest earnings on the account are discontinued until termination of employment, and no funds are payable from the account until such termination.

- For DROP participants on or after July 1, 1991 who do not terminate employment at the end of participation, all interest earnings that would have been credited during participation are forfeited, and all funds are immediately distributed to the member or rolled tax-deferred to another qualified pension plan at the member's option.

PLAN SUMMARY (CONTINUED)

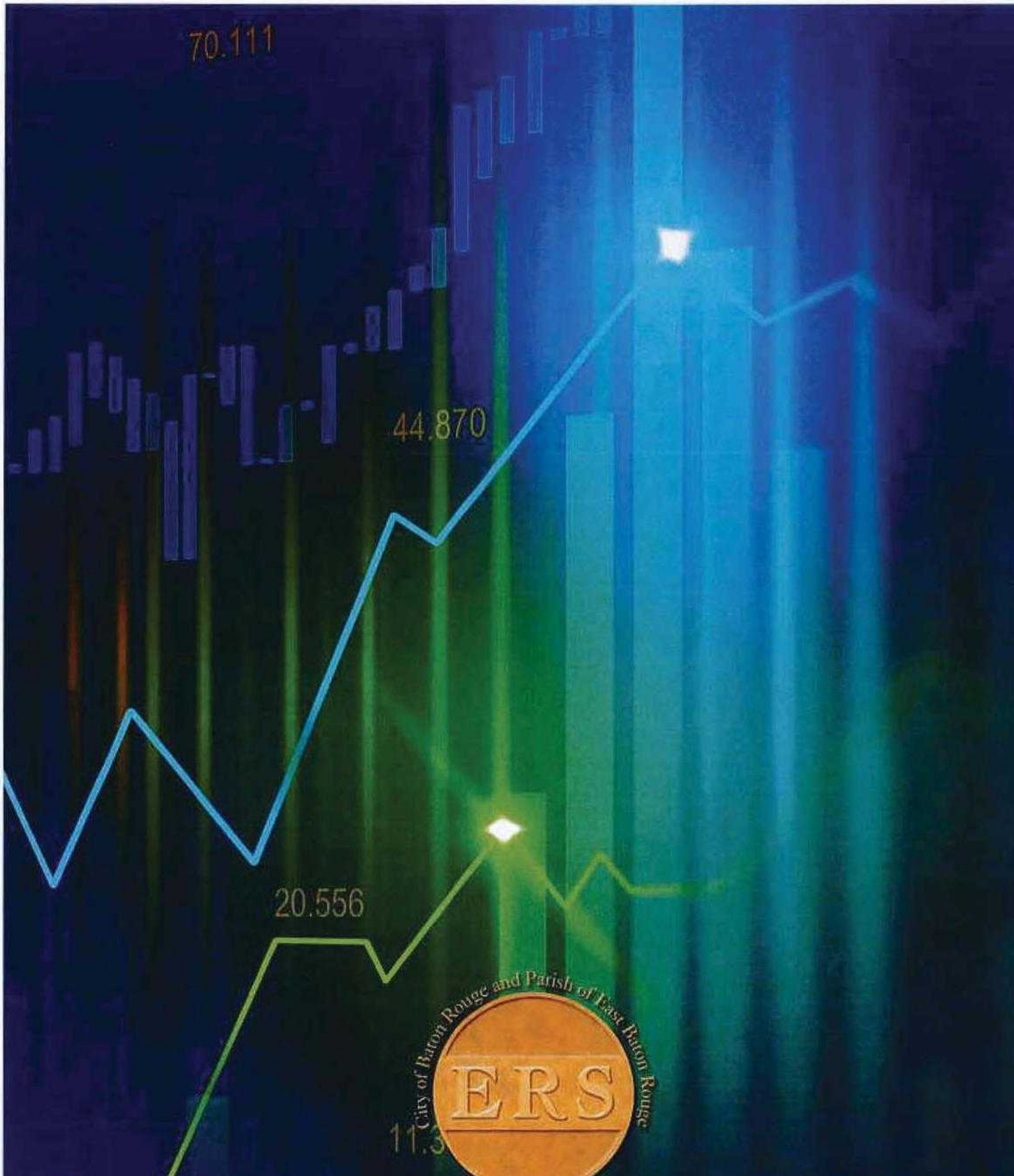
- Upon employment termination, it is mandatory to roll severance/separation pay into an existing DROP account for members who are non-public safety officers age 55 or older, while the members younger than age 55 are given the option to roll the funds into the DROP or another qualified plan, or take receipt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

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), Code Sec. 401 (a) qualified trust, 408 (b) individual retirement annuity, 403(a)&(b) annuity plans, 457 or other qualified plans.

MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

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



Financial Section

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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, which consists of the City-Parish Employees' Retirement System Trust (CPERS Trust) and the Police Guarantee Trust (PGT), collectively referred to as the Retirement System, a component unit of the City of Baton Rouge – Parish of East Baton Rouge, as of and for the year ended December 31, 2018, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System, as of December 31, 2018 and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Retirement System's December 31, 2017, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Changes in Net Pension Liability, Schedules of Employers' Net Pension Liability, Schedule of Investment Returns, and the Schedule of Employer Contributions and related notes listed as Required Supplemental Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Retirement System. The accompanying financial information as listed in the Table of Contents as Schedules of Administrative Expenses, Schedules of Investment Expenses, Schedules of Payments to Consultants, and the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Retirement Administrator are presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying Introductory Section, the financial and explanative information in the Investment Section, the Actuarial Section, the Statistical Section and the Alternative Retirement Plan section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019 on our consideration of the Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement System's internal control over financial reporting and compliance.

Postlethwaite & Netterville
Baton Rouge, Louisiana
June 21, 2019

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, which consists of the City-Parish Employees' Retirement System Trust (CPERS Trust) and the Police Guarantee Trust (PGT), collectively referred to as the Retirement System, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of This Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 21, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Volatility, especially in the fourth quarter, was a key component of investment performance in 2018, after coming off a very strong return in 2017. There were some pockets of positive returns to be found, but the big ticket items such as domestic and international equity and fixed income drove the System's performance into negative territory. Overall performance was a disappointing -5.40%, which slightly outperformed the System's policy index of -5.46%. Domestic equity returned -6.72%, while international equity fell at a -16.13% rate. Fixed income was also negative at -1.10%. Other equity-based strategies stayed negative with Risk Parity yielding -3.96% and Master Limited Partnerships falling at -13.03%. The bright spots could be found in alternative investments with hedge funds yielding 1.30%, real estate yielding a strong 11.32%, and private equity showing a 16.85% internal rate of return. CPERS' asset allocation detracted from performance by 38 basis points while active management contributed 44 basis points to performance. The investments in the Police Guarantee Trust, which are more defensively postured, returned -5.21% for the year.

With a slightly higher number of retirees in 2018, the retirement benefit payments, including DROP withdrawals, increased by 7.4%. Also included in benefit payments was the payment of the twelfth consecutive Supplemental Benefit Payment of $1.35 million. Refunds and withdrawals held fairly steady with only a 2.0% decrease.

Overall, CPERS' funding level at December 31, 2018, using amounts reported in the financial statements, was 59.36% versus the December 31, 2017 level of 68.80%, as measured in accordance with GASB 67 standards. However, on a funding basis, CPERS' funded percentage at December 31, 2018 decreased to 66.60% versus the December 31, 2017 funding level of 67.90%. For the PGT, the 2018 plan fiduciary net position as a percentage of total pension liability decreased to 32.50% from the 2017 level of 40.81% as measured in accordance with GASB 67 standards, using amounts reported in the financial statements. On a funding basis, the 2018 PGT funded level was 36.20% versus the 2017 level of 39.80%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Statement of Fiduciary Net Position – This statement reports the System's assets, liabilities, and resulting fiduciary net position. The original CPERS trust and Police Guarantee Trust are shown both separately and combined. Although not a comparative financial statement per se, it shows the prior year comparative combined totals by line item. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2018 and provides comparative combined totals at December 31, 2017.

Statement of Changes in Fiduciary Net Position – This statement reports the results of operations during the calendar year 2018 with comparative combined totals for 2017, categorically disclosing the additions to and deductions from assets held in trust for pension benefits. The net increase in fiduciary position on this statement supports the change in fiduciary position on the Statement of Fiduciary Net Position. As with prior years' formats, the original CPERS trust and Police Guarantee Trust are shown both separately and combined, and with a column showing the prior year comparative combined totals, although they are not a comparative financial statements by definition.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Note 1 (Plan Description) provides a general description of the Retirement System, including the original CPERS trust and the Police Guarantee Trust. Information is included regarding plan membership, a description of retirement benefits, a description of the Deferred Retirement Option Plan (DROP), and retirement contributions.

- Note 2 (Summary of Significant Accounting Policies) provides information disclosing certain accounting methods and policies used in determining amounts shown on the financial statements. Included in this note is information relative to the basis of accounting, and the determination of estimates, including System investments and property and equipment.

- Note 3 (Cash and Investments) describes System investments and their relationship with the custodian bank. This note includes information regarding the System's cash and investments, use of the custodian's Short Term Investment Fund (STIF), bank balances and their collateralization, fair value disclosures of investments, and types of investment risk and measurement of that risk for the System's investment portfolio.

- Note 4 (Actuarial GASB 67 Disclosures - CPERS) provides detailed data relative to the actuarial status of the original CPERS trust, including pension liability, funded percentage, actuarial assumptions, plan membership, long-term expected rates of return on investments, discount rate, and sensitivity to discount rate changes.

- Note 5 (Actuarial GASB 67 Disclosures - PGT) also provides detailed data relative to the actuarial status of the Police Guarantee Trust fund, including pension liability, funded percentage, actuarial assumptions, plan membership, long-term expected rates of return on investments, discount rate, and sensitivity to discount rate changes.

- Note 6 (Contingencies) provides information relative to any retirement matters being litigated and possibly subjecting the system to some financial exposure.

Required Supplementary Information – The required supplementary information consists of informational schedules and related notes. These schedules show the changes in net pension liability, employers' net pension liability, investment returns, and employer contribution data for the original CPERS trust and the PGT separately. The related notes disclose key actuarial assumptions and methods used in the schedules.

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

CPERS AND PGT FINANCIAL ANALYSIS

The CPERS and PGT trusts provide retirement benefits to essentially all eligible City-Parish employees and employees of other member employers. These benefits are funded through member contributions, employer contributions, and earnings on investments. Total System assets restricted for pensions at December 31, 2018 were $1.086 billion, representing a decrease of $112.5 million, or 9.4% below the $1.198 billion restricted for pensions at December 31, 2017.

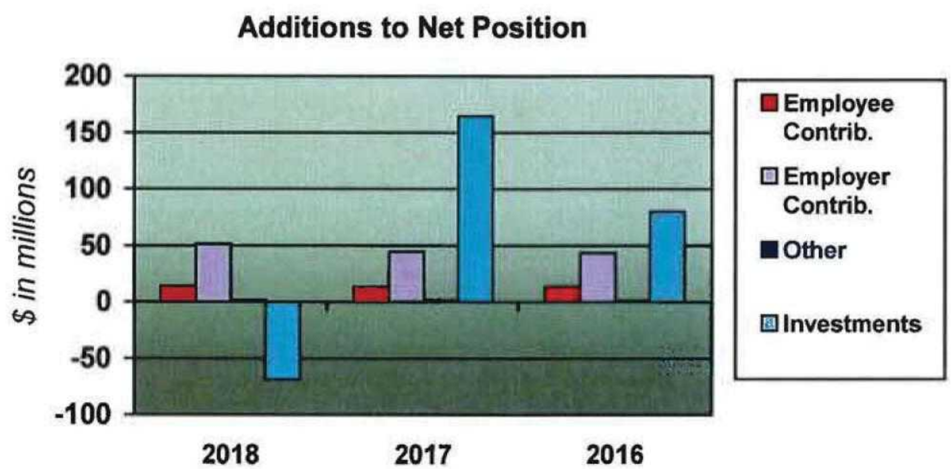
EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2018	2017	2016	2018 Increase (Decrease)	2018 % Change
Cash	$ 13,817,765	$ 16,812,139	$ 13,039,231	$ (2,994,374)	(17.8) %
Receivables	7,338,109	9,093,847	10,587,315	(1,755,738)	(19.3)
Investments (fair value)	1,065,685,573	1,172,963,520	1,055,053,001	(107,277,947)	(9.2)
Capital Assets	553,199	558,735	564,262	(5,536)	(1.0)
Total Assets	1,087,394,646	1,199,428,241	1,079,243,809	(112,033,595)	(9.3)
Total Liabilities	1,894,064	1,428,311	1,613,960	465,753	32.6
Net Position Restricted for Pensions	$1,085,500,581	$1,197,999,930	$1,077,629,849	$ (112,499,349)	(9.4) %

Additions to Net Position Restricted for Pensions

Additions to the Systems' net position restricted for pensions include regular contributions from employees and employers, contributions received from employers for purposes of paying severance pay to employees' DROP accounts, and investment income. Employee contributions, which continued at 9.5% of payroll for both 2018 and 2017, increased by about $836,000 as salaries edged upward and job position vacancies were filled. Employer contributions increased by almost $6.8 million as the required employer contribution rate again increased for 2018, as recommended by the System's actuary. The blended employer contribution rate for 2018 was 33.10% of payroll, while in 2017 the rate was set at 30.40%. Investment performance, typically the most influential element to Net Position, was a very disappointing -5.40% with all the major asset classes performing negatively. In 2018, the System experienced a negative investment appreciation of $62.8 million, compared to 2017's exceptional gain of $170.9 million. In total, 2018 additions to net position restricted for pensions were a negative $1.4 million; a stark contrast when compared to additions of $224.1 million for 2017.



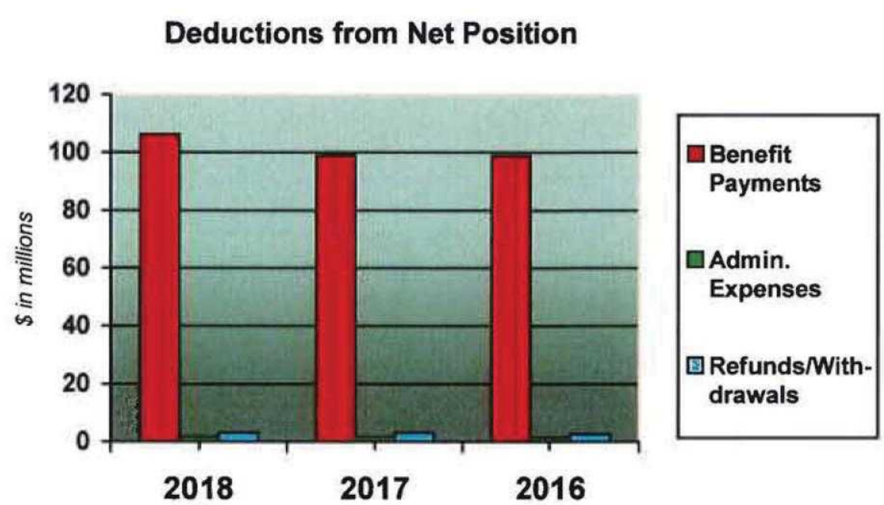
EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Net Position	2018	2017	2016	2018 Increase (Decrease)	2018 % Change
Employee Contributions	$ 14,181,618	$ 13,345,927	$ 13,895,336	$ 835,691	6.3 %
Employer Contributions	50,117,448	43,342,497	42,584,987	6,774,951	15.6
Non-Employer Contributions	1,160,713	1,138,523	1,045,915	22,190	1.95
Net Investment Income (Loss)	(68,754,673)	164,514,524	80,019,428	(233,269,197)	(141.8)
Other	1,845,859	1,799,202	1,343,631	46,657	2.6
Total Additions	$ (1,449,035)	$ 224,140,673	$ 138,889,297	$ (225,589,708)	(100.7) %

Deductions from Net Position Restricted for Pensions

Deductions from the Systems' net position restricted for pensions are comprised primarily of retirement benefit payments to retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses, and refunds and withdrawals of employee contributions. For 2018, benefit payments to retirees, survivors, and beneficiaries totaled $106.3 million, which represented a 7.4% increase from the $99.0 million paid out in 2017. This was primarily due to an increase in retiree requests for DROP withdrawals during the year. The normal monthly payments to pensioners continued to increase, and both the number of pensioners and the average monthly pension payments increased. The Board of Trustees was pleased to pay the twelfth consecutive Supplemental Benefit Payment of $1.35 million to qualifying retirees. The 2018 administrative expenses increased to $1.69 million from $1.63 million in 2017 representing an increase of 3.9%. The increase was the result of routine increases in fees and costs from professional consultants. And finally, refunds and withdrawals of member contributions decreased by 2.0%, totaling $3.1 million in 2018, as compared to $3.2 million in 2017. In total, 2018 deductions to net position restricted for pensions were $111.0 million as compared to deductions of $103.8 million for 2017.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Net Position	2018	2017	2016	2018 Increase (Decrease)	2018 % Change
Benefit Payments	$ 106,258,903	$ 98,977,020	$ 98,761,809	$ 7,281,883	7.4 %
Refunds & Withdrawals	3,102,453	3,167,338	2,655,064	(64,885)	(2.0)
Administrative Expense	1,688,957	1,626,234	1,595,106	62,723	3.9
Total Deductions	$ 111,050,313	$ 103,770,592	$ 103,011,979	$ 7,279,721	7.0 %

Net Increase (Decrease) in Net Position (Total Additions less Total Deductions)	$ (112,499,348)	$ 120,370,081	$ 35,877,318	$ (232,869,429)	(193.5) %

Investments

The System's investments in 2018 suffered at the hands of a market that never got on track during the year, and then fell rapidly in the 4th quarter. The fair value of investments totaled $1.066 billion at December 31, 2018 as compared to $1.173 billion at December 31, 2017, which represented a decrease of $107.3 million or 9.2%. Leading the losses were the domestic and international equities with annual returns of -6.7% and -16.1% percent respectively. Fixed income was also in negative territory with a performance of -1.1%. Real estate was a rare bright spot with a return of 11.3% and continued to be a consistent performer since the 2008 correction. Hedge fund-of-funds modestly added to returns with a 1.3% return. CPERS added its sixth commitment to the private equity asset class early in the year and saw an impressive 16.85% internal rate of return. The investment in master limited partnerships continued to disappoint with the volatility of the oil industry, and detracted from performance with a 13.0% decline for the year. The System's investment in risk parity was highly levered, and also disappointed with a -4.0% return. CPERS' investment return of -5.4% narrowly outperformed the Total Fund Policy Index by 6 basis points, but fell well short of the target rate of return of 7.25%. Active investment management added 44 basis points, but was largely offset by the asset allocation that detracted by 38 basis points. 2018 System investment expenses decreased 3.4% from the prior year as investment assets declined in value. CPERS continues to further diversify the portfolio as a means to decrease the overall volatility of the portfolio, and expects to continue funding private equity investments for the next several years. The System's asset allocation is set based on long-range performance horizons, and no attempts are made to try to time the market. The PGT maintains an asset allocation as similar as possible to that of the CPERS Trust, and investment performance varies between the two trusts because of the PGT's more conservative and liquid asset allocation. Investment performance by general asset categories for the original CPERS trust is shown below:

	2018 %	2017 %	2016 %
US Equity Composite	(6.72)	21.24	12.43
International Equity Composite	(16.13)	32.68	9.12
Fixed Income Composite	(1.10)	5.78	5.24
Real Estate Composite	11.32	9.48	9.35
Hedge Funds Composite	1.30	6.86	(1.91)
Private Equity	16.85	15.11	11.87
Cash Composite	1.67	0.64	0.22
Master Limited Partnerships	(13.03)	(4.93)	20.24
Total Fund Composite	(5.40)	16.71	8.55

EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
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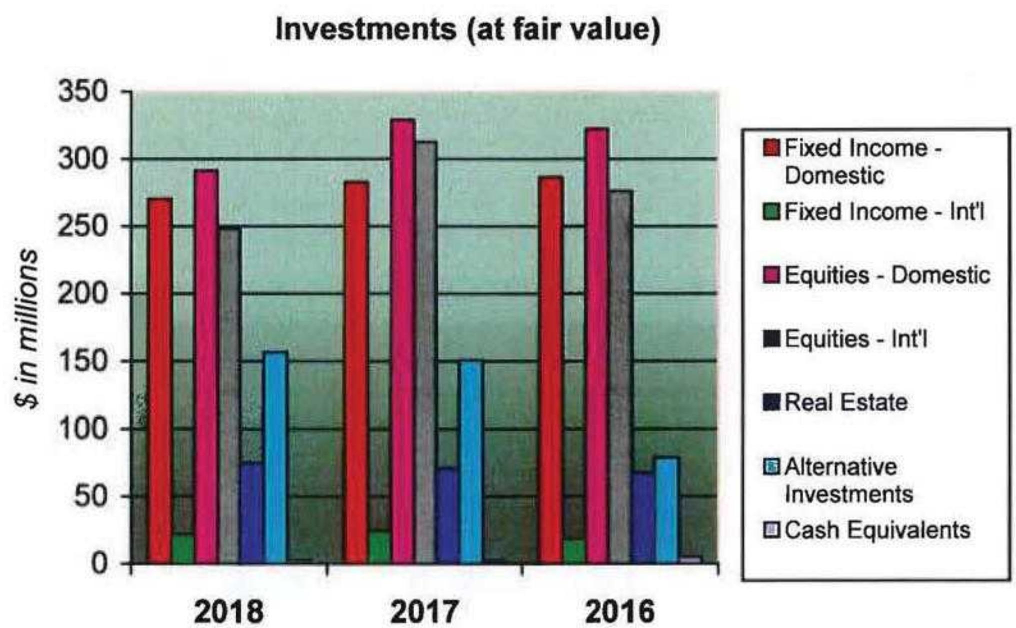
MANAGEMENT'S DISCUSSION AND ANALYSIS

When making comparisons from year to year, it is important to be aware that other factors may affect the change in investments, particularly the changes between investment categories and types, as mentioned above. It is also important to note that the investment portfolio is not stagnant, but is traded in part each business day. Investment managers sometimes change allocations between investment types (e.g. treasury bonds to mortgages) or sectors (e.g. financials to technology). Therefore, the reader should be cautious about drawing conclusions as to how and why the portfolio changed in fair value. It is perhaps best to refer to the total investment figures to conclude how the System's investments performed overall.



Investments (at Fair Value)	2018	2017	2016	2018 Increase (Decrease)	2018 % Change
Fixed Income - Domestic	$ 270,389,739	$ 282,885,126	$ 286,684,981	$ (12,495,387)	(4.4) %
Fixed Income – International	21,609,294	24,594,251	18,138,857	(2,984,957)	(12.1)
Equities – Domestic	291,344,512	329,087,705	322,465,897	(37,743,193)	(11.5)
Equities – International	248,243,973	312,787,016	276,312,517	(64,543,043)	(20.6)
Real Estate	74,692,716	70,817,431	67,579,331	3,875,285	5.5
Alternative Investments	156,738,394	150,506,026	78,802,264	6,232,368	4.1
Cash Equivalents	2,666,945	2,285,965	5,069,154	380,980	16.7
Total Investments	$ 1,065,685,573	$ 1,172,963,520	$ 1,055,053,001	$ (107,277,947)	(9.1) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide a general overview of the finances for the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, P. O. Box 1471, Baton Rouge, Louisiana, 70821-1471.

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

STATEMENT OF FIDUCIARY NET POSITION AS OF DECEMBER 31, 2018
AND COMPARATIVE COMBINED TOTALS FOR 2017

	CPERS Trust	Police Guarantee Trust	2018 Combined Total	2017 Combined Total
Assets				
Cash	$ 12,608,788	$ 1,208,977	$ 13,817,765	$ 16,812,139
Receivables:				
Employer contributions	1,710,568	202,911	1,913,479	4,322,915
Employee contributions	764,730	897	765,627	680,081
Non-employer contributions	1,160,713	-	1,160,713	1,138,523
Interest and dividends	13,099	1,633	14,732	10,256
Pending trades	3,227,814	142,400	3,370,214	2,738,460
Other	113,344	-	113,344	203,612
Total receivables	6,990,268	347,841	7,338,109	9,093,847
Investments (at fair value):				
Fixed Income – Domestic	264,781,353	5,608,386	270,389,739	282,885,126
Fixed Income – International	21,177,143	432,151	21,609,294	24,594,251
Equities – Domestic	288,618,822	2,725,690	291,344,512	329,087,705
Equities – International	246,152,432	2,091,541	248,243,973	312,787,016
Real estate investments	74,692,716	-	74,692,716	70,817,431
Alternative investments	155,403,147	1,335,247	156,738,394	150,506,026
Cash equivalents	1,809,074	857,871	2,666,945	2,285,965
Total investments	1,052,634,687	13,050,886	1,065,685,573	1,172,963,520
Properties at cost, net of accumulated depreciation of $752,314 and $746,778 respectively	553,199	-	553,199	558,735
Total Assets	1,072,786,942	14,607,704	1,087,394,646	1,199,428,241
Liabilities				
Accrued expenses and benefits	1,030,047	190,812	1,220,859	1,240,563
Pending trades payable	671,901	1,305	673,206	187,748
Total Liabilities	1,701,948	192,117	1,894,065	1,428,311
Net position restricted for pensions	$ 1,071,084,994	$ 14,415,587	1,085,500,581	$ 1,197,999,930

See accompanying notes to financial statements.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2018
AND COMPARATIVE COMBINED TOTALS FOR 2017**

	CPERS Trust	Police Guarantee Trust	2018 Combined Total	2017 Combined Total
Additions:				
Contributions:				
Employee	$ 14,127,518	$ 54,100	$ 14,181,618	$ 13,345,927
Employer	49,339,335	778,113	50,117,448	43,342,497
Non-employer	1,160,713	-	1,160,713	1,138,523
Severance contributions from employee	1,845,859	-	1,845,859	1,799,202
Total contributions	66,473,425	832,213	67,305,638	59,626,149
Investment income:				
Net appreciation (depreciation) in fair value of investments	(61,978,271)	(796,254)	(62,774,525)	170,870,321
Interest and Dividends	725,976	70,240	796,216	655,575
	(61,252,295)	(726,014)	(61,978,309)	171,525,896
Less investment expenses	6,652,412	123,952	6,776,364	7,011,372
Net investment income (loss)	(67,904,707)	(849,966)	(68,754,673)	164,514,524
Total additions	(1,431,282)	(17,753)	(1,449,035)	224,140,673
Deductions:				
Benefit payments	103,887,373	2,371,530	106,258,903	98,977,020
Refunds and withdrawals	3,102,453	-	3,102,453	3,167,338
Administrative expenses	1,406,015	282,942	1,688,957	1,626,234
Total deductions	108,395,841	2,654,472	111,050,313	103,770,592
Net increase (decrease) in net position	(109,827,123)	(2,672,225)	(112,499,348)	120,370,081
Net position restricted for pensions				
Beginning of year	1,180,912,117	17,087,812	1,197,999,929	1,077,629,849
End of year	$ 1,071,084,994	$ 14,415,587	1,085,500,581	$ 1,197,999,930

See accompanying notes to financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION

A. General Organization

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the System, Retirement System, or CPERS) is the administrator of a cost-sharing multiple-employer plan (the Plan). At December 31, 2018 the System provided benefits to employees of the following participating governmental employers:

City of Baton Rouge and Parish of East Baton Rouge (City-Parish)
District Attorney of the Nineteenth Judicial District
East Baton Rouge Parish Family Court
East Baton Rouge Parish Juvenile Court
St. George Fire Protection District (certain electing members)
Brownsfield Fire Protection District
Eastside Fire Protection District
Recreation and Park Commission for the Parish of East Baton Rouge (BREC)
Office of the Coroner of East Baton Rouge Parish

The System is considered a component unit of the financial reporting entity of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) and is included as a pension trust fund in the City-Parish Comprehensive Annual Financial Report and Annual Operating Budget. The accompanying financial statements reflect the activity of the Retirement System.

Beginning back in 2016, the System added GASB 72 Fair Value Measurement disclosures. The System also complies with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), the definition of a reporting entity is based primarily on the concept of financial accountability, and the existence of a financial burden/benefit relationship. The Retirement System itself has no component units as defined under GASB 14 as amended by GASB 61. In determining its component unit status, the Retirement System considered the following:

- The Retirement System exists for the benefit of current and former City-Parish and participating employer employees who are members of the Retirement System;
- Four of the seven Board members are elected by the employees who participate in the Plan, and three are appointed by the Primary Government;
- The Retirement System is funded by the investment of contributions from the City-Parish and member employers who are obligated to make the contributions to the Retirement System based upon actuarial valuations.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

A. General Organization, Continued

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

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

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

B. Police Guarantee Trust (PGT)

The Police Guarantee Trust (PGT) was established as a separate legal trust fund on February 26, 2000 to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights in CPERS. When established, the Trust was funded from the original CPERS trust through a trustee-to-trustee transfer for the full actuarially determined amount necessary to pay all present and future contractually guaranteed benefits to eligible members and their survivors. As required under the City-Parish Ordinances, the PGT is charged with all of its direct expenses and with a percentage of indirect expenses at the rate of 16.92% for 2018, and 16.70% for 2017, based on an administrative cost allocation study performed by an outside consultant. The PGT funds are invested similarly to the original CPERS trust funds, with separate investment performance measurement, separate accounting records, and a separate annual actuarial valuation. The Retirement Board administers the assets of, and makes investment policy decisions for the PGT.

C. Membership

At December 31, 2018 and 2017, membership in the Retirement System for CPERS and the PGT consisted of:

Inactive - CPERS:	2018	2017
Retirees and beneficiaries currently receiving benefits	3,403	3,347
Vested terminated employees	15	16
Deferred retirees	364	372
Total inactive	3,782	3,735
Active - CPERS:		
Fully vested	1,205	1,188
Nonvested	1,756	1,859
Total active	2,961	3,047
Total CPERS Membership	6,743	6,782

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

C. Membership, Continued

The PGT was closed to new members effective February 26, 2000 – the date of its inception.

Inactive - PGT:	2018	2017
Retirees and beneficiaries currently receiving benefits	26	21
Vested terminated employees	3	3
Deferred retirees	64	54
Total inactive	93	78
Active - PGT:		
Fully vested	106	137
Nonvested	0	0
Total active	106	137
Total PGT Membership	199	215

D. Benefits

An employee's benefit rights vest after he/she has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: 1.) full retirement benefits and 2.) minimum eligibility benefits. As a cost-saving measure, certain benefits were changed affecting members whose most recent hire date was September 1, 2015 or later. The service requirements and benefits granted for each category and by hire date, for NPS (non-public safety members) and PS (public safety members) are shown below.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

D. Benefits, Continued

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

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

E. DROP

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are members who are eligible for retirement, but have chosen to continue employment for up to a maximum of five years. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses, or until the employee discontinues employment, whichever comes first. These accounts bear interest beginning with the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan.

Five-year participation in the DROP after 25 years of service is also a guaranteed benefit available to members who transferred membership to MPERS (See Note 1.B). Because MPERS provides for only a three-year DROP, CPERS guarantees the balance of DROP participation, not to exceed the combined five-year maximum. Penalty provisions remain in place for these members as well. Due to legal requirements, the original CPERS trust DROP accounts are maintained separately from Police Guarantee Trust (PGT) DROP accounts. DROP eligibility requirements and benefits are shown on the following page and may vary for non-public safety (NPS) and public safety (PS) members.

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

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

E. DROP, Continued

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

DROP deposits are included in the assets held in trust. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2018 were $259,813,527 and $28,152,666. For December 31, 2017, the DROP accounts for the CPERS and PGT trusts totaled $240,444,018 and $25,289,162 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2018 totaled 1,605 and 193. For December 31, 2017, 1,577 and 178 members maintained DROP accounts in the two trusts respectively.

F. Contribution Requirements

Contribution rates for each participating employer and its covered employees are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council of the City-Parish. The contribution rates are determined based on the benefit structure established by the Plan provisions. For both 2018 and 2017, Plan members contributed 9.5% of their annual covered salary, which was the maximum rate under Part IV, Subpart 2, Sec. 1:264A1(b). Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at rates annually determined by the Plan's actuary. For 2018 and 2017, the City General Fund employer rates were 30.84% and 28.20% respectively, while the non-general fund and other employer rates were 35.49% and 32.82% respectively. The City-Parish provides annual contributions to the Plan as required by Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge, which requires that the Retirement System be funded on an actuarially sound basis. Administrative costs of the Retirement System are provided through investment earnings. Included in the financial statement employer contributions amounts are non-employer amounts received each year by CPERS for its share of East Baton Rouge Parish ad-valorem taxes. The amounts totaled $1,160,713 for 2018 and $1,138,523 for 2017.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

The financial statements present the CPERS trust and Police Guarantee Trust separately and combined for 2018, with combined totals for 2017 presented for comparative purposes. The assets of each trust can only be used to pay expenses of that trust, and therefore the combined total columns are not comparable to a consolidation. Inter-trust transactions have not been eliminated in the aggregation of this data.

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

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Estimates

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

C. Method Used to Value Investments

CPERS' investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sale price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as determined by the custodian bank and verified by the Retirement System's investment consultant. The fair value of real estate investments is based on quarterly independent appraisals.

D. Property and Equipment

Property and equipment are carried at historical cost. Depreciation is computed on the straight-line method over 5 to 25 years. Minor equipment and furniture acquisitions are charged to operations as capital outlays in the period they are made. Depreciation expense totaled $5,536 and $5,527 for years ended December 31, 2018 and December 31, 2017 respectively.

(3) CASH AND INVESTMENTS

A. Deposit and Investment Risk Disclosures

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

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

A. Deposit and Investment Risk Disclosures, Continued

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

B. Cash and Cash Equivalents

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

At December 31, 2018, the carrying amount of the Retirement System's demand deposit accounts plus amounts held in trust accounts classified as cash was $13,817,765 and the bank balance was $14,912,816, of which $250,000 was protected from custodial credit risk by Federal Depository insurance. The remainder of the demand deposit balances was collateralized by securities held by the System's agent, JPMorgan/Chase, in a custodial account in the Retirement System's name. At December 31, 2017, the carrying amount of the Retirement System's cash book balance was $16,812,139 and the bank balance was $17,279,798, of which $250,000 was covered by Federal Depository insurance and the remainder by securities held by the System's agent, JPMorgan/Chase, in a custodial account in the Retirement System's name.

C. Short-Term Investments

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

D. Investments

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the Retirement Board to have custody of, and invest the assets of the Pension Trust in accordance with the "Prudent Man Rule". As fiduciaries of the Pension Trust, the Board developed and adopted *The Total Plan Statement of Investment Policies and Objectives*, in which are set forth the guidelines for investing the Retirement System's assets. The System historically has invested in the following types of securities:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Equity Investments – US and Foreign Common and Preferred Stocks, Convertible Bonds, American Depositary Receipts (ADR's), Equity Real Estate, and 144a Securities
Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, and 144a Securities
Real Assets, Private Markets, and Hedge Funds

The Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investments in derivatives, reverse repurchase agreements, and other non-traditional types of investments are not specifically authorized under the Board's investment policy, however, in the case of commingled, or pooled/mutual accounts, the provisions of the prospectus or Declaration of Trust take precedence. At December 31, 2018, the Retirement Board had committed, but only partially funded, a 5% allocation to six private equity fund-of-funds, which fall in the category of Private Markets.

Equity securities shall not exceed 5% of cost and 7% of fair value in any one company, and fixed income shall not exceed 2.5% of cost and 3% of fair value; however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio. No investments in any one organization shall represent 5% or more of the assets held in trust for pension benefits, and no single company's securities shall represent more than 5% of the cost basis or 7% of the fair value of any manager's portfolio.

There are no investments in loans to, or leases with, parties related to the System. Although the Board continued its contractual relationships with outside third party investment managers during 2018 and 2017, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

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

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

The fair values of the Retirement System's investments as of December 31, 2018 and December 31, 2017 are shown in the table on the following page.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Investment Type	Fair Value @ 12/31/2018	Fair Value @ 12/31/2017
Domestic Equities - Active Separate Accounts	$ 60,771,396	$ 69,903,687
Domestic Equities – Pooled Funds	230,569,520	259,180,460
Domestic Fixed Income – Pooled Funds	224,185,796	233,808,070
Emerging Market Equities	74,152,977	92,601,735
Equity Real Estate Fund	74,692,716	70,817,431
Hedge Fund of Funds	52,648,560	55,058,067
International Fixed Income	21,609,294	24,594,251
International Equity - Pooled Funds	174,090,995	220,185,282
Private Equity	47,944,929	36,738,063
Risk Parity	56,144,906	58,709,896
Short-Term Investment Fund/Cash Equivalents	2,666,945	2,285,965
United States Treasury Inflation-Protected Securities	46,202,082	49,074,151
Other Securities Held in Trust	5,457	6,462
Total	**$ 1,065,685,573**	**$ 1,172,963,520**

E. Fair Value Disclosures

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and as set forth in GASB 72 *Fair Value Measurement and Application.* The System has recurring fair value measurements as of December 31, 2018 and December 31, 2017, respectively as shown in the tables on the following two pages.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

		Fair Value Measurements Using		
	December 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Small Cap Growth	$ 24,890,850	$ 24,890,850		
Master Limited Partnership	35,880,546	35,880,546		
Other	5,457		$ 3,596	$ 1,861
Total Investments at Fair Value Level	$ 60,776,853	$ 60,771,396	$ 3,596	$ 1,861
Investments Measured at NAV:				
Commingled Funds:				
Fixed Income - Domestic	270,387,878			
Fixed Income - International	21,609,294			
Domestic Equity - Large Cap	210,146,852			
- Small Cap	20,422,668			
International Equity - Large Cap	98,964,326			
- Small Cap	75,126,669			
Emerging Markets Equity	74,152,977			
Real Estate	74,692,716			
Risk Parity	56,144,906			
Hedge Fund of Funds	52,648,560			
Private Equity	47,944,929			
Total Investments at NAV	$ 1,002,241,775			
Total Investments at Fair Value	$ 1,063,018,628			

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

		Fair Value Measurements Using		
	December 31, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Small Cap Growth	$ 28,301,445	$ 28,301,445		
Master Limited Partnership	41,602,242	41,602,424		
Other	6,462		$ 3,557	$ 2,905
Total Investments at Fair Value Level	$ 69,910,149	$ 69,903,869	$ 3,557	$ 2,905
Investments Measured at NAV:				
Commingled Funds:				
Fixed Income - Domestic	$ 282,882,221			
Fixed Income - International	24,594,251			
Domestic Equity - Large Cap	233,732,448			
- Small Cap	25,448,012			
International Equity - Large Cap	124,302,639			
- Small Cap	95,882,643			
Emerging Markets Equity	92,601,735			
Real Estate	70,817,431			
Risk Parity	58,709,896			
Hedge Fund of Funds	55,058,067			
Private Equity	36,738,063			
Total Investments at NAV	$ 1,100,767,406			
Total Investments at Fair Value	$ 1,170,677,555			

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

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2018 and December 31, 2017 are presented in the tables on the following page:

EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
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NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

	Fair Value December 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Fixed Income - Domestic	270,387,878	$ --	Daily	2 – 15 Days
- International	21,609,294	--	Daily	2 – 15 Days
Domestic Equity - Large Cap	210,146,852	--	Daily	2 – 4 Days
- Small Cap	20,422,668	--	Daily	5 Days
International Equity - Large Cap	98,964,326	--	Monthly	2 – 10 Days
- Small Cap	75,126,669	--	Monthly	30 Days
Emerging Markets Equity	74,152,977	--	Monthly	30 Days
Real Estate	74,692,716	--	Quarterly	90 Days
Risk Parity	56,144,906		Monthly	30 Days
Hedge Fund of Funds	52,648,560	--	Quarterly	65 Days
Private Equity	47,944,929	34,492,751	N/A	N/A
Total Investments at NAV	$ 1,002,241,775			

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2017 is presented in the following table:

	Fair Value December 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Fixed Income - Domestic	$ 282,882,221	$ --	Daily	2 – 15 Days
- International	24,594,251	--	Daily	2 – 15 Days
Domestic Equity - Large Cap	233,732,448	--	Daily	2 – 4 Days
- Small Cap	25,448,012	--	Daily	5 Days
International Equity - Large Cap	124,302,639	--	Monthly	2 – 10 Days
- Small Cap	95,882,643	--	Monthly	30 Days
Emerging Markets Equity	92,601,735	--	Monthly	30 Days
Real Estate	70,817,431	--	Quarterly	90 Days
Risk Parity	58,709,896		Monthly	30 Days
Hedge Fund of Funds	55,058,067	--	Quarterly	65 Days
Private Equity	36,738,063	30,583,040	N/A	N/A
Total Investments at NAV	$ 1,100,767,406			

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

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

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

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

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

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

Risk Parity
The risk parity investment employs a unique strategy of asset selection by risk profile or volatility. The portfolio is comprised of equities, fixed income securities, and commodities in proportions that spread the asset class risk equally within the portfolio. Risk parity can generate equity-like performance while also protecting in downside markets. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the investments.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Fair Value Disclosures, Continued

Private Equity
The private equity exposure is comprised of several different vintage year funds made up of securities and debt in operating companies that are not publicly traded on an exchange. These funds separately employ a combination of strategies (e.g. buyout, venture capital, special situations) seeking to earn superior risk-adjusted returns. The investors in these funds commit a fixed amount of capital, which is transferred to the fund manager (General Partner) through a series of capital calls. The investors in turn receive distributions from the manager as underlying investments of the funds are liquidated. The life of any one fund is anticipated to be approximately 10 years from the final close of fund raising. These funds are illiquid to the investor outside of regular distributions from the General Partner. The fair value of these investment funds has been determined using the NAV per share (or equivalent) of the System's ownership interest in partners' capital.

F. Custodial Credit Risk

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

CPERS' investments are held by its custodian separately from the custodian's assets in the name of the System, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. CPERS had no custodial credit risk as of December 31, 2018, and December 31, 2017.

G. Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. CPERS requires that debt obligations be investment grade at time of purchase (BBB / Baa or higher as rated by Standard & Poor's and/or Moody's respectively). Securities that are later downgraded below investment grade are required to be liquidated unless the investment manager and the investment consultant deem it in the System's best interest to continue to hold the securities. At December 31, 2018 CPERS' fixed income securities were managed only in commingled or pooled accounts.

The System's 2018 Core, Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed income strategies are managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets and ratings for these pooled or commingled funds are shown in the table on the following page.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

G. Credit Risk, Continued

Pooled Funds	Fair Value @ 12/31/2018	Rating	Fair Value @ 12/31/2017	Rating
Core Bond Domestic	$ 77,490,399	AA-	$ 81,071,456	AA-
Core-Plus	$ 85,325,213	A+	$ 88,823,256	A+
Absolute Return	$ 82,979,478	A-	$ 88,507,609	A-
TIPS	$ 46,202,082	AA+	$ 49,074,151	AA+

H. Concentration of Credit Risk

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issuer. The System's *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issuer to 7% of fair value. At December 31, 2018 and December 31, 2017 the System had exposure of less than 5% in any single investment issuer.

I. Interest Rate Risk

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

The System does not have a formal policy relating to interest rate risk. The System's 2018 Core, Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed income strategies are managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets and average durations for these funds are shown below.

Pooled Funds	Fair Value @ 12/31/2018	Average Duration	Fair Value @ 12/31/2017	Average Duration
Core Bond Domestic	$ 77,490,399	5.75 years	$ 81,071,456	5.90 years
Core-Plus	$ 85,325,213	5.76 years	$ 88,823,256	9.71 years
Absolute Return	$ 82,979,478	3.30 years	$ 88,507,609	2.95 years
TIPS	$ 46,202,082	7.18 years	$ 49,074,151	7.58 years

J. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System's investment policy restricts equity investments to securities that are U.S. dollar denominated and are registered with the SEC. Although foreign exchange futures, forwards and swaps are permissible for those managers with non-US or global mandates, at December 31, 2018 and December 31, 2017, The System had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

K. Money-Weighted Rate of Return

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

	CPERS Original Trust	Police Guarantee Trust
2018	-5.85%	-5.25%
2017	15.66 %	10.59 %

(4) ACTUARIAL – GASB 67 DISCLOSURES - CPERS

A. Net Pension Liability

	12/31/2018	12/31/2017
Total pension liability	$ 1,804,516,618	$ 1,716,346,951
Plan fiduciary net position	(1,071,084,994)	(1,180,912,117)
Net pension liability	$ 733,431,624	$ 535,434,834
Plan Fiduciary Net Position as a percent of the Total Pension Liability	59.36%	68.80%

B. Actuarial Assumptions

Actuarial cost method	Entry Age Normal
Asset method	Market Value of Assets
Discount rate	7.04%
Expected long-term rate of return	7.25%
Municipal bond rate	4.10%
Inflation	2.75%
Investment rate of return, including inflation, and net of investment expenses	7.25%
Mortality rates (healthy)	RP-2000 Combined Healthy Blue Collar Projected with Scale BB to 2019
Mortality rates (disabled)	RP-2000 Disabled Mortality Projected with Scale BB to 2019

Salary increases

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

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
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NOTES TO THE FINANCIAL STATEMENTS

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

B. Actuarial Assumptions, Continued

Retirement rates

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

Ad-hoc cost-of-living increases	None
Measurement date	December 31, 2018 with a valuation date of January 1, 2018 (The total pension liability was rolled forward from the valuation date to the System's fiscal year ending December 31, 2018 using generally accepted actuarial principles.)
Experience study	Last performed for the period January 1, 2009 to December 31, 2013

C. Plan Membership (as of January 1, 2018)

Inactive plan members and beneficiaries currently receiving benefits	3,719
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	3,047
Total plan members	6,782

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term percentage and by adding expected inflation. The expected rate of return by weighting the expected future real rates of return by the target asset allocation long-term expected rate of return is 7.25%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the table on the next page:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Core Fixed Income	15.0	1.77
Core-Plus Fixed Income	15.0	2.25
Large Cap Domestic Equity	19.5	3.70
Non-Large Cap Domestic Equity	3.0	5.11
International Large Cap Equity	15.0	5.56
International Small Cap Equity	2.5	5.56
Emerging Market Equity	5.0	8.00
Core Real Estate	5.0	4.11
Master Limited Partnerships	5.0	3.16
Private Equity	5.0	7.78
Risk Parity	5.0	3.54
Hedge Funds	5.0	2.20
Total	100.0	

E. Discount Rate

The Discount Rate used to measure the Total Pension Liability was 7.04%. The projection of cash flows used to determine the Discount Rate assumed that current plan member and sponsor contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to provide future benefit payments for 43 years. These payments were discounted using a discount rate of 7.25%. Future benefits beyond 43 years were discounted using a high quality municipal bond rate of 4.10%, resulting in a single equivalent discount rate of 7.04%. The comparative rate for the prior year was 7.25%.

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.04%	7.04%	8.04%
Net Pension Liability	$ 899,325,254	$ 733,431,624	$ 594,390,505

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

NOTES TO THE FINANCIAL STATEMENTS

(5) ACTUARIAL – GASB 67 DISCLOSURES - PGT

A. Net Pension Liability

	12/31/2018	12/31/2017
Total pension liability	$ 44,356,111	$ 41,869,859
Plan fiduciary net position	(14,415,588)	(17,087,813)
Net pension liability	$ 29,940,523	$ 24,782,046
Plan Fiduciary Net Position as a percent of the Total Pension Liability	32.50%	40.81%

B. Actuarial Assumptions

Actuarial cost method	Entry Age Normal
Asset method	Market Value of Assets
Discount rate	4.77%
Expected long-term rate of return	5.75%
Municipal bond rate	4.10%
Inflation	2.75%
Investment rate of return, including inflation, and net of investment expenses	5.75%
Mortality rates (healthy)	RP-2000 Combined Healthy Blue Collar Projected with Scale BB to 2019
Mortality rates (disabled)	RP-2000 Disabled Mortality Projected with Scale BB to 2019

Salary increases

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

Retirement rates

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

Ad-hoc cost-of-living increases	None
Measurement date	December 31, 2018 with a valuation date of January 1, 2018 (The total pension liability was rolled forward from the valuation date to the System's fiscal year ending December 31, 2018 using generally accepted actuarial principles.)

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

NOTES TO THE FINANCIAL STATEMENTS

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

B. Actuarial Assumptions, Continued

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

C. Plan Membership (as of January 1, 2018)

Inactive plan members and beneficiaries currently receiving benefits and/or maintaining DROP accounts	200
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	137
Total plan members	340

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term percentage and by adding expected inflation. The expected rate of return by weighting the expected future real rates of return by the target asset allocation long-term expected rate of return is 5.75%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the table below.

Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return %
Core Fixed Income	21.3	1.77
Core-Plus Fixed Income	21.3	1.50
Large Cap Domestic Equity	17.3	3.70
Non-Large Cap Domestic Equity	2.7	5.11
International Large Cap Equity	13.3	5.56
International Small Cap Equity	2.2	5.56
Emerging Market Equity	4.4	8.00
Master Limited Partnerships	5.0	3.16
Risk Parity	5.0	3.54
Hedge Funds	5.0	2.22
Cash	2.5	-0.24
Total	100.0	

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

NOTES TO THE FINANCIAL STATEMENTS

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

E. Discount Rate

The discount rate used to measure the total pension liability was 4.77%. The projection of cash flows used to determine the discount rate assumed that current plan member and sponsor contributions will be made at the current contribution rate. Based on those assumptions, the Fiduciary Net Position was projected to provide future benefits for 11 years. These payments were discounted using a discount rate of 5.75%, while future benefits beyond 11 years were discounted using a high quality municipal bond rate of 4.10% The single equivalent discount rate was 4.77%. The discount rate for the prior year ended December 31, 2017 was 5.10%.

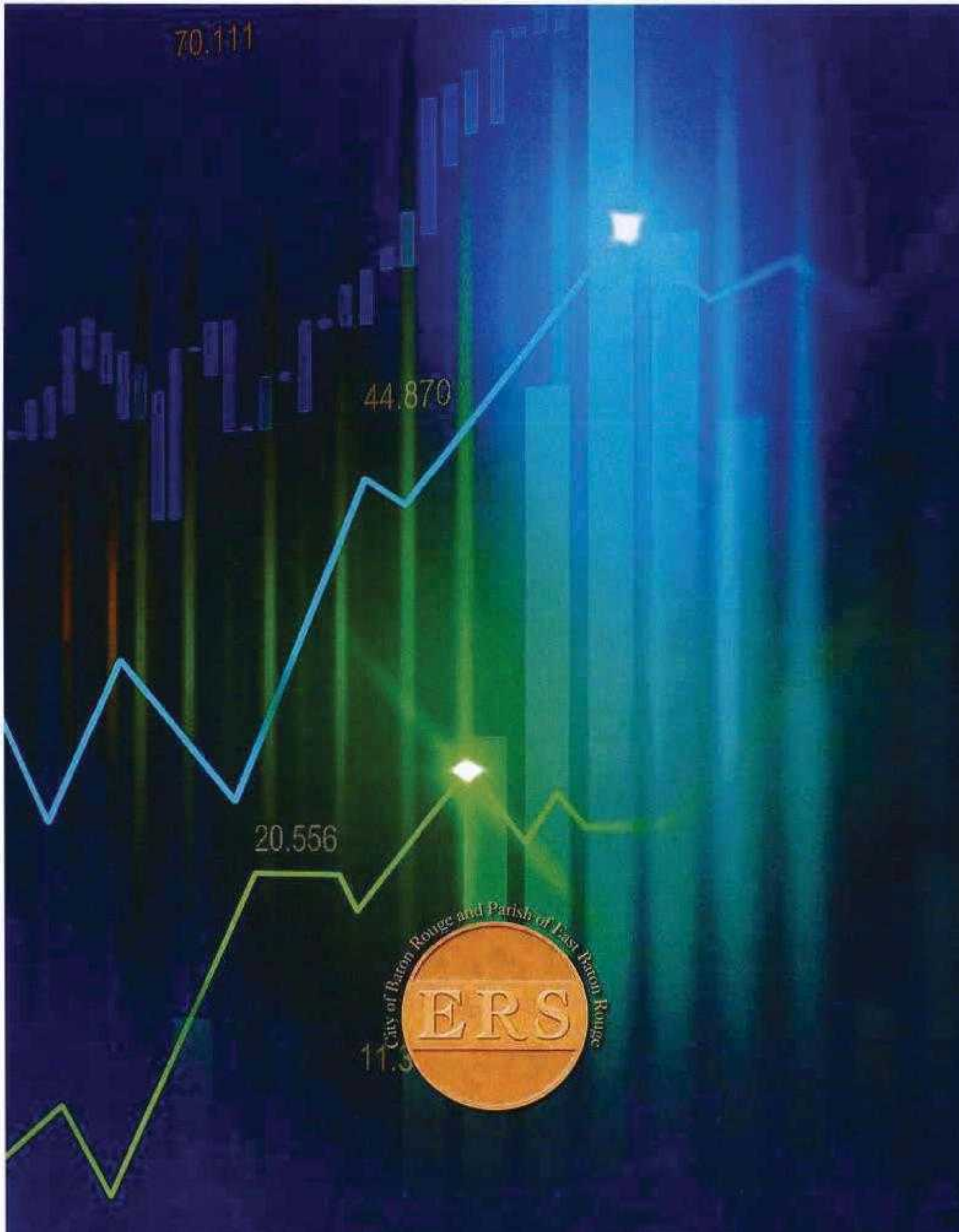
F. Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following chart presents the net pension liability, calculated using the discount rate of 4.77%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.77%) or one percentage point higher (5.77%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.77%	4.77%	5.77%
Net Pension Liability	$ 30,171,762	$ 29,940,523	$ 29,727,559

(6) CONTINGENCIES

At December 31, 2018 the System was not a party to any litigation against it. The System was acting as co-lead plaintiff in a class action securities litigation case for which the System could potentially receive a settlement amount net of any legal or court-related expenses.



Required Supplementary Information

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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY*

CPERS TRUST

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 21,438,268	$ 21,731,939	$ 21,666,750	$ 21,575,938	$ 23,180,006
Interest	122,129,050	117,917,332	113,988,166	111,124,207	108,726,199
Changes of Benefit Terms	--	--	(248,311)	--	--
Differences Between Expected and Actual Experience	19,935,775	21,885,751	18,008,432	2,317,200	680,646
Changes of Assumptions	31,656,400	--	--	47,540,972	--
Benefit Payments, Including Refunds of Member Contributions	(106,989,826)	(99,804,180)	(98,765,476)	(96,206,645)	(90,949,249)
Net Change in Total Pension Liability	**$ 88,169,667**	**$ 61,730,842**	**$ 54,649,561**	**$ 86,351,672**	**$ 41,637,602**
Total Pension Liability – Beginning	**$ 1,716,346,951**	**$ 1,654,616,109**	**$ 1,599,966,548**	**$ 1,513,614,876**	**$ 1,471,977,274**
Total Pension Liability – Ending(a)	**$ 1,804,516,618**	**$ 1,716,346,951**	**$ 1,654,616,109**	**$ 1,599,966,548**	**$ 1,513,614,876**
Plan Fiduciary Net Position					
Contributions –Employer	$ 49,339,335	$ 42,700,798	$ 42,003,980	$ 40,354,154	$ 38,356,684
Contributions – Employee	15,973,377	15,074,669	15,175,111	15,054,222	14,907,221
Contributions – Nonemployer Contributing Entity	1,160,713	1,138,523	1,045,915	1,033,486	1,006,487
Net Investment Income (Loss)	(67,904,707)	162,787,042	79,044,838	(9,608,883)	50,531,109
Retirement Benefits, Including Refunds of Member Contributions	(106,989,826)	(99,804,180)	(98,765,476)	(96,206,645)	(90,949,249)
Administrative Expenses	(1,406,015)	(1,350,435)	(1,325,595)	(1,318,104)	(1,388,242)
Net Change in Plan Fiduciary Net Position	**$ (109,827,123)**	**$ 120,546,417**	**$ 37,178,773**	**$ (50,691,770)**	**$ 12,464,010**
Plan Fiduciary Net Position – Beginning	**$ 1,180,912,117**	**$ 1,060,365,700**	**$ 1,023,186,927**	**$ 1,073,878,697**	**$ 1,061,414,687**
Plan Fiduciary Net Position – Ending (b)	**$ 1,071,084,994**	**$ 1,180,912,117**	**$ 1,060,365,700**	**$ 1,023,186,927**	**$ 1,073,878,697**
Net Pension Liability – Ending (a) - (b)	**$ 733,431,624**	**$ 535,434,834**	**$ 594,250,409**	**$ 576,779,621**	**$ 439,736,179**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**59.36%**	**68.80%**	**64.09%**	**63.95%**	**70.95%**
Covered Payroll	**$ 141,506,393**	**$ 141,595,929**	**$ 136,334,630**	**$ 135,556,888**	**$ 137,789,518**
Net Pension Liability as a Percentage of Covered Payroll	**518.30%**	**378.14%**	**435.88%**	**425.49%**	**319.14%**

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY*

POLICE GUARANTEE TRUST

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 459,750	$ 467,379	$ 477,571	$ 454,961	$ 437,310
Interest	2,098,336	2,281,368	2,423,493	2,338,200	2,565,879
Changes of Benefit Terms	–	–	–	–	–
Differences Between Expected and Actual Experience	2,147,899	163,883	2,243,050	1,721,888	–
Changes of Assumptions	151,797	287,842	555,501	(979,283)	340,742
Benefit Payments, Including Refunds of Member Contributions	(2,371,530)	(2,340,178)	(2,651,397)	(1,853,004)	(1,679,506)
Net Change in Total Pension Liability	**$ 2,486,252**	**$ 860,294**	**$ 3,048,218**	**$ 1,682,762**	**$ 1,664,425**
Total Pension Liability - Beginning	**$ 41,869,859**	**$ 41,009,565**	**$ 37,961,347**	**$ 36,278,585**	**$ 34,614,160**
Total Pension Liability - Ending (a)	**$ 44,356,111**	**$ 41,869,859**	**$ 41,009,565**	**$ 37,961,347**	**$ 36,278,585**
Plan Fiduciary Net Position					
Contributions - Employer	$ 778,113	$ 641,699	$ 581,006	$ 951,261	$ 763,873
Contributions - Employee	54,100	70,460	63,856	99,365	90,774
Net Investment Income (Loss)	(849,966)	1,727,482	974,590	(403,640)	796,414
Retirement Benefits, Including Refunds of Member Contributions	(2,371,530)	(2,340,178)	(2,651,397)	(1,853,004)	(1,679,506)
Administrative Expenses	(282,942)	(275,799)	(269,510)	(313,560)	(333,744)
Net Change in Plan Fiduciary Net Position	**(2,672,225)**	**$ (176,336)**	**$ (1,301,455)**	**$ (1,519,578)**	**$ (362,189)**
Plan Fiduciary Net Position - Beginning	**$ 17,087,813**	**$ 17,264,149**	**$ 18,565,604**	**$ 20,085,182**	**$ 20,447,371**
Plan Fiduciary Net Position - Ending (b)	**$ 14,415,588**	**$ 17,087,813**	**$ 17,264,149**	**$ 18,565,604**	**$ 20,085,182**
Net Pension Liability – Ending (a) – (b)	**$ 29,940,523**	**$ 24,782,046**	**$ 23,745,416**	**$ 19,395,743**	**$ 16,193,403**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**32.50%**	**40.81%**	**42.10%**	**48.91%**	**55.36%**
Covered Payroll	**$ 9,206,458**	**$ 11,748,200**	**$ 13,271,888**	**$ 14,066,159**	**$ 14,282,440**
Net Pension Liability as a Percentage of Covered Payroll	**325.21%**	**210.94%**	**178.92%**	**137.89%**	**113.38%**

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY*

CPERS TRUST

	2018	2017	2016	2015	2014	2013
Total Pension Liability	$1,804,516,618	$1,716,346,951	$1,654,616,109	$1,599,966,548	$1,513,614,876	$1,471,977,274
Plan Fiduciary Net Position	1,071,084,994	1,180,912,117	1,060,365,700	1,023,186,927	1,073,878,697	1,061,414,687
Employers' Net Pension Liability	$ 733,431,624	$ 535,434,834	$ 594,250,409	$ 576,779,621	$ 439,736,179	$ 410,562,587
Plan Fiduciary Net Position as a Percentage Total Pension Liability	59.36%	68.80%	64.09%	63.95%	70.95%	72.11%
Covered Payroll	$ 141,506,393	$ 141,595,929	$ 136,334,630	$ 135,556,888	$ 137,789,518	$ 137,426,654
Employers' Net Pension Liability as a Percentage of Covered Payroll	518.30%	378.14%	435.88%	425.49%	319.14%	298.75%

POLICE GUARANTEE TRUST

	2018	2017	2016	2015	2014	2013
Total Pension Liability	$44,356,111	$41,869,859	$41,009,565	$37,961,347	$36,278,585	$34,614,160
Plan Fiduciary Net Position	14,415,588	17,087,813	17,264,149	18,565,604	20,085,182	20,447,371
Employers' Net Pension Liability	$29,940,523	$24,782,046	$23,745,416	$19,395,743	$16,193,403	$14,166,789
Plan Fiduciary Net Position as a Percentage Total Pension Liability	32.50%	40.81%	42.10%	48.91%	55.36%	59.07%
Covered Payroll	$9,206,458	$11,748,200	$13,271,888	$14,066,159	$14,282,440	$15,428,420
Employers' Net Pension Liability as a Percentage of Covered Payroll	325.21%	210.94%	178.92%	137.89%	113.38%	91.82%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF INVESTMENT RETURNS*

CPERS TRUST

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2018	(5.85)%
2017	15.66%
2016	7.89%
2015	(.87)%
2014	4.93%

POLICE GUARANTEE TRUST

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2018	(5.25)%
2017	10.59%
2016	5.59%
2015	(1.93)%
2014	4.50%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CPERS TRUST

Year Ended	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	$	$	$	$	
12/31/09	22,931,211	28,550,151	(5,618,940)	131,041,421	21.79%
12/31/10	29,050,693	34,240,596	(5,189,903)	136,119,407	25.15%
12/31/11	33,890,884	37,305,836	(3,414,952)	136,123,660	27.41%
12/31/12	35,001,688	39,134,851	(4,133,163)	136,781,288	28.61%
12/31/13	36,777,168	40,133,560	(3,356,391)	137,426,654	29.20%
12/31/14	37,417,818	39,363,171	(1,945,353)	137,789,518	28.57%
12/31/15	38,715,270	41,387,640	(2,672,370)	135,556,888	30.53%
12/31/16	39,173,320	43,049,895	(3,876,575)	136,334,630	31.58%
12/31/17	41,887,796	43,839,321	(1,951,525)	141,595,929	30.96%
12/31/18	46,328,083	50,500,048	(4,171,965)	141,506,393	35.69%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

POLICE GUARANTEE TRUST*

Year Ended	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
	$	$	$	$	
12/31/09	479,630	149,179	330,451	20,084,707	0.74%
12/31/10	1,634,905	250,114	1,384,791	18,836,479	1.33%
12/31/11	1,977,834	202,695	1,775,139	17,315,930	1.17%
12/31/12	2,225,478	238,628	1,986,850	15,966,923	1.49%
12/31/13	2,679,589	696,918	1,982,671	15,428,420	4.52%
12/31/14	2,646,547	763,873	1,882,674	14,282,440	5.35%
12/31/15	3,029,216	951,261	2,077,955	14,066,159	6.76%
12/31/16	2,752,642	581,007	2,171,635	13,271,888	4.38%
12/31/17	3,795,014	641,699	3,153,315	11,748,200	5.46%
12/31/18	2,455,093	778,113	1,676,980	9,206,458	8.45%

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

*The Police Guarantee Trust used the Aggregate actuarial cost method for funding purposes prior to 2016. In 2016, the cost method was changed to Entry Age Normal. See page 120 for the Schedule of Funding Progress prepared using the entry age actuarial cost method.

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

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SCHEDULES – ACTUARIAL DETERMINED CONTRIBUTIONS

The actuarial determined contribution rates in the schedule of employer contributions are calculated as of January 1, 2018, twelve months prior to the fiscal year end in which the contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

CPERS TRUST

Valuation date	December 31, 2018
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	30-year amortization method using payroll growth of 2.5% per annum, the amortization period will be reduced in successive years until reaching a 15-year open period.
Remaining amortization period	26 years (phasing down to 15-year open)
Asset valuation method	Market value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% unrealized gains (losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year. Beginning January 1, 2018, method changed to uniformly spread actuarial gains and losses over a five-year period which ensures the Actuarial Value of Assets converge to the Market Value of Assets within a reasonable time.
Actuarial assumptions:	
Investment rate of return	7.25%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

* compounded annually and including inflation of 2.75%

(1) adopted February 26, 2015
(2) revised from 2008 assumption of 3.75%
(3) revised from 2003 assumption of 5.0%

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

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SCHEDULES – ACTUARIAL DETERMINED CONTRIBUTIONS

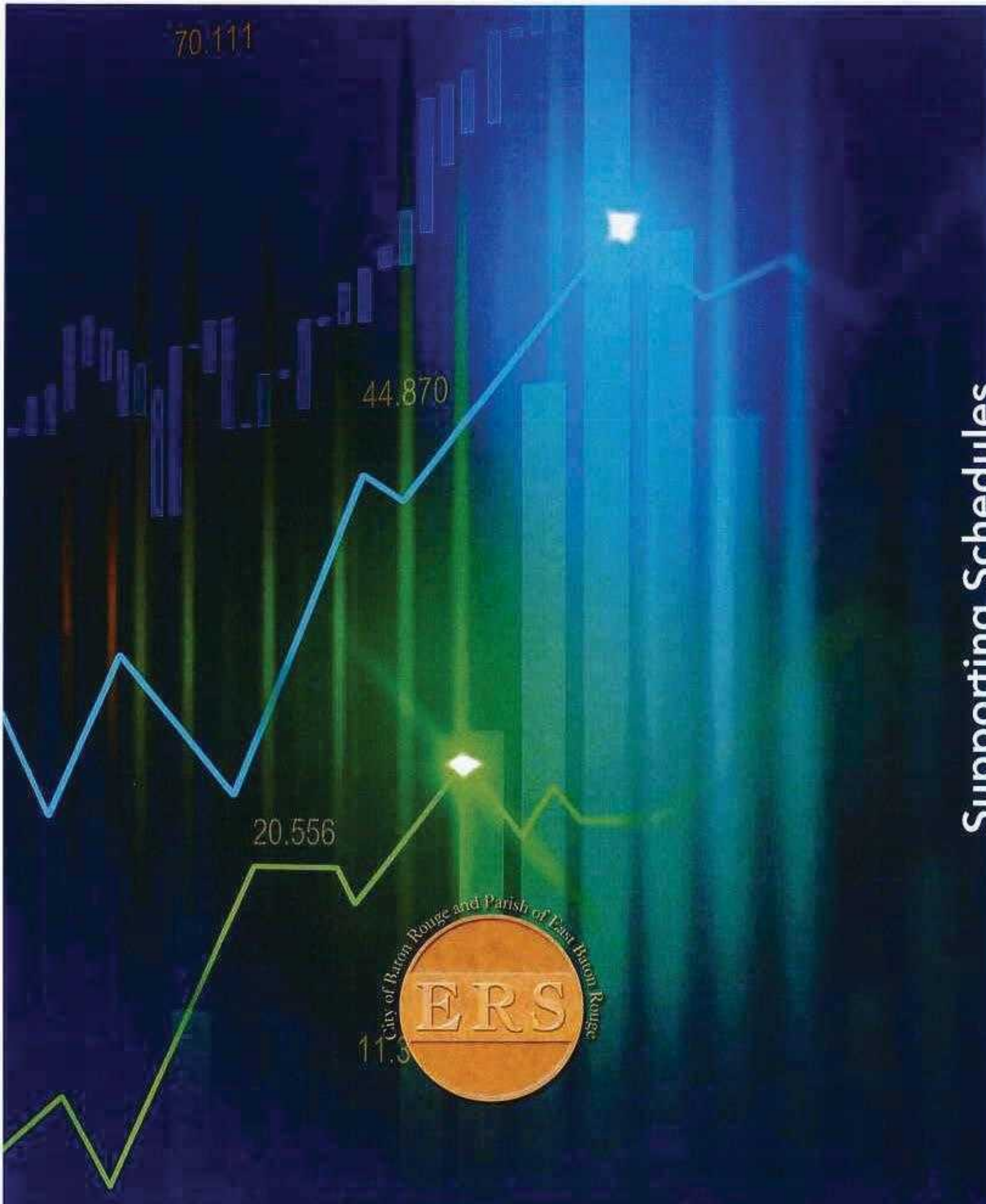
POLICE GUARANTEE TRUST

Valuation date	December 31, 2018
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability effective January 1, 2016. Prior to 2016, the Aggregate actuarial cost method was used.
Amortization method	4-year open period amortization method. (1)
Remaining amortization period	4 years
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Expected Value Method with 20% of unrealized gains or (losses) recognized each year. Beginning January 1, 2018, method changed to uniformly spread actuarial gains and losses over a five-year period which ensures the Actuarial Value of Assets converge to the Market Value of Assets within a reasonable time.
Actuarial assumptions:	
Investment rate of return	5.75%* (2)
Projected salary increases	3.50%* plus longevity/merit (3)
Aggregate payroll growth	N/A

* compounded annually and including inflation of 2.75%

(1) Revised from 15 year open period to 4 year open period effective 01/01/2019. Adopted May 31, 2018
(2) Revised from 7.25% to 5.75% effective 01/01/2019. Adopted January 31, 2019
(3) Revised from 2008 assumption of 3.75%

Supporting Schedules



CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
AND COMPARATIVE COMBINED TOTAL FOR 2017

	CPERS Trust	Police Guarantee Trust	2018 Combined Total	2017 Combined Total
Salaries:				
Salaries - regular	$ 657,074	$ 133,819	$ 790,893	$ 813,108
Salaries – severance pay	42,019	8,557	50,576	--
Other compensation – student interns	12,069	2,458	14,527	23,106
Other compensation – auto allowance	8,006	1,631	9,637	9,600
Related benefits	362,977	73,924	436,901	418,812
Total salaries	1,082,145	220,389	1,302,534	1,264,626
Travel and training expenses	3,341	680	4,021	18,220
Operating services:				
Dues and memberships	2,484	506	2,990	2,140
Utilities	10,296	2,097	12,393	16,382
Custodial and extermination	13,093	2,667	15,760	15,010
Printing and binding	7,111	318	7,429	4,570
Telephone	3,562	725	4,287	5,872
Postage	23,461	4,778	28,239	28,878
Insurance	14,788	3,012	17,800	17,090
Rentals – office equipment	8,251	1,680	9,931	9,712
Repairs and maintenance - buildings	17,168	3,496	20,664	12,401
Repairs and maintenance - office equipment	2,936	598	3,534	3,862
Total operating services	103,150	19,877	123,027	115,915
Supplies	12,075	2,459	14,534	14,903
Professional services:				
Accounting and auditing	49,848	10,152	60,000	48,000
Legal	49,908	2,490	52,398	32,343
Actuarial	55,975	17,475	73,450	63,833
Other professional	50,329	9,420	59,749	69,776
Total professional services	206,060	39,537	245,597	213,952
Depreciation expense	5,536	--	5,536	5,528
Capital outlay	--	--	--	--
Other expenses (revenues)	(6,292)	--	(6,292)	(6,910)
Total administrative expenses	$ 1,406,015	$ 282,942	$ 1,688,957	$ 1,626,234

See accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
AND COMPARATIVE COMBINED TOTAL FOR 2017

	CPERS Trust	Police Guarantee Trust	2018 Combined Total	2017 Combined Total
Fixed Income:				
Fixed Income - Domestic	$ 794,278	$ 17,156	$ 811,434	$ 873,891
Fixed Income - International	114,375	3,014	117,389	94,362
Total Fixed Income	908,653	20,170	928,823	968,253
Equity Securities:				
Equities - Domestic	1,190,182	10,101	1,200,283	1,166,669
Equities - International	2,131,380	20,958	2,152,338	2,263,010
Total Equity Securities	3,321,562	31,059	3,352,621	3,429,679
Alternative Investments:				
Hedge Fund of Funds	769,641	9,621	779,262	834,195
Real Estate Investments	666,038	--	666,038	633,372
Risk Parity	241,890	3,258	245,148	210,321
Private Equity	465,947	--	465,947	608,909
Total Alternative Investments	2,143,516	12,879	2,156,395	2,286,797
Custodian Fees	129,236	29,289	158,525	146,643
Advisor Fees	149,445	30,555	180,000	180,000
Total Investment Expenses	$ 6,652,412	$ 123,952	$ 6,776,364	$ 7,011,372

See accompanying independent auditors' report.

SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND COMPARATIVE COMBINED TOTAL FOR 2017

	CPERS Trust	Police Guarantee Trust	2018 Combined Total	2017 Combined Total
Accounting and Auditing	$ 49,848	$ 10,152	$ 60,000	$ 48,000
Auditors - Postlethwaite & Netterville				
Legal	49,908	2,490	52,398	32,343
Legal Counsel - Akers & Wisbar LLC				
Klausner & Kaufman				
Tarcza & Associates				
Actuarial	55,975	17,475	73,450	63,833
Actuary - Foster & Foster Inc				
Other Professionals:	50,329	9,420	59,749	69,776
Medical Examiner - D. J. Scimeca, Jr. , M.D.				
Computer Consultant - Relational Systems Consultants				
Cost Allocation Services- MGT of America Inc				
Web Design Services- Velocity Squared LLC				
Total	$ 206,060	$ 39,537	$ 245,597	$ 213,952

A schedule of brokerage commissions paid is shown on page 91.

See accompanying independent auditors' report.

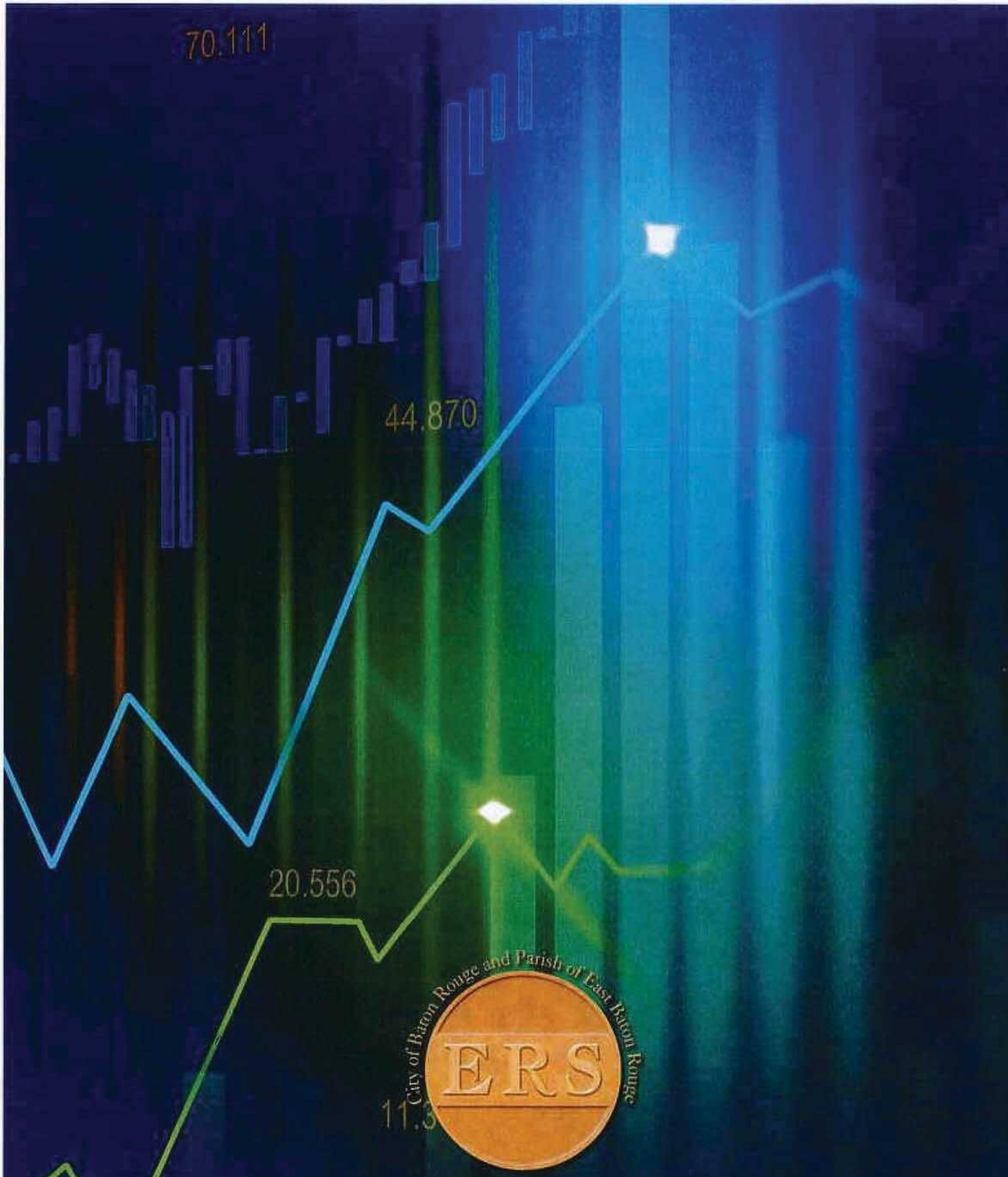
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO RETIREMENT ADMINISTRATOR FOR THE YEAR ENDED 2018

Agency Head Name: Jeffrey R. Yates

Purpose	Amount
Salary (part-time)	$ 81,258
Benefits-insurance	11,432
Car allowance	4,800
Reimbursements	1,001
Travel-due diligence visits	-0-
Continuing professional education fees	835
Total	$ 99,326

See accompanying independent auditors' report.

Investment Section



CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Putting clients first.

June 12, 2019

Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System and Police Guarantee Trust
P.O. Box 1471
Baton Rouge, LA 70821

After a strong year of equity market returns in 2017, investors entered 2018 optimistic for continued gains amidst what was being labeled a "synchronized global recovery" in the media. The year began with early gains in the equity markets driven by strong earnings that were boosted by the impact of the new tax cuts enacted by the US government in 2017. January's strong start faded amidst an increase in volatility in February as investors began questioning the strength of growth in Europe and China and the potential negative impact that could have in US markets. February's market drawdown was softened by a recovery in March that was followed by relatively calm markets in Q2 and Q3 before a dramatic market pullback in the fourth quarter took a strong year for markets into negative territory. The fourth quarter for U.S. stocks was the worst since 2011 and December proved to be one of the worst months for stocks since the great depression. Questions about trade with China, a lingering government shutdown, and a partial inversion of the yield curve caused investors to question the sustainability of the current bull market, now the longest on record. U.S. equity markets produced losses across the market cap spectrum with U.S. large cap stocks (S&P 500) down 4.4%, while mid-caps lost 9.1% and small caps were the worst performers declining 11.0% due to the strong risk aversion that gripped all equity markets.

While U.S. equities finished in negative territory, they continued to outperform relative to their developed market peers. Robust corporate earnings, boosted by tax cuts, provided fundamental support for U.S. stocks. While broad market returns were negative, growth-oriented strategies continued to deliver the best absolute results across global markets. Names like Amazon and Microsoft were able to generate substantial returns amidst the broad market declines. International equity markets delivered returns behind those of US markets for the year, down 14.2 % (MSCI ACWI xUSA) with economic growth concerns and the continued headwind of a strengthening US dollar Developed markets, as represented by the MSCI EAFE Index, were down 13.8%%, while Emerging Markets (MSCI EME Index) was the worst performing equity asset class in 2018, producing a loss of 14.6%. The underperformance for emerging markets comes after the asset class produced the strongest global returns in 2017. EM was weighed down by tighter global liquidity (stemming from higher U.S. interest rates and U.S. dollar appreciation) and signs of moderation in global economic growth. The threat of a U.S. and China trade war weighed on sentiment across EM, most notably in Asia, with concerns the current standoff could escalate further and destabilize the global trading order.

The enthusiasm around European growth quickly faded in 2018 as the situation in Europe remained cloudy throughout the year. Europe's three traditional powerhouses, Germany, France and Britain, all faced political challenges that weighed on European equity markets. Germany's Angela Merkel lost key political support while French president Emmanuel Macron was confronted with protests as he struggled to follow through on his reform program. The situation did not get any easier in the UK as British Prime Minister Theresa May, continued to be unable to garner a consensus on a European exit plan with the March 2019 deadline fast approaching. Against this backdrop, along with some softening economic growth in the region, European equities finished down double digits for the year.

The bond market saw a year of continued yield curve flattening as the short end of the yield curve rose amidst four more interest rate hikes of 0.25% by the Federal Reserve and the long end of the curve saw rates decline on continued low inflation expectations. The investment grade bond market saw negative returns through the first three quarters of the year offset by positive returns in Q4 as investors reacted to stock market volatility by moving into US government bonds. High yield bonds and corporate bonds gave back early year gains as they sold off in the flight to safety during Q4.

On December 31, 2018, the CPERS portfolio had a fair value of $1,053.1 million. Assets in the Police Guarantee Trust totaled $13.1 million. For the 12-month period, CPERS investments generated a loss of 5.4% which outperformed its Policy Index by 0.1%. For the trailing three years the fund is up an annualized 6.2%, and over the last five years, the fund has returned 4.7% on an annualized basis. The fund outperformed its policy benchmark by 1.3% over the last three years and by 1.3% over the last five years, annualized. Over these same 1-, 3-, and 5-year periods, the Police Guarantee Trust earned returns of-5.2%, 4.8%, and 3.5%, respectively. The PGT has outperformed its Policy Index over the three- and five-year time periods. Calculations were prepared using a time-weighted rate of return based on the market values as of December 31, 2018. The two portfolios are invested similarly, but the funds' respective sizes dictate implementation differences, resulting in some return differences between the two.

Sincerely

Jonathan Breth

Senior Consultant

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

Introduction

This Statement of Investment Policy serves as the official communication regarding the investment practices of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge ("CPERS"). This document outlines the goals, objectives, responsibilities and restrictions so that there is a clear understanding of the policies of the Plan by the Board of Trustees, Investment Committee, Staff, Investment Managers, Investment Consultant, and Custodian. In addition, this document provides the Board a meaningful basis for the evaluation of the investment performance of the individual Investment Managers and the Plan as a whole, measuring each relative to a set of clearly defined investment objectives. The policy as represented in this document is not in complete form and has been summarized for a general understanding.

Investment Goals and Objectives

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

Asset Allocation

CPERS' Asset Allocation will be the primary tool used to achieve the total return objective. In order to achieve a specified rate of return for the Plan, the Board relies on prevailing financial theory and utilizes an appropriate long-term diversified asset allocation model.

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

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
Public Equities	40%	45%	50%
US		22.5%	
Non-US		22.5%	
Private Markets	0%	5%	10%
Public Fixed Income	25%	30%	35%
Hedge Funds	0%	5%	10%
Risk Parity	0%	5%	10%
Real Estate	0%	5%	10%
Master Limited Partnerships	0%	5%	10%

Rebalancing

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

Performance Evaluation and Review

On a quarterly basis, the Committee will review actual investment results to ensure that the System's Asset Allocation is within policy ranges, and that the investment program is maintaining its disciplines and meeting expectations.

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

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Asset Class	Target Allocation	Index
US Equities	22.5%	Russell 3000
Non-US Equities	22.5%	MSCI ACWI ex-US
Private Markets	5%	Peer group comparisons where appropriate
Public Fixed Income	30%	Barclays US Aggregate
Hedge Funds	5%	HFRI, HFRX or other strategy-appropriate indices as determined by implementation
Risk Parity	5%	60% MSCI World/40% Citigroup WGBI
Public Real Estate	5%	NCREIF or other strategy-appropriate indices as determined by implementation
Master Limited Partnership	5%	S&P MLP Index

While the Total Fund is measured against this Policy Index, individual Investment Managers will be measured against appropriate style indices, and also relative to an appropriate peer universe, as determined by the System's Investment Consultant. Suggested benchmarks for asset classes and strategies are included in the following table.

Asset Class	Investment Approach	Benchmark
Broad US Equity	Composite	Russell 3000 Index
Large Cap Equity	Either passively actively managed	Large Cap Core: S&P 500 or Russell 1000 Large Cap Value: Russell 1000 Value Large Cap Growth: Russell 1000 Growth
Non-large Cap Equity	Actively managed	Small Cap Core: Russell 2000 Small Cap Value: Russell 2000 Value Small Cap Growth: Russell 2000 Growth
Broad Non-US Equity	Composite	MSCI ACWI ex-US Index
International Equity	Actively managed	International Core: MSCI EAFE or ACWI ex-US International Value: MSCI EAFE, EAFE Value or ACWI ex-US Value International Growth: MSCI EAFE, EAFE Growth or ACWI ex-US Growth International Small Cap: MSCI EAFE Small Cap Index Emerging Markets: MSCI EAFE Emerging Markets
Private Market Investments	Actively managed	Peer group comparisons, where appropriate.
Broad Fixed Income	Composite	Barclays Capital Aggregate Index
Fixed Income	Either passively or actively managed	Core Fixed Income: Barclays Capital Aggregate Index TIPS: Barclays US TIPS Other strategy-appropriate indices as determined by implementation.
Hedge Funds	Actively managed	HFRI or HFRX strategy-appropriate index as determined by implementation
Risk Parity	Actively managed	60% MSCI World/40% Citigroup WGBI
Real Assets	Either passively or actively managed	Real Estate; NCREIF Master Limited Partnerships; S&P MLP Index Other strategy-appropriate indices as determined by implementation
Cash	Actively managed	Cash: 90-day T-bill

Investment Manager Responsibilities and Communications

The Investment Managers are expected to manage the assets in accordance with the statutory requirements, policy guidelines and objectives expressed herein. No deviation is permitted unless the ability to do so is given in a separate written agreement. Investment Managers will regularly communicate with the System's Staff and Investment Consultant. Written communications should be provided to CPERS at least quarterly. These reports should include a review of investment performance relative to the manager's objectives.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Internal Cash Management Investment Guidelines

The daily cash balances of CPERS are invested in a Short Term Investment Fund (STIF) managed by the custodian bank. The STIF used must be reviewed by the Consultant for adherence to the Fund's risk/return profile and list of approved investments, and pre-approved by the Board.

Permissable Investments

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

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

With certain exceptions such as those strategies investing in non-traditional investments, all assets selected within any portfolio should have a readily attainable market value and should be readily marketable.

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

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

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

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

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

Restricted Investments

For separate account managers, categories of investments that are not eligible for investment include, but are not limited to, the following:

- Futures and option transactions (except for those used for bona fide currency hedging purposes or as otherwise expressly permitted);
- Leverage is not permitted;
- Leveraged derivative securities, including but not limited to Mortgage IOs or POs, inverse floating rate notes, or structured notes are not permitted. Unleveraged floating rate securities are allowed but interest payments must be linked to indices within the portfolio's scope;

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;
- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board);
- Cash should not comprise more than five (5) percent of the portfolio without prior written approval of the Board.

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

General Fixed Income Portfolio Guidelines

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

Diversification

Fixed income securities of any one corporation shall be limited to 2.5% at cost of a portfolio and may not exceed 3% at market. This restriction also applies to asset-backed securities, non-agency mortgage-backed securities (including commercial mortgage-backed securities) and taxable municipals. The total holdings of an agency-issued mortgage-backed security of the same coupon and maturity series of the same agency shall not exceed 10% of the manager's portfolio at cost (agency-issued mortgage-backed securities to include GNMA's). The direct debt of the federal government (treasury bonds, bills and notes) shall not be restricted as a percentage of the manager's portfolio. Private placement bonds are not permitted. 144(a) fixed income securities are allowable, limited in total to 25% of the market value of a manager's portfolio. The effective duration of the fixed income portfolio(s) must remain within a range of 75% to 125% of the duration of the benchmark at all times.

Portfolio Quality

Fixed income securities shall not be rated less than Baa3 or its equivalent by a nationally-recognized rating agency (such as Standard & Poor's, Fitch, or Moody's). Individual issues rated AAA to AA- or its equivalent may have a 2.5% position at cost and 3% at market value.

Individual issues rated below AA- or its equivalent may have a 1.5% position at cost or 2% at market value. Individual issues rated BBB or its equivalent may have a 1% position at market value. Split-rated securities in which one rating is below investment grade shall not comprise more than 3% of the market value in total for AAA to AA- or its equivalent, 2% for issues rated below AA- to BBB+ or its equivalent and 1% for issues rated BBB or its equivalent of any manager's portfolio. The ratings issue does not apply to direct obligations of the U.S. Government and its agencies.

If specific managers are given international flexibility, the same quality restrictions apply. Emerging market securities not listed in the Barclays Capital Aggregate are prohibited. In the event of a bond's downgrade below BBB- or its equivalent (excluding split-rate securities discussed above), the Board shall be notified in writing and the manager shall include a prudent recommended course of action.

General Equity Portfolio Guidelines

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

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Diversification

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

Style Adherence

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

Proxy Voting

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

Securities Lending

The Board may select an agent to lend the financial securities of the fund. Any income gained through the lending program will be deposited monthly in a specified account and invested in short-term instruments until allocated to the Investment Managers. The agent will have full discretion over the selection of borrowers and will continually review credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit at 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. These collateralization procedures should be marked-to-market daily. The securities lending program shall not inhibit the trading activities of the Investment Managers of CPERS. A copy of the agent's cash collateral Investment Policy shall be sent to the Fund at least annually or if there is a material change made to the document.

CPERS Brokerage Policy

The Board, at its discretion, may identify a brokerage firm or firms to receive consideration from CPERS' managers when it is viewed to be in the best interest of the beneficiaries. This will be officially acted upon by the Board and this directive communicated officially to all investment firms utilized by the Fund. With regard to transaction expense, each manager recognizes commissions as an asset of CPERS and accepts same fiduciary responsibility for managing commissions and execution costs. The Board encourages the equity managers to manage the commission activity using all available trading mechanisms to maintain commission levels on listed trades of three (3) cents per share or less.

Investment Compliance Issues Policy

The Consultant will review the Investment Managers' holdings, where possible, on a quarterly basis to determine compliance with the Retirement Board's Statement of Investment Policy. Issues that arise will be discussed with the Manager and forwarded to the Staff and Investment Committee To the extent possible, each issue will be resolved by the Investment Consultant, working in conjunction with the Staff, then the Investment Committee, and then the full Board.

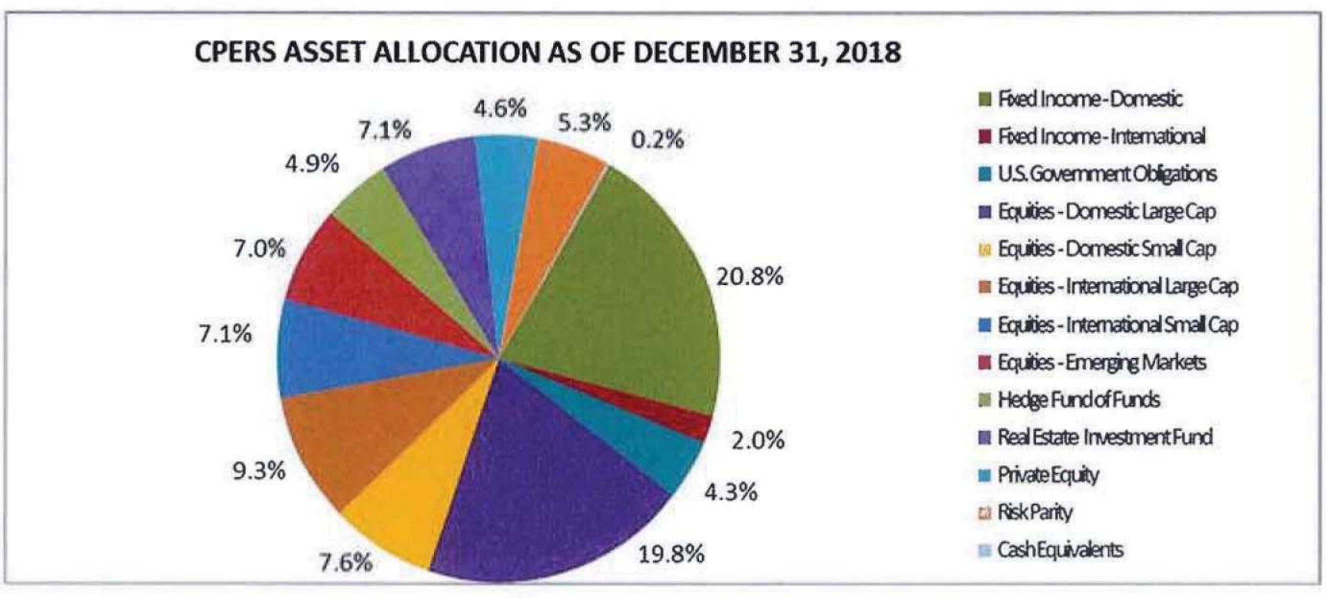
Anti-Terrorism Investment Policy

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

INVESTMENT SUMMARY
AS OF DECEMBER 31, 2018 AND 2017

CPERS TRUST

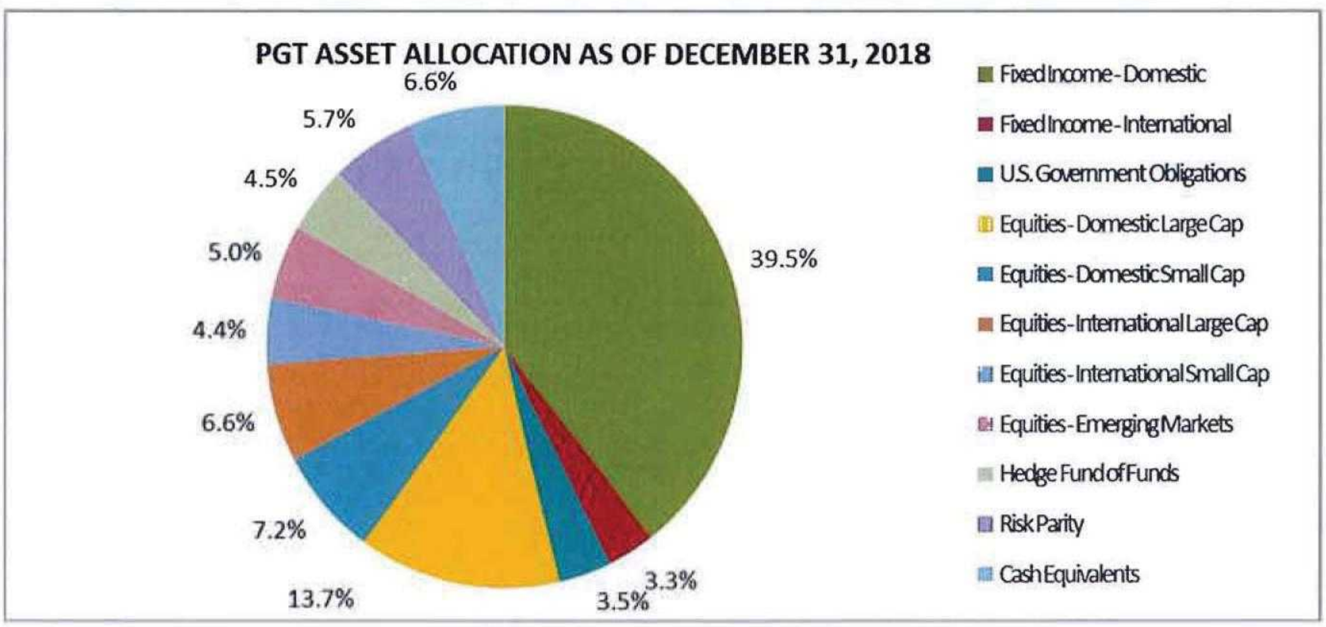
	December 31, 2018			December 31, 2017		
Type of Investment:		**Fair Value**	**% Total Fair Value**		**Fair Value**	**% Total Fair Value**
Fixed Income:						
Fixed Income – Domestic	$	219,038,865	20.8%	$	229,534,230	19.8%
Fixed Income - International		21,177,143	2.0%		24,229,654	2.1%
U.S. Government Obligations		45,742,489	4.3%		48,485,815	4.2%
Equities:						
Equities – Domestic Large Cap		208,362,712	19.8%		231,791,475	20.0%
Equities – Domestic Small Cap		80,256,110	7.6%		94,161,157	8.1%
Equities – International Large Cap		98,097,438	9.3%		123,007,149	10.6%
Equities – International Small Cap		74,552,781	7.1%		95,019,307	8.2%
Equities – Emerging Markets		73,502,212	7.0%		91,621,024	7.9%
Alternative Investments:						
Hedge Fund of Funds		52,059,432	4.9%		54,329,499	4.7%
Real Estate Investment Fund		74,692,716	7.1%		70,817,431	6.1%
Private Equity		47,944,929	4.6%		36,738,063	3.2%
Risk Parity		55,398,786	5.3%		57,929,690	5.0%
Cash Equivalents		1,809,074	0.2%		1,217,688	0.1%
Total Investments	$	1,052,634,687	100.0%	$	1,158,882,182	100.0%



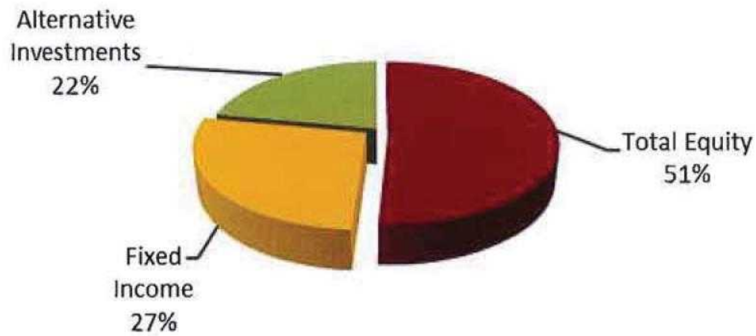
INVESTMENT SUMMARY
AS OF DECEMBER 31, 2018 AND 2017

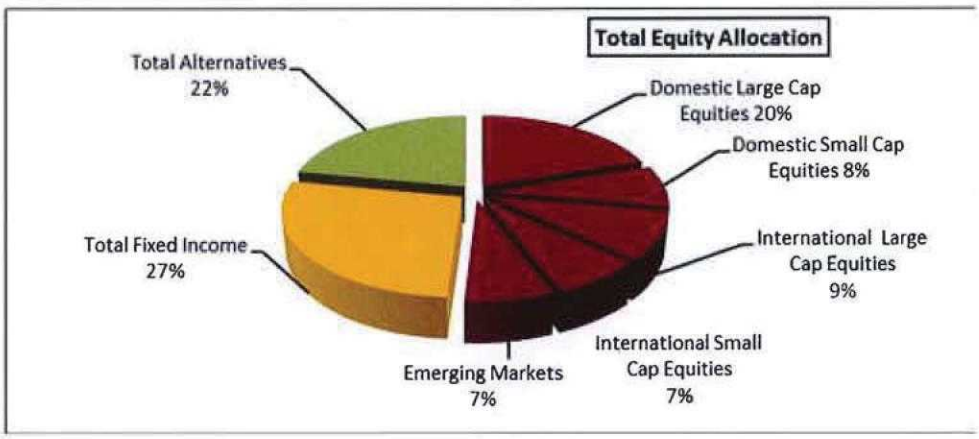
POLICE GUARANTEE TRUST

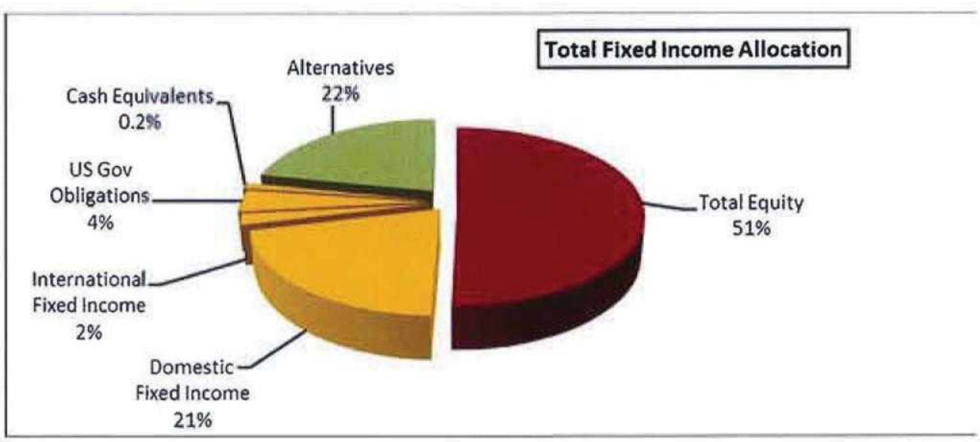
	December 31, 2018		December 31, 2017	
Type of Investment:	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income - Domestic	$ 5,148,792	39.5%	$ 4,276,746	30.4%
Fixed Income - International	432,151	3.3%	364,597	2.6%
U.S. Government Obligations	459,593	3.5%	588,335	4.2%
Equities:				
Equities – Domestic Large Cap	1,784,140	13.7%	1,940,974	13.8%
Equities – Domestic Small Cap	941,551	7.2%	1,194,099	8.5%
Equities – International Large Cap	866,887	6.6%	1,295,490	9.2%
Equities – International Small Cap	573,888	4.4%	863,335	6.1%
Equities – Emerging Markets	650,766	5.0%	980,711	6.9%
Alternative Investments:				
Hedge Fund of Funds	589,128	4.5%	728,568	5.2%
Risk Parity	746,119	5.7%	780,206	5.5%
Cash Equivalents	857,871	6.6%	1,068,277	7.6%
Total Investments	$ 13,050,886	100.0%	$ 14,081,338	100.0%



ASSET ALLOCATION AS OF DECEMBER 31, 2018







CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2018

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DOMESTIC FIXED INCOME				
GSAA HOME EQUITY TRUST	VARIES	12/25/2036	$ 2,929	$ 1,304
LEHMAN BROTHERS HOLDING	0.000%	08/22/2009	21,000	399
LEHMAN BROTHERS HOLDING	0.000%	12/30/2016	5,000	95
WAMU ASSET BACKED CERTIFICATE	VARIES	04/25/2037	105	53
FNMA POOL #0250111	8.500%	08/01/2024	9	10
TOTAL DOMESTIC FIXED INCOME			$ 29,043	$ 1,861

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,163,202	$ 64,032,704
DOMESTIC FIXED INCOME – CORE	3,393,988	75,244,465
DOMESTIC FIXED INCOME – CORE PLUS	3,919,403	79,759,835
US TREASURY INFLATION PROTECTED SECURITIES	3,512,100	45,742,489
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	13,988,693	$ 264,779,493

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	853,563	$ 17,278,666
INTERNATIONAL FIXED INCOME – CORE PLUS	191,571	3,898,477
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	1,045,134	$ 21,177,143

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
ELDORADO RESORTS INC	25,428	$ 920,748
BIOTELEMETRY INC	14,511	866,597
MASTEC INC	16,435	666,604
FIRSTCASH INC	7,775	562,521
WELLCARE HEALTH PLANS INC	2,191	517,273
TPI COMPOSITES INC	20,999	516,155
CHARLES RIVER LABORATORIES INT	4,535	513,271
HARSCO CORP	25,805	512,487
NUVASIVE INC	9,927	491,982
FIVE9 INC	11,180	488,790
OTHER EQUITY SECURITIES-DOMESTIC	876,010	18,838,018
TOTAL DOMESTIC EQUITY SECURITIES	1,014,796	$ 24,894,446

CPERS LIST OF INVESTMENTS (CONTINUED)
EQUITIES (CONTINUED)

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	8,333	$ 20,129,986
RUSSELL 1000 FUND	546,106	104,607,920
S&P 500 FUND	3,263,017	103,754,792
MASTER LIMITED PARTNERSHIP	1,678,724	35,231,678
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	5,496,180	$ 263,724,376

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	745,073	$ 49,738,930
INTERNATIONAL GROWTH EQUITY FUND	2,437,761	48,358,508
INTERNATIONAL SMALL CAP FUND	2,813,068	74,552,781
EMERGING MARKETS FUND	682,041	73,502,212
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	6,677,943	$ 246,152,431

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	30,938	$ 52,059,432
REAL ESTATE INVESTMENT FUND	49,707	74,692,716
PRIVATE EQUITY	47,294,418	47,944,929
RISK PARITY	4,632,981	55,398,786
TOTAL ALTERNATIVE INVESTMENTS	52,008,044	$ 230,095,863

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	$ 1,809,074
TOTAL CPERS INVESTMENTS	$ 1,052,634,687

A complete list of portfolio holdings is available upon request.

PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2018

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	64,893	$ 1,313,635
DOMESTIC FIXED INCOME – CORE	101,306	2,245,934
DOMESTIC FIXED INCOME – CORE PLUS	78,095	1,589,223
US TREASURY INFLATION PROTECTED SECURITIES	35,287	459,593
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	279,581	$ 5,608,385

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	17,511	$ 354,473
INTERNATIONAL FIXED INCOME – CORE PLUS	3,817	77,678
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	21,328	$ 432,151

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 LARGE CAP FUND	4,519	$ 865,626
S&P 500 LARGE CAP FUND	28,887	918,514
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	2,501	131,538
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	3,932	161,145
MASTER LIMITED PARTNERSHIP	30,917	648,868
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	70,756	$ 2,725,691

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	6,327	$ 422,380
INTERNATIONAL GROWTH EQUITY FUND	22,408	444,507
INTERNATIONAL SMALL CAP FUND	21,654	573,888
EMERGING MARKETS FUND	6,496	650,766
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	56,885	$ 2,091,541

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	364	$ 589,128
RISK PARITY	62,398	746,119
TOTAL ALTERNATIVE INVESTMENTS	62,762	$ 1,335,247

PGT LIST OF INVESTMENTS (CONTINUED)

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	$ 857,871
TOTAL PGT INVESTMENTS	$ 13,050,886

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank*
Comparative Rates of Return on Total Fund – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	(5.40) %	76
Police Guarantee Trust	(5.21) %	71
Median Total Fund	(4.28) %	50
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	(6.72) %	72
Police Guarantee Trust	(6.62) %	69
Median Domestic Equity Composite	(5.78) %	50
Russell 3000	(5.24) %	41
Comparative Rates of Return on International Equities – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	(16.13) %	89
Police Guarantee Trust	(16.16) %	89
Median International Equity Composite	(13.77) %	50
MSCI ACWI ex US (Net)	(14.20) %	60
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	(1.10) %	63
Police Guarantee Trust	(0.80) %	59
Median Bond Composite	(0.39) %	50
Barclays Capital Aggregate Index	0.01 %	36
Comparative Rates of Return on Real Estate – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	11.32 %	14
Median Real Estate Fund	8.03 %	50
NCREIF Property Index	6.72 %	73
Comparative Rates of Return on Hedge Fund – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	1.30 %	N/A
Police Guarantee Trust	1.33 %	N/A
HFRI Fund of Funds Comp. Index	(4.08) %	N/A
Comparative Rates of Return on Master Limited Partnership – Year Ended December 31, 2018		
City-Parish Employees' Retirement System	(13.03) %	24
Police Guarantee Trust	(13.00) %	23
Median Master Limited Partnership	(13.48) %	50
S&P MLP Index	(11.67) %	6
Comparative Rates of Return on Private Equity – Year Ended December 31, 2018**		
City-Parish Employees' Retirement System	16.85 %	N/A

* Rank indicates CPERS' relative investment performance in relation to other total funds in the Mellon Universe of funds.
** These calculations were prepared using a time-weighted rate of return based on market rates of return at December 31st.

INVESTMENT PERFORMANCE MEASUREMENTS (CONTINUED)

The total performance as compared to public funds in the Mellon Universe, as reported by AndCo Consulting, Investment Consultant for the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, is as follows:

One-year period ending December 31, 2018	(5.40) %
Two-year period ending December 31, 2018	5.07 %
Three-year period ending December 31, 2018	6.23 %
Four-year period ending December 31, 2018	4.52 %
Five-year period ending December 31, 2018	4.68 %

ANNUAL RATES OF RETURN

	ANNUALIZED						
	2014	2015	2016	2017	2018	3 YRS.	5 YRS.
TOTAL FUND							
City-Parish Emp. Retirement System	5.3 %	(0.5)%	8.6 %	16.7 %	(5.4)%	6.2 %	4.7 %
Police Guarantee Trust	4.7 %	(1.6)%	7.4 %	13.2 %	(5.2)%	4.2 %	2.8 %
Median Total Fund	6.6 %	(0.0)%	7.3 %	15.5 %	(4.3)%	5.9 %	4.7 %
Inflation (CPI)	0.7 %	0.7 %	2.1 %	2.1 %	1.9 %	2.2 %	2.2 %
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	12.9 %	1.3 %	12.4 %	21.2 %	(6.7)%	8.3 %	7.8 %
Police Guarantee Trust	12.5 %	1.0 %	12.0 %	21.6 %	(6.6)%	8.3 %	7.6 %
Median Domestic Equity Fund	10.9 %	0.2 %	12.3 %	20.6 %	(5.8)%	8.7 %	7.4 %
Russell 3000	12.6 %	0.5 %	12.7 %	21.1 %	(5.2)%	9.0 %	7.9 %
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	(3.3)%	(2.4)%	9.1 %	32.7 %	(16.1)%	6.8 %	2.9 %
Police Guarantee Trust	(3.4)%	(3.2)%	8.9 %	32.4 %	(16.2)%	6.5 %	2.5 %
Median International Equity Fund	(2.3)%	(2.9)%	4.3 %	28.1 %	(13.8)%	4.8 %	1.6 %
MSCI ACWI ex US (Net)	(3.9)%	(5.7)%	4.5 %	27.2 %	(14.2)%	4.5 %	0.7 %
FIXED INCOME							
City-Parish Emp. Retirement System	5.3 %	(.01)%	5.2 %	5.8 %	(1.1)%	3.3 %	3.0 %
Police Guarantee Trust	5.6 %	0.0 %	5.1 %	5.6 %	(0.8)%	3.3 %	3.0 %
Median Bond Fund	5.8 %	0.1 %	4.5 %	4.7 %	(0.4)%	3.0 %	3.0 %
Barclays Capital Aggregate Index	6.0 %	0.1 %	2.7 %	3.5 %	0.1 %	2.1 %	2.5 %
REAL ESTATE							
City-Parish Emp. Retirement System	13.2 %	15.7 %	9.4 %	9.5 %	11.3 %	9.9 %	11.7 %
Median Real Estate Fund	13.6 %	12.6 %	9.3 %	9.4 %	8.0 %	8.4 %	10.4 %
NCREIF Property Index	11.8 %	13.3 %	8.0 %	7.0 %	6.7 %	7.2 %	9.3 %
HEDGE FUND OF FUNDS							
City-Parish Emp. Retirement System	8.0 %	5.8 %	(1.9)%	6.9 %	1.3 %	2.0 %	3.9 %
Police Guarantee Trust	8.0 %	5.8 %	(1.9)%	6.8 %	1.3 %	2.0 %	3.9 %
HFRI Fund of Funds Comp. Index	3.4 %	(0.3)%	0.7 %	7.7 %	(4.1)%	1.3 %	1.4 %
MASTER LIMITED PARTNERSHIP							
City-Parish Emp. Retirement System	0.7 %	(30.1)%	20.2 %	(4.9)%	(13.0)%	(0.2)%	N/A
Police Guarantee Trust	0.7 %	(30.1)%	20.1 %	(5.0)%	(13.0)%	(0.2)%	N/A
Median MLP	(3.6)%	(30.5)%	25.6 %	(5.3)%	(13.5)%	(0.1)%	N/A
S&P MLP Index	(5.7)%	(35.1)%	22.0 %	(5.6)%	(11.7)%	0.6 %	N/A
PRIVATE EQUITY							
City-Parish Emp. Retirement System	18.0 %	22.4 %	6.3 %	15.1 %	16.8 %	N/A	N/A

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

SCHEDULE OF CPERS INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Assets Under Management	Investment Service Fees
Fixed Income:		
Fixed Income – Domestic	$ 264,781,354	$ 794,278
Fixed Income – International	21,177,143	114,375
Equity Securities:		
Equities – Domestic	288,618,822	1,190,182
Equities – International	246,152,431	2,131,380
Alternative Investments:		
Hedge Fund of Funds	52,059,432	769,641
Real Estate Investments	74,692,716	666,038
Private Equity	47,944,929	465,947
Risk Parity	55,398,786	241,890
Total Investment Managers' Fees		6,373,731
Custodian Fees		129,236
Advisor Fees		149,445
Total Investment Expenses		$ 6,652,412

SCHEDULE OF PGT INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Assets Under Management	Investment Service Fees
Fixed Income:		
Fixed Income – Domestic	$ 5,608,385	$ 17,156
Fixed Income – International	432,151	3,014
Equity Securities:		
Equities – Domestic	2,725,691	10,101
Equities – International	2,091,541	20,958
Alternative Investments:		
Hedge Fund of Funds	589,128	9,621
Risk Parity	746,119	3,258
Total Investment Manager's Fees		64,108
Custodian Fees		29,289
Advisor Fees		30,555
Total Investment Expenses		$ 123,952

SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2018

Brokerage Firm	Shares Traded	Commission Dollar Amount	Commission Per Share
Instinet Clearing Services, Inc.	553,338	$ 10,303	$ .0186
B Riley & Co., LLC	278,528	8,235	.0296
Friedman, Billings, & Ramsey	181,168	5,435	.0300
J.P. Morgan Securities Inc.	61,277	2,451	.0400
Cantor Fitzgerald & Co., Inc.	123,205	2,107	.0171
Sidoti & Co., LLC	48,892	1,956	.0400
Morgan Stanley & Co., Inc.	51,013	1,912	.0375
Keybanc Capital Markets Inc.	51,992	1,846	.0355
Cowen & Co., LLC	75,357	1,678	.0223
Jefferies & Co., Inc.	202,302	1,649	.0082
Wells Fargo Securities, LLC	189,161	1,648	.0087
D.A. Davidson & Co., Inc.	44,220	1,512	.0342
Stephens Inc.	40,622	1,431	.0352
JonesTrading Institutional Services, LLC	65,021	1,313	.0202
National Financial Services Corp	32,808	1,242	.0379
Sanford C. Bernstein & Co.	135,897	1,201	.0088
Seaport Group Securities, LLC	53,028	1,182	.0223
Piper Jaffray & Co.	36,600	1,134	.0310
Needham & Co., LLC	34,286	1,046	.0315
Wedbush Morgan Securities, Inc.	37,747	1,046	.0277
Craig Hallum	28,739	980	.0341
Northland Securities Inc.	41,034	943	.0230
Goldman Sachs & Co.	30,934	880	.0284
Raymond James & Associates, Inc.	22,543	870	.0386
Stifel Nicolaus	23,171	861	.0371
RBC Capital Markets, LLC	106,149	852	.0080
William Blair & Co.	28,152	844	.0300
Oppenheimer & Co., Inc.	32,044	843	.0263
ICBC Financial Services	23,992	665	.0277
Barclays Capital, Inc.	19,245	587	.0305
C.L. King & Associates	23,840	558	.0234
Investment Tech Group, Inc.	26,222	524	.0200
William O'Neil & Co., Inc.	12,595	504	.0400
Robert W. Baird & Co., Inc.	15,103	496	.0328
Suntrust Capital Markets, Inc.	12,959	492	.0380
Other (31 firms)*	256,741	6,793	.0264
Total	2,999,925	$ 68,019	$ .0227

* Firms that had less than $492 commissions paid.

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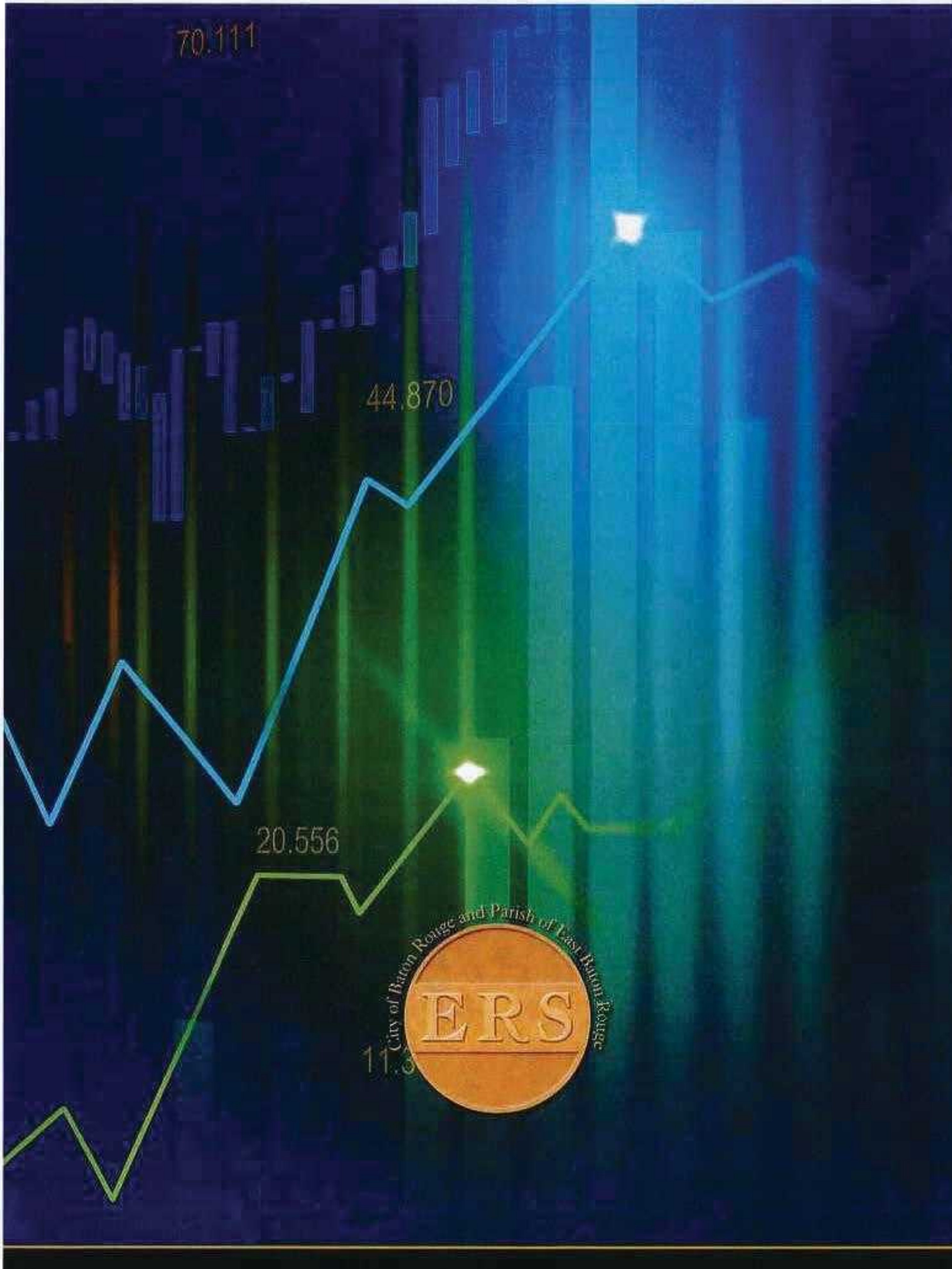

Actuarial Section CPERS Trust

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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

June 18, 2019

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

Dear Board Members:

This is to certify that Foster & Foster, Inc. has completed the annual actuarial valuation of the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2019. The valuation report was prepared at the request of the Board and is intended for use by the System staff and those designated or approved by the Board.

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

Funding Objective of the Plan

The combined employer and employee contribution requirements are established in order to fully fund all current normal costs and payments sufficient to liquidate the unfunded actuarial accrued liability as determined in accordance with the Board adopted actuarial cost method, asset valuation method, and amortization method. The amortization method was initially established with the objective of liquidating the unfunded liability as of January 1, 1995 over a thirty-year period with subsequent changes in unfunded liabilities amortized over thirty years. The amortization method has been modified several times since 1995. Beginning with the January 1, 1995 valuation the amortization method was changed to a level percentage of payroll 30-year open amortization method. Effective January 1, 2015, the amortization approach was changed to use a level percentage of payroll 30-year closed method with reductions in successive amortization periods until reaching a 15-year open period. As of January 1, 2019, the unfunded liability was $595,688,255.

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

The method for determining the actuarial value of assets uniformly spreads actuarial investment gains and losses over a five-year period, beginning with a "fresh start" on January 1, 2018, where the Actuarial Value of Assets equals the Market Value of Assets in the first year. The resulting actuarial value of assets as of December 31, 2018, is $1,190,267,261.

Effective with the 2000 year, the Board introduced a one-year delay from the valuation date to the year for which the employer contribution rate calculated in the valuation is applied. The January 1, 2018 valuation was the basis for the 2019 employer contribution rate, and the January 1, 2019 valuation is the basis for the 2020 employer contribution rate. The employer contribution rate for the 2019 year is set to 32.7%. The employer contribution rate for the 2020 year is set to 34.9%.

Progress Toward Realization of Funding Objective

The employer contributions determined by the January 1, 2019 actuarial valuation and the member contributions, paid as a percentage of payroll, are expected to be sufficient to achieve the funding objective set forth above. The progress toward achieving the intended funding objectives can be measured by funding level, determined as the ratio of actuarial assets to the actuarial accrued liabilities. If the experience develops as assumed this ratio is expected to increase over time, in the absence of benefit improvements.

Plan Provisions

A summary of plan provisions used in the actuarial valuations can be found starting on page 36 of the actuarial valuation report. Beginning January 1, 2016, the following plan changes were recognized for members with dates of hire on or after September 1, 2015: (a) retirement eligibility of age 55 (public safety) or 60 (non-public safely) with at least 10 years of service or 20 years of service regardless of age, (b) full retirement eligibility is age 50 (public safety) or age 55 (non-public safety) with at least 25 years of service, (c) early retirement benefits are reduced to an actuarial equivalent benefit, (d) normal form of benefit is a life annuity, (e) final average compensation is based on highest 60 consecutive months, and (f) the policy of rounding service up to the next highest quarter has been abolished.

Data

In performing the January 1, 2019 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Participant data was not audited but was reviewed for reasonableness and consistency relative to data used for prior year valuations. Plan assets were compared with information furnished for the prior plan year's valuation and reviewed for consistency.

Actuarial Methods and Assumptions

The present values shown in the January 1, 2019 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board. There were no changes in actuarial assumptions or methods for the January 1, 2019 valuation. The assumptions and methods are detailed starting on page 13 of the valuation report. The assumptions were selected by the Board following the most recent experience study following the advice of the prior actuary. We believe the assumptions are reasonable and represent a reasonable expectation of future experience under the plan. Funding calculations have been made in accordance with generally accepted actuarial principles and practice.

The actuarial assumptions and methods used for accounting purposes are, in the actuary's opinion, reasonable and compliant with the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 67.

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

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

We certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth in the Actuarial Standards of Practice established by the Actuarial Standards Board, are reasonable and represent our best estimate of the funding requirement to achieve the Retirement System's Funding Objective, unless otherwise noted herein. Shelley is an Associate in the Society of Actuaries and Pat is a Fellow in the Society of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

FOSTER & FOSTER INC.

Shelley R. Johnson

Shelley R. Johnson, ASA, MAAA

D. Patrick McDonald

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

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2019 Actuarial Report)
(Based on Ordinance Nos. 235 and 276)

Effective Date: (1:250, 1:258)	December 31, 1953, as restated effective April 1, 1997 (Ordinance No. 10779). Amended effective January 1, 1998, (Ordinance No. 11019 and 11020). Amended effective February 23, 2000, August 26, 2000 and December 31, 2001 (Ordinance 11827) and May 22, 2002 (Ordinance 12323 and Ordinance 12322) $600 spouse benefit November 25, 2003 (Ordinance 12814) SBP, April 28, 2004 (Ordinance 12936) Disability earned income offset September 27, 2006 (Ordinance 13760) Advalorem taxes for SBP. Amended effective August 12, 2015 (Ordinance No. 16039 and 16040).
Fiscal Year	Calendar year.
Membership: (1:259, 1:266)	Any regular employee of the City-Parish, excluding Police employees who elected to transfer into the Municipal Police Employees' Retirement System (MPERS) as of February 26, 2000 and Police employees hired after that date. Part-time council members with service prior to January 1, 1997, retroactive to December 31, 1976.
Contributions:	Members: 8% of compensation (1:264 A1(a)). Effective January 1, 2002, member contribution is equal to Maximum Employer Contribution, if less than 8% (1:264 A1 (c)). If the Maximum Employer Contribution rate is 17% or greater, the members' contribution rate will be 50% of the Employer Contribution rate, but not more than 9.5% (1:264 A(b)). The Maximum Employer Contribution rate is the larger of the City rate and the Special Funds rate. Employer contribution: Balance, actuarially determined (1:253N). maximum employer contribution: Employer contribution plus adjusting percentages for pro-rata allocation of obligations for transfer of members to plans maintained by the State or a political subdivision thereof (1:251). MERS payments received for 2006 and later are reserved for future Supplemental Benefit Payments.
Creditable Service:	Service credited under Retirement System; military service (maximum of three years); additional military service as required under USERRA for which member contributions are received.
Final Average Compensation:	<u>For members hired prior to September 1, 2015:</u> Average compensation during the highest 36 successive months of creditable service. <u>For members hired on or after September 1, 2015:</u> Average compensation during the highest 60 successive months of creditable service.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Service Retirement Eligibility: (1:265A)	For members hired prior to September 1, 2015: (1) Full retirement: 25 years of service, regardless of age. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service regardless of age. For non-public safety members hired on or after September 1,2015: (1) Full retirement: 25 years of service, age 55. (2) Minimum eligibility: Age 60 with 10 years of service, or 20 years of service regardless of age. For public safety members hired on or after September 1, 2015: (1) Full retirement: 25 years of service, age 50. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service regardless of age.
Service Retirement Benefits: (1:265A-1, 1:265A-3)	Full Retirement: 3.0% of final compensation for each year of creditable service. Minimum Eligibility: 2.5% of final average compensation for each year of creditable service. Maximum of 90% of final average compensation.
Early Service Retirement: (1:265A-2)	For members hired prior to September 1, 2015: If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55. For non-public safety members hired on or after September 1, 2015: If not eligible for full retirement: Benefits are reduced to an actuarial equivalent benefit. For public safety members hired on or after September 1, 2015: If not eligible for full retirement: Benefits are reduced to an actuarial equivalent benefit.
Disability: (1:265D)	Ordinary Disability: After 10 or more years of creditable service, 2.5% of final average compensation times creditable service, with a minimum benefit of 50% of final average compensation. Ordinary disability benefits are paid on a life annuity basis. Service-Connected: 50% of final average compensation, plus 1.5% of final average compensation times creditable service in excess of 10 years, with a maximum benefit of 90% of final average compensation. For members hired prior to September 1, 2015, service-connected disabilities are paid on a 50% Joint & Survivor basis. Benefits are offset by workers' compensation (1:264F). Benefits are offset by earned income (1:265G).

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Survivor Benefits: (1:270)	(1) If member eligible for retirement, or at least twenty (20) years of creditable service, surviving spouse may elect 100% joint & survivor actuarially equivalent without reduction for early commencement or a refund of the member's contributions. (2) If not eligible for retirement, surviving spouse may elect a monthly benefit of \$600 payable until remarriage, or a refund of the member's contributions. (3) If eligible children under age 18, monthly benefit of \$150 per child (maximum \$300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2). (4) If member died prior to May 24, 1989, monthly benefit to surviving spouse of \$600. (July 1, 2002) (5) If no benefits are payable under (1), (2) or (3), \$150 monthly benefit to unmarried dependent parent until death or remarriage.
Employment Termination: (1:267, 1:268)	After 10 years of creditable service, based on creditable service and final average compensation at termination date. For members hired prior to September 1, 2015 benefits are deferred to age 55, for members hired on or after September 1, 2015, benefits are deferred to age 60 for non-public safety and age 55 for public safety. If member contributions are withdrawn, benefit is forfeited.
Optional Allowances: (1:265C)	For members hired prior to September 1, 2015, normal form is joint and 50% contingent survivor. For members entitled to service retirement benefits, actuarially equivalent to regular retirement allowance: Option 1: Refund of excess of member's contributions over aggregate benefits paid; Option 2: 100% Joint & Survivor to designated contingent annuitant; any other form, approved by the Board. For members hired on or after September 1, 2015, Options 1 through 5 joint and survivor benefits available for purchase.
Retirement Benefit Adjustments: (1:269)	For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of \$600 effective July 1, 1992 plus \$30 for each full year retired.
Supplemental Benefit Payments: (1:269)	To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Compensated Absences: (1:262)

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

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

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

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

Prior to July 1, 1991:
Eligibility: If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of creditable service.
Duration: The lesser of 5 years, or 32 years minus creditable service at DROP entry.
Benefits: Service retirement allowances are paid into the member's DROP account, and credited with interest at the rate set by the actuarial formula. No further member or employer contributions are payable, and no further benefits are accrued.
Upon retirement and termination of DROP participation (or death), the member (or beneficiary) may elect one of the following:
(a) A lump sum of DROP account balance;
(b) A life annuity based on the DROP balance;
(c) Any other method of payment approved by the Board of Trustees.
Normal survival benefits payable to survivors of retirees are paid upon death of the member while a DROP participant.
On and after July 1, 1991:
Comparable to pre-July 1, 1991 provisions, except interest is not credited to DROP account until the conditions of DROP participation have been satisfied. If the member does not terminate employment at the end of the DROP period, potential interest credits are forfeited.
On and after July 1, 2002: If the member has at least ten (10) years of creditable service and has attained at least age 55, with DROP duration not greater than three (3) years
On and after September 1, 2015:
Eligibility: Not less than 25 years of creditable service at age 55 for non-public safety employees or age 50 for public safety. Duration 5 years if election to participate is exercised prior to attaining 33 years of creditable service. except for members not reaching minimum required retirement age, option to participate made no later than 60 days after age 55 for non-public safety employees and age 50 for public safety employees. Has not less than 10 years of creditable service at age 60 for non-public safety employees or age 55 for public safety, duration 3 years.

Changes Since Prior Valuation: None

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2019 Actuarial Report)

Valuation Date: December 31, 2018

Valuation Method: Entry Age Normal Actuarial Cost Method. This method produces a normal cost as a level percentage of pay over the service life of each participant and amortization of the Unfunded Actuarial Accrued Liability (UAAL). Gains and losses are reflected in the UAAL and are included in its amortization. *(Adopted March 25, 2010)*

Starting January 1, 2015, the UAAL is amortized over a 30-year period using an annual total payroll growth assumption. The period will be reduced in successive years until reaching a 15-year open period. *(Adopted February 26, 2015)*

Actuarial Value of Assets: Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year. Beginning January 1, 2018, method changed to uniformly spread actuarial gains and losses over a five-year period which ensures the Actuarial Value of Assets converge to the Market Value of Assets within a reasonable time.

Investment Return and Expense: 7.25% compounded annually. *(Adopted February 26, 2015).* The rate of return on assets is assumed to be net of investment expense. *(Adopted October 18, 2004)*

Inflation: 2.75% per year *(Adopted February 26, 2015)*

Salary Increases: Inflation plus: *(Adopted March 25, 2010)*

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

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

Non-Disabled Mortality: RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019, producing following specimen rates *(Adopted February 26, 2015):*

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

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

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

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

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

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

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

Retirement Rates:

Prior to 25 years of creditable service *(Adopted March 2, 1995)*

Age	Retirement
55-60	10%
61-63	20%
64	25%
65+	100%

After 25 years of creditable service

Service	Retirement
25	20%
26	30%
27	40%
28+	100%

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

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

	Total
BREC	1.0 year
Regular	1.0 year
Fire	1.75 years
Police	1.50 years

Recovery:	No probabilities of recovery are used. *(Adopted March 2, 1995)*
Remarriage:	No probabilities of remarriage are used. *(Adopted March 2, 1995)*
Marital Status:	80% of employees are assumed to be married with males three years older than female spouses. *(Adopted March 2, 1995)*
Administrative Expenses:	The actual amount of the prior year's expense is added to the normal cost.
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted March 2, 1995)*
Other:	The liability for Retirement Benefit Adjustments and the funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustments is combined into perpetuity.
Sources of Data:	Membership and asset data was furnished by Retirement Office staff.
Changes Since Prior Valuation:	None

SCHEDULE OF FUNDING PROGRESS
(Source: 2019 Actuarial Report)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$		$	
12/31/09	1,002,378,598	1,350,074,067	347,695,469	74.3%	136,119,407	255.4%
12/31/10	1,023,450,890	1,385,722,119	362,271,229	73.9%	136,123,660	266.1%
12/31/11	1,027,953,907	1,423,218,176	395,264,269	72.2%	136,781,288	289.0%
12/31/12	1,041,229,857	1,446,809,462	405,579,605	72.0%	137,426,654	295.1%
12/31/13	1,074,038,336	1,471,977,274	397,938,938	73.0%	137,789,518	288.8%
12/31/14	1,106,575,866	1,559,275,063	452,699,197	71.0%	135,556,888	334.0%
12/31/15	1,119,731,517	1,614,978,634	495,247,117	69.3%	137,591,450	360.0%
12/31/16	1,137,769,215	1,674,790,880	537,021,665	67.9%	139,807,313	384.1%
12/31/17	1,178,878,851	1,734,951,874	556,073,023	67.9%	145,219,716	383.0%
12/31/18	1,190,267,261	1,785,955,516	595,688,255	66.6%	144,939,664	411.0%

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

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE TEN YEARS ENDED DECEMBER 31, 2018
(Source: 2019 Actuarial Report)

Valuation Date	(1) Active Members' Contributions* -$-	(2) Terminated Vested Members -$-	(3) Retirees And Survivors** -$-	(4) Active Members Employer Contribution -$-	Actuarial Value of Assets -$-	Percentage of Actuarial Liabilities Covered by Assets (1) -%-	(2) -%-	(3) -%-	(4) -%-
12/31/09	256,663,672	4,156,485	720,761,899	368,492,011	1,002,378,598	100.0	100.0	100.0	5.6
12/31/10	267,075,592	4,396,791	742,436,557	371,813,179	1,023,450,890	100.0	100.0	100.0	2.6
12/31/11	270,043,946	4,255,920	762,106,926	386,811,384	1,027,953,907	100.0	100.0	98.9	0.0
12/31/12	270,204,544	3,909,968	788,868,802	383,826,148	1,041,229,857	100.0	100.0	97.2	0.0
12/31/13	271,758,390	2,267,254	831,113,713	366,837,917	1,074,038,336	100.0	100.0	96.3	0.0
12/31/14	284,306,327	2,236,906	932,088,088	340,643,742	1,106,575,866	100.0	100.0	88.0	0.0
12/31/15	306,319,701	2,005,865	966,095,357	340,557,711	1,119,731,517	100.0	100.0	84.0	0.0
12/31/16	315,984,448	2,019,223	996,658,142	300,316,821	1,137,769,215	100.0	100.0	82.3	0.0
12/31/17	340,087,199	1,838,007	1,025,213,152	367,813,516	1,178,878,851	100.0	100.0	81.6	0.0
12/31/18	360,926,159	1,851,006	1,049,464,845	373,713,506	1,190,267,261	100.0	100.0	78.8	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF ACTUARIAL GAIN/LOSS
(Source: 2019 Actuarial Report)

GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2014 – 2018 RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

	$ Gain or (Loss) For Year				
	2014	2015	2016	2017	2018
Investment Return	$ (8,520,730)	$ (24,525,014)	$ (19,785,680)	$ 473,285	$ (30,400,229)
Salary Increases	4,046,219	(5,256,555)	(12,876,120)	5,500,275	(2,806,302)
Retirements	(1,433,818)	(10,489,140)	(3,937,829)	252,779	(1,573,861)
Mortality	467,752	3,173,491	1,370,680	3,552,858	2,181,709
Disability	185,079	(267,256)	(758,916)	(526,410)	(479,657)
Turnover	1,375,127	(1,411,162)	(1,059,303)	(740,321)	85,179
New Members	(570,624)	(380,672)	(224,307)	(370,855)	(1,639,910)
Contribution Differences	N/A	N/A	N/A	N/A	N/A
Leaves, Transfers, Etc.	(2,869,596)	(4,766,070)	(4,023,130)	(7,635,725)	(9,158,023)
Gain or (Loss) from Financial Experience	(7,320,591)	(43,922,378)	(41,294,605)	505,886	(43,791,094)
Non Recurring Elements:					
Data (Optional Forms)	--	--	--	--	--
Valuation Software	--	--	--	(18,848,257)	--
Assumption Changes	(47,540,972)	--	--	--	--
Asset Method Changes	--	--	--	1,893,141	--
Plan Amendment	--	248,311	--	--	--
Composite Gain/(Loss) During Year	$ (54,861,563)	$ (43,674,067)	$ (41,294,605)	$ (16,449,230)	$ (43,791,094)

ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2018
(Source: 2019 Actuarial Report)

Valuation Date	Total Active Members	Percentage Change -%-	Annual Payroll -$-	Average Annual Pay -$-	% Increase in Average Pay -%-
12/31/09	3,419	1.8	136,119,407	39,813	2.0
12/31/10	3,379	(1.2)	136,123,660	40,285	1.2
12/31/11	3,245	(4.0)	136,781,288	42,151	4.6
12/31/12	3,226	(0.6)	137,426,654	42,600	1.1
12/31/13	3,283	1.8	137,789,518	41,971	(1.5)
12/31/14	3,181	(3.1)	135,556,888	42,615	1.5
12/31/15	3,138	(1.4)	137,591,450	43,847	2.9
12/31/16	3,062	(2.4)	139,807,313	45,659	4.1
12/31/17	3,047	(0.5)	145,219,716	47,660	4.4
12/31/18	2,961	(2.8)	144,939,664	48,950	2.7

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2018
(Source: 2019 Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances -$-	Deletions	Annual Allowances -$-	Number of Annuitants	Percentage Change in Membership -%-	Annual Annuities -$-	Percentage Change in Annuities -%-	Average Annual Allowances -$-
12/31/09	195	4,109,206	105	1,403,519	2,801	3.3	56,248,442	5.1	20,082
12/31/10	167	4,401,513	92	964,405	2,876	2.7	59,685,550	6.1	20,753
12/31/11	173	4,400,751	79	1,227,453	2,970	3.3	62,858,848	5.3	21,165
12/31/12	191	4,904,590	103	1,607,987	3,058	3.0	66,155,451	5.2	21,634
12/31/13	156	4,753,829	88	1,392,522	3,126	2.2	69,516,758	5.0	22,238
12/31/14	144	4,349,774	89	1,404,169	3,181	1.8	72,462,363	4.2	22,780
12/31/15	197	4,942,646	121	2,018,112	3,257	2.4	75,386,897	4.0	23,146
12/31/16	170	4,446,732	123	2,032,306	3,304	1.4	77,801,323	3.2	23,548
12/31/17	165	4,578,514	122	1,999,524	3,347	1.3	80,380,313	3.3	24,016
12/31/18	188	5,734,403	132	2,254,669	3,403	1.6	83,860,047	4.3	24,643

TOTAL MEMBERSHIP DATA
(Source: 2019 Actuarial Report)

Actives:

	2018		2017	
	Count	Average Salary	Count	Average Salary
BREC	412	$41,932	419	$42,044
Regular	2,039	46,653	2,115	45,333
Fire	492	63,163	494	61,173
Police	18	81,205	19	79,251
Total/Average	2,961	$48,950	3,047	$47,660

Annuitants:

	2018		2017	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	3,203	$25,159	3,145	$24,524
Disabilities	200	16,383	202	16,105
DROP	364	44,800	372	45,194
Total/Average	3,767	$26,591	3,719	$26,134

Inactive Members:

	2018		2017	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	15	$12,911	16	$12,660

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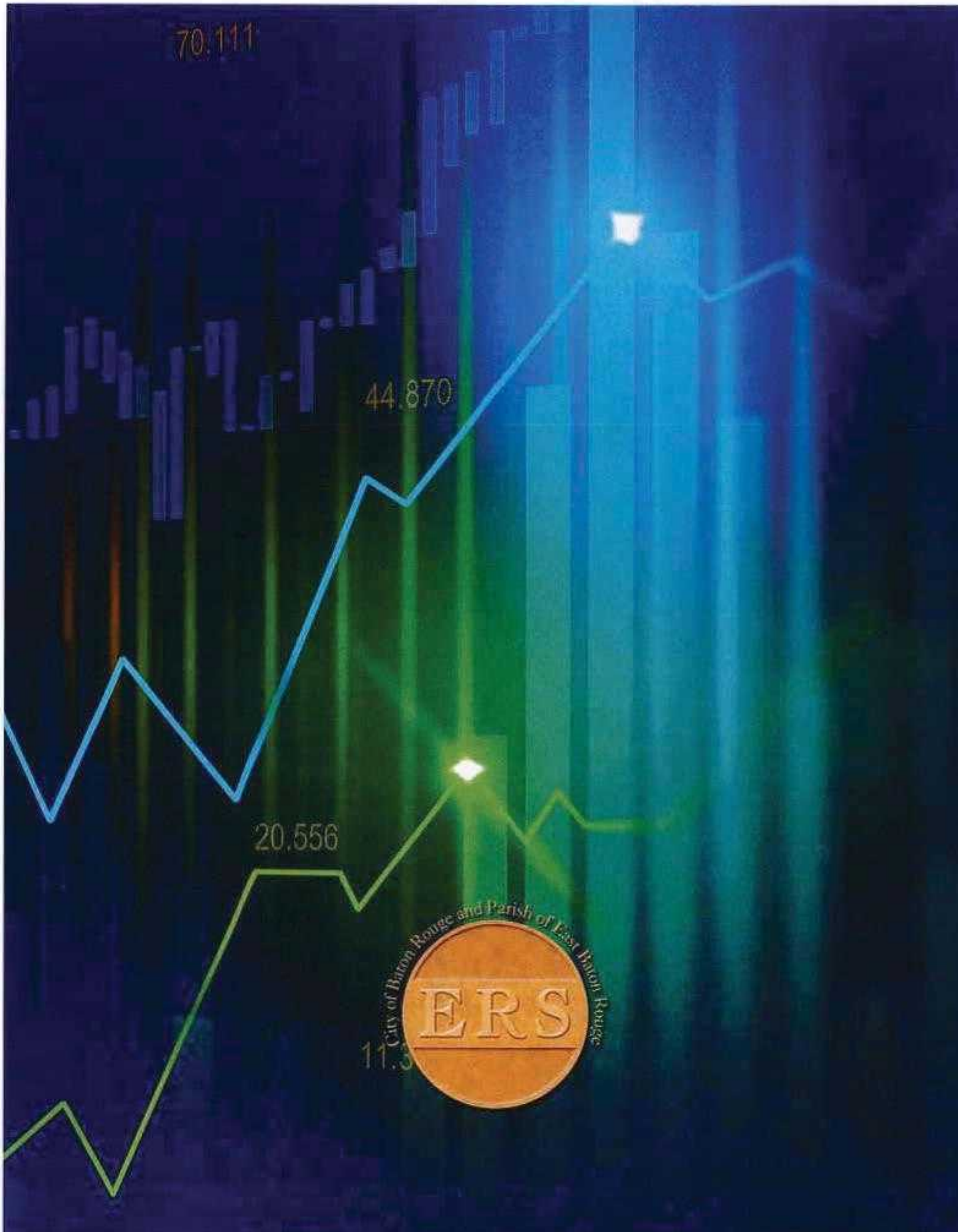
Actuarial Section Police Guarantee Trust



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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

June 19, 2019

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

Dear Board Members:

This is to certify that Foster & Foster, Inc. has completed the annual actuarial valuation of the Police Guarantee Trust of the Employees Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2019. The valuation report was prepared at the request of the Board and is intended for use by the System staff and those designated or approved by the Board.

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

Funding Objective

The Police Guarantee Trust was established on February 26, 2000 to provide supplemental benefits to a closed group of 637 police officers electing to transfer to the statewide Municipal Police Employees' Retirement system. The funding objective was established as follows:

a) Fully fund all projected liabilities determined at inception, through a trust-to-trust transfer of $24,627,209 in assets from CPERS; and

b) Fund any future actuarial losses through employee and employer contributions on included compensation for CPERS that is excluded for MPERS benefits; and

c) Any shortfall after taking into account the above will be funded as a level percentage of future payroll, using the Aggregate Actuarial Cost Method. This method was subsequently changed as described below.

The initial valuation was prepared as of January 1, 2000, and is the basis for the city contribution rates of 0% for the 2000 and 2001 years. The Board has adopted 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 2018 valuation will apply to the year 2019.

Effective January 1, 2017, the Board of Trustees adopted a change in actuarial cost method from Aggregate to Entry Age Normal.

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The method for determining the actuarial value of assets uniformly spreads actuarial investment gains and losses over a five-year period, beginning with a "fresh start" on January 1, 2018, where the Actuarial Value of Assets equals the Market Value of Assets in the first year. The resulting actuarial value of assets as of December 31, 2018, is $16,033,810.

Based on our recommendation, the Board adopted a change in the method used to amortize the unfunded actuarial accrued liability, effective January 1, 2019, from 15-year open amortization with level payments, to 4-year open amortization with level payments.

Progress Toward Realization of Funding Objective

Since the intent was to fund the projected liability through the initial trust to trust transfer of $24,627,209 from the Employees' Retirement System, no unfunded actuarial accrued liability was expected. However, due to substantial contribution deficits relative to the actuarially determined contribution and actuarial losses, there is a current unfunded actuarial accrued liability in the PGT of $28,242,318 as of December 31, 2018.

The progress toward achieving the intended funding objectives can be measured by the ratio of the actuarial value of assets to the actuarial accrued liabilities. Based on current methods and assumptions, the funded ratio is 36.2%. In the absence of benefit improvements, and assuming the full actuarially determined contribution is paid when due, this ratio should increase over time and future contribution requirements are expected to be sufficient to achieve the funding objective set forth above. However, if the current contribution deficits continue, there is significant risk of the plan not meeting benefit obligations.

Plan Provisions and Data

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

In performing the January 1, 2019 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Participant data was not audited but was reviewed for reasonableness and consistency relative to data used for prior year valuations. Plan assets were compared with information furnished for the prior plan year's valuation and reviewed for consistency.

Actuarial Assumptions and Methods

The Board of Trustees adopted a change in the discount rate from 7.25% to 5.75%, effective January 1, 2019 to better reflect future expected earnings based on the plan's asset allocation. For all other actuarial assumptions, the Police Guarantee Trust uses the same actuarial assumptions as the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. The actuarial assumptions were recommended to the Board by the prior actuary, Nyhart, based upon the CPERS 2009-2013 experience study.

The present values shown in the January 1, 2019 actuarial valuation and supporting schedules of these certifications have been prepared in accordance with the actuarial methods and assumptions approved by the

Board. The actuarial cost method and assumptions used for funding purposes are, in the actuary's opinion, reasonable and represent a reasonable expectation of future experience under the plan. All other actuarial assumptions remained unchanged from last year and are identical to the assumptions used for the January 1, 2018 valuation of the Employees' Retirement System.

The actuarial assumptions and methods used for accounting purposes are, in the actuary's opinion, reasonable and compliant with the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 67. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report.

We provided the following schedules included in this section:

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

We certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth in the Actuarial Standards of Practice established by the Actuarial Standards Board, are reasonable and represent our best estimate of the funding requirement to achieve the Retirement System's Funding Objective, unless otherwise noted herein. Shelley is an Associate in the Society of Actuaries and Pat is a Fellow in the Society of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

FOSTER & FOSTER INC.

Shelley R. Johnson

Shelley R. Johnson, ASA, MAAA

D. Patrick McDonald

D. Patrick McDonald, FSA, EA, MAAA

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2019 PGT Actuarial Report)
(Based on Ordinance No. 11669)

Effective Date:	February 26, 2000, amended February 28, 2001.
Fiscal Year:	Calendar year.
Membership:	Eligible police employees who were active members or in the Deferred Retirement Option Plan (DROP) of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) on February 26, 2000 who elected to transfer into the Municipal Police Employees' Retirement System of Louisiana (MPERS) are automatically included in the Police Guarantee Trust (PGT).
Transferred Assets:	Initially funded by a trust to trust transfer of $24,627,209 from CPERS, as of January 1, 2000.
Contributions:	Members: Based on current member contribution rate under CPERS, applied to member's compensation not covered by MPERS. Member contributions are "picked up" by the City. City: Actuarially determined.
Benefit Amounts:	The excess of the benefits that would have been payable under CPERS, based on the provisions in effect on February 26, 2000, over the benefits payable under MPERS. MPERS benefits are calculated under a 50% joint and survivor option. PGT benefits reflect any increases in MPERS benefits due to cost-of-living adjustments.
DROP:	A. Members in CPERS DROP at February 26, 2000: (1) If in CPERS DROP for 3 or more years, DROP payments are credited to PGT DROP account. Investment returns for CPERS and PGT accounts are credited to PGT account after February 26, 2000. (2) If in CPERS DROP less than 3 years, up to 3 years since transfer, in MPERS DROP. After 3 years in DROP (CPERS and MPERS combined) DROP payments are credited to PGT DROP account for remainder of DROP period (5 years maximum for total DROP periods). Investment returns for CPERS, MPERS, and PGT accounts are credited to the PGT account after February 26, 2000. B. Active members at February 26, 2000: Members enter PGT DROP first, with payments credited to PGT DROP account, until the later of 2 years or eligibility for MPERS DROP. Investment returns for MPERS and PGT DROP accounts are credited to PGT DROP account.
Changes since Prior Valuation:	None.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2019 PGT Actuarial Report)

Valuation Date: December 31, 2018

Valuation Method: Entry Age Normal Actuarial Cost Method *(Adopted July 28, 2016)*

Actuarial Value of Assets: Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, Expected Value Method, with 20% of unrealized gains (or losses) recognized each year. Beginning January 1, 2018, method changed to uniformly spread gains and losses over a five-year period which ensures the Actuarial Value of Assets converge to the Market Value of Assets within a reasonable time.

Investment Return: 5.75% compounded annually, net of investment expenses. *(Adopted January 31, 2019)*

Inflation: 2.75% per year *(Adopted February 26, 2015)*

Salary Increases: Inflation plus: *(Adopted March 25, 2010)*

Age	PGT
30	+4.00%
35	+2.00%
40	+2.00%
45	+1.00%
50	0.00%
55	0.00%

Aggregate Payroll Growth: Not applicable.

MPERS COLA: 2.00% compounded annually

Non-Disabled Mortality: RP-2000 Healthy Combined Blue Collar Projected with Scale to 2019, producing following specimen rates: *(Adopted February 26, 2015)*

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

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

Type of Disability: 75% service connected, 25% ordinary. *(Adopted February 26, 2000)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability:

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

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

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

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

Assumed transfers to CPERS (for accumulated vacation and sick leave e.g.):

1.5 years. *(Adopted October 18, 2004)*

Retirement Rates:

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

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

Recovery:

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

Remarriage:

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Marital Status:	80% of employees are assumed to be married. Female spouses are assumed to be 3 years younger than males *(Adopted February 26, 2000)*
Interest on Future MPERS DROP Accounts:	7.25%, compounded annually for three years, payable at DROP exit. *(Adopted February 26, 2015)*
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted February 26, 2000)*
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) are assumed to be greater than CPERS ancillary benefits. *(Adopted February 26, 2000)*
Sources of Data:	Membership data, asset information, and aggregate DROP balances were furnished by Retirement Office. For active members, MPERS compensation was estimated as: CPERS compensation, minus member contributions to PGT divided by .095. For members who are in CPERS DROP but not in MPERS DROP, MPERS compensation was assumed to be the same as the prior year.
Administrative Expense Load:	There is not an expense load added to the cost of the Plan.
Changes Since Prior Valuation:	The assumed investment rate of return was lowered from 7.25% to 5.75%, net of investment related expenses. Additionally, the Unfunded Actuarial Accrued Liability is now amortized as a level dollar over a 4-year open period, lowered from a 15-year open period.

SCHEDULE OF FUNDING PROGRESS*
(Source: 2019 PGT Actuarial Report)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$		$	
12/31/09	26,874,490	33,723,310	6,848,820	79.7%	18,836,479	36.4%
12/31/10	26,869,584	34,845,145	7,975,561	77.1%	17,315,930	46.1%
12/31/11	26,206,315	35,864,985	9,658,670	73.1%	15,966,923	60.5%
12/31/12	24,810,218	34,992,004	10,181,786	70.9%	15,428,420	66.0%
12/31/13	23,314,114	34,614,160	11,300,046	67.4%	14,282,440	79.1%
12/31/14	23,382,542	35,574,753	12,192,211	65.7%	14,066,159	86.7%
12/31/15	22,850,794	38,992,367	16,141,573	58.6%	14,177,878	113.9%
12/31/16	21,173,125	40,258,037	19,084,912	52.6%	13,271,888	143.8%
12/31/17	17,087,813	42,947,777	25,859,964	39.8%	11,748,200	220.1%
12/31/18	16,033,810	44,276,128	28,242,318	36.2%	9,206,458	306.8%

*The above schedule of funding progress is prepared using the entry age normal actuarial cost method. The purpose of this disclosure is to provide information that serves as a surrogate for the funding progress of the plan

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

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE TEN YEARS ENDED DECEMBER 31, 2018 (Source: 2019 PGT Actuarial Report)

Valuation Date	(1) Active Members' Contributions* -$-	(2) Retirees And Survivors** -$-	(3) Terminated Vested Members -$-	(4) Active Members Employer Contribution -$-	Actuarial Value of Assets -$-	Percentage of Actuarial Liabilities Covered by Assets (1) -%-	(2) -%-	(3) -%-	(4) -%-
12/31/09	15,408,593	3,746,234	--	11,065,584	26,874,490	100.0	100.0	100.0	69.8
12/31/10	17,009,458	4,491,949	--	10,097,628	26,869,584	100.0	100.0	100.0	53.2
12/31/11	18,720,950	4,343,650	--	9,672,138	26,206,315	100.0	100.0	100.0	32.5
12/31/12	18,586,440	4,097,007	--	9,531,370	24,810,218	100.0	100.0	100.0	22.3
12/31/13	18,493,361	3,800,666	11,641	9,745,773	23,314,114	100.0	100.0	100.0	10.3
12/31/14	20,632,861	2,755,604	12,763	9,604,613	23,382,542	100.0	99.8	0.0	0.0
12/31/15	23,724,080	3,186,174	8,900	13,220,191	22,850,794	96.3	0.0	0.0	0.0
12/31/16	23,716,549	3,611,137	68,781	12,861,570	21,173,125	89.3	0.0	0.0	0.0
12/31/17	25,909,677	5,085,959	74,805	11,877,336	17,087,813	66.0	0.0	0.0	0.0
12/31/18	28,705,043	5,757,629	85,587	9,727,869	16,033,810	55.9	0.0	0.0	0.0

* Including DROP accounts.
** Including DROP participants' future benefits.

ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2018
(Source: 2019 PGT Actuarial Report)

Valuation Date	Total Active Members	Percentage Change -%-	Annual Payroll -$-	Average Annual Pay -$-	% Increase in Average Pay -%-
12/31/09	275	(7.4)	18,836,479	68,496	1.3
12/31/10	252	(8.4)	17,315,930	68,714	0.3
12/31/11	235	(6.7)	15,966,923	67,944	(1.1)
12/31/12	218	(7.2)	15,428,420	70,773	4.2
12/31/13	198	(9.2)	14,282,440	72,134	1.9
12/31/14	188	(5.1)	14,066,159	74,820	3.7
12/31/15	174	(7.4)	14,177,878	81,482	8.9
12/31/16	158	(9.2)	13,271,888	83,999	3.1
12/31/17	137	(13.3)	11,748,200	85,753	2.1
12/31/18	106	(22.6)	9,206,458	86,853	1.3

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2018
(Source: 2019 PGT Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances -$-	Deletions	Annual Allowances -$-	*Number of Annuitants	Percentage Change in Membership -%-	**Annual Annuities -$-	Percentage Change in Annuities -%-	Average Annual Allowances -$-
12/31/09	3	86,204	0	--	23	15.0	194,524	79.6	8,458
12/31/10	1	30,713	1	33,897	23	0.0	191,340	(1.6)	8,319
12/31/11	0	--	2	69,297	21	(8.7)	122,043	(36.2)	5,812
12/31/12	0	--	0	--	21	--	122,043	--	5,812
12/31/13	2	41,792	0	--	23	9.5	163,835	34.2	7,123
12/31/14	0	--	6	18,242	17	(26.1)	145,593	(11.1)	8,564
12/31/15	3	18,365	1	27,915	19	11.8	136,043	(6.6)	7,160
12/31/16	0	--	2	72,719	17	(10.5)	63,324	(53.5)	3,725
12/31/17	4	48,835	0	--	21	23.5	112,159	77.1	5,341
12/31/18	6	28,212	1	1,676	26	23.8	138,695	23.7	5,334

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

** Includes only monthly annuities paid through PGT annualized

TOTAL MEMBERSHIP DATA
(Source: 2019 PGT Actuarial Report)

Actives:

	2018		2017	
	Count	Average Salary	Count	Average Salary
Police	106	$86,853	137	$85,753

Annuitants:

	2018		2017	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	24	$57,925	18	$58,188
Disabilities	2	14,404	3	17,408
DROP	64	72,121	54	71,615
Total/Average	90	$67,053	75	$66,225

Inactive Members:

	2018		2017	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	3	$18,661	3	$18,661

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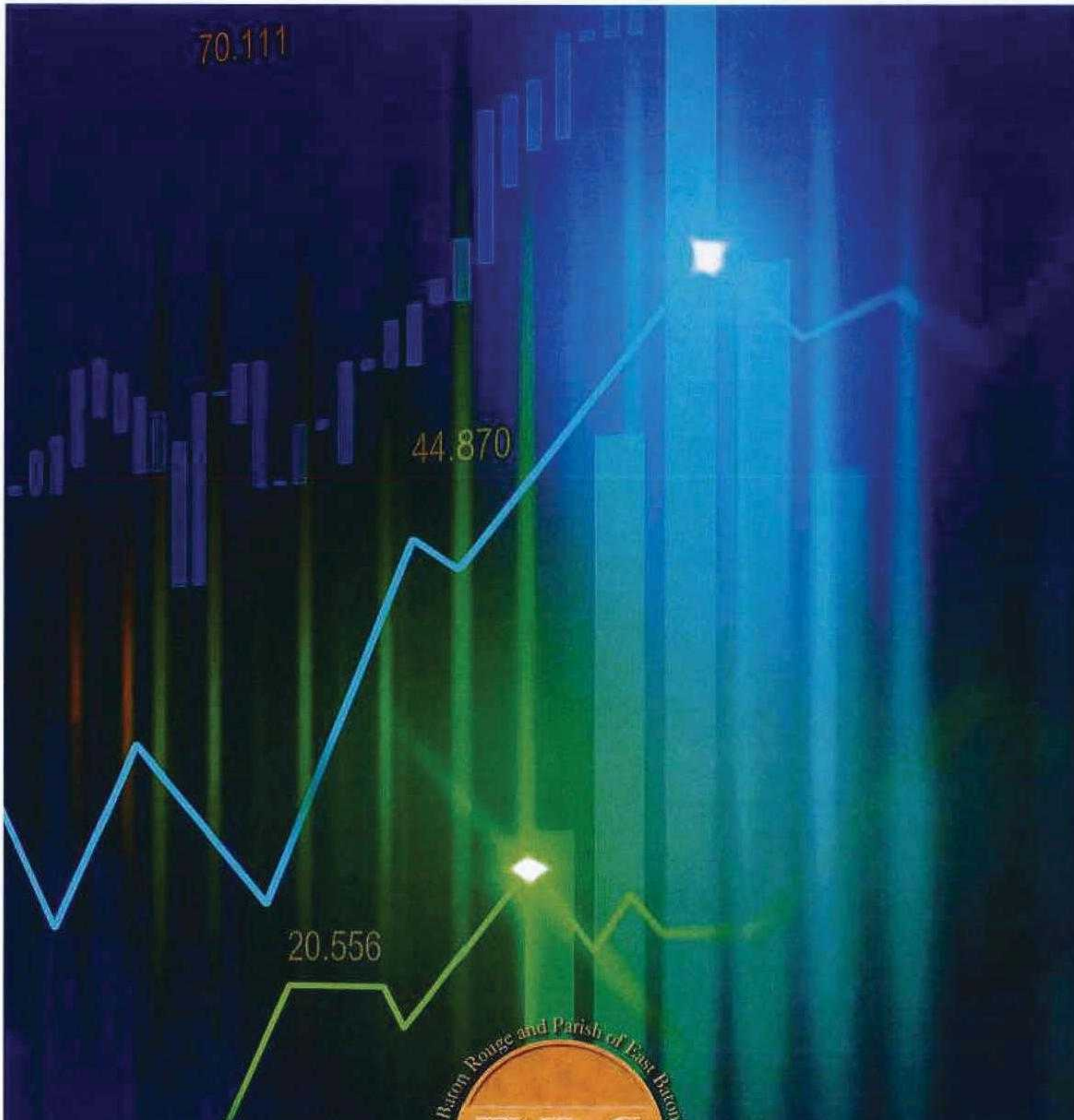
Statistical Section



CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

STATISTICAL SECTION NARRATIVE

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

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

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

Financial Trends

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

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

Demographic Trends

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

- Schedule of Participating Employers for 2018 and 2009
- Number of Active Members
- Number of Retirees, Beneficiaries, Vested Terminated, and Deferred Retirees
- Schedule of Retired Members by Type of Benefit (CPERS)
- Number of Refunds of Contributions
- Retirees at December 31, 2018

Operational Information

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

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

STATISTICAL SECTION NARRATIVE (CONTINUED)

Data Sources, Assumptions, and Methodologies

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

CPERS uses custom computer programming as well as database queries to extract data to produce the information for the statistical section. The data is either imported into pre-defined file formats or personal computer software applications for further analysis, calculations, and formatting for presentation in the statistical section.

NUMBER OF ADMINISTRATIVE STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
2009	12	9.00%
2010	12	0.00%
2011	12	0.00%
2012	12	0.00%
2013	12	0.00%
2014	12	0.00%
2015	12	0.00%
2016	12	0.00%
2017	12	0.00%
2018	12	0.00%

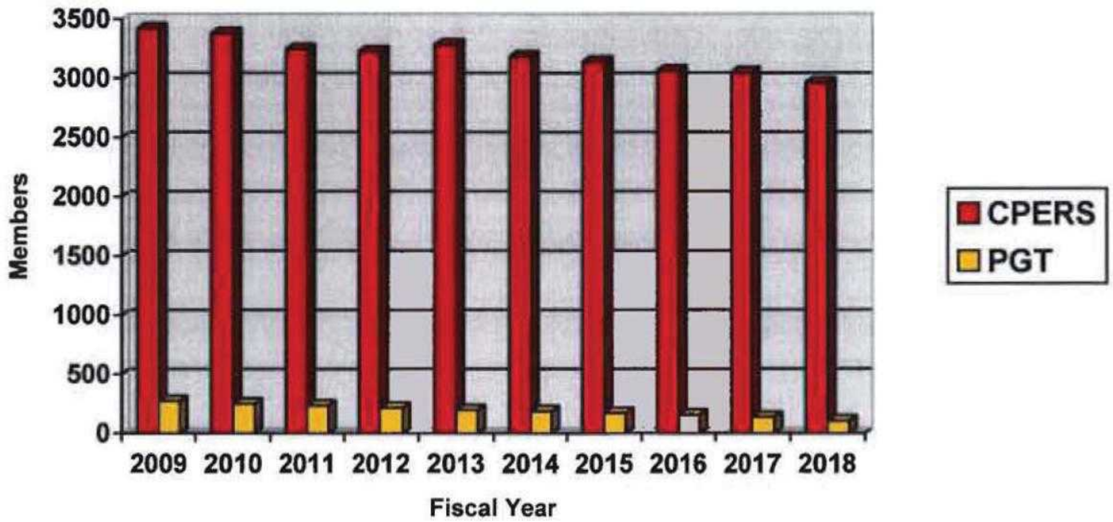
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2018 AND 2009

Participating Employer	Covered Active Employees	Rank	Percentage of System Membership
2018			
City of Baton Rouge and Parish of East Baton Rouge	2,415	1	81.56%
Recreation and Park Commission for the Parish of East Baton Rouge	412	2	13.92%
District Attorney of the Nineteenth Judicial District	83	3	2.80%
Office of the Coroner of East Baton Rouge Parish	18	4	.61%
East Baton Rouge Parish Juvenile Court	18	5	.61%
East Baton Rouge Parish Family Court	10	6	.34%
Brownsfield Fire Protection District	3	7	.10%
St. George Fire Protection District	1	8	.03%
Eastside Fire Protection District	1	9	.03%
2018 Total	2,961		100.00%

Participating Employer	Covered Active Employees	Rank	Percentage of System Membership
2009			
City of Baton Rouge and Parish of East Baton Rouge	2,853	1	83.45%
Recreation and Park Commission for the Parish of East Baton Rouge	437	2	12.78%
District Attorney of the Nineteenth Judicial District	66	3	1.93%
East Baton Rouge Parish Juvenile Court	22	4	.64%
Eastside Fire Protection District	10	5	.29%
East Baton Rouge Parish Family Court	10	6	.29%
Office of the Coroner of East Baton Rouge Parish	10	7	.29%
Brownsfield Fire Protection District	4	8	.12%
East Baton Rouge Parish Fire Protection District No. 6	4	9	.12%
St. George Fire Protection District	3	10	.09%
2009 Total	3,419		100.00%

NUMBER OF ACTIVE MEMBERS

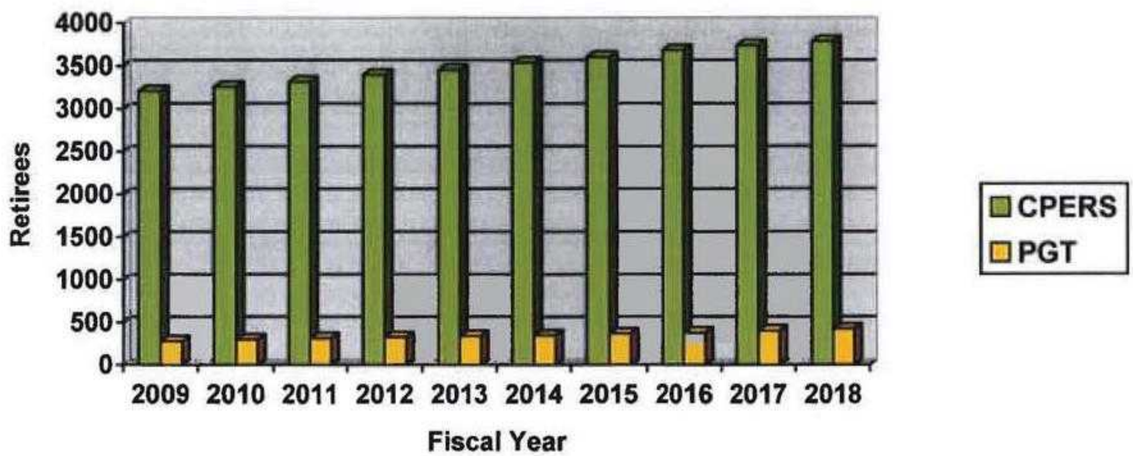
	CPERS		PGT	
Fiscal Year	Members	% Increase Each Year	Members	% Increase Each Year
2009	3,419	1.8 %	275	(7.4)%
2010	3,379	(1.2)%	252	(8.4)%
2011	3,245	(4.0)%	235	(6.7)%
2012	3,226	(0.6)%	218	(7.2)%
2013	3,283	1.8 %	198	(9.2)%
2014	3,181	(3.1)%	188	(5.1)%
2015	3,138	(1.4)%	174	(7.4)%
2016	3,062	(2.4)%	158	(9.2)%
2017	3,047	(0.5)%	137	(13.3)%
2018	2,961	(2.8)%	106	(22.6)%



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

	CPERS		PGT	
Fiscal Year	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
2009	3,208	1.7%	276	7.0%
2010	3,259	1.6%	298	8.0%
2011	3,317	1.8%	314	5.4%
2012	3,401	2.5%	327	4.1%
2013	3,452	1.5%	340	4.0%
2014	3,535	2.4%	348	2.4%
2015	3,618	2.3%	366	5.2%
2016	3,680	1.7%	378	3.3%
2017	3,735	1.5%	398	5.3%
2018	3,782	1.3%	423	6.3%

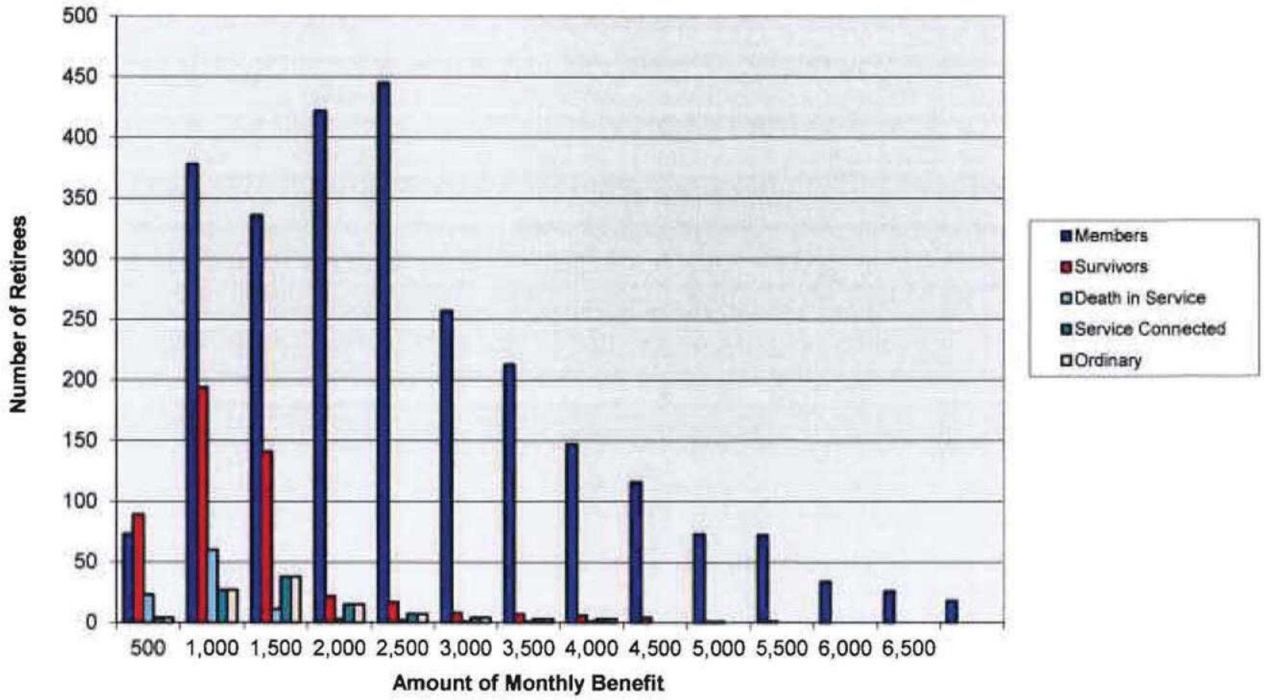
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (CPERS)

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement				
		Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
$1-500	193	73	89	23	4	4
501-1,000	677	378	194	60	27	18
1,001-1,500	577	336	141	11	38	51
1,501-2,000	477	422	22	3	15	15
2,001-2,500	480	445	17	2	7	9
2,501-3,000	272	257	8	1	4	2
3,001-3,500	224	213	7	1	3	--
3,501-4,000	157	147	6	1	3	--
4,001-4,500	120	116	4	0	--	--
4,501-5,000	75	73	1	1	--	--
5,001-5,500	73	72	1	--	--	--
5,501-6,000	34	34	--	--	--	--
6,001-6,500	26	26	--	--	--	--
Above $6,500	18	18	--	--	--	--
Totals	3,403	2,610	490	103	101	99

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

	CPERS*		PGT*	
Fiscal Year	Retirees	Benefit Expenses	Retirees**	Benefit Expenses
		$		$
2009	2,801	56,806,690	23	156,548
2010	2,876	59,849,703	23	195,643
2011	2,970	63,126,784	21	179,342
2012	3,058	66,288,313	21	122,118
2013	3,126	69,710,050	23	156,783
2014	3,181	72,940,687	17	160,795
2015	3,257	75,613,052	19	132,445
2016	3,304	78,214,124	17	116,396
2017	3,347	80,585,661	21	86,083
2018	3,403	83,785,001	26	132,957

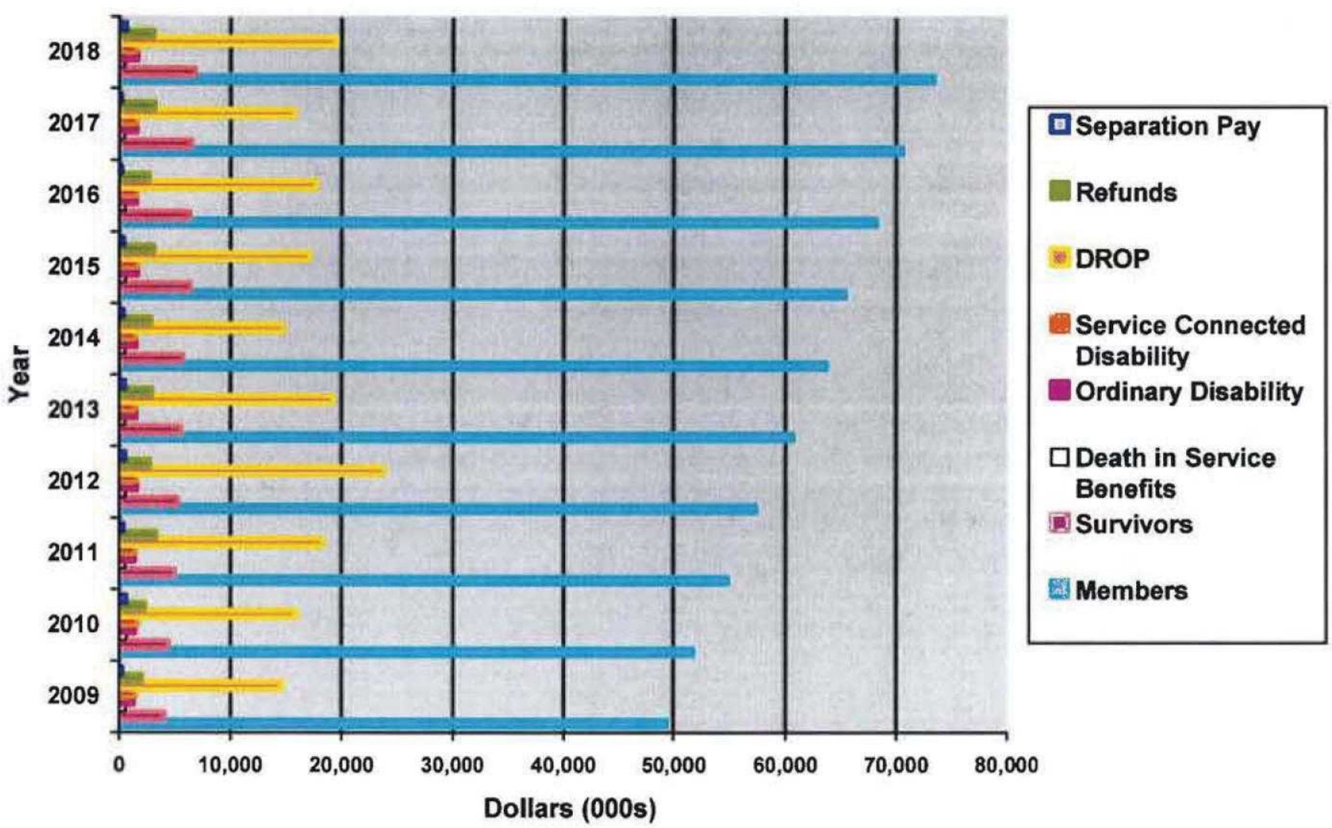
* Does not included deferred retirees
** Includes only retirees receiving monthly benefits from PGT

NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

	CPERS		PGT	
Fiscal Year	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses
		$		$
2009	895	14,650,958	69	1,350,644
2010	963	15,952,259	73	1,003,754
2011	983	18,354,844	78	1,171,784
2012	1,019	23,804,543	83	2,140,253
2013	1,060	19,249,264	90	2,488,063
2014	1,085	14,859,565	98	1,211,521
2015	1,133	17,140,815	110	1,170,706
2016	1,164	17,703,924	116	2,062,190
2017	1,201	15,888,090	121	1,908,513
2018	1,297	19,505,050	136	1,771,964

SCHEDULE OF BENEFIT EXPENSES BY TYPE (CPERS)

Year Ending	Service Benefits: Members $	Service Benefits: Survivors $	Death in Service Benefits $	Disability Benefits: Ordinary $	Disability Benefits: Service Connected $	DROP $	Refunds $	Separation Benefits $	Total $
2009	49,453,836	4,066,816	577,864	1,286,099	1,422,075	14,650,958	2,016,840	264,263	73,738,751
2010	51,729,953	4,454,287	635,750	1,395,276	1,634,438	15,952,259	2,297,390	593,625	78,692,978
2011	54,839,755	4,957,864	518,070	1,367,049	1,444,046	18,354,844	3,304,186	371,022	85,156,836
2012	57,362,968	5,260,293	555,375	1,569,076	1,540,601	23,804,543	2,721,886	518,566	93,333,308
2013	60,737,119	5,524,687	501,727	1,523,176	1,423,341	19,249,264	2,940,900	478,543	92,378,757
2014	63,720,199	5,673,581	523,267	1,525,387	1,498,253	14,859,565	2,806,619	342,378	90,949,249
2015	65,487,500	6,380,359	536,492	1,595,590	1,613,111	17,140,815	3,088,270	364,508	96,206,645
2016	68,263,205	6,352,841	520,166	1,532,200	1,545,712	17,703,924	2,655,064	192,364	98,765,476
2017	70,580,751	6,472,585	447,020	1,545,180	1,540,125	15,888,090	3,167,338	163,091	99,804,180
2018	73,388,557	6,838,385	455,300	1,624,382	1,478,377	19,505,050	3,102,453	597,322	106,989,826



AVERAGE MONTHLY SERVICE RETIREE BENEFIT (CPERS) *

Retirement Date		Years		of	Service		Credit	
		0-5	6-10	11-15	16-20	21-25	26-30	>30
2009	Avg. Monthly Benefit - $	809.90	770.58	1,311.42	1,385.63	2,796.54	3,216.72	0.00
	Avg. Final Average Salary - $	1,613.80	2,439.51	3,281.63	3,013.08	3,808.43	4,068.46	0.00
	Number of Retirees	1	13	24	14	40	42	0
2010	Avg. Monthly Benefit - $	1,211.09	0.00	922.01	1,824.21	2,758.81	3,827.58	0.00
	Avg. Final Average Salary - $	2,422.18	0.00	2,496.55	3,715.00	3,804.22	4,799.70	0.00
	Number of Retirees	2	0	24	15	37	59	0
2011	Avg. Monthly Benefit - $	0.00	860.54	1,210.84	1,617.64	3,073.10	3,604.76	0.00
	Avg. Final Average Salary - $	0.00	2,675.43	3,043.27	3,491.40	4,300.47	4,513.19	0.00
	Number of Retirees	0	12	19	15	42	38	0
2012	Avg. Monthly Benefit - $	0.00	867.79	1,130.82	1,693.60	3,265.59	3,793.28	0.00
	Avg. Final Average Salary - $	0.00	3,013.70	3,130.64	4,033.72	4,593.46	4,730.13	0.00
	Number of Retirees	0	18	24	11	34	54	0
2013	Avg. Monthly Benefit - $	1,043.82	722.62	1,204.13	1,653.42	3,109.03	4,440.71	5,436.28
	Avg. Final Average Salary - $	2,087.64	2,731.54	3,373.51	3,695.25	4,332.62	5,531.39	6,060.31
	Number of Retirees	2	16	21	23	37	42	1
2014	Avg. Monthly Benefit - $	0.00	739.40	1,219.88	2,071.86	3,837.78	4,043.91	5,813.26
	Avg. Final Average Salary - $	0.00	2,757.72	3,322.29	4,753.06	5,238.71	4,998.69	6,459.18
	Number of Retirees	0	7	22	8	29	36	1
2015	Avg. Monthly Benefit - $	966.66	670.56	1,131.77	1,711.34	3,294.81	4,052.35	0.00
	Avg. Final Average Salary - $	1,933.32	2,682.75	3,285.76	3,586.49	4,839.45	5,103.55	0.00
	Number of Retirees	2	13	32	20	44	33	0
2016	Avg. Monthly Benefit - $	0.00	829.20	1,228.06	1,653.32	3,548.38	4,738.66	0.00
	Avg. Final Average Salary - $	0.00	2,972.79	3,483.89	3,456.11	4,649.35	5,721.25	0.00
	Number of Retirees	0	16	20	20	29	29	0
2017	Avg. Monthly Benefit - $	151.09	1,165.02	1,410.41	2,116.93	3,942.14	4,624.90	0.00
	Avg. Final Average Salary - $	4,029.19	4,062.79	3,212.41	4,452.60	5,332.00	5,365.79	0.00
	Number of Retirees	1	14	15	13	44	26	0
2018	Avg. Monthly Benefit - $	0.00	1,509.87	1,157.91	2,793.10	4,405.01	4,592.94	0.00
	Avg. Final Average Salary - $	0.00	4,126.74	3,381.22	5,323.86	5,115.81	5,785.43	0.00
	Number of Retirees	0	9	25	17	32	44	0

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

AVERAGE MONTHLY SERVICE RETIREE BENEFIT (PGT) *

Retirement Date		Years		of	Service		Credit	
		0-5	6-10	11-15	16-20	21-25	26-30	>30
2009	Avg. Monthly Benefit - $	0.00	0.00	1,155.54	2,031.22	3,628.04	4,459.57	0.00
	Avg. Final Average Salary - $	0.00	0.00	3,773.18	4,410.15	5,251.01	5,513.89	0.00
	Number of Retirees	0	0	1	3	9	6	0
2010	Avg. Monthly Benefit - $	0.00	0.00	0.00	1,865.62	3,988.69	5,106.03	0.00
	Avg. Final Average Salary - $	0.00	0.00	0.00	3,910.14	5,265.59	6,362.39	0.00
	Number of Retirees	0	0	0	2	2	7	0
2011	Avg. Monthly Benefit - $	0.00	0.00	1,936.06	0.00	4,018.47	4,526.42	0.00
	Avg. Final Average Salary - $	0.00	0.00	4,996.27	0.00	5,302.09	5,532.60	0.00
	Number of Retirees	0	0	1	0	4	8	0
2012	Avg. Monthly Benefit - $	0.00	0.00	1,112.61	1,663.87	4,031.54	4,544.92	0.00
	Avg. Final Average Salary - $	0.00	0.00	3,423.41	4,443.05	5,909.51	5,649.90	0.00
	Number of Retirees	0	0	1	2	3	11	0
2013	Avg. Monthly Benefit - $	0.00	0.00	0.00	0.00	3,860.89	5,432.66	0.00
	Avg. Final Average Salary - $	0.00	0.00	0.00	0.00	5,819.45	6,607.35	0.00
	Number of Retirees	0	0	0	0	6	9	0
2014	Avg. Monthly Benefit - $	0.00	0.00	0.00	0.00	4,056.75	5,434.89	0.00
	Avg. Final Average Salary - $	0.00	0.00	0.00	0.00	5,397.17	6,707.29	0.00
	Number of Retirees	0	0	0	0	4	8	0
2015	Avg. Monthly Benefit - $	0.00	0.00	0.00	2,460.79	5,217.95	5,941.29	0.00
	Avg. Final Average Salary - $	0.00	0.00	0.00	5,543.43	6,957.65	7,389.42	0.00
	Number of Retirees	0	0	0	2	10	9	0
2016	Avg. Monthly Benefit - $	0.00	0.00	0.00	2,800.96	5,102.17	5,917.25	6,583.92
	Avg. Final Average Salary - $	0.00	0.00	0.00	5,683.32	6,772.91	7,315.74	7,315.46
	Number of Retirees	0	0	0	2	8	6	1
2017	Avg. Monthly Benefit - $	0.00	0.00	0.00	2,533.44	4,047.63	5,961.64	0.00
	Avg. Final Average Salary - $	0.00	0.00	0.00	6,584.66	5,877.42	7,352.37	0.00
	Number of Retirees	0	0	0	1	7	8	0
2018	Avg. Monthly Benefit - $	0.00	0.00	0.00	0.00	2,803.80	5,633.00	6,987.31
	Avg. Final Average Salary - $	0.00	0.00	0.00	0.00	5,665.57	6,953.71	7,962.75
	Number of Retirees	0	0	0	0	5	12	1

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

NUMBER OF EXCESS BENEFIT PLAN PARTICIPANTS AND BENEFIT EXPENSES

	CPERS		PGT	
Fiscal Year	Excess Benefit Plan Participants	Benefit Expenses	Excess Benefit Plan Participants	Benefit Expenses
		$		
2009	5	52,431	N/A	N/A
2010	7	95,741	N/A	N/A
2011	9	125,174	N/A	N/A
2012	12	198,780	N/A	N/A
2013	12	179,524	N/A	N/A
2014	12	167,932	N/A	N/A
2015	14	195,611	N/A	N/A
2016	18	291,532	N/A	N/A
2017	19	270,746	N/A	N/A
2018	20	273,608	N/A	N/A

NUMBER OF REFUNDS OF CONTRIBUTIONS

	CPERS		PGT	
Fiscal Year	Number of Refunds	% Increase Each Year	Number of Refunds	% Increase Each Year
		%		%
2009	263	1.5	2	100.0
2010	259	(1.5)	2	0.0
2011	216	(16.6)	0	(100.0)
2012	220	1.9	0	0.0
2013	239	8.6	2	200.0
2014	238	(.4)	2	0.0
2015	239	.4	0	(100.0)
2016	215	(10.0)	0	0.0
2017	237	10.2	0	0.0
2018	210	(11.4)	0	0.0

SCHEDULE OF CHANGES IN NET POSITION (CPERS)

Fiscal Year	Member Contributions	Employer and Non-Employer Contributions	Net Investment Income	Total Additions to Net Position
	$	$	$	$
2009	14,716,581	27,150,202	169,456,489	211,323,272
2010	15,288,316	32,304,628	125,408,049	173,000,993
2011	14,742,541	35,793,135	(19,521,974)	31,013,702
2012	15,205,761	37,321,809	114,974,105	167,501,675
2013	14,888,376	38,392,495	140,442,726	193,723,597
2014	14,907,221	39,363,171	50,531,109	104,801,501
2015	15,054,222	41,387,640	(9,608,883)	46,832,979
2016	15,175,111	43,049,895	79,044,839	137,269,845
2017	15,074,669	43,839,321	162,787,042	221,701,032
2018	15,973,377	50,500,048	(67,904,707)	(1,431,282)

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Position	Total Changes in Net Position
	$	$	$	$	$
2009	71,721,911	2,016,840	1,216,718	74,955,469	136,367,803
2010	76,395,588	2,297,390	1,390,779	80,083,757	92,917,236
2011	81,852,650	3,304,186	1,065,344	86,222,180	(55,208,478)
2012	90,611,422	2,721,886	1,137,201	94,470,509	73,031,166
2013	89,437,857	2,940,900	1,188,598	93,567,355	100,156,242
2014	88,142,630	2,806,619	1,388,242	92,337,491	12,464,010
2015	93,118,375	3,088,270	1,318,104	97,524,749	(50,691,770)
2016	96,110,412	2,655,064	1,325,596	100,091,072	37,178,773
2017	96,636,842	3,167,338	1,350,435	101,154,615	120,546,417
2018	103,887,373	3,102,453	1,406,015	108,395,841	(109,827,123)

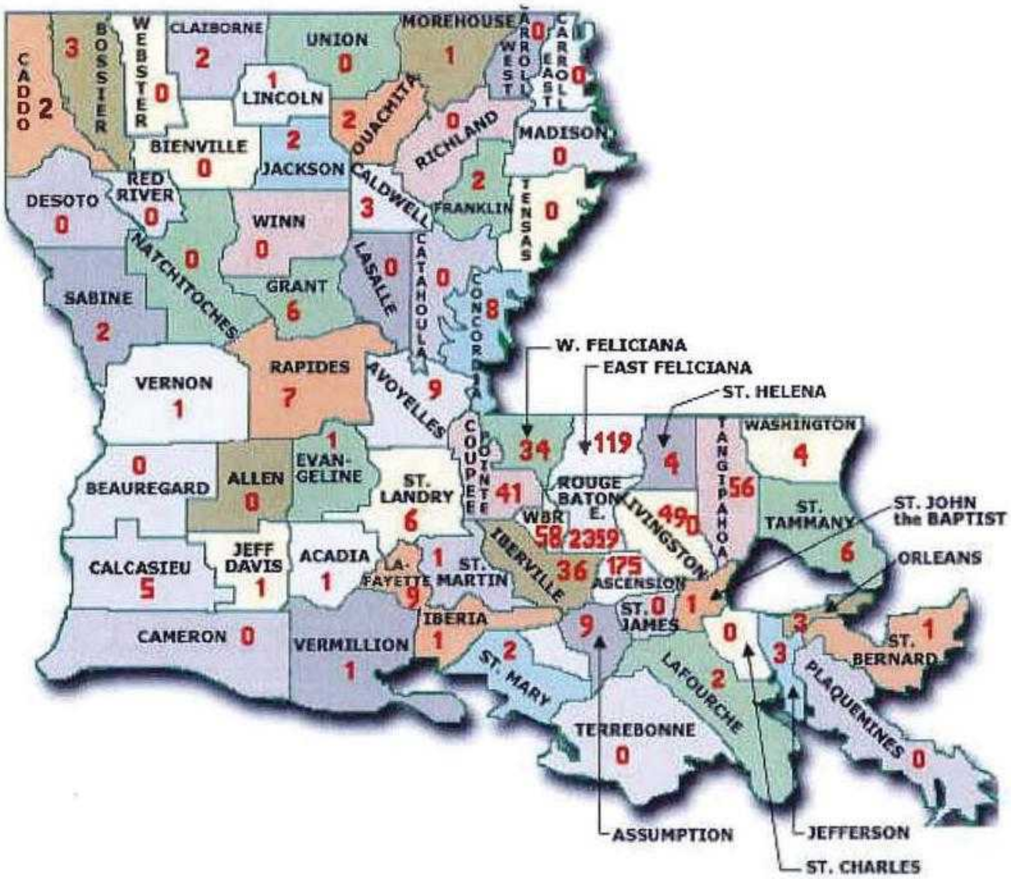
SCHEDULE OF CHANGES IN NET POSITION (PGT)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions To Net Position
	$	$	$	$
2009	81,826	149,179	4,876,517	5,107,522
2010	78,048	250,114	2,664,831	2,992,993
2011	80,601	202,695	(384,890)	(101,594)
2012	92,880	238,628	2,427,788	2,759,296
2013	85,817	696,918	2,277,503	3,060,238
2014	90,774	763,873	796,414	1,651,061
2015	99,365	951,261	(403,640)	646,986
2016	63,856	581,007	974,589	1,619,452
2017	70,460	641,699	1,727,482	2,439,641
2018	54,100	778,113	(849,966)	(17,753)

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Position	**Total Changes In Net Position**
	$	$	$	$	**$**
2009	1,974,957	4,466	275,630	2,255,053	**2,852,469**
2010	1,440,121	2,352	279,264	1,721,737	**1,271,256**
2011	1,685,391	0	313,966	1,999,357	**(2,100,951)**
2012	2,670,498	0	329,109	2,999,607	**(240,311)**
2013	3,327,491	0	356,118	3,683,609	**(623,371)**
2014	1,662,603	16,903	333,744	2,013,250	**(362,189)**
2015	1,853,004	0	313,560	2,166,564	**(1,519,578)**
2016	2,651,397	0	269,510	2,920,907	**(1,301,455)**
2017	2,340,178	0	275,799	2,615,977	**(176,336)**
2018	2,371,530	0	282,942	2,654,472	**(2,672,225)**

RETIREES AT DECEMBER 31, 2018
(CPERS and PGT members)

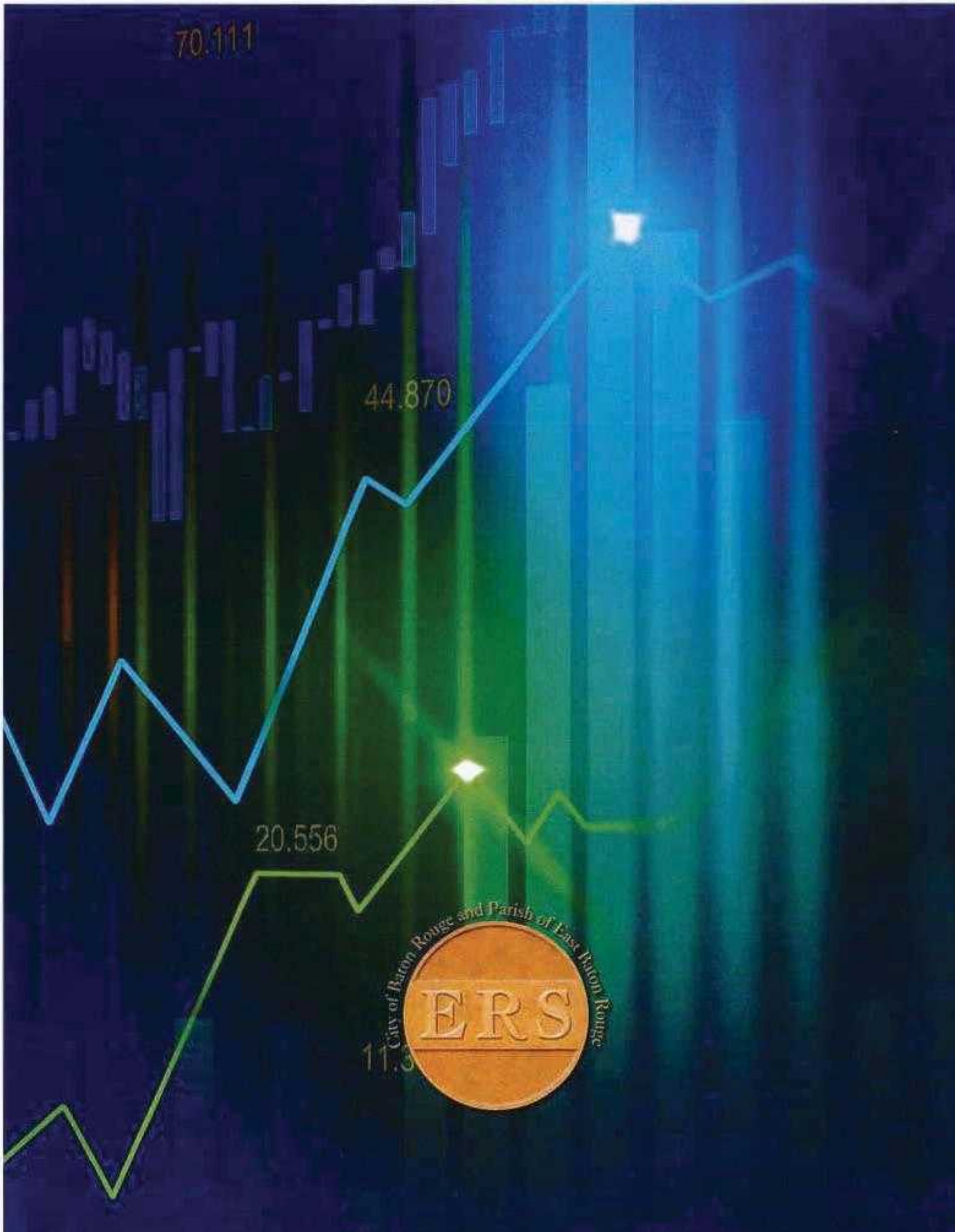
Louisiana Breakdown by Parish



LOUISIANA	**3,480**
OTHER STATES	**282**
TOTAL RETIREES	**3,762**

STATES	
ALABAMA	**15**
ARKANSAS	**11**
ARIZONA	**3**
CALIFORNIA	**3**
COLORADO	**8**
DIST. OF COLUMBIA	**1**
FLORIDA	**33**
GEORGIA	**12**
IDAHO	**1**
ILLINOIS	**2**
INDIANA	**1**
KANSAS	**1**
KENTUCKY	**3**
MASSACHUSETTS	**2**
MARYLAND	**1**
MICHIGAN	**2**
MINNESOTA	**1**
MISSISSIPPI	**75**
MISSOURI	**7**
MONTANA	**1**
NEBRASKA	**1**
NEVADA	**1**
NEW YORK	**1**
NORTH CAROLINA	**4**
OHIO	**1**
OKLAHOMA	**4**
PENNSYLVANIA	**1**
SOUTH CAROLINA	**1**
SOUTH DAKOTA	**1**
TENNESSEE	**12**
TEXAS	**59**
UTAH	**3**
VIRGINIA	**6**
WASHINGTON	**2**
WISCONSON	**1**
WYOMING	**1**

Alternative Retirement Plans



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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

DEFERRED RETIREMENT OPTION PLAN - DROP

The Deferred Retirement Option Plan became effective January 1, 1982, and was created essentially to provide a cost of living increase for retirees, which would be cost neutral to the System and the employer. It has undergone several structural changes over the years, including changes in 2015. The fundamental provisions of the DROP are as follows:

Eligibility

A member eligible for retirement may contractually, in lieu of immediate termination of employment and receipt of a service allowance retirement, continue employment for a specified period of time while deferring the receipt of retirement benefits. At the end of the contractually specified time, the employee terminates employment. **For members hired prior to September 1, 2015,** eligible members are considered those who (a) have attained 25 years of creditable service and not more than 30 years of creditable service or (b) have attained at least 10 years of service and are age 55 or older. **For members hired on or after September 1, 2015,** eligible members are considered those who (a) have attained 25 years of creditable service and not more than 33 years of creditable service, (b) are non-public safety members age 55 or public safety members age 50, or (c) have attained at least 10 years of service and are non-public safety members age 60 or public safety members age 55, or (d) do not reach the minimum required retirement age but exercise the option to participate in the DROP no later than 60 days following the attainment of age 55 for non-public safety members or age 50 for public safety members.

Participation

For members hired prior to September 1, 2015, participation in the DROP is for a period not exceeding either 5 years or a number of years which, when added to the number of years of creditable service, equals 32. **For members hired on or after September 1, 2015,** participation in the DROP is for a period not exceeding 5 years. For members entering the DROP with less than 25 years of service, DROP participation is limited to 3 years. The ordinance provides for a member with interrupted service, while on the DROP, to resume participation if he has not received any distributions from his DROP account that were not based on his life expectancy.

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

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

Interest Rate

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

Termination of Participation

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

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

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

DEFERRED RETIREMENT OPTION PLAN – DROP (CONTINUED)

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

EXCESS BENEFIT PLAN

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

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

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

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

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

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City of Baton Rouge and Parish of East Baton Rouge

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

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Postlethwaite & Netterville
8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax - pncpa.com
A Professional Accounting Corporation

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended December 31, 2018

To Board of Trustees
Employees' Retirement System of the City of Baton Rouge
and the Parish of East Baton Rouge
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Employees' Retirement System of the City of Baton Rouge and the Parish of East Baton Rouge (the Retirement System) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2018. The Retirement System's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the Retirement System" is indicated.

Written Policies and Procedures

1. Obtain and inspect the Retirement System's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Retirement System's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

      The Retirement System's written policy over Budgeting does not include monitoring the budget.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Retirement System's written policy over Purchasing does not address how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, controls to ensure compliance with the public bid law, or documentation required to be maintained for all bids and price quotes.

c) ***Disbursements***, including processing, reviewing, and approving

No exceptions noted.

d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions noted.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Retirement System does not have a written policy over Contracting which addresses types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process.

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

The Retirement System does not have a written policy over Credit Cards which addresses how cards are to be controlled, allowable business uses, documentation requirements, required approvers of statements, and monitoring of card usage.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The Retirement System's written policy over Travel and expense reimbursement does not address dollar thresholds by category of expense.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Retirement System's ethics policy.

The Retirement System does not have a written policy over Ethics which addresses the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, actions to be taken if an ethics violation takes place, system to monitor possible ethics violations, and requirement that all employees including elected officials annually attest through signature verification that they have read the Retirement System's ethics policy.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Retirement System does not have a written policy over Debt Service regarding debt issuance approval, continuing disclosure/EMMA reporting requirements, debt reserve requirements, or debt service requirements.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the Retirement System's collections during the fiscal period.*

Of the 12 months obtained, 9 months did not include monthly budget-to-actual comparisons of the Retirement System for CPERS or PGT Trust funds.

c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

No exceptions noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Retirement System's main operating account. Select the Retirement System's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   A listing of bank accounts was provided and included a total of 7 bank accounts. Management identified the Retirement System's main operating accounts. No exceptions were noted as a result of performing this procedure.

   From the listing provided, we selected 5 bank accounts (2 operating and 3 randomly) and obtained the bank reconciliations for the month ending May 31, 2018, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

      No exceptions noted.

   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

      No exceptions noted.

   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

      Dates of checks outstanding are not documented on the bank account reconciliations, therefore, no determination was made if checks exceeded the 12-month time frame. While management asserts all outstanding checks are reviewed annually, no evidence documenting this review exists.

Collections

4. Obtain a listing of <u>deposit sites</u> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

   A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

   From the listing provided, we selected all deposit sites and performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

   Review of the Retirement System's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below for the one collection location.

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

      This is not applicable. The Retirement System does not have cash drawers/registers.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

      No exceptions noted.

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

      No exceptions noted.

   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

      No exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   The Retirement System stated that all employees who have access to cash are bonded and/or covered under the Retirement System's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

   We randomly selected two deposit dates for only the 2 operating bank accounts selected in procedure #3 as the other 3 bank accounts selected in procedure #3 did not have any deposit activity during the year. We obtained supporting documentation for each of the 4 deposits and performed the procedures below.

   a) Observe that receipts are sequentially pre-numbered.

      No exceptions noted.

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

      No exceptions noted.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

      No exceptions noted.

   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

      Of the 4 deposits selected for testing, 2 deposits were made in excess of one business day of receipt.

   e) Trace the actual deposit per the bank statement to the general ledger.

      No exceptions noted.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

   The listing of locations that process payments for the fiscal period was provided and included 1 location. No exceptions were noted as a result of performing this procedure.

   From the listing provided, we selected the 1 location and performed the procedures below.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

   Inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

      No exceptions noted.

   b) At least two employees are involved in processing and approving payments to vendors.

      No exceptions noted.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

      One individual responsible for processing payments is also able to add vendors to the Retirement System's purchasing/disbursement system.

   d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

      No exceptions noted.

10. For each location selected under #8 above, obtain the Retirement System's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

    A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

    From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

    a) Observe that the disbursement matched the related original invoice/billing statement.

       No exceptions noted.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

b) Observe that finance charges and late fees were not assessed on the selected statements.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

    From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

No exceptions noted.

b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

c) Observe that any leave accrued or taken during the pay period is reflected in the Retirement System's cumulative leave records.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

A listing of employees receiving termination payments during the fiscal period was provided and included 1 employee. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 employee and performed the specified procedures. No exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

This is not applicable. All payroll taxes and retirement contributions are managed through the City of Baton Rouge and the Parish of East Baton Rouge.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Retirement System's ethics policy during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Retirement System reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Retirement System is domiciled.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

24. Observe that the Retirement System has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Corrective Action

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

    The Retirement System has provided a response and corrective action plan for any of the exceptions noted above. See attached document.

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We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Sincerely,

Postlethwaite & Netterville

June 21, 2019

Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge

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

Phone: (225) 389-3272
Fax: (225) 389-5548

June 27, 2019

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, Louisiana 70804

Dear Mr. Pupera:

This letter is a formal response to the exceptions noted in the independent accountants' report on the Statewide Agreed Upon Procedures (SAUPs) for the year ended December 31, 2018.

Written Policies and Procedures

1.a) Budgeting – The Retirement System (CPERS) does monitor the budget for items within its control, but the utilization of professional contracts at the Board's discretion can make it impossible to stay within the budgeted amounts. This may include special actuarial studies, expanded audit procedures, and legal expenses related to unanticipated lawsuits. For routine budgetary items such as salaries, utilities, office supplies, etc, the Retirement System tracks very close to the annual budget amounts. These items are paid through the City-Parish financial system and are monitored by the Finance Department in addition to the retirement system accounting staff.

1.b) Purchasing – CPERS closely follows the City-Parish procedures for purchases of routine items such as furniture, office supplies, etc. CPERS also routinely obtains three or more bids for contracts such as building maintenance, janitorial services, etc. The System's legal counsel has opined that in accordance with Louisiana Attorney General opinion number 93-676, CPERS is not bound by public bid law or even purchasing rules and regulations since the funds under its supervision are not considered public funds, therefore a formal written purchasing policy is not needed.

1.f) Contracting – Although a formal policy does not exist, CPERS acts on Board motions to contract with outside parties for services. In all cases, general legal counsel assists with contracts, and makes recommendations with standard terms and conditions for public employee retirement systems. Most contracts currently in effect are related to investment managers, which require particular standard language, depending on legal structure. Through negotiation and the use of side-letter agreements, CPERS is able to get favorable contract terms beyond the language of the standard agreements.

1.g) Credit Cards – Although a formal policy does not exist the Retirement Board approved the use of a "travel card" a number of years ago, in order to simplify the process of purchasing airline tickets and reserving hotels for Board travel. All charges to the card are presented to the Board as an item on the Board meeting agenda following receipt of the invoice. The Board approved the dollar limit available on the card. Only one card exists, and the authorized user is the Retirement Administrator. Board meeting minutes adequately document this process, however the staff will draft a written policy encompassing the criteria established by the Retirement Board.

1.h) Travel and expense reimbursement – CPERS follows the City-Parish's travel policy and generally issues a travel advance, based on all known expenses. Receipts are required for reimbursement (e.g. taxi fares and parking fees). All staff travel is pre-approved by the Retirement Administrator and all board member travel is pre-approved by the Board Chairman. The travel advance and the final reconciliation of expenses are signed by the party who is traveling, the Retirement Administrator, and the Board Chairman. The establishment of a policy over dollar thresholds is not considered necessary and every effort is made to minimize travel expenses.

1.i) Ethics – CPERS follows the City-Parish's protocol, which is based on the Louisiana State Board of Ethics requirements. The System, as a department, does not have a separate ethics policy, but each employee is required to attend a state-provided ethics presentation, and must answer questions based on that presentation. A certificate is issued to certify the employee complied, and the certificate is kept on file by the Human Resources department and by CPERS. Additionally the Board members must file disclosures with the state Ethics Board each year.

1.j) Debt Service – Debt service is not applicable to the Retirement System, therefore no policy is required to be established.

Board (or Finance Committee)
2.b) A cash flow report is presented monthly to the Board of Trustees for both the CPERS trust and the PGT, and includes comparable numbers from the prior year. The City-Parish adopted a new accounting software system that the Retirement System has started using to produce supplemental budget reports to the Board, including a year to date comparison of budget amounts to actual amounts. This system of reporting became available during the year of 2018 and is now an established monthly procedure.

Bank Reconciliations
3.c) CPERS does monitor the aging of outstanding checks as part of the bank reconciliation process. We are continuing to develop a method to more thoroughly document the process used in the aging and review of outstanding checks and the follow up that occurs as a result.

Collections
7.d) The Retirement Office does not make a bank deposit every day, but does restrictively endorse each check when received. Checks are placed in a locked safe in the event that they are not deposited the same day as received. Some checks are received after banking hours and must be held overnight. Deposits are made at least bi-weekly, regardless of amount, and daily if material in amount.

Disbursements

9.c) Because of the small staff size and crossover of duties, there is a staff member who can both process payments and add new vendors. However, the system has mitigated the risk with additional procedures. 1.) There are two signatures required on each check disbursed. 2.) Bank reconciliations are performed by a separate staff member. 3.) Reconciliations of expenses are performed by a separate staff member.

Sincerely,

Jeffrey R. Yates

Jeffrey R. Yates, CPA
Retirement Administrator

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

REPORT TO MANAGEMENT

DECEMBER 31, 2018

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax - pncpa.com

A Professional Accounting Corporation

June 21, 2019

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

In planning and performing our audit of the financial statements of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (the Retirement System), for the year ended December 31, 2018, we considered the Retirement System's internal controls and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure or on compliance.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

However, during the course of our audit, we became aware of the following matters that are opportunities for strengthening internal controls, enhancing operating efficiencies or other matters for consideration by management. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated June 21, 2019 on the financial statements of the Retirement System.

A. Written Policies and Procedures

Condition:

During the performance of our audit procedures, we noted there were no written policies and procedures over contracts, credit cards, ethics or debt service. In addition, certain policies did not contain the required level of detail or elements expected for best practices as recommended by the Louisiana Legislative Auditor.

A. **Written Policies and Procedures (continued)**

Recommendation:

We recommend that the Retirement System adopt policies and procedures and also review its current policies and procedures to ensure they contain the necessary detail for employees to understand how to address key transactions to the organization.

Management's Response:

CPERS closely follows the City-Parish procedures in regards to ethics, and has adopted policies approved by the Retirement Board regarding contracts and use of credit cards. Debt service is not applicable to the Retirement System; therefore, no policy is required to be established. We agree that a method should be developed to more thoroughly document these policies and procedures in a written repository for reference of staff and audit.

B. **Maintenance of File Documentation**

Condition:

During the performance of our audit procedures, we noted that for 1 out of 40 DROP disbursements items selected for testing, the withdrawal request form could not be provided. We also noted that for 2 out of 40 refund payments selected for testing, the confirmation of termination date and/or affidavit was missing from the plan member file as required by the Retirement System's policy. While these disbursements were correctly calculated and properly disbursed, the missing file documentation could result in inefficiencies or incorrect disbursements being made to plan members.

Recommendation:

We recommend that the Retirement System review its current processes and procedures over plan member file documentation to ensure required forms are maintained to comply with established policies.

Management's Response:

All DROP disbursement request forms are filed in order with the payroll in which they were disbursed. The one exception noted was in reference to a standing monthly withdrawal that was established in 2005, approximately 14 years ago. As a matter of procedure the refund payments are not signed without both a confirmation of termination and a hold harmless affidavit. In the exceptions noted, the missing documents are almost certainly cases of filing errors rather than a lack of procedural compliance. We will review our filing procedures to ensure that required forms are properly maintained.

C. Information Technology User Access and Security

Conditions:

During the performance of our audit procedures, we noted that two users have administrative access to the accounting system and full access to all other retirement databases. To establish stronger controls, user access to the accounting system and other databases, should correlate with each individual's responsibilities.

While gaining an understanding of controls over the IT environment, we noted that passwords never expire for workstations, Sage, and BRCS. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend a policy that requires passwords to be changed on a regular basis. For security purposes, best practices would require password changes approximately every 90 days. Management indicated that changing passwords has created network issues with obtaining and downloading data from the City-Parish in the past and as a result resulted in passwords not being changed.

Recommendations:

We recommend that administrative access be limited to one key user with others provided only system access for which they need to perform their job responsibilities. In addition, we recommend that the Retirement System work with City-Parish information technology personnel to determine a solution to allow passwords to be changed periodically without operational consequences.

Management's Response:

Given the size of the staff and its members' job duties, it is necessary for more than one single staff member to have administrative access to the retirement database and accounting system to be able to add, create, delete, modify, correct, and backup the data in these systems. Management feels that it would not be in the best interest of the system to have only one person with the ability to manage the systems in the event of a sudden departure or absence of a staff member holding these duties. The work stations in the retirement system are serviced and maintained by the City's IT department. The City's IT network does not have a policy requirement to change the passwords within the city's IT network. The passwords to the necessary databases do need to match the network passwords for functionality purposes. The retirement system has also commissioned a recent cybersecurity assessment in order to mitigate risks associated with IT and network usage, including establishing necessary firewalls and security measures where the retirement system resides within city's network.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Retirement System staff for their cooperation with us during the performance of the audit.

P&N
Postlethwaite & Netterville

This letter is intended solely for the information and use of the Retirement System, management of the Retirement System and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite & Netterville