

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	1,027,484
Cash	516,693
Total Cash and Equivalents	1,544,177
Receivables:	
Member Contributions	1,140
Employer Contributions	1,895,638
Total Receivable	1,896,778
Investments:	
Fixed Income	4,557,016
Equities	6,629,051
Alternative	1,283,177
Total Investments	12,469,244
Deferred Outflows of Resources - OPEB related	74,366
Total Assets	15,984,565
<u>LIABILITIES</u>	
Payables:	
Accrued Expenses and Benefits	185,297
Total OPEB Liability	618,653
Total Liabilities	803,950
Deferred Inflows of Resources - OPEB related	104,099
NET POSITION RESTRICTED FOR PENSIONS	15,076,516

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020
Market Value Basis

ADDITIONS

Contributions:

Member	33,241
Employer	3,205,654

Total Contributions	3,238,895
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Investment Income:

Net Increase in Fair Value of Investments	865,693
Interest & Dividends	157,237
Less Investment Expense ¹	(85,912)

Net Investment Income	937,018
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Total Additions	4,175,913
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DEDUCTIONS

Distributions to Members:

Benefit Payments	896,245
Lump Sum DROP Distributions	2,061,728

Total Distributions	2,957,973
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Administrative Expense	299,516
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Total Deductions	3,257,489
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Net Increase in Net Position	918,424
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	14,161,288
Beginning of the Year Adjustment	(3,196)
End of the Year	15,076,516

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2020)

Plan Administration

This plan was effective February 26, 2000 and was most recently amended effective February 28, 2001.

The plan is a single employer defined benefit pension plan, established and amended by the City of Baton Rouge, Louisiana and Parish of East Baton Rouge acting through its Board of Trustees.

Eligible police employees who are active members or in the Deferred Retirement Option Plan (DROP) 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).

Plan Membership as of January 1, 2020:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	222
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	90
	315

Benefits Provided

The Plan provides retirement and drop benefits.

The Plan provisions can be found in the January 1, 2020 Actuarial Valuation Report for the Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 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.

Employer Contributions: Balance of actuarially required contribution less member contributions, as determined above.

Investment Policy:

The following was the Board's adopted asset allocation policy as of December 31, 2020:

Asset Class	Target Allocation
Domestic Equity	31.25%
International Equity	17.50%
Domestic Bonds	51.25%
Total	100.0%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended December 31, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 6.62 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

The DROP balance as December 31, 2020 is \$33,016,037.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on December 31, 2020 were as follows:

Total Pension Liability	\$ 41,267,040
Plan Fiduciary Net Position	\$ (15,076,516)
Sponsor's Net Pension Liability	<u>\$ 26,190,524</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	36.53%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of January 1, 2020 updated to December 31, 2020 using the following actuarial assumptions:

Inflation	2.25%
Salary Increases	Age based
Discount Rate	5.75%
Investment Rate of Return	5.75%

Mortality Rates Healthy Active Lives:

RP-2006 Blue Collar Employee Projected back to 2001, Generational with MP-2018 (2016 base year).

Mortality Rates Healthy Inactive Lives:

RP-2006 Blue Collar Annuitant Projected back to 2001, Generational with MP-2018 (2016 base year).

Mortality Rate Disabled Lives:

RP-2006 Disability Table Projected back to 2001, Generational with MP-2018 (2016 base year).

The significant assumptions are based upon the most recent experience study dated January 21, 2020.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020, the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return ¹
Domestic Equity	7.50%
International Equity	8.50%
Domestic Bonds	2.50%

¹ Source: AndCo Consulting

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 5.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. For purpose of this valuation, the expected rate of return on pension plan investments is 5.75%; the municipal bond rate is 1.93% (based on the weekly rate closest to but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index); and the resulting single discount rate is 5.75%.

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Sponsor's Net Pension Liability	\$ 26,126,620	\$ 26,190,524	\$ 26,264,660

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Years

	12/31/2020	12/31/2019
Total Pension Liability		
Service Cost	317,445	380,505
Interest	1,798,486	2,078,790
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(2,217,162)	177,405
Changes of assumptions	(382,169)	27,828
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	(2,312,226)
Net Change in Total Pension Liability	(3,441,373)	352,302
Total Pension Liability - Beginning	44,708,413	44,356,111
Total Pension Liability - Ending (a)	<u>\$ 41,267,040</u>	<u>\$ 44,708,413</u>
Plan Fiduciary Net Position		
Contributions - Employer	3,205,654	1,167,213
Contributions - Employee	33,241	52,178
Net Investment Income	937,018	1,788,104
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	(2,312,226)
Administrative Expense	(299,516)	(276,209)
Net Change in Plan Fiduciary Net Position	918,424	419,060
Plan Fiduciary Net Position - Beginning	14,161,288	14,415,588
Beginning of the Year Adjustment	(3,196)	(673,360)
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,076,516</u>	<u>\$ 14,161,288</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 26,190,524</u>	<u>\$ 30,547,125</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.53%	31.67%
Covered Payroll	\$ 6,668,867	\$ 8,100,367
Net Pension Liability as a percentage of Covered Payroll	392.73%	377.11%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Changes of assumptions:

For purposes of determining the GASB discount rate at the 12/31/2020 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 5.75%.

The discount rate was increased from 4.13% to 5.75%.

For purposes of determining the GASB discount rate at the 12/31/2019 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 4.13%.

The discount rate was decreased from 4.77% to 4.13%. In response to an Actuarial Experience Study dated January 21, 2020, the following assumptions were approved by the Board:

- Inflation
- Salary Increases
- Administrative Expenses
- Cost-of-Living Adjustments
- Mortality Rates
- Retirement Rates
- Withdrawal Rates
- Converted Leave
- MPERS DROP Interest Rate

SCHEDULE OF CONTRIBUTIONS
Last 2 Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
12/31/2020	\$ 8,398,532	\$ 3,205,654	\$ 5,192,878	\$ 6,668,867	48.07%
12/31/2019	\$ 3,169,155	\$ 1,167,213	\$ 2,001,942	\$ 8,100,367	14.41%

Notes to Schedule

Valuation Date:

01/01/2019

Actuarially Determined contribution rates are calculated as of January 1, two years prior of the following year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the January 1, 2019 Actuarial Valuation for the Employees' Retirement System of the Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge prepared by Foster & Foster Actuaries and Consultants.

SCHEDULE OF INVESTMENT RETURNS
Last 2 Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
12/31/2020	6.62%
12/31/2019	13.69%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2020)

Plan Description

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Plan Membership as of January 1, 2020:

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Contributions

Member Contributions: 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.

Employer Contributions: Balance of actuarially required contribution less member contributions, as determined above.

Net Pension Liability

The measurement date is December 31, 2020.

The measurement period for the pension expense was January 1, 2020 to December 31, 2020.

The reporting period is January 1, 2020 through December 31, 2020.

The Sponsor's Net Pension Liability was measured as of December 31, 2020.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of January 1, 2020 updated to December 31, 2020 using the following actuarial assumptions:

Inflation	2.25%	
Salary Increases	Age based	
Discount Rate	5.75%	
Investment Rate of Return	5.75%	

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Mortality Rates Healthy Active Lives:

RP-2006 Blue Collar Employee Projected back to 2001, Generational with MP-2018 (2016 base year).

Mortality Rates Healthy Inactive Lives:

RP-2006 Blue Collar Annuitant Projected back to 2001, Generational with MP-2018 (2016 base year).

Mortality Rate Disabled Lives:

RP-2006 Disability Table Projected back to 2001, Generational with MP-2018 (2016 base year).

The significant assumptions are based upon the most recent experience study dated January 21, 2020.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020, the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return¹</u>
Domestic Equity	31.25%	7.50%
International Equity	17.50%	8.50%
Domestic Bonds	51.25%	2.50%
Total	<u>100.00%</u>	

¹ Source: AndCo Consulting

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 5.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. For purpose of this valuation, the expected rate of return on pension plan investments is 5.75%; the municipal bond rate is 1.93% (based on the weekly rate closest to but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index); and the resulting single discount rate is 5.75%.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2019	\$ 44,708,413	\$ 14,161,288	\$ 30,547,125
Beginning of the Year Adjustment	-	(3,196)	3,196
Changes for a Year:			
Service Cost	317,445	-	317,445
Interest	1,798,486	-	1,798,486
Differences between Expected and Actual Experience	(2,217,162)	-	(2,217,162)
Changes of assumptions	(382,169)	-	(382,169)
Changes of benefit terms	-	-	-
Contributions - Employer	-	3,205,654	(3,205,654)
Contributions - Employee	-	33,241	(33,241)
Net Investment Income	-	937,018	(937,018)
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	(2,957,973)	-
Administrative Expense	-	(299,516)	299,516
Net Changes	(3,441,373)	918,424	(4,359,797)
Balances as of December 31, 2020	\$ 41,267,040	\$ 15,076,516	\$ 26,190,524

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease 4.75%	Rate 5.75%	1% Increase 6.75%
Sponsor's Net Pension Liability	\$ 26,126,620	\$ 26,190,524	\$ 26,264,660

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

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PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2020, the Sponsor will recognize a Pension Expense of -\$786,084.

On December 31, 2020, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	452,762
Total	<u>\$ -</u>	<u>\$ 452,762</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended December 31:	
2021	\$ (122,981)
2022	\$ 37,861
2023	\$ (297,134)
2024	\$ (70,508)
2025	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Years

	12/31/2020	12/31/2019
Total Pension Liability		
Service Cost	317,445	380,505
Interest	1,798,486	2,078,790
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(2,217,162)	177,405
Changes of assumptions	(382,169)	27,828
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	(2,312,226)
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Total Pension Liability - Beginning	44,708,413	44,356,111
Total Pension Liability - Ending (a)	<u>\$ 41,267,040</u>	<u>\$ 44,708,413</u>
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Contributions - Employer	3,205,654	1,167,213
Contributions - Employee	33,241	52,178
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Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	(2,312,226)
Administrative Expense	(299,516)	(276,209)
Net Change in Plan Fiduciary Net Position	918,424	419,060
Plan Fiduciary Net Position - Beginning	14,161,288	14,415,588
Beginning of the Year Adjustment	(3,196)	(673,360)
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,076,516</u>	<u>\$ 14,161,288</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 26,190,524</u>	<u>\$ 30,547,125</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.53%	31.67%
Covered Payroll	\$ 6,668,867	\$ 8,100,367
Net Pension Liability as a percentage of Covered Payroll	392.73%	377.11%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Changes of assumptions:

For purposes of determining the GASB discount rate at the 12/31/2020 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 5.75%.

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- Salary Increases
- Administrative Expenses
- Cost-of-Living Adjustments
- Mortality Rates
- Retirement Rates
- Withdrawal Rates
- Converted Leave
- MPERS DROP Interest Rate

SCHEDULE OF CONTRIBUTIONS
Last 2 Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
12/31/2020	\$ 8,398,532	\$ 3,205,654	\$ 5,192,878	\$ 6,668,867	48.07%
12/31/2019	\$ 3,169,155	\$ 1,167,213	\$ 2,001,942	\$ 8,100,367	14.41%

Notes to Schedule

Valuation Date:

01/01/2019

Actuarially Determined contribution rates are calculated as of January 1, two years prior of the following year in which contributions are reported.

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COMPONENTS OF PENSION EXPENSE
YEAR ENDING DECEMBER 31, 2020

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Balances as of December 31, 2019	\$ 30,547,125	\$ 1,228,188	\$ 1,140,289	
Total Pension Liability Factors:				
Service Cost	317,445	-	-	317,445
Interest	1,798,486	-	-	1,798,486
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(2,217,162)	2,217,162	-	-
Current year amortization of experience difference	-	(2,217,162)	(88,703)	(2,128,459)
Change in assumptions about future economic or demographic factors or other inputs	(382,169)	382,169	-	-
Current year amortization of change in assumptions	-	(382,169)	(13,914)	(368,255)
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	-	-	-
Net change	(3,441,373)	-	(102,617)	(380,783)
Plan Fiduciary Net Position:				
Contributions - Employer	3,205,654	-	-	-
Contributions - Employee	33,241	-	-	(33,241)
Projected Net Investment Income	584,477	-	-	(584,477)
Difference between projected and actual earnings on Pension Plan investments	352,541	352,541	-	-
Current year amortization	-	(457,977)	(367,682)	(90,295)
Benefit Payments, including Refunds of Employee Contributions	(2,957,973)	-	-	-
Administrative Expenses	(299,516)	-	-	299,516
Net change	918,424	(105,436)	(367,682)	(408,497)
Beginning of the Year Adjustment	(3,196)	-	-	3,196
Balances as of December 31, 2020	\$ 26,190,524	\$ 1,122,752	\$ 669,990	\$ (786,084)

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Expected and Actual Earnings	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028
2020	\$ (352,541)	5	\$ (70,509)	\$ (70,508)	\$ (70,508)	\$ (70,508)	\$ (70,508)	\$ -	\$ -	\$ -	\$ -
2019	\$ (1,133,132)	5	\$ (226,626)	\$ (226,626)	\$ (226,626)	\$ (226,626)	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 1,674,977	5	\$ 334,995	\$ 334,995	\$ 334,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (804,209)	5	\$ (160,842)	\$ (160,842)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 163,431	5	\$ 32,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (90,295)	\$ (122,981)	\$ 37,861	\$ (297,134)	\$ (70,508)	\$ -	\$ -	\$ -	\$ -

