

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. To the left of this box is a thick vertical black bar, and to its right is a thin vertical red bar, both extending from the top to the bottom of the page.

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***Police Guarantee Trust of the
Employees' Retirement System of the
City of Baton Rouge and Parish of
East Baton Rouge***

*December 31, 2015
GASB Nos. 67 & 68 Report*

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This report is prepared in accordance with our understanding of GASB Nos. 67 & 68 for the purpose of disclosing pension plans in financial statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report.

The information presented in this report is based on:

- the actuarial assumptions included in this report;
- the plan provisions;
- participant information furnished to us by the Plan Administrator;
- asset information furnished to us by the Plan Trustee.

We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we may have made assumptions we believe are reasonable for the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report.

The interest rate, other economic assumptions, and demographic assumptions have been selected by the plan sponsor with our recommendations. The assumptions used, in our opinion, are reasonable and represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

A summary of any assumptions not included in this report, the plan provisions and the participant information is included in the Actuarial Valuation Report for funding purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Neither Nyhart nor any of its employees have any relationships with the plan or plan sponsor which could impair or appear to impair the objectivity of this report.

Nyhart



David D. Harris, ASA, EA, MAAA



Heath W. Merlak, FSA, EA, MAAA

05/12/2016

Net Pension Liability

The components of the net pension liability at December 31

| | 12/31/2015 | 12/31/2014 |
|---|-------------------|-------------------|
| Total pension liability | \$ 37,961,347 | \$ 36,278,585 |
| Plan fiduciary net position | (18,565,604) | (20,085,182) |
| Net pension liability | \$ 19,395,743 | \$ 16,193,403 |
| Plan fiduciary net position as a percent of the total pension liability | 48.91% | 55.36% |
| Pension Expense for the Fiscal Year Ended December 31 | \$ 2,477,557 | \$ 1,979,978 |

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

| | | |
|---|-------------|---------------|
| Inflation | 2.75% | 3.50% |
| Salary increases, including inflation | 2.75%-6.75% | 3.50% - 7.50% |
| Investment rate of return, including inflation, and net of investment expense | 6.53% | 6.85% |

Plan Membership

The total pension liability was determined based on the plan membership as of January 1

| | 2015 | 2014 |
|--|-------------|-------------|
| Inactive plan members and beneficiaries currently receiving benefits | 171 | 174 |
| Inactive plan members entitled to but not yet receiving benefits | 5 | 5 |
| Active plan members | 188 | 198 |
| Total members | 364 | 377 |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
GASB Nos. 67 & 68 Report as of Fiscal Year Ending December 31, 2015
Statement of Fiduciary Net Position

| Assets | 12/31/2015 | 12/31/2014 |
|---|----------------------|----------------------|
| Cash and deposits | \$ 2,656,163 | \$ 1,480,233 |
| Securities lending cash collateral | 0 | 0 |
| Total cash | \$ 2,656,163 | \$ 1,480,233 |
| Receivables: | | |
| Contributions | \$ 687,323 | \$ 565,211 |
| Due from broker for investments sold | 136,827 | 86,461 |
| Investment income | 35 | 0 |
| Other | 0 | 0 |
| Total receivables | \$ 824,185 | \$ 651,672 |
| Investments: | | |
| Fixed Income - Domestic | \$ 6,406,799 | \$ 7,614,420 |
| Fixed Income - International | 515,759 | 521,139 |
| Equities - Domestic | 3,991,437 | 4,840,747 |
| Equities - International | 3,430,603 | 4,185,193 |
| Real Estate | 0 | 0 |
| Alternative Investments | 905,432 | 1,001,096 |
| Total investments | \$ 15,250,030 | \$ 18,162,595 |
| Total assets | \$ 18,730,378 | \$ 20,294,500 |
| Liabilities | | |
| Payables: | | |
| Investment management fees | \$ 0 | \$ 0 |
| Due to broker for investments purchased | 0 | 0 |
| Collateral payable for securities lending | 0 | 0 |
| Other | 164,774 | 209,318 |
| Total liabilities | \$ 164,774 | \$ 209,318 |
| Net position restricted for pensions | \$ 18,565,604 | \$ 20,085,182 |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
 GASB Nos. 67 & 68 Report as of Fiscal Year Ending December 31, 2015
 Statement of Changes in Fiduciary Net Position

| | 12/31/2015 | 12/31/2014 |
|---|----------------|---------------|
| Additions | | |
| Contributions: | | |
| Employer | \$ 951,261 | \$ 763,873 |
| Member | 99,365 | 90,774 |
| Nonemployer contributing entity | 0 | 0 |
| Total contributions | \$ 1,050,626 | \$ 854,647 |
| Investment income: | | |
| Net increase in fair value of investments | \$ (264,902) | \$ 944,669 |
| Interest and dividends | 4,619 | 1,871 |
| Less investment expense, other than from securities lending | (143,357) | (150,126) |
| Net income other than from securities lending | \$ (403,640) | \$ 796,414 |
| Securities lending income | 0 | 0 |
| Less securities lending expense | 0 | 0 |
| Net income from securities lending | \$ 0 | \$ 0 |
| Net investment income | \$ (403,640) | \$ 796,414 |
| Other | 0 | 0 |
| Total additions | \$ 646,986 | \$ 1,651,061 |
| Deductions | | |
| Benefit payments, including refunds of member contributions | \$ 1,853,004 | \$ 1,679,506 |
| Administrative expense | 313,560 | 333,744 |
| Other | 0 | 0 |
| Total deductions | \$ 2,166,564 | \$ 2,013,250 |
| Net increase in net position | \$ (1,519,578) | \$ (362,189) |
| Net position restricted for pensions | | |
| Beginning of year | 20,085,182 | 20,447,371 |
| End of year | \$ 18,565,604 | \$ 20,085,182 |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
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 Schedule of Changes in Net Pension Liability and Related Ratios

| | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--|-----------------------|----------------------|
| Total pension liability | | |
| Service cost | \$ 454,961 | \$ 437,310 |
| Interest | 2,338,200 | 2,565,879 |
| Changes of benefit terms | 0 | 0 |
| Differences between expected and actual experience | 1,721,888 | 0 |
| Changes of assumptions | (979,283) | 340,742 |
| Benefit payments, including refunds of member contributions | (1,853,004) | (1,679,506) |
| Net change in total pension liability | <u>1,682,762</u> | <u>1,664,425</u> |
| Total pension liability - beginning | 36,278,585 | 34,614,160 |
| Total pension liability - ending (a) | \$ 37,961,347 | \$ 36,278,585 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 951,261 | \$ 763,873 |
| Contributions - member | 99,365 | 90,774 |
| Contributions - nonemployer contributing member | 0 | 0 |
| Net investment income | (403,640) | 796,414 |
| Benefit payments, including refunds of member contributions | (1,853,004) | (1,679,506) |
| Administrative expenses | (313,560) | (333,744) |
| Other | 0 | 0 |
| Net change in plan fiduciary net position | <u>\$ (1,519,578)</u> | <u>\$ (362,189)</u> |
| Plan fiduciary net position - beginning | 20,085,182 | 20,447,371 |
| Plan fiduciary net position - ending (b) | \$ 18,565,604 | \$ 20,085,182 |
| Net pension liability - ending (a) - (b) | \$ 19,395,743 | \$ 16,193,403 |
| Plan fiduciary net position as a percentage of the total pension liability | 48.91% | 55.36% |
| Covered-employee payroll | \$ 14,066,159 | 14,282,440 |
| Net pension liability as percentage of covered-employee payroll | 137.89% | 113.38% |

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Pension Expense

| Fiscal year ending | <u>12/31/2015</u> |
|---|----------------------------|
| Service cost | \$ 454,961 |
| Interest on total pension liability | 2,338,200 |
| Projected earnings on pension plan investments | (1,275,127) |
| Changes of benefit terms | 0 |
| Employee contributions | (99,365) |
| Pension plan administrative expense | 313,560 |
| Other changes | 0 |
| Current period recognition of deferred outflows/(inflows) of resources | |
| Differences between Expected & Actual Experience in measurement of the Total Pension Liability | \$ 430,472 |
| Changes of assumptions | (159,635) |
| Differences between Projected & Actual Earnings on Pension Plan Investments | 474,491 |
| Total | \$ <u>2,477,557</u> |

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

| Differences between expected and actuarial experience in measurement of the total pension liability for fiscal year ending: | Initial Balance | Initial Amortization Period | Annual Recognition | 12/31/2015 Balance |
|---|-----------------|-----------------------------|--------------------|--------------------|
| December 31, 2015 | \$ 1,721,888 | 4 | \$ 430,472 | \$ 1,291,416 |
| | | | \$ 430,472 | \$ 1,291,416 |
| | | | | |
| Changes in assumptions for fiscal year ending: | Initial Balance | Initial Amortization Period | Annual Recognition | 12/31/2015 Balance |
| December 31, 2015 | (979,283) | 4 | (244,821) | (734,462) |
| December 31, 2014 | 340,742 | 4 | 85,186 | 170,370 |
| | | | \$ (159,635) | \$ (564,092) |
| | | | | |
| Differences between projected and actual earnings on pension plan investments for fiscal year ending: | Initial Balance | Initial Amortization Period | Annual Recognition | 12/31/2015 Balance |
| December 31, 2015 | \$ 1,678,767 | 5 | \$ 335,753 | \$ 1,343,014 |
| December 31, 2014 | 693,691 | 5 | 138,738 | 416,215 |
| | | | \$ 474,491 | \$ 1,759,229 |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 1,291,416 | \$ 0 |
| Changes of Assumptions | \$ 170,370 | \$ (734,462) |
| Net difference between projected and actual earnings on pension plan investments | \$ 1,759,229 | \$ 0 |
| | \$ 3,221,015 | \$ (734,462) |

The balances as of December 31, 2015 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending December 31.

| | |
|------------|------------|
| 2016 | \$ 745,328 |
| 2017 | \$ 745,326 |
| 2018 | \$ 660,144 |
| 2019 | \$ 335,755 |
| 2020 | \$ 0 |
| Thereafter | \$ 0 |

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 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 real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|------------------------------|-------------------|--|
| Fixed Income - Domestic | 42.5% | 1.69% |
| Fixed Income - International | 22.5% | 4.97% |
| Equities - Domestic | 22.5% | 6.79% |
| Equities - International | 10.0% | 6.36% |
| Real Estate | 0.0% | 5.71% |
| Alternative Investments | 0.0% | 0.00% |
| Cash | 2.5% | 1.00% |
| Total | 100.0% | |

Long-term expected rate of return is 7.25%.

Discount rate

The discount rate used to measure the total pension liability was 6.53%. 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 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 depleted for current members during the 2026 fiscal year. Therefore, the long-term expected rate of return 7.25% was used to discount funded projected benefit payments and the municipal bond rate 3.57% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 6.53%.

Note the discount rate changed from 6.85% as of December 31, 2014 to 6.53% as of December 31, 2015 measurement date.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 6.53%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.53%) or 1-percentage-point higher (7.53%) than the current rate:

| | 1% Decrease (5.53%) | Current Discount Rate (6.53%) | 1% Increase (7.53%) |
|-----------------------|--------------------------------|--|--------------------------------|
| Net pension liability | \$ 20,230,893 | \$ 19,395,743 | \$ 18,578,571 |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
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 Schedule of Contributions

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 3,029,216 | \$ 2,646,547 | \$ 2,679,589 | \$ 2,225,478 | \$ 1,977,834 |
| Contributions in relation to the actuarially determined contribution | 951,261 | 763,873 | 696,918 | 238,628 | 202,695 |
| Contribution deficiency (excess) | \$ 2,077,955 | \$ 1,882,674 | \$ 1,982,671 | \$ 1,986,850 | \$ 1,775,139 |
| Covered-employee payroll | \$ 14,066,159 | \$ 14,282,440 | \$ 15,428,420 | \$ 15,966,923 | \$ 17,315,930 |
| Contributions as a percentage of covered-employee payroll | 6.76% | 5.35% | 4.52% | 1.49% | 1.17% |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| Actuarially determined contribution | \$ 1,634,905 | \$ 479,630 | \$ 215,291 | \$ 124,607 | \$ 367,957 |
| Contributions in relation to the actuarially determined contribution | 250,114 | 149,179 | 127,087 | 123,140 | 125,314 |
| Contribution deficiency (excess) | \$ 1,384,791 | \$ 330,451 | \$ 88,204 | \$ 1,467 | \$ 242,643 |
| Covered-employee payroll | \$ 18,836,479 | \$ 20,084,707 | \$ 19,754,110 | \$ 20,507,475 | \$ 19,964,426 |
| Contributions as a percentage of covered-employee payroll | 1.33% | 0.74% | 0.64% | 0.60% | 0.63% |

The total pension liability as of December 31, 2015 was determined using the following actuarial assumptions:

| | | |
|---------------------------------|---|--|
| Actuarial Cost Method | Entry Age Method | |
| Asset Method | Market Value of Assets | |
| Interest Rates | Discount Rate | 6.53% |
| | Expected Long Term Rate of Return | 7.25% |
| | Municipal Bond Rate | 3.57% |
| Inflation | 2.75% | |
| Annual Pay Increases | <u>Age</u> | <u>%</u> |
| | 30 | 4.00 |
| | 35 | 2.00 |
| | 40 | 2.00 |
| | 45 | 1.00 |
| | 50 | 0.00 |
| Measurement Date | December 31, 2015 based on a valuation date of January 1, 2015 | |
| Cost-of-living Increases | MPERS COLA is 2.0% compounded annually | |
| Mortality Rates | Healthy | RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019 |
| | Disabled | RP-2000 Disabled Mortality Projected with Scale BB to 2019 |
| Retirement Rates | 100% at earlier of 25.5 Years of Service or age 61 with 11 years of service, the following rates: | |
| | Before 25 years of creditable service | |
| | <u>Age</u> | <u>Retirement</u> |
| | 55-60 | 10% |
| | 61-63 | 20% |
| | 64 | 25% |
| | 65+ | 100% |
| | After 25 years of creditable service | |
| | <u>Service</u> | <u>Retirement</u> |
| | 25 | 20% |
| | 26 | 30% |
| | 27 | 40% |
| | 28+ | 100% |
| All other assumptions | As described in the assumptions section of the actuarial determined contribution | |
| Experience Study | Last performed for the period January 1, 2009 to December 31, 2013 | |

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
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 Actuarial Assumptions for Actuarially Determined Contributions

| | | |
|--|--|-----------------|
| Valuation Date | January 1, 2015 | |
| Participation and Asset Information Collected as of | January 1, 2015 | |
| Investment Return | 7.25% per year, compounded annually, net of investment expenses | |
| Inflation | 2.75% | |
| Annual Pay Increases | <u>Age</u> | <u>%</u> |
| | 30 | 4.00 |
| | 35 | 2.00 |
| | 40 | 2.00 |
| | 45 | 1.00 |
| | 50 | 0.00 |
| | 55 | 0.00 |
| MPERS COLA | 2.0% compounded annually due to inflation | |
| Ancillary Benefits | MPERS ancillary benefits (turnover, disability, death) are assumed to be greater than CPERS ancillary benefits | |
| Mortality | RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019 | |
| Disabled Mortality | RP-2000 Disbaled Mortality Projected with Scale BB to 2019 | |
| Withdrawal Rates | <u>Age</u> | <u>Turnover</u> |
| | 20 | .079 |
| | 25 | .077 |
| | 30 | .072 |
| | 35 | .063 |
| | 40 | .052 |
| | 45 | .040 |
| | 50 | .026 |
| | 55 | .009 |
| | 60 | .001 |

Probabilities of turnover are based on Table T-5. The turnover rates are modified as follows, based on years of employment:

| <u>Years of Service</u> | <u>%</u> |
|-------------------------|----------|
| 0-1 | 110 |
| 2 | 85 |
| 3-10 | 45 |
| 11-15 | 25 |
| 16+ | 15 |

Retirement Rates

100% at earlier of 25.5 Years of Service or age 61 with 11 years of service, the following rates:

Before 25 years of creditable service

| <u>Age</u> | <u>Retirement</u> |
|------------|-------------------|
| 55-60 | 10% |
| 61-63 | 20% |
| 64 | 25% |
| 65+ | 100% |

After 25 years of creditable service

| <u>Service</u> | <u>Retirement</u> |
|----------------|-------------------|
| 25 | 20% |
| 26 | 30% |
| 27 | 40% |
| 28+ | 100% |

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

| | <u>Total</u> |
|------------------------------|--------------|
| Police hired before 6/1/2015 | 1.50 years |

Disability Rates

| <u>Age</u> | <u>Disability</u> |
|------------|-------------------|
| 20 | .0006 |
| 25 | .0006 |
| 30 | .0006 |
| 35 | .0007 |
| 40 | .0011 |
| 45 | .0022 |
| 50 | .0046 |
| 55 | .0102 |
| 60 | .0320 |
| 61 | .0355 |
| 62 | .0400 |
| 63 | .0450 |
| 64 | .0410 |
| 65 | .0195 |

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. The disability rates for Fire and Police are increased by 100%.

Type of Disability

75% service-connected, 25% ordinary

| | |
|------------------------------------|--|
| 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 investment gains (or losses) recognized each year. |
| Actuarial Cost Method | Aggregate Actuarial Cost Method |
| Percent Married | 80% of employees are assumed to be married. Female spouses are assumed to be 3 years younger than males. |
| Administrative Expense Load | There is not an expense load added to the cost of the Plan |
| Sources of Data | Membership and asset data as of January 1, 2015 was furnished by Retirement Office staff. 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. |
| Ancillary Benefits | MPERS ancillary benefits (turnover, disability, death) are assumed to be greater than CPERS ancillary benefits. |
| Changes Since Prior Report | <ol style="list-style-type: none">1. Investment return to 7.25% from 7.50%2. Annual inflation to 2.75% from 3.50%3. Healthy mortality to RP2000 Health Combined Blue Collar Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years.4. Disabled mortality to RP2000 Disabled Mortality Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years.5. Service related multipliers on turnover rates increased6. Retirement rates adjusted |

Plan Effective Date

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

Fiscal Year

Calendar year

Eligibility for Membership

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)

Accrued Benefit

The excess of benefits that would have been payable under CPERS, based on the provision in effect on February 26, 2000, over the benefits payable under MPERS. PGT benefits reflect any increases in MPERS benefits due to cost-of-living adjustments.

Benefits

Retirement

Benefit Members are paid the full accrued benefit until the MPERS benefit amount is greater than the CPERS benefit amount

DROP

Benefit Members enter into PGT DROP with a payment credited to the PGT DROP account until the later of 2 years of eligibility for MPERS DROP. Investment returns for MPERS and PGT DROP accounts are credited to PGT DROP account.

Disability, Termination, and Death

The MPERS benefit is assumed to be greater than the CPERS benefit, so it is valued as zero liability

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.

Employer Contribution: Balance, actuarially determined

Payment Forms

Normal Form Joint and 50% contingent survivor

System Provisions Not Included

The plan provisions for the CPERS and MPERS benefits can be found the most recent January 1 valuations

Adjustments Made for Subsequent Events

We are not aware of any event following the measurement date and prior to the date of this report that would materially impact the results of this report