

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 black vertical bar, and to its right is a thin red vertical bar.

nyhart

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

*December 31, 2014
GASB No. 67 Report*

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This report is prepared in accordance with our understanding of GASB No. 67 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 and plan provisions noted in this report. In our opinion, the assumptions used are individually reasonable, and, in combination, represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice. The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as plan experience differing from that anticipated by assumptions, changes in assumptions, changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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

05/13/2015

Net Pension Liability

The components of the net pension liability at December 31

	2014
Total pension liability	\$ 36,278,585
Plan fiduciary net position	(20,085,182)
Net pension liability	\$ 16,193,403
Plan fiduciary net position as a percent of the total pension liability	55.36%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

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

Plan Membership

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

	2014
Inactive plan members and beneficiaries currently receiving benefits	174
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	198
Total members	377

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
 GASB No. 67 Report as of Fiscal Year Ending December 31, 2014
 Statement of Fiduciary Net Position

Assets	<u>December 31, 2014</u>
Cash and deposits	\$ 1,480,233
Securities lending cash collateral	<u>0</u>
Total cash	\$ 1,480,233
Receivables:	
Contributions	\$ 565,211
Due from broker for investments sold	86,461
Investment income	0
Other	<u>0</u>
Total receivables	\$ 651,672
Investments:	
Fixed Income - Domestic	\$ 7,614,420
Fixed Income - International	521,139
Equities - Domestic	4,840,747
Equities - International	4,185,193
Real Estate	0
Alternative Investments	<u>1,001,096</u>
Total investments	\$ 18,162,595
Total assets	<u>\$ 20,294,500</u>
Liabilities	
Payables:	
Investment management fees	\$ 0
Due to broker for investments purchased	0
Collateral payable for securities lending	0
Other	<u>209,318</u>
Total liabilities	\$ 209,318
Net position restricted for pensions	<u>\$ 20,085,182</u>

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
 GASB No. 67 Report as of Fiscal Year Ending December 31, 2014
 Statement of Changes in Fiduciary Net Position

	December 31, 2014
Additions	
Contributions:	
Employer	\$ 763,873
Member	90,774
Nonemployer contributing entity	0
Total contributions	\$ 854,647
Investment income:	
Net increase in fair value of investments	\$ 944,669
Interest and dividends	1,871
Less investment expense, other than from securities lending	0
Net income other than from securities lending	\$ 946,540
Securities lending income	0
Less securities lending expense	0
Net income from securities lending	\$ 0
Net investment income	\$ 946,540
Other	0
Total additions	\$ 1,801,187
Deductions	
Benefit payments, including refunds of member contributions	\$ 1,679,506
Administrative expense	150,126
Other	333,744
Total deductions	\$ 2,163,376
Net increase in net position	\$ (362,189)
Net position restricted for pensions	
Beginning of year	20,447,371
End of year	\$ 20,085,182

	<u>2014</u>
Total pension liability	
Service cost	\$ 437,310
Interest	2,565,879
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	340,742
Benefit payments, including refunds of member contributions	<u>(1,679,506)</u>
Net change in total pension liability	1,664,425
Total pension liability - beginning	<u>34,614,160</u>
Total pension liability - ending (a)	\$ 36,278,585
Plan fiduciary net position	
Contributions - employer	\$ 763,873
Contributions - member	90,774
Contributions - nonemployer contributing member	0
Net investment income	946,540
Benefit payments, including refunds of member contributions	(1,679,506)
Administrative expenses	(150,126)
Other	<u>(333,744)</u>
Net change in plan fiduciary net position	\$ (362,189)
Plan fiduciary net position - beginning	<u>20,447,371</u>
Plan fiduciary net position - ending (b)	\$ 20,085,182
Net pension liability - ending (a) - (b)	\$ 16,193,403
Plan fiduciary net position as a percentage of the total pension liability	55.36%
Covered-employee payroll	\$ 14,282,440
Net pension liability as percentage of covered-employee payroll	113.38%

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, 2014 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed Income - Domestic	42.5%	1.7%
Fixed Income - International	22.5%	5.0%
Equities - Domestic	22.5%	6.8%
Equities - International	10.0%	6.4%
Real Estate	0.0%	5.7%
Alternative Investments	0.0%	0.0%
Cash	2.5%	1.0%
Total	100.0%	

Long-term expected rate of return is 7.50%.

Discount rate

The discount rate used to measure the total pension liability was 6.85%. 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 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.

Note the discount rate changed from 7.50% as of December 31, 2013 to 6.85% as of the December 31, 2014 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 6.85%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Net pension liability	\$ 16,991,532	\$ 16,193,403	\$ 15,412,455

Police Guarantee Trust of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge
 GASB No. 67 Report as of Fiscal Year Ending December 31, 2014
 Schedule of Contributions

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 2,646,547	\$ 2,679,589	\$ 2,225,478	\$ 1,977,834	\$ 1,634,905
Contributions in relation to the actuarially determined contribution	763,873	696,918	238,628	202,695	250,114
Contribution deficiency (excess)	\$ 1,882,674	\$ 1,982,671	\$ 1,986,850	\$ 1,775,139	\$ 1,384,791
Covered-employee payroll	\$ 14,282,440	\$ 15,428,420	\$ 15,966,923	\$ 17,315,930	\$ 18,836,479
Contributions as a percentage of covered-employee payroll	5.35%	4.52%	1.49%	1.17%	1.33%
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 479,630	\$ 215,291	\$ 124,607	\$ 367,957	\$ 127,781
Contributions in relation to the actuarially determined contribution	149,179	127,087	123,140	125,314	93,973
Contribution deficiency (excess)	\$ 330,451	\$ 88,204	\$ 1,467	\$ 242,643	\$ 33,808
Covered-employee payroll	\$ 20,084,707	\$ 19,754,110	\$ 20,507,475	\$ 19,964,426	\$ 20,587,122
Contributions as a percentage of covered-employee payroll	0.74%	0.64%	0.60%	0.63%	0.46%

The total pension liability as of January 1, 2015 was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Method	
Asset Method	Market Value of Assets	
Interest Rates		
	Discount Rate	6.85%
	Expected Long Term Rate of Return	7.50%
	Municipal Bond Rate	3.65%
Inflation	3.50%	
Annual Pay Increases	<u>Age</u>	<u>Fire/Police</u> %
	30	+4.00
	35	+2.00
	40	+2.00
	45	+1.00
	50	0
	55	0
Measurement Date	January 1, 2015	
Ad-hoc Cost-of-living Increases	None	
Mortality Rates		
	Healthy	1994 Group Annuity Mortality Table, set forward 2 years
	Disabled	1994 Group Annuity Mortality Table, set forward 2 years
Retirement Rates	100% at Earlier of 25.5 Years of Service or age 61 with 11 years of service	
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	

Valuation Date January 1, 2015

Participation and Asset Information Collected as of January 1, 2015

Investment Return 7.50% per year, compounded annually, net of investment expenses

Inflation 3.50%

Annual Pay Increases

<u>Age</u>	<u>Police</u> <u>%</u>
30	+4.00
35	+2.00
40	+2.00
45	+1.00
50	0
55	0

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 1994 Group Annuity Mortality Table, set forward 2 years, producing following specimen rates:

<u>Age</u>	Male <u>%</u>	Female <u>%</u>
20	0.0556	0.0289
30	0.0839	0.0397
40	0.1252	0.0825
50	0.3213	0.1734
60	1.1047	0.5832
70	2.8481	1.6506

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:

Years of Service	%
0-4	60
5-10	50
11+	25

Retirement Rates

100% at earlier of 25.5 Years of Service
 or age 61 with 11 years of service

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

Police	Total 1.50 years
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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.

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