

STATE OF LOUISIANA LEGISLATIVE ACTUARY

2005 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

October 2006



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October 4, 2006

The Honorable Kathleen Babineaux Blanco
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Speaker of the House of Representatives
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The Honorable Donald E. Hines
President of the Senate
Post Office Box 94183
Baton Rouge, Louisiana 70804

Re: **2005 Annual Actuarial Report on
Louisiana Public Retirement Systems**

The Legislative Actuary is pleased to submit the annual 2005 Actuarial Report on Louisiana Public Retirement Systems in accordance with LSA R.S. 24:513C(1) and R.S. 11:271C(2). The actuarial and financial status of the thirteen state and statewide retirement systems is summarized as of their Fiscal Years Ending 2005 in the following sections:

- **Executive Summary**
- **Employer Funding for Pension Benefits**
- **Benefit Formulas, Retirement Eligibility, and Contribution Rates**
- **Actuarial Concerns – Funding Issues (including Legislative Concerns)**

The report is also available at www.la.state.la.us/lla/actuary.htm along with comprehensive tables and graphs of the state system's Unfunded Accrued Liability obligations, including projected amortization schedules and outstanding balances.

Please do not hesitate to contact me with any questions or comments concerning this report.

Respectfully submitted,

Thomas N. Rice, MAAA, ASA, FCA
Enrolled Actuary
Legislative Actuary

TNR:pm

Enclosure
2005ActuarialReport

2005 ACTUARIAL REPORT
ON
LOUISIANA PUBLIC
RETIREMENT SYSTEMS

October, 2006

2005 ACTUARIAL REPORT

LOUISIANA PUBLIC RETIREMENT SYSTEMS

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***EXECUTIVE
SUMMARY***

EXECUTIVE SUMMARY

OFFICE OF LEGISLATIVE ACTUARY

2005 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2005 Report

The *2005 Actuarial Report on Louisiana Public Retirement Systems* was prepared by the legislative actuary for the legislature, the governor, and other interested parties involved in the retirement systems' decision making process.

This comprehensive actuarial report summarizes the funding and financial status of the thirteen state and statewide retirement systems for fiscal years ending in 2005. It includes data and history for the four state retirement systems and the nine statewide retirement systems.

- **EMPLOYER FUNDING FOR PENSION BENEFITS**
(Section I: Pages 18 thru 51)
- **BENEFIT FORMULAS, RETIREMENT ELIGIBILITY,
AND CONTRIBUTION RATES**
(Section II: Pages 52 thru 60)
- **ACTUARIAL CONCERNS -- FUNDING ISSUES**
(Section III: Pages 61 thru 110)

Louisiana Statutes

Pursuant to *Louisiana Statutes*, this report is being submitted to the governor and the legislature detailing the financial and actuarial history of the Louisiana Public Retirement Systems. The reports shall also include comments on any findings that may materially affect the actuarial soundness of the retirement systems.

State Systems

For the four state retirement systems, benefits are guaranteed under the state constitution.

LASERS	<i>Louisiana State Employees' Retirement System</i>
TRSL	<i>Teachers' Retirement System of Louisiana</i>
STPOL	<i>State Police Pension and Retirement System</i>
LSERS	<i>Louisiana School Employees' Retirement System</i>

Statewide Systems

For the nine statewide retirement systems, benefits are not guaranteed under the state constitution.

ASSR	<i>Louisiana Assessors' Retirement Fund</i>
CCRS	<i>Clerks of Court Retirement and Relief Fund</i>
DARS	<i>District Attorneys' Retirement System</i>
FRS	<i>Firefighters' Retirement System</i>
MERS	<i>Municipal Employees' Retirement System (Plans A&B)</i>
MPERS	<i>Municipal Police Employees' Retirement System</i>
PERS	<i>Parochial Employees' Retirement System (Plans A&B)</i>
RVRS	<i>Registrars of Voters Employees' Retirement System</i>
SPRF	<i>Sheriffs' Pension and Relief Fund</i>

LEGISLATIVE ACTUARY

SUMMARY of FY 2005 VALUATION RESULTS

(6/30/05 FYE Valuation, Except ASSR 9/30/05 and PERS 12/31/05)

Systems:	(Page 20,21)		(Page 42)	(Page 36,37)	(Page 45,46)
	Employer Projected Rates		Valuation UAL	Actuarial Value of Assets	Funded Level
	FY 2006	FY 2007	(in \$millions)	(AVA in \$millions)	AVA / PBO
LASERS	19.1%	19.1%	\$ 4,202.8	\$ 6,778.8	62.5%
TRSL	15.9%	15.8%	\$ 6,812.6	\$ 12,171.9	65.1%
STPOL	64.4%	70.3%	\$ 238.2	\$ 322.5	62.5%
LSERS	18.4%	19.6%	\$ 466.2	\$ 1,423.2	78.9%
State Total			\$ 11,719.9	\$ 20,696.4	64.9%
ASSR	12.00%	11.25%	\$ 35.8	\$ 133.0	65.9%
CCRS	15.75%	16.75%	\$ 81.4	\$ 241.5	66.8%
DARS	6.00%	3.50%	\$ -	\$ 164.0	100.6%
FRS	18.00%	15.50%	\$ 193.7	\$ 819.2	83.5%
MERS A	16.00%	16.25%	\$ 71.3	\$ 510.5	78.4%
MERS B	9.75%	9.75%	\$ 6.0	\$ 96.4	80.1%
MPERS	16.25%	15.50%	\$ 318.8	\$ 1,233.6	83.6%
PERS A	12.25%	13.25%	\$ 92.9	\$ 1,535.4	89.6%
PERS B	5.50%	6.00%	\$ -	\$ 111.4	106.7%
RVRS	11.00%	11.25%	\$ -	\$ 49.5	88.2%
SPRF	10.75%	11.00%	\$ 94.6	\$ 1,085.5	80.3%
Statewide Total			\$ 894.3	\$ 5,980.1	83.3%
Total All Systems:			\$ 12,614.2	\$ 26,676.5	68.3%

LEGISLATIVE ACTUARY

SUMMARY of FY 2005 VALUATION RESULTS

(6/30/05 FYE Valuation, Except ASSR 9/30/05 and PERS 12/31/05)

Systems:	(Page 38)			(Page 50)			(Page 50)
	Investment Returns FY 2005			Membership			Payroll
	Market Value	AVA	Assumed Rate	Actives	Retirees	Total	
	(in millions)						
LASERS	9.9%	11.7%	8.25%	64,168	38,501	102,669	\$ 2,100
TRSL	9.7%	9.9%	8.25%	87,643	63,354	150,997	\$ 3,132
STPOL	9.0%	8.6%	7.50%	1,003	1,162	2,165	\$ 49
LSERS	8.2%	7.5%	7.50%	13,837	12,165	26,002	\$ 259
State Total				166,651	115,182	281,833	\$ 5,541
ASSR	13.4%	11.7%	8.00%	690	487	1,177	\$ 29
CCRS	8.7%	7.2%	8.00%	2,310	944	3,254	\$ 74
DARS	5.0%	6.8%	8.00%	670	233	903	\$ 38
FRS	10.4%	10.4%	7.50% *	3,532	1,582	5,114	\$ 134
MERS A	7.2%	9.6%	8.00%	5,073	2,914	7,987	\$ 140
MERS B	7.2%	6.4%	8.00%	1,987	875	2,862	\$ 49
MPERS	9.3%	9.4%	7.50% *	6,000	3,979	9,979	\$ 216
PERS A	6.3%	11.1%	8.00%	13,089	5,674	18,763	\$ 429
PERS B	5.1%	10.6%	8.00%	1,938	609	2,547	\$ 55
RVRS	6.8%	7.4%	8.00%	203	151	354	\$ 9
SPRF	8.1%	6.1%	8.00%	13,863	2,972	16,835	\$ 432
Statewide Total				49,355	20,420	69,775	\$ 1,604
Total All Systems:				216,006	135,602	351,608	\$ 7,145

* 7.5% from 7.0% effective beginning July 1, 2005

Act 780

Act 780 of the 2006 Regular Session extends the final average compensation period for benefit calculations from thirty-six months (36) to sixty months (60) for new members of the following Statewide retirement systems hired on or after:

- July 1, 2006 for the *Clerks of Court Retirement and Relief Fund, Municipal Employees' Retirement System of Louisiana (Plans A&B), Registrars of Voters Employees' Retirement System, and the Sheriffs' Pension and Relief Fund;*
- October 1, 2006 for the *Assessors' Retirement Fund;*
- January 1, 2007 for the *Parochial Employees' Retirement System of Louisiana (Plans A&B).*

This legislation will result in significant savings that will emerge gradually as new membership is added each year. Ultimately, the liability costs of future memberships will be reduced 4% to 5% depending on future pay increases. The initial impact to normal cost is extremely modest and will vary by system, but ultimately is ultimately expected to reduce employer costs by .65% to 1.0% of projected payroll annually.

Act 75

Act 75 of the 2005 Regular Session made substantial changes to existing statutes under the Louisiana State Employees' Retirement System (LASERS). It is expected to result in substantial cost savings to the state that is ultimately projected to reach 3% of membership payroll annually. The major features of this Act apply only to new employees who first become members of LASERS after June 30, 2006.

Changes were:

- (1) *Retirement Eligibility: New members must have at least ten (10) years of service and reach age sixty (60) for normal retirement.*
- (2) *Average Compensation (for new members):*
 - (a) *Changes the compensation average used to calculate retirement benefit amounts to an annual average of the highest sixty successive*

months of employment (5 year), instead of the current thirty-six months (3 year).

(b) Changes earnings limit on annual compensation to 15%, from 25%, and extends it the additional 24 month period.

(3) Disability benefits: New members who are eligible for disability retirement benefits will receive one and eight-tenths percent (1.8%) of average compensation for each year of credited service. After age sixty, the benefit is the regular retirement benefit.

(4) Service Purchase (under Act 340 R.S. 2004):

(a) For all members, (i) requires five years of service to purchase up to five years of additional service credits and (ii) restricts the credit to benefit accrual only and not for retirement eligibility.

(b) Allows current members to purchase under the prior rules for service purchase applications prior to July 1, 2005 if the purchase is completed by June 30, 2006.

(5) Employee Contribution Rate: New members employed after June 30, 2006 will contribute 8.0% of pay, instead of 7.5%.

Act 588

Act 588 of the 2004 Regular Session made substantial changes to existing statutes affecting employer contributions to the Louisiana State Employees' Retirement System (LASERS), Teachers' Retirement System of Louisiana (TRSL), and School Employees' Retirement System (LSERS). *Changes were:*

(1) The Act amended rules for amortizing bases established subsequent to the IUAL for actuarial gains/losses and changes to assumptions, funding and asset methods, or plan provisions. This part of the legislation provided immediate relief from significant increases in contribution rates since the economic reversal. It was accomplished by extending the amortization for periods with heavy actuarial losses and accelerating the recognition of gains in other periods. The outstanding balances of prior bases were re-amortized as of June 30, 2004, including liability for Experience

*Account balances. Future bases, established on or after June 30, 2004, will be amortized over a thirty year period with level payments. **The IUAL and employer contribution variance were not affected.***

In compliance with legislation, the Public Retirement Systems' Actuarial Committee (PRSAC) accepted the revision of existing projected employer contribution rates for fiscal year 2005 to the following:

LASERS 17.8% (from 19.1%),

TRSL 15.5% (from 17.3%), and

LSERS 14.8% (from 18.8%).

Provisions that apply only to LASERS and TRSL:

(2) Requires a minimum annual contribution of fifteen and one-half percent (15.5%) until the IUAL is fully funded. The excess amounts will be retained in an Employer Credit Account (ECA) to be used to reduce any UAL created before July 1, 2004.

(3) Employee Experience Account (EA) and cost-of-living increases (COLAs):

- Eliminates existing or future negative EA balances and removes current provisions requiring the EA to share in actuarial investment losses, only sharing in investment gains. The balance is limited to two years of COLA reserves. Any negative EA balance on June 30, 2004 will be added to the UAL.*
- Requires legislative oversight and approval to grant a COLA.*
- For LASERS: Provides inflation adjustments of the seventy-thousand dollar benefit ceiling based upon the CPI index after July 1, 2004.*

Employer Funding for Pension Benefits (*Section I*)

Actuarial Funding

The accumulation of assets required to fund any retirement program is contingent upon the actuarial cost method, asset method, and assumptions adopted in the valuation process.

Of primary importance is the selection of interest rate assumptions, which includes long term expectations for inflation and risk. Interest rates used in the 2005 valuations of the thirteen state and statewide plans range from 7.5% to 8.25%. Effective July 1, 2005 the Firefighters (FRS) and Municipal Police (MPERS), will apply a 7.5% investment return assumption. **All systems will be within a 7.5% to 8.25% range.**

Investment Income

Investment earnings include all income earned under the trust such as dividends, interest, and capital gains or losses, and ***are essential to meet the long range projections and assumptions under the actuarial funding method.***

Contributions

Pension benefit liabilities for the thirteen state and statewide retirement systems are funded through contributions from employers, members, various taxes, revenue sharing funds, Insurance Premium Tax Fund (IPTF), legislative appropriations, and through investment earnings on plan assets.

Employer contribution rates are determined each year through an actuarial valuation. Member contribution rates are fixed by statute and may vary for different group classifications within a retirement system.

State Retirement Systems

General

The state of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through

general fund appropriations, either directly or as transfer payments to local school districts. The annual employer contribution includes the normal cost payment and an amortization payment toward the Unfunded Accrued Liability (UAL). The UAL is that portion of the actuarial accrued liability (AL) not funded by the actuarial value of the trust assets (VA) on a valuation date. If assets exceed the actuarial accrued liability then the system is fully funded. The normal cost is that portion equal to the year's expected additional benefit accrual.

Guaranteed Payment

Our state constitution guarantees an annual employer payment for the four state systems sufficient to pay the normal cost and amortize the Initial Unfunded Accrued Liability (IUAL), established as of June 30, 1988, by the year 2029; by 2009 for State Police. If the legislature fails to provide this payment, the state treasurer must pay the required amount from the state general fund upon a warrant issued by the administrative authority of the retirement system affected by the shortfall. ***The constitution requires that the systems' liabilities must be funded on an actuarially sound basis.***

UAL Balance (Valuation)

As of June 30, 2005, the four state systems had a combined Valuation UAL balance of \$11.7 billion. The combined payment to fund this amount for FY 2006 is \$617.0 million. It represents 60.1% of the \$1.026 billion of actual required employer costs to actuarially fund the four unfunded state systems.

VALUATION UAL BALANCES
as of 6/30/2005
(\$millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL (AL) – (VA)
LASERS	\$10,847.1	\$6,644.2	\$4,202.8
TRSL	\$18,699.8	\$11,887.1	\$6,812.6
STPOL	\$516.4	\$278.2	\$238.2
LSERS	\$1,889.4	\$1,423.2	\$466.2
Combined	\$31,952.7	\$20,232.8	\$11,719.9

Projected Employer Contributions

LASERS

The total required employer contribution is paid directly from general fund appropriations, self-generated funds, and from federally funded programs.

Projected Employer Contributions (\$millions)		
LASERS:	FY 2006	FY 2007
Employer Contribution	\$412.8	\$424.6
<i>Percent of Payroll</i>	<i>19.1%</i>	<i>19.1%</i>

TRSL

The total required employer contribution is paid directly from general fund appropriations, local school districts, self-generated funds, and from federally funded programs.

Projected Employer Contributions (\$millions)		
TRSL:	FY 2006	FY 2007
Actuarially Determined	\$559.9	\$570.5
Percent of Payroll	15.9%	15.8%
15.5% Minimum Required	n/a	n/a
Employer Contribution	\$559.9	\$570.5
<i>Percent of Payroll</i>	<i>15.9%</i>	<i>15.8%</i>

Act 588 of the 2004 Regular Session requires a minimum employer contribution rate of at least fifteen and a half percent (15.5%) until the IUAL is paid off. The minimum rate was required for TRSL in fiscal year 2005 since it was greater than the actuarially determined contribution rate.

Act 588 established an **Employer Credit Account (ECA)** to accumulate excess employer contributions over the actuarially required employer amounts, and may only be applied to reduce unfunded accrued liabilities created prior to July 1, 2004. As of June 30, 2005 the account has a zero balance.

STPOL

The total required employer contribution is paid directly from general fund appropriations and the IPTF (Insurance Premium Tax Fund).

Projected Employer Contributions (\$millions)		
STPOL:	FY 2006	FY 2007
From General Fund	\$32.1	\$35.9
<i>Percent of Payroll</i>	<i>64.4%</i>	<i>70.3%</i>
IPTF (Insurance Premium Tax Fund)	\$1.5	\$1.5

LSERS

The employer contribution is paid from local school district funds. Prior to fiscal year 2002 this system was fully funded. As of June 30, 2005 the actuarial accrued liability exceeded actuarial assets by \$466.2 million, and requires both a normal cost and an amortization payment.

Projected Employer Contributions (\$millions)		
LSERS:	FY 2006	FY 2007
Employer Contribution	\$48.2	\$52.7
<i>Percent of Payroll</i>	<i>18.4%</i>	<i>19.6%</i>

By statute the employer's contribution must be at least six percent of projected payroll.

Act 1331 of the 1999 Regular Session established an **Employer Credit Account (ECA)** which consists of accumulated excess employer contributions over the actuarially required employer amounts. The account has a zero balance as of June 30, 2005 from which to offset future required employer contributions.

Texaco Settlement Fund

The Texaco Settlement Fund evolved from a litigation settlement with Texaco. Under the settlement, Texaco agreed to pay the proceeds to the state over a three-year period, commencing on February 28, 1994.

Based on a recommendation adopted by the Bond Commission, the settlement was paid to the three state retirement systems - LASERS, TRSL and STPOL - to assist in funding their initial unfunded accrued liabilities (IUAL). An additional allocation of \$19.4 million was granted to the STPOL fund under ACT 471 of the 1997 Regular Session.

The allocated funds are treated as a separate account under the system's trust and credited with the year's actuarial rate of return. When it accumulates to the outstanding balance of the IUAL, or UAL if smaller, it will be released to fully liquidate the liability.

Based on valuation interest rates, we project that the accumulated value of Texaco Settlement Funds will assist to liquidate the applicable liability for LASERS by 2029, TRSL by 2028, and STPOL by 2007.

TEXACO FUND BALANCES
(as of 6/30/2005)
(\$millions)

System	Accumulated		Balance
	Proceeds	Interest	
LASERS	(\$24.9)	\$54.1	\$29.3
TRSL	\$39.3	\$156.3	\$195.6
STPOL	\$24.7	\$19.5	\$44.3
Combined	\$39.1	\$230.0	\$269.1

LSU Unfunded Plan: A state appropriation had been required to amortize this supplemental portion of the Initial Unfunded Accrued Liability. After fiscal year 2003 this payment was not required since an amount equal to its outstanding balance was released from the Texaco Funds. The combined payoff was \$185.5 million (\$89.2 million for LASERS and \$96.3 million for TRSL on June 30, 2003).

Statewide Retirement Systems

General

Employer contributions required to fund the actuarial liabilities for the nine statewide retirement systems - defined benefit plans - come from the sources listed in items 1 through 5 below. For example, the employer contribution for statewide system ASSR comes from local appropriations, ad valorem taxes, and general revenue sharing funds.

Sources of Employer Contribution

System	Local ¹	Ad Valorem ₂	Revenue Sharing ₃	IPTF ₄	State General Fund ⁵
ASSR	x	x	x		
CCRS	x	x	x		
DARS		x	x		x
FRS	x			x	
MERS	x	x	x		
MPERS	x			x	
PERS	x	x	x		
RVRS	x	x	x		
SPRF	x	x	x	x	

1. Local appropriations from municipalities or parishes as a percent of member payroll
2. Percent of ad valorem taxes collectible by the rolls of each parish according to statute
3. General revenue sharing funds
4. Insurance premium tax funds
5. State general fund appropriations

UAL Balances

Under the state constitution, funding requirements for the nine statewide systems are actuarially determined. As with state systems, the annual employer contribution consists of a normal cost payment and, for those systems that generate a UAL under the actuarial funding method, an amortization payment to fund the UAL. As of their 2005 fiscal year end,

seven of the statewide unfunded systems had a combined UAL balance of \$894.3 billion.

**UAL Balances - Statewide Systems
as of June 30, 2005**

(\$millions)

	FY 2005*	FY 2004
ASSR	\$35.8	\$35.5
CCRS	\$81.4	\$80.4
FRS	\$193.7	\$284.4
MERS (Plans A & B)	\$77.2	\$76.4
MPERS	\$318.8	\$423.4
PERS Plan A	\$92.9	\$95.4
SPRF	\$94.6	\$93.5
Combined UAL	\$894.3	\$1,089.0

* Values for FRS and MPERS include the impact for changing the assumed interest rate to 7.5% from 7.0%.

Aggregate Funding

Certain statewide systems such as DARS, PERS Plan B, and RVRS employ an actuarial funding method that allocates all expected unfunded benefit liabilities as future normal cost payments, without a UAL portion to amortize (Aggregate Funding Method).

Projected Employer Contributions

Projected employer contributions for the nine statewide systems are shown below.

Statewide System	Projected Rate	
	FY 2006	FY 2007
ASSR	12.00%	11.25%
CCRS	15.75%	16.75%
DARS	6.00%	3.50%
FRS	18.00%	15.50%
MERSA	16.00%	16.25%
MERSB	9.75%	9.75%
MPERS	16.25%	15.50%
PERSA	12.25%	13.25%
PERSB	5.50%	6.00%
RVRS	11.00%	11.25%
SPRF	10.75%	11.00%

For FRS, SPRF, MPERS a portion of the employer contribution rate is set by statute. Any excess required above the statutory rate may be paid from the IPTF. The employer is responsible for any additional funding requirements not covered by IPTF allocations. Prior to FY 2002 the allocated IPTF funds had been sufficient to meet the combined excess employer contribution requirements of these three systems.

Required Additional Funding Over IPTF + Fixed Rate				
Fiscal Year	FRS	SPRF	MPERS	Combined
2001	(\$0.0)	(\$0.0)	\$0.0	(\$0.0)
2002	\$9.6	\$2.2	\$0.0	\$11.8
2003	\$14.2	\$8.1	\$12.1	\$34.4
2004	\$18.5	\$10.2	\$25.5	\$54.2
2005	\$18.1	\$15.0	\$24.9	\$57.9
2006	\$9.4	\$17.7	\$14.4	\$41.6

Benefit Formulas, Retirement Eligibility, and Contribution Rates *(Section II)*

Benefit Formulas

Louisiana's state and statewide systems provide lifetime retirement benefits under a Defined Benefit pension plan. Under this type of retirement arrangement a member can rely on a promised formula income for the remainder of their retirement years. The amount is based on a member's years of service, final average compensation at retirement, and payment election.

Formula benefits accrue at a specific rate for each year of service. Final average compensation is based on actual compensation received in the thirty-six (36) highest successive months of employment. A sixty (60) month period will be applied for new members of LASERS, LSERS and certain statewide systems (Act 780 RS 2006) after the 2006 fiscal year. Benefits based on final average compensation are designed to provide a reasonable replacement of pre-

retirement income for long service employees. Shorter service employees receive proportionally lower replacement benefits. Current accrual rates for regular TRSL and LASERS members are 2.5%. Accrual rates for other state and statewide systems generally range from 3.0% to 3.5% for each year of service.

Retirement Eligibility

All thirteen state and statewide systems require some combination of years of service and age in order to qualify for retirement benefits. Some provide for an early retirement benefit with an actuarial reduction for the earlier payout. Vested benefits, pre-retirement survivor death benefits, disability benefits, DROP benefits, and cost-of-living adjustments are also included in the overall benefit package of each system and are payable upon meeting established eligibility and statutory requirements.

Employee Contributions

All of the state and statewide systems require employee contributions as part of the overall funding requirement to pay for the proposed retirement benefits. The contribution rates are set by statute and range from 7.0% to 9.8% of pay. The plans for Judges/Court Officers and Legislators require 11.5%.

Social Security

Social Security coverage is not available to members during their years of participation in the state and statewide retirement systems with the exception of TRSL Plan B and two statewide plans – MERS Plan B and PERS Plan B. The current accrual rate for systems covered under Social Security is 2.0% for each year of service with employee contribution rates ranging from 3% to 5%.

Replacement Ratios

Replacement ratios in Part 2 of the section show the income continuation that can be expected relative to salary prior to retirement. The ratios project the normal retirement benefit as a percent of the expected final annual salary for a **new member**, based on the unique features of that system. Because of the different nature of the plans covering law enforcement officers and firefighters the replacement ratios are for retirement at age 55, versus age 65 for other employee groups.

The graphic exhibit provides a comparison of the systems' *replacement ratios* and *employee paid portion of benefit costs*, including interest, for retirement benefits payable at age 55 after 25 years of service for a new member. Values are based on current benefit provisions, interest rates, and salary increase assumptions of the retirement system. Results show replacement ratios fall between 71% to 85% for all state and statewide plans, except regular LASERS (state employees) and TRSL (teachers), which are 60% and 59%.

Contribution Rates

Part 3 of this section focuses on the combined sources of all contributions required by each system during fiscal year 2006. A graphic exhibit illustrates *the total of all contribution sources (including the members) relative to payroll*, and compares this to each system's member only *rates*. The combined contribution requirements, employer (public sources) plus members, vary from 22.7% (PERS) up to 75.5% (STPOL) of member payroll for 2006 fiscal years.

Actuarial /Legislative Concerns - Funding Issues (*Section III*)

Pension Considerations

In this section of the report we address some of the concerns and issues impacting actuarial funding and pension benefits. Addressing potential pension problems in advance enables legislators to consider corrective steps to assure that our retirement systems are actuarially sound. Of particular importance are the two largest systems, LASERS and TRSL, representing 72.1% of the 351,600 active and inactive members of the combined thirteen state and statewide retirement systems.

SECTION I

EMPLOYER FUNDING FOR PENSION BENEFITS

1. Funding Methods/Components

Funding Method

Although the employee contribution rate is fixed by statute, the employer contribution rate is determined by the retirement system's actuary, to be reviewed by the legislative actuary and considered by PRSAC (Public Retirement Systems' Actuarial Committee) for adoption and recommendation to the legislature. The determination is accomplished by performing an annual valuation that calculates the actuarial liability of future expected benefit payouts. An actuarial funding method allocates this liability between future normal cost payments and amortization payments on the unfunded accrued liability (if any). All actuarial funding methods target to have contributions plus trust earnings accumulate to meet the future expected benefits and expenses.

SYSTEM ACTUARIAL FUNDING METHODS as of June 30, 2005

State Systems:

System	Funding Method	Creates UAL
LASERS	Projected Unit Credit	yes
TRSL	Projected Unit Credit	yes
STPOL	Entry Age Normal	yes
LSERS	Entry Age Normal	yes

Statewide Systems:

System	Funding Method	Creates UAL
ASSR	Frozen Attained Age Normal	IUAL only
CCRS	Frozen Attained Age Normal	IUAL only
DARS	Aggregate	no
FRS	Entry Age Normal	yes
MERSA	Frozen Attained Age Normal	IUAL only
MERSB	Frozen Attained Age Normal	IUAL only
MPERS	Entry Age Normal	yes
PERSA	Frozen Attained Age Normal	IUAL only
PERSB	Aggregate	no
RVRS	Aggregate	no
SPRF	Frozen Attained Age Normal	IUAL only

Normal Cost

The total **Normal Cost** is that portion of the projected actuarial liability for benefits and expenses that is allocated to a valuation year under the applicable actuarial cost method. The portion of the total normal cost not funded by member contributions becomes the employer normal cost portion for the valuation year.

Accrued Liability

The portion of the projected actuarial liabilities not funded as future normal cost payments is the actuarial **Accrued Liability**. Under certain actuarial funding methods it is the liability for benefit service already completed by the valuation population, consisting of inactive and active members.

UAL

The **Unfunded Accrued Liability (UAL)** is that portion of the actuarial accrued liability that is not funded by the system's assets on the valuation date. The **Valuation UAL** is determined relative to **Valuation Assets** for funding purposes, and consists of the unamortized values of the **Initial Unfunded Accrued Liability (IUAL)** and of the supplemental accrued liabilities that may be generated each year. The supplemental accrued liabilities originate through actuarial gains or losses, changes in actuarial assumptions or funding methods, and any changes in benefit structures. The UAL is amortized according to the payment methods and periods specified by statute. Under some actuarial funding methods, supplemental accrued liabilities are not amortized and are funded as future normal cost payments.

Employer Contributions

Actuarially required employer contributions are determined by combining the normal cost with UAL amortization payments, along with any other expense items deemed necessary by the actuary to fund ultimate plan liabilities. Projected contribution rates for the next following fiscal year are then established relative to projected payroll.

2. Employer Contribution Rates

Contribution Rates

Net employer contribution rates are shown as a percent of payroll. In addition, various retirement systems also receive supplemental appropriations from the state, ad valorem taxes, revenue sharing funds, and payments from the Insurance Premium Tax Fund (IPTF). The following net employer contribution rates were approved by PRSAC (Public Retirement Systems' Actuarial Committee).

State Systems

**State System Contribution Rates
(Approved by PRSAC)
(Employer Net Rate as Percent of Payroll)**

Fiscal Year 2006

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	18.9%	19.1%	7.3981%	n/a
TRSL	15.2%	15.9%	6.6401%	n/a
STPOL	67.9%	64.4%	15.5117%	\$1,500,000
LSERS	19.1%	18.4%	10.3530%	n/a

Projected Rate's - Fiscal Year 2007

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	*	19.1%	7.3981%	n/a
TRSL	*	15.8%	6.6401%	n/a
STPOL	*	70.3%	15.5117%	\$1,500,000
LSERS	*	19.6%	10.3530%	n/a

*The Actuarially Required Rates for Fiscal Year 2007 will be available with adoption of the June 30, 2006 Actuarial Valuations.

Values based on 6/30 FYE & 2005 Valuations.

Ad Valorem Tax Rates

Ad valorem tax rates are the percentage of aggregate taxes shown to be collectible by the tax rolls of each parish as dedicated funds to some systems. Different percentages may apply to Orleans Parish. MERS excludes Orleans Parish and PERS excludes Orleans

and East Baton Rouge Parishes from the tax rolls. TRSL, the only state system, is entitled to one percent excluding Orleans Parish.

Statewide Systems

**Statewide System Contribution Rates
(Approved by PRSAC)
(Employer Net Rate as Percent of Payroll)**

Fiscal Year 2006

	Actuarially Required	Projected Rate	Applicable IPTF Paid FY 2005
ASSR	11.36%	12.00%	n/a
CCRS	17.33%	15.75%	n/a
DARS	3.73%	6.00%	n/a
FRS	15.66%	18.00%	\$17,519,094
MERSA	16.30%	16.00%	n/a
MERSB	9.86%	9.75%	n/a
MPERS	15.50%	16.25%	\$11,539,650
PERSA	13.12%	12.25%	n/a
PERSB	5.90%	5.50%	n/a
RVRS	11.32%	11.00%	n/a
SPRF	10.99%	10.75%	\$11,539,650

Projected Rate's - Fiscal Year 2007

	Employer's Net Projected Rate	Ad Valorem FY 2006	Revenue Sharing FY 2006	IPTF FY 2006
ASSR	11.25%	0.2500 %	Max	n/a
CCRS	16.75%	0.2500 %	Max	n/a
DARS	3.50%	0.2000 %	Max	n/a
FRS	15.50%	n/a	n/a	\$18,197,358
MERSA	16.25%	0.185 %	Max	n/a
MERSB	9.75%	0.065 %	Max	n/a
MPERS	15.50%	n/a	n/a	\$12,217,914
PERSA	13.25%	0.222 %	Max	n/a
PERSB	6.00%	0.028 %	Max	n/a
RVRS	11.25%	0.0625 %	Max	n/a
SPRF	11.00%	0.5000 %	Max	\$12,217,914

Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

The Ad Valorem Tax for Registrars of Voters includes the Defined Contribution allocation, if applicable.

3. Employer Contribution Sources

State Systems

The State of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations, agency self-generated funds, Insurance Premium Tax Fund (IPTF) allowances, or as transfer payments to local school districts. Since funding sources available to the various participating employers may vary at any given time, a breakdown of their amounts is unfeasible. Sources provided below reflect the primary contribution sources for each state system. Employee contributions are not included.

**Projected Employer Contribution Sources
State Systems - FY 2006***
(\$millions)

	Source	Normal Cost	UAL Payment	Total
<i>LASERS</i>	General Fund (Primary)	\$153.1	\$259.7	\$412.8
<i>TRLS</i>	General Fund (Primary)	\$210.1	\$349.8	\$559.9
<i>LSERS</i>	Local School Districts (MFP and Local)	\$26.6	\$21.5	\$48.2
<i>STPOL</i>	General Fund & IPTF (Primary)	\$7.4	\$26.2	\$33.6
<i>Combined State Systems</i>	<i>Combined Sources</i>	\$397.2	\$657.2	\$1,054.4

* Values based on 6/30/ 2005 Valuations

Statewide Systems

The following tables list the funding sources for the nine statewide retirement systems. Total public funds include local appropriations, ad valorem taxes, general revenue sharing funds, and insurance premium tax funds. An initial fixed rate for local appropriations is set by statute at 9% of payroll for Firefighters and Municipal Police Systems and 7% of payroll for Sheriffs' System. Employee contributions are not included in the amounts shown below. The following contribution rates were approved by PRSAC (Public Retirement Systems' Actuarial Committee).

**Projected Employer Contributions Sources
Statewide Systems - FY 2006***
(\$millions)

ASSR

Source	\$ Amount	% Payroll
Local Appropriations	\$3.60	12.00%
Ad Valorem Taxes	\$6.48	21.59%
Revenue Sharing	\$0.35	1.16%
IPTF	\$0.00	0.00%
Total Public Funds	\$10.42	34.75%

CCRS

Source	\$ Amount	% Payroll
Local Appropriations	\$11.85	15.75%
Ad Valorem Taxes	\$4.95	6.58%
Revenue Sharing	\$0.32	0.42%
IPTF	\$0.00	0.00%
Total Public Funds	\$17.11	22.75%

DARS

Source	\$ Amount	% Payroll
Local Appropriations	\$2.36	6.00%
Ad Valorem Taxes	\$3.95	10.05%
Revenue Sharing	\$0.21	0.54%
IPTF	\$0.00	0.00%
Total Public Funds	\$6.52	16.59%

FRS

Source	\$ Amount	% Payroll
Local Appropriations	\$25.43	18.00%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$18.20	12.88%
Total Public Funds	\$43.63	30.88%

* Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

**Projected Employer Contributions Sources
Statewide Systems - FY 2006***
(\$millions)

MERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$23.15	16.00%
Ad Valorem Taxes	\$3.27	2.26%
Revenue Sharing	\$0.12	0.08%
IPTF	\$0.00	0.00%
Total Public Funds	\$26.54	18.34%

MERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$4.86	9.75%
Ad Valorem Taxes	\$1.14	2.28%
Revenue Sharing	\$0.04	0.08%
IPTF	\$0.00	0.00%
Total Public Funds	\$6.04	12.11%

MPERS

Source	\$ Amount	% Payroll
Local Appropriations	\$35.58	16.25%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$12.22	5.58%
Total Public Funds	\$47.80	21.83%

PERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$54.42	12.25%
Ad Valorem Taxes	\$4.02	0.91%
Revenue Sharing	\$0.13	0.03%
IPTF	\$0.00	0.00%
Total Public Funds	\$58.58	13.19%

PERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$3.10	5.50%
Ad Valorem Taxes	\$0.56	0.99%
Revenue Sharing	\$0.02	0.03%
IPTF	\$0.00	0.00%
Total Public Funds	\$3.68	6.53%

RVRS

Source	\$ Amount	% Payroll
Local Appropriations	\$0.96	11.00%
Ad Valorem Taxes	\$1.23	14.14%
Revenue Sharing	\$0.11	1.25%
IPTF	\$0.00	0.00%
Total Public Funds	\$2.30	26.39%

SPRF

Source	\$ Amount	% Payroll
Local Appropriations	\$47.85	10.75%
Ad Valorem Taxes	\$9.90	2.22%
Revenue Sharing	\$0.41	0.09%
IPTF	\$12.22	2.75%
Total Public Funds	\$70.38	15.81%

* Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

4. Projected Employer Contribution History – State Retirement Systems

Projected Employer Contribution History as of June 30, 2005

(\$millions)

LASERS

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$164.5	\$153.1	\$139.0	\$133.2	\$125.2
UAL Payment	\$260.1	\$259.7	\$230.8	\$177.5	\$146.2
Total	\$424.6	\$412.8	\$369.8	\$310.8	\$271.3
Percent of Payroll	19.1%	19.1%	17.8%	15.8%	14.1%
Payroll \$	\$2,223.6	\$2,163.2	\$2,077.9	\$1,972.7	\$1,922.0
LSU Unfunded Pmt	\$0.0	\$0.0	\$0.0	\$0.0	\$5.1

TRSL

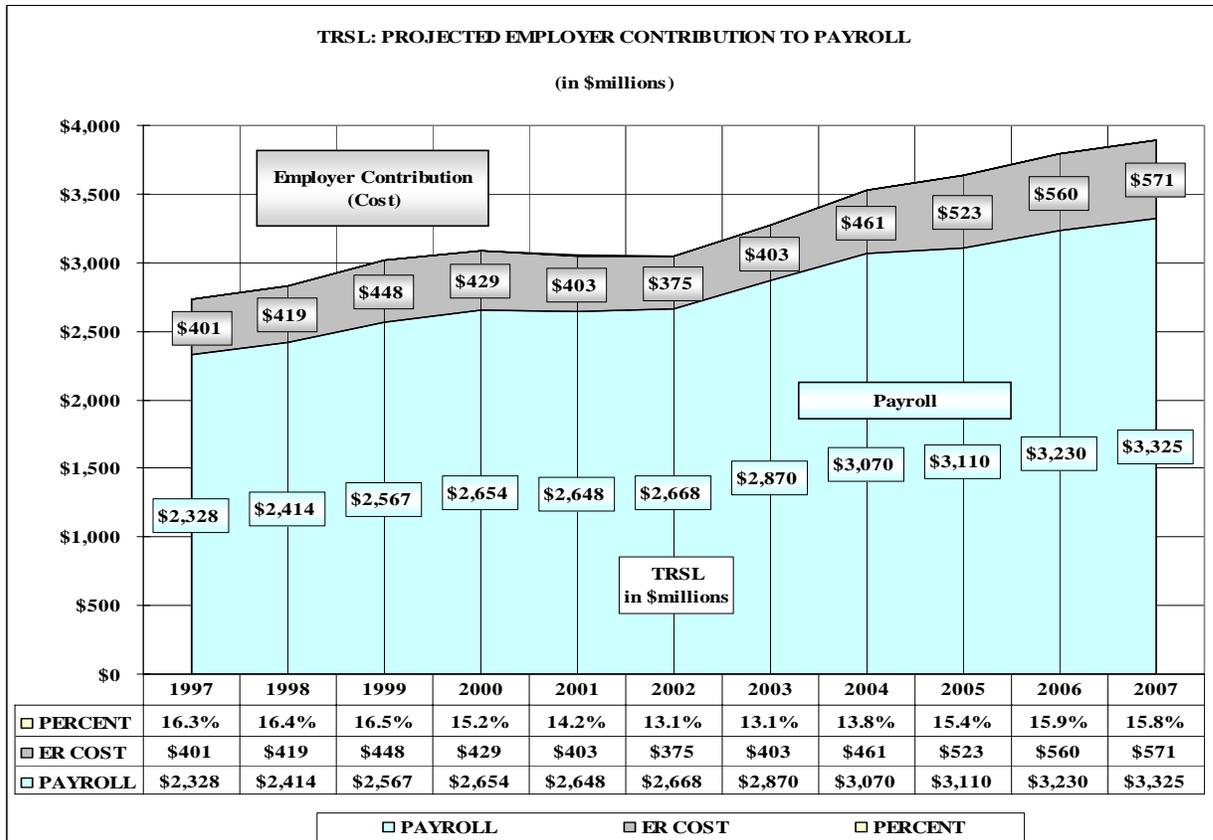
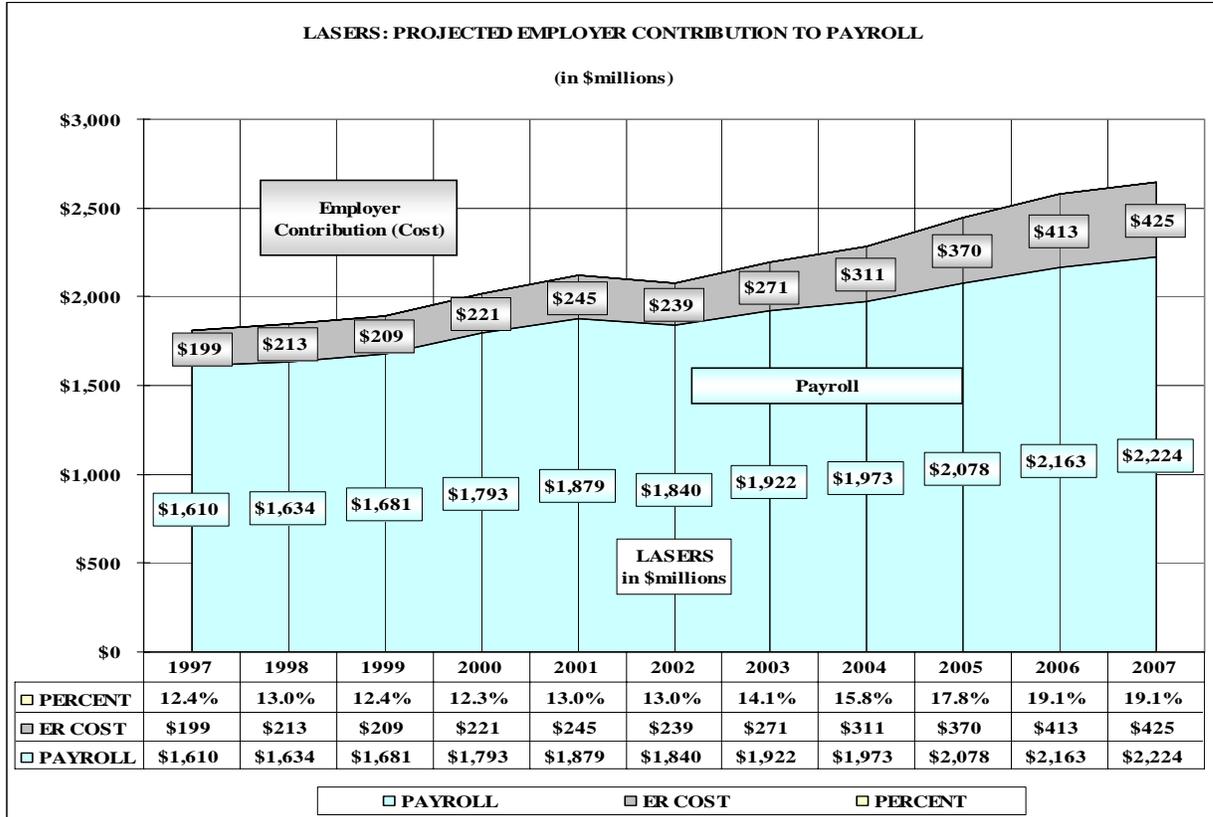
Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$220.8	\$210.1	\$194.6	\$206.0	\$194.0
UAL Payment	\$349.7	\$349.8	\$328.8	\$255.0	\$209.1
Total	\$570.5	\$559.9	\$523.4	\$461.0	\$403.0
Percent of Payroll	15.8%	15.9%	15.4%	13.8%	13.1%
<i>Minimum Requirement</i>	15.5%			Act 588 R.S.2004	
Payroll \$ (non-ORP)	\$3,325.2	\$3,229.8	\$3,110.3	\$3,069.7	\$2,869.6
LSU Unfunded Pmt	\$0.0	\$0.0	\$0.0	\$0.0	\$5.5

LSERS

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$27.8	\$26.6	\$26.7	\$21.8	\$20.9
UAL Payment	\$24.9	\$21.5	\$12.3	\$8.5	(\$2.4)
Total	\$52.7	\$48.2	\$39.0	\$30.3	\$18.4
Percent of Payroll	19.6%	18.4%	14.8%	11.2%	7.0%
Payroll \$	\$268.5	\$262.1	\$262.5	\$271.6	\$261.3
<i>Minimum Required</i>	\$16.1	\$15.7	\$15.8	\$16.3	\$15.7
<i>6% Contribution</i>	6.0%	6.0%	6.0%	6.0%	6.0%

STPOL

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$7.9	\$7.4	\$6.8	\$4.2	\$4.2
UAL Payment	\$29.5	\$26.2	\$22.1	\$18.3	\$17.7
Total	\$37.4	\$33.6	\$28.8	\$22.5	\$22.0
Percent of Payroll	73.2%	67.5%	62.9%	68.4%	65.0%
Payroll \$	\$51.1	\$49.8	\$45.8	\$32.9	\$33.8
% After IPTF *	70.3%	64.4%	59.6%	63.8%	60.5%
* \$1,500,000 from Insurance Premium Tax Fund effective 7/1/2001.					



5. Impact on Contribution Rates (All Sources Combined) from Investments and Benefit Increases

Much of the favorable investment returns realized until fiscal year 2000 has been offset by the cost of benefit improvements and subsequent investment losses. Since the market drop in fiscal year 2001, contribution requirements have increased for most systems and continue to be affected by softer returns. The following exhibits illustrate the impact on contribution requirements using total projected rates. **These rates reflect the combined contributions from all sources (member and employer/public) for each system's fiscal year as a percentage of member's payroll.**

TOTAL PROJECTED RATES AS % OF MEMBER PAYROLL

<i>Fiscal Year</i>						
<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>

State Systems:

LASERS	26.6%	25.3%	23.3%	21.6%	20.5%	20.5%	19.8%
TRSL	23.9%	23.5%	21.8%	21.1%	21.1%	22.2%	23.2%
STPOL	75.5%	70.9%	76.4%	73.0%	64.4%	63.8%	71.5%
LSERS	25.9%	22.3%	18.7%	14.5%	13.5%	12.4%	12.4%

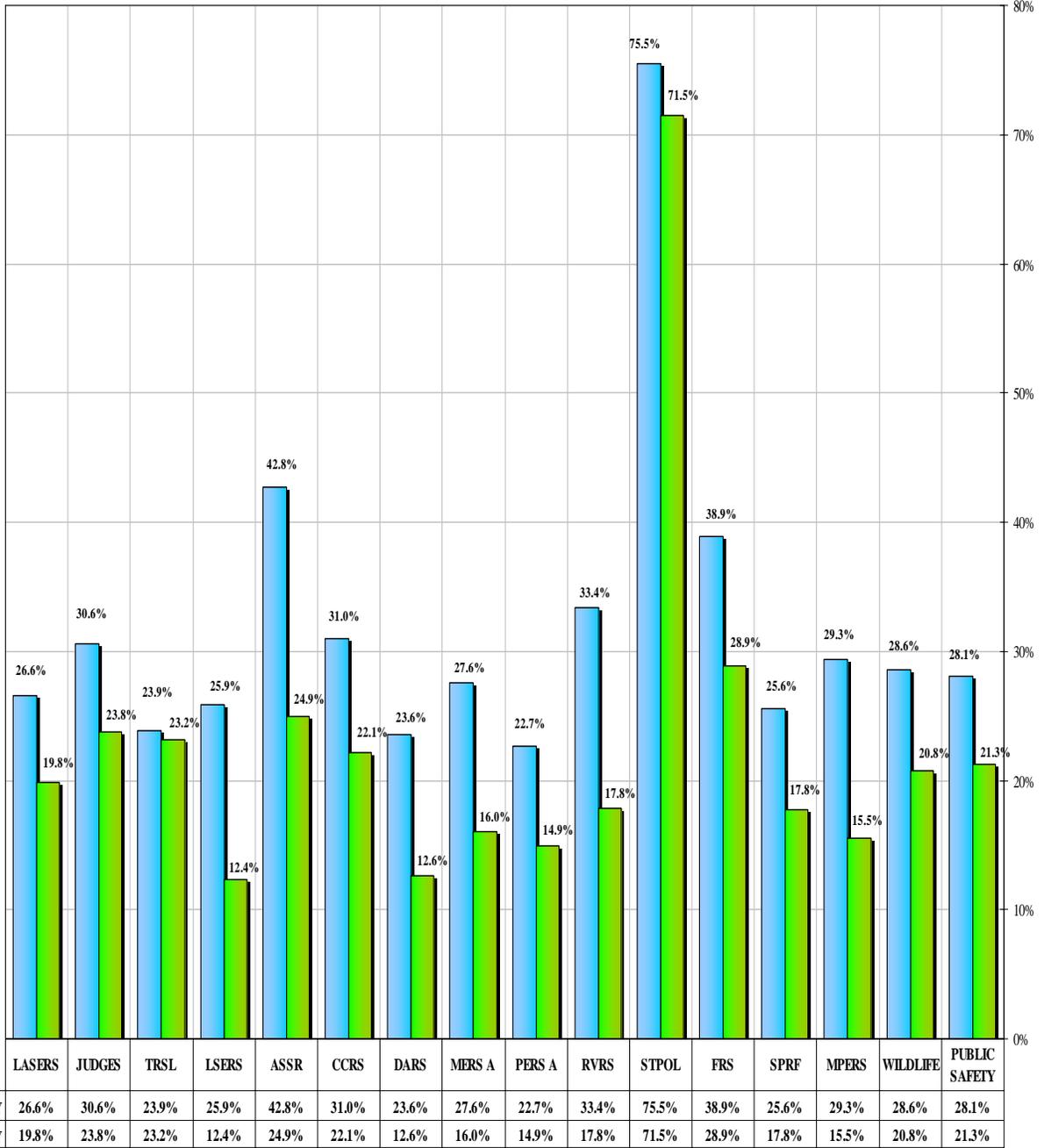
Statewide Systems:

ASSR	42.8%	46.8%	43.0%	43.1%	31.8%	26.7%	24.9%
CCRS	31.0%	29.9%	26.8%	24.1%	22.2%	22.2%	22.1%
DARS	23.6%	21.6%	17.6%	15.5%	11.7%	11.3%	12.6%
FRS	38.9%	45.1%	41.8%	38.4%	30.3%	35.6%	28.9%
MERSA	27.6%	26.6%	22.5%	19.5%	18.4%	17.5%	16.0%
MERSB	17.1%	16.9%	15.0%	13.5%	10.9%	10.3%	11.5%
MPERS	29.3%	34.4%	27.8%	21.1%	19.5%	16.5%	15.5%
PERSA	22.7%	23.3%	22.2%	17.7%	15.9%	15.9%	14.9%
PERSB	9.5%	9.8%	9.2%	7.7%	5.6%	5.6%	4.9%
RVRS	33.4%	31.4%	26.8%	23.9%	22.7%	23.7%	17.8%
SPRF	25.6%	24.8%	24.1%	22.3%	21.8%	19.0%	17.8%

STATE & STATEWIDE RETIREMENT SYSTEMS
 CHANGE IN PROJECTED TOTAL CONTRIBUTION RATES
 (Member and Public Sources as a Percent of Payroll)

FY 2006 versus FY 2000

Non-Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



2006 FY 2000 FY

6. Insurance Premium Tax Fund (IPTF) - Assessments

The Louisiana Insurance Rating Commission deposits 0.7% (0.007) of the Net Premiums with the state treasurer for the exclusive use of the three statewide retirement systems MPERS, FRS, and SPRF, and for certain costs of STPOL. Net Premiums are the gross direct premiums received in the state in the preceding year, from applicable insurers doing business in Louisiana, less returned premiums.

Beginning July 1, 2001, allocation priorities were changed to give the first twenty-five percent of the assessment for merger funding, with first priority going to pay certain actuarial costs of the State Police Pension and Retirement System (STPOL) up to \$1,500,000. Mergers are funded over a 30-year period, unless a shorter period is approved by the Public Retirement Systems' Actuarial Committee (PRSAC). A shorter period is limited to 5% of the total assessment in any one-year. The aggregate of all mergers being funded in one year could not exceed 25% of the total year's assessment.

Available Funds

Available IPTF Funds (\$millions)

Written Premium Basis	For Calendar Year	Net Premium	Assessment for Deposit	Merger Limit
1995	1996	\$4,235.4	\$29.6	\$7.4
1996	1997	\$4,158.0	\$29.1	\$7.3
1997	1998	\$4,298.5	\$30.1	\$7.5
1998	1999	\$4,424.8	\$31.0	\$7.7
1999	2000	\$4,376.8	\$30.6	\$7.7
2000	2001	\$4,469.4	\$31.3	\$7.8
2001	2002	\$4,792.0	\$33.5	\$8.4
2002	2003	\$5,412.2	\$37.9	\$9.5
2003	2004	\$6,014.1	\$42.1	\$10.5
2004	2005	\$6,406.5	\$44.8	\$11.2

Remaining funds are evenly split between the three statewide systems toward meeting the applicable portion of their actuarially required contribution. Any amounts not required by a system are divided equally as needed by the remaining systems. The IPTF allocation is applied to meet the required contribution remaining after receipt of employee and employer contributions and all dedicated funds and taxes. Any unused amounts are remitted to the state general fund. *See flow diagram on the next page.*

*Allocation***Allocated IPTF Funds**
(\$millions)

Calendar Year	System Fiscal Year Ending	Actual Deposit	PRSAC IPTF Allocation	Remainder to General Fund
1996	1997	\$28.0	\$10.5	\$17.5
1997	1998	\$29.1	\$12.7	\$16.4
1998	1999	\$30.1	\$9.0	\$21.1
1999	2000	\$31.0	\$13.6	\$17.4
2000	2001	\$30.6	\$23.0	\$7.6
2001	2002	\$31.3	\$31.3	\$0.0
2002	2003	\$33.5	\$33.5	\$0.0
2003	2004	\$37.9	\$37.9	\$0.0
2004	2005	\$42.1	\$42.1	\$0.0
2005	2006	\$44.1	\$44.1	\$0.0

*System Allocations***PRSAC Approved IPTF Allocations**
(\$millions)

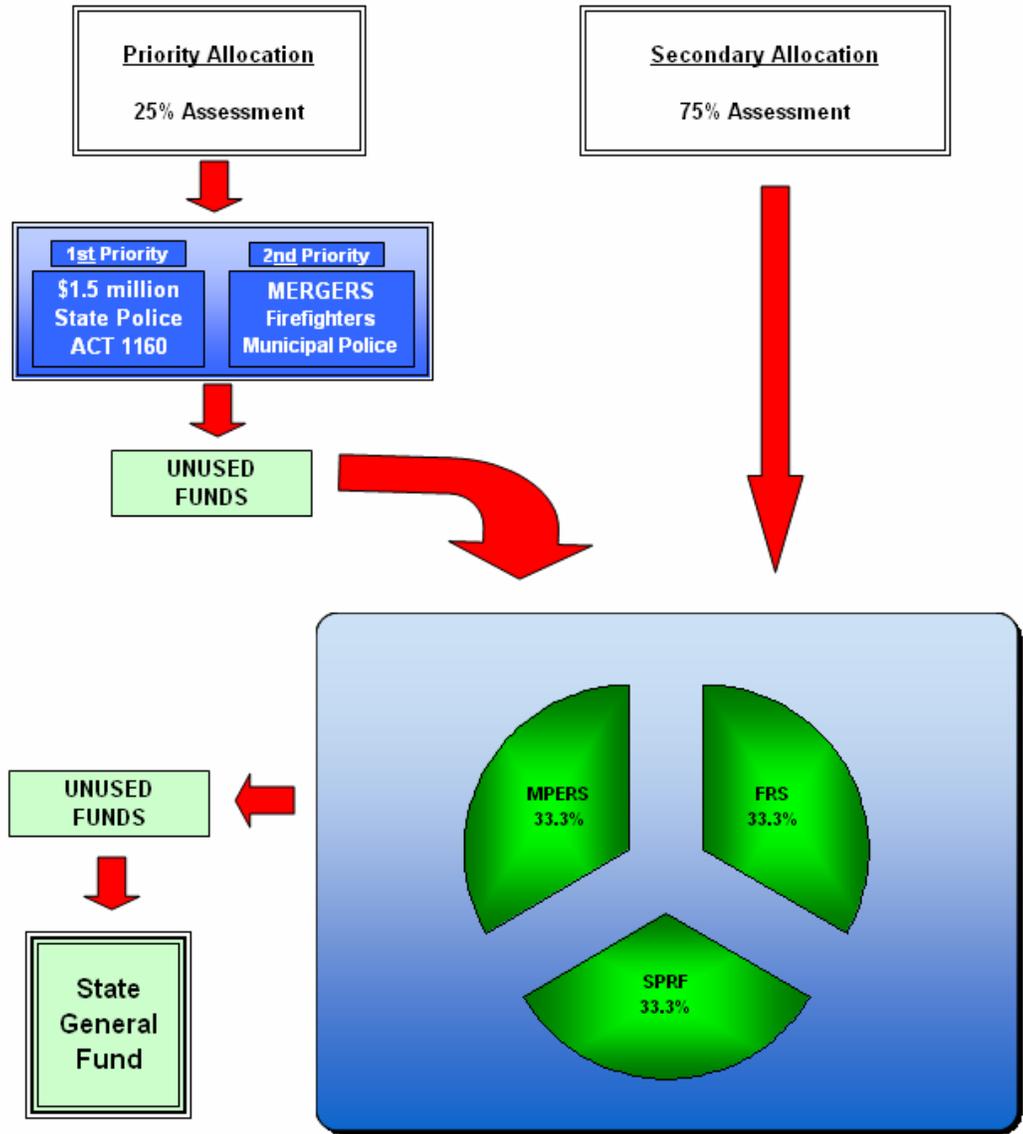
Fiscal Year	FRS	SPRF	MPERS	STPOL
1997	\$9.0	\$0.0	\$1.5	\$0.0
1998	\$9.6	\$0.0	\$3.0	\$0.0
1999	\$9.0	\$0.0	\$0.0	\$0.0
2000	\$11.6	\$2.0	\$0.0	\$0.0
2001	\$19.7	\$3.3	\$0.0	\$0.0
2002	\$15.1	\$9.1	\$5.5	\$1.5
2003	\$14.7	\$8.7	\$8.7	\$1.5
2004	\$16.1	\$10.1	\$10.1	\$1.5
2005	\$17.5	\$11.5	\$11.5	\$1.5
2006	\$18.2	\$12.2	\$12.2	\$1.5
10 Yr Sum	\$140.6	\$57.0	\$52.7	\$7.5

Legislative Actuary

Insurance Premium Tax Fund (IPTF) Allocation of Fund

Assessment = 0.7% of Insurer Premiums

Allocation from IPTF
Under ACT 1160 of the 2001 Regular Session



FRS = Firefighters' Retirement System
MPERS = Municipal Police Employees' Retirement System
SPRF = Sheriffs' Pension and Relief Fund

7. Experience Account Summary

Establishment

The 1992 Regular Session established an Experience Account (EA) for LASERS and TRSL to provide for cost-of-living (COLA) benefits for retirees. Each year the EA is credited or debited with 50% of the net investment experience gain/loss together with interest on the beginning account balance. Previously, the full investment gain or loss was amortized to adjust future employer contribution amounts. This is required to maintain an actuarially sound funding method. **Act 588 of 2004 reset negative EA balances to zero on June 30, 2004 and omitted the future debiting of investment experience losses.**

EA Operation

The EA balance is created by diverting trust assets from the funding process. Those assets are then returned when COLA benefits are approved. Although the EA balance represents an amount of funds sufficient to cover the expected value of COLA benefits, it does not provide the actual funding necessary to pay for COLA liabilities. Funding for COLAs requires additional employer contributions.

Experience Account History

as of June 30, 2005

(\$millions)

Combined Systems

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$60.7	\$0.0	\$0.0	\$60.7	\$60.7
1993	\$94.9	\$6.4	\$0.0	\$161.9	\$161.9
1994	\$33.1	\$14.8	\$0.0	\$209.8	\$209.8
1995	(\$52.9)	\$13.4	\$129.4	\$40.9	\$170.3
1996	\$345.3	\$4.1	\$58.4	\$331.9	\$519.7
1997	\$273.3	\$43.6	\$0.0	\$648.8	\$836.6
1998	\$577.8	\$118.2	\$309.4	\$1,035.3	\$1,532.6
1999	\$372.8	\$142.6	\$126.8	\$1,423.9	\$2,048.0
2000	\$608.2	\$236.9	\$170.2	\$2,098.9	\$2,893.1
2001	(\$685.6)	\$2.7	\$565.9	\$850.1	\$2,210.3
2002	(\$1,214.0)	(\$47.0)	\$166.2	(\$577.2)	\$1,526.4
2003	(\$1,172.5)	\$26.8	\$0.3	(\$1,723.1)	\$1,526.7
2004	\$28.7	(\$145.7)	\$0.0	\$0.0	\$1,526.7
2005	\$194.5	\$0.0	\$0.0	\$194.5	\$1,721.2
TOTAL	(\$535.7)	\$416.7	\$1,526.7	\$194.5	\$1,721.2

Act 588 of the 2004 Regular Session eliminated any existing EA negative balances on June 30, 2004, to be amortized as an unfunded accrued liability. The combined Experience Account balance for LASERS and TRSL as of June 30, 2003 was (\$1.723) billion, negative. Future balances cannot be negative.

Experience Account History
as of June 30, 2005
(\$millions)

LASERS

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$27.3	\$0.0	\$0.0	\$27.3	\$27.3
1993	(\$2.8)	\$2.2	\$0.0	\$26.7	\$26.7
1994	\$8.5	\$2.4	\$0.0	\$37.6	\$37.6
1995	\$20.6	\$3.6	\$0.0	\$61.8	\$61.8
1996	\$73.8	\$7.6	\$58.4	\$84.8	\$143.2
1997	\$116.2	\$11.9	\$0.0	\$212.9	\$271.4
1998	\$104.6	\$27.6	\$90.0	\$255.1	\$403.5
1999	\$119.6	\$33.4	\$42.9	\$365.1	\$556.5
2000	\$150.0	\$50.3	\$57.9	\$507.5	\$756.9
2001	(\$236.3)	\$1.9	\$89.1	\$184.0	\$522.4
2002	(\$394.4)	(\$8.1)	\$52.5	(\$270.9)	\$390.9
2003	(\$373.4)	\$9.8	\$0.0	(\$634.5)	\$390.9
2004	(\$63.2)	(\$38.5)	\$0.0	\$0.0	\$390.9
2005	\$105.3	\$0.0	\$0.0	\$105.3	\$496.2
TOTAL	(\$344.2)	\$104.1	\$390.9	\$105.3	\$496.2

TRSL

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$33.4	\$0.0	\$0.0	\$33.4	\$33.4
1993	\$97.6	\$4.2	\$0.0	\$135.2	\$135.2
1994	\$24.5	\$12.4	\$0.0	\$172.1	\$172.1
1995	(\$73.4)	\$9.8	\$129.4	(\$20.9)	\$108.5
1996	\$271.5	(\$3.6)	\$0.0	\$247.0	\$376.5
1997	\$157.1	\$31.7	\$0.0	\$435.8	\$565.2
1998	\$473.3	\$90.5	\$219.4	\$780.3	\$1,129.1
1999	\$253.2	\$109.2	\$83.8	\$1,058.8	\$1,491.5
2000	\$458.2	\$186.6	\$112.3	\$1,591.4	\$2,136.3
2001	(\$449.3)	\$0.8	\$476.9	\$666.1	\$1,687.9
2002	(\$819.6)	(\$38.9)	\$113.7	(\$306.2)	\$1,135.5
2003	(\$799.1)	\$17.0	\$0.3	(\$1,088.6)	\$1,135.8
2004	\$91.9	(\$107.3)	\$0.0	\$0.0	\$1,135.8
2005	\$89.2	\$0.0	\$0.0	\$89.2	\$1,225.1
TOTAL	(\$191.5)	\$312.6	\$1,135.8	\$89.2	\$1,225.1

8. Texaco Fund

Texaco Settlement Fund

Under Act 4 of 1994, the three state systems (LASERS, TRSL and STPOL) began receiving funds from the Texaco Settlement as state aid to accelerate the payoff of the unfunded accrued liability. These funds are held in a suspense account and are not used to offset the regular UAL amortization payments under Act 257 of the 1992 Regular Session. The settlement funds are credited with the respective actuarial rate of return earned by each system.

Once the accumulated value of the account balance equals the outstanding balance of the initial unfunded accrued liability, or UAL if smaller, for each system, the account will liquidate the appropriate liability.

Texaco Fund History as of June 30, 2005 (\$millions)

Unfunded Systems Combined

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$116.2	\$0.0	\$116.2
1995	\$44.1	\$8.1	\$168.5
1996	\$44.1	\$26.0	\$238.6
1997	\$20.0	\$31.7	\$290.4
1998	\$0.0	\$52.7	\$343.1
1999	\$0.0	\$46.2	\$389.3
2000	\$0.0	\$61.7	\$451.0
2001	\$0.0	\$2.5	\$453.4
2002	\$0.0	(\$21.7)	\$431.7
2003	(\$185.5)*	(\$20.4)	\$225.8
2004	\$0.0	\$19.1	\$244.9
2005	\$0.0	\$24.1	\$269.1
TOTAL	\$39.1	\$230.0	\$269.1

**LSU Unfunded Plan:* A state appropriation required to amortize this supplemental portion of the Initial Unfunded Accrued Liability for TRSL and LASERS is not required after fiscal year 2003 since an amount was released from the Texaco Funds equal to its outstanding balance. Amounts are asterisked.

Texaco Fund History
as of June 30, 2005
(\$millions)

LASERS

Fiscal Year	Allocation	Interest	Balance
1994	\$36.0	\$0.0	\$36.0
1995	\$13.8	\$3.4	\$53.2
1996	\$13.8	\$6.6	\$73.6
1997	\$0.7	\$10.4	\$84.7
1998	\$0.0	\$11.0	\$95.7
1999	\$0.0	\$12.5	\$108.3
2000	\$0.0	\$14.9	\$123.2
2001	\$0.0	\$0.5	\$123.6
2002	\$0.0	(\$5.4)	\$118.2
2003	(\$89.2)*	(\$4.3)	\$24.7
2004	\$0.0	\$1.5	\$26.2
2005	\$0.0	\$3.1	\$29.3
TOTAL	(\$24.9)	\$54.1	\$29.3

TRSL

Fiscal Year	Allocation	Interest	Balance
1994	\$77.2	\$0.0	\$77.2
1995	\$29.2	\$4.4	\$110.8
1996	\$29.2	\$18.9	\$158.9
1997	\$0.0	\$20.4	\$179.3
1998	\$0.0	\$37.2	\$216.5
1999	\$0.0	\$30.3	\$246.8
2000	\$0.0	\$43.5	\$290.3
2001	\$0.0	\$0.2	\$290.5
2002	\$0.0	(\$17.0)	\$273.5
2003	(\$96.3)*	(\$15.2)	\$162.0
2004	\$0.0	\$16.0	\$178.0
2005	\$0.0	\$17.6	\$195.6
TOTAL	\$39.3	\$156.3	\$195.6

STPOL

Fiscal Year	Allocation	Interest	Balance
1994	\$3.1	\$0.0	\$3.1
1995	\$1.2	\$0.2	\$4.5
1996	\$1.2	\$0.5	\$6.1
1997	\$19.4	\$0.9	\$26.4
1998	\$0.0	\$4.4	\$30.8
1999	\$0.0	\$3.4	\$34.3
2000	\$0.0	\$3.3	\$37.5
2001	\$0.0	\$1.8	\$39.4
2002	\$0.0	\$0.7	\$40.1
2003	\$0.0	(\$1.0)	\$39.1
2004	\$0.0	\$1.7	\$40.8
2005	\$0.0	\$3.5	\$44.3
TOTAL	\$24.7	\$19.5	\$44.3

9. Asset Balances

Assets

Retirement trusts build assets from contributions and earnings thereon. Projections are applied by the actuary based on current asset values and their long term investment attributes and expectations.

Market Value (fair value) of assets is required for financial reporting including asset/liability and income/expense statements.

For funding purposes, the value of plan assets is market related to comply with actuarial standards and Governmental Accounting Standards Board (GASB) requirements. **Actuarial Value of Assets** is applied for valuation purposes in all thirteen state and statewide systems to smooth market value by spreading investment gains and losses. The state plans use the term **Valuation Assets** since the actuarial value is reduced for special accounts (Experience Account, Texaco Funds, LSU AG, Employer Credit Account). These actuarial asset values are used to determine annual employer funding requirements, funding ratios, the UAL, and COLA Target Funding tests.

Asset Values
as of June 30, 2005
(\$millions)

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	\$7,226.1	\$6,778.8	\$6,644.2
TRSL	\$12,685.9	\$12,171.9	\$11,887.1
STPOL	\$340.5	\$322.5	\$278.2
LSERS	\$1,490.4	\$1,423.2	\$1,423.2
<i>State Total</i>	\$21,742.9	\$20,696.4	\$20,232.8
As Percent of Market Value	100.0%	95.2%	93.1%

Asset Values *
(\$millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	\$146.1	\$133.0	\$133.0
CCRS	\$261.8	\$241.5	\$241.5
DARS	\$172.6	\$164.0	\$164.0
FRS	\$848.5	\$819.2	\$819.2
MERSA	\$521.4	\$510.5	\$510.5
MERSB	\$101.1	\$96.4	\$96.4
MPERS	\$1,328.8	\$1,233.6	\$1,233.6
PERSA	\$1,695.5	\$1,535.4	\$1,535.4
PERSB	\$117.7	\$111.4	\$111.4
RVRS	\$51.8	\$49.5	\$49.5
SPRF	\$1,144.8	\$1,085.5	\$1,085.5
<i>Statewide Total</i>	\$6,390.1	\$5,980.1	\$5,980.1
As Percent of Market Value	100.0%	93.6%	93.6%

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems:	\$28,133.0	\$26,676.5	\$26,212.9
As Percent of Market Value	100.0%	94.8%	93.2%

* Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

10. Investment Returns

Actual Annual Rates of Return

System	FY 2005		FY 2004		Expected Long Term Actuarial Rate
	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	

State Systems

LASERS	9.87%	11.73%	17.58%	6.06%	8.25%
TRSL	9.71%	9.87%	16.85%	9.85%	8.25%
STPOL	9.01%	8.60%	11.49%	4.30%	7.50%
LSERS	8.19%	7.51%	12.05%	5.44%	7.50%

Statewide Systems

ASSR	13.4%	11.7%	10.0%	6.0%	8.00%
CCRS	8.7%	7.2%	12.3%	2.9%	8.00%
DARS	5.0%	6.8%	13.2%	1.7%	8.00%
FRS	10.4%	10.4%	11.0%	8.0%	7.5%*
MERSA	7.2%	9.6%	9.6%	3.5%	8.00%
MERSB	7.2%	6.4%	9.7%	3.1%	8.00%
MPERS	9.3%	9.4%	12.9%	7.8%	7.5%*
PERSA	6.3%	11.1%	10.2%	6.9%	8.00%
PERSB	5.1%	10.6%	9.6%	8.5%	8.00%
RVRS	6.8%	7.4%	10.9%	4.2%	8.00%
SPRF	8.1%	6.1%	8.4%	3.0%	8.00%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

* Effective for fiscal years beginning July 1, 2005 (from 7.0%).

Indices

Indices	Annual Rate (as of June 30)	
	FY 2005	FY 2004
CPI ⁽¹⁾	2.5%	3.3%
Lehman Brothers ⁽²⁾	6.8%	0.3%
S&P 500 ⁽³⁾	6.3%	19.1%
55% Stock/ 45% Bond	6.5%	10.7%
65% Stock/ 35% Bond	6.5%	12.5%

Note: Indices are shown for the twelve-month period ending June 30.
 (1)CPI (All Items), (2)Lehman Brothers Aggregate Bond Index,
 (3)Standard & Poors' 500 Index. Composites weighted by (2) & (3).

11. Expected Investment Experience

Trust investments have experienced a reversal of the amazing investment growth of the nineties causing a retraction which will move average returns towards the traditional expectations underlying our long term actuarial assumed rates.

The strong economy in the nineties provided very favorable investments returns, as is expected in a bull market phase of a market cycle. Hopefully, we will be able to retain a portion of this actuarial investment gain because of the underlying technological revolution. Unfortunately, we cannot expect to avoid actuarial investment losses if our funding return rates are appropriate (8.25% for LASERS and TRSL). Since most of the improvement in funded ratios, assets to liabilities, during this period resulted from actuarial investment gains it is reasonable to expect a retraction with future actuarial losses.

If the actuarial assumptions are realized, as should be expected, investment actuarial gains and losses (returns under or over the assumed 8.25% rate) should zero out, leaving outstanding balances of the original IUAL plus any additional liability charges. This includes charges for COLAs, retirement allowances, DROP Account benefits, death benefits, and other benefit enhancements.

Unfunded liabilities are amortized under an increasing payment schedule. Current payments are not yet high enough to cover even the required interest charges, so the initial balances of each schedule have not been reduced. Therefore, as future actuarial investment losses offset the past gains, funded ratios will tend to shrink back to their original values and possibly lower. It is actuarially unsound to assume otherwise.

A graphic of this tendency is illustrated for the LASERS and TRSL Funded Ratios since 1992, after the following exhibit comparing market value returns to expected long term actuarial returns (actuarial assumed rates).

***Annual Rates of Return (Market Value Basis)
and
Expected Long Term Actuarial Return***

<i>Fiscal Year</i>						5 Year Average* Annual Return	Expected Long Term Actuarial Return
<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>		

State Systems:

LASERS	9.87%	17.58%	3.83%	-5.63%	-6.25%	11.14%	3.48%	8.25%
TRSL	9.71%	16.85%	2.16%	-8.08%	-4.73%	13.58%	2.78%	8.25%
STPOL	9.01%	11.49%	5.13%	-2.82%	-0.56%	4.59%	4.31%	7.50%
LSERS	8.19%	12.05%	3.76%	-2.42%	-1.85%	7.96%	3.79%	7.50%

Statewide Systems:

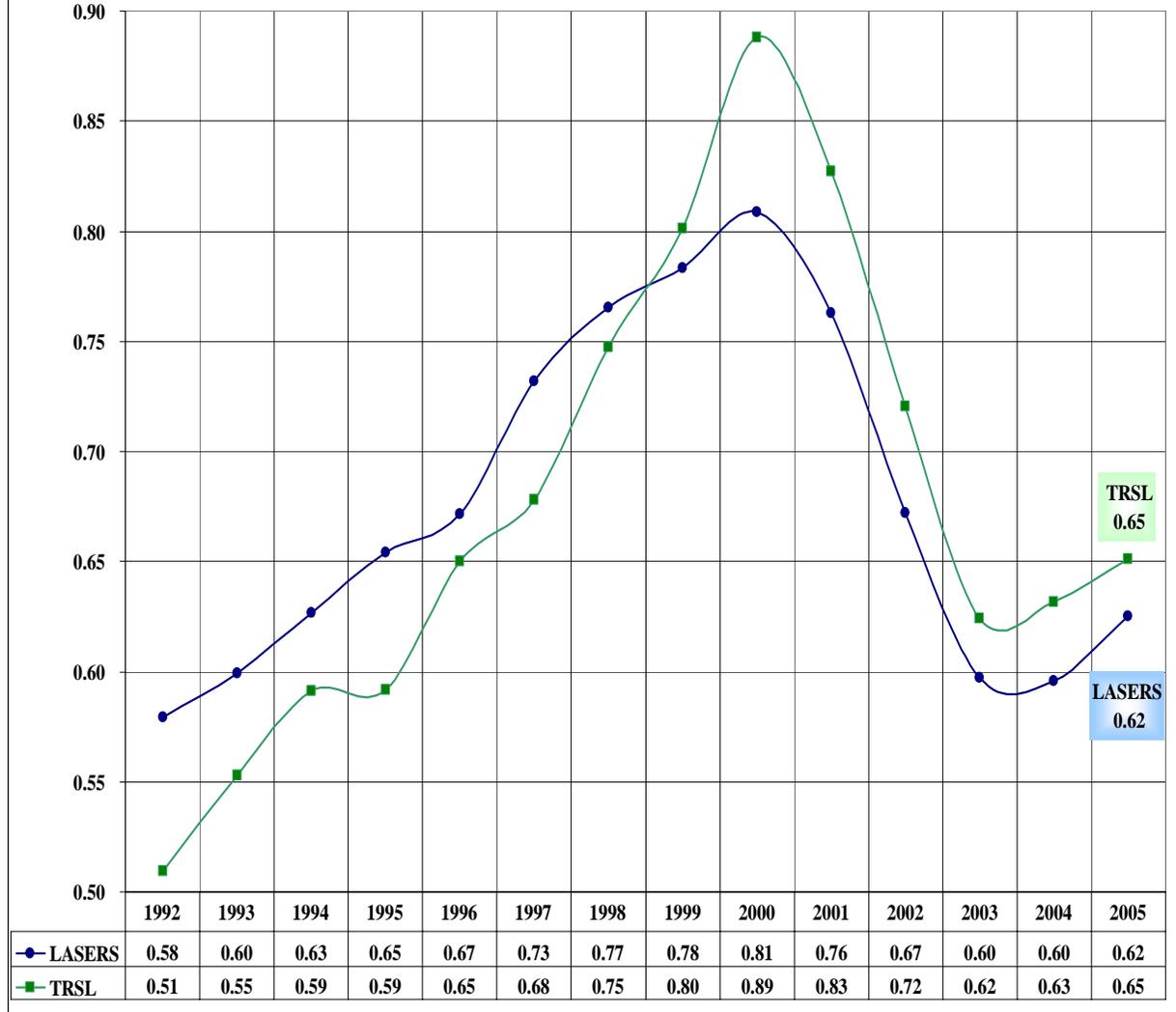
ASSR	13.4%	10.0%	15.3%	-4.9%	-10.1%	7.7%	4.2%	8.0%
CCRS	8.7%	12.3%	2.9%	-3.0%	-1.5%	4.2%	3.7%	8.0%
DARS	5.0%	13.2%	2.8%	-9.1%	-9.7%	17.1%	0.1%	8.0%
FRS	10.4%	11.0%	5.4%	-3.7%	-2.9%	3.5%	3.8%	7.5%**
MERSA	7.2%	9.6%	4.4%	-1.8%	-4.2%	9.1%	2.9%	8.0%
MERSB	7.2%	9.7%	3.8%	-2.8%	-4.2%	8.4%	2.6%	8.0%
MPERS	9.3%	12.9%	3.8%	-5.3%	-3.4%	3.7%	3.2%	7.5%**
PERSA	6.3%	10.2%	15.6%	-2.7%	-0.8%	7.2%	5.5%	8.0%
PERSB	5.1%	9.6%	15.9%	0.0%	2.7%	5.4%	6.5%	8.0%
RVRS	6.8%	10.9%	3.3%	-3.0%	5.9%	0.8%	4.7%	8.0%
SPRF	8.1%	8.4%	4.2%	-3.0%	-0.8%	5.2%	3.3%	8.0%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

* Five year compounded average annual return on a Market Value basis.

** Effective for fiscal years beginning July 1, 2005 (from 7.0%).

PROGRESSION of FUNDED LEVELS
 1992 through 2005
 LASERS and TRSL
 Actuarial Value of Assets / Actuarial Accrued Benefit Liability



12. UAL Balances

Valuation Balances

Valuation Unfunded Accrued Liability (UAL) values are dependent on the particular actuarial funding method selected for the system. UAL bases are amortized over a number of years specified in statutes. Certain funding methods do not have UAL bases and spread all costs over the participant's future working lifetime. Valuation UAL balances are not reduced by assets allocated to separate accounts such as the Texaco Settlement Account, Experience Account, and Employer Credit Account.

Valuation UAL Balance (\$millions)

FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
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State Systems

LASERS	\$4,202.8	\$4,165.9	\$3,333.5	\$2,864.3	\$2,357.9	\$2,209.5
TRSL	\$6,812.6	\$6,836.1	\$5,531.9	\$4,517.2	\$3,618.7	3,518.0
STPOL	\$238.2	\$229.0	\$215.7	\$155.1	\$133.4	131.2
LSERS	\$466.2	\$439.8	\$361.2	\$148.2	(\$43.8)	(264.4)
State Total	\$11,719.9	\$11,670.8	\$9442.3	\$7,684.8	\$6,066.3	\$5,594.3

Statewide Systems

ASSR	\$35.8	\$35.5	\$35.2	\$35.3	\$34.8	\$34.3
CCRS	\$81.4	\$80.4	\$79.2	\$77.9	\$77.5	\$77.9
DARS	n/a	n/a	n/a	n/a	n/a	n/a
FRS	\$193.7	\$284.4	\$286.3	\$246.0	\$171.6	\$132.9
MERSA	\$71.3	\$70.1	\$68.9	\$67.7	\$66.3	\$64.9
MERSB	\$6.0	\$6.2	\$6.4	\$6.7	\$6.9	\$7.6
MPERS	\$318.8	\$423.4	\$379.5	\$195.2	(\$14.1)	\$(110.3)
PERSA	\$92.9	\$95.4	\$97.4	\$98.9	\$102.3	\$110.3
PERSB	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	\$94.6	\$93.5	\$92.3	\$91.1	\$89.7	\$88.2
Statewide Total	\$894.3	\$1,089.0	\$1,045.3	\$818.7	\$535.0	\$405.8

All Systems

\$12,614.2	\$12,759.8	\$10,487.6	\$8,503.5	\$6,601.3	\$6,000.1
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Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Financial Balances

The *financial Net UAL* balance is equal to the Valuation UAL reduced by Texaco Settlement funds and Employer Credit Accounts. The Net UAL balances shown below have been adjusted for amounts held in the Texaco Settlement and Employer Credit suspense accounts.

Net UAL Balance
State Systems

as of June 30, 2005
(\$millions)

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
LASERS	\$4,173.6	\$4,139.8	\$3,308.8	\$2,746.1	\$2,234.3	\$2,086.3
TRSL	\$6,617.1	\$6,658.1	\$5,369.9	\$4,243.7	\$3,328.3	\$3,227.7
STPOL	\$193.9	\$188.2	\$176.6	\$115.0	\$94.1	\$93.7
LSERS	\$466.2	\$439.8	\$355.3	\$111.8	(\$99.4)	(\$323.1)
State Total	\$11,450.8	\$11,425.9	\$9,210.6	\$7,216.7	\$5,557.2	\$5,084.7

13. Funding Measure under GASB

Funding Progress

Under Governmental Accounting Standards Board (GASB), public retirement systems show the development of funding progress with the ratio of Net UAL to valuation payroll. Such ratios over time indicate whether or not the system is becoming financially stronger. Usually, the smaller the ratio trends, the stronger the system is financially. This is because the impact of funding liabilities allocated to past service is reducing relative to the growth in membership payroll.

No values are developed for those statewide systems that utilize the Aggregate Funding Method since an unfunded actuarial accrued liability is not inherent.

Net UAL as Percent of Valuation Payroll

FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
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State Systems

LASERS	198.7%	205.2%	171.9%	147.5%	125.3%	114.6%
TRSL	211.3%	220.7%	180.3%	152.8%	128.9%	125.9%
STPOL	393.5%	392.8%	400.1%	362.8%	292.5%	278.8%
LSERS	179.9%	169.4%	132.2%	43.2%	-39.8%	-134.0%

Statewide Systems

ASSR	122.2%	123.5%	130.4%	133.9%	133.4%	133.8%
CCRS	110.6%	113.7%	117.3%	121.5%	126.9%	133.5%
DARS	n/a	n/a	n/a	n/a	n/a	n/a
FRS	144.2%	221.9%	236.6%	215.0%	159.4%	132.3%
MERSA	50.9%	51.6%	50.7%	52.0%	52.9%	52.1%
MERSB	12.2%	13.0%	14.2%	15.3%	16.3%	18.2%
MPERS	147.8%	202.8%	192.4%	104.1%	-7.7%	-67.4%
PERSA	21.6%	23.5%	24.6%	26.5%	32.7%	32.7%
PERSB	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	21.9%	23.0%	24.1%	25.3%	26.6%	28.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

14. Funding Progress

Funded Levels

Measuring assets against liabilities can vary depending upon purpose. To determine the system's funding progress the Actuarial Value of Assets (AVA) is measured against the Projected Accrued Benefit Liability (PBO). **The Funded Level of AVA to PBO provides a consistent means to measure the funding progress of a plan, and between plans with differing funding methods.**

AVA reflects all actuarial assets available for plan benefits including the Texaco Settlement Account, Experience Account, and the Employer Credit Account.

The PBO is a consistent measure of accrued benefits which is independent of the actuarial cost method selected for valuation purposes. The resulting values follow the actuarial accrued liability calculated under the projected unit credit cost method prorated on service.

Funded Levels as of June 30, 2005 (\$millions)

State Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
LASERS	\$6,778.8	\$10,847.1	62.5%
TRSL	\$12,171.9	\$18,699.8	65.1%
STPOL	\$322.5	\$516.1	62.5%
LSERS	\$1,423.2	\$1,804.6	78.9%
State Total	\$20,696.4	\$31,867.5	64.9%

Funded Levels
(\$millions)

Statewide Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
ASSR	\$133.0	\$201.7	65.9%
CCRS	\$241.5	\$361.9	66.8%
DARS	\$164.0	\$163.0	100.6%
FRS	\$819.2	\$981.3	83.5%
MERSA	\$510.5	\$651.3	78.4%
MERSB	\$96.4	\$120.4	80.1%
MPERS	\$1,233.6	\$1,474.8	83.6%
PERSA	\$1,535.4	\$1,713.3	89.6%
PERSB	\$111.4	\$104.5	106.7%
RVRS	\$49.5	\$56.1	88.2%
SPRF	\$1,085.5	\$1,351.6	80.3%
<i>Statewide Total</i>	\$5,980.1	\$7,179.8	83.3%

Funded Levels
(\$millions)

All Systems Combined

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
<i>Combined Total</i>	\$26,676.5	\$39,047.3	68.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Funding progress had improved considerably since the 1989 constitutional mandate for actuarial funding. Favorable investment performance accelerated this improvement until fiscal year 2000. However, subsequent investment losses and liabilities added for benefit enhancements have since placed a burden on funding levels. This reversal is seen by comparing the progression of Funded Levels as shown below.

FUNDED LEVELS (AVA / PBO)

<i>Fiscal Year</i>							
<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>

State Systems:

LASERS	62.5%	59.6%	59.7%	67.2%	76.3%	80.9%	78.3%	76.6%
TRSL	65.1%	63.1%	62.4%	72.0%	82.7%	88.8%	80.1%	74.7%
STPOL	62.5%	62.8%	62.4%	73.5%	77.1%	72.0%	66.8%	60.3%
LSERS	78.9%	79.4%	84.0%	90.7%	114.5%	133.7%	134.4%	126.5%
State Total	64.9%	62.9%	62.7%	71.5%	82.2%	88.1%	82.0%	77.7%

Statewide Systems:

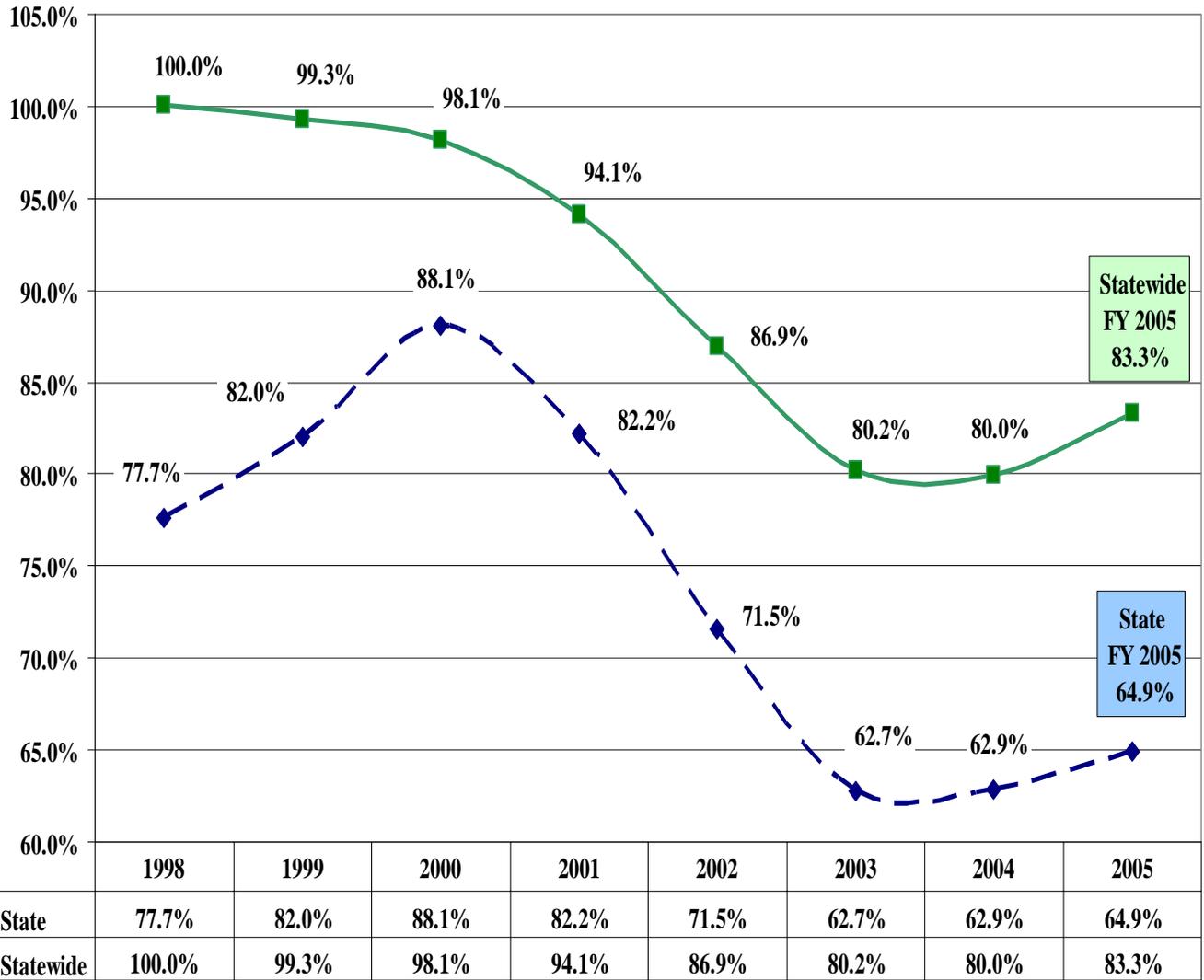
ASSR	65.9%	61.2%	59.5%	61.3%	66.4%	73.6%	74.9%	75.7%
CCRS	66.8%	66.5%	67.8%	72.5%	76.6%	78.3%	74.7%	70.1%
DARS	100.6%	98.2%	103.7%	117.7%	128.5%	131.9%	129.7%	128.8%
FRS	83.5%	74.5%	72.3%	74.9%	82.3%	86.0%	92.8%	94.3%
MERSA	78.4%	77.1%	78.8%	85.5%	91.0%	92.4%	92.9%	94.3%
MERSB	80.1%	78.7%	81.3%	87.4%	92.3%	101.9%	100.6%	96.3%
MPERS	83.6%	76.6%	77.4%	95.6%	105.6%	109.4%	110.6%	112.5%
PERSA	89.6%	89.5%	87.9%	90.9%	99.1%	102.0%	101.5%	100.1%
PERSB	106.7%	107.4%	106.3%	108.4%	117.8%	130.3%	128.9%	129.4%
RVRS	88.2%	87.0%	91.5%	97.7%	104.2%	104.8%	112.9%	117.7%
SPRF	80.3%	79.9%	81.9%	84.2%	87.8%	93.8%	94.4%	98.1%
Statewide Total	83.3%	80.0%	80.2%	86.9%	94.1%	98.1%	99.3%	100.0%

Combined Systems Total:

68.3%	66.0%	65.8%	74.2%	84.3%	89.8%	84.9%	81.2%
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Funded Levels - PBO Covered by AVA

Actuarial Value of Assets / Projected Accrued Benefit Liability



◆ State
■ Statewide

Statewide
FY 2005
83.3%

State
FY 2005
64.9%

***Funding Ratios
Eligibility for COLAs***

Under current statutes, if the "Funded Ratio" is less than the "Target Ratio", the retirement system may not consider granting COLA benefits. For an Actual Funded Ratio the state systems and Municipal Police compare Valuation Assets to the accrued liability under the funding method. Valuation Assets do not include the Texaco Settlement Account, Experience Account, or Employer Credit Account balances. All other statewide systems compare Actuarial Value of Assets to the actuarial liability of projected accrued benefits (PBO). The ratio is then compared to the formula Target Ratio.

**Funding Eligibility for COLAs
as of June 30, 2005**

State Systems

System	Target Ratio	Funded Ratio
LASERS	*	61.3%
TRSL	*	63.6%
STPOL	64.1%	53.9%
LSERS	98.3%	75.3%

* Act 402 of the 1999 Regular Session omitted the Target Ratio Test for this system.

Funding Eligibility for COLAs *

Statewide Systems

System	Target Ratio	Funded Ratio
ASSR	76.4%	65.9%
CCRS	69.0%	66.8%
DARS	93.0%	100.6%
FRS	82.0%	83.5%
MERSA	81.9%	78.4%
MERSB	78.3%	80.1%
MPERS	99.4%	79.5%
PERSA	74.3%	89.6%
PERSB	93.9%	106.7%
RVRS	94.8%	88.2%
SPRF	80.6%	80.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

15. Participant Census and Payroll

Membership

Membership data is provided in the following table. Participants are categorized in one of three categories: active member, retired, or as a current member of the Deferred Retirement Option Plan (DROP).

Participant Census (Payroll in \$millions)

Actives	Retirees	DROP current	Total	% of All Systems	FY 2005 Payroll
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State Systems

LASERS	64,168	35,691	2,810	102,669	29.2%	\$2,100.0
TRSL	87,643	58,979	4,375	150,997	42.9%	\$3,132.2
STPOL	1,003	1,137	25	2,165	0.6%	\$49.3
LSERS	13,837	11,309	856	26,002	7.4%	\$259.2
State Total	166,651	107,116	8,066	281,833	80.2%	\$5,540.7

Statewide Systems

ASSR	690	448	39	1,177	0.3%	\$29.3
CCRS	2,310	868	76	3,254	0.9%	\$73.5
DARS	670	215	18	903	0.3%	\$37.8
FRS	3,532	1,479	103	5,114	1.5%	\$134.3
MERSA	5,073	2,698	216	7,987	2.3%	\$140.0
MERSB	1,987	824	51	2,862	0.8%	\$48.7
MPERS	6,000	3,740	239	9,979	2.8%	\$215.6
PERSA	13,089	5,293	381	18,763	5.3%	\$429.5
PERSB	1,938	577	32	2,547	0.7%	\$54.8
RVRS	203	127	24	354	0.1%	\$8.6
SPRF	13,863	2,972	0	16,835	4.8%	\$432.0
Statewide Total	49,355	19,241	1,179	69,775	19.8%	\$1,604.2

All Systems Combined

Total	216,006	126,357	9,245	351,608	100.0%	\$7,145.0
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Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

16. Funding of TRSL Optional Retirement Plan

In 1990, an optional retirement plan (ORP) was established for academic and unclassified employees of public institutions of higher education. This is a defined contribution plan that is administered by TRSL. The ORP participants are not members of TRSL and their benefits are not guaranteed by the state. Each employer contributes to TRSL the same amount that would have been contributed for a TRSL member. The employer normal cost portion is credited to the participants account (ORP normal cost) while the remainder is retained by TRSL as a payment on the UAL. For fiscal year 2005 the total ORP normal cost payment credited towards participants' accounts was \$70.2 million while the ORP employer payment retained by TRSL to fund the UAL was \$48.8 million. ORP is directly funded by the state from general fund appropriations only on the portion of salary not paid by fees or other self-generated funds received by the institutions of higher learning. Based on information provided by the system, there were 8,845 participants in ORP as of December 31, 2005. ORP members represent 59% of the **higher education** TRSL plus ORP membership.

GROWTH OF ORP MEMBERSHIP

(As Compared to TRSL)

Year	ORP	RATIO	
		TRSL (Excl DROP)	(ORP to TRSL)
1992	3,775	86,244	4.4%
1993	4,196	85,143	4.9%
1994	4,780	86,079	5.6%
1995	5,290	84,671	6.2%
1996	5,712	84,849	6.7%
1997	6,195	85,169	7.3%
1998	6,690	85,772	7.8%
1999	7,181	85,419	8.4%
2000	7,581	85,462	8.9%
2001	8,126	84,694	9.6%
2002	9,016	84,866	10.6%
2003	8,906	84,958	10.5%
2004	9,675	84,398	11.5%
2005	8,845	84,546	10.5%

SECTION II

***BENEFIT
FORMULAS,***

***RETIREMENT
ELIGIBILITY,***

AND

***CONTRIBUTION
RATES***

1. Benefit Accruals and Member Contribution Rates

Formula

The retirement benefit for all thirteen systems is generally based on the following formula:

Annual Benefit at Retirement	=	Benefit Accrual Rate	x	Years of Service at Retirement	x	Final Average Salary
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The benefit is not in excess of final average compensation.

Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay) (as of July 1, 2005)

LASERS

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
Regular	2.50%	10	60	7.50%
	2.50%	25	55	7.50%
	2.50%	30	any age	7.50%
<i>Employed on/ after 7/1/2006</i>	2.50%	10	60	8.00%
Legislators	3.50%	12	55	11.50%
	3.50%	16	any age	11.50%
	3.50%	20	50	11.50%
Wildlife Agents [eff. 7/1/2003]				
<i>Employed Before 7/1/2003</i>	3.0%	Service Before 7/01/2003		
	3⅓%	Service On or After 7/01/2003		
	See Above	10	55	9.50%
		20	any age	9.50%
<i>Employed On/After 7/1/2003</i>	3⅓%	10	60	9.50%
	3⅓%	25	any age	9.50%
Corrections Officers & DPS				
<i>Employed Before 8/15/1986</i>	2.50%	20	any age	9.00%
<i>Employed 8/15/1986 –12/31/2001</i>	2.50%	20	50	9.00%
<i>All Members</i>	2.50% *	25	any age	9.00%
<i>AG Opinion / LASERS Policy</i>	2.50% *	10	60	9.00%
* Public Safety Service secondary plan - 3⅓% for service after 12/31/2001.				
Judges & Court Officers [eff. 7/1& 8/15/2003]	3.50%	10	65	11.50%
	3.50%	12	55	11.50%
	3.50%	18	any age	11.50%
	3.50%	20*	50	11.50%
	*At least 12 as judge/court officer	3.50%	any	70
LASERS: Early retirement – 20 years of service with actuarially reduced benefits				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)**
(as of July 1, 2005)

TRSL

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
Regular Teachers				
<i>Employed Before 7/1/1999</i>	2.00%	5	60	8.00%
	2.00%	20	any age	8.00%
	2.50%	20	65	8.00%
<i>Employed On/After 7/1/1999</i>	2.50%	5	60	8.00%
	2.50%*	20*	any age*	8.00%
<i>All Teachers</i>	2.50%	25	55	8.00%
	2.50%	30	any age	8.00%
Lunch Plan A	3.00%	5	60	9.10%
	3.00%	25	55	9.10%
	3.00%	30	any age	9.10%
Lunch Plan B (In Social Security)	2.00%	5	60	5.00%
	2.00%	30	55	5.00%
* Teacher's early retirement - actuarially reduced.				

STPOL

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
All Employees	3⅓%	10	50	8.00%
<i>Employed Before 9/8/1978</i>	3⅓%	20	any age	8.00%
<i>Employed On/After 9/8/1978</i>	3⅓%	25	any age	8.00%

LSERS

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
All Employees	3⅓%	10	60	7.5%
(Retirement On or After July 1, 2001)	3⅓%	25	55	7.5%
	3⅓%	30	any age	7.5%
Early retirement – 20 years of service with actuarially reduced benefits				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)**
(as of July 1, 2005)

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
ASSRS All Employees	3 1/3%	12	55	8.00%
	3 1/3%	30	any age	8.00%

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
CCRS <i>Service Before 7/1/1999</i>	3.00%	12	55	8.25%
	<i>Service On/After 7/1/1999</i> 3 1/3%	12	55	8.25%

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
DARS All Employees	3.50%	10	60	7.00%
	3.50%	24	55	7.00%
	3.50%	30	any age	7.00%
Members employed prior to 7/1/1990 may elect prior provisions (3% formula).				
Early retirement – eligibility and 3% reductions based on age and service.				

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
FRS All Employees	3 1/3%	12	55	8.00%
	3 1/3%	20	50	8.00%
	3 1/3%	25	any age	8.00%

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
MERS Plan A *	3.00%	10	60	9.25%
	3.00%	25	any age	9.25%
Plan B (In Social Security)	2.00%	10	60	5.00%
	2.00%	30	any age	5.00%
Elected officials receive additional 0.5% accrual for each year elected service				
* Plan A members: (a) Pre 10/1978 supplemented plan member only = 1% plus \$2 for each month of service prior to 10/1978. (b) Early retirement – 20 years of service with actuarially reduced benefits.				

**Benefit Accrual Rates, Retirement Eligibility
& Member Contribution Rates (% of Pay)
(as of July 1, 2005)**

MPERS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3⅓%	12	55	7.50%
	3⅓%	20	50	7.50%
	3⅓%	25	any age	7.50%
Early retirement – 20 years of service with actuarially reduced benefits				
Member contribution reduced from 8.0% upon full funding - Acts 1991 No.397.				

PERS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
Plan A *	3.00%	7	65	9.50%
	3.00%	10	60	9.50%
	3.00%	25	55	9.50%
	3.00%	30	any age	9.50%
Plan B (In Social Security)	2.00%	7	65	3.00%
	2.00%	10	60	3.00%
	2.00%	30	55	3.00%
* For members of the supplemental plan only the accrual rate is 1% plus \$2 for each month of service prior to the revision date.				

RVRS

	Benefit Accrual	Eligibility		Member Contribution
		Service	Age	
All Employees	3⅓%	10	60	7.00%
	3⅓%	20	55	7.00%
	3⅓%	30	any age	7.00%

SPRF

	Benefit Accrual	Eligibility		Member * Contribution
		Service	Age	
All Employees	3⅓%	12	55	9.80%
	3⅓%	30	any age	9.80%
Early retirement – 20 years of service and age 50 with actuarially reduced benefits				
*Effective 7/01/2004 not less than 9.8% or more than 10.25% - Act 782 R.S. 2004				

2. Benefit Levels and Member Cost

Standard of Living

The following table illustrates two aspects of the retirement benefit. The **first is the benefit expected for a new member as a percentage of their annual salary at retirement.** The retirement benefit is calculated using the **three highest consecutive earning years** that the member has over his entire salary history. Showing the benefit as a percentage of salary gives the employer an indication of the plan's benefit adequacy level. It gives the income replacement ratio which benefits are expected to provide upon retirement.

Employee Funding

The **second percentage shows what portion of the cost for retirement benefits will be funded by employee contributions.** A new member's future expected contributions are accumulated with interest at the valuation return rate over the designated time period. The accumulated value is then divided by the actuarial present value of their future retirement benefits. This is the percent of the benefit cost that will be funded by the member's contributions.

Hazardous Duty

The table segments those plans that are predominantly for members with hazardous duties. Benefit formulas for employees engaged in hazardous duty are traditionally at higher levels and with earlier normal retirement ages than plans for other types of employment.

Hazardous duty personnel are typically members employed in law enforcement and public safety. The group shown on the following page is composed of state police, firefighters, sheriffs, municipal police, wildlife enforcement agents, and prison guards.

Benefit/Cost Illustrations

Retirement benefit provisions, employee contribution rates, and actuarial assumptions applied in this section are those in effect for FY 2005, including legislation under Acts of the 2006 Regular Session.

Division	Age	Replacement Ratio (Benefit as % of Pay)	Employee Portion of Cost for Benefits (with interest)
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Non-Hazardous Group

Years of Service					
20	30	40	20	30	40

(Projected for a New Member)

LASERS	Regular	65	48%	72%	95%	48%	61%	71%
	Legislators	65	68%	98%	98%	73%	100%	100%
	Judges	65	68%	98%	98%	72%	100%	100%
TRSL	Teachers	65	47%	72%	97%	46%	56%	76%
	Lunch A	65	57%	87%	97%	47%	61%	94%
	Lunch B	65	38%	59%	78%	41%	57%	83%
LSERS	Regular	65	64%	87%	96%	36%	48%	62%
ASSR	Regular	65	63%	94%	94%	33%	37%	44%
CCRS	Regular	65	63%	94%	94%	34%	37%	45%
DARS	Regular	65	66%	94%	94%	27%	28%	32%
MERS	Plan A	65	57%	85%	94%	47%	52%	60%
	Plan B	65	38%	57%	76%	38%	42%	47%
PERS	Plan A	65	57%	85%	94%	45%	50%	58%
	Plan B	65	38%	57%	76%	21%	24%	26%
RVRS	Regular	65	62%	94%	94%	26%	27%	30%

Hazardous Group

Years of Service			
20	25	20	25

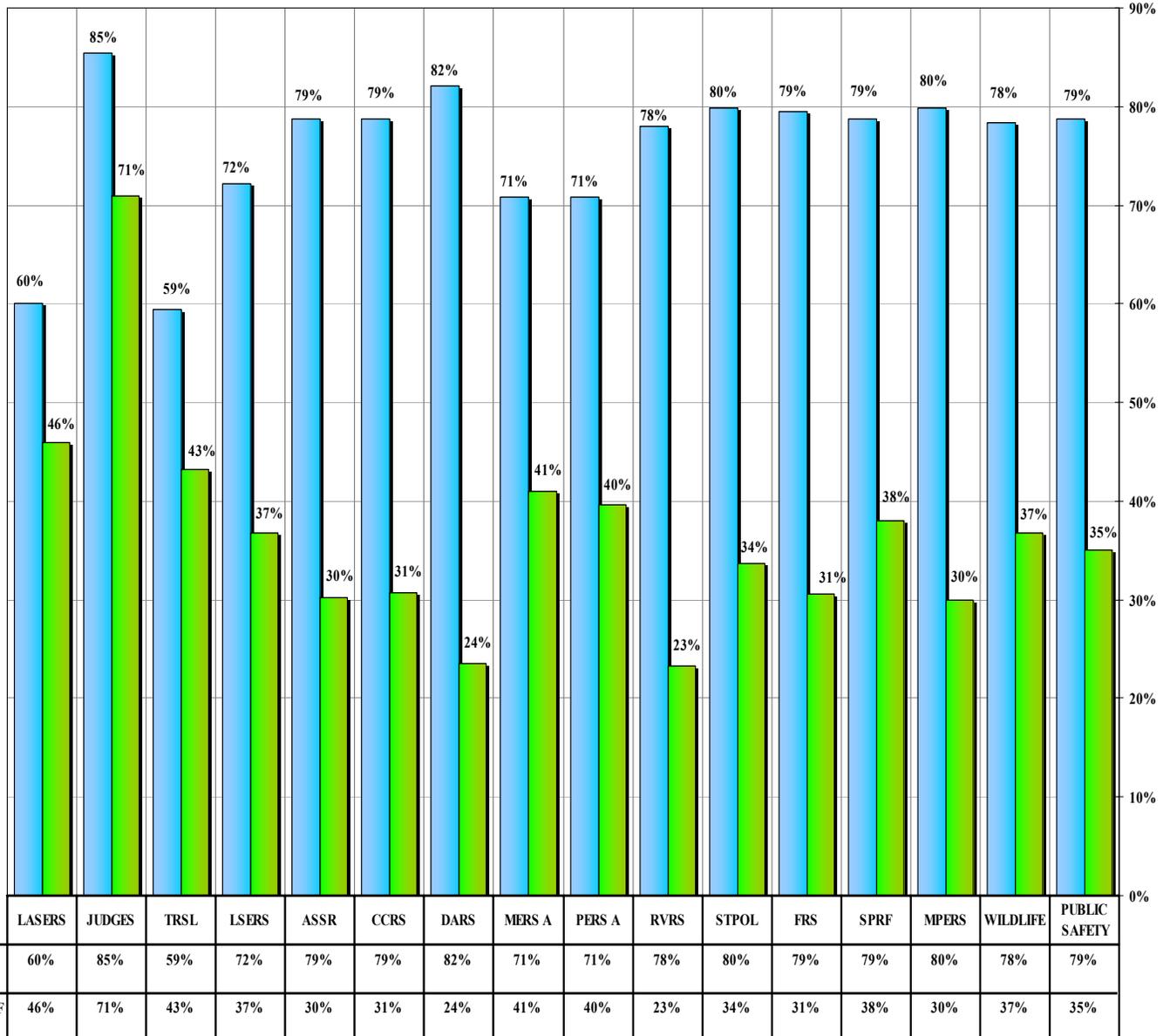
(Projected for a New Member)

LASERS	Wildlife	55	63%	78%	35%	37%
	Corrections	55	47%	59%	44%	47%
	Public Safety	55	63%	79%	33%	35%
STPOL	Regular	55	64%	80%	31%	34%
FRS	Regular	55	64%	79%	28%	31%
MPERS	Regular	55	64%	80%	27%	30%
SPRF	Regular	55	63%	79%	36%	38%

**STATE & STATEWIDE RETIREMENT SYSTEMS
RETIREMENT BENEFIT to EARNINGS REPLACEMENT RATIOS
and
EMPLOYEE PAID PORTION of BENEFIT COST
(as of Fiscal Year End 2005 Including R.S. 2006 Legislation)**

ASSUMED RETIREMENT AGE 55 & 25 YEARS OF SERVICE

Non- Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



■ BENEFIT AS % OF FINAL PAY
 ■ EMPLOYEE % OF BENEFIT COST

3. Projected Contribution Rates

Public Sources (Employer) As discussed in the *Employer Funding for Pension Benefits* section of this report, the State of Louisiana is primarily responsible for funding the four state retirement systems through general fund appropriations, agency self-generated funds, IPTF (Insurance Premium Tax Fund) allocations, or as transfer payments to local school districts. Funding sources for the nine statewide retirement systems include local appropriations, ad valorem taxes, general revenue sharing funds, IPTF allocations, and, recently, special general fund appropriations. Other incidental funding sources are available to the various participating employers that may vary at any given time. The larger systems, LASERS and TRSL, combine participating member plans to apply a single aggregated projected employer rate.

Member Rates Employee contribution rates are fixed by statute and are detailed in the first part of this section. Required member contributions vary by plan and, with some exceptions, range from 7% to 9.8% of employee pay. Plans for Judges/Court Officers and for Legislators require 11.5%.

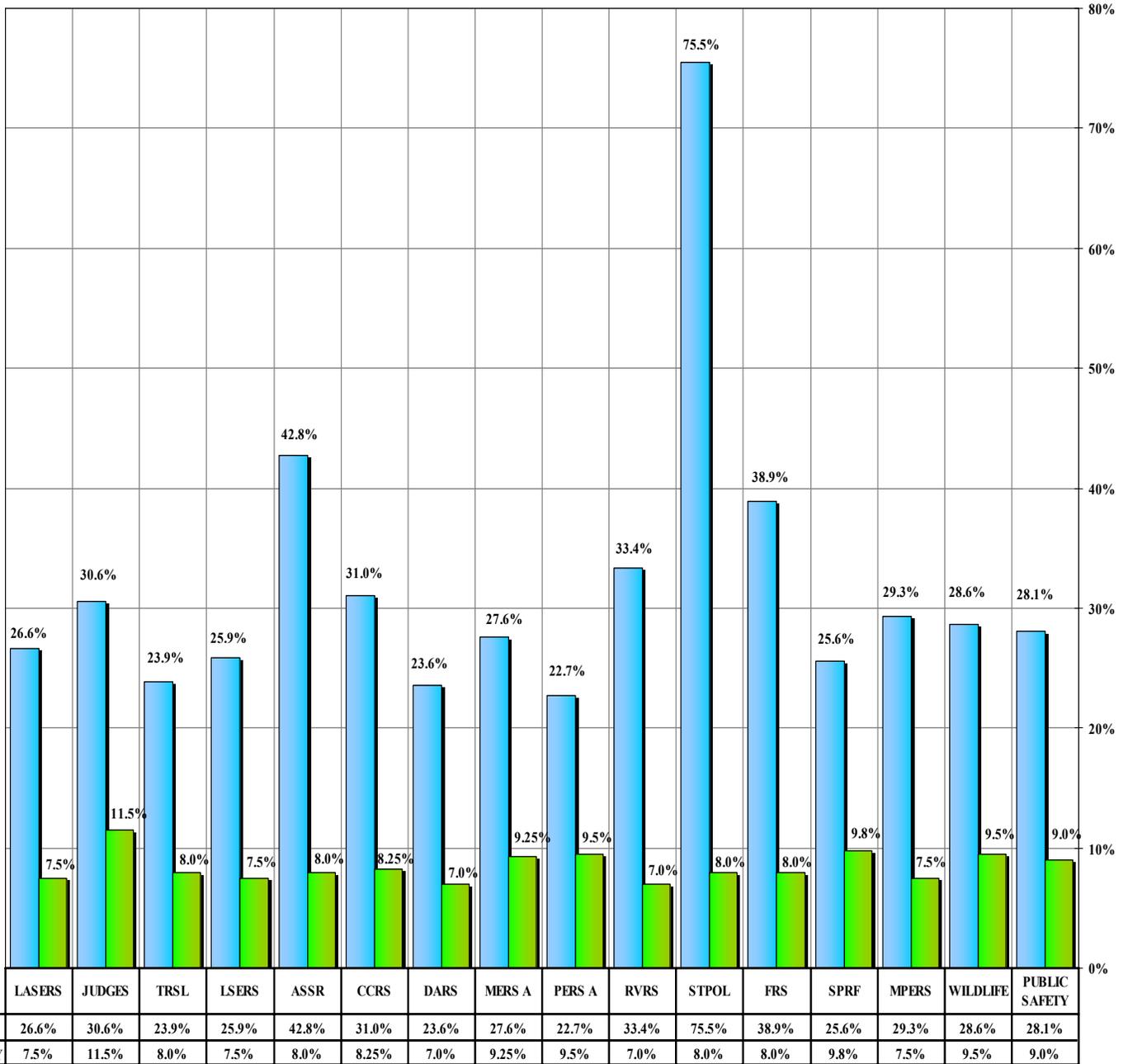
Total Projected Rates The combination of total public sources of employer funding plus member contributions, are required to fund the system's total future expected retirement plan obligations. Total projected rates reflect the total funding requirement for the plan's fiscal year as a percentage of member payroll. For Fiscal Year 2006 total projected rates varied from 22.7% up to 75.5% of member payroll, with a median rate of 28.6%. Last year's range was 21.6% to 70.9%, a median of 27.3%.

The following illustration graphs total projected rates (all sources including the members) against the member only contribution rates, for those plans not participating in the Social Security System. These are based on actuarial valuation results as approved by PRSAC (Public Retirement Systems' Actuarial Committee) to be paid for Fiscal Year 2006.

STATE & STATEWIDE RETIREMENT SYSTEMS
PROJECTED CONTRIBUTION RATES
(As a Percent of Payroll)

FISCAL YEAR 2006

Non-Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



ALL SOURCES MEMBER ONLY

SECTION III

***ACTUARIAL
CONCERNS***

***FUNDING
ISSUES***

1. Funding of UAL for State Systems

Issue

Paying off the \$11.7 billion Valuation UAL for LASERS, TRSL, LSERS, and STPOL requires increasing payments in future years. It is essential that all actuarially required contributions are made to assure that amortization schedules remain in compliance with the state constitution.

Amortization Payments

Under rules adopted in 1992, amortization schedules for TRSL and LASERS provide for lower initial payments with higher payments to be made in later years. Under these schedules, the payments increase at 4.5% per year. They are not sufficient to cover the combined interest charges on the UAL until fiscal year 2016. As the required payments increase they will eventually become large enough to cover the interest charge, and also a principal portion toward the UAL.

Current schedules comply with the law's requirement for full amortization of the IUAL portion by the year 2029 (initial unfunded accrued liability bases established in FY 1989).

As illustrated below, amortization of the \$11.7 billion Valuation UAL bases existing on June 30, 2005 for LASERS, TRSL, LSERS, and STPOL, requires annual payments that will collectively grow over a 24 year period from \$617 million before peaking at \$2.2 billion in fiscal year 2029.

Combined State Systems (June 30, 2005 UAL Bases)

Fiscal Year	Years Out	State Systems Combined Sample of UAL Mid-Year Amortization Payments
2006	1	\$617,000,000
2012	7	\$875,400,000
2018	13	\$1,240,300,000
2024	19	\$1,715,600,000
2029	24	\$2,219,600,000
2030	25	\$916,400,000
2036	31	PAID OFF

**SAMPLE of UAL MID-YEAR
AMORTIZATION PAYMENT RUNOUT
(of June 30, 2005 UAL Bases)**

LASERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2006	1	\$247,800,000
2012	7	\$324,700,000
2018	13	\$438,400,000
2024	19	\$586,600,000
2029	24	\$743,800,000
2030	25	\$306,600,000
2036	31	PAID OFF

TRSL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2006	1	\$318,800,000
2012	7	\$510,700,000
2018	13	\$743,700,000
2024	19	\$1,047,100,000
2029	24	\$1,368,900,000
2030	25	\$499,100,000
2036	31	PAID OFF

LSERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2006	1	\$22,800,000
2012	7	\$27,000,000
2018	13	\$41,200,000
2024	19	\$59,800,000
2029	24	\$79,400,000
2030	25	\$108,600,000
2036	31	PAID OFF

STPOL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2006	1	\$27,600,000
2012	7	\$13,000,000
2018	13	\$17,000,000
2024	19	\$22,100,000
2029	24	\$27,500,000
2030	25	\$2,100,000
2034	29	PAID OFF

Texaco Funds

A strength to our funded status are the Texaco Funds, established and protected by the constitution to be held in the trust for ultimate elimination of IUAL balances. If these funds are diverted to other purposes it would delay the payoff of the IUAL.

A supplemental portion of the IUAL representing the LSU unfunded obligation was offset by the Texaco Funds on June 30, 2003. This released \$185.5 million of unfunded liability (\$89.2 million for LASERS, \$96.3 million for TRSL). The payoff saves the state \$11.1 million dollars in annual contributions beginning in fiscal year 2004 increasing by 4.5% a year through fiscal year 2029.

2. Act 588 - Reduces Short Term Contribution Requirements for LASERS, TRSL, and LSERS

Act 588

Act 588 of the 2004 Regular Session amended the amortization rules for bases established subsequent to the IUAL for Louisiana State Employees' Retirement System (LASERS), Teachers' Retirement System of Louisiana (TRSL), and for School Employees' Retirement System (LSERS).

The Act amended rules for amortizing bases established subsequent to the IUAL for actuarial gains/losses and for changes to assumptions, funding and asset methods, or plan provisions. Effective July 1, 2004, bases established for FY 1999 for LASERS (FY 2001 for TRSL and LSERS) and thereafter are re-amortized over a thirty (30) year period from the year of occurrence, with payments increasing by 4.5% annually. Bases established prior to FY 1999 for LASERS (FY 2001 for TRSL and LSERS) are re-amortized as level dollar amounts from July 1, 2004 through June 30, 2029 (25 years). New bases established for FY 2004 and thereafter will be amortized as level dollar amounts over a thirty (30) year period. **Amortization periods for the IUAL and employer contribution variance were not affected.**

The outstanding balance of *prior* bases were re-amortized as of June 30, 2004, including the liability of Experience Account balances, as described in the graphic comparisons following the payment run-out exhibits below. *Future* bases, newly established on or after June 30, 2004, will be amortized over a thirty year period with level payments.

Act 588 Payment Run-out

The following exhibits show a relevant path of the payment run-out of June 30, 2003 liabilities, comparing then existing schedules to the Act 588 payments. STPOL was not impacted by Act 588.

Act 588 provided immediate payment relief from current amortization schedules: For **LASERS**, a \$27.4 million reduction in FY 2005 diminishing to \$0.4 million by FY 2020. For **TRSL**, a \$97.4 million reduction in FY 2005 (-\$61.8 million after projected 15.5% minimum rate under Act 588) diminishing to \$7.2 million by FY 2016.

**LASERS & TRSL ACT 588 IMPACT and SAMPLE
AMORTIZATION MID-YEAR PAYMENT RUNOUT
of June 30, 2003 Valuation UAL Bases (\$millions)
(Including the IUAL at 4.5% Increase Factor)**

LASERS

Fiscal Year	Years Out	LASERS Future Amortization Payments		
		Act 588	Current	Impact
2004	1	\$211.4	\$211.4	\$0.0
2010	7	\$286.6	\$306.9	(\$20.3)
2016	13	\$390.3	\$399.7	(\$9.4)
2022	19	\$525.3	\$520.5	\$4.8
2029	26	\$735.1	\$708.3	\$26.8
2030	27	\$297.8	\$3.7	\$294.0
2034	31	\$125.6	\$0.0	\$125.6
2035	32	\$0.0	\$0.0	\$0.0
<i>Total Projection Period</i>		<i>\$12,325.1</i>	<i>\$11,224.3</i>	<i>\$1,100.8</i>

TRSL

Fiscal Year	Years Out	TRSL Future Amortization Payments		
		Act 588	Current	Impact
2004	1	\$307.1	\$307.1	\$0.0
2010	7	\$460.5	\$522.3	(\$61.8)
2016	13	\$673.0	\$680.1	(\$7.2)
2022	19	\$949.6	\$885.7	\$63.9
2029	26	\$1,379.8	\$1,205.4	\$174.4
2030	27	\$509.7	(\$45.7)	\$555.4
2034	31	\$215.4	\$0.0	\$215.4
2035	32	\$0.0	\$0.0	\$0.0
<i>Total Projection Period</i>		<i>\$21,553.7</i>	<i>\$18,755.6</i>	<i>\$2,798.1</i>

Thereafter, the cost of deferring amortization begins to emerge as the required payments under Act 588 overtake the replaced schedules, increasing gradually

until FY 2029. Beginning in FY 2030, the extended payments increase significantly and continue for the next four years. **The interest cost of this relief is not substantial in the first several years but gradually increases to significant amounts. Ultimately, as shown above, the impact of Act 588 on liabilities existing as of June 30, 2003 will result in additional payments of \$1.1 billion for LASERS and \$2.8 billion for TRSL.**

**LSERS ACT 588 IMPACT and SAMPLE
AMORTIZATION MID-YEAR PAYMENT RUNOUT
of June 30, 2003 Valuation UAL Bases (\$millions)**

LSERS

Fiscal Year	Years Out	LSERS Future Amortization Payments		
		Act 588	Current	Impact
2004	1	\$19.6	\$19.6	\$0.0
2010	7	\$18.4	\$25.5	(\$7.1)
2016	13	\$31.4	\$33.2	(\$1.8)
2022	19	\$48.4	\$43.3	\$5.1
2029	26	\$74.8	\$58.9	\$15.9
2030	27	\$104.0	\$14.7	\$89.3
2034	31	\$0.0	\$0.0	\$0.0
2035	32	\$0.0	\$0.0	\$0.0
<i>Total Projection Period</i>		<i>\$1,283.6</i>	<i>\$1,013.4</i>	<i>\$270.2</i>

The funding surplus at **LSERS** was erased during fiscal year 2002. This system had been fully funded since 1989, with no initial unfunded accrued liability. Benefit increases, COLAs, and actuarial investment losses have created an unfunded liability. These and subsequent changes in liability are amortized similar to those for the other state systems. Payment relief was also given to LSERS under Act 588 as shown above. Reductions through FY 2016 will ultimately require an additional \$270.2 million of payments.

STPOL

Fiscal Year	Years Out	STPOL Mid-Year Amortization Payment of June 30, 2003 Valuation UAL Bases (\$millions) (IUAL with Level Payments)
2004	1	\$21.7
2010	7	\$9.9
2016	13	\$12.9
2022	19	\$16.8
2029	26	\$22.8
2030	27	\$2.1
2034	31	\$0.0

Payments for **State Police** are expected to drop substantially after the initial unfunded accrued liability is paid off by fiscal year 2009. This initial liability is being amortized with level payments. Subsequent changes in liabilities due to actuarial gains and losses, benefit changes, and COLAs are amortized to 2029 with payments increasing by 4.5% per year.

COMBINED STATE ACT 588 IMPACT and SAMPLE AMORTIZATION MID-YEAR PAYMENT RUNOUT of June 30, 2003 UAL Bases (\$millions)

COMBINED All Sate Systems

Fiscal Year	Years Out	Mid-Year Amortization Payment		
		Act 588	Current	Impact
2004	1	\$559.8	\$559.8	\$0.0
2010	7	\$775.4	\$864.6	(\$89.2)
2016	13	\$1,107.6	\$1,125.9	(\$18.4)
2022	19	\$1,540.1	\$1,466.3	\$73.8
2029	26	\$2,212.5	\$1,995.4	\$217.2
2030	27	\$913.5	(\$25.2)	\$938.7
2034	31	\$341.0	\$0.0	\$341.0
2035	32	\$0.0	\$0.0	\$0.0
<i>Total Projection Period</i>		\$35,629.4	\$31,460.2	\$4,169.2

Act 588 UAL Run-out

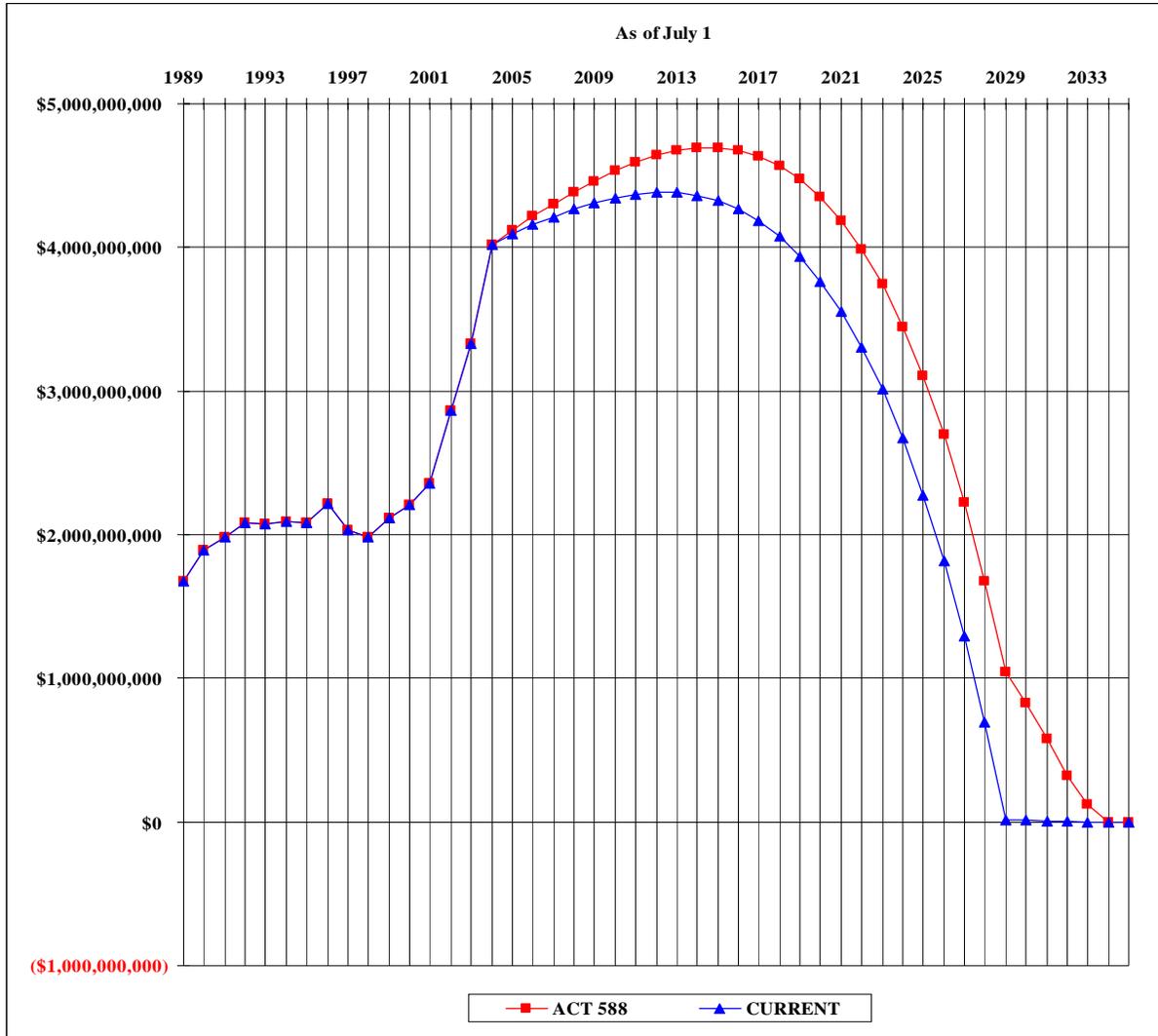
The funding progress of our state retirement systems is demonstrated by the following graphs of the run-out for June 30, 2003 liabilities (including the liability of Experience Account balances).

The impact of Act 588 legislation is shown relative to existing payment schedules in these illustrations, including brief summary comparisons of the amortization rules. For each of the three impacted systems there are two comparisons, the first titled "Unfunded Accrued Liability (UAL) Balance Comparison" followed by "UAL Amortization Mid-Year Payment Comparison".

The first graph compares the funding progress of the Valuation UAL (UAL for funding purposes) which nets the IUAL (Initial Unfunded Accrued Liability) balance against all other amortization bases since 1988. The blue curves show the UAL balances and payments based on existing schedules while the red curve does so under Act 588 provisions. The UAL run-out values after 2003 are based on liabilities amortized for funding in the rates adopted by PRSAC as of the June 30, 2003 valuation date.

Since STPOL was not impacted by Act 588, the graphs show a comparison of future UAL balances and required payments with and with-out the Texaco Funds. The black curve illustrates the amortization of the Initial Unfunded Accrued Liability (IUAL) established by statute in 1988. The red curve is the Valuation UAL for funding, which nets all other amortization bases since 1988, including actuarial gain and losses, against the IUAL balance. The green curve is the Net IUAL that has been adjusted by the value of Texaco Funds. The UAL run-out values are based on liabilities amortized for funding in the rates adopted by PRSAC as of the June 30, 2003 valuation date. The blue curve shows the accumulating balance of the Texaco Account.

**LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
 UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
 CURRENT AMORTIZATION versus ACT 588 LEGISLATION
 Values Projected to June 30, 2004**



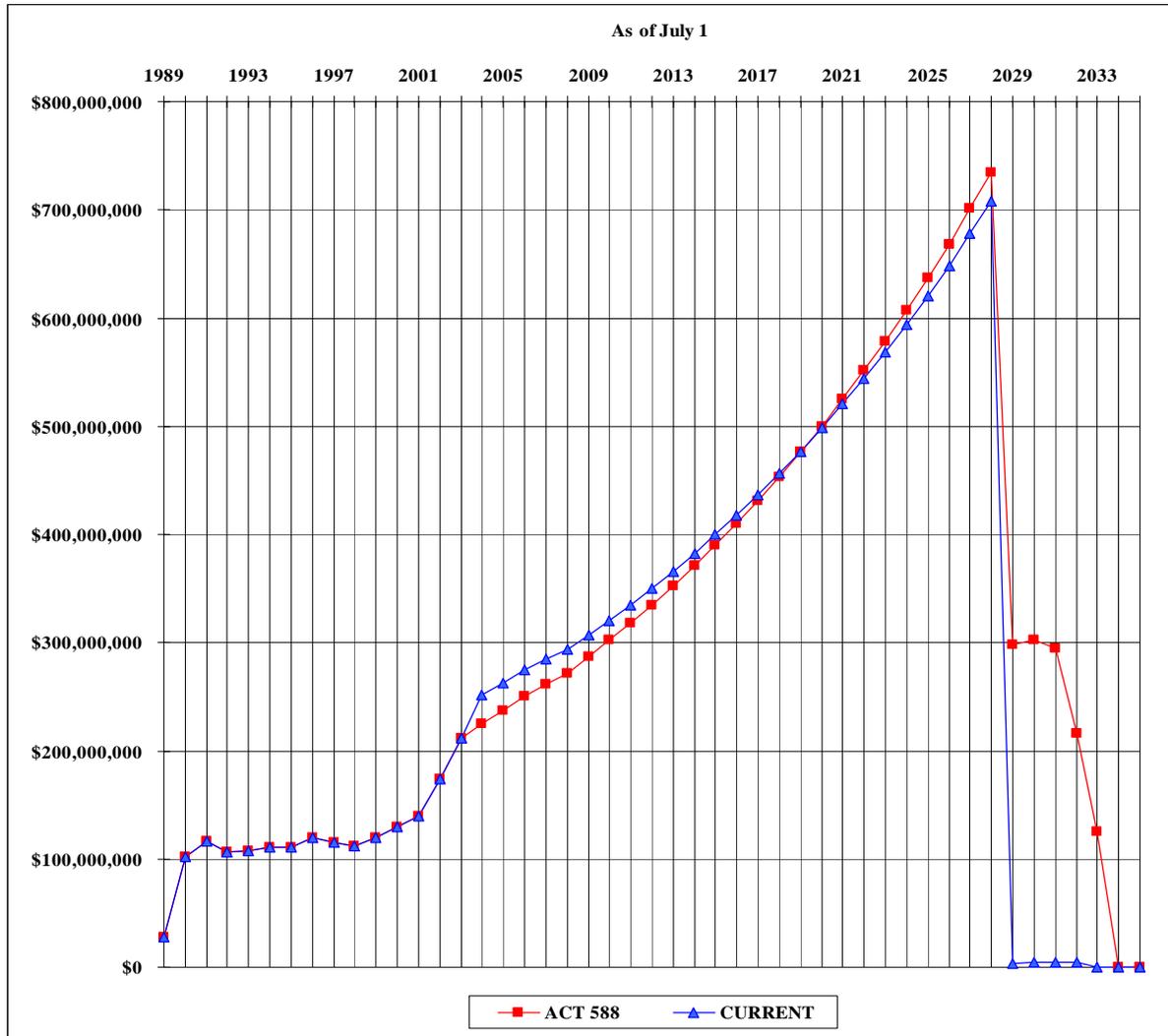
ACT 588 (June 30, 2004) :

- Changes prior to 6/30/1999: Level Dollar amortization until 2029*
- Changes 6/30/1999 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)*
- Experience Account: 30-year amortization (Payments increasing 4.5% per year)*
- Changes beginning 6/30/2004: Level Dollar amortization for 30 years*

CURRENT (June 30, 2003) :

- Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029*

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
UAL AMORTIZATION MID-YEAR PAYMENT COMPARISON
CURRENT AMORTIZATION versus ACT 588 LEGISLATION
Values Projected to June 30, 2004



ACT 588 (June 30, 2004) :

Changes prior to 6/30/1999: Level Dollar amortization until 2029

Changes 6/30/1999 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)

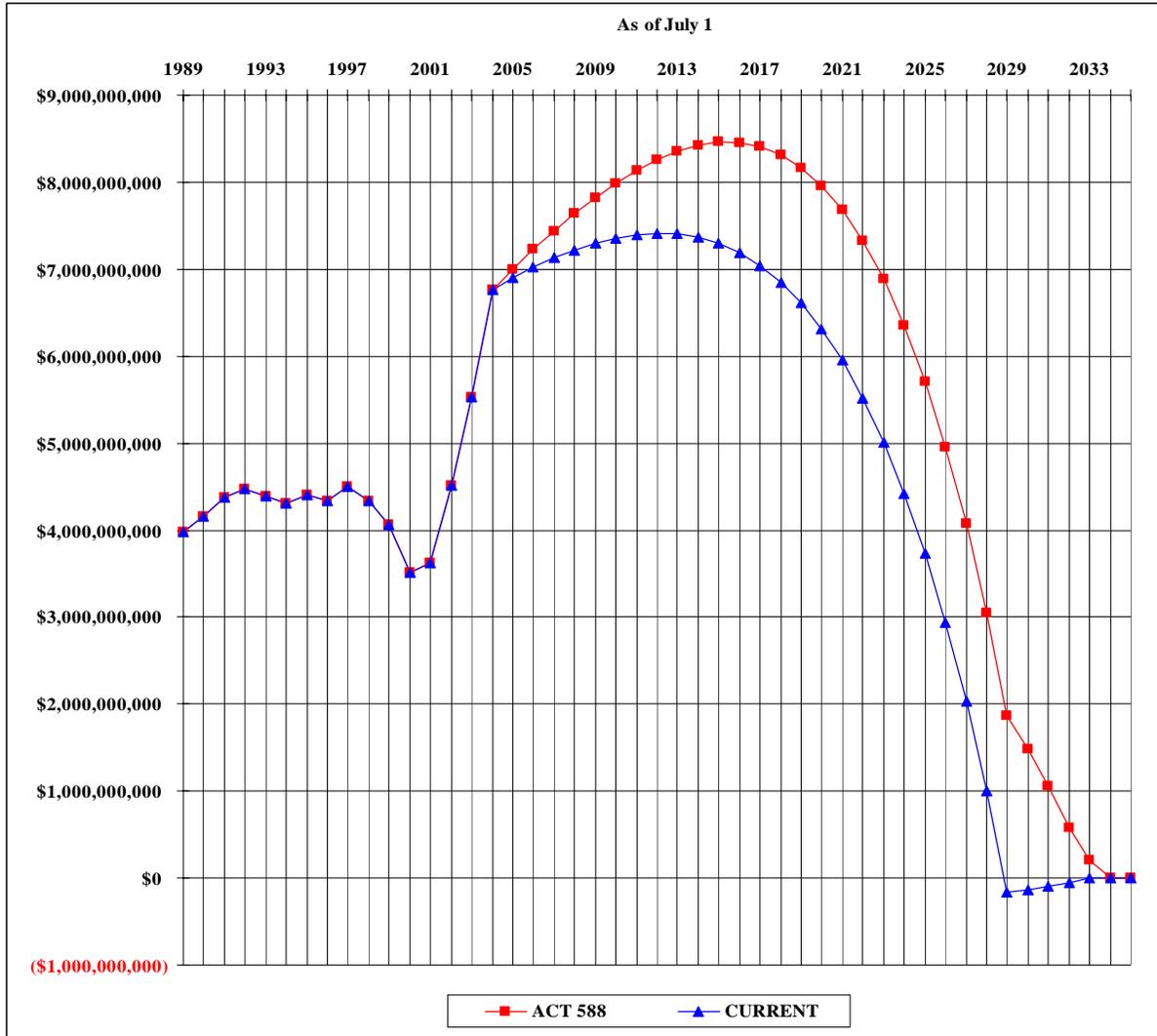
Experience Account: 30-year amortization (Payments increasing 4.5% per year)

Changes beginning 6/30/2004: Level Dollar amortization for 30 years

CURRENT (June 30, 2003) :

Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
CURRENT AMORTIZATION versus ACT 588 LEGISLATION
Values Projected to June 30, 2004



ACT 588 (June 30, 2004) :

Changes in liability prior to 6/30/2001: Level Dollar amortization until 2029

Changes 6/30/2001 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)

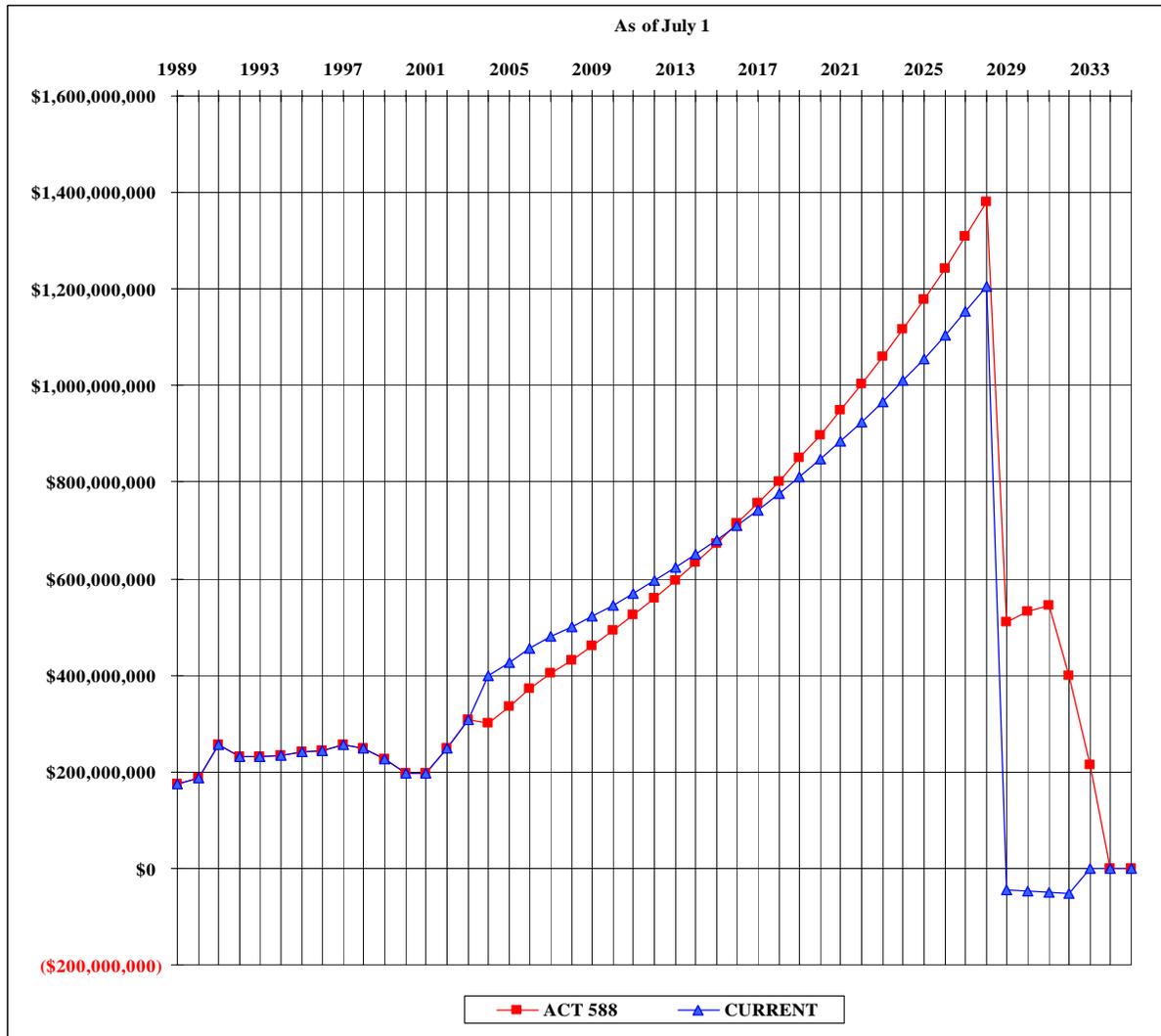
Experience Account: 30-year amortization (Payments increasing 4.5% per year)

Changes beginning 6/30/2004: Level Dollar amortization for 30 years

CURRENT (June 30, 2003) :

Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
UAL AMORTIZATION MID-YEAR PAYMENT COMPARISON
CURRENT AMORTIZATION versus ACT 588 LEGISLATION
Values Projected to June 30, 2004



ACT 588 (June 30, 2004) :

Changes in liability prior to 6/30/2001: Level Dollar amortization until 2029

Changes 6/30/2001 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)

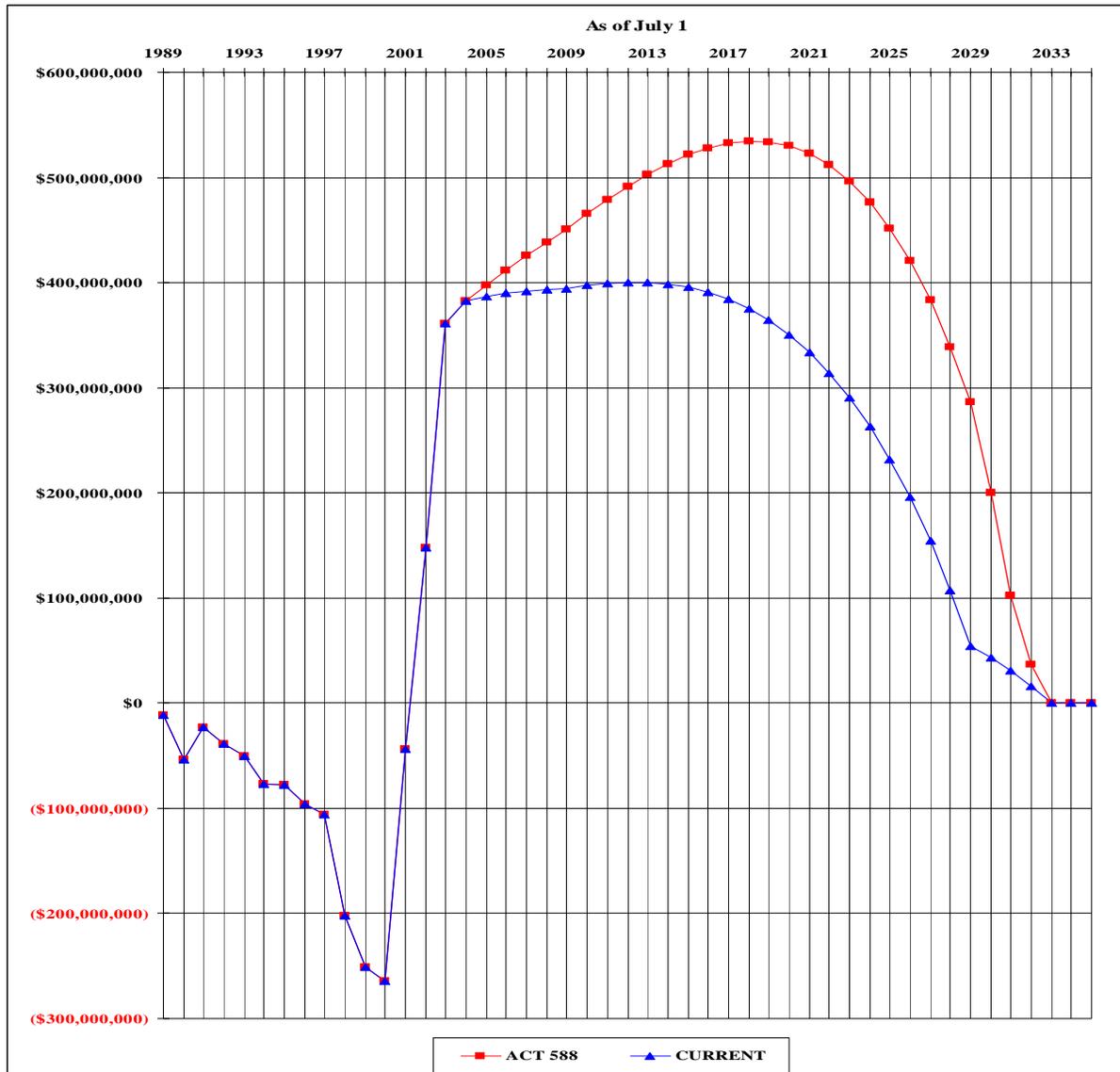
Experience Account: 30-year amortization (Payments increasing 4.5% per year)

Changes beginning 6/30/2004: Level Dollar amortization for 30 years.

CURRENT (June 30, 2003) :

Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029

**LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
CURRENT AMORTIZATION versus ACT 588 LEGISLATION
Values Projected to June 30, 2004**



ACT 588 (June 30, 2004) :

Changes in liability prior to 6/30/2001: Level Dollar amortization until 2029

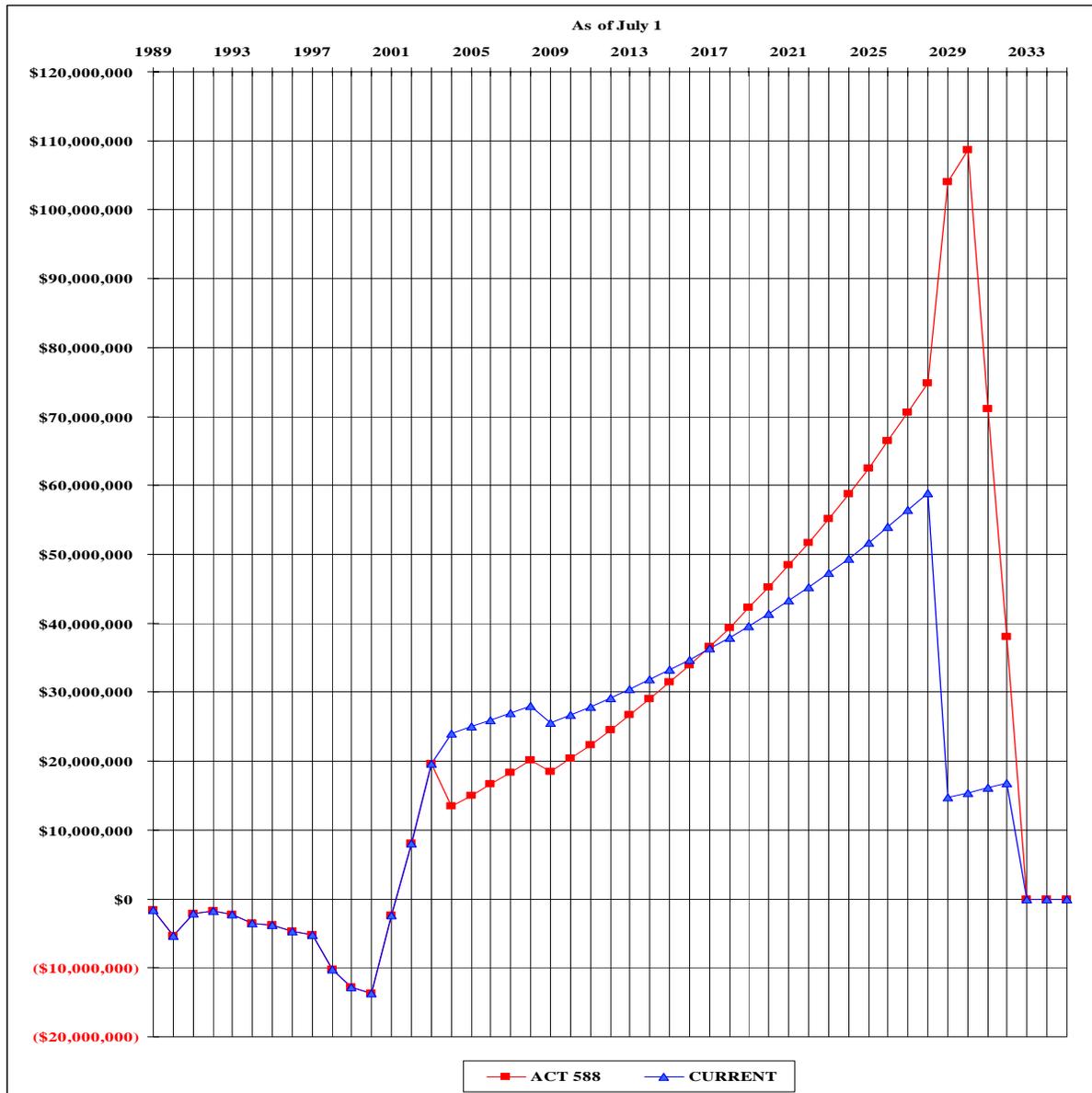
Changes 6/30/2001 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)

Changes beginning 6/30/2004: Level Dollar amortization for 30 years.

CURRENT (June 30, 2003) :

Change in liability : Payments increase at 4.5% per year to 2029

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
UAL AMORTIZATION MID-YEAR PAYMENT COMPARISON
CURRENT AMORTIZATION versus ACT 588 LEGISLATION
Values Projected to June 30, 2004



ACT 588 (June 30, 2004) :

Changes in liability prior to 6/30/2001: Level Dollar amortization until 2029

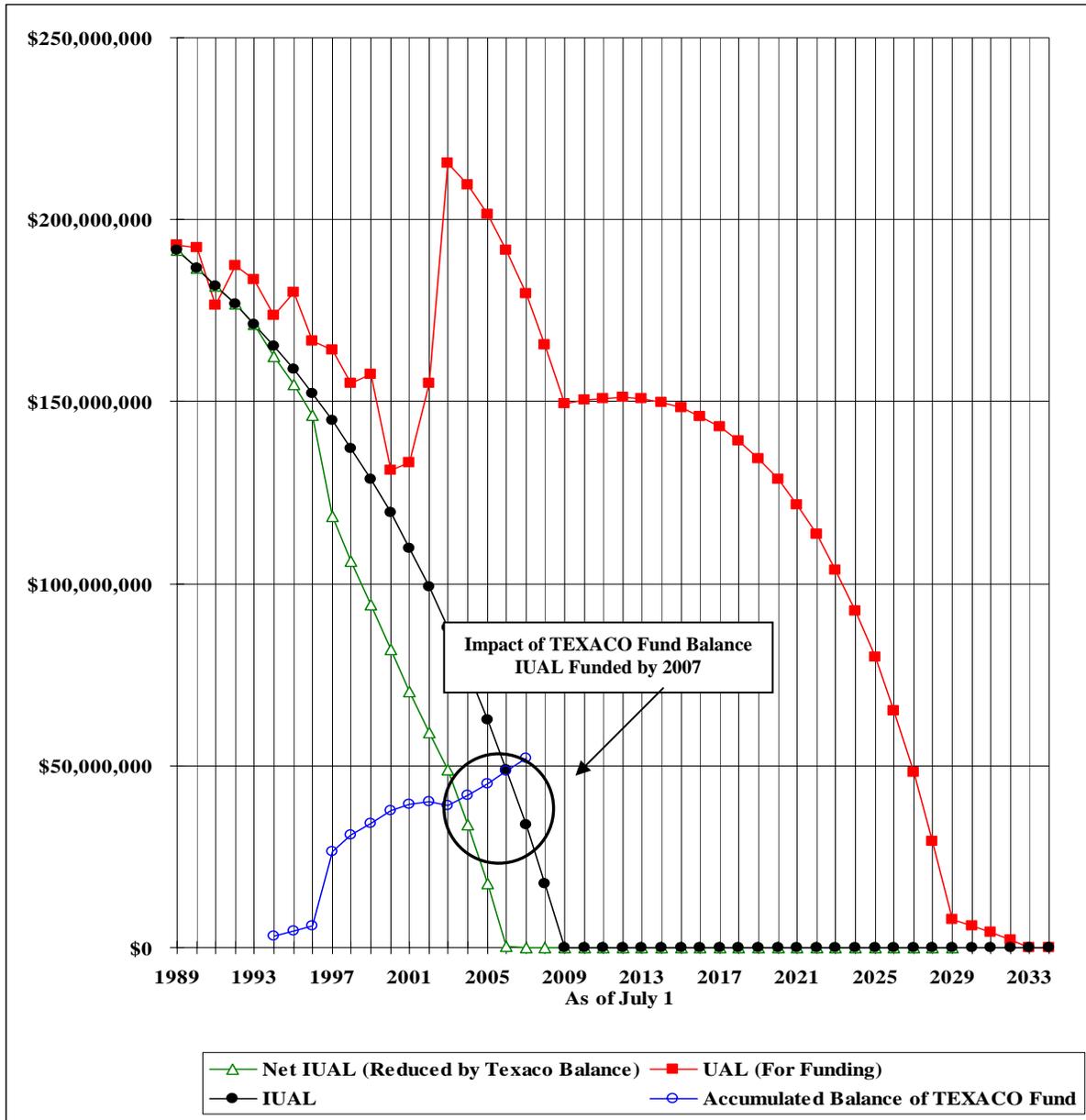
Changes 6/30/2001 to 2003: 30-year amortization, from year of occurrence (Payments increasing 4.5% per year)

Changes beginning 6/30/2004: Level Dollar amortization for 30 years.

CURRENT (June 30, 2003) :

Change in liability : Payments increase at 4.5% per year to 2029

STATE POLICE PENSION & RETIREMENT SYSTEM
MEASURE OF FUNDING PROGRESS
UNFUNDED ACCRUED LIABILITY BALANCE
IMPACT OF TEXACO PAYMENT ON IUAL
 Values as of June 30, 2003



Note: prior to FY 1993 amortization payments are based on Act 81 (RS 1988) schedule; subsequent payments are based on Act 257 (RS 1992) schedule.

3. Legislation Enacted to Reduce Contribution Requirements for Municipal Police Employees' Retirement System (MPERS) and Firefighters' Retirement System (FRS)

Acts 620 and 1079

Investment losses and merger liabilities have had a considerable impact on the funding requirements for the Firefighters' and Municipal Police retirement systems. Legislation of the 2003 Regular Session softened the impact for Fiscal Year 2004.

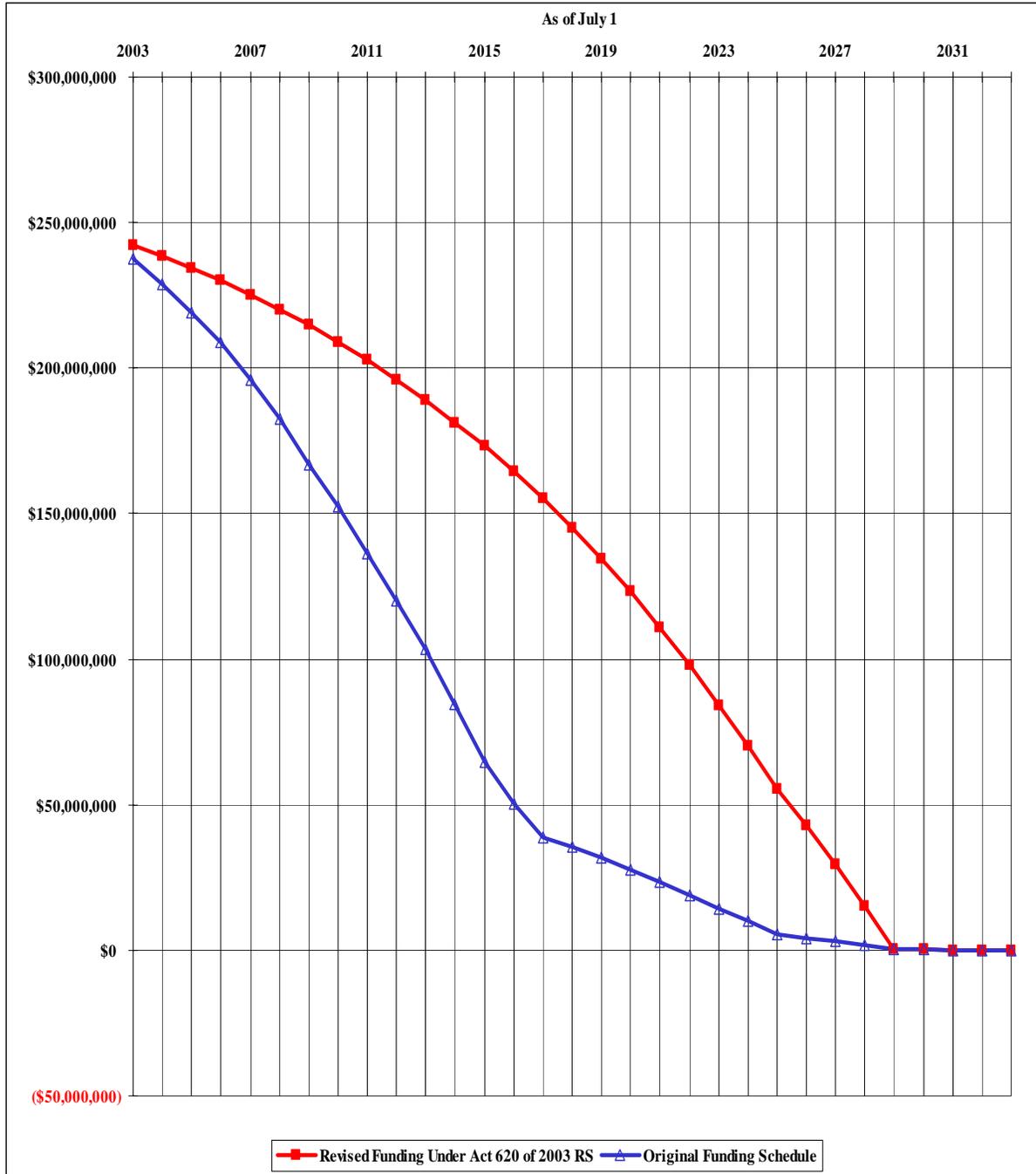
Since the market drop in fiscal year 2001, contribution requirements have increased for most systems. The impact on Firefighters' and Municipal Police has been more pronounced, since accelerated contribution requirements have exceeded amounts available from the Insurance Premium Tax Fund (IPTF). Requirements in excess of the IPTF supplement and targeted (fixed) rates have been impacting as the progression of liability added for mergers became uncovered by investment losses. Enacted legislation is intended to soften some of the increase by reamortizing actuarial losses over an extended payment period.

For MPERS, the amortization period for actuarial experience and changes was increased from fifteen years to thirty years, at level dollar payments, commencing with fiscal year 2002. This reduced the FY 2004 contribution rate from 18.25% to 15.25%, \$5.9 million lower based on projected payroll.

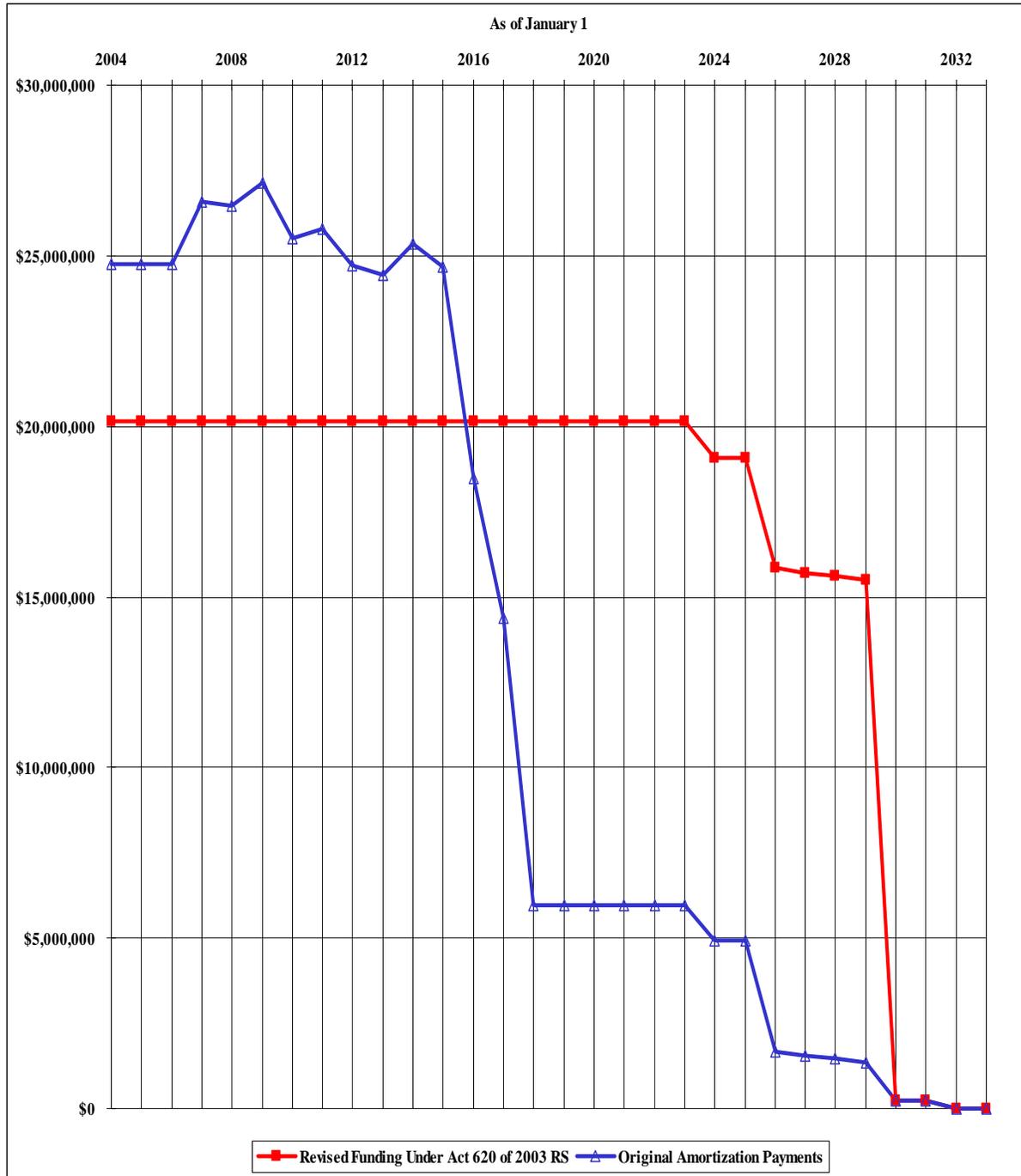
For FRS, all outstanding bases as of June 30, 2002, excluding merger bases, were combined and reamortized at level dollar payments over the period ending in fiscal year 2029. This reduced the FY 2004 contribution rate from 25.25% to 21.0%, \$5.1 million based on projected payroll.

The following illustrations show the impact on UAL run-out values and amortization payments.

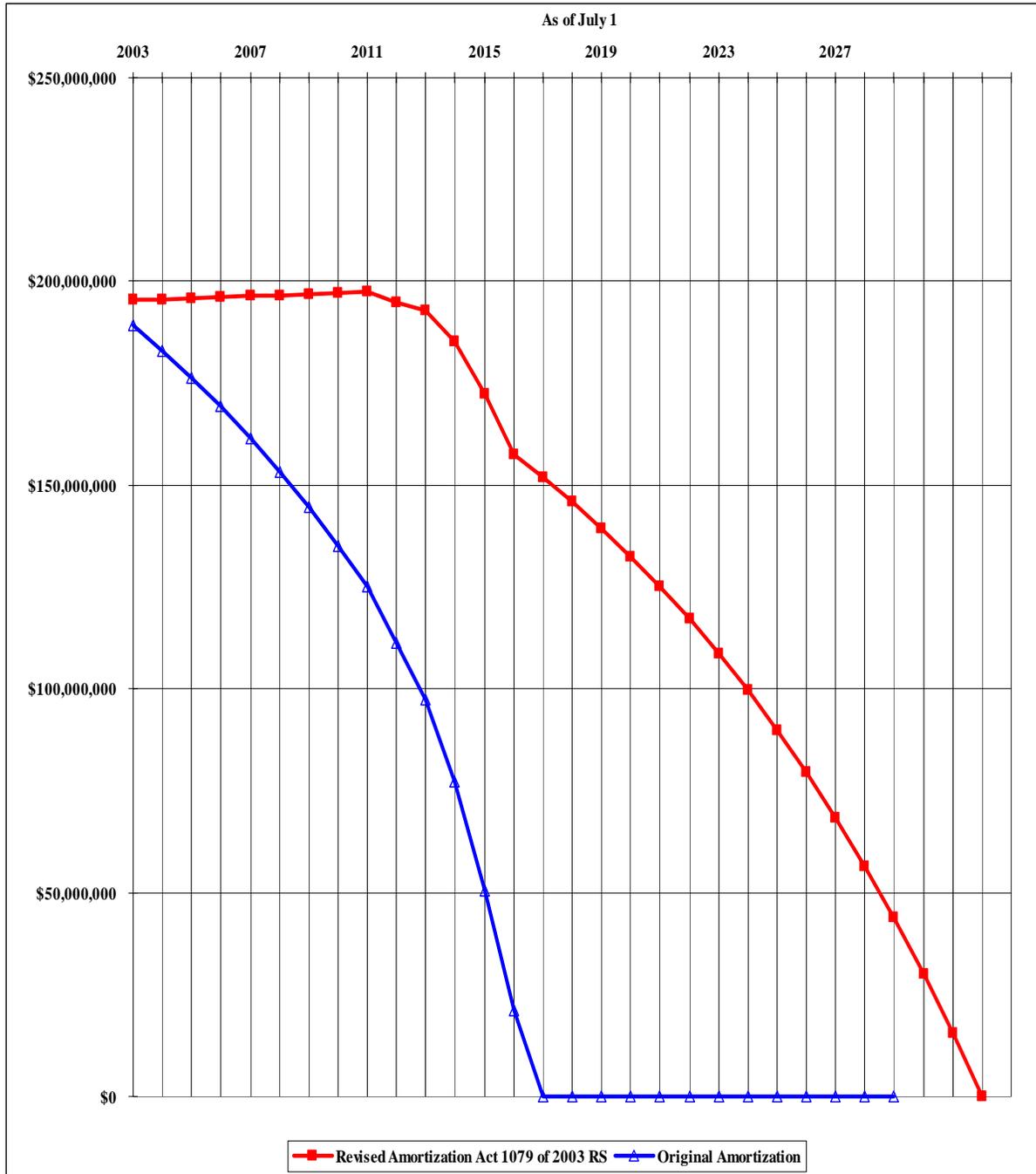
**FIREFIIGHTERS' RETIREMENT SYSTEM
 UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
 ACT 620 REGULAR SESSION, 2003
 APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION**



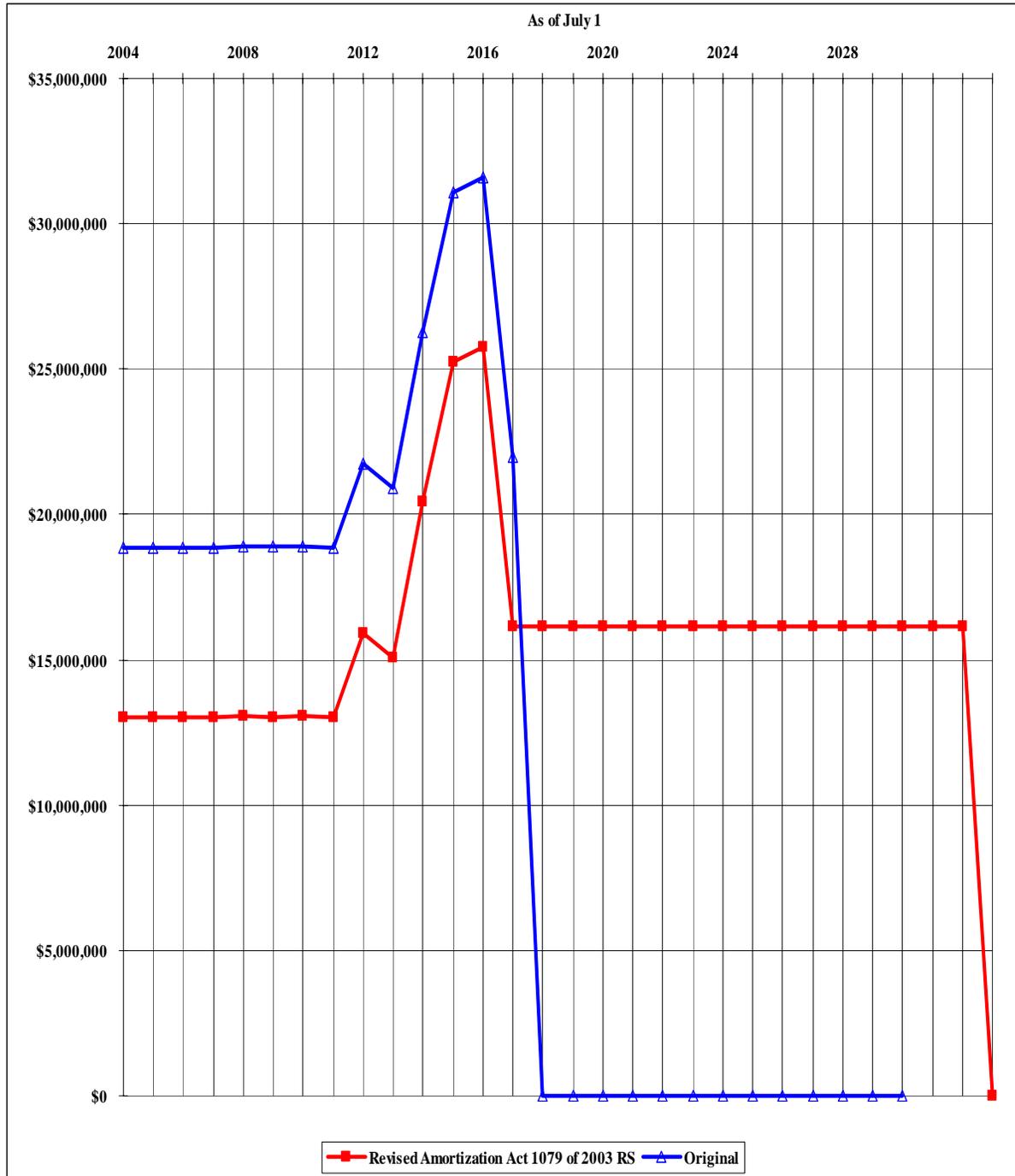
FIREFIIGHTERS' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) PAYMENT COMPARISON
ACT 620 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 UNFUNDED ACCRUED LIABILITY (UAL) BALANCE COMPARISON
 ACT 1079 REGULAR SESSION, 2003
 APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION**



**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
UNFUNDED ACCRUED LIABILITY (UAL) PAYMENT COMPARISON
ACT 1079 REGULAR SESSION, 2003
APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION**



4. Minimum Employer Contribution Limits

Caution

Funds in an Employer Credit Account representing constitutional minimum contributions should be considered as trust assets and not be diverted for other purposes without proper legislation.

Constitutional Minimum

Louisiana's Constitution requires the legislature to set the member's contribution such that it will not exceed a fixed portion of the total contribution to the retirement system until the original UAL established in 1988 is fully funded. For example, to comply with the requirements, the employer must contribute at least 12.0 percent for LASERS and 11.8 percent for TRSL based on the employee contribution rates. Upon elimination of the original unfunded liability, the IUAL, the member's contribution cannot exceed the amount contributed on his behalf by the employer.

LSERS (School Employees') is the only state system that had eliminated the original unfunded liability. Thereafter, the constitutional minimum employer contribution, 6.0% of payroll, had exceeded the projected employer contribution and required excess payments by the employer.

Employer Credit Account

Act 1331 of the 1999 Regular Session allows state plans to reduce the annual employer contribution against balances in the Employer Credit Account (ECA). The ECA balance results from amounts held and invested in a special account that is allocated any excess employer payments when the statutory minimum is greater than the actuarial required contribution. Until Act 588 of the 2004 Regular Session, LSERS was the only state plan which had an ECA. **We would caution the use of ECA funds for the purpose of offsetting required employer contributions in the future.**

LSERS Results

Act 14 of the 2000 First Extraordinary Session set the beginning balance for this system at \$56,754,405. Under the act, LSERS employers have omitted \$83.7 million of required contributions with ECA credits.

The balance was depleted in the 2004 fiscal year. Since the projected contribution has now exceeded the minimum requirement, we do not expect the ECA to receive additional credits in the near future.

Members of LSERS, a significant portion being school bus drivers, were granted a pension benefit accrual rate increase to 3½% effective July 1, 2001. Previous rates varied from 2.5% to 3.0%. To help pay for this the member's future contribution rate was increased from 6.35% to 7.5%. The employer pays for a significant portion of the substantial past service cost increase. As a result, the employer's projected actuarial cost increased to \$18.3 million (7% of pay) from \$3.7 million (1.5% of pay) in the prior year. The projected contribution required for fiscal year 2007 is \$52.7 million (19.6% of pay).

The funded ratio for FY 2005 was 75.3% compared to: 75.8% FY 2004, 79.1% FY 2003, 90.5% FY 2002, 103.0% FY 2001, and 120.5% in FY 2000. (COLAs have not been impacted by the ECA operation.)

TRSL & LASERS

Act 588 of the 2004 Regular Session allows TRSL and LASERS to establish an ECA effective June 30, 2004. These will act as separate investment accounts to hold excess employer contributions, if any, resulting between the new 15.5% floor requirement and the greater of the actuarial required amount or the Constitutional minimum. The contributions and interest can only be used to reduce UAL balances that existed prior to July 1, 2004. **This office does not have a concern about the ECA application for the extra employer contributions under Act 588 based on legislative intent.**

5. Impact of AG Opinion on DROP Cost

Issue

In 2002 the State Attorney General issued an opinion that eliminated reductions for investment experience losses to segregated DROP account balances. It resulted in \$121.6 million of liability to the state. This opinion deviated from normal retirement plan administration and was contrary to the actuarial soundness of the plan's funding. Since that opinion, new legislation has enabled the systems to change investment vehicles for DROP accounts to avoid this problem in the future.

The systems' funding assumptions include an expectation for investment returns that will be earned by trust assets. This assumed rate is applied to determine the actuarial funding requirements of the system and applies to all potential benefit liability, including those of any segregated or sub-accounts under the plan. Since the plan was required by law to apply the actuarial return to DROP balances, this inherently becomes part of the actuarial funding return assumption. If in fact, the system is forced to guarantee the sub-accounts against investment losses, it renders the return assumption to be unreasonable and the funding actuarially unsound.

It is natural that there should be investment losses, just as there are gains, in achieving the average expected return rate. If DROP accounts are not to be credited with investment losses it would seem appropriate to credit and thus invest such assets in separate investments expected to avoid negative returns, such as treasury bills. This preserves the actuarial soundness of the system's funding and reasonableness of the actuarial return assumption.

Based on the actuarial valuations **for TRSL and LASERS the cumulative cost impact totaled \$121.6 million for the applicable three year period from 2001 through 2003.** This is illustrated in the following tables:

**FY 2003 DROP COST IMPACT
OF AG OPINION**

On June 30, 2003 DROP Balances

System	DROP Account Balance	DROP Account Yield	Cost Impact
	(a)	(b)	(a) x (b)
LASERS	\$374,422,462	-4.13%	(\$15,463,648)
TRSL	\$700,335,195	-6.05%	(\$42,370,279)
Combined	\$1,074,757,657	-5.38%	(\$57,833,927)

**FY 2002 DROP COST IMPACT
OF AG OPINION**

On June 30, 2002 DROP Balances

System	DROP Account Balance	DROP Account Yield	Cost Impact
	(a)	(b)	(a) x (b)
LASERS	\$367,540,856	-4.90%	(\$18,009,502)
TRSL	\$672,385,722	-6.34%	(\$42,629,255)
Combined	\$1,039,926,578	-5.83%	(\$60,638,757)

**FY 2001 DROP COST IMPACT
OF AG OPINION**

On June 30, 2001 DROP Balances

System	DROP Account Balance	DROP Account Yield	Cost Impact
	(a)	(b)	(a) x (b)
LASERS	\$344,794,272	-0.13%	(\$448,233)
TRSL	\$593,414,957	-0.45%	(\$2,670,367)
Combined	\$938,209,229	-0.33%	(\$3,118,600)

6. Demographic Experience - TRSL

Issue

For TRSL the ratio of male to female members has steadily declined since 1979. As females become a greater portion of total membership, the annuity cost implications to TRSL can be substantial because the mortality differential results in a longer pay-out period for females.

In 1979, males represented about 28.9% of the total active group. By 1993, that ratio had decreased to 19.7%. The ratio continued a decreasing pattern that has recently slowed, such that in 2005 males compose only 17.2% of active membership.

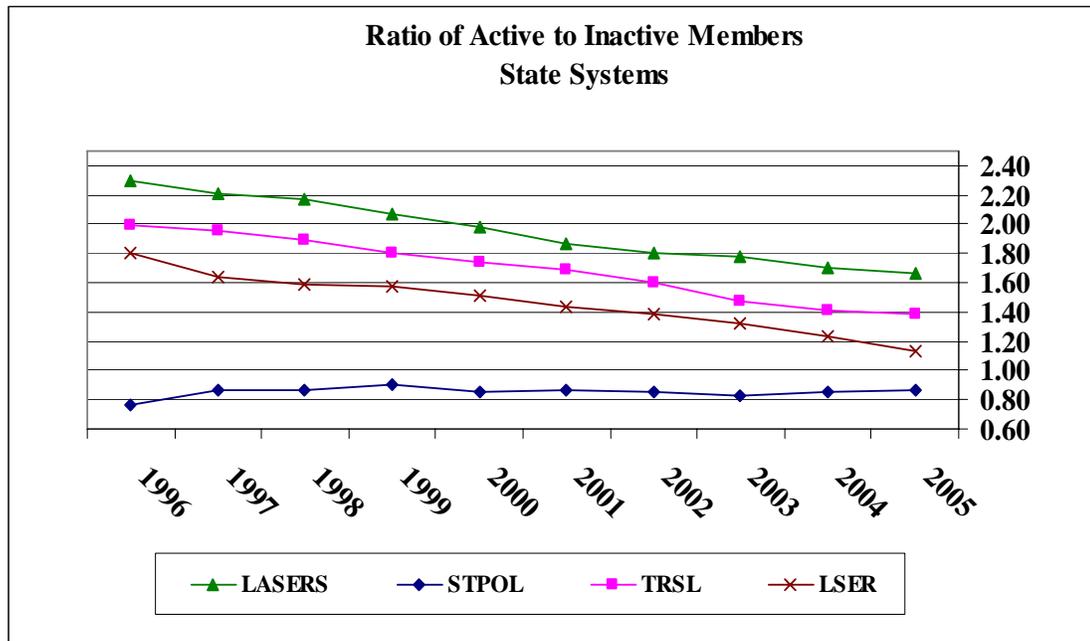
Based on current actuarial assumptions for funding, the annuity cost for a female member age 40 is 3% higher than a male member. At age 65 it is 12.3% higher. Since a greater proportion of females will enter their retirement years, the cost impact continues and is even greater, for example, at age 80 where the annuity cost is 19.5% higher for a female than for a male annuitant.

Use of sex distinct mortality rates assist in the actuarial funding of an emerging female liability trend. If the male membership continues to decline we may expect future increases in TRSL's annual cost.

7. Active versus Inactive Trends

Issue

There is a decreasing trend in the number of active to inactive members for state and statewide retirement systems. Trend-line projections indicate that the ratios could be approaching 1.0 for some systems by the end of the decade. This trend has a direct impact on cash flow and employer funding requirements as benefit payouts accelerate.



TRSL In 1996 the ratio of active to inactive members for TRSL stood at 2.00. By 2005 the ratio has dropped to 1.38.

LASERS The ratio of active to inactive membership has also decreased for LASERS, from 2.30 in 1996 down to 1.67 in 2005.

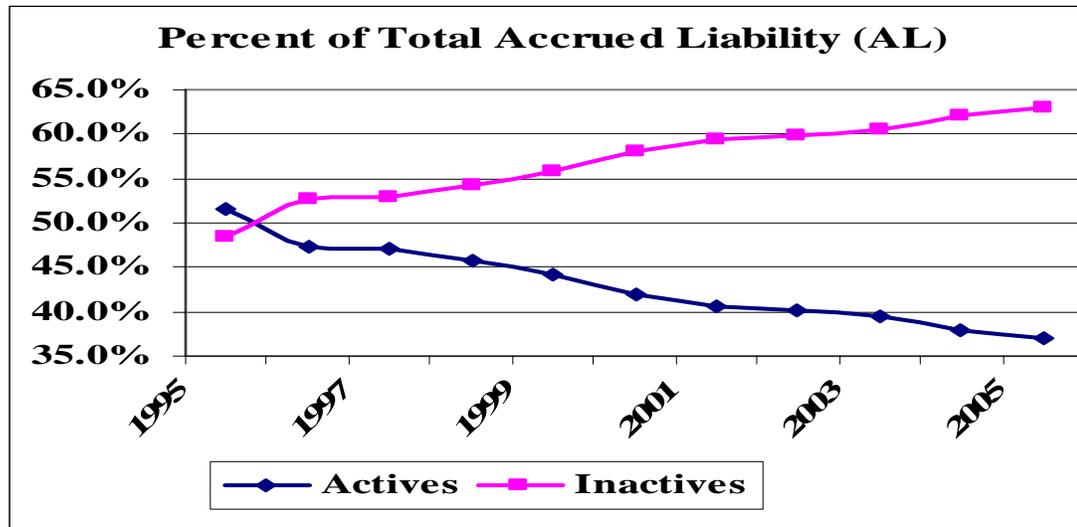
LSERS LSERS pattern is more striking, the ratio dropping from 1.81 in 1996 to 1.14 in 2005.

STPOL The ratio for State Police has been below 1.0 since 1989 and actually increased until leveling since 2000 at a ratio of .85.

Accrued Liability Trends

As expected the increasing trend in the number of **inactives relative to actives** causes a similar **pattern with accrued liability**. Inactive liability for the combined state plans is now 63.1% of total accrued liability compared to only 48.4% in 1995. The following table illustrates the impact on emerging liabilities.

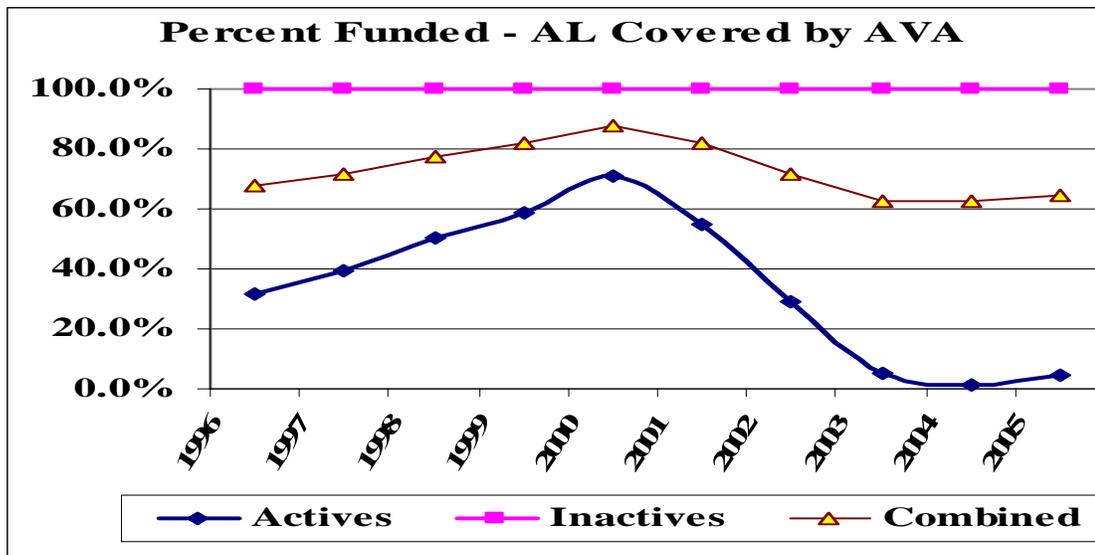
Combined State System Liability Trends		
<i>Percent of Total Accrued Liability</i>		
Fiscal Year:	<i>Actives</i>	<i>Inactives</i>
1995	51.6%	48.4%
1996	47.4%	52.6%
1997	47.0%	53.0%
1998	45.7%	54.3%
1999	44.3%	55.7%
2000	42.0%	58.0%
2001	40.6%	59.4%
2002	40.1%	59.9%
2003	39.4%	60.6%
2004	37.9%	62.1%
2005	36.9%	63.1%



Percent Funded

The following set of columns demonstrates the development of funding for active and inactive accrued liabilities. Assets are first allocated to cover 100% of the inactive liabilities. The remainder is then compared to active liabilities. The active liabilities funded percent had increased to 71.0% in FY 2000 from 31.8% in FY 1996. By FY 2005 the funded percent dropped to only 4.6%.

Combined State System Liability Trends			
<i>Percent Funded</i>			
Fiscal Year:	<i>Actives</i>	<i>Inactives</i>	<i>Combined</i>
1996	31.8%	100.0%	67.7%
1997	39.6%	100.0%	71.6%
1998	50.5%	100.0%	77.4%
1999	58.7%	100.0%	81.7%
2000	71.0%	100.0%	87.8%
2001	55.1%	100.0%	81.8%
2002	29.1%	100.0%	71.6%
2003	4.9%	100.0%	62.5%
2004	1.4%	100.0%	62.7%
2005	4.6%	100.0%	64.8%



Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive members over the 10-year period 1996 to 2005.

Statewide System Liability Trends			
<i>Ratio of Active To Retired Population</i>			
Fiscal Year:	<i>1996</i>	<i>2005</i>	Trend
ASSR	1.60	1.42	down
CCRS	2.84	2.45	down
DARS	4.16	2.88	down
FRS	2.40	2.23	range
MERSA	2.49	1.74	down
MERSB	2.63	2.27	down
MPERS	1.36	1.51	range
PERSA	2.89	2.31	down
PERSB	4.51	3.18	down
RVRS	1.54	1.34	down
SPRF	4.82	4.66	range
Total Statewide	2.71	2.42	down

8. Retiree COLA Increases versus Inflation

Issue

The average benefit since retirement has increased by 1.0% per year for retirees of the four state retirement systems. This compounded annual average rate continues to soften from the 1.1% average last year and 1.3% of 2003. Over comparable retirement periods, the CPI (Consumer Price Index) has increased an average of 2.8% per year. The 1.8% spread against the CPI has steadied over the past two years and, although greater than the 1.5% of 2003, has narrowed sharply compared to the 2.6% spread in our 1996 study when averages were 1.1% for the state and 3.7% for the CPI.

COLA Policy

At the request of the legislature, the Legislative Actuary has continued to study the impact of inflation on retiree benefit levels. Unfortunately, the state has had to focus on improving the funding position for future benefits that are promised by law. This has left any provisions for retiree COLA increases to erratic solutions. Existing methods have not given desired results and leave retirees unsure of the state's policy toward COLAs. Also of concern is the impact that these ad hoc methods have had on overall funding. Since providing our Experience Account analysis to the Legislature in 1996, we have continued to focus on two issues:

1. The current method of detouring fund assets through the Experience Account for COLA benefit increases impacts the actuarial soundness of the funding methods and interest assumptions.
2. The study of retiree benefits and COLAs relate to employer/state benefit objectives and budgeting concerns. The adequacy and level of our retirees' benefits should be determined by the state, since the state, and related employers, are ultimately responsible for payment of all promised benefits.

Act 402 of the 1999 Regular Session established a COLA formula for TRSL and LASERS. The COLA provides an annual CPI increase for benefits up to

2%. This was extended to 3% under Acts 1016 and 1172 of the 2001 Regular Session if the system at least earns the actuarial assumed interest rate of 8.25%. The law also limited COLAs to the first \$70,000 of benefit, inflation adjusted.

Any COLAs are dependent on the amount of positive balance of the Experience Account (EA). As of June 30, 2003, there were negative balances for both systems equal to a combined value of -\$1.723 billion. Negative balances were expected to increase due to actuarial losses (earnings below the 8.25% assumed rate) that are credited to the EA. This removed the possibility of additional retiree benefit COLAs for some time. However, Act 588 of the 2004 Regular Session eliminated any negative balances existing on June 30, 2004 and mandates that future balances cannot be negative. This will accelerate the possibility of granting COLAS.

For comparison, the following exhibits display the average annual rate of increase (COLA) in actual benefits for those who retired from the state systems 5, 10, 15, 20, 25, 30 and 35 years ago against CPI inflation increases over the same periods, as of June 30, 2005.

**RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase
From Retirement Date to 6/30/2005**

***STATE SYSTEMS
COMBINED***

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.5%	2.4%
10	1.1%	2.5%
15	1.1%	2.7%
20	1.1%	3.0%
25	1.5%	3.5%
30	2.0%	4.4%
35	2.0%	4.7%
Weighted Average	1.0%	2.8%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase
From Retirement Date to 6/30/2005

LASERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.5%	2.4%
10	0.9%	2.5%
15	1.0%	2.7%
20	1.0%	3.0%
25	1.7%	3.5%
30	2.1%	4.4%
35	2.3%	4.7%
Weighted Average	0.9%	2.8%

TRSL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.5%	2.4%
10	0.9%	2.5%
15	1.0%	2.7%
20	1.0%	3.0%
25	1.4%	3.5%
30	1.9%	4.4%
35	1.9%	4.7%
Weighted Average	0.9%	2.8%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase
From Retirement Date to 6/30/2005

LSERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	1.1%	2.4%
10	2.7%	2.5%
15	3.0%	2.7%
20	3.2%	3.0%
25	3.7%	3.5%
30	3.9%	4.4%
35	3.9%	4.7%
Weighted Average	2.3%	2.8%

STPOL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.0%	2.4%
10	0.8%	2.5%
15	0.8%	2.7%
20	0.7%	3.0%
25	0.8%	3.5%
30	1.7%	4.4%
35	2.1%	4.7%
Weighted Average	0.8%	2.8%

*Consumer Price Index (CPI) - All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average

When investments plummeted as they did in 2001, the reverse happened and considerable investment losses were withheld from funding. These losses initially offset any remaining gains that had been withheld, and subsequently created a negative balance in the EA. Maintaining a negative balance in the EA means that the employer is not adequately funding the system's expected liabilities under the actuarial funding method. It also means that the UAL is understated by the negative balance in the EA.

Act 588

Act 588 of the 2004 Regular Session requires existing negative balances in the Experience Account to be zeroed out and charged to the UAL balance June 30, 2004. The additional liability increases amortization payments for unfunded obligations of the plan, and the required employer contribution. Normally these negative investment losses would be offset by future investment gains allocated to the EA. The Act further requires all EA balances to be zero as of July 1, 2004 and that they may never again be negative. This allows only for positive balances in the EA and speeds the potential for granting COLAs.

Impact on UAL

The employer ultimately funds any UAL balances, including those added by COLA liabilities. **As of June 30, 2005, COLAs granted based on the EA balances for TRSL and LASERS have increased the UAL by \$1,526,700,000.**

Experience Account Historical Accumulations as of June 30, 2005 (\$millions)

System	LASERS	TRSL	Combined
Investment Allocations	(\$344.2)	(\$191.5)	(\$535.7)
Interest Credited	\$104.1	\$312.6	\$416.7
COLA Disbursements	\$390.9	\$1,135.8	\$1,526.7
Balance June 30, 2004	\$105.3	\$89.2	\$194.5

Impact of Experience Account COLA Benefits on UAL

COLA Impact on UAL	\$496.2	\$1,225.1	\$1,721.2
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The combined Valuation UAL of Teachers and LASERS was \$11.0 billion as of June 30, 2005. The employer ultimately funds UAL balances, including those added by COLA liabilities granted as a result of the EA. The EA should be considered and applied only as a measuring device used to grant COLA's. All earnings of the trust are required to pay current projected liabilities. Unless additional funds are appropriated for COLAs that are approved in the future, additional liability will be added to the UAL when the COLA is granted.

Recommendation

Contribution rates should be determined without interference from the Experience Account. The only means to avoid an increase in the UAL for granting COLA's is to fund for them in advance, with additional appropriations.

10. LEGISLATIVE CONCERN: Expansion of Military Service Credits

<i>Concern</i>	<i>Allowing subsidized military service credits results in substantial potential usage and costs to the employer.</i>
<i>Act 1370 Experience</i>	Act 1370 of the 1999 Regular Session allowed members of the Firefighters' Retirement System to receive subsidized service credits for active military duty between 1/1/1960 and 12/21/1975. To purchase the credits, a member only needed to pay an amount equivalent to the contributions that would have been paid at the time of duty. Previously, these members were required to meet certain military criteria to be eligible to purchase the credit and also paid the actuarial cost of the additional benefits. The Municipal Police Employees' Retirement System has similar provisions.
<i>Actuarial Impact</i>	Within the year following enactment of Act 1370 over 25% of the eligible universe at firefighters purchased an average of 2.5 years of service credit. We estimate that the actuarial liability equates to \$38,600 per member purchase. The member was charged an average of \$1,500 as their share of the purchase, so the net remaining cost to the employer is estimated to be \$37,100 per member purchase. The military service subsidy has carried substantial costs to this system; increased UAL by an estimated \$5 million as of June 30, 2000.
Comment	Extending similar military benefit subsidies to other wartime periods and to other systems could result in significant increases to the system's unfunded liability and contribution requirements.

11. LEGISLATIVE CONCERN: Enhancements to Public Plans as Potential Liabilities to the State

Concern

Various bills have been passed with proponents implying that the benefit enhancements do not create a potential liability to the state. In most cases these are misleading or unfounded assertions encouraging the bills to pass.

General

The following statewide systems have reached or exceeded the limits of current existing state funded resources. Each allows normal retirement after twelve years of service upon reaching age fifty-five, except RVRS, which requires twenty years. As the costs of major benefit enhancements and considerable COLA liability emerge, coupled with investment losses, the contribution portion required from local funding have increased dramatically. This has caused a strain on local governmental units who may then turn to the state for assistance through additional appropriation and taxation of our citizens.

Public entities that derive income and fees in their operations are enabled to do so by the government in the course of administering those services required and mandated under laws on behalf of the public interest. As a public entity, and not a private business, they do not hold unrestricted rights to such income as an argument for benefit enhancements and compensation purposes.

ASSR

Assessors was granted an 11% increase to the future pension benefit accrual rate, from 3% to 3 $\frac{1}{3}$ %. Effective 7/1/2001 the accrual rate for past service was also increased to 3 $\frac{1}{3}$ %. To help pay for this the member's future contribution rate was increased from 7% to 8%. The employer pays for a significant portion of the substantial past service cost increase.

65.5% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

CCRS

Clerks of Court was granted an 11% increase to the future pension benefit accrual rate, from 3% to 3½%. The employer pays the total cost of this increase.

It was argued that the contribution is fully paid from fees charged to the public by their office. This is a public entity, not a private business.

30.8% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

FRS

The funding for Firefighters is paid from local appropriations and a state portion from the insurance premium tax fund (IPTF). Total employer costs from public funds have increased to 30.9% of employee payroll from 20.9% in FY 2000. Local appropriations to fund the system went up to 18.0% from 9% of employee payroll over the same period.

41.7% of the required contribution from public funds is paid by state allocated IPTF amounts. The maximum available from the state's IPTF allocation is \$18.2 million for FY 2006, 12.9% of employee payroll.

Since funds available from IPTF are not adequate to complete the required funding for fiscal year 2006, the employer is required to fund the shortage. Remaining IPTF amounts would have been deposited into the state's general funds had they not been required. In recent years the state has also appropriated extra amounts to assist the system with the contribution requirements

RVRS

Registrars of Voters was granted an 11% increase to the future pension benefit accrual rate, from 3% to 3½% effective July 1, 1999. The employer pays the total cost of this increase.

58.3% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

SPRF

Sheriffs was granted an increase in the pension benefit accrual rate, to a uniform rate of 3½%, for all

years of service under Act 496 of 1999 Regular Session. The prior accrual rates varied from 2.5% to 3.25% depending upon years of credited service. To help fund for this the member's future contribution rate was increased to 9.7% from 8.7% of pay. Effective July 1, 2004, the system board can now set the employee rate between 9.8% and 10.25% of pay to fairly apportion the cost of benefit improvements.

Since the benefit increase, which included a substantial past service cost, total employer costs from public funds have increased to 15.8% from 8.1% of employee payroll. Local appropriations to fund the system went up to 10.75% from 5% of employee payroll.

32.0% of the required contribution from public funds is paid by state allocated ad valorem taxes, revenue sharing, and IPTF amounts. For FY 2006, ad valorem taxes and revenue sharing will contribute \$10.3 million and the IPTF will be required to provide the maximum \$12.2 million. In FY 1999, prior to the benefit increase, the plan did not require any IPTF money.

Since funds available from IPTF were not adequate to complete the required funding again for fiscal year 2006, the employer is required to fund the shortage. Remaining IPTF amounts would have been deposited into the state's general funds had they not been required for funding the benefit increases.

12. LEGISLATIVE CONCERN: Retirement Benefits to Active Members While Employed

Concern

Payment of benefits prior to actual retirement can add considerable cost to a member's pension liability, whether paid in the form of DROP benefits or rehired retiree benefits. It appears reasonable to consider whether public employees who are under age 60 should be paid what are essentially bonus checks while actively working.

As a result, the state and statewide plans are absorbing substantial additional liabilities through early payments to public workers that have little relationship to retirement. Partial or misleading arguments have encouraged these bills to pass without adequate considerations of cost or employer objectives.

TRSL - Professors

Proponents urged and were granted immediate unreduced retirement benefits plus full salary for university professors who were DROP retirees and return to work. The provisions of the proposed bill were enacted under Act 18 of the Second Extraordinary 2000 Special Session. It was argued that the cost of this expensive benefit would be paid by the hiring public institutions. Once again, this is not a for profit private business, it's a public entity receiving state funds.

TRSL - All

Act 1173 of the 2001 Regular Session allows all TRSL members who retire, or are retired, and are then rehired to receive full salary and full benefit payments without return-to-work benefit reductions. Payment of full benefits in addition to full salary does not begin until 12 months from the date of retirement.

TRSL - LAE

Act 1046 of the 2001 Regular Session allows any non-bargaining employee who retires and is then rehired to receive full salary and full benefit payments immediately, without benefit reductions or waiting period. This special legislation appears to have been

for the benefit of one individual employee of the Louisiana Association of Educators (LAE).

LASERS - All

Act 455 of the 2001 Regular Session allowed all LASERS members who retire, or are retired, and are then rehired to receive full salary, full benefits, and the full additional accrual of benefits without return-to-work benefit reductions. Payment of full benefits in addition to full salary and additional accrual does not begin until 12 months from the date of retirement except for members who retired and were rehired prior to July 1, 2001. This resulted in substantial anti-selection against current retirement rate assumptions by certain members who immediately retired and returned to work with the significant benefits allowed under this legislation. Act 455 was effectively rescinded under Act 165 of the First Extraordinary 2002 Special Session, but it appears over 600 member applications may have been grandfathered.

SPRF

Act 781 of the 2004 Regular Session increases the earnings limitation to 50% of final average compensation from the current 33 1/3%, if reemployment occurs during the first 24 months of retirement; and a modest increase to 55% from the current 50% if reemployed part-time thereafter. This could extend the number of active employees who are currently eligible for retirement to consider taking an immediate retirement and then return to work on a part time basis, to earn full retirement benefits plus part-time salary. Consequently, this would directly impact system liabilities and employer contribution rates by changing the demographics of the active population group. Also, there is a potential impact on the system retirement rate structure, a critical component in measuring emerging system liabilities. The ultimate impact would be dependent on the re-employment policies and controls of each sheriff's office.

13. LEGISLATIVE CONCERN: Cash Flow Concerns

Concern

Excluding investment gains, the annual additions of the state systems do not meet their annual deductions. This could force the sale of investments into an unfavorable market or dictate investment strategies to support cash flow requirements.

The larger state systems had committed significant allocations into equities (including alternative investments, private placements, REITS, and venture capital) and away from fixed income investments. These investments tend to be less liquid in bear markets, require additional cash commitments, and may pay minimal interest and dividend income.

Should the systems experience another period of net investment losses it is probable they will be forced to liquidate certain investments at a loss to cover the plan benefit payments and expenses. Dividend and interest income alone would not adequately cover the net negative cash flow in some of the state systems.

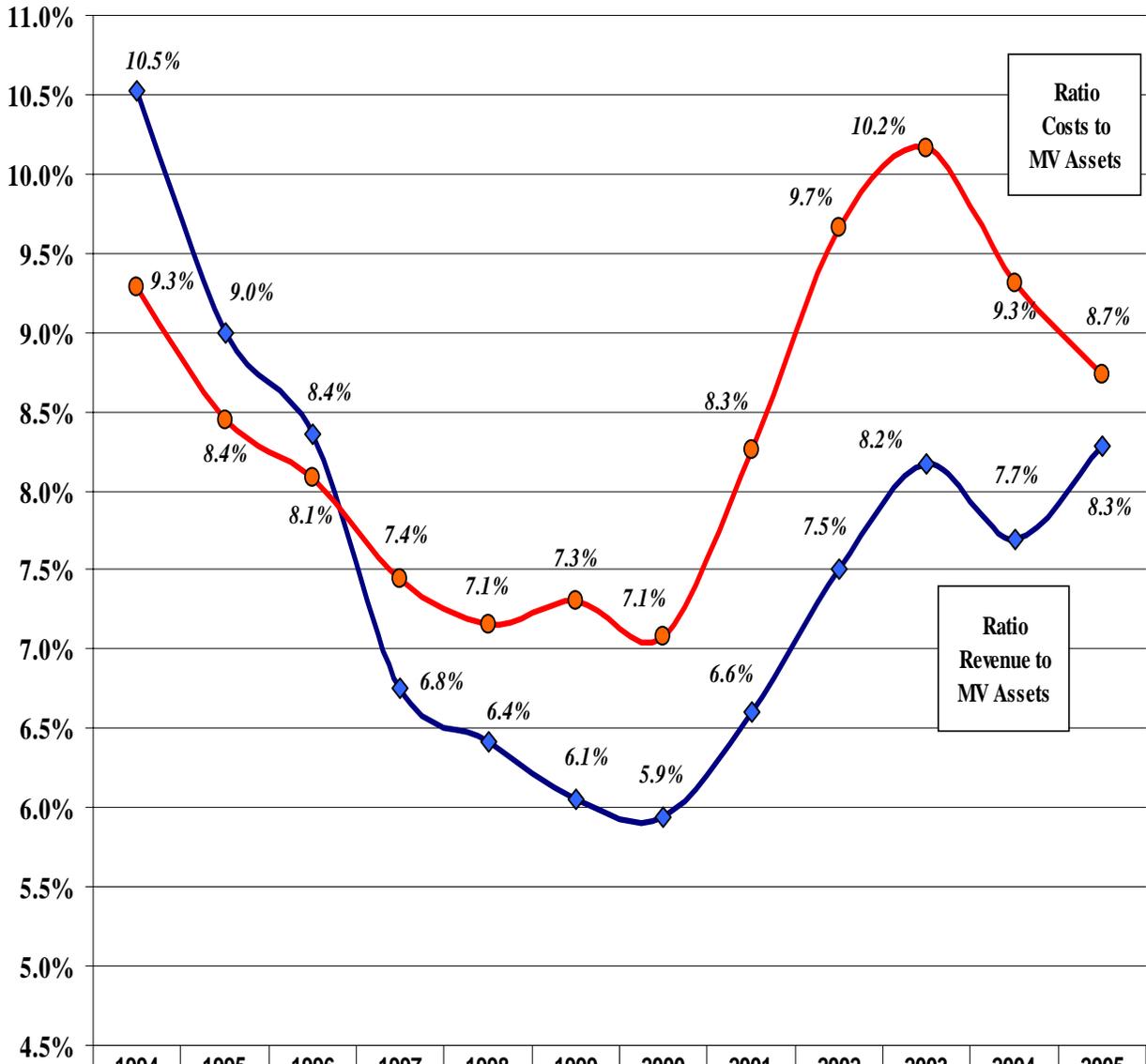
- The following first set of exhibits titled “Net External Cash Flow” shows the net cash available from external additions (contributions) net of required deductions (benefits/expenses) for each state system as of June 30, 2005 in column (c). Column (e) shows the amount of shortage that still remains after interest and dividends are applied. Negative amounts must be covered by proceeds of investment sales.
- Following the cash flow exhibits are graphs for LASERS and TRSL that compare historical ratios of revenues (contributions) and costs (benefits and expenses) to the market value of trust assets. The time period encompasses the significant markets cycles between 1994 and 2005. For LASERS the ratios are converging to levels similar to their pre-1997 relationships. However, the revenue ratio for TRSL is stalling and lagging the upward path exhibited by the cost ratio.

NET EXTERNAL CASH FLOW					
<i>(Excludes Net Investment Income)</i>					
STATE SYSTEMS					
As of June 30, 2005					
(\$millions)					
System	Amounts Added	Amounts Deducted	Net External Cash Flow	Interest & Dividends	Negatives Covered by Investment Sales
	<i>(a)</i>	<i>(b)</i>	<i>(c) = (a) - (b)</i>	<i>(d)</i>	<i>(e)</i>
LASERS	\$598.4	\$630.7	(\$32.3)	\$167.9	\$0
TRSL	\$837.5	\$1,182.9	(\$345.4)	\$257.9	(\$87.5)
STPOL	\$34.4	\$25.9	\$8.4	\$7.5	\$0
LSERS	\$56.7	\$116.2	(\$59.5)	\$46.7	(\$12.7)
Combined	\$1,526.9	\$1,955.7	(\$428.8)	\$480.0	\$100.3

As shown below, except for TRSL higher employer contribution requirements have narrowed the negative cash gap between annual contributions and benefits/expenses significantly. Reliance on dividend and interest income to meet trust obligations is reduced. If this investment income threshold is breached the system must divest a portion of their securities investments for this purpose.

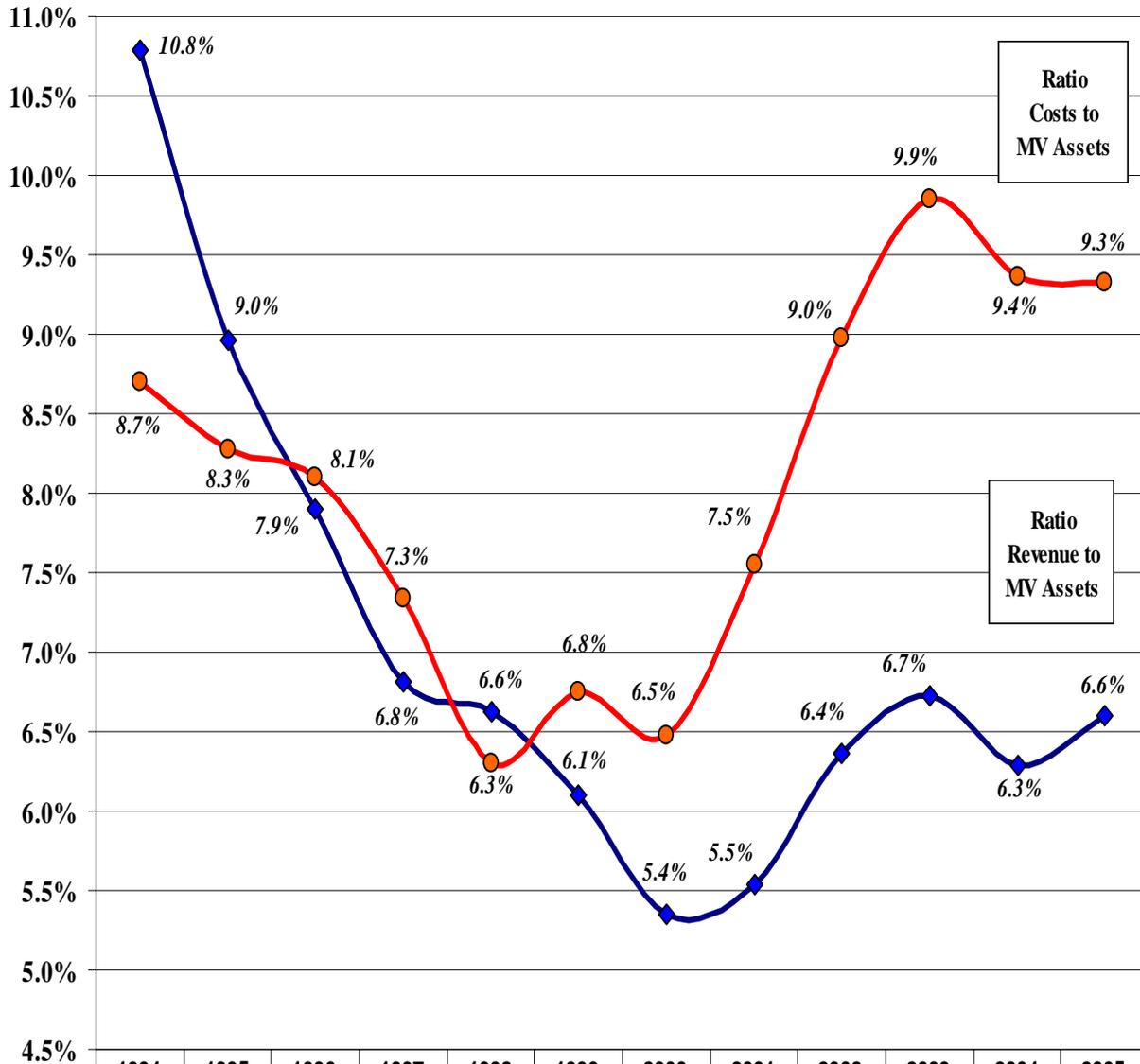
HISTORICAL NET EXTERNAL CASH FLOW					
<i>(Excludes Net Investment Income)</i>					
STATE SYSTEMS					
FY 2001 to FY 2005					
(\$millions)					
System	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
LASERS	(\$32.3)	(\$106.7)	(\$114.0)	(\$124.6)	(\$100.8)
TRSL	(\$345.4)	(\$365.8)	(\$329.2)	(\$277.8)	(\$237.7)
STPOL	\$8.4	\$5.7	\$6.1	\$5.5	\$5.6
LSERS	(\$59.5)	(\$67.3)	(\$82.9)	(\$74.3)	(\$70.8)
Combined	(\$428.8)	(\$534.2)	(\$520.0)	(\$471.2)	(\$403.7)

LASERS
REVENUE & COSTS
(Excluding Investment)
VERSUS
MARKET VALUE OF ASSETS



◆ REVENUE	10.5%	9.0%	8.4%	6.8%	6.4%	6.1%	5.9%	6.6%	7.5%	8.2%	7.7%	8.3%
● COSTS	9.3%	8.4%	8.1%	7.4%	7.1%	7.3%	7.1%	8.3%	9.7%	10.2%	9.3%	8.7%

TRSL
REVENUE & COSTS
(Excluding Investment)
VERSUS
MARKET VALUE OF ASSETS



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
◆ REVENUE	10.8%	9.0%	7.9%	6.8%	6.6%	6.1%	5.4%	5.5%	6.4%	6.7%	6.3%	6.6%
● COSTS	8.7%	8.3%	8.1%	7.3%	6.3%	6.8%	6.5%	7.5%	9.0%	9.9%	9.4%	9.3%

14. LEGISLATIVE CONCERN: Adverse Selection

Concern

Recent legislation has indicated a trend toward benefit choices that leave the employer vulnerable to unknown costs resulting from possible anti-selection by the participant.

Adverse selection, or anti-selection, can happen when a member is motivated directly or indirectly to take advantage of an elective option for their own benefit, for which the underlying cost expectations of the risk were determined based on collective experience of the group as a whole.

ORP Recision – LASERS

Act 923 of the 2004 Regular Session

Under this legislation, employees who made an irrevocable election to participate in ORP prior to July 31, 2002 can rescind their election, forfeit accumulated amounts for that period, and presumably pay any actuarial cost differences to receive service credit in the defined benefit plan for the rescission period. The member may also re-establish prior credit under the defined benefit plan by returning all contributions that had been transferred into ORP with interest. The member will have the option of looking back to see if significant benefit improvement can be gained by opting out of ORP. If the defined benefit plan would provide the better benefit they could rescind their ORP account to receive the higher future benefit value.

ANTI-SELECTION: Actuarial liabilities could increase for exposure to anti-selection against the plan benefit structure and actuarial funding assumptions. An example is anti-selection against the mortality assumptions and the plan's survivorship provisions. Under the proposed amendment, a member could elect out of ORP in anticipation of death if the defined benefit plan provides a greater benefit.

Airtime Purchase
– *LASERS*

Act 340 of the 2004 Regular Session

Allowing credited service purchases for up to five years of unrelated employment could impose additional unexpected costs from possible anti-selection. It is assumed that a member willing to purchase additional service is typically expecting to gain a financial or risk aversion advantage in doing so. There is no assurance that this anti-selection can be adequately charged to the participant. The assumptions creating an actuarial basis for the purchase cost must be realized by the system to ultimately be equivalent to the liability that emerges. This means that the system is exposed to any actuarial losses that could occur if the assumptions are not realized.

Act 75 of the 2005 Regular Session amended the Act 340 provisions effective July 1, 2005 to require members to have at least five years of service to qualify and the service credit does not count for retirement eligibility purposes.

Back DROP – SPRF

Act 854 of the 2004 Regular Session

In addition to paying a lump sum equal to the maximum monthly retirement benefit for each month the member selects as the Back-DROP period, this legislation also credits a member's account, upon separation of service, with all contributions they had been required to pay as an active employee during that period.

Back-DROP allows a retiring member of SPRF (Sheriffs' Pension and Relief Fund) to elect an alternative monthly benefit plus lump sum at actual retirement. The alternative benefit equals the accrued monthly benefit that existed at the beginning of the three year Back-DROP period. The lump sum is an amount equal to the alternative benefit for each month of the selected Back-DROP period. **The Back-DROP value is not the same as a reduced option payment, for example IBO, since it is not determined as an actuarial equivalent of the regular retirement benefit value.**

A major component that allowed Back-DROP to be a feasible benefit alternative to DROP was the retention of required employee contributions by the system. This is no longer true since Act 854 of the 2004 Regular Session will now refund the employee contributions that were paid during the look back period, in addition to the lump sum Back-DROP account and the alternative monthly retirement benefit payable to the member for life. If the employee chooses not to select the Back-DROP alternative, then they receive their regular promised retirement benefit.

ANTI-SELECTION: Generally, the plan loses when a member is allowed to elect between options that are not actuarially equivalent. Back-DROP allows a member to select to participate retroactively in DROP at their actual retirement. This means the member can look back and determine whether they would gain from salary increases or legislated benefit changes by entering the program retroactively. DROP members did not have this opportunity although they were given the equivalent account benefits prior to termination retirement. **Retaining the employee contributions helped to neutralize the adverse exposure and therefore costs to the system. This will no longer be true under Act 854.**

DROP Recision – SPRF

Act 866 of the 2004 Regular Session

This legislation allows members who are in DROP, or Post-DROP members who have not severed employment to rescind participation in DROP and subsequently elect either regular retirement status or to elect Back-DROP.

ANTI-SELECTION: The member will have the option of looking back to see if significant benefit improvement can be gained by opting out of DROP. If plan benefits are increased by legislation or a member had significant pay increases they can rescind their DROP account to receive the higher future benefit value. Allowing members to change options retrospectively can significantly impact the actuarial funding assumptions underlying the plan's benefit structure.

Anti-selection is also possible against the mortality assumptions and the plan's survivorship provisions. When a member enters the DROP program they must select an annuity payout option, similar to that of a retiree. Under the proposed amendment, a member could elect out of DROP in anticipation of death whenever the non-DROP active death benefit provides a greater amount than the annuity option they selected to participate in DROP.