2007 Actuarial Report on Louisiana Public Retirement Systems

Issued September 2009

OFFICE OF THE LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE RETIREMENT COMMITTEE CHAIRMEN

HONORABLE JOEL C. ROBIDEAUX, CHAIRMAN	HONORABLE D. A. "BUTCH" GAUTREAUX, CHAIRMAN
HOUSE RETIREMENT COMMITTEE	SENATE RETIREMENT COMMITTEE

LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

DIRECTOR OF ACTUARIAL SERVICES
PETER J. BONDY, FSA, MAAA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Retirement Committee Chairmen, and to other public officials. A copy of this report is available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Office of the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Seven copies of this public document were produced at an approximate cost of $47.32. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.la.gov/reports_data/actuaryreports.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.

2007 ACTUARIAL REPORT

ON

LOUISIANA PUBLIC

RETIREMENT SYSTEMS

August 2009

2007 ACTUARIAL REPORT

LOUISIANA PUBLIC RETIREMENT SYSTEMS

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED) **PAGE(S)**

SECTION II:

BENEFIT FORMULAS, RETIREMENT ELIGIBILITY, AND CONTRIBUTION RATES

SECTION III:

ACTUARIAL CONCERNS -- FUNDING ISSUES

LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 9, 2009

The Honorable Bobby Jindal
Governor of the State of Louisiana
Post Office Box 94004
Baton Rouge, Louisiana 70804-9004

The Honorable Joel T. Chaisson, President
Louisiana Senate
Post Office Box 94183
Baton Rouge, Louisiana 70804-9183

The Honorable Jim Tucker, Speaker
Louisiana House of Representatives
Post Office Box 94062
Baton Rouge, Louisiana 70804-9062

Re: 2007 Annual Actuarial Report on Louisiana Public Retirement Systems

The Office of the Legislative Auditor evaluates, as to actuarial soundness, the state, municipal and parochial retirement systems, funded in whole or in part out of Louisiana public funds. This report which is prepared by the Actuarial Services Division of my office is submitted in accordance with R.S. 24:513C(1) and R.S. 11:271C(2) and includes within its scope the thirteen state and statewide retirement systems (Systems) for their fiscal years ending 2007.

Our review consisted primarily of the collection of information and data provided by the Systems and approved by the Public Retirement Systems' Actuarial Committee (PRSAC), and the organization of this information into a consolidated format.

We have not performed auditing procedures, as required by *Government Auditing Standards* in the conduct of an audit, and therefore do not offer an opinion on the Systems' financial statements or internal controls. While the Actuarial Services Division has applied certain actuarial analysis to this information, we have not examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed for the purpose of expressing an opinion. Therefore, we do not express an opinion thereon. However, based on the actuarial procedures performed, should the Systems comply with contribution rates approved by PRSAC, both now and in the future, the assumptions made are realized, and there is due care of trust assets, the systems should be actuarially sound.

The accompanying report presents an executive summary of our analysis as well as a consolidation of Systems' data provided. This report is intended primarily for your use and the use of the Systems. Copies of this report have also been delivered to those as required by law. It is also being made public through the Legislative Auditor's Web site at www.lla.la.gov/reports_data/actuaryreports.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

SJT:PLB:pm
ACTUARIAL REPORT LETTER

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

2007 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2007 Report

The ***2007 Actuarial Report on Louisiana Public Retirement Systems*** was prepared 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 their fiscal years ending in 2007. 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 101)

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 report also includes 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	*Louisiana State Employees' Retirement System*
TRSL	*Teachers' Retirement System of Louisiana*
STPOL	*State Police Pension and Retirement System*
LSERS	*Louisiana School Employees' Retirement System*

Statewide Systems

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

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

SUMMARY of FY 2007 VALUATION RESULTS

(6/30/07 FYE Valuation, Except ASSR 9/30/07 and PERS 12/31/07)

	(Page 21, 22)		(Page 42)	(Page 37, 38)	(Page 45, 46)
	Employer Projected Rates		Valuation UAL	Actuarial Value of Assets	Funded Level
Systems	FY 2008	FY 2009	(in millions)	(AVA in millions)	AVA / PBO
LASERS	20.40%	18.50%	$4,129.7	$8,620.8	69.4%
TRSL	16.60%	15.50%	$6,250.6	$15,429.4	74.3%
STPOL	26.20%	27.30%	$158.6	$428.8	75.9%
LSERS	18.10%	17.80%	$389.3	$1,558.3	83.3%
State Total			**$10,928.2**	**$26,037.5**	**73.1%**
ASSR	5.50%	4.75%	$32.1	$176.2	77.8%
CCRS	11.75%	11.25%	$84.1	$325.3	78.9%
DARS	0.00%	0.00%	$0.0	$213.7	109.6%
FRS	13.75%	12.50%	$166.7	$1,025.7	88.6%
MERS A	13.50%	10.75%	$73.2	$624.4	87.9%
MERS B	6.75%	4.75%	$5.4	$124.5	94.7%
MPERS	13.70%	9.50%	$188.2	$1,531.3	93.5%
PERS A	9.25%	9.00%	$66.3	$2,027.2	101.6%
PERS B	5.25%	6.25%	$0.0	$141.8	107.4%
RVRS	6.25%	2.00%	$0.0	$60.9	97.2%
SPRF	8.50%	7.50%	$96.3	$1,468.6	90.1%
Statewide Total			**$712.3**	**$7,719.5**	**93.1%**
Total All Systems			**$11,640.5**	**$33,757.1**	**76.9%**

SUMMARY of FY 2007 VALUATION RESULTS

(6/30/07 FYE Valuation, Except ASSR 9/30/07 and PERS 12/31/07)

	(Page 39)			(Page 50)			(Page 50)
	Investment Returns FY 2007			Membership			
Systems:	Market Value	AVA	Assumed Rate	Actives	Retirees	Total	Payroll (in millions)
LASERS	18.6%	14.2%	8.25%	60,444	38,722	101,790	$2,175
TRSL	19.1%	15.2%	8.25%	82,672	66,154	152,541	$3,225
STPOL	16.2%	8.6%	7.50%	1,003	1,167	2,202	$50
LSERS	14.9%	9.9%	7.50%	12,935	12,402	26,010	$259
State Total				**157,054**	**118,445**	**282,543**	**$5,709**
ASSR	14.7%	12.1%	8.00%	691	464	1,212	$34
CCRS	14.3%	10.2%	8.00%	2,277	927	3,291	$78
DARS	14.6%	9.9%	8.00%	691	224	940	$43
FRS	17.1%	11.6%	7.50%	3,632	1,609	5,375	$151
MERS A	18.1%	10.8%	8.00%	4,720	2,930	7,895	$141
MERS B	17.4%	10.6%	8.00%	2,105	868	3,021	$55
MPERS	16.5%	13.6%	7.50%	5,840	3,942	9,999	$229
PERS A	7.9%	17.1%	7.50%	13,245	5,580	19,230	$455
PERS B	7.7%	13.4%	7.50%	1,993	627	2,657	$63
RVRS	14.0%	13.6%	8.00%	213	141	371	$9
SPRF	16.0%	10.2%	8.00%	13,530	3,335	16,865	$481
Statewide Total				**48,937**	**20,647**	**70,856**	**$1,739**
Total All Systems				**205,991**	**139,092**	**353,399**	**$7,448**

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 2007 valuations of the thirteen state and statewide plans range from 7.5% to 8.25%.**

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 with contributions from employers, members, various taxes, revenue sharing funds, Insurance Premium Tax Fund (IPTF), legislative appropriations, and the investment earnings accumulating on those amounts.

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 employer’s portion of normal cost and the amortization payment toward the Unfunded Accrued Liability (UAL). The normal cost is the amount allocated for that year's liability accrual. 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.

Guaranteed Payment

Our state constitution guarantees an annual employer payment for the four state systems sufficient to pay the normal cost and to amortize the Initial Unfunded Accrued Liability (IUAL), established as of June 30, 1988, to be paid fully by 2029. 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, 2007, the four state systems had a combined Valuation UAL balance of $10.9 billion. The combined payment to fund this amount for FY 2007 is $575.4 million. It represents 57.2% of the $1.0 billion of required employer contributions to actuarially fund the four state systems.

VALUATION UAL BALANCES
as of 6/30/2007
(in millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL (AL) – (VA)
LASERS	$12,421.9	$8,292.2	$4,129.7
TRSL	$20,772.3	$14,521.8	$6,250.6
STPOL	$587.5	$428.9	$158.6
LSERS	$1,947.6	$1,558.3	$389.3
Combined	**$35,729.4**	**$24,801.2**	**$10,928.2**

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 (in millions)		
LASERS	**FY 2008**	**FY 2009**
6/30/2007 Payroll Based Amounts	**$427.8**	**$428.3**
Projected Rate (% Payroll)	***20.4%***	***18.5%***
15.5% Minimum Required	n/a	n/a

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 (in millions)		
TRSL	**FY 2008**	**FY 2009**
6/30/2007 Payroll Based Amounts	**$556.8**	**$574.3**
Projected Rate (% Payroll)	***16.6%***	***15.5%***
15.5% Minimum Required	n/a	yes

STPOL

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

Projected Employer Contributions (in millions)		
STPOL	**FY 2008**	**FY 2009**
From General Fund	**$13.4**	**$14.1**
Projected Rate (% Payroll)	***26.2%***	***27.3%***
Insurance Premium Tax Fund	**$1.5**	**$1.5**

LSERS

The employer contribution is paid from local school district funds, primarily from state MFP transfer payments. Prior to fiscal year 2002, this system was fully funded. As of June 30, 2007, the actuarial accrued liability exceeded actuarial assets by $389.3 million and requires both a normal cost and an amortization payment.

Projected Employer Contributions (in millions)		
LSERS	**FY 2008**	**FY 2009**
6/30/2007 Payroll Based Amounts	**$44.9**	**$47.9**
Projected Rate (% Payroll)	***18.1%***	***17.8%***
6.0% Minimum Required	n/a	n/a

IUAL Funds

These dedicated amounts are held in a side-fund account, *Initial UAL Fund*, under each system's trust and credited with the actuarial rate of return. When the fund 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 the IUAL Funds will assist to liquidate the applicable liability for LASERS by 2029, TRSL by 2028.

IUAL FUND BALANCES
(as of 6/30/2007)
(in millions)

	LASERS	**TRSL**	**Combined**
Balance	$53.3	$291.0	**$344.2**

(Special Appropriations)

Act 642 of 2006 appropriated $26,400,000 for TRSL and $13,600,000 for LASERS as of June 30, 2006, for accelerating the payoff of the IUAL.

(Texaco Settlement)

The Texaco Settlement Funds were appropriated to three state retirement systems (LASERS, TRSL, and STPOL) to aide in accelerating the payoff of the IUAL. **The *STPOL* Texaco Fund balance of $50,084,124 was released on June 30, 2006, to fully liquidate its IUAL.**

Statewide Retirement Systems

General

Employer contributions required to fund the actuarial liabilities for each of the nine statewide retirement systems - defined benefit plans - come from the five sources as indicated below.

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 (IPTF)
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 2007 fiscal year end, those seven statewide systems had a combined UAL balance of $712.3 million.

UAL Balances - Statewide Systems as of June 30, 2007
(in millions)

	FY 2007	FY 2006
ASSR	**$32.1**	$35.0
CCRS	**$84.1**	$82.8
FRS	**$166.7**	$178.0
MERS (Plans A & B)	**$78.7**	$78.0
MPERS	**$188.2**	$279.1
PERS Plan A	**$66.3**	$89.8
SPRF	**$96.3**	$95.5
Combined UAL	**$712.3**	$838.0

Aggregate Funding

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 contribution rates applied to payroll for the statewide systems are shown below.

Statewide System	Projected Rate	
	FY 2008	FY 2009
ASSR	5.50%	4.75%
CCRS	11.75%	11.25%
DARS	0.00%	0.00%
FRS	13.75%	12.50%
MERSA	13.50%	10.75%
MERSB	6.75%	4.75%
MPERS	13.75%	9.50%
PERSA	9.25%	9.00%
PERSB	5.25%	6.25%
RVRS	6.25%	2.00%
SPRF	8.50%	7.50%

For FRS, SPRF, and 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 all excess employer contribution requirements.

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
2007	$7.4	$7.8	$10.6		$25.9
2008	**$5.6**	**$3.0**	**$1.9**		**$10.5**

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

Benefit Formulas

Louisiana's thirteen state and statewide retirement systems provide lifetime 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 his/her 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 many statewide systems (Acts 780 and 835 RS 2006) after the 2006 fiscal year. Benefits are designed to provide a reasonable replacement ratio of pre-retirement income for long service employees. Shorter service employees receive benefits at a proportionally lower replacement ratio. Current accrual rates for regular TRSL and LASERS members are 2.5% for each year of service. Accrual rates for certain elected officials and hazardous duty personnel and all other state and statewide systems generally range from 3.0% to 3.5%.

Retirement Eligibility

All of the state and statewide retirement systems require some combination of years of service and age 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 retirement systems require employee contributions as part of the overall funding requirement to pay for proposed retirement benefits. The contribution rates are set by statute and range from 7.0% to 10.0% 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 3.0% to 5.0%.

Replacement Ratios

Replacement ratios in Section 2 of this report 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** in fiscal year 2007, 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 all 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 benefit provisions, interest rates, and salary increase assumptions of the retirement system in effect as of fiscal year end 2007. Results show replacement ratios fall between 67% to 83% for all state and statewide plans, except regular LASERS (state employees) and TRSL (teachers), which are 58% and 57%. The benefit cost portion paid by the employee ranges from 23% to 46%, except 71% for judges/court officers.

Contribution Rates

Part 3 of this section focuses on the combined sources of all projected contributions required by each system during fiscal year 2009. A graphic exhibit illustrates ***the total of all contribution sources (including the members) relative to projected payroll*** and compares this to the ***member only rates*** for each system. The combined contribution requirements, employer (public sources) plus members, vary from 16.8% (DARS) up to 38.2% (STPOL) of member payroll.

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 72.0% of the 353,000 active and inactive members of the combined thirteen state and statewide retirement systems.

Summary of Selected Recent Impacting Legislation:

Act 333

STPOL & LSERS: Act 333 of the 2007 Regular Session created Experience Accounts for State Police Pension and Retirement System *and* Louisiana School Employees' Retirement System effective July 1, 2007, replacing other sections for determining cost of living adjustments (COLA) in these systems. All four state systems now use this method.

Act 584

PERS: Act 584 of the 2006 Regular Session made significant changes under the Parochial Employees' Retirement System Plans A&B. It is expected to result in substantial cost savings ultimately projected to reach 1.7% Plan A and 0.8% Plan B of membership payroll annually. The major features of this Act apply only to new employees who first become members beginning January 1, 2007. Provisions included increasing normal retirement eligibility requirements as follows:

Current Membership Retirement Eligibility			
Plan A		**Plan B**	
Age	***Service***	***Age***	***Service***
65	7	65	7
60	10	60	10
55	25	55	30
any age	30	n/a	n/a

New Members 1/1/2007 and After	
Plan A&B	
Age	***Service***
67	**7**
62	**10**
55	**30**
n/a	**n/a**

Act 780

STATEWIDE SYSTEMS: Act 780 of the 2006 Regular Session extended the final average compensation period for benefit calculations from thirty-six months (3 years) to sixty months (5 years) 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 *Sheriffs' Pension and Relief Fund;*

- October 1, 2006, for the *Assessors' Retirement Fund;* and
- 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 is ultimately expected to reduce employer costs by .65% to 1.0% of projected payroll annually.

LSERS**:** Various Acts of the 2006 Regular Session also extended the final average compensation period for benefit calculations from thirty-six months (3 years) to sixty months (5 years) for new employees of Louisiana School Employees' Retirement System hired on or after July 1, 2006.

Act 75

LASERS: Act 75 of the 2005 Regular Session made significant changes to existing statutes under the Louisiana State Employees' Retirement System. 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 members of LASERS **hired after June 30, 2006** (new employees).

Changes were:

(1) ***Retirement Eligibility:*** *New employees must have at least ten (10) years of service and reach age sixty (60) for normal retirement.*

(2) ***Final Average Compensation*** *(New employees): The final average compensation period for benefit calculations is extended to sixty months (5 years) from thirty-six months (3 years). The limit on annual compensation increases for averaging is reduced to 15% from 25%.*

(3) ***Disability benefits:*** *New employees 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) ***Employee Contribution Rate:*** *New employees will contribute 8.0% of pay instead of 7.5%.*

(5) ***Service Purchase (All members):*** *(i) after five years of service any active member may purchase up to five years of additional service credits and (ii) the purchase credit is for benefit accrual only, not for retirement eligibility.*

Act 588

LASERS, TRSL & LSERS: Act 588 of the 2004 Regular Session made significant changes to existing statutes affecting employer contributions to the Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, and School Employees' Retirement System.

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, are 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 applied 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, thereby only sharing in investment gains. The balance is limited to two years of COLA reserves. Any negative EA balance on June 30, 2004, was eliminated and 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.*

This page intentionally blank.

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, reviewed by the Actuarial Services Division of the Office of the Legislative Auditor, and approved by PRSAC (Public Retirement Systems' Actuarial Committee) for adoption and recommendation to the legislature. The employer contribution rate is determined 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, 2007

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

UAL = Unfunded Accrued Liability
IUAL = Initial Unfunded Accrued Liability

Normal Cost

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

Accrued Liability

The portion of the actuarial projected benefit liability 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 not funded by the system's funding assets on the valuation date. The UAL is determined relative to **Valuation Assets** for funding purposes and consists of the **Initial Unfunded Accrued Liability (IUAL)** and subsequent **supplemental liability bases** that may be generated each year. The supplemental liability bases 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 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. These Actuarial Cost amounts are projected forward to be payable mid-year. The employers' Projected Contribution Rates are then determined for the next following fiscal year relative to projected payroll.

2. Minimum Employer Contribution Limits – State Systems

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. To comply with this requirement, the employer must contribute at least 12.0% for LASERS and 11.8% for TRSL based on the employee contribution rates. Upon elimination of the original unfunded accrued liability, the IUAL, the member's contribution cannot exceed the amount contributed on his/her behalf by the employer.

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

On June 30, 2006, the STPOL eliminated its original unfunded liability as the Texaco Fund balance was released to fully liquidate the IUAL.

Employer Credit Account

Act 1331 of the 1999 Regular Session allows state plans to accumulate and invest excess employer payments when the constitutional minimum is greater than the actuarial required in a special account named the Employer Credit Account (ECA). Until Act 588 of the 2004 Regular Session, LSERS was the only state plan which had an ECA. Act 588 now requires a 15.5% minimum gross employer contribution rate for TRSL and LASERS until the IUAL is paid off. The ECA is to hold any excess employer contributions resulting between the 15.5% minimum contribution requirement and the greater of the actuarial required amount or the Constitutional minimum.

Act 588 requires that the ECA be used exclusively to reduce any unfunded accrued liability of that system created before July 1, 2004, and shall not be debited for any other purpose.

3. Employer Contribution Rates

Contribution Rates

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.

State Systems

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

Fiscal Year 2008

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	18.8%	20.4%	7.3229%	n/a
TRSL	14.6%	16.6%	6.9453%	n/a
STPOL	25.9%	26.2%	15.2992%	$1,500,000
LSERS	17.5%	17.8%	10.3656%	n/a

Projected Rates - Fiscal Year 2009

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	*	18.5%	7.3229%	n/a
TRSL	*	15.5%	6.9453%	n/a
STPOL	*	27.3%	15.2992%	$1,500,000
LSERS	*	17.8%	10.3656%	n/a

*The Actuarially Required Rates for Fiscal Year 2009 will be available with adoption of the June 30, 2008, Actuarial Valuations.

Values based on 2007 Valuations & 6/30 FYE.

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. PERS excludes Orleans and East Baton Rouge parishes. ASSR applies to the total 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 2008

	Actuarially Required	Projected Rate	Applicable IPTF Paid FY 2007
ASSR	4.64%	5.50%	n/a
CCRS	11.41%	11.75%	n/a
DARS	0.00%	0.00%	n/a
FRS	12.56%	13.75%	$18,796,831
MERSA	11.17%	13.50%	n/a
MERSB	5.06%	6.75%	n/a
MPERS	9.50%	13.75%	$12,817,388
PERSA	8.91%	9.25%	n/a
PERSB	6.13%	5.25%	n/a
RVRS	2.40%	6.25%	n/a
SPRF	7.59%	8.50%	$12,817,388

Projected Rates - Fiscal Year 2009

	Employer's Net Projected Rate	Ad Valorem FY 2008	Revenue Sharing FY 2008	IPTF FY 2008
ASSR	4.75%	0.2500 %	Max	n/a
CCRS	11.25%	0.2500 %	Max	n/a
DARS	0.00%	0.17000 %	Max	n/a
FRS	12.50%	n/a	n/a	$20,521,771
MERSA	10.75%	0.180 %	Max	n/a
MERSB	4.75%	0.070 %	Max	n/a
MPERS	9.50%	n/a	n/a	$14,455,288
PERSA	9.00%	0.220 %	Max	n/a
PERSB	6.25%	0.030 %	Max	n/a
RVRS	2.00%	0.0625 %	Max	n/a
SPRF	7.50%	0.5000 %	Max	$14,455,288

Values based on 2007 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.

4. 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, (IPTF) allowances, or as transfer payments to local school districts (MFP). Attribution of amounts is unfeasible since available funding sources to the numerous participating employers may vary at any given time. Dollar estimates below are based on June 30, 2007, valuation report values, membership payroll, and projected employer contribution rates approved by the PRSAC.

Projected Employer Contributions and Sources
State Systems - FY 2008
(in millions)

	Sources	6/30/2007 Payroll Based $ Estimate	Employer Projected Rate (as % Payroll)
LASERS	**General Fund (Primary)**	$427.7	**20.4%**
TRLS	**General Fund (Primary)**	$556.8	**16.6%**
LSERS	**Local School Districts (MFP and Local)**	$44.9	**17.8%**
STPOL	**General Fund (Primary) & IPTF**	$13.4	**26.2% + $1,500,000 IPTF**
Combined State Systems	**Combined Sources**	$1,042.8	

Statewide Systems

Employer funding sources for the nine statewide retirement systems 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. Sources below are based on 2007 valuation report values, membership payroll, and projected employer contribution rates approved by the (PRSAC).

Projected Employer Contributions and Sources
Statewide Systems - FY 2008*
(in millions)

ASSR

Source	$ Estimate	% Payroll
Local Appropriations	$1.91	5.50%
Ad Valorem Taxes	$7.43	21.43%
Revenue Sharing	$0.36	1.03%
IPTF	$0.00	0.00%
Total Public Funds	$9.69	27.96%

CCRS

Source	$ Estimate	% Payroll
Local Appropriations	$9.47	11.75%
Ad Valorem Taxes	$5.82	7.21%
Revenue Sharing	$0.33	0.40%
IPTF	$0.00	0.00%
Total Public Funds	$15.62	19.37%

DARS

Source	$ Estimate	% Payroll
Local Appropriations	$0.00	0.00%
Ad Valorem Taxes	$4.11	9.31%
Revenue Sharing	$0.22	0.49%
IPTF	$0.00	0.00%
Total Public Funds	$4.33	9.81%

FRS

Source	$ Estimate	% Payroll
Local Appropriations	$21.44	13.75%
Ad Valorem Taxes	$0.00	0.00%
Revenue Sharing	$0.00	0.00%
IPTF	$20.52	13.16%
Total Public Funds	$41.96	26.91%

***** Dollar estimates based on 2007 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

Projected Employer Contributions Sources
Statewide Systems - FY 2008*
(in millions)

MERSA

Source	$ Estimate	% Payroll
Local Appropriations	$19.64	13.50%
Ad Valorem Taxes	$3.69	2.54%
Revenue Sharing	$0.12	0.08%
IPTF	$0.00	0.00%
Total Public Funds	$23.45	16.12%

MERSB

Source	$ Estimate	% Payroll
Local Appropriations	$3.82	6.75%
Ad Valorem Taxes	$1.43	2.52%
Revenue Sharing	$0.05	0.08%
IPTF	$0.00	0.00%
Total Public Funds	$5.29	9.35%

MPERS

Source	$ Estimate	% Payroll
Local Appropriations	$31.99	13.75%
Ad Valorem Taxes	$0.00	0.00%
Revenue Sharing	$0.00	0.00%
IPTF	$14.46	6.21%
Total Public Funds	$46.45	19.96%

PERSA

Source	$ Estimate	% Payroll
Local Appropriations	$43.38	9.25%
Ad Valorem Taxes	$5.08	1.08%
Revenue Sharing	$0.14	0.03%
IPTF	$0.00	0.00%
Total Public Funds	$48.60	10.36%

PERSB

Source	$ Estimate	% Payroll
Local Appropriations	$3.42	5.25%
Ad Valorem Taxes	$0.70	1.08%
Revenue Sharing	$0.02	0.03%
IPTF	$0.00	0.00%
Total Public Funds	$4.15	6.36%

RVRS

Source	$ Estimate	% Payroll
Local Appropriations	$0.60	6.25%
Ad Valorem Taxes	$1.45	15.09%
Revenue Sharing	$0.11	1.16%
IPTF	$0.00	0.00%
Total Public Funds	$2.17	22.49%

SPRF

Source	$ Estimate	% Payroll
Local Appropriations	$42.85	8.50%
Ad Valorem Taxes	$11.63	2.31%
Revenue Sharing	$0.43	0.09%
IPTF	$14.46	2.87%
Total Public Funds	$69.38	13.76%

***** Dollar estimates based on 2007 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

5. Employer Actuarial Cost History – State Systems

Employer Actuarial Cost History
Assumed Payable/Projected Mid-Year
June 30 Fiscal Year Ends
(in millions)

LASERS

Component	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	$164.4	$152.6	$160.0	$147.0	$131.9	$129.8
UAL Payment	$258.5	$254.7	$247.8	$239.9	$211.4	$168.4
Total	$422.9	$407.3	$407.8	$387.0	$343.4	$298.2
Payroll $	$2,245.3	$2,038.2	$2,163.2	$2,077.9	$1,972.7	$1,922.0

TRSL

Component	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	$231.0	$206.8	$214.5	$202.4	$192.1	$192.6
UAL Payment	$291.4	$310.1	$318.8	$313.1	$307.1	$243.3
Total	$522.4	$516.9	$533.3	$515.5	$499.2	$435.9
Payroll $ (non-ORP)	$3,325.9	$2,982.9	$3,229.8	$3,110.3	$3,069.7	$2,869.6

LSERS

Component	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	$27.2	$24.9	$27.1	$26.7	$27.6	$21.0
UAL Payment	$18.7	$18.6	$22.8	$18.9	$19.6	$8.0
Total	$45.8	$43.5	$49.9	$45.6	$47.2	$29.0
Payroll $	$262.0	$242.0	$262.1	$262.5	$271.6	$261.3

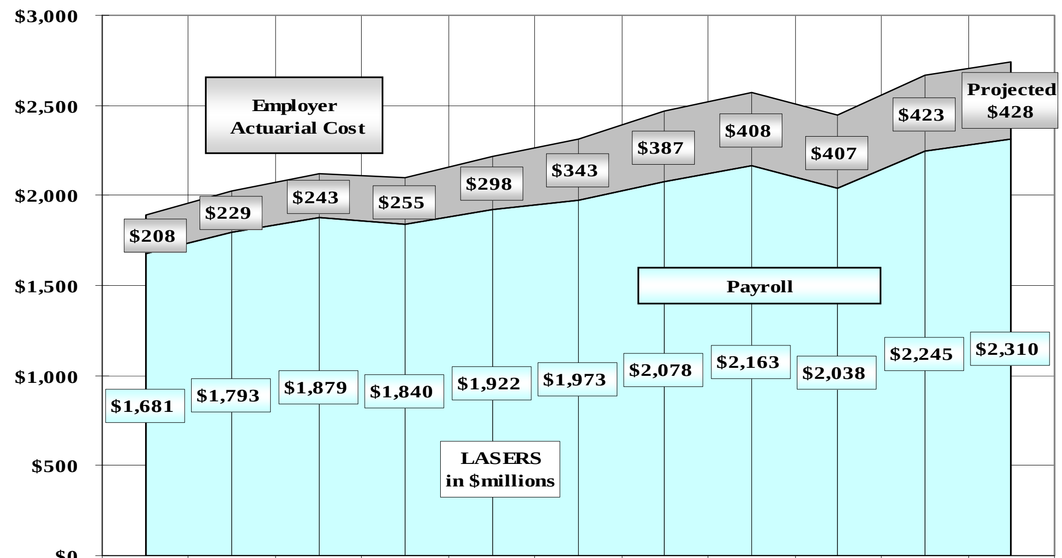
STPOL

Component	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	$7.7	$7.7	$7.7	$7.2	$6.6	$4.1
UAL Payment	$6.8	$10.1	$27.6	$24.7	$21.7	$17.3
Total	$14.5	$17.8	$35.4	$31.9	$28.3	$21.4
Payroll $	$51.1	$51.1	$49.8	$45.8	$32.9	$33.8

State System's Combined

Component	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	$430.3	$392.1	$409.4	$383.3	$358.3	$347.4
UAL Payment	$575.4	$593.4	$617.0	$596.6	$559.8	$437.0
Total	$1,005.7	$985.5	$1,026.4	$979.9	$918.1	$784.4
Payroll $ (non-ORP)	$5,884.3	$5,314.2	$5,704.9	$5,496.6	$5,347.0	$5,086.7

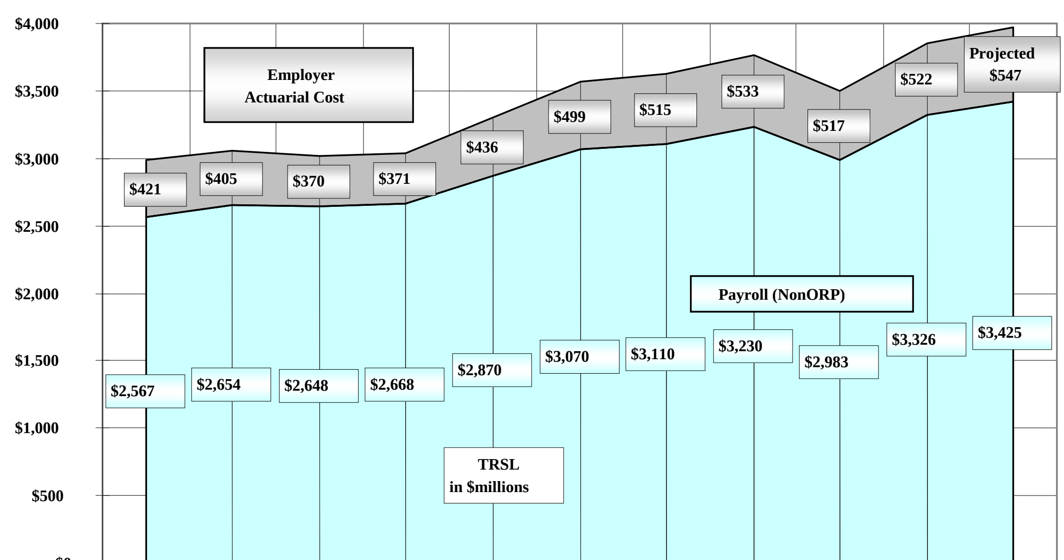
LASERS: EMPLOYER ACTUARIAL COST and PROJECTED PAYROLL
As of June 30, 2007
(in $millions)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Projected Contribution Rate	12.4%	12.3%	13.0%	13.0%	14.1%	15.8%	17.8%	19.1%	19.1%	20.4%	18.5%
ER COST	$208	$229	$243	$255	$298	$343	$387	$408	$407	$423	$428
PAYROLL	$1,681	$1,793	$1,879	$1,840	$1,922	$1,973	$2,078	$2,163	$2,038	$2,245	$2,310

PAYROLL ER COST *Projected Contribution Rate*

TRSL: EMPLOYER ACTUARIAL COST and PROJECTED PAYROLL
As of June 30, 2007
(in $millions)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Projected Contribution Rate	16.5%	15.2%	14.2%	13.1%	13.1%	13.8%	15.4%	15.9%	15.8%	16.6%	14.8%
ER COST	$421	$405	$370	$371	$436	$499	$515	$533	$517	$522	$547
PAYROLL	$2,567	$2,654	$2,648	$2,668	$2,870	$3,070	$3,110	$3,230	$2,983	$3,326	$3,425

PAYROLL ER COST *Projected Contribution Rate*

6. Total Projected Contribution Rate History (All Sources)

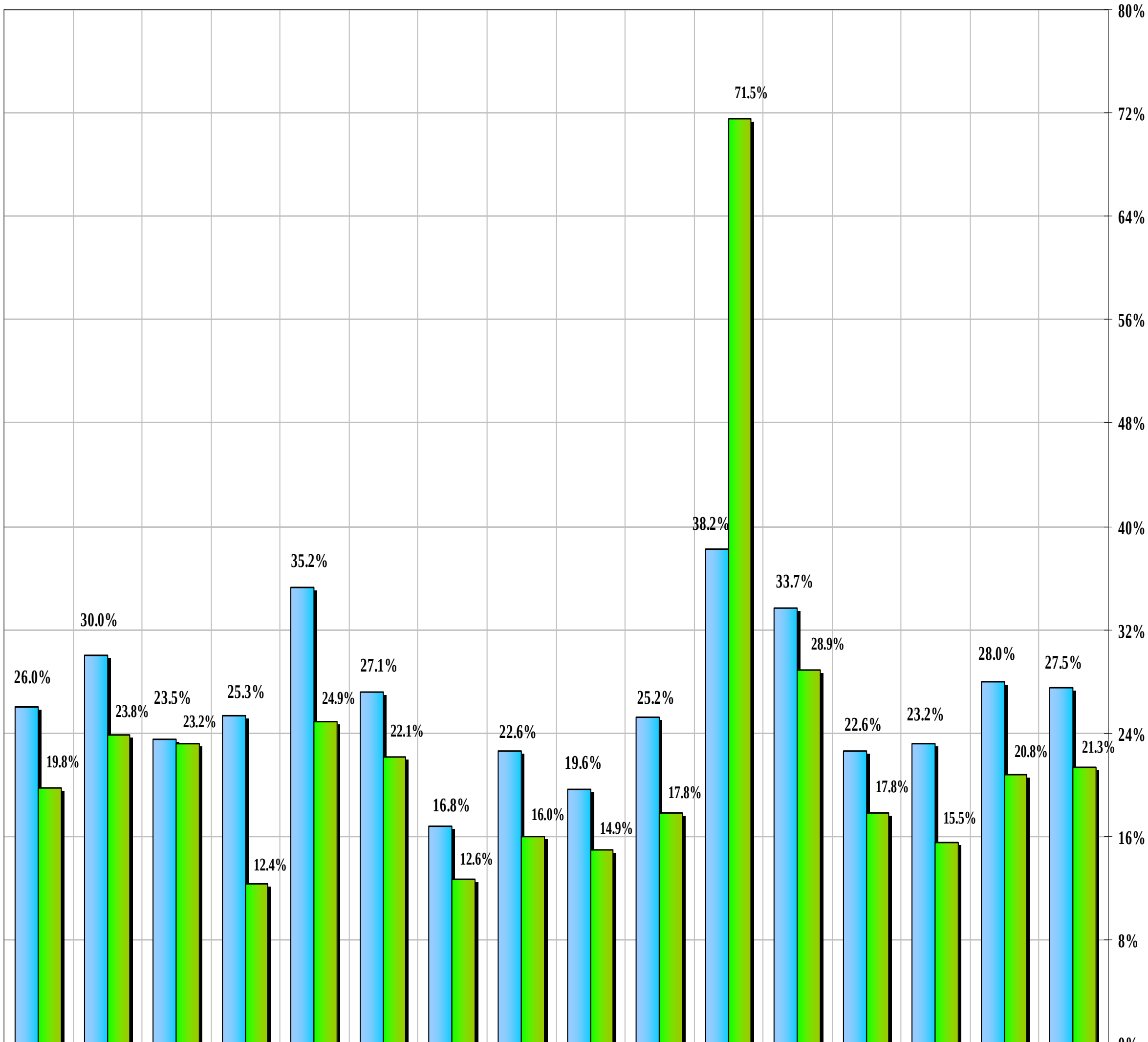
Contribution requirements had been increasing since the market's decline in fiscal year 2001. That trend appears to have slowed and even turned for many systems as favorable investment gains have exceeded expectations. The following exhibit compares projected rates over this period *and* then graphically for the initial and ending fiscal years. **Rates reflect contributions from all sources (employee and employer/public) combined as a percentage of members' payroll.**

TOTAL PROJECTED RATES (All Sources)
AS % OF MEMBER PAYROLL

	Fiscal Year									
	2009	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*
State Systems:										
LASERS	**26.0%**	27.9%	26.6%	26.6%	25.3%	23.3%	21.6%	20.5%	20.5%	**19.8%**
TRSL	**23.5%**	24.6%	23.8%	23.9%	23.5%	21.8%	21.1%	21.1%	22.2%	**23.2%**
STPOL	**38.2%**	37.2%	81.2%	75.5%	70.9%	76.4%	73.0%	64.4%	63.8%	**71.5%**
LSERS	**25.3%**	25.6%	27.1%	25.9%	22.3%	18.7%	14.5%	13.5%	12.4%	**12.4%**
Statewide Systems:										
ASSR	**35.2%**	37.9%	43.7%	42.8%	46.8%	43.0%	43.1%	31.8%	26.7%	**24.9%**
CCRS	**27.1%**	27.9%	32.9%	31.0%	29.9%	26.8%	24.1%	22.2%	22.2%	**22.1%**
DARS	**16.8%**	17.5%	21.0%	23.6%	21.6%	17.6%	15.5%	11.7%	11.3%	**12.6%**
FRS	**33.7%**	34.5%	36.2%	38.9%	45.1%	41.8%	38.4%	30.3%	35.6%	**28.9%**
MERSA	**22.6%**	25.3%	28.1%	27.6%	26.6%	22.5%	19.5%	18.4%	17.5%	**16.0%**
MERSB	**12.4%**	14.3%	17.3%	17.1%	16.9%	15.0%	13.5%	10.9%	10.3%	**11.5%**
MPERS	**23.2%**	26.9%	28.7%	29.3%	34.4%	27.8%	21.1%	19.5%	16.5%	**15.5%**
PERSA	**19.6%**	19.8%	23.8%	22.7%	23.3%	22.2%	17.7%	15.9%	15.9%	**14.9%**
PERSB	**10.4%**	9.3%	10.0%	9.5%	9.8%	9.2%	7.7%	5.6%	5.6%	**4.9%**
RVRS	**25.2%**	29.7%	34.7%	33.4%	31.4%	26.8%	23.9%	22.7%	23.7%	**17.8%**
SPRF	**22.6%**	23.5%	26.0%	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 2009 versus FY 2000

Non- Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILDLIFE	PUBLIC SAFETY
2009 FY	26.0%	30.0%	23.5%	25.3%	35.2%	27.1%	16.8%	22.6%	19.6%	25.2%	38.2%	33.7%	22.6%	23.2%	28.0%	27.5%
2000 FY	19.8%	23.8%	23.2%	12.4%	24.9%	22.1%	12.6%	16.0%	14.9%	17.8%	71.5%	28.9%	17.8%	15.5%	20.8%	21.3%

7. Insurance Premium Tax Fund (IPTF) - Assessments

The Louisiana Insurance Rating Commission deposits 0.7% (0.007) of 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 25% of the assessment for merger funding, with first priority going to pay certain actuarial costs of the STPOL up to $1,500,000. Mergers are funded over a 30-year period, unless a shorter period is approved by the 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
(in millions)

Written Premium Basis	For Calendar Year	Net Premium	Assessment for Deposit	Merger Limit
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
2005	2006	$6,561.7	$45.9	$11.5
2006	**2007**	**$7,276.0**	**$50.9**	**$12.7**

Remaining funds are evenly split among 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

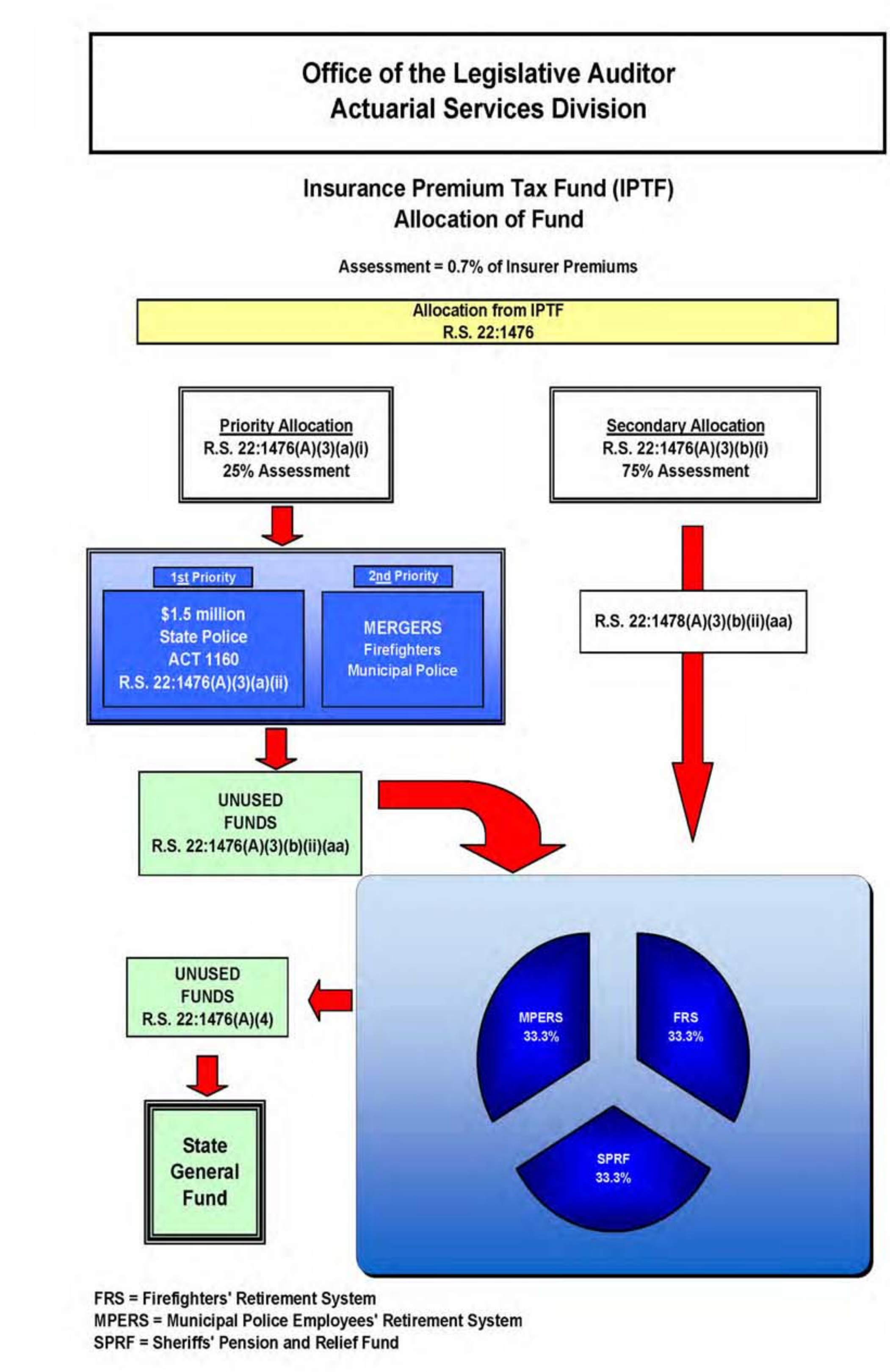
Allocated IPTF Funds
(in millions)

Calendar Year	System Fiscal Year Ending	Actual Deposit	PRSAC IPTF Allocation	Remainder to General Fund
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
2006	2007	$45.9	$45.9	$0.0
2007	**2008**	**$50.9**	**$50.9**	**$0.0**

System Allocations

PRSAC Approved IPTF Allocations
(in millions)

Fiscal Year	FRS	SPRF	MPERS	STPOL
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
2007	$18.8	$12.8	$12.8	$1.5
2008	**$20.5**	**$14.5**	**$14.5**	**$1.5**
10 Yr Sum	*$161.3*	*$84.3*	*$75.4*	*$10.5*


Office of the Legislative Auditor
Actuarial Services Division
Insurance Premium Tax Fund (IPTF)
Allocation of Fund
Assessment = 0.7% of Insurer Premiums
Allocation from IPTF
R.S. 22:1476
Priority Allocation
R.S. 22:1476(A)(3)(a)(i)
25% Assessment
Secondary Allocation
R.S. 22:1476(A)(3)(b)(i)
75% Assessment
1st Priority
$1.5 million
State Police
ACT 1160
R.S. 22:1476(A)(3)(a)(ii)
2nd Priority
MERGERS
Firefighters
Municipal Police
R.S. 22:1478(A)(3)(b)(ii)(aa)
UNUSED
FUNDS
R.S. 22:1476(A)(3)(b)(ii)(aa)
UNUSED
FUNDS
R.S. 22:1476(A)(4)
State
General
Fund
MPERS
33.3%
FRS
33.3%
SPRF
33.3%
FRS = Firefighters' Retirement System
MPERS = Municipal Police Employees' Retirement System
SPRF = Sheriffs' Pension and Relief Fund

8. Experience Account Summary

Establishment

Experience Accounts (EA) were established during the 1992 Regular Session for LASERS and TRSL to provide for retiree cost-of-living benefit adjustments (COLAs). Act 588 of the 2004 Regular Session eliminated the negative balances existing on June 30, 2004, prohibited future negative balances, omitted the debiting of actuarial investment experience losses, and limited the balance from exceeding the value of two COLAs. Act 333 of the 2007 Regular Session established EA accounts for LSERS and STPOL effective on July 1, 2007, with zero initial balances.

EA Operation

The EA is credited with one-half of any actuarial investment experience gain (earnings in excess of the expected rate) together with actuarial interest on the beginning account balance. An amount representing funds sufficient to cover the expected value of the COLA benefits is then released when approved.

Combined Systems LASERS & TRSL

Experience Account History
as of June 30, 2007
(in millions)

Fiscal Year	Allocated	Interest	Disbursed	Balance
1992	$60.7	$0.0	$0.0	$60.7
1993	$94.9	$6.4	$0.0	$161.9
1994	$33.1	$14.8	$0.0	$209.8
1995	($52.9)	$13.4	$129.4	$40.9
1996	$345.3	$4.1	$58.4	$331.9
1997	$273.3	$43.6	$0.0	$648.8
1998	$577.8	$118.2	$309.4	$1,035.3
1999	$372.8	$142.6	$126.8	$1,423.9
2000	$608.2	$236.9	$170.2	$2,098.9
2001	($685.6)	$2.7	$565.9	$850.1
2002	($1,214.0)	($47.0)	$166.2	($577.2)
2003	($1,172.5)	$26.8	$0.3	($1,723.1)
2004	$28.7	($145.7)	$0.0	$0.0 *
2005	$194.5	$0.0	$0.0	$194.5
2006	$587.3	$27.6	$102.9	$706.5
2007	$542.5	$105.7	$462.2	$892.5

* Act 588 of R.S. 2004 reset the EA to zero as of June 30, 2004.

LASERS

Experience Account History as of June 30, 2007 (in millions)				
Fiscal Year	**Allocated**	**Interest**	**Disbursed**	**Balance**
1992	$27.3	$0.0	$0.0	$27.3
1993	($2.8)	$2.2	$0.0	$26.7
1994	$8.5	$2.4	$0.0	$37.6
1995	$20.6	$3.6	$0.0	$61.8
1996	$73.8	$7.6	$58.4	$84.8
1997	$116.2	$11.9	$0.0	$212.9
1998	$104.6	$27.6	$90.0	$255.1
1999	$119.6	$33.4	$42.9	$365.1
2000	$150.0	$50.3	$57.9	$507.5
2001	($236.3)	$1.9	$89.1	$184.0
2002	($394.4)	($8.1)	$52.5	($270.9)
2003	($373.4)	$9.8	$0.0	($634.5)
2004	($63.2)	($38.5)	$0.0	$0.0 *
2005	$105.3	$0.0	$0.0	$105.3
2006	$155.8	$13.7	$102.9	$171.9
2007	$243.5	$24.4	$164.5	$275.4
TOTAL	**$55.2**	**$142.2**	**$658.3**	**$275.4**
* Act 588 of R.S. 2004 reset the EA to zero as of June 30, 2004.				

TRSL

Experience Account History as of June 30, 2007 (in millions)				
Fiscal Year	**Allocated**	**Interest**	**Disbursed**	**Balance**
1992	$33.4	$0.0	$0.0	$33.4
1993	$97.6	$4.2	$0.0	$135.2
1994	$24.5	$12.4	$0.0	$172.1
1995	($73.4)	$9.8	$129.4	($20.9)
1996	$271.5	($3.6)	$0.0	$247.0
1997	$157.1	$31.7	$0.0	$435.8
1998	$473.3	$90.5	$219.4	$780.3
1999	$253.2	$109.2	$83.8	$1,058.8
2000	$458.2	$186.6	$112.3	$1,591.4
2001	($449.3)	$0.8	$476.9	$666.1
2002	($819.6)	($38.9)	$113.7	($306.2)
2003	($799.1)	$17.0	$0.3	($1,088.6)
2004	$91.9	($107.3)	$0.0	$0.0 *
2005	$89.2	$0.0	$0.0	$89.2
2006	$431.4	$14.0	$0.0	$534.6
2007	**$298.9**	**$81.3**	**$297.7**	**$617.1**
TOTAL	**$538.9**	**$407.8**	**$1,433.5**	**$617.1**
* Act 588 of R.S. 2004 reset the EA to zero as of June 30, 2004.				

9. IUAL Funds (Texaco Funds & Appropriations)

Initial UAL Funds - These dedicated amounts are allocated to a separate account, the IUAL Fund, under the state system's trust and credited with the actuarial rate of return. When the fund accumulates to the outstanding balance of the IUAL, or UAL if smaller, it will be released to fully liquidate the final liability.

(Texaco Settlement Fund)

The Texaco Settlement Funds evolved from a litigation settlement with Texaco. The proceeds were to be paid 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 three state retirement systems - LASERS, TRSL, and STPOL - to accelerate the payoff of the IUAL portion of the unfunded accrued liability.

The systems began receiving funds under Act 4, of the 1994 Regular Session. These funds are held in the suspense account and may not be used to offset the regular UAL amortization payments pursuant to Act 257 of the 1992 Regular Session. An additional allocation of $19.4 million was granted to the STPOL fund under Act 471 of the 1997 Regular Session.

The *STPOL* Texaco Fund balance of $50,084,124 was released on June 30, 2006, to fully liquidate its IUAL.

The *LSU Unfunded Plan* supplemental portion of the IUAL outstanding balance was liquidated in full with Texaco Funds. The combined payoff was $185.5 million on June 30, 2003 ($89.2 million for LASERS and $96.3 million for TRSL).

(Special Appropriations)

Act 642 of 2006 appropriated $26,400,000 for TRSL and $13,600,000 for LASERS as of June 30, 2006, dedicated to the final payment of the IUAL.

IUAL (Texaco) Fund History
as of June 30, 2007
(in 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
2006	$13.6	$3.8	$46.6
2007	**$0.0**	**$6.6**	**$53.3**
TOTAL	**($11.3)**	**$64.6**	**$53.3**

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
2006	$26.4	$30.6	$252.6
2007	**$0.0**	**$38.4**	**$291.0**
TOTAL	**$65.7**	**$225.3**	**$291.0**

*** *LSU Unfunded Plan* supplemental portion of the IUAL outstanding balance liquidation.**

10. 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, IUAL (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.

State Systems

Asset Values
as of June 30, 2007
(in millions)

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	$9,351.1	$8,620.8	$8,292.2
TRSL	$16,148.7	$15,429.4	$14,521.8
STPOL	$458.3	$428.9	$428.9
LSERS	$1,656.6	$1,558.3	$1,558.3
State Total	**$27,614.8**	**$26,037.5**	**$24,801.2**
As Percent of Market Value	**100.0%**	**94.3%**	**89.8%**

Asset Values *
(in millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	$189.2	$176.2	$176.2
CCRS	$348.4	$325.3	$325.3
DARS	$221.8	$213.7	$213.7
FRS	$1,138.2	$1,025.7	$1,025.7
MERSA	$667.3	$624.4	$624.4
MERSB	$132.3	$124.5	$124.5
MPERS	$1,627.1	$1,531.3	$1,531.3
PERSA	$2,087.4	$2,027.2	$2,027.2
PERSB	$144.2	$141.8	$141.8
RVRS	$62.7	$60.9	$60.9
SPRF	$1,550.8	$1,468.6	$1,468.6
Statewide Total	**$8,169.5**	**$7,719.7**	**$7,719.7**
As Percent of Market Value	**100.0%**	**94.5%**	**94.5%**

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems	**$35,784.3**	**$33,757.1**	**$32,520.9**
As Percent of Market Value	**100.0%**	**94.3%**	**90.9%**

* Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

11. Investment Returns

Actual Annual Rates of Return

	FY 2007		FY 2006		Expected Long-Term Actuarial Rate
System	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	

State Systems

LASERS	**18.55%**	14.21%	**11.58%**	12.96%	***8.25%***
TRSL	**19.05%**	15.20%	**13.97%**	15.65%	***8.25%***
STPOL	**16.15%**	8.63%	**7.36%**	13.16%	***7.50%***
LSERS	**14.90%**	9.85%	**5.77%**	9.19%	***7.50%***

Statewide Systems

ASSR	**14.7%**	12.1%	**9.1%**	14.0%	***8.00%***
CCRS	**14.3%**	10.2%	**11.5%**	16.7%	***8.00%***
DARS	**14.6%**	9.9%	**7.7%**	13.8%	***8.00%***
FRS	**17.1%**	11.6%	**12.3%**	9.9%	***7.5%****
MERSA	**18.1%**	10.8%	**8.6%**	10.7%	***8.00%***
MERSB	**17.4%**	10.6%	**8.5%**	13.7%	***8.00%***
MPERS	**16.5%**	13.6%	**8.7%**	13.2%	***7.5%****
PERSA	**7.9%**	17.1%	**12.8%**	11.3%	***7.50%***
PERSB	**7.7%**	13.4%	**11.6%**	9.8%	***7.50%***
RVRS	**14.0%**	13.6%	**5.2%**	7.4%	***8.00%***
SPRF	**16.0%**	10.2%	**8.5%**	13.8%	***8.00%***

Note: Values based on 2007 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

	Annual Rate (as of June 30)	
Indices	**FY 2007**	**FY 2006**
CPI (1)	**2.7%**	**4.3%**
Lehman Brothers (2)	**6.1%**	**-0.8%**
S&P 500 (3)	**20.6%**	**8.6%**
55% Stock/ 45% Bond	**14.1%**	**4.4%**
65% Stock/ 35% Bond	**15.5%**	**5.3%**

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).

12. Expected Investment Experience

The strong economy of the nineties and underlying technological revolution resulted in very favorable investment returns above expected. Unfortunately, we could not expect to avoid potential actuarial investment losses if our funding return rates are appropriate (8.25% for LASERS and TRSL). The following exhibit illustrates market value returns since the reversal of that bull market compared to expected long-term actuarial returns (actuarial assumed rates).

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

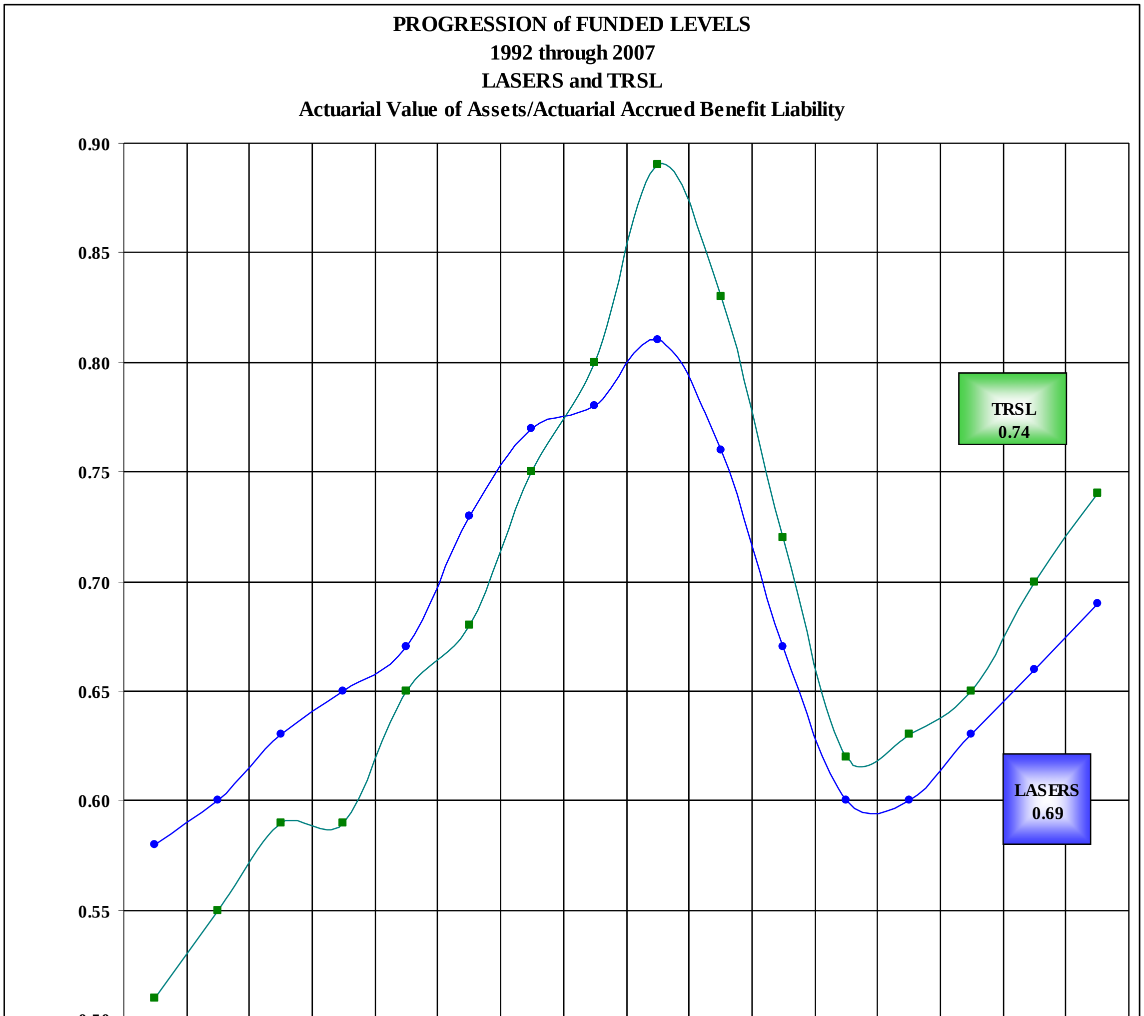
	Fiscal Year								5-Year Average* Annual Return	Expected Long-Term Actuarial Return
	2007	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*		
State Systems										
LASERS	**18.6%**	11.6%	9.9%	17.6%	3.8%	-5.6%	-6.3%	11.1%	**12.15%**	***8.25%***
TRSL	**19.1%**	14.0%	9.7%	16.9%	2.2%	-8.1%	-4.7%	13.6%	**12.19%**	***8.25%***
STPOL	**16.2%**	7.4%	9.0%	11.5%	5.1%	-2.8%	-0.6%	4.6%	**9.76%**	***7.50%***
LSERS	**14.9%**	5.8%	8.2%	12.1%	3.8%	-2.4%	-1.9%	8.0%	**8.86%**	***7.50%***
Statewide Systems										
ASSR	**14.7%**	9.1%	13.4%	10.0%	15.3%	-4.9%	-10.1%	7.7%	**12.5%**	***8.0%***
CCRS	**14.3%**	11.5%	8.7%	12.3%	2.9%	-3.0%	-1.5%	4.2%	**9.9%**	***8.0%***
DARS	**14.6%**	7.7%	5.0%	13.2%	2.8%	-9.1%	-9.7%	17.1%	**8.6%**	***8.0%***
FRS	**17.1%**	12.3%	10.4%	11.0%	5.4%	-3.7%	-2.9%	3.5%	**11.2%**	***7.5%***
MERSA	**18.1%**	8.6%	7.2%	9.6%	4.4%	-1.8%	-4.2%	9.1%	**9.5%**	***8.0%***
MERSB	**17.4%**	8.5%	7.2%	9.7%	3.8%	-2.8%	-4.2%	8.4%	**9.2%**	***8.0%***
MPERS	**16.5%**	8.7%	9.3%	12.9%	3.8%	-5.3%	-3.4%	3.7%	**10.2%**	***7.5%***
PERSA	**7.9%**	12.8%	6.3%	10.2%	15.6%	-2.7%	-0.8%	7.2%	**10.5%**	***7.50%***
PERSB	**7.7%**	11.6%	5.1%	9.6%	15.9%	0.0%	2.7%	5.4%	**9.9%**	***7.50%***
RVRS	**14.0%**	5.2%	6.8%	10.9%	3.3%	-3.0%	5.9%	0.8%	**8.0%**	***8.0%***
SPRF	**16.0%**	8.5%	8.1%	8.4%	4.2%	-3.0%	-0.8%	5.2%	**9.0%**	***8.0%***

Note: Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

* Most recent 5-year compounded average annual return on a Market Value basis.

Since most of the improvement in funded ratios, assets to liabilities, during this period resulted from the actuarial investment gains it is reasonable to expect the ratio to retract with actuarial losses.

Actuarial investment gains and losses (returns under or over the assumed 8.25% rate) should offset, retracting the funded level, and then returning to a more gradual improvement. This retraction is illustrated below for LASERS and TRSL Funded Levels over the period since 1992.



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
LASERS	0.58	0.60	0.63	0.65	0.67	0.73	0.77	0.78	0.81	0.76	0.67	0.60	0.60	0.63	0.66	0.69
TRSL	0.51	0.55	0.59	0.59	0.65	0.68	0.75	0.80	0.89	0.83	0.72	0.62	0.63	0.65	0.70	0.74

13. 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 any assets allocated to separate accounts such as the IUAL Funds, Experience Account, and Employer Credit Account.

Valuation UAL Balance
(in millions)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
State Systems								
LASERS	$4,129.7	$4,164.5	$4,202.8	$4,165.9	$3,333.5	$2,864.3	$2,357.9	$2,209.5
TRSL	$6,250.6	$6,555.0	$6,812.6	$6,836.1	$5,531.9	$4,517.2	$3,618.7	3,518.0
STPOL	$158.6	$166.5	$238.2	$229.0	$215.7	$155.1	$133.4	131.2
LSERS	$389.3	$391.8	$466.2	$439.8	$361.2	$148.2	($43.8)	(264.4)
State Total	**$10,928.2**	**$11,277.9**	**$11,719.9**	**$11,670.8**	**$9442.3**	**$7,684.8**	**$6,066.3**	**$5,594.3**
Statewide Systems								
ASSR	$32.1	$35.0	$35.8	$35.5	$35.2	$35.3	$34.8	$34.3
CCRS	$84.1	$82.8	$81.4	$80.4	$79.2	$77.9	$77.5	$77.9
DARS	$0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	$166.7	$178.0	$193.7	$284.4	$286.3	$246.0	$171.6	$132.9
MERSA	$73.2	$72.3	$71.3	$70.1	$68.9	$67.7	$66.3	$64.9
MERSB	$5.4	$5.7	$6.0	$6.2	$6.4	$6.7	$6.9	$7.6
MPERS	$188.2	$279.1	$318.8	$423.4	$379.5	$195.2	($14.1)	$(110.3)
PERSA	$66.3	$89.8	$92.9	$95.4	$97.4	$98.9	$102.3	$110.3
PERSB	$0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	$0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	$96.3	$95.5	$94.6	$93.5	$92.3	$91.1	$89.7	$88.2
Statewide Total	**$712.3**	**$838.0**	**$894.3**	**$1,089.0**	**$1,045.3**	**$818.7**	**$535.0**	**$405.8**
All Systems Total	**$11,640.5**	**$12,116.0**	**$12,614.2**	**$12,759.8**	**$10,487.6**	**$8,503.5**	**$6,601.3**	**$6,000.1**

Note: Values based on 2007 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 IUAL Funds and Employer Credit Accounts. The Net UAL balances shown below have been adjusted for the balances held in those separate accounts.

Net UAL Balance

State Systems
as of June 30, 2007
(in millions)

	Fiscal Year							
	2007	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
State Systems								
LASERS	**$4,076.4**	$4,117.9	$4,173.6	$4,139.8	$3,308.8	$2,746.1	$2,234.3	$2,086.3
TRSL	**$5,959.6**	$6,302.4	$6,617.1	$6,658.1	$5,369.9	$4,243.7	$3,328.3	$3,227.7
STPOL	**$158.6**	$166.5	$193.9	$188.2	$176.6	$115.0	$94.1	$93.7
LSERS	**$389.3**	$391.8	$466.2	$439.8	$355.3	$111.8	($99.4)	($323.1)
State Total	**$10,584.0**	**$10,978.7**	**$11,450.8**	**$11,425.9**	**$9,210.6**	**$7,216.7**	**$5,557.2**	**$5,084.7**

14. 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 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 use the Aggregate Funding Method since an unfunded actuarial accrued liability is not inherent.

Net UAL as Percent of Valuation Payroll

	Fiscal Year							
	2007	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
State Systems								
LASERS	**187.4%**	208.0%	198.7%	205.2%	171.9%	147.5%	125.3%	114.6%
TRSL	**184.8%**	217.9%	211.3%	220.7%	180.3%	152.8%	128.9%	125.9%
STPOL	**318.8%**	338.1%	393.5%	392.8%	400.1%	362.8%	292.5%	278.8%
LSERS	**150.3%**	163.7%	179.9%	169.4%	132.2%	43.2%	-39.8%	-134.0%
Statewide Systems								
ASSR	**95.7%**	118.6%	122.2%	123.5%	130.4%	133.9%	133.4%	133.8%
CCRS	**107.3%**	116.7%	110.6%	113.7%	117.3%	121.5%	126.9%	133.5%
DARS	**0.0%**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	**110.4%**	126.9%	144.2%	221.9%	236.6%	215.0%	159.4%	132.3%
MERSA	**51.8%**	51.4%	50.9%	51.6%	50.7%	52.0%	52.9%	52.1%
MERSB	**10.0%**	11.2%	12.2%	13.0%	14.2%	15.3%	16.3%	18.2%
MPERS	**82.1%**	125.0%	147.8%	202.8%	192.4%	104.1%	-7.7%	-67.4%
PERSA	**14.6%**	21.4%	21.6%	23.5%	24.6%	26.5%	32.7%	32.7%
PERSB	**0.0%**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	**0.0%**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	**20.0%**	21.9%	21.9%	23.0%	24.1%	25.3%	26.6%	28.3%

Note: Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

15. Funding Progress – Funded Levels and Funded Ratios

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 IUAL Funds, 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, 2007
(in millions)

State Systems

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	Funded Level
LASERS	$8,620.8	$12,421.9	69.4%
TRSL	$15,429.4	$20,772.3	74.3%
STPOL	$428.9	$564.8	75.9%
LSERS	$1,558.3	$1,870.6	83.3%
State Total	**$26,037.5**	**$35,629.6**	**73.1%**

Funded Levels
as of June 30, 2007
(in millions)

Statewide Systems

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	Funded Level
ASSR	$176.2	$226.7	77.8%
CCRS	$325.3	$412.3	78.9%
DARS	$213.7	$195.0	109.6%
FRS	$1,025.7	$1,157.0	88.6%
MERSA	$624.4	$710.2	87.9%
MERSB	$124.5	$131.5	94.7%
MPERS	$1,531.3	$1,637.7	93.5%
PERSA	$2,027.2	$1,996.0	101.6%
PERSB	$141.8	$131.9	107.4%
RVRS	$60.9	$62.7	97.2%
SPRF	$1,468.6	$1,629.4	90.1%
Statewide Total	**$7,719.7**	**$8,290.3**	**93.1%**

Funded Levels
as of June 30, 2007
(in millions)

All Systems Combined

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	Funded Level
Combined Total	**$33,757.1**	**$43,919.9**	**76.9%**

Note: Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

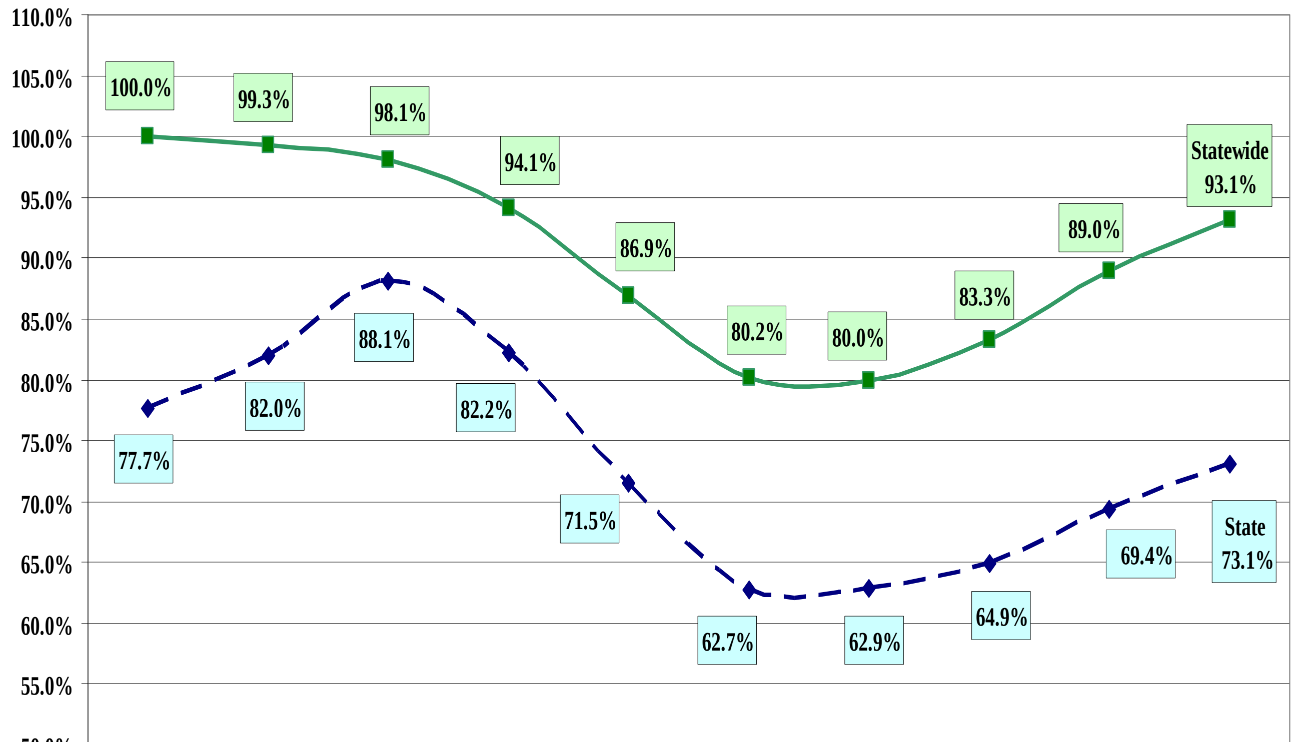
Funding progress had improved considerably since the 1989 constitutional mandate for actuarial funding. Favorable investment performance accelerated this improvement until fiscal year 2000. However, subsequent investment losses and liabilities added for benefit enhancements have since placed a burden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

FUNDED LEVELS (*AVA / PBO*)

	Fiscal Year									
	2007	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
State Systems										
LASERS	69.4%	65.8%	62.5%	59.6%	59.7%	67.2%	76.3%	80.9%	78.3%	76.6%
TRSL	74.3%	70.3%	65.1%	63.1%	62.4%	72.0%	82.7%	88.8%	80.1%	74.7%
STPOL	75.9%	72.4%	62.5%	62.8%	62.4%	73.5%	77.1%	72.0%	66.8%	60.3%
LSERS	83.3%	82.3%	78.9%	79.4%	84.0%	90.7%	114.5%	133.7%	134.4%	126.5%
State Total	**73.1%**	**69.4%**	**64.9%**	**62.9%**	**62.7%**	**71.5%**	**82.2%**	**88.1%**	**82.0%**	**77.7%**
Statewide Systems										
ASSR	77.8%	73.4%	65.9%	61.2%	59.5%	61.3%	66.4%	73.6%	74.9%	75.7%
CCRS	78.9%	76.3%	66.8%	66.5%	67.8%	72.5%	76.6%	78.3%	74.7%	70.1%
DARS	109.6%	108.4%	100.6%	98.2%	103.7%	117.7%	128.5%	131.9%	129.7%	128.8%
FRS	88.6%	86.4%	83.5%	74.5%	72.3%	74.9%	82.3%	86.0%	92.8%	94.3%
MERSA	87.9%	83.3%	78.4%	77.1%	78.8%	85.5%	91.0%	92.4%	92.9%	94.3%
MERSB	94.7%	88.6%	80.1%	78.7%	81.3%	87.4%	92.3%	101.9%	100.6%	96.3%
MPERS	93.5%	87.4%	83.6%	76.6%	77.4%	95.6%	105.6%	109.4%	110.6%	112.5%
PERSA	101.6%	97.3%	89.6%	89.5%	87.9%	90.9%	99.1%	102.0%	101.5%	100.1%
PERSB	107.4%	108.3%	106.7%	107.4%	106.3%	108.4%	117.8%	130.3%	128.9%	129.4%
RVRS	97.2%	91.6%	88.2%	87.0%	91.5%	97.7%	104.2%	104.8%	112.9%	117.7%
SPRF	90.1%	86.8%	80.3%	79.9%	81.9%	84.2%	87.8%	93.8%	94.4%	98.1%
Statewide Total	**93.1%**	**89.0%**	**83.3%**	**80.0%**	**80.2%**	**86.9%**	**94.1%**	**98.1%**	**99.3%**	**100.0%**
All Systems Combined Total:	**76.9%**	**73.1%**	**68.3%**	**66.0%**	**65.8%**	**74.2%**	**84.3%**	**89.8%**	**84.9%**	**81.2%**

Funded Level History - PBO Covered by AVA

Actuarial Value of Assets / Projected Accrued Benefit Liability



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
State	77.7%	82.0%	88.1%	82.2%	71.5%	62.7%	62.9%	64.9%	69.4%	73.1%
Statewide	100.0%	99.3%	98.1%	94.1%	86.9%	80.2%	80.0%	83.3%	89.0%	93.1%

Funded Ratios - Statewide Systems - Eligibility for COLAs

Under current statutes, if the "Funded Ratio" is less than the "Target Ratio," a statewide retirement system may not consider granting COLA benefits. For an Actual Funded Ratio, the Actuarial Value of Assets is compared to the actuarial liability of PBO, except for Municipal Police which applies the accrued liability under the funding method. The ratio is then compared to the formula Target Ratio.

Act 333 of the 2007 Regular Session created Experience Accounts for the State Police Pension and Retirement System and the Louisiana School Employees' Retirement System. The Experience Accounts, implemented July 1, 2007, replaced other sections of law for determining COLAs. None of the state systems now use funded ratios as criteria for granting or not granting COLAs.

Statewide Systems

Funding Eligibility for COLAs *
as of June 30, 2007

System	Target Ratio	Funded Ratio
ASSR	82.5%	77.8%
CCRS	77.4%	78.9%
DARS	98.6%	109.6%
FRS	83.2%	88.6%
MERSA	87.2%	87.9%
MERSB	86.5%	94.7%
MPERS	95.3%	89.1%
PERSA	79.7%	101.6%
PERSB	92.9%	107.4%
RVRS	99.8%	97.2%
SPRF	88.9%	90.1%

Note: *Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

16. 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 in the Deferred Retirement Option Plan (DROP).

Participant Census
as of June 30, 2007
(Payroll in millions)

		Actives	Retirees	Current DROP	Total Members	% of All Systems	FY 2007 Payroll
State Systems	**LASERS**	60,444	38,722	2,624	**101,790**	***28.8%***	$2,175.4
	TRSL	82,672	66,154	3,715	**152,541**	***43.2%***	$3,224.6
	STPOL	1,003	1,167	32	**2,202**	***0.6%***	$49.8
	LSERS	12,935	12,402	673	**26,010**	***7.4%***	$259.0
	State Total	157,054	118,445	7,044	**282,543**	***80.0%***	$5,708.7
Statewide Systems	**ASSR**	691	464	57	**1,212**	***0.3%***	$33.6
	CCRS	2,277	927	87	**3,291**	***0.9%***	$78.4
	DARS	691	224	25	**940**	***0.3%***	$42.9
	FRS	3,632	1,609	134	**5,375**	***1.5%***	$151.0
	MERSA	4,720	2,930	245	**7,895**	***2.2%***	$141.2
	MERSB	2,105	868	48	**3,021**	***0.9%***	$54.6
	MPERS	5,840	3,942	217	**9,999**	***2.8%***	$229.1
	PERSA	13,245	5,580	405	**19,230**	***5.4%***	$454.7
	PERSB	1,993	627	37	**2,657**	***0.8%***	$62.9
	RVRS	213	141	17	**371**	***0.1%***	$9.4
	SPRF	13,530	3,335	0	**16,865**	***4.8%***	$481.4
	Statewide Total	48,937	20,647	1,272	**70,856**	***20.0%***	$1,739.2
All Systems Combined	**Total**	205,991	139,092	8,316	**353,399**	***100.0%***	$7,447.9

Note: Values based on 2007 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

17. 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. ORP 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 ORP the same amount that would have been contributed for a TRSL member. The employer normal cost portion is credited to the participant's account (ORP normal cost) along with the employee's contribution, while the remainder is retained by TRSL as a payment on the UAL. For fiscal year 2007, the member's ORP account received 14.54% of covered salary while $49.4 million of employer payments were retained by TRSL to fund the UAL. Based on information provided by the system, there were 8,955 participants in ORP as of December 31, 2007. ORP members represent 60% of the **higher education** membership (TRSL plus ORP).

GROWTH OF ORP MEMBERSHIP
(as Compared to TRSL)

Year	ORP	TRSL (Excl DROP)	RATIO (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%
2006	8,635	78,456	11.0%
2007	**8,955**	**79,796**	**11.2%**

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

The benefit is not in excess of final average compensation.

Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
(as of July 1, 2007)

LASERS

	Benefit Accrual	Retirement Eligibility: Service	Retirement Eligibility: Age	Member Contribution
Regular	2.50%	10	60	7.50%
	2.50%	25	55	7.50%
	2.50%	30	any age	7.50%
Hired on/after 7/1/2006	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]				
Employed Before 7/1/2003	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%
Employed On/After 7/1/2003	3⅓%	10	60	9.50%
	3⅓%	25	any age	9.50%
Corrections Officers & DPS				
Employed Before 8/15/1986	2.50%	20	any age	9.00%
Employed 8/15/1986 –12/31/2001	2.50%	20	50	9.00%
All Members	2.50% *	25	any age	9.00%
AG Opinion / LASERS Policy	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	11.50%
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, 2007)

TRSL

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
Regular Teachers				
Employed Before 7/1/1999	2.00%	5	60	8.00%
	2.00%	20	any age	8.00%
	2.50%	20	65	8.00%
Employed On/After 7/1/1999	2.50%	5	60	8.00%
	2.50%*	20*	any age*	8.00%
All Teachers	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%

* Teachers' early retirement - actuarially reduced.

STPOL

	Benefit Accrual	Retirement Eligibility		Member Contribution
		Service	Age	
All Employees	3⅓%	10	50	8.00%
Employed Before 9/8/1978	3⅓%	20	any age	8.00%
Employed On/After 9/8/1978	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, 2007)

ASSRS

	Benefit Accrual	Eligibility Service	Eligibility Age	Member Contribution
All Employees	3⅓%	12	55	8.00%
	3⅓%	30	any age	8.00%

CCRS

	Benefit Accrual	Eligibility Service	Eligibility Age	Member Contribution
Service Before 7/1/1999	3.00%	12	55	8.25%
Service On/After 7/1/1999	3⅓%	12	55	8.25%

DARS

	Benefit Accrual	Eligibility Service	Eligibility Age	Member Contribution
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.				

FRS

	Benefit Accrual	Eligibility Service	Eligibility Age	Member Contribution
All Employees	3⅓%	12	55	8.00%
	3⅓%	20	50	8.00%
	3⅓%	25	any age	8.00%

MERS

	Benefit Accrual	Eligibility Service	Eligibility Age	Member Contribution
Plan A*	3.00%	10	60	9.25%
	3.00%	25	any age	9.25%
Plan B	2.00%	10	60	5.00%
(In Social Security)	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, 2007)

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 – R.S. 1991 Act 397				

PERS

	Benefit Accrual	Eligibility if Hired:				Member Contribution
		Pre 2007		2007 & After		
		Service	Age	Service	Age	
Plan A *	3.00%	7	65	7	67	9.50%
	3.00%	10	60	10	62	9.50%
	3.00%	25	55	30	55	9.50%
	3.00%	30	any age	n/a	n/a	9.50%
Plan B (In Social Security)	2.00%	7	65	7	67	3.00%
	2.00%	10	60	10	62	3.00%
	2.00%	30	55	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% - R.S. 2004 Act 782				

2. Benefit Levels and Employee Paid Portion

The following table and graph illustrates two aspects of the retirement benefit.

Income Replacement Ratio

The **first is the benefit expected for a new member in fiscal year 2007 as a percentage of his/her annual salary at retirement.** The retirement benefit is calculated using the five **highest consecutive earning years** that the member has over his entire salary history or three **highest consecutive earning years, depending on the retirement system to which the member belongs**. Showing the benefit as a percentage of pre-retirement earnings provides 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 public safety officers.

Benefit/Cost Illustrations: Retirement benefit provisions, employee contribution rates, and actuarial assumptions applied in this section are those in effect for FY 2007, including legislation under Acts of the 2007 Regular Session.

For Fiscal Year 2007

Non-Hazardous Group

(Projected for a New Member)

	Division	Age	Replacement Ratios (Benefit as % of Pay) — Years of Service 20	30	40	Employee Paid Portion of Benefit Cost (with interest) — Years of Service 20	30	40
LASERS	Regular	65	46%	69%	91%	54%	68%	79%
	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%	48%	62%	94%
	Lunch B	65	38%	59%	78%	41%	57%	83%
LSERS	Regular	65	62%	93%	92%	37%	45%	61%
ASSR	Regular	65	60%	89%	89%	35%	39%	47%
CCRS	Regular	65	60%	89%	89%	35%	39%	47%
DARS	Regular	65	66%	94%	94%	27%	28%	32%
MERS	Plan A	65	54%	80%	89%	50%	55%	64%
	Plan B	65	36%	54%	71%	40%	45%	49%
PERS	Plan A	65	54%	80%	89%	45%	49%	54%
	Plan B	65	36%	54%	71%	21%	23%	25%
RVRS	Regular	65	59%	88%	88%	28%	29%	32%

Hazardous Group

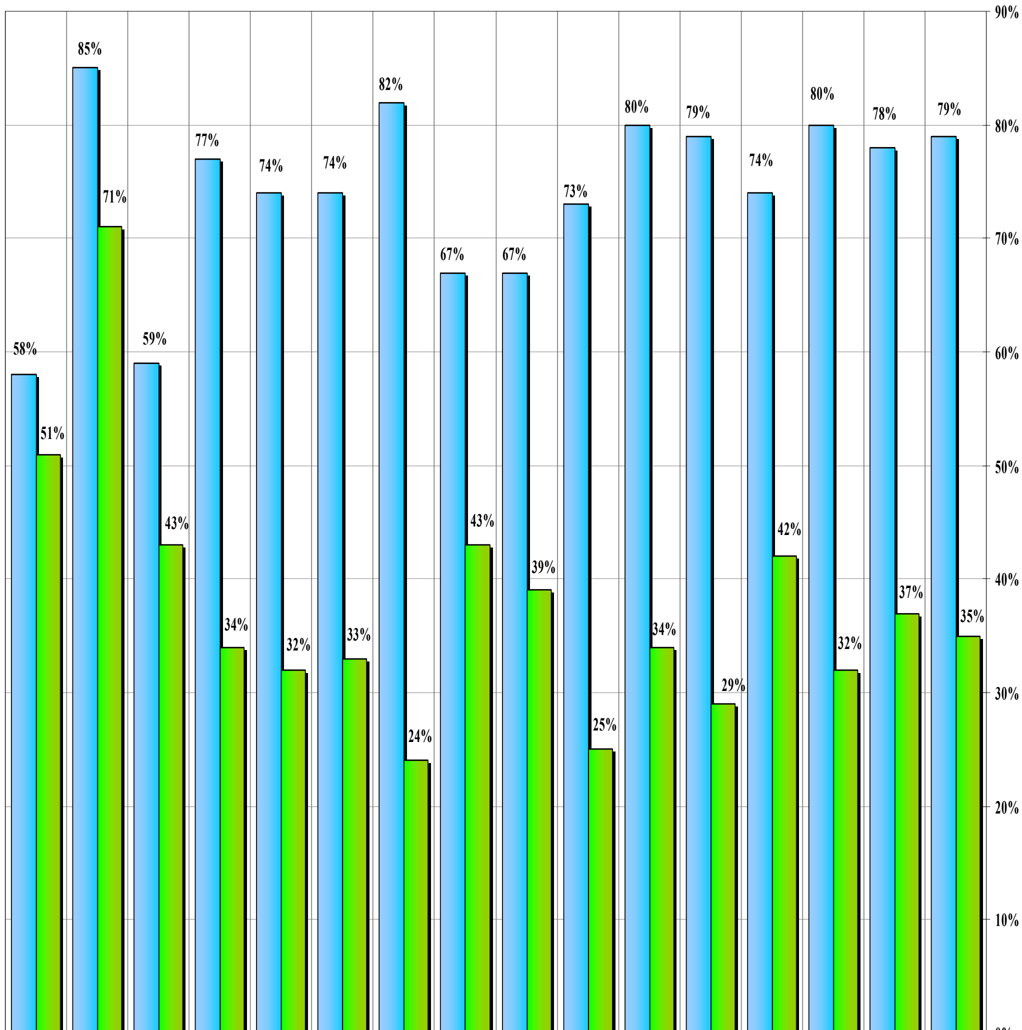
(Projected for a New Member)

	Division	Age	Replacement Ratios (Benefit as % of Pay) — Years of Service 20	25	Employee Paid Portion of Benefit Cost (with interest) — Years of Service 20	25
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	63%	79%	27%	29%
MPERS	Regular	55	64%	80%	29%	32%
SPRF	Regular	55	60%	74%	40%	42%

STATE & STATEWIDE RETIREMENT SYSTEMS
RETIREMENT BENEFIT to EARNINGS REPLACEMENT RATIOS
and
EMPLOYEE PAID PORTION of BENEFIT COST
(as of Fiscal Year End 2008 Including R.S. 2007 Legislation)

ASSUMED RETIREMENT AGE 55 & 25 YEARS OF SERVICE

Non- Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILDLIFE	PUBLIC SAFETY
BENEFIT AS % OF FINAL PAY	58%	85%	59%	77%	74%	74%	82%	67%	67%	73%	80%	79%	74%	80%	78%	79%
EMPLOYEE % OF BENEFIT COST	51%	71%	43%	34%	32%	33%	24%	43%	39%	25%	34%	29%	42%	32%	37%	35%

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 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 7.0% to 10.0% of employee pay. Judges/court officers and legislators require 11.5%.

Total Projected Rates

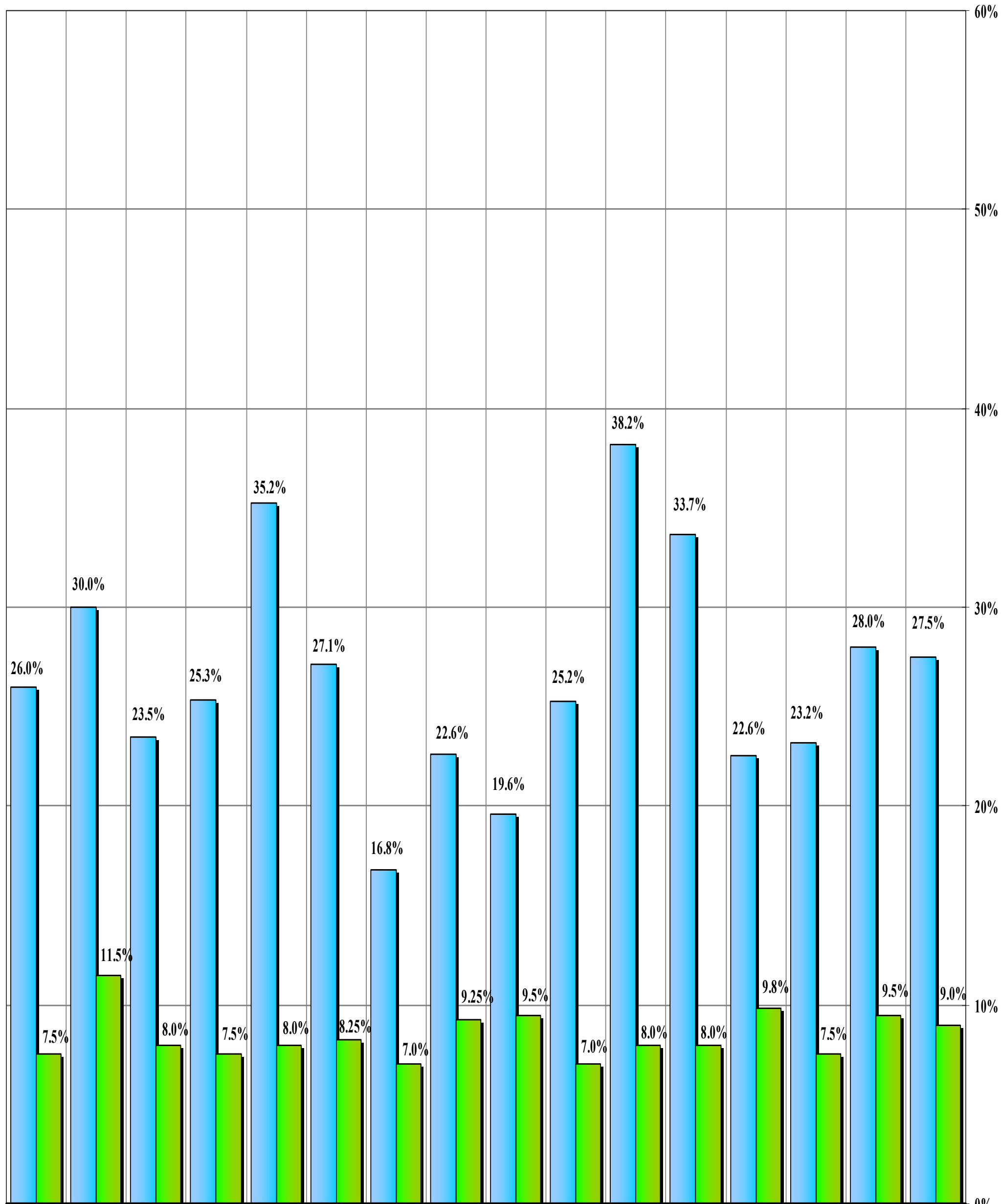
The combination of total public sources of employer funding plus member contributions, are required to fund the system's total future expected retirement plan obligations. Total projected rates reflect the total funding requirement for the plan's fiscal year as a percentage of member payroll. For Fiscal Year 2009, we expect total projected rates to vary from 16.8% up to 38.2% of member payroll, with a median rate of 26.0%. Last year's range was 17.5% to 37.9%, a median of 27.9%.

The following graph illustrates ***total projected rates (all sources including the members) against only the member's contribution rate***, 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 2009.

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

FISCAL YEAR 2009

Non- Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILDLIFE	PUBLIC SAFETY
ALL SOURCES	26.0%	30.0%	23.5%	25.3%	35.2%	27.1%	16.8%	22.6%	19.6%	25.2%	38.2%	33.7%	22.6%	23.2%	28.0%	27.5%
MEMBER ONLY	7.5%	11.5%	8.0%	7.5%	8.0%	8.25%	7.0%	9.25%	9.5%	7.0%	8.0%	8.0%	9.8%	7.5%	9.5%	9.0%

SECTION III

ACTUARIAL CONCERNS

FUNDING ISSUES

1. Funding of UAL for State Systems

Issue

Paying off the $10.9 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 and higher payments 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 2029 (initial unfunded accrued liability bases established in FY 1989).

As illustrated below, amortization of the $10.9 billion Valuation UAL bases existing on June 30, 2007, for LASERS, TRSL, LSERS, and STPOL requires annual payments that will collectively grow over a 22 year period from $575 million before peaking at $2.1 billion in fiscal year 2029.

Combined State Systems

(June 30, 2007, UAL Bases)

Fiscal Year	Years Out	State Systems Combined Sample of UAL Mid-Year Amortization Payments
2008	1	$575,400,000
2013	6	$813,400,000
2019	12	$1,194,600,000
2025	18	$1,691,300,000
2029	22	$2,103,300,000
2031	24	$832,500,000
2034	27	PAID OFF

SAMPLE of UAL MID-YEAR AMORTIZATION PAYMENT RUNOUT (of June 30, 2007, UAL Bases)

LASERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2008	1	$258,500,000
2013	6	$316,900,000
2019	12	$435,700,000
2025	18	$590,500,000
2029	22	$718,900,000
2031	24	$286,500,000
2034	27	PAID OFF

TRSL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2008	1	$291,400,000
2013	7	$461,900,000
2019	13	$705,300,000
2025	19	$1,022,400,000
2029	23	$1,285,400,000
2031	25	$438,800,000
2034	27	PAID OFF

LSERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2008	1	$18,700,000
2013	7	$20,800,000
2019	13	$35,700,000
2025	19	$55,000,000
2029	23	$71,100,000
2031	25	$105,000,000
2034	27	PAID OFF

STPOL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2008	1	$6,800,000
2013	7	$13,800,000
2019	13	$17,900,000
2025	19	$23,400,000
2029	23	$27,900,000
2031	25	$2,200,000
2034	27	PAID OFF

IUAL (Texaco) Funds

A strength to our funded status are the IUAL Funds established and protected by law 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, releasing $185.5 million of unfunded liability ($89.2 million for LASERS, $96.3 million for TRSL). The payoff saves the state $11.1 million in annual contributions beginning in fiscal year 2004 increasing by 4.5% a year through fiscal year 2029.

The *STPOL* Texaco Fund balance of $50,084,124 was released on June 30, 2006 to fully liquidate the IUAL.

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

Issue

Act 588 of the 2004 Regular Session amended the amortization rules for bases established subsequent to the IUAL for LASERS, TRSL, and LSERS. **The interest cost of this relief is not substantial in the first several years but gradually increases to significant amounts. Ultimately, as shown below, the impact on liabilities that existed as of June 30, 2003, were expected to result in additional payments of $4.2 billion.**

Act 588 Provisions

The Act amended rules for amortizing bases established 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 runout exhibits on the following pages. *Future* bases, newly established on or after June 30, 2004, will be amortized over a thirty (30) year period with level payments.

Payment Runout Impact

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

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

COMBINED
All State Systems

Fiscal Year	Years Out	Mid-Year Amortization Payment		
		Act 588	Previous	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
Total Projection Period		*$35,629.4*	*$31,460.2*	***$4,169.2***

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.

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. **Ultimately, the impact of Act 588 on liabilities existing as of June 30, 2003, were expected to result in additional payments of $1.1 billion for LASERS and $2.8 billion for TRSL as illustrated on the following page.**

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

LASERS

Fiscal Year	Years Out	LASERS Future Amortization Payments		
		Act 588	Previous	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
Total Projection Period		*$12,325.1*	*$11,224.3*	***$1,100.8***

TRSL

Fiscal Year	Years Out	TRSL Future Amortization Payments		
		Act 588	Previous	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
Total Projection Period		$21,553.7	$18,755.6	**$2,798.1**

Payment relief was also given to **LSERS** under Act 588 as shown on the following page. This system had been fully funded since 1989, with no initial unfunded accrued liability. The funding surplus at LSERS was erased during fiscal year 2002 as benefit increases 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. Reductions through FY 2016 will ultimately require an additional $270.2 million of payments.

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

LSERS

Fiscal Year	Years Out	LSERS Future Amortization Payments		
		Act 588	Previous	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
Total Projection Period		*$1,283.6*	*$1,013.4*	***$270.2***

Payments for **State Police** dropped substantially after the initial unfunded accrued liability payoff on June 30, 2006, with the release of Texaco Fund into valuation assets. Subsequent changes in liabilities because of actuarial gains and losses, benefit changes, and COLAs are amortized to 2029 with payments increasing by 4.5% per year.

STPOL

Fiscal Year	Years Out	STPOL Mid-Year Amortization Payment of June 30, 2003, Valuation UAL Bases (in 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

Act 588 UAL Runout

The impact of Act 588 legislation is shown relative to previous 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 projected run-out progressions of UAL liability bases existing as of the June 30, 2003, valuation date. The blue curves show the balances and payments based on then existing schedules while the red curve does so under Act 588 provisions.

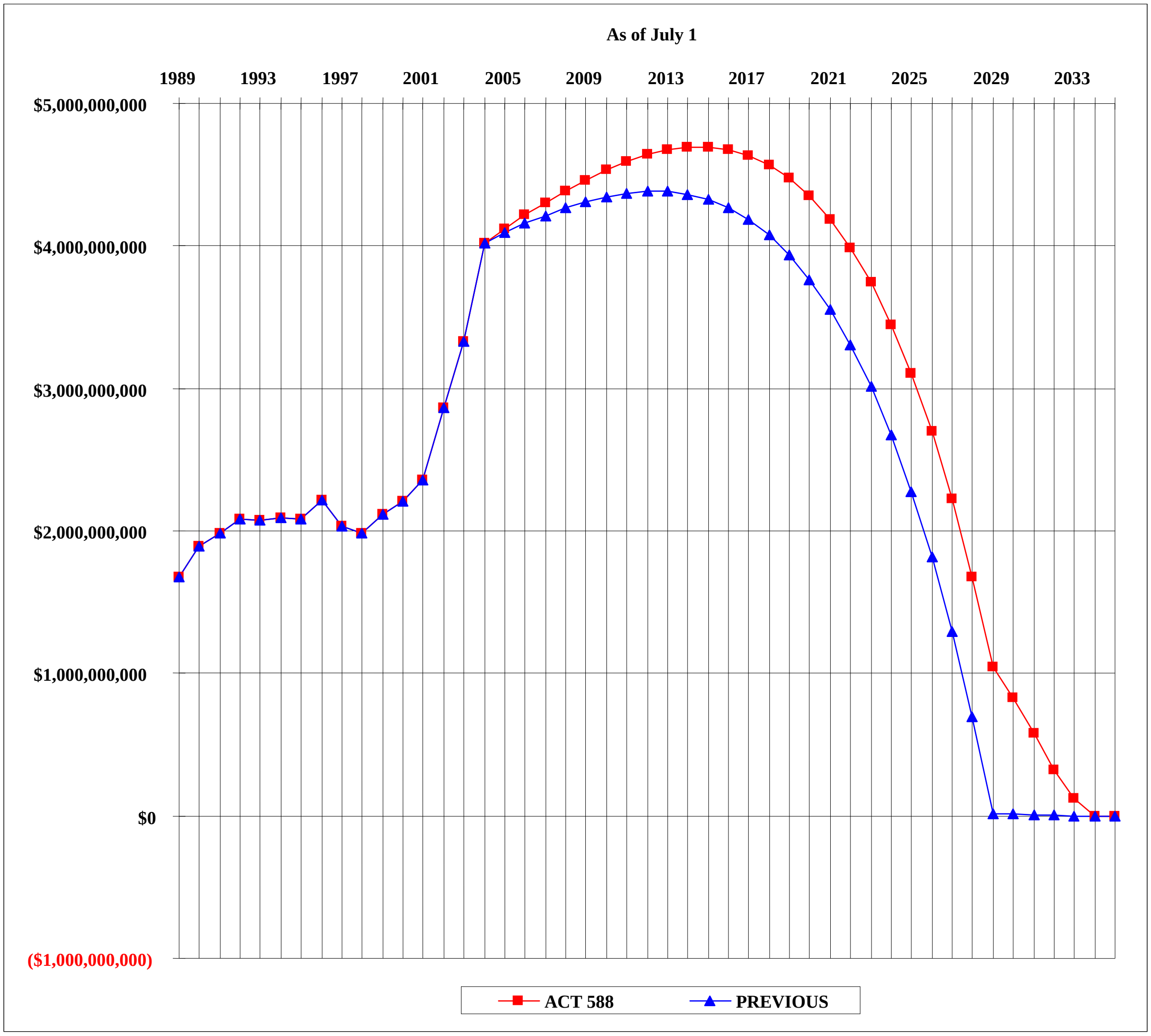
Since STPOL was not impacted by Act 588, the graphs show a comparison of future UAL balances and required payments with and without the Texaco Funds. The black curve illustrates the amortization of the IUAL established by statute in 1988. The red curve is the Valuation UAL for funding, which nets all 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 runout values are based on UAL liabilities existing as of the June 30, 2003, valuation date. The blue curve is the accumulating balance of the Texaco Account.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

UNFUNDED ACCRUED LIABILITY BALANCE COMPARISON

PREVIOUS 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

PREVIOUS ***(June 30, 2003):***

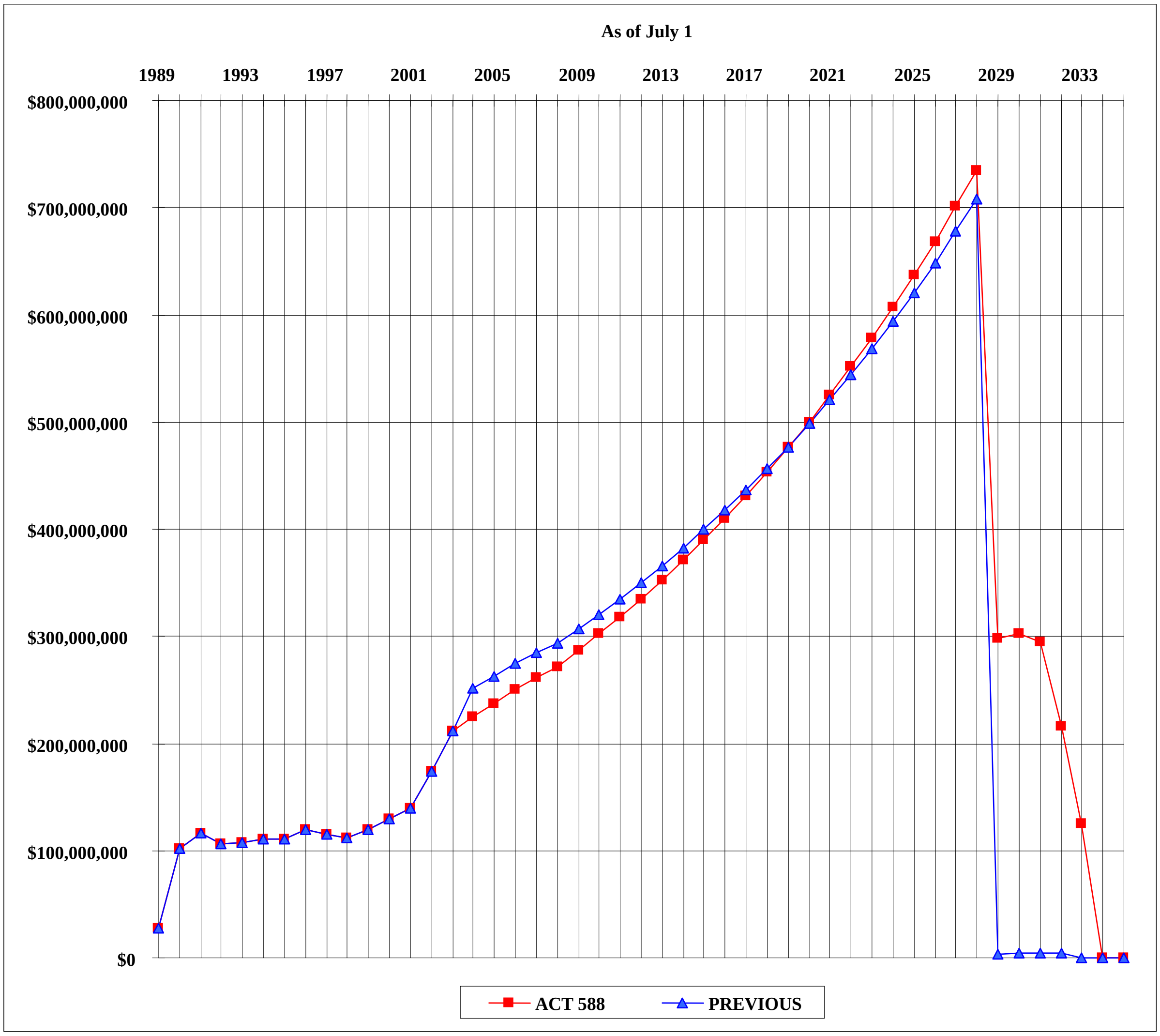
Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

UAL AMORTIZATION MID-YEAR PAYMENT COMPARISON

PREVIOUS 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)

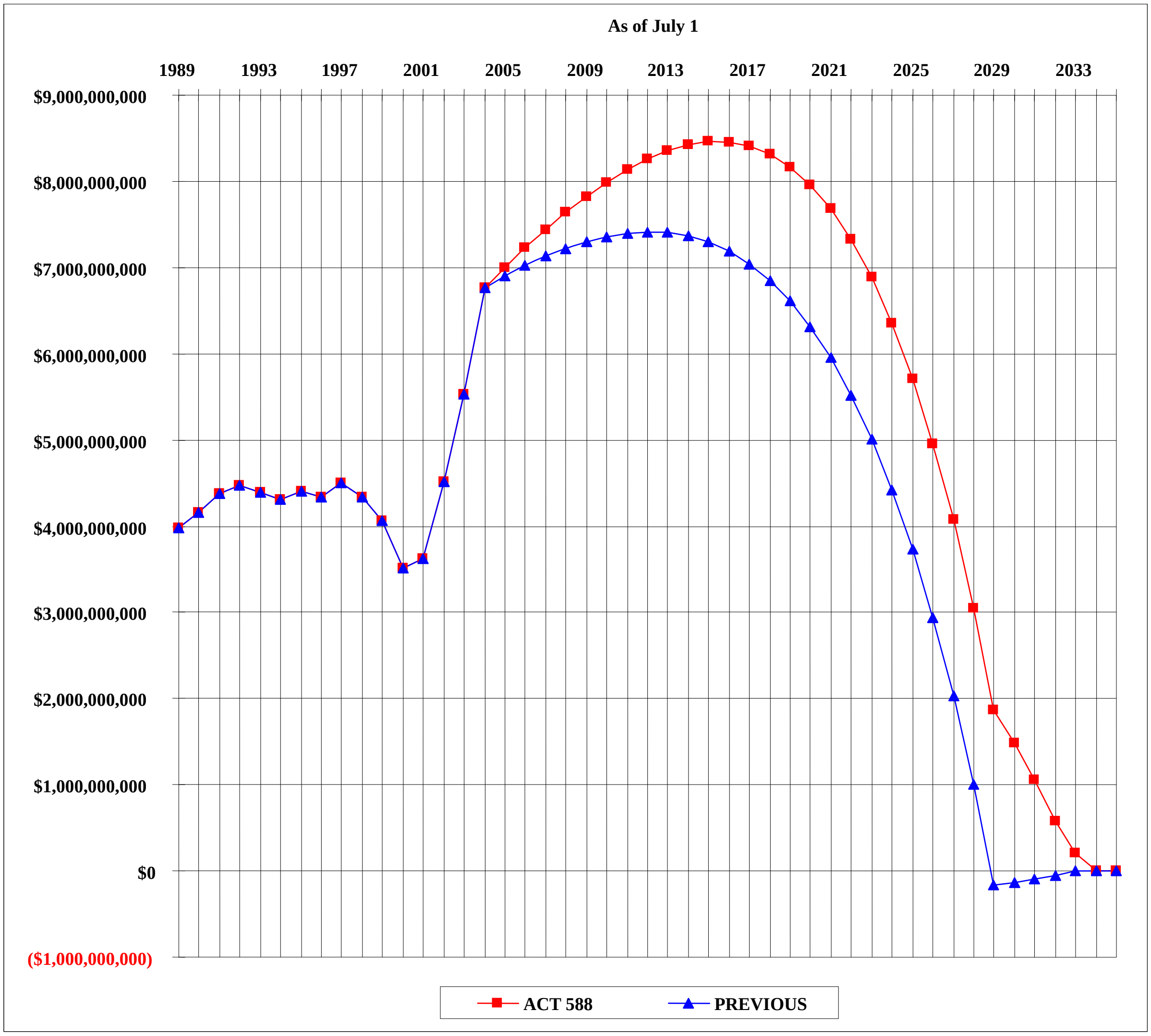
Changes beginning 6/30/2004: Level Dollar amortization for 30 years

*PREVIOUS **(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 BALANCE COMPARISON
PREVIOUS 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)

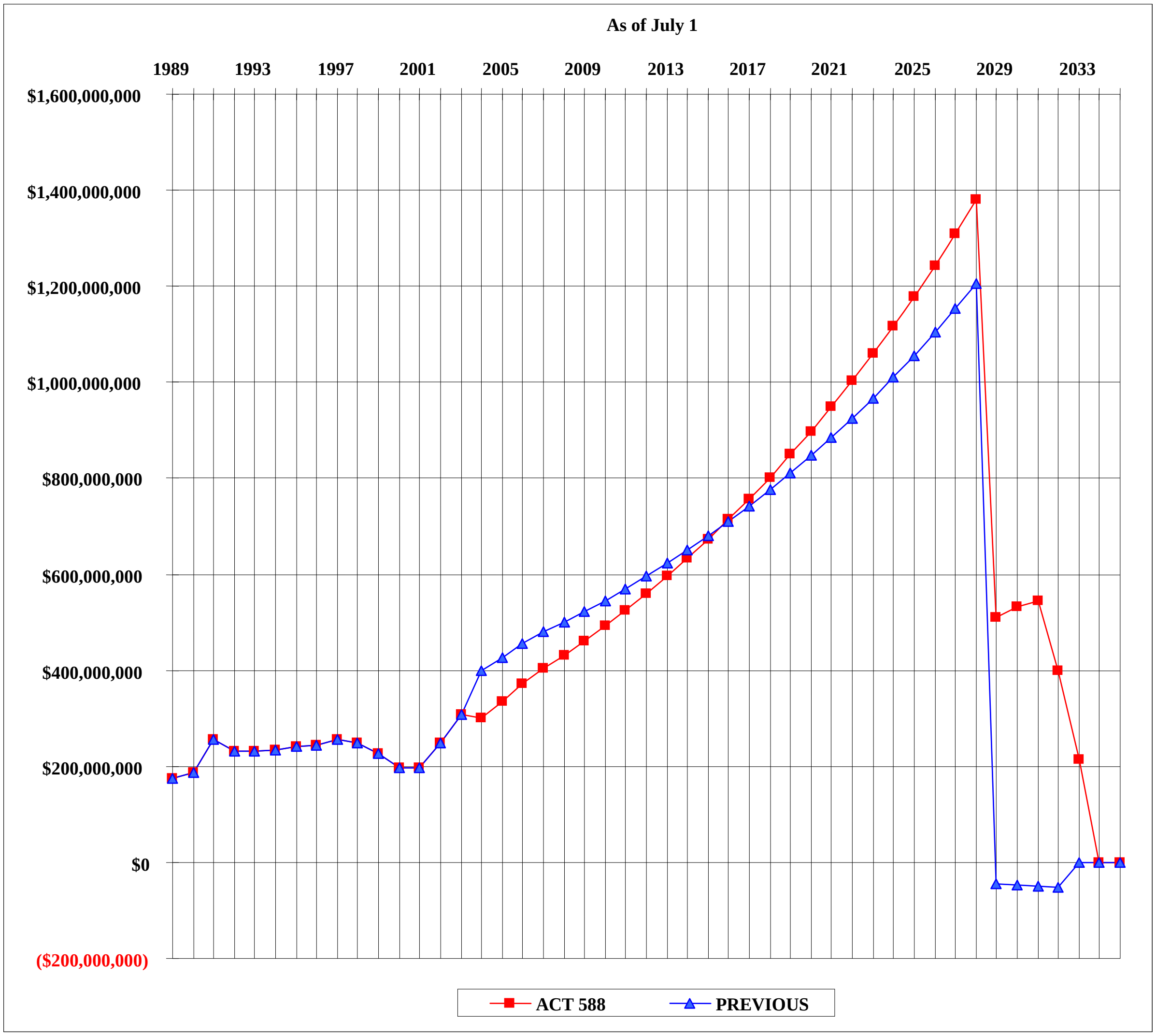
Experience Account: 30-year amortization (Payments increasing 4.5% per year)

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

PREVIOUS ***(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
PREVIOUS 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

PREVIOUS ***(June 30, 2003):***

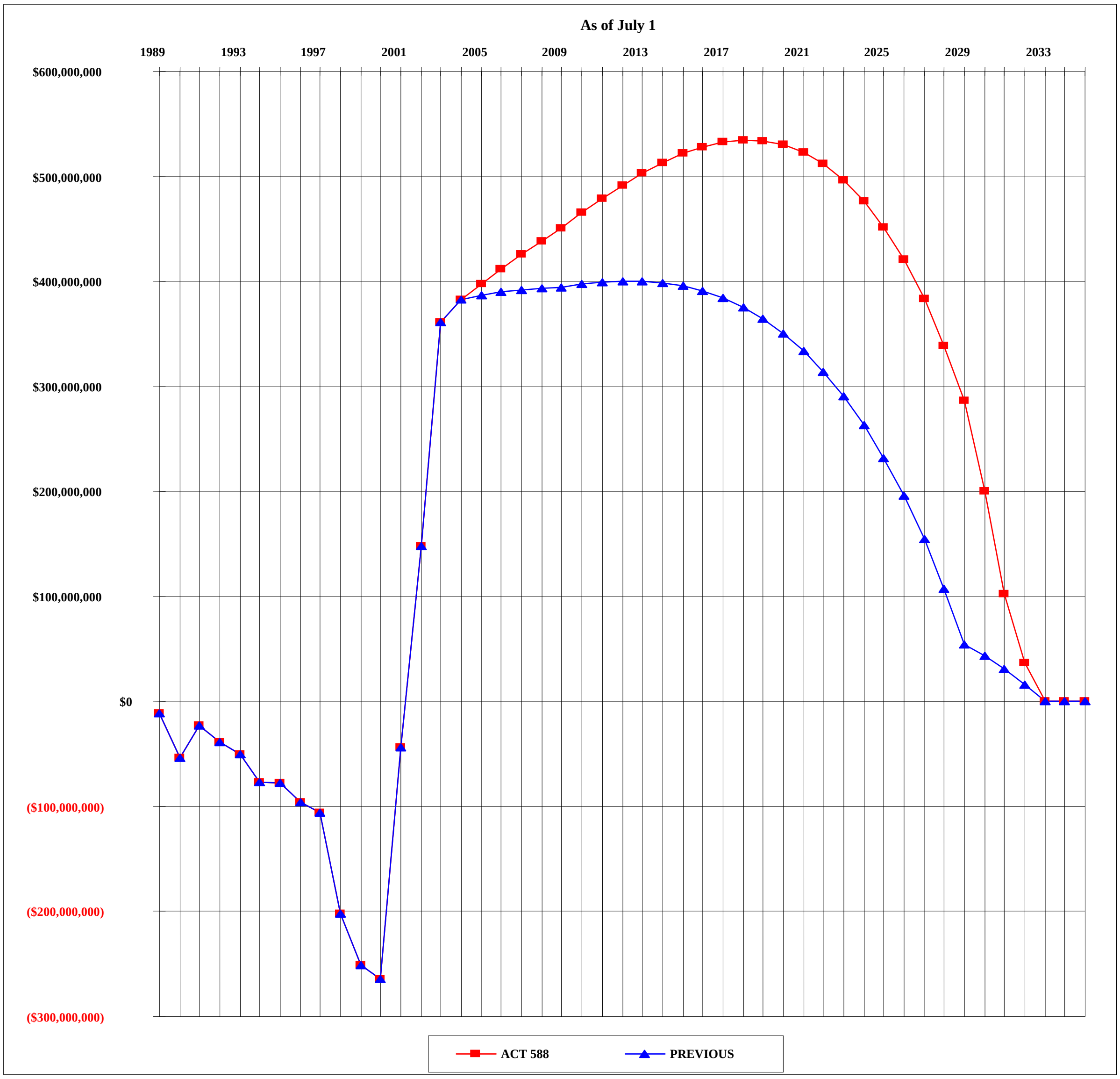
Change in liability (includes Experience Account): Payments increase at 4.5% per year to 2029

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

UNFUNDED ACCRUED LIABILITY BALANCE COMPARISON

PREVIOUS 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

*PREVIOUS **(June 30, 2003):***

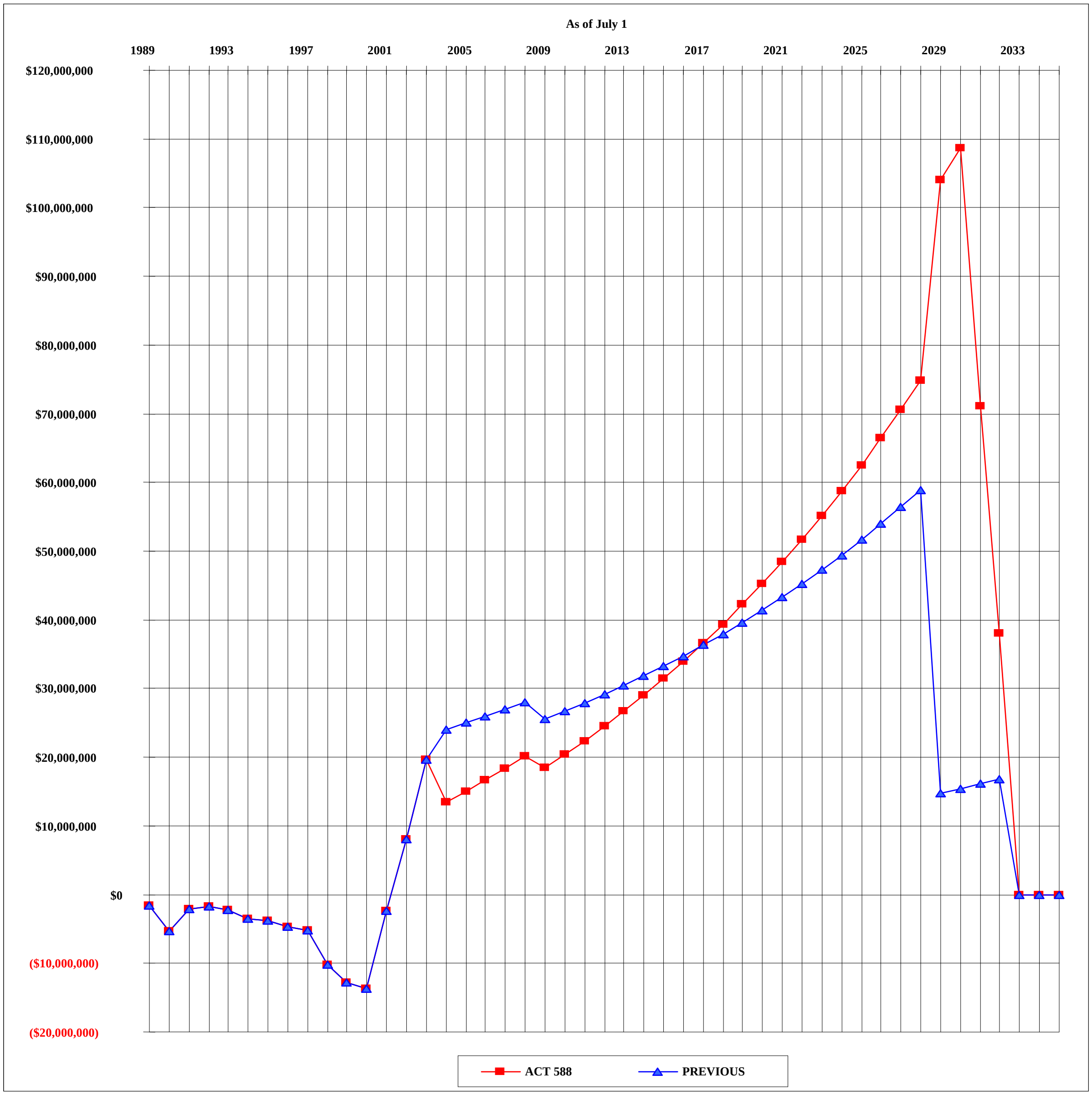
Change in liability : Payments increase at 4.5% per year to 2029

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

UAL AMORTIZATION MID-YEAR PAYMENT COMPARISON

PREVIOUS 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

*PREVIOUS **(June 30, 2003):***

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

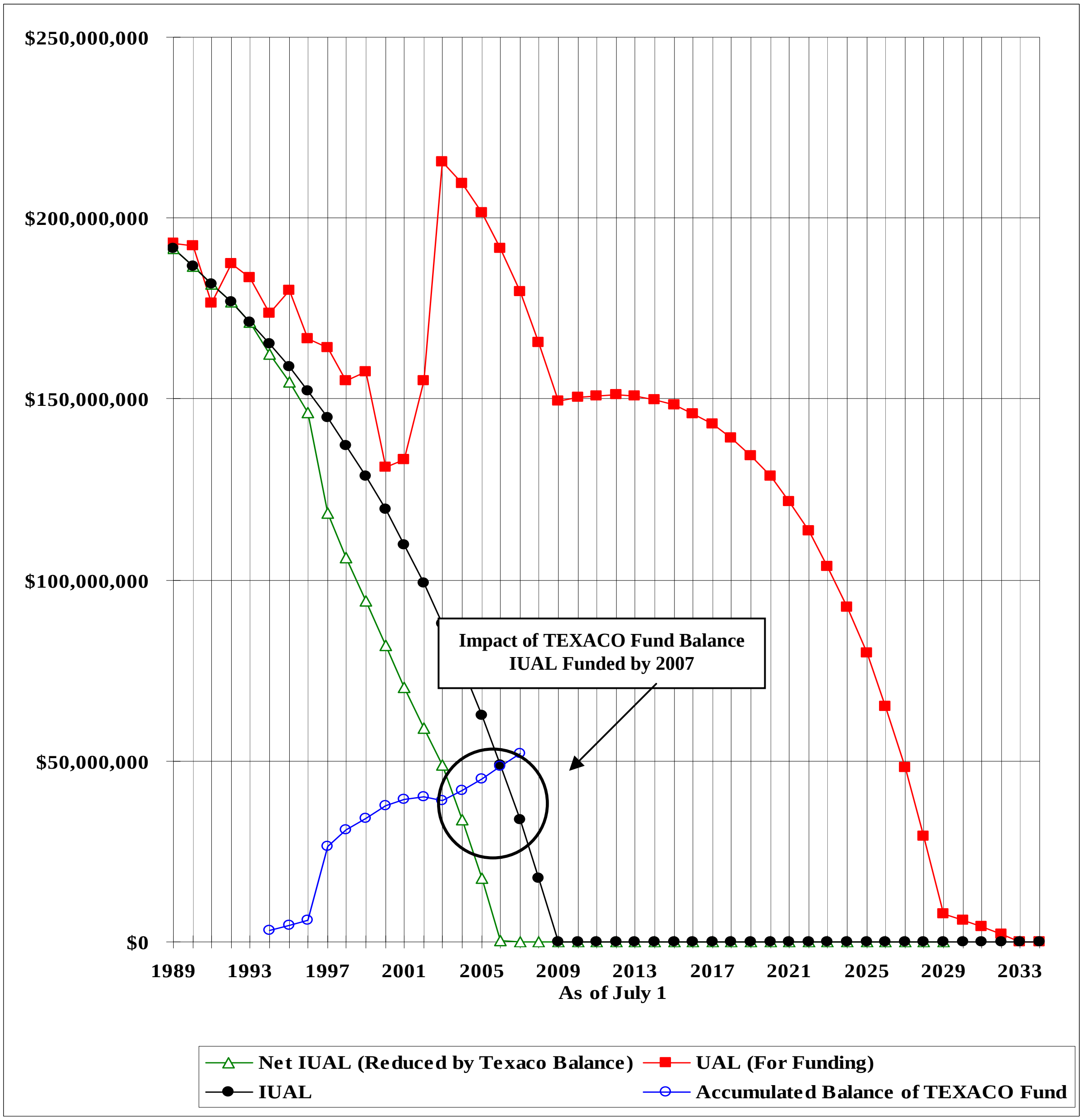
STATE POLICE PENSION & RETIREMENT SYSTEM

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 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.

With the market drop in fiscal year 2001, contribution requirements had increased for most systems. The impact on Firefighters' and Municipal Police was more pronounced, since accelerated contribution requirements exceeded amounts available from the Insurance Premium Tax Fund (IPTF). Requirements in excess of the IPTF supplement and targeted (fixed) rates were impacting as the progression of liability added for mergers became uncovered by investment losses. Enacted legislation was 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.

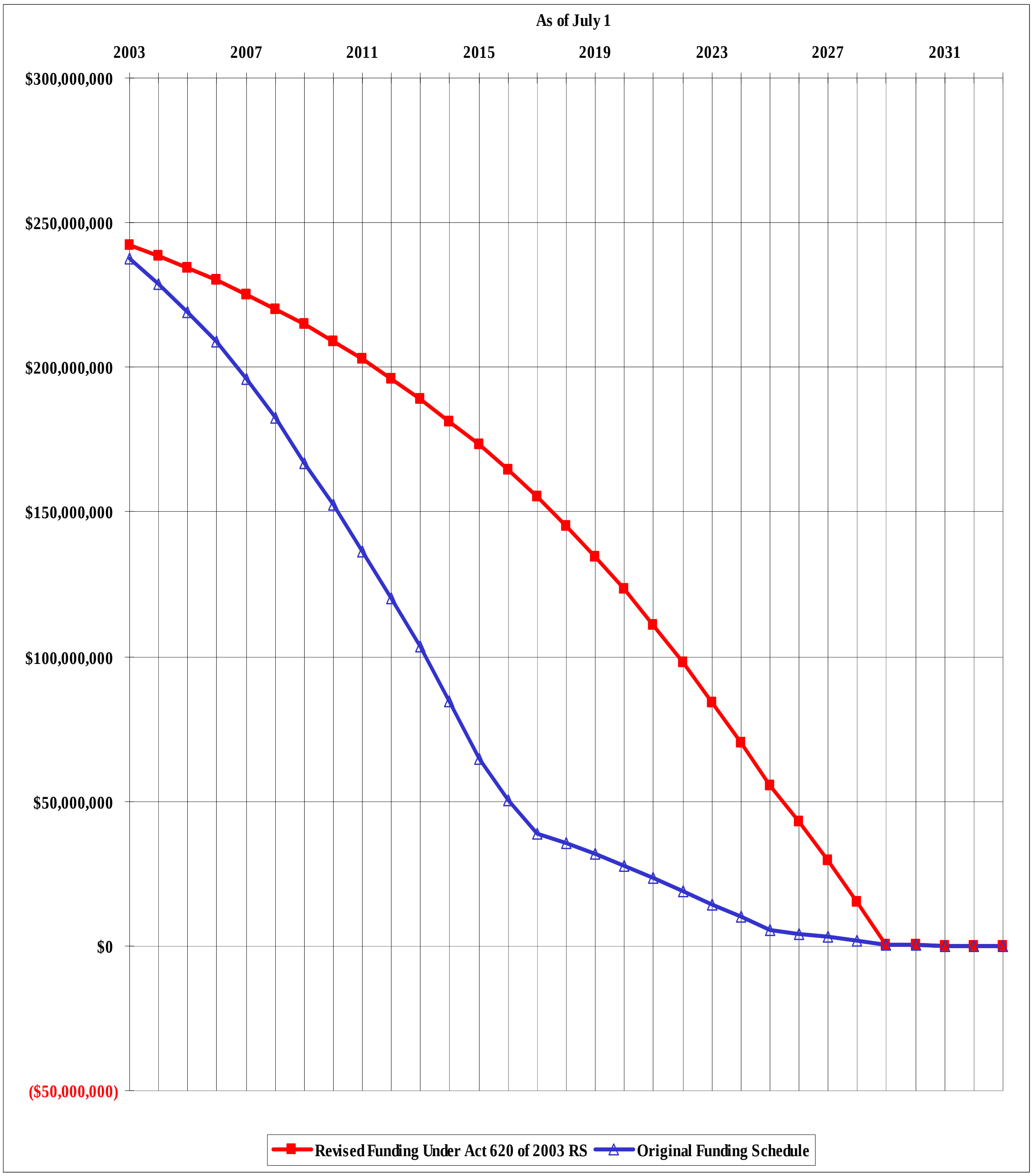
The following illustrations show the impact on UAL run-out values and amortization payments.

FIREFIGHTERS' RETIREMENT SYSTEM

UNFUNDED ACCRUED LIABILITY BALANCE COMPARISON

ACT 620 REGULAR SESSION, 2003

APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION

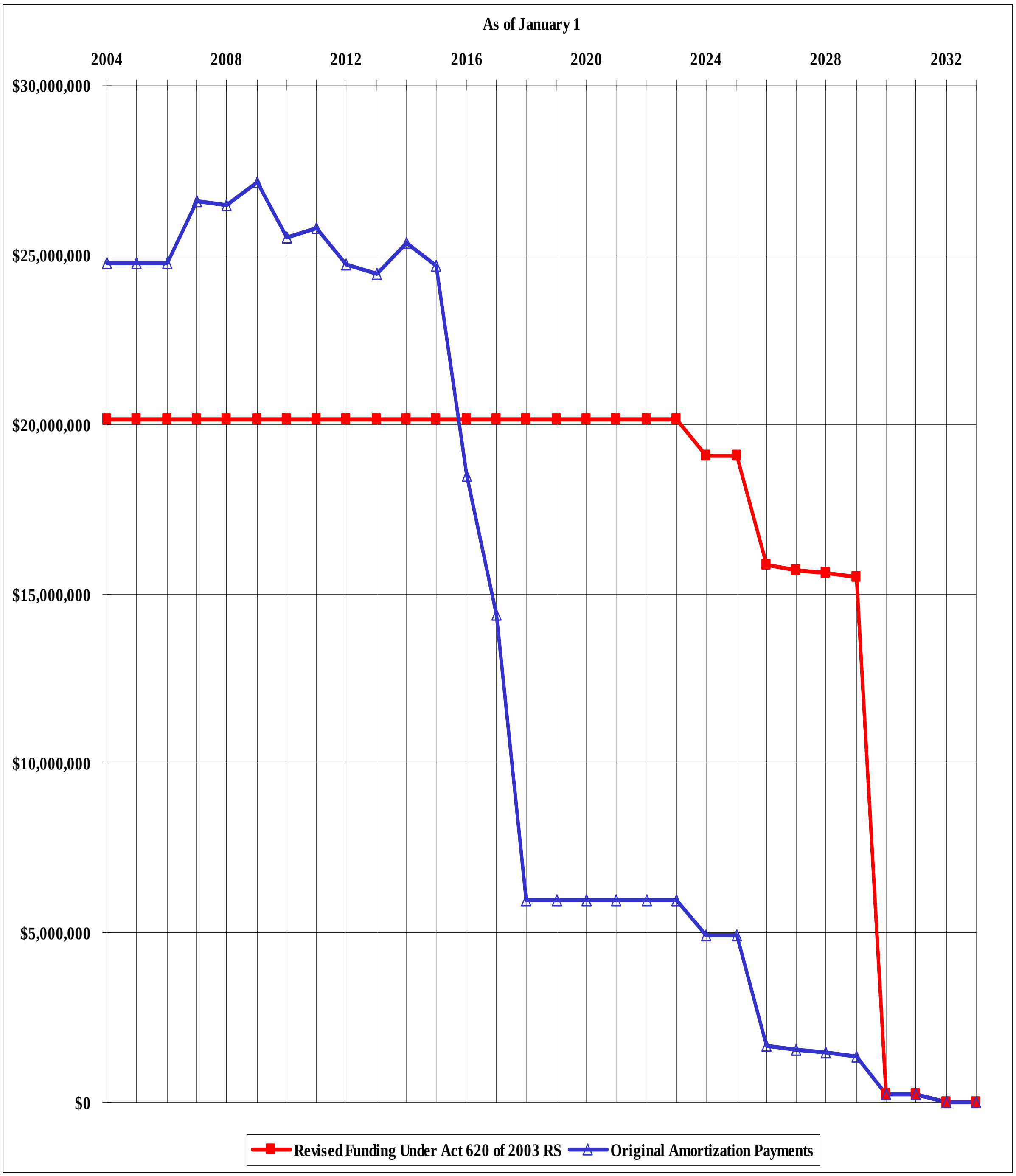


FIREFIGHTERS' RETIREMENT SYSTEM

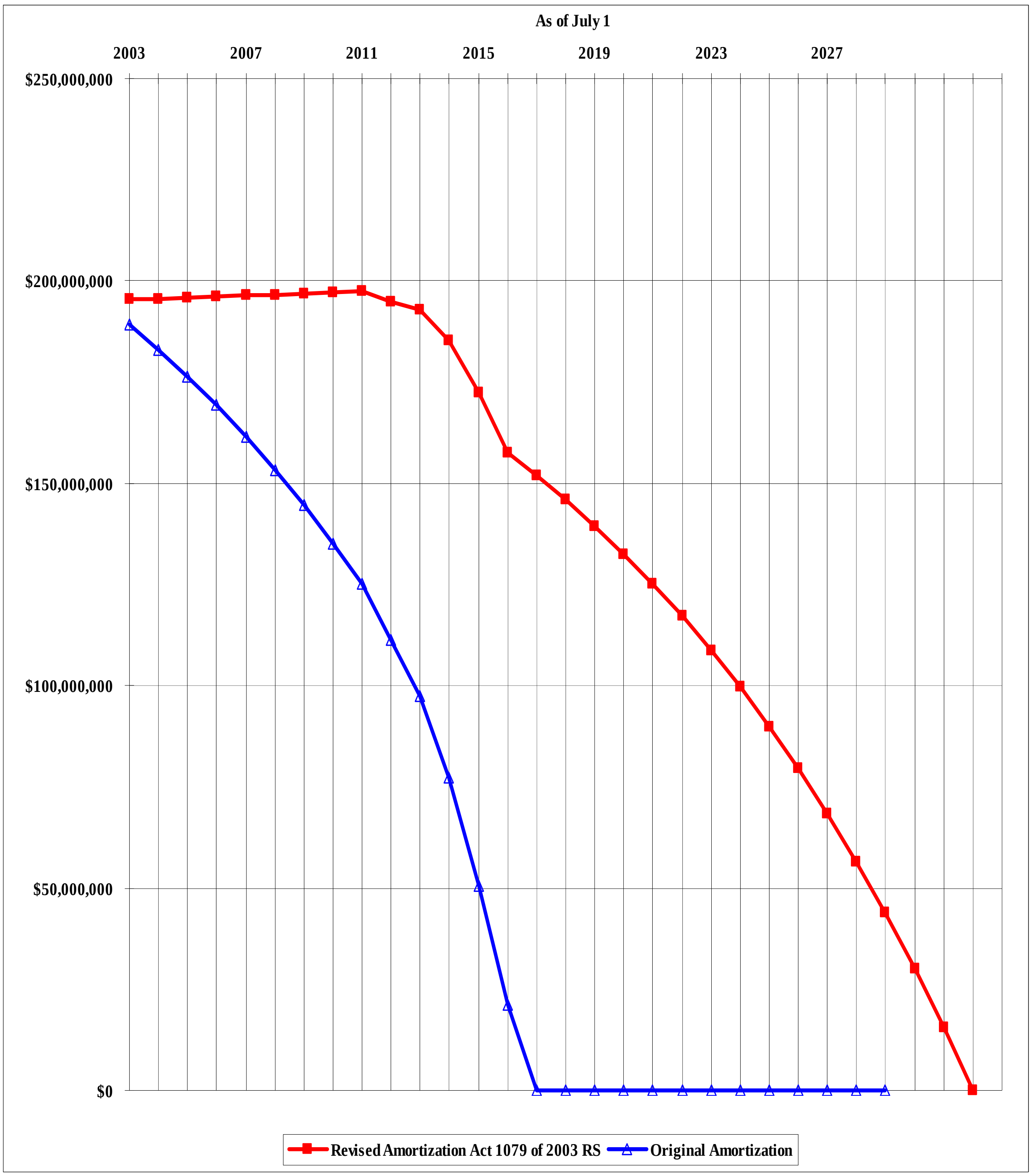
UNFUNDED ACCRUED LIABILITY PAYMENT COMPARISON

ACT 620 REGULAR SESSION, 2003

APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



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

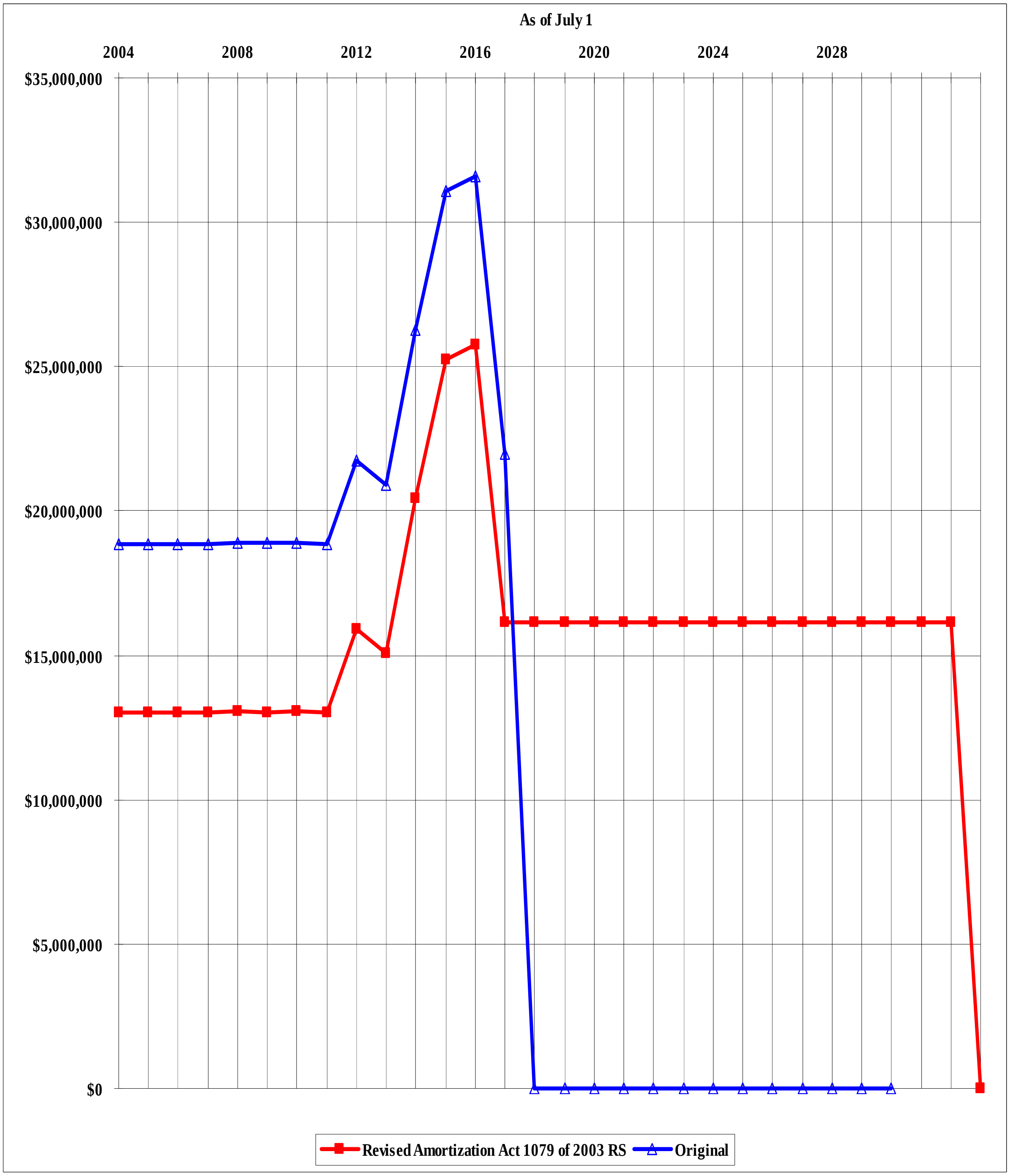


MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

UNFUNDED ACCRUED LIABILITY PAYMENT COMPARISON

ACT 1079 REGULAR SESSION, 2003

APPLICABLE FOR FISCAL YEAR 2004 EMPLOYER CONTRIBUTION



4. 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 which has recently leveled, such that in 2007 males compose only 16.9% of active membership.

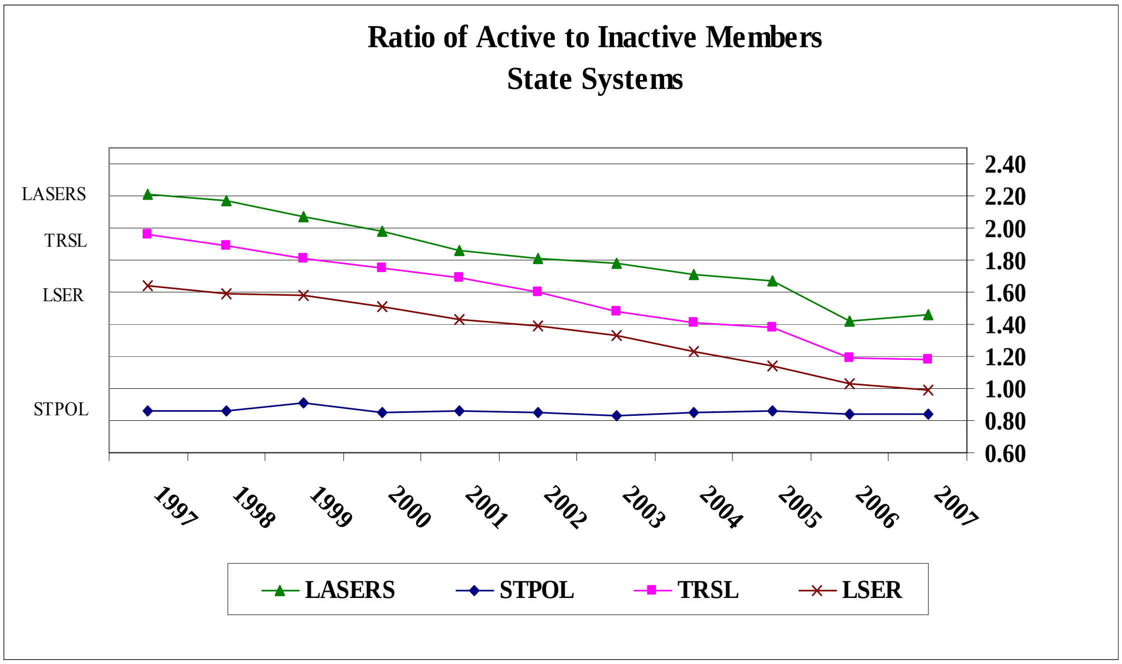
Based on current actuarial assumptions for funding, the annuity cost for a female member age 40 is 3% higher than a male member. At age 65, it is 12.3% higher. Since a greater proportion of females will enter their retirement years, the cost impact continues and is even greater, for example, at age 80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

Use of sex distinct mortality rates assists 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.

5. 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 state system ratios could be approaching 1.0 or lower by the end of the decade. This trend has a direct impact on cash flow and employer funding requirements as benefit payouts accelerate.



TRSL By 1998, the ratio of active to inactive members for TRSL had dropped to 1.89. It continued this decline down to 1.18 in 2007.

LASERS LASERS ratio of active to inactive membership also continues the declining trend dropping to 2.17 by 1998 and down to 1.46 in 2007.

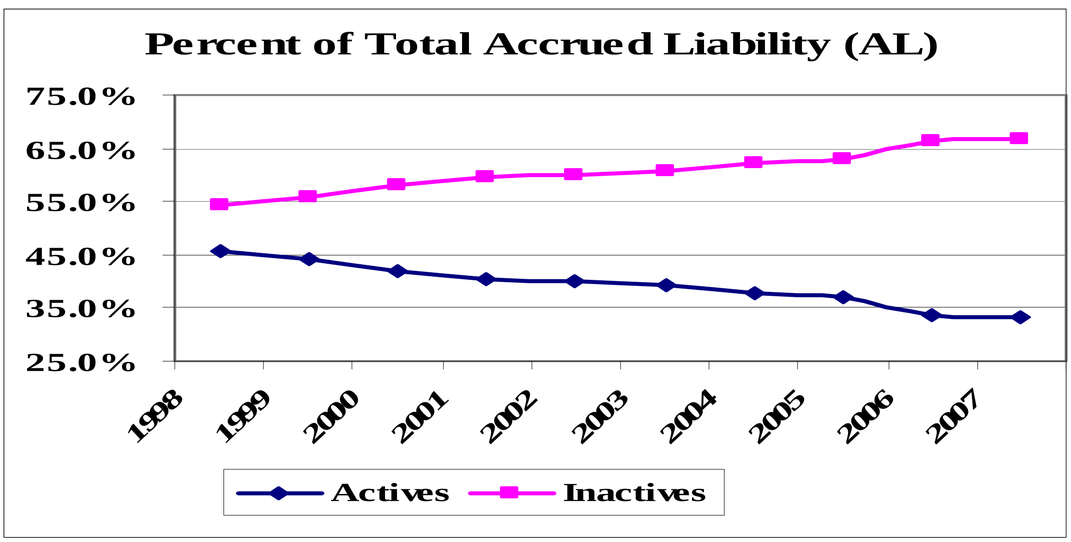
LSERS LSERS ratio has declined significantly to 1.59 by 1998 and dropping to 0.99 in 2007.

STPOL The ratio for State Police has been below 1.0 since 1989 and actually increased until leveling at a ratio between .84 and .86 since 1998.

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 66.8% of total accrued liability in 2007 compared to only 54.3% in 1998. The following table illustrates the impact on emerging liabilities.

Combined State System Liability Trends *Percent of Total Accrued Liability*		
Fiscal Year	***Actives***	***Inactives***
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%
2006	33.6%	66.4%
2007	**33.2%**	**66.8%**



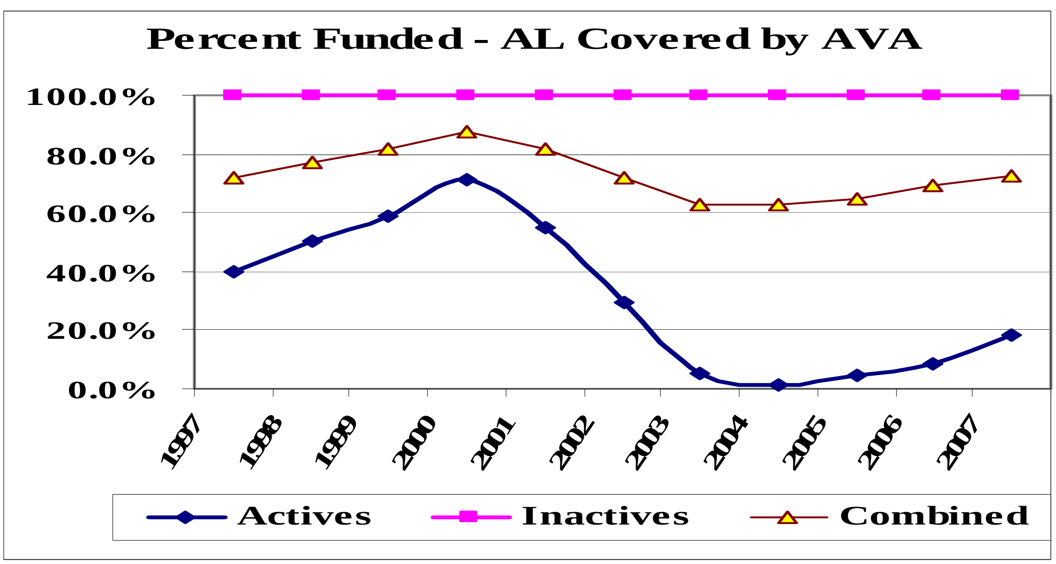
Percent Funded

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% by FY 2000 and then sharply declined to only 1.4% in FY 2004. It has since ascended to 18.2% in FY 2007.

Combined State System Liability Trends

Percent Funded

Fiscal Year	*Actives*	*Inactives*	*Combined*
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%
2006	8.4%	100.0%	69.2%
2007	**18.2%**	**100.0%**	**72.9%**



Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive members over the 10-year period 1998 to 2007.

Statewide System Liability Trends

Ratio of Active to Retired Population

System	*1998*	*2007*	Trend
ASSR	1.59	1.37	**down**
CCRS	2.82	2.25	**down**
DARS	3.89	2.78	**down**
FRS	2.39	2.08	**down**
MERSA	2.34	1.49	**down**
MERSB	2.67	2.30	**down**
MPERS	1.51	1.40	**range**
PERSA	2.89	2.21	**down**
PERSB	4.36	3.00	**down**
RVRS	1.48	1.35	**down**
SPRF	5.24	4.06	**down**
Total Statewide	**2.80**	**2.23**	**down**

6. Retiree Cost of Living Adjustments (COLA) versus Inflation

Issue

Average retiree benefits have increased by 1.2% per year of retirement from COLAs granted in the four state retirement systems through 2007. This rate of increase reverses a downward trend from the 0.9% in 2006, 1.0% in 2005, 1.1% in 2004, and 1.3% in 2003.

Over comparable retirement periods, the CPI (Consumer Price Index) increased an average of 2.6% per year through 2007, lower then last year's 3.1% and 2.8%-2.9% averages in the previous four years.

The 1.4% point differential between COLAs and CPI inflation narrowed significantly and matches 2002 results. A meaningful reversal from last year's 2.2% difference, that was approaching the 2.6% spread of our 1996 study, when averages were 1.1% for COLAs and 3.7% for CPI.

COLA Policy

At the request of the legislature, we have continued to study the impact of inflation on retiree benefit levels, since providing our Experience Account (EA) analysis to the legislature in 1996. Unfortunately, the state has had to focus on improving the funding position for future benefits promised by law. This has left any provisions for retiree COLA increases to ad hoc solutions leaving retirees unsure of the availability of COLAs. Also of concern is the impact that these ad hoc methods have on overall funding.

The study of retiree benefits and COLAs relate to employer/state benefit objectives and budgeting concerns. The adequacy and level of retiree benefits should be determined by the state since the state and related employers are ultimately responsible for the payment of benefits granted.

COLA Procedures

Act 402 of the 1999 Regular Session established a COLA formula for TRSL and LASERS that provides for an annual CPI benefit increase of up to 2%. This was extended to 3% under Acts 1016 and 1172 of the 2001 Regular Session if the system earned 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 in the EA. The EA is a trust vehicle for holding investment gains allocated by statute. Portions are released equal to the expected actuarial liability of the COLA granted. The COLA's value creates additional benefit liability that increases the UAL and is amortized as an actuarial charge. ***At the same time,*** *the assets released from the EA create an offsetting actuarial credit to the UAL with an equal offsetting amortization credit payment*.

Similar COLA procedures were established for LSERS and STPOL under Act 333 of the 2007 Regular Session effective July 1, 2007. EAs replaced all other COLA provisions.

COLAs versus Inflation

The following exhibits display the compounded 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, 2007.

RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase
From Retirement Date to 6/30/2007

STATE SYSTEMS COMBINED

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.7%	2.1%
10	1.3%	2.2%
15	1.1%	2.4%
20	1.1%	2.9%
25	1.4%	2.9%
30	2.0%	4.0%
35	1.9%	4.6%
Weighted Average	1.2%	2.6%

*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 6/30/2007

LASERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.9%	2.1%
10	1.3%	2.2%
15	1.1%	2.4%
20	1.2%	2.9%
25	1.4%	2.9%
30	2.1%	4.0%
35	2.1%	4.6%
Weighted Average	1.3%	2.6%

TRSL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.5%	2.1%
10	1.1%	2.2%
15	1.0%	2.4%
20	1.0%	2.9%
25	1.3%	2.9%
30	1.9%	4.0%
35	1.9%	4.6%
Weighted Average	1.1%	2.6%

*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 6/30/2007

(Note: LSERS and STPOL benefit formulas are one-third higher than LASERS and TRSL. Retirement eligibility is earlier for STPOL than other state systems.)

LSERS

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.1%	2.1%
10	1.9%	2.2%
15	2.5%	2.4%
20	2.8%	2.9%
25	3.1%	2.9%
30	3.5%	4.0%
35	3.8%	4.6%
Weighted Average	1.7%	2.6%

STPOL

Years Retired	Average Annual Rate of Increase	CPI *Comparison
5	0.0%	2.1%
10	0.0%	2.2%
15	0.7%	2.4%
20	0.4%	2.9%
25	0.7%	2.9%
30	0.9%	4.0%
35	1.6%	4.6%
Weighted Average	0.7%	2.6%

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

7. 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 hedge funds, 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.

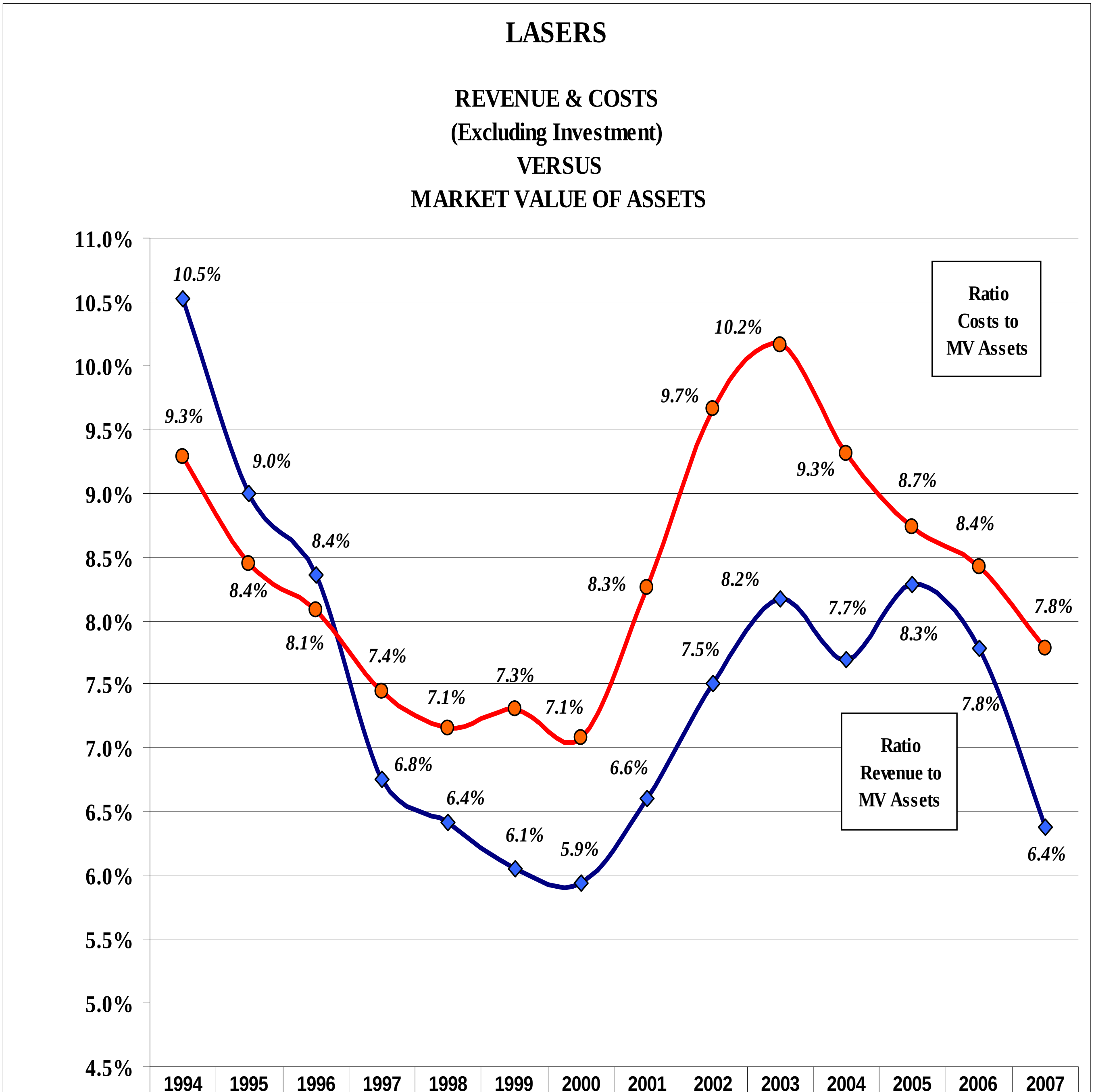
- The following first set of exhibits titled "Net External Cash Flow" shows the net cash available from external additions (contributions) net of required deductions (benefits/expenses) for each state system as of June 30, 2007 in column (c). Column (e) shows the amount of shortage that still remains 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, TRSL, and LSERS 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 market cycles between 1994 and 2007. Although revenue ratios are lagging cost ratios for the three systems, they appear to be converging for LASERS but broadening for TRSL and LSERS.

NET EXTERNAL CASH FLOW (*Excludes Net Investment Income)* STATE SYSTEMS As of June 30, 2007 (in millions)					
System	**Amounts Added**	**Amounts Deducted**	**Net External Cash Flow**	**Interest & Dividends**	**Negatives Required by Investment Sales**
	(a)	*(b)*	*(c) = (a) -(b)*	*(d)*	*(e)*
LASERS	$596.6	$727.4	($130.9)	$220.3	$0.0
TRSL	$876.2	$1,357.5	($481.3)	$367.7	($113.6)
STPOL	$45.6	$31.0	$14.6	$8.5	$0.0
LSERS	$69.7	$139.3	($69.5)	$54.1	($15.4)
Combined	**$1,588.1**	**$2,255.3**	**($667.2)**	**$650.7**	**($129.0)**

As shown below, a negative cash gap continues between annual contributions and benefits/expenses, except for STPOL. This requires reliance on dividend and interest income to meet trust obligations. If this investment income threshold is breached, the system must divest a portion of its securities investments to pay trust obligations.

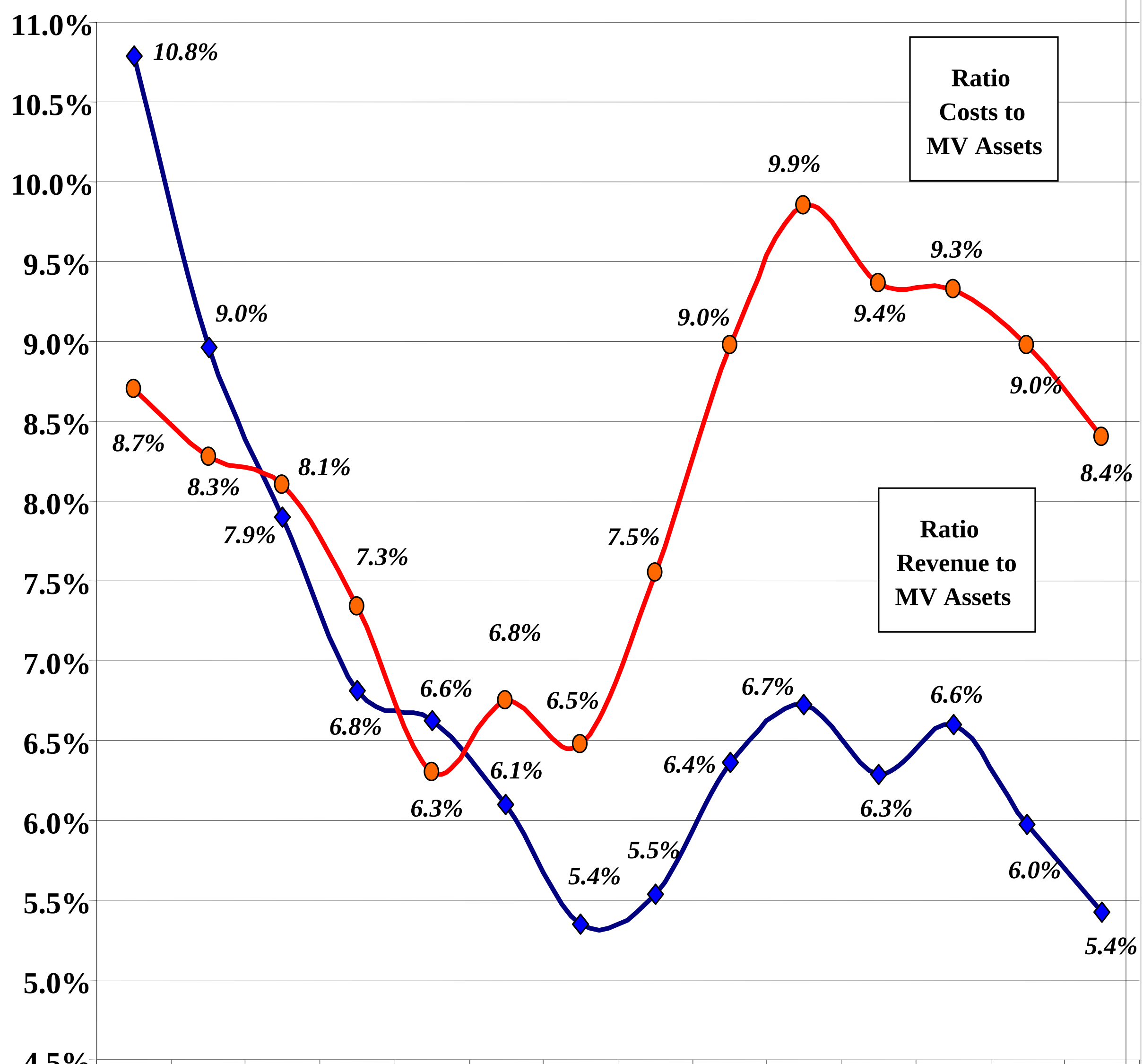
HISTORICAL NET EXTERNAL CASH FLOW (*Excludes Net Investment Income)* STATE SYSTEMS FY 2002 to FY 2007 (in millions)						
System	**FY 2007**	**FY 2006**	**FY 2005**	**FY 2004**	**FY 2003**	**FY 2002**
LASERS	($130.9)	($50.8)	($32.3)	($106.7)	($114.0)	($124.6)
TRSL	($481.3)	($419.1)	($345.4)	($365.8)	($329.2)	($277.8)
STPOL	$14.6	$13.9	$8.4	$5.7	$6.1	$5.5
LSERS	($69.5)	($70.0)	($59.5)	($67.3)	($82.9)	($74.3)
Combined	**($667.2)**	**($526.1)**	**($428.8)**	**($534.2)**	**($520.0)**	**($471.2)**



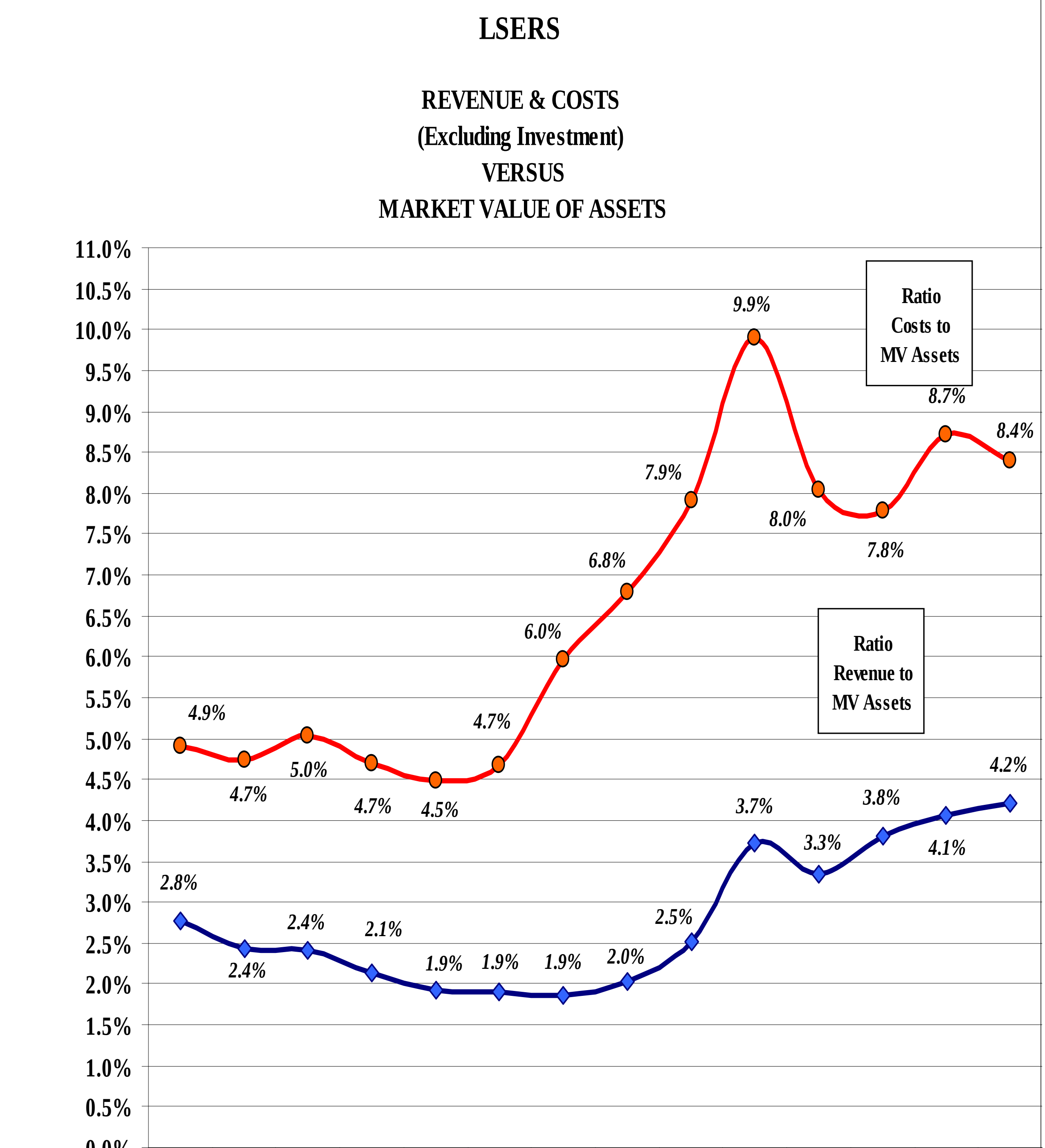
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUE	10.5%	9.0%	8.4%	6.8%	6.4%	6.1%	5.9%	6.6%	7.5%	8.2%	7.7%	8.3%	7.8%	6.4%
COSTS	9.3%	8.4%	8.1%	7.4%	7.1%	7.3%	7.1%	8.3%	9.7%	10.2%	9.3%	8.7%	8.4%	7.8%

TRSL

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



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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%	6.0%	5.4%
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%	9.0%	8.4%



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUE	2.8%	2.4%	2.4%	2.1%	1.9%	1.9%	1.9%	2.0%	2.5%	3.7%	3.3%	3.8%	4.1%	4.2%
COSTS	4.9%	4.7%	5.0%	4.7%	4.5%	4.7%	6.0%	6.8%	7.9%	9.9%	8.0%	7.8%	8.7%	8.4%

8. Subsidized Military Service Credits

Concern

Extending military benefit subsidies beyond required federal regulations can result in significant unexpected usage and increases to the system's unfunded liability and contribution requirements.

Act 1370 Experience

Act 1370 of the 1999 Regular Session allowed members of the FRS to receive subsidized service credits for active military duty between January 1, 1960, and December 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 pay the actuarial cost of the additional benefits. The MPERS has similar provisions.

Actuarial Impact

Within the year following enactment of Act 1370, over 25% of the eligible universe of 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 his/her 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 carried substantial unexpected costs to this system that increased the UAL by an estimated $5 million as of June 30, 2000.

9. Enhancements to Public Plans as Potential Liabilities to the State

Concern

Various statewide bills are passed with proponents implying that the benefit enhancements do not create a potential cost/liability to the state.

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 COLA liability emerge, coupled with potential investment losses, the contribution portion required from local funding can increase dramatically. This can strain 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, such income does not provide unrestricted rights to enhance retirement benefits.

ASSR

Assessors were granted an 11% increase to the future pension benefit accrual rate, from 3% to 3⅓%. Effective July 1, 2001, the accrual rate for past service was also increased to 3⅓%. To help pay for this increase, 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.

For FY 2008, 80.3% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

CCRS

Clerks of Court were granted an 11% increase to the future pension benefit accrual rate, from 3% to 3⅓%. The employer pays the total cost of this increase.

For FY 2008, 39.3% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

RVRS

Registrars of Voters were granted an 11% increase to the future pension benefit accrual rate, from 3% to 3⅓% effective July 1, 1999. The employer pays the total cost of this increase.

For FY 2008, 72.2% of the required contribution from public funds is paid by state allocated ad valorem taxes and revenue sharing.

SPRF

Sheriffs were granted an increase in the pension benefit accrual rate, to a uniform rate of 3⅓%, 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 set the employee rate between 9.8% and 10.25% of pay to fairly apportion the cost of benefit improvements.**

For FY 2008, 38.2% of the required contribution from public funds is paid by state allocated ad valorem taxes, revenue sharing, and IPTF amounts. Ad valorem taxes and revenue sharing will contribute $12.1 million and the IPTF will be required to provide the maximum $14.5 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 for fiscal year 2008, the employer is required to fund the shortage. IPTF amounts not required for funding would have been deposited into the state's general funds.

10. Adverse Selection/Risk Exposure

Concern

Allowing members to change or rescind previous benefit choices, purchase membership service, or make elections retroactively can leave the trust vulnerable to unknown costs resulting from possible adverse selection or exposures to additional risk.

Adverse selection, or anti-selection, can happen when a member is allowed to alter a benefit provision subsequent to occurrences expected in the inherent valuation assumptions *or* to elect a benefit provision 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 irrevocably elected to participate in ORP prior to July 31, 2002, can rescind their election and instead receive service credit in the defined benefit for that period. The employee could also re-establish prior credit under the defined benefit plan by returning all contributions that had been transferred into ORP with interest.

ANTI-SELECTION: This enables the employees to rescind their ORP account if the defined benefit plan subsequently results in a better value for that service period. Actuarial liabilities could increase for exposure to anti-selection against the plan benefit structure and actuarial funding assumptions (e.g., differences over that period in vesting requirements, survivorship benefits, or disability provisions).

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 and risk exposures. 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 the Back-DROP lump sum, this legislation also returns all contributions the member had been required to pay as an active employee during that period.

Back-DROP allows a retiring member of SPRF 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. If the employees choose not to select the Back-DROP alternative, they may receive their regular promised retirement benefit. **The Back-DROP value is not the same as a reduced option payment (e.g., 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 now refunds employee contributions 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.

ANTI-SELECTION: Generally, the plan loses when a member is allowed to elect between options that are not actuarially equivalent. Back-DROP allows members 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 are given the equivalent account benefits if elected. **Retaining employee contributions helped to neutralize the adverse exposure and therefore costs to the system. This is no longer true under Act 854.**

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.

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 members 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 members enter DROP, they must select an annuity payout option similar to that of a retiree. Under the amendment, a member could elect out of DROP in anticipation of death if the non-DROP active survivor benefit would be greater.

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.

This page intentionally blank.