

2008 ACTUARIAL REPORT ON
LOUISIANA PUBLIC RETIREMENT SYSTEMS



ISSUED JANUARY 2012

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2008 Actuarial Report
on
Louisiana Public Retirement Systems

January 2012

2008 ACTUARIAL REPORT

LOUISIANA PUBLIC RETIREMENT SYSTEMS

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 11, 2012

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

The Honorable John A. Alario, President
Louisiana Senate
Post Office Box 94183
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The Honorable Charles E. "Chuck" Kleckley, Speaker
Louisiana House of Representatives
Post Office Box 94062
Baton Rouge, Louisiana 70804-9062

**Re: 2008 Annual Actuarial Report on
Louisiana Public Retirement Systems**

The Louisiana 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 section of my office, is submitted in accordance with R.S. 24:513(C)(1) and R.S. 11:271(C)(2) and includes within its scope the thirteen state and statewide retirement systems for their fiscal years ending 2008.

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.

This report is not an audit and therefore it has not been prepared in compliance with auditing procedures as set forth by *Government Auditing Standards*; nor do we offer an opinion on the systems' financial statements or internal controls. While Actuarial Services within our office has applied certain actuarial analysis to this information, we have not examined actuarial assumptions and methods used in determining reserves and related actuarial items. Therefore, we do not express an opinion thereon. However, Section III of the report contains Statements of Actuarial Opinion that have been certified by our actuary. In general, we believe that if the systems comply with contribution rates approved by PRSAC, both now and in the future, if all assumptions are realized, and if there is due care of trust assets, the systems are and will be funded on an actuarially sound basis.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:PTR:dl

ACTUARIAL REPORT LETTER

Executive Summary

EXECUTIVE SUMMARY

2008 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2008 Report

The *2008 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 2008. It includes data and history for the four state retirement systems and the nine statewide retirement systems. The report is organized into the following sections which are summarized in this Executive Summary.

SECTION I – EMPLOYER FUNDING FOR PENSION BENEFITS
(pages 21 through 60).

SECTION II – BENEFIT FORMULAS, RETIREMENT ELIGIBILITY, AND CONTRIBUTION RATES (pages 61 through 70).

SECTION III – ACTUARIAL CONCERNS – FUNDING ISSUES
(pages 71 through 122).

SECTION IV – RECENT LEGISLATION (pages 123 through 131).

Louisiana Statutes

Pursuant to *Louisiana Revised Statutes*, this report is being submitted to the governor and the legislature summarizing 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

Benefits are guaranteed under the state constitution for the four state retirement systems listed below.

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

Statewide Systems

Benefits are not guaranteed under the state constitution for the nine statewide retirement systems.

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

SUMMARY OF VALUATION RESULTS FOR FY 2008^a

Systems:	Employer Contribution Rates ^b		Unfunded Accrued Liability FY 2008	Actuarial Value of Assets FY 2008	AVA/PBO
	FY 2009	FY 2010	(in millions)	(in millions)	
<i>State Systems:</i>					
LASERS	18.50%	18.60%	\$ 4,473.1	\$ 9,307.9	68.6%
TRSL	15.50%	15.50%	6,967.6	15,852.2	71.7%
LSERS	17.80%	17.60%	481.2	1,579.0	76.6%
STPOL	27.30%	41.30%	199.7	438.1	68.7%
<i>State Total</i>			\$ 12,121.6	\$ 27,177.2	70.9%
<i>Statewide Systems:</i>					
ASSR	4.75%	8.50%	\$ 23.9	\$ 189.5	78.0%
CCRS	11.75%	11.75%	85.2	356.5	79.1%
DARS	0.00%	5.00%	n/a	227.8	103.8%
FRS	12.50%	14.00%	187.4	1,129.8	88.4%
MERS A	10.75%	10.25%	74.0	671.7	89.3%
MERS B	4.75%	4.50%	5.2	136.2	96.1%
MPERS	9.50%	11.00%	240.3	1,600.9	86.9%
PERS A	9.00%	15.75%	60.4	1,943.6	89.3%
PERS B	6.25%	10.00%	n/a	136.1	91.9%
RVRS	2.00%	3.50%	n/a	64.9	95.9%
SPRF	7.50%	9.00%	74.3	1,628.3	88.8%
<i>Statewide Total</i>			\$ 750.7	\$ 8,085.3	88.3%
Total All Systems:			\$ 12,872.3	\$ 35,262.5	74.2%
Page Reference	Page 26, 27		Page 51	Page 44, 45	Page 54, 55

Footnotes:

a FY 2008 means the fiscal year ending on June 30, 2008, for all retirement systems except ASSR and PERS. FY 2008 for ASSR means the fiscal year ending on September 30, 2008. FY 2008 for PERS means the fiscal year ending December 31, 2008.

b Rates shown for FY 2009 are contribution rates adopted by PRSAC in February 2008 (rates were adopted by PRSAC for ASSR and PERS in the fourth quarter of 2007) and will be multiplied by employer payroll for FY 2009 to determine employer contributions for each retirement system for FY 2009.

Rates shown for FY 2010 are employer contribution rates projected for FY 2010 based on the valuation date ending in FY 2008 for each retirement system. These rates are the rates recommended by the actuary for each retirement system and approved by the systems' boards of directors. These rates are subject to approval by PRSAC in February 2009 (fourth quarter of 2008 for ASSR and PERS) and the Louisiana Legislature in the 2009 legislative session.

SUMMARY OF VALUATION RESULTS FOR FY 2008

Systems:	Investment Returns ^a			Membership			Payroll (in millions)
	Market Value	AVA	Assumed Rate	Actives	Retirees ^b	Total ^c	
<i>State Systems:</i>							
LASERS	-3.8%	8.5%	8.25%	61,780	40,218	103,822	\$ 2,437
TRSL	-5.0%	5.2%	8.25%	85,979	64,830	156,852	3,675
LSERS	-4.7%	5.9%	7.50%	13,153	12,742	26,280	290
STPOL	-5.2%	4.6%	7.50%	1,059	1,180	2,263	60
<i>State Total</i>				161,971	118,970	289,217	\$ 6,462
<i>Statewide Systems:</i>							
ASSR	-13.7%	1.9%	8.00%	731	492	1,299	\$ 37
CCRS	-6.3%	7.9%	8.00%	2,306	951	3,661	84
DARS	-4.9%	5.8%	8.00%	711	175	1,146	48
FRS	-5.0%	9.0%	7.50%	3,821	1,761	5,987	169
MERS A	1.1%	9.0%	8.00%	4,792	3,032	10,569	149
MERS B	1.3%	8.8%	8.00%	2,134	850	4,050	59
MPERS	-7.6%	6.4%	7.50%	5,908	4,109	10,131	253
PERS A	-25.7%	-4.9%	7.50%	13,976	5,632	26,617	512
PERS B	-25.0%	-5.2%	7.50%	2,162	580	4,260	75
RVRS	-3.9%	6.6%	8.00%	228	148	400	11
SPRF	-6.4%	6.5%	8.00%	14,038	3,140	21,662	537
<i>Statewide Total</i>				50,807	20,870	89,782	\$ 1,934
Total All Systems				212,778	139,840	378,999	\$ 8,396

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Footnotes:

- a Investment returns are for FY 2008.
- b DROP members are counted as Retirees.
- c Total membership includes members entitled to a deferred pension or a refund of contributions. Counts for members in these categories are not shown.

SECTION I – Employer Funding for Pension Benefits

Actuarial Funding

The most fundamental principle of actuarial funding is:

$$\textbf{Benefits} = \textbf{Contributions} + \textbf{Investment Earnings}$$

All benefit payments from a retirement system will be paid from contributions into the system made by participating employees and employers and from earnings on invested contributions. The earlier that contributions are made, the greater the opportunity to invest and earn investment income. The earlier that contributions are made, the lesser the portion of benefits that will be paid from contributions and the greater the portion that will be paid from investment income.

The role of the actuary is to select an actuarial model and assumptions that will provide for contributions from year to year that are consistent with the budgeting constraints of the plan sponsor. Because pension benefits are a form of deferred compensation, the methods and assumptions used by the actuary should closely reflect the value of benefits that are earned or allocated to each fiscal year. By doing so, the plan sponsor should be able to minimize cost transfers from one generation of workers to another.

The only true management tool that an actuary has is the selection of the actuarial methods used to allocate benefit accruals to fiscal years and the methods used to smooth fluctuations in the market value of assets. It is tempting at times to try to use actuarial assumptions to manage contribution requirements, but the end result is a distortion of the true cost of the pension plan and such a distortion leads to intergenerational transfers of cost. It is therefore critical that the actuary use assumptions that reflect the best expectations of future events.

A retirement system that uses appropriate actuarial methods, that uses and monitors actuarial assumptions to ensure that they are good predictors of future events, and that can require that contributions from member employees and employers be paid when due, will be a system that is actuarially sound. Such a system will accumulate assets sufficient to pay benefits when they become due and payable.

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. Perhaps the most important assumption that the actuary makes in his calculations of plan liabilities and contribution requirements is the investment return assumption. Investment return assumptions used in the preparation of the 2008 actuarial valuations for the thirteen Louisiana retirement systems ranged from 7.50% to 8.25%.

Contributions

Contribution requirements are a function of the benefit provisions of the retirement system and the actuarial methods and assumptions used by the actuary. Required contributions for the thirteen systems are derived from many different sources – participating employees, participating employers, ad valorem taxes, revenue sharing funds, the Insurance Premium Tax Fund (IPTF), and special legislative appropriations.

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

State Retirement Systems***General***

Annual employer contribution requirements can be separated into two components – the normal cost and payments toward amortization of the unfunded accrued liability.

Normal Cost

The normal cost reflects the value of all benefits earned during the plan year by participating members. The total normal cost is partially paid by participating members and partially by participating employers. Member contributions are a fixed percentage of pay that varies from system to system and by sub plan within systems. Participating employers must contribute the balance of the total normal cost, if any.

Unfunded Accrued Liability

Each of the state systems has an unfunded accrued liability (UAL). The actuary calculates the amount of assets the system would currently have if current benefit provisions had always been in place, if current actuarial methods had been used, if past experience from the plan's inception had been

exactly consistent with current actuarial assumptions, and if system investments had always earned the current investment return assumption. This value is called the Actuarial Accrued Liability. The UAL, then, is the difference between the Actuarial Accrued Liability and the current value of system assets.

The UAL is essentially a debt that participating employers owe to the retirement system. It reflects contributions that should have been made and investment income that should have been earned. In order for benefits to be paid as scheduled to participating members, this debt must be paid. To pay this debt, the system establishes a payment schedule that will amortize the debt over a period of years. Participating employers are primarily responsible for annual amortization payments.

Employer Contribution Sources

Actuarially determined contribution requirements, not paid by participating employees, are the responsibility of participating employers. Employer contribution sources are summarized below for each state retirement system.

Sources of Employer Contribution

System	Local 1	Ad Valorem 2	MFP 3	State General Fund 4
LASERS				x
TRSL	x	x	x	x
LSERS			x	
STPOL				x

1. Amounts derived from local sources raised by individual government entities.
2. Amounts reflecting a percentage of taxes collected by the parishes in accordance with Louisiana statutes.
3. Amounts derived from the Minimum Foundation Program (MFP), which reflects transfer payments from the state to local school districts.
4. Amounts paid out of the state General Fund.

Guaranteed Payment

The Louisiana Constitution guarantees an annual employer contribution to the four state systems sufficient to pay the normal cost and to amortize by 2029 the Initial Unfunded Accrued Liability (IUAL) established as of June 30, 1988. 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 retirement systems be funded on an actuarially sound basis.

UAL Balance

As of June 30, 2008, the four state systems had a combined UAL balance of \$12.1 billion. The combined payment to fund this amount for FY 2008 is \$664.3 million. It represents 60.2% of the \$1.103 billion of required employer contributions to actuarially fund the four state systems.

UAL BALANCES as of 6/30/2008
(in millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL (AL) – (VA)
LASERS	\$ 13,562.2	\$ 9,089.1	\$ 4,473.1
TRSL	22,090.5	15,122.9	6,967.6
LSERS	2,060.2	1,579.0	481.2
STPOL	637.8	438.1	199.7
Combined	\$ 38,350.7	\$ 26,229.1	\$ 12,121.6

Projected Employer Contributions***LASERS***

The total required employer contribution is paid directly from appropriations from the General Fund and from programs that are federally funded.

Projected Employer Contributions (in millions)		
LASERS	FY 2009	FY 2010
Employer Contributions*	\$428.3	\$480.3
<i>Projected Rate (% Payroll)</i>	<i>18.5%</i>	<i>18.6%</i>
15.5% Minimum Required	n/a	n/a

TRSL

The total required employer contribution is paid directly from appropriations from the General Fund, from local school districts (primarily out of MFP transfer payments from the state), from ad valorem taxes, and from programs that are federally funded.

Projected Employer Contributions (in millions)		
TRSL	FY 2009	FY 2010
Employer Contributions*	\$574.3	\$654.9
<i>Projected Rate (% Payroll)</i>	<i>15.5%</i>	<i>15.5%</i>
15.5% Minimum Required	Yes	Yes

LSERS

The total required employer contribution is paid directly from local school districts (primarily out of MFP transfer payments from the state).

Projected Employer Contributions (in millions)		
LSERS	FY 2009	FY 2010
Employer Contributions*	\$47.9	\$53.0
<i>Projected Rate (% Payroll)</i>	<i>17.8%</i>	<i>17.6%</i>
6.0% Minimum Required	n/a	n/a

STPOL

The total required employer contribution is paid directly from appropriations from the General Fund and from the IPTF.

Projected Employer Contributions (in millions)		
STPOL	FY 2009	FY 2010
Employer Contributions*	\$14.1	\$24.5
<i>Projected Rate (% Payroll)</i>	<i>27.3%</i>	<i>41.3%</i>
Insurance Premium Tax Fund	\$1.5	\$1.5

* Based on member pay as of 6/30/2008.

IUAL Funds

LASERS and TRSL both maintain assets in a side fund that is contained within their respective trusts. These side funds, called the Initial UAL Fund (IUAL Fund), have received deposits over the years from special legislative appropriations and from the Texaco Settlement. These funds are credited annually with the actuarial rate of return on assets.

When the IUAL Fund accumulates to the outstanding balance of the IUAL, or to the UAL if smaller, it will be released to fully liquidate the liability. Based on valuation interest rates, accumulated values of the IUAL Funds will be sufficient to liquidate the applicable liability for LASERS by 2029 and for TRSL by 2028.

IUAL FUND BALANCES
(as of 6/30/2008)
(in millions)

	LASERS	TRSL	Combined
Balance	\$78.1	\$346.3	\$424.4

Special Appropriations

Act 642 of 2006 provided special appropriations from the General Fund as of June 30, 2006, to accelerate payment of the IUALs for LASERS and TRSL. \$13,600,000 was appropriated to the LASERS IUAL Fund and \$26,400,000 to the TRSL IUAL Fund.

Act 7 of the Second Extraordinary Session of 2008 provided additional appropriations of \$20,000,000 for LASERS and \$40,000,000 for TRSL.

Texaco Settlement

Monies from the Texaco Settlement were allocated by the legislature to three state retirement systems (LASERS, TRSL, and STPOL) to help accelerate the payoff of their IUALs. The STPOL Texaco Fund balance of \$50,084,124 was released on June 30, 2006, and the system's IUAL was fully liquidated.

Statewide Retirement Systems

General

Employer contributions required to fund actuarial liabilities for each of the nine statewide retirement systems come from five sources.

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 taxes collectible by the parishes in accordance with statutes.
3. General revenue sharing funds.
4. Insurance Premium Tax Funds (IPTF).
5. Appropriations from the state General Fund.

UAL Balances

Pursuant to the state constitution, funding requirements for the nine statewide systems are actuarially determined. As with the 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 2008 fiscal year-end, the seven statewide systems for which a UAL is calculated had a combined UAL balance of \$750.7 million.

**UAL Balances – Statewide Systems
as of June 30, 2008**
(in millions)

	FY 2007	FY 2008
ASSR	\$ 32.1	\$ 23.9
CCRS	84.1	85.2
FRS	166.7	187.4
MERS (Plans A & B)	78.7	79.2
MPERS	188.2	240.3
PERS Plan A	66.3	60.4
SPRF	96.3	74.3
Combined UAL	\$ 712.4	\$ 750.7

Aggregate Funding

DARS, PERS Plan B, and RVRs use the Aggregate Funding Method – an actuarial funding method that requires all unfunded benefit liabilities to be paid through future normal costs. Under this method there is no unfunded accrued liability and therefore no UAL to amortize.

Projected Employer Contributions

Projected employer contribution rates for the statewide systems are shown below. These rates will be applied to the payrolls for the identified fiscal years.

Statewide System	Projected Rate	
	FY 2009	FY 2010
ASSR	4.75%	8.50%
CCRS	11.75%	11.75%
DARS	0.00%	5.00%
FRS	12.50%	14.00%
MERSA	10.75%	10.25%
MERSB	4.75%	4.50%
MPERS	9.50%	11.00%
PERSA	9.00%	15.75%
PERSB	6.25%	10.00%
RVRs	2.00%	3.50%
SPRF	7.50%	9.00%

A minimum contribution rate is set by statute for FRS, MPERS and SPRF. The minimum rate for FRS and MPERS is 9.0% of pay. The minimum rate for SPRF is 7.0% of pay.

Employer contribution requirements 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, IPTF funds had been sufficient to meet all employer contribution requirements above the statutory rate.

Required Employer Contributions over the Sum of the IPTF and the Statutory Rate (in millions)				
Fiscal Year	FRS	MPERS	SPRF	Total
2001	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
2002	9.6	0.0	2.2	11.8
2003	14.2	12.1	8.1	34.4
2004	18.5	25.5	10.2	54.2
2005	18.1	24.9	15.0	58.0
2006	9.4	14.4	17.7	41.5
2007	7.4	10.6	7.8	25.8
2008	5.6	1.9	3.0	10.5
2009	8.5	5.0	10.6	24.1

SECTION II - Benefit Formulas, Retirement Eligibility, and Contribution Rates

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 retired member receives an income based upon a formula that he or she can rely upon for the remainder of his or her lifetime. The pension benefit formula is based on a member's years of service, final average compensation at retirement, and the form of payment elected.

Benefits accrue at specified rates for each year of service. Accrual rates for regular LASERS and TRSL members are 2.5% per year of service. Accrual rates for certain elected officials and hazardous duty personnel of LASERS and for all other state and statewide systems generally range from 3.0% to 3.5% per year of service.

Final Average Compensation (FAC) is based on actual compensation received in the thirty-six (36) highest successive months of employment. FAC for members of LASERS, LSERS, and many statewide retirement systems, who joined the systems on or after the end of the 2006 fiscal year, will be based on a sixty (60) month period (Acts 780 and 835 RS 2006).

Defined benefit pension plans are generally designed to replace a substantial portion of an employee's pre-retirement income, particularly for long service employees. Employees with shorter periods of service receive benefits that are proportionally smaller.

Retirement Eligibility

All of the state and statewide retirement systems require the attainment of some combination of years of service and age to qualify for retirement benefits. Some systems provide for early retirement benefits with an actuarial reduction to reflect the earlier pension start date and payments that will be made for a longer period of time. Vested benefits, pre-retirement survivor death benefits, disability benefits, Deferred Retirement Option Plan (DROP) benefits, and cost of living adjustments (COLAs) are also included in the overall benefit package of each retirement system and are payable upon meeting established eligibility and statutory requirements.

Employee Contributions

Active members of all state and statewide retirement systems are required to contribute to the system to which they belong. These contributions pay for a portion of the benefits that the members earn each year. Contribution rates are set by statute and generally range from 7.0% to 10.0% of pay. Judges, court officers and legislators must contribute 11.5% of their pay.

Social Security

Social Security coverage is not available to members during their years of participation in the state and statewide retirement systems except for members of TRSL Plan B, MERS Plan B, and PERS Plan B. The benefit accrual rate for systems covered under Social Security is 2.0% for each year of service. Employee contribution rates for members of these sub plans range from 3.0% to 5.0%.

Replacement Ratios

Retirement income amounts that career members of the various systems can expect to receive relative to the salaries they earned immediately prior to retirement are summarized in Section II, Part 2 of this report. These ratios, called replacement ratios, are based on a projection of the normal retirement benefit at age 65 and the final annual salary for a new member employed for the first time in fiscal year 2008. The ratios depend on benefit provisions that are unique to each retirement system. Because the sub plans covering law enforcement officers and firefighters are quite different from rank and file employees, replacement ratios for these employees are based on retirement at age 55 instead of age 65.

Section II, Part 2 contains a graph that compares the replacement ratios of all retirement systems. Another graph compares the portion of the total cost of the systems that is paid for by employees (including interest). This comparison is made for new employees hired on July 1, 2008, at age 30 who will retire at age 55. Values are based on benefit provisions, interest rates, and salary increase assumptions of the retirement system in effect as of the end of the 2008 fiscal year. Results show that replacement ratios in general fall between 67% to 83% for all state and statewide plans. However, replacement ratios for rank and file members of LASERS (state employees) and for TRSL (teachers) are only 58% and 57% respectively. Employees pay for 24% to 51% of the total benefit cost, except for judges and court officers who pay 72% of the total cost.

Contribution Rates

Section II, Part 3 compares employee and employer contribution rates that will be required by each retirement system during fiscal year 2010. A graph compares the sum of all contributions attributable to the employer and the state with contributions attributable to employees. For comparison purposes, these amounts are expressed as a percentage of annual pay. Contribution requirements in the aggregate – employer contributions, contributions from other public sources, and contributions from members – range from 21.5% of pay for DARS to 51.9% of pay for STPOL.

SECTION III - Actuarial Concerns – Funding Issues

Pension Considerations

In this section of the report, we address our concerns about issues affecting actuarial funding and pension benefits. Although other issues are discussed, the two most significant issues analyzed in this section of the report are:

1. The UAL and the effect that this debt has had on past contribution requirements and will have on future requirements.
2. The cost of COLAs and its effect on the UAL in the past and the COLA program's future impact on the debt of the retirement systems.

We address these issues primarily to alert the legislature to potential problems with the funding and the actuarial stability of the retirement systems. The legislature may then take appropriate remedial action to ensure continued actuarial soundness in compliance with the Louisiana constitution.

SECTION IV - Recent Legislation

Summary of Retirement Legislation for 2008

General Summary

A total of 37 retirement bills were enacted into law as a result of the 2008 legislative session. Five Acts pertained to ancillary benefits and five Acts pertained to DROP. Trustee responsibilities were the subject of four Acts. Other topics addressed include funding, benefit eligibility, service credits, final average compensation, and rehired retirees.

Seven of the 37 Acts affected LASERS. Retirement laws pertaining to FRS were changed by six Acts. LSERS was affected by five Acts. All state and statewide retirement systems except RVRS were affected by one or more Acts.

Topics Addressed in the 2008 Session

Subject Matter	Number of Acts
Ancillary Benefits	5
DROP	5
Trustee Responsibilities	4
Funding	3
Benefit Eligibility	3
Service Credits	3
Final Average Compensation	2
Rehired Retirees	2
Remedial	2
Other	8

Retirement Systems Addressed by the 2008 Session

Acts Pertaining To:	Number of Acts
LASERS	7
TRSL	1
LSERS	5
STPOL	3
ASSR	2
CCRS	4
DARS	2
FRS	6
MERS	3
MPERS	3
PERS	3
RVRS	0
SPRF	3

These Acts are briefly summarized in Section IV of this report.

Summary of Retirement Legislation for 2007***General Summary***

A summary of legislation that occurred in the 2007 Regular Session of the legislature is also provided in Section IV.

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Section I

Employer Funding for Pension Benefits

1. Funding Methods/Components

Funding Method

Member contribution rates are fixed by statute. Employer contribution rates are determined by the actuaries for the retirement systems, reviewed by Actuarial Services within the Louisiana Legislative Auditor, and then approved by PRSAC, subject to review by the legislature. The employer contribution for each system is determined by performing an annual valuation that calculates the actuarial liability associated with future expected benefit payouts. An actuarial funding method allocates this liability between future normal cost payments and amortization payments on the UAL, if any. The goal of all actuarial funding methods is to have contributions plus investment earnings on system assets accumulate to an amount sufficient to provide for future expected benefits and expenses, when due and payable.

SYSTEM ACTUARIAL FUNDING METHODS as of June 30, 2008

State Systems:

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

The total normal cost is the portion of the projected actuarial benefit liability allocated under the applicable actuarial cost method to the fiscal year immediately following the valuation date. The employer normal cost is the portion of the total normal cost not funded by member contributions.

Accrued Liability

The portion of the projected actuarial benefit liability not funded by future normal cost payments is the actuarial accrued liability. Under certain actuarial funding methods, the accrued liability is the liability for benefit service already earned by members of the retirement system, including all active and inactive members.

UAL

The UAL is the amount by which the actuarial accrued liability of a retirement system exceeds the assets of the system available to pay benefits on the valuation date. The UAL is based on the actuarial value of assets which reflects the market value of assets that has been smoothed to reduce wide fluctuations from year to year. The actuarial value of assets is then reduced by assets reserved for other purposes. The UAL consists of the IUAL and additional liability amounts created annually each year after 1988. These supplemental liability bases originate through actuarial gains or losses, changes in actuarial assumptions or funding methods, and changes to benefit provisions. The UAL is amortized according to payment methods, and periods specified by statute. Under some actuarial funding methods, supplemental liabilities are not amortized but are funded as future normal cost payments.

Employer Contributions

Actuarially required employer contributions for the year following the valuation date are determined by combining the normal cost with UAL amortization payments, along with any other expense item deemed necessary by the actuary to fund plan liabilities. These actuarial cost amounts are projected forward to be payable mid-year. Employer contribution rates are then projected for the next following fiscal year relative to payroll also projected for that year.

2. Minimum Employer Contribution Limits – State Systems

Constitutional Minimum

The Louisiana Constitution defines the relationship that must exist between member and employer contribution rates. The constitutional reference in this regard only pertains to state retirement systems. It does not apply to statewide systems. The relationship is summarized below:

For systems that still have an IUAL (LASERS & TRSL):

The minimum employer contribution rate for a given year must be at least equal to:

The Member Rate on the Valuation Date

x The Constitutional Ratio

where the Constitutional Ratio =

$$\frac{\text{The Total Rate on January 1, 1987}}{\text{The Member Rate on January 1, 1987}} - 1$$

Minimum employer contribution rates for rank and file members of LASERS and TRSL are shown below:

Category	Member Rate	Total Rate on 1/1/87	Member Rate on 1/1/87	Constitutional Ratio	Minimum Employer Rate
LASERS Hired before July 1, 2006	7.50%	17.2%	7.0%	1.45714	10.9%
LASERS Hired after June 30, 2006	8.00%	17.2%	7.0%	1.45714	11.7%
TRSL	7.50%	17.3%	7.0%	1.47143	11.0%

***For systems that no longer have an IUAL
(LSERS & STPOL)***

The Louisiana Constitution is being interpreted in two different ways. LSERS has interpreted the constitution to mean that the minimum employer contribution rate is equal to 50% of the total rate. Therefore, if the preliminary employer contribution rate is less than 50% of the total rate, the employer will make excess contributions that will be deposited into the Employer Credit Account.

Others have interpreted the constitution to mean that the employer contribution rate for a given year is equal to the following:

The Member Rate on the Valuation Date
plus
The UAL Rate on the Valuation Date

If the UAL rate is negative, the employer contribution rate can be smaller than the member rate. And if the UAL rate is sufficiently negative, the employer contribution rate could be eliminated completely. Therefore, the minimum employer rate would be 0.0%.

Employer Credit Account

Employers make excess contributions whenever the constitutional minimum contribution rate exceeds the actuarially calculated employer contribution rate. Since the effective date of Act 1331 of the 1999 Regular Session, state retirement systems have been allowed to accumulate and invest excess contributions in a special account called the Employer Credit Account. From 1999 to 2004, LSERS, in accordance with its interpretation of the constitution, made excess contributions.

Act 588 of the 2004 Regular Session established a legislative minimum for LASERS and TRSL. It provides that the minimum employer contribution requirement must be at least 15.5% of payroll. The legislative minimum requirement will expire when the IUAL is fully amortized. Since 2004, the actuarially calculated employer contribution rate has occasionally been less than 15.5% and as a result, an Employer Credit Account exists for TRSL. The actuarially calculated employer contribution rate for LASERS has never fallen below the legislative minimum.

Act 588 mandates that the Employer Credit Account must be used exclusively to reduce any unfunded accrued liability of the retirement system created before July 1, 2004, and cannot 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 IPTF. The following net employer contribution rates were approved by PRSAC.

State Systems

Contribution Rates for the State Systems

Fiscal Year 2009

Retirement System	Actuarially Required Rate	Rate Approved By PRSAC	Normal Cost Rate	IPTF Funding
LASERS	18.5%	18.5%	7.3052%	n/a
TRSL	13.8%	15.5%	5.7566%	n/a
LSERS	18.6%	17.8%	9.4425%	n/a
STPOL	30.9%	27.3%	17.0773%	\$1,500,000

Fiscal Year 2010

Retirement System	Actuarially Required Rate	Rate Approved By PRSAC	Normal Cost Rate	IPTF Funding
LASERS	*	18.6%	7.3052%	n/a
TRSL	*	15.5%	5.7566%	n/a
LSERS	*	17.6%	9.4425%	n/a
STPOL	*	41.3%	17.0773%	\$1,500,000

* Actuarially required rates for FY 2010 will be available with the completion of the June 30, 2010, actuarial valuations.

Values are based on the 2008 valuations and for 6/30 FYEs.

Ad Valorem Tax Rates

All statewide retirement systems, except for FRS and MPERS, receive ad valorem taxes. These taxes serve to reduce employer contributions that otherwise would be payable. Ad valorem taxes are a percentage, established by statute, of aggregate tax revenues collectible in accordance with the tax rolls of each parish. Different percentages apply for each system. Furthermore, ad valorem tax rates may vary from parish to parish. For example, rates for Orleans Parish differ from rates applicable to all other parishes. The ad valorem tax rate for MERS excludes Orleans Parish. The rate for PERS excludes Orleans and East Baton Rouge parishes.

ASSR's rate applies to the tax rolls of all parishes. TRSL, the only state system entitled to ad valorem taxes, receives one percent of parish tax revenues, except for Orleans Parish.

*Statewide System***Contribution Rates for Statewide Systems****Fiscal Year 2009**

	Actuarially Required	Rate Approved By PRSAC	Applicable IPTF Paid FY 2008
ASSR	8.45%	4.75%	n/a
CCRS	11.80%	11.75%	n/a
DARS	4.55%	0.00%	n/a
FRS	13.89%	12.50%	\$20,521,771
MERSA	10.25%	10.75%	n/a
MERSB	4.50%	4.75%	n/a
MPERS	11.00%	9.50%	\$14,455,288
PERSA	15.40%	9.00%	n/a
PERSB	9.56%	6.25%	n/a
RVRS	3.29%	2.00%	n/a
SPRF	8.92%	7.50%	\$14,455,288

Fiscal Year 2010

	Employer's Net Projected Rate	Ad Valorem FY 2009	Revenue Sharing FY 2009	IPTF FY 2009
ASSR	8.50%	0.2500 %	Max	n/a
CCRS	11.75%	0.2500 %	Max	n/a
DARS	5.00%	0.2000 %	Max	n/a
FRS	14.00%	n/a	n/a	\$21,265,547
MERSA	10.25%	0.1800 %	Max	n/a
MERSB	4.50%	0.0700 %	Max	n/a
MPERS	11.00%	n/a	n/a	\$15,071,968
PERSA	15.75%	0.2200 %	Max	n/a
PERSB	10.00%	0.0300 %	Max	n/a
RVRS	3.50%	0.0625 %	Max	n/a
SPRF	9.00%	0.5000 %	Max	\$15,071,968

The rates shown are employer contribution rates net of other sources such as ad valorem taxes, revenue sharing, and amounts paid from the IPTF.

The boards for ASSR and SPRF exercised their statutory authority to approve rates that were higher than those approved by PRSAC. The board approved rates for ASSR and SPRF were 13.5% and 11.0%, respectively.

The Ad Valorem Tax for RVRS includes the Defined Contribution allocation, if applicable.

4. Employer Contribution Sources

State Systems

The State of Louisiana has primary responsibility for funding the four state retirement systems. Such funding occurs through General Fund appropriations, funding from specific agencies, IPTF allowances (STPOL), ad valorem taxes (TRSL), or through transfer payments to local school districts (MFP). It is not possible to identify specific amounts by source because the funding sources available to the numerous participating employers may vary at any given time. Dollar estimates below are based on June 30, 2008, valuation report values, membership payroll, and projected employer contribution rates approved by PRSAC.

Projected Employer Contributions and Sources State Systems – FY 2009 (in millions)

	Sources	6/30/2008 Payroll Based \$ Estimate	Employer Projected Rate (as % Payroll)
<i>LASERS</i>	General Fund (Primary)	\$ 427.4	18.5%
<i>TRSL</i>	General Fund (Primary)	610.1	15.5%
<i>LSERS</i>	Local School Districts (MFP and Local)	47.8	17.8%
<i>STPOL</i>	General Fund (Primary) & IPTF	14.1	27.3% + \$1,500,000 IPTF
<i>Combined State Systems</i>	Combined Sources	\$ 1,100.9	

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 FRS and MPERS and 7% of payroll for SPRF. Sources below are based on 2008 valuation report values, membership payroll, and projected employer contribution rates approved by PRSAC.

**Projected Employer Contributions and Sources
Statewide Systems – FY 2009
(in millions)**

ASSR

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 1.71	4.75%
Ad Valorem Taxes	8.74	24.25%
Revenue Sharing	0.36	.99%
IPTF	0.00	0.00%
Total Public Funds	\$ 10.81	29.99%

CCRS

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 9.99	11.75%
Ad Valorem Taxes	6.57	7.73%
Revenue Sharing	0.32	0.38%
IPTF	0.00	0.00%
Total Public Funds	\$ 16.88	19.86%

DARS

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 0.00	0.00%
Ad Valorem Taxes	4.47	9.15%
Revenue Sharing	0.20	0.40%
IPTF	0.00	0.00%
Total Public Funds	\$ 4.67	9.55%

FRS

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 21.79	12.50%
Ad Valorem Taxes	0.00	0.00%
Revenue Sharing	0.00	0.00%
IPTF	21.27	12.20%
Total Public Funds	\$ 43.06	24.70%

Dollar estimates based on 2008 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

Local Appropriations are based on rates approved by PRSAC.

**Projected Employer Contributions Sources
Statewide Systems – FY 2009
(in millions)**

MERSA

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 16.31	10.75%
Ad Valorem Taxes	4.16	2.75%
Revenue Sharing	0.12	0.08%
IPTF	0.00	0.00%
Total Public Funds	\$ 20.59	13.58%

MERSB

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 2.87	4.75%
Ad Valorem Taxes	1.66	2.74%
Revenue Sharing	0.05	0.08%
IPTF	0.00	0.00%
Total Public Funds	\$ 4.58	7.57%

MPERS

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 24.37	9.50%
Ad Valorem Taxes	0.00	0.00%
Revenue Sharing	0.00	0.00%
IPTF	15.07	5.88%
Total Public Funds	\$ 39.44	15.38%

PERSA

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 47.57	9.00%
Ad Valorem Taxes	5.91	1.12%
Revenue Sharing	0.14	0.02%
IPTF	0.00	0.00%
Total Public Funds	\$ 53.62	10.14%

PERSB

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 4.88	6.25%
Ad Valorem Taxes	0.86	1.11%
Revenue Sharing	0.02	0.03%
IPTF	0.00	0.00%
Total Public Funds	\$ 5.76	7.39%

Dollar estimates based on 2008 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

Local Appropriations are based on rates approved by PRSAC.

**Projected Employer Contributions Sources
Statewide Systems – FY 2009
(in millions)**

RVRS

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 0.22	2.00%
Ad Valorem Taxes	1.64	14.73%
Revenue Sharing	0.11	1.00%
IPTF	0.00	0.00%
Total Public Funds	\$ 1.97	17.73%

SPRF

Source	\$ Estimate	% Payroll
Local Appropriations	\$ 41.50	7.50%
Ad Valorem Taxes	13.57	2.45%
Revenue Sharing	0.43	0.08%
IPTF	15.07	2.72%
Total Public Funds	\$ 70.57	12.75%

Dollar estimates based on 2008 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

Local Appropriations are based on rates approved by PRSAC.

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 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Normal Cost	\$ 131.9	\$ 147.0	\$ 160.0	\$ 152.6	\$ 164.4	\$ 183.8
UAL Payment	211.4	239.9	247.8	254.7	258.5	281.6
Total	\$ 343.3	\$ 386.9	\$ 407.8	\$ 407.3	\$ 422.9	\$ 465.4
Payroll	\$ 1,972.7	\$ 2,077.9	\$ 2,163.2	\$ 2,038.2	\$ 2,245.3	\$ 2,515.5

TRSL

Component	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Normal Cost	\$ 191.2	\$ 202.4	\$ 214.5	\$ 206.8	\$ 231.0	\$ 217.5
UAL Payment	307.1	313.1	318.8	310.1	291.4	346.3
Total	\$ 498.3	\$ 515.5	\$ 533.3	\$ 516.9	\$ 522.4	\$ 563.8
Payroll (non-ORP)	\$ 3,069.7	\$ 3,110.3	\$ 3,229.8	\$ 2,982.9	\$ 3,325.9	\$ 3,778.9

LSERS

Component	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Normal Cost	\$ 27.6	\$ 26.7	\$ 27.1	\$ 24.9	\$ 27.2	\$ 27.7
UAL Payment	19.6	18.9	22.8	18.6	18.7	26.8
Total	\$ 47.2	\$ 45.6	\$ 49.9	\$ 43.5	\$ 45.9	\$ 54.5
Payroll	\$ 271.6	\$ 262.5	\$ 262.1	\$ 242.0	\$ 262.0	\$ 293.0

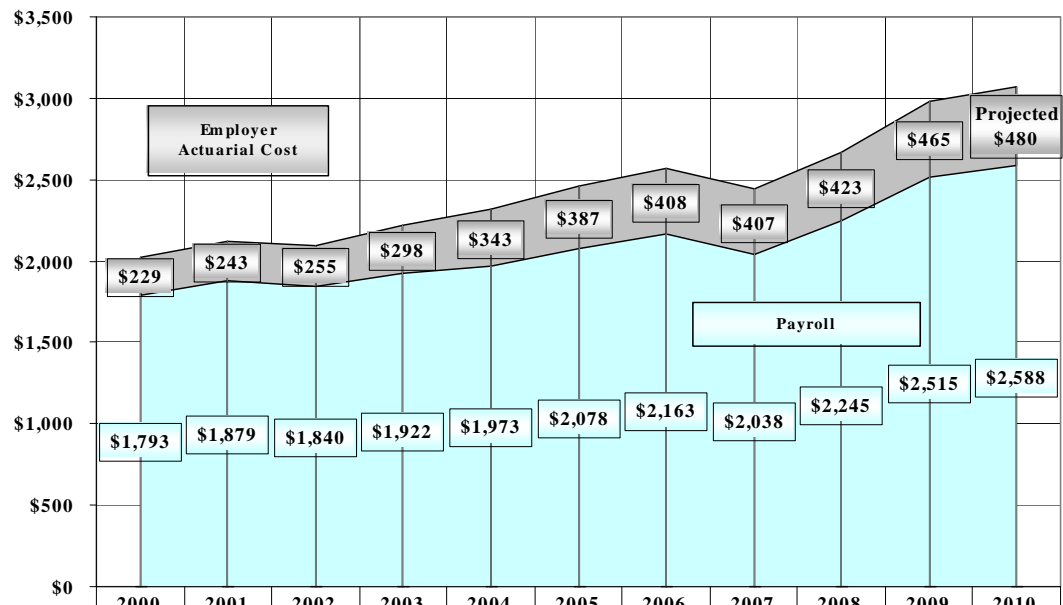
STPOL

Component	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Normal Cost	\$ 6.6	\$ 7.2	\$ 7.7	\$ 7.7	\$ 7.7	\$ 9.8
UAL Payment	21.7	24.7	27.6	10.1	6.8	9.5
Total	\$ 28.3	\$ 31.9	\$ 35.3	\$ 17.8	\$ 14.5	\$ 19.3
Payroll	\$ 32.9	\$ 45.8	\$ 49.8	\$ 51.1	\$ 50.4	\$ 57.6

State Systems Combined

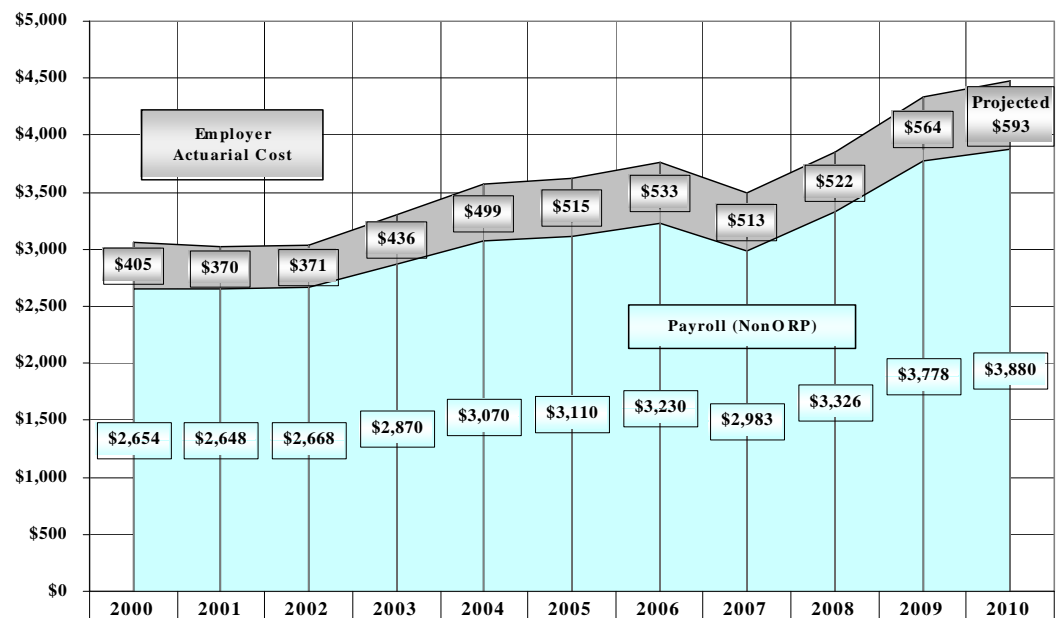
Component	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Normal Cost	\$ 357.3	\$ 383.3	\$ 409.4	\$ 392.1	\$ 430.3	\$ 438.8
UAL Payment	559.8	596.6	617.0	593.4	575.4	664.2
Total	\$ 917.1	\$ 979.9	\$ 1,026.4	\$ 985.5	\$ 1,005.7	\$ 1,103.0
Payroll (non-ORP)	\$ 5,347.0	\$ 5,496.6	\$ 5,704.9	\$ 5,314.2	\$ 5,884.3	\$ 6,645.0

LASERS: EMPLOYER ACTUARIAL COST and PROJECTED PAYROLL
As of June 30, 2008
(in \$millions)



Projected Contribution Rate	12.4%	13.0%	13.0%	14.1%	15.8%	17.8%	19.1%	19.1%	20.4%	18.5%	18.6%
ER COST	\$229	\$243	\$255	\$298	\$343	\$387	\$408	\$407	\$423	\$465	\$480
PAYROLL	\$1,793	\$1,879	\$1,840	\$1,922	\$1,973	\$2,078	\$2,163	\$2,038	\$2,245	\$2,515	\$2,588

TRSL: EMPLOYER ACTUARIAL COST and PROJECTED PAYROLL
As of June 30, 2008
(in \$millions)



Projected Contribution Rate	15.2%	14.2%	13.1%	13.1%	13.8%	15.4%	15.9%	15.8%	14.6%	13.8%	14.1%
ER COST	\$405	\$370	\$371	\$436	\$499	\$515	\$533	\$513	\$522	\$564	\$593
PAYROLL	\$2,654	\$2,648	\$2,668	\$2,870	\$3,070	\$3,110	\$3,230	\$2,983	\$3,326	\$3,778	\$3,880

6. Total Projected Contribution Rate History (All Sources)

Contribution requirements in general have increased over the past decade. Increases are due to reductions in the market value of assets in 2001, 2002, and 2008; the granting of COLAs; increases in benefit accrual rates; and schedules for amortizing the UAL that call for payments to increase 4.5% per year.

The table below shows total projected contributions to each retirement system as a percentage of projected member payroll. Total contributions include employer contributions, employee contributions, ad valorem taxes, revenue sharing amounts, and taxes on insurance premiums. Values for 2010 are based on projected contribution requirements as shown in the 2008 valuation reports for each retirement system.

TOTAL PROJECTED RATES (All Sources) AS A PERCENT OF MEMBER PAYROLL

<i>Fiscal Year</i>									
<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>

State Systems:

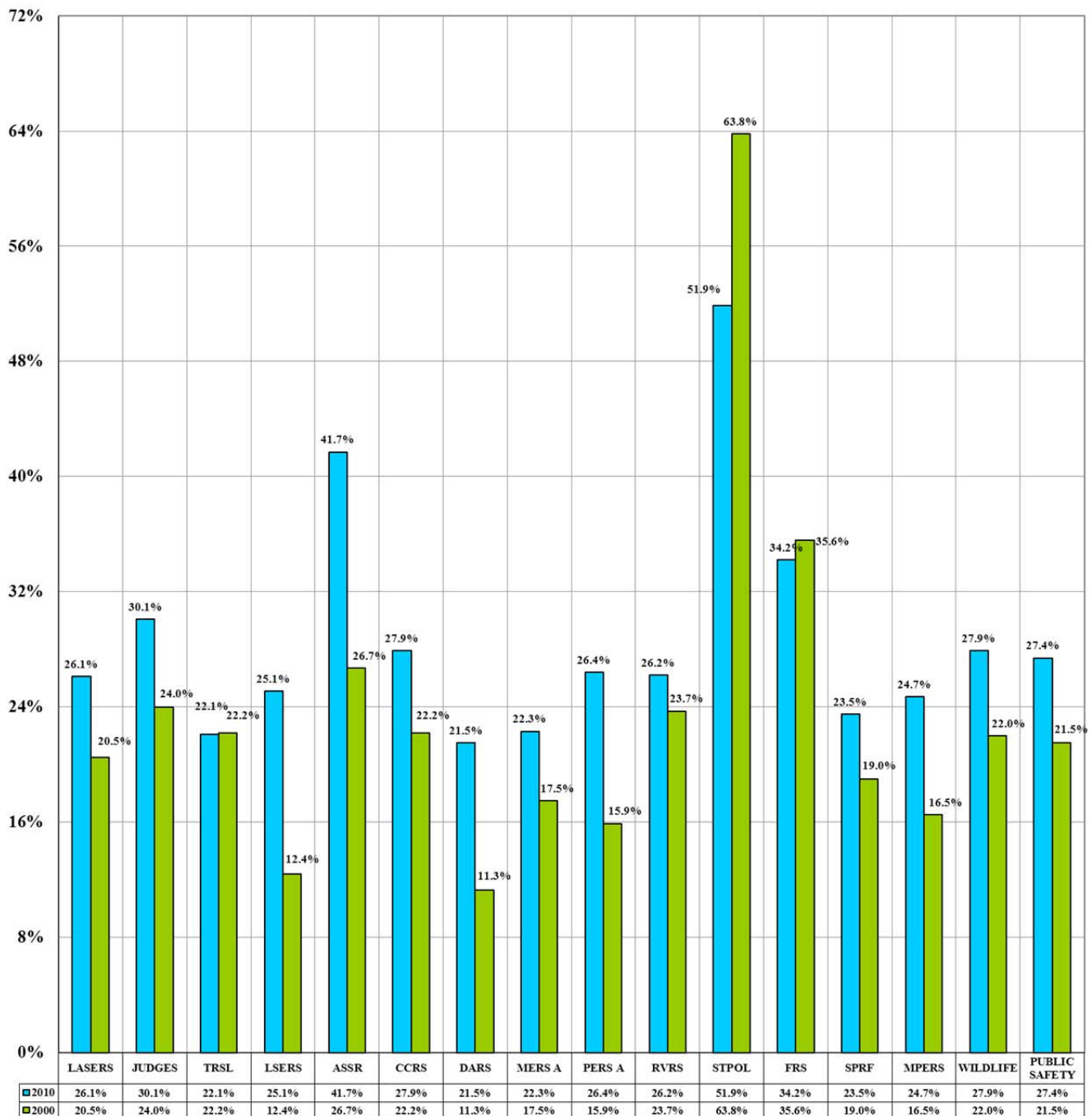
LASERS	20.5%	20.5%	21.6%	23.3%	25.3%	26.6%	26.6%	27.9%	26.0%	26.4%
TRSL	22.2%	21.1%	21.1%	21.8%	23.5%	23.9%	23.8%	24.6%	23.5%	22.1%
LSERS	12.4%	13.5%	14.5%	18.7%	22.3%	25.9%	27.1%	25.6%	25.3%	25.1%
STPOL	63.8%	64.4%	73.0%	76.4%	70.9%	75.5%	81.2%	37.2%	38.2%	51.9%

Statewide Systems:

ASSR	26.7%	31.8%	43.1%	43.0%	46.8%	42.8%	43.7%	37.9%	35.2%	41.7%
CCRS	22.2%	22.2%	24.1%	26.8%	29.9%	31.0%	32.9%	27.9%	27.1%	27.9%
DARS	11.3%	11.7%	15.5%	17.6%	21.6%	23.6%	21.0%	17.5%	16.8%	21.5%
FRS	35.6%	30.3%	38.4%	41.8%	45.1%	38.9%	36.2%	34.5%	33.7%	34.2%
MERSA	17.5%	18.4%	19.5%	22.5%	26.6%	27.6%	28.1%	25.3%	22.6%	22.3%
MERSB	10.3%	10.9%	13.5%	15.0%	16.9%	17.1%	17.3%	14.3%	12.4%	12.3%
MPERS	16.5%	19.5%	21.1%	27.8%	34.4%	29.3%	28.7%	26.9%	23.2%	24.7%
PERSA	15.9%	15.9%	17.7%	22.2%	23.3%	22.7%	23.8%	19.8%	19.6%	26.4%
PERSB	5.6%	5.6%	7.7%	9.2%	9.8%	9.5%	10.0%	9.3%	10.4%	14.1%
RVRS	23.7%	22.7%	23.9%	26.8%	31.4%	33.4%	34.7%	29.7%	25.2%	26.2%
SPRF	19.0%	21.8%	22.3%	24.1%	24.8%	25.6%	26.0%	23.5%	22.6%	23.5%

STATE & STATEWIDE RETIREMENT SYSTEMS
CHANGE IN PROJECTED TOTAL CONTRIBUTION RATES
(Member and Public Sources as a Percent of Payroll)
FY 2010 versus FY 2000

Non-Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



7. Insurance Premium Tax Fund (IPTF) – Assessments

The Louisiana Insurance Rating Commission deposits 0.7% (0.007) of net insurance premiums with the state treasurer for the exclusive use by three statewide retirement systems – MPERS, FRS, and SPRF – and for certain costs of STPOL. Net insurance premiums are gross insurance premiums received by 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 STPOL up to \$1,500,000. Mergers are funded over a 30-year period unless a shorter period is approved by PRSAC. A shorter period may be approved as long as the amortization payment does not exceed 5% of the total assessment in any one year. The aggregate of all mergers being funded in one year may 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	2001	4,792.0	33.5	8.4
2001	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
2007	2008	7,558.5	52.9	13.2

Remaining funds are evenly split among the three statewide systems for use in satisfying applicable actuarially required employer contributions. 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

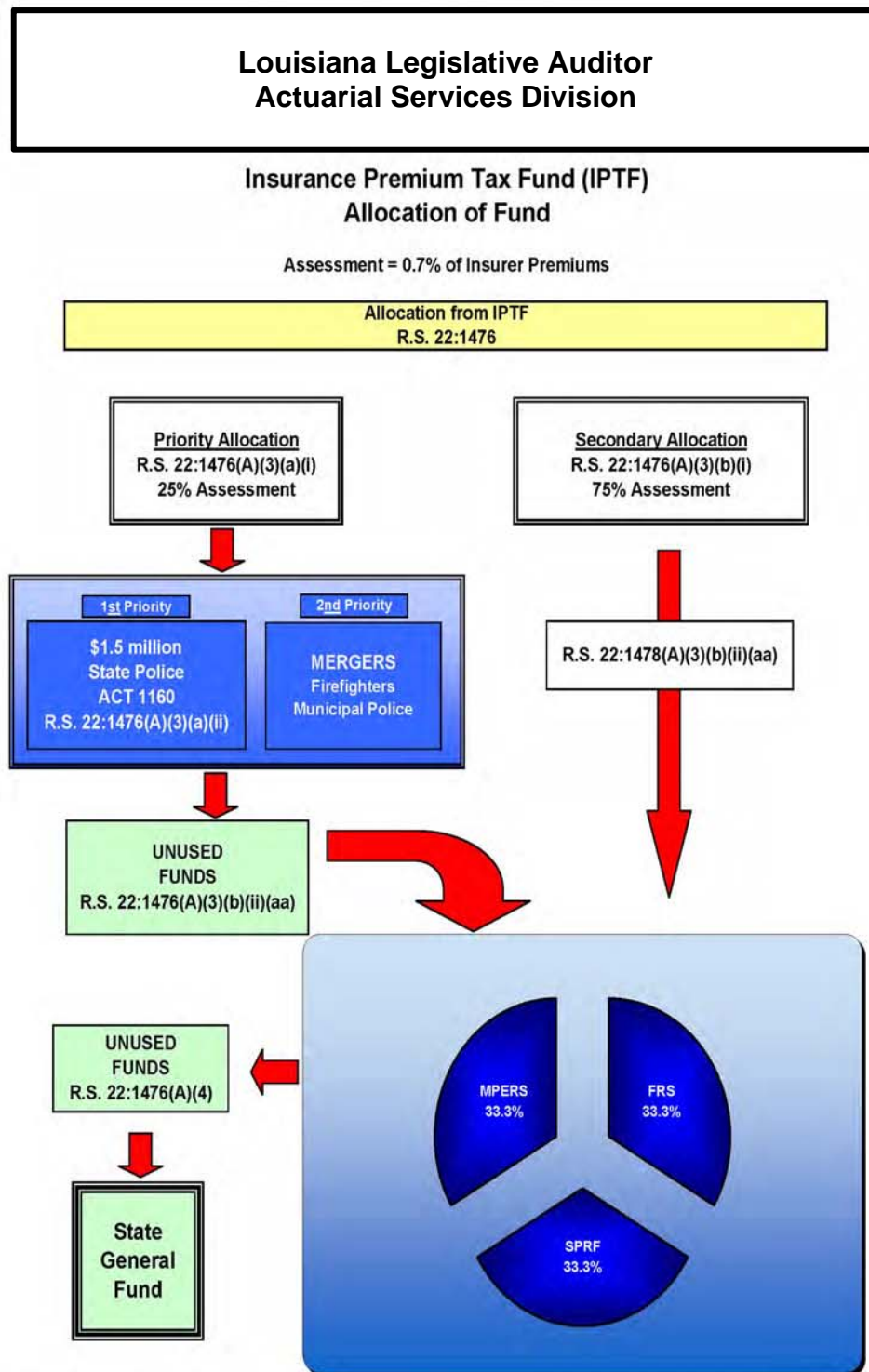
Allocated IPTF Funds
(in millions)

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
2008	2009	52.9	52.9	0.0

System Allocations

PRSAC Approved IPTF Allocations
(in millions)

Fiscal Year	FRS	SPRF	MPERS	STPOL
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
2009	21.2	15.1	15.1	1.5
10 Yr Sum	\$ 173.4	\$ 99.3	\$ 90.4	\$ 12.0



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 COLAs. Act 588 of the 2004 Regular Session eliminated the negative balances that existed on June 30, 2004, prohibited future negative balances, omitted the debiting of actuarial investment experience losses, and limited the balance in the account 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 Operations

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 back to the regular pool of system assets when COLAs are approved.

Combined Systems LASERS & TRSL

Experience Account History as of June 30, 2008 (in millions)				
Fiscal Year	Allocated	Interest	Disbursed	Balance
1992	\$ 60.7	\$ 0.0	\$ 0.0	\$ 60.7
1993	94.8	6.4	0.0	161.9
1994	33.0	14.8	0.0	209.7
1995	(52.8)	13.4	129.4	40.9
1996	345.3	4.0	58.4	331.8
1997	273.3	43.6	0.0	648.7
1998	577.9	118.1	309.4	1,035.3
1999	372.8	142.6	126.7	1,424.0
2000	608.2	236.9	170.2	2,098.9
2001	(685.6)	2.7	566.0	850.0
2002	(1,214.0)	(47.0)	166.2	(577.2)
2003	(1,172.5)	26.8	0.3	(1,723.2)
2004	28.7	(145.8)	0.0	0.0 *
2005	194.5	0.0	0.0	194.5
2006	587.2	27.7	102.9	706.5
2007	542.4	105.7	462.2	892.4
2008	9.0	55.2	471.3	485.3
TOTAL	\$ 602.9	\$ 605.1	\$ 2,563.0	\$ 485.3

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

LASERS

Experience Account History as of June 30, 2008 (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	365.2
2000	150.0	50.3	57.9	507.6
2001	(236.3)	1.9	89.1	184.1
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	275.3
2008	9.0	23.4	167.1	140.6
TOTAL	\$ 64.1	\$ 165.6	\$ 825.3	\$ 140.6

TRSL

Experience Account History as of June 30, 2008 (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	780.2
1999	253.2	109.2	83.8	1,058.8
2000	458.2	186.6	112.3	1,591.3
2001	(449.3)	0.8	476.9	665.9
2002	(819.6)	(38.9)	113.7	(306.3)
2003	(799.1)	17.0	0.3	(1,088.7)
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
2008	0.0	31.8	304.2	344.7
TOTAL	\$ 538.8	\$ 439.5	\$ 1,737.7	\$ 344.7

* 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

Special legislative appropriations and amounts allocated from the Texaco Settlement have been placed in a separate account, called the IUAL Fund. This fund is contained within the state retirement 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, beginning 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 UAL.

The systems began receiving funds under Act 4 of the 1994 Regular Session. These funds are held in the IUAL Fund account and may not be used to offset 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 IUAL 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.

Texaco monies were released from the IUAL to the regular asset pools for LASERS (\$89.2 million) and TRSL (\$96.3 million) on June 30, 2003. Although these amounts corresponded to the additional UALs assumed by these systems when the LSU plan was merged into LASERS and TRSL, it appears that there may be no legislative basis to assert that the LSU UALs as of that point were fully amortized.

Special Appropriations

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

Act 7 of the Second Extraordinary Session of 2008 provided an additional appropriation of \$40,000,000 for TRSL and \$20,000,000 for LASERS. These amounts are also dedicated to the final payment of the IUAL.

IUAL (Texaco) Fund History as of June 30, 2008
(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	108.2
2000	0.0	14.9	123.1
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	46.7
2007	0.0	6.6	53.3
2008	20.0	4.8	78.1
TOTAL	\$ 8.7	\$ 69.4	\$ 78.1

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
2008	40.0	15.3	346.3
TOTAL	\$ 105.7	\$ 240.6	\$ 346.3

10. Asset Balances

Assets

The trust funds of the Louisiana retirement systems accumulate assets from employee and employer contributions and from investment earnings. The actuary for each system uses two separate measures of the value of assets – the market value and the actuarial value.

The market value of assets is the fair value of all assets held by the trust on the valuation date. This measurement is used for financial reporting purposes, including the system's balance sheet of assets and liabilities and the income/expense statement.

The actuary calculates the actuarial value of system assets. The actuarial value is calculated in such a manner as to smooth out significant fluctuations in market values that occur from year to year. The formulas selected by the actuary to calculate the actuarial value must be based on the market value, must produce a value that does not deviate too significantly from the market value, must recognize investment gains and losses within a reasonable period of time, and must not exhibit a bias that will produce actuarial values that are consistently higher or lower than the market value. Unless specifically mandated by law otherwise, the actuary must comply with Actuarial Standards of Practice in selecting or developing a formula to determine the actuarial value.

The actuarial value of assets is used in the calculation of annual employer contribution requirements and for the measurements required by the Governmental Accounting Standards Board (GASB). The formula used by the actuaries to determine the actuarial value of assets differs from retirement system to retirement system.

“Valuation Assets” is a term that is unique to the Louisiana state retirement systems. Valuation Assets are equal to the actuarial value of a trust fund minus amounts reserved or set aside in special side accounts such as the Experience Account, the IUAL Funds, LSU AG Fund, and the Employer Credit Account. Valuation Assets are used to determine annual employer funding requirements, funding ratios, the UAL, and COLA Target Funding tests.

Asset Values*
as of June 30, 2008
(in millions)

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	\$ 8,957.9	\$ 9,307.9	\$ 9,089.1
TRSL	14,996.2	15,852.2	15,122.9
LSERS	1,512.2	1,579.0	1,579.0
STPOL	424.5	438.1	438.1
<i>State Total</i>	\$ 25,890.8	\$ 27,177.2	\$ 26,229.1
As Percent of Market Value	100.0%	105.4%	101.3%

Asset Values*
as of June 30, 2008
(in millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	\$ 172.3	\$ 189.5	\$ 189.5
CCRS	331.9	356.5	356.5
DARS	212.4	227.8	227.8
FRS	1,092.5	1,129.8	1,129.8
MERSA	666.5	671.7	671.7
MERSB	134.8	136.2	136.2
MPERS	1,476.7	1,600.9	1,600.9
PERSA	1,565.9	1,943.6	1,943.6
PERSB	109.7	136.1	136.1
RVRS	60.2	64.9	64.9
SPRF	1,511.8	1,628.3	1,628.3
<i>Statewide Total</i>	\$ 7,334.7	\$ 8,085.3	\$ 8,085.3
As Percent of Market Value	100.0%	110.2%	110.2%

Asset Values*
as of June 30, 2008
(in millions)

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems	\$ 33,225.5	\$ 35,262.5	\$ 34,314.4
As Percent of Market Value	100.0%	106.4%	103.3%

* Values based on 2008 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

11. Investment Returns

Annual rates of return on investments are shown below for the state and statewide retirement systems for FY 2007 and FY 2008. Rates of return on the market value are provided as well as rates of return on the actuarial value. These rates are compared with the investment return assumption used by the actuaries.

Annual Rates of Return

System	FY 2007		FY 2008		Expected Long-Term Actuarial Rate
	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	

State Systems

LASERS	18.55%	14.21%	-3.83%	8.49%	8.25%
TRSL	19.05%	15.2%	-4.98%	5.15%	8.25%
LSERS	14.9%	9.85%	-4.74%	5.87%	7.50%
STPOL	16.15%	8.63%	-5.24%	4.55%	7.50%

Statewide Systems

ASSR	14.7%	12.1%	-13.7%	1.9%	8.00%
CCRS	14.3%	10.2%	-6.3%	7.9%	8.00%
DARS	14.6%	9.9%	-4.9%	5.8%	8.00%
FRS	17.2%	11.6%	-5.0%	9.0%	7.50%
MERSA	18.1%	10.8%	1.1%	9.0%	8.00%
MERSB	17.4%	10.6%	1.3%	8.8%	8.00%
MPERS	16.5%	13.6%	-7.6%	6.4%	7.50%
PERSA	7.9%	17.1%	-25.7%	-4.9%	7.50%
PERSB	7.7%	13.4%	-25.0%	-5.2%	7.50%
RVRS	14.0%	13.6%	-3.9%	6.6%	8.00%
SPRF	16.0%	10.2%	-6.4%	6.5%	8.00%

Note: Values based on 2008 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Rates of return are somewhat meaningless unless benchmark rates are also provided. Common benchmark rates are shown below:

Indices

Indices	Annual Rate (as of June 30)	
	FY 2007	FY 2008
CPI ⁽¹⁾	2.7%	5.0%
Lehman Brothers ⁽²⁾	6.1%	6.2%
S&P 500 ⁽³⁾	20.6%	-14.9%
55% Stock/ 45% Bond	14.1%	-5.4%
65% Stock/ 35% Bond	15.5%	-7.5%

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

12. Expected Investment Experience

In general, all Louisiana public retirement systems experienced significant investment gains throughout the 1990s. The events of 9/11, the failure of many dot.com companies, and general market corrections resulted in significant investment losses in 2001, 2002, and 2003. However, from 2004 through 2007, the retirement systems again experienced robust investment returns.

The market is showing some signs of weakness at the end of the systems' 2008 fiscal years. However, average rates of return as measured over the past five years have been close to the rates assumed by the actuaries. Only one system, PERS, had a five year average on the market value of assets that was substantially below the assumed long term rate of return.

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

<i>Fiscal Year</i>								5-Year Average* Annual Return	Expected Long-Term Actuarial Return
<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>		

State Systems

LASERS	-6.3%	-5.6%	3.8%	17.6%	9.9%	11.6%	18.6%	-3.8%	10.48%	8.25%
TRSL	-4.7%	-8.1%	2.2%	16.9%	9.7%	14.0%	19.1%	-5.0%	10.59%	8.25%
LSERS	-1.9%	-2.4%	3.8%	12.1%	8.2%	5.8%	14.9%	-4.7%	7.04%	7.50%
STPOL	-0.6%	-2.8%	5.1%	11.5%	9.0%	7.4%	16.2%	-5.2%	7.53%	7.50%

Statewide Systems

ASSR	-10.1%	-4.9%	15.3%	10.0%	13.4%	9.1%	14.7%	-13.7%	6.14%	8.00%
CCRS	-1.5%	-3.0%	2.9%	12.3%	8.7%	11.5%	14.3%	-6.3%	7.80%	8.00%
DARS	-9.7%	-9.1%	2.8%	13.2%	5.0%	7.7%	14.6%	-4.9%	6.89%	8.00%
FRS	-2.9%	-3.7%	5.4%	11.0%	10.4%	12.3%	17.1%	-5.0%	8.89%	7.50%
MERSA	-4.2%	-1.8%	4.4%	9.6%	7.2%	8.6%	18.1%	1.1%	8.78%	8.00%
MERSB	-4.2%	-2.8%	3.8%	9.7%	7.2%	8.5%	17.4%	1.3%	8.70%	8.00%
MPERS	-3.4%	-5.3%	3.8%	12.9%	9.3%	8.7%	16.5%	-7.6%	7.62%	7.50%
PERSA	-0.8%	-2.7%	15.6%	10.2%	6.3%	12.8%	7.9%	-25.7%	1.16%	7.50%

<i>Fiscal Year</i>								5-Year Average* Annual Return	Expected Long-Term Actuarial Return
<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>		

Statewide Systems (continued)

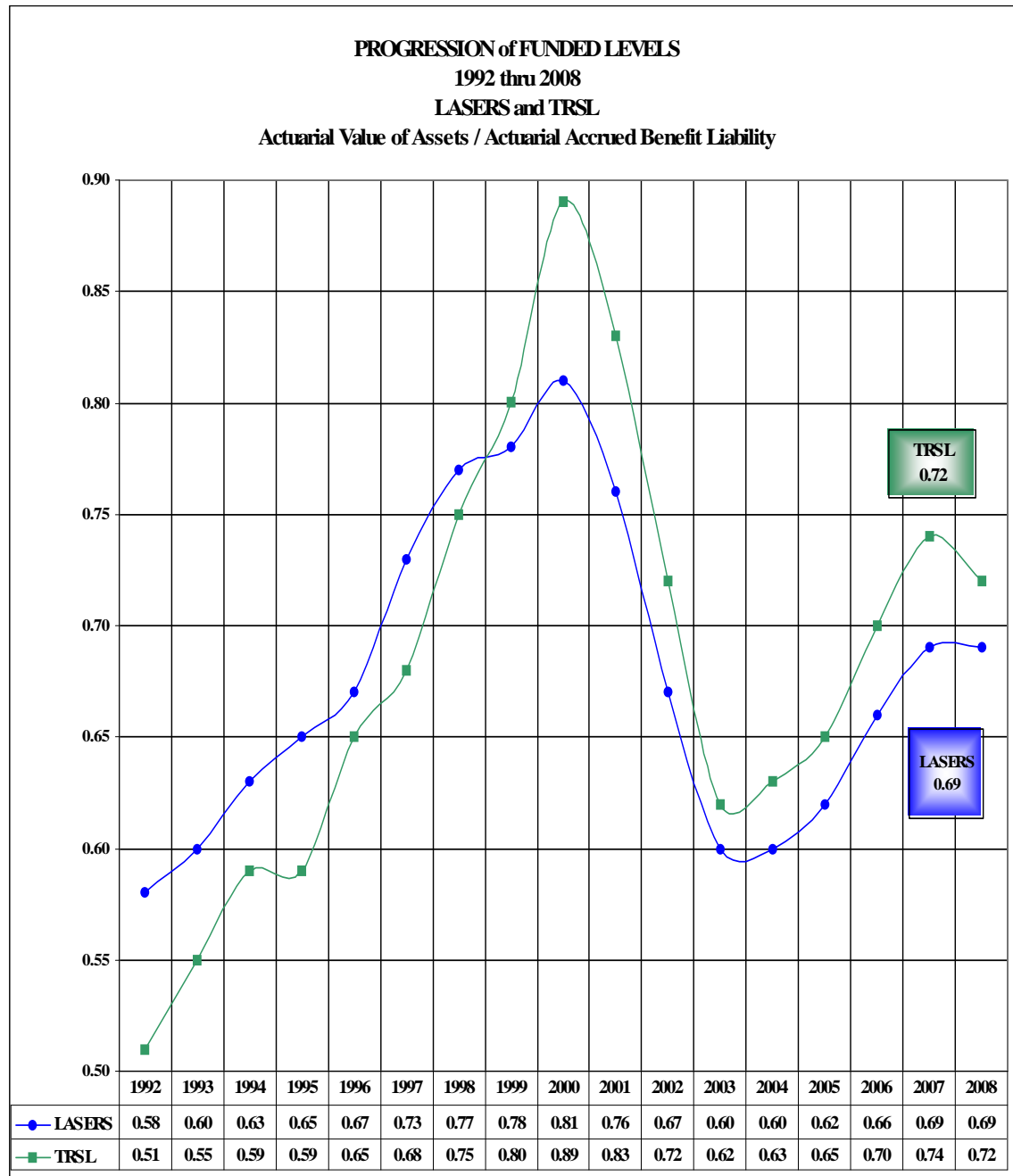
PERSB	2.7%	0.0%	15.9%	9.6%	5.1%	11.6%	7.7%	-25.0%	0.76%	7.50%
RVRS	5.9%	-3.0%	3.3%	10.9%	6.8%	5.2%	14.0%	-3.9%	6.42%	8.00%
SPRF	-0.8%	-3.0%	4.2%	8.4%	8.1%	8.5%	16.0%	-6.4%	6.66%	8.00%

Note: Values are based on the 2008 Valuation and 6/30 FYE, except for Assessors' (9/30) and Parochial (12/31).

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

***Funded Ratios –
LASERS & TRSL***

Funded ratios for the two largest Louisiana retirement systems, LASERS and TRSL, have generally followed investment markets. During the 1990s, these systems experienced significant investment gains and funded ratios began to approach 90%. Significant investment losses occurred in period from 2001 to 2003 and funded ratios deteriorated. Some recovery has occurred since 2003, but once again some market weakness and a deterioration of funded levels has been exhibited during FY 2008 (see the graph on the next page).



13. UAL Balances

Valuation Balances

UAL values depend on the actuarial funding method prescribed by statute for each system (R.S. 11:22). UAL bases are amortized over the number of years also specified by statute. Certain funding methods do not have UAL bases, but instead spread all costs over the future working lifetime of all active participants. UAL balances are not reduced by any assets allocated to separate accounts such as the IUAL Funds, Experience Accounts, and Employer Credit Accounts.

Valuation UAL Balance (in millions)

FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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State Systems

LASERS	\$ 2,357.9	\$ 2,864.3	\$ 3,333.5	\$ 4,165.9	\$ 4,202.8	\$ 4,164.5	\$ 4,129.7	\$ 4,473.1
TRSL	3,618.7	4,517.2	5,531.9	6,836.1	6,812.6	6,555.0	6,250.6	6,967.6
LSERS	(43.8)	148.2	361.2	439.8	466.2	391.8	389.3	481.2
STPOL	133.4	155.1	215.7	229.0	238.2	166.5	158.6	199.7
State Total	\$ 6,066.2	\$ 7,684.8	\$ 9,442.3	\$11,670.8	\$11,719.8	\$11,277.8	\$10,928.2	\$12,121.6

Statewide Systems

ASSR	\$ 34.8	\$ 35.3	\$ 35.2	\$ 35.5	\$ 35.8	\$ 35.0	\$ 32.1	\$ 23.9
CCRS	77.5	77.9	79.2	80.4	81.4	82.8	84.1	85.2
DARS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	171.6	246.0	286.3	284.4	193.7	178.0	166.7	187.4
MERSA	66.3	67.7	68.9	70.1	71.3	72.3	73.2	74.0
MERSB	6.9	6.7	6.4	6.2	6.0	5.7	5.4	5.2
MPERS	(14.1)	195.2	379.5	423.4	318.8	279.1	188.2	240.3
PERSA	102.3	98.9	97.4	95.4	92.9	89.8	66.3	60.4
PERSB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	89.7	91.1	92.3	93.5	94.6	95.5	96.3	74.3
Statewide Total	\$ 535.0	\$ 818.8	\$ 1,045.2	\$ 1,088.9	\$ 894.5	\$ 838.2	\$ 712.3	\$ 750.7

All Systems Total

\$ 6,601.2	\$ 8,503.6	\$10,487.5	\$12,759.7	\$12,614.3	\$12,116.0	\$11,640.5	\$12,872.3
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Note: Values based on 2008 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Net UAL Balances

The Net UAL balance for each state retirement system is equal to the UAL minus amounts in the system's IUAL Fund and Employer Credit Account. Net UAL balances shown below have been adjusted for balances held in these separate accounts.

Net UAL Balance

State Systems as of June 30, 2008
(in millions)

<i>Fiscal Year</i>							
2001	2002	2003	2004	2005	2006	2007	2008

State Systems

LASERS	\$ 2,234.3	\$ 2,746.1	\$ 3,308.8	\$ 4,139.8	\$ 4,173.6	\$ 4,117.9	\$ 4,076.4	\$ 4,395.0
TRSL	3,328.3	4,243.7	5,369.9	6,658.1	6,617.1	6,302.4	5,959.6	6,582.7
LSERS	(99.4)	111.8	355.3	439.8	466.2	391.8	389.3	481.3
STPOL	94.1	115.0	176.6	188.2	193.9	166.5	158.6	199.8
State Total	\$ 5,557.3	\$ 7,216.6	\$ 9,210.6	\$11,425.9	\$11,450.8	\$10,978.6	\$10,583.9	\$11,658.8

14. Funding Measures under GASB

Funding Progress

Public retirement systems complying with the rules of GASB show funding levels over a period of years. One measure of funding that GASB requires is the ratio of the Net UAL to the annual payroll for participating members. These ratios, over time, show whether or not a retirement system is experiencing funding progress or funding deterioration.

In general, the smaller the ratio, the stronger the system is financially. By this measure, the financial strength of the state systems has decreased over the current decade and the strength of the statewide systems has improved.

No values are developed for statewide systems that use the Aggregate Funding Method since unfunded actuarial accrued liability values are not produced under this method.

Net UAL as Percent of Valuation Payroll

<i>Fiscal Year</i>							
2001	2002	2003	2004	2005	2006	2007	2008

State Systems

LASERS	125.3%	147.5%	171.9%	205.2%	198.7%	208.0%	187.4%	180.3%
TRSL	128.9%	152.8%	180.3%	220.7%	211.3%	217.9%	184.8%	179.1%
LSERS	-39.8%	43.2%	132.2%	169.4%	179.9%	163.7%	150.3%	166.2%
STPOL	292.5%	362.8%	400.1%	392.8%	393.5%	338.1%	318.8%	352.1%

Statewide Systems

ASSR	133.4%	133.9%	130.4%	123.5%	122.2%	118.6%	95.7%	65.1%
CCRS	126.9%	121.5%	117.3%	113.7%	110.6%	116.7%	107.3%	101.9%
DARS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	159.4%	215.0%	236.6%	221.9%	144.2%	126.9%	110.4%	110.6%
MERSA	52.9%	52.0%	50.7%	51.6%	50.9%	51.4%	51.8%	49.8%
MERSB	16.3%	15.3%	14.2%	13.0%	12.2%	11.2%	10.0%	8.8%
MPERS	-7.7%	104.1%	192.4%	202.8%	147.8%	125.0%	82.1%	95.1%
PERSA	32.7%	26.5%	24.6%	23.5%	21.6%	21.4%	14.6%	11.8%
PERSB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	26.6%	25.3%	24.1%	23.0%	21.9%	21.9%	20.0%	13.8%

15. Funding Progress – Funded Levels and Funded Ratios

Funded Levels

Another measure of the actuarial strength of a retirement system is the ratio of the actuarial value of assets to the Projected Benefit Obligation (PBO).

The actuarial value of assets, in this measurement, includes the amounts set aside in the IUAL Fund, the Experience Account, and the Employer Credit Account.

The PBO is the value of all service earned to date assuming that pay levels will increase in accordance with the salary increase assumption used by the actuary. The PBO is a consistent measure of accrued benefits across all systems because the measurement is independent of the actuarial cost method selected for valuation purposes.

Funded levels are given below for the state and statewide retirement systems.

**Funded Levels
as of June 30, 2008
(in millions)**

State Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
LASERS	\$ 9,307.9	\$ 13,562.2	68.6%
TRSL	15,852.2	22,090.5	71.7%
LSERS	1,579.0	2,060.2	76.6%
STPOL	438.1	637.8	68.7%
<i>State Total</i>	\$ 27,177.2	\$ 38,350.7	70.9%

Funded Levels
As of June 30, 2008
(in millions)

Statewide Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
ASSR	\$ 189.5	\$ 242.8	78.0%
CCRS	356.5	450.5	79.1%
DARS	227.8	219.4	103.8%
FRS	1,129.8	1,278.1	88.4%
MERSA	671.7	752.5	89.3%
MERSB	136.2	141.7	96.1%
MPERS	1,600.9	1,841.2	86.9%
PERSA	1,943.6	2,176.6	89.3%
PERSB	136.1	148.1	91.9%
RVRS	64.9	67.7	95.9%
SPRF	1,628.3	1,834.4	88.8%
<i>Statewide Total</i>	\$ 8,085.3	\$ 9,153.0	88.3%

Funded Levels
As of June 30, 2008
(in millions)

All Systems Combined

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
<i>Combined Total</i>	\$35,262.5	\$47,503.7	74.2%

Note: Values based on 2008 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Funding progress

Considerable funding progress has been made since 1988 when actuarial funding was mandated by the Louisiana constitution. Significant improvement from 1988 to 2000 can be attributed to rates of investment return that were

consistently larger than the rates assumed by the actuaries. Investment losses between 2001 and 2003, benefit improvements, and the use of actuarial gains to provide for COLAs have compromised funding levels over the past eight years. This is seen by the changes in Funded Levels over time as shown below.

FUNDED LEVELS (AVA / PBO)

<i>Fiscal Year</i>									
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008

State Systems

LASERS	78.3%	80.9%	76.3%	67.2%	59.7%	59.6%	62.5%	65.8%	69.4%	68.6%
TRSL	80.1%	88.8%	82.7%	72.0%	62.4%	63.1%	65.1%	70.3%	74.3%	71.8%
LSERS	134.4%	133.7%	114.5%	90.7%	84.0%	79.4%	78.9%	82.3%	83.3%	76.6%
STPOL	66.8%	72.0%	77.1%	73.5%	62.4%	62.8%	62.5%	72.4%	75.9%	74.5%
State Total	82.0%	88.1%	82.2%	71.5%	62.7%	62.9%	64.9%	69.4%	73.1%	71.0%

Statewide Systems

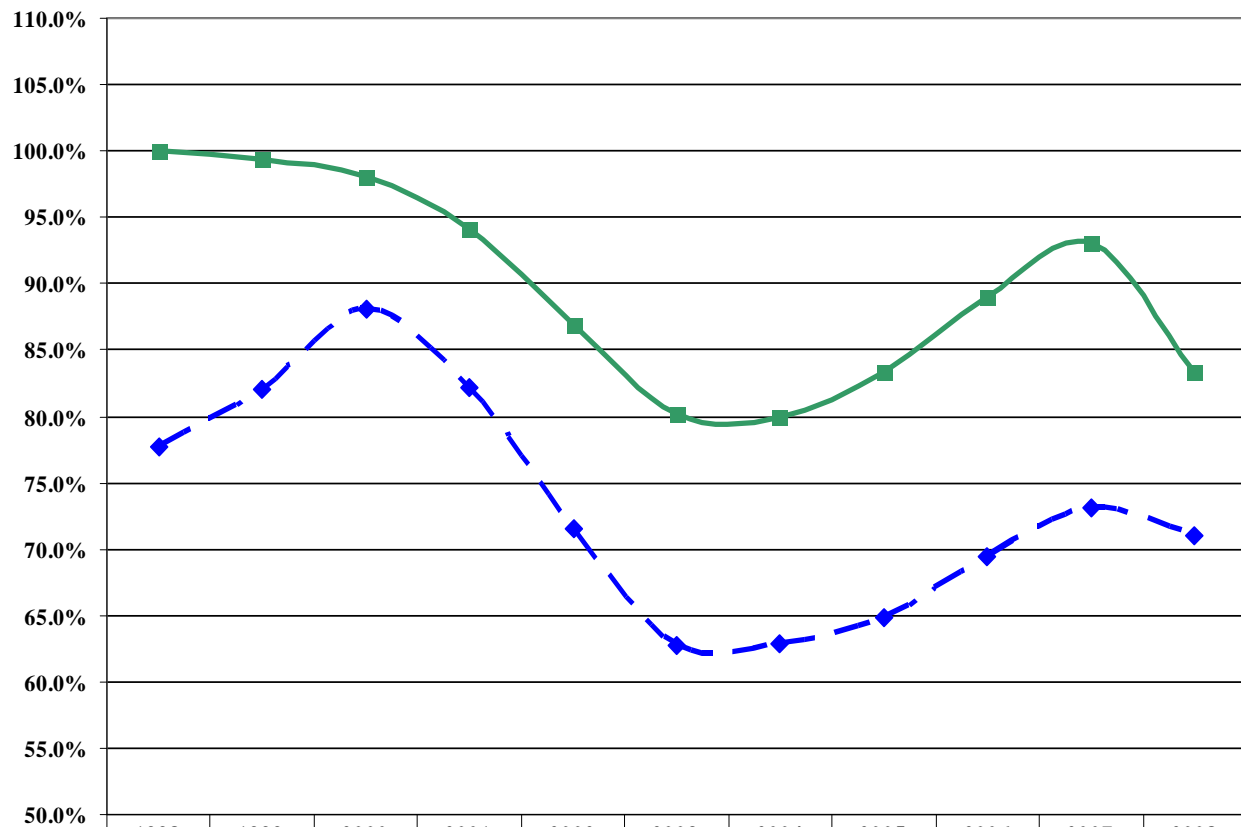
ASSR	74.9%	73.6%	66.4%	61.3%	59.5%	61.2%	65.9%	73.4%	77.8%	78.1%
CCRS	74.7%	78.3%	76.6%	72.5%	67.8%	66.5%	66.8%	76.3%	78.9%	79.1%
DARS	129.7%	131.9%	128.5%	117.7%	103.7%	98.2%	100.6%	108.4%	109.6%	103.8%
FRS	92.8%	86.0%	82.3%	74.9%	72.3%	74.5%	83.5%	86.4%	88.6%	88.4%
MERSA	92.9%	92.4%	91.0%	85.5%	78.8%	77.1%	78.4%	83.3%	87.9%	89.3%
MERSB	100.6%	101.9%	92.3%	87.4%	81.3%	78.7%	80.1%	88.6%	94.7%	96.1%
MPERS	110.6%	109.4%	105.6%	95.6%	77.4%	76.6%	83.6%	87.4%	93.5%	86.9%
PERSA	101.5%	102.0%	99.1%	90.9%	87.9%	89.5%	89.6%	97.3%	101.6%	89.3%
PERSB	128.9%	130.3%	117.8%	108.4%	106.3%	107.4%	106.7%	108.3%	107.4%	91.9%
RVRS	112.9%	104.8%	104.2%	97.7%	91.5%	87.0%	88.2%	91.6%	97.2%	95.9%
SPRF	94.4%	93.8%	87.8%	84.2%	81.9%	79.9%	80.3%	86.8%	90.1%	88.8%
Statewide Total	99.3%	98.1%	94.1%	86.9%	80.2%	80.0%	83.3%	89.0%	93.1%	88.3%

All Systems Combined Total:

84.9%	89.8%	84.3%	74.2%	65.8%	66.0%	68.3%	73.1%	76.9%	74.2%
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Funded Level History - PBO Covered by AVA

Actuarial Value of Assets / Projected Accrued Benefit Liability



Statewide	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
State	77.7%	82.0%	88.1%	82.2%	71.5%	62.7%	62.9%	64.9%	69.4%	73.1%	71.0%
Statewide	100.0%	99.3%	98.1%	94.1%	86.9%	80.2%	80.0%	83.3%	89.0%	93.1%	83.3%

***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 grant COLA benefits. For all statewide systems except MPERS, the Funded Ratio is calculated as the ratio of the actuarial value of assets to the PBO. For MPERS, the Funded Ratio is the ratio of the actuarial value of assets to accrued liability under the actuarial funding method used by system. These ratios are then compared to a Target Ratio that is specified by formula in Louisiana public retirement law.

Prior to 2007, COLA benefits for LSERS and STPOL also depended on a comparison of the Funded Ratio and the Target Ratio. However, Act 333 of the 2007 Regular Session changed this practice and in its stead created Experience Accounts that operate similarly to the Experience Accounts for LASERS and TRSL.

**Funding Eligibility for COLAs
as of June 30, 2008**

Statewide Systems

System	Target Ratio	Funded Ratio
ASSR	84.3%	78.1%
CCRS	79.9%	79.1%
DARS	98.8%	103.8%
FRS	84.2%	88.4%
MERSA	88.5%	89.3%
MERSB	87.9%	96.1%
MPERS	95.7%	86.9%
PERSA	91.5%	89.3%
PERSB	100.0%	91.9%
RVRS	99.8%	95.9%
SPRF	90.3%	88.8%

Note: Values based on 2008 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

16. Participant Census and Payroll

Membership

The following table presents data pertaining to membership in the state and statewide systems. Participants are categorized as active members, retired members, or members currently in DROP.

Participant Census As of June 30, 2008

		Actives	Retirees	Current DROP	Total Members	% of All Systems	FY 2008 Payroll*
State Systems	LASERS	61,780	37,575	2,643	103,822	27.4%	\$ 2,437.0
	TRSL	85,979	61,070	3,760	156,852	41.4%	3,675.0
	LSERS	13,153	12,159	583	26,280	6.9%	289.5
	STPOL	1,059	1,153	27	2,263	0.6%	59.6
	State Total	161,971	111,957	7,013	289,217	76.3%	\$ 6,461.1
Statewide Systems	ASSR	731	437	55	1,299	0.3%	\$ 36.6
	CCRS	2,306	849	102	3,661	1.0%	83.6
	DARS	711	154	21	1,146	0.3%	47.6
	FRS	3,821	1,631	130	5,987	1.6%	169.4
	MERSA	4,792	2,794	238	10,569	2.8%	148.6
	MERSB	2,134	793	57	4,050	1.1%	59.2
	MPERS	5,908	3,896	213	10,131	2.7%	252.6
	PERSA	13,976	5,235	397	26,617	7.0%	511.9
	PERSB	2,162	548	32	4,260	1.1%	74.9
	RVRS	228	137	11	400	0.1%	10.8
	SPRF	14,038	3,140	0	21,662	5.7%	537.1
	Statewide Total	50,807	19,614	1,256	89,782	23.7%	\$ 1,932.3
All Systems	Total	212,778	131,571	8,269	378,999	100.0%	\$ 8,393.4

Total membership includes members entitled to a deferred pension benefit or a refund of contributions. Participant counts are not shown for these members.

* Millions of dollars

17. Funding of TRSL Optional Retirement Plan

State law established an optional retirement plan (ORP) in 1990 for academic and unclassified employees of public institutions of higher education. ORP is a defined contribution plan administered by TRSL.

Although ORP is administered by TRSL, participants are not members of the system and their benefits are not guaranteed by the state. Each participating employer contributes for an ORP participant the same amount that it would have 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. The remainder is retained by TRSL as a payment toward the UAL. For fiscal year 2008, accounts for ORP members received 14.94% of covered salary. \$57.6 million of employer contributions were retained by TRSL to fund the UAL. Based on information provided by TRSL, there were 8,677 participants in ORP as of December 31, 2008. ORP members represent about 58% of teachers employed in higher education (TRSL plus ORP).

Growth of ORP Membership

Year	ORP Members	TRSL Members (Excludes 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%
2008	8,677	85,979	10.1%

Section II

Benefit Formulas, Retirement Eligibility and Contribution Rates

1. Benefit Accruals and Member Contribution Rates

Formula

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

$$\begin{array}{ccccccc} \text{Annual Benefit} & & \text{Benefit} & & \text{Years of} & & \text{Final} \\ \text{at} & = & \text{Accrual} & \times & \text{Service at} & \times & \text{Average} \\ \text{Retirement} & & \text{Rate} & & \text{Retirement} & & \text{Compensation} \end{array}$$

The benefit may not exceed final average compensation.

Benefit Accrual Rates, Retirement Eligibility, & Member Contribution Rates (as of July 1, 2008)

LASERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
Regular	2.50%	3 yrs	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%	5 yrs	10	60	8.00%
Legislators	3.50%	3 yrs	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			
	3 1/3%	Service On or After 7/01/2003			
	See Above	3 yrs	10	25	9.50%
			20	any age	9.50%
Employed On/After 7/1/2003	3 1/3%	3 yrs	10	60	9.50%
	3 1/3%		25	any age	9.50%
Corrections Officers and DPS					
Employed Before 8/15/1986	2.50%	3 yrs	20	any age	9.00%
Employed 8/15/86 – 12/31/01	2.50%		20	50	9.00%
All Members	2.50% *	3 yrs	25	any age	9.00%
AG Opinion / LASERS Policy	2.50% *		10	60	9.00%
* Public Safety Service Secondary Plan – 3 1/3% for service after 12/31/2001.					
Judges & Court Officers [eff. 7/1 & 8/15/2003]	3.50%	3 yrs	10	65	11.50%
	3.50%		12	55	11.50%
	3.50%		18	any age	11.50%
	3.50%		20*	50	11.50%
	3.50%		any	70	11.50%
* At least 12 yrs as judge/court officer					
LASERS: Early retirement – 20 years of service with actuarially reduced benefits.					

**Benefit Accrual Rates, Retirement Eligibility,
& Member Contribution Rates
(as of July 1, 2008)**

TRSL

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
Regular Teachers					
Employed Before 7/1/1999	2.00%	3 yrs	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%	3 yrs	5	60	8.00%
	2.50% *		20*	any age*	8.00%
All Teachers	2.50%	3 yrs	25	55	8.00%
	2.50%		30	any age	8.00%
Lunch Plan A	3.00%	3 yrs	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%	3 yrs	5	60	5.00%
	2.00%		30	55	5.00%
* Teachers' early retirement – actuarially reduced.					

LSERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees (Retirement on or after July 1, 2001)					
Employed Before 7/1/2006	3 1/3%	3 yrs	10	60	7.50%
	3 1/3%		25	55	7.50%
	3 1/3%		30	any age	7.50%
Employed On/After 7/1/2006	3 1/3%	5 yrs	10	60	7.50%
	3 1/3%		25	55	7.50%
	3 1/3%		30	any age	7.50%
Early retirement – 20 years of service with actuarially reduced benefits.					

STPOL

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees	3 1/3%	3 yrs	10	50	8.00%
<i>Employed Before 9/8/1978</i>	3 1/3%		20	any age	8.00%
<i>Employed On/After 7/1/1978</i>	3 1/3%		25	any age	8.00%

**Benefit Accrual Rates, Retirement Eligibility,
& Member Contribution Rates
(as of July 1, 2008)**

ASSR

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees					
<i>Hired Before 10/1/2006</i>	3 1/3%	3 yrs	12	55	8.00%
	3 1/3%		30	any age	8.00%
<i>Hired On/After 10/1/2006</i>	3 1/3%	5 yrs	12	55	8.00%
	3 1/3%		30	any age	8.00%

CCRS

		Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
				Service	Age	
All Employees						
Hired Before 7/1/2006						
Service Before 7/1/1999	3.00%	3 yrs	12	55	8.25%	
Service After 7/1/1999	3 1/3%		12	55	8.25%	
Hired On/After 7/1/2006						
Service Before 7/1/1999	3.00%	5 yrs	12	55	8.25%	
Service After 7/1/1999	3 1/3%		12	55	8.25%	

DARS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees	3.50%	3 yrs	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	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees	3 1/3%	3 yrs	12	55	8.00%
	3 1/3%		20	50	8.00%
	3 1/3%		25	any age	8.00%

**Benefit Accrual Rates, Retirement Eligibility,
& Member Contribution Rates
(as of July 1, 2008)**

MERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
Plan A					
Hired Before 7/1/2006	3.00%	3 yrs	10	60	9.25%
	3.00%		25	any age	9.25%
Hired On/After 7/1/2006	3.00%	5 yrs	10	60	9.25%
	3.00%		25	any age	9.25%
Plan B					
Hired Before 7/1/2006	2.00%	3 yrs	10	60	5.00%
	2.00%		30	any age	5.00%
Hired On/After 7/1/2006	2.00%	5 yrs	10	60	5.00%
	2.00%		30	any age	5.00%

MPERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees	3 1/3%	3 yrs	12	55	7.50%
	3 1/3%		20	50	7.50%
	3 1/3%		25	any age	7.50%
Early retirement – 20 years of service with actuarially reduced benefits.					
Member contributions reduced from 8.00% upon full funding – R.S. 1991 Act 397.					

PERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
Plan A*					
Hired Before 1/1/2007	3.00%	3 yrs	7	65	9.50%
	3.00%		10	60	9.50%
	3.00%		25	55	9.50%
	3.00%		30	any age	9.50%
Hired On/After 1/1/2007	3.00%	5 yrs	7	67	9.50%
	3.00%		10	62	9.50%
	3.00%		30	55	9.50%
* For members of the supplemental plan only the accrual rate is 1% plus \$2 for each month of service prior to the revision date.					

**Benefit Accrual Rates, Retirement Eligibility,
& Member Contribution Rates
(as of July 1, 2008)**

PERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
Plan B (In Social Security)					
Hired Before 1/1/2007	2.00%	3 yrs	7	65	3.00%
	2.00%		10	60	3.00%
	2.00%		30	55	3.00%
Hired On/After 1/1/2007	2.00%	5 yrs	7	67	3.00%
	2.00%		10	62	3.00%
	2.00%		30	55	3.00%

RVRS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
<i>Hired Before 7/1/2006</i>	3 1/3%	3 yrs	10	60	7.00%
	3 1/3%		20	55	7.00%
	3 1/3%		30	any age	7.00%
<i>Hired On/After 7/1/2006</i>	3 1/3%	5 yrs	10	60	7.00%
	3 1/3%		20	55	7.00%
	3 1/3%		30	any age	7.00%

SPRF

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member* Contribution
			Service	Age	
<i>Hired Before 7/1/2006</i>	3 1/3%	3 yrs	12	55	9.80%
	3 1/3%		30	any age	9.80%
<i>Hired On/After 7/1/2006</i>	3 1/3%	5 yrs	12	55	9.80%
	3 1/3%		30	any age	9.80%
Early retirement – 20 years of service and age 50 with actuarially reduced benefits.					
* Effective 7/1/2004 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 income replacement ratio is the portion of a member's average income immediately before retirement that is replaced by pension benefits immediately after retirement. The following table shows the ratios expected for a person newly hired in fiscal years after June 30, 2008 (the un-shaded portion of the table). 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 shaded percentages show the portion of the cost for retirement benefits that 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 his future retirement benefits. This is the portion of the benefit cost that will be funded by the member's contributions.

Hazardous Duty: The table separates plans that are predominantly for members performing hazardous duties from plans that apply to members employed in non-hazardous occupations. 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 2008, including legislation under Acts of the 2008 Regular Session.

For Fiscal Year 2008

Division	Age	Replacement Ratios (Benefit as % of Pay)	Employee Paid Portion of Benefit Cost (with interest)
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Non-Hazardous Group

Years of Service					
20	30	40	20	30	40

(Projected for a New Member)

LASERS	Regular	65	46%	69%	91%	53%	67%	79%
	Legislators	65	67%	95%	95%	75%	100%	100%
	Judges	65	67%	95%	95%	74%	100%	100%
TRSL	Teachers	65	45%	69%	94%	49%	58%	78%
	Lunch A	65	55%	85%	94%	50%	63%	97%
	Lunch B	65	37%	57%	76%	43%	58%	85%
LSERS	Regular	65	62%	93%	92%	37%	44%	59%
ASSR	Regular	65	60%	89%	89%	35%	39%	47%
CCRS	Regular	65	60%	89%	89%	36%	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	58%	88%	88%	28%	29%	32%

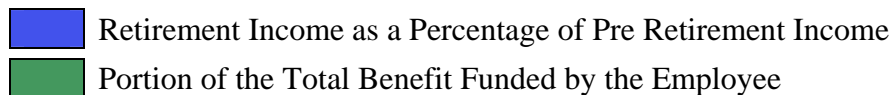
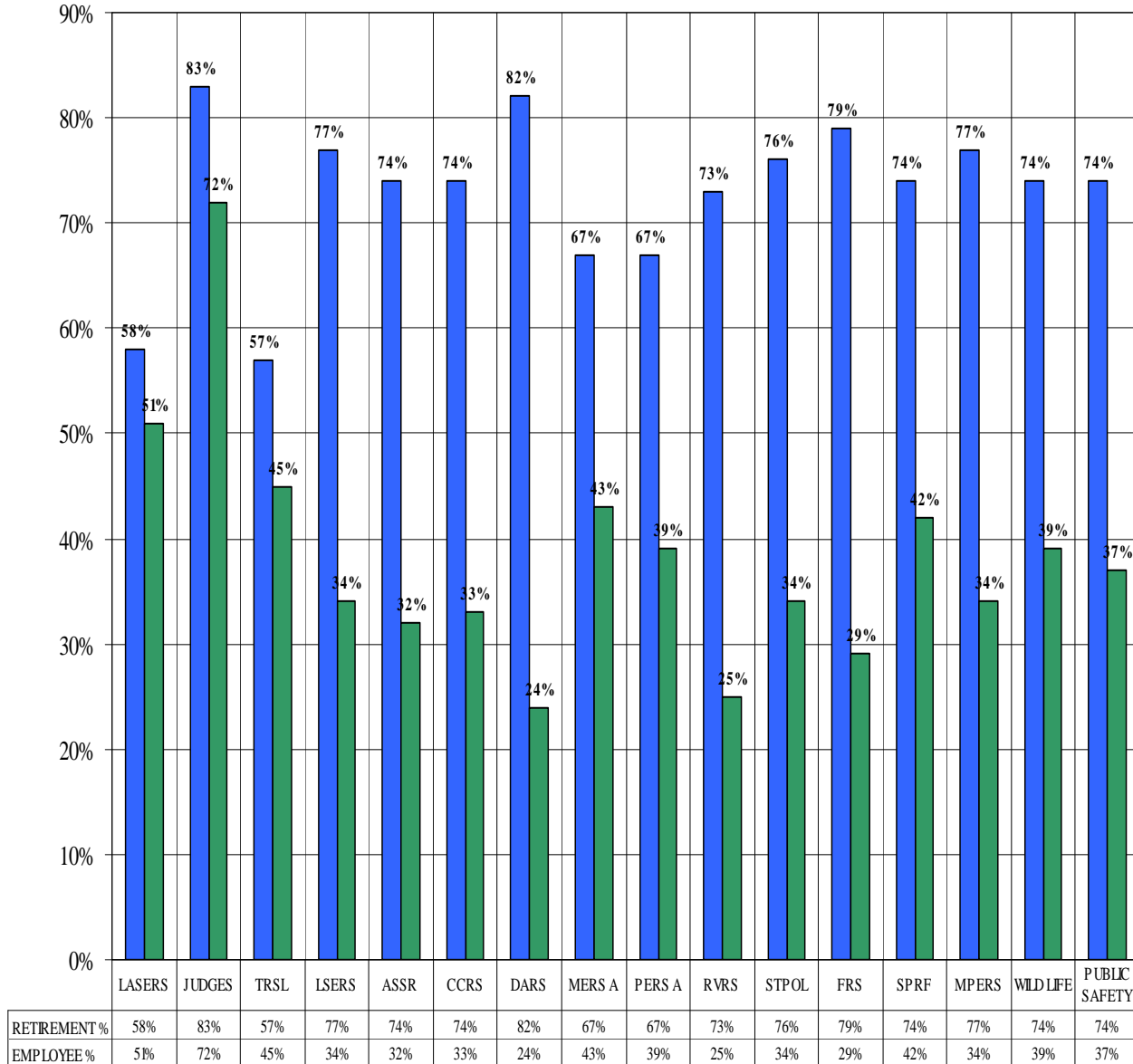
Hazardous Group

Years of Service			
20	25	20	25

(Projected for a New Member)

LASERS	Wildlife	55	59%	74%	37%	39%
	Corrections	55	45%	56%	46%	49%
	Public Safety	55	60%	74%	35%	37%
STPOL	Regular	55	61%	76%	31%	34%
FRS	Regular	55	63%	79%	27%	29%
MPERS	Regular	55	61%	77%	31%	34%
SPRF	Regular	55	60%	74%	40%	42%

**RATIO OF RETIREMENT BENEFIT TO PRE RETIREMENT INCOME AND
THE PROPORTION OF THE BENEFIT PAID BY THE EMPLOYEE
RETIREMENT AT AGE 55 WITH 25 YEARS OF SERVICE**



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 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 special General Fund appropriations. Other incidental funding sources, available to participating employers, may vary from time to time. The larger systems, LASERS and TRSL, have combined sub plans to determine a single aggregated projected employer rate.

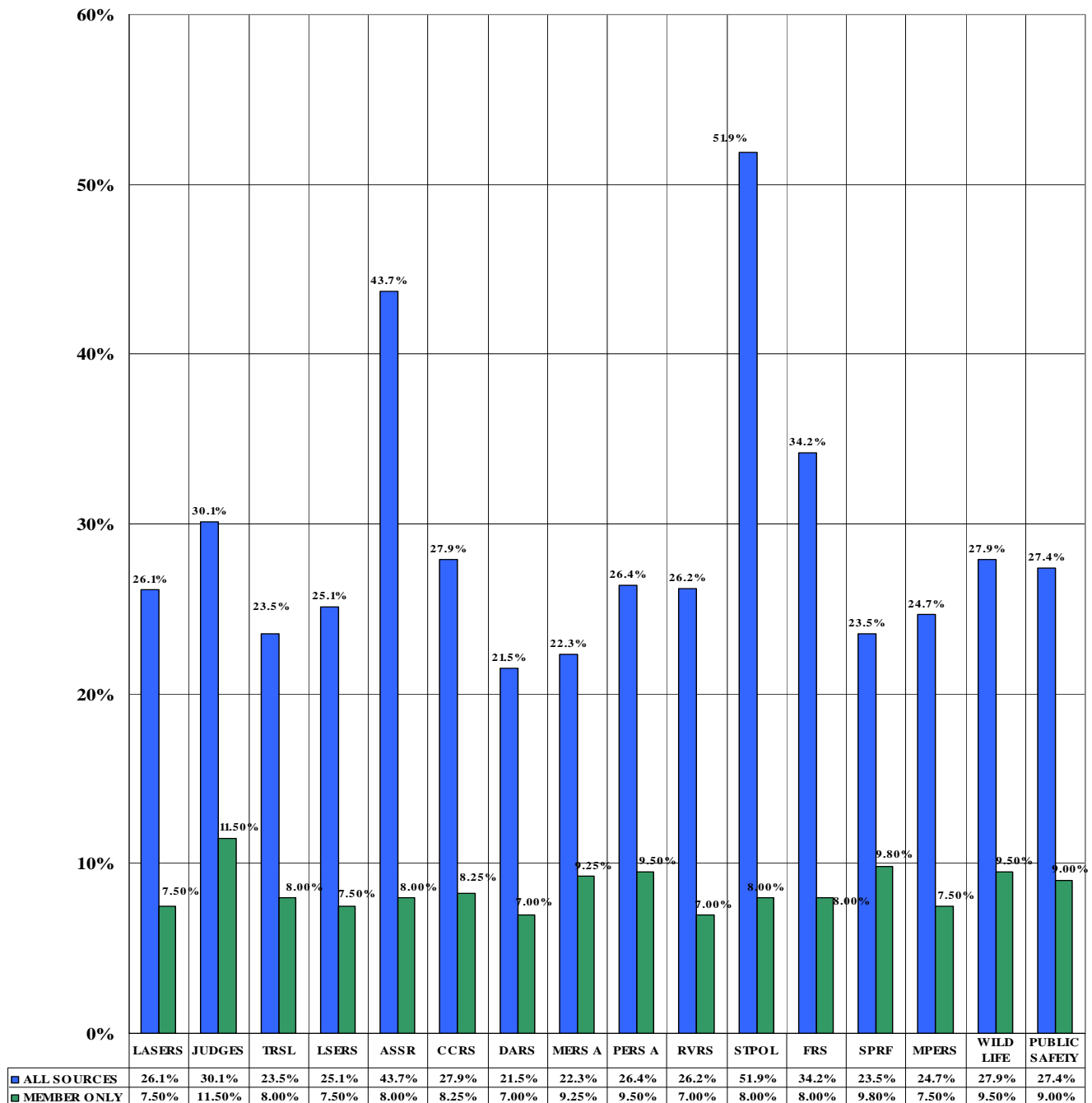
Member Rates Employee contribution rates are fixed by statute and are summarized in the first part of this section. Required member contributions vary by plan and, with some exceptions, range from 7.0% to 10.0% of employee pay. Judges/court officers and legislators are required to contribute 11.5%.

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 FY 2010, we expect total projected rates to range from 21.5% to 51.9% of member payroll, with a median rate of 26.4%. Last year's range was 16.8% to 38.2%, with a median of 26.0%.

The following graph compares total projected rates (all sources including member rates) with member rates only. These are based on actuarial valuation results as approved by PRSAC to be paid for FY 2010.

STATE & STATEWIDE RETIREMENT SYSTEMS
PROJECTED CONTRIBUTION RATES
(As a Percent of Payroll)
FISCAL YEAR 2010

Non-Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



Section III

Actuarial Concerns - Funding Issues

1. The Cost of Funding the UAL for State Systems

Issue

The UAL for the four state retirement systems in the aggregate was \$12.1 billion on June 30, 2008. This debt is being amortized over the next 30 years. The general pattern of payments scheduled to be made over this period is summarized below.

1. Amortization payments for FY 2009 are scheduled to be \$664.3 million.
2. Payments will steadily increase to about \$1.2 billion in FY 2019 and to \$2.2 billion by FY 2029.
3. Beginning in FY 2030, payments will fall below \$1.0 billion and steadily decrease thereafter, until full funding is attained on June 30, 2039.

The fundamental issue is: “Will the state be able to afford these amortization payments as the dollar amount continues to rise?”

Amortization Payments

Under rules adopted in 1992, amortization payment schedules for LASERS and TRSL were developed to pay off the UAL debt with annual payments increasing 4.5% a year. The final payment was scheduled to be made in FY 2029.

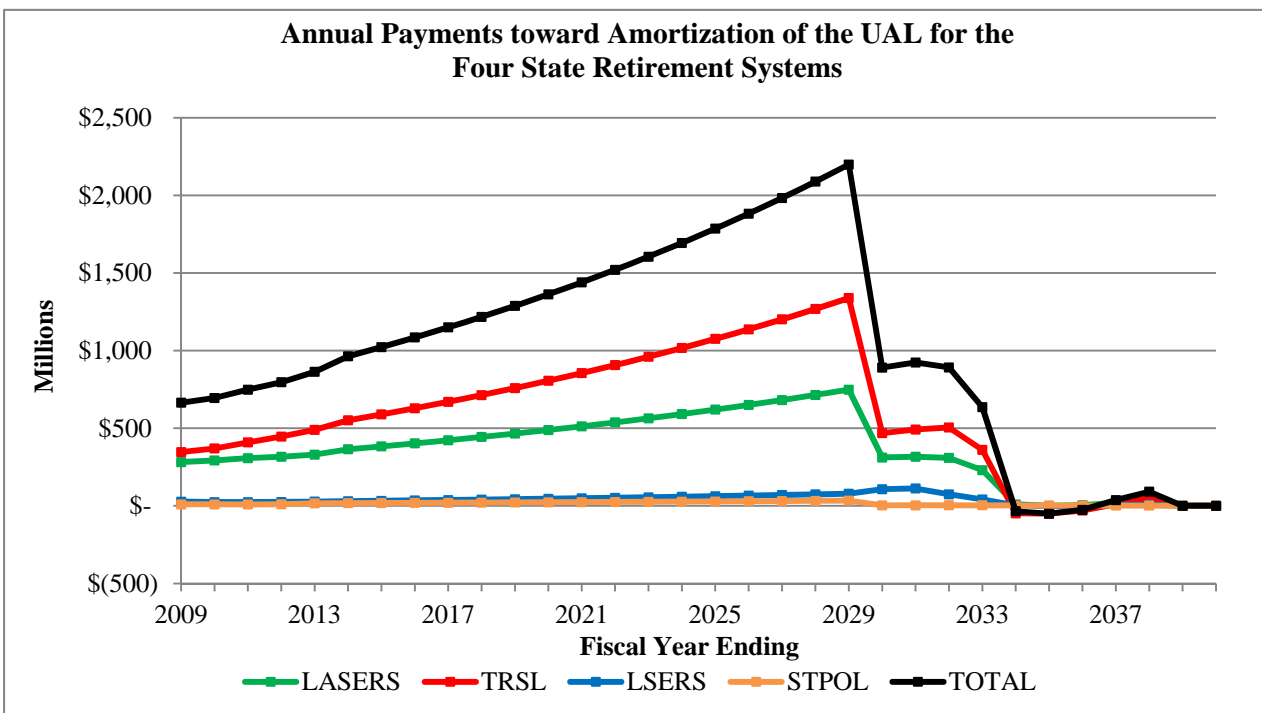
An increasing payment schedule was adopted because it was assumed that growth in Louisiana government combined with inflation would lead to an aggregate payroll increase of 4.5% a year. Under this assumption, amortization payments as a percentage of government payrolls would remain constant from year to year.

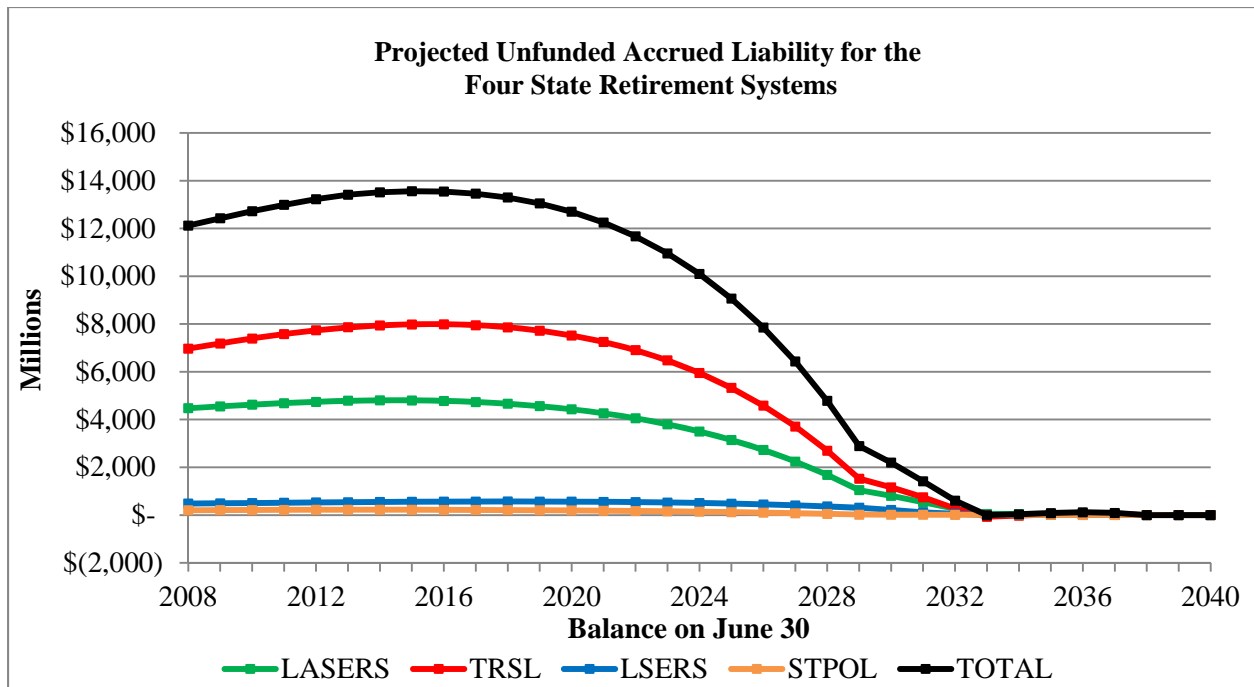
Several changes have been made to the payment schedules since 1992, but the underlying basis for the 1992 schedules continues to play a significant role in the schedule of future payments. As a result:

1. Annual amortization payments will not be sufficient to cover interest on the UAL until June 30, 2016, and the UAL will continue to increase.
2. Amortization payments will be more than enough to cover interest charges after June 30, 2016, and UAL balances will begin to decline.

Note: current amortization schedules comply with the law requiring the IUAL established on June 30, 1988, be fully amortized by June 30, 2029. Longer periods of time are available to amortize adjustments to the UAL that have occurred since 1988 due to gains, losses, benefit improvements, and changes in methods and assumptions.

Amortization payments for each of the state retirement systems are shown in the graph below. The outstanding balance of the UAL over the next 30 years is also shown.





Mid-year amortization payment amounts for selected years are shown below in the aggregate and separately for each retirement system.

**SCHEDULED MID-YEAR AMORTIZATION
PAYMENTS FOR THE TOTAL UAL
(of June 30, 2008)**

Combined State Systems

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2009	1	\$ 664,300,000
2014	6	963,200,000
2019	11	1,287,900,000
2024	16	1,693,400,000
2029	21	2,198,700,000
2034	26	(34,300,000)
2039	31	PAID OFF

**SCHEDULED MID-YEAR AMORTIZATION
PAYMENTS FOR EACH SYSTEM'S UAL
(of June 30, 2008)**

LASERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2009	1	\$ 281,700,000
2014	6	364,700,000
2019	11	465,300,000
2024	16	591,400,000
2029	21	748,600,000
2034	26	9,400,000
2039	31	PAID OFF

TRSL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2009	1	\$ 346,200,000
2014	6	551,200,000
2019	11	758,500,000
2024	16	1,016,700,000
2029	21	1,338,500,000
2034	26	(48,200,000)
2039	31	PAID OFF

LSERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2009	1	\$ 26,900,000
2014	6	29,900,000
2019	11	42,500,000
2024	16	58,300,000
2029	21	78,000,000
2034	26	3,100,000
2039	31	PAID OFF

**SCHEDULED MID-YEAR AMORTIZATION
PAYMENTS FOR EACH SYSTEM'S UAL
(of June 30, 2008)**

STPOL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2009	1	\$9,500,000
2014	6	17,400,000
2019	11	21,600,000
2024	16	27,000,000
2029	21	33,600,000
2034	26	1,400,000
2039	31	PAID OFF

IUAL (Texaco) Funds

As discussed on pages 41 and 42 of Section I, monies held in the Texaco Settlement Fund will eventually be available to reduce the IUAL. These funds have already been released for STPOL, and the IUAL for this system is now fully amortized.

The UAL for LASERS and TRSL increased when LSU became a participating employer in both systems. LSU's retirement plan was not fully funded when it was merged into LASERS and TRSL. On June 30, 2003, \$89.2 million was released from the LASERS IUAL Fund to the regular pool of LASERS' assets and \$96.3 million was similarly released from the TRSL IUAL Fund. Although these amounts bear some relationship to the respective UALs for LSU, it is not clear from the law that the monies were to be used by the systems to apply toward or liquidate the LSU debt.

Special appropriations were made to the IUAL Funds in 2006 and 2008. Under Act 642 of the 2006 Regular Session, \$13.6 million was appropriated to the LASERS IUAL Fund and \$26.4 million was allocated to the TRSL IUAL Fund. Act 7 of the Second Extraordinary Session of 2008 allocated an additional \$20.0 million to LASERS and \$40.0 million to TRSL.

Balances in the IUAL (Texaco) Funds for LASERS and TRSL on June 30, 2008, are \$78.1 million and \$346.3 million, respectively. These funds will grow with investment earnings. Eventually, when the balance in the IUAL account is equal to or exceeds the unamortized balance of the IUAL, the funds will be released to the retirement systems, the

IUAL will be fully liquidated, and employer contribution rates will be reduced accordingly.

LSERS' IUAL was fully amortized in the early 1990s. LSERS current UAL is attributable to actuarial and investment gains and losses, assumption and method changes, and benefit improvements that have occurred since 2001.

2. Structural Changes for Amortizing the UAL

Issue

The state's commitment to amortize UALs for LASERS and TRSL has changed several times since actuarial funding began on July 1, 1988.

The Louisiana Constitution, as amended in 1988, mandated the IUAL to be fully funded by June 30, 2029. Thereafter, the only cost to employers for retirement benefits will be for employer normal costs and payments to amortize offsetting gains and losses that have occurred after 1988, and that will continue to occur in the future. Large legacy costs should no longer exist.

Initial UAL

Initial UALs (IUAL) for the four state retirement systems were established on June 30, 1988. No payments were made to amortize IUALs during FY 1989. The IUALs as measured on June 30, 1988, were allowed to grow with interest at the valuation interest rate to June 30, 1989. Payments toward amortizing the IUALs began in FY 1990.

IUAL amounts on June 30, 1988, and June 30, 1989, for each of the four state retirement systems are shown below:

Retirement System	IUAL on	
	June 30, 1988	June 30, 1989
LASERS	\$ 1,825,421,035	\$ 1,962,327,613
TRSL	4,169,250,465	4,481,944,250
LSERS	10,999,431	11,769,391
STPOL	186,389,702	199,436,981
Total	\$ 6,192,060,633	\$ 6,655,478,235

New UALs

New charges or credits have been incurred by all four state systems every year after June 30, 1988. Charges or credits are incurred annually for the following reasons:

1. Gains and Losses
2. Changes in Actuarial Assumptions
3. Changes in the Asset Valuation Method
4. Changes in Actuarial Methods other than the Asset Valuation Method
5. Benefit Changes

The actuary for each system determines the extent to which the UAL has increased or decreased as a result of each of the above factors. An amortization schedule is established for each new UAL charge or credit. The initial balance of each charge or credit is commonly called a charge or credit base.

Act 81 of the 1988 Session

Act 81 of the 1988 Regular Session applied to all four state retirement systems. The Act established the following amortization rules in order to implement the constitutional mandate:

1. IUALs established on July 1, 1988, for LASERS, TRSL, and LSERS were to be amortized over a 40 year period beginning July 1, 1989, and ending June 30, 2029, with payments increasing 4.0% a year for the first four years; 3.5% for the next five years; 3.0% for the next five years; and so on. Payments over the last five years of the 40 year period would increase 0.5% a year.
2. The IUAL for STPOL was to be amortized with level payments over 20 years.
3. New UAL bases (changes in liability after June 30, 1988) due to actuarial gains and losses, changes in assumptions, changes in the method of valuing assets, and changes in benefits were to be amortized with level payments over 15 years.
4. New UALs due to changes in actuarial funding methods other than the actuarial value of assets were to be amortized with level payments over 30 years.

Act 470 of the 1990 Session

Act 470 of the 1990 Regular Session applied to all four state retirement systems. The Act modified amortization rules in accordance with the following:

- New UAL bases established for the June 30, 1989, valuation and all subsequent valuations due to changes in actuarial assumptions were to be amortized with level payments over 30 years (instead of 15 years).

Act 257 of the 1992 Session

Act 257 of the 1992 Regular Session applied to all four state retirement systems. The Act modified amortization rules in accordance with the following:

1. The outstanding balances of the IUALs on June 30, 1992 – for LASERS and TRSL only – were to be re-amortized over 37 years with payments increasing 4.5% per year.

2. Outstanding balances on June 30, 1992, of New UAL bases initiated with the 1989, 1990, 1991, and 1992 valuations were to be re-amortized with payments increasing 4.5% a year. Amortization periods were not changed.
3. New UAL bases established with the 1993 and later valuations were to be amortized in the following manner:
 - a. New UAL bases due to actuarial gains and losses, changes in the method of valuing assets, and changes in benefits were to be amortized over 15 years with payments increasing 4.5% a year.
 - b. New UAL bases due to changes in actuarial assumptions and changes in actuarial funding methods other than the actuarial value of assets were to be amortized over 30 years with payments increasing 4.5% a year.

Act 734 of the 1993 Session

Act 734 of the 1993 Session applied to all four state retirement systems. The Act provided that at the end of the fiscal year during which assets exceed the actuarial accrued liability, outstanding balances of all amortization bases would be fully liquidated. The amount by which assets exceeded the accrued liability would be amortized as a credit to be amortized over 15 years with credit amounts increasing 4.5% a year.

Asset values for LSERS exceeded the accrued liability on June 30, 1993, and in accordance with Act 734 all prior balances were liquidated and a new credit base was established subject to amortization over 15 years with credits increasing 4.5% a year. LSERS has interpreted Act 734 to mean that liquidation occurs only for the first year for which assets exceed the accrued liability. Therefore, new payment or credit bases will be established each year thereafter as the surplus or deficit increases or decreases. Liquidation will occur next when the plan again moves from a UAL on a given valuation date to a surplus on the next following valuation date.

LASERS, TRSL, and STPOL have not as yet been affected by this provision of law.

Act 588 of the 2004 Session

Act 588 of the 2004 Regular Session applied to LASERS, TRSL, and LSERS. It did not apply to STPOL. The Act modified amortization rules in accordance with the following:

LASERS

1. Assets of the plan were transferred to the Experience Account to pay off the negative balance in the account that existed as of June 30, 2004. A charge base was established for the 2004 valuation to reflect this asset transfer.
2. The amortization schedule for the IUAL was not changed.
3. The outstanding credit balances on June 30, 2004, of New UAL bases established by the 1989 through 1998 valuations were re-amortized effective with the 2004 valuation with level payments over 25 years.
4. Amortization schedules for New UAL debit bases established by the 1999 through 2003 valuations were not changed.
5. New UAL bases established for the 2004 and later valuations were to be amortized with level payments over 30 years.

TRSL

1. Assets of the plan were transferred to the Experience Account to pay off the negative balance in the account that existed on June 30, 2004. A charge base was established for the 2004 valuation to reflect this asset transfer.
2. The amortization schedule for the IUAL was not changed.
3. The outstanding balances on June 30, 2004, of New UAL bases established by the 1989 through 2000 valuations were re-amortized effective with the 2004 valuation with level payments over 25 years.
4. Amortization schedules for New UAL bases established by the 2001 through 2003 valuations were not changed.
5. New UAL bases established for the 2004 and later valuations were to be amortized with level payments over 30 years.

LSERS

1. New rules for LSERS were the same as for TRSL.
2. Note: LSERS did not have an Experience Account in 2004.

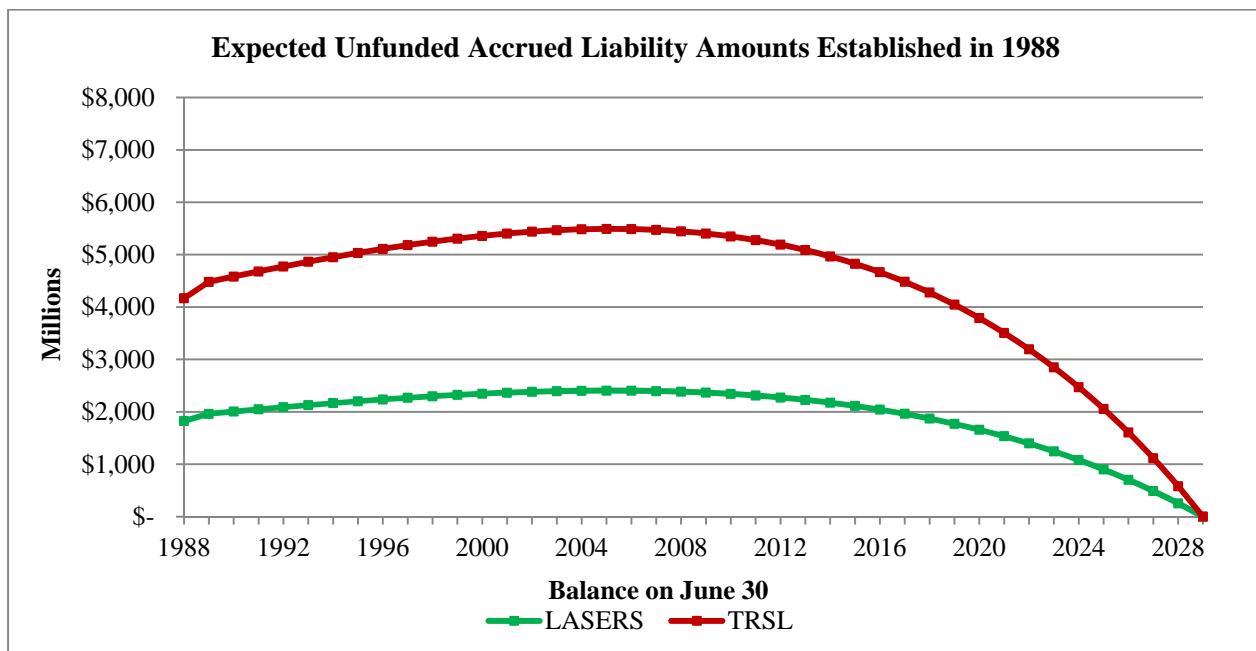
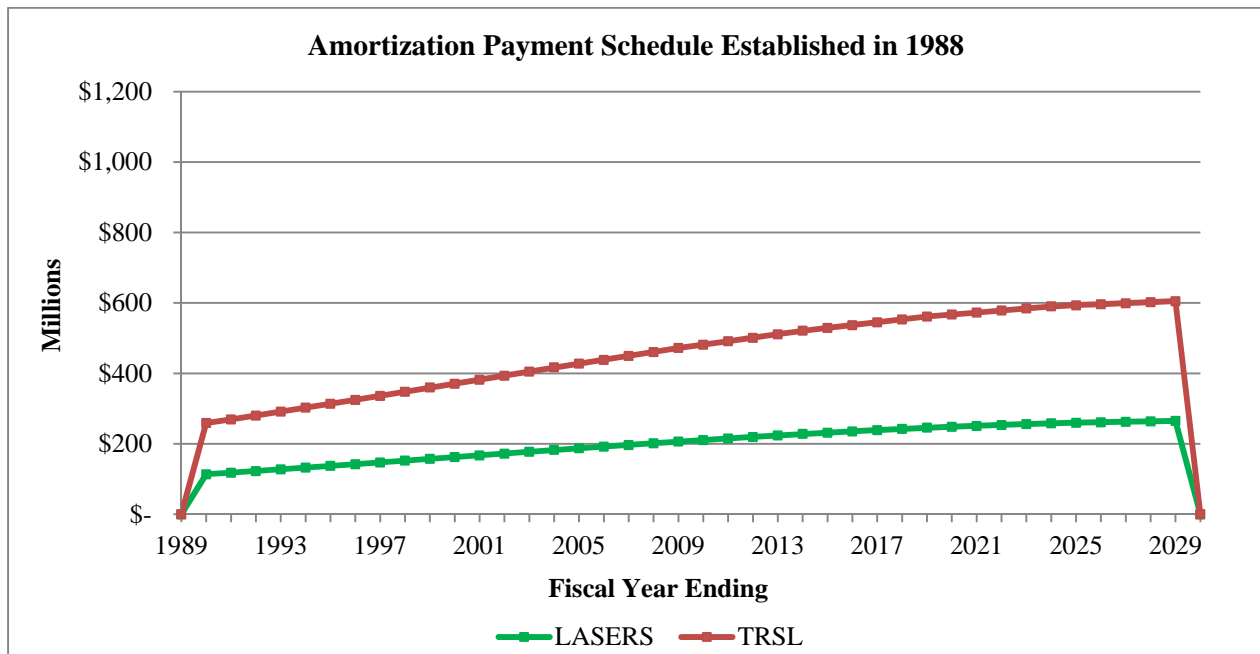
STPOL

- No changes were made.

3. Effect of Changing Commitment to Amortize the UAL for LASERS and TRSL

Amortization under Act 81

Amortization schedules are shown below for LASERS and TRSL. The first graph shows the pattern of annual payments that were required for these systems under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FY 2029 when the debt is paid off.

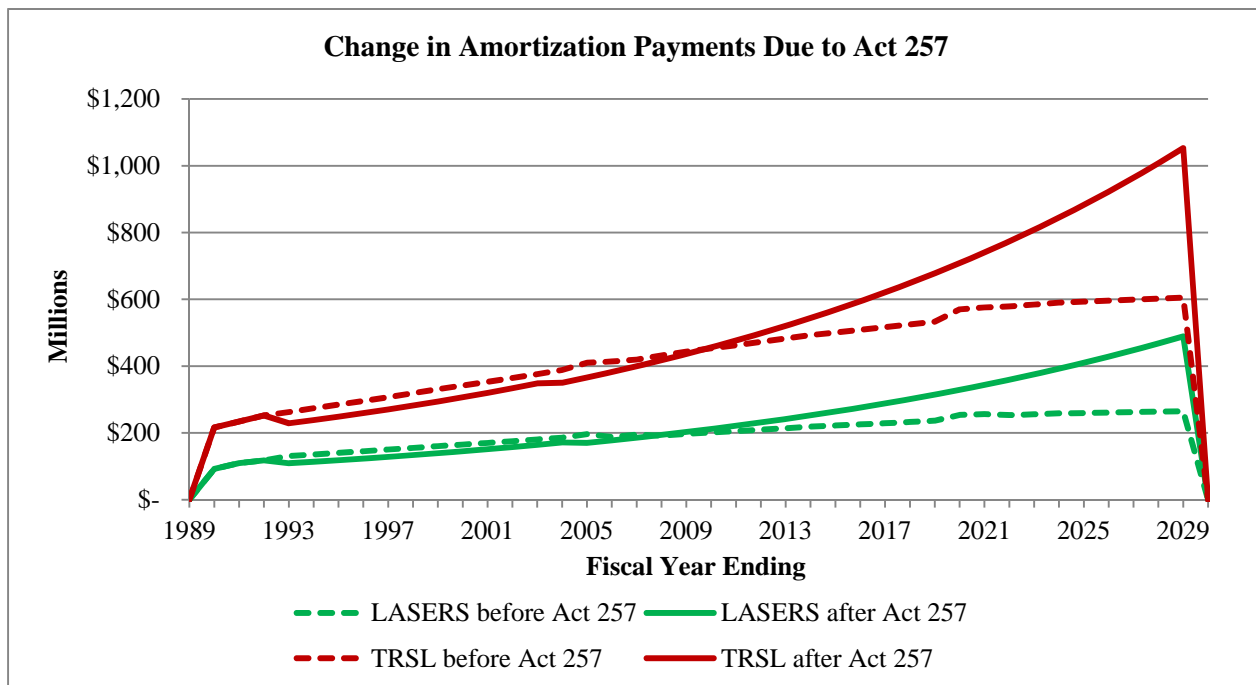


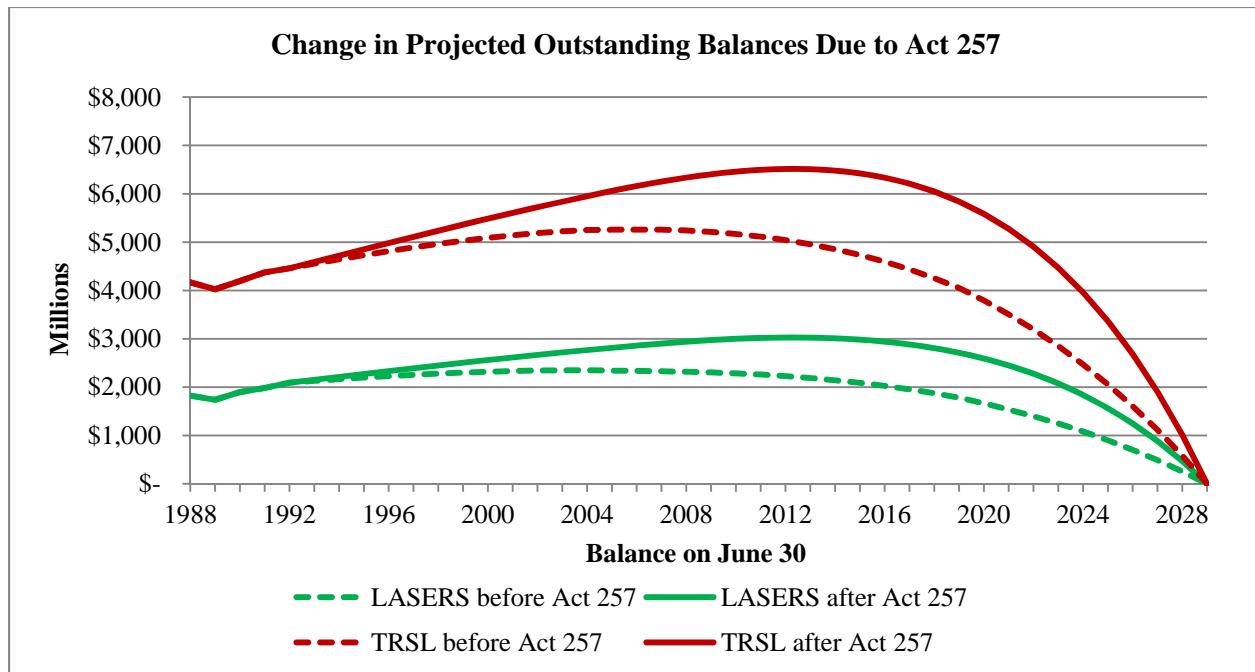
The following observations can be made from these graphs.

1. Payments increase more rapidly in early years of the period than in later years.
2. Annual payments at the end of the period (FY 2029) will be more than two times the annual payment at the beginning (FY 1990).
3. Payments through FY 2006 will not be sufficient to pay interest on the debt. Therefore, the debt increases year after year.
4. Beginning FY 2007, payments are large enough to pay down some of the then outstanding principal.
5. However, the outstanding debt does not return to the original level until FY 2019.
6. Essentially, payment on the original debt is postponed for 30 years and then paid off over the remaining 10-year period.

Amortization under Act 257

The charts below shows the effect that Act 257 of the 1992 session had on amortization schedules for LASERS and TRSL.



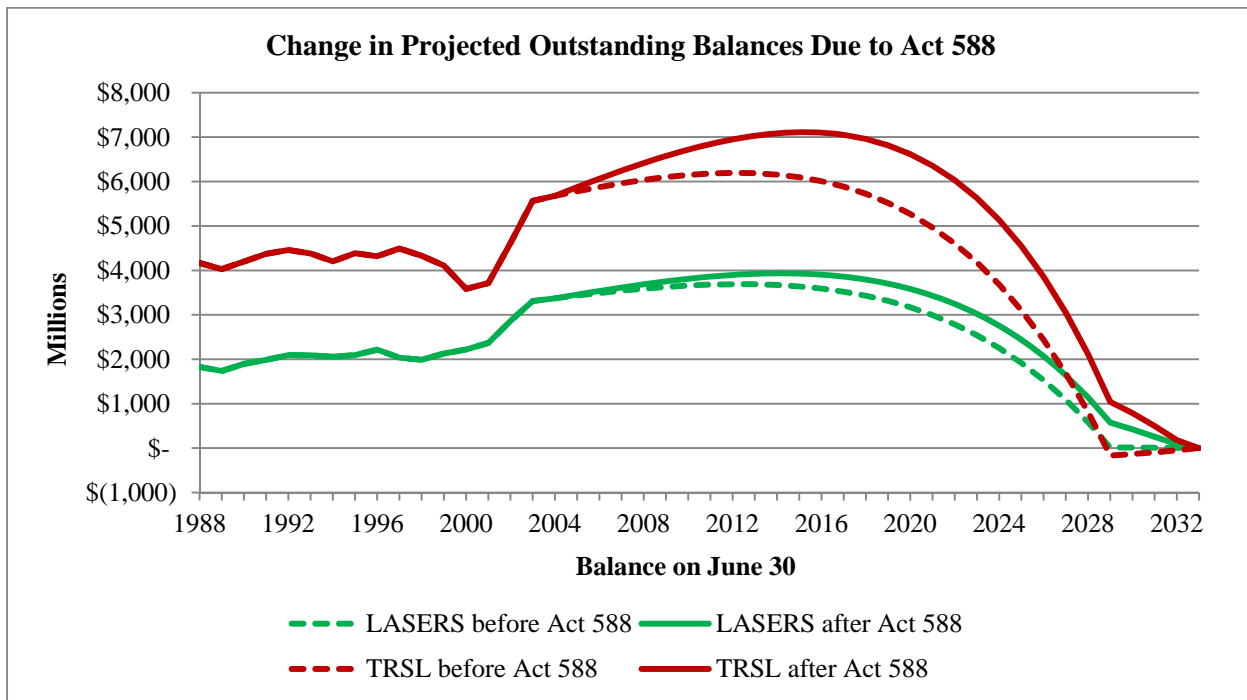
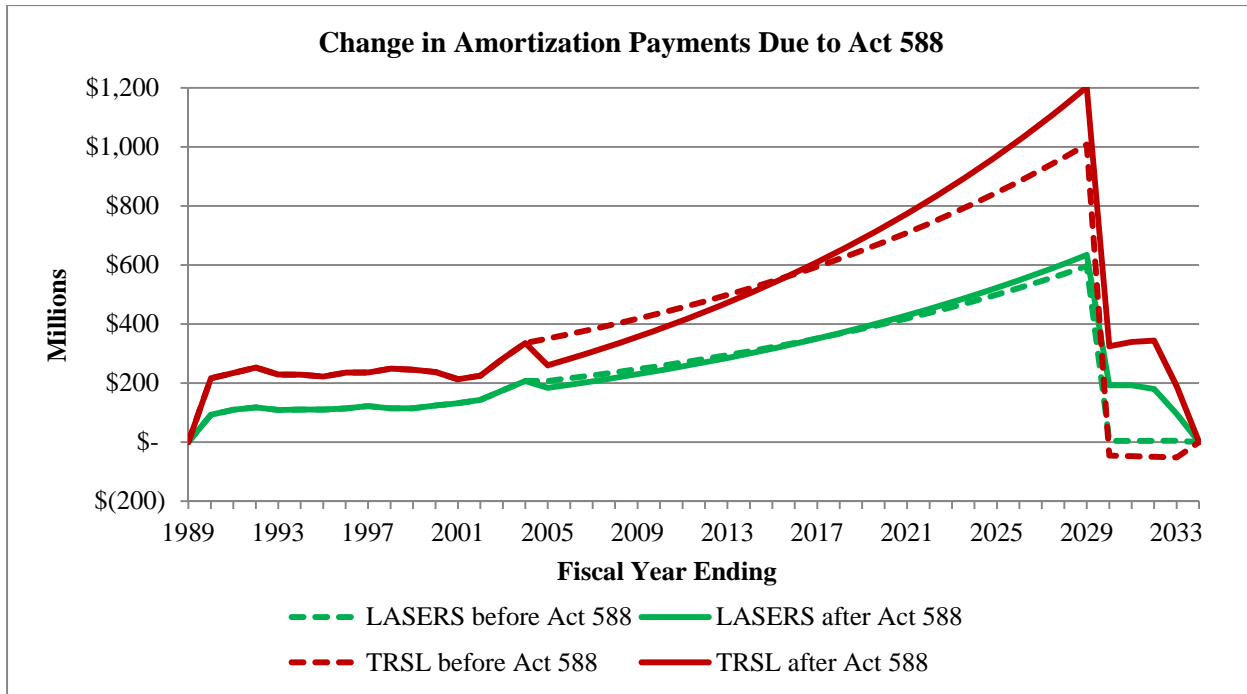


Note the following about these charts:

1. Amortization payments scheduled between FY 1993 and FY 2006 were reduced by relatively small amounts.
2. Amortization payments scheduled after FY 2006 were increased significantly, growing to a level that is almost 5 times as large as the initial payment.
3. Amortization payments after Act 257 were not projected to be sufficient to pay interest on the debt until about FY 2014.
4. The outstanding debt was not scheduled to return to its original level until about FY 2024.
5. Essentially, payment of the outstanding debt was postponed another 5 years with the debt then being paid off over the remaining 5 years.

Amortization under Act 588

The charts below show the effect that Act 588 of the 2004 session had on amortization schedules for LASERS and TRSL.

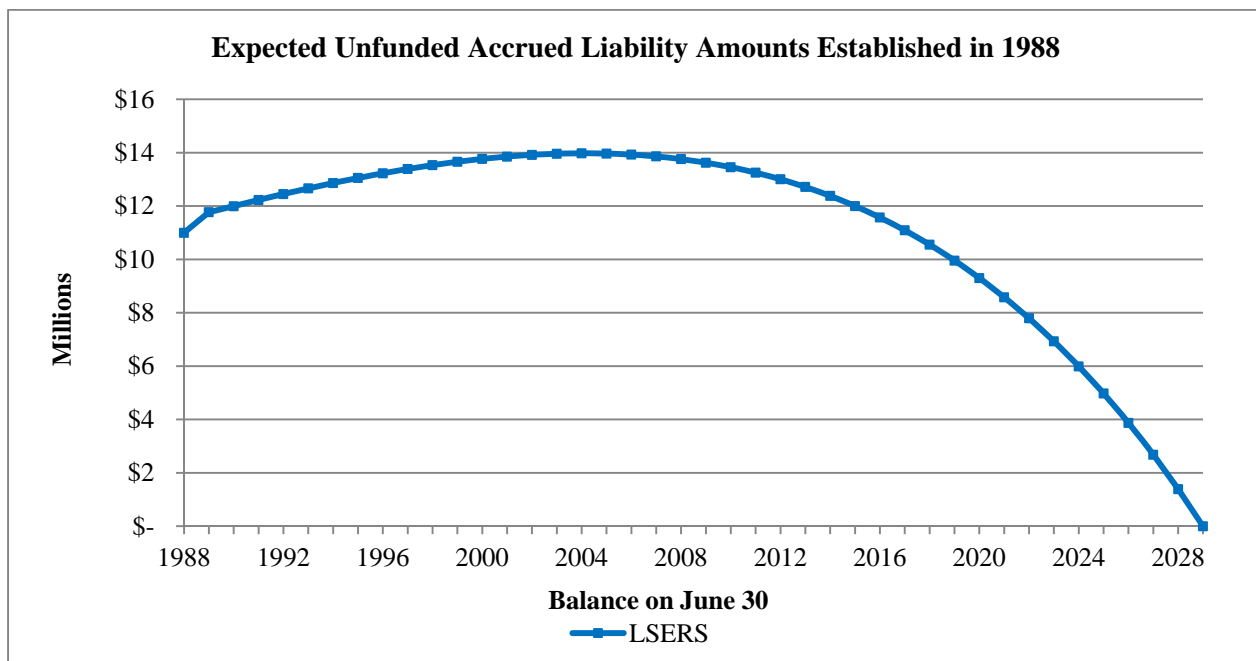
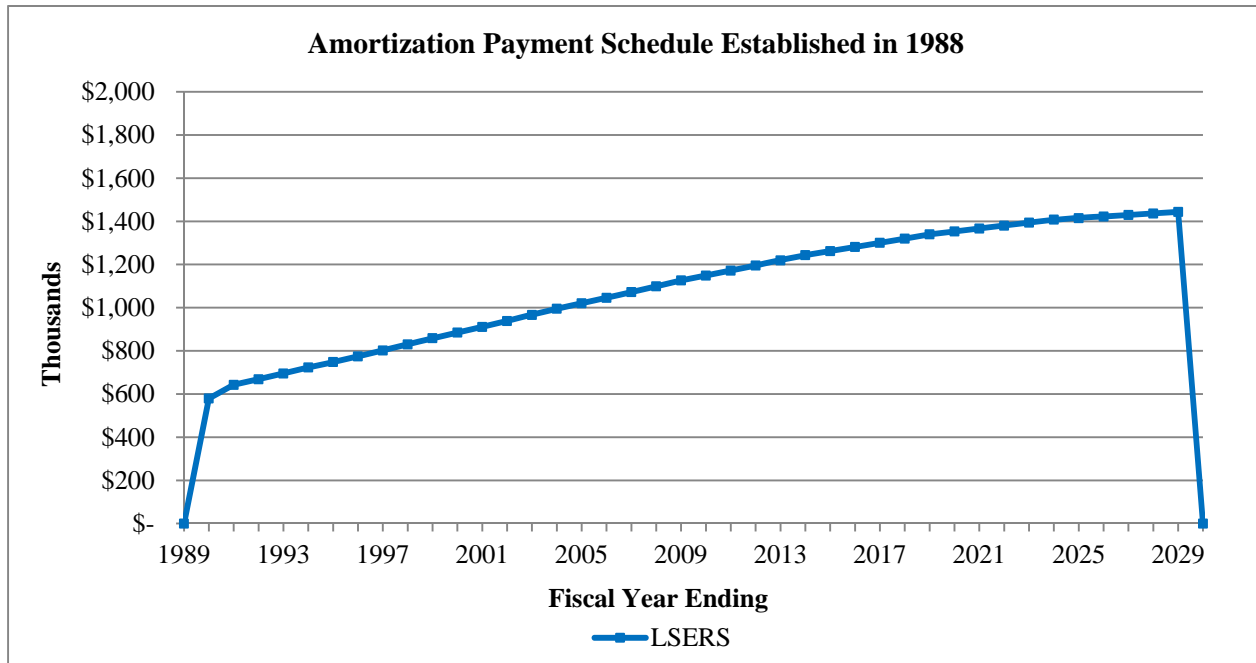


Once again, payments were lowered and payment of the debt was postponed. The debt will continue to grow until FY 2016. Payments will eventually be 6 times as large as the original payment. The debt will be fully paid at the end of FY 2032 instead of FY 2029.

4. Effect of Changing Commitment to Amortize the UAL for LSERS

Amortization under Act 81

Amortization schedules are shown below for LSERS. The first graph shows the pattern of annual payments that were required for this system under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FY 2029 when the debt is paid off.

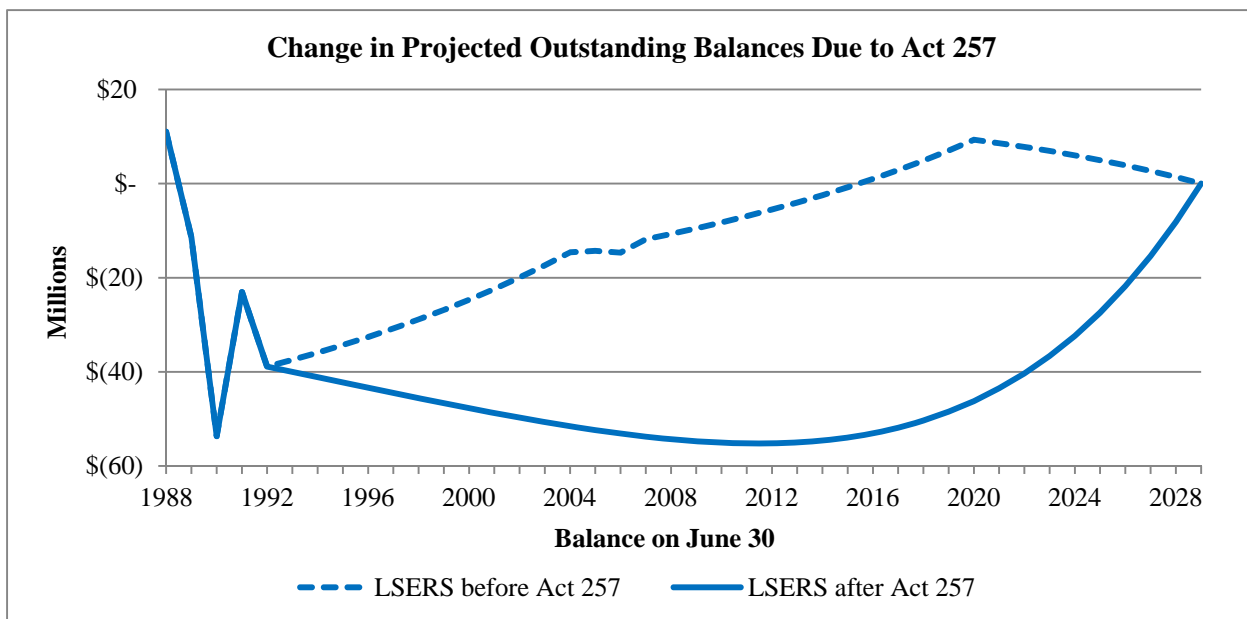
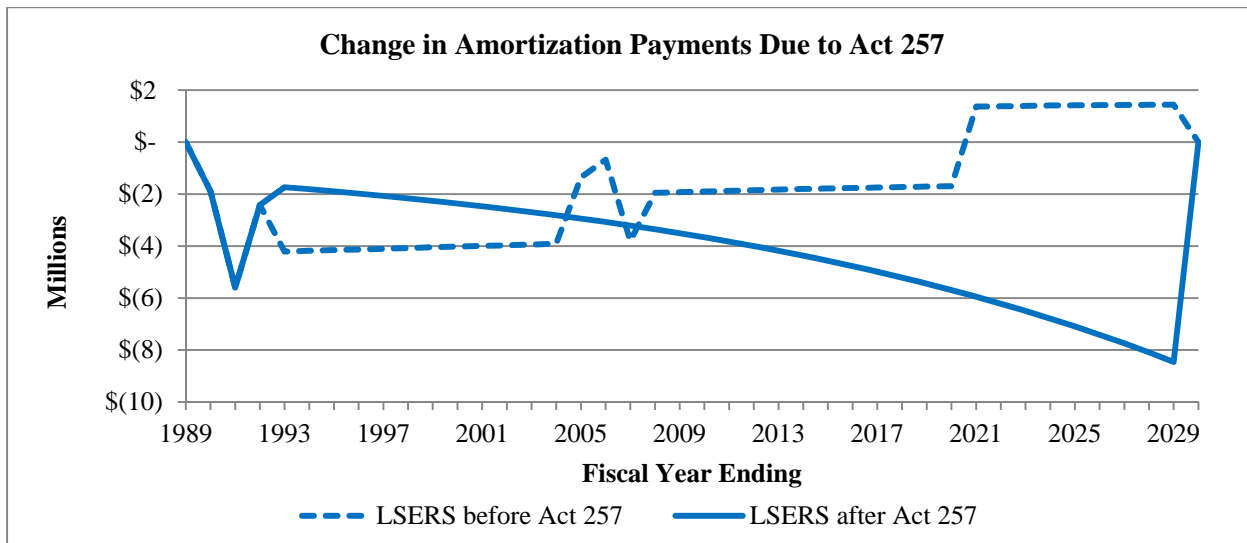


Although the numbers are significantly smaller, the pattern of the amortization schedule is very similar to LASERS and TRSL.

Amortization under Act 257

LSERS experienced actuarial gains between 1988 and 1992. As a result, LSERS had surplus assets rather than a UAL on June 30, 1992. Nevertheless, the IUAL base and the UAL bases established between 1989 and 1992 continued to be maintained as required under the law. Amortization schedules (credit schedules), before and after the enactment of Act 257, are shown below.

Note the change of vertical scale. The effect of a change from one vertical tick mark to the next is much more significant in the charts below than in the charts on the previous page.

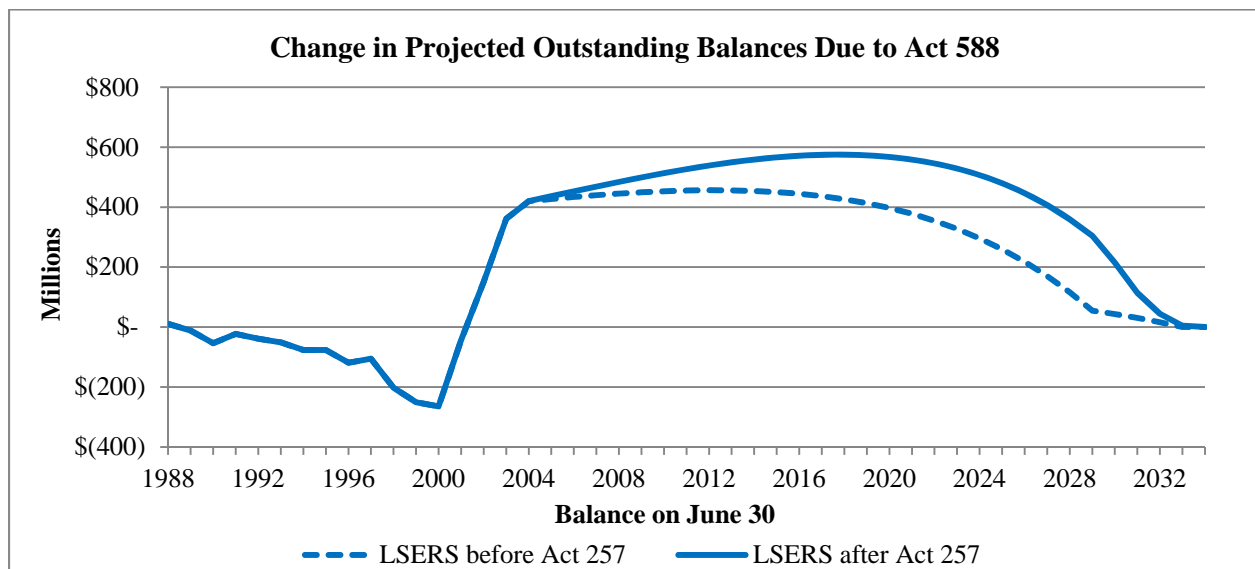
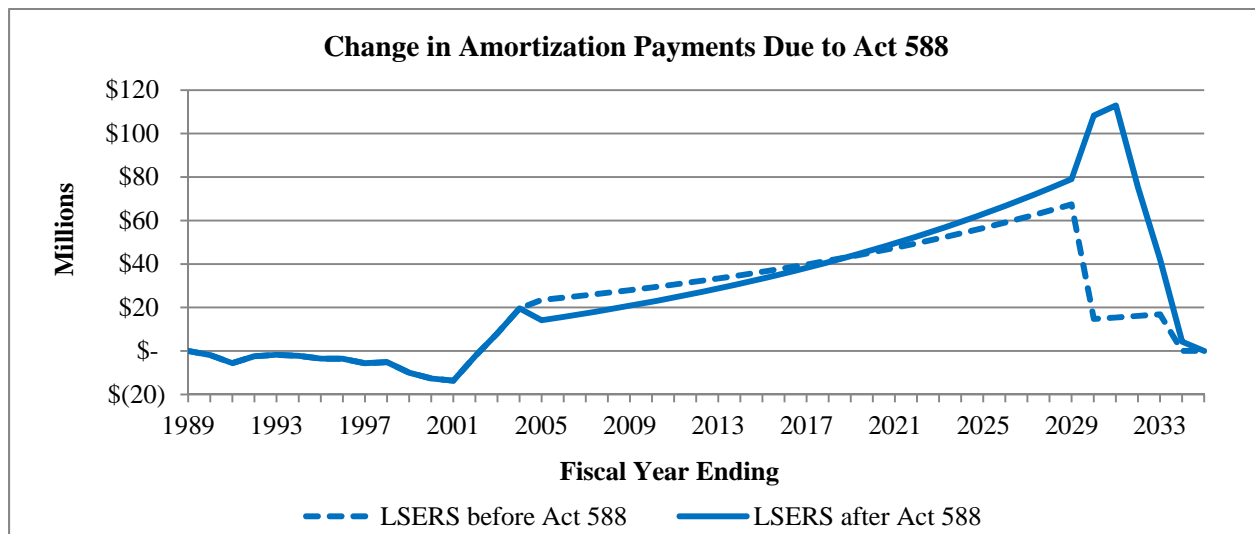


The effect on Act 257 on LSERS is just the opposite of the effect on LASERS and TRSL. For LASERS and TRSL, Act 257 postponed payment of the debt. For LSERS, Act 257 postponed recognition of the surplus or credit.

Amortization under Act 734 Act 734 of the 1993 session had a relatively minor effect on LSERS' amortization schedule.

Amortization under Act 588 Act 588 of the 2004 session had a significant effect on LSERS. The system maintained an asset surplus until June 30, 2001. However, as a result of benefit improvements and actuarial losses, the system had an unfunded accrued liability on June 30, 2002. The effect of Act 588 on the amortization schedule is shown below.

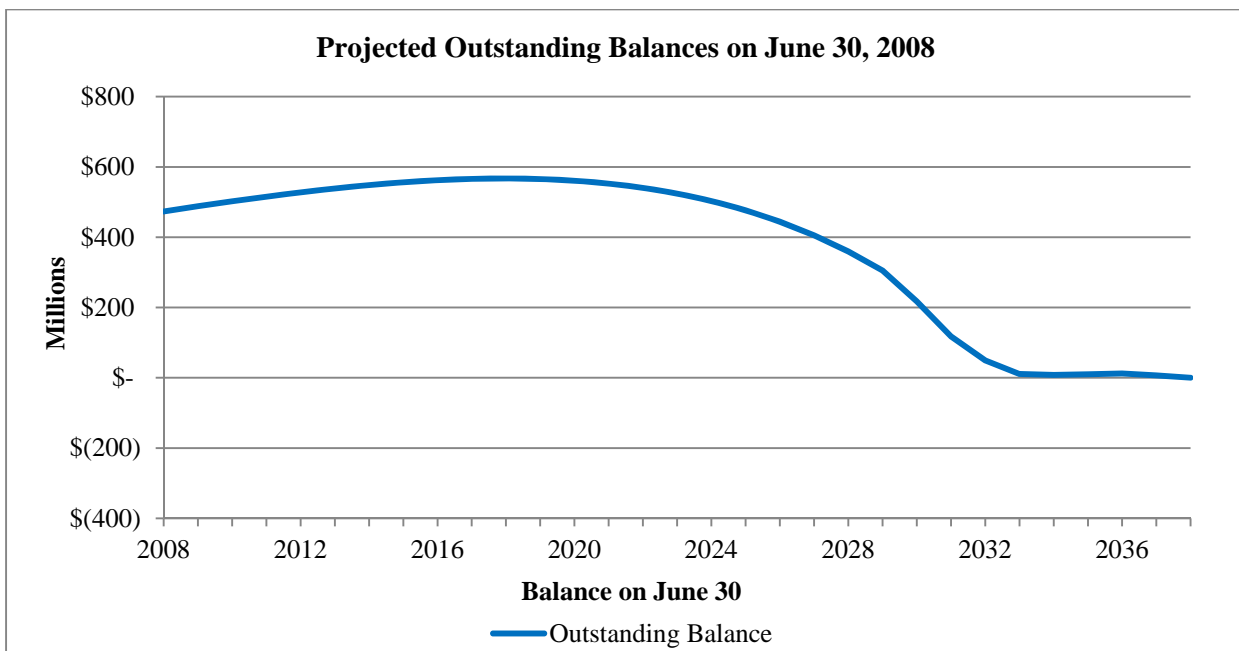
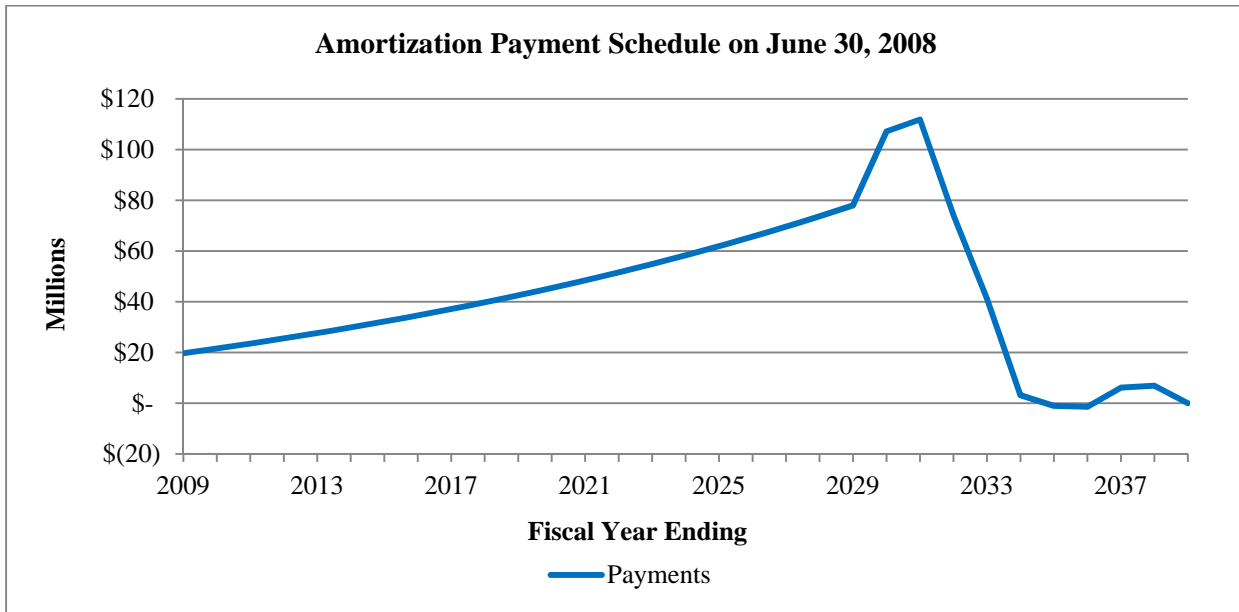
Please note another change in the vertical scale.



Once again, the net effect of Act 588 was to reduce payments and postpone payment of the debt. The debt on June 30, 2004, was about \$420 million. The debt will increase to about \$600 million in about FY 2020. The debt returns to the \$420 million level in about FY 2026 and is paid off over the remaining 7 years.

Current Amortization

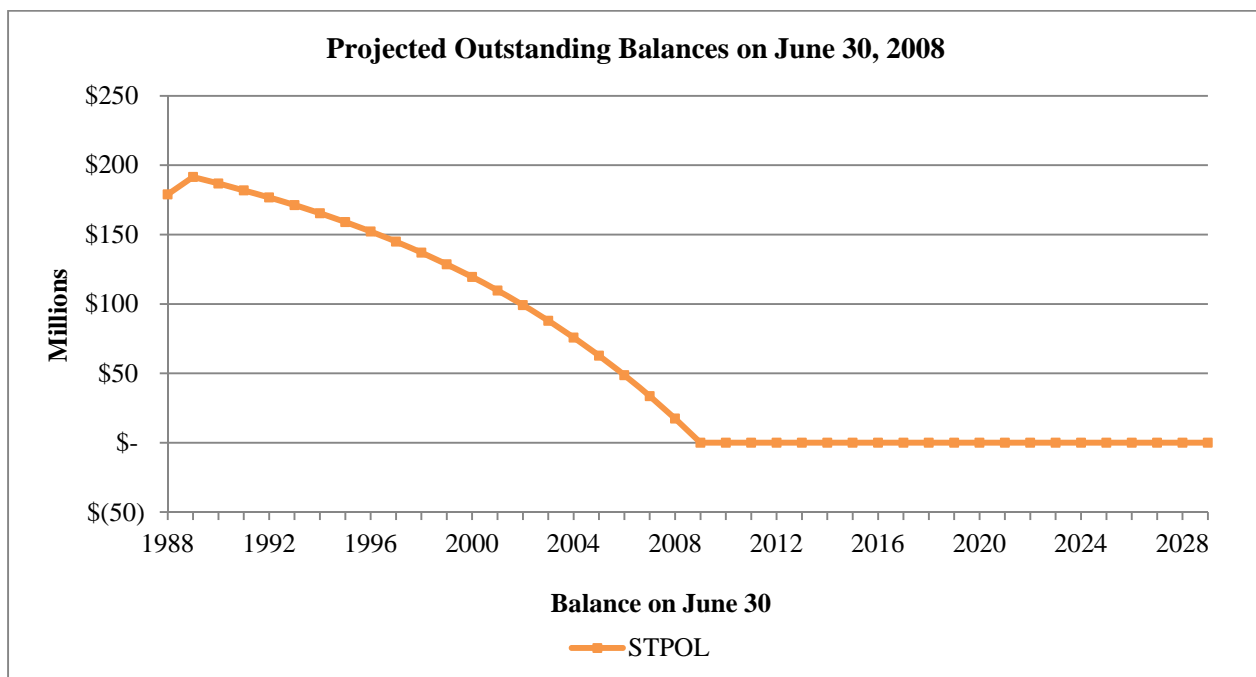
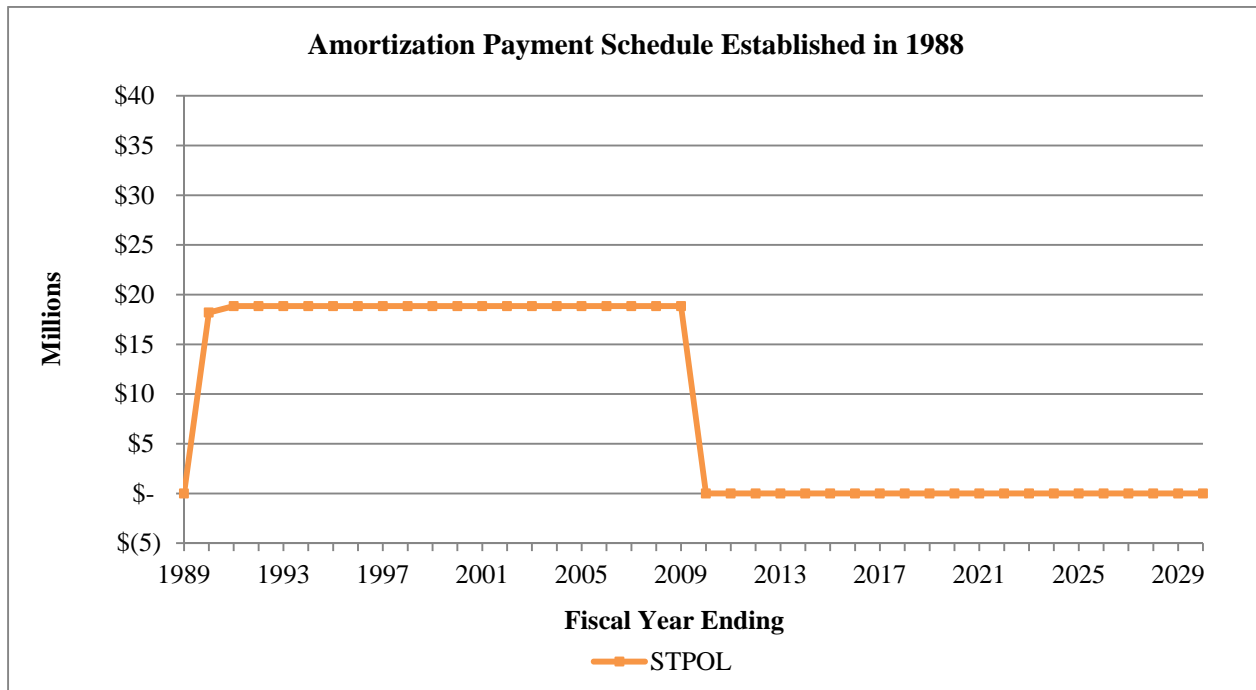
The amortization schedule for LSERS that exists on June 30, 2008, is shown below. This schedule is the same as the one shown earlier in Part I of this Section, but the scale has been changed.



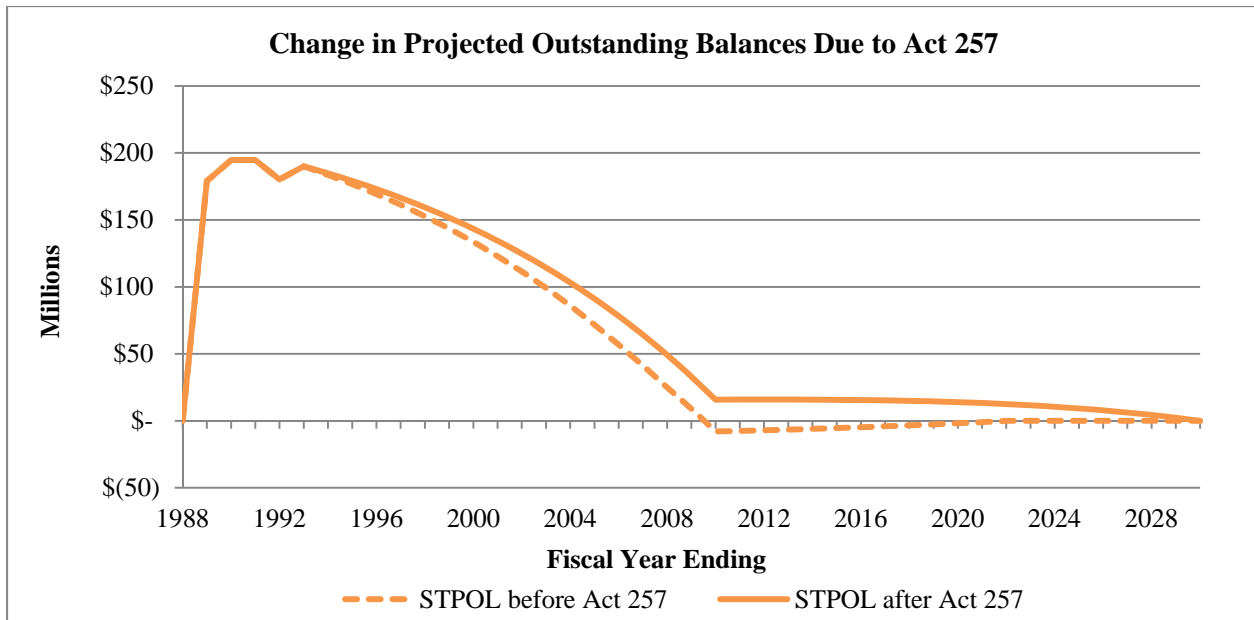
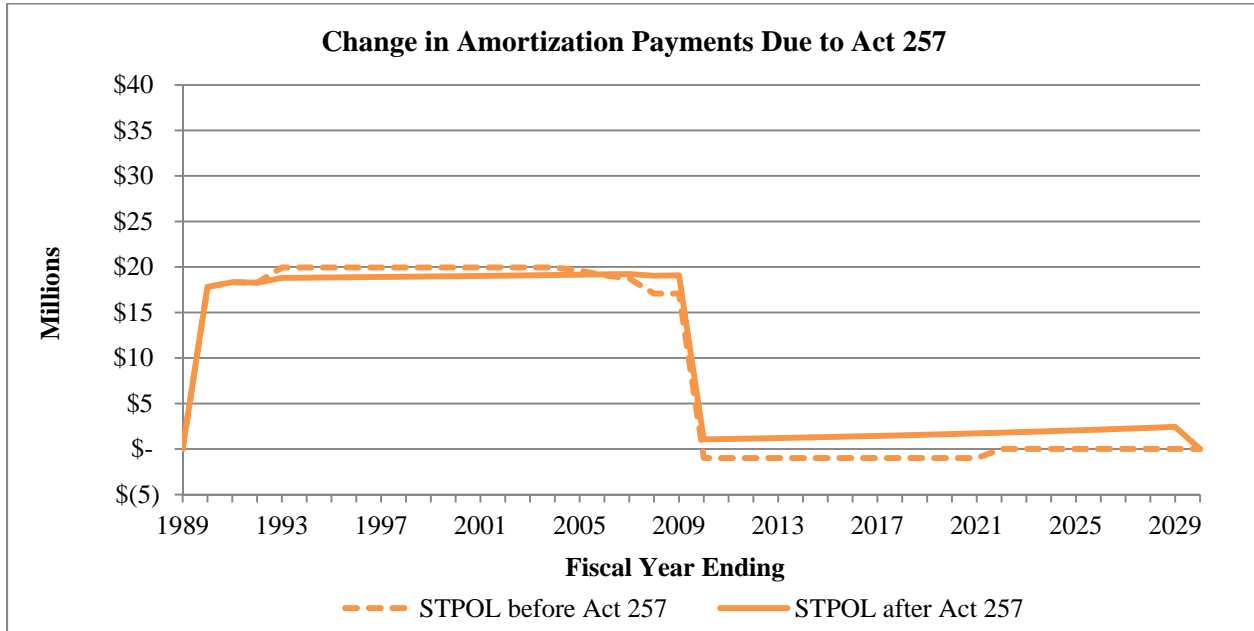
5. Effect of Changing Commitment to Amortize the UAL for STPOL

Amortization under Act 81

Amortization schedules are shown below for STPOL. The first graph shows the pattern of annual payments that were required for this system under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FY 2029 when the debt is paid off.

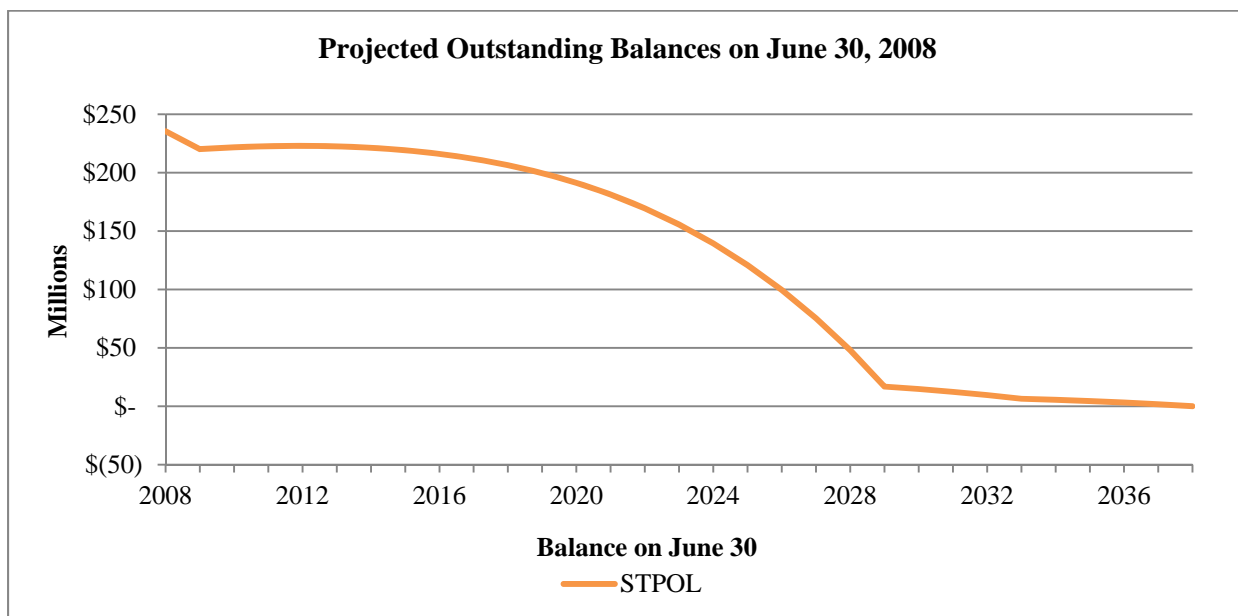
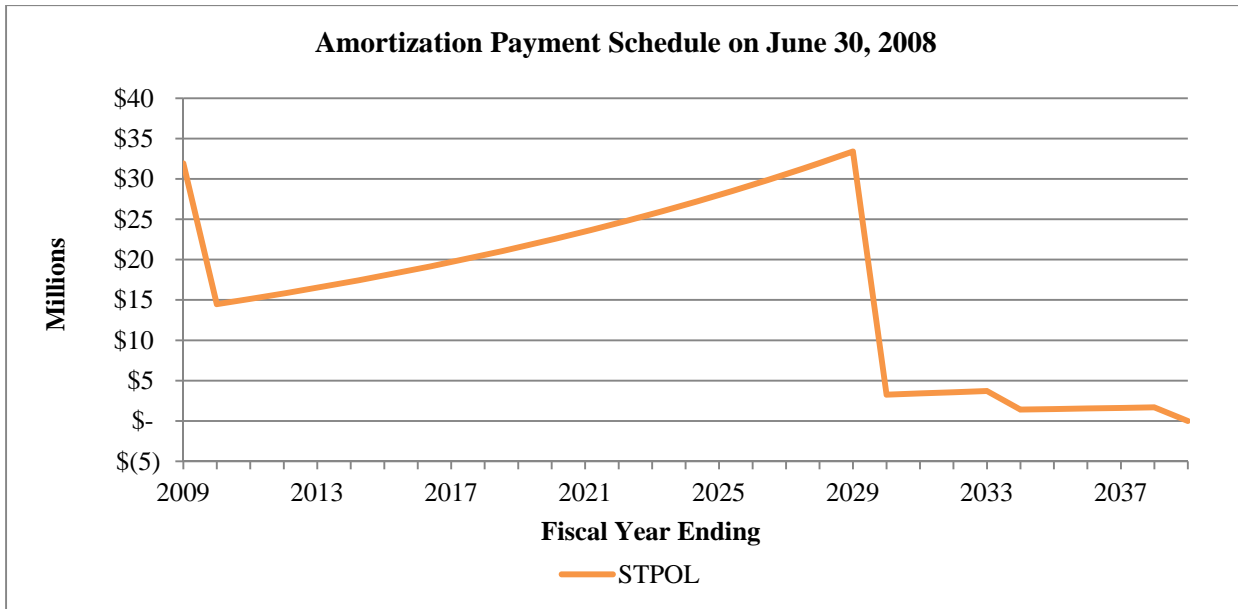


Amortization under Act 257 Amortization schedules (credit schedules), before and after the enactment of Act 257 in 1992, are shown below.



Current Amortization

The amortization schedule for STPOL that exists on June 30, 2008, is shown below. This schedule is the same as the one shown earlier in Part I of this Section, but the scale has been changed.



6. Contribution Relief for Municipal Police Employees' Retirement System and Firefighters' Retirement System

Issue

Employer contribution rates for the Firefighters' Retirement System (FRS) and the Municipal Police Employees' Retirement System (MPERS) began to increase significantly beginning with the 2001 valuations. The increases were largely attributable to the following:

1. Unfunded liabilities of retirement plans that were merged into MPERS and FRS from 1990 to 2001.
2. Investment losses resulting from the downturn in the market following the dot.com bubble and the events of September 11, 2001.

For example, the employer contribution rate for MPERS was about 5% of pay for 1999 and 2000. In 2001, the rate increased to almost 12%; in 2002, the rate exceeded 15%; and in 2003 the rate increased to over 20%. Rates for FRS followed a similar pattern of increase.

Acts 620 and 1079

Acts 620 and 1079 were enacted in the 2003 Regular Session to provide relief to employers (municipalities and fire districts) participating in FRS and MPERS, respectively. These acts are briefly summarized below:

1. Act 620 (FRS)

Prior to Act 620, changes in liability occurring from year to year as a result of gains and losses were amortized with level payments over a 15-year period. Act 620 combined all outstanding balances attributable to gains and losses as of June 30, 2002, and re-amortized the aggregate amount with level payments over 27 years. Future gains and losses were to be amortized with level payments over 15 years.

2. Act 1079 (MPERS)

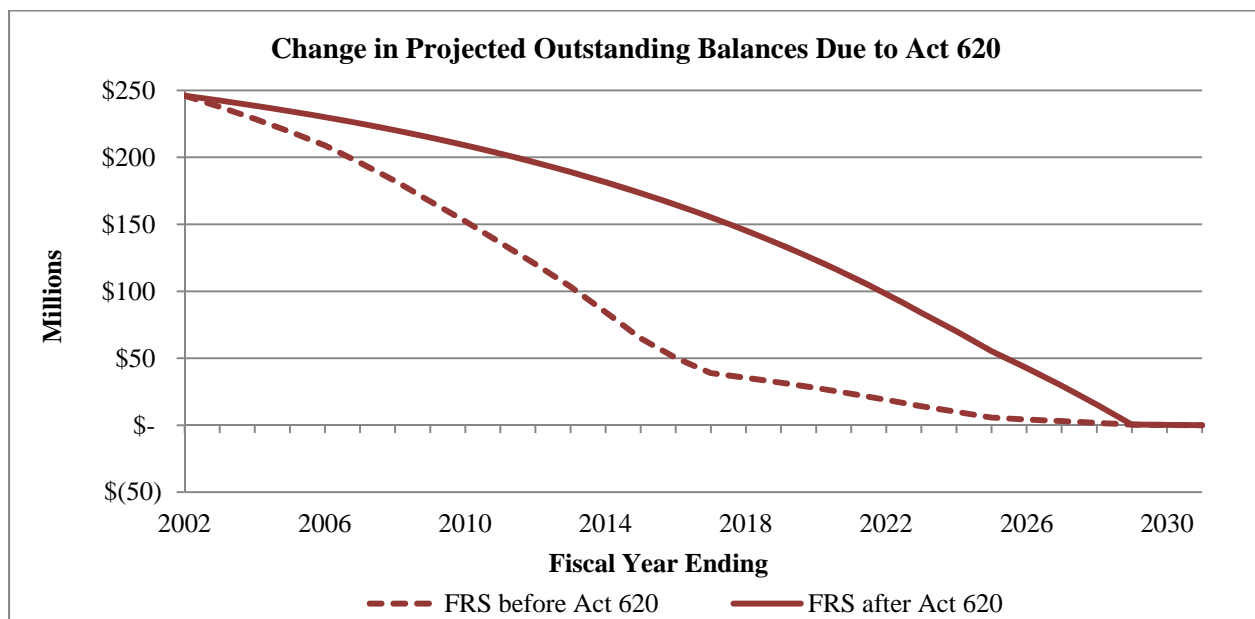
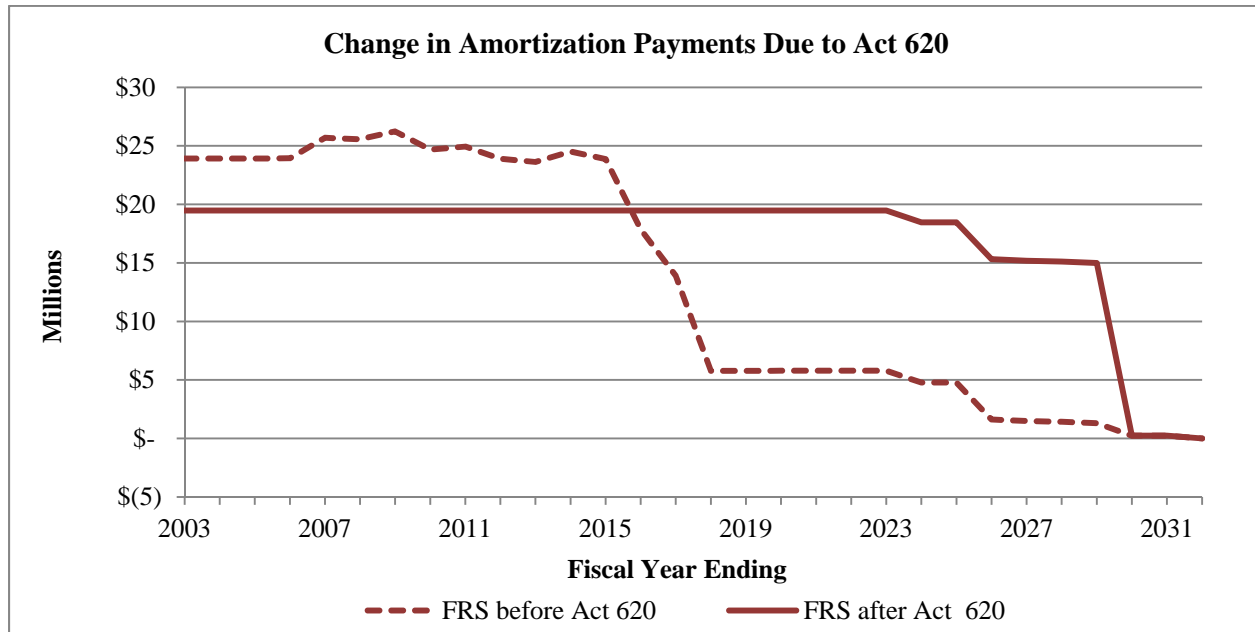
Prior to Act 1079, changes in liability occurring from year to year were amortized with level payments over a 15-year period. Act 1079 provided that changes in liability occurring with the June 30, 2002, valuation and valuations thereafter would be amortized with level payments over a 30-year period.

Effect on the UAL

The effect of Acts 620 and 1079 on the amortization schedules for FRS and MPRS are shown below.

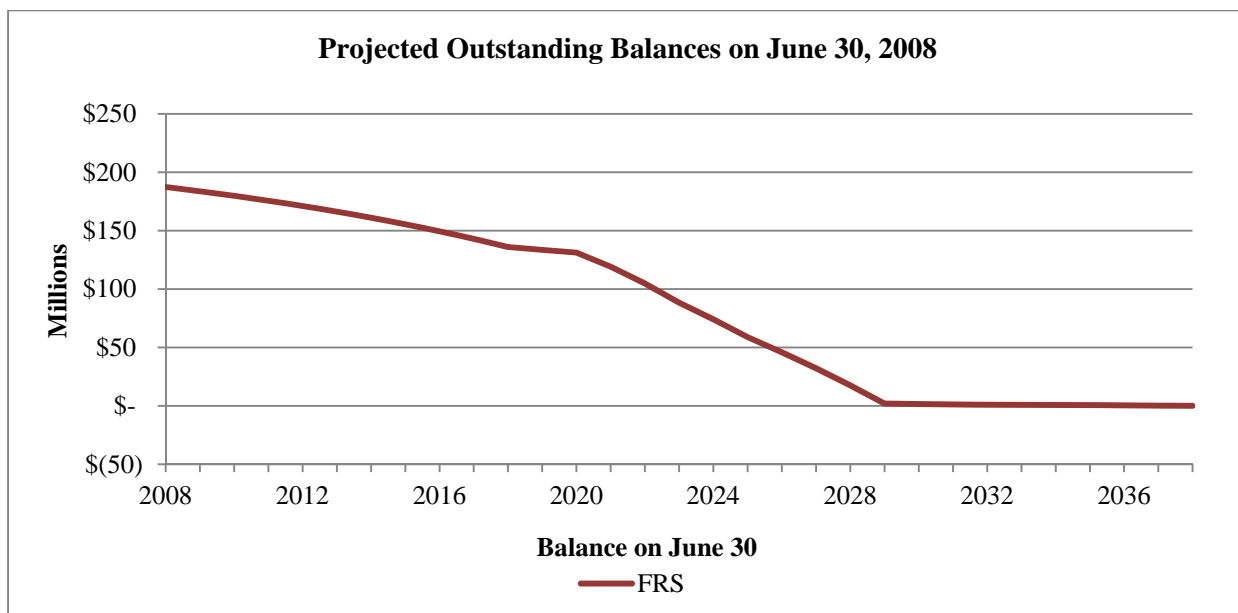
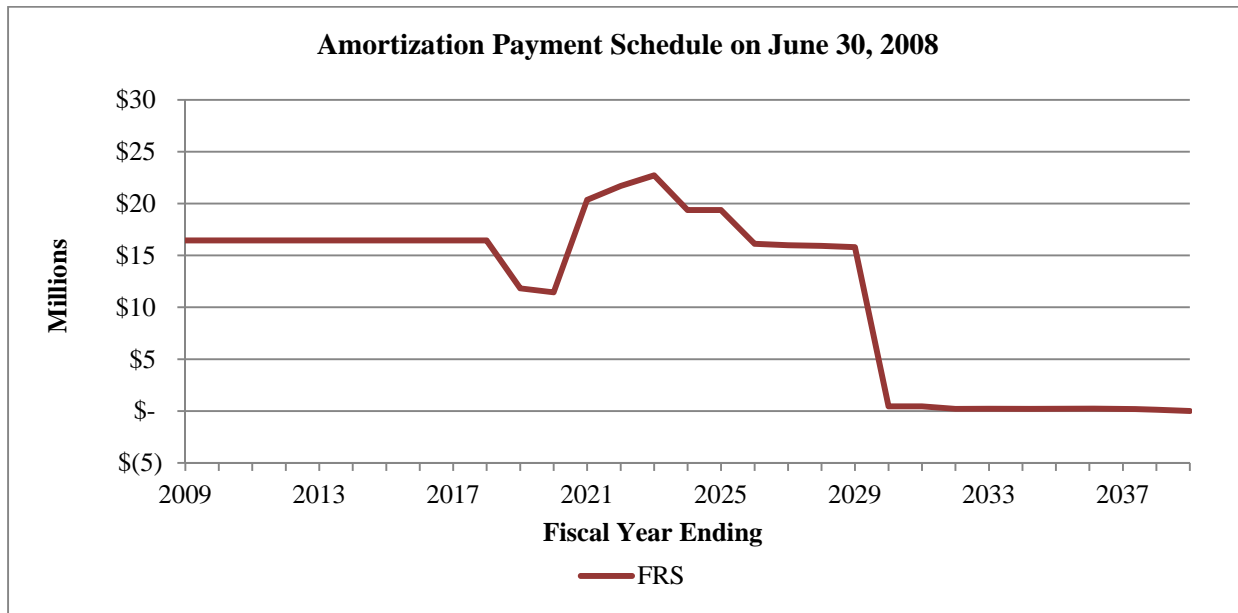
FRS

The effect of Act 620 at the time of the change is shown below:



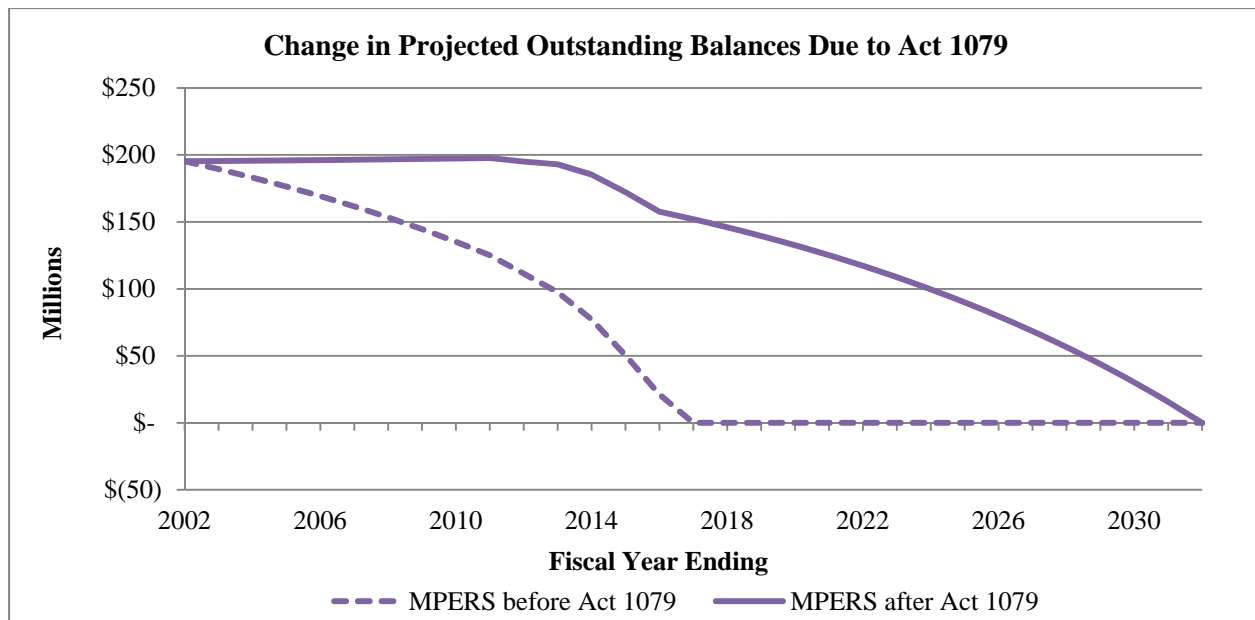
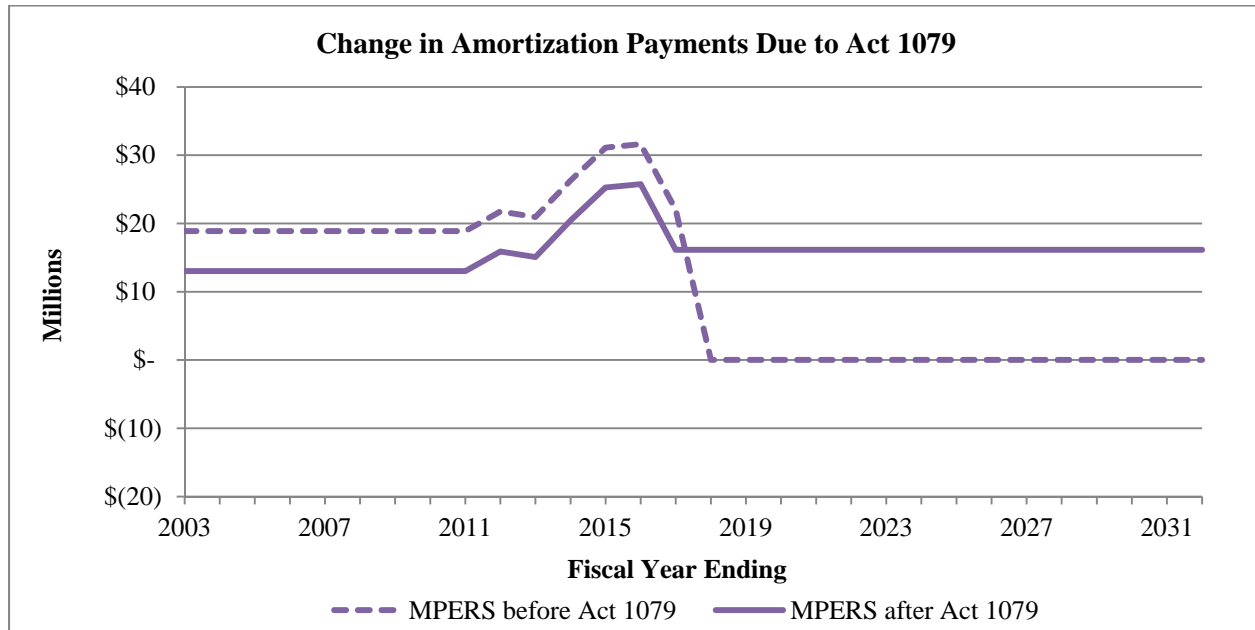
As a result of Act 620, amortization payments were reduced and the outstanding balance did not decrease as fast as under the original schedule.

The FRS amortization schedule as of June 30, 2008, is shown below:



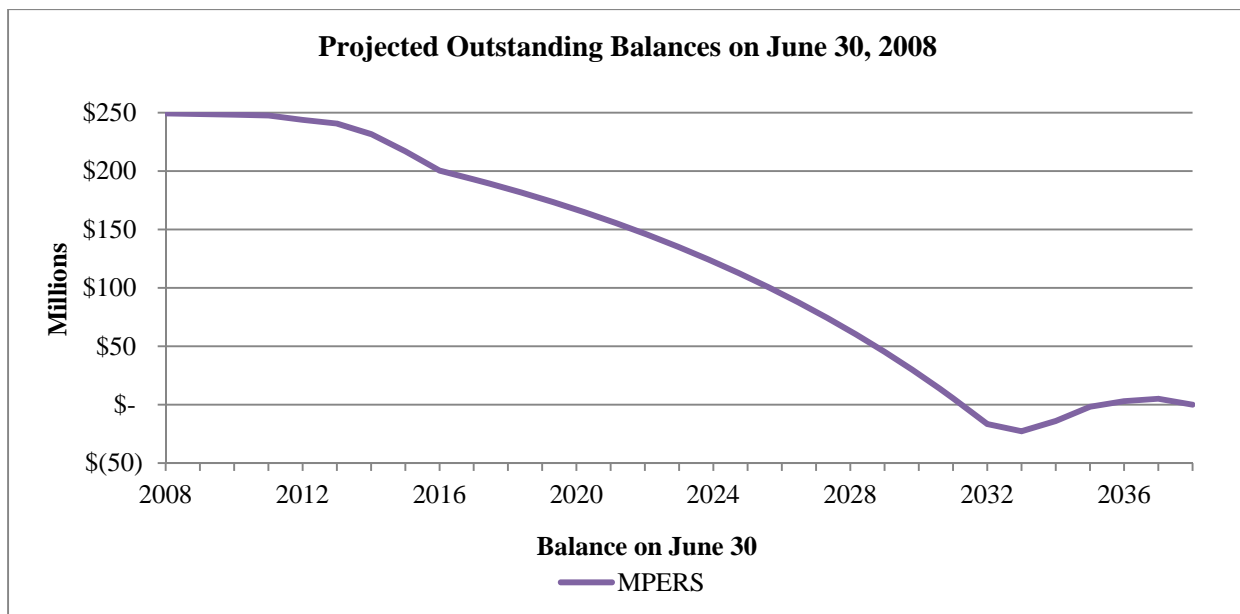
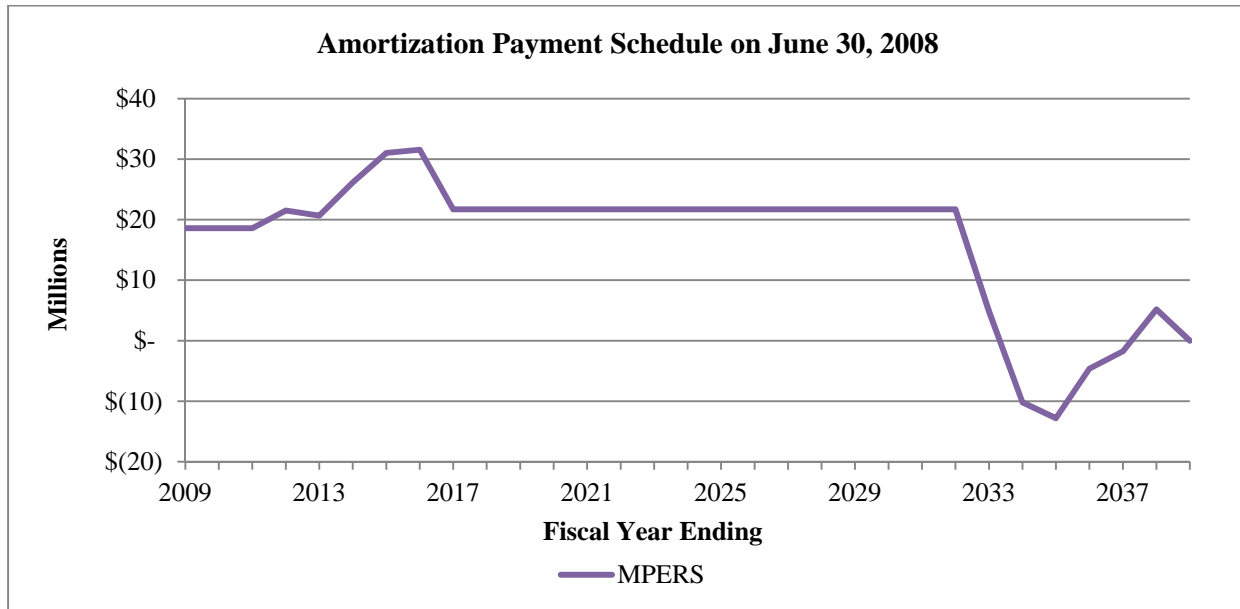
MPERS

The effect of Act 1079 at the time of the change is shown below:



As a result of Act 1079, amortization payments were reduced and the outstanding balance does not decrease as fast as under the original schedule.

The MPERS amortization schedule as of June 30, 2008, is shown below:



7. Cost of Living Adjustments

Issue

Inflation erodes the purchasing power of fixed pensions provided under the four state retirement systems. Since 1992, the first year that the legislature enacted provisions to provide for COLAs, inflation has averaged 2.8% per year. Over the same period 1992 through 2008, the state has periodically, but intermittently, granted COLAs that have averaged about 1.3% for members of LASERS and 1.3% for members of TRSL.

With COLAs provided by the state, the pension income for a LASERS member who retired in 1992 will now purchase 79% of what his pension would have purchased when he originally retired. Similarly, a TRSL retiree would be able to purchase 79%. Without the COLAs, the retiree would be able to purchase only 64% of what he could have purchased in 1992.

COLA Policy

Under current law, retirees of LASERS may receive an adjustment for inflation of up to 3%, based on the Consumer Price Index (CPI). Retirees of TRSL may receive an adjustment of 2% based on the CPI, and an additional adjustment of 1% for years in which the actuarial rate of return on investments exceeds 8.25%. A COLA can be paid only if there are sufficient funds in the Experience Account to offset the increase in the present value cost for the COLA.

An Experience Account was established for LASERS and TRSL in 1992 with \$0 account balances. From 1992 through 2004, allocations from the regular pools of assets were made to the Experience Accounts equal to 50% of investment gains on the actuarial value of assets. Conversely, amounts were transferred from the Experience Accounts to the regular pools of assets whenever there were actuarial losses. The amounts so transferred were equal to 50% of investment losses on the actuarial value of assets.

On June 30, 2004, balances in the Experience Accounts for both LASERS and TRSL were negative. The LASERS balance was a negative \$0.659 billion; the TRSL balance was a negative \$1.104 billion. Negative balances occurred because amounts were transferred out of the Experience Accounts to fund COLAs between 1992 and 2004 and because significant investment losses were sustained in the period from 2002 to 2004.

During the 2004 Regular Session, legislation was enacted to transfer from LASERS and TRSL an amount sufficient to return the balances to \$0 as of June 30, 2004. Thereafter, the Experience Account would share 50% of investment gains but not any investment losses.

The COLA program, briefly summarized above, has come with considerable cost to the retirement system and the taxpayers of the state. The unfunded liability of LASERS has increased \$0.825 billion since 1992 solely to provide COLAs. The increase in unfunded liabilities for TRSL due to COLAs has been \$1.738 billion.

Funding Issue

The diversion of investment gains to pay for COLAs creates a funding issue. The valuation interest assumption is based on the premise that over time investment gains and investment losses will offset one another. However, if as a result of a period of favorable investment performance COLA benefits are adopted and funded with those gains, such gains are no longer available to offset future investment losses. This is what occurred in the early part of this decade.

LASERS and TRSL enjoyed favorable returns on investments during most of the 1990s. Amounts accumulated in the Experience Accounts. COLA benefit adjustments were made. Costs associated with these adjustments were transferred back into the regular asset pools. But then the market turned in 2001 through 2003 and these systems sustained significant investment losses. But investment gains that would have otherwise been available to offset these losses had been used to fund COLA benefits to members and were not available.

Remedies

There are at least three ways to reflect the COLA program in the valuation process.

Direct Recognition

Under direct recognition, the actuary for the system will estimate the future expenditures for COLA benefits. Plan liabilities and employer contribution requirements will both increase.

Indirect Recognition

Under this method, the investment return assumption used by the actuary to calculate plan liabilities will be reduced to reflect the fact that the real return on assets is smaller because 50% of the gains are diverted. This creates a problem, however, because if the return assumption is reduced, the potential for investment gains increases and the amount of gains diverted increases. There is no way to stop the cycle unless the investment gain is targeted against a fixed rate rather than the investment return assumption.

Amortization

LASERS and TRSL have elected to treat the diversion as an ad hoc benefit improvement and have amortized the cost over a 30-year period. The problem with this method is that the COLA benefit is being financed by employer contributions for many years beyond the life expectancy of the members who originally received the benefit.

The systems will experience an investment gain or loss every year. If the 8.25% investment return assumption is correct, the plan will experience an investment gain 50% of the time and an investment loss 50% of the time. Therefore, benefit improvements on average will be given every other year. And every other year, amortization costs will increase. After 30 years, amortization costs will no longer increase because whenever a new amortization schedule is added, an old schedule expires.

LASERS and TRSL are only four years into the 30-year cycle. Amortization cost will continue to rise as a result of the COLA program for the next 26 years.

LSERS and STPOL

COLA procedures, similar to the LASERS and TRSL programs, were established for LSERS and STPOL under Act 333 of the 2007 Regular Session effective July 1, 2007. These Experience Accounts replaced all other COLA provisions.

Neither system has incurred an investment gain since 2007, so the balances in the LSERS and STPOL Experience Accounts have remained at \$0 and no COLA benefits have been paid.

COLAs versus Inflation

The following exhibits compare the compounded average annual rate of increase in actual benefits for those who retired from the state systems 5, 10, and 15 years ago and since the inception of the COLA program in 1992 with CPI inflation increases over the same periods, as of June 30, 2008.

RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase from
Date of Retirement to 6/30/2008

LASERS

Years Retired	Average Annual Rate of Increase	CPI Increase*
5	1.7%	3.6%
10	1.7%	3.0%
15	1.4%	2.8%
16	1.3%	2.8%

TRSL

Years Retired	Average Annual Rate of Increase	CPI Increase*
5	1.2%	3.6%
10	1.6%	3.0%
15	1.4%	2.8%
16	1.3%	2.8%

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

8. Indirect Funding of Pension Plan Costs

Concern

Employers and employees who enjoy the benefits of participating in the retirement systems of Louisiana do not bear the full cost of the retirement programs. The cost for most of the systems is supplemented by revenues from other government sources. As a result, participating employers are generally not aware of the total cost of their pension programs.

General

State and statewide retirement systems receive contributions or allocations of revenue from a number of sources other than employer and employee contributions. These sources include ad valorem taxes, revenue sharing, and insurance premium taxes. In many cases the alternative sources provide substantial revenues for the retirement system and shelter employees and employers from the true cost of the benefit provisions of the system.

Indirect funding and the effect on each state and statewide retirement system are summarized below.

LASERS

The retirement system has been subdivided into sub plans for each of the following groups of employees:

1. Rank and file employees.
2. Full time law enforcement personnel, supervisors, or administrators who are employed with the Department of Revenue, Office of Alcohol and Tobacco Control and who are P.O.S.T. certified, have the power to arrest, and hold a commission from such office.
3. Peace officers, as defined by R.S. 40:2402(3)(a), employed by the Department of Public Safety and Corrections, office of state police, other than troopers.
4. Judges and court officers to whom Subpart A of Part VII of Chapter 1 of Subtitle II of Title 11 is applicable.
5. Wildlife agents to whom Subpart B of Part VII of Chapter 1 of Subtitle II of Title 11 is applicable.

6. Wardens, correctional officers, probation and parole officers, and security personnel employed by the Department of Public Safety and Corrections who are members of the secondary component pursuant to Subpart C of Part VIII of Chapter 1 of Subtitle II of Title 11.
7. Correctional officers, probation and parole officers, and security personnel employed by the Department of Public Safety and Corrections who are members of the primary component.
8. Legislators, the governor, and the lieutenant governor.
9. Employees of the bridge police section of the Crescent City Connection Division of the Department of Transportation and Development.

Although each of these sub plans has a different benefit structure, all employers pay the same contribution rate. As a result, employers with employees participating in sub plans with less rich benefit structures subsidize employers with employees participating in richer sub plan benefit structures.

TRSL & LSERS

School districts receive a block grant from the state called the MFP. The purpose of this allocation is to give funds to local school boards to operate local school districts. This allocation is set each year without direct recognition of budgetary line items including contributions that employers must make to TRSL and LSERS. Therefore, all else being equal, if the retirement systems increase the employer contribution rates, local school districts have less money to spend on educating the children of the state.

STPOL

STPOL receives revenues from the state and taxes on insurance premiums. For fiscal year 2009, the state will pay only 94% of the total annual amount needed to fund the retirement system.

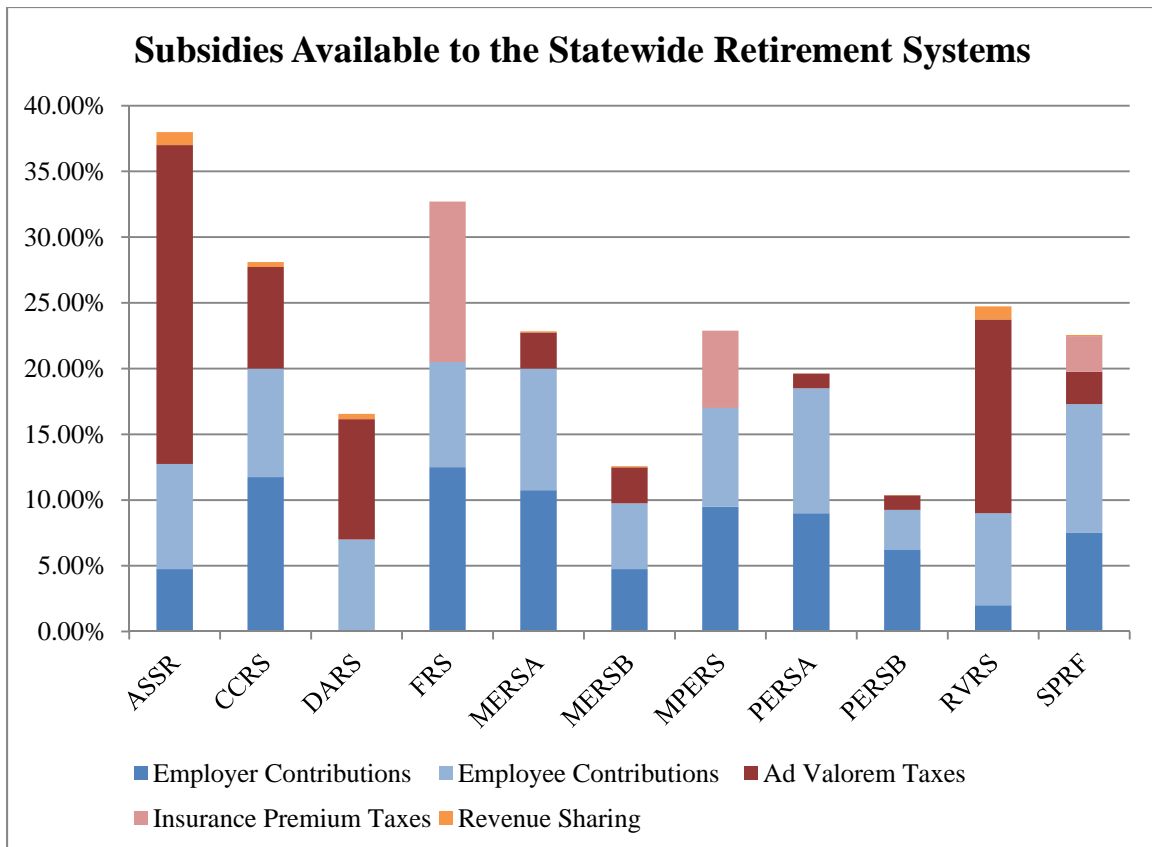
ASSR

ASSR receives revenues from employers with employees in ASSR, ad valorem taxes, and revenue sharing. For fiscal year 2009, local governmental entities will pay only 16% of the total annual amount needed to fund the retirement system.

CCRS

CCRS receives revenues from employers with employees in CCRS, ad valorem taxes, and revenue sharing. For fiscal year 2009, local governmental entities will pay only 59% of the total annual amount needed to fund the retirement system.

<i>DARS</i>	DARS receives revenues only from ad valorem taxes. For fiscal year 2009, local governmental entities with employees in DARS will not pay any of the amounts needed to fund the retirement system.
<i>FRS</i>	FRS receives revenues from employers with employees in FRS and taxes on insurance premiums. For fiscal year 2009, municipalities will pay only 51% of the total annual amount needed to fund the retirement system.
<i>MERS</i>	MERS receives revenues from employers with employees in MERS, ad valorem taxes, and revenue sharing. For fiscal year 2009, municipalities will pay only 76% of the total annual amount needed to fund the retirement system.
<i>MPERS</i>	MPERS receives revenues from employers with employees in MPERS and taxes on insurance premiums. For fiscal year 2009, municipalities will pay only 62% of the total annual amount needed to fund the retirement system.
<i>PERS</i>	PERS receives revenues from employers with employees in PERS, ad valorem taxes, and revenue sharing. For fiscal year 2009, parishes will pay only 88% of the total annual amount needed to fund the retirement system.
<i>RVRS</i>	RVRS receives revenues from employers with employees in RVRS, ad valorem taxes, and revenue sharing. For fiscal year 2009, local governmental entities will pay only 11% of the total annual amount needed to fund the retirement system.
<i>SPRF</i>	SPRF receives revenues from employers with employees in SPRF, ad valorem taxes, revenue sharing, and taxes on insurance premiums. For fiscal year 2009, local governmental entities will pay only 59% of the total annual amount needed to fund the retirement system.
<i>Subsidies</i>	<p>Subsidies have the largest effect on statewide retirement systems. As shown in the chart below, employees and employers participating in ASSR contribute about 13% of pay (the blue based portion of each bar graph). Subsidies account for about 25% of pay (the red based portion of each graph).</p> <p>It is also interesting to note that ASSR, CCRS, DARS, FRS, and RVRS receive substantial subsidies. Subsidies for MERS, MPERS, and PERS are quite small.</p>



9. Cash Flow and Liquidity

Concern

Contributions to the state retirement systems are less than benefit payments. Without cash income from investments, the retirement systems may be forced to sell securities or other investments while in an unfavorable market or to adjust investment strategies to support cash flow requirements.

Investment Allocations

The larger state systems have significantly changed their asset allocation strategies over the past decade. Allocations to equities (including hedge funds, alternative investments, private placements, Real Estate Investment Trusts, and venture capital) have increased and allocations to fixed income investments have declined. These newer investments tend to be less liquid in bear markets, require additional cash commitments, and may produce minimal regular and predictable cash (interest and dividend) income.

If the systems experience another period of investment losses, it is likely that they will be forced to liquidate investments at a loss to cover plan benefit payments and expenses. Dividend and interest income alone may not be sufficient to cover the net difference between benefit payments and contributions.

The following exhibits titled “Net External Cash Flow” show the cash available from external additions (contributions) minus required deductions (benefits + expenses) for each state system as of June 30, 2009 (column c). The last column (column e) shows the value of assets that must be liquidated to satisfy benefit and expense payments.

For example, in 2008 LASERS received \$734.6 million in contributions, but paid \$770.8 million in benefits and expenses. This resulted in a shortfall of \$36.2 million. However, this was not a concern for LASERS because it earned \$220.1 million of cash income through dividends and interest. It did not need to liquidate any assets to meet retiree payroll.

On the other hand, LSERS did have a problem. Its contribution income was \$68.2 million less than benefit payments and dividend and interest income was only \$43.9 million. As a result, \$24.3 million of securities had to be sold in order to meet retiree payroll.

NET EXTERNAL CASH FLOW <i>(Excludes Net Investment Income)</i> STATE SYSTEMS As of June 30, 2008 (in millions)					
System	Amounts Added	Amounts Deducted	Net External Cash Flow	Interest & Dividends	Required Investment Sales
	<i>(a)</i>	<i>(b)</i>	<i>(c) = (a) - (b)</i>	<i>(d)</i>	<i>(e)</i>
LASERS	\$ 734.6	\$ 770.8	\$ (36.2)	\$ 220.1	\$ 0.0
TRSL	1,073.3	1,436.1	(358.8)	387.3	0.0
LSERS	73.2	141.4	(68.2)	43.9	24.3
STPOL	24.3	34.4	(10.1)	9.4	0.7
Combined	\$ 1,905.4	\$ 2,382.7	\$ (473.3)	\$ 660.7	\$ 25.0

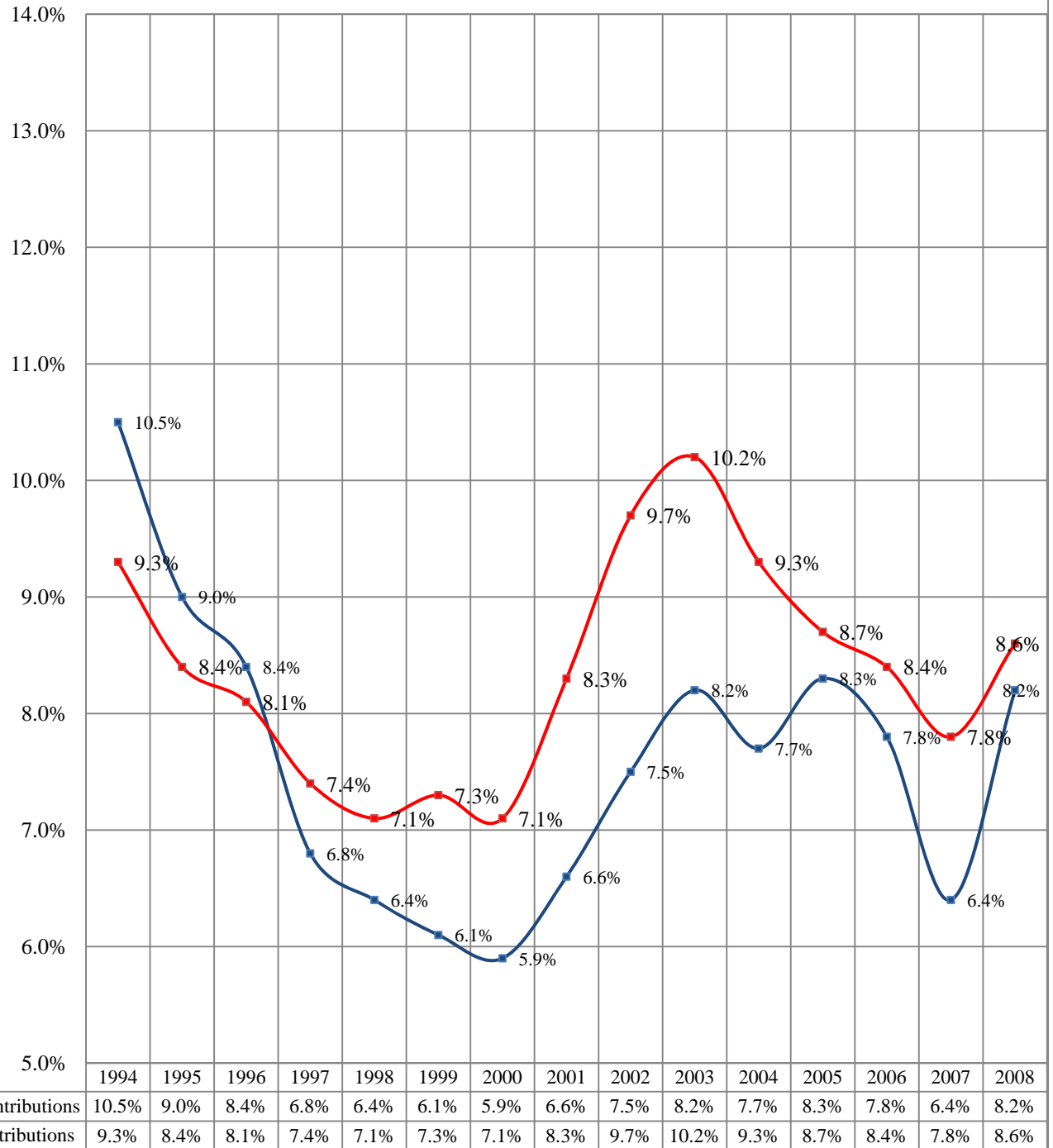
The pressure to liquidate assets has decreased somewhat for LASERS over the past five or six years, but has remained quite constant for TRSL and LSERS. Another downturn in the market would only increase the liquidation risks that the systems currently bear.

HISTORICAL NET EXTERNAL CASH FLOW <i>(Excludes Net Investment Income)</i> STATE SYSTEMS FY 2003 to FY 2004 (in millions)						
System	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
LASERS	\$ (114.0)	\$ (106.7)	\$ (32.3)	\$ (50.8)	\$ (130.9)	\$ (36.2)
TRSL	(329.2)	(365.8)	(345.4)	(419.1)	(481.3)	(358.8)
LSERS	(82.9)	(67.3)	(59.5)	(70.0)	(69.5)	(68.2)
STPOL	6.1	5.7	8.4	13.9	14.6	(10.1)
Combined	\$ (520.0)	\$ (534.1)	\$ (428.8)	\$ (526.0)	\$ (667.1)	\$ (473.3)

The following charts for LASERS, TRSL, and LSERS compare historical contributions (revenues) and distributions or costs (benefits + expenses) over the period from 1995 through 2008. As a general observation, benefits plus expenses exceed contributions for all three systems and have for LASERS and TRSL since about 1996. Distributions and contributions for LASERS have paralleled one another. Distributions for TRSL and LSERS have increased significantly relative to contributions.

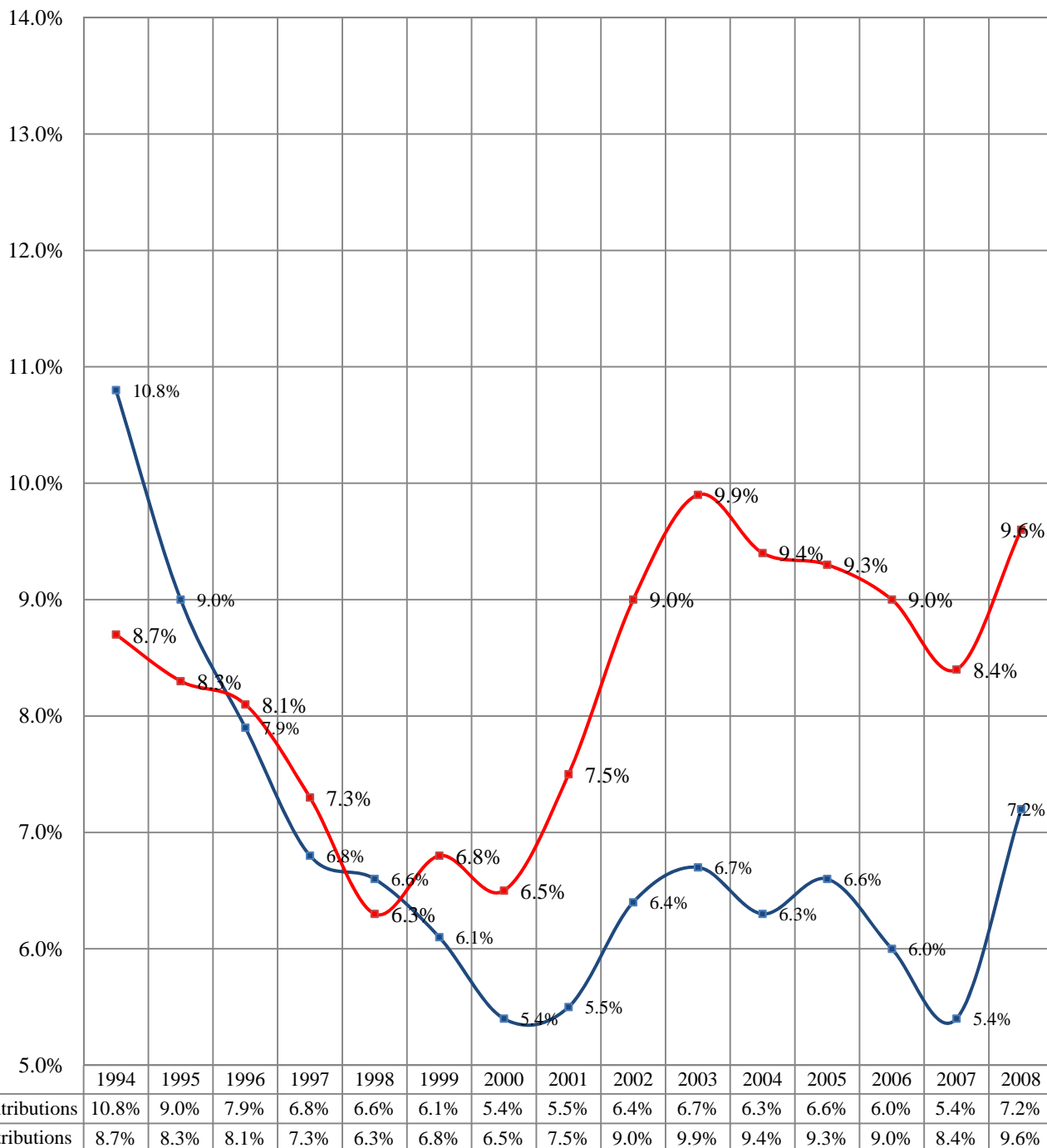
LASERS

Comparison of Revenues and Distributions As a Percentage of the Market Value of Assets



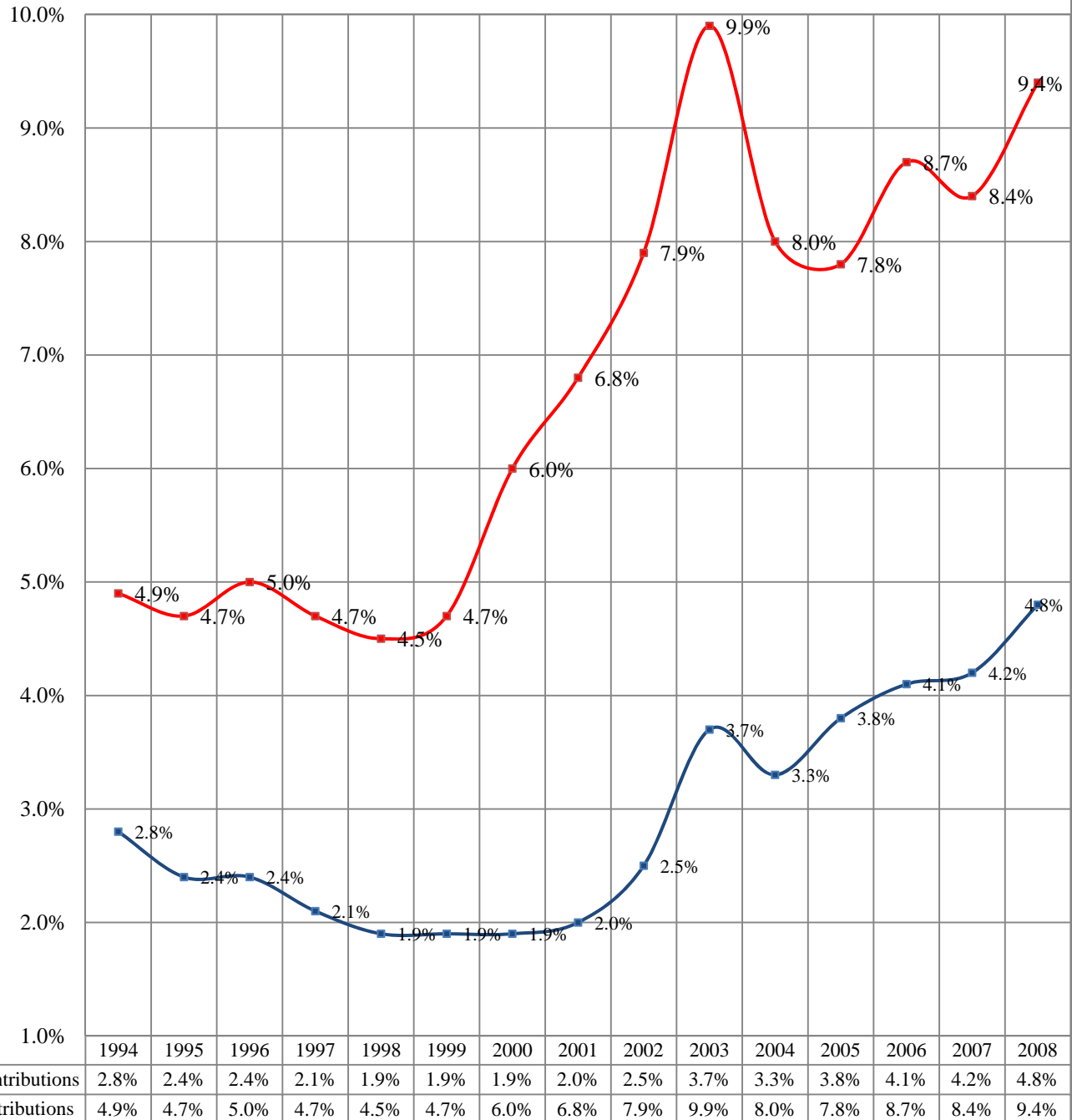
TRSL

Comparison of Revenues and Distributions As a Percentage of the Market Value of Assets



LSERS

**Comparison of Revenues and Distributions
As a Percentage of the Market Value of Assets**



10. Adverse Selection/Risk Exposure

Concern

The trust fund of a retirement system becomes vulnerable to unknown costs whenever members are allowed to change or rescind previous benefit choices, purchase membership service, or make elections retroactively. Laws, allowing members to make such changes, expose the system to adverse selection and additional risk.

Adverse selection occurs when a member is allowed to use knowledge of his own circumstances to make a benefit choice or election that provides him with a significant financial advantage over the retirement system. As a result of such an election, the member is enriched over and above other members of the system, and retirement system costs are increased.

Many bills are presented to the legislature each session that would allow individual members or groups of members to make elections in the future or to rescind elections made in the past in order to “correct” a perceived inequity. These bills are generally not successful because of cost and policy considerations.

However, from time to time, the legislature has adopted new policy permitting members to make elections that may be financially advantageous to the individual and to the detriment of the retirement system. Some examples of such legislation are summarized below.

Back-DROP – ASSR

Act 398 for ASSR of the 2008 Regular Session

The ASSR DROP was replaced with Back-DROP.

ANTI-SELECTION: A member who elects to enter DROP accepts the risk that he may eventually gain or lose as a result of his DROP election. Back-DROP removes all risk and the member becomes entitled to the better of the regular benefit or the Back-DROP benefit.

Back-DROP – DARS

Act 835 for DARS of the 2008 Regular Session

The DARS DROP was replaced with Back-DROP.

ANTI-SELECTION: A member who elects to enter DROP accepts the risk that he may eventually gain or lose as a result of his DROP election. Back-DROP removes all risk and the member becomes entitled to the better of the regular benefit or the Back-DROP benefit.

***Rehired Retirees
– DARS***

Act 719 for DARS of the 2008 Regular Session

A district attorney or assistant district attorney will be allowed to retire and be rehired without a suspension of retirement benefits under certain conditions.

ANTI-SELECTION: A member is allowed to retire and collect a pension at the same time he continues to work in employment covered by the system from which he draws his pension.

***Rehired Retirees
– LSERS***

Act 832 for LSERS of the 2008 Regular Session

A bus driver will be allowed to retire and then return to full time employment as a bus driver without a suspension of pension benefits after 12 months from the date of his original retirement.

ANTI-SELECTION: A member is allowed to retire and collect a pension at the same time he continues to work in employment covered by the system from which he draws his pension.

***ORP Recision
– LASERS***

Act 923 of the 2004 Regular Session

Under this legislation, an employee who irrevocably elected to participate in ORP prior to July 31, 2002, was permitted to rescind his election and instead receive service credit in the defined benefit plan for the period of ORP participation. 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 an employee to rescind his/her ORP participation if the defined benefit plan subsequently results in a better value for that service period. Obviously, the only members who would make this election are those who would gain from it. As a result, benefits from the retirement system would increase and additional contributions would be required from employers.

Airtime Purchase
– *LASERS*

Act 340 of the 2004 Regular Session

This Act allowed members to purchase up to five years of service credit without actually rendering that employment with the state or with any other entity covered by the system.

ANTI-SELECTION: It is assumed that a member will purchase such additional service only if he expects to gain financially from such a purchase. The member expects to gain a benefit that has a greater value than the cost he incurs to pay for the service. In spite of all efforts made by actuaries to make sure the cost of purchase is equivalent to the value of the additional benefits, the circumstances of some members will allow them to purchase the credits at a cost that is less than the actual cost.

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 the period selected for Back-DROP.

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 Back-DROP period, which may be as long as 36 months. The lump sum is an amount equal to the alternative benefit for each month of the selected Back-DROP period. If the employee chooses not to select the Back-DROP alternative, he receives his regular accrued retirement benefit. The Back-DROP value is not the same as an actuarially reduced option payment (e.g., Initial Benefit Option) since it is not determined as an actuarial equivalent of the regular retirement benefit value.

The retention of required employee contributions by SPRF was a major feature of the original SPRF Back-DROP because it limited the cost of the system and allowed it to remain reasonably sound actuarially. This feature, which was removed by 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 a member to participate retroactively in DROP upon his actual retirement. This means that members 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 retroactive opportunity. The retention of employee contributions under the original SPRF program helped to neutralize the adverse risk and therefore mitigated some of the costs to the system. This is no longer true under Act 854.

***DROP Rescission
– SPRF***

Act 866 of the 2004 Regular Session

This legislation allows a member who is in DROP or a member who continues to be employed Post-DROP who has not severed employment to rescind his participation in DROP and then elect either regular retirement status or 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 the member has had a significant pay increase, he can rescind his DROP participation to receive the higher future benefit value. Allowing a member to change options retrospectively can significantly affect the actuarial funding assumptions underlying the system's benefit structure.

Anti-selection may also occur relative to the mortality assumption and the system's survivorship provisions. When a member enters DROP, he must select an annuity payout option, similar to that of a retiree. Under the amendment, a member may 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.

11. Active Versus Inactive Trends

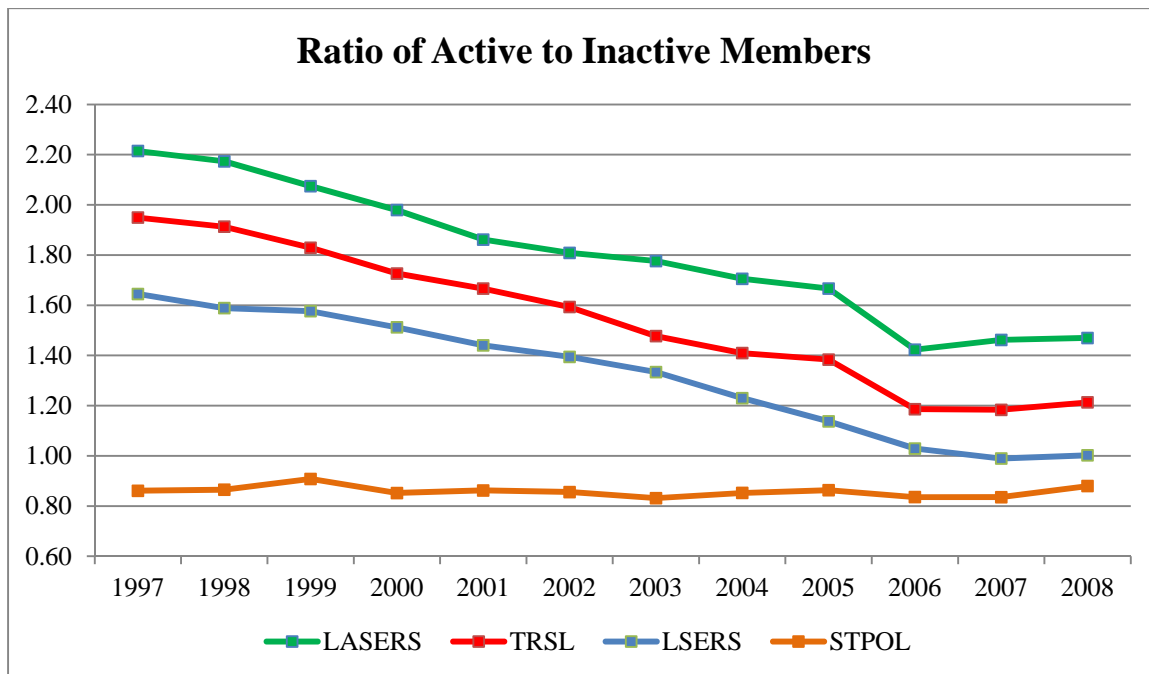
Issue

The state retirement systems have become more mature over the past 10 years.

Actives & Inactives

In 1997, there were 2.21 active members of LASERS for every inactive member. In 2008, there are only 1.47 active members for every inactive member. If LASERS did not have an unfunded accrued liability, then the ratio of actives to inactives is not a problem. But with a large UAL, a decreasing ratio is disconcerting because there are fewer working members of the retirement system over which UAL payments can be spread. As a result, the portion of the contribution rate attributable to the UAL has been increasing and will continue to do so if the trend continues.

TRSL and LSERS are following the same trend and as a result UAL costs as a percentage of member pay will tend to increase. STPOL has exhibited maturity for the past 10 years. The ratio of actives to inactives has been relatively constant over the entire period.

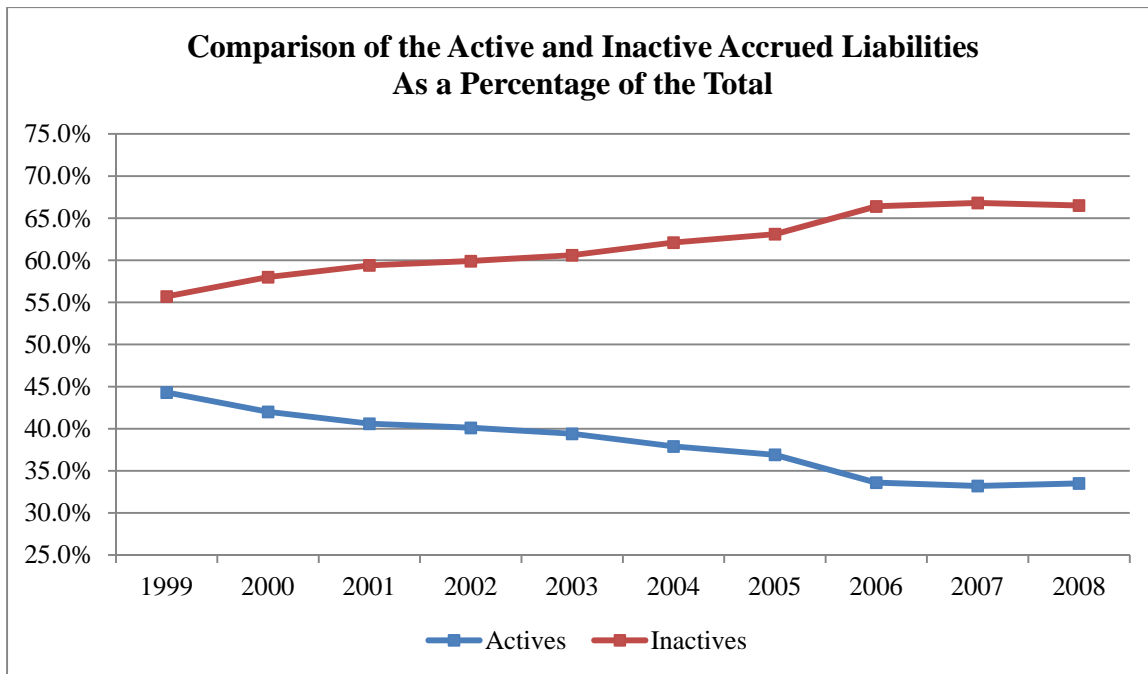


Accrued Liability Trends

Another cause for concern is the ratio of the accrued liability associated with active members to the liability associated with inactive members. As would be expected, if the ratio of actives to inactives is decreasing the ratio of active liability to inactive liability will also decrease.

The table and chart below show, for all four state retirement systems combined, that active liabilities in 1999 were 44.3% of total liabilities. In 2008, active liabilities represent only 33.5% of total liabilities. This maturation of the state retirement systems provides yet another explanation for continued increases in the employer contribution rate necessary to pay for the UAL.

Combined State System Liability Trends		
<i>Percent of Total Accrued Liability</i>		
Fiscal Year	<i>Actives</i>	<i>Inactives</i>
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%
2008	33.5%	66.5%

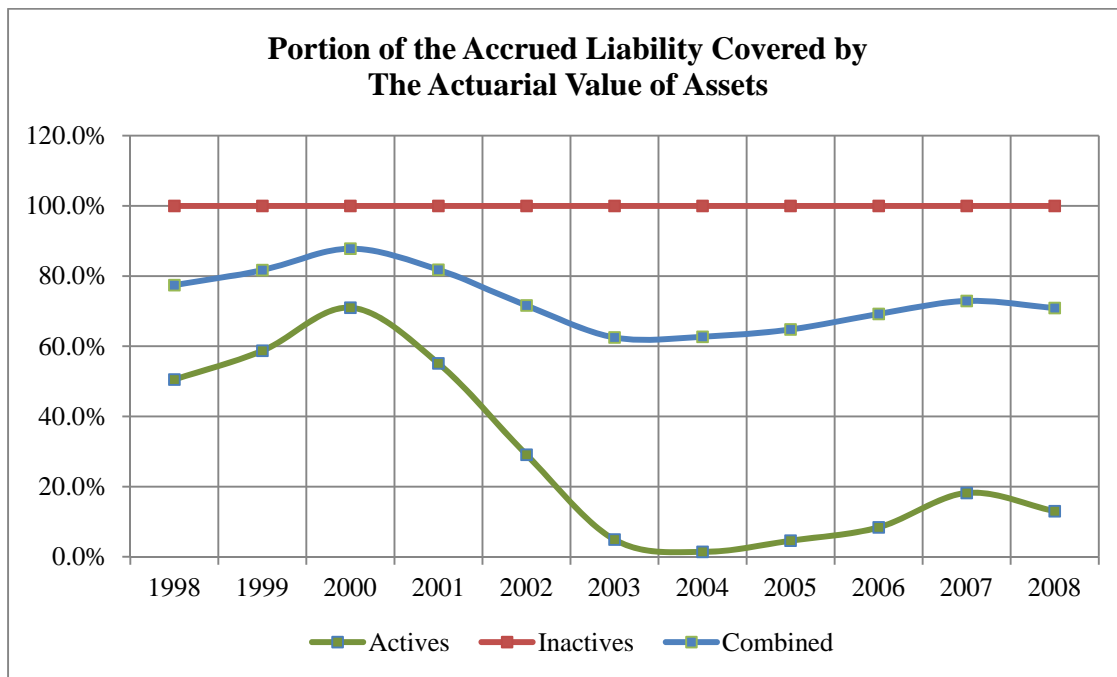


Percent Funded

The following table provides yet another way to view maturing retirement systems with large UALs. In 1998, plan assets were sufficient to cover 100% of the inactive accrued liabilities and over 50% of active liabilities. However, as the dot.com bubble, the events of 9/11, and the market corrections resulting therefrom unfolded, the state systems still had sufficient assets to cover inactive liabilities, but by 2004, assets available for actives were less than 2% of the active liability.

The problem is that an underfunded plan is at significant risk of not being able to fulfill its promises to active members should it be necessary to revise the retirement program. Underfunded retirement systems limit the options available to the state for managing its work force and its benefit programs.

Combined State System Liability Trends			
<i>Percent Funded</i>			
Fiscal Year	<i>Actives</i>	<i>Inactives</i>	<i>Combined</i>
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%
2008	13.0%	100.0%	70.9%



Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive member liabilities over the 10-year period FY 1999 to FY 2008.

**Statewide Retirement Systems
Ratio of Active Members to Inactive Members**

Fiscal Year	1999	2008	Trend
ASSR	1.59	1.49	Down
CCRS	2.82	2.42	Down
DARS	3.89	4.06	Up
FRS	2.39	2.17	Down
MERSA	2.34	1.58	Down
MERSB	2.67	2.51	Down
MPERS	1.51	1.44	Down
PERSA	2.89	2.48	Down
PERSB	4.36	3.73	Down
RVRS	1.48	1.54	Up
SPRF	5.24	4.47	Down
Total Statewide	2.80	2.43	Down

12. Gender and Mortality Trends

Issue for TRSL

The ratio of female members of TRSL to male members has steadily increased over the past 30 years. Actuarial costs of the system have increased as females have become a greater percentage of the total members of the system. Pension benefits for a female member cost more than benefits for a similarly situated male because females live longer.

Gender Trends

The chart below shows the percentage of males and females in TRSL, 30 years ago, 15 years ago, and today.

Year	Percent Male	Percent Female
1979	28.9%	71.1%
1993	19.3%	80.7%
2008	16.9%	83.1%

The present value cost of a pension benefit of \$1 per year is shown below:

Age	Present Value Cost for		Female Cost Relative To Male Cost
	Males	Females	
40	\$ 11.67	\$ 12.05	3.25% more costly
55	\$ 10.22	\$ 11.02	7.83% more costly
80	\$ 5.21	\$ 6.40	22.84% more costly

Therefore, one factor that has put upward pressure on retirement system costs is the trend toward a more female-dominated teaching profession. There are more women in the profession and they live longer than their male counterparts.

Mortality Trends

The American population is living longer than ever before. Medical advances in the treatment of illnesses and diseases associated with all age groups have improved the quality of life as well as the length of life. Significant mortality improvements have occurred over the past fifty years and demographers foresee additional improvements in the future.

Most Louisiana retirement systems are valuing plan costs and liabilities using the 1983 Group Annuity Mortality Table, a table based on population data that reflects mortality statistics of the 1970s. Two newer significant tables have been prepared reflecting mortality experiences of the 1980s and the 1990s, respectively. The most recent mortality table projects mortality to improve even further.

It is uncertain the extent to which mortality in Louisiana compares with the American public as a whole, but the general consensus is that Louisianans probably do not live as long those in other states. Obesity and poverty are two reasons most often cited as reasons for higher death rates in Louisiana.

Nevertheless, the farther removed we get from the 1970s, the more likely that the mortality table currently being used is underestimating the true cost of the Louisiana retirement systems. This is an issue that needs to be addressed in the near future.

13. Actuarial Certification

Most of the material in this section of the report and some of the information in the other sections may be considered to be Statements of Actuarial Opinion. Therefore, I make the following certification:

I, Paul T. Richmond, am the Manager of Actuarial Services for the Louisiana Legislative Auditor. I am a member of the American Academy of Actuaries, an Associate in the Society of Actuaries, an Enrolled Actuary, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.


Paul T. Richmond

1/10/12
Date

Section IV

Recent Legislation

1. Summary of Retirement Legislation Enacted in 2008

Retirement legislation enacted into law as a result of the 2008 Regular Session of the Louisiana Legislature is summarized below. A brief summary is provided for each Act as well as the cost identified in the associated actuarial note.

Ancillary Benefits:

Act 75 for FRS allows disability death benefits to continue if a surviving spouse remarries. \$51,950 increase in 5-year cost.

Act 110 for MPERS increases service requirements for eligibility for non-duty related disability retirement from 5 years to 10 years. Unknown decrease in cost.

Act 262 for LASERS increases the disability accrual rate for members first employed on or after July 1, 2006 from 1.8% of per years of service to 2.5%. \$2 million increase in liability.

Act 496 for FRS allows the board of trustees to determine whether a member's death was in the line of duty. Prior to enactment, the determination was made by a physician or medical board statement. Unknown increase in cost.

Act 784 for CCRS replaces the prior formula for disability to the greater of 40% of final average compensation or 75% of the regular retirement benefit based on credited service. \$1.7 million increase in 5-year cost.

DROP:

Act 398 for ASSR replaces DROP with Back-DROP. The Act further allows any current participant in DROP to rescind his participation and elect the new Back-DROP. Such election must be made before March 31, 2009. \$11 million increase in 5-year cost.

Act 714 for LASERS and TRSL allows members who first participated in DROP on or after January 1, 2004, to elect to earn interest on their DROP accounts in accordance with the earnings rate on the system's investment portfolio. However, to make this election, members must also waive their Constitutional rights protecting accrued benefits as it relates to interest earned by their DROP account. This law becomes effective upon receipt of a judgment declaring these waivers constitutional. Five-year cost increase exceeds \$500,000.

Act 827 for MPERS allows members who first participated in DROP on or after January 1, 2004, to elect to earn interest on their DROP accounts in accordance with the earnings rate on the system's investment portfolio. However, to make this election, members must also waive their constitutional rights protecting accrued benefits as it relates to interest earned by their DROP accounts. Unknown increase in cost.

Act 835 for DARS replaces DROP with Back-DROP. The Act further allows any current participant in DROP to rescind his participation and elect the new Back-DROP. Such election must be made before July 1, 2008. \$5.5 million increase in 5-year cost.

Act 853 for CCRS allows an active member to participate in DROP without having to wait one year after attaining retirement eligibility. \$4.4 million increase in 5-year cost.

Trustee Responsibilities:

Act 79 for STPOL extends the term of office for an elected trustee from 3 to 5 years. The Act only applies to trustees elected after its enactment. No cost.

Act 80 for LSERS provides for redistricting for the election of members to the LSERS board of trustees. No cost.

Act 90 for CCRS extends the term of office for three trustees elected from members of the Louisiana Clerks of Court Association from 3 to 5 years. Negligible cost.

Act 258 for FRS reduces the number of affirmative votes needed for a decision from 6 votes to 5 votes. There are 10 members on the board. The act also removes the 10-day requirement to take the oath of office. No cost.

Funding:

Act 445 for CCRS and MERS allows the board of trustees to increase the approved employer contribution rate by up to 3% or by any amount, if greater, to retain the prior year's rate. Unknown decrease in cost.

Act 823 for LSERS requires a participating employer to retain responsibility for the UAL associated with any employee who is terminated as a result of privatizing, outsourcing, contracting for services or any other means. No cost.

Act 852 for STPOL requires all amortization bases for actuarial charges and credits be amortized with level payments. \$17.3 million savings.

Benefit Eligibility:

Act 259 for LASERS clarifies statutory retirement eligibility provisions for members of the Public Safety Services component of LASERS to conform to provisions of an Attorney General Opinion. Henceforth, a member will be eligible to retire if he has attained at least 10 years of service at age 60 or thereafter. No cost.

Act 406 for SPRF allows an active contributing member to take reduced early retirement after reaching age 60 with at least 10 years of service. \$3.0 million increase in 5-year cost.

Act 740 for LASERS changes the retirement eligibility requirements for full time law enforcement personnel, supervisor or administrator employed on June 30, 2007, to December 31, 2009, by the Department of Revenue, Office of Alcohol and Tobacco Control and who are P.O.S.T. certified and have the power to arrest. Henceforth, such employees will be able to retire at any age after 25 years of service and at age 60 with at least 10 years of service. \$357,250 increase in 5-year cost.

Service Credits:

Act 268 for STPOL allows a member to purchase service credits with installment payments over a period of up to 36 months using as an interest rate the valuation earnings rate used by the actuary in the system's annual valuation. No significant increase in cost.

Act 271 for SPRF allows a reemployed retiree who returned to work prior to January 1, 2009, and who has been reemployed for at least three years to have all past service restored and benefits recalculated under current plan provisions. To take advantage of this Act, the retired member must repay all retirement benefits received with interest at the valuation earnings rate. \$151,000 increase in 5-year cost.

Act 459 for SPRF allows members with 12 years of service at retirement to purchase up to 3 years of additional service credit. The cost of such credit will be determined as the additional liability incurred by the retirement system. No significant increase in cost.

Rehired Retirees:

Act 719 for DARS allows a district attorney or an assistant district attorney to retire and be rehired without suspension of retirement benefits under certain conditions. 1.0% of payroll each year with an increase of \$471,000 for 2008-09.

Act 832 for LSERS allows a bus driver to retire and then return to full-time employment as a bus driver without a suspension of benefits after 12 months from the date of his original retirement. \$13.9 million increase in 5-year cost.

Final Average Compensation: **Act 261 for FRS** allows regularly scheduled holiday pay that is deferred by a participating employer and then paid at the end of the calendar year as a lump sum to be included in earnable compensation for the purposes of calculating final average compensation. Negligible cost.

Act 446 for LSERS adds pay received by bus drivers for school-related extracurricular activities as a specific item to an amount included in earnable compensation used in the calculation of final average compensation. No cost.

Remedial: **Act 260 for LASERS** revises administrative procedures used for a reversion of a retiree's reduced benefit back to the maximum upon the death of his or her designated beneficiary. Payment of the maximum monthly benefit will now begin on the first day of the month next following the death of the beneficiary. No cost.

Act 312 for LASERS updates existing statutes to conform to requirements regarding maximum benefit limitations under Section 415 of the Internal Revenue Code. No cost.

Other: **Act 108 for PERS** provides clarifying language applicable to certain court reporters employed by Caddo Parish. No cost.

Act 113 for ASSR, MPERS, and MERS authorizes a one-time permanent benefit increase of up to 3% of the normal annual retirement benefit to be effective July 1, 2008. \$20.7 million increase in 5-year cost.

Act 114 for FRS increases the interest rate that may be charged for delinquent employer contributions. Unknown savings.

Act 281 for LASERS provides that retiring probation and parole officers may purchase their firearms at market value if they have at least 20 years of service. No cost.

Act 282 for LSERS provides that if a person was a member of another system at the time LSERS was first established in 1946 and such a person changes positions to one that is not eligible for membership in the other system but is eligible for membership in LSERS, he will become an LSERS member but will not be entitled to prior service credits. Negligible cost.

Act 397 for MERS and PERS prohibits employer contributions from being returned, refunded, transferred, or rolled over to any employee, employer or other retirement system except for transfers of service credits between retirement systems. No cost.

Act 425 for PERS allows a justice of the peace for a parish with a population between 23,350 and 23,400 who did not elect membership in PERS by the required date to still become a member if such election is made before December 31, 2008. Such member will be allowed to purchase prior service at a cost equal to the additional liability created by such purchase. Unknown increase in cost.

Act 817 for FRS requires the Lafayette City-Parish Consolidated Government to pay retiree recipients a merger guaranteed amount based on an adjustment of each year's COLA adjustment rather than the difference between the amount actually paid and the amount that would have been paid had the merger not occurred. Five-year cost that is less than \$500,000.

2. Summary of Retirement Legislation Enacted in 2007

General Summary:

A total of 22 retirement bills were passed by the legislature and signed into law as a result of the 2007 legislative session. Act 484 pertaining to funding requirements for the four state retirement systems was perhaps one of the most significant pieces of legislation. Five Acts pertained to cost of living provisions. Relief measures associated with hurricanes Katrina and Rita were the subject of four Acts. Other subject matters included DROP, rehired retirees, transfer issues, trustees, beneficiary changes, investments, benefit formulas, service credits, and IRS compliance.

Eight of the 22 Acts affected LASERS. Retirement law pertaining to LSERS was affected by five Acts. STPOL was affected by five Acts and TRSL by four Acts. All state and statewide retirement systems were affected by one or more Acts.

Topics Addressed in the 2007 Session

Subject Matter	Number of Acts
Funding	1
Cost of Living	5
Hurricane Katrina/Rita	4
Other	12

Retirement Systems Addressed by the 2007 Session

Acts Pertaining To:	Number of Acts
LASERS	8
TRSL	4
STPOL	5
LSERS	5
ASSR	1
CCRS	2
DARS	1

Retirement Systems Addressed by the 2007 Session

Acts Pertaining To:	Number of Acts
FRS	3
MERS	3
MPERS	3
PERS	2
RVRS	1
SPRF	4

The most significant Acts are briefly summarized below. Actuarial cost information is also provided as appropriate.

Funding:

Act 484 for LASERS, TRSL, STPOL and LSERS amends the Louisiana Constitution to require (1) all legislation improving retirement benefit provisions must identify a funding source and (2) all such funding must be completed within 10 years.

Cost of Living:

Act 67 for LASERS and TRSL allowed these retirement systems to provide a full 3.0% COLA to qualified retirees and beneficiaries effective July 1, 2007.

Act 333 for STPOL and LSERS removed the funded ratio test for COLAs and provides an Experience Account for granting COLAs in a similar manner as exists for LASERS and TRSL.

Act 370 for STPOL provides a supplemental retirement benefit of up to \$300 a month for retirees and surviving spouses if the current benefit is less than \$1,200 a month.

Act 232 for LSERS, MERS and MPERS authorizes a one-time cost of living supplement of up to 3.0% for eligible retirees and beneficiaries. The adjustment can be granted only if a COLA is not otherwise available under existing rules and only to the extent that investment returns exceed the actuarial valuation rate (7.5% for LSERS, 8.0% for MERS, and 7.5% for MPERS).

Act 308 for SPRF provides for a one-time cost of living adjustment effective July 1, 2007, of 3.0% but not less than \$20 a month. Eligible retirees and beneficiaries who are at least age 65 will receive an additional benefit adjustment of 2.0%.

The total 5-year cost of cost-of-living legislation was estimated to be about \$55,000,000.

Hurricane Katrina:

Act 50 for LASERS and TRSL, Act 252 and 326 for LASERS, and Act 197 for CCRS affected members who made certain life decisions as a direct result of hurricanes Katrina and/or Rita. These bills allowed members temporary relief from these decisions and permitted special rules to apply for a temporary period of time.

The total 5-year cost of Hurricane Katrina legislation was estimated to be about \$6,500,000.

Other Topics:

Other Acts are summarized below:

Act 51 – The ***FRS*** board is allowed to audit any participating employer. No cost.

Act 78 – Candidates for membership of the ***SPRF*** board are required to complete certain education requirements. No cost.

Act 143 – Allows a retiree of ***FRS*** to change his designated beneficiary under certain circumstances. Unknown cost.

Act 146 – Allows certain employees of the City of Ponchatoula who are also contributing members of ***MPERS*** to receive service credit for MERS service under specified conditions. These rights sunset on December 31, 2007. Unknown cost.

Act 213 – Allows any bus driver who is a member of ***LSERS*** to be retired and be re-employed as a bus driver under certain circumstances. Five-year cost – \$1,575,000.

Act 230 – Changes Back-DROP provisions for members of ***SPRF***. Five-year cost – \$3,400,000.

Act 330 – Provides additional retirement benefits to court reporters for Caddo Parish who are also members of ***PERS***. Five-year cost – \$286,000.

Act 348 – Provides benefit increases and COLAs for members of the unfunded non-contributory judges' retirement plan. Benefits from this plan are paid from the state General Fund. Five-year cost – \$1,100,000.

Act 352 – Provides rules regarding the investment of retirement system assets in prohibited nations. This Act applies to all state and statewide retirement systems. No cost.

Act 353 – Provides enhanced benefit provisions for members of **LASERS** who are certain law enforcement personnel within the office of Alcohol & Tobacco Control of the Department of Revenue. Five-year cost – \$618,600.

Act 367 – Allows members of **STPOL** to purchase service credit under certain conditions for employment in law enforcement with the federal government, another state, or political subdivision. Unknown cost.

Act 414 – Provides remedial language that codifies existing **LASERS** administrative practices. Five-year cost – \$266,600.

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