2009 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

ISSUED JANUARY 2012

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2009 Actuarial Report
on
Louisiana Public Retirement Systems

January 2012

2009 ACTUARIAL REPORT

LOUISIANA PUBLIC RETIREMENT SYSTEMS

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January 11, 2012

The Honorable Bobby Jindal
Governor of the State of Louisiana
Post Office Box 94004
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The Honorable John A. Alario, President
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The Honorable Charles E. "Chuck" Kleckley, Speaker
Louisiana House of Representatives
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Re: 2009 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 2009.

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.lla.la.gov/reports_data/actuaryreports.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:PTR:pm

ACTUARIAL REPORT LETTER

Executive Summary

EXECUTIVE SUMMARY

2009 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2009 Report

The ***2009 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 2009. 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.

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

Statewide Systems

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

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

SUMMARY OF VALUATION RESULTS FOR FY 2009[a]

Systems:	Employer Contribution Rates[b] FY 2010	FY 2011	Unfunded Accrued Liability FY 2009 (in millions)	Actuarial Value of Assets FY 2009 (in millions)	AVA/PBO
State Systems:					
LASERS	18.6%	22.0%	$ 5,694.0	$ 8,499.7	60.8%
TRSL	15.5%	20.2%	10,117.5	13,500.3	59.1%
LSERS	17.6%	24.3%	743.0	1,410.3	65.5%
STPOL	41.3%	50.9%	282.4	395.9	58.4%
State Total			**$ 16,836.9**	**$ 23,806.2**	**60.0%**
Statewide Systems:					
ASSR	8.50%	4.00%	$ 22.8	$ 206.7	82.0%
CCRS	11.75%	17.25%	86.2	338.8	70.8%
DARS	5.00%	9.00%	n/a	221.1	91.6%
FRS	14.00%	21.50%	336.8	1,073.8	78.4%
MERS A	10.25%	13.75%	74.6	670.9	84.4%
MERS B	4.50%	6.00%	4.9	138.4	91.1%
MPERS	11.00%	25.00%	691.3	1,297.1	65.2%
PERS A	15.75%	13.25%	53.6	2,135.2	93.4%
PERS B	10.00%	8.50%	n/a	150.4	95.9%
RVRS	3.50%	11.25%	n/a	60.5	83.6%
SPRF	9.00%	12.75%	72.8	1,608.2	80.0%
Statewide Total			**$ 1,343.0**	**$ 7,901.1**	**80.6%**
Total All Systems:			**$ 18,179.9**	**$ 31,707.3**	**64.1%**
Page Reference	Page 26, 27		Page 53	Page 45, 46	Page 56, 57

Footnotes:

a FY 2009 means the fiscal year ending on June 30, 2009, for all retirement systems except ASSR and PERS. FY 2009 for ASSR means the fiscal year ending on September 30, 2009. FY 2009 for PERS means the fiscal year ending December 31, 2009.

b Rates shown for FY 2010 are contribution rates adopted by PRSAC in February 2009 (rates were adopted by PRSAC for ASSR and PERS in the fourth quarter of 2008) and multiplied by employer payroll for FY 2010 to determine employer contributions for each retirement system for FY 2010.

Rates shown for FY 2011 are employer contribution rates projected for FY 2011 based on the valuation date ending in FY 2009 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 2010 (fourth quarter of 2009 for ASSR and PERS) and the Louisiana Legislature in the 2010 legislative session.

SUMMARY OF VALUATION RESULTS FOR FY 2009

Systems:	Investment Returns[a] Market Value	AVA	Assumed Rate	Membership Actives	Retirees[b]	Total[c]	Payroll (in millions)
State Systems:							
LASERS	-19.6%	-7.6%	8.25%	61,991	40,936	104,874	$ 2,563
TRSL	-22.3%	-12.3%	8.25%	88,206	65,838	159,916	3,912
LSERS	-16.9%	-7.1%	7.50%	13,265	12,798	26,424	315
STPOL	-19.0%	-7.1%	7.50%	1,103	1,193	2,321	60
State Total				**164,565**	**120,765**	**293,535**	**$ 6,850**
Statewide Systems:							
ASSR	6.6%	6.8%	8.00%	761	470	1,312	$ 38
CCRS	-19.3%	-6.1%	8.00%	2,257	1,008	3,704	86
DARS	-14.2%	-3.0%	8.00%	725	183	1,194	50
FRS	-20.8%	-4.9%	7.50%	3,882	1,835	6,179	179
MERS A	-13.8%	0.9%	8.00%	4,829	3,084	10,681	157
MERS B	-13.7%	0.9%	8.00%	2,204	898	4,191	65
MPERS	-24.2%	-16.7%	7.50%	6,071	4,169	10,352	270
PERS A	20.6%	9.1%	7.50%	14,367	5,841	27,381	536
PERS B	20.7%	8.8%	7.50%	2,253	597	4,394	80
RVRS	-18.3%	-6.2%	8.00%	238	147	409	12
SPRF	-17.4%	-5.0%	8.00%	14,396	3,369	22,506	577
Statewide Total				**51,983**	**21,601**	**92,303**	**$ 2,050**
Total All Systems				**216,548**	**142,366**	**385,838**	**$ 8,900**
Page Reference	Page 47			Page 60			

Footnotes:

a Investment returns are for FY 2009.

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 separately.

SECTION I – Employer Funding for Pension Benefits

Actuarial Funding

The most fundamental principle of actuarial funding is:

Benefits = Contributions + 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 2009 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 plan 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, 2009, the four state systems had a combined UAL balance of $16.8 billion. The combined payment to fund this amount for FY 2009 is $1.076 billion. It represents 70.8% of the $1.518 billion of required employer contributions to actuarially fund the four state systems.

UAL BALANCES as of 6/30/2009
(in millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL (AL) – (VA)
LASERS	$ 13,986.8	$ 8,292.8	$ 5,694.0
TRSL	22,839.4	12,721.9	10,117.5
LSERS	2,153.3	1,410.3	743.0
STPOL	678.3	395.9	282.4
Combined	**$ 39,657.8**	**$ 22,820.9**	**$ 16,836.9**

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 2010**	**FY 2011**
Employer Contributions*	$480.3	$597.1
Projected Rate (% Payroll)	*18.6%*	*22.0%*
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 2010**	**FY 2011**
Employer Contributions*	$654.9	$920.1
Projected Rate (% Payroll)	*15.5%*	*20.2%*
15.5% Minimum Required	Yes	No

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 2010**	**FY 2011**
Employer Contributions*	$53.0	$79.5
Projected Rate (% Payroll)	*17.6%*	*24.3%*
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 2010**	**FY 2011**
Employer Contributions*	$24.5	$31.6
Projected Rate (% Payroll)	*41.3%*	*50.9%*
Insurance Premium Tax Fund	$1.5	$1.5

∗ Based on member pay as of 6/30/2009.

IUAL Funds

LASERS and TRSL both maintain assets in a side fund that is contained within their respective trusts. These side funds, called the 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.

Act 497 of the 2009 session provides that outstanding balances in the Experience Account Funds will be transferred to the IUAL Funds on June 30, 2009. Amounts so transferred were $122.2 million for LASERS and $296.7 million for TRSL. Also in accordance with Act 497, the IUAL Funds will be liquidated on June 30, 2010, with the proceeds used to reduce the outstanding UAL for the retirement systems. The amounts shown below include amounts transferred from the Experience Accounts to the IUAL Funds.

IUAL FUND BALANCES
(as of 6/30/2009)
(in millions)

	LASERS	**TRSL**	**Combined**
Balance	$ 206.8	$ 671.5	$ 878.3

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 2009 fiscal year-end, the seven statewide systems for which a UAL is calculated had a combined UAL balance of $1.343 billion.

UAL Balances – Statewide Systems
as of June 30, 2009
(in millions)

	FY 2008	FY 2009
ASSR	$ 23.9	$ 22.8
CCRS	85.2	86.2
FRS	187.4	336.8
MERS (Plans A & B)	79.2	79.5
MPERS	240.3	691.3
PERS Plan A	60.4	53.6
SPRF	74.3	72.8
Combined UAL	**$ 750.7**	**$ 1,343.0**

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 2010	FY 2011
ASSR	8.50%	4.00%
CCRS	11.75%	17.25%
DARS	5.00%	9.00%
FRS	14.00%	21.50%
MERSA	10.25%	13.75%
MERSB	4.50%	6.00%
MPERS	11.00%	25.00%
PERSA	15.75%	13.25%
PERSB	10.00%	8.50%
RVRS	3.50%	11.25%
SPRF	9.00%	12.75%

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
2010	**21.7**	**41.4**	**33.1**	**96.2**

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 R.S. 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 2009. 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, 2009, 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 fiscal year-end 2009. 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 50% of the total benefit cost, except for judges and court officers who pay 70% 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 28.2% of pay for DARS to 58.9% 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 2009

General Summary

A total of 17 retirement bills were enacted as a result of the 2009 legislative session. Six Acts pertained to funding and three Acts pertained to rehired retirees. Other topics addressed include DROP, trustee responsibilities, service credits, membership, and COLAs.

Five of the 17 Acts affected TRSL and four affected LASERS. All state and statewide retirement systems were affected by one or more Acts.

Perhaps the most significant piece of retirement legislation passed during the 2009 session was Act 497. This Act significantly restructured the payment of the UAL for LASERS and TRSL and reduced the likelihood that COLAs would be available to retirees in the near future.

Topics Addressed in the 2009 Session

Subject Matter	**Number of Acts**
DROP	1
Trustee Responsibilities	1
Funding	6
Service Credits	2
Membership	2
Rehired Retirees	3
COLA	2

Retirement Systems Addressed by the 2009 Session

Acts Pertaining to:	Number of Acts
LASERS	4
TRSL	5
LSERS	2
STPOL	2
ASSR	3
CCRS	2
DARS	2
FRS	2
MERS	3
MPERS	3
PERS	1
RVRS	3
SPRF	2
Local	1

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

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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, 2009

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 contribution rate is 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.

Act 497 of the 2009 session provides that the outstanding balance in the Employer Credit Account on June 30, 2010, will be used to reduce the UAL. Balances in this account for LASERS and TRSL as on June 30, 2009, are $0 and $107.3 million, respectively.

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 2010

Retirement System	Actuarially Required Rate	Rate Approved By PRSAC	Normal Cost Rate	IPTF Funding
LASERS	21.3%	18.6%	6.5587%	n/a
TRSL	19.2%	15.5%	5.7029%	n/a
LSERS	23.3%	17.6%	9.1694%	n/a
STPOL	51.1%	41.3%	17.4066%	$1,500,000

Fiscal Year 2011

Retirement System	Actuarially Required Rate	Rate Approved By PRSAC	Normal Cost Rate	IPTF Funding
LASERS	*	22.0%	6.5587%	n/a
TRSL	*	20.2%	5.7029%	n/a
LSERS	*	24.3%	9.1694%	n/a
STPOL	*	50.9%	17.4066%	$1,500,000

* Actuarially required rates for FY 2011 will be available with the adoption of the June 30, 2011, actuarial valuations.

Values are based on the 2009 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 Systems

Contribution Rates for Statewide Retirement Systems

Fiscal Year 2010

	Actuarially Required	Rate Approved By PRSAC	Applicable IPTF Paid FY 2009
ASSR	4.08%	8.50%	n/a
CCRS	17.05%	11.75%	n/a
DARS	8.64%	5.00%	n/a
FRS	20.79%	14.00%	$20,265,547
MERSA	13.78%	10.25%	n/a
MERSB	5.95%	4.50%	n/a
MPERS	24.00%	11.00%	$15,071,968
PERSA	13.46%	15.75%	n/a
PERSB	8.60%	10.00%	n/a
RVRS	10.57%	3.50%	n/a
SPRF	12.58%	9.00%	$15,071,968

Fiscal Year 2011

	Employer's Net Projected Rate	Ad Valorem FY 2010	Revenue Sharing FY 2010	IPTF FY 2010
ASSR	4.00%	0.2500 %	Max	n/a
CCRS	17.25%	0.2500 %	Max	n/a
DARS	9.00%	0.2000 %	Max	n/a
FRS	21.50%	n/a	n/a	$21,306,059
MERSA	13.75%	0.1800 %	Max	n/a
MERSB	6.00%	0.0700 %	Max	n/a
MPERS	25.00%	n/a	n/a	$15,112,480
PERSA	13.25%	0.2200 %	Max	n/a
PERSB	8.50%	0.0300 %	Max	n/a
RVRS	11.25%	0.0625 %	Max	n/a
SPRF	12.75%	0.5000 %	Max	$15,112,480

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. 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, 2009, valuation report values, membership payroll, and projected employer contribution rates approved by PRSAC.

Projected Employer Contributions and Sources
State Systems – FY 2010
(in millions)

	Sources	6/30/2009 Payroll Based $ Estimate	Employer Projected Rate (as % Payroll)
LASERS	General Fund (Primary)	$ 480.3	18.6%
TRSL	General Fund (Primary)	654.9	15.5%
LSERS	Local School Districts (MFP and Local)	53.0	17.6%
STPOL	General Fund (Primary) & IPTF	24.5	41.3% + $1,500,000 IPTF
Combined State Systems	Combined Sources	$ 1,214.2	

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 2009 valuation report values, membership payroll, and projected employer contribution rates approved by PRSAC.

Projected Employer Contributions and Sources
Statewide Systems – FY 2010
(in millions)

ASSR

Source	$ Estimate	% Payroll
Local Appropriations	$ 3.25	8.50%
Ad Valorem Taxes	9.87	25.77%
Revenue Sharing	0.35	.92%
IPTF	0.00	0.00%
Total Public Funds	$ 13.47	35.19%

CCRS

Source	$ Estimate	% Payroll
Local Appropriations	$ 10.43	11.75%
Ad Valorem Taxes	7.66	8.63%
Revenue Sharing	0.32	0.36%
IPTF	0.00	0.00%
Total Public Funds	$ 18.41	20.74%

DARS

Source	$ Estimate	% Payroll
Local Appropriations	$ 2.60	5.00%
Ad Valorem Taxes	6.13	11.78%
Revenue Sharing	0.22	0.41%
IPTF	0.00	0.00%
Total Public Funds	$ 8.95	17.19%

FRS

Source	$ Estimate	% Payroll
Local Appropriations	$ 25.79	14.00%
Ad Valorem Taxes	0.00	0.00%
Revenue Sharing	0.00	0.00%
IPTF	21.31	11.56%
Total Public Funds	$ 47.10	25.56%

Dollar estimates based on 2009 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 2010
(in millions)

MERSA

Source	$ Estimate	% Payroll
Local Appropriations	$ 16.48	10.25%
Ad Valorem Taxes	4.82	3.00%
Revenue Sharing	0.11	0.07%
IPTF	0.00	0.00%
Total Public Funds	$ 21.41	13.32%

MERSB

Source	$ Estimate	% Payroll
Local Appropriations	$ 3.00	4.50%
Ad Valorem Taxes	1.99	2.99%
Revenue Sharing	0.05	0.07%
IPTF	0.00	0.00%
Total Public Funds	$ 5.04	7.56%

MPERS

Source	$ Estimate	% Payroll
Local Appropriations	$ 30.10	11.00%
Ad Valorem Taxes	0.00	0.00%
Revenue Sharing	0.00	0.00%
IPTF	15.11	5.53%
Total Public Funds	$ 45.21	16.53%

PERSA

Source	$ Estimate	% Payroll
Local Appropriations	$ 86.95	15.75%
Ad Valorem Taxes	6.09	1.10%
Revenue Sharing	0.14	0.03%
IPTF	0.00	0.00%
Total Public Funds	$ 93.18	16.88%

PERSB

Source	$ Estimate	% Payroll
Local Appropriations	$ 8.19	10.00%
Ad Valorem Taxes	0.90	1.10%
Revenue Sharing	0.21	0.03%
IPTF	0.00	0.00%
Total Public Funds	$ 9.30	11.13%

RVRS

Source	$ Estimate	% Payroll
Local Appropriations	$ 0.42	3.50%
Ad Valorem Taxes	1.92	15.92%
Revenue Sharing	0.11	0.92%
IPTF	0.00	0.00%
Total Public Funds	$ 2.45	20.34%

SPRF

Source	$ Estimate	% Payroll
Local Appropriations	$ 58.38	9.00%
Ad Valorem Taxes	15.89	2.68%
Revenue Sharing	0.43	0.07%
IPTF	15.11	2.55%
Total Public Funds	$ 89.81	14.30%

Dollar estimates based on 2009 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 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Normal Cost	$ 147.0	$ 160.0	$ 152.6	$ 164.4	$ 183.8	$ 173.4
UAL Payment	239.9	247.8	254.7	258.5	281.6	389.8
Total	$ 386.9	$ 407.8	$ 407.3	$ 422.9	$ 465.4	$ 563.2
Payroll	$ 2,077.9	$ 2,163.2	$ 2,038.2	$ 2,245.3	$ 2,515.5	$ 2,643.2

TRSL

Component	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Normal Cost	$ 202.4	$ 214.5	$ 206.8	$ 231.0	$ 217.5	$ 229.4
UAL Payment	313.1	318.8	310.1	291.4	346.3	619.1
Total	$ 515.5	$ 533.3	$ 516.9	$ 522.4	$ 563.8	$ 848.5
Payroll (non-ORP)	$ 3,110.3	$ 3,229.8	$ 2,982.9	$ 3,325.9	$ 3,778.9	$ 4,023.2

LSERS

Component	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Normal Cost	$ 26.7	$ 27.1	$ 24.9	$ 27.2	$ 27.7	$ 29.3
UAL Payment	18.9	22.8	18.6	18.7	26.8	45.0
Total	$ 45.6	$ 49.9	$ 43.5	$ 45.9	$ 54.5	$ 74.3
Payroll	$ 262.5	$ 262.1	$ 242.0	$ 262.0	$ 293.0	$ 319.2

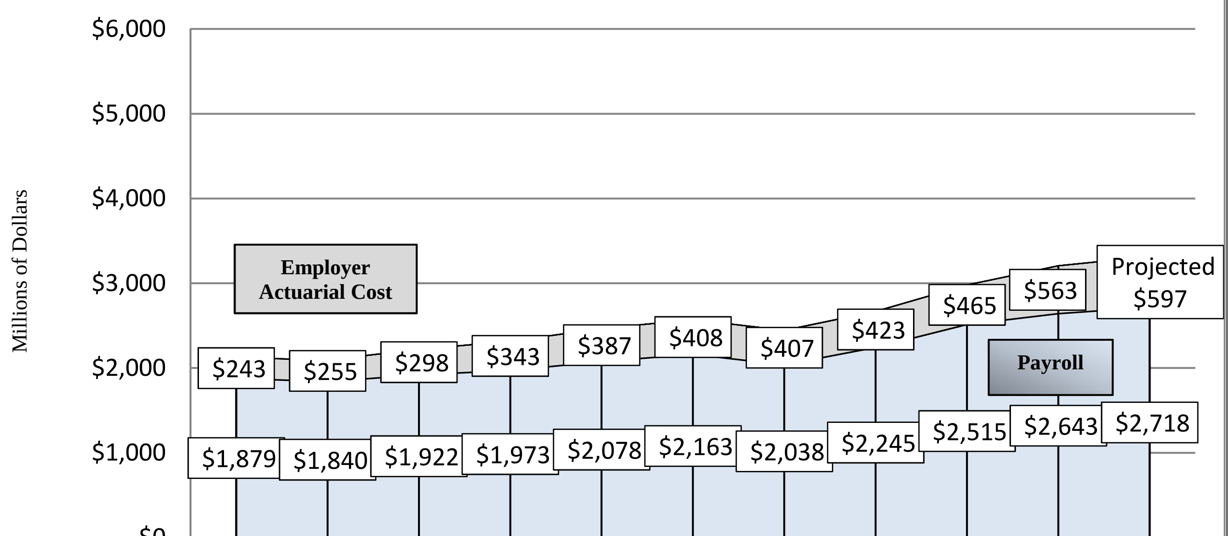
STPOL

Component	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2009
Normal Cost	$ 7.2	$ 7.7	$ 7.7	$ 7.7	$ 9.8	$ 10.5
UAL Payment	24.7	27.6	10.1	6.8	9.5	21.8
Total	$ 31.9	$ 35.3	$ 17.8	$ 14.5	$ 19.3	$ 32.3
Payroll	$ 45.8	$ 49.8	$ 51.1	$ 50.4	$ 57.6	$ 60.4

State Systems Combined

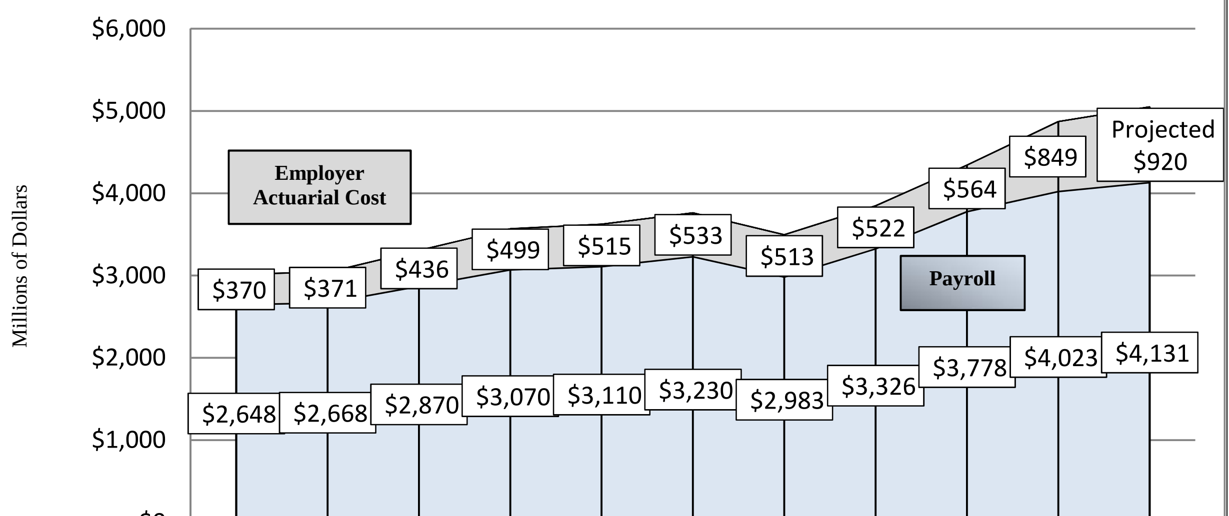
Component	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Normal Cost	$ 383.3	$ 409.4	$ 392.1	$ 430.3	$ 438.8	$ 442.6
UAL Payment	596.6	617.0	593.4	575.4	664.2	1,075.7
Total	$ 979.9	$ 1,026.4	$ 985.5	$ 1,005.7	$ 1,103.0	$ 1,518.3
Payroll (non-ORP)	$ 5,496.6	$ 5,704.9	$ 5,314.2	$ 5,884.3	$ 6,645.0	$ 7,046.0

LASERS: Employer Actuarial Costs and Projected Payroll
As of Fiscal Year Ending June 30



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Contribution Rate	13.0%	13.0%	14.1%	15.8%	17.8%	19.1%	19.1%	20.4%	18.5%	18.6%	22.0%
Employer Cost	$243	$255	$298	$343	$387	$408	$407	$423	$465	$563	$597
Payroll	$1,879	$1,840	$1,922	$1,973	$2,078	$2,163	$2,038	$2,245	$2,515	$2,643	$2,718

TRSL: Employer Actuarial Costs and Projected Payroll
As of Fiscal Year Ending June 30



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Contribution Rate	14.2%	13.1%	13.1%	13.8%	15.4%	15.9%	15.8%	14.6%	13.8%	14.1%	20.2%
Employer Cost	$370	$371	$436	$499	$515	$533	$513	$522	$564	$849	$920
Payroll	$2,648	$2,668	$2,870	$3,070	$3,110	$3,230	$2,983	$3,326	$3,778	$4,023	$4,131

6. Total Projected Contribution Rate History (All Sources)

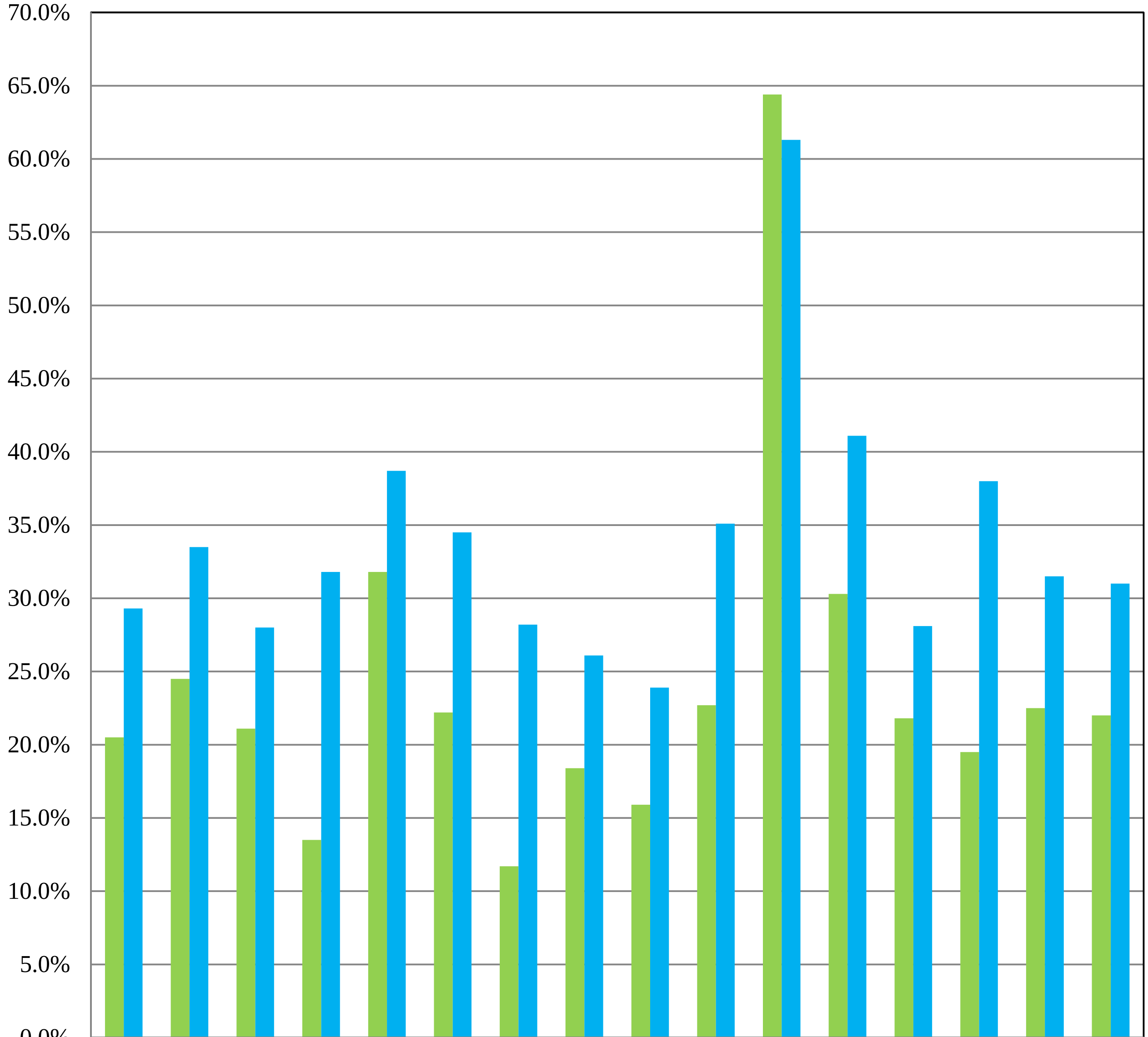
Contribution requirements in general have increased over the past decade. Increases are due to reductions in the market value of assets in 2001, 2002, 2008, and 2009; the granting of COLAs; increases in benefit accrual rates; and schedules for amortizing the UAL that call for payments to increase annually.

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 2011 are based on projected contribution requirements as shown in the 2009 valuation reports for each retirement system.

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

	Fiscal Year									
	2002	***2003***	***2004***	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***
State Systems:										
LASERS	20.5%	21.6%	23.3%	25.3%	26.6%	26.6%	27.9%	26.0%	26.4%	**29.7%**
TRSL	21.1%	21.1%	21.8%	23.5%	23.9%	23.8%	24.6%	23.5%	22.1%	**28.0%**
LSERS	13.5%	14.5%	18.7%	22.3%	25.9%	27.1%	25.6%	25.3%	25.1%	**31.8%**
STPOL	64.4%	73.0%	76.4%	70.9%	75.5%	81.2%	37.2%	38.2%	51.9%	**61.3%**
Statewide Systems:										
ASSR	31.8%	43.1%	43.0%	46.8%	42.8%	43.7%	37.9%	35.2%	41.7%	**38.7%**
CCRS	22.2%	24.1%	26.8%	29.9%	31.0%	32.9%	27.9%	27.1%	27.9%	**34.5%**
DARS	11.7%	15.5%	17.6%	21.6%	23.6%	21.0%	17.5%	16.8%	21.5%	**28.2%**
FRS	30.3%	38.4%	41.8%	45.1%	38.9%	36.2%	34.5%	33.7%	34.2%	**41.1%**
MERSA	18.4%	19.5%	22.5%	26.6%	27.6%	28.1%	25.3%	22.6%	22.3%	**26.1%**
MERSB	10.9%	13.5%	15.0%	16.9%	17.1%	17.3%	14.3%	12.4%	12.3%	**14.1%**
MPERS	19.5%	21.1%	27.8%	34.4%	29.3%	28.7%	26.9%	23.2%	24.7%	**38.0%**
PERSA	15.9%	17.7%	22.2%	23.3%	22.7%	23.8%	19.8%	19.6%	26.4%	**23.9%**
PERSB	5.6%	7.7%	9.2%	9.8%	9.5%	10.0%	9.3%	10.4%	14.1%	**12.6%**
RVRS	22.7%	23.9%	26.8%	31.4%	33.4%	34.7%	29.7%	25.2%	26.2%	**35.1%**
SPRF	21.8%	22.3%	24.1%	24.8%	25.6%	26.0%	23.5%	22.6%	23.5%	**28.1%**

State and Statewide Retirement Systems
Change in Projected Contribution Rates over 10 Years
2002 to 2011



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILD LIFE	PUBLIC SAFETY
2002	20.5%	24.5%	21.1%	13.5%	31.8%	22.2%	11.7%	18.4%	15.9%	22.7%	64.4%	30.3%	21.8%	19.5%	22.5%	22.0%
2011	29.3%	33.5%	28.0%	31.8%	38.7%	34.5%	28.2%	26.1%	23.9%	35.1%	61.3%	41.1%	28.1%	38.0%	31.5%	31.0%

Non-Hazardous Duty | Hazardous Duty

* Contribution rates in this chart reflect all sources of contributions including member contributions and contributions from all public sources.

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
2008	**2009**	**7,575.9**	**53.0**	**13.3**

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

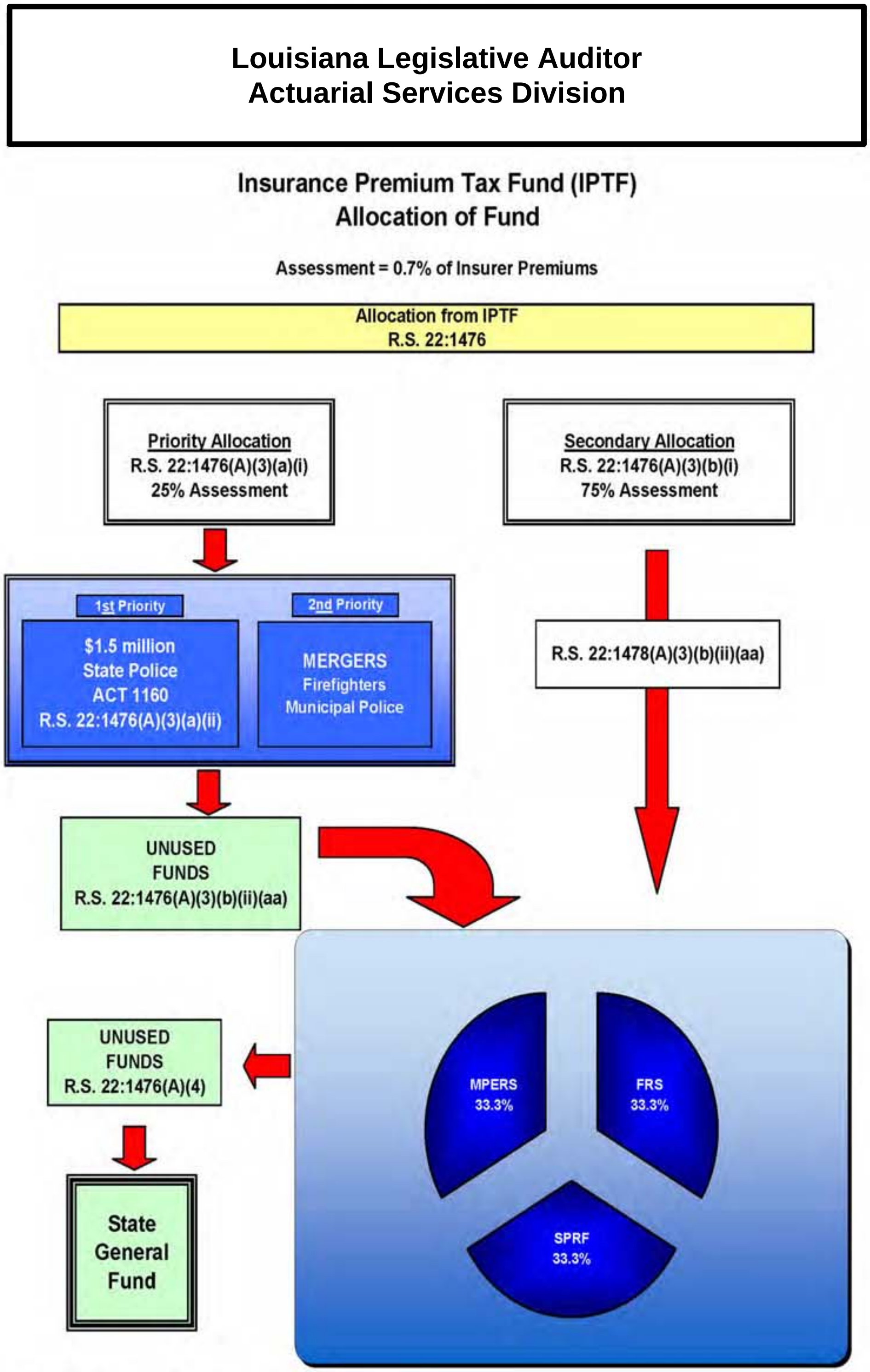
Allocated IPTF Funds
(in millions)

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
2009	**2010**	**53.0**	**53.0**	**0.0**

System Allocations

PRSAC Approved IPTF Allocations
(in millions)

Fiscal Year	FRS	SPRF	MPERS	STPOL
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
2010	**21.3**	**15.1**	**15.1**	**1.5**
10 Yr Sum	***$ 183.1***	***$ 112.4***	***$ 105.5***	***$ 13.5***



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.

Act 497 of 2009

As a result of Act 497, accumulated balances in the EA for LASERS and TRSL were transferred to their respective IUAL accounts on June 30, 2009. The amount of the transfer for LASERS was $122,300,895. The TRSL transfer was $296,655,328.

In addition to reducing EA balances to $0, Act 497 also reduced amounts that will be transferred in the future from the regular pools of assets to the EAs. For LASERS, investment gains will have to exceed $100 million before any gains will be transferred. For TRSL the threshold for gains will be $200 million. If investment gains are large enough, 50% of such gains over the respective thresholds will be transferred to the EAs.

Combined Systems
LASERS & TRSL

Experience Account History as of June 30, 2009 (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
2009	0.0	(53.1)	13.3	0.0*
TOTAL	**$ 602.9**	**$ 552.0**	**$ 2,576.3**	**$ 0.0**

LASERS

Experience Account History as of June 30, 2009 (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
2009	0.0	(10.7)	7.7	0.0*
TOTAL	**$ 64.1**	**$ 154.9**	**$ 833.0**	**$ 0.0**

TRSL

Experience Account History
as of June 30, 2009 (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
2009	0.0	(42.4)	5.6	0.0*
TOTAL	**$ 538.8**	**$ 397.1**	**$ 1,743.3**	**$ 0.0**

* Act 588 of R.S. 2004 reset the EA to $0 as of June 30, 2004, and Act 497 reset the EA to $0 as of June 30, 2009.

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.

Act 497 of 2009

Under Act 497 of the 2009 session, outstanding balances in the IUAL Funds for LASERS and TRSL will receive transfers on June 30, 2009, from their respective Experience Accounts. IUAL Fund balances will then be transferred to the regular asset pools on June 30, 2010. The amount of such transfer for LASERS is estimated to be about $216.5 million. The transfer for TRSL is estimated to be about $699.8 million.

IUAL (Texaco) Fund History as of June 30, 2009
(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
2009	122.3	6.4	206.8
TOTAL	**$ 131.0**	**$ 75.8**	**$ 206.8**

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
2009	296.6	28.6	671.5
TOTAL	**$ 402.3**	**$ 269.2**	**$ 671.5**

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 for 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, 2009
(in millions)

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	$ 7,100.3	$ 8,499.7	$ 8,292.8
TRSL	11,250.3	13,500.3	12,721.9
LSERS	1,203.7	1,410.3	1,410.3
STPOL	334.2	395.9	395.9
State Total	**$ 19,888.5**	**$ 23,806.2**	**$ 22,820.9**
As Percent of Market Value	**100.0%**	**119.7%**	**114.7%**

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	$ 187.9	$ 206.7	$ 206.7
CCRS	271.6	338.8	338.8
DARS	182.4	221.1	221.1
FRS	865.5	1,073.8	1,073.8
MERSA	568.2	670.9	670.9
MERSB	117.3	138.4	138.4
MPERS	1,084.2	1,297.1	1,297.1
PERSA	1,904.1	2,135.2	2,135.2
PERSB	134.9	150.4	150.4
RVRS	48.8	60.5	60.5
SPRF	1,307.0	1,608.2	1,608.2
Statewide Total	**$ 6,671.9**	**$ 7,901.1**	**$ 7,901.1**
As Percent of Market Value	**100.0%**	**118.4%**	**118.4%**

Asset Values*
as of June 30, 2009
(in millions)

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems	**$ 27,560.4**	**$ 31,707.3**	**$ 30,722.0**
As Percent of Market Value	**100.0%**	**115.0%**	**111.5%**

* Values based on 2009 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 2008 and FY 2009. 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

		FY 2008		FY 2009		Expected Long-Term Actuarial Rate
	System	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	
State Systems	**LASERS**	-3.83%	8.49%	**-19.55%**	**-7.64%**	***8.25%***
	TRSL	-4.98%	5.15%	**-22.27%**	**-12.31%**	***8.25%***
	LSERS	-4.74%	5.87%	**-16.94%**	**-7.08%**	***7.50%***
	STPOL	-5.24%	4.55%	**-18.96%**	**-7.13%**	***7.50%***
Statewide Systems	**ASSR**	-13.7%	1.9%	**6.6%**	**6.8%**	***8.00%***
	CCRS	-6.3%	7.9%	**-19.3%**	**-6.1%**	***8.00%***
	DARS	-4.9%	5.8%	**-14.2%**	**-3.0%**	***8.00%***
	FRS	-5.0%	9.0%	**-20.8%**	**-4.9%**	***7.50%***
	MERSA	1.1%	9.0%	**-13.8%**	**0.9%**	***8.00%***
	MERSB	1.3%	8.8%	**-13.7%**	**0.9%**	***8.00%***
	MPERS	-7.6%	6.4%	**-24.2%**	**-16.7%**	***7.50%***
	PERSA	-25.7%	-4.9%	**20.6%**	**9.1%**	***7.50%***
	PERSB	-25.0%	-5.2%	**20.7%**	**8.8%**	***7.50%***
	RVRS	-3.9%	6.6%	**-18.3%**	**-6.2%**	***8.00%***
	SPRF	-6.4%	6.5%	**-17.4%**	**-5.0%**	***8.00%***

Note: Values based on 2009 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

	Annual Rate (as of June 30)	
Indices	**FY 2008**	**FY 2009**
CPI (1)	**5.0%**	**-1.4%**
Barclays Capital (2)	**6.22%**	**1.7%**
S&P 500 (3)	**-14.9%**	**-28.2%**
55% Stock/ 45% Bond	**-5.4%**	**-11.3%**
65% Stock/ 35% Bond	**-7.5%**	**-13.6%**

Note: Indices are shown for the twelve-month period ending June 30. (1) CPI (All Items), (2) Barclays Capital US Aggregate Bond Index, (3) Standard & Poors' 500 Index. Composites are 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 began showing some signs of weakness at the end of the systems' 2008 fiscal years. Significant losses occurred in 2009. Average rates of return as measured over the past five years have been substantially below the rates assumed by the actuaries.

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

	Fiscal Year								**5-Year Average* Annual Return**	**Expected Long-Term Actuarial Return**
	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*		
State Systems										
LASERS	-5.6%	3.8%	17.6%	9.9%	11.6%	18.6%	-3.8%	-19.6%	**2.3%**	***8.25%***
TRSL	-8.1%	2.2%	16.9%	9.7%	14.0%	19.1%	-5.0%	-22.3%	**1.9%**	***8.25%***
LSERS	-2.4%	3.8%	12.1%	8.2%	5.8%	14.9%	-4.7%	-17.0%	**0.8%**	***7.50%***
STPOL	-2.8%	5.1%	11.5%	9.0%	7.4%	16.2%	-5.2%	-19.0%	**0.9%**	***7.50%***
Statewide Systems										
ASSR	-4.9%	15.3%	10.0%	13.4%	9.1%	14.7%	-13.7%	6.6%	**5.5%**	***8.00%***
CCRS	-3.0%	2.9%	12.3%	8.7%	11.5%	14.3%	-6.3%	-19.3%	**0.9%**	***8.00%***
DARS	-9.1%	2.8%	13.2%	5.0%	7.7%	14.6%	-4.9%	-14.2%	**1.1%**	***8.00%***
FRS	-3.7%	5.4%	11.0%	10.4%	12.3%	17.1%	-5.0%	-20.8%	**1.8%**	***7.50%***
MERSA	-1.8%	4.4%	9.6%	7.2%	8.6%	18.1%	1.1%	-13.8%	**3.7%**	***8.00%***
MERSB	-2.8%	3.8%	9.7%	7.2%	8.5%	17.4%	1.3%	-13.7%	**3.6%**	***8.00%***
MPERS	-5.3%	3.8%	12.9%	9.3%	8.7%	16.5%	-7.6%	-24.2%	**-0.6%**	***7.50%***
PERSA	-2.7%	15.6%	10.2%	6.3%	12.8%	7.9%	-25.7%	20.6%	**3.0%**	***7.50%***

	Fiscal Year								5-Year Average* Annual Return	Expected Long-Term Actuarial Return
	2002	2003	2004	2005	2006	2007	2008	2009		
Statewide Systems (continued)										
PERSB	0.0%	15.9%	9.6%	5.1%	11.6%	7.7%	-25.0%	20.7%	**2.7%**	***7.50%***
RVRS	-3.0%	3.3%	10.9%	6.8%	5.2%	14.0%	-3.9%	-18.3%	**0.2%**	***8.00%***
SPRF	-3.0%	4.2%	8.4%	8.1%	8.5%	16.0%	-6.4%	-17.4%	**1.0%**	***8.00%***

Note: Values are based on the 2009 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 the period from 2001 to 2003 and funded ratios deteriorated. Some recovery occurred from 2003 to 2007. Market weakness and a deterioration of funded levels were exhibited during FY 2008. Significant declines in the market occurred in FY 2009 and as a result funded ratios also declined.

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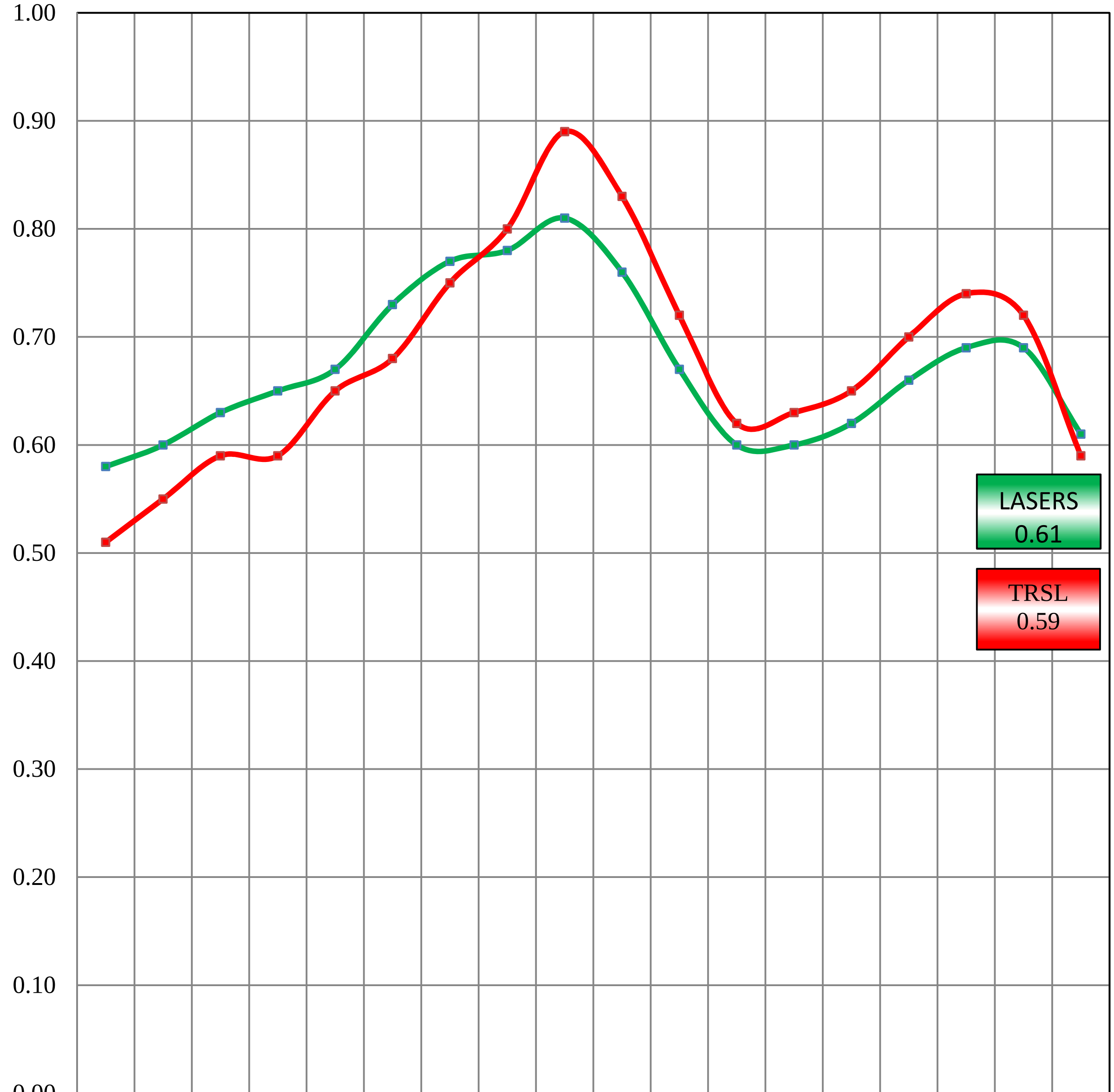
Funded Levels for LASERS and TRSL
1992 through 2009
Actuarial Value of Assets / Actuarial Accrued Benefit Liability



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
LASERS	0.58	0.60	0.63	0.65	0.67	0.73	0.77	0.78	0.81	0.76	0.67	0.60	0.60	0.62	0.66	0.69	0.69	0.61
TRSL	0.51	0.55	0.59	0.59	0.65	0.68	0.75	0.80	0.89	0.83	0.72	0.62	0.63	0.65	0.70	0.74	0.72	0.59

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)

State Systems

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
LASERS	$ 2,864.3	$ 3,333.5	$ 4,165.9	$ 4,202.8	$ 4,164.5	$ 4,129.7	$ 4,473.1	$ 5,694.0
TRSL	4,517.2	5,531.9	6,836.1	6,812.6	6,555.0	6,250.6	6,967.6	10,117.5
LSERS	148.2	361.2	439.8	466.2	391.8	389.3	481.2	743.0
STPOL	155.1	215.7	229.0	238.2	166.5	158.6	199.7	282.4
State Total	**$ 7,684.8**	**$ 9,442.3**	**$11,670.8**	**$11,719.8**	**$11,277.8**	**$10,928.2**	**$12,121.6**	**$16,836.9**

Statewide Systems

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
ASSR	$ 35.3	$ 35.2	$ 35.5	$ 35.8	$ 35.0	$ 32.1	$ 23.9	$ 22.8
CCRS	77.9	79.2	80.4	81.4	82.8	84.1	85.2	86.2
DARS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	246.0	286.3	284.4	193.7	178.0	166.7	187.4	336.8
MERSA	67.7	68.9	70.1	71.3	72.3	73.2	74.0	74.6
MERSB	6.7	6.4	6.2	6.0	5.7	5.4	5.2	4.9
MPERS	195.2	379.5	423.4	318.8	279.1	188.2	240.3	691.3
PERSA	98.9	97.4	95.4	92.9	89.8	66.3	60.4	53.6
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	91.1	92.3	93.5	94.6	95.5	96.3	74.3	72.8
Statewide Total	**$ 818.8**	**$ 1,045.2**	**$ 1,088.9**	**$ 894.5**	**$ 838.2**	**$ 712.3**	**$ 750.7**	**$ 1,343.0**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
All Systems Total	**$ 8,503.6**	**$10,487.5**	**$12,759.7**	**$12,614.3**	**$12,116.0**	**$11,640.5**	**$12,872.3**	**$18,179.9**

Note: Values based on 2009 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, 2009**
(in millions)

	Fiscal Year							
State Systems	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
LASERS	$ 2,746.1	$ 3,308.8	$ 4,139.8	$ 4,173.6	$ 4,117.9	$ 4,076.4	$ 4,395.0	$ 5,487.2
TRSL	4,243.7	5,369.9	6,658.1	6,617.1	6,302.4	5,959.6	6,582.7	9,338.6
LSERS	111.8	355.3	439.8	466.2	391.8	389.3	481.3	743.0
STPOL	115.0	176.6	188.2	193.9	166.5	158.6	199.8	282.4
State Total	**$ 7,216.6**	**$ 9,210.6**	**$11,425.9**	**$11,450.8**	**$10,978.6**	**$10,583.9**	**$11,658.8**	**$15,851.2**

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

	Fiscal Year							
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
State Systems								
LASERS	147.5%	171.9%	205.2%	198.7%	208.0%	187.4%	180.3%	214.1%
TRSL	152.8%	180.3%	220.7%	211.3%	217.9%	184.8%	179.1%	238.7%
LSERS	43.2%	132.2%	169.4%	179.9%	163.7%	150.3%	166.2%	235.6%
STPOL	362.8%	400.1%	392.8%	393.5%	338.1%	318.8%	352.1%	474.2%
Statewide Systems								
ASSR	133.9%	130.4%	123.5%	122.2%	118.6%	95.7%	65.1%	60.0%
CCRS	121.5%	117.3%	113.7%	110.6%	116.7%	107.3%	101.9%	100.4%
DARS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FRS	215.0%	236.6%	221.9%	144.2%	126.9%	110.4%	110.6%	188.2%
MERSA	52.0%	50.7%	51.6%	50.9%	51.4%	51.8%	49.8%	47.5%
MERSB	15.3%	14.2%	13.0%	12.2%	11.2%	10.0%	8.8%	7.6%
MPERS	104.1%	192.4%	202.8%	147.8%	125.0%	82.1%	95.1%	255.8%
PERSA	26.5%	24.6%	23.5%	21.6%	21.4%	14.6%	11.8%	10.0%
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	25.3%	24.1%	23.0%	21.9%	21.9%	20.0%	13.8%	12.6%

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, 2009
(in millions)

State Systems

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	Funded Level
LASERS	$ 8,499.7	$ 13,986.8	60.8%
TRSL	13,500.3	22,839.4	59.1%
LSERS	1,410.3	2,153.4	65.5%
STPOL	395.9	678.3	58.4%
State Total	**$ 23,806.2**	**$ 39,657.9**	**60.0%**

Statewide Systems

Funded Levels
As of June 30, 2009
(in millions)

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	**Funded Level**
ASSR	$ 206.7	$ 252.0	82.0%
CCRS	338.8	478.6	70.8%
DARS	221.1	241.4	91.6%
FRS	1,073.8	1,369.6	78.4%
MERSA	670.9	794.5	84.4%
MERSB	138.4	152.0	91.1%
MPERS	1,297.1	1,988.4	65.2%
PERSA	2,135.2	2,286.0	93.4%
PERSB	150.4	156.9	95.9%
RVRS	60.5	72.3	83.6%
SPRF	1,608.2	2,009.8	80.0%
Statewide Total	**$ 7,901.1**	**$ 9,801.5**	**80.6%**

All Systems Combined

Funded Levels
As of June 30, 2009
(in millions)

System	**AVA** Actuarial Value of Assets	**PBO** Projected Accrued Benefit Liability	**Funded Level**
Combined Total	**$31,707.3**	**$49,459.4**	**64.1%**

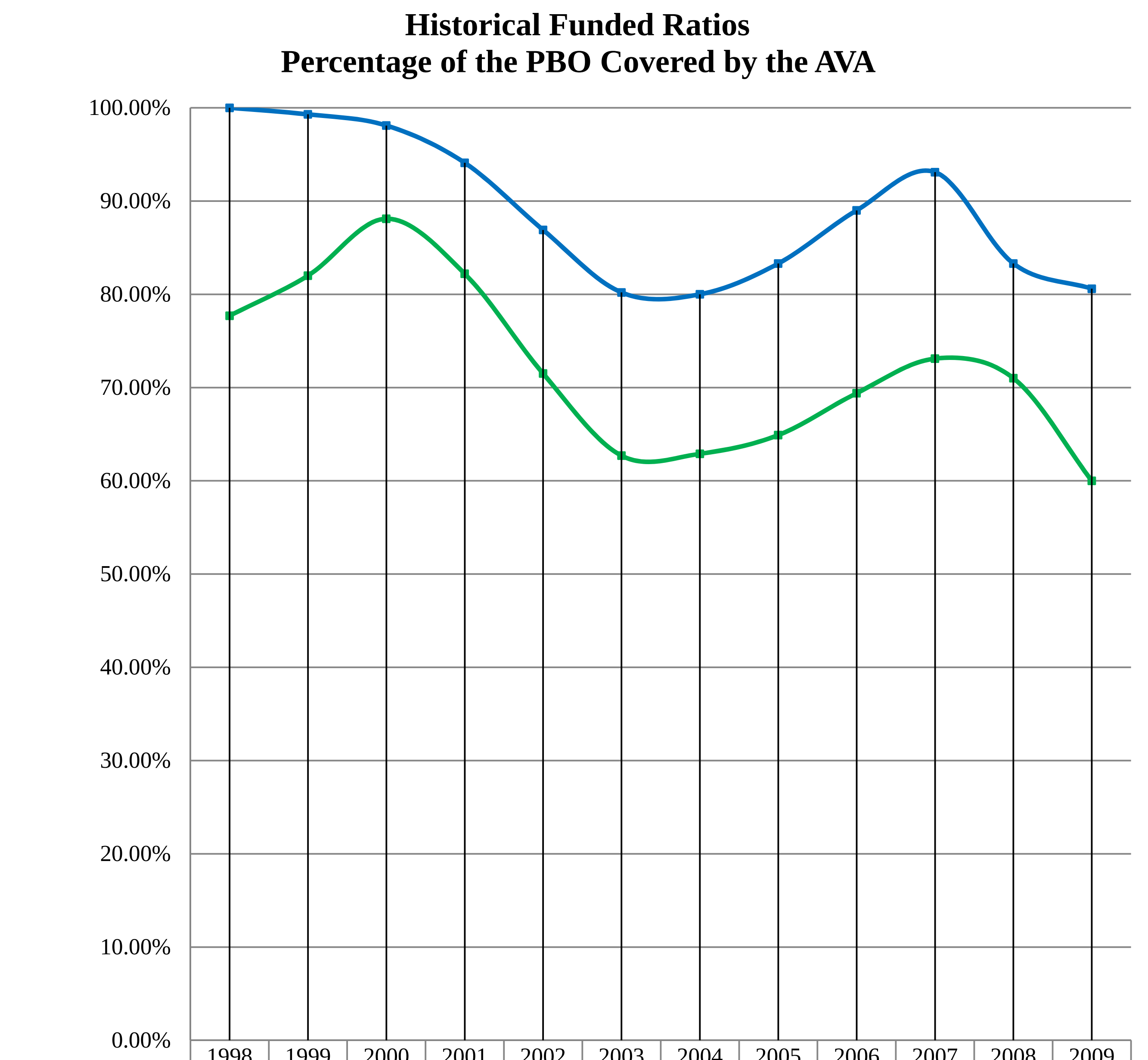
Note: Values based on 2009 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

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 in 2001, 2002, 2008, and 2009, 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*)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
State Systems										
LASERS	80.9%	76.3%	67.2%	59.7%	59.6%	62.5%	65.8%	69.4%	68.6%	60.8%
TRSL	88.8%	82.7%	72.0%	62.4%	63.1%	65.1%	70.3%	74.3%	71.8%	59.1%
LSERS	133.7%	114.5%	90.7%	84.0%	79.4%	78.9%	82.3%	83.3%	76.6%	65.5%
STPOL	72.0%	77.1%	73.5%	62.4%	62.8%	62.5%	72.4%	75.9%	74.5%	58.4%
State Total	**88.1%**	**82.2%**	**71.5%**	**62.7%**	**62.9%**	**64.9%**	**69.4%**	**73.1%**	**71.0%**	**60.0%**
Statewide Systems										
ASSR	73.6%	66.4%	61.3%	59.5%	61.2%	65.9%	73.4%	77.8%	78.1%	82.0%
CCRS	78.3%	76.6%	72.5%	67.8%	66.5%	66.8%	76.3%	78.9%	79.1%	70.8%
DARS	131.9%	128.5%	117.7%	103.7%	98.2%	100.6%	108.4%	109.6%	103.8%	91.6%
FRS	86.0%	82.3%	74.9%	72.3%	74.5%	83.5%	86.4%	88.6%	88.4%	78.4%
MERSA	92.4%	91.0%	85.5%	78.8%	77.1%	78.4%	83.3%	87.9%	89.3%	84.4%
MERSB	101.9%	92.3%	87.4%	81.3%	78.7%	80.1%	88.6%	94.7%	96.1%	91.1%
MPERS	109.4%	105.6%	95.6%	77.4%	76.6%	83.6%	87.4%	93.5%	86.9%	65.2%
PERSA	102.0%	99.1%	90.9%	87.9%	89.5%	89.6%	97.3%	101.6%	89.3%	93.4%
PERSB	130.3%	117.8%	108.4%	106.3%	107.4%	106.7%	108.3%	107.4%	91.9%	95.9%
RVRS	104.8%	104.2%	97.7%	91.5%	87.0%	88.2%	91.6%	97.2%	95.9%	83.6%
SPRF	93.8%	87.8%	84.2%	81.9%	79.9%	80.3%	86.8%	90.1%	88.8%	80.0%
Statewide Total	**98.1%**	**94.1%**	**86.9%**	**80.2%**	**80.0%**	**83.3%**	**89.0%**	**93.1%**	**88.3%**	**80.6%**
All Systems Combined Total:	**89.8%**	**84.3%**	**74.2%**	**65.8%**	**66.0%**	**68.3%**	**73.1%**	**76.9%**	**74.2%**	**64.1%**



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State	77.70%	82.00%	88.10%	82.20%	71.50%	62.70%	62.90%	64.90%	69.40%	73.10%	71.00%	60.00%
Statewide	100.00%	99.30%	98.10%	94.10%	86.90%	80.20%	80.00%	83.30%	89.00%	93.10%	83.30%	80.60%

PBO – Projected Benefit Obligation
AVA – Actuarial Value of Assets

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, 2009

Statewide Systems

System	Target Ratio	Funded Ratio
ASSR	86.1%	82.0%
CCRS	90.4%	70.8%
DARS	100.0%	91.6%
FRS	94.1%	78.4%
MERSA	95.4%	84.4%
MERSB	95.4%	91.1%
MPERS	94.9%	65.2%
PERSA	92.8%	93.4%
PERSB	100.0%	95.9%
RVRS	100.0%	83.6%
SPRF	100.0%	80.0%

Note: Values based on 2009 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 the DROP.

Participant Census
As of June 30, 2009

		Actives	Retirees	Current DROP	Total Members	% of All Systems	FY 2009 Payroll*
State Systems	**LASERS**	61,991	38,253	2,683	104,874	27.2%	$ 2,562.6
	TRSL	88,206	62,417	3,421	159,916	41.5%	3,912.3
	LSERS	13,265	12,290	508	26,424	6.8%	315.4
	STPOL	1,103	1,175	18	2,321	0.6%	59.6
	State Total	**164,565**	**114,135**	**6,630**	**293,535**	**76.1%**	**$ 6,849.9**
Statewide Systems	**ASSR**	761	454	16	1,312	0.3%	$ 38.0
	CCRS	2,257	894	114	3,704	1.0%	85.8
	DARS	725	176	7	1,194	0.3%	50.5
	FRS	3,882	1,688	147	6,179	1.6%	178.9
	MERSA	4,829	2,861	223	10,681	2.8%	157.1
	MERSB	2,204	833	65	4,191	1.1%	64.8
	MPERS	6,071	3,984	185	10,352	2.7%	270.2
	PERSA	14,367	5,413	428	27,381	7.1%	536.4
	PERSB	2,253	560	37	4,394	1.1%	79.4
	RVRS	238	138	9	409	0.1%	11.8
	SPRF	14,396	3,369	0	22,506	5.8%	577.1
	Statewide Total	**51,983**	**20,370**	**1,231**	**92,303**	**23.9%**	**$ 2,050.0**
All Systems	**Total**	**216,548**	**134,505**	**7,861**	**385,838**	**100.0%**	**$ 8,899.9**

∗ Millions of dollars

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

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 2009, accounts for ORP members received 13.31% of covered salary. $86.2 million of employer contributions were retained by TRSL to fund the UAL. Based on information provided by TRSL, there were 8,470 participants in ORP as of December 31, 2009. ORP members represent about 56% 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%

Growth of ORP Membership
(Continued)

Year	ORP Members	TRSL Members (Excludes DROP)	Ratio ORP to TRSL
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%
2009	**8,470**	**84,719**	**10.0%**

Section II

Benefit Formulas, Retirement Eligibility, and Contribution Rates

1. Benefit Accruals and Member Contribution Rates

Formula

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

Annual Benefit at Retirement	=	Benefit Accrual Rate	x	Years of Service at Retirement	x	Final Average Compensation

The benefit may not exceed final average compensation.

Benefit Accrual Rates, Retirement Eligibility, & Member Contribution Rates
(as of July 1, 2009)

LASERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility: Service	Retirement Eligibility: Age	Member Contribution
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%
* At least 12 yrs as judge/court officer	3.50%		any	70	11.50%
LASERS: Early retirement – 20 years of service with actuarially reduced benefits.					

Benefit Accrual Rates, Retirement Eligibility, & Member Contribution Rates
(as of July 1, 2009)

TRSL

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

Benefit Accrual Rates, Retirement Eligibility, & Member Contribution Rates
(as of July 1, 2009)

ASSR

	Benefit Accrual	Final Avg Comp	Retirement Eligibility		Member Contribution
			Service	Age	
All Employees					
Hired Before 10/1/2006	3 1/3%	3 yrs	12	55	8.00%
	3 1/3%		30	any age	8.00%
Hired On/After 10/1/2006	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, 2009)

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, 2009)

PERS

	Benefit Accrual	Final Avg Comp	Retirement Eligibility Service	Retirement Eligibility Age	Member Contribution
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 Service	Retirement Eligibility Age	Member Contribution
Hired Before 7/1/2006	3 1/3%	3 yrs	10	60	7.00%
	3 1/3%		20	55	7.00%
	3 1/3%		30	any age	7.00%
Hired On/After 7/1/2006	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 Service	Retirement Eligibility Age	Member* Contribution
Hired Before 7/1/2006	3 1/3%	3 yrs	12	55	10.00%
	3 1/3%		30	any age	10.00%
Hired On/After 7/1/2006	3 1/3%	5 yrs	12	55	10.00%
	3 1/3%		30	any age	10.00%
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, 2009 (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 2009, including legislation under Acts of the 2009 Regular Session.

For Fiscal Year 2009

Non-Hazardous Group

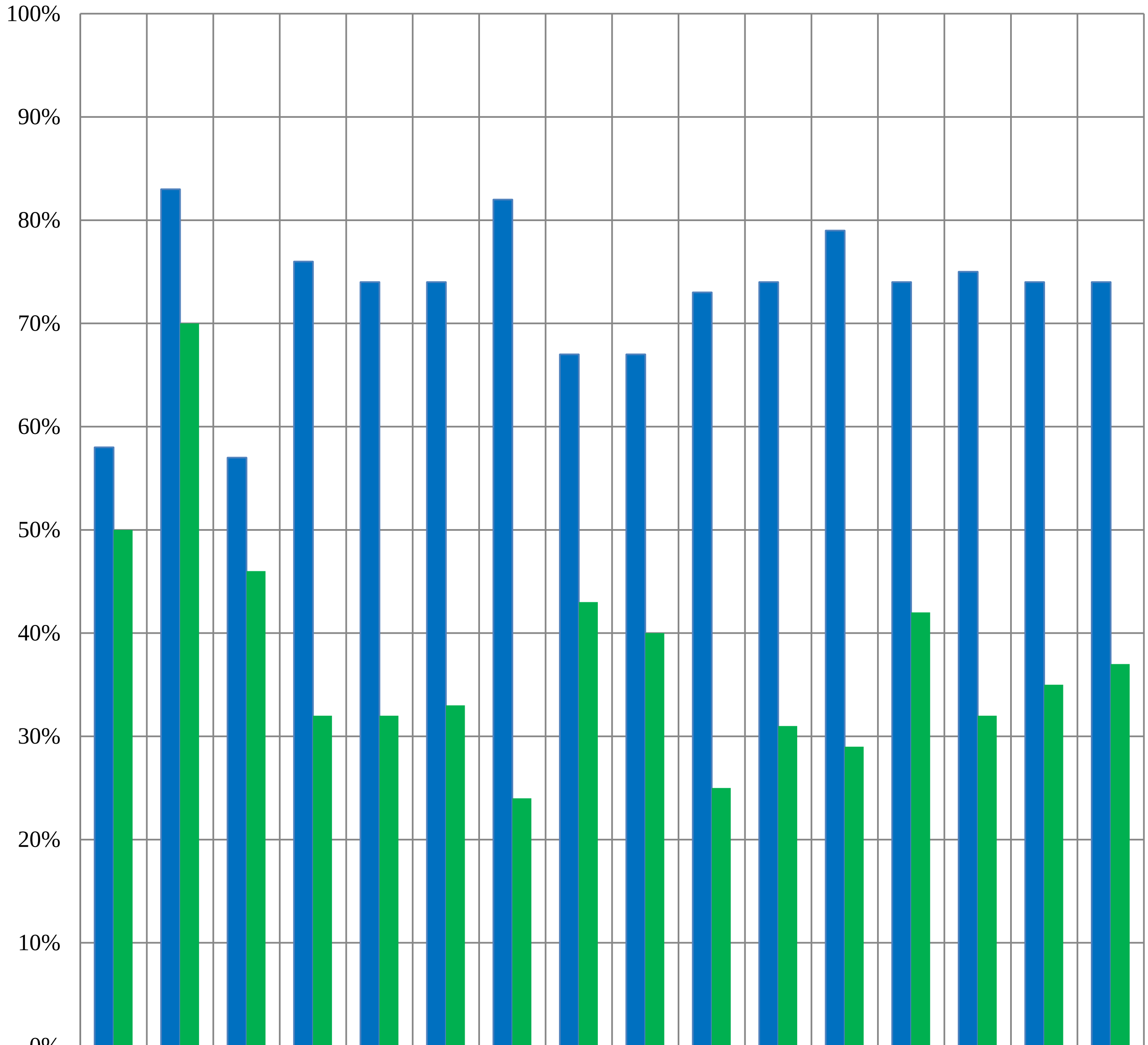
	Division	Age	Replacement Ratios (Benefit as % of Pay)			Employee Paid Portion of Benefit Cost (with interest)		
			Years of Service					
			20	30	40	20	30	40
			(Projected for a New Member)					
LASERS	Regular	65	46%	69%	91%	52%	66%	77%
	Legislators	65	67%	95%	95%	71%	100%	100%
	Judges	65	67%	95%	95%	70%	100%	100%
TRSL	Teachers	65	45%	69%	90%	51%	62%	73%
	Lunch A	65	55%	82%	92%	51%	62%	81%
	Lunch B	65	36%	55%	77%	40%	50%	66%
LSERS	Regular	65	61%	92%	93%	35%	41%	57%
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%	81%	90%	46%	50%	57%
	Plan B	65	36%	54%	72%	22%	24%	26%
RVRS	Regular	65	58%	88%	88%	28%	29%	32%

For Fiscal Year 2009

Hazardous Group

	Division	Age	Replacement Ratios (Benefit as % of Pay)		Employee Paid Portion of Benefit Cost (with interest)	
			Years of Service			
			20	25	20	25
			(Projected for a New Member)			
LASERS	Wildlife	55	59%	74%	33%	35%
	Corrections	55	45%	56%	46%	49%
	Public Safety	55	59%	74%	35%	37%
STPOL	Regular	55	60%	74%	30%	31%
FRS	Regular	55	63%	79%	27%	29%
MPERS	Regular	55	61%	75%	31%	32%
SPRF	Regular	55	60%	74%	40%	42%

Ratio of Retirement Benefit to Retirement Income and
The Portion of the Benefit Paid by Employees
Retirement Age 55 with 25 Years of Service



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILD LIFE	PUBLIC SAFETY
RETIREMENT %	58%	83%	57%	76%	74%	74%	82%	67%	67%	73%	74%	79%	74%	75%	74%	74%
EMPLOYEE %	50%	70%	46%	32%	32%	33%	24%	43%	40%	25%	31%	29%	42%	32%	35%	37%

Non Hazardous Duty **Hazardous Duty**

Retirement % – Retirement Income as a Percentage of Pre Retirement Income
Employee % – Portion of the Total Benefit Funded by the Employee

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

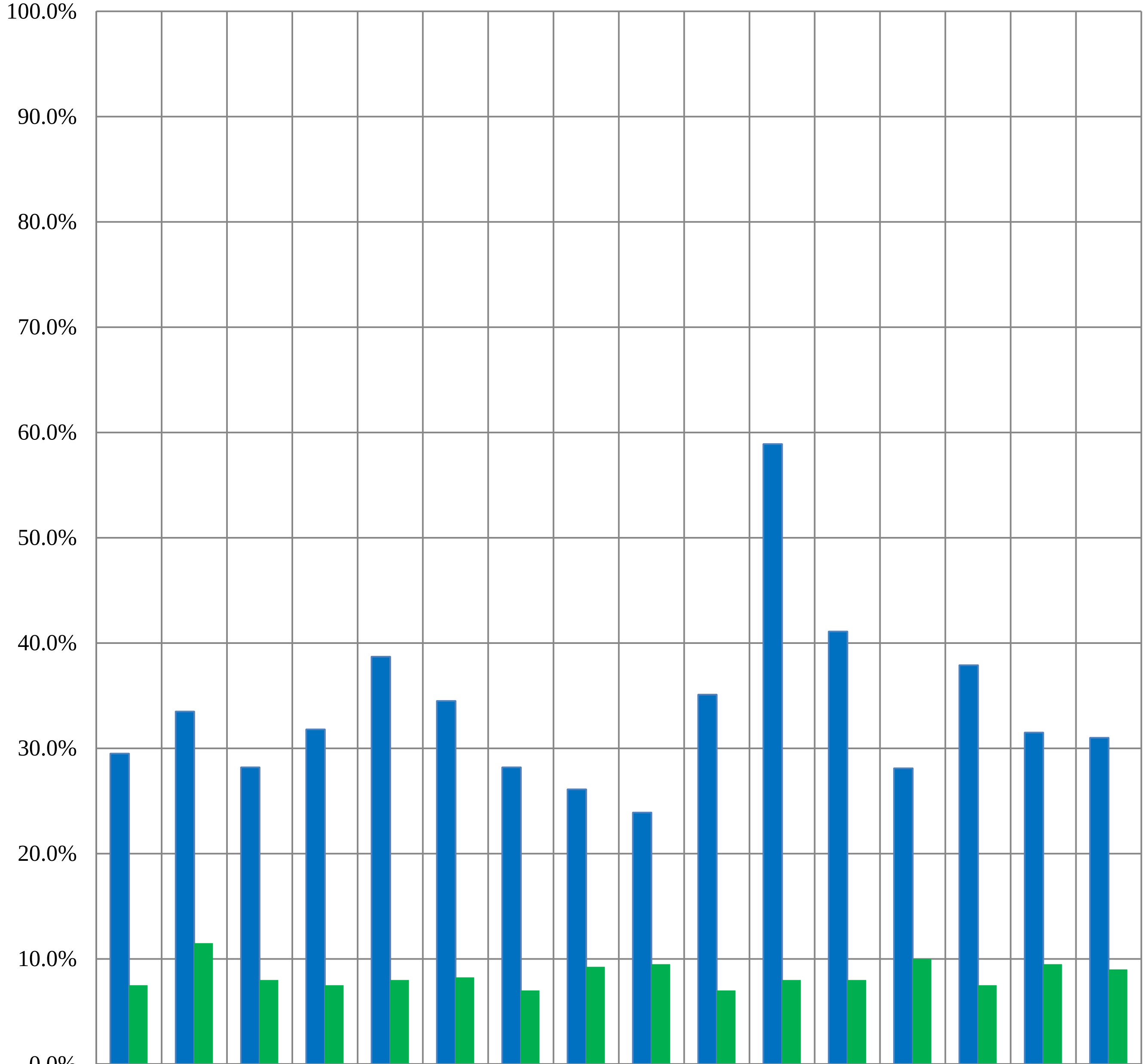
Employee contribution rates are fixed by statute and are summarized in the first part of this section. Required member contributions vary by plan and, with some exceptions, range from 7.0% to 10.0% of employee pay. Judges/court officers and legislators are required to contribute 11.5%.

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 2011, we expect total projected rates to range from 23.9% to 58.9% of member payroll, with a median rate of 31.5%. Last year's range was 21.5% to 51.9%, with a median of 26.4%.

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 2011.

Projected Contribution Rates
All Sources and Members Only
2011 Fiscal Year



	LASERS	JUDGES	TRSL	LSERS	ASSR	CCRS	DARS	MERS A	PERS A	RVRS	STPOL	FRS	SPRF	MPERS	WILD LIFE	PUBLIC SAFETY
ALL SOURCES	29.5%	33.5%	28.2%	31.8%	38.7%	34.5%	28.2%	26.1%	23.9%	35.1%	58.9%	41.1%	28.1%	37.9%	31.5%	31.0%
MEMBER ONLY	7.50%	11.50%	8.00%	7.50%	8.00%	8.25%	7.00%	9.25%	9.50%	7.00%	8.00%	8.00%	10.00%	7.50%	9.50%	9.00%

Non Hazardous Duty (LASERS through RVRS) **Hazardous Duty** (STPOL through PUBLIC SAFETY)

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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 $16.8 billion on June 30, 2009. 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 2010 are scheduled to be $1,076.2 million.

2. Payments will steadily increase to about $1.6 billion in FY 2019 and to $1.75 billion by FY 2029.

3. Beginning in FY 2030, payments will fall to about $1.13 billion and steadily decrease thereafter, until full funding is attained on June 30, 2040.

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.

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Several changes have been made to the payment schedules since to 1992, with the most recent change occurring with Act 497 of the 2009 legislative session. Although payments are scheduled to increase, they are no longer linked in any manner to anticipated future payrolls of the state. As a result of Act 497:

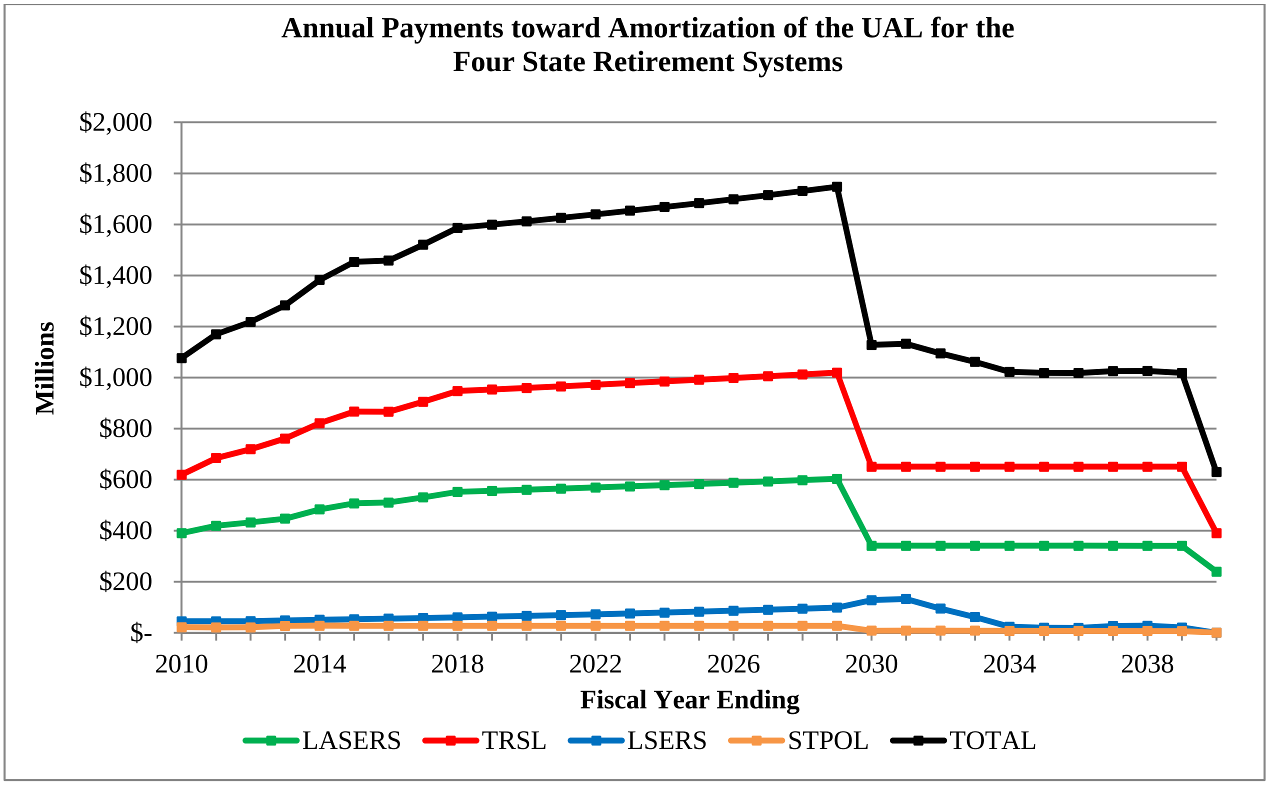
1. The UALs will be reduced by balances in the LASERS and TRSL IUAL Funds, the Experience Accounts, and the Employer Credit Accounts. The UALs will be reduced by $206.8 million and $671.5 million for LASERS and TRSL, respectively.

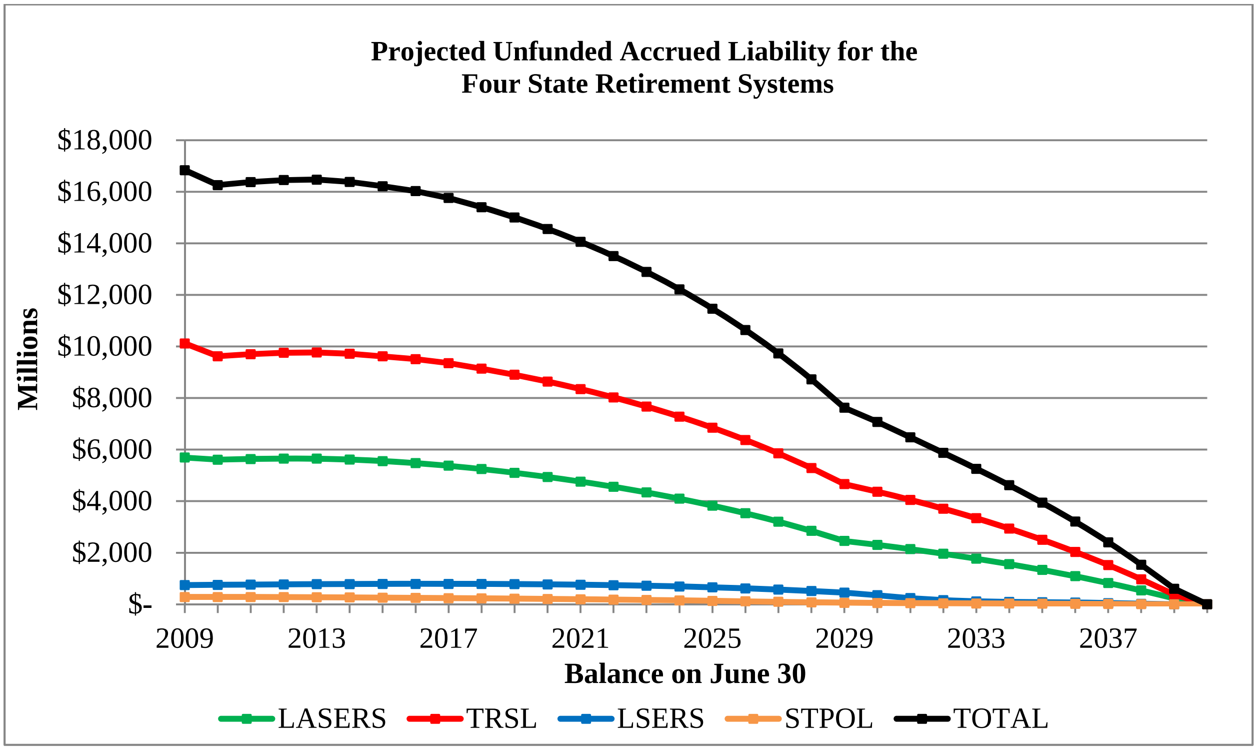
2. Annual amortization payments will be smaller than they would have been otherwise because the outstanding principal amounts are less. Under Act 497, amortization payments will not be sufficient to cover interest on the UAL until June 30, 2013, and the UAL will continue to increase. Prior to Act 497, payments would have been insufficient to pay interest until June 30, 2016.

3. Amortization payments will be more than enough to cover interest charges after June 30, 2013, and UAL balances will begin to decline.

Note: amortization schedules under Act 497 comply with the law requiring the IUAL established on June 30, 1988, to 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. Outstanding balances for the UALs over the next 30 years are also shown.


Annual Payments toward Amortization of the UAL for the
Four State Retirement Systems
Millions
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
2010
2014
2018
2022
2026
2030
2034
2038
Fiscal Year Ending
LASERS
TRSL
LSERS
STPOL
TOTAL


Projected Unfunded Accrued Liability for the
Four State Retirement Systems
Millions
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
2009
2013
2017
2021
2025
2029
2033
2037
Balance on June 30
LASERS
TRSL
LSERS
STPOL
TOTAL

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, 2009)

Combined State Systems

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2010	1	$ 1,076,200,000
2014	5	1,382,400,000
2019	10	1,598,800,000
2024	15	1,668,400,000
2029	20	1,747,500,000
2034	25	1,022,200,000
2040	31	629,500,000

LASERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2010	1	$ 390,200,000
2014	5	483,300,000
2019	10	555,800,000
2024	15	578,100,000
2029	20	602,800,000
2034	25	340,900,000
2040	31	239,200,000

TRSL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2010	1	$ 619,100,000
2014	5	820,900,000
2019	10	953,000,000
2024	15	984,500,000
2029	20	1,019,200,000
2034	25	650,600,000
2040	31	390,200,000

SCHEDULED MID-YEAR AMORTIZATION PAYMENTS FOR EACH SYSTEM'S UAL (of June 30, 2009)

LSERS

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2010	1	$ 45,000,000
2014	5	50,900,000
2019	10	63,100,000
2024	15	78,800,000
2029	20	98,500,000
2034	25	23,700,000
2040	31	0

STPOL

Fiscal Year	Years Out	UAL Mid-Year Amortization Payment
2010	1	$ 21,800,000
2014	5	27,200,000
2019	10	27,000,000
2024	15	27,000,000
2029	20	27,000,000
2034	25	7,000,000
2040	31	0

Special Funds

The state retirement systems maintain separate side funds within their respective trusts – the IUAL Fund, the Experience Account, and the Employer Credit Account. These funds were established by law to set aside retirement system assets for specified purposes.

As a result of Act 497, the balance in each of these funds has been or will be transferred back to the regular pool of assets in order to reduce the UALs of the retirement systems. The future of these funds is briefly summarized below:

1. IUAL Fund – this fund will continue to exist but currently there is no source of funding for this account. Future funding will only occur through future legislation.

2. Experience Account – this account will continue to receive 50% of any investment gains that exceed a stated threshold. The thresholds for LASERS and TRSL are $100 million and $200 million, respectively. For LSERS and STPOL, 50% of any investment gain will be transferred from the regular pool of assets to the Experience Account.

3. Employer Credit Account – this account will also continue to exist, but given the current financial status of the retirement systems, it is unlikely that any funding will be available in the foreseeable future.

2. Structural Changes for Amortizing the UAL

Issue

The state's commitment to amortize UAL 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.

Significant structural changes for amortizing the UAL occurred in 1990, 1992, 1993, 2004, and 2008. The most recent change occurred with the enactment of Act 497 during the 2009 Regular Session. The effects that Act 497 will have on amortization schedules for LASERS and TRSL are shown below. A history of the effects of all prior changes follows thereafter.

Act 497 of 2009

Act 497 of the 2009 Regular Session applied to LASERS and TRSL. The Act made the following changes to their amortization schedules.

LASERS

1. A new amortization base called the Original Amortization Base (OAB) will be established as of June 30, 2010. Essentially, the outstanding balance of the IUAL will be reduced by the outstanding balances of net actuarial gains and losses occurring from 1989 to 1993 and actuarial gains that occurred in 1993-1995, 1997-1998, and 2005-2007. The IUAL will be further reduced by amounts in the IUAL Fund.

2. The OAB will be amortized over 19 years from FY 2011 through FY 2029 with payments that increase 6.5% for one year, 5.5% for four years, 5.0% for four years and 2% per year for the remaining period.

3. Another new amortization base called the Experience Account Amortization Base (EAAB) will be established on June 30, 2010. This base will be the sum of the outstanding balances associated with actuarial losses occurring in 1996, 1999-2004, and 2008. The amount will be reduced by the balance in the Experience Account.

4. The EAAB will be amortized over 30 years with payments that increase 6.5% for one year, 5.5% for four years, 5.0% for four years and 0.0% per year for the remaining period.

TRSL

1. A new amortization base called the OAB will be established as of June 30, 2010. Essentially, the outstanding balance of the IUAL will be reduced by the outstanding balances of net actuarial gains and losses occurring from 1989 to 1993 and actuarial gains that occurred in 1993-1996, 1998-2000, and 2005-2008. The IUAL will be further reduced by amounts in the IUAL Fund and the Employer Credit Account.

2. The OAB will be amortized over 19 years from FY 2011 through FY 2029 with payments that increase 7.0% for three years, 6.5% for four years, and 2.0% per year for the remaining period.

3. Another new amortization base called the EAAB will be established on June 30, 2010. This base will be the sum of the outstanding balances associated with actuarial losses occurring in 1997, 2001-2004, and 2008. The amount will be reduced by the balance in the Experience Account.

4. The EAAB will be amortized over 30 years with payments that increase 7.0% for three years, 6.5% for four years, and 0.0% per year for the remaining period.

History – Initial UAL

IUALs 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**

History - 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.

History – 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.

History - 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).

History - 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.

History - 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.

History - 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.

History -
Act 852 of 2008

Act 852 of the 2008 Regular Session applied to STPOL. The Act modified amortization rules in accordance with the following:

1. All outstanding balances for amortization bases on June 30, 2009, currently providing for a schedule of increasing payments were re-amortized with level payments over 20 years.

2. New bases established on June 30, 2009, or later will be amortized with level payments over 30 years.

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

As a result of Act 497 of the 2009 session, amortization payments were reduced and repayment of the state's debt to the retirement systems was further postponed. This was a continuation of a pattern of such changes that have occurred since the Louisiana Constitution mandated actuarial funding in 1988. The effect of Act 497 on debt payments and projections of outstanding balances will be shown first. A history of the effect on all prior changes will then be illustrated.

Amortization under Act 497

Act 497 of the 2009 Regular Session had the following impact on amortization schedules for LASERS and TRSL (see the charts below).

1. Balances in the IUAL Funds, Experience Accounts, and Employer Credit Accounts for LASERS and TRSL were used to reduce the UALs of the two systems.

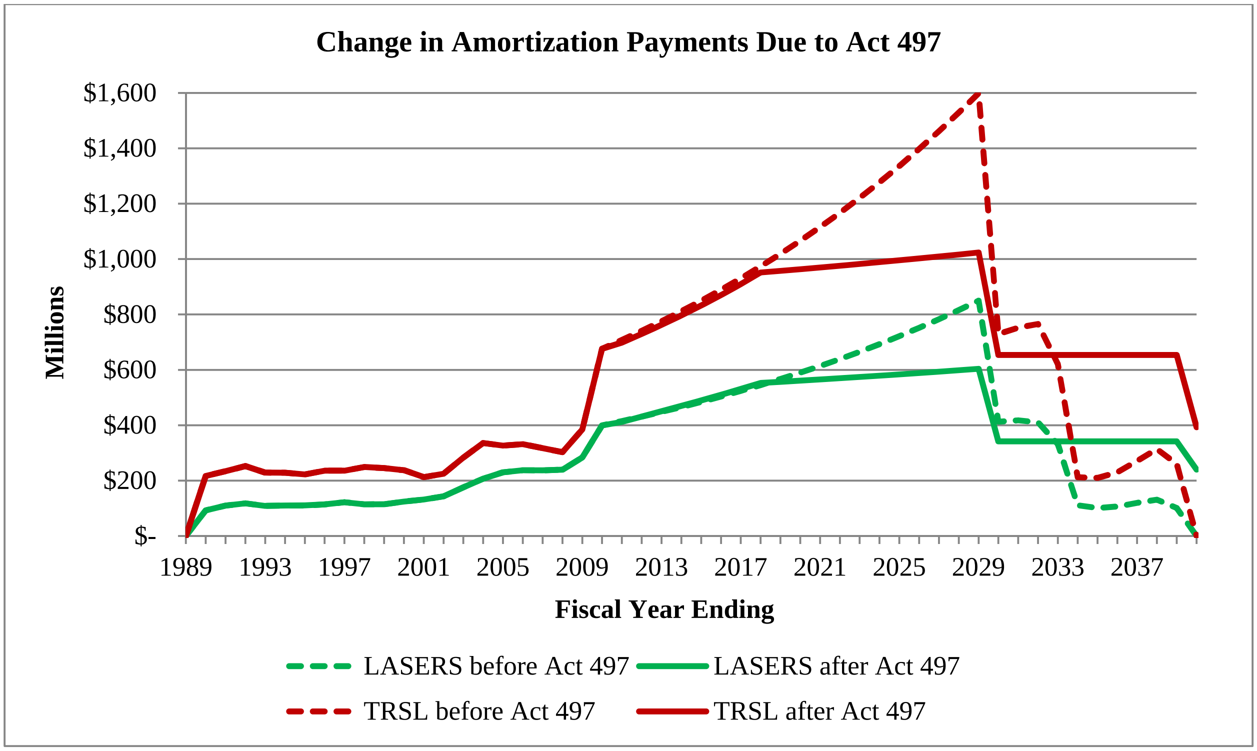
2. Amortization payments through FY 2018 were essentially unchanged.

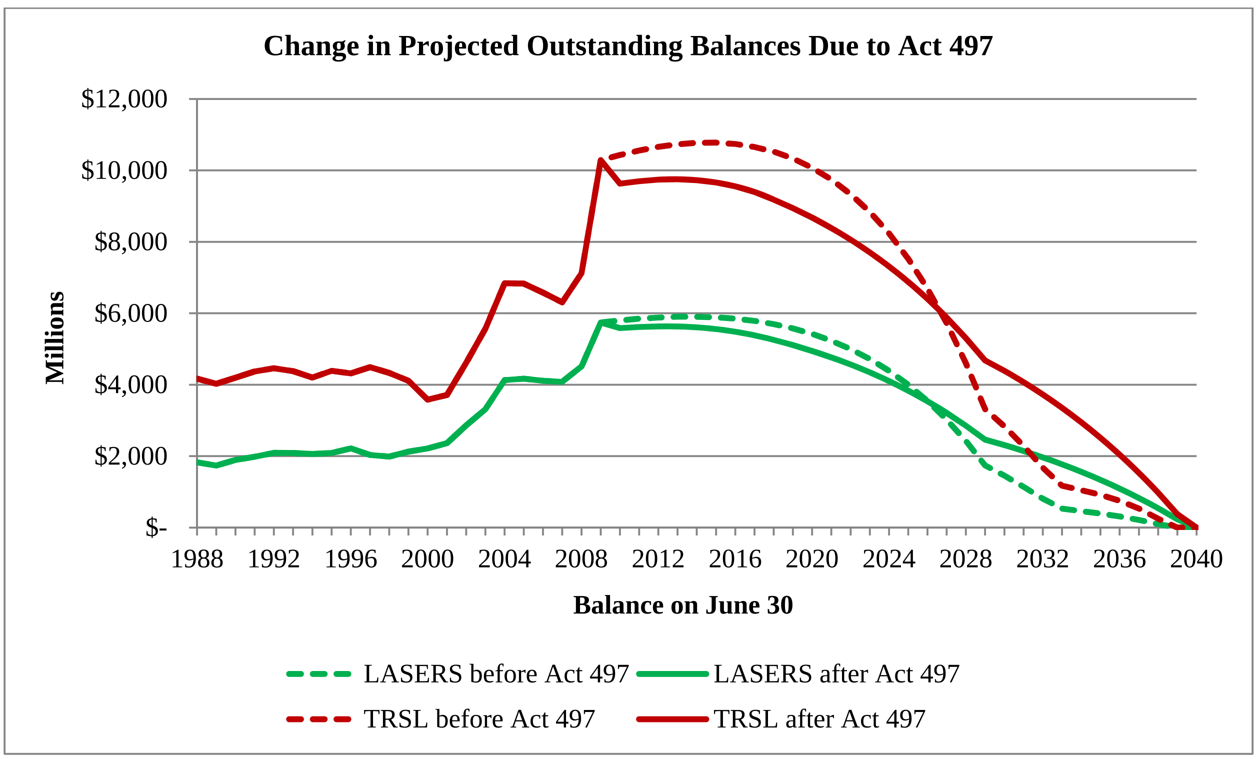
3. Beginning in FY 2019, payments begin to be substantially reduced. As shown in the following chart, future payments from 2019 through 2029 are substantially smaller after Act 497 than before.

4. Beginning in FY 2030, payments will be lower than they are currently, but will be larger than they would have been without Act 497.

5. Because the UAL has been reduced, payments will begin to reduce UAL principal beginning in FY 2013 for LASERS and FY 2014 for TRSL.

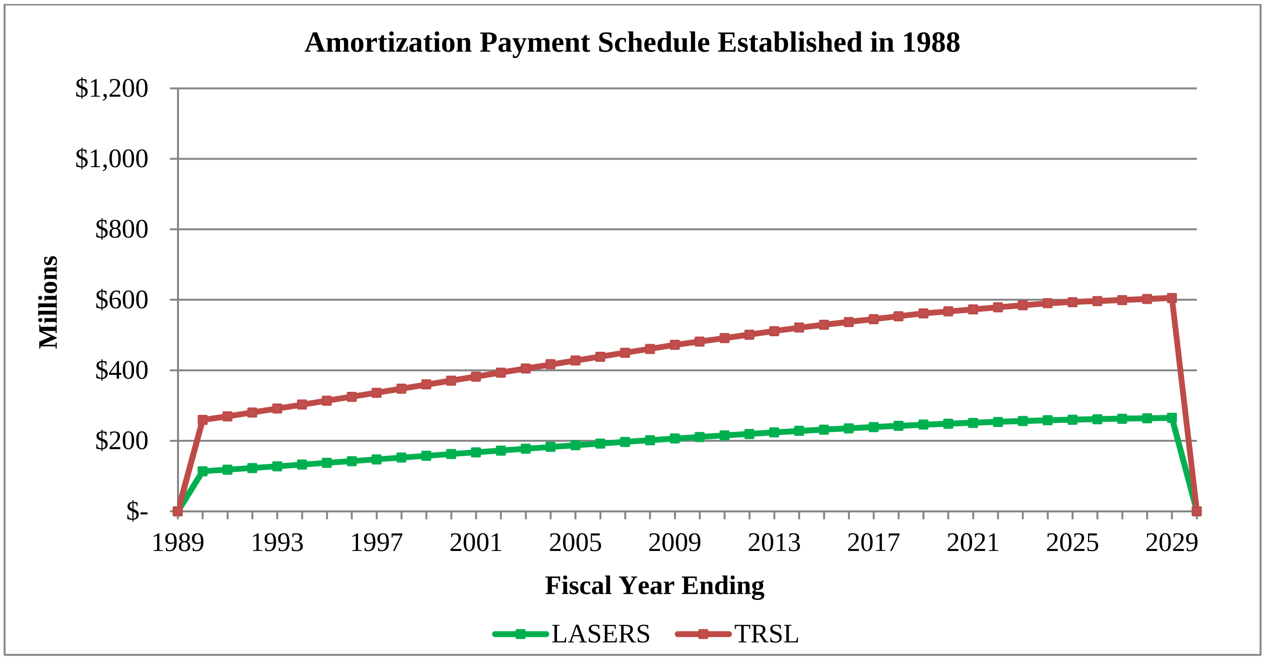
Act 497 continued a pattern of refinancing that has occurred repeatedly since 1988 – payment reductions and postponement of complete amortization of the UAL.

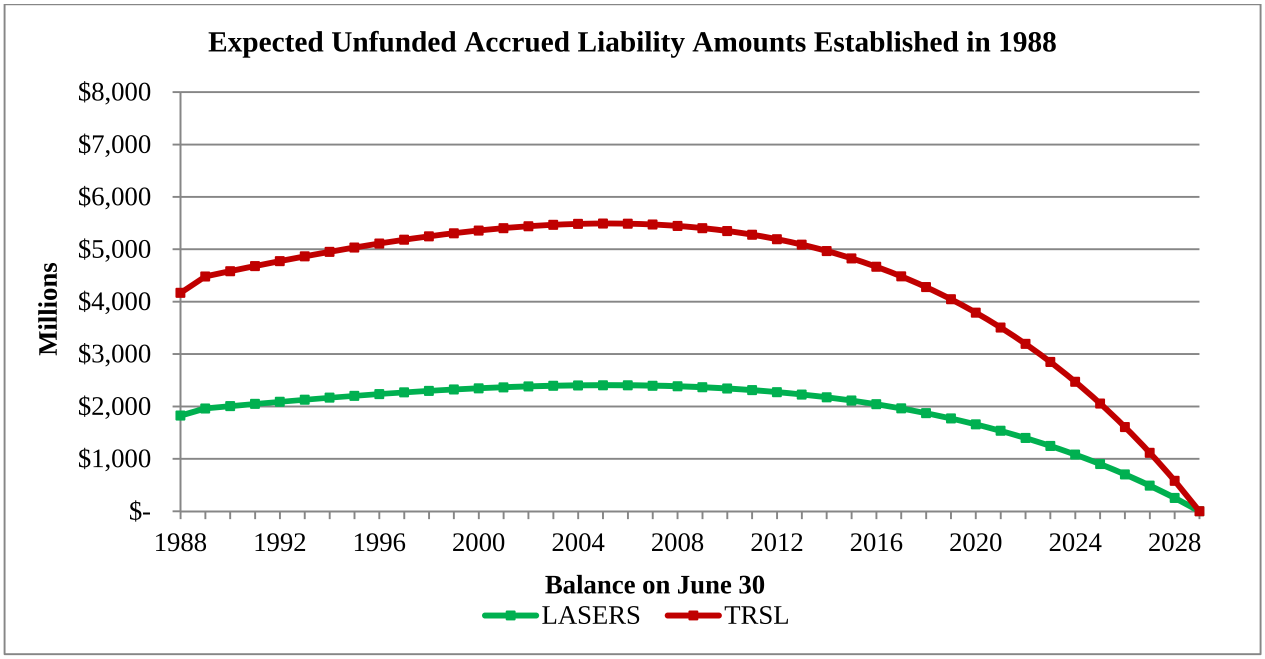

Change in Amortization Payments Due to Act 497
Millions
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
1989 1993 1997 2001 2005 2009 2013 2017 2021 2025 2029 2033 2037
Fiscal Year Ending
LASERS before Act 497
LASERS after Act 497
TRSL before Act 497
TRSL after Act 497


Change in Projected Outstanding Balances Due to Act 497
Millions
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
1988 1992 1996 2000 2004 2008 2012 2016 2020 2024 2028 2032 2036 2040
Balance on June 30
LASERS before Act 497
LASERS after Act 497
TRSL before Act 497
TRSL after Act 497

History -
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.

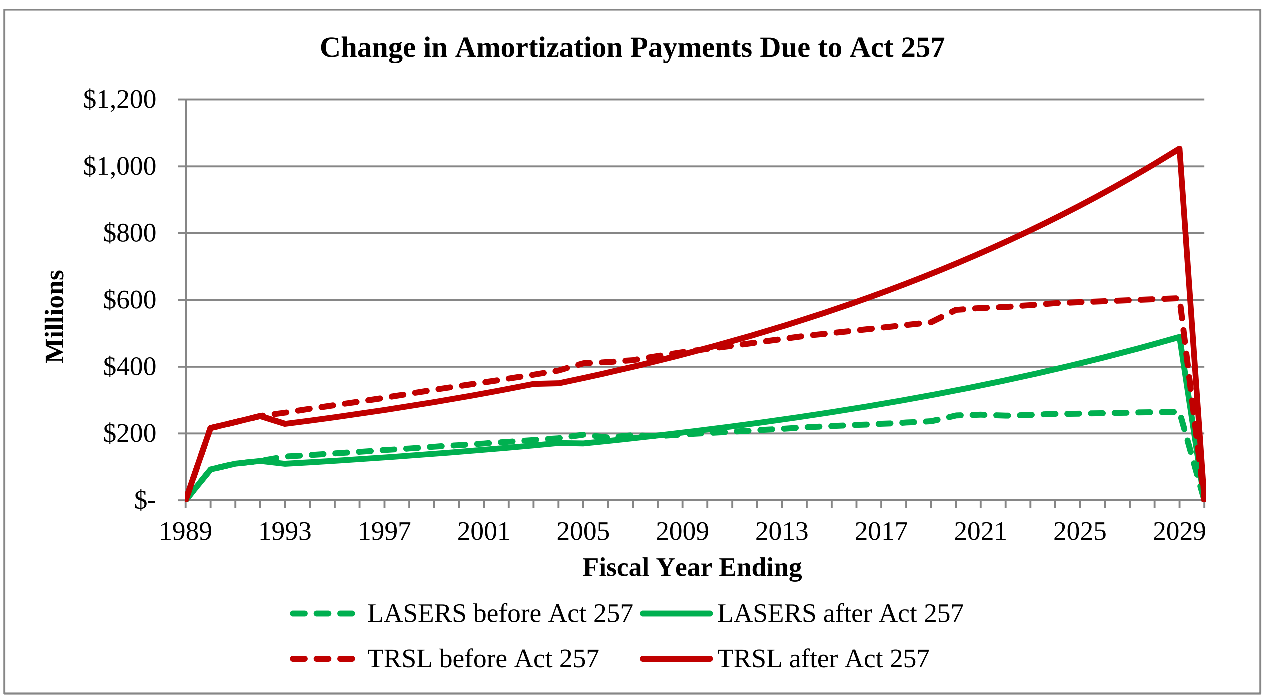
4. Beginning FY 2007, payments are large enough to pay down some of the outstanding principal.

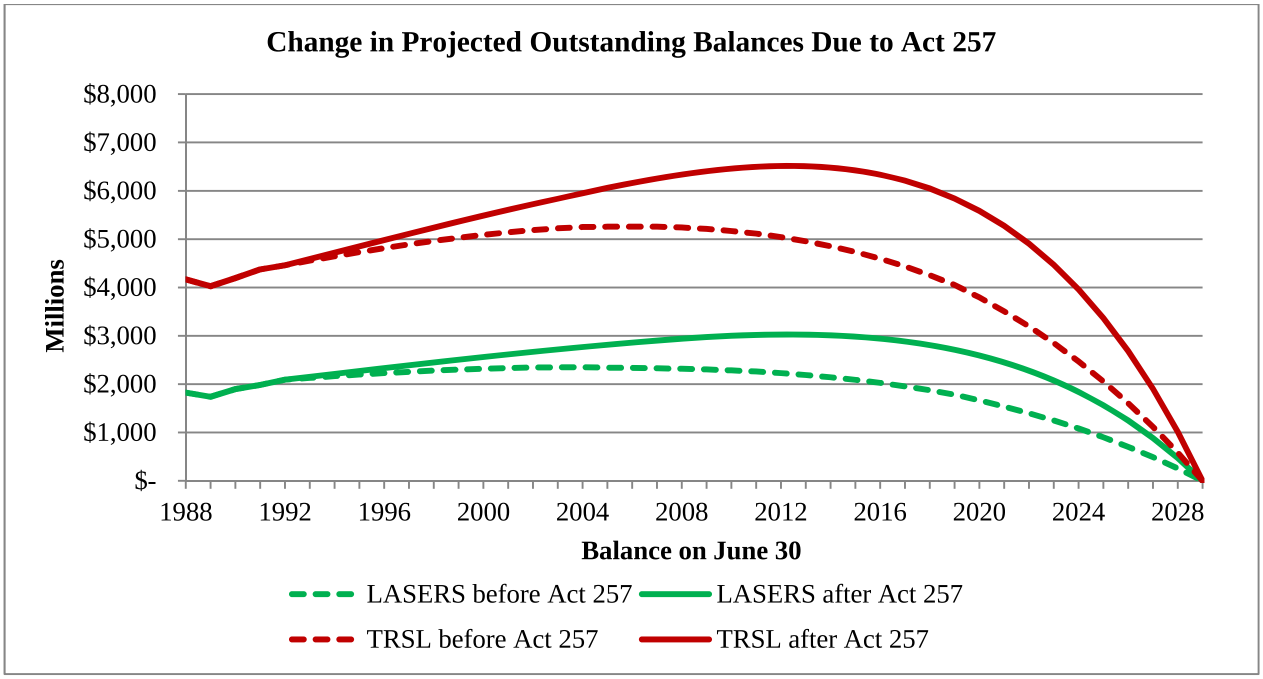
5. However, the outstanding debt does not return to its original level until FY 2019.

6. Essentially, payment on the original debt is postponed for 30 years and then paid off over the remaining 10-year period.

History - 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.

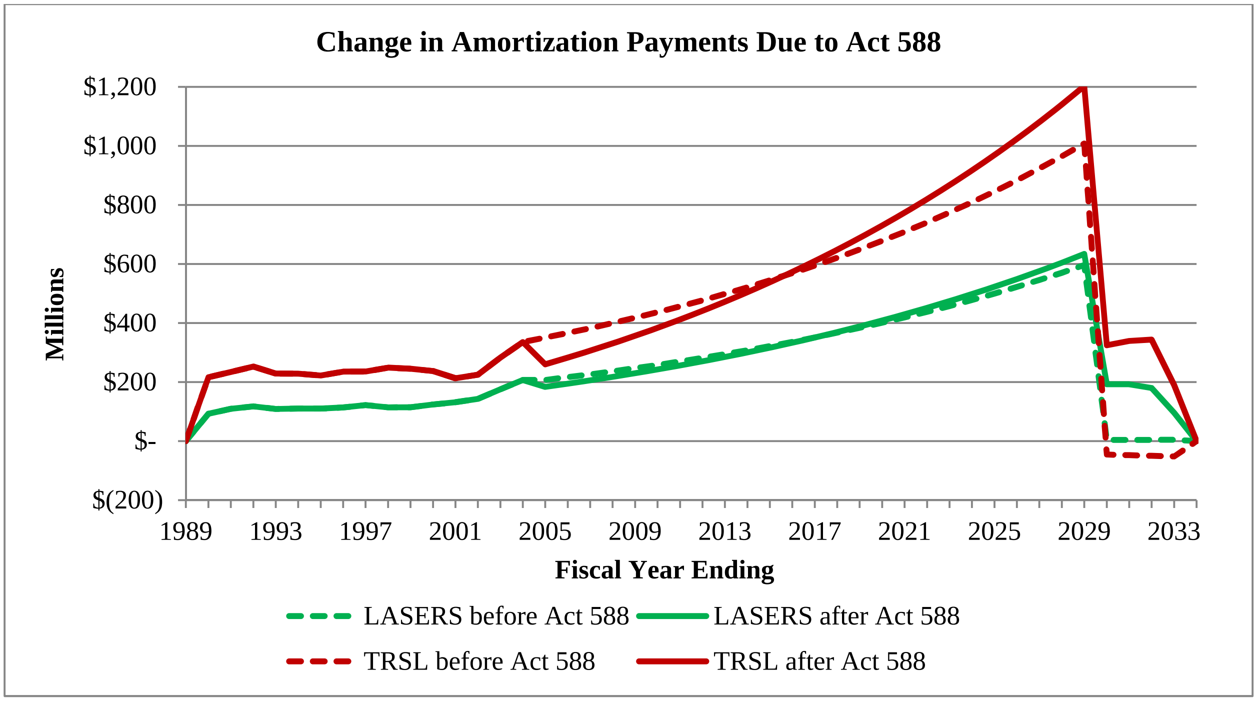
3. Amortization payments after Act 257 were not projected to be sufficient to pay interest on the debt until about FY 2014.

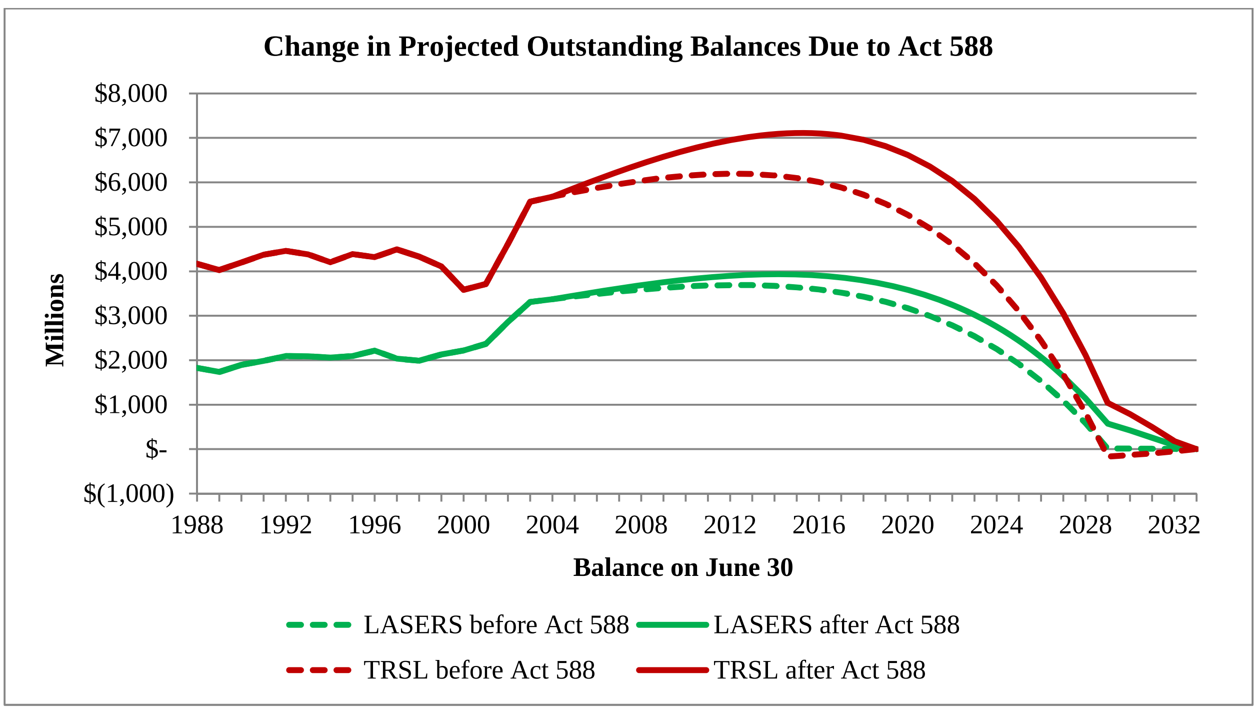
4. The outstanding debt was not scheduled to return to its original level until about FY 2024.

5. Essentially, payment of the outstanding debt was postponed another 5 years with the debt then being paid off over the remaining 5 years.

History - 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.



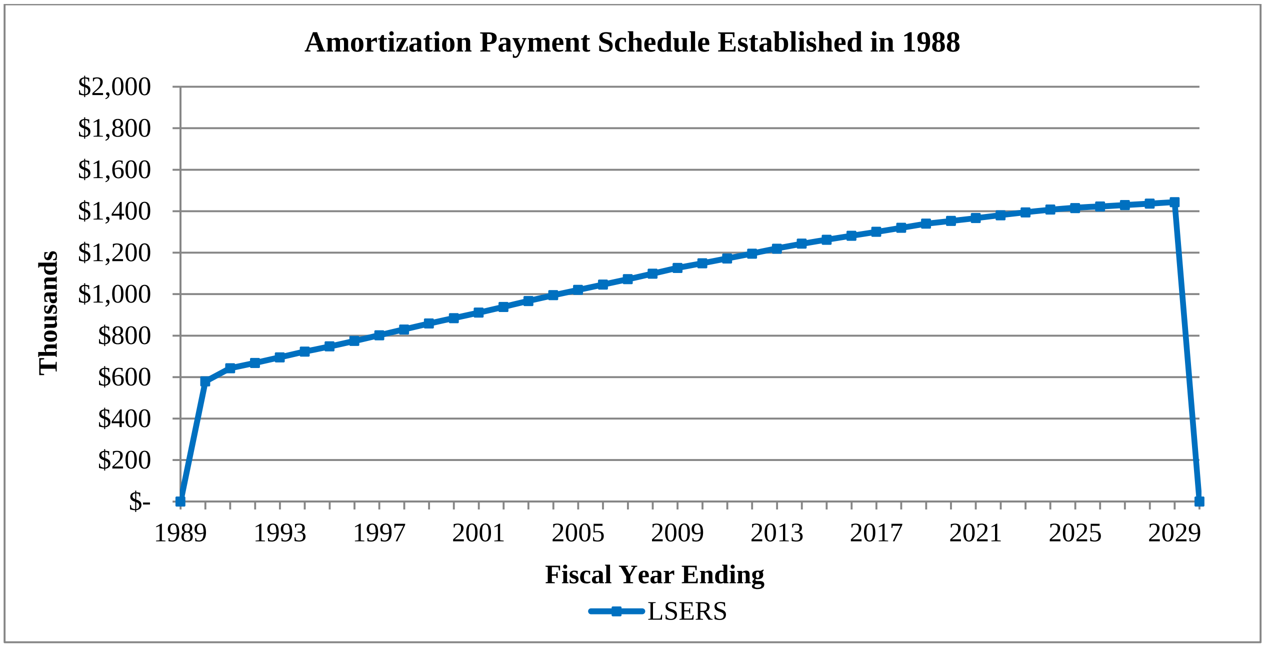


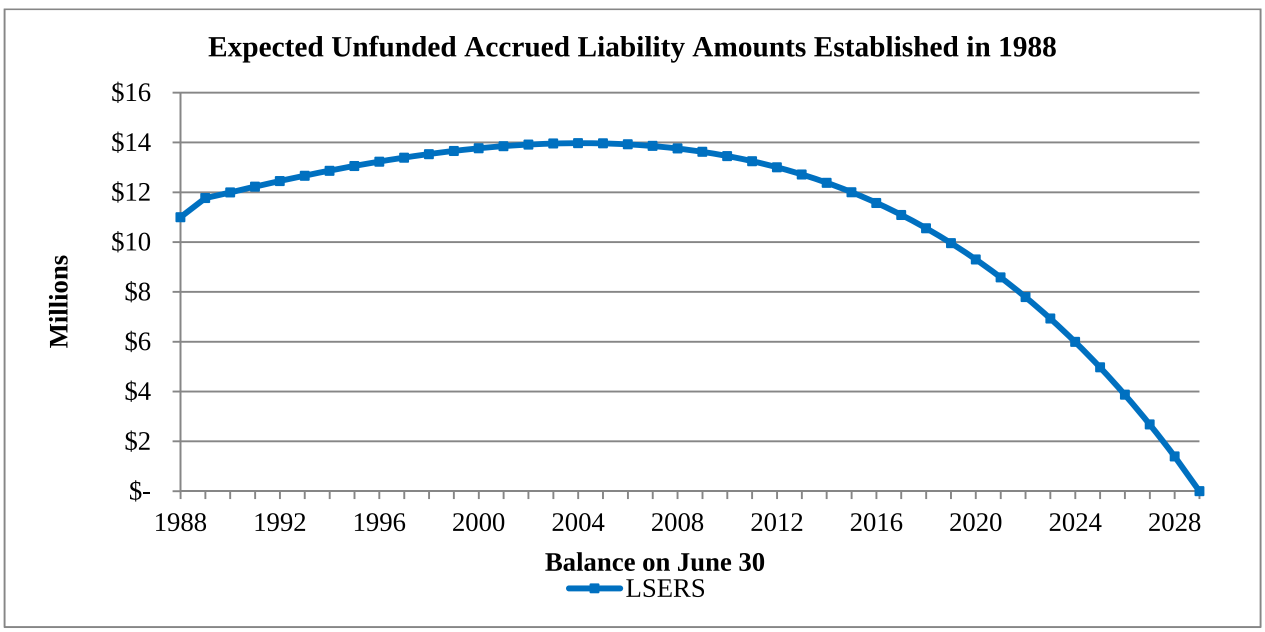
Once again, payments were lowered and payment of the debt was postponed. The debt will continue to grow until FY 2016. Payments will eventually be 6 times as large as the original payment. The debt will be fully paid at the end of FY 2032 instead of FY 2029.

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

History - 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.



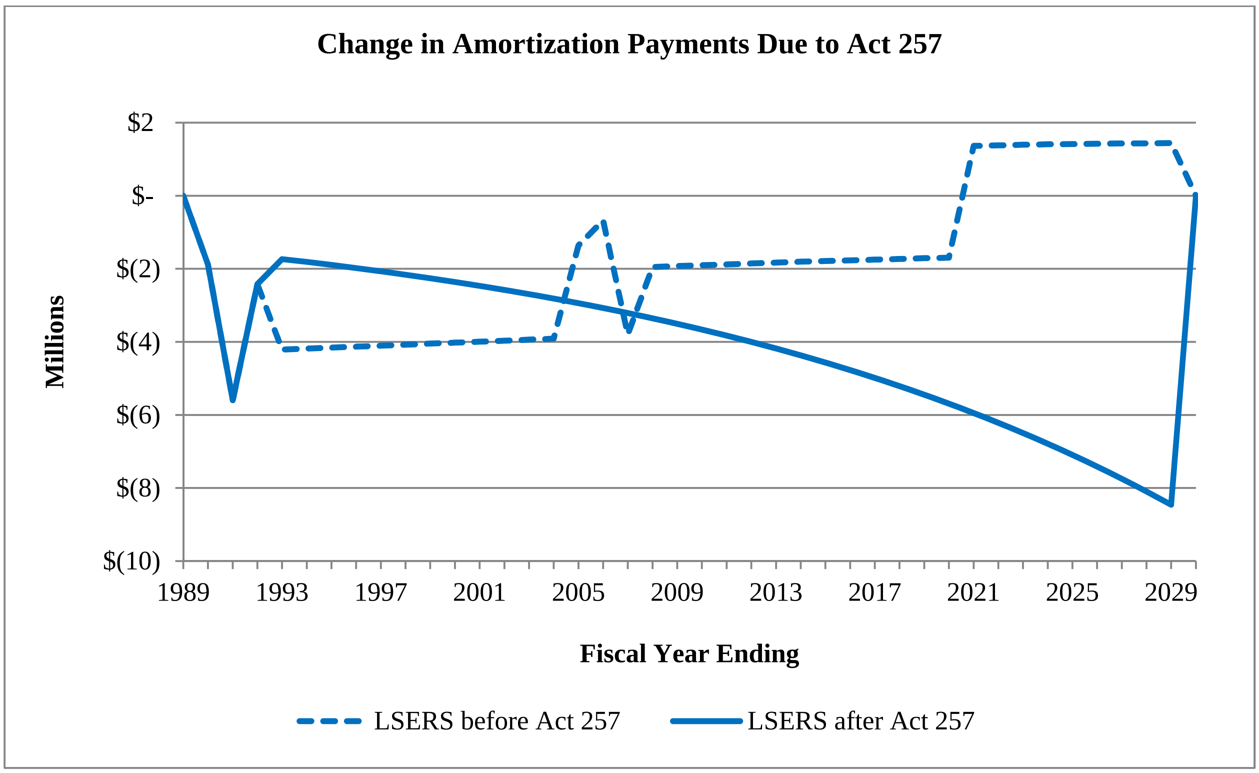


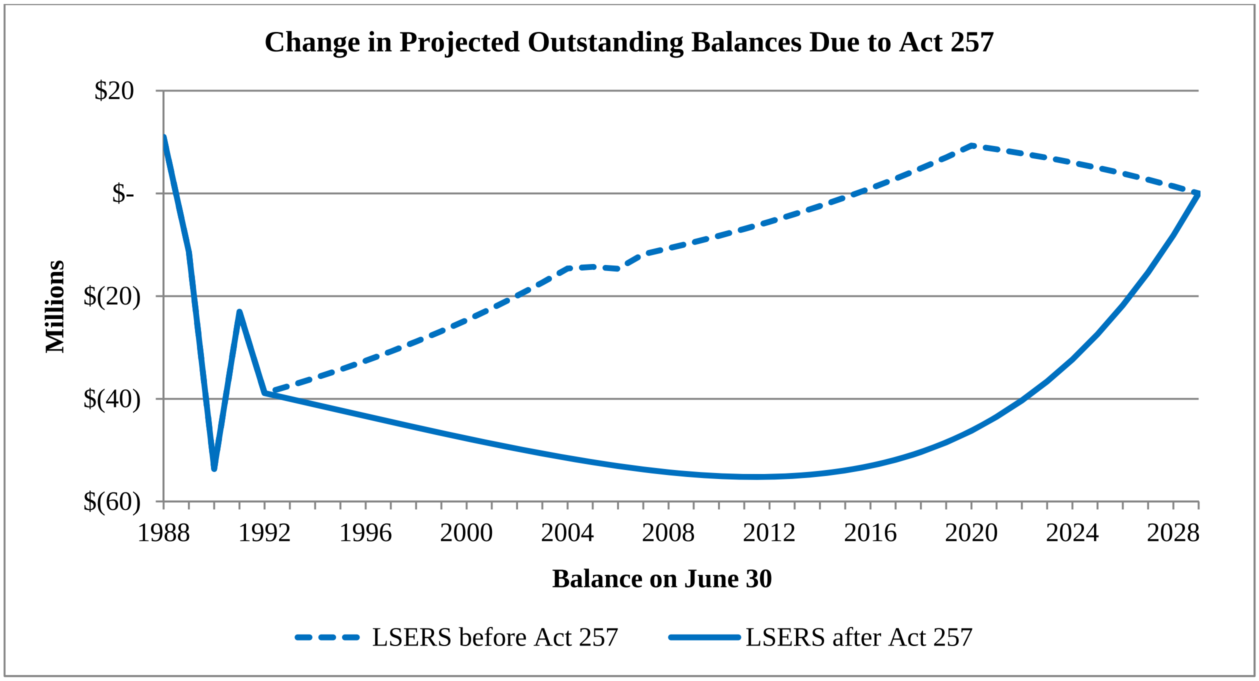
Although the numbers are significantly smaller, the pattern of the amortization schedule is very similar to LASERS and TRSL.

History - 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.

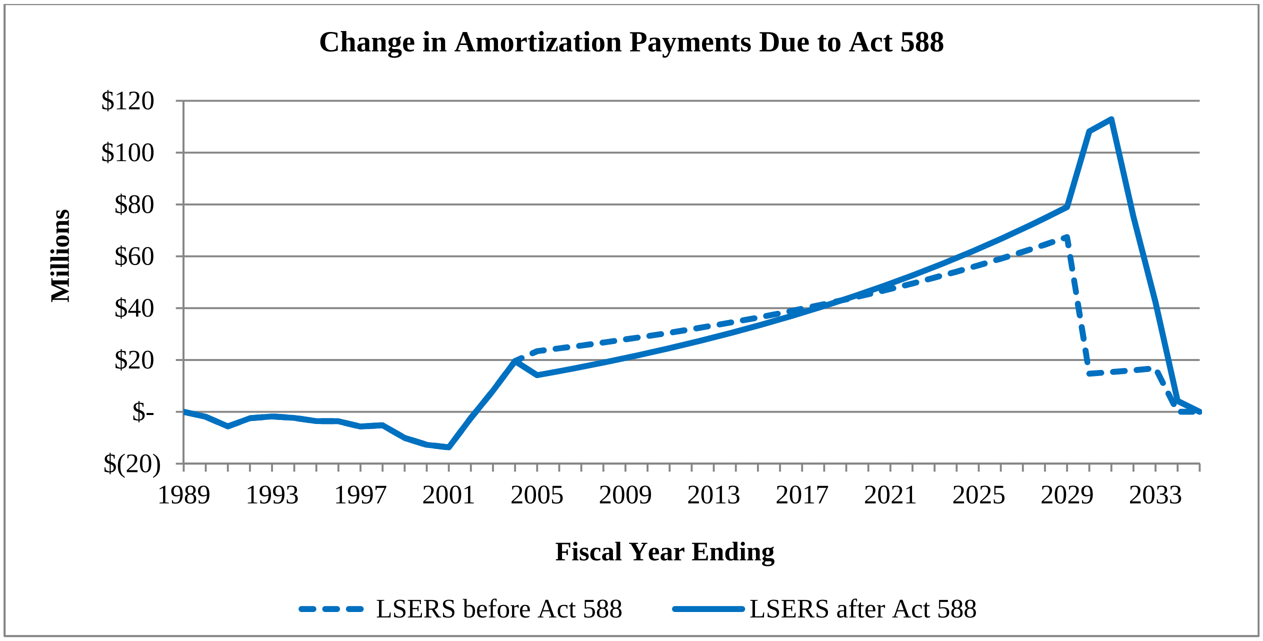
History -
Amortization under Act 734

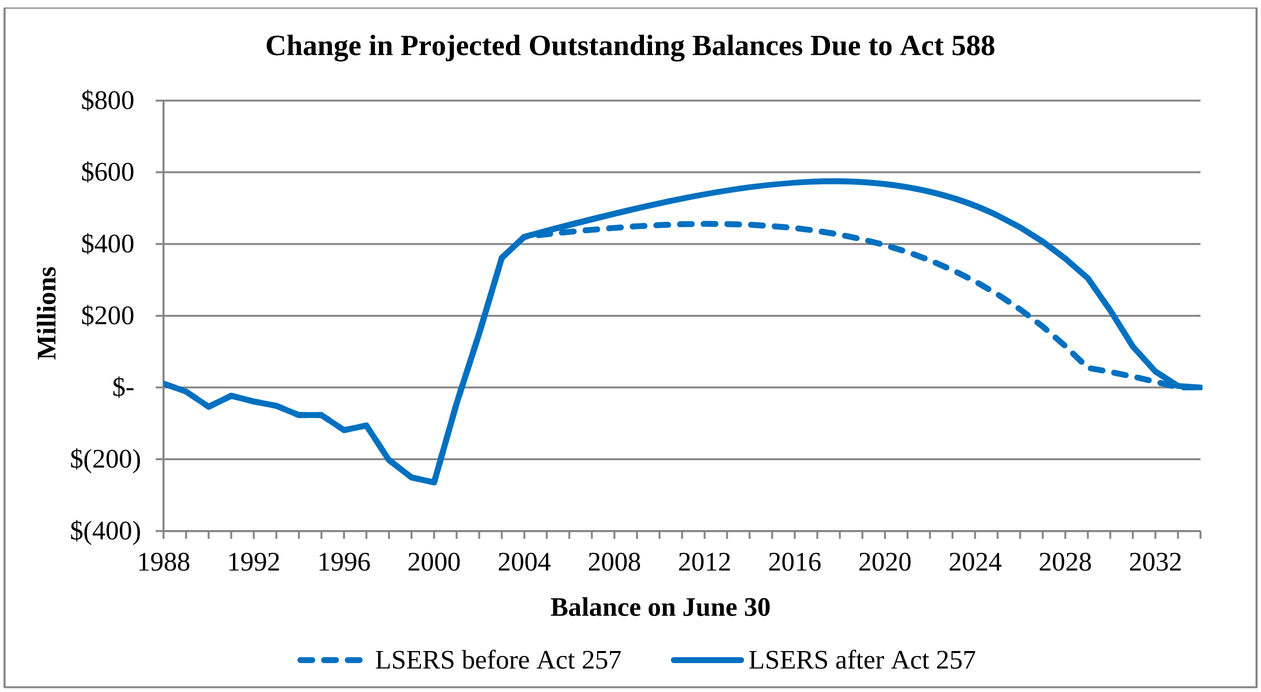
Act 734 of the 1993 session had a relatively minor effect on LSERS' amortization schedule.

History -
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 on the following page.

Please note another change in the vertical scale.

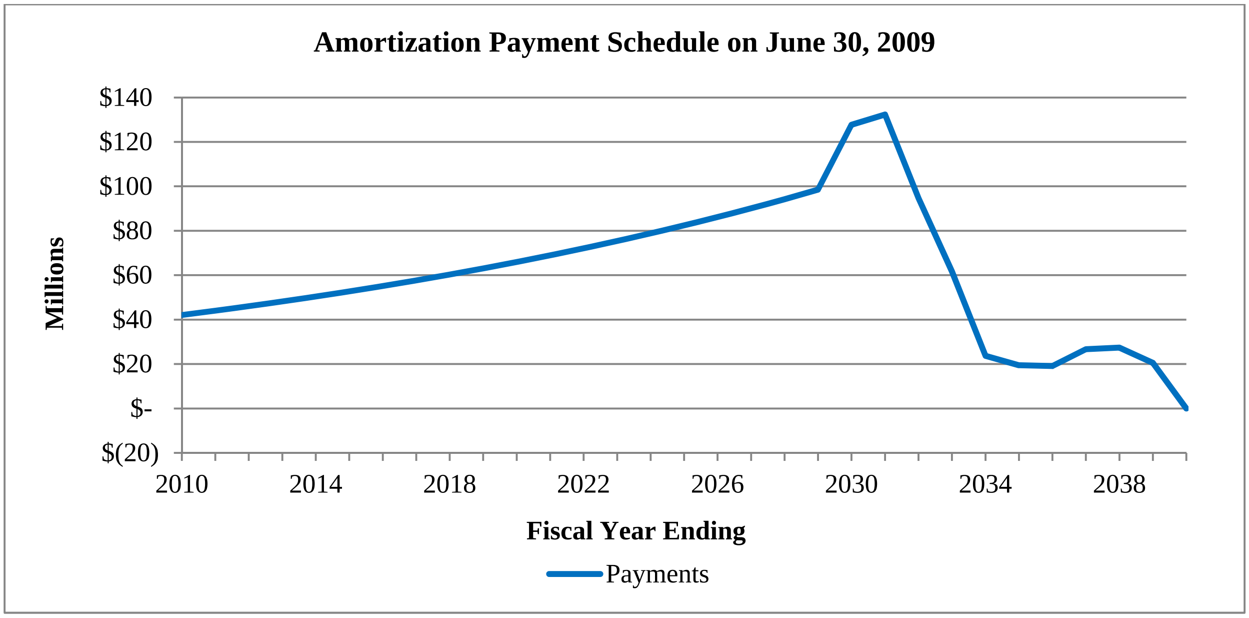


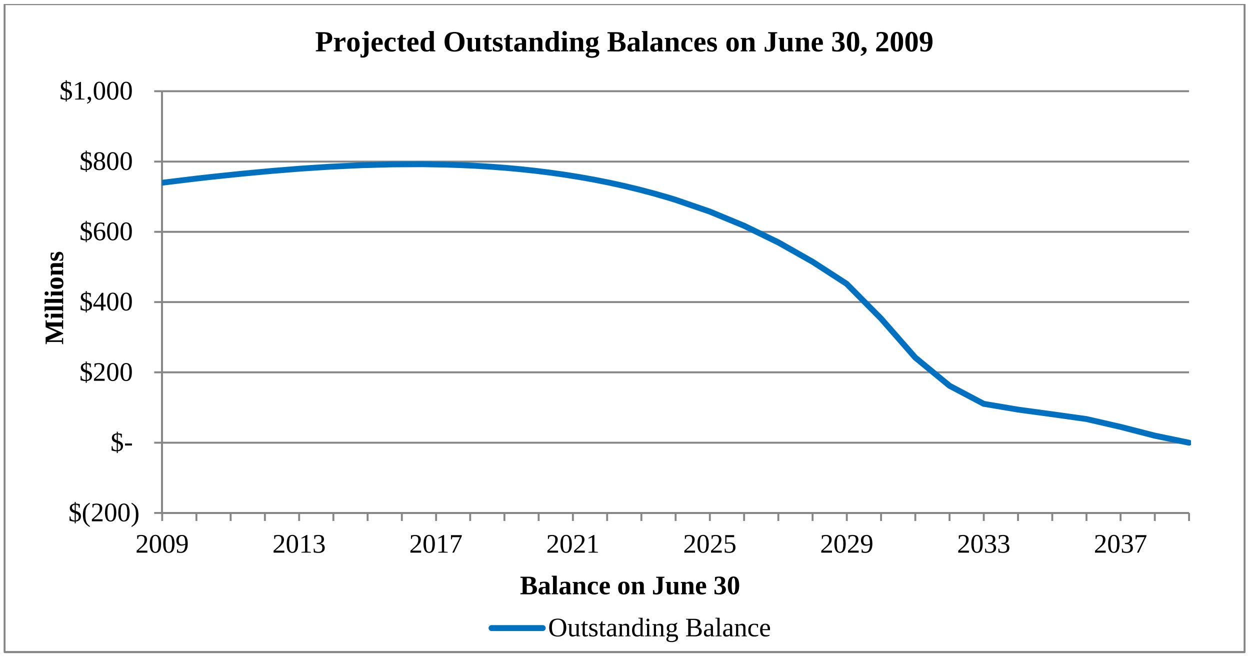


Once again, the net effect of Act 588 was to reduce payments and postpone payment of the debt. The debt on June 30, 2004, was about $420 million. The debt will increase to about $600 million in about FY 2020. The debt returns to the $420 million level in about FY 2026 and is paid off over the remaining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

History -
Current Amortization

The amortization schedule for LSERS that exists on June 30, 2009, is shown below.

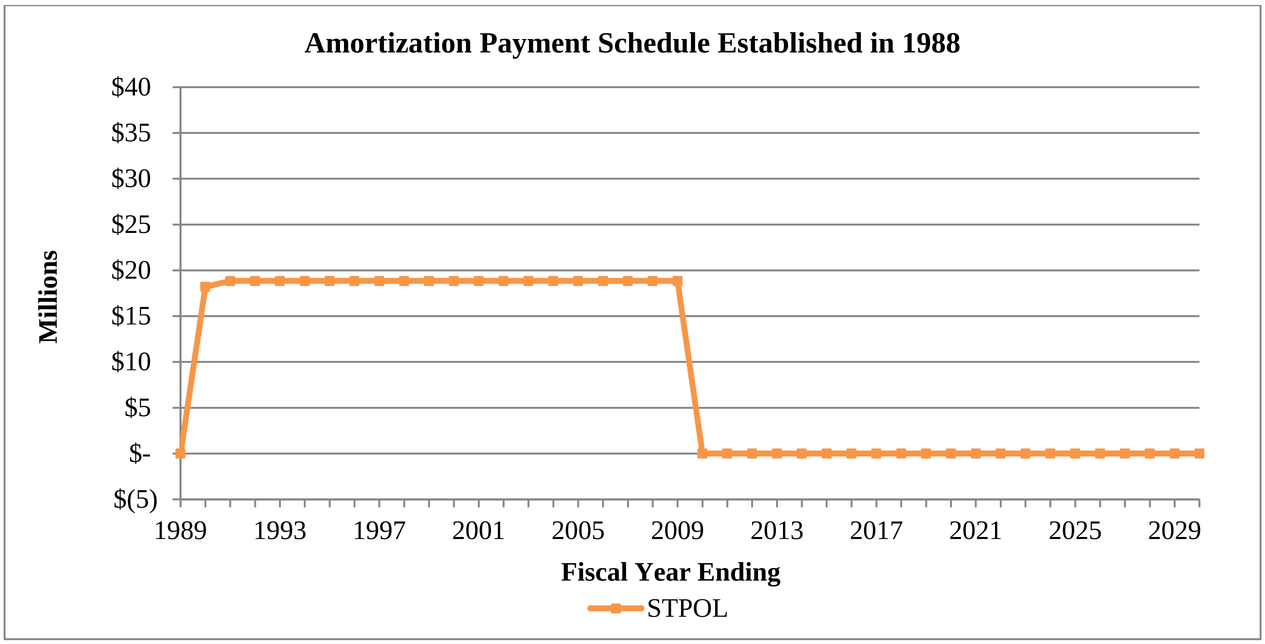


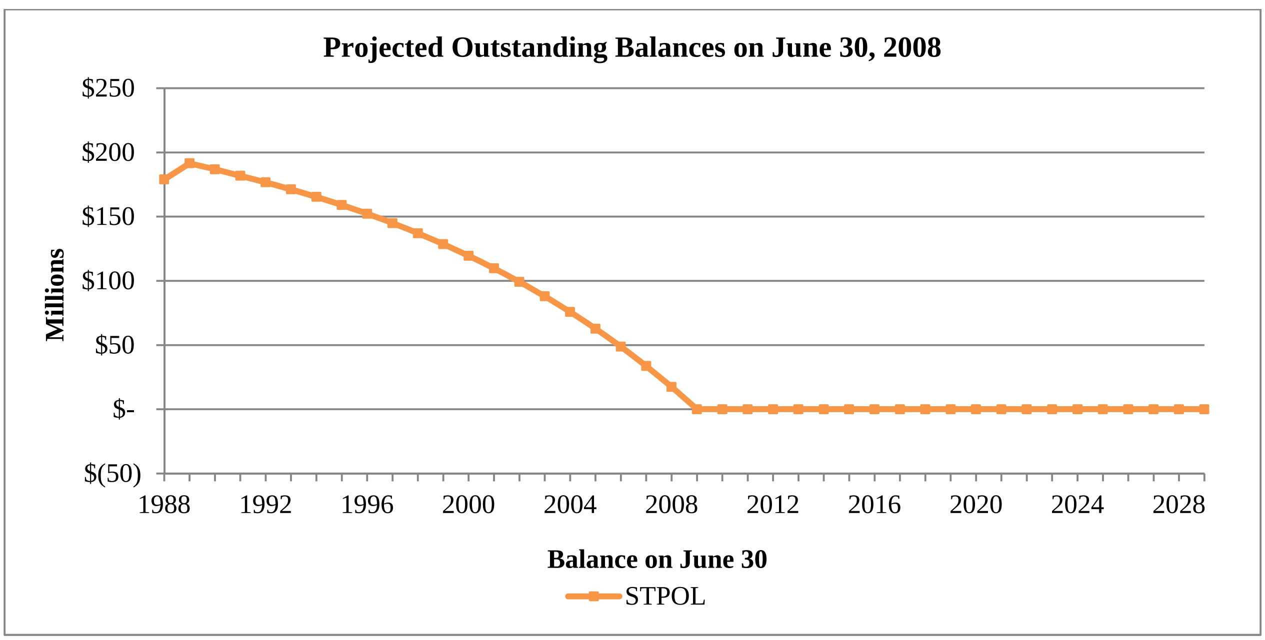


5. Effect of Changing Commitment to Amortize the UAL for STPOL

History - Amortization under Act 81

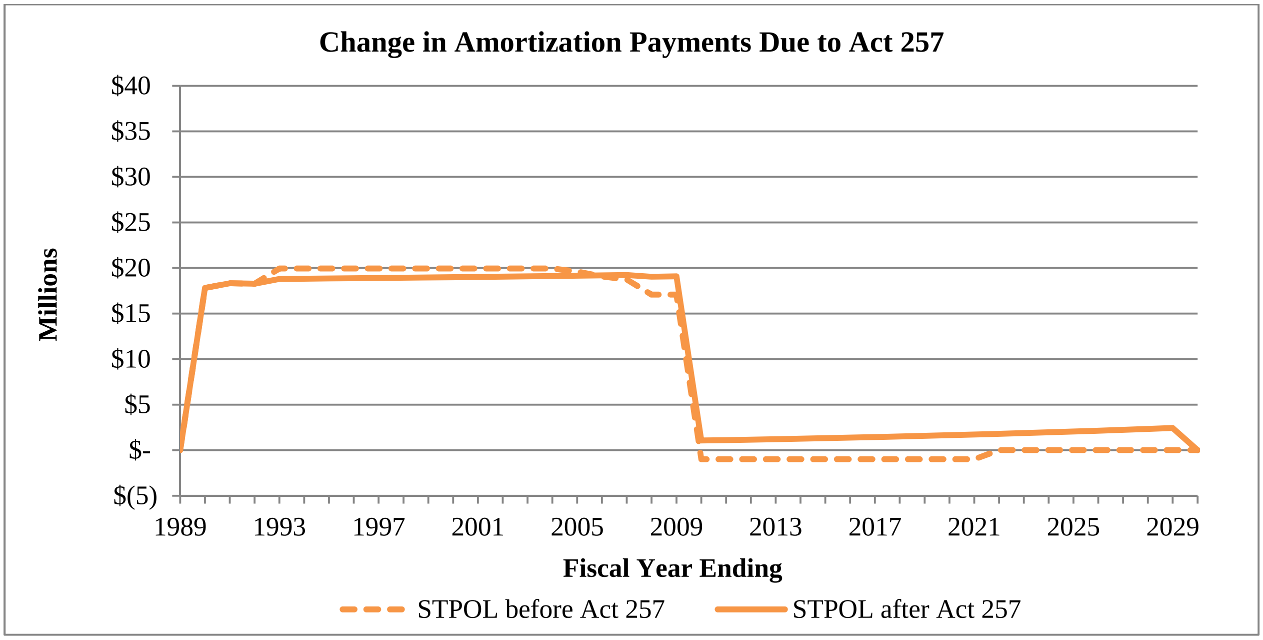
Amortization schedules are shown below for STPOL. The first graph shows the pattern of annual payments that were required for this system under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FY 2029 when the debt is paid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

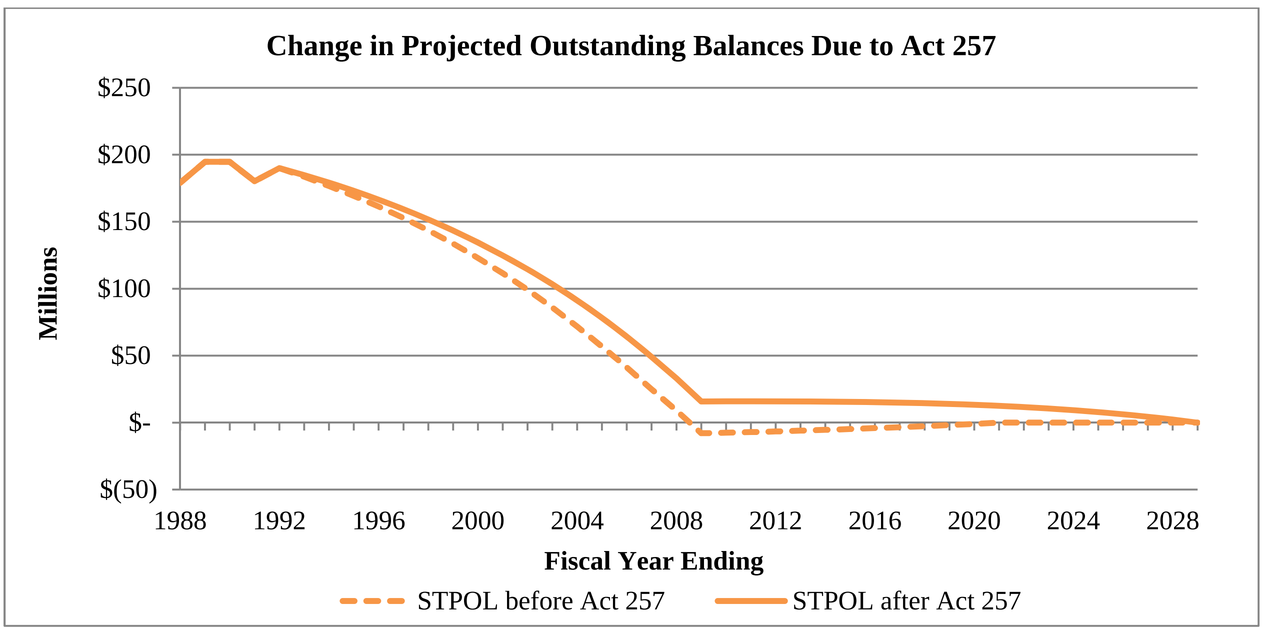




History - Amortization under Act 257

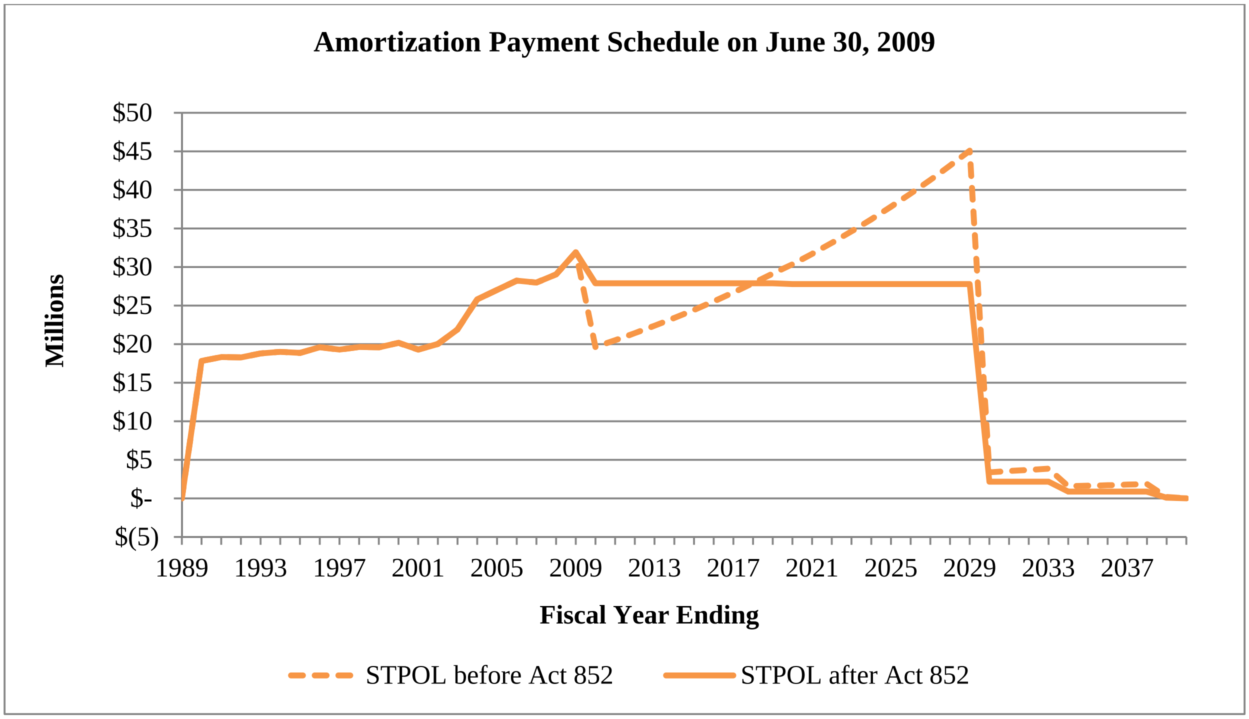
Amortization schedules (credit schedules), before and after the enactment of Act 257 in 1992, are shown below.

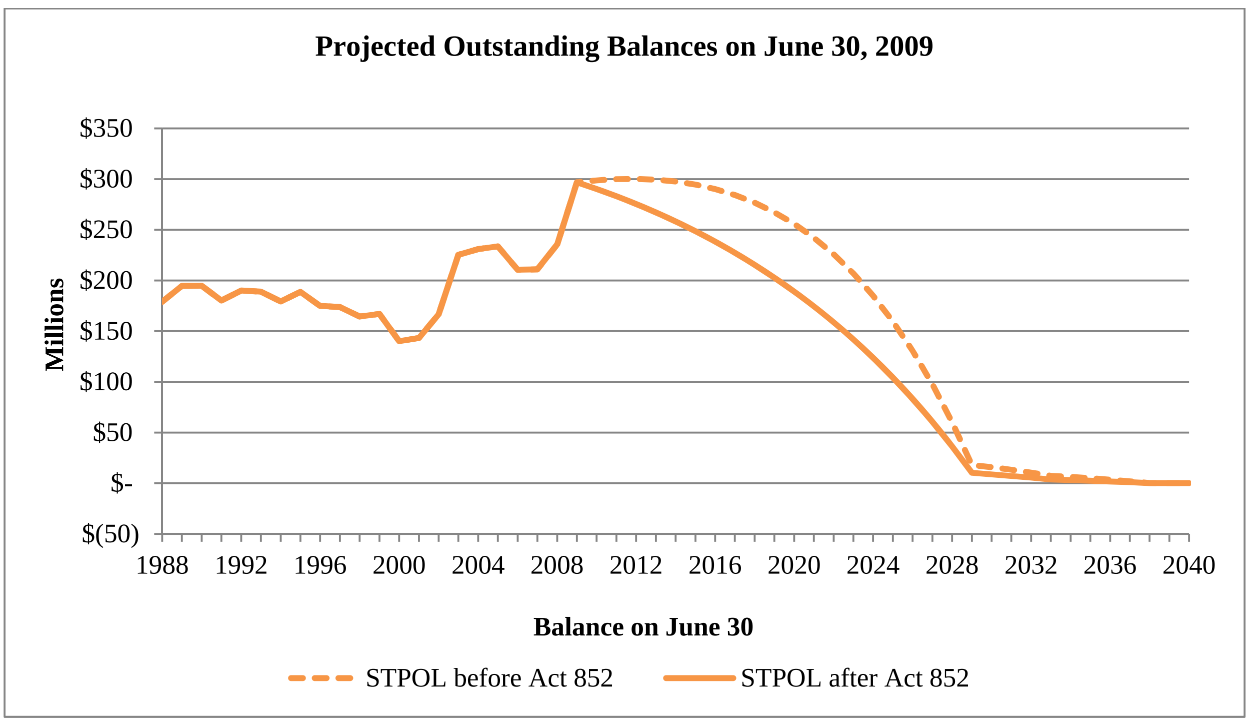




History -
Act 852 of 2008

Act 852 of the 2008 session became effective on June 30, 2009. Amortization schedules (credit schedules), before and after the effective date of Act 852, are shown below.





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 FRS and MPERS 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.

History - 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)

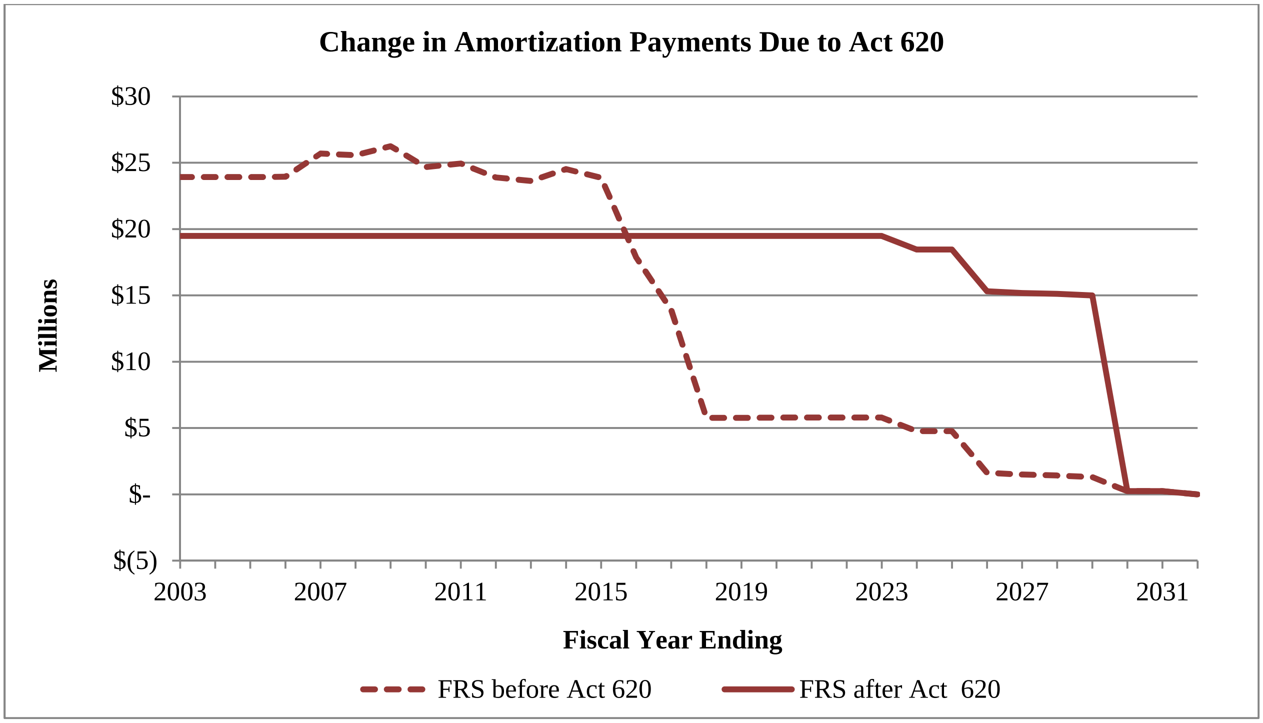
   Prior to Act 1079, changes in liability occurring from year to year were amortized with level payments over a 15-year period. Act 1079 provided that changes in liability occurring with the June 30, 2002, valuation and valuations thereafter would be amortized with level payments over a 30-year period.

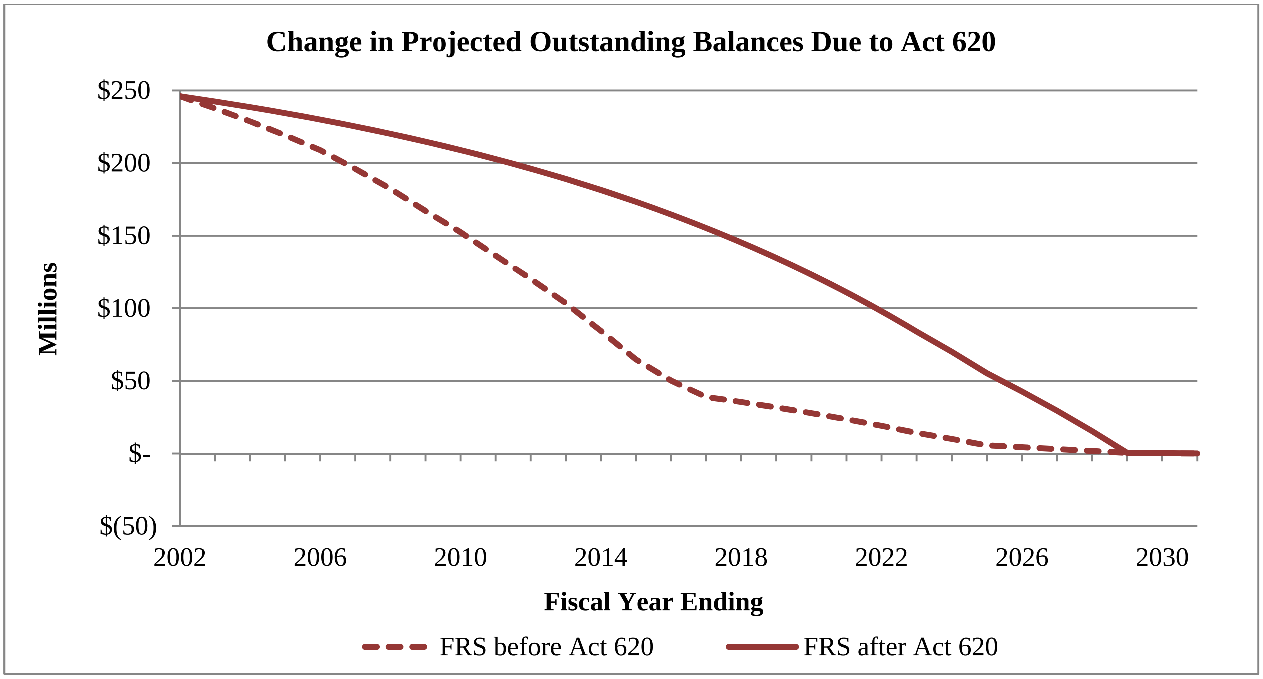
History - Effect on the UAL

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

FRS

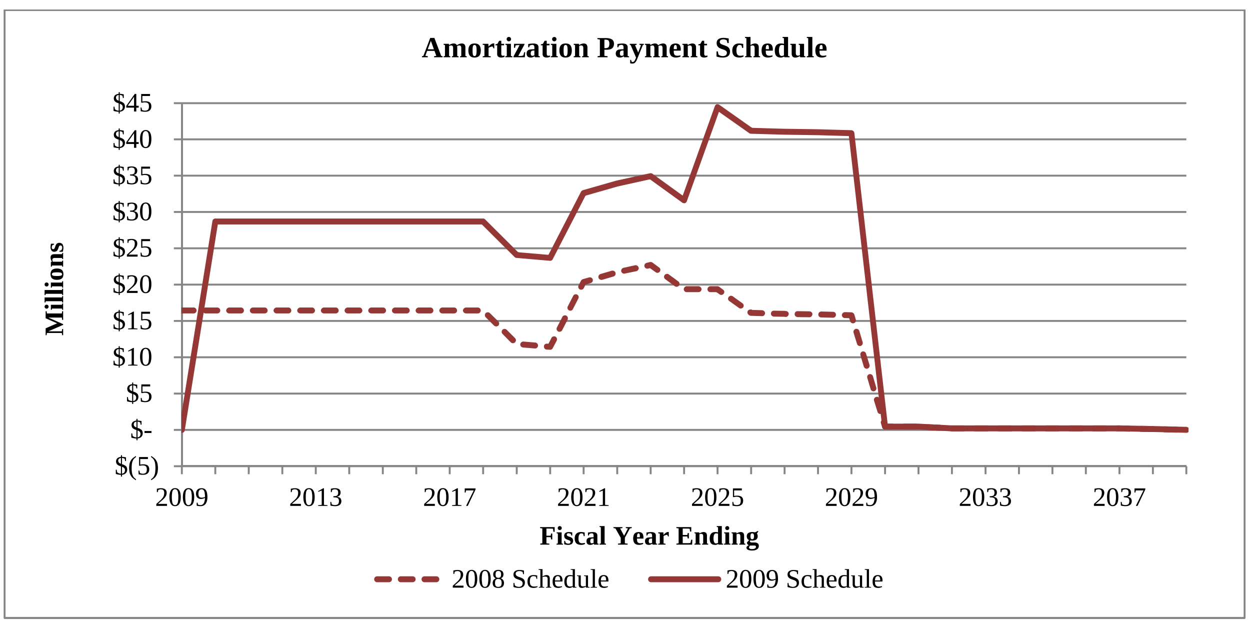
The effect of Act 620 at the time of the change is shown below:

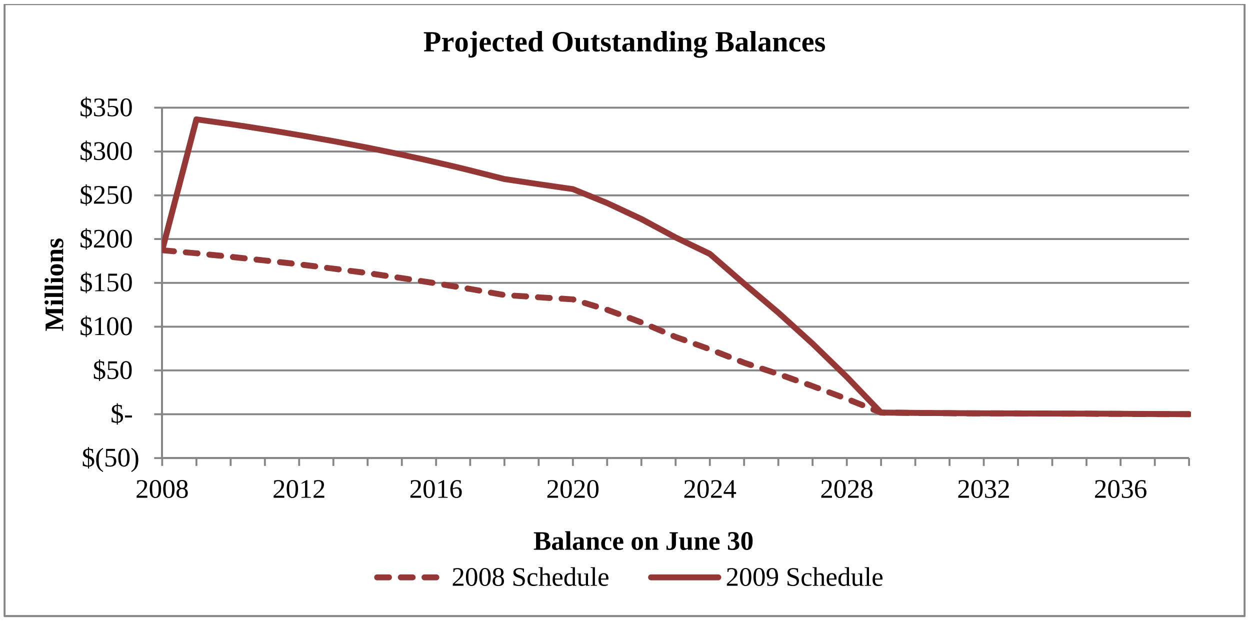




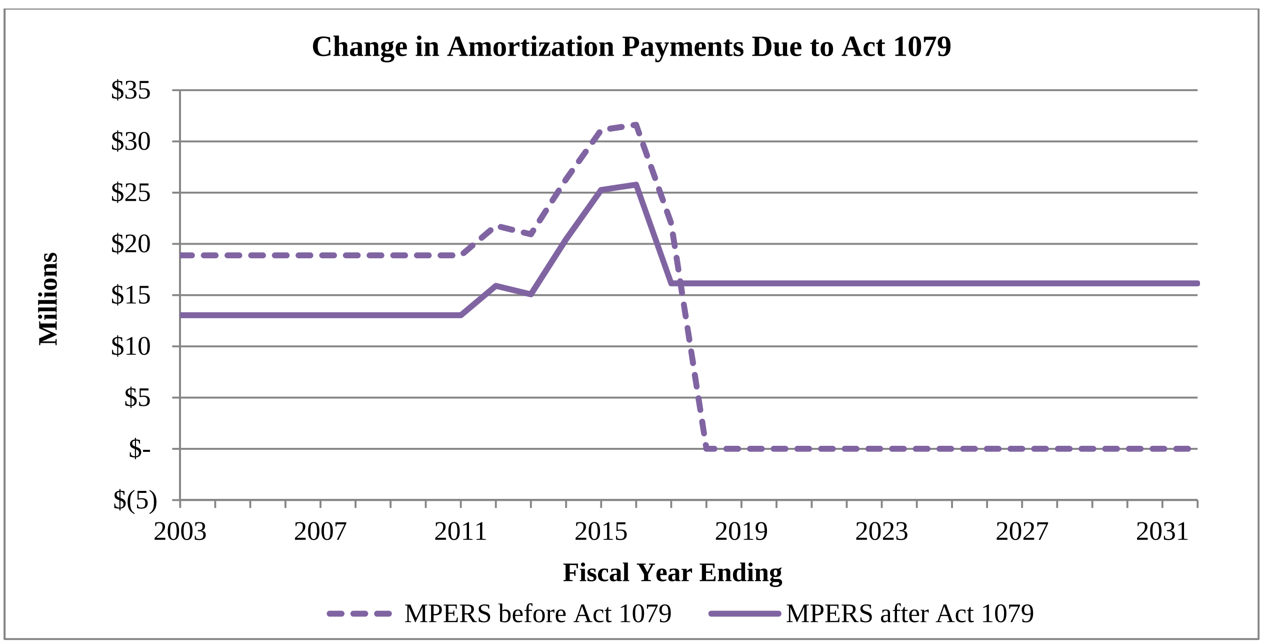
As a result of Act 620, amortization payments were reduced and the outstanding balance did not decrease as fast as under the original schedule.

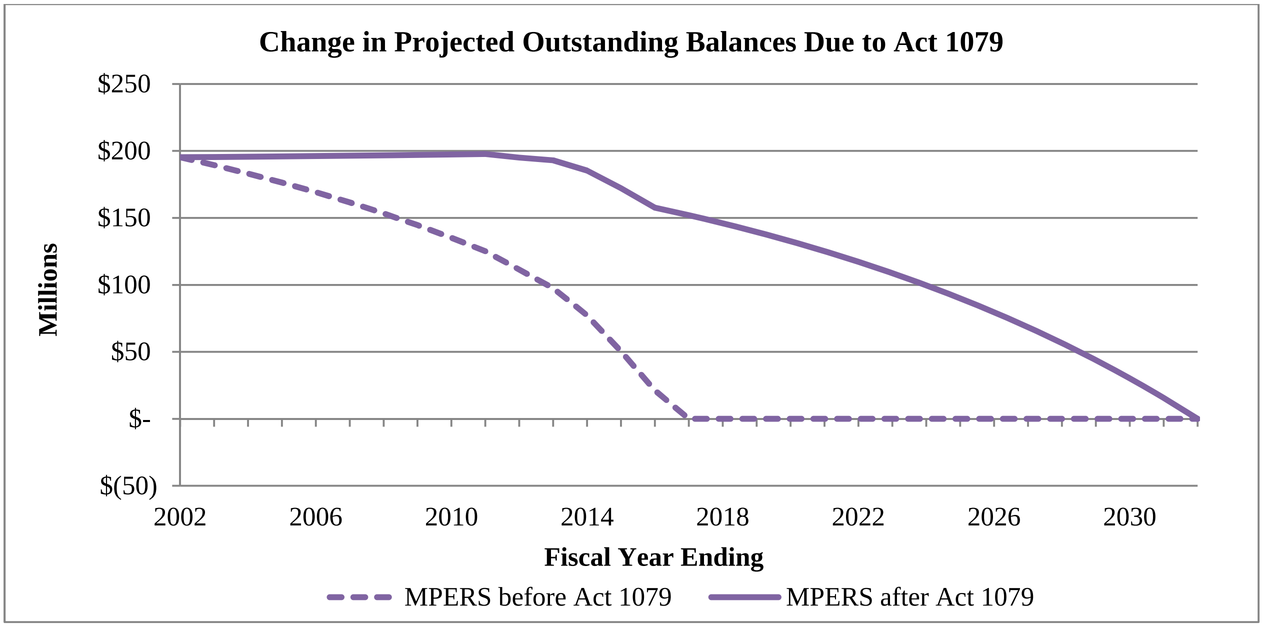
The FRS amortization schedule as of June 30, 2008, and June 30, 2009, is shown below:





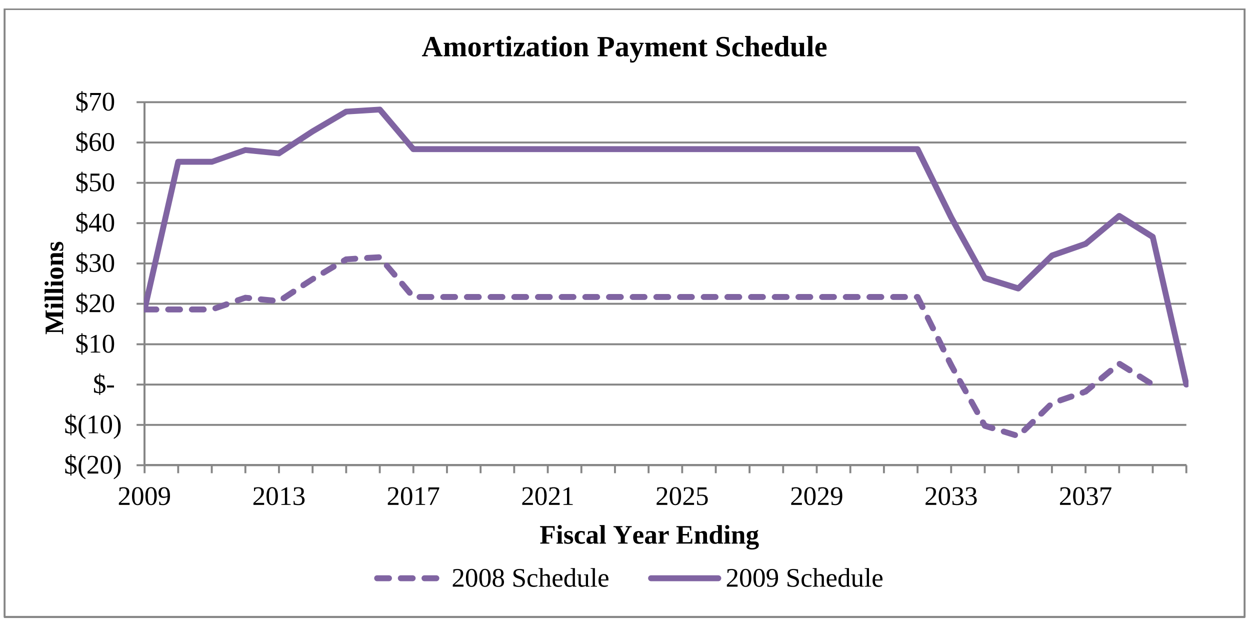
MPERS The effect of Act 1079 at the time of the change is shown below:

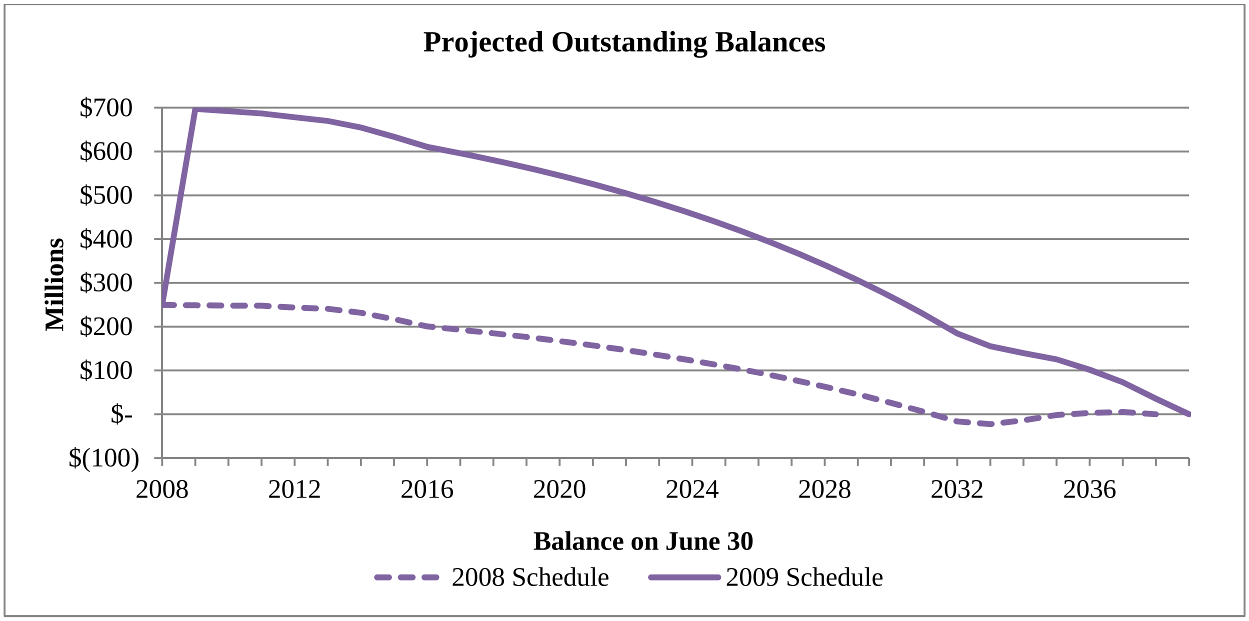




As a result of Act 1079, amortization payments were reduced and the outstanding balance does not decrease as fast as under the original schedule.

The MPERS amortization schedule as of June 30, 2008, and June 30, 2009, is shown below:




Projected Outstanding Balances
Millions
$700
$600
$500
$400
$300
$200
$100
$-
$(100)
2008
2012
2016
2020
2024
2028
2032
2036
Balance on June 30
2008 Schedule
2009 Schedule

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 2.6% per year. Over the same period 1992 through 2009, the state has periodically, but intermittently, granted COLAs that have averaged about 1.3% for members of LASERS and 1.2% for members of TRSL.

With the COLAs provided by the state, the pension income for a LASERS member who retired in 1992 will now purchase 81% of what his pension would have purchased when he originally retired. Similarly, a TRSL retiree would be able to purchase 80%. Without the COLAs, the retiree would be able to purchase only 65% of what he could have purchased in 1992.

COLA Policy

Under current law (as changed by Act 497 of the 2009 Regular Session), retirees of LASERS and TRSL may receive an adjustment for inflation of up to 2% per year, based on the Consumer Price Index (CPI). The adjustment may be as large as 3% in years where 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.

According to Act 497 of the 2009 session, balances in the LASERS and TRSL Experience Accounts on June 30, 2009, were to be transferred to a subaccount in the IUAL Fund and then would be further transferred on June 30, 2010, back to the regular pool of assets. As a result, the balances in the Experience Accounts on June 30, 2009, after the transfers was $0.

The Experience Accounts for LASERS and TRSL would continue to be funding in the future by 50% of investment gains, but only to the extent that the gains exceeded $100 million and $200 million, respectively.

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 $0.833 billion since 1992 solely to provide COLAs. The increase in unfunded liabilities for TRSL due to COLAs has been $1.743 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, 2009.

RETIREE COLA INCREASES vs. CPI
Average Annual Rate of Increase from
Date of Retirement to 6/30/2009

LASERS

Years Retired	Average Annual Rate of Increase	CPI Increase*
5	1.7%	2.6%
10	1.6%	2.6%
15	1.4%	2.5%
17	1.3%	2.6%

TRSL

Years Retired	Average Annual Rate of Increase	CPI Increase*
5	1.2%	2.6%
10	1.6%	2.6%
15	1.4%	2.5%
17	1.2%	2.6%

* 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 benefit 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 or 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 the 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 2010, 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 2010, local governmental entities will pay only 24% 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 2010, local governmental entities will pay only 49% of the total annual amount needed to fund the retirement system.

DARS DARS receives revenues from employers with employees in DARS, and from ad valorem taxes. For fiscal year 2010, local governmental entities will pay only 29% of the total annual amount needed to fund the retirement system.

FRS FRS receives revenues from employers with employees in FRS and taxes on insurance premiums. For fiscal year 2010, municipalities will pay only 55% of the total annual amount needed to fund the retirement system.

MERS MERS receives revenues from employers with employees in MERS, ad valorem taxes, and revenue sharing. For fiscal year 2010, municipalities will pay only 73% of the total annual amount needed to fund the retirement system.

MPERS MPERS receives revenues from employers with employees in MPERS and taxes on insurance premiums. For fiscal year 2010, municipalities will pay only 69% of the total annual amount needed to fund the retirement system.

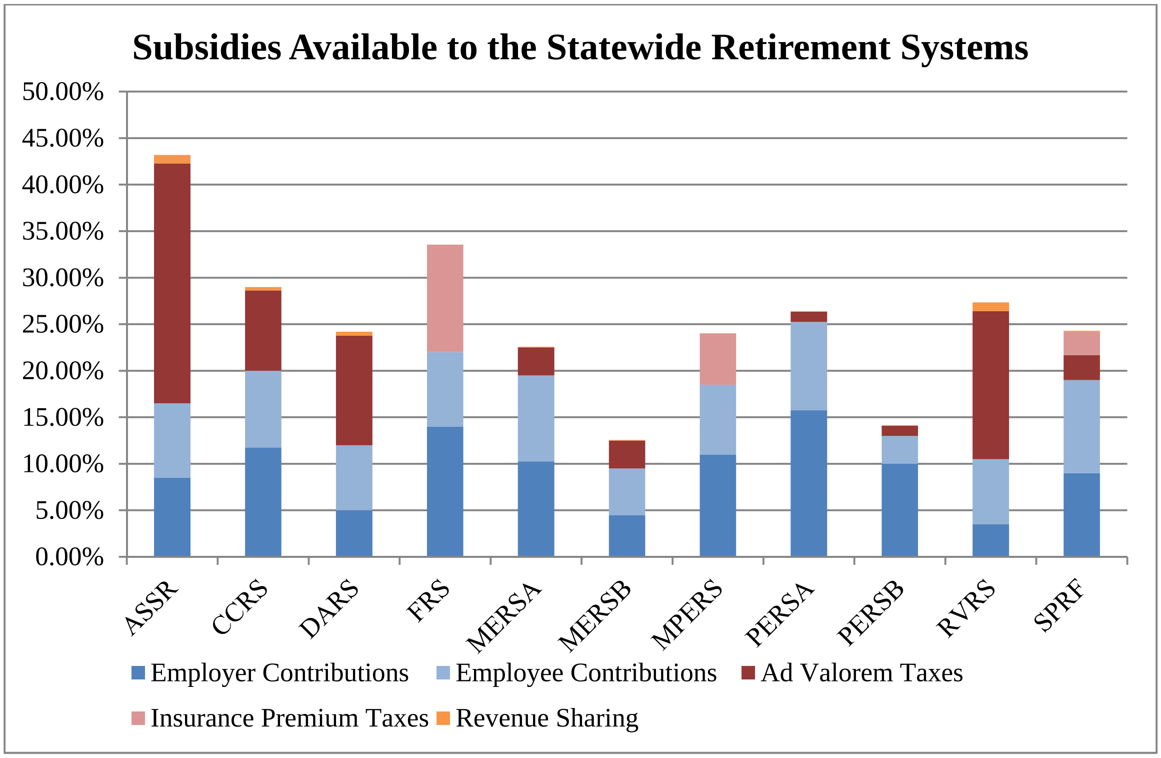
PERS PERS receives revenues from employers with employees in PERS, ad valorem taxes, and revenue sharing. For fiscal year 2010, parishes will pay only 93% of the total annual amount needed to fund the retirement system.

RVRS RVRS receives revenues from employers with employees in RVRS, ad valorem taxes, and revenue sharing. For fiscal year 2010, local governmental entities will pay only 17% of the total annual amount needed to fund the retirement system.

SPRF SPRF receives revenues from employers with employees in SPRF, ad valorem taxes, revenue sharing, and taxes on insurance premiums. For fiscal year 2010, local governmental entities will pay only 69% of the total annual amount needed to fund the retirement system.

Subsidies 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).

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.


Subsidies Available to the Statewide Retirement Systems
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
ASSR
CCRS
DARS
FRS
MERSA
MERSB
MPERS
PERSA
PERSB
RVRS
SPRF
Employer Contributions
Employee Contributions
Ad Valorem Taxes
Insurance Premium Taxes
Revenue Sharing

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.

The systems have experienced another period of investment losses in 2008 and 2009 and as a result TRSL, LSERS, and STPOL have been 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 2009 LASERS received $703.6 million in contributions, but paid $821.3 million in benefits and expenses. This resulted in a shortfall of $117.7 million. However, this was not a concern for LASERS because it earned $201.1 million of cash income through dividends and interest. It did not need to liquidate any assets to meet retiree payroll.

On the other hand, TRSL did have a problem. Its contribution income was $458.2 million less than benefit payments and dividend and interest income was only $312.1 million. As a result, $146.1 million of securities had to be sold to meet retiree payroll.

NET EXTERNAL CASH FLOW (*Excludes Net Investment Income)* STATE SYSTEMS As of June 30, 2009 (in millions)					
System	**Amounts Added**	**Amounts Deducted**	**Net External Cash Flow**	**Interest & Dividends**	**Required Investment Sales**
	(a)	*(b)*	*(c) = (a) -(b)*	*(d)*	*(e)*
LASERS	$ 703.6	$ 821.3	$ (117.7)	$ 201.1	$ 0.0
TRSL	1,059.2	1,517.4	(458.2)	312.1	146.1
LSERS	78.7	139.1	(60.4)	37.6	22.8
STPOL	25.6	37.0	(11.4)	6.6	4.8
Combined	**$ 1,867.1**	**$ 2,514.8**	**$ (647.7)**	**$ 557.4**	**$ 173.7**

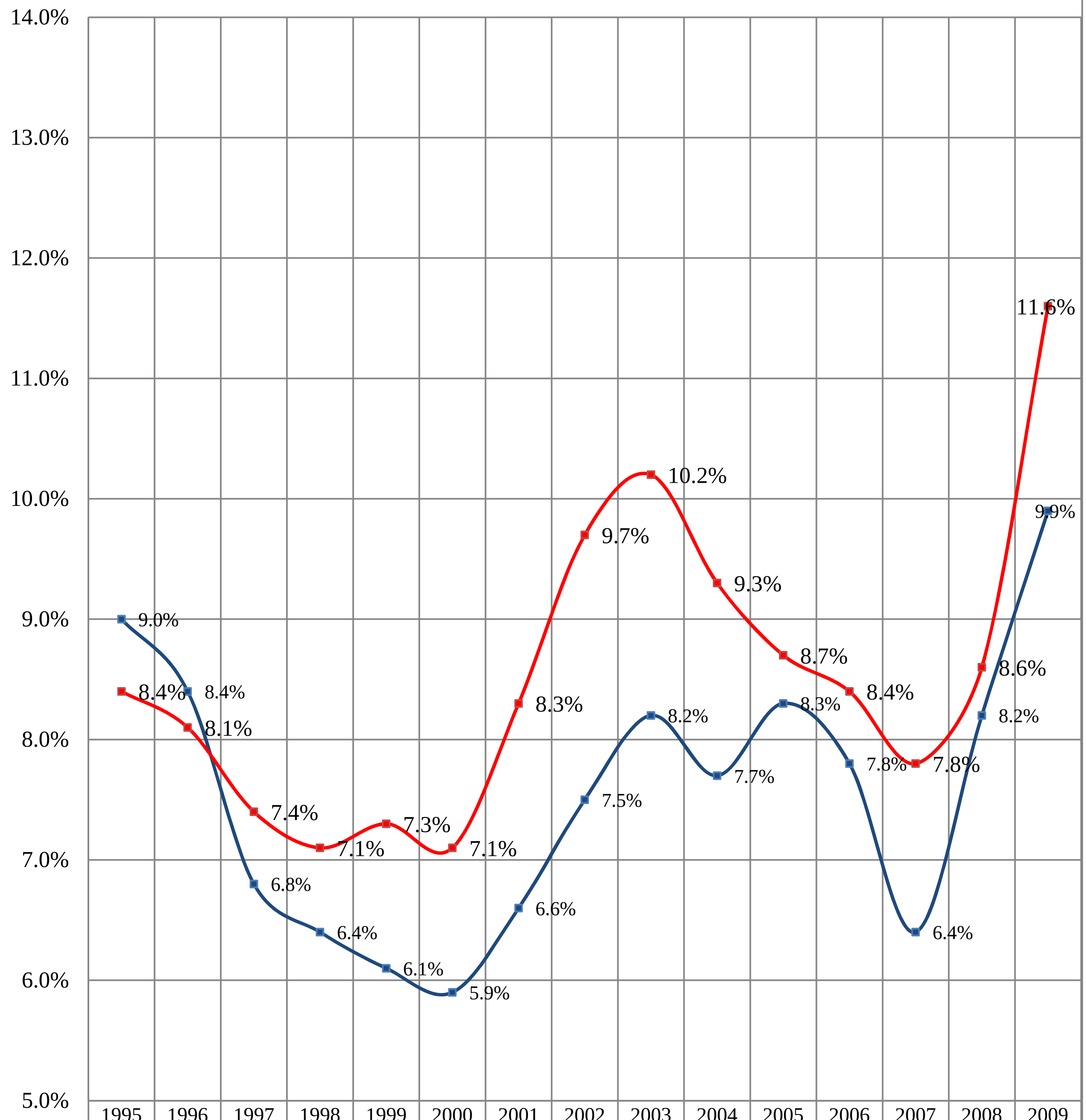
The pressure to liquidate assets has decreased somewhat for LASERS over the past five or six years, but has remained quite constant for TRSL and LSERS. Another downturn in the market would only increase the liquidation risks that the systems currently bear.

HISTORICAL NET EXTERNAL CASH FLOW (*Excludes Net Investment Income)* STATE SYSTEMS FY 2004 to FY 2009 (in millions)						
System	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
LASERS	$ (106.7)	$ (32.3)	$ (50.8)	$ (130.9)	$ (36.2)	$ (117.7)
TRSL	(365.8)	(345.4)	(419.1)	(481.3)	(358.8)	(458.2)
LSERS	(67.3)	(59.5)	(70.0)	(69.5)	(68.2)	(60.4)
STPOL	5.7	8.4	13.9	14.6	(10.1)	(11.4)
Combined	**$ (534.1)**	**$ (428.8)**	**$ (526.0)**	**$ (667.1)**	**$ (473.3)**	**$ (647.7)**

The following charts for LASERS, TRSL, and LSERS compare historical revenues (contributions) and costs (benefits + expenses) over the period from 1995 through 2009. As a general observation, benefits plus expenses exceed contributions for all three systems and have for LASERS and TRSL since about 1996. Costs and revenues for LASERS have paralleled one another. Costs for TRSL have increased significantly relative to revenues. LSERS has exhibited a pattern similar to TRSL.

LASERS

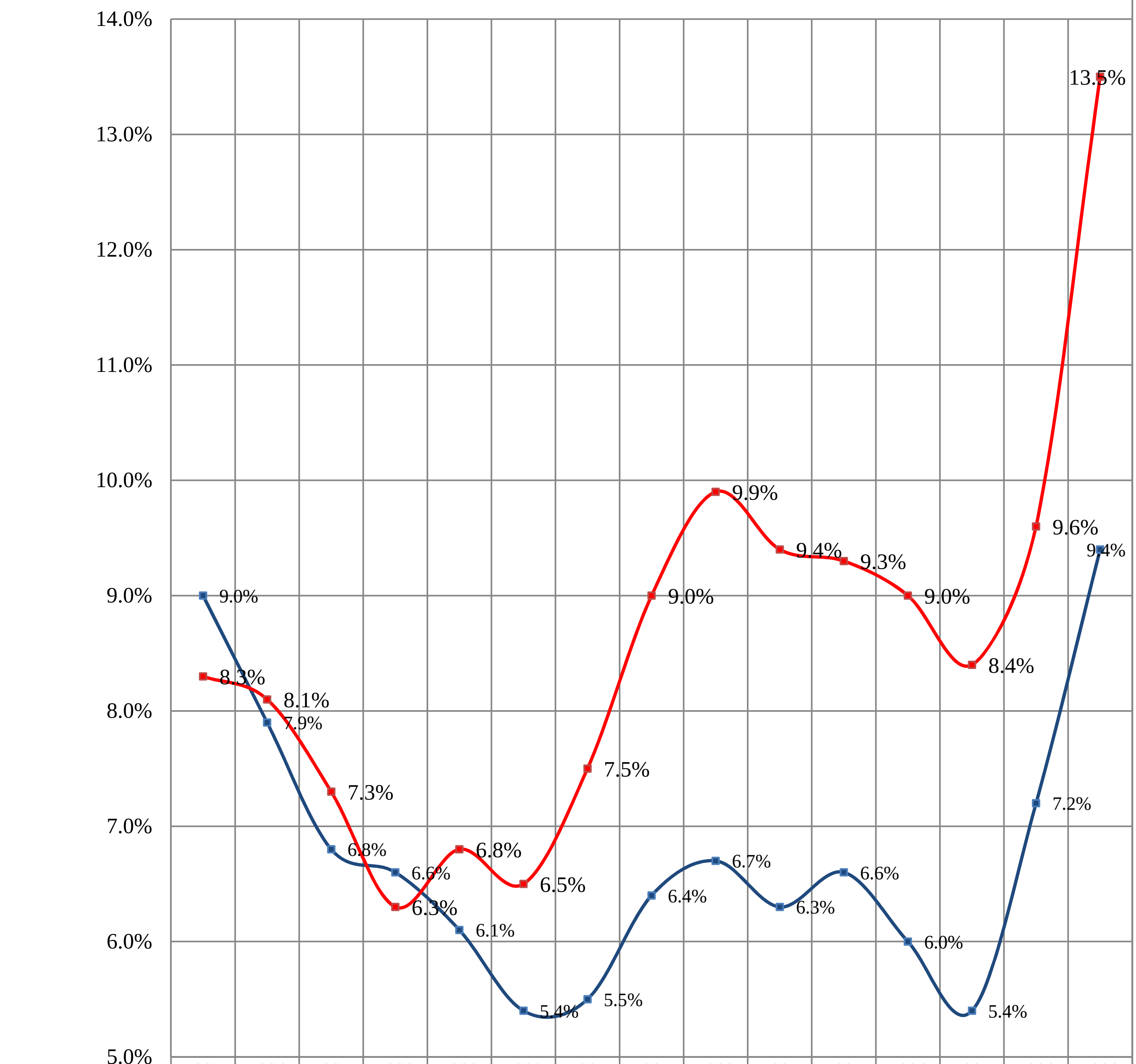
Comparison of Revenues and Distributions
As a Percentage of the Market Value of Assets



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Contributions	9.0%	8.4%	6.8%	6.4%	6.1%	5.9%	6.6%	7.5%	8.2%	7.7%	8.3%	7.8%	6.4%	8.2%	9.9%
Distributions	8.4%	8.1%	7.4%	7.1%	7.3%	7.1%	8.3%	9.7%	10.2%	9.3%	8.7%	8.4%	7.8%	8.6%	11.6%

TRSL

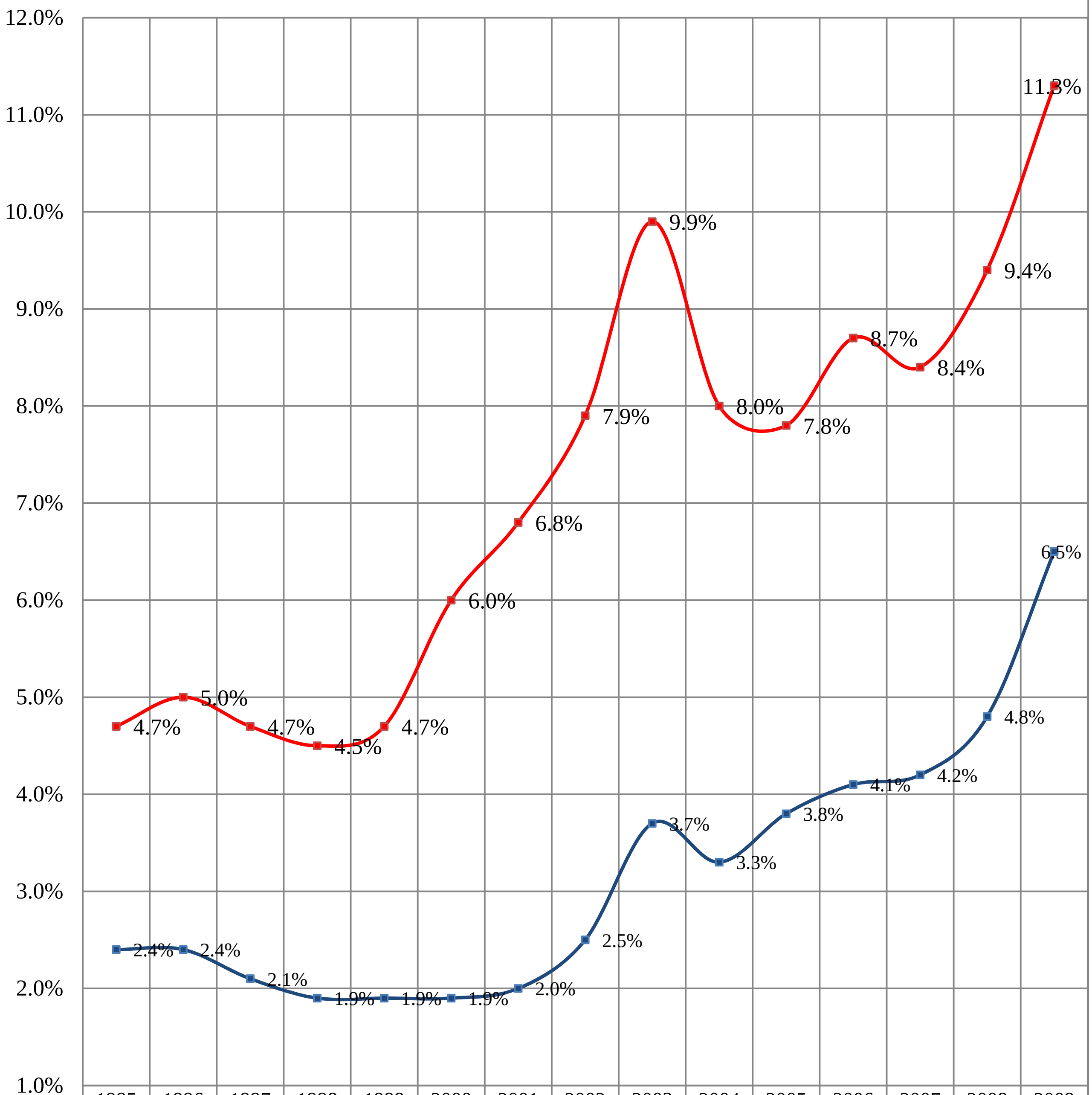
Comparison of Revenues and Distributions
As a Percentage of the Market Value of Assets



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Contributions	9.0%	7.9%	6.8%	6.6%	6.1%	5.4%	5.5%	6.4%	6.7%	6.3%	6.6%	6.0%	5.4%	7.2%	9.4%
Distributions	8.3%	8.1%	7.3%	6.3%	6.8%	6.5%	7.5%	9.0%	9.9%	9.4%	9.3%	9.0%	8.4%	9.6%	13.5%

LSERS

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



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Contributions	2.4%	2.4%	2.1%	1.9%	1.9%	1.9%	2.0%	2.5%	3.7%	3.3%	3.8%	4.1%	4.2%	4.8%	6.5%
Distributions	4.7%	5.0%	4.7%	4.5%	4.7%	6.0%	6.8%	7.9%	9.9%	8.0%	7.8%	8.7%	8.4%	9.4%	11.3%

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 – STPOL

Act 480 for STPOL of the 2009 Regular Session

The STPOL 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 – 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 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 Rescission – 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 systems 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 elected 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 program and it allowed it to be 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.

Effective July 1, 2004, the system board can now set the employee rate between 9.8% and 10.25% of pay to fairly apportion the cost of benefit improvements.

DROP 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

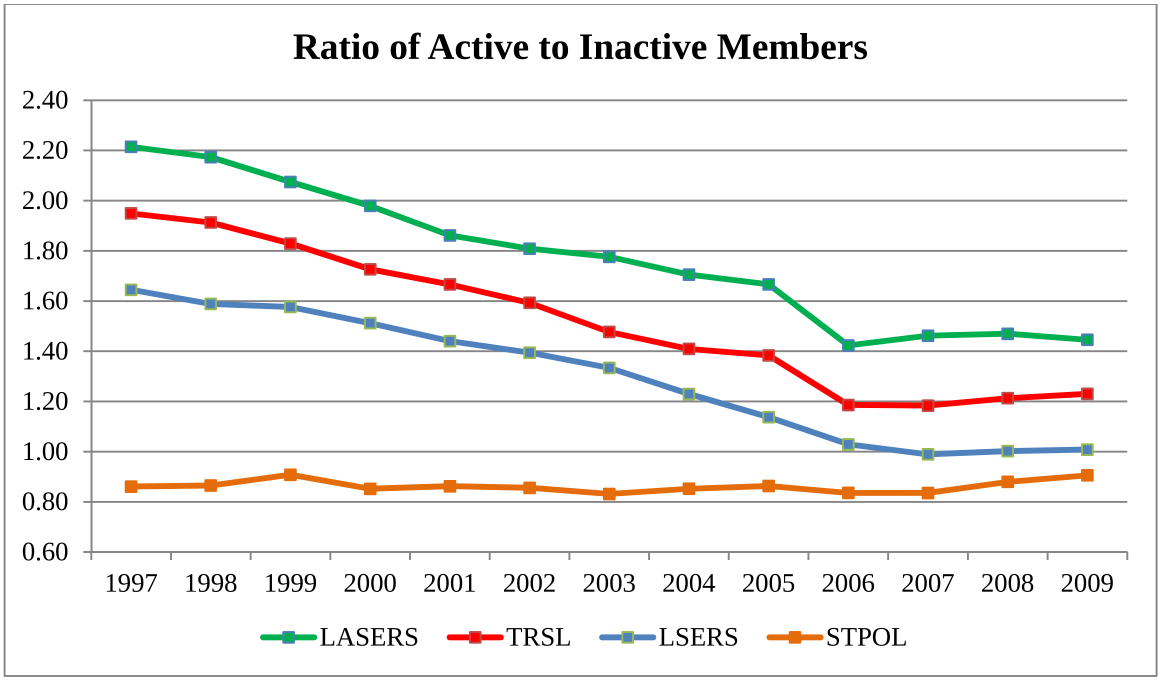
Issue

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

Actives & Inactives

In 1998, there were 2.17 active members of LASERS for every inactive member. In 2009, there are only 1.45 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

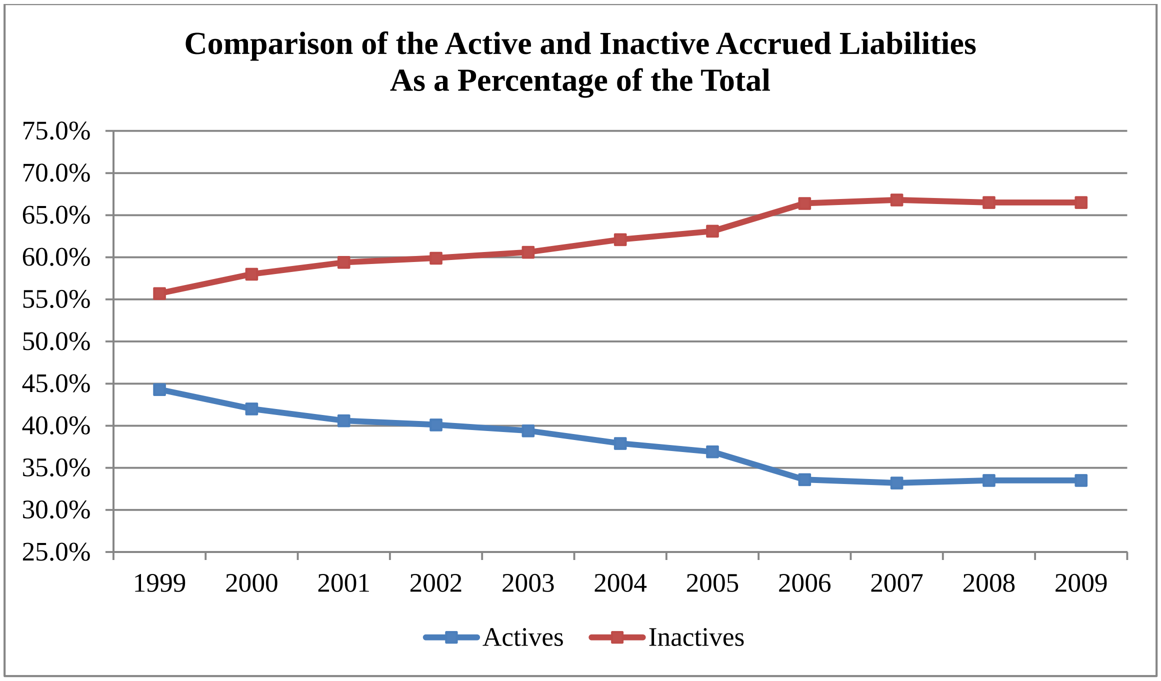
Another cause for concern is the ratio of the accrued liability associated with active members to the liability associated with inactives. As would be expected, if the ratio of actives to inactives is decreasing the ratio of active liability to inactive liability will also decrease.

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 2009, 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

Percent of Total Accrued Liability

Fiscal Year	***Actives***	***Inactives***
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%
2009	**33.5%**	**66.5%**

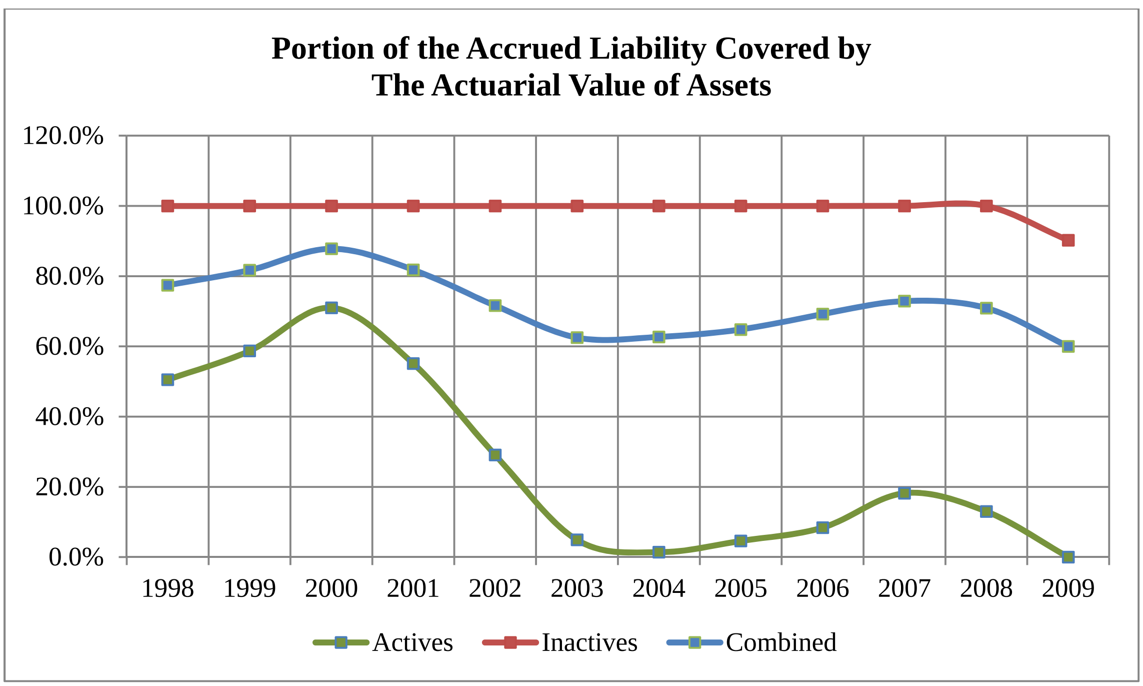


Percent Funded

The following table provides yet another way to view maturing retirement systems with a 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. And, as a result of negative investment returns over the past couple of years, assets of the state retirement systems on June 30, 2009, were not sufficient to cover liabilities for even retired members.

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			
Percent Funded			
Fiscal Year	***Actives***	***Inactives***	***Combined***
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%
2009	**0.0%**	**90.2%**	**60.0%**



Statewide Systems

The statewide retirement systems show varying degrees of change in the ratio of active to inactive member liabilities over the 11-year period FY 1999 to FY 2008.

Statewide Retirement Systems
Ratio of Active Members to Inactive Members

Fiscal Year	*1999*	*2009*	*Trend*
ASSR	1.59	1.62	**Up**
CCRS	2.82	2.24	**Down**
DARS	3.89	3.96	**Up**
FRS	2.39	2.12	**Down**
MERSA	2.34	1.57	**Down**
MERSB	2.67	2.45	**Down**
MPERS	1.51	1.46	**Down**
PERSA	2.89	2.46	**Down**
PERSB	4.36	3.77	**Down**
RVRS	1.48	1.62	**Up**
SPRF	5.24	4.27	**Down**
Total Statewide	**2.80**	**2.41**	**Down**

12. 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

Paul T. Richmond

1/10/12

Date

Section IV

Recent Legislation

1. Summary of Retirement Legislation Enacted in 2009

Retirement legislation enacted into law as a result of the 2009 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.

DROP:

Act 480 for STPOL replaces the current DROP with a Back-DROP option for members of the State Police Pension and Retirement Fund who have not already elected to participate in DROP. The Act also increases the employee contribution requirement from 8.0% of pay to 8.5% to help offset the cost associated with the benefit change from DROP to Back-DROP. Annual cost for the next 10 years will increase from $8,000 to $2,500,000 a year.

Trustee Responsibilities:

Act 398 for the Shreveport Police Pension and Relief Fund broadens the board's investment powers, gives the board the authority to award a permanent benefit increase of up to 3% each year as long as the funded ratio of the plan is 80% or more, and removes the authority of the City of Shreveport to use excess assets for salaries and wages of City of Shreveport police officers. The increase in the present value of future benefit costs is estimated to be $6 million.

Funding:

Act 504 for ASSR removes the cap on the amount of revenue sharing dollars that the system may demand for satisfaction of certain required tax remittances due the system by a parish, city, or other governmental entity. Savings may occur in the future.

Act 422 for FRS extends the period for amortizing the unfunded accrued liability. Annual contribution requirements will decrease $3,799,588 per year for the first 15 years. In years 16 through 20, required contributions will increase $24,528,380 per year.

Act 296 for CCRS, MPERS, PERS, and RVRS establishes Funding Deposit Accounts into which surplus contributions will be deposited, accumulated, and dispersed in at the discretion of the boards. The cost is negligible.

Act 68 for MERS amends existing law to provide for the continuing liability of participating employers which terminate participation in MERS; to allow for installment payments to discharge amounts owed by such employers to the system and to provide for an interest rate applicable to installment payments and to delinquent payments. Revenues into the retirement system will increase.

Act 247 for STPOL establishes a Funding Deposit Account into which surplus contributions will be deposited, accumulated, and dispersed in at the discretion of the board. The unfunded accrued liability is likely to increase by a small amount.

Act 497 for LASERS and TRSL transferred amounts in the Employer Experience Accounts, the IUAL Funds and the Employer Credit Accounts to the regular pool of assets; restructured the amortization payments for the UAL, and increased the threshold of actuarial gains that must be attained for COLAs to be paid. Contribution requirements to LASERS and TRSL will decrease $16.8 million over the 5-year measurement period.

Service Credits:

Act 59 for MERS allows members to purchase certain prior service credit not included in the service credit as certified by their employing city, town, or village in such entity's participation agreement with MERS. The present value cost is $0.

Act 301 for LASERS and TRSL allows employees of a public college or university or governing board or management board of a public college or university who are members of LASERS and TRSL who are furloughed voluntarily or involuntarily due to budget reductions to accrue up to 30 days of service credit during their furlough period and earn benefits in their respective retirement systems. The cost of this Act is negligible.

Membership:

Act 412 for TRSL provides that foreign teachers holding J-1 Visas who are teaching in a Louisiana public school through a J-1 exchange visitor program shall be members of TRSL. The annual cost to school districts is estimated to be $2,790,000.

Act 44 for RVRS extends membership to employees of the Louisiana Registrar of Voters Association, Inc. The net cost over the 5-year fiscal measurement period is estimated to be $67,652.

Rehired Retirees:

Act 516 for LSERS requires any employer participating in LSERS to pay the actuarial cost in the aggregate, if such employer opts to re-employ a retired school bus driver under provisions allowing such retiree to receive full benefits plus salary and to require employers to declare their intent to reemploy a retired bus driver under the 100% Rule of R.S. 11:1007. The costs or savings cannot be measured because it depends on the extent to which schools re-employ retired bus drivers.

Act 300 for MPERS allows a re-employed retiree, upon leaving employment for the second time, to choose an IBO for the additional benefits accrued during the retiree's period of re-employment. The cost is negligible.

Act 389 for DARS allows a retiree of a retirement system other than the DARS who is elected or appointed to a position of District Attorney or Assistant District Attorney on or after November 15, 2008, to become a member of DARS and accrue a supplemental pension. The cost is negligible.

COLA:

Act 270 for all FRS permits retirees from the state and statewide retirement systems to select a retirement option that provides for automatic COLAs subject to an actuarial reduction of benefits. The cost is negligible.

Act 144 for LASERS and TRSL grants a minimum benefit increase to certain retirees, beneficiaries, and survivors with small benefits. The cost is estimated to be about $6.8 million for LASERS and $10.2 million for TRSL.

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