

## *Hall Actuarial Associates*

---

Charles G. Hall  
F.C.A., M.A.A.A., A.S.A.  
Enrolled Actuary

1624 LaSalle Parc Drive  
Baton Rouge, La. 70806  
(225) 928-7866

September 22, 2008

Board of Trustees  
**LOUISIANA SCHOOL EMPLOYEES'**  
**RETIREMENT SYSTEM**

Post Office Box 44516  
Baton Rouge, Louisiana 70804-4516

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Louisiana School Employees' Retirement System as of June 30, 2008.

This report has been prepared in accordance with generally accepted actuarial principles and practices and to the best of my knowledge, fairly reflects the actuarial present value of accrued benefits of the Louisiana School Employees' Retirement System.

In preparing this valuation, I have relied upon the information provided regarding plan provisions, plan membership, plan assets and other matters as detailed in the exhibits of this report. In particular, I have relied upon the statement of assets as provided by Duplantier, Hrapmann, Hogan & Maher; Certified Public Accountants.

The present values shown herein have been estimated on the basis of actuarial cost method specified in Louisiana Revised Statutes Title 11 Section 22(5). The Actuarial Assumptions, which have been approved by the Board of Trustees, are appropriate for the purposes of this valuation; are reasonable in the aggregate, and when applied in combination represents my best estimates of the anticipated experience under the plan.

Board of Trustees  
September 22, 2008

A brief summary of the more important figures developed in this valuation, with comparable results from previous valuations are as follows:

	<u>June 30, 2008</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2007</u>	<u>June 30, 2006</u>
I. Membership Census			
1) Retirees	12,159	12,017	11,687
2) Actives	13,153	12,935	13,079
3) DROP	583	673	732
4) Terminated Vested	385	385	292
II. Annual Benefits	\$ 118,321,000	\$ 115,079,088	\$ 110,434,116
III. Total Payroll	289,528,924	259,044,840	239,320,589
IV. Valuation Assets	1,578,991,310	1,558,328,021	1,480,748,380
V. Investment Yield <sup>1</sup>			
Market Value	-4.74%	14.90%	5.77%
5 year avg.	7.02%	8.86%	5.36%
10 year avg.	5.08%	7.26%	7.59%
Actuarial Value <sup>1</sup>	5.87%	9.85%	9.19%
5 year avg.	7.55%	6.16%	3.81%
10 year avg.	6.29%	7.46%	7.79%
DROP Accounts <sup>1</sup>	5.37%	9.35%	8.69%
VI. Experience Account	0	0	n/a
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	53,753,324 18.57%	49,880,025 19.26%	45,920,822 19.19%
VII. Unfunded Actuarial Accrued Liability	481,250,581	389,274,992	391,845,885
VIII. Funded Percentage	76.6%	80.0%	79.1%
IX. Funding Requirements to Pay (Mid-year Payment)			
1) Employee Contribution	7.50%	7.50%	7.50%
2) Employer Contribution Rate (Current Year)	54,526,426 18.6%	45,808,043 17.5%	43,526,534 18.0%
3) Projected Employer Rate (Next Fiscal Year)	52,967,161 17.6%	47,867,770 17.8%	44,890,556 18.1%

Funding Requirements measure the cost of benefits in effect on June 30, 2008.

<sup>1</sup> Excludes Money Market DROP Accounts effective June 30, 2008.

Board of Trustees  
September 22, 2008

Current Funding

The Actuarial Valuation for the plan year ending June 30, 2008 discloses a increase in the plan's unfunded actuarial accrued liability. The system's unfunded accrued liability increased from a prior year balance of \$389.2 million to the current deficit of \$481.2 million. It is generally appropriate for the current valuation process to disclose the source and cause of any significant changes in actuarial assumptions, gains or losses resulting from actual experience which differs significantly from expected plan experience.

The basic elements of the annual required contribution are the normal cost and amortization of the Unfunded Actuarial Liability (UAL). The normal cost is the annual cost to provide an additional year of benefit accrual. The normal cost is divided into two parts, the employee portion and the employer portion, both are expressed as a percentage of payroll. Act 81 of the 1988 Legislative Session provides for the amortization of the initial UAL, plus subsequent changes in benefits, methods or gain/loss experience.

To assist the Board of Trustees in reconciling changes in the unfunded actuarial accrued liability, the following gain/loss analysis is presented as follows:

CHANGE IN UNFUNDED LIABILITY

Unfunded Liability 6/30/2007		\$ 389,274,992
INCREASES		
Interest on Unfunded Liability	\$ 29,195,625	
Changes in Actuarial Assumptions	24,618,425	
Investment Loss	112,929,006	
Retiree COLA	<u>4,005,677</u>	
Incurred Increases	170,748,733	
DECREASES		
Amortization Payment	\$ 19,339,444	
Employer Shortfall Gain	1,762,370	
Experience Gain	<u>57,671,330</u>	
Incurred Decreases	78,773,144	
Unfunded Liability 6/30/2008		\$ 481,250,581

Board of Trustees  
September 22, 2008

**Legislative Changes**

Act 80 provides for redistricting for certain members of the Board of Trustees

Act 282 removes the prohibition for dual employment.

Act 446 redefines earnable compensation to include pay received by school bus drivers for school-related extracurricular activities.

Act 823 clarifies existing requirements that assess a portion of the unfunded accrued liability to an employer who withdraws employee positions through privatization whether a full or partial withdrawal.

Act 832 extends the new rehired retiree provision to all retirees previously reserved for those retired on or before July 1, 2007.

**Funding**

The projected employer contribution rate for the 2008-2009 plan year was set by PERSAC at 17.8%. The actual employer contribution rate determined by this valuation for the current plan year is 18.6%. Therefore, the current plan year should generate a contribution shortfall loss since the PERSAC approved rate understates the valuation rate by 0.8%.

Act 232 of 2007 granted to retirees and survivors a one time supplemental lump sum COLA funded from excess interest equal to 3.0% or \$300, whichever is the greater.

**Disclosures**

Exhibit 3, "Pension Accounting and Financial Disclosure", contains disclosure of the accrued liabilities under the Entry Age Normal Actuarial Cost Method required by the Governmental Accounting Standards Board Statement No. 25.

The format of this report was designed with the intent of highlighting the pertinent results of the valuation's funding requirements. Should you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Charles G. Hall, FCA,MAAA,ASA  
Consulting Actuary

## TABLE OF CONTENTS

		<u>Pages</u>
<b>EXHIBIT 1</b>	<b>DEVELOPMENT OF COSTS, LIABILITIES &amp; CONTRIBUTIONS</b> Provides a detail by benefit type of the cost to accrue annual pension benefits, liabilities accrued to date and funding requirements	6 - 7
<b>EXHIBIT 2</b>	<b>FINANCIAL SUMMARY</b> Contains the statement of revenue and expenses as well as assets available to pay pension benefits	8 - 9
<b>EXHIBIT 3</b>	<b>PENSION ACCOUNTING AND FINANCIAL DISCLOSURE</b> NCGA STMT 6 changes in credited projected benefits	10 - 12
<b>EXHIBIT 4</b>	<b>CENSUS DATA</b> Describes the employee data, data processing for valuation purposes and depicts employee profiles by classification, age and service	13 - 21
<b>EXHIBIT 5</b>	<b>PRINCIPLE PROVISIONS OF THE RETIREMENT SYSTEM</b> Restates in summary outline form the basic plan provisions which were incorporated in the projected retirement pension benefit	22 - 28
<b>EXHIBIT 6</b>	<b>ACTUARIAL COST METHODS AND ASSUMPTIONS</b> Discloses rates of mortality, disability, retirement termination and other assumptions which are presumed to reflect the experience of the retirement system in aggregate	29 - 32
<b>EXHIBIT A</b>	<b>AMORTIZATION SCHEDULE</b>	33

**EXHIBIT 1**  
**DEVELOPMENT**  
**OF**  
**COSTS, LIABILITIES AND CONTRIBUTIONS**

Normal Costs and Accrued Liabilities are calculated in accordance with the Individual entry Age Normal Actuarial Cost Method, and the Actuarial Assumptions outlined in Exhibit 6 based on the Provisions of the Plan as summarized in Exhibit 5.

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Dollar</u> <u>Amount</u>	<u>% of</u> <u>Salary</u>	<u>Dollar</u> <u>Amount</u>	<u>% of</u> <u>Salary</u>
I. Normal Costs				
(to fund annual pension accruals)				
Active Members with Complete Data				
a) Retirement Benefits	\$ 36,301,909	12.54%	\$ 37,066,739	14.31%
b) Disability Benefits	1,894,494	.66%	2,045,388	.79%
c) Survivor Benefits	2,375,887	.82%	2,979,541	1.15%
d) Voluntary Termination	8,481,034	2.93%	4,188,357	1.62%
e) Expenses	<u>4,700,000</u>	<u>1.62%</u>	<u>3,600,000</u>	<u>1.39%</u>
TOTAL	53,753,324	18.57%	49,880,025	19.26%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 652,348,779		\$ 607,497,423	
2) Disability Benefits	17,259,905		14,248,609	
3) Survivor Benefits	20,513,847		20,233,506	
4) Voluntary Termination	<u>56,691,936</u>		<u>24,611,773</u>	
	746,814,467		666,591,311	
b) Retired and Inactive Members				
1) Regular Retirees	916,830,798		888,399,983	
2) Disabled Retirees	28,706,651		22,902,125	
3) Survivors	110,792,195		110,437,170	
4) Vested Deferred & Reciprocals	30,533,726		27,103,526	
5) Contributions Refunded	3,424,586		3,533,535	
6) DROP Deferred Benefits	157,798,805		164,243,602	
7) DROP Account Balances	<u>65,340,663</u>		<u>64,391,761</u>	
	1,313,427,424		1,281,011,702	
c) TOTAL	2,060,241,891		1,947,603,013	

**Exhibit 1 (Continued)**  
**Costs, Liabilities & Contributions**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
II. Actuarial Accrued Liability		
TOTAL (Preceding page)	\$ 2,060,241,891	\$ 1,947,603,013
III. Assets	1,578,991,310	1,558,328,021
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	481,250,581	389,274,992
a) Change over prior year	91,975,589	-2,570,893
b) Funded Percentage	76.64%	80.01%
V. Employer Contributions To Fund Current Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	27,666,717	27,155,427
b) Amortization Payments	19,703,260	11,076,041
c) Previous Year (Short-fall)	<u>7,156,449</u>	<u>7,576,575</u>
	54,526,426	45,808,043
	18.6%	17.5%
PERSAC approved Rate	17.8%	18.1%
VI. Projected Employer Contributions To Fund Next Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	28,395,191	27,826,578
b) Amortization Payments	21,560,312	12,853,123
c) Short-fall Charge	<u>3,011,658</u>	<u>7,188,069</u>
TOTAL Projected Contribution	52,967,161	47,867,770
	17.6%	17.8%
VII. Current Payroll	289,528,924	259,044,840
Projected Payroll - Mid Year	293,003,252	261,975,340
Projected Payroll - Next Year	300,718,131	268,450,107

<sup>1</sup>Dollar Amounts reflect estimated payments due mid-year on January 1st per Act 81.

## EXHIBIT 2

**FINANCIAL SUMMARY**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR FISCAL YEAR ENDING**

	<u>June 30, 2008</u>	-----Prior <u>June 30, 2007</u>	Years----- <u>June 30, 2006</u>
<b><u>OPERATING REVENUES:</u></b>			
1. Contribution Income			
Member	\$ 21,398,728	\$ 19,258,618	\$ 17,716,761
Employer	51,765,697	50,489,918	43,458,220
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CONTRIBUTIONS	73,164,425	69,748,536	61,174,981
2. Investment Income			
Investments	-73,063,296	224,963,755	87,249,926
Less, Manager Fees	<u>-3,052,102</u>	<u>-3,183,034</u>	<u>-3,210,066</u>
TOTAL INVESTMENT INCOME	-76,115,398	221,780,721	84,039,860
3. Total Revenues	-2,950,973	291,529,257	145,214,841
<b><u>OPERATING EXPENSES:</u></b>			
1. General Administration	4,704,910	3,587,553	3,276,641
Other Expenses	131,802	127,973	133,430
2. Benefits Paid			
a) Pension Benefits	133,619,893	130,256,443	119,959,677
b) Return of Contrib.	3,123,097	4,989,215	7,070,499
c) Transfers to(from)	<u>-143,191</u>	<u>334,411</u>	<u>778,245</u>
TOTAL BENEFITS PAID	136,599,799	135,580,069	127,808,421
3. Total Operating Expenses	141,436,511	139,295,595	131,218,492
<b><u>NET INCREASE:</u></b>	-144,387,484	152,233,662	13,996,349



**EXHIBIT 2 (Continued)**  
**Financial Summary**

**FINANCIAL SUMMARY**  
**STATEMENT OF ASSETS**  
**FOR FISCAL YEAR ENDING**

	<u>June 30, 2008</u>	-----Prior Years----- <u>June 30, 2007</u>	<u>June 30, 2006</u>
<b><u>ASSETS:</u></b>			
1. Short Term Assets			
Cash in Banks	\$ 15,714,474	\$ 16,553,344	\$ 14,776,356
Securities	91,704,516	73,653,099	55,052,813
Fixed Income Funds	11,722,545	10,283,473	3,966,231
2. Bonds			
Bonds - General	374,749,252	380,308,301	422,888,425
U.S. Government Obligations	41,746,837	41,230,226	74,836,061
3. Equities,			
Domestic Stock	703,980,813	829,543,133	753,696,612
Foreign Stocks	111,309,973	126,229,365	121,917,501
Private Equity Funds	14,628,427	5,186,030	0
International Equity Funds	61,369,218	63,851,755	0
4. Real Estate			
Real Estate Investment	2,603,822	2,261,714	2,249,936
Real Estate Funds	96,500,618	104,778,358	48,148,813
5. Property and Equipment	3,585,751	3,684,688	3,782,036
6. Receivables - Payables	<u>-17,374,397</u>	<u>-934,153</u>	<u>3,080,887</u>
TOTAL ASSETS - Market Value	1,512,241,849	1,656,629,333	1,504,395,671
Valued at Cost	1,420,812,620	1,394,185,128	1,371,938,265
<b><u>INVESTMENT YIELD:</u></b>			
Yield to Actuarial Value	5.87%	9.85%	9.19%
DROP Account Yield	5.37%	9.35%	8.69%
Yield to Market Value	-4.74%	14.90%	5.77%
<b><u>EXPERIENCE ACCOUNT FUND:</u></b>			
Prior Year End Balance	0	0	n/a
+ Excess Added	0	0	n/a
- Contribution Credited	0	0	n/a
+ Accumulated Interest	0	0	n/a
Fund Balance - Year End	0	0	n/a
<b><u>Actuarial Value of Assets:</u></b>			
TOTAL ASSETS	1,512,241,849	1,656,629,333	1,504,395,671
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	-13,926,514	31,097,880	74,172,945
Plan Year - 1 (wt. 2/4)	129,986,799	-13,926,514	31,097,880
Plan Year (wt. 3/4)	<u>-171,014,976</u>	<u>129,986,799</u>	<u>-13,926,514</u>
Actuarial Value of Assets	1,578,991,310	1,558,328,021	1,480,748,380
Less, Experience Account Fund	0	0	n/a
Valuation Assets	1,578,991,310	1,558,328,021	1,480,748,380

## EXHIBIT 3

**PENSION ACCOUNTING  
AND  
FINANCIAL DISCLOSURE**

The Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation in April 1984 by amendment to the Foundation's certificate of incorporation and by-laws. GASB's objective is to promulgate standards of financial accounting and reporting relative to the activities and transactions of state and local governmental entities. The following disclosures and statistical tables are in accordance with the GASB's Statement No. 25.

**SCHEDULE OF FUNDING PROGRESS**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
1999	1,464,041	1,213,230	-250,811	120.7	236,001	-106.3
2000	1,556,270	1,291,823	-264,447	120.5	241,128	-109.7
2001	1,516,236	1,472,423	- 43,814	103.0	249,674	- 17.5
2002	1,433,859	1,582,071	148,212	90.6	258,876	57.3
2003	1,369,601	1,730,796	361,195	79.1	268,656	134.4
2004	1,381,154	1,820,959	439,805	75.8	259,698	169.4
2005	1,423,207	1,889,445	466,238	75.3	259,232	179.9
2006	1,480,748	1,872,594	391,846	79.1	239,321	163.7
2007	1,558,328	1,947,603	389,275	80.0	259,045	150.3
2008	1,578,991	2,060,242	481,251	76.6	289,529	166.2

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$112,638,878 from June 30, 2007 to June 30, 2008. There was a change in actuarial assumptions resulting from a five year plan Experience Study increasing the liability \$24,618,425. From all sources there was a net experience loss of \$83,881,777.

**EXHIBIT 3 (Continued)**  
**Pension Accounting & Financial Disclosure**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u> <sup>1</sup>	<u>Percent Contributed</u>	<u>Annual Pension Cost (APC)</u> <sup>1</sup>	<u>Actual Contribution</u> <sup>1</sup>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	14,722,610	100.4	6,053,772	14,783,009	244.2	-127,822
2000	14,841,241	100.0	606,683	14,841,242	2446.3	-48,216
2001	15,257,791	100.0	543,354	15,257,791	2808.1	-46,733
2002	15,616,982	100.0	581,417	15,616,983	2686.0	-19,944
2003	16,440,025	100.0	13,856,760	16,440,025	118.6	-13,887
2004	47,980,745	58.7	41,929,947	28,163,575	67.2	19,817,170
2005	46,187,680	61.0	42,775,863	37,753,893	88.3	24,839,140
2006	50,768,224	85.6	45,648,519	43,458,220	95.2	27,029,439
2007	46,711,648	108.1	39,949,441	50,489,918	126.4	16,488,962
2008	50,003,327	103.5	43,384,440	51,765,697	119.3	8,107,705

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Louisiana School Employees' Retirement System.

The difference between the Actuarial Required Contribution and the APC is the amortization payment for the Net Pension Obligation (see Exhibit A), plus a constitutional mandated amount for plan years prior to 2003 to bring the total employer contribution up to 6% of covered payroll.

**DEVELOPMENT OF NET  
PENSION OBLIGATION:**

(1) Actuarial Required Contribution	50,003,327
(2) Interest on Net Pension Obligation	1,236,672
(3) Amortization of Net Pension Obligation	7,855,560
(4) Annual Pension Cost (1)+(2)-(3)	43,384,440
(5) Employer Contribution	51,765,697
(6) Increase (decrease) in Net Pension Obligation	-8,381,257
(7) Net Pension Obligation Beginning of Year	16,488,962
(8) Net Pension Obligation End of Year (6)+(7)	8,107,705

<sup>1</sup> Actuarial Contributions, the Annual Pension Cost (APC), and the actual employer contribution made have been adjusted with interest at the valuation rate to the end of the fiscal year in accordance with GASB's Statement No. 27, paragraph 21.

**EXHIBIT 3 (Continued)****Pension Accounting & Financial Disclosure**

## STATISTICAL DATA

COMPARATIVE SUMMARY OF REVENUES BY SOURCE  
AND EXPENSES BY TYPE

## Revenues by Source

<u>Fiscal</u> <u>Year End</u>	<u>Members</u> <u>Contribution</u>	<u>Employer</u> <u>Contribution</u>	<u>Investment</u> <u>Income</u>	<u>Total</u>
1999	15,028,064	14,258,000	128,912,738 <sup>1</sup>	158,198,802
2000	15,149,157	81,777 <sup>2</sup>	119,308,696	134,539,630
2001	15,574,349	74,856 <sup>2</sup>	-28,746,088	-13,096,883
2002	18,827,944	105,899 <sup>2</sup>	-34,986,556	-16,052,713
2003	19,820,210	58,736 <sup>2</sup>	50,126,072	70,005,018
2004	19,676,052	21,940,471 <sup>2</sup>	157,897,575	199,514,098
2005	18,946,671	37,753,893	115,092,079	171,792,643
2006	17,716,761	43,458,220	84,039,860	145,214,841
2007	19,258,618	50,489,918	221,780,721	291,529,257
2008	21,398,728	51,765,697	-75,829,016	-2,664,591

## Expenses by Type

<u>Fiscal</u> <u>Year End</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative</u> <u>Expenses</u> <sup>2</sup>	<u>Total</u>
1999	67,402,758	2,369,474	2,236,188	72,008,420
2000	75,855,391	2,243,027	2,285,482	80,383,900
2001	81,885,206	2,389,111	2,588,233	86,862,550
2002	89,516,977	1,992,256	2,366,271	93,875,504
2003	97,598,053	2,420,242	2,793,560	105,811,855
2004	102,474,273	3,866,339	2,782,636	109,123,248
2005	109,842,001	3,077,121	3,259,996	116,179,118
2006	119,959,677	7,848,744	3,410,071	131,218,492
2007	130,256,443	5,323,626	3,715,526	139,295,595
2008	133,619,893	3,123,097	4,693,521	141,436,511

<sup>1</sup> Prior to 6/30/99, reported realized investment income. A change in Asset Valuation Method now reports realized and unrealized investment income at Market (see Exhibit 6)

<sup>2</sup> Employer Contributions exclude the Employer Contribution Credit.

## EXHIBIT 4

## CENSUS DATA

## GENERAL COMMENTS

The data contained in this valuation is summarized on the following pages with exceptions noted below. The profile depicted in the cellular graphs represents "error-free data", which serves as the basis for determining costs and liabilities. Active members are allocated to cells based upon attained age and years of service. Retirees and Survivors are allocated to cells based upon attained age and years elapsed since retirement or commencement of benefits.

The validity of the results of any actuarial valuation is dependent upon the accuracy of the data base. Prior to processing, suspicious data and data containing errors were purged from the data base and processed separately based on the following error types:

- missing sex code
- missing or invalid date of birth
- missing or invalid date of employment
- missing or invalid salary
- invalid retirement dates

This year there were no records purged from the database containing errors or categorized as suspicious data, which is a significant improvement in the quality of data reported when compared to previous years. Suspicious data are not necessarily errors, but data, which falls outside the parameters of the editing process for further checking.

Salary data contained in the profiles and valuation report exceed the amount reported by internal audit due the annualization of salaries. In the valuation process, membership data with fractional service in the first year of employment annualizes the salary.

The following is a summary of the data submitted for valuation:

	---2008---	---2007---	---2006---
	<u>Census</u>	<u>Census</u>	<u>Census</u>
Active Members	12,519	12,344	12,495
After DROP	634	591	584
Regular Retirees	9,980	9,846	9,557
Disability Retirees	468	487	509
Survivors	1,711	1,684	1,621
Terminated Vested	385	385	292
DROP Participants	<u>583</u>	<u>673</u>	<u>732</u>
TOTAL	26,280	26,010	25,790

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM  
ACTIVE - BEFORE 7/01/2006

CELLS DEPICT - MEMBER COUNT  
TOTAL SALARY

VALUATION DATE 6/30/2008

Age	YEARS EMPLOYED									Total	
	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35- )		
[ 0-19):	0	1	0	0	0	0	0	0	0	0	1
:	0	19933	0	0	0	0	0	0	0	0	19933
[20-24):	0	21	6	0	0	0	0	0	0	0	27
:	0	427738	159983	0	0	0	0	0	0	0	587721
[25-29):	0	137	56	1	0	0	0	0	0	0	194
:	0	2601786	1207946	24631	0	0	0	0	0	0	3834363
[30-34):	0	204	141	39	1	0	0	0	0	0	385
:	0	3833438	3060729	1008977	47808	0	0	0	0	0	7950952
[35-39):	0	274	310	144	44	3	0	0	0	0	775
:	0	5396680	6646659	3300819	1148184	97087	0	0	0	0	16589429
[40-44):	0	422	506	313	174	56	6	0	0	0	1477
:	0	8330573	10545143	7164255	4528847	1658251	184191	0	0	0	32411260
[45-49):	0	429	619	506	329	150	129	5	0	0	2167
:	0	8516714	12676216	11654295	7891277	4089346	4537017	175957	0	0	49540822
[50-54):	0	356	501	510	409	230	210	24	0	0	2240
:	0	7174180	10769981	11264873	9859109	5872186	5832867	702684	0	0	51475880
[55-59):	0	288	422	394	424	268	61	10	1	0	1868
:	0	5700810	8799133	8964320	9879756	6468878	1426863	289545	16734	0	41546039
[60-64):	0	166	259	113	85	38	28	11	1	0	701
:	0	3336052	5322852	2278110	2076830	885596	661921	331436	16980	0	14909777
[65-69):	0	77	82	49	28	12	11	10	5	0	274
:	0	1386279	1551437	1022532	584839	277326	229567	216584	160822	0	5429386
[70-74):	0	43	46	18	5	5	8	3	7	0	135
:	0	718765	823582	365198	89613	128430	127629	41421	134089	0	2428727
TOTALS :	0	2418	2948	2087	1499	762	453	63	14	0	10244
salary :	0	47442948	61563661	47048010	36106263	19477100	13000055	1757627	328625	0	226724289

AVERAGES --- Attained Age 49.82  
Service Years 11.05  
Active Salary 22,132

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM  
ACTIVE - AFTER 6/30/2006

CELLS DEPICT - MEMBER COUNT  
TOTAL SALARY

VALUATION DATE 6/30/2008

Age	YEARS EMPLOYED									Total
	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35- )	
[ 0-19)	3	3	0	0	0	0	0	0	0	6
	61608	58862	0	0	0	0	0	0	0	120470
[20-24)	61	57	0	0	0	0	0	0	0	118
	1161573	1124578	0	0	0	0	0	0	0	2286151
[25-29)	87	74	0	0	0	0	0	0	0	161
	1606542	1450919	0	0	0	0	0	0	0	3057461
[30-34)	105	133	0	0	0	0	0	0	0	238
	1817012	2515513	0	0	0	0	0	0	0	4332525
[35-39)	102	181	0	0	0	0	0	0	0	283
	1889287	3321738	0	0	0	0	0	0	0	5211025
[40-44)	166	245	0	0	0	0	0	0	0	411
	3235513	4693570	0	0	0	0	0	0	0	7929083
[45-49)	160	223	0	0	0	0	0	0	0	383
	3333078	4364200	0	0	0	0	0	0	0	7697278
[50-54)	126	182	0	0	0	0	0	0	0	308
	2456802	3544347	0	0	0	0	0	0	0	6001149
[55-59)	84	127	0	0	0	0	0	0	0	211
	1659907	2423226	0	0	0	0	0	0	0	4083133
[60-64)	30	50	0	0	0	0	0	0	0	80
	553182	850563	0	0	0	0	0	0	0	1403745
[65-69)	24	29	0	0	0	0	0	0	0	53
	449502	544774	0	0	0	0	0	0	0	994276
[70-74)	5	18	0	0	0	0	0	0	0	23
	92899	303292	0	0	0	0	0	0	0	396191
TOTALS	953	1322	0	0	0	0	0	0	0	2275
count	18316905	25195582	0	0	0	0	0	0	0	43512487
salary										

AVERAGES --- Attained Age 43.83  
Service Years 1.10  
Active Salary 19,126

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM  
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT  
TOTAL SALARY  
DROP BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS EMPLOYED									Total	
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )		
[ 0-34)	0	0	0	0	0	0	0	0	0	0	0
[ 35-39)	0	0	0	0	0	0	0	0	0	0	0
[ 40-44)	0	0	0	0	0	0	0	0	0	0	0
[ 45-49)	0	0	0	0	0	0	0	0	0	0	0
[ 50-54)	6	3	0	0	0	0	0	0	0	0	9
[ 55-59)	24	25	4	2	3	1	0	0	0	0	59
[ 60-64)	87	58	22	14	14	23	0	0	0	0	218
[ 65-69)	10	14	57	43	50	76	0	0	0	0	250
[ 70-74)	0	3	2	9	9	70	5	0	0	0	98
TOTALS	127	103	85	68	76	170	5	0	0	0	634
salary	4784220	3721536	2978508	2053800	2239104	3427524	87456	0	0	0	19292148
benefit	1572876	1302744	977112	626712	573576	1224528	40164	0	0	0	6317712

AVERAGES --- Attained Age 65.54  
Post Drop Years 3.50  
Active Salary 30,429  
Annual Benefit 9,965



MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM  
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS RETIRED										Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )		
[ 0-39)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
[40-44)	1	3	3	0	2	0	0	0	0	0	9
	5436	24840	21468	0	25692	0	0	0	0	0	77436
[45-49)	15	13	22	6	23	16	0	0	1		96
	254268	173040	348168	56436	315432	120492	0	0	8268		1276104
[50-54)	15	24	88	42	51	46	5	0	0		271
	237948	327144	1422000	751368	962340	483612	25260	0	0		4209672
[55-59)	25	51	95	140	183	198	41	16	5		754
	382800	809520	1842012	2502924	3702684	3066576	290088	120972	27264		12744840
[60-64)	75	115	135	218	238	733	140	54	14		1722
	896820	1108068	1490916	2607144	3014784	9603624	1243308	326688	77364		20368716
[65-69)	16	30	77	64	88	1263	570	82	28		2218
	206184	267804	807456	516408	855516	11308812	5612568	603000	181008		20358756
[70-74)	9	13	25	20	26	284	1251	236	69		1933
	81360	142104	226128	158796	213072	2160720	9857328	2451888	617268		15908664
[75-79)	1	5	6	5	4	79	648	673	145		1566
	3264	46548	63432	52212	54780	560328	4926024	6010764	1427832		13145184
[80-84)	0	0	0	0	1	19	107	362	410		899
	0	0	0	0	18744	173604	890388	3335544	4157784		8576064
[85-89)	0	1	0	0	0	3	13	52	313		382
	0	6360	0	0	0	17700	116556	469116	3173796		3783528
[90-99)	0	0	0	0	0	0	0	0	130		130
	0	0	0	0	0	0	0	0	1245240		1245240
TOTALS	count	157	255	451	495	616	2641	2775	1475	1115	9980
	benefit	2068080	2905428	6221580	6645288	9163044	27495468	22961520	13317972	10915824	101694204

AVERAGES --- Attained Age 70.28  
Years Retired 11.26  
Annual Benefit 10,190

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM  
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )	
[ 0-39)	0	1	0	0	0	0	1	0	0	2
	0	12564	0	0	0	0	2592	0	0	15156
[40-44)	3	2	2	2	1	5	2	1	0	18
	25068	13416	16140	13296	4656	31104	9336	5388	0	118404
[45-49)	7	6	8	8	7	26	9	1	1	73
	57792	56340	67464	46056	43788	184812	56448	6672	6480	525852
[50-54)	14	8	11	16	10	51	23	8	5	146
	82692	70764	85224	113076	62304	324360	124092	44844	29088	936444
[55-59)	18	18	22	12	22	53	28	14	4	191
	129636	140784	154716	78492	126384	302892	128184	68412	23004	1152504
[60-64)	2	5	5	3	0	1	0	1	0	17
	9804	28188	26208	38808	0	4212	0	4608	0	111828
[65-69)	0	4	2	0	1	0	1	1	1	10
	0	18696	10668	0	5736	0	3696	5028	3780	47604
[70-74)	0	1	2	1	1	1	0	0	0	6
	0	5808	9516	5748	6024	4596	0	0	0	31692
[75-79)	0	0	0	0	0	0	0	0	2	2
	0	0	0	0	0	0	0	0	4332	4332
[80-84)	0	0	0	0	0	0	0	1	0	1
	0	0	0	0	0	0	0	4296	0	4296
[85-89)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
[90-99)	0	0	0	0	0	0	0	0	2	2
	0	0	0	0	0	0	0	0	4968	4968
TOTALS	44	45	52	42	42	137	64	27	15	468
benefit	304992	346560	369936	295476	248892	851976	324348	139248	71652	2953080

AVERAGES --- Attained Age 54.94  
Years Retired 6.75  
Annual Benefit 6,310

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSEB RETIREMENT SYSTEM  
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )	
[ 0-39)	18	5	1	4	0	14	15	7	4	68
	200424	32424	5340	43632	0	141828	112884	60996	11184	608712
[40-44)	14	3	3	2	0	4	5	1	1	33
	138012	14616	49596	13896	0	31836	33756	9372	5400	296484
[45-49)	16	2	5	3	4	6	6	3	2	47
	135024	20052	42012	24576	29628	45348	31776	23376	17316	369108
[50-54)	15	3	6	4	3	17	11	9	1	69
	118908	32712	58620	28968	33348	166728	86088	57828	4656	587856
[55-59)	18	5	6	7	4	36	22	16	5	119
	194820	53520	67008	40692	27636	317136	135720	118308	34260	989100
[60-64)	46	2	2	5	9	28	36	18	5	151
	515664	9108	14676	44796	74388	215640	275580	126876	40896	1317624
[65-69)	89	1	1	3	0	22	49	35	24	224
	830316	3648	9288	26928	0	167136	319212	282372	186372	1825272
[70-74)	116	0	1	2	3	20	51	67	32	292
	883512	0	8892	12108	14484	130428	328692	510648	270576	2159340
[75-79)	103	1	0	2	0	14	45	96	68	329
	767244	4116	0	12156	0	109428	342432	824760	496272	2556408
[80-84)	25	2	0	2	0	12	28	54	82	205
	170184	17352	0	10344	0	108336	209784	464328	671856	1652184
[85-89)	7	0	0	1	0	12	27	24	50	121
	56688	0	0	5904	0	87552	196848	181632	383760	912384
[90-99)	1	1	0	1	0	5	25	13	7	53
	11232	3828	0	8172	0	28512	182076	107364	58068	399252
TOTALS	468	25	25	36	23	190	320	343	281	1711
benefit	4022028	191376	255432	272172	179484	1549908	2254848	2767860	2180616	13673724

AVERAGES --- Attained Age 69.99  
Years Retired 10.41  
Annual Benefit 7,992

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM  
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS EMPLOYED									Total	
	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35- )		
[ 0-19)	0	0	0	0	0	0	0	0	0	0	0
[ 20-24)	0	0	0	0	0	0	0	0	0	0	0
[ 25-29)	0	0	0	0	0	0	0	0	0	0	0
[ 30-34)	0	0	0	1	0	0	0	0	0	0	1
[ 35-39)	0	2	0	10	0	0	0	0	0	0	12
[ 40-44)	0	2	0	22	4	1	0	0	0	0	29
[ 45-49)	0	1	2	24	17	4	3	0	0	0	51
[ 50-54)	0	0	2	47	28	7	10	3	0	0	97
[ 55-59)	1	1	1	45	38	17	14	2	0	0	119
[ 60-64)	1	1	0	20	17	12	1	0	0	0	52
[ 65-69)	0	0	1	3	4	1	3	0	0	0	12
[ 70-74)	0	2	1	3	2	1	2	1	0	0	12
TOTALS	2	9	7	175	110	43	33	6	0	0	385
benefit	96	8424	11424	1358868	1369620	914292	719172	130152	0	0	4512048

AVERAGES --- Attained Age 59.59  
Service Years 16.02  
Annual Benefit 11,720

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM  
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2008

Age	YEARS PARTICIPATED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )	
[ 0-39)	0	0	0	0	0	0	0	0	0	0
[40-44)	0	0	0	0	0	0	0	0	0	0
[45-49)	2	0	0	0	0	0	0	0	0	2
[50-54)	14	24	8	0	0	0	0	0	0	46
[55-59)	40	74	58	0	0	0	0	0	0	172
[60-64)	84	144	104	0	0	0	0	0	0	332
[65-69)	7	4	9	0	0	0	0	0	0	20
[70-74)	2	3	3	0	0	0	0	0	0	8
[75-79)	1	2	0	0	0	0	0	0	0	3
[80-84)	0	0	0	0	0	0	0	0	0	0
[85-89)	0	0	0	0	0	0	0	0	0	0
[90-99)	0	0	0	0	0	0	0	0	0	0
TOTALS	150	251	182	0	0	0	0	0	0	583
benefit	2205120	3562020	2440572	0	0	0	0	0	0	8207712

AVERAGES --- Attained Age 60.05  
Years Retired 1.59  
Annual Benefit 14,078

EXHIBIT 5

PRINCIPLE PROVISIONS OF THE PLAN  
(Including Acts of 2007 Regular Session)

EFFECTIVE DATE:

July 1, 1947

EMPLOYEE:

Any school bus driver, janitor, custodian, maintenance employee, bus aide, monitor or attendant or other regular school employee helping with the transportation of school children, and who is a legal employee of a parish or city school board of the State of Louisiana.

EMPLOYER:

The State of Louisiana, or any parish or city school board from which any employee receives compensation.

ELIGIBILITY FOR PARTICIPATION:

Contingent upon approval of application filed with the Board of Trustees within 90-days of the date of Employment. However, no employee who is a member of any other retirement system supported in whole or in part by public funds shall be entitled to membership in this retirement system.

SERVICE:

Service as an "Employee", defined above.

CREDITABLE SERVICE:

Prior Service plus Membership Service, for which credit is allowed.

PRIOR SERVICE:

Service prior to July 1, 1947 for which prior service certificates are issued; granted without cost if certified.

MEMBERSHIP SERVICE:

Service as an "Employee" while a member of the system.

**EXHIBIT 5 (Continued)**  
**Principle Provisions**

**ADDITIONAL**

**CREDITABLE SERVICE:**

1. Credit for service canceled by withdrawal of accumulated contributions may be restored by member by paying into system the amount withdrawn plus regular interest from date withdrawn until paid.
2. Maximum of 4 years of credit for military service may purchased.
3. Conversion of Sick Leave and Annual Leave at retirement, or death may be converted to membership credit.
4. Part-time employees shall accrue a full year of creditable service for each full year of part-time service for benefit eligibility purposes.
5. Out of State service with other school systems may be purchased.

**EARNABLE COMPENSATION:**

The compensation earned by a member for any given period. Where compensation includes maintenance, the employing agency shall fix the value of that part of compensation not paid directly.

**AVERAGE FINAL COMPENSATION:**

The average annual earnable compensation of a member for the 36 highest successive months of employment or the highest 36 successive joined months of employment where interruption of service occurred (Effective 7/6/84); the average compensation of a member for purposes of computing benefits cannot increase more than 25% per year (Effective 1/1/87).

For those members hired on and after 7/1/2006, the period for determining final average compensation is extended from 36 months to 60 months.

**ACCUMULATED CONTRIBUTIONS:**

Sum of all amounts deducted from compensation of a member plus any interest credited to his individual account in annuity savings fund plus any other amounts credited to the member's account.

**EMPLOYEE CONTRIBUTIONS:**

- 7.00% of earnable compensation.
- 6.65% effective Sept.1, 1990 (Act 340 of 1990).
- 7.00% effective Jan. 1, 1992 (Act 375 of 1991).
- 6.35% effective July 1, 1992 (Act 248 of 1992).
- 7.50% effective July 1, 2001 (Act 897 of 2001).

**EXHIBIT 5 (Continued)**  
**Principle Provisions**

**EMPLOYER CONTRIBUTIONS:**

"Normal contribution" rate plus "accrued liability contribution" rate, as determined by the actuary and Board of Trustees. Eff. July 1, 1985, 10.18%. Act 81 of 1988 requires employer rate to be actuarially determined annually.

**RETIREMENT BENEFIT:**

**NORMAL RETIREMENT:**

Eligibility:

Written application to the Board of Trustees and the member has attained age 60 and 10 years of accredited service, or age 55 and 25 years of accredited service, or at any age and 30 years of accredited service.

Benefit:

An annuity, which shall be the actuarial equivalent of accumulated employee contributions at retirement date, plus

A pension, which together with the above annuity provides a total allowance equal to 2 1/2% of average final compensation times the years of creditable service (including creditable unused sick and annual leave), plus an additional 1/2% of average final compensation times the years of creditable service in excess of 20 years, plus a two dollars per month for each year of credited service supplemental benefit, not to exceed average final compensation.

Act 278 of the 1999 regular legislative session provides a 3% accrual rate for each year of service earned after July 1, 1999, regardless of prior service earned.

Act 897 of the 2001 regular legislative session increases the accrual rate to 3 1/3% for active members after July 1, 2001 for all years of service.

**EARLY-REDUCED RETIREMENT:**

Eligibility:

20 years of service credit regardless of attained age.

Benefit:

Normal retirement benefit based upon service accrued to date, actuarially reduced from the earliest date member would be eligible if employment had continued to earliest normal retirement date.

**COST OF LIVING BENEFITS:**

1. Prior to July 1, 1970 The Board may grant supplemental COLA not in excess of 2% from investment income, minimum \$20 per month.

After July 29, 1970 Board may grant supplemental COLA not in excess of 3% from investment income, minimum \$30 per month.



**EXHIBIT 5 (Continued)**  
**Principle Provisions**

**DISABILITY RETIREMENT:**

Eligibility:

5 years of creditable service; certification of disability by medical board (medical examination required once in every year for the first 5 years of disability retirement, and once in every 3 years thereafter, until age 60).

Effective 7/1/2006, Act 578 of 2006 changed the requirements for disability retirement from 5 years of creditable service to 10 years.

Benefit:

An annuity, which shall be the actuarial equivalent of accumulated employee contributions at retirement date, plus

A pension, which together with the above annuity provides a total allowance equal to 2 1/2% of average final compensation times the years of creditable service (including creditable unused sick and annual leave), plus a two dollars per month for each year of credited service supplemental benefit, not to exceed final average compensation. Act 500 of 1989 provides a minimum disability benefit of 33 1/3% of average final compensation.

**NOTE:** The supplemental benefit is discontinued to persons who become members of the retirement system after 6/30/86 (Act 608 of 1986).

**SURVIVOR'S BENEFITS:**

Eligibility:

1. Surviving Spouse with minor children of;
  - an active member with 5 years of creditable service with at least 2 years earned immediately prior to death or,
  - a member with 20 years of service at the time of death.
2. Surviving Spouse without minor children of;
  - an active member with 10 years of creditable service with at least 2 years earned immediately prior to death or,
  - a member with 20 years of service at the time of death.
3. Minor children with no spouse or spouse without legal custody of;
  - an active member with 5 years of creditable service with at least 2 years earned immediately prior to death or,
  - a member with 20 years of service at the time of death.
4. Beneficiary not eligible for (1), (2) or (3)

Benefits:

1. Greater of 75% of member's final average compensation or \$300 per month. Benefit ceases upon remarriage if less than 20 years of service and less than age 55.

**EXHIBIT 5 (Continued)**  
**Principle Provisions**

2. Greater of 50% of member's final average compensation or \$200 per month. Benefit ceases upon remarriage if less than 20 years of service and less than age 55.
3. Greater of 75% of member's final average compensation or \$300 per month.
4. Return of member's accumulated contributions.

**NOTE:** Handicapped or mentally retarded children of a deceased member, regardless of age, who are dependent upon a surviving spouse or legal guardian shall be payable in accordance with minor children benefits of this section. The benefit payable is reduced by state assistance received.

**OPTIONAL FORMS**  
**OF BENEFIT:**

In lieu of receiving normal retirement benefit, member may elect to receive actuarial equivalent of retirement allowance in a reduced form as follows:

Option 1 - If a member dies before receiving present value of annuity in monthly payments, balance paid to designated beneficiary.

Option 2 - Reduced retirement allowance, if member dies, to be continued to designated beneficiary for his lifetime.

Option 3 - 1/2 of reduced retirement allowance, if member dies, to be continued to designated beneficiary for his lifetime.

Option 4 - Other benefits of equal actuarial value may be elected with approval of board.

Initial Benefit Option - Maximum benefit actuarially reduced for partial lump-sum equal to not more than 36 months of maximum pension.

**NOTE:** Revisionary annuities are available for Option 2 and Option 3, which provides a return to the maximum benefit if the spouse pre-deceases the retiree.

**REFUND OF CONTRIBUTIONS:**

If a member ceases to be eligible, except by death or retirement, he shall be paid such part of the amount of the accumulated contributions credited to his individual account in annuity savings fund as he shall demand, plus any accumulated interest.

**WITHDRAWAL AFTER 10 YEARS**  
**OF CREDITABLE SERVICE:**

Any member with credit for 10 years of service who withdraws from service may elect to leave accumulated contributions in system until age 60, when he may apply for retirement and begin receiving a retirement benefit based on the credits he had at date of withdrawal.

**EXHIBIT 5 (Continued)**  
**Principle Provisions**

**COST OF LIVING INCREASES:**

HB 658 of 2007 establishes an Experience Account which, is credited with 50% of the excess investment experience gain and debited with 50% of the net investment experience loss. Balances in the experience account accrue interest at the average actuarial yield for the System portfolio. Once the balance of the Experience Account accumulates to a sum sufficient to grant retirees a COLA, the Board may grant such COLA not to exceed the lesser of the CPI-U or 3%. Benefits are restricted to those retirees who have attained the age of 60 and have been retired for at least one year.

**DEFERRED RETIREMENT OPTION PLAN:**

**(Act 56 of 1991)**

Instead of terminating employees and accepting a service retirement allowance, any member who has met the following eligibility requirements may elect to participate in the Deferred Retirement Option Plan (DROP) and defer receipt of benefits.

**Eligibility:**

Ten (10) years at age sixty (60), twenty-five (25) years at age fifty-five (55), or thirty (30) years of creditable service including reciprocal service, but excluding conversion of sick and annual leave, and eligible to receive a service retirement allowance. However, all unused sick and annual leave is convertible after plan participation when member has terminated employment.

**Benefit:**

Duration of participation is specified and cannot exceed the period terminating on the third anniversary at the earliest date the member qualified for regular retirement.

Upon termination of employment at the end of or prior to the end of the specified period of participation, a participant will receive, at his option:

- (1) lump sum payment (equal to the payments to the account);
- (2) a true annuity based upon his account; or
- (3) any other method of payment if approved by the board of trustees. Monthly benefits being paid into the fund during participation will begin being paid to the retiree.

If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance shall be paid to the beneficiary, or if none, to his estate; in addition, normal survivor benefits payable to survivors of retirees shall be payable.

If employment is not terminated at the end of the specified period of participation, then:

**EXHIBIT 5 (Continued)**  
**Principle Provisions**

- (1) payment into account shall cease;
- (2) payment from account shall not be made until employment is terminated; and
- (3) the participant shall resume active contributing membership in the system.

Then, upon termination of employment, the benefit payments indicated above shall be paid. The participant shall receive an additional retirement benefit based on additional service rendered since termination of participation in the fund, usually the normal method of computation of benefit subject to the following:

- (1) If additional service was less than 36 months, average compensation figure used to calculate additional benefit shall be that used to calculate original benefit.
- (2) If additional service was 36 or more months, the average compensation figure used to calculate the additional benefit shall be based on compensation during the period of additional service.

For those members hired on and after 7/1/2006, the period for determining final average compensation is extended from 36 months to 60 months.

**NOTE:** DROP Accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis.

Effective 1/1/2004 new DROP accounts are credited with Money Market rates or self directed accounts approved by the Board of Trustees.

**EXHIBIT 6****ACTUARIAL COST METHODS AND ASSUMPTIONS****COST METHOD:**

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the retirement system. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal costs is called the actuarial accrued liability.

**ASSET VALUATION:**

For the Plan Year ending prior to June 30, 1999 equities are valued at a four year weighted average. The computation of the actuarial value of assets is the sum of the bonds at amortized cost, less a weighted average of unrealized losses or (gains) in the market value of equities, plus the market value of Equities

Effective June 30, 1999 the Board of Trustees approved a change in the Asset Valuation Method. The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets. This value is determined in accordance with in accordance with Reg.1.412(c)(2)-1-(6) & (7) of the Internal Revenue Service Code and is subject to the Corridor Limits defined therein.

**ACCOUNTING DISCLOSURE:**

The Governmental Accounting Standards Board Statement No. 25 requires disclosure of certain actuarial liabilities for Public Employee Retirement Systems. The disclosures illustrated in Exhibit 3 were developed using the Entry Age Normal cost method. The statement of assets provided by the independent auditors was a copy of the final draft prior to publication. Should the statement of assets received differ from the final audit report, a revised actuarial statement will be issued to the extent that any difference in reporting affects the employer's contribution rate or the yield to the Actuarial Value of Assets.

**ACTUARIAL ASSUMPTIONS:**

The Retirement System is required to conduct an experience study every five years, but the scope of such a study is not necessarily limited to a five year period. The current five year observation period (2003-2007) was chosen to coincide with the most recent period of data reporting following the restructuring of the Deferred Retirement Option Program.

**MORTALITY ASSUMPTIONS:**

Pre-retirement deaths and post-retirement life expectancies were projected in accordance with the experience of the RP-2000 Sex Distinct Mortality Table.

**EXHIBIT 6 (Continued)**  
**Cost Methods & Assumptions**

**DISABILITY ASSUMPTION:**

Rates of total and permanent disability were projected in accordance in accordance with the experience of the RP-2000 Sex Distinct Disability Mortality Table.

**RETIREMENT/DROP ASSUMPTION:**

Retirement rates are based on age and service eligibility requirements for normal benefits. Age and service requirements vary by plan. DROP is viewed as an alternative form of benefit accrual since mandatory termination is not required following participation. Therefore, at eligibility, the probability of DROP accrual is determined in conjunction with regular benefit accrual. Retirement rates and DROP probabilities are based on the most recent Experience Study and are illustrated in the rate tables at the end of this exhibit.

**TERMINATION ASSUMPTIONS:**

Voluntary termination or withdrawal rates are based on the most recent Experience Study. During the first five years of employment, the probability of voluntarily terminating is a multiple of the attained age rate in prior reports and a multiple of service duration in the current valuation as follows:

1st year	1.00x
2nd year	1.15x
3rd year	1.15x
4th year	1.00x
5th year	1.00x

Furthermore, for members terminating with ten (10) or more years of service, it is assumed that 80% will not withdraw their accumulated employee contributions.

**SALARY GROWTH:**

The rates of annual salary growth are based upon the member's years of service and are illustrated in the rate tables at the end of this exhibit.

**FAMILY STATISTICS:**

The composition of the Family was based on Age-Specific Fertility Rates from the 2007 Vital Statistics of the United States. 80% of the membership was assumed to be married with the wife assumed to be three (3) years younger than the husband. Sample rates are as follows:

**EXHIBIT 6 (Continued)**  
**Cost Methods & Assumptions**

<u>Age at Death</u>	<u>Number of Minor Chn.</u>	<u>Years for Youngest Child to Attain Majority</u>
25	1.2	17
30	1.4	15
35	1.7	13
40	1.7	10
45	1.4	8
50	1.1	4

**ASSUMPTION FOR INCOMPLETE DATA:**

Records identified as containing suspicious data or errors in data were assumed to possess the same characteristics of "good data" in the same cohort.

**INVESTMENT EARNINGS:**

An effective annual rate of 7.5%, net expenses.

**ADMINISTRATIVE EXPENSES:**

Operating expenses are included in Aggregate Normal Cost and are assumed to be \$4,700,000 per year. Investment Manager Fees are not included in Operating Expenses, but are treated as a direct offset to investment income. The Employer portion of the Normal Cost excludes an allocation for administrative expenses. As a result of the change in Asset Valuation Method, the reporting of realized income has been changed to realized, plus unrealized income for valuations beginning on June 30, 1999 and thereafter.

**COST-OF-LIVING:**

The liability for cost-of-living raises already granted is included in the retiree reserve.

ACTUARIAL TABLES AND RATES  
EFFECTIVE 6/30/2008

Age	- Death Rates -		Disability	Termination	Retirement	DROP	Dur	Salary
	Male	Female	Rates	Rates	Rates	Rates		Scale
18	.00033	.00019	.0000	.1500	.0000	.000	1	1.0600
19	.00034	.00019	.0000	.1500	.0000	.000	2	1.0600
20	.00036	.00019	.0000	.1500	.0000	.000	3	1.0450
21	.00037	.00019	.0000	.1500	.0000	.000	4	1.0450
22	.00037	.00020	.0000	.1300	.0000	.000	5	1.0450
23	.00038	.00020	.0000	.1300	.0000	.000	6	1.0450
24	.00038	.00021	.0000	.1300	.0000	.000	7	1.0470
25	.00038	.00021	.0000	.1000	.0000	.000	8	1.0470
26	.00038	.00022	.0000	.1000	.0000	.000	9	1.0470
27	.00039	.00024	.0000	.1000	.0000	.000	10	1.0470
28	.00041	.00025	.0000	.1000	.0000	.000	11	1.0470
29	.00044	.00026	.0000	.1000	.0000	.000	12	1.0470
30	.00050	.00031	.0000	.1000	.0000	.000	13	1.0470
31	.00056	.00035	.0000	.1000	.0000	.000	14	1.0450
32	.00063	.00039	.0000	.1000	.0000	.000	15	1.0450
33	.00070	.00043	.0000	.1000	.0000	.000	16	1.0450
34	.00077	.00047	.0000	.1000	.0000	.000	17	1.0450
35	.00084	.00051	.0010	.0700	.0000	.000	18	1.0450
36	.00090	.00055	.0010	.0700	.0000	.000	19	1.0450
37	.00096	.00060	.0010	.0700	.0000	.000	20	1.0450
38	.00102	.00065	.0010	.0700	.0000	.000	21	1.0450
39	.00108	.00071	.0010	.0700	.0000	.000	22	1.0450
40	.00114	.00077	.0020	.0700	.0000	.000	23	1.0450
41	.00121	.00085	.0020	.0600	.0000	.000	24	1.0450
42	.00130	.00094	.0020	.0600	.0000	.000	25	1.0450
43	.00140	.00103	.0040	.0600	.0000	.000	26	1.0450
44	.00151	.00112	.0040	.0550	.0000	.000	27	1.0450
45	.00162	.00122	.0040	.0550	.0000	.000	28	1.0400
46	.00173	.00133	.0050	.0550	.0000	.000	29	1.0400
47	.00186	.00143	.0060	.0400	.9000	.000	30	1.0400
48	.00200	.00155	.0060	.0400	.9000	.150	31	1.0400
49	.00214	.00168	.0060	.0400	.6800	.150	32	1.0400
50	.00245	.00185	.0060	.0400	.6000	.300	33	1.0400
51	.00267	.00202	.0060	.0400	.6000	.450	34	1.0400
52	.00292	.00221	.0060	.0400	.6000	.270	35	1.0400
53	.00320	.00242	.0060	.0400	.6000	.270	36	1.0400
54	.00362	.00272	.0070	.0400	.4200	.330	37	1.0400
55	.00420	.00309	.0070	.0400	.4200	.330	38	1.0400
56	.00469	.00348	.0070	.0400	.4200	.400	39	1.0400
57	.00527	.00392	.0060	.0400	.4200	.300	40	1.0400
58	.00594	.00444	.0060	.0400	.4200	.300	41	1.0400
59	.00675	.00505	.0050	.0400	.3500	.200	42	1.0400
60	.00768	.00581	.0040	.0400	.3500	.400	43	1.0400
61	.00876	.00666	.0040	.0400	.3500	.350	44	1.0400
62	.01001	.00765	.0040	.0400	.2500	.250	45	1.0400
63	.01128	.00862	.0040	.0400	.2500	.250	46	1.0400
64	.01274	.00971	.0040	.0400	.2500	.250	47	1.0400
65	.01441	.01095	.0040	.0400	.2500	.100	48	1.0400
66	.01607	.01216	.0040	.0400	.2500	.100	49	1.0400
67	.01787	.01345	.0040	.0400	.2500	.100	50	1.0400
68	.01980	.01486	.0040	.0400	.2500	.200	51	1.0400
69	.02221	.01674	.0040	.0400	.2500	.080	52	1.0400
70	.02457	.01858	.0040	.0400	.2500	.050	53	1.0400
71	.02728	.02067	.0040	.0400	.2500	.000	54	1.0400
72	.03039	.02297	.0040	.0400	.2500	.000	55	1.0400
73	.03390	.02546	.0040	.0400	.5000	.000	56	1.0400
74	.03783	.02811	.0040	.0400	.9900	.000	57	1.0400



## EXHIBIT A

AMORTIZATION of UNFUNDED  
ACTUARIAL ACCRUED LIABILITY  
JUNE 30, 2008

<u>DATE</u> <u>6/30</u>	<u>DESCRIPTION</u>	<u>AMTZ.</u> <u>METHOD</u>	<u>AMTZ.</u> <u>PERIOD</u>	<u>INITIAL</u> <u>LIABILITY</u>	<u>YEARS</u> <u>REMAING</u>	<u>REMAINING</u> <u>BALANCE</u>	<u>MID-YEAR</u> <u>PAYMENT</u>
1993	Change in Liability	L	25	-65,622,628	21	-61,304,680	-5,677,975
1994	Change in Liability	L	25	-30,846,941	21	-28,817,222	-2,669,021
1995	Change in Liability	L	25	2,558,051	21	2,389,732	221,334
1996	Change in Liability	L	25	-19,620,386	21	-18,329,371	-1,697,647
1997	Change in Liability	L	25	-9,046,638	21	-8,451,372	-782,757
1998	Change in Liability	L	25	-105,844,372	21	-98,879,846	-9,158,148
1999	Change in Liability	L	25	-48,468,045	21	-45,784,863	-4,193,681
2000	Change in Liability	L	25	-8,704,034	21	-8,131,311	-753,114
2001	Change in Liability	I	27	239,310,198	23	255,563,928	15,454,773
2002	Change in Liability	I	28	199,940,651	24	214,790,754	12,605,642
2003	Change in Liability	I	29	214,321,070	25	231,502,334	13,207,402
2004	Change in Liability	L	30	52,010,701	26	49,760,787	4,247,412
2005	Change in Liability	L	30	4,619,288	27	4,474,962	377,230
2006	Change in Liability	L	30	-93,066,596	28	-91,198,953	-7,600,208
2007	Change in Liability	L	30	-8,916,009	29	-8,829,780	-728,119
2008	Change in Liability	L	30	<u>83,881,777</u>	30	<u>83,881,777</u>	<u>6,850,137</u>
TOTAL OUTSTANDING BALANCE						473,142,876	19,703,260
<b>EMPLOYERS' CREDIT BALANCE</b>							
2004	Contribution Variance	L	5	19,817,170	1	4,556,377	4,724,152
2005	Contribution Variance	L	5	8,433,787	2	3,742,918	2,010,504
2006	Contribution Variance	L	5	7,310,004	3	4,698,565	1,742,609
2007	Contribution Variance	L	5	-3,778,270	4	-3,127,785	-900,690
2007	Contribution Variance	L	5	<u>-1,762,370</u>	5	<u>-1,762,370</u>	<u>-420,126</u>
TOTAL CREDIT BALANCE						8,107,705	7,156,449
<b>TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>						481,250,581	

**NOTE:** Effective July 1, 1990, Actuarial Valuation Rate changed from 7% to 7 1/2%.  
Effective July 1, 1992, Amortization Period changed in accordance with Act 257.  
Effective July 1, 2004, Amortization Period changed in accordance with Act 588.