

## *Hall Actuarial Associates*

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September 26, 2007

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, 2007.

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 26, 2007

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

	<u>June 30, 2007</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2006</u>	<u>June 30, 2005</u>
I. Membership Census			
1) Retirees	12,017	11,687	10,953
2) Actives	12,935	13,079	13,837
3) DROP	673	732	856
4) Terminated Vested	385	292	356
II. Annual Benefits	\$ 115,079,088	\$ 110,434,116	\$ 99,374,136
III. Total Payroll	259,044,840	239,320,589	259,232,455
IV. Valuation Assets	1,558,328,021	1,480,748,380	1,423,206,908
V. Investment Yield			
Market Value	14.90%	5.77%	8.19%
5 year avg.	8.86%	5.36%	3.79%
10 year avg.	7.26%	7.59%	8.02%
Actuarial Value	9.85%	9.19%	7.51%
5 year avg.	6.16%	3.81%	2.36%
10 year avg.	7.46%	7.79%	7.99%
DROP Accounts <sup>1</sup>	9.35%	8.69%	7.01%
VI. Experience Account	0	n/a	n/a
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	49,880,025 19.26%	45,920,822 19.19%	49,380,873 19.05%
VII. Unfunded Actuarial Accrued Liability	389,274,992	391,845,885	466,237,714
VIII. Funded Percentage	80.0%	79.1%	75.3%
IX. Funding Requirements to Pay (Mid-year Payment)			
1) Employee Contribution	19,648,151	18,148,302	19,442,434
Rate (Current Year)	7.50%	7.50%	7.50%
2) Employer Contribution	45,808,043	43,526,534	49,942,339
Rate (Current Year)	17.5%	18.0%	19.1%
3) Projected Employer	47,867,770	44,890,556	52,694,591
Rate (Next Fiscal Year)	17.8%	18.1%	19.6%

Funding Requirements measure the cost of benefits in effect on June 30, 2007.

<sup>1</sup> Excludes Money Market DROP Accounts.

Board of Trustees  
September 26, 2007

Current Funding

The Actuarial Valuation for the plan year ending June 30, 2007 discloses a decrease in the plan's unfunded actuarial accrued liability. The system's unfunded accrued liability decreased from a prior year balance of \$391.8 million to the current deficit of \$389.2 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 6/30/2006		\$ 391,845,885
INCREASES		
Interest on Unfunded Liability	\$ 29,388,441	
Experience Loss	<u>29,715,427</u>	
Incurred Increases	59,103,868	
DECREASES		
Amortization Payment	\$ 19,265,053	
Employer Shortfall Gain	3,778,270	
Investment Gain	<u>38,631,438</u>	
Incurred Decreases	61,674,761	
Unfunded Liability 6/30/2007		\$ 389,274,992

Board of Trustees  
September 26, 2007

**Legislative Changes**

Act 213 permits the reemployment of retired school bus drivers without suspension of benefits after one year of reemployment. Upon termination, employees receive a refund of their contributions without interest. Employer pays the actuarial cost.

Act 232 grants 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. The applicability of this Act is currently pending legal review for conflicts with Act 333.

Act 333 repeals the Target Ratio Test as the benchmark for granting COLA's and creates an Experience Account. The account will be allocated half of the excess (deficit) interest earnings. A COLA may be granted when the accumulated balance is sufficient to fund the COLA.

**Funding**

The projected employer contribution rate for the 2007-2008 plan year was set by PERSAC at 18.1%. The actual employer contribution rate determined by this valuation for the current plan year is 17.5%. Therefore, the current plan year should generate a contribution shortfall credit since the PERSAC approved rate exceeds the valuation rate by 0.6%. The experience gain was sufficient to offset the experience loss and the increase the amortization changes which amortize the losses sustained during 2001-2003 fiscal years as increasing annuities

**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

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**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, 2007</u>		<u>June 30, 2006</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	\$ 37,066,739	14.31%	\$ 33,952,687	14.19%
b) Disability Benefits	2,045,388	.79%	1,912,676	.80%
c) Survivor Benefits	2,979,541	1.15%	2,737,633	1.14%
d) Voluntary Termination	4,188,357	1.62%	4,017,826	1.68%
e) Expenses	<u>3,600,000</u>	<u>1.39%</u>	<u>3,300,000</u>	<u>1.38%</u>
TOTAL	49,880,025	19.26%	45,920,822	19.19%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 607,497,423		\$ 579,288,554	
2) Disability Benefits	14,248,609		14,036,359	
3) Survivor Benefits	20,233,506		19,224,438	
4) Voluntary Termination	<u>24,611,773</u>		<u>24,001,583</u>	
	666,591,311		636,550,934	
b) Retired and Inactive Members				
1) Regular Retirees	888,399,983		847,368,605	
2) Disabled Retirees	22,902,125		23,472,780	
3) Survivors	110,437,170		108,606,912	
4) Vested Deferred & Reciprocals	27,103,526		19,605,627	
5) Contributions Refunded	3,533,535		4,260,262	
6) DROP Deferred Benefits	164,243,602		169,379,813	
7) DROP Account Balances	<u>64,391,761</u>		<u>63,349,332</u>	
	1,281,011,702		1,236,043,331	
c) TOTAL	1,947,603,013		1,872,594,265	

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
II. Actuarial Accrued Liability		
TOTAL (Preceding page)	\$ 1,947,603,013	\$ 1,872,594,265
III. Assets	1,558,328,021	1,480,748,380
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	389,274,992	391,845,885
a) Change over prior year	-2,570,893	-74,391,829
b) Funded Percentage	80.01%	79.08%
V. Employer Contributions To Fund Current Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	27,155,427	24,945,667
b) Amortization Payments	11,076,041	10,103,602
c) Previous Year (Short-fall)	<u>7,576,575</u>	<u>8,477,265</u>
TOTAL Required Contribution	45,808,043	43,526,534
	17.5%	18.0%
PERSAC approved Rate	18.1%	19.6%
VI. Projected Employer Contributions To Fund Next Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	27,826,578	25,566,063
b) Amortization Payments	12,853,123	
c) Short-fall Charge	<u>7,188,069</u>	<u>7,520,333</u>
TOTAL Projected Contribution	47,867,770	44,890,556
	17.8%	18.1%
VII. Current Payroll	259,044,840	239,320,589
Projected Payroll - Mid Year	261,975,340	241,977,364
Projected Payroll - Next Year	268,450,107	247,995,314

<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, 2007</u>	-----Prior Years----- <u>June 30, 2006</u>	<u>June 30, 2005</u>
<b><u>OPERATING REVENUES:</u></b>			
1. Contribution Income			
Member	\$ 19,258,618	\$ 17,716,761	\$ 18,946,671
Employer	50,489,918	43,458,220	37,753,893
2. Other Income			
Transfers	0	0	0
Miscellaneous	0	0	0
TOTAL CONTRIBUTIONS	<u>69,748,536</u>	<u>61,174,981</u>	<u>56,700,564</u>
3. Investment Income			
Investments	224,963,755	87,249,926	118,212,004
Less, Manager Fees	<u>-3,183,034</u>	<u>-3,210,066</u>	<u>-3,119,925</u>
TOTAL INVESTMENT INCOME	<u>221,780,721</u>	<u>84,039,860</u>	<u>115,092,079</u>
4. Total Revenues	291,529,257	145,214,841	171,792,643
<b><u>OPERATING EXPENSES:</u></b>			
1. General Administration	3,587,553	3,276,641	3,119,617
Other Expenses	127,973	133,430	140,379
Employer Credit Expense	0	0	0
2. Benefits Paid			
a) Pension Benefits	130,256,443	119,959,677	109,842,001
b) Return of Contrib.	4,989,215	7,070,499	2,979,098
c) Transfers Out	<u>334,411</u>	<u>778,245</u>	<u>98,023</u>
TOTAL BENEFITS PAID	<u>135,580,069</u>	<u>127,808,421</u>	<u>112,919,122</u>
3. Total Operating Expenses	139,295,595	131,218,492	116,179,118
<b><u>NET INCREASE:</u></b>	152,233,662	13,996,349	55,613,525

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

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

	<u>June 30, 2007</u>	-----Prior Years----- <u>June 30, 2006</u>	<u>June 30, 2005</u>
<b><u>ASSETS:</u></b>			
1. Short Term Assets			
Cash in Banks	\$ 16,553,344	\$ 14,776,356	\$ 12,045,346
Securities	73,653,099	55,052,813	75,608,717
Fixed Income Funds	10,283,473	3,966,231	0
2. Bonds			
Bonds - General	380,308,301	422,888,425	505,899,205
U.S. Government Obligations	41,230,226	74,836,061	80,853,169
3. Equities,			
Domestic Stock	829,543,133	753,696,612	719,855,456
Foreign Stocks	126,229,365	121,917,501	108,039,974
Private Equity Funds	5,186,030	0	0
International Equity Funds	63,851,755	0	0
4. Real Estate			
Real Estate Investment	2,261,714	2,249,936	2,368,916
Real Estate Funds	104,778,358	48,148,813	0
5. Property and Equipment	3,684,688	3,782,036	3,925,350
6. Receivables - Payables	<u>-934,153</u>	<u>3,080,887</u>	<u>-18,196,891</u>
TOTAL ASSETS - Market Value	1,656,629,333	1,504,395,671	1,490,399,322
Valued at Cost	1,394,185,128	1,371,938,265	1,344,015,402
<b><u>INVESTMENT YIELD:</u></b>			
Yield to Actuarial Value	9.85%	9.19%	7.51%
DROP Account Yield	9.35%	8.69%	7.01%
Yield to Market Value	14.90%	5.77%	8.19%
<b><u>EXPERIENCE ACCOUNT FUND:</u></b>			
Prior Year End Balance	0	n/a	n/a
+ Excess Added	0	n/a	n/a
- Contribution Credited	0	n/a	n/a
+ Accumulated Interest	0	n/a	n/a
Fund Balance - Year End	0	n/a	n/a
<b><u>Actuarial Value of Assets:</u></b>			
TOTAL ASSETS	1,656,629,333	1,504,395,671	1,490,399,322
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	31,097,880	74,172,945	27,130,127
Plan Year - 1 (wt. 2/4)	-13,926,514	31,097,880	74,172,945
Plan Year (wt. 3/4)	<u>129,986,799</u>	<u>-13,926,514</u>	<u>31,097,880</u>
Actuarial Value of Assets	1,558,328,021	1,480,748,380	1,423,206,908
Less, Experience Account Fund	0	n/a	n/a
Valuation Assets	1,558,328,021	1,480,748,380	1,423,206,908

## 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)
1998	1,344,551	1,142,253	-202,298	117.7	225,734	- 89.6
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

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$75,008,748 from June 30, 2006 to June 30, 2007. From all sources there was a net experience gain of \$8,916,009.

**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>
1998	14,061,639	99.8	10,423,229	14,031,797	134.6	-271,657
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

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	46,711,648
(2) Interest on Net Pension Obligation	2,027,208
(3) Amortization of Net Pension Obligation	8,789,415
(4) Annual Pension Cost (1)+(2)-(3)	39,949,441
(5) Employer Contribution	50,489,918
(6) Increase (decrease) in Net Pension Obligation	-10,540,477
(7) Net Pension Obligation Beginning of Year	27,029,439
(8) Net Pension Obligation End of Year (6)+(7)	16,488,962

<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 Year End</u>	<u>Members Contribution</u>	<u>Employer Contribution</u>	<u>Investment Income</u>	<u>Total</u>
1998	14,353,380	13,533,467	157,957,573	185,844,420
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

**Expenses by Type**

<u>Fiscal Year End</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u> <sup>2</sup>	<u>Total</u>
1998	60,675,915	2,328,958	1,820,670	64,825,543
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

<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:

	---2007---	---2006---	---2005---
	<u>Census</u>	<u>Census</u>	<u>Census</u>
Active Members	12,344	12,495	13,151
After DROP	591	584	686
Regular Retirees	9,846	9,557	8,803
Disability Retirees	487	509	586
Survivors	1,684	1,621	1,564
Terminated Vested	385	292	356
DROP Participants	<u>673</u>	<u>732</u>	<u>856</u>
TOTAL	26,010	25,790	26,002

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM  
REGULAR ACTIVE MEMBERS

CELLS DEPICT - MEMBER COUNT  
TOTAL SALARY

VALUATION DATE 6/30/2007

Age	YEARS EMPLOYED									Total	
	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35- )		
[ 0-19)	9	3	0	0	0	0	0	0	0	12	
salary	165674	45660	0	0	0	0	0	0	0	211334	
[20-24)	63	69	2	0	0	0	0	0	0	134	
salary	1115101	1259455	29623	0	0	0	0	0	0	2404179	
[25-29)	86	199	45	1	0	0	0	0	0	331	
salary	1467566	3418886	908707	30807	0	0	0	0	0	5825966	
[30-34)	118	303	153	40	1	0	0	0	0	615	
salary	2033467	5136761	3139046	997903	32982	0	0	0	0	11340159	
[35-39)	161	424	316	151	56	1	0	0	0	1109	
salary	2888131	7510013	6136040	3195144	1338130	32926	0	0	0	21100384	
[40-44)	216	627	546	328	164	73	15	0	0	1969	
salary	3630928	11197804	10040789	6700957	3753866	1960286	512382	0	0	37797012	
[45-49)	191	606	608	505	326	157	153	4	0	2550	
salary	3301349	10799609	11604034	10272469	7251679	4076704	4523221	105699	0	51934764	
[50-54)	146	481	471	476	416	239	224	23	1	2477	
salary	2574915	8687375	9162414	9621896	8950800	5408092	5752472	625287	15836	50799087	
[55-59)	92	394	404	373	407	251	59	12	0	1992	
salary	1685553	7078934	7661940	7562327	8520129	5511596	1353892	285121	0	39659492	
[60-64)	36	187	222	121	75	38	32	8	1	720	
salary	573089	3434734	4053715	2314159	1606066	752533	618997	177613	15784	13546690	
[65-69)	22	89	84	44	30	10	9	9	6	303	
salary	344706	1441653	1369673	861455	533815	237611	166315	150152	124927	5230307	
[70-74)	9	46	35	15	7	4	5	9	2	132	
salary	141117	666509	624974	253956	134538	75148	82064	146679	18337	2143322	
TOTALS	count	1149	3428	2886	2054	1482	773	497	65	10	12344
salary	19921596	60677393	54730955	41811073	32122005	18054896	13009343	1490551	174884	241992696	

AVERAGES --- Attained Age 48.46  
Service Years 9.34  
Active Salary 19,604

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM  
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT  
TOTAL SALARY  
DROP BENEFITS

VALUATION DATE 6/30/2007

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
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
[35-39)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
[40-44)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
[45-49)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
[50-54)	8	1	1	0	0	0	0	0	0	0	10
	376788	59988	38652	0	0	0	0	0	0	0	475428
	180444	29928	19320	0	0	0	0	0	0	0	229692
[55-59)	29	14	3	5	2	0	0	0	0	0	53
	1189404	625884	112572	199032	54972	0	0	0	0	0	2181864
	529500	281952	50280	89220	33744	0	0	0	0	0	984696
[60-64)	67	73	19	17	16	24	0	0	0	0	216
	2361552	2524452	658032	447180	294732	454716	0	0	0	0	6740664
	708588	766032	271500	164928	171864	231348	0	0	0	0	2314260
[65-69)	7	15	59	52	34	57	0	0	0	0	224
	230244	401328	1782936	1566648	625932	1057476	0	0	0	0	5664564
	43836	92928	451692	364524	241824	386856	0	0	0	0	1581660
[70-74)	2	2	6	10	4	58	6	0	0	0	88
	83916	60276	161064	199776	46620	1328376	109596	0	0	0	1989624
	31668	17532	31476	50136	16704	332460	43812	0	0	0	523788
TOTALS											
count	113	105	88	84	56	139	6	0	0	0	591
salary	4241904	3671928	2753256	2412636	1022256	2840568	109596	0	0	0	17052144
benefit	1494036	1188372	824268	668808	464136	950664	43812	0	0	0	5634096

AVERAGES --- Attained Age 65.41  
Post Drop Years 3.28  
Active Salary 28,853  
Annual Benefit 9,533

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM  
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2007

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
[40-44)	4	6	0	3	0	0	0	0	0	0	13
[45-49)	16	30	10	28	9	11	0	0	0	0	104
[50-54)	25	85	43	62	31	38	6	0	0	0	290
[55-59)	40	91	104	183	123	174	46	16	9	9	786
[60-64)	102	117	155	231	199	704	146	45	9	9	1708
[65-69)	14	60	41	61	74	1275	519	75	28	28	2147
[70-74)	14	18	13	17	18	310	1242	232	65	65	1929
[75-79)	2	3	5	4	6	91	630	643	121	121	1505
[80-84)	0	0	0	0	3	19	122	343	396	396	883
[85-89)	0	0	1	0	0	2	10	45	299	299	357
[90-99)	0	0	0	0	0	1	0	1	122	122	124
TOTALS	217	410	372	589	463	2625	2721	1400	1049	1049	9846
benefit	2424984	5677668	4798224	8769360	6074916	24974616	22648776	12940524	10324800	10324800	98633868

AVERAGES --- Attained Age 70.07  
Years Retired 10.92  
Annual Benefit 10,018

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM  
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2007

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )	
[ 0-39)	1	0	0	0	0	0	2	0	0	3
	12564	0	0	0	0	0	7980	0	0	20544
[40-44)	2	3	5	3	3	5	3	0	0	24
	13116	23268	29616	16812	14412	31380	13584	0	0	142188
[45-49)	6	11	8	5	7	27	10	1	2	77
	54756	90924	48204	31632	48120	195432	63324	6672	14748	553812
[50-54)	8	10	17	19	13	47	25	7	5	151
	61020	73824	123840	110952	93720	299208	129024	40344	29088	961020
[55-59)	14	24	13	17	16	53	30	14	2	183
	84348	168792	89400	103908	128652	311952	143988	69852	12564	1113456
[60-64)	9	5	2	2	1	0	3	1	1	24
	43452	23772	11076	9576	4212	0	15300	5028	3780	116196
[65-69)	2	3	1	2	0	1	1	1	0	11
	10620	13500	5748	11196	0	3696	4764	4884	0	54408
[70-74)	0	4	0	2	1	0	0	0	0	7
	0	19800	0	11640	4596	0	0	0	0	36036
[75-79)	0	0	0	0	0	0	0	1	3	4
	0	0	0	0	0	0	0	4296	11688	15984
[80-84)	0	0	0	0	0	0	0	1	0	1
	0	0	0	0	0	0	0	4884	0	4884
[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	42	60	46	50	41	133	74	26	15	487
benefit	279876	413880	307884	295716	293712	841668	377964	135960	76836	3023496

AVERAGES --- Attained Age 54.82  
Years Retired 6.67  
Annual Benefit 6,208

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM  
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2007

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20- )	
[ 0-39)	3	0	4	4	1	24	35	9	4	84
	13404	0	46488	46824	7620	239640	288984	104748	11184	758892
[40-44)	3	3	2	0	0	11	11	3	0	33
	22200	49596	11904	0	0	87936	75384	20028	0	267048
[45-49)	0	6	4	4	2	13	16	1	2	48
	0	51804	26364	45804	25704	107520	119796	8820	17316	403128
[50-54)	1	5	7	2	4	23	23	5	2	72
	4356	48828	73164	30636	63972	210540	163404	38664	7824	641388
[55-59)	3	7	5	7	8	39	30	16	8	123
	29148	70212	28776	47196	68760	370596	238032	114648	50556	1017924
[60-64)	0	1	9	8	8	49	51	18	6	150
	0	11472	82584	68940	78624	451920	367356	128532	40800	1230228
[65-69)	0	1	2	1	5	93	68	40	13	223
	0	9288	12012	3684	25908	712800	577296	327396	111288	1779672
[70-74)	0	1	2	2	2	38	140	71	32	288
	0	8892	12108	10800	9984	218496	1050348	594696	238356	2143680
[75-79)	1	0	3	0	3	21	112	112	40	292
	4116	0	17952	0	28908	168084	813012	935220	276240	2243532
[80-84)	2	0	1	0	4	16	50	57	75	205
	17352	0	4548	0	29088	132732	368220	503328	618204	1673472
[85-89)	1	0	1	0	1	11	35	22	40	111
	4116	0	5904	0	8388	90408	261420	160056	309084	839376
[90-99)	2	0	2	1	1	4	33	9	3	55
	11412	0	13800	10140	10308	18204	260472	70716	28332	423384
TOTALS	16	24	42	29	39	342	604	363	225	1684
benefit	106104	250092	335604	264024	357264	2808876	4583724	3006852	1709184	13421724

AVERAGES --- Attained Age 69.15  
Years Retired 12.72  
Annual Benefit 7,970

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM  
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2007

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	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[20-24)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[25-29)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[30-34)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[35-39)	0	2	0	12	1	0	0	0	0	15
:	0	2700	0	85332	10596	0	0	0	0	98628
:	:	:	:	:	:	:	:	:	:	:
[40-44)	0	3	0	15	8	1	0	0	0	27
:	0	2316	0	132732	112872	12468	0	0	0	260388
:	:	:	:	:	:	:	:	:	:	:
[45-49)	0	0	2	33	17	8	3	0	0	63
:	0	0	5880	300408	218544	160428	74508	0	0	759768
:	:	:	:	:	:	:	:	:	:	:
[50-54)	0	0	2	47	32	4	10	6	0	101
:	0	0	3024	368028	371832	95976	215556	155244	0	1209660
:	:	:	:	:	:	:	:	:	:	:
[55-59)	1	2	1	45	34	24	9	1	0	117
:	84	2400	1056	310968	339744	414600	185304	16908	0	1271064
:	:	:	:	:	:	:	:	:	:	:
[60-64)	1	0	1	18	7	11	3	0	0	41
:	12	0	1416	150204	70644	144192	41256	0	0	407724
:	:	:	:	:	:	:	:	:	:	:
[65-69)	0	0	1	3	2	2	1	1	0	10
:	0	0	1704	14892	8376	40248	16824	17964	0	100008
:	:	:	:	:	:	:	:	:	:	:
[70-74)	0	2	1	5	1	1	1	0	0	11
:	0	228	48	17712	1176	1812	12888	0	0	33864
:	:	:	:	:	:	:	:	:	:	:
TOTALS	:	:	:	:	:	:	:	:	:	:
count	2	9	8	178	102	51	27	8	0	385
benefit	96	7644	13128	1380276	1133784	869724	546336	190116	0	4141104

AVERAGES --- Attained Age 53.99  
Service Years 16.04  
Annual Benefit 10,756

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM  
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT  
TOTAL BENEFITS

VALUATION DATE 6/30/2007

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)	5	1	0	0	0	0	0	0	0	6
[ 50-54)	13	16	26	0	0	0	0	0	0	55
[ 55-59)	55	72	68	0	0	0	0	0	0	195
[ 60-64)	106	121	156	0	0	0	0	0	0	383
[ 65-69)	3	11	12	0	0	0	0	0	0	26
[ 70-74)	0	5	1	0	0	0	0	0	0	6
[ 75-79)	2	0	0	0	0	0	0	0	0	2
[ 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	184	226	263	0	0	0	0	0	0	673
benefit	2492364	3123912	3656796	0	0	0	0	0	0	9273072

AVERAGES --- Attained Age 59.98  
Years Retired 1.66  
Annual Benefit 13,779

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 (1997-2001) 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 1983 Sex Distinct Graduated Group Annuity Mortality Table, with female age set at attained age plus one.

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

**DISABILITY ASSUMPTION:**

Rates of total and permanent disability were projected by age in accordance with the most recent Experience Study. For mortality after disability, rates were on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

**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	1.10x
2nd year	1.00x
3rd year	1.00x
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 1983 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	1.3	17
30	1.8	15
35	2.2	13
40	2.1	10
45	1.7	8
50	1.2	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 \$3,600,000 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 6/30/2003

Age	- Death Rates - Male	- Death Rates - Female	Disability Rates	Termination Rates	Retirement Rates	DROP Rates	Dur	Salary Scale
18	.00039	.00020	.0000	.0000	.0000	.000	1	1.0800
19	.00041	.00021	.0000	.0400	.0000	.000	2	1.0600
20	.00042	.00022	.0000	.1600	.0000	.000	3	1.0400
21	.00044	.00024	.0000	.1500	.0000	.000	4	1.0400
22	.00045	.00025	.0000	.1300	.0000	.000	5	1.0400
23	.00047	.00027	.0000	.1300	.0000	.000	6	1.0400
24	.00049	.00028	.0000	.1300	.0000	.000	7	1.0400
25	.00052	.00030	.0001	.0750	.0000	.000	8	1.0400
26	.00054	.00032	.0001	.0650	.0000	.000	9	1.0400
27	.00057	.00034	.0001	.0650	.0000	.000	10	1.0400
28	.00060	.00036	.0001	.0650	.0000	.000	11	1.0400
29	.00064	.00038	.0001	.0650	.0000	.000	12	1.0400
30	.00067	.00040	.0001	.0650	.0000	.000	13	1.0400
31	.00072	.00043	.0001	.0650	.0000	.000	14	1.0400
32	.00076	.00046	.0001	.0650	.0000	.000	15	1.0400
33	.00082	.00049	.0010	.0500	.0000	.000	16	1.0400
34	.00087	.00053	.0010	.0550	.0000	.000	17	1.0400
35	.00096	.00056	.0015	.0550	.0000	.000	18	1.0400
36	.00101	.00060	.0015	.0500	.0000	.000	19	1.0400
37	.00107	.00064	.0015	.0500	.0000	.000	20	1.0400
38	.00115	.00069	.0015	.0400	.0000	.000	21	1.0400
39	.00125	.00074	.0025	.0400	.0000	.000	22	1.0400
40	.00138	.00080	.0025	.0350	.0000	.000	23	1.0400
41	.00152	.00086	.0025	.0350	.0000	.000	24	1.0400
42	.00170	.00094	.0025	.0350	.0000	.000	25	1.0400
43	.00191	.00102	.0030	.0300	.0000	.000	26	1.0400
44	.00215	.00112	.0030	.0300	.0000	.000	27	1.0400
45	.00243	.00124	.0030	.0300	.0000	.000	28	1.0400
46	.00275	.00137	.0040	.0250	.0000	.000	29	1.0400
47	.00310	.00152	.0050	.0250	.6000	.500	30	1.0400
48	.00349	.00167	.0070	.0250	.6000	.500	31	1.0450
49	.00390	.00183	.0070	.0200	.6000	.500	32	1.0450
50	.00434	.00199	.0070	.0200	.6000	.500	33	1.0450
51	.00480	.00217	.0070	.0200	.6000	.500	34	1.0450
52	.00528	.00236	.0085	.0200	.6000	.300	35	1.0450
53	.00578	.00257	.0095	.0160	.6000	.300	36	1.0450
54	.00629	.00282	.0060	.0160	.4500	.300	37	1.0450
55	.00681	.00311	.0060	.0160	.4000	.400	38	1.0450
56	.00735	.00345	.0075	.0160	.4000	.400	39	1.0450
57	.00793	.00383	.0060	.0160	.4000	.300	40	1.0450
58	.00858	.00425	.0045	.0160	.4000	.300	41	1.0450
59	.00932	.00471	.0045	.0160	.4500	.300	42	1.0450
60	.01018	.00523	.0035	.0160	.3500	.300	43	1.0450
61	.01118	.00579	.0020	.0200	.2200	.250	44	1.0450
62	.01237	.00641	.0020	.0200	.2200	.250	45	1.0450
63	.01377	.00710	.0020	.0200	.2200	.250	46	1.0450
64	.01541	.00785	.0020	.0200	.2500	.250	47	1.0450
65	.01732	.00869	.0010	.0200	.3000	.250	48	1.0450
66	.01953	.00965	.0010	.0200	.2000	.250	49	1.0450
67	.02200	.01078	.0010	.0200	.2000	.250	50	1.0450
68	.02470	.01214	.0010	.0200	.2000	.150	51	1.0450
69	.02757	.01376	.0010	.0200	.2000	.100	52	1.0450
70	.03059	.01570	.0000	.0200	.2000	.100	53	1.0450
71	.03373	.01796	.0000	.0200	.2000	.000	54	1.0450
72	.03708	.02053	.0000	.0200	.5000	.000	55	1.0450
73	.04076	.02344	.0000	.0200	.5000	.000	56	1.0450
74	.04488	.02666	.0000	.0200	.9900	.000	57	1.0450

## EXHIBIT A

AMORTIZATION of UNFUNDED  
ACTUARIAL ACCRUED LIABILITY  
JUNE 30, 2007

<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	22	-62,503,935	-5,677,975
1994	Change in Liability	L	25	-30,846,941	22	-29,380,951	-2,669,021
1995	Change in Liability	L	25	2,558,051	22	2,436,480	221,334
1996	Change in Liability	L	25	-19,620,386	22	-18,687,934	-1,697,647
1997	Change in Liability	L	25	-9,046,638	22	-8,616,700	-782,757
1998	Change in Liability	L	25	-105,844,372	22	-100,814,154	-9,158,148
1999	Change in Liability	L	25	-48,468,045	22	-46,164,617	-4,193,681
2000	Change in Liability	L	25	-8,704,034	22	-8,290,378	-753,114
2001	Change in Liability	I	27	239,310,198	24	251,997,912	14,789,257
2002	Change in Liability	I	28	199,940,651	25	211,439,765	12,062,816
2003	Change in Liability	I	29	214,321,070	26	227,540,817	12,638,662
2004	Change in Liability	L	30	52,010,701	27	50,385,672	4,247,412
2005	Change in Liability	L	30	4,619,288	28	4,526,589	377,230
2006	Change in Liability	L	30	-93,066,596	29	-92,166,527	-7,600,208
2007	Change in Liability	L	30	<u>-8,916,009</u>	30	<u>-8,916,009</u>	<u>-728,119</u>
TOTAL OUTSTANDING BALANCE						372,786,030	11,076,041
<b>EMPLOYERS' CREDIT BALANCE</b>							
2003	Contribution Variance	L	5	0	1	0	0
2004	Contribution Variance	L	5	19,817,170	2	8,794,867	4,724,152
2005	Contribution Variance	L	5	8,433,787	3	5,420,886	2,010,504
2006	Contribution Variance	L	5	7,310,004	4	6,051,479	1,742,609
2007	Contribution Variance	L	5	-3,778,270	5	<u>-3,778,270</u>	<u>-900,690</u>
TOTAL CREDIT BALANCE						16,488,962	7,576,575
<b>TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>						389,274,992	

**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.