

Hall Actuarial Associates

Charles G. Hall
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November 7, 2006

Board of Trustees
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM
7722 OFFICE PARK BOULEVARD, Suite 200
Baton Rouge, Louisiana 70809-7601

Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Municipal Police Employees' Retirement System as of June 30, 2006.

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 Municipal Police 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 audited by Duplantier, Hrapmann, Hogan and Maher, Certified Public Accountants.

The present values shown herein have been estimated on the basis of actuarial method, as specified in Louisiana Revised Statutes Title 11 Section 22(7). 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
MPERS
November 7, 2006

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

	<u>June 30, 2006</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2005</u>	<u>June 30, 2004</u>
I. Membership Census			
1) Retirees	3,838	3,740	3,648
2) Actives	5,769	6,000	6,013
3) DROP	227	239	265
II. Annual Benefits	\$ 77,538,204	\$ 73,587,564	\$ 69,061,812
III. Total Payroll	223,213,661	215,638,892	208,756,800
IV. Valuation Assets	1,371,981,645	1,233,572,172	1,138,387,070
V. Investment Yield			
Market Value	8.72%	9.34%	12.87%
5 year avg.	0.0%	0.0%	0.0%
10 year avg.	0.0%	0.0%	0.0%
Actuarial Value	13.20%	9.43%	7.80%
5 year avg.	0.0%	0.0%	0.0%
10 year avg.	0.0%	0.0%	0.0%
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	38,555,196 17.27%	37,062,200 17.18%	39,375,832 18.86%
VII. Unfunded Actuarial Accrued Liability	279,073,905	318,760,111	423,352,255
VIII. Funded Percentage	83.10%	79.47%	72.89%
IX. Funding Requirements to Pay (Mid-year Payments)			
1) Employee Rate	7.50%	7.50%	7.50%
2) Employer Rate ¹ (Current Year)	15.50%	16.50%	20.75%
Premium Tax Allocation	12,817,414	11,914,460	11,539,000
3) Projected Employer Rate ¹ (Next Year)	13.75%	15.50%	20.25%

Funding requirement measures the cost of benefits in effect on June 30, 2006.

¹The rate is based on the estimated allocation from the Insurance Premium Tax Fund.

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Changes in Unfunded Actuarial Liability

The Actuarial Valuation for the plan year ending June 30, 2006 discloses a decrease in the value of the plan's unfunded actuarial accrued liability due primarily to favorable investment performance. It is generally appropriate for the current valuation process to disclose the source and causes of any significant changes in the plan from year to year. Changes that occur are generally the result of changes in actuarial assumptions, gains or losses resulting from actual experience which differs significantly from expected plan experience or some external force such as plan restructuring.

During the past fiscal year, the actuarial unfunded accrued liability/ (surplus) decreased from a \$318.8 million to \$279.0 million dollars.

To clarify the decrease in the actuarial unfunded accrued liability, the following gain/loss analysis is presented as follows:

CHANGE IN UNFUNDED LIABILITY (SURPLUS)

UNFUNDED LIABILITY 6/30/2005		\$ 318,760,111
INCREASES		
Interest on Unfunded Liability	23,907,008	
Retiree COLA	0	
Experience Loss	<u>34,356,115</u>	
Incurred Increases	58,263,123	
DECREASES		
Amortization Payment	25,344,585	
Employer Contribution Variance	2,889,137	
Investment Gain	<u>69,715,607</u>	
Incurred Decreases	97,949,329	
UNFUNDED LIABILITY 6/30/2006		\$ 279,073,905

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History of Changes in Funding Requirements

The Legislature recognized that the statutory employee and employer contribution rates were not sufficient to fund the benefit structure of the new retirement system. The State allocated 4/10th of 1% of the casualty insurance premium to supplement the employers' contribution and supplement the merger of under funded municipalities. Previously, employees and employers contributed a combined 14% of payroll, which is now 10.0% below the current projected actuarial funding requirement.

During the early 1980's, the tax revenue as a percentage of payroll continued to decline. This was largely due to the influx of new members resulting from mergers of non-participating municipalities. Unlike the employee contribution rate, the tax revenue is not fixed as a percentage of payrolls. The table at the end of this section indicates that portion of the employers contribution rate that is supplemented by the Insurance Premium Tax.

1988 Legislative Session: Two bills were enacted which had a tremendous impact on the future funding of the system. The Insurance Premium Tax, which was dedicated by statute, was revoked. As a result of Act 81, the employee contribution rate was raised from 7% to 8% of payroll. Furthermore, Act 81 required the employer to fund the employer portion, raising the employer rate from 7% to approximately 12.0%. The contribution rates were increased to replace the lost revenue provided by the insurance premium tax in order to meet actuarial funding requirements.

1990 Legislative Session: The Actuarial Forecast Committee set the employer contribution rate at 11.38%, 9.00% plus a \$2,236,000 appropriation. However, Governor Roemer vetoed the enabling legislation which resulted in a reversion to the higher 11.38% rate for the municipalities during the 1990-1991 fiscal year.

1991 Legislative Session: Act 397 reestablished the employee rate at 7% and the employer rate at 9%, the balance of the funding requirement from the Insurance Premium Tax. The excess, if any, would revert to the general fund. Act 456 added a 25 year at any age retirement eligibility benefit. Members' contribution rate was increased from 7% to 8%. Members pay the increased rate for thirty years or until the system becomes 100% funded. At that time, the employee contribution rate decreases to 7.5%. The plan became fully funded on June 30, 1993, the employee rate decreased to 7.5% effective July 1, 1994.

2001 Legislative Session: Act 1160 reallocates the distribution of the .7% Insurance Premium Tax. La. State Police receives the first \$1,500,000. The balance is divided into fourths. One fourth is allocated each to Municipal Police, Firefighters, Sheriffs' and the Merger Fund. Amounts allocated in excess of current funding requirements are reallocated to the remaining Funds. Excesses after reallocation are returned to the State's General Fund.

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History of Changes in Funding Requirements (continued)

2005 Legislative Session: Act 448 urges the Municipal Police, Firefighters, Sheriffs' to review their actuarial assumptions for the purpose of reducing the employers' contribution rate. Effective July 1, 2005, the Board of Trustees' voted to increase the actuarial discount rate to 7.5%, reducing the 05-06 PERSAC rate from 20.25% to 16.50%.

Tax Revenue as a Percentage of Contributions

Year End 6/30/YY	Employee Rate	Employer Rate	IPT Rate	Insurance Premium	Unfunded Liability	Funded Percent
1991	7.00%	9.00%	1.63%	1,538,104	2,361,789	99.6%
1992	8.00%	9.00%	12.55%	12,153,985	4,252,517	99.3%
1993	8.00%	9.00%	3.49%	3,418,553	-7,285,866	101.1%
1994	7.50%	9.00%	2.88%	2,822,166	-3,640,164	100.5%
1995	7.50%	9.00%	2.74%	2,751,785	6,618,618	99.1%
1996	7.50%	9.00%	3.41%	3,569,803	-27,156,135	103.3%
1997	7.50%	9.00%	4.05%	5,005,376	-18,182,503	102.0%
1998	7.50%	9.00%	1.14%	1,498,487	-68,156,543	107.2%
1999	7.50%	9.00%	2.12%	3,041,136	-110,425,877	110.6%
2000	7.50%	9.00%	0.00%	0	-110,301,247	109.5%
2001	7.50%	9.00%	0.00%	0	-14,071,173	101.1%
2002	7.50%	9.00%	0.00%	0	195,180,068	85.9%
2003	7.50%	15.25%	2.44%	4,806,272	379,484,302	73.9%
2004	7.50%	21.50%	4.16%	8,689,205	423,352,255	72.9%
2005	7.50%	20.25%	4.70%	10,135,228	318,760,111	79.5%
2006	7.50%	16.50%	5.19%	11,539,000	279,073,905	83.1%

Reporting 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 Board Statement No. 25.

The Board of Trustees approved a five year Experience Study which adjusted the actuarial assumptions. The adopted rates are subject to the Legislative Actuary's review, but are utilized in this valuation. The new assumptions are illustrated in Exhibit 6 along with the prior year assumptions. A copy of the study dated July 16, 2004 can be obtained from the Retirement System Office.

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Consideration for Cost-of-Living Increase

The Development of the Target Ratio (see Exhibit 7) makes specific provisions for the determination of whether or not a retirement system is systematically approaching the targeted funding ratio. This is an important consideration for both retired members and the Board of Trustees. The Board is specifically prohibited from granting a cost-of-living raise to retirees and survivors by Act 256 of the 1986 regular session unless the system has met the Funding Target.

The current Target Ratio has been amended this year to include changes in the funded ratio, effective June 30, 2000, resulting from the merger of East Baton Rouge Parish and the City of Lafayette as required by statute.

For the plan year ending June 30, 2006 the funding target is .94963, which is greater than the current .83097 funding ratio. Therefore, the Board is not permitted to consider granting a cost-of-living increase by statute.

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
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, 2006</u>		<u>June 30, 2005</u>	
	<u>Dollar</u>	<u>% of</u>	<u>Dollar</u>	<u>% of</u>
	<u>Amount</u>	<u>Salary</u>	<u>Amount</u>	<u>Salary</u>
I. Normal Costs				
(to fund annual pension accruals)				
Active Members with Complete Data				
a) Retirement Benefits	\$ 28,991,617	12.98%	\$ 27,963,482	12.97%
b) Disability Benefits	2,495,474	1.12%	1,733,434	.80%
c) Survivor Benefits	1,293,247	.58%	1,121,049	.52%
d) Voluntary Termination	4,881,858	2.19%	5,308,235	2.46%
e) Expenses	<u>893,000</u>	<u>.40%</u>	<u>936,000</u>	<u>.43%</u>
TOTAL NORMAL COST	38,555,196	17.27%	37,062,200	17.18%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	622,289,486		581,263,471	
2) Disability Benefits	10,010,094		10,820,627	
3) Survivor Benefits	9,976,373		7,991,077	
4) Voluntary Termination	<u>17,153,326</u>		<u>14,409,287</u>	
	659,429,279		614,484,462	
b) Retired and Inactive Members				
1) Regular Retirees	626,579,041		589,676,562	
2) Disabled Retirees	33,439,427		33,498,300	
3) Survivors	100,555,535		98,771,346	
4) Vested Deferred & Transfers	8,337,269		8,322,810	
5) Contributions Refunded	3,520,082		2,929,261	
6) DROP Deferred Benefits	154,033,075		147,119,560	
7) DROP Account Balance	<u>65,161,842</u>		<u>57,529,982</u>	
	991,626,271		937,847,821	
TOTAL ACCRUED LIABILITY	1,651,055,550		1,552,332,283	

Exhibit 1 (Continued)

Costs, Liabilities & Contributions

	<u>June 30, 2006</u>	<u>--Prior Year--</u> <u>June 30, 2005</u>
II. Actuarial Accrued Liability		
TOTAL (Preceding page)	\$ 1,651,055,550	\$ 1,552,332,283
III. Valuation Assets	1,371,981,645	1,233,572,172
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	279,073,905	318,760,111
a) Change over prior year	-39,686,206	-104,592,144
b) Funded Percentage	83.10%	79.47%
V. Employer Contributions		
To Fund current Plan Year ¹		
a) Employer Portion of Normal Cost	22,617,414	21,608,042
b) Amortization Payments	20,342,061	23,229,665
c) Employer Shortfall Credit	<u>899,145</u>	<u>1,214,823</u>
TOTAL Required Contribution	43,858,620	46,052,530
Estimated Premium Tax Offset	<u>12,817,388</u>	<u>11,914,460</u>
Net Employer Contribution	31,041,232	34,138,070
	13.75%	15.50%
VI. Projected Employer Contributions		
To Fund Next Plan Year ¹		
a) Employer Portion of Normal Cost	23,592,321	22,558,250
b) Amortization Payments	20,342,061	23,229,665
c) Employer Shortfall Credit	<u>953,905</u>	<u>1,214,823</u>
TOTAL Projected Contribution	44,888,287	47,002,738
Estimated Premium Tax Offset	<u>12,800,000</u>	<u>11,900,000</u>
Net Employer Contribution	32,088,287	35,102,738
	13.50% ²	15.50%
VII. Current Payroll	223,213,661	215,638,892
Projected Payroll - Mid Year	226,591,385	218,957,939
Projected Payroll - Next Year	236,358,437	228,586,557

¹ Dollar Amounts reflect estimated payments due mid-year on January 1st. The Net Employer Rate is rounded to the nearest .25%, but not less than 9.00%

² PERSAC approved a rate of 13.75% which overstated the rate by .25%. The excess employer contribution will be amortized as an employer credit

EXHIBIT 2

FINANCIAL SUMMARY
STATEMENT OF REVENUES AND EXPENSES
FOR FISCAL YEAR ENDING

	<u>June 30, 2006</u>	-----Prior Years----- <u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>OPERATING REVENUES:</u>			
1. Contribution Income			
Member	\$ 16,878,085	\$ 16,136,038	\$ 15,646,734
Employer	37,221,473	46,680,522	32,188,691
2. Other Income			
General Fund/Premium Tax	12,217,914	11,539,000	10,135,228
Merger Interest	107,023	116,779	164,365
Miscellaneous	<u>319,768</u>	<u>104,964</u>	<u>563,293</u>
TOTAL CONTRIBUTIONS	66,744,263	74,577,303	58,698,311
3. Investment Income			
Investments	118,890,181	117,903,758	144,262,882
Less, Advisory expenses	<u>-4,019,378</u>	<u>-3,866,481</u>	<u>-3,361,419</u>
TOTAL INVESTMENT INCOME	114,870,803	114,037,277	140,901,463
4. Total Revenues	181,615,066	188,614,580	199,599,774
<u>OPERATING EXPENSES:</u>			
1. General Administration	892,225	935,506	826,381
Other Expenses	561,868	106,441	119,633
2. Benefits Paid			
a) Pension Benefits	82,988,328	82,297,800	76,534,487
b) Return of Contrib.	4,660,819	2,565,141	2,143,792
c) Transfers	<u>511,951</u>	<u>300,161</u>	<u>0</u>
TOTAL BENEFITS PAID	88,161,098	85,163,102	78,678,279
3. Total Expenses	89,615,191	86,205,049	79,624,293
<u>NET INCOME:</u>	91,999,875	102,409,531	119,975,481

EXHIBIT 2 (Continued)
Financial Summary

FINANCIAL SUMMARY
STATEMENT OF ASSETS
FOR FISCAL YEAR ENDING

	<u>June 30, 2006</u>	-----Prior Years-----	
		<u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>ASSETS</u>			
1. Short Term Assets			
Cash in Banks	\$ 10,882,724	\$ 14,876,236	\$ 9,586,778
Cash Equivalents	29,054,919	59,189,250	74,488,852
2. Bonds			
Domestic and Foreign	206,779,897	228,570,291	226,184,952
United States Agencies	203,729,874	207,212,339	200,482,355
Mutual Funds	146,959,606	76,769,789	57,867,030
3. Equities, Insurance Agreements			
Domestic Stock	568,232,813	522,357,497	473,057,527
Foreign Stocks	228,978,543	190,003,968	185,773,595
4. Other Investments	1,779,569	1,957,346	221,741
5. Other Assets			
Property/Equipment	2,639,998	2,939,934	3,689,912
Real Estate	83,753,228	64,114,983	40,337,826
Receivables (-) Payables	-63,536,182	-40,888,668	-47,074,733
Receivables from Mergers	<u>1,537,367</u>	<u>1,689,516</u>	<u>1,767,115</u>
TOTAL ASSETS			
Market Value	1,420,792,356	1,328,792,481	1,226,382,950
Valued at Cost	1,247,655,333	1,166,750,890	1,112,173,715
<u>INVESTMENT YIELD:</u>			
To Actuarial Value	13.20%	9.43%	7.80%
-Net of Mergers	13.20%	9.43%	7.80%
DROP Account Yield	12.70%	8.93%	7.30%
Market Value	8.72%	9.34%	12.87%
<u>ACTUARIAL VALUE OF ASSETS:</u>			
TOTAL Assets, less	1,420,792,356	1,328,792,481	1,226,382,950
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	66,360,372	104,457,820	-56,013,232
Plan Year - 1 (wt. 2/4)	47,900,892	66,360,371	104,457,820
Plan Year (wt. 3/4)	<u>11,026,896</u>	<u>47,900,892</u>	<u>66,360,371</u>
Valuation Assets	1,371,981,645	1,233,572,172	1,138,387,070

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)
1997	929,844	911,662	-18,182	102.0	123,502	-14.7
1998	1,018,384	950,228	-49,974	107.2	131,640	-38.0
1999	1,148,896	1,038,470	-110,426	110.6	143,670	-76.9
2000	1,277,548	1,167,247	-110,301	109.5	163,773	-71.6
2001	1,275,128	1,261,057	-14,071	101.1	181,738	-7.7
2002	1,189,425	1,384,605	195,180	85.9	187,568	104.1
2003	1,076,306	1,455,791	379,484	73.9	197,254	192.4
2004	1,138,387	1,561,739	423,252	72.9	208,756	202.7
2005	1,233,572	1,552,332	318,760	79.5	215,639	147.8
2006	1,371,982	1,651,056	279,074	83.1	223,214	125.0

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$98,723,267 from June 30, 2005 to June 30, 2006. There was a net experience gain of \$35,359,493.

EXHIBIT 3 (Continued)**Pension Accounting & Financial Disclosure****SUPPLEMENTARY INFORMATION****SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u> ¹	<u>Percent Contributed</u>	<u>Annual Pension Cost (APC)</u> ¹	<u>Actual Contribution</u> ¹	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u> ¹
1997	12,376,075	99.4	12,381,951	12,299,110	99.3	136,486
1998	15,340,965	101.2	15,344,190	15,517,638	101.1	-36,962
1999	13,568,502	99.3	13,578,983	13,478,928	99.3	63,093
2000	15,362,721	99.9	15,370,370	15,347,513	99.9	85,949
2001	17,123,946	100.4	17,131,525	17,189,303	100.3	28,172
2002	22,389,583	100.4	22,400,294	22,477,751	100.4	-49,285
2003	27,268,852	100.3	27,283,821	27,494,127	100.7	-259,591
2004	57,420,770	76.2	57,445,752	43,780,202	76.2	13,405,959
2005	58,109,563	103.6	57,593,472	60,222,742	104.6	10,776,689
2006	48,370,710	106.0	47,919,406	51,259,847	107.0	7,436,248

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Municipal Police 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).

**DEVELOPMENT OF NET
PENSION OBLIGATION:**

(1) Actuarial Required Contribution	\$48,370,710
(2) Interest on Net Pension Obligation	808,251
(3) Amortization of Net Pension Obligation	<u>1,259,555</u>
(4) Accrued Pension Cost(1)+(2)-(3)	47,919,406
(5) Employer Contribution	51,259,847
(6) Increase (-decrease) in Net Pension Obligation	-3,340,441
(7) Net Pension Obligation Beginning of Year	10,776,689
(8) Net Pension Obligation End of Year (6) + (7)	7,436,248

¹ 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. 25.

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>
1997	8,721,597	11,889,998	102,508,299	123,119,894
1998	9,824,612	15,160,629	90,074,934	115,060,175
1999	10,930,972	43,841,701 ¹	99,479,917	154,252,590
2000	12,376,419	87,844,851 ¹	44,467,036	144,688,306
2001	13,838,527	18,415,443	-34,986,464	-2,732,494
2002	14,032,129	23,068,690	-63,719,980	-26,619,161
2003	14,727,154	27,321,001	41,473,699	83,521,854
2004	15,646,734	42,887,212	141,065,828	199,599,774
2005	16,136,038	58,324,486	114,154,056	188,614,580
2006	16,878,085	49,759,155	114,977,826	181,615,066

Expenses by Type

<u>Fiscal</u> <u>Year End</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative</u> <u>Expenses</u> ²	<u>Total</u>
1997	42,832,983	1,529,331	658,622	45,020,936
1998	46,854,583	1,529,407	1,489,663	49,873,653
1999	50,777,251	1,752,904	714,756	53,244,911
2000	54,814,794	2,027,856	701,576	57,544,226
2001	59,414,407	2,689,175	784,496	62,888,078
2002	67,241,501	2,767,657	860,049	70,869,207
2003	71,862,749	2,491,874	983,765	75,338,388
2004	76,534,487	2,143,792	946,014	79,624,293
2005	82,597,961	2,565,141	1,041,947	86,205,049
2006	83,500,279	4,660,819	1,454,093	89,615,191

¹ Includes merger contract prepayments of \$30,248,342 in 1999 and \$72,283,023 in 2000.

² Includes other expenses incurred not directly related to the administration of daily operation.
(See Exhibit 2).

EXHIBIT 4

CENSUS DATA

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

There were 24 records (18 disability and 6 survivor records) purged from the data base containing errors or categorized as suspicious data which is a significant reduction 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 sums reported by internal audit due to salary annualization. In the valuation process, membership data with fractional service annualizes the salary in the first year of employment.

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

	---2006---	---2005---	---2004---
	<u>Census</u>	<u>Census</u>	<u>Census</u>
Active Members	5,575	5,827	5,831
DROP to Active	194	173	182
Regular Retirees	2,517	2,437	2,312
Disability Retirees	208	209	233
Survivors	1,014	1,006	1,023
Vested & Reciprocals	99	88	80
Due Refunds	926	602	687
DROP Participants	<u>227</u>	<u>239</u>	<u>265</u>
TOTAL	10,760	10,581	10,613

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

MUNICIPAL POLICE SYSTEM
ACTIVE MEMBERS

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY

VALUATION DATE 6/30/2006

Age	YEARS EMPLOYED									Total	
	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)		
[0-19)	7	1	0	0	0	0	0	0	0	0	8
salary	100088	25111	0	0	0	0	0	0	0	0	125199
[20-24)	136	173	1	0	0	0	0	0	0	0	310
salary	3065591	5113615	30728	0	0	0	0	0	0	0	8209934
[25-29)	115	560	168	0	0	0	0	0	0	0	843
salary	2726365	18686787	5926535	0	0	0	0	0	0	0	27339687
[30-34)	72	354	497	110	0	0	0	0	0	0	1033
salary	1829605	11679699	19147620	4460178	0	0	0	0	0	0	37117102
[35-39)	110	218	337	382	163	7	0	0	0	0	1217
salary	2565201	6868445	12488929	16154233	7441163	433548	0	0	0	0	45951519
[40-44)	27	131	154	186	277	169	4	0	0	0	948
salary	609947	4073702	5677808	7664157	13012954	9051039	245825	0	0	0	40335432
[45-49)	11	63	99	88	141	243	92	0	0	0	737
salary	260637	1847721	3448803	3403259	6497226	12922535	5272024	0	0	0	33652205
[50-54)	2	36	47	51	67	73	72	5	0	0	353
salary	43311	1047718	1437842	1938006	2751255	3807632	4279610	302529	0	0	15607903
[55-59)	1	2	21	21	23	21	10	4	2	2	105
salary	18667	72190	701777	686766	930837	1064682	580948	239129	142934	0	4437930
[60-64)	0	0	4	2	7	4	1	0	1	1	19
salary	0	0	102369	61519	229125	185287	52327	0	85969	0	716596
[65-69)	0	0	0	0	0	2	0	0	0	0	2
salary	0	0	0	0	0	73863	0	0	0	0	73863
[70-74)	0	0	0	0	0	0	0	0	0	0	0
salary	0	0	0	0	0	0	0	0	0	0	0
TOTALS	count	481	1538	1328	840	678	519	179	9	3	5575
salary	11219412	49414988	48962411	34368118	30862560	27538586	10430734	541658	228903	0	213567370

AVERAGES --- Attained Age 37.74
Service Years 9.58
Active Salary 38,308

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

MUNICIPAL POLICE SYSTEM
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY
DROP BENEFITS

VALUATION DATE 6/30/2006

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)	8	6	0	0	0	0	0	0	0	0	14
	286313	307468	0	0	0	0	0	0	0	0	593781
	268200	204408	0	0	0	0	0	0	0	0	472608
[50-54)	20	14	6	12	3	4	0	0	0	0	59
	728667	811321	334190	774657	150666	201995	0	0	0	0	3001496
	643512	489828	190992	418656	88260	95988	0	0	0	0	1927236
[55-59)	17	10	12	18	2	19	2	0	0	0	80
	601114	486125	613931	1032388	117769	1145402	147668	0	0	0	4144397
	489456	275544	365592	557316	53520	533640	60768	0	0	0	2335836
[60-64)	4	8	1	1	2	10	2	0	0	0	28
	139964	346873	52829	59748	105471	486837	82004	0	0	0	1273726
	127212	182424	36108	24072	52572	239424	37716	0	0	0	699528
[65-69)	0	2	0	0	0	2	1	1	0	0	6
	0	103757	0	0	0	93300	47012	40255	0	0	284324
	0	32424	0	0	0	55164	16812	13932	0	0	118332
[70-74)	0	1	0	1	0	1	0	4	0	0	7
	0	46053	0	51458	0	25601	0	225455	0	0	348567
	0	8700	0	29040	0	9252	0	120612	0	0	167604
TOTALS											
count	49	41	19	32	7	36	5	5	0	0	194
salary	1756058	2101597	1000950	1918251	373906	1953135	276684	265710	0	0	9646291
benefit	1528380	1193328	592692	1029084	194352	933468	115296	134544	0	0	5721144

AVERAGES --- Attained Age 56.77
Post Drop Years 3.46
Active Salary 49,723
Annual Benefit 29,490

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

MUNICIPAL POLICE SYSTEM
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

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
	41292	0	0	0	0	0	0	0	0	0	41292
[40-44)	2	0	0	0	0	0	0	0	0	0	2
	511224	728352	482400	522600	151836	35472	0	0	0	0	2431884
[45-49)	14	18	13	16	5	3	0	0	0	0	69
	804360	897816	1225308	2434608	1831104	3786996	160932	0	0	0	11141124
[50-54)	22	29	37	73	59	117	10	0	0	0	347
	314916	336228	662844	1324008	1595940	8786184	4187004	441528	127632	0	17776284
[55-59)	16	16	26	50	60	306	146	19	8	0	647
	30900	48108	109848	361488	509124	3405876	7752516	824208	677676	0	13719744
[60-64)	1	2	6	14	24	159	286	28	52	0	572
	0	4800	26160	67860	212160	398232	1946868	3910188	1389144	0	7955412
[65-69)	0	1	1	4	10	23	79	140	88	0	346
	0	0	0	41508	15348	142704	319284	1406172	3131052	0	5056068
[70-74)	0	0	0	2	1	9	20	54	158	0	244
	0	0	0	12780	2544	67656	119784	413352	2320488	0	2936604
[75-79)	0	0	0	1	1	4	6	19	125	0	156
	0	0	0	0	0	6240	53484	203292	1718076	0	1981092
[80-84)	0	0	0	0	0	1	2	7	93	0	103
	0	0	0	0	0	0	0	0	406548	0	406548
[85-89)	0	0	0	0	0	0	0	0	26	0	26
	0	0	0	0	0	0	0	0	59592	0	59592
[90-99)	0	0	0	0	0	0	0	0	5	0	5
	0	0	0	0	0	0	0	0	0	0	0
TOTALS	55	66	83	160	160	622	549	267	555	0	2517
benefit	1702692	2015304	2506560	4764852	4318056	16629360	14539872	7198740	9830208	0	63505644

AVERAGES --- Attained Age 63.22
Years Retired 13.08
Annual Benefit 25,231

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

MUNICIPAL POLICE SYSTEM
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	
[0-39)	2	3	2	1	3	6	0	0	0	17
	69708	39384	24612	19140	34788	68220	0	0	0	255852
[40-44)	0	1	3	1	4	7	5	1	0	22
	0	6768	39996	12396	50676	77436	50064	11844	0	249180
[45-49)	1	3	2	7	3	15	6	2	0	39
	12792	52944	27840	131148	55080	226320	79308	13344	0	598776
[50-54)	3	1	1	0	1	9	13	8	4	40
	58572	13824	14952	0	21468	156000	166104	99780	42384	573084
[55-59)	0	0	0	3	2	4	7	7	10	33
	0	0	0	33540	18036	54708	114528	78096	125028	423936
[60-64)	0	0	0	0	0	2	4	3	13	22
	0	0	0	0	0	20892	35220	43956	167244	267312
[65-69)	0	0	0	0	0	1	2	0	8	11
	0	0	0	0	0	11772	14172	0	123312	149256
[70-74)	0	0	0	0	0	0	0	2	12	14
	0	0	0	0	0	0	0	22668	158964	181632
[75-79)	0	0	0	0	0	0	0	0	7	7
	0	0	0	0	0	0	0	0	71556	71556
[80-84)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
[85-89)	0	0	0	0	0	0	0	0	3	3
	0	0	0	0	0	0	0	0	32988	32988
[90-99)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTALS	6	8	8	12	13	44	37	23	57	208
benefit	141072	112920	107400	196224	180048	615348	459396	269688	721476	2803572

AVERAGES --- Attained Age 54.63
Years Retired 14.28
Annual Benefit 13,479

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

MUNICIPAL POLICE SYSTEM
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age	YEARS RETIRED									Total
	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	
[0-39)	1	8	1	9	3	21	23	11	9	86
	21588	90924	9420	67848	15192	124752	107556	51852	29544	518676
[40-44)	1	1	1	1	0	12	9	4	1	30
	14436	7920	11940	15108	0	86508	64260	44604	22992	267768
[45-49)	0	3	0	0	3	7	19	3	5	40
	0	51780	0	0	48060	83592	161124	24456	40200	409212
[50-54)	1	5	6	6	0	18	21	6	11	74
	16272	72048	145320	115440	0	190056	141660	55368	108108	844272
[55-59)	0	2	0	1	4	31	17	13	11	79
	0	55044	0	28752	43704	458040	236484	195576	111048	1128648
[60-64)	1	0	3	0	0	11	28	9	37	89
	4020	0	32556	0	0	167364	599652	121896	331968	1257456
[65-69)	0	0	0	0	2	7	16	20	57	102
	0	0	0	0	21384	86832	229740	317916	578508	1234380
[70-74)	0	0	0	1	0	9	7	16	102	135
	0	0	0	3864	0	100740	64104	348000	1050888	1567596
[75-79)	0	0	0	0	0	3	7	13	106	129
	0	0	0	0	0	22440	116904	252636	1059240	1451220
[80-84)	0	0	0	0	0	1	0	8	126	135
	0	0	0	0	0	4800	0	154332	1313064	1472196
[85-89)	0	0	0	0	0	1	2	1	72	76
	0	0	0	0	0	5436	21552	15144	702036	744168
[90-99)	0	0	0	0	0	0	0	1	38	39
	0	0	0	0	0	0	0	6828	326568	333396
TOTALS	4	19	11	18	12	121	149	105	575	1014
benefit	56316	277716	199236	231012	128340	1330560	1743036	1588608	5674164	11228988

AVERAGES --- Attained Age 66.73
Years Retired 22.26
Annual Benefit 11,074

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

MUNICIPAL POLICE SYSTEM
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

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	0
[40-44)	0	0	0	0	0	0	0	0	0	0	0
[45-49)	28	17	17	0	0	0	0	0	0	0	62
	1114776	575856	540924	0	0	0	0	0	0	0	2231556
[50-54)	31	38	40	0	0	0	0	0	0	0	109
	1287084	1297608	1366308	0	0	0	0	0	0	0	3951000
[55-59)	14	18	15	0	0	0	0	0	0	0	47
	457140	632688	447276	0	0	0	0	0	0	0	1537104
[60-64)	2	2	4	0	0	0	0	0	0	0	8
	39996	21588	118872	0	0	0	0	0	0	0	180456
[65-69)	0	0	1	0	0	0	0	0	0	0	1
	0	0	15660	0	0	0	0	0	0	0	15660
[70-74)	0	0	0	0	0	0	0	0	0	0	0
[75-79)	0	0	0	0	0	0	0	0	0	0	0
[80-84)	0	0	0	0	0	0	0	0	0	0	0
[85-89)	0	0	0	0	0	0	0	0	0	0	0
[90-99)	0	0	0	0	0	0	0	0	0	0	0
TOTALS	75	75	77	0	0	0	0	0	0	0	227
benefit	2898996	2527740	2489040	0	0	0	0	0	0	0	7915776

AVERAGES --- Attained Age 52.59
Years Retired 1.44
Annual Benefit 34,871

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

MUNICIPAL POLICE SYSTEM
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

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	0	0	13788	0	0	0	0	0	0	13788
[40-44)	0	0	0	5	5	0	0	0	0	0	10
[45-49)	0	0	0	56856	53316	0	0	0	0	0	110172
[50-54)	0	0	0	12	7	7	0	0	0	0	26
[55-59)	0	0	0	120852	75516	130164	0	0	0	0	326532
[60-64)	0	0	0	8	7	16	0	0	0	0	31
[65-69)	0	0	0	102264	99336	319812	0	0	0	0	521412
[70-74)	0	0	0	8	19	0	0	0	0	0	27
[75-79)	0	0	0	81684	239652	0	0	0	0	0	321336
[80-84)	0	0	0	0	1	0	0	0	0	0	1
[85-89)	0	0	0	0	7692	0	0	0	0	0	7692
[90-94)	0	0	0	0	0	0	0	0	0	0	0
[95-99)	0	0	0	0	0	0	0	0	0	0	0
TOTALS	0	0	2	35	39	23	0	0	0	0	99
benefit	0	0	6828	377148	475512	449976	0	0	0	0	1309464

AVERAGES --- Attained Age 47.26
Service Years 16.36
Annual Benefit 13,227

EXHIBIT 5

SUMMARY OF THE MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM PLAN PROVISIONS

EFFECTIVE DATE:

July 1, 1973

EMPLOYEE:

Any full-time police officer empowered to make arrests, employed by a municipality of the State and engaged in law enforcement, earning at least \$375/month excluding state supplemental pay, or an elected Chief of Police whose salary is at least \$100.00 per month, and any employee of this System. City or Ward Marshals, elected Councilmen and Mayors excluded.

EMPLOYER:

Any municipality in the State which employs a full-time police officer, empowered to make arrests, or which has an elected Chief of Police whose salary is at least \$100.00 per month; and Municipal Police Employees' Retirement System.

MEMBERSHIP:

1. Persons who were members on 9/7/77 must remain members and persons hired on or after 9/9/77 must become members as a condition of employment, if under age 50; providing they do not have to pay social security (Act 141 of 1983).
2. Persons who transferred from another police retirement system in 1973 and 1974 under R.S. 42:697 as it read at that time (Act 46 of 1972).
3. Persons who transferred from another police retirement system in 1975 and 1976 under R.S. 42:697 as it read at that time (Act 548 of 1975).
4. Persons who became members under R.S. 42:697 and are having credit/or will have credit "recognized" between this system and another system or systems (Act 416 of 1976 AMENDED by Act 344 of 1978 and Act 103 of 1979).
5. Persons who became members because of a merger agreement entered into between a local police pension fund and this retirement system.
6. Employees, employed by any municipality or parish of this state which has its employees covered under the federal Social Security program, may elect not to be or become a member. Any member who elects not to be a member shall be refunded his employee contributions received by the system, without interest (Act 32 of 1984).

EXHIBIT 5 (Continued)
Plan Provisions

CREDITABLE SERVICE:

As follows:

1. Prior Service - service credit which was not credited in any other retirement system and for which a prior service certificate was issued.
2. Membership Service - service as a member for which the system received contribution. Qualifying cadet service may be purchased per Act 215 of 1992.

NOTE: a. No prior service credit to be given for employee who becomes member after July 31, 1976; extended to 1/1/77 for employee who is required to pay Social Security contributions.

- b. Credit for military service up to July 1, 1973 given, not to exceed 4 years, provided employee pays employee and employer contributions that would have been required based on rate of pay when first hired as police officer, plus 6% compound interest.

EMPLOYEE CONTRIBUTIONS:

7% of earnable compensation (Over 30 years of service, no contributions required).
8.0% effective July 1, 1989; 7.5% effective July 1, 1994.

EMPLOYER CONTRIBUTIONS:

Municipality Rate set at 9%; balance to be determined by the Actuarial Forecast Committee and to be funded from dedicated Insurance Premium Tax.

EARNABLE COMPENSATION:

Full amount of regular salary earned by an employee for a given month, including State supplemental pay, but excluding overtime pay.

AVERAGE FINAL COMPENSATION:

Average annual earned compensation of an employee for any period of highest 36 successive or joined month's earnable compensation.

NORMAL RETIREMENT:

The average compensation of a member for purposes of computing benefits cannot increase more than 25% per year. (Effective 1/1/87 Act 367 of 1986)

ELIGIBILITY:

20 years of service and age 50 or 12 years of service and age 55 or 25 years of service at any age; member of the System for one year.

EXHIBIT 5 (Continued)
Plan Provisions

BENEFIT:

3 1/3% of average final compensation times years of creditable service.
(not to exceed 100% of final salary).

ANNUITY FORM:

An annuity payable for the lifetime of the member.

EARLY RETIREMENT:

ELIGIBILITY:

20 years of service regardless of attained age.

BENEFIT:

3 1/3% of Average Final Compensation multiplied by creditable service actuarially reduced for retirement prior to age 50.

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 the earliest normal retirement date.

DISABILITY BENEFITS:

ELIGIBILITY:

Any member may retire due to total and permanent disability, with at least five (5) years of creditable service, unless injuries were sustained in the performance of official duty.

BENEFIT:

3% of Average Final Compensation multiplied by years of creditable service, but not less than 40% nor more than 60% of Average Final Compensation. 100% of Average Final Compensation if in a coma, is paraplegic or loses the use of a limb

NOTE: Upon reaching age, disability pensioner receives greater of the disability benefit or the accrued benefit earned to date of disability.

EXHIBIT 5 (Continued)
Plan Provisions

DEATH BENEFITS:

ELIGIBILITY:

1. Death of active contributing member or disability retiree.
2. Death of member eligible for retirement, except for the one year of membership requirement.
3. Death of member while in the line of duty.

BENEFIT:

1. Surviving spouse receives the retirement benefit the member had earned to his date of death, but not less than 40% and not more than 60% of the member's Average Final Compensation. Benefit ceases upon widow's death or remarriage, unless member was killed in the line of duty or the spouse attains age 55.
2. Automatic Option 2 for widow or shall be paid benefits as provided above in (1), whichever is greater.
3. Surviving spouse receives 100% of member's Average Final Compensation

NOTE:

Surviving minor children with surviving spouse receive benefits equal to the greater of 10% of average compensation or \$200 per month per child payable to age 18, except for retarded children and those who go directly to college after high school (maximum extension, four years).

Surviving minor children with no surviving spouse receive benefits equal to 30% of average compensation with an aggregate limit of 60% of average compensation. If only one surviving minor child, benefits equal 40% of average compensation.

VESTING:

ELIGIBILITY:

1. Member who terminates employment after one year as member of the System before attaining age 50 with 20 years of creditable service.
2. Member who terminates employment after one year as member of the System before attaining age 55, with 12 years of creditable service.
3. Member who terminates receives refund and returns, must complete 3 additional years service in order to repay refund with 5% compound interest.

EXHIBIT 5 (Continued)
Plan Provisions

BENEFIT:

1. Deferred retirement benefit payable at age 50.
2. Deferred retirement benefit payable at age 55.

NOTE: Terminated vested member shall be covered by survivor benefit provision.

OPTIONAL FORMS OF BENEFIT:

1. Balance of value of annuity to beneficiary if death before receiving value of annuity at time of retirement.
2. 100% survivor's benefits - reduced retirement benefit continued to beneficiary at member's death.
3. 50% survivor's benefits - 50% of reduced retirement benefit continued to beneficiary at member's death.
4. Initial Benefit Option - maximum benefit actuarially reduced for partial lump sum equal to not more than 36 months of maximum monthly pension.
5. Other benefits of equal actuarial value, upon approval of Board.

COST OF LIVING INCREASE:

The Board of Trustees is authorized to provide a cost of living increase for retirees not to exceed 3% of the original benefit for each year of retirement and an additional 2% for retirees age 65 and over, provided the system has reached its Funding Target.

DEFERRED RETIREMENT OPTION PLAN:

(Act 475 of 1984)

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:

Twenty (20) years of creditable service (including reciprocal service) and eligible to receive a normal service retirement allowance.

BENEFIT:

Duration of participation is specified not exceed three years, effective July 1, 1992.

EXHIBIT 5 (Continued)
Plan Provisions

BENEFIT:

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 account balance)
- 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:

1. payment into account shall cease;
2. payment from account is suspended until employment is terminated; and
3. participant shall resume active contributions to 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.

NOTE: DROP Accounts shall earn interest following termination of DROP at a rate .5% below the actuarial rate of the System's investment portfolio.

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 Reg.1.412(c)(2)-1-(6) & (7) of the Internal Revenue Service Code and is subject to the Corridor Limits defined therein.

As a result of the change in the 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.

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, but only to the extent that any difference in reporting affects the employer's Premium Tax Allocation 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 (1999-2003) was chosen to coincide with the most recent period of data reporting following the restructuring of the Deferred Retirement Option Program.

EXHIBIT 6 (Continued)
Cost Methods & Assumptions

MORTALITY ASSUMPTIONS:

Pre-retirement deaths and post-retirement life expectancies were projected in accordance with the experience of the 1983 Sex Distinct Group Annuity Mortality Table for the current valuation; 1971 GAM in valuations prior to June 30, 2005.

DISABILITY ASSUMPTION:

Rates of total and permanent disability were projected by age in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. For mortality after disability, rates were on the Eleventh Actuarial Valuation of the Railroad Retirement System for occupational disabilities. As an approximation of the Railroad Retirement tables, an age set-up of the 1971 GAM table was used equal to 1/2 the rate at disability and the rate at age 82.

RETIREMENT/DROP ASSUMPTION:

Retirement without reduction in benefits can occur at any given age after satisfying the service eligibility requirements. Absent from the plan is a traditional "Normal Retirement Age". Since the age and service requirements are varied, the frequency of retirements will depend on the exposure plus intangibles such as health, economy, Social Security and other work patterns.

DROP is viewed as an alternative form of benefit accrual since mandatory terminate is not required following participation. Therefore, at eligibility, the probability of DROP accrual is determined in conjunction with regular benefit accrual. Retirement rates were projected based on the 1999-2003 Experience Study for the Municipal and State Police Retirement Plan.

TERMINATION ASSUMPTIONS:

Voluntary termination or withdrawal rates are the same as those used in prior valuations. During the first five years of employment, the probability of voluntarily terminating is a multiple of the attained age rate as follows:

1st year	1.25x
2nd year	1.00x
3rd year	1.00x
4th year	1.00x
5th year	1.00x

Furthermore, for members terminating with twelve (12) or more years of service it is assumed that 20% will not withdraw their accumulated employee contributions.

EXHIBIT 6 (Continued)
Cost Methods & Assumptions

SALARY GROWTH:

The rates of annual salary growth are base upon the members 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:

<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

REMARRIAGE:

Annuities payable to the spouse which cease upon death or remarriage were taken from "A Technical Note for the Construction of Widow's Annuities. "The Remarriage and Mortality rates used to develop these annuities were based on the graduated rates from "Mortality and Remarriage Experience for Widow's Beneficiaries under OASDI.

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:

The actuarial discount rate for valuation purposes was 7%, net expenses, prior to July 1, 2005. Effective July 1, 2005, Board approved an increase in the rate to 7.5%.

ADMINISTRATIVE EXPENSES:

These expenses are included in Normal Cost and are assumed to be \$893,000 per year. Investment Expenses are not included in Normal Cost but are treated as a direct offset to investment income. The Employer portion of the Normal Cost includes an allocation for administrative expenses.

ACTUARIAL TABLES AND RATES
NEW RATES 6/30/2004

Age	- Death Rates -		Disability	Termination	Retirement	DROP	Dur	Salary
	Male	Female	Rates	Rates	Rates	Rates		Scale
18	.00035	.00017	.0001	.1100	.0000	.000	1	1.1500
19	.00036	.00018	.0001	.1100	.0000	.000	2	1.1000
20	.00038	.00019	.0001	.1000	.0000	.000	3	1.0600
21	.00039	.00020	.0001	.1000	.0000	.000	4	1.0600
22	.00041	.00021	.0001	.1000	.0000	.000	5	1.0600
23	.00042	.00023	.0001	.0950	.0000	.000	6	1.0600
24	.00044	.00024	.0001	.0950	.0000	.000	7	1.060
25	.00046	.00025	.0001	.0950	.0000	.000	8	1.0550
26	.00049	.00027	.0010	.0950	.0000	.000	9	1.0550
27	.00051	.00028	.0010	.0950	.0000	.000	10	1.0550
28	.00054	.00030	.0010	.0950	.0000	.000	11	1.0550
29	.00057	.00032	.0015	.0750	.0000	.000	12	1.0500
30	.00061	.00034	.0015	.0750	.0000	.000	13	1.0500
31	.00065	.00036	.0015	.0650	.0000	.000	14	1.0500
32	.00069	.00039	.0015	.0650	.0000	.000	15	1.0500
33	.00073	.00041	.0015	.0650	.0000	.000	16	1.0500
34	.00078	.00044	.0015	.0650	.0000	.000	17	1.0440
35	.00086	.00048	.0015	.0650	.0000	.000	18	1.0440
36	.00091	.00050	.0015	.0400	.0000	.000	19	1.0440
37	.00097	.00054	.0035	.0400	.0000	.000	20	1.0440
38	.00104	.00057	.0035	.0400	.0000	.000	21	1.0440
39	.00113	.00062	.0035	.0400	.0000	.000	22	1.0440
40	.00124	.00066	.0035	.0400	.0000	.000	23	1.0440
41	.00137	.00072	.0035	.0400	.0000	.000	24	1.0440
42	.00153	.00078	.0035	.0400	.0000	.000	25	1.0400
43	.00172	.00084	.0035	.0400	.2500	.000	26	1.0400
44	.00193	.00092	.0035	.0400	.2500	.150	27	1.0400
45	.00218	.00101	.0035	.0400	.2500	.150	28	1.0400
46	.00247	.00112	.0035	.0400	.2500	.350	29	1.0400
47	.00279	.00124	.0035	.0400	.2500	.350	30	1.0400
48	.00314	.00137	.0035	.0400	.1500	.400	31	1.0400
49	.00351	.00151	.0035	.0400	.1500	.150	32	1.0400
50	.00391	.00165	.0035	.1000	.3000	.400	33	1.0400
51	.00432	.00179	.0035	.0500	.2500	.400	34	1.0400
52	.00475	.00195	.0035	.0500	.2500	.200	35	1.0400
53	.00520	.00212	.0035	.0500	.3000	.150	36	1.0400
54	.00566	.00231	.0060	.0500	.3500	.150	37	1.0400
55	.00613	.00254	.0060	.0500	.5000	.200	38	1.0400
56	.00662	.00280	.0100	.0500	.2500	.300	39	1.0400
57	.00714	.00310	.0010	.0500	.2000	.200	40	1.0400
58	.00772	.00344	.0010	.0500	.2000	.150	41	1.0400
59	.00838	.00382	.0010	.0500	.2000	.150	42	1.0400
60	.00916	.00424	.0010	.0500	.5000	.150	43	1.0400
61	.01006	.00470	.0010	.0500	.5000	.000	44	1.0400
62	.01113	.00521	.0010	.0500	.1500	.000	45	1.0400
63	.01239	.00577	.0000	.0500	.1500	.000	46	1.0400
64	.01387	.00639	.0000	.0500	.5000	.000	47	1.0400
65	.01559	.00706	.0000	.0500	.5000	.000	48	1.0400
66	.01758	.00782	.0000	.0500	.5000	.000	49	1.0400
67	.01980	.00868	.0000	.0000	.5000	.000	50	1.0400
68	.02223	.00970	.0000	.0000	.9900	.000	51	1.0400
69	.02482	.01092	.0000	.0000	.9900	.000	52	1.0400
70	.02753	.01238	.0000	.0000	.9900	.000	53	1.0400
71	.03035	.01413	.0000	.0000	.9900	.000	54	1.0400
72	.03337	.01616	.0000	.0000	.9900	.000	55	1.0400
73	.03668	.01848	.0000	.0000	.9900	.000	56	1.0400
74	.04039	.02109	.0000	.0000	.9900	.000	57	1.0400

EXHIBIT 7
DEVELOPMENT OF TARGET RATIO

Funded Ratio of the System as of the 1986 fiscal year end .93194

Number of years elapsed since the 1986 fiscal year end multiplied by
1/30th of the difference between 100% and the Initial Funded Ratio .04537

Changes in Funded Ratio after the 1986 fiscal year end:

<u>Date of Change</u>	<u>Change in funded Ratio</u>
<u>6/30/87</u>	<u>-.08841</u>
<u>6/30/88</u>	<u>.12270</u>
<u>6/30/91</u>	<u>-.00911</u>
<u>6/30/93</u>	<u>-.01350</u>
<u>6/30/96</u>	<u>-.01671</u>
<u>6/30/99</u>	<u>-.00572</u>
<u>6/30/00</u>	<u>-.05719</u>
<u>6/30/04</u>	<u>-.00961</u>
<u>6/30/05</u>	<u>.03942</u>

Total Change in Funded Ratio -.03813

Number of years elapsed since the date of each change multiplied by
1/30th of the amount of opposite arithmetic sign of such change:

<u>Date of Change</u>	<u>Amortization of Change</u>
<u>6/30/87</u>	<u>.05599</u>
<u>6/30/88</u>	<u>-.07362</u>
<u>6/30/91</u>	<u>.00456</u>
<u>6/30/93</u>	<u>.00585</u>
<u>6/30/96</u>	<u>.00557</u>
<u>6/30/99</u>	<u>.00133</u>
<u>6/30/00</u>	<u>.01144</u>
<u>6/30/04</u>	<u>.00064</u>
<u>6/30/05</u>	<u>.00131</u>

Total Amortization of Changes .01045

Target Ratio as of the end of the just completed fiscal year 0.94963

Actual Funded Ratio of the system as of the just completed fiscal year 0.83097

This system has not met the target ratio required to grant a cost-of-living increase to current benefit recipients.

EXHIBIT A

**AMORTIZATION OF UNFUNDED
ACTUARIAL ACCRUED LIABILITY
VALUATION RATE 7.50%**

JUNE 30, 2006

<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>
1996	Change in Liability	L	15	-27,209,779	5	-12,274,222	-2,926,013
1997	Change in Liability	L	15	7,807,987	6	4,094,334	841,299
1998	Change in Liability	L	15	-50,648,475	7	-30,027,266	-5,467,821
1999	Change in Liability	L	15	-45,292,161	8	-29,749,991	-4,898,745
2000	Change in Liability	L	15	-4,827,975	9	-3,459,929	-523,140
2001	Change in Liability	L	15	90,820,890	10	70,160,748	9,858,426
2002	Change in Liability	L	30 ¹	207,093,231	26	197,564,008	16,863,393
2003	Change in Liability	L	30	184,314,964	27	178,219,830	15,023,577
2004	Change in Liability	L	30	31,940,093	28	31,270,201	2,605,951
2005	Change in Liability	L	30	-99,765,418	29	-98,800,563	-8,147,262
2006	Change in Liability	L	30	-35,359,493	30	<u>-35,359,493</u>	<u>-2,887,604</u>
TOTAL OUTSTANDING BALANCE						271,637,657	20,342,061

EMPLOYER'S CONTRIBUTION VARIANCE

1992	Contribution Variance	L	15	-513,554	1	-52,815	-54,760
1993	Contribution Variance	L	15	191,419	2	38,082	20,456
1994	Contribution Variance	L	15	-228,116	3	-65,869	-24,430
1995	Contribution Variance	L	15	303,610	4	113,148	32,582
1996	Contribution Variance	L	15	227,328	5	102,547	24,446
1997	Contribution Variance	L	15	76,966	6	40,359	8,293
1998	Contribution Variance	L	15	-176,672	7	-104,741	-19,073
1999	Contribution Variance	L	15	89,574	8	58,837	9,688
2000	Contribution Variance	L	15	15,208	9	10,899	1,648
2001	Contribution Variance	L	15	-65,357	10	-50,489	-7,094
2002	Contribution Variance	L	15	-88,166	11	-72,713	-9,587
2003	Contribution Variance	L	15	-225,280	12	-196,787	-24,537
2004	Contribution Variance	L	15	13,640,571	13	12,537,201	1,488,086
2005	Contribution Variance	L	15	-2,113,182	14	-2,032,274	-230,895
2006	Contribution Variance	L	15	-2,889,137	15	<u>-2,889,137</u>	<u>-315,678</u>
TOTAL EMPLOYER CREDIT						7,436,248	899,145

**TOTAL UNFUNDED ACTUARIAL
ACCRUED LIABILITY**

279,073,905

¹Act 1079 of 2003 changed amortization period effective June 30, 2002