

## *Hall Actuarial Associates*

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September 1, 2006

Board of Trustees  
**LOUISIANA STATE POLICE**  
**RETIREMENT SYSTEM**  
3100 Brentwood Drive, Suite B  
Baton Rouge, Louisiana 70809

Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Louisiana State Police 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 Louisiana State Police 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 the Fund's external auditors, Hawthorn, Waymouth & Carroll.

The present values shown herein have been calculated on the basis of the actuarial cost method specified in Louisiana Revised Statutes Title 11 Section 22(12). The actuarial assumptions, which have been approved by the Board of Trustees, are appropriate for the purpose of this valuation, are reasonable in the aggregate, and when applied in combination represent my best estimates of the anticipated experience under the plan.

Board of Trustees  
September 1, 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	996	1,116	1,091
2) Actives	1,134	1,003	979
3) Terminated Vested	22	21	22
4) DROP	36	25	36
II. Annual Benefits	\$ 26,782,068	\$ 24,861,732	\$ 23,752,087
III. Total Payroll	49,255,802	49,289,922	47,922,930
IV. Valuation Assets	379,704,362	278,220,750	248,108,702
V. Investment Yield			
Market Value	7.36%	9.01%	11.49%
5 year avg.	0.0%	0.0%	0.0%
10 year avg.	0.0%	0.0%	0.0%
Actuarial Value	13.16%	8.60%	4.30%
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)	11,919,719 24.20%	12,005,890 24.36%	11,351,580 23.69%
VII. Unfunded Actuarial Accrued Liability	166,534,087	238,205,849	228,975,901
VIII. Funded Percentage	69.5%	53.9%	52.0%
IX. Funding Requirements (Mid Year Payment)			
1) Employee Rate	8.00%	8.00%	8.00%
2) Employer Rate, plus Premium Tax Allocation (Current Year)	32.6% 1,500,000	67.9% 1,500,000	62.6% 1,500,000
3) Projected Employer Rate, plus Premium Tax Allocation (Next Year)	26.2% 1,500,000	70.3% 1,500,000	64.4% 1,500,000

Funding Requirements measure the cost of benefits in effect on June 30, 2006.

Board of Trustees  
September 1, 2006

**Current Funding**

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 in part to favorable investment experience on an actuarial basis. The dollar funding requirements have increased, and the funding as a percentage of payroll, has increased. 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.

In accordance with Act 165 of the 1992 Legislative Session, beginning with the 1992-1993 plan year, the actuarial cost method was changed from the "Projected Unit Credit" to the "Entry Age Normal" cost method. Act 165 further provides that the Unfunded Actuarial Liability in accordance with the Projected Unit Credit cost method on June 30, 1988 shall continue to be amortized over a 20-year period as a level dollar amount. Now changes in Actuarial Methods or Assumptions are amortized over the later of the year 2029 or the amortization period stated in Act 81 of the 1988 Legislative Session.

During the past fiscal year the actuarial accrued liability in excess of assets to pay benefits decreased from 238.2 million to a 166.5 million dollar deficit.

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 6/30/2005 \$ 238,205,849

**INCREASES**

Interest on Unfunded Liability	\$ 17,865,439
Benefit Changes	0
Experience Loss	<u>6,131,696</u>
Incurred Increases	23,997,135

**DECREASES**

Employer Shortfall Gain	784,919
Transfer from Texaco Fund	50,084,124
Investment Gain	16,137,254
Net Amortization Payment	<u>28,662,600</u>
Incurred Decreases	95,668,897

Unfunded Liability 6/30/2006 \$ 166,534,087

Board of Trustees  
September 1, 2006

There were no Bills passed during the 2006 Legislative Session, which would have affected the actuarial liability or annual funding requirements.

Last years report indicated that the Texaco Settlement Side Fund could be liquidated if the Fund earned excess interest above \$1,143,000 during the 2005-2006 fiscal year. Actual excess interest for the Fund was \$16,137,254 forcing the liquidation of the Side Fund. The direct impact on the Fund resulting from the liquidation caused the following events;

- The outstanding balance of the initial UAL was fully amortized.
- The amortization payment schedule decreased \$18.8M.
- The required employer rate decreased 37.7%
- There is an expected employer contribution overage of \$18.9M at the end of the current fiscal year.
- The funded status increased 9.16%

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.

Finally, Exhibit 7, the Development of the Target Ratio, is an important consideration for both retired members and members of the Board of Trustees. The Board is specifically prohibited from granting a cost of living increase to retirees and survivors by Act 256 of the 1986 regular session unless the system has met the Funding Target.

For the plan year ending June 30, 2006, the funding target is .67309, which is less than the current .69513 funding ratio. The yield to actuarial value during the last plan year was 13.16%, which is greater than the actuarial valuation rate of 7.50%. The excess interest earnings generated during the year, coupled with the increase in the funded status in excess of the Funded Ratio now gives the Board the ability to consider granting a cost of living increase to retirees and survivors.

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	\$ 10,140,517	20.59%	\$ 10,116,990	20.53%
b) Disability Benefits	366,249	.74%	367,712	.75%
c) Survivor Benefits	454,031	.92%	544,374	1.10%
d) Voluntary Termination	543,922	1.10%	559,814	1.14%
e) Expenses	<u>415,000</u>	<u>.84%</u>	<u>417,000</u>	<u>.85%</u>
TOTAL	11,919,719	24.20%	12,005,890	24.36%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 168,744,986		\$ 174,328,619	
2) Disability Benefits	1,923,369		1,863,485	
3) Survivor Benefits	3,063,354		3,648,055	
4) Voluntary Termination	<u>3,596,038</u>		<u>3,232,165</u>	
	177,327,747		183,072,324	
b) Retired and Inactive Members				
1) Regular Retirees	246,807,703		226,721,859	
2) Disabled Retirees	14,508,367		15,229,194	
3) Survivors	38,862,334		36,226,299	
4) Vested Deferred & Transfers	2,355,935		2,132,928	
5) DROP Account Balance	25,039,087		21,838,427	
6) DROP Annuity Reserve	<u>41,337,276</u>		<u>31,205,568</u>	
	368,910,702		333,354,275	
c) TOTAL	546,238,449		516,426,599	

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

	<u>June 30, 2006</u>	<u>--Prior Year--</u> <u>June 30, 2005</u>
II. Actuarial Accrued Liability	\$ 546,238,449	\$ 516,426,599
III. Actuarial Assets	379,704,362	278,220,750
IV. Unfunded Actuarial Accrued Liabilities	166,534,087	238,205,849
a) Change over prior year	-71,671,762	9,229,948
b) Funded Percentage	69.51%	53.87%
V. Employer Contributions to Fund		
Current Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	7,659,660	7,741,214
b) Amortization Payments	9,999,634	28,307,145
c) Prior Contribution Variance	109,208	-662,479
GROSS Required Contribution	<u>17,768,502</u>	<u>35,385,880</u>
d) Insurance Premium Tax Fund (IPTF) Offset		
ACT 1160 Normal Cost	820,477	820,949
ACT 1160 Amortization payment	1,448,650	1,386,268
TOTAL ITPF Allocation <sup>2</sup>	1,500,000	1,500,000
TOTAL Required Contribution	16,268,502	33,885,880
	32.6%	67.9%
PERSAC approved Rate	70.3%	64.4%
VI. Projected Employer Contributions		
To Fund Next Plan Year <sup>1</sup>		
a) Employer Portion of Normal Cost	7,847,898	7,930,195
b) Amortization Payments	10,210,488	28,757,496
c) Prior Contribution Variance	-3,160,960	728,045
d) IPTF allocation <sup>2</sup>	<u>-1,500,000</u>	<u>-1,500,000</u>
TOTAL Projected Contribution	13,397,426	35,915,736
	26.2%	70.3%
VII. Current Payroll	49,255,802	49,289,922
Projected Payroll - Mid Year	49,877,046	49,905,703
Projected Payroll - Next Year	51,102,791	51,124,105

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

<sup>2</sup>IPTF allocation is the lesser of the normal cost plus amortization or \$1,500,000.

## 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>
<b><u>OPERATING REVENUES:</u></b>			
1. Contribution Income			
Member	\$ 3,997,156	\$ 4,182,096	\$ 4,090,079
MV Fees	3,370,728	2,772,776	2,911,875
Appropriations	31,281,308	24,114,578	21,000,174
Insurance Premium Tax	1,500,000	1,500,000	1,500,000
2. Other Income			
Transfers/Purchases	1,222,735	1,734,005	815,945
Miscellaneous	185,926	56,290	24,529
TOTAL CONTRIBUTIONS	<u>41,557,853</u>	<u>34,359,745</u>	<u>30,342,602</u>
3. Investment Income			
Investments	26,757,550	28,737,511	32,208,864
Less, investment expenses	<u>-1,196,471</u>	<u>-940,735</u>	<u>-845,666</u>
TOTAL INVESTMENT INCOME	<u>25,561,079</u>	<u>27,796,776</u>	<u>31,363,198</u>
4. Total Revenues	67,118,932	62,156,521	61,705,800
<b><u>OPERATING EXPENSES:</u></b>			
1. General Administration	407,952	403,779	416,304
Other Expenses	7,392	12,957	12,873
2. Benefits Paid			
a) Pension Benefits	27,039,512	25,216,731	23,889,741
b) Return of Contributions	218,572	309,370	298,653
c) Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BENEFITS PAID	<u>27,258,084</u>	<u>25,526,101</u>	<u>24,188,394</u>
3. Total Expenses	27,673,428	25,942,837	24,617,571
<b><u>NET INCREASE:</u></b>	39,445,504	36,213,684	37,088,229

**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>
<b><u>ASSETS</u></b>			
1. Cash Equivalents	\$ 165,248	\$ 338,219	\$ 169,762
2. Bonds			
United States Obligations	16,329,560	31,707,443	23,818,449
Corporate Issues	70,333,042	61,742,059	64,728,743
Bonds - General	28,440,764	49,590,065	46,445,794
Canadian Foreign Issues	0	1,103,017	924,180
3. Equities			
Property and Equipment	7,885	15,277	23,406
Common Stock - Domestic	120,984,094	105,673,528	95,480,802
- Foreign	24,619,992	23,477,539	21,298,842
- Index	118,395,428	65,973,625	50,196,595
4. Receivables (-) Payables	<u>706,339</u>	<u>916,076</u>	<u>1,236,591</u>
TOTAL ASSETS - Market Value	379,982,352	340,536,848	304,323,164
- Valued at Cost	341,956,983	291,883,892	262,856,948
<b><u>INVESTMENT YIELD:</u></b>			
Actuarial Value	13.16%	8.60%	4.30%
DROP Account Yield <sup>1</sup>	12.66%	8.10%	3.80%
Market Value	7.36%	9.01%	11.49%
<b><u>TEXACO SETTLEMENT FUND:</u></b>			
Prior Year End Balance	44,261,264	40,756,843	39,077,491
- Current Year Distribution	50,084,124	0	0
+ Accumulated Interest	<u>5,822,860</u>	<u>3,504,421</u>	<u>1,679,452</u>
Fund Balance - Year End	0	44,261,264	40,756,843
<b><u>ACTUARIAL VALUE OF ASSETS:</u></b>			
Total Assets, less	379,982,352	340,536,848	304,323,164
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	18,621,238	13,416,641	-20,866,525
Plan Year - 1 (wt. 2/4)	7,186,740	18,621,238	13,416,641
Plan Year - (wt. 3/4)	<u>-10,627,587</u>	<u>7,186,740</u>	<u>18,621,238</u>
Gross Actuarial Value of Assets	379,704,362	322,482,014	288,865,545
Less, Texaco Settlement Fund	<u>0</u>	<u>-44,261,264</u>	<u>-40,756,843</u>
Valuation Assets	379,704,362	278,220,750	248,108,702

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

## 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	155,308	293,295	137,987	53.0	27,780	496.7
1998	188,904	313,146	124,242	60.3	29,642	419.1
1999	216,954	340,299	123,345	63.8	35,312	349.3
2000	244,015	337,701	93,686	72.3	33,603	278.8
2001	261,576	355,629	94,053	73.6	32,157	292.5
2002	271,694	386,698	115,004	70.3	31,695	362.8
2003	271,062	447,694	176,631	60.6	44,148	400.1
2004	288,865	477,085	188,220	60.6	47,923	392.8
2005	322,482	516,427	193,945	62.4	49,290	393.5
2006	379,704	546,238	166,534	69.5	49,256	338.1

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$29,811,850 from June 30, 2005 to June 30, 2006. From all sources, there was a net experience gain of \$11,366,533.

Fiscal year gains/losses are summarized on page 3 under "Change in Unfunded Liability".

<sup>1</sup> UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes the Texaco Settlement Fund Assets, which appear on page 9.

EXHIBIT 3 (Continued)

## Pension Accounting &amp; 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> <sup>1</sup>
1997	18,608,947	113.4	22,157,411	21,098,982	95.2	-10,505,277
1998	19,131,381	118.6	22,702,873	22,684,240	99.9	-10,486,644
1999	19,233,721	119.5	22,866,185	22,992,494	100.5	-10,612,953
2000	20,651,122	114.6	24,171,405	23,661,417	97.9	-10,102,965
2001	20,152,607	120.0	23,198,292	24,174,644	104.2	-11,079,317
2002	21,153,440	124.6	24,483,266	26,362,607	107.7	-12,958,661
2003	24,411,521	107.2	28,272,466	26,126,060	92.4	-10,812,252
2004	30,288,239	87.0	33,855,791	26,347,773	77.8	-3,304,234
2005	33,658,907	87.4	35,886,584	29,432,635	82.0	3,149,715
2006	36,698,310	102.1	37,621,412	37,483,229	99.6	3,287,896

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 State Police 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**

Actuarial Required Contribution	36,698,310
Interest on Net Pension Obligation (+)	236,228
Amortization of Net Pension obligation (-)	-686,872
Annual Pension Cost	37,621,410
Employer Contribution <sup>1</sup>	37,483,229
Increase (decrease) in Net Pension Obligation	138,181
Net Pension Obligation - Beginning of Year	3,149,715
Net Pension Obligation - End of Year	3,287,896

<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 &amp; 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	2,054,541	39,705,704 <sup>2</sup>	9,596,382	51,356,627
1998	2,367,755	21,878,624	15,076,029	39,322,408
1999	2,557,227	22,175,930	12,639,618 <sup>3</sup>	37,372,775
2000	2,940,289	22,821,097	10,660,541	36,421,927
2001	2,748,089	23,316,097	-1,388,040	24,676,146
2002	2,880,248	25,426,356	-7,113,040	21,193,564
2003	4,015,207	25,198,210	12,889,340	42,102,757
2004	4,090,079	26,252,523	31,363,198	61,705,800
2005	4,182,096	30,177,649	27,796,776	62,156,521
2006	3,997,156	37,560,697	25,561,079	67,118,932

## Expenses by Type

<u>Fiscal</u> <u>Year End</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative</u> <u>Expenses</u> <sup>2</sup>	<u>Total</u>
1997	16,478,217	84,997	225,535	16,788,749
1998	16,982,409	74,852	325,858	17,383,119
1999	17,551,193	50,912	370,652	17,972,757
2000	19,125,651	223,607	372,549	19,721,807
2001	20,000,815	208,673	396,623	20,606,111
2002	22,197,351	203,420	419,195	22,819,966
2003	22,484,503	193,891	444,651	23,123,045
2004	23,889,741	298,653	429,177	24,617,571
2005	25,216,731	309,370	416,736	25,942,837
2006	27,039,512	218,572	415,344	27,673,428

<sup>1</sup> Includes Texaco Settlement of \$1,156,633 on 6/30/96<sup>2</sup> Includes Texaco Settlement of \$19,356,039 on 6/30/97<sup>3</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, page 27.)

## 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 database. 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 consistent with recent years' reporting. Suspicious data are not necessarily errors, but is data which falls outside the parameters of the editing process for further checking.

Salary data contained in the profiles and valuation report may 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:

	----- June 30 -----		
	---2006---	---2005---	---2004---
	<u>Census</u>	<u>Census</u>	<u>Census</u>
Active Members	996	1,003	979
Regular Retirees	755	742	716
Disability Retirees	55	58	57
Survivors	324	316	318
Vested & Reciprocals	22	21	22
DROP Participants	<u>36</u>	<u>25</u>	<u>36</u>
TOTAL	2,188	2,165	2,128

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LOUISIANA STATE POLICE  
Active After 9/7/1978

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)	1	1	0	0	0	0	0	0	0	2
	27785	34820	0	0	0	0	0	0	0	62605
[20>24)	8	9	0	0	0	0	0	0	0	17
	222277	322807	0	0	0	0	0	0	0	545084
[25>29)	16	72	17	0	0	0	0	0	0	105
	396639	2705759	685123	0	0	0	0	0	0	3787521
[30>34)	13	58	96	45	0	0	0	0	0	212
	361200	2205033	4103925	2189389	0	0	0	0	0	8859547
[35>39)	10	26	68	169	31	0	0	0	0	304
	279271	971928	2988236	8675838	1883748	0	0	0	0	14799021
[40>44)	0	12	16	71	64	9	0	0	0	172
	0	465233	751471	3703593	3952736	584001	0	0	0	9457034
[45>49)	0	0	8	12	37	39	5	0	0	101
	0	0	378488	644126	2310253	2720306	316880	0	0	6370053
[50>54)	0	0	3	3	12	12	6	0	0	36
	0	0	134739	157162	717105	762297	486871	0	0	2258174
[55>59)	0	0	0	0	0	2	1	0	0	3
	0	0	0	0	0	129288	71316	0	0	200604
[60>64)	0	0	1	0	0	0	1	0	0	2
	0	0	31688	0	0	0	79332	0	0	111020
[65>69)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
[70>74)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTALS	48	178	209	300	144	62	13	0	0	954
count	1287171	6705580	9073670	15370108	8863842	4195892	954399	0	0	46450662
salary										

AVERAGES --- Attained Age 37.54  
Service Years 10.57  
Active Salary 48,690

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LOUISIANA STATE POLICE  
Active Before 9/7/1978

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)	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	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
:	:	:	:	:	:	:	:	:	:	:
[45>49)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[50>54)	0	0	0	0	0	1	0	0	0	1
:	0	0	0	0	0	66651	0	0	0	66651
:	:	:	:	:	:	:	:	:	:	:
[55>59)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[60>64)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[65>69)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
[70>74)	0	0	0	0	0	0	0	0	0	0
:	0	0	0	0	0	0	0	0	0	0
:	:	:	:	:	:	:	:	:	:	:
TOTALS	:	:	:	:	:	:	:	:	:	:
count	0	0	0	0	0	1	0	0	0	1
salary	0	0	0	0	0	66651	0	0	0	66651

AVERAGES --- Attained Age 50.50  
Service Years 24.84  
Active Salary 66,651

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LOUISIANA STATE POLICE  
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)	0	0	0	0	0	1	0	0	0	0	1
	0	0	0	0	0	79332	0	0	0	0	79332
	0	0	0	0	0	28392	0	0	0	0	28392
[50>54)	8	7	0	0	1	4	0	0	0	0	20
	449240	501003	0	0	71316	283965	0	0	0	0	1305524
	426120	271932	0	0	32220	105612	0	0	0	0	835884
[55>59)	2	2	3	3	1	8	1	0	0	0	20
	82940	128652	198519	189069	62001	621136	71316	0	0	0	1353633
	90696	73404	86292	119484	19848	238308	20496	0	0	0	648528
[60>64)	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
[65>69)	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
[70>74)	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
TOTALS											
count	10	9	3	3	2	13	1	0	0	0	41
salary	532180	629655	198519	189069	133317	984433	71316	0	0	0	2738489
benefit	516816	345336	86292	119484	52068	372312	20496	0	0	0	1512804

AVERAGES --- Attained Age 54.97  
Post Drop Years 3.27  
Active Salary 66,792  
Annual Benefit 36,898

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LOUISIANA STATE POLICE  
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
[40>44)	0	0	0	0	0	0	0	0	0	0	0
[45>49)	4	5	0	0	0	4	0	0	0	0	13
	235644	299316	0	0	0	227256	0	0	0	0	762216
[50>54)	18	11	4	5	13	10	24	11	2		98
	1014276	633540	149448	195552	614052	426312	676956	126492	17196		3853824
[55>59)	2	2	0	1	8	52	82	59	3		209
	94416	136488	0	79332	350856	2447064	2472924	981228	37608		6599916
[60>64)	0	0	0	0	4	10	52	57	32		155
	0	0	0	0	211200	574992	1548264	1157556	661464		4153476
[65>69)	1	0	0	0	0	1	20	29	61		112
	0	0	0	0	0	24780	698184	686748	1253916		2663628
[70>74)	0	0	0	0	0	0	1	6	78		85
	0	0	0	0	0	0	37452	172560	1380828		1590840
[75>79)	0	0	0	0	0	0	0	2	51		53
	0	0	0	0	0	0	0	25296	763008		788304
[80>84)	0	0	0	1	0	0	0	0	17		18
	0	0	0	72	0	0	0	0	231972		232044
[85>89)	0	0	0	0	0	0	0	1	8		9
	0	0	0	0	0	0	0	33900	80472		114372
[90>99)	0	0	0	0	0	0	0	0	3		3
	0	0	0	0	0	0	0	0	47640		47640
TOTALS	count	25	18	4	7	25	77	179	165	255	755
	benefit	1344336	1069344	149448	274956	1176108	3700404	5433780	3183780	4474104	20806260

AVERAGES --- Attained Age 63.44  
Years Retired 17.15  
Annual Benefit 27,558

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LOUISIANA STATE POLICE  
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)	0	0	0	0	0	1	0	0	0	1
	0	0	0	0	0	36000	0	0	0	36000
[40>44)	0	0	1	0	1	2	0	0	0	4
	0	0	25656	0	18576	59052	0	0	0	103284
[45>49)	0	1	0	0	0	2	0	1	0	4
	0	37380	0	0	0	43332	0	19176	0	99888
[50>54)	0	0	0	0	0	0	3	5	3	11
	0	0	0	0	0	0	49680	114120	39792	203592
[55>59)	0	0	0	0	0	0	4	3	8	15
	0	0	0	0	0	0	82848	49776	186744	319368
[60>64)	0	0	0	0	0	1	0	4	7	12
	0	0	0	0	0	24372	0	86352	147012	257736
[65>69)	0	0	0	0	0	0	0	0	5	5
	0	0	0	0	0	0	0	0	116388	116388
[70>74)	0	0	0	0	0	0	0	0	2	2
	0	0	0	0	0	0	0	0	49344	49344
[75>79)	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	17160	17160
[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	0	0
	0	0	0	0	0	0	0	0	0	0
[90>99)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
TOTALS										
count	0	1	1	0	1	6	7	13	26	55
benefit	0	37380	25656	0	18576	162756	132528	269424	556440	1202760

AVERAGES --- Attained Age 57.21  
Years Retired 18.85  
Annual Benefit 21,868

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LOUISIANA STATE POLICE  
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)	0	0	1	0	0	1	3	5	8	18
	0	0	16944	0	0	6972	22188	31056	58824	135984
[40>44)	0	0	0	0	0	1	2	0	0	3
	0	0	0	0	0	8760	33768	0	0	42528
[45>49)	1	0	0	0	0	2	0	3	1	7
	12276	0	0	0	0	35868	0	38616	18660	105420
[50>54)	0	0	0	0	1	0	5	4	6	16
	0	0	0	0	12612	0	62280	34848	83352	193092
[55>59)	3	0	1	0	0	4	14	9	9	40
	38196	0	18420	0	0	85056	297468	99552	137556	676248
[60>64)	2	0	0	0	0	1	5	4	21	33
	34140	0	0	0	0	28764	61404	78264	336612	539184
[65>69)	0	0	0	0	0	0	1	8	36	45
	0	0	0	0	0	0	35856	184272	553572	773700
[70>74)	0	0	0	0	0	0	0	6	41	47
	0	0	0	0	0	0	0	88716	678240	766956
[75>79)	0	0	0	0	0	0	0	2	44	46
	0	0	0	0	0	0	0	26724	631488	658212
[80>84)	0	0	0	0	0	0	1	1	33	35
	0	0	0	0	0	0	3840	10116	429192	443148
[85>89)	0	0	0	0	0	0	0	0	23	23
	0	0	0	0	0	0	0	0	311748	311748
[90>99)	0	0	0	0	0	0	0	0	11	11
	0	0	0	0	0	0	0	0	126828	126828
TOTALS	6	0	2	0	1	9	31	42	233	324
benefit	84612	0	35364	0	12612	165420	516804	592164	3366072	4773048

AVERAGES --- Attained Age 67.90  
Years Retired 26.31  
Annual Benefit 14,732

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS RETIRED

LOUISIANA STATE POLICE  
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	
[40>44)	0	0	0	0	0	0	0	0	0	0	
[45>49)	12	1	0	0	0	0	0	0	0	13	
[50>54)	765156	58992	0	0	0	0	0	0	0	824148	
[55>59)	11	11	1	0	0	0	0	0	0	23	
[60>64)	623568	638460	54036	0	0	0	0	0	0	1316064	
[65>69)	0	0	0	0	0	0	0	0	0	0	
[70>74)	0	0	0	0	0	0	0	0	0	0	
[75>79)	0	0	0	0	0	0	0	0	0	0	
[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	count	23	12	1	0	0	0	0	0	0	36
	benefit	1388724	697452	54036	0	0	0	0	0	0	2140212

AVERAGES --- Attained Age 50.64  
Years Retired 0.81  
Annual Benefit 59,450

MEMBERSHIP PROFILE  
CATEGORIZED BY AGE AND YEARS EMPLOYED

LOUISIANA STATE POLICE  
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
[20>24)	0	0	0	0	0	0	0	0	0	0
[25>29)	0	0	0	0	0	0	0	0	0	0
[30>34)	0	0	0	0	0	0	0	0	0	0
[35>39)	0	0	1	5	3	0	0	0	0	9
[40>44)	0	0	0	3	2	0	0	0	0	5
[45>49)	0	0	0	5	2	1	0	0	0	8
[50>54)	0	0	0	0	0	0	0	0	0	0
[55>59)	0	0	0	0	0	0	0	0	0	0
[60>64)	0	0	0	0	0	0	0	0	0	0
[65>69)	0	0	0	0	0	0	0	0	0	0
[70>74)	0	0	0	0	0	0	0	0	0	0
TOTALS	0	0	1	13	7	1	0	0	0	22
benefit	0	0	8244	163476	143832	24588	0	0	0	340140

AVERAGES --- Attained Age 42.40  
Service Years 14.01  
Annual Benefit 15,461

EXHIBIT 5

SUMMARY OF THE STATE POLICE  
RETIREMENT SYSTEM'S PLAN PROVISIONS

**EFFECTIVE DATE:**

Legislative Act No. 293 of 1938

**EMPLOYEE:**

Sworn, commissioned law enforcement officers of the Division of State Police of the Department of Public Safety who have completed the State Police Training Academy Course of Instruction; those members employed on the Effective Date of the Fund, those subsequently employed who did not withdraw employee contributions; the secretary and deputy secretary of the Department of Public Safety, provided they are sworn, commissioned State Police officers as defined above.

**EMPLOYER:**

Division of State Police of the Department of Public Safety of the State of Louisiana.

**CREDITABLE SERVICE:**

1. Service as defined as a member of the retirement system.
2. Police duty qualifying as having contributed to the war effort during World War II.
3. Credit for military service, not to exceed four years as follows:
  - a) Members employed prior to September 8, 1977 receive a maximum of three years free military service credit. Members may purchase eligible service credit in excess of three years.
  - b) Members employed on or after September 8, 1977 but prior to September 8, 1978 were eligible to purchase military service credit after one year of employment. Military service credit in a) and b) applied to retirement eligibility.
  - c) Members employed on or after September 8, 1978 were eligible to purchase military service credit; however, such service did not apply to retirement eligibility.
  - d) Upon retirement, all unused accumulated sick and annual leave.

**EMPLOYEE CONTRIBUTIONS:**

7% of earnable compensation; 8% effective July 1, 1989.

**EMPLOYER CONTRIBUTIONS:**

State contributes each fiscal year consists of various fees and taxes collected by the Motor Vehicle Office within the Department of Public Safety.

Effective June 29, 2001 - 1.5M from Insurance Premium Tax (see RS 22:1419(A)(3)).

EXHIBIT 5 (Continued)  
Plan Provisions

EARNABLE COMPENSATION:

Full salary earned by an employee in qualified service.

AVERAGE FINAL COMPENSATION:

1. For members employed prior to September 8, 1978

Average annual earned compensation for the highest 12 successive or joined months prior to Retirement or Date of Death.

2. For members employed on or after September 8, 1978

Average annual earned compensation for the highest 36 successive or joined months prior to Retirement or Date of Death.

NORMAL RETIREMENT:

ELIGIBILITY:

1. Attained Age 50 with 10 years of creditable service
2. Employed prior to September 8, 1978, 20 years of service regardless of age
3. Employed after September 7, 1978, 25 years of service regardless of age.

Note: Compulsory retirement at age 65  
(except for the Secretary and Deputy Secretary of the Department of Public Safety).

BENEFIT:

3 1/3% of average final compensation for each year of service.

Note: Maximum benefit accrual cannot exceed 100% of Average Final Compensation.

ANNUITY FORM:

An Annuity payable for the lifetime of the member.

An Initial Benefit Option is available to retirees who have not participated in DROP. Election pays up to 36 months of regular benefits in lump-sum, with monthly annuity actuarially reduced for life.

DISABILITY BENEFITS:

ELIGIBILITY:

1. Nonservice-related total disability - 5 years of service
2. Service-related total disability - condition of employment

BENEFIT:

Disabled members eligible will receive a benefit equal to fifty percent of average salary, plus one and one-half percent of average salary for each year of service in excess of ten years.

**EXHIBIT 5 (Continued)**  
**Plan Provisions**

Greater of 100% of Average Final Compensation or 36,000 for loss of sight or hearing, permanent damage to brain or spinal cord, paralysis, loss of organ, or loses the use of a limb

**DEATH BENEFITS:**

**ELIGIBILITY:**

1. Death of an active member in the line of duty
2. Death of an active member not in the line of duty
3. Death of a retiree or terminated vested member

**BENEFIT:**

1. Surviving Spouse receives 75% of the Average Monthly Salary
  - A. If no surviving spouse, eligible children under the age of 18 receive the following benefit to be shared equally:

<u>Number of Children</u>	<u>Percentage Average Monthly Salary</u>
1	30%
2	40%
3	50%
4	60%

Benefit ceases at age 18 unless child is handicapped or mentally handicapped. Students may have benefits extended to age 23.

- B. If no surviving spouse and no eligible children, dependent parent(s) will receive 25% of the Average Monthly Salary.
2. Surviving Spouse receives benefits according to the following schedule:
 

<u>Years of Service at Death</u>	<u>Percentage Average Monthly Salary</u>
5 or less	25%
5 - 10	30%
10 - 15	40%
15 - 20	50%
20 or more	Member's Accrued Benefit

  - A. If no surviving spouse, eligible children receive benefits in accordance with section 1(A) above.
  - B. If no surviving spouse and no surviving eligible children, dependent parent(s) Receive benefits in accordance with section 1(B) above.
3. Surviving spouse, who was married and living with the member at least two years prior to the date of death, eligible surviving children or the dependent parent(s) shall receive the same monthly pension which was paid to the retired member in the following order of priority: Surviving Spouse, Eligible Children, Dependent Parent(s)

**EXHIBIT 5 (Continued)**  
**Plan Provisions**

**Note:** Under all survivor benefits, the spouse forfeits benefits upon remarriage if remarriage occurs prior to age 55. Subsequent monthly benefit payments will be made to eligible surviving children or dependent parent(s).

**VESTING:**

All members are entitled to a refund of employee contributions in excess of benefits received upon termination or death of the member or survivor(s).

Any member employed on or after September 8, 1978 who is vested for retirement benefits by virtue of 20 years of service but less than attained age 50, who terminates employment will be vested for disability benefits during the deferred period. This provision was deleted in accordance with Act 679 of the 1991 Legislative Session.

**COST OF LIVING INCREASES:**

Effective July 1st of each year, the Board shall grant to each retiree and widow receiving less than \$500 per month, a supplemental adjustment of not more than 2% in any year not to exceed 25% of the current benefit.

The supplemental adjustment is based on the difference between the Annual Average All-items Consumer Price Index of the two immediately preceding calendar years.

**DEFERRED RETIREMENT OPTION PLAN:**

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:**

Any Active member who is eligible to receive a service retirement allowance may begin participation on the eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility.

**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 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.

**EXHIBIT 5 (Continued)**  
**Plan Provisions**

If a participant dies during the period of participation, a lump sum payment equal to his account balance shall be paid to the beneficiary, or if none, to the 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 only upon termination of employment; and
- (3) the participant shall resume active contributing membership.

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) Members employed prior to September 8, 1978
  - (a) If additional service was less than 12 months, average compensation figure used to calculate original benefit.
  - (b) If additional service was 12 or more months, the average compensation figure used to calculate the additional benefit shall be based on compensation during the period of additional service.
- (2) Members employed on or after September 8, 1978
  - (a) If additional service was less than 36 months, average compensation figure used to calculate additional benefit shall be that used to calculate original benefit.
  - (b) 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 plan years ending prior to June 30, 1998, equities were valued on a four year weighted average. The computation of the actuarial value of assets was the sum of the bonds at amortized cost, plus a weighted average of unrealized losses or (gains) in the market value of equities.

Effective June 30, 1998, the Board of Trustees approved a change in the Asset Valuation Method. The Actuarial Value of Assets is based on the market value of assets adjusted for a four year weighted average of 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 differs 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 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.

**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.

**DISABILITY ASSUMPTION:**

Disability rates are based on age and service eligibility requirements for benefits. Disability rates are based on the most recent Experience Study. For mortality after disability, rates were based 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 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 terminate is not required following participation. Therefore, at eligibility, the probability of DROP accrual is determine in conjunction with regular benefit accrual. Retirement rates and DROP probabilities are based on the most recent Experience Study.

**TERMINATION ASSUMPTIONS:**

Voluntary termination or withdrawal rates are based upon 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 employment duration in the current valuation as follows:

1st year	1.50x
2nd year	1.00x
3rd year	1.00x
4th year	1.00x
5th year	1.00x

Furthermore, for members terminating with twenty (20) 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 base upon the members years of service and are illustrated in the rate tables at the end of this exhibit.

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

**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 a 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:**

An effective annual rate of 7 1/2%, net expenses.

**ADMINISTRATIVE EXPENSES:**

Expenses are included in Aggregate Normal Cost and are assumed to be \$415,000 per year. Investment Manager fees are not included in Normal Cost but are treated as a direct offset to investment income. The Employer portion of the Normal Cost excludes an allocation for administrative expenses.

**COST OF LIVING:**

The liability for cost of living raises already granted is included in the retirees reserve. The Board may grant Cost of Living increases provided there is sufficient excess investment income and the Fund has met the Target Ratio criteria.

ACTUARIAL TABLES AND RATES  
EFFECTIVE 6/30/2003

Age	- Death Rates -		Disability Rates	Termination Rates	Retirement Rates	DROP Rates	Dur	Salary Scale
	Male	Female						
18	.00035	.00017	.0020	.0300	.0000	.000	1	1.1500
19	.00036	.00018	.0020	.0300	.0000	.000	2	1.0500
20	.00038	.00019	.0020	.0300	.0000	.000	3	1.0500
21	.00039	.00020	.0020	.0300	.0000	.000	4	1.0500
22	.00041	.00021	.0020	.0300	.0000	.000	5	1.0500
23	.00042	.00023	.0020	.0300	.0000	.000	6	1.0500
24	.00044	.00024	.0020	.0300	.0000	.000	7	1.0500
25	.00046	.00025	.0020	.0300	.0000	.000	8	1.0500
26	.00049	.00027	.0020	.0300	.0000	.000	9	1.0500
27	.00051	.00028	.0020	.0300	.0000	.000	10	1.0500
28	.00054	.00030	.0020	.0300	.0000	.000	11	1.0450
29	.00057	.00032	.0020	.0300	.0000	.000	12	1.0450
30	.00061	.00034	.0020	.0300	.0000	.000	13	1.0450
31	.00065	.00036	.0020	.0200	.0000	.000	14	1.0450
32	.00069	.00039	.0020	.0200	.0000	.000	15	1.0450
33	.00073	.00041	.0020	.0200	.0000	.000	16	1.0450
34	.00078	.00044	.0020	.0200	.0000	.000	17	1.0450
35	.00086	.00048	.0020	.0200	.0000	.000	18	1.0450
36	.00091	.00050	.0020	.0200	.0000	.000	19	1.0450
37	.00097	.00054	.0020	.0200	.0000	.000	20	1.0450
38	.00104	.00057	.0020	.0200	.0000	.000	21	1.0450
39	.00113	.00062	.0020	.0200	.0000	.000	22	1.0450
40	.00124	.00066	.0020	.0200	.0000	.000	23	1.0450
41	.00137	.00072	.0020	.0200	.0000	.000	24	1.0450
42	.00153	.00078	.0020	.0200	.0000	.000	25	1.0450
43	.00172	.00084	.0020	.0100	.0000	.000	26	1.0450
44	.00193	.00092	.0020	.0100	.0000	.000	27	1.0450
45	.00218	.00101	.0020	.0100	.1500	.870	28	1.0450
46	.00247	.00112	.0020	.0100	.1500	.870	29	1.0450
47	.00279	.00124	.0020	.0100	.1500	.870	30	1.0450
48	.00314	.00137	.0020	.0100	.2000	.870	31	1.0450
49	.00351	.00151	.0020	.0100	.2000	.870	32	1.0450
50	.00391	.00165	.0020	.0100	.2000	.870	33	1.0450
51	.00432	.00179	.0020	.0100	.2000	.870	34	1.0450
52	.00475	.00195	.0020	.0100	.2700	.870	35	1.0450
53	.00520	.00212	.0020	.0100	.2700	.870	36	1.0450
54	.00566	.00231	.0020	.0100	.2700	.870	37	1.0450
55	.00613	.00254	.0020	.0100	.3500	.870	38	1.0450
56	.00662	.00280	.0020	.0100	.3500	.870	39	1.0450
57	.00714	.00310	.0020	.0100	.4200	.870	40	1.0450
58	.00772	.00344	.0020	.0100	.5000	.870	41	1.0450
59	.00838	.00382	.0020	.0100	.5000	.870	42	1.0450
60	.00916	.00424	.0020	.0100	.5000	.870	43	1.0450
61	.01006	.00470	.0020	.0000	.5000	.870	44	1.0450
62	.01113	.00521	.0020	.0000	.5000	.870	45	1.0450
63	.01239	.00577	.0020	.0000	.9900	.870	46	1.0450
64	.01387	.00639	.0020	.0000	.9900	.870	47	1.0450
65	.01559	.00706	.0000	.0000	.9900	.870	48	1.0450
66	.01758	.00782	.0000	.0000	.9900	.870	49	1.0450
67	.01980	.00868	.0000	.0000	.9900	.870	50	1.0450
68	.02223	.00970	.0000	.0000	.9900	.870	51	1.0450
69	.02482	.01092	.0000	.0000	.9900	.870	52	1.0450
70	.02753	.01238	.0000	.0000	.9900	.870	53	1.0450
71	.03035	.01413	.0000	.0000	.9900	.870	54	1.0450
72	.03337	.01616	.0000	.0000	.9900	.870	55	1.0450
73	.03668	.01848	.0000	.0000	.9900	.870	56	1.0450
74	.04039	.02109	.0000	.0000	.9900	.870	57	1.0450

## EXHIBIT 7

## DEVELOPMENT OF TARGET RATIO

Funded Ratio of the System as of the 1986 fiscal year end . . . . . .07120

Number of fiscal years elapsed since the 1986 fiscal year end multiplied  
by one thirtieth of the difference between one hundred percent and the  
initial Funded Ratio . . . . . .61920

Changes in Funded Ratio after the 1986 fiscal year end;

<u>Date of Change</u>	<u>Change in funded Ratio</u>
<u>6/30/89</u>	<u>.00085</u>
<u>6/30/91</u>	<u>-.00834</u>
<u>6/30/92</u>	<u>-.00724</u>
<u>6/30/93</u>	<u>.00135</u>
<u>6/30/96</u>	<u>.00232</u>
<u>6/30/98</u>	<u>.00171</u>
<u>6/30/03</u>	<u>-.01468</u>

Total Change in Funded Ratio . . . . . -.02403

Number of fiscal years elapsed since the date of each change in (6)(h)(iii)  
multiplied by one thirtieth of the amount of such change in funded ratio  
and of opposite arithmetic sign of such change;

<u>Date of Change</u>	<u>Amortization of Change</u>
<u>6/30/89</u>	<u>-.00048</u>
<u>6/30/91</u>	<u>.00417</u>
<u>6/30/92</u>	<u>.00338</u>
<u>6/30/93</u>	<u>-.00059</u>
<u>6/30/96</u>	<u>-.00077</u>
<u>6/30/98</u>	<u>-.00046</u>
<u>6/30/03</u>	<u>.00147</u>

Total Amortization of Changes . . . . . .00672

Target Ratio as of the end of the just completed fiscal year. . . . . .67309

Actual Funded Ratio of the system as of the just completed fiscal year. . .69513

This system has met the target ratio, which is one of two conditions required to grant a  
cost of living increase to current benefit recipients.

## EXHIBIT A

AMORTIZATION of UNFUNDED  
ACTUARIAL ACCRUED LIABILITY  
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>
1993	Initial Liability	L	16	171,274,213	3	48,723,149	18,070,491 <sup>1</sup>
1993	Change in Liability	I	36	15,691,553	23	20,821,711	1,259,156
1992	Legislative COLA	L	15	2,094,304	1	220,705	228,832
1994	Change in Liability	I	35	-1,038,330	23	-1,340,202	-81,046
1995	Change in Liability	I	34	15,539,310	23	19,524,417	1,180,704
1996	Change in Liability	I	33	-7,736,364	23	-9,469,845	-572,672
1997	Change in Liability	I	32	3,583,701	23	4,277,289	258,661
1998	Change in Liability	I	31	-2,035,369	23	-2,370,867	-143,374
1999	Change in Liability	I	30	10,585,477	23	12,045,534	728,432
2000	Change in Liability	I	29	-18,534,058	23	-20,624,933	-1,247,256
2001	Change in Liability	I	28	12,659,226	23	13,791,905	834,041
2002	Change in Liability	I	27	33,500,498	23	35,775,821	2,163,479
2003	Change in Assumptions	I	30	13,051,664	27	13,907,311	753,146
2003	Change in Liability	I	26	55,628,632	23	58,307,708	3,526,055
2004	Change in Liability	I	25	15,610,591	23	16,082,400	972,555
2005	Change in Liability	I	24	13,473,112	23	13,663,770	826,292
2006	Change in Liability	I	23	-11,366,533	23	-11,366,533	-687,371
TOTAL OUTSTANDING BALANCE						163,246,191	9,999,634
<b>EMPLOYER'S CREDIT BALANCE</b>							
2002	Contribution Variance	L	5	-5,209,164	1	-1,197,694	-1,241,796
2003	Contribution Variance	L	5	-1,714,539	2	-760,913	-408,724
2004	Contribution Variance	L	5	3,940,465	3	2,532,766	939,355
2005	Contribution Variance	L	5	4,226,271	4	3,498,656	1,007,487
2006	Contribution Variance	L	5	-784,919	5	-784,919	-187,114
TOTAL EMPLOYER CREDIT						3,287,896	109,208
<b>TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>						166,534,087	

<sup>1</sup> Effective 6/30/2006, the accumulated balance of \$50,084,124 in the Texaco Settlement Fund exceeds the outstanding balance of the Initial Unfunded Actuarial Liability. Therefore, the IUAL is liquidated and the corresponding amortization payment eliminated.