

**PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM**

ACTUARIAL VALUATION AS OF
DECEMBER 31, 2009

G. S. CURRAN & COMPANY, LTD.

Actuarial Services

10555 N. Glenstone Place • Baton Rouge, Louisiana 70810 • (225)769-4825

Gary S. Curran, FCA, MAAA, ASA, EA
Consulting Actuary

Gregory M. Curran, FCA, MAAA, ASA
Associate Actuary

June 16, 2010

Board of Trustees
Parochial Employees' Retirement System
P.O. Box 14619
Baton Rouge, LA 70898-4619

Ladies and Gentlemen:

We are pleased to present our report on the actuarial valuation of the Parochial Employees' Retirement System for the fiscal year ending December 31, 2009. Our report is based on the actuarial assumptions specified and relies on the data supplied by the system's administrators and accountants. This report was prepared at the request of and exclusively for the Parochial Employees' Retirement System of the State of Louisiana and its auditors in connection with our actuarial valuation of the retirement system. It is not suitable for other purposes or intended for any third party. The primary purpose of the report is to determine the actuarially required contribution for Plan A and Plan B for the fiscal year ending December 31, 2010. In addition, this report recommends minimum employer contribution rates for fiscal 2011, and provides information required for the system's financial statements.

This report has been prepared in accordance with generally accepted actuarial principles and practices; and to the best of our knowledge and belief fairly reflects the actuarial present values and costs stated herein. The undersigned actuaries are members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. If we can be of further assistance in amplifying any of the information contained herein, please let us know.

Sincerely,

G. S. CURRAN & COMPANY, LTD.

By: _____
Gary Curran, F.C.A., M.A.A.A., A.S.A.

By: _____
Gregory Curran, F.C.A., M.A.A.A., A.S.A.

TABLE OF CONTENTS

<u>Subject</u>	<u>Page</u>
Plan A - Summary of Valuation Results	1
Plan B - Summary of Valuation Results	2
Comments on Data	3
Comments on Actuarial Methods and Assumptions	4
Changes in Plan Provisions	4
Asset Experience	5
Plan A – Demographics and Liability Experience	6
Plan B – Demographics and Liability Experience.....	7
Funding Analysis and Recommendations	7
Cost of Living Increases	10
Graphs	12
Exhibit I - Plan A: Analysis of Actuarially Required Contributions	22
Exhibit II - Plan A: Present Value of Future Benefits	23
Exhibit III - Schedule A - Plan A: Market Value of Assets	24
Exhibit III - Schedule B - Plan A: Actuarial Value of Assets	25
Exhibit IV - Plan A: Present Value of Future Contributions	26
Exhibit V - Plan A: Change in Frozen Unfunded Actuarial Accrued Liability.....	26
Exhibit VI - Plan A: Analysis of Increase in Assets	27
Exhibit VII - Plan A: Fund Balances.....	28
Exhibit VIII - Plan A: Pension Benefit Obligation.....	28
Exhibit IX - Plan A: Cost Of Living Adjustments - Target Ratio	29
Exhibit X - Plan A: Census Data	30
Exhibit XI - Plan A: Year to Year Comparison	38
Exhibit XII - Plan B: Analysis of Actuarially Required Contributions	40
Exhibit XIII - Plan B: Present Value of Future Benefits	41
Exhibit XIV - Schedule A - Plan B: Market Value of Assets	42
Exhibit XIV – Schedule B - Plan B: Actuarial Value of Assets.....	43
Exhibit XV - Plan B: Present Value of Future Contributions	44
Exhibit XVI - Plan B: Reconciliation of Contributions.....	44
Exhibit XVII - Plan B: Analysis of Increase in Assets	45
Exhibit XVIII - Plan B: Fund Balances.....	46
Exhibit XIX - Plan B: Pension Benefit Obligation/Entry Age Normal Accrued Liabilities	46
Exhibit XX - Plan B: Cost Of Living Adjustments - Target Ratio	47
Exhibit XXI - Plan B: Census Data	48
Exhibit XXII - Plan B: Year to Year Comparison	56
Summary of Principal Plan Provisions	58
Actuarial Assumptions.....	61
Glossary	67

**SUMMARY OF VALUATION RESULTS
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM - PLAN A**

Valuation Date:	December 31, 2009	December 31, 2008
Census Summary:		
Active Members	14,795	14,373
Retired Members and Survivors	5,413	5,235
Terminated Due a Deferred Benefit	562	545
Terminated Due a Refund	6,611	6,464
Payroll:	\$ 536,408,372	\$ 511,891,487
Benefits in Payment:	\$ 90,207,961	\$ 84,492,940
Market Value of Assets (excluding the expense fund):	\$ 1,904,114,041	\$ 1,565,934,957
Frozen Unfunded Actuarial Accrued Liability:	\$ 53,552,388	\$ 60,381,793
Actuarial Asset Value (AVA):	\$ 2,135,230,590	\$ 1,943,569,363
Ratio Of Net AVA To GASB-25 Accrued Liability:	97.55%	96.99%

	2010	2009
Employers' Normal Cost (January 1):	\$ 65,674,503	\$ 72,812,898
Amortization Cost (January 1):	\$ 10,988,243	\$ 10,565,618
Interest Adjusted Actuarially Required Contributions Including Estimated Administrative Costs:	\$ 80,542,738	\$ 87,481,795
Actuarially Required Net Direct Employer Contributions As A Percentage Of Projected Payroll:	13.46%	15.40%

Minimum Net Direct Employer Contribution Rate: For Fiscal 2011: 13.25% For Fiscal 2010 15.75%		

Employee Contribution Rate: 9.50% of Payroll

Actuarial Cost Method: Frozen Attained Age Normal Actuarial Cost Method

Valuation Interest Rate: 7.50% (Net of Investment Expense)

Census Exclusions: All individuals submitted by the system were included in the valuation.

Basis of Actuarial Asset Value: The actuarial value of assets is based on the market value of investment securities adjusted to average in asset earnings above or below the assumed rate of return over a five-year period subject to a corridor limit of 85% to 115% of the market value of assets. If the smoothed value lies outside of the corridor limit the preliminary value is determined by averaging the smoothed value with the corridor limit. A pro-rata share of expense fund assets based on current salaries is added to the preliminary values to produce the final value.

Changes in Valuation Methods, Assumptions, and Amortization Periods: None.

Method of Recognizing Gains and Losses: Under the Frozen Attained Age Normal Method, actuarial gains and losses are spread over future normal costs.

**SUMMARY OF VALUATION RESULTS
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM - PLAN B**

Valuation Date:	December 31, 2009	December 31, 2008
Census Summary:		
Active Members	2,290	2,194
Retired Members	560	548
Terminated Due a Deferred Benefit	118	108
Terminated Due a Refund	1,426	1,410
Payroll:	\$ 79,373,895	\$ 74,891,671
Benefits In Payment:	\$ 4,986,096	\$ 4,744,664
Market Value of Assets (excluding the expense fund):	\$ 134,940,283	\$ 109,749,342
Unfunded Actuarial Accrued Liability:	NONE	NONE
Actuarial Asset Value:	\$ 150,446,497	\$ 136,139,102
Funded Ratio (GASB 50)	87.90%	83.97%

	2010	2009
Employers' Normal Cost (January 1):	\$ 7,531,699	\$ 7,915,424
Interest Adjusted Actuarially Required Contributions Including Estimated Administrative Costs:	\$ 7,965,456	\$ 8,358,033
Actuarially Required Net Direct Employer Contributions As A Percentage Of Projected Payroll:	8.60%	9.56%

Minimum Net Direct Employer Contribution Rate: For Fiscal 2011:	8.50%	For Fiscal 2010 10.00%

Employee Contribution Rate: 3.00% of salary

Actuarial Cost Method: Aggregate Actuarial Cost Method

Valuation Interest Rate: 7.50% (Net of Investment Expense)

Census Exclusions: All individuals submitted by the system were included in the valuation.

Basis of Actuarial Asset Value: The actuarial value of assets is based on the market value of investment securities adjusted to average in asset earnings above or below the assumed rate of return over a five-year period subject to a corridor limit of 85% to 115% of the market value of assets. If the smoothed value lies outside of the corridor limit the preliminary value is determined by averaging the smoothed value with the corridor limit. A pro-rata share of expense fund assets based on current salaries is added to the preliminary values to produce the final value.

Changes in Valuation Methods, Assumptions, and Amortization Periods: None.

Method of Recognizing Gains and Losses: Under the Aggregate Actuarial Cost Method, actuarial gains and losses are spread over future normal costs.

COMMENTS ON DATA

For the valuation, the administrative director of the system furnished a census on magnetic diskette derived from the system's master data processing file indicating each active covered employee's sex, date of birth, service credit, annual salary, and accumulated contributions. Information on retirees detailing dates of birth of retirees and beneficiaries, as well as option categories and benefit amounts, was provided in like manner. In addition, data was supplied on former employees who are vested or who have contributions remaining on deposit. As illustrated in Exhibit X, there are 14,795 active members in Plan A, of whom, 7,241 members, including 428 participants in the Deferred Retirement Option Plan (DROP), have vested retirement benefits; 5,413 former members of Plan A or their beneficiaries are receiving retirement benefits. An additional 7,173 former members of Plan A have contributions remaining on deposit with the system. This includes 562 who have vested rights or have filed reciprocal agreements for future retirement benefits. Census data on members of Plan B may be found in Exhibit XXI. There are 2,290 active members in Plan B, of whom, 1,011 members, including 37 DROP participants, have vested retirement benefits; 560 former members of Plan B or their beneficiaries are receiving retirement benefits. An additional, 1,544 former members of Plan B have contributions remaining on deposit with the system. Of this number, 118 have vested rights or have filed reciprocal agreements for future retirement benefits. All individuals submitted were included in the valuation.

Census data submitted to our office is tested for errors. Several types of census data errors are possible; to ensure that the valuation results are as accurate as possible, a significant effort is made to identify and correct these errors. In order to minimize coverage errors (i.e., missing or duplicated individual records) the records are checked for duplicates, and a comparison of the current year's records to those submitted in prior years is made. Changes in status, new records, and previous records, which have no corresponding current record are identified. This portion of the review indicates the annual flow of members from one status to another and is used to check some of the actuarial assumptions, such as retirement rates, rates of withdrawal, and mortality. In addition, the census is checked for reasonableness in several areas, such as age, service, salary, and current benefits. The records identified by this review as questionable are checked against data from prior valuations; those not recently verified are included in a detailed list of items sent to the system's administrator for verification and/or correction. Once the identified data has been researched and verified or corrected, it is returned to us for use in the valuation. Occasionally some requested information is either unavailable or impractical to obtain. In such cases, values may be assigned to missing data. The assigned values are based on information from similar records or based on information implied from other data in the record.

In addition to the statistical information provided on the system's participants, the system's administrative director furnished general information related to other aspects of the system's expenses, benefits and funding. Valuation asset values as well as income and expenses for the fiscal year were based on information furnished by the system's auditor, the firm of Duplantier, Hrapmann, Hogan & Maher, L.L.P. As indicated in the system's audit report, the net market value of Plan A's assets was \$1,904,114,041 as of December 31, 2009. For Plan A, the net investment income for fiscal 2009 measured on a market value basis amounted to \$324,390,675. Contributions to Plan A for the fiscal year totaled \$121,858,730; benefits and expenses amounted to \$108,070,321.

The net market value of Plan B's assets was \$134,940,283 as of December 31, 2009. For Plan B, the net investment income for fiscal 2009 measured on a market value basis amounted to \$22,995,513. Contributions to Plan B for the fiscal year totaled \$8,328,502; benefits and expenses amounted to \$6,133,074. In addition to the trust funds for Plan A and Plan B the system also maintains an expense fund which had a balance of \$702,689 as of the end of the year.

Notwithstanding our efforts to review both census and financial data for apparent errors, we must rely upon the system's administrative staff and accountants to provide accurate information. Our review of submitted information is limited to validation of reasonableness and consistency. Verification of submitted data to source information is beyond the scope of our efforts.

COMMENTS ON ACTUARIAL METHODS AND ASSUMPTIONS

This valuation of Plan A is based on the Frozen Attained Age Normal actuarial cost method with the unfunded accrued liability frozen as of December 31, 1989. Under the provisions of Louisiana R.S. 11:103 the unfunded accrued liability for Plan A, which was determined to be \$110,022,497 as of December 31, 1989, was amortized over forty years with payments increasing at 4% per year. In Plan A, payroll growth in excess of 4% per year will reduce future amortization payments as a percentage of payroll; payroll growth below 4% per year will increase amortization payments as a percentage of payroll. Plan B is funded utilizing the Aggregate Actuarial Funding Method. This method does not develop an unfunded actuarial liability. Under the Frozen Attained Age Normal Cost Method and the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Thus, favorable plan experience will lower future normal costs; unfavorable experience will cause future normal costs to increase. In both plans, benefit and assumption changes are spread over future normal costs. Under the provisions of R.S. 11:105, the Board of Trustees froze the employer contribution rate in Plan A for fiscal 2008 and several other fiscal years prior to that. As prescribed in R.S. 11:105, excess funds if any, generated by these freezes of the employer contribution rate (prior to fiscal 2008) were allocated to reduce the frozen unfunded accrued liability. As a result, the current frozen unfunded accrued liability will be fully amortized by December 31, 2015. The excess funds collected in fiscal 2008 were credited to the Funding Deposit Account.

The actuarial assumptions utilized for the report are outlined on pages 61 - 66. All calculations, recommendations, and conclusions are based on the assumptions specified. To the extent that prospective experience differs from that assumed, adjustments will be required to future contribution levels. All assumptions and methods were the same as those used for the prior report.

CHANGES IN PLAN PROVISIONS

The following changes in plan provisions were enacted during the 2009 Regular Session of the Louisiana Legislature:

Act 270 provides that a member of a state or statewide retirement system, upon applying for retirement, may irrevocably elect a retirement payment option whereby his benefit is actuarially reduced, but he receives a 2.5% COLA annually on his retirement's anniversary date. This COLA is also payable to DROP participants and applied to the monthly benefit allowance. Upon retirement of a DROP participant, the annual 2.5% COLA is also applied to any supplemental benefit earned after the

DROP period. The COLA is only payable to retirees who are 55 and older. The annual 2.5% compounded COLA is not be based on any other COLAs the system may grant. Any additional COLA granted by the system will be based on the retiree's monthly benefit as it exists when such COLA is granted. Spousal beneficiaries also receive the COLA upon the retiree's death if the retiree chose to have his benefits paid to his spouse upon his death.

Act 296 creates a funding deposit account. The beginning balance of each system's account was set equal to zero as of December 31, 2008. All surplus funds collected for the system are then credited to the account for any fiscal year ending on or after December 31, 2008, in which the board of trustees elects to set the direct employer contribution rate higher than the minimum recommended rate. The funds will earn interest at the board-approved actuarial valuation rate, and the interest will be credited at least once a year. Beginning with the first valuation on or after December 31, 2008, the system's board may direct the account funds be charged for the following purposes: (1) to reduce the unfunded accrued liability, (2) to reduce the present value of future normal, (3) to pay all or a portion of any future net direct employer contributions. The funds charged from the account may not exceed the outstanding balance. If the board elects to charge funds from the funding deposit account in order to reduce the employers' direct contributions, the percent reduction in the minimum recommended employer contribution rate will be determined by dividing the interest-adjusted value of the charges from the funding deposit account by the projected payroll for the fiscal year for which the contribution rate is to be reduced. For funding purposes, any asset value used in the calculation of the actuarial value of assets of a system will exclude the account balance as of the asset determination date for the calculation. For all purposes other than funding, the funds in the account will be considered assets of the system.

ASSET EXPERIENCE

The actuarial and market rates of return for the past ten years are given below. These rates of return on assets were determined by assuming a uniform distribution of income and expense throughout the fiscal year.

<u>Plan A</u>	<u>Market Value</u>	<u>Actuarial Value</u>
2000	7.2%	8.5%
2001	-0.8%	4.5%
2002	-2.7%	-1.2%
2003	15.6%	3.4%
2004	10.2%	6.9%
2005	6.3%	11.1%
2006	12.8%	11.3%
2007	7.9%	* 17.1%
2008	-25.7%	** -4.9%
2009	20.6%	9.1%
<u>Plan B</u>	<u>Market Value</u>	<u>Actuarial Value</u>
2000	5.4%	8.2%
2001	2.7%	5.9%
2002	0.0%	0.5%
2003	15.9%	5.9%
2004	9.6%	8.5%
2005	5.1%	10.6%

2006	11.6%	9.8%
2007	7.7%	* 13.4%
2008	-25.0%	** -5.2%
2009	20.7%	8.8%

* Includes effect of change in asset valuation method. Effective with the 2007 valuation the method was changed from smoothing capital gains and losses over 3 years to smoothing investment earnings above or below the assumed rate of return over a five year period with a +/- 10% of market value corridor limit.

** Includes effects of change in asset valuation method. Effective with the 2008 valuation the corridor limits on the smoothed value were changed from +/- 10% of market value to +/- 15% with smoothed values averaged with corridor limits when they fall outside the corridor limits.

The market rate of return gives a measure of investment return on a total return basis and includes realized and unrealized capital gains and losses as well as interest income. This rate of return gives an indication of performance for an actively managed portfolio where securities are bought and sold with the objective of producing the highest total rate of return. During 2009, Plan A earned \$45,886,575 and Plan B earned \$3,554,975 of dividends, interest and other recurring income. In addition, Plan A had net realized and unrealized capital gains on investments of \$283,492,258 while Plan B had \$19,795,557. Investment expenses were \$4,988,158 for Plan A and \$355,019 for Plan B; this does not include \$350,168 of investment expenses paid through the Expense Fund. The geometric mean of the market value rates of return measured over the last ten years was 4.3% for Plan A and 4.6% for Plan B.

The actuarial rate of return is presented for comparison to the assumed long-term rate of return of 7.5% used for the valuation. This rate is calculated based on the smoothed value of assets subject to constraints as given in Exhibit VI for Plan A and Exhibit XVII for Plan B. Investment income used to calculate this yield is based upon a smoothing of investment income above or below the valuation interest rate. The difference between rates of return on an actuarial and market value basis results from the smoothing utilized. Yields in excess of the 7.5% assumption will reduce future costs; yields below 7.5% will increase future costs. Net actuarial investment earnings were more than the actuarial assumed earnings rate of 7.5%, used for fiscal 2009, by \$31,476,617 for Plan A and \$1,801,437 for Plan B. These excess earnings produced an actuarial gain, which decreased the normal cost accrual rate by 0.7489% for Plan A and 0.3090% for Plan B.

PLAN A – DEMOGRAPHICS AND LIABILITY EXPERIENCE

A reconciliation of the census for the plan is given in Exhibit X. The average active member is 45 years old with 9.40 years of service and an annual salary of \$36,256. The plan's active membership, inclusive of DROP participants, increased by 422 members during the fiscal year. The plan has experienced an increase in the active plan population of 927 members over the last five years. A review of the active census by age indicates that over the last ten years the population in the thirty-one to fifty age group has decreased while the proportion of active members age fifty-one to seventy increased. Over the same ten-year period the plan showed a fairly stable distribution among the various service groups. The average regular retiree is 72 years old with a monthly benefit of \$1,551. The number of retirees and beneficiaries receiving benefits from the system increased by 178 during the fiscal year; over the last five years the number of retirees has increased by 674.

Plan liability experience for fiscal 2009 was favorable. Retirements, disabilities, and DROP entries were below projected levels; retiree deaths were above those projected. In addition, salary increases were below projected levels. All of these factors tend to reduce costs. However, these factors were partially offset by withdrawals below projected levels. Plan liability gains decreased the normal cost accrual rate by 1.1857%.

PLAN B – DEMOGRAPHICS AND LIABILITY EXPERIENCE

A reconciliation of the census for the plan is given in Exhibit XXI. The average active member is 46 years old with 8.42 years of service and an annual salary of \$34,661. The plan's active membership, inclusive of DROP participants, increased by 96 members during the fiscal year. The plan has experienced an increase in the active plan population of 228 members over the last five years. A review of the active census by age indicates that over the last ten years the population in the under fifty age group has decreased while the proportion of active members age fifty-one to seventy increased. Over the same ten-year period the plan showed a fairly stable distribution of the various service groups with a slight increase in active membership with more than 20 years of service. The average regular retiree is 73 years old with a monthly benefit of \$786. The number of retirees and beneficiaries receiving benefits from the system increased by 12 during the fiscal year; over the last five years the number of retirees has increased by 99.

Plan liability experience for fiscal 2009 was favorable. Retirements and disabilities were below projected levels, and actual retiree deaths were above projected levels. In addition, salary increases were below projected levels. All of these factors tend to reduce costs. However, these factors were partially offset by withdrawals below projected levels. Plan liability gains decreased the normal cost accrual rate by 0.8308%.

FUNDING ANALYSIS AND RECOMMENDATIONS

Actuarial funding of a retirement system is a process whereby funds are accumulated over the working lifetimes of employees in such a manner as to have sufficient assets available at retirement to pay for the lifetime benefits accrued by each member of the system. The required contributions are determined by an actuarial valuation based on rates of mortality, termination, disability, and retirement, as well as investment return and other statistical measures specific to the particular group. Each year a determination is made of two cost components, and the actuarially required contributions are based on the sum of these two components plus administrative expenses. These two components are the normal cost and the amortization payment on the unfunded actuarial accrued liability. The normal cost refers to the portion of annual cost based on the salary of active participants. The term unfunded accrued liability (UAL) refers to the excess of the present value of plan benefits over the sum of current assets and future normal costs. Each year the UAL grows with interest and is reduced by payments. Under the funding method used for both plans, changes in plan experience, benefits, or assumptions do not affect the unfunded actuarial accrued liability. These items increase or decrease future normal costs.

In order to establish the actuarially required contribution in any given year, it is necessary to define the assumptions, funding method, and method of amortizing the UAL. Thus, the determination of what

contribution is actuarially required depends upon the funding method and amortization schedules employed. Regardless of the method selected, the ultimate cost of providing benefits is dependent upon the benefits, expenses, and investment earnings. Only to the extent that some methods accumulate assets more rapidly and thus produce greater investment earnings does the funding method affect the ultimate cost.

Liability and asset experience as well as changes in assumptions and benefits can increase or decrease plan costs. In addition to these factors, any COLA granted in the prior fiscal year would increase required contributions. New entrants to the system can also increase or decrease costs as a percent of payroll depending upon their demographic distribution and other factors related to prior plan experience. Finally, contributions above or below requirements may reduce or increase future costs.

Under the provisions of R.S. 11:103, excess or deficient contributions typically decrease or increase future normal costs. However, if the minimum net direct employer contribution is scheduled to decrease, the board may maintain the contribution rate at some level above the minimum recommended rate.

The effects of various factors on the cost structure for Plan A are outlined below:

Employer's Normal Cost Accrual Rate – Fiscal 2009	15.3076%
Factors Increasing the Normal Cost Accrual Rate:	
Contribution Loss	0.4211%
Factors Decreasing the Normal Cost Accrual Rate:	
Plan Liability Experience	1.1858%
Asset Experience	0.7489%
New Members	0.6514%
Employer's Normal Cost Accrual Rate – Fiscal 2010	13.1426%

In addition to the above changes in the plan normal cost rate, payroll growth affects plan costs to the extent that payments on the system's unfunded liability are on a schedule that varies from actual trends in payroll growth or decline. If payroll changes at rates not consistent with the amortization schedule the result will be costs that change as a percentage of payroll. For fiscal 2010, the net effect of the change in payroll on amortization costs was to decrease such costs by 0.01% of payroll for Plan A. Required net direct employer contributions are also affected by the available ad valorem taxes and revenue sharing funds which the system receives each year. When these funds change as a percentage of payroll, net direct employer contributions are adjusted accordingly. We estimate that for Plan A these funds collected in fiscal 2010 will decrease by 0.02% of payroll.

For Plan A, the derivation of the actuarially required contribution for the current fiscal year is given in Exhibit I. The normal cost for fiscal 2010 as of January 1, 2010 is \$65,674,503. The amortization payment on the plan's frozen unfunded actuarial accrued liability is \$10,988,243 as of January 1, 2010. The total actuarially required contribution is determined by adjusting these two values for interest (since payments are made throughout the fiscal year) and adding estimated administrative expenses. As given on line 15 of Exhibit I the total actuarially required contribution for fiscal 2010 is \$80,542,738. When this amount is reduced by projected tax contributions and revenue sharing funds, the resulting employers' net direct actuarially required contribution for fiscal 2010 is \$74,313,385.

This is 13.46% of the projected Plan A payroll for fiscal 2010. The actual contribution rate for fiscal 2010 is 15.75%. After giving consideration to the expected contribution excess in fiscal 2010 and the rounding regulations in the statute, we recommend a minimum net direct employer contribution rate of 13.25% of payroll for fiscal 2011 for Plan A.

The effects of various factors on the cost structure for Plan B are outlined below:

Employer's Normal Cost Accrual Rate – Fiscal 2009	11.5547%
Factors Increasing the Normal Cost Accrual Rate:	
Contribution Loss	0.4554%
Factors Decreasing the Normal Cost Accrual Rate:	
Plan Liability Experience	0.8308%
New Members	0.4948%
Asset Experience	0.3090%
Employer's Normal Cost Accrual Rate – Fiscal 2010	10.3756%

In Plan B we estimate that the projected tax contribution as a percentage of payroll will remain constant. Since Plan B is funded under the Aggregate Actuarial Cost Method, the plan has no unfunded accrued liability. The normal cost for fiscal 2010 as of January 1, 2010 is \$7,531,699. The interest adjusted actuarial and administrative cost for fiscal 2010 is given on line 12 of Exhibit XII as \$7,965,456. When this amount is reduced by projected tax contributions and revenue sharing funds, the resulting employers' minimum net direct actuarially required contribution is \$7,043,674. This is 8.60% of projected payroll for fiscal 2010. The actual employer contribution rate for fiscal 2010 is 10.00% of payroll. After giving consideration to the expected contribution excess in fiscal 2010, as outlined in Exhibit XII and the rounding requirements in the statute, we recommend a minimum net direct employer contribution rate of 8.50% of payroll for fiscal 2011 for Plan B.

Under the provisions of R.S. 11:107 the board may set the net direct employer contribution rate at any rate between 13.25% and 15.75% of payroll for Plan A and between 8.50% and 10.00% for Plan B. Should the net direct employer contribution rate be set at a level above 13.25% for Plan A and above 8.50% for Plan B under R.S. 11:107, the resulting additional contributions paid by the employers, if they exceed any potential contribution losses, would be added to the Funding Deposit Account.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, completion of amortization payments or credit schedules, and changes in plan provisions or applicable law. Analysis of the effect of all these factors is beyond the scope of this report.

We have, however, calculated the sensitivity of the plans' costs to two factors. First, based on current assets and demographics, for each percentage under (over) performance of the return on the actuarial value of assets, there will be a corresponding increase (reduction) in the normal cost accrual rate of 0.51% for Plan A and 0.26% for Plan B. We have also determined that a 0.5% reduction in the valuation interest rate for Plan A would increase the actuarially required contribution rate for fiscal 2010 by 4.02%; for Plan B the increase would be 2.44%.

Although Plan A and Plan B show a decrease in the minimum recommended contribution, a significant portion of investment losses incurred in fiscal 2008 have not yet been released into the actuarial value of assets due to the current asset smoothing methodology. These losses will be released over the next three years and even when the investment gains for the fiscal 2009 are factored in, this will put upward pressure on costs as they are released into income.

COST OF LIVING INCREASES

During calendar 2009 the actual cost of living (as measured by the US Department of Labor CPI-U) increased by 2.72%. Cost of living provisions for the system are detailed in R.S. 11:1937 and R.S. 11:246. The former statute allows the board to use interest earnings in excess of the normal requirements to grant annual cost of living increases of 2.50% of the current benefit to retirees aged 62 or over, who have been retired at least one year. R.S. 11:246 provides cost of living increases to retirees and beneficiaries over the age of 65 equal to 2% of the benefit in payment on October 1, 1977, or the date the benefit was originally received if retirement commenced after that date. R.S. 11:241 provides that cost of living benefits shall be in the form (unless the board otherwise specifies) of $\$X \times (A+B)$ where X is at most \$1 and "A" represents the number of years of credited service accrued at retirement or at death of the member or retiree and "B" is equal to the number of years since retirement or since death of the member or retiree to December 31st of the initial year of such increase. The provisions of this subpart do not repeal provisions relative to cost of living adjustments contained within the individual laws governing systems; however, they are to be controlling in cases of conflict.

All of the above provisions require that the system earn sufficient excess interest earnings to fund the increases. In addition, the ratio of the plan's assets to benefit obligations must meet the criteria established in R.S. 11:242. This section sets forth a minimum "target ratio" of the actuarial value of assets to the Pension Benefit Obligation. We have determined that for fiscal 2009 Plan A has met the necessary target ratio and has earned sufficient excess interest to provide a cost of living increase to members of the plan. However, although Plan B has earned sufficient excess interest to grant a COLA it has not met the Target Ratio as set forth in R.S. 11:242. Hence the plan may not grant a COLA to regular retirees; although the statute does permit COLA's for disability retirees, surviving spouses, and surviving children.

Below is a summary of the cost of living increases and their respective costs for granting at the full level described in the statutes:

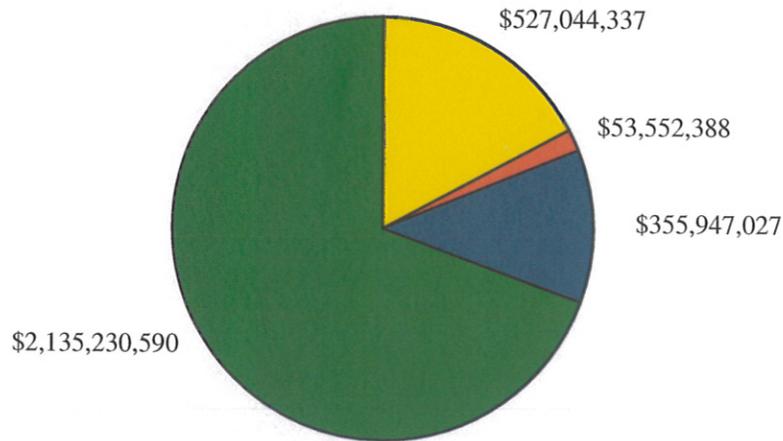
<u>COLA Description</u>	<u>Plan</u>	<u>Annual Increase in Benefits</u>	<u>Present Value of Increase</u>	<u>Contribution Cost as a Normal Cost %</u>
2 ½ % to pensioners over age 62	A	\$ 1,642,203	\$ 13,524,084	0.32%
2% to pensioners over age 65	A	\$ 1,000,893	\$ 7,935,306	0.19%
*2 ½ % to pensioners over age 62	B	\$ 11,012	\$ 98,566	0.02%
*2% to pensioners over age 65	B	\$ 5,533	\$ 45,794	0.01%

*Only applies to disability retirees, surviving spouses, and surviving children

In lieu of awarding the cost of living increases described above, R.S. 11:241(B) allows the board to grant a cost of living increase of an amount not to exceed \$1 for every year of service plus the number

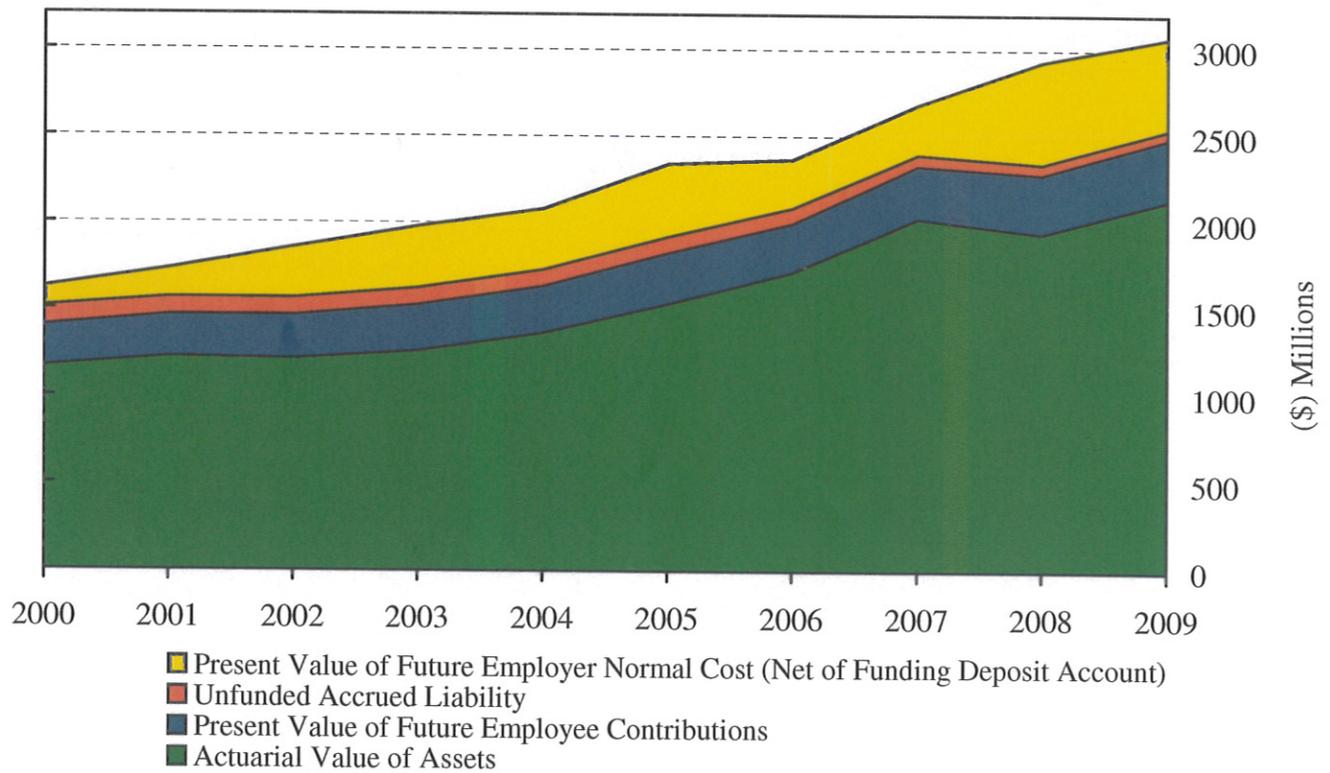
of years since retirement. There is insufficient information available on the system's database to provide meaningful estimates of the costs associated with awarding this type of cost of living increase.

Plan A - Components of Present Value of Future Benefits December 31, 2009

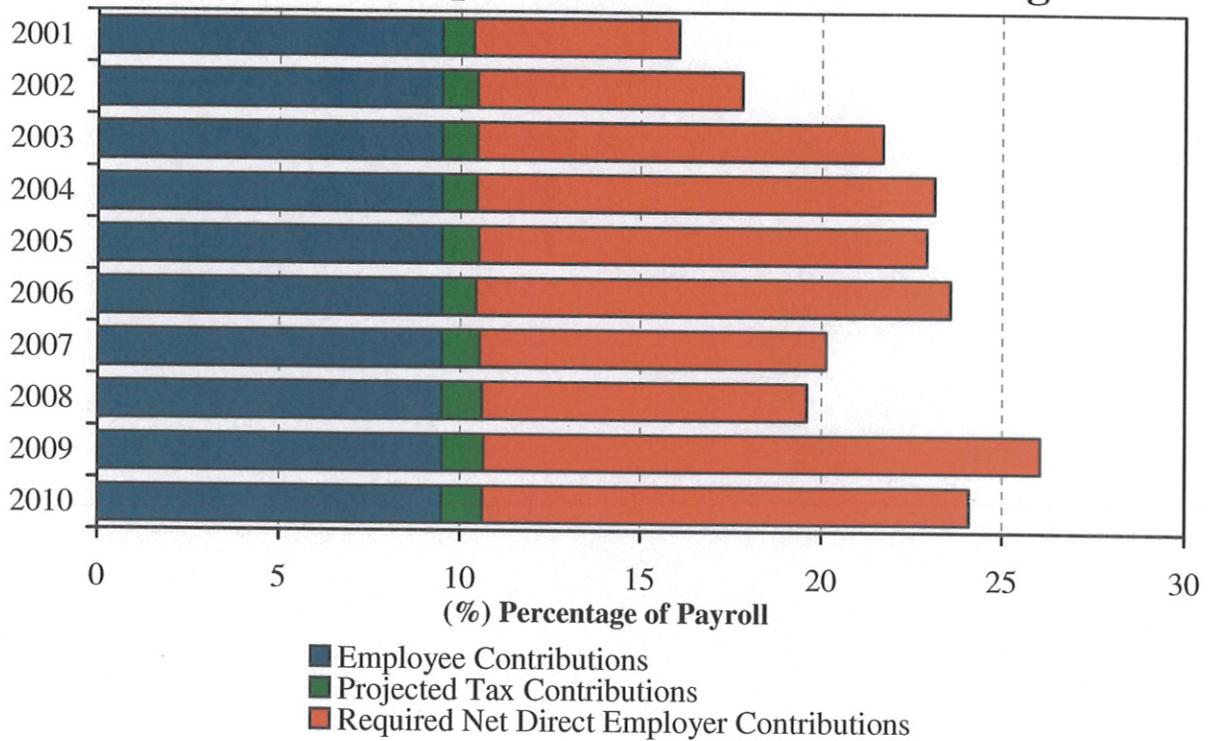


- Present Value of Future Employer Normal Cost (Net of Funding Deposit Account)
- Unfunded Accrued Liability
- Present Value of Future Employee Contributions
- Actuarial Value of Assets

Plan A - Components of Present Value of Future Benefits

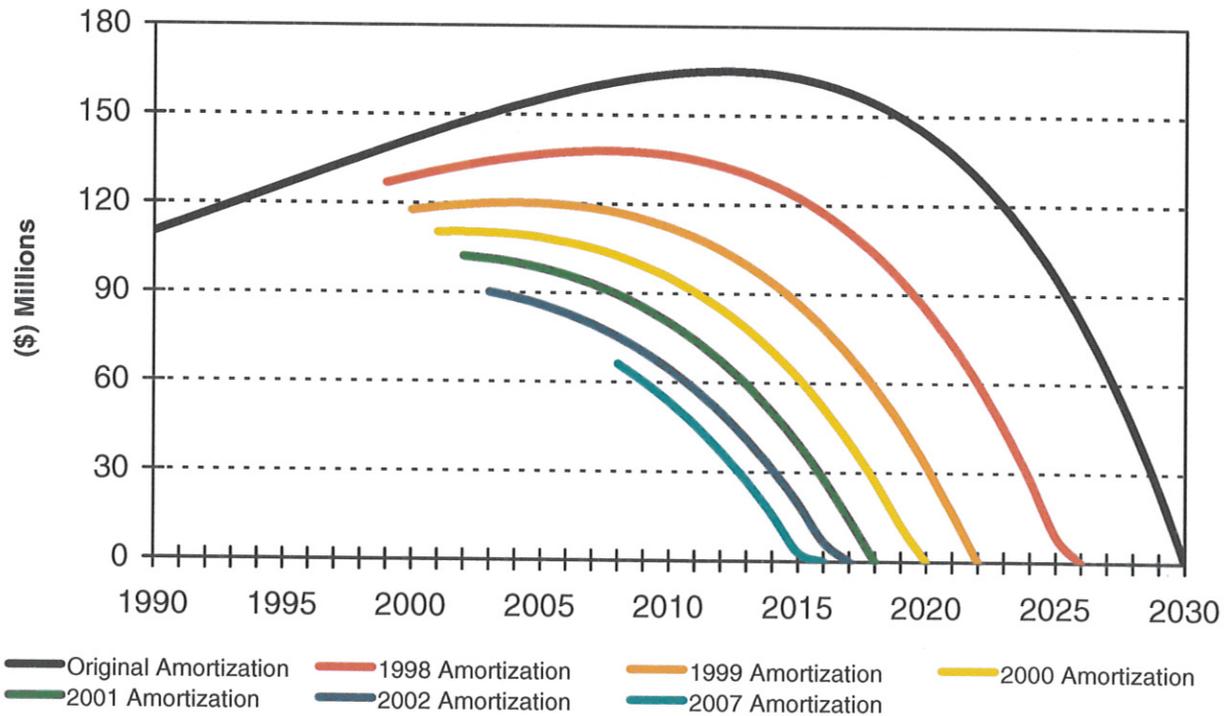


Plan A - Components of Actuarial Funding

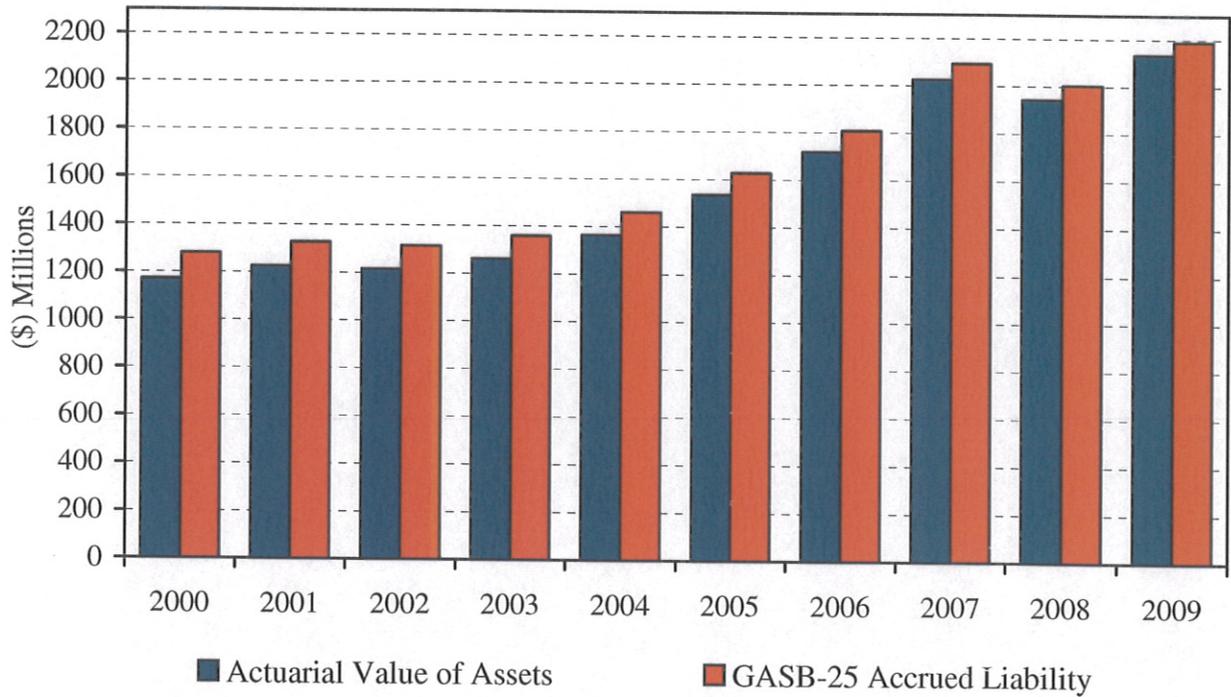


Projected Tax Contributions consist of Projected Ad Valorem and Revenue Sharing Funds as a percent of payroll

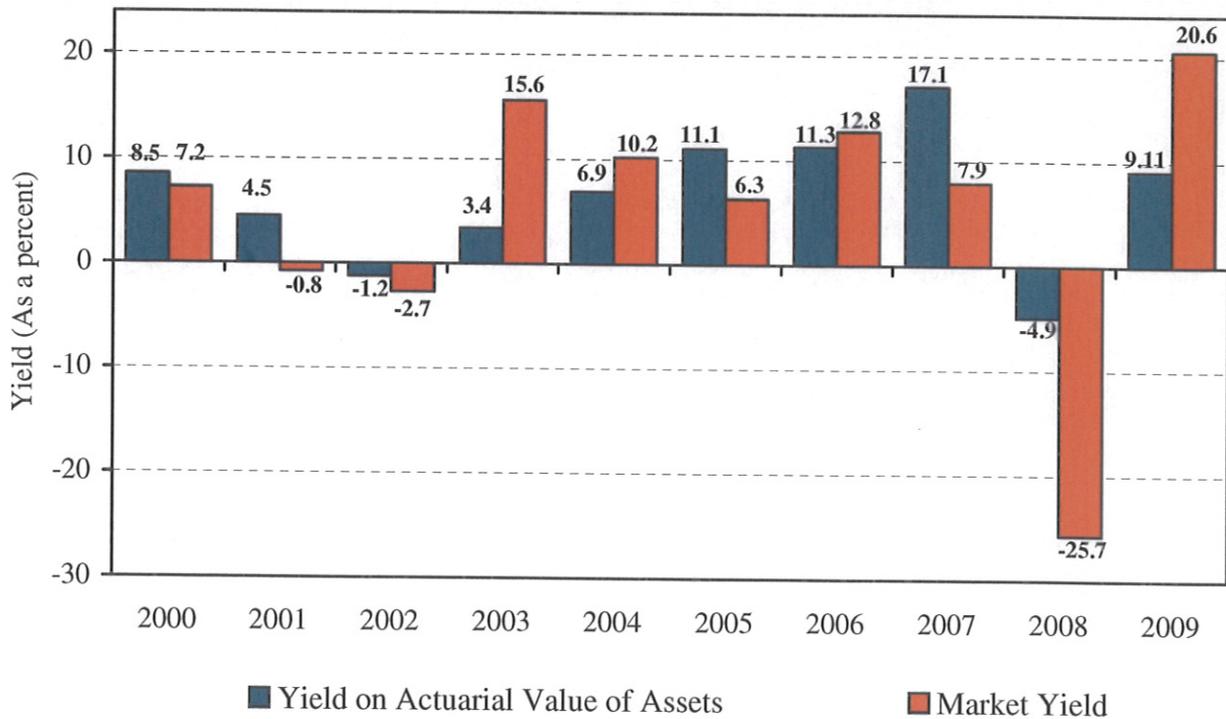
Plan A – Frozen Unfunded Accrued Liability



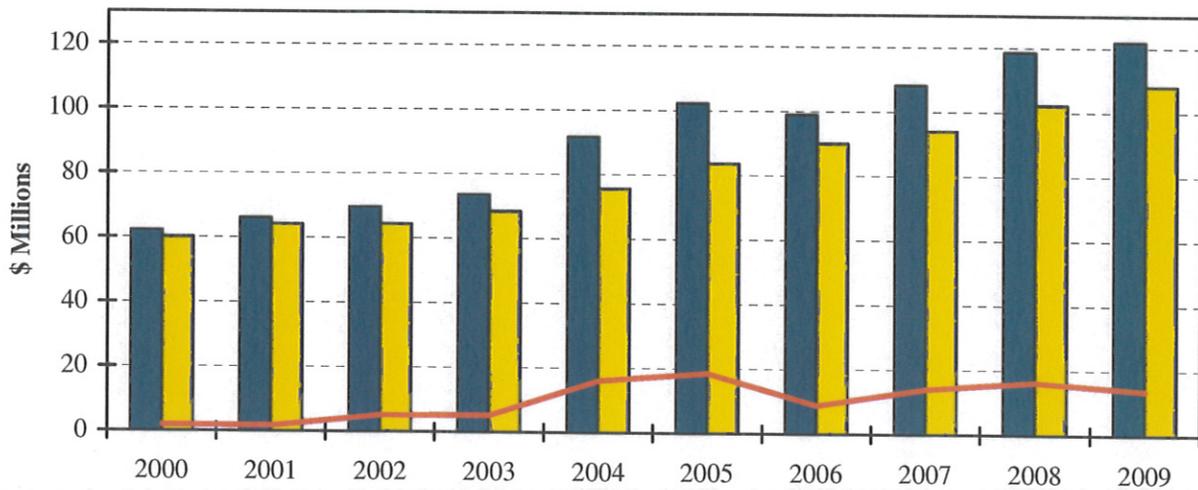
Actuarial Value of Assets vs. GASB-25 Accrued Liability Plan A



Plan A – Historical Asset Yield

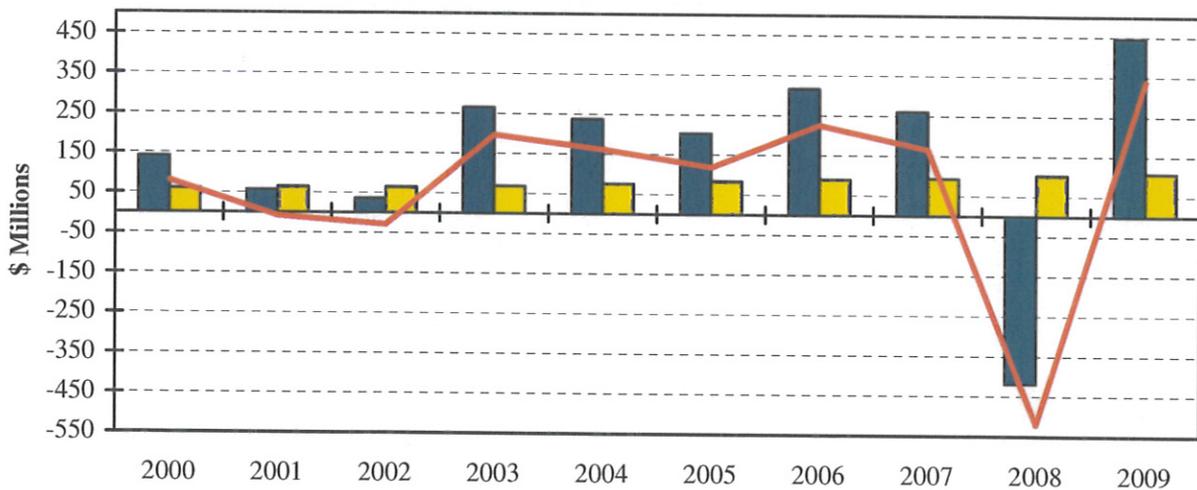


Plan A - Net Non-Investment Income



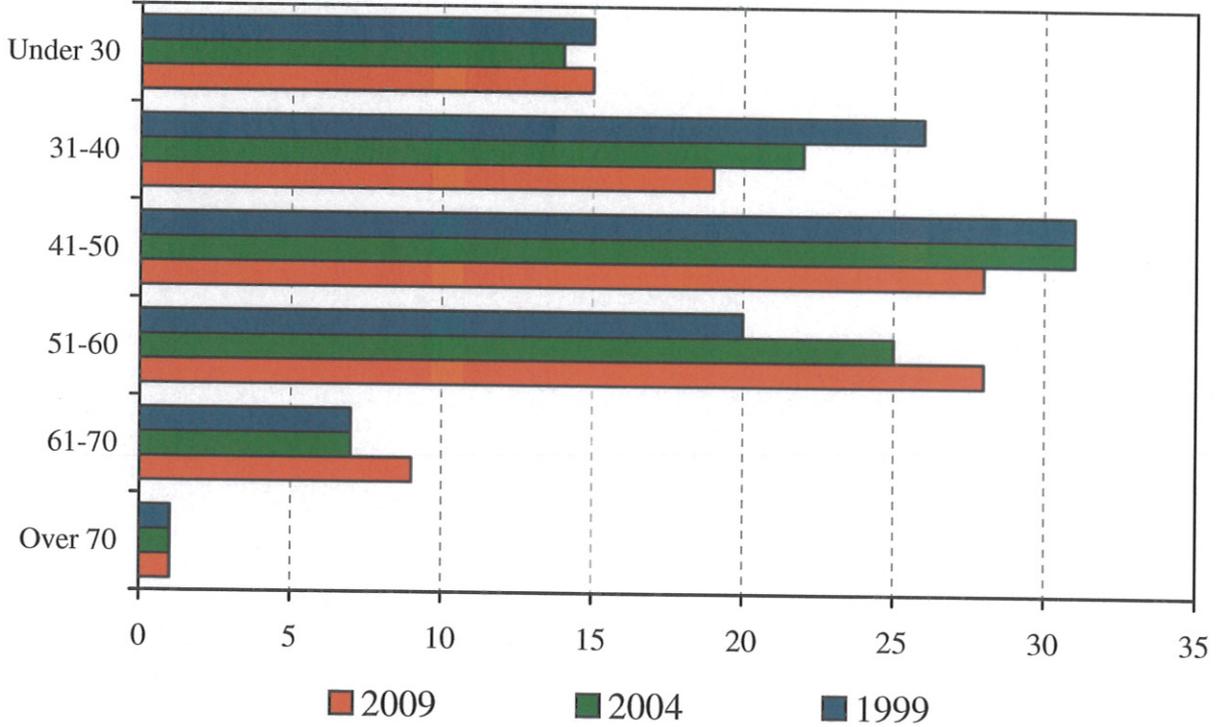
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Non-Investment Income (\$Mil)	62.1	66.0	69.5	73.6	91.7	102.3	99.0	108.2	118.6	121.9
Benefits and Expenses (\$Mil)	60.1	64.2	64.4	68.4	75.6	83.7	90.1	94.1	102.3	108.1
Net Non-Investment Income (\$Mil)	2.0	1.8	5.1	5.2	16.1	18.6	8.9	14.1	16.3	13.8

Plan A - Total Income vs. Expenses (Based on Market Value of Assets)

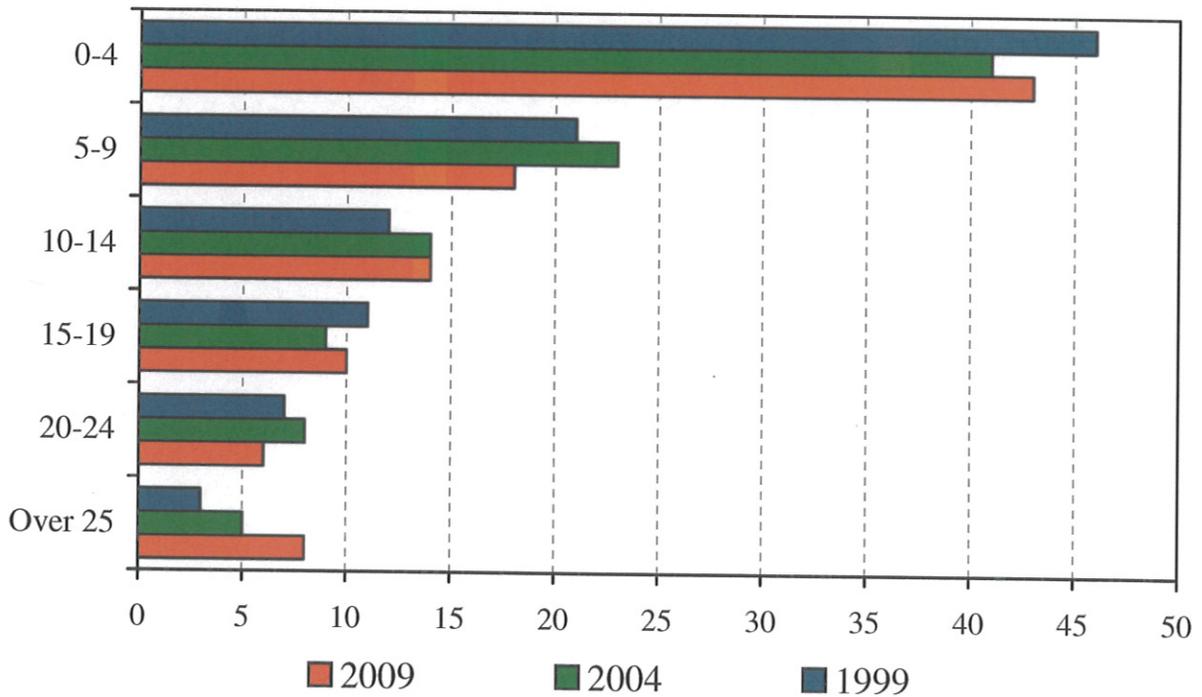


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Income (\$Mil)	140.0	56.0	35.7	265.1	237.1	202.2	315.9	260.2	-419.2	446.2
Benefits and Expenses (\$Mil)	60.1	64.2	64.4	68.4	75.6	83.7	90.1	94.1	102.3	108.1
Net Change in MVA (\$Mil)	79.9	-8.2	-28.7	196.7	161.5	118.5	225.8	166.1	-521.5	338.1

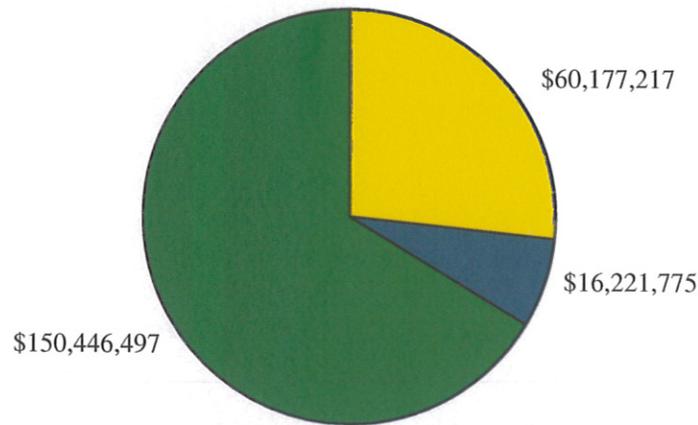
Plan A - Active – Census By Age (as a percent)



Plan A - Active – Census By Service (as a percent)

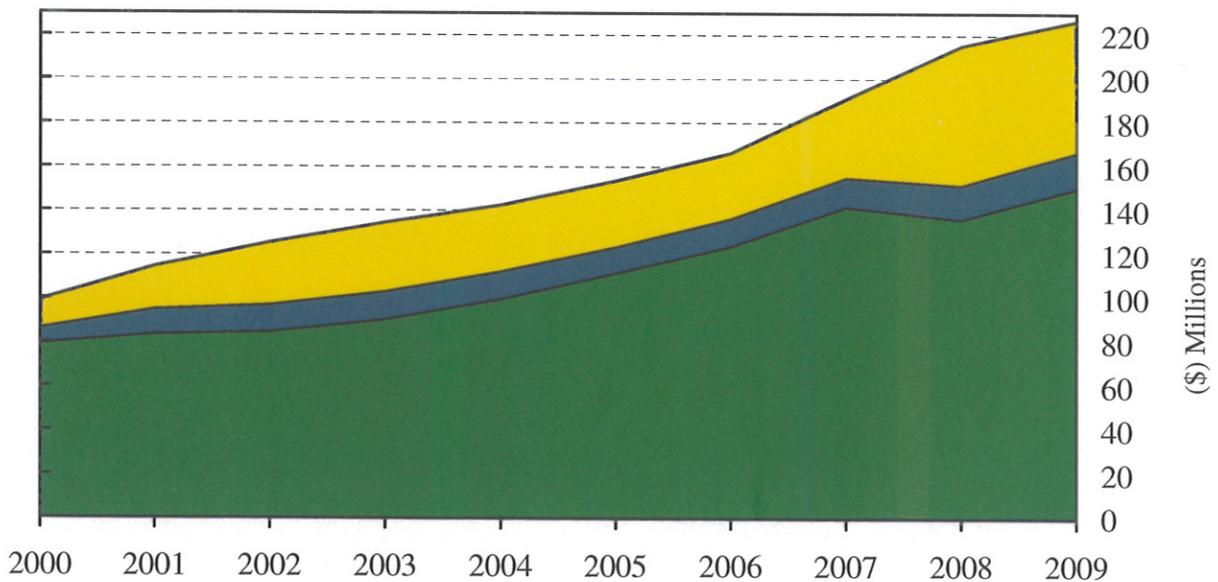


Plan B - Components of Present Value of Future Benefits December 31, 2009



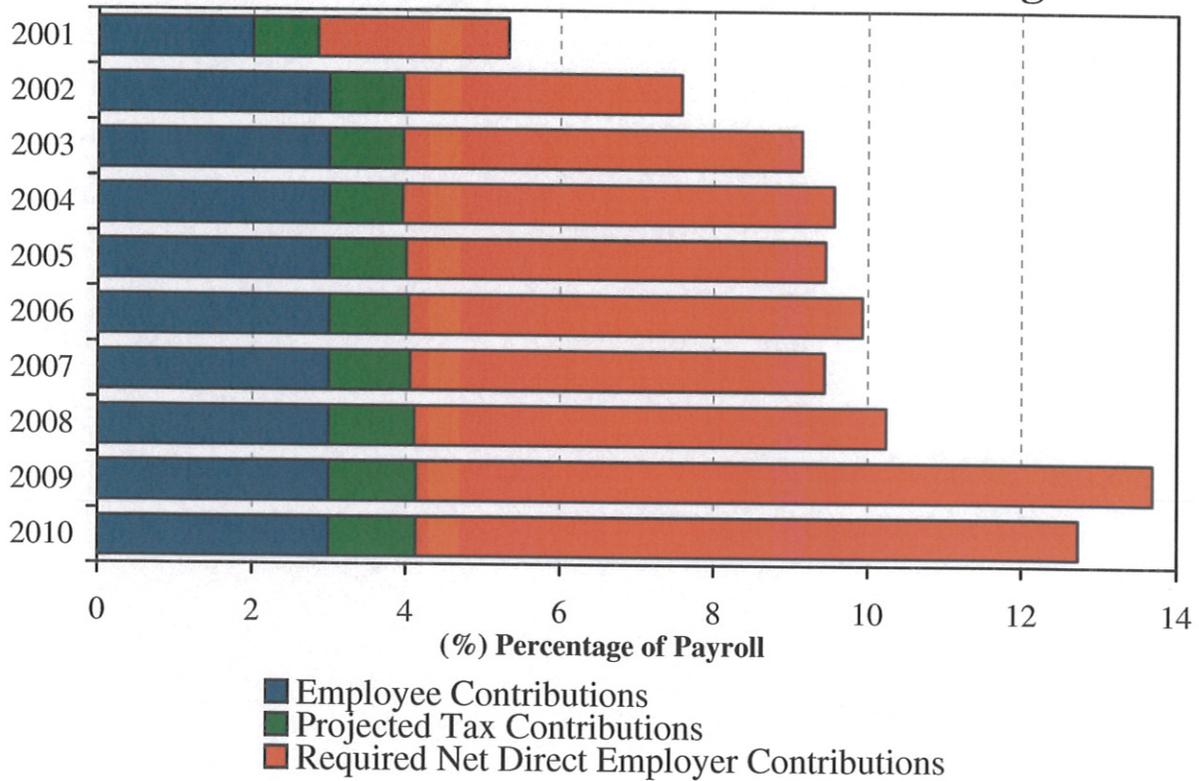
- Present Value of Future Employer Normal Cost (Net of Funding Deposit Account)
- Present Value of Future Employee Contributions
- Actuarial Value of Assets

Plan B - Components of Present Value of Future Benefits



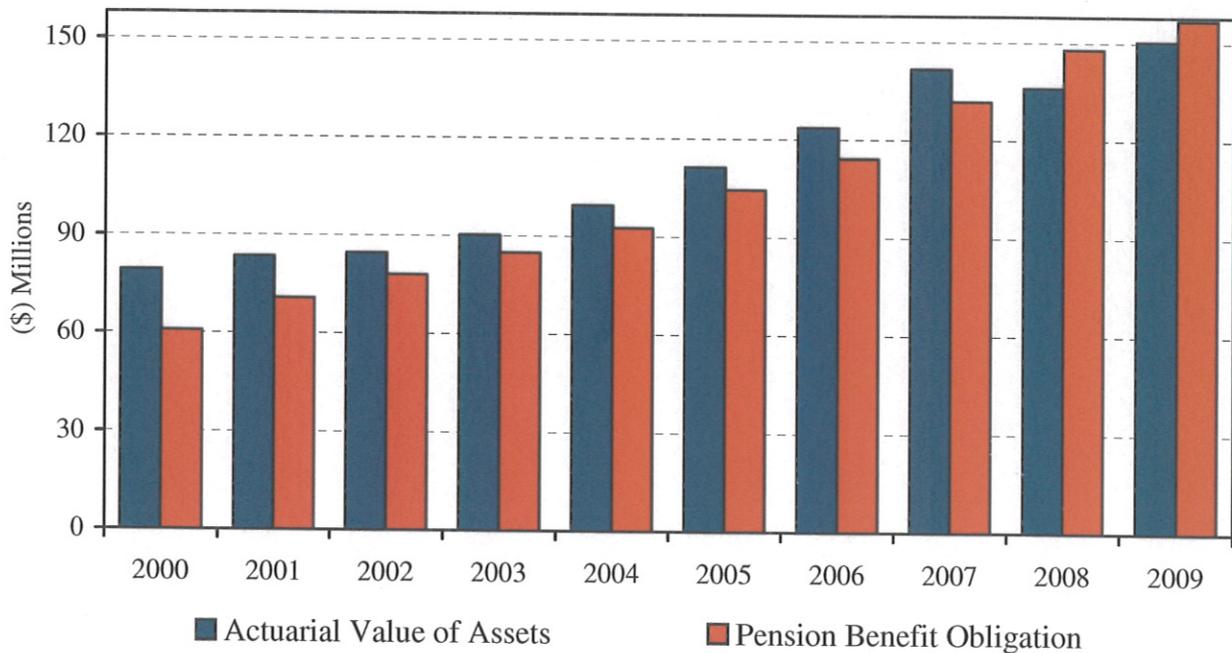
- Present Value of Future Employer Normal Cost (Net of Funding Deposit Account)
- Present Value of Future Employee Contributions
- Actuarial Value of Assets

Plan B - Components of Actuarial Funding

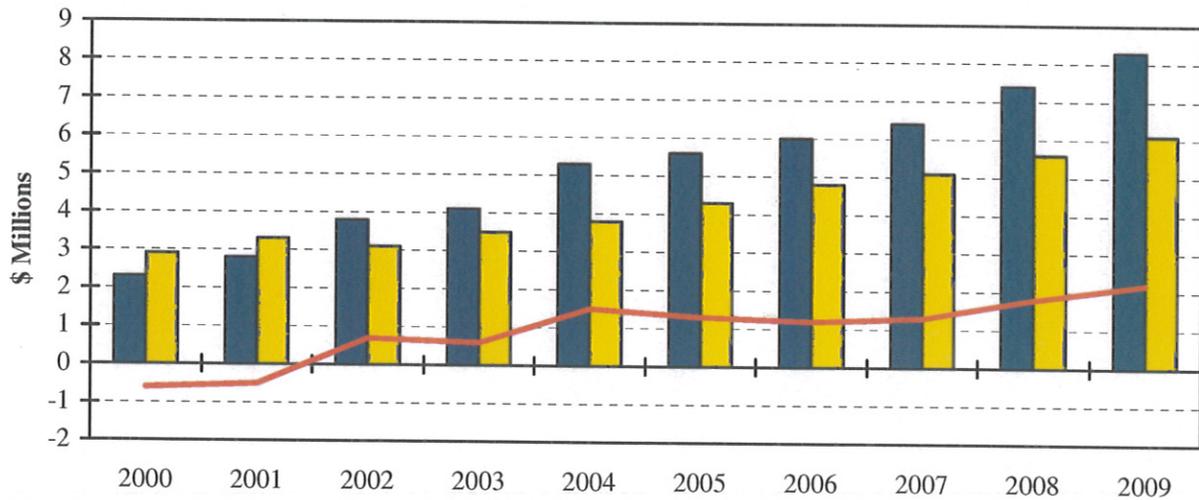


Projected Tax Contributions consist of Projected Ad Valorem and Revenue Sharing Funds as a percent of payroll

Plan B-Actuarial Value of Assets vs. Pension Benefit Obligation

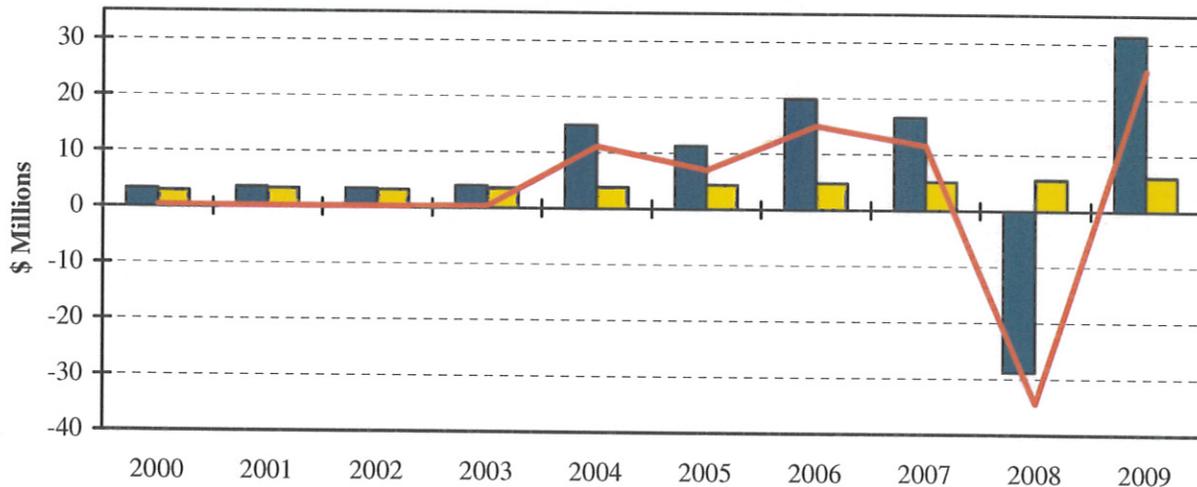


Plan B - Net Non-Investment Income



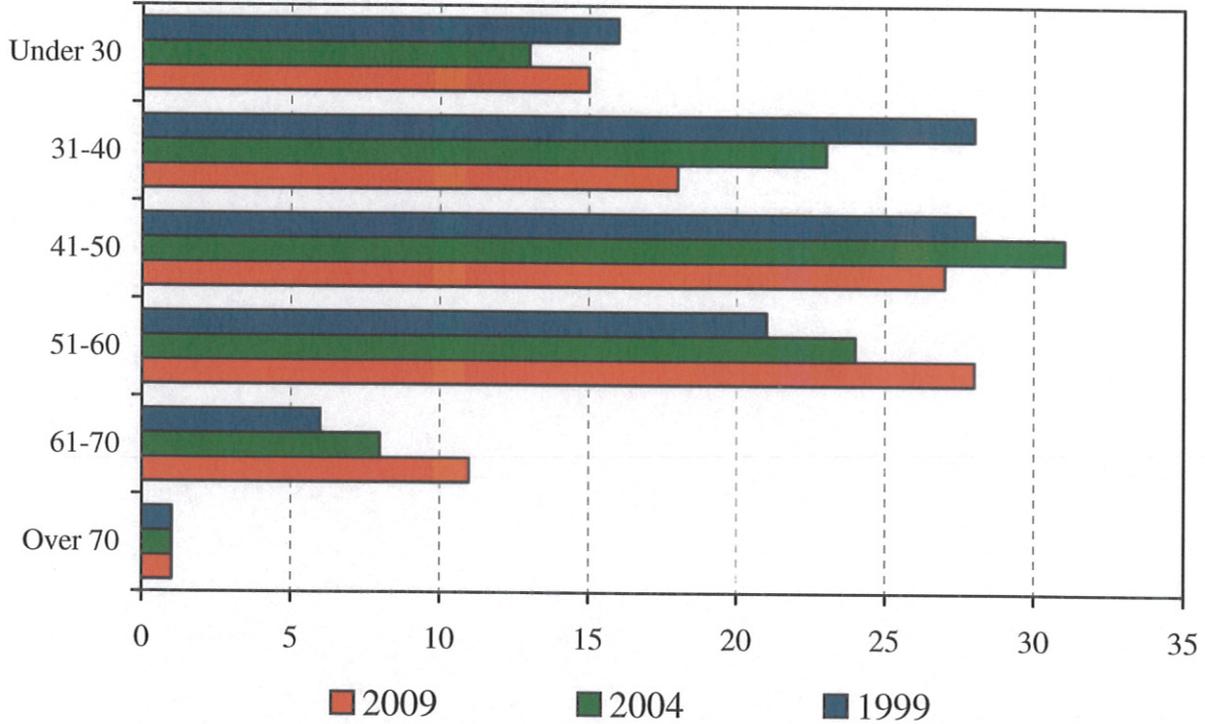
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Non-Investment Income (\$Mil)	2.3	2.8	3.8	4.1	5.3	5.6	6.0	6.4	7.4	8.3
Benefits and Expenses (\$Mil)	2.9	3.3	3.1	3.5	3.8	4.3	4.8	5.1	5.6	6.1
Net Non-Investment Income (\$Mil)	-0.6	-0.5	0.7	0.6	1.5	1.3	1.2	1.3	1.8	2.2

Plan B - Total Income vs. Expenses (Based on Market Value of Assets)

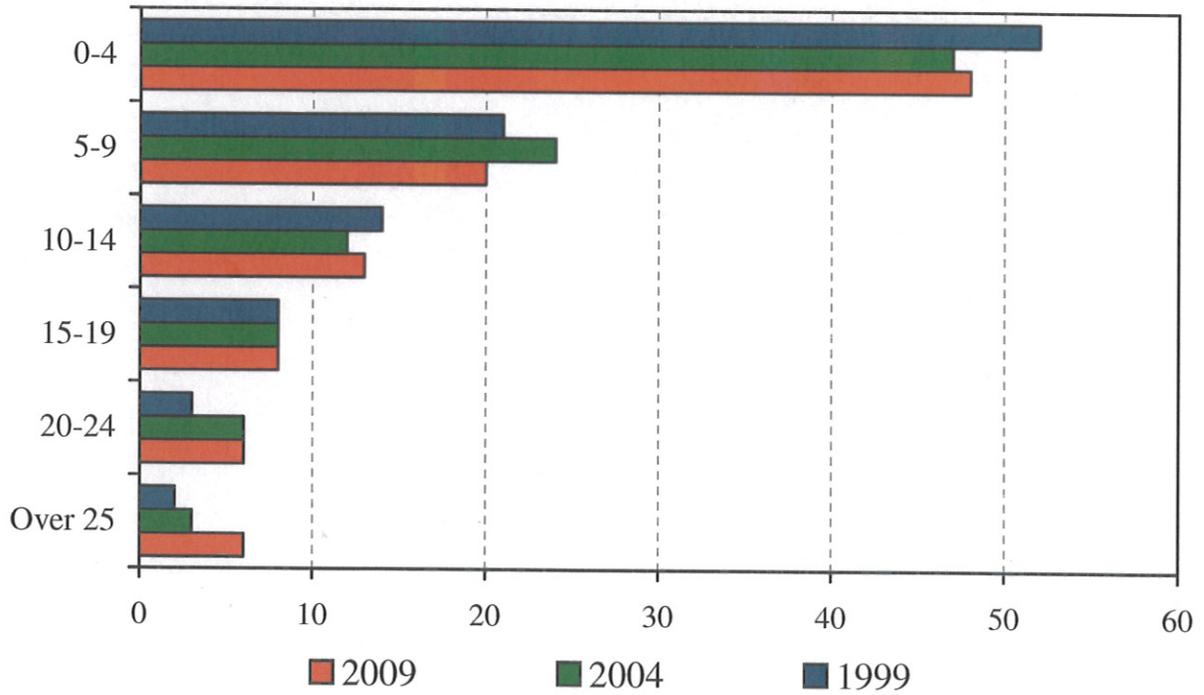


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Income (\$Mil)	3.2	3.5	3.3	3.9	14.9	11.3	19.8	16.6	-28.8	31.3
Benefits and Expenses (\$Mil)	2.9	3.3	3.1	3.5	3.8	4.3	4.8	5.1	5.6	6.1
Net Change in MVA (\$Mil)	0.3	0.2	0.2	0.4	11.1	7.0	15.0	11.5	-34.4	25.2

Plan B - Active – Census By Age (as a percent)



Plan B - Active – Census By Service (as a percent)



Plan B – Historical Asset Yield

