April 2008

State of Louisiana

Office of Group Benefits

Post-Retirement Benefit Valuation Report
Under GASB 45 as of July 1, 2007
Expense Development for Fiscal Year Ending
June 30, 2008

MERCER

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Report Highlights

Mercer has prepared this report for the State of Louisiana Office of Group Benefits to:

- Present the results of a valuation of the State of Louisiana's Post-Retirement Health and Welfare Benefits as of July 1, 2007
- Provide to the State of Louisiana the recommended contribution under the Plan for the fiscal year beginning July 1, 2007; and
- Provide reporting and disclosure information for financial statements.

Summary of GASB Statement No. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45: *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which establishes new accounting standards for Post-Retirement Benefits Other Than Pensions (OPEB).

The requirements will apply to any state or local government employer that provides OPEB. The primary type of OPEB covered by the statement will be post-retirement health benefits. OPEB may also include life insurance, legal benefits, and other benefits.

Most governmental employers have been accounting for post-retirement medical on a pay-as-you-go basis. The new standard will require accrual based accounting. In general, GASB followed the accounting standards already in place for governmental pension plans in Statement No. 27.

The new standard will not require funding of OPEB expense, but any differences between the annual expense and the amount funded in a year would be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The funded status of the actuarial accrued liability will be shown as part of Required Supplementary Information.

The effective dates for GASB 45 are for the fiscal years beginning after:

- December 15, 2006 for Phase 1 employers (total annual revenues of $100 million or more)
- December 15, 2007 for Phase 2 employers (total annual revenues of $10 million but less than $100 million)
- December 15, 2008 for Phase 3 employers (total annual revenues of less than $10 million)

For the above determination, total annual revenues would be determined in the first fiscal year ending after June 15, 1999. The effective date for the State of Louisiana has been determined to be the fiscal year beginning July 1, 2007.

Calculation Details

Funding Methods

Any of six actuarial cost methods can be used. These are the same methods that are permitted by GASB-27 for calculating employer pension expense. There appears to be no requirement that the same method be used for both the pension plan and the OPEB plan, although it is required that a method used for pre-funding is also used for financial reporting, if it is a permissible method.

We have shown the cost calculations using the projected unit credit method, which is the same method most often used in the private sector for determination of retiree medical liabilities. The cost calculations are shown in the Valuation Results section.

The unfunded actuarial accrued liability must be amortized over a period of not greater than 30 years. The amortization amount may be computed as a level dollar amount or as a level percentage of payroll. For purposes of this report, we show both level dollar and level percentage of payroll amortization amounts using a 30-year amortization period. A shorter amortization period would increase the annual expense accrual under both amortization methods. Using a level percentage of pay amortization decreases the annual expense accrual, although in the early years the amortization amount may not be sufficient to cover interest on the unfunded actuarial accrued liability.

Assumptions

The investment return assumption (or discount rate) is to be selected as the estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. For funded plans, the considerations in selecting this rate would be similar to selecting the funding interest rate for a pension plan. However, for unfunded plans, the discount rate should be determined with reference to the employer's general assets. In many instances, governmental unrestricted general assets might be invested in very short-term fixed instruments, such as money market funds. This asset allocation could lead to a very low discount rate. If the plan is partially funded, a blended discount rate may be used.

In this report, we have only shown the calculations with a 4.00% discount rate, representing an estimate of the discount rate for a typical unfunded plan.

The calculations are based on the plan design features and retiree contributions that were in effect as of July 1, 2007.

The post-retirement health plan administered by the Office of Group Benefits covers both "included" and "excluded" agencies. This report only covers the "included" agencies which are included in the State's annual financial report. Mercer has also performed calculations for the "excluded" agencies. It is anticipated that these results will be provided to each "excluded" agency to assist such agencies with disclosures that may be required in their own annual financial reports.

All actuarial assumptions and plan provisions valued are summarized in this report.

Expense Calculation

The basic annual expense recognized under GASB 45 is called the "annual required contribution" or ARC, even though there is no requirement to fund this amount. The calculation of the ARC would be the amount determined under the actuarial cost method selected and consists of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL, or the excess of the past service liability over the actuarial value of assets).

The annual required contribution (ARC), calculated in accordance with GASB 45 for the fiscal year ending June 30, 2008, is summarized below in millions. The current expected pay-as-you-go cost of retiree medical and life insurance benefits provided by the State of Louisiana is approximately $259.7 million for the fiscal year ending June 30, 2008.

The difference between the amounts required to be recognized and the amounts funded (including benefits paid from general assets) are accumulated as the "net OPEB obligation." The annual OPEB cost related to the ARC must be reported in the employer's financial statements as an expense item.

Projected Unit Credit Method – Medical and Life Insurance Benefits (Included Agencies)

Unfunded Plan (4.0%)	Total
Level Dollar Amortization	$1,336 9M
Level Percent of Pay Amortization	$1,118.3M

Medicare Modernization Act

Beginning in 2006, Medicare provided a prescription drug benefit to Medicare-eligible retirees under Part D. Employer plans offering prescription drug benefits to Medicare-eligible retirees are eligible for a federal subsidy if these benefits are at least actuarially equivalent to the Part D benefit.

The Government Accounting Standards Board (GASB) has issued Technical Bulletin No. 2006-1 that calls for governments to account for the subsidy payments as revenue on their financial statements, rather than net out the subsidy payments and report reduced retiree medical liabilities when they adopt GASB Statement 45. Therefore, the valuation results have not been adjusted to recognize any Medicare subsidy.

Certification

We have prepared an actuarial valuation of the State of Louisiana post-retirement medical and life insurance benefits as of July 1, 2007, for the fiscal year ending June 30, 2008 to enable the State of Louisiana to understand the impact of the accounting requirements under Statement of Governmental Accounting Standards No. 45. The results of the valuation set forth in this report reflect the benefit provisions that were in effect as of July 1, 2007.

The valuation is based on participant data provided by the State of Louisiana Office of Group Benefits, the State's ISIS HR System and the various state retirement systems.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations reported herein are consistent with our understanding of the provisions of GASB No. 45.

Actuarial computations under Statements of Governmental Accounting Standards are for purposes of fulfilling governmental employer accounting requirements. Computations for other purposes may differ significantly from the results shown in this report.

We are available to answer any questions on this material, or to provide explanations or further details, as may be appropriate. Collectively, the undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Stephen T. McElhaney, FSA **Enrolled Actuary (No. 05-2625)**	April 21, 2008 **Date**
Thomas S. Tomczyk, ASA	April 21, 2008 **Date**

I have reviewed and found acceptable the actuarial assumptions, methods and procedures used in this valuation

Rory J. Badura, ASA, EA **Enrolled Actuary (No. 05-5474)**	April 21, 2008 **Date**

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The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Valuation Results

4.0% Discount Rate, Projected Unit Credit Method

Actuarial Accrued Liability and Normal Cost
Included Agencies

(Thousands)

Actuarial Accrued Liability	July 1, 2007 Medical	Life	Total	Total Projected June 30, 2008
State	$9,427,318.9	$460,968.5	$9,888,287.4	$10,617,334.3
Teachers	1,872,925.8	115,874.2	1,988,800.0	2,111,607.0
School	27,135.8	853.3	27,989.1	30,117.8
Police	173,459.2	7,957.9	181,417.1	184,036.8
Total	$11,500,839.7	$585,653.9	$12,086,493.6	$12,943,095.9

Normal Cost	July 1, 2007 Medical	Life	Total
State	$506,343.2	$16,163.4	$522,506.6
Teachers	84,923.0	3,142.2	88,065.2
School	1,297.1	28.1	1,325.2
Police	1,504.3	48.0	1,552.3
Total	$594,067.6	$19,381.7	$613,449.3

Expected Cash Flows	Fiscal Year Ending June 30, 2008
State	$205,775.9
Teachers	47,385.1
School	361.8
Police	6,128.8
Total	$259,651.6

Valuation Results

Calculation of Annual Required Contribution
Included Agencies

(Thousands)

Level Dollar Amortization	July 1, 2007
1. Unfunded Actuarial Accrued Liability (UAAL)	$12,086,493.6
2. Amortization of UAAL over 30 years	672,079.9
3. Normal cost at beginning of year	613,449.3
4. Interest on 2. and 3. for fiscal year	51,421.2
5. Annual Required Contribution (2. + 3. + 4)	$1,336,950.4

Level Percentage of Pay Amortization	July 1, 2007
1. Unfunded Actuarial Accrued Liability (UAAL)	$12,086,493 6
2. Amortization of UAAL over 30 years	461,854.5
3. Normal cost at beginning of year	613,449.3
4. Interest on 2. and 3 for fiscal year	43,012.1
5. Annual Required Contribution (2. + 3. + 4.)	$1,118,315.9

Supplemental Information

The remainder of the report includes information supporting the results presented in the previous section.

- **Participant data** presents and describes the participant data used in the valuation.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.

Participant Data

Statistics for Active Participants – Included Agencies

	Under Age 65	Age 65 and Over	Total
State			
Count	54,878	1,278	56,156
Average Age	44.7	69.4	45.2
Average Service	9.2	14.1	9.3
Teachers			
Count	11,141	618	11,759
Average Age	46.0	68.9	47.2
Average Service	12.2	29.2	13.1
Schools			
Count	138	4	142
Average Age	48.4	67.4	48.9
Average Service	14.4	37.4	15.0
Police			
Count	106	0	106
Average Age	42.9	0.0	42.9
Average Service	1.8	0.0	1.9

Statistics for Inactive Participants

Retirees and Widows

	Under Age 65	Age 65 and Over	Total
Count	11,982	22,090	34,072
Average Age	58.7	75.7	69.7

Spouses

	Under Age 65	Age 65 and Over	Total
Count	7,858	9,750	17,608
Average Age	57.4	74.3	66.7

Participant Data

Participant Data Disclaimers

Actual benefit liabilities will ultimately be determined by actual participant employment dates and salary levels. To the extent this participant data is different than the assumptions provided in this section, actual liabilities and costs will differ from the amounts disclosed in this report.

The following data assumptions were made for the valuation.

Date of Hire

Dates of hire were provided with the pension systems data. A State payroll file from ISIS HR provided a "beginning date in agency" field which was used for those participants not included in any pension system. The remaining dates of hire were estimated as follows:

Active Participants, Included Agencies, University: Average age at hire for employees in an included agency affiliated with a State University was set equal to age 35 years and 5 months which is the average age at hire of university employees reported with the pension systems. The assumed dates of hire were capped at July 1, 2007.

Active Participants, Included Agencies, Non-University: Average age at hire for employees who are in an included agency but are not part of a University was set equal to age 32 years and 6 months. This age was calculated as the average age at hire of the following groups:

- Age at date of hire provided in the data from the pension systems.
- For those not reported with a pension system, the age at "beginning date in agency" from ISIS HR if such beginning date was before January 1, 2000.

The assumed dates of hire were capped at January 1, 2000.

Annual Salary

Annual salary amounts were provided with the pension systems data and a State payroll file from ISIS HR. The remaining annual salary amounts were estimated as follows:

Active Participants, Included Agencies, University: Average pay for employees who were reported in the pension system data or the ISIS HR data file is $42,052. Annual salary for employees not reported in either file was set equal to this amount.

Active Participants, Included Agencies, Non-University: Average pay for employees who were reported in the pension system data or the ISIS HR data file is $44,722. Annual salary for employees not reported in either file was set equal to this amount.

Employee Group

Participants reported as State, Teacher, Schools, or Police in the pension system were treated as such. Participants who were not reported with a pension system were assumed to be in the same group as the majority of other participants in the same agency.

Participant Data

Data Assumptions by Included Agency

Agency	Name	# of Actives	Salary Assumption	% Salary Assumption	Date of Hire Assumption	% Date of Hire Assumption
3651	AMITE RIVER BASIN COMMISSION	2	0	0%	0	0%
1105	ARCHITECTURAL EXAMINERS	2	0	0%	0	0%
3640	ATCHAFALAYA LEVEE DISTRICT	59	6	10%	3	5%
8405	AVOYELLES CORR INSTITUTE	249	0	0%	0	0%
8643	BATON ROUGE COMMUNITY COLLEGE	202	61	30%	51	25%
4008	BD OF EXAM NURSING HOME ADM	4	1	25%	1	25%
8666	BESE-DIV OF ADMINISTRATION	16	0	0%	0	0%
4003	BOARD OF BARBER EXAMINERS	6	0	0%	0	0%
4005	BOARD OF C P A S	6	0	0%	0	0%
4020	BOARD OF PHYSICAL EXAMINERS	1	0	0%	0	0%
4024	BOARD OF PRIVATE INVESTIGATOR EXAMINERS	2	0	0%	0	0%
8671	BOARD OF REGENTS	65	0	0%	0	0%
8620	BOARD OF SUPERVISORS FOR THE U	20	2	10%	2	10%
8126	BOARD OF TAX APPEALS	2	0	0%	0	0%
4017	BOARD PRACTICAL NURSE EXAM	8	0	0%	0	0%
8644	BOSSIER COMMUNITY COLLEGE	249	80	32%	66	27%
3642	CADDO LEVEE DISTRICT	12	1	8%	1	8%
8302	CAPITAL AREA HUMAN SERVICES	236	8	3%	5	2%
8331	CENTRAL LA STATE HOSPITAL	445	6	1%	2	0%
8796	CENTRAL REGIONAL LAUNDRY	6	0	0%	0	0%
8808	CENTREX REV FUND	84	0	0%	0	0%
1104	CERTIFIED SHORTHAND BOARD	1	0	0%	0	0%
6322	CHARITY HOSP OF NEW ORLEANS	1 095	127	12%	85	8%
8554	CIVIL SERVICE - ADMIN LAW	22	1	5%	0	0%
8165	COMMISSIONER OF INSURANCE	238	3	1%	3	1%
4006	CONTRACTORS LICENSING BOARD	54	4	7%	3	6%
8406	CORRECTIONAL INST FOR WOMEN	191	1	1%	0	0%
8415	CORRECTIONS PROBATION & PAROLE	645	1	0%	1	0%
304	COURT OF APPEAL 2ND CIRCUIT	44	8	18%	8	18%
308	COURT OF APPEALS 4TH CIRCUIT	67	15	22%	14	21%
309	COURT OF APPEALS 5TH CIRCUIT	55	17	31%	16	29%
302	COURT OF APPEALS FIRST CIRCUIT	79	27	34%	23	29%
307	COURT OF APPEALS THIRD CIRCUIT	72	20	28%	18	25%
8259	DED-BOARD OF COSMETOLOGY	19	0	0%	0	0%
8254	DED-LA STATE RAC COMM	35	3	9%	3	9%
8255	DED-OFFICE OF FIN INST	101	2	2%	1	1%
8251	DED-OFFICE OF SECRETARY	28	2	7%	1	4%
8641	DELGADO JUNIOR COLLEGE	519	161	31%	139	27%
8160	DEPARTMENT OF AGRICULTURE	834	23	3%	17	2%
8400	DEPARTMENT OF CORRECTIONS	170	18	11%	19	11%
8678	DEPARTMENT OF EDUCATION	499	7	1%	3	1%
8699	DEPARTMENT OF EDUCATION	153	5	3%	2	1%
8806	DEPT OF ADMIN-PROPERTY CONTROL	31	0	0%	1	3%
8261	DEPT OF CULTURE & TOURISM	43	0	0%	0	0%
8475	DEPT OF LABOR-OWCA	113	0	0%	0	0%
8474	DEPT OF LABOR-PERSONNEL	692	14	2%	8	1%
8440	DEPT OF REVENUE & TAXATION	719	13	2%	7	1%
8276	DEPT OF TRANSPORTAION & DEV - ENGINEERING & OPER	3 637	18	0%	12	0%
701	DEPT OF TRANSPORTATION & DEV	70	66	94%	57	81%
8273	DEPT OF TRANSPORTATION & DEVELOPMENT-ADMIN	243	5	2%	0	0%
8275	DEPT OF TRANSPORTATION & DEVELOPMENT-WORKS	76	0	0%	0	0%
8130	DEPT OF VETERAN AFFAIRS	72	2	3%	1	1%
8134	DEPT OF VETERAN AFFAIRS	67	1	1%	1	1%
8132	DEPT VET AFFAIRS NORTHEAST	79	0	0%	0	0%
8853	DEQ ENVIRONMENTAL ASSESSMENT	227	0	0%	0	0%
8851	DEQ ENVIRONMENTAL COMPLIANCE	242	1	0%	0	0%
8852	DEQ ENVIRONMENTAL SERVICES	188	0	0%	0	0%
8855	DEQ FINANCIAL SERVICES	119	0	0%	0	0%
8850	DEQ-OFFICE OF SECRETARY	68	5	7%	5	7%
8303	DEVELOPMENTAL DISABILITIES	8	1	13%	0	0%

Data Assumptions by Included Agency *(continued)*

Agency	Name	# of Actives	Salary Assumption	% Salary Assumption	Date of Hire Assumption	% Date of Hire Assumption
8305	DHH MEDICAL VEN ADM	1,114	7	1%	4	0%
8351	DHH SUBSTANCE ABUSE	386	8	2%	6	2%
8307	DHH-OFF OF SEC MGT FIN	358	8	2%	5	1%
300	DISTRICT JUDGES ADM	5	0	0%	0	0%
8107	DIVISION OF ADMINISTRATION	610	6	1%	4	1%
8409	DIXON CORRECTIONAL INSTITUTE	420	0	0%	0	0%
8431	DNR - OFFICE OF SECRETARY	80	1	1%	0	0%
8434	DNR MINERAL RESOURCES	60	0	0%	0	0%
8401	DPS & CORRECTIONS LCIS	254	8	3%	4	2%
8402	DPS & CORRECTIONS LSP	1,167	2	0%	0	0%
8403	DPS & CORRECTIONS LTI-JRDC	854	14	2%	10	1%
8421	DPS ABC PAYROLL	9	0	0%	0	0%
8418	DPS MGMT & FINANCE PAYROLL	189	3	2%	0	0%
8419	DPS STATE POLICE PAYROLL	1,462	13	1%	11	1%
8423	DPS-OFF MGMT &D	2	0	0%	0	0%
8422	DPS OFFICE OF FIRE MARSHALL	136	2	1%	1	1%
8355	DSS-OFFICE OF FAMILY SUPPORT	2,239	24	1%	9	0%
8374	DSS-REHAB SERVICES	322	5	2%	3	1%
8312	E A CONWAY MEMORIAL HOSPITAL	656	44	7%	27	4%
1967	E P NUNEZ COMMUNITY COLLEGE	77	18	23%	11	14%
8313	EARL K LONG MEMORIAL HOSPITAL	789	58	7%	39	5%
8332	EAST LA STATE HOSPITAL	1,153	14	1%	7	1%
8791	EAST LA STATE HOSPITAL-LAUNDRY	8	0	0%	0	0%
8413	ELAINE HUNT CORRECTIONAL	463	3	1%	2	0%
3645	FIFTH LA LEVEE DISTRICT	5	0	0%	0	0%
8829	FLIGHT MAINTENANCE	3	0	0%	0	0%
8301	FLORIDA PARISHES HUMAN SERVICE	128	0	0%	0	0%
8661	GOV SPEC COMM EDUC SERVICES	106	0	0%	0	0%
8101	GOVERNOR'S COMM INDIAN AFFAIRS	1	0	0%	0	0%
8623	GRAMBLING STATE UNIVERSITY	556	154	28%	123	22%
1512	GREATER B R PORT COMMISSION	30	3	10%	2	7%
5000	GROUP BENEFITS-DIRECT BILL	9	6	67%	6	67%
8314	HUEY P LONG MEMORIAL HOSPITAL	350	32	9%	20	6%
8300	JEFF PARISH HUMAN SVCS AUTH	167	4	2%	0	0%
100	JUDICIAL ADMIN OFFICE	2	0	0%	0	0%
8321	L J CHABERT MEDICAL CENTER	551	44	8%	21	4%
4045	LA BD CERTIFIED SOCIAL WORKERS	2	0	0%	0	0%
1109	LA BD OF CHIROPRACTIC EX	1	0	0%	0	0%
1112	LA BD SPEECH LANG PATH & AUDIO	2	2	100%	2	100%
4015	LA BOARD OF MASSAGE THERAPY	1	0	0%	0	0%
4019	LA BOARD VETERINARY MEDICINE	1	0	0%	0	0%
8560	LA CIVIL SERVICE DEPARTMENT	82	1	1%	1	1%
8562	LA CIVIL SERVICE DEPARTMENT	15	0	0%	0	0%
7706	LA COMM & TECH COLL SYS - ALEXANDRIA AREA	124	6	5%	1	1%
7702	LA COMM & TECH COLL SYS - BATON ROUGE AREA	109	10	9%	3	3%
7703	LA COMM & TECH COLL SYS - BAYOU AREA	97	11	11%	5	5%
7709	LA COMM & TECH COLL SYS - HAMMOND AREA	94	13	14%	9	10%
7704	LA COMM & TECH COLL SYS - LAFAYETTE AREA	193	17	9%	7	4%
7708	LA COMM & TECH COLL SYS - MONROE AREA	101	14	14%	4	4%
7701	LA COMM & TECH COLL SYS - NEW ORLEANS AREA	29	1	3%	4	14%
7707	LA COMM & TECH COLL SYS - SHREVEPORT AREA	126	8	6%	2	2%
8648	LA COMM & TECH COLLEGE SYSTEM	3	3	100%	3	100%
8129	LA COMM LAW ENFORCEMENT	40	1	3%	1	3%
8649	LA COMM/TECH COLLEGE SYSTEM	52	9	17%	9	17%
7700	LA COMMUNITY & TECHNICAL COLLEGE SYSTEM	11	4	36%	3	27%
8647	LA DELTA COMMUNITY COLLEGE	45	7	16%	7	16%
8662	LA EDUCATIONAL TV AUTHORITY	76	1	1%	0	0%
8807	LA FED PROP ASSIST AGENCY	11	1	9%	0	0%
6601	LA HOUSING FINANCE	106	7	7%	6	6%

Data Assumptions by Included Agency *(continued)*

Agency	Name	# of Actives	Salary Assumption	% Salary Assumption	Date of Hire Assumption	% Date of Hire Assumption
8105	LA MANUFACTURED HOUSING COMM	6	0	0%	0	0%
4014	LA MOTOR VEHICLE COMMISSION	12	0	0%	0	0%
9868	LA NAVAL WAR MEMORIAL	6	6	100%	6	100%
8605	LA PROPERTY ASSISTANCE	43	1	2%	0	0%
8158	LA PUBLIC SERVICE COMMISSION	92	0	0%	0	0%
8657	LA SCH OF MATH SCIENCE & ARTS	93	1	1%	0	0%
8655	LA SPECIAL EDUCATION CENTER	142	0	0%	0	0%
4044	LA ST BD WHOLESALE DRUG DIST	3	0	0%	0	0%
8651	LA ST SCH FOR VISUAL IMPAIRED	61	0	0%	0	0%
4004	LA STATE BOARD OF DENTISTRY	6	0	0%	0	0%
4009	LA STATE BOARD OF EMBALMERS	4	0	0%	0	0%
4016	LA STATE BOARD OF NURSING	29	1	3%	0	0%
8600	LA STATE GROUP BENEFITS	306	3	1%	3	1%
205	LA STATE LAW INSTITUTE	9	1	11%	0	0%
8653	LA STATE SCHOOL FOR DEAF	206	3	1%	3	1%
1205	LA TAX FREE SHOPPING COMM	2	1	50%	1	50%
8625	LA TECH UNIV-PERSONNEL OFFICE	860	354	41%	320	37%
827	LA USED MOTOR COMMISSION	19	3	16%	1	5%
8131	LA WAR VETERANS HOME	82	0	0%	0	0%
3646	LAFOURCHE LEVEE DISTRICT	32	32	100%	32	100%
3647	LAKE BORGNE LEVEE DISTRICT	29	2	7%	1	3%
8317	LALLIE KEMP CHARITY HOSPITAL	301	41	14%	28	9%
8731	LE FLETCHER TECHNICAL COMMUNIT	66	8	12%	5	8%
415	LEG BUDGETARY CONTROL	3	0	0%	0	0%
8954	LEGISLATIVE AUDITOR	195	16	8%	6	3%
8955	LEGISLATIVE FISCAL OFFICE	16	1	6%	0	0%
8308	LHCA	142	21	15%	13	9%
1107	LOUISIANA BOARD OF PHARMACY	12	0	0%	0	0%
4038	LOUISIANA CEMETERY BOARD	2	0	0%	0	0%
8110	LOUISIANA RECOVERY AUTHORITY	24	1	4%	1	4%
8441	LOUISIANA TAX COMMISSION	32	1	3%	0	0%
4011	LPC BOARD OF EXAMINERS	2	0	0%	0	0%
1901	LSU - BATON ROUGE	6,281	2873	46%	2595	41%
8604	LSU - MEDICAL CENTER	3,465	1177	34%	1062	31%
8606	LSU - SHREVEPORT	292	141	48%	132	45%
1904	LSU MED SCHOOL - NEW ORLEANS	2,461	1509	61%	1438	58%
8146	LT GOVERNOR-DEPT CRT PR	18	2	11%	2	11%
8674	LUMCON	48	5	10%	5	10%
8627	MCNEESE STATE UNIVERSITY	587	234	40%	223	38%
8330	MENTAL HEALTH BIN 28	153	7	5%	6	4%
8103	MENTAL HEALTH ADVOCACY S	13	0	0%	0	0%
8304	METROPOLITAN HUMAN SERVICES DI	120	1	1%	2	2%
8112	MILITARY DEPT-ST OF LA	392	2	1%	3	1%
8561	MUNICIPAL FIRE & POLICE	17	0	0%	0	0%
8621	NICHOLLS STATE UNIVERSITY	596	193	32%	169	28%
8673	NO CENTER FOR CREATIVE ARTS	49	2	4%	2	4%
8629	NORTHEAST LA UNIVERSITY	898	398	44%	368	41%
8135	NORTHWEST LA WAR VETERAN HOME	27	1	4%	0	0%
8631	NORTHWESTERN STATE UNIVERSITY	683	247	36%	226	33%
1502	NOTARIAL RECORDS CUST	17	0	0%	2	12%
8435	NR COASTAL RESTORATION	142	0	0%	0	0%
8340	OFFICE FOR CITIZENS WITH DEV D	2,606	29	1%	15	1%
8113	OFFICE LIFETIME LEARNING	8	0	0%	0	0%
8320	OFFICE OF AGING AND ADULT SERVICES	418	6	1%	25	6%
8141	OFFICE OF ATTORNEY GENERAL-M/F	399	3	1%	3	1%
8810	OFFICE OF CAFETERIA DIVISION	8	0	0%	0	0%
8370	OFFICE OF COMM SVCS-DSS	1,493	12	1%	4	0%
8252	OFFICE OF COMMERCE & INDUSTRY	49	0	0%	0	0%
8432	OFFICE OF CONSERVATION	157	1	1%	1	1%

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Data Assumptions by Included Agency *(continued)*

Agency	Name	# of Actives	Salary Assumption	% Salary Assumption	Date of Hire Assumption	% Date of Hire Assumption
8133	OFFICE OF ELDERLY AFFAIRS	50	0	0%	0	0%
8111	OFFICE OF HOMELAND SECURITY & RECOVERY	182	9	5%	3	2%
8425	OFFICE OF HWY SAFETY COMM	9	0	0%	0	0%
8424	OFFICE OF LIQUID PETRO GAS	12	1	8%	1	8%
8265	OFFICE OF PROGRAM DEVELOPMENT	48	1	2%	1	2%
8604	OFFICE OF RISK MANAGEMENT	112	0	0%	0	0%
8357	OFFICE OF SECRETARY	292	1	0%	2	1%
8262	OFFICE OF STATE LIBRARY	54	0	0%	0	0%
8263	OFFICE OF STATE MUSEUM	58	0	0%	0	0%
8264	OFFICE OF STATE PARKS	264	0	0%	0	0%
8100	OFFICE OF THE GOVERNOR	85	2	2%	2	2%
414	OFFICE OF THE SPEAKER	274	98	36%	87	32%
8267	OFFICE OF TOURISM	57	0	0%	0	0%
8420	OFFICE OF VEHICLE REGISTRATION	658	6	1%	5	1%
8114	OFFICE OF WOMENS SERVICES	5	0	0%	0	0%
8108	PATIENT COMP'SION BD/DA	36	0	0%	0	0%
3649	PONTCHARTRAIN LEVEE DISTRICT	52	6	12%	2	4%
8811	PRISON ENTERPRISES	63	2	3%	1	2%
4023	PROF ENG & LAND SURVEY	9	0	0%	0	0%
8326	PUBLIC HEALTH	1,413	16	1%	8	1%
1106	REAL ESTATE COMMISSION	18	1	6%	0	0%
8682	RECOVERY SCHOOL DISTRICT	777	5	1%	3	0%
3650	RED RIVER ATCH & BOEUF	24	2	8%	2	8%
8646	RIVER PARISHES COMM COLLEGE	36	19	53%	18	50%
8813	SABINE RIVER AUTHORITY	30	0	0%	0	0%
1801	SCHOOL EMPLOYEES RETIREMENT SYSTEM	41	0	0%	0	0%
8139	SECRETARY OF STATE	436	6	1%	7	2%
8645	SOUTH LA COMMUNITY COLLEGE	43	18	42%	17	40%
3643	SOUTH LAFOURCHE LEVEE DISTRICT	15	2	13%	2	13%
8333	SOUTHEAST LA HOSPITAL	541	3	1%	7	1%
8136	SOUTHEAST LA WAR VETERAN HOME	39	0	0%	0	0%
8634	SOUTHEASTERN LA UNIVERSITY	1,055	366	34%	328	31%
8616	SOUTHERN UNIVERSITY - B R	1,246	269	22%	206	17%
8617	SOUTHERN UNIVERSITY - N O	226	62	27%	43	19%
8618	SOUTHERN UNIVERSITY-SHREVEPORT	172	53	31%	41	24%
8751	SOWELA TECHNICAL COMMUNITY COL	92	6	7%	3	3%
5001	SPONSOR DEPENDENT-DIRECT BILL	5	5	100%	5	100%
9901	SSD#1-LAFOURCHE PARISH	21	1	5%	0	0%
4012	STATE BOARD OF MED EXAMINERS	41	4	10%	2	5%
1803	STATE EMPL RETIREMENT SYSTEM	122	7	6%	4	3%
4010	STATE PLUMBING BOARD	7	1	14%	1	14%
8563	STATE POLICE COMM C-S/DA	3	0	0%	0	0%
8587	STATE POLICE RETIRE SYSTEM	6	2	33%	2	33%
8790	STATE POLICE TRAINING ACADEMY	36	1	3%	1	3%
413	STATE SENATE	152	32	21%	25	16%
8147	STATE TREASURER'S OFFICE	67	1	1%	1	1%
301	SUPREME COURT OF LA	92	44	48%	40	43%
8586	TEACHERS RETIREMENT SYSTEM	138	7	5%	3	2%
8315	UNIVERSITY MEDICAL CENTER	666	51	8%	29	4%
8603	UNIVERSITY OF NEW ORLEANS	1,210	603	50%	550	45%
8640	UNIVERSITY OF SOUTHWEST LA	1 348	479	36%	439	33%
507	W I IRBY TRUST FUND	14	1	7%	0	0%
8414	WADE CORRECTIONAL CENTER	393	1	0%	2	1%
8316	WALTER O MOSS REG HOSPITAL	273	35	13%	22	8%
8416	WASHINGTON PARISH FACILITY	255	3	1%	0	0%
8318	WASHINGTON ST TAMMANY CHARITY	368	42	11%	32	9%
3655	WEST JEFFERSON LEVEE DISTRICT	32	3	9%	2	6%
8511	WILDLIFE & FISHERIES	72	0	0%	0	0%
8512	WILDLIFE & FISHERIES	256	8	3%	5	2%
8513	WILDLIFE & FISHERIES	191	0	0%	0	0%
8514	WILDLIFE & FISHERIES	181	0	0%	0	0%
8412	WORK TRAINING FACILITY/NORTH	113	0	0%	0	0%
Total		68,163	10958	16%	9618	14%

Actuarial Basis

Funding Policy

The post-retirement medical insurance benefits are currently funded on a pay-as-you-go basis. The State currently funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide post-retirement benefits.

Accounting Policies

Based on the revenues of the State of Louisiana Office of Group Benefits, we expect that GASB 45 is effective for the fiscal year beginning July 1, 2007. The results shown in this report represent the anticipated accounting policy once GASB 45 is applied. Prospective application of GASB 45 has been assumed.

The unfunded actuarial liability is shown using both a level dollar amount and a level percent of pay over an amortization period of 30 years in developing the annual required contribution. This is the maximum amortization period allowed by GASB 45.

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. Thus, the total value of the benefit to which each participant is expected to become entitled, is broken down into units, each associated with a year of past or future credited service.

Valuation Procedures

- **Financial and census data:** We used participant data as supplied by the Office of Group Benefits, the State Payroll System and the various State Defined Benefit Pension Plans. This information would customarily not be verified by a plan's actuary. We have reviewed the information for internal consistency, and we have no reason to doubt its substantial accuracy. Data assumptions are detailed in the participant data section.

- **Claims data:** The per member claim projections were based on medical and prescription drug claim utilization incurred from July 1, 2006 through June 30, 2007. Claims were segregated by plan and by non-Medicare retirees and Medicare retirees. IBNR factors developed from historical, plan-specific claim data were applied to estimate ultimate claims incurred. Claims were trended to July 1, 2007 through June 30, 2008 using the following annual trend assumptions:

	Pre Medicare	Medicare Eligible
Medical	9%	7%
Prescription Drug	14%	14%

United Behavioral Health cost was based on the actual capitation rates to be charged and administrative costs were based actual vendor fees for the period in question.

Total projected claim costs were determined by combining the above components.

Actuarial Basis

Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan.

Discount rate 4.00% per annum net of expenses.

Health care cost trend rates The trend rates of incurred claims represent the rate of increase in employer claim payments:

Medical and Drug Annual Rates of Increase

Fiscal Year	Pre-Medicare	Medicare-Eligible
2007	9.5%	10.6%
2008	9.0%	10.1%
2009	8.5%	9.6%
2010	8.0%	9.1%
2011	7.5%	8.6%
2012	7.0%	8.1%
2013	6.5%	7.6%
2014	6.0%	7.1%
2015	5.5%	6.6%
2016	5.4%	6.3%
2017	5.3%	6.0%
2018	5.2%	5.8%
2019	5.1%	5.5%
2020	5.0%	5.3%
2021+	5.0%	5.0%

Annual age-65 per capita medical claims cost

Year Ending June 30, 2008

Plan	Pre-Medicare	Medicare-Eligible
OGB PPO	$10,191	$2,934
Humana HMO	10,078	4,274
United EPO	13,492	3,362
ASI Tricare	10,191	2,934
Medicare Advantage		
Humana FFS	N/A	2,136
Humana HMO	N/A	1,680

Aging

Sample Ages	Medical Annual Increases
Under 21	0.5%
21 - 30	2.0%
31 - 40	3.0%
41 - 60	4.0%
61 - 70	3.0%
71 - 80	2.0%
81 - 90	1.0%
90+	0.1%

Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Salary Scale	5% per annum
Payroll Growth	3% per annum
Retiree contribution increases	Retiree medical contributions are assumed to increase at the same rates as incurred claims. We assume a constant cost sharing in plan design between employer and employees.
Mortality	RP 2000 Mortality Table for males and females, combined healthy, no collar, with mortality improvements projected to 2007. Sample rates are as shown below.

Age	Male	Female
20	000302	000171
25	.000350	.000188
30	000429	.000246
35	000746	.000440
40	.001020	.000635
45	001376	.001004
50	001883	.001486
55	.003169	.002568
60	.006027	.004881
65	.011540	009371

Withdrawal

Assumptions differ by employment group. Rate at sample ages are as follows:

Age	State	Teachers	Schools	Police
20	0.210	0.100	0.160	0.030
25	0.160	0.070	0.075	0 030
30	0.120	0.080	0.065	0 030
35	0.090	0.050	0.055	0.020
40	0.050	0.030	0.035	0.020
45	0.030	0.020	0.030	0.010
50	0.030	0.020	0.020	0.010
55	0.020	0 020	0 016	0.010
60	0.020	0.020	0 016	0.010
65	0 020	0.020	0.020	0.000

Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Disability

Assumed rates of disability as shown in table below:

Age	Rate
20	0.0003
25	0.0004
30	0.0006
35	0.0010
40	0.0016
45	0.0026
50	0.0045
55	0.0085
60	0.0120
65	0.0154

Retirement rates

Assumptions differ by employment group and date of plan participation as shown in the tables below:

Age	State	Teachers	Schools	Police
45	0.000	0.030	0.000	0.150
50	0.350	0.030	0.600	0.200
55	0.350	0.230	0.400	0.350
60	0.260	0.260	0.350	0.500
65	0.360	0.330	0.300	1.000
70	0.250	0.360	0.200	1.000
75	1.000	1.000	1.000	1.000

Marital status

- Percentage married at retirement
  - Males.....40%
  - Females.....40%
- Age difference of spouses: Males are assumed to be 3 years older than females.

Medical plan participation

100% of future retirees are assumed to elect medical coverage.

100% of married participants are assumed to elect coverage for their spouse.

Life Insurance plan participation

100% of future retirees are assumed to elect life insurance coverage.

Administrative expenses

Included in the per-capita claims cost.

Valuation date

July 1, 2007

Actuarial Basis

Summary of Plan Provisions

Eligibility

A participant eligible for retiree benefits if they meet the retirement eligibility as defined in the subsequent retirement systems.

Retirees electing medical coverage must have been covered by the active medical plan immediately prior to retirement.

Medical Benefits

Retirees have a choice between the OGB PPO, Humana HMO and United EPO.

Retirees post-Medicare also can chose the Human FFS Medicare Advantage Plan or the Humana HMO Medicare Advantage Plan. The Human HMO MAPD is only available in certain parishes.

	PPO	EPO	HMO
Office Visits	$300 deductible per person per plan year	$15 PCP, $25 Specialist	$15 PCP, $25 Specialist
	After deductible, 90% of in-network eligible expenses paid. 80% paid after Medicare pays primary	Once a member is covered by Medicare, plan pays 80% of MC Coinsurance/ deductible	
Lifetime Maximum	$5,000,000	$5,000,000	$5,000,000
Emergency Room	$150 deductible unless hospitalized immediately following ER treatment	$100 Copay, waived if admitted Then inpatient copay applies	$100 Copay, waived if admitted. Then inpatient copay applies
Inpatient Hospital	$50 deductible per day , max of 5 days per admission	$100 per day, maximum of $300 per admission	$100 per day, maximum of $300 per admission
Prescription Drugs	Member pays 50%, max of $50 per 30-day fill.	Member pays 50%; max of $50 per 30-day fill.	Member pays 50%; max of $50 per 30-day fill.
	$1200 per person per plan year out of pocket threshold. Once this is reached. $0 copay for generic, $15 copay for brand	$1200 per person per plan year out of pocket threshold Once this is reached, $0 copay for generic, $15 copay for brand	$1200 per person per plan year out of pocket threshold. Once this is reached, $0 copay for generic, $15 copay for brand

Actuarial Basis

Summary of Plan Provisions *(continued)*

	Medicare Advantage Plans	
	Humana FFS	**Humana HMO**
Office Visits	$15 copay PCP $30 copay specialist	$5 copay PCP $20 copay specialist
Emergency Room	20% up to $50 out-of-pocket	100% paid after $50 copay
Inpatient Hospital	100% after $180 copay per day for first 5 days	100% paid after $25 copay per day for first 5 days
Prescription Drugs - Retail		
Level One	$5 (low cost generic & brand)	$0 (low cost generic & brand)
Level Two	$35 (higher cost generic & brand	$20 (higher cost generic & brand
Level Three	$60 (high cost, brand name, and some self-injectables	$40 (high cost, brand name, and some self-injectables
Level Four	25% (high technology drugs and self-injectables not available at other levels	25% (high technology drugs and self-injectables not available at other levels
Prescription Drugs - Mail Order		
Level One	$15	$0
Level Two	$105	$60
Level Three	$180	$120
Level Four	25%	25%

Surviving Spouse Continuation Provisions

Surviving spouses are eligible to continue coverage.

Life Insurance Benefit

Basic life insurance is available in the following amounts:

	Amount
Until age 65	$5,000
Ages 65-70	$4,000
After age 70	$3,000

Additional supplemental life insurance based on pay at retirement available.

Spouse life insurance amounts of $1,000 and $5,000 available.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Monthly Premiums

Employees hired before January 1, 2002 pay approximately 25% of the cost of coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Total annual per capita medical contribution rates for 2007-2008 are shown in the table below:

Employees hired on or after January 1, 2002 pay a percentage of the total contribution rate based on the following schedule:

Service	Contribution Percentage
Under 10 years	81%
10-14 years	62%
15-19 years	44%
20+ years	25%

Total Premium Rates are as follows:

				Medicare Advantage Plans	
	PPO	EPO	HMO	Humana FFS	Humana HMO
Active					
Single	523 00	543 96	502 12	N/A	N/A
With Spouse	1,110 88	1,155 32	1,066 44	N/A	N/A
With Children	637 88	663 40	612 36	N/A	N/A
Family	1,171 56	1,218.44	1,124 72	N/A	N/A
Retired No Medicare & Re-employed Retiree					
Single	973.00	1,011 88	934 08	N/A	N/A
With Spouse	1 718.12	1,786 84	1,649 36	N/A	N/A
With Children	1,083 80	1,127.12	1,040 48	N/A	N/A
Family	1,709.84	1,778.24	1,641.44	N/A	N/A
Retired with 1 Medicare					
Single	316 40	329 04	303.72	176.00	138 00
With Spouse	1,169.04	1,215 80	1,122.24	N/A	N/A
With Children	547.64	569 56	525.76	N/A	N/A
Family	1,557 68	1,619 96	1,495 32	N/A	N/A
Retired with 2 Medicare					
With Spouse	568.72	591.44	545 96	352 00	276 00
Family	704.16	732.32	676 00	N/A	N/A

All members who retire on or after July 1, 1997 must have Medicare Parts A and B in order to qualify for the reduced premium rates

Life Insurance Premiums

- Retiree pays 50 cents for each $1,000 of life insurance.
- Retiree pays 88 cents for each $1,000 of spouse life insurance.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Cost Sharing Provisions

It is assumed for the purposes of this valuation that the State of Louisiana will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting the benefit provisions, contributions, or both.

Click here for the Included Agencies Results by Agency spreadsheets