

Hall Actuarial Associates

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September 24, 2004

Board of Trustees
LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM

Post Office Box 44516
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Ladies and Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Louisiana School Employees' Retirement System as of June 30, 2004.

This report has been prepared in accordance with generally accepted actuarial principles and practices and to the best of my knowledge, fairly reflects the actuarial present value of accrued benefits of the Louisiana School Employees' Retirement System.

In preparing this valuation, I have relied upon the information provided regarding plan provisions, plan membership, plan assets and other matters as detailed in the exhibits of this report. In particular, I have relied upon the statement of assets as provided by Duplantier, Hrapmann, Hogan & Maher; Certified Public Accountants.

The present values shown herein have been estimated on the basis of actuarial cost method specified in Louisiana Revised Statutes Title 11 Section 22(5). The Actuarial Assumptions, which have been approved by the Board of Trustees, are appropriate for the purposes of this valuation; are reasonable in the aggregate, and when applied in combination represents my best estimates of the anticipated experience under the plan.

Board of Trustees
September 24, 2004

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

	<u>June 30, 2004</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2003</u>	<u>June 30, 2002</u>
I. Membership Census			
1) Retirees	10,773	10,068	9,702
2) Actives	14,212	14,486	14,638
3) DROP	784	792	796
II. Annual Benefits	\$ 92,592,384	\$ 87,990,540	\$ 84,202,836
III. Total Payroll	259,698,299	268,656,243	258,876,355
IV. Valuation Assets	1,381,153,880	1,369,601,530	1,433,859,734
V. Investment Yield			
Actuarial Value	5.44%	-.83%	-1.78% ¹
Market Value	12.05%	3.76%	-2.42% ¹
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	48,477,913 18.67%	49,881,086 18.56%	42,389,427 16.37%
VII. Unfunded Actuarial Accrued Liability	439,804,797	361,195,218	148,212,168
VIII. Funded Percentage	75.9%	79.1%	90.6%
IX. Funding Requirements to Pay (Mid-year Payment)			
1) Employee Contribution Rate	19,689,004 7.50%	20,373,583 7.50%	19,598,651 7.50%
2) Employer Contribution Rate - Current Year	45,553,547 17.4%	47,222,922 17.4%	28,989,602 11.1%
3) Projected Employer Contribution - Next Year	49,472,656 18.4%	52,424,018 18.8%	29,828,084 11.2%
X. Employer Credit Account	0	5,749,723	36,384,255

The above funding requirements measure the cost of benefits that were in effect on June 30, 2004, plus Act's of the 2004 Legislative Session which have prospective effects on the current active members.

¹The investment yields initially published have been restated.

Board of Trustees
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Current Funding

The Actuarial Valuation for the plan year ending June 30, 2004 discloses an increase in the plan's unfunded actuarial accrued liability. The system's current unfunded accrued liability increased from a prior year balance of \$361.2 million to the current deficit of \$439.8 million. It is generally appropriate for the current valuation process to disclose the source and cause of any significant changes in actuarial assumptions, gains or losses resulting from actual experience which differs significantly from expected plan experience.

The basic elements of the annual required contribution are the normal cost and amortization of the Unfunded Actuarial Liability (UAL). The normal cost is the annual cost to provide an additional year of benefit accrual. The normal cost is divided into two parts, the employee portion and the employer portion, both are expressed as a percentage of payroll. Act 81 of the 1988 Legislative Session provides for the amortization of the initial UAL, plus subsequent changes in benefits, methods or gain/loss experience.

To assist the Board of Trustees in reconciling changes in the unfunded actuarial accrued liability, the following gain/loss analysis is presented as follows:

CHANGE IN UNFUNDED LIABILITY

Unfunded Liability 6/30/2003		\$ 361,195,218
INCREASES		
Interest on Unfunded Liability	\$ 27,089,641	
Investment Loss	27,736,235	
Experience Loss	24,274,465	
Employer Shortfall Charge	<u>19,817,170</u>	
Incurred Increases	98,917,511	
DECREASES		
Amortization Payment	\$ <u>20,307,932</u>	
Incurred Decreases	20,307,932	
Unfunded Liability 6/30/2004		\$ 439,804,797
(Surplus)		

Board of Trustees
September 24, 2004

The Board of Trustees approved a five year Experience Study during the prior fiscal year. The adopted rates are subject to the Legislative Actuary's review and are utilized in this valuation. The new assumptions are illustrated in Exhibit 6. A copy of the Study dated March 14, 2003 can be obtained from the Retirement System Office.

The Constitution requires a minimum 6.00% employer contribution. Prior to 1992, the actuarially required employer contribution rate has been less than the 6.00% required minimum. Act 278 of the 1999 regular session provided for the establishment of an Employer Credit Account consisting of the accumulated excess employer contributions, which exceed the actuarially required employer rate. The account has been depleted and has a zero balance.

Funding

The initial projected employer contribution rate for the 2004-2005 plan year was 18.8%. Act 588's modification of the amortization schedules reduced the rate to 15.2%. PERSAC approved a projected employer contribution rate for the 2004-2005 plan year of 14.8%, over LSER's objections. The actual employer contribution rate determined for the current plan year is 17.4% which reflects the addition of the prior year experience loss. Experience losses added 1.6% to the current employer rate. There is an expected contribution shortfall for the current plan year since the current rate exceeds the PERSAC approved rate by 2.6%.

Disclosures

Exhibit 3, "Pension Accounting and Financial Disclosure", contains disclosure of the accrued liabilities under the Entry Age Normal Actuarial Cost Method required by the Governmental Accounting Standards Board Statement No. 25.

Finally, the actuarial disclosure form required by the Legislative Auditor's office makes specific provisions for the determination of whether or not a System is systematically approaching a targeted funding ratio. This 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 raise 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, 2004 the funding target is .98075, which is greater than the current .75848 funding ratio. Therefore, the Board is prohibited from entertaining a cost-of-living increase to retirees as required by statute.

The format of this report was designed with the intent of highlighting the pertinent results of the valuation's funding requirements. Should you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Charles G. Hall, FCA,MAAA,ASA
Consulting Actuary

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EXHIBIT 1

DEVELOPMENT
OF
COSTS, LIABILITIES AND CONTRIBUTIONS

Normal Costs and Accrued Liabilities are calculated in accordance with the Individual Entry Age Normal Actuarial Cost Method, and the Actuarial Assumptions outlined in Exhibit 6 based on the Provisions of the Plan as summarized in Exhibit 5.

	<u>June 30, 2004</u>		---Prior Year--- <u>June 30, 2003</u>	
	<u>Dollar Amount</u>	<u>% of Salary</u>	<u>Dollar Amount</u>	<u>% of Salary</u>
I. Normal Costs (to fund annual pension accruals)				
Active Members with Complete Data				
a) Retirement Benefits	\$ 36,107,918	13.90%	\$ 36,859,708	13.72%
b) Disability Benefits	2,750,949	1.06%	2,879,912	1.07%
c) Survivor Benefits	2,407,397	.93%	2,640,009	.98%
d) Voluntary Termination	4,611,649	1.78%	5,101,457	1.90%
e) Expenses	<u>2,600,000</u>	<u>1.00%</u>	<u>2,400,000</u>	<u>.89%</u>
TOTAL	48,477,913	18.67%	49,881,086	18.56%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 677,210,490		\$ 692,614,396	
2) Disability Benefits	24,402,384		25,894,258	
3) Survivor Benefits	17,713,779		18,832,659	
4) Voluntary Termination	<u>27,188,654</u>		<u>27,661,720</u>	
	746,515,307		765,003,033	
b) Retired and Inactive Members				
1) Regular Retirees	668,991,404		623,674,329	
2) Disabled Retirees	25,700,221		26,111,179	
3) Survivors	98,073,175		94,827,728	
4) Vested Deferred & Reciprocals	43,793,946		1,666,915	
5) Contributions Refunded	6,158,356		6,923,178	
6) DROP Deferred Benefits	179,802,043		165,481,678	
7) DROP Account Balances	<u>51,924,225</u>		<u>47,108,708</u>	
	1,074,443,370		965,793,715	
c) TOTAL	1,820,958,677		1,730,796,748	

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

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
II. Actuarial Accrued Liability		
TOTAL (Preceding page)	\$ 1,820,958,677	\$ 1,730,796,748
III. Assets	1,381,153,880	1,369,601,530
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	439,804,797	361,195,218
a) Change over prior year	78,609,579	212,983,050
b) Funded Percentage	75.85%	79.13%
V. Employer Contributions To Fund Current Plan Year ¹		
a) Employer Portion of Normal Cost	26,687,396	27,636,213
b) Amortization Payments	14,141,999	19,601,108
c) Previous Year (Short-fall)	<u>4,724,152</u>	<u>-14,399</u>
TOTAL Required Contribution	45,553,547	47,222,922
	17.4%	17.4%
Actuarial Forecast Rate	14.8%	11.2%
VI. Projected Employer Contributions To Fund Next Plan Year ¹		
a) Employer Portion of Normal Cost	27,362,224	28,366,610
b) Amortization Payments	15,699,252	20,483,158
c) Short-fall Charge	<u>6,411,180</u>	<u>3,574,250</u>
TOTAL Projected Contribution	49,472,656	52,424,018
	18.4%	18.8%
VII. Current Payroll	259,698,299	268,656,243
Projected Payroll - Mid Year	262,520,056	271,647,776
Projected Payroll - Next Year	269,158,236	278,827,152

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

EXHIBIT 2

FINANCIAL SUMMARY
STATEMENT OF REVENUES AND EXPENSES
FOR FISCAL YEAR ENDING

	<u>June 30, 2004</u>	-----Prior Years----- <u>June 30, 2003</u>	<u>June 30, 2002</u>
<u>OPERATING REVENUES:</u>			
1. Contribution Income			
Member	\$ 19,676,052	\$ 19,820,210	\$ 18,827,944
Employer	28,954,044	29,312,635	15,240,880
2. Other Income			
Legislative Appropriations	0	0	0
Transfers	204,178	0	610,107
Miscellaneous	0	0	15,260
TOTAL CONTRIBUTIONS	<u>48,834,274</u>	<u>49,132,845</u>	<u>34,694,191</u>
3. Investment Income			
Investments	160,803,612	52,488,183	-32,455,526
Less, Manager Fees	<u>-2,906,037</u>	<u>-2,362,111</u>	<u>-2,531,030</u>
TOTAL INVESTMENT INCOME	157,897,575	50,126,072	-34,986,556
4. Total Revenues	206,731,849	99,258,917	-292,365
<u>OPERATING EXPENSES:</u>			
1. General Administration	2,632,840	2,404,706	2,194,150
Other Expenses	149,796	163,662	172,121
Employer Credit Expense	7,013,573	29,253,899	15,134,981
2. Benefits Paid			
a) Pension Benefits	102,474,273	97,598,053	89,516,977
b) Return of Contrib.	3,866,339	2,420,242	1,992,256
c) Transfers Out	0	225,192	0
TOTAL BENEFITS PAID	<u>106,340,612</u>	<u>100,243,487</u>	<u>91,509,233</u>
3. Total Operating Expenses	116,136,821	132,065,754	109,010,485
<u>NET INCREASE:</u>	90,595,028	-32,806,837	-109,302,850

EXHIBIT 2 (Continued)
Financial Summary

FINANCIAL SUMMARY
STATEMENT OF ASSETS
FOR FISCAL YEAR ENDING

	<u>June 30, 2004</u>	-----Prior Years----- <u>June 30, 2003</u>	<u>June 30, 2002</u>
ASSETS:			
1. Short Term Assets			
Cash in Banks	\$ 6,533,638	\$ 13,294,279	\$ 4,807,269
Securities	94,889,434	134,008,164	71,001,982
2. Bonds (at amortized cost)			
Foreign Issues	647,245	0	5,755,282
Bonds - General	272,921,693	257,124,959	379,722,910
Corporate Issues	203,207,964	174,491,869	208,958,367
U.S. Government Obligations	87,526,266	97,611,243	78,163,387
3. Equities,			
Common Stock - Domestic	681,964,644	584,637,174	540,572,342
- Foreign	101,319,844	81,548,422	89,736,320
4. Real Estate	1,700,000	1,700,000	3,292,010
5. Property and Equipment	3,857,021	3,982,246	4,125,355
6. Receivables - Payables	<u>-19,781,952</u>	<u>-4,207,587</u>	<u>-9,137,618</u>
TOTAL ASSETS			
Market Value	1,434,785,797	1,344,190,769	1,376,997,606
Valued at Cost	1,319,499,757	1,303,077,674	1,362,994,638
INVESTMENT YIELD:			
Yield to Actuarial Value	5.44%	-.83%	-1.78% ¹
DROP Account Yield	4.94%	0.00%	0.00% ¹
Yield to Market Value	12.05%	3.76%	-2.42% ¹
EMPLOYER CREDIT ACCOUNT:			
Prior Year End Balance	5,906,266	36,384,255	55,565,376
+ Excess Added	0	0	0
- Contribution Credited	6,064,685	30,302,842	18,357,808
+ Accumulated Interest	158,419	-175,147	-823,313
Fund Balance - Year End	0	5,906,266	36,384,255
Actuarial Value of Assets:			
TOTAL ASSETS	1,434,785,797	1,344,190,769	1,376,977,606
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	-62,251,421	-82,155,646	-21,999,978
Plan Year - 1 (wt. 2/4)	27,130,127	-62,251,421	-82,155,646
Plan Year (wt. 3/4)	<u>74,172,945</u>	<u>27,130,127</u>	<u>-62,251,421</u>
Actuarial Value of Assets	1,381,153,880	1,375,507,796	1,470,243,989
Less, Employer Credit Account	0	-5,906,266	-36,384,255
Valuation Assets	1,381,153,880	1,369,601,530	1,433,859,734

¹The investment yields initially published have been restated.

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)
1995	986,376	908,811	- 77,565	108.5	205,467	- 37.8
1996	1,066,498	970,569	- 95,929	109.9	211,178	- 45.4
1997	1,173,453	1,067,252	-106,201	110.0	219,265	- 48.4
1998	1,344,551	1,142,253	-202,298	117.7	225,734	- 89.6
1999	1,464,041	1,213,230	-250,811	120.7	236,001	-106.3
2000	1,556,270	1,291,823	-264,447	120.5	241,128	-109.7
2001	1,516,236	1,472,423	- 43,814	103.0	249,674	- 17.5
2002	1,433,859	1,582,071	148,212	90.6	258,876	57.3
2003	1,369,601	1,730,796	361,195	79.1	268,656	134.4
2004	1,381,154	1,820,958	439,804	75.8	259,698	169.4

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$90,161,929 from June 30, 2003 to June 30, 2004. From all sources there was a net experience loss of \$52,010,701. The Employer Credit Account established by Act 278 of the 1999 regular legislative session has a current balance of \$0.

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

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percent Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u> ¹
1995	12,241,039	99.1	10,553,411	12,135,206	119.2	-562,282
1996	12,918,080	99.2	11,015,178	12,816,141	116.4	-376,327
1997	13,591,133	98.0	10,439,624	13,686,530	131.1	-395,566
1998	14,061,639	99.8	10,423,229	14,031,797	134.6	-271,657
1999	14,722,610	100.4	6,053,772	14,783,009	244.2	-127,822
2000	14,841,241	100.0	606,683	14,841,242	2446.3	-48,216
2001	15,257,791	100.0	543,354	15,257,791	2808.1	-46,733
2002	15,616,982	100.0	581,417	15,616,983	2686.0	-19,944
2003	16,440,025	100.0	13,856,760	16,440,025	118.6	-13,887
2004	47,980,745	58.7	41,929,947	28,163,575	67.2	19,817,170

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Louisiana School Employees' Retirement System.

The difference between the Actuarial Required Contribution and the APC is the amortization payment for the Net Pension Obligation (see Exhibit A), plus a constitutional mandated amount for plan years prior to 2003 to bring the total employer contribution up to 6% of covered payroll.

DEVELOPMENT OF NET PENSION OBLIGATION:

Actuarial Required Contribution	47,980,745
Interest on Net Pension Obligation	-1,042
Amortization of Net Pension Obligation	-14,929
Annual Pension Cost	41,929,947
Employer Contribution	28,163,575
Increase (decrease) in Net Pension Obligation	19,831,057
Net Pension Obligation Beginning of Year	-13,887
Net Pension Obligation End of Year	19,817,170

¹ Actuarial Contributions, the Annual Pension Cost (APC), and the actual employer contribution made have been adjusted with interest at the valuation rate to the end of the fiscal year in accordance with GASB's Statement No. 27, paragraph 21.

EXHIBIT 3 (Continued)**Pension Accounting & Financial Disclosure****STATISTICAL DATA****COMPARATIVE SUMMARY OF REVENUES BY SOURCE
AND EXPENSES BY TYPE****Revenues by Source**

<u>Fiscal Year</u>	<u>Members Contribution</u>	<u>Employer Contribution</u>	<u>Investment Income</u>	<u>Total</u>
1995	12,955,100	12,135,206	73,841,435	98,931,741
1996	13,671,635	12,816,141	83,679,068	110,166,844
1997	13,873,112	13,200,462	108,558,771	135,632,345
1998	14,353,380	13,533,467	157,957,573	185,844,420
1999	15,028,064	14,258,000	128,912,738 ¹	158,198,802
2000	15,149,157	81,777 ²	119,308,696	134,539,630
2001	15,574,349	74,856 ²	-28,746,088	-13,096,883
2002	18,827,944	105,899 ²	-34,986,556	-16,052,713
2003	19,820,210	58,736 ²	50,126,072	70,005,018
2004	19,676,052	21,940,471	157,897,575	199,514,098

Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
1995	45,676,699	1,840,488	1,286,575	48,803,762
1996	51,659,703	2,301,807	1,741,965	55,703,475
1997	55,816,364	2,112,016	1,737,126	59,665,506
1998	60,675,915	2,328,958	1,820,670	64,825,543
1999	67,402,758	2,369,474	2,236,188	72,008,420
2000	75,855,391	2,243,027	2,285,482	80,383,900
2001	81,885,206	2,389,111	2,588,233	86,862,550
2002	89,516,977	1,992,256	2,366,271	93,875,504
2003	97,598,053	2,420,242	2,793,560	105,811,855
2004	102,474,273	3,866,339	2,782,636	109,123,248

¹Prior 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)

²Employer Contributions minus Employer Contribution Credit.

EXHIBIT 4**CENSUS DATA****GENERAL COMMENTS**

The data contained in this valuation is summarized on the following pages with exceptions noted below. The profile depicted in the cellular graphs represents "error-free data", which serves as the basis for determining costs and liabilities. Active members are allocated to cells based upon attained age and years of service. Retirees and Survivors are allocated to cells based upon attained age and years elapsed since retirement or commencement of benefits.

The validity of the results of any actuarial valuation is dependent upon the accuracy of the data base. Prior to processing, suspicious data and data containing errors were purged from the data base and processed separately based on the following error types:

- missing sex code
- missing or invalid date of birth
- missing or invalid date of employment
- missing or invalid salary
- invalid retirement dates

This year there were two records purged from the database containing errors or categorized as suspicious data, which is a significant reduction when compared to previous years. Suspicious data are not necessarily errors, but data, which falls outside the parameters of the editing process for further checking.

Salary data contained in the profiles and valuation report exceed the amount reported by internal audit due the annualization of salaries. In the valuation process, membership data with fractional service in the first year of employment annualizes the salary.

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

	<u>2004 Census</u>	<u>2003 Census</u>
Active Members	14,212	14,486
Regular Retirees	8,325	8,079
Disability Retirees	554	557
Survivors	1,476	1,432
Terminated Vested	418	61
DROP Participants	<u>784</u>	<u>792</u>
TOTAL	25,769	25,407

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM
REGULAR ACTIVE MEMBERS

CELLS DEPICT - MEMBER COUNT VALUATION DATE 6/30/2004
TOTAL SALARY

Age/Years	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total
[0 - 19)	6	5	0	0	0	0	0	0	0	11
	36296	81092	0	0	0	0	0	0	0	117388
[20 - 24)	38	74	2	0	0	0	0	0	0	114
	380593	1235872	44267	0	0	0	0	0	0	1660732
[25 - 29)	51	211	48	2	0	0	0	0	0	312
	477402	3559453	929276	50726	0	0	0	0	0	5016857
[30 - 34)	73	413	179	50	3	0	0	0	0	718
	651594	6890973	3319654	929307	79749	0	0	0	0	11871277
[35 - 39)	112	617	434	199	66	2	0	0	0	1430
	1124067	10196730	7812172	3997866	1444786	52381	0	0	0	24628003
[40 - 44)	126	761	624	407	189	148	13	0	0	2268
	1118207	12251435	10941646	7545673	4011248	4186270	438686	0	0	40493165
[45 - 49)	102	656	672	546	321	266	191	7	0	2761
	960281	10993234	11942959	10442046	6464232	6426134	5007294	162875	0	52399055
[50 - 54)	81	528	526	545	380	319	321	36	0	2736
	790256	8863342	9364398	10275811	7452237	6526741	7262064	894313	0	51429162
[55 - 59)	60	357	397	422	348	387	95	13	1	2080
	566086	5756954	6823927	7813542	6700346	7501437	1837392	258625	35080	37293390
[60 - 64)	16	164	218	115	55	55	54	12	3	692
	151189	2586496	3686093	1977737	972736	969538	1126279	224187	54779	11749034
[65 - 69)	14	63	88	42	23	19	21	11	2	283
	99198	897388	1575525	648456	446148	339364	334258	199130	86583	4626050
[70 - 74)	3	32	24	11	3	7	4	8	0	92
	16099	474781	377415	174557	40287	99127	69571	105664	0	1357501
Total	682	3881	3212	2339	1388	1203	699	87	6	13497
Total	6371268	63787751	56817333	43855721	27611770	26100992	16075544	1844794	176442	242641615

AVERAGES --- Attained Age 48.02
Service Years 10.32
Active Salary 17,977

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSEER RETIREMENT SYSTEM
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT VALUATION DATE 6/30/2004
TOTAL SALARY
DROP BENEFITS

Age/Years	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0 - 34)	0	0	0	0	0	0	0	0	0	0
[35 - 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)	0	0	0	0	0	0	0	0	0	0
[50 - 54)	9	3	1	0	0	0	0	0	0	13
	204613	58563	28351	0	0	0	0	0	0	291527
	148092	54468	22464	0	0	0	0	0	0	225024
[55 - 59)	36	29	3	1	0	2	0	0	0	71
	545754	604880	49344	18012	0	90035	0	0	0	1308025
	394212	422100	34644	10728	0	37944	0	0	0	899628
[60 - 64)	110	131	47	22	6	10	0	0	0	326
	1809232	2100827	900631	401728	118759	192976	0	0	0	5524153
	872352	1075452	496764	213384	56856	86028	0	0	0	2800836
[65 - 69)	14	25	76	50	42	24	0	0	0	231
	187179	379458	1414911	970818	811280	487186	0	0	0	4250832
	62016	153648	525108	324576	301500	180636	0	0	0	1547484
[70 - 74)	5	11	9	10	8	31	0	0	0	74
	75298	153878	133523	154747	136909	536839	0	0	0	1191194
	28524	63372	47340	56928	42648	218208	0	0	0	457020
Total	174	199	136	83	56	67	0	0	0	715
Total	2822076	3297606	2526760	1545305	1066948	1307036	0	0	0	12565731
Total	1505196	1769040	1126320	605616	401004	522816	0	0	0	5929992

AVERAGES --- Attained Age 64.57
Post Drop Years 2.32
Active Salary 17,574
Annual Benefit 8,294

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2004

Age/Years	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0 - 39)	0	0	0	0	0	0	0	0	0	0
[40 - 44)	16	4	1	2	2	1	0	0	0	26
[45 - 49)	34	18	5	4	7	6	0	0	0	74
[50 - 54)	55	28	29	21	14	31	2	0	1	181
[55 - 59)	57	66	64	77	82	95	24	9	0	474
[60 - 64)	48	90	140	170	243	603	110	30	4	1438
[65 - 69)	14	27	41	61	104	1287	291	72	21	1918
[70 - 74)	3	7	11	17	31	653	885	186	41	1834
[75 - 79)	2	3	4	1	7	137	571	473	98	1296
[80 - 84)	0	1	2	1	0	22	85	317	278	706
[85 - 89)	0	0	1	0	0	0	2	33	228	264
[90 - 99)	0	0	0	0	0	0	0	2	112	114
Total	229	244	298	354	490	2835	1970	1122	783	8325
Total	3713004	2897844	3412488	3244452	4322472	23356380	17858304	11032332	7674144	77511420

AVERAGES --- Attained Age 70.43
Years Retired 10.60
Annual Benefit 9,311

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2004

Age/Years	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0 - 39)	0	1	0	2	0	3	1	0	0	7
	0	5496	0	15276	0	11172	5388	0	0	37332
[40 - 44)	4	8	7	1	2	10	2	1	0	35
	25704	50616	47436	17448	9252	60540	7860	6480	0	225336
[45 - 49)	8	9	13	9	7	29	12	5	2	94
	53124	63768	109620	57552	39144	184140	69432	31644	10368	618792
[50 - 54)	26	17	15	28	7	50	30	10	0	183
	147588	124464	122712	179220	73860	297180	156480	53880	0	1155384
[55 - 59)	17	21	18	10	16	66	33	15	1	197
	105144	160032	122280	54516	92292	352632	170676	82632	4584	1144788
[60 - 64)	5	3	3	1	2	5	3	3	1	26
	29052	12216	13284	4848	5844	23664	17112	14604	4836	125460
[65 - 69)	1	1	1	0	0	0	0	0	0	3
	6024	4596	3324	0	0	0	0	0	0	13944
[70 - 74)	0	0	0	0	0	0	0	1	2	3
	0	0	0	0	0	0	0	264	11424	11688
[75 - 79)	0	0	1	1	0	0	0	0	0	2
	0	0	3912	4788	0	0	0	0	0	8700
[80 - 84)	0	0	0	1	0	0	0	0	1	2
	0	0	0	5064	0	0	0	0	5004	10068
[85 - 89)	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
[90 - 99)	0	0	0	0	0	0	0	0	2	2
	0	0	0	0	0	0	0	0	4968	4968
Total	61	60	58	53	34	163	81	35	9	554
Total	366636	421188	422568	338712	220392	929328	426948	189504	41184	3356460

AVERAGES --- Attained Age 53.83
Years Retired 6.51
Annual Benefit 6,059

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2004

Age/Years	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0 - 39)	18	0	6	7	5	23	15	6	1	81
	144480	0	50184	93048	43920	213996	114060	75720	3312	738720
[40 - 44)	15	2	4	1	2	4	0	1	1	30
	109476	25704	32928	11268	12816	31680	0	11892	3036	238800
[45 - 49)	13	4	1	5	1	9	5	2	2	42
	98928	37932	8376	38076	3060	57516	39528	15120	10068	308604
[50 - 54)	23	7	8	7	6	23	3	4	2	83
	217176	51036	55584	71256	60852	188040	28272	37632	9096	718944
[55 - 59)	19	6	5	6	4	30	11	5	2	88
	195840	48120	33300	41604	31656	224400	87540	45036	10500	717996
[60 - 64)	50	8	11	7	14	31	28	13	6	168
	444612	50412	74328	58848	107280	198060	223656	124608	30420	1312224
[65 - 69)	63	4	11	13	8	44	45	21	6	215
	455148	28212	66456	92856	54504	299244	348648	179556	39792	1564416
[70 - 74)	47	15	12	18	8	41	48	27	12	228
	389304	104340	101076	154752	64236	319896	400752	185808	95436	1815600
[75 - 79)	30	10	7	12	12	58	43	22	16	210
	242448	66144	75444	94608	80580	488268	371424	196608	129192	1744716
[80 - 84)	13	6	12	10	8	38	35	31	37	190
	103860	40224	101832	63108	51516	303456	268848	259644	289008	1481496
[85 - 89)	2	2	5	4	0	12	18	12	39	94
	13536	18732	30804	30900	0	118116	137580	95532	304524	749724
[90 - 99)	0	1	1	2	0	7	8	4	24	47
	0	4200	4068	11268	0	49224	61020	33276	170208	333264
Total	293	65	83	92	68	320	259	148	148	1476
Total	2414808	475056	634380	761592	510420	2491896	2081328	1260432	1094592	11724504

AVERAGES --- Attained Age 68.48
Years Retired 8.85
Annual Benefit 7,943

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSEER RETIREMENT SYSTEM
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2004

Age/Years	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[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)	3 71976	1 37668	0 0	0 0	0 0	0 0	0 0	0 0	0 0	4 109644
[50 - 54)	15 359952	18 406896	17 299340	0 0	0 0	0 0	0 0	0 0	0 0	50 1066188
[55 - 59)	64 1112712	113 1942440	110 1782168	0 0	1 10752	0 0	0 0	0 0	0 0	288 4848072
[60 - 64)	92 961800	158 1668540	140 1391952	1 5172	0 0	0 0	0 0	0 0	0 0	391 4027464
[65 - 69)	6 63468	11 65436	23 128760	0 0	0 0	0 0	0 0	0 0	0 0	40 257664
[70 - 74)	1 4632	2 19116	6 50844	0 0	0 0	0 0	0 0	0 0	0 0	9 74592
[75 - 79)	0 0	0 0	2 24132	0 0	0 0	0 0	0 0	0 0	0 0	2 24132
[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
Total	181	303	298	1	1	0	0	0	0	784
Total	2574540	4140096	3677196	5172	10752	0	0	0	0	10407756

AVERAGES --- Attained Age 59.93
Years Retired 1.67
Annual Benefit 13,275

Hall Actuarial Associates

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2004

Age/Years	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total
[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	2	0	2	0	0	0	0	0	4
[35 - 39)	0	2640	0	14626	0	0	0	0	0	17266
[40 - 44)	0	0	0	7	0	0	0	0	0	7
[45 - 49)	0	0	0	53318	0	0	0	0	0	53318
[50 - 54)	0	2	1	12	15	3	0	0	0	33
[55 - 59)	0	2211	2400	48800	201681	83264	0	0	0	338356
[60 - 64)	0	0	1	24	7	6	3	0	0	41
[65 - 69)	0	0	678	216832	74204	114090	90170	0	0	495974
[70 - 74)	0	1	1	23	18	13	27	6	0	89
Total	0	408	16727	308064	155153	217067	552783	183856	0	1434058
[75 - 79)	0	0	1	34	20	42	37	1	0	135
[80 - 84)	0	0	1200	179189	192303	705158	768617	17768	0	1864235
[85 - 89)	0	0	3	30	24	23	6	0	0	86
[90 - 94)	0	0	18563	219272	229589	487970	390453	0	0	1345847
[95 - 99)	0	1	1	3	2	3	1	0	0	11
Total	0	93	10001	24766	16682	31017	14673	0	0	97232
[100 - 104)	0	1	1	3	2	3	2	0	0	12
[105 - 109)	0	154	58	71087	107367	67129	144802	0	0	390597
Total	0	7	9	138	88	93	76	7	0	418
Total	0	5506	49627	1135954	976979	1705695	1961498	201624	0	6036883

AVERAGES --- Attained Age 55.18
Service Years 18.68
Annual Benefit 14,442

EXHIBIT 5

PRINCIPLE PROVISIONS OF THE PLAN
(Including Acts of 2000 Regular Session)

EFFECTIVE DATE:

July 1, 1947; last amendment date - July 1, 2004.

EMPLOYEE:

Any school bus driver, janitor, custodian, maintenance employee, bus aide, monitor or attendant or other regular school employee helping with the transportation of school children, and who is a legal employee of a parish or city school board of the State of Louisiana.

EMPLOYER:

The State of Louisiana, or any parish or city school board from which any employee receives his compensation.

ELIGIBILITY FOR PARTICIPATION:

Contingent upon approval of application filed with the Board of Trustees within 90-days of the date of Employment. However, no employee who is a member of any other retirement system supported in whole or in part by public funds shall be entitled to membership in this retirement system.

SERVICE:

Service as an "Employee", defined above.

CREDITABLE SERVICE:

Prior Service plus Membership Service, for which credit is allowed.

PRIOR SERVICE:

Service prior to July 1, 1947 for which prior service certificates are issued; granted without cost if certified.

MEMBERSHIP SERVICE:

Service as an "Employee" while a member of the system.

EXHIBIT 5 (Continued)
Principle Provisions

ADDITIONAL
CREDITABLE SERVICE:

1. Credit for service canceled by withdrawal of accumulated contributions may be restored by member by paying into system the amount withdrawn plus regular interest from date withdrawn until paid.
2. Maximum of 4 years of credit for military service may purchased.
3. Conversion of Sick Leave and Annual Leave at retirement, or death may be converted to membership credit.
4. Part-time employees shall accrue a full year of creditable service for each full year of part-time service for benefit eligibility purposes.
5. Out of State service with other school systems may be purchased.

EARNABLE COMPENSATION:

The compensation earned by a member for any given period. Where compensation includes maintenance, the employing agency shall fix the value of that part of compensation not paid directly.

AVERAGE FINALCOMPENSATION:

The average annual earnable compensation of a member for the 36 highest successive months of employment or the highest 36 successive joined months of employment where interruption of service occurred (Effective 7/6/84); the average compensation of a member for purposes of computing benefits cannot increase more than 25% per year (Effective 1/1/87).

ACCUMULATED CONTRIBUTIONS:

Sum of all amounts deducted from compensation of a member plus any interest credited to his individual account in annuity savings fund plus any other amounts credited to the member's account.

EMPLOYEE CONTRIBUTIONS:

- 7% of earnable compensation.
- 6.65% effective Sept.1, 1990 (Act 340 of 1990).
- 7.00% effective Jan. 1, 1992 (Act 375 of 1991).
- 6.35% effective July 1, 1992 (Act 248 of 1992).
- 7.50% effective July 1, 2001 (Act 897 of 2001).

EXHIBIT 5 (Continued)
Principle Provisions

EMPLOYER CONTRIBUTIONS:

"Normal contribution" rate plus "accrued liability contribution" rate, as determined by the actuary and Board of Trustees. Eff. July 1, 1985, 10.18%. Act 81 of 1988 requires employer rate to be actuarially determined annually.

RETIREMENT BENEFIT:

NORMAL RETIREMENT:

Eligibility:

Written application to the Board of Trustees and the member has attained age 60 and 10 years of accredited service, or age 55 and 25 years of accredited service, or at any age and 30 years of accredited service.

Benefit:

An annuity, which shall be the actuarial equivalent of accumulated employee contributions at retirement date, plus

A pension, which together with the above annuity provides a total allowance equal to 2 1/2% of average final compensation times the years of creditable service (including creditable unused sick and annual leave), plus an additional 1/2% of average final compensation times the years of creditable service in excess of 20 years, plus a two dollars per month for each year of credited service supplemental benefit, not to exceed average final compensation.

Act 278 of the 1999 regular legislative session provides a 3% accrual rate for each year of service earned after July 1, 1999, regardless of prior service earned.

Act 897 of the 2001 regular legislative session increases the accrual rate to 3 1/3% for active members after July 1, 2001 for all years of service.

EARLY-REDUCED RETIREMENT:

Eligibility:

20 years of service credit regardless of attained age.

Benefit:

Normal retirement benefit based upon service accrued to date, actuarially reduced from the earliest date member would be eligible if employment had continued to earliest normal retirement date.

COST OF LIVING BENEFITS:

1. Prior to July 1, 1970 The Board may grant supplemental COLA not in excess of 2% from investment income, minimum \$20 per month.

EXHIBIT 5 (Continued)
Principle Provisions

After July 29, 1970 Board may grant supplemental COLA not in excess of 3% from investment income, minimum \$30 per month.

2. Under Act 798 of 1980:

A. COLA adjustments for retirees based on their date of retirement.

<u>Retirement Date</u>	<u>Increase</u>
7/2/78 - 7/1/79	3%
7/2/77 - 7/1/78	6%
7/1/77 and earlier	9% (of 10/1/77 benefit)

B. 1979 COLA of 10% for those who retired on or before 7/1/80 .

3. Under Act 852 of 1981:

Cost of living for recipients who retired on or before July 1, 1978, payable on January 1, 1982 as follows for Retirees or survivors

1. At least 62 but less than 65, 4% of benefit of October 1, 1977, or initial benefit if retired after October 1, 1977, but not greater than \$400 annually,

2. 65 or older 7% of benefit of October 1, 1977 or initial benefit if retired after October 1, 1977, but not greater than \$700 annually.

3. Disability retirees and surviving children not subject to the above age restrictions, and their COL is 7%, but not greater than \$700 per person.

4. Under Act 443 of 1984:

7% Cost of living increase to retirees, beneficiaries and survivors who are receiving a benefit by 9/1/84.

No increase can be more than \$100/month.

In no case may the increase cause annual benefits to exceed \$24,000.

Act 278 of the 1999 regular legislative session permits the granting of COLA's in the form of \$1 for each year of service, \$1 for each year retired, plus \$1 for each year of service in excess of 30 years. Those 65 and older may receive an additional benefit equal to 2% of their current benefit.

DISABILITY RETIREMENT:

Eligibility:

5 years of creditable service; certification of disability by medical board (medical examination required once in every year for the first 5 years of disability retirement, and once in every 3 years thereafter, until age 60).

EXHIBIT 5 (Continued)
Principle Provisions

Benefit:

An annuity, which shall be the actuarial equivalent of accumulated employee contributions at retirement date, plus

A pension, which together with the above annuity provides a total allowance equal to 2 1/2% of average final compensation times the years of creditable service (including creditable unused sick and annual leave), plus a two dollars per month for each year of credited service supplemental benefit, not to exceed final average compensation. Act 500 of 1989 provides a minimum disability benefit of 33 1/3% of average final compensation.

NOTE: The supplemental benefit is discontinued to persons who become members of the retirement system after 6/30/86 (Act 608 of 1986).

SURVIVOR'S BENEFITS:

Eligibility:

1. Surviving Spouse with minor children of;
-an active member with 5 years of creditable service with at least 2 years earned immediately prior to death or,
-a member with 20 years of service at the time of death.
2. Surviving Spouse without minor children of;
-an active member with 10 years of creditable service with at least 2 years earned immediately prior to death or,
-a member with 20 years of service at the time of death.
3. Minor children with no spouse or spouse without legal custody of;
-an active member with 5 years of creditable service with at least 2 years earned immediately prior to death or,
-a member with 20 years of service at the time of death.
4. Beneficiary not eligible for (1), (2) or (3)

Benefits:

1. Greater of 75% of member's final average compensation or \$300 per month. Benefit ceases upon remarriage if less than 20 years of service and less than attained age 55.
2. Greater of 50% of member's final average compensation or \$200 per month. Benefit ceases upon remarriage if less than 20 years of service and less than attained age 55.
3. Greater of 75% of member's final average compensation or \$300 per month.
4. Return of member's accumulated contributions.

EXHIBIT 5 (Continued)
Principle Provisions

NOTE: Handicapped or mentally retarded children of a deceased member, regardless of age, who are dependent upon a surviving spouse or legal guardian shall be payable in accordance with minor children benefits of this section. The benefit payable shall be reduced by state assistance received.

OPTIONAL FORMS
OF BENEFIT:

In lieu of receiving normal retirement benefit, member may elect to receive actuarial equivalent of retirement allowance in a reduced form as follows:

Option 1 - If a member dies before receiving present value of annuity in monthly payments, balance paid to designated beneficiary.

Option 2 - Reduced retirement allowance, if member dies, to be continued to designated beneficiary for his lifetime.

Option 3 - 1/2 of reduced retirement allowance, if member dies, to be continued to designated beneficiary for his lifetime.

Option 4 - Other benefits of equal actuarial value may be elected with approval of board.

Initial Benefit Option - Maximum benefit actuarially reduced for partial lump-sum equal to not more than 36 months of maximum pension.

NOTE: Revisionary annuities are available for Option 2 and Option 3, which provides a return to the maximum benefit if the spouse pre-deceases the retiree.

REFUND OF CONTRIBUTIONS:

If a member ceases to be eligible, except by death or retirement, he shall be paid such part of the amount of the accumulated contributions credited to his individual account in annuity savings fund as he shall demand, plus any accumulated interest.

WITHDRAWAL AFTER 10 YEARS
OF CREDITABLE SERVICE:

Any member with credit for 10 years of service who withdraws from service may elect to leave accumulated contributions in system until age 60, when he may apply for retirement and begin receiving a retirement benefit based on the credits he had at date of withdrawal.

EXHIBIT 5 (Continued)
Principle Provisions

DEFERRED RETIREMENT OPTION PLAN:
(Act 56 of 1991)

Instead of terminating employees and accepting a service retirement allowance, any member who has met the following eligibility requirements may elect to participate in the Deferred Retirement Option Plan (DROP) and defer receipt of benefits.

Eligibility:

Ten (10) years at age sixty (60), twenty-five (25) years at age fifty-five (55), or thirty (30) years of creditable service including reciprocal service, but excluding conversion of sick and annual leave, and eligible to receive a service retirement allowance. However, all unused sick and annual leave is convertible after plan participation when member has terminated employment.

Benefit:

Duration of participation is specified and cannot exceed the period terminating on the third anniversary at the earliest date the member qualified for regular retirement.

Upon termination of employment at the end of or prior to the end of the specified period of participation, a participant will receive, at his option:

- (1) lump sum payment (equal to the payments to the account);
- (2) a true annuity based upon his account; or
- (3) any other method of payment if approved by the board of trustees. Monthly benefits being paid into the fund during participation will begin being paid to the retiree.

If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance shall be paid to the beneficiary, or if none, to his estate; in addition, normal survivor benefits payable to survivors of retirees shall be payable.

If employment is not terminated at the end of the specified period of participation, then:

- (1) payment into account shall cease;
- (2) payment from account shall not be made until employment is terminated; and
- (3) the participant shall resume active contributing membership in the system.

EXHIBIT 5 (Continued)
Principle Provisions

Then, upon termination of employment, the benefit payments indicated above shall be paid. The participant shall receive an additional retirement benefit based on additional service rendered since termination of participation in the fund, usually the normal method of computation of benefit subject to the following:

- (1) If additional service was less than 36 months, average compensation figure used to calculate additional benefit shall be that used to calculate original benefit.
- (2) If additional service was 36 or more months, the average compensation figure used to calculate the additional benefit shall be based on compensation during the period of additional service.

NOTE:

DROP Accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis.

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

EXHIBIT 6

ACTUARIAL COST METHODS AND ASSUMPTIONS

COST METHOD:

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the retirement system. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal costs is called the actuarial accrued liability.

ASSET VALUATION:

For the Plan Year ending prior to June 30, 1999 equities are valued at a four year weighted average. The computation of the actuarial value of assets is the sum of the bonds at amortized cost, less a weighted average of unrealized losses or (gains) in the market value of equities, plus the market value of Equities

Effective June 30, 1999 the Board of Trustees approved a change in the Asset Valuation Method. The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets. This value is determined in accordance with in accordance with Reg.1.412(c)(2)-1-(6) & (7) of the Internal Revenue Service Code and is subject to the Corridor Limits defined therein.

ACCOUNTING DISCLOSURE:

The Governmental Accounting Standards Board Statement No. 25 requires disclosure of certain actuarial liabilities for Public Employee Retirement Systems. The disclosures illustrated in Exhibit 3 were developed using the Entry Age Normal cost method. The statement of assets provided by the independent auditors was a copy of the final draft prior to publication. Should the statement of assets received differ from the final audit report, a revised actuarial statement will be issued to the extent that any difference in reporting affects the employer's contribution rate or the yield to the Actuarial Value of Assets.

ACTUARIAL ASSUMPTIONS:

The Retirement System is required to conduct an experience study every five years, but the scope of such a study is not necessarily limited to a five year period. The current five year observation period (1997-2001) was chosen to coincide with the most recent period of data reporting following the restructuring of the Deferred Retirement Option Program.

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 Graduated Group Annuity Mortality Table, with female age set at attained age plus one.

DISABILITY ASSUMPTION:

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

RETIREMENT/DROP ASSUMPTION:

Retirement rates are based on age and service eligibility requirements for normal benefits. Age and service requirements vary by plan. DROP is viewed as an alternative form of benefit accrual since mandatory termination is not required following participation. Therefore, at eligibility, the probability of DROP accrual is determine in conjunction with regular benefit accrual. Retirement rates and DROP probabilities are based on the most recent Experience Study and are illustrated in the rate tables at the end of this exhibit.

TERMINATION ASSUMPTIONS:

Voluntary termination or withdrawal rates are based on the most recent Experience Study. During the first five years of employment, the probability of voluntarily terminating is a multiple of the attained age rate in prior reports and a multiple of service duration in the current valuation as follows:

1st year	1.10x
2nd year	1.00x
3rd year	1.00x
4th year	1.00x
5th year	1.00x

Furthermore, for members terminating with ten (10) or more years of service, it is assumed that 80% will not withdraw their accumulated employee contributions.

SALARY GROWTH:

The rates of annual salary growth are based upon the member's years of service and are illustrated in the rate tables at the end of this exhibit.

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

ASSUMPTION FOR INCOMPLETE DATA:

Records identified as containing suspicious data or errors in data were assumed to possess the same characteristics of "good data" in the same cohort.

INVESTMENT EARNINGS:

An effective annual rate of 7.5%, net expenses.

ADMINISTRATIVE EXPENSES:

Operating expenses are included in Aggregate Normal Cost and are assumed to be \$2,600,000 per year. Investment Manager Fees are not included in Operating Expenses, but are treated as a direct offset to investment income. The Employer portion of the Normal Cost excludes an allocation for administrative expenses.

As a result of the change in Asset Valuation Method, the reporting of realized income has been changed to realized, plus unrealized income for valuations beginning on June 30, 1999 and thereafter.

COST-OF-LIVING:

The liability for cost-of-living raises already granted is included in the retiree reserve.

ACTUARIAL TABLES AND RATES
EFFECTIVE 6/30/2003

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

EXHIBIT 7

DEVELOPMENT OF TARGET RATIO

Funded Ratio of the System as of the 1986 fiscal year end71000

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.17400

Changes in Funded Ratio after the 1986 fiscal year end;

<u>Date of Change</u>	<u>Change in funded Ratio</u>
<u>6/30/87</u>	<u>.17100</u>
<u>6/30/90</u>	<u>.06690</u>
<u>6/30/96</u>	<u>.03694</u>
<u>6/30/99</u>	<u>.00388</u>
<u>6/30/03</u>	<u>-.04485</u>

Total Change in Funded Ratio23387

Number of fiscal years elapsed since the date of each change
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>6/30/87</u>	<u>-.09690</u>
<u>6/30/90</u>	<u>-.03122</u>
<u>6/30/96</u>	<u>-.00985</u>
<u>6/30/99</u>	<u>-.00065</u>
<u>6/30/03</u>	<u>.00150</u>

Total Amortization of Changes -.13712

Target Ratio as of the end of the just completed fiscal year.98075

Actual Funded Ratio of the system as of the just completed fiscal year. .75848

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

EXHIBIT A(1)

AMORTIZATION of UNFUNDED
ACTUARIAL ACCRUED LIABILITY
Prior to ACT 588 of the 2004 Legislative Session
JUNE 30, 2004

<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>REMAIN</u>	<u>REMAINING</u> <u>BALANCE</u>	<u>MID-YEAR</u> <u>PAYMENT</u>
1993	Change in Liability	I	36	-50,948,883	25	-65,622,628	-3,743,826
1994	Change in Liability	I	35	-24,621,173	25	-30,846,941	-1,759,844
1995	Change in Liability	I	34	2,097,463	25	2,558,051	145,959
1996	Change in Liability	I	33	-16,513,271	25	-19,620,386	-1,119,359
1997	Change in Liability	I	32	-7,808,758	25	-9,046,638	-516,118
1998	Change in Liability	I	31	-93,612,794	25	-105,844,372	-6,038,510
1999	Change in Liability	I	30	-43,880,482	25	-48,468,045	-2,765,143
2000	Change in Liability	I	29	-8,058,052	25	-8,705,034	-496,572
2001	Change in Liability	I	28	226,295,356	25	239,310,198	13,652,847
2002	Change in Liability	I	27	192,883,146	25	199,940,651	11,406,782
2003	Change in Assumptions	I	30	92,831,804	29	94,927,140	4,905,438
2003	Change in Liability	I	26	117,350,836	25	119,393,930	6,811,524
2004	Change in Liability	I	25	52,010,701	25	<u>52,010,701</u>	<u>2,967,254</u>
TOTAL OUTSTANDING BALANCE						419,987,627	23,450,412
EMPLOYERS' CREDIT BALANCE							
2000	Contribution Variance	L	5	0	1	0	0
2001	Contribution Variance	L	5	0	2	0	0
2002	Contribution Variance	L	5	0	3	0	0
2003	Contribution Variance	L	5	0	4	0	0
2004	Contribution Variance	L	5	19,817,170	5	<u>19,817,170</u>	<u>4,724,152</u>
TOTAL CREDIT BALANCE						19,817,170	4,724,152
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						439,804,797	

NOTE: Effective July 1, 1990, Actuarial Valuation Rate changed from 7% to 7 1/2%.
Effective July 1, 1992, Amortization Period changed in accordance with Act 257.

EXHIBIT A(2)

**AMORTIZATION of UNFUNDED
ACTUARIAL ACCRUED LIABILITY**
Includes ACT 588 of the 2004 Legislative Session
JUNE 30, 2004

<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>REMAIN</u>	<u>REMAINING</u> <u>BALANCE</u>	<u>MID-YEAR</u> <u>PAYMENT</u>
1993	Change in Liability	L	25	-65,622,628	25	-65,622,628	-5,677,975
1994	Change in Liability	L	25	-30,846,941	25	-30,846,941	-2,669,021
1995	Change in Liability	L	25	2,558,051	25	2,558,051	221,334
1996	Change in Liability	L	25	-19,620,386	25	-19,620,386	-1,697,647
1997	Change in Liability	L	25	-9,046,638	25	-9,046,638	-782,757
1998	Change in Liability	L	25	-105,844,372	25	-105,844,372	-9,158,148
1999	Change in Liability	L	25	-48,468,045	25	-48,468,045	-4,193,681
2000	Change in Liability	L	25	-8,704,034	25	-8,704,034	-753,114
2001	Change in Liability	I	27	239,310,198	27	239,310,198	12,959,775
2002	Change in Liability	I	28	199,940,651	28	199,940,651	10,570,604
2003	Change in Liability	I	29	214,321,070	29	214,321,070	11,075,217
2004	Change in Liability	L	30	52,010,701	30	<u>52,010,701</u>	<u>4,247,412</u>
TOTAL OUTSTANDING BALANCE						419,987,627	14,141,999
EMPLOYERS' CREDIT BALANCE							
2000	Contribution Variance	L	5	0	1	0	0
2001	Contribution Variance	L	5	0	2	0	0
2002	Contribution Variance	L	5	0	3	0	0
2003	Contribution Variance	L	5	0	4	0	0
2004	Contribution Variance	L	5	19,817,170	5	<u>19,817,170</u>	<u>4,724,152</u>
TOTAL CREDIT BALANCE						19,817,170	4,724,152
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						439,804,797	

NOTE: Effective July 1, 1990, Actuarial Valuation Rate changed from 7% to 7 1/2%.
Effective July 1, 1992, Amortization Period changed in accordance with Act 257.
Effective July 1, 2004, Amortization Period changed in accordance with Act 588.