

**REGISTRARS OF VOTERS EMPLOYEES'
RETIREMENT SYSTEM**

ACTUARIAL VALUATION AS OF
JUNE 30, 2012

G. S. CURRAN & COMPANY, LTD.

Actuarial Services

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November 12, 2012

Board of Trustees
Registrars of Voters Employees' Retirement System
P.O. Box 57
Jennings, Louisiana 70546

Ladies and Gentlemen:

We are pleased to present our report on the actuarial valuation of the Registrars of Voters Employees' Retirement System for the fiscal year ending June 30, 2012. Our report is based on the actuarial assumptions specified and relies on the data supplied by the system's administrator and accountants. This report was prepared at the request of the Board of Trustees of the Registrars of Voters Employees' Retirement System of the State of Louisiana. The primary purposes of the report are to determine the actuarially required contribution for the retirement system for the fiscal year ending June 30, 2013 to recommend net direct employer contribution rates for fiscal 2014, and to provide information for the system's financial statements. This report was prepared exclusively for the Registrars of Voters Employees' Retirement System for a specific limited purpose. It is not for the use or benefit of any third party for any purpose.

This report has been prepared in accordance with generally accepted actuarial principles and practices, and to the best of our knowledge and belief fairly reflects the actuarial present values and costs stated herein. The undersigned actuaries are members of the American Academy of Actuaries and have met the qualification standards for the American Academy of Actuaries to render the actuarial opinions incorporated in this report, and are available to provide further information or answer any questions with respect to this valuation.

Sincerely,

G. S. CURRAN & COMPANY, LTD.

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

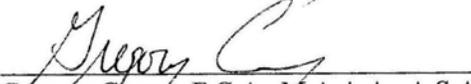
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COMMENTS ON DATA

For the valuation, our office electronically downloaded census information from the system's master data processing file indicating each active covered employee's sex, date of birth, service credit, annual salary, and accumulated contributions. Information on retirees detailing dates of birth of retirees and beneficiaries, as well as option categories and benefit amounts, was provided in like manner. In addition, data was supplied on former employees who are vested or who have contributions remaining on deposit. As illustrated in Exhibit X, there are 245 active members in the system of whom 130 have vested retirement benefits including 25 participants in the Deferred Retirement Option Plan (DROP); 143 former system members or their beneficiaries are receiving retirement benefits. An additional 35 members have contributions remaining on deposit with the system; of this number, 6 have vested rights for future retirement benefits. All individuals submitted were included in the valuation.

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

In addition to the statistical information provided on the system's participants, the system's director furnished general information related to other aspects of the system's expenses, benefits and funding. Valuation asset values as well as income and expenses for the fiscal year were based on information furnished by the system's auditor, the firm of Duplantier, Hrapmann, Hogan & Maher, Certified Public Accountants. As indicated in the system's audit report, the net market value of the system's assets was \$61,490,163 as of June 30, 2012. Net investment income for fiscal 2012 measured on a market value basis amounted to a loss of \$3,227,029. Contributions to the system for the fiscal year totaled \$5,121,614; benefits and expenses amounted to \$3,820,196.

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

COMMENTS ON ACTUARIAL METHODS AND ASSUMPTIONS

This valuation is based on the Aggregate actuarial cost method. Under the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Thus, favorable plan experience will lower future normal costs; unfavorable experience will cause future normal costs to increase. In addition, changes in benefits and assumptions as well as contribution surpluses on shortfalls are also spread over future normal costs. In any year in which the net direct employer contribution is scheduled to decrease, the board of trustees may freeze the net direct employer contribution rate and deposit the excess funds, if any, into the Funding Deposit Account.

The current year actuarial assumptions utilized for the report are outlined on pages thirty-seven through forty. All assumptions used are within our "best estimate range" of future long-term experience for the fund.

For the 2012 actuarial valuation, the valuation interest rate was changed from 8% to 7.5%. The change was effective June 30, 2012. One component of this reduction was a reduction in the assumed rate of inflation from 3.25% to 3.00%. As a consequence of this change, the salary scale was reduced from 7% per year to 6.75% per year. Finally, the valuation model was changed to assume that DROP participants will retire after one year of post-DROP service credit. In the prior valuation, all DROP participants were assumed to retire at the end of the specified DROP period. The net effect of these changes in assumptions was to increase the normal cost accrual rate for the plan by 3.3686%.

All calculations, recommendations, and conclusions are based on the assumptions specified. To the extent that prospective experience differs from that assumed, adjustments will be required to contribution levels. Such differences will be revealed in future actuarial valuations.

CHANGES IN PLAN PROVISIONS

The following changes in plan provisions were enacted during the 2012 Regular Session of the Louisiana Legislature:

Act 229 provides additional survivor benefits in the case of a death of a member on or after January 1, 2007, while performing military service. The system will credit the member's qualified military service as service credit for vesting purposes and for eligibility purposes as though the member had resumed employment immediately prior to the member's death. However, the time spent by the member in qualified military service is not used for calculation of benefit accrual purposes.

Act 525 increased the period over which final average compensation is determined from thirty-six to sixty months for all members. The act has a transition period for those members who retire between January 1, 2013 and December 31, 2014. For members who retire before January 1, 2013 a thirty-six month final average compensation will still apply. For those members who retire on or after January 1, 2013, and on or before December 31, 2014 the period used to calculate monthly final average compensation is thirty-six months plus the number of whole months since January 1,

2013. The act also establishes a minimum final average compensation equal to the dollar value of the thirty-six month final average compensation as of December 31, 2012.

Acts 526 & 719 created a second tier of benefits for persons whose first eligibility for membership began on or after January 1, 2013. Tier 2 benefits include a sixty month final average compensation and a three percent accrual rate for each year of service, unless the member reaches thirty years of total service and at least twenty years of service in this system. In such cases, the member receives a three and one-third percent accrual rate for each year of service. Members whose benefits are based on Tier 2 are eligible to retire at sixty-two years of age with at least ten years of service; at sixty years of age with at least twenty years of service; and at fifty-five years of age with at least thirty years of service. Tier 2 also changes the retirement allowance calculation for disability retirement to the lesser of: fifteen years or projected continued service to age sixty-two multiplied by the applicable retirement accrual rate.

ASSET EXPERIENCE

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

	<u>Market Value</u>	<u>Actuarial Value</u>
2003	3.3%	1.0%
2004	10.9%	4.2%
2005	6.8%	7.4%
2006	5.2%	7.4%
2007	14.0%	* 13.6%
2008	-3.9%	6.6%
2009	-18.3%	* -6.2%
2010	8.7%	3.8%
2011	16.4%	4.8%
2012	-5.0%	-0.3%

* Includes effect of change in asset valuation method.

The market rate of return gives a measure of investment return on a total return basis and includes realized and unrealized capital gains and losses as well as interest income and dividends. This rate of return gives an indication of performance for an actively managed portfolio where securities are bought and sold with the objective of producing the highest total rate of return. During 2012, the fund earned \$1,324,585 of dividends, interest, and other recurring income. Net income was decreased by realized and unrealized capital losses of \$4,285,420. This income was further offset by investment expenses of \$266,194. The geometric mean of the market value rates of return measured over the last ten years was 3.3%. The geometric mean of the market value rates of return measured over the last twenty years was 5.0%.

The actuarial rate of return is presented for comparison to the assumed long-term rate of return used for the valuation. The assumed long-term rate of return is 7.5% as of June 30, 2012, which

represents a change from the 8% assumption used prior to June 30, 2012. The actuarial rate of return is calculated based on the actuarial value of assets and all interest, dividends, and recognized capital gains as given in Exhibit VI. Investment income used to calculate this yield is based upon a smoothing of investment income above or below the valuation interest rate over a five year period. The difference between rates of return on an actuarial and market value basis results from the smoothing utilized. Beginning June 30, 2012, yields in excess of the 7.5% assumption will reduce future costs; yields below 7.5% will increase future costs. (For the period prior to June 30, 2012, yields in excess of the 8% assumption reduced future costs; yields below 8% increased future costs.) For fiscal 2012, the system experienced net actuarial investment earnings of \$5,668,816 less than the actuarial assumed earnings rate of 8%. This shortfall in earnings produced an actuarial loss, which increased the normal cost accrual rate by 4.8794%.

DEMOGRAPHICS AND LIABILITY EXPERIENCE

A reconciliation of the census for the system is given in Exhibit X. The average active member is 51 years old with 14.03 years of service and an average salary of \$54,641. The system's active contributing membership decreased by 3 members during the fiscal year. The plan has experienced an increase in the active plan population of 15 members over the last five years. A review of the active census by age indicates that, over the last ten years, the population in the 31-50 age group has decreased significantly while the proportion of active members in the other age groups have increased. Over the same ten-year period the plan showed a decrease in the percentage of members with service greater than ten but less than twenty-five years. Over this period there has been a substantial increase in the percentage of members with between five and ten years of service, and a small increase in the percentage of members with more than twenty-five years of service credit.

The average service retiree is 76 years old with a monthly benefit of \$2,097. The number of retirees and beneficiaries receiving benefits from the system decreased by 4 during the fiscal year; over the last five years this increased by 8. During this same period, annual benefits in payment increased by \$626,498.

Plan liability experience for fiscal 2012 was favorable. Salary increases were below projected levels. Retiree deaths were above projected levels. These factors would be expected to decrease costs. Retirements, disabilities, withdrawals and DROP entries were near projected levels. Plan liability experience decreased the normal cost accrual rate by 1.0530%.

FUNDING ANALYSIS AND RECOMMENDATIONS DEFINED BENEFIT PLAN

Actuarial funding of a retirement system is a process whereby funds are accumulated over the working lifetimes of employees in such a manner as to have sufficient assets available at retirement to pay for the lifetime benefits accrued by each member of the system. The required contributions are determined by an actuarial valuation based on rates of mortality, termination, disability, and retirement, as well as investment return and other statistical measures specific to the particular group. Each year a determination is made of the normal cost, and the actuarially required contributions are based on the sum of this value and administrative expenses. Under the funding

method used for the plan, changes in plan experience, benefits, or assumptions increase or decrease future normal costs. In addition excess or deficient contributions can decrease or increase future costs.

In order to establish the actuarially required contribution in any given year, it is necessary to define the assumptions and funding method. Thus, the determination of what contribution is actuarially required depends upon the funding method employed. Regardless of the method selected, the ultimate cost of providing benefits is dependent upon the benefits, expenses, and investment earnings. Only to the extent that some methods accumulate assets more rapidly and thus produce greater investment earnings does the funding method affect the ultimate cost.

The derivation of the actuarially required contribution for the current fiscal year is given in Exhibit I. The normal cost for fiscal 2013 as of July 1, 2012, is \$4,978,053. The total actuarially required contribution is determined by adjusting this value for interest (since payments are made throughout the fiscal year) and adding estimated administrative expenses. As given on line 12 of Exhibit I the total actuarially required contribution for fiscal 2013 is \$5,438,263. Required net direct employer contributions are also affected by the available ad valorem taxes and revenue sharing funds which the system receives each year. When these funds change as a percentage of payroll, net direct employer contributions are adjusted accordingly. Available revenue sharing funds for fiscal 2013 are expected to be \$110,361 and we estimate that available ad valorem taxes for fiscal 2013 will be \$2,056,370. Thus we estimate the net direct cost to the employer for fiscal 2013 will be \$3,271,532 or 23.73% of projected payroll.

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

The effects of various factors on the fund's cost structure are outlined below:

Normal Cost Accrual Rate – Fiscal 2012	32.8761%
Factors Increasing the Normal Cost Accrual Rate:	
Asset Experience Loss	4.8794%
Changes in Assumptions	3.3686%
Contribution Loss	0.4434%
Factors Decreasing the Normal Cost Accrual Rate:	
Changes in Plan Provisions	2.4801%
Liability Experience Gain	1.0530%
New Members	0.5463%
Normal Cost Accrual Rate – Fiscal 2013	37.4883%

In addition to the above factors, required net direct employer contributions are also affected by the projected ad valorem taxes and revenue sharing funds which the system is expected to receive each year. When these funds change as a percentage of payroll, net direct employer contributions are adjusted accordingly. We estimate that the funds collected in fiscal 2013 will not change from the prior fiscal year as a percentage of payroll. Although the actuarially required net direct employer contribution rate for fiscal 2013 is 23.73%, the actual employer contribution rate for fiscal 2013 is 19.75% of payroll. Since the contribution rate for fiscal 2013 was 19.75%, any deficit in employer contributions collected in the fiscal year will increase the Fund's normal cost accrual rate. We estimate this deficit will result in an increase of 0.45% to the normal cost accrual rate in fiscal 2014. R.S. 11:103 requires that the net direct employer contributions be rounded to the nearest 0.25%, hence we are recommending a minimum net direct employer contribution rate of 24.25% for fiscal 2014.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, and changes in plan provisions or applicable law. Analysis of the effect of all these factors is beyond the scope of this report. We have, however, calculated the sensitivity of the plan's costs to two factors. First, we have determined that based on current assets and demographics, for each percentage earnings in a single year under (or over) the assumed rate of return on the actuarial value of assets, there will be a corresponding increase (or reduction) in the normal cost accrual rate of 0.59% for the Fund. We have also determined that a 1% reduction in the valuation interest rate for the Fund would increase the actuarially required contribution rate for fiscal 2013 by 10.85% of payroll.

Notwithstanding recent contribution increases, a significant portion of investment losses incurred in fiscal 2009 has not yet been released into the actuarial value of assets due to the current asset smoothing methodology. This loss will be released over the next year and, even when the investment gains for the fiscal 2010 and 2011 are factored in, this will put upward pressure on costs as it is released into income unless it is offset by substantial asset or liability gains.

FUNDING ANALYSIS AND RECOMMENDATIONS DEFINED CONTRIBUTION PLAN

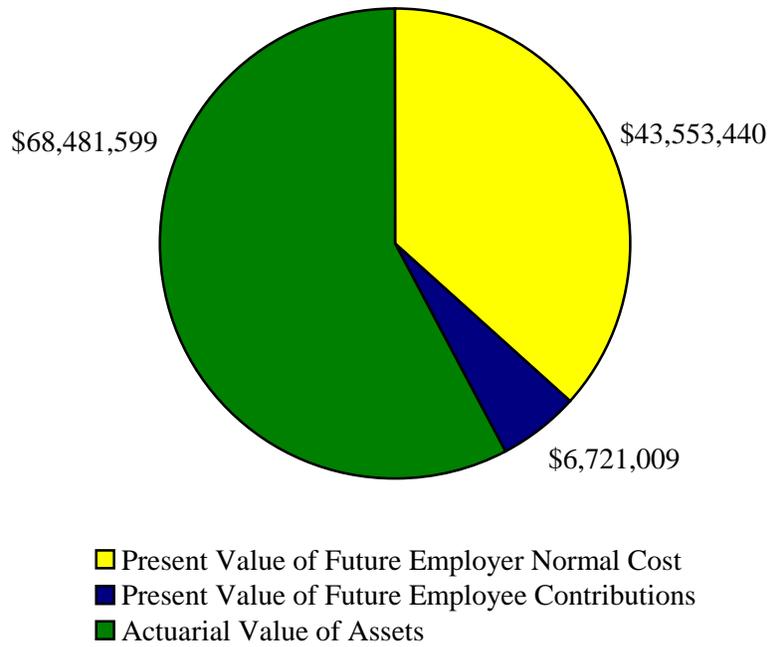
Funding for the retirement system's defined contribution account is contingent upon the availability of funds from ad valorem taxes and revenue sharing above the requirements of the defined benefit plan. The maximum amount of ad valorem taxes available to the system is 0.0625% of the ad valorem taxes shown to be collected each year. For fiscal 2013, we project that the system will receive ad valorem taxes in an amount insufficient to meet the requirements of the defined benefit plan. Therefore, there is no funding available for the defined contribution account for fiscal 2013.

COST OF LIVING INCREASES

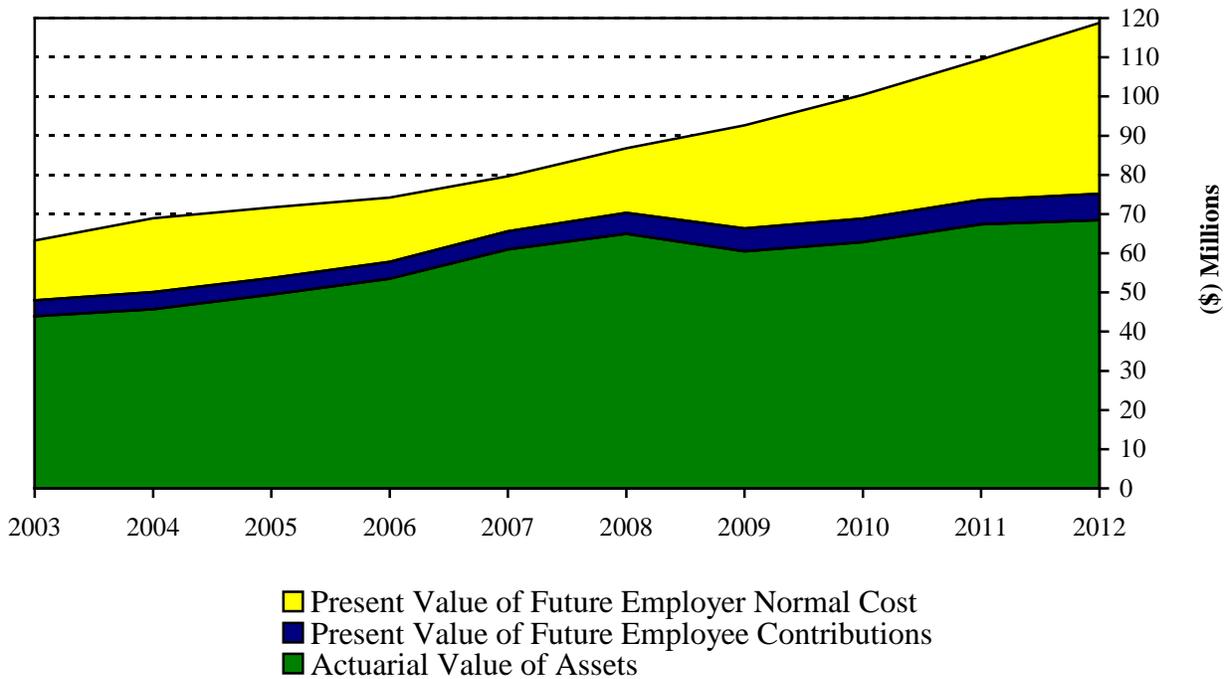
During fiscal 2012 the actual cost of living (as measured by the US Department of Labor CPI-U) increased by 1.66%. Cost of living provisions for the system are detailed in R.S. 11:2073 and R.S. 11:246. The former statute allows the board to grant annual cost of living increases of 3% of each retiree's original benefit. This applies only to members who have been retired for at least two years. R.S. 11:246 provides cost of living increases of retirees and beneficiaries over the age of 65 equal to 2% of the benefit in payment on October 1, 1977, or the date the benefit was originally received if retirement commenced after that date (R.S. 11:246 only permits payment of such an increase if earnings exceed the system's valuation rate). R.S. 11:241 provides that cost of living benefits shall be in the form (unless the board otherwise specifies) of $\$X \times (A+B)$ where X is at most \$1 and "A" represents the number of years of credited service accrued at retirement or at death of the member or retiree and "B" is equal to the number of years since retirement or since death of the member or retiree to June 30th of the initial year of such increase. The provisions of this subpart do not repeal provisions relative to cost of living adjustments contained within the individual laws governing systems; however, they are to be controlling in cases of conflict.

Statutory requirements provide that such COLA's may be paid only when the investment earnings of the system are sufficiently above the valuation interest rate to fund the benefit granted. For fiscal 2012 the fund had no excess earnings. In addition, in order to grant any cost of living increase to retirees, the ratio of the actuarial value of assets to the Pension Benefit Obligation must equal or exceed a statutory target ratio defined in R.S. 11:242. The funded ratio of the system, as calculated under R.S. 11:242, is 72.36%. This is below the target ratio of 100.00%. Thus, for fiscal 2012, the target ratio was not met by the fund.

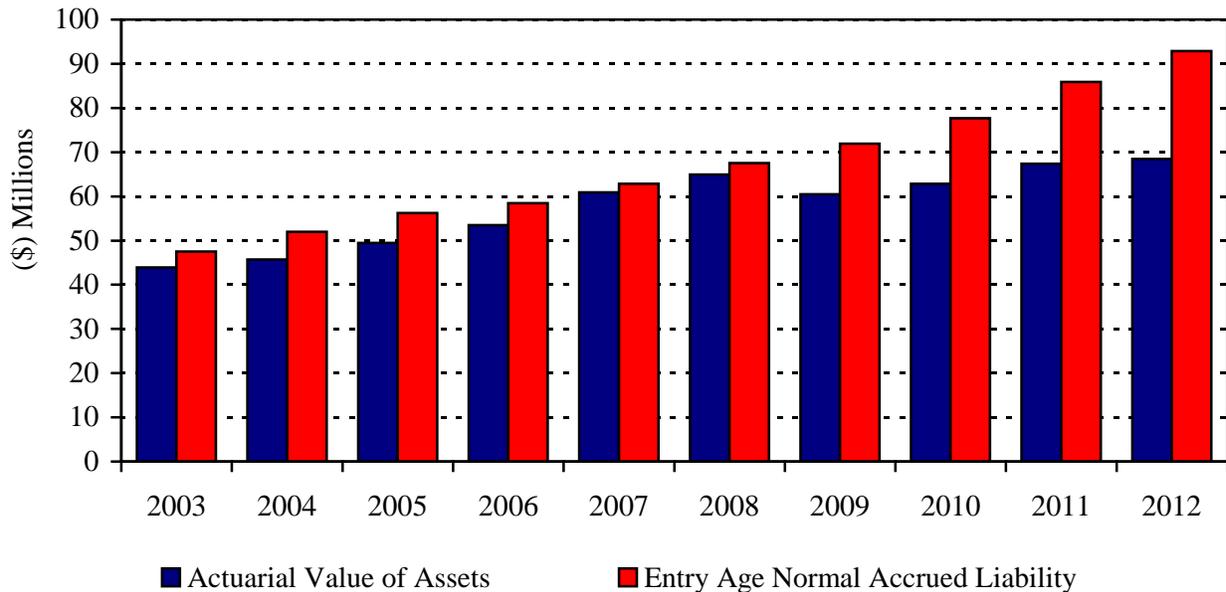
Components of Present Value of Future Benefits June 30, 2012



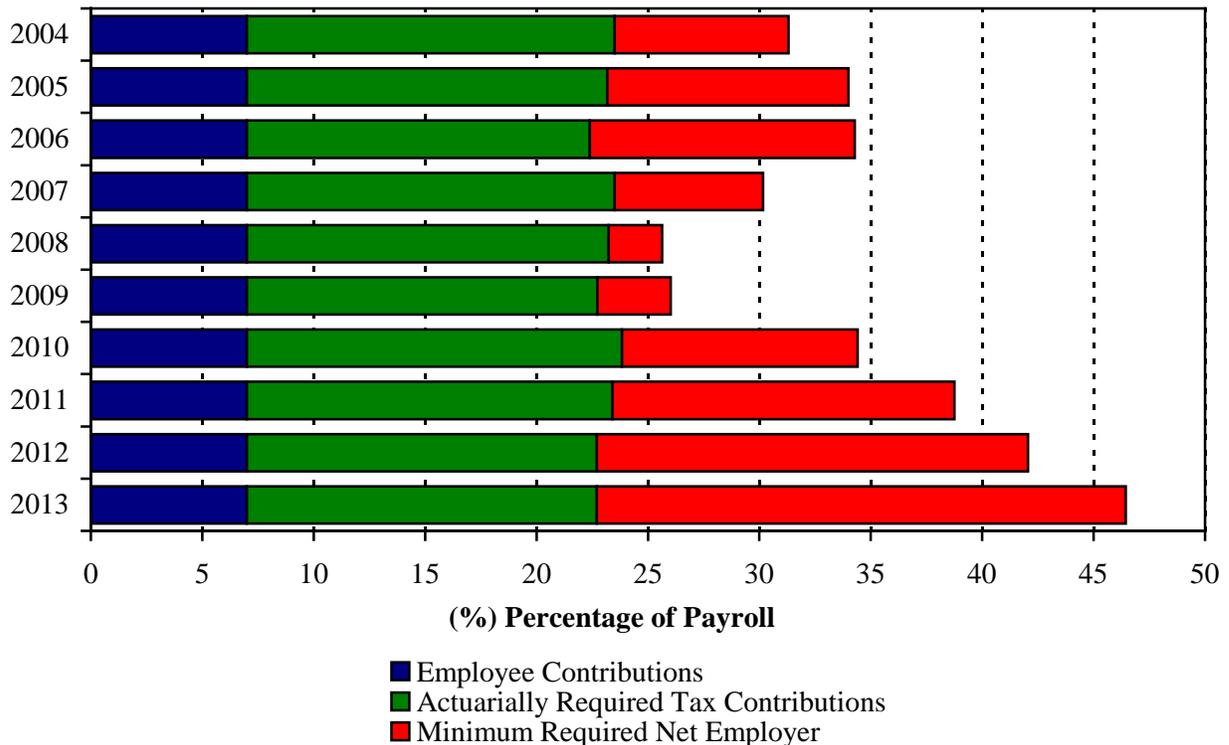
Components of Present Value of Future Benefits



Actuarial Value of Assets vs. Entry Age Normal Liability

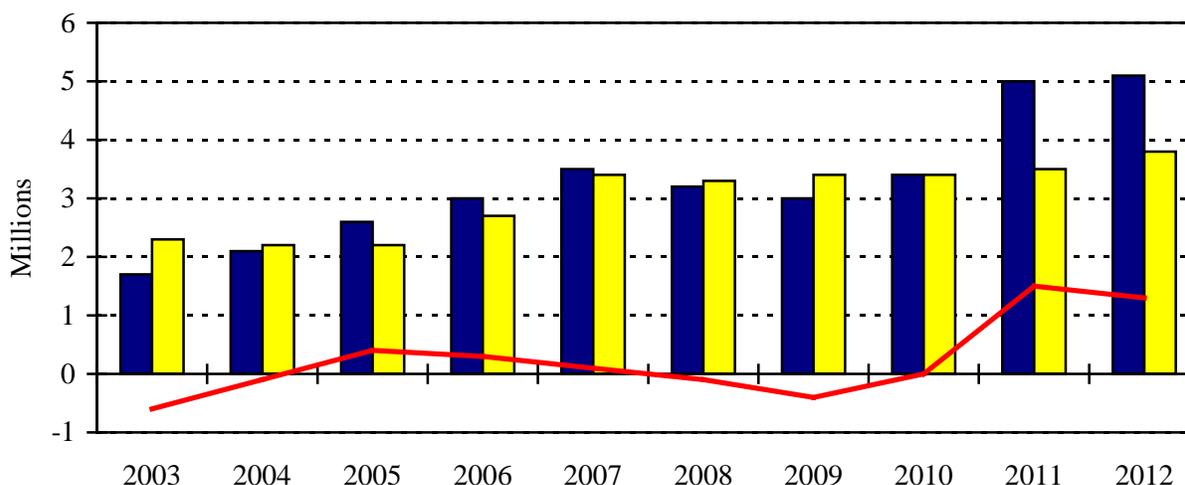


Components of Actuarial Funding



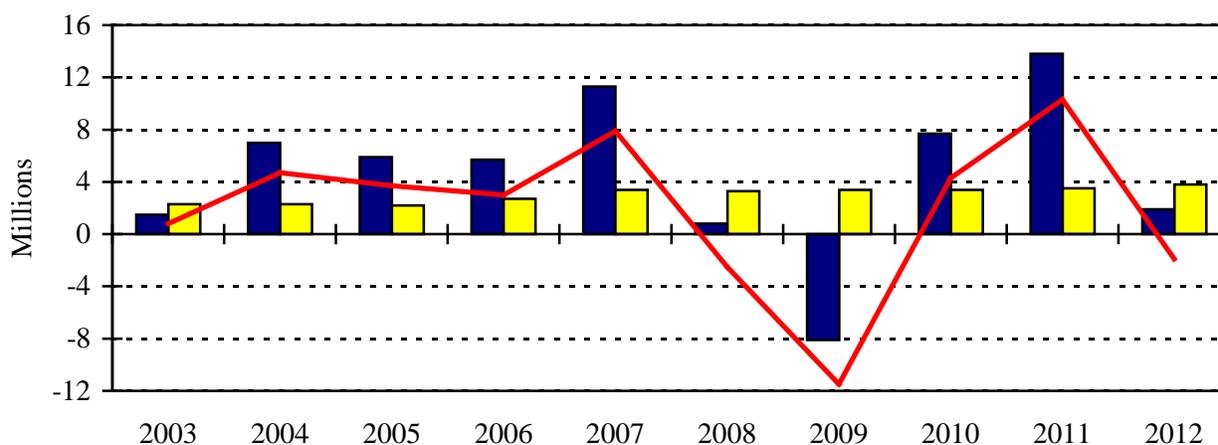
Actuarially Required Tax Contributions consist of the lesser of Actuarially Required Contributions and amount of taxes divided by the projected valuation payroll.

Net Non-Investment Income



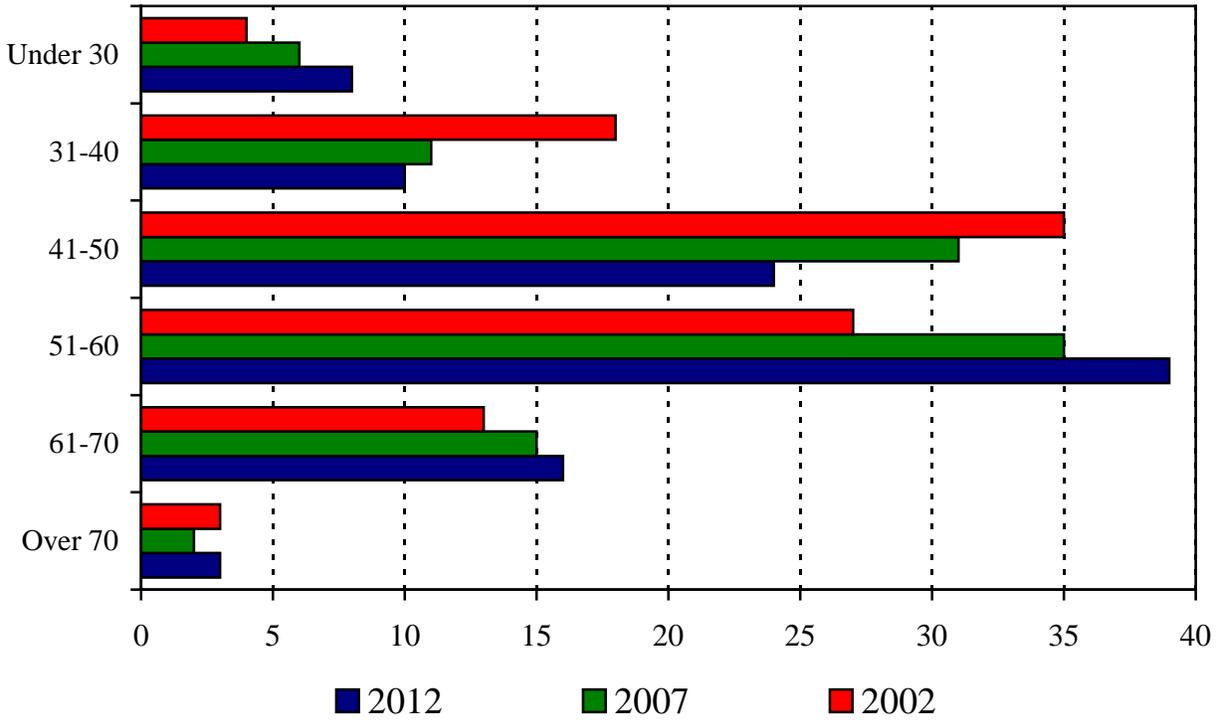
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-Investment Income (\$Mil)	■	1.7	2.1	2.6	3.0	3.5	3.2	3.0	3.4	5.0	5.1
Benefits and Expenses (\$Mil)	■	2.3	2.2	2.2	2.7	3.4	3.3	3.4	3.4	3.5	3.8
Net Non-Investment Income (\$Mil)	—	-0.6	-0.1	0.4	0.3	0.1	-0.1	-0.4	0.0	1.5	1.3

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

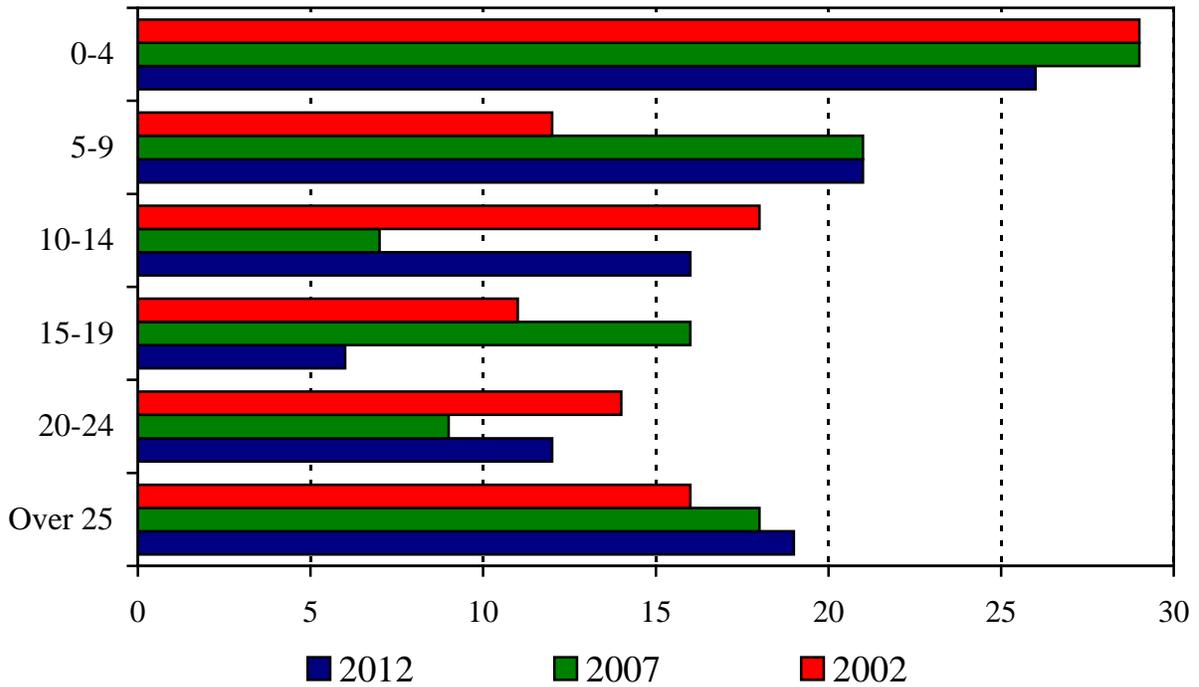


		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Income (\$Mil)	■	1.5	7.0	5.9	5.7	11.3	0.8	-8.1	7.7	13.8	1.9
Benefits and Expenses (\$Mil)	■	2.3	2.3	2.2	2.7	3.4	3.3	3.4	3.4	3.5	3.8
Net Change in MVA (\$Mil)	—	-0.8	4.7	3.7	3.0	7.9	-2.5	-11.5	4.3	10.3	-1.9

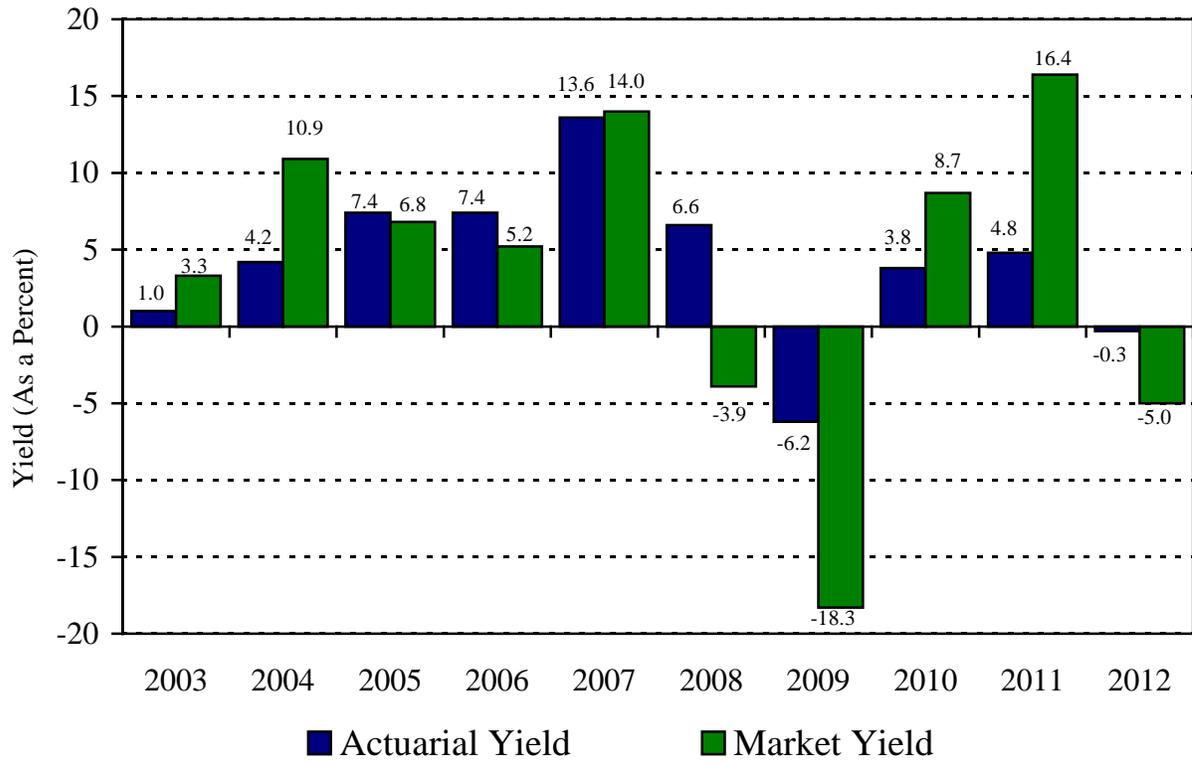
Active – Census By Age (as a percent)



Active – Census By Service (as a percent)



Historical Asset Yields



EXHIBITS

EXHIBIT I
ANALYSIS OF ACTUARIALLY REQUIRED CONTRIBUTIONS
TO THE DEFINED BENEFIT PLAN

1. Present Value of Future Benefits.....	\$ 118,756,048
2. Actuarial Value of Assets	\$ 68,481,599
3. Present Value of Future Employee Contributions.....	\$ 6,721,009
4. Funding Deposit Account.....	\$ 0
5. Present Value of Future Employer Normal Cost (1-2-3+4)	\$ 43,553,440
6. Present Value of Future Salaries	\$ 116,178,905
7. Employer Normal Cost Accrual Rate (5 ÷ 6)	37.488251%
8. Projected Fiscal 2013 Salary for Current Membership	\$ 13,278,969
9. Employer Normal Cost as of July 1, 2012 (7 x 8).....	\$ 4,978,053
10. Normal Cost Adjusted for Midyear Payment	\$ 5,161,355
11. Estimated Administrative Cost for Fiscal 2013.....	\$ 276,908
12. GROSS Employer Actuarially Required Contribution for Fiscal 2013 (10 + 11).....	\$ 5,438,263
13. Projected Revenue Sharing Funds for Fiscal 2013.....	\$ 110,361
14. Projected Ad Valorem Tax Contributions for Fiscal 2013.....	\$ 2,056,370
15. Net Direct Employer Actuarially Required Contribution for Fiscal 2013 (12 - 13 - 14).....	\$ 3,271,532
16. Projected Payroll (July 1, 2012 to June 30, 2013).....	\$ 13,789,385
17. Employer's Minimum Net Direct Actuarially Required Contribution as a % of Projected Payroll for Fiscal 2013 (15 ÷ 16).....	23.73%
18. Actual Employer Contribution Rate for Fiscal 2013.....	19.75%
19. Contribution Shortfall (Excess) as a Percentage of Payroll (17-18)	3.98%
20. Increase (Reduction) to Following Year Payment for Contribution Shortfall (Excess)	0.45%
21. Minimum Recommended Net Direct Employer Contribution Rate for Fiscal 2014 (17+20, Rounded to nearest .25%)	24.25%

EXHIBIT II
PRESENT VALUE OF FUTURE BENEFITS

Present Value of Future Benefits for Active Members:

Retirement Benefits	\$ 85,617,712	
Survivor Benefits	1,325,661	
Disability Benefits	558,770	
Vested Deferred Termination Benefits	1,528,582	
Contribution Refunds.....	501,354	
 TOTAL Present Value of Future Benefits for Active Members	 \$	 89,532,079

Present Value of Future Benefits for Terminated Members:

Terminated Vested Members Due Benefits at Retirement.....	\$ 1,025,493	
Terminated Members with Reciprocals		
Due Benefits at Retirement	35,631	
Terminated Members Due a Refund	87,860	
 TOTAL Present Value of Future Benefits for Terminated Members.....	 \$	 1,148,984

Present Value of Future Benefits for Retirees:

Regular Retirees		
Maximum	\$ 8,715,409	
Option 1	3,922,491	
Option 2.....	4,451,994	
Option 3.....	4,229,273	
Option 4.....	1,952,108	
 TOTAL Regular Retirees	 \$ 23,271,275	
Disability Retirees	114,672	
Survivors & Widows	3,876,696	
Annuities Certain Payable to Retirees.....	766,577	
DROP Account Balances Payable to Retirees	45,765	
 TOTAL Present Value of Future Benefits for Retirees & Survivors	 \$	 28,074,985
 TOTAL Present Value of Future Benefits	 \$	 118,756,048

**EXHIBIT III – Schedule A
MARKET VALUE OF ASSETS**

Current Assets:

Cash in Banks	\$ 3,739,485
Accrued Interest and Dividends	202,422
Contributions Receivable from Members.....	96,351
Contributions Receivable from Employers	248,134
Investment Receivable.....	321,483

TOTAL CURRENT ASSETS \$ 4,607,875

Property, Plant and Equipment (Net of accumulated depreciation)..... \$ 0

Investments:

Common Stock	\$ 17,293,663
Commingled Funds.....	12,254,551
Corporate Bonds	12,273,603
Limited Partnerships.....	7,162,621
U. S. Government Bonds.....	4,729,025
Limited Liability Companies.....	950,235
Cash Equivalents	2,339,691

TOTAL INVESTMENTS \$ 57,003,389

TOTAL ASSETS \$ 61,611,264

Current Liabilities:

Accounts Payable	69,424
Purchased Investments Payable.....	51,677

TOTAL CURRENT LIABILITIES \$ 121,101

MARKET VALUE OF ASSETS \$ 61,490,163

**EXHIBIT III – SCHEDULE B
ACTUARIAL VALUE OF ASSETS**

Excess (Shortfall) of invested income
for current and previous 4 years:

Fiscal year 2012.....	\$ (8,351,346)
Fiscal year 2011	4,512,736
Fiscal year 2010	359,250
Fiscal year 2009	(15,808,500)
Fiscal year 2008	(7,460,331)
 Total for five years.....	 \$ (26,748,191)

Deferral of excess (shortfall) of invested income:

Fiscal year 2012 (80%)	\$ (6,681,078)
Fiscal year 2011 (60%)	2,707,642
Fiscal year 2010 (40%)	143,700
Fiscal year 2009 (20%)	(3,161,700)
Fiscal year 2008 (0%)	<u>0</u>
 Total deferred for year	 \$ (6,991,436)

Market value of plan net assets, end of year \$ 61,490,163

Preliminary actuarial value of plan assets, end of year \$ 68,481,599

Actuarial value of assets corridor

85% of market value, end of year.....	\$ 52,266,639
115% of market value, end of year.....	\$ 70,713,687

Final actuarial value of plan net assets, end of year \$ 68,481,599

**EXHIBIT IV
PRESENT VALUE OF FUTURE CONTRIBUTIONS**

Employee Contributions to the Annuity Savings Fund.....	\$ 6,721,009
Employer Normal Contributions to the Pension Accumulation Fund	43,553,440
Funding Deposit Account Credit Balance.....	0
 TOTAL PRESENT VALUE OF FUTURE CONTRIBUTIONS	 \$ 50,274,449

**EXHIBIT V
RECONCILIATION OF CONTRIBUTIONS**

Employer Normal Cost for Prior Year	\$ 4,268,117
Interest on the Normal Cost	341,449
Administrative Expenses for Prior Year	238,434
Interest on Expenses.....	9,354
 TOTAL Interest Adjusted Actuarially Required Contribution	 \$ 4,857,354
 Direct Employer Contributions	 \$ 2,094,035
Interest on Employer Contributions	82,150
Ad valorem taxes and Revenue Sharing Funds.....	2,084,114
Interest on Taxes	81,761
 TOTAL Interest Adjusted Employer Contribution	 \$ 4,342,060
 Contribution Shortfall (Excess).....	 \$ 515,294

**EXHIBIT VI
ANALYSIS OF INCREASE IN ASSETS**

Actuarial Value of Assets (June 30, 2011).....		\$ 67,405,502
Income:		
Regular Member Contributions	\$ 827,226	
Regular Employer Contributions	2,094,035	
Tax Revenue	2,084,114	
Irregular Contributions.....	113,701	
Miscellaneous Income	2,538	
SUBTOTAL of all contributions		\$ 5,121,614
Net Appreciation in Fair Value of Investments.....	\$ (4,285,420)	
Interest	995,945	
Dividends	200,047	
Alternative Investment Income	116,197	
Other Investment Income	12,396	
Investment Expense.....	(266,194)	
SUBTOTAL of all investment income		\$ (3,227,029)
TOTAL Income.....		\$ 1,894,585
Expenses:		
Retirement Benefits.....	\$ 3,532,803	
Refunds of Contributions	48,959	
Administrative Expenses.....	238,434	
TOTAL Expenses.....		\$ 3,820,196
Net Market Income for Fiscal 2012 (Income - Expenses)		\$ (1,925,611)
Adjustment for Actuarial Smoothing		\$ 3,001,708
Actuarial Value of Assets (June 30, 2012).....		\$ 68,481,599

**EXHIBIT VII
FUND BALANCE**

Present Assets of the System Creditable to:

Annuity Savings Fund.....	\$ 6,242,460
Annuity Reserve Fund.....	28,029,220
Pension Accumulation Fund	23,390,099
DROP Fund Balance	3,828,384
Funding Deposit Account	0
 NET MARKET VALUE OF ASSETS.....	 \$ 61,490,163
Adjustment for Deferral of Capital (Gains) Losses	6,991,436
NET ACTUARIAL VALUE OF ASSETS	\$ 68,481,599

**EXHIBIT VIII – Schedule A
PENSION BENEFIT OBLIGATION**

Present Value of Credited Projected Benefits Payable to Current Employees	\$ 65,415,617
Present Value of Benefits Payable to Terminated Employees	1,148,984
Present Value of Benefits Payable to Current Retirees and Beneficiaries	28,074,985
 TOTAL PENSION BENEFIT OBLIGATION	 \$ 94,639,586
NET ACTUARIAL VALUE OF ASSETS	\$ 68,481,599
 Ratio of Net Actuarial Value of Assets to Pension Benefit Obligation	 72.36%

**EXHIBIT VIII – Schedule B
ENTRY AGE NORMAL ACCRUED LIABILITIES**

Accrued Liability for Active Employees	\$ 63,629,904
Accrued Liability for Terminated Employees.....	1,148,984
Accrued Liability for Current Retirees and Beneficiaries.....	28,074,985
 TOTAL Entry Age Normal Accrued Liability	 \$ 92,853,873
NET ACTUARIAL VALUE OF ASSETS	\$ 68,481,599
 Ratio of Net Actuarial Value of Assets to Entry Age Normal Accrued Liability....	 73.75%

EXHIBIT IX
COST OF LIVING ADJUSTMENTS - TARGET RATIO

- 1. Actuarial Value of Assets Divided by PBO as of Fiscal 1986..... 109.22%
- 2. Amortization of Unfunded Balance over 30 years:..... (7.99%)

Adjustments in Funded Ratio Due to Changes in Assumption(s):

Changes for Fiscal 1988.....	1.27%
Changes for Fiscal 1990.....	(5.51%)
Changes for Fiscal 1995.....	(0.71%)
Changes for Fiscal 1997.....	(5.78%)
Changes for Fiscal 1998.....	(5.21%)
Changes for Fiscal 2001.....	2.53%
Changes for Fiscal 2005.....	0.15%
Changes for Fiscal 2006.....	0.59%
Changes for Fiscal 2007.....	4.16%
Changes for Fiscal 2009.....	9.44%
Changes for Fiscal 2010.....	(1.65%)
Changes for Fiscal 2012.....	(4.03%)

- 3. TOTAL Adjustments (4.75%)

Amortization of Adjustments in Funded Ratio over 30 years:

Changes for Fiscal 1988.....	(1.02%)
Changes for Fiscal 1990.....	4.04%
Changes for Fiscal 1995.....	0.40%
Changes for Fiscal 1997.....	2.89%
Changes for Fiscal 1998.....	2.43%
Changes for Fiscal 2001.....	(0.93%)
Changes for Fiscal 2005.....	(0.04%)
Changes for Fiscal 2006.....	(0.12%)
Changes for Fiscal 2007.....	(0.69%)
Changes for Fiscal 2009.....	(0.94%)
Changes for Fiscal 2010.....	0.11%
Changes for Fiscal 2012.....	0.00%

- 4. TOTAL Amortization of Adjustments 6.13%

- 5. Target Ratio for Current Fiscal Year (Lesser of 100% or 1+2+3+4)..... 100.00%

- 6. Actuarial Value of Assets Divided by PBO as of Fiscal 2012..... 72.36%

**EXHIBIT X
CENSUS EXHIBIT**

	Active	Terminated with Funds on Deposit	DROP	Retired	Total
Number of members as of June 30, 2011	227	35	21	147	430
Additions to Census					
Initial membership	9				9
Death of another member				2	2
Omitted in error last year				(3)	(3)
Adjustment for multiple Records				1	1
Change in Status during Year					
Actives terminating service	(4)	4			0
Actives who retired	(3)			3	0
Actives entering DROP	(6)		6		0
Term. members rehired	1	(1)			0
Term. members who retire					
Retirees who are rehired					
Refunded who are rehired		1			1
Omitted in error last year					
DROP participants retiring			(1)	1	0
DROP returned to work	1		(1)		0
Eliminated from Census					
Refund of contributions	(5)	(4)			(9)
Deaths				(8)	(8)
Included in error last year					
Adjustment for multiple Records					
Number of members as of June 30, 2012	220	35	25	143	423

ACTIVES CENSUS BY AGE:

Age	Number Male	Number Female	Total Number	Average Salary	Total Salary
16 - 20	1	0	1	28,950	28,950
21 - 25	2	2	4	31,245	124,981
26 - 30	3	11	14	33,616	470,617
31 - 35	1	13	14	38,262	535,669
36 - 40	1	9	10	43,551	435,514
41 - 45	3	22	25	48,215	1,205,380
46 - 50	1	34	35	55,213	1,932,440
51 - 55	7	38	45	52,363	2,356,316
56 - 60	2	49	51	55,489	2,829,932
61 - 65	7	19	26	64,779	1,684,248
66 - 70	4	9	13	95,945	1,247,290
71 - 75	1	5	6	80,609	483,651
76 - 80	0	1	1	51,968	51,968
TOTAL	33	212	245	54,641	13,386,956

THE ACTIVE CENSUS INCLUDES 130 ACTIVES WITH VESTED BENEFITS, INCLUDING 25 DROP PARTICIPANTS AND 12 ACTIVE FORMER DROP PARTICIPANTS.

TERMINATED MEMBERS DUE A DEFERRED RETIREMENT BENEFIT:

Age	Number Male	Number Female	Total Number	Average Benefit	Total Benefit
51 - 55	1	3	4	18,779	75,114
56 - 60	1	1	2	23,767	47,533
TOTAL	2	4	6	20,441	122,647

TERMINATED MEMBERS DUE A REFUND OF CONTRIBUTIONS:

Contributions Ranging		Number	Total Contributions
From	To		
0	- 99	11	524
100	- 499	5	1,345
500	- 999	3	2,306
1000	- 1999	1	1,061
2000	- 4999	3	9,511
5000	- 9999	3	23,163
10000	- 19999	2	24,353
20000	- 99999	1	25,597
TOTAL		29	87,860

REGULAR RETIREES:

Age	Number Male	Number Female	Total Number	Average Benefit	Total Benefit
51 - 55	0	1	1	49,325	49,325
56 - 60	0	3	3	36,672	110,016
61 - 65	2	11	13	37,781	491,158
66 - 70	3	13	16	29,081	465,297
71 - 75	1	19	20	21,315	426,291
76 - 80	5	14	19	24,932	473,703
81 - 85	4	11	15	17,961	269,416
86 - 90	3	13	16	22,591	361,454
91 - 99	1	3	4	11,375	45,500
TOTAL	19	88	107	25,160	2,692,160

DISABILITY RETIREES:

Age	Number Male	Number Female	Total Number	Average Benefit	Total Benefit
66 - 70	0	1	1	14,541	14,541
TOTAL	0	1	1	14,541	14,541

SURVIVORS:

Age	Number Male	Number Female	Total Number	Average Benefit	Total Benefit
51 - 55	1	0	1	53,376	53,376
56 - 60	3	2	5	4,049	20,247
61 - 65	2	5	7	19,485	136,395
66 - 70	2	3	5	5,192	25,961
71 - 75	1	3	4	9,010	36,040
76 - 80	1	2	3	12,708	38,124
81 - 85	1	5	6	14,083	84,496
86 - 90	0	4	4	11,010	44,039
TOTAL	11	24	35	12,534	438,678

ACTIVE MEMBERS:

Attained Ages	Completed Years of Service											Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30&Over	
0 - 20	1											1
21 - 25	1	1										4
26 - 30	1	4										14
31 - 35	1	1	1		1	5	2					14
36 - 40	1	1	1	1	4	5	3					10
41 - 45	1	4	3	4	2	4	7	1	3			25
46 - 50	1	4	2	4	3	8	2	2	9	3		35
51 - 55	2	1	1	4	3	7	7	4	10	7		45
56 - 60	1	1	1	1	1	13	8	4	5	10		51
61 - 65	1					6	7	2	2	2		26
66 - 70						2	2	1	1	1		13
71 & Over							1	1	1	1		7
Totals	9	14	9	18	14	51	39	14	31	17	29	245

AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS:

Attained Ages	Completed Years of Service											Average Salary
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30&Over	
0 - 20	28,950											28,950
21 - 25	25,822	29,929	39,301									31,245
26 - 30	36,241	28,387										33,616
31 - 35	24,467		29,523			34,078	34,156					38,262
36 - 40				37,611		38,287	34,156					43,551
41 - 45	24,065		31,295	31,166		42,918	51,160					48,215
46 - 50	22,581	32,690	38,053	34,289		48,779	50,763					55,213
51 - 55	26,968		34,596	30,915		42,410	74,093	61,339	87,679			68,536
56 - 60	35,157	31,201	30,871	26,994		67,155	50,590	60,654	73,216	62,790		52,363
61 - 65	56,481	22,581				51,515	54,121	66,441	58,512			55,489
66 - 70						53,669	54,397	73,247	111,321	80,416		64,779
71 & Over						101,892	111,344	43,472	92,265	51,968		95,945
Average	30,972	30,356	33,809	37,646	49,123	44,500	56,184	67,146	70,860	66,937	78,560	54,641

TERMINATED MEMBERS DUE A DEFERRED RETIREMENT BENEFIT:

Attained Ages	Years Until Retirement Eligibility										Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 50												0
51 - 55			1			3						4
56 - 60	1				1							2
61 & Over												0
Totals	0	1	1	0	1	3	0	0	0	0	0	6

AVERAGE ANNUAL BENEFITS OF TERMINATED MEMBERS DUE A DEFERRED RETIREMENT BENEFIT:

Attained Ages	Years Until Retirement Eligibility										Average Benefit	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 50												0
51 - 55			29,375			15,247						18,779
56 - 60	35,212				12,321							23,766
61 & Over												0
Average	0	35,212	29,375	0	12,321	15,247	0	0	0	0	0	20,441

SERVICE RETIREES:

Completed Years Since Retirement

Attained Ages	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30&Over	Total
0 - 50												0
51 - 55				1								1
56 - 60	1					2						3
61 - 65		2	2	1	2	6						13
66 - 70	2	1	2	1	2	6	2					16
71 - 75	1	2	2	2	2	3	4	5	1			20
76 - 80		2				5	4	3	5			19
81 - 85						3	3	3	3	3		15
86 - 90		1			1	1	1	2	3	5	2	16
91 & Over							1				3	4
Totals	4	8	4	5	7	26	15	13	12	8	5	107

AVERAGE ANNUAL BENEFITS PAYABLE TO SERVICE RETIREES:

Completed Years Since Retirement

Attained Ages	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30&Over	Average Benefit
0 - 50												0
51 - 55				49,325								49,325
56 - 60	52,418					28,799						36,672
61 - 65		30,276	43,409	30,182	26,322	43,493						37,781
66 - 70	29,130	17,424	29,810	24,109	37,899	31,301	21,139					29,081
71 - 75	58,223	31,368		24,466	19,496	19,258	13,339	18,619	13,184			21,315
76 - 80		50,379				28,326	13,100	16,421	25,931			24,932
81 - 85						30,841	15,469	12,312	13,694	17,489		17,961
86 - 90		41,306			54,404	35,870	9,708	14,704	22,276	18,054	16,832	22,591
91 & Over							38,177				2,441	11,375
Average	42,225	35,347	36,609	30,509	31,691	32,083	16,155	16,054	20,896	17,842	8,197	25,160

DISABILITY RETIREES:

Attained Ages	Completed Years Since Retirement										Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 65												0
66 - 70							1					1
71 & Over												0
Totals	0	0	0	0	0	0	1	0	0	0	0	1

AVERAGE ANNUAL BENEFITS PAYABLE TO DISABILITY RETIREES:

Attained Ages	Completed Years Since Retirement										Average Benefit	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 65												0
66 - 70							14,541					14,541
71 & Over												0
Average	0	0	0	0	0	0	14,541	0	0	0	0	14,541

SURVIVING BENEFICIARIES OF FORMER MEMBERS:

Attained Ages	Completed Years Since Retirement										Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 50												0
51 - 55			1									1
56 - 60								1	2	2		5
61 - 65						2		2	3			7
66 - 70						1				4		5
71 - 75			1			1			1			4
76 - 80								1	2			3
81 - 85								2	2	2		6
86 - 90								1		2		4
91 & Over											1	0
Totals	0	0	2	0	0	4	1	7	10	10	1	35

AVERAGE ANNUAL BENEFITS PAYABLE TO SURVIVORS OF FORMER MEMBERS:

Attained Ages	Completed Years Since Retirement										Average Benefit	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29		30&Over
0 - 50												0
51 - 55			53,376									53,376
56 - 60								5,440	3,606	3,798		4,049
61 - 65						48,226		10,990	5,988			19,485
66 - 70						9,028				4,233		5,192
71 - 75			7,714			6,315	13,023		8,988			9,010
76 - 80								15,345	11,390			12,708
81 - 85								12,140	20,847	9,262		14,083
86 - 90								5,621		13,837	10,745	11,010
91 & Over												0
Average	0	0	30,545	0	0	27,949	13,023	10,381	9,863	7,073	10,745	12,534

**EXHIBIT XI
YEAR TO YEAR COMPARISON**

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009
Number of Active Members	245	248	247	247
Number of Retirees & Survivors	143	147	140	138
Number of Terminated Due Deferred Benefits	6	6	6	5
Number Terminated Due Refund	29	29	20	19
Active Lives Payroll	\$ 13,386,956	\$ 13,027,410	\$ 12,333,966	\$ 11,753,384
Retiree Benefits in Payment	\$ 3,145,379	\$ 3,112,965	\$ 2,877,232	\$ 2,777,346
Market Value of Assets	\$ 61,490,163	\$ 63,415,774	\$ 53,081,300	\$ 48,785,175
Entry Age Normal Accrued Liability				
Active Lives	\$ 63,629,904	\$ 57,858,056	\$ 51,499,975	\$ 47,558,882
Retired Lives	28,074,985	27,068,119	25,269,991	23,656,490
Terminated Members	1,148,984	997,914	904,695	698,688
	-----	-----	-----	-----
Total EAN Accrued Liability	\$ 92,853,873	\$ 85,924,089	\$ 77,674,661	\$ 71,914,060
Ratio of AVA to Entry Age Normal Liability	73.75%	78.45%	80.88%	84.12%
Actuarial Value of Assets (AVA)	\$ 68,481,599	\$ 67,405,502	\$ 62,823,395	\$ 60,492,753
Present Value of Future Employer Normal Cost	\$ 43,553,440	\$ 35,835,681	\$ 31,548,014	\$ 26,292,445
Present Value of Future Employee Contributions	\$ 6,721,009	\$ 6,237,947	\$ 6,064,371	\$ 5,826,743
Present Value of Future Benefits	\$118,756,048	\$109,479,130	\$100,435,780	\$ 92,611,941

	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010
Employee Contribution Rate	7.00%	7.00%	7.00%	7.00%
Proj. Tax Contribution as % of Proj. Payroll	15.71%	15.71%	16.41%	16.84%
Actuarially Req'd Net Direct Employer Cont.	23.73%	19.34%	15.35%	10.57%
Actual Net Direct Employer Contribution Rate	19.75%	15.50%	14.25%	3.50%

Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
239	230	225	227	226	228
137	135	126	122	123	120
5	6	5	5	3	4
19	11	17	17	15	22
\$ 10,839,277	\$ 9,430,860	\$ 8,902,959	\$ 8,649,475	\$ 8,126,228	\$ 7,383,264
\$ 2,695,681	\$ 2,518,881	\$ 2,162,474	\$ 1,927,188	\$ 1,856,787	\$ 1,821,793
\$ 60,242,539	\$ 62,716,995	\$ 54,844,655	\$ 51,800,721	\$ 48,120,814	\$ 43,452,328
\$ 43,728,672	\$ 40,289,867	\$ 39,398,347	\$ 39,227,518	\$ 36,173,832	\$ 31,837,004
23,163,035	21,692,064	18,467,355	16,454,333	15,484,661	15,294,575
636,269	838,839	607,159	536,729	330,301	349,429
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\$ 67,527,976	\$ 62,820,770	\$ 58,472,861	\$ 56,218,580	\$ 51,988,794	\$ 47,481,008
96.16%	97.00%	91.46%	87.99%	87.87%	92.48%
\$ 64,932,257	\$ 60,936,774	\$ 53,480,118	\$ 49,464,963	\$ 45,684,047	\$ 43,910,040
\$ 16,438,175	\$ 13,994,521	\$ 16,412,560	\$ 18,089,990	\$ 18,874,878	\$ 15,282,702
\$ 5,405,249	\$ 4,677,700	\$ 4,333,260	\$ 4,177,183	\$ 4,371,749	\$ 4,063,877
\$ 86,775,681	\$ 79,608,995	\$ 74,225,938	\$ 71,732,136	\$ 68,930,674	\$ 63,256,619

Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
15.73%	16.24%	16.50%	15.39%	16.18%	16.51%
3.29%	2.40%	6.66%	11.32%	10.81%	7.80%
2.00%	6.25%	11.25%	11.00%	8.25%	3.25%

SUMMARY OF PRINCIPAL PLAN PROVISIONS

The Registrars of Voters Employees' Retirement System was established as of the first day of January nineteen hundred and fifty-five for the purpose of providing retirement allowances and other benefits. The following summary of plan provisions is for general informational purposes only and does not constitute a guarantee of benefits.

MEMBERSHIP - All Registrars of Voters, their deputies, and their permanent employees in each parish of the State of Louisiana. Also, any employee of the retirement system or the Louisiana Registrars of Voters' Association. Elected or appointed officials who have retired from service under any publicly funded retirement system within the state and who are currently receiving benefits are not eligible to become members of the system.

CONTRIBUTION RATES - The fund is financed by employee contributions of 7% of earnable compensation. In addition, the fund receives revenue sharing funds as appropriated each year by the legislature. Also, each sheriff and ex-officio tax collector remits the employers' share of the actuarially required contribution to fund the system's defined benefit and defined contribution plans up to a maximum of one-sixteenth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish. Should employee contributions and tax funds collected from ad valorem taxes and revenue sharing funds be insufficient to provide for the gross employer actuarially required contribution, the employer is required to make direct contributions as determined by the Public Retirement Systems' Actuarial Committee. The board of trustees is authorized to require a net direct contribution rate of up to three percent more than the rate determined under R.S. 11:103. In any fiscal year during which the net direct employer contribution rates would otherwise be decreased, the board of trustees is authorized to set the employer contribution rate at any point between the previous year's employer contribution rate and the decreased rate that would otherwise occur. Any excess funds resulting from the additional contributions will be credited to the Funding Deposit Account defined in R.S. 11:107.1.

CONTRIBUTION REFUNDS - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued rights in the system.

FINAL AVERAGE COMPENSATION – For a member whose first employment making him eligible for membership in the system began on or before June 30, 2006, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted, subject to certain transition rules. For those who retire on or before December 31, 2012, a thirty six month final average compensation period shall be used. For those retiring between January 1, 2013 and December 31, 2014 the number of months to be used in determining the final average compensation will be thirty-six plus the number of completed months since January 1, 2013. In no case shall the monthly final average compensation be less than the average monthly earnings during the member's highest thirty-six consecutive or joined months of service earned for employment before January 1, 2013. The earnings to be considered for each twelve month period within the sixty month period shall not exceed 125% of the preceding twelve month period.

For a member whose first employment making him eligible for membership in the system began after June 30, 2006, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve month period within the thirty-six month period shall not exceed 125% of the preceding twelve month period.

RETIREMENT BENEFITS - Members with ten years of creditable service may retire at age sixty; members with twenty years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The annual retirement allowance is equal to three and one-third percent of the member's average final compensation for each year of creditable service. Creditable service at retirement includes membership service, service as certified on prior service certificates, and any unused sick leave and any unused annual leave in excess of 300 hours at the date of retirement.

OPTIONAL ALLOWANCES - Members may receive their benefits as a life annuity, or in lieu of such receive a reduced benefit according to the option selected that is the actuarial equivalent of the maximum benefit.

Option 1 - If the member dies before he has received in annuity payments the present value of his member's annuity as it was at the time of retirement the balance is paid to his beneficiary.

Option 2 - Upon retirement, the member receives a reduced benefit. Upon the member's death, the designated beneficiary will continue to receive the same reduced benefit.

Option 3 - Upon retirement, the member receives a reduced benefit. Upon the member's death, the designated beneficiary will receive one-half of the member's reduced benefit.

Option 4 - Upon retirement, the member elects to receive a board-approved benefit which is actuarially equivalent to the maximum benefit.

A member may also elect to receive an actuarially reduced benefit which provides for an automatic 2 ½% annual compound increase in monthly retirement benefits based on the reduced benefit and commencing on the later of age fifty-five or retirement anniversary; this COLA is in addition to any ad hoc COLAs which are payable.

DISABILITY BENEFITS - Ten years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a normal retirement allowance if eligible. Otherwise, the member receives the lesser of three and one-third percent of average final compensation multiplied by the number of years of creditable service (not to be less than fifteen years), or three and one-third percent of average final compensation multiplied by years of service assuming continued service to age sixty. Disability benefits may not exceed two-thirds of earnable compensation.

SURVIVOR BENEFITS - If a member has less than five years of service credit, the surviving spouse or minor children receive a refund of the member's contributions. If the member has at least

five years of service credit and is not eligible to retire, the spouse receives an automatic option 2 benefit based on the accrued benefits at the time of death with option 2 factors based on the age that the member and spouse would have been had the member survived, continued in service, and then retired on earliest normal retirement date. If the member is eligible to retire at the date of death, the surviving spouse receives automatic option 2 benefits. If there are surviving minor or handicapped children with no surviving spouse and the member has five or more years of service credit the children receive eighty percent of the accrued retirement benefit in equal portions until the age of majority or for the duration of the handicap for a handicapped child. The retirement system pays a lump sum refund equal to the difference between total monthly survivor benefits paid and total accrued contributions, if any, upon the cessation of all eligible monthly payments.

DEFERRED RETIREMENT OPTION PLAN - In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible for normal retirement may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the system terminates. During participation in the plan, monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. This fund does not earn interest. In addition, no cost of living increases are payable to participants until employment which made them eligible to become members of the system has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. The monthly benefits that were being paid into the DROP fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the plan fund cease and the person resumes active contributing membership in the system.

COST OF LIVING INCREASES - The board of trustees is authorized to grant retired members and widows of members who have retired at least two years, an annual cost of living increase of up to 3% of their original benefit, and to retired members and widows who are sixty-five years of age and older a 2% increase in their original benefit (or the benefit being received on October 1, 1977 if they retired prior to that time). In order for the board to grant either of these increases the system must meet certain criteria detailed in the statute related to funding status and interest earnings. In lieu of other cost of living increases the board may grant an increase to retirees in the form " $X \times (A \& B)$ " where "A" is equal to the number of years of credited service accrued as retirement or death of the member or retiree and "B" is equal to the number of years since death of the member or retiree to June 30 of the initial year of increase and "X" is equal to any amount available for funding such increase up to a maximum of \$1.00.

DEFINED CONTRIBUTION PLAN - Funds contributed to the system in excess of those required contributions to the Pension Accumulation Fund, as established by the Public Retirement Systems Actuarial Committee, are deposited in the Members' Supplemental Savings Fund. The amount of

funds deposited with the members' supplemental savings fund is three percent of the salaries paid to active contributing members during the prior fiscal year unless the Public Retirement Systems' Actuarial Committee recommends a lesser percentage based on available funds and the requirements of the Defined Benefit Plan. A member is entitled to payment of all contributions and interest credited to his account upon termination of employment. Payment to the member is made at the end of the calendar quarter following the quarter in which the member terminates. Interest and other earnings or losses are allocated at least once each year on the valuation date of the fund. Earnings or losses are allocated to members in proportion to their account balances as of the first day of the period for which earnings are credited.

The funds in the Member's Supplemental Savings Fund are invested separately from other funds held by the system and the funds constitute a separate trust. Payments, accruals, and allocations due to be made at the end of the fiscal year may be delayed until such time as the necessary financial information is available to the system's administrator, but in no event later than 6 months after the close of the fiscal year.

ACTUARIAL ASSUMPTIONS

In determining actuarial costs, certain assumptions must be made regarding future experience under the plan. These assumptions include the rate of investment return, mortality of plan members, rates of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors which have an impact on the cost of the plan. To the extent that future experience varies from the assumptions selected for valuation, future costs will be either higher or lower than anticipated. The following chart illustrates the effect of emerging experience on the plan.

Factor	Increase in Factor Results in
Investment Earnings Rate	Decrease in Cost
Annual Rate of Salary Increase	Increase in Cost
Rates of Retirement	Increase in Cost
Rates of Termination	Decrease in Cost
Rates of Disability	Increase in Cost
Rates of Mortality	Decrease in Cost

ACTUARIAL COST METHOD: The Aggregate Actuarial Cost Method with allocation based on earnings.

VALUATION INTEREST RATE: 7 ½% (Net of Investment Expense)

ACTUARIAL ASSET VALUES: Assets are valued at market value adjusted to defer four-fifths of all earnings above or below the valuation interest rate in the valuation year, three-fifths of all earnings above or below the valuation interest rate in the prior year, two-fifths of all earnings above or below the valuation interest rate from two years prior, and one-fifth of all earnings above or below the valuation interest rate from three years prior. The resulting smoothed values are subject to a corridor of 85% to 115% of the market value of assets. If the smoothed value falls outside the corridor, the actuarial value is set equal to the average of the corridor limit and the smoothed value.

ANNUAL SALARY INCREASE RATE: 6 ¾% (3.00% inflation / 3.75% merit)

ACTIVE MEMBER, ANNUITANT, AND BENEFICIARY MORTALITY: RP 2000 Combined Healthy Table set back 3 years for males and 2 years for females

RETIREE COST OF LIVING INCREASE: The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The present values do not include provisions for potential future

increases not yet authorized by the Board of Trustees.

RATES OF RETIREMENT:

The table of these rates is included later in the report. These rates apply only to those individuals eligible to retire. The rate of retirement for persons who have completed DROP participation and have remained employed is 0.17.

RETIREMENT LIMITATIONS:

Projected retirement benefits are not subjected to IRS Section 415 limits.

RATES OF WITHDRAWAL:

The rates of withdrawal are applied based upon completed years of service according to the following table:

Service	Factor	Service	Factor
<1	0.160	10	0.013
1	0.070	11	0.013
2	0.070	12	0.013
3	0.070	13	0.013
4	0.070	14	0.013
5	0.070	15	0.013
6	0.060	16	0.013
7	0.050	17	0.013
8	0.040	18	0.013
9	0.030	>18	0.013

Note: Withdrawal rates for members eligible to retire are assumed to be zero.

RATES OF DROP ENTRY:

A table of these rates is included later in the report. These rates apply only to those individuals eligible to enter DROP.

DROP PARTICIPATION:

All persons who enter DROP are assumed to participate for the full three-year period and retire after completing 1 year of Post-DROP service.

MARRIAGE STATISTICS:

80% of the members are assumed to be married; husbands are assumed to be three years older than their wives.

FAMILY STATISTICS:

Assumptions utilized in determining the costs of various survivor benefits as listed below,

are derived from the information provided in the 2000 U. S. Census:

<u>Member's Age</u>	<u>% With Children</u>	<u>Number of Children</u>	<u>Average Age</u>
25	62%	1.7	6
35	82%	2.1	10
45	66%	1.8	13
55	19%	1.4	15
65	2%	1.4	15

RATES OF DISABILITY: 20% of the disability rates used for the 21st valuation of the Railroad Retirement System for individuals with 10-19 years of service. The table of these rates is included later in the report.

DISABLED LIVES MORTALITY: RP-2000 Disabled Lives Mortality Tables for Males and Females

VESTING ELECTING PERCENTAGE: 70% of those vested elect deferred benefits in lieu of contribution refunds.

SICK AND ANNUAL LEAVE: Members are assumed to accrue one year of unused sick and annual leave to be credited for retirement benefit accrual purposes for each 16.67 years of Pre-DROP creditable service. Members are assumed to convert 0.22 years of sick and annual leave for every year of DROP Participation service and Post-DROP service in their Post-DROP benefit.

ACTUARIAL TABLES AND RATES

Age	Male Mortality Rates	Female Mortality Rates	Retirement Rates	DROP Entry Rates	Disability Rates
18	0.00027	0.00018	0.00000	0.00000	0.00030
19	0.00028	0.00018	0.00000	0.00000	0.00030
20	0.00030	0.00019	0.00000	0.00000	0.00030
21	0.00032	0.00019	0.00000	0.00000	0.00030
22	0.00033	0.00019	0.00000	0.00000	0.00030
23	0.00035	0.00019	0.00000	0.00000	0.00030
24	0.00036	0.00019	0.00000	0.00000	0.00030
25	0.00037	0.00020	0.00000	0.00000	0.00030
26	0.00037	0.00020	0.00000	0.00000	0.00030
27	0.00038	0.00021	0.00000	0.00000	0.00030
28	0.00038	0.00021	0.00000	0.00000	0.00030
29	0.00038	0.00022	0.00000	0.00000	0.00030
30	0.00038	0.00024	0.00000	0.00000	0.00030
31	0.00039	0.00025	0.00000	0.00000	0.00030
32	0.00041	0.00026	0.00000	0.00000	0.00030
33	0.00044	0.00031	0.00000	0.00000	0.00030
34	0.00050	0.00035	0.00000	0.00000	0.00030
35	0.00056	0.00039	0.00000	0.00000	0.00034
36	0.00063	0.00044	0.00000	0.00000	0.00038
37	0.00070	0.00047	0.00000	0.00000	0.00042
38	0.00077	0.00051	0.00000	0.00000	0.00048
39	0.00084	0.00055	0.00000	0.00000	0.00054
40	0.00090	0.00060	0.00000	0.00000	0.00062
41	0.00096	0.00065	0.00000	0.00000	0.00070
42	0.00102	0.00071	0.00000	0.00000	0.00078
43	0.00108	0.00077	0.00000	0.00000	0.00088
44	0.00114	0.00085	0.00000	0.00000	0.00100
45	0.00122	0.00094	0.00000	0.00000	0.00114
46	0.00130	0.00103	0.12000	0.43000	0.00130
47	0.00140	0.00112	0.12000	0.43000	0.00146
48	0.00151	0.00122	0.12000	0.43000	0.00166
49	0.00162	0.00133	0.12000	0.43000	0.00188
50	0.00173	0.00143	0.12000	0.43000	0.00214
51	0.00186	0.00155	0.12000	0.43000	0.00244
52	0.00200	0.00168	0.12000	0.43000	0.00276
53	0.00214	0.00185	0.12000	0.43000	0.00314
54	0.00245	0.00202	0.12000	0.43000	0.00356
55	0.00267	0.00221	0.06000	0.22000	0.00404
56	0.00292	0.00242	0.06000	0.22000	0.00460
57	0.00320	0.00272	0.06000	0.22000	0.00522
58	0.00362	0.00309	0.06000	0.22000	0.00592
59	0.00420	0.00348	0.06000	0.22000	0.00674
60	0.00469	0.00392	0.06000	0.22000	0.0076
61	0.00527	0.00444	0.06000	0.22000	0.0076
62	0.00595	0.00506	0.06000	0.22000	0.0076
63	0.00675	0.00581	0.06000	0.22000	0.0076
64	0.00768	0.00666	0.06000	0.22000	0.0076
65	0.00876	0.00765	0.06000	0.22000	0.0076

PRIOR YEAR ASSUMPTIONS

VALUATION INTEREST RATE:	8% (Net of Investment Expense)
ANNUAL SALARY INCREASE RATE:	7.00% (3.25% inflation / 3.75% merit)
DROP PARTICIPATION:	All persons who enter DROP are assumed to participate for the full three-year period and retire immediately thereafter.
SICK AND ANNUAL LEAVE:	Members are assumed to accrue one year of unused sick and annual leave to be credited for retirement benefit accrual purposes for each 16.67 years of creditable service.

GLOSSARY

Accrued Benefit – The pension benefit that an individual has earned as of a specific date based on the provisions of the plan and the individual's age, service, and salary as of that date.

Actuarial Accrued Liability – The actuarial present value of benefits payable to members of the fund less the present value of future normal costs attributable to the members.

Actuarial Assumptions - Assumptions as to the occurrence of future events affecting pension costs. These assumptions include rates of mortality, withdrawal, disablement, and retirement. Also included are rates of investment earnings, changes in compensation, as well as statistics related to marriage and family composition.

Actuarial Cost Method – A procedure for determining the portion of the cost of a pension plan to be allocated to each year. Each cost method allocates a certain portion of the actuarial present value of benefits between the actuarial accrued liability and future normal costs. Once this allocation is made, a determination of the normal cost attributable to a specific year can be made along with the payment to amortize any unfunded actuarial accrued liability. To the extent that a particular funding method allocates a greater (lesser) portion of the actual present value of benefits to the actuarial accrued liability it will allocate less (more) to future normal costs.

Actuarial Equivalence – Payments or receipts with equal actuarial value on a given date when valued using the same set of actuarial assumptions.

Actuarial Gain (Loss) – The financial effect on the fund of the difference between the expected and actual experience of the fund. The experience may be related to investment earnings above (or below) those expected or changes in the liability structure due to fewer (or greater) than the expected numbers of retirements, deaths, disabilities, or withdrawals. In addition, other factors such as pay increases above (or below) those forecast can result in actuarial gains or losses. The effect of such gains (or losses) is to decrease (or increase) future costs.

Actuarial Present Value - The value, as of a specified date, of an amount or series of amounts payable or receivable thereafter, with each amount adjusted to reflect the time value of money (through accrual of interest) and the probability of payments. For example: if \$600 invested today will be worth \$1,000 in 10 years and there is a 50% probability that a person will live 10 years, then the actuarial present value of \$1,000 payable to that person if he should survive 10 years is \$300.

Actuarial Value of Assets - The value of cash, investments, and other property belonging to the pension plan as used by the actuary for the purpose of the actuarial valuation. This may correspond to the book value, market value, or some modification involving either or both book and market value. Adjustments to market values are often made to reduce the volatility of asset values.

Asset Gain (Loss) - That portion of the actuarial gain attributable to investment performance above (below) the expected rate of return in the actuarial assumptions.

Amortization Payment - That portion of the pension plan contribution designated to pay interest and reduce the outstanding principal balance of unfunded actuarial accrued liability. If the

amortization payment is less than the accrued interest on the unfunded actuarial accrued liability the outstanding principal balance will increase.

Contribution Shortfall (Excess) - The difference between contributions recommended in the prior valuation and the actual amount received.

Decrements – Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.

Employer Normal Cost - That portion of the normal cost not attributable to employee contributions. It includes both direct contributions made by the employer and contributions from other non-employee sources such as revenue sharing and revenues related to taxes.

Funded Ratio – A measure of the ratio of assets to liabilities of the system according to a specific definition of those two values. Typically the assets used in the measure are the actuarial value of assets; the liabilities are defined by reference to some recognized actuarial funding method. Thus the funded ratio of a plan depends not only on the financial strength of the plan but also on the funding method used to determine the liabilities and the asset valuation method used to determine the assets in the ratio.

Normal Cost - That portion of the actuarial present value of pension plan benefits and expenses allocated to a valuation year by the actuarial cost method. This is analogous to one year's insurance premium.

Pension Benefit Obligation - The actuarial present value of benefits earned or credited to date based on the members expected final average compensation at retirement. For current retirees or terminated members this is equivalent to the actuarial present value of their accrued benefit.

Projected Benefits – The benefits expected to be paid in the future based on the provisions of the plan and the actuarial assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.

Unfunded Actuarial Accrued Liability - The excess of the actuarial accrued liability over the actuarial value of assets.

Vested Benefits - Benefits that the members are entitled to even if they withdraw from service.

NOTES: