

STATE OF LOUISIANA LEGISLATIVE ACTUARY

2005 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

October 2006



Thomas N. Rice, M.A.A.A., A.S.A., F.C.A.
Enrolled Actuary
Legislative Actuary

**LEGISLATIVE ACTUARY
STATE OF LOUISIANA
1051 NORTH THIRD STREET
CAPITOL ANNEX B-18
P.O. BOX 44308
BATON ROUGE, LOUISIANA 70804-4308**

LEGISLATIVE RETIREMENT COMMITTEE CHAIRMEN

**Honorable Matthew "Pete" Schneider,
Chairman
House Retirement Committee**

**Honorable D. A. "Butch" Gautreaux,
Chairman
Senate Retirement Committee**

LEGISLATIVE AUDITOR

Steve J. Theriot, CPA

LEGISLATIVE ACTUARY

Thomas N. Rice, MAAA, ASA, FCA, Enrolled Actuary

This document is produced by the Legislative Actuary, State of Louisiana, Post Office Box 44308, Baton Rouge, Louisiana 70804-4308 in accordance with Louisiana Revised Statute 24:513. Twenty-five copies of this public document were produced at an approximate cost of \$264.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us and click Actuary.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Actuary, please visit our website at www.la.state.la.us or call 225/219-1334.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 2, 2006

The Honorable Kathleen Babineaux Blanco
Governor of the State of Louisiana
Post Office Box 94004
Baton Rouge, Louisiana 70804

The Honorable Joe R. Salter
Speaker of the House of Representatives
Post Office Box 94062
Baton Rouge, Louisiana 70804

The Honorable Donald E. Hines
President of the Senate
Post Office Box 94183
Baton Rouge, Louisiana 70804

Re: **2005 Annual Actuarial Report on
Louisiana Public Retirement Systems**

The Legislative Actuary is pleased to submit the annual 2005 Actuarial Report on Louisiana Public Retirement Systems in accordance with LSA R.S. 24:513C(1) and R.S. 11:271C(2). The actuarial and financial status of the thirteen state and statewide retirement systems is summarized as of their Fiscal Years Ending 2005 in the following sections:

- **Executive Summary**
- **Employer Funding for Pension Benefits**
- **Benefit Formulas, Retirement Eligibility, and Contribution Rates**
- **Actuarial Concerns – Funding Issues (including Legislative Concerns)**

The report is also available at www.la.state.la.us/lla/actuary.htm along with comprehensive tables and graphs of the state system's Unfunded Accrued Liability obligations, including projected amortization schedules and outstanding balances.

Please do not hesitate to contact me with any questions or comments concerning this report.

Respectfully submitted,

Thomas N. Rice, MAAA, ASA, FCA
Enrolled Actuary
Legislative Actuary

TNR:pm

Enclosure
2005ActuarialReport

2005 ACTUARIAL REPORT
ON
LOUISIANA PUBLIC
RETIREMENT SYSTEMS

October, 2006

2005 ACTUARIAL REPORT

LOUISIANA PUBLIC RETIREMENT SYSTEMS

TABLE OF CONTENTS

Legislative Actuary's Transmittal Letter

PAGE(S)

EXECUTIVE SUMMARY

1-17

SECTION I:

EMPLOYER FUNDING FOR PENSION BENEFITS

1. Funding Methods/Components	18
2. Employer Contribution Rates	20
3. Employer Contribution Sources	22
4. Projected Employer Contribution History - State Retirement Systems	25
5. Impact on Total Contribution Rates from Investments and Benefit Increases	27
6. Insurance Premium Tax Fund - Assessments	29
7. Experience Account Summary	32
8. Texaco Fund	34
9. Asset Balances	36
10. Investment Returns	38
11. Expected Investment Experience	39
12. UAL Balances	42
13. Funding Measure Under GASB	44
14. Funding Progress – Funded Levels and Funded Ratios	45
15. Participant Census and Payroll	50
16. Funding of TRSL Optional Retirement Plan	51

TABLE OF CONTENTS (CONTINUED)

PAGE(S)

SECTION II:

BENEFIT FORMULAS, RETIREMENT ELIGIBILITY, AND CONTRIBUTION RATES

- | | |
|--|-----------|
| 1. Benefit Accruals and Member Contribution Rates | 52 |
| 2. Benefit Levels and Member Cost | 56 |
| 3. Projected Contribution Rates | 59 |

SECTION III:

ACTUARIAL CONCERNS -- FUNDING ISSUES

- | | |
|--|-----------|
| 1. Funding of UAL for State Systems | 61 |
| 2. Act 588 – Reduces Short Term Contribution Requirements for LASERS, TRSL, and LSERS | 64 |
| 3. Legislation Enacted to Reduce Contribution Requirements for MPERS and FRS | 76 |
| 4. Minimum Employer Contribution Limits | 81 |
| 5. Impact of AG Opinion on DROP Cost | 83 |
| 6. Demographic Experience - TRSL | 85 |
| 7. Active versus Inactive Trends | 86 |
| 8. Retiree COLA Increases versus Inflation | 90 |

LEGISLATIVE CONCERNS:

- | | |
|---|------------|
| 9. Operation of Experience Account | 94 |
| 10. Expansion of Military Service Credits | 97 |
| 11. Enhancements to Public Plans as Potential Liabilities to the State | 98 |
| 12. Retirement Benefits to Active Members While Employed | 101 |
| 13. Cash Flow Concerns | 103 |
| 14. Adverse Selection | 107 |

***EXECUTIVE
SUMMARY***

EXECUTIVE SUMMARY

OFFICE OF LEGISLATIVE ACTUARY

2005 Actuarial Report on Louisiana Public Retirement Systems

Purpose of Report

2005 Report

The *2005 Actuarial Report on Louisiana Public Retirement Systems* was prepared by the legislative actuary for the legislature, the governor, and other interested parties involved in the retirement systems' decision making process.

This comprehensive actuarial report summarizes the funding and financial status of the thirteen state and statewide retirement systems for fiscal years ending in 2005. It includes data and history for the four state retirement systems and the nine statewide retirement systems.

- **EMPLOYER FUNDING FOR PENSION BENEFITS**
(Section I: Pages 18 thru 51)
- **BENEFIT FORMULAS, RETIREMENT ELIGIBILITY,
AND CONTRIBUTION RATES**
(Section II: Pages 52 thru 60)
- **ACTUARIAL CONCERNS -- FUNDING ISSUES**
(Section III: Pages 61 thru 110)

Louisiana Statutes

Pursuant to *Louisiana Statutes*, this report is being submitted to the governor and the legislature detailing the financial and actuarial history of the Louisiana Public Retirement Systems. The reports shall also include comments on any findings that may materially affect the actuarial soundness of the retirement systems.

State Systems

For the four state retirement systems, benefits are guaranteed under the state constitution.

LASERS	<i>Louisiana State Employees' Retirement System</i>
TRSL	<i>Teachers' Retirement System of Louisiana</i>
STPOL	<i>State Police Pension and Retirement System</i>
LSERS	<i>Louisiana School Employees' Retirement System</i>

Statewide Systems

For the nine statewide retirement systems, benefits are not guaranteed under the state constitution.

ASSR	<i>Louisiana Assessors' Retirement Fund</i>
CCRS	<i>Clerks of Court Retirement and Relief Fund</i>
DARS	<i>District Attorneys' Retirement System</i>
FRS	<i>Firefighters' Retirement System</i>
MERS	<i>Municipal Employees' Retirement System (Plans A&B)</i>
MPERS	<i>Municipal Police Employees' Retirement System</i>
PERS	<i>Parochial Employees' Retirement System (Plans A&B)</i>
RVRS	<i>Registrars of Voters Employees' Retirement System</i>
SPRF	<i>Sheriffs' Pension and Relief Fund</i>

LEGISLATIVE ACTUARY

SUMMARY of FY 2005 VALUATION RESULTS

(6/30/05 FYE Valuation, Except ASSR 9/30/05 and PERS 12/31/05)

Systems:	(Page 20,21)		(Page 42)	(Page 36,37)	(Page 45,46)
	Employer Projected Rates		Valuation UAL	Actuarial Value of Assets	Funded Level
	FY 2006	FY 2007	(in \$millions)	(AVA in \$millions)	AVA / PBO
LASERS	19.1%	19.1%	\$ 4,202.8	\$ 6,778.8	62.5%
TRSL	15.9%	15.8%	\$ 6,812.6	\$ 12,171.9	65.1%
STPOL	64.4%	70.3%	\$ 238.2	\$ 322.5	62.5%
LSERS	18.4%	19.6%	\$ 466.2	\$ 1,423.2	78.9%
State Total			\$ 11,719.9	\$ 20,696.4	64.9%
ASSR	12.00%	11.25%	\$ 35.8	\$ 133.0	65.9%
CCRS	15.75%	16.75%	\$ 81.4	\$ 241.5	66.8%
DARS	6.00%	3.50%	\$ -	\$ 164.0	100.6%
FRS	18.00%	15.50%	\$ 193.7	\$ 819.2	83.5%
MERS A	16.00%	16.25%	\$ 71.3	\$ 510.5	78.4%
MERS B	9.75%	9.75%	\$ 6.0	\$ 96.4	80.1%
MPERS	16.25%	15.50%	\$ 318.8	\$ 1,233.6	83.6%
PERS A	12.25%	13.25%	\$ 92.9	\$ 1,535.4	89.6%
PERS B	5.50%	6.00%	\$ -	\$ 111.4	106.7%
RVRS	11.00%	11.25%	\$ -	\$ 49.5	88.2%
SPRF	10.75%	11.00%	\$ 94.6	\$ 1,085.5	80.3%
Statewide Total			\$ 894.3	\$ 5,980.1	83.3%
Total All Systems:			\$ 12,614.2	\$ 26,676.5	68.3%

LEGISLATIVE ACTUARY

SUMMARY of FY 2005 VALUATION RESULTS

(6/30/05 FYE Valuation, Except ASSR 9/30/05 and PERS 12/31/05)

Systems:	(Page 38)			(Page 50)			(Page 50)
	Investment Returns FY 2005			Membership			Payroll
	Market Value	AVA	Assumed Rate	Actives	Retirees	Total	
	(in millions)						
LASERS	9.9%	11.7%	8.25%	64,168	38,501	102,669	\$ 2,100
TRSL	9.7%	9.9%	8.25%	87,643	63,354	150,997	\$ 3,132
STPOL	9.0%	8.6%	7.50%	1,003	1,162	2,165	\$ 49
LSERS	8.2%	7.5%	7.50%	13,837	12,165	26,002	\$ 259
State Total				166,651	115,182	281,833	\$ 5,541
ASSR	13.4%	11.7%	8.00%	690	487	1,177	\$ 29
CCRS	8.7%	7.2%	8.00%	2,310	944	3,254	\$ 74
DARS	5.0%	6.8%	8.00%	670	233	903	\$ 38
FRS	10.4%	10.4%	7.00% *	3,532	1,582	5,114	\$ 134
MERS A	7.2%	9.6%	8.00%	5,073	2,914	7,987	\$ 140
MERS B	7.2%	6.4%	8.00%	1,987	875	2,862	\$ 49
MPERS	9.3%	9.4%	7.00% *	6,000	3,979	9,979	\$ 216
PERS A	6.3%	11.1%	8.00%	13,089	5,674	18,763	\$ 429
PERS B	5.1%	10.6%	8.00%	1,938	609	2,547	\$ 55
RVRS	6.8%	7.4%	8.00%	203	151	354	\$ 9
SPRF	8.1%	6.1%	8.00%	13,863	2,972	16,835	\$ 432
Statewide Total				49,355	20,420	69,775	\$ 1,604
Total All Systems:				216,006	135,602	351,608	\$ 7,145

Act 780

Act 780 of the 2006 Regular Session extends the final average compensation period for benefit calculations from thirty-six months (36) to sixty months (60) for new members of the following Statewide retirement systems hired on or after:

- July 1, 2006 for the *Clerks of Court Retirement and Relief Fund, Municipal Employees' Retirement System of Louisiana (Plans A&B), Registrars of Voters Employees' Retirement System, and the Sheriffs' Pension and Relief Fund;*
- October 1, 2006 for the *Assessors' Retirement Fund;*
- January 1, 2007 for the *Parochial Employees' Retirement System of Louisiana (Plans A&B).*

This legislation will result in significant savings that will emerge gradually as new membership is added each year. Ultimately, the liability costs of future memberships will be reduced 4% to 5% depending on future pay increases. The initial impact to normal cost is extremely modest and will vary by system, but ultimately is ultimately expected to reduce employer costs by .65% to 1.0% of projected payroll annually.

Act 75

Act 75 of the 2005 Regular Session made substantial changes to existing statutes under the Louisiana State Employees' Retirement System (LASERS). It is expected to result in substantial cost savings to the state that is ultimately projected to reach 3% of membership payroll annually. The major features of this Act apply only to new employees who first become members of LASERS after June 30, 2006.

Changes were:

- (1) *Retirement Eligibility: New members must have at least ten (10) years of service and reach age sixty (60) for normal retirement.*
- (2) *Average Compensation (for new members):*
 - (a) *Changes the compensation average used to calculate retirement benefit amounts to an annual average of the highest sixty successive*

months of employment (5 year), instead of the current thirty-six months (3 year).

(b) Changes earnings limit on annual compensation to 15%, from 25%, and extends it the additional 24 month period.

(3) Disability benefits: New members who are eligible for disability retirement benefits will receive one and eight-tenths percent (1.8%) of average compensation for each year of credited service. After age sixty, the benefit is the regular retirement benefit.

(4) Service Purchase (under Act 340 R.S. 2004):

(a) For all members, (i) requires five years of service to purchase up to five years of additional service credits and (ii) restricts the credit to benefit accrual only and not for retirement eligibility.

(b) Allows current members to purchase under the prior rules for service purchase applications prior to July 1, 2005 if the purchase is completed by June 30, 2006.

(5) Employee Contribution Rate: New members employed after June 30, 2006 will contribute 8.0% of pay, instead of 7.5%.

Act 588

Act 588 of the 2004 Regular Session made substantial changes to existing statutes affecting employer contributions to the Louisiana State Employees' Retirement System (LASERS), Teachers' Retirement System of Louisiana (TRSL), and School Employees' Retirement System (LSERS). *Changes were:*

(1) The Act amended rules for amortizing bases established subsequent to the IUAL for actuarial gains/losses and changes to assumptions, funding and asset methods, or plan provisions. This part of the legislation provided immediate relief from significant increases in contribution rates since the economic reversal. It was accomplished by extending the amortization for periods with heavy actuarial losses and accelerating the recognition of gains in other periods. The outstanding balances of prior bases were re-amortized as of June 30, 2004, including liability for Experience

*Account balances. Future bases, established on or after June 30, 2004, will be amortized over a thirty year period with level payments. **The IUAL and employer contribution variance were not affected.***

In compliance with legislation, the Public Retirement Systems' Actuarial Committee (PR SAC) accepted the revision of existing projected employer contribution rates for fiscal year 2005 to the following:

LASERS 17.8% (from 19.1%),

TRSL 15.5% (from 17.3%), and

LSERS 14.8% (from 18.8%).

Provisions that apply only to LASERS and TRSL:

(2) Requires a minimum annual contribution of fifteen and one-half percent (15.5%) until the IUAL is fully funded. The excess amounts will be retained in an Employer Credit Account (ECA) to be used to reduce any UAL created before July 1, 2004.

(3) Employee Experience Account (EA) and cost-of-living increases (COLAs):

- Eliminates existing or future negative EA balances and removes current provisions requiring the EA to share in actuarial investment losses, only sharing in investment gains. The balance is limited to two years of COLA reserves. Any negative EA balance on June 30, 2004 will be added to the UAL.*
- Requires legislative oversight and approval to grant a COLA.*
- For LASERS: Provides inflation adjustments of the seventy-thousand dollar benefit ceiling based upon the CPI index after July 1, 2004.*

Employer Funding for Pension Benefits (*Section I*)

Actuarial Funding

The accumulation of assets required to fund any retirement program is contingent upon the actuarial cost method, asset method, and assumptions adopted in the valuation process.

Of primary importance is the selection of interest rate assumptions, which includes long term expectations for inflation and risk. Interest rates used in the 2005 valuations of the thirteen state and statewide plans range from 7.5% to 8.25%. Effective July 1, 2005 the Firefighters (FRS) and Municipal Police (MPERS), will apply a 7.5% investment return assumption. **All systems will be within a 7.5% to 8.25% range.**

Investment Income

Investment earnings include all income earned under the trust such as dividends, interest, and capital gains or losses, and ***are essential to meet the long range projections and assumptions under the actuarial funding method.***

Contributions

Pension benefit liabilities for the thirteen state and statewide retirement systems are funded through contributions from employers, members, various taxes, revenue sharing funds, Insurance Premium Tax Fund (IPTF), legislative appropriations, and through investment earnings on plan assets.

Employer contribution rates are determined each year through an actuarial valuation. Member contribution rates are fixed by statute and may vary for different group classifications within a retirement system.

State Retirement Systems

General

The state of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through

general fund appropriations, either directly or as transfer payments to local school districts. The annual employer contribution includes the normal cost payment and an amortization payment toward the Unfunded Accrued Liability (UAL). The UAL is that portion of the actuarial accrued liability (AL) not funded by the actuarial value of the trust assets (VA) on a valuation date. If assets exceed the actuarial accrued liability then the system is fully funded. The normal cost is that portion equal to the year's expected additional benefit accrual.

Guaranteed Payment

Our state constitution guarantees an annual employer payment for the four state systems sufficient to pay the normal cost and amortize the Initial Unfunded Accrued Liability (IUAL), established as of June 30, 1988, by the year 2029; by 2009 for State Police. If the legislature fails to provide this payment, the state treasurer must pay the required amount from the state general fund upon a warrant issued by the administrative authority of the retirement system affected by the shortfall. ***The constitution requires that the systems' liabilities must be funded on an actuarially sound basis.***

UAL Balance (Valuation)

As of June 30, 2005, the four state systems had a combined Valuation UAL balance of \$11.7 billion. The combined payment to fund this amount for FY 2006 is \$617.0 million. It represents 60.1% of the \$1.026 billion of actual required employer costs to actuarially fund the four unfunded state systems.

VALUATION UAL BALANCES
as of 6/30/2005
(\$millions)

System	Actuarial Accrued Liability (AL)	Valuation Assets (VA)	Valuation UAL (AL) – (VA)
LASERS	\$10,847.1	\$6,644.2	\$4,202.8
TRSL	\$18,699.8	\$11,887.1	\$6,812.6
STPOL	\$516.4	\$278.2	\$238.2
LSERS	\$1,889.4	\$1,423.2	\$466.2
Combined	\$31,952.7	\$20,232.8	\$11,719.9

Projected Employer Contributions

LASERS

The total required employer contribution is paid directly from general fund appropriations, self-generated funds, and from federally funded programs.

Projected Employer Contributions (\$millions)		
LASERS:	FY 2006	FY 2007
Employer Contribution	\$412.8	\$424.6
<i>Percent of Payroll</i>	<i>19.1%</i>	<i>19.1%</i>

TRSL

The total required employer contribution is paid directly from general fund appropriations, local school districts, self-generated funds, and from federally funded programs.

Projected Employer Contributions (\$millions)		
TRSL:	FY 2006	FY 2007
Actuarially Determined	\$559.9	\$570.5
Percent of Payroll	15.9%	15.8%
15.5% Minimum Required	n/a	n/a
Employer Contribution	\$559.9	\$570.5
<i>Percent of Payroll</i>	<i>15.9%</i>	<i>15.8%</i>

Act 588 of the 2004 Regular Session requires a minimum employer contribution rate of at least fifteen and a half percent (15.5%) until the IUAL is paid off. The minimum rate was required for TRSL in fiscal year 2005 since it was greater than the actuarially determined contribution rate.

Act 588 established an **Employer Credit Account (ECA)** to accumulate excess employer contributions over the actuarially required employer amounts, and may only be applied to reduce unfunded accrued liabilities created prior to July 1, 2004. As of June 30, 2005 the account has a zero balance.

STPOL

The total required employer contribution is paid directly from general fund appropriations and the IPTF (Insurance Premium Tax Fund).

Projected Employer Contributions (\$millions)		
STPOL:	FY 2006	FY 2007
From General Fund	\$32.1	\$35.9
<i>Percent of Payroll</i>	<i>64.4%</i>	<i>70.3%</i>
IPTF (Insurance Premium Tax Fund)	\$1.5	\$1.5

LSERS

The employer contribution is paid from local school district funds. Prior to fiscal year 2002 this system was fully funded. As of June 30, 2005 the actuarial accrued liability exceeded actuarial assets by \$466.2 million, and requires both a normal cost and an amortization payment.

Projected Employer Contributions (\$millions)		
LSERS:	FY 2006	FY 2007
Employer Contribution	\$48.2	\$52.7
<i>Percent of Payroll</i>	<i>18.4%</i>	<i>19.6%</i>

By statute the employer's contribution must be at least six percent of projected payroll.

Act 1331 of the 1999 Regular Session established an **Employer Credit Account (ECA)** which consists of accumulated excess employer contributions over the actuarially required employer amounts. The account has a zero balance as of June 30, 2005 from which to offset future required employer contributions.

Texaco Settlement Fund

The Texaco Settlement Fund evolved from a litigation settlement with Texaco. Under the settlement, Texaco agreed to pay the proceeds to the state over a three-year period, commencing on February 28, 1994.

Based on a recommendation adopted by the Bond Commission, the settlement was paid to the three state retirement systems - LASERS, TRSL and STPOL - to assist in funding their initial unfunded accrued liabilities (IUAL). An additional allocation of \$19.4 million was granted to the STPOL fund under ACT 471 of the 1997 Regular Session.

The allocated funds are treated as a separate account under the system's trust and credited with the year's actuarial rate of return. When it accumulates to the outstanding balance of the IUAL, or UAL if smaller, it will be released to fully liquidate the liability.

Based on valuation interest rates, we project that the accumulated value of Texaco Settlement Funds will assist to liquidate the applicable liability for LASERS by 2029, TRSL by 2028, and STPOL by 2007.

TEXACO FUND BALANCES
(as of 6/30/2005)
(\$millions)

System	Accumulated		Balance
	Proceeds	Interest	
LASERS	(\$24.9)	\$54.1	\$29.3
TRSL	\$39.3	\$156.3	\$195.6
STPOL	\$24.7	\$19.5	\$44.3
Combined	\$39.1	\$230.0	\$269.1

LSU Unfunded Plan: A state appropriation had been required to amortize this supplemental portion of the Initial Unfunded Accrued Liability. After fiscal year 2003 this payment was not required since an amount equal to its outstanding balance was released from the Texaco Funds. The combined payoff was \$185.5 million (\$89.2 million for LASERS and \$96.3 million for TRSL on June 30, 2003).

Statewide Retirement Systems

General

Employer contributions required to fund the actuarial liabilities for the nine statewide retirement systems - defined benefit plans - come from the sources listed in items 1 through 5 below. For example, the employer contribution for statewide system ASSR comes from local appropriations, ad valorem taxes, and general revenue sharing funds.

Sources of Employer Contribution

System	Local ¹	Ad Valorem ₂	Revenue Sharing ₃	IPTF ₄	State General Fund ⁵
ASSR	x	x	x		
CCRS	x	x	x		
DARS		x	x		x
FRS	x			x	
MERS	x	x	x		
MPERS	x			x	
PERS	x	x	x		
RVRS	x	x	x		
SPRF	x	x	x	x	

1. Local appropriations from municipalities or parishes as a percent of member payroll
2. Percent of ad valorem taxes collectible by the rolls of each parish according to statute
3. General revenue sharing funds
4. Insurance premium tax funds
5. State general fund appropriations

UAL Balances

Under the state constitution, funding requirements for the nine statewide systems are actuarially determined. As with state systems, the annual employer contribution consists of a normal cost payment and, for those systems that generate a UAL under the actuarial funding method, an amortization payment to fund the UAL. As of their 2005 fiscal year end,

seven of the statewide unfunded systems had a combined UAL balance of \$894.3 billion.

**UAL Balances - Statewide Systems
as of June 30, 2005**

(\$millions)

	FY 2005*	FY 2004
ASSR	\$35.8	\$35.5
CCRS	\$81.4	\$80.4
FRS	\$193.7	\$284.4
MERS (Plans A & B)	\$77.2	\$76.4
MPERS	\$318.8	\$423.4
PERS Plan A	\$92.9	\$95.4
SPRF	\$94.6	\$93.5
Combined UAL	\$894.3	\$1,089.0

* Values for FRS and MPERS include the impact for changing the assumed interest rate to 7.5% from 7.0%.

Aggregate Funding

Certain statewide systems such as DARS, PERS Plan B, and RVRS employ an actuarial funding method that allocates all expected unfunded benefit liabilities as future normal cost payments, without a UAL portion to amortize (Aggregate Funding Method).

Projected Employer Contributions

Projected employer contributions for the nine statewide systems are shown below.

Statewide System	Projected Rate	
	FY 2006	FY 2007
ASSR	12.00%	11.25%
CCRS	15.75%	16.75%
DARS	6.00%	3.50%
FRS	18.00%	15.50%
MERSA	16.00%	16.25%
MERSB	9.75%	9.75%
MPERS	16.25%	15.50%
PERSA	12.25%	13.25%
PERSB	5.50%	6.00%
RVRS	11.00%	11.25%
SPRF	10.75%	11.00%

For FRS, SPRF, MPERS a portion of the employer contribution rate is set by statute. Any excess required above the statutory rate may be paid from the IPTF. The employer is responsible for any additional funding requirements not covered by IPTF allocations. Prior to FY 2002 the allocated IPTF funds had been sufficient to meet the combined excess employer contribution requirements of these three systems.

Required Additional Funding Over <i>IPTF + Fixed Rate</i>				
Fiscal Year	FRS	SPRF	MPERS	Combined
2001	(\$0.0)	(\$0.0)	\$0.0	(\$0.0)
2002	\$9.6	\$2.2	\$0.0	\$11.8
2003	\$14.2	\$8.1	\$12.1	\$34.4
2004	\$18.5	\$10.2	\$25.5	\$54.2
2005	\$18.1	\$15.0	\$24.9	\$57.9
2006	\$9.4	\$17.7	\$14.4	\$41.6

Benefit Formulas, Retirement Eligibility, and Contribution Rates *(Section II)*

Benefit Formulas

Louisiana's state and statewide systems provide lifetime retirement benefits under a Defined Benefit pension plan. Under this type of retirement arrangement a member can rely on a promised formula income for the remainder of their retirement years. The amount is based on a member's years of service, final average compensation at retirement, and payment election.

Formula benefits accrue at a specific rate for each year of service. Final average compensation is based on actual compensation received in the thirty-six (36) highest successive months of employment. A sixty (60) month period will be applied for new members of LASERS, LSERS and certain statewide systems (Act 780 RS 2006) after the 2006 fiscal year. Benefits based on final average compensation are designed to provide a reasonable replacement of pre-

retirement income for long service employees. Shorter service employees receive proportionally lower replacement benefits. Current accrual rates for regular TRSL and LASERS members are 2.5%. Accrual rates for other state and statewide systems generally range from 3.0% to 3.5% for each year of service.

Retirement Eligibility

All thirteen state and statewide systems require some combination of years of service and age in order to qualify for retirement benefits. Some provide for an early retirement benefit with an actuarial reduction for the earlier payout. Vested benefits, pre-retirement survivor death benefits, disability benefits, DROP benefits, and cost-of-living adjustments are also included in the overall benefit package of each system and are payable upon meeting established eligibility and statutory requirements.

Employee Contributions

All of the state and statewide systems require employee contributions as part of the overall funding requirement to pay for the proposed retirement benefits. The contribution rates are set by statute and range from 7.0% to 9.8% of pay. The plans for Judges/Court Officers and Legislators require 11.5%.

Social Security

Social Security coverage is not available to members during their years of participation in the state and statewide retirement systems with the exception of TRSL Plan B and two statewide plans – MERS Plan B and PERS Plan B. The current accrual rate for systems covered under Social Security is 2.0% for each year of service with employee contribution rates ranging from 3% to 5%.

Replacement Ratios

Replacement ratios in Part 2 of the section show the income continuation that can be expected relative to salary prior to retirement. The ratios project the normal retirement benefit as a percent of the expected final annual salary for a **new member**, based on the unique features of that system. Because of the different nature of the plans covering law enforcement officers and firefighters the replacement ratios are for retirement at age 55, versus age 65 for other employee groups.

The graphic exhibit provides a comparison of the systems' *replacement ratios* and *employee paid portion of benefit costs*, including interest, for retirement benefits payable at age 55 after 25 years of service for a new member. Values are based on current benefit provisions, interest rates, and salary increase assumptions of the retirement system. Results show replacement ratios fall between 71% to 85% for all state and statewide plans, except regular LASERS (state employees) and TRSL (teachers), which are 60% and 59%.

Contribution Rates

Part 3 of this section focuses on the combined sources of all contributions required by each system during fiscal year 2006. A graphic exhibit illustrates *the total of all contribution sources (including the members) relative to payroll*, and compares this to each system's member only *rates*. The combined contribution requirements, employer (public sources) plus members, vary from 22.7% (PERS) up to 75.5% (STPOL) of member payroll for 2006 fiscal years.

Actuarial /Legislative Concerns - Funding Issues (*Section III*)

Pension Considerations

In this section of the report we address some of the concerns and issues impacting actuarial funding and pension benefits. Addressing potential pension problems in advance enables legislators to consider corrective steps to assure that our retirement systems are actuarially sound. Of particular importance are the two largest systems, LASERS and TRSL, representing 72.1% of the 351,600 active and inactive members of the combined thirteen state and statewide retirement systems.

SECTION I

EMPLOYER FUNDING FOR PENSION BENEFITS

1. Funding Methods/Components

Funding Method

Although the employee contribution rate is fixed by statute, the employer contribution rate is determined by the retirement system's actuary, to be reviewed by the legislative actuary and considered by PRSAC (Public Retirement Systems' Actuarial Committee) for adoption and recommendation to the legislature. The determination is accomplished by performing an annual valuation that calculates the actuarial liability of future expected benefit payouts. An actuarial funding method allocates this liability between future normal cost payments and amortization payments on the unfunded accrued liability (if any). All actuarial funding methods target to have contributions plus trust earnings accumulate to meet the future expected benefits and expenses.

SYSTEM ACTUARIAL FUNDING METHODS as of June 30, 2005

State Systems:

System	Funding Method	Creates UAL
LASERS	Projected Unit Credit	yes
TRSL	Projected Unit Credit	yes
STPOL	Entry Age Normal	yes
LSERS	Entry Age Normal	yes

Statewide Systems:

System	Funding Method	Creates UAL
ASSR	Frozen Attained Age Normal	IUAL only
CCRS	Frozen Attained Age Normal	IUAL only
DARS	Aggregate	no
FRS	Entry Age Normal	yes
MERSA	Frozen Attained Age Normal	IUAL only
MERSB	Frozen Attained Age Normal	IUAL only
MPERS	Entry Age Normal	yes
PERSA	Frozen Attained Age Normal	IUAL only
PERSB	Aggregate	no
RVRS	Aggregate	no
SPRF	Frozen Attained Age Normal	IUAL only

Normal Cost

The total **Normal Cost** is that portion of the projected actuarial liability for benefits and expenses that is allocated to a valuation year under the applicable actuarial cost method. The portion of the total normal cost not funded by member contributions becomes the employer normal cost portion for the valuation year.

Accrued Liability

The portion of the projected actuarial liabilities not funded as future normal cost payments is the actuarial **Accrued Liability**. Under certain actuarial funding methods it is the liability for benefit service already completed by the valuation population, consisting of inactive and active members.

UAL

The **Unfunded Accrued Liability (UAL)** is that portion of the actuarial accrued liability that is not funded by the system's assets on the valuation date. The **Valuation UAL** is determined relative to **Valuation Assets** for funding purposes, and consists of the unamortized values of the **Initial Unfunded Accrued Liability (IUAL)** and of the supplemental accrued liabilities that may be generated each year. The supplemental accrued liabilities originate through actuarial gains or losses, changes in actuarial assumptions or funding methods, and any changes in benefit structures. The UAL is amortized according to the payment methods and periods specified by statute. Under some actuarial funding methods, supplemental accrued liabilities are not amortized and are funded as future normal cost payments.

Employer Contributions

Actuarially required employer contributions are determined by combining the normal cost with UAL amortization payments, along with any other expense items deemed necessary by the actuary to fund ultimate plan liabilities. Projected contribution rates for the next following fiscal year are then established relative to projected payroll.

2. Employer Contribution Rates

Contribution Rates

Net employer contribution rates are shown as a percent of payroll. In addition, various retirement systems also receive supplemental appropriations from the state, ad valorem taxes, revenue sharing funds, and payments from the Insurance Premium Tax Fund (IPTF). The following net employer contribution rates were approved by PRSAC (Public Retirement Systems' Actuarial Committee).

State Systems

**State System Contribution Rates
(Approved by PRSAC)
(Employer Net Rate as Percent of Payroll)**

Fiscal Year 2006

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	18.9%	19.1%	7.3981%	n/a
TRSL	15.2%	15.9%	6.6401%	n/a
STPOL	67.9%	64.4%	15.5117%	\$1,500,000
LSERS	19.1%	18.4%	10.3530%	n/a

Projected Rate's - Fiscal Year 2007

	Actuarially Required	Projected Rate	Normal Cost Rate Portion	IPTF Funding
LASERS	*	19.1%	7.3981%	n/a
TRSL	*	15.8%	6.6401%	n/a
STPOL	*	70.3%	15.5117%	\$1,500,000
LSERS	*	19.6%	10.3530%	n/a

*The Actuarially Required Rates for Fiscal Year 2007 will be available with adoption of the June 30, 2006 Actuarial Valuations.

Values based on 6/30 FYE & 2005 Valuations.

Ad Valorem Tax Rates

Ad valorem tax rates are the percentage of aggregate taxes shown to be collectible by the tax rolls of each parish as dedicated funds to some systems. Different percentages may apply to Orleans Parish. MERS excludes Orleans Parish and PERS excludes Orleans

and East Baton Rouge Parishes from the tax rolls. TRSL, the only state system, is entitled to one percent excluding Orleans Parish.

Statewide Systems

**Statewide System Contribution Rates
(Approved by PRSAC)
(Employer Net Rate as Percent of Payroll)**

Fiscal Year 2006

	Actuarially Required	Projected Rate	Applicable IPTF Paid FY 2005
ASSR	11.36%	12.00%	n/a
CCRS	17.33%	15.75%	n/a
DARS	3.73%	6.00%	n/a
FRS	15.66%	18.00%	\$17,519,094
MERSA	16.30%	16.00%	n/a
MERSB	9.86%	9.75%	n/a
MPERS	15.50%	16.25%	\$11,539,650
PERSA	13.12%	12.25%	n/a
PERSB	5.90%	5.50%	n/a
RVRS	11.32%	11.00%	n/a
SPRF	10.99%	10.75%	\$11,539,650

Projected Rate's - Fiscal Year 2007

	Employer's Net Projected Rate	Ad Valorem FY 2006	Revenue Sharing FY 2006	IPTF FY 2006
ASSR	11.25%	0.2500 %	Max	n/a
CCRS	16.75%	0.2500 %	Max	n/a
DARS	3.50%	0.2000 %	Max	n/a
FRS	15.50%	n/a	n/a	\$18,197,358
MERSA	16.25%	0.185 %	Max	n/a
MERSB	9.75%	0.065 %	Max	n/a
MPERS	15.50%	n/a	n/a	\$12,217,914
PERSA	13.25%	0.222 %	Max	n/a
PERSB	6.00%	0.028 %	Max	n/a
RVRS	11.25%	0.0625 %	Max	n/a
SPRF	11.00%	0.5000 %	Max	\$12,217,914

Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

The Ad Valorem Tax for Registrars of Voters includes the Defined Contribution allocation, if applicable.

3. Employer Contribution Sources

State Systems

The State of Louisiana is primarily responsible for funding the actuarial liabilities of the four state retirement systems - defined benefit plans - through general fund appropriations, agency self-generated funds, Insurance Premium Tax Fund (IPTF) allowances, or as transfer payments to local school districts. Since funding sources available to the various participating employers may vary at any given time, a breakdown of their amounts is unfeasible. Sources provided below reflect the primary contribution sources for each state system. Employee contributions are not included.

**Projected Employer Contribution Sources
State Systems - FY 2006***
(\$millions)

	Source	Normal Cost	UAL Payment	Total
<i>LASERS</i>	General Fund (Primary)	\$153.1	\$259.7	\$412.8
<i>TRLS</i>	General Fund (Primary)	\$210.1	\$349.8	\$559.9
<i>LSERS</i>	Local School Districts (MFP and Local)	\$26.6	\$21.5	\$48.2
<i>STPOL</i>	General Fund & IPTF (Primary)	\$7.4	\$26.2	\$33.6
<i>Combined State Systems</i>	<i>Combined Sources</i>	\$397.2	\$657.2	\$1,054.4

* Values based on 6/30/ 2005 Valuations

Statewide Systems

The following tables list the funding sources for the nine statewide retirement systems. Total public funds include local appropriations, ad valorem taxes, general revenue sharing funds, and insurance premium tax funds. An initial fixed rate for local appropriations is set by statute at 9% of payroll for Firefighters and Municipal Police Systems and 7% of payroll for Sheriffs' System. Employee contributions are not included in the amounts shown below. The following contribution rates were approved by PRSAC (Public Retirement Systems' Actuarial Committee).

Projected Employer Contributions Sources
Statewide Systems - FY 2006*
(\$millions)

ASSR

Source	\$ Amount	% Payroll
Local Appropriations	\$3.60	12.00%
Ad Valorem Taxes	\$6.48	21.59%
Revenue Sharing	\$0.35	1.16%
IPTF	\$0.00	0.00%
Total Public Funds	\$10.42	34.75%

CCRS

Source	\$ Amount	% Payroll
Local Appropriations	\$11.85	15.75%
Ad Valorem Taxes	\$4.95	6.58%
Revenue Sharing	\$0.32	0.42%
IPTF	\$0.00	0.00%
Total Public Funds	\$17.11	22.75%

DARS

Source	\$ Amount	% Payroll
Local Appropriations	\$2.36	6.00%
Ad Valorem Taxes	\$3.95	10.05%
Revenue Sharing	\$0.21	0.54%
IPTF	\$0.00	0.00%
Total Public Funds	\$6.52	16.59%

FRS

Source	\$ Amount	% Payroll
Local Appropriations	\$25.43	18.00%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$18.20	12.88%
Total Public Funds	\$43.63	30.88%

* Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

**Projected Employer Contributions Sources
Statewide Systems - FY 2006***
(\$millions)

MERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$23.15	16.00%
Ad Valorem Taxes	\$3.27	2.26%
Revenue Sharing	\$0.12	0.08%
IPTF	\$0.00	0.00%
Total Public Funds	\$26.54	18.34%

MERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$4.86	9.75%
Ad Valorem Taxes	\$1.14	2.28%
Revenue Sharing	\$0.04	0.08%
IPTF	\$0.00	0.00%
Total Public Funds	\$6.04	12.11%

MPERS

Source	\$ Amount	% Payroll
Local Appropriations	\$35.58	16.25%
Ad Valorem Taxes	\$0.00	0.00%
Revenue Sharing	\$0.00	0.00%
IPTF	\$12.22	5.58%
Total Public Funds	\$47.80	21.83%

PERSA

Source	\$ Amount	% Payroll
Local Appropriations	\$54.42	12.25%
Ad Valorem Taxes	\$4.02	0.91%
Revenue Sharing	\$0.13	0.03%
IPTF	\$0.00	0.00%
Total Public Funds	\$58.58	13.19%

PERSB

Source	\$ Amount	% Payroll
Local Appropriations	\$3.10	5.50%
Ad Valorem Taxes	\$0.56	0.99%
Revenue Sharing	\$0.02	0.03%
IPTF	\$0.00	0.00%
Total Public Funds	\$3.68	6.53%

RVRS

Source	\$ Amount	% Payroll
Local Appropriations	\$0.96	11.00%
Ad Valorem Taxes	\$1.23	14.14%
Revenue Sharing	\$0.11	1.25%
IPTF	\$0.00	0.00%
Total Public Funds	\$2.30	26.39%

SPRF

Source	\$ Amount	% Payroll
Local Appropriations	\$47.85	10.75%
Ad Valorem Taxes	\$9.90	2.22%
Revenue Sharing	\$0.41	0.09%
IPTF	\$12.22	2.75%
Total Public Funds	\$70.38	15.81%

* Values based on 2005 Valuations and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

4. Projected Employer Contribution History – State Retirement Systems

Projected Employer Contribution History as of June 30, 2005

(\$millions)

LASERS

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$164.5	\$153.1	\$139.0	\$133.2	\$125.2
UAL Payment	\$260.1	\$259.7	\$230.8	\$177.5	\$146.2
Total	\$424.6	\$412.8	\$369.8	\$310.8	\$271.3
Percent of Payroll	19.1%	19.1%	17.8%	15.8%	14.1%
Payroll \$	\$2,223.6	\$2,163.2	\$2,077.9	\$1,972.7	\$1,922.0
LSU Unfunded Pmt	\$0.0	\$0.0	\$0.0	\$0.0	\$5.1

TRSL

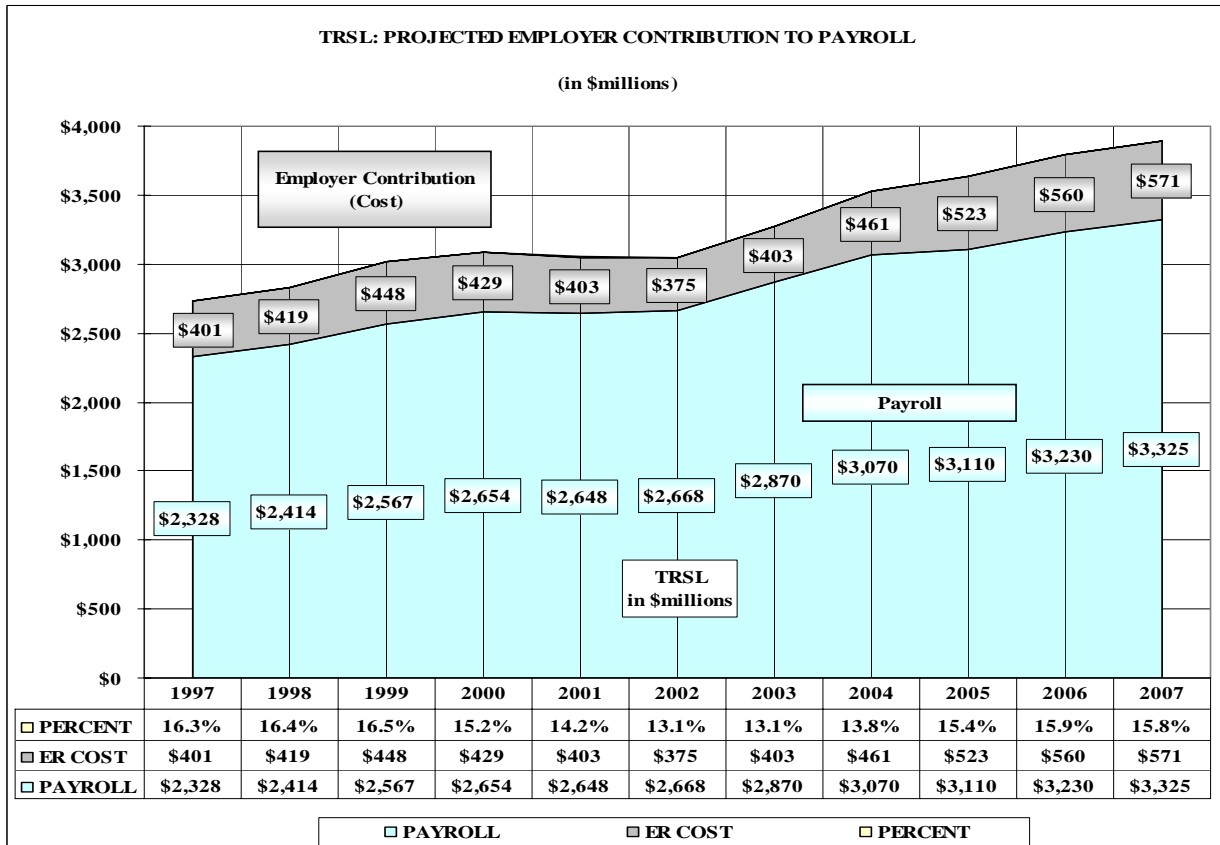
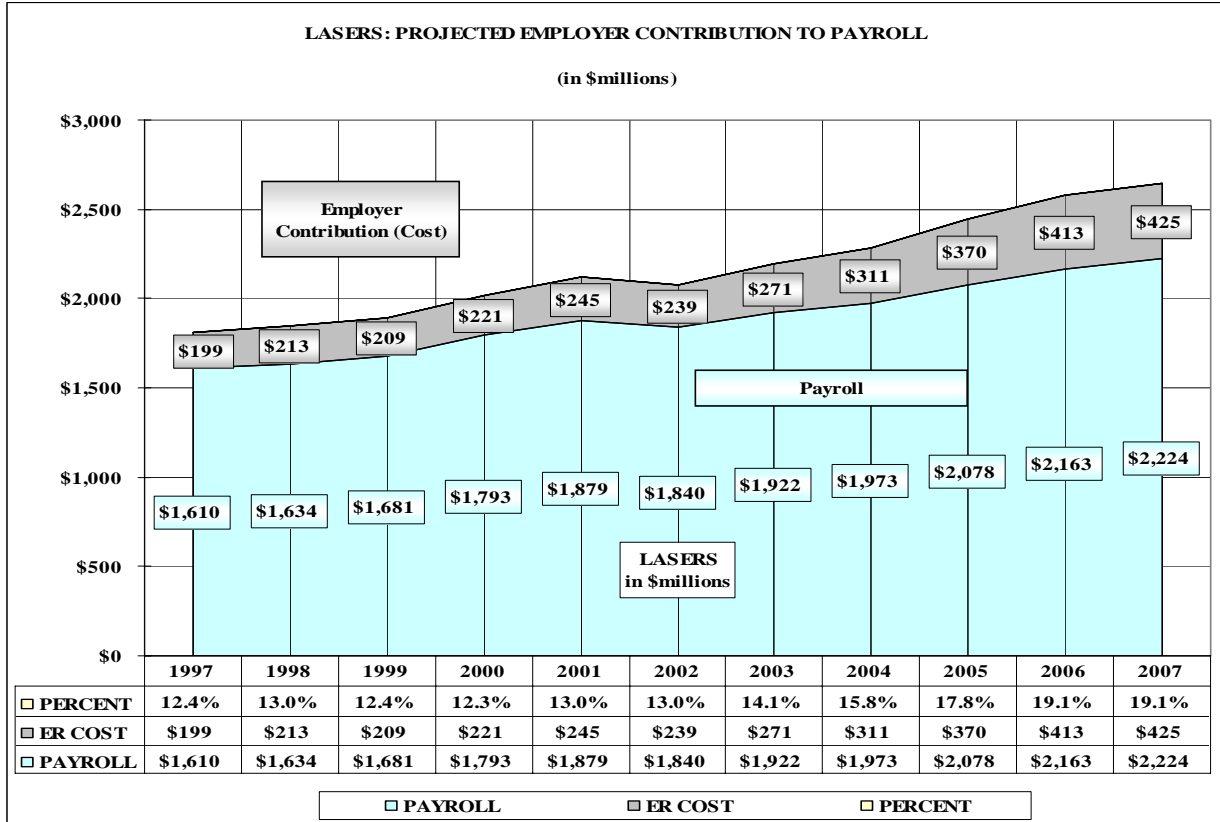
Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$220.8	\$210.1	\$194.6	\$206.0	\$194.0
UAL Payment	\$349.7	\$349.8	\$328.8	\$255.0	\$209.1
Total	\$570.5	\$559.9	\$523.4	\$461.0	\$403.0
Percent of Payroll	15.8%	15.9%	15.4%	13.8%	13.1%
<i>Minimum Requirement</i>	15.5%			Act 588 R.S.2004	
Payroll \$ (non-ORP)	\$3,325.2	\$3,229.8	\$3,110.3	\$3,069.7	\$2,869.6
LSU Unfunded Pmt	\$0.0	\$0.0	\$0.0	\$0.0	\$5.5

LSERS

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$27.8	\$26.6	\$26.7	\$21.8	\$20.9
UAL Payment	\$24.9	\$21.5	\$12.3	\$8.5	(\$2.4)
Total	\$52.7	\$48.2	\$39.0	\$30.3	\$18.4
Percent of Payroll	19.6%	18.4%	14.8%	11.2%	7.0%
Payroll \$	\$268.5	\$262.1	\$262.5	\$271.6	\$261.3
<i>Minimum Required</i>	\$16.1	\$15.7	\$15.8	\$16.3	\$15.7
<i>6% Contribution</i>	6.0%	6.0%	6.0%	6.0%	6.0%

STPOL

Component	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Normal Cost	\$7.9	\$7.4	\$6.8	\$4.2	\$4.2
UAL Payment	\$29.5	\$26.2	\$22.1	\$18.3	\$17.7
Total	\$37.4	\$33.6	\$28.8	\$22.5	\$22.0
Percent of Payroll	73.2%	67.5%	62.9%	68.4%	65.0%
Payroll \$	\$51.1	\$49.8	\$45.8	\$32.9	\$33.8
% After IPTF *	70.3%	64.4%	59.6%	63.8%	60.5%
* \$1,500,000 from Insurance Premium Tax Fund effective 7/1/2001.					



5. Impact on Contribution Rates (All Sources Combined) from Investments and Benefit Increases

Much of the favorable investment returns realized until fiscal year 2000 has been offset by the cost of benefit improvements and subsequent investment losses. Since the market drop in fiscal year 2001, contribution requirements have increased for most systems and continue to be affected by softer returns. The following exhibits illustrate the impact on contribution requirements using total projected rates. **These rates reflect the combined contributions from all sources (member and employer/public) for each system's fiscal year as a percentage of member's payroll.**

TOTAL PROJECTED RATES AS % OF MEMBER PAYROLL

<i>Fiscal Year</i>						
<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>

State Systems:

LASERS	26.6%	25.3%	23.3%	21.6%	20.5%	20.5%	19.8%
TRSL	23.9%	23.5%	21.8%	21.1%	21.1%	22.2%	23.2%
STPOL	75.5%	70.9%	76.4%	73.0%	64.4%	63.8%	71.5%
LSERS	25.9%	22.3%	18.7%	14.5%	13.5%	12.4%	12.4%

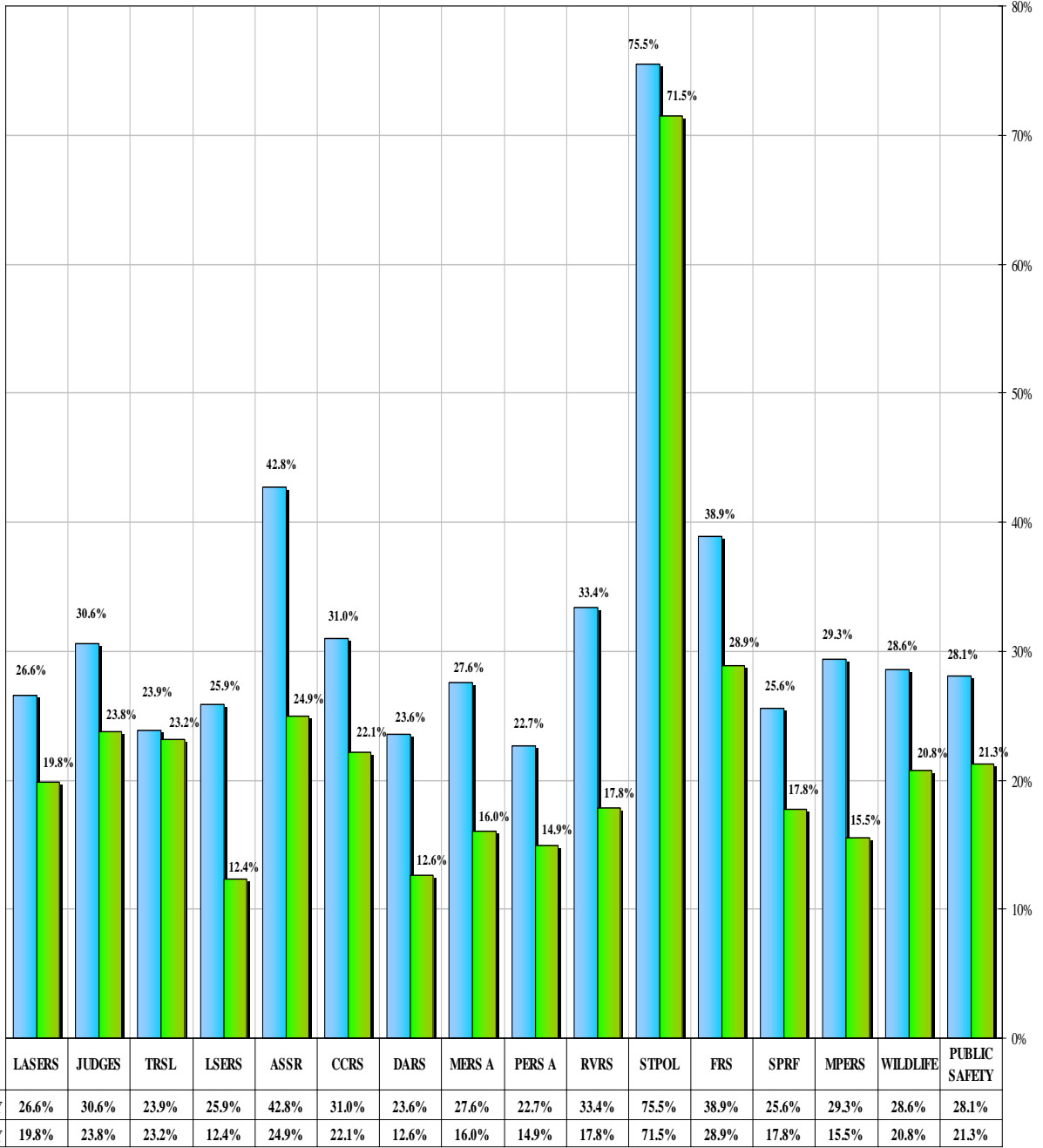
Statewide Systems:

ASSR	42.8%	46.8%	43.0%	43.1%	31.8%	26.7%	24.9%
CCRS	31.0%	29.9%	26.8%	24.1%	22.2%	22.2%	22.1%
DARS	23.6%	21.6%	17.6%	15.5%	11.7%	11.3%	12.6%
FRS	38.9%	45.1%	41.8%	38.4%	30.3%	35.6%	28.9%
MERSA	27.6%	26.6%	22.5%	19.5%	18.4%	17.5%	16.0%
MERSB	17.1%	16.9%	15.0%	13.5%	10.9%	10.3%	11.5%
MPERS	29.3%	34.4%	27.8%	21.1%	19.5%	16.5%	15.5%
PERSA	22.7%	23.3%	22.2%	17.7%	15.9%	15.9%	14.9%
PERSB	9.5%	9.8%	9.2%	7.7%	5.6%	5.6%	4.9%
RVRS	33.4%	31.4%	26.8%	23.9%	22.7%	23.7%	17.8%
SPRF	25.6%	24.8%	24.1%	22.3%	21.8%	19.0%	17.8%

STATE & STATEWIDE RETIREMENT SYSTEMS
 CHANGE IN PROJECTED TOTAL CONTRIBUTION RATES
 (Member and Public Sources as a Percent of Payroll)

FY 2006 versus FY 2000

Non-Hazardous Group - RETIREMENT SYSTEM - Hazardous Group



2006 FY 2000 FY

6. Insurance Premium Tax Fund (IPTF) - Assessments

The Louisiana Insurance Rating Commission deposits 0.7% (0.007) of the Net Premiums with the state treasurer for the exclusive use of the three statewide retirement systems MPERS, FRS, and SPRF, and for certain costs of STPOL. Net Premiums are the gross direct premiums received in the state in the preceding year, from applicable insurers doing business in Louisiana, less returned premiums.

Beginning July 1, 2001, allocation priorities were changed to give the first twenty-five percent of the assessment for merger funding, with first priority going to pay certain actuarial costs of the State Police Pension and Retirement System (STPOL) up to \$1,500,000. Mergers are funded over a 30-year period, unless a shorter period is approved by the Public Retirement Systems' Actuarial Committee (PRSAC). A shorter period is limited to 5% of the total assessment in any one-year. The aggregate of all mergers being funded in one year could not exceed 25% of the total year's assessment.

Available Funds

Available IPTF Funds (\$millions)

Written Premium Basis	For Calendar Year	Net Premium	Assessment for Deposit	Merger Limit
1995	1996	\$4,235.4	\$29.6	\$7.4
1996	1997	\$4,158.0	\$29.1	\$7.3
1997	1998	\$4,298.5	\$30.1	\$7.5
1998	1999	\$4,424.8	\$31.0	\$7.7
1999	2000	\$4,376.8	\$30.6	\$7.7
2000	2001	\$4,469.4	\$31.3	\$7.8
2001	2002	\$4,792.0	\$33.5	\$8.4
2002	2003	\$5,412.2	\$37.9	\$9.5
2003	2004	\$6,014.1	\$42.1	\$10.5
2004	2005	\$6,406.5	\$44.8	\$11.2

Remaining funds are evenly split between the three statewide systems toward meeting the applicable portion of their actuarially required contribution. Any amounts not required by a system are divided equally as needed by the remaining systems. The IPTF allocation is applied to meet the required contribution remaining after receipt of employee and employer contributions and all dedicated funds and taxes. Any unused amounts are remitted to the state general fund. *See flow diagram on the next page.*

Allocation

**Allocated IPTF Funds
(\$millions)**

Calendar Year	System Fiscal Year Ending	Actual Deposit	PR SAC IPTF Allocation	Remainder to General Fund
1996	1997	\$28.0	\$10.5	\$17.5
1997	1998	\$29.1	\$12.7	\$16.4
1998	1999	\$30.1	\$9.0	\$21.1
1999	2000	\$31.0	\$13.6	\$17.4
2000	2001	\$30.6	\$23.0	\$7.6
2001	2002	\$31.3	\$31.3	\$0.0
2002	2003	\$33.5	\$33.5	\$0.0
2003	2004	\$37.9	\$37.9	\$0.0
2004	2005	\$42.1	\$42.1	\$0.0
2005	2006	\$44.1	\$44.1	\$0.0

System Allocations

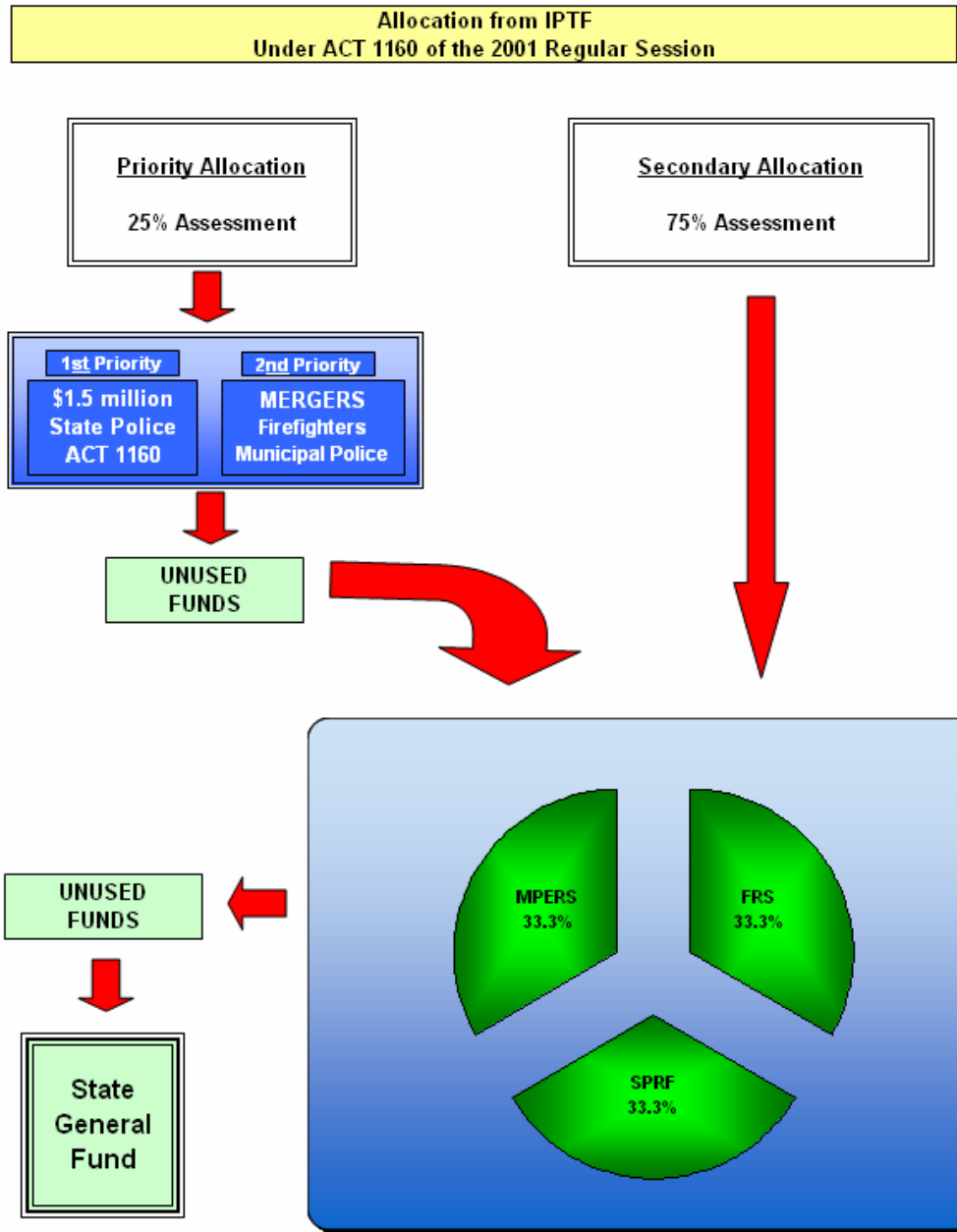
**PR SAC Approved IPTF Allocations
(\$millions)**

Fiscal Year	FRS	SPRF	MPERS	STPOL
1997	\$9.0	\$0.0	\$1.5	\$0.0
1998	\$9.6	\$0.0	\$3.0	\$0.0
1999	\$9.0	\$0.0	\$0.0	\$0.0
2000	\$11.6	\$2.0	\$0.0	\$0.0
2001	\$19.7	\$3.3	\$0.0	\$0.0
2002	\$15.1	\$9.1	\$5.5	\$1.5
2003	\$14.7	\$8.7	\$8.7	\$1.5
2004	\$16.1	\$10.1	\$10.1	\$1.5
2005	\$17.5	\$11.5	\$11.5	\$1.5
2006	\$18.2	\$12.2	\$12.2	\$1.5
10 Yr Sum	\$140.6	\$57.0	\$52.7	\$7.5

Legislative Actuary

Insurance Premium Tax Fund (IPTF) Allocation of Fund

Assessment = 0.7% of Insurer Premiums



FRS = Firefighters' Retirement System
MPERS = Municipal Police Employees' Retirement System
SPRF = Sheriffs' Pension and Relief Fund

7. Experience Account Summary

Establishment

The 1992 Regular Session established an Experience Account (EA) for LASERS and TRSL to provide for cost-of-living (COLA) benefits for retirees. Each year the EA is credited or debited with 50% of the net investment experience gain/loss together with interest on the beginning account balance. Previously, the full investment gain or loss was amortized to adjust future employer contribution amounts. This is required to maintain an actuarially sound funding method. **Act 588 of 2004 reset negative EA balances to zero on June 30, 2004 and omitted the future debiting of investment experience losses.**

EA Operation

The EA balance is created by diverting trust assets from the funding process. Those assets are then returned when COLA benefits are approved. Although the EA balance represents an amount of funds sufficient to cover the expected value of COLA benefits, it does not provide the actual funding necessary to pay for COLA liabilities. Funding for COLAs requires additional employer contributions.

Experience Account History

as of June 30, 2005

(\$millions)

Combined Systems

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$60.7	\$0.0	\$0.0	\$60.7	\$60.7
1993	\$94.9	\$6.4	\$0.0	\$161.9	\$161.9
1994	\$33.1	\$14.8	\$0.0	\$209.8	\$209.8
1995	(\$52.9)	\$13.4	\$129.4	\$40.9	\$170.3
1996	\$345.3	\$4.1	\$58.4	\$331.9	\$519.7
1997	\$273.3	\$43.6	\$0.0	\$648.8	\$836.6
1998	\$577.8	\$118.2	\$309.4	\$1,035.3	\$1,532.6
1999	\$372.8	\$142.6	\$126.8	\$1,423.9	\$2,048.0
2000	\$608.2	\$236.9	\$170.2	\$2,098.9	\$2,893.1
2001	(\$685.6)	\$2.7	\$565.9	\$850.1	\$2,210.3
2002	(\$1,214.0)	(\$47.0)	\$166.2	(\$577.2)	\$1,526.4
2003	(\$1,172.5)	\$26.8	\$0.3	(\$1,723.1)	\$1,526.7
2004	\$28.7	(\$145.7)	\$0.0	\$0.0	\$1,526.7
2005	\$194.5	\$0.0	\$0.0	\$194.5	\$1,721.2
TOTAL	(\$535.7)	\$416.7	\$1,526.7	\$194.5	\$1,721.2

Act 588 of the 2004 Regular Session eliminated any existing EA negative balances on June 30, 2004, to be amortized as an unfunded accrued liability. The combined Experience Account balance for LASERS and TRSL as of June 30, 2003 was (\$1.723) billion, negative. Future balances cannot be negative.

Experience Account History
as of June 30, 2005
(\$millions)

LASERS

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$27.3	\$0.0	\$0.0	\$27.3	\$27.3
1993	(\$2.8)	\$2.2	\$0.0	\$26.7	\$26.7
1994	\$8.5	\$2.4	\$0.0	\$37.6	\$37.6
1995	\$20.6	\$3.6	\$0.0	\$61.8	\$61.8
1996	\$73.8	\$7.6	\$58.4	\$84.8	\$143.2
1997	\$116.2	\$11.9	\$0.0	\$212.9	\$271.4
1998	\$104.6	\$27.6	\$90.0	\$255.1	\$403.5
1999	\$119.6	\$33.4	\$42.9	\$365.1	\$556.5
2000	\$150.0	\$50.3	\$57.9	\$507.5	\$756.9
2001	(\$236.3)	\$1.9	\$89.1	\$184.0	\$522.4
2002	(\$394.4)	(\$8.1)	\$52.5	(\$270.9)	\$390.9
2003	(\$373.4)	\$9.8	\$0.0	(\$634.5)	\$390.9
2004	(\$63.2)	(\$38.5)	\$0.0	\$0.0	\$390.9
2005	\$105.3	\$0.0	\$0.0	\$105.3	\$496.2
TOTAL	(\$344.2)	\$104.1	\$390.9	\$105.3	\$496.2

TRSL

Fiscal Year	Allocate	Interest	Disburse	Balance	Impact on UAL
1992	\$33.4	\$0.0	\$0.0	\$33.4	\$33.4
1993	\$97.6	\$4.2	\$0.0	\$135.2	\$135.2
1994	\$24.5	\$12.4	\$0.0	\$172.1	\$172.1
1995	(\$73.4)	\$9.8	\$129.4	(\$20.9)	\$108.5
1996	\$271.5	(\$3.6)	\$0.0	\$247.0	\$376.5
1997	\$157.1	\$31.7	\$0.0	\$435.8	\$565.2
1998	\$473.3	\$90.5	\$219.4	\$780.3	\$1,129.1
1999	\$253.2	\$109.2	\$83.8	\$1,058.8	\$1,491.5
2000	\$458.2	\$186.6	\$112.3	\$1,591.4	\$2,136.3
2001	(\$449.3)	\$0.8	\$476.9	\$666.1	\$1,687.9
2002	(\$819.6)	(\$38.9)	\$113.7	(\$306.2)	\$1,135.5
2003	(\$799.1)	\$17.0	\$0.3	(\$1,088.6)	\$1,135.8
2004	\$91.9	(\$107.3)	\$0.0	\$0.0	\$1,135.8
2005	\$89.2	\$0.0	\$0.0	\$89.2	\$1,225.1
TOTAL	(\$191.5)	\$312.6	\$1,135.8	\$89.2	\$1,225.1

8. Texaco Fund

Texaco Settlement Fund

Under Act 4 of 1994, the three state systems (LASERS, TRSL and STPOL) began receiving funds from the Texaco Settlement as state aid to accelerate the payoff of the unfunded accrued liability. These funds are held in a suspense account and are not used to offset the regular UAL amortization payments under Act 257 of the 1992 Regular Session. The settlement funds are credited with the respective actuarial rate of return earned by each system.

Once the accumulated value of the account balance equals the outstanding balance of the initial unfunded accrued liability, or UAL if smaller, for each system, the account will liquidate the appropriate liability.

Texaco Fund History as of June 30, 2005 (\$millions)

Unfunded Systems Combined

Fiscal Year	Allocation	Interest	Balance
1993	\$0.0	\$0.0	\$0.0
1994	\$116.2	\$0.0	\$116.2
1995	\$44.1	\$8.1	\$168.5
1996	\$44.1	\$26.0	\$238.6
1997	\$20.0	\$31.7	\$290.4
1998	\$0.0	\$52.7	\$343.1
1999	\$0.0	\$46.2	\$389.3
2000	\$0.0	\$61.7	\$451.0
2001	\$0.0	\$2.5	\$453.4
2002	\$0.0	(\$21.7)	\$431.7
2003	(\$185.5)*	(\$20.4)	\$225.8
2004	\$0.0	\$19.1	\$244.9
2005	\$0.0	\$24.1	\$269.1
TOTAL	\$39.1	\$230.0	\$269.1

**LSU Unfunded Plan:* A state appropriation required to amortize this supplemental portion of the Initial Unfunded Accrued Liability for TRSL and LASERS is not required after fiscal year 2003 since an amount was released from the Texaco Funds equal to its outstanding balance. Amounts are asterisked.

Texaco Fund History
as of June 30, 2005
(\$millions)

LASERS

Fiscal Year	Allocation	Interest	Balance
1994	\$36.0	\$0.0	\$36.0
1995	\$13.8	\$3.4	\$53.2
1996	\$13.8	\$6.6	\$73.6
1997	\$0.7	\$10.4	\$84.7
1998	\$0.0	\$11.0	\$95.7
1999	\$0.0	\$12.5	\$108.3
2000	\$0.0	\$14.9	\$123.2
2001	\$0.0	\$0.5	\$123.6
2002	\$0.0	(\$5.4)	\$118.2
2003	(\$89.2)*	(\$4.3)	\$24.7
2004	\$0.0	\$1.5	\$26.2
2005	\$0.0	\$3.1	\$29.3
TOTAL	(\$24.9)	\$54.1	\$29.3

TRSL

Fiscal Year	Allocation	Interest	Balance
1994	\$77.2	\$0.0	\$77.2
1995	\$29.2	\$4.4	\$110.8
1996	\$29.2	\$18.9	\$158.9
1997	\$0.0	\$20.4	\$179.3
1998	\$0.0	\$37.2	\$216.5
1999	\$0.0	\$30.3	\$246.8
2000	\$0.0	\$43.5	\$290.3
2001	\$0.0	\$0.2	\$290.5
2002	\$0.0	(\$17.0)	\$273.5
2003	(\$96.3)*	(\$15.2)	\$162.0
2004	\$0.0	\$16.0	\$178.0
2005	\$0.0	\$17.6	\$195.6
TOTAL	\$39.3	\$156.3	\$195.6

STPOL

Fiscal Year	Allocation	Interest	Balance
1994	\$3.1	\$0.0	\$3.1
1995	\$1.2	\$0.2	\$4.5
1996	\$1.2	\$0.5	\$6.1
1997	\$19.4	\$0.9	\$26.4
1998	\$0.0	\$4.4	\$30.8
1999	\$0.0	\$3.4	\$34.3
2000	\$0.0	\$3.3	\$37.5
2001	\$0.0	\$1.8	\$39.4
2002	\$0.0	\$0.7	\$40.1
2003	\$0.0	(\$1.0)	\$39.1
2004	\$0.0	\$1.7	\$40.8
2005	\$0.0	\$3.5	\$44.3
TOTAL	\$24.7	\$19.5	\$44.3

9. Asset Balances

Assets

Retirement trusts build assets from contributions and earnings thereon. Projections are applied by the actuary based on current asset values and their long term investment attributes and expectations.

Market Value (fair value) of assets is required for financial reporting including asset/liability and income/expense statements.

For funding purposes, the value of plan assets is market related to comply with actuarial standards and Governmental Accounting Standards Board (GASB) requirements. **Actuarial Value of Assets** is applied for valuation purposes in all thirteen state and statewide systems to smooth market value by spreading investment gains and losses. The state plans use the term **Valuation Assets** since the actuarial value is reduced for special accounts (Experience Account, Texaco Funds, LSU AG, Employer Credit Account). These actuarial asset values are used to determine annual employer funding requirements, funding ratios, the UAL, and COLA Target Funding tests.

Asset Values
as of June 30, 2005
(\$millions)

State Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
LASERS	\$7,226.1	\$6,778.8	\$6,644.2
TRSL	\$12,685.9	\$12,171.9	\$11,887.1
STPOL	\$340.5	\$322.5	\$278.2
LSERS	\$1,490.4	\$1,423.2	\$1,423.2
<i>State Total</i>	\$21,742.9	\$20,696.4	\$20,232.8
As Percent of Market Value	100.0%	95.2%	93.1%

Asset Values *
(\$millions)

Statewide Systems

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
ASSR	\$146.1	\$133.0	\$133.0
CCRS	\$261.8	\$241.5	\$241.5
DARS	\$172.6	\$164.0	\$164.0
FRS	\$848.5	\$819.2	\$819.2
MERSA	\$521.4	\$510.5	\$510.5
MERSB	\$101.1	\$96.4	\$96.4
MPERS	\$1,328.8	\$1,233.6	\$1,233.6
PERSA	\$1,695.5	\$1,535.4	\$1,535.4
PERSB	\$117.7	\$111.4	\$111.4
RVRS	\$51.8	\$49.5	\$49.5
SPRF	\$1,144.8	\$1,085.5	\$1,085.5
<i>Statewide Total</i>	\$6,390.1	\$5,980.1	\$5,980.1
As Percent of Market Value	100.0%	93.6%	93.6%

All Systems Combined

System	Market Value (Fair Value) of Assets	Actuarial Value of Assets	Valuation Assets
Total For All Systems:	\$28,133.0	\$26,676.5	\$26,212.9
As Percent of Market Value	100.0%	94.8%	93.2%

* Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

10. Investment Returns

Actual Annual Rates of Return

System	FY 2005		FY 2004		Expected Long Term Actuarial Rate
	Market Value	Actuarial Value of Assets	Market Value	Actuarial Value of Assets	

State Systems

LASERS	9.87%	11.73%	17.58%	6.06%	8.25%
TRSL	9.71%	9.87%	16.85%	9.85%	8.25%
STPOL	9.01%	8.60%	11.49%	4.30%	7.50%
LSERS	8.19%	7.51%	12.05%	5.44%	7.50%

Statewide Systems

ASSR	13.4%	11.7%	10.0%	6.0%	8.00%
CCRS	8.7%	7.2%	12.3%	2.9%	8.00%
DARS	5.0%	6.8%	13.2%	1.7%	8.00%
FRS	10.4%	10.4%	11.0%	8.0%	7.5%*
MERSA	7.2%	9.6%	9.6%	3.5%	8.00%
MERSB	7.2%	6.4%	9.7%	3.1%	8.00%
MPERS	9.3%	9.4%	12.9%	7.8%	7.5%*
PERSA	6.3%	11.1%	10.2%	6.9%	8.00%
PERSB	5.1%	10.6%	9.6%	8.5%	8.00%
RVRS	6.8%	7.4%	10.9%	4.2%	8.00%
SPRF	8.1%	6.1%	8.4%	3.0%	8.00%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

* Effective for fiscal years beginning July 1, 2005 (from 7.0%).

Indices

Indices	Annual Rate (as of June 30)	
	FY 2005	FY 2004
CPI ⁽¹⁾	2.5%	3.3%
Lehman Brothers ⁽²⁾	6.8%	0.3%
S&P 500 ⁽³⁾	6.3%	19.1%
55% Stock/ 45% Bond	6.5%	10.7%
65% Stock/ 35% Bond	6.5%	12.5%

Note: Indices are shown for the twelve-month period ending June 30.

(1)CPI (All Items), (2)Lehman Brothers Aggregate Bond Index, (3)Standard & Poors' 500 Index. Composites weighted by (2) & (3).

11. Expected Investment Experience

Trust investments have experienced a reversal of the amazing investment growth of the nineties causing a retraction which will move average returns towards the traditional expectations underlying our long term actuarial assumed rates.

The strong economy in the nineties provided very favorable investments returns, as is expected in a bull market phase of a market cycle. Hopefully, we will be able to retain a portion of this actuarial investment gain because of the underlying technological revolution. Unfortunately, we cannot expect to avoid actuarial investment losses if our funding return rates are appropriate (8.25% for LASERS and TRSL). Since most of the improvement in funded ratios, assets to liabilities, during this period resulted from actuarial investment gains it is reasonable to expect a retraction with future actuarial losses.

If the actuarial assumptions are realized, as should be expected, investment actuarial gains and losses (returns under or over the assumed 8.25% rate) should zero out, leaving outstanding balances of the original IUAL plus any additional liability charges. This includes charges for COLAs, retirement allowances, DROP Account benefits, death benefits, and other benefit enhancements.

Unfunded liabilities are amortized under an increasing payment schedule. Current payments are not yet high enough to cover even the required interest charges, so the initial balances of each schedule have not been reduced. Therefore, as future actuarial investment losses offset the past gains, funded ratios will tend to shrink back to their original values and possibly lower. It is actuarially unsound to assume otherwise.

A graphic of this tendency is illustrated for the LASERS and TRSL Funded Ratios since 1992, after the following exhibit comparing market value returns to expected long term actuarial returns (actuarial assumed rates).

***Annual Rates of Return (Market Value Basis)
and
Expected Long Term Actuarial Return***

<i>Fiscal Year</i>						5 Year Average* Annual Return	Expected Long Term Actuarial Return
<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>		

State Systems:

LASERS	9.87%	17.58%	3.83%	-5.63%	-6.25%	11.14%	3.48%	8.25%
TRSL	9.71%	16.85%	2.16%	-8.08%	-4.73%	13.58%	2.78%	8.25%
STPOL	9.01%	11.49%	5.13%	-2.82%	-0.56%	4.59%	4.31%	7.50%
LSERS	8.19%	12.05%	3.76%	-2.42%	-1.85%	7.96%	3.79%	7.50%

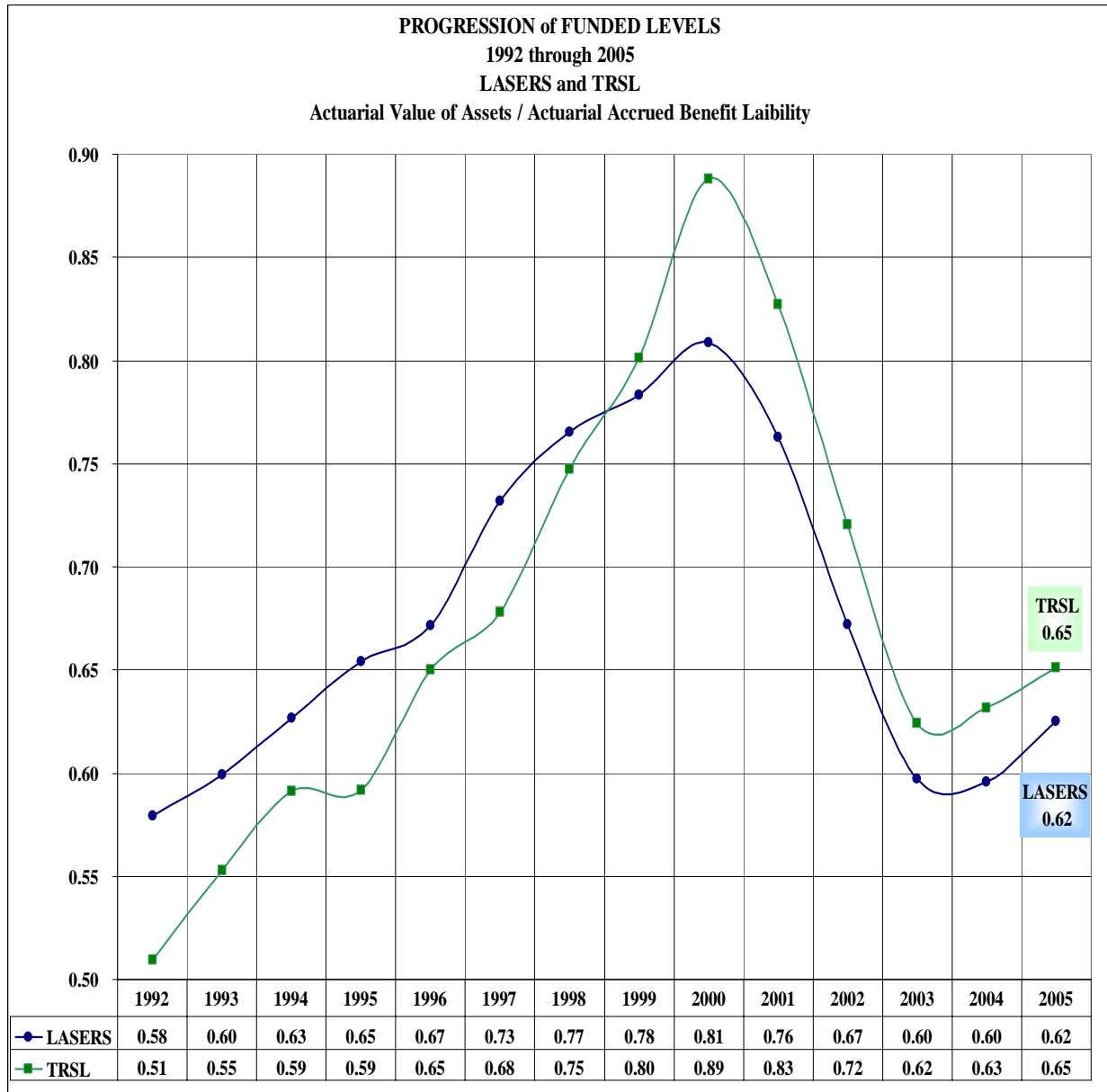
Statewide Systems:

ASSR	13.4%	10.0%	15.3%	-4.9%	-10.1%	7.7%	4.2%	8.0%
CCRS	8.7%	12.3%	2.9%	-3.0%	-1.5%	4.2%	3.7%	8.0%
DARS	5.0%	13.2%	2.8%	-9.1%	-9.7%	17.1%	0.1%	8.0%
FRS	10.4%	11.0%	5.4%	-3.7%	-2.9%	3.5%	3.8%	7.5%**
MERSA	7.2%	9.6%	4.4%	-1.8%	-4.2%	9.1%	2.9%	8.0%
MERSB	7.2%	9.7%	3.8%	-2.8%	-4.2%	8.4%	2.6%	8.0%
MPERS	9.3%	12.9%	3.8%	-5.3%	-3.4%	3.7%	3.2%	7.5%**
PERSA	6.3%	10.2%	15.6%	-2.7%	-0.8%	7.2%	5.5%	8.0%
PERSB	5.1%	9.6%	15.9%	0.0%	2.7%	5.4%	6.5%	8.0%
RVRS	6.8%	10.9%	3.3%	-3.0%	5.9%	0.8%	4.7%	8.0%
SPRF	8.1%	8.4%	4.2%	-3.0%	-0.8%	5.2%	3.3%	8.0%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

* Five year compounded average annual return on a Market Value basis.

** Effective for fiscal years beginning July 1, 2005 (from 7.0%).



12. UAL Balances

Valuation Balances

Valuation Unfunded Accrued Liability (UAL) values are dependent on the particular actuarial funding method selected for the system. UAL bases are amortized over a number of years specified in statutes. Certain funding methods do not have UAL bases and spread all costs over the participant’s future working lifetime. Valuation UAL balances are not reduced by assets allocated to separate accounts such as the Texaco Settlement Account, Experience Account, and Employer Credit Account.

**Valuation UAL Balance
(\$millions)**

FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
---------	---------	---------	---------	---------	---------

State Systems

LASERS	\$4,202.8	\$4,165.9	\$3,333.5	\$2,864.3	\$2,357.9	\$2,209.5
TRSL	\$6,812.6	\$6,836.1	\$5,531.9	\$4,517.2	\$3,618.7	3,518.0
STPOL	\$238.2	\$229.0	\$215.7	\$155.1	\$133.4	131.2
LSERS	\$466.2	\$439.8	\$361.2	\$148.2	(\$43.8)	(264.4)
State Total	\$11,719.9	\$11,670.8	\$9442.3	\$7,684.8	\$6,066.3	\$5,594.3

Statewide Systems

ASSR	\$35.8	\$35.5	\$35.2	\$35.3	\$34.8	\$34.3
CCRS	\$81.4	\$80.4	\$79.2	\$77.9	\$77.5	\$77.9
DARS	n/a	n/a	n/a	n/a	n/a	n/a
FRS	\$193.7	\$284.4	\$286.3	\$246.0	\$171.6	\$132.9
MERSA	\$71.3	\$70.1	\$68.9	\$67.7	\$66.3	\$64.9
MERSB	\$6.0	\$6.2	\$6.4	\$6.7	\$6.9	\$7.6
MPERS	\$318.8	\$423.4	\$379.5	\$195.2	(\$14.1)	\$(110.3)
PERSA	\$92.9	\$95.4	\$97.4	\$98.9	\$102.3	\$110.3
PERSB	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	\$94.6	\$93.5	\$92.3	\$91.1	\$89.7	\$88.2
Statewide Total	\$894.3	\$1,089.0	\$1,045.3	\$818.7	\$535.0	\$405.8

All Systems

\$12,614.2	\$12,759.8	\$10,487.6	\$8,503.5	\$6,601.3	\$6,000.1
-------------------	-------------------	-------------------	------------------	------------------	------------------

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Financial Balances

The *financial Net UAL* balance is equal to the Valuation UAL reduced by Texaco Settlement funds and Employer Credit Accounts. The Net UAL balances shown below have been adjusted for amounts held in the Texaco Settlement and Employer Credit suspense accounts.

Net UAL Balance
State Systems

as of June 30, 2005
(\$millions)

	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
LASERS	\$4,173.6	\$4,139.8	\$3,308.8	\$2,746.1	\$2,234.3	\$2,086.3
TRSL	\$6,617.1	\$6,658.1	\$5,369.9	\$4,243.7	\$3,328.3	\$3,227.7
STPOL	\$193.9	\$188.2	\$176.6	\$115.0	\$94.1	\$93.7
LSERS	\$466.2	\$439.8	\$355.3	\$111.8	(\$99.4)	(\$323.1)
State Total	\$11,450.8	\$11,425.9	\$9,210.6	\$7,216.7	\$5,557.2	\$5,084.7

13. Funding Measure under GASB

Funding Progress

Under Governmental Accounting Standards Board (GASB), public retirement systems show the development of funding progress with the ratio of Net UAL to valuation payroll. Such ratios over time indicate whether or not the system is becoming financially stronger. Usually, the smaller the ratio trends, the stronger the system is financially. This is because the impact of funding liabilities allocated to past service is reducing relative to the growth in membership payroll.

No values are developed for those statewide systems that utilize the Aggregate Funding Method since an unfunded actuarial accrued liability is not inherent.

Net UAL as Percent of Valuation Payroll

FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
---------	---------	---------	---------	---------	---------

State Systems

LASERS	198.7%	205.2%	171.9%	147.5%	125.3%	114.6%
TRSL	211.3%	220.7%	180.3%	152.8%	128.9%	125.9%
STPOL	393.5%	392.8%	400.1%	362.8%	292.5%	278.8%
LSERS	179.9%	169.4%	132.2%	43.2%	-39.8%	-134.0%

Statewide Systems

ASSR	122.2%	123.5%	130.4%	133.9%	133.4%	133.8%
CCRS	110.6%	113.7%	117.3%	121.5%	126.9%	133.5%
DARS	n/a	n/a	n/a	n/a	n/a	n/a
FRS	144.2%	221.9%	236.6%	215.0%	159.4%	132.3%
MERSA	50.9%	51.6%	50.7%	52.0%	52.9%	52.1%
MERSB	12.2%	13.0%	14.2%	15.3%	16.3%	18.2%
MPERS	147.8%	202.8%	192.4%	104.1%	-7.7%	-67.4%
PERSA	21.6%	23.5%	24.6%	26.5%	32.7%	32.7%
PERSB	n/a	n/a	n/a	n/a	n/a	n/a
RVRS	n/a	n/a	n/a	n/a	n/a	n/a
SPRF	21.9%	23.0%	24.1%	25.3%	26.6%	28.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

14. Funding Progress

Funded Levels

Measuring assets against liabilities can vary depending upon purpose. To determine the system's funding progress the Actuarial Value of Assets (AVA) is measured against the Projected Accrued Benefit Liability (PBO). **The Funded Level of AVA to PBO provides a consistent means to measure the funding progress of a plan, and between plans with differing funding methods.**

AVA reflects all actuarial assets available for plan benefits including the Texaco Settlement Account, Experience Account, and the Employer Credit Account.

The PBO is a consistent measure of accrued benefits which is independent of the actuarial cost method selected for valuation purposes. The resulting values follow the actuarial accrued liability calculated under the projected unit credit cost method prorated on service.

Funded Levels as of June 30, 2005 (\$millions)

State Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
LASERS	\$6,778.8	\$10,847.1	62.5%
TRSL	\$12,171.9	\$18,699.8	65.1%
STPOL	\$322.5	\$516.1	62.5%
LSERS	\$1,423.2	\$1,804.6	78.9%
State Total	\$20,696.4	\$31,867.5	64.9%

Funded Levels
(\$millions)

Statewide Systems

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
ASSR	\$133.0	\$201.7	65.9%
CCRS	\$241.5	\$361.9	66.8%
DARS	\$164.0	\$163.0	100.6%
FRS	\$819.2	\$981.3	83.5%
MERSA	\$510.5	\$651.3	78.4%
MERSB	\$96.4	\$120.4	80.1%
MPERS	\$1,233.6	\$1,474.8	83.6%
PERSA	\$1,535.4	\$1,713.3	89.6%
PERSB	\$111.4	\$104.5	106.7%
RVRS	\$49.5	\$56.1	88.2%
SPRF	\$1,085.5	\$1,351.6	80.3%
<i>Statewide Total</i>	\$5,980.1	\$7,179.8	83.3%

Funded Levels
(\$millions)

All Systems Combined

System	AVA Actuarial Value of Assets	PBO Projected Accrued Benefit Liability	Funded Level
<i>Combined Total</i>	\$26,676.5	\$39,047.3	68.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

Funding progress had improved considerably since the 1989 constitutional mandate for actuarial funding. Favorable investment performance accelerated this improvement until fiscal year 2000. However, subsequent investment losses and liabilities added for benefit enhancements have since placed a burden on funding levels. This reversal is seen by comparing the progression of Funded Levels as shown below.

FUNDED LEVELS (AVA / PBO)

<i>Fiscal Year</i>							
<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>

State Systems:

LASERS	62.5%	59.6%	59.7%	67.2%	76.3%	80.9%	78.3%	76.6%
TRSL	65.1%	63.1%	62.4%	72.0%	82.7%	88.8%	80.1%	74.7%
STPOL	62.5%	62.8%	62.4%	73.5%	77.1%	72.0%	66.8%	60.3%
LSERS	78.9%	79.4%	84.0%	90.7%	114.5%	133.7%	134.4%	126.5%
State Total	64.9%	62.9%	62.7%	71.5%	82.2%	88.1%	82.0%	77.7%

Statewide Systems:

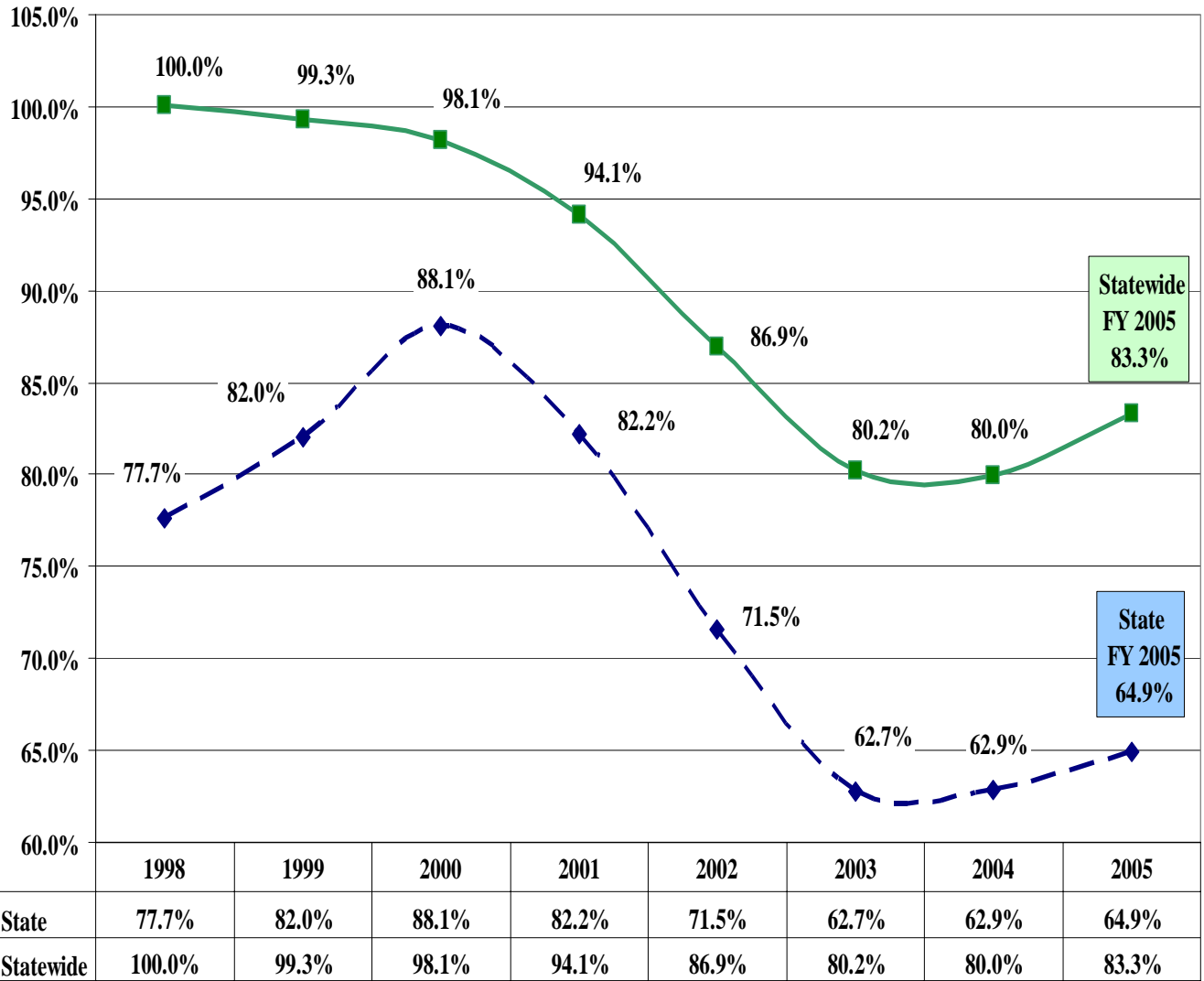
ASSR	65.9%	61.2%	59.5%	61.3%	66.4%	73.6%	74.9%	75.7%
CCRS	66.8%	66.5%	67.8%	72.5%	76.6%	78.3%	74.7%	70.1%
DARS	100.6%	98.2%	103.7%	117.7%	128.5%	131.9%	129.7%	128.8%
FRS	83.5%	74.5%	72.3%	74.9%	82.3%	86.0%	92.8%	94.3%
MERSA	78.4%	77.1%	78.8%	85.5%	91.0%	92.4%	92.9%	94.3%
MERSB	80.1%	78.7%	81.3%	87.4%	92.3%	101.9%	100.6%	96.3%
MPERS	83.6%	76.6%	77.4%	95.6%	105.6%	109.4%	110.6%	112.5%
PERSA	89.6%	89.5%	87.9%	90.9%	99.1%	102.0%	101.5%	100.1%
PERSB	106.7%	107.4%	106.3%	108.4%	117.8%	130.3%	128.9%	129.4%
RVRS	88.2%	87.0%	91.5%	97.7%	104.2%	104.8%	112.9%	117.7%
SPRF	80.3%	79.9%	81.9%	84.2%	87.8%	93.8%	94.4%	98.1%
Statewide Total	83.3%	80.0%	80.2%	86.9%	94.1%	98.1%	99.3%	100.0%

Combined Systems Total:

68.3%	66.0%	65.8%	74.2%	84.3%	89.8%	84.9%	81.2%
--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

Funded Levels - PBO Covered by AVA

Actuarial Value of Assets / Projected Accrued Benefit Liability



Statewide
FY 2005
83.3%

State
FY 2005
64.9%

***Funding Ratios
Eligibility for COLAs***

Under current statutes, if the "Funded Ratio" is less than the "Target Ratio", the retirement system may not consider granting COLA benefits. For an Actual Funded Ratio the state systems and Municipal Police compare Valuation Assets to the accrued liability under the funding method. Valuation Assets do not include the Texaco Settlement Account, Experience Account, or Employer Credit Account balances. All other statewide systems compare Actuarial Value of Assets to the actuarial liability of projected accrued benefits (PBO). The ratio is then compared to the formula Target Ratio.

**Funding Eligibility for COLAs
as of June 30, 2005**

State Systems

System	Target Ratio	Funded Ratio
LASERS	*	61.3%
TRSL	*	63.6%
STPOL	64.1%	53.9%
LSERS	98.3%	75.3%

* Act 402 of the 1999 Regular Session omitted the Target Ratio Test for this system.

Funding Eligibility for COLAs *

Statewide Systems

System	Target Ratio	Funded Ratio
ASSR	76.4%	65.9%
CCRS	69.0%	66.8%
DARS	93.0%	100.6%
FRS	82.0%	83.5%
MERSA	81.9%	78.4%
MERSB	78.3%	80.1%
MPERS	99.4%	79.5%
PERSA	74.3%	89.6%
PERSB	93.9%	106.7%
RVRS	94.8%	88.2%
SPRF	80.6%	80.3%

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

15. Participant Census and Payroll

Membership

Membership data is provided in the following table. Participants are categorized in one of three categories: active member, retired, or as a current member of the Deferred Retirement Option Plan (DROP).

Participant Census (Payroll in \$millions)

Actives	Retirees	DROP current	Total	% of All Systems	FY 2005 Payroll
---------	----------	--------------	-------	------------------	-----------------

State Systems

LASERS	64,168	35,691	2,810	102,669	29.2%	\$2,100.0
TRSL	87,643	58,979	4,375	150,997	42.9%	\$3,132.2
STPOL	1,003	1,137	25	2,165	0.6%	\$49.3
LSERS	13,837	11,309	856	26,002	7.4%	\$259.2
State Total	166,651	107,116	8,066	281,833	80.2%	\$5,540.7

Statewide Systems

ASSR	690	448	39	1,177	0.3%	\$29.3
CCRS	2,310	868	76	3,254	0.9%	\$73.5
DARS	670	215	18	903	0.3%	\$37.8
FRS	3,532	1,479	103	5,114	1.5%	\$134.3
MERSA	5,073	2,698	216	7,987	2.3%	\$140.0
MERSB	1,987	824	51	2,862	0.8%	\$48.7
MPERS	6,000	3,740	239	9,979	2.8%	\$215.6
PERSA	13,089	5,293	381	18,763	5.3%	\$429.5
PERSB	1,938	577	32	2,547	0.7%	\$54.8
RVRS	203	127	24	354	0.1%	\$8.6
SPRF	13,863	2,972	0	16,835	4.8%	\$432.0
Statewide Total	49,355	19,241	1,179	69,775	19.8%	\$1,604.2

All Systems Combined

Total	216,006	126,357	9,245	351,608	100.0%	\$7,145.0
--------------	----------------	----------------	--------------	----------------	---------------	------------------

Note: Values based on 2005 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

16. Funding of TRSL Optional Retirement Plan

In 1990, an optional retirement plan (ORP) was established for academic and unclassified employees of public institutions of higher education. This is a defined contribution plan that is administered by TRSL. The ORP participants are not members of TRSL and their benefits are not guaranteed by the state. Each employer contributes to TRSL the same amount that would have been contributed for a TRSL member. The employer normal cost portion is credited to the participants account (ORP normal cost) while the remainder is retained by TRSL as a payment on the UAL. For fiscal year 2005 the total ORP normal cost payment credited towards participants' accounts was \$70.2 million while the ORP employer payment retained by TRSL to fund the UAL was \$48.8 million. ORP is directly funded by the state from general fund appropriations only on the portion of salary not paid by fees or other self-generated funds received by the institutions of higher learning. Based on information provided by the system, there were 8,845 participants in ORP as of December 31, 2005. ORP members represent 59% of the **higher education** TRSL plus ORP membership.

GROWTH OF ORP MEMBERSHIP

(As Compared to TRSL)

Year	ORP	RATIO	
		TRSL (Excl DROP)	(ORP to TRSL)
1992	3,775	86,244	4.4%
1993	4,196	85,143	4.9%
1994	4,780	86,079	5.6%
1995	5,290	84,671	6.2%
1996	5,712	84,849	6.7%
1997	6,195	85,169	7.3%
1998	6,690	85,772	7.8%
1999	7,181	85,419	8.4%
2000	7,581	85,462	8.9%
2001	8,126	84,694	9.6%
2002	9,016	84,866	10.6%
2003	8,906	84,958	10.5%
2004	9,675	84,398	11.5%
2005	8,845	84,546	10.5%