# 2013 ACTUARIAL REPORT ON LOUISIANA PUBLIC RETIREMENT SYSTEMS

ISSUED JULY 2014

**LOUISIANA LEGISLATIVE AUDITOR**
**1600 NORTH THIRD STREET**
**POST OFFICE BOX 94397**
**BATON ROUGE, LOUISIANA 70804-9397**



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LOUISIANA LEGISLATIVE AUDITOR
**DARYL G. PURPERA, CPA, CFE**

July 16, 2014

The Honorable Bobby Jindal
Governor of the State of Louisiana
Post Office Box 94004
Baton Rouge, Louisiana 70804-9004

The Honorable John A. Alario, President
Louisiana Senate
Post Office Box 94183
Baton Rouge, Louisiana 70804-9183

The Honorable Charles E. “Chuck” Kleckley, Speaker
Louisiana House of Representatives
Post Office Box 94062
Baton Rouge, Louisiana 70804-9062

**Re: 2013 Annual Actuarial Report on**
**Louisiana Public Retirement Systems**

The Louisiana Legislative Auditor evaluates, as to actuarial soundness, the state, municipal, and parochial retirement systems, funded in whole or in part out of Louisiana public funds. This report, which is prepared by the Actuarial Services section of my office, is submitted in accordance with Louisiana Revised Statutes (R.S.) 24:513C(1) and R.S. 11:271C(2) and includes within its scope the thirteen state and statewide retirement systems (Systems) for their fiscal years ending 2013.

Our review consisted primarily of the collection of information and data provided by the Systems and approved by the Public Retirement Systems’ Actuarial Committee (PRSAC), and the organization of this information into a consolidated format.

This report is not an audit and therefore it has not been prepared in accordance with auditing standards as set forth by *Government Auditing Standards*, nor do we offer an opinion on the Systems’ financial statements or internal controls. While Actuarial Services within our office has applied certain actuarial analyses to this information, we have not examined actuarial assumptions and methods used in determining reserves and related actuarial items. Therefore, we do not express an opinion thereon. However, Section III of the report contains Statements of Actuarial Opinion that have been certified by our actuary. For the Louisiana State Employees’ Retirement System (LASERS) and the Teachers’ Retirement System of Louisiana (TRSL), the actuarial valuations were based on various assumptions made by the Systems’ actuary including an investment return assumption of 8.00% for LASERS and 8.00% for TRSL. Because this investment return assumption may or may not be indicative of the actual future investment

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returns and could be overly optimistic in that regard, there is a risk that the reported actuarial accrued liability for each of the Systems at June 30, 2013, could be understated.

The accompanying report presents an executive summary of our analysis as well as a consolidation of information provided by the Systems. This report is intended primarily for your use and the use of the Systems. Copies of this report have also been delivered to those as required by law. It is also being made public through the Legislative Auditor's website at www.lla.la.gov.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:PTR:ch

# Executive Summary

# EXECUTIVE SUMMARY

## Purpose of Report

***2013 Report***

The ***2013 Actuarial Report on Louisiana Public Retirement Systems*** was prepared 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 their fiscal years ending in 2013. It includes data and history for the four state retirement systems and the nine statewide retirement systems. The report is organized into the following sections, which are summarized in this Executive Summary.

**SECTION I – EMPLOYER FUNDING FOR PENSION BENEFITS (pages 25 through 72).**

**SECTION II – BENEFIT FORMULAS, RETIREMENT ELIGIBILITY AND CONTRIBUTION RATES (pages 73 through 94).**

**SECTION III – ACTUARIAL CONCERNS – FUNDING ISSUES (pages 95 through 150).**

**SECTION IV – RECENT LEGISLATION (pages 151 through 156).**

***Louisiana Statutes***

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

***State Systems***

Benefits are guaranteed under the state constitution for the four state retirement systems listed below.

| | |
|---|---|
| LASERS | *Louisiana State Employees' Retirement System* |
| TRSL | *Teachers' Retirement System of Louisiana* |
| LSERS | *Louisiana School Employees' Retirement System* |
| STPOL | *Louisiana State Police Retirement System* |

***Statewide Systems***

Benefits are not guaranteed under the state constitution for the nine statewide retirement systems.

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

## SUMMARY OF VALUATION RESULTS FOR FYE 2013[a]

| Systems: | Employer Contribution Rates[b] FYE 2014 | FYE 2015 | Unfunded Accrued Liability FYE 2013 (in millions) | Actuarial Value of Assets FYE 2013 (in millions) | AVA/PBO |
|---|---|---|---|---|---|
| ***State Systems:*** | | | | | |
| **LASERS[c]** | 31.7% | 37.4% | $ 6,411.3 | $ 9,936.5 | 61.4% |
| **TRSL[d]** | 27.1% | 27.7% | 11,348.6 | 14,890.2 | 57.2% |
| **LSERS** | 32.3% | 33.0% | 911.1 | 1,522.1 | 63.3% |
| **STPOL** | 70.0% | 75.3% | 323.6 | 492.4 | 61.7% |
| ***State Total*** | | | **$ 19,024.6** | **$ 26,841.2** | **59.1%** |
| ***Statewide Systems:*** | | | | | |
| **ASSR** | 10.50% | 7.00% | $ 16.7 | $ 267.5 | 83.7% |
| **CCRS** | 18.50% | 18.50% | 87.6 | 423.4 | 71.8% |
| **DARS** | 9.75% | 7.00% | n/a | 290.4 | 90.7% |
| **FRS** | 30.25% / 28.25% [e] | 31.25% / 29.25% [e] | 511.6 | 1,260.3 | 73.0% |
| **MERS A** | 19.00% | 20.75% | 75.0 | 717.8 | 76.8% |
| **MERS B** | 8.75% | 10.00% | 3.7 | 153.9 | 83.1% |
| **MPERS** | 33.50% / 31.00% / 33.00% [e] | 34.00% / 31.50% / 33.50% [e] | 860.2 | 1,539.2 | 64.2% |
| **PERSA[a]** | 16.75% | 15.50% | 0.0 | 2,448.5 | 89.3% |
| **PERSB[a]** | 9.25% | 9.25% | n/a | 186.2 | 95.0% |
| **RVRS** | 24.25% | 22.50% | n/a | 71.1 | 72.8% |
| **SPRF** | 14.75% | 14.25% | 63.0 | 2,203.6 | 80.7% |
| ***Statewide Total*** | | | **$ 1,617.8** | **$ 9,561.9** | **78.1%** |
| **Total All Systems:** | | | **$ 20,642.4** | **$ 36,403.1** | **63.2%** |
| Page Reference | Pages 30-33 | | Page 62 | Pages 55-56 | Pages 65-66 |

Footnotes:

a. FYE 2013 means the fiscal year ending on June 30, 2013, for all retirement systems except ASSR and PERS. FYE 2013 for ASSR means the fiscal year ending on September 30, 2013. For PERS, the most recent information is of FYE 2012, the fiscal year ending December 31, 2012.

b. Rates shown for FYE 2014 are contribution rates adopted by PRSAC in March 2013 and multiplied by employer payroll for FYE 2014 to determine employer contributions for each retirement system for FYE 2014.

Rates shown for FYE 2015 are employer contribution rates projected for FYE 2015 based on the valuation date ending in FYE 2013 for each retirement system. These rates are the rates recommended by the actuary for each retirement system and approved by the Systems' boards of directors.

c. The rates shown for LASERS for FYE 2014 and FYE 2015 (31.7% and 37.4%, respectively) are consolidated rates. Act 1026 of the 2010 Regular Session of the legislature requires separate employer contribution rates for each sub plan within LASERS. These rates are summarized in Subdivision 3 of Section II of this report.

d. The rate shown for TRSL for FYE 2015 (27.7%) is a consolidated rate. Act 716 of the 2012 Regular Session of the legislature requires separate employer contribution rates for each sub plan within TRSL. These rates are summarized in Subdivision 3 of Section II of this report.

e. The higher rate will be charged against the salaries of members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services. The lower rate will apply to the salaries of members earning more than the poverty rate.

## SUMMARY OF VALUATION RESULTS FOR FYE 2013

| | Investment Returns[a] | | | Membership | | | |
|---|---|---|---|---|---|---|---|
| **Systems:** | **Market Value** | **AVA** | **Assumed Rate** | **Actives** | **Retirees[b]** | **Total[c]** | **Payroll** (in millions) |
| ***State Systems:*** | | | | | | | |
| **LASERS** | 12.2% | 14.1% | 8.00%[d] | 44,111 | 47,517 | 95,790 | $ 1,952 |
| **TRSL** | 12.8% | 13.4% | 8.00%[d, e] | 82,910 | 73,482 | 162,383 | 3,726 |
| **LSERS** | 13.7% | 12.0% | 7.25% | 12,184 | 13,928 | 26,467 | 290 |
| **STPOL** | 13.9% | 16.8% | 7.00% | 933 | 1,234 | 2,204 | 51 |
| ***State Total*** | | | | **140,138** | **136,161** | **286,844** | **$ 6,019** |
| ***Statewide Systems:*** | | | | | | | |
| **ASSR** | 13.4% | 9.2% | 7.50% | 747 | 519 | 1,358 | $ 40 |
| **CCRS** | 12.9% | 4.9% | 7.50% | 2,123 | 1,189 | 3,819 | 87 |
| **DARS** | 13.0% | 6.0% | 7.50% | 756 | 237 | 1,264 | 57 |
| **FRS** | 10.5% | 2.5% | 7.50% | 4,063 | 2,179 | 6,763 | 199 |
| **MERS A** | 4.3% | 0.7% | 7.75% | 4,685 | 3,360 | 10,910 | 167 |
| **MERS B** | 4.1% | 0.9% | 7.75% | 2,051 | 977 | 4,244 | 66 |
| **MPERS** | 13.7% | 11.2% | 7.50% | 5,602 | 4,654 | 11,653 | 265 |
| **PERSA[f]** | 15.6% | 4.2% | 7.50% | 13,688 | 6,673 | 27,717 | 558 |
| **PERSB[f]** | 15.8% | 4.8% | 7.50% | 2,254 | 701 | 4,591 | 87 |
| **RVRS** | 10.1% | 1.6% | 7.50% | 212 | 175 | 427 | 13 |
| **SPRF** | 12.9% | 5.5% | 7.80% | 14,559 | 4,293 | 24,264 | 623 |
| ***Statewide Total*** | | | | **50,740** | **24,957** | **97,010** | **$ 2,162** |
| **Total All Systems** | | | | **190,878** | **161,118** | **383,854** | **$ 8,181** |
| Page Reference | Page 57 | | | Page 70 | | | |

Footnotes:

a. Investment returns are for FYE 2013.

b. DROP members are counted as Retirees.

c. Total membership includes members entitled to a deferred pension or a refund of contributions. Counts for members in these categories are not shown separately.

d. The discount rate is net of investment gain deferred to Experience Account and investment expenses. Transfers to Experience Account are estimated to be 50 basis points.

e. The discount rate for TRSL was changed from 8.25% to 8.00% effective July 1, 2013. The assumed rate for TRSL used to measure accrued liabilities as of June 30, 2012, and employee contribution requirements for FYE 2013 was 8.25%. The rate used to calculate accrued liabilities as of June 30, 2013 and employer contribution requirements for FYE 2014 was 8.00%.

f. For PERS, the most recent information is for FYE 2012, the fiscal year ending December 31, 2012.

## SECTION I: Employer Funding for Pension Benefits

***Actuarial Funding***

The most fundamental principle of actuarial funding is:

***Benefits = Contributions + Investment Earnings***

All benefit payments from a retirement system will be paid from contributions into the system made by participating employees and employers and from earnings on invested contributions. The earlier that contributions are made, the greater the opportunity to invest and earn investment income. The earlier that contributions are made, the lesser the portion of benefits that will be paid from contributions and the greater the portion that will be paid from investment income.

The role of the actuary is to select an actuarial model and assumptions that will provide for contributions from year to year that are consistent with the budgeting constraints of the plan sponsor. The methods and assumptions used by the actuary should closely reflect the value of benefits that are earned or allocated to each fiscal year. By doing so, the plan sponsor should be able to minimize cost transfers from one generation of workers to another.

The only true management tool that an actuary has is the selection of the actuarial methods used to allocate benefit accruals to fiscal years and the methods used to smooth fluctuations in the market value of assets. It is tempting at times to try to use actuarial assumptions to manage contribution requirements, but the end result is a distortion of the true cost of the pension plan and such a distortion leads to intergenerational transfers of cost. It is therefore critical that the actuary use assumptions that reflect the best expectations of future events.

A retirement system that uses appropriate actuarial methods, that monitors actuarial assumptions to ensure that they are good predictors of future events, and that requires contributions from member employees and employers be paid when due, is a system that is actuarially sound. Such a system will accumulate assets sufficient to pay benefits when they become due and payable.

***Investment Income***

Investment earnings include all income earned under the trust such as dividends, interest, and realized and unrealized capital gains or losses, and are essential to meet the long-range projections and assumptions under the actuarial funding method. Perhaps the most important assumption that the actuary makes in his calculations of plan liabilities and contribution requirements is the investment return assumption. Investment return assumptions used in the preparation of the 2013 actuarial valuations for the thirteen Louisiana retirement systems ranged from 7.00% to 8.00%.

***Contributions***

Contribution requirements are a function of the benefit provisions of the retirement system and the actuarial methods and assumptions used by the actuary. Required contributions for the thirteen systems are derived from many different sources – participating employees, participating employers, ad valorem taxes, revenue sharing funds, the Insurance Premium Tax Fund (IPTF), and special legislative appropriations.

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

## *State Retirement Systems*

***General***

Annual employer contribution requirements can be separated into two components – the normal cost and payments toward amortization of the unfunded accrued liability.

***Normal Cost***

The normal cost reflects the value of all benefits earned during the plan year by participating members. The total normal cost is partially paid by participating members and partially by participating employers. Member contributions are a fixed percentage of pay that varies from system to system. Participating employers must contribute the balance of the total normal cost, if any.

***Unfunded Accrued Liability***

Each of the state systems has an unfunded accrued liability (UAL). The actuary calculates the amount of assets the system would currently have if current benefit provisions had always been in place, if current actuarial methods had been used, if past experience from the plan's inception had been exactly consistent with current actuarial assumptions, and if plan investments had always earned the current investment return assumption. This value is called the Actuarial Accrued Liability. The UAL, then, is the difference between the Actuarial Accrued Liability and the current value of system assets.

The UAL is essentially a debt that participating employers owe to the retirement system. It reflects contributions that should have been made and investment income that should have been earned. In order for benefits to be paid as scheduled to participating members, this debt must be paid. To pay this debt, the system establishes a payment schedule that amortizes the debt over a period of years. Participating employers are primarily responsible for annual amortization payments.

***Employer Contributions Systems and Sub Plans***

New benefit structures have been enacted over the past several years for various groups of employees of the state participating in LASERS, TRSL, LSERS, and STPOL. In addition, laws have been changed to require unique employer contribution requirements for the various groups referred to as sub plans. Sub plans for the four state retirement systems and the employee groups that belong to each sub plan are identified below.

| System and Sub Plan | Employee Groups Covered |
|---|---|
| **LASERS** | |
| Rank and File Sub Plan | 1. Any employee not holding a position specifically identified in the law.<br>2. Appellate Law Clerks.<br>3. Magistrates first employed on or after January 1, 2011.<br>4. P.O.S.T. Certified Arson Investigators first employed on or before December 31, 2010.<br>5. P.O.S.T. Certified Park Rangers first employed on or before December 31, 2010.<br>6. P.O.S.T. Certified Campus Police Officers first employed on or before December 31, 2010.<br>7. P.O.S.T. Certified Hospital Security Officers first employed on or before December 31, 2010.<br>8. P.O.S.T. Certified Department of Justice Investigators first employed on or before December 31, 2010.<br>9. P.O.S.T. Certified State Inspector General Investigators first employed on or before December 31, 2010. |

| | |
|---|---|
| | 10. Any other employee required to be P.O.S.T. Certified first employed on or before December 31, 2010. |
| Judges Sub Plan | 1. Magistrates first employed on or before December 31, 2010.<br><br>2. Judges. |
| Legislators Sub Plan | 1. Persons who first became a legislator on or before January 1, 1997.<br><br>2. Governors.<br><br>3. Lieutenant Governors.<br><br>4. House Clerks and Sergeants at Arms.<br><br>5. Senate Secretaries and Sergeant at Arms. |
| Corrections Officers Primary Sub Plan | • Any Corrections Officer, Probation and Parole Officer, or Security Officer first employed on or before December 31, 2001, who has not elected to participate in the Corrections Officer Secondary Sub Plan. |
| Corrections Officer Secondary Sub Plan | 1. Any former member of the Corrections Officer Primary Sub Plan who elected to participate in the Secondary Corrections Officer Sub Plan.<br><br>2. Wardens first employed on or before December 31, 2010.<br><br>3. Correction Officers, Probation and Parole Officers, and Security Officers first employed on or after January 1, 2002, and on or before December 31, 2010. |
| Peace Officers Sub Plan | • Peace Officers first employed on or before December 31, 2010. |
| ATC Officers Sub Plan | • ATC Officers first employed on or before December 31, 2010. |
| Bridge Police Officers Sub Plan | • Bridge Police Officers first employed on or before December 31, 2010. |
| Wildlife Agents Sub Plan | • Wildlife Agents first employed on or before December 31, 2010. |
| Hazardous Duty Sub Plan | • Any employee first employed on or after January 1, 2011, in a position classified as hazardous duty including Corrections Officers, Wardens, Probation and Parole Officers, Security Officers, Peace Officers, ATC Officers, Bridge Police Officers, Wildlife Agents, and any individual who is required to be P.O.S.T. Certified as a condition of his employment. |

| | |
|---|---|
| **TRSL** | |
| K-12 Teacher Sub Plan | • Any public school teacher employed in kindergarten through twelfth grade. |
| Lunch Plan A Sub Plan | • Any employee in a public school participating in the Lunch Plan A benefit structure. |
| Lunch Plan B Sub Plan | • Any employee in a public school participating in the Lunch Plan B benefit structure. |
| Higher Education DB Sub Plan | • Any teacher employed in higher education, who did not elect to participate in the Optional Retirement Plan (ORP). |
| ORP Sub Plan | • Any teacher who elected to participate in ORP. |
| **LSERS** | |
| All Members | • DB Plan Members – All school employees. |
| **STPOL** | |
| All Members | 1. DB Plan Members – All members first employed by the state on or before December 31, 2010.<br>2. Hazardous Duty Plan Members – Benefit structure applicable to all members first employed on or after January 1, 2011. |

***Employer Contribution Sources***

Actuarially determined contribution requirements, not paid by participating employees, are the responsibility of participating employers. Employer contribution sources are summarized below for each state retirement system.

**Sources of Employer Contribution**

| System | Local 1 | Ad Valorem 2 | MFP 3 | IPTF 4 | State General Fund 5 |
|---|---|---|---|---|---|
| LASERS | x | | | | x |
| TRSL | x | x | x | | x |
| LSERS | x | | x | | |
| STPOL | | | | | x |

1. Amounts derived from local sources raised by individual government entities.
2. Amounts reflecting a percentage of taxes collected by the parishes in accordance with Louisiana statutes.
3. Amounts derived from the Minimum Foundation Program (MFP), which reflects transfer payments from the state to local school districts.
4. Amounts derived from the Insurance Premium Tax Fund (IPTF)
5. Amounts paid out of the state General Fund.

**Note:** Contributions for most employers participating in LASERS are paid from the State General Fund. However, contributions for some employers are derived entirely from local sources.

***Guaranteed Payment***

The Louisiana Constitution guarantees an annual employer contribution to the four state systems sufficient to pay the normal cost and to amortize by 2029 the Initial Unfunded Accrued Liability (IUAL) established as of June 30, 1988. 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 retirement systems be funded on an actuarially sound basis.

***UAL Balance***

As of June 30, 2013, the four state systems had a combined UAL balance of $19.0 billion. The combined payment to fund this amount for FYE 2014 is $1.648 billion. It represents 82.2% of the $2.006 billion of required employer contributions to actuarially fund the four state systems.

**UAL BALANCES as of 6/30/2013**
**(in millions)**

| System | Actuarial Accrued Liability (AL) | Valuation Assets (VA) | Valuation UAL (AL) – (VA) |
|---|---|---|---|
| **LASERS** | $ 16,182.2 | $ 9,740.9 | $ 6,441.3 |
| **TRSL** | 26,017.7 | 14,669.2 | 11,348.6 |
| **LSERS** | 2,404.0 | 1,492.9 | 911.1 |
| **STPOL** | 797.8 | 474.2 | 323.6 |
| **Combined** | **$ 45,401.7** | **$ 26,377.2** | **$ 19,024.6** |

***Projected Employer Contributions***

***LASERS***

For most employers participating in LASERS, the total required employer contribution is paid directly from appropriations from the General Fund and from programs that are federally funded. However, some employers pay contribution requirements from funds derived from local sources. The contribution information shown below for FYE 2015 is consolidated information. Subdivision 6 of Section I contains more detailed information regarding employer contribution rates for each sub plan of LASERS.

| **Projected Employer Contributions (in millions)** | | |
|---|---|---|
| **LASERS** | **FYE 2014** | **FYE 2015** |
| Employer Contributions* | $ 784.6 | $ 760.5 |
| *Projected Rate (% Payroll)* | *31.7%* | *37.4%* |
| 15.5% Minimum Required | n/a | n/a |

***TRSL***

The total required employer contribution is paid directly from appropriations from the General Fund for higher education employers, from local school districts (primarily out of MFP transfer payments from the state), from ad valorem taxes, and from programs that are federally funded.

| **Projected Employer Contributions (in millions)** | | |
|---|---|---|
| **TRSL** | **FYE 2014** | **FYE 2015** |
| Employer Contributions* | $ 1,211.1 | $ 1,208.7 |
| *Projected Rate (% Payroll)* | *27.1%* | *27.7%* |
| 15.5% Minimum Required | n/a | n/a |

***LSERS***

The total required employer contribution is paid directly from local school districts (primarily out of MFP transfer payments from the state).

| **Projected Employer Contributions (in millions)** | | |
|---|---|---|
| **LSERS** | **FYE 2014** | **FYE 2015** |
| Employer Contributions* | $ 93.3 | $ 99.3 |
| *Projected Rate (% Payroll)* | *32.3%* | *33.0%* |
| 6.0% Minimum Required | n/a | n/a |

***STPOL***

The total required employer contribution is paid directly from appropriations from the General Fund and from the IPTF.

| **Projected Employer Contributions (in millions)** | | |
|---|---|---|
| **STPOL** | **FYE 2014** | **FYE 2015** |
| Employer Contributions* | $ 42.7 | $ 40.5 |
| *Projected Rate (% Payroll)* | *70.0%* | *75.3%* |
| Insurance Premium Tax Fund | $ 1.5 | $ 1.5 |

* Based on member pay as of 6/30/2013.

***IUAL Funds***

LASERS and TRSL maintained assets in side funds that were contained within their respective trusts. These side funds, called the IUAL Fund, received deposits over the years from special legislative appropriations and from the Texaco settlement. These funds were credited annually with the actuarial rate of return on assets.

Act 497 of the 2009 session provided that outstanding balances in the Experience Account Funds would be transferred to the IUAL Funds on June 30, 2009. Amounts so transferred were $122.2 million for LASERS and $296.7 million for TRSL. Also in accordance with Act 497, the IUAL Funds were liquidated on June 30, 2010, with the proceeds used to reduce the outstanding UAL for the retirement systems. The balance in the IUAL Fund for LASERS on June 30, 2013, was $0 million. The balance for TRSL was $0 million.

**IUAL FUND BALANCES**
**(as of 6/30/2013)**
**(in millions)**

| | LASERS | TRSL | Combined |
|---|---|---|---|
| Balance | $ 0.0 | $ 0.0 | $ 0.0 |

## *Statewide Retirement Systems*

***General***

Employer contributions required to fund actuarial liabilities for each of the nine statewide retirement systems come from five sources.

**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 taxes collectible by the parishes in accordance with statutes.

3. General revenue sharing funds.

4. Insurance Premium Tax Funds (IPTF).

5. Appropriations from the state General Fund.

***UAL Balances***

Pursuant to the state constitution, funding requirements for the nine statewide systems are actuarially determined. As with the 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 2013 fiscal year-end, the seven statewide systems for which a UAL is calculated had a combined UAL balance of $1.618 billion.

**UAL Balances – Statewide Systems**
**as of June 30, 2013**
**(in millions)**

| | FYE 2012 | FYE 2013 |
|---|---|---|
| **ASSR** | $ 18.6 | $ 16.7 |
| **CCRS** | 87.8 | 87.6 |
| **FRS** | 482.0 | 511.6 |
| **MERS (Plans A & B)** | 79.3 | 78.7 |
| **MPERS** | 931.2 | 860.2 |
| **PERS Plan A*** | 36.9 | 0.0 |
| **SPRF** | 66.2 | 63.0 |
| **Combined UAL** | **$ 1,702.0** | **$ 1,617.8** |

* For PERS, the information used is of FYE 2011 and FYE 2012, the fiscal years ending December 31, 2011 and 2012, respectively.

***Aggregate Funding***

DARS, PERS Plan B, and RVRS use the Aggregate Funding Method – an actuarial funding method that requires all unfunded benefit liabilities to be paid through future normal costs. Under this method, there is no unfunded accrued liability and therefore no UAL to amortize.

***Projected Employer Contributions***

Projected employer contribution rates for the statewide systems are shown below. These rates will be applied to the payrolls for the identified fiscal years.

| Statewide System | Projected Rate | |
|---|---|---|
| | FYE 2014 | FYE 2015 |
| **ASSR** | 10.50% | 7.00% |
| **CCRS** | 18.50% | 18.50% |
| **DARS** | 9.75% | 7.00% |
| **FRS** | 30.25% / 28.25% * | 31.25% / 29.25% * |
| **MERSA** | 19.00% | 20.75% |
| **MERSB** | 8.75% | 10.00% |
| **MPERS** | 33.50% / 31.00% / 33.00% * | 34.00% / 31.50% / 33.50% * |
| **PERSA**** | 16.75% | 15.50% |
| **PERSB**** | 9.25% | 9.25% |
| **RVRS** | 24.25% | 22.50% |
| **SPRF** | 14.50% | 14.25% |

* The higher rate will be charged against the salaries of members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services. The lower rate will apply to the salaries of members earning more than the poverty rate.

** For PERS, the information used is of FYE 2011 and FYE 2012, the fiscal years ending December 31, 2011 and 2012, respectively.

A minimum contribution rate is set by statute for FRS, MPERS, and SPRF. The minimum rate for FRS and MPERS is 9.0% of pay. The minimum rate for SPRF is 7.0% of pay.

Employer contribution requirements 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 FYE 2002, IPTF funds had been sufficient to meet all employer contribution requirements above the statutory rate.

| Required Employer Contributions over the Sum of the IPTF and the Statutory Rate | | | | |
|---|---|---|---|---|
| **Fiscal Year** | **FRS** | **MPERS** | **SPRF** | **Total** |
| 2001 | $ 0.0 | $ 0.0 | $ 0.0 | $ 0.0 |
| 2002 | 9.6 | 0.0 | 2.2 | 11.8 |
| 2003 | 14.2 | 12.1 | 8.1 | 34.4 |
| 2004 | 18.5 | 25.5 | 10.2 | 54.2 |
| 2005 | 18.1 | 24.9 | 15.0 | 58.0 |
| 2006 | 9.4 | 14.4 | 17.7 | 41.5 |
| 2007 | 7.4 | 10.6 | 7.8 | 25.8 |
| 2008 | 5.6 | 1.9 | 3.0 | 10.5 |
| 2009 | 8.5 | 5.0 | 10.6 | 24.1 |
| 2010 | 21.7 | 41.4 | 33.1 | 96.2 |
| 2011 | 31.1 | 54.2 | 40.8 | 126.1 |
| 2012 | 30.1 | 59.6 | 43.4 | 133.1 |
| 2013 | 38.6 | 60.5 | 47.5 | 146.6 |
| **2014** | **41.8** | **60.5** | **47.1** | **149.4** |

# SECTION II: Benefit Formulas, Retirement Eligibility, and Contribution Rates

***Benefit Formulas***

Louisiana's thirteen state and statewide retirement systems provide lifetime benefits under a defined benefit pension plan. Under this type of retirement arrangement, a retired member receives an income based upon a formula that he or she can rely upon for the remainder of his or her lifetime. The pension benefit formula is based on a member's years of service, final average compensation at retirement, and the form of payment elected.

Benefits accrue at specified rates for each year of service. Accrual rates for regular LASERS and TRSL members are 2.5% per year of service. Accrual rates for certain elected officials and hazardous duty personnel of LASERS and for all other state and statewide systems generally range from 3.0% to 3.5% per year of service.

Final Average Compensation (FAC) for the following members is based on a 60-month period.

- » Rank and file members of LASERS first employed on or after July 1, 2006,
- » Members of the Judges sub plan of LASERS first employed on or after January 1, 2011,
- » Pre K-12 teacher members of TRSL first employed on or after January 1, 2011,
- » Higher education teacher members of TRSL first employed on or after January 1, 2011,
- » Lunch Plan B members of TRSL first employed on or after January 1, 2011,
- » Members of LSERS first employed on or after July 1, 2010,
- » Members of ASSR first employed on or after October 1, 2006,
- » All members of CCRS,
- » All members of DARS,

» All members of MERS,

» All members of PERS first employed on or after January 1, 2007,

» All members of RVRS, and

» All members of SPRF first employed on or after July 1, 2006.

FAC for members of all other retirement systems and sub plans is based on a 36-month period.

Defined benefit pension plans are generally designed to replace a substantial portion of an employee's pre-retirement income, particularly for long service employees. Employees with shorter periods of service receive benefits that are proportionally smaller.

***Retirement Eligibility***

All of the state and statewide retirement systems require the attainment of some combination of years of service and age to qualify for retirement benefits. Some systems provide for early retirement benefits with an actuarial reduction to reflect the earlier pension start date and payments that will be made for a longer period of time. Vested benefits, pre-retirement survivor death benefits, disability benefits, Deferred Retirement Option Plan (DROP) benefits, and cost of living adjustments (COLAs) are also included in the overall benefit package of each retirement system and are payable upon meeting established eligibility and statutory requirements.

***Employee Contributions***

Active members of all state and statewide retirement systems are required to contribute to the system to which they belong. These contributions pay for a portion of the benefits that the members earn each year. Contribution rates are set by statute and generally range from 7.00% to 10.25% of pay. Members of the Judges/Court Officers sub plan of LASERS and members of the Legislators sub plan must contribute 11.50% of their pay. Members of the Post 2011 Judges sub plan of LASERS contribute 13.00% of pay.

***Social Security***

Social Security coverage is not available to members during their years of participation in the state and statewide retirement systems except for members of TRSL Plan B, MERS Plan B, and PERS Plan B. The benefit accrual rate for members covered by Social Security is 2.0% for each year of service. Employee contribution rates for members of these sub plans range from 3.0% to 5.0%.

***Replacement Ratios***

Retirement income amounts that career members of the various systems can expect to receive relative to the salaries they earned immediately prior to retirement are summarized in Section II Part 2 of this report. These ratios, called replacement ratios, are based on a projection of the normal retirement benefit at age 65 and the final annual salary for a new member employed for the first time on July 1, 2013. The ratios depend on benefit provisions that are unique to each retirement system. Because the sub plans covering law enforcement officers and firefighters are quite different from rank and file employees, replacement ratios for these employees are based on retirement at age 55 instead of age 65.

Section II Part 2 also contains a graph that compares the replacement ratios of all retirement systems. The same graph compares the portion of the total cost of each system that is paid for by employees (including interest). This comparison is made for new employees hired on July 1, 2013, at age 30 who will retire at age 60. Values are based on benefit provisions, interest rates, and salary increase assumptions of the retirement system in effect as of fiscal year-end 2013. Results show that replacement ratios in general fall between 69% to 94% for all state and statewide plans. In particular, replacement ratios for rank and file members of LASERS (state employees), for TRSL (teachers), and for TRSL (higher education) are 69% and the replacement ratio for LSERS (school employees) is 70%. Employees pay for 25% to 57% of the total benefit cost, except for judges and court officers who pay 87% of the total cost.

***Contribution Rates***

Section II Part 3 compares employee and employer contribution rates that will be required by each system during fiscal year 2014. A graph compares the sum of all contributions attributable to the employer and the state with contributions attributable to employees. For comparison purposes, these amounts are expressed as a percentage of annual pay. Contribution requirements in the aggregate – employer contributions, contributions from other public sources, and contributions from members – range from 13.5% of pay for PERS B to 86.6% of pay for STPOL.

## SECTION III: Actuarial Concerns – Funding Issues

***Pension Considerations***

In this section of the report, we address our concerns about issues affecting actuarial funding and pension benefits. Although other issues are discussed, the three most significant issues analyzed in this Section of the report are:

1. The UAL and the effect that this debt has had on past contribution requirements and will have on future requirements.

2. The cost of COLAs and its effect on the UAL in the past and the COLA program's future impact on the debt of the retirement systems.

3. The valuation interest rate used for LASERS and TRSL.

We address these issues primarily to alert the legislature to potential problems with the funding and the actuarial stability of the retirement systems. The legislature may then take appropriate remedial action to ensure continued actuarial soundness in compliance with the Louisiana Constitution.

# SECTION IV: Recent Legislation

## *Summary of Retirement Legislation for 2013*

***General Summary***

A total of 18 retirement bills were passed by the legislature and signed into law as a result of the 2013 legislative session.

**Topics Addressed in the 2013 Session**

| **Subject Matter** | **Number of Acts** |
|---|---|
| Benefits | 8 |
| PBIs | 1 |
| Membership | 2 |
| Funding | 1 |
| Governance | 4 |
| Remedial | 2 |

**Retirement Systems Addressed by the 2013 Session**

| Acts Pertaining to: | Number of Acts |
|---|---|
| LASERS | 2 |
| TRSL | 1 |
| LSERS | 2 |
| STPOL | 2 |
| ASSR | 3 |
| CCRS | 2 |
| DARS | 2 |
| FRS | 2 |
| MERS | 4 |
| MPERS | 3 |
| PERS | 2 |
| RVRS | 5 |
| SPRF | 4 |
| Local | 5 |

These Acts are briefly summarized in Section IV of this report.

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# Section I

# Employer Funding for Pension Benefits

## 1. Funding Methods/Components

***Funding Method***

Member contribution rates are fixed by statute. Employer contribution rates are determined by the actuaries for the retirement systems, reviewed by Actuarial Services within the office of the Louisiana Legislative Auditor, and then approved by PRSAC, subject to review by the legislature. The employer contribution for each system is determined by performing an annual valuation that calculates the actuarial liability associated with future expected benefit payouts. An actuarial funding method allocates this liability between future normal cost payments and amortization payments on the UAL, if any. The goal of all actuarial funding methods is to have contributions plus investment earnings on system assets accumulate to an amount sufficient to provide for future expected benefits and expenses, when due and payable.

**SYSTEM ACTUARIAL FUNDING METHODS**
**as of June 30, 2013**

***State Systems:***

| System | Funding Method | Creates UAL |
|---|---|---|
| **LASERS** | Projected Unit Credit | Yes |
| **TRSL** | Projected Unit Credit | Yes |
| **LSERS** | Entry Age Normal | Yes |
| **STPOL** | 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 |

UAL = Unfunded Accrued Liability
IUAL = Initial Unfunded Accrued Liability

***Normal Cost***

The total normal cost is the portion of the projected actuarial benefit liability allocated under the applicable actuarial cost method to the fiscal year immediately following the valuation date. The employer normal cost is the portion of the total normal cost not funded by member contributions.

***Accrued Liability***

The portion of the projected actuarial benefit liability not funded by future normal cost payments is the actuarial accrued liability. Under certain actuarial funding methods, the accrued liability is the liability for benefit service already earned by members of the retirement system, including all active and inactive members.

***UAL***

The UAL is the amount by which the actuarial accrued liability of a retirement system exceeds the assets of the system available to pay benefits on the valuation date. The UAL is based on the actuarial value of assets which reflects the market value of assets that has been smoothed to reduce wide fluctuations from year to year. The actuarial value of assets is then reduced by assets reserved for other purposes. The UAL consists of the IUAL and additional liability amounts created annually each year after 1988. These supplemental liability bases originate through actuarial gains or losses, changes in actuarial assumptions or funding methods, and changes to benefit provisions. The UAL is amortized according to payment methods and periods specified by statute. Under some actuarial funding methods supplemental liabilities are not amortized but are funded as future normal cost payments.

***Employer Contributions***

Actuarially required employer contributions for the year following the valuation date are determined by combining the normal cost with UAL amortization payments, along with any other expense item deemed necessary by the actuary to fund plan liabilities. These actuarial cost amounts are projected forward to be payable mid-year. Employer contribution rates are then projected for the next following fiscal year relative to payroll also projected for that year.

## 2. Minimum Employer Contribution Limits – State Systems

***Constitutional Minimum***

The Louisiana Constitution defines the relationship that must exist between member and employer contribution rates. The constitutional reference in this regard only pertains to state retirement systems. It does not apply to statewide systems. The relationship is summarized below.

***For systems that still have an IUAL (LASERS & TRSL):***

The minimum employer contribution rate for a given year must be at least equal to

The Member Rate on the Valuation Date

x The Constitutional Ratio

where the Constitutional Ratio =

$$\frac{\text{The Total Rate on January 1, 1987}}{\text{The Member Rate on January 1, 1987}} - 1$$

Minimum employer contribution rates for rank and file members of LASERS and TRSL are shown below.

| **Category** | **Member Rate** | **Total Rate on 1/1/87** | **Member Rate on 1/1/87** | **Constitutional Ratio** | **Minimum Employer Rate** |
|---|---|---|---|---|---|
| LASERS Hired before July 1, 2006 | 7.50% | 17.2% | 7.0% | 1.45714 | 10.9% |
| LASERS Hired after June 30, 2006 | 8.00% | 17.2% | 7.0% | 1.45714 | 11.7% |
| TRSL Hired before January 1, 2011 | 7.50% | 17.3% | 7.0% | 1.47143 | 11.0% |
| TRSL Hired after December 31, 2010 | 8.00% | 17.3% | 7.0% | 1.47143 | 11.7% |

***For systems that no longer have an IUAL (LSERS & STPOL)***

The Louisiana Constitution is being interpreted in two different ways. LSERS has interpreted the constitution to mean that the minimum employer contribution rate is equal to 50% of the total rate. Therefore, if the preliminary employer contribution rate is less than 50% of the total rate, the employer will make excess contributions that will be deposited into the Employer Credit Account.

Others have interpreted the constitution to mean that the employer contribution rate for a given year is equal to the following:

The Member Rate on the Valuation Date
plus
The UAL Rate on the Valuation Date

If the UAL rate is negative, the employer contribution rate can be smaller than the member rate. And if the UAL rate is sufficiently negative, the employer contribution rate could be eliminated completely. Therefore, the minimum employer contribution rate is 0.0%.

The different interpretations are not currently an issue because the employer rate is significantly larger than the employee rate. It will become an issue as the UAL of the systems are liquidated and the funded ratios approach 100%.

***Employer Credit Account***

Employers make excess contributions whenever the constitutional minimum contribution rate exceeds the actuarially calculated employer contribution rate. Since the effective date of Act 1331 of the 1999 Regular Session, state retirement systems have been allowed to accumulate and invest excess contributions in a special account called the Employer Credit Account. From 1999 to 2004, LSERS, in accordance with its interpretation of the constitution, made excess contributions.

Act 588 of the 2004 Regular Session established a legislative minimum for LASERS and TRSL. It provides that the minimum employer contribution requirement must be at least 15.5% of payroll. The legislative minimum requirement will expire when the IUAL is fully amortized. Since 2004, the actuarially calculated employer contribution rate has occasionally been less than 15.5% and as a result, an Employer Credit Account exists for TRSL. The actuarially calculated employer contribution rate for LASERS has never fallen below the legislative minimum.

Act 588 mandates that the Employer Credit Account must be used exclusively to reduce any unfunded accrued liability of the retirement system created before July 1, 2004, and cannot be debited for any other purpose.

Act 497 of the 2009 session provided that the outstanding balance in the Employer Credit Account on June 30, 2010, would be used to reduce the UAL. Balances in these accounts for LASERS and TRSL as of June 30, 2010, immediately before being used to reduce the UAL, were $0 and $101.7 million, respectively. The current balances in these accounts are $0 on June 30, 2013.

# 3. Employer Contribution Rates

***Contribution Rates***

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 IPTF. The following net employer contribution rates were approved by PRSAC.

***State Systems***

**Contribution Rates for the State Systems**

**Fiscal Year Ending 2014**

| Retirement System | Actuarially Required Rate | Rate Approved By PRSAC | Normal Cost Rate | IPTF Funding |
|---|---|---|---|---|
| **LASERS** | | | | |
| Rank and File | n/a | 31.3% | 5.8% | n/a |
| Judges/Court Officers | n/a | 36.3% | 10.8% | n/a |
| Judges | n/a | 31.3% | 5.8% | n/a |
| Legislators | n/a | 35.0% | 9.5% | n/a |
| Corrections – Primary | n/a | 34.6% | 9.1% | n/a |
| Corrections – Secondary | n/a | 34.3% | 8.8% | n/a |
| Peace Officers | n/a | 34.8% | 9.3% | n/a |
| Alcohol Tobacco Control | n/a | 34.2% | 8.7% | n/a |
| Wildlife | n/a | 40.7% | 15.2% | n/a |
| Bridge Police | n/a | 31.2% | 5.7% | n/a |
| Hazardous Duty | n/a | 30.7% | 4.9% | n/a |
| Consolidated | 36.0% | 31.7% | 6.5376% | n/a |
| **TRSL** | 27.3% | 27.1% | 5.0371% | n/a |
| **LSERS** | 32.6% | 32.3% | 9.1048% | n/a |
| **STPOL** | 76.2% | 70.0% | 18.8259% | $1,500,000 |

**Fiscal Year Ending 2015**

| Retirement System | Actuarially Required Rate | Rate Approved By PRSAC | Normal Cost Rate | IPTF Funding |
|---|---|---|---|---|
| **LASERS** | | | | |
| Rank and File | n/a | 37.0% | 6.1% | n/a |
| Judges/Court Officers | n/a | 41.5% | 10.7% | n/a |
| Judges | n/a | 36.2% | 5.4% | n/a |
| Legislators | n/a | 41.2% | 10.4% | n/a |
| Corrections – Primary | n/a | 39.9% | 9.1% | n/a |
| Corrections – Secondary | n/a | 40.8% | 10.0% | n/a |

## Fiscal Year Ending 2015 (Continued)

| Retirement System | Actuarially Required Rate | Rate Approved By PRSAC | Normal Cost Rate | IPTF Funding |
|---|---|---|---|---|
| Peace Officers | n/a | 41.5% | 10.7% | n/a |
| Alcohol Tobacco Control | n/a | 44.8% | 14.0% | n/a |
| Wildlife | n/a | 46.9% | 16.1% | n/a |
| Bridge Police | n/a | 35.3% | 4.5% | n/a |
| Hazardous Duty | n/a | 35.6% | 4.6% | n/a |
| Consolidated | * | 37.4% | 6.5376% | n/a |
| **TRSL** | | | | |
| K-12 Teachers | n/a | 28.0% | 5.2545% | n/a |
| Lunch Plan A | n/a | 33.1% | 10.4157% | n/a |
| Lunch Plan B | n/a | 30.1% | 7.4148% | n/a |
| Higher Education | n/a | 26.4% | 3.6658% | n/a |
| Aggregate | * | 27.7% | 5.0371% | n/a |
| **LSERS** | * | 33.0% | 9.1048% | n/a |
| **STPOL** | * | 75.3% | 18.8259% | $1,500,000 |

* Actuarially required rates for FYE 2015 will be available with the adoption of the June 30, 2015, actuarial valuations.

***LASERS Rates***

Employer contribution rates for the LASERS' sub plans for FYE 2015 are developed below.

| LASERS Sub Plan | Total Normal Cost (a) | Employee Normal Cost (b) | Employer Normal Cost (c) = (a) – (b) | Shared UAL Cost (d) | Plan Specific UAL Cost (e) | Total Employer Contribution Rate (f) = (c) + (d) + (e) |
|---|---|---|---|---|---|---|
| Rank & File | 13.8% | 7.7% | 6.1% | 30.8% | 0.057% | 37.0% |
| Judges/Court Officers | 22.2% | 11.5% | 10.7% | 30.8% | 0.0% | 41.5% |
| Judges | 18.4% | 13.0% | 5.4% | 30.8% | 0.0% | 36.2% |
| Legislators | 21.9% | 11.5% | 10.4% | 30.8% | 0.0% | 41.2% |
| Corrections – Primary | 18.1% | 9.0% | 9.1% | 30.8% | 0.0% | 39.9% |
| Corrections – Secondary | 19.0% | 9.0% | 10.0% | 30.8% | 0.0% | 40.8% |
| Peace Officers | 19.7% | 9.0% | 10.7% | 30.8% | 0.0% | 41.5% |
| Alcohol Tobacco Control | 23.0% | 9.0% | 14.0% | 30.8% | 0.0% | 44.8% |
| Wildlife | 25.6% | 9.5% | 16.1% | 30.8% | 0.0% | 46.9% |
| Bridge Police | 12.9% | 8.4% | 4.5% | 30.8% | 0.0% | 35.3% |
| Hazardous Duty | 14.1% | 9.5% | 4.6% | 30.8% | 0.170% | 35.6% |
| Consolidated | 14.5% | 7.9% | 6.5% | 30.8% | 0.1% | 37.4% |

***TRSL Rates***

Employer contribution rates for the TRSL's sub plans for FYE 2015 are developed below.

| TRSL Sub Plan | Total Normal Cost (a) | Employee Normal Cost (b) | Employer Normal Cost (c) = (a) – (b) | Shared UAL Cost (d) | Plan Specific UAL Cost (e) | Total Employer Contribution Rate (f) = (c) + (d) + (e) |
|---|---|---|---|---|---|---|
| K-12 Teachers | 13.3% | 8.0% | 5.2545% | 22.7% | 0.0% | 28.0% |
| Lunch Plan A | 19.5% | 9.1% | 10.4157% | 22.7% | 0.0% | 33.1% |
| Lunch Plan B | 12.4% | 5.0% | 7.4148% | 22.7% | 0.0% | 30.1% |
| Higher Education | 11.7% | 8.0% | 3.6658 % | 22.7% | 0.0% | 26.4% |
| Consolidated | 13.0% | 8.0% | 5.0371% | 22.7% | 0.0% | 27.7% |

***Ad Valorem Tax Rates***

All statewide retirement systems, except for FRS and MPERS, receive ad valorem taxes. These taxes serve to reduce employer contributions that otherwise would be payable. Ad valorem taxes are a percentage, established by statute, of aggregate tax revenues collectible in accordance with the tax rolls of each parish. Different percentages apply for each system. Furthermore, ad valorem tax rates may vary from parish to parish. For example, rates for Orleans Parish differ from rates applicable to all other parishes. The ad valorem tax rate for MERS excludes Orleans Parish. The rate for PERS excludes Orleans and East Baton Rouge parishes. ASSR's rate applies to the tax rolls of all parishes. TRSL, the only state system entitled to ad valorem taxes, receives one percent of parish tax revenues, except for Orleans Parish.

***Statewide Systems***

**Contribution Rates for Statewide Retirement Systems**

**Fiscal Year Ending 2014**

| | Actuarially Required | Rate Approved By PRSAC | Applicable IPTF Paid FYE 2013 |
|---|---|---|---|
| **ASSR** | 7.05% | 10.50% | n/a |
| **CCRS** | 18.43% | 18.50% | n/a |
| **DARS** | 7.25% | 9.75% | n/a |
| **FRS** | 31.23% / 29.23% * | 30.25% / 28.25% * | $22,014,834 |
| **MERSA** | 20.62% | 19.00% | n/a |
| **MERSB** | 9.82% | 8.75% | n/a |
| **MPERS** | 34.03% / 31.53% / 33.53% * | 33.50% / 31.00% / 33.00% * | $15,794,377 |
| **PERSA** | 15.56% | 16.75% | n/a |

## Fiscal Year Ending 2014 (Continued)

| | Actuarially Required | Rate Approved By PRSAC | Applicable IPTF Paid FYE 2013 |
|---|---|---|---|
| **PERSB** | 9.33% | 9.25% | n/a |
| **RVRS** | 22.58% | 24.25% | n/a |
| **SPRF** | 14.33% | 14.50% | $15,794,377 |

## Fiscal Year Ending 2015

| | Employer's Net Projected Rate | Ad Valorem FYE 2014 | Revenue Sharing FYE 2014 | IPTF FYE 2014 |
|---|---|---|---|---|
| **ASSR** | 7.00% | 0.2500 % | Max | n/a |
| **CCRS** | 18.50% | 0.2500 % | Max | n/a |
| **DARS** | 7.00% | 0.2000 % | Max | n/a |
| **FRS** | 31.25% / 29.25% * | n/a | n/a | $22,849,383 |
| **MERSA** | 20.75% | 0.1800 % | Max | n/a |
| **MERSB** | 10.00% | 0.0700 % | Max | n/a |
| **MPERS** | 34.00% / 31.50% / 33.50% * | n/a | n/a | $16,628,926 |
| **PERSA**** | 15.50% | 0.2200% | Max | n/a |
| **PERSB**** | 9.25% | 0.0300% | Max | n/a |
| **RVRS** | 22.50% | 0.0625 % | Max | n/a |
| **SPRF** | 14.25% | 0.5000 % | Max | $16,628,926 |

The rates shown are employer contribution rates net of other sources such as ad valorem taxes, revenue sharing, and amounts paid from the IPTF.

The boards for ASSR, PERS, and SPRF have statutory authority to approve rates that are higher than those approved by PRSAC. The board approved rates for ASSR, PERS, and SPRF were 13.50%, 16.75%, and 14.50%, respectively.

The Ad Valorem Tax for RVRS includes the Defined Contribution allocation, if applicable.

* The highest rate will be charged against the salaries of members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services. The lowest rate will apply to the salaries of members earning more than the poverty rate. The mid-rate (the last rate) for MPERS will apply to salaries of members in the Non-Hazardous Sub plan.

** For PERS, the information used in the above two tables is of FYE 2013 and FYE 2014, respectively.

## 4. Employer Contribution Sources

***State Systems***

The State of Louisiana has primary responsibility for funding the four state retirement systems. Such funding occurs through General Fund appropriations, funding from specific agencies, IPTF allowances (STPOL), ad valorem taxes (TRSL), or through transfer payments from the Minimum Foundation Program (MFP) to local school districts. It is not possible to identify specific amounts by source because the funding sources available to the numerous participating employers may vary at any given time. Dollar estimates below are based on June 30, 2012 and 2013 valuation reports, membership payroll, and projected employer contribution rates approved by the PRSAC.

**Projected Employer Contributions and Sources**
**State Systems – FYE 2014**
**(in millions)**

| | Sources | 6/30/2013 Payroll Based $ Estimate | Employer Projected Rate (as % Payroll) |
|---|---|---|---|
| ***LASERS*** | **General Fund** | $ 784.6 | **31.7%** |
| ***TRSL*** | **See Below*** | 1,211.1 | **27.1%** |
| ***LSERS*** | **Local School Districts (MFP and Local Fund)** | 93.3 | **32.3%** |
| ***STPOL*** | **General Fund & IPTF** | 42.7 | **70.0% + $1,500,000 IPTF** |
| ***Combined State Systems*** | **Combined Sources** | $ 2,133.2 | |

* The sources of employer contributions for TRSL members employed in K-12 are Local Funds and MFP funds received from the General Fund. The source of employer contributions for TRSL members employed in higher education is the General Fund. TRSL also receives ad valorem taxes equal to 1% of taxes collected by all parishes except for Orleans Parish.

***Statewide Systems***

Employer funding sources for the nine statewide retirement systems 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 FRS and MPERS and 7% of payroll for SPRF. Sources below are based on 2013 valuation report, membership payroll, and projected employer contribution rates approved by PRSAC.

**Projected Employer Contributions and Sources**
**Statewide Systems – FYE 2014**
**(in millions)**

***ASSR***

| Source | $ Estimate | % Payroll |
|---|---|---|
| **Local Appropriations** | $ 4.31 | 10.50% |
| **Ad Valorem Taxes** | 12.28 | 29.90% |
| **Revenue Sharing** | 0.35 | 0.86% |
| **IPTF** | 0.00 | 0.00% |
| **Total Public Funds** | $ 16.94 | 41.26% |

***CCRS***

| Source | $ Estimate | % Payroll |
|---|---|---|
| **Local Appropriations** | $ 16.55 | 18.50% |
| **Ad Valorem Taxes** | 9.27 | 10.36% |
| **Revenue Sharing** | 0.32 | 0.36% |
| **IPTF** | 0.00 | 0.00% |
| **Total Public Funds** | $ 26.14 | 29.22% |

***DARS***

| Source | $ Estimate | % Payroll |
|---|---|---|
| **Local Appropriations** | $ 5.68 | 9.75% |
| **Ad Valorem Taxes** | 7.99 | 13.70% |
| **Revenue Sharing** | 0.21 | 0.37% |
| **IPTF** | 0.00 | 0.00% |
| **Total Public Funds** | $ 13.88 | 23.82% |

***FRS***

| Source | $ Estimate | % Payroll |
|---|---|---|
| **Local Appropriations** | $ 58.43 | 28.25% |
| **Ad Valorem Taxes** | 0.00 | 0.00% |
| **Revenue Sharing** | 0.00 | 0.00% |
| **IPTF** | 22.85 | 11.05% |
| **Total Public Funds** | $ 81.28 | 39.30% |

Dollar estimates based on 2013 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

Local Appropriations are based on rates approved by PRSAC.

Rates shown for FRS are based on the assumption that all members earn more than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services.

## Projected Employer Contributions Sources
## Statewide Systems – FYE 2014
**(in millions)**

***MERSA***

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 32.79 | 19.00% |
| Ad Valorem Taxes | 5.69 | 3.30% |
| Revenue Sharing | 0.11 | 0.07% |
| IPTF | 0.00 | 0.00% |
| Total Public Funds | $ 38.59 | 22.37% |

***MERSB***

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 5.92 | 8.75% |
| Ad Valorem Taxes | 2.24 | 3.31% |
| Revenue Sharing | 0.05 | 0.07% |
| IPTF | 0.00 | 0.00% |
| Total Public Funds | $ 8.21 | 12.13% |

***MPERS***

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 83.23 | 31.00% |
| Ad Valorem Taxes | 0.00 | 0.00% |
| Revenue Sharing | 0.00 | 0.00% |
| IPTF | 16.63 | 6.19% |
| Total Public Funds | $ 99.86 | 37.19% |

***PERSA****

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 94.98 | 16.75% |
| Ad Valorem Taxes | 6.46 | 1.14% |
| Revenue Sharing | 0.14 | 0.02% |
| IPTF | 0.00 | 0.00% |
| Total Public Funds | $ 101.58 | 17.91% |

***PERSB****

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 8.34 | 9.25% |
| Ad Valorem Taxes | 1.01 | 1.12% |
| Revenue Sharing | 0.02 | 0.02% |
| IPTF | 0.00 | 0.00% |
| Total Public Funds | $ 9.37 | 10.39% |

***RVRS***

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 3.30 | 24.25% |
| Ad Valorem Taxes | 2.52 | 18.49% |
| Revenue Sharing | 0.11 | 0.81% |
| IPTF | 0.00 | 0.00% |
| Total Public Funds | $ 5.93 | 43.55% |

***SPRF***

| Source | $ Estimate | % Payroll |
|---|---|---|
| Local Appropriations | $ 93.16 | 14.50% |
| Ad Valorem Taxes | 18.78 | 2.92% |
| Revenue Sharing | 0.42 | 0.07% |
| IPTF | 16.63 | 2.59% |
| Total Public Funds | $ 128.99 | 20.08% |

Dollar estimates based on 2013 Valuations and Payroll; 6/30 FYE except Assessors' (9/30) and Parochial (12/31).

*The most recent information for PERS is for FYE 2012.

Local Appropriations are based on rates approved by PRSAC.

Rates shown for MPERS are based on the assumptions that all members earn more than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services.

## 5. Employer Actuarial Cost History – State Systems

**Employer Actuarial Cost History**
**Assumed Payable/Projected Mid-Year**
**June 30 Fiscal Year End**
**(in millions)**

***LASERS***

| Component | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 |
|---|---|---|---|---|---|---|
| Normal Cost | $ 183.8 | $ 173.4 | $ 183.3 | $ 168.3 | $ 147.1 | $ 129.6 |
| UAL Payment | 281.6 | 389.8 | 475.2 | 519.7 | 590.5 | 583.6 |
| Total | $ 465.4 | $ 563.2 | $ 658.5 | $ 688.0 | $ 737.6 | $ 713.2 |
| Payroll | $ 2,515.5 | $ 2,643.2 | $ 2,624.1 | $ 2,481.6 | $ 2,412.6 | $ 1,982.0 |

***TRSL***

| Component | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 |
|---|---|---|---|---|---|---|
| Normal Cost | $ 217.5 | $ 229.4 | $ 244.1 | $ 232.9 | $ 204.2 | $ 191.0 |
| UAL Payment | 346.3 | 619.1 | 786.4 | 831.6 | 884.1 | 964.7 |
| Total | $ 563.8 | $ 848.5 | $ 1,030.5 | $ 1,064.5 | $ 1,088.3 | $ 1,155.7 |
| Payroll (non-ORP) | $ 3,778.9 | $ 4,023.2 | $ 4,090.0 | $ 4,012.4 | $ 3,915.3 | $ 3,791.3 |

***LSERS***

| Component | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 |
|---|---|---|---|---|---|---|
| Normal Cost | $ 27.7 | $ 29.3 | $ 29.5 | $ 27.2 | $ 25.3 | $ 26.7 |
| UAL Payment | 26.8 | 45.0 | 57.5 | 63.1 | 63.2 | 68.9 |
| Total | $ 54.5 | $ 74.3 | $ 87.0 | $ 90.3 | $ 88.5 | $ 95.6 |
| Payroll | $ 293.0 | $ 319.2 | $ 310.0 | $ 300.2 | $ 280.4 | $ 293.1 |

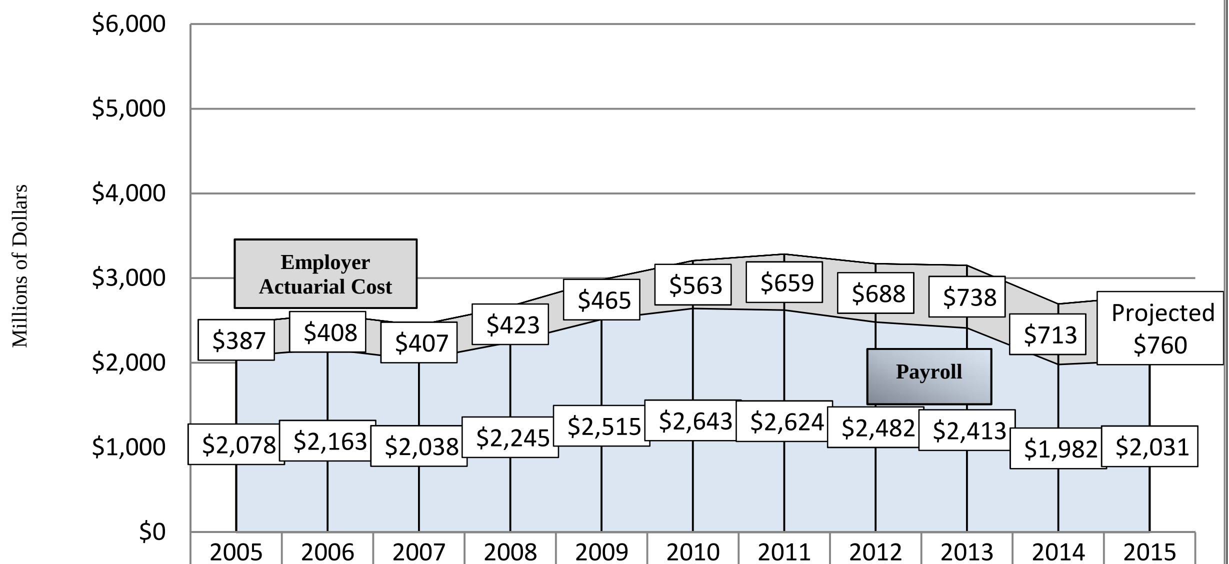
***STPOL***

| Component | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 |
|---|---|---|---|---|---|---|
| Normal Cost | $ 9.8 | $ 10.5 | $ 10.6 | $ 10.2 | $ 10.1 | $ 9.8 |
| UAL Payment | 9.5 | 21.8 | 24.3 | 26.7 | 32.7 | 31.2 |
| Total | $ 19.3 | $ 32.3 | $ 34.9 | $ 36.9 | $ 42.8 | $ 41.0 |
| Payroll | $ 57.6 | $ 60.4 | $ 60.1 | $ 59.4 | $ 58.6 | $ 51.9 |

***State Systems Combined***

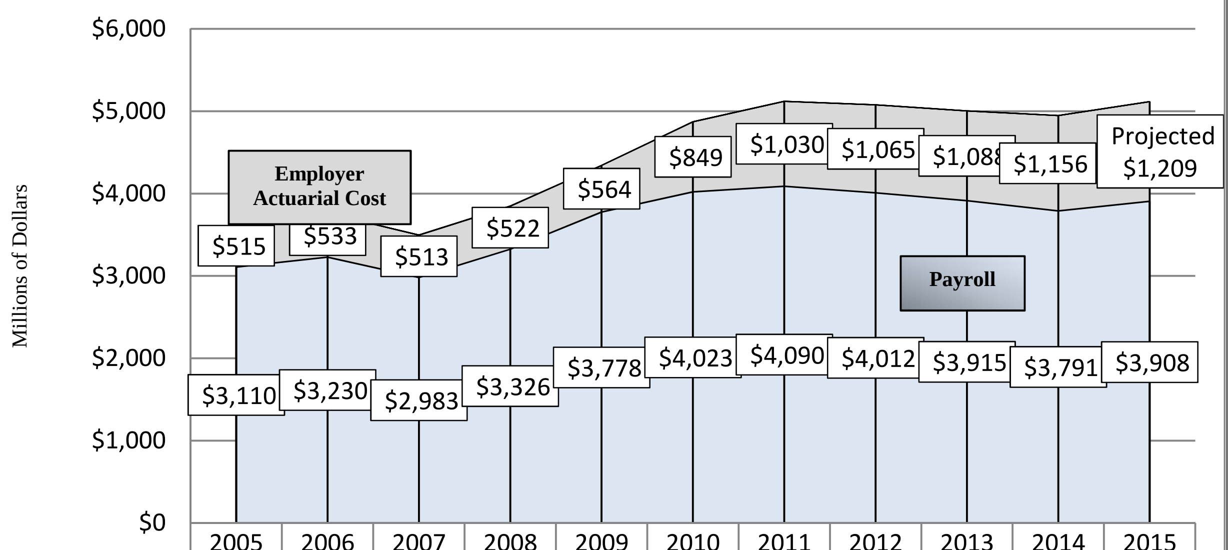
| Component | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 | FYE 2014 |
|---|---|---|---|---|---|---|
| Normal Cost | $ 438.8 | $ 442.6 | $ 467.5 | $ 438.6 | $ 386.7 | $ 357.1 |
| UAL Payment | 664.2 | 1,075.7 | 1,343.4 | 1,441.1 | 1,570.5 | 1,648.4 |
| Total | $ 1,103.0 | $ 1,518.3 | $ 1,810.9 | $ 1,879.7 | $ 1,957.2 | $ 2,005.5 |
| Payroll (non-ORP) | $ 6,645.0 | $ 7,046.0 | $ 7,084.2 | $ 6,853.6 | $ 6,666.9 | $ 6,118.3 |

**LASERS: Employer Actuarial Costs and Projected Payroll**
**As of Fiscal Year Ending June 30**




| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Contribution Rate | 17.8% | 19.1% | 19.1% | 20.4% | 18.5% | 18.6% | 22.0% | 25.9% | 29.4% | 31.7% | 37.4% |
| Employer Cost | $387 | $408 | $407 | $423 | $465 | $563 | $659 | $688 | $738 | $713 | $760 |
| Payroll | $2,078 | $2,163 | $2,038 | $2,245 | $2,515 | $2,643 | $2,624 | $2,482 | $2,413 | $1,982 | $2,031 |

**TRSL: Employer Actuarial Costs and Projected Payroll**
**As of Fiscal Year Ending June 30**




| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Contribution Rate | 15.4% | 15.9% | 15.8% | 14.6% | 13.8% | 14.1% | 20.2% | 23.7% | 24.5% | 27.1% | 27.7% |
| Employer Cost | $515 | $533 | $513 | $522 | $564 | $849 | $1,030 | $1,065 | $1,088 | $1,156 | $1,209 |
| Payroll | $3,110 | $3,230 | $2,983 | $3,326 | $3,778 | $4,023 | $4,090 | $4,012 | $3,915 | $3,791 | $3,908 |

# 6. Total Projected Contribution Rate History (All Sources)

Contribution requirements in general have increased over the past decade. Increases are due to reductions in the market value of assets in 2001, 2002, 2008, and 2009, the granting of COLAs, increases in benefit accrual rates, and schedules for amortizing the UAL that call for payments to increase annually.

The table below shows total projected contributions to each retirement system as a percentage of projected member payroll. Total contributions include employer contributions, employee contributions, ad valorem taxes, revenue sharing amounts, and taxes on insurance premiums. Values for FYE 2015 are based on projected contribution requirements as shown in the 2013 valuation reports for each retirement system.

**TOTAL PROJECTED RATES (All Sources)**
**AS A PERCENT OF MEMBER PAYROLL**

***State Systems:***

| | *Fiscal Year Ending* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2006*** | ***2007*** | ***2008*** | ***2009*** | ***2010*** | ***2011*** | ***2012*** | ***2013*** | ***2014*** | ***2015*** |
| **LASERS** | | | | | | | | | | |
| Rank and File | n/a | n/a | n/a | n/a | n/a | n/a | 33.3% | 36.7% | 38.9% | **44.7%** |
| Judges/Ct Off. | n/a | n/a | n/a | n/a | n/a | n/a | 41.3% | 46.3% | 47.8% | **53.0%** |
| Judges | n/a | n/a | n/a | n/a | n/a | n/a | 33.2% | 41.2% | 44.3% | **49.2%** |
| Legislators | n/a | n/a | n/a | n/a | n/a | n/a | 45.9% | 49.3% | 46.5% | **52.7%** |
| Corrections P | n/a | n/a | n/a | n/a | n/a | n/a | 39.9% | 43.0% | 43.6% | **48.9%** |
| Corrections S | n/a | n/a | n/a | n/a | n/a | n/a | 35.4% | 39.8% | 43.3% | **49.8%** |
| Peace Officers | n/a | n/a | n/a | n/a | n/a | n/a | 37.4% | 41.8% | 43.8% | **50.5%** |
| AT Control | n/a | n/a | n/a | n/a | n/a | n/a | 35.1% | 39.1% | 43.2% | **53.8%** |
| Wildlife | n/a | n/a | n/a | n/a | n/a | n/a | 44.3% | 46.4% | 50.2% | **56.4%** |
| Bridge Police | n/a | n/a | n/a | n/a | n/a | n/a | 29.9% | 36.6% | 39.7% | **43.8%** |
| Haz Duty | n/a | n/a | n/a | n/a | n/a | n/a | 32.6% | 37.5% | 40.2% | **45.1%** |
| **Consolidated** | 26.6% | 26.6% | 27.9% | 26.0% | 26.4% | 29.7% | 33.7% | 37.2% | 39.6% | **45.3%** |
| **TRSL** | | | | | | | | | | |
| K-12 Teachers | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 35.2% | **36.0%** |
| Lunch A | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 41.7% | **42.2%** |
| Lunch B | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 34.1% | **35.1%** |
| Higher Ed | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 34.5% | **34.4%** |
| **Consolidated** | 23.9% | 23.8% | 24.6% | 23.5% | 22.1% | 28.0% | 31.7% | 32.4% | 35.1% | **35.7%** |
| **LSERS** | 25.9% | 27.1% | 25.6% | 25.3% | 25.1% | 31.8% | 36.1% | 38.3% | 39.8% | **40.5%** |
| **STPOL** | 75.5% | 81.2% | 37.2% | 38.2% | 51.9% | 61.3% | 66.9% | 79.6% | 81.0% | **86.6%** |

## TOTAL PROJECTED RATES (All Sources)
## AS A PERCENT OF MEMBER PAYROLL

***Statewide Systems:***

| | *Fiscal Year Ending* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2006*** | ***2007*** | ***2008*** | ***2009*** | ***2010*** | ***2011*** | ***2012*** | ***2013*** | ***2014*** | ***2015*** |
| **ASSR** | 42.8% | 43.7% | 37.9% | 35.2% | 41.7% | 38.7% | 45.6% | 47.6% | 47.8% | **45.8%** |
| **CCRS** | 31.0% | 32.9% | 27.9% | 27.1% | 27.9% | 34.5% | 34.5% | 33.8% | 36.8% | **37.4%** |
| **DARS** | 23.6% | 21.0% | 17.5% | 16.8% | 21.5% | 28.2% | 28.6% | 29.0% | 30.2% | **29.0%** |
| **FRS** | 38.9% | 36.2% | 34.5% | 33.7% | 34.2% | 41.1% | 44.3% | 45.0% | 48.9% | **50.4%** |
| **MERSA** | 27.6% | 28.1% | 25.3% | 22.6% | 22.3% | 26.1% | 29.1% | 29.5% | 31.3% | **33.7%** |
| **MERSB** | 17.1% | 17.3% | 14.3% | 12.4% | 12.3% | 14.1% | 16.1% | 16.0% | 17.0% | **18.3%** |
| **MPERS** | 29.3% | 28.7% | 26.9% | 23.2% | 24.7% | 38.0% | 41.9% | 46.6% | 46.8% | **47.8%** |
| **PERSA*** | 23.3% | 22.7% | 23.8% | 19.8% | 19.6% | 26.4% | 23.9% | 26.1% | 27.4% | **26.1%** |
| **PERSB*** | 9.8% | 9.5% | 10.0% | 9.3% | 10.4% | 14.1% | 12.6% | 13.1% | 13.4% | **13.5%** |
| **RVRS** | 33.4% | 34.7% | 29.7% | 25.2% | 26.2% | 35.1% | 38.9% | 42.5% | 46.9% | **48.7%** |
| **SPRF** | 25.6% | 26.0% | 23.5% | 22.6% | 23.5% | 28.1% | 28.8% | 28.8% | 30.0% | **30.1%** |

* Most recent information for PERS is for FYE 2005 to FYE 2014.

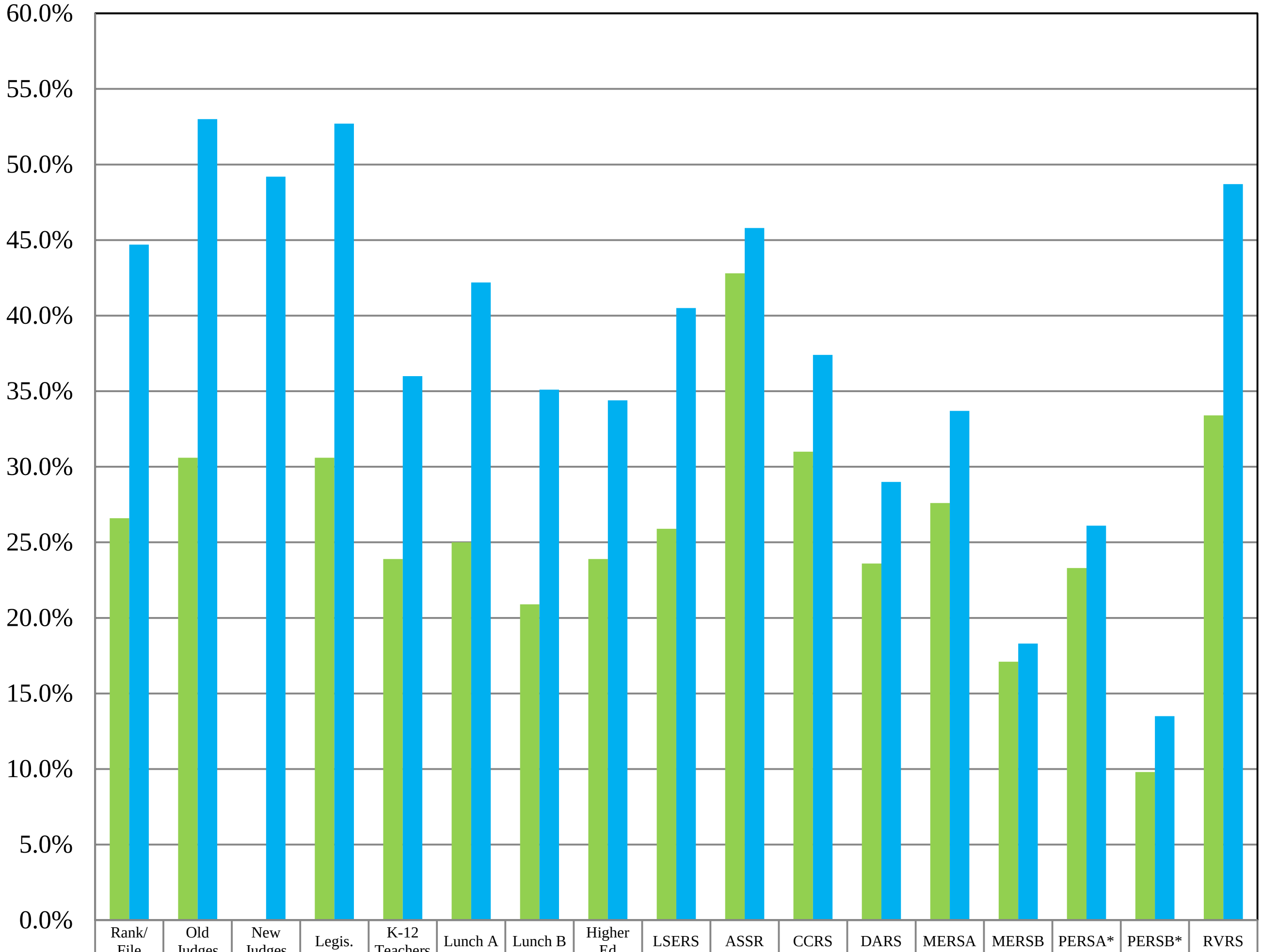
Total contribution from all sources for all non-hazardous duty retirement systems and plans are shown on the following page. Please note the following:

1. The “Old Judges” plan refers to the plan for judges and court officers who became members of LASERS before January 1, 2011.

2. The “New Judges” plan refers to the plan for judges who become members of LASERS on or after January 1, 2011. There is no comparable rate for this plan in 2006 because the plan did not exist.

3. Contributions rates for the sub plans of LASERS and TRSL for FYE 2006 are the sum of the respective FYE 2006 consolidated employer rates for LASERS and TRSL and the employee rates applicable in 2006 for each sub plan. These values have been extracted from the June 30, 2005, valuations for LASERS and TRSL.

**Non-Hazardous Duty Retirement Systems and Sub Plans**
**Change in Projected Contribution Rates over 10 Years**
**FYE 2006 to 2015**




| | Rank/ File | Old Judges | New Judges | Legis. | K-12 Teachers | Lunch A | Lunch B | Higher Ed | LSERS | ASSR | CCRS | DARS | MERSA | MERSB | PERSA* | PERSB* | RVRS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | 26.6% | 30.6% | 0.0% | 30.6% | 23.9% | 25.0% | 20.9% | 23.9% | 25.9% | 42.8% | 31.0% | 23.6% | 27.6% | 17.1% | 23.3% | 9.8% | 33.4% |
| 2015 | 44.7% | 53.0% | 49.2% | 52.7% | 36.0% | 42.2% | 35.1% | 34.4% | 40.5% | 45.8% | 37.4% | 29.0% | 33.7% | 18.3% | 26.1% | 13.5% | 48.7% |
| | **LASERS** | | | | **TRSL** | | | | **OTHER SYSTEMS & SUB PLANS** | | | | | | | | |
| | **STATE SYSTEMS** | | | | | | | | | **STATEWIDE SYSTEMS** | | | | | | | |

Contribution rates in this chart reflect all sources of contributions including member contributions and contributions from all public sources.

* Most recent information for PERS is from FYE 2005 to FYE 2014.

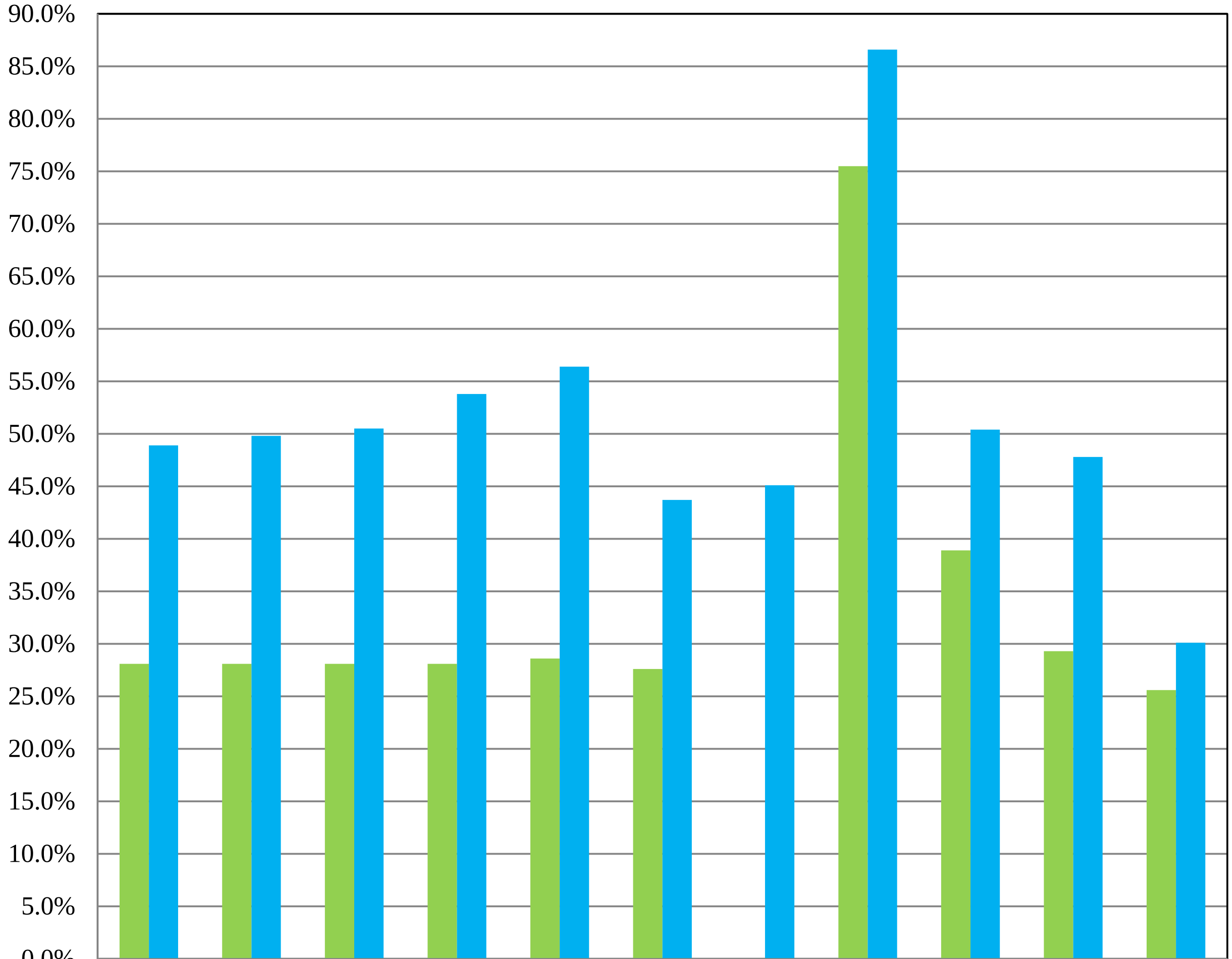
Total contribution requirements from all sources for all hazardous duty retirement systems and sub plans are shown on the following page. Please note the following:

1. The Hazardous Duty sub plan of LASERS refers to the plan covering employees in hazardous duty occupations other than state police. There is no comparable rate for

FYE 2006 for this sub plan because it did not exist prior to January 1, 2011.

2. Contribution rates for the sub plans of LASERS for FYE 2006 are the sum of the respective FYE 2006 consolidated employer rates for LASERS and the employee rates applicable in FYE 2006 for each sub plan. These values have been extracted from the June 30, 2005, valuation for LASERS.

**Hazardous Duty Retirement Systems and Sub Plans**
**Change in Projected Contribution Rates over 10 Years**
**FYE 2006 to 2015**




| | Corrections Primary | Corrections Secondary | Peace Officers | AT Control | Wildlife | Bridge Police | Hazardous Duty | STPOL | FRS | MPERS | SPRF |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | 28.1% | 28.1% | 28.1% | 28.1% | 28.6% | 27.6% | 0.0% | 75.5% | 38.9% | 29.3% | 25.6% |
| 2015 | 48.9% | 49.8% | 50.5% | 53.8% | 56.4% | 43.7% | 45.1% | 86.6% | 50.4% | 47.8% | 30.1% |

| LASERS SUB PLANS | OTHER SYSTEMS |
|---|---|

Contribution rates in this chart reflect all sources of contributions including member contributions and contributions from all public sources.

# 7. Insurance Premium Tax Fund (IPTF) – Assessments

The Louisiana Insurance Rating Commission deposits 0.7% of net insurance premiums with the state treasurer for the exclusive use by three statewide retirement systems – MPERS, FRS, and SPRF – and for certain costs of STPOL. Net insurance premiums are gross insurance premiums received by 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 25% of the assessment for merger funding, with first priority going to pay certain actuarial costs of STPOL up to $1,500,000. Mergers are funded over a 30-year period, unless a shorter period is approved by PRSAC. A shorter period may be approved as long as the amortization payment does not exceed 5% of the total assessment in any one year. The aggregate of all mergers being funded in one year may not exceed 25% of the total year's assessment.

***Available Funds***

**Available IPTF Funds**
**(in millions)**

| Written Premium Basis | For Calendar Year | Net Premium | Assessment for Deposit | Merger Limit |
|---|---|---|---|---|
| 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 | 2001 | 4,792.0 | 33.5 | 8.4 |
| 2001 | 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 |
| 2005 | 2006 | 6,561.7 | 45.9 | 11.5 |
| 2006 | 2007 | 7,276.0 | 50.9 | 12.7 |
| 2007 | 2008 | 7,558.5 | 52.9 | 13.2 |
| 2008 | 2009 | 7,575.9 | 53.0 | 13.3 |
| 2009 | 2010 | 7,712.2 | 54.0 | 13.5 |
| 2010 | 2011 | 7,804.8 | 54.6 | 13.7 |
| 2011 | 2012 | 7,871.9 | 55.1 | 13.8 |
| **2012** | **2013** | **8,229.6** | **57.6** | **14.4** |

Remaining funds are evenly split among the three statewide systems for use in satisfying applicable actuarially required employer contributions. 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 page 47***.

***Allocation***

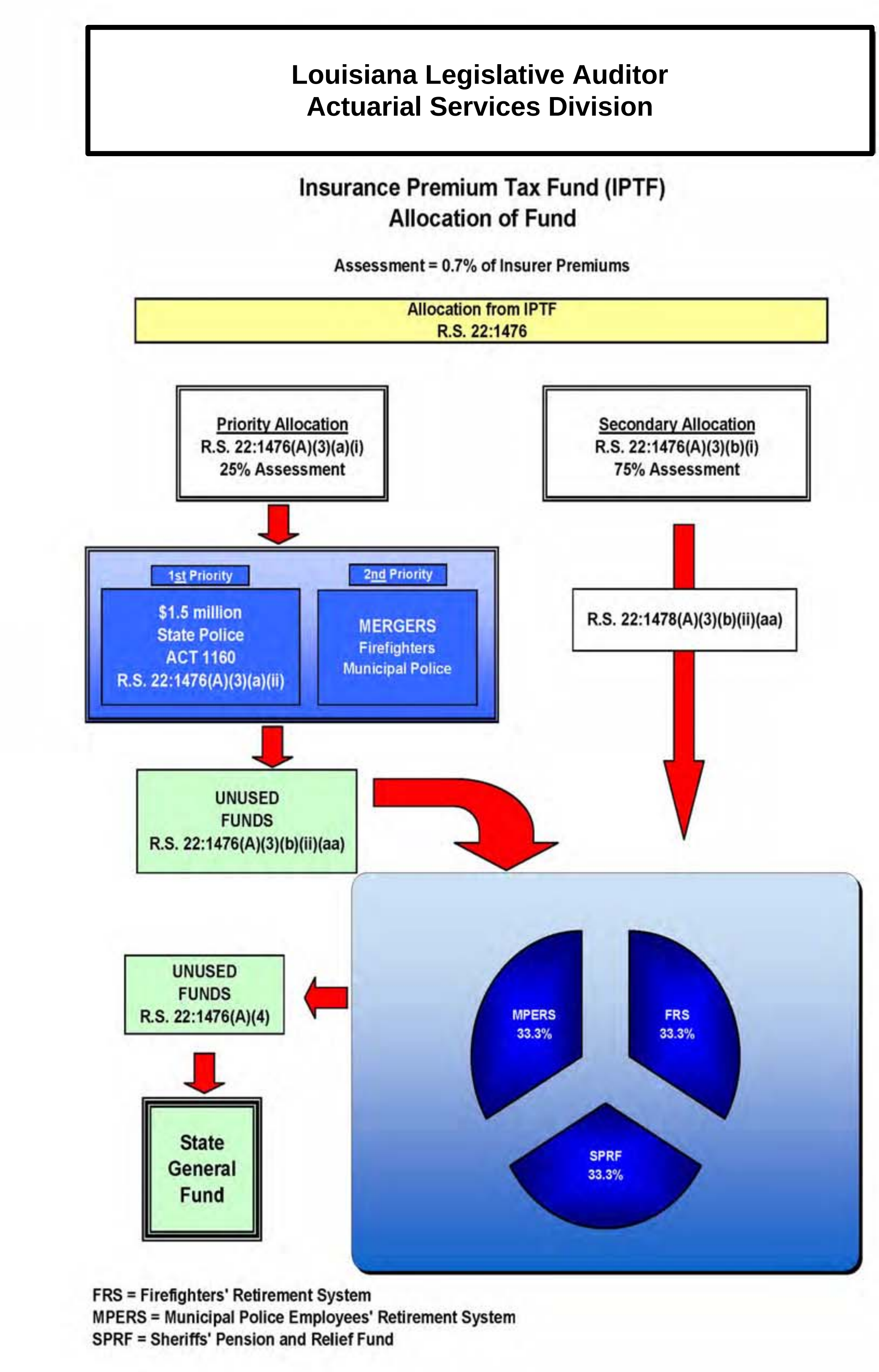
**Allocated IPTF Funds**
**(in millions)**

| Calendar Year | System Fiscal Year Ending | Actual Deposit | PRSAC IPTF Allocation | Remainder to General Fund |
|---|---|---|---|---|
| 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 |
| 2006 | 2007 | 45.9 | 45.9 | 0.0 |
| 2007 | 2008 | 50.9 | 50.9 | 0.0 |
| 2008 | 2009 | 52.9 | 52.9 | 0.0 |
| 2009 | 2010 | 53.0 | 53.0 | 0.0 |
| 2010 | 2011 | 54.0 | 54.0 | 0.0 |
| 2011 | 2012 | 54.6 | 54.6 | 0.0 |
| 2012 | 2013 | 55.1 | 55.1 | 0.0 |
| **2013** | **2014** | **57.6** | **57.6** | **0.0** |

*System Allocations*

**PRSAC Approved IPTF Allocations**
**(in millions)**

| Fiscal Year | FRS | SPRF | MPERS | STPOL |
|---|---|---|---|---|
| 2005 | $ 17.5 | $ 11.5 | $ 11.5 | $ 1.5 |
| 2006 | 18.2 | 12.2 | 12.2 | 1.5 |
| 2007 | 18.8 | 12.8 | 12.8 | 1.5 |
| 2008 | 20.5 | 14.5 | 14.5 | 1.5 |
| 2009 | 21.2 | 15.1 | 15.1 | 1.5 |
| 2010 | 21.3 | 15.1 | 15.1 | 1.5 |
| 2011 | 21.6 | 15.4 | 15.4 | 1.5 |
| 2012 | 21.9 | 15.6 | 15.6 | 1.5 |
| 2013 | 22.0 | 15.8 | 15.8 | 1.5 |
| **2014** | **22.9** | **16.6** | **16.6** | **1.5** |
| ***10 Yr Sum*** | ***$ 205.9*** | ***$ 144.6*** | ***$ 144.6*** | ***$ 15.0*** |


Louisiana Legislative Auditor
Actuarial Services Division
Insurance Premium Tax Fund (IPTF)
Allocation of Fund
Assessment = 0.7% of Insurer Premiums
Allocation from IPTF
R.S. 22:1476
Priority Allocation
R.S. 22:1476(A)(3)(a)(i)
25% Assessment
Secondary Allocation
R.S. 22:1476(A)(3)(b)(i)
75% Assessment
1st Priority
$1.5 million
State Police
ACT 1160
R.S. 22:1476(A)(3)(a)(ii)
2nd Priority
MERGERS
Firefighters
Municipal Police
R.S. 22:1478(A)(3)(b)(ii)(aa)
UNUSED
FUNDS
R.S. 22:1476(A)(3)(b)(ii)(aa)
UNUSED
FUNDS
R.S. 22:1476(A)(4)
State
General
Fund
MPERS
33.3%
FRS
33.3%
SPRF
33.3%
FRS = Firefighters' Retirement System
MPERS = Municipal Police Employees' Retirement System
SPRF = Sheriffs' Pension and Relief Fund

## 8. Experience Account Summary

***Establishment***

Experience Accounts (EA) were established during the 1992 Regular Session for LASERS and TRSL to provide for retiree COLAs. Act 588 of the 2004 Regular Session eliminated the negative balances that existed on June 30, 2004, prohibited future negative balances, omitted the debiting of actuarial investment experience losses, and limited the balance in the account from exceeding the value of two COLAs. Act 333 of the 2007 Regular Session established EA accounts for LSERS and STPOL effective on July 1, 2007, with zero initial balances.

***EA Operations***

The EA is credited with one-half of any actuarial investment experience gain (earnings in excess of the expected rate) together with actuarial interest on the beginning account balance. An amount representing funds sufficient to cover the expected value of the COLA benefits is then released back to the regular pool of system assets when COLAs are approved.

***Act 497 of 2009***

As a result of Act 497, accumulated balances in the EA for LASERS and TRSL were transferred to their respective IUAL accounts on June 30, 2009. The amount of the transfer for LASERS was $122,300,895. The TRSL transfer was $296,655,328.

In addition to reducing EA balances to $0, Act 497 also reduces amounts that will be transferred in the future from the regular pools of assets to the EAs. For LASERS, investment gains will have to exceed $100 million before any gain is transferred. For TRSL the threshold for gains is $200 million. If investment gains are large enough, 50% of such gains over the respective thresholds are transferred to the EAs.

***Combined Systems***
***LASERS & TRSL***

**Experience Account History**
**as of June 30, 2013 (in millions)**

| Fiscal Year | Allocated | Interest | Disbursed | Balance |
|---|---|---|---|---|
| 1992 | $ 60.7 | $ 0.0 | $ 0.0 | $ 60.7 |
| 1993 | 94.8 | 6.4 | 0.0 | 161.9 |
| 1994 | 33.0 | 14.8 | 0.0 | 209.7 |
| 1995 | (52.8) | 13.4 | 129.4 | 40.9 |
| 1996 | 345.3 | 4.0 | 58.4 | 331.8 |
| 1997 | 273.3 | 43.6 | 0.0 | 648.7 |
| 1998 | 577.9 | 118.1 | 309.4 | 1,035.3 |
| 1999 | 372.8 | 142.6 | 126.7 | 1,424.0 |
| 2000 | 608.2 | 236.9 | 170.2 | 2,098.9 |
| 2001 | (685.6) | 2.7 | 566.0 | 850.0 |
| 2002 | (1,214.0) | (47.0) | 166.2 | (577.2) |
| 2003 | (1,172.5) | 26.8 | 0.3 | (1,723.2) |
| 2004 | 28.7 | (145.8) | 0.0 | 0.0 * |
| 2005 | 194.5 | 0.0 | 0.0 | 194.5 |
| 2006 | 587.2 | 27.7 | 102.9 | 706.5 |
| 2007 | 542.4 | 105.7 | 462.2 | 892.4 |
| 2008 | 9.0 | 55.2 | 471.3 | 485.3 |
| 2009 | 0.0 | (53.1) | 13.3 | 0.0* |
| 2010 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2011 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2012 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2013 | 415.3 | 0.0 | 0.0 | 415.3 |
| **TOTAL** | **$ 1,018.2** | **$ 552.0** | **$ 2,576.3** | **$ 415.3** |

***LASERS***

**Experience Account History**
**as of June 30, 2013 (in millions)**

| Fiscal Year | Allocated | Interest | Disbursed | Balance |
|---|---|---|---|---|
| 1992 | $ 27.3 | $ 0.0 | $ 0.0 | $ 27.3 |
| 1993 | (2.8) | 2.2 | 0.0 | 26.7 |
| 1994 | 8.5 | 2.4 | 0.0 | 37.6 |
| 1995 | 20.6 | 3.6 | 0.0 | 61.8 |
| 1996 | 73.8 | 7.6 | 58.4 | 84.8 |
| 1997 | 116.2 | 11.9 | 0.0 | 212.9 |
| 1998 | 104.6 | 27.6 | 90.0 | 255.1 |
| 1999 | 119.6 | 33.4 | 42.9 | 365.2 |
| 2000 | 150.0 | 50.3 | 57.9 | 507.6 |
| 2001 | (236.3) | 1.9 | 89.1 | 184.1 |
| 2002 | (394.4) | (8.1) | 52.5 | (270.9) |
| 2003 | (373.4) | 9.8 | 0.0 | (634.5) |
| 2004 | (63.2) | (38.5) | 0.0 | 0.0 * |
| 2005 | 105.3 | 0.0 | 0.0 | 105.3 |
| 2006 | 155.8 | 13.7 | 102.9 | 171.9 |
| 2007 | 243.5 | 24.4 | 164.5 | 275.3 |
| 2008 | 9.0 | 23.4 | 167.1 | 140.6 |
| 2009 | 0.0 | (10.7) | 7.7 | 0.0* |
| 2010 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2011 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2012 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2013 | 195.6 | 0.0 | 0.0 | 195.6 |
| **TOTAL** | **$ 259.7** | **$ 154.9** | **$ 833.0** | **$ 195.6** |

***TRSL***

| Experience Account History<br>as of June 30, 2013 (in millions) | | | | |
|---|---|---|---|---|
| **Fiscal Year** | **Allocated** | **Interest** | **Disbursed** | **Balance** |
| 1992 | $ 33.4 | $ 0.0 | $ 0.0 | $ 33.4 |
| 1993 | 97.6 | 4.2 | 0.0 | 135.2 |
| 1994 | 24.5 | 12.4 | 0.0 | 172.1 |
| 1995 | (73.4) | 9.8 | 129.4 | (20.9) |
| 1996 | 271.5 | (3.6) | 0.0 | 247.0 |
| 1997 | 157.1 | 31.7 | 0.0 | 435.8 |
| 1998 | 473.3 | 90.5 | 219.4 | 780.2 |
| 1999 | 253.2 | 109.2 | 83.8 | 1,058.8 |
| 2000 | 458.2 | 186.6 | 112.3 | 1,591.3 |
| 2001 | (449.3) | 0.8 | 476.9 | 665.9 |
| 2002 | (819.6) | (38.9) | 113.7 | (306.3) |
| 2003 | (799.1) | 17.0 | 0.3 | (1,088.7) |
| 2004 | 91.9 | (107.3) | 0.0 | 0.0 * |
| 2005 | 89.2 | 0.0 | 0.0 | 89.2 |
| 2006 | 431.4 | 14.0 | 0.0 | 534.6 |
| 2007 | 298.9 | 81.3 | 297.7 | 617.1 |
| 2008 | 0.0 | 31.8 | 304.2 | 344.7 |
| 2009 | 0.0 | (42.4) | 5.6 | 0.0* |
| 2010 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2011 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2012 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2013 | 219.7 | 0.0 | 0.0 | 219.7 |
| **TOTAL** | **$ 758.5** | **$ 397.1** | **$ 1,743.3** | **$ 219.7** |

∗ Act 588 of R.S. 2004 reset the EA to $0 as of June 30, 2004, and Act 497 reset the EA to $0 as of June 30, 2009.

## 9. IUAL Funds (Texaco Funds & Appropriations)

***Initial UAL Funds***

Special legislative appropriations and amounts allocated from the Texaco settlement have been placed in a separate account, called the IUAL Fund. This fund is contained within the state retirement system's trust and credited with the actuarial rate of return. When the fund accumulates to the outstanding balance of the IUAL, or UAL if smaller, it will be released to fully liquidate the final liability.

***Texaco Settlement Fund***

The Texaco Settlement Funds evolved from a litigation settlement with Texaco. The proceeds were to be paid to the state over a three-year period, beginning February 28, 1994. Based on a recommendation adopted by the Bond Commission, the settlement was paid to three state retirement systems – LASERS, TRSL, and STPOL – to accelerate the payoff of the IUAL portion of the UAL.

The systems began receiving funds under Act 4 of the 1994 Regular Session. These funds are held in the IUAL Fund account and may not be used to offset regular UAL amortization payments pursuant to Act 257 of the 1992 Regular Session. An additional allocation of $19.4 million was granted to the STPOL IUAL Fund under Act 471 of the 1997 Regular Session.

The STPOL Texaco Fund balance of $50,084,124 was released on June 30, 2006, to fully liquidate its IUAL.

Texaco monies were released from the IUAL to the regular asset pools for LASERS ($89.2 million) and TRSL ($96.3 million) on June 30, 2003. Although these amounts corresponded to the additional UALs assumed by these systems when the LSU plan was merged into LASERS and TRSL, it appears that there may be no legislative basis to assert that the LSU UALs as of that point were fully amortized.

***Special Appropriations***

Act 642 of 2006 appropriated $26,400,000 for TRSL and $13,600,000 for LASERS as of June 30, 2006. These allocations, as part of the IUAL Fund, are dedicated to the final payment of the IUAL.

Act 7 of the Second Extraordinary Session of 2008 provided an additional appropriation of $40,000,000 for TRSL and $20,000,000 for LASERS. These amounts are also dedicated to the final payment of the IUAL.

***Act 497 of 2009***

Under Act 497 of the 2009 session, outstanding balances in the IUAL Funds for LASERS and TRSL received transfers on June 30, 2009, from their respective Experience Accounts. IUAL Fund balances were then transferred to the regular asset pools on June 30, 2010. The amount of such transfer for LASERS was $216.5 million. The transfer for TRSL was $699.8 million.

**IUAL (Texaco) Fund History as of June 30, 2013**
**(in 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 | 108.2 |
| 2000 | 0.0 | 14.9 | 123.1 |
| 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 |
| 2006 | 13.6 | 3.8 | 46.7 |
| 2007 | 0.0 | 6.6 | 53.3 |
| 2008 | 20.0 | 4.8 | 78.1 |
| 2009 | 122.3 | 6.4 | 206.8 |
| 2010 | (216.5) | 9.7 | 0.0 |
| 2011 | 0.0 | 0.0 | 0.0 |
| 2012 | 0.0 | 0.0 | 0.0 |
| 2013 | 0.0 | 0.0 | 0.0 |
| **TOTAL** | **$ (85.5)** | **$ 85.5** | **$ 0.0** |

***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 |
| 2006 | 26.4 | 30.6 | 252.6 |
| 2007 | 0.0 | 38.4 | 291.0 |
| 2008 | 40.0 | 15.3 | 346.3 |
| 2009 | 296.6 | 28.6 | 671.5 |
| 2010 | (699.8) | 28.3 | 0.0 |
| 2011 | 0.0 | 0.0 | 0.0 |
| 2012 | 0.0 | 0.0 | 0.0 |
| 2013 | 0.0 | 0.0 | 0.0 |
| **TOTAL** | **$ (297.5)** | **$ 297.5** | **$ 0.0** |

## 10. Asset Balances

***Assets***

The trust funds of the Louisiana retirement systems accumulate assets from employee and employer contributions and from investment earnings. The actuary for each system uses two separate measures for the value of assets – the market value and the actuarial value.

The market value of assets is the fair value of all assets held by the trust on the valuation date. This measurement is used for financial reporting purposes, including the system's balance sheet of assets and liabilities and the income/expense statement.

The actuary calculates the actuarial value of system assets. The actuarial value is calculated in such a manner as to smooth out significant fluctuations in market values that occur from year to year. The formulas selected by the actuary to calculate the actuarial value must be based on the market value, must produce a value that does not deviate too significantly from the market value, must recognize investment gains and losses within a reasonable period of time, and must not exhibit a bias that will produce actuarial values that are consistently higher or lower than the market value. Unless specifically mandated by law otherwise, the actuary must comply with Actuarial Standards of Practice in selecting or developing a formula to determine the actuarial value.

The actuarial value of assets is used in the calculation of annual employer contribution requirements and for the measurements required by the Governmental Accounting Standards Board (GASB). The formula used by the actuaries to determine the actuarial value of assets differs from retirement system to retirement system.

"Valuation Assets" is a term that is unique to the Louisiana state retirement systems. Valuation Assets are equal to the actuarial value of a trust fund minus amounts reserved or set aside in special side accounts such as the Experience Account, the IUAL Funds, LSU AG Fund, and the Employer Credit Account. Valuation Assets are used to determine annual employer funding requirements, funding ratios, the UAL, and COLA Target Funding tests.

## Asset Values[a]
**as of June 30, 2013**
**(in millions)**

### *State Systems*

| System | Market Value (Fair Value) of Assets | Actuarial Value of Assets | Valuation Assets |
|---|---|---|---|
| **LASERS** | $ 10,327.6 | $ 9,936.5 | $ 9,740.9 |
| **TRSL** | 15,490.2 | 14,890.2 | 14,669.2 |
| **LSERS** | 1,641.2 | 1,522.1 | 1,492.9 |
| **STPOL** | 521.1 | 492.4 | 474.2 |
| ***State Total*** | **$ 27,980.1** | **$ 26,841.2** | **$ 26,377.2** |
| **As Percent of Market Value** | **100.0%** | **95.9%** | **94.3%** |

### *Statewide Systems*

| System | Market Value (Fair Value) of Assets | Actuarial Value of Assets | Valuation Assets |
|---|---|---|---|
| **ASSR** | $ 286.0 | $ 267.5 | $ 267.5 |
| **CCRS** | 443.4 | 423.4 | 423.4 |
| **DARS** | 303.1 | 290.4 | 290.4 |
| **FRS** | 1,253.2 | 1,260.3 | 1,260.3 |
| **MERSA** | 657.7 | 717.8 | 717.8 |
| **MERSB** | 140.7 | 153.9 | 153.9 |
| **MPERS** | 1,600.5 | 1,539.2 | 1,539.2 |
| **PERSA**[b] | 2,584.0 | 2,448.5 | 2,448.5 |
| **PERSB**[b] | 196.6 | 186.2 | 186.2 |
| **RVRS** | 69.2 | 71.1 | 71.1 |
| **SPRF** | 2,272.3 | 2,203.6 | 2,203.6 |
| ***Statewide Total*** | **$ 9,806.7** | **$ 9,561.9** | **$ 9,561.9** |
| **As Percent of Market Value** | **100.0%** | **97.5%** | **97.5%** |

### Asset Values[a]
**as of June 30, 2013**
**(in millions)**

***All Systems Combined***

| System | Market Value (Fair Value) of Assets | Actuarial Value of Assets | Valuation Assets |
|---|---|---|---|
| **Total For All Systems** | **$ 37,786.8** | **$ 36,403.1** | **$ 35,939.1** |
| **As Percent of Market Value** | **100.0%** | **96.3%** | **95.1%** |

a. Values based on 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).
b. The most recent information for PERS is for FYE 2012.

## 11. Investment Returns

Annual rates of return on investments are shown below for the state and statewide retirement systems for FYE 2012 and FYE 2013. Rates of return on the market value are provided as well as rates of return on the actuarial value. These rates are compared with the investment return assumption used by the actuaries.

**Annual Rates of Return**

| | System | FYE 2012 Market Value | FYE 2012 Actuarial Value of Assets | FYE 2013 Market Value | FYE 2013 Actuarial Value of Assets | Expected Long-Term Actuarial Rate |
|---|---|---|---|---|---|---|
| ***State Systems*** | **LASERS** | -0.20% | 5.28% | **12.19%** | **14.05%** | ***8.00%*** [a] |
| | **TRSL** | -0.32% | 5.05% | **12.79%** | **13.41%** | ***8.00%*** [a,b] |
| | **LSERS** | 2.27% | 9.07% | **13.73%** | **12.04%** | ***7.25%*** |
| | **STPOL** | 0.53% | 3.17% | **13.92%** | **16.77%** | ***7.00%*** |
| ***Statewide Systems*** | **ASSR** | 18.4% | 3.5% | **13.4%** | **9.2%** | ***7.50%*** |
| | **CCRS** | 1.6% | 1.6% | **12.9%** | **4.9%** | ***7.50%*** |
| | **DARS** | 1.6% | 3.1% | **13.0%** | **6.0%** | ***7.50%*** |
| | **FRS** | -4.1% | -0.2% | **10.5%** | **2.5%** | ***7.50%*** |
| | **MERSA** | -4.8% | 0.7% | **4.3%** | **0.7%** | ***7.75%*** |
| | **MERSB** | -4.7% | 1.0% | **4.1%** | **0.9%** | ***7.75%*** |
| | **MPERS** | -2.1% | 7.8% | **13.7%** | **11.2%** | ***7.50%*** |
| | **PERSA** [c] | -0.7% | 2.9% | **15.6%** | **4.2%** | ***7.50%*** |
| | **PERSB** [c] | -0.7% | 3.2% | **15.8%** | **4.8%** | ***7.50%*** |
| | **RVRS** | -5.0% | -0.3% | **10.1%** | **1.6%** | ***7.50%*** |
| | **SPRF** | -0.2% | 2.3% | **12.9%** | **5.5%** | ***7.80%*** |

**Note:** Values based on 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

a. Discount rate is net of investment gain deferred to Experience Account and investment expenses. Transfer to Experience Account is estimated at 50 basis points.

b. The expected long-term actuarial rate for TRSL is changed to from 8.25% to 8.00% effective July 1, 2013.

c. The most recent information for PERS is for FYE 2011 and FYE 2012.

Rates of return are somewhat meaningless unless benchmark rates are also provided. Common benchmark rates are shown below:

***Indices***

| | Annual Rate (as of June 30) | |
|---|---|---|
| **Indices** | **FYE 2012** | **FYE 2013** |
| **CPI [1]** | 1.66% | 1.75% |
| **Barclays Capital [2]** | 7.45% | -0.97% |
| **S&P 500 [3]** | 6.22% | 17.92% |
| **55% Stock/ 45% Bond** | 6.77% | 9.42% |
| **65% Stock/ 35% Bond** | 6.65% | 11.31% |

**Note:** Indices are shown for the twelve-month period ending June 30. (1) CPI (All Items), (2) Barclays Capital US Aggregate Bond Index, (3) Standard & Poor's' 500 Index. Composites are weighted by (2) & (3).

## 12. Expected Investment Experience

In general, all Louisiana public retirement systems experienced significant investment gains throughout the 1990s. The events of 9/11, the failure of many dot.com companies, and general market corrections resulted in significant investment losses in 2001, 2002, and 2003. However, from 2004 through 2007, the retirement systems again experienced robust investment returns.

The market began showing some signs of weakness at the end of the systems' 2008 fiscal years. Significant losses occurred in 2009. Average rates of return as measured over the past five years have been substantially below the rates assumed by the actuaries.

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

| | *Fiscal Year Ending* | | | | | | | | **5-Year Average Annual Return**[a] | **Expected Long-Term Actuarial Return** |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2006*** | ***2007*** | ***2008*** | ***2009*** | ***2010*** | ***2011*** | ***2012*** | ***2013*** | | |
| ***State Systems*** | | | | | | | | | | |
| **LASERS** | 11.6% | 18.6% | -3.8% | -19.6% | 16.2% | 23.2% | -0.1% | 11.8% | **5.2%** | ***8.00%*** |
| **TRSL** | 14.0% | 19.1% | -5.0% | -22.3% | 11.7% | 25.6% | -0.3% | 12.8% | **4.2%** | ***8.00%***[b] |
| **LSERS** | 5.8% | 14.9% | -4.7% | -17.0% | 13.0% | 23.3% | 2.3% | 13.7% | **6.1%** | ***7.25%*** |
| **STPOL** | 7.4% | 16.2% | -5.2% | -19.0% | 11.5% | 22.2% | 0.5% | 13.9% | **4.8%** | ***7.00%*** |
| ***Statewide Systems*** | | | | | | | | | | |
| **ASSR** | 9.1% | 14.7% | -13.7% | 6.6% | 7.7% | -1.2% | 18.4% | 13.4% | **8.8%** | ***7.50%*** |
| **CCRS** | 11.5% | 14.3% | -6.3% | -19.3% | 8.7% | 22.1% | 1.6% | 12.9% | **4.2%** | ***7.50%*** |
| **DARS** | 7.7% | 14.6% | -4.9% | -14.2% | 11.7% | 19.3% | 1.6% | 13.0% | **5.6%** | ***7.50%*** |
| **FRS** | 12.3% | 17.1% | -5.0% | -20.8% | 12.2% | 17.4% | -4.1% | 10.5% | **2.0%** | ***7.50%*** |
| **MERSA** | 8.6% | 18.1% | 1.1% | -13.8% | 11.0% | 10.5% | -4.8% | 4.3% | **1.0%** | ***7.75%*** |
| **MERSB** | 8.5% | 17.4% | 1.3% | -13.7% | 10.9% | 10.5% | -4.7% | 4.1% | **1.0%** | ***7.75%*** |
| **MPERS** | 8.7% | 16.5% | -7.6% | -24.2% | 12.4% | 23.5% | -2.1% | 13.7% | **3.2%** | ***7.50%*** |
| **PERSA**[c] | 6.3% | 12.8% | 7.9% | -25.7% | 20.6% | 15.2% | -0.7% | 15.6% | **3.5%** | ***7.50%*** |

| | Fiscal Year Ending | | | | | | | | 5-Year Average Annual Return[a] | Expected Long-Term Actuarial Return |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| ***Statewide Systems (continued)*** | | | | | | | | | | |
| **PERSB[c]** | 5.1% | 11.6% | 7.7% | -25.0% | 20.7% | 15.4% | -0.7% | 15.8% | **3.7%** | ***7.50%*** |
| **RVRS** | 5.2% | 14.0% | -3.9% | -18.3% | 8.7% | 16.4% | -5.0% | 10.1% | **1.6%** | ***7.50%*** |
| **SPRF** | 8.5% | 16.0% | -6.4% | -17.4% | 10.9% | 20.2% | -0.2% | 12.9% | **4.4%** | ***7.80%*** |

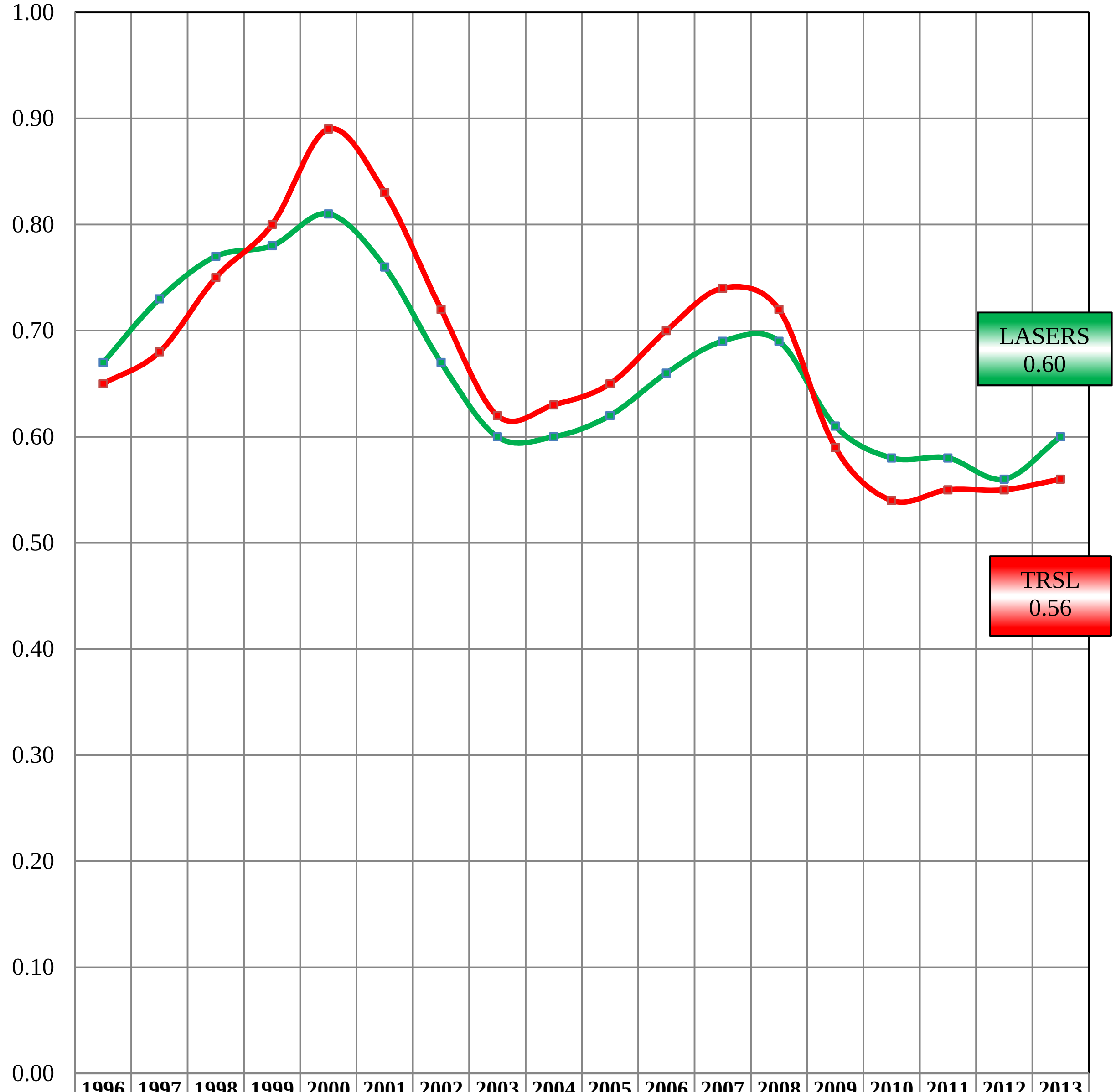
**Note:** Values based on the 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).

a. Most recent 5-year compounded annual rate on a Market Value basis.
b. The expected long-term actuarial rate has been changed effective July 1, 2013. The prior rate was 8.25%.
c. The most recent information for PERS is for FYE 2005 to FYE 2012.

### *Funded Ratios – LASERS & TRSL*

Funded ratios for the two largest Louisiana retirement systems, LASERS and TRSL, have generally followed investment markets. During the 1990s, these systems experienced significant investment gains and funded ratios began to approach 90%. Significant investment losses occurred in 2001-2003 and funded ratios deteriorated. Some recovery occurred from 2003 to 2007. Market weakness and a deterioration of funded levels were exhibited during FYE 2008. Significant declines in the market occurred in FYE 2009 and as a result funded ratios also declined.

**Funded Levels for LASERS and TRSL**
**FYE 1996 through 2013**
**Valuation Assets / Actuarial Accrued Benefit Liability**




| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LASERS | 0.67 | 0.73 | 0.77 | 0.78 | 0.81 | 0.76 | 0.67 | 0.60 | 0.60 | 0.62 | 0.66 | 0.69 | 0.69 | 0.61 | 0.58 | 0.58 | 0.56 | 0.60 |
| TRSL | 0.65 | 0.68 | 0.75 | 0.80 | 0.89 | 0.83 | 0.72 | 0.62 | 0.63 | 0.65 | 0.70 | 0.74 | 0.72 | 0.59 | 0.54 | 0.55 | 0.55 | 0.56 |

## 13. UAL Balances

***Valuation Balances***

UAL values depend on the actuarial funding method prescribed by statute for each system (R.S. 11:22). UAL bases are amortized over the number of years also specified by statute. Certain funding methods do not have UAL bases and spread all costs over the participant's future working lifetime. UAL balances are not reduced by any assets allocated to separate accounts such as the IUAL Funds, Experience Accounts, and Employer Credit Accounts.

**Valuation UAL Balance**
**(in millions)**

| | FYE 2006 | FYE 2007 | FYE 2008 | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 |
|---|---|---|---|---|---|---|---|---|
| ***State Systems*** | | | | | | | | |
| **LASERS** | $ 4,164.5 | $ 4,129.7 | $ 4,473.1 | $ 5,694.0 | $ 6,251.6 | $ 6,458.0 | $ 7,131.5 | $ 6,441.3 |
| **TRSL** | 6,555.0 | 6,250.6 | 6,967.6 | 10,117.5 | 10,806.4 | 10,810.5 | 10,955.7 | 11,348.6 |
| **LSERS** | 391.8 | 389.3 | 481.2 | 743.0 | 863.3 | 904.5 | 875.3 | 911.1 |
| **STPOL** | 166.5 | 158.6 | 199.7 | 282.4 | 313.1 | 339.1 | 343.7 | 323.6 |
| **State Total** | **$11,277.8** | **$10,928.2** | **$12,121.6** | **$16,836.9** | **$18,234.4** | **$18,512.1** | **$19,306.2** | **$19,024.6** |
| ***Statewide Systems*** | | | | | | | | |
| **ASSR** | $ 35.0 | $ 32.1 | $ 23.9 | $ 22.8 | $ 21.6 | $ 20.2 | $ 18.6 | $ 16.7 |
| **CCRS** | 82.8 | 84.1 | 85.2 | 86.2 | 87.0 | 87.5 | 87.8 | 87.6 |
| **DARS** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **FRS** | 178.0 | 166.7 | 187.4 | 336.8 | 396.2 | 416.2 | 482.0 | 511.6 |
| **MERSA** | 72.3 | 73.2 | 74.0 | 74.6 | 75.1 | 75.3 | 75.3 | 75.0 |
| **MERSB** | 5.7 | 5.4 | 5.2 | 4.9 | 4.6 | 4.3 | 4.0 | 3.7 |
| **MPERS** | 279.1 | 188.2 | 240.3 | 691.3 | 836.3 | 929.4 | 931.2 | 860.2 |
| **PERSA*** | 92.9 | 89.8 | 66.3 | 60.4 | 53.6 | 45.8 | 36.9 | 0.0 |
| **PERSB*** | n/a | n/a | 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 | n/a | n/a |
| **SPRF** | 95.5 | 96.3 | 74.3 | 72.8 | 71.0 | 68.8 | 66.2 | 63.0 |
| **Statewide Total** | **$ 841.3** | **$ 735.8** | **$ 756.6** | **$1,349.8** | **$1,545.4** | **$ 1,647.5** | **$ 1,702.0** | **$ 1,617.8** |
| ***All Systems Total*** | **$12,119.1** | **$11,664.0** | **$12,878.2** | **$18,186.7** | **$19,779.8** | **$20,159.6** | **$21,008.2** | **$20,642.4** |

**Note:** Values based on 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).
* The most recent information for PERS is for FYE 2005 to FYE 2012.

***Net UAL Balances***

The Net UAL balance for each state retirement system is equal to the UAL minus amounts in the system's IUAL Fund, Experience Account, and Employer Credit Account. Net UAL balances shown below have been adjusted for balances held in these separate accounts.

**Net UAL Balance**

***State Systems* as of June 30, 2013**
**(in millions)**

| | *Fiscal Year Ending* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| ***State Systems*** | | | | | | | | |
| **LASERS** | $ 4,117.9 | $ 4,076.4 | $ 4,395.0 | $ 5,487.2 | $ 6,251.6 | $ 6,458.0 | $ 7,131.5 | $ 6,245.7 |
| **TRSL** | 6,302.4 | 5,959.6 | 6,582.7 | 9,338.6 | 10,806.4 | 10,810.5 | 10,955.7 | 11,127.5 |
| **LSERS** | 391.8 | 389.3 | 481.3 | 743.0 | 863.3 | 904.5 | 863.7 | 879.4 |
| **STPOL** | 166.5 | 158.6 | 199.8 | 282.4 | 313.1 | 339.1 | 343.7 | 305.4 |
| **State Total** | **$10,978.6** | **$10,583.9** | **$11,658.8** | **$15,851.2** | **$18,234.4** | **$18,512.1** | **$19,294.6** | **$18,558.0** |

## 14. Funding Measures under GASB

***Funding Progress***

Public retirement systems complying with the rules of GASB show funding levels over a period of years. One measure of funding that GASB requires is the ratio of the Net UAL to the annual payroll for participating members. These ratios, over time, show whether or not a retirement system is experiencing funding progress or funding deterioration.

In general, the smaller the ratio, the stronger the system is financially. By this measure, the financial strength of the state systems has decreased over the current decade and the strength of the statewide systems has improved.

**Net UAL as Percent of Valuation Payroll**

| | *Fiscal Year Ending* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| ***State Systems*** | | | | | | | | |
| **LASERS** | 208.0% | 187.4% | 180.3% | 214.1% | 245.5% | 268.1% | 304.5% | 330.0% |
| **TRSL** | 217.9% | 184.8% | 179.1% | 238.7% | 271.7% | 277.0% | 287.6% | 304.6% |
| **LSERS** | 163.7% | 150.3% | 166.2% | 235.6% | 281.8% | 304.9% | 315.7% | 314.2% |
| **STPOL** | 338.1% | 318.8% | 352.1% | 474.2% | 527.6% | 578.8% | 594.3% | 631.3% |
| ***Statewide Systems*** | | | | | | | | |
| **ASSR** | 118.6% | 95.7% | 65.1% | 60.0% | 57.1% | 54.6% | 47.4% | 41.8% |
| **CCRS** | 116.7% | 107.3% | 101.9% | 100.4% | 100.5% | 100.1% | 100.6% | 100.7% |
| **DARS** | -38.7% | -23.9% | 14.3% | 72.8% | 79.6% | 84.3% | 96.6% | 83.8% |
| **FRS** | 126.9% | 110.4% | 110.6% | 188.2% | 209.0% | 215.5% | 243.3% | 256.9% |
| **MERSA** | 51.4% | 51.8% | 49.8% | 47.5% | 46.2% | 45.8% | 45.0% | 44.8% |
| **MERSB** | 11.2% | 10.0% | 8.8% | 7.6% | 7.1% | 6.6% | 6.1% | 5.7% |
| **MPERS** | 125.0% | 82.1% | 95.1% | 255.8% | 297.6% | 340.0% | 341.6% | 324.9% |
| **PERSA*** | 21.6% | 21.4% | 14.6% | 11.8% | 10.0% | 8.4% | 6.7% | 0.0% |
| **PERSB*** | 0.0% | 0.0% | 5.0% | 34.7% | 26.1% | 28.1% | 30.4% | 30.3% |
| **RVRS** | 54.8% | 20.0% | 23.9% | 97.2% | 120.4% | 142.2% | 182.1% | 192.4% |
| **SPRF** | 21.9% | 20.0% | 13.8% | 12.6% | 11.8% | 11.0% | 10.8% | 10.1% |

* The most recent information for PERS is from FYE 2005 to FYE 2012.

## 15. Funding Progress – Funded Levels and Funded Ratios

***Funded Levels***

Another measure of the actuarial strength of a retirement system is the ratio of the actuarial value of assets to the Projected Benefit Obligation (PBO).

The actuarial value of assets, in this measurement, includes the amounts set aside in the IUAL Fund, the Experience Account, and the Employer Credit Account.

The PBO is the value of all service earned to date assuming that pay levels will increase in accordance with the salary increase assumption used by the actuary. The PBO is a consistent measure of accrued benefits across all systems because the measurement is independent of the actuarial cost method selected for valuation purposes.

Funded levels are given below for the state and statewide retirement systems.

**Funded Levels**
**as of June 30, 2013**
**(in millions)**

***State Systems***

| **System** | **AVA** Actuarial Value of Assets | **PBO** Projected Accrued Benefit Liability | **Funded Level** |
|---|---|---|---|
| **LASERS** | $ 9,936.5 | $ 16,182.2 | 61.4% |
| **TRSL** | 14,890.2 | 26,017.7 | 57.2% |
| **LSERS** | 1,522.1 | 2,404.0 | 63.3% |
| **STPOL** | 492.4 | 797.8 | 61.7% |
| ***State Total*** | **$ 26,841.2** | **$ 45,401.7** | **59.1%** |

## Funded Levels
**As of June 30, 2013**
**(in millions)**

***Statewide Systems***

| System | AVA Actuarial Value of Assets | PBO Projected Accrued Benefit Liability | Funded Level |
|---|---|---|---|
| **ASSR** | $ 267.5 | $ 319.6 | 83.7% |
| **CCRS** | 423.4 | 590.0 | 71.8% |
| **DARS** | 290.4 | 320.3 | 90.7% |
| **FRS** | 1,260.3 | 1,726.7 | 73.0% |
| **MERSA** | 717.8 | 935.0 | 76.8% |
| **MERSB** | 153.9 | 185.1 | 83.1% |
| **MPERS** | 1,539.2 | 2,399.4 | 64.2% |
| **PERSA*** | 2,448.5 | 2,741.3 | 89.3% |
| **PERSB*** | 186.2 | 195.9 | 95.0% |
| **RVRS** | 71.1 | 97.6 | 72.8% |
| **SPRF** | 2,203.6 | 2,730.0 | 80.7% |
| ***Statewide Total*** | **$ 9,561.9** | **$ 12,240.9** | **78.1%** |

## Funded Levels
**As of June 30, 2013**
**(in millions)**

***All Systems Combined***

| System | AVA Actuarial Value of Assets | PBO Projected Accrued Benefit Liability | Funded Level |
|---|---|---|---|
| ***Combined Total*** | **$ 36,403.1** | **$ 57,642.6** | **63.2%** |

**Note:** Values based on 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).
* The most recent information for PERS is for FYE 2012.

***Funding Progress***

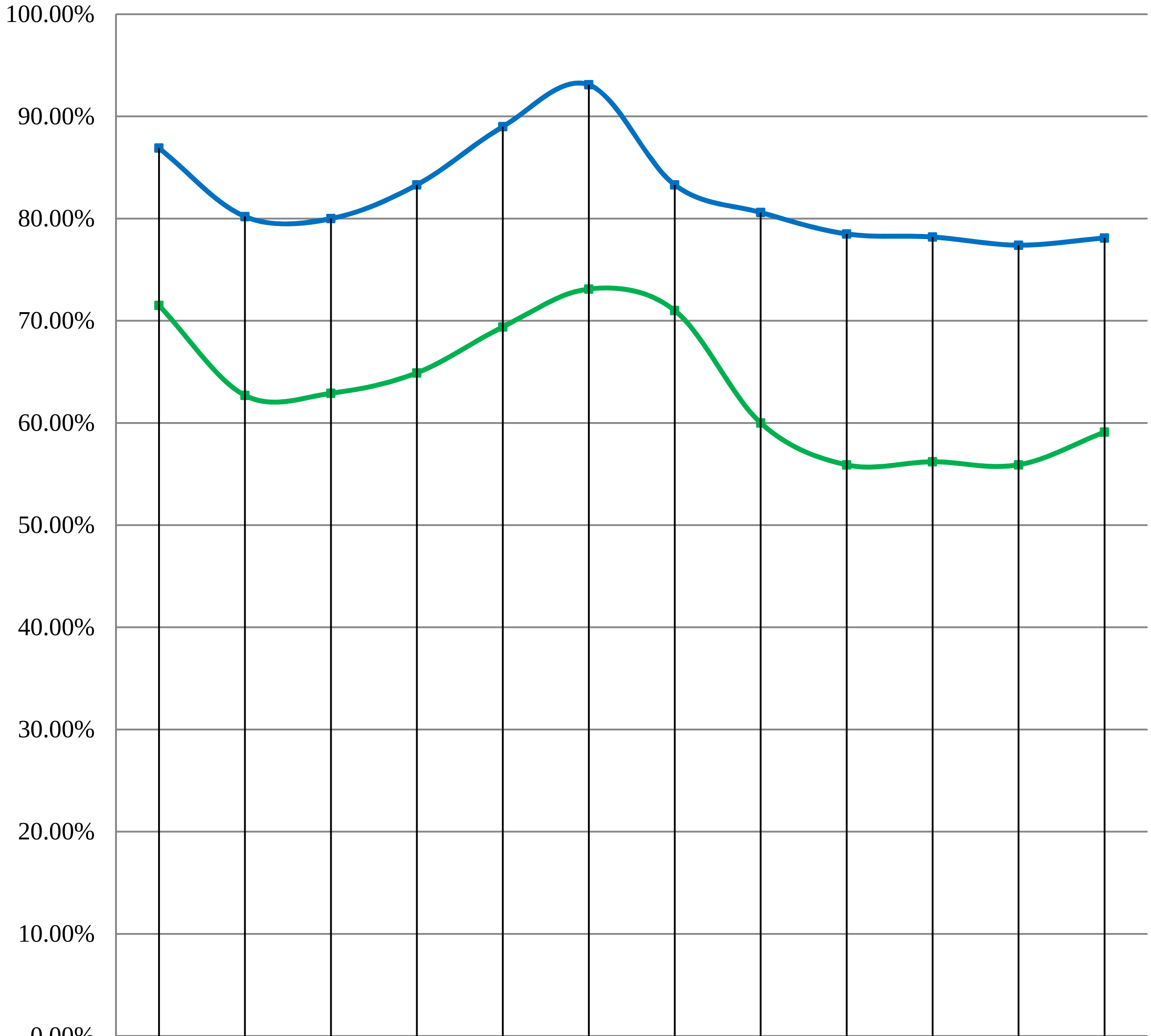
Considerable funding progress has been made since 1988 when actuarial funding was mandated by the Louisiana constitution. Significant improvement from 1988 to 2000 can be attributed to rates of investment return that were consistently larger than the rates assumed by the actuaries. Investment losses in 2001, 2002, 2008, and 2009, benefit improvements, and the use of actuarial gains to provide for COLAs have compromised funding levels over the past ten years. This is seen by the changes in Funded Levels over time as shown below.

**FUNDED LEVELS (*AVA/PBO*)**

| | ***Fiscal Year Ending*** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| ***State Systems*** | | | | | | | | | | |
| **LASERS** | 59.6% | 62.5% | 65.8% | 69.4% | 68.6% | 60.8% | 57.7% | 57.6% | 55.9% | 61.4% |
| **TRSL** | 63.1% | 65.1% | 70.3% | 74.3% | 71.8% | 59.1% | 54.4% | 55.1% | 55.4% | 57.2% |
| **LSERS** | 79.4% | 78.9% | 82.3% | 83.3% | 76.6% | 65.5% | 61.0% | 59.9% | 61.6% | 63.3% |
| **STPOL** | 62.8% | 62.5% | 72.4% | 75.9% | 74.5% | 58.4% | 55.6% | 54.2% | 54.8% | 61.7% |
| **State Total** | **62.9%** | **64.9%** | **69.4%** | **73.1%** | **71.0%** | **60.0%** | **55.9%** | **56.2%** | **55.9%** | **59.1%** |
| ***Statewide Systems*** | | | | | | | | | | |
| **ASSR** | 61.2% | 65.9% | 73.4% | 77.8% | 78.1% | 82.0% | 79.6% | 79.7% | 80.5% | 83.7% |
| **CCRS** | 66.5% | 66.8% | 76.3% | 78.9% | 79.1% | 70.8% | 71.9% | 74.2% | 71.3% | 71.8% |
| **DARS** | 98.2% | 100.6% | 108.4% | 109.6% | 103.8% | 91.6% | 90.5% | 90.0% | 88.0% | 90.7% |
| **FRS** | 74.5% | 83.5% | 86.4% | 88.6% | 88.4% | 78.4% | 76.3% | 76.4% | 73.6% | 73.0% |
| **MERSA** | 77.1% | 78.4% | 83.3% | 87.9% | 89.3% | 84.4% | 82.3% | 81.8% | 79.2% | 76.8% |
| **MERSB** | 78.7% | 80.1% | 88.6% | 94.7% | 96.1% | 91.1% | 88.2% | 88.4% | 85.9% | 83.1% |
| **MPERS** | 76.6% | 83.6% | 87.4% | 93.5% | 86.9% | 65.2% | 59.9% | 58.1% | 59.8% | 64.2% |
| **PERSA*** | 87.9% | 89.5% | 89.6% | 97.3% | 101.6% | 89.3% | 93.4% | 91.2% | 90.0% | 89.3% |
| **PERSB*** | 106.3% | 107.4% | 106.7% | 108.3% | 107.4% | 91.9% | 95.9% | 87.6% | 94.8% | 95.0% |
| **RVRS** | 87.0% | 88.2% | 91.6% | 97.2% | 95.9% | 83.6% | 79.9% | 78.0% | 72.4% | 72.8% |
| **SPRF** | 79.9% | 80.3% | 86.8% | 90.1% | 88.8% | 80.0% | 80.2% | 81.0% | 80.4% | 80.7% |
| **Statewide Total** | **80.0%** | **83.3%** | **89.0%** | **93.1%** | **88.3%** | **80.6%** | **78.5%** | **78.2%** | **77.4%** | **78.1%** |
| ***All Systems Combined Total*** | **66.0%** | **68.3%** | **73.1%** | **76.9%** | **74.2%** | **64.1%** | **60.5%** | **60.8%** | **60.4%** | **63.2%** |

* The most recent information for PERS is for FYE 2003 to FYE 2012.

**Historical Funded Ratios**
**Percentage of the PBO Covered by the AVA**




| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | 71.50% | 62.70% | 62.90% | 64.90% | 69.40% | 73.10% | 71.00% | 60.00% | 55.90% | 56.20% | 55.90% | 59.10% |
| Statewide | 86.90% | 80.20% | 80.00% | 83.30% | 89.00% | 93.10% | 83.30% | 80.60% | 78.50% | 78.20% | 77.40% | 78.10% |

PBO – Projected Benefit Obligation
AVA – Actuarial Value of Assets

***Funded Ratios***
***Statewide Systems***
***Eligibility for COLAs***

Under current statutes, if the "Funded Ratio" is less than the "Target Ratio," a statewide retirement system may not grant COLA benefits. For all statewide systems except MPERS, the Funded Ratio is calculated as the ratio of the actuarial value of assets to the PBO. For MPERS, the Funded Ratio is the ratio of the actuarial value of assets to accrued liability under the actuarial funding method used by system. These ratios are then compared to a Target Ratio that is specified by formula in Louisiana pension law.

Prior to 2007, COLA benefits for LSERS and STPOL also depended on a comparison of the Funded Ratio and the Target Ratio. However, Act 333 of the 2007 Regular Session changed this practice and instead created Experience Accounts that operate similarly to the Experience Accounts for LASERS and TRSL.

**Funding Eligibility for COLAs**
**as of June 30, 2013**

***Statewide Systems***

| System | Target Ratio | Funded Ratio |
|---|---|---|
| **ASSR** | 87.7% | 83.7% |
| **CCRS** | 95.9% | 71.8% |
| **DARS** | 100.0% | 90.7% |
| **FRS** | 95.2% | 73.0% |
| **MERSA** | 96.7% | 76.8% |
| **MERSB** | 96.0% | 83.1% |
| **MPERS** | 96.3% | 64.2% |
| **PERSA*** | 94.4% | 89.3% |
| **PERSB*** | 100.0% | 95.0% |
| **RVRS** | 100.0% | 72.8% |
| **SPRF** | 100.0% | 80.7% |

**Note:** Values based on 2013 Valuation and 6/30 FYE, except Assessors' (9/30) and Parochial (12/31).
* The most recent information for PERS is for FYE 2012.

# 16. Participant Census and Payroll

***Membership***

The following table presents data pertaining to membership in the state and statewide systems. Participants are categorized as active members, retired members, or as member currently in DROP.

**Participant Census**
**As of June 30, 2013**

| | | Actives | Retirees | Current DROP | Total Members[a] | % of All Systems | Payroll[b] |
|---|---|---|---|---|---|---|---|
| ***State Systems*** | **LASERS** | 44,111 | 45,425 | 2,092 | 95,790 | 25.0% | $ 1,952.0 |
| | **TRSL** | 82,910 | 71,031 | 2,451 | 162,383 | 42.3% | 3,726.3 |
| | **LSERS** | 12,184 | 13,369 | 559 | 26,467 | 6.9% | 290.0 |
| | **STPOL** | 933 | 1,234 | 0 | 2,204 | 0.6% | 51.3 |
| | **State Total** | **140,138** | **131,059** | **5,102** | **286,844** | **74.7%** | **$ 6,019.6** |
| ***Statewide Systems*** | **ASSR** | 747 | 519 | 0 | 1,358 | 0.4% | $ 40.0 |
| | **CCRS** | 2,123 | 1,064 | 125 | 3,819 | 1.0% | 86.9 |
| | **DARS** | 756 | 237 | 0 | 1,264 | 0.3% | 56.7 |
| | **FRS** | 4,063 | 1,958 | 221 | 6,763 | 1.8% | 199.1 |
| | **MERSA** | 4,685 | 3,106 | 254 | 10,910 | 2.8% | 167.4 |
| | **MERSB** | 2,051 | 900 | 77 | 4,244 | 1.1% | 65.9 |
| | **MPERS** | 5,602 | 4,340 | 314 | 11,653 | 3.0% | 264.7 |
| | **PERSA[c]** | 13,688 | 5,991 | 682 | 27,717 | 7.2% | 558.3 |
| | **PERSB[c]** | 2,254 | 657 | 44 | 4,591 | 1.2% | 86.9 |
| | **RVRS** | 212 | 146 | 29 | 427 | 0.1% | 13.1 |
| | **SPRF** | 14,559 | 4,293 | 0 | 24,264 | 6.3% | 622.7 |
| | **Statewide Total** | **50,740** | **23,211** | **1,746** | **97,010** | **25.3%** | **$ 2,161.7** |
| ***All Systems*** | **Total** | **190,878** | **154,270** | **6,848** | **383,854** | **100%** | **$ 8,181.3** |

a. Total membership includes members entitled to a deferred pension benefit or a refund of contributions. Participant counts are not shown for these members.

b. Millions of dollars.

c. The most recent information for PERS is for FYE 2012.

## 17. Funding of TRSL Optional Retirement Plan

State law established an optional retirement plan (ORP) in 1990 for academic and unclassified employees of public institutions of higher education. ORP is a defined contribution plan administered by TRSL.

Although ORP is administered by TRSL, participants are not members of the system and their benefits are not guaranteed by the state. Each participating employer contributes for an ORP participant the same amount that it would have contributed for a TRSL member. The employer normal cost portion is credited to the participant's account (ORP normal cost) along with the employee's contribution. The remainder is retained by TRSL as a payment toward the UAL. For fiscal year 2013, accounts for ORP members received 13.74% of covered salary, 5.74% from the employer and 8.00% from employees. $96.1 million of employer contributions were retained by TRSL to fund the UAL. Based on information provided by TRSL, there were 7,555 participants in ORP as of December 31, 2013. ORP members represent about 46% of teachers employed in higher education (TRSL plus ORP).

**Growth of ORP Membership**

| Year | ORP Members | TRSL Members (Excludes DROP) | Ratio 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% |

## Growth of ORP Membership
**(Continued)**

| Year | ORP Members | TRSL Members (Excludes DROP) | Ratio ORP to TRSL |
|---|---|---|---|
| 2005 | 8,845 | 84,546 | 10.5% |
| 2006 | 8,635 | 78,456 | 11.0% |
| 2007 | 8,955 | 79,796 | 11.2% |
| 2008 | 8,677 | 85,979 | 10.1% |
| 2009 | 8,470 | 84,719 | 10.0% |
| 2010 | 8,275 | 85,635 | 9.7% |
| 2011 | 8,043 | 86,742 | 9.3% |
| 2012 | 7,867 | 84,513 | 9.3% |
| **2013** | **7,555** | **82,910** | **9.1%** |

# Section II

# Benefit Formulas, Retirement Eligibility, and Contribution Rates

# 1. Benefit Accruals and Member Contribution Rates

***Formula***

The retirement benefit for all thirteen systems is generally based on the following formula:

| Annual Benefit at Retirement | = | Benefit Accrual Rate | x | Years of Service at Retirement | x | Final Average Salary |
|---|---|---|---|---|---|---|

The benefit may not exceed final average compensation.

**Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)**
**(as of July 1, 2013)**

***LASERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **Rank and File** | | | | | |
| ***Regular R&F Hired Before 7/1/2006 (including Other Law Clerks)*** | 2.50%[a] | 3 yrs | 10 | 60 | 7.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| ***Regular R&F Hired On/After 7/1/2006 (including Other Law Clerks)*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |
| ***Appellate Law Clerks Hired Before 7/1/2006*** | 2.50%[a] | 3 yrs | 10[b] | 65 | 7.50% |
| | | | 12[b] | 55 | |
| | | | 18[b] | any age | |
| | | | 20[c] | 50 | |
| | | | any | 70 | |
| ***Appellate Law Clerks Hired On/After 7/1/2006*** | 2.50% | 5 yrs | 10[b] | 65 | 8.00% |
| | | | 12[b] | 55 | |
| | | | 18[b] | any age | |
| | | | 20[c] | 50 | |
| | | | any | 70 | |
| ***Court Officers Hired On/After 1/1/2011*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |
| ***Clerk and Sergeant at Arms for the House and the President, Secretary and Sergeant at Arms for the Senate Hired On/After 1/1/2011*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |

a. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. Must be service earned as an Appellate Law Clerk.
c. At least 12 of the 20 years must have been earned as an Appellate Law Clerk.
d. Must be service earned as a Court Officer.
e. At least 12 of the 20 years must have been earned as a Court Officer.
f. Members with 20 years of service at any age may retire early and receive actuarially reduced benefits.

| **Judges and Court Officers** | Benefit Accrual | Final Avg Comp | Service | Age | Member Contribution |
|---|---|---|---|---|---|
| ***Hired Before 1/1/2011*** | 3.50%[a] | 3 yrs | 10[b] | 65 | 11.50% |
| | | | 12[b] | 55 | |
| | | | 18[b] | any age | |
| | | | 20[c] | 50 | |
| | | | any | 70 | |

a. An additional pension of $300 per year is paid to those employed before 7/1/1986. The 3.5% accrual rate applies only to service earned as a judge or court officer. The accrual rate for all other service is 2.5%.
b. Must be service earned as a Judge or Court Officer.
c. At least 12 of the 20 years must have been earned as a Judge or Court Officer.

| **Judges** | Benefit Accrual | Final Avg Comp | Service | Age | Member Contribution |
|---|---|---|---|---|---|
| ***Hired On/After 1/1/2011*** | 3.50%* | 5 yrs | 5 | 60 | 13.00% |

* The 3.5% accrual rate applies only to service earned as a judge. The accrual rate for all other service is 2.5%.

| **Legislators** | Benefit Accrual | Final Avg Comp | Service | Age | Member Contribution |
|---|---|---|---|---|---|
| ***Member of the Legislature Elected Before 1/1/1997*** | 3.50%[a,b] | 3 yrs | 10 | 60 | 11.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 12[c] | 55 | |
| | | | 16[c] | any age | |
| | | | 20[d] | 50 | |
| ***Governor or Lieutenant Governor Elected Before 7/1/2006*** | 3.50%[a,b] | 3 yrs | 10 | 60 | 11.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 12[c] | 55 | |
| | | | 16[c] | any age | |
| | | | 20[d] | 50 | |
| ***Governor or Lieutenant Governor Elected 7/1/2006 – 6/30/2013*** | 3.50%[b] | 3 yrs | 5 | 60 | 11.50% |
| | | | 12[c] | 55 | |
| | | | 16[c] | any age | |
| | | | 20[d] | 50 | |
| ***Clerk and Sergeant at Arms for the House and the President, Secretary and Sergeant at Arms for the Senate Hired Before 7/1/2006*** | 3.50%[a,b] | 3 yrs | 10 | 60 | 9.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[d] | 50 | |

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| ***Clerk and Sergeant at Arms for the House and the President, Secretary and Sergeant at Arms for the Senate Hired 7/1/2006 – 12/31/2010*** | 3.50%[b] | 3 yrs | 5 | 60 | 9.50% |
| | | | 20[d] | 50 | |

a. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. The 3.5% accrual rate only applies to service as a member of the Legislators sub plan. The accrual rate for all other service is 2.5%.
c. Must be service earned as a member of the Legislators sub plan.
d. At least 12 of the 20 years must have been earned as a member of the Legislators sub plan.

**Corrections Officers - Primary**

| | Benefit Accrual | Final Avg Comp | Service | Age | Member Contribution |
|---|---|---|---|---|---|
| ***For Corrections Officers and Security Personnel Hired Before 8/16/1986*** | 2.50%[a] | 3 yrs | 10[b] | 60 | 9.00% |
| | | | 25[b] | 55 | |
| | | | 30[b] | any age | |
| | | | 20[c] | any age | |
| ***For Corrections Officers and Security Personnel Hired 8/16/1986 – 12/31/2010*** | 2.50% | 3 yrs | 10[b] | 60 | 9.00% |
| | | | 25[b] | 50 | |
| | | | 20[d] | 50 | |
| | | | 25[c] | any age | |
| ***For Probation and Parole Officers Hired Before 8/15/1986*** | 2.50%[a] | 3 yrs | 10[b] | 60 | 9.00% |
| | | | 25[b] | 55 | |
| | | | 30[b] | any age | |
| | | | 20[e] | any age | |
| ***For Probation and Parole Officers Hired 8/16/1986 – 12/31/2010*** | 2.50% | 3 yrs | 10[b] | 60 | 9.00% |
| | | | 25[b] | 50 | |
| | | | 20[f] | 50 | |
| | | | 25[g] | any age | |

a. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. Per AG Opinion and LASERS policy.
c. Must have 10 years of Security Eligibility Service earned immediately before retirement.
d. Must have 10 years of Security Eligibility Service earned immediately before retirement. Eligibility service earned in a position other than as a correctional officer or security personnel shall count as only 2/3.
e. Must have 20 years of Security Eligibility Service with at least 10 years earned as a Probation and Parole Officer immediately before retirement.
f. Must have 10 years of Security Eligibility Service with at least 10 years earned as a Probation and Parole Officer immediately before retirement. Eligibility service earned in a position other than as a Probation and Parole Officer shall count as only 2/3.
g. Must have at least 10 years of Security Eligibility Service earned as a Correctional Officer, Security Personnel, or Probation and Parole Officer immediately before retirement.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
**(as of July 1, 2013)**

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **Corrections Officers – Secondary** | | | | | |
| ***Hired Before 1/1/2011*** | See Below | 3 yrs | 10* | 60 | 9.00% |
| | | | 25 | any age | |
| | 2.50% | Service before 1/1/2002 | | | |
| | 3 1/3% | Service on/after 1/1/2002 | | | |
| * Per AG Opinion and LASERS policy. | | | | | |
| **Peace Officers** | | | | | |
| ***Hired Before 7/1/2006*** | 3 1/3% | 3 yrs | 10 | 60 | 9.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| ***Hired 7/1/2006 – 12/31/2010*** | 3 1/3%* | 3 yrs | 10 | 60 | 9.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| * The accrual rate is 3 1/3% for service earned as a Peace Officer, and 2.50% for service earned as a Non Peace Officer. | | | | | |
| **Alcohol Tobacco Control Officers** | | | | | |
| ***Hired Before 7/1/2007*** | 3 1/3%[a] | 3 yrs | 10 | 60 | 9.00% |
| | | | 25 | any age | |
| ***Hired 7/1/2007 – 12/31/2010*** | 3 1/3%[b] | 3 yrs | 10 | 60 | 9.00% |
| | | | 25 | any age | |
| a. The accrual rate is 3 1/3% for service earned as a Pre-2007 Peace Officer or an ATC Officer, and 2.5% for service earned as any other position. | | | | | |
| b. The accrual rate is 3 1/3% for service earned as a Pre-2007 Peace Officer, and 2.5% for service earned as an ATC Officer or any other position. | | | | | |

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **Bridge Police Officers** | | | | | |
| ***Hired Before 7/1/2006*** | 2.50%[a] | 3 yrs | 10 | 60 | 8.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 25[b] | any age | |
| ***Hired 7/1/2006 – 12/31/2010*** | 2.50% | 5 yrs | 5 | 60 | 8.50% |
| | | | 25[b] | any age | |
| a. An additional pension of $300 per year is paid to those employed before 7/1/1986.<br>b. Must have at least 10 years of service earned with the Bridge Police immediately prior to retirement. | | | | | |
| **Wildlife Agents** | | | | | |
| ***Hired Before 7/1/2006*** | See Below | 3 yrs | 10* | 55 | 9.50% |
| | | | 20 | any age | 9.50% |
| | 3.00% | Service before 7/1/2003 | | | |
| | 3 1/3% | Service on/after 7/1/2003 | | | |
| ***Hired 7/1/2006 – 12/31/2010*** | 3 1/3% | 3 yrs | 10* | 60 | 9.50% |
| | | | 25 | any age | |
| * Must have at least 10 years of service earned with Wildlife. | | | | | |
| **Hazardous Duty** | | | | | |
| ***Hired On/After 1/1/2011*** | 3 1/3%* | 5 yrs | 12 | 55 | 9.50% |
| | | | 25 | any age | |
| * The last 10 years of service must be earned in a hazardous duty position; otherwise, the accrual rate is 2.5%. The accrual rate for service earned prior to 1/1/2011 is the same accrual rate applicable to the plan they participated in prior to 1/1/2011. | | | | | |

**Note:** Members in all sub plans, with 20 years of service, may retire early with actuarially reduced benefits. Reduction is based on the earliest age the member would have been able to normally retire had he continued in service to that age.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

***TRSL***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **K–12 Teachers** | | | | | |
| ***Hired Before 7/1/1999*** | 2.00%[a] | 3 yrs | 5 | 60 | 8.00% |
| | | | 20 | any age | |
| | 2.50%[a] | 3 yrs | 20 | 65 | 8.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| ***Hired 7/1/1999 – 12/31/2010*** | 2.50% | 3 yrs | 5 | 60 | 8.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[b] | any age | |
| ***Hired On/After 1/1/2011*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |
| | | | 20[b] | any age | |

a. This rate is applicable to members retired on/after 7/1/1997. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. Members with 20 years of service may retire early with actuarially reduced benefits. Reduction is based on the age and years of service at retirement, had the member continued to work.

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **Higher Education** | | | | | |
| ***Hired Before 7/1/1999*** | 2.00%[a] | 3 yrs | 5 | 60 | 8.00% |
| | | | 20 | any age | |
| | 2.50%[a] | 3 yrs | 20 | 65 | 8.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| ***Hired 7/1/1999 – 12/31/2010*** | 2.50% | 3 yrs | 5 | 60 | 8.00% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[b] | any age | |
| ***Hired On/After 1/1/2011*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |
| | | | 20[b] | any age | |

a. This rate is applicable to members retired on/after 7/1/1997. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. Members with 20 years of service may retire early with actuarially reduced benefits. Reduction is based on the age and years of service at retirement, had the member continued to work.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **Lunch Plan A (Not in Social Security)** | | | | | |
| ***Hired Before 7/1/1985*** | 3.00% | 3 yrs | 5 | 60 | 9.10% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| **Lunch Plan B (In Social Security)** | | | | | |
| ***Hired Before 1/1/2011*** | 2.00% | 3 yrs | 5 | 60 | 5.00% |
| | | | 30 | 55 | |
| ***Hired On/After 1/1/2011*** | 2.00% | 5 yrs | 5 | 60 | 5.00% |
| | | | 30 | 55 | |

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

***LSERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility Service | Retirement Eligibility Age | Member Contribution |
|---|---|---|---|---|---|
| **All "Tier 1" Employees** | | | | | |
| ***Hired Before 7/1/2006*** | 3 1/3%[a] | 3 yrs | 10 | 60 | 7.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[b] | any age | |
| ***Hired 7/1/2006 – 6/30/2010*** | 3 1/3% | 5 yrs | 10 | 60 | 7.50% |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[b] | any age | |
| ***Hired On/After 7/1/2010*** | 2.50% | 5 yrs | 5 | 60 | 8.00% |
| | | | 20[b] | any age | |

a. An additional pension of $300 per year is paid to those employed before 7/1/1986.
b. Members with 20 years of service may retire early with actuarially reduced benefits. Reduction is based on the age and years of service at retirement, had the member continued to work.

***STPOL***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility Service | Retirement Eligibility Age | Member Contribution |
|---|---|---|---|---|---|
| **All Employees** | | | | | |
| ***Hired Before 9/8/1978*** | 3 1/3% | 1 yr | 10 | 50 | 8.50% |
| | | | 20 | any age | |
| ***Hired 9/8/1978 – 12/31/2010*** | 3 1/3% | 3 yrs | 10 | 50 | 8.50% |
| | | | 25 | any age | |
| ***Hired On/After 1/1/2011*** | 3 1/3% | 5 yrs | 12 | 55 | 9.50% |
| | | | 25 | any age | |
| | | | 20* | any age | |

* Members with 20 years of service may retire early with actuarially reduced benefits. Reduction is based on the age and years of service at retirement, had the member continued to work.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
**(as of July 1, 2013)**

### *ASSR*

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **All Employees** | | | | | |
| ***Hired Before 10/1/2006*** | 3 1/3% | 3 yrs | 12 | 55 | 8.00% |
| | | | 30 | any age | |
| ***Hired 10/1/2006 – 9/30/2013*** | 3 1/3% | 5 yrs | 12 | 55 | 8.00% |
| | | | 30 | any age | |
| ***Hired On/After 10/1/2013*** | 3.00%* | 5 yrs | 12 | 60 | 8.00% |
| | | | 30 | 55 | |

* The rate is 3 1/3% for members who retire with 30 or more years of service. Transferred service with accrual rate less than 3 1/3% shall not be used to meet the requirement of 30 or more years of service unless the member has upgraded such transferred service.

### *CCRS*

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **All Employees** | | | | | |
| ***Hired Before 1/1/2011*** | | | | | |
| Service Before 7/1/1999 | 3.00% | 5 yrs* | 12 | 55 | 8.25% |
| Service On/After 7/1/1999 | 3 1/3% | | | | |
| ***Hired On/After 1/1/2011*** | | | | | |
| All service | 3.00% | 5 yrs* | 12 | 60 | 8.25% |

* The FAC for a member first eligible before July 1, 2006 and retire before January 1, 2011 shall be based on 3 years. The FAC for a member hired before July 1, 2006 and retire on or after January 1, 2011, shall be 36 months plus the number of whole months elapsed since January 1, 2011, not to exceed 60 months. The FAC for a member first eligible on or after July 1, 2006, shall be based on 5 years.

***DARS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| ***All Employees***[a] | 3.50% | 5 yrs[b] | 10 | 60 | 8.00%[e] |
| | | | 24 | 55 | |
| | | | 30 | any age | |
| | | | 18[c] | 55 | |
| ***Hired Before 7/1/1990***[a] ***(Voluntarily only)*** | 3.00% | 5 yrs[b] | 10 | 62 | 8.00%[e] |
| | | | 18 | 60 | |
| | | | 23 | 55 | |
| | | | 30 | any age | |
| | | | 10[d] | 60 | |
| | | | 18[d] | 55 | |

a. Members hired before 7/1/1990 may voluntarily elect to retire with only a 3.00% accrual rate, but with more generous eligibility criteria.
b. The FAC is based on 36 months plus the number of whole months elapsed since January 1, 2013, total not to exceed 60 months.
c. A member who joined DARS on or after 7/1/1990 is eligible for early retirement at age 55 with at least 18 years of service, with an actuarially reduced benefit at 3% accrual rate.
d. A member who joined DARS before 7/1/1990 is eligible for early retirement at age 60 with at least 10 years of service, or at age 55 with 18 years of service. If so, his benefit will be actuarially reduced.
e. This previous rate was 7.00% prior to 1/1/2013.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

***FRS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **All Employees** | 3 1/3% | 3 yrs | 12[a] | 55 | 8.00% / 10.00%[b] |
| | | | 20[a] | 50 | |
| | | | 25[a] | any age | |

a. Must have been a member of this system for at least one year.
b. Active members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services contribute 8.00% of pay. All others contribute 10.00%.

***MERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **Plan A** | | | | | |
| ***Hired Before 1/1/2013*** | 3.00%[a] | 5 yrs[b] | 10 | 60 | 9.50%[e] |
| | | | 25 | any age | |
| | | | 20[c] | any age | |
| ***Hired On/After 1/1/2013*** | 3.00% | 5 yrs | 7 | 67 | 9.50%[f] |
| | | | 10 | 62 | |

| | | | | | |
|---|---|---|---|---|---|
| | | | 30 | 55 | |
| | | | 25[d] | any age | |

a. An additional 1/2% for a position in elective service.
b. If membership in the system started before 7/1/2006, FAC is based on 36 months plus the number of whole months since 1/1/2013 but not to exceed 60 months.
c. Members are eligible for an actuarially reduced early retirement at 20 years of service credit.
d. Members are eligible for an actuarially reduced early retirement at 25 years of service credit.
e. This rate, set by the board of trustees, may range from 9.25% to 10.00%. The rate was 9.25% prior to 7/1/2003.
f. This rate, set by the board of trustees, may range from 8.00% to 10.00%. The rate was 9.25% prior to 7/1/2003.

**Plan B**

| | | | | | |
|---|---|---|---|---|---|
| ***Hired Before 1/1/2013*** | 2.00%[a] | 5 yrs[b] | 10 | 60 | 5.00%[d] |
| | | | 30 | any age | |
| ***Hired On/After 1/1/2013*** | 2.00% | 5 yrs | 7 | 67 | 5.00%[e] |
| | | | 10 | 62 | |
| | | | 30 | 55 | |
| | | | 25[c] | any age | |

a. An additional 1/2% for a position in elective service.
b. If membership in the system started before 7/1/2006, FAC is based on 36 months plus the number of whole months since 1/1/2013 but not to exceed 60 months.
c. Members are eligible for an actuarially reduced early retirement at 25 years of service credit.
d. This rate, set by the board of trustees, may range from 5.00% to 6.00%.
e. This rate, set by the board of trustees, may range from 4.00% to 6.00%.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)

**(as of July 1, 2013)**

***MPERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **All Employees** | | | | | |
| ***Hired Before 1/1/2013*** | 3 1/3% | 3 yrs | 12 | 55 | 7.50% / 10.00%[c] |
| | | | 20 | 50 | |
| | | | 25 | any age | |
| | | | 20[b] | any age | |
| ***Hazardous Duty Hired On/After 1/1/2013*** | 3.00%[a] | 5 yrs | 12 | 55 | 7.50% / 10.00%[c] |
| | | | 25 | any age | |
| | | | 20[b] | any age | |
| ***Non-Hazardous Duty Hired On/After 1/1/2013*** | 2.50% | 5 yrs | 10 | 60 | 7.50% / 8.00%[d] |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| | | | 20[b] | any age | |

a. The rate is 3 1/3% for members who retire with 30 or more years of service.
b. A member may retire early at any age with 20 years of service and receive an actuarially reduced benefit.
c. Active members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services contribute 7.50% of pay. All others contribute 10.00%.
d. Active members earning less than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services contribute 7.50% of pay. All others contribute 8.00%.

***PERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility | | Member Contribution |
|---|---|---|---|---|---|
| | | | Service | Age | |
| **Plan A** | | | | | |
| ***Hired Before 1/1/2007*** | 3.00% | 3 yrs | 7 | 65 | 9.50%* |
| | | | 10 | 60 | |
| | | | 25 | 55 | |
| | | | 30 | any age | |
| ***Hired On/After 1/1/2007*** | 3.00% | 5 yrs | 7 | 67 | 9.50%* |
| | | | 10 | 62 | |
| | | | 30 | 55 | |

* This rate, set by the board of trustees, may range from 8.00% to 11.00%.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
**(as of July 1, 2013)**

***PERS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **Plan B (In Social Security)** | | | | | |
| ***Hired Before 1/1/2007*** | 2.00% | 3 yrs | 7 | 65 | 3.00%* |
| | | | 10 | 60 | |
| | | | 30 | 55 | |
| ***Hired On/After 1/1/2007*** | 2.00% | 5 yrs | 7 | 67 | 3.00%* |
| | | | 10 | 62 | |
| | | | 30 | 55 | |

* This rate, set by the board of trustees, may range from 3.00% to 5.00%.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
**(as of July 1, 2013)**

***RVRS***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **All Employees** | | | | | |
| ***Hired Before 1/1/2013*** | 3 1/3% | 5 yrs | 10 | 60 | 7.00%[b] |
| | | | 20 | 55 | |
| | | | 30 | any age | |
| ***Hired On/After 1/1/2013*** | 3.00%[a] | 5 yrs | 10 | 62 | 7.00%[b] |
| | | | 20 | 60 | |
| | | | 30 | 55 | |

a. The rate is 3 1/3% for members who retire with 30 or more years of service, with at least 20 years earned in this system.
b. This rate, set by the board of trustees, may range from 7.00% to 9.00%.

## Benefit Accrual Rates, Retirement Eligibility & Member Contribution Rates (% of Pay)
**(as of July 1, 2013)**

***SPRF***

| | Benefit Accrual | Final Avg Comp | Retirement Eligibility: Service | Retirement Eligibility: Age | Member Contribution |
|---|---|---|---|---|---|
| **All Employees** | | | | | |
| ***Hired Before 7/1/2006*** | 3 1/3% | 3 yrs | 12 | 55 | 10.25%[d] |
| | | | 30 | any age | |
| | | | 20[b] | 50 | |
| ***Hired On/After 7/1/2006, but Before 1/1/2012*** | 3 1/3% | 5 yrs | 12 | 55 | 10.25%[d] |
| | | | 30 | any age | |
| | | | 20[b] | 50 | |
| ***Hired On/After 1/1/2012*** | 3.00%[a] | 5 yrs | 12 | 62 | 10.25%[d] |
| | | | 20 | 60 | |
| | | | 30 | 55 | |
| | | | 20[c] | 50 | |

a. This rate is 3 1/3% for members who retire with 30 or more years of service.
b. A member may retire early with 20 years of service at age 50 with an actuarially reduced benefit from age 55.
c. A member may retire early with 20 years of service at age 50 with an actuarially reduced benefit from age 60.
d. This rate, set by the board of trustees, may range from 9.80% to 10.25%. The previous rate was 10.00%.

## 2. Benefit Levels and Employee Paid Portion

The following table and graph illustrates two aspects of the retirement benefit.

***Income Replacement Ratio***

The non-shaded percentages in the following table reflect the ratio of the benefit expected for a new member to his/her annual salary at retirement. These calculations are based on an individual joining a state or statewide retirement system or sub plan for the first time on the first day of FYE 2014 (i.e., July 1, 2013, for all plans expect ASSR and PERS). The table does not reflect any new plan that became effective on January 1, 2014.

The retirement benefit is calculated using the five highest consecutive earning years that the member has over his entire salary history or three highest consecutive earning years, depending on the retirement system to which the member belongs. Showing the benefit as a percentage of pre-retirement earnings provides the employer an indication of the plan's benefit adequacy level. It gives the income replacement ratio which benefits are expected to provide upon retirement.

***Employee Funding***

The shaded percentages show the portion of the cost for retirement benefits that will be funded by employee contributions. A new member's future expected contributions are accumulated with interest at the valuation return rate over the designated time period. The accumulated value is then divided by the actuarial present value of their future retirement benefits. This is the portion of the benefit cost that will be funded by the member's contributions.

***Hazardous Duty:*** The table separates plans that are predominantly for members performing hazardous duties from plans that apply to members employed in non-hazardous occupations. Benefit formulas for employees engaged in hazardous duty are traditionally at higher levels and with earlier normal retirement ages than plans for other types of employment. Hazardous duty personnel are typically members employed in law enforcement and public safety. The group shown on the following page is composed of state police, firefighters, sheriffs, municipal police, LASERS hazardous duty sub plan, corrections secondary, alcohol tobacco control, and wildlife enforcement agents.

***Benefit/Cost Illustrations:*** Retirement benefit provisions, employee contribution rates, and actuarial assumptions applied in this section are those in effect at the beginning of FYE 2014, including legislation enacted during the 2013 Regular Session. However, as noted previously, the cost illustrations do not include the effects of legislation that have effective dates that occur after the first day of FYE 2014.

**For New Members on July 1, 2013**

| | Division | Age | Replacement Ratios (Benefit as % of Pay) | | | Employee Paid Portion of Benefit Cost (with interest) | | |
|---|---|---|---|---|---|---|---|---|
| ***Non-Hazardous Group*** | | | Years of Service | | | | | |
| | | | **20** | **30** | **40** | **20** | **30** | **40** |
| | | | *(Projected for a New Member on 7/1/2013)* | | | | | |
| ***LASERS*** | Rank & File | 65 | 46% | 69% | 91% | 50% | 62% | 72% |
| | Judges | 65 | 66% | 94% | 94% | 70% | 95% | 100% |
| ***TRSL*** | Teachers | 65 | 45% | 69% | 90% | 47% | 57% | 64% |
| | Higher Ed | 65 | 46% | 69% | 92% | 50% | 60% | 73% |
| | Lunch B | 65 | 36% | 55% | 75% | 37% | 46% | 60% |
| ***LSERS*** | Regular | 65 | 46% | 70% | 94% | 49% | 59% | 75% |
| ***ASSR*** | Regular | 65 | 54% | 88% | 89% | 35% | 34% | 39% |
| ***CCRS*** | Regular | 65 | 54% | 81% | 90% | 37% | 41% | 46% |
| ***DARS*** | Regular | 65 | 62% | 89% | 89% | 29% | 31% | 34% |
| ***MERS*** | Plan A | 65 | 54% | 81% | 90% | 47% | 52% | 61% |
| | Plan B | 65 | 36% | 54% | 72% | 37% | 41% | 46% |
| ***PERS**** | Plan A | 65 | 54% | 81% | 90% | 44% | 48% | 55% |
| | Plan B | 65 | 36% | 54% | 72% | 21% | 23% | 25% |
| ***RVRS*** | Regular | 65 | 53% | 88% | 88% | 29% | 27% | 29% |

* The most recent information for PERS is of FYE 2012.

## For New Members on July 1, 2013

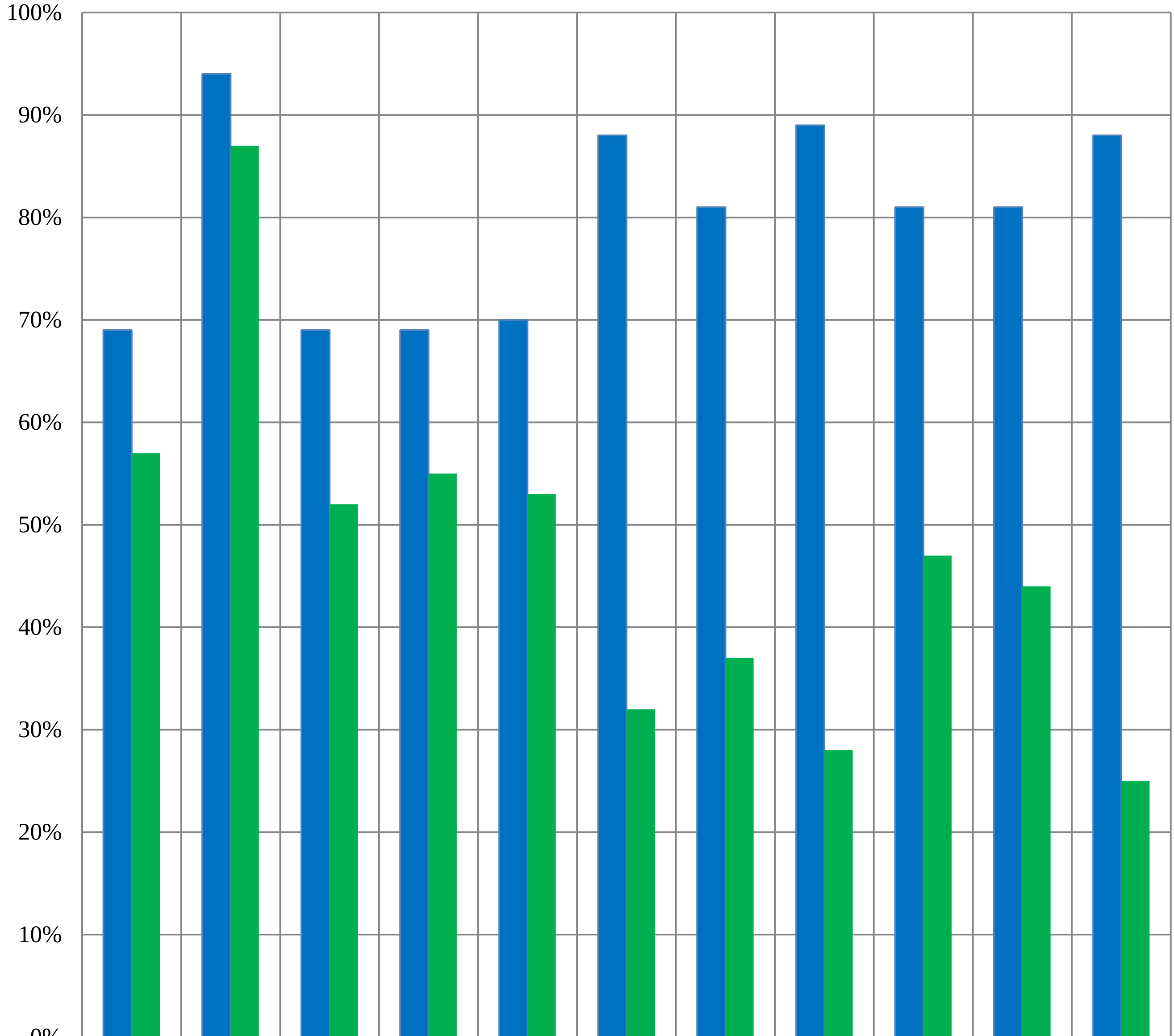
**Hazardous Group**

| | Division | Age | Replacement Ratios (Benefit as % of Pay) | | Employee Paid Portion of Benefit Cost (with interest) | |
|---|---|---|---|---|---|---|
| | | | Years of Service | | | |
| | | | 20 | 25 | 20 | 25 |
| | | | *(Projected for a New Member on 7/1/2013)* | | | |
| ***LASERS*** | Hazardous Duty | 55 | 59% | 74% | 35% | 37% |
| ***STPOL*** | Regular | 55 | 61% | 76% | 32% | 34% |
| ***FRS*** | Regular | 55 | 63% | 79% | 33% | 35% |
| ***MPERS*** | Regular | 55 | 55% | 68% | 44% | 47% |
| ***SPRF*** | Regular | 55 | 54% | 67% | 42% | 44% |

No values are shown for the following plans or sub plans because no new members first employed on July 1, 2013, are allowed to join these plans.

| | |
|---|---|
| LASERS | Pre 2011 Judges and Court Offices sub plan |
| LASERS | Legislators sub plan |
| LASERS | Corrections Primary sub plan |
| LASERS | Corrections Secondary sub plan |
| LASERS | Peace Officers sub plan |
| LASERS | AT Control sub plan |
| LASERS | Bridge Police sub plan |
| LASERS | Wildlife sub plan |
| TRSL | Lunch Plan A |

**Ratio of Retirement Benefit to Retirement Income and**
**The Portion of the Benefit Paid by Employees**
**Retirement Age 60 with 30 Years of Service**
**Non-Hazardous Duty Plans**

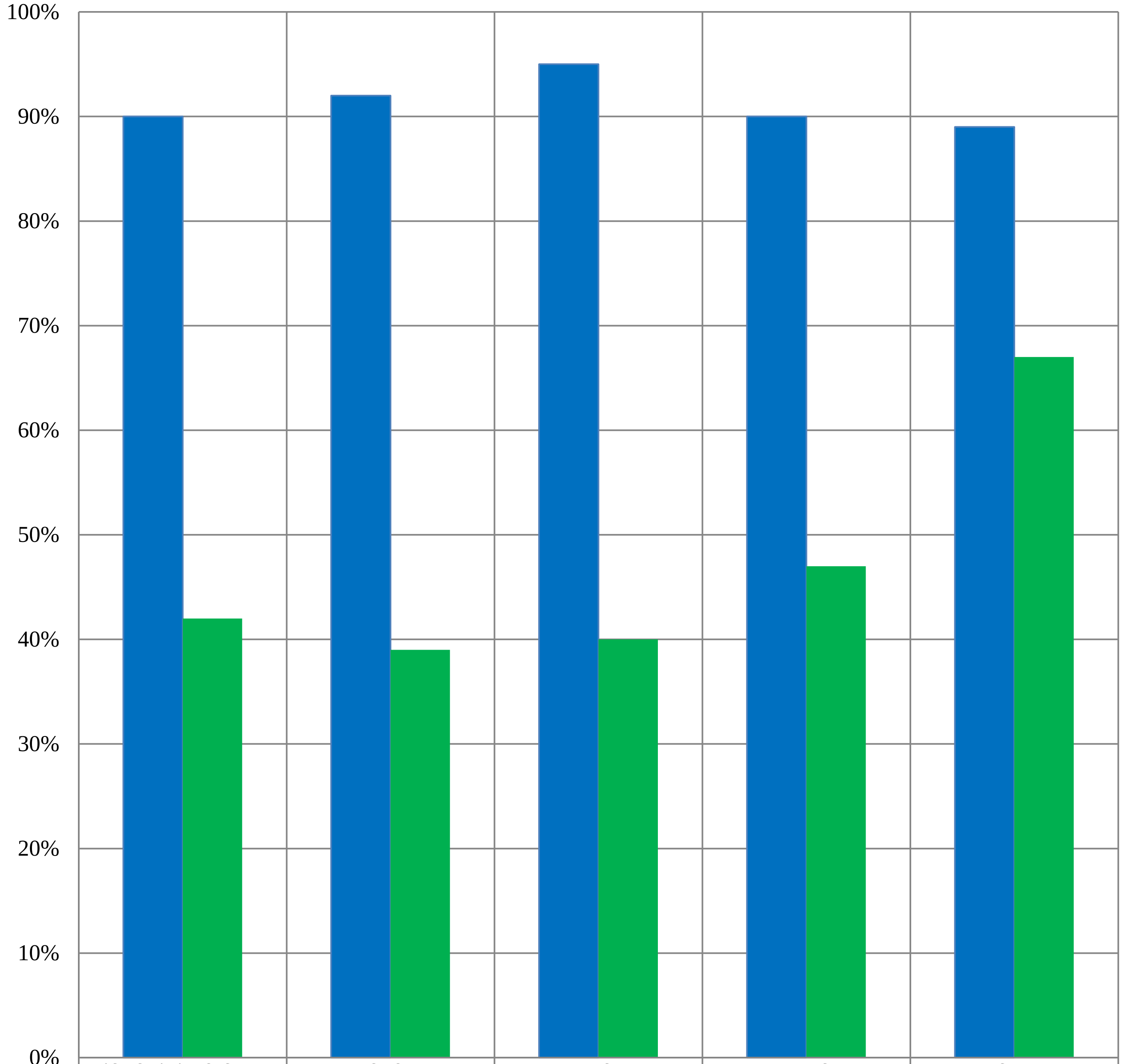



| | LASERS R&F | LASERS JUDGES | TRSL Regular | TRSL Higher Ed | LSERS | ASSR | CCRS | DARS | MERS A | PERS A | RVRS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RETIREMENT % | 69% | 94% | 69% | 69% | 70% | 88% | 81% | 89% | 81% | 81% | 88% |
| EMPLOYEE % | 57% | 87% | 52% | 55% | 53% | 32% | 37% | 28% | 47% | 44% | 25% |

Retirement % – Retirement Income as a Percentage of Pre Retirement Income
Employee % – Portion of the Total Benefit Funded by the Employee

* The most recent information for PERS is for FYE 2012.

**Ratio of Retirement Benefit to Retirement Income and**
**The Portion of the Benefit Paid by Employees**
**Retirement Age 60 with 30 Years of Service**
**Hazardous Duty Plans**




| | LASERS HAZARDOUS DUTY | STPOL | FRS | MPERS | SPRF |
|---|---|---|---|---|---|
| RETIREMENT % | 90% | 92% | 95% | 90% | 89% |
| EMPLOYEE % | 42% | 39% | 40% | 47% | 67% |

Retirement % – Retirement Income as a Percentage of Pre Retirement Income
Employee % – Portion of the Total Benefit Funded by the Employee

## 3. Projected Contribution Rates

***Public Sources (Employer)***

As discussed in the *Employer Funding for Pension Benefits* section of this report, the State of Louisiana is primarily responsible for funding the four state retirement systems through general fund appropriations, agency self-generated funds, IPTF allocations, or as transfer payments to local school districts. Funding sources for the nine statewide retirement systems include local appropriations, ad valorem taxes, general revenue sharing funds, IPTF allocations, and special General Fund appropriations. Other incidental funding sources, available to participating employers, may vary from time to time.

***Member Rates***

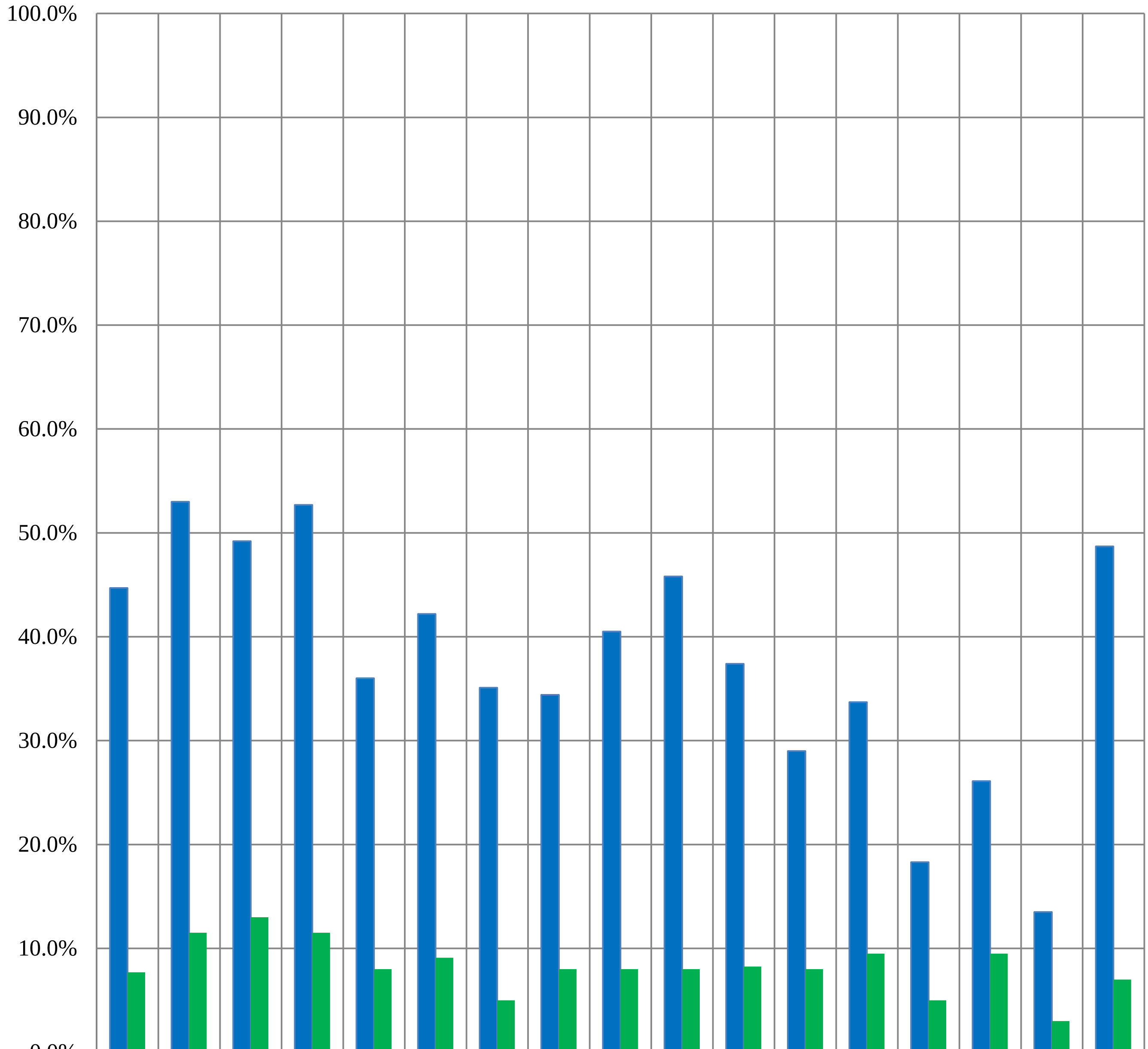
Employee contribution rates are fixed by statute and are summarized in the first part of this section. Required member contributions vary by plan and, with some exceptions, range from 7% to 10.25% of employee pay. Judges and legislators are required to contribute 11.5%. Judges first employed on or after January 1, 2011, contribute 13%.

***Total Projected Rates***

The combination of total public sources of employer funding plus member contributions, are required to fund the system's total future expected retirement plan obligations. Total projected rates reflect the total funding requirement for the plan's fiscal year as a percentage of member payroll. For FYE 2015, we expect total projected rates to range from 13.5% to 86.6% of member payroll, with a median rate of 44.9%. Last year's range was 13.4% to 81.0%, with a median of 39.8%.

The following graph compares total projected rates (all sources including member rates) with member rates only. These are based on actuarial valuation results as approved by PRSAC to be paid for FYE 2015.

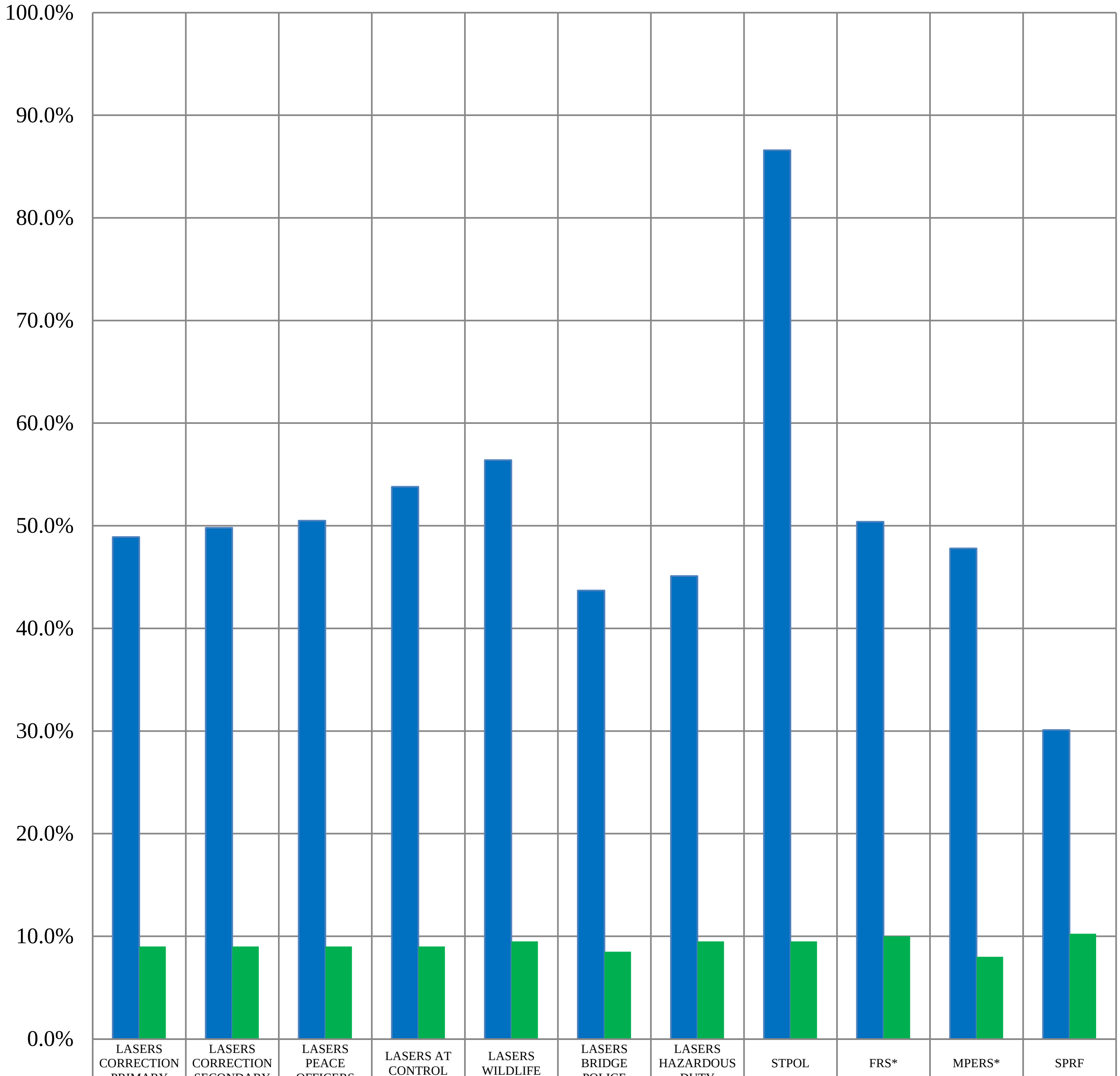
**Projected Contribution Rates for Non-Hazardous Duty Plans**
**All Sources and Members Only**
**Fiscal Year Ending 2015**




| | LASERS R&F | LASERS JUDGES/ CT OFF | LASERS NEW JUDGES | LASERS LEGIS | TRSL K-12 Teachers | TRSL PLAN A | TRSL PLAN B | TRSL Higher Ed | LSERS | ASSR | CCRS | DARS | MERS A | MERS B | PERS A | PERS B | RVRS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL SOURCES | 44.7% | 53.0% | 49.2% | 52.7% | 36.0% | 42.2% | 35.1% | 34.4% | 40.5% | 45.8% | 37.4% | 29.0% | 33.7% | 18.3% | 26.1% | 13.5% | 48.7% |
| MEMBER ONLY | 7.70% | 11.50% | 13.00% | 11.50% | 8.00% | 9.10% | 5.00% | 8.00% | 8.00% | 8.00% | 8.25% | 8.00% | 9.50% | 5.00% | 9.50% | 3.00% | 7.00% |

* The most recent information for PERS is for FYE 2012.

**Projected Contribution Rates for Hazardous Duty Plans**
**All Sources and Members Only**
**Fiscal Year Ending 2015**




| | LASERS CORRECTION PRIMARY | LASERS CORRECTION SECONDARY | LASERS PEACE OFFICERS | LASERS AT CONTROL | LASERS WILDLIFE | LASERS BRIDGE POLICE | LASERS HAZARDOUS DUTY | STPOL | FRS* | MPERS* | SPRF |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL SOURCES | 48.9% | 49.8% | 50.5% | 53.8% | 56.4% | 43.7% | 45.1% | 86.6% | 50.4% | 47.8% | 30.1% |
| MEMBER ONLY | 9.00% | 9.00% | 9.00% | 9.00% | 9.50% | 8.50% | 9.50% | 9.50% | 10.00% | 8.00% | 10.25% |

* The member contribution rates shown for FRS (10.00%) and MPERS (10.25%) assume that all members are earning more than the poverty rate under guidelines issued by the U.S. Department of Health and Human Services.

# Section III

# Actuarial Concerns – Funding Issues

## 1. The Cost of Funding the UAL for State Systems

***Issue***

The UAL for the four state retirement systems in the aggregate was $19.0 billion on June 30, 2013. This debt is being amortized over the next 30 years. The general pattern of payments scheduled to be made over this period is summarized below.

1. Amortization payments for FYE 2014 are scheduled to be $1,598.9 million.

2. Payments will steadily increase to about $1.79 billion in FYE 2019 and to $1.90 billion by FYE 2029.

3. Beginning in FYE 2030, payments will fall to about $1.31 billion and steadily decrease thereafter, until full funding is attained on June 30, 2044.

The fundamental issue is "Will the state be able to afford these amortization payments as the dollar amount continues to rise?"

***Amortization Payments***

Under rules adopted in 1992, amortization payment schedules for LASERS and TRSL were developed to pay off the UAL debt with annual payments increasing 4.5% a year. The final payment was scheduled to be made in FYE 2029.

An increasing payment schedule was adopted because it was assumed that growth in Louisiana government combined with inflation would lead to an aggregate payroll increase of 4.5% a year. Under this assumption, amortization payments as a percentage of government payrolls would remain constant from year to year.

.

Several changes have been made to the payment schedules since 1992, with the most recent change occurring with Act 497 of the 2009 legislative session. Although payments are scheduled to increase, they are no longer linked in any manner to anticipated future payrolls of the state. As a result of Act 497:

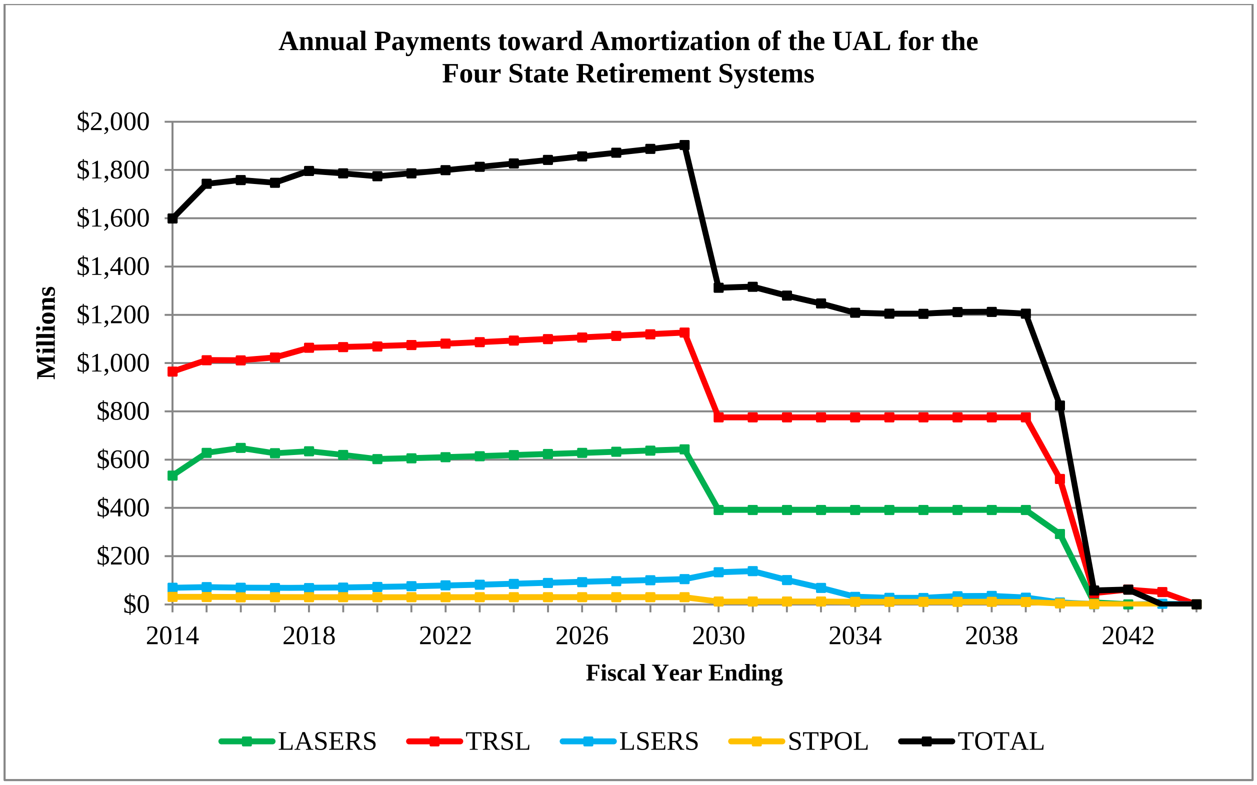
1. The UALs were reduced by balances in the LASERS and TRSL IUAL Funds, the Experience Accounts, and the Employer Credit Accounts. The UALs were reduced by $216.5 million and $699.8 million for LASERS and TRSL, respectively.

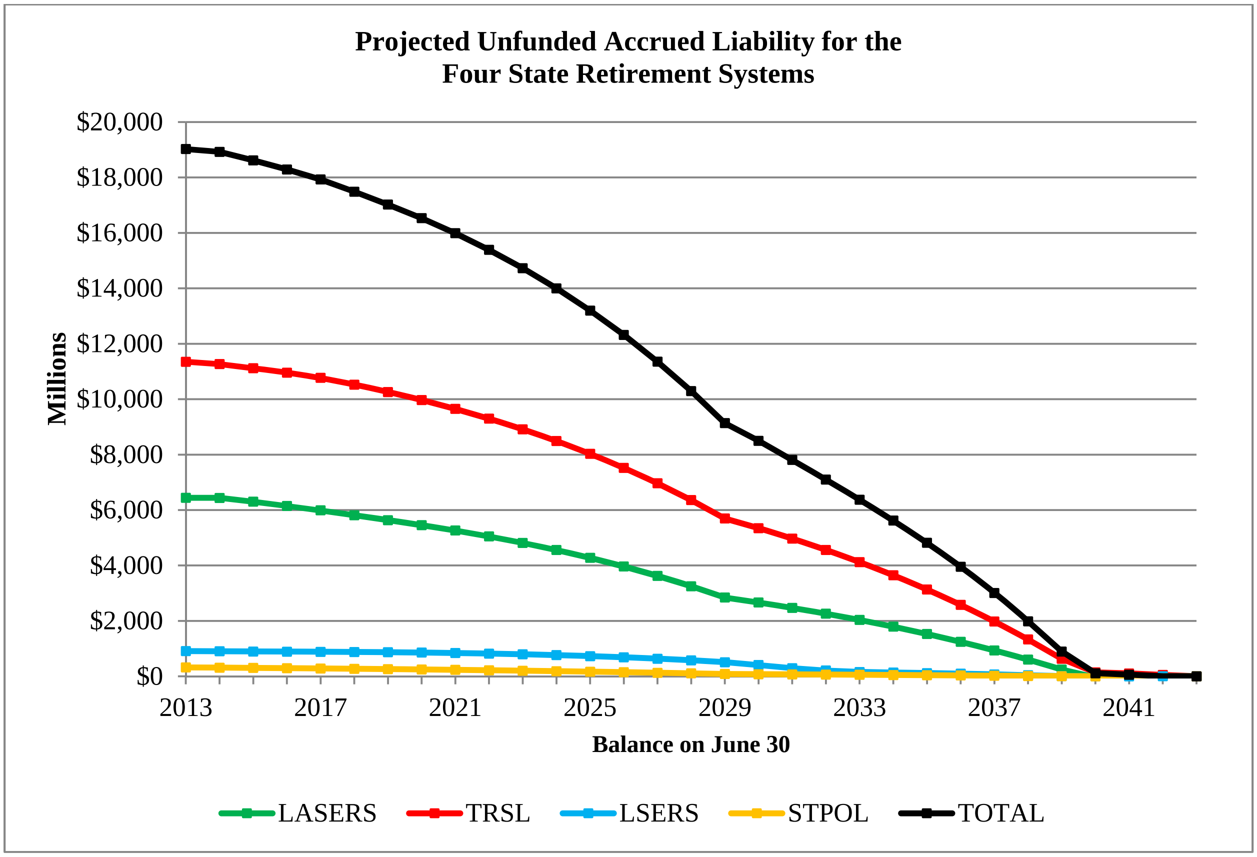
2. Annual amortization payments will be smaller than they would have been otherwise because the outstanding principal amounts are less. Under Act 497, amortization payments before June 30, 2012, had not been sufficient to cover interest on the UAL, and the UAL had continued to increase. Prior to Act 497, payments would have been insufficient to pay interest until June 30, 2016.

3. Amortization payments have been more than enough to cover interest charges since June 30, 2012, and UAL balances have begun to decline.

**Note:** Amortization schedules under Act 497 comply with the law requiring the IUAL established on June 30, 1988, to be fully amortized by June 30, 2029. Longer periods of time are available to amortize adjustments to the UAL that have occurred since 1988 due to gains, losses, benefit improvements, and changes in methods and assumptions.

Amortization payments for each of the state retirement systems are shown in the graph on the following page. Outstanding balances for the UALs over the next 30 years are also shown.


Annual Payments toward Amortization of the UAL for the
Four State Retirement Systems
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
Millions
2014
2018
2022
2026
2030
2034
2038
2042
Fiscal Year Ending
LASERS
TRSL
LSERS
STPOL
TOTAL


Projected Unfunded Accrued Liability for the
Four State Retirement Systems
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
Millions
2013
2017
2021
2025
2029
2033
2037
2041
Balance on June 30
LASERS
TRSL
LSERS
STPOL
TOTAL

Mid-year amortization payment amounts for selected years are shown below in the aggregate and separately for each retirement system.

**SCHEDULED MID-YEAR AMORTIZATION PAYMENTS FOR THE TOTAL UAL**
**as of June 30, 2013**
**(in millions)**

***Combined State Systems***

| Fiscal Year Ending | Years Out | UAL Mid-Year Amortization Payment |
|---|---|---|
| 2014 | 1 | $ 1,598.9 |
| 2019 | 6 | 1,785.7 |
| 2024 | 11 | 1,827.1 |
| 2029 | 16 | 1,903.1 |
| 2034 | 21 | 1,208.6 |
| 2040 | 27 | 824.0 |

***LASERS***

| Fiscal Year Ending | Years Out | UAL Mid-Year Amortization Payment |
|---|---|---|
| 2014 | 1 | $ 534.1 |
| 2019 | 6 | 619.5 |
| 2024 | 11 | 618.7 |
| 2029 | 16 | 642.3 |
| 2034 | 21 | 391.5 |
| 2040 | 27 | 291.9 |

***TRSL***

| Fiscal Year Ending | Years Out | UAL Mid-Year Amortization Payment |
|---|---|---|
| 2014 | 1 | $ 964.7 |
| 2019 | 6 | 1,066.2 |
| 2024 | 11 | 1,093.1 |
| 2029 | 16 | 1,126.2 |
| 2034 | 21 | 775.0 |
| 2040 | 27 | 519.8 |

**SCHEDULED MID-YEAR AMORTIZATION PAYMENTS FOR EACH SYSTEM'S UAL as of June 30, 2013 (in millions)**

***LSERS***

| Fiscal Year Ending | Years Out | UAL Mid-Year Amortization Payment |
|---|---|---|
| 2014 | 1 | $ 68.9 |
| 2019 | 6 | 70.0 |
| 2024 | 11 | 85.4 |
| 2029 | 16 | 104.7 |
| 2034 | 21 | 31.5 |
| 2040 | 27 | 8.3 |

***STPOL***

| Fiscal Year Ending | Years Out | UAL Mid-Year Amortization Payment |
|---|---|---|
| 2014 | 1 | $ 31.2 |
| 2019 | 6 | 30.0 |
| 2024 | 11 | 29.9 |
| 2029 | 16 | 29.9 |
| 2034 | 21 | 10.6 |
| 2040 | 27 | 4.0 |

***Special Funds***

The state retirement systems maintain separate side funds within their respective trusts – the IUAL Fund, the Experience Account, and the Employer Credit Account. These funds were established by law to set aside retirement system assets for specified purposes.

As a result of Act 497, the balance in each of these funds was transferred back to the regular pool of assets to reduce the UALs of the retirement systems. The status of these funds is briefly summarized as follows:

1. IUAL Fund – this fund will continue to exist but currently there is no source of funding for this account. Future funding will only occur through future legislation.

2. Experience Account – this account will continue to receive 50% of any investment gains that exceed a stated threshold. The thresholds for LASERS and TRSL are $100 million and $200 million, respectively. For LSERS and STPOL, 50% of any investment gain will be transferred from the regular pool of assets to the Experience Account.

3. Employer Credit Account – this account will also continue to exist, but given the current financial status of the retirement systems, it is unlikely that any funding will be available in the foreseeable future.

## 2. Structural Changes for Amortizing the UAL

***Issue***

The state's commitment to amortize UALs for LASERS and TRSL has changed several times since actuarial funding began on July 1, 1988.

The Louisiana Constitution, as amended in 1988, mandated the IUAL to be fully funded by June 30, 2029. Thereafter, the only cost to employers for retirement benefits will be for employer normal costs and payments to amortize offsetting gains and losses that have occurred after 1988, and that will continue to occur in the future. Large legacy costs should no longer exist.

Significant structural changes for amortizing the UAL occurred in 1990, 1992, 1993, 2004, and 2008. The most recent change occurred with the enactment of Act 497 during the 2009 legislative session. The effects that Act 497 will have on amortization schedules for LASERS and TRSL are shown below. A history of the effects of all prior changes follows thereafter.

***Act 497 of 2009***

Act 497 of the 2009 Session applied to LASERS and TRSL. The Act made the following changes to their amortization schedules.

**LASERS**

1. A new amortization base called the Original Amortization Base (OAB) was established as of June 30, 2010. Essentially, the outstanding balance of the IUAL was reduced by the outstanding balances of net actuarial gains and losses occurring from 1989 to 1993 and actuarial gains that occurred in 1993-1995, 1997-1998, and 2005-2007. The IUAL was further reduced by amounts in the IUAL Fund.

2. The OAB was reduced by $50 million on June 30, 2013, and re-amortized over 16 years from FYE 2014 through FYE 2029 with payments that increase 6.5% for one year, 5.5% for four years, 5.0% for two years and 2% per year for the remaining period.

3. Another new amortization base called the Experience Account Amortization Base (EAAB) was established on June 30, 2010. This base was the sum of the outstanding balances associated with actuarial losses occurring in

1996, 1999-2004, and 2008. The amount was reduced by the balance in the Experience Account.

4. The EAAB was reduced by $50 million on June 30, 2013, and re-amortized over 27 years from FYE 2014 through FYE 2040 with payments that increase 6.5% for one year, 5.5% for four years, 5.0% for two years and 0.0% per year for the remaining period.

**TRSL**

1. A new amortization base called the OAB was established as of June 30, 2010. Essentially, the outstanding balance of the IUAL was reduced by the outstanding balances of net actuarial gains and losses occurring from 1989 to 1993 and actuarial gains that occurred in 1993-1996, 1998-2000, and 2005-2008. The IUAL was further reduced by amounts in the IUAL Fund and the Employer Credit Account.

2. The OAB was reduced by $100 million on June 30, 2013, and re-amortized over 16 years from FYE 2014 through FYE 2029 with payments that increase 6.5% for four years and then 2.0% per year for the remaining period. Annual payments were determined at a discount rate of 8.00%.

3. Another new amortization base called the EAAB was established on June 30, 2010. This base was the sum of the outstanding balances associated with actuarial losses occurring in 1997, 2001-2004, and 2008. The amount was reduced by the balance in the Experience Account.

4. The EAAB was reduced by $100 million on June 30, 2013, and re-amortized over 27 years from FYE 2014 through FYE 2040 with payments that increase 6.5% for four years and then 0.0% per year for the remaining period. Annual payments were determined at a discount rate of 8.00%.

***History – Initial UAL***

IUALs for the four state retirement systems were established on June 30, 1988. No payments were made to amortize IUALs during FYE 1989. The IUALs as measured on June 30, 1988, were allowed to grow with interest at the valuation interest rate to June 30, 1989. Payments toward amortizing the IUALs began in FYE 1990.

IUAL amounts on June 30, 1988, and June 30, 1989, for each of the four state retirement systems are shown below.

| | IUAL on | |
|---|---|---|
| **Retirement System** | **June 30, 1988** | **June 30, 1989** |
| LASERS | $ 1,825,421,035 | $ 1,962,327,613 |
| TRSL | 4,169,250,465 | 4,481,944,250 |
| LSERS | 10,999,431 | 11,769,391 |
| STPOL | 186,389,702 | 199,436,981 |
| **Total** | **$ 6,192,060,633** | **$ 6,655,478,235** |

***History – New UALs***

New charges or credits have been incurred by all four state systems every year after June 30, 1988. Charges or credits are incurred annually for the following reasons:

1. Gains and Losses

2. Changes in Actuarial Assumptions

3. Changes in the Asset Valuation Method

4. Changes in Actuarial Methods other than the Asset Valuation Method

5. Benefit Changes

6. Fund transfer to Experience Account

The actuary for each system determines the extent to which the UAL has increased or decreased as a result of each of the above factors. An amortization schedule is established for each new UAL charge or credit. The initial balance of each charge or credit is commonly called a charge or credit base.

***History – Act 81 of the 1988 Session***

Act 81 of the 1988 session applied to all four state retirement systems. The Act established the following amortization rules to implement the constitutional mandate:

1. IUALs established on July 1, 1988, for LASERS, TRSL, and LSERS were to be amortized over a 40-year period beginning July 1, 1989, and ending June 30, 2029, with payments increasing 4.0% a year for the first 4 years; 3.5% for the next 5 years; 3.0% for the next 5 years; and so on. Payments over the last 5 years of the 40-year period would increase 0.5% a year.

2. The IUAL for STPOL was to be amortized with level payments over 20 years.

3. New UAL bases (changes in liability after June 30, 1988) due to actuarial gains and losses, changes in assumptions, changes in the method of valuing assets, and changes in benefits were to be amortized with level payments over 15 years.

4. New UALs due to changes in actuarial funding methods other than the actuarial value of assets were to be amortized with level payments over 30 years.

***History – Act 470 of the 1990 Session***

Act 470 of the 1990 Regular Session applied to all four state retirement systems. The Act modified amortization rules in accordance with the following:

» New UAL bases established for the June 30, 1989, valuation and all subsequent valuations due to changes in actuarial assumptions were to be amortized with level payments over 30 years (instead of 15 years).

***History – Act 257 of the 1992 Session***

Act 257 of the 1992 Regular Session applied to all four state retirement systems. The Act modified amortization rules in accordance with the following:

1. The outstanding balances of the IUALs on June 30, 1992 – for LASERS and TRSL only – were to be re-amortized over 37 years with payments increasing 4.5% per year.

2. Outstanding balances on June 30, 1992, of New UAL bases initiated with the 1989, 1990, 1991, and 1992 valuations were to be re-amortized with payments increasing 4.5% a year. Amortization periods were not changed.

3. New UAL bases established with the 1993 and later valuations were to be amortized in the following manner:

   a. New UAL bases due to actuarial gains and losses, changes in the method of valuing assets, and changes in benefits were to be amortized over 15 years with payments increasing 4.5% a year.

b. New UAL bases due to changes in actuarial assumptions and changes in actuarial funding methods other than the actuarial value of assets were to be amortized over 30 years with payments increasing 4.5% a year.

***History – Act 734 of the 1993 Session***

Act 734 of the 1993 Session applied to all four state retirement systems. The Act provided that at the end of the fiscal year during which assets exceed the actuarial accrued liability, outstanding balances of all amortization bases would be fully liquidated. The amount by which assets exceeded the accrued liability would be amortized as a credit to be amortized over 15 years with credit amounts increasing 4.5% a year.

Asset values for LSERS exceeded the accrued liability on June 30, 1993, and in accordance with Act 734 all prior balances were liquidated and a new credit base was established subject to amortization over 15 years with credits increasing 4.5% a year. LSERS has interpreted Act 734 to mean that liquidation occurs only for the first year for which assets exceed the accrued liability. Therefore, new payment or credit bases will be established each year thereafter as the surplus or deficit increases or decreases. Liquidation will occur next when the plan again moves from a UAL on a given valuation date to a surplus on the next following valuation date.

LASERS, TRSL, and STPOL have not as yet been affected by this provision of law.

***History – Act 588 of the 2004 Session***

Act 588 of the 2004 Regular Session applied to LASERS, TRSL, and LSERS. It did not apply to STPOL. The Act modified amortization rules in accordance with the following:

**LASERS**

1. Assets of the plan were transferred to the Experience Account to pay off the negative balance in the account that existed as of June 30, 2004. A charge base was established for the 2004 valuation to reflect this asset transfer.

2. The amortization schedule for the IUAL was not changed.

3. The outstanding balances on June 30, 2004, of New UAL bases established by the 1989 through 1998 valuations were re-amortized effective with the 2004 valuation with level payments over 25 years.

4. Amortization schedules for New UAL bases established by the 1999 through 2003 valuations were not changed.

5. New UAL bases established for the 2004 and later valuations were to be amortized with level payments over 30 years.

**TRSL**

1. Assets of the plan were transferred to the Experience Account to pay off the negative balance in the account that existed on June 30, 2004. A charge base was established for the 2004 valuation to reflect this asset transfer.

2. The amortization schedule for the IUAL was not changed.

3. The outstanding balances on June 30, 2004, of New UAL bases established by the 1989 through 2000 valuations were re-amortized effective with the 2004 valuation with level payments over 25 years.

4. Amortization schedules for New UAL bases established by the 2001 through 2003 valuations were not changed.

5. New UAL bases established for the 2004 and later valuations were to be amortized with level payments over 30 years.

**LSERS**

1. New rules for LSERS were the same as for TRSL.

2. Note: LSERS did not have an Experience Account in 2004.

**STPOL**

» No changes were made.

***History – Act 852 of 2008***

Act 852 of the 2008 Regular Session applied to STPOL. The Act modified amortization rules in accordance with the following:

1. All outstanding balances for amortization bases on June 30, 2009, currently providing for a schedule of increasing payments were re-amortized with level payments over 20 years.

2. New bases established on June 30, 2009, or later will be amortized with level payments over 30 years.

## 3. Effect of Changing Commitment to Amortize the UAL on LASERS and TRSL

As a result of Act 497 of the 2009 session, amortization payments were reduced and repayment of the state's debt to the retirement systems was further postponed. This was a continuation of a pattern of such changes that have occurred since the Louisiana Constitution mandated actuarial funding in 1988. The effect of Act 497 on debt payments and projections of outstanding balances will be shown first. A history of the effect on all prior changes will then be illustrated.

***Amortization under Act 497***

Act 497 of the 2009 Regular Session had the following impact on amortization schedules for LASERS and TRSL (see the charts below).

1. Balances in the IUAL Funds, Experience Accounts, and Employer Credit Accounts for LASERS and TRSL were used to reduce the UALs of the two systems.

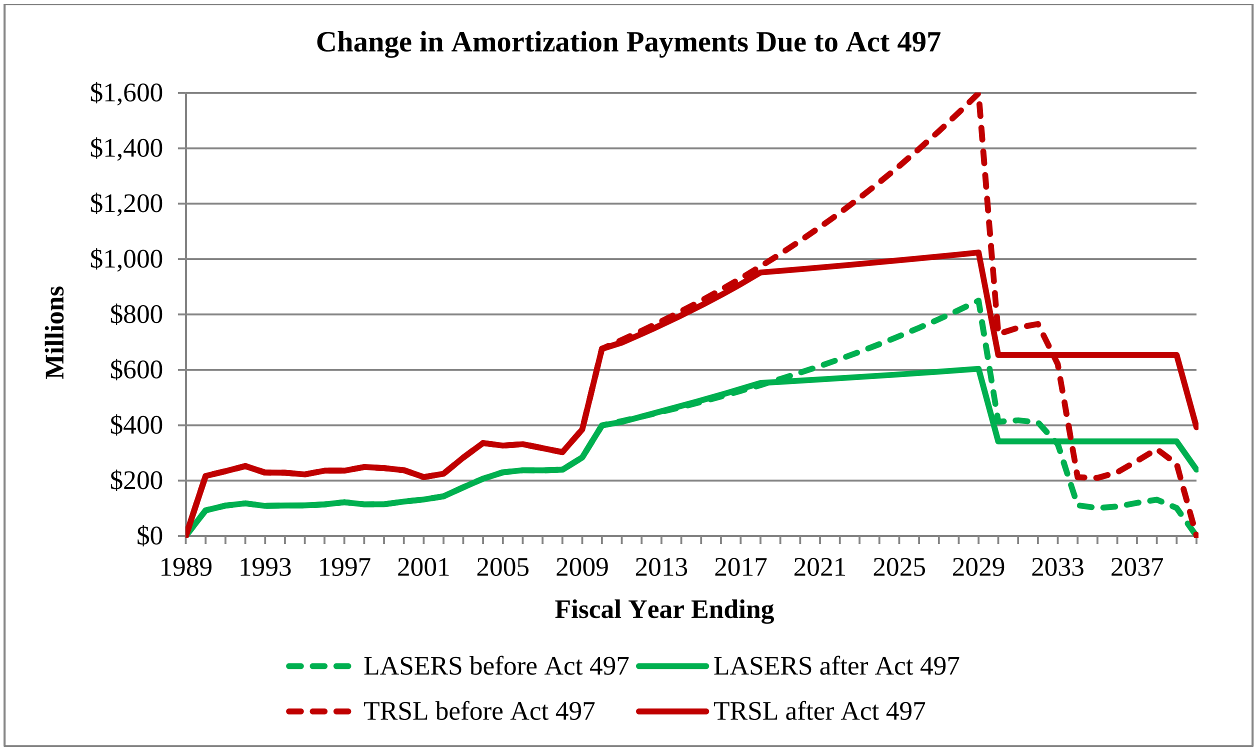
2. Amortization payments through FYE 2018 were essentially unchanged.

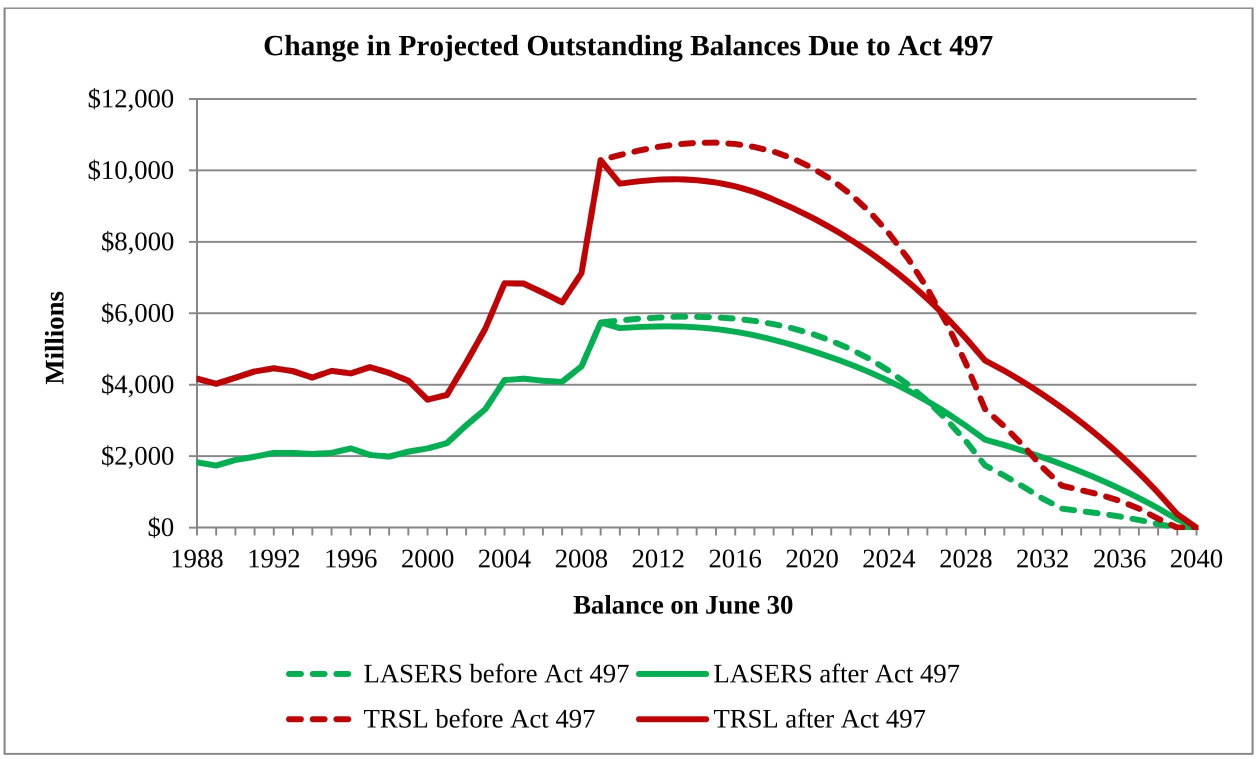
3. Beginning in FYE 2019, payments begin to be substantially reduced. As shown in the following chart, future payments from 2019 through 2029 are substantially smaller after Act 497 than before.

4. Beginning in FYE 2030, payments will be lower than they are currently, but will be larger than they would have been without Act 497.

5. Because the UAL has been reduced, payments have begun to reduce UAL principal beginning in FYE 2013 for both LASERS and TRSL.

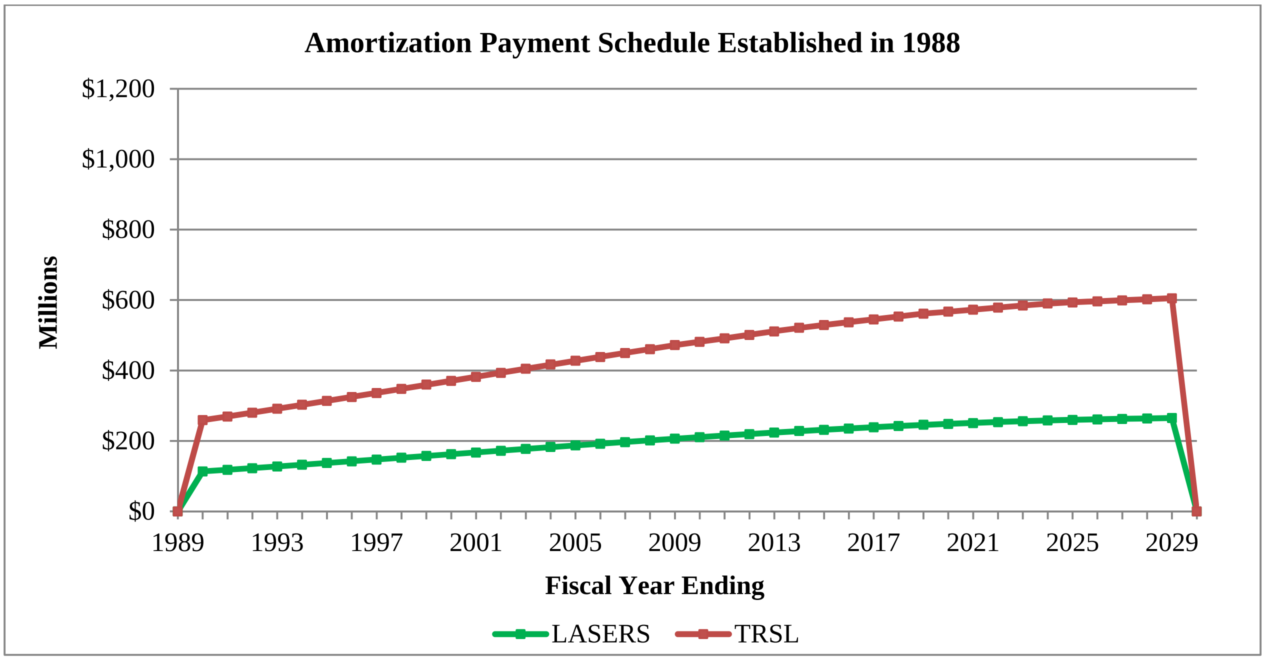
Act 497 continued a pattern of refinancing that has occurred repeatedly since 1988 – payment reductions and postponement of complete amortization of the UAL.

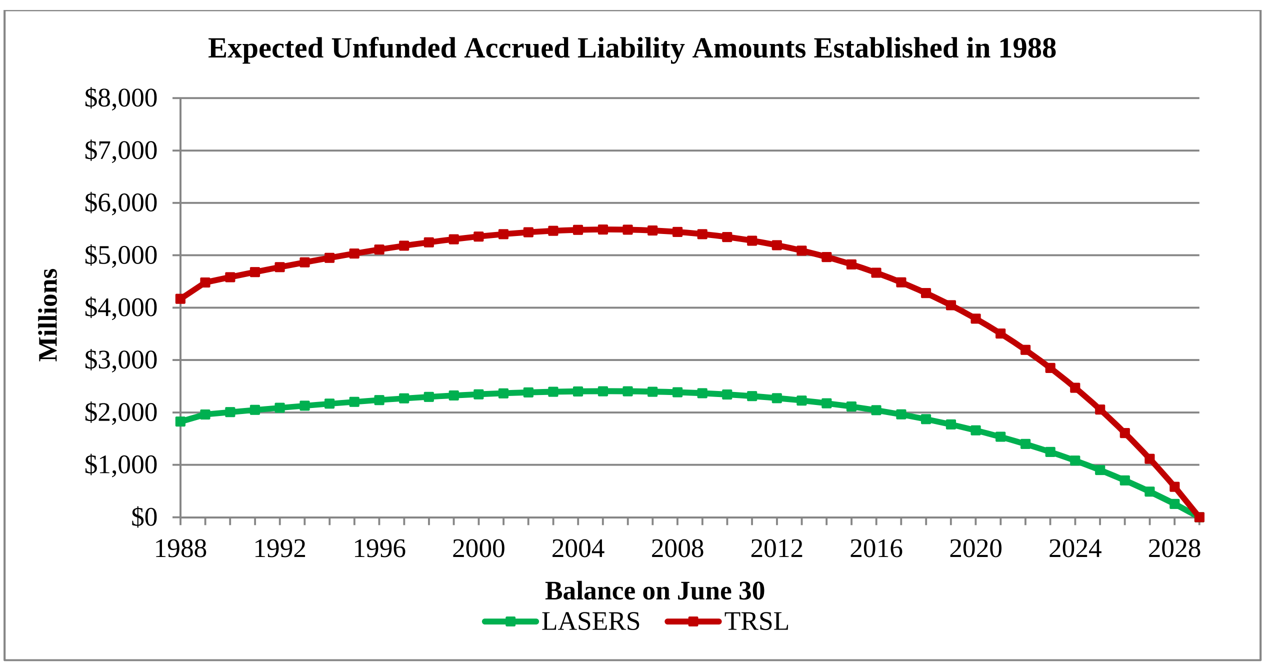

Change in Amortization Payments Due to Act 497
Millions
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
1989
1993
1997
2001
2005
2009
2013
2017
2021
2025
2029
2033
2037
Fiscal Year Ending
LASERS before Act 497
LASERS after Act 497
TRSL before Act 497
TRSL after Act 497


Change in Projected Outstanding Balances Due to Act 497
Millions
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
1988
1992
1996
2000
2004
2008
2012
2016
2020
2024
2028
2032
2036
2040
Balance on June 30
LASERS before Act 497
LASERS after Act 497
TRSL before Act 497
TRSL after Act 497

***History – Amortization under Act 81***

Amortization schedules are shown below for LASERS and TRSL. The first graph shows the pattern of annual payments that were required for these systems under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FYE 2029 when the debt is paid off.



The following observations can be made from these graphs.

1. Payments increase more rapidly in early years of the period than in later years.

2. Annual payments at the end of the period (FYE 2029) will be more than two times the annual payment at the beginning (FYE 1990).

3. Payments through FYE 2006 will not be sufficient to pay interest on the debt. Therefore, the debt increases year after year.

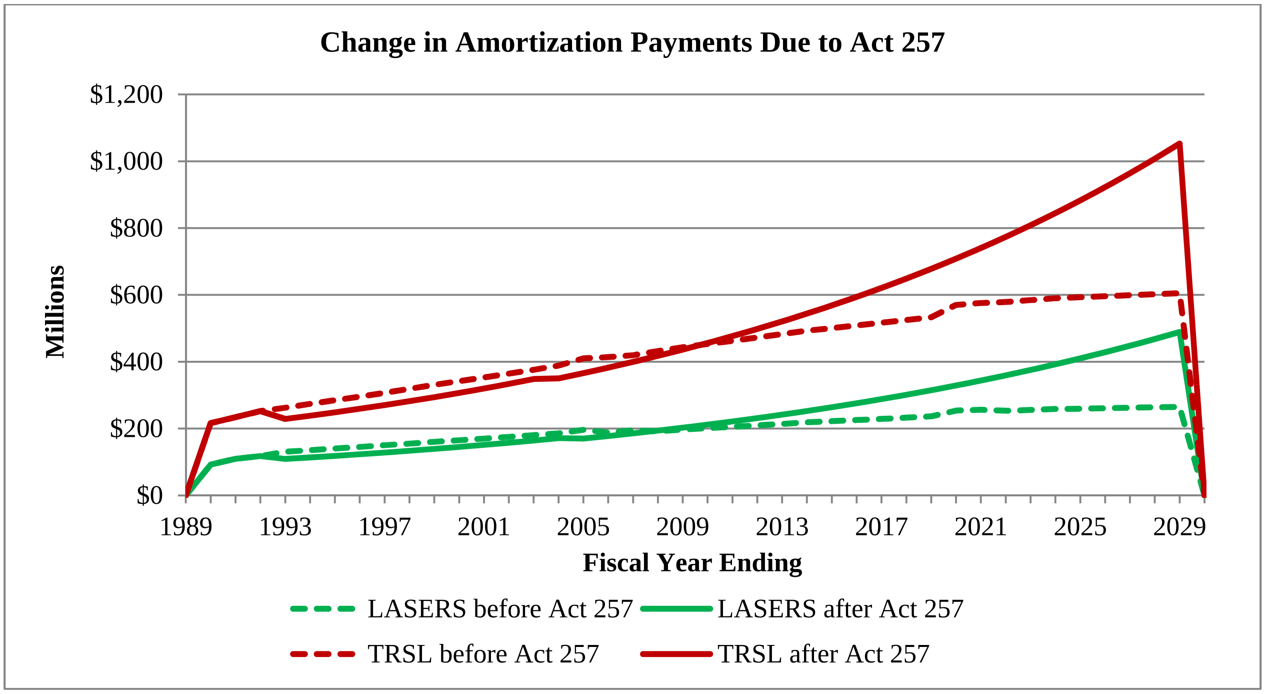
4. Beginning FYE 2007, payments are large enough to pay down some of the outstanding principal.

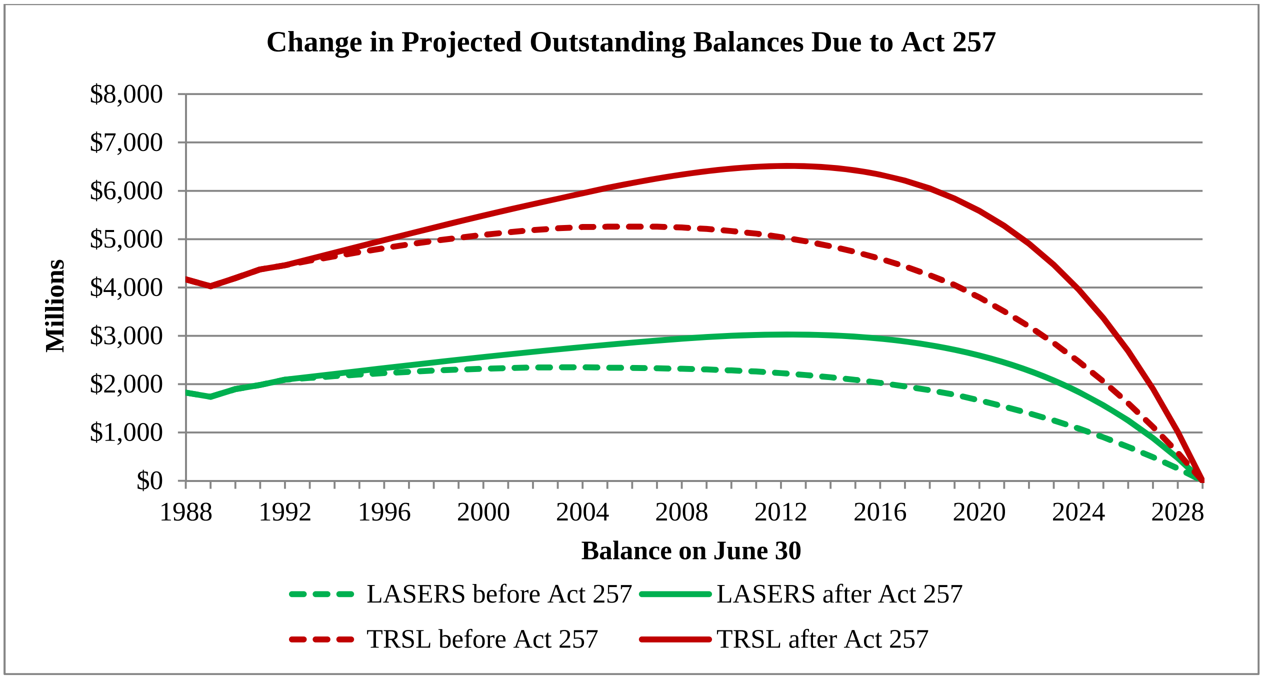
5. However, the outstanding debt does not return to its original level until FYE 2019.

6. Essentially, payment on the original debt is postponed for 30 years and then paid off over the remaining 10-year period.

***History – Amortization under Act 257***

The following charts show the effect that Act 257 of the 1992 session had on amortization schedules for LASERS and TRSL.






Note the following about these charts:

1. Amortization payments scheduled between FYE 1993 and FYE 2006 were reduced by relatively small amounts.

2. Amortization payments scheduled after FYE 2006 were increased significantly, growing to a level that is almost 5 times as large as the initial payment.

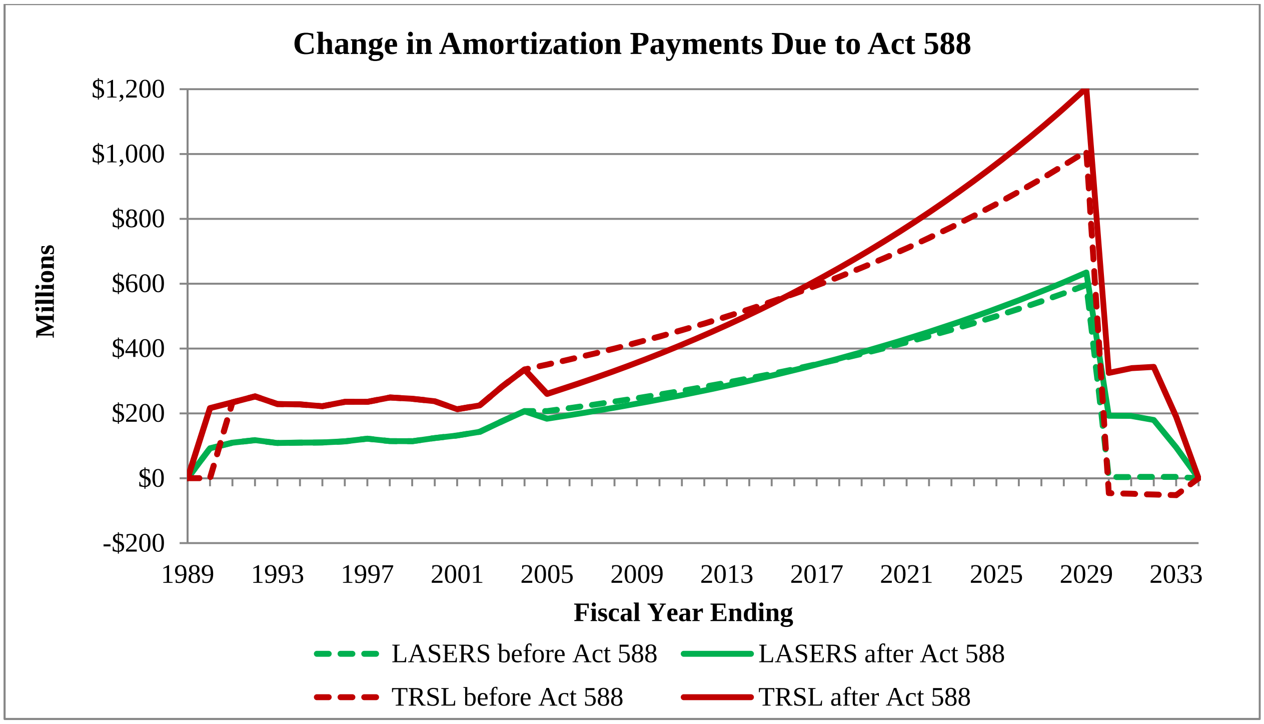
3. Amortization payments after Act 257 were not projected to be sufficient to pay interest on the debt until about FYE 2014.

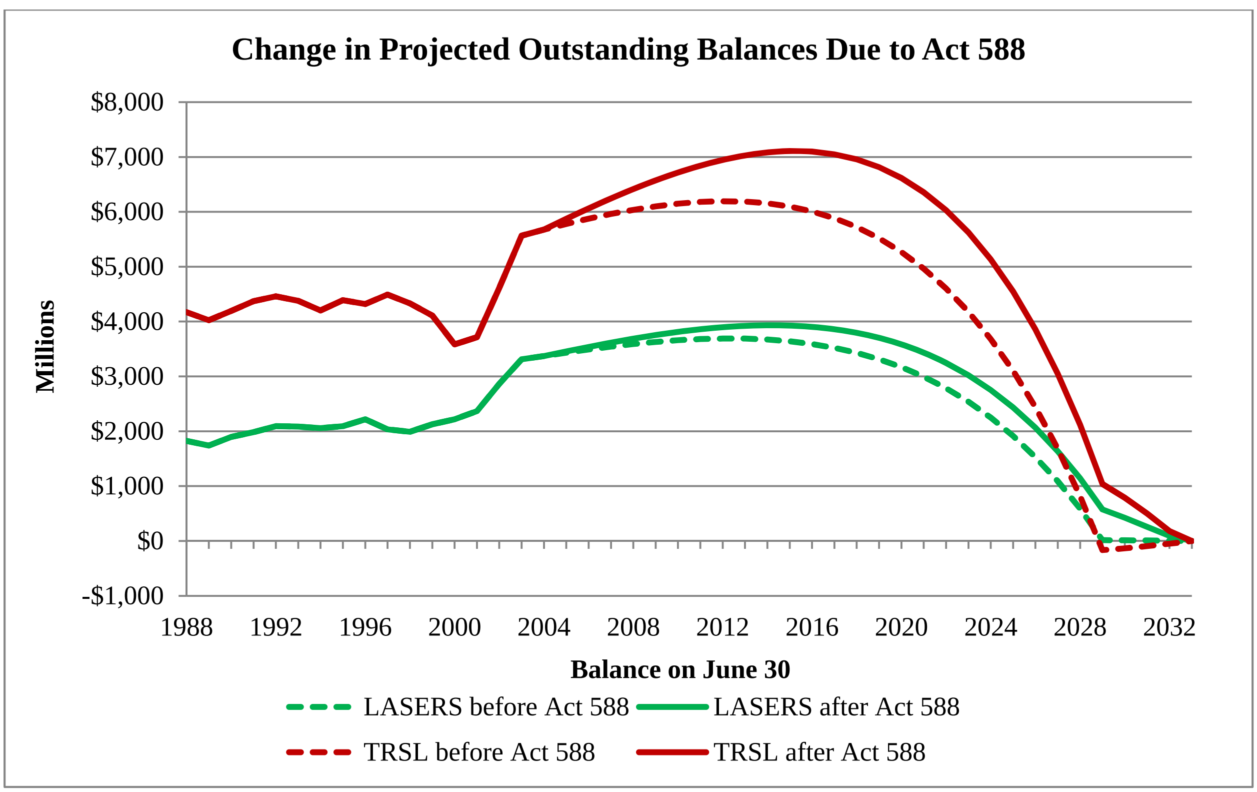
4. The outstanding debt was not scheduled to return to its original level until about FYE 2024.

5. Essentially, payment of the outstanding debt was postponed another 5 years with the debt then being paid off over the remaining 5 years.

***History – Amortization under Act 588***

The charts below show the effect that Act 588 of the 2004 session had on amortization schedules for LASERS and TRSL.



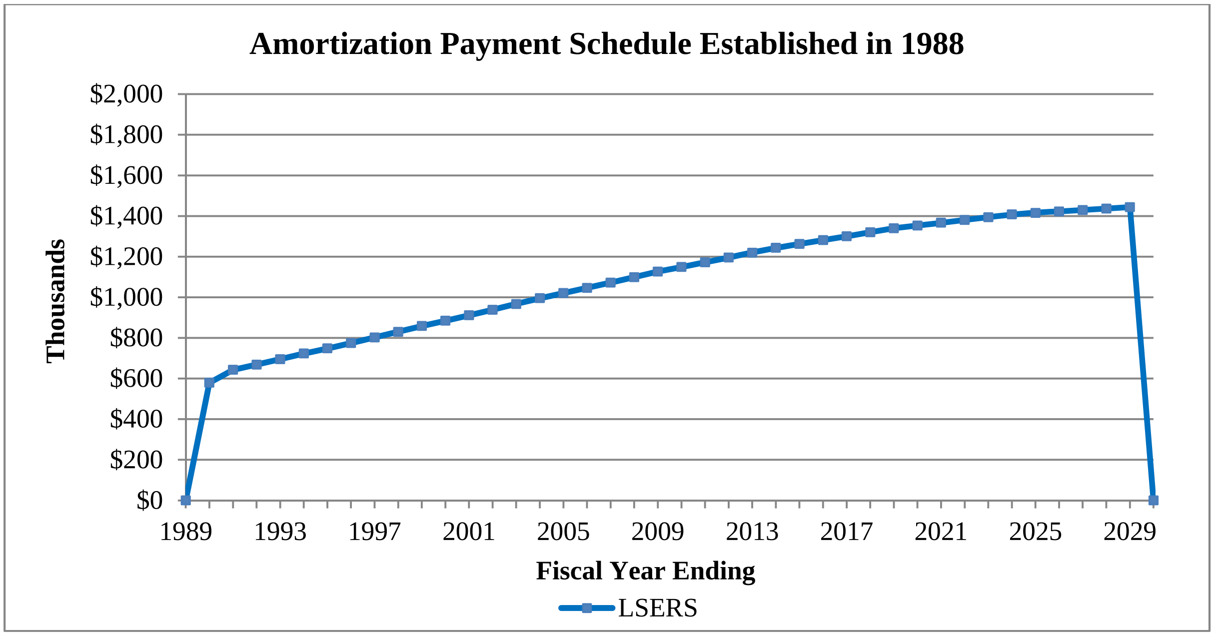



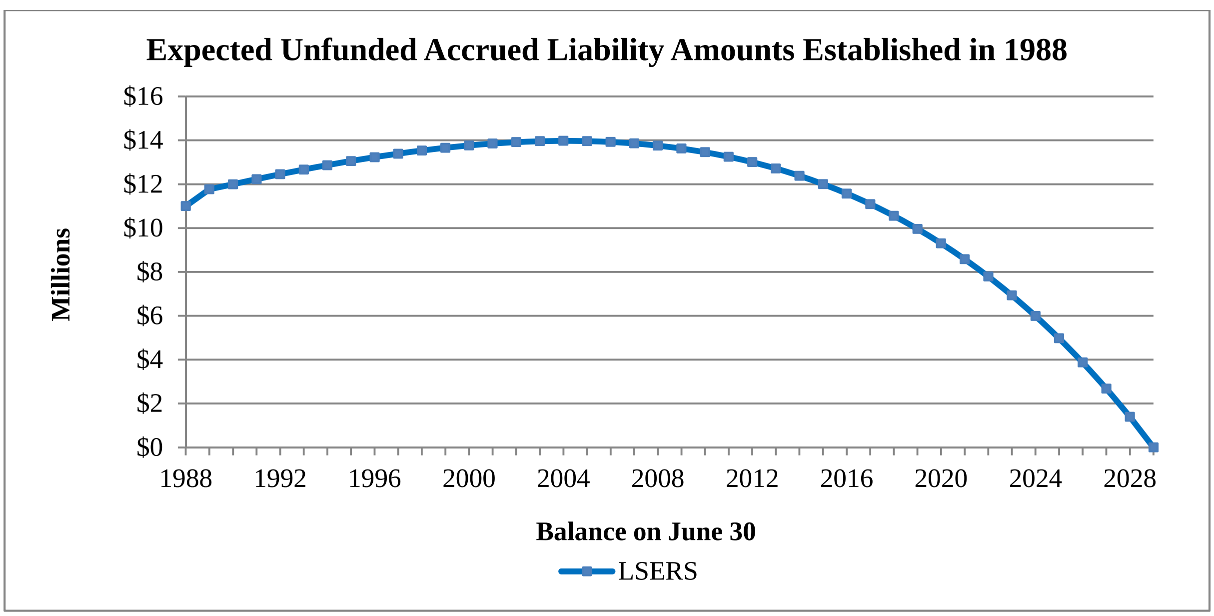
Once again, payments were lowered and payment of the debt was postponed. The debt will continue to grow until FYE 2016. Payments will eventually be 6 times as large as the original payment. The debt will be fully paid at the end of FYE 2032 instead of FYE 2029.

## 4. Effect of Changing Commitment to Amortize the UAL on LSERS

***History – Amortization under Act 81***

Amortization schedules are shown below for LSERS. The first graph shows the pattern of annual payments that were required for this system under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FYE 2029 when the debt is paid off.



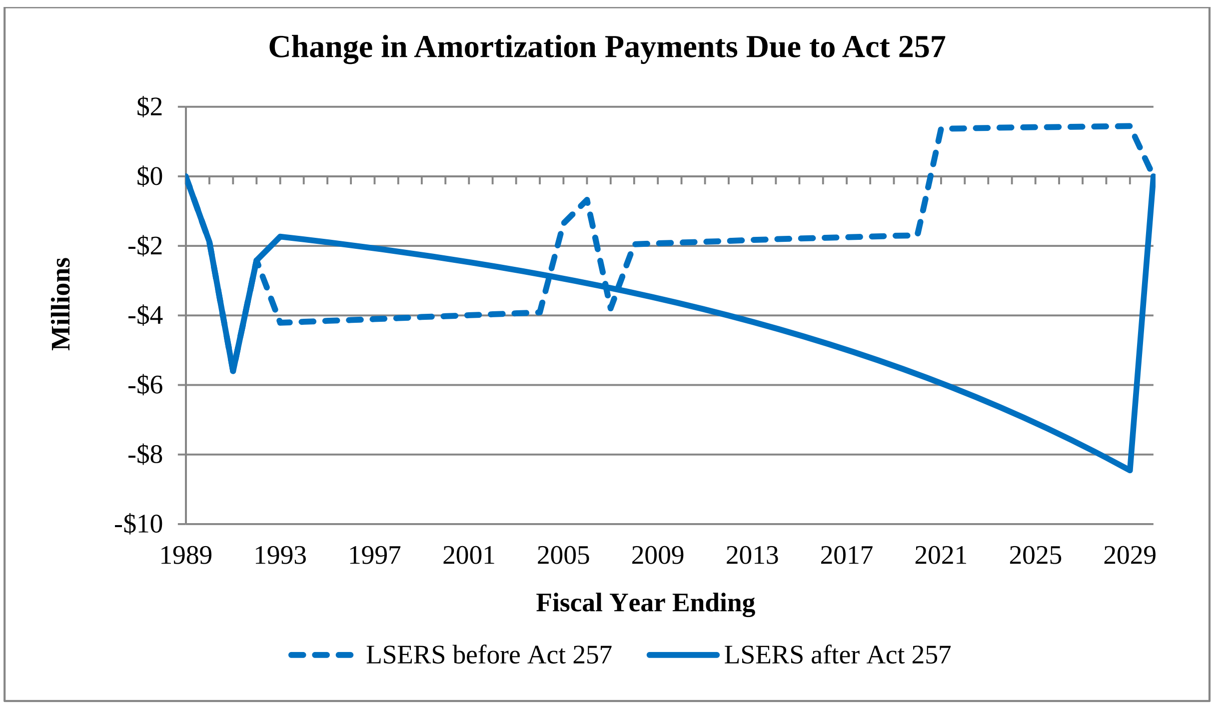



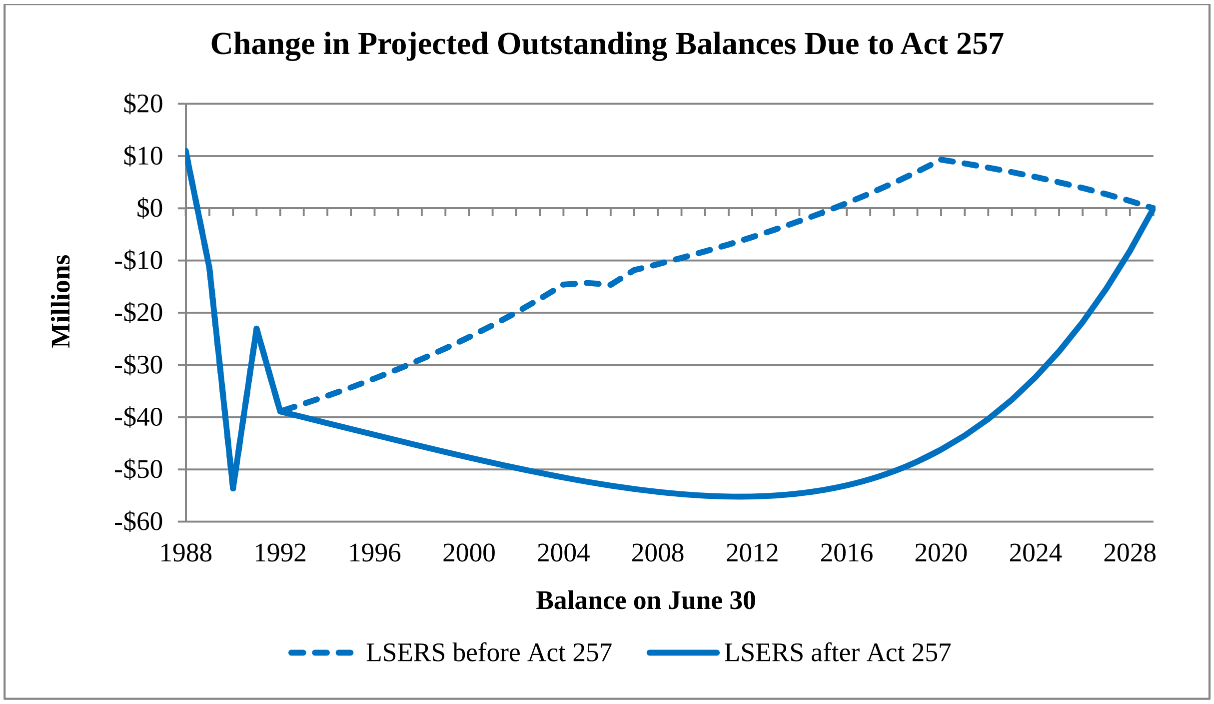
Although the numbers are significantly smaller, the pattern of the amortization schedule is very similar to LASERS and TRSL.

***History – Amortization under Act 257***

LSERS experienced actuarial gains between 1988 and 1992. As a result, LSERS had surplus assets rather than a UAL on June 30, 1992. Nevertheless, the IUAL base and the UAL bases established between 1989 and 1992 continued to be maintained as required under the law. Amortization schedules (credit schedules), before and after the enactment of Act 257, are shown below.

*Note the change of vertical scale. The effect of a change from one vertical tick mark to the next is much more significant in the charts below than in the charts on the previous page.*






The effect on Act 257 on LSERS is just the opposite of the effect on LASERS and TRSL. For LASERS and TRSL, Act 257 postponed payment of the debt. For LSERS, Act 257 postponed recognition of the surplus or credit.

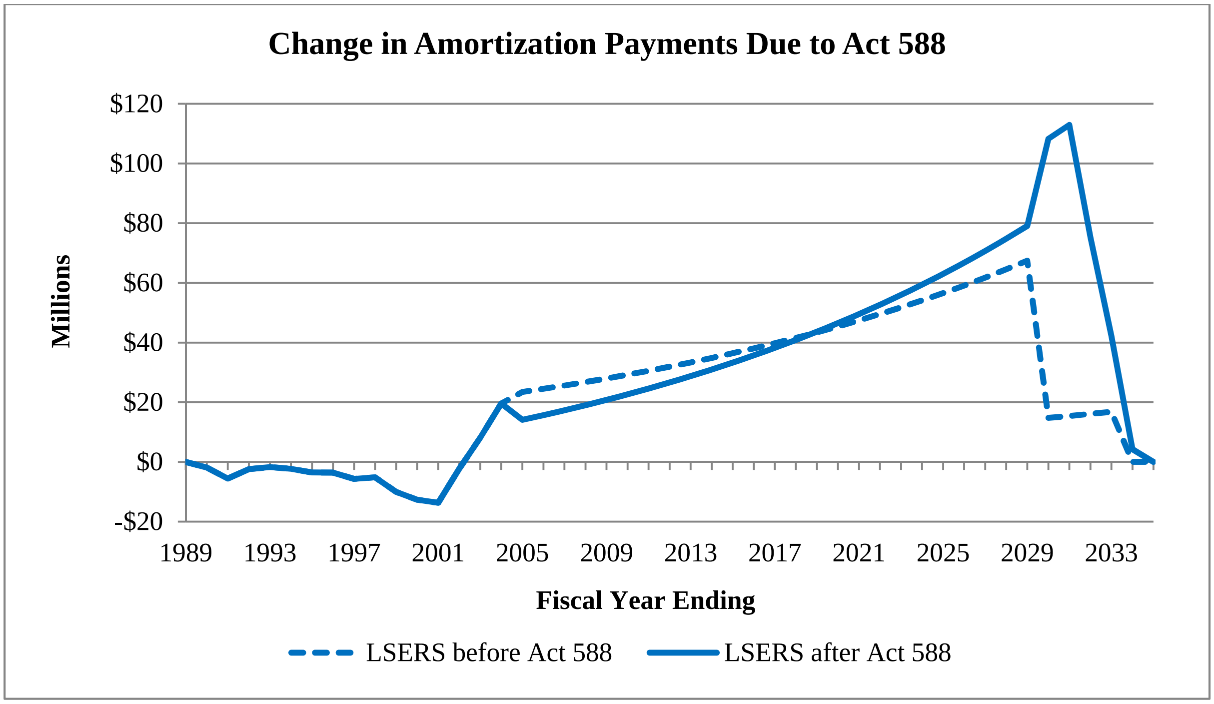
***History – Amortization under Act 734***

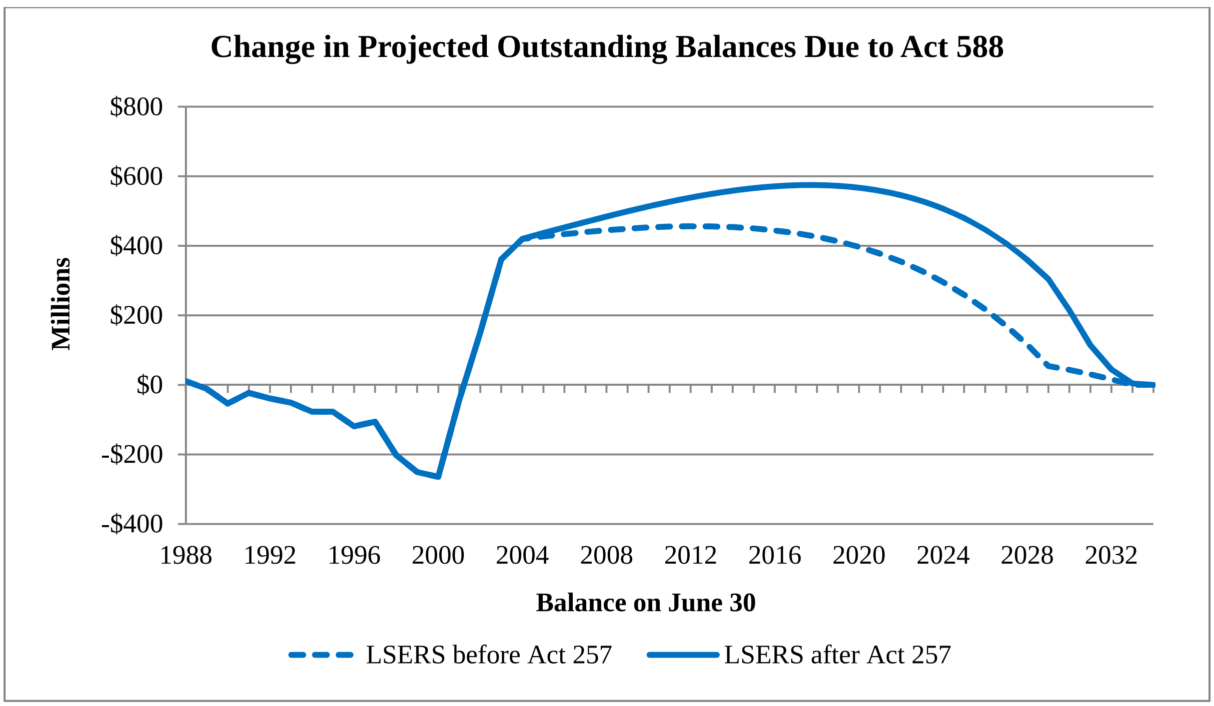
Act 734 of the 1993 session had a relatively minor effect on LSERS' amortization schedule.

***History – Amortization under Act 588***

Act 588 of the 2004 session had a significant effect on LSERS. The system maintained an asset surplus until June 30, 2001. However, as a result of benefit improvements and actuarial losses, the system had an unfunded accrued liability on June 30, 2002. The effect of Act 588 on the amortization schedule is shown on the following page.

*Please note another change in the vertical scale.*

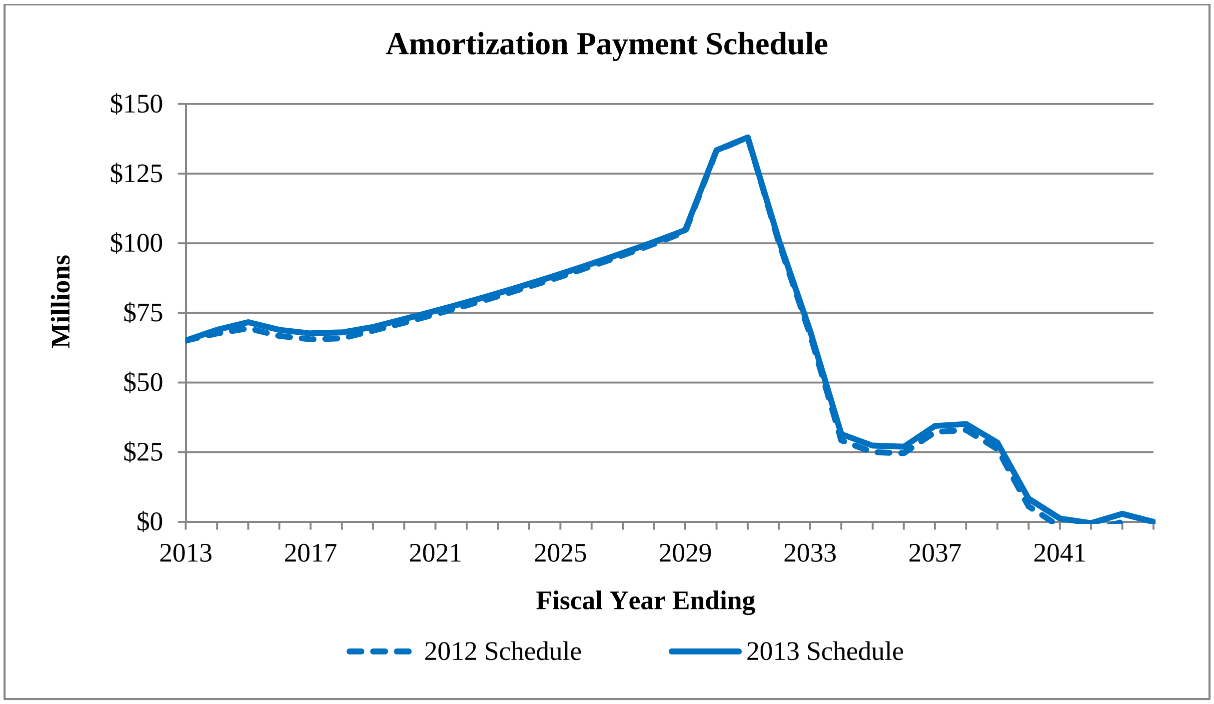


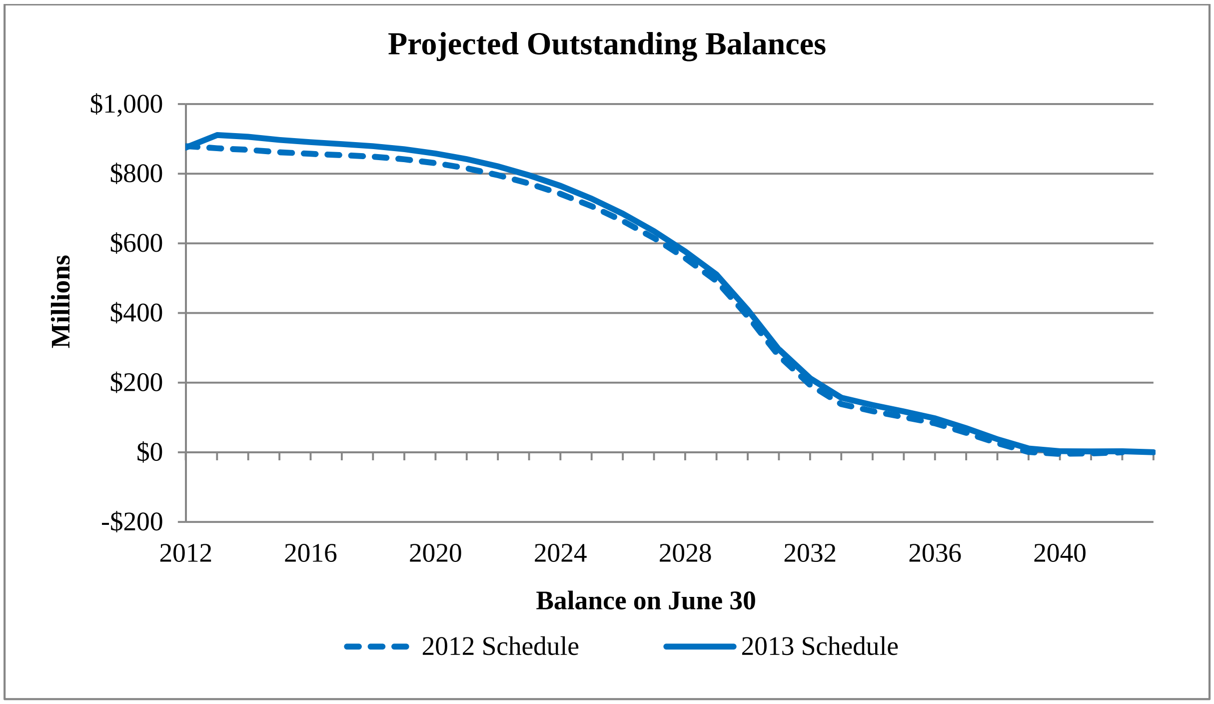




Once again, the net effect of Act 588 was to reduce payments and postpone payment of the debt. The debt on June 30, 2004, was about $420 million. The debt will increase to about $600 million in about FYE 2020. The debt returns to the $420 million level in about FYE 2026 and is paid off over the remaining seven years.

***Current Amortization***

The amortization schedule for LSERS that exists on June 30, 2013, compared with the schedule that existed for 2012 is shown below.

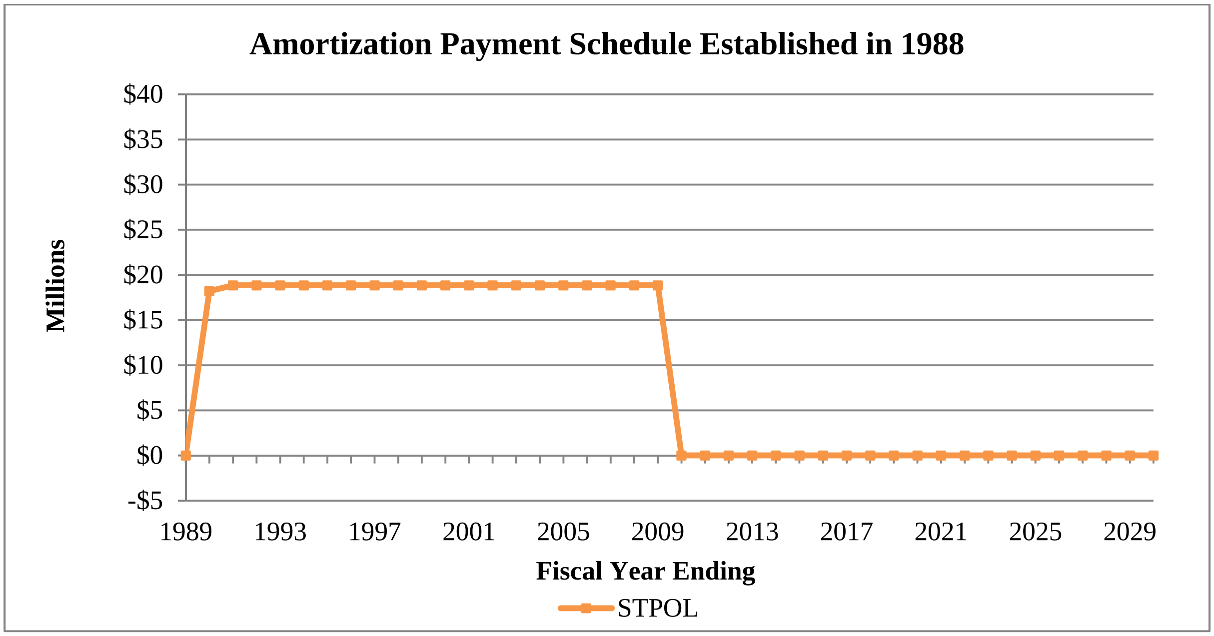


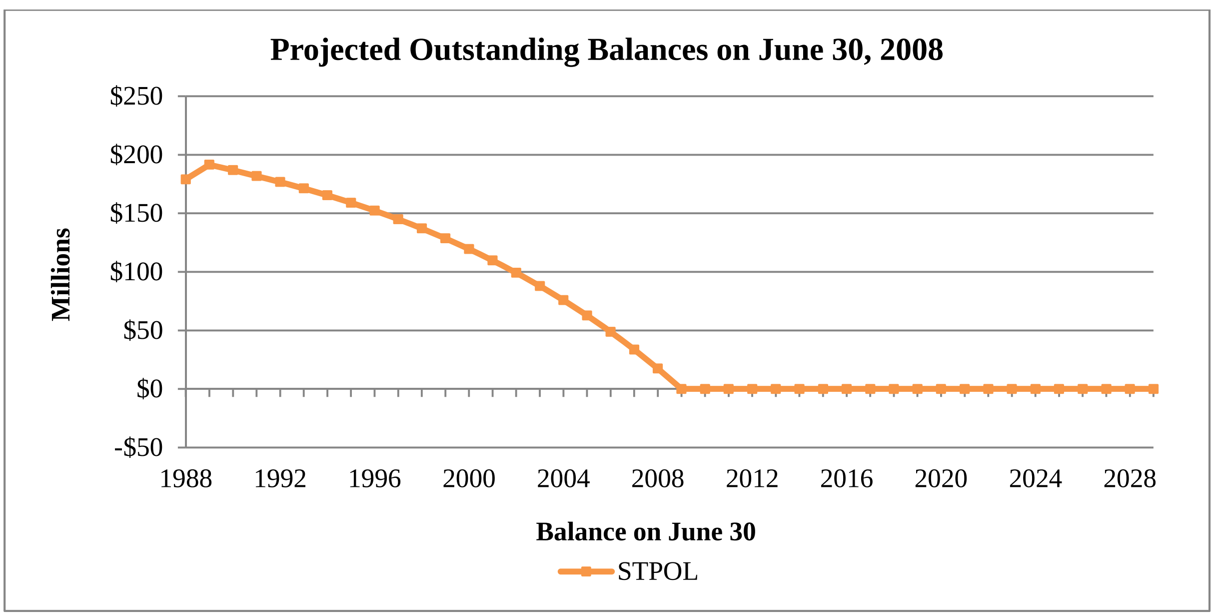



## 5. Effect of Changing Commitment to Amortize the UAL on STPOL

***History – Amortization under Act 81***

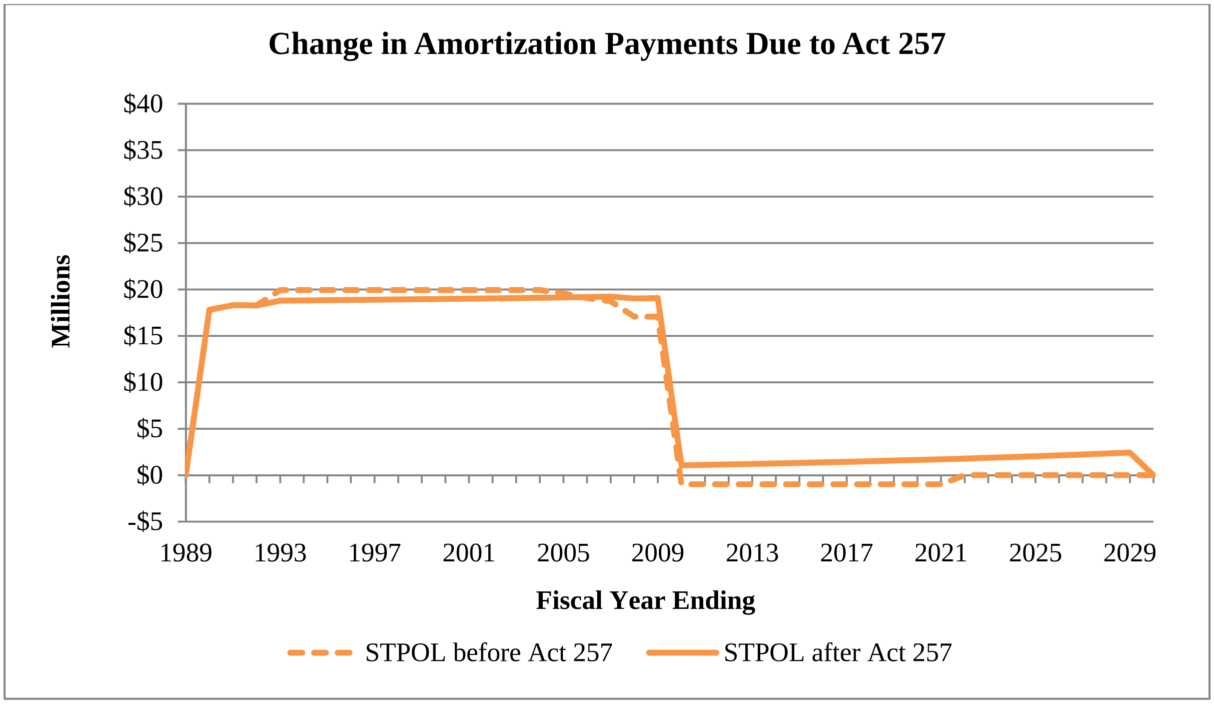
Amortization schedules are shown below for STPOL. The first graph shows the pattern of annual payments that were required for this system under Act 81 of the 1988 session. The second graph shows the projected outstanding balance of the IUAL at the end of each year until FYE 2029 when the debt is paid off.

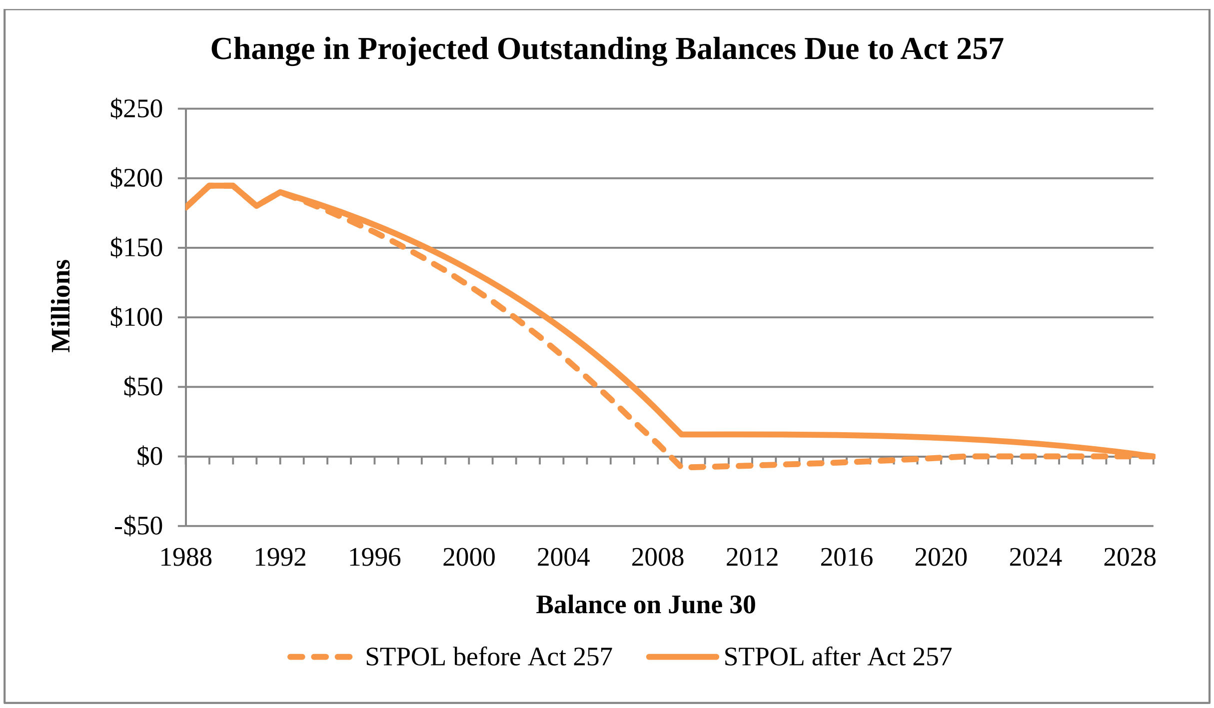


***History – Amortization under Act 257***

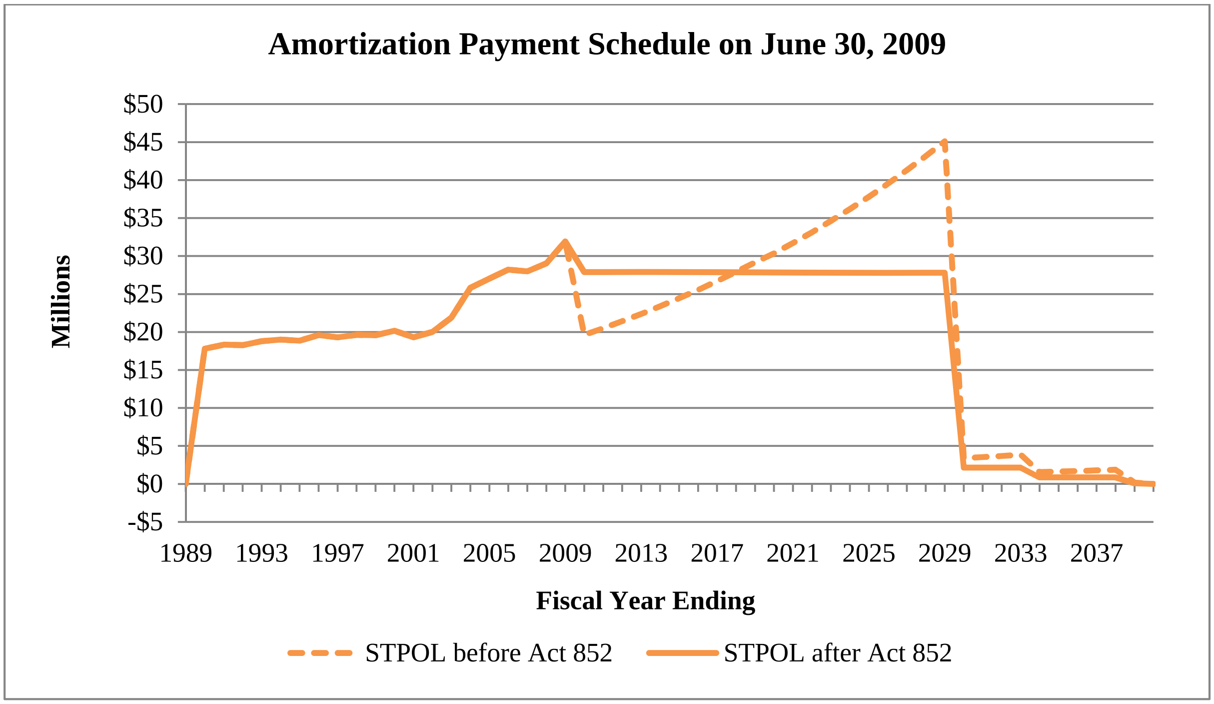
Amortization schedules (credit schedules), before and after the enactment of Act 257 in 1992, are shown below.

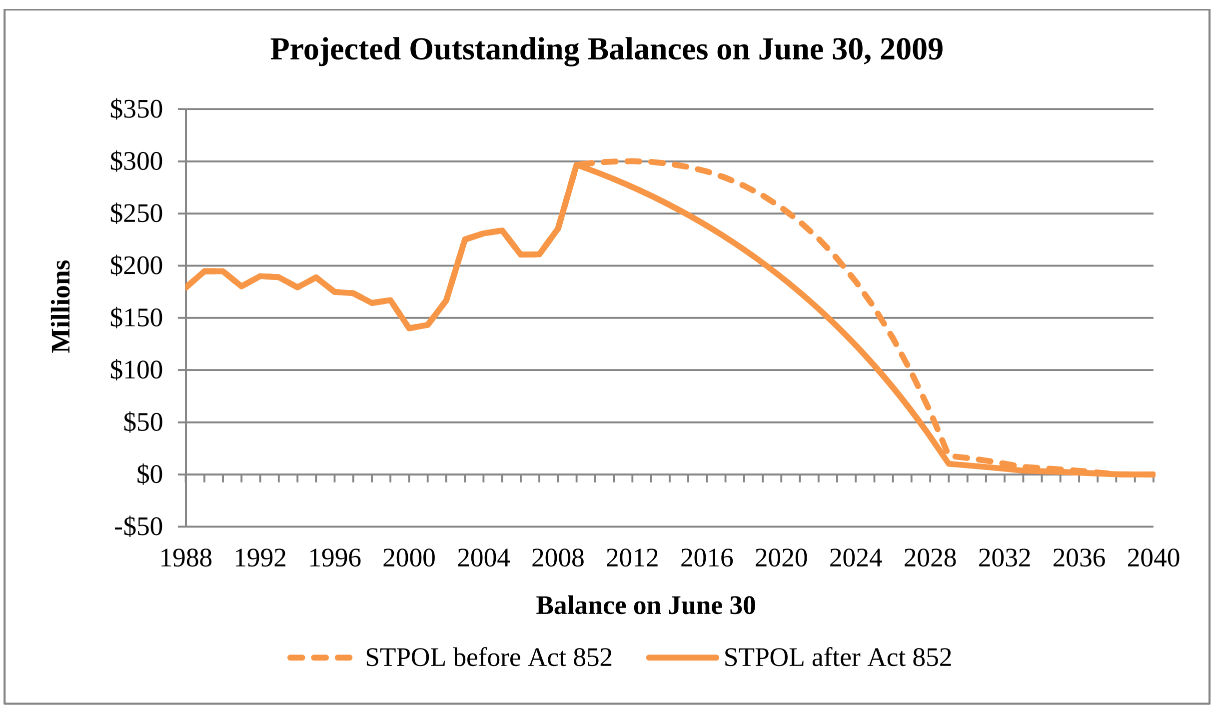


***History – Act 852 of 2008***

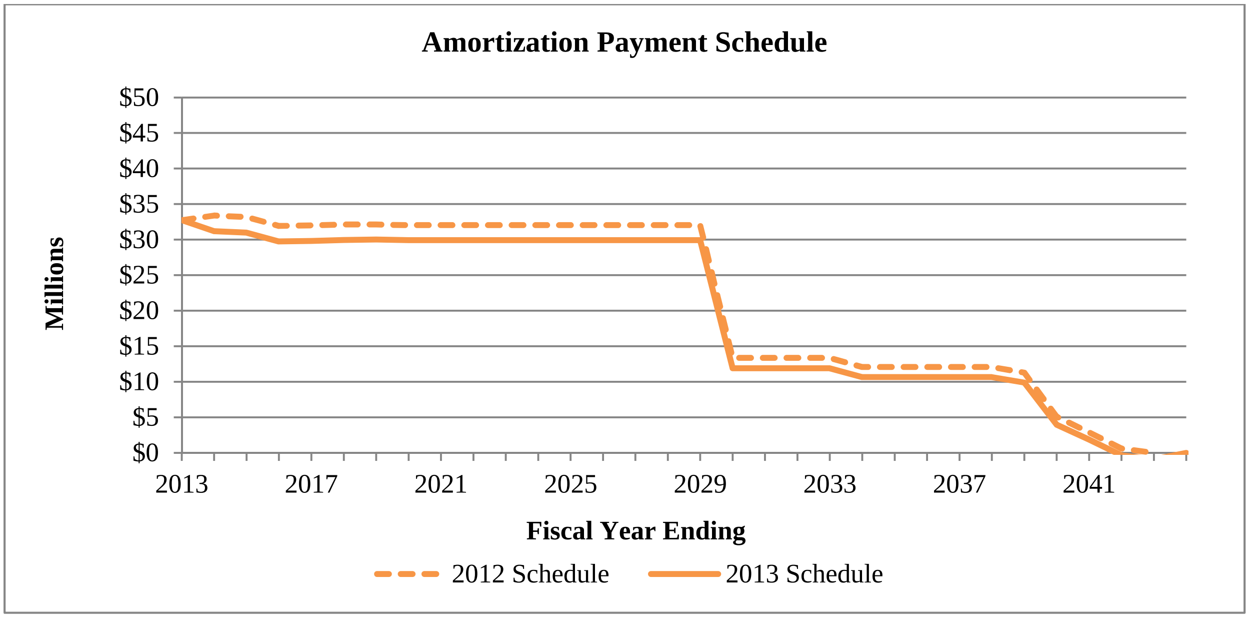
Act 852 of the 2008 session became effective on June 30, 2009. Amortization schedules (credit schedules), before and after the effective date of Act 852, are shown below.

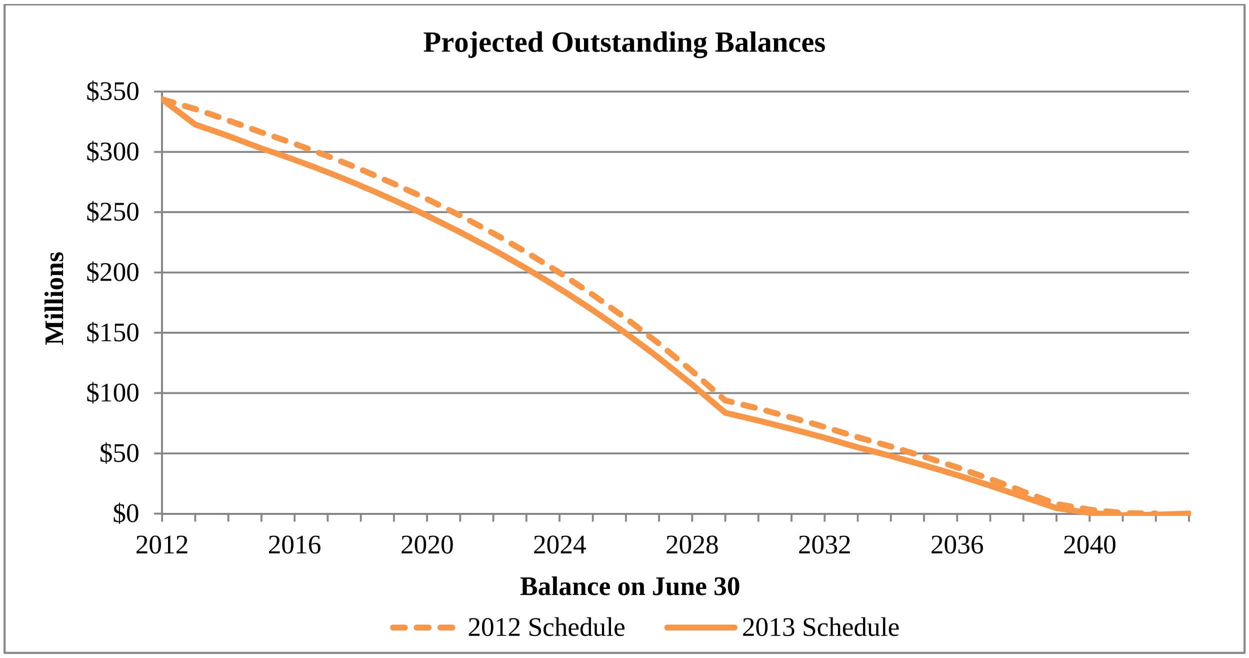


***Current Amortization***

The amortization schedule for STPOL that exists on June 30, 2013, compared with the schedule that existed for 2012 is shown below.



## 6. Contribution Relief for Municipal Police Employees' Retirement System and Firefighters' Retirement System

***Issue***

Employer contribution rates for the Firefighters' Retirement System (FRS) and the Municipal Police Employees' Retirement System (MPERS) began to increase significantly beginning with the 2001 valuations. The increases were largely attributable to the following:

1. Unfunded liabilities of retirement plans that were merged into FRS and MPERS from 1990 to 2001.

2. Investment losses resulting from the downturn in the market following the events of September 11, 2001.

For example, the employer contribution rate for MPERS was about 5% of pay for 1999 and 2000. In 2001, the rate increased to almost 12%; in 2002, the rate exceeded 15%; and in 2003, the rate increased to over 20%. Rates for FRS followed a similar pattern of increase.

***History – Acts 620 and 1079***

Acts 620 and 1079 were enacted in the 2003 Regular Session to provide relief to employers (municipalities and fire districts) participating in FRS and MPERS, respectively. These Acts are briefly summarized below:

1. Act 620 (FRS)

   Prior to Act 620, changes in liability occurring from year to year as a result of gains and losses were amortized with level payments over a 15-year period. Act 620 combined all outstanding balances attributable to gains and losses as of June 30, 2002, and re-amortized the aggregate amount with level payments over 27 years. Future gains and losses were to be amortized with level payments over 15 years.

2. Act 1079 (MPERS)

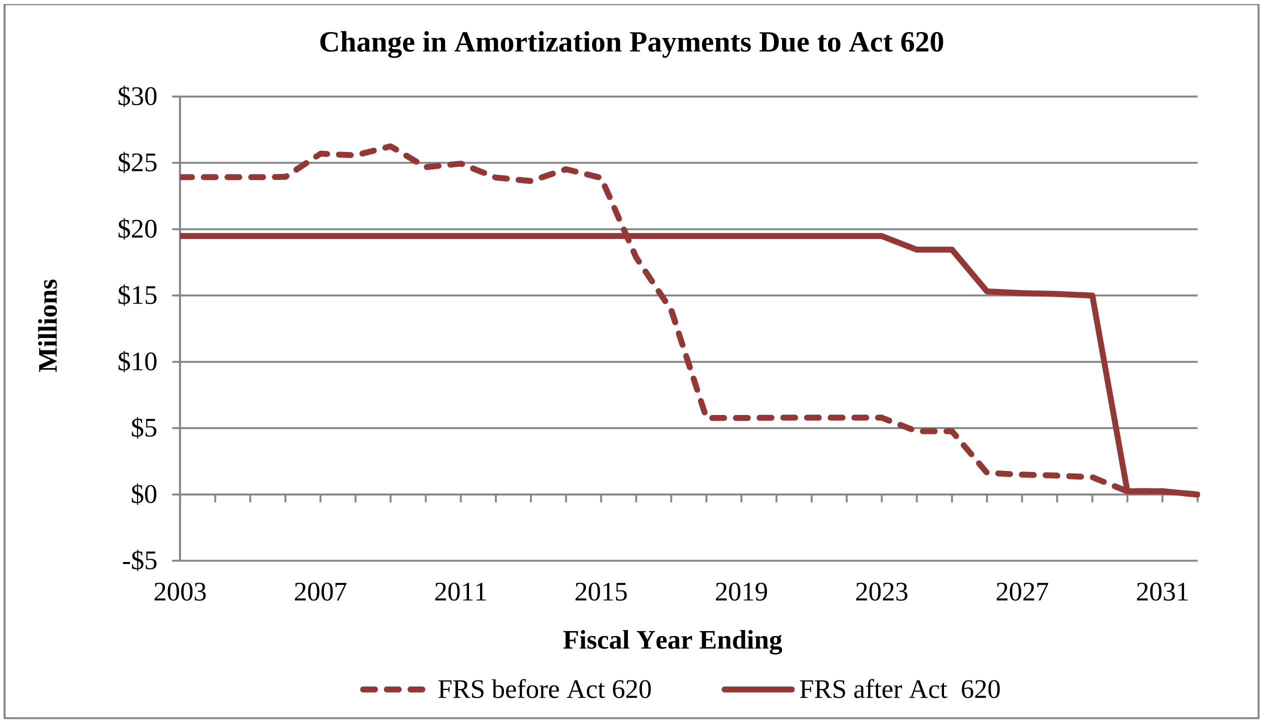
   Prior to Act 1079, changes in liability occurring from year to year were amortized with level payments over a 15-year period. Act 1079 provided that changes in liability occurring with the June 30, 2002, valuation and valuations thereafter would be amortized with level payments over a 30-year period.

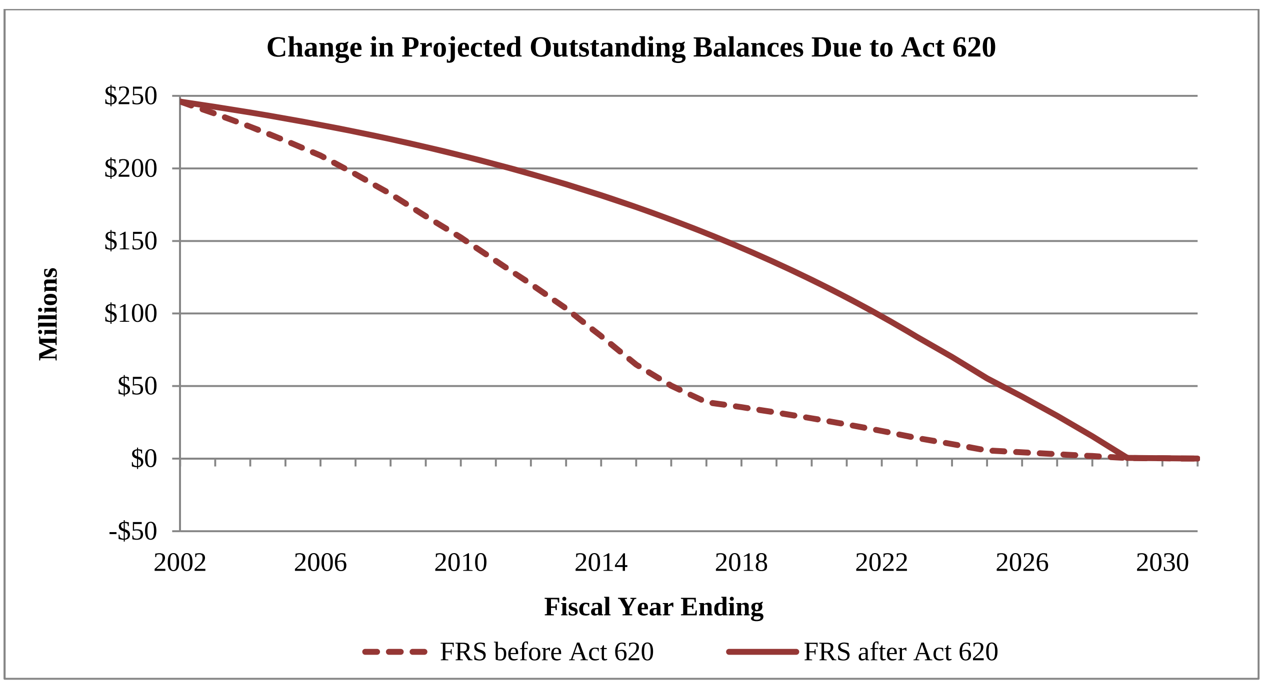
***History – Effect on the UAL***

The effect of Acts 620 and 1079 on the amortization schedules for FRS and MPERS are shown below.

***FRS***

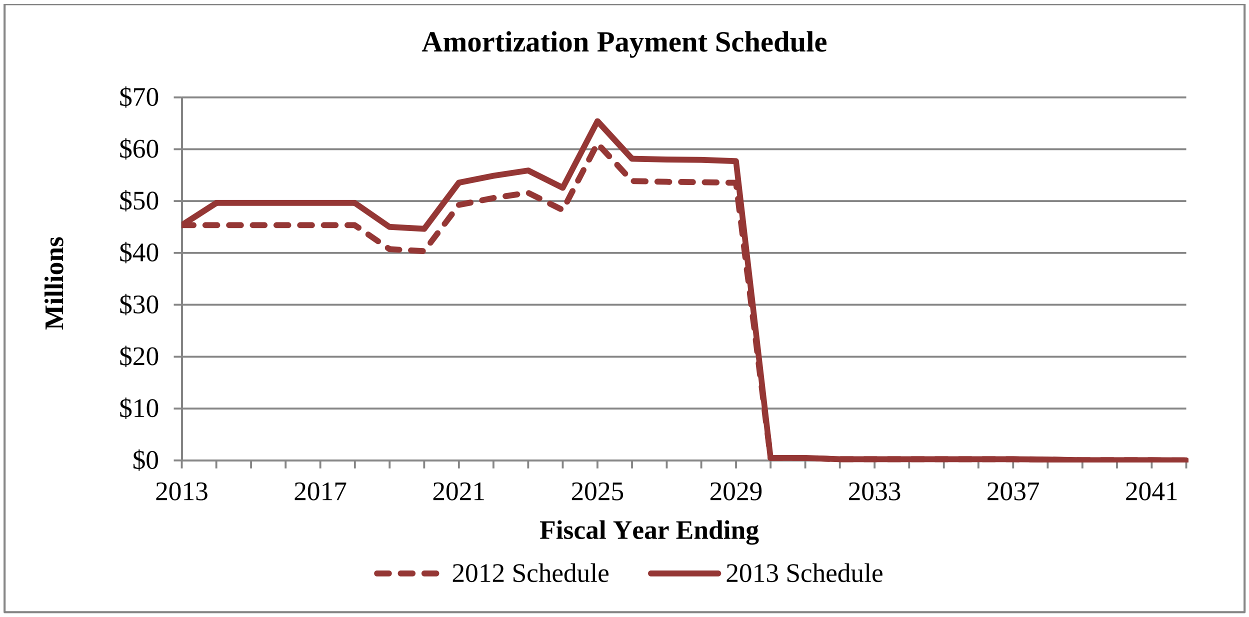
The effect of Act 620 at the time of the change is shown below.

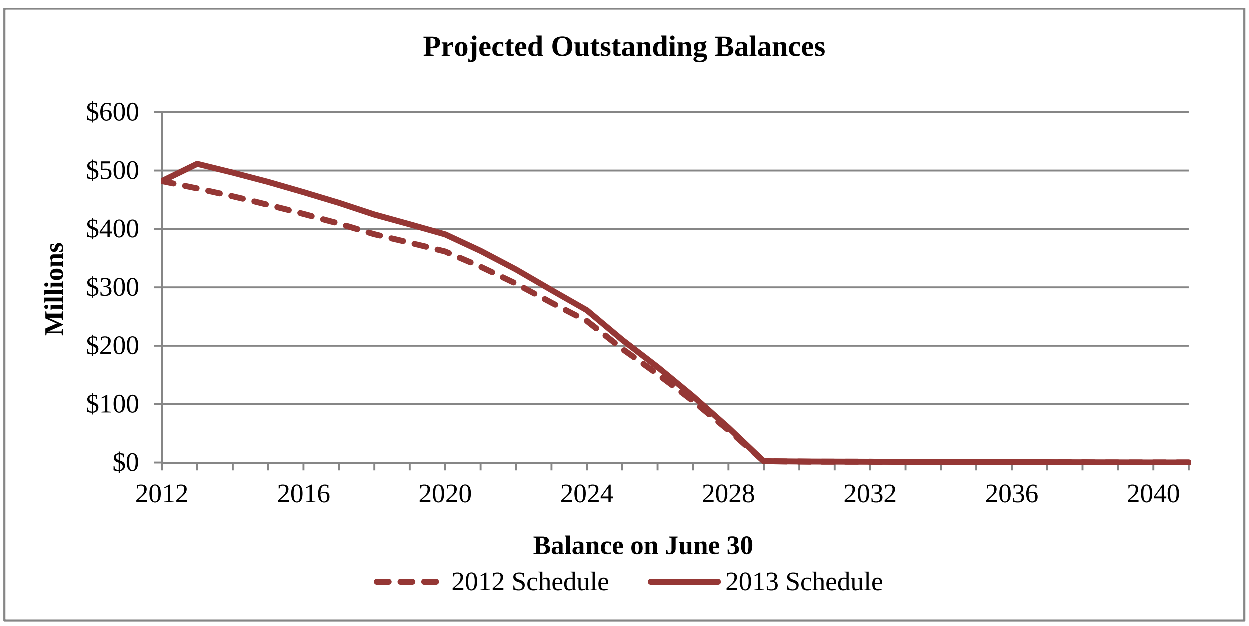


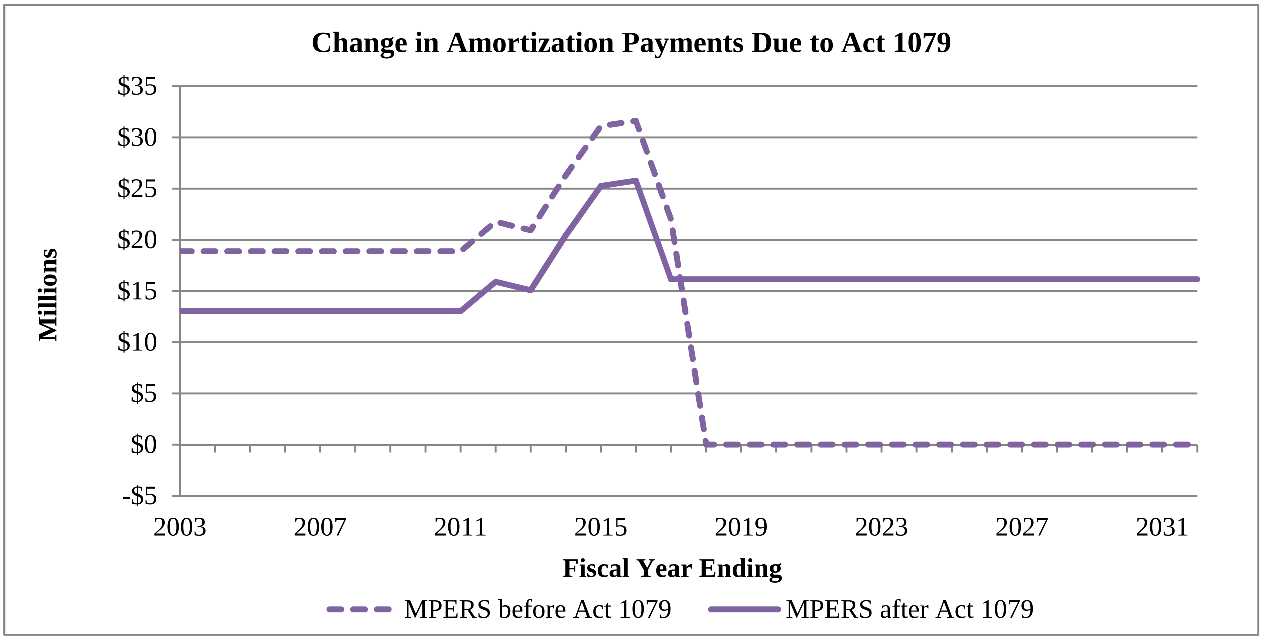
As a result of Act 620, amortization payments were reduced and the outstanding balance did not decrease as fast as under the original schedule.

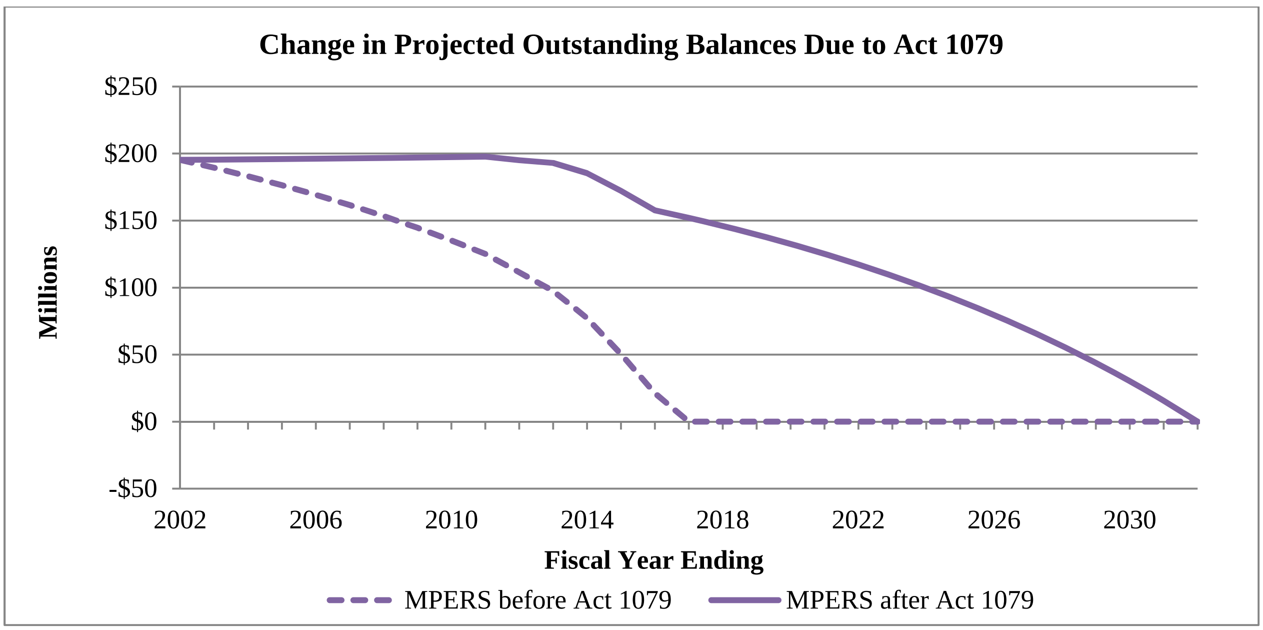
The FRS amortization schedule as of June 30, 2012, and June 30, 2013, is shown below.



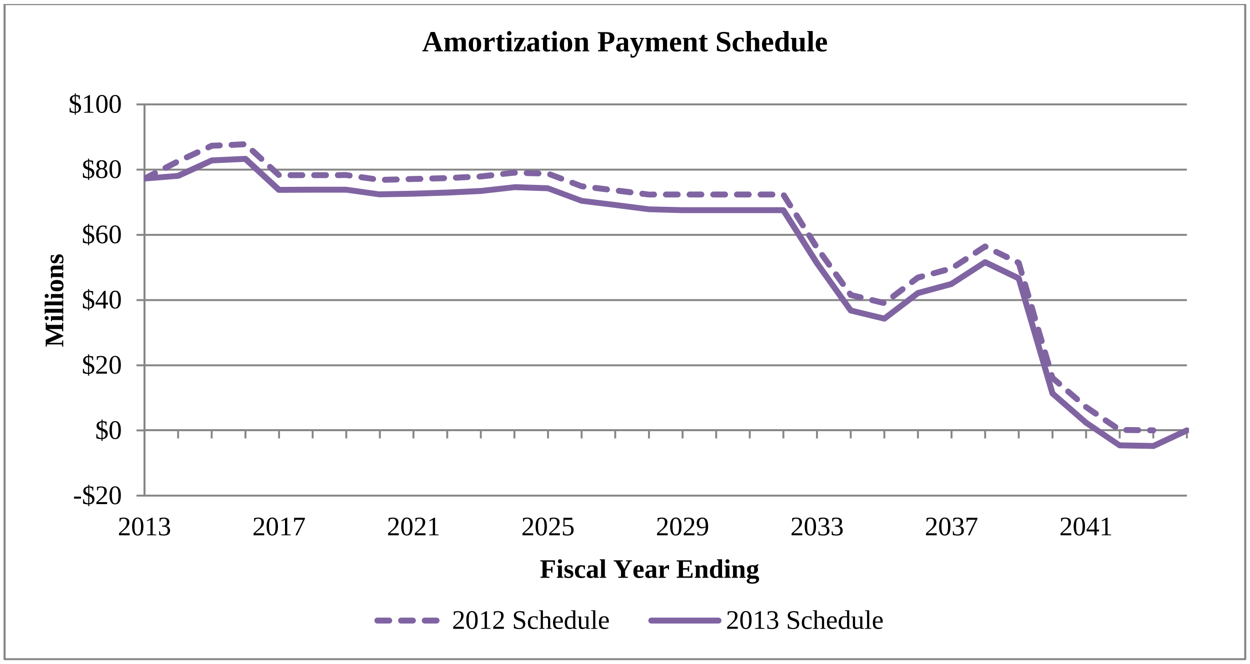
***MPERS*** The effect of Act 1079 at the time of the change is shown below.

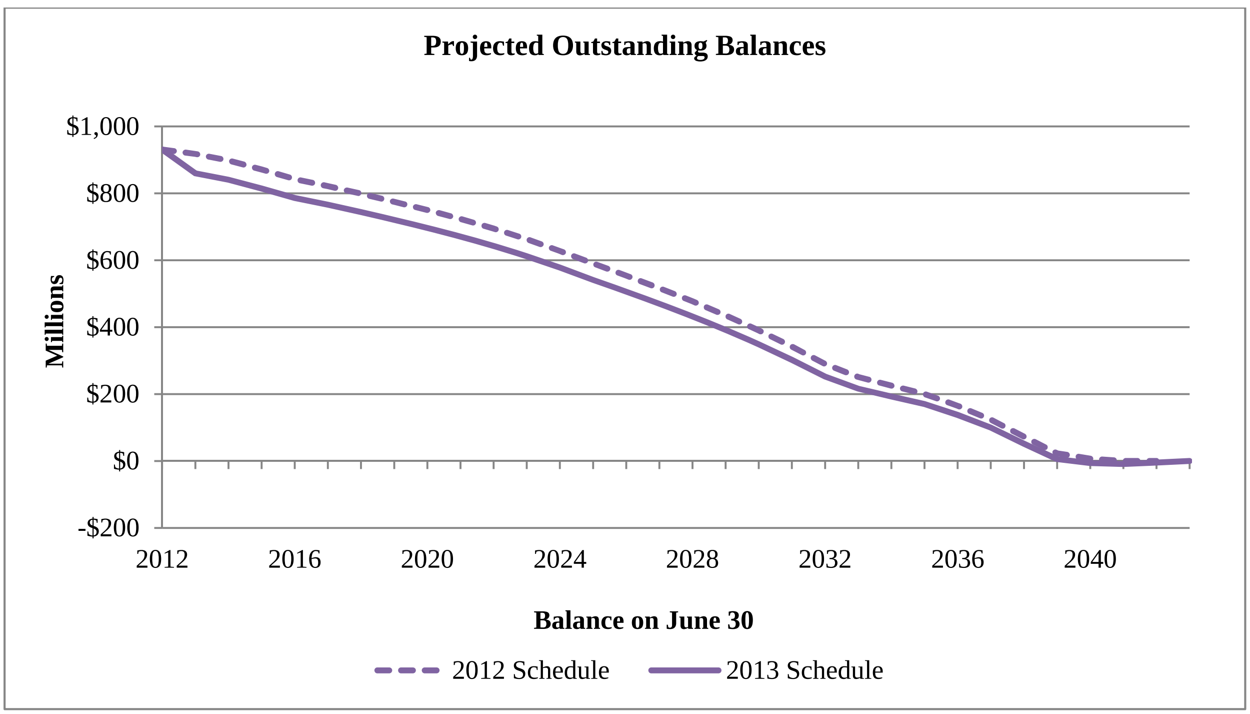



As a result of Act 1079, amortization payments were reduced and the outstanding balance did not decrease as fast as under the original schedule.

The MPERS amortization schedule as of June 30, 2012, and June 30, 2013, is shown on the following page.


Amortization Payment Schedule
Millions
$100
$80
$60
$40
$20
$0
-$20
2013
2017
2021
2025
2029
2033
2037
2041
Fiscal Year Ending
2012 Schedule
2013 Schedule


Projected Outstanding Balances
Millions
$1,000
$800
$600
$400
$200
$0
-$200
2012
2016
2020
2024
2028
2032
2036
2040
Balance on June 30
2012 Schedule
2013 Schedule

## 7. Cost of Living Adjustments

***Issue***

Inflation erodes the purchasing power of fixed pensions provided under the four state retirement systems. Since 1992, the first year that the legislature enacted provisions to provide for COLAs, inflation has averaged 2.5% per year. Over the same period 1992 through 2013, the state has periodically, but intermittently, granted COLAs that have averaged about 1.0% for members of LASERS and 0.8% for members of TRSL.

With the COLAs provided by the state, the pension income for a LASERS member who retired in FY 1992 will now purchase 76% of what his pension would have purchased when he originally retired. Similarly, a TRSL retiree would be able to purchase 74%. Without the COLAs, the retiree would be able to purchase only 62% of what he could have purchased in 1992.

***COLA Policy***

Under current law (as changed by Act 497 of the 2009 Regular Session), retirees of LASERS and TRSL may receive an adjustment for inflation of up to 2% per year, based on the Consumer Price Index (CPI). The adjustment may be as large as 3% in years where the actuarial rate of return on investments exceeds 8.25%. A COLA can be paid only if there are sufficient funds in the Experience Account to offset the increase in the present value cost for the COLA.

An Experience Account was established for LASERS and TRSL in 1992 with $0 account balances. From 1992 through 2004, allocations from the regular pools of assets were made to the Experience Accounts equal to 50% of investment gains on the actuarial value of assets. Conversely, amounts were transferred from the Experience Accounts to the regular pools of assets whenever there were actuarial losses. The amounts so transferred were equal to 50% of investment losses on the actuarial value of assets.

On June 30, 2004, balances in the Experience Accounts for both LASERS and TRSL were negative. The LASERS balance was a negative $0.659 billion; the TRSL balance was a negative $1.104 billion. Negative balances occurred because amounts were transferred out of the Experience Accounts to fund COLAs between 1992 and 2004 and because significant investment losses were sustained in 2002 to 2004.

During the 2004 Regular Session, legislation was enacted to transfer from LASERS and TRSL an amount sufficient to return the balances to $0 as of June 30, 2004. Thereafter, the Experience Account would share 50% of investment gains but not any investment losses.

According to Act 497 of the 2009 session, balances in the LASERS and TRSL Experience Accounts on June 30, 2009, were to be transferred to a subaccount in the IUAL Fund and then would be further transferred on June 30, 2010, back to the regular pool of assets. As a result, the balances in the Experience Accounts on June 30, 2009, after the transfers was $0.

The Experience Accounts for LASERS and TRSL would continue to be funded in the future by 50% of investment gains, but only to the extent that the gains exceeded $100 million and $200 million, respectively.

The COLA program, briefly summarized above, has come with considerable cost to the retirement system and the taxpayers of the state. The unfunded liability of LASERS has increased $1.029 billion since 1992 solely to provide COLAs. The increase in unfunded liabilities for TRSL due to COLAs has been $1.963 billion.

***Funding Issue***

The diversion of investment gains to pay for COLAs creates a funding issue. The valuation interest assumption is based on the premise that over time investment gains and investment losses will offset one another. However, if as a result of a period of favorable investment performance COLA benefits are adopted and funded with those gains, such gains are no longer available to offset future investment losses. This is what occurred in the early part of this decade.

LASERS and TRSL enjoyed favorable returns on investments during most of the 1990s. Amounts accumulated in the Experience Accounts. COLA benefit adjustments were made. Costs associated with these adjustments were transferred back into the regular asset pools. But then the market turned down in 2001 through 2003 and these systems sustained significant investment losses. But investment gains that would have otherwise been available to offset these losses had been used to fund COLA benefits to members.

***Remedies***

There are at least three ways to reflect the COLA program in the valuation process.

Direct Recognition

Under direct recognition, the actuary for the system will estimate the future expenditures for COLA benefits. Plan liabilities and employer contribution requirements will both increase.

Indirect Recognition

Under this method, the investment return assumption used by the actuary to calculate plan liabilities will be reduced to reflect the fact that the real return on assets is smaller because 50% of the gains are diverted. This creates a problem, however, because if the return assumption is reduced, the potential for investment gains increases and the amount of gains diverted increases. There is no way to stop the cycle unless the investment gain is targeted against a fixed rate rather than the investment return assumption.

Amortization

LASERS and TRSL have elected to treat the diversion as an ad-hoc benefit improvement and have amortized the cost over a 30-year period. The problem with this method is that the COLA benefit is being financed by employer contributions for many years beyond the life expectancy of the members who originally received the benefit.

The systems will experience an investment gain or loss every year. If the 8.00% investment return assumption is correct, the plan will experience an investment gain 50% of the time and an investment loss 50% of the time. Therefore, benefit improvements on average will be given every other year. And every other year, amortization costs will increase. After 30 years, amortization costs will no longer increase because whenever a new amortization schedule is added an old schedule expires.

LASERS and TRSL are only ten years into the 30-year cycle. Amortization cost will continue to rise as a result of the COLA program for the next 20 years.

***LSERS and STPOL***

COLA procedures, similar to the LASERS and TRSL programs, were established for LSERS and STPOL under Act 333 of the 2007 Regular Session effective July 1, 2007. These Experience Accounts replaced all other COLA provisions.

***COLAs versus Inflation***

The following exhibits compare the compounded average annual rate of increase in actual benefits for those who retired from the state systems 5, 10, and 15 years ago and since the inception of the COLA program in 1992 with CPI inflation increases over the same periods, as of June 30, 2013.

**RETIREE COLA INCREASES vs. CPI**
**Average Annual Rate of Increase from**
**Date of Retirement to 6/30/2013**

***LASERS***

| Years Retired | Average Annual Rate of Increase | CPI Increase* |
|---|---|---|
| **5** | 0.6% | 1.3% |
| **10** | 0.8% | 2.4% |
| **15** | 1.3% | 2.4% |
| **20** | 1.1% | 2.5% |

***TRSL***

| Years Retired | Average Annual Rate of Increase | CPI Increase* |
|---|---|---|
| **5** | 0.6% | 1.3% |
| **10** | 0.6% | 2.4% |
| **15** | 1.1% | 2.4% |
| **20** | 0.9% | 2.5% |

* Consumer Price Index (CPI) – All Urban Consumers: All Items; Not seasonally adjusted; U.S. City average.

## 8. Indirect Funding of Pension Plan Costs

***Concern***

Employers and employees who enjoy the benefits of participating in the retirement systems of Louisiana do not bear the full cost of the retirement programs. The cost for most of the systems is supplemented by revenues from other government sources. As a result, employers are generally not aware of the total cost of their benefit program.

***General***

State and statewide retirement systems receive contributions or allocations of revenue from a number of sources other than employer and employee contributions. These sources include ad valorem taxes, revenue sharing, and insurance premiums taxes. In many cases the alternative sources provide substantial revenues for the retirement system and shelter employees and employers from the true cost of the benefit provisions of the system.

Indirect funding and the effect on each state and statewide retirement system are summarized below.

***LASERS***

The retirement system has been subdivided into the following sub plans (see Subdivision 1 of Section II for detailed information).

1. Rank and File
2. Judges and Court Officers
3. Judges
4. Legislators
5. Corrections Officers – Primary
6. Corrections Officers – Secondary
7. Peace Officers
8. Alcohol Tobacco Control Officers
9. Bridge Police
10. Wildlife Agents
11. Hazardous Duty

Each of these sub plans has a different benefit structure, and a distinct normal cost percentage is determined for all employers participating in each sub plan. A uniform UAL cost percentage is calculated for all employers participating in LASERS. Although the normal cost is separate for each sub plan and minimizes cross-plan subsidies, some such subsidies remain relative to the UAL.

***TRSL***

School districts receive an allocation from the state called the MFP. The purpose of this allocation is to give funds to local school boards to operate local school districts. This allocation is set each year without direct recognition of budgetary line items including the contributions that employers must make to TRSL. Therefore, all else being equal, if the retirement systems increase the employer contribution rates, local school districts have less money to spend on educating the children of the state.

The retirement system has been subdivided into the following sub plans (see Subdivision 1 of Section II for detailed information).

1. K-12 Teachers
2. Higher Education
3. Lunch Plan A
4. Lunch Plan B

***LSERS***

School districts receive an allocation from the state called the MFP. The purpose of this allocation is to give funds to local school boards to operate local school districts. This allocation is set each year without direct recognition of budgetary line items including the contributions that employers must make to LSERS. Therefore, all else being equal, if the retirement systems increase the employer contribution rates, local school districts have less money to spend on educating the children of the state.

***STPOL***

STPOL receives revenues from the state and taxes on insurance premiums. For FYE 2014, the state will pay only 96% of the total annual amount needed from public resources to fund the retirement system.

***ASSR***

ASSR receives revenues from employers with employees in ASSR, ad valorem taxes, and revenue sharing. For FYE 2014, local governmental entities will pay only 25% of the total annual amount needed from public resources to fund the retirement system.

***CCRS***

CCRS receives revenues from employers with employees in CCRS, ad valorem taxes, and revenue sharing. For FYE 2014, local governmental entities will pay only 63% of the total annual amount needed from public resources to fund the retirement system.

***DARS*** DARS receives revenues from employers with employees in DARS and from ad valorem taxes. For FYE 2014, local governmental entities will pay only 41% of the total annual amount needed from public resources to fund the retirement system.

***FRS*** FRS receives revenues from employers with employees in FRS and taxes on insurance premiums. For FYE 2014, municipalities will pay only 72% of the total annual amount needed from public resources to fund the retirement system.

***MERS*** MERS receives revenues from employers with employees in MERS, ad valorem taxes, and revenue sharing. For FYE 2014, municipalities will pay only 85% of the total annual amount needed from public resources to fund the retirement system.

***MPERS*** MPERS receives revenues from employers with employees in MPERS and from taxes on insurance premiums. For FYE 2014, municipalities will pay only 83% of the total annual amount needed from public resources to fund the retirement system.

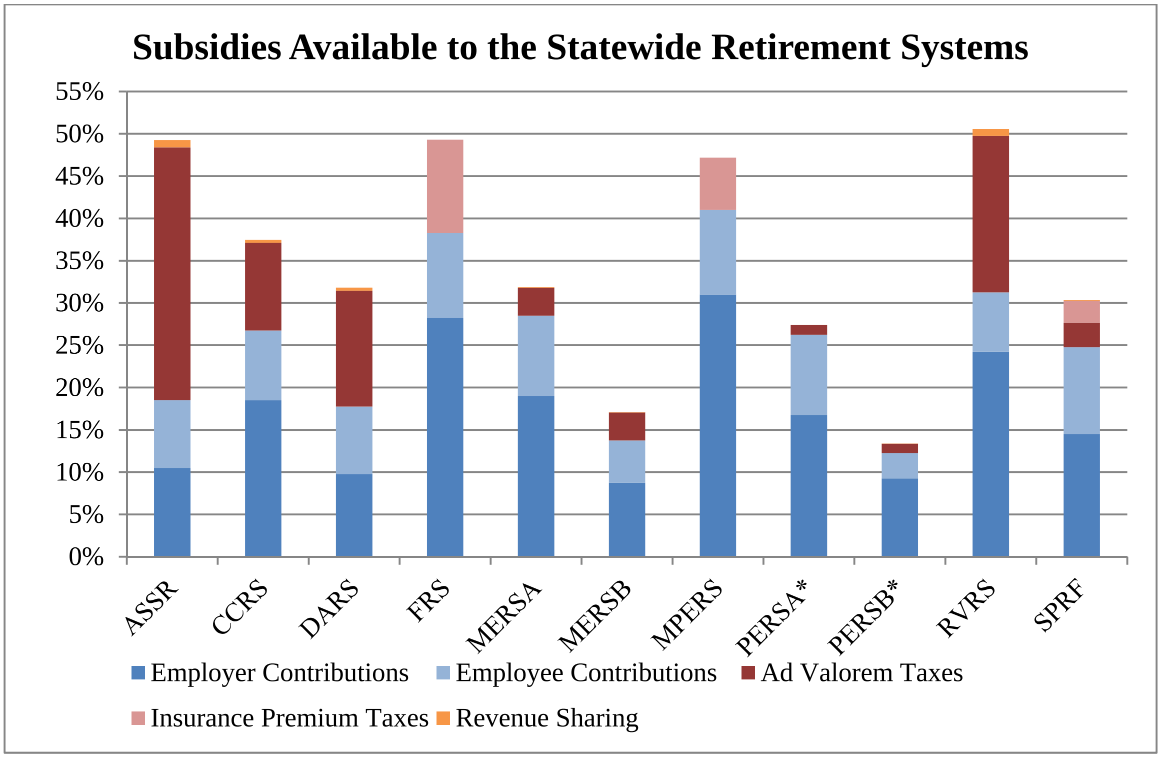
***PERS**** PERS receives revenues from employers with employees in PERS, ad valorem taxes, and revenue sharing. For FYE 2013, as the most recent information, parishes would pay only 94% of the total annual amount needed from public resources to fund the retirement system.

***RVRS*** RVRS receives revenues from employers with employees in RVRS, ad valorem taxes, and revenue sharing. For FYE 2014, local governmental entities will pay only 56% of the total annual amount needed from public resources to fund the retirement system.

***SPRF*** SPRF receives revenues from employers with employees in SPRF, ad valorem taxes, revenue sharing, and taxes on insurance premiums. For FYE 2014, local governmental entities will pay only 72% of the total annual amount needed from public resources to fund the retirement system.

***Subsidies*** Subsidies have the largest effect on statewide retirement systems. As shown in the following chart, employees and employers participating in ASSR contribute about 18.5% of pay (the blue based portion of each bar graph). Subsidies account for about 30.8% of pay (the red based portion of each graph).

It is also interesting to note that ASSR, CCRS, DARS, FRS, and RVRS receive substantial subsidies. Subsidies for MERS, MPERS, and PERS are relatively small.




* The most recent information for PERS is of FYE 2012.

## 9. Cash Flow and Liquidity

***Concern***

Contributions to the state retirement systems are less than benefit payments. Without cash income from investments, the retirement systems may be forced to sell securities or other investments while in an unfavorable market or to adjust investment strategies to support cash flow requirements.

***Investment Allocations***

The larger state systems have significantly changed their asset allocation strategies over the past decade. Allocations to equities (including hedge funds, alternative investments, private placements, Real Estate Investment Trusts, and venture capital) have increased, and allocations to fixed income investments have declined. These newer investments tend to be less liquid in bear markets, require additional cash commitments, and may produce minimal regular and predictable cash (interest and dividend) income.

The systems experienced a period of investment losses in 2001, 2002, 2008, 2009 and 2012 and because the plans are fairly mature (i.e., the ratio of active to retired is comparatively small) LASERS, TRSL, and LSERS have been forced to liquidate investments to cover plan benefit payments and expenses. Dividend and interest income alone have not been sufficient to cover the net difference between benefit payments and contributions.

The following exhibits titled "Net External Cash Flow" show the cash available from external additions (contributions) minus required deductions (benefits + expenses) for each state system as of June 30, 2013 (column c). The last column (column e) shows the value of assets that must be liquidated to satisfy benefit and expense payments.

For example, in 2013 LASERS received $856.2 million in contributions, but paid $1,150.9 million in benefits and expenses. This resulted in a shortfall of $294.7 million. Since LASERS only earned $198.7 million of cash income through dividends and interest, $96.0 million of securities had to be sold to meet retiree payroll.

Similarly, TRSL also had a problem. Its contribution income was $449.7 million less than benefit payments and dividend and interest income was only $300.8 million. As a result, $148.9 million of securities had to be sold to meet retiree payroll.

However, STPOL did not have such a problem in 2013. STPOL received $48.6 million in contributions, but paid only $42.4 million in benefits and expenses. This resulted in an excess of $6.2 million. Therefore, its cash flow shortfall was $0.0 million.

**NET EXTERNAL CASH FLOW**
**(*Excludes Net Investment Income)***
**STATE SYSTEMS**
**As of June 30, 2013**
**(in millions)**

| System | Amounts Added | Amounts Deducted | Net External Cash Flow | Interest & Dividends | Required Investment Sales |
|---|---|---|---|---|---|
| | *(a)* | *(b)* | *(c) = (a) -(b)* | *(d)* | *(e)* |
| **LASERS** | $ 856.2 | $ 1,150.9 | $ (294.7) | $ 198.7 | $ 96.0 |
| **TRSL** | 1,427.3 | 1,877.0 | (449.7) | 300.8 | 148.9 |
| **LSERS** | 109.0 | 163.3 | (54.3) | 30.9 | 23.4 |
| **STPOL** | 48.6 | 42.4 | 6.2 | 6.3 | 0.0 |
| **Combined** | **$ 2,441.1** | **$ 3,233.6** | **$ (792.5)** | **$ 536.7** | **$ 268.3** |

The pressure to liquidate assets is quite large for the state retirement systems. It had increased for LASERS and TRSL over the past five or six years, but remained quite constant for LSERS.

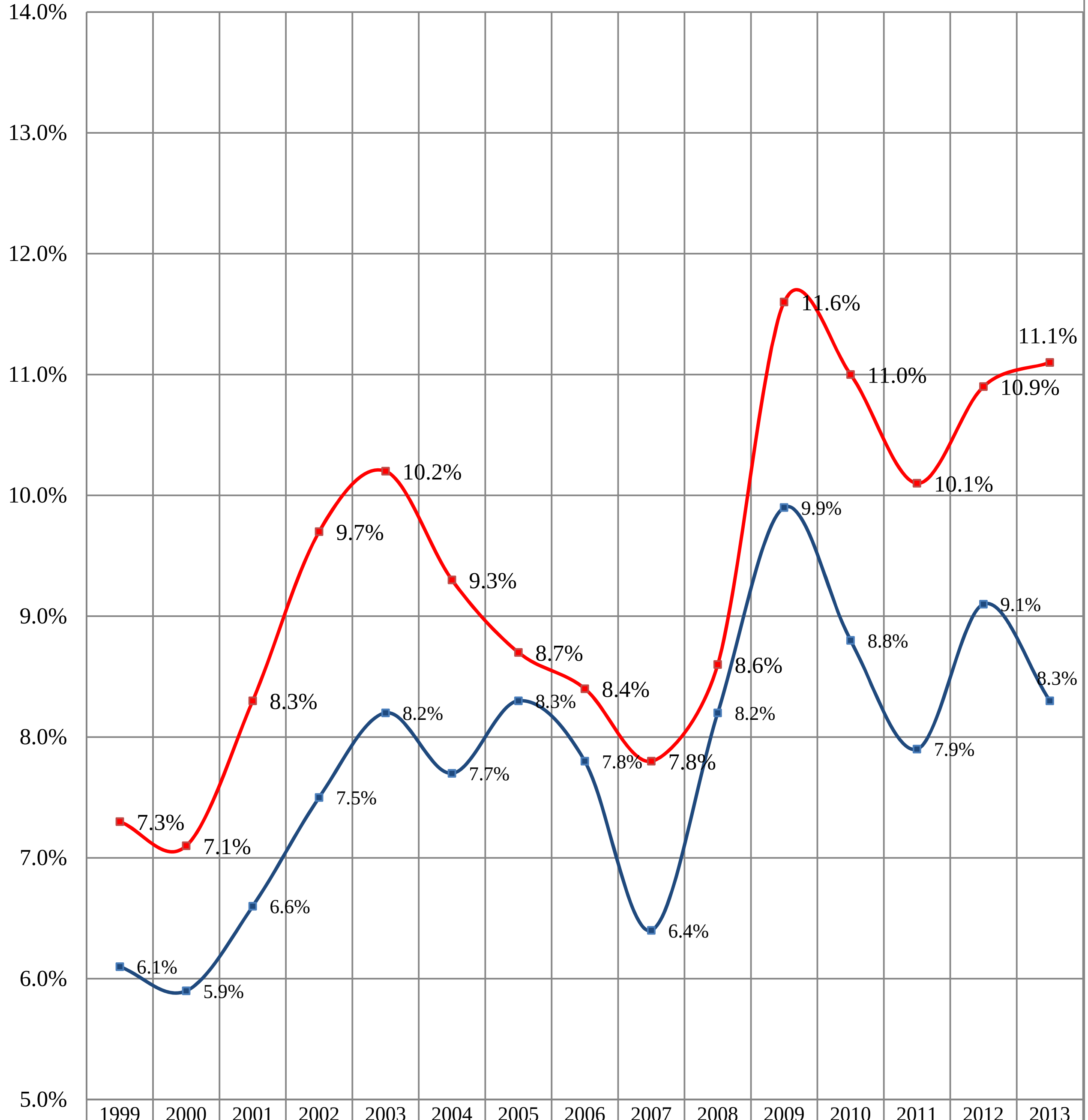
**HISTORICAL NET EXTERNAL CASH FLOW**
**(*Excludes Net Investment Income)***
**STATE SYSTEMS**
**FYE 2008 to FYE 2013**
**(in millions)**

| System | FYE 2008 | FYE 2009 | FYE 2010 | FYE 2011 | FYE 2012 | FYE 2013 |
|---|---|---|---|---|---|---|
| **LASERS** | $ (36.2) | $ (117.7) | $ (175.1) | $ (205.5) | $ (178.1) | $ (294.7) |
| **TRSL** | (358.8) | (458.2) | (518.1) | (386.9) | (329.7) | (449.7) |
| **LSERS** | (68.2) | (60.4) | (67.7) | (56.8) | (52.9) | (54.3) |
| **STPOL** | (10.1) | (11.4) | (6.1) | (0.6) | 2.1 | 6.2 |
| **Combined** | **$ (473.3)** | **$ (647.7)** | **$ (767.0)** | **$ (649.8)** | **$ (558.6)** | **$ (792.5)** |

The following charts for LASERS, TRSL, and LSERS compare historical revenues (contributions) and costs (benefits + expenses) over the period from 1999 through 2013. As a general observation, benefits plus expenses exceed contributions for all three systems. Costs and revenues for LASERS have paralleled one another. Costs for TRSL have increased significantly relative to revenues. LSERS has exhibited a pattern similar to TRSL.

## LASERS

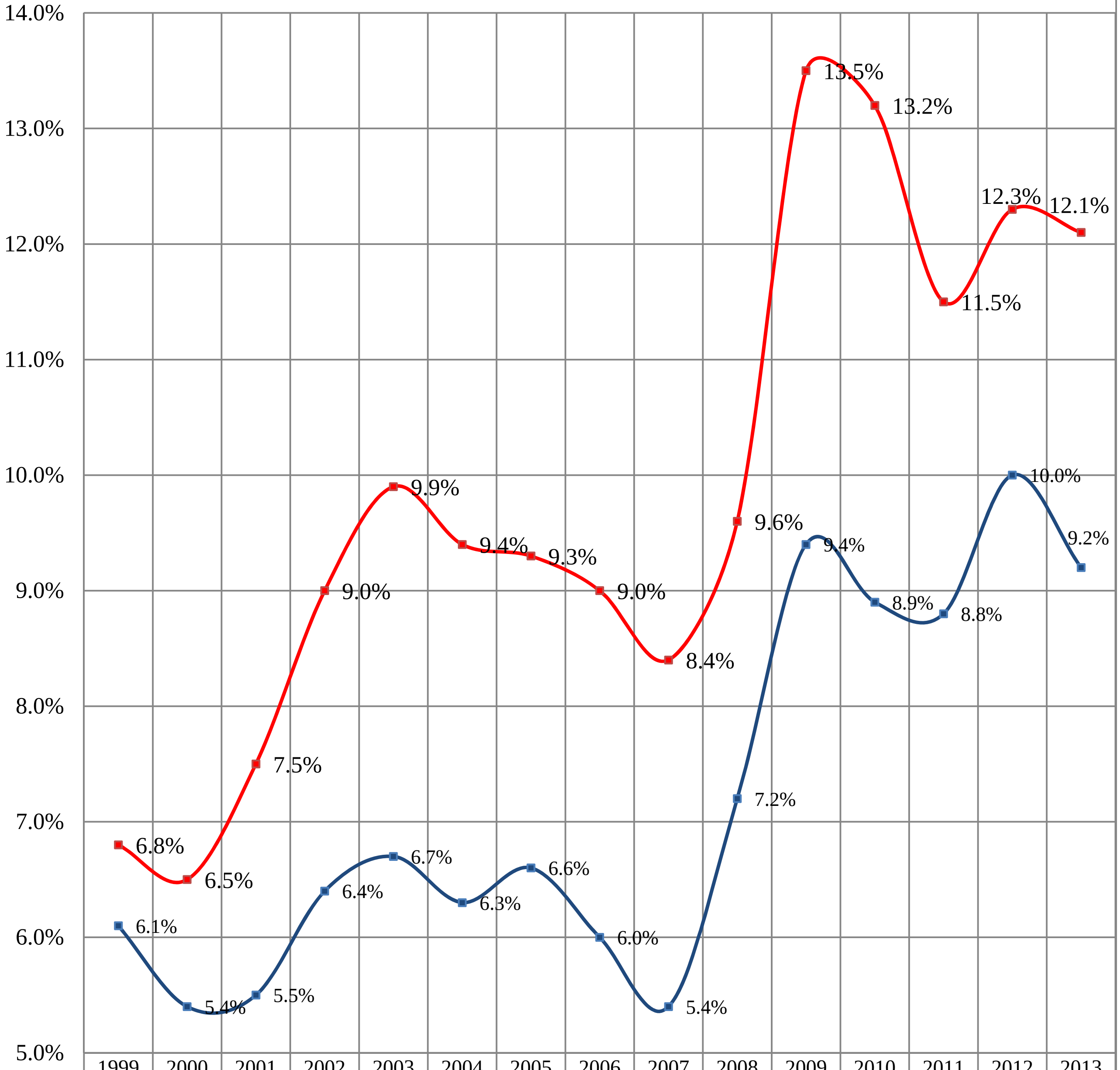
### Comparison of Revenues and Distributions
### As a Percentage of the Market Value of Assets




| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contributions | 6.1% | 5.9% | 6.6% | 7.5% | 8.2% | 7.7% | 8.3% | 7.8% | 6.4% | 8.2% | 9.9% | 8.8% | 7.9% | 9.1% | 8.3% |
| Distributions | 7.3% | 7.1% | 8.3% | 9.7% | 10.2% | 9.3% | 8.7% | 8.4% | 7.8% | 8.6% | 11.6% | 11.0% | 10.1% | 10.9% | 11.1% |

## TRSL

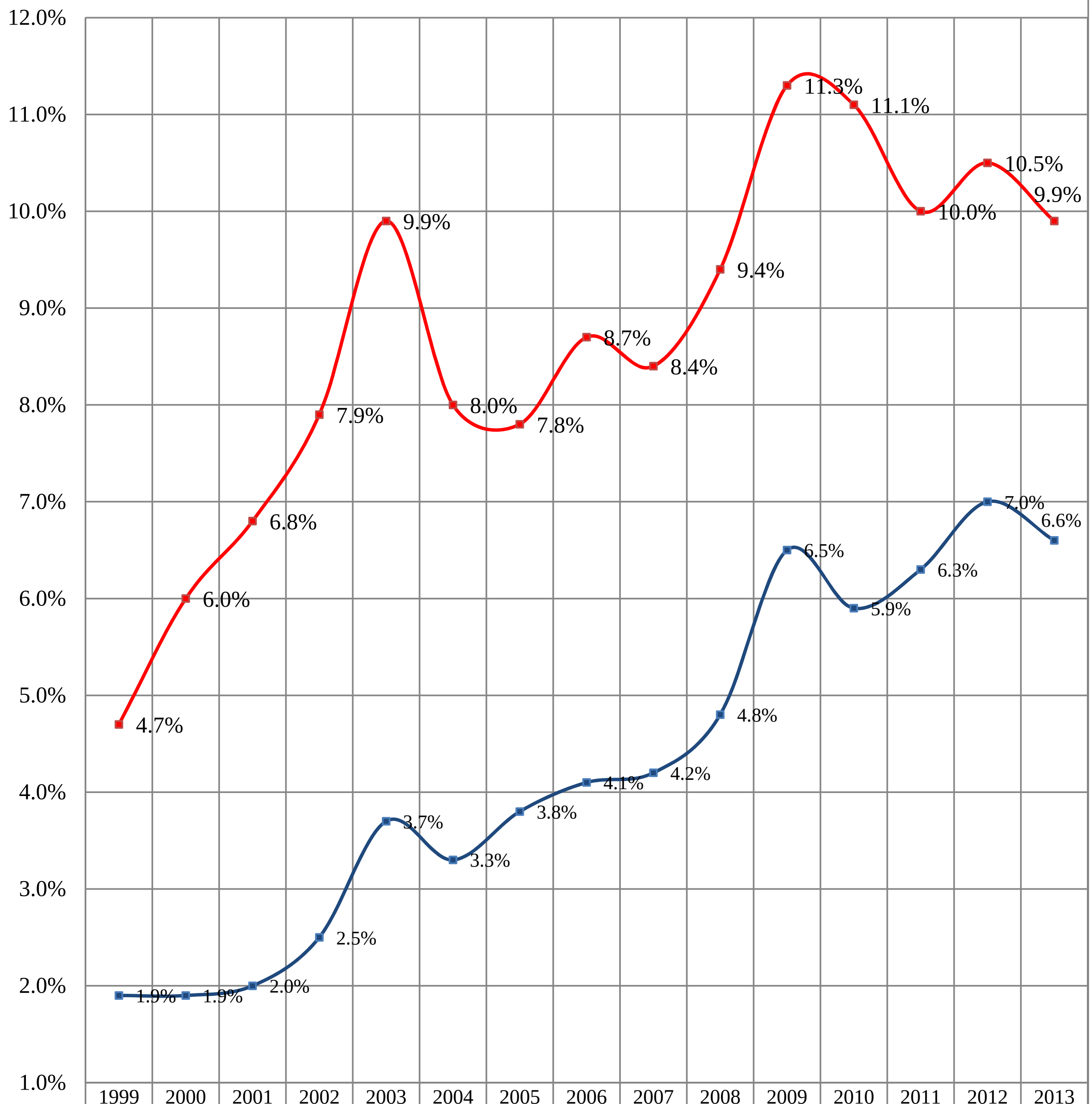
### Comparison of Revenues and Distributions
### As a Percentage of the Market Value of Assets




| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contributions | 6.1% | 5.4% | 5.5% | 6.4% | 6.7% | 6.3% | 6.6% | 6.0% | 5.4% | 7.2% | 9.4% | 8.9% | 8.8% | 10.0% | 9.2% |
| Distributions | 6.8% | 6.5% | 7.5% | 9.0% | 9.9% | 9.4% | 9.3% | 9.0% | 8.4% | 9.6% | 13.5% | 13.2% | 11.5% | 12.3% | 12.1% |

## LSERS

### Comparison of Revenues and Distributions As a Percentage of the Market Value of Assets




| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contributions | 1.9% | 1.9% | 2.0% | 2.5% | 3.7% | 3.3% | 3.8% | 4.1% | 4.2% | 4.8% | 6.5% | 5.9% | 6.3% | 7.0% | 6.6% |
| Distributions | 4.7% | 6.0% | 6.8% | 7.9% | 9.9% | 8.0% | 7.8% | 8.7% | 8.4% | 9.4% | 11.3% | 11.1% | 10.0% | 10.5% | 9.9% |

## 10. Adverse Selection/Risk Exposure

***Concern***

The trust fund of a retirement system becomes vulnerable to unknown costs whenever members are allowed to change or rescind previous benefit choices, purchase membership service, or make elections retroactively. Laws, allowing members to make such changes, expose the system to adverse selection and additional risk.

Adverse selection occurs when a member is allowed to use knowledge of his own circumstances to make a benefit choice or election that provides him with a significant financial advantage over the retirement system. As a result of such an election, the member is enriched over and above other members of the system, and retirement system costs are increased.

Many bills are presented to the legislature each session that would allow individual members or groups of members to change current elections in the future or to rescind elections made in the past in order to "correct" a perceived inequity. These bills are generally not successful because of cost and policy considerations.

However, from time to time, the legislature has adopted new policy permitting members to make elections that may be financially advantageous to the individual and to the detriment of the retirement system. Some examples of such legislation are summarized below.

***ORP Members – LASERS***

**Act 718 for LASERS of the 2012 Regular Session**

Members of LASERS ORP are allowed to regain membership in the LASERS defined benefit plan as long as they forfeit their account balance and pay any increase in actuarial cost associated with the change in status.

***Back-DROP – STPOL***

**Act 480 for STPOL of the 2009 Regular Session**

The STPOL DROP was replaced with Back-DROP.

ANTI-SELECTION: A member who elects to enter DROP accepts the risk that he may eventually gain or lose as a result of his DROP election. Back-DROP removes all risk and the member becomes entitled the better of the regular benefit or the Back-DROP benefit.

***Back-DROP – ASSR***

**Act 398 for ASSR of the 2008 Regular Session**

The ASSR DROP was replaced with Back-DROP.

ANTI-SELECTION: A member who elects to enter DROP accepts the risk that he may eventually gain or lose as a result of his DROP election. Back-DROP removes all risk and the member becomes entitled the better of the regular benefit or the Back-DROP benefit.

***Back-DROP – DARS***

**Act 835 for DARS of the 2008 Regular Session**

The DARS DROP was replaced with Back-DROP.

ANTI-SELECTION: A member who elects to enter DROP accepts the risk that he may eventually gain or lose as a result of his DROP election. Back-DROP removes all risk and the member becomes entitled the better of the regular benefit or the Back-DROP benefit.

***Rehired Retirees – DARS***

**Act 719 for DARS of the 2008 Regular Session**

A district attorney or assistant attorney will be allowed to retire and be rehired without a suspension of retirement benefits under certain conditions.

ANTI-SELECTION: A member is allowed to retire and collect a pension at the same time he continues to work in employment covered by the system from which he draws his pension.

***Rehired Retirees – LSERS***

**Act 832 for LSERS of the 2008 Regular Session**

A bus driver will be allowed to retire and then return to full time employment as a bus driver without a suspension of pension benefits after 12 months from the date of his original retirement.

ANTI-SELECTION: A member is allowed to retire and collect a pension at the same time he continues to work in employment covered by the system from which he draws pension.

## 11. Active Versus Inactive Trends

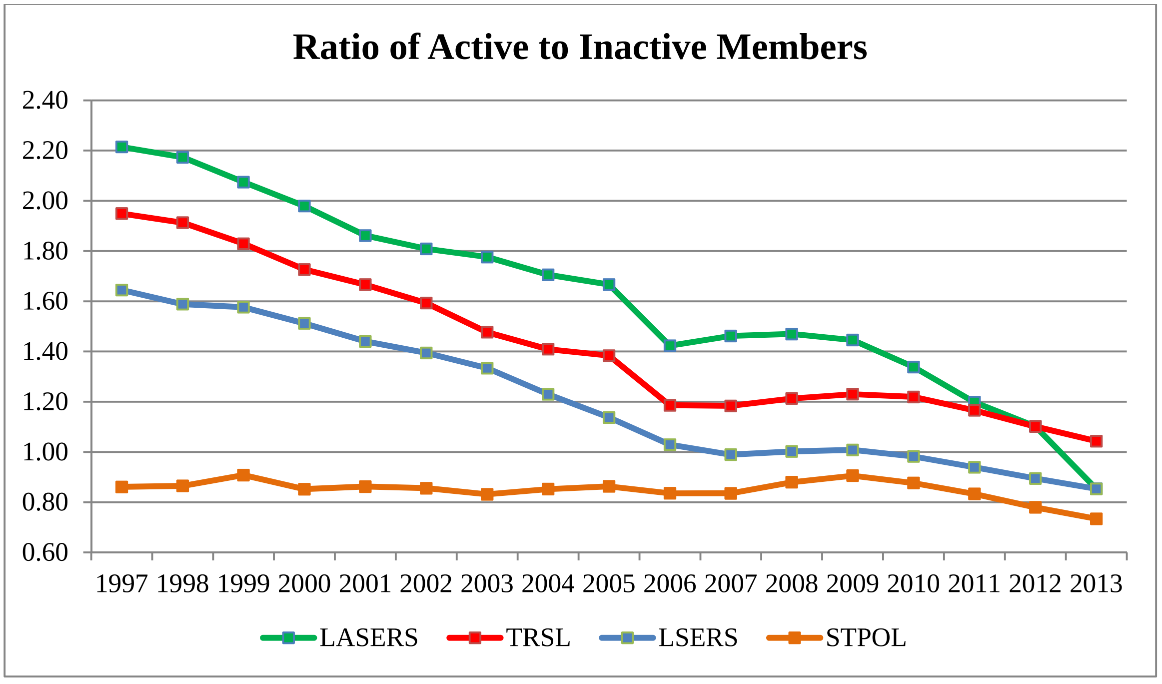
***Issue***

The state retirement plans have become more mature over the past 10 years.

***Actives & Inactives***

In 1998, there were 2.17 active members of LASERS for every inactive member. In 2013, there are only 0.85 active members for every inactive member. If LASERS did not have an unfunded accrued liability, then the ratio of actives to inactives is not a problem. But with a large UAL, a decreasing ratio is disconcerting because there are fewer working members of the retirement system over which the UAL payments can be spread. As a result, the portion of the contribution rate attributable to the UAL has been increasing and will continue to do so if the trend continues.

TRSL and LSERS are following the same trend, and as a result, UAL costs as a percentage of member pay will tend to increase. STPOL has exhibited maturity for the past 10 years. The ratio of actives to inactives has been relatively constant over the entire period.



***Accrued Liability Trends***

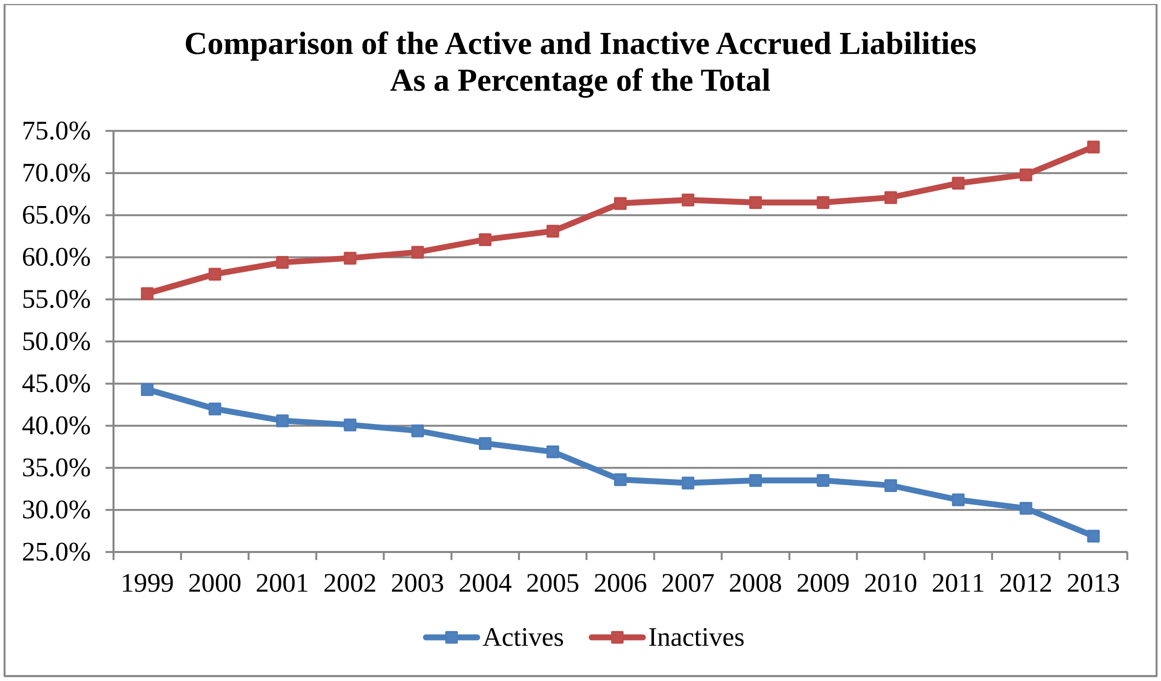
Another cause for concern is the ratio of the accrued liability associated with active members to the liability associated with inactives. As would be expected, if the ratio of actives to inactives is decreasing the ratio of active liability to inactive liability will also decrease.

The following table and chart show, for all four state retirement systems combined, that active liabilities in 1999 were 44.3% of total liabilities. In 2013, active liabilities represent only 26.9% of total liabilities. This maturation of the state retirement systems provides yet another explanation for continued increases in the employer contribution rate necessary to pay for the UAL.

**Combined State System Liability Trends**

***Percent of Total Accrued Liability***

| **Fiscal Year** | ***Actives*** | ***Inactives*** |
|---|---|---|
| 1999 | 44.3% | 55.7% |
| 2000 | 42.0% | 58.0% |
| 2001 | 40.6% | 59.4% |
| 2002 | 40.1% | 59.9% |
| 2003 | 39.4% | 60.6% |
| 2004 | 37.9% | 62.1% |
| 2005 | 36.9% | 63.1% |
| 2006 | 33.6% | 66.4% |
| 2007 | 33.2% | 66.8% |
| 2008 | 33.5% | 66.5% |
| 2009 | 33.5% | 66.5% |
| 2010 | 32.9% | 67.1% |
| 2011 | 31.2% | 68.8% |
| 2012 | 30.2% | 69.8% |
| **2013** | **26.9%** | **73.1%** |

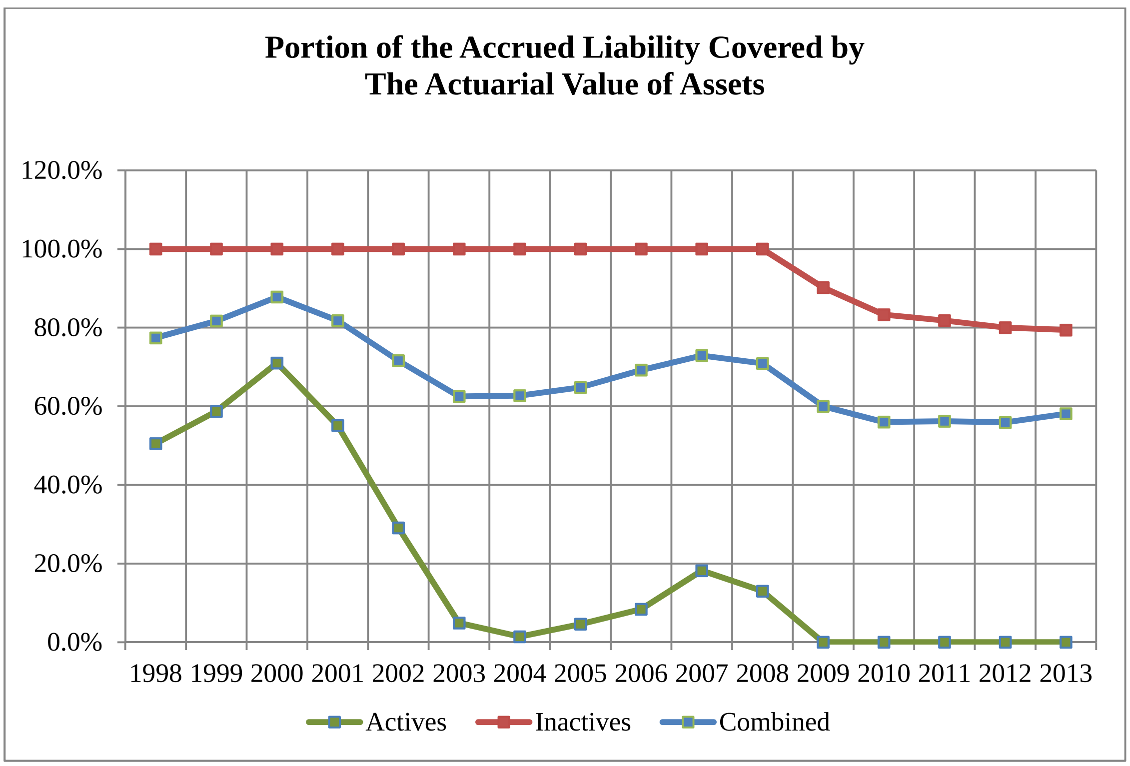



***Percent Funded***

The following table provides yet another way to view maturing retirement systems with large UALs. In 1998, plan assets were sufficient to cover 100% of the inactive accrued liabilities and over 50% of active liabilities. However, as the dot.com bubble, the events of 9/11, and the market corrections resulting therefrom unfolded, the state systems still had sufficient assets to cover inactive liabilities, but by 2004, assets available for actives were less than 2% of the active liability. And, as a result of negative investment returns over the past couple of years, not only are there no assets available to back benefit promises made to active members, assets on June 30, 2013, were only sufficient to cover 79.4% of the liabilities for inactive members.

The problem is that an underfunded plan is at significant risk of not being able to fulfill its promises to active members should it be necessary to revise the retirement program. Underfunded retirement systems limit the options available to the state for managing its work force and its benefit programs.

| **Combined State System Liability Trends** | | | |
|---|---|---|---|
| ***Percent Funded*** | | | |
| **Fiscal Year** | ***Actives*** | ***Inactives*** | ***Combined*** |
| 1998 | 50.5% | 100.0% | 77.4% |
| 1999 | 58.7% | 100.0% | 81.7% |
| 2000 | 71.0% | 100.0% | 87.8% |
| 2001 | 55.1% | 100.0% | 81.8% |
| 2002 | 29.1% | 100.0% | 71.6% |
| 2003 | 4.9% | 100.0% | 62.5% |
| 2004 | 1.4% | 100.0% | 62.7% |
| 2005 | 4.6% | 100.0% | 64.8% |
| 2006 | 8.4% | 100.0% | 69.2% |
| 2007 | 18.2% | 100.0% | 72.9% |
| 2008 | 13.0% | 100.0% | 70.9% |
| 2009 | 0.0% | 90.2% | 60.0% |
| 2010 | 0.0% | 83.3% | 55.9% |
| 2011 | 0.0% | 81.8% | 56.2% |
| 2012 | 0.0% | 80.0% | 55.9% |
| **2013** | **0.0%** | **79.4%** | **58.1%** |



***Statewide Systems***

The ratio of active members to inactive members for the statewide retirement systems has decreased over the past 10 years except for ASSR.

**Statewide Retirement Systems**
**Ratio of Active Members to Inactive Members[a]**

| Fiscal Year | *2003* | *2013* | *Trend* |
|---|---|---|---|
| **ASSR** | 1.33 | 1.44 | **Up** |
| **CCRS** | 2.76 | 1.79 | **Down** |
| **DARS** | 5.78 | 3.19 | **Down** |
| **FRS** | 2.34 | 1.86 | **Down** |
| **MERSA** | 2.07 | 1.39 | **Down** |
| **MERSB** | 2.58 | 2.10 | **Down** |
| **MPERS** | 1.57 | 1.20 | **Down** |
| **PERSA[b]** | 2.75 | 2.05 | **Down** |
| **PERSB[b]** | 4.79 | 3.22 | **Down** |
| **RVRS** | 1.56 | 1.21 | **Down** |
| **SPRF** | 5.65 | 3.39 | **Down** |
| **Total Statewide** | 2.78 | 2.03 | **Down** |

a. For the purpose of this exhibit, members with rights to a deferred pension benefit and members who are due a refund of employee contribution are not considered to be inactive members.

b. The most recent information for PERS is of FYE 2012.

## 12. Actuarial Certification

Most of the material in this section of the report and some of the information in the other sections may be considered to be Statements of Actuarial Opinion. Therefore, I make the following certification:

> I, Paul T. Richmond, am the Manager of Actuarial Services for the Louisiana Legislative Auditor. I am a member of the American Academy of Actuaries, an Associate in the Society of Actuaries, an Enrolled Actuary, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Paul T. Richmond          7/14/14

Paul T. Richmond          Date

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# Section IV

# Recent Legislation

# 1. Summary of Retirement Legislation for 2013

A summary of retirement legislation enacted into law during the 2013 Regular Session of the Louisiana Legislature is given below.

***Benefits:***

The primary focus of benefit legislation enacted during the 2013 regular session was:

1. To provide for increases in employee contribution requirements.

2. To provide for increases in the final average compensation period.

3. To provide for benefit reductions for new members.

***Act 71 for RVRS*** – The employee contribution rate for current and future employees will be between 7% and 9%, as determined by the board in consultation with their actuary. This may reduce the employer contribution requirements paid by the system. Based on the system's actuarial report as of June 30, 2013, the employee contribution rate is 7.00%.

***Act 170 for all Statewide Retirement Systems*** **–** The board of trustees for each statewide retirement system must make an irrevocable decision in a public meeting on or before December 31, 2013, to grant PBIs under a new method summarized below:

1. *Timing Limitation* unless otherwise noted **–**
   a. May not take action to authorize a PBI during any calendar year prior to the end of the legislative session for that year;
   b. May not take action to authorize a PBI during the first 6 months of any fiscal year;
   c. May not take action to authorize a PBI in any calendar year in which the legislature has granted a PBI unless the legislation granting such PBI specifically allows the board to also take PBI action.

2. *Funding Deposit and Funded Ratio Tests* – The board may authorize a PBI if either of the following is met:
   a. Funding Deposit Test – If sufficient funds are available in the system's Funding Deposit Account to pay for PBI;

b. Funded Ratio Test – A system's funded ratio is equal to the ratio of the actuarial value of assets to the actuarial accrued liability under entry age normal funding method. A PBI may be granted if the system has a Funded Ratio of:
   (1) at least 90% and no PBI granted in the most recent fiscal year, or
   (2) at least 80% and no PBI granted in the two most recent fiscal years, or
   (3) at least 70% and no PBI granted in the three most recent fiscal years.

3. *Benefit Amount* – Each statewide system has specific rules to determine the amount of PBI.

***Act 231 for SPRF*** – Benefits of a member, who is first employed on or after July 1, 2013, will be based on average salary over a period of 60 months with a 115% anti-spiking provision. Benefits for all existing members remain with a 125% anti-spiking provision.

***Act 233 for ASSR*** – A new tier of benefits will apply to members who are first employed on or after October 1, 2013. The final average compensation (FAC) will remain at 60 months.

1. *Eligibility*
   a. May retire at age 60 with 12 or more years of service;
   b. May retire at age 55 with 30 or more years of service.

2. *Benefit*
   a. If less than 30 years of service, then
      3% x FAC x Years of service
   b. If 30 or more years of service, then
      3 1/3% x FAC x Years of service
   c. Transferred service with accrual rate less than 3 1/3% shall not be used to meet the requirement of 30 or more years of service unless the member has upgraded such transferred service.

***Act 235 for NOFF*** – The employee contribution rate for members with less than 20 years of service will be:
1. 8.00% in FY 2014;
2. 10.00% in FY 2015 and thereafter.

The employee contribution rate for members with 20 or more years of service will be:
1. 3.33% in FY 2014;
2. 6.67% in FY 2015;

3. 10.00% in FY 2016 and thereafter.

***Act 296 for NOFF*** **–** The final average compensation for retirement benefit calculation will be 60 months instead of 48 months. For the members retiring or entering DROP or participating in DROP on a retroactive basis on or after July 1, 2013, and on or before June 30, 2014, the final average compensation will be calculated based on 48 months plus the number of whole months since July 1, 2013.

***Act 298 for NOFF*** **–** The final average compensation for retirement benefit calculation will be 60 months instead of 48 months. For the members retiring or entering DROP or participating in DROP on a retroactive basis on or after July 1, 2013, and on or before June 30, 2014, the final average compensation will be calculated based on 48 months plus the number of whole months since July 1, 2013.

***Act 365 for all Louisiana Public Retirement Systems*** **–** This Act provides the following special service transfer rights:

1. *In-Service Reverse Transfer* **–**
   a. A person requesting the In-Service Reverse Transfer does not need to retire immediately;
   b. Such a request must be made by a person who is not a state employee and must occur on or before December 31, 2013;
   c. Such a request will only be permitted if the person currently in Plan B had previously been in Plan A and had the right to remain in Plan A when he became employed in a position covered under Plan B;
   d. The amount of assets and service credits transferred are calculated in a manner similar to that described for a Reserve Transfer under current law;
   e. Upon the completion of such a transfer, this member's benefits rights in Plan B will be forfeited and his benefit under Plan A will begin to accrue.

2. *Benefit Accrual Upgrade on Transferred Service* **–** A member who transfers service to a retirement system with a large benefit accrual rate may upgrade the accrual rate on his transferred service to the accrual rate of the receiving system by paying the Actuarial Cost associated with such upgrade. This right pertains to a Forward Transfer, a Reserve Transfer, and In-Service Reverse Transfer.

3. *St. George Fire Department Transfers –*

    a. Only applies to the transfers from NOFF into FRS under St. George Fire Department between August 26, 1999 and December 31, 2007;
    b. The benefit accrual rate will be changed from 2.5% (under NOFF) to 3 1/3% (under FRS);
    c. The transferred service will be credited with the higher rate upon payment to FRS of the Actuarial Cost associated with the increased accrual rate;
    d. The St. George Fire Department is authorized to pay the Actuarial Cost as long as it does not use funds derived from assessments against insurers;
    e. Level payments over a 30-year period at interest rate of 7.5% are allowed.

***PBIs:***

***Act 297 for LSERS*** – The eligibility of one-time COLA for a retiree and a beneficiary will change as follows, and the benefit increase shall not exceed 3.75% of his annual pension.

1. *Eligibility for A Retiree –*
    a. He has received a retirement benefit for at least 1 year;
    b. He is at least 60 years of age;
    c. He is a member of Tier 1;
    d. He retired prior to July 1, 2001;
    e. He entered DROP prior to July 1, 2001, and retired prior to July 1, 2012.

2. *Eligibility for A Beneficiary* – The retiree would have met the above criteria if he were still alive.

***Membership:***

***Act 10 for SPRF*** – The active membership requirement for a member to be eligible to transfer prior service into the Fund will be at least one year instead of 6 months.

***Act 266 for MERS*** – There will be two new employers participating in MERS: the West Calcasieu Community Center and the Vinton Public Power Authority. Employees of these two employers will become members of MERS Plan B as a condition of their employment.

***Funding:***

***Act 299 for RVRS*** – The ad valorem tax remittals to RVRS will be enforced to deduct from the state revenue sharing funds otherwise payable to the political subdivision or jurisdiction.

***Governance:***

***Act 70 for RVRS* –** The board of trustees for RVRS will be granted the specific authority in accordance with the Administrative Procedures Act to specify interest and mortality assumptions for benefit calculation purposes. No cost is associated.

***Act 208 for MERS* –** The number of members serving on the MERS board of trustees will increase from 9 to 11. The two new members are:

1. One commissioner of administration or his designee;
2. One state treasurer or his designee.

***Act 234 for NOFF* –** Membership of board of trustees will be decreased; namely,

1. The superintendent of the fire department remains as one member;
2. The director of finance the city of New Orleans remains as one member;
3. The number of members elected from the active ranks of the department will decrease from 5 to 2;
4. The number of members elected from the ranks of retired members will be increased from 2 to 3;
5. One member, who is domiciled in and en elector of New Orleans, who is appointed by the mayor of New Orleans with the approval of the city council, will be added to the board of trustees.

The disability benefit and cost-of-living increase will need to be approved by 2/3 majority of the full membership of the board of trustees.

***Act 287 for STPOL* –** Maintains as a tax qualified retirement plan under the Internal Revenue Code.

1. The board shall designate an actuary regarding the operation of the retirement system, who shall make an actuarial investigation every 5 years starting FYE 2013 into the mortality, service, and compensation experience of members and beneficiaries of the retirement system and the discount rate.
2. The results of the investigation by the actuary shall be adopted by the board. The actuary shall also conduct annual valuations based on the assumptions so adopted by the board.
3. Actuarial equivalent benefits shall be determined on the basis of a 7.5% interest rate and the RP-2000 Sex Distinct Mortality Table. Any new assumptions adopted for actuarial equivalence purpose shall apply only to persons who are active members. A member's accrued benefit will not be reduced due to the change

in assumptions used to calculate actuarial equivalence. The board may change the basis for calculating actuarial equivalence by formally adopting such changes as a rule under the Administrative Procedures Act.

***Remedial:***

***Act 236 for MPERS*** – Any legal investigator employed by the City of Baton Rouge and Parish of East Baton Rouge in the parish attorney's office who receives state supplemental pay and who transferred into the MPERS on the date of February 26, 2000, as a result of the merger agreement between the system and the city-parish of that date. Such a legal investigator with a break in service after February 26, 2000, shall retain membership or retiree status only to the extent of his deferred vested benefit attributable to service earned prior to the break in service. Such individuals have already been participating in MPERS.

***Act 376 for LASERS*** – A member who retired from Hazardous Duty Plan in January 2012 and whose last employing agency was Avoyelles Correctional Center will be entitled to the premium supplement from the beginning of June 2013, even though he retired with transferred service and did not retire early with reduced benefits.