

**Louisiana School Employees'
Retirement System
June 30, 2001
ACTUARIAL VALUATION**

Hall Actuarial Associates

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September 14, 2001

Board of Trustees
LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
Post Office Box 44516
Baton Rouge, Louisiana 70804-4516

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Louisiana School Employees' Retirement System as of June 30, 2001.

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

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

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

Board of Trustees
September 14, 2001

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

	<u>June 30, 2001</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2000</u>	<u>June 30, 1999</u>
I. Membership Census			
1) Retirees	9,391	9,030	8,655
2) Actives	14,633	14,849	14,887
3) DROP	766	792	789
II. Annual Benefits	\$ 78,138,372	\$ 71,288,303	\$ 64,781,250
III. Total Payroll	249,674,197	241,128,413	236,000,907
IV. Valuation Assets	1,516,236,897	1,556,270,242	1,464,040,914
V. Investment Yield			
Actuarial Value	1.77%	10.72%	16.55%
Market Value	-1.85%	7.96%	9.05%
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	40,665,544 16.29%	34,399,551 14.27%	33,274,975 14.10%
VII. Unfunded Actuarial Accrued Liability	-43,814,340	-264,447,383	-250,810,693
VIII. Funded Percentage	103.0%	120.5%	120.7%
IX. Funding Requirements to Pay (Mid-year Payment)			
1) Employee Contribution Rate	18,725,564 7.50%	15,455,465 6.35%	15,126,705 6.35%
2) Employer Contribution Rate - Current Year	17,784,367 7.1%	3,782,309 1.6%*	3,982,375 1.7%*
3) Projected Employer Contribution - Next Year	18,259,167 7.0%	3,666,746 1.5%*	3,957,784 1.6%*
X. Employer Credit Account	55,565,376	58,667,456	56,754,405

The above funding requirements measure the cost of benefits that were in effect on June 30, 2001, plus Acts of the 2001 Legislative Session which have prospective effects on the current active members.

*The employer rates indicated are tabular rates. The Constitutional Amendment No. 3 mandates that the employer rate shall not be less than the employee rate.

Board of Trustees
September 14, 2001

Current Funding

The Actuarial Valuation for the plan year ending June 30, 2001 discloses an increase in the plan's unfunded actuarial accrued liability. The system currently has a surplus of 43.8 million in assets in excess of the actuarial accrued liability. It is generally appropriate for the current valuation process to disclose the source and cause of any significant changes in actuarial assumptions, gains or losses resulting from actual experience which differs significantly from expected plan experience.

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

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

CHANGE IN UNFUNDED LIABILITY

Unfunded Liability 6/30/2000		\$ -264,447,383
INCREASES		
Amortization Payment	\$ 14,171,245	
Benefits (Act 897)	102,566,157	
Investment Loss	91,526,409	
Experience Loss	780,586	
Cost of Living Increase	<u>31,422,200</u>	
Incurred Increases	240,466,597	
DECREASES		
Interest on Surplus	<u>19,833,554</u>	
Incurred Decreases	19,833,554	
Unfunded Liability 6/30/2001 (Surplus)		\$ -43,814,340

Board of Trustees
September 14, 2001

The Constitution requires a minimum 6.00% employer contribution. In recent years, the actuarially required employer contribution rate has been less than the 6.00% required minimum. Act 278 of the 1999 regular session provided for the establishment of an Employer Credit Account consisting of the accumulated excess employer contributions which exceed the actuarially required employer rate. The account has a current balance of .55.6 million which is available to offset future required employer contributions.

This year, the employer contribution rate exceeds the 6.00% minimum requirement. The recommended rate of 7.1% for the current fiscal year is largely the result of the passage of Act 897, investment experience losses and a retiree COLA. Act 897 increases the benefit accrual rate to 3 1/3% for all active participants after July 1, 2001, for all years of service both retroactively and prospectively.

Disclosures

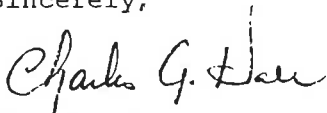
Exhibit 3, "Pension Accounting and Financial Disclosure", contains disclosure of the accrued liabilities under the Entry Age Normal Actuarial Cost Method required by the Governmental Accounting Standards Board Statement No. 25.

Finally, the actuarial disclosure form required by the Legislative Auditor's office makes specific provisions for the determination of whether or not a system is systematically approaching a targeted funding ratio. This is an important consideration for both retired members and members of the Board of Trustees. The Board is specifically prohibited from granting a cost-of-living raise to retirees and survivors by Act 256 of the 1986 regular session unless the system has met the Funding Target.

For the plan year ending June 30, 2001 the funding target is 1.00, which is less than the current 1.0298 funding ratio. Therefore, the Board may entertain cost-of-living increases to retirees as permitted by statute.

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

Sincerely,



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

CGH/tt

Enclosure

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EXHIBIT 1

DEVELOPMENT
OF
COSTS, LIABILITIES AND CONTRIBUTIONS

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

	<u>June 30, 2001</u>		<u>---Prior Year---</u> <u>June 30, 2000</u>	
	<u>Dollar</u> <u>Amount</u>	<u>% of</u> <u>Salary</u>	<u>Dollar</u> <u>Amount</u>	<u>% of</u> <u>Salary</u>
I. Normal Costs (to fund annual pension accruals)				
Active Members with Complete Data				
a) Retirement Benefits	\$ 27,361,525	10.96%	\$ 22,423,948	9.30%
b) Disability Benefits	3,062,909	1.23%	2,701,455	1.12%
c) Survivor Benefits	2,687,765	1.08%	2,587,878	1.07%
d) Voluntary Termination	5,553,345	2.22%	4,886,270	2.03%
e) Expenses	<u>2,000,000</u>	<u>.80%</u>	<u>1,800,000</u>	<u>.75%</u>
TOTAL	40,665,544	16.29%	34,399,551	14.27%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 578,359,734		\$ 480,471,931	
2) Disability Benefits	34,879,436		27,676,760	
3) Survivor Benefits	24,953,548		24,448,329	
4) Voluntary Termination	<u>29,003,990</u>		<u>23,009,193</u>	
	667,196,708		555,606,213	
b) Retired and Inactive Members				
1) Regular Retirees	529,702,465		487,072,090	
2) Disabled Retirees	34,226,401		32,573,198	
3) Survivors	80,592,831		72,567,989	
4) Vested Deferred & Reciprocals	2,032,443		1,932,651	
5) Contributions Refunded	7,059,705		6,100,243	
6) DROP Deferred Benefits	112,062,523		103,181,961	
7) DROP Account Balances	<u>39,549,481</u>		<u>32,788,514</u>	
	805,225,849		736,216,646	
c) TOTAL	1,472,422,557		1,291,822,859	

Exhibit 1 (Continued)
Costs, Liabilities & Contributions

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
II. Actuarial Accrued Liability TOTAL (Preceding page)	\$ 1,472,422,557	\$ 1,291,822,859
III. Assets	1,516,236,897	1,556,270,242
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	-43,814,340	-264,447,383
a) Change over prior year	220,633,043	-13,636,689
b) Funded Percentage	102.98	120.5%
V. Employer Contributions To Fund Current Plan Year*		
a) Employer Portion of Normal Cost	20,127,523	17,450,271
b) Amortization Payments	-2,313,937	-13,663,044
c) Previous Year (Short-fall)	<u>-29,219</u>	<u>-4,918</u>
TOTAL Required Contribution	17,784,367 7.1%	3,782,309 1.6%
Actuarial Forecast Rate	6.0%	6.0%
VI. Projected Employer Contributions To Fund Next Plan Year*		
a) Employer Portion of Normal Cost	20,684,517	17,973,846
b) Amortization Payments	-2,418,065	-14,277,881
c) Short-fall Charge	<u>-7,285</u>	<u>-29,219</u>
TOTAL Projected Contribution	18,259,167 7.0%	3,666,746 1.5%
VII. Current Payroll	249,674,197	241,128,413
Projected Payroll - Mid Year	252,022,484	243,393,178
Projected Payroll - Next Year	258,996,768	250,695,901

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

EXHIBIT 2

FINANCIAL SUMMARY
STATEMENT OF REVENUES AND EXPENSES
FOR FISCAL YEAR ENDING

	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
		-----Prior Years-----	
<u>OPERATING REVENUES:</u>			
1. Contribution Income			
Member	\$ 15,574,349	\$ 15,149,157	\$ 15,028,064
Employer	14,527,016	14,355,351	14,258,000
2. Other Income			
Legislative Appropriations	0	0	0
Transfers	71,765	0	0
TOTAL CONTRIBUTIONS	<u>30,173,130</u>	<u>29,504,508</u>	<u>29,286,064</u>
3. Investment Income			
Investments	-25,935,772	122,319,463	131,653,130
Less, Manager Fees	-2,810,316	-3,010,767	-2,740,392
TOTAL INVESTMENT INCOME	<u>-28,746,088</u>	<u>119,308,696</u>	<u>128,912,738</u>
4. Total Revenues	1,427,042	148,813,204	158,198,802
<u>OPERATING EXPENSES:</u>			
1. General Administration	2,020,864	1,800,930	1,701,312
Other Expenses	567,369	484,552	458,390
Employer Credit Expense	14,432,160	14,273,574	N/A
2. Benefits Paid			
a) Pension Benefits	81,885,206	75,855,391	67,402,758
b) Return of Contrib.	2,389,111	2,243,027	2,369,474
c) Transfers Out	0	285,745	76,486
TOTAL BENEFITS PAID	<u>84,274,317</u>	<u>78,384,163</u>	<u>69,848,718</u>
3. Total Operating Expenses	101,294,710	94,943,219	72,008,420
<u>NET INCREASE:</u>	-99,867,668	53,869,985	86,190,382

EXHIBIT 2 (Continued)
Financial Summary

FINANCIAL SUMMARY
STATEMENT OF ASSETS
FOR FISCAL YEAR ENDING

	<u>June 30, 2001</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2000</u>	<u>June 30, 1999</u>
ASSETS¹:			
1. Short Term Assets			
Cash in Banks	\$ 2,522,776	\$ 4,315,687	\$ 1,285,911
Securities	90,325,916	50,210,061	45,636,709
2. Bonds (at amortized cost)			
Foreign Issues	0	0	0
Bonds - General	390,239,778	370,718,471	325,022,864
Corporate Issues	288,288,433	166,915,475	263,811,341
U.S. Government Obligations	30,490,702	180,019,242	101,416,017
3. Equities,			
Common Stock - Domestic	629,601,392	698,776,811	687,342,166
- Foreign	83,864,421	97,353,638	81,444,725
4. Real Estate	3,038,799	2,803,598	N/A
5. Property and Equipment	4,263,813	4,420,075	7,316,277
6. Receivables - Payables	<u>-36,335,574</u>	<u>10,635,069</u>	<u>19,022,129</u>
TOTAL ASSETS			
Market Value	1,486,300,456	1,586,168,124	1,532,298,139
Valued at Cost	1,410,066,067	1,427,778,089 ¹	1,351,908,126
INVESTMENT YIELD:			
Yield to Actuarial Value	1.77%	10.72%	16.55%
DROP Account Yield	1.27%	10.22%	16.05%
Yield to Market Value	-1.85%	7.96%	9.05%
EMPLOYER CREDIT ACCOUNT:			
Prior Year End Balance	58,667,456	56,754,405	40,476,946
+ Excess Added	10,610,482	10,348,124	8,873,073
- Contribution Credited	14,715,920	14,314,164	0
+ Accumulated Interest	1,003,358	5,879,091	7,404,386
Fund Balance - Year End	55,565,376	58,667,456	45,754,405
Actuarial Value of Assets:			
TOTAL ASSETS	1,486,300,456	1,586,168,124	1,532,298,139
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	-51,540,373	54,002,386	92,627,628
Plan Year - 1 (wt. 2/4)	-21,999,978	-51,540,373	54,002,386
Plan Year (wt. 3/4)	<u>-82,155,646</u>	<u>-21,999,978</u>	<u>-51,540,373</u>
Actuarial Value of Assets	1,571,802,273	1,614,937,698	1,520,795,319
Less, Employer Credit Account	-55,565,376	-56,667,456	-56,754,405
Valuation Assets	1,516,236,897	1,556,270,242	1,464,040,914

¹Bonds were reported at cost. The value of Assets with Bonds at amortized cost is \$1,427,568,900.

EXHIBIT 3

**PENSION ACCOUNTING
AND
FINANCIAL DISCLOSURE**

The Governmental Accounting Standards Board (GASBS) was established as an arm of the Financial Accounting Foundation in April, 1984 by amendment to the Foundation's certificate of incorporation and by-laws. GASB's objective is to promulgate standards of financial accounting and reporting relative to the activities and transactions of state and local governmental entities. The following disclosures and statistical tables are in accordance with the GASB's Statement No. 25.

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
1992	805,619	753,732	- 51,887	106.9	203,987	- 26.6
1993	861,920	811,409	- 50,511	106.2	204,458	- 25.4
1994	932,112	854,867	- 77,245	109.0	203,270	- 38.0
1995	986,376	908,811	- 77,565	108.5	205,467	- 37.8
1996	1,066,498	970,569	- 95,929	109.9	211,178	- 45.4
1997	1,173,453	1,067,252	-106,201	110.0	219,265	- 48.4
1998	1,344,551	1,142,253	-202,298	117.7	225,734	- 89.6
1999	1,464,041	1,213,230	-250,811	120.7	236,001	-106.3
2000	1,556,270	1,291,823	-264,447	120.5	241,128	-109.7
2001	1,516,236	1,472,423	-43,814	103.0	249,674	- 17.5

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$180,599,698 from June 30, 2000 to June 30, 2001. Act 897, effective July 1, 2001, increased the liability \$102,566,157. There was a net experience loss of \$780,586 after allocating \$31,422,200 for the January 1, 2001 COLA granted to retirees. The Employer Credit Account established by Act 278 of the 1999 regular legislative session has a current balance of \$55,565,376.

EXHIBIT 3 (Continued)
Pension Accounting & Financial Disclosure

SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percent Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u> ¹
1993	12,241,348	96.5	12,968,039	11,983,380	92.4	437,968
1994	11,591,250	108.5	12,063,450	12,581,273	104.3	-245,716
1995	12,241,039	99.1	10,553,411	12,135,206	119.2	-562,282
1996	12,918,080	99.2	11,015,178	12,816,141	116.4	-376,327
1997	13,591,133	98.0	10,439,624	13,686,530	131.1	-395,566
1998	14,061,639	99.8	10,423,229	14,031,797	134.6	-271,657
1999	14,722,610	100.4	6,053,772	14,783,009	244.2	-127,822
2000	14,841,241	100.0	606,683	14,841,242	2446.3	-48,216
2001	15,257,791	100.0	543,354	15,257,791	2808.1	-46,733

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

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

DEVELOPMENT OF NET PENSION OBLIGATION:

Actuarial Required Contribution	15,257,791
Interest on Net Pension Obligation	-3,616
Amortization of Net Pension Obligation	-5,099
Annual Pension Cost	543,354
Employer Contribution	15,257,791
Increase (decrease) in Net Pension Obligation	1,483
Net Pension Obligation Beginning of Year	-48,216
Net Pension Obligation End of Year	-46,733

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

EXHIBIT 3 (Continued)
Pension Accounting & Financial Disclosure

STATISTICAL DATA

COMPARATIVE SUMMARY OF REVENUES BY SOURCE
AND EXPENSES BY TYPE

Revenues by Source

<u>Fiscal Year</u>	<u>Members Contribution</u>	<u>Employer Contribution</u>	<u>Investment Income</u>	<u>Total</u>
1992	13,699,724	13,262,342	76,693,873	103,657,472
1993	12,690,486	11,983,380	70,476,919	95,227,913
1994	12,694,280	12,581,273	82,978,612	108,254,165
1995	12,955,100	12,135,206	73,841,435	98,931,741
1996	13,671,635	12,816,141	83,679,068	110,166,844
1997	13,873,112	13,200,462	108,558,771	135,632,345
1998	14,353,380	13,533,467	157,957,573	185,844,420
1999	15,028,064	14,258,000	128,912,738 ¹	158,198,802
2000	15,149,157	81,777 ²	119,308,696	134,539,630
2001	15,574,349	74,856	-28,746,088	-13,096,883

Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
1992	35,088,391	2,846,657	1,164,819	39,099,867
1993	38,135,062	2,200,678	1,326,333	41,662,073
1994	41,246,395	2,347,722	1,218,375	44,812,492
1995	45,676,699	1,840,488	1,286,575	48,803,762
1996	51,659,703	2,301,807	1,741,965	55,703,475
1997	55,816,364	2,112,016	1,737,126	59,665,506
1998	60,675,915	2,328,958	1,820,670	64,825,543
1999	67,402,758	2,369,474	2,236,188	72,008,420
2000	75,855,391	2,243,027	2,285,482	80,383,900
2001	81,885,206	2,389,111	2,588,233	86,862,550

¹ Prior to 6/30/99, reported realized investment income. A change in Asset Valuation Method now reports realized and unrealized investment income at Market (see Exhibit 6, page 24.)

² Employer Contributions minus Employer Contribution Credit.

EXHIBIT 4

CENSUS DATA

GENERAL COMMENTS

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

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

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

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

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

The following is a summary of the data Submitted for Valuation:

	<u>2001 Census</u>	<u>2000 Census</u>
Active Members	14,633	14,849
Regular Retirees	7,302	6,931
Disability Retirees	795	802
Survivors	1,294	1,225
Terminated Vested	59	72
DROP Participants	766	792
TOTAL	24,849	24,671

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
Regular Active Members

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total :
[0 - 19) :	6	2	0	0	0	0	0	0	0	8 :
:	64827	33821	0	0	0	0	0	0	0	98648 :
:										
[20 - 24) :	42	79	1	0	0	0	0	0	0	122 :
:	379713	1273541	23876	0	0	0	0	0	0	1677130 :
:										
[25 - 29) :	65	223	57	2	0	0	0	0	0	347 :
:	622052	3568493	987930	29023	0	0	0	0	0	5207498 :
:										
[30 - 34) :	106	475	205	80	4	0	0	0	0	870 :
:	1021711	7337553	3566318	1490315	87466	0	0	0	0	13503363 :
:										
[35 - 39) :	156	763	424	243	123	34	0	0	0	1743 :
:	1526964	11379836	6725465	4468764	2746669	999806	0	0	0	27847504 :
:										
[40 - 44) :	140	841	532	404	269	239	16	0	0	2441 :
:	1424798	13037295	8465652	7158900	5482106	5949744	404890	0	0	41923385 :
:										
[45 - 49) :	107	629	627	516	365	344	203	0	0	2791 :
:	1148364	9779422	10087861	8520261	6756740	6911188	4563347	0	0	47767183 :
:										
[50 - 54) :	96	464	511	479	406	502	395	22	0	2875 :
:	844195	7100172	7939423	7861452	7011959	9413345	8143812	589871	0	48904230 :
:										
[55 - 59) :	52	294	348	356	389	485	95	6	2	2027 :
:	416082	4345865	5553566	5996732	6654621	8599489	1646549	163802	48894	33425600 :
:										
[60 - 64) :	28	113	228	93	63	76	57	8	3	669 :
:	249750	1657400	3569945	1543183	1144293	1237325	944412	143203	87524	10577035 :
:										
[65 - 69) :	7	45	48	27	22	11	17	5	1	183 :
:	62558	633519	738681	438773	306136	141408	263340	111827	3374	2699616 :
:										
[70 - 74) :	6	27	9	11	14	9	11	2	2	91 :
:	49276	352583	103082	162575	168173	136630	168809	42742	35163	1219033 :
:										
Total :	811	3955	2990	2211	1655	1700	794	43	8	14167 :
Total :	7810290	60499499	47761799	37669979	30358164	33388936	16135159	1051445	174955	234850225 :

AVERAGES : Attained Age 47.39
Service Years 10.72
Active Salary 16,577

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	1	0	0	0	0	0	0	0	0	1 :
:	6816	0	0	0	0	0	0	0	0	6816 :
:										:
[40 - 44) :	4	4	1	1	0	0	0	0	0	10 :
:	19344	23424	5928	3468	0	0	0	0	0	52164 :
:										:
[45 - 49) :	9	9	7	5	6	3	0	0	0	39 :
:	67560	49644	39288	30852	25464	13068	0	0	0	225876 :
:										:
[50 - 54) :	24	21	15	6	10	9	2	0	0	87 :
:	236904	217116	139584	52308	60480	59460	17820	0	0	783672 :
:										:
[55 - 59) :	78	101	58	47	46	69	19	2	1	421 :
:	820356	1057260	582372	449292	442044	677556	148296	15696	5592	4198464 :
:										:
[60 - 64) :	195	252	207	139	135	331	82	20	3	1364 :
:	1526640	1929612	1762380	1112748	1203816	3140244	612168	154380	12456	11454444 :
:										:
[65 - 69) :	43	93	205	191	207	839	234	21	5	1838 :
:	302652	672660	1521648	1494516	1506264	6996588	2194044	185124	24204	14897700 :
:										:
[70 - 74) :	10	30	43	38	72	642	698	91	14	1638 :
:	78732	196476	281928	315408	521940	5275452	6272400	1131180	134844	14208360 :
:										:
[75 - 79) :	1	3	9	4	14	148	434	385	45	1043 :
:	5676	23940	60792	27348	147372	1265616	4184532	3550836	517656	9783768 :
:										:
[80 - 84) :	0	0	1	0	0	10	71	267	172	521 :
:	0	0	3660	0	0	96624	717636	2595936	1576056	4989912 :
:										:
[85 - 89) :	0	0	0	0	0	0	3	18	215	236 :
:	0	0	0	0	0	0	63480	208056	1920684	2192220 :
:										:
[90 - 99) :	0	0	0	0	0	0	0	3	101	104 :
:	0	0	0	0	0	0	0	21504	750972	772476 :
:										:
Total :	365	513	546	431	490	2051	1543	807	556	7302 :
Total :	3064680	4170132	4397580	3485940	3907380	17524608	14210376	7862712	4942464	63565872 :

AVERAGES : Attained Age 70.34
Years Retired 9.11
Annual Benefit 8,705

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	2	1	3	1	2	6	0	0	0	15 :
:	15180	2604	14484	3468	14220	26736	0	0	0	76692 :
:										:
[40 - 44) :	4	6	6	1	2	13	3	1	0	36 :
:	42840	29892	31776	11328	15288	69120	22848	7980	0	231072 :
:										:
[45 - 49) :	25	7	7	6	12	31	9	3	0	100 :
:	165192	49008	50340	31392	70092	167256	44400	13128	0	590808 :
:										:
[50 - 54) :	21	23	23	15	14	58	35	9	0	198 :
:	141288	189672	119568	94884	74484	361116	197436	56616	0	1235064 :
:										:
[55 - 59) :	15	25	22	20	19	65	41	3	0	210 :
:	93864	156456	109488	115872	98256	347040	195948	9648	0	1126572 :
:										:
[60 - 64) :	2	2	2	4	4	5	4	4	2	29 :
:	8268	5676	7356	19032	20904	22272	28008	29148	13296	153960 :
:										:
[65 - 69) :	1	0	2	0	1	0	36	35	5	80 :
:	4968	0	11208	0	7380	0	250908	244476	36156	555096 :
:										:
[70 - 74) :	1	0	0	0	0	1	22	27	17	68 :
:	4788	0	0	0	0	3468	156216	203652	122364	490488 :
:										:
[75 - 79) :	0	0	0	1	0	0	0	11	24	36 :
:	0	0	0	3252	0	0	0	74412	155052	232716 :
:										:
[80 - 84) :	0	0	0	0	0	0	0	1	12	13 :
:	0	0	0	0	0	0	0	1788	77472	79260 :
:										:
[85 - 89) :	0	0	0	0	0	0	0	0	6	6 :
:	0	0	0	0	0	0	0	0	32844	32844 :
:										:
[90 - 99) :	0	0	0	0	0	0	0	0	4	4 :
:	0	0	0	0	0	0	0	0	17436	17436 :
:										:
Total :	71	64	65	48	54	179	150	94	70	795 :
Total :	476388	433308	344220	279228	300624	997008	895764	640848	454620	4822008 :

AVERAGES : Attained Age 58.24
Years Retired 9.16
Annual Benefit 6,065

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	6	9	6	11	6	28	10	2	0	78 :
:	51084	71496	45924	82584	55932	226404	95568	5784	0	634776 :
[40 - 44) :	3	3	2	1	3	9	1	0	2	24 :
:	36948	14976	14784	9360	14664	82812	11532	0	10848	195924 :
[45 - 49) :	6	5	8	3	4	4	5	2	0	37 :
:	56940	53976	52848	26616	36300	36204	59136	7224	0	329244 :
[50 - 54) :	5	5	12	7	6	17	5	5	1	63 :
:	42804	46368	111876	43080	39696	116628	51072	30468	5316	487308 :
[55 - 59) :	9	14	9	8	6	24	11	4	2	87 :
:	72624	125148	69924	64224	41784	152352	100776	18288	9852	654972 :
[60 - 64) :	14	16	15	10	15	45	37	5	1	158 :
:	99840	115584	101496	53868	125280	325128	312828	27900	5592	1167516 :
[65 - 69) :	16	12	12	11	17	61	27	18	3	177 :
:	124584	70980	66564	79800	125256	495000	215556	115560	30276	1323576 :
[70 - 74) :	15	11	10	16	20	78	34	18	11	213 :
:	121644	77400	68820	124056	136944	634296	248136	146688	69276	1627260 :
[75 - 79) :	11	11	11	8	12	51	42	29	18	193 :
:	69216	82704	89760	59952	90192	374136	322320	234708	118656	1441644 :
[80 - 84) :	7	5	4	3	5	30	26	27	29	136 :
:	48816	35292	34440	26820	36156	210804	209880	198348	209160	1009716 :
[85 - 89) :	5	0	3	1	2	16	8	14	40	89 :
:	30060	0	29076	13116	12576	113760	64380	121032	255312	639312 :
[90 - 99) :	0	0	1	0	2	3	3	9	21	39 :
:	0	0	3384	0	12312	18144	18228	59904	127272	239244 :
Total :	97	91	93	79	98	366	209	133	128	1294 :
Total :	754560	693924	688896	583476	727092	2785668	1709412	965904	841560	9750492 :

AVERAGES : Attained Age 68.00
Years Retired 9.37
Annual Benefit 7,535

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total :
[0 - 19) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[20 - 24) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[25 - 29) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[30 - 34) :	0	0	2	1	0	0	0	0	0	3 :
:	0	0	2640	6564	0	0	0	0	0	9204 :
:										:
[35 - 39) :	0	0	1	0	1	0	0	0	0	2 :
:	0	0	2094	0	5809	0	0	0	0	7903 :
:										:
[40 - 44) :	0	0	0	0	0	1	0	0	0	1 :
:	0	0	0	0	0	3600	0	0	0	3600 :
:										:
[45 - 49) :	0	0	0	1	2	2	4	0	0	9 :
:	0	0	0	2012	52896	11040	22029	0	0	87977 :
:										:
[50 - 54) :	0	0	0	0	8	7	2	1	0	18 :
:	0	0	0	0	31734	50174	7347	5173	0	94428 :
:										:
[55 - 59) :	0	0	0	2	8	1	8	0	0	19 :
:	0	0	0	9216	54949	5347	49012	0	0	118524 :
:										:
[60 - 64) :	0	0	1	0	0	0	2	0	0	3 :
:	0	0	550	0	0	0	4441	0	0	4991 :
:										:
[65 - 69) :	0	0	0	0	0	1	0	0	0	1 :
:	0	0	0	0	0	1138	0	0	0	1138 :
:										:
[70 - 74) :	0	0	0	0	0	0	1	1	1	3 :
:	0	0	0	0	0	0	1514	4201	303	6018 :
:										:
Total :	0	0	4	4	19	12	17	2	1	59 :
Total :	0	0	5284	17792	145388	71299	84343	9374	303	333783 :

AVERAGES : Attained Age 53.62
Service Years 21.05
Annual Benefit 5,657

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[40 - 44) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[45 - 49) :	1	0	1	0	0	0	0	0	0	2 :
:	26664	0	15288	0	0	0	0	0	0	41952 :
:										:
[50 - 54) :	21	19	10	0	0	0	0	0	0	50 :
:	340032	372096	171948	0	0	0	0	0	0	884076 :
:										:
[55 - 59) :	53	95	74	0	0	0	0	0	0	222 :
:	596268	1061292	896304	0	0	0	0	0	0	2553864 :
:										:
[60 - 64) :	110	169	149	2	0	0	0	0	0	430 :
:	778344	1174092	1170468	11580	0	0	0	0	0	3134484 :
:										:
[65 - 69) :	6	20	24	0	0	0	0	0	0	50 :
:	27048	123180	168420	0	0	0	0	0	0	318648 :
:										:
[70 - 74) :	2	6	3	0	0	0	0	0	0	11 :
:	10740	31596	21504	0	0	0	0	0	0	63840 :
:										:
[75 - 79) :	1	0	0	0	0	0	0	0	0	1 :
:	8496	0	0	0	0	0	0	0	0	8496 :
:										:
[80 - 84) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[85 - 89) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[90 - 99) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
Total :	194	309	261	2	0	0	0	0	0	766 :
Total :	1787592	2762256	2443932	11580	0	0	0	0	0	7005360 :

AVERAGES : Attained Age 60.44
Years Retired 1.62
Annual Benefit 9,145

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY
DROP BENEFITS

VALUATION DATE 6/30/2001

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 34) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[35 - 39) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[40 - 44) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[45 - 49) :	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:	0	0	0	0	0	0	0	0	0	0 :
:										:
[50 - 54) :	2	0	1	0	0	0	0	0	0	3 :
:	1689	0	42195	0	0	0	0	0	0	43884 :
:	31932	0	19680	0	0	0	0	0	0	51612 :
:										:
[55 - 59) :	41	12	6	1	0	0	0	0	0	60 :
:	1549897	168691	100847	25373	0	0	0	0	0	1844808 :
:	492816	109128	67680	16800	0	0	0	0	0	686424 :
:										:
[60 - 64) :	96	73	31	2	2	0	0	0	0	204 :
:	2309363	1544375	475535	32222	28696	0	0	0	0	4390191 :
:	701208	618132	276492	18480	13692	0	0	0	0	1628004 :
:										:
[65 - 69) :	29	37	72	9	8	1	0	0	0	156 :
:	426495	498894	1144252	135806	126860	12780	0	0	0	2345087 :
:	211392	217452	491568	57060	63120	8544	0	0	0	1049136 :
:										:
[70 - 74) :	4	3	13	5	11	7	0	0	0	43 :
:	45329	30195	161016	52713	171536	134597	0	0	0	595386 :
:	19668	9360	71712	34428	53064	45576	0	0	0	233808 :
:										:
Total :	172	125	123	17	21	8	0	0	0	466 :
Total :	4332773	2242155	1923845	246114	327092	147377	0	0	0	9219356 :
Total :	1457016	954072	927132	126768	129876	54120	0	0	0	3648984 :

AVERAGES : Attained Age 64.58
Post Drop Years 1.62
Active Salary 19,784
Annual Benefit 7,830

EXHIBIT 5

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

EFFECTIVE DATE:

July 1, 1947; last amendment date - July 1, 1999.

EMPLOYEE:

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

EMPLOYER:

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

ELIGIBILITY FOR
PARTICIPATION:

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

SERVICE:

Service as an "Employee", defined above.

CREDITABLE SERVICE:

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

PRIOR SERVICE:

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

MEMBERSHIP SERVICE:

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

EXHIBIT 5 (Continued)
Principle Provisions

ADDITIONAL
CREDITABLE SERVICE:

1. Credit for service canceled by withdrawal of accumulated contributions may be restored by member by paying into system the amount withdrawn plus regular interest from date withdrawn until paid.
2. Maximum of 4 years of credit for military service may be obtained for each eligible member with at least 10 years of service, contingent upon payment of Employer and Employee contributions plus compound interest on member's current compensation at date of purchase. After January 1, 1985 only military service which interrupts membership service may be purchased.
3. Conversion of Sick Leave and Annual Leave: at retirement, or death before retirement of member, the eligible unused sick leave and annual leave will be added to membership service.
4. Part-time employees shall accrue a full year of creditable service for each full year of part-time service for benefit eligibility purposes.

EARNABLE COMPENSATION:

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

AVERAGE FINALCOMPENSATION:

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

ACCUMULATED CONTRIBUTIONS:

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

EMPLOYEE CONTRIBUTIONS:

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

EXHIBIT 5 (Continued)
Principle Provisions

EMPLOYER CONTRIBUTIONS:

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

RETIREMENT BENEFIT:

NORMAL RETIREMENT:

Eligibility:

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

Benefit:

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

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

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

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

EARLY-REDUCED RETIREMENT:

Eligibility:

20 years of service credit regardless of attained age.

Benefit:

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

COST OF LIVING BENEFITS:

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

EXHIBIT 5 (Continued)
Principle Provisions

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

2. Under Act 798 of 1980:

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

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

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

3. Under Act 852 of 1981:

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

1. At least 62 but less than 65, 4% of benefit of October 1, 1977, or initial benefit if retired after October 1, 1977, but not greater than \$400 annually,
2. 65 or older 7% of benefit of October 1, 1977 or initial benefit if retired after October 1, 1977, but not greater than \$700 annually.
3. Disability retirees and surviving children not subject to the above age restrictions, and their COL is 7%, but not greater than \$700 per person.

4. Under Act 443 of 1984:

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

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

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

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

DISABILITY RETIREMENT:

Eligibility:

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

EXHIBIT 5 (Continued)
Principle Provisions

Benefit:

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

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

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

SURVIVOR'S BENEFITS:

Eligibility:

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

Benefits:

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

EXHIBIT 5 (Continued)
Principle Provisions

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

OPTIONAL FORMS
OF BENEFIT:

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

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

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

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

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

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

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

REFUND OF CONTRIBUTIONS:

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

WITHDRAWAL AFTER 10 YEARS
OF CREDITABLE SERVICE:

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

EXHIBIT 5 (Continued)
Principle Provisions

DEFERRED RETIREMENT OPTION PLAN:
(Act 56 of 1991)

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

Eligibility:

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

Benefit:

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

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

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

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

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

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

EXHIBIT 5 (Continued)
Principle Provisions

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

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

NOTE:

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

EXHIBIT 6

ACTUARIAL COST METHODS AND ASSUMPTIONS

COST METHOD:

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

ACCOUNTING DISCLOSURE:

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

MORTALITY ASSUMPTIONS:

Pre-retirement deaths and post-retirement life expectancies were projected in accordance with the experience of the 1971 Sex Distinct Group Annuity Mortality Table.

DISABILITY ASSUMPTION:

Rates of total and permanent disability were projected by age in accordance with the 1981-1986 disability experience of the Retirement System. For mortality after disability, rates were on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

RETIREMENT ASSUMPTION:

Retirement without reduction in benefits can occur at any given age after satisfying the service eligibility requirements. Absent from the plan is a traditional "Normal Retirement Age". Since the age and service requirements are varied, the frequency of retirements will depend on the exposure plus intangibles such as health, economy, Social Security and other work patterns.

EXHIBIT 6 (Continued)
Cost Methods & Assumptions

TERMINATION ASSUMPTIONS:

Voluntary termination or withdrawal rates were derived from the 1981-86 termination experience study. During the first five years of employment, the probability of voluntarily terminating is a multiple of the attained age rate as follows:

1st year	2.50x
2nd year	1.00x
3rd year	1.00x
4th year	1.00x
5th year	1.00x

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

SALARY GROWTH:

The rate of annual salary growth is based on 1981-1986 salary scale experience of the Retirement System. The rates were smoothed, then the table was increased by .5% at all durations to account for the continuing affects of inflation.

FAMILY STATISTICS:

The composition of the Family was based on Age-Specific Fertility Rates from the 1983 Vital Statistics of the United States. 80% of the membership was assumed to be married with the wife assumed to be three (3) years younger than the husband. Sample rates are as follows:

<u>Age at Death</u>	<u>Number of Minor Chn.</u>	<u>Years for Youngest Child to Attain Majority</u>
25	1.3	17
30	1.8	15
35	2.2	13
40	2.1	10
45	1.7	8
50	1.2	4

ASSUMPTION FOR INCOMPLETE DATA:

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

EXHIBIT 6 (Continued)
Cost Methods & Assumptions

INVESTMENT EARNINGS:

An effective annual rate of 7.5%, net expenses.

ASSET VALUATION:

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

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

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

ADMINISTRATIVE EXPENSES:

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

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

COST-OF-LIVING:

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

ACTUARIAL TABLES AND RATES

Age	- Death Rates - Male	- Rates - Female	Remarriage Rates	Disability Rates	Retirement Rates	Dur	Termination Rates	Salary Scale
20	.00050	.00026	.09350	.00000	.00000	1	.15000	1.04000
21	.00052	.00028	.09152	.00000	.00000	2	.10010	1.04000
22	.00054	.00029	.08954	.00000	.00000	3	.06600	1.04000
23	.00057	.00031	.08757	.00000	.00000	4	.05200	1.04000
24	.00059	.00033	.08569	.00000	.00000	5	.05270	1.04000
25	.00062	.00035	.08402	.00010	.00000	6	.04180	1.04000
26	.00065	.00037	.08225	.00010	.00000	7	.03360	1.04000
27	.00068	.00039	.08028	.00010	.00000	8	.02650	1.04000
28	.00072	.00041	.07802	.00010	.00000	9	.02550	1.04000
29	.00076	.00044	.07556	.00010	.00000	10	.02370	1.04000
30	.00081	.00047	.07281	.00010	.00000	11	.02160	1.03500
31	.00086	.00050	.06976	.00010	.00000	12	.02180	1.03500
32	.00092	.00053	.06652	.00010	.00000	13	.02280	1.03500
33	.00098	.00057	.06308	.00100	.00000	14	.02210	1.03500
34	.00105	.00061	.05945	.00100	.00000	15	.02030	1.03500
35	.00112	.00065	.05582	.00170	.00000	16	.02360	1.03500
36	.00120	.00070	.05230	.00080	.00000	17	.02000	1.03500
37	.00130	.00075	.04890	.00160	.00000	18	.01680	1.03500
38	.00140	.00081	.04570	.00150	.00000	19	.01680	1.03500
39	.00151	.00087	.04271	.00210	.00000	20	.01570	1.03500
40	.00163	.00094	.03993	.00260	.00000	21	.02250	1.03500
41	.00179	.00101	.03769	.00300	.00000	22	.01580	1.03500
42	.00200	.00109	.03480	.00120	.00000	23	.02030	1.03500
43	.00226	.00119	.03256	.00140	.00000	24	.01870	1.03500
44	.00257	.00129	.03037	.00160	.00000	25	.01910	1.03500
45	.00292	.00140	.02822	.00270	.00000	26	.01150	1.03500
46	.00332	.00152	.02632	.00420	.00000	27	.01040	1.03500
47	.00375	.00165	.02455	.00310	.00000	28	.01220	1.03500
48	.00423	.00180	.02303	.00750	.00000	29	.05380	1.03500
49	.00474	.00197	.02154	.00690	.00000	30	.05020	1.03500
50	.00528	.00215	.02019	.00590	.66000	31	.04360	1.03500
51	.00587	.00232	.01889	.00750	.56000	32	.01690	1.03500
52	.00648	.00252	.01808	.01010	.25000	33	.02130	1.03500
53	.00713	.00274	.01733	.00860	.16000	34	.02130	1.03500
54	.00781	.00298	.01671	.00860	.38000	35	.02140	1.03500
55	.00852	.00326	.01622	.00770	.31000	36	.03390	1.03500
56	.00926	.00357	.01596	.01360	.22000	37	.00000	1.03500
57	.01004	.00395	.01584	.00810	.22000	38	.00000	1.03500
58	.01089	.00439	.01589	.01230	.20000	39	.00000	1.03500
59	.01192	.00490	.01622	.01340	.35000	40	.00000	1.03500
60	.01312	.00549	.01682	.00240	.14000	41	.00000	1.03500
61	.01444	.00616	.01764	.00280	.12000	42	.00000	1.03500
62	.01586	.00690	.01906	.00120	.20000	43	.00000	1.03500
63	.01741	.00771	.02061	.00140	.16000	44	.00000	1.03500
64	.01919	.00861	.02239	.00180	.20000	45	.00000	1.03500
65	.02126	.00956	.02446	.00000	.36000	46	.00000	1.03500
66	.02364	.01057	.02684	.00000	.28000	47	.00000	1.03500
67	.02632	.01162	.02952	.00000	.26000	48	.00000	1.03500
68	.02919	.01288	.03209	.00000	.25000	49	.00000	1.03500
69	.03244	.01446	.03504	.00000	.30000	50	.00000	1.03500

EXHIBIT 7

DEVELOPMENT OF TARGET RATIO

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

Number of fiscal years elapsed since the 1986 fiscal year end
multiplied by one-thirtieth of the difference between one hundred
percent and the initial Funded Ratio.14500

Changes in Funded Ratio after the 1986 fiscal year end;

<u>Date of Change</u>	<u>Change in funded Ratio</u>
<u>6/30/87</u>	<u>.17100</u>
<u>6/30/90</u>	<u>.06690</u>
<u>6/30/96</u>	<u>.03694</u>
<u>6/30/99</u>	<u>.00388</u>
<u>6/30/00</u>	<u>.05673</u>

Total Change in Funded Ratio33545

Number of fiscal years elapsed since the date of each change
multiplied by one-thirtieth of the amount of such change
in funded ratio and of opposite arithmetic sign of such change;

<u>Date of Change</u>	<u>Amortization of Change</u>
<u>6/30/87</u>	<u>-.07410</u>
<u>6/30/90</u>	<u>-.02230</u>
<u>6/30/96</u>	<u>-.00493</u>
<u>6/30/99</u>	<u>.00013</u>

Total Amortization of Changes -.11075

Target Ratio as of the end of the just completed fiscal year. 1.00000

Actual Funded Ratio of the system as of the just completed fiscal year. 1.02976

This system has met the target ratio required to grant a cost of living increase to current benefit recipients.

EXHIBIT A

AMORTIZATION OF UNFUNDED
ACTUARIAL ACCRUED LIABILITY
JUNE 30, 2001

<u>DATE</u> <u>6/30</u>	<u>DESCRIPTION</u>	<u>AMTZ.</u> <u>METHOD</u>	<u>AMTZ.</u> <u>PERIOD</u>	<u>INITIAL</u> <u>LIABILITY</u>	<u>YEARS</u> <u>REMAIN</u>	<u>REMAINING</u> <u>BALANCE</u>	<u>MID-YEAR</u> <u>PAYMENT</u>
1993	Change in Liability	I	36	-50,948,883	28	-62,053,753	-3,280,702
1994	Change in Liability	I	35	-24,621,173	28	-29,169,336	-1,542,145
1995	Change in Liability	I	34	2,097,463	28	2,418,931	127,886
1996	Change in Liability	I	33	-16,513,271	28	-18,553,335	-980,891
1997	Change in Liability	I	32	-7,808,758	28	-8,554,638	-452,273
1998	Change in Liability	I	31	-93,612,794	28	-100,088,045	-5,291,526
1999	Change in Liability	I	30	-43,880,482	28	-45,832,119	-2,423,085
2000	Change in Liability	I	29	-8,058,052	28	-8,230,667	-435,145
2001	Change in Liability	I	28	226,295,356	28	<u>226,295,356</u>	<u>11,963,944</u>
TOTAL OUTSTANDING BALANCE						-43,767,606	-2,313,937
EMPLOYERS' CREDIT BALANCE							
1997	Contribution Variance	L	5	-92,010	1	-21,155	-21,934
1998	Contribution Variance	L	5	29,842	2	13,244	7,114
1999	Contribution Variance	L	5	-60,400	3	-38,823	-14,399
2000	Contribution Variance	L	5	0	4	0	0
2001	Contribution Variance	L	5	0	5	<u>0</u>	<u>0</u>
TOTAL CREDIT BALANCE						-46,734	-29,219
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						-43,814,340	

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