

**LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
JUNE 30, 2002
ACTUARIAL VALUATION**

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September 6, 2002

Board of Trustees
LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
Post Office Box 44516
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Ladies and Gentlemen:

This report presents the results of the actuarial valuation of assets and liabilities, as well as funding requirements, for the Louisiana School Employees' Retirement System as of June 30, 2002.

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 6, 2002

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

	<u>June 30, 2002</u>	<u>-----Prior Years-----</u>	
		<u>June 30, 2001</u>	<u>June 30, 2000</u>
I. Membership Census			
1) Retirees	9,702	9,391	9,030
2) Actives	14,638	14,633	14,849
3) DROP	796	766	792
II. Annual Benefits	\$ 84,202,836	\$ 78,138,372	\$ 71,288,303
III. Total Payroll	258,876,355	249,674,197	241,128,413
IV. Valuation Assets	1,433,535,788	1,516,236,897	1,556,270,242
V. Investment Yield			
Actuarial Value	-2.75%	1.77%	10.72%
Market Value	-3.44%	1.85%	7.96%
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	42,389,427 16.37%	40,665,544 16.29%	34,399,551 14.27%
VII. Unfunded Actuarial Accrued Liability	148,536,114	-43,814,340	-264,447,383
VIII. Funded Percentage	90.5%	103.0%	120.5%
IX. Funding Requirements to Pay (Mid-year Payment)			
1) Employee Contribution Rate	19,598,651 7.50%	18,725,564 7.50%	15,455,465 6.35%
2) Employer Contribution Rate - Current Year	29,141,213 11.2%	17,784,367 7.1%	3,782,309 1.6%*
3) Projected Employer Contribution - Next Year	29,986,517 11.2%	18,259,167 7.0%	3,666,746 1.5%*
X. Employer Credit Account	39,183,844	55,565,376	58,667,456

The above funding requirements measure the cost of benefits that were in effect on June 30, 2002, plus Acts of the 2002 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 6, 2002

Current Funding

The Actuarial Valuation for the plan year ending June 30, 2002 discloses an increase in the plan's unfunded actuarial accrued liability. The system's current unfunded accrued liability increased from a prior year surplus of 43.8 million to the current deficit of 151.0 million. It is generally appropriate for the current valuation process to disclose the source and cause of any significant changes in actuarial assumptions, gains or losses resulting from actual experience which differs significantly from expected plan experience.

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

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

CHANGE IN UNFUNDED LIABILITY

Unfunded Liability 6/30/2001	\$ -43,814,340
 INCREASES	
Amortization Payment	\$ 2,429,436
Investment Loss	168,760,687
Cost of Living Increase	<u>33,360,873</u>
Incurred Increases	204,550,996
 DECREASES	
Interest on Surplus	3,286,075
Experience Gain	<u>6,438,824</u>
Incurred Decreases	9,724,899
Unfunded Liability 6/30/2002 (Surplus)	\$ 151,011,757

Board of Trustees
September 6, 2002

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 39.2 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 11.2% for the current fiscal year is largely the result of investment experience losses and a retiree COLA.

Disclosures

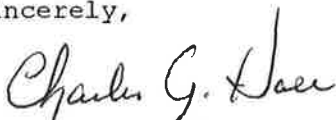
Exhibit 3, "Pension Accounting and Financial Disclosure", contains disclosure of the accrued liabilities under the Entry Age Normal Actuarial Cost Method required by the Governmental Accounting Standards Board Statement No. 25.

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, 2002 the funding target is 1.00, which is greater than the current .90455 funding ratio. Therefore, the Board is prohibited from entertaining a cost-of-living increase to retirees as required by statute.

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

Sincerely,



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

CGH/tt

Enclosure

TABLE OF CONTENTS

		Pages
EXHIBIT 1	DEVELOPMENT OF COSTS, LIABILITIES & CONTRIBUTIONS Provides a detail by benefit type of the cost to accrue annual pension benefits, liabilities accrued to date, and funding requirements	6 - 7
EXHIBIT 2	FINANCIAL SUMMARY Contains the statement of revenues and expenses as well as assets available to pay pension benefits	8 - 9
EXHIBIT 3	PENSION ACCOUNTING AND FINANCIAL DISCLOSURE NCGA STMT 6 changes in credited projected benefits	10 - 12
EXHIBIT 4	CENSUS DATA Describes the employee data, data processing for valuation purposes and depicts employee profiles by classification, age and service	13 - 13g
EXHIBIT 5	PRINCIPLE PROVISIONS OF THE RETIREMENT SYSTEM Restates in summary outline form the basic plan provisions which were incorporated in the projected retirement pension benefit	14 - 21
EXHIBIT 6	ACTUARIAL COST METHODS AND ASSUMPTIONS Discloses rates of mortality, disability, retirement termination and other assumptions which are presumed to reflect the experience of the retirement system in aggregate	22 - 25
EXHIBIT 7	DEVELOPMENT OF TARGET RATIO Discloses the development and history of the Target Ratio for COLA purposes	26
EXHIBIT A	AMORTIZATION SCHEDULE	27

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, 2002</u>		---Prior Year--- <u>June 30, 2001</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	\$ 28,563,029	11.03%	\$ 27,361,525	10.96%
b) Disability Benefits	3,152,141	1.22%	3,062,909	1.23%
c) Survivor Benefits	2,767,781	1.07%	2,687,765	1.08%
d) Voluntary Termination	5,706,476	2.20%	5,553,345	2.22%
e) Expenses	<u>2,200,000</u>	<u>.85%</u>	<u>2,000,000</u>	<u>.80%</u>
TOTAL	42,389,427	16.37%	40,665,544	16.29%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	\$ 591,645,829		\$ 578,359,734	
2) Disability Benefits	35,477,029		34,879,436	
3) Survivor Benefits	25,558,268		24,953,548	
4) Voluntary Termination	<u>29,854,799</u>		<u>29,003,990</u>	
	682,535,925		667,196,708	
b) Retired and Inactive Members				
1) Regular Retirees	585,103,357		529,702,465	
2) Disabled Retirees	35,737,045		34,226,401	
3) Survivors	87,986,179		80,592,831	
4) Vested Deferred & Reciprocal	2,188,655		2,032,443	
5) Contributions Refunded	7,753,340		7,059,705	
6) DROP Deferred Benefits	136,971,128		112,062,523	
7) DROP Account Balances	<u>43,796,273</u>		<u>39,549,481</u>	
	899,535,977		805,225,849	
c) TOTAL	1,582,071,902		1,472,422,557	

Exhibit 1 (Continued)
Costs, Liabilities & Contributions

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
II. Actuarial Accrued Liability		
TOTAL (Preceding page)	\$ 1,582,071,902	\$ 1,472,422,557
III. Assets	1,431,060,145	1,516,236,897
IV. Unfunded Actuarial Accrued Liabilities - (Surplus)	151,011,757	-43,814,340
a) Change over prior year	194,826,097	220,633,043
b) Funded Percentage	90.46%	102.98%
V. Employer Contributions To Fund Current Plan Year*		
a) Employer Portion of Normal Cost	20,969,420	20,127,523
b) Amortization Payments	8,179,078	-2,313,937
c) Previous Year (Short-fall)	<u>-7,285</u>	<u>-29,219</u>
TOTAL Required Contribution	29,141,213 11.2%	17,784,367 7.1%
Actuarial Forecast Rate	7.0%	6.0%
VI. Projected Employer Contributions To Fund Next Plan Year*		
a) Employer Portion of Normal Cost	21,453,779	20,684,517
b) Amortization Payments	8,547,137	-2,418,065
c) Short-fall Charge	<u>-14,399</u>	<u>-7,285</u>
TOTAL Projected Contribution	29,986,517 11.2%	18,259,167 7.0%
VII. Current Payroll	258,876,355	249,674,197
Projected Payroll - Mid Year	261,315,359	252,022,484
Projected Payroll - Next Year	267,351,310	258,996,768

*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, 2002</u>	<u>-----Prior Years-----</u> <u>June 30, 2001</u>	<u>June 30, 2000</u>
<u>OPERATING REVENUES:</u>			
1. Contribution Income			
Member	\$ 18,827,944	\$ 15,574,349	\$ 15,149,157
Employer	15,240,880	14,527,016	14,355,351
2. Other Income			
Legislative Appropriations	0	0	0
Transfers	610,107	71,765	0
Miscellaneous	15,260	0	0
TOTAL CONTRIBUTIONS	<u>34,694,191</u>	<u>30,173,130</u>	<u>29,504,508</u>
3. Investment Income			
Investments	-32,455,526	-25,935,772	122,319,463
Less, Manager Fees	-2,531,030	-2,810,316	-3,010,767
TOTAL INVESTMENT INCOME	<u>-34,986,556</u>	<u>-28,746,088</u>	<u>119,308,696</u>
4. Total Revenues	-292,365	1,427,042	148,813,204
<u>OPERATING EXPENSES:</u>			
1. General Administration	2,194,150	2,020,864	1,800,930
Other Expenses	172,121	567,369	484,552
Employer Credit Expense	15,134,981	14,432,160	14,273,574
2. Benefits Paid			
a) Pension Benefits	89,516,977	81,885,206	75,855,391
b) Return of Contrib.	1,992,256	2,389,111	2,243,027
c) Transfers Out	0	0	285,745
TOTAL BENEFITS PAID	<u>91,509,233</u>	<u>84,274,317</u>	<u>78,384,163</u>
3. Total Operating Expenses	109,010,485	101,294,710	94,943,219
<u>NET INCREASE:</u>	-109,302,850	-99,867,668	53,869,985

EXHIBIT 2 (Continued)
Financial Summary

FINANCIAL SUMMARY
STATEMENT OF ASSETS
FOR FISCAL YEAR ENDING

	<u>June 30, 2002</u>	-----Prior Years-----	
		<u>June 30, 2001</u>	<u>June 30, 2000</u>
ASSETS:			
1. Short Term Assets			
Cash in Banks	\$ 4,807,269	\$ 2,522,776	\$ 4,315,687
Securities	71,001,982	90,325,916	50,210,061
2. Bonds (at amortized cost)			
Foreign Issues	5,755,282	0	0
Bonds - General	379,722,910	390,239,778	370,718,471
Corporate Issues	208,958,367	288,288,433	166,915,475
U.S. Government Obligations	78,163,387	30,490,702	180,019,242
3. Equities,			
Common Stock - Domestic	540,572,342	629,601,392	698,776,811
- Foreign	89,736,320	83,864,421	97,353,638
4. Real Estate	3,292,010	3,038,799	2,803,598
5. Property and Equipment	4,125,355	4,263,813	4,420,075
6. Receivables - Payables	-9,137,618	-36,335,574	10,635,069
	<u>1,376,997,606</u>	<u>1,486,300,456</u>	<u>1,586,168,124</u>
TOTAL ASSETS			
Market Value	1,376,997,606	1,486,300,456	1,586,168,124
Valued at Cost	1,362,994,638	1,410,066,067	1,427,778,089
INVESTMENT YIELD:			
Yield to Actuarial Value	-2.75%	1.77%	10.72%
DROP Account Yield	-3.25%	1.27%	10.22%
Yield to Market Value	-3.44%	-1.85%	7.96%
EMPLOYER CREDIT ACCOUNT:			
Prior Year End Balance	55,565,376	58,667,456	56,754,405
+ Excess Added	0	10,610,482	10,348,124
- Contribution Credited	15,062,355	14,715,920	14,314,164
+ Accumulated Interest	-1,319,177	1,003,358	5,879,091
Fund Balance - Year End	39,183,844	55,565,376	58,667,456
Actuarial Value of Assets:			
TOTAL ASSETS	1,376,977,606	1,486,300,456	1,586,168,124
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	-21,999,978	-51,540,373	54,002,386
Plan Year - 1 (wt. 2/4)	-82,155,646	-21,999,978	-51,540,373
Plan Year (wt. 3/4)	-62,251,421	-82,155,646	-21,999,978
	<u>1,470,243,989</u>	<u>1,571,802,273</u>	<u>1,614,937,698</u>
Actuarial Value of Assets	1,470,243,989	1,571,802,273	1,614,937,698
Less, Employer Credit Account	-39,183,844	-55,565,376	-56,667,456
Valuation Assets	1,431,060,145	1,516,236,897	1,556,270,242

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)
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
2002	1,431,060	1,582,071	151,011	90.5	258,876	58.3

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method increased by \$109,649,345 from June 30, 2001 to June 30, 2002. There was a net experience gain of \$6,438,824 after allocating \$33,360,873 for the January 1, 2002 COLA granted to retirees. The Employer Credit Account established by Act 278 of the 1999 regular legislative session has a current balance of \$39,183,844.

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
2002	15,616,982	100.0	581,417	15,616,983	2686.0	-19,944

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	15,616,982
Interest on Net Pension Obligation	-3,505
Amortization of Net Pension Obligation	-30,295
Annual Pension Cost	581,417
Employer Contribution	15,616,982
Increase (decrease) in Net Pension Obligation	26,789
Net Pension Obligation Beginning of Year	-46,733
Net Pension Obligation End of Year	-19,944

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>
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
2002	18,827,944	105,899	-34,986,556	-16,052,713

Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
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
2002	89,516,977	1,992,256	2,366,271	93,875,504

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>2002 Census</u>	<u>2001 Census</u>
Active Members	14,638	14,633
Regular Retirees	7,527	7,302
Disability Retirees	789	795
Survivors	1,386	1,294
Terminated Vested	63	59
DROP Participants	<u>796</u>	<u>766</u>
TOTAL	25,199	24,849

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
REGULAR ACTIVE MEMBERS

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY

VALUATION DATE 6/30/2002

Age/Years :	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total :
[0 - 19) :	10	2	0	0	0	0	0	0	0	12 :
:	129188	34336	0	0	0	0	0	0	0	163524 :
:	:	:	:	:	:	:	:	:	:	:
[20 - 24) :	32	81	1	0	0	0	0	0	0	114 :
:	339830	1315323	23141	0	0	0	0	0	0	1678294 :
:	:	:	:	:	:	:	:	:	:	:
[25 - 29) :	66	233	59	4	0	0	0	0	0	362 :
:	745099	3727255	1113131	83542	0	0	0	0	0	5669027 :
:	:	:	:	:	:	:	:	:	:	:
[30 - 34) :	105	470	168	80	1	0	0	0	0	824 :
:	1240512	7714295	2887644	1543529	26355	0	0	0	0	13412335 :
:	:	:	:	:	:	:	:	:	:	:
[35 - 39) :	137	807	355	215	97	22	0	0	0	1633 :
:	1410454	12639484	5995261	4207295	2144838	648377	0	0	0	27045710 :
:	:	:	:	:	:	:	:	:	:	:
[40 - 44) :	162	800	638	412	234	223	23	0	0	2492 :
:	1845775	12534872	10760544	7624711	5010929	5817307	564663	0	0	44158800 :
:	:	:	:	:	:	:	:	:	:	:
[45 - 49) :	125	648	607	556	330	340	198	6	0	2810 :
:	1397453	10351046	10197118	10028948	6243822	7212045	4705112	184866	0	50320410 :
:	:	:	:	:	:	:	:	:	:	:
[50 - 54) :	97	568	431	517	340	455	381	15	0	2804 :
:	1165635	9005210	7073240	8789292	6363442	8980973	8426270	361896	0	50165958 :
:	:	:	:	:	:	:	:	:	:	:
[55 - 59) :	53	326	393	388	363	498	83	4	1	2109 :
:	604663	4923452	6458007	6825292	6416434	9276108	1584561	92896	41627	36223040 :
:	:	:	:	:	:	:	:	:	:	:
[60 - 64) :	12	147	212	80	57	62	55	12	4	641 :
:	106609	2260796	3468364	1300932	1066631	991087	922090	259597	103700	10479806 :
:	:	:	:	:	:	:	:	:	:	:
[65 - 69) :	7	51	58	29	17	15	17	4	1	199 :
:	107554	722508	911075	473276	306239	224812	261546	78429	35607	3121046 :
:	:	:	:	:	:	:	:	:	:	:
[70 - 74) :	4	29	16	11	4	13	7	4	2	90 :
:	47108	441834	215304	167921	42500	207058	95427	46627	35534	1299313 :
:	:	:	:	:	:	:	:	:	:	:
Total :	810	4162	2938	2292	1443	1628	764	45	8	14090 :
Total :	9139880	65670411	49102829	41044738	27621189	33357767	16559669	1024311	216468	243737262 :

AVERAGES : Attained Age 47.49
Service Years 10.53
Active Salary 17,299

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
ACTIVE AFTER DROP

CELLS DEPICT : MEMBER COUNT
TOTAL SALARY
DROP BENEFITS

VALUATION DATE 6/30/2002

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) :	4	0	0	0	0	0	0	0	0	4 :
:	99576	0	0	0	0	0	0	0	0	99576 :
:	85464	0	0	0	0	0	0	0	0	85464 :
:										:
[55 - 59) :	46	27	1	4	0	0	0	0	0	78 :
:	777262	434374	18437	100440	0	0	0	0	0	1330513 :
:	529116	308436	14388	51024	0	0	0	0	0	902964 :
:										:
[60 - 64) :	114	76	25	19	2	1	0	0	0	237 :
:	1848990	1250036	461281	306256	33012	13973	0	0	0	3913548 :
:	889668	581532	270936	163980	18480	5904	0	0	0	1930500 :
:										:
[65 - 69) :	22	30	66	53	5	4	0	0	0	180 :
:	398705	462707	1069575	899108	75683	56176	0	0	0	2961954 :
:	127224	197808	437412	381000	28152	28368	0	0	0	1199964 :
:										:
[70 - 74) :	7	4	4	11	6	17	0	0	0	49 :
:	90964	28721	45155	159184	91808	309185	0	0	0	725017 :
:	30444	24120	12252	54996	46248	101436	0	0	0	269496 :
:										:
Total :	193	137	96	87	13	22	0	0	0	548 :
Total :	3215497	2175838	1594448	1464988	200503	379334	0	0	0	9030608 :
Total :	1661916	1111896	734988	651000	92880	135708	0	0	0	4388388 :

AVERAGES : Attained Age 64.47
Post Drop Years 1.85
Active Salary 16,479
Annual Benefit 8,008

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2002

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	11	28	26	17	16	79	24	13	1	215 :
:	101760	215652	231264	144816	126276	683136	244956	134472	5244	1887576 :
[40 - 44) :	6	6	12	5	7	35	24	7	3	105 :
:	79596	60720	101268	39612	48420	290532	249240	73860	26496	969744 :
[45 - 49) :	15	15	9	7	7	46	37	3	0	139 :
:	183096	116064	82296	64260	58320	358176	367512	26256	0	1255980 :
[50 - 54) :	19	24	14	23	10	49	26	8	1	174 :
:	209940	294828	126396	283584	86136	412800	238140	78696	12168	1742688 :
[55 - 59) :	31	45	75	67	63	127	29	21	1	459 :
:	342396	414264	731508	727860	694692	1339896	296256	183060	13632	4743564 :
[60 - 64) :	42	69	140	208	203	509	126	35	5	1337 :
:	378564	577416	1044804	1693752	1644348	4995420	1084608	300924	42540	11762376 :
[65 - 69) :	15	25	45	45	98	1156	301	54	8	1747 :
:	133884	168936	313908	315408	736248	9245196	3015048	518616	82332	14529576 :
[70 - 74) :	9	11	17	23	27	596	632	138	29	1482 :
:	109056	68928	129024	148236	209088	4684476	5878212	1677336	287808	13192164 :
[75 - 79) :	1	1	4	7	4	177	369	371	58	992 :
:	11820	5004	32520	41004	30192	1382412	3494256	3784224	634176	9415608 :
[80 - 84) :	0	1	0	2	2	23	75	232	192	527 :
:	0	8664	0	21540	16476	221208	713160	2374344	1924512	5279904 :
[85 - 89) :	1	1	1	1	1	9	9	24	185	232 :
:	4500	7020	8712	14556	13680	60540	125616	256092	1782840	2273556 :
[90 - 99) :	0	0	0	0	0	5	8	6	99	118 :
:	0	0	0	0	0	53640	82476	77460	822996	1036572 :
Total :	150	226	343	405	438	2811	1660	912	582	7527 :
Total :	1554612	1937496	2801700	3494628	3663876	23727432	15789480	9485340	5634744	68089308 :

AVERAGES : Attained Age 68.33
Years Retired 9.90
Annual Benefit 9,046

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2002

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	1	2	1	3	0	6	0	0	0	13 :
:	6048	15276	2784	14832	0	25380	0	0	0	64320 :
:										:
[40 - 44) :	11	2	5	5	2	11	3	2	0	41 :
:	96312	20220	26076	28932	15192	68388	17484	14748	0	287352 :
:										:
[45 - 49) :	11	25	7	7	5	30	8	5	0	98 :
:	90348	167340	47772	49032	28980	176280	45408	29088	0	634248 :
:										:
[50 - 54) :	15	24	15	14	13	63	32	11	0	187 :
:	124344	169788	133116	71328	79092	399456	190212	63048	0	1230384 :
:										:
[55 - 59) :	12	13	28	23	17	74	37	8	0	212 :
:	77892	78972	184728	122088	110904	405960	192768	32616	0	1205928 :
:										:
[60 - 64) :	4	3	3	4	2	9	2	4	0	31 :
:	19656	15276	12228	16008	9144	51144	13152	22440	0	159048 :
:										:
[65 - 69) :	1	1	0	1	0	2	25	28	6	64 :
:	2964	4416	0	6240	0	11568	191784	212040	40740	469752 :
:										:
[70 - 74) :	0	1	0	1	0	1	19	31	17	70 :
:	0	5184	0	5400	0	3708	149076	252864	126660	542892 :
:										:
[75 - 79) :	2	2	0	0	1	0	0	12	27	44 :
:	9300	8040	0	0	3456	0	0	81816	206148	308760 :
:										:
[80 - 84) :	0	1	0	0	0	0	0	0	19	20 :
:	0	5064	0	0	0	0	0	0	124032	129096 :
:										:
[85 - 89) :	0	0	0	0	0	0	0	0	4	4 :
:	0	0	0	0	0	0	0	0	25392	25392 :
:										:
[90 - 99) :	0	0	0	0	0	0	0	0	5	5 :
:	0	0	0	0	0	0	0	0	24300	24300 :
:										:
Total :	57	74	59	58	40	196	126	101	78	789 :
Total :	426864	489576	406704	313860	246768	1141884	799884	708660	547272	5081472 :

AVERAGES : Attained Age 58.59
Years Retired 9.38
Annual Benefit 6,440

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2002

Age/Years :	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total :
[0 - 39) :	5	8	6	5	5	30	11	1	1	72 :
:	43560	102864	50988	42960	56472	242076	113040	3312	3036	658308 :
:										:
[40 - 44) :	1	2	2	0	1	6	0	1	2	15 :
:	2328	13464	12816	0	5424	55056	0	11892	11916	112896 :
:										:
[45 - 49) :	3	7	2	5	3	9	3	2	0	34 :
:	26352	66720	10272	23340	27348	62604	39600	7824	0	264060 :
:										:
[50 - 54) :	9	5	6	10	4	17	9	4	2	66 :
:	69084	53700	67452	111516	26352	125484	95820	18636	9096	577140 :
:										:
[55 - 59) :	15	10	14	9	6	20	8	4	3	89 :
:	102576	83484	126252	63912	48564	123300	57660	34404	11916	652068 :
:										:
[60 - 64) :	10	16	19	12	8	36	34	10	0	145 :
:	75828	113196	158184	82392	46212	291192	291324	84276	0	1142604 :
:										:
[65 - 69) :	12	15	14	19	21	77	37	18	2	215 :
:	73992	95148	87240	138216	148656	637980	336384	129000	15780	1662396 :
:										:
[70 - 74) :	14	17	15	17	14	99	41	18	11	246 :
:	119868	149400	103836	104808	112188	783084	326724	119700	94776	1914384 :
:										:
[75 - 79) :	12	14	11	10	11	63	42	32	21	216 :
:	116016	112704	85452	81672	92268	508584	321984	309468	163176	1791324 :
:										:
[80 - 84) :	8	11	6	6	5	29	30	24	32	151 :
:	56592	80472	47916	59952	45372	236940	255348	192540	246180	1221312 :
:										:
[85 - 89) :	3	4	0	4	2	18	11	14	43	99 :
:	14088	28116	0	42480	19740	132504	94908	121104	314640	767580 :
:										:
[90 - 99) :	0	1	0	1	0	5	4	7	20	38 :
:	0	5832	0	3996	0	35616	29712	57216	135612	267984 :
:										:
Total :	92	110	95	98	80	409	230	135	137	1386 :
Total :	700284	905100	750408	755244	628596	3234420	1962504	1089372	1006128	11032056 :

AVERAGES : Attained Age 68.87
Years Retired 9.33
Annual Benefit 7,960

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2002

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) :	2	0	0	0	0	0	0	0	0	2 :
:	31884	0	0	0	0	0	0	0	0	31884 :
:										:
[50 - 54) :	19	21	12	0	0	0	0	0	0	52 :
:	402408	334596	244704	0	0	0	0	0	0	981708 :
:										:
[55 - 59) :	83	91	74	0	0	0	0	0	0	248 :
:	1276536	1059216	923412	0	0	0	0	0	0	3259164 :
:										:
[60 - 64) :	114	172	151	0	0	0	0	0	0	437 :
:	1064724	1302120	1125132	0	0	0	0	0	0	3491976 :
:										:
[65 - 69) :	6	17	20	0	1	0	0	0	0	44 :
:	45816	94848	139368	0	7572	0	0	0	0	287604 :
:										:
[70 - 74) :	1	4	7	0	0	0	0	0	0	12 :
:	6060	20340	37296	0	0	0	0	0	0	63696 :
:										:
[75 - 79) :	0	1	0	0	0	0	0	0	0	1 :
:	0	8496	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 :	225	306	264	0	1	0	0	0	0	796 :
Total :	2827428	2819616	2469912	0	7572	0	0	0	0	8124528 :

AVERAGES : Attained Age 60.22
Years Retired 1.59
Annual Benefit 10,207

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
TERM-VESTED/RECIPROCAL

CELLS DEPICT MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2002

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	1	1	0	0	0	0	3 :
:	0	0	1932	2307	6119	0	0	0	0	10358 :
:										:
[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	3	1	0	0	7 :
:	0	0	0	6840	49200	12746	8184	0	0	76970 :
:										:
[50 - 54) :	0	0	0	1	6	6	4	1	0	18 :
:	0	0	0	9684	26747	41967	16779	5340	0	100517 :
:										:
[55 - 59) :	0	0	0	1	9	7	6	0	0	23 :
:	0	0	0	1200	53497	34908	32673	0	0	122278 :
:										:
[60 - 64) :	0	0	1	0	1	0	1	0	0	3 :
:	0	0	560	0	10920	0	3180	0	0	14660 :
:										:
[65 - 69) :	0	0	0	0	0	1	0	1	0	2 :
:	0	0	0	0	0	1157	0	1303	0	2460 :
:										:
[70 - 74) :	0	0	0	0	0	0	1	1	1	3 :
:	0	0	0	0	0	0	1566	4267	311	6144 :
:										:
Total :	0	0	4	5	19	18	13	3	1	63 :
Total :	0	0	5132	26595	146483	94378	62382	10910	311	346191 :

AVERAGES : Attained Age 54.15
Service Years 21.12
Annual Benefit 5,495

EXHIBIT 5

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

EFFECTIVE DATE:

July 1, 1947; last amendment date - July 1, 2002.

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 \$2,200,000 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	- Death 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.15467

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>-.08550</u>
<u>6/30/90</u>	<u>-.02676</u>
<u>6/30/96</u>	<u>-.00739</u>
<u>6/30/99</u>	<u>-.00039</u>
<u>6/30/00</u>	<u>-.00378</u>

Total Amortization of Changes -.12382

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. .90455

This system has not 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, 2002

<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	27	-63,306,280	-3,428,334
1994	Change in Liability	I	35	-24,621,173	27	-29,758,106	-1,611,542
1995	Change in Liability	I	34	2,097,463	27	2,467,757	133,641
1996	Change in Liability	I	33	-16,513,271	27	-18,927,825	-1,025,031
1997	Change in Liability	I	32	-7,808,758	27	-8,727,310	-472,625
1998	Change in Liability	I	31	-93,612,794	27	-102,108,277	-5,529,645
1999	Change in Liability	I	30	-43,880,482	27	-46,757,220	-2,532,124
2000	Change in Liability	I	29	-8,058,052	27	-8,396,799	-454,726
2001	Change in Liability	I	28	226,295,356	27	230,863,027	12,502,321
2002	Change in Liability	I	27	195,682,735	27	195,682,735	10,597,143
TOTAL OUTSTANDING BALANCE						151,031,702	8,179,078
EMPLOYERS' CREDIT BALANCE							
1998	Contribution Variance	L	5	29,842	1	6,861	7,114
1999	Contribution Variance	L	5	-60,400	2	-26,806	-14,399
2000	Contribution Variance	L	5	0	3	0	0
2001	Contribution Variance	L	5	0	4	0	0
2002	Contribution Variance	L	5	0	5	0	0
TOTAL CREDIT BALANCE						-19,945	-7,285
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						151,011,757	

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.