Hall Actuarial Associates

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October 2, 2006

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, 2006.

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
October 2, 2006

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

			---------Prior Years---------	
		June 30, 2006	**June 30, 2005**	**June 30, 2004**
I.	Membership Census			
	1) Retirees	11,687	10,953	10,355
	2) Actives	13,079	13,837	14,212
	3) DROP	732	856	784
	4) Terminated Vested	292	356	418
II.	Annual Benefits	$ 110,434,116	$ 99,374,136	$ 92,592,384
III.	Total Payroll	239,320,589	259,232,455	259,698,299
IV.	Valuation Assets	1,480,748,380	1,423,206,908	1,381,153,880
V.	Investment Yield			
	Market Value	5.77%	8.19%	12.05%
	Actuarial Value	9.19%	7.51%	5.44%
VI.	Cost to Fund Annual Pension Accruals	45,920,822	49,380,873	48,477,913
	(Normal Costs)	19.19%	19.05%	18.67%
VII.	Unfunded Actuarial Accrued Liability	391,845,885	466,237,714	439,804,797
VIII.	Funded Percentage	79.1%	75.3%	75.9%
IX.	Funding Requirements to Pay (Mid-year Payment)			
1)	Employee Contribution	18,148,302	19,442,434	19,689,004
	Rate	7.50%	7.50%	7.50%
2)	Employer Contribution	43,526,534	49,942,339	45,553,547
	Rate (Current Year)	18.0%	19.1%	17.4%
3)	Projected Rate	44,890,556	52,694,591	49,472,656
	(Next Fiscal Year)	18.1%	19.6%	18.4%

The above funding requirements measure the cost of benefits that were in effect on June 30, 2006, plus Act’s of the 2006 Legislative Session which have prospective effects on the current active members.

Board of Trustees
October 2, 2006

Current Funding

The Actuarial Valuation for the plan year ending June 30, 2006 discloses a decrease in the plan's unfunded actuarial accrued liability. The system's current unfunded accrued liability decreased from a prior year balance of $466.2 million to the current deficit of $391.8 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 are 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 6/30/2005		$ 466,237,714
INCREASES		
Interest on Unfunded Liability	$ 34,967,829	
Employer Shortfall Charge	7,310,004	
Incurred Increases	42,277,833	
DECREASES		
Amortization Payment	$ 23,651,091	
Valuation Adjustment	8,448,147	
Experience Gain	61,146,812	
Investment Gain	23,423,612	
Incurred Decreases	116,669,662	
Unfunded Liability 6/30/2006 (Surplus)		$ 391,845,885

Board of Trustees
October 2, 2006

Valuation Adjustment

During the 2005-2006 fiscal year, it was necessary to modify the methodology used to determine the minimum disability benefit exposure for active members. It was determined that the prior methodology overstated the liability resulting in an $8,448,147 reduction to the Unfunded Liability and a .25% of payroll reduction in the active members Normal Cost.

Funding

The projected employer contribution rate for the 2006-2007 plan year was set by PERSAC at 19.6%. The actual employer contribution rate determined by this valuation for the current plan year is 18.0%. Therefore, the current plan year should generate a contribution shortfall credit since the PERSAC approved rate exceeds the valuation rate by 1.6%. The experience gain was sufficient to offset the ACT 588 amortization changes, which amortize the losses sustained during 2001-2003 fiscal years as increasing annuities. This was the major contributing factor to the decrease in the projected recommended employer contribution rate of 18.1% for the 2007-2008 fiscal year.

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, 2006 the funding target is .98450, which is greater than the current .79075 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

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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.

	June 30, 2006		June 30, 2005	
	Dollar Amount	**% of Salary**	**Dollar Amount**	**% of Salary**
I. Normal Costs (to fund annual pension accruals)				
Active Members with Complete Data				
a) Retirement Benefits	$ 33,952,687	14.19%	$ 36,475,283	14.07%
b) Disability Benefits	1,912,676	.80%	2,726,253	1.05%
c) Survivor Benefits	2,737,633	1.14%	2,475,929	.96%
d) Voluntary Termination	4,017,826	1.68%	4,603,408	1.77%
e) Expenses	3,300,000	1.38%	3,100,000	1.20%
TOTAL	45,920,822	19.19%	49,380,873	19.05%
II. Actuarial Accrued Liability				
a) Active Members				
1) Retirement Benefits	$ 579,288,554		$ 663,724,671	
2) Disability Benefits	14,036,359		24,104,813	
3) Survivor Benefits	19,224,438		17,892,468	
4) Voluntary Termination	24,001,583		26,967,474	
	636,550,934		732,689,426	
b) Retired and Inactive Members				
1) Regular Retirees	847,368,605		725,952,538	
2) Disabled Retirees	23,472,780		30,666,049	
3) Survivors	108,606,912		103,311,265	
4) Vested Deferred & Reciprocals	19,605,627		29,754,034	
5) Contributions Refunded	4,260,262		5,371,702	
6) DROP Deferred Benefits	169,379,813		202,527,342	
7) DROP Account Balances	63,349,332		59,172,266	
	1,236,043,331		1,156,755,196	
c) TOTAL	1,872,594,265		1,889,444,622	

Exhibit 1 (Continued)
Costs, Liabilities & Contributions

		June 30, 2006	June 30, 2005
II.	Actuarial Accrued Liability		
	TOTAL (Preceding page)	$ 1,872,594,265	$ 1,889,444,622
III.	Assets	1,480,748,380	1,423,206,908
IV.	Unfunded Actuarial Accrued		
	Liabilities - (Surplus)	391,845,885	466,237,714
	a) Change over prior year	-74,391,829	26,432,917
	b) Funded Percentage	79.08%	75.32%
V.	Employer Contributions		
	To Fund Current Plan Year[1]		
	a) Employer Portion of Normal Cost	24,945,667	27,131,201
	b) Amortization Payments	10,103,602	16,076,482
	c) Previous Year (Short-fall)	8,477,265	6,734,656
	TOTAL Required Contribution	43,526,534	49,942,339
		18.0%	19.1%
	PERSAC approved Rate	19.6%	18.4%
VI.	Projected Employer Contributions		
	To Fund Next Plan Year[1]		
	a) Employer Portion of Normal Cost	25,566,063	27,802,721
	b) Amortization Payments	11,804,160	17,703,810
	c) Short-fall Charge	7,520,333	7,188,060
	TOTAL Projected Contribution	44,890,556	52,694,591
		18.1%	19.6%
VII.	Current Payroll	239,320,589	259,232,455
	Projected Payroll - Mid Year	241,977,364	262,060,241
	Projected Payroll - Next Year	247,995,314	268,546,453

[1]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

	June 30, 2006	---------Prior Years--------- June 30, 2005	June 30, 2004
OPERATING REVENUES:			
1. Contribution Income			
Member	$ 17,716,761	$ 18,946,671	$ 19,676,052
Employer	43,458,220	37,753,893	28,954,044
2. Other Income			
Transfers	0	0	204,178
Miscellaneous	0	0	0
TOTAL CONTRIBUTIONS	61,174,981	56,700,564	48,834,274
3. Investment Income			
Investments	87,249,926	118,212,004	160,803,612
Less, Manager Fees	-3,210,066	-3,119,925	-2,906,037
TOTAL INVESTMENT INCOME	84,039,860	115,092,079	157,897,575
4. Total Revenues	145,214,841	171,792,643	206,731,849
OPERATING EXPENSES:			
1. General Administration	3,276,641	3,119,617	2,632,840
Other Expenses	133,430	140,379	149,796
Employer Credit Expense	0	0	7,013,573
2. Benefits Paid			
a) Pension Benefits	119,959,677	109,842,001	102,474,273
b) Return of Contrib.	7,070,499	2,979,098	3,866,339
c) Transfers Out	778,245	98,023	0
TOTAL BENEFITS PAID	127,808,421	112,919,122	106,340,612
3. Total Operating Expenses	131,218,492	116,179,118	116,136,821
NET INCREASE:	13,996,349	55,613,525	90,595,028

EXHIBIT 2 (Continued)
Financial Summary

FINANCIAL SUMMARY
STATEMENT OF ASSETS
FOR FISCAL YEAR ENDING

		---------Prior Years---------	
	June 30, 2006	**June 30, 2005**	**June 30, 2004**
ASSETS:			
1. Short Term Assets			
Cash in Banks	$ 14,776,356	$ 12,045,346	$ 6,533,638
Securities	55,052,813	75,608,717	94,889,434
Fixed Income Funds	3,966,231	0	0
2. Bonds			
Foreign Issues	0	0	647,245
Bonds – General	252,353,481	295,922,978	272,921,693
Corporate Issues	170,534,944	209,976,307	203,207,964
U.S. Government Obligations	74,836,061	80,853,169	87,526,266
3. Equities,			
Domestic Stock	753,696,612	719,855,456	681,964,644
Foreign Stocks	121,917,501	108,039,974	101,319,844
4. Real Estate	2,249,936	2,368,916	1,700,000
Real Estate Funds	48,148,813	0	0
5. Property and Equipment	3,782,036	3,925,350	3,857,021
6. Receivables – Payables	3,080,887	-18,196,891	-19,781,952
TOTAL ASSETS			
Market Value	1,504,395,671	1,490,399,322	1,434,785,797
Valued at Cost	1,371,938,265	1,344,015,402	1,319,499,757
INVESTMENT YIELD:			
Yield to Actuarial Value	9.19%	7.51%	5.44%
DROP Account Yield	8.69%	7.01%	4.94%
Yield to Market Value	5.77%	8.19%	12.05%
EMPLOYER CREDIT ACCOUNT:			
Prior Year End Balance	0	0	5,906,266
+ Excess Added	0	0	0
- Contribution Credited	0	0	6,064,685
+ Accumulated Interest	0	0	158,419
Fund Balance - Year End	0	0	0
Actuarial Value of Assets:			
TOTAL ASSETS	1,504,395,671	1,490,399,322	1,434,785,797
Change in Unrealized (G/L)			
Plan Year - 2 (wt. 1/4)	74,172,945	27,130,127	-62,251,421
Plan Year - 1 (wt. 2/4)	31,097,880	74,172,945	27,130,127
Plan Year (wt. 3/4)	-13,926,514	31,097,880	74,172,945
Actuarial Value of Assets	1,480,748,380	1,423,206,908	1,381,153,880
Less, Employer Credit Account	0	0	0
Valuation Assets	1,480,748,380	1,423,206,908	1,381,153,880

EXHIBIT 3

PENSION ACCOUNTING
AND
FINANCIAL DISCLOSURE

The Governmental Accounting Standards Board (GASB) 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)
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	1,433,859	1,582,071	148,212	90.6	258,876	57.3
2003	1,369,601	1,730,796	361,195	79.1	268,656	134.4
2004	1,381,154	1,820,959	439,805	75.8	259,698	169.4
2005	1,423,207	1,889,445	466,238	75.3	259,232	179.9
2006	1,480,748	1,872,594	391,846	79.1	239,321	163.7

The total actuarial accrued liability determined using the Individual Entry Age Normal cost method decreased by $16,850,357 from June 30, 2005 to June 30, 2006. From all sources there was a net methodology and experience gain of $93,066,596.

EXHIBIT 3 (Continued)
Pension Accounting & Financial Disclosure

SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Actuarial Required Contribution[1]	Percent Contributed	Annual Pension Cost (APC)[1]	Actual Contribution[1]	Percentage of APC Contributed	Net Pension Obligation
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
2003	16,440,025	100.0	13,856,760	16,440,025	118.6	-13,887
2004	47,980,745	58.7	41,929,947	28,163,575	67.2	19,817,170
2005	46,187,680	61.0	42,775,863	37,753,893	88.3	24,839,140
2006	50,768,224	85.6	45,648,519	43,458,220	95.2	27,029,439

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 for plan years prior to 2003 to bring the total employer contribution up to 6% of covered payroll.

DEVELOPMENT OF NET PENSION OBLIGATION:

(1)	Actuarial Required Contribution	50,768,224
(2)	Interest on Net Pension Obligation	1,862,935
(3)	Amortization of Net Pension Obligation	6,982,640
(4)	Annual Pension Cost (1)+(2)–(3)	45,648,519
(5)	Employer Contribution	43,458,220
(6)	Increase (decrease) in Net Pension Obligation	2,190,299
(7)	Net Pension Obligation Beginning of Year	24,839,140
(8)	Net Pension Obligation End of Year (6)+(7)	27,029,439

[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

Fiscal Year End	Members Contribution	Employer Contribution	Investment Income	Total
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[2]	-28,746,088	-13,096,883
2002	18,827,944	105,899[2]	-34,986,556	-16,052,713
2003	19,820,210	58,736[2]	50,126,072	70,005,018
2004	19,676,052	21,940,471[2]	157,897,575	199,514,098
2005	18,946,671	37,753,893	115,092,079	171,792,643
2006	17,716,761	43,458,220	84,039,860	145,214,841

Expenses by Type

Fiscal Year End	Benefits	Refunds	Administrative Expenses[2]	Total
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
2003	97,598,053	2,420,242	2,793,560	105,811,855
2004	102,474,273	3,866,339	2,782,636	109,123,248
2005	109,842,001	3,077,121	3,259,996	116,179,118
2006	119,959,677	7,848,744	3,410,071	131,218,492

[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)

[2] Employer Contributions exclude the 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 no records purged from the database containing errors or categorized as suspicious data, which is a significant improvement in the quality of data reported 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 the annualization of salaries. 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:

	---2006--- Census	---2005--- Census	---2004--- Census
Active Members	12,495	13,151	13,497
After DROP	584	686	715
Regular Retirees	9,557	8,803	8,325
Disability Retirees	509	586	554
Survivors	1,621	1,564	1,476
Terminated Vested	292	356	418
DROP Participants	732	856	784
TOTAL	25,790	26,002	25,769

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
REGULAR ACTIVE MEMBERS

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY

VALUATION DATE 6/30/2006

	YEARS EMPLOYED									
Age	(0-1)	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	[25-30)	[30-35)	[35-)	Total
[0-19)	3	1	0	0	0	0	0	0	0	4
	106001	14156	0	0	0	0	0	0	0	120157
[20-24)	40	67	4	0	0	0	0	0	0	111
	639493	1071856	73099	0	0	0	0	0	0	1784448
[25-29)	76	194	52	1	0	0	0	0	0	323
	1203768	3124069	997176	28482	0	0	0	0	0	5353495
[30-34)	95	289	185	42	1	0	0	0	0	612
	1519931	4715262	3504047	860209	12272	0	0	0	0	10611721
[35-39)	105	427	376	175	59	3	0	0	0	1145
	1568055	7050770	6406659	3486752	1322046	85831	0	0	0	19920113
[40-44)	172	657	624	338	186	99	25	0	0	2101
	2831180	10565925	10670763	6156633	3768049	2428162	790983	0	0	37211695
[45-49)	111	587	663	485	326	202	169	3	0	2546
	1871770	9565533	11535204	8823912	6723933	4784220	4554688	45088	0	47904348
[50-54)	99	466	520	504	406	270	238	24	0	2527
	1795105	7538267	9141044	9399186	7623189	5774604	5099716	470555	0	46841666
[55-59)	86	390	432	414	382	294	66	19	1	2084
	1482159	6275144	7472064	7470963	7275184	5648673	1218238	299733	36831	37178989
[60-64)	27	163	221	98	60	42	28	7	2	648
	604149	2547539	3610351	1738299	1091261	790859	465099	107511	38381	10993449
[65-69)	18	73	77	44	26	8	14	13	2	275
	244186	1052850	1189597	751708	434794	185064	266426	196443	53394	4374462
[70-74)	7	32	37	15	9	6	2	9	2	119
	119398	449305	598257	204012	161919	74965	32099	108291	18815	1767061
TOTALS										
count	839	3346	3191	2116	1455	924	542	75	7	12495
salary	13985196	53970676	55198261	38920156	28412647	19772378	12427249	1227621	147421	224061605

AVERAGES --- Attained Age 48.41
Service Years 9.77
Active Salary 17,932

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
ACTIVE AFTER DROP

CELLS DEPICT - MEMBER COUNT
TOTAL SALARY
DROP BENEFITS

VALUATION DATE 6/30/2006

Age	(0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
	YEARS EMPLOYED									
[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)	1	1	1	0	0	0	0	0	0	3
	59988	38652	72156	0	0	0	0	0	0	170796
	29928	19320	26664	0	0	0	0	0	0	75912
[55>59)	29	19	6	5	2	0	0	0	0	61
	1214616	644256	182988	114924	36564	0	0	0	0	2193348
	550212	273912	87300	76548	27312	0	0	0	0	1015284
[60>64)	79	51	21	21	17	15	0	0	0	204
	2700540	1589436	535716	362412	326412	274896	0	0	0	5789412
	788100	511104	202584	209460	156444	148128	0	0	0	2015820
[65>69)	12	30	66	38	40	47	0	0	0	233
	359520	912420	1888236	647496	728268	900372	0	0	0	5436312
	79428	196680	472356	256032	266856	323376	0	0	0	1594728
[70>74)	1	8	10	6	9	48	1	0	0	83
	26736	238776	226092	101832	170268	891660	13752	0	0	1669116
	9276	63876	52968	36180	47988	290676	7356	0	0	508320
TOTALS										
count	122	109	104	70	68	110	1	0	0	584
salary	4361400	3423540	2905188	1226664	1261512	2066928	13752	0	0	15258984
benefit	1456944	1064892	841872	578220	498600	762180	7356	0	0	5210064

AVERAGES ---		
	Attained Age	65.34
	Post Drop Years	2.96
	Active Salary	26,128
	Annual Benefit	8,921

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
REGULAR RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age		YEARS RETIRED (0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0-39)	count	0	0	0	0	0	0	0	0	0	0
	benefit	0	0	0	0	0	0	0	0	0	0
[40-44)	count	7	1	5	1	1	1	0	0	0	16
	benefit	72144	7932	63132	9204	17328	6816	0	0	0	176556
[45-49)	count	36	16	38	11	2	10	0	0	0	113
	benefit	593280	187572	587244	120972	14220	54888	0	0	0	1558176
[50-54)	count	81	45	63	33	21	39	4	0	0	286
	benefit	1377468	716640	1207368	505896	233316	292008	29136	0	0	4361832
[55-59)	count	68	100	147	131	133	146	37	17	4	783
	benefit	1139976	1694760	2736372	2084928	2257260	1860156	291096	111576	28992	12205116
[60-64)	count	103	131	140	185	231	672	132	45	4	1643
	benefit	1120140	1332036	1610268	2207868	2666196	7059420	1172700	272292	21468	17462388
[65-69)	count	44	35	40	56	94	1267	457	73	23	2089
	benefit	490968	311292	400008	552192	885048	9826464	4524396	580896	171120	17742384
[70-74)	count	11	9	13	14	20	434	1144	227	51	1923
	benefit	103320	78888	145476	116232	135516	3135192	9406428	2175780	407052	15703884
[75-79)	count	3	3	1	5	6	105	630	567	119	1439
	benefit	30408	30264	18744	54156	62796	759300	5192160	5359764	1377660	12885252
[80-84)	count	0	1	0	3	6	14	120	323	353	820
	benefit	0	12564	0	36024	39732	98868	1013028	3289956	3487200	7977372
[85-89)	count	0	0	0	0	0	1	6	44	265	316
	benefit	0	0	0	0	0	3528	59064	482364	2661144	3206100
[90-99)	count	0	0	0	0	1	0	0	1	127	129
	benefit	0	0	0	0	4500	0	0	18732	1140828	1164060
TOTALS	count	353	341	447	439	515	2689	2530	1297	946	9557
	benefit	4927704	4371948	6768612	5687472	6315912	23096640	21688008	12291360	9295464	94443120

AVERAGES --- Attained Age 69.93
Years Retired 10.61
Annual Benefit 9,882

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DISABILITY RETIREES

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age	YEARS RETIRED (0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0-39)	0	0	1	1	0	0	2	0	0	4
	0	0	4656	5496	0	0	7980	0	0	18132
[40-44)	3	6	3	3	4	7	3	0	0	29
	17460	33012	16440	14496	19464	42528	13584	0	0	156984
[45-49)	7	12	5	12	11	18	10	3	1	79
	57504	78972	30960	87744	96000	120576	55320	23652	8268	558996
[50-54)	6	15	24	11	13	44	28	8	3	152
	37416	102384	149760	78876	100104	251208	146556	41652	13944	921900
[55-59)	22	16	19	21	14	60	26	16	5	199
	152172	118608	109692	147660	111852	314304	130452	85848	30480	1201068
[60-64)	6	3	4	1	2	3	4	4	0	27
	31440	17616	21396	3792	11124	17928	20532	18144	0	141972
[65-69)	3	2	3	0	0	1	1	1	0	11
	12300	9636	17376	0	0	3696	4764	4884	0	52656
[70-74)	2	0	0	1	0	0	0	1	0	4
	10788	0	0	4596	0	0	0	264	0	15648
[75-79)	0	0	0	0	0	0	0	0	2	2
	0	0	0	0	0	0	0	0	11424	11424
[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	2	2
	0	0	0	0	0	0	0	0	4968	4968
TOTALS										
count	49	54	59	50	44	133	74	33	13	509
benefit	319080	360228	350280	342660	338544	750240	379188	174444	69084	3083748

AVERAGES --- Attained Age 54.33
Years Retired 6.67
Annual Benefit 6,058

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
SURVIVOR BENEFITS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age	YEARS RETIRED (0-1)	[1-2)	[2-3)	[3-4)	[4-5)	[5-10)	[10-15)	[15-20)	[20-)	Total
[0-39)	0	4	3	2	6	29	28	7	4	83
	0	46704	29676	48936	72000	279168	233148	74076	11184	794892
[40-44)	1	1	1	0	4	15	7	2	0	31
	27216	4260	4548	0	35064	116688	41148	12048	0	240972
[45-49)	6	6	3	2	2	19	21	2	0	61
	55188	70488	41256	25704	26580	155760	161688	20712	0	557376
[50-54)	3	3	2	4	5	28	24	7	2	78
	30624	20340	30636	27480	48288	249576	160596	66516	7824	641880
[55-59)	4	6	8	8	7	42	28	12	6	121
	59928	41028	50712	77196	73308	363816	232176	86400	30828	1015392
[60-64)	0	5	4	8	8	56	48	22	4	155
	0	45816	36240	72960	83268	423924	355884	175860	26724	1220676
[65-69)	1	0	1	3	5	90	76	52	7	235
	9288	0	11052	14400	41088	628308	634068	418716	50496	1807416
[70-74)	0	3	2	2	4	45	100	68	28	252
	0	19944	10800	9984	28740	278712	776808	538284	201396	1864668
[75-79)	0	3	0	5	1	28	99	95	33	264
	0	14664	0	47484	2208	235236	793728	780636	262212	2136168
[80-84)	0	0	0	3	6	40	30	59	54	192
	0	0	0	18900	65304	296172	223656	479136	410700	1493868
[85-89)	0	1	0	2	3	29	14	20	32	101
	0	5904	0	15876	19896	211500	110496	152916	249120	765708
[90-99)	0	2	1	0	2	27	7	6	3	48
	0	13800	10140	0	6936	206376	62916	43716	24348	368232
TOTALS										
count	15	34	25	39	53	448	482	352	173	1621
benefit	182244	282948	225060	358920	502680	3445236	3786312	2849016	1274832	12907248

AVERAGES --- Attained Age 68.48
Years Retired 12.10
Annual Benefit 7,963

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS EMPLOYED

LSER RETIREMENT SYSTEM
TERM-VESTED/RECIPROCAL

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age	YEARS EMPLOYED (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	0	1	0	0	0	0	0	1
	0	0	0	7740	0	0	0	0	0	7740
[35-39)	0	2	0	9	0	0	0	0	0	11
	0	2700	0	75000	0	0	0	0	0	77700
[40-44)	0	2	0	8	11	1	0	0	0	22
	0	2196	0	64464	144624	19848	0	0	0	231132
[45-49)	0	0	2	23	8	2	3	0	0	38
	0	0	5880	186612	91476	18816	62928	0	0	365712
[50-54)	0	1	2	27	25	4	9	1	0	69
	0	420	1728	161196	284292	41736	174072	27132	0	690576
[55-59)	1	1	1	33	25	24	6	0	0	91
	84	1980	11256	190488	225564	335976	142176	0	0	907524
[60-64)	0	0	2	20	8	11	2	1	0	44
	0	0	3120	135120	109752	174504	22836	17088	0	462420
[65-69)	0	1	0	1	1	0	1	0	1	5
	0	84	0	7608	2304	0	15456	0	36972	62424
[70-74)	0	1	1	3	2	1	2	1	0	11
	0	144	48	6120	4212	1812	16836	19260	0	48432
TOTALS										
count	1	8	8	125	80	43	23	3	1	292
benefit	84	7524	22032	834348	862224	592692	434304	63480	36972	2853660

AVERAGES --- Attained Age 54.68
Service Years 16.16
Annual Benefit 9,773

MEMBERSHIP PROFILE
CATEGORIZED BY AGE AND YEARS RETIRED

LSER RETIREMENT SYSTEM
DROP PARTICIPANTS

CELLS DEPICT - MEMBER COUNT
TOTAL BENEFITS

VALUATION DATE 6/30/2006

Age		YEARS PATICIPATED (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
		17808	0	13332	0	0	0	0	0	0	31140
[50-54)		15	39	24	0	0	0	0	0	0	78
		350304	776448	609096	0	0	0	0	0	0	1735848
[55-59)		63	77	81	0	0	0	0	0	0	221
		1129188	1403244	1414452	0	0	0	0	0	0	3946884
[60-64)		75	172	140	0	0	0	0	0	0	387
		738492	1914576	1517256	0	0	0	0	0	0	4170324
[65-69)		14	12	12	0	0	0	0	0	0	38
		77316	65088	69072	0	0	0	0	0	0	211476
[70-74)		2	0	4	0	0	0	0	0	0	6
		10392	0	41436	0	0	0	0	0	0	51828
[75-79)		0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0
[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
TOTALS											
count		170	300	262	0	0	0	0	0	0	732
benefit		2323500	4159356	3664644	0	0	0	0	0	0	10147500

AVERAGES --- Attained Age 59.83
Years Retired 1.64
Annual Benefit 13,863

EXHIBIT 5

PRINCIPLE PROVISIONS OF THE PLAN
(Including Acts of 2005 Regular Session)

EFFECTIVE DATE:

July 1, 1947

EMPLOYEE:

Any school bus driver, janitor, custodian, maintenance employee, 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 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 purchased.

3. Conversion of Sick Leave and Annual Leave at retirement, or death may be converted to membership credit.

4. Part-time employees shall accrue a full year of creditable service for each full year of part-time service for benefit eligibility purposes.

5. Out of State service with other school systems may be purchased.

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 FINAL COMPENSATION:

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).

For those members hired on and after 7/1/2006, the period for determining final average compensation is extended from 36 months to 60 months.

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:

7.00% 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 The Board may grant supplemental COLA not in excess of 2% from investment income, minimum $20 per month.

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

EXHIBIT 5 (Continued)
Principle Provisions

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).

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 age 55.

EXHIBIT 5 (Continued)
Principle Provisions

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 age 55.

3. Greater of 75% of member's final average compensation or $300 per month.

4. Return of member's accumulated contributions.

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 is 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 l - 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.

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:

EXHIBIT 5 (Continued)
Principle Provisions

(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.

For those members hired on and after 7/1/2006, the period for determining final average compensation is extended from 36 months to 60 months.

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.

Effective 1/1/2004 new DROP accounts are credited with Money Market rates or self directed accounts approved by the Board of Trustees.

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.

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.

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.

ACTUARIAL ASSUMPTIONS:

The Retirement System is required to conduct an experience study every five years, but the scope of such a study is not necessarily limited to a five year period. The current five year observation period (1997-2001) was chosen to coincide with the most recent period of data reporting following the restructuring of the Deferred Retirement Option Program.

MORTALITY ASSUMPTIONS:

Pre-retirement deaths and post-retirement life expectancies were projected in accordance with the experience of the 1983 Sex Distinct Graduated Group Annuity Mortality Table, with female age set at attained age plus one.

EXHIBIT 6 (Continued
Cost Methods & Assumptions

DISABILITY ASSUMPTION:

Rates of total and permanent disability were projected by age in accordance with the most recent Experience Study. For mortality after disability, rates were on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

RETIREMENT/DROP ASSUMPTION:

Retirement rates are based on age and service eligibility requirements for normal benefits. Age and service requirements vary by plan. DROP is viewed as an alternative form of benefit accrual since mandatory termination is not required following participation. Therefore, at eligibility, the probability of DROP accrual is determined in conjunction with regular benefit accrual. Retirement rates and DROP probabilities are based on the most recent Experience Study and are illustrated in the rate tables at the end of this exhibit.

TERMINATION ASSUMPTIONS:

Voluntary termination or withdrawal rates are based on the most recent Experience Study. During the first five years of employment, the probability of voluntarily terminating is a multiple of the attained age rate in prior reports and a multiple of service duration in the current valuation as follows:

1st year	1.10x
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 rates of annual salary growth are based upon the member's years of service and are illustrated in the rate tables at the end of this exhibit.

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:

EXHIBIT 6 (Continued)
Cost Methods & Assumptions

Age at Death	Number of Minor Chn.	Years for Youngest Child to Attain Majority
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.

INVESTMENT EARNINGS:

An effective annual rate of 7.5%, net expenses.

ADMINISTRATIVE EXPENSES:

Operating expenses are included in Aggregate Normal Cost and are assumed to be $3,300,000 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
EFFECTIVE 6/30/2003

Age	- Death Rates - Male	Female	Disability Rates	Termination Rates	Retirement Rates	DROP Rates	Dur	Salary Scale
18	.00039	.00020	.0000	.0000	.0000	.000	1	1.0800
19	.00041	.00021	.0000	.0400	.0000	.000	2	1.0600
20	.00042	.00022	.0000	.1600	.0000	.000	3	1.0400
21	.00044	.00024	.0000	.1500	.0000	.000	4	1.0400
22	.00045	.00025	.0000	.1300	.0000	.000	5	1.0400
23	.00047	.00027	.0000	.1300	.0000	.000	6	1.0400
24	.00049	.00028	.0000	.1300	.0000	.000	7	1.0400
25	.00052	.00030	.0001	.0750	.0000	.000	8	1.0400
26	.00054	.00032	.0001	.0650	.0000	.000	9	1.0400
27	.00057	.00034	.0001	.0650	.0000	.000	10	1.0400
28	.00060	.00036	.0001	.0650	.0000	.000	11	1.0400
29	.00064	.00038	.0001	.0650	.0000	.000	12	1.0400
30	.00067	.00040	.0001	.0650	.0000	.000	13	1.0400
31	.00072	.00043	.0001	.0650	.0000	.000	14	1.0400
32	.00076	.00046	.0001	.0650	.0000	.000	15	1.0400
33	.00082	.00049	.0010	.0500	.0000	.000	16	1.0400
34	.00087	.00053	.0010	.0550	.0000	.000	17	1.0400
35	.00096	.00056	.0015	.0550	.0000	.000	18	1.0400
36	.00101	.00060	.0015	.0500	.0000	.000	19	1.0400
37	.00107	.00064	.0015	.0500	.0000	.000	20	1.0400
38	.00115	.00069	.0015	.0400	.0000	.000	21	1.0400
39	.00125	.00074	.0025	.0400	.0000	.000	22	1.0400
40	.00138	.00080	.0025	.0350	.0000	.000	23	1.0400
41	.00152	.00086	.0025	.0350	.0000	.000	24	1.0400
42	.00170	.00094	.0025	.0350	.0000	.000	25	1.0400
43	.00191	.00102	.0030	.0300	.0000	.000	26	1.0400
44	.00215	.00112	.0030	.0300	.0000	.000	27	1.0400
45	.00243	.00124	.0030	.0300	.0000	.000	28	1.0400
46	.00275	.00137	.0040	.0250	.0000	.000	29	1.0400
47	.00310	.00152	.0050	.0250	.6000	.500	30	1.0400
48	.00349	.00167	.0070	.0250	.6000	.500	31	1.0450
49	.00390	.00183	.0070	.0200	.6000	.500	32	1.0450
50	.00434	.00199	.0070	.0200	.6000	.500	33	1.0450
51	.00480	.00217	.0070	.0200	.6000	.500	34	1.0450
52	.00528	.00236	.0085	.0200	.6000	.300	35	1.0450
53	.00578	.00257	.0095	.0160	.6000	.300	36	1.0450
54	.00629	.00282	.0060	.0160	.4500	.300	37	1.0450
55	.00681	.00311	.0060	.0160	.4000	.400	38	1.0450
56	.00735	.00345	.0075	.0160	.4000	.400	39	1.0450
57	.00793	.00383	.0060	.0160	.4000	.300	40	1.0450
58	.00858	.00425	.0045	.0160	.4000	.300	41	1.0450
59	.00932	.00471	.0045	.0160	.4500	.300	42	1.0450
60	.01018	.00523	.0035	.0160	.3500	.300	43	1.0450
61	.01118	.00579	.0020	.0200	.2200	.250	44	1.0450
62	.01237	.00641	.0020	.0200	.2200	.250	45	1.0450
63	.01377	.00710	.0020	.0200	.2200	.250	46	1.0450
64	.01541	.00785	.0020	.0200	.2500	.250	47	1.0450
65	.01732	.00869	.0010	.0200	.3000	.250	48	1.0450
66	.01953	.00965	.0010	.0200	.2000	.250	49	1.0450
67	.02200	.01078	.0010	.0200	.2000	.250	50	1.0450
68	.02470	.01214	.0010	.0200	.2000	.150	51	1.0450
69	.02757	.01376	.0010	.0200	.2000	.100	52	1.0450
70	.03059	.01570	.0000	.0200	.2000	.100	53	1.0450
71	.03373	.01796	.0000	.0200	.2000	.000	54	1.0450
72	.03708	.02053	.0000	.0200	.5000	.000	55	1.0450
73	.04076	.02344	.0000	.0200	.5000	.000	56	1.0450
74	.04488	.02666	.0000	.0200	.9900	.000	57	1.0450

EXHIBIT 7

DEVELOPMENT OF TARGET RATIO

Funded Ratio of the System as of the 1986 fiscal year end	.71000
Number of years elapsed since the 1986 fiscal year end multiplied by 1/30th of the difference between 1005 and the initial Funded Ratio	.19333

Changes in Funded Ratio after the 1986 fiscal year end;

Date of Change	Change in funded Ratio
6/30/87	.17100
6/30/90	.06690
6/30/96	.03694
6/30/99	.00388
6/30/03	-.04485

Total Change in Funded Ratio	.23387

Number of fiscal years elapsed since the date of each change multiplied by 1/30th of the amount of such change in funded ratio and of opposite arithmetic sign of such change;

Date of Change	Amortization of Change
6/30/87	-.10830
6/30/90	-.03568
6/30/96	-.01231
6/30/99	-.00090
6/30/03	.00449

Total Amortization of Changes	-.15270
Target Ratio as of the end of the just completed fiscal year	.98450
Actual Funded Ratio of the system as of the just completed fiscal year.	.79075

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, 2006

DATE 6/30	DESCRIPTION	AMTZ. METHOD	AMTZ. PERIOD	INITIAL LIABILITY	YEARS REMAING	REMAINING BALANCE	MID-YEAR PAYMENT
1993	Change in Liability	L	25	-65,622,628	23	-63,619,521	-5,677,975
1994	Change in Liability	L	25	-30,846,941	23	-29,905,349	-2,669,021
1995	Change in Liability	L	25	2,558,051	23	2,479,967	221,334
1996	Change in Liability	L	25	-19,620,386	23	-19,021,481	-1,697,647
1997	Change in Liability	L	25	-9,046,638	23	-8,770,493	-782,757
1998	Change in Liability	L	25	-105,844,372	23	-102,613,510	-9,158,148
1999	Change in Liability	L	25	-48,468,045	23	-46,988,575	-4,193,681
2000	Change in Liability	L	25	-8,704,034	23	-8,438,346	-753,114
2001	Change in Liability	I	27	239,310,198	25	248,066,448	14,152,399
2002	Change in Liability	I	28	199,940,651	26	207,821,563	11,543,364
2003	Change in Liability	I	29	214,321,070	27	223,330,765	12,094,414
2004	Change in Liability	L	30	52,010,701	28	50,966,960	4,247,412
2005	Change in Liability	L	30	4,619,288	29	4,574,614	377,230
2006	Change in Liability	L	30	-93,066,596	30	-93,066,596	-7,600,208
	TOTAL OUTSTANDING BALANCE					364,816,446	10,103,602

EMPLOYERS' CREDIT BALANCE

2002	Contribution Variance	L	5	0	1	0	0
2003	Contribution Variance	L	5	0	2	0	0
2004	Contribution Variance	L	5	19,817,170	3	12,737,649	4,724,152
2005	Contribution Variance	L	5	8,433,787	4	6,981,786	2,010,504
2006	Contribution Variance	L	5	7,310,004	5	7,310,004	1,742,609
	TOTAL CREDIT BALANCE					27,029,439	8,477,265

TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY	391,845,885

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.
Effective July 1, 2004, Amortization Period changed in accordance with Act 588.