

## *Hall Actuarial Associates*

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March 23, 2010

Mr. Kelly Gibson  
Chairman  
Municipal Police Employees' Retirement System  
7722 Office Park Boulevard, Suite 200  
Baton Rouge, Louisiana 70809-7601

RE: Employer Contribution Rate

Dear Mr. Gibson,

On February 24<sup>th</sup> the Public Employees' Retirement Actuarial Committee met, as required by law, for the purpose of establishing the employer contribution rates for the statewide retirement systems. Based on the MPERS' actuary's recommendation, the committee approved an employer contribution rate of 25.0% for the July 1, 2010 through June 30, 2011 fiscal year.

This represents a significant increase when compared to the current 11% rate.

The majority of the increase can be traced to the following two events;

- By law, the systems actuary is required to conduct an experience study every five years to determine the appropriateness of the assumptions used to develop the contribution rates. It was necessary to change the mortality table due to increased longevity. Longer life translates into longer pension payment periods and consequently higher contributions. This and other decrement changes combined with experience losses added \$66.2 million to the unfunded actuarial liability, or an additional 2% to the contribution rate.
- The most significant portion of the increase came as a result of the market downturn. MPERS like most public and private pension funds experience a negative rate of return resulting in market value losses which increase the unfunded actuarial liability \$382.0 million, or an additional 12% to the contribution rate.

Both the events were beyond the control of the Board of Trustees. The Louisiana Revised Statutes mandate that the increases in the unfunded accrued liability be amortized over a 30 year period with that payment added to the existing contribution rate. Similarly, in years of good investment returns, excess investment income will decrease unfunded accrued liability, resulting in a 30 year amortized credit which reduces the employer contribution rate.

If you have any questions or care to discuss this matter further, please do not hesitate to contact me.

Sincerely,



Charles G. Hall, FCA, MAAA, ASA  
Actuary