

Louisiana Sheriffs' Pension & Relief Fund

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DATE: June 6, 2003

TO: Sheriffs and Liaison Personnel

FROM: Osey McGee, Jr.

SUBJECT: Employer Contribution Rate Increase

Please be advised that the Public Retirement Systems' Actuarial Committee has set the employer contribution rate for the fiscal year 2003 – 2004 at 9.25%, effective July 1, 2003. This is an increase from last year's level of 7.75%, and is based on plan experience for the fiscal year ended June 30, 2002. Employer contributions are determined by the annual actuarial valuation and are subject to adjustment each year in accordance with R. S. 11:103.

The primary reason for the increase the last two years is the effect of sustained problems in the economy over the past three years, resulting in deteriorating returns on investments. The employer contribution rate is a component of the required actuarial valuation, which assumes an 8%, long-term rate of return on investments. Yields on investments in excess of the 8% assumption reduce future costs; yields below 8% increase costs for future years.

We should also anticipate an additional increase for next year as market conditions and prudent investment practices have not permitted investment yields at the assumed 8% level for the current year ending June 30, 2003. While market conditions have been among the worst in history, we have fared better than many of the other statewide systems due to a more conservative asset allocation in the portfolio.

While we regret the necessity of the increase, other statewide systems comparable in size to ours are facing much more severe increases, including systems facing increases in employer contribution rates to as much as 18% to 25%.

During this fiscal year we have performed extensive reviews of our system and have been in the process of restructuring our asset allocation to help reduce risk and to take advantage of more favorable market conditions as the economy improves.

We are optimistic that conditions will improve, providing the opportunity to again reduce rates, as has been done in the past, when possible.

We take this opportunity to thank you for the excellent cooperation and support we receive from your office. Please call on us at anytime we can be of assistance.