2010 ACTUARIAL REPORT ON THE HARBOR POLICE RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF
JUNE 30, 2010

ISSUED JANUARY 2012

LOUISIANA LEGISLATIVE AUDITOR
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on
Harbor Police Retirement System

January 2012

2010 ACTUARIAL REPORT

HARBOR POLICE RETIREMENT SYSTEM

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 11, 2012

The Honorable John A. Alario,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of an actuarial valuation of the Harbor Police Retirement System as of June 30, 2010, as requested by the Port of New Orleans.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of the Harbor Police Retirement System and the Port of New Orleans for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

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Summary and Conclusions

SUMMARY AND CONCLUSIONS
2010 Actuarial Report on the Harbor Police Retirement System

This report has been prepared by the Actuarial Services Section of the Louisiana Legislative Auditor at the request of the Port of New Orleans (Port). The valuation has been prepared as of June 30, 2010, based on the plan provisions for the Harbor Police Retirement System (HPRS) as documented in Louisiana Revised Statutes (R.S.) 11:3681 through 11:3698, and as modified by Act 399 of the 2011 Regular Session of the legislature. The purpose of the valuation, in general, is to measure plan liabilities as of June 30, 2010, and to determine employer contribution requirements for FY 2011. Other actuarial analyses have been included in this report to help the Port and HPRS assess the future for the retirement system.

Our observations and conclusions resulting from our work associated with this valuation are summarized below:

1. Employer contribution requirements for FY 2011 are $1,605,135, or 94.71% of expected compensation for active members. Employer contribution requirements for FY 2010 were $694,128, or 43.95% of pay (based on a June 30, 2009 valuation prepared by Conefry & Company LLC).

2. The major components of the increase in employer contribution requirements are investment losses (6.63% of pay); the inclusion of cost of living adjustment (COLA) benefits in funding requirements (22.91% of pay); a change in the expense assumption (4.43% of pay); the inclusion of a liability for former members potentially due a refund of employee contributions (3.03%); and losses due to a combination of factors (13.04% of pay).

3. HPRS does not have sufficient assets ($9,863,871) to cover liabilities for members already in pay status ($11,654,149).

4. None of the promises regarding benefits that have been made to active members of HPRS are supported by asset reserves.

5. HPRS is not actuarially sound. Without a change in Louisiana law, the retirement system will eventually be unable to pay promised benefits to its members. The present value of future employer contributions necessary to ensure actuarial solvency is $13.1 million. The present value of future employer contributions permitted under current law (including Act 399) is only $2.7 million, a shortfall of $10.4 million.

6. HPRS should have enough assets to pay benefits for the next 10 to 15 years. The system is likely to become unable to pay its benefits between 2020 and 2030 based on existing conditions and expectations.

7. The funded ratio of the system, calculated in accordance with the Government Accounting Standards Board (GASB), is only 55.6%. The unfunded accrued liability is $9.4 million.

8. The unfunded accrued liability under GASB is 5.57 times the size of the payroll for active members of HPRS.

9. The net pension obligation reported on the Port's financial statements as of June 30, 2010, should have been $1,085,165, instead of $1,087,718 as reported. This amount will grow by about $1 million annually until additional funding resources can be found for the retirement system.

10. We estimate that the Louisiana State Employees' Retirement System (LASERS) may require a lump sum payment of $5.7 million or more to permit a merger of HPRS into the Hazardous Duty sub-plan of LASERS. Our estimate is based on specific assumptions regarding how LASERS might determine the Port's merger obligation. LASERS may have an entirely different approach to the merger and the financial obligation of the Port could be much different from the values shown in this report.

11. If the Port (with the approval of the legislature) should wish to terminate the plan altogether, HPRS's cost to purchase annuities on the open market to cover benefit promises made to date is estimated to be about $20.6 million. System assets are $9.9 million. The Port, as plan sponsor, would have to make up the difference of about $10.7 million.

12. COLAs are an integral part of the benefit provisions of the plan. The law, as written, gives the board of trustees of HPRS the authority to provide COLAs whenever the system assets earn more than the actuarial rate of return (7.0%) on the market value of assets. This is expected to occur 50% of the time. The board of trustees has a history of granting COLAs whenever the criteria specified in the law is realized and the plan is well funded. However, the chairman of the board of trustees asserts that it is unlikely that the board will approve a COLA as long as the plan is so poorly funded, even if the enabling criteria is satisfied. Our valuation has been prepared assuming COLAs will be granted annually at 1.5% a year. Valuation results without COLAs are provided for comparison purposes in Appendix A.

13. It is our understanding that a COLA was not granted by the HPRS board of trustees on January 1, 2011.

14. If, however, we assume that no COLAs will be granted in the future, employer contribution requirements for FY 2011 would still be $1,216,802, or 71.799% of pay.

15. This valuation was prepared only after considerable effort to validate HPRS census data. Even after the benefit corrections enacted under Act 399, there were significant errors in the census characteristic of members. These errors, and the effort it took to discover the correct information, lead us to believe that significant improvement in plan administration needs to occur. Nevertheless, as a result of our data analysis and data revisions, and with the exception of 84 former members potentially due refunds, we are confident in the validity of the census data used in this valuation.

Based on the information in this report and the above summary, it is my opinion, as a member of the American Academy of Actuaries abiding by Actuarial Standards of Practice, that this plan is at a critical stage. The stakeholders to this plan–the Port, of the board of trustees for HPRS, the members of the system, and the Louisiana Legislature–must act promptly to rectify the problems that exist with this program. The retirement system may not have as yet reached a point where recovery is unobtainable, but that point is fast approaching.

This report is considered to be a Statements of Actuarial Opinion. Therefore, I make the following certification:

> I, Paul T. Richmond, am the Manager of Actuarial Services for the Louisiana Legislative Auditor. I am a member of the American Academy of Actuaries, an Associate in the Society of Actuaries, an Enrolled Actuary, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Paul T. Richmond

Paul T. Richmond

1/10/12

Date

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Section I

Development of Employer Contributions

1. Employer Contributions

Employer contribution requirements for HPRS for FY 2011 are developed below. Act 399 ratified the correction of benefit calculation errors and changed the maximum employer contribution rate from 13% of pay to 20% and the employee contribution rate from 7.0% of pay to 9.0% effective July 1, 2011. The provisions of Act 399, giving appropriate recognition to the effective dates of the Act, have been included in this valuation.

		Employer Contribution Requirements	
		Before Act 399[a]	After Act 399[b]
1.	Present Value of Future Benefits[c]	$ 25,324,782	$ 25,325,655
2.	Actuarial Value of Assets	11,836,645	11,836,645
3.	Present Value of Future Employee Contributions	974,159	1,219,722
4.	Present Value of Future Employer Contributions Including Fines Collected = (1) - (2) - (3)	12,513,978	12,269,288
5.	Present Value of Future Compensation (Adjusted for Mid-Year Payments)	13,916,552	13,916,552
6.	Net Normal Cost Rate = (4) / (5)	89.922%	88.163%
7.	Current Valuation Compensation		
	a. For FY 2011	1,694,741	1,694,741
	b. Estimate for FY 2012	1,562,000	1,562,000
8.	Net Normal Cost = (6) x (7)	$ 1,523,945	$ 1,494,135
9.	Assumed Expenses	125,000	125,000
10.	Fines Expected to be Collected In FY 2011	14,000	14,000

		Employer Contribution Requirements	
		Before Act 399[a]	After Act 399[b]
11.	Employer Contributions, Excluding Fines Collected, Necessary to Maintain Actuarial Solvency = (8) + (9) – (10)	$ 1,634,945	$ 1,605,135
12.	Employer Contribution Rate, Excluding Fines Collected, Necessary to Maintain Actuarial Solvency = (11) / (7)	96.472%	94.713%
13.	Maximum Statutory Limit on the Employer Contribution Rate Excluding Fines Collected		
	a. For FY 2011	13.000%	13.000%
	b. For FY 2012	13.000%	20.000%
14.	Maximum Employer Contributions, Excluding Fines Collected		
	a. For FY 2011 = (7a) x (13a)	$ 220,316	$ 220,316
	b. Estimate for FY 2012 = (7b) x (13b)	203,060	312,400
15.	Expected Shortfall of Employer Contributions		
	a. For FY 2011 = (11) – (14a)	$ 1,414,629	$ 1,384,819
	b. Estimate for FY 2012 = (11) – (14b)	1,431,885	1,292,735

Notes:

a. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 but without regard to the change in employee contribution requirements and the maximum employer contribution rate.

b. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 and include the changes in employee contribution requirements and the maximum employer contribution rate.

c. The difference in values is due to additional refunds of employee contributions that will be made because employees will be contributing 9.0% of pay after July 1, 2011, instead of 7.0%.

The following conclusions can be drawn from the above table.

1. The maximum contribution to the system by the Port for FY 2011 is $220,316. The maximum contribution for the FY 2012 is estimated to be $312,400, an increase of $92,084.

2. The contribution that will be made by the Port for the FY 2011 will be $1,384,819 less than the amount necessary to keep the system funded on an actuarially sound basis.

3. Even with the maximum employer contribution rate increasing from 13% of pay to 20% of pay, the contribution shortfall for FY 2012 is still estimated to be $1,292,735.

2. Present Value of Future Benefits

The table below shows the components of the present value of future benefits which is used in the calculation of employer contribution requirements. It is interesting to note that the present value of future benefit for retirees ($11,654,149) exceeds the market value of assets ($9,863,871). This means that the retirement system does not have sufficient assets to cover the liabilities of those who have already retired. It further means that the system has no assets set aside for promises made to date for active members.

A.	Present Value of Future Benefits For Active Members		
1.	Retirement Benefits	$ 12,795,889	
2.	Survivor Benefits	131,089	
3.	Disability Benefits	317,094	
4.	Termination Benefits	5,584	
5.	Total		$ 13,249,656
B.	Present Value of Future Benefits For Retirees		
1.	Regular Retirees	$ 7,872,714	
2.	DROP Future Benefits	1,609,031	
3.	Active After DROP	341,106	
4.	Survivors	418,731	
5.	Beneficiaries	421,443	
6.	Disabled Members	77,294	
7.	QDRO Recipients	204,122	
8.	Current DROP Accounts	310,446	
9.	DROP Accounts Due	333,950	

10.	Underpayments prior to July 1, 2010 To Be Repaid	$	118,023		
11.	Anticipated FY 2011 Overpayments		13,469		
12.	Prepayment of July 1, 2010, Benefits		(66,180)		
13.	Total			$	11,654,149

C. Present Value of Future Benefits
For Terminated Members

1.	Present Value of Deferred Benefits	$	-		
2.	Refunds Due as Reported by Administrator		-		
3.	Undocumented Potential Refunds		421,850		
4.	Total			$	421,850

D.	Total Present Value of Future Benefits For All Members	$	25,325,655

Values in this subsection of the report reflect liabilities based on the benefit corrections permitted under Act 399 and include the changes in employee contribution requirements and the maximum employer contribution rate.

3. Assets

The allocation of the market value of assets by investment class is shown below. Also shown is a reconciliation of the market value of assets from the beginning of FY 2010 to the end.

A. Investment Allocation of the Market Value of Assets on June 30, 2010

1.	Cash Equivalents	$ 342,553	
2.	Fixed Income Securities	2,485,770	
3.	Equities	2,934,130	
4.	Limited Partnerships[a]	4,081,891	
5.	Receivables Less Payables	19,527	
6.	Total		$ 9,863,871

B. Reconciliation of the Market Value of Assets during FY 2010

1.	Market Value of Assets on June 30, 2009		$ 10,017,003
2.	Income		
a.	Contributions		
	Member Contributions	$ 114,539	
	Employer Contributions	212,717	
	Fines Received	7,368	
	Total Contributions		$ 334,624
b.	Other Income		
	Service Buybacks/Purchases	$ -	
	Other Receipts	-	
	Total Other Income		-
c.	Investment Income		$ 443,057
d.	Total Income		$ 777,681

3. Expense[b]

a. Benefit Distributions		
1) Regular Annuity Payments	$ 791,882	
2) Refund of Contributions	14,412	
3) Transfers	-	
4) DROP Account Distributions	-	
5) Total Benefit Distributions		$ 806,294
b. Administrative Expenses		124,519
c. Total Expense		$ 930,813

4. Market Value of Assets on June 30, 2010 = (1) + (2d) - (3c) $ 9,863,871

Notes:

a. These investments consist of six limited partnerships – Golden Tree High Value Yield Fund Offshore, LP (1.2% ownership); Ironwood Capital Partners, LP (1.6% ownership); Emory Partners, LP (1.8% ownership); Americus Real Estate Fund, Ltd. (3.8% ownership); Equitas Evergreen Fund, LP (0.4% ownership). These investments are unregistered investments for which the securities are held by the partnership, not by the retirement system.

b. Expense values, with minor adjustments, are the same as values appearing in Audited Financial Statements.

C. Actuarial Value of Assets

The actuarial value of assets is calculated using methods that will reduce the volatility of the market value of assets that occurs from year to year. The method we have used for the actuarial value of assets can be described as the average of the market value on the current valuation date and the market values for the three previous valuation dates projected to June 30, 2010, based on cash flows excluding investments and based on the investment earning assumption used to value system liabilities. The average is then subject to a limit of 80% to 120% of the market value of assets. The actuarial value of assets as of June 30, 2010, is developed below.

Market Values		Cash Flow Excluding Earnings	
June 30	Value	Fiscal Year	Amount
2007	$ 13,728,154	FY 2008	$ (592,763)
2008	13,297,452	FY 2009	(606,939)
2009	10,017,003	FY 2010	(596,189)
2010	9,863,871		

Factor (a)	Values (b)	t (c)	$(1.07)^t$ (d)	Product (a) x (b) x (d)
0.25	$ 13,728,154	3.0	1.225043	$ 4,204,395
0.25	13,297,452	2.0	1.144900	3,806,063
0.25	10,017,003	1.0	1.070000	2,679,548
0.25	9,863,871	0.0	1.000000	2,465,968
0.25	(592,763)	2.5	1.184294	(175,501)
0.50	(606,939)	1.5	1.106817	(335,885)
0.75	(596,189)	0.5	1.034408	(462,527)

Preliminary Actuarial Value of Assets on June 30, 2010 = the Sum of the Product Column	$ 12,182,061
Calculation of the Corridor	
80% of Market Value on June 30, 2010	7,891,097
120% of Market Value on June 30, 2010	11,836,645
Actuarial Value of Assets on June 30, 2010	$ 11,836,645

4. Actuarial Gains and Losses

The employer contribution rate increased from 43.95% of pay based on the June 30, 2009 valuation prepared by Conefry & Co. to 94.71% of pay based on the June 30, 2010 valuation prepared by the Louisiana Legislative Auditor. Components of this change are summarized below.

Employer Rate on June 30, 2009		43.95%
Changes Due to:		
Investment Losses	6.63%	
Change in the Actuarial Value Method	2.48%	
Act 399 Employee Rate Change	-1.76%	
Inclusion of COLA Benefits	22.91%	
Change in Expense Assumption	4.43%	
Inclusion of Potential Refunds	3.03%	
Losses Due to Other Factors	13.04%	
Total		50.76%
Employer Rate of June 30, 2010		94.71%

The investment return on the actuarial value of assets between June 30, 2009 and June 30, 2010, as measured before any changes were made to the asset valuation method, was a negative 0.37%. The actual rate is 737 basis points below the 7.0% expected rate of return. The net actuarial loss due to investments was $923,146. As a result of this loss, the employer contribution rate increased 6.63% of pay.

We have changed the method used to calculate the actuarial value of assets to comply with Section 3.3b1 of Actuarial Standard of Practice No 44, which requires the actuarial value to fall within a reasonable range around the corresponding market value. The general methodology is the same as before, but we have made the actuarial value subject to a limit of 80% to 120% of the market value. Without this change in methods, the actuarial value of assets would have been $12,182,061. With the change, the actuarial value is only $11,836,645, a decrease of $345,416. The employer contribution rate increased 2.48% of pay as a result of this change in method.

The employer contribution rate decreased 1.76% of pay as a result of the changes enacted under Act 399, increasing the employee contribution rate from 7.0% of pay to 9.0% of pay effective July 1, 2011.

Section 3.5 of Actuarial Standard of Practice No 4 specifies that the actuary should take into account plan provisions “as appropriate for the purpose and nature of the measurement.” The term “plan provisions” is defined as “relevant terms of the plan document and relevant administrative practices known to the actuary” (Section 2.15). In light of this, we believe liabilities associated with COLA benefits must be included in the valuation. The language of HPRS law regarding COLAs and the historical practice of the HPRS board of trustees to grant COLAs whenever permitted have made COLAs a fundamental provision of HRPS benefit structure. The employer contribution rate increased 22.91% because of the inclusion of COLA benefits.

Administrative expenses have been assumed to be $50,000 a year in prior valuations. Based on experience over the past several years, we have revised the assumption to be $125,000 annually. As a result, the employer contribution requirement has increased 4.43% of pay.

This valuation includes 84 former members who are potentially entitled to a refund of employee contributions. The total amount potentially due to these individuals is $421,850. As a result, the employer contribution rate has increased 3.03% of pay.

Other factors affecting employer contribution requirements are changes in actuarial assumptions, data corrections, correction of benefit calculation errors (see Appendix B), and plan experience between valuation dates. The net effect was an actuarial loss causing the employer contribution rate to increase 13.04% of pay.

Section II

Measures of Actuarial Solvency

1. Present Value of Future Employer Contributions

One way to measure actuarial solvency is to determine if the employer contribution rate will be sufficient to allow the retirement system to pay benefits to existing members as they become due and payable, assuming all actuarial assumptions are realized. As shown below, the present value of future employer contributions necessary for the retirement system to pay all benefits to existing members is $13,066,972. If the Port contributes to the retirement system the maximum permitted by law (13% of pay for FY 2011 and 20% of pay thereafter), the present value of contributions that actually will be made will only be $2,688,624. In other words, the Port will pay $10,398,348 less into the retirement system over the future working lifetime of existing active members than what is necessary to ensure actuarial solvency when all existing members are no longer employed.

Unless the law is changed to allow the Port to contribute more than 20% of pay, the retirement system will distribute all of its assets well before its obligations to existing members have been satisfied. The retirement system, under existing rules, will become bankrupt.

		Present Value of Future Employer Contributions	
		Before Act 399[a]	**After Act 399[b]**
1.	Present Value of Future Benefits[c]	$ 25,324,782	$ 25,325,655
2.	Present Value of Future Administrative Expenses[d]	898,293	898,293
3.	Actuarial Value of Assets on June 30, 2010	11,836,645	11,836,645
4.	Present Value of Future Employee Contributions	974,159	1,219,722
5.	Present Value of Future Fines[e]	100,609	100,609
6.	Present Value of Future Employer Contributions Necessary for Actuarial Solvency = (1) + (2) - (3) - (4) - (5)	$ 13,311,662	$ 13,066,972
7.	Present Value of Future Compensation	13,916,552	13,916,552

	Present Value of Future Employer Contributions	
	Before Act 399[a]	After Act 399[b]
8. Statutory Limit on Employer Contribution Rate	13.000%	20.000%
9. Maximum Present Value of Future Employer Contributions[f] = (7) x (8)	$ 1,809,152	$ 2,668,624
10. Employer Contribution Shortfall for Current Members of the System = (6) - (9)	$ 11,502,510	$ 10,398,348

Notes:

a. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 but without regard to the change in employee contribution requirements and the maximum employer contribution rate.

b. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 and include the changes in employee contribution requirements and the maximum employer contribution rate.

c. The difference in values is due to additional refunds of employee contributions that will be made because employees will be contributing 9.0% of pay after July 1, 2011, instead of 7.0%.

d. Present value of $125,000 a year for the average working lifetime of active members of the retirement system, about 8.2 years.

e. Present value of $14,000 a year for the average working lifetime of active members of the retirement system, about 8.2 years.

f. For the After Act 399 column, this value has been calculated as 13% of the present value of future compensation for FY 2011 plus 20% of the present value of future compensation for all remaining years.

2. Cash Flow Analysis

The cash flow analysis shown below is an extension of the analysis of the present value of future contributions shown in the previous subdivision of this report. If the Port continues to contribute only 20% of pay for existing members, system assets will be only about $3.210 million (see Table A below). If the law is changed and the Port is allowed to contribute the actuarially required amount, system assets would be about $19 million.

A. Projections Based on Statutory Maximum Contributions.
(Thousands of Dollars)

Fiscal Year	Payroll	BOY Assets	Cash In Flow	Cash Out Flow	Investment Income	EOY Assets
2011	$ 1,695	$ 9,864	$ 353	$ (1,548)	$ 649	$ 9,318
2012	1,562	9,318	467	(1,532)	615	8,868
2013	1,514	8,868	454	(1,557)	582	8,347
2014	1,457	8,347	438	(1,394)	551	7,942
2015	1,433	7,942	431	(1,463)	520	7,430
2016	1,369	7,430	413	(1,515)	482	6,810
2017	1,351	6,810	409	(1,563)	436	6,092
2018	1,341	6,092	406	(1,616)	384	5,266
2019	1,330	5,266	403	(1,675)	324	4,318
2020	1,303	4,318	396	(1,759)	255	3,210

B. Projections Based on Actuarially Required Contributions (Thousands of Dollars)

Fiscal Year	Payroll	BOY Assets	Cash In Flow	Cash Out Flow	Investment Income	EOY Assets
2011	$ 1,695	$ 9,864	$ 1,738	$ (1,548)	$ 697	$ 10,751
2012	1,562	10,751	1,634	(1,532)	756	11,609
2013	1,514	11,609	1,585	(1,557)	814	12,451
2014	1,457	12,451	1,526	(1,394)	876	13,459
2015	1,433	13,459	1,502	(1,463)	943	14,441
2016	1,369	14,441	1,436	(1,515)	1,008	15,370
2017	1,351	15,370	1,418	(1,563)	1,071	16,296
2018	1,341	16,296	1,408	(1,616)	1,133	17,221
2019	1,330	17,221	1,397	(1,675)	1,196	18,139
2020	1,303	18,139	1,370	(1,759)	1,256	19,006

Notes:

a. These projections were prepared on a "Closed Group" basis. It was assumed that no new members would enter the retirement system.

b. Fines and expenses were assumed to increase 3% per year.

c. Distributions for terminated members with potential refunds were not included in the analysis.

3. Funding Measures for GASB

Accounting disclosure requirements for HPRS and the Port are set forth by GASB. HPRS must comply with GASB Statement No. 25 as modified by Statement No. 50. The Port must disclose in accordance with GASB Statement No. 27 as modified by Statement No. 50.

Information pertaining to these disclosure requirements is set forth below. Note, however, these values are not consistent with the values reported in HPRS financial statements as of June 30, 2010, nor in the Port's financial statement as of the same date. One reason for the difference in values is that it is unclear from valuation reports prepared by the HPRS actuary whether contribution requirements pertain to the fiscal year ending with the valuation date or the fiscal year beginning on the day following the valuation date. Other discrepancies could not be completely resolved. The HPRS actuary and auditor should resolve all differences before the publication of June 30, 2012, financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Harbor Police Retirement System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010

HPRS administers one defined benefit pension plan. System assets may be used only for the payment of benefits to members of the plan, in accordance with the terms of the plan, and for the payment of expenses associated with administering the retirement system.

A. Summary of Significant Accounting Policies

Basis of Accounting: HPRS financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the HPRS board of trustees, with the assistance of a valuation service.

Please note: The statement given above relative to the method used to value investments is a statement that is typically made. The Louisiana Legislative Auditor does not affirm the validity of this statement relative to the valuation of HPRS's assets. In fact, it not clear who is the custodian of funds. Nor is it clear how private placements, which are a major component of system investments, have been valued.

B. Plan Description and Contribution Information

Membership in HPRS consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	35
Terminated plan members entitled to, but not yet receiving benefits*	0
Active plan members	39
Total	74
Number of participating employers	1

* There are 84 former members who may be due a refund of employee contributions.

Plan Description: HPRS is a single employer defined benefit pension plan that covers commissioned officers within the Department of Harbor Police for the Port of New Orleans. Prior to July 1, 2004, employees of the police department, other than commissioner officers, were allowed to join HPRS and such individuals continue to participate in the plan. HPRS provides retirement, disability and death benefits to members, beneficiaries and survivors. COLAs are provided at the discretion of the HPRS board of trustees as long as specified thresholds set forth in the law are met. The board of trustees has a long history of approving COLAs whenever these thresholds have been satisfied.

Contributions: Plan members are required to contribute 7.0% of their annual covered compensation. Beginning July 1, 2011, the employee contribution rate will increase to 9.0% of pay. Harbor Police impose fines for various violations of law in the course of their daily activities. These fines are deposited into HPRS to supplement the funding of the retirement system. The Port is required to contribute at an actuarially determined rate, but in no event, in accordance with R.S. 11:3690D(8), will the contribution rate for the Port exceed 13% of pay. The maximum rate for the Port will increase to 20% of pay effective July 1, 2011.

C. Funded Status and Funding Progress

The annual required contribution (ARC) for the Port is based on the aggregate actuarial cost method, which does not identify or separately amortize unfunded accrued liabilities. Information about the funded status of HPRS shown below as of June 30, 2010, the most recent actuarial valuation date, has been calculated using the entry age actuarial cost method. This information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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 Covered Payroll [(b) – (a)]/(c)
6/30/10	$11,836,645	$21,281,311	$9,444,666	55.6%	$1,694,741	557.3%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Aggregate Method
Amortization method	Average working lifetime of existing employees
Remaining amortization period	8.2 years
Asset valuation method	Average of the market value of assets on the last four valuation dates projected forward to the current valuation date based on cash flows, excluding investment income, and a 7.0% interest earnings assumption, subject to a limit of 80% and 120% of the market value of assets.
Actuarial Assumptions	
Investment rate of return*	7.0%
Projected salary increases*	5.0%
COLAs	1.5% per year

* Includes inflation at 3.0%

For financial reporting purposes, the projection of benefits for HPRS does not explicitly incorporate the potential effects of the legal limit on employer contributions disclosed in note B.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress

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 Covered Payroll [(b) – (a)]/(c)
6/30/05	$11,668,803	$12,032,034	$363,231	97.0%	$1,631,284	22.3%
6/30/06	12,658,970	12,447,858	0	101.7%	1,555,883	0.0%
6/30/07	12,772,749	14,133,160	1,360,411	90.4%	1,379,508	98.6%
6/30/08	13,232,258	14,824,016	1,591,758	89.3%	1,455,889	109.3%
6/30/09	12,824,215	16,083,647	3,259,432	79.7%	1,579,359	206.4%
6/30/10	11,836,645	21,281,311	9,444,666	55.6%	1,694,741	557.3%

Schedule of Employer Contributions

Year Ending June 30	**Annual Required Contribution**	**Percentage Contributed**
2005	$ 330,672	71.3%
2006	340,775	69.4%
2007	261,528	68.5%
2008	173,542	119.8%
2009	478,405	48.9%
2010	694,128	31.7%
2011	1,619,135	To Be Determined

Notes:

1. All shaded information was taken from valuation reports prepared by the HPRS actuary.

2. The information in the above table has been prepared using the entry age actuarial cost method.

3. Liability values for June 30, 2010 include the assumption that conditions will permit the HPRS board of trustees to grant COLAs in one-half of all future years. Liability values for all prior dates were determined without regard to this assumption.

4. Both columns of the Schedule of Employer Contribution include fines deposited into HPRS.

NOTES TO THE FINANCIAL STATEMENTS

Port of New Orleans
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010

Plan Description: HPRS is a single employer defined benefit pension plan that covers commissioned officers within the Department of Harbor Police for the Port of New Orleans. Prior to July 1, 2004, employees of the police department, other than commissioner officers, were allowed to join HPRS and such individuals continue to participate in the plan. HPRS provides retirement, disability and death benefits to members, beneficiaries and survivors. COLAs are provided at the discretion of the HPRS board of trustees as long as specified thresholds set forth in the law are met. The board of trustees has a long history of approving COLAs whenever these thresholds have been satisfied. The Louisiana state legislature has the authority to establish and amend benefit provisions. HPRS issues a publically available financial report that includes financial statements and required supplementary information (RSI) for HPRS. That report may be obtained by writing to the Port of New Orleans, at #1 Third Street Wharf, New Orleans, LA 70130-2070, or by calling (504) 891-7585.

Funding Policy: Sources of funding are established and may be amended by the Louisiana state legislature. Plan members are required to contribute 7.0% of their covered compensation. The employee contribution rate will increase to 9.0% of pay effective July 1, 2011. Harbor Police impose fines for various violations of law in the course of their daily activities. These fines are deposited into HPRS to supplement the funding of the retirement system. The Port is required to contribute at an actuarially determined rate, but in no event, in accordance with R.S. 11:3690D(8), will the contribution rate for the Port exceed 13% of pay. The maximum rate for the Port will increase to 20% of pay effective July 1, 2011.

Annual Pension Cost and Net Pension Obligation: The Port's annual pension cost and net pension obligation to HPRS for the year ending June 30, 2010, were as follows:

Annual required contribution (ARC)	$ 694,128
Interest on net pension obligation	45,235
Adjustment to ARC	(80,323)
Annual pension cost	$ 659,040
Contributions made[b]	220,085
Increase (decrease) in net pension obligation	$ 438,955
Net pension obligation beginning of the year	646,210
Net pension obligation end of the year	$ 1,085,165

Fiscal Year Ending	**Annual Pension Cost (APC)**	**Percentage Of APC Contributed**	**Net Pension Obligation**
2008	$ 562,482	37.0%	$ 314,955
2009	565,179	35.7%	646,210
2010	659,040	35.0%	1,085,165

Notes:

a. Shaded information was obtained from audited financial statements for the Port.

b. Audited financial statements showed this value to be $217,531. The value shown above was obtained from audited financial statements for HPRS.

Funded Status and Funding Progress: As of June 30, 2010, the most recent actuarial valuation date, the plan was 55.6% funded. The actuarial accrued liability for benefits was $21,281,311, and the actuarial value of assets was $11,836,645, resulting in an unfunded actuarial accrued liability (UAAL) of $9,444,666. The covered payroll (annual payroll of active employees covered by the plan) was $1,694,741, and the ratio of the UAAL to the covered payroll was 557.3%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The ARC for the Port is based on the aggregate actuarial cost method, which does not identify or separately amortize unfunded accrued liabilities. Information about the funded status of HPRS has been calculated using the entry age actuarial cost method. This information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedules of Funding Progress

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 Covered Payroll [(b) – (a)]/(c)
6/30/05	$11,668,803	$12,032,034	$363,231	97.0%	$1,631,284	22.3%
6/30/06	12,658,970	12,447,858	0	101.7%	1,555,883	0.0%
6/30/07	12,772,749	14,133,160	1,360,411	90.4%	1,379,508	98.6%
6/30/08	13,232,258	14,824,016	1,591,758	89.3%	1,455,889	109.3%
6/30/09	12,824,215	16,083,647	3,259,432	79.7%	1,579,359	206.4%
6/30/10	11,836,645	21,281,311	9,444,666	55.6%	1,694,741	557.3%

Notes:

1. All shaded information was taken from valuation reports prepared by the HPRS actuary.

2. The information in the above table has been prepared using the entry age actuarial cost method.

3. Liability values for June 30, 2010, include the assumption that conditions will permit the HPRS board of trustees to grant COLAs in one half of all future years. Liability values for all prior dates were determined without regard to this assumption.

Actuarial Methods and Assumptions: In the June 30, 2010, actuarial valuation, the aggregate actuarial cost method was used. Accrued liabilities were calculated based on the entry age actuarial method as a surrogate for measuring the funded status of HPRS. Actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases at 5.0% per year. Both (a) and (b) included an inflation component of 3.0%. Because HPRS has had a history of approving COLAs whenever legal thresholds are satisfied, and it is anticipated that such thresholds will be satisfied 50% of the time, liability measurements include an assumption that benefits in pay status will increase 1.5% per year. The projection of benefits for financial accounting purposes does not explicitly incorporate the potential effects of the 13% (through June 30, 2011) and 20% (beginning July 1, 2011) limitations on contributions made by the Port. The actuarial value of assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected payroll over the average working lifetime of existing active members of HPRS. The amortization period on this basis is approximately 8.2 years.

4. Merger Analysis

The Port and the board of trustees for HPRS are assessing whether or not to seek a merger with LASERS. LASERS will undoubtedly stipulate benefit provisions it will accept for members of HPRS entering its system and the financial arrangements it will require before accepting a merger. We do not know what those stipulations and requirements will be. Nevertheless, we have prepared an analysis of what perhaps may be a reasonable approach, or at least may be a beginning point for negotiations between the Port, HPRS, and LASERS.

In preparing this analysis, we have assumed the following:

1. LASERS will accept and abide by the benefit promises made to all HPRS members, survivors, and beneficiaries in pay status, all members participating in DROP and all members working after DROP, on the date of the merger.

2. All active members of HPRS will join the LASERS Hazardous Duty plan on the date of the merger.

3. LASERS will accept service and compensation credits earned by active members of HPRS.

4. Retirement benefits for active members of HPRS who join LASERS will be calculated in the following manner:

   a. Let A = the accrued benefit earned by an HPRS member calculated on the merger date based on service, compensation and the benefit multiplier applicable under the HPRS plan on the merger date.

   b. Let B = the accrued benefit when an HPRS member eventually retires from the LASERS Hazardous Duty plan based on service, compensation, and the benefit multiplier applicable under the Hazardous Duty plan on the member's date of retirement. This benefit is based on total service including service earned with HPRS and LASERS.

   c. An employee of the Harbor Police Department who leaves employment after he attains eligibility for retirement under the HPRS plan will be able to collect the A benefit immediately upon his employment termination. He will then be able to collect the remaining benefit (B – A) when he attains eligibility for retirement under the provisions of the Hazardous Duty plan.

   d. All ancillary benefits for active members of HPRS after the merger date for disability, death, in the line of duty or not, will be paid in accordance with the provisions of the LASERS Hazardous Duty plan.

e. Future COLA benefit adjustments will be in accordance with the COLA provisions associated with the Hazardous Duty plan.

5. LASERS will calculate the merger liability according to its actuarial assumptions and methods.

We have further assumed in our analysis that LASERS will want the Port to pay to LASERS a lump sum amount equal to the unfunded accrued liability associated with HPRS calculated in the manner summarized above. After merger, the Port will only be responsible for normal cost payments plus amortization of gains and losses after the merger date attributable to Port employees.

The calculations shown below are based on an assumed merger date of July 1, 2010.

A. Present Value of Accrued Future Benefits For Active Members

1.	Retirement Benefits	$ 4,223,191	
2.	Survivor Benefits	81,331	
3.	Disability Benefits	73,477	
4.	Termination Benefits	1,338,493	
5.	Total		$ 5,716,492

B. Present Value of Accrued Future Benefits For Retirees

1.	Regular Retirees	$ 6,294,774
2.	DROP Future Benefits	1,216,344
3.	Active after DROP	268,361
4.	Survivors	329,069
5.	Beneficiaries	334,533
6.	Disabled Members	90,249
7.	QDRO Recipients	166,107
8.	Current DROP Accounts	310,446

	9.	DROP Accounts Due	$ 333,950		
	10.	Underpayments prior to July 1, 2010 To Be Repaid	118,023		
	11.	Anticipated 2011 Overpayments	13,469		
	12.	Prepayment of July 1, 2010, Benefits	(66,180)		
	13.	Total		$	9,409,145
C.	Present Value of Accrued Future Benefits For Terminated Members				
	1.	Present Value of Deferred Benefits	$ -		
	2.	Refunds Due as Reported by Administrator	-		
	3.	Undocumented Potential Refunds	421,850		
	4.	Total		$	421,850
D.	Total Present Value of Accrued Future Benefits For All Members			$	15,547,487
E.	Market Value of Plan Assets on June 30, 2010				9,863,871
F.	Shortfall (Surplus) = D - E				5,683,616
G.	Funded Ratio = E / D				63.4%

The liability measurements shown above were calculated using HPRS plan provisions as a proxy for the provisions of the LASERS Hazardous Duty plan. The only adjustment made was to modify HPRS retirement eligibility provisions to correspond to those for the Hazardous Duty plan.

Observations:

1. The liability for active members of HPRS using LASERS assumptions is significantly less than the liability using HPRS assumptions. The HPRS valuation, prepared on a stand-alone basis, uses actuarial assumptions that are tailored to reflect the incidences of termination from the plan specific to the circumstances of HPRS membership. If merged, LASERS will use assumptions that are tailored to its entire membership, which may bear little relationship to HPRS's membership. LASERS assumption set predicts much greater turnover among its membership. Therefore, the liability is significantly reduced.

2. LASERS values its liabilities using an 8.25% valuation interest assumption. HPRS uses a 7.0% rate. The use of an 8.25% rate also reduces the liability.

3. Two potential ways to provide equity between LASERS and its participating employers and HPRS and the Port are summarized below:

   a. Option A – HPRS merges into LASERS; the Port does not have to make a lump sum payment equal to the shortfall because HPRS's funded ratio as measured using LASERS's assumptions (63.5%) is about the same as LASERS's funded ratio (57.7%); the Port would contribute the same amount as all other employers participating in LASERS, about 23.1% of pay.

   b. Option B – HPRS merges into LASERS; the Port pays about $5.7 million to LASERS to fund its shortfall; the Port's contribution rate in the future would be 4.2% of pay plus amortization of gains and losses attributable to Harbor Police occurring after the merger date.

5. Liquidation Analysis

Another important measure of actuarial solvency is the ratio of plan assets to plan liabilities measured on a liquidation basis. To what extent would HPRS have sufficient assets to go into the marketplace and purchase annuities to provide for all benefit promises made to date? Under this analysis, it is assumed that no future service credits would be granted; no future compensation would be earned; benefit eligibility would be satisfied based only on service earned to date; no members would become eligible for ancillary benefits in the future; and no new COLAs would be provided. To make this measurement, we have assumed that annuities could be purchased based on a 5.0% interest rate and the RP 2000 mortality table without projection.

Our analysis shows that only 48.4% of the benefits promised to date would be honored if the plan had been forced to liquidate on June 30, 2010. Alternatively, to ensure all promises made to date are kept, the Port would have to make a single lump sum payment of $10.5 million to complete the annuity purchase.

A.	Present Value of Accrued Future Benefits For Active Members		
1.	Retirement Benefits	$ 7,409,615	
2.	Survivor Benefits	253,263	
3.	Disability Benefits	106,735	
4.	Termination Benefits	4,093	
5.	Total		$ 7,773,706
B.	Present Value of Accrued Future Benefits For Retirees		
1.	Regular Retirees	$ 8,233,123	
2.	DROP Future Benefits	1,700,363	
3.	Active after DROP	357,542	
4.	Survivors	439,130	
5.	Beneficiaries	441,131	
6.	Disabled Members	79,265	

	7.	QDRO Recipients	$ 212,681		
	8.	Current DROP Accounts	310,446		
	9.	DROP Accounts Due	333,950		
	10.	Underpayments prior to July 1, 2010 To Be Repaid	118,023		
	11.	Anticipated 2011 Overpayments	13,469		
	12.	Prepayment of July 1, 2010 Benefits	(66,180)		
	13.	Total		$	12,172,943
C.	Present Value of Accrued Future Benefits For Terminated Members				
	1.	Present Value of Deferred Benefits	$ -		
	2.	Refunds Due as Reported by Administrator	-		
	3.	Undocumented Potential Refunds	421,850		
	4.	Total		$	421,850
D.	Total Present Value of Accrued Future Benefits For All Members			$	20,368,499
E.	Market Value of Plan Assets on June 30, 2010				9,863,871
F.	Shortfall (Surplus) = D - E				10,504,628
G.	Funded Ratio = E / D				48.4%

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Section III

COLAs Payable on January 1, 2011

1. COLAs Payable on January 1, 2011

Louisiana Revised Statutes, Title 11, Section 3685D describes the conditions under which the board of trustees for HPRS is authorized to provide a cost of living increase. The specific test and measurements used in this determination are summarized below. Based on this analysis, the board of trustees may not authorize a COLA on January 1, 2011.

Test A

The HPRS board of trustees is authorized by law to grant COLAs if the investment return on the market value of assets exceeds 7.0%.

1.	Investment Return for 2009-10 on the Market Value of Assets	4.56%
2.	Assumed Rate of Investment Return	7.00%
3.	Is Actual Rate > the Assumed Rate	No
4.	Present Value of the Retiree Liability on June 30, 2010	$ 11,654,149
5.	Market Value of Assets on June 30, 2010	9,863,871
6.	Lesser of (4) or (5)	9,863,871
7.	Excess Investment Earnings = [(1) - (2)] x (6), but not less than 0	$ -

Test B

The HPRS board of trustees is authorized by law to grant COLAs if the actuarial value of assets is greater than 90% of the accrued liability as measured under the projected unit credit funding method.

1.	Actuarial Value of Assets on June 30, 2010	$ 11,836,645
2.	90% x Accrued Liability under the Projected Unit Credit Funding Method	18,707,801
3.	Is (1) > (2)?	No
4.	Surplus Assets = (1) - (2), but not less than 0	$ -

COLA Limitation

The present value of the COLA amount provided may not exceed the greater of the investment gain under Test A or the surplus under Test B.

1.	Does Test A or Test B = Yes?		No
2.	Maximum Value of COLA Benefits = the Greater of A(7) and B(4)	$	-

It is anticipated that the provisions of Test A will be satisfied 50% of the time. If the 7.0% valuation interest assumption is accurate, actuarial gains will occur in one half of all future years and actuarial losses will occur in the other half. If the Port continues to contribute only 20% of pay, the market value of plan assets will decrease and actuarial gains, when they occur, will also decrease. As a result, the amount of money available to fund COLAs will decline and COLAs will also decrease. Nevertheless, for the purpose of our valuation, we have assumed the law will be revised to allow the Port to contribute the actuarially required amount to the retirement system.

Section IV

Basis for the Valuation

1. Census Summaries

Actuarial calculations for a retirement system depend on the census characteristics of its membership. Various tables are presented below to document the census characteristics of HPRS as used in the preparation of this valuation.

Reconciliation of Members by Status between Valuation Dates

	Actives	Terms Potential Refund	DROPs	Active after DROP	Regular Retirees	Disabled	Benes	Survivors	QDRO	Total
Number of members included in June 30, 2009 valuation	36	0	5	1	27	2	2	6	0	**79**
Additions to Census										
Initial membership	0	0	0	0	0	0	0	0	0	**0**
Death of member	0	0	0	0	0	0	0	0	0	**0**
Omitted last year	0	85	0	0	0	0	0	0	1	**86**
Change in Status										
Term from active	0	0	0	0	0	0	0	0	0	**0**
Retired	0	0	(2)	0	2	0	0	0	0	**0**
Enter DROP	0	0	0	0	0	0	0	0	0	**0**
Rehired	0	0	0	0	0	0	0	0	0	**0**
DROP return to work	0	0	0	0	0	0	0	0	0	**0**
Eliminated from Census										
Refund contributions	(1)	(1)	0	0	0	0	0	0	0	**(2)**
Determined ineligible	0	0	0	0	0	(1)	0	(1)	0	**(2)**
Deaths	0	0	0	0	(1)	0	0	(1)	0	**(2)**
Prior year error	0	0	0	0	0	0	0	(1)	0	**(1)**
Number of members included in June 30, 2010 valuation	35	84	3	1	28	1	2	3	1	**158**

Census Summaries for Active Members by Age

Attained Age	Males	Number of Females	Total	Average Salary	Total Salary
25 - 30	1	1	2	$ 38,768	$ 77,536
30 - 35	2	2	4	34,933	139,733
35 - 40	5	2	7	42,113	294,789
40 - 45	8	2	10	46,437	464,365
45 - 50	4	0	4	53,635	214,540
50 - 55	3	0	3	53,501	160,503
55 - 60	3	0	3	51,615	154,846
60 - 65	1	0	1	47,457	47,457
65 - 70	1	0	1	48,877	48,877
TOTAL	28	7	35	$ 45,790	$ 1,602,646

Census Summaries for Active Members in DROP by Age

Attained Age	Males	Number of Females	Total	Average Benefit	Total Benefit
45 - 50	1	0	1	$ 37,886	$ 37,886
50 - 55	1	0	1	37,591	37,591
55 - 60	0	0	0	-	-
60 - 65	1	0	1	35,009	35,009
TOTAL	3	0	3	$ 36,829	$ 110,486

Census Summaries for Active Members Working After DROP by Age

Attained Age	Male	Number of Females	Total	Average Benefit	Total Benefit
60 - 65	1	0	1	$ 25,453	$ 25,453
TOTAL	1	0	1	$ 25,453	$ 25,453

Census Summaries for Retired Members by Age

Attained Age	Males	Number of Females	Total	Average Benefit	Total Benefit
45 - 50	2	0	2	$ 42,965	$ 85,930
50 - 55	2	1	3	28,472	85,417
55 - 60	2	1	3	24,343	73,029
60 - 65	1	3	4	25,640	102,560
65 - 70	6	0	6	23,924	143,544
70 - 75	1	1	2	13,630	27,259
75 - 80	4	0	4	26,173	104,691
80 - 85	3	0	3	18,032	54,097
85 & Over	1	0	1	16,737	16,737
TOTAL	22	6	28	$ 24,759	$ 693,264

Census Summaries for Members Retired for Disability

Attained Age	Males	Number of Females	Total	Average Benefit	Total Benefit
70 - 75	0	1	1	$ 13,257	$ 13,257
TOTAL	0	1	1	$ 13,257	$ 13,257

Census Summaries for Deceased Active Members by Age

Attained Age	Males	Number of Females	Total	Average Benefit	Total Benefit
50 - 55	0	1	1	$ 14,681	$ 14,681
55 - 60	0	1	1	11,084	11,084
60 - 65	0	0	0	-	-
65 - 70	0	1	1	12,114	12,114
TOTAL	0	3	3	$ 12,626	$ 37,879

Census Summaries for Beneficiaries of Deceased Retired Members by Age

Attained Age	Males	Number of Females	Total	Average Benefit	Total Benefit
55 - 60	0	1	1	$ 21,286	$ 21,286
60 - 65	0	0	0	-	-
65 - 70	0	1	1	12,553	12,553
TOTAL	0	2	2	$ 16,919	$ 33,839

Notes:

1. There are 84 members of HPRS who have terminated employment with the Port. It appears that employee contributions with interest were not refunded to these employees. Although at least four members may be entitled to a deferred pension, this valuation has been prepared assuming the liability for the 84 individuals is equal to the sum of their accumulated contributions ($421,850.37). We were not supplied with any other information relative to these members.

2. There is one other person receiving benefits from HPRS. This individual is collecting a portion of her spouse's benefit under a Qualified Domestic Relations Order (QDRO). Her benefit ($1,504.26 per month) will cease to be paid upon the death of her spouse.

Census Summaries for Active Members by Age and Service

Attained Age	Completed Years of Service											
	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	TOTAL
25 - 30				2								2
				$38,768								$38,768
30 - 35				1		3	1					5
				$38,789		$41,909	$14,006					$35,704
35 - 40			1			3	3					7
			$38,789			$42,844	$44,271					$42,876
40 - 45						1	5	2	1			9
						$43,823	$40,703	$54,670	$63,553			$46,692
45 - 50				1				2	1			4
				$41,847				$57,187	$58,320			$53,635
50 - 55							1		1	1		3
							$49,125		$48,877	$62,501		$53,501
55 - 60						1	1		1			3
						$52,016	$44,655		$58,175			$51,615
60 - 65											1	1
											$47,457	$47,457
65 - 70								1				1
								$48,877				$48,877
TOTAL	0	0	1	4	0	8	11	5	4	1	1	35
	$0	$0	$38,789	$39,543	$0	$43,762	$40,374	$54,518	$57,231	$62,501	$47,457	$45,790

Census Summaries for Retired Members by Age and Year Since Retirement

Attained Age	Completed Years Since Retirement: 0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30+	TOTAL
45 - 50			1 $50,545	1 $35,385								2 $42,965
50 - 55	2 $28,231			2 $30,471								4 $29,351
55 - 60						1 $16,263	1 $24,780					2 $20,522
60 - 65						2 $27,310	3 $22,184					5 $24,235
65 - 70							3 $25,813	2 $23,747				5 $24,986
70 - 75							2 $13,630					2 $13,630
75 - 80							1 $21,628	1 $25,123	3 $27,439			5 $25,814
80 - 85									2 $14,859			2 $14,859
85+											1 $16,737	1 $16,737
TOTAL	2 $28,231	0 $0	1 $50,545	3 $32,109	0 $0	3 $23,628	10 $21,766	3 $24,206	5 $22,407	0 $0	1 $16,737	28 $24,759

2. Summary of Plan Provisions

<table>
<tr><th>Topic</th><th>Plan Provisions</th></tr>
<tr><td>Law Reference</td><td>HPRS was created by Act 80 of the 1971 Regular session of the Louisiana legislature.
The provisions of HPRS are documented in Louisiana Revised Statutes; Title 11; Section 3681 to Section 3698.
The plan was last amended by Act 399 of the 2011 Regular Session of the Louisiana legislature.</td></tr>
<tr><td>Membership</td><td>Requirements:
If employed on or before June 30, 2004
Commissioned member, or employee, of the Harbor Police department of the Port
Less than age 50 at date of employment
If employed after June 30, 2004
Commissioned member, or employee, of the Harbor Police department of the Port
Less than age 50 at date of employment</td></tr>
<tr><td>Employee Contribution Rate</td><td>9.0% of Earned Compensation, applicable to all active members of the HPRS not in DROP or working after participating in DROP.
Prior to July 1, 2004, the applicable rate was 7.0% of Earned Compensation.</td></tr>
<tr><td>Creditable Service</td><td>Definition:
Period of employment since last becoming a member of HPRS
Service certified on a member’s prior service certificate
Up to 4 years of military service</td></tr>
</table>

Topic	**Plan Provisions**
Conversion of Annual and Sick Leave to Creditable Service	Rules: • Unused annual and sick leave after lump sum payment may be converted to creditable service. • Conversion only occurs upon regular retirement.
Earned Compensation	Full amount of compensation for a given month excluding overtime.
Final Average Compensation (FAC)	The average earned compensation during 36 successive months of service during which such compensation was the highest.
FAC Anti-Spiking	Not applicable
Retirement Eligibility	• 25 years of service, at any age • 20 years of service, at age 45 • 12 years of service, at age 55 • 10 years of service, at age 60
Eligibility for Early Retirement	Not applicable
Accrued Benefit	The lesser of • 3.33% x SVC x FAC, and • 100% x FAC
Disability – Non Line of Duty	Eligibility: • 5 years of service Benefit: • 40% x FAC, if less than age 55 at disability. • Accrued benefit without any actuarial reduction, if age 55 or older at disability.

Topic	**Plan Provisions**
Disability – Line of Duty	Eligibility: • Disabled in the line of duty • No age or service required Benefit: • 60% x FAC, if less than age 55 at disability. • Accrued benefit without any actuarial reduction, if age 55 or older at disability.
Survivor Benefits for Active Members – Non Line of Duty	Eligibility: • 5 years of service Benefit: • Spouse with No Children – 40% x FAC • Spouse with 1 or more Minor Child (under age 18) – 60% x FAC • Minor Children Only – 60% x FAC • No Spouse or Children – 40% x FAC to parents who were dependent upon the member as their sole means of support. Spouse means a spouse who has not remarried.
Survivor Benefits for Active Members – Line of Duty	Eligibility: • Killed in the line of duty • No age or service required Benefit: • 60% x FAC • Benefit ceases upon later of spouse's remarriage or death, or minor children attaining age 18.

Topic	Plan Provisions
Survivor Benefits – Retired Members	Regular Retiree • Normal form of benefit is a life annuity. Disability Retiree • One-time lump sum benefit equal to 6 times the value of the monthly benefit payments being paid to the retiree at the time of death.
Termination Benefits	With less than 10 years of service • Refund of contributions accumulated with interest at 7% per year. • A member absent from service for more than 5 years and not entitled to a deferred annuity shall cease to be a member of HPRS. With more than 10 years of service • Benefit accrued at termination beginning at the age for which he qualifies for retirement based on his creditable service.
DROP	Eligibility Rules: • 12 years of service at age 55. • 20 to 30 years of service and eligible for regular retirement. • Eligibility service excludes annual and sick leave and reciprocal service. • Not required to enter DROP when first eligible. • May not enter DROP with 30 or more years of service. DROP Duration: • Up to 5 years, upon election of the member. Benefits during DROP: • Pension calculated as of DROP entry date is deposited into member's DROP account. • No contributions for member. • No contributions for employer.

Topic	Plan Provisions
DROP (continued)	• No benefit accrual for member. Retirement while in DROP: • Pension calculated as of DROP entry date begins. • Lump sum payment of DROP account without interest is paid. Retirement at the end of DROP: • Pension calculated as of DROP entry date, adjusted for annual and sick leave accruals since entering DROP, begins. • Lump sum payment of DROP account with interest at rates specified by the board. Post DROP Employment: • Lump sum payment of DROP account without interest is paid upon exit from DROP. • No employee contributions are required. • No employer contributions are required. • No additional benefits are earned other than credits for sick and annual leave. • Pension benefit as of DROP entry date begins upon termination of employment.
Vesting	10 years of service
Actuarial Equivalent	A benefit of equivalent value computed on the basis of 7% interest and the 1971 Group Annuity Unisex Mortality Table.
Optional Forms of Benefit	Normal Form: • Life Annuity Option 1: • Benefit is split into portion attributable to employee contributions and employer contributions. • A reduced benefit is paid to the member for his life.

Topic	**Plan Provisions**
Optional Forms of Benefit (continued)	• A lump sum benefit is paid to a designated beneficiary equal to employee contributions plus interest at retirement minus the employee paid portion of the retirement benefit paid before death. Option 2: • 100% J&S Option 2A: • 100% J&S pop-up Option 3: • 50% J&S Option 3A: • 50% J&S pop-up Option 4: • Individually designed benefit of actuarially equivalent value Option 4A: • Individually designed benefit of actuarially equivalent value pop-up
Guarantee of Employee Contributions	In no event shall a member receive a benefit from HPRS that is less than the sum of his employee contributions.
COLA	COLA Rules: • Harbor Police board is authorized, but not required, to provide a COLA whenever an investment gain on assets allocated to retirees occurs. • Assets allocated to retirees equal the lesser of the actuarial value of assets or the liability for retired members. • An investment gain occurs whenever the rate of return on assets allocated to retirees exceeds 7%. • The investment gain is equal to the (actual rate - 7%) x assets allocated to retirees.

Topic	Plan Provisions
COLA (continued)	• The COLA shall not exceed the greater of the rate of increase that can be provided by the investment gain or 3%. • If there is any investment gain remaining, an additional rate of increase shall be provided to retirees over age 65. The rate of increase shall not exceed the greater of the amount that can be provided by the remaining investment gain or 2%.

3. Summary of Actuarial Methods and Assumptions

Unless otherwise noted, this valuation is based on the actuarial methods and assumptions summarized below.

Topic	Methods and Assumptions
Valuation Date	This valuation has been prepared as of June 30, 2010. It measures plan liabilities as of June 30, 2010, and employer contribution requirements for FY 2011. Unless specifically indicated otherwise, all liability and contribution measurements include the provisions of Act 399 with benefit correction recognized immediately and the changes in employee contribution rate and the maximum employer contribution rate recognized on their effective date, July 1, 2011.
Actuarial Cost Method	Employer contribution requirements are based on the Aggregate Cost Method. Under this method, the actuarial present value of all expected future benefit payments to all existing members will be paid for over the average working lifetime of active members. The normal cost rate is equal to the actuarial present value of future benefit payments divided by the actuarial present value of future salaries. The normal cost is equal to the normal cost rate multiplied by the compensation expected to be earned by active members in the year immediately following the valuation date. The Aggregate Cost Method does not produce an accrued liability value, so there is no unfunded accrued liability. Nevertheless, the accrued liability measured under the Entry Age Normal Cost Method is at times used as a surrogate accrued liability for the Aggregate Method. As required by R.S. 11:3685D(1)(b), the Projected Unit Credit Cost Method was used to determine the accrued liability for Test B in Section III of this report.
Asset Valuation Method	The actuarial value of assets is based on a method that will generally diminish and delay the volatility associated with changes in the maker value of plan assets. The method used in this valuation to calculate the actuarial value of assets can be described as the average of the market values of assets on the last four valuation dates projected to the current valuation date based on cash flows and assuming investments will earn the valuation interest rate. The amount so determined is restricted to being no more than 120% of the market value of assets, and no less than 80%. This method complies with Actuarial Standards of Practice.

Topic	Methods and Assumptions
Accounting Disclosures	GASB sets forth accounting rules for the retirement system (HPRS) and for the plan sponsor (the Port). These rules are contained in GASB Statement Nos. 25, 27, and 50. The portion of this report pertaining to GASB disclosures has been prepared in accordance with these Statements. Actuarial methods and assumptions used for this purpose are the same as summarized in this section of the report with the following exceptions: 1. The ARC has been determined using the Aggregate Cost Method. 2. The Net Pension Obligation is based on the accrued liability as determined under the Entry Age Cost method.
Valuation Interest Rate Assumption	The valuation interest rate used in this valuation varies depending upon the liability values being calculated. Interest rates used in the valuation are summarized below. All rates are net of investment expenses. **Purpose** — **Rate** For calculating employer contributions — 7.00% For COLA tests — 7.00% For GASB disclosures — 7.00% For Merger Analysis — 8.25% For Liquidation Analysis — 5.00%
Rate of Earnings on Employee Contributions	Employee contributions are credited with 7.0% per year.
Salary Increase Assumption	Salaries will increase a 5.0% per year throughout a member's working career.
Inflation Assumption	All economic assumptions are based on an underlying assumption that inflation will be 3.0% per year.
Cost of Living Assumption	For the purposes of calculating employer contribution requirements and for GASB disclosures, it is assumed that all benefits in pay status will increase 1.5% per year annually. It is anticipated that the provisions of Test A under R.S. 11:3685D(1)(a) will be satisfied 50% of the time. If the 7.0% valuation interest assumption is accurate, actuarial gains will occur in one half of all future years and actuarial losses will occur in the other half. If the Port of New Orleans continues to contribute only 20% of pay, the market value of plan assets will decrease and actuarial gains, when they occur, will also decrease. As a result, the amount of money available to fund COLAs will decline and cost of living adjustments will also decrease. Nevertheless, for the purpose of our valuation, we have assumed the law will be revised to allow the Port to contribute the actuarially required amount to the retirement system. No COLAs are assumed for the Merger and Liquidation Analyses.

Topic	**Methods and Assumptions**
Administrative Expense Assumption	Administrative expenses for 2010-11 are assumed to be $125,000. In the Cash Flow Analysis, we have assumed expenses will rise with inflation.
Retirement System Deposits from Fines Levied	Fines levied by Harbor Police and deposited into HPRS are assumed to be $14,000 for 2010-11. In the cash flow analysis, we have assumed fines levied will rise with inflation.
Withdrawal Assumption	Projected withdrawals from employment are based on the rates shown in Table A. • A terminating member with 10 or more years of service will be provided a deferred retirement benefit when he attains an age that will permit his retirement • A terminating member with less than 10 years of service will receive a refund of his employee contributions with interest.
Disability Assumptions	Projected incidences of disability retirement are based on the rates shown in Table A for active members. • 33 1/3% of the incidences of disability retirement are assumed to be in the line-of-duty. • 66 2/3% of the incidences of disability retirement are assumed to be ***not*** in the line-of-duty. • It is assumed that no one will recover from a disability.
Pre-Retirement Mortality Assumption	Projected incidences of death among active members are based on the rates shown in Table A. These rates are from the RP 2000 mortality table without projection. • 33 1/3% of the incidences of death are assumed to be in the line-of-duty. • 66 2/3% of the incidences of death are assumed to be ***not*** in the line-of-duty.
DROP Assumptions	The following assumptions pertain to DROP. • 100% of members will enter DROP in accordance with rate of retirement. • Members who enter DROP will retire at the end of the DROP period. • DROP account balances will be credited with interest at 7.0% per year. • Members on the valuation date who are continuing employment after exiting DROP are assumed to retire immediately.
Retirement Assumptions	Projected incidences of regular retirement are based on rates shown in Table A. It is assumed that no one will return to work as a Harbor Police officer after retirement.

Topic	**Methods and Assumptions**
Optional Form of Benefit Assumption	All active members will elect a life annuity benefit upon retirement.
Family Composition Assumptions	• It is assumed that all 80% of all members incurring an incident resulting in a benefit payment are married. • It is assumed that 100% have children at the time of the incident. • It is assumed that the youngest child was born when the member was age 35, or at age of incidence if younger than age 35. • It is assumed that the probability of remarriage is 0%.
Post Retirement Mortality Assumption	• Projected incidences of death among members retired for service, beneficiaries, and survivors are based on the rates shown in Table B. These rates are from the RP 2000 mortality table without projection. • Projected incidences of death among members retired for disability are based on the rates shown in Table B. These rate were obtained from the Eleventh Actuarial Valuation of the Railroad Retirement System for occupational disabilities.

TABLE A
Decrement Table for Active Members and Terminated Vested Members

	Withdrawal			Disablement		Pre-Retirement Mortality	
Service	Males	Females	Age	Males	Females	Males	Females
0	0.200000	0.200000	20	0.000000	0.000000	0.000345	0.000191
1	0.160000	0.160000	21	0.000000	0.000000	0.000357	0.000192
2	0.130000	0.130000	22	0.000000	0.000000	0.000366	0.000194
3	0.100000	0.100000	23	0.000000	0.000000	0.000373	0.000197
4	0.080000	0.080000	24	0.000000	0.000000	0.000376	0.000201
5	0.060000	0.060000	25	0.000000	0.000000	0.000376	0.000207
6	0.040000	0.040000	26	0.000000	0.000000	0.000378	0.000214
7	0.030000	0.030000	27	0.000000	0.000000	0.000382	0.000223
8	0.020000	0.020000	28	0.000000	0.000000	0.000393	0.000235
9	0.010000	0.010000	29	0.000000	0.000000	0.000412	0.000248
10	0.000000	0.000000	30	0.002000	0.002000	0.000444	0.000264
11	0.000000	0.000000	31	0.002120	0.002120	0.000499	0.000307
12	0.000000	0.000000	32	0.002240	0.002240	0.000562	0.000350
13	0.000000	0.000000	33	0.002360	0.002360	0.000631	0.000394
14	0.000000	0.000000	34	0.002480	0.002480	0.000702	0.000435
15	0.000000	0.000000	35	0.002600	0.002600	0.000773	0.000475
16	0.000000	0.000000	36	0.002880	0.002880	0.000841	0.000514
17	0.000000	0.000000	37	0.003160	0.003160	0.000904	0.000554
18	0.000000	0.000000	38	0.003440	0.003440	0.000964	0.000598
19	0.000000	0.000000	39	0.003720	0.003720	0.001021	0.000648
20	0.000000	0.000000	40	0.004000	0.004000	0.001079	0.000706
21	0.000000	0.000000	41	0.004040	0.004040	0.001142	0.000774
22	0.000000	0.000000	42	0.004080	0.004080	0.001215	0.000852
23	0.000000	0.000000	43	0.004120	0.004120	0.001299	0.000937
24	0.000000	0.000000	44	0.004160	0.004160	0.001397	0.001029
25	0.000000	0.000000	45	0.004200	0.004200	0.001508	0.001124
26	0.000000	0.000000	46	0.004820	0.004820	0.001616	0.001223
27	0.000000	0.000000	47	0.005440	0.005440	0.001734	0.001326
28	0.000000	0.000000	48	0.006060	0.006060	0.001860	0.001434
29	0.000000	0.000000	49	0.006680	0.006680	0.001995	0.001550
30	0.000000	0.000000	50	0.007300	0.007300	0.002138	0.001676
31	0.000000	0.000000	51	0.008640	0.008640	0.002449	0.001852
32	0.000000	0.000000	52	0.009980	0.009980	0.002667	0.002018
33	0.000000	0.000000	53	0.011320	0.011320	0.002916	0.002207
34	0.000000	0.000000	54	0.012660	0.012660	0.003196	0.002424
35	0.000000	0.000000	55	0.014000	0.014000	0.003624	0.002717
36	0.000000	0.000000	56	0.016160	0.016160	0.004200	0.003090
37	0.000000	0.000000	57	0.018320	0.018320	0.004693	0.003478
38	0.000000	0.000000	58	0.020480	0.020480	0.005273	0.003923
39	0.000000	0.000000	59	0.022640	0.022640	0.005945	0.004441
40	0.000000	0.000000	60	0.024800	0.024800	0.006747	0.005055
41	0.000000	0.000000	61	0.026100	0.026100	0.007676	0.005814
42	0.000000	0.000000	62	0.027400	0.027400	0.008757	0.006657
43	0.000000	0.000000	63	0.028700	0.028700	0.010012	0.007648
44	0.000000	0.000000	64	0.030000	0.030000	0.011280	0.008619
45	0.000000	0.000000	65	0.030000	0.030000	0.012737	0.009706
46	0.000000	0.000000	66	0.030000	0.030000	0.014409	0.010954
47	0.000000	0.000000	67	0.030000	0.030000	0.016075	0.012163
48	0.000000	0.000000	68	0.030000	0.030000	0.017871	0.013445
49	0.000000	0.000000	69	0.030000	0.030000	0.019802	0.014860
50	0.000000	0.000000	70	0.030000	0.030000	0.022206	0.016742

Decrement Table for Retired Members
Survivors and Beneficiaries

	Disabled Mortality		Healthy Mortality	
Age	Males	Females	Males	Females
25	0.044003	0.044003	0.000376	0.000207
26	0.044001	0.044001	0.000378	0.000214
27	0.043995	0.043995	0.000382	0.000223
28	0.044005	0.044005	0.000393	0.000235
29	0.044000	0.044000	0.000412	0.000248
30	0.043997	0.043997	0.000444	0.000264
31	0.044000	0.044000	0.000499	0.000307
32	0.043998	0.043998	0.000562	0.000350
33	0.044002	0.044002	0.000631	0.000394
34	0.044001	0.044001	0.000702	0.000435
35	0.044056	0.044056	0.000773	0.000475
36	0.044067	0.044067	0.000841	0.000514
37	0.044084	0.044084	0.000904	0.000554
38	0.044091	0.044091	0.000964	0.000598
39	0.044101	0.044101	0.001021	0.000648
40	0.044118	0.044118	0.001079	0.000706
41	0.044135	0.044135	0.001142	0.000774
42	0.044157	0.044157	0.001215	0.000852
43	0.044217	0.044217	0.001299	0.000937
44	0.044297	0.044297	0.001397	0.001029
45	0.044387	0.044387	0.001508	0.001124
46	0.044492	0.044492	0.001616	0.001223
47	0.044637	0.044637	0.001734	0.001326
48	0.044797	0.044797	0.001860	0.001434
49	0.045012	0.045012	0.001995	0.001550
50	0.045298	0.045298	0.002138	0.001676
51	0.045711	0.045711	0.002449	0.001852
52	0.046168	0.046168	0.002667	0.002018
53	0.046676	0.046676	0.002916	0.002207
54	0.047222	0.047222	0.003196	0.002424
55	0.047837	0.047837	0.003624	0.002717
56	0.048822	0.048822	0.004200	0.003090
57	0.049837	0.049837	0.004693	0.003478
58	0.050940	0.050940	0.005273	0.003923
59	0.052082	0.052082	0.005945	0.004441
60	0.053296	0.053296	0.006747	0.005055
61	0.054625	0.054625	0.007676	0.005814
62	0.056013	0.056013	0.008757	0.006657
63	0.057578	0.057578	0.010012	0.007648
64	0.059229	0.059229	0.011280	0.008619
65	0.061104	0.061104	0.012737	0.009706
66	0.063243	0.063243	0.014409	0.010954
67	0.065748	0.065748	0.016075	0.012163

TABLE B (continued)
Decrement Table for Retired Members
Survivors and Beneficiaries

	Disabled Mortality		Healthy Mortality	
Age	Males	Females	Males	Females
68	0.068381	0.068381	0.017871	0.013445
69	0.071372	0.071372	0.019802	0.014860
70	0.074674	0.074674	0.022206	0.016742
71	0.078275	0.078275	0.024570	0.018579
72	0.082077	0.082077	0.027281	0.020665
73	0.086161	0.086161	0.030387	0.022970
74	0.090555	0.090555	0.033900	0.025458
75	0.095469	0.095469	0.037834	0.028106
76	0.100907	0.100907	0.042169	0.030966
77	0.107073	0.107073	0.046906	0.034105
78	0.114007	0.114007	0.052123	0.037595
79	0.121577	0.121577	0.057927	0.041506
80	0.129825	0.129825	0.064368	0.045879
81	0.138389	0.138389	0.072041	0.050780
82	0.147195	0.147195	0.080486	0.056294
83	0.156347	0.156347	0.089718	0.062506
84	0.165749	0.165749	0.099779	0.069517
85	0.174853	0.174853	0.110757	0.077446
86	0.186584	0.186584	0.122797	0.086376
87	0.198252	0.198252	0.136043	0.096337
88	0.211172	0.211172	0.150590	0.107303
89	0.225389	0.225389	0.166420	0.119154
90	0.240245	0.240245	0.183408	0.131682
91	0.255759	0.255759	0.199769	0.144604
92	0.271688	0.271688	0.216605	0.157618
93	0.288035	0.288035	0.233662	0.170433
94	0.304563	0.304563	0.250693	0.182799
95	0.320940	0.320940	0.267491	0.194509
96	0.338003	0.338003	0.283905	0.205379
97	0.355023	0.355023	0.299852	0.215240
98	0.371676	0.371676	0.315296	0.223947
99	0.388355	0.388355	0.330207	0.231387
100	0.405299	0.405299	0.344556	0.237467
101	0.422442	0.422442	0.358628	0.244834
102	0.439429	0.439429	0.371685	0.254498
103	0.025739	0.025739	0.383040	0.266044
104	0.738425	0.738425	0.392003	0.279055
105	1.000000	1.000000	0.397886	0.293116
106	1.000000	1.000000	0.400000	0.307811
107	1.000000	1.000000	0.400000	0.322725
108	1.000000	1.000000	0.400000	0.337441
109	1.000000	1.000000	0.400000	0.351544
110	1.000000	1.000000	0.400000	0.364617

Appendix A

Valuation Results without COLAs

1. Employer Contributions without COLAs

Although it appears from Louisiana Revised Statutes, Title 11, Section 3685D and past practices of the board of trustees that COLAs are virtually automatic, it is nevertheless instructive to understand what contribution requirements would be if liability values were determined without regard for the COLA provisions of the law. Employer contribution requirements are developed below on this basis.

		Employer Contribution Requirements	
		Before Act 399[a]	After Act 399[b]
1.	Present Value of Future Benefits[c]	$ 22,135,872	$ 22,136,745
2.	Actuarial Value of Assets	11,836,645	11,836,645
3.	Present Value of Future Employee Contributions	974,159	1,219,722
4.	Present Value of Future Employer Contributions Including Fines Collected = (1) - (2) - (3)	9,325,068	9,080,378
5.	Present Value of Future Compensation (Adjusted for Mid-year Payments)	13,916,552	13,916,552
6.	Net Normal Cost Rate = (4) / (5)	67.007%	65.249%
7.	Current Valuation Compensation		
	a. For FY 2011	1,694,741	1,694,741
	b. Estimate for FY 2012	1,562,000	1,562,000
8.	Net Normal Cost = (6) x (7)	$ 1,135,595	$ 1,105,802
9.	Assumed Expenses	125,000	125,000
10.	Fines Expected to Be Collected In FY 2011	14,000	14,000

		Employer Contribution Requirements	
		Before Act 399[a]	After Act 399[b]
11.	Employer Contributions, Excluding Fines Collected, Necessary to Maintain Actuarial Solvency = (8) + (9) – (10)	$ 1,246,595	$ 1,216,802
12.	Employer Contribution Rate, Excluding Fines Collected, Necessary to Maintain Actuarial Solvency = (11) / (7)	73.557%	71.799%
13.	Maximum Statutory Limit on The Employer Contribution Rate Excluding Fines Collected		
	a. For FY 2011	13.000%	13.000%
	b. For FY 2012	13.000%	20.000%
14.	Maximum Employer Contributions, Excluding Fines Collected		
	a. For FY 2011 = (7a) x (13a)	$ 220,316	$ 220,316
	b. Estimate for FY 2012 = (7b) x (13b)	220,316	338,948
15.	Expected Shortfall of Employer Contributions		
	a. For FY 2011 = (11) – (14a)	$ 1,026,279	$ 996,486
	b. Estimate for FY 2012 = (11) – (14b)	1,026,279	877,854

Notes:

a. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 but without regard to the change in employee contribution requirements and the maximum employer contribution rate.

b. Values in this column reflect liabilities based on the benefit corrections permitted under Act 399 and include the changes in employee contribution requirements and the maximum employer contribution rate.

c. The difference in values is due to additional refunds of employee contributions that will be made because employees will be contributing 9.0% of pay after July 1, 2011, instead of 7.0%.

The following conclusions can be drawn from this table:

1. The maximum contribution to the system by the Port for FY 2011 will be $220,316. The maximum contribution for FY 2012 is estimated to be $338,948, an increase of $118,632.

2. The contribution that will be made by the Port for FY 2011 will be $996,486 less than the amount necessary to keep the system funded on an actuarially sound basis.

3. Even with the maximum employer contribution rate increasing from 13% of pay to 20% of pay, the contribution shortfall for FY 2012 will still be $877,854.

2. Present Value of Future Benefits without COLAs

The table below shows the components of the present value of future benefits ***without COLAs,*** which is used in the calculation of employer contribution requirements. It is interesting to note that the present value of future benefit for retirees ($10,292,527) exceeds the market value of assets ($9,863,871). This means that the retirement system does not have sufficient assets to cover the liabilities of those who have already retired. It further means that the system has no assets set aside for promises made to date for active members.

A. Present Value of Future Benefits
For Active Members

1.	Retirement Benefits	$ 11,020,314	
2.	Survivor Benefits	112,484	
3.	Disability Benefits	283,986	
4.	Termination Benefits	5,584	
5.	Total		$ 11,422,368

B. Present Value of Future Benefits
For Retirees

1.	Regular Retirees	$ 6,928,113	
2.	DROP Future Benefits	1,368,625	
3.	Active after DROP	297,518	
4.	Survivors	364,843	
5.	Beneficiaries	369,463	
6.	Disabled Members	72,601	
7.	QDRO Recipients	181,656	
8.	Current DROP Accounts	310,446	
9.	DROP Accounts Due	333,950	

10.	Underpayments prior to July 1, 2010 To Be Repaid	118,023	
11.	Anticipated 2011 Overpayments	13,469	
12.	Prepayment of July 1, 2010 Benefits	(66,180)	
13.	Total		$ 10,292,527

C. Present Value of Future Benefits For Terminated Members

1.	Present Value of Deferred Benefits	$ -	
2.	Refunds Due as Reported by Administrator	-	
3.	Undocumented Potential Refunds	421,850	
4.	Total		$ 421,850

D. Total Present Value of Future Benefits For All Members $ 22,136,745

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Appendix B

Data Issues

GENERAL OVERVIEW

This valuation prepared by the Louisiana Legislative Auditor is based on data received from the following sources:

1. Silva Gurtner & Abney Certified Public Accountants & Consultants (Silva)

   As a result of errors discovered by the HPRS board of trustees, HPRS engaged Silva to review all benefit calculations made from the inception of the retirement system in 1971 and identify any corrections that needed to be made. Silva provided us with a copy of the files it prepared in completing its assignment with HPRS. These files proved to be the most reliable source of member data for our 2010 valuation.

2. Zenith Administrators (Zenith)

   Zenith provided a record of all members on its data base as of June 30, 2010. This file contains information critical to the administration of the retirement system. In addition, Zenith provided us with copies of paper files for all active members, all members in DROP, and all members working after DROP.

3. Conefry & Company, LLC (Conefry)

   We obtained a copy of the membership data used by Conefry in its preparation of the June 30, 2009, actuarial valuation for the retirement system.

4. Harbor Police Retirement System (HRPS)

   Census information was obtained directly from the HPRS and from the Port whenever data discrepancies could not be resolved from other sources.

Silva provided us with census files, prepared in late 2010, containing information about all members it had examined in its engagement with HPRS. These files identified members that had Procedural errors (benefit errors resulting from a misapplication or misinterpretation of law); members that had Incidental errors (errors in benefit calculations for a variety of reasons not associated with Procedural errors); and members for whom no errors had been made.

It is our understanding that the HPRS board adopted the following strategy for addressing the multitude of errors that were discovered:

Error Correction Strategies

	Procedural Errors	Incidental Errors
Retroactive Overpayments	Forgive	Forgive
Retroactive Underpayments	Make a Lump Sum Correction	Make a Lump Sum Correction
Prospective Overpayments	Forgive	Make Corrections
Prospective Underpayments	Make Corrections	Make Corrections

HPRS sponsored legislation during the 2011 Regular Session of the legislature to implement its error correction strategy. This resulted in Act 399 which, according to HPRS, gives them permission to make all adjustments necessary. Our valuation has been prepared in accordance with the HPRS interpretation of Act 399.

Using Silva's data files as our primary source, members were separated into the following categories reflecting their status within the HPRS on June 30, 2010:

1. Actives – members in active employment with the Harbor Police excluding active members who had entered DROP or who had both entered and exited DROP.

2. DROPs – members in active employment who had elected DROP, but who had not yet exited DROP.

3. Post DROPs – members in active employment who had elected to enter DROP and continue to work after exiting DROP.

4. Retirees – former members who have retired.

5. Disability Retirees – former members who have retired due to a disability.

6. Beneficiaries – beneficiaries of former members who had retired (regular or disability), had selected an optional form of benefit to provide a benefit to a beneficiary, and who had passed away.

7. Survivors – individuals who are entitled to a benefit from the HPRS because of the death of a member while in active employment, either in the line of duty or not in the line of duty.

8. QDROs – individuals who are entitled to a court ordered benefit based on the benefit rights and accruals of a member.

The following processes were used to construct our valuation census file:

1. Silva's census file was used as our primary data source because it ultimately proved to contain the most complete and accurate information.

2. Member records on Silva's file were then compared with corresponding records on other source files.

3. Individual records on Silva's file were assumed to be accurate if information thereon matched information from all sources available to us.

4. Differences were resolved through conversations with Silva, Zenith, HPRS, and the Port.

5. If differences could not be resolved, the data element resulting in the highest liability value was generally used.

ADJUSTMENTS TO SILVA'S DATA

Although their data was consistently confirmed, the following adjustments were made to Silva's census information:

1. Accumulated contributions without interest were corrected for one member (member A018).

2. Transferred employee contributions for two members (A016 and A025) were added to total employee contributions.

3. The date of birth was changed for one retiree (R018).

4. HPRS has maintained accumulated employee contributions *without* interest. Under certain circumstances, members are entitled to a refund of employee contributions *with* interest. The record of each active member was adjusted to include a field containing an estimate of employee contributions with interest.

   Our estimates are based on current contributions without interest, an assumption that salaries have increased 5% per year, and the statutory interest rate of 7% per year. This information is suitable for valuation purposes but not for benefit distribution purposes.

5. Compensation values for two members returning to work from military service (A020 and A029) were annualized.

6. Silva provided us with amounts being paid currently or currently expected to be paid to retirees, DROP members and members working after DROP. Silva also provided us with amounts that will be paid after benefit errors have been corrected and amounts of retroactive payments that will be made. Unless otherwise noted, our valuation reflects all error adjustments identified by Silva.

7. DROP account balances were added to the records for three members currently in DROP (members D001, D002, D003), and for two members exiting DROP in FY 2010 and due payment of their DROP accounts on June 30, 2010 (R001 and R022).

   HPRS apparently has relied on Conefry to provide DROP account balance information for members in DROP. The method that Conefry apparently uses is summarized below:

   a. A member enters DROP on the first day he is eligible or at any time thereafter for as long as he is eligible for DROP entry.

   b. The member's account balance is credited with a monthly pension payment on the first day of the month coinciding with or immediately prior to the member's DROP entry date.

   c. The member receives the last monthly credit to his DROP account on the first day of the month immediately prior to his DROP exit date.

   d. DROP account balances are credited with interest at the rate of return earned on the actuarial value of assets minus 50 basis points, but no less than 0.0%.

   Zenith provided account balances without interest for each member in DROP and for each member working after DROP. However, we were unable to reconcile account balances at the beginning of the year with balances at the end. Therefore, we have elected to use the DROP account balances with interest as calculated by the plan actuary because it appears to be consistent with administrative practices.

8. Member records for retirees, DROP members, and members working after DROP who elected a pop-up joint and survivor option upon retirement were adjusted to include a field identifying the benefit amount that would be paid should the member survive his beneficiary.

9. The census was adjusted to include 84 former members who may be due a refund of employee contributions. The list shows employee contributions for each former member. These former members may or may not have received a refund of their employee contributions, with or without interest. We have confirmed the following information about these former members:

   a. At least four of these former members (FM07, FM08, FM09, and FM10) had ten or more years of service and would be entitled to a deferred vested pension. One of the four may even have been entitled to an immediate retirement benefit when he terminated in 2005. Our valuation includes a liability for these former members equal to their employee contributions. No attempt has been made to determine the deferred benefit amount to which they may be entitled or any liability related thereto.

b. Member FM02 applied for refunds of accumulated contributions and was paid $3,582.13 on September 24, 2009. This refund matches the amount listed as “Total Contributions” provided by Zenith. Such total does not include interest on contributions. The valuation included no liability for this member.

c. The source data indicated that FM03 made total contributions of $4,844.86. Zenith indicated that this member received a refund on October 18, 2007, and the system now tracks his balance as $0 (though this was not on the source data that we received). The valuation included no liability for this member.

d. The source data indicated that FM04 made total contributions of $14,183.72. His service was transferred to LASERS on August 18, 2008. LASERS returned part of the contributions. When the member requested the remaining contributions be refunded to him, the system informed him that he was not eligible for such a refund. Zenith indicated that the system now tracks his balance as $0 (though this was not on the source data that we received). The valuation included no liability for this member.

e. It has been reported to us that the board of trustees took the position that the HPRS was not required to refund employee contributions with interest unless the former member requested such a refund. This suggests that there may be many other former members entitled to refunds.

Zenith has paper files on each of these 87 former members, but has not been authorized to investigate whether refunds have been given or not. A more accurate measurement of the plan’s liability cannot be determined unless this task is completed.

The sum of employee contributions for these 87 members is $444,461.08. The three members above accounted for $22,610.71 of this total. Therefore, our valuation includes a liability of $421,850.37 for these members. This liability is equal to estimated outstanding refunds due these individuals (accumulated employee contributions only because there is no reliable way to estimate interest). No attempt has been made to measure the liability for the four members who potentially could be entitled to a deferred pension benefit.

CENSUS RECONCILIATIONS

As an additional test of data validity, member counts by status shown in the 2009 actuarial valuation report were reconciled to member counts we obtained for our 2010 valuation. All status changes were identified and verified. Although not directly applicable to our valuation, we attempted, and we believe successfully, to reconcile the census counts Conefry reported in its 2009 valuation with census counts reported in its 2010 valuation.

As yet another data validity test, we matched Silva’s data with data corrections approved by Act 1025 of the 2010 Regular Session of the legislature and Act 399 of the 2011 Regular Session.

REMEDIAL LEGISLATION

Act 1025 of the 2010 Session

Member D001 was hired on October 30, 1995. He was erroneously allowed to become a member of the HPRS. He should not have been allowed to become a member because he had retired from the New Orleans Police Retirement System. Act 1025 of the 2010 session allowed member D001 to be a member retroactively to his date of hire. He is included in our valuation.

Act 399 of the 2011 Session

HPRS has been given the authority by Act 399 to make benefit corrections in accordance with its error correction strategies summarized earlier. The Act gives general approval to HPRS to make all corrections it deems appropriate. It also gives direction to HPRS to forgive specific Procedural errors.

Procedural errors specifically forgiven by Act 399 are summarized below.

1. Correction of inaccurate retirement eligibility determinations:

   In determining a member's eligibility for retirement, unused annual leave and unused sick leave were sometimes erroneously counted as service for eligibility purposes. As a result, some members were allowed to retire earlier than they would have been able to retire had the errors not occurred. Act 399 allowed the use of such leave for these members. The members' benefits will not be changed retroactively or prospectively.

   This correction affected member R011. The benefit amount we used in our valuation is the benefit provided by Silva, corrected as necessary and appropriate to comply with Act 399.

   Act 399 also applied to four other members, identified by hire date, who also needed corrective actions – 7/9/1957, 1/3/1959, 6/21/1969, 9/23/1970. None of these members could be identified from any of the census files we received. We have assumed these members are deceased and HPRS no longer has a financial obligation for them or any survivors or beneficiaries they may have had. We have asked HPRS counsel to confirm the appropriateness of this assumption. Such confirmation has not yet been delivered to us.

2. Correction of inaccurate application of age eligibility for membership:

   Member A026 was erroneously allowed to become a member of HPRS even though he was over the eligibility age for becoming a member when he was hired. Member S003 is a survivor of a member who was also allowed to become a member of HPRS even though he was over the eligibility age when hired. As a result of these errors, benefits were earned and benefits were paid to members and beneficiaries that should not have been earned or paid.

Act 399 allowed these two individuals to be members as of their dates of hire and has affirmed their pension benefits. Their benefits will not be changed retroactively or prospectively.

The benefit amount we used in our valuation is the benefit provided by Silva, corrected as necessary and appropriate to comply with Act 399.

3. Correction of inaccurate application of military credit:

   Member R005 and member R011 were erroneously credited with military service credit which was used in the determination of their eligibility for retirement and in the calculation of their pension benefit. As a result, they were allowed to retire at an earlier date than they should have been allowed to retire and their benefits were larger than what they would have been otherwise.

   Act 399 forgave all benefit payments erroneously made in the past and provided that future benefits would be based on service credits including the military service.

   The benefit amount we used in our valuation is the benefit provided by Silva, corrected as necessary and appropriate to comply with Act 399.

   Act 399 also applied to 13 other members, identified by hire date, that needed corrective actions – 7/1/1947, 11/8/1956, 7/9/1957, 1/3/1959, 2/20/1967, 7/3/1968, 1/1/1969, 3/25/1969, 4/21/1969, 6/21/1969, 10/4/1969, 11/15/1969, 9/23/1970. None of these members could be identified from any of the census files we received. We have assumed these members are deceased and the HPRS no longer has a financial obligation for them or any survivors or beneficiaries they may have had. We have asked HPRS counsel to confirm the appropriateness of this assumption. Such confirmation has not yet been delivered to us.

4. Correction of inaccurate application of annual and sick leave for a DROP participant:

   One member, hired on November 8, 1976, apparently had an erroneous application of unused annual and sick leave in the calculation of his benefit rights and entitlements. This member may have been member PD01 who had a corresponding hire date when he was first employed by the Port. If the member is not member PD01, then we have assumed he is deceased and HPRS no longer has a financial obligation for him or any survivors or beneficiaries he may have had. If he is member PD01, then Act 399 applies and no retroactive or prospective adjustment will be made. We have asked HPRS counsel to confirm the appropriateness of this assumption. Such confirmation has not yet been delivered to us.

5. Correction of inaccurate application of transferred service credit:

   Six members – R004, R005, R011, R014, R024, R026 – transferred into HPRS from LASERS when the system was started on August 1, 1971. One other member, B001, is a survivor of a member who similarly transferred. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When these members retired from HPRS they were paid benefits at the higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, pension benefits for these members are larger than what they should have been.

   Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future.

   The benefit amount we used in our valuation is the benefit provided by Silva, corrected as necessary and appropriate to comply with Act 399.

   Act 399 also applied to 8 other members, identified by hire date, that needed this corrective action – 11/8/1956, 9/29/1966, 3/27/1968, 6/21/1969, 10/4/1969, 9/23/1970, 3/30/1971, 7/8/1971. None of these members could be identified from any of the census files we received. We have assumed these members are deceased and the HPRS no longer has a financial obligation for them or any survivors or beneficiaries they may have had. We have asked HPRS counsel to confirm the appropriateness of this assumption. Such confirmation has not yet been delivered to us.

INCIDENTAL UNDERPAYMENT CORRECTIONS FOR CURRENT MEMBERS

Silva determined that 25 current members have been underpaid as a result of Incidental errors. HPRS has decided that if a member or his survivor or beneficiary is alive, then such person will receive a lump sum payment for retroactive underpayments and monthly benefit payments in the future will be increased. Our valuation reflects the following benefit adjustments for underpayments prior to July 1, 2010.

TABLE B1

Member	Current Benefit	Revised Benefit	Retroactive Payment
D001	$ 2,917.39	$ 2,917.40	$ 0.28
D003	3,157.18	3,204.02	1,779.99
PD01	2,121.12	2,143.76	1,109.18
R001	2,665.49	2,661.12	620.15
R002	1,586.98	1,695.11	12,879.54
R003	3,424.36	3,425.07	31.67
R005	1,900.74	1,902.68	407.65
R006	2,031.49	2,071.72	8,435.18
R007	1,338.58	1,346.14	1,053.10
R008	1,654.08	1,655.88	80.15

Member	Current Benefit	Revised Benefit	Retroactive Payment
R009	$ 2,145.78	$ 2,154.11	$ 877.09
R012	2,036.76	2,091.82	10,526.73
R014	3,078.42	3,107.13	5,342.95
R015	2,948.75	2.951.31	119.15
R017	1,551.08	1,595.68	273.12
R019	1,355.29	1,362.76	723.15
R020	2,243.20	2,254.96	2,061.58
R021	2,064.98	2,113.19	7,288.15
R023	1,078.21	1,089.70	1,304.12
R024	2,927.60	2,993.34	14,670.44
R025	4,212.10	4,213.34	42.16
R026	2,138.56	2,173.63	7,133.28
R027	1,193.41	1,204.38	1,283.58
R028	1,714.60	1,743.16	5,268.48
RD01	1,104.78	1,121.55	3,854.93
B002	1,046.10	1,046.79	228.48
Total			**$ 87,394.28**

INCIDENTAL UNDERPAYMENT CORRECTIONS FOR FORMER MEMBERS

Silva discovered 10 former members who had received benefit payments that were less than they were entitled to receive because of Incidental errors. These members are deceased, and their survivors or beneficiaries are also deceased. It is our understanding that HPRS will attempt to find the heirs of these former members to distribute lump sum amounts to correct the underpayment of benefits. These members are identified below:

TABLE B2

Name	Lump Sum Payment
FM11	$ 1,205.70
FM12	1,667.90
FM13	1,725.44
FM14	1,900.05
FM15	1,924.19
FM16	1,970.92
FM17	3,578.99
FM18	3,904.07
FM19	4,426.31
FM20	8,325.06
Total	**$ 30,628.63**

A liability for the payment of the $30,628.63 is included in the valuation as part of the liability described as “underpayments prior to July 1, 2010, to be repaid.”

MEMBERS AND FORMER MEMBERS WITH SPECIAL ISSUES

According to Silva and our data analysis, seven members have issues that do not fit into any single category. These members are identified below along with a summary of their individual issues.

1. The 2009 Conefry data listed member R018 as having a joint and survivor annuity with his children as beneficiary. We have attempted to compile the complete story on member R018. This member retired on January 1, 1996, and selected Option 2, naming his wife as beneficiary. She died on July 29, 1997. At that time his benefit should have reverted to the maximum benefit amount he was entitled to receive when he retired. At some time thereafter, member R018 submitted his children as beneficiaries, though no benefit was payable to them under the provisions of the retirement plan. Both the 2010 Silva file and Zenith data indicate that his benefit will end on his death. We are not sure whether member R018 is aware of this correct treatment.

   For our valuation, we are assuming the benefit amount provided to us will be paid to member R018 for his lifetime only. No survivor benefit will be paid to his children.

2. HPRS prepared estimated benefit calculations for member R027 based on Option 3 on December 13, 1999. HPRS prepared another estimate on December 14, 1999. This estimate showed a slightly smaller optional benefit amount, although no reason could be discerned from his file. The member signed his election form on January 10, 2000, electing Option 3A. An approval letter was sent to this member on March 8, 2000, also indicating Option 3A, but showing a larger benefit than either of the originally calculated benefits. The benefit corrections provided by Silva use an option factor consistent with such an election. If his spouse should die before him, his benefit should increase to 113.48% of his current benefit. We have assumed in our valuation that the benefit option applicable to this member is Option 3A and that Silva’s revised calculations reflect the correct amounts.

3. Member S001 is a spouse of a deceased active member. When she had minor children, HPRS appropriately paid a benefit equal to 60% x FAC. However, the system has continued to pay the 60% benefit through February 2011, even though she no longer has any minor children. Her benefit should have been reduced to 40% x FAC when her youngest minor child reached age 18. We have assumed in our valuation that HPRS will reduce monthly benefit payments in the future but will apply Act 399 to allow it to forgive any past overpayments.

4. Member Q001 is the divorced spouse of member R004. She is entitled to a share of his benefit for as long as he lives. We have valued this member using the same age and gender characteristics as member R004.

5. Former member FM01, hired on August 19, 1981, retired for disability. She failed to return her survey inquiring about her continued eligibility and as a result is presumed to have recovered or otherwise became ineligible to continue to receive disability benefits. HPRS stopped payment of benefits with her last payment being November 1, 2010. HPRS has not yet decided whether to try to collect August 1 through November 1 payment amounts from her. HPRS has also not yet decided whether it will try to determine how long she has been ineligible for disability and try to recover amounts from her that she should not have received.

   In addition, Silva determined that the benefit originally calculated for this same member was incorrect and she received overpayments through the years that totaled $21,016.59.

   For valuation purposes, we have assumed that HPRS will apply its interpretation of Act 399 to allow it to forgive overpayments to this person before and after June 30, 2010.

6. Former member FM05 terminated employment on April 16, 2010. His employee contributions, $10,830.40, were distributed to him on June 4, 2010. Zenith identified this person as an active participant as of June 30, 2010. We did not include any liability for this person in our valuation.

7. Silva discovered a person, now deceased, who was underpaid. However, his beneficiary FM06, now also deceased, was overpaid. The overpayments to the beneficiary exceeded the underpayments to the member. Therefore, we have assumed for our valuation that no retroactive payment will be made.

Individual Issues, Analyses, and Decisions

A summary of the data analyses performed on each individual member of HPRS is provided below. This summary is provided to document both the issues reviewed and the valuation decisions for each individual member of the system.

Member Number	Issues, Analyses, and Decisions
A007	This member's file indicates that he applied for a transfer of benefit accruals earned while a participant in LASERS. A note in his file dated August 20, 2009, indicates that there is no record of any transferring occurring. For administrative purposes, HPRS should contact LASERS to determine if it had ever transferred any benefits to HPRS. If so, HPRS should obtain the dollar amount of transfer, employee contributions plus interest transferred, service credits transferred, and the date such transferred occurred. Member A007 should then be informed of the status of his transfer request. For valuation purposes, we have assumed that member A007 is not entitled to a transfer.
A009	The member's date of hire was April 1, 2007, on Conefry's 2009 file, but April 7, 2008, on Silva's file and Zenith's 2010 file. We used April 7, 2008, in our valuation census because it matches the original application form.
A011	Silva's file shows the member's date of hire to be May 4, 1992. Zenith's 2010 file shows his date of birth to be May 14, 1992. His paper records confirmed the correct hire date to be May 4, 1992.
A015	We asked Zenith to verify this member's gender because of the ambiguity of the first name. Zenith confirmed the member is female.
A016	This member, hired on March 20, 2000, earned 2 years, 1 month and 10 days from LASERS for service from February 19, 1998 to March 19, 2000. He transferred this service (2.20 years per LASERS calculations) from LASERS to HPRS. To execute the transfer, LASERS sent $11,832.37 to the HPRS. Employee contributions were identified as being $2,713.48. Zenith did not know whether transferred employee contributions were included in A016's accumulated employee contribution record. Zenith did inform us that the transferred service is not included in his period of membership from his date of hire to the valuation date. For valuation purposes, we calculated service based on his date of hire and added 2.2 years. We also added transferred employee contributions to his accumulated employee contributions to obtain a total amount.
A017	1. According to Conefry's 2009 file, this member was hired on September 16, 2002, had a period of employment, ceased employment, and then was later rehired on April 1, 2007. Zenith's 2010 file shows only one hire date: April 1, 2008. Silva's file indicates that he received a refund of $6,140.37 in October 2006 and was rehired March 19, 2007. Our inquiries determined that the Silva record is accurate. Member A017's original application form shows the first hire date to be September 16, 2002, and the second hire date to be March 19, 2007. We are using March 19, 2007, as the correct hire date. There is still an unanswered question, however. Did he repay those contributions? If so, he should have been given credit for service prior to the second hire date. There is no request in his paper file indicating that a repayment request was made. We have assumed in our valuation that member A017 received a refund of employee contributions and elected not to return the contributions when he was rehired. 2. We asked Zenith to verify this member's gender because of the ambiguity of the first name. Zenith confirmed the member is male.

Member Number	Issues, Analyses, and Decisions
A018	1. Accumulated employee contributions were not shown on any of the data files for this member. Upon inquiry, Zenith told us the member's accumulated employee contributions on June 30, 2010, were $26,291.46. This value was used in our valuation. 2. Silva reported this member's compensation to be $45,347.12. Zenith's 2010 census data showed his compensation to be $43,560.62. Zenith confirmed the accuracy of Silva's compensation value which was then used in our valuation. 3. Although member A018 retired on December 7, 2010, for our valuation he will be treated as an active member as of June 30, 2010.
A020	This member was on active duty in the military for part of 2009-10. His earnings as reported by Zenith were only $14,006.24, reflecting pay received from the Port for a partial year. Ordinarily, the member would have a full year of employment with the Port. Therefore, we have annualized his earnings for valuation purposes to be $44,200.00. We also assume that service credits will be granted for this period of military service.
A024	Various discrepancies led us to question this member's date of hire. We eventually decided to use September 19, 1986, in our valuation census because it matches the original application form. This result is consistent with the data from Silva.
A025	1. This member, hired on November 7, 1995, earned 5 years, 4 months and 12 days from LASERS for service from August 6, 1990 to December 17, 1995. He transferred this service (5.36 years per LASERS calculations) from LASERS to HPRS. To execute the transfer, LASERS sent $19,259.99 to the HPRS. Employee contributions were identified as being $5,557.13. Zenith did not know whether transferred employee contributions were included in A025's accumulated employee contribution record. Zenith did inform us that the transferred service is not included in his period of membership from his date of hire to the valuation date. For valuation purposes, we calculated service based on his date of hire and added 5.36 years. We also added the transferred employee contributions to his accumulated employee contributions to obtain a total amount. 2. We asked Zenith to verify this member's gender because of the ambiguity of the first name. Zenith confirmed the member is male.
A026	This member was erroneously allowed to become a member of the HPRS even though he was over the eligibility age for becoming a member when he was hired. As a result of this error, benefits were earned by member A026 that should not have been earned. Act 399 allowed A026 to be a member as of his date of hire and has affirmed his participation in HPRS.
A029	This member was on active duty in the military for part of 2009-10. His earnings as reported by Zenith were only $17,204.20, reflecting pay received from the Port for a partial year. Ordinarily, the member would have a full year of employment with the Port. Therefore, we have annualized his earnings for valuation purposes to be $47,280.00. We also assume that service credits will be granted for this period of military service.
D001	1. This member was hired on October 30, 1995. He was erroneously allowed to become a member of the HPRS even though he had retired from the New Orleans Police Retirement System. Act 1025 of the 2010 session allowed member D001 to be a member retroactively to his date of hire. He is included in our valuation. 2. Zenith's files contain account balances for each member in DROP. However, its data does not match Conefry's data. We have elected to use Conefry's methods and data in our valuation

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because it appears to be consistent with administrative practices. Therefore, member D001 is credited in our valuation with a DROP account balance on June 30, 2010, equal to $81,001.82.

3. This member is a DROP participant. Each month, $2,917.39 is being deposited into his DROP account. Silva has determined that the member's correct benefit should be $2,917.40, an increase of $0.01 per month. D001's account balance as of June 30, 2010, should be increased by $0.28 to retroactively reflect this underpayment. Our valuation reflects this change (see Table B1).

D002

1. Zenith's files contain account balances for each member in DROP. However, its data does not match Conefry's data. We have elected to use Conefry's methods and data in our valuation because it appears to be consistent with administrative practices. Therefore, member D002 is credited in our valuation with a DROP account balance on June 30, 2010, equal to $101,170.14 (before reflecting the adjustment discussed below).

2. This member currently is in DROP. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show his maximum unreduced retirement benefit to be $3,418.96 per month on a life annuity basis. He elected a reduced benefit under Option 3A to provide a life income to his spouse, should he die first, equal to 50% of the amount he was receiving immediately before his death. The benefit payable under this option is $3,132.58. However, if his spouse should die first, his benefit would be restored to the maximum level of $3,418.96. Our valuation will reflect these factors.

D003

1. This member currently is in DROP. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show his maximum unreduced retirement benefit to be $3,573.47 per month on a life annuity basis. He elected a reduced benefit under Option 2A to provide a life income to his spouse, should he die first, equal to 100% of the amount he was receiving immediately before his death. The benefit payable under this option is $3,157.18. However, if his spouse should die first, his benefit would be restored to the maximum level of $3,573.47. Our valuation will reflect these factors.

2. Zenith's 2010 census file shows that this member elected Option 2. However, it appears from member D003's DROP application that he elected option 2A. The option factor used to determine D003's reduced benefit is consistent with the option being Option 2A. We assume the option to be 2A in our valuation.

3. Zenith's files contain account balances for each member in DROP. However its data does not match Conefry's data. We have elected to use Conefry's methods and data in our valuation because it appears to be consistent with administrative practices. Therefore, member D003 is credited in our valuation with a DROP account balance on June 30, 2010, equal to $128,274.49 (before reflecting the adjustment discussed below).

4. Each month, $3,157.18 is being deposited into this member's DROP account. Silva has determined that the member's correct benefit should be $3,204.02, an increase of $46.84 per month. Member D003's DROP account balance as of June 30, 2010, should be increased $1,779.99 to retroactively reflect this underpayment. Our valuation reflects this change (see Table B1).

PD01

1. This member was shown to be a female on Conefry's 2009 file and a male on Silva's file and on Zenith's 2010 file. The member is male.

2. Although it is not important for the valuation, this member's hire date should be shown as August 1, 2000. He was originally hired November 8, 1976, but left employment sometime

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thereafter. He purchased prior service credits when he was rehired in 2000 and his hire date was reset at August 11, 1987. For consistency, his hire date should be August 1, 2000, and he should be credited with additional service on his member record.

3. According to Act 399, one member hired on November 8, 1976, apparently had an erroneous application of unused annual and sick leave in the calculation of his benefit rights and entitlements. Although we could not tell for certain, this member may have been member PD01. If so, then the error was forgiven retroactively and prospectively by Act 399. But if not, then the person identified in Act 399 is deceased and the HPRS no longer has a financial obligation for him or any survivors or beneficiaries he may have had.

4. Member PD01 is currently working after participating in DROP. We have assumed that his DROP account balance was distributed to him when he exited DROP on July 31, 2005.

5. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show his maximum unreduced retirement benefit to be $2,272.37 per month on a life annuity basis from his original retirement application form. He elected a reduced benefit under Option 3A to provide a life income to his spouse, should he die first, equal to 50% of the amount he was receiving immediately before his death. The benefit payable under this option is $2,121.12. However, if his spouse should die first, his benefit would be restored to the maximum level of $2,272.37. Our valuation will reflect these factors.

6. Zenith's 2010 census file shows that this member elected Option 3. However, it appears from member PD01's DROP application that he elected Option 3A. The option factor used to determine PD01's reduced benefit is consistent with the option being Option 3A. We assume the option to be 3A in our valuation.

7. Each month while in DROP, $2,121.12 was being deposited into this member's DROP account. Silva has determined that the member's correct benefit should be $2,143.76, an increase of $22.64 per month. As of June 30, 2010, the HPRS retroactive payment to member PD01 should be $1,109.18. Our valuation assumes this amount will be paid (see Table B1).

R001

- This member exited DROP on March 1, 2010. While in DROP, $2,654.79 was being deposited into his DROP account. Upon exiting DROP it was determined that his benefit should have been $2,665.49 and that he should have received a retroactive adjustment of $10.79 for each month he was in DROP. It was subsequently determined that his benefit should have been $2,661.12, not $2,665.49. There was a pending distribution of $189,654.75 for his DROP account balance. In additional, there was a retroactive payment pending of $620.15 to correct all past Incidental errors. Our valuation reflects these adjustments.

R002

1. Although it is not important for the valuation, this member's hire date should be shown as January 31, 1980, instead of January 30, 1980.

2. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show her maximum unreduced retirement benefit to be $1,594.04 per month on a life annuity basis. She elected a reduced benefit under Option 3A to provide a life income to her spouse, should she die first, equal to 50% of the amount she was receiving immediately before her death. The benefit payable under this option is $1,477.31. However, if her spouse should die first, her benefit would be restored to the maximum level of $1,594.04.

3. As part of the work by Silva, this member's optional form factor was re-determined on the basis that the member is female. The corrected benefit was determined on the basis of an optional

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	form factor of .97061 which would be appropriate if the system calculated different factors based on the member's actual gender (sex-distinct). This indicates that the benefit should increase to 103.03% of its then-current benefit if the member's spouse were to die first. Our valuation reflects the 103.03% factor. The practice of using sex-distinct actuarial factors generally ended with the Norris Decision (1983) by the U.S. Supreme Court.
	4. This member's current benefit is $1,586.98 per month. Silva has determined that the member's correct benefit should be $1,695.11, an increase of $108.13 per month. Member R002 should receive a lump sum payment of $12,879.54 in order to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R003	1. Although it is not important for the valuation, this member's hire date should be shown as December 21, 1983, instead of January 3, 1984.
	2. This member's current benefit is $3,424.36 per month. Silva has determined that the member's correct benefit should be $3,425.07, an increase of $0.71 per month. Member R003 should receive a lump sum payment of $31.67 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R004	1. This member is divorced from his spouse and is sharing his pension benefit with her. The benefit shown on the member's record is the benefit payable to the member. A separate record has been created for his spouse. Her member number is Q001 with the Q reflecting that she is a QDRO recipient.
	2. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R004 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	3. This member's current benefit is $2,407.92 per month. Silva has determined that the member's correct benefit should be only $2,350.89, a decrease of $57.03 per month. Act 399 forgave all past overpayments, but member R004's benefit will be reduced to the correct amount in the future. Our valuation reflects this change (see Table B1).
R005	1. This member was erroneously credited with military service credit which was used in the determination of his eligibility for retirement and in the calculation of his pension benefit. As a result, he was allowed to retire at an earlier date than he should have been allowed to retire and his benefit was larger than what it would have been otherwise. Act 399 forgave all benefit payments erroneously made in the past and provided that future benefits would be based on service credits including the military service. Our valuation census data has been adjusted as necessary and appropriate to comply with Act 399.
	2. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R005 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what

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	it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	3. This member's current benefit is $1,900.74 per month. Silva has determined that the member's correct benefit, based on other calculation errors, should have been $1,902.68, an increase of $1.94 per month. Member R005 should receive a lump sum payment of $407.65 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R006	This member's current benefit is $2,031.49 per month. Silva has determined that the member's correct benefit should be $2,071.72, an increase of $40.23 per month. Member R006 should receive a lump sum payment of $8,435.18 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R007	This member's current benefit is $1,338.58 per month. Silva has determined that the member's correct benefit should be $1,346.14, an increase of $7.56 per month. Member R007 should receive a lump sum payment of $1,053.10 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R008	1. Although it is not important for the valuation, there are inconsistencies in the hire date information reported to us. Conefry's 2009 files shows a hire date of March 3, 1986. Zenith's 2010 hire date shows a hire date of June 8, 1990. The "board approved" data file also shows June 8, 1990. We have used the June 8, 1990, date in our valuation.
	2. This member's current benefit is $1,654.08 per month. Silva has determined that the member's correct benefit should be $1,655.88, an increase of $1.80 per month. Member R008 should receive a lump sum payment of $80.15 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R009	This member's current benefit is $2,145.78 per month. Silva has determined that the member's correct benefit should be $2,154.11, an increase of $8.33 per month. Member R009 should receive a lump sum payment of $877.09 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R010	This retired member is currently receiving a benefit of $2,405.96 per month. Silva has determined that the benefit should be only $2,338.91 per month, a decrease of $67.05 per month. Cumulative overpayments made to date are equal to $16,352.48. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
R011	1. In determining member R011's eligibility for retirement, the plan administrator erroneously counted unused annual leave and unused sick leave as service for eligibility purposes. As a result, he was allowed to retire earlier than he would have been able to retire had the error not occurred. Act 399 allowed the use of such leave for this member. His benefit will not be changed retroactively or prospectively. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	2. This member was erroneously credited with military service credit which was used in the determination of his eligibility for retirement and in the calculation of his pension benefit. As a result, he was allowed to retire at an earlier date than he should have been allowed to retire and his benefit was larger than what it would have been otherwise. Act 399 forgave all benefit payments erroneously made in the past and provided that future benefits would be based on

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	service credits including the military service. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	3. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R011 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	4. This member's current benefit is $1,394.76 per month. Silva has determined that, without regard for the adjustments cited above, the member's correct benefit should be only $1,383.53, a decrease of $11.23 per month. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
R012	This member's current benefit is $2,036.76 per month. Silva has determined that the member's correct benefit should be $2,091.82, an increase of $55.06 per month. Member R012 should receive a lump sum payment of $10,526.73 in order to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R013	This member's current benefit is $338.02 per month. Silva has determined that the member's correct benefit should have been only $304.28, a decrease of $33.74 per month. Cumulative overpayments made to date are equal to $7,229.50. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
R014	1. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R014 retired from HPRS he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.
	2. This member's current benefit is $3,078.42 per month. Silva has determined that the member's correct benefit should be $3,107.13, an increase of $28.71 per month. Member R014 should receive a lump sum payment of $5,342.95 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R015	This member's current benefit is $2,948.75 per month. Silva has determined that the member's correct benefit should be $2,951.31, an increase of $2.56 per month. Member R015 should receive a lump sum payment of $119.15 in order to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R016	This member's current benefit is $2,093.59 per month. Silva has determined that the member's correct benefit should have been only $2,086.94, a decrease of $6.65 per month. Cumulative overpayments made to date are equal to $1,249.81. Act 399 gave HPRS the authority to forgive all

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past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.

R017

1. Conefry's 2009 census file indicated that this member elected Option 3. However, it appears from member R017's application that he elected Option 3A. The option factor used to determine in Silva's corrections for R017's reduced benefit is consistent with the option being Option 3A. We assume the option to be 3A in our valuation.

2. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show his maximum unreduced retirement benefit to be $1,594.40 per month on a life annuity basis. He elected a reduced benefit under Option 3A to provide a life income to his spouse, should he die first, equal to 50% of the amount he was receiving immediately before his death. The benefit payable under this option was $1,419.46. However, if his spouse should die first, his benefit would be restored to the maximum level of $1,594.40.

3. In its calculations to determine R017's correct benefit, Silva used an optional form factor of .88804 which is consistent with Option 3A at the time of his benefit commencement. Consistent with this factor, the benefit to him should increase to 112.61% of its then-current amount in the case that his spouse should die before he does. Our valuation will reflect these factors in addition to the further adjustment shown below.

4. This member's current benefit is $1,551.08 per month. Silva has determined that the member's correct benefit should be $1,595.68, an increase of $44.60 per month. Member R017 should receive a lump sum payment of $273.12 to retroactively reflect this underpayment. Our valuation reflects this change (see Table B1).

R018

1. We have attempted to compile the complete story on member R018. We have accumulated the following information:

   a. Member R018's date of birth has been verified as March 14, 1935.

   b. Member R018 elected Option 2 with his spouse as beneficiary. His beneficiary died July 29, 1997.

   We are therefore assuming that member R018's current benefit will be paid to him as a life annuity.

2. This member's current benefit is $1,802.35 per month. Silva has determined that the member's correct benefit should have been only $1,723.54, a decrease of $78.81 per month. Cumulative overpayments made to date are equal to $12,348.47. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.

R019

This member's current benefit is $1,355.29 per month. Silva has determined that the member's correct benefit should be $1,362.76, an increase of $7.47 per month. Member R019 should receive a lump sum payment of $723.15 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).

R020

1. This member's original retirement application form shows that he elected Option 4, which is identified as follows: "Option pays some other benefit that is reduced from the maximum plan and certified by the actuary to be an equivalent actuarial value to his maximum benefit and approved by the board." Although he elected Option 4, the elected coverage is identical to the

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form currently known as Option 3A. The actuarial factors used match the factors for Option 3A. For our valuation, we assume the benefit option elected is Option 3A.

2. The maximum life annuity benefit for this member was not on any of the files we received. Original retirement application papers show his maximum unreduced retirement benefit to be $1,969.44 per month on a life annuity basis. He elected a reduced benefit under Option 3A to provide a life income to his spouse, should he die first, equal to 50% of the amount he was receiving immediately before his death. The original benefit payable under this option is $1,805.13. However, if his spouse should die first, his benefit would be restored to the maximum level of $1,969.44 (109.10%). Our valuation will reflect these factors.

3. This member's current benefit is $2,243.20 per month. Silva has determined that the member's correct benefit should be $2,254.96, an increase of $11.76 per month. Member R020 should receive a lump sum payment of $2,061.58 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).

R021 This member's current benefit is $2,064.98 per month. Silva has determined that the member's correct benefit should be $2,113.19, an increase of $48.21 per month. Member R021 should receive a lump sum payment of $7,288.15 to retroactively reflect this underpayment. Our valuation reflects this change (see Table B1).

R022 This member was owed a distribution of her DROP account balance on June 30, 2010. A distribution of $144,295.58 was made on July 10, 2010. For our valuation, we included this amount in both our liability and asset values.

R023

1. Although it is not important for the valuation, this member's hire date should be shown as April 15, 1998.

2. This member's current benefit is $1,078.21 per month. Silva has determined that the member's correct benefit should be $1,089.70, an increase of $11.49 per month. Member R023 should receive a lump sum payment of $1,304.12 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).

R024

1. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R024 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.

2. This member's current benefit is $2,927.60 per month. Silva has determined that the member's correct benefit should be $2,993.34, an increase of $65.74 per month. Member R024 should receive a lump sum payment of $14,670.44 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).

R025 This member's current benefit is $4,212.10 per month. Silva has determined that the member's correct benefit should be $4,213.34, an increase of $1.24 per month. Member R025 should receive a lump sum payment of $42.16 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).

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R026	1. This member transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When member R026 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399. 2. This member's current benefit is $2,138.56 per month. Silva has determined that the member's correct benefit should be $2,173.63, an increase of $35.07 per month. Member R026 should receive a lump sum payment of $7,133.28 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R027	1. Estimated benefit calculations for member R027 prepared on December 13, 1999, were for Option 3. Estimated benefit calculations provided to his member on December 14, 1999, were slightly less, although no reason could be discerned from his file. The member signed his election form on January 10, 2000, electing Option 3A. An approval letter was sent to this member on March 8, 2000, also indicating Option 3A, but showing a larger benefit than originally calculated. We have assumed in our valuation that the benefit option applicable to this member is Option 3A and that Silva's revised calculations reflect the correct amounts. 2. This member's current benefit is $1,193.41 per month. Silva has determined that the member's correct benefit should be $1,204.38, an increase of $10.97 per month. Member R027 should receive a lump sum payment of $1,283.58 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
R028	This member's current benefit is $1,714.60 per month. Silva has determined that the member's correct benefit should be $1,743.16, an increase of $28.56 per month. Member R028 should receive a lump sum payment of $5,268.48 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
RD01	This member is retired for disability. Her current benefit is $1,104.78 per month. Silva has determined that the member's correct benefit should be $1,121.55, an increase of $16.77 per month. Member RD01 should receive a lump sum payment of $3,854.93 to retroactively reflect this Incidental underpayment. Our valuation reflects this change (see Table B1).
B001	1. This is a beneficiary of a deceased retired member who transferred into HPRS from LASERS when the system was started on August 1, 1971. The transferred service credits from LASERS had been earned at a benefit accrual rate of 2.5% per year of service. When the member associated with B001 retired from HPRS, he was provided a higher benefit factor of 3.0% per year or 3 1/3% per year for all years of service, including the transferred years. However, R.S. 11:143 specifies that the accrual rate for the transferred service should have been 2.5%. As a result, the member's pension benefit was larger than what it should have been. Act 399 validates the payment of the erroneous benefits in the past and allows those benefits to be continued without change into the future. Our valuation census data was adjusted as necessary and appropriate to comply with Act 399.

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	2. This member's current benefit is $1,773.79 per month. Silva has determined that the member's correct benefit should have been only $1,769.61, a decrease of $4.18 per month. Cumulative overpayments made to date are equal to $904.02. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
B002	This person is a beneficiary of a deceased retired member. Her current benefit is $1,046.10 per month. Silva has determined that the member's correct benefit should be $1,046.79, an increase of $0.69 per month. Member B002 should receive a lump sum payment of $228.48 to retroactively reflect this underpayment. Our valuation reflects this change (see Table B1).
S001	This member is a spouse of a deceased active member. When she had minor children, HPRS appropriately paid a benefit equal to 60% x FAC. However, the system has continued to pay the 60% benefit even though she no longer has any minor children. Her benefit should have been reduced to 40% x FAC when her youngest minor child reached age 18. We have assumed in our valuation that HPRS will reduce monthly benefit payments in the future to $815.63 per month but will apply Act 399 to allow it to forgive past overpayments totaling $21,237.75.
S002	This member is a spouse of a deceased active member. This member's current benefit is $1,009.49 per month. Silva has determined that the member's correct benefit should have been only $985.89, a decrease of $23.60 per month. Cumulative overpayments made to date are equal to $7,765.76. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
S003	1. This member is the spouse of a deceased active member who was erroneously allowed to become a member of the HPRS even though he was over the eligibility age for becoming a member when he was hired. As a result of this error, benefits were earned by the member associated with S003 that should not have been earned. Act 399 allowed the person to be a member as of his date of hire and has affirmed his participation in HPRS. 2. This member's current benefit is $923.67 per month. Silva has determined that the member's correct benefit should have been only $901.93, a decrease of $21.74 per month. Cumulative overpayments made to date are equal to $1,903.82. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
Q001	1. This member is the divorced spouse of member R004. She is entitled to a share of his benefit for as long as he lives. We have valued this member using the same age and gender characteristics as member R004. 2. This member's current benefit is $1,540.77 per month. Silva has determined that the member's correct benefit should have been only $1,504.26, a decrease of $36.51 per month. Cumulative overpayments made to date are equal to $6,708.45. Act 399 gave HPRS the authority to forgive all past overpayments, but correct future benefit payments. We have assumed for our valuation that HPRS will implement these changes.
FM01	This person is a former member hired on August 19, 1981, and retired for disability. She apparently recovered or otherwise became ineligible to continue to receive disability benefits because she failed to return a questionnaire inquiring about her continued eligibility. HPRS stopped payment of benefits with her last payment being November 1, 2010. HPRS has not yet decided whether to try to collect August 1 through November 1 payment amounts from her. HPRS has also not yet decided whether it will try to determine how long she has been ineligible for disability and try to recover amounts from her that she should not have received. We have assumed for our valuation that HPRS

Member Number	Issues, Analyses, and Decisions
	will apply Act 399 and forgive past overpayments totaling $21,016.59. We have included in our valuation, a liability equal to the sum of the four monthly payments made to her after June 30, 2010, as anticipated payments.
FM02	This person is one of the 87 former members reported by Zenith. However, records show that he applied for and received a refund of $3,582.13 on September 24, 2009, for the amount of his total contributions. This former member may still be due an additional refund for the interest accumulated on these contributions. Nevertheless, we have assumed for our valuation that there is no liability for this person.
FM03	This person is one of the 87 former members reported by Zenith. However, records show that he applied and received a refund on October 18, 2007. His total contributions at the time were $4,844.86. It is unclear if the refund was employee contributions without interest or employee contributions with interest. This former member may still be due an additional refund. Nevertheless, we have assumed for our valuation that there is no liability for this person.
FM04	This person is one of the 87 former members reported by Zenith. However, records show that he applied for and received a transfer of service credit to LASERS on August 18, 2008. His total contributions without interest at the time were $14,183.72. Zenith indicated that LASERS refunded part of the transfer to HPRS and that upon inquiry into the refund, the former member was informed that he had no rights to such a refund. The system carries an account of $0 for this person. We have assumed for our valuation that there is no liability for this person.
FM05	This former member terminated employment on April 16, 2010. His employee contributions, $10,830.40, were distributed to him on June 4, 2010. Zenith identified this person as an active participant as of June 30, 2010. We did not include any liability for this person in our valuation.
FM06	This member is a survivor of a deceased active member. Silva has determined that the member had been underpaid $1,974.10 due to Incidental errors. However, because his survivor remarried, she is no longer entitled to a benefit from HPRS. The last monthly benefit paid to FM06 was for November 1, 2010. The amount paid to FM06 for periods of time she was not eligible for a survivor benefit greatly exceeded the underpayment made to the member. We have assumed that HPRS will apply Act 399 to allow it to forgive any past overpayments and to set FM06's benefit in the future to be $0.00. We have included in our valuation a liability equal to the sum of the four monthly payments made to her after June 30, 2010, as anticipated payments.
FM07 through, FM10	At least four of the 84 former members potentially due a refund of contributions (FM07, FM08, FM09, and FM10) had ten or more years of service and would be entitled to a deferred vested pension. One of the four may even have been entitled to an immediate retirement benefit when he terminated in 2005. Our valuation includes a liability for their member contributions but not for any deferred pension benefit.
FM11 through FM20	These former members were identified by Silva as members who had received benefit payments that were less than they were entitled to receive because of Incidental errors. These members are deceased, and their survivors or beneficiaries are also deceased. It is our understanding that HPRS will attempt to find the heirs of these former members to distribute lump sum amounts to correct the underpayment of benefits. We have included a liability in our valuation to account for these underpayments (See Table B2).

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