



nyhart
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GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2023

STATE OF INDIANA State Personnel

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Table of Contents

	Page
Certification	1
Executive Summary	
Actuary's Notes	4
Summary of Results	5
Liabilities Breakdown	6
GASB Disclosures	
Schedule of Changes in Net OPEB Liability and Related Ratios	7
Schedule of Employer Contributions	9
OPEB Expense	10
Deferred Outflows / (Inflows) of Resources	11
Sensitivity Results	13
Asset Information	14
Actuarial Determined Contribution	16
Projection of GASB Results	17
Cash Flow Projections	18
Discussion of Discount Rates	19
Summary of Plan Participants	20
Substantive Plan Provisions	23
Actuarial Assumptions and Methods	26
Appendix	
Comparison of Participant Demographic Information	34
Data Reconciliation	35
Glossary	
Decrements Exhibit	37
Retirement Rates Exhibit	38
Definitions	39

November 20, 2023

**Andy Blough, FSA, EA, MAAA
Indiana Public Retirement System
One North Capital, Suite 001
Indianapolis, IN 46204**

This report summarizes the GASB actuarial valuation for the State of Indiana State Personnel 2022/23 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.



Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

A handwritten signature in black ink that reads 'Cody Kocher'.

Cody Kocher, ASA, MAAA
Actuary

A handwritten signature in black ink that reads 'John Mallows'.

John Mallows, FSA, MAAA
Actuary

EXECUTIVE SUMMARY



Executive Summary

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Detailed Actuary's Notes

There have been no plan provision changes since last year's interim valuation, which was for the fiscal year ending June 30, 2022.

The following assumption changes have been made for this year's valuation:

1. The mortality assumption has been updated from using the MP-2020 improvement scale to use the MP-2021 improvement scale. The base mortality tables are unchanged. This change led to a slight increase in liabilities.
2. Medical/rx trend rates have been updated to an initial rate of 7.50%/6.50% decreasing by 0.50%/0.25% per year to an ultimate rate of 4.50% for pre-65/post-65 benefits. This change caused an increase in liabilities.
3. We have updated the discount rate assumption to be based on a blended rate using the 3.00% expected rate of return on assets for years when investments are expected to be sufficient to pay the projected benefit payments and the yield 20-year tax-exempt general obligation municipal bonds (4.13% as of June 30, 2023) for years when investments are insufficient to cover future benefit payments. The valuation uses a discount rate of 3.04% as of June 30, 2022 and 3.00% as of June 30, 2023. This change led to a slight increase in liabilities.

Additionally, claims costs and premiums were updated for 2023/24 which caused an increase in liabilities. The updated census data resulted in an increase in liabilities.



Executive Summary

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Summary of Results

Presented below is the summary of GASB 74/75 results for the fiscal year ending June 30, 2023.

	<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>
Total OPEB Liability	\$ 73,632,905	\$ 92,037,020
Actuarial Value of Assets	(46,495,865)	(47,570,405)
Net OPEB Liability	\$ 27,137,040	\$ 44,466,615
Funded Ratio	63.1%	51.7%

	<i>FY 2021/22</i>	<i>FY 2022/23</i>
OPEB Expense	\$ 6,899,386	\$ 9,882,111
Annual Employer Contribution	\$ 1,776,045	\$ 1,949,103

	<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>
Discount Rate	3.04%	3.00%
Expected Return on Assets	3.00%	3.00%

	<i>As of June 30, 2021</i>	<i>As of June 30, 2023</i>
Total Active Participants		30,505
Total Retiree Participants		312

Participant counts shown above include only employees who have medical / rx coverage. Refer to Summary of Plan Participants section for an accurate breakdown of active employees with and without medical / rx coverage.



Executive Summary

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Liabilities Breakdown

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

<i>Present Value of Future Benefits (PVFB)</i>	<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>
Active Employees	\$ 110,339,343	\$ 136,710,661
Retired Employees	4,311,635	6,974,202
Total PVFB	\$ 114,650,978	\$ 143,684,863

<i>Total OPEB Liability</i>	<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>
Active Pre-Medicare	\$ 69,321,270	\$ 85,062,818
Active Post-Medicare	0	0
Active Liability	\$ 69,321,270	\$ 85,062,818
Retiree Pre-Medicare	\$ 4,311,635	\$ 6,974,202
Retiree Post-Medicare	0	0
Retiree Liability	\$ 4,311,635	\$ 6,974,202
Total OPEB Liability	\$ 73,632,905	\$ 92,037,020

	<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>
Discount Rate	3.04%	3.00%

Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2022 and 2023, to fully fund the State's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2022 and 2023. This amount is a required disclosure in the Required Supplementary Information section.



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20	FY 2018/19
Total OPEB Liability					
Total OPEB liability – beginning of year	\$ 73,632,905	\$ 62,697,000	\$ 52,311,259	\$ 57,423,651	\$ 47,525,294
Service cost	3,752,230	3,304,690	3,205,921	2,961,092	1,932,796
Interest	2,325,873	1,921,191	1,714,430	1,891,706	1,851,245
Changes of benefit terms	0	0	0	0	0
Changes in assumptions	2,507,362	(528,337)	7,075,425	(6,835,400)	2,802,670
Differences between expected and actual experience	11,584,193	8,447,661	3,306,760	1,622,200	6,587,365
Benefit payments	(1,765,543)	(2,209,300)	(4,916,795)	(4,751,990)	(3,275,719)
Net change in total OPEB liability	\$ 18,404,115	\$ 10,935,905	\$ 10,385,741	\$ (5,112,392)	\$ 9,898,357
Total OPEB liability – end of year	\$ 92,037,020	\$ 73,632,905	\$ 62,697,000	\$ 52,311,259	\$ 57,423,651
Plan Fiduciary Net Position					
Plan fiduciary net position – beginning of year	\$ 46,495,865	\$ 46,837,203	\$ 47,137,471	\$ 46,203,020	\$ 45,489,242
Contributions – employer	1,949,103	1,776,045	4,559,016	5,030,562	3,336,598
Contributions – active employees	0	0	0	0	0
Net investment income	1,134,851	91,917	57,511	789,133	1,006,887
Benefit payments	(1,765,543)	(2,209,300)	(4,916,795)	(4,751,990)	(3,275,719)
Trust administrative expenses	(243,871)	0	0	(133,254)	(353,988)
Net change in plan fiduciary net position	\$ 1,074,540	\$ (341,338)	\$ (300,268)	\$ 934,451	\$ 713,778
Plan fiduciary net position – end of year	\$ 47,570,405	\$ 46,495,865	\$ 46,837,203	\$ 47,137,471	\$ 46,203,020
Net OPEB Liability – end of year	\$ 44,466,615	\$ 27,137,040	\$ 15,859,797	\$ 5,173,788	\$ 11,220,631
Plan fiduciary net position as % of total OPEB liability	51.7%	63.1%	74.7%	90.1%	80.5%
Covered employee payroll	\$ 1,868,354,818	\$ 1,576,490,580	\$ 1,535,792,090	\$ 1,503,767,928	\$ 1,470,677,680
Net OPEB liability as % of covered payroll	2.4%	1.7%	1.0%	0.3%	0.8%



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability		FY 2017/18
Total OPEB Liability		
Total OPEB liability – beginning of year	\$	53,040,129
Service cost		2,113,477
Interest		1,909,791
Changes of benefit terms		0
Changes in assumptions		(1,163,973)
Differences between expected and actual experience		(5,331,960)
Benefit payments		(3,042,170)
Net change in total OPEB liability	\$	(5,514,835)
Total OPEB liability – end of year	\$	47,525,294
Plan Fiduciary Net Position		
Plan fiduciary net position – beginning of year	\$	44,998,027
Contributions – employer		3,384,366
Contributions – active employees		0
Net investment income		546,743
Benefit payments		(3,042,170)
Trust administrative expenses		(397,724)
Net change in plan fiduciary net position	\$	491,215
Plan fiduciary net position – end of year	\$	45,489,242
Net OPEB Liability – end of year	\$	2,036,052
Plan fiduciary net position as % of total OPEB liability		95.7%
Covered employee payroll	\$	1,262,054,123
Net OPEB liability as % of covered payroll		0.7%



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below prior to FY 2016/17 are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the Plan Sponsor financial statements.

	FY 2022/23		FY 2021/22		FY 2020/21		FY 2019/20		FY 2018/19	
Actuarially Determined Contribution (ADC)	\$	5,515,955 ¹	\$	4,272,930	\$	4,916,795	\$	4,751,990	\$	3,275,719
Contributions in relation to the ADC ²		1,949,103		1,776,045		4,559,016		5,030,562		3,336,598
Contribution deficiency / (excess)	\$	3,566,852	\$	2,496,885	\$	357,779	\$	(278,572)	\$	(60,879)

Covered employee payroll	\$	1,868,354,818	\$	1,576,490,580	\$	1,535,792,090	\$	1,503,767,928	\$	1,470,677,680
Contribution as a % of covered employee payroll		0.1%		0.1%		0.3%		0.3%		0.2%

	FY 2017/18		FY 2016/17		FY 2015/16		FY 2014/15		FY 2013/14	
Actuarially Determined Contribution (ADC)	\$	3,042,170	\$	3,060,429	\$	1,537,527	\$	1,838,675	\$	1,009,935
Contributions in relation to the ADC ²		3,384,366		4,801,561		2,977,166		3,567,257		3,200,158
Contribution deficiency / (excess)	\$	(342,196)	\$	(1,741,132)	\$	(1,439,639)	\$	(1,728,582)	\$	(2,190,223)

Covered employee payroll	\$	1,262,054,123	\$	1,234,282,761	\$	1,148,771,000	\$	1,180,296,000	\$	1,219,424,000
Contribution as a % of covered employee payroll		0.3%		0.4%		0.3%		0.3%		0.3%

¹ Refer to the Actuarially Determined Contributions section for the calculation details.

² Includes employer contribution for pay-go cost and (any) pre-funding contributions deposited into the OPEB Trust.



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

OPEB Expense

<i>OPEB Expense</i>	<i>FY 2022/23</i>	<i>FY 2021/22</i>
Discount rate as of beginning of fiscal year	3.04%	2.96%
Discount rate as of end of fiscal year	3.00%	3.04%
Service cost	\$ 3,752,230	\$ 3,304,690
Interest	2,325,873	1,921,191
Changes of benefit terms	0	0
Projected earnings on OPEB plan investments	(1,393,978)	(1,398,665)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	243,871	0
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ 3,686,125	\$ 2,031,240
Changes in assumptions	424,759	66,564
Net difference between projected and actual earnings on OPEB plan investments	843,231	974,366
Total current period recognition	\$ 4,954,115	\$ 3,072,170
Total OPEB expense	\$ 9,882,111	\$ 6,899,386



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Difference between projected and actual earnings in OPEB plan investments

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

<i>Differences between expected and actual experience for FYE</i>	<i>Initial Balance</i>	<i>Initial Amortization Period</i>	<i>Annual Recognition</i>	<i>Unamortized Balance as of June 30, 2023</i>
June 30, 2018	\$ (5,331,960)	7	\$ (761,709)	\$ (761,706)
June 30, 2019	\$ 6,587,365	7	\$ 941,052	\$ 1,882,105
June 30, 2020	\$ 1,622,200	7	\$ 231,743	\$ 695,228
June 30, 2021	\$ 3,306,760	8	\$ 413,345	\$ 2,066,725
June 30, 2022	\$ 8,447,661	7	\$ 1,206,809	\$ 6,034,043
June 30, 2023	\$ 11,584,193	7	\$ 1,654,885	\$ 9,929,308

<i>Changes in assumptions for FYE</i>	<i>Initial Balance</i>	<i>Initial Amortization Period</i>	<i>Annual Recognition</i>	<i>Unamortized Balance as of June 30, 2023</i>
June 30, 2018	\$ (1,163,973)	7	\$ (166,282)	\$ (166,281)
June 30, 2019	\$ 2,802,670	7	\$ 400,381	\$ 800,765
June 30, 2020	\$ (6,835,400)	7	\$ (976,486)	\$ (2,929,456)
June 30, 2021	\$ 7,075,425	8	\$ 884,428	\$ 4,422,141
June 30, 2022	\$ (528,337)	7	\$ (75,477)	\$ (377,383)
June 30, 2023	\$ 2,507,362	7	\$ 358,195	\$ 2,149,167



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Deferred Outflows / (Inflows) of Resources – Continued

<i>Net difference between projected and actual earnings in OPEB plan investments for FYE</i>	<i>Initial Balance</i>	<i>Initial Amortization Period</i>	<i>Annual Recognition</i>	<i>Unamortized Balance as of June 30, 2023</i>
June 30, 2019	\$ 466,788	5	\$ 93,356	\$ 0
June 30, 2020	\$ 714,808	5	\$ 142,962	\$ 142,960
June 30, 2021	\$ 1,468,689	5	\$ 293,738	\$ 587,475
June 30, 2022	\$ 1,306,748	5	\$ 261,350	\$ 784,048
June 30, 2023	\$ 259,127	5	\$ 51,825	\$ 207,302

<i>As of fiscal year ending June 30, 2023</i>	<i>Deferred Outflows</i>	<i>Deferred Inflows</i>
Differences between expected and actual experience	\$ 20,607,409	\$ (761,706)
Changes in assumptions	7,372,073	(3,473,120)
Net difference between projected and actual earnings in OPEB plan investments	1,721,785	0
Total	\$ 29,701,267	\$ (4,234,826)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2023 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

<i>FYE</i>	<i>Balance</i>
2024	\$ 4,860,761
2025	\$ 5,645,791
2026	\$ 4,010,616
2027	\$ 4,494,012
2028	\$ 4,442,186
Thereafter	\$ 2,013,075



GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Sensitivity Results

The following presents the net OPEB liability as of June 30, 2023, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 3.00%.
- The 1% decrease in discount rate would be 2.00%.
- The 1% increase in discount rate would be 4.00%.

<i>As of June 30, 2023</i>	<i>Net OPEB Liability</i>	
1% Decrease	\$	53,514,267
Current Discount Rate	\$	44,466,615
1% Increase	\$	36,237,250

The following presents the net OPEB liability as of June 30, 2023, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.5% decreasing by 0.5% annually to an ultimate rate of 3.5%.
- The 1% increase in health care trend rates would assume an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 5.5%.

<i>As of June 30, 2023</i>	<i>Net OPEB Liability</i>	
1% Decrease	\$	33,870,699
Current Health Care Trend Rates	\$	44,466,615
1% Increase	\$	57,143,573



Asset Information

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Asset Information

<i>Asset Breakdown</i>	<i>FY 2021/22</i>	<i>FY 2022/23</i>
Assets		
Cash, cash equivalents, and Non-pension Investments	\$ 68,727	\$ 3,268,059
Securities lending cash collateral	0	0
Total cash	\$ 68,727	\$ 3,268,059
Receivables		
Contributions	\$ 0	\$ 0
Interest Receivable	26,264	276,547
Total receivables	\$ 26,264	\$ 276,547
Investments		
Mutual Funds – Fixed Income	\$ 46,869,359	\$ 44,543,960
Mutual Funds – Equity	0	0
Debt Securities	0	0
Partnerships / Joint Ventures	0	0
Total investments	\$ 46,869,359	\$ 44,543,960
Total assets	\$ 46,964,350	\$ 48,088,566
Liabilities		
Payables		
Investment management fees	\$ 0	\$ 0
Benefits Payable	468,485	518,161
Total liabilities	\$ 468,485	\$ 518,161
Net position restricted to OPEB	\$ 46,495,865	\$ 47,570,405



Asset Information

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Asset Information

<i>Asset Reconciliation</i>	<i>FY 2021/22</i>	<i>FY 2022/23</i>
Additions		
Contributions received		
Employer	\$ 1,776,045	\$ 1,949,103
Employee		0
Total contributions	\$ 1,776,045	\$ 1,949,103
Investment income		
Net increase in fair value of investments	\$ 91,917	\$ 1,134,851
Interests and dividends	0	0
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 91,917	\$ 1,134,851
Total additions	\$ 1,867,962	\$ 3,083,954
Deductions		
Benefit payments (net of retiree contributions)	\$ (2,209,300)	\$ (1,765,543)
Administrative expenses	0	(243,871)
Other	0	0
Total deductions	\$ (2,209,300)	\$ (2,009,414)
Net increase in net position	\$ (341,338)	\$ 1,074,540
Net position restricted to OPEB		
Beginning of year	46,837,203	46,495,865
End of year	\$ 46,495,865	\$ 47,570,405



Actuarially Determined Contributions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Actuarially Determined Contribution

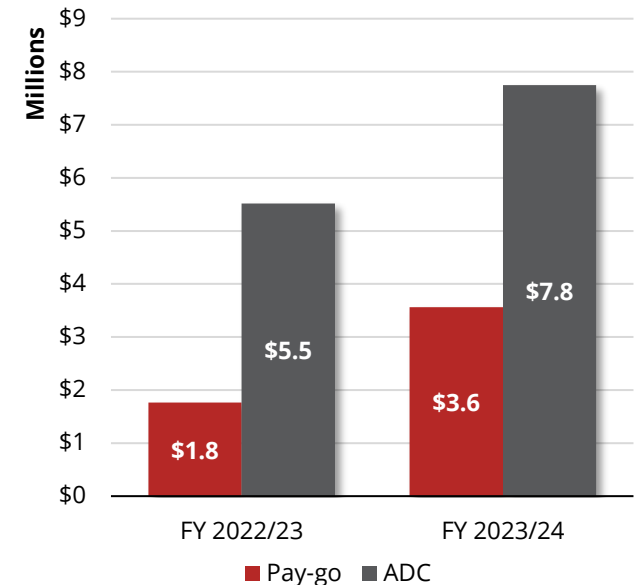
The Actuarially Determined Contributions calculated below are recommended target contributions and assumes that the Plan Sponsor has the ability to contribute these amounts on an annual basis. The Plan Sponsor has the responsibility to decide how much it should contribute after considering its other needs and the OPEB participants' needs.

	FY 2022/23	FY 2023/24
Discount rate	3.00%	3.00%
Payroll growth factor used for amortization	N/A	N/A
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level Dollar	Level Dollar
Amortization period	24 years	23 years
Actuarial accrued liability (AAL) – beginning of year	\$ 73,896,580	\$ 92,037,020
Actuarial value of assets – beginning of year	(46,495,865)	(47,570,405)
Unfunded AAL – beginning of year	\$ 27,400,715	\$ 44,466,615
Normal Cost	\$ 3,784,479	\$ 4,899,192
Amortization of UAAL	1,570,817	2,625,426
Total normal cost plus amortization	\$ 5,355,296	\$ 7,524,618
Interest to the end of year	160,659	225,739
Actuarially Determined Contribution – Preliminary	\$ 5,515,955	\$ 7,750,357
Expected benefit payments ³	1,765,543	3,563,397
Actuarially Determined Contribution – Final⁴	\$ 5,515,955	\$ 7,750,357

³ Actual for FY 2022/23

⁴ Set to be the greater of the preliminary ADC and expected benefit payments.

Cash vs Accrual Accounting



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.



Projection of GASB Results

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Projection of GASB Results

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs if the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

<i>Projection of Total OPEB Liability (TOL)</i>	<i>FY 2022/23</i>	<i>FY 2023/24</i>
TOL as of beginning of year	\$ 73,632,905	\$ 92,037,020
Normal cost as of beginning of year	3,752,230	4,899,192
Exp. benefit payments during the year	(1,765,543)	(3,563,397)
Interest adjustment to end of year	2,325,873	2,855,030
Exp. TOL as of end of year	\$ 77,945,465	\$ 96,227,845
Actuarial Loss/(Gain)	14,091,555	TBD
Actual TOL as of end of year	\$ 92,037,020	\$ TBD

<i>Projection of Actuarial Value of Assets (AVA)</i>	<i>FY 2022/23</i>	<i>FY 2023/24</i>
AVA as of beginning of year	\$ 46,495,865	\$ 47,570,405
Exp. employer contributions during the year ⁵	1,949,103	7,750,357
Exp. benefit payments during the year	(1,765,543)	(3,563,397)
Exp. investment income ⁶	1,393,978	1,485,738
Exp. Trust administrative expenses	(243,871)	(249,507)
Exp. AVA as of end of year	\$ 47,829,532	\$ 52,993,596
Differences between expected and actual experience	(259,127)	TBD
AVA as of end of year	\$ 47,570,405	\$ TBD

⁵ Employer contribution for 2022/23 is based on actual employer contribution made into the Trust. FY 2023/24 expected employer contribution is based on the final ADC as shown on page 16.

⁶ Fiscal years 2022/23 expected investment income is based on a 3.00% asset return and 2023/24 expected investment income is calculated based on a 3.00% asset return.



Employer Contribution Cash Flow Projections

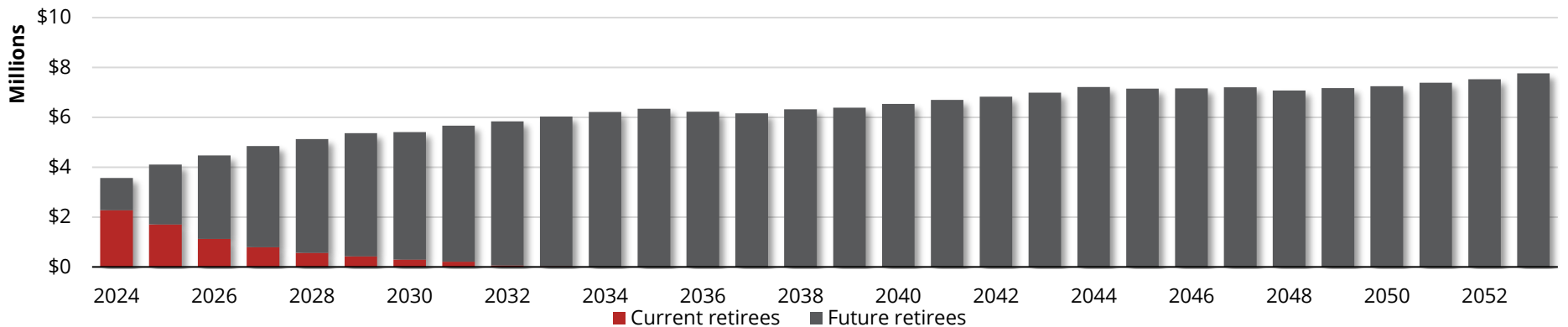
State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Employer Contribution Cash Flow Projections

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current / future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees ⁷	Total	FYE	Current Retirees	Future Retirees ⁸	Total	FYE	Current Retirees	Future Retirees ⁸	Total
2024	\$ 2,274,462	\$ 1,288,935	\$ 3,563,397	2034	\$ 0	\$ 6,219,294	\$ 6,219,294	2044	\$ 0	\$ 7,214,347	\$ 7,214,347
2025	\$ 1,709,721	\$ 2,393,363	\$ 4,103,084	2035	\$ 0	\$ 6,340,689	\$ 6,340,689	2045	\$ 0	\$ 7,148,228	\$ 7,148,228
2026	\$ 1,128,291	\$ 3,339,041	\$ 4,467,332	2036	\$ 0	\$ 6,225,856	\$ 6,225,856	2046	\$ 0	\$ 7,156,403	\$ 7,156,403
2027	\$ 792,272	\$ 4,052,630	\$ 4,844,902	2037	\$ 0	\$ 6,163,244	\$ 6,163,244	2047	\$ 0	\$ 7,207,513	\$ 7,207,513
2028	\$ 570,837	\$ 4,556,843	\$ 5,127,680	2038	\$ 0	\$ 6,318,451	\$ 6,318,451	2048	\$ 0	\$ 7,078,891	\$ 7,078,891
2029	\$ 422,360	\$ 4,937,203	\$ 5,359,563	2039	\$ 0	\$ 6,386,968	\$ 6,386,968	2049	\$ 0	\$ 7,169,439	\$ 7,169,439
2030	\$ 294,262	\$ 5,114,638	\$ 5,408,900	2040	\$ 0	\$ 6,533,504	\$ 6,533,504	2050	\$ 0	\$ 7,244,413	\$ 7,244,413
2031	\$ 212,226	\$ 5,451,548	\$ 5,663,774	2041	\$ 0	\$ 6,698,433	\$ 6,698,433	2051	\$ 0	\$ 7,392,397	\$ 7,392,397
2032	\$ 58,849	\$ 5,779,927	\$ 5,838,776	2042	\$ 0	\$ 6,824,001	\$ 6,824,001	2052	\$ 0	\$ 7,522,593	\$ 7,522,593
2033	\$ 23,649	\$ 6,010,595	\$ 6,034,244	2043	\$ 0	\$ 6,993,445	\$ 6,993,445	2053	\$ 0	\$ 7,768,955	\$ 7,768,955

Projected Employer Pay-go Cost



⁷ Projections for future retirees do not take into account future new hires.



Discussion of Discount Rates

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

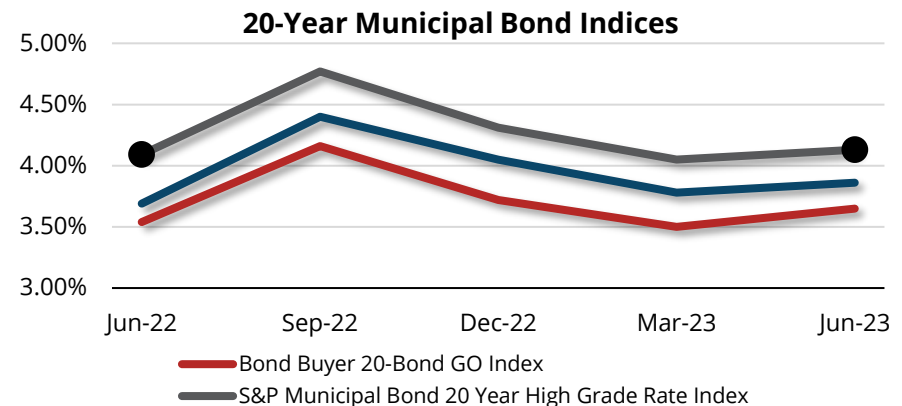
1. The long-term expected rate of return on OPEB plan investment is 3.00%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.00%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2023 are summarized in the following table.

Asset Class	Target Allocation	L/T Expected Real ROR (JP Morgan)
U.S. Bond	100.00%	1.00%

2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	June 30, 2022	June 30, 2023
Bond Buyer Go 20-Bond Municipal Bond Index	3.54%	3.65%
S&P Municipal Bond 20-Year High Grade Rate Index	4.09%	4.13%
Fidelity 20-Year Go Municipal Bond Index	3.69%	3.86%
Bond Index Range	3.54% - 4.09%	3.65% - 4.13%
Actual Discount Rate Used	4.09%	4.13%

3. The final equivalent single discount rate used for this year's valuation is 3.04% as of June 30, 2022 and 3.00% as of June 30, 2023, with the expectation that the State will continue to make contributions at least equal to the benefit payments each year.





Summary of Plan Participants

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Active Employees

<i>Actives with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Traditional PPO w/ Wellness Discount	64	17	81	51.0	10.7	\$ 5,429,620
Traditional PPO w/o Wellness Discount	435	141	576	45.4	7.4	\$ 34,191,776
CDHP 1 w/ Wellness Discount	3,026	4,864	7,890	47.8	14.3	\$ 555,318,149
CDHP 1 w/o Wellness Discount	6,339	6,683	13,022	44.4	9.7	\$ 753,455,611
CDHP 2 w/ Wellness Discount	610	442	1,052	47.7	10.8	\$ 70,465,794
CDHP 2 w/o Wellness Discount	1,523	1,298	2,821	43.3	6.5	\$ 164,810,369
Total actives with coverage	11,997	13,445	25,442	45.5	10.8	\$ 1,583,671,319

<i>Actives without coverage</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Total actives without coverage	5,063	43.4	7.4	\$ 284,683,499

For active employees who currently have no coverage, 35% of them are assumed to elect coverage after meeting PERF eligibility requirement. They have been included in the GASB valuation.



Summary of Plan Participants

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Active Age-Service Distribution

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	808	845	27									1,680
25 to 29	783	1,646	661	15								3,105
30 to 34	626	1,350	1,202	316	12							3,506
35 to 39	493	988	988	599	311	13						3,392
40 to 44	492	864	770	446	654	258	18					3,502
45 to 49	404	803	606	321	463	455	260	19				3,331
50 to 54	340	786	594	319	466	417	541	260	20			3,743
55 to 59	231	661	512	294	405	358	393	412	252	10		3,528
60 to 64	119	427	470	238	381	314	279	293	366	169		3,056
65 to 69	27	135	188	114	147	100	87	91	120	139		1,148
70 & up	12	46	65	50	62	55	46	52	42	84		514
Total	4,335	8,551	6,083	2,712	2,901	1,970	1,624	1,127	800	402		30,505



Summary of Plan Participants

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Summary of Plan Participants – Retirees

<i>Retirees with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>
Traditional PPO w/ Wellness Discount	2		2	64.0
Traditional PPO w/o Wellness Discount	5		5	62.7
CDHP 1 w/ Wellness Discount	84	7	91	62.5
CDHP 1 w/o Wellness Discount	170	16	186	62.4
CDHP 2 w/ Wellness Discount	8	1	9	61.8
CDHP 2 w/o Wellness Discount	18	1	19	63.3
Total retirees with coverage	287	25	312	62.5

Retiree Age Distribution

<i>Age</i>	<i>Retirees</i>
< 45	
45 to 49	
50 to 54	
55 to 59	47
60 to 64	265
65 to 69	
70 to 74	
75 to 79	
80 to 84	
85 to 89	
90 & up	
Total	312



Substantive Plan Provisions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Eligibility

State Employees

State employees are eligible for retiree health care benefits once they attain age 55 with 15 years of service.

Judges

Judges are eligible for retiree health care benefits once they attain age 62 with 8 years of service credit as a participant in the Indiana judges' retirement fund.

Prosecuting Attorneys

Prosecuting attorneys are eligible for retiree health care benefits once they attain age 62 with 10 years of service credit as a participant in the prosecuting attorneys retirement fund.

All Groups

Retired employee's eligibility to continue retiree health care coverage ends when the retiree becomes eligible for Medicare coverage (typically at age 65).

Spouse Coverage

Surviving spouse coverage ends at the earlier of Medicare eligibility or 2 years after the death of the retiree.

State Explicit Subsidy

None

Retiree Contributions

Retirees pay the full premium rate as determined by the State.

Medical Benefit

The same benefit options are available to retirees as active employees. The State does not subsidize HSA contributions for early retirees. For purposes of this valuation, no EAP plan benefits have been valued. All health plans are self-insured. The 2024 monthly premium rates by plan for non-tobacco users are as shown below:

Plans	w/o Wellness Discount	
	Single	Family
CDHP 1	\$ 660.14	\$ 1,966.64
CDHP 2	\$ 717.34	\$ 2,130.05
Traditional PPO	\$ 900.38	\$ 2,683.85

Dental and Vision Benefits

There is no GASB liability and no implicit subsidy is generated for dental and vision benefits as retirees pay the full cost for these benefits.



Substantive Plan Provisions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Life Insurance

None

Senate Enrolled Act 501

Purpose

Senate Enrolled Act 501 establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical expenses after retirement.

Eligibility

A participant who:

- a. Is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under PERF; or
- b. Has completed at least 10 years of service as an elected or appointed officer; or
- c. Has completed at least 15 years of service with the state for an employee

is entitled to receive a benefit from this account.

Annual State Contributions

The bill requires the state to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	\$ 500
At least 30 but less than 40	\$ 800
At least 40 but less than 50	\$ 1,100
At least 50	\$ 1,400

Bonus Contributions

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer.

The additional bonus contribution amount is one thousand dollars (\$1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).



Substantive Plan Provisions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Senate Enrolled Act 501

Surviving Spouse

Surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

GASB 74/75 Impact

The Senate Enrolled Act 501 plan is considered a defined contribution individual account for GASB 74/75 purposes and has no unfunded liabilities. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in a Trust Fund. All benefits and expenses in administering the Plan will be paid from the Fund. Money in the Fund may not be transferred, assigned, or otherwise removed from the Fund by the state board of finance, the Agency or any other state agency, and does not revert to the state general fund at the end of any state fiscal year.

The presence of this individual-account is expected to increase the percentage of future retirees electing to continue health coverage under the State plan. As a result, the health coverage election rate assumption has been set at 35% for retirements occurring after employees have met the minimum eligibility to use his/her individual account.

The Retirement Medical Benefits Account Trust Fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. Beginning on July 1, 2012, these cigarette tax revenues are temporarily redirected to the General Fund per HEA 1001 (2011) in order to recover prior General Fund overpayments to the plan. Beginning on July 1, 2014, cigarette tax revenues will once again be deposited directly to the trust fund. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Measurement Date

June 30, 2023

Actuarial Valuation Date

July 1, 2023 with no adjustments to get to the June 30, 2023 measurement date. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2021 projected to June 30, 2022 with adjustments for premium and discount rate updates.

Discount Rate

3.04% as of June 30, 2022 and 3.00% as of June 30, 2023 for accounting disclosure purposes; refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

3.00% as of June 30, 2022 and June 30, 2023 for calculating Actuarially Determined Contribution

Inflation Rate

2.00%

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Salary Scale

2.65% for general wage inflation (includes 2.00% inflation and 0.65% real wage growth) plus the following merit and productivity increases which are based on the assumptions approved from the Indiana Public Retirement System (INPRS) 2020 Experience Study.

YOS	General	Judges	Prosecuting Attorneys
0	6.00%	0.00%	0.00%
5	2.00%	0.00%	0.00%
10	0.75%	0.00%	0.00%
13+	0.00%	0.00%	0.00%

Contribution Funding Policy

The State contributes at least the Actuarially Determined Contribution annually.



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Census Data

Census data was provided by the State and it was collected as of June 30, 2023. We have reviewed it for reasonableness and no material modifications were made to the census data.

Data Assumption

The State has separate rates for tobacco and non-tobacco users, however these rates are not enforced for retired users. All retirees contribute the non-tobacco rates.

Mortality

Healthy Judges and PARF employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 with a 1 year setback for males and a 1 year setback for females
All other healthy employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 with a 3 year set forward for males and a 1 year set forward for females
Disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 with a 140% load
Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 with no set forward for males and a 2 year set forward for females

The above tables are based on 2020 INPRS Experience Study with recent mortality improvement scales.

Withdrawal Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health care coverage.

Annual withdrawal rates for judges follow the PERF, PARF, and Judges' Retirement System rates from the Indiana Public Retirement System (INPRS) 2020 Experience Study. Sample rates are as shown below:

State Personnel		Judges	
YOS	Unisex	Age	Rates
0	24.00%	All ages	3%
5	12.00%		
10	7.00%		
15	5.25%		
20	4.00%		
25	4.00%		
27+	1.00%		
		Attorney	
		Age	Rates
		All ages	10%



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Disability

None expected

Retirement Rate

Annual retirement rates follow the PERF, PARF, and Judges' Retirement System rates are based on the Indiana Public Retirement System (INPRS) 2020 Experience Study. Sample rates are as shown below:

State Personnel

Age	< 10 YOS	10 YOS	15 YOS	25 YOS	27 YOS	29 YOS	30+ YOS
50	0%	0%	4%	4%	4%	4%	4%
55	0%	0%	5%	5%	5%	5%	14%
60	0%	0%	12%	12%	12%	12%	12%
62	0%	0%	22%	22%	22%	22%	22%
65	0%	30%	30%	30%	30%	30%	30%
67+	0%	100%	100%	100%	100%	100%	100%

Judges

Age	< 8 YOS	8 - 22 YOS	22+ YOS
55 - 61	0%	0%	20%
62	0%	8%	20%
63	0%	8%	20%
64	0%	8%	20%
65	0%	30%	30%
66 - 74	0%	30%	30%
75+	0%	100%	100%

Attorneys

Age	< 10 YOS	10 - 22 YOS	22+ YOS
55 - 61	0%	0%	40%
62	0%	20%	40%
63	0%	20%	40%
64	0%	20%	40%
65 - 69	0%	50%	50%
70+	0%	100%	100%



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Per Capita Costs

Annual per capita costs are based on medical and prescription drug claims and enrollment data for the 24-month period ending May 31, 2023 projected to the 2023/24 plan year and includes administrative expenses effective on January 1, 2024. The per capita costs were actuarially increased to a retiree-basis using health index factors and enrollment by plan. The costs are assumed to increase with health care trend rates.

Age	Trad PPO	CDHP 1	CDHP 2
<55	\$ 15,500	\$ 10,200	\$ 14,700
55 - 59	\$ 19,200	\$ 12,700	\$ 18,200
60 - 64	\$ 24,400	\$ 16,100	\$ 23,100

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

There are no GASB liabilities for dental and vision benefits as retirees pay the full cost of coverage.

Dependent Liability

A 1% load is applied to pre-65 per capita costs to adjust for costs related to non-spouse dependents.

Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2024	7.5%	2028	5.5%
2025	7.0%	2029	5.0%
2026	6.5%	2030+	4.5%
2027	6.0%		

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Contribution Trend Rates

Retiree contributions are assumed to increase with Health Care Trend Rates.

Spousal Coverage

20% of male and 15% of female employees are assumed to be married upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage for current retirees is based on actual data.



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Health Care Coverage Election Rate

Active Employees

Actives with Current Health Coverage

10% of employees are assumed to elect coverage at retirement. Once the employees have met the PERF eligibility for normal, unreduced or a disability pension, the election rate increases to 35% due to the presence of the Senate Enrolled Act 501 account balance.

PERF eligibility requirement is the earlier of:

- a. Age 55 with 85 points
- b. Age 60 with 15 years of service
- c. Age 65 with 10 years of service

Actives without Current Health Coverage

35% of employees are assumed to elect coverage at retirement after meeting the PERF retirement eligibility.

Inactive Employees

Based on actual data

Explicit Subsidy

The difference between (a) the premium rate approved by the State and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retiree enrolled in CDHP 1 plan without wellness discount with non-tobacco use incentive.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 660.14	\$ 660.14	\$ 0.00
Spouse	\$ 1,306.50	\$ 1,306.50	\$ 0.00



Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Implicit Age Subsidy

The difference between (a) the per capita cost as determined by Nyhart and (b) the premium rate approved by the State. Below is an example of the monthly implicit subsidies for a retiree age 62 and spouse of the same age enrolled in CDHP 1 plan without wellness discount with non-tobacco incentive.

	Per Capita Cost	Premium Rate	Implicit Age Subsidy
	A	B	C = A - B
Retiree	\$ 1,341.67	\$ 660.14	\$ 681.53
Spouse	\$ 1,341.67	\$ 1,306.50	\$ 35.17

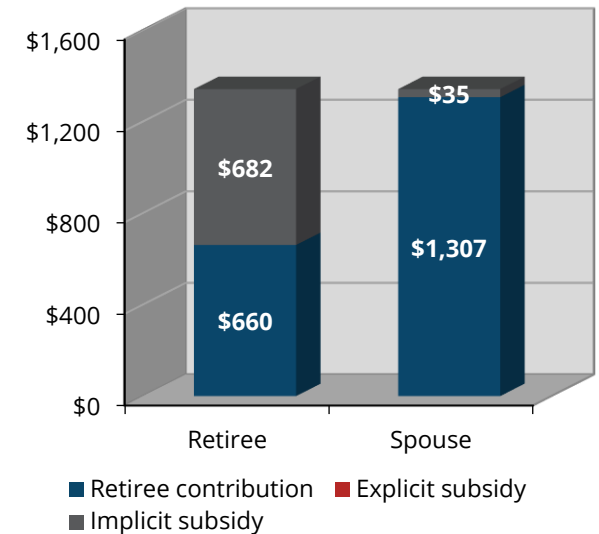
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 74/75 monthly total cost for a retiree age 62 and his spouse of the same age enrolled in CDHP 1 plan without wellness discount with non-tobacco incentive.

	Retiree		Spouse	
Retiree contribution	\$	660.14	\$	1,306.50
Explicit subsidy	\$	0.00	\$	0.00
Implicit subsidy	\$	681.53	\$	35.17
Total monthly cost	\$	1,341.67	\$	1,341.67

GASB Subsidy Breakdown





Actuarial Assumptions and Methods

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Models

ProVal

Valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing postretirement medical valuations. We coded the plan provisions, assumptions, methods and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

HealthMAPS Manual

Rating manual developed by WTW. Aging factors are used to develop per capita costs by age for plans with limited credible exposure to develop plan-specific factors. We are not aware of any weakness or limitations in the factors and have determined they are appropriate for performing this valuation.

APPENDIX



Appendix

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Appendix A – Comparison of Participant Demographic Information

	<i>As of June 30, 2021</i>	<i>As of June 30, 2023</i>
Active Participants ⁸	25,318	25,442
Retired Participants ⁹	411	312
Averages for Active		
Age	45.2	45.5
Service	11.0	10.8
Averages for Inactive		
Age	62.7	62.5

⁸ Only includes employees who have medical / rx coverage. Refer to Summary of Plan Participants section for an accurate breakdown of active employees with and without medical / rx coverage.

⁹ The retired enrollment figures above exclude spouses of current retirees and those who currently have no medical / rx coverage. Refer to Summary of Plan Participants section for an accurate breakdown of retirees with and without medical / rx coverage.



Appendix

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

Appendix B – Data Reconciliation

	<i>State Personnel</i>
Active employees with coverage	
Actives as of June 30, 2021	25,318
Terminated	(6,542)
New hires	6,527
Active employees who retired	(143)
Retirees who returned to active employment	2
Other adjustment ¹⁰	288
Actives as of June 30, 2023	25,450
Retirees with coverage	
Retirees as of June 30, 2021	411
Active employees who retired	145
Retirees who returned to active employment	(6)
Retirees who dropped coverage or passed away without beneficiaries	(260)
Retirees who passed away with beneficiaries	
New retirees ¹¹	22
Other adjustment	
Retirees as of June 30, 2023	312
Beneficiaries with coverage	
Beneficiaries as of June 30, 2021	
Active/retirees who passed away with beneficiaries	
Beneficiaries who dropped coverage or are listed as retiree	
Beneficiaries as of June 30, 2023	

¹⁰ This line shows adjustments for participants who have changed health plan enrollment status from June 30, 2021 to June 30, 2023 (i.e. those who did not have coverage before but are currently enrolled, and vice versa).

¹¹ This line shows new retirees who were not found as active employees in June 30, 2021 census data or those who were previously active in a different employee group.

GLOSSARY



Glossary – Decrements Exhibit

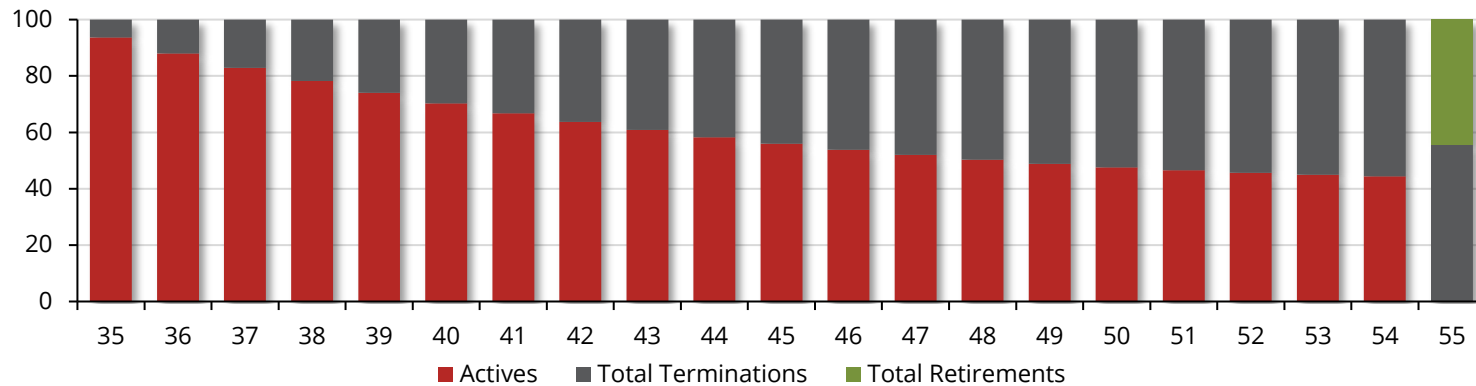
State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ¹²	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430

Decrements Exhibit



¹² The above rates are illustrative rates and are not used in our GASB calculations.

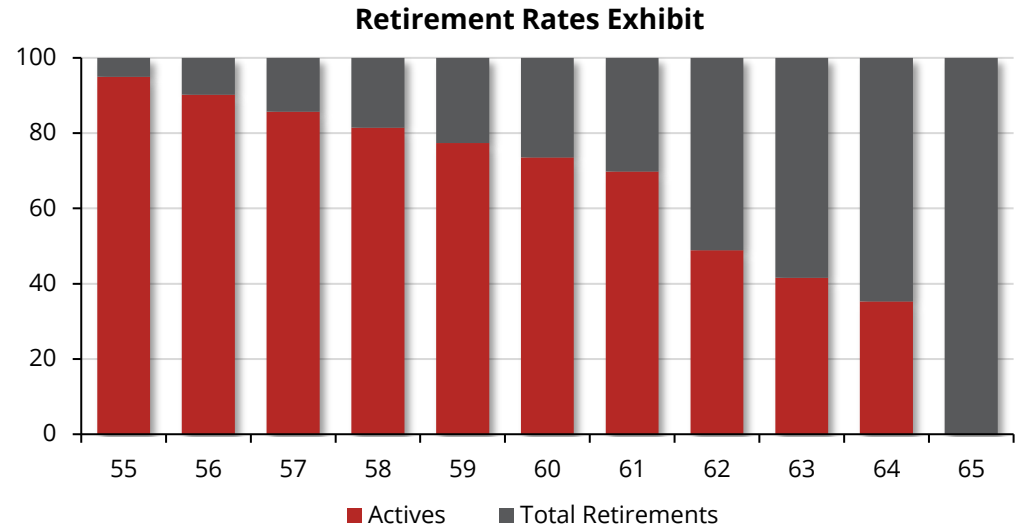


Glossary – Retirement Rates Exhibit

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.



Glossary – Definitions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.



Glossary – Definitions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.



Glossary – Definitions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2023

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).