



nyhart  
part of FuturePlan by Ascensus®

# INTERIM GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2024

## STATE OF INDIANA State Personnel

### CONTACT

Cody Kocher FSA, MAAA  
cody.kocher@nyhart.com

### PHONE

General	(317) 845-3500
Toll-Free	(800) 428-7106
Fax	(317) 845-3654

# Table of Contents

---

	<b>Page</b>
Certification	1
Executive Summary	
Actuary's Notes	4
Summary of Results	5
GASB Disclosures	
Schedule of Changes in Net OPEB Liability and Related Ratios	6
Schedule of Employer Contributions	8
OPEB Expense	9
Deferred Outflows / (Inflows) or Resources	10
Sensitivity Results	12
Asset Information	13
Actuarially Determined Contributions	15
Projection of GASB Disclosures	16
Discussion of Discount Rates	17
Summary of Key Actuarial Assumptions	18



**November 18, 2024**

**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 2023/24 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, FSA, 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, 2024

## Detailed Actuary's Notes

The following assumption changes have been made since last year's full valuation, which was for the fiscal year ending June 30, 2023:

We have updated the discount rate assumption to be based on a blended rate using the expected rate of return on assets (3.00%) 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 (4.21% as of June 30, 2024) for years when investments are insufficient to cover future benefit payments. The discount rate is 3.00% as of June 30, 2023 and 3.00% as of June 30, 2024. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Medical/rx trend rates have been updated to an initial rate of 8.00% decreasing by 0.50% per year to an ultimate rate of 4.50%. This change caused an increase in liabilities.

Interim year valuation results have been projected from the prior year's valuation with adjustments for actual medical/Rx claims and enrollment experience for the 24 months ending May 2024 (with 70% weight on the most recent 12 months) and premium rate changes from 2024 to 2025. Plan costs were lower than expected (-2.6% for CDHP 1, -4.3% for CDHP 2, and -0.6% for Traditional PPO compared to 7.5% expected). Making this change resulted in a significant decrease in liabilities, due to plan costs being lower than expected and retiree contributions increasing.

### Premium Rates

The 2024 and 2025 monthly retiree premium rates by plan for non-tobacco users are as shown below:

<b>2024</b>	<b>w/o Wellness Discount</b>	
<b>Plans</b>	<b>Single</b>	<b>Family</b>
CDHP 1	\$ 660.14	\$ 1,966.64
CDHP 2	\$ 717.34	\$ 2,130.05
Traditional PPO	\$ 900.38	\$ 2,683.85

<b>2025</b>	<b>w/o Wellness Discount</b>	
<b>Plans</b>	<b>Single</b>	<b>Family</b>
CDHP 1	\$ 712.66	\$ 2,123.16
CDHP 2	\$ 772.20	\$ 2,294.89
Traditional PPO	\$ 964.47	\$ 2,882.10



# Executive Summary

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Summary of Results

Presented below is the summary of GASB 74/75 results for the fiscal year ending June 30, 2024.

	<i>As of June 30, 2023</i>	<i>As of June 30, 2024</i>
<b>Total OPEB Liability</b>	\$ 92,037,020	\$ 80,651,410
<b>Actuarial Value of Assets</b>	(47,570,405)	(49,367,537)
<b>Net OPEB Liability</b>	\$ 44,466,615	\$ 31,283,873
<b>Funded Ratio</b>	51.7%	61.2%

	<i>For FY 2022/23</i>	<i>For FY 2023/24</i>
<b>OPEB Expense</b>	\$ 9,882,111	\$ 8,744,941
<b>Annual Employer Contribution</b>	\$ 1,949,103	\$ 1,118,483

<i>As of June 30, 2022</i>	<i>As of June 30, 2023</i>	<i>As of June 30, 2024</i>
<b>Discount Rate</b>	3.00%	3.00%
<b>Expected Return on Assets</b>	3.00%	3.00%



# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2023/24	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20
<b>Total OPEB Liability</b>					
Total OPEB liability – beginning of year	\$ 92,037,020	\$ 73,632,905	\$ 62,697,000	\$ 52,311,259	\$ 57,423,651
Service cost	4,899,192	3,752,230	3,304,690	3,205,921	2,961,092
Interest	2,896,040	2,325,873	1,921,191	1,714,430	1,891,706
Changes of benefit terms	0	0	0	0	0
Changes in assumptions	4,070,559	2,507,362	(528,337)	7,075,425	(6,835,400)
Differences between expected and actual experience	(22,442,323)	11,584,193	8,447,661	3,306,760	1,622,200
Benefit payments	(809,078)	(1,765,543)	(2,209,300)	(4,916,795)	(4,751,990)
Net change in total OPEB liability	\$ (11,385,610)	\$ 18,404,115	\$ 10,935,905	\$ 10,385,741	\$ (5,112,392)
Total OPEB liability – end of year	\$ 80,651,410	\$ 92,037,020	\$ 73,632,905	\$ 62,697,000	\$ 52,311,259
<b>Plan Fiduciary Net Position</b>					
Plan fiduciary net position – beginning of year	\$ 47,570,405	\$ 46,495,865	\$ 46,837,203	\$ 47,137,471	\$ 46,203,020
Contributions – employer	1,118,483	1,949,103	1,776,045	4,559,016	5,030,562
Contributions – active employees	0	0	0	0	0
Net investment income	1,680,367	1,134,851	91,917	57,511	789,133
Benefit payments	(809,078)	(1,765,543)	(2,209,300)	(4,916,795)	(4,751,990)
Trust administrative expenses	(192,640)	(243,871)	0	0	(133,254)
Net change in plan fiduciary net position	\$ 1,797,132	\$ 1,074,540	\$ (341,338)	\$ (300,268)	\$ 934,451
Plan fiduciary net position – end of year	\$ 49,367,537	\$ 47,570,405	\$ 46,495,865	\$ 46,837,203	\$ 47,137,471
<b>Net OPEB Liability – end of year</b>	<b>\$ 31,283,873</b>	<b>\$ 44,466,615</b>	<b>\$ 27,137,040</b>	<b>\$ 15,859,797</b>	<b>\$ 5,173,788</b>
Plan fiduciary net position as % of total OPEB liability	61.2%	51.7%	63.1%	74.7%	90.1%
Covered employee payroll	\$ 1,969,964,274	\$ 1,868,354,818	\$ 1,576,490,580	\$ 1,535,792,090	\$ 1,503,767,928
Net OPEB liability as % of covered payroll	1.6%	2.4%	1.7%	1.0%	0.3%





# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2018/19	FY 2017/18
<b>Total OPEB Liability</b>		
Total OPEB liability – beginning of year	\$ 47,525,294	\$ 53,040,129
Service cost	1,932,796	2,113,477
Interest	1,851,245	1,909,791
Changes of benefit terms	0	0
Changes in assumptions	2,802,670	(1,163,973)
Differences between expected and actual experience	6,587,365	(5,331,960)
Benefit payments	(3,275,719)	(3,042,170)
Net change in total OPEB liability	\$ 9,898,357	\$ (5,514,835)
Total OPEB liability – end of year	\$ 57,423,651	\$ 47,525,294
<b>Plan Fiduciary Net Position</b>		
Plan fiduciary net position – beginning of year	\$ 45,489,242	\$ 44,998,027
Contributions – employer	3,336,598	3,384,366
Contributions – active employees	0	0
Net investment income	1,006,887	546,743
Benefit payments	(3,275,719)	(3,042,170)
Trust administrative expenses	(353,988)	(397,724)
Net change in plan fiduciary net position	\$ 713,778	\$ 491,215
Plan fiduciary net position – end of year	\$ 46,203,020	\$ 45,489,242
<b>Net OPEB Liability – end of year</b>	<b>\$ 11,220,631</b>	<b>\$ 2,036,052</b>
Plan fiduciary net position as % of total OPEB liability	80.5%	95.7%
Covered employee payroll	\$ 1,470,677,680	\$ 1,262,054,123
Net OPEB liability as % of covered payroll	0.8%	0.2%



# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## 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.

	<i>FY 2023/24</i>	<i>FY 2022/23</i>	<i>FY 2021/22</i>	<i>FY 2020/21</i>	<i>FY 2019/20</i>
Actuarially Determined Contribution (ADC)	\$ 7,750,357 <sup>1</sup>	\$ 5,515,955	\$ 4,272,930	\$ 4,916,795	\$ 4,751,990
Contributions in relation to the ADC <sup>2</sup>	1,118,483	1,949,103	1,776,045	4,559,016	5,030,562
Contribution deficiency / (excess)	\$ 6,631,874	\$ 3,566,852	\$ 2,496,885	\$ 357,779	\$ (278,572)
Covered employee payroll	\$ 1,969,964,274	\$ 1,868,354,818	\$ 1,576,490,580	\$ 1,535,792,090	\$ 1,503,767,928
Contribution as a % of covered employee payroll	0.1%	0.1%	0.1%	0.3%	0.3%

	<i>FY 2018/19</i>	<i>FY 2017/18</i>	<i>FY 2016/17</i>	<i>FY 2015/16</i>	<i>FY 2014/15</i>
Actuarially Determined Contribution (ADC)	\$ 3,275,719	\$ 3,042,170	\$ 3,060,429	\$ 1,537,527	\$ 1,838,675
Contributions in relation to the ADC <sup>4</sup>	3,336,598	3,384,366	4,801,561	2,977,166	3,567,257
Contribution deficiency / (excess)	\$ (60,879)	\$ (342,196)	\$ (1,741,132)	\$ (1,439,639)	\$ (1,728,582)
Covered employee payroll	\$ 1,470,677,680	\$ 1,262,054,123	\$ 1,234,282,761	\$ 1,148,771,000	\$ 1,180,296,000
Contribution as a % of covered employee payroll	0.2%	0.3%	0.4%	0.3%	0.3%

<sup>1</sup> Refer to the Actuarially Determined Contributions section for the calculation details.

<sup>2</sup> 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, 2024

## OPEB Expense

<i>OPEB Expense</i>	<i>FY 2023/24</i>	<i>FY 2022/23</i>
Discount rate as of beginning of fiscal year	3.00%	3.04%
Discount rate as of end of fiscal year	3.00%	3.00%
Service cost	\$ 4,899,192	\$ 3,752,230
Interest	2,896,040	2,325,873
Changes of benefit terms	0	0
Projected earnings on OPEB plan investments	(1,428,851)	(1,393,978)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	192,640	243,871
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ 480,082	\$ 3,686,125
Changes in assumptions	1,006,268	424,759
Net difference between projected and actual earnings on OPEB plan investments	699,570	843,231
Total current period recognition	\$ 2,185,920	\$ 4,954,115
Total OPEB expense	\$ 8,744,941	\$ 9,882,111



# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## 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 item 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, 2024</i>
June 30, 2018	\$ (5,331,960)	7	\$ (761,706)	\$ 0
June 30, 2019	\$ 6,587,365	7	\$ 941,052	\$ 941,053
June 30, 2020	\$ 1,622,200	7	\$ 231,743	\$ 463,485
June 30, 2021	\$ 3,306,760	8	\$ 413,345	\$ 1,653,380
June 30, 2022	\$ 8,447,661	7	\$ 1,206,809	\$ 4,827,234
June 30, 2023	\$ 11,584,193	7	\$ 1,654,885	\$ 8,274,423
June 30, 2024	\$ (22,442,323)	7	\$ (3,206,046)	\$ (19,236,277)

<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, 2024</i>
June 30, 2018	\$ (1,163,973)	7	\$ (166,281)	\$ 0
June 30, 2019	\$ 2,802,670	7	\$ 400,381	\$ 400,384
June 30, 2020	\$ (6,835,400)	7	\$ (976,486)	\$ (1,952,970)
June 30, 2021	\$ 7,075,425	8	\$ 884,428	\$ 3,537,713
June 30, 2022	\$ (528,337)	7	\$ (75,477)	\$ (301,906)
June 30, 2023	\$ 2,507,362	7	\$ 358,195	\$ 1,790,972
June 30, 2024	\$ 4,070,559	7	\$ 581,508	\$ 3,489,051



# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## 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, 2024</i>
June 30, 2020	\$ 714,808	5	\$ 142,960	\$ 0
June 30, 2021	\$ 1,468,689	5	\$ 293,738	\$ 293,737
June 30, 2022	\$ 1,306,748	5	\$ 261,350	\$ 522,698
June 30, 2023	\$ 259,127	5	\$ 51,825	\$ 155,477
June 30, 2024	\$ (251,516)	5	\$ (50,303)	\$ (201,213)

<i>As of fiscal year ending June 30, 2024</i>	<i>Deferred Outflows</i>	<i>Deferred Inflows</i>
Differences between expected and actual experience	\$ 16,159,575	\$ (19,236,277)
Changes in assumptions	9,218,120	(2,254,876)
Net difference between projected and actual earnings in OPEB plan investments	770,699	0
<b>Total</b>	<b>\$ 26,148,394</b>	<b>\$ (21,491,153)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2024 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>
2025	\$ 2,970,950
2026	\$ 1,335,775
2027	\$ 1,819,171
2028	\$ 1,767,344
2029	\$ (611,463)
Thereafter	\$ (2,624,536)



# GASB Disclosures

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Sensitivity Results

The following presents the net OPEB liability as of June 30, 2024, 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, 2024</i>	<i>Net OPEB Liability</i>	
1% Decrease	\$	39,263,804
Current Discount Rate	\$	31,283,873
1% Increase	\$	24,035,747

The following presents the net OPEB liability as of June 30, 2024, 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 8.0% 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 7.0% 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 9.0% decreasing by 0.5% annually to an ultimate rate of 5.5%.

<i>As of June 30, 2024</i>	<i>Net OPEB Liability</i>	
1% Decrease	\$	21,119,511
Current Health Care Trend Rates	\$	31,283,873
1% Increase	\$	43,532,572



# Asset Information

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Asset Information

<i>Asset Breakdown</i>	<i>FY 2022/23</i>	<i>FY 2023/24</i>
<b>Assets</b>		
Cash, cash equivalents, and Non-pension Investments	\$ 3,268,059	\$ 3,153,280
Securities lending cash collateral	0	0
Total cash	\$ 3,268,059	\$ 3,153,280
Receivables		
Contributions	\$ 0	\$ 0
Interest Receivable	276,547	305,299
Total receivables	\$ 276,547	\$ 305,299
Investments		
Mutual Funds – Fixed Income	\$ 44,543,960	\$ 46,310,354
Mutual Funds – Equity	0	0
Debt Securities	0	0
Partnerships / Joint Ventures	0	0
Total investments	\$ 44,543,960	\$ 46,310,354
Total assets	\$ 48,088,566	\$ 49,768,933
<b>Liabilities</b>		
Payables		
Investment management fees	\$ 0	\$ 0
Benefits Payable	518,161	401,396
Total liabilities	\$ 518,161	\$ 401,396
<b>Net position restricted to OPEB</b>	<b>\$ 47,570,405</b>	<b>\$ 49,367,537</b>



# Asset Information

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## Asset Information

<i>Asset Reconciliation</i>	<i>FY 2022/23</i>	<i>FY 2023/24</i>
<b>Additions</b>		
Contributions received		
Employer	\$ 1,949,103	\$ 1,118,483
Employee	0	0
Total contributions	\$ 1,949,103	\$ 1,118,483
Investment income		
Net increase in fair value of investments	\$ 1,134,851	\$ 1,680,367
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	\$ 1,134,851	\$ 1,680,367
Total additions	\$ 3,083,954	\$ 2,798,850
<b>Deductions</b>		
Benefit payments (net of retiree contributions)	\$ (1,765,543)	\$ (809,078)
Administrative expenses	(243,871)	(192,640)
Other	0	0
Total deductions	\$ (2,009,414)	\$ (1,001,718)
<b>Net increase in net position</b>	\$ 1,074,540	\$ 1,797,132
<b>Net position restricted to OPEB</b>		
Beginning of year	\$ 46,495,865	\$ 47,570,405
End of year	\$ 47,570,405	\$ 49,367,537



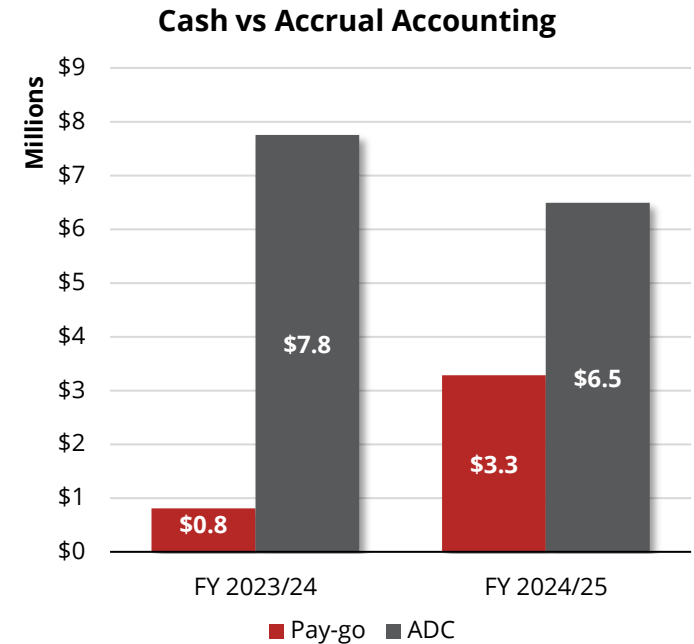


# Actuarially Determined Contributions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

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 2023/24		FY 2024/25	
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	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level Dollar		Level Dollar	
Amortization period	23 years		22 years	
Actuarial accrued liability (AAL) – beginning of year	\$	92,037,020	\$	80,651,410
Actuarial value of assets – beginning of year		(47,570,405)		(49,367,537)
Unfunded AAL – beginning of year	\$	44,466,615	\$	31,283,873
Normal Cost	\$	4,899,192	\$	4,394,789
Amortization of UAAL		2,625,426		1,905,807
Total normal cost plus amortization	\$	7,524,618	\$	6,300,596
Interest to the end of year		225,739		189,018
Actuarially Determined Contribution – Preliminary	\$	7,750,357	\$	6,489,614
Expected benefit payments <sup>3</sup>		809,078		3,286,121
<b>Actuarially Determined Contribution – Final<sup>4</sup></b>	<b>\$</b>	<b>7,750,357</b>	<b>\$</b>	<b>6,489,614</b>



**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.

<sup>3</sup> Actual for FY 2023/24

<sup>4</sup> Set to be the greater of the preliminary ADC and expected benefit payments.



# Projection of GASB Results

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## 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 2023/24</i>	<i>FY 2024/25</i>
TOL as of beginning of year	\$ 92,037,020	\$ 80,651,410
Normal cost as of beginning of year	4,899,192	4,394,789
Exp. benefit payments during the year	(809,078)	(3,286,121)
Interest adjustment to end of year	2,896,040	2,502,458
Exp. TOL as of end of year	\$ 99,023,174	\$ 84,262,536
Actuarial Loss/(Gain)	(18,371,764)	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 80,651,410</b>	<b>\$ TBD</b>

<i>Projection of Actuarial Value of Assets (AVA)</i>	<i>FY 2023/24</i>	<i>FY 2024/25</i>
AVA as of beginning of year	\$ 47,570,405	\$ 49,367,537
Exp. employer contributions during the year <sup>5</sup>	1,118,483	6,489,614
Exp. benefit payments during the year	(809,078)	(3,286,121)
Exp. investment income <sup>6</sup>	1,428,851	1,525,747
Exp. Trust administrative expenses	(192,640)	(199,918)
Exp. AVA as of end of year	\$ 49,116,021	\$ 53,896,859
Differences between expected and actual experience	251,516	TBD
<b>AVA as of end of year</b>	<b>\$ 49,367,537</b>	<b>\$ TBD</b>

<sup>5</sup> Employer contribution for 2023/24 is based on actual employer contribution made into the Trust. FY 2024/25 expected employer contribution is based on the final ADC as shown on page 15.

<sup>6</sup> Fiscal year 2023/24 expected investment income is based on a 3.00% asset return and 2024/25 expected investment income is calculated based on a 3.00% asset return.



# Discussion of Discount Rates

## State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

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:

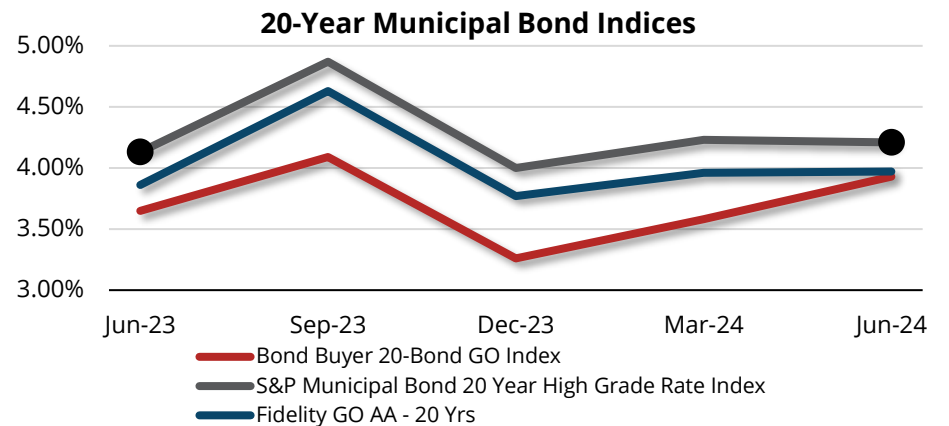
1. The long-term expected rate of return on OPEB plan investment is 3.00%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future 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, 2024 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, 2023	June 30, 2024
Bond Buyer Go 20-Bond Municipal Bond Index	3.65%	3.93%
S&P Municipal Bond 20-Year High Grade Rate Index	4.13%	4.21%
Fidelity 20-Year Go Municipal Bond Index	3.86%	3.97%
Bond Index Range	3.65% - 4.13%	3.93% - 4.21%
<b>Actual Discount Rate Used</b>	<b>4.13%</b>	<b>4.21%</b>

3. The final equivalent single discount rate used for this year's valuation is 3.00% as of June 30, 2023 and 3.00% as of June 30, 2024, with the expectation that the State will continue to make contributions at least equal to the benefit payments each year.





# Summary of Key Actuarial Assumptions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2023.

## Measurement Date

For fiscal year ending June 30, 2024, a June 30, 2024 measurement date was used.

## Actuarial Valuation Date

July 1, 2023

Liabilities as of June 30, 2024 are based on an actuarial valuation date of July 1, 2023 with results actuarially projected to June 30, 2024, with adjustments for actual premium and plan cost changes. Liabilities as of June 30, 2023 are based on an actuarial valuation date of July 1, 2023 with no adjustments.

## Discount Rate

3.00% as of June 30, 2024 and 3.00% as of June 30, 2023 for accounting disclosure purposes.  
3.00% as of June 30, 2024 and June 30, 2023 for calculating the Actuarially Determined Contributions.

Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

The discount rate was chosen by the plan sponsor based on the information provided in the "Discussion of Discount Rates" section above.

## Payroll Growth

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%

## Inflation Rate

2.00% per year

The inflation rate is based on assumptions approved from the Indiana Public Retirement System (INPRS) 2020 Experience Study and future expectations.



# Summary of Key Actuarial Assumptions

State of Indiana State Personnel GASB 74/75 Valuation for Fiscal Year Ending June 30, 2024

## 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.

## Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2025	8.0%	2029	6.0%
2026	7.5%	2030	5.5%
2027	7.0%	2031	5.0%
2028	6.5%	2032+	4.5%

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.

## 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 2021 Manual

Rating manual developed by WTW. 2021 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.