

nyhart

***State of Indiana
GASB 45 Financial Report***

***Fiscal Year Ending
June 30, 2012***

Table of Contents

	Page
Certification	
Section A: Executive Summary	
Section B: Valuation Results	
Valuation Results for Fiscal Year Ending June 30, 2012	B-1
Valuation Results for Fiscal Year Ending June 30, 2011	B-2
Schedule of Funding Progress	B-3
Schedule of Employer Contributions	B-4
Annual OPEB Cost	B-5
Reconciliation of Actuarial Accrued Liability (AAL)	B-6
Pay-as-you-go Cash Flow Projections	B-7
Section C: Substantive Plan Provisions and Actuarial Assumptions	
Section C1 – State Personnel.....	C1
Section C2 – Legislature.....	C2
Section C3 – Indiana State Police (ISP).....	C3
Section C4 – Conservation and Excise Police (CEP)	C4
Section D: Summary of Participants	
Section E: Definitions	
Section F: Appendix	
Appendix A – Comparison of Participant Demographic Information	F-1
Appendix B – Conservation and Excise Police GASB Breakdown	F-3
Appendix C – Withdrawal and Mortality Rates Exhibit	F-4
Appendix D – Retirement Rates Exhibit	F-5
Appendix E – Illustration of GASB Calculations	F-6

Certification

This report summarizes the GASB actuarial valuation for the State of Indiana for the fiscal year ending June 30, 2012. 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. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We 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.

The actuarial assumptions were 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 computations have been made in accordance with generally accepted actuarial principles and practice.

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.

Nyhart



Randy Gomez, FSA, MAAA

November 8, 2012



Thomas Totten, FCA, FSA, EA, MAAA



Actuary's Notes

Changes since Last Valuation

The last full GASB valuation was for the fiscal year ending June 30, 2011. For the current year GASB valuation, we have reset the health care trend rates and updated the per capita costs. We expect to update health care trend rates and per capita costs again for the next full GASB valuation, which will be for the fiscal year ending June 30, 2012.

Other assumption changes reflected in this report:

1. State Personnel/Judges/Attorneys:
 - Annual withdrawal and retirement rates for State Personnel have been updated to be consistent with the Public Employees Retirement Fund (PERF) actuarial valuation as of June 30, 2011. For the withdrawal rates, we only used rates for employees with at least \$20,000 in annual earnings.
 - Annual retirement rates for Judges have been updated to be consistent with Judges' actuarial valuation as of June 30, 2011.
 - Prosecuting attorneys annual retirement rates have been updated to be consistent with Prosecuting Attorneys Retirement Fund (PARF) actuarial valuation as of June 30, 2011.
2. Legislatures
 - Active legislators who are currently enrolled in ISP plan are assumed to continue to be enrolled in the ISP plan at retirement and they will be required to contribute the same retiree contributions as ISP regular retirees at retirement.
3. Conservation and Excise Police (CEP):
 - Annual retirement rates have been updated to be consistent with the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers actuarial valuation as of June 30, 2011.
 - Retiree contributions for pre and post-Medicare retirees were increased on September 1, 2012.
4. Indiana State Police (ISP):
 - Benefit designs have changed effective on January 1, 2012 and 2013 for actives and retirees.
 - Retiree contributions for pre and post-Medicare retirees were increased on January 1, 2012 and 2013.



Sources of GASB Liabilities and Assets

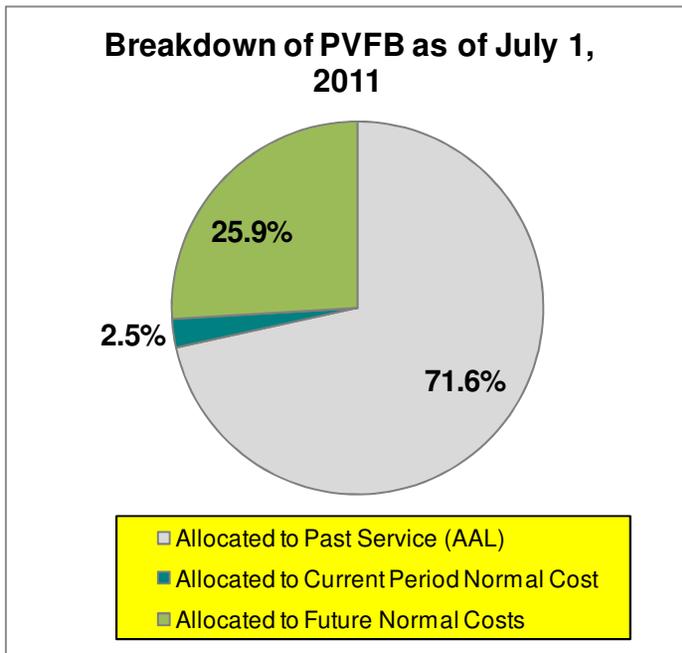
1. The State does not explicitly subsidize retiree health care coverage for State employees. The Indiana State Police and Conservation and Excise Police provide retiree health care coverage at subsidized rates to their retirees. The state legislature provides subsidized retiree health care coverage to a limited group of retirees.
2. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a GASB 45 liability assigned to the State.
3. The State has historically funded its retiree health benefits on a pay-as-you-go basis but over the last several years they have begun pre-funding for State Personnel, Indiana State Police, and Conservation and Excise Police.



Summary of Results

Below is the breakdown of Present Value of Future Benefits (PVFB) as of July 1, 2011 allocated for past, current, and future service.

<i>As of July 1, 2011</i>	<i>Present Value of Future Benefits (PVFB)</i> A	<i>Actuarial Accrued Liability (AAL)</i> <i>PVFB allocated to past service</i> B	<i>Normal Cost (NC)</i> <i>PVFB allocated to current period service</i> C	<i>Future Normal Costs</i> <i>PVFB allocated to future service</i> D = A - B - C
State Personnel	\$ 45,999,717	\$ 36,922,032	\$ 1,044,491	\$ 8,033,194
Legislature	\$ 12,513,713	\$ 11,833,535	\$ 85,906	\$ 595,082
Indiana State Police (ISP)	\$ 391,659,587	\$ 273,922,002	\$ 10,257,422	\$ 107,480,163
Conservation and Excise Police (CEP)	\$ 56,431,695	\$ 39,925,174	\$ 1,170,958	\$ 15,335,563
Total	\$ 506,604,712	\$ 362,602,743	\$ 12,557,967	\$ 131,444,002



PVFB is the amount needed as of July 1, 2011 to fully fund the State's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

AAL is the portion of PVFB considered to be accrued or earned as of July 1, 2011. This amount is a required disclosure in the Required Supplementary Information section.

NC is the portion of actuarial present value of retiree health care benefits and expenses which is allocated to 2011/12 by the actuarial cost method (Projected Unit Credit).



Summary of Results – Continued

Below is a comparison of the GASB results for the fiscal years ending June 30, 2012 and 2011 based on the Projected Unit Credit cost method.

<i>As of July 1, 2011</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
Present Value of Future Benefits	\$ 506,604,712	\$ 45,999,717	\$ 12,513,713	\$ 391,659,587	\$ 56,431,695
Actuarial Accrued Liability	\$ 362,602,743	\$ 36,922,032	\$ 11,833,535	\$ 273,922,002	\$ 39,925,174

<i>As of July 1, 2010</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
Present Value of Future Benefits	\$ 546,595,882	\$ 53,503,081	\$ 9,089,781	\$ 415,127,459	\$ 68,875,561
Actuarial Accrued Liability	\$ 380,691,925	\$ 36,470,615	\$ 9,039,293	\$ 287,956,058	\$ 47,225,959



Income Statement and Balance Sheet Impact

<i>2011/12 Fiscal Year</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
Annual OPEB Cost	\$ 33,528,553	\$ 2,930,446	\$ 802,187	\$ 26,335,938	\$ 3,459,982
Total Employer Contributions ¹ (Affects Income Statement)	\$ 59,854,223	\$ 33,849,768	\$ 488,290	\$ 18,626,963	\$ 6,889,202
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 91,903,376	\$ (27,727,880)	\$ 1,120,243	\$ 108,839,636	\$ 9,671,377
<i>2010/11 Fiscal Year</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
Annual OPEB Cost	\$ 38,221,046	\$ 4,498,949	\$ 550,916	\$ 28,914,625	\$ 4,256,556
Total Employer Contributions ¹ (Affects Income Statement)	\$ 32,397,162	\$ 16,922,179	\$ 352,350	\$ 13,786,787	\$ 1,335,846
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 118,229,046	\$ 3,191,442	\$ 806,346	\$ 101,130,661	\$ 13,100,597

¹ Total employer contributions shown are based on estimates reflecting current demographic, premium and contribution information. It includes State Personnel and Indiana State Police additional employer contributions for pre-funding in 2010/11 and 2011/12 fiscal years, and Conservation and Excise Police pre-funding contribution in 2011/12 fiscal year.



For Fiscal Year Ending June 30, 2012

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. Accordingly, the State has elected to use the actuarial liability results for the period ending on June 30, 2011 for the period ending June 30, 2012. The value of assets is as reported for the current period. The date/year references below have been changed to 2011/12 for consistency.

Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP
Actuarial Accrued Liability as of June 30, 2012	\$ 381,550,919	\$ 36,642,879	\$ 11,955,814	\$ 291,147,853	\$ 41,804,373
Actuarial Value of Assets as of June 30, 2012	(66,814,498)	(44,008,068)	0	(17,033,474)	(5,772,956)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 314,736,421	\$ (7,365,189)	\$ 11,955,814	\$ 274,114,379	\$ 36,031,417

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 11,628,105	\$ 1,044,491	\$ 85,096	\$ 9,327,560 ²	\$ 1,170,958
Amortization of the UAAL over 30 year period	21,846,510	1,725,819	695,195	17,079,976	2,345,520
Total normal cost and amortization payment	\$ 33,474,615	\$ 2,770,310	\$ 780,291	\$ 26,407,536	\$ 3,516,478
Interest to end of year	1,773,673	193,922	35,113	1,386,396	158,242
Total Annual Required Contribution (ARC)	\$ 35,248,288	\$ 2,964,232	\$ 815,404	\$ 27,793,932	\$ 3,674,720

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP
ARC for fiscal year 2011/12	\$ 35,248,288	\$ 2,964,232	\$ 815,404	\$ 27,793,932	\$ 3,674,720
Interest on Net OPEB Obligation (NOO) to end of year	6,158,574	223,401	36,286	5,309,360	589,527
Amortization adjustment to the ARC for beginning of year NOO	(7,878,309)	(257,187)	(49,503)	(6,767,354)	(804,265)
Annual OPEB cost	\$ 33,528,553	\$ 2,930,446	\$ 802,187	\$ 26,335,938	\$ 3,459,982
Total annual employer contribution for 2011/12	(59,854,223)	(33,849,768)	(488,290)	(18,626,963)	(6,889,202)
Change in NOO for fiscal year 2011/12	\$ (26,325,670)	\$ (30,919,322)	\$ 313,897	\$ 7,708,975	\$ (3,429,220)
NOO as of July 1, 2011	118,229,046	3,191,442	806,346	101,130,661	13,100,597
NOO as of June 30, 2012	\$ 91,903,376	\$ (27,727,880)	\$ 1,120,243	\$ 108,839,636	\$ 9,671,377

² ISP normal cost for FY 2011/12 has been reduced for active employee contributions of \$929,862 (as provided by the Plan Sponsor).



For Fiscal Year Ending June 30, 2011

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. Accordingly, the State has elected to use the actuarial liability results for the period ending on June 30, 2010 for the period ending June 30, 2011. The value of assets is as reported for the current period. The date/year references below have been changed to 2010/11 for consistency.

Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP
Actuarial Accrued Liability as of June 30, 2011	\$ 402,466,500	\$ 37,733,465	\$ 9,091,813	\$ 306,131,521	\$ 49,509,701
Actuarial Value of Assets as of June 30, 2011	(19,287,537)	(14,007,168)	0	(5,280,369)	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 383,178,963	\$ 23,726,297	\$ 9,091,813	\$ 300,851,152	\$ 49,509,701

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 13,418,962	\$ 1,612,353	\$ 5,687	\$ 10,342,409 ³	\$ 1,458,513
Amortization of the UAAL over 30 year period	24,360,194	2,746,762	531,039	18,307,968	2,774,425
Total normal cost and amortization payment	\$ 37,779,156	\$ 4,359,115	\$ 536,726	\$ 28,650,377	\$ 4,232,938
Interest to end of year	2,023,918	305,138	24,153	1,504,145	190,482
Total Annual Required Contribution (ARC)	\$ 39,803,074	\$ 4,664,253	\$ 560,879	\$ 30,154,522	\$ 4,423,420

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP
ARC for fiscal year 2010/11	\$ 39,803,074	\$ 4,664,253	\$ 560,879	\$ 30,154,522	\$ 4,423,420
Interest on Net OPEB Obligation (NOO) to end of year	6,093,620	1,093,027	27,350	4,515,148	458,095
Amortization adjustment to the ARC for beginning of year NOO	(7,675,648)	(1,258,331)	(37,313)	(5,755,045)	(624,959)
Annual OPEB cost	\$ 38,221,046	\$ 4,498,949	\$ 550,916	\$ 28,914,625	\$ 4,256,556
Total annual employer contribution for 2010/11	(32,397,162)	(16,922,179)	(352,350)	(13,786,787)	(1,335,846)
Change in NOO for fiscal year 2010/11	\$ 5,823,884	\$ (12,423,230)	\$ 198,566	\$ 15,127,838	\$ 2,920,710
NOO as of July 1, 2010	112,405,162	15,614,672	607,780	86,002,823	10,179,887
NOO as of June 30, 2011	\$ 118,229,046	\$ 3,191,442	\$ 806,346	\$ 101,130,661	\$ 13,100,597

³ ISP normal cost for FY 2010/11 has been reduced for active employee contributions of \$20 per paycheck for 401(h) Trust.



Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>AVA as a % of AAL</i>
	<i>A</i>	<i>B</i>	<i>C = B - A</i>	<i>D = A / B</i>
June 30, 2012				
State Personnel	\$ 44,008,068	\$ 36,642,879	\$ (7,365,189)	120.1%
Legislature	\$ 0	\$ 11,955,814	\$ 11,955,814	0.0%
ISP	\$ 17,033,474	\$ 291,147,853	\$ 274,114,379	5.9%
CEP	\$ 5,772,956	\$ 41,804,373	\$ 36,031,417	13.8%
Total	\$ 66,814,498	\$ 381,550,919	\$ 314,736,421	17.5%
June 30, 2011				
State Personnel	\$ 14,007,168	\$ 37,733,465	\$ 23,726,297	37.1%
Legislature	\$ 0	\$ 9,091,813	\$ 9,091,813	0.0%
ISP	\$ 5,280,369	\$ 306,131,521	\$ 300,851,152	1.7%
CEP	\$ 0	\$ 49,509,701	\$ 49,509,701	0.0%
Total	\$ 19,287,537	\$ 402,466,500	\$ 383,178,963	4.8%
June 30, 2010				
State Personnel	\$ 0	\$ 51,305,787	\$ 51,305,787	0.0%
Legislature	\$ 0	\$ 8,401,694	\$ 8,401,694	0.0%
ISP	\$ 0	\$ 407,846,348	\$ 407,846,348	0.0%
CEP	\$ 0	\$ 57,304,618	\$ 57,304,618	0.0%
Total	\$ 0	\$ 524,858,447	\$ 524,858,447	0.0%



Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2012			
State Personnel	\$ 33,849,768	\$ 2,964,232	1141.9%
Legislature	\$ 488,290	\$ 815,404	59.9%
ISP	\$ 18,626,963	\$ 27,793,932	67.0%
CEP	\$ 6,889,202	\$ 3,674,720	187.5%
Total	\$ 59,854,223	\$ 35,248,288	169.8%
June 30, 2011			
State Personnel	\$ 16,922,179	\$ 4,664,253	362.8%
Legislature	\$ 352,350	\$ 560,879	62.8%
ISP	\$ 13,786,787	\$ 30,154,522	45.7%
CEP	\$ 1,335,846	\$ 4,423,420	30.2%
Total	\$ 32,397,162	\$ 39,803,074	81.4%
June 30, 2010			
State Personnel	\$ 1,913,380	\$ 6,292,153	30.4%
Legislature	\$ 312,877	\$ 519,071	60.3%
ISP	\$ 9,008,600	\$ 42,105,662	21.4%
CEP	\$ 1,303,244	\$ 5,372,510	24.3%
Total	\$ 12,538,101	\$ 54,289,396	23.1%



Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
June 30, 2012			
State Personnel	\$ 2,930,446	1155.1%	\$ (27,727,880)
Legislature	\$ 802,187	60.9%	\$ 1,120,243
ISP	\$ 26,335,938	70.7%	\$ 108,839,636
CEP	\$ 3,459,982	199.1%	\$ 9,671,377
Total	\$ 33,528,553	178.5%	\$ 91,903,376
June 30, 2011			
State Personnel	\$ 4,498,949	376.1%	\$ 3,191,442
Legislature	\$ 550,916	64.0%	\$ 806,346
ISP	\$ 28,914,625	47.7%	\$ 101,130,661
CEP	\$ 4,256,556	31.4%	\$ 13,100,597
Total	\$ 38,221,046	84.8%	\$ 118,229,046
June 30, 2010			
State Personnel	\$ 6,104,909	31.3%	\$ 15,614,672
Legislature	\$ 512,379	61.1%	\$ 607,780
ISP	\$ 41,224,004	21.9%	\$ 86,002,823
CEP	\$ 5,270,678	24.7%	\$ 10,179,887
Total	\$ 53,111,970	23.6%	\$ 112,405,162



Reconciliation of Actuarial Accrued Liability

The Actuarial Accrued Liability (AAL) 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 AAL and whether they increase or decrease the liability.

Expected Events

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

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL 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 AAL depending on whether benefit provisions are improved or reduced.

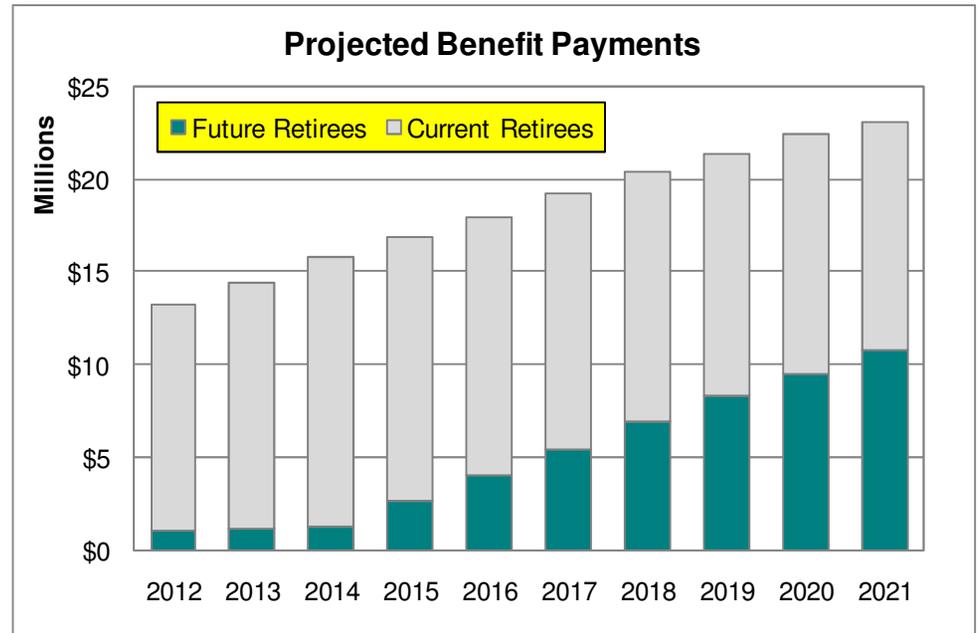
<i>FY 2010/11</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>ISP</i>	<i>CEP</i>
Actuarial Accrued Liability as of July 1, 2010	\$ 380,691,925	\$ 36,470,615	\$ 9,039,293	\$ 287,956,058	\$ 47,225,959
Normal cost as of July 1, 2010	14,330,002	1,612,353	5,687	11,253,449	1,458,513
Expected benefit payments for 2010/11	(13,167,749)	(2,915,011)	(352,350)	(8,564,542)	(1,335,846)
Interest adjustment to June 30, 2011	20,612,322	2,565,508	399,183	15,486,556	2,161,075
Expected Actuarial Accrued Liability as of June 30, 2011	\$ 402,466,500	\$ 37,733,465	\$ 9,091,813	\$ 306,131,521	\$ 49,509,701
Actuarial (gain) / loss	(39,863,757)	(811,433)	2,741,722	(32,209,519)	(9,584,527)
Actual Actuarial Accrued Liability as of June 30, 2011	\$ 362,602,743	\$ 36,922,032	\$ 11,833,535	\$ 273,922,002	\$ 39,925,174
<i>FY 2011/12</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>ISP</i>	<i>CEP</i>
Actuarial Accrued Liability as of July 1, 2011	\$ 362,602,743	\$ 36,922,032	\$ 11,833,535	\$ 273,922,002	\$ 39,925,174
Normal cost as of July 1, 2011	12,557,967	1,044,491	85,096	10,257,422	1,170,958
Expected benefit payments for 2011/12	(13,203,556)	(3,848,868)	(488,290)	(7,750,152)	(1,116,246)
Interest adjustment to June 30, 2012	19,593,765	2,525,224	525,473	14,718,581	1,824,487
Expected Actuarial Accrued Liability as of June 30, 2012	\$ 381,550,919	\$ 36,642,879	\$ 11,955,814	\$ 291,147,853	\$ 41,804,373



Pay-as-you-go Cash Flow Projections (All Groups)

The projection below shows the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years. The costs reflect the total explicit and implicit employer subsidies.

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 1,066,237	\$ 12,137,319	\$ 13,203,556
2013	\$ 1,164,550	\$ 13,273,953	\$ 14,438,503
2014	\$ 1,271,930	\$ 14,517,157	\$ 15,789,087
2015	\$ 2,600,375	\$ 14,229,285	\$ 16,829,660
2016	\$ 4,018,666	\$ 13,951,723	\$ 17,970,389
2017	\$ 5,428,687	\$ 13,761,324	\$ 19,190,011
2018	\$ 6,960,179	\$ 13,447,583	\$ 20,407,762
2019	\$ 8,316,789	\$ 13,038,183	\$ 21,354,972
2020	\$ 9,562,295	\$ 12,848,065	\$ 22,410,360
2021	\$ 10,856,131	\$ 12,243,714	\$ 23,099,845





Pay-as-you-go Cash Flow Projections by Group

State Personnel

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 418,653	\$ 3,430,215	\$ 3,848,868
2013	\$ 457,169	\$ 3,745,795	\$ 4,202,964
2014	\$ 499,229	\$ 4,090,408	\$ 4,589,637
2015	\$ 1,020,505	\$ 3,337,242	\$ 4,357,747
2016	\$ 1,557,726	\$ 2,526,533	\$ 4,084,259
2017	\$ 2,009,065	\$ 1,988,431	\$ 3,997,496
2018	\$ 2,433,526	\$ 1,550,709	\$ 3,984,235
2019	\$ 2,745,234	\$ 1,039,148	\$ 3,784,382
2020	\$ 3,006,158	\$ 763,019	\$ 3,769,177
2021	\$ 3,192,487	\$ 523,268	\$ 3,715,755

Indiana State Police

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 570,383	\$ 7,179,769	\$ 7,750,152
2013	\$ 623,078	\$ 7,859,079	\$ 8,482,157
2014	\$ 680,642	\$ 8,602,763	\$ 9,283,405
2015	\$ 1,408,167	\$ 8,932,157	\$ 10,340,324
2016	\$ 2,186,395	\$ 9,373,462	\$ 11,559,857
2017	\$ 3,027,147	\$ 9,685,742	\$ 12,712,889
2018	\$ 4,000,611	\$ 9,773,144	\$ 13,773,755
2019	\$ 4,901,284	\$ 9,884,469	\$ 14,785,753
2020	\$ 5,736,538	\$ 10,007,517	\$ 15,744,055
2021	\$ 6,714,023	\$ 9,660,516	\$ 16,374,539

Legislature

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 27,451	\$ 460,839	\$ 488,290
2013	\$ 29,976	\$ 503,236	\$ 533,212
2014	\$ 32,734	\$ 549,534	\$ 582,268
2015	\$ 37,782	\$ 566,260	\$ 604,042
2016	\$ 43,399	\$ 597,661	\$ 641,060
2017	\$ 55,474	\$ 642,717	\$ 698,191
2018	\$ 63,301	\$ 666,681	\$ 729,982
2019	\$ 74,608	\$ 676,083	\$ 750,691
2020	\$ 86,893	\$ 681,285	\$ 768,178
2021	\$ 101,569	\$ 675,015	\$ 776,584



Pay-as-you-go Cash Flow Projections by Group – Continued

Conservation

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 36,846	\$ 890,536	\$ 927,382
2013	\$ 40,236	\$ 973,492	\$ 1,013,728
2014	\$ 43,938	\$ 1,064,182	\$ 1,108,120
2015	\$ 100,892	\$ 1,149,823	\$ 1,250,715
2016	\$ 174,447	\$ 1,212,730	\$ 1,387,177
2017	\$ 259,506	\$ 1,218,425	\$ 1,477,931
2018	\$ 354,371	\$ 1,223,352	\$ 1,577,723
2019	\$ 467,170	\$ 1,236,347	\$ 1,703,517
2020	\$ 568,283	\$ 1,227,095	\$ 1,795,378
2021	\$ 658,311	\$ 1,230,424	\$ 1,888,735

Excise

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 12,904	\$ 175,960	\$ 188,864
2013	\$ 14,091	\$ 192,351	\$ 206,442
2014	\$ 15,387	\$ 210,270	\$ 225,657
2015	\$ 33,029	\$ 243,803	\$ 276,832
2016	\$ 56,699	\$ 241,336	\$ 298,035
2017	\$ 77,495	\$ 226,009	\$ 303,504
2018	\$ 108,370	\$ 233,697	\$ 342,067
2019	\$ 128,493	\$ 202,135	\$ 330,628
2020	\$ 164,423	\$ 169,148	\$ 333,571
2021	\$ 189,740	\$ 154,492	\$ 344,232



Substantive Plan Provisions

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. All health plans are self-insured. The 2013 monthly premium rates by plan are as shown below:

Plans	Non-Tobacco	
	Single	Family
CDHP 1	\$ 380.38	\$ 1,143.48
CDHP 2	\$ 502.19	\$ 1,456.39
Traditional PPO	\$ 808.73	\$ 2,272.40

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. Below are the 2013 monthly premium rates for dental and vision benefits:

Plans	Single	Family
Dental	\$ 24.31	\$ 63.96
Vision	\$ 3.55	\$ 9.01



Substantive Plan Provisions – Continued

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).

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.



Substantive Plan Provisions – Continued

Senate Enrolled Act 501

GASB 45 Impact

The Senate Enrolled Act 501 plan is considered a defined contribution individual account for GASB 43 and 45 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 was increased to 40% (from historically lower level) 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 was 130% funded as of June 30, 2010, and is projected to remain more than 100% funded. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2012, the annual required contribution to the plan was \$34.4 million. This required contribution was covered in full by a combination of (1) \$18.0 million contributed by state agencies that are funded by federal or dedicated funds and (2) an accumulated General Fund balance held by the Trust.



Actuarial Assumptions and Methods

Measurement Date	June 30, 2012; results were actuarially rolled back to July 1, 2010 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2011 for the period ending June 30, 2012.
Discount Rate	7.0%
Salary Scale	4.0%
Inflation Rate	3.0%
Census Data	Census data was provided by the State and it was collected as of June 30, 2012. 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.
Contribution Funding Policy	The State contributes at least the Annual Required Contribution annually.
Cost Method	Projected Unit Credit
Amortization	Level dollar amount over thirty years based on an open group.
Mortality	Pre and post-retirement mortality rates are based on IRS 2008 Static Mortality table projected to 2013 using Scale AA.
Disability	None expected



Actuarial Assumptions and Methods – Continued

Retirement Rate

Annual retirement rates follow the PERF, PARF, and Judges' Retirement System rates as of June 30, 2011. Sample rates are as shown below:

State Personnel

Age	10 YOS	15 YOS	20 YOS	30 YOS	31+ YOS
50	0%	4%	4%	4%	4%
55	0%	7%	7%	12%	7%
60	0%	10%	10%	10%	10%
65	30%	30%	30%	30%	30%
67+	100%	100%	100%	100%	100%

Judges

Age	Rates
55 – 61	20%
62	25%
63	15%
64	10%
65	25%
66 – 74	30%
75+	100%

Attorneys

Age	<8 YOS	8+ YOS
62 – 64	0%	20%
65+	0%	100%



Actuarial Assumptions and Methods – Continued

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 as of June 30, 2011. Sample rates are as shown below:

State Personnel – Male

Age	0 YOS	1 YOS	2 YOS	3 YOS	4 YOS	5+ YOS
20	43%	26%	13%	10%	9%	7%
30	39%	20%	12%	9%	8%	6%
40	36%	16%	11%	8%	7%	5%
50	36%	14%	9%	7%	7%	4%
60	37%	13%	8%	6%	6%	3%

State Personnel – Female

Age	0 YOS	1 YOS	2 YOS	3 YOS	4 YOS	5+ YOS
20	43%	25%	14%	14%	11%	8%
30	36%	22%	13%	12%	10%	7%
40	35%	19%	12%	10%	9%	6%
50	35%	17%	10%	9%	7%	5%
60	36%	16%	9%	7%	6%	4%

Judges

Age	Rates
20 – 37	4%
38 – 65	7%
66+	4%

Attorney

Age	Rates
20+	10%



Actuarial Assumptions and Methods – Continued

Per Capita Costs

Annual per capita costs are based on claims and enrollment information for the period ending June 2012. The per capita costs were adjusted to a retiree-basis using enrollment by plan. The costs are assumed to increase with health care trend rates.

Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 10,800	\$ 4,400	\$ 6,500
55 – 59	\$ 14,000	\$ 5,700	\$ 8,400
60 – 64	\$ 17,300	\$ 7,100	\$ 10,300

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.

These costs are assumed to increase with health care trend rates.

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

Health Care Trend Rates

FYE	Medical/Rx Combined	FYE	Medical/Rx Combined
2013	9.2%	2019	6.3%
2014	8.7%	2020	5.9%
2015	8.2%	2021	5.5%
2016	7.7%	2022	5.1%
2017	7.2%	2023+	4.5%
2018	6.7%		

The initial trend rate was selected 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.



Actuarial Assumptions and Methods – Continued

Health Care Coverage Election Rate

Active Employees

Actives with Current Health Coverage

15% 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 40% 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

40% of employees are assumed to elect coverage at retirement after meeting the PERF retirement eligibility.

Inactive Employees

Based on actual data.

Spousal Coverage

70% of male and 55% 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.

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 with non-tobacco use incentive.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Single	\$ 380.38	\$ 380.38	\$ 0.00
Spouse	\$ 763.10	\$ 763.10	\$ 0.00

The State does not provide any explicit subsidies for retiree health care coverage.



Actuarial Assumptions and Methods – Continued

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 60 enrolled in CDHP 1 plan with non-tobacco incentive.

	Per Capita Cost	Premium Rate*	Implicit Age Subsidy
	A	B	C = A – B
Retiree	\$ 591.67	\$ 380.38	\$ 211.29
Spouse	\$ 591.56	\$ 591.67	\$ 0.00

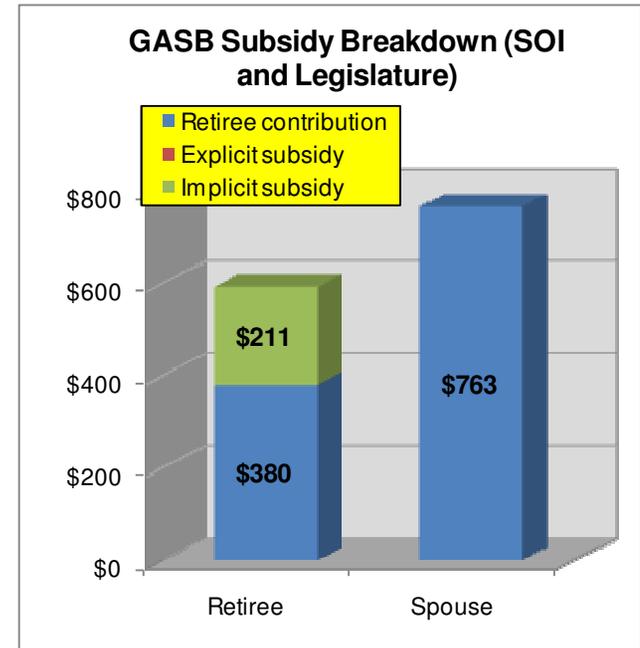
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

* Spouse premium rate has been limited to the per capita cost.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a retiree age 60 and his spouse enrolled in CDHP 1 plan with non-tobacco incentive.

	Retiree	Spouse
Retiree contribution	\$ 380.38	\$ 763.10
Explicit subsidy	\$ 0.00	\$ 0.00
Implicit subsidy	\$ 211.29	\$ 0.00
Total monthly cost	\$ 591.67	\$ 763.10





Substantive Plan Provisions

Eligibility

Legislators are eligible for retiree health care coverage temporary to age 65 once they have 8 years of service (or 4 sessions). Current retired legislators are eligible for retiree health care coverage for lifetime.

Spouse Coverage

For future retirees, surviving spouse coverage continues after the death of the retiree until the spouse reaches age 65. Surviving spouse coverage continues for life after the death of the retiree for current retirees.

State Explicit Subsidy

The State contributes various percentages of the premium rates for grandfathered current retirees. There is no State explicit subsidy for future retirees.

Retiree Contributions

Retirees pay the full cost of the retiree health care coverage. A limited group of grandfathered retirees receive explicitly subsidized health coverage. Any participants currently enrolled in the Indiana State Police (ISP) plans will receive the same retiree health benefits as a regular ISP retiree.

Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The 2013 monthly premium rates by plan are as shown below (for those enrolled in State plans only):

Plans	Non-Tobacco	
	Single	Family
CDHP 1	\$ 380.38	\$ 1,143.48
CDHP 2	\$ 502.19	\$ 1,456.39
Traditional PPO	\$ 808.73	\$ 2,272.40

Dental and Vision Benefits

There is no GASB liability generated for dental and vision benefits for future retirees as they pay the full cost for these benefits. Grandfathered retirees receive free dental benefits and subsidized vision benefits.

The 2013 monthly premium rates for dental and vision benefits are as shown below:

Plans	Single	Family
Dental	\$ 24.31	\$ 63.96
Vision	\$ 3.55	\$ 9.01



Substantive Plan Provisions – Continued

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).

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.



Substantive Plan Provisions – Continued

Senate Enrolled Act 501

GASB 45 Impact

The Senate Enrolled Act 501 plan is considered a defined contribution individual account for GASB 43 and 45 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 was increased to 40% (from historically lower level) 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 was 130% funded as of June 30, 2010, and is projected to remain more than 100% funded. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2012, the annual required contribution to the plan was \$34.4 million. This required contribution was covered in full by a combination of (1) \$18.0 million contributed by state agencies that are funded by federal or dedicated funds and (2) an accumulated General Fund balance held by the Trust.



Actuarial Assumptions and Methods

Measurement Date	June 30, 2012; results were actuarially rolled back to July 1, 2010 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2011 for the period ending June 30, 2012.
Discount Rate	4.5%
Salary Scale	4.0%
Inflation Rate	3.0%
Census Data	Census data was provided by the State and it was collected as of June 30, 2012. 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.
Contribution Funding Policy	Pay-as-you-go cash basis
Cost Method	Projected Unit Credit
Amortization	Level dollar amount over thirty years based on an open group.
Health Care Coverage Election Rate	
<i>Active Employees</i>	<u>Actives with Current Health Coverage</u> 15% 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 40% 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 <u>Actives without Current Health Coverage</u> 40% of employees are assumed to elect coverage at retirement after meeting the PERF retirement eligibility
<i>Inactive Employees</i>	Based on actual data.



Actuarial Assumptions and Methods – Continued

Mortality

Pre and post-retirement mortality rates are based on the IRS 2008 Static Mortality table projected to 2013 using scale AA

Withdrawal Rate

None

Disability

None

Retirement Rate

Annual retirement rates by group are as shown below.

YOS	House	Senate
<6	0%	0%
6	0%	5%
8	10%	5%
12	0%	20%
14	10%	0%
16	20%	20%
20	0%	25%
22	10%	0%
24	20%	10%
28	0%	10%
30	10%	0%
32	100%	100%



Actuarial Assumptions and Methods – Continued

Per Capita Costs

Annual per capita costs are based on claims and enrollment information for the period ending June 2012. The per capita costs were adjusted to a retiree-basis using enrollment by plan. The costs are assumed to increase with health care trend rates.

Age	Trad PPO	CDHP 1
50 – 54	\$ 10,800	\$ 4,400
55 – 59	\$ 14,000	\$ 5,700
60 – 64	\$ 17,300	\$ 7,100
65 – 69	\$ 4,500	\$ 3,400
70 – 74	\$ 5,300	\$ 4,100
75+	\$ 6,100	\$ 4,700

Age	CDHP 2	ISP
50 – 54	\$ 6,500	\$ 6,800
55 – 59	\$ 8,400	\$ 8,900
60 – 64	\$ 10,300	\$ 11,000
65 – 69	\$ 3,700	\$ 2,700
70 – 74	\$ 4,500	\$ 3,200
75+	\$ 5,100	\$ 3,700

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.

These costs are assumed to increase with health care trend rates.

Annual dental and vision per capita costs are assumed to be \$292 and \$43 respectively. These costs are assumed to increase with dental and vision trend rates.



Actuarial Assumptions and Methods – Continued

Health Care Trend Rates

FYE	Med Pre-65	Med Post-65	Dental
2013	9.20%	10.00%	4.50%
2014	8.70%	9.50%	4.50%
2015	8.20%	9.00%	4.25%
2016	7.70%	8.50%	4.25%
2017	7.20%	8.00%	4.00%
2018	6.70%	7.50%	3.75%
2019	6.30%	7.10%	3.50%
2020	5.90%	6.70%	3.50%
2021	5.50%	6.30%	3.50%
2022	5.10%	5.90%	3.50%
2023+	4.50%	5.50%	3.50%

The initial trend rate was selected 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.

Retiree Contributions

Retiree contributions for medical and prescription drugs are assumed to increase with Health Care Trend Rates.

Spousal Coverage

100% of 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.

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 with non-tobacco use incentive.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Single	\$ 380.38	\$ 380.38	\$ 0.00
Spouse	\$ 763.10	\$ 763.10	\$ 0.00

The State does not provide any explicit subsidies for future retirees.

The State provides explicit subsidies for a closed group of current retirees.



Actuarial Assumptions and Methods – Continued

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 60 enrolled in CDHP 1 plan with non-tobacco incentive.

	Per Capita Cost	Premium Rate*	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 591.67	\$ 380.38	\$ 211.29
Spouse	\$ 591.67	\$ 591.67	\$ 0.00

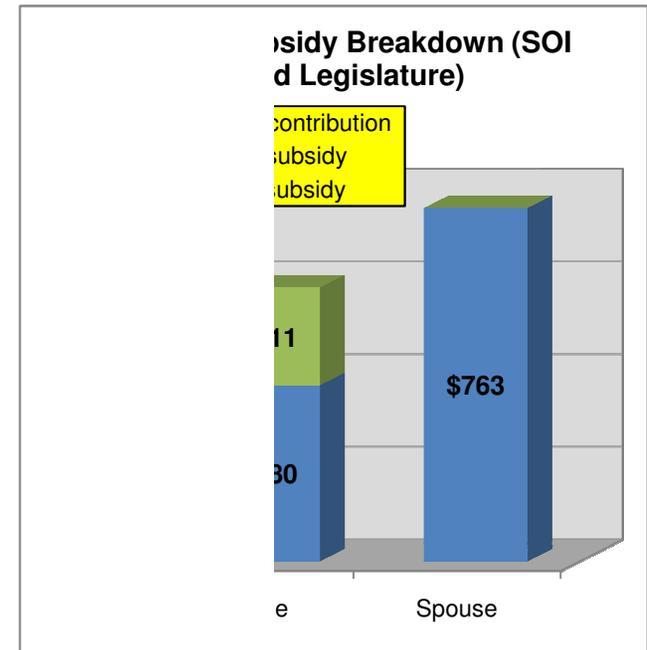
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

* Spouse premium rate has been limited to the per capita cost.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a retiree age 60 and his spouse enrolled in CDHP 1 plan with non-tobacco incentive.

	Retiree	Spouse
Retiree contribution	\$ 380.38	\$ 763.10
Explicit subsidy	\$ 0.00	\$ 0.00
Implicit subsidy	\$ 211.29	\$ 0.00
Total monthly cost	\$ 591.67	\$ 763.10





Substantive Plan Provisions

Eligibility

Police officers and civilian employees employed by the Indiana State Police are eligible for retiree health care benefits at the earlier of:

- a. 25 years of service (20 years of service requirement in prior valuations)
- b. Age 55 with 85 points
- c. Age 60 with 15 years of service
- d. Age 65 with 10 years of service

Spouse Coverage

Surviving spouse coverage continues for life after the death of the member (retiree or active employee). The coverage is free for six months and then it reverts to single retiree coverage.

Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The plan coordinates with Medicare on a carve-out basis. The Indiana State Police plan is primary on prescription drug coverage for Medicare retirees.

The Basic Plan includes medical coverage only. The Optional Plan includes medical, dental, and vision coverage.

The 2012/13 monthly premium rates effective on January 1, 2013 (as determined by the Indiana State Police) for the plans are as shown below:

	Retiree Only	Retiree plus One Dependent
<u>Pre-Medicare</u>		
Basic Plan	\$ 369.14	\$ 474.80
Optional Plan	\$ 386.42	\$ 463.15
<u>Post-Medicare</u>		
Basic Plan	\$ 136.84	\$ 164.74
Optional Plan	\$ 140.46	\$ 172.23



Substantive Plan Provisions – Continued

Dental and Vision Benefits

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

The portion of 2012/13 monthly premium rates for Optional plan applicable to dental and vision benefits determined by Anthem are as shown below.

	Retiree Only	Retiree plus One Dependent
<u>Pre-Medicare</u>		
Dental	\$ 41.21	\$ 115.35
Vision	\$ 4.02	\$ 11.26
<u>Post-Medicare</u>		
Dental	\$ 17.31	\$ 34.62
Vision	\$ 1.69	\$ 3.38

State Police Explicit Subsidy

None



Substantive Plan Provisions – Continued

Retiree Contributions

Retirees pay the full cost of the retiree health care coverage as determined by the State Police. The breakdown of retiree contributions by benefit are as shown below.

Optional Plan	Retiree Only	Retiree plus One Dependent	Spouse Increment
<u>Pre-Medicare</u>			
Medical	\$ 386.42	\$ 463.15	\$ 76.73
Dental	\$ 41.21	\$ 115.35	\$ 74.14
Vision	\$ 4.02	\$ 11.26	\$ 7.24
Total	\$ 431.66	\$ 589.77	\$ 158.11
<u>Post-Medicare</u>			
Medical	\$ 140.46	\$ 172.23	\$ 31.77
Dental	\$ 17.31	\$ 34.62	\$ 17.31
Vision	\$ 1.69	\$ 3.38	\$ 1.69
Total	\$ 159.46	\$ 210.23	\$ 50.77
<u>Basic Plan</u>			
Pre-Medicare	\$ 369.14	\$ 474.80	\$ 105.66
Post-Medicare	\$ 136.84	\$ 164.74	\$ 27.90

Life Insurance

Police officers are eligible for the following life insurance benefits depending on their hire date:

- Hired prior to July 1, 1986: \$10,000
- Hired on/after July 1, 1986: \$14,500

Disability Benefit

Police officers who become long-term disabled receive free health care coverage during the disability period. When they meet the requirements for retiree health care benefits they will have to make the required retiree contributions.



Substantive Plan Provisions – Continued

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.

Effective July 1, 2011 employees of Indiana State Police, other than those who waived coverage under a common and unified plan of self-insurance provided for under IC 5-10-8-6 before July 1, 2011, are not eligible for the Senate Enrolled Act 501 retirement medical benefits account,



Actuarial Assumptions and Methods

Measurement Date	June 30, 2012; results were actuarially rolled back to July 1, 2010 on a “no gain/loss” basis because the State has elected to use the actuarial liability results for the period ending June 30, 2011 for the period ending June 30, 2012.
Discount Rate	5.25%
Salary Scale	4.00%
Inflation Rate	3.00%
Census Data	<p>Census data was provided by the State and it was collected as of June 30, 2012. We have reviewed it for reasonableness and have made the following adjustment to the census data:</p> <ul style="list-style-type: none">• Participants who were found in both State Personnel and ISP census data are included in the ISP census data for valuation purposes. These participants are eligible to receive retiree health care coverage thru ISP once they meet the eligibility requirements.
Data Assumptions	<p>15% of future retirees are assumed to elect the Basic Plan (without dental and vision benefits)</p> <p>Hire dates for employees hired after June 30, 2012 have been changed to June 30, 2012.</p>
Contribution Funding Policy	<p>Indiana State Police has established a 401(h) account and Section 115 Trust for the purpose of funding retiree medical benefits since FYE June 30, 2011. Contributions to the 401(h) account and Section 115 Trust will be made from the following sources:</p> <ol style="list-style-type: none">1. Medicare Part D retiree drug subsidy reimbursement2. Excess Long-Term Disability (LTD) fund3. A percentage of retiree premiums according to the following schedule:<ol style="list-style-type: none">a. Starting January 1, 2012 through June 30, 2014: 0%b. July 1, 2014 through June 30, 2016: 25%c. July 1, 2016 through June 30, 2018: 50%d. July 1, 2018 onwards: 100%4. State contributions for ISP active employees in accordance with SEA 501 <p>Additionally, active employees will contribute \$20 per paycheck towards the 401(h) Trust account.</p> <p>At this time, the ISP new funding policy is expected to continue for the foreseeable future.</p>
Cost Method	Projected Unit Credit
Amortization	Level dollar amount over thirty years based on an open group.



Actuarial Assumptions and Methods – Continued

Mortality

Pre and post-retirement mortality rates are based on the IRS 2008 Static Mortality table projected to 2013 using scale AA

Withdrawal Rate

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

No withdrawal rates are assumed for police officers in the pre-1987 plan.

For police officers in the 1987 pension plan, the annual withdrawal rates are assumed to be 2% prior to age 37. For ages 37 and older the annual withdrawal rates follow the Saranson T-1 table.

Disability

Sample rates are as shown below.

Age	Male	Female
45	0.54%	0.54%
50	0.91%	0.91%
55	1.51%	1.51%
60	2.44%	2.44%

Disability Mortality

115% of IRS 2008 Static Mortality table projected to 2013 using scale AA

Retirement Rate

Annual retirement rates were based on ISP's 2011 experience study.

YOS	1987 Plan	Age	Pre-1987 Plan
25	15.0%	45	10.0%
26	12.5%	46 – 54	7.5%
27	10.0%	55	10.0%
28 – 29	7.5%	56	12.5%
30	10.0%	57	15.0%
31	12.5%	58	20.0%
32	15.0%	59 – 64	40.0%
33	40.0%	65+	100.0%
34+	27.5%		



Actuarial Assumptions and Methods – Continued

Per Capita Costs

Annual per capita costs are based on claims data and fixed costs expenses for the 12-month period ending March 31, 2012 projected to fiscal year 2012/13, actuarially increased to retiree basis using health index factors and current enrollment.

Non-Disabled Retirees

Age	Male	Female
50 – 54	\$ 6,800	\$ 8,200
55 – 59	\$ 9,400	\$ 9,200
60 – 64	\$ 12,100	\$ 10,600
65 – 69	\$ 2,700	\$ 2,700
70 – 74	\$ 3,200	\$ 3,200
75+	\$ 3,700	\$ 3,700

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.

Disabled Retirees

Age	Male	Female
<65	\$ 2,700	\$ 2,700
65 – 69	\$ 2,700	\$ 2,700
70 – 74	\$ 3,200	\$ 3,200
75+	\$ 3,700	\$ 3,700

These costs are assumed to increase with health care trend rates.

Annual administrative per capita cost is assumed to be \$450. It is assumed to increase 3% annually.

Dental and Vision Benefits

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

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.



Actuarial Assumptions and Methods – Continued

Health Care Trend Rates

FYE	Pre-65	Post-65
2013	9.20%	10.00%
2014	8.70%	9.50%
2015	8.20%	9.00%
2016	7.70%	8.50%
2017	7.20%	8.00%
2018	6.70%	7.50%
2019	6.30%	7.10%
2020	5.90%	6.70%
2021	5.50%	6.30%
2022	5.10%	5.90%
2023+	4.50%	5.50%

The initial trend rate was selected 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.

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.

Health Care Coverage Election Rate

Active Employees

100% of active employees with current coverage are assumed to elect coverage at retirement. Active employees with no current coverage are assumed not to elect coverage at retirement.

Inactive Employees

Based on actual data

Spousal Coverage

80% of male and 40% 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 – Continued

Explicit Subsidy

The difference between (a) the medical portion of the premium rate approved by ISP and (b) the retiree contribution for medical benefits. Below is an example of the monthly explicit subsidy for a retiree under age 65 enrolled in the Optional plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Single	\$ 386.42	\$ 386.42	\$ 0.00
Spouse	\$ 76.73	\$ 76.73	\$ 0.00

ISP does not provide any explicit subsidies for retiree health care coverage.

Implicit Age Subsidy

The difference between (a) the per capita cost as determined by Nyhart and (b) the rate approved by ISP. Below is an example of the monthly implicit subsidies for a male retiree age 60 enrolled in the Optional plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 1,045.83	\$ 386.42	\$ 659.41
Spouse	\$ 920.83	\$ 76.73	\$ 844.10

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

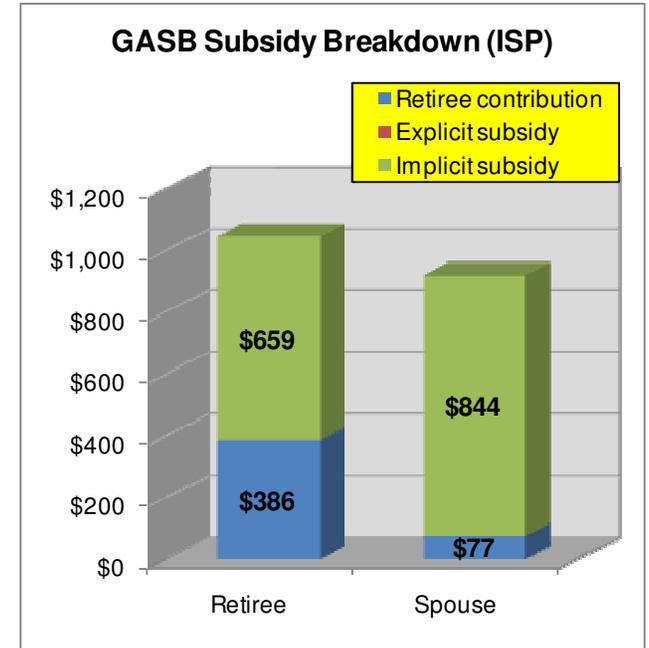


Actuarial Assumptions and Methods – Continued

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male retiree age 60 and his spouse for medical benefits only.

	Retiree	Spouse
Retiree contribution	\$ 386.42	\$ 76.73
Explicit subsidy	\$ 0.00	\$ 0.00
Implicit subsidy	\$ 659.41	\$ 844.10
Total monthly cost	\$ 1,045.83	\$ 920.83





Substantive Plan Provisions

Eligibility

Conservation and Excise police officers are eligible for retiree health care benefits at the earlier of:

- a. Age 50 with 25 years of service
- b. Age 55 with 85 points

Spouse Coverage

Surviving spouse coverage continues for life after the death of the member (retiree or active employee eligible to retire). The coverage is free for 24 months and then it reverts to single retiree coverage.

Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The plan coordinates with Medicare on a COB basis. The Conservation and Excise Police plans are secondary on prescription drug coverage for Medicare retirees.

For retirees, health, dental, and vision coverage are combined.

Life Insurance

None

CEP Explicit Subsidy

Post-Medicare medical benefits are explicitly subsidized.

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.

Effective July 1, 2011 conservation officers of the Department of National Resources and employees of the State Excise Police are not eligible for the Senate Enrolled Act 501 retirement medical benefits account.



Substantive Plan Provisions – Continued

Retiree Contributions

2012/13 monthly retiree contributions effective on November 1, 2012 as determined by CEP are split by benefit as shown below. The dental and vision costs below are determined by Anthem as of July 1, 2012. Contributions are allocated to vision benefit first, dental second, and medical last.

	Single	Incremental Spouse Cost	Single + 1
<u>Under age 60</u>			
Medical	\$ 275.84	\$ 175.66	\$ 451.50
Dental	\$ 38.49	\$ 56.98	\$ 95.47
Vision	\$ 5.67	\$ 8.36	\$ 14.03
Total	\$ 320.00	\$ 241.00	\$ 561.00
<u>Age 60 – 64</u>			
Medical	\$ 168.84	\$ 41.66	\$ 210.50
Dental	\$ 38.49	\$ 56.98	\$ 95.47
Vision	\$ 5.67	\$ 8.36	\$ 14.03
Total	\$ 213.00	\$ 107.00	\$ 320.00
<u>Post-Medicare</u>			
Medical	\$ 109.45	\$ 36.45	\$ 145.90
Dental	\$ 16.17	\$ 16.17	\$ 32.34
Vision	\$ 2.38	\$ 2.38	\$ 4.76
Total	\$ 128.00	\$ 55.00	\$ 183.00



Actuarial Assumptions and Methods

Measurement Date	June 30, 2012; results were actuarially rolled back to July 1, 2010 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2011 for the period ending June 30, 2012.
Discount Rate	4.5%
Salary Scale	4.0%
Inflation Rate	3.0%
Census Data	Census data was provided by the State and it was collected as of June 30, 2012. We have reviewed it for reasonableness and no material modifications were made to the census data.
Data Assumptions	<p>All employees are assumed to elect medical, dental, and vision coverage at retirement. Actual coverage level is not available for retirees. Retirees assumed to have family coverage in prior valuation are assumed to have family coverage in this valuation. For new retirees, percentage of retirees electing family coverage is assumed to be the same as active employees.</p> <p>Hire dates for employees hired after June 30, 2012 have been changed to June 30, 2012.</p>
Contribution Funding Policy	<p>The Conservation and Excise Police maintain a separate health plan for its active and retired employees. The plan is self-insured and the Conservation and Excise Police maintain stop-loss reinsurance to protect against excessive claims. The annual cost of the plan is financed on a pay-as-you-go basis from State subsidies and active/retiree contributions. The Conservation and Excise Police also has the ability to manage plan costs by changing the benefit design to less expensive designs. The State contributes the same employer subsidy per active employee as regular State employees to the Conservation and Excise Police health fund. There is no direct State subsidy for retiree health care.</p> <p>The Conservation and Excise Police active employees are younger and healthier, as a group, than regular State employees which results in lower health care costs per employee when comparing the two groups. Because of the lower active health costs, the State subsidy per employee is sufficient to cover the active health costs and create a surplus which is then used to subsidize the current retiree health care costs.</p> <p>Starting in FYE June 30, 2012, the Conservation and Excise Police started pre-funding retiree health benefits.</p>
Cost Method	Projected Unit Credit
Amortization	Level dollar amount over thirty years based on an open group.



Actuarial Assumptions and Methods – Continued

Mortality

Pre and post-retirement mortality rates are based on the IRS 2008 Static Mortality table projected to 2013 using scale AA

Disability

None

Withdrawal Rate

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

Annual withdrawal rates are based on Saranson T-1 table. Sample rates are as shown below.

Age	Male
25	4.9%
35	2.3%
45	0.3%
50	0.0%

Retirement Rate

Annual retirement rates are as shown below.

Age	Male
45	3%
46 – 49	2%
50	3%
51 – 52	2%
53	3%
54	4%
55 – 59	15%
60 – 64	20%
65+	100%



Actuarial Assumptions and Methods – Continued

Per Capita Costs

Annual per capita costs are based on claims data and fixed costs expenses for the 12-month period ending March 31, 2012 projected to fiscal year 2012/13, actuarially increased using health index factors and current enrollment. These costs are assumed to increase with health care trend rates.

Age	Male	Female
50 – 54	\$ 6,200	\$ 7,600
55 – 59	\$ 8,700	\$ 8,500
60 – 64	\$ 11,100	\$ 9,800
65 – 69	\$ 2,100	\$ 2,100
70 – 74	\$ 2,400	\$ 2,400
75+	\$ 2,800	\$ 2,800

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.

Annual administrative per capita cost is assumed to be \$325. It is assumed to increase 3% annually.

Dental and Vision Benefits

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

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.

Health Care Trend Rates

FYE	Pre-65	Post-65
2013	9.20%	10.00%
2014	8.70%	9.50%
2015	8.20%	9.00%
2016	7.70%	8.50%
2017	7.20%	8.00%
2018	6.70%	7.50%
2019	6.30%	7.10%
2020	5.90%	6.70%
2021	5.50%	6.30%
2022	5.10%	5.90%
2023+	4.50%	5.50%

The initial trend rate was selected 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.



Actuarial Assumptions and Methods – Continued

Health Care Coverage Election Rate

Active Employees

100% of active employees with current coverage are assumed to elect coverage at retirement. Active employees with no current coverage are assumed not to elect coverage at retirement.

Inactive Employees

Based on actual data.

Spousal Coverage

85% of male and 25% 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.

Explicit Subsidy

The difference between (a) the COBRA rates and (b) the retiree contribution approved by CEP for medical benefits only. Below is an example of the monthly explicit subsidies for a retiree age 60 with medical, dental, and vision coverage.

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

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Single	\$ 658.75	\$ 168.84	\$ 489.91
Spouse	\$ 952.04	\$ 41.66	\$ 910.38

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 60 for medical benefits only.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 952.08	\$ 658.75	\$ 293.33
Spouse	\$ 843.75	\$ 843.75	\$ 0.00

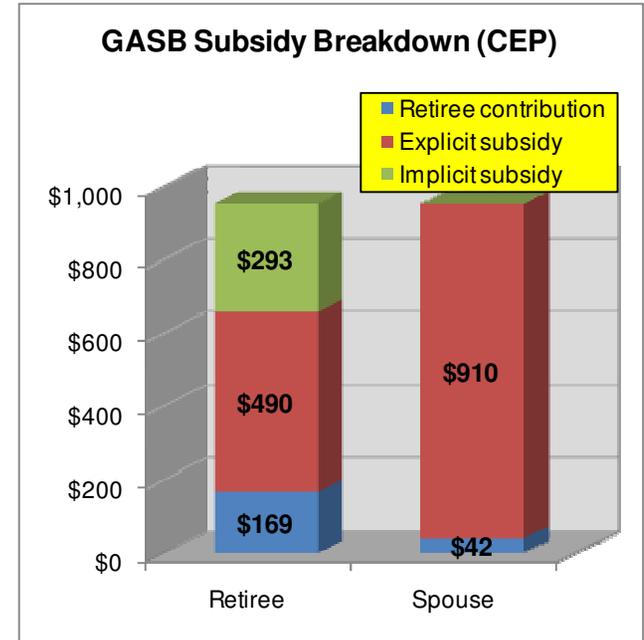


Actuarial Assumptions and Methods – Continued

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male retiree age 60 and his spouse for medical benefits only.

	Retiree	Spouse
Retiree contribution	\$ 168.84	\$ 41.66
Explicit subsidy	\$ 489.91	\$ 910.38
Implicit subsidy	\$ 293.33	\$ 0.00
Total monthly cost	\$ 952.08	\$ 952.04





Active Participants with Coverage

<i>Plans</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary (in millions)</i>
State Personnel⁴						
Traditional PPO	1,524	680	2,204	56.4	16.9	N/A
CDHP 1	6,018	11,139	17,157	46.6	12.8	N/A
CDHP 2	1,487	2,133	3,620	50.3	14.3	N/A
Total with coverage	9,029	13,952	22,981	48.1	13.4	N/A
Legislature						
Traditional PPO	2	2	4	63.9	18.8	N/A
CDHP 1	13	29	42	52.3	9.0	N/A
CDHP 2		7	7	57.7	15.8	N/A
Indiana State Police	6	42	48	63.2	15.1	N/A
Total with coverage	21	80	101	58.3	12.7	N/A
Conservation and Excise Police						
	63	189	252	41.7	16.2	N/A
Indiana State Police	345	1,386	1,731	42.0	14.4	\$ 87,040,034

Active Participants without Coverage⁵

<i>Plans</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary (in millions)</i>
State Personnel	3,663	49.5	11.6	N/A
Legislature	17	56.9	11.2	N/A

⁴ Including judges, prosecuting attorneys, civilian employees of Indiana State Police enrolled in the State plans and legislative support staff.

⁵ 40% of active employees who currently have no coverage are assumed to elect coverage after meeting PERF eligibility requirement. They have been included in the GASB valuation.



Retired Participants

<i>Plans</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
State Personnel				
Traditional PPO	358	37	395	62.5
CDHP 1	328	99	427	61.7
CDHP 2	174	100	274	58.4
Total with coverage⁶	860	236	1,096	61.2
Legislature				
Traditional PPO	10	23	33	68.5
CDHP 1	2	3	5	59.0
CDHP 2		2	2	53.2
Indiana State Police	2	6	8	69.2
Total with coverage	14	34	48	67.0
Conservation and Excise Police				
	28	116	144	65.3
Indiana State Police⁷				
	366	737	1,103	68.0

⁶ Additionally, there are 588 retirees over the age of 65 and 2 retirees without coverage who are included in the census data provided to us. They have been excluded from the GASB valuation as they will not generate any liabilities.

⁷ Additionally, there are 222 retirees who currently have no health care coverage with ISP but they have life insurance coverage. They have been included in the GASB valuation.



Age-Service Distributions for State Personnel Active Employees

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	0	249	15	0	0	0	0	0	0	0	264
25 to 29	0	1,368	507	6	0	0	0	0	0	0	1,881
30 to 34	0	1,042	1,124	237	11	0	0	0	0	0	2,414
35 to 39	0	709	940	540	177	5	0	0	0	0	2,371
40 to 44	0	757	926	557	558	196	11	0	0	0	3,005
45 to 49	0	668	910	581	535	528	314	16	0	0	3,552
50 to 54	0	627	904	618	555	549	586	419	39	0	4,297
55 to 59	0	504	809	639	609	555	491	514	321	14	4,456
60 to 64	0	344	629	470	411	398	301	214	331	115	3,213
65 to 69	0	87	206	165	133	100	72	45	47	48	903
70 & up	0	16	57	45	51	49	22	15	13	20	288
Total	0	6,371	7,027	3,858	3,040	2,380	1,797	1,223	751	197	26,644



Age-Service Distributions for Legislature Active Employees

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												0
25 to 29		1										1
30 to 34		1										1
35 to 39		5	2									7
40 to 44	1	6	2	1								10
45 to 49		4	6	2								12
50 to 54		3	4		1	2	1					11
55 to 59		4	2	4	5							15
60 to 64		6	8	3	5	1	2	1				26
65 to 69		5	5		3	5	3			1		22
70 & up				1	1	1	6	2	2			13
Total	1	35	29	11	15	9	12	3	2	1		118



Age-Service Distributions for Indiana State Police Active Employees

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	33	15	0	0	0	0	0	0	0	0	0	48
25 to 29	25	156	24	0	0	0	0	0	0	0	0	205
30 to 34	11	93	93	35	1	0	0	0	0	0	0	233
35 to 39	6	42	45	133	52	0	0	0	0	0	0	278
40 to 44	1	25	32	85	146	24	1	0	0	0	0	314
45 to 49	3	12	3	24	45	110	34	0	0	0	0	231
50 to 54	1	3	8	10	14	61	60	37	3	0	0	197
55 to 59	1	3	12	10	12	8	34	70	8	1	1	159
60 to 64	2	3	5	4	6	6	5	15	7	2	2	55
65 to 69	0	1	0	3	1	0	1	0	1	1	1	8
70 & up	0	0	0	1	0	1	0	0	0	1	1	3
Total	83	353	222	305	277	210	135	122	19	5	5	1,731



Age-Service Distributions for Conservation and Excise Police Active Employees

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	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	12	15	1	0	0	0	0	0	0	0	28
30 to 34	0	8	39	1	1	0	0	0	0	0	0	49
35 to 39	0	2	12	19	3	0	0	0	0	0	0	36
40 to 44	0	0	7	7	27	4	0	0	0	0	0	45
45 to 49	0	0	1	2	8	18	9	0	0	0	0	38
50 to 54	0	1	0	1	2	4	14	5	0	0	0	27
55 to 59	0	1	0	0	0	1	4	16	2	0	0	24
60 to 64	0	0	0	0	0	0	1	2	2	0	0	5
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	24	74	31	41	27	28	23	4	0	0	252



GASB 45 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 Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **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 pension 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.
3. **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 Normal Cost and an Actuarial Accrued Liability.
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. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **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.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **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.



10. **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.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **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.
14. **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.
15. **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.
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. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.



Appendix A – Comparison of Participant Demographic Information

	As of June 30, 2012				As of June 30, 2011			
	State Personnel	Legislature	ISP	CEP	State Personnel	Legislature	ISP	CEP
Active Participants ⁸	22,981	101	1,731	252	24,384	86	1,752	258
Retired Participants ⁹	1,096	48	1,103	144	1,043	40	1,113	140
Averages for Active								
Age	48.1	58.3	42.0	41.7	47.1	55.9	42.0	40.8
Service	13.4	12.7	14.4	16.2	12.4	11.4	13.8	15.2
Averages for Inactive								
Age	61.2	67.0	68.0	65.3	62.4	64.7	67.2	64.7

⁸ Only includes employees who have health coverage.

⁹ The retired enrollment figures exclude spouses and those who currently have no health care coverage. ISP retired participants enrollment exclude those who have life insurance benefits only and include beneficiaries.



Appendix A – Continued

Data Reconciliation by Group

	<u>State Personnel</u>	<u>Indiana State Police (ISP)</u>	<u>Conservation and Excise Police (CEP)</u>
Active employees with coverage			
Actives as of June 30, 2011	24,384	1,752	258
Terminated	(976)	(100)	(2)
New hires	45	101	
Transfer to / from different employee group			(1)
Active employees who retired	(125)	(21)	(3)
Active who passed away with beneficiaries		(1)	
Retirees who returned to active employment	1		
Other adjustment ¹⁰	(348)		
Actives as of June 30, 2012	22,981	1,731	252
Retirees with coverage¹¹			
Retirees as of June 30, 2011	1,043	1,043	140
Active employees who retired	155	21	3
Retirees who returned to active employment	(2)		
Retirees who dropped coverage	(3)	(27)	(1)
Retirees who passed away with beneficiaries		(8)	
New retirees ¹²	493 ¹³		1
Other adjustment ⁷		(4)	1
Retirees as of June 30, 2012	1,686¹⁴	1,025	144
Beneficiaries with coverage			
Beneficiaries as of June 30, 2011		70	
Active/retirees who passed away with beneficiaries		9	
Beneficiaries who dropped coverage		(3)	
New beneficiaries		2	
Beneficiaries as of June 30, 2012		78	

¹⁰ This line shows adjustments for participants who have changed health plan enrollment status from June 30, 2009 to June 30, 2011 (i.e. those who did not have coverage before but are currently enrolled, and vice versa).

¹¹ Only retirees with coverage are shown in this section, except for State Personnel.

¹² This line shows new retirees who were not found as active employees in June 30, 2011 census data or those who were previously active in a different employee group.

¹³ State Personnel 493 new retirees include 336 retirees over the age of 65 who will not generate any liabilities.

¹⁴ Total State Personnel retirees as of June 30, 2012 include 588 retirees over the age of 65 and 2 retirees without coverage who will not generate GASB liabilities.



Appendix B – Conservation and Excise Police GASB Results Breakdown

	<i>Actuarial Accrued Liabilities (AAL) As of June 30, 2012</i>	<i>Actuarial Value of Assets (AVA) As of June 30, 2012</i>	<i>Unfunded Actuarial Accrued Liabilities (UAAL) As of June 30, 2012</i>	<i>Annual Required Contribution (ARC) For 2011/12</i>
Conservation	\$ 33,927,611	\$ 4,388,710	\$ 29,538,901	\$ 2,868,972
Excise Police	\$ 7,876,762	\$ 1,384,246	\$ 6,492,516	\$ 805,748
Total	\$ 41,804,373	\$ 5,772,956	\$ 36,031,417	\$ 3,674,720

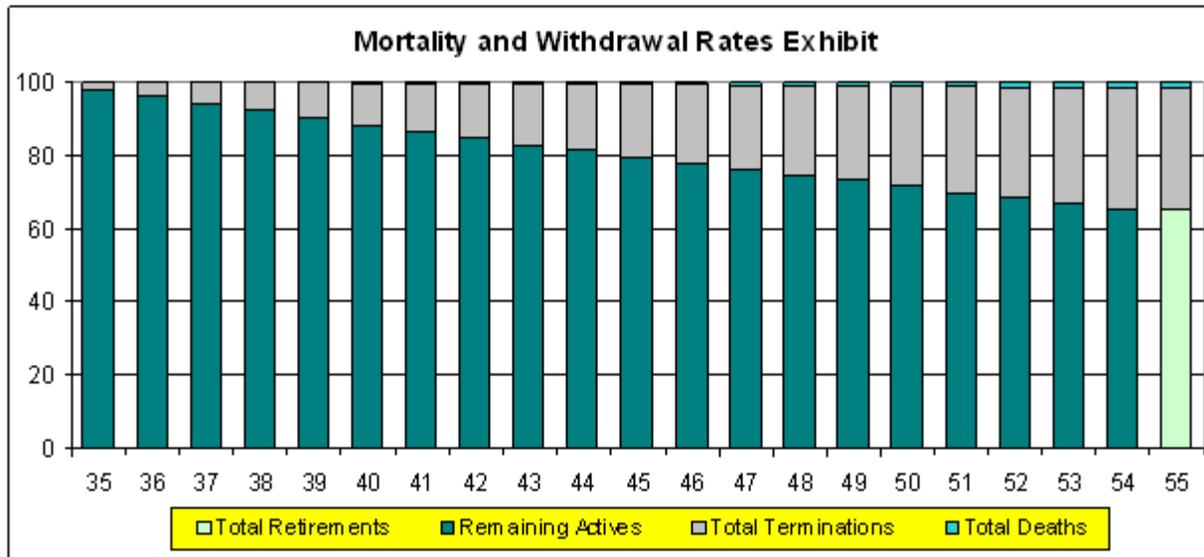


Appendix C – Withdrawal and Mortality Rates Exhibit

State Personnel

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The selected actuarial assumptions show that 65.429 employees are expected to retire and could elect retiree health benefits at age 55. The illustration is based on a sample of 100 active employees all of whom are age 35 with at least five years of service

Age	Remaining Employees	Deaths per year	Terminations per year	Retirements per year	Total Decrements	Age	Remaining Employees	# Deaths per year	Terminations per year	Retirements per year	Total Decrements
35	100.000	0.046	2.000	0.000	2.046	46	79.529	0.051	1.591	0.000	1.664
36	97.954	0.035	1.959	0.000	2.005	47	77.865	0.055	1.557	0.000	1.637
37	95.950	0.034	1.919	0.000	1.965	48	76.228	0.060	1.525	0.000	1.611
38	93.985	0.034	1.880	0.000	1.927	49	74.618	0.065	1.492	0.000	1.586
39	92.058	0.035	1.841	0.000	1.891	50	73.032	0.070	1.461	0.000	1.562
40	90.167	0.036	1.803	0.000	1.855	51	71.470	0.077	1.429	0.000	1.540
41	88.312	0.038	1.766	0.000	1.821	52	69.930	0.084	1.399	0.000	1.519
42	86.490	0.040	1.730	0.000	1.788	53	68.411	0.092	1.368	0.000	1.500
43	84.702	0.043	1.694	0.000	1.756	54	66.911	0.099	1.338	0.000	1.481
44	82.947	0.045	1.659	0.000	1.724	55	65.429	0.000	0.000	65.429	65.429
45	81.223	0.048	1.624	0.000	1.693						



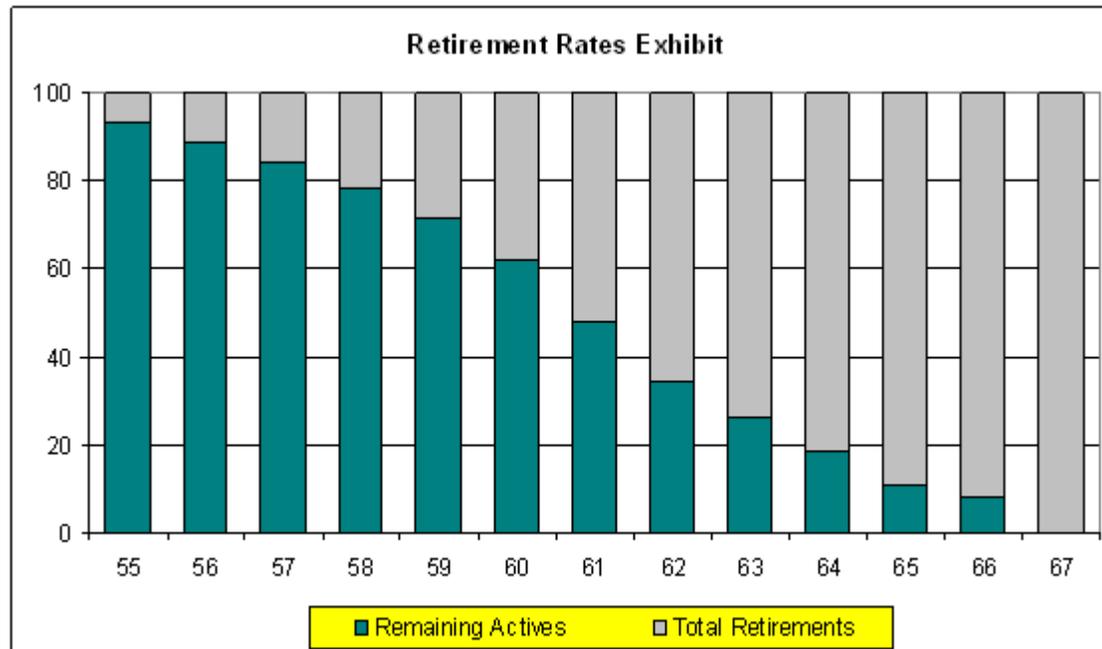


Appendix D – Retirement Rates Exhibit

State Personnel

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The selected retirement rates show the number of employees who are assumed to retire annually based on a sample of 100 active employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 61.2.

Age	Active Employees BOY	Annual Retirement Rates	# Retirements per year	Active Employees EOY	Age	Active Employees BOY	Annual Retirement Rates	# Retirements per year	Active Employees EOY
55	100.000	6.50%	6.500	93.500	62	47.998	28.60%	13.727	34.270
56	93.500	5.20%	4.862	88.638	63	34.270	23.40%	8.019	26.251
57	88.638	5.20%	4.609	84.029	64	26.251	28.60%	7.508	18.743
58	84.029	6.50%	5.462	78.567	65	18.743	42.90%	8.041	10.702
59	78.567	9.10%	7.150	71.417	66	10.702	22.75%	2.435	8.268
60	71.417	13.00%	9.284	62.133	67	8.268	100.00%	8.268	0.000
61	62.133	22.75%	14.135	47.998					





Appendix E – Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = $A \times B \times C \times D$

**Appendix E** – Continued**III. Calculation of Actuarial Accrued Liability**

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$