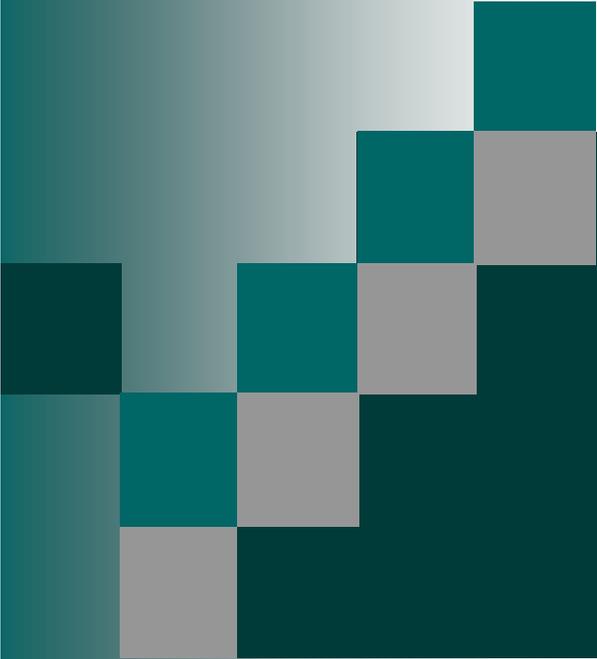


nyhart



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

***Fiscal Year Ending
June 30, 2010***

Table of Contents

	Page
Certification	
Section A: Executive Summary	
Section B: Valuation Results	
Valuation Results for Fiscal Year Ending June 30, 2010	B-1
Valuation Results for Fiscal Year Ending June 30, 2009	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
Health Care Trend Sensitivity	B-8
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 – Age-Service Distributions	E-1
Appendix B – Withdrawal and Mortality Rates Exhibit	E-5
Appendix C – Retirement Rates Exhibit	E-6
Appendix D – Illustration of GASB Calculations	E-7

Certification

This report summarizes the GASB actuarial valuation for the State of Indiana for the fiscal year ending June 30, 2010. 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.

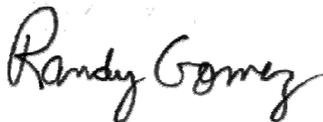
The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and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



Thomas Totten, FCA, ASA, EA, MAAA

October 29, 2010



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 and has no cash reserves dedicated to retiree health coverage at this time.

Actuary's Notes

Changes since Last Valuation

There are no significant changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2008. For the current year GASB valuation, we have updated the health care trend rates and 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 Notes

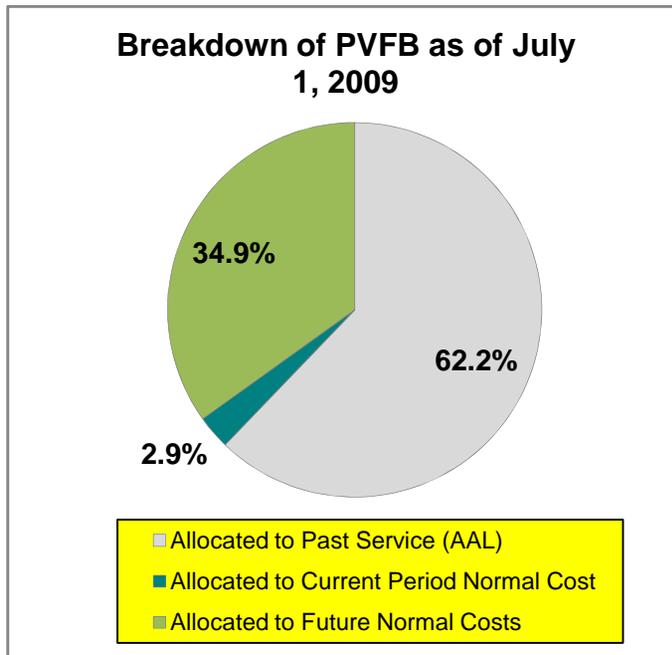
1. State Personnel:
 - From 2008 to 2010 the retiree contribution rates have increased by 13.8%, 9.1%, and 13.2% for Traditional PPO, CDHP 1, and CDHP 2 plans respectively. The actuarial assumed increase was 18.7% for the same two-year period.
2. Indiana State Police (ISP):
 - The retiree contribution rates have not been increased since January 1, 2006.
3. Conservation and Excise Police (CEP):
 - 2009/10 retiree contributions rates were the same as the rates used in the last GASB valuation. However, the CEP increased the pre-Medicare retirees' contribution rates effective on August 1, 2010. We have reflected the higher contribution rates for pre-Medicare retirees in this report.



Summary of Results

Below is the breakdown of Present Value of Future Benefits (PVFB) as of July 1, 2009 allocated for past, current, and future service.

<i>As of July 1, 2009</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	\$ 93,683,323	\$ 47,752,326	\$ 3,215,851	\$ 42,715,146
Legislature	\$ 8,406,409	\$ 8,339,154	\$ 6,811	\$ 60,444
Indiana State Police (ISP)	\$ 603,078,031	\$ 381,198,176	\$ 17,897,911	\$ 203,981,944
Conservation and Excise Police (CEP)	\$ 85,225,463	\$ 54,151,987	\$ 1,959,843	\$ 29,113,633
Total	\$ 790,393,226	\$ 491,441,643	\$ 23,080,416	\$ 275,871,167



PVFB is the amount needed as of July 1, 2009 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, 2009. 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 2009/10 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, 2010 and 2008 based on the Projected Unit Credit cost method.

<i>As of July 1, 2009</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	\$ 790,393,226	\$ 93,683,323	\$ 8,406,409	\$ 603,078,031	\$ 85,225,463
Actuarial Accrued Liability	\$ 491,441,643	\$ 47,752,326	\$ 8,339,154	\$ 381,198,176	\$ 54,151,987

<i>As of July 1, 2007</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	\$ 704,585,372	\$ 110,454,642	\$ 7,949,082	\$ 521,887,241	\$ 64,294,407
Actuarial Accrued Liability	\$ 413,528,760	\$ 57,574,519	\$ 7,869,412	\$ 307,632,431	\$ 40,452,398



Income Statement and Balance Sheet Impact

(Results shown in millions)

<i>2009/10 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	\$ 53,111,970	\$ 6,104,909	\$ 512,379	\$ 41,224,004	\$ 5,270,678
Total Employer Contributions ¹ (Affects Income Statement)	\$ 12,538,101	\$ 1,913,380	\$ 312,877	\$ 9,008,600	\$ 1,303,244
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 112,405,162	\$ 15,614,672	\$ 607,780	\$ 86,002,823	\$ 10,179,887
<i>2008/09 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	\$ 47,076,045	\$ 7,624,200	\$ 493,324	\$ 34,830,500	\$ 4,128,021
Total Employer Contributions (Affects Income Statement)	\$ 10,989,918	\$ 1,796,334	\$ 300,963	\$ 7,910,221	\$ 982,400
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 71,831,293	\$ 11,423,143	\$ 408,278	\$ 53,787,419	\$ 6,212,453

¹ Total employer contributions shown are based on estimates reflecting current demographic, premium and contribution information.



For Fiscal Year Ending June 30, 2010

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 results for the period ending on June 30, 2009 for the period ending June 30, 2010. The date/year references below have been changed to 2009/10 for consistency.

Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP
Actuarial Accrued Liability as of June 30, 2010	\$ 524,858,447	\$ 51,305,787	\$ 8,401,694	\$ 407,846,348	\$ 57,304,618
Actuarial Value of Assets as of June 30, 2010	0	0	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 524,858,447	\$ 51,305,787	\$ 8,401,694	\$ 407,846,348	\$ 57,304,618

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 23,080,416	\$ 3,215,851	\$ 6,811	\$ 17,897,911	\$ 1,959,843
Amortization of the UAAL over 30 year period	28,871,159	2,805,348	489,908	22,394,588	3,181,315
Total normal cost and amortization payment	\$ 51,951,575	\$ 6,021,199	\$ 496,719	\$ 40,292,499	\$ 5,141,158
Interest to end of year	2,337,821	270,954	22,352	1,813,163	231,352
Total Annual Required Contribution (ARC)	\$ 54,289,396	\$ 6,292,153	\$ 519,071	\$ 42,105,662	\$ 5,372,510

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP
ARC for fiscal year 2009/10	\$ 54,289,396	\$ 6,292,153	\$ 519,071	\$ 42,105,662	\$ 5,372,510
Interest on Net OPEB Obligation (NOO) to end of year	3,232,408	514,041	18,373	2,420,434	279,560
Amortization adjustment to the ARC for beginning of year NOO	(4,409,834)	(701,285)	(25,065)	(3,302,092)	(381,392)
Annual OPEB cost	\$ 53,111,970	\$ 6,104,909	\$ 512,379	\$ 41,224,004	\$ 5,270,678
Total annual employer contribution for 2009/10	(12,538,101)	(1,913,380)	(312,877)	(9,008,600)	(1,303,244)
Change in NOO for fiscal year 2009/10	\$ 40,573,869	\$ 4,191,529	\$ 199,502	\$ 32,215,404	\$ 3,967,434
NOO as of July 1, 2009	71,831,293	11,423,143	408,278	53,787,419	6,212,453
NOO as of June 30, 2010	\$ 112,405,162	\$ 15,614,672	\$ 607,780	\$ 86,002,823	\$ 10,179,887



For Fiscal Year Ending June 30, 2009

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 results for the period ending on June 30, 2007 projected to June 30, 2008 with adjustments for known experience for the period ending June 30, 2009. The date/year references below have been changed to 2008/09 for clarity.

Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP
Actuarial Accrued Liability as of June 30, 2009	\$ 462,644,783	\$ 67,404,678	\$ 8,009,091	\$ 341,922,973	\$ 45,308,041
Actuarial Value of Assets as of June 30, 2009	0	0	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 462,644,783	\$ 67,404,678	\$ 8,009,091	\$ 341,922,973	\$ 45,308,041

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 20,152,896	\$ 3,708,949	\$ 8,409	\$ 14,953,707	\$ 1,481,831
Amortization of the UAAL over 30 year period	25,456,639	3,674,702	467,058	18,798,345	2,516,534
Total normal cost and amortization payment	\$ 45,609,535	\$ 7,383,651	\$ 475,467	\$ 33,752,052	\$ 3,998,365
Interest to end of year	2,052,429	332,264	21,396	1,518,842	179,927
Total Annual Required Contribution (ARC)	\$ 47,661,964	\$ 7,715,915	\$ 496,863	\$ 35,270,894	\$ 4,178,292

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP
ARC for fiscal year 2008/09	\$ 47,661,964	\$ 7,715,915	\$ 496,863	\$ 35,270,894	\$ 4,178,292
Interest on Net OPEB Obligation (NOO) to end of year	1,608,532	251,788	9,716	1,209,021	138,007
Amortization adjustment to the ARC for beginning of year NOO	(2,194,451)	(343,503)	(13,255)	(1,649,415)	(188,278)
Annual OPEB cost	\$ 47,076,045	\$ 7,624,200	\$ 493,324	\$ 34,830,500	\$ 4,128,021
Total annual employer contribution for 2008/09	(10,989,918)	(1,796,334)	(300,963)	(7,910,221)	(982,400)
Change in NOO for fiscal year 2008/09	\$ 36,086,127	\$ 5,827,866	\$ 192,361	\$ 26,920,279	\$ 3,145,621
NOO as of July 1, 2008	35,745,166	5,595,277	215,917	26,867,140	3,066,832
NOO as of June 30, 2009	\$ 71,831,293	\$ 11,423,143	\$ 408,278	\$ 53,787,419	\$ 6,212,453



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, 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%
June 30, 2009				
State Personnel	\$ 0	\$ 67,404,678	\$ 67,404,678	0.0%
Legislature	\$ 0	\$ 8,009,091	\$ 8,009,091	0.0%
ISP	\$ 0	\$ 341,922,973	\$ 341,922,973	0.0%
CEP	\$ 0	\$ 45,308,041	\$ 45,308,041	0.0%
Total	\$ 0	\$ 462,644,783	\$ 462,644,783	0.0%
June 30, 2008				
State Personnel	\$ 0	\$ 62,189,667	\$ 62,189,667	0.0%
Legislature	\$ 0	\$ 7,950,205	\$ 7,950,205	0.0%
ISP	\$ 0	\$ 329,292,163	\$ 329,292,163	0.0%
CEP	\$ 0	\$ 42,836,161	\$ 42,836,161	0.0%
Total	\$ 0	\$ 442,268,196	\$ 442,268,196	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, 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%
June 30, 2009			
State Personnel	\$ 1,796,334	\$ 7,715,915	23.3%
Legislature	\$ 300,963	\$ 496,863	60.6%
ISP	\$ 7,910,221	\$ 35,270,894	22.4%
CEP	\$ 982,400	\$ 4,178,292	23.5%
Total	\$ 10,989,918	\$ 47,661,964	23.1%
June 30, 2008			
State Personnel	\$ 1,635,509	\$ 7,230,786	22.6%
Legislature	\$ 275,607	\$ 491,524	56.1%
ISP	\$ 7,407,624	\$ 34,274,764	21.6%
CEP	\$ 898,434	\$ 3,965,266	22.7%
Total	\$ 10,217,174	\$ 45,962,340	22.2%



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, 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
June 30, 2009			
State Personnel	\$ 7,624,200	23.6%	\$ 11,423,143
Legislature	\$ 493,324	61.0%	\$ 408,278
ISP	\$ 34,830,500	22.7%	\$ 53,787,419
CEP	\$ 4,128,021	23.8%	\$ 6,212,453
Total	\$ 47,076,045	23.3 %	\$ 71,831,293
June 30, 2008			
State Personnel	\$ 7,230,786	22.6%	\$ 5,595,277
Legislature	\$ 491,524	56.1%	\$ 215,917
ISP	\$ 34,274,764	21.6%	\$ 26,867,140
CEP	\$ 3,965,266	22.7%	\$ 3,066,832
Total	\$ 45,962,340	22.2%	\$ 35,745,166



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.

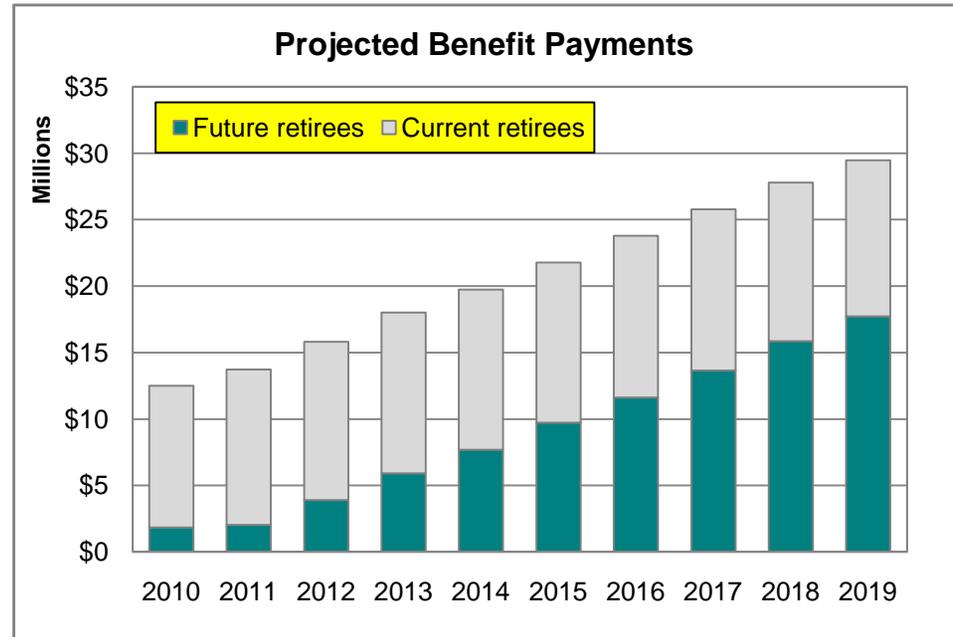
	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>ISP</i>	<i>CEP</i>
Actuarial Accrued Liability as of July 1, 2009	\$ 491,441,643	\$ 47,752,326	\$ 8,339,154	\$ 381,198,176	\$ 54,151,987
Normal cost as of July 1, 2009	23,080,416	3,215,851	6,811	17,897,911	1,959,843
Expected benefit payments for 2009/10	(12,538,101)	(1,913,380)	(312,877)	(9,008,600)	(1,303,244)
Interest adjustment to June 30, 2010	22,874,489	2,250,990	368,606	17,758,861	2,496,032
Expected Actuarial Accrued Liability as of June 30, 2010	<u>\$ 524,858,447</u>	<u>\$ 51,305,787</u>	<u>\$ 8,401,694</u>	<u>\$ 407,846,348</u>	<u>\$ 57,304,618</u>



Pay-as-you-go Cash Flow Projections

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>
2010	\$ 1,861,349	\$ 10,676,752	\$ 12,538,101
2011	\$ 2,039,439	\$ 11,715,684	\$ 13,755,123
2012	\$ 3,929,642	\$ 11,908,127	\$ 15,837,769
2013	\$ 5,953,363	\$ 12,100,441	\$ 18,053,804
2014	\$ 7,708,981	\$ 12,077,942	\$ 19,786,923
2015	\$ 9,767,303	\$ 12,043,251	\$ 21,810,554
2016	\$ 11,669,617	\$ 12,164,326	\$ 23,833,943
2017	\$ 13,694,792	\$ 12,128,408	\$ 25,823,200
2018	\$ 15,903,981	\$ 11,928,664	\$ 27,832,645
2019	\$ 17,768,101	\$ 11,757,585	\$ 29,525,686





Health Care Trend Sensitivity

All actuarial present value calculations of future retiree healthcare costs use assumptions to model expected outcomes. As the final results are highly dependent on the assumptions used, it is important for users of this information to understand how each assumption affects the results. In order to quantify this assumption sensitivity, a comparison of the actuarial liability determined using the recommended and alternative assumptions was done.

- Health care trend is the assumption that health care costs will increase each year in the future. Details of the baseline trend rates can be found in Section C of this report. Shown below are the results if the trend rates are 1% higher or 1% lower every year.

<i>FYE 2010</i>	<i>Baseline</i>	<i>+1% Trend</i>	<i>-1% Trend</i>
Actuarial Accrued Liability as of beginning of year	\$ 491,441,643	\$ 577,957,553	\$ 423,459,059
Normal Cost	\$ 23,080,416	\$ 29,999,790	\$ 18,045,293
Annual Required Contribution	\$ 54,289,396	\$ 66,831,486	\$ 44,854,136



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 2010 monthly premium rates by plan are as shown below:

Plans	Non-Tobacco	
	Single	Family
CDHP 1	\$ 278.07	\$ 865.02
CDHP 2	\$ 369.33	\$ 1,064.31
Traditional PPO	\$ 558.61	\$ 1,573.39

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.

Life Insurance

None

Contribution Funding Policy

Pay-as-you-go cash basis



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.

For the fiscal year ending June 30, 2010, the State contributed \$35,899,000 to the Retirement Medical Benefits Account Trust Fund on behalf of eligible active employees. Another \$21,199,000 was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was \$57,098,000. There was an offset to the above contributions in the amount of \$5,000,000 due to forfeitures. The retiree contribution includes the Bonus Contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The Annual Required Contribution for the year is \$52,098,000 and there are no unfunded liabilities.



Actuarial Assumptions and Methods

Measurement Date	July 1, 2009; 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 results for the period ending on June 30, 2009 for the period ending June 30, 2010.
Discount Rate	4.5%
Salary Scale	4.0%
Census Data	Census data was provided by the State and it was collected as of June 30, 2009. We have reviewed it for reasonableness and no material modifications were made to the census data.
Data Assumption	<p>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.</p> <p>Active participants currently enrolled in Welborn HMO plan are assumed to elect the Anthem Traditional plan at retirement.</p>
Cost Method	Projected Unit Credit
Amortization	Level dollar amount over thirty years based on an open group.
Mortality	Post-retirement mortality rates are based on the UP-1994 sex-distinct table. The pre-retirement mortality rates are based on PERF assumptions. Sample rates for State Personnel's pre-retirement mortality are as shown below:

Age	Male	Female
30	0.04%	0.02%
40	0.06%	0.05%
50	0.14%	0.09%
60	0.43%	0.29%



Actuarial Assumptions and Methods – Continued

Retirement Rate

Annual retirement rates follow the PERF and Judges’ Retirement System rates. Sample rates are as shown below:

Age	State Personnel	Judges & Attorneys
60	13.0%	20.0%
62	28.6%	25.0%
65	42.9%	25.0%
67+	100.0%	100.0%

Disability

None expected

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 and prosecuting attorneys follow the Judges’ Retirement System and Prosecuting Attorneys’ Retirement Fund (PARF) withdrawal rates, which is a constant 4%.

Annual withdrawal rates for State personnel are based on Public Employees’ Retirement Fund (PERF) select and ultimate rates. Sample rates are as shown below:

Age	Years of Service					
	0	1	2	3	4	5+
20	32%	15%	5%	3%	3%	2%
30	27%	10%	5%	3%	3%	2%
40	22%	7%	5%	3%	3%	2%
50	22%	7%	5%	3%	3%	2%
60	23%	7%	5%	3%	3%	2%
70	0%	0%	0%	0%	0%	2%



Actuarial Assumptions and Methods – Continued

Per Capita Costs

Annual per capita costs are based on claims and enrollment information for the period ending June 2010. 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.

Medical			
Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 4,500	\$ 3,400	\$ 3,700
55 – 59	\$ 5,900	\$ 4,500	\$ 4,900
60 – 64	\$ 7,400	\$ 5,600	\$ 6,100

Prescription Drugs (Rx)			
Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 1,100	\$ 800	\$ 900
55 – 59	\$ 1,300	\$ 1,000	\$ 1,100
60 – 64	\$ 1,600	\$ 1,300	\$ 1,400

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 administrative per capita cost is assumed to be \$300. It is assumed to increase 3% annually.

Health Care Trend Rates

FYE	Medical/Rx Combined	FYE	Medical/Rx Combined
2010	9.2%	2016	6.3%
2011	8.7%	2017	5.9%
2012	8.2%	2018	5.5%
2013	7.7%	2019	5.1%
2014	7.2%	2020	4.7%
2015	6.7%	2021+	4.5%

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.

Spousal coverage for current retirees is based on actual data.

Husbands are assumed to be three years older than wives.

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	\$ 278.07	\$ 278.07	\$ 0.00
Family	\$ 586.95	\$ 586.95	\$ 0.00

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



Actuarial Assumptions and Methods – Continued

GASB 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	\$ 575.00	\$ 278.07	\$ 296.93
Spouse	\$ 575.00	\$ 586.95	\$ 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.



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.

Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The 2010 monthly premium rates by plan are as shown below:

Plans	Non-Tobacco	
	Single	Family
CDHP 1	\$ 278.07	\$ 865.02
CDHP 2	\$ 369.33	\$ 1,064.31
Traditional PPO	\$ 558.61	\$ 1,573.39

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. The same benefit options are available to grandfathered retirees as active employees.

The 2010 monthly premium rates for dental and vision benefits are as shown below:

Plans	Single	Family
Dental	\$ 10.18	\$ 26.80
Vision	\$ 3.55	\$ 9.01

Contribution Funding Policy

Pay-as-you-go cash basis



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.

For the fiscal year ending June 30, 2010, the State contributed \$35,899,000 to the Retirement Medical Benefits Account Trust Fund on behalf of eligible active employees. Another \$21,199,000 was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was \$57,098,000. There was an offset to the above contributions in the amount of \$5,000,000 due to forfeitures. The retiree contribution includes the Bonus Contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The Annual Required Contribution for the year is \$52,098,000 and there are no unfunded liabilities.



Actuarial Assumptions and Methods

Measurement Date	July 1, 2009; 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 results for the period ending on June 30, 2009 for the period ending June 30, 2010.
Discount Rate	4.5%
Salary Scale	4.0%
Census Data	Census data was provided by the State and it was collected as of June 30, 2009. We have reviewed it for reasonableness and no material modifications were made to the census data.
Data Assumption	<p>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. For the prior valuation, the premium rates were the same for tobacco and non-tobacco users.</p> <p>Employees who were known to retire after June 30, 2010 were assigned retiree status for GASB valuation.</p>
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>	<p><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.</p> <p>PERF eligibility requirement is the earlier of:</p> <ol style="list-style-type: none">Age 55 with 85 pointsAge 60 with 15 years of serviceAge 65 with 10 years of service <p><u>Actives without Current Health Coverage</u> 40% of employees are assumed to elect coverage at retirement after meeting the PERF retirement eligibility</p>
<i>Inactive Employees</i>	Based on actual data.



Actuarial Assumptions and Methods – Continued

Mortality

Pre and post-retirement mortality rates are based on the UP-1994 sex-distinct table.

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 2010. 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.

Medical			
Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 4,500	\$ 3,400	\$ 3,700
55 – 59	\$ 5,900	\$ 4,500	\$ 4,900
60 – 64	\$ 7,400	\$ 5,600	\$ 6,100
65 – 69	\$ 1,000	\$ 700	\$ 800
70 – 74	\$ 1,300	\$ 900	\$ 1,000
75+	\$ 1,500	\$ 1,100	\$ 1,200

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.

Prescription Drugs (Rx)			
Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 1,100	\$ 800	\$ 900
55 – 59	\$ 1,300	\$ 1,000	\$ 1,100
60 – 64	\$ 1,600	\$ 1,300	\$ 1,400
65 – 69	\$ 2,200	\$ 1,700	\$ 1,800
70 – 74	\$ 2,600	\$ 2,000	\$ 2,200
75+	\$ 3,000	\$ 2,300	\$ 2,500

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

Annual administrative per capita cost is assumed to be \$300. It is assumed to increase 3% annually.

Annual dental and vision per capita costs are assumed to be \$265 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
2010	9.20%	10.00%	4.50%
2011	8.70%	9.50%	4.50%
2012	8.20%	9.00%	4.25%
2013	7.70%	8.50%	4.25%
2014	7.20%	8.00%	4.00%
2015	6.70%	7.50%	3.75%
2016	6.30%	7.10%	3.50%
2017	5.90%	6.70%	3.50%
2018	5.50%	6.30%	3.50%
2019	5.10%	5.90%	3.50%
2020	4.70%	5.50%	3.50%
2021+	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

70% of male and 55% of female employees are assumed to be married upon retirement.

Spousal coverage for current retirees is based on actual data.

Husbands are assumed to be three years older than wives.



Actuarial Assumptions and Methods – Continued

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	\$ 299.74	\$ 299.74	\$ 0.00
Family	\$ 886.69	\$ 886.69	\$ 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.

GASB 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	\$ 575.00	\$ 278.07	\$ 296.93
Spouse	\$ 575.00	\$ 586.95	\$ 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.



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. 20 years of service
- 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 2010 monthly premium rates (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	\$ 201.58	\$ 259.72
Optional Plan	\$ 235.68	\$ 322.15
<u>Post-Medicare</u>		
Basic Plan	\$ 109.47	\$ 131.79
Optional Plan	\$ 127.57	\$ 168.18



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 2010 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
Dental	\$ 42.31	\$ 88.85
Vision	\$ 4.21	\$ 8.84

State Police Explicit Subsidy

None

Contribution Funding Policy

The Indiana State Police maintains a separate health plan for its active and retired employees. The plan is self-insured and the State 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 State 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 State Police health fund. There is no direct State subsidy for retiree health care.

The State 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.



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	\$ 189.16	\$ 224.46	\$ 35.30
Dental	\$ 42.31	\$ 88.85	\$ 46.54
Vision	\$ 4.21	\$ 8.84	\$ 4.63
Total	\$ 235.68	\$ 322.15	\$ 86.47
<u>Post-Medicare</u>			
Medical	\$ 81.05	\$ 70.49	\$ 0.00
Dental	\$ 42.31	\$ 88.85	\$ 35.98
Vision	\$ 4.21	\$ 8.84	\$ 4.63
Total	\$ 127.57	\$ 168.18	\$ 40.61
<u>Basic Plan</u>			
Pre-Medicare	\$ 201.58	\$ 259.72	\$ 58.14
Post-Medicare	\$ 109.47	\$ 131.79	\$ 22.32

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.

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 retiree health benefit 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.

For the fiscal year ending June 30, 2010, the State contributed \$35,899,000 to the Retirement Medical Benefits Account Trust Fund on behalf of eligible active employees. Another \$21,199,000 was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was \$57,098,000. There was an offset to the above contributions in the amount of \$5,000,000 due to forfeitures. The retiree contribution includes the Bonus Contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The Annual Required Contribution for the year is \$52,098,000 and there are no unfunded liabilities.



Actuarial Assumptions and Methods

Measurement Date	July 1, 2009; 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 results for the period ending on June 30, 2009 for the period ending June 30, 2010.
Discount Rate	4.5%
Salary Scale	4.0%
Census Data	<p>Census data was provided by the State and it was collected as of June 30, 2009. 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>20% of future retirees are assumed to elect the Basic Plan (without dental and vision benefits).</p> <p>Employees who are known to retire after June 30, 2009 were assigned retiree status for GASB valuation. Hire dates for employees hired after June 30, 2009 have been changed to June 30, 2009.</p>
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 the UP-1994 sex-distinct table.
Withdrawal Rate	<p>Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health care coverage.</p> <p>No withdrawal rates are assumed for police officers in the pre-1987 plan.</p> <p>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.</p>



Actuarial Assumptions and Methods – Continued

Disability

Sample rates are as shown below.

Age	Male	Female
45	0.11%	0.90%
50	0.20%	0.16%
55	0.35%	0.28%
60	0.62%	0.49%

Disability Mortality

RP-2000 Combined Mortality Table projected to 2010 using Scale AA with a 10-year set forward.

Retirement Rate

Annual retirement rates were adjusted to reflect the ISP actual withdrawal experience based on historical information for the past 4 years. 100% retirement rate is assumed at the earlier of:

- Age 60 with 20 years of service or age 65 with 10 years of service for police officers in the pre-1987 pension plan.
- Age 60 with 25 years of service or age 65 with 10 years of service for police officers in the 1987 pension plan.

YOS	Pre-1987 Plan	1987 Plan
20	8%	0%
21 – 24	4%	0%
25	20%	25%
26 – 30	10%	15%
31	75%	75%
32 – 33	10%	10%
34+	100%	100%

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.



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 November 30, 2009 projected to fiscal year 2009/10, actuarially increased to retiree basis using health index factors and current enrollment.

Non-Disabled Retirees

Age	Male	Female
50 – 54	\$ 6,125	\$ 7,425
55 – 59	\$ 8,525	\$ 8,325
60 – 64	\$ 10,925	\$ 9,625
65 – 69	\$ 2,425	\$ 2,425
70 – 74	\$ 2,825	\$ 2,825
75+	\$ 3,325	\$ 3,325

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	\$ 2,425	\$ 2,425
65 – 69	\$ 2,425	\$ 2,425
70 – 74	\$ 2,825	\$ 2,825
75+	\$ 3,325	\$ 3,325

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

Annual administrative per capita cost is assumed to be \$275. It is assumed to increase 3% annually.

Annual per capita costs for dental are assumed to be \$508 for retiree and \$558 for spouse. These costs are based on Anthem informational fees for the 2009/10 contract year.

Retiree Contributions

Retiree contributions are assumed to increase with Contribution Trend Rates.



Actuarial Assumptions and Methods – Continued

Health Care Trend Rates

FYE	Med Pre-65	Med Post-65	Dental
2010	9.20%	10.00%	4.50%
2011	8.70%	9.50%	4.50%
2012	8.20%	9.00%	4.25%
2013	7.70%	8.50%	4.25%
2014	7.20%	8.00%	4.00%
2015	6.70%	7.50%	3.75%
2016	6.30%	7.10%	3.50%
2017	5.90%	6.70%	3.50%
2018	5.50%	6.30%	3.50%
2019	5.10%	5.90%	3.50%
2020	4.70%	5.50%	3.50%
2021+	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.

Contribution Trend Rates

FYE	Pre-65	Post-65
2010	7.2%	7.9%
2011	6.8%	7.4%
2012	6.3%	7.0%
2013	5.8%	6.5%
2014	5.4%	6.1%
2015	4.9%	5.6%
2016	4.4%	5.2%
2017+	4.0%	5.1%



Actuarial Assumptions and Methods – Continued

Spousal Coverage

80% of male and 40% of female employees are assumed to be married upon retirement.

Spousal coverage for current retirees is based on actual data.

Husbands are assumed to be three years older than wives.

Explicit Subsidy

The difference between (a) the medical portion of the premium rate approved by ISP and (b) the retiree contribution. 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	\$ 189.16	\$ 189.16	\$ 0.00
With 1 Dep	\$ 224.46	\$ 224.46	\$ 0.00

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

GASB 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	\$ 910.42	\$ 189.16	\$ 721.26
Spouse	\$ 802.08	\$ 35.30	\$ 766.78

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.



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

Contribution Funding Policy

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.

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.

CEP Explicit Subsidy

Post-Medicare medical benefits are explicitly subsidized.



Substantive Plan Provisions – Continued

Retiree Contributions

2009/10 monthly retiree contributions 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, 2009. Contributions are allocated to vision benefit first, dental second, and medical last.

	Single	Incremental Spouse Cost	Family
<u>Pre-Medicare</u>			
Medical	\$ 51.65	\$ 3.47	\$ 55.12
Dental	\$ 42.79	\$ 63.32	\$ 106.11
Vision	\$ 5.56	\$ 8.21	\$ 13.77
Total	\$ 100.00	\$ 75.00	\$ 175.00
<u>Post-Medicare</u>			
Medical	\$ 0.00	\$ 0.00	\$ 0.00
Dental	\$ 15.87	\$ 26.84	\$ 42.71
Vision	\$ 5.56	\$ 8.21	\$ 13.77
Total	\$ 21.43	\$ 35.05	\$ 56.48

Effective August 1, 2010, the split of monthly pre-Medicare contributions by benefit are as shown below. The post-Medicare retiree contribution split by benefit remains the same.

	Single	Incremental Spouse Cost	Family
<u>Under age 60</u>			
Medical	\$ 191.65	\$ 48.47	\$ 240.12
Dental	\$ 42.79	\$ 63.32	\$ 106.11
Vision	\$ 5.56	\$ 8.21	\$ 13.77
Total	\$ 240.00	\$ 120.00	\$ 360.00
<u>Age 60 – 64</u>			
Medical	\$ 111.65	\$ 8.47	\$ 120.12
Dental	\$ 42.79	\$ 63.32	\$ 106.11
Vision	\$ 5.56	\$ 8.21	\$ 13.77
Total	\$ 160.00	\$ 80.00	\$ 240.00



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 retiree health benefit 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.

For the fiscal year ending June 30, 2010, the State contributed \$35,899,000 to the Retirement Medical Benefits Account Trust Fund on behalf of eligible active employees. Another \$21,199,000 was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was \$57,098,000. There was an offset to the above contributions in the amount of \$5,000,000 due to forfeitures. The retiree contribution includes the Bonus Contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The Annual Required Contribution for the year is \$52,098,000 and there are no unfunded liabilities.



Actuarial Assumptions and Methods

Measurement Date	July 1, 2009; 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 results for the period ending on June 30, 2009 for the period ending June 30, 2010.										
Discount Rate	4.5%										
Salary Scale	4.0%										
Census Data	Census data was provided by the State and it was collected as of June 30, 2009. 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. 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, 2009 have been changed to June 30, 2009. Employees who are known to retire after June 30, 2009 were assigned retiree status for GASB valuation.</p>										
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 the UP-1994 sex-distinct table.										
Withdrawal Rate	<p>Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health care coverage.</p> <p>Annual withdrawal rates are based on Saranson T-1 table. Sample rates are as shown below.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="border-top: 1px solid black; border-bottom: 1px solid black;">Age</th> <th style="border-top: 1px solid black; border-bottom: 1px solid black;">Male</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>4.9%</td> </tr> <tr> <td>35</td> <td>2.3%</td> </tr> <tr> <td>45</td> <td>2.7%</td> </tr> <tr> <td>50</td> <td>0.0%</td> </tr> </tbody> </table>	Age	Male	25	4.9%	35	2.3%	45	2.7%	50	0.0%
Age	Male										
25	4.9%										
35	2.3%										
45	2.7%										
50	0.0%										
Disability	None										



Actuarial Assumptions and Methods – Continued

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	2%
56	6%
57 – 58	15%
59	5%
60+	100%

Per Capita Costs

Annual per capita costs are based on claims data and fixed costs expenses for the 12-month period ending November 30, 2009 projected to fiscal year 2009/10, 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	\$ 8,400
60 – 64	\$ 11,100	\$ 9,800
65 – 69	\$ 2,100	\$ 2,100
70 – 74	\$ 2,500	\$ 2,500
75+	\$ 2,900	\$ 2,900

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 \$300. It is assumed to increase 3% annually.

Annual per capita costs for dental are assumed to be \$513 for retiree and \$760 for spouse. These costs are based on Anthem informational fees for the 2009/10 contract year.



Actuarial Assumptions and Methods – Continued

Retiree Contributions

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

Health Care Trend Rates

FYE	Med Pre-65	Med Post-65	Dental
2010	9.20%	10.00%	4.50%
2011	8.70%	9.50%	4.50%
2012	8.20%	9.00%	4.25%
2013	7.70%	8.50%	4.25%
2014	7.20%	8.00%	4.00%
2015	6.70%	7.50%	3.75%
2016	6.30%	7.10%	3.50%
2017	5.90%	6.70%	3.50%
2018	5.50%	6.30%	3.50%
2019	5.10%	5.90%	3.50%
2020	4.70%	5.50%	3.50%
2021+	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.

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.

Spousal coverage for current retirees is based on actual data.

Husbands are assumed to be three years older than wives.



Actuarial Assumptions and Methods – Continued

Explicit Subsidy

The difference between (a) the COBRA rates and (b) the retiree contribution approved by CEP. Below is an example of the monthly explicit subsidies for a retiree under age 65 with medical, dental, and vision coverage.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Single	\$ 589.10	\$ 100.00	\$ 489.10
Family	\$ 1,410.02	\$ 175.00	\$ 1,235.02

GASB 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	\$ 925.00	\$ 51.65	\$ 873.35
Spouse	\$ 816.67	\$ 3.47	\$ 813.20

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.



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 Personnel²						
Traditional PPO	4,196	3,442	7,638	50.9	13.2	N/A
CDHP 1	5,007	9,046	14,053	43.4	10.0	N/A
CDHP 2	1,492	2,909	4,401	45.6	10.8	N/A
Total with coverage	10,695	15,397	26,092	46.0	11.1	N/A
Legislature						
Traditional PPO	11	16	27	61.6	15.0	N/A
CDHP 1	10	25	35	51.0	7.0	N/A
CDHP 2	2	22	24	56.8	13.5	N/A
Total with coverage	23	63	86	55.9	11.4	N/A
Conservation and Excise Police	68	225	293	40.3	14.8	N/A
Indiana State Police	415	1,395	1,810	41.4	13.4	N/A

Active Participants without Coverage³

<i>Plans</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary (in millions)</i>
State Personnel	4,441	46.1	8.9	N/A
Legislature	41	56.5	7.4	N/A

² Including judges, prosecuting attorneys, civilian employees of Indiana State Police enrolled in the State plans and Legislators support staff.

³ 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	389	120	509	63.0
CDHP 1	107	29	136	60.8
CDHP 2	53	24	77	61.2
Total with coverage	549	173	722	62.4
Legislature				
Traditional PPO	11	28	39	65.1
CDHP 1	1		1	49.0
Total with coverage	12	28	40	64.7
Conservation and Excise Police				
	22	90	112	63.0
Indiana State Police				
	324	683	1,007	65.4



Age-Service Distributions for State Personnel and 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	501	648	8									1,157
25 to 29	564	1826	330	8								2,728
30 to 34	380	1283	767	225	8							2,663
35 to 39	391	1186	780	602	233	6						3,198
40 to 44	302	1094	745	547	581	262	21					3,552
45 to 49	288	1047	802	602	539	627	320	70				4,295
50 to 54	234	912	817	698	600	615	558	484	56			4,974
55 to 59	176	775	684	588	571	589	372	520	273	17		4,565
60 to 64	86	421	478	373	378	287	175	177	203	52		2,630
65 to 69	14	91	111	85	93	67	29	32	20	22		564
70 & up	3	26	34	38	37	24	8	16	6	15		207
Total	2,939	9,309	5,556	3,766	3,040	2,477	1,483	1,299	558	106		30,533



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											
25 to 29											
30 to 34		1	1								2
35 to 39	4	3		2							9
40 to 44	3	4	5								12
45 to 49	3	6	2	1	1						13
50 to 54	3	2	3	6	2	1					17
55 to 59	2	7	1	3	4	2	2				21
60 to 64	2	5	5	4	4	4		1			25
65 to 69	1	3	2	2	2	4		2			16
70 & up		1	1	2		1	4	2	1		12
Total	18	32	20	20	13	12	6	5	1		127



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	23	62	1								86
25 to 29	33	180	10								223
30 to 34	9	88	98	36							231
35 to 39	9	50	71	197	25	2					354
40 to 44	2	17	22	78	89	39					247
45 to 49	1	4	12	22	34	135	22	2			232
50 to 54	4	8	8	15	11	46	91	35	5		223
55 to 59	5	7	7	10	6	20	41	28	20		144
60 to 64	4	6	2	5	5	6	6	6	8	2	50
65 to 69	6		3	1		1			1	2	14
70 & up	2	1	1			1				1	6
Total	98	423	235	364	170	250	160	71	34	5	1,810



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	6	8										14
25 to 29	4	28	18									50
30 to 34	2	12	14	10								38
35 to 39		8	8	31	5							52
40 to 44		1	4	8	15	7						35
45 to 49		1	1		3	24	9					38
50 to 54	1			1		5	25	9				41
55 to 59				1		1	5	12	4			23
60 to 64								1	1			2
65 to 69												0
70 & up												0
Total	13	58	45	51	23	37	39	22	5	0		293



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, 2009				As of June 30, 2007			
	State Personnel	Legislature	ISP	CEP	State Personnel	Legislature	ISP	CEP
Active Participants ⁴	26,092	86	1,810	293	27,765	75	2,000	266
Retired Participants ⁵	722	40	1,007	112	399	31	919	107
Averages for Active								
Age	46.0	55.9	41.4	40.3	47.1	52.2	40.9	40.7
Service	11.0	11.4	13.4	14.8	13.2	7.7	14.5	16.1
Averages for Inactive								
Age	62.4	64.7	65.4	63.0	62.9	62.7	65.5	64.9

⁴ Only includes employees who have health coverage.

⁵ The retired enrollment figures exclude spouses and those who currently have no health care coverage.



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, 2007	27,496	1,898	266
Terminated	-6,634	-230	-8
New hires	6,458	183	47
Active employees who retired	-396	-50	-12
Retirees who returned to active employment	1	9	
Other adjustment ⁶	-833		
Actives as of June 30, 2009	26,092	1,810	293
Retirees with coverage			
Retirees as of June 30, 2007	400	943	104
Active employees who retired	397	50	12
Retirees who returned to active employment	-1	-9	
Retirees who dropped coverage	-166	-23	-7
Retirees who passed away with beneficiaries		-17	
New retirees ⁷	92	6	3
Retirees as of June 30, 2009	722	950	112
Beneficiaries with coverage			
Beneficiaries as of June 30, 2007		43	
Retirees who passed away with beneficiaries		17	
Beneficiaries who dropped coverage		-3	
Beneficiaries as of June 30, 2009		57	

⁶ This line shows adjustments for active employees who have changed health plan enrollment status from June 30, 2007 to June 30, 2009 (i.e. those who did not have coverage before but are currently enrolled, and vice versa).

⁷ New retirees who were not found as active employees in June 30, 2007 census data.

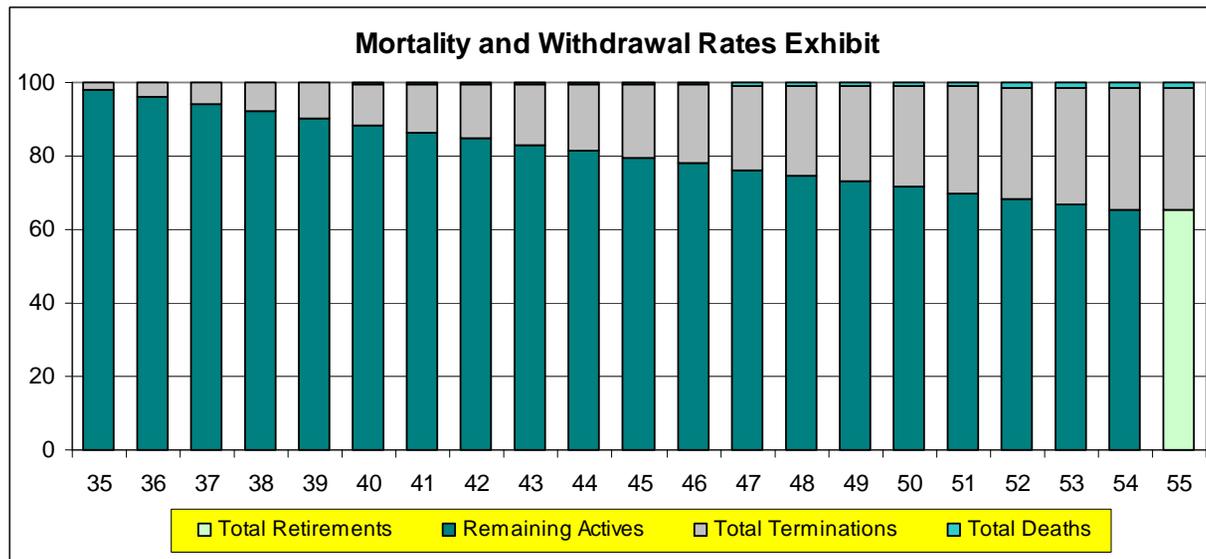


Appendix B – Withdrawal and Mortality Rates Exhibit

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						



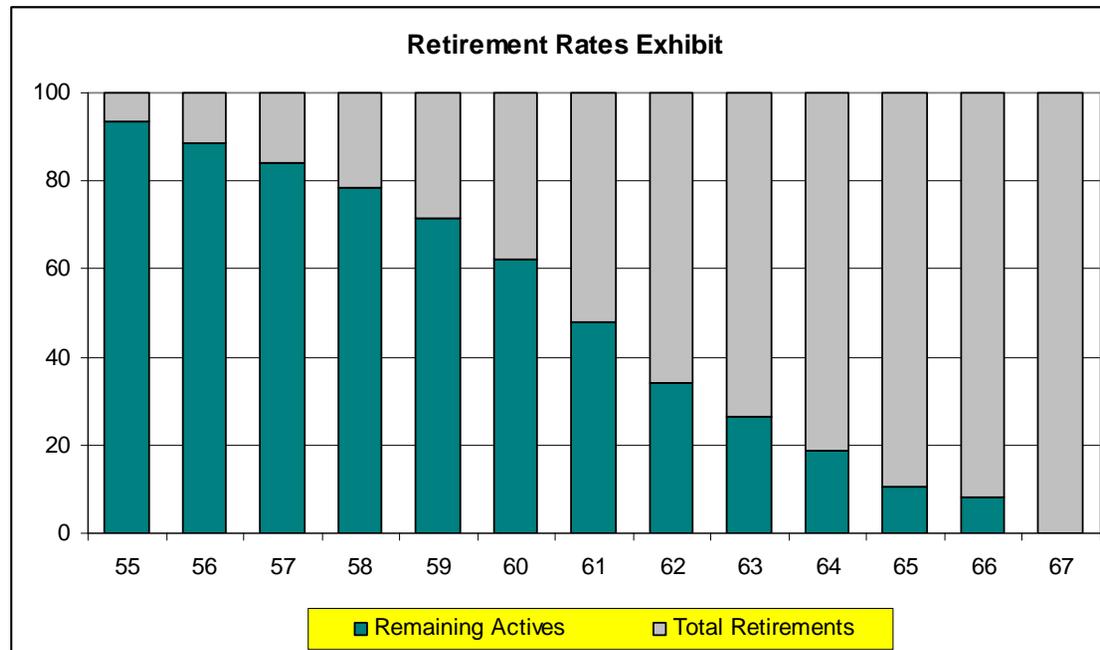


Appendix C – Retirement Rates Exhibit

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 D – 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 D** – 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 = $A + B + C$