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Indiana Public Retirement System

Prosecuting Attorneys' Retirement Fund

Actuarial Valuation as of
June 30, 2016



November 22, 2016

Board of Trustees
Indiana Public Retirement System
1 North Capitol, Suite 001
Indianapolis, IN 46204

Re: Certification of the Actuarial Valuations of the Indiana Public Retirement System as of June 30, 2016

Dear Board of Trustees:

Actuarial valuations are performed annually as required under statute for the Indiana Public Retirement System ("INPRS") defined benefit pension plans. The results of the June 30, 2016 actuarial valuations for all plans other than the Teachers' Retirement Fund are presented in individual valuation reports pursuant to the engagement letter between INPRS and PricewaterhouseCoopers LLP ("PwC"). These plans (the "Plans") include:

- Public Employees' Retirement Fund
- 1977 Police Officers' and Firefighters' Pension and Disability Fund
- Judges' Retirement System
- State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
- Prosecuting Attorneys' Retirement Fund
- Legislators' Retirement System Defined Benefit Plan

The reports are intended to provide the Board of Trustees ("Board") and INPRS staff with information on the funded status of the Plans, development of the contribution rates, and certain financial statement disclosure information. The reports are intended for their sole use and benefit, and are not intended for reliance by other persons.

For accounting purposes, the actuarial assumptions and methods used in the June 30, 2016 valuations were selected and approved by the Board, and are in accordance with our understanding of GASB No.67.

For funding purposes, employer contribution rates and amounts, as applicable, are adopted annually for each Plan by the Board, per Indiana statutes. The contributions are actuarially determined based on the funding policy, actuarial assumptions, and actuarial methods selected and approved by the Board. Contributions determined by the actuarial valuation become effective either twelve or eighteen months after the valuation date, depending on the applicable employer. Therefore, contribution rates and amounts determined by the June 30, 2016 actuarial valuation and adopted by the Board will become effective on either July 1, 2017 or January 1, 2018. If new legislation is enacted between the valuation date and the date the contributions become effective, the Board may adjust the recommended contributions before adopting them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy

In setting contribution levels, the Board's principal objectives have been:

- To set contributions such that the unfunded actuarial accrued liability ("UAAL") of plans that are open to new entrants will be amortized over a period not greater than 20 years for any UAAL arising during the year ending June 30, 2016, and 30 years for any UAAL that arose prior to the year ending June 30, 2016. For plans that are closed to new entrants, the UAAL will be amortized over a period not greater than 5 years.
- To set contributions such that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that employer contributions be equal to the sum of the employer normal cost (which pays the current year cost of benefits accruing) and an amortization of the UAAL in equal installments.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements and/or adverse experience it should increase over time, until it reaches 100% if contributions equal or exceed the actuarially determined amount. The combined funded ratio for all Plans (excluding the Teachers' Retirement Fund) increased by 0.3% from the preceding year to 84.6%, primarily due to contributions exceeding the actuarially determined amounts, offset by investment returns less than the 6.75% assumed, and other adverse member demographic experience.



Benefit Provisions

The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2016, as set forth in Indiana statutes. There were no material changes in benefit provisions since the 2015 valuations.

Assets and Member Data

The valuations were based on asset values of the trust funds as of June 30, 2016 and member census data as of June 30, 2015, adjusted for certain activity during fiscal year 2016. All asset information and member data were provided by INPRS. While certain checks for reasonableness were performed, the data was used unaudited. The accuracy of the results presented in the reports is dependent upon the accuracy and completeness of the underlying asset and census information.

Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2016 valuations were the same assumptions used in the 2015 valuations. The assumptions were adopted by the Board pursuant to an experience study completed in April 2015, which reflected the experience period from July 1, 2010 through June 30, 2014, as well as data from earlier studies. The June 30, 2016 valuations incorporate member census data as of June 30, 2015, adjusted for certain activity during fiscal year 2016. Standard actuarial techniques were used to roll forward valuation results from June 30, 2015 to June 30, 2016.

The actuarial assumptions and methods are summarized in the Actuarial Assumptions and Methods section of each valuation report. We believe the actuarial assumptions and methods are reasonable for the purposes of the valuation reports and comply with the parameters set forth in Statements No. 67 and No. 68 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purposes stated therein.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by INPRS (other than the Teachers' Retirement Fund) as of June 30, 2016, based on the underlying census data, asset information and selected assumptions and methods. This information is presented in several schedules and exhibits in this report, including the following:

Financial Section:

- Note 1 - Tables of Plan Membership (Included in the Historical Summary)
- Note 8 - Net Pension Liability and Actuarial Information - Defined Benefit Plans (Included in the Accounting Section)
- Schedule of Changes in Net Pension Liability and Plan Fiduciary Net Position
- Schedule of Contributions (Actuarially Determined Contribution)
- Schedule of Notes to Required Supplementary Information

Actuarial Section:

- Summary of INPRS Funded Status (Included in the Historical Summary)
- Historical Summary of Actuarial Valuation Results by Retirement Plan (Schedule of Funding Progress Included in the Historical Summary)
- Summary of Actuarial Assumptions, Methods and Plan Provisions
- Analysis of Financial Experience (Included in the Unfunded Actuarial Accrued Liability Reconciliation)
- Solvency Test (Included in the Historical Summary)
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries

Statistical Section:

- Membership Data Summary (Included in the Historical Summary)
- Ratio of Active Members to Annuitants (Census Counts Included in the Historical Summary)
- Schedule of Benefit Recipients by Type of Benefit Option
- Schedule of Average Benefit Payments

Subject to reliance on the data provided, all estimates are based on information available as of a point in time and are subject to ongoing unforeseen and random events. As such, any reported results must be viewed as having a likely range of variability from the estimate, both up and down. Differences between our estimates and actual results depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Although estimated amounts have not been rounded, no inference should be made regarding the precision of such results.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.



To the best of our knowledge our actuarial reports are complete and accurate and have been prepared in accordance with generally accepted actuarial principles and practice and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with our understanding of the requirements of Indiana state law. The undersigned actuaries are members of the Society of Actuaries and other professional organizations, including the American Academy of Actuaries, and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States relating to pension plans. There is no relationship between the PwC practitioners involved in this engagement and INPRS that may impair our objectivity.

Respectfully submitted,

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The content of this document is limited to the matters specifically addressed herein and does not address any other potential tax consequences, or the potential application of tax penalties, to any matter other than as set forth herein. Our conclusions are not binding upon any taxing authority or the courts and there is no assurance that any relevant taxing authority will not successfully assert a contrary position. In addition, no exceptions (including the reasonable cause exception) are available for any federal or state penalties imposed if any portion of a transaction is determined to lack economic substance or fails to satisfy any similar rule of law, and our advice will not protect you from any such penalties. This document supersedes all prior written or oral advice with respect to the issues addressed in this document and all such prior communications should not be relied upon by any person for any purpose.

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SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Prosecuting Attorneys' Retirement Fund ("PARF") and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2018 (July 1, 2017 through June 30, 2018), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of June 30, 2015, adjusted for certain activity during fiscal year 2016, as provided by INPRS and summarized in Section IV, asset information as of June 30, 2016 provided by INPRS, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2016 summarized in Section VI.

Contributions

PARF is a State appropriated fund. All employer contributions are made by the State of Indiana. The estimated actuarially determined contribution for fiscal 2018 is \$2.7 million, compared to \$2.2 million for fiscal year 2017. Based on the results of the June 30, 2016 valuation, the Board has requested appropriations from the State of \$2.7 million for fiscal 2018 and \$2.9 million for fiscal 2019 for the 2018-2019 two-year budget cycle. Since appropriations are budgeted on a two-year cycle but actuarial valuations are completed annually, the actual appropriations from the State during the second year of the budget cycle generally differ from the actuarially determined contribution for that year. Such is the case for fiscal 2017, where the Board requested appropriations of \$1.5 million based on the June 30, 2014 valuation, but the actuarially determined contribution from the June 30, 2015 was \$2.2 million as a result of unfavorable experience between June 30, 2014 and June 30, 2015.

Members of PARF contribute 6% of their compensation during their first 22 years of membership. If a member terminates employment with less than 8 years of service, the accumulated contributions with interest can be withdrawn as a lump sum or the member may direct PARF to make a direct rollover of the distribution amount. When a member becomes vested with at least 8 years of service, the member's account balance may not be refunded and is instead combined with the employer contributions in order to fund the member's future retirement annuity benefit.

Funded Status

The funded status of PARF is measured by the funded ratio, which is the ratio of the assets available for benefits to a benefit liability measure for PARF. While there are several such measures that could be appropriately used, the benefit liability measure that ties most closely to INPRS's funding strategy is the Actuarial Accrued Liability ("AAL").

Using the Actuarial Value of Assets ("AVA"), an asset value that smoothes the market gains and losses over five (5) years, the PARF AAL funded ratio decreased from 70.4% at June 30, 2015 to 66.4% at June 30, 2016. The decrease is due to investment returns being less than the 6.75% assumed and liability experience losses.

Investment Experience

For the fiscal year ending June 30, 2016, the INPRS actual time-weighted return net of fees was 1.2%. Based on the value of assets allocated to PARF as of the prior valuation date and contribution and benefit payment activity during the year, the allocation of returns to PARF represent a return of approximately 0.7% on market value and 4.9% on actuarial value. The return on actuarial value is different due to the smoothing of returns greater or less than expected returns over five years.

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Cost-of-Living Adjustment

No increase in monthly benefits was provided to retired members, disabled members, or beneficiaries as of July 1, 2016.

Changes in Actuarial Assumptions

There were no assumption changes for the June 30, 2016 valuation.

Changes in Plan Provisions

It is our understanding that there were no changes to the Plan that impacted the pension benefits during the fiscal year.

Changes in Actuarial Methods

The INPRS Board approved the following changes in methods, effective June 30, 2016:

For funding purposes and when the plan is below 100% funded (based on Actuarial Value of Assets), gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes will be amortized over a 20-year period with level payments each year, rather than a 30-year period. A new gain or loss base will continue to be established each year. This change is made on a prospective basis, beginning with the June 30, 2016 actuarial valuation. Amortization bases established prior to June 30, 2016 will continue to be amortized over their original amortization period, even if the remaining period is greater than 20 years at June 30, 2016. If the plan is at or above 100% funded (based on Actuarial Value of Assets), the methodology of treating past amortization bases as fully amortized and amortizing the entire surplus over an open 30-year period is unchanged. This change increased the annual amortization payment toward the Unfunded Actuarial Accrued Liability reflected in development of the Actuarially Determined Contribution by \$70,179 (0.32% on the Actuarially Determined Contribution Rate) at June 30, 2016.

For funding purposes, the smoothing period for investment gains and losses in the development of the Actuarial Value of Assets was increased from four years to five years at June 30, 2016. This change was implemented retroactively in that the Actuarial Value of Assets at June 30, 2016 was computed as if the five-year amortization period for recognizing investment gains and losses had always been in effect. This change increased the Actuarial Value of Assets, and therefore decreased the Unfunded Actuarial Accrued Liability of the plan by \$202,967 (0.07% on the Actuarially Determined Contribution Rate) at June 30, 2016.

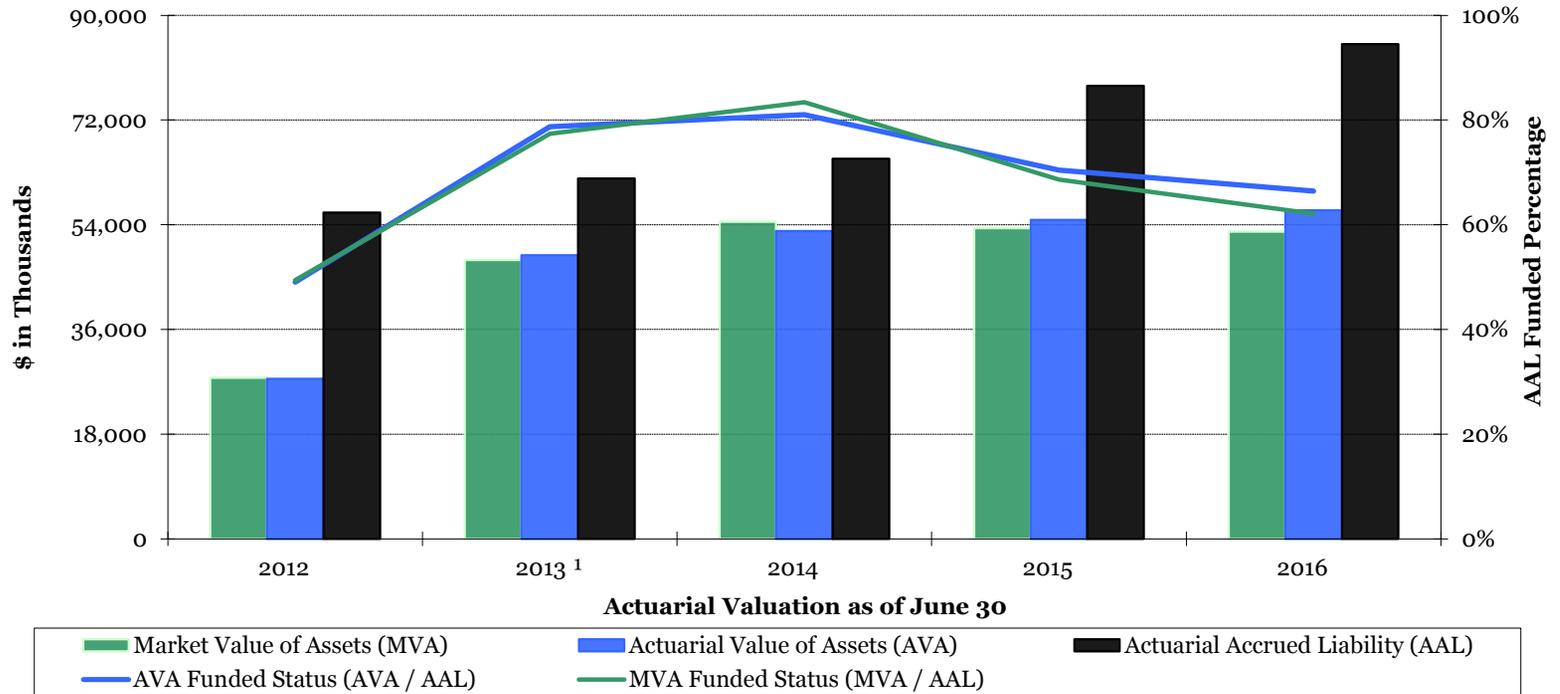
Governmental Accounting Standards

This report contains certain financial statement information, including notes and required supplemental information, prepared in accordance with our understanding of Governmental Accounting Standards No. 67 and No. 68 ("GASB 67" and "GASB 68") in order to assist INPRS with its financial report requirements and to assist INPRS in preparing financial reporting information for participating employers.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY

PARF – 5 Year History of Funded Status



Actuarial Valuation as of June 30:

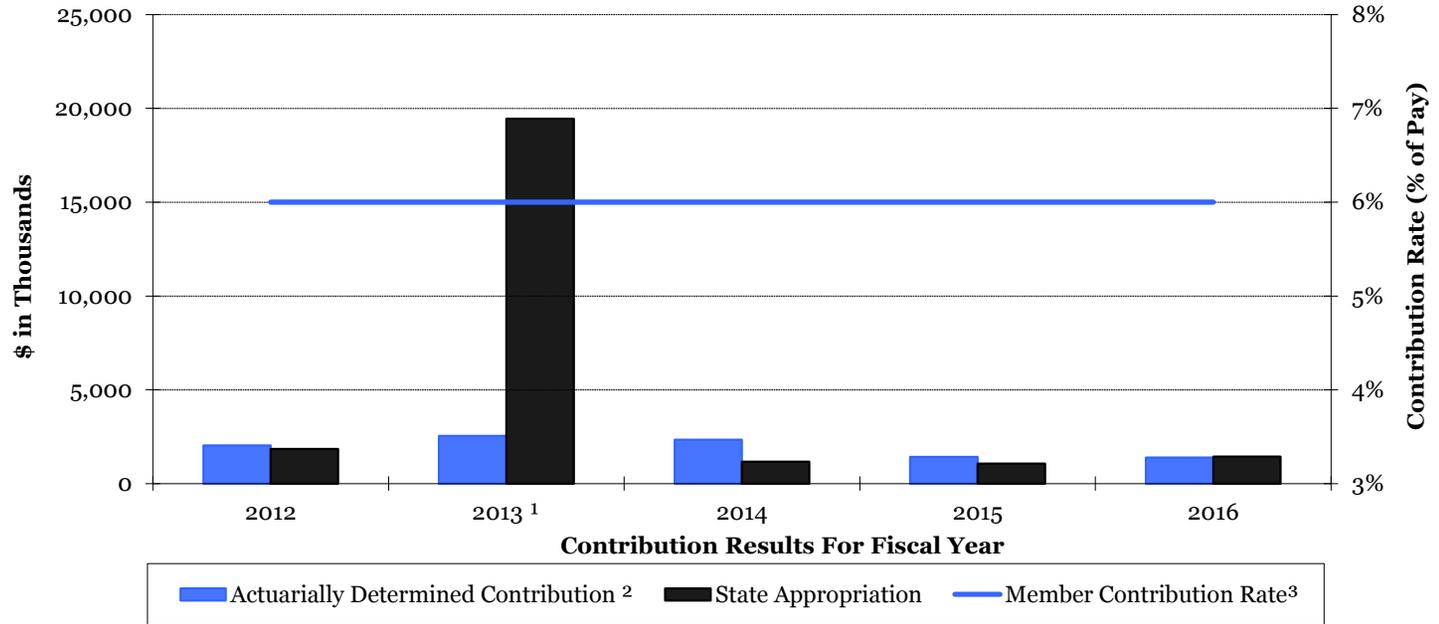
	<u>2012</u>	<u>2013¹</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial Accrued Liability (AAL)	\$56,080.0	\$61,940.4	\$65,336.4	\$77,860.7	\$85,033.2
Actuarial Value of Assets (AVA)	27,500.6	48,762.4	52,936.0	54,848.3	56,472.1
Market Value of Assets (MVA)	27,690.3	47,919.7	54,507.5	53,423.2	52,791.7
Unfunded Liability (AAL - AVA)	28,579.4	13,178.0	12,400.4	23,012.4	28,561.1
AVA Funded Status (AVA / AAL)	49.0%	78.7%	81.0%	70.4%	66.4%
MVA Funded Status (MVA / AAL)	49.4%	77.4%	83.4%	68.6%	62.1%

¹ Includes a contribution of \$17,363,392 made to the Plan pursuant to 2012 HB 1376.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

PARF – 5 Year History of Contributions



<u>Contribution Results For Fiscal Year:</u>	<u>2012</u>	<u>2013¹</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution ²	\$2,037.0	\$2,542.5	\$2,345.1	\$1,418.8	\$1,380.6
State Appropriation	\$1,838.9	\$19,443.4	\$1,173.8	\$1,062.8	\$1,439.9
ADC % Contributed	90.3%	764.7%	50.1%	74.9%	104.3%
Member Contribution Rate ³	6.0%	6.0%	6.0%	6.0%	6.0%

¹ Includes a contribution of \$17,363,392 made to the Plan pursuant to 2012 HB 1376.

² The ADC amount is based on the ADC Rates in effect during the fiscal year, multiplied by actual payroll for the fiscal year.

³ Starting July 1, 2013, members contribute 6% of pay to the Fund during the first 22 years of service only. Previously, members contributed during all years of service.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results ¹

<u>Valuation Date</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Development of Actuarially Determined Contribution Amount:					
1. Anticipated Payroll	\$ 21,705,384	\$ 21,216,903	\$ 21,431,900	\$ 21,990,791	\$ 22,226,846
2. Normal Cost (Beginning of Year)					
a. Amount	\$ 1,568,461	\$ 1,586,626	\$ 1,602,704	\$ 1,625,509	\$ 1,649,825
b. Percentage of Payroll	7.23%	7.48%	7.48%	7.39%	7.42%
3. Unfunded Actuarial Accrued Liability Annual Amortizations					
a. Amount	\$ 2,202,951	\$ 1,014,464	\$ 971,472	\$ 1,767,268	\$ 2,277,320
b. Percentage of Payroll	10.15%	4.78%	4.53%	8.04%	10.25%
4. Expected Employee Contributions ²					
a. Amount	\$ 1,302,323	\$ 1,176,584	\$ 1,188,507	\$ 1,306,310	\$ 1,318,013
b. Percentage of Payroll	6.00%	5.55%	5.55%	5.94%	5.93%
5. Actuarially Determined Contribution Rate: (2)(b) + (3)(b) - (4)(b)	11.38%	6.71%	6.46%	9.49%	11.74%
6. Estimated Actuarially Determined Contribution Amount					
a. Fiscal Year Beginning	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017
b. Anticipated Payroll: (1) x [(1 + 4.0%)]	\$ 22,573,599	\$ 22,065,579	\$ 22,289,176	\$ 22,870,423	\$ 23,115,920
c. Amount: (5) x (6)(b) ³	\$ 2,568,876	\$ 1,480,600	\$ 1,439,881	\$ 2,170,403	\$ 2,713,809
<u>Fiscal Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
State Appropriations ⁴	\$ 1,173,827	\$ 1,062,800	\$ 1,440,000	\$ 1,485,700	\$ 2,714,000

¹ The contribution rates shown were developed on a funding basis only and do not reflect accounting requirements.

² Starting July 1, 2013, only members with less than 22 years of service contribute to the plan. Anticipated payroll for active members with less than 22 years of service as of June 30, 2016 is \$21,966,877.

³ Since the fiscal year to which contributions apply begins one year after the valuation date, the Actuarially Determined Contribution Amount is estimated by assuming payroll will increase 4.0% per year and then applying the Actuarially Determined Contribution Rate computed at the valuation date.

⁴ PARF is a State appropriated fund. Employer contribution amounts are expected to be paid by the State of Indiana.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued) ¹

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Census Information					
Active					
Number	219	210	210	196	198
Average Age	48.6	48.9	48.9	49.0	47.6
Average Years of Service	9.4	10.0	10.0	9.8	8.4
Anticipated Payroll of Actives ²	\$ 21,705,384	\$ 21,216,903	\$ 21,431,900	\$ 21,990,791	\$ 22,226,846
Inactive - Vested					
Number	84	83	83	97	100
Average Age	55.9	56.0	56.0	57.1	56.2
Average Years of Service	12.3	12.5	12.5	14.4	14.7
Inactive - Non-Vested ³					
Number	165	162	162	153	151
Retiree/Beneficiary/Disabled					
Number	81	95	95	107	133
Average Age	69.7	69.9	69.9	70.2	69.9
Annual Benefits Payable	\$ 1,770,076	\$ 2,101,176	\$ 2,101,176	\$ 2,395,155	\$ 3,332,424

¹ The valuation results beginning as of June 30, 2014 were calculated using census data as of the prior year end, adjusted for certain activity during the current fiscal year.

² Figures shown are the anticipated pay for the one-year period following the valuation date.

³ As of June 30, 2015, inactive non-vested members entitled to a refund of their member contribution had balances totaling \$2,929,608.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued)

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Actuarial Accrued Liability (AAL)					
Member Contribution Balance	\$ 23,405,926	\$ 25,371,079	\$ 26,654,126	\$ 25,479,269	\$ 26,206,254
Retiree/Beneficiary/Disabled	18,660,088	22,004,193	22,665,324	26,635,724	37,709,261
Active and Inactive	<u>14,013,941</u>	<u>14,565,117</u>	<u>16,016,990</u>	<u>25,745,660</u>	<u>21,117,689</u>
Total	\$ 56,079,955	\$ 61,940,389	\$ 65,336,440	\$ 77,860,653	\$ 85,033,204
Actuarial Value of Assets (AVA)					
Member Contribution Balance	\$ 23,405,926	\$ 25,371,079	\$ 26,654,126	\$ 25,479,269	\$ 26,206,254
Retiree/Beneficiary/Disabled	4,094,646	22,004,193	22,665,324	26,635,724	30,265,798
Active and Inactive	-	<u>1,387,122</u>	<u>3,616,511</u>	<u>2,733,319</u>	-
Total	\$ 27,500,572	\$ 48,762,394	\$ 52,935,961	\$ 54,848,312	\$ 56,472,052
Market Value of Assets (MVA)					
Member Contribution Balance	\$ 23,405,926	\$ 25,371,079	\$ 26,654,126	\$ 25,479,269	\$ 26,206,254
Retiree/Beneficiary/Disabled	4,284,362	22,004,193	22,665,324	26,635,724	26,585,429
Active and Inactive	-	<u>544,467</u>	<u>5,188,042</u>	<u>1,308,173</u>	-
Total	\$ 27,690,288	\$ 47,919,739	\$ 54,507,492	\$ 53,423,166	\$ 52,791,683
Unfunded Actuarial Accrued Liability: AAL - AVA ¹					
Member Contribution Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Retiree/Beneficiary/Disabled	14,565,442	-	-	-	7,443,463
Active and Inactive	<u>14,013,941</u>	<u>13,177,995</u>	<u>12,400,479</u>	<u>23,012,341</u>	<u>21,117,689</u>
Total	\$ 28,579,383	\$ 13,177,995	\$ 12,400,479	\$ 23,012,341	\$ 28,561,152
Funded Percentage: AVA / AAL ¹					
Member Contribution Balance	100.0%	100.0%	100.0%	100.0%	100.0%
Retiree/Beneficiary/Disabled	21.9%	100.0%	100.0%	100.0%	80.3%
Active and Inactive	<u>0.0%</u>	<u>9.5%</u>	<u>22.6%</u>	<u>10.6%</u>	<u>0.0%</u>
Total	49.0%	78.7%	81.0%	70.4%	66.4%
Summary of Assumptions					
Valuation Interest Rate	6.75%	6.75%	6.75%	6.75%	6.75%
Salary Scale	4.0%	4.0%	4.0%	4.0%	4.0%

¹ For purposes of this summary, in determining the unfunded actuarial accrued liability and funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION II - FUNDING

FUNDING

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SECTION II - FUNDING

A. Development of Funded Status

	June 30, 2015	June 30, 2016
1. Actuarial Accrued Liability		
a. Member Contribution Account	\$ 25,479,269	\$ 26,206,254
b. Retirees, Beneficiaries, and Disableds	26,635,724	37,709,261
c. Actives and Inactives	25,745,660	21,117,689
d. Total: (1)(a) + (1)(b) + (1)(c)	\$ 77,860,653	\$ 85,033,204
2. Actuarial Value of Assets ¹		
a. Member Contribution Account	\$ 25,479,269	\$ 26,206,254
b. Retirees, Beneficiaries, and Disableds	26,635,724	30,265,798
c. Actives and Inactives	2,733,319	-
d. Total: (2)(a) + (2)(b) + (2)(c)	\$ 54,848,312	\$ 56,472,052
3. Unfunded Actuarial Accrued Liability ¹		
a. Member Contribution Account: (1)(a) - (2)(a)	\$ -	\$ -
b. Retirees, Beneficiaries, and Disableds: (1)(b) - (2)(b)	-	7,443,463
c. Actives and Inactives: (1)(c) - (2)(c)	23,012,341	21,117,689
d. Total: (1)(d) - (2)(d)	\$ 23,012,341	\$ 28,561,152
4. Funded Percentage ¹		
a. Member Contribution Account: (2)(a) / (1)(a)	100.0%	100.0%
b. Retirees, Beneficiaries, and Disableds: (2)(b) / (1)(b)	100.0%	80.3%
c. Actives and Inactives: (2)(c) / (1)(c)	10.6%	0.0%
d. Total: (2)(d) / (1)(d)	70.4%	66.4%

¹ For purposes of this summary, in determining the unfunded actuarial accrued liability and funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION II - FUNDING

B. Unfunded Actuarial Accrued Liability Reconciliation

1. June 30, 2015 Unfunded Actuarial Accrued Liability	\$	23,012,341
2. Normal Cost		1,625,509
3. Actuarially Determined Contributions (Employer and Member)		3,392,777
4. Interest of 6.75% on (1) + (2) - (3)		1,434,042
5. Expected June 30, 2016 Unfunded Actuarial Accrued Liability (1) + (2) - (3) + (4)	\$	22,679,115
6. Actuarial Value of Assets Experience (Gain)/Loss		
a. Investment Experience	\$	1,016,290
b. Contribution and Payroll Experience		1,010,665
c. Changes in Actuarial Methods ¹		(202,967)
7. Actuarial Accrued Liability Experience (Gain)/Loss		
a. Actuarial Accrued Liability Experience	\$	4,058,049
b. Additional Liability Due to Cost-of-Living Adjustments		-
c. Additional Liability Due to Changes in Actuarial Assumptions		-
d. Additional Liability Due to Changes in Plan Provisions		-
8. Total Experience (Gain)/Loss - New Amortization Base (6)(a) + (6)(b) + (6)(c) + (7)(a) + (7)(b) + (7)(c) + (7)(d)	\$	5,882,037
9. Actual June 30, 2016 Unfunded Actuarial Accrued Liability (5) + (8)	\$	28,561,152

¹ The INPRS Board approved a change in the method used to compute the Actuarial Value of Assets beginning June 30, 2016 to retroactively increase the smoothing period for investment gains and losses from four years to five years.

SECTION II - FUNDING

C. Actuarial Accrued Liability Reconciliation

1. June 30, 2015 Actuarial Accrued Liability	\$	77,860,653	
2. Normal Cost		1,625,509	
3. Actual Benefit Payments ¹		3,746,129	
4. Service Purchases (Employer and Member) ²		(3,639)	
5. Interest of 6.75% on (1) + (2) - (3)/2 + (4)/2		<u>5,238,761</u>	
6. Expected June 30, 2016 Actuarial Accrued Liability (1) + (2) - (3) + (4) + (5)	\$	80,975,155	
		<u>Dollar Change in Liability</u>	<u>Percent Change in Liability</u>
7. (Gain)/Loss Components			
a. Census	\$	4,058,049	5.0%
b. Cost-of-Living Adjustment		-	0.0%
c. Assumption Changes		-	0.0%
d. Plan Changes		<u>-</u>	<u>0.0%</u>
e. Total: (7)(a) + (7)(b) + (7)(c) + (7)(d)	\$	4,058,049	5.0%
8. Actual June 30, 2016 Actuarial Accrued Liability: (6) + (7)(d)	\$	85,033,204	

¹ Includes refunds of accumulated member contributions and net interfund transfers.

² Includes \$0 of employer service purchases and (\$3,639) of member service purchase refunds.

SECTION II - FUNDING

D. Reconciliation of Market Value of Assets

	June 30, 2015	June 30, 2016
1. Market Value of Assets, Prior June 30	\$ 54,507,492	\$ 53,423,166
2. Receipts		
a. Employer Contributions	\$ 1,062,800	\$ 1,439,900
b. Member Contributions	1,268,695	1,278,678 ¹
c. Investment Income and Dividends Net of Fees	(42,546)	581,295
d. Security Lending Income Net of Fees	7,665	7,275
e. Member Reassignments	-	-
f. Miscellaneous Income	-	-
g. Total Receipts: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f)	\$ 2,296,614	\$ 3,307,148
3. Disbursements		
a. Benefits Paid During the Year	\$ 2,995,219	\$ 3,492,416
b. Refund of Contributions and Interest	258,828	253,713
c. Administrative Expenses	126,893	192,502
d. Member Reassignments	-	-
e. Miscellaneous Disbursements	-	-
f. Total Disbursements: (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e)	\$ 3,380,940	\$ 3,938,631
4. Market Value of Assets, Current June 30: (1) + (2)(g) - (3)(f)	\$ 53,423,166	\$ 52,791,683
5. Market Value of Assets Approximate Annual Rate of Return ²	(0.3%)	0.7%

¹ Includes \$0 of employer service purchases and (\$3,639) of member service purchase refunds.

² Based on individual fund experience. Net of expenses and assumes cash flows occur at mid-year.

SECTION II - FUNDING

E. Reconciliation of Actuarial Value of Assets ¹

1.	Market Value of Assets, June 30, 2015		\$ 53,423,166
2.	Market Value of Assets, June 30, 2016		52,791,683
3.	Expected Earnings/Expenses		
a.	Expected Investment Earnings at 6.75% on June 30, 2015 Market Value		3,606,064
b.	Receipts with Expected Investment Earnings at 6.75% ²		2,810,330
c.	Disbursements with Expected Investment Earnings at 6.75% ²		3,872,561
4.	Expected Assets, June 30, 2016: (1) + (3)(a) + (3)(b) - (3)(c)		\$ 55,966,999
5.	2015-2016 Gain/(Loss): (2) - (4)		(3,175,316)
6.	Smoothing of Gain/(Loss)		
	<u>Year</u>	<u>Gain/(Loss)</u>	<u>% Unrecognized</u>
a.	2015-2016	\$ (3,175,316)	80%
b.	2014-2015	\$ (3,809,894)	60%
c.	2013-2014	\$ 3,236,129	40%
d.	2012-2013	\$ (743,160)	20%
			(148,632)
7.	Preliminary Actuarial Value of Assets, June 30, 2016: (2) - (6)(a) - (6)(b) - (6)(c) - (6)(d)		\$ 56,472,052
8.	Corridor		
a.	120% of Market Value: 1.2 x (2)		63,350,020
b.	80% of Market Value: 0.8 x (2)		42,233,346
9.	Actuarial Value of Assets, June 30, 2016: (7), but not greater than (8)(a) or less than (8)(b)		\$ 56,472,052
10.	Actuarial Value of Assets as a Percent of Market Value: (9) / (2)		107.0%
11.	Actuarial Value of Assets Approximate Annual Rate of Investment Return ³		4.9%

¹ The INPRS Board approved a change in the method used to compute the Actuarial Value of Assets beginning June 30, 2016 to retroactively increase the smoothing period for investment gains and losses from four years to five years.

² Assumes cash flows occur at mid-year.

³ Net of expenses, assumes cash flows occur at mid-year, and is net of the impact of changing from four-year to a five-year smoothing.

SECTION II - FUNDING

F. Contributions

	June 30, 2015	June 30, 2016
Development of Actuarially Determined Contribution:		
1. Anticipated Payroll	\$ 21,990,791	\$ 22,226,846
2. Normal Cost (Beginning of Year)		
a. Amount	\$ 1,625,509	\$ 1,649,825
b. Percentage of Payroll	7.39%	7.42%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations		
a. Amount	\$ 1,767,268	\$ 2,277,320
b. Percentage of Payroll	8.04%	10.25%
4. Expected Employee Contributions ¹		
a. Amount	\$ 1,306,310	\$ 1,318,013
b. Percentage of Payroll	5.94%	5.93%
5. Actuarially Determined Contribution Rate: (2)(b) + (3)(b) - (4)(b)	9.49%	11.74%
6. Estimated Actuarially Determined Contribution Amount		
a. Fiscal Year Beginning	July 1, 2016	July 1, 2017
b. Anticipated Payroll: (1) x [(1 + 4.0%)]	\$ 22,870,423	\$ 23,115,920
c. Amount: (5) x (6)(b) ²	\$ 2,170,403	\$ 2,713,809
7. Approved Funding Amount: ³	\$ 1,485,700	\$ 2,714,000
Expected Percentage of Actuarially Determined Contribution Contributed: (7) / (6)(c)	68.45%	100.01%

¹ Only members with less than 22 years of service contribute to the plan. Anticipated payroll for active members with less than 22 years of service as of June 30, 2016 is \$21,966,877.

² Since the fiscal year to which contributions apply begins one year after the valuation date, the Actuarially Determined Contribution Amount is estimated by assuming payroll will increase 4.0% per year and then applying the Actuarially Determined Contribution Rate computed at the valuation date.

³ PARF is a State appropriated fund. Employer contribution amounts are expected to be paid by the State of Indiana.

SECTION II - FUNDING

G. Unfunded Actuarial Accrued Liability Amortization Schedule¹

	Date Base Established	Reason	Remaining Unfunded	Remaining Period	Amortization Amount
1.	6/30/2009	Fresh Start	\$ 5,513,438	21	\$ 467,121
2.	6/30/2010	Actuarial Experience and Changes in Actuarial Assumptions	1,599,693	24	127,802
3.	6/30/2011	Actuarial Experience and Changes in Actuarial Assumptions	1,573,892	25	123,680
4.	6/30/2012	Actuarial Experience and Changes in Actuarial Assumptions	440,368	26	34,082
5.	6/30/2013	Actuarial Experience and Changes in Actuarial Assumptions	3,430,283	27	261,778
6.	6/30/2014	Actuarial Experience	(570,722)	28	(42,991)
7.	6/30/2015	Actuarial Experience and Changes in Actuarial Assumptions	10,692,163	29	795,796
8.	6/30/2016	Actuarial Experience and Changes in Actuarial Methods ^{2,3}	<u>5,882,037</u>	<u>20</u>	<u>510,052</u>
	Total		\$ 28,561,152	24.6 ⁴	\$ 2,277,320

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² The INPRS Board approved a change in the method used to amortize the Unfunded Actuarial Accrued Liability beginning June 30, 2016 to decrease the amortization period for annual gains and losses from 30 years to 20 years. Amortization bases established prior to June 30, 2016 will continue to be amortized over 30 years.

³ Includes the impact of changing from four-year to a five-year smoothing on the Actuarial Value of Assets.

⁴ The weighted average remaining UAAL amortization period is calculated by weighting the remaining amortization period of each base by the amortization amount of each base.

SECTION II - FUNDING

H. Approximate Annual Rate of Return for Year Ending June 30, 2016¹

	<u>Market Value of Assets</u>	<u>Actuarial Value of Assets</u>
1. Balance, beginning of year	\$ 53,423,166	\$ 54,848,312
2. Balance, end of year	52,791,683	56,472,052
3. Total increase: (2) - (1)	(631,483)	1,623,740
4. Contributions	2,718,578	2,718,578
5. Benefit payments ²	3,746,129	3,746,129
6. Net additions: (4) - (5)	(1,027,551)	(1,027,551)
7. Net investment increase: (3) - (6)	396,068	2,651,291
8. Average assets: [(1) + (2) - (7)] / 2	52,909,391	54,334,537
9. Approximate rate of return: (7) / (8)	0.7%	4.9% ³

I. Historical Investment Experience

<u>Year Ending June 30</u>	<u>Actual Rate of Investment Return</u>		<u>Actuarial Assumed Interest Rate</u>
	<u>Market Basis ⁴</u>	<u>Actuarial Basis ¹</u>	
2007	18.2%	15.4%	7.25%
2008	(7.6%)	8.2%	7.25%
2009	(20.6%)	(1.0%)	7.25%
2010	13.9%	(1.9%)	7.25%
2011	20.1%	(1.0%)	7.0%
2012	0.7%	2.3%	7.0%
2013	6.0%	7.6%	6.75%
2014	13.7%	8.3%	6.75%
2015	0.0%	5.4%	6.75%
2016	1.2%	4.9% ³	6.75%

¹ Based on individual fund experience. Net of expenses and assuming cash flows occur at mid-year.

² Includes refunds of accumulated member contributions and net interfund transfers.

³ Net of the impact of changing from four-year to a five-year smoothing.

⁴ INPRS actual time-weighted rate of return net of fees for 2012-2016. PERF Consolidated Defined Benefit time-weighted rate of return reported as gross of fees for 2007-2011.

SECTION II - FUNDING

J. Interest Rate Sensitivity

The investment return assumption (discount rate) should be based on an estimated long-term investment yield for the plan, with consideration given to the nature and mix of current and expected plan investments. Management and the Board continually monitor the investment rate of return assumption and the Board formally reviews the assumption and makes changes as appropriate. The Board last changed the assumption for the June 30, 2012 valuation from 7.0% to 6.75%.

To illustrate the importance of the investment rate of return, which is used to discount the actuarial liabilities of the Plan, the Funded Ratio and Actuarially Determined Contribution Rate (for the fiscal year beginning July 1, 2017) are shown below and on the following page at interest rates from 5.75% to 8.00%, in 0.25% increments.

	1.00% Decrease: (5.75%)	0.75% Decrease: (6.0%)	0.50% Decrease: (6.25%)	0.25% Decrease: (6.5%)	Current Assumption: (6.75%)
<u>Funded Status</u>					
Actuarial Accrued Liability	\$ 95,656,748	\$ 92,799,819	\$ 90,082,452	\$ 87,496,198	\$ 85,033,204
Actuarial Value of Assets	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>
Unfunded Actuarial Accrued Liability	\$ 39,184,696	\$ 36,327,767	\$ 33,610,400	\$ 31,024,146	\$ 28,561,152
Funded Ratio	59.0%	60.9%	62.7%	64.5%	66.4%
<u>Actuarially Determined Contribution Rate</u>					
Normal Cost Rate	9.22%	8.72%	8.25%	7.82%	7.42%
UAAL Amortization Rate	13.29%	12.51%	11.74%	10.98%	10.25%
Expected Employee Contribution Rate	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>
Actuarially Determined Contribution Rate	16.58%	15.30%	14.06%	12.87%	11.74%

SECTION II - FUNDING

J. Interest Rate Sensitivity (Continued)

	0.25% Increase: (7.0%)	0.50% Increase: (7.25%)	0.75% Increase: (7.5%)	1.00% Increase: (7.75%)	1.25% Increase: (8.0%)
<u>Funded Status</u>					
Actuarial Accrued Liability	\$ 82,686,151	\$ 80,448,235	\$ 78,313,109	\$ 76,274,856	\$ 74,327,958
Actuarial Value of Assets	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>	<u>56,472,052</u>
Unfunded Actuarial Accrued Liability	\$ 26,214,099	\$ 23,976,183	\$ 21,841,057	\$ 19,802,804	\$ 17,855,906
Funded Ratio	68.3%	70.2%	72.1%	74.0%	76.0%
<u>Actuarially Determined Contribution Rate</u>					
Normal Cost Rate	7.05%	6.71%	6.38%	6.08%	5.80%
UAAL Amortization Rate	9.52%	8.81%	8.11%	7.42%	6.75%
Expected Employee Contribution Rate	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>	<u>5.93%</u>
Actuarially Determined Contribution Rate	10.64%	9.59%	8.56%	7.57%	6.62%

SECTION III - ACCOUNTING

ACCOUNTING

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SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2016

1. Assets		
a. Cash	\$	(258)
b. Receivables		
i. Contributions Receivable	\$	-
ii. Miscellaneous Receivables		31,231
iii. Investments Receivable		821,318
iv. Foreign Exchange Contract Receivable		12,625,803
v. Interest and Dividends		130,433
vi. Due From Other Funds		-
vii. Total Receivables	\$	13,608,785
c. Total Investments		
i. Short-Term Investments	\$	-
ii. Pooled Repurchase Agreements		13,706
iii. Pooled Short-Term Investments		3,524,692
iv. Pooled Fixed Income		16,919,158
v. Pooled Equity		11,891,162
vi. Pooled Alternative Investments		21,545,769
vii. Pooled Derivatives		(2,363)
viii. Securities Lending Collateral		808,591
ix. Total Investments	\$	54,700,715
d. Net Capital Assets		3,236
e. Prepaid Expenses		-
f. Total Assets: (1)(a) + (1)(b)(vii) + (1)(c)(ix) + (1)(d) + (1)(e)	\$	68,312,478
2. Liabilities		
a. Accounts Payable	\$	4,198
b. Retirement Benefits Payable		19,656
c. Salaries and Benefits Payable		-
d. Investments Payable		1,530,331
e. Foreign Exchange Contracts Payable		12,580,433
f. Securities Lending Obligations		808,591
g. Securities Sold Under Agreement to Repurchase		571,728
h. Due To Other Funds		5,858
i. Due To Other Governments		-
j. Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h) + (2)(i)	\$	15,520,795
3. Fiduciary Net Position Restricted for Pensions: (1)(f) - (2)(j)	\$	52,791,683

SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2016

1.	Fiduciary Net Position as of June 30, 2015	\$	53,423,166
2.	Additions		
a.	Contributions		
i.	Member Contributions	\$	1,282,317
ii.	Employer Contributions		1,439,900
iii.	Service Purchases (Employer and Member) ¹		(3,639)
iv.	Non-Employer Contributing Entity Contributions		-
v.	Total Contributions	\$	2,718,578
b.	Investment Income/(Loss)		
i.	Net Appreciation/(Depreciation) ^{2,3}	\$	200,620
ii.	Net Interest and Dividend Income		733,075
iii.	Securities Lending Income		8,927
iv.	Other Net Investment Income		6,677
v.	Investment Management Expenses		(334,603)
vi.	Direct Investment Expenses		(24,474)
vii.	Securities Lending Expenses		(1,652)
viii.	Total Investment Income/(Loss)	\$	588,570
c.	Other Additions		
i.	Member Reassignments	\$	-
ii.	Miscellaneous Receipts		-
iii.	Total Other Additions	\$	-
d.	Total Revenue (Additions): (2)(a)(v) + (2)(b)(viii) + (2)(c)(iii)	\$	3,307,148
3.	Deductions		
a.	Pension and Disability Benefits	\$	3,492,416
b.	Death, Survivor, and Funeral Benefits		-
c.	Distributions of Contributions and Interest		253,713
d.	Member Reassignments		-
e.	Administrative Expenses		192,502
f.	Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e)	\$	3,938,631
4.	Net Increase (Decrease) in Fiduciary Net Position: (2)(d) - (3)(f)	\$	(631,483)
5.	Fiduciary Net Position as of June 30, 2016: (1) + (4)	\$	52,791,683

¹ Includes \$0 of employer service purchases and (\$3,639) of member service purchase refunds.

² The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments.

³ Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

C. Net Pension Liability under GASB #68 for the Year Ended June 30, 2016

1.	Total Pension Liability		
	a. Total Pension Liability - Beginning of Year	\$	77,860,653
	b. Service Cost ¹		1,625,509
	c. Interest Cost ²		5,238,761
	d. Experience (Gains)/Losses		4,058,049
	e. Assumption Changes		-
	f. Plan Amendments		-
	g. Benefit Payments ³		(3,746,129)
	h. Member Reassignments ⁴		-
	i. Service Purchases (Employer and Member) ⁵		(3,639)
	j. Total Pension Liability - End of Year	\$	<u>85,033,204</u>
2.	Plan Fiduciary Net Position		
	a. Plan Fiduciary Net Position - Beginning of Year	\$	53,423,166
	b. Employer Contributions ⁵		1,439,900
	c. Member Contributions ⁵		1,278,678
	d. Non-Employer Contributing Entity Contributions		-
	e. Investment Return		
	i. Expected Investment Return ⁶	\$	3,571,384
	ii. Investment Gain/(Loss)		<u>(2,982,814)</u>
	iii. Net Investment Return		588,570
	f. Benefit Payments ³		(3,746,129)
	g. Member Reassignments ⁴		-
	h. Administrative Expenses		(192,502)
	i. Plan Fiduciary Net Position - End of Year	\$	<u>52,791,683</u>
3.	Net Pension Liability		
	a. Net Pension Liability: (1)(j) - (2)(i)	\$	32,241,521
	b. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability : (2)(i) / (1)(j)		62.1%

¹ As of the beginning of the year.

² Includes interest of 6.75% on the beginning-of-year service cost.

³ Includes refunds of accumulated member contributions.

⁴ Includes net interfund transfers.

⁵ Includes \$0 of employer service purchases and (\$3,639) of member service purchases.

⁶ 6.75%, net of investment expenses and assuming cash flows occur at mid-year.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016 ¹

Fiscal Year Established	Reason	Remaining Balance At Beginning of Year	Remaining Period ²	Annual Recognition	Remaining Balance At End of Year
1. Liability Experience					
a. Inflows					
None					
b. Outflows					
2015	Experience Loss	\$ (2,308,874)	1.03	\$ (2,241,626)	\$ (67,248)
2016	Experience Loss	\$ (4,058,049)	2.04	\$ (1,989,240)	\$ (2,068,809)
2. Assumption Changes					
a. Inflows					
None					
b. Outflows					
2015	Assumption Change Loss	\$ (2,646,789)	1.03	\$ (2,569,699)	\$ (77,090)
3. Investment Experience ³					
a. Inflows					
2014	Investment Gain	\$ 1,771,930	3.00	\$ 590,643	\$ 1,181,287
b. Outflows					
2015	Investment Loss	\$ (3,266,382)	4.00	\$ (816,595)	\$ (2,449,787)
2016	Investment Loss	\$ (2,982,814)	5.00	\$ (596,563)	\$ (2,386,251)
4. Total Deferred Inflows / Outflows: (1) + (2) + (3)					
a. Inflows					
	Total	\$ 1,771,930		\$ 590,643	\$ 1,181,287
b. Outflows					
	Total	\$ (15,262,908)		\$ (8,213,723)	\$ (7,049,185)

¹ The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB #68 purposes.

² The initial amortization period for liability experience gains / losses and assumption change gains / losses is equal to the expected future working lifetime of all members, active and inactive. The initial amortization period for investment gains / losses is five years.

³ Net of investment expenses.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016 (Continued)

Amounts reported as deferred inflows / (outflows) of resources to be recognized in pension expense:

Year Ending June 30:

2016	\$	(7,623,080)
2017	\$	(2,956,093)
2018	\$	(902,083)
2019	\$	(1,413,160)
2020	\$	(596,562)
2021	\$	-
Thereafter	\$	-

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

E. Pension Expense under GASB #68 for the Year Ended June 30, 2016

1. Service Cost		
a. Total Service Cost ¹	\$	1,625,509
b. Member Contributions ²		(1,282,317)
c. Administrative Expenses		<u>192,502</u>
d. Net Employer Service Cost: (1)(a) + (1)(b) + (1)(c)		535,694
2. Interest Cost ³		5,238,761
3. Expected Return on Assets ⁴		(3,571,384)
4. Plan Amendments		-
5. Recognition of Deferred (Inflows) / Outflows of Resources Related to:		
a. Liability Experience (Gains) / Losses		4,230,866
b. Assumption Change (Gains) / Losses		2,569,699
c. Investment (Gains) / Losses		<u>822,515</u>
d. Total: (5)(a) + (5)(b) + (5)(c)		7,623,080
6. Preliminary Pension Expense: (1)(d) + (2) + (3) + (4) + (5)(d)	\$	9,826,151
7. Employer Service Purchases		-
8. Total Pension Expense: (6) + (7)	\$	9,826,151

¹ As of the beginning of the year.

² Does not include \$3,639 of member service purchase refunds.

³ Includes interest of 6.75% on the beginning-of-year service cost.

⁴ 6.75% net of investment expenses and assuming cash flows occur at mid-year. Includes a half year of interest on member contributions.

SECTION III - ACCOUNTING

NOTES TO THE FINANCIAL STATEMENTS UNDER GASB #67 AND #68

F. Selected Notes to the Financial Statements under GASB #67 and #68

- 1 PARF is a single-employer plan for GASB accounting purposes.
2. Significant actuarial assumptions and other inputs used to measure the total pension liability:
 - Measurement Date June 30, 2016
 - Valuation Date
Assets: June 30, 2016

Liabilities: June 30, 2015 - Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2015 to the June 30, 2016 measurement date.
 - Inflation 2.25%
 - Future Salary Increases 4.0%
 - Cost-of-Living Increases N/A
 - Mortality Assumption RP-2014 (with MP-2014 improvement removed) White Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
 - Experience Study The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.
 - Discount Rate The discount rate used to measure the total pension liability as of June 30, 2016, is 6.75% and is equal to the long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of requesting appropriations from the State in an amount equal to the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations, multiplied by a projection of covered member payroll. The assumptions and methods selected by the Board for the June 30, 2016 actuarial valuation include a 6.75% expected return on assets assumption, a 20-year level dollar closed method for amortizing future layers of unfunded actuarial accrued liability (30-years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets.

SECTION III - ACCOUNTING

NOTES TO THE FINANCIAL STATEMENTS UNDER GASB #67 AND #68

F. Selected Notes to the Financial Statements under GASB #67 and #68 (Continued)

- Discount Rate (Continued) Therefore, if the Board continues to follow its current funding policy and the State complies in its contributions to the plan, which has been the case for the past several years, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. We note that appropriations are requested on a 2-year budget cycle, such that the amount requested for the second year of each cycle may end up being more or less than the actuarially determined amount for that year, depending on whether the plan experiences gains or loss in the first year of the budget cycle. However, any excess or shortfall in contributions received during the second year of the cycle gets factored into the actuarially determined contribution calculation for the following 2-year cycle, ensuring that the plan is fully funded within the period required by the Board's funding policy. As a result, a detailed projection of plan assets and cash flows was not prepared to prove that plan assets will be sufficient to pay all future benefit payments for current members.

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
- Discount Rate Sensitivity Net Pension Liability	\$ 42,865,065	\$ 32,241,521	\$ 23,483,173

3. Classes of Plan Members Covered: ¹

- Retired Members, Beneficiaries and Disabled Members Receiving Benefits:	133
- Terminated Vested Plan Members Entitled to but Not Yet Receiving Benefits:	100
- Terminated Non-Vested Plan Members Entitled to a Distribution of Contributions:	151
- Active Plan Members:	198
- Total Membership:	582

4. Money-Weighted Rate of Return:

The money-weighted rate of return equals investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. For the fiscal year ending June 30, 2016, the money-weighted return on the plan assets is 1.1%.

5. The components of the Net Pension Liability for the PARF plan as of June 30, 2016, are as follows:

- Total Pension Liability	\$ 85,033,204
- Plan Fiduciary Net Position	52,791,683
- Net Pension Liability	\$ 32,241,521
- Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.1%

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

G. Schedule of Changes in the Total Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68¹

Year Ending June 30:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Total Pension Liability				
a. Total Pension Liability - Beginning of Year	\$ 56,079,955	\$ 61,940,389	\$ 65,336,440	\$ 77,860,653
b. Service Cost ²	1,568,461	1,586,626	1,602,704	1,625,509
c. Interest Cost ³	3,815,835	4,207,150	4,408,568	5,238,761
d. Experience (Gains)/Losses	1,473,837	-	4,550,500	4,058,049
e. Assumption Changes	(108,430)	-	5,216,488	-
f. Plan Amendments	1,345,781	-	-	-
g. Benefit Payments ⁴	(2,235,050)	(2,397,725)	(3,254,047)	(3,746,129)
h. Member Reassignments ⁵	-	-	-	-
i. Service Purchases (Employer and Member)	-	-	-	(3,639)
i. Total Pension Liability - End of Year	<u>\$ 61,940,389</u>	<u>\$ 65,336,440</u>	<u>\$ 77,860,653</u>	<u>\$ 85,033,204</u>
2. Plan Fiduciary Net Position				
a. Plan Fiduciary Net Position - Beginning of Year	\$ 27,690,288	\$ 47,919,739	\$ 54,507,492	\$ 53,423,166
b. Employer Contributions	19,443,392	1,173,800	1,062,800	1,439,900
c. Member Contributions	1,271,481	1,333,635	1,268,695	1,282,317
d. Non-Employer Contributing Entity Contributions	-	-	-	-
e. Net Investment Return	1,894,508	6,583,284	(34,881)	588,570
f. Benefit Payments ⁴	(2,235,050)	(2,397,725)	(3,254,047)	(3,746,129)
g. Member Reassignments ⁵	-	-	-	-
h. Administrative Expenses	(144,880)	(105,241)	(126,893)	(192,502)
i. Plan Fiduciary Net Position - End of Year	<u>\$ 47,919,739</u>	<u>\$ 54,507,492</u>	<u>\$ 53,423,166</u>	<u>\$ 52,791,683</u>

¹ The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2012 for GASB #67 purposes and prospectively from June 30, 2013 for GASB #68 purposes.

² As of the beginning of the year.

³ Includes interest of 6.75% on the beginning-of-year service cost.

⁴ Includes refunds of accumulated member contributions.

⁵ Includes net interfund transfers.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68¹

1. Year Ending	2. Total Pension Liability	3. Plan Fiduciary Net Position	4. Net Pension Liability (2) - (3)	5. Fiduciary Net Position as a Percentage of Total Pension Liability (3) / (2)	6. Actual Covered Employee Payroll ²	7. Net Pension Liability as a Percentage of Covered Payroll (4) / (6)
6/30/2013	\$ 61,940,389	\$ 47,919,739	\$ 14,020,650	77.4%	\$ 18,805,255	74.6%
6/30/2014	\$ 65,336,440	\$ 54,507,492	\$ 10,828,948	83.4%	\$ 20,607,596	52.5%
6/30/2015	\$ 77,860,653	\$ 53,423,166	\$ 24,437,487	68.6%	\$ 21,144,991	115.6%
6/30/2016	\$ 85,033,204	\$ 52,791,683	\$ 32,241,521	62.1%	\$ 21,371,967	150.9%

¹ The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2012 for GASB #67 purposes and prospectively from June 30, 2013 for GASB #68 purposes.

² Pensionable pay as provided by INPRS.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

I. Schedule of Contributions under GASB #67 and #68¹

1. Year Ending	2. Actuarially Determined Contribution ²	3. Actual Employer Contributions ³	4. Contribution Excess / (Deficiency) (Deficiency) (3) - (2)	5. Actual Covered Employee Payroll ⁴	6. Contributions as a Percentage of Covered Payroll (3) / (5)
6/30/2013	\$ 2,542,470	\$ 19,443,392 ⁵	\$ 16,900,922	\$ 18,805,255	103.4%
6/30/2014	\$ 2,345,144	\$ 1,173,800	\$ (1,171,344)	\$ 20,607,596	5.7%
6/30/2015	\$ 1,418,829	\$ 1,062,800	\$ (356,029)	\$ 21,144,991	5.0%
6/30/2016	\$ 1,380,629	\$ 1,439,900	\$ 59,271	\$ 21,371,967	6.7%

¹ The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2012 for GASB #67 purposes and prospectively from June 30, 2013 for GASB #68 purposes.

² The actuarially determined contribution amounts are based on the actuarially determined contribution rates developed in the actuarial valuation completed one year prior to the beginning of the fiscal year, multiplied by actual payroll during the fiscal year.

³ Excludes employer service purchases.

⁴ Pensionable pay as provided by INPRS.

⁵ Includes a contribution of \$17,363,392 made to the Plan pursuant to 2012 HB 1376.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

J. Schedule of Money-Weighted Returns under GASB #67 and #68¹

1. Year Ending	2. Money-Weighted Rate of Return
6/30/2013	4.8%
6/30/2014	13.7%
6/30/2015	(0.1%)
6/30/2016	1.1%

¹ The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2012 for GASB #67 purposes and prospectively from June 30, 2013 for GASB #68 purposes.

SECTION IV - CENSUS DATA

CENSUS DATA

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SECTION IV - CENSUS DATA

A. Reconciliation of Participant Data¹

	Actives	Inactive Non-Vested With Member Contribution Balance	Inactive Vested	Disabled	Retired	Beneficiary	Total
Total as of June 30, 2014	196	153	97	1	99	7	553
Data Adjustments for Activity During Fiscal Year 2015	-	-	-	-	-	-	-
Adjusted Total as of June 30, 2014	196	153	97	1	99	7	553
New Entrants	41	-	-	-	-	-	41
Rehires	10	(6)	(4)	-	-	-	-
Non-Vested Terminations	(14)	15	(1)	-	-	-	-
Vested Terminations	(21)	(4)	25	-	-	-	-
Retirements	(8)	(1)	(15)	-	24	-	-
Disablements	(1)	-	-	1	-	-	-
Death with Beneficiary	-	-	(1)	-	(2)	3	-
Death without Beneficiary	-	-	-	-	-	-	-
Refunds	(5)	(6)	(1)	-	-	-	(12)
Data Adjustments	-	-	-	-	-	-	-
Total as of June 30, 2015	198	151	100	2	121	10	582
Data Adjustments for Activity During Fiscal Year 2016	-	-	-	-	-	-	-
Adjusted Total as of June 30, 2015	198	151	100	2	121	10	582

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

SECTION IV - CENSUS DATA

B. Census Information as of June 30, 2015 ¹

	<u>Male</u>		<u>Female</u>		<u>Total</u>
1. Active					
a. Number	159		39		198
b. Average Age	48.1		45.4		47.6
c. Average Years of Service	8.6		9.4		8.8
d. Anticipated Payroll of Actives ²	\$ 17,892,886		\$ 4,333,960		\$ 22,226,846
2. Inactive - Vested					
a. Number	80		20		100
b. Average Age	56.0		56.6		56.2
c. Average Years of Service	15.0		13.3		14.7
3. Inactive - Non-Vested ³					
a. Number	111		40		151
4. Retiree/Beneficiary/Disabled					
a. Number	115		18		133
b. Average Age	69.9		69.5		69.9
c. Annual Benefits Payable	\$ 2,999,508		\$ 332,916		\$ 3,332,424

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

² Figures shown are the anticipated pay for the one-year period following the valuation date.

³ As of June 30, 2015, inactive non-vested members entitled to a refund of their member contribution had balances totaling \$2,929,608.

SECTION IV - CENSUS DATA

C. Schedule of Active Member Valuation Data^{1, 2}

1. Valuation Date	2. Active Members	3. Anticipated Payroll (\$ in Thousands) ³	4. Average Pay (3) / (2)	5. Annual Percent Change
6/30/2007	206	18,092	87,825	(0.4%)
6/30/2008	209	20,617	98,646	12.3%
6/30/2009	221	20,782	94,036	(4.7%)
6/30/2010	217	21,016	96,848	3.0%
6/30/2011	212	18,082	85,292	(11.9%)
6/30/2012	219	21,705	99,111	16.2%
6/30/2013	210	21,217	101,033	1.9%
6/30/2014	210	21,432	102,057	1.0%
6/30/2015	196	21,991	112,198	9.9%
6/30/2016	198	22,227	112,257	0.1%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² The valuation results beginning as of June 30, 2014 were calculated using census data as of the prior year end, adjusted for certain activity during the current fiscal year.

³ Figures shown are the anticipated pay for the one-year period following the valuation date.

SECTION IV - CENSUS DATA

D. Schedule of Retirees, Beneficiaries, and Disabled Members^{1, 2}

1.	2.	3.	4.	5.	6.	7.	8.	9.
Valuation Date	Added Number	Annual Allowances (\$ in Thousands)	Removed Number	Annual Allowances (\$ in Thousands)	End of Year ³ Number	Annual Allowances (\$ in Thousands)	% Change in Annual Allowances	Average Annual Allowances
6/30/2007	4	121	2	32	20	338	35.6%	16,905
6/30/2008	7	207	1	14	26	522	54.3%	20,068
6/30/2009	26	536	2	26	50	1,032	97.8%	20,636
6/30/2010	9	187	1	16	58	1,201	16.4%	20,715
6/30/2011	19	473	1	16	76	1,618	34.7%	21,288
6/30/2012	6	178	1	27	81	1,770	9.4%	21,853
6/30/2013	15	362	1	27	95	2,101	18.7%	22,118
6/30/2014	-	-	-	-	95	2,101	0.0%	22,118
6/30/2015	14	319	2	14	107	2,395	14.0%	22,385
6/30/2016	26	937	-	-	133	3,332	39.1%	25,056

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² The valuation results beginning as of June 30, 2014 were calculated using census data as of the prior year end, adjusted for certain activity during the current fiscal year.

³ End of year annual allowances are not equal to the prior end of year annual allowances plus additions and less removals because of reductions for beneficiary benefits, data changes, and cost-of-living increases.

SECTION IV - CENSUS DATA

E. Distribution of Active Members by Age and Service ¹

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2015 ¹								
	Under 10 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	30 to 34 years	35 to 39 years	Over 40 years	Total
<25									
25-29	6								6
30-34	12								12
35-39	27								27
40-44	25	10	2						37
45-49	18	8	7	1					34
50-54	19	8	6	3					36
55-59	5	1	3	2					11
60-64	8	6	3	6	1				24
65-69	3	4	2						9
70&Up	1		1						2
Total	124	37	24	12	1				198

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

SECTION IV - CENSUS DATA

F. Distribution of Inactive Vested Members by Age and Service ¹

Attained Age	Distribution of Inactive Vested Members by Age and Service as of June 30, 2015 ¹							Total
	Under 10	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	30 to 34 years	Over 35 years	
<25								
25-29								
30-34								
35-39		1						1
40-44		4						4
45-49	5	6	5					16
50-54	3	3	5	2				13
55-59	4	12	8	3	2			29
60-64	1	15	6	5	2			29
65-69		4		3				7
70&Up	1							1
Total	14	45	24	13	4			100

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

SECTION IV - CENSUS DATA

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired ¹

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2015 ¹						
	Under 10 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	Total
<40							
40-44							
45-49	1						1
50-54							
55-59	2	1					3
60-64	18						18
65-69	50	1					51
70-74	37	4	1				42
75-79	2	3	3	1			9
80-84			4	2			6
85-89				2			2
90&Up				1			1
Total	110	9	8	6			133

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

SECTION IV - CENSUS DATA

H. Schedule of Benefit Recipients by Type of Benefit Option ¹

Number of Benefit Recipients by Benefit Option as of June 30, 2015

Amount of Monthly Benefit	Retiree 50%		Survivors	Disability	Total
	Retiree Single Life Annuity	Joint and Survivor Annuity			
\$ 1 - 500	-	8	3	-	11
501 - 1,000	-	18	4	-	22
1,001 - 1,500	1	20	2	-	23
1,501 - 2,000	1	13	1	1	16
2,001 - 3,000	5	25	-	-	30
over 3,000	-	30	-	1	31
Total	7	114	10	2	133

I. Schedule of Average Benefit Payments as of June 30, 2015 ^{1, 2}

	Years of Credited Service						Total
	<10	10-14	15-19	20-24	25-29	30+	
Average Monthly Defined Benefit	\$ 1,013	\$ 1,729	\$ 2,136	\$ 2,665	\$ 2,901	\$ 2,423	\$ 2,088
Average Final Average Salary	\$ 64,922	\$ 68,303	\$ 77,439	\$ 90,943	\$ 108,734	\$ 126,756	\$ 80,869
Number of Benefit Recipients	10	47	31	24	11	10	133

¹ The valuation results as of June 30, 2016 were calculated using June 30, 2015 census data, adjusted for certain activity during fiscal year 2016.

² For some members average salary at retirement was not available. The average salary for each group excludes these members.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

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SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The assumptions used in the valuation were selected and approved by the INPRS Board of Trustees. The demographic assumptions are reviewed at least every five years through a study of actual experience. The last study was completed in April 2015. In this way, the actuary provides guidance to the Board in selecting the assumptions. The actuary and other economic and investment professionals also provide advice to the Board for selecting the economic assumptions. In our opinion, the assumptions are reasonable for purposes of this valuation.

Interest Rate / Investment Return

Funding	6.75% (net of administrative and investment expenses)
Accounting	6.75% (net of investment expenses)

Interest on Member Balances 3.5% per year

Future Salary Increases 4.0% per year

Inflation 2.25% per year

Cost of Living Increases N/A

Mortality (Healthy and Disabled) RP-2014 (with MP-2014 improvement removed) White Collar mortality tables, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

Disability Illustrative rates shown below:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.0067%	0.0050%
30	0.0208%	0.0158%
40	0.0646%	0.0496%
50	0.2005%	0.1556%
60	0.6220%	0.4881%
70	0.1000%	0.1000%
71+	0.0000%	0.0000%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Termination 10% per year for all members prior to retirement eligibility.

Retirement Based on 2010 - 2014 experience. Rates shown below:

<u>Age</u>	<u>Service < 22</u>	<u>Service ≥ 22</u>
55 - 61	0%	70%
62	20%	70%
63	20%	70%
64	20%	70%
65+	100%	100%

Decrement Timing Decrements are assumed to occur at the beginning of the year.

Spouse/Beneficiary 90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be three (3) years older than their spouses.

Data Assumptions Spouse gender is assumed to be the opposite gender of the member. Additionally, payroll for new hires is annualized.

Changes in Assumptions There were no assumption changes for the June 30, 2016 valuation.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. Assumptions Rationale

Investment Return

The investment return assumption is based on analysis completed by the INPRS investment advisor and an independent, high-level analysis completed by PwC using a "building block" approach that considered the target asset allocation from the Board's investment policy and capital market forecasts from various investment professionals.

Other Assumptions

The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted at least every five years. The most recent comprehensive experience study was completed in April 2015. The economic and demographic assumptions listed previously in the report were reviewed and updated, where appropriate, based on the historical experience observed during the study and expectations for the future.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

C. Actuarial Methods

The actuarial methods used in this valuation were selected and approved by the Board. In general, the methods provide orderly funding of all benefits being accrued, as well as unfunded past-service benefit liabilities, over a period of twenty years. However, the smoothing method employed in determining the Actuarial Value of Assets may accelerate or lengthen the effective funding period, depending on whether gains or losses are experienced. In our opinion, the actuarial methods are reasonable for the purposes of this valuation.

1. Actuarial Cost Method

The actuarial cost method is Entry Age Normal - Level Percent of Payroll.

The normal cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date.

For funding, gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes are amortized over a 20-year period with level payments each year. A new gain or loss base is established each year based on the additional gain or loss during that year and that base is amortized over a new 20-year period (gain or loss bases established prior to June 30, 2016 were amortized over 30 years and will continue to be amortized over 30 -year period). However, when the plan is at or above 100% funded (based on Actuarial Value of Assets), the past amortization bases are considered fully amortized and a single amortization base equal to the surplus is amortized over a 30-year period with level payments each year. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

For accounting, gains and losses occurring from census experience different than assumed and assumption changes are amortized into expense over the average expected future service of all plan participants (actives and inactive). Gains and losses occurring from investment experience different than assumed are amortized into expense over a 5-year period. The effect of plan changes on the plan liability are fully recognized in expense in the year in which they occur.

Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to the June 30, 2016 measurement date.

2. Asset Valuation Method

The Actuarial Value of Assets smoothes the recognition of gains and losses on the Market Value of Assets over five years, subject to a 20% corridor.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

C. Actuarial Methods (Continued)

3. State Appropriations

Based on the assumptions and methods previously described, an actuarially determined contribution amount is computed. The Board considers this information when requesting funds from the State.

4. Anticipated Payroll

The Anticipated Payroll of \$22,226,846 for the fiscal year beginning July 1, 2016 is equal to the actual payroll during the year ending June 30, 2016, increased with one year of salary scale.

5. Changes in Actuarial Methods

The INPRS Board approved the following changes in methods, effective June 30, 2016:

For funding purposes and when the plan is below 100% funded (based on Actuarial Value of Assets), gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes will be amortized over a 20-year period with level payments each year, rather than a 30-year period. A new gain or loss base will continue to be established each year. This change is made on a prospective basis, beginning with the June 30, 2016 actuarial valuation. Amortization bases established prior to June 30, 2016 will continue to be amortized over their original amortization period, even if the remaining period is greater than 20 years at June 30, 2016. If the plan is at or above 100% funded (based on Actuarial Value of Assets), the methodology of treating past amortization bases as fully amortized and amortizing the entire surplus over an open 30-year period is unchanged. This change increased the annual amortization payment toward the Unfunded Actuarial Accrued Liability reflected in development of the Actuarially Determined Contribution by \$70,179 (0.32% on the Actuarially Determined Contribution Rate) at June 30, 2016.

For funding purposes, the smoothing period for investment gains and losses in the development of the Actuarial Value of Assets was increased from four years to five years at June 30, 2016. This change was implemented retroactively in that the Actuarial Value of Assets at June 30, 2016 was computed as if the five-year amortization period for recognizing investment gains and losses had always been in effect. This change increased the Actuarial Value of Assets, and therefore decreased the Unfunded Actuarial Accrued Liability of the plan by \$202,967 (0.07% on the Actuarially Determined Contribution Rate) at June 30, 2016.

SECTION VI - SUMMARY OF PLAN PROVISIONS

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SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions

The benefit provisions for PARF are set forth in IC 33-39-7. Below is a summary of the plan provisions that are pertinent to the valuation herein and may exclude certain provision that are not deemed relevant to our calculations. This summary is based on our understanding of the plan provisions set forth in the applicable statutes of the State of Indiana. If there is a discrepancy between the summary below and the applicable statutes, the applicable statutes shall govern.

Participation All individuals serving as a prosecuting attorney or chief deputy prosecuting attorney in Indiana on or after January 1, 1990.

Eligibility for Defined Pension Benefits

- a. Normal Retirement Earliest of:
 - Age 65 with 8 or more years of creditable service
 - Age 55 with sum of age and creditable service equal to 85 or more

- b. Early Retirement Age 62 with 8 or more years of creditable service

- c. Late Retirement Subject to continued employment after normal retirement

- d. Disability Retirement Qualify for Social Security disability benefits or federal Civil Service disability benefits

- e. Termination 8 or more years of creditable service and no longer active (i.e. vested inactive)

- f. Pre-Retirement Death 8 or more years of creditable service entitled to a future benefit

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (Continued)

Amount of Benefits

- a. Normal Retirement The normal retirement benefit is a monthly annuity payable for life with a 50% continuation (or \$12,000 annually, if greater) to a surviving spouse or surviving dependent children. The benefit is equal to a percentage of earnings¹ in accordance with the following table:

<u>Years of Service</u>	<u>Percentage</u>
less than 8	0%
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

The percentages shown above are prorated for partial years of creditable service.
The benefit is reduced by the pension, if any, payable from PERF.

¹ Earnings is the highest annual salary attributable to service as a prosecuting attorney or chief deputy at the time of separation from service. Amounts paid to a participant by a county or counties are not included.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (Continued)

Amount of Benefits (continued)

- b. Early Retirement The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A participant may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 0.25% for each month that the benefit commencement date precedes the normal retirement date. The benefit is reduced by the pension, if any, payable from PERF.

- c. Late Retirement The late retirement benefit is calculated in the same manner as the normal retirement benefit. The benefit is reduced by the pension, if any, payable from PERF.

- d. Disability Retirement The disability retirement benefit is payable for the duration of the disability commencing the month following disability date without reduction for early commencement. The amount of monthly benefit shall be equal to a percentage of average monthly earnings in accordance with the following table:

<u>Years of Service</u>	<u>Percentage</u>
Less than 12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

The percentages shown above are prorated for partial years of creditable service. The benefit is reduced by the pension, if any, payable from PERF.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (Continued)

Amount of Benefits (continued)

- e. Termination The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing as of the normal retirement date. The participant may elect to receive a reduced early retirement benefit. The benefit is reduced by the pension, if any, payable from PERF.

- f. Death The spouse or dependent beneficiary is entitled to receive 50% of the monthly life annuity the participant was receiving or was entitled to receive (or \$12,000 annually, if greater) under the assumption that the participant retired on the later of age 62 or the day before the date of death. The benefit is reduced by the pension, if any, payable from PERF.

Member Contributions Each member is required to contribute to the Fund at the rate of 6% of pay until completion of 22 year of service. These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement.

Forms of Payment

- a. Single Life Member will receive a monthly benefit for life, but there are no monthly payments to anyone after death.
 Annuity

- b. Joint with One-Half Member will be paid a monthly benefit for life. After death, one-half (1/2) of the benefit will be paid to the spouse
 Survivor Benefits for their lifetime or the dependent until age 18 unless disabled. If the dependent child was named the beneficiary, once they are no longer entitled to the benefit, the spouse would receive the benefit for life.

Withdrawal From Fund If member's employment is terminated prior to eligibility for a retirement annuity, the member may withdraw their contributions from the Fund.

Changes in Provisions It is our understanding that there were no changes to the Plan that impacted the pension benefits during the fiscal year.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms

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SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms

Actuarial Accrued Liability (AAL)	That portion, as determined by a particular Actuarial Cost Method, of the Present Value of Future Benefits (PVFB) and expenses which is not provided for by future Normal Costs. Generally, the portion of the PVFB attributable to past service.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension 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.
Actuarial Cost Method	A mathematical procedure for allocating the Present Value of Future Benefits to service periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
Actuarial Gain/(Loss)	The difference between actual Unfunded Actuarial Accrued Liability and anticipated Unfunded Actuarial Accrued Liability resulting from differences between actual and expected plan experience between two valuation dates.
Actuarial Present Value	The single amount that is equal to a payment or series of payments in the future. It is determined by discounting future payments using predetermined Actuarial Assumptions for interest and by probabilities of payment.
Actuarial Valuation	The determination, as of an Actuarial Valuation Date, of the Present Value of Future Benefits, Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values.
Actuarial Valuation Date	The date as of which an Actuarial Valuation is performed.
Actuarially Determined Contribution	The precise actuarial contribution rate (expressed as a percentage of covered payroll) or amount determined in accordance with a Funding Policy, which generally reflects the Normal Cost and amortization of any Unfunded Actuarial Accrued Liability.
Actuarially Equivalent	Having the same Actuarial Present Value, based on a set of Actuarial Assumptions.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms (Continued)

Amortization	The payment of a present value financial obligation on an installment basis over a future period.
Creditable Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Funding Policy	A set of principles, often including a prescribed Actuarial Cost Method, Actuarial Assumptions, and/or Unfunded Actuarial Accrued Liability Amortization Method, that guide the calculation of the Actuarially Determined Contribution and management decisions regarding funding.
Level Dollar Amortization	Amortization where the installments are equal dollar amounts during each period.
Level Percent Amortization	Amortization where the installments are an equal percent of employee payroll during each period.
Normal Cost (NC)	That portion of the Present Value of Future Benefits which is allocated to the year following the Actuarial Valuation Date by the Actuarial Cost Method. The normal cost is specific to the cost method used.
Plan Assets	Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.
Plan Members	The individuals covered by the terms of a pension plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms (Continued)

Present Value of Future Benefits (PVFB)

Projected 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 upon retirement) as a result of their service through the valuation date and their expected future service. The actuarial present value of projected future 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 (taking into account mortality, turnover, probability of participating in plan retirement, etc.). Alternatively, 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 the projected benefits when due.

Unfunded Actuarial Accrued Liability (UAAL)

The difference between the Actuarial Accrued Liability and Plan Assets as of a particular date. Plan assets may be market value or a smoothed value.

Unfunded Actuarial Accrued Liability Amortization Method

A predetermined process by which any Unfunded Actuarial Accrued Liability will be amortized for calculating the Actuarially Determined Contribution.