

www.pwc.com

Indiana Public Retirement System

Public Employees' Retirement Fund

Actuarial Valuation as of
June 30, 2014



December 8, 2014

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, 2014

Dear Board of Trustees:

Actuarial valuations are performed annually for the Indiana Public Retirement System ("INPRS") defined benefit pension plans ("Plans"). The results of the latest actuarial valuations for all plans other than the Teachers' Retirement Fund were prepared as of June 30, 2014 and are presented in individual valuation reports pursuant to the engagement letter between INPRS and PricewaterhouseCoopers LLP ("PwC"), dated June 7, 2010. The reports are intended to provide the Board of Trustees ("Board") with information on the funded status of the Plans, development of the contribution rates, and certain financial statement disclosure information.

Under Indiana statutes, employer contribution rates and amounts, as applicable, are adopted annually for each Plan by the Board. The contributions are actuarially determined based on the funding policy, actuarial assumptions, and actuarial methods adopted 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, 2014 actuarial valuation and adopted by the Board will become effective on either July 1, 2015 or January 1, 2016. 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") will be amortized over a period not greater than 30 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, it should increase over time, until it reaches 100%. The combined funded ratio for all Plans (excluding the Teachers' Retirement Fund) increased by 3.6% from the preceding year to 87.0%, primarily due to asset returns exceeding the 6.75% assumption and cost-of-living adjustments being less than assumed.

Benefit Provisions

The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2014, as set forth in the related Indiana statutes. There were no material changes in benefit provisions since the 2013 valuations.

Assets and Member Data

The valuations were based on asset values of the trust funds as of June 30, 2014 and member census data as of June 30, 2013, adjusted for certain activity during fiscal year 2014. 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 majority of the actuarial assumptions used in the June 30, 2014 valuations were adopted by the Board pursuant to the experience studies completed in September 2011, which reflected the experience period from July 1, 2005 through June 30, 2010, and were first used in the June 30, 2011 valuation. The actuarial assumptions for interest rate and mortality were updated for the June 30, 2012 valuation. Minor assumptions were updated for the June 30, 2013 valuation including the interest rate on member account balances and certain demographic assumptions for Prosecuting Attorneys' Retirement Fund due to plan changes. There were no updates to the actuarial assumptions for the June 30, 2014 valuation. However, the June 30, 2014 valuations are the first valuations that incorporate member census data as of a date one year prior to the valuation date. Standard actuarial techniques were used to roll forward valuation results from June 30, 2013 to June 30, 2014.

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. 27, No. 50, 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 purpose.

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, 2014 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:

- Schedule of Funding Progress (Included in the Historical Summary)
- Summary of Actuarial Assumptions & Methods
- Analysis of Financial Experience (Unfunded Actuarial Accrued Liability Reconciliation)
- Solvency Test (Included in the Historical Summary)
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries

This report contains certain accounting information required to be included in the System's Comprehensive Annual Financial Report. This information for the system has been prepared in accordance with our understanding of GASB No.67. This report also contains employer accounting information prepared in accordance with our understanding of GASB No. 27 and 50, as well as the new requirements under GASB No. 68.

To the best of our knowledge this actuarial statement is complete and accurate and has 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.

This document has been prepared pursuant to an engagement letter between INPRS and PwC, and is intended solely for the use and benefits of INPRS and not for reliance by any other person.

Respectfully submitted,

Ms. Cindy Fraterrigo
Member, American Academy of Actuaries
Fellow of the Society of Actuaries
Enrolled Actuary (No. 14-06229)

Mr. Sheldon Gamzon
Member, American Academy of Actuaries
Fellow of the Society of Actuaries
Enrolled Actuary (No. 14-03238)

Mr. Brandon Robertson
Member, American Academy of Actuaries
Associate of the Society of Actuaries
Enrolled Actuary (No. 14-07568)

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
II. FUNDING	
A. Development of Funded Status	10
B. Unfunded Actuarial Accrued Liability Reconciliation	11
C. Actuarial Accrued Liability Reconciliation	12
D. Reconciliation of Market Value of Assets	13
E. Reconciliation of Actuarial Value of Assets	14
F. Allocation of Assets	15
G. State – Contribution Rate	16
H. Political Subdivisions – Aggregate Contribution Rate	17
I. State – Unfunded Actuarial Accrued Liability Amortization Schedule	18
J. Political Subdivisions – Unfunded Actuarial Accrued Liability Amortization Schedule	18
K. History of Employer Contribution Rates	19
L. Approximate Annual Rate of Return for Year Ending June 30,2014	20
M. Historical Investment Experience	20
N. Interest Rate Sensitivity	21
III. ACCOUNTING	
A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2014	22
B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2014	23
C. Collective Net Pension Liability under GASB #68 for the Year Ended June 30, 2014	24
D. Collective Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2014	25
E. Collective Pension Expense under GASB #68 for the Year Ended June 30, 2014	26
F. Selected Notes to the Financial Statements under GASB #67 and #68	27
G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68	29
H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68	30
I. Schedule of Contributions under GASB #67 and #68	31
J. Schedule of Money-Weighted Returns under GASB #67 and #68	32
K. State - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50	33
L. Political Subdivisions - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50	33
M. State - Three-Year Trend Information under GASB #27 and #50	34
N. Political Subdivisions - Three-Year Trend Information under GASB #27 and #50	34
IV. CENSUS DATA	35
V. ACTUARIAL ASSUMPTIONS AND METHODS	43
VI. SUMMARY OF PLAN PROVISIONS	50
VII. DEFINITIONS OF TECHNICAL TERMS	57

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Public Employees' Retirement Fund ("PERF") and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2016 (July 1, 2015 through June 30, 2016 for the State and January 1, 2016 through December 31, 2016 for the Political Subdivisions), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of June 30, 2013, adjusted for certain activity during fiscal year 2014, as provided by INPRS and summarized in Section IV, asset information as of June 30, 2014 provided by INPRS, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2014 summarized in Section VI.

Contribution Rates

The Board sets, at its discretion, the applicable employer contribution rates upon considering their results of the actuarial valuation and other analysis as appropriate.

The Actuarially Determined Contribution Rate for the State for fiscal 2016 is 9.80%. However, the Board has approved a State employer contribution rate for fiscal 2016 of 11.20% starting July 1, 2015. The actual dollar amount of employer cost will depend on the actual payroll during fiscal year 2016.

The aggregate Actuarially Determined Contribution Rate for the Political Subdivisions for calendar 2016 is also 9.96%. However, the Board has approved a Composite Rate of 11.20% for calendar 2016, starting January 1, 2016. Political Subdivisions currently paying a rate less than the Composite Rate in fiscal 2015 will be migrated toward the Composite Rate via a 1.5% increase (up to a maximum of 11.20%) in contribution rate for 2016. The weighted average contribution rate for all Political Subdivisions is expected to be 11.20% in fiscal 2016. The actual dollar amount of employer cost will depend on the actual payroll during calendar year 2016.

Employees of the State and participating Political Subdivisions contribute 3% of their compensation to an Annuity Savings Account. Employers may "pick up" the employee contributions. The accumulated balance in each member's Annuity Savings Account can be withdrawn as a lump sum upon termination or can be converted to an annuity that is paid monthly in addition to the benefit that is funded by the employer contributions upon retirement.

Funded Status

The funded status of PERF is measured by the funded ratio, which is the ratio of the assets available for benefits to a benefit liability measure for PERF. 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 four (4) years, the PERF AAL funded ratio increased from 80.2% at June 30, 2013 to 82.4% at June 30, 2014. The increase is primarily due to the recognition of an investment gain for 2013 in the AVA development, a reduction in liability associated with future assumed ASA annuitizations because of a reduction in the interest rate used in the annuity conversion pursuant to 2014 House Enrolled Act No. 1075, and the 13th check paid to retired members being less valuable than the assumed 1% permanent cost-of-living increase.

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Investment Experience

For the fiscal year ending June 30, 2014, the INPRS actual time-weighted return net of fees was 13.7%. Based on the value of assets allocated to PERF, including member ASA balances, as of the prior valuation date and contribution and benefit payment activity during the year, the allocation of returns to PERF represent a return of approximately 12.1% on market value and 7.7% on actuarial value. On average, the returns on member ASA balances were much lower than the funds professionally managed by INPRS, resulting in a lower return for the combined pool of assets. The return on actuarial value is different due to the smoothing of returns greater or less than expected returns over four years.

Cost-of-Living Adjustment

Cost-of-living increases for retired members have historically been granted on an "ad hoc" basis. During fiscal 2015, no increases in monthly benefits will be provided to retired members, disabled members, or beneficiaries. Instead, a "13th check" was paid to each member (or survivor or beneficiary) in pay status during October 2014. The amount of the 13th check varied based on the years of creditable service the member had earned prior to retirement.

Changes in Actuarial Assumptions

Assumption concerning ASA withdrawal and annuitization were added pursuant to the addition of paragraphs 2.5 and 2.6 under IC 5-10.5-4, pursuant to 2014 House Enrolled Act No. 1075. All other assumptions are the same as the June 30, 2013 valuation.

Changes in Plan Provisions

2014 House Enrolled Act No. 1075 added paragraphs 2.5 and 2.6 to IC 5-10.5-4, which prohibits INPRS from entering into an agreement with a third party provider to provide annuities for members who wish to annuitize their ASA balance prior to January 1, 2017, and defines interest rate which must be used for converting ASA balances to annuities in the interim. It is anticipated that an agreement with a third party provider will be entered into effective January 1, 2017. This plan change resulted in a small decrease in Actuarial Accrued Liability and Normal Cost since the prescribed interest rates to be used for annuitization are lower than than the rate previously in effect.

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

Changes in Actuarial Methods

Member census data as of June 30, 2013 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013 and June 30, 2014. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2013 to the June 30, 2014 measurement date.

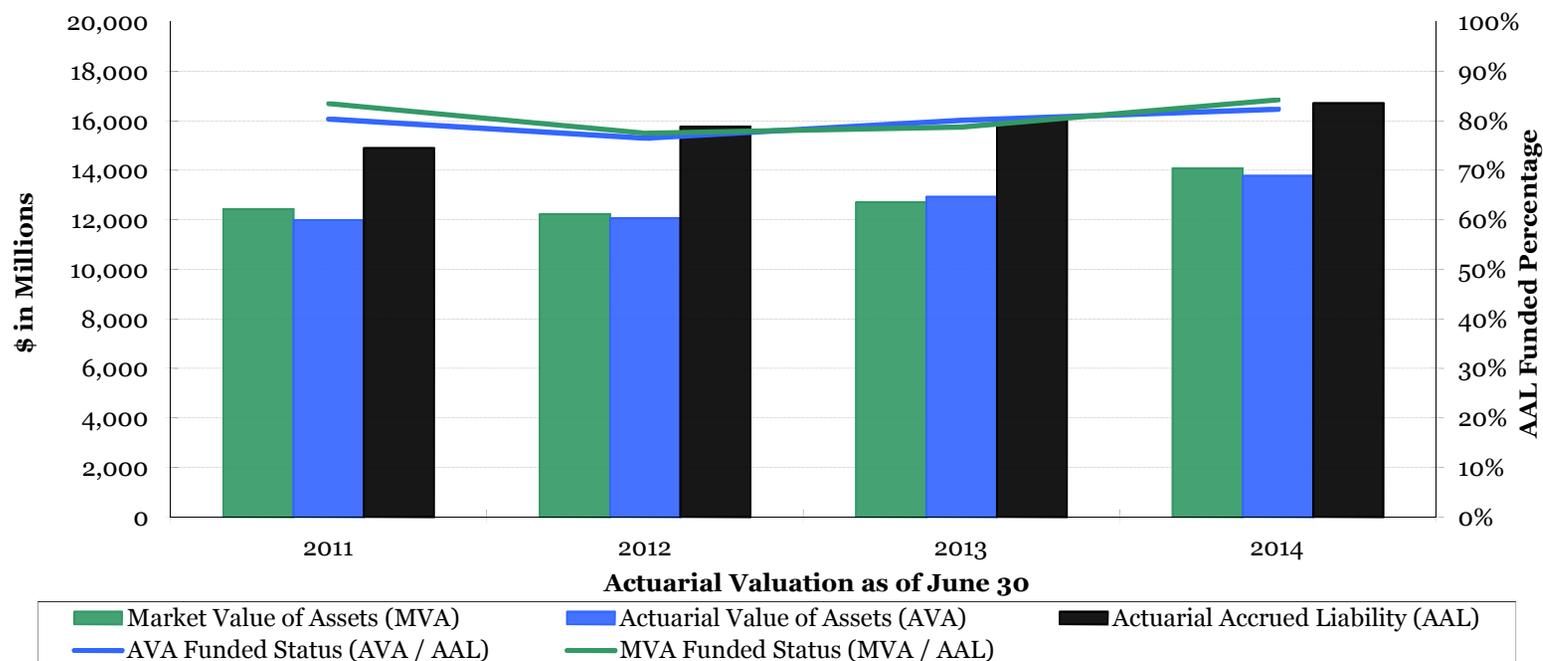
Governmental Accounting Standards

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") to assist INPRS with the implementation of the new standards. GASB 67 is effective for fiscal years beginning after June 15, 2013. GASB 68 is effective for employers sponsoring and/or participating in public pension plans for fiscal years beginning after June 15, 2014.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY

Total PERF – 4 Year History of Funded Status



<u>Actuarial Valuation as of June 30:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarial Accrued Liability (AAL)	\$14,913.1	\$15,784.2	\$16,145.7	\$16,732.2
Actuarial Value of Assets (AVA)	12,000.6	12,088.2	12,947.3	13,791.3
Market Value of Assets (MVA)	12,461.4	12,243.8	12,720.6	14,104.3
Unfunded Liability (AAL - AVA)	2,912.5	3,696.0	3,198.4	2,940.9
AVA Funded Status (AVA / AAL)	80.5%	76.6%	80.2%	82.4%
MVA Funded Status (MVA / AAL)	83.6%	77.6%	78.8%	84.3%

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results ¹

<u>Valuation Date</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Development of Actuarially Determined Contribution Rate:				
1. Anticipated Payroll	\$ 4,818,773,680	\$ 4,904,052,414	\$ 4,766,909,874	\$ 5,080,092,296
2. Normal Cost (Beginning of Year)				
a. Amount	\$ 253,006,701	\$ 270,973,983	\$ 258,069,653	\$ 273,909,865
b. Percentage of Payroll	5.25%	5.53%	5.41%	5.39%
3. Unfunded Actuarial Accrued Liability Annual Amortizations				
a. Amount	\$ 222,668,943	\$ 278,065,556	\$ 244,924,393	\$ 229,329,868
b. Percentage of Payroll	4.62%	5.67%	5.14%	4.51%
4. Actuarially Determined Contribution Rate: (2)(b) + (3)(b)	9.87%	11.20%	10.55%	9.90%
<u>Fiscal / Calendar Year</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Approved Funding Rate ²	9.72%	11.08%	11.19%	11.20%

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

² The Approved Funding Rate shown is the aggregate rate for the State and Political Subdivisions. The funding rates determined by the June 30, 2014 valuation become effective July 1, 2015 for the State and January 1, 2016 for the Political Subdivisions.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

State – Summary of Valuation Results ¹

<u>Valuation Date</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Development of Actuarially Determined Contribution Rate:				
1. Anticipated Payroll	\$ 1,641,685,770	\$ 1,648,023,022	\$ 1,647,453,669	\$ 1,758,268,220
2. Normal Cost (Beginning of Year)				
a. Amount	\$ 73,614,164	\$ 78,888,474	\$ 76,718,697	\$ 81,560,106
b. Percentage of Payroll	4.49%	4.79%	4.65%	4.64%
3. Unfunded Actuarial Accrued Liability Annual Amortizations				
a. Amount	\$ 84,263,994	\$ 105,132,459	\$ 97,160,297	\$ 90,674,549
b. Percentage of Payroll	5.13%	6.38%	5.90%	5.16%
4. Actuarially Determined Contribution Rate:				
a. Percentage of Payroll: (2)(b) + (3)(b)	9.62%	11.17%	10.55%	9.80%
b. Effective Date	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015
<u>Fiscal Year</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Approved Funding Rate ²	9.70%	11.20%	11.20%	11.20%

Political Subdivisions – Summary of Valuation Results ¹

<u>Valuation Date</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Development of the Aggregate Actuarially Determined Contribution Rate:				
1. Anticipated Payroll	\$ 3,177,087,910	\$ 3,256,029,392	\$ 3,119,456,205	\$ 3,321,824,076
2. Normal Cost (Beginning of Year)				
a. Amount	\$ 179,392,537	\$ 192,085,509	\$ 181,350,956	\$ 192,349,759
b. Percentage of Payroll	5.64%	5.90%	5.81%	5.79%
3. Unfunded Actuarial Accrued Liability Annual Amortizations				
a. Amount	\$ 138,404,949	\$ 172,933,097	\$ 147,764,096	\$ 138,655,319
b. Percentage of Payroll	4.36%	5.31%	4.74%	4.17%
4. Aggregate Actuarially Determined Contribution Rate:				
a. Percentage of Payroll: (2)(b) + (3)(b)	10.00%	11.21%	10.55%	9.96%
b. Effective Date	January 1, 2013	January 1, 2014	January 1, 2015	January 1, 2016
<u>Calendar Year</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Approved Funding Rate ^{2,3}	9.73%	11.03%	11.19%	11.20%

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

² The funding rates determined by the June 30, 2014 valuation become effective July 1, 2015 for the State and January 1, 2016 for the Political Subdivisions. Approved Funding Rates before June 30, 2011 were based on smoothing rules that were repealed by the Board in December 2011.

³ The Approved Funding Rate shown is the aggregate rate for Political Subdivisions.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results (Continued) ¹

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014 ²</u>
Census Information				
Active				
Number				
State	45,912	45,156	42,742	42,770
Political Subdivisions	102,021	100,363	95,125	94,727
ASA Only	N/A	N/A	70	70
Total	<u>147,933</u>	<u>145,519</u>	<u>137,937</u>	<u>137,567</u>
Average Age	47.6	47.6	47.8	47.8
Average Years of Service	11.4	11.5	11.6	11.6
Anticipated Payroll of Actives ³				
State	1,641,685,770	1,648,023,022	1,647,453,669	1,758,268,220
Political Subdivisions	<u>3,177,087,910</u>	<u>3,256,029,392</u>	<u>3,119,456,205</u>	<u>3,321,824,076</u>
Total	<u>\$ 4,818,773,680</u>	<u>\$ 4,904,052,414</u>	<u>\$ 4,766,909,874</u>	<u>\$ 5,080,092,296</u>
Inactive - Vested				
Number	20,933	21,423	23,496	24,013
Average Age	52.7	52.7	53.1	53.0
Average Years of Service	11.8	11.9	12.0	11.9
Inactive - Non-Vested				
Number	71,806	47,651	51,065	50,997
Retiree/Beneficiary/Disabled				
Number	70,380	72,992	75,950	75,950
Average Age	72.5	72.5	72.5	72.5
Annual Benefits Payable ⁴				
Pension	455,230,274	483,551,145	515,868,841	515,868,841
ASA Annuities	<u>84,516,826</u>	<u>93,126,384</u>	<u>102,108,467</u>	<u>102,108,467</u>
Total	<u>\$ 539,747,100</u>	<u>\$ 576,677,529</u>	<u>\$ 617,977,308</u>	<u>\$ 617,977,308</u>

¹ Head counts reflects the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

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

⁴ Figures shown reflect cost-of-living increases effective January 1 following the date of the census data, if provided, but do not reflect one-time 13th check amounts provided or new ASA annuitizations after the date of the census data.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results (Continued)

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 2,805,023,137	\$ 2,749,448,762	\$ 2,796,102,616	\$ 2,851,500,608
ASA Annuities - Retiree/Beneficiary/Disabled	801,369,029	908,664,881	1,005,166,415	1,090,399,829
Pension - Retiree/Beneficiary/Disabled	4,569,417,231	4,987,114,328	5,362,652,879	5,160,501,824
Pension - Active and Inactive				
State	2,538,861,413	2,660,671,538	2,635,640,409	2,855,695,328
Political Subdivisions	4,198,476,483	4,478,340,402	4,346,118,470	4,774,125,060
Total	<u>\$ 6,737,337,896</u>	<u>\$ 7,139,011,940</u>	<u>\$ 6,981,758,879</u>	<u>\$ 7,629,820,388</u>
Total	\$ 14,913,147,293	\$ 15,784,239,911	\$ 16,145,680,789	\$ 16,732,222,649
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 2,805,023,137	\$ 2,749,448,762	\$ 2,796,102,616	\$ 2,851,500,608
ASA Annuities - Retiree/Beneficiary/Disabled	801,369,029	908,664,881	1,005,166,415	1,090,399,829
Pension - Retiree/Beneficiary/Disabled	4,569,417,231	4,987,114,328	5,362,652,879	5,160,501,824
Pension - Active and Inactive	<u>3,824,776,913</u>	<u>3,442,996,687</u>	<u>3,783,361,323</u>	<u>4,688,858,694</u>
Total	<u>\$ 12,000,586,310</u>	<u>\$ 12,088,224,658</u>	<u>\$ 12,947,283,233</u>	<u>\$ 13,791,260,955</u>
Market Value of Assets (MVA)				
ASA Account Balance	\$ 2,805,023,137	\$ 2,749,448,762	\$ 2,796,102,616	\$ 2,851,500,608
ASA Annuities - Retiree/Beneficiary/Disabled	801,369,029	908,664,881	1,005,166,415	1,090,399,829
Pension - Retiree/Beneficiary/Disabled	4,569,417,231	4,987,114,328	5,362,652,879	5,160,501,824
Pension - Active and Inactive	<u>4,285,546,512</u>	<u>3,598,525,143</u>	<u>3,556,679,808</u>	<u>5,001,885,293</u>
Total	<u>\$ 12,461,355,909</u>	<u>\$ 12,243,753,114</u>	<u>\$ 12,720,601,718</u>	<u>\$ 14,104,287,554</u>
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	<u>2,912,560,983</u>	<u>3,696,015,253</u>	<u>3,198,397,556</u>	<u>2,940,961,694</u>
Total	<u>\$ 2,912,560,983</u>	<u>\$ 3,696,015,253</u>	<u>\$ 3,198,397,556</u>	<u>\$ 2,940,961,694</u>
Funded Percentage: AVA / AAL ¹				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	<u>56.8%</u>	<u>48.2%</u>	<u>54.2%</u>	<u>61.5%</u>
Total	<u>80.5%</u>	<u>76.6%</u>	<u>80.2%</u>	<u>82.4%</u>
Summary of Assumptions				
Valuation Interest Rate	7.0%	6.75%	6.75%	6.75%
Salary Scale	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.0%	1.0%	1.0%	1.0%

¹ In determining the funded percentage, the assets are allocated first to member contribution balances, then to ASA Annuities, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

State – Summary of Valuation Results (Continued) ¹

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 935,007,712	\$ 916,482,921	\$ 932,034,205	\$ 950,500,203
ASA Annuities - Retiree/Beneficiary/Disabled	267,123,010	302,888,294	335,055,472	363,466,610
Pension - Retiree/Beneficiary/Disabled	1,523,139,077	1,662,371,442	1,787,550,960	1,720,167,275
Pension - Active and Inactive	2,538,861,413	2,660,671,538	2,635,640,409	2,855,695,328
Total	\$ 5,264,131,212	\$ 5,542,414,195	\$ 5,690,281,046	\$ 5,889,829,416
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 935,007,712	\$ 916,482,921	\$ 932,034,205	\$ 950,500,203
ASA Annuities - Retiree/Beneficiary/Disabled	267,123,010	302,888,294	335,055,472	363,466,610
Pension - Retiree/Beneficiary/Disabled	1,523,139,077	1,662,371,442	1,787,550,960	1,720,167,275
Pension - Active and Inactive	1,433,516,270	1,259,781,511	1,360,730,908	1,686,564,962
Total	\$ 4,158,786,069	\$ 4,141,524,168	\$ 4,415,371,545	\$ 4,720,699,050
Market Value of Assets (MVA)				
ASA Account Balance	\$ 935,007,712	\$ 916,482,921	\$ 932,034,205	\$ 950,500,203
ASA Annuities - Retiree/Beneficiary/Disabled	267,123,010	302,888,294	335,055,472	363,466,610
Pension - Retiree/Beneficiary/Disabled	1,523,139,077	1,662,371,442	1,787,550,960	1,720,167,275
Pension - Active and Inactive	1,606,211,496	1,316,688,878	1,279,202,204	1,799,159,461
Total	\$ 4,331,481,295	\$ 4,198,431,535	\$ 4,333,842,841	\$ 4,833,293,549
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	1,105,345,143	1,400,890,027	1,274,909,501	1,169,130,366
Total	\$ 1,105,345,143	\$ 1,400,890,027	\$ 1,274,909,501	\$ 1,169,130,366
Funded Percentage: AVA / AAL ²				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	56.5%	47.3%	51.6%	59.1%
Total	79.0%	74.7%	77.6%	80.2%
Summary of Assumptions				
Valuation Interest Rate	7.0%	6.75%	6.75%	6.75%
Salary Scale	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.0%	1.0%	1.0%	1.0%

¹ As requested by INPRS, one-third (1/3) of the retired / disabled / beneficiary member liability, ASA account balances, and ASA annuities has been allocated to the State and the remaining two-thirds (2/3) to the Political Subdivisions.

² In determining the funded percentage, the assets are allocated first to member contribution balances, then to ASA Annuities, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Political Subdivisions – Summary of Valuation Results (Continued) ¹

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 1,870,015,425	\$ 1,832,965,841	\$ 1,864,068,411	\$ 1,901,000,405
ASA Annuities - Retiree/Beneficiary/Disabled	534,246,019	605,776,587	670,110,943	726,933,219
Pension - Retiree/Beneficiary/Disabled	3,046,278,154	3,324,742,886	3,575,101,919	3,440,334,549
Pension - Active and Inactive	4,198,476,483	4,478,340,402	4,346,118,470	4,774,125,060
Total	<u>\$ 9,649,016,081</u>	<u>\$ 10,241,825,716</u>	<u>\$ 10,455,399,743</u>	<u>\$ 10,842,393,233</u>
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 1,870,015,425	\$ 1,832,965,841	\$ 1,864,068,411	\$ 1,901,000,405
ASA Annuities - Retiree/Beneficiary/Disabled	534,246,019	605,776,587	670,110,943	726,933,219
Pension - Retiree/Beneficiary/Disabled	3,046,278,154	3,324,742,886	3,575,101,919	3,440,334,549
Pension - Active and Inactive	2,391,260,643	2,183,215,176	2,422,630,415	3,002,293,732
Total	<u>\$ 7,841,800,241</u>	<u>\$ 7,946,700,490</u>	<u>\$ 8,531,911,688</u>	<u>\$ 9,070,561,905</u>
Market Value of Assets (MVA)				
ASA Account Balance	\$ 1,870,015,425	\$ 1,832,965,841	\$ 1,864,068,411	\$ 1,901,000,405
ASA Annuities - Retiree/Beneficiary/Disabled	534,246,019	605,776,587	670,110,943	726,933,219
Pension - Retiree/Beneficiary/Disabled	3,046,278,154	3,324,742,886	3,575,101,919	3,440,334,549
Pension - Active and Inactive	2,679,335,016	2,281,836,265	2,277,477,604	3,202,725,832
Total	<u>\$ 8,129,874,614</u>	<u>\$ 8,045,321,579</u>	<u>\$ 8,386,758,877</u>	<u>\$ 9,270,994,005</u>
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	1,807,215,840	2,295,125,226	1,923,488,055	1,771,831,328
Total	<u>\$ 1,807,215,840</u>	<u>\$ 2,295,125,226</u>	<u>\$ 1,923,488,055</u>	<u>\$ 1,771,831,328</u>
Funded Percentage: AVA / AAL ²				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	57.0%	48.8%	55.7%	62.9%
Total	<u>81.3%</u>	<u>77.6%</u>	<u>81.6%</u>	<u>83.7%</u>
Summary of Assumptions				
Valuation Interest Rate	7.0%	6.75%	6.75%	6.75%
Salary Scale	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.0%	1.0%	1.0%	1.0%

¹ As requested by INPRS, one-third (1/3) of the retired / disabled / beneficiary member liability, ASA account balances, and ASA annuities has been allocated to the State and the remaining two-thirds (2/3) to the Political Subdivisions.

² In determining the funded percentage, the assets are allocated first to member contribution balances, then to ASA Annuities, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION II - FUNDING

FUNDING

	<u>Page</u>
A. Development of Funded Status	10
B. Unfunded Actuarial Accrued Liability Reconciliation	11
C. Actuarial Accrued Liability Reconciliation	12
D. Reconciliation of Market Value of Assets	13
E. Reconciliation of Actuarial Value of Assets	14
F. Allocation of Assets	15
G. State – Contribution Rate	16
H. Political Subdivisions – Aggregate Contribution Rate	17
I. State – Unfunded Actuarial Accrued Liability Amortization Schedule	18
J. Political Subdivisions – Unfunded Actuarial Accrued Liability Amortization Schedule	18
K. History of Employer Contribution Rates	19
L. Approximate Annual Rate of Return for Year Ending June 30,2014	20
M. Historical Investment Experience	20
N. Interest Rate Sensitivity	21

SECTION II - FUNDING

A. Development of Funded Status

	June 30, 2013	June 30, 2014
1. Actuarial Accrued Liability		
a. Annuity Savings Account Balances ¹	\$ 2,796,102,616	\$ 2,851,500,608
b. ASA Annuities	1,005,166,415	1,090,399,829
c. Retirees, Beneficiaries, and Disableds	5,362,652,879	5,160,501,824
d. Actives and Inactives	6,981,758,879	7,629,820,388
e. Total: (1)(a) + (1)(b) + (1)(c) + (1)(d)	\$ 16,145,680,789	\$ 16,732,222,649
2. Actuarial Value of Assets ²		
a. Annuity Savings Account Balances	\$ 2,796,102,616	\$ 2,851,500,608
b. ASA Annuities	1,005,166,415	1,090,399,829
c. Retirees, Beneficiaries, and Disableds	5,362,652,879	5,160,501,824
d. Actives and Inactives	3,783,361,323	4,688,858,694
e. Total: (2)(a) + (2)(b) + (2)(c) + (2)(d)	\$ 12,947,283,233	\$ 13,791,260,955
3. Unfunded Actuarial Accrued Liability ²		
a. Annuity Savings Account Balances: (1)(a) - (2)(a)	\$ -	\$ -
b. ASA Annuities: (1)(b) - (2)(b)	-	-
c. Retirees, Beneficiaries, and Disableds: (1)(c) - (2)(c)	-	-
d. Actives and Inactives: (1)(d) - (2)(d)	3,198,397,556	2,940,961,694
e. Total: (1)(e) - (2)(e)	\$ 3,198,397,556	\$ 2,940,961,694
4. Funded Status ²		
a. Annuity Savings Account Balances: (2)(a) / (1)(a)	100.0%	100.0%
b. ASA Annuities: (2)(b) / (1)(b)	100.0%	100.0%
c. Retirees, Beneficiaries, and Disableds: (2)(c) / (1)(c)	100.0%	100.0%
d. Actives and Inactives: (2)(d) / (1)(d)	54.2%	61.5%
e. Total: (2)(e) / (1)(e)	80.2%	82.4%

¹ Includes non-vested balances of \$20,561 as of June 30, 2013 and \$454,380 as of June 30, 2014 for ASA-only members.

² In determining the funded percentage, the assets are allocated first to member contribution balances, then to ASA Annuities, then to the retiree/beneficiary/disabled liability, and then to the active/inactive liability.

SECTION II - FUNDING

B. Unfunded Actuarial Accrued Liability Reconciliation

	June 30, 2013	June 30, 2014
1. Unfunded Actuarial Accrued Liability, Prior Year	\$ 3,696,015,253	\$ 3,198,397,556
2. Unfunded Actuarial Accrued Liability (Gain) / Loss		
a. Actuarial Value of Assets Experience	\$ (285,827,765)	\$ (153,724,692)
b. Actuarial Accrued Liability Experience	33,200,061	14,276,601
c. Additional Liability Due to Cost-of-living Adjustments	(30,150,409) ¹	(29,438,118) ³
d. Additional Liability Due to Changes in Actuarial Assumptions	-	-
e. Additional Liability Due to Changes in Plan Provisions	(167,485,633) ²	(42,984,699) ⁴
f. Total New Amortization Bases: (2)(a) + (2)(b) + (2)(c) + 2(d) + (2)(e)	\$ (450,263,746)	\$ (211,870,908)
g. Reduction in Existing Bases Due to Prior Year Amortization, Net of Interest	(47,353,951)	(45,564,954)
h. Change in Unfunded Actuarial Accrued Liability: (2)(f) + (2)(g)	\$ (497,617,697)	\$ (257,435,862)
3. Unfunded Actuarial Accrued Liability, Current Year: (1) + (2)(h)	\$ 3,198,397,556	\$ 2,940,961,694

¹ Retired members were provided a 13th check by October 1, 2013, rather than a 1.0% COLA on January 1, 2014.

² The liability associated with expected annuitization of ASA balances was eliminated as of June 30, 2013 due to the Board's decision to modify ASA annuitizations starting October 1, 2014.

³ Retired members will be provided a 13th check by October 1, 2014, rather than a 1.0% COLA on January 1, 2015.

⁴ Impact of 2014 House Enrolled Act No. 1075, which prohibits INPRS from entering into an agreement with a third party for ASA annuitizations prior to January 1, 2017, but specifies ASA annuitization rates of 5.75% starting September 30, 2014, and the greater of 4.5% and a market rate starting September 30, 2015.

SECTION II - FUNDING

C. Actuarial Accrued Liability Reconciliation

1. June 30, 2013 Total Actuarial Accrued Liability	\$ 16,145,680,789	
2. June 30, 2013 Annuity Savings Account Balances	2,796,102,616	
3. June 30, 2013 Actuarial Accrued Liability, Excluding ASA Balances: (1) - (2)	\$ 13,349,578,173	
4. Normal Cost	\$ 258,069,653	
5. Actual Benefit Payments ¹	683,327,635	
6. Interest of 6.75% on (3) + (4) - (5)/2	895,453,921	
7. ASA Annuitizations	119,094,145	
8. Expected June 30, 2014 Actuarial Accrued Liability, Excluding ASA Balances: (3) + (4) - (5) + (6) + (7)	\$ 13,938,868,257	
	<u>Dollar Change in</u>	<u>Percent Change in</u>
	<u>Defined Benefit Liability</u>	<u>Defined Benefit Liability</u>
9. (Gain)/Loss Components		
a. Census	\$ 14,276,601	0.1%
b. 13th Check vs. COLA ²	(29,438,118)	(0.2%)
c. Plan Provisions ³	(42,984,699)	(0.3%)
d. Total: (9)(a) + (9)(b) + (9)(c)	\$ (58,146,216)	(0.4%)
10. Actual June 30, 2014 Actuarial Accrued Liability, Excluding ASA Balances	\$ 13,880,722,041	
11. June 30, 2014 Annuity Savings Account Balances	2,851,500,608	
12. June 30, 2014 Total Actuarial Accrued Liability: (10) + (11)	\$ 16,732,222,649	

¹ Includes net interfund transfers of employer contributed amounts, but does not include ASA lump sum payments to retired members or refunds of accumulated member contributions associated with ASA balances.

² Retired members will be provided a 13th check by October 1, 2014, rather than a 1.0% COLA on January 1, 2015.

³ Impact of 2014 House Enrolled Act No. 1075, which prohibits INPRS from entering into an agreement with a third party for ASA annuitizations prior to January 1, 2017, but specifies ASA annuitization rates of 5.75% starting September 30, 2014, and the greater of 4.5% and a market rate starting September 30, 2015.

SECTION II - FUNDING

D. Reconciliation of Market Value of Assets

	June 30, 2013	June 30, 2014
1. Market Value of Assets, Prior June 30 ¹	\$ 12,243,753,114	\$ 12,720,601,718
2. Receipts		
a. Employer Contributions	\$ 455,658,474	\$ 526,089,688
b. Member Contributions	156,407,612	164,188,727
c. Investment Income and Dividends Net of Fees	689,021,435	1,551,796,508
d. Security Lending Income Net of Fees	2,312,844	1,597,363
e. Transfers In	4,363,039	3,444,407
f. Miscellaneous Income	30,986	50,869
g. Total Receipts: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f)	\$ 1,307,794,390	\$ 2,247,167,562
3. Disbursements		
a. Benefits Paid During the Year ²	\$ 722,585,273	\$ 765,326,739
b. Refund of Contributions and Interest	68,774,616	63,030,930
c. Administrative and Project Expenses	29,181,276	27,433,396
d. Transfers Out	10,404,621	7,690,661
e. Miscellaneous Disbursements	-	-
f. Total Disbursements: (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e)	\$ 830,945,786	\$ 863,481,726
4. Market Value of Assets, Current June 30: (1) + (2)(g) - (3)(f) ¹	\$ 12,720,601,718	\$ 14,104,287,554
5. Market Value of Assets Approximate Annual Rate of Return ³	5.4%	12.1%

¹ Includes member ASA balances.

² Includes ASA lump sum distributions to retired members.

³ Based on individual fund experience, including ASA balances. Net of expenses and assuming cash flows occur at mid-year.

SECTION II - FUNDING

E. Reconciliation of Actuarial Value of Assets

1.	Market Value of Assets, June 30, 2013		
	a. Total Market Value of Assets, June 30, 2013	\$	12,720,601,718
	b. Annuity Savings Account Balances, June 30, 2013		<u>2,796,102,616</u>
	c. Market Value of Assets, Excluding ASA Balances: June 30, 2013: (1)(a) - (1)(b)	\$	9,924,499,102
2.	Market Value of Assets, June 30, 2014		
	a. Total Market Value of Assets, June 30, 2014	\$	14,104,287,554
	b. Annuity Savings Account Balances, June 30, 2014		<u>2,851,500,608</u>
	c. Market Value of Assets, Excluding ASA Balances: June 30, 2014: (2)(a) - (2)(b)	\$	11,252,786,946
3.	Expected Earnings/Expenses on Defined Benefit Market Value of Assets		
	a. Expected Investment Earnings at 6.75% on June 30, 2013 Market Value	\$	669,903,689
	b. Receipts with Expected Investment Earnings at 6.75% ^{1,2}		545,812,336
	c. Disbursements with Expected Investment Earnings at 6.75% ¹		708,304,477
4.	Expected Market Value of Assets, June 30, 2014		
	a. Expected Market Value of Assets, Excluding ASA Balances, June 30, 2014: (1)(c) + (3)(a) + (3)(b) - (3)(c)	\$	10,431,910,650
	b. Annuity Savings Account Balances, June 30, 2014		<u>2,851,500,608</u>
	c. Expected Total Market Value of Assets, June 30, 2014	\$	13,283,411,258
5.	2013-2014 Gain/(Loss): (2)(c) - (4)(a)	\$	820,876,296
6.	Smoothing of Gain/(Loss)		
	<u>Year</u>	<u>Gain/(Loss)</u>	<u>% Unrecognized</u>
	a. 2013-2014	\$ 820,876,296	75%
	b. 2012-2013	\$ (158,046,309)	50%
	c. 2011-2012	\$ (894,429,870)	25%
7.	Preliminary Actuarial Value of Assets, June 30, 2014: (2) - (6)(a) - (6)(b) - (6)(c)	\$	13,791,260,955
8.	Corridor		
	a. 120% of Market Value: 1.2 x (2)		16,925,145,065
	b. 80% of Market Value: 0.8 x (2)		11,283,430,043
9.	Actuarial Value of Assets, June 30, 2014: (7), but not greater than (8)(a) or less than (8)(b)	\$	13,791,260,955
10.	Actuarial Value of Assets as a Percent of Market Value: (9) / (2)		97.8%
11.	Actuarial Value of Assets Approximate Annual Rate of Investment Return		7.7%

¹ Assumes cash flows occur at mid-year.

² Does not include ASA annuitizations. ASA annuitizations will be included in future years.

SECTION II - FUNDING

F. Allocation of Assets

	June 30, 2013	June 30, 2014
1. Total Assets Available for Benefit		
a. Market Value of Assets	\$ 12,720,601,718	\$ 14,104,287,554
b. Actuarial Value of Assets	12,947,283,233	13,791,260,955
2. Annuity Savings Accounts	2,796,102,616	2,851,500,608
3. Assets for Retirees, Beneficiaries, and Disabled Members, including ASA Annuities		
a. Retirees, Beneficiaries, and Disabled	\$ 5,362,652,879	\$ 5,160,501,824
b. ASA Annuities	1,005,166,415	1,090,399,829
c. Total	\$ 6,367,819,294	\$ 6,250,901,653
4. Total Non-Retired Assets		
a. Market Value of Assets: (1)(a) - (2) - (3)(c)	\$ 3,556,679,808	\$ 5,001,885,293
b. Actuarial Value of Assets: (1)(b) - (2) - (3)(c)	\$ 3,783,361,323	\$ 4,688,858,694
5. Total Ledger Assets	\$ 4,111,448,769	\$ 5,434,574,774
a. State Amount	\$ 1,478,731,461	\$ 1,954,796,251
b. State Percent	36.0%	36.0%
c. Political Subdivisions Amount	\$ 2,632,717,308	\$ 3,479,778,523
d. Political Subdivisions Percent	64.0%	64.0%
6. State Allocation of Non-Retired Assets		
a. Market Value of Assets: (4)(a) x (5)(b)	\$ 1,279,202,204	\$ 1,799,159,461
b. Actuarial Value of Assets: (4)(b) x (5)(b)	\$ 1,360,730,908	\$ 1,686,564,962
7. Political Subdivisions Allocation of Non-Retired Assets		
a. Market Value of Assets: (4)(a) x (5)(d)	\$ 2,277,477,604	\$ 3,202,725,832
b. Actuarial Value of Assets: (4)(b) x (5)(d)	\$ 2,422,630,415	\$ 3,002,293,732

SECTION II - FUNDING

G. State – Contribution Rate

	June 30, 2013	June 30, 2014
Development of Actuarially Determined Contribution Rate:		
1. Anticipated Payroll	\$ 1,647,453,669	\$ 1,758,268,220
2. Normal Cost (Beginning of Year)		
a. Amount	\$ 76,718,697	\$ 81,560,106
b. Percentage of Payroll	4.65%	4.64%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations		
a. Amount	\$ 97,160,297	\$ 90,674,549
b. Percentage of Payroll	5.90%	5.16%
4. Actuarially Determined Contribution Rate:		
a. Percentage of Payroll: (2)(b) + (3)(b)	10.55%	9.80%
b. Effective Date	July 1, 2014	July 1, 2015
Approved Funding Rate:	11.20%	11.20%
Expected Percentage of Actuarially Determined Contribution Contributed:		
6. Fiscal Year Beginning	July 1, 2014	July 1, 2015
7. Actuarially Determined Contribution Rate:	10.55%	9.80%
8. Approved Funding Rate:	11.20%	11.20%
9. Expected Percentage of Actuarially Determined Contribution Rate Contributed: (8) / (7)	106.16%	114.29%

SECTION II - FUNDING

H. Political Subdivisions – Aggregate Contribution Rate

	June 30, 2013	June 30, 2014
Development of Aggregate Actuarially Determined Contribution:		
1. Anticipated Payroll	\$ 3,119,456,205	\$ 3,321,824,076
2. Normal Cost (Beginning of Year)		
a. Amount	\$ 181,350,956	\$ 192,349,759
b. Percentage of Payroll	5.81%	5.79%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations		
a. Amount	\$ 147,764,096	\$ 138,655,319
b. Percentage of Payroll	4.74%	4.17%
4. Aggregate Actuarially Determined Contribution Rate:		
a. Percentage of Payroll: (2)(b) + (3)(b)	10.55%	9.96%
b. Effective Date	January 1, 2015	January 1, 2016
Approved Funding Rate:	11.19% ¹	11.20% ²
Expected Percentage of Aggregate Actuarially Determined Contribution Rate Contributed:		
6. Fiscal Year Beginning	July 1, 2014	July 1, 2015
7. Aggregate Actuarially Determined Contribution Rates for:		
a. July 1 - December 31	11.21%	10.55%
b. January 1 - June 30	10.55%	9.96%
8. Approved Funding Rates for:		
a. July 1 - December 31	11.03%	11.19%
b. January 1 - June 30	11.19%	11.20%
9. Expected Percentage of Aggregate Actuarially Determined Contribution Rate Contributed:	102.11%	109.17%
$\frac{\{(8)(a) + (8)(b)\} / 2}{\{(7)(a) + (7)(b)\} / 2}$		

¹ Weighted average approved rate for all Political Subdivisions. The approved composite rate is 11.20% for the year beginning January 1, 2015, but a lower rate was approved for some Political Subdivisions that have yet to be phased into the composite rate group.

² Weighted average approved rate for all Political Subdivisions. The approved composite rate is TBD for the year beginning January 1, 2016, but a lower rate was approved for some Political Subdivisions that have yet to be phased into the composite rate group.

SECTION II - FUNDING

Unfunded Actuarial Accrued Liability Amortization Schedule

I. State

	Date Base Established	Reason	Remaining Unfunded	Remaining Period	Amortization Amount
1.	6/30/2008	Fresh Start	\$ 40,992,614	24	\$ 3,274,972
2.	6/30/2009	Actuarial Experience	260,512,480	25	20,471,745
3.	6/30/2010	Actuarial Experience and Changes in Actuarial Assumptions	529,457,149	26	40,977,084
4.	6/30/2011	Actuarial Experience and Changes in Actuarial Assumptions	232,122,558	27	17,714,135
5.	6/30/2012	Actuarial Experience and Changes in Actuarial Assumptions	301,274,933	28	22,694,523
6.	6/30/2013	Actuarial Experience and Changes in Plan Provisions	(107,112,459)	29	(7,972,163)
7.	6/30/2014	Actuarial Experience and Changes in Plan Provisions	(88,116,909)	30	(6,485,747)
	Total		\$ 1,169,130,366		\$ 90,674,549

J. Political Subdivisions

	Date Base Established	Reason	Remaining Unfunded	Remaining Period	Amortization Amount
1.	6/30/2006	Fresh Start	\$ 207,137,843	22	\$ 17,180,318
2.	6/30/2007	Actuarial Experience and Changes in Actuarial Assumptions	4,165,634	23	338,826
3.	6/30/2008	Actuarial Experience	43,319,464	24	3,460,868
4.	6/30/2009	Actuarial Experience	319,037,001	25	25,070,753
5.	6/30/2010	Actuarial Experience and Changes in Actuarial Assumptions	633,950,032	26	49,064,261
6.	6/30/2011	Actuarial Experience and Changes in Actuarial Assumptions	528,306,932	27	40,317,066
7.	6/30/2012	Actuarial Experience and Changes in Actuarial Assumptions	497,834,318	28	37,501,004
8.	6/30/2013	Actuarial Experience and Changes in Plan Provisions	(338,165,897)	29	(25,169,001)
9.	6/30/2014	Actuarial Experience and Changes in Plan Provisions	(123,753,999)	30	(9,108,776)
	Total		\$ 1,771,831,328		\$ 138,655,319

SECTION II - FUNDING

K. History of Employer Contribution Rates^{1, 2}

<u>Valuation Date</u>	<u>State</u>		<u>Political Subdivisions (Aggregate)</u>		<u>Weighted Average</u>
	<u>Effective Date</u>	<u>Contribution Rate</u>	<u>Effective Date</u>	<u>Contribution Rate</u>	
June 30, 2001	July 1, 2002	5.2%	January 1, 2003	5.0%	5.1%
June 30, 2002	July 1, 2003	5.6%	January 1, 2004	6.2%	5.9%
June 30, 2003	July 1, 2004	3.8%	January 1, 2005	4.7%	4.4%
June 30, 2004	July 1, 2005	4.5%	January 1, 2006	5.3%	5.0%
June 30, 2005	July 1, 2006	5.5%	January 1, 2007	6.3%	6.0%
June 30, 2006	July 1, 2007	6.3%	January 1, 2008	6.9%	6.7%
June 30, 2007	July 1, 2008	6.3%	January 1, 2009	6.9%	6.6%
June 30, 2008	July 1, 2009	6.5%	January 1, 2010	7.1%	6.8%
June 30, 2009	July 1, 2010	7.0%	January 1, 2011	7.9%	7.6%
June 30, 2010	July 1, 2011	8.6%	January 1, 2012	8.8%	8.7%
June 30, 2011	July 1, 2012	9.7%	January 1, 2013	9.7%	9.7%
June 30, 2012	July 1, 2013	11.2%	January 1, 2014	11.0%	11.1%
June 30, 2013	July 1, 2014	11.2%	January 1, 2015	11.2%	11.2%
June 30, 2014	July 1, 2015	11.2%	January 1, 2016	11.2%	11.2%

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

² Prior to the June 30, 2011 valuation date, rates shown reflect application of contribution rate smoothing rules.

SECTION II - FUNDING

L. Approximate Annual Rate of Return for Year Ending June 30, 2014¹

	<u>Market Value of Assets</u>	<u>Actuarial Value of Assets</u>
1. Balance, beginning of year	\$ 12,720,601,718	\$ 12,947,283,233
2. Balance, end of year	14,104,287,554	13,791,260,955
3. Total increase: (2) - (1)	1,383,685,836	843,977,722
4. Contributions ²	690,329,284	690,329,284
5. Benefit payments ³	832,603,923	832,603,923
6. Net additions: (4) - (5)	(142,274,639)	(142,274,639)
7. Net investment increase: (3) - (6)	1,525,960,475	986,252,361
8. Average assets: [(1) + (2) - (7)] / 2	12,649,464,399	12,876,145,914
9. Approximate rate of return: (7) / (8) ¹	12.1%	7.7%

M. Historical Investment Experience

<u>Year Ending June 30</u>	<u>Actual Rate of Investment Return</u>		<u>Actuarial Assumed Interest Rate</u>
	<u>Market Basis²</u>	<u>Actuarial Basis¹</u>	
2005	9.8%	7.0%	7.25%
2006	10.7%	7.9%	7.25%
2007	18.2%	10.4%	7.25%
2008	(7.6%)	5.3%	7.25%
2009	(20.6%)	(0.9%)	7.25%
2010	13.9%	(0.7%)	7.25%
2011	20.1%	(1.2%)	7.0%
2012	0.7%	2.3%	7.0%
2013	6.0%	8.7%	6.75%
2014	13.7%	7.7%	6.75%

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

² Includes miscellaneous income.

³ Includes refunds of accumulated member contributions, ASA lump sum distributions to retired members, and net interfund transfers.

⁴ INPRS actual time-weighted rate of return net of fees for 2012-2014. PERF CRIF time-weighted rate of return reported as gross of fees for 2005-2011.

SECTION II - FUNDING

N. Interest Rate Sensitivity

The investment return assumption (discount rate) is 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 did not change the assumption for the June 30, 2014 valuation from 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 status and Actuarially Determined Contribution Rate (for the fiscal year beginning July 1, 2015 for State and January 1, 2016 for Political Subdivisions) are shown below at 6.75% (the current assumption), 6.0% (a three-fourths of a percent decrease), 6.5% (a one-fourth of a percent decrease), 7.5% (a three-fourths of a percent increase), and 8.0% (a one and one-fourth of a percent increase).

	0.75% Decrease: (6.0%)	0.25% Decrease: (6.5%)	Current Assumption: (6.75%)	0.75% Increase: (7.5%)	1.25% Increase: (8.0%)
<u>Funded Status</u>					
Actuarial Accrued Liability	\$ 17,959,608,204	\$ 17,123,915,400	\$ 16,732,222,649	\$ 15,766,273,848	\$ 15,002,535,627
Actuarial Value of Assets	<u>13,791,260,955</u>	<u>13,791,260,955</u>	<u>13,791,260,955</u>	<u>13,791,260,955</u>	<u>13,791,260,955</u>
Unfunded Actuarial Accrued Liability	\$ 4,168,347,249	\$ 3,332,654,445	\$ 2,940,961,694	\$ 1,975,012,893	\$ 1,211,274,672
Funded Ratio	76.8%	80.5%	82.4%	87.5%	91.9%
<u>Actuarially Determined Contribution Rate</u>					
Normal Cost Percentage	6.48%	5.73%	5.39%	4.51%	4.01%
UAAL Amortization Percentage	<u>5.89%</u>	<u>4.98%</u>	<u>4.51%</u>	<u>3.30%</u>	<u>2.19%</u>
Actuarially Determined Contribution Rate	12.37%	10.71%	9.90%	7.81%	6.20%

SECTION III - ACCOUNTING

ACCOUNTING

	<u>Page</u>
A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2014	22
B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2014	23
C. Collective Net Pension Liability under GASB #68 for the Year Ended June 30, 2014	24
D. Collective Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2014	25
E. Collective Pension Expense under GASB #68 for the Year Ended June 30, 2014	26
F. Selected Notes to the Financial Statements under GASB #67 and #68	27
G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68	29
H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68	30
I. Schedule of Contributions under GASB #67 and #68	31
J. Schedule of Money-Weighted Returns under GASB #67 and #68	32
K. State - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50	33
L. Political Subdivisions - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50	33
M. State - Three-Year Trend Information under GASB #27 and #50	34
N. Political Subdivisions - Three-Year Trend Information under GASB #27 and #50	34

SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2014

1. Assets		
a. Cash	\$	6,302,560
b. Receivables		
i. Contributions Receivable	\$	4,283,572
ii. Miscellaneous Receivables		2,411,231
iii. Investments Receivable		217,921,109
iv. Foreign Exchange Contract Receivable		1,842,978,868
v. Interest and Dividends		41,096,590
vi. Due From Other Funds		5,022,414
vii. Total Receivables	\$	2,113,713,784
c. Total Investments		
i. Short-Term Investments		12,767,923
ii. Pooled Short-Term Investments		587,919,383
iii. Pooled Fixed Income		5,962,143,009
iv. Pooled Equity		3,436,676,042
v. Pooled Alternative Investments		4,186,657,026
vi. Pooled Derivatives		12,376,270
vii. Securities Lending Collateral		992,238,970
viii. Total Investments	\$	15,190,778,623
d. Net Capital Assets		6,630,455
e. Prepaid Expenses		408,095
f. Total Assets: (1)(a) + (1)(b)(vii) + (1)(c)(viii) + (1)(d) + (1)(e)	\$	17,317,833,517
2. Liabilities		
a. Accounts Payable	\$	3,731,204
b. Retirement Benefits Payable		445,924
c. Salaries and Benefits Payable		3,235,825
d. Investments Payable		256,402,111
e. Foreign Exchange Contracts Payable		1,851,949,233
f. Securities Lending Obligations		992,238,970
g. Securities Sold Under Agreement to Repurchase		103,401,692
h. Due To Other Funds		2,141,004
i. Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h)	\$	3,213,545,963
3. Fiduciary Net Position Restricted for Pensions: (1)(f) - (2)(i)	\$	14,104,287,554

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, 2014

1.	Fiduciary Net Position as of June 30, 2013	\$	12,720,601,718
2.	Additions		
	a. Contributions		
	i. Member Contributions	\$	164,188,727
	ii. Employer Contributions		526,089,688
	iii. Non-Employer Contributing Entity Contributions		-
	iv. Total Contributions	\$	690,278,415
	b. Investment Income/(Loss)		
	i. Net Appreciation/(Depreciation) ^{1,2}	\$	1,436,344,526
	ii. Net Interest and Dividend Income		200,750,914
	iii. Securities Lending Income		1,853,596
	iv. Other Net Investment Income		2,217,421
	v. Investment Expenses		(87,516,353)
	vi. Securities Lending Expenses		(256,233)
	vii. Total Investment Income/(Loss)	\$	1,553,393,871
	c. Other Additions		
	i. Interfund Transfers	\$	3,444,407
	ii. Miscellaneous Receipts		50,869
	iii. Total Other Additions	\$	3,495,276
	d. Total Revenue (Additions): (2)(a)(iv) + (2)(b)(vii) + (2)(c)(iii)	\$	2,247,167,562
3.	Deductions		
	a. Pension and Disability Benefits ³	\$	765,326,739
	b. Death, Survivor, and Funeral Benefits		-
	c. Distributions of Contributions and Interest		63,030,930
	d. Interfund Transfers		7,690,661
	e. Pensions Relief Distributions		-
	f. Local Unit Withdrawals		-
	g. Administrative and Project Expenses		27,433,396
	h. Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e) + (3)(f) + (3)(g)	\$	863,481,726
4.	Net Increase (Decrease) in Fiduciary Net Position: (2)(d) - (3)(h)	\$	1,383,685,836
5.	Fiduciary Net Position as of June 30, 2014: (1) + (4)	\$	14,104,287,554

¹ The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments.

² 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.

³ Includes ASA lump sum payments to retired members.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

C. Collective Net Pension Liability under GASB #68 for the Year Ended June 30, 2014

1.	Total Pension Liability		
	a. Total Pension Liability - Beginning of year	\$	16,145,680,789
	b. Annuity Savings Account Balances - Beginning of year		2,796,102,616
	c. Pension Liability, Excluding ASA Balances - Beginning of year: (1)(a) - (1)(b)	\$	13,349,578,173
	d. Service cost ¹	\$	258,069,653
	e. Interest cost ²		895,453,921
	f. Experience (gains)/losses		(15,161,517)
	g. Assumption changes		-
	h. Plan amendments		(42,984,699)
	i. ASA Annuity Payments		119,094,145
	j. Benefit payments ³		(680,203,104)
	k. Member reassignments ⁴		(3,124,531)
	l. Pension Liability, Excluding ASA Balances - End of year	\$	13,880,722,041
	m. Annuity Savings Account Balances - End of year		2,851,500,608
	n. Total Pension Liability - End of year: (1)(l) + (1)(m)	\$	16,732,222,649
2.	Plan Fiduciary Net Position		
	a. Plan Fiduciary Net Position - Beginning of year	\$	12,720,601,718
	b. Annuity Savings Account Balances - Beginning of year		2,796,102,616
	c. Plan Fiduciary Net Position, Excluding ASA Balances - Beginning of year: (2)(a) - (2)(b)	\$	9,924,499,102
	d. Employer contributions		526,089,688
	e. Non-employer contributing entity contributions		-
	f. Investment return		
	i. Expected investment return ⁵	\$	755,463,045
	ii. Investment gain/(loss)		726,174,583
	iii. Total investment return	\$	1,481,637,628
	iv. Investment Expenses		(87,772,586)
	v. Net investment return		1,393,865,042
	g. ASA Annuity Payments		119,094,145
	h. Benefit payments ³		(680,203,104)
	i. Member reassignments ⁴		(3,124,531)
	j. Administrative and Project Expenses		(27,433,396)
	k. Plan Fiduciary Net Position, Excluding ASA Balances - End of year	\$	11,252,786,946
	l. Annuity Savings Account Balances - End of year		2,851,500,608
	m. Plan Fiduciary Net Position - End of year: (2)(k) + (2)(l)	\$	14,104,287,554
3.	Collective Net Pension Liability		
	a. Collective Net Pension Liability: (1)(n) - (2)(l)	\$	2,627,935,095
	b. Plan Fiduciary Net Position as a Percentage of the Collective Pension Liability : (2)(l) / (1)(n)		84.3%

¹ As of the beginning of the year.

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

³ Does not include ASA lump sum payments to retired members or refunds of accumulated member contributions associated with ASA balances.

⁴ Includes net interfund transfers of employer contributed amounts.

⁵ 6.75%, net of investment expenses and assuming cash flows occur at mid-year.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Collective Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2014¹

Fiscal Year Established	Reason	Remaining Balance	Remaining Period	Annual Recognition
1. Liability experience gains / (losses)				
a. 2014	Experience gain	\$ 15,161,517	4.50	\$ 3,369,226
	Sub-Total	\$ 15,161,517		\$ 3,369,226
2. Assumption change gains / (losses)				
	None	\$ -	4.50	\$ -
	Sub-Total	\$ -		\$ -
3. Investment gains / (losses) ²				
a. 2014	Investment gain	\$ 638,401,997	5.00	\$ 127,680,400
	Sub-Total	\$ 638,401,997		\$ 127,680,400
4. Total collective deferred inflows / (outflows): (1) + (2) + (3)		\$ 653,563,514		\$ 131,049,626

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

Year Ending June 30:

2014	\$ 131,049,626
2015	\$ 131,049,626
2016	\$ 131,049,626
2017	\$ 131,049,626
2018	\$ 129,365,010
2019	\$ -
Thereafter	\$ -

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 Net of investment expenses.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

E. Collective Pension Expense under GASB #68 for the Year Ended June 30, 2014

1. Service cost	
a. Total service cost ¹	\$ 258,069,653
b. Administrative and Project Expenses	<u>27,433,396</u>
c. Net employer service cost: (1)(a) + (1)(b)	285,503,049
2. Interest cost ²	895,453,921
3. Expected return on assets ³	(755,463,045)
4. Plan amendments	(42,984,699)
5. Recognition of deferred (inflows) / outflows of resources related to:	
a. Liability experience (gains) / losses	(3,369,226)
b. Assumption changes (gains) / losses	-
c. Investment (gains) / losses	<u>(127,680,400)</u>
d. Total: (5)(a) + (5)(b) + (5)(c)	(131,049,626)
6. Total collective pension expense: (1)(c) + (2) + (3) + (4) + (5)(d)	\$ 251,459,600

¹ As of the beginning of the year.

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

³ 6.75% net of investment expenses and assuming cash flows occur at mid-year. Includes a half year of interest on administrative expenses.

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. PERF is a cost-sharing multiple-employer plan for GASB accounting purposes.

2. Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date June 30, 2014
- Valuation Date June 30, 2014
- Assets:
- Liabilities: June 30, 2013 - Member census data as of June 30, 2013 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013 and June 30, 2014. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2013 to the June 30, 2014 measurement date.
- Inflation 3.0%
- Future Salary Increases 3.25% - 4.5%
- Cost-of-Living Increases 1.0% compounded annually on employer funded pension, beginning January 1, 2016. Retired members were provided a 13th check by October 1, 2013, and will be provided a 13th check by October 1, 2014, which is reflected in the valuation.
- Mortality Assumption 2013 IRS Static Mortality Tables projected five (5) years with Scale AA
- Experience Study The most recent comprehensive experience study was completed in 2011 and was based on member experience between June 30, 2005 and June 30, 2010. The demographic assumptions were updated as needed for the June 30, 2011 actuarial valuation based on the results of the study. The mortality assumption was further updated for the June 30, 2012 valuation. Assumptions concerning ASA annuitization have also been modified for both the June 30, 2013 and June 30, 2014 valuations.
- Discount Rate The discount rate used to measure the total pension liability was 6.75% as of June, 30, 2014, and is equal to the long-term expected return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with the current funding policy adopted by the Board, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed period approach. Since the current funding policy was adopted, the employer contribution rate has been set by the Board at a level equal to or exceeding the actuarially calculated rate. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity

1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
\$ 4,218,733,917	\$ 2,627,935,095	\$ 1,280,117,184
- Net Pension Liability

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 (Cont.)

3. Classes of plan members covered: ¹	
- Retired members, beneficiaries and disabled members receiving benefits:	75,950
- Terminated vested plan members entitled to but not yet receiving benefits:	24,013
- Terminated non-vested plan members entitled to a distribution of contributions:	50,997
- Active Plan Members:	<u>137,567</u>
- Total membership:	288,527
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, 2014, the money-weighted return on the plan assets, including ASA balances, is 12.3%.	
5. The components of the Net Pension Liability for the total PERF plan as of June 30, 2014, are as follows:	
- Total Pension Liability	\$ 16,732,222,649
- Plan Fiduciary Net Position	<u>14,104,287,554</u>
- Net Pension Liability	\$ 2,627,935,095
- Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.3%

¹ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

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

Year Ending June 30:	<u>2013</u>	<u>2014</u>
1. Total Pension Liability		
a. Total Pension Liability - Beginning of year	\$ 15,784,239,911	\$ 16,145,680,789
b. Annuity Savings Account Balances - Beginning of year	2,749,448,762	2,796,102,616
c. Defined Benefit Pension Liability - Beginning of year: (1)(a) - (1)(b)	\$ 13,034,791,149	\$ 13,349,578,173
d. Service cost ²	\$ 270,973,983	\$ 258,069,653
e. Interest cost ³	875,615,527	895,453,921
f. Experience (gains)/losses	(104,470,833)	(15,161,517)
g. Assumption changes	-	-
h. Plan amendments	(167,485,633)	(42,984,699)
i. ASA Annuity payments	107,520,485	119,094,145
j. Benefit payments ⁴	(662,283,487)	(680,203,104)
k. Member reassignments ⁵	(5,083,018)	(3,124,531)
l. Defined Benefit Pension Liability - End of year	\$ 13,349,578,173	\$ 13,880,722,041
m. Annuity Savings Account Balances - End of year	2,796,102,616	2,851,500,608
n. Total Pension Liability - End of year: (1)(l) + (1)(m)	\$ 16,145,680,789	\$ 16,732,222,649
2. Plan Fiduciary Net Position		
a. Plan Fiduciary Net Position - Beginning of year	\$ 12,243,753,114	\$ 12,720,601,718
b. Annuity Savings Account Balances - Beginning of year	2,749,448,762	2,796,102,616
c. Plan Fiduciary Net Position, Excluding ASA Balances - Beginning of year: (2)(a) - (2)(b)	\$ 9,494,304,352	\$ 9,924,499,102
d. Employer contributions	455,658,474	526,089,688
e. Non-employer contributing entity contributions	-	-
f. Net Investment return	563,563,572	1,393,865,042
g. ASA Annuity payments	107,520,485	119,094,145
h. Benefit payments ⁴	(662,283,487)	(680,203,104)
i. Member reassignments ⁵	(5,083,018)	(3,124,531)
j. Administrative and Project Expenses	(29,181,276)	(27,433,396)
k. Plan Fiduciary Net Position, Excluding ASA Balances - End of year	\$ 9,924,499,102	\$ 11,252,786,946
l. Annuity Savings Account Balances - End of year	2,796,102,616	2,851,500,608
m. Plan Fiduciary Net Position - End of year: (2)(k) + (2)(l)	\$ 12,720,601,718	\$ 14,104,287,554

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 Does not include ASA lump sum payments to retired members or refunds of accumulated member contributions associated with ASA balances.

⁵ Includes net interfund transfers of employer contributed amounts.

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	7. Net Pension Liability as a Percentage of Covered Payroll (4) / (6)
6/30/2013	\$ 16,145,680,789	\$ 12,720,601,718	\$ 3,425,079,071	78.8%	\$ 4,700,000,000	72.9%
6/30/2014	\$ 16,732,222,649	\$ 14,104,287,554	\$ 2,627,935,095	84.3%	\$ 4,896,635,240	53.7%

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.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

I. Schedule of Contributions under GASB #67 and #68 ^{1, 2, 3}

1. Year Ending	2. Actuarially Determined Contribution	3. Actual Employer Contributions	4. Contribution Excess / (Deficiency) (Deficiency) (3) - (2)	5. Actual Covered Employee Payroll ¹	6. Contributions as a Percentage of Covered Payroll (3) / (5)
6/30/2013	\$ 464,046,667	\$ 455,658,474	\$ (8,388,193)	\$ 4,700,000,000	9.7%
6/30/2014	\$ 528,562,365	\$ 519,575,670	\$ (8,986,695)	\$ 4,896,635,240	10.6%

¹ For each employer, the actuarially determined contribution amount is based on the actual payroll during the fiscal year multiplied by the actuarially determined contribution rate(s) effective for the fiscal year (for the State the actuarially determined contribution rate for the fiscal year is based on the prior year June 30 valuation, for each Political Subdivision the actuarially determined contribution rate for the fiscal year is an average of the actuarially determined contribution rates from the prior two June 30 valuations).

² 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.

³ The information shown relates to the employers participating in the Fund. There are no non-employer contributing entities.

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	5.8%
6/30/2014	12.3%

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 III - ACCOUNTING

NOTES TO EMPLOYERS' FINANCIAL STATEMENTS UNDER GASB #27 AND #50

K. State - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50

1. Year Ending	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (9) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Change in NPO (6) - (7)	9. NPO at Beginning of Year	10. NPO at End of Year (8) + (9)
6/30/2012	\$ 183,389,316	\$ 404,089	\$ 465,203	12.4090	\$ 183,328,202	\$ 138,327,474	\$ 45,000,728	\$ 5,772,704	\$ 50,773,432
6/30/2013	160,149,638	3,427,207	3,989,364	12.7272	159,587,481	157,580,603	2,006,878	50,773,432	52,780,310
6/30/2014	188,034,814	3,562,671	4,147,048	12.7272	187,450,437	187,765,315	(314,878)	52,780,310	52,465,432

L. Political Subdivisions - Development of the Employers' Net Pension Obligation (NPO) under GASB #27 and #50

1. Ending June 30	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (10) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Adjustment for Withdrawn and Merged Units ¹	9. Change in NPO (6) - (7) + (8)	10. NPO at Beginning of Year	11. NPO at End of Year (9) + (10)
6/30/2012	\$ 326,334,585	\$ (269,573)	\$ (310,343)	12.4090	\$ 326,375,355	\$ 259,514,913	\$ 3,789,810	\$ 70,650,252	\$ (3,851,049)	\$ 66,799,203
6/30/2013	317,192,494	4,508,946	5,248,539	12.7272	316,452,901	298,077,871	230,678	18,605,708	66,799,203	85,404,911
6/30/2014	340,527,551	5,764,831	6,710,424	12.7272	339,581,958	331,810,355	96,101	7,867,704	85,404,911	93,272,615

SECTION III - ACCOUNTING

NOTES TO EMPLOYERS' FINANCIAL STATEMENTS UNDER GASB #27 AND #50

M. State - Three-Year Trend Information under GASB #27 and #50

1. Year Ending	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC <u>(3) / (2)</u>
6/30/2012	\$ 183,328,202	\$ 138,327,474	75.5%
6/30/2013	159,587,481	157,580,603	98.7%
6/30/2014	187,450,437	187,765,315	100.2%

N. Political Subdivisions - Three-Year Trend Information under GASB #27 and #50

1. Year Ending	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC <u>(3) / (2)</u>
6/30/2012	\$ 326,375,355	\$ 259,514,913	79.5%
6/30/2013	316,452,901	298,077,871	94.2%
6/30/2014	339,581,958	331,810,355	97.7%

SECTION IV - CENSUS DATA

CENSUS DATA

	<u>Page</u>
A. Reconciliation of Participant Data	35
B. Census Information as of June 30, 2013	36
C. Schedule of Active Member Valuation Data	37
D. Schedule of Retirees, Beneficiaries, and Disabled Members	38
E. Distribution of Active Members by Age and Service	39
F. Distribution of Inactive Vested Members by Age and Service	40
G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired	41
H. Schedule of Benefit Recipients by Type of Benefit Option	42
I. Schedule of Average Benefit Payments as of June 30, 2013	42

SECTION IV - CENSUS DATA

A. Reconciliation of Participant Data ^{1,2}

	Inactive Non-Vested			Inactive Deceased ³	Disabled	Retired	Beneficiary	ASA Only	Total
	Actives	ASA Balance	Inactive Vested					Active and Inactive	
Total as of June 30, 2012	145,519	47,392	21,200	482	4,786	59,394	8,812	-	287,585
New Entrants	16,977	-	-	-	-	-	-	70	17,047
Rehires	1,181	(850)	(330)	(1)	-	-	-	-	-
Non-Vested Terminations	(13,030)	13,045	(12)	(2)	(1)	-	-	-	-
Vested Terminations	(4,480)	(468)	4,964	(1)	(3)	(12)	-	-	-
Retirements	(3,617)	(43)	(1,021)	-	(7)	4,688	-	-	-
Disabilities	(240)	(18)	(85)	-	373	(30)	-	-	-
Death with Beneficiary	(60)	(2)	(19)	(38)	(94)	(499)	712	-	-
Death - Entitled to ASA and/or Pension Benefits	(42)	(15)	(12)	75	-	(4)	(2)	-	-
Death without Beneficiary	(138)	(84)	(53)	(231)	(152)	(1,621)	(470)	-	(2,749)
Refunds	(4,178)	(8,132)	(1,237)	(74)	-	-	-	-	(13,621)
TRF Transfer / Millie Morgan	(14)	(17)	(313)	(1)	-	-	-	-	(345)
Data Adjustments	(11)	164	281	17	5	44	31	-	531
Total as of June 30, 2013	137,867	50,972	23,363	226	4,907	61,960	9,083	70	288,448
<u>Data Adjustments for Activity During Fiscal Year 2014</u>									
Adjusted Service ⁴	-	(61)	61	-	-	-	-	-	-
Withdrawals ⁵	(446)	-	446	-	-	-	-	-	-
New Units / Enlargements ⁶	82	(5)	-	-	-	-	-	-	77
PERF to 1977 Fund Transfer ⁷	(6)	6	2	-	-	-	-	-	2
Adjusted Total as of June 30, 2013	137,497	50,912	23,872	226	4,907	61,960	9,083	70	288,527

¹ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

² Headcounts reflect the record counts used in the valuation, which may include multiple records for individual members such as members with multiple periods of service.

³ Inactive deceased counts include 141 members with vested benefits.

⁴ As directed by INPRS, membership service as of June 30, 2013 was adjusted for 1,401 members, resulting in 61 inactive members being vested in an employer-funded annuity benefit who were previously non-vested.

⁵ Employers with active members as of June 30, 2013 that completed a full withdrawal during fiscal year 2014 include the Montpelier Public Library (ER 1161), Fall Creek Academy (ER 1746), Kenneth A Christmon Stemm Academy (ER 1775), Fountain Square Academy (ER 1788), and Allen County Regional Water and Sewer District (ER 1860). Additionally, employers with active members as of June 30, 2013 that completed a partial withdrawal during fiscal year 2014 include Fort Wayne Community Schools (ER 412) and Indiana University (ER 8009).

⁶ New units with filled positions during fiscal year 2014 include Town of Kingman (ER 1879), Town of Waynetown (ER 1880), Turkey Creek Fire Territory (ER 1881), Indiana Virtual Academy (ER 1883), and Hoosier Lottery (ER 8025). Enlargements with filled positions during fiscal year 2014 include Eckhart Public Library (ER 1228), Town of Newburgh (ER 1431), Town of New Palestine (ER 1731), Town of Moores Hill (ER 1867), North Harrison Community Schools (ER 1202), Dekalb County Central United Schools (ER 934), Town of Hanover (ER 1089), West Central School Corp (ER 1362), Special Services for Johnson County and Surrounding Schools (ER 1470), Gary Middle College (ER 1874), Randolph Southern School Corporation (ER 932), Yorktown Community Schools (ER 1490), Town of Clear Lake (ER 1259), Greensburg Community Schools (ER 672), City of Attica (ER 1271), District of Shelby County (ER 1294), and City of Batesville (ER 1448).

⁷ Employers that transferred coverage for certain members from PERF to 1977 Fund during fiscal year 2014 include Fortville Police Department (ER 1284).

SECTION IV - CENSUS DATA

B. Census Information as of June 30, 2013^{1,2}

	<u>Male</u>	<u>Female</u>	<u>Total</u>
1. Active			
a. Number			
i. State	18,699	24,071	42,770
ii. Political Subdivisions	35,580	59,147	94,727
iii. ASA Only	<u>23</u>	<u>47</u>	<u>70</u>
iv. Total	54,302	83,265	137,567
b. Average Age	47.4	48.1	47.8
c. Average Years of Service	12.0	11.4	11.6
d. Anticipated Payroll of Actives ³			
i. State	839,000,748	919,267,472	1,758,268,220
ii. Political Subdivisions	<u>1,502,665,530</u>	<u>1,819,158,546</u>	<u>3,321,824,076</u>
iii. Total	\$ 2,341,666,278	\$ 2,738,426,018	\$ 5,080,092,296
2. Inactive - Vested			
a. Number	6,961	17,052	24,013
b. Average Age	53.0	53.0	53.0
c. Average Years of Service	13.4	11.2	11.9
3. Inactive - Non-Vested			
a. Number			50,997
4. Retiree/Beneficiary/Disabled			
a. Number	24,467	51,483	75,950
b. Average Age	71.0	73.2	72.5
c. Annual Benefits Payable ⁴			
i. Pension	201,500,019	314,368,822	515,868,841
ii. ASA Annuities	<u>42,091,183</u>	<u>60,017,284</u>	<u>102,108,467</u>
iii. Total	\$ 243,591,202	\$ 374,386,106	\$ 617,977,308

¹ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

² Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

³ Figures shown are the anticipated pay for the one-year period following June 30, 2014.

⁴ Figures shown reflect cost-of-living increases effective January 1 following the date of the census data, if provided, but do not reflect one-time 13th check amounts provided.

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 (3) / (2)	5. Annual Percent Change
6/30/2005	141,428	\$ 4,318,450	30,535	3.5%
6/30/2006	140,563	4,322,180	30,749	0.7%
6/30/2007	138,863	4,385,676	31,583	2.7%
6/30/2008	140,146	4,600,354	32,825	3.9%
6/30/2009	147,792	4,931,423	33,367	1.7%
6/30/2010	149,877	4,896,013	32,667	(2.1%)
6/30/2011	147,933	4,818,774	32,574	(0.3%)
6/30/2012	145,519	4,904,052	33,700	3.5%
6/30/2013	137,937	4,766,910	34,559	2.5%
6/30/2014 ⁴	137,567	5,080,092	36,928	6.9%

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² Valuation results prior to June 30, 2010 were calculated by the prior actuary.

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

⁴ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION IV - CENSUS DATA

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

(\$ in Thousands)

1.	2. Added		3. Annual Allowances		4. Removed		5. Annual Allowances		6. End of Year ³		7.	8.	9.
Valuation Date	Number	(\$ in Thousands) ^{4,5}	Number	(\$ in Thousands) ^{4,5}	Number	(\$ in Thousands) ^{4,5}	Number	(\$ in Thousands) ^{4,5}	% Increase in Annual Allowances ^{4,5}	Average Annual Allowances ^{4,5}	%	%	Average Annual Allowances ^{4,5}
6/30/2005	4,499	\$ 35,845	1,732	\$ 8,358	57,121	\$ 354,285	8.8%	\$ 6,202					
6/30/2006	3,403	29,572	2,241	14,440	58,283	377,611	6.6%	6,479					
6/30/2007	4,633	42,653	2,584	15,229	60,332	412,745	9.3%	6,841					
6/30/2008	5,376	43,915	3,284	18,022	62,424	436,749	5.8%	6,996					
6/30/2009	6,047	55,726	3,372	19,103	65,099	477,553	9.3%	7,336					
6/30/2010	4,827	39,214	2,760	19,022	67,166	498,199	4.3%	7,417					
6/30/2011	5,402	56,185	2,188	11,698	70,380	539,747	8.3%	7,669					
6/30/2012	4,751	49,766	2,139	12,540	72,992	576,678	6.8%	7,901					
6/30/2013	5,231	55,523	2,273	13,898	75,950	617,977	7.2%	8,137					
6/30/2014 ⁶	-	-	-	-	75,950	617,977	0.0%	8,137					

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² Valuation results prior to June 30, 2010 were calculated by the prior actuary.

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.

⁴ Annual allowances include pension and ASA annuity benefits.

⁵ Annual allowances reflect cost-of-living increases effective January 1 following the date of the census data, if provided, but do not reflect one-time 13th check amounts or new ASA annuitizations after the date of the census data.

⁶ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION IV - CENSUS DATA

E. Distribution of Active Members by Age and Service^{1,2}

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2013 ^{1,2}										
	Under 1 year	1 to 4 years	5 to 9 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	1,819	1,554	32	1	1						3,407
25-29	2,418	5,376	1,692	16		1					9,503
30-34	1,502	4,180	4,453	1,126	28						11,289
35-39	1,220	3,295	3,841	2,638	844	16	3				11,857
40-44	1,222	3,609	4,173	2,928	2,263	772	44	5	1		15,017
45-49	1,006	3,327	4,424	3,389	2,501	2,032	1,030	73	3	4	17,789
50-54	871	3,012	4,546	4,151	3,449	2,388	2,315	1,236	104	3	22,075
55-59	752	2,657	3,815	3,768	3,632	2,907	2,337	1,818	1,063	59	22,808
60-64	452	1,746	2,690	2,646	2,346	2,209	1,771	1,047	938	375	16,220
65-69	170	646	1,282	948	740	622	550	329	245	172	5,704
70&Up	59	261	477	409	309	145	103	53	48	34	1,898
Total	11,491	29,663	31,425	22,020	16,113	11,092	8,153	4,561	2,402	647	137,567

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION IV - CENSUS DATA

F. Distribution of Inactive Vested Members by Age and Service ^{1,2}

Attained Age	Distribution of Inactive Vested Members by Age and Vesting Service as of June 30, 2013 ^{1,2}							Total
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	
<25			20					20
25-29			42					42
30-34			353	3				356
35-39			1,193	215	5			1,413
40-44			1,550	948	218	2	1	2,719
45-49			1,807	896	562	124	25	3,414
50-54			2,346	1,251	630	362	97	4,686
55-59			2,496	1,506	768	368	230	5,368
60-64			2,319	893	511	233	262	4,218
65-69			669	252	190	129	151	1,391
70&Up			140	64	57	47	78	386
Total			12,935	6,028	2,941	1,265	844	24,013

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION IV - CENSUS DATA

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired ^{1,2}

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2013 ^{1,2}							
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	Total
<40	13	9						22
40-44	46	36	11					93
45-49	82	75	40	17	4			218
50-54	527	163	106	47	28	1		872
55-59	2,676	936	210	122	57	5		4,006
60-64	6,371	2,695	779	205	100	14	3	10,167
65-69	8,431	4,863	1,867	664	106	18	16	15,965
70-74	3,006	6,213	3,550	1,357	443	43	20	14,632
75-79	598	2,310	4,422	2,860	814	252	40	11,296
80-84	175	559	1,331	3,945	1,972	512	204	8,698
85-89	45	165	384	962	2,827	1,231	360	5,974
90&Up	5	38	82	215	537	1,736	1,394	4,007
Total	21,975	18,062	12,782	10,394	6,888	3,812	2,037	75,950

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014.

SECTION V - CENSUS DATA

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

Number of Benefit Recipients by Benefit Option as of June 30, 2013 ¹

Amount of Monthly Benefit	Five Year Guaranteed Beneficiary Benefit (Option 10)	Benefit with No Guarantee (Option 20)	Joint with Full Survivor Benefits (Option 30)	Joint with Two-Thirds Survivor Benefits (Option 40)	Joint with One-Half Survivor Benefits (Option 50)	Integration with Social Security (Option 61)	Five Year Guaranteed Beneficiary Benefit with ASA Cash Refund (Option 71)	Benefit with No Guarantee (Option 80)	Benefit Recipients		Total
									Survivors	Disabled	
\$ 1 - 500	11,190	7,637	6,166	652	1,559	300	960	0	6,071	3,116	37,651
501 - 1,000	5,564	6,417	3,769	825	1,689	185	971	1	2,218	1,342	22,981
1,001 - 1,500	1,682	2,796	1,922	461	894	68	425	0	555	341	9,144
1,501 - 2,000	570	1,181	748	261	337	56	176	0	156	85	3,570
2,001 - 3,000	273	690	459	180	270	49	135	0	71	21	2,148
over 3,000	45	170	84	53	53	10	27	0	12	2	456
Total	19,324	18,891	13,148	2,432	4,802	668	2,694	1	9,083	4,907	75,950

I. Schedule of Average Benefit Payments as of June 30, 2013 ^{1,2}

	Years of Credited Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Average Monthly Defined Benefit	\$ 100	\$ 171	\$ 269	\$ 370	\$ 515	\$ 715	\$ 1,160	\$ 569
Average Monthly ASA Annuity	\$ 37	\$ 43	\$ 94	\$ 124	\$ 180	\$ 244	\$ 425	\$ 199
Average Final Average Salary	\$ 26,869	\$ 21,489	\$ 22,669	\$ 25,080	\$ 27,190	\$ 30,044	\$ 37,145	\$ 28,019
Number of Benefit Recipients	632	2,038	12,866	19,825	15,757	11,079	13,753	75,950

¹ The valuation results as of June 30, 2014 were calculated using June 30, 2013 census data, adjusted for certain activity during fiscal year 2014. Monthly benefits do not reflect 13th check payments made in October 2013 and October 2014. No cost-of-living increases were approved for January 1, 2014 or January 1, 2015.

² For some members average salary at retirement and years of credited service was not available. The average salary for each group excludes these members. Retired members with credited service information that is missing are counted in the "10-14" group.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

	<u>Page</u>
A. Actuarial Assumptions	43
B. Actuarial Methods	48

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 every five years through a study of actual experience. 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 ASA Balances 3.0% per year

Future Salary Increases Based on 2005-2010 experience. Illustrative rates shown below:

<u>Age</u>	<u>Inflation</u>	<u>Productivity, Merit, and Promotion</u>	<u>Total Individual Salary growth</u>
<31	3.0%	1.5%	4.5%
31-45	3.0%	1.0%	4.0%
46-60	3.0%	0.5%	3.5%
>= 61	3.0%	0.25%	3.25%

Inflation 3.0% per year

Cost of Living Increases 1.0% per year in retirement beginning January 1, 2016. 13th checks were provided to members in pay status in lieu of a permanent cost-of-living increase in fiscal 2014 and 2015. The fiscal 2015 13th check, payable to members in October 2014, is included in the liability valuation at June 30, 2014.

Mortality (Healthy and Disabled) 2013 IRS Static Mortality projected five (5) years with Scale AA

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Disability

Based on 2000 - 2005 experience for males and 1995 - 2000 experience for females. Recent experience has been consistent. Illustrative rates shown below:

Age	Male	Female
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%
80	0.0000%	0.0000%

Termination

Select and ultimate tables based on 2005-2010 experience. Illustrative rates shown below:

State (Male)

Earnings < \$20,000

Age	Service					
	0	1	2	3	4	5+
20	57%	40%	23%	19%	17%	13%
30	56%	34%	21%	17%	15%	11%
40	55%	29%	18%	15%	13%	9%
50	55%	24%	15%	13%	11%	6%
60+	55%	20%	12%	10%	9%	4%

State (Male)

Earnings >= \$20,000

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

State (Female)

Earnings < \$20,000

Age	Service					
	0	1	2	3	4	5+
20	57%	40%	26%	26%	21%	16%
30	54%	36%	23%	23%	19%	14%
40	54%	32%	20%	19%	16%	11%
50	54%	29%	17%	15%	13%	8%
60+	54%	25%	15%	11%	11%	6%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Termination (continued)

State (Female)		Service					
Earnings >= \$20,000	Age	0	1	2	3	4	5+
	20	43%	25%	14%	14%	11%	8%
	30	36%	22%	13%	12%	10%	7%
	40	35%	19%	12%	10%	9%	6%
	50	35%	17%	10%	9%	7%	5%
	60+	36%	16%	9%	7%	6%	4%

Political Subdivisions (Male)		Service					
Earnings < \$20,000	Age	0	1	2	3	4	5+
	20	33%	25%	13%	12%	10%	7%
	30	29%	21%	11%	10%	9%	6%
	40	28%	17%	10%	8%	8%	5%
	50	26%	14%	8%	7%	6%	4%
	60+	25%	11%	6%	5%	5%	3%

Political Subdivisions (Male)		Service					
Earnings >= \$20,000	Age	0	1	2	3	4	5+
	20	30%	19%	7%	7%	5%	4%
	30	22%	14%	7%	6%	5%	4%
	40	22%	11%	6%	5%	4%	3%
	50	21%	10%	5%	5%	4%	3%
	60+	20%	9%	4%	4%	3%	2%

Political Subdivisions (Female)		Service					
Earnings < \$20,000	Age	0	1	2	3	4	5+
	20	36%	30%	16%	12%	11%	8%
	30	32%	25%	14%	11%	10%	7%
	40	32%	21%	12%	10%	9%	5%
	50	31%	18%	9%	8%	7%	4%
	60+	30%	14%	7%	6%	5%	3%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Termination (continued)

Political Subdivisions (Female)
Earnings >= \$20,000

Age	Service					
	0	1	2	3	4	5+
20	31%	21%	10%	8%	7%	4%
30	24%	16%	9%	7%	6%	4%
40	23%	14%	8%	6%	5%	3%
50	23%	12%	7%	6%	5%	3%
60+	23%	11%	6%	5%	4%	2%

Retirement

Based on PERF experience 2005-2010. Illustrative rates shown below:

Age	Service				
	10	15	20	30	31 +
50	0%	4%	4%	4%	4%
55	0%	7%	7%	12%	7%
60	0%	10%	10%	10%	10%
65	30%	30%	30%	30%	30%
70	25%	25%	25%	25%	25%
75+	100%	100%	100%	100%	100%

Decrement Timing

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

Spouse/Beneficiary

75% of male members and 60% of female members are assumed to be married and or to have a dependent beneficiary. Male members are assumed to be three (3) years older than their spouses and female members are assumed to be two (2) years younger than their spouses.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

ASA Withdrawal	<p>Prior to January 1, 2017:</p> <ul style="list-style-type: none">- 50% of active members who decrement while vested are assumed to withdraw their ASA balance immediately upon decrement.- 50% of vested inactive members are assumed to withdraw their ASA balance immediately on the valuation date.- 100% of active members who decrement prior to vesting are assumed to withdraw their ASA balance immediately upon decrement.- 100% of non-vested inactive members are assumed to withdraw their ASA balance immediately on the valuation date. <p>Beginning January 1, 2017:</p> <ul style="list-style-type: none">- 100% of active members are assumed to withdraw their ASA balance immediately upon decrement.- 100% of inactive members are assumed to withdraw their ASA balance immediately.
ASA Annuitization	<p>Prior to January 1, 2017:</p> <ul style="list-style-type: none">- 50% of active members who decrement while vested are assumed to annuitize their ASA balance at their assumed retirement age.- 50% of vested inactive members are assumed to annuitize their ASA balance at their assumed retirement age.
Data Assumptions	<p>Actives and inactives with no date of birth are assumed to be age 48 and 46, respectively. Spouse gender is assumed to be the opposite gender of the member.</p> <p>Retirees and disabled members that are not married and do not have a retirement option listed are assumed to elect a 5-year certain and life annuity. Retirees and disabled members that are married and do not have a retirement option listed are assumed to be receiving a 100% joint and survivor annuity. Beneficiaries that do not have a retirement option listed are assumed to receive monthly payments for life</p> <p>Actives and inactives with a date of death who have not received a distribution of their ASA or commenced a pension annuity are included in the valuation as follows (provided by INPRS):</p> <ul style="list-style-type: none">- For non-vested members, the ASA Balance is included in the valuation- For vested members, the ASA Balance is included in the valuation if one of the following is true:<ul style="list-style-type: none">- Date of death is more than 3 years before the valuation date- Age of the member is greater than or equal to 65 with less than 10 years of creditable service- Age of the member is less than or equal to 65 with less than 15 years of creditable service- If neither of the items listed above are met, the ASA Balance and estimated pension annuity are included in the valuation.
Changes in Assumptions	<p>Assumption concerning ASA withdrawal and annuitization were added pursuant to the addition of IC 5-10.5-4-2.5 and 2.6 pursuant to 2014 House Enrolled Act No. 1075. All other assumptions are the same as the June 30, 2013 valuation.</p>

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. 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 thirty years. However, the smoothing methods 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 30-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 30-year period. 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 inactives). 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.

2. Asset Valuation Method

Actuarial Value of Assets is equal to a four-year smoothing of gains and losses on the Market Value of Assets subject to a 20% corridor.

3. Method for Allocation of Actuarial Accrued Liability and Normal Cost

The Actuarial Accrued Liability ("AAL") for members with multiple current and/or historical employers is allocated pro rata to each respective employer based on the service the member accrued at each employer. In the event service at each employer is not included in the data, the AAL is allocated evenly amongst all respective employers.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods (continued)

The Normal Cost for members with multiple current employers is allocated to each respective employer based on the salary the member earned at each employer. In the event salary at each employer is not included in the data, the Normal Cost is allocated evenly amongst all respective current employers.

4. Anticipated Payroll

The combined State and Political Subdivision Anticipated Payroll of \$5,080,092,296 for the fiscal year beginning July 1, 2014 is equal to the actual payroll during the year ending June 30, 2014 (excluding payroll for the 5 employers that completed a full withdrawal, 2 employers that completed a partial withdrawal 1977 Fund, and 1 employer that transferred coverage to 1977 Fund), increased with one year of salary scale, plus the current payroll as of June 30, 2014 for members employed at 5 new participating political subdivisions and new covered members employed at 17 political subdivisions that enlarged their employee coverage. The Anticipated Payroll does not include amounts for members who have reached the age at which retirement is assumed to occur immediately.

5. Employer Contribution Rates

Based on the assumptions and methods previously described, an actuarially determined contribution rate is computed for each employer. The Board considers this information, but has ultimate authority in setting the employer contribution rates, including any process used to migrate the Political Subdivisions toward a single Composite Rate.

6. Changes in Actuarial Methods

Member census data as of June 30, 2013 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013 and June 30, 2014. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2013 to the June 30, 2014 measurement date. Prior to the June 30, 2014 valuation, census data as of the valuation date was used.

SECTION VI - SUMMARY OF PLAN PROVISIONS

SUMMARY OF PLAN PROVISIONS

	<u>Page</u>
Summary of Plan Provisions	50

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions

PERF Hybrid Plan

The benefit provisions for PERF are set forth in IC 5-10.2 and 5-10.3. A summary of those defined pension benefit provisions is presented below:

Participation All full time employees of the State of Indiana and all full time employees of Political Subdivisions which have adopted the plan become members of PERF upon date of hire.

Eligibility for Defined Pension Benefits

- a. Normal Retirement Earliest of:
 - Age 65 with 10 or more years of vesting service
 - Age 60 with 15 or more years of vesting service
 - Age 55 with sum of age and vesting service equal to 85 or more

- b. Early Retirement Age 50 with 15 or more years of vesting service

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

- d. Disability Retirement 5 or more years of vesting service and qualified for Social Security disability benefits or federal Civil Service disability benefits

- e. Termination 10 or more years of vesting service and no longer active (i.e. vested inactive)

- f. Pre-Retirement Death 15 or more years of vesting service if death occurs in service. If death occurs after separating from service, age 50 with 15 or more years of vesting service

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

PERF Hybrid Plan (Continued)

Amount of Benefits

- a. Normal Retirement The normal retirement benefit is a pension payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings¹ multiplied by years of creditable service earned.

- 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 member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

- c. Late Retirement The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.

- d. Disability Retirement The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.

- e. Termination The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at age 65. If the member has 15 or more years of creditable service, then the member may elect to receive a reduced early retirement benefit prior to age 65.

- f. Pre-Retirement Death The spouse or dependent beneficiary is entitled to receive the monthly life benefit under the assumption that the member retired on the later of age 50 or the date before the date of death and elected the joint and full survivor option.

¹ Average monthly earnings is the monthly average of earnings during 20 quarters (in groups of 4 consecutive contribution quarters) preceding retirement that produce the highest such average. Earnings include basic salary, the member's 3% mandatory contribution paid by the employer, the member's salary reduction agreement under Section 125, 430(b), or 457 of the Internal Revenue Code, and up to \$2,000 of additional compensation received from the employer in anticipation of the member's termination or retirement.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

PERF Hybrid Plan (Continued)

Member Contributions

Each member is required to contribute to an Annuity Savings Account at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest based on the investment elections of each member until such time as they are withdrawn or annuitized by the member.

The Annuity Savings Account benefit is in addition to the annuity benefits provided by employer contributions.

Optional Forms of Payment

- | | |
|--|--|
| a. 5-Year Guaranteed Beneficiary Benefit (Option 10) | Member will receive a monthly benefit for the rest of their life. If the member dies before receiving benefits for 5 years, the beneficiary will receive that monthly benefit for the remainder of those 5 years or a lump sum distribution equal to the present value of those payments. After 5 years, there are no payments available to the beneficiary. |
| b. Benefit with No Guarantee (Option 20) | Member will receive a monthly benefit for life, but there are no monthly payments to anyone after death. However, the balance of the Annuity Savings Account will be distributed to the beneficiary or estate if it is larger than the payments previously made to the member. |
| c. Joint with Full Survivor Benefits (Option 30) | Member will be paid a monthly benefit for life. After death, the same monthly benefit will be paid to the beneficiary for their lifetime. |
| d. Joint with Two-Thirds Survivor Benefits (Option 40) | Member will be paid a monthly benefit for life. After death, two-thirds (2/3) of the benefit will be paid to the beneficiary for their lifetime. |
| e. Joint with One-Half Survivor Benefits (Option 50) | Member will be paid a monthly benefit for life. After death, one-half (1/2) of the benefit will be paid to the beneficiary for their lifetime. |

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

PERF Hybrid Plan (Continued)

Optional Forms of Payment (Continued)

- f. **Integration with Social Security (Option 61)** A member who retires between ages 50 and 62 may integrate the PERF monthly pension benefit with the member's estimated Social Security benefits. This does not affect the amount of the benefit received from the Social Security Administration.

Before age 62, the member's benefits will equal the sum of the member's Social Security estimate, multiplied by actuarial factors, and the member's early retirement benefit. This will result in the member receiving a larger monthly benefit payment before age 62. After age 62, the member's benefit will equal the difference between the member's Social Security estimate, multiplied by actuarial factors, and the member's pre-62 monthly pension benefit. Depending upon the member's estimated Social Security disbursement, benefit payments may be greatly reduced or terminated at age 62.

- g. **5-Year Guaranteed Beneficiary Benefit with ASA Cash Refund (Option 71)** In order to select this option, the member must choose to combine at least a portion of their ASA with their lifetime monthly pension benefit. If selected, the member will receive a monthly benefit for the rest of their life. If the member dies before receiving payments for 5 years, the beneficiary will receive the pension portion of their monthly benefit for the remainder of those 5 years or a lump sum equal to the present value of those remaining payments. Also, upon death (whether death occurs before or after receiving 5 years of benefits), the beneficiary may receive any remaining balance of the Annuity Savings Account.

Annuity Savings Account ("ASA") Payment Forms

- a. **Leave ASA Invested with PERF** Members may choose to leave their ASA invested with PERF. According to IRS regulations, the member must begin distribution at age 70 1/2. Until the member elects to receive funds, they will remain invested according to member direction.
- b. **Increase Lifetime Pension Benefit** If vested in an employer-funded defined benefit, members may annuitize their ASA balance to increase their monthly retirement benefit. Members may choose from the same annuity payments options available on the employer-funded benefit.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

PERF Hybrid Plan (Continued)

Annuity Savings Account ("ASA") Payment Forms (continued)

- c. Withdraw Entire ASA The member withdraws their entire ASA by means of either a direct rollover, complete withdrawal, or partial rollover to a qualified plan for the Taxable Portion of their ASA and, if it applicable, one of these choices for the 1986 Tax Basis Portion.

- d. Withdraw 1986 Tax Basis Portion of ASA and Combine Taxable Portion with Pension Benefit The member withdraws the non-taxable (1986 Tax Basis) portion of their ASA in the form of a direct rollover, a complete distribution, or a partial rollover to a qualified plan, and then receives the balance of the account as a part of their monthly payment.

Cost-of-Living Adjustments

The employer-funded monthly pension benefits for members in pay status are increased periodically to preserve purchasing power that is diminished due to inflation. Such increases are not guaranteed by Statute and have historically been provided on an "ad hoc" basis.

A "13th check" was paid to each member in pay status during September 2014. The amount of the 13th check varied based on the years of creditable service the member had earned prior to retirement.

Changes in Provisions

2014 House Enrolled Act No. 1075 added paragraphs 2.5 and 2.6 to IC 5-10.5-4, which prohibits INPRS from entering into an agreement with a third party provider to provide annuities for members who wish to annuitize their ASA balance prior to January 1, 2017, and defines interest rate which must be used for converting ASA balances to annuities in the interim. It is anticipated that an agreement with a third party provider will be entered into effective January 1, 2017.

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

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

ASA-Only Plan (continued)

Optional Forms of Payment (continued)

- c. Monthly Annuity Members may annuitize their ASA balance with INPRS if the following eligibility criteria are met:
 - (i) Retirement The member is at least age 62, has at least 5 years of service, and the ASA balance is at least \$15,000.
 - (ii) Disability The member is eligible for Social Security disability benefits and the ASA balance is at least \$15,000.
 - (iii) Death The member's surviving spouse/beneficiary is at least age 62 and the ASA balance is at least \$15,000.

Available annuity payment options are as shown in the PERF Hybrin Plan provisions. It is anticipated that beginning January 1, 2017, ASA annuitization will be accomodated through a third part annuity provider.

Changes in Provisions

2014 House Enrolled Act No. 1075 added paragraphs 2.5 and 2.6 to IC 5-10.5-4, which prohibits INPRS from entering into an agreement with a third party provider to provide annuities for members who wish to annuitize their ASA balance prior to January 1, 2017, and defines interest rate which must be used for converting ASA balances to annuities in the interim. It is anticipated that an agreement with a third party provider will be entered into effective January 1, 2017.

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

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms

Page

Definitions of Technical Terms

57

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.
Actuarially Equivalent	Having the same Actuarial Present Value, based on a set of Actuarial Assumptions.
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.

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.
Annual Required Contribution of the Employer (ARC)	The employer's periodic required contributions to a defined benefit pension plan, calculated in accordance with the plan provisions, Actuarial Assumptions, Actuarial Cost Method and other requirements prescribed by Governmental Accounting Standards No. 25 and No. 27.
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.