



State of Indiana

Interim GASB 45 Actuarial Valuation

Fiscal Year Ending June 30, 2013

Prepared by:

Nyhart

8415 Allison Pointe Blvd., Suite 300

Indianapolis, IN 46250

Ph: (317) 845-3500

www.nyhart.com

November 14, 2013

Deanna Oware
State Budget Agency
200 W Washington Street, Room 212
Indianapolis, IN 46204

This report summarizes the interim GASB actuarial valuation for the State of Indiana 2012/13 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

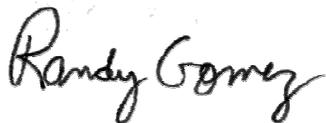
The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and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

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2013, which was projected from the fiscal year ending June 30, 2012 GASB 45 results and adjusted for actual premium increases from 2013 to 2014. The prior fiscal year information shown in the table below is based on the GASB 45 financial report for fiscal year ending June 30, 2012 as shown in the State's Notes to Financial Statement.

<i>As of June 30, 2013</i>	<i>Total</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
Actuarial Accrued Liability	\$ 387,991,310	\$ 39,999,371	\$ 12,077,743	\$ 297,103,759	\$ 38,810,437
Actuarial Value of Assets	\$ 72,590,336	\$ 44,011,344	\$ 0	\$ 21,132,938	\$ 7,446,054
Unfunded Actuarial Accrued Liability	\$ 315,400,974	\$ (4,011,973)	\$ 12,077,743	\$ 275,970,821	\$ 31,364,283
Funded Ratio	18.7%	110.0%	0.0%	7.1%	19.2%
<i>For FY 2012/13</i>					
Annual Required Contribution	\$ 32,239,234	\$ 940,502	\$ 827,105	\$ 27,418,949	\$ 3,052,678
Annual OPEB Cost	\$ 30,786,747	\$ 1,234,041	\$ 808,742	\$ 25,849,815	\$ 2,894,149
Annual Employer Contribution	\$ 19,312,985	\$ 4,202,964	\$ 533,213	\$ 11,683,966	\$ 2,892,842
Net OPEB Obligation as of June 30, 2013	\$ 103,377,138	\$ (30,696,803)	\$ 1,395,772	\$ 123,005,485	\$ 9,672,684
<i>As of June 30, 2012</i>					
Actuarial Accrued Liability	\$ 381,550,919	\$ 36,642,879	\$ 11,955,814	\$ 291,147,853	\$ 41,804,373
Actuarial Value of Assets	\$ 66,814,498	\$ 44,008,068	\$ 0	\$ 17,033,474	\$ 5,772,956
Unfunded Actuarial Accrued Liability	\$ 314,736,421	\$ (7,365,189)	\$ 11,955,814	\$ 274,114,379	\$ 36,031,417
Funded Ratio	17.5%	120.1%	0.0%	5.9%	13.8%
<i>For FY 2011/12</i>					
Annual Required Contribution	\$ 35,248,288	\$ 2,964,232	\$ 815,404	\$ 27,793,932	\$ 3,674,720
Annual OPEB Cost	\$ 33,528,553	\$ 2,930,446	\$ 802,187	\$ 26,335,938	\$ 3,459,982
Annual Employer Contribution	\$ 59,854,223	\$ 33,849,768	\$ 488,290	\$ 18,626,963	\$ 6,889,202
Net OPEB Obligation as of June 30, 2012	\$ 91,903,376	\$ (27,727,880)	\$ 1,120,243	\$ 108,839,636	\$ 9,671,377

For Fiscal Year Ending June 30, 2013

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. Accordingly, the State has elected to use the actuarial liability results for the period ending June 30, 2012 for the period ending June 30, 2013. The value of assets is as reported for the current period. The date/year references below have been changed to 2012/13 for consistency.

Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP
Actuarial Accrued Liability as of June 30, 2013	\$ 387,991,310	\$ 39,999,371	\$ 12,077,743	\$ 297,103,759	\$ 38,810,437
Actuarial Value of Assets as of June 30, 2013	72,590,336	44,011,344	0	(21,132,938)	(7,446,054)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 315,400,974	\$ (4,011,973)	\$ 12,077,743	\$ 275,970,821	\$ 31,364,383

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 11,630,118	\$ 1,159,263	\$ 86,966	\$ 9,312,548 ¹	\$ 1,071,341
Amortization of the UAAL over 30 year period	19,012,825	(280,289)	704,522	16,738,710	1,849,882
Total normal cost and amortization payment	\$ 30,642,943	\$ 878,974	\$ 791,488	\$ 26,051,258	\$ 2,921,223
Interest to end of year	1,596,291	61,528	35,617	1,367,691	131,455
Total Annual Required Contribution (ARC)	\$ 32,239,234	\$ 940,502	\$ 827,105	\$ 27,418,949	\$ 3,052,678

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP
ARC for fiscal year 2012/13	\$ 32,239,234	\$ 940,502	\$ 827,105	\$ 27,418,949	\$ 3,052,678
Interest on Net OPEB Obligation (NOO) to end of year	4,258,752	(1,940,952)	50,411	5,714,081	435,212
Amortization adjustment to the ARC for beginning of year NOO	(5,711,239)	2,234,491	(68,774)	(7,283,215)	(593,741)
Annual OPEB cost	\$ 30,786,747	\$ 1,234,041	\$ 808,742	\$ 25,849,815	\$ 2,894,149
Total annual employer contribution for 2012/13	(19,312,985)	(4,202,964)	(533,213)	(11,683,966)	(2,892,842)
Change in NOO for fiscal year 2012/13	\$ 11,473,762	\$ (2,968,923)	\$ 275,529	\$ 14,165,849	\$ 1,307
NOO as of July 1, 2012	91,903,376	(27,727,880)	1,120,243	108,839,636	9,671,377
NOO as of June 30, 2013	\$ 103,377,138	\$ (30,696,803)	\$ 1,395,772	\$ 123,005,485	\$ 9,672,684

¹ ISP normal cost for FY 2012/13 has been reduced for active employee contributions of \$931,687 (as provided by the Plan Sponsor).

For Fiscal Year Ending June 30, 2012

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

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

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

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

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

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>AVA as a % of AAL</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = B - A</i>	<i>D = A / B</i>	<i>E</i>	<i>F = C / E</i>
June 30, 2013						
State Personnel	\$ 44,011,344	\$ 39,999,371	\$ (4,011,973)	110.0%	\$ N/A	N/A
Legislature	\$ 0	\$ 12,077,743	\$ 12,077,743	0.0%	\$ N/A	N/A
ISP	\$ 21,132,938	\$ 297,103,759	\$ 275,970,821	7.1%	\$ 92,071,661	299.7%
CEP	\$ 7,449,054	\$ 38,810,437	\$ 31,364,383	19.2%	\$ N/A	N/A
Total	\$ 72,590,336	\$ 387,991,310	\$ 315,400,974	18.7%	\$ N/A	N/A
June 30, 2012						
State Personnel	\$ 44,008,068	\$ 36,642,879	\$ (7,365,189)	120.1%	\$ N/A	N/A
Legislature	\$ 0	\$ 11,955,814	\$ 11,955,814	0.0%	\$ N/A	N/A
ISP	\$ 17,033,474	\$ 291,147,853	\$ 274,114,379	5.9%	\$ 92,071,661	297.7%
CEP	\$ 5,772,956	\$ 41,804,373	\$ 36,031,417	13.8%	\$ N/A	N/A
Total	\$ 66,814,498	\$ 381,550,919	\$ 314,736,421	17.5%	\$ N/A	N/A
June 30, 2011						
State Personnel	\$ 14,007,168	\$ 37,733,465	\$ 23,726,297	37.1%	\$ N/A	N/A
Legislature	\$ 0	\$ 9,091,813	\$ 9,091,813	0.0%	\$ N/A	N/A
ISP	\$ 5,280,369	\$ 306,131,521	\$ 300,851,152	1.7%	\$ N/A	N/A
CEP	\$ 0	\$ 49,509,701	\$ 49,509,700	0.0%	\$ N/A	N/A
Total	\$ 19,287,537	\$ 402,466,500	\$ 383,178,963	4.8%	\$ N/A	N/A

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2013			
State Personnel	\$ 4,202,964	\$ 940,502	446.9%
Legislature	\$ 533,213	\$ 827,105	64.5%
ISP	\$ 11,683,966	\$ 27,418,949	42.6%
CEP	\$ 2,892,842	\$ 3,052,678	94.8%
Total	\$ 19,312,985	\$ 32,239,234	59.9%
June 30, 2012			
State Personnel	\$ 33,849,768	\$ 2,964,232	1141.9%
Legislature	\$ 488,290	\$ 815,404	59.9%
ISP	\$ 18,626,963	\$ 27,793,932	67.0%
CEP	\$ 6,889,202	\$ 3,674,720	187.5%
Total	\$ 59,854,223	\$ 35,248,288	169.8%
June 30, 2011			
State Personnel	\$ 16,922,179	\$ 4,664,253	362.8%
Legislature	\$ 352,350	\$ 560,879	62.8%
ISP	\$ 13,786,787	\$ 30,154,522	45.7%
CEP	\$ 1,335,846	\$ 4,423,420	30.2%
Total	\$ 32,397,162	\$ 39,803,074	81.4%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation / (Asset)</i>
June 30, 2013			
State Personnel	\$ 1,234,041	340.6%	\$ (30,696,803)
Legislature	\$ 808,742	65.9%	\$ 1,395,772
ISP	\$ 25,849,815	45.2%	\$ 123,005,485
CEP	\$ 2,894,149	100.0%	\$ 9,672,684
Total	\$ 5,711,239	62.7%	\$ 103,377,138
June 30, 2012			
State Personnel	\$ 2,930,446	1155.1%	\$ (27,727,880)
Legislature	\$ 802,187	60.9%	\$ 1,120,243
ISP	\$ 26,335,938	70.7%	\$ 108,839,636
CEP	\$ 3,459,982	199.1%	\$ 9,671,377
Total	\$ 33,528,553	178.5%	\$ 91,903,376
June 30, 2011			
State Personnel	\$ 4,498,949	376.1%	\$ 3,191,442
Legislature	\$ 550,916	64.0%	\$ 806,346
ISP	\$ 28,914,625	47.7%	\$ 101,130,661
CEP	\$ 4,256,556	31.4%	\$ 13,100,597
Total	\$ 38,221,046	84.8%	\$ 118,229,046

Actuary's Notes

Adjustments have been made to the Actuarial Accrued Liability, normal cost, and expected benefit payments for the following material events:

1. State Personnel – higher than expected claims experience for Anthem Traditional and HDHP 2 plans that is partially offset by lower than expected claims experience for HDHP 1 plan. This adjustment increases the State Personnel's liabilities.
2. Indiana State Police – lower than expected claims experience that is partially offset by lower than expected increase in retiree contributions. This adjustment decreases the Indiana State Police liabilities.
3. Conservation and Excise Police – lower than expected claims experience and higher than expected increase in retiree contributions. This adjustment decreases the Conservation and Excise Police liabilities.

Premium rates

Below is the comparison of State Personnel's monthly early retiree rates by plan (with non-tobacco use):

Medical Plans	Eff. 1/1/2014		Eff. 1/1/2013	
	Single	Family	Single	Family
CDHP 1	\$ 401.31	\$ 1,206.27	\$ 380.38	\$ 1,143.48
CDHP 2	\$ 531.44	\$ 1,541.15	\$ 502.19	\$ 1,456.39
Traditional PPO	\$ 856.31	\$ 2,405.91	\$ 808.73	\$ 2,272.40
Dental	\$ 24.31	\$ 63.96	\$ 24.31	\$ 63.96
Vision	\$ 3.55	\$ 9.01	\$ 3.55	\$ 9.01

Actuary's Notes (Continued)**Retiree Contributions**

Below is the comparison of ISP retiree contributions.

Optional Plan	Eff. 1/1/2014			Eff. 1/1/2013		
	Retiree Only	Retiree plus One Dependent	Spouse Increment	Retiree Only	Retiree plus One Dependent	Spouse Increment
<u>Without Medicare A and B</u>						
Medical	\$ 414.13	\$ 503.61	\$ 89.47	\$ 386.42	\$ 463.15	\$ 76.73
Dental	\$ 39.33	\$ 110.08	\$ 70.75	\$ 41.21	\$ 115.35	\$ 74.14
Vision	\$ 4.10	\$ 11.47	\$ 7.37	\$ 4.02	\$ 11.26	\$ 7.24
Total	\$ 457.56	\$ 625.16	\$ 167.60	\$ 431.66	\$ 589.77	\$ 158.11
<u>With Medicare A and B</u>						
Medical	\$ 149.19	\$ 184.26	\$ 35.07	\$ 140.46	\$ 172.23	\$ 31.77
Dental	\$ 16.52	\$ 33.04	\$ 16.52	\$ 17.31	\$ 34.62	\$ 17.31
Vision	\$ 1.72	\$ 3.44	\$ 1.72	\$ 1.69	\$ 3.38	\$ 1.69
Total	\$ 167.43	\$ 220.74	\$ 53.31	\$ 159.46	\$ 210.23	\$ 50.77
Basic Plan	Retiree Only	Retiree plus One Dependent	Spouse Increment	Retiree Only	Retiree plus One Dependent	Spouse Increment
Without A/B	\$ 391.29	\$ 503.29	\$ 112.00	\$ 369.14	\$ 474.80	\$ 105.66
With A/B	\$ 143.68	\$ 172.98	\$ 29.30	\$ 136.84	\$ 164.74	\$ 27.90

Actuary's Notes (Continued)**Retiree Contributions (Continued)**

Below is the comparison of CEP retiree contributions.

	Eff. 1/1/2014			Eff. 1/1/2013		
	Single	Incremental Spouse Cost	Single + 1	Single	Incremental Spouse Cost	Single + 1
<u>Under age 60</u>						
Medical	\$ 291.20	\$ 192.56	\$ 483.76	\$ 275.84	\$ 175.66	\$ 451.50
Dental	\$ 30.99	\$ 45.87	\$ 76.85	\$ 38.49	\$ 56.98	\$ 95.47
Vision	\$ 5.81	\$ 8.57	\$ 14.38	\$ 5.67	\$ 8.36	\$ 14.03
Total	\$ 328.00	\$ 247.00	\$ 575.00	\$ 320.00	\$ 241.00	\$ 561.00
<u>Age 60 – 64</u>						
Medical	\$ 291.20	\$ 192.56	\$ 483.76	\$ 168.84	\$ 41.66	\$ 210.50
Dental	\$ 30.99	\$ 45.87	\$ 76.85	\$ 38.49	\$ 56.98	\$ 95.47
Vision	\$ 5.81	\$ 8.57	\$ 14.38	\$ 5.67	\$ 8.36	\$ 14.03
Total	\$ 328.00	\$ 247.00	\$ 575.00	\$ 213.00	\$ 107.00	\$ 320.00
<u>Post-Medicare</u>						
Medical	\$ 115.55	\$ 41.55	\$ 157.09	\$ 109.45	\$ 36.45	\$ 145.90
Dental	\$ 13.02	\$ 13.02	\$ 26.04	\$ 16.17	\$ 16.17	\$ 32.34
Vision	\$ 2.44	\$ 2.44	\$ 4.87	\$ 2.38	\$ 2.38	\$ 4.76
Total	\$ 131.00	\$ 57.00	\$ 188.00	\$ 128.00	\$ 55.00	\$ 183.00

Summary of Key Actuarial Assumptions

For a more complete summary of assumptions, refer to the GASB 45 Financial Report for fiscal year ending June 30, 2012.

Discount Rate	State Personnel: 7.00% Legislature and CEP: 4.50% ISP: 5.25%
Inflation Rate	3.00% per year
Payroll Growth	4.00%
Asset Valuation Method	Market value of asset
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level dollar amount over thirty years based on an open group. The remaining amortization period as of June 30, 2013 is 30 years.
Health Care Trend Rates	Annul trend rates by benefit are as shown below:

FYE	Medical / Rx		Dental	Vision
	Pre-65	Post-65		
2014	8.70%	9.50%	4.50%	3.50%
2015	8.20%	9.00%	4.25%	3.25%
2016	7.70%	8.50%	4.25%	3.25%
2017	7.20%	8.00%	4.00%	3.00%
2018	6.70%	7.50%	3.75%	3.00%
2019	6.30%	7.10%	3.50%	3.00%
2020	5.90%	6.70%	3.50%	3.00%
2021	5.50%	6.30%	3.50%	3.00%
2022	5.10%	5.90%	3.50%	3.00%
2023+	4.50%	5.50%	3.50%	3.00%

Summary of Key Actuarial Assumptions (Continued)

Contribution Funding Policy

State Personnel

The State contributes at least the Annual Required Contribution annually.

Legislature

Pay-as-you-go cash basis

Indiana State Police

Indiana State Police has established a 401(h) account and Section 115 Trust for the purpose of funding retiree medical benefits since FYE June 30, 2011. Contributions to the 401(h) account and Section 115 Trust will be made from the following sources:

1. Medicare Part D retiree drug subsidy reimbursement
2. Excess Long-Term Disability (LTD) fund
3. A percentage of retiree premiums according to the following schedule:
 - a. Starting January 1, 2012 through June 30, 2014: 0%
 - b. July 1, 2014 through June 30, 2016: 25%
 - c. July 1, 2016 through June 30, 2018: 50%
 - d. July 1, 2018 onwards: 100%
4. State contributions for ISP active employees in accordance with SEA 501

Additionally, active employees will contribute \$20 per paycheck towards the 401(h) Trust account.

Conservation and Excise Police

The Conservation and Excise Police maintain a separate health plan for its active and retired employees. The plan is self-insured and the Conservation and Excise Police maintain stop-loss reinsurance to protect against excessive claims. The annual cost of the plan is financed on a pay-as-you-go basis from State subsidies and active/retiree contributions. The Conservation and Excise Police also has the ability to manage plan costs by changing the benefit design to less expensive designs. The State contributes the same employer subsidy per active employee as regular State employees to the Conservation and Excise Police health fund. There is no direct State subsidy for retiree health care.

The Conservation and Excise Police active employees are younger and healthier, as a group, than regular State employees which results in lower health care costs per employee when comparing the two groups. Because of the lower active health costs, the State subsidy per employee is sufficient to cover the active health costs and create a surplus which is then used to subsidize the current retiree health care costs.

The Conservation and Excise Police started pre-funding retiree health benefits in FYE June 30, 2012.