



# ***State of Indiana***

***GASB 45 Actuarial Valuation***

***Fiscal Year Ending June 30, 2014***

***Prepared by:***

***Nyhart Actuary & Employee Benefits***

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**December 16, 2014**

**Deanna Oware  
State of Indiana  
Indiana State Budget Agency  
200 West Washington Street, Room 212  
Indianapolis, IN 46204**

This report summarizes the GASB actuarial valuation for the State of Indiana 2013/14 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. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

A handwritten signature in black ink that reads "Randy Gomez".

Randy Gomez, FSA, MAAA  
Consulting Actuary

A handwritten signature in black ink that reads "Evi Laksana".

Evi Laksana, ASA, MAAA  
Valuation Actuary





### Actuary’s Notes

Three actuarial assumptions have been updated since the last full valuation, which was for the fiscal year ending June 30, 2012:

1. Discount rate for State Personnel and Indiana State Police valuations have been reduced from 7.00% and 5.25% respectively to 4.50% to be consistent with the Trust’s long-term rate of return. This caused an increase in liabilities for these two groups.
2. Mortality table has been updated from (a) IRS 2008 Static Mortality Table projected to 2013 using scale AA to (b) IRS 2008 Static Mortality Table projected to 2018 using scale AA. This caused an increase in liabilities.
3. Trend rates have been changed to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0% for medical and prescription drug benefits. This caused a slight increase in liabilities for state personnel but a decrease in liabilities for all other entities (Legislature, Indiana State Police (ISP), and Conservation and Excise Police (CEP)). Comparison of prior and current trend rates are as shown below.

FYE	Prior Valuation		Current Valuation
	Pre-65	Post-65	Pre/Post-65
2015	8.2%	9.0%	9.0%
2016	7.7%	8.5%	8.5%
2017	7.2%	8.0%	8.0%
2018	6.7%	7.5%	7.5%
2019	6.3%	7.1%	7.0%
2020	5.9%	6.7%	6.5%
2021	5.5%	6.3%	6.0%
2022	5.1%	5.9%	5.5%
2023+	4.5%	5.5%	5.0%



### Summary of Results

Presented below is the summary of GASB 45 results (for all employee groups) for the fiscal year ending June 30, 2014 compared to the prior fiscal years as shown in the State’s Notes to Financial Statement.

	<i>As of June 30, 2013</i>		<i>As of June 30, 2014</i>	
<b>Actuarial Accrued Liability</b>	\$	387,991,310	\$	381,025,790
<b>Actuarial Value of Assets</b>	\$	(72,590,336)	\$	(91,104,115)
<b>Unfunded Actuarial Accrued Liability</b>	\$	315,400,974	\$	289,921,675
<b>Funded Ratio</b>		18.7%		23.9%

	<i>FY 2012/13</i>		<i>FY 2013/14</i>	
<b>Annual Required Contribution</b>	\$	32,239,234	\$	30,670,750
<b>Annual OPEB Cost</b>	\$	30,786,747	\$	28,976,240
<b>Annual Employer Contribution</b>	\$	19,312,985	\$	31,025,098

	<i>As of June 30, 2013</i>		<i>As of June 30, 2014</i>	
<b>Net OPEB Obligation</b>	\$	103,377,138	\$	101,328,280

**Liabilities Breakdown**

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of July 1, 2013 compared to the prior year.

<i>As of July 1, 2012</i>	<i>Present Value of Future Benefits</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Normal Cost</i>	<i>Future Normal Costs</i>
<b>Total</b>	\$ 524,313,440	\$ 369,847,739	\$ 12,561,805	\$ 141,903,896
State Personnel	50,647,042	40,286,486	1,159,263	9,201,293
Legislature	12,721,781	11,992,289	86,966	642,526
ISP	407,662,482	280,307,522	10,244,235	117,110,725
CEP	53,282,135	37,261,442	1,071,341	14,949,352

<i>As of July 1, 2013<sup>1</sup></i>	<i>Present Value of Future Benefits</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Normal Cost</i>	<i>Future Normal Costs</i>
<b>Total</b>	\$ 552,872,936	\$ 362,721,196	\$ 13,217,358	\$ 146,934,382
State Personnel	52,448,398	36,513,297	1,406,939	14,528,162
Legislature	12,308,858	11,668,958	89,293	550,607
ISP	407,122,673	278,229,910	10,716,656	118,176,107
CEP	50,993,007	36,309,031	1,004,470	13,679,506

**Present Value of Future Benefits (PVFB)** is the amount needed as of July 1, 2012 and 2013 to fully fund the State's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

**Actuarial Accrued Liability** is the portion of PVFB considered to be accrued or earned as of July 1, 2012 and 2013. This amount is a required disclosure in the Required Supplementary Information section.

**Normal Cost** is the portion of the total liability amount that is attributed and accrued for current year's active employee service by the actuarial cost method.

**Future Normal Cost** is the portion of the total liability amount that is attributed to the future employee by the actuarial cost method.

<sup>1</sup> Discount rate used for FY 2013/14 valuation was reduced from 7.00% to 4.50% for State Personnel and from 5.25% to 4.50% for ISP.

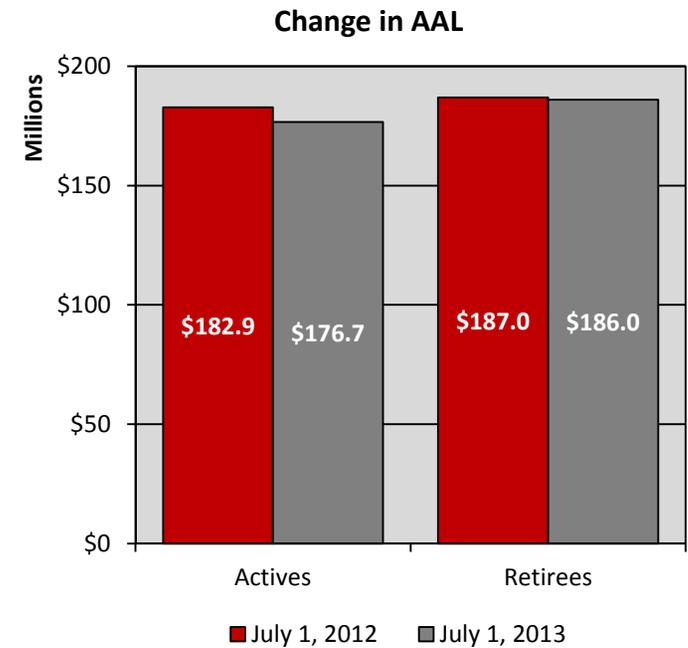


**Liabilities Breakdown** – Continued

Below is a breakdown of total GASB 45 Actuarial Accrued Liability (AAL) allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor’s GASB subsidies.

<i>As of July 1, 2012</i>	<i>Active Employees</i>		<i>Retirees</i>		<i>Total</i>
<b>Total</b>	\$	<b>182,868,583</b>	\$	<b>186,979,156</b>	\$ <b>369,847,739</b>
State Personnel		20,754,919		19,531,567	40,286,486
Legislature		1,254,957		10,737,332	11,992,289
ISP		143,136,650		137,170,872	280,307,522
CEP		17,722,057		19,539,385	37,261,442

<i>As of July 1, 2013<sup>2</sup></i>	<i>Active Employees</i>		<i>Retirees</i>		<i>Total</i>
<b>Total</b>	\$	<b>176,673,592</b>	\$	<b>186,047,604</b>	\$ <b>362,721,196</b>
State Personnel		20,420,554		16,092,743	36,513,297
Legislature		1,234,199		10,434,759	11,668,958
ISP		139,817,737		138,412,173	278,229,910
CEP		15,201,102		21,107,929	36,309,031



<sup>2</sup> Discount rate used for FY 2013/14 valuation was reduced from 7.00% to 4.50% for State Personnel and from 5.25% to 4.50% for ISP.





For Fiscal Year Ending June 30, 2014<sup>3</sup>

Discount Rate			4.50%	4.50%	4.50%	4.50%
Required Supplementary Information	Total	State Personnel	Legislature	ISP	CEP	
Actuarial Accrued Liability as of June 30, 2014	\$ 381,025,790	\$ 36,355,277	\$ 11,767,820	\$ 294,839,940	\$ 38,062,753	
Actuarial Value of Assets as of June 30, 2014	(91,104,115)	(44,067,103)	0	(38,013,590)	(9,023,422)	
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 289,921,675</b>	<b>\$ (7,711,826)</b>	<b>\$ 11,767,820</b>	<b>\$ 256,826,350</b>	<b>\$ 29,039,331</b>	
Funded Ratio	23.9%	121.2%	0.0%	12.9%	23.7%	

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP	
Normal cost	\$ 12,305,424	\$ 1,406,939	\$ 89,293	\$ 9,804,722 <sup>4</sup>	\$ 1,004,470	
Amortization of the UAAL over 30 year period	17,044,576	(440,494)	685,527	15,103,904	1,695,639	
Total normal cost and amortization payment	\$ 29,350,000	\$ 966,445	\$ 774,820	\$ 24,908,626	\$ 2,700,109	
Interest to end of year	1,320,750	43,490	34,867	1,120,888	121,505	
<b>Total Annual Required Contribution (ARC)</b>	<b>\$ 30,670,750</b>	<b>\$ 1,009,935</b>	<b>\$ 809,687</b>	<b>\$ 26,029,514</b>	<b>\$ 2,821,614</b>	

Annual OPEB Cost and Net OPEB Obligation	Total	State Personnel	Legislature	ISP	CEP	
ARC for fiscal year 2013/14	\$ 30,670,750	\$ 1,009,935	\$ 809,687	\$ 26,029,514	\$ 2,821,614	
Interest on Net OPEB Obligation (NOO) to end of year	4,651,972	(1,381,356)	62,810	5,535,247	435,271	
Amortization adjustment to the ARC for beginning of year NOO	(6,346,482)	1,884,524	(85,689)	(7,551,496)	(593,821)	
Annual OPEB cost	\$ 28,976,240	\$ 1,513,103	\$ 786,808	\$ 24,013,265	\$ 2,663,064	
Annual employer contribution for pay-go cost in 2013/14	(4,618,015)	(3,200,158)	(508,242)	0	(909,615)	
Annual employer contribution for pre-funding in 2013/14	(26,407,083)	0	0	(24,834,550)	(1,572,533)	
Change in NOO for fiscal year 2013/14	\$ (2,048,858)	\$ (1,687,055)	\$ 278,566	\$ (821,285)	\$ 180,916	
NOO as of July 1, 2013	103,377,138	(30,696,803)	1,395,772	123,005,485	9,672,684	
<b>NOO as of June 30, 2014</b>	<b>\$ 101,328,280</b>	<b>\$ (32,383,858)</b>	<b>\$ 1,674,338</b>	<b>\$ 122,184,200</b>	<b>\$ 9,853,600</b>	

<sup>3</sup> GASB 45 regulations permit employers to use the most recently 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, 2013 for the period ending June 30, 2014. The value of assets is as reported for the current period. The date/year references below have been changed to 2013/14 for consistency.

<sup>4</sup> ISP normal cost for FY 2013/14 has been reduced for active employee contributions of \$911,934 (as provided by the Plan Sponsor).



For Fiscal Year Ending June 30, 2013<sup>5</sup>

Discount Rate	7.00%		4.50%		5.25%		4.50%	
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)			
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$ 315,400,974</b>	<b>\$ (4,011,973)</b>	<b>\$ 12,077,743</b>	<b>\$ 275,970,821</b>	<b>\$ 31,364,383</b>			
Funded Ratio	18.7%	110.0%	0.0%	7.1%	19.2%			

Annual Required Contribution	Total	State Personnel	Legislature	ISP	CEP
Normal cost	\$ 11,630,118	\$ 1,159,263	\$ 86,966	\$ 9,312,548 <sup>6</sup>	\$ 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
<b>Total Annual Required Contribution (ARC)</b>	<b>\$ 32,239,234</b>	<b>\$ 940,502</b>	<b>\$ 827,105</b>	<b>\$ 27,418,949</b>	<b>\$ 3,052,678</b>

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
Annual employer contribution for pay-go cost in 2012/13	(14,438,504)	(4,202,964)	(533,213)	(8,482,157)	(1,220,170)
Annual employer contribution for pre-funding in 2012/13	(4,874,481)	0	0	(3,201,809)	(1,672,672)
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
<b>NOO as of June 30, 2013</b>	<b>\$ 103,377,138</b>	<b>\$ (30,696,803)</b>	<b>\$ 1,395,772</b>	<b>\$ 123,005,485</b>	<b>\$ 9,672,684</b>

<sup>5</sup> GASB 45 regulations permit employers to use the most recently 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.

<sup>6</sup> ISP normal cost for FY 2012/13 has been reduced for active employee contributions of \$931,687 (as provided by the Plan Sponsor).



Summary of GASB 45 Financial Results

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>	
<b>June 30, 2014</b>						
State Personnel	\$ 44,067,103	\$ 36,355,277	\$ (7,711,826)	121.2%	\$ 1,182,103,596	-0.7%
Legislature	\$ 0	\$ 11,767,820	\$ 11,767,820	0.0%	\$ N/A	N/A
ISP	\$ 38,013,590	\$ 294,839,940	\$ 256,826,350	12.9%	\$ 83,531,987	307.5%
CEP	\$ 9,023,422	\$ 38,062,753	\$ 29,039,331	23.7%	\$ 13,404,573	216.6%
<b>Total</b>	<b>\$ 91,104,115</b>	<b>\$ 381,025,790</b>	<b>\$ 289,921,675</b>	<b>23.9%</b>	<b>\$ 1,279,040,156</b>	<b>22.7%</b>
<b>June 30, 2013</b>						
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	\$ 7,446,054	\$ 38,810,437	\$ 31,364,383	19.2%	\$ N/A	N/A
<b>Total</b>	<b>\$ 72,590,336</b>	<b>\$ 387,991,310</b>	<b>\$ 315,400,974</b>	<b>18.7%</b>	<b>\$ N/A</b>	<b>N/A</b>
<b>June 30, 2012</b>						
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
<b>Total</b>	<b>\$ 66,814,498</b>	<b>\$ 381,550,919</b>	<b>\$ 314,736,421</b>	<b>17.5%</b>	<b>\$ N/A</b>	<b>N/A</b>



### 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>
<b>June 30, 2014</b>			
State Personnel	\$ 3,200,158	\$ 1,009,935	316.9%
Legislature	\$ 508,242	\$ 809,687	62.8%
ISP	\$ 24,834,550	\$ 26,029,514	95.4%
CEP	\$ 2,482,148	\$ 2,821,614	88.0%
<b>Total</b>	<b>\$ 31,025,098</b>	<b>\$ 30,670,750</b>	<b>101.2%</b>
<b>June 30, 2013</b>			
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%
<b>Total</b>	<b>\$ 19,312,985</b>	<b>\$ 32,239,234</b>	<b>59.9%</b>
<b>June 30, 2012</b>			
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%
<b>Total</b>	<b>\$ 59,854,223</b>	<b>\$ 35,248,288</b>	<b>169.8%</b>

**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>
<b>June 30, 2014</b>			
State Personnel	\$ 1,513,103	211.5%	\$ (32,383,858)
Legislature	\$ 786,808	64.6%	\$ 1,674,338
ISP	\$ 24,013,265	103.4%	\$ 122,184,200
CEP	\$ 2,663,064	93.2%	\$ 9,853,600
<b>Total</b>	<b>\$ 28,976,240</b>	<b>107.1%</b>	<b>\$ 101,328,280</b>
<b>June 30, 2013</b>			
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
<b>Total</b>	<b>\$ 30,786,747</b>	<b>62.7%</b>	<b>\$ 103,377,138</b>
<b>June 30, 2012</b>			
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
<b>Total</b>	<b>\$ 33,528,553</b>	<b>178.5%</b>	<b>\$ 91,903,376</b>



Asset Information for FY 2013/14

<i>Summary of Assets</i>	<i>State Personnel</i>		<i>ISP</i>		<i>Conservation</i>		<i>Excise</i>		<i>All Groups</i>	
General investments										
Cash and cash equivalents	\$	34,056,645	\$	27,323,012	\$	6,822,841	\$	2,200,581	\$	70,403,079
Fixed income / debt securities		10,000,000		10,621,548						20,621,548
Accrued interest receivable		10,458		14,846						25,304
Contributions receivable				54,184						54,184
<b>Net assets</b>	<b>\$</b>	<b>44,067,103</b>	<b>\$</b>	<b>38,013,590</b>	<b>\$</b>	<b>6,822,841</b>	<b>\$</b>	<b>2,200,581</b>	<b>\$</b>	<b>91,104,115</b>
<i>Reconciliation of Assets</i>	<i>State Personnel</i>		<i>ISP</i>		<i>Conservation</i>		<i>Excise</i>		<i>All Groups</i>	
Income										
Contributions received										
Employer	\$	0	\$	24,834,550	\$	1,173,259	\$	399,274	\$	26,407,083
Employee				911,934						911,934
Investment earnings										
Net appreciation in investment		3,959		28,610		1,064		342		33,975
Interest from investment		51,171		3,865		2,633		796		58,465
Securities lending income		7,345		746						8,091
<b>Total income</b>	<b>\$</b>	<b>62,475</b>	<b>\$</b>	<b>25,779,705</b>	<b>\$</b>	<b>1,176,956</b>	<b>\$</b>	<b>400,412</b>	<b>\$</b>	<b>27,419,548</b>
Disbursements										
Benefit payments to retirees	\$	0	\$	(8,864,622)	\$	0	\$	0	\$	(8,864,622)
Professional services fees				(33,793)						(33,793)
Securities lending expense		(6,716)		(638)						(7,354)
<b>Total disbursements</b>	<b>\$</b>	<b>(6,716)</b>	<b>\$</b>	<b>(8,899,053)</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>(8,905,769)</b>
<b>Net income</b>	<b>\$</b>	<b>55,759</b>	<b>\$</b>	<b>16,880,652</b>	<b>\$</b>	<b>1,176,956</b>	<b>\$</b>	<b>400,412</b>	<b>\$</b>	<b>18,513,779</b>
Net asset at beginning of year		44,011,344		21,132,938		5,645,885		1,800,169		72,590,336
<b>Net asset at end of year</b>	<b>\$</b>	<b>44,067,103</b>	<b>\$</b>	<b>38,013,590</b>	<b>\$</b>	<b>6,822,841</b>	<b>\$</b>	<b>2,200,581</b>	<b>\$</b>	<b>91,104,115</b>

**Reconciliation of Actuarial Accrued Liability**

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

**Expected Events**

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

**Unexpected Events**

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

<b>FY 2012/13</b>	<b>Total</b>	<b>State Personnel</b>	<b>Legislature</b>	<b>ISP</b>	<b>CEP</b>
Actuarial Accrued Liability as of July 1, 2012	\$ 369,847,739	\$ 40,286,486	\$ 11,992,289	\$ 280,307,522	\$ 37,261,442
Normal cost as of beginning of year	12,561,805	1,159,263	86,966	10,244,235	1,071,341
Expected benefit payments for 2012/13	(14,438,504)	(4,202,964)	(533,213)	(8,482,157)	(1,220,170)
Interest adjustment to June 30, 2013	20,020,270	2,756,586	531,701	15,034,159	1,697,824
Expected Actuarial Accrued Liability as of June 30, 2013	\$ 387,991,310	\$ 39,999,371	\$ 12,077,743	\$ 297,103,759	\$ 38,810,437
Actuarial (gain) / loss	(25,270,114)	(3,486,074)	(408,785)	(18,873,849)	(2,501,406)
Actual Actuarial Accrued Liability as of June 30, 2013	\$ 362,721,196	\$ 36,513,297	\$ 11,668,958	\$ 278,229,910	\$ 36,309,031

<b>FY 2013/14<sup>7</sup></b>	<b>Total</b>	<b>State Personnel</b>	<b>Legislature</b>	<b>ISP</b>	<b>CEP</b>
Actuarial Accrued Liability as of July 1, 2013	\$ 362,721,196	\$ 36,513,297	\$ 11,668,958	\$ 278,229,910	\$ 36,309,031
Normal cost as of beginning of year	13,217,358	1,406,939	89,293	10,716,656	1,004,470
Expected benefit payments for 2013/14	(11,572,483)	(3,200,158)	(508,242)	(6,954,468)	(909,615)
Interest adjustment to June 30, 2014	16,659,719	1,635,199	517,811	12,847,842	1,658,867
Expected Actuarial Accrued Liability as of June 30, 2014	\$ 381,025,790	\$ 36,355,277	\$ 11,767,820	\$ 294,839,940	\$ 38,062,753

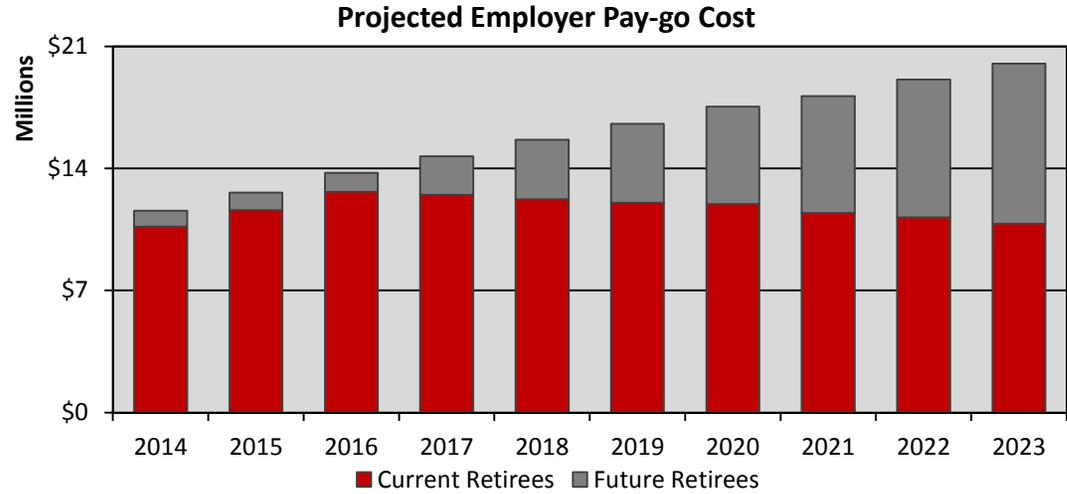
<sup>7</sup> Discount rate used for FY 2013/14 valuation was reduced from 7.00% to 4.50% for State Personnel and from 5.25% to 4.50% for ISP.



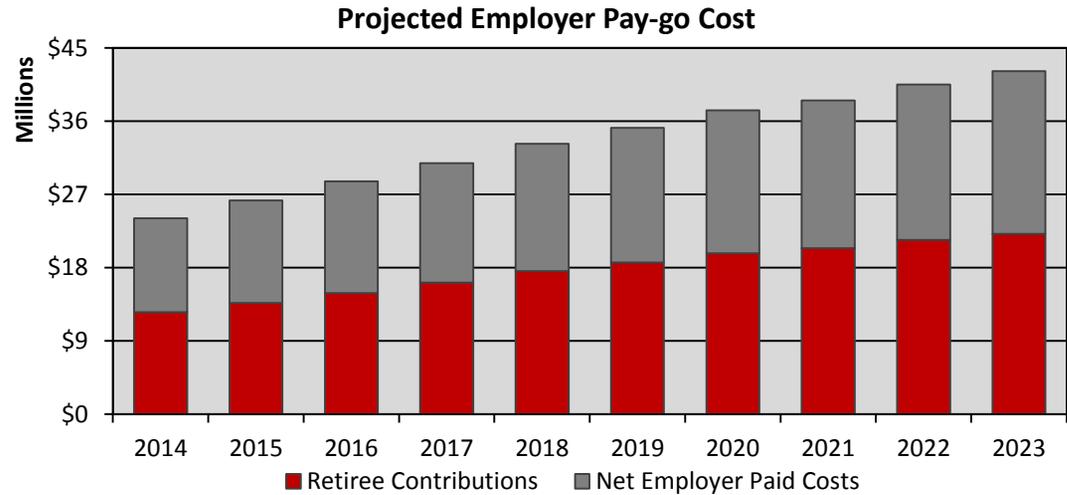
### Employer Contribution Cash Flow Projections

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next ten years. Results are shown separately for current /future retirees and gross claim costs/retiree contributions. These projections include explicit and implicit subsidies.

<b>ALL GROUPS</b>			
<b>FYE</b>	<b>Current Retirees</b>	<b>Future Retirees<sup>8</sup></b>	<b>Total</b>
2014	\$ 10,654,556	\$ 917,927	\$ 11,572,483
2015	\$ 11,613,465	\$ 1,000,541	\$ 12,614,006
2016	\$ 12,658,677	\$ 1,090,589	\$ 13,749,266
2017	\$ 12,479,074	\$ 2,210,484	\$ 14,689,558
2018	\$ 12,232,111	\$ 3,423,701	\$ 15,655,812
2019	\$ 12,037,502	\$ 4,521,815	\$ 16,559,317
2020	\$ 11,950,526	\$ 5,604,309	\$ 17,554,835
2021	\$ 11,448,408	\$ 6,706,423	\$ 18,154,831
2022	\$ 11,188,094	\$ 7,917,144	\$ 19,105,238
2023	\$ 10,826,983	\$ 9,182,240	\$ 20,009,223



<b>FYE</b>	<b>Estimated Claims Costs</b>	<b>Retiree Contributions</b>	<b>Net Employer-Paid Costs</b>
2014	\$ 24,095,315	\$ 12,522,832	\$ 11,572,483
2015	\$ 26,263,892	\$ 13,649,886	\$ 12,614,006
2016	\$ 28,627,643	\$ 14,878,377	\$ 13,749,266
2017	\$ 30,855,101	\$ 16,165,543	\$ 14,689,558
2018	\$ 33,241,933	\$ 17,586,121	\$ 15,655,812
2019	\$ 35,197,414	\$ 18,638,097	\$ 16,559,317
2020	\$ 37,330,640	\$ 19,775,805	\$ 17,554,835
2021	\$ 38,552,381	\$ 20,397,550	\$ 18,154,831
2022	\$ 40,519,717	\$ 21,414,479	\$ 19,105,238
2023	\$ 42,158,276	\$ 22,149,053	\$ 20,009,223



<sup>8</sup> Projections for future retirees do not take into account future new hires.



The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next ten years by group.

FYE	State Personnel			Legislature			Indiana State Police		
	Current Retirees	Future Retirees <sup>9</sup>	Total	Current Retirees	Future Retirees <sup>9</sup>	Total	Current Retirees	Future Retirees <sup>9</sup>	Total
2014	\$ 2,823,073	\$ 377,086	\$ 3,200,159	\$ 480,684	\$ 27,557	\$ 508,241	\$ 6,467,536	\$ 486,933	\$ 6,954,469
2015	\$ 3,077,149	\$ 411,024	\$ 3,488,173	\$ 523,946	\$ 30,037	\$ 553,983	\$ 7,049,613	\$ 530,757	\$ 7,580,370
2016	\$ 3,354,092	\$ 448,016	\$ 3,802,108	\$ 571,101	\$ 32,740	\$ 603,841	\$ 7,684,078	\$ 578,525	\$ 8,262,603
2017	\$ 2,669,633	\$ 920,021	\$ 3,589,654	\$ 628,054	\$ 43,666	\$ 671,720	\$ 8,101,673	\$ 1,172,131	\$ 9,273,804
2018	\$ 2,075,541	\$ 1,412,315	\$ 3,487,856	\$ 665,656	\$ 51,495	\$ 717,151	\$ 8,357,881	\$ 1,830,476	\$ 10,188,357
2019	\$ 1,560,865	\$ 1,810,728	\$ 3,371,593	\$ 679,630	\$ 62,319	\$ 741,949	\$ 8,621,226	\$ 2,459,603	\$ 11,080,829
2020	\$ 1,228,741	\$ 2,146,385	\$ 3,375,126	\$ 690,048	\$ 74,072	\$ 764,120	\$ 8,837,717	\$ 3,119,027	\$ 11,956,744
2021	\$ 836,425	\$ 2,435,944	\$ 3,272,369	\$ 701,082	\$ 87,673	\$ 788,755	\$ 8,712,343	\$ 3,848,016	\$ 12,560,359
2022	\$ 553,163	\$ 2,662,153	\$ 3,215,316	\$ 670,328	\$ 98,238	\$ 768,566	\$ 8,701,832	\$ 4,745,681	\$ 13,447,513
2023	\$ 303,395	\$ 2,885,814	\$ 3,189,209	\$ 683,315	\$ 105,213	\$ 788,528	\$ 8,586,237	\$ 5,698,206	\$ 14,284,443

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs
2014	\$ 11,053,041	\$ 7,852,882	\$ 3,200,159	\$ 678,288	\$ 170,047	\$ 508,241	\$ 10,836,373	\$ 3,881,904	\$ 6,954,469
2015	\$ 12,047,814	\$ 8,559,641	\$ 3,488,173	\$ 739,334	\$ 185,351	\$ 553,983	\$ 11,811,645	\$ 4,231,275	\$ 7,580,370
2016	\$ 13,132,117	\$ 9,330,009	\$ 3,802,108	\$ 805,874	\$ 202,033	\$ 603,841	\$ 12,874,693	\$ 4,612,090	\$ 8,262,603
2017	\$ 13,584,835	\$ 9,995,181	\$ 3,589,654	\$ 889,486	\$ 217,766	\$ 671,720	\$ 14,453,007	\$ 5,179,203	\$ 9,273,804
2018	\$ 14,315,017	\$ 10,827,161	\$ 3,487,856	\$ 956,076	\$ 238,925	\$ 717,151	\$ 15,879,028	\$ 5,690,671	\$ 10,188,357
2019	\$ 14,689,399	\$ 11,317,806	\$ 3,371,593	\$ 992,118	\$ 250,169	\$ 741,949	\$ 17,267,700	\$ 6,186,871	\$ 11,080,829
2020	\$ 15,279,651	\$ 11,904,525	\$ 3,375,126	\$ 1,045,134	\$ 281,014	\$ 764,120	\$ 18,610,584	\$ 6,653,840	\$ 11,956,744
2021	\$ 15,370,390	\$ 12,098,021	\$ 3,272,369	\$ 1,083,623	\$ 294,868	\$ 788,755	\$ 19,589,194	\$ 7,028,835	\$ 12,560,359
2022	\$ 15,690,098	\$ 12,474,782	\$ 3,215,316	\$ 1,081,641	\$ 313,075	\$ 768,566	\$ 21,028,414	\$ 7,580,901	\$ 13,447,513
2023	\$ 15,831,459	\$ 12,642,250	\$ 3,189,209	\$ 1,114,940	\$ 326,412	\$ 788,528	\$ 22,375,790	\$ 8,091,347	\$ 14,284,443

<sup>9</sup> Projections for future retirees do not take into account future new hires.



The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next ten years by group.

FYE	Conservation			Excise		
	Current Retirees	Future Retirees <sup>10</sup>	Total	Current Retirees	Future Retirees <sup>10</sup>	Total
2014	\$ 760,495	\$ 16,468	\$ 776,963	\$ 122,768	\$ 9,883	\$ 132,651
2015	\$ 828,940	\$ 17,950	\$ 846,890	\$ 133,817	\$ 10,773	\$ 144,590
2016	\$ 903,545	\$ 19,565	\$ 923,110	\$ 145,861	\$ 11,743	\$ 157,604
2017	\$ 936,803	\$ 50,125	\$ 986,928	\$ 142,911	\$ 24,541	\$ 167,452
2018	\$ 987,262	\$ 84,066	\$ 1,071,328	\$ 145,771	\$ 45,349	\$ 191,120
2019	\$ 1,035,336	\$ 126,182	\$ 1,161,518	\$ 140,445	\$ 62,983	\$ 203,428
2020	\$ 1,064,189	\$ 181,732	\$ 1,245,921	\$ 129,831	\$ 83,093	\$ 212,924
2021	\$ 1,069,330	\$ 235,181	\$ 1,304,511	\$ 129,228	\$ 99,609	\$ 228,837
2022	\$ 1,129,168	\$ 297,617	\$ 1,426,785	\$ 133,603	\$ 113,455	\$ 247,058
2023	\$ 1,118,757	\$ 362,494	\$ 1,481,251	\$ 135,279	\$ 130,513	\$ 265,792

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs
2014	\$ 1,309,493	\$ 532,530	\$ 776,963	\$ 218,120	\$ 85,469	\$ 132,651
2015	\$ 1,427,348	\$ 580,458	\$ 846,890	\$ 237,751	\$ 93,161	\$ 144,590
2016	\$ 1,555,809	\$ 632,699	\$ 923,110	\$ 259,150	\$ 101,546	\$ 157,604
2017	\$ 1,652,119	\$ 665,191	\$ 986,928	\$ 275,654	\$ 108,202	\$ 167,452
2018	\$ 1,776,933	\$ 705,605	\$ 1,071,328	\$ 314,879	\$ 123,759	\$ 191,120
2019	\$ 1,910,627	\$ 749,109	\$ 1,161,518	\$ 337,570	\$ 134,142	\$ 203,428
2020	\$ 2,041,636	\$ 795,715	\$ 1,245,921	\$ 353,635	\$ 140,711	\$ 212,924
2021	\$ 2,132,023	\$ 827,512	\$ 1,304,511	\$ 377,151	\$ 148,314	\$ 228,837
2022	\$ 2,312,221	\$ 885,436	\$ 1,426,785	\$ 407,343	\$ 160,285	\$ 247,058
2023	\$ 2,400,193	\$ 918,942	\$ 1,481,251	\$ 435,894	\$ 170,102	\$ 265,792

<sup>10</sup> Projections for future retirees do not take into account future new hires.







## Substantive Plan Provisions

### Eligibility

*State Employees*

State employees are eligible for retiree health care benefits once they attain age 55 with 15 years of service.

*Judges*

Judges are eligible for retiree health care benefits once they attain age 62 with 8 years of service credit as a participant in the Indiana judges’ retirement fund.

*Prosecuting Attorneys*

Prosecuting attorneys are eligible for retiree health care benefits once they attain age 62 with 10 years of service credit as a participant in the prosecuting attorneys retirement fund.

*All Groups*

Retired employee’s eligibility to continue retiree health care coverage ends when the retiree becomes eligible for Medicare coverage (typically at age 65).

### Spouse Coverage

Surviving spouse coverage ends at the earlier of Medicare eligibility or 2 years after the death of the retiree.

### State Explicit Subsidy

None

### Retiree Contributions

Retirees pay the full premium rate as determined by the State.

### Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The 2015 monthly premium rates by plan for non-tobacco users are as shown below:

Plans	Single	Family
CDHP 1	\$ 437.71	\$ 1,315.34
CDHP 2	\$ 599.17	\$ 1,737.19
Traditional PPO	\$ 971.10	\$ 2,728.18

### Dental and Vision Benefits

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



**Substantive Plan Provisions – Continued**

**Life Insurance** None

**Senate Enrolled Act 501**

*Purpose*

Senate Enrolled Act 501 establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants’ medical expenses after retirement.

*Eligibility*

A participant who:

- a. Is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under PERF; or
- b. Has completed at least 10 years of service as an elected or appointed officer; or
- c. Has completed at least 15 years of service with the state for an employee

is entitled to receive a benefit from this account.

*Annual State Contributions*

The bill requires the state to make annual contributions to the account based on the following schedule:

<b>Employee’s Age</b>	<b>Annual State Contributions</b>
Less than 30	\$ 500
At least 30 but less than 40	\$ 800
At least 40 but less than 50	\$ 1,100
At least 50	\$ 1,400

*Bonus Contributions*

An additional bonus contribution is to be made upon a participant’s retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer.

The additional bonus contribution amount is one thousand dollars (\$1,000) multiplied by the participant’s years of service (rounded down to the nearest whole year).

*Surviving Spouse*

Surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.



## Substantive Plan Provisions – Continued

### Senate Enrolled Act 501

#### *GASB 45 Impact*

The Senate Enrolled Act 501 plan is considered a defined contribution individual account for GASB 43 and 45 purposes and has no unfunded liabilities. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in a Trust Fund. All benefits and expenses in administering the Plan will be paid from the Fund. Money in the Fund may not be transferred, assigned, or otherwise removed from the Fund by the state board of finance, the Agency or any other state agency, and does not revert to the state general fund at the end of any state fiscal year.

The presence of this individual-account is expected to increase the percentage of future retirees electing to continue health coverage under the State plan. As a result, the health coverage election rate assumption was increased to 40% (from historically lower level) for retirements occurring after employees have met the minimum eligibility to use his/her individual account.

The Retirement Medical Benefits Account Trust Fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. Beginning on July 1, 2012, these cigarette tax revenues are temporarily redirected to the General Fund per HEA 1001 (2011) in order to recover prior General Fund overpayments to the plan. Beginning on July 1, 2014, cigarette tax revenues will once again be deposited directly to the trust fund. The plan is 105% funded as of June 30, 2014, and is projected to remain more than 100% funded. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2014, the annual required contribution to the plan was \$38.2 million. This required contribution was covered in full by a combination of (1) \$19.6 million contributed by state agencies that are funded by federal or dedicated funds, (2) \$946 thousand from quasi agencies, and (3) an accumulated General Fund balance held by the Trust.



## Actuarial Assumptions and Methods

<b>Measurement Date</b>	June 30, 2014; results were actuarially rolled back to July 1, 2012 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2012 for the period ending June 30, 2013.
<b>Discount Rate</b>	4.5%
<b>Salary Scale</b>	4.0%
<b>Inflation Rate</b>	3.0%
<b>Census Data</b>	Census data was provided by the State and it was collected as of June 30, 2014. We have reviewed it for reasonableness and no material modifications were made to the census data.
<b>Data Assumption</b>	The State has separate rates for tobacco and non-tobacco users, however these rates are not enforced for retired users. All retirees contribute the non-tobacco rates.
<b>Contribution Funding Policy</b>	The State contributes at least the Annual Required Contribution annually.
<b>Cost Method</b>	Projected Unit Credit
<b>Amortization</b>	Level dollar amount over thirty years based on an open group.
<b>Mortality</b>	Pre and post-retirement mortality rates are based on IRS 2008 Static Mortality Table projected to 2018 using scale AA
<b>Disability</b>	None expected



**Actuarial Assumptions and Methods – Continued**

**Retirement Rate**

Annual retirement rates follow the PERF, PARF, and Judges’ Retirement System rates as of June 30, 2013. Sample rates are as shown below:

**State Personnel**

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

**Judges**

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

**Attorneys**

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



**Actuarial Assumptions and Methods – Continued**

**Withdrawal Rate**

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

Annual withdrawal rates for judges follow the PERF, PARF, and Judges’ Retirement System as of June 30, 2013. Sample rates are as shown below:

**State Personnel – Male**

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

**State Personnel – Female**

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

**Judges**

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

**Attorney**

Age	Rates
20+	10%



### Actuarial Assumptions and Methods – Continued

#### Per Capita Costs

Annual per capita costs are based on claims and enrollment data for the 24-month period ending April 30, 2014 projected to 2014/15 plan year and includes projected administrative expenses effective on January 1, 2015. The per capita costs were actuarially increased to a retiree-basis using health index factors and enrollment by plan. The costs are assumed to increase with health care trend rates.

Age	Trad PPO	CDHP 1	CDHP 2
50 – 54	\$ 13,400	\$ 5,300	\$ 8,800
55 – 59	\$ 16,300	\$ 6,500	\$ 10,400
60 – 64	\$ 20,100	\$ 8,000	\$ 12,800

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

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

#### Health Care Trend Rates

FYE	Medical/Rx Combined	FYE	Medical/Rx Combined
2015	9.0%	2020	6.5%
2016	8.5%	2021	6.0%
2017	8.0%	2022	5.5%
2018	7.5%	2023+	5.0%
2019	7.0%		

#### Contribution Trend Rates

Retiree contributions are assumed to increase with Health Care Trend Rates.

#### Spousal Coverage

70% of male and 55% of female employees are assumed to be married upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage for current retirees is based on actual data.



**Actuarial Assumptions and Methods – Continued**

**Health Care Coverage Election Rate**

*Active Employees*

Actives with Current Health Coverage

15% of employees are assumed to elect coverage at retirement. Once the employees have met the PERF eligibility for normal, unreduced or a disability pension, the election rate increases to 40% due to the presence of the Senate Enrolled Act 501 account balance.

PERF eligibility requirement is the earlier of:

- a. Age 55 with 85 points
- b. Age 60 with 15 years of service
- c. Age 65 with 10 years of service

Actives without Current Health Coverage

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

*Inactive Employees*

Based on actual data

**Explicit Subsidy**

The difference between (a) the premium rate approved by the State and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retiree enrolled in CDHP 1 plan with non-tobacco use incentive.

	<b>Premium Rate</b>	<b>Retiree Contribution</b>	<b>Explicit Subsidy</b>
	<b>A</b>	<b>B</b>	<b>C = A – B</b>
Retiree	\$ 437.71	\$ 437.71	\$ 0.00
Spouse	\$ 877.63	\$ 877.63	\$ 0.00



**Actuarial Assumptions and Methods – Continued**

**Implicit Age Subsidy**

The difference between (a) the per capita cost as determined by Nyhart and (b) the premium rate approved by the State. Below is an example of the monthly implicit subsidies for a retiree age 60 enrolled in CDHP 1 plan with non-tobacco incentive.

	Per Capita Cost	Premium Rate*	Implicit Age Subsidy
	A	B	C = A – B
Retiree	\$ 666.67	\$ 437.71	\$ 228.96
Spouse	\$ 666.67	\$ 666.67	\$ 0.00

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

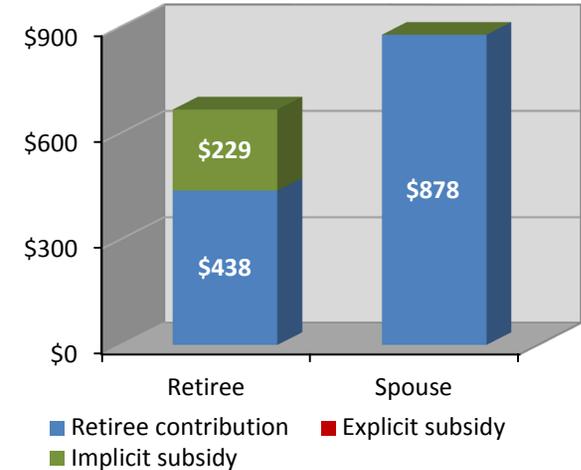
\* Spouse premium rate has been limited to the per capita cost.

**GASB Subsidy Breakdown**

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

	Retiree		Spouse	
Retiree contribution	\$	437.71	\$	877.63
Explicit subsidy	\$	0.00	\$	0.00
Implicit subsidy	\$	228.96	\$	0.00
Total monthly cost	\$	666.67	\$	877.63

**GASB Subsidy Breakdown (SOI and Legislature)**







## Substantive Plan Provisions

### Eligibility

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

### Spouse Coverage

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

### State Explicit Subsidy

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

### Retiree Contributions

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

### Medical Benefit

The same benefit options are available to retirees as active employees. All health plans are self-insured. The 2015 monthly premium rates by plan for non-tobacco users are as shown below (for those enrolled in State plans only):

Plans	Single	Family
CDHP 1	\$ 437.71	\$ 1,315.34
CDHP 2	\$ 599.17	\$ 1,737.19
Traditional PPO	\$ 971.10	\$ 2,728.18

### Dental and Vision Benefits

There is no GASB liability generated for dental and vision benefits for future retirees as they pay the full cost for these benefits. Grandfathered retirees receive free dental benefits and subsidized vision benefits. The 2015 monthly premium rates for dental and vision benefits are as shown below:

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



**Substantive Plan Provisions – Continued**

**Senate Enrolled Act 501**

*Purpose*

Senate Enrolled Act 501 establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants’ medical expenses after retirement.

*Eligibility*

A participant who:

- a. Is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under PERF; or
- b. Has completed at least 10 years of service as an elected or appointed officer; or
- c. Has completed at least 15 years of service with the state for an employee

is entitled to receive a benefit from this account.

*Annual State Contributions*

The bill requires the state to make annual contributions to the account based on the following schedule:

<b>Employee’s Age</b>	<b>Annual State Contributions</b>
Less than 30	\$ 500
At least 30 but less than 40	\$ 800
At least 40 but less than 50	\$ 1,100
At least 50	\$ 1,400

*Bonus Contributions*

An additional bonus contribution is to be made upon a participant’s retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer.

The additional bonus contribution amount is one thousand dollars (\$1,000) multiplied by the participant’s years of service (rounded down to the nearest whole year).

*Surviving Spouse*

Surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.



## Substantive Plan Provisions – Continued

### Senate Enrolled Act 501

#### *GASB 45 Impact*

The Senate Enrolled Act 501 plan is considered a defined contribution individual account for GASB 43 and 45 purposes and has no unfunded liabilities. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in a Trust Fund. All benefits and expenses in administering the Plan will be paid from the Fund. Money in the Fund may not be transferred, assigned, or otherwise removed from the Fund by the state board of finance, the Agency or any other state agency, and does not revert to the state general fund at the end of any state fiscal year.

The presence of this individual-account is expected to increase the percentage of future retirees electing to continue health coverage under the State plan. As a result, the health coverage election rate assumption was increased to 40% (from historically lower level) for retirements occurring after employees have met the minimum eligibility to use his/her individual account.

The Retirement Medical Benefits Account Trust Fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. Beginning on July 1, 2012, these cigarette tax revenues are temporarily redirected to the General Fund per HEA 1001 (2011) in order to recover prior General Fund overpayments to the plan. Beginning on July 1, 2014, cigarette tax revenues will once again be deposited directly to the trust fund. The plan is 105% funded as of June 30, 2014, and is projected to remain more than 100% funded. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2014, the annual required contribution to the plan was \$38.2 million. This required contribution was covered in full by a combination of (1) \$19.6 million contributed by state agencies that are funded by federal or dedicated funds, (2) \$946 thousand from quasi agencies, and (3) an accumulated General Fund balance held by the Trust.



## Actuarial Assumptions and Methods

<b>Measurement Date</b>	June 30, 2014; results were actuarially rolled back to July 1, 2012 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2013 for the period ending June 30, 2014.
<b>Discount Rate</b>	4.5%
<b>Salary Scale</b>	4.0%
<b>Inflation Rate</b>	3.0%
<b>Census Data</b>	Census data for active House Representatives was provided by the State and it was collected as of June 30, 2014. Census data for all other groups (active and retired Senators and retired House Representatives) was collected as of June 30, 2012. We have reviewed it for reasonableness and no material modifications were made to the census data.
<b>Data Assumption</b>	The State has separate rates for tobacco and non-tobacco users, however these rates are not enforced for retired users. All retirees contribute the non-tobacco rates.
<b>Contribution Funding Policy</b>	Pay-as-you-go cash basis
<b>Cost Method</b>	Projected Unit Credit
<b>Amortization</b>	Level dollar amount over thirty years based on an open group
<b>Mortality</b>	Pre and post-retirement mortality rates are based on IRS 2008 Static Mortality Table projected to 2018 using scale AA
<b>Withdrawal Rate</b>	None
<b>Disability</b>	None



**Actuarial Assumptions and Methods – Continued**

**Retirement Rate**

Annual retirement rates by group are as shown below.

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

**Health Care Coverage Election Rate**

*Active Employees*

Actives with Current Health Coverage

15% of employees are assumed to elect coverage at retirement. Once the employees have met the PERF eligibility for normal, unreduced or a disability pension, the election rate increases to 40% due to the presence of the Senate Enrolled Act 501 account balance.

PERF eligibility requirement is the earlier of:

- a. Age 55 with 85 points
- b. Age 60 with 15 years of service
- c. Age 65 with 10 years of service

Actives without Current Health Coverage

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

*Inactive Employees*

Based on actual data.



### Actuarial Assumptions and Methods – Continued

#### Spousal Coverage

100% of employees are assumed to be married upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage for current retirees is based on actual data.

#### Per Capita Costs

For those enrolled in the State plans, annual per capita costs are based on claims and enrollment data for the 24-month period ending April 30, 2014 projected to 2014/15 plan year that includes projected administrative expenses effective on January 1, 2015. For those enrolled in the ISP plan, annual per capita costs are based on claims and enrollment data for the 24-month period ending December 31, 2013 projected to 2014/15 plan year and includes administrative expenses effective on January 1, 2015. The per capita costs were actuarially increased to a retiree-basis using health index factors and enrollment by plan. The costs are assumed to increase with health care trend rates.

Age	Trad PPO	CDHP 1
50 – 54	\$ 13,400	\$ 5,300
55 – 59	\$ 16,300	\$ 6,500
60 – 64	\$ 20,100	\$ 8,000
65 – 69	\$ 5,800	\$ 2,300
70 – 74	\$ 6,900	\$ 2,700
75+	\$ 8,000	\$ 3,200

Age	CDHP 2	ISP*
50 – 54	\$ 8,800	\$ 7,300
55 – 59	\$ 10,400	\$ 8,800
60 – 64	\$ 12,800	\$ 10,900
65 – 69	\$ 3,700	\$ 3,300
70 – 74	\$ 4,400	\$ 3,900
75+	\$ 5,100	\$ 4,500

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

\* ISP per capita costs above include dental and vision costs.



**Actuarial Assumptions and Methods – Continued**

**Health Care Trend Rates**

FYE	All Benefits
2015	9.0%
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

**Retiree Contributions**

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

**Explicit Subsidy**

The difference between (a) the premium rate approved by the State and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retiree enrolled in CDHP 1 plan with non-tobacco use incentive.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 437.71	\$ 437.71	\$ 0.00
Spouse	\$ 877.63	\$ 877.63	\$ 0.00



**Actuarial Assumptions and Methods – Continued**

**Implicit Age Subsidy**

The difference between (a) the per capita cost as determined by Nyhart and (b) the premium rate approved by the State. Below is an example of the monthly implicit subsidies for a retiree age 60 enrolled in CDHP 1 plan with non-tobacco incentive.

	Per Capita Cost	Premium Rate*	Implicit Age Subsidy
	A	B	C = A – B
Retiree	\$ 666.67	\$ 437.71	\$ 228.96
Spouse	\$ 666.67	\$ 666.67	\$ 0.00

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

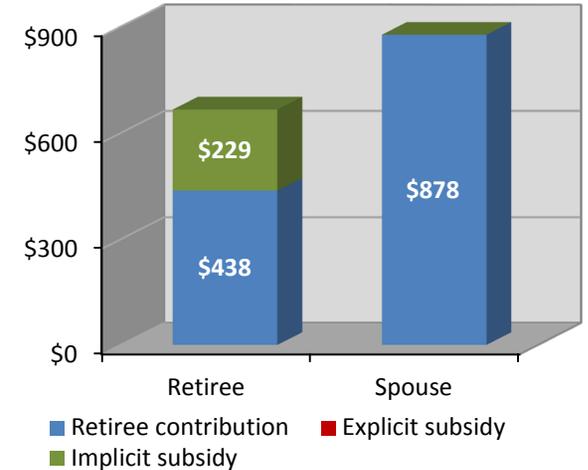
\* Spouse premium rate has been limited to the per capita cost.

**GASB Subsidy Breakdown**

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

	Retiree		Spouse	
Retiree contribution	\$	437.71	\$	877.63
Explicit subsidy	\$	0.00	\$	0.00
Implicit subsidy	\$	228.96	\$	0.00
Total monthly cost	\$	666.67	\$	877.63

**GASB Subsidy Breakdown (SOI and Legislature)**







## Substantive Plan Provisions

### Eligibility

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

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

### Spouse Coverage

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

### Medical Benefit

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

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

The 2015 monthly premium rates effective on January 1, 2015 (as determined by the Indiana State Police) for the plans are as shown below:

	Retiree Only	Retiree plus One Dependent
<u>Pre-Medicare</u>		
Basic Plan	\$ 395.36	\$ 508.52
Optional Plan	\$ 462.31	\$ 631.65
<u>Post-Medicare</u>		
Basic Plan	\$ 145.16	\$ 174.76
Optional Plan	\$ 169.16	\$ 223.02



**Substantive Plan Provisions – Continued**

**State Police Explicit Subsidy**

None

**Retiree Contributions**

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

<b>Optional Plan</b>	<b>Retiree Only</b>	<b>Retiree plus One Dependent</b>	<b>Spouse Increment</b>
Pre-Medicare	\$ 462.31	\$ 631.65	\$ 169.34
Post-Medicare	\$ 169.16	\$ 223.02	\$ 53.86

<b>Basic Plan</b>	<b>Retiree Only</b>	<b>Retiree plus One Dependent</b>	<b>Spouse Increment</b>
Pre-Medicare	\$ 395.36	\$ 508.52	\$ 113.16
Post-Medicare	\$ 145.16	\$ 174.76	\$ 29.60

**Life Insurance**

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

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

**Disability Benefit**

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

**Senate Enrolled Act 501**

*Purpose*

Senate Enrolled Act 501 establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical expenses after retirement.

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



## Actuarial Assumptions and Methods

<b>Measurement Date</b>	June 30, 2014; results were actuarially rolled back to July 1, 2012 on a “no gain/loss” basis because the State has elected to use the actuarial liability results for the period ending June 30, 2013 for the period ending June 30, 2014.
<b>Discount Rate</b>	4.5%
<b>Salary Scale</b>	4.0%
<b>Inflation Rate</b>	3.0%
<b>Census Data</b>	<p>Census data was provided by the State and it was collected as of June 30, 2014. We have reviewed it for reasonableness and have made the following adjustment to the census data:</p> <ul style="list-style-type: none"><li>• Participants who were found in both State Personnel and ISP census data are included in the ISP census data for valuation purposes. These participants are eligible to receive retiree health care coverage thru ISP once they meet the eligibility requirements.</li><li>• Hire dates for employees hired after June 30, 2014 have been changed to June 30, 2014.</li></ul>
<b>Contribution Funding Policy</b>	<p>Indiana State Police has established a 401(h) account and Section 115 Trust for the purpose of funding retiree medical benefits since FYE June 30, 2011. Contributions to the 401(h) account and Section 115 Trust will be made from the following sources:</p> <ol style="list-style-type: none"><li>1. Medicare Part D retiree drug subsidy reimbursement</li><li>2. Excess Long-Term Disability (LTD) fund</li><li>3. A percentage of retiree premiums according to the following schedule:<ol style="list-style-type: none"><li>a. Starting January 1, 2012 through June 30, 2014: 0%</li><li>b. July 1, 2014 through June 30, 2016: 25%</li><li>c. July 1, 2016 through June 30, 2018: 50%</li><li>d. July 1, 2018 onwards: 100%</li></ol></li><li>4. State contributions for ISP active employees in accordance with SEA 501</li></ol> <p>Additionally, active employees will contribute \$20 per paycheck towards the 401(h) Trust account.</p> <p>At this time, the ISP new funding policy is expected to continue for the foreseeable future.</p>
<b>Cost Method</b>	Projected Unit Credit
<b>Amortization</b>	Level dollar amount over thirty years based on an open group.



**Actuarial Assumptions and Methods – Continued**

**Mortality**

Healthy retirees: IRS 2008 Static Mortality Table projected to 2018 using scale AA  
Disabled retirees: 115% of IRS 2008 Static Mortality Table projected to 2018 using scale AA

**Withdrawal Rate**

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

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

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

**Disability**

Sample rates are as shown below.

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

**Retirement Rate**

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

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



### Actuarial Assumptions and Methods – Continued

#### Data Assumptions

15% of future retirees are assumed to elect the Basic Plan (without dental and vision benefits)

#### Per Capita Costs

Annual per capita costs are based on claims and enrollment data for the 24-month period ending December 31, 2013 projected to 2014/15 plan year and includes administrative expenses effective on January 1, 2015. The per capita costs were actuarially increased to a retiree-basis using health index factors and enrollment. These costs are assumed to increase with health care trend rates.

#### Non-Disabled Retirees

Age	Male	Female
50 – 54	\$ 7,100	\$ 8,400
55 – 59	\$ 9,600	\$ 9,400
60 – 64	\$ 12,300	\$ 11,100
65 – 69	\$ 3,300	\$ 3,300
70 – 74	\$ 3,900	\$ 3,900
75+	\$ 4,500	\$ 4,500

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

#### Disabled Retirees

Age	Male	Female
<65	\$ 3,300	\$ 3,300
65 – 69	\$ 3,300	\$ 3,300
70 – 74	\$ 3,900	\$ 3,900
75+	\$ 4,500	\$ 4,500

#### Retiree Contributions

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



**Actuarial Assumptions and Methods – Continued**

**Health Care Trend Rates**

FYE	Pre/Post-65
2015	9.0%
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

**Health Care Coverage Election Rate**

*Active Employees*

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

*Inactive Employees*

Based on actual data

**Spousal Coverage**

80% of male and 40% of female employees are assumed to be married upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage for current retirees is based on actual data.



**Actuarial Assumptions and Methods – Continued**

**Explicit Subsidy**

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

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 462.31	\$ 462.31	\$ 0.00
Spouse	\$ 169.34	\$ 169.34	\$ 0.00

**Implicit Age Subsidy**

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

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 1,025.00	\$ 462.31	\$ 562.69
Spouse	\$ 925.00	\$ 169.34	\$ 755.66

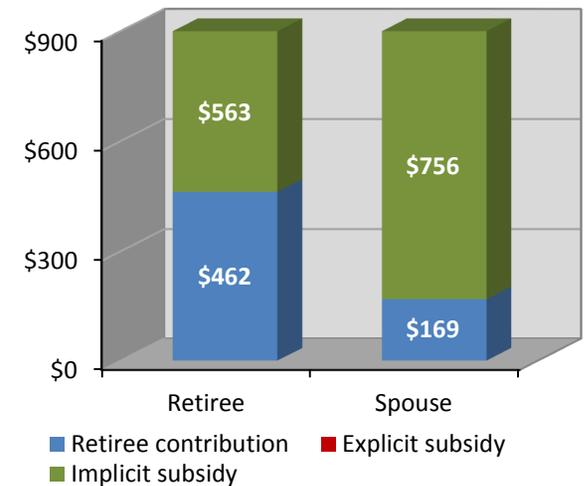
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

**GASB Subsidy Breakdown**

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

	Retiree		Spouse	
Retiree contribution	\$	462.31	\$	169.34
Explicit subsidy	\$	0.00	\$	0.00
Implicit subsidy	\$	562.69	\$	755.66
Total monthly cost	\$	1,025.00	\$	925.00

**GASB Subsidy Breakdown (ISP)**







## Substantive Plan Provisions

### Eligibility

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

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

### Spouse Coverage

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

### Medical Benefit

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

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

### Life Insurance

None

### CEP Explicit Subsidy

Post-Medicare medical benefits are explicitly subsidized.

### Senate Enrolled Act 501

#### *Purpose*

Senate Enrolled Act 501 establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical expenses after retirement.

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



**Substantive Plan Provisions – Continued**

**Retiree Contributions**

2015 monthly retiree contributions effective on January 1, 2015 as determined by CEP are split by benefit as shown below. The dental and vision costs below are determined based on dental and vision claims and enrollment information for the 24-month period ending December 31, 2013 projected to 2014/15 plan year and includes administrative expenses effective on January 1, 2015. Contributions are allocated to vision benefit first, dental second, and medical last.

	<b>Single</b>	<b>Family</b>	<b>Incremental Spouse Cost</b>
<u>Pre-Medicare</u>			
Medical	\$ 301.10	\$ 518.77	\$ 217.67
Dental	\$ 30.84	\$ 61.68	\$ 30.84
Vision	\$ 5.90	\$ 11.80	\$ 5.90
Total	\$ 337.84	\$ 592.25	\$ 254.41
<u>Post-Medicare</u>			
Medical	\$ 98.19	\$ 120.16	\$ 21.97
Dental	\$ 30.84	\$ 61.68	\$ 30.84
Vision	\$ 5.90	\$ 11.80	\$ 5.90
Total	\$ 134.93	\$ 193.64	\$ 58.71



## Actuarial Assumptions and Methods

<b>Measurement Date</b>	June 30, 2014; results were actuarially rolled back to July 1, 2012 on a “no gain/loss” basis as the State has elected to use the actuarial liability results for the period ending on June 30, 2013 for the period ending June 30, 2014.
<b>Discount Rate</b>	4.5%
<b>Salary Scale</b>	4.0%
<b>Inflation Rate</b>	3.0%
<b>Census Data</b>	<p>Census data was provided by the State and it was collected as of June 30, 2014. We have reviewed it for reasonableness and no material modifications were made to the census data except for the following:</p> <ul style="list-style-type: none"><li>• Hire dates for employees hired after June 30, 2014 have been changed to June 30, 2014.</li></ul>
<b>Data Assumptions</b>	All employees are assumed to elect medical, dental, and vision coverage at retirement.
<b>Contribution Funding Policy</b>	<p>The Conservation and Excise Police maintain a separate health plan for its active and retired employees. The plan is self-insured and the Conservation and Excise Police maintain stop-loss reinsurance to protect against excessive claims. The annual cost of the plan is financed on a pay-as-you-go basis from State subsidies and active/retiree contributions. The Conservation and Excise Police also has the ability to manage plan costs by changing the benefit design to less expensive designs. The State contributes the same employer subsidy per active employee as regular State employees to the Conservation and Excise Police health fund. There is no direct State subsidy for retiree health care.</p> <p>The Conservation and Excise Police active employees are younger and healthier, as a group, than regular State employees which results in lower health care costs per employee when comparing the two groups. Because of the lower active health costs, the State subsidy per employee is sufficient to cover the active health costs and create a surplus which is then used to subsidize the current retiree health care costs.</p> <p>Starting in FYE June 30, 2012, the Conservation and Excise Police started pre-funding retiree health benefits.</p>



**Actuarial Assumptions and Methods – Continued**

<b>Cost Method</b>	Projected Unit Credit
<b>Amortization</b>	Level dollar amount over thirty years based on an open group.
<b>Mortality</b>	Pre and post-retirement mortality rates are based on IRS 2008 Static Mortality Table projected to 2018 using scale AA
<b>Disability</b>	None
<b>Withdrawal Rate</b>	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health care coverage. Annual withdrawal rates are based on Saranson T-1 table. Sample rates are as shown below.

<b>Age</b>	<b>Male</b>
25	4.9%
35	2.3%
45	0.3%
50	0.0%

**Retirement Rate** Annual retirement rates are as shown below.

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



### Actuarial Assumptions and Methods – Continued

#### Per Capita Costs

Annual per capita costs are based on claims and enrollment data for the 24-month period ending December 31, 2013 projected to 2014/15 plan year and includes administrative expenses effective on January 1, 2015. The per capita costs were actuarially increased to a retiree-basis using health index factors and enrollment. These costs are assumed to increase with health care trend rates.

Age	Male	Female
50 – 54	\$ 5,600	\$ 6,500
55 – 59	\$ 7,500	\$ 7,300
60 – 64	\$ 9,600	\$ 8,600
65 – 69	\$ 2,700	\$ 2,700
70 – 74	\$ 3,200	\$ 3,200
75+	\$ 3,800	\$ 3,800

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

#### Retiree Contributions

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

#### Health Care Trend Rates

FYE	Pre/Post-65
2015	9.0%
2016	8.5%
2017	8.0%
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.



### Actuarial Assumptions and Methods – Continued

#### Health Care Coverage Election Rate

*Active Employees*

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

*Inactive Employees*

Based on actual data.

#### Spousal Coverage

85% of male and 25% of female employees are assumed to be married upon retirement. Husbands are assumed to be three years older than wives.

Spousal coverage for current retirees is based on actual data.

#### Explicit Subsidy

The difference between (a) the Nyhart calculated premium equivalent rates and (b) the retiree contribution approved by CEP for medical benefits only. Below is an example of the monthly explicit subsidies for a retiree age 60 with spousal coverage.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 438.16	\$ 301.10	\$ 137.06
Spouse	\$ 438.16	\$ 217.67	\$ 220.49

#### Implicit Subsidy

The difference between (a) the per capita cost and (b) the Nyhart calculated premium equivalent rates. Below is an example of the monthly medical implicit subsidies for a male retiree age 60 and his spouse of the same age.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 800.00	\$ 438.16	\$ 361.84
Spouse	\$ 716.67	\$ 438.16	\$ 278.51

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



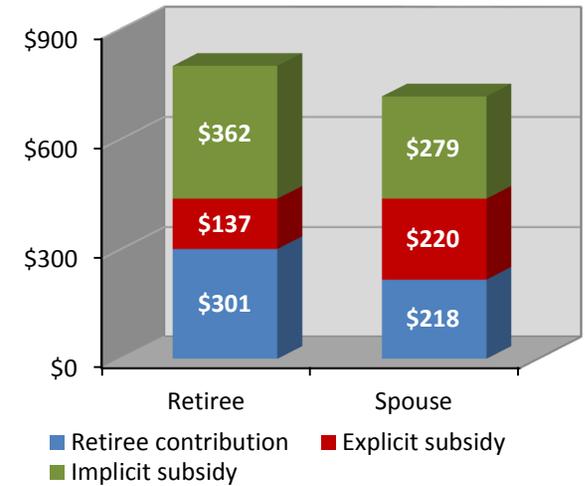
**Actuarial Assumptions and Methods – Continued**

**GASB Subsidy Breakdown**

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

	Retiree		Spouse	
Retiree contribution	\$	301.10	\$	217.67
Explicit subsidy	\$	137.06	\$	220.49
Implicit subsidy	\$	361.84	\$	278.51
<b>Total monthly cost</b>	<b>\$</b>	<b>800.00</b>	<b>\$</b>	<b>716.67</b>

**GASB Subsidy Breakdown (DNR)**







**Active Participants with Coverage**

<i>Actives with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
<b>State Personnel<sup>11</sup></b>						
Traditional PPO	652	206	858	57.9	18.0	\$ 40,262,604
CDHP 1	7,786	13,232	21,018	45.6	11.5	\$ 886,434,996
CDHP 2	1,221	1,267	2,488	50.3	13.0	\$ 113,007,573
<b>Total with coverage</b>	<b>9,659</b>	<b>14,705</b>	<b>24,364</b>	<b>46.5</b>	<b>11.9</b>	<b>\$ 1,039,705,173</b>
<b>Legislature</b>						
Traditional PPO	N/A	N/A	3	55.4	13.8	\$ N/A
CDHP 1	N/A	N/A	73	52.3	7.3	\$ N/A
CDHP 2	N/A	N/A	7	60.4	20.7	\$ N/A
Indiana State Police	N/A	N/A	51	64.2	16.0	\$ N/A
<b>Total with coverage</b>	<b>N/A</b>	<b>N/A</b>	<b>134</b>	<b>57.4</b>	<b>11.4</b>	<b>\$ N/A</b>
<b>Indiana State Police</b>	<b>350</b>	<b>1,274</b>	<b>1,624</b>	<b>42.5</b>	<b>14.8</b>	<b>\$ 83,501,987</b>
<b>Conservation and Excise Police</b>	<b>60</b>	<b>141</b>	<b>201</b>	<b>43.0</b>	<b>17.9</b>	<b>\$ 11,141,490</b>

**Active Participants without Coverage<sup>12</sup>**

<i>Actives with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
State Personnel			3,356	47.5	10.0	\$ 142,398,423
Legislature			14	56.7	12.0	\$ N/A
Indiana State Police			3	58.2	31.5	\$ N/A
Conservation and Excise Police			49	32.1	6.3	\$ 2,153,084

<sup>11</sup> Including judges, prosecuting attorneys, civilian employees of Indiana State Police enrolled in the State plans and legislative support staff.

<sup>12</sup> 40% of active employees who currently have no coverage are assumed to elect coverage after meeting PERF eligibility requirement. They have been included in the GASB valuation.



**Retired Participants**

<i>Retirees with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>
<b>State Personnel</b>				
Traditional PPO	99	11	110	63.6
CDHP 1	575	237	812	62.1
CDHP 2	181	42	223	62.9
<b>Total with coverage</b>	<b>855</b>	<b>290</b>	<b>1,145</b>	<b>62.4</b>
<b>Legislature</b>				
Traditional PPO	N/A	N/A	33	70.5
CDHP 1	N/A	N/A	5	61.0
CDHP 2	N/A	N/A	2	55.2
Indiana State Police	N/A	N/A	5	71.6
<b>Total with coverage</b>	<b>N/A</b>	<b>N/A</b>	<b>45</b>	<b>68.9</b>
<b>Indiana State Police<sup>13</sup></b>	<b>344</b>	<b>753</b>	<b>1,097</b>	<b>69.2</b>
<b>Conservation and Excise Police</b>	<b>36</b>	<b>131</b>	<b>167</b>	<b>66.5</b>

<sup>13</sup> Additionally, there are 242 retirees who currently have no health coverage with ISP but they have life insurance coverage. They have been included in the GASB valuation.



**Active Age-Service Distribution for State Personnel**

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	310	587	1								898
25 to 29	371	1,732	388	3							2,494
30 to 34	245	1,193	1,159	232	5						2,834
35 to 39	194	883	846	547	164	5					2,639
40 to 44	151	808	876	556	490	211	6				3,098
45 to 49	130	693	812	552	439	493	231	20			3,370
50 to 54	122	653	801	610	488	459	579	286	60		4,058
55 to 59	94	551	715	599	540	493	493	389	304	28	4,206
60 to 64	38	312	562	438	358	315	288	192	297	140	2,940
65 to 69	9	83	224	160	108	89	78	51	54	74	930
70 & up	3	13	52	39	32	38	25	9	15	27	253
<b>Total</b>	<b>1,667</b>	<b>7,508</b>	<b>6,436</b>	<b>3,736</b>	<b>2,624</b>	<b>2,103</b>	<b>1,700</b>	<b>947</b>	<b>730</b>	<b>269</b>	<b>27,720</b>



Active Age-Service Distribution for Legislature

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25												0
25 to 29		2										2
30 to 34	1	4										5
35 to 39		4										4
40 to 44	1	8	7	1	1							18
45 to 49		5	7	4								16
50 to 54		5	5	1	1	1						13
55 to 59	2	8	2	2	5	3	1					23
60 to 64		5	5	1	4	4	1	2				22
65 to 69		5	7	2	3	3	4					24
70 & up		3	2		2	1	5	5	2	1		21
<b>Total</b>	<b>4</b>	<b>49</b>	<b>35</b>	<b>11</b>	<b>16</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>2</b>	<b>1</b>		<b>148</b>



**Active Age-Service Distribution for Indiana State Police**

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	29	14	1								44
25 to 29	20	94	55								169
30 to 34	7	33	172	13	1						226
35 to 39	6	17	79	88	40						230
40 to 44	2	8	49	58	184	22	1				324
45 to 49	2	5	14	19	66	82	35	1			224
50 to 54	2	6	5	10	21	30	101	18	1		194
55 to 59	2	2	7	12	12	12	25	52	11	3	138
60 to 64	1	6	7	6	8	4	8	9	7	8	64
65 to 69		1			2	2	1		4	2	12
70 & up					1		1				2
<b>Total</b>	<b>71</b>	<b>186</b>	<b>389</b>	<b>206</b>	<b>335</b>	<b>152</b>	<b>172</b>	<b>80</b>	<b>23</b>	<b>13</b>	<b>1,627</b>



**Active Age-Service Distribution for Conservation and Excise Police**

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	4	8									12
25 to 29	1	10	8								19
30 to 34		3	30	18							51
35 to 39		4	11	14	9						38
40 to 44			7	7	30	5					49
45 to 49				2	7	15	6				30
50 to 54						3	21	6			30
55 to 59			1		1		1	12	4		19
60 to 64								1	1		2
65 to 69											0
70 & up											0
<b>Total</b>	<b>5</b>	<b>25</b>	<b>57</b>	<b>41</b>	<b>47</b>	<b>23</b>	<b>28</b>	<b>19</b>	<b>5</b>	<b>0</b>	<b>250</b>





### Conservation and Excise Police GASB Results Breakdown

Below is the summary of the GASB results for fiscal year ending June 30, 2014 based on the Projected Unit Credit cost method with a discount rate of 4.5%.

<i>Union Groups</i>	<i>Actuarial Accrued Liability (AAL)</i> <i>As of June 30, 2014</i>	<i>Actuarial Value of Assets</i> <i>As of June 30, 2014</i>	<i>Unfunded AAL (UAAL)</i> <i>As of June 30, 2014</i>	<i>Annual Required Contribution (ARC)</i> <i>For 2013/14</i>
Conservation	\$ 30,656,872	\$ 6,822,841	\$ 23,834,031	\$ 2,185,727
Excise	\$ 7,405,881	\$ 2,200,581	\$ 5,205,300	\$ 635,887
<b>Total</b>	<b>\$ 38,062,753</b>	<b>\$ 9,023,422</b>	<b>\$ 29,039,331</b>	<b>\$ 2,821,614</b>



### Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	<i>As of June 30, 2012</i>				<i>As of June 30, 2014</i>			
	<i>State Personnel</i>	<i>Legislature</i>	<i>ISP</i>	<i>CEP</i>	<i>State Personnel</i>	<i>Legislature</i>	<i>ISP</i>	<i>CEP</i>
Active Participants <sup>14</sup>	22,981	101	1,731	252	24,364	134	1,624	201
Retired Participants <sup>15</sup>	1,096	48	1,103	144	1,145	45	1,097	167
<b>Averages for Active</b>								
Age	48.1	58.3	42.0	41.7	46.5	57.4	42.5	43.0
Service	13.4	12.7	14.4	16.2	11.9	11.4	14.8	17.9
<b>Averages for Inactive</b>								
Age	61.2	67.0	68.0	65.3	62.4	68.9	69.2	66.5

<sup>14</sup> Only includes employees who have medical coverage. Refer to Summary of Plan Participants section for an accurate breakdown of active employees with and without medical coverage.

<sup>15</sup> The retired enrollment figures above exclude spouses and those who currently have no health coverage. ISP retired participants enrollment exclude those who have life insurance benefits only and include beneficiaries. Refer to Summary of Plan Participants section for an accurate breakdown of retirees with and without medical coverage.



**Data Reconciliation by Group**

	<i>State Personnel</i>	<i>Indiana State Police (ISP)</i>	<i>Conservation and Excise Police (CEP)</i>
<b>Active employees with coverage</b>			
Actives as of June 30, 2012	22,981	1,731	252
Terminated	(4,770)	(180)	(5)
New hires	6,400	156	9
Transfer to / from different employee group	(1)		(8)
Active employees who retired	(476)	(81)	(20)
Retirees who returned to active employment	34	(1)	
Other adjustment <sup>16</sup>	196	(1)	(27)
<b>Actives as of June 30, 2014</b>	<b>24,364</b>	<b>1,624</b>	<b>201</b>
<b>Retirees with coverage</b>			
Retirees as of June 30, 2012	1,684	1,025	144
Active employees who retired	514	70	22
Retirees who returned to active employment	(38)		
Retirees who dropped coverage	(1,163)	(33)	(19)
Retirees who passed away with beneficiaries		(27)	
New retirees <sup>17</sup>	165	4	21
Other adjustment <sup>13</sup>	(17)	(36)	(1)
<b>Retirees as of June 30, 2014</b>	<b>1,145</b>	<b>1,003</b>	<b>167</b>
<b>Beneficiaries with coverage</b>			
Beneficiaries as of June 30, 2012		78	
Active/retirees who passed away with beneficiaries		27	
Beneficiaries who dropped coverage		(11)	
New beneficiaries			
<b>Beneficiaries as of June 30, 2014</b>		<b>94</b>	

<sup>16</sup> This line shows adjustments for participants who have changed health plan enrollment status from June 30, 2012 to June 30, 2014 (i.e. those who did not have coverage before but are currently enrolled, and vice versa).

<sup>17</sup> This line shows new retirees who were not found as active employees in June 30, 2012 census data or those who were previously active in a different employee group.



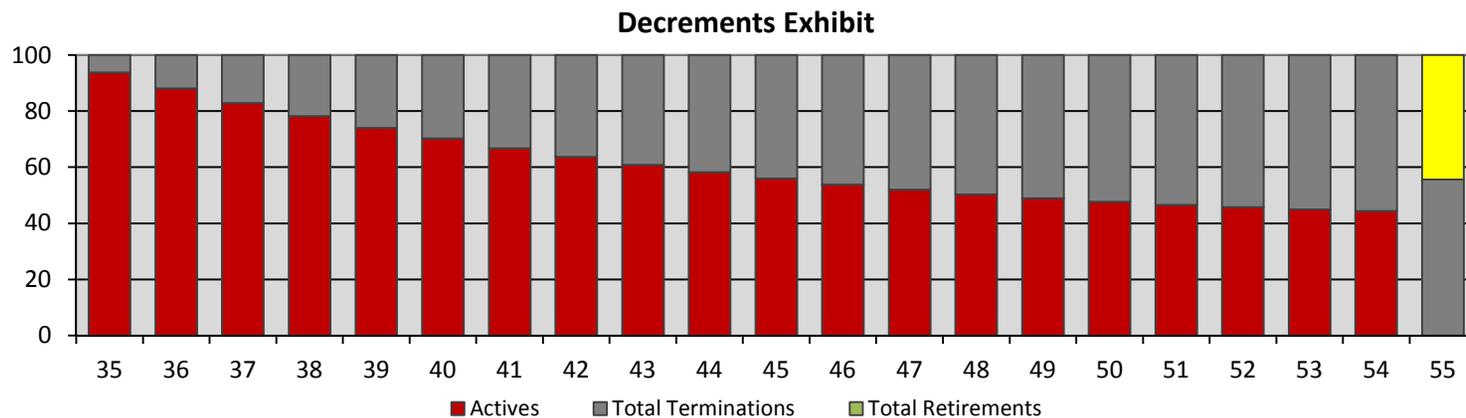


### Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.430 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



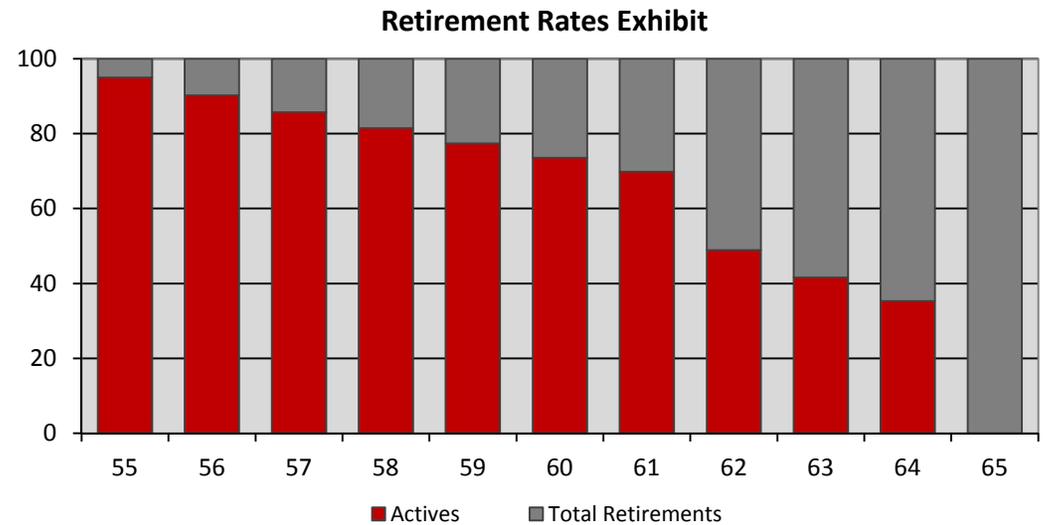
\* The above rates are illustrative rates and are not used in our GASB calculations.



### Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



\* The above rates are illustrative rates and are not used in our GASB calculations.



## Illustration of GASB Calculations

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

### I. Facts

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

### II. Calculation of Present Value of Future Benefits

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

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



**Illustration of GASB Calculations – Continued**

**III. Calculation of Actuarial Accrued Liability**

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

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

**IV. Calculation of Normal Cost**

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

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

**V. Calculation of Annual Required Contribution**

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

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



## Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
  - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
  - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
  - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer’s periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.



**Definitions – Continued**

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.