

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA
ACTUARIAL VALUATION
JULY 1, 2001

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA

ACTUARIAL VALUATION

VALUATION DATE	July 1, 2001
VALUATION YEAR	July 1, 2001 - June 30, 2002

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PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

Summary of Actuarial Valuation as of July 1, 2001

Introduction

As of the valuation date there were 145,019 active participants, 50,769 pensioners and 10,323 terminated participants entitled to future benefits. See the exhibit labeled Summary of Employee Data for a breakdown of the participants between state employees and employees of municipalities.

We have established the following contributions as of July 1, 2001:

	<u>Revised Assumptions</u>		
	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
Total Annual Cost	\$ 72,332,921	\$ 103,486,622	\$ 175,819,543
Cost as Percentage of Anticipated Payroll (Interest adjusted to mid-year)	5.2%	5.0%	5.1%

This report reflects the plan provisions in effect as of July 1, 2001. Refer to the exhibit titled Summary of Major Plan Provisions for a brief description of benefits provided by this plan.

The Total Annual Cost is composed of employer normal cost of \$197,374,637 and a net amortization payment of a negative \$21,555,094. As of July 1, 2001, the Unfunded Actuarial Accrued Liability is a negative \$417,632,106. A breakdown and a comparison with the results of the prior valuation is provided in the exhibit titled Contribution Breakdown and Comparison.

The Total Annual Cost for 2001, as a percent of anticipated payroll increased to 5.1% as compared to 5.0% for 2000. The Fund had experience losses from investments yielding less than the assumed 7.25% (estimated return for the 2000 plan year was 5.77% on an actuarial value basis) which were partially offset by experience gains from salaries being increased less than the assumed 5% and other miscellaneous items. In terms of actual dollars, the Total Annual Cost increased by \$6,445,678 from \$169,373,865 for the 2000 plan year to \$175,819,543 for the 2001 plan year.

Actuarial Methods and Assumptions

The Entry Age Normal Cost Method was continued for determining the cost of retirement benefits, death benefits, disability benefits, and termination benefits. Valuation assets continue to be developed on an actuarial basis.

The actuarial assumptions used in this Valuation have been reviewed and revised based on an actuarial experience study prepared in 2001.

A brief explanation of the methods and a complete summary of the assumptions used, as revised, may be found in the exhibits titled Actuarial Methods and Actuarial Assumptions.

Valuation Data and Disclaimer

The valuation census data was provided by the Public Employees' Retirement Fund and transposed into a computer file for processing. Similar information has been furnished to us in the past, and the accuracy of this report depends on the accuracy of all data that has been furnished to us from time to time. Trust information was also furnished by the Public Employees' Retirement Fund. It is noted that we make no representation concerning the accuracy of any employee data or valuation information that has been furnished to us.

The Valuation has been prepared for the sole purpose of determining the contribution requirements for the respective plan year and for providing accounting data to meet the requirements of GASB #25 and #27. The figures in this Valuation should not be used as the basis for any other purpose for which it was not designed.

Summary of Trust Experience

Using market value, the assets consist of 80.5% in investments, 13.5% in securities lending collateral, 3.7% in cash and cash equivalents, 2.2% in net accruals and 0.1% in real estate investments and equipment less depreciation. Based on the actuarial value, the entire asset portfolio had net investment income for the 2000 plan year that resulted in an estimated yield of 5.77%. See the exhibit labeled Ten Year Historical Investment Experience for more detail.

We will be pleased to furnish any additional information or answer any questions which may arise after your review of this report.

ACTUARIAL CERTIFICATION

The information and valuation results shown in this report are, to the best of my knowledge, complete and accurate and are based upon:

1. Employee census data as of July 1, 2001 submitted by the Director of the Public Employees' Retirement Fund. Although we did not audit this data, it appears to be sufficient and reliable for purposes of the report.
2. Financial data as of July 1, 2001 submitted by the Director of the Public Employees' Retirement Fund. Although we did not audit this data, it appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions which, in the aggregate, are reasonably related to the experience of the plan and to reasonable expectations, and which represent our best estimate of anticipated experience under the plan.
4. Actuarial methods as stated in the report and our interpretation of plan provisions as summarized in the report.

Sincerely,

Douglas Todd
A.S.A., M.A.A.A., E.A.
Senior Actuary

SUMMARY OF CONTRIBUTIONS

	July 1, 2001		
	State	Municipalities	Total
	<i>Revised Assumptions</i>		
TOTAL ANNUAL COST	\$ 72,332,921	\$ 103,486,622	\$ 175,819,543
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	5.2%	5.0%	5.1%

	July 1, 2001		
	State	Municipalities	Total
	<i>Prior Assumptions</i>		
TOTAL ANNUAL COST	\$ 73,845,373	\$ 107,865,648	\$ 181,711,021
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	5.4%	5.2%	5.3%

*Interest adjusted for mid-year contribution

CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2001		
	State	Municipalities	Total
TOTAL ANNUAL COST (<i>Revised Assumptions</i>)			
Employer Normal Cost	\$ 79,567,647	\$ 117,806,990	\$ 197,374,637
Amortization of Unfunded Actuarial Liability	(7,234,726)	(14,320,368)	(21,555,094)
Total	\$ 72,332,921	\$ 103,486,622	\$ 175,819,543
ANTICIPATED PAYROLL	\$ 1,429,768,169	\$ 2,157,311,469	\$ 3,587,079,638
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	5.2%	5.0%	5.1%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

	July 1, 2001		
	State	Municipalities	Total
Actuarial Accrued Liability (<i>Revised Assumptions</i>)			
- Active Participants	\$ 1,801,648,634	\$ 2,204,246,049	\$ 4,005,894,683
- Terminated Participants	94,857,110	49,886,261	144,743,371
Total	\$ 1,896,505,744	\$ 2,254,132,310	\$ 4,150,638,054
Less: Non-Retired Participant Assets	2,063,626,964	2,504,643,196	4,568,270,160
Equals: Actual Unfunded Actuarial Accrued Liability (UAL)	\$ (167,121,220)	\$ (250,510,886)	\$ (417,632,106)
Unfunded Actuarial Accrued Liability, Prior Year	\$ (258,926,582)	\$ (308,844,739)	\$ (567,771,321)
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(13,658,514)	(18,167,887)	(31,826,401)
Plus: Interest for Full Year at 7.25%	(17,781,935)	(21,074,072)	(38,856,007)
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	45,505,220	46,562,622	92,067,842
Equals: Expected Unfunded Actuarial Accrued Liability (UAL)	\$ (217,544,783)	\$ (265,188,302)	\$ (482,733,085)
Experience (Gain)/Loss [Actual UAL-Expected UAL]	\$ 50,423,563	\$ 14,677,416	\$ 65,100,979

CONTRIBUTION BREAKDOWN AND COMPARISON, Continued

	<u>July 1, 2000</u>		
	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 80,217,996	\$ 120,982,270	\$ 201,200,266
Amortization of Unfunded Actuarial Liability	<u>(13,658,514)</u>	<u>(18,167,887)</u>	<u>(31,826,401)</u>
Total	\$ 66,559,482	\$ 102,814,383	\$ 169,373,865
 ANTICIPATED PAYROLL			
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	\$ 1,371,496,425	\$ 2,110,956,993	\$ 3,482,453,418
	5.0%	5.0%	5.0%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

	<u>July 1, 2000</u>		
	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
Actuarial Accrued Liability			
- Active Participants	\$ 1,624,211,617	\$ 2,011,534,495	\$ 3,635,746,112
- Terminated Participants	<u>76,879,819</u>	<u>35,678,722</u>	<u>112,558,541</u>
Total	\$ 1,701,091,436	\$ 2,047,213,217	\$ 3,748,304,653
Less: Non-Retired Participant Assets	<u>1,960,018,018</u>	<u>2,356,057,956</u>	<u>4,316,075,974</u>
Equals: Actual Unfunded Actuarial Accrued Liability (UAL)	\$ (258,926,582)	\$ (308,844,739)	\$ (567,771,321)
 Unfunded Actuarial Accrued Liability, Prior Year	\$ (245,098,880)	\$ (274,186,644)	\$ (519,285,524)
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(12,169,561)	(15,051,072)	(27,220,633)
Plus: Interest for Full Year at 7.25%	<u>(16,887,376)</u>	<u>(18,787,329)</u>	<u>(35,674,705)</u>
Equals: Expected Unfunded Actuarial Accrued Liability (UAL)	\$ (249,816,695)	\$ (277,922,901)	\$ (527,739,596)
 Experience (Gain)/Loss [Actual UAL-Expected UAL]	\$ (9,109,887)	\$ (30,921,838)	\$ (40,031,725)

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED PARTICIPANTS

Revised Assumptions

	July 1, 2001		
	State	Municipalities	Total
Vested Benefits			
- Active Participants	\$ 818,744,256	\$ 986,937,112	\$ 1,805,681,368
- Terminated Participants	94,857,110	49,886,261	144,743,371
Total	\$ 913,601,366	\$ 1,036,823,373	\$ 1,950,424,739
Nonvested Benefits	119,973,176	178,894,652	298,867,828
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,033,574,542	\$ 1,215,718,025	\$ 2,249,292,567
Non-Retired Participant Assets			
- Market Value	\$ 1,897,501,223	\$ 2,303,014,844	\$ 4,200,516,067
- Actuarial Value	2,063,626,964	2,504,643,196	4,568,270,160
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	2.077	2.221	2.154
- Actuarial Value	2.259	2.416	2.342
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.836	1.894	1.867
- Actuarial Value	1.997	2.060	2.031

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED PARTICIPANTS

Prior Assumptions

	July 1, 2001		
	State	Municipalities	Total
Vested Benefits			
- Active Participants	\$ 807,571,325	\$ 963,643,281	\$ 1,771,214,606
- Terminated Participants	89,955,486	46,249,336	136,204,822
Total	\$ 897,526,811	\$ 1,009,892,617	\$ 1,907,419,428
Nonvested Benefits	166,673,336	240,638,429	407,311,765
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,064,200,147	\$ 1,250,531,046	\$ 2,314,731,193
Non-Retired Participant Assets			
- Market Value	\$ 1,891,247,505	\$ 2,295,424,649	\$ 4,186,672,154
- Actuarial Value	2,057,373,246	2,497,053,001	4,554,426,247
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	2.107	2.273	2.195
- Actuarial Value	2.292	2.473	2.388
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.777	1.836	1.809
- Actuarial Value	1.933	1.997	1.968

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED PARTICIPANTS

- Continued -

REVISED

	July 1, 2000		
	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
Vested Benefits			
- Active Participants	\$ 754,736,407	\$ 918,499,907	\$ 1,673,236,314
- Terminated Participants	<u>76,879,819</u>	<u>35,678,722</u>	<u>112,558,541</u>
Total	\$ 831,616,226	\$ 954,178,629	\$ 1,785,794,855
Nonvested Benefits	<u>157,022,748</u>	<u>226,071,061</u>	<u>383,093,809</u>
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 988,638,974	\$ 1,180,249,690	\$ 2,168,888,664
Non-Retired Participant Assets			
- Market Value	\$ 2,092,363,687	\$ 2,515,145,303	\$ 4,607,508,990
- Actuarial Value	1,960,018,018	2,356,057,956	4,316,075,974
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	2.516	2.728	2.627
- Actuarial Value	2.357	2.555	2.461
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	2.116	2.131	2.124
- Actuarial Value	1.983	1.996	1.990

STATEMENT OF CHANGES IN THE PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED PARTICIPANTS

Actuarial Present Value of Accumulated Plan Benefits, July 1, 2000	\$2,168,888,664
Plus: Increase Due to Additional Benefits Accumulated	225,154,219
Less: Transfers to Retired and Disabled Status	270,602,180
Plus: Increase Due to Decrease in the Discount Period (@7.25%)	173,568,109
Plus: Increase Due to Change in Plan Provisions	0
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	(65,438,626)
Plus: Actuarial Experience (Gain)/Loss and other Miscellaneous Items	<u>17,722,381</u>
Equals: Actuarial Present Value of Accumulated Plan Benefits, July 1, 2001	\$2,249,292,567

STATEMENT OF INCOME

July 1, 2000 - June 30, 2001

		<u>Market Value</u>
(1) Net Value of Assets Available for Benefits, July 1, 2000		\$ 8,559,089,415
(2) Receipts		
Employer Contributions:		
State	\$ 76,218,663	
Municipalities	111,540,006	187,758,669
Employee Contributions:		
State	\$ 46,018,469	
Municipalities	78,935,926	124,954,395
Contributions Receivable from TRF		4,771,013
Investment Income and Dividends Net of Fees		279,811,666
Security Lending Income Net of Fees		2,514,718
Unrealized Capital Gain (Loss)		<u>(469,473,246)</u>
Total Receipts		\$ 130,337,215
(3) Disbursements		
Pension and Annuity Benefits		\$ 269,819,270
Disability Benefits		13,640,991
Refund of Contributions and Interest		28,884,303
Payable to TRF		4,780,478
Administrative Expenses		<u>16,751,789</u>
Total Disbursements		\$ 333,876,831
(4) Net Value of Assets Available for Benefits, June 30, 2001 (1) + (2) - (3)		\$ 8,355,549,799

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	<u>July 1, 2000</u>	<u>July 1, 2001</u>
Actuarial Value, Prior June 30	\$ 7,595,266,028	\$ 8,267,656,599
 <u>Receipts</u>		
Employer Contributions Made During the Year	216,708,616	187,758,669
Employee Contributions Made During the Year	112,116,139	124,954,395
Expected Investment Income (@ 7.25%) - Beginning Value	550,656,787	599,405,103
Expected Investment Income (@ 7.25%) - Contributions	11,919,897	11,335,849
Miscellaneous Income	<u>4,950,985</u>	<u>4,771,013</u>
Total	\$ 896,352,424	\$ 928,225,029
 <u>Disbursements</u>		
Benefits Paid During the Year	\$ 302,123,767	\$ 312,344,564
Net Operational Expenses	3,447,067	20,791,803
Expected Investment Expenses (@ 7.25%) - Disbursements	11,076,943	12,076,193
Miscellaneous Expenses	<u>4,458,415</u>	<u>4,780,478</u>
Total	\$ 321,106,192	\$ 349,993,038
 Expected Actuarial Value, Current June 30	 \$ 8,170,512,260	 \$ 8,845,888,590
Actual Market Value, Current June 30	\$ 8,559,089,615	\$ 8,355,549,799
Actuarial Value, Current June 30 [75% of Expected Actuarial Value] + [25% of Actual Market Value]	\$ 8,267,656,599	\$ 8,723,303,892

RECONCILIATION OF
EMPLOYEE ACCOUNT BALANCES

July 1, 2000 - June 30, 2001

		<u>Market Value</u>
Balance, July 1, 2000		\$ 1,647,901,260
 <u>Receipts</u>		
Net Employee Account Contributions	\$ 124,954,395	
Interest Credited	91,786,829	
Other Receipts	<u>1,370,228</u>	
Total Receipts		\$ 218,111,452
 <u>Disbursements</u>		
Net Payments on Account Balances	\$ 28,884,303	
Transferred to Benefits in Force	107,035,024	
Other Disbursements	<u>1,121,616</u>	
Total Disbursements		<u>\$ 137,040,943</u>
 Balance, June 30, 2001		 \$ 1,728,971,769

March 7, 2002 (I418)

ALLOCATION OF ASSETS

	<u>July 1, 2000</u>	<u>July 1, 2001</u>
Total Assets Available for Benefits		
- Market Value	\$ 8,559,089,615	\$ 8,355,549,799
- Actuarial Value	8,267,656,599	8,723,303,892
Less: Employee Account Balances	1,647,901,260	1,728,971,769
Less: Retired and Disabled	2,303,679,365	2,426,061,963
Equals: Total Non-Retired Assets		
- Market Value	4,607,508,990	4,200,516,067
- Actuarial Value	4,316,075,974	4,568,270,160
Total Ledger Assets	4,757,230,757	5,217,458,565
- State Share of Total	2,160,355,405	2,356,885,151
- State Percent of Total	45.412037%	45.173050%
- Municipalities Share of Total	2,596,875,352	2,860,573,414
- Municipalities Percent of Total	54.587963%	54.826950%
State Portion (Based on Ledger Share)		
- Market Value	2,092,363,687	1,897,501,223
- Actuarial Value	1,960,018,018	2,063,626,964
Municipalities Portion (Based on Ledger Share)		
- Market Value	2,515,145,303	2,303,014,844
- Actuarial Value	2,356,057,956	2,504,643,196

Each year the assets of the plan are allocated first to employee account balances and second to retired and disabled lives. Residual assets are then allocated to non-retired participants to determine necessary contribution levels for non-retired participants.

REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(State Employees Only)

Schedule of Funding Progress

Actuarial Valuation Date <u>July 1</u>	(a) Non-Retired Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	(d) Annual Covered Payroll	UAAL (Excess Assets) as % of Payroll (c)/(d)
2001*	\$ 2,063,626,964	\$ 1,896,505,744	\$ (167,121,220)	108.8%	\$ 1,429,768,169	11.7%
2000	1,960,018,018	1,701,091,436	(258,926,582)	115.2%	1,371,496,425	(18.9%)
1999	1,828,584,443	1,583,485,563	(245,098,880)	115.5%	1,271,755,859	(19.3%)
1998	1,626,450,185	1,491,985,623	(134,464,562)	109.0%	1,229,903,410	(10.9%)
1997	1,447,332,235	1,465,185,818	17,853,583	98.8%	1,283,228,330	1.4%
1996*	1,335,189,108	1,358,810,072	23,621,054	98.3%	1,235,465,458	1.9%
1995*	1,249,865,324	1,245,330,865	(4,534,459)	100.4%	1,205,288,325	(0.4%)
1994	1,176,778,954	1,106,510,954	(70,268,000)	106.4%	1,176,139,559	(6.0%)
1993	1,042,043,673	1,080,918,227	38,874,554	96.4%	1,174,240,764	3.3%
1992	915,484,984	1,037,837,274	122,352,290	88.2%	1,167,941,979	10.5%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
2001	\$ 66,559,482	\$ 76,218,663	114.5%
2000	61,761,627	84,353,750	136.6%
1999	67,481,016	77,821,378	115.3%
1998	81,545,985	80,145,933	98.3%
1997	79,101,344	81,584,843	103.1%
1996	76,305,000	79,482,947	104.2%
1995	63,071,496	78,010,087	123.7%
1994	70,339,943	79,285,735	112.7%
1993	74,813,588	82,802,738	110.7%

*Revised economic and/or noneconomic assumptions due to experience review.

REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(State Employees Only)

Development of Net Pension Obligation (NPO)
(Dollar Amounts in Thousands)

Year Beginning	(1) Annual Required Contrib	(2) Interest on NPO @ 7.25%	(3) ARC Adjust (8) / (4)	(4) Amort. Factor	(5) Net Pens Cost (1)+(2)-(3)	(6) Actual Employer Contrib	(7) Change in NPO (5) - (6)	(8) NPO @ BOY	(9) NPO @ EOY (7) + (8)
7/1/00	\$66,559	\$(2,460)	\$(2,660)	12.7581	\$66,759	\$76,219	\$(9,460)	\$(33,937)	\$(43,397)
7/1/99	61,762	(827)	(889)	12.8280	61,824	84,354	(22,530)	(11,407)	(33,937)
7/1/98	67,481	(78)	(83)	12.8933	67,486	77,821	(10,335)	(1,072)	(11,407)
7/1/97	81,546	(180)	(192)	12.9541	81,558	80,146	1,412	(2,484)	(1,072)
7/1/96	79,101	-	-	12.5944	79,101	81,585	(2,484)	-	(2,484)

SUMMARY OF EMPLOYEE DATA

	<u>July 1, 2000</u>	<u>July 1, 2001</u>
Active Participants		
State	53,281	52,579
Municipalities	<u>93,332</u>	<u>92,440</u>
Total	146,613	145,019
Retired Participants and Beneficiaries Receiving Benefits		
Annual Benefits Payable from Trust	\$ 216,615,494	\$ 230,791,087
Average Annual Benefit	\$ 4,733	\$ 4,889
Disabled Participants Receiving Benefits		
Annual Benefits Payable from Trust	\$ 13,230,143	\$ 13,529,137
Average Annual Benefit	\$ 3,740	\$ 3,794
Terminated Participants Entitled to Future Benefits		
<u>STATE</u>	5,255	6,408
Deferred Annual Benefits*	\$ 21,480,886	\$ 26,565,153
Average Annual Benefits*	\$ 4,088	\$ 4,146
<u>MUNICIPALITIES</u>	3,113	3,915
Deferred Annual Benefits*	\$ 10,213,851	\$ 14,543,807
Average Annual Benefits*	\$ 3,281	\$ 3,715

*Weighted with early retirement rates

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Date Base Established</u>	<u>Reason</u>	<u>STATE PORTION</u>		
		<u>Years Remaining at 7-1-2001</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2001</u>
6/30/1975	Initial UAL	14	\$ 9,018,801	83,338,183
6/30/1976	Experience Loss	15	1,685,928	16,211,617
6/30/1977	Experience Loss	16	1,178,949	11,749,191
6/30/1978	Experience Loss	17	1,316,896	13,553,689
6/30/1979	Experience Loss	18	1,452,602	15,392,357
6/30/1980	Experience Loss	19	1,911,309	20,795,224
6/30/1981	Assump./Experience Gain	20	(1,581,922)	(17,629,915)
6/30/1982	Assumption Change	21	3,985,291	45,397,435
6/30/1982	Experience Loss	21	1,957,011	22,292,804
6/30/1983	Experience Gain	22	(698,574)	(8,118,267)
6/30/1984	Experience Loss	23	2,112,891	25,007,396
6/30/1985	Experience Gain	24	(994,812)	(11,973,103)
6/30/1986	Experience Gain	25	(2,439,258)	(29,812,500)
6/30/1987	Experience Loss-COLA	1	437,508	437,508
6/30/1987	Asset Method Change	26	2,438,462	30,226,596
6/30/1987	Assumption Change	26	3,116,220	38,627,929
6/30/1987	Experience Gain	26	(6,285,785)	(77,917,107)
6/30/1988	Assump./Experience Loss	27	1,059,632	13,306,673
6/30/1989	Experience Loss	28	3,335,525	42,390,934

Continued

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

-Continued-

<u>Date Base Established</u>	<u>Reason</u>	<u>STATE PORTION, Continued</u>		
		<u>Years Remaining at 7-1-2001</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2001</u>
6/30/1990	Experience Gain	29	\$ (2,734,888)	\$ (35,142,810)
6/30/1991	Experience Gain	30	(6,507,574)	(84,475,969)
6/30/1992	Experience Gain	31	(3,390,981)	(44,434,267)
7/1/1993	Experience Gain	32	(5,680,630)	(75,085,806)
7/1/1994	Experience Gain	33	(7,526,461)	(100,285,218)
7/1/1995	Experience Gain	34	(5,441,381)	(73,043,136)
7/1/1995	Subsidized Early Retirement	34	2,450,554	32,895,345
7/1/1995	Assumption Change	34	8,041,218	107,942,397
7/1/1996	Experience Gain	35	(2,721,579)	(36,785,439)
7/1/1996	Assumption Change	35	5,124,290	69,260,985
7/1/1997	Experience Gain	36	(5,687)	(77,357)
7/1/1998	Experience Gain	36	(10,574,011)	(143,833,295)
7/1/1999	Experience Gain	36	(7,660,765)	(104,205,773)
7/1/2000	Experience Gain	36	(665,781)	(9,056,304)
7/1/2001	Experience Loss	36	3,706,926	50,423,563
7/1/2001	Assumption Change	36	<u>3,345,350</u>	<u>45,505,220</u>
Total			\$ (7,234,727)	\$ (167,121,220)

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

-Continued-

<u>Date Base Established</u>	<u>Reason</u>	<u>MUNICIPALITY PORTION</u>		
		<u>Years Remaining at 7-1-2001</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2001</u>
6/30/1981	Initial UAL-Combined	15	\$ 13,222,723	\$ 127,147,668
6/30/1982	Assumption Change	21	2,808,877	31,996,619
6/30/1982	Experience Loss	21	1,248,079	14,217,173
6/30/1983	Experience Gain	22	(195,876)	(2,276,320)
6/30/1984	Experience Loss	23	395,006	4,675,147
6/30/1985	Experience Gain	24	(3,038,665)	(36,572,002)
6/30/1986	Experience Gain	25	(4,196,179)	(51,285,528)
6/30/1987	Experience Loss-COLA	1	398,515	398,517
6/30/1987	Asset Method Change	26	2,941,853	36,466,515
6/30/1987	Assumption Change	26	3,921,520	48,610,238
6/30/1987	Experience Gain	26	(1,999,627)	(24,786,898)
6/30/1988	Assump./Experience Gain	27	(1,795,917)	(22,552,814)
6/30/1989	Experience Loss	28	4,547,601	57,795,114

Continued

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

-Continued-

<u>Date Base Established</u>	<u>Reason</u>	<u>MUNICIPALITY PORTION, Continued</u>		
		<u>Years Remaining at 7-1-2001</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2001</u>
6/30/1990	Experience Gain	29	\$ (1,402,505)	\$ (18,021,934)
6/30/1991	Experience Gain	30	(5,988,013)	(77,731,470)
6/30/1992	Experience Gain	31	(2,618,090)	(34,306,570)
7/1/1993	Experience Gain	32	(5,630,704)	(74,425,893)
7/1/1994	Experience Gain	33	(4,860,205)	(64,759,086)
7/1/1995	Experience Gain	34	(8,587,968)	(115,281,784)
7/1/1995	Subsidized Early Retirement	34	2,101,061	28,203,883
7/1/1995	Assumption Change	34	9,657,141	129,633,957
7/1/1996	Experience Gain	35	(3,437,988)	(46,468,570)
7/1/1996	Assumption Change	35	6,108,712	82,566,654
7/1/1997	Experience Gain	36	(3,790,418)	(51,559,269)
7/1/1998	Experience Gain	36	(7,688,907)	(104,588,582)
7/1/1999	Experience Gain	36	(8,682,630)	(118,105,729)
7/1/2000	Experience Gain	36	(2,259,871)	(30,739,960)
7/1/2001	Experience Loss	36	1,079,021	14,677,416
7/1/2001	Assumption Change	36	<u>3,423,086</u>	<u>46,562,622</u>
Total			\$ (14,320,368)	\$ (250,510,886)

TEN YEAR HISTORY OF CONTRIBUTION RATES

<u>Valuation Date</u>	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
July 1, 2001*	5.2%	5.0%	5.1%
July 1, 2000	5.0%	5.0%	5.0%
July 1, 1999	5.0%	5.1%	5.1%
July 1, 1998	5.7%	5.5%	5.6%
July 1, 1997	6.6%	5.9%	6.2%
July 1, 1996*	6.6%	6.2%	6.4%
July 1, 1995*	6.3%	6.0%	6.1%
July 1, 1994	5.6%	5.7%	5.6%
July 1, 1993	6.2%	6.0%	6.1%
June 30, 1992	6.6%	6.4%	6.5%

* Plan changes and/or changes in actuarial assumptions

TEN YEAR HISTORICAL INVESTMENT EXPERIENCE

<u>Year Ending June 30</u>	<u>Estimated Annual Rate of Investment Return</u>		
	<u>Actuarial Basis</u>	<u>Market Basis</u>	<u>Actuarial Assumed Interest Rate</u>
2001	5.77%	(2.14%)	7.25%
2000	8.53%	5.80%	7.25%
1999	9.52%	10.04%	7.25%
1998	9.34%	13.27%	7.25%
1997	8.57%	8.25%	7.25%
1996	7.96%	5.04%	7.25%
1995	8.61%	10.52%	7.00%
1994	9.32%	0.91%	7.50%
1993	9.69%	1.27%	7.50%
1992	9.54%	30.26%	7.50%

TEN YEAR HISTORICAL PARTICIPANT I INFORMATION

Active Participant Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Total Annual Payroll</u>	<u>Average Annual Salary</u>	<u>Percentage Increase In Average Salary</u>
2001	145,019	\$ 3,416,266,322	\$ 23,557	4.14%
2000	146,613	3,316,622,303	22,622	3.37%
1999	141,441	3,095,425,966	21,885	4.46%
1998	141,383	2,962,059,113	20,951	2.21%
1997	142,011	2,910,847,823	20,497	4.20%
1996	142,336	2,799,859,277	19,671	2.83%
1995	139,931	2,676,914,325	19,130	2.48%
1994	138,788	2,590,765,469	18,667	2.21%
1993	138,056	2,521,374,906	18,263	2.47%
1992	136,034	2,424,525,727	17,823	1.05%

Non-Retired Inactive Vested Participant Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Average Annual Benefit*</u>
2001	\$10,323	\$3,982
2000	8,368	3,788
1999	7,979	3,611
1998	6,862	3,661
1997	5,741	3,349
1996	6,083	3,113
1995	5,871	3,011
1994	5,300	3,056
1993	5,014	2,893
1992	4,829	2,743

*Weighted with early retirement rates

TEN YEAR HISTORICAL PARTICIPANT INFORMATION

-Continued-

Retired Participant and Beneficiary Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Annual Benefit*</u>	<u>Average Annual Benefit*</u>
2001	47,203	\$ 230,791,087	\$ 4,889
2000	45,768	216,615,494	4,733
1999	44,594	203,097,160	4,554
1998	43,517	193,350,012	4,443
1997	42,050	176,509,450	4,198
1996	40,819	163,455,987	4,004
1995	39,610	152,231,035	3,843
1994	38,024	140,249,468	3,688
1993	36,818	130,180,230	3,536
1992	35,482	121,880,315	3,435

Disabled Participant Statistics

2001	\$3,566	\$ 13,529,137	\$ 3,794
2000	3,537	13,230,143	3,740
1999	3,360	11,986,411	3,567
1998	3,257	11,433,222	3,510
1997	3,101	10,363,939	3,342
1996	2,966	9,516,383	3,208
1995	2,803	8,666,154	3,092
1994	2,666	7,843,643	2,942
1993	2,518	7,189,100	2,855
1992	2,320	6,377,803	2,749

*Includes employee annuities

TEN YEAR HISTORICAL FUNDING INFORMATION

Portion Of Actuarial Liability Provided for by Assets

(In Thousands of Dollars)

<u>Year Ending June 30</u>	<u>Accumulated Employee Contributions</u>	<u>Retired and Disabled</u>	<u>Non-Retired Participant Actuarial Liability</u>	<u>Net Assets Available for Benefits, Actuarial Value</u>
2001	\$ 1,728,972 100%	\$ 2,426,062 100%	\$ 4,150,638 100%	\$ 8,559,090
2000	\$ 1,647,902 100%	\$ 2,303,679 100%	\$ 3,748,305 100%	\$ 8,267,657
1999	1,428,913 100%	2,158,640 100%	3,488,428 100%	7,595,266
1998	1,288,353 100%	2,074,561 100%	3,267,237 100%	6,914,957
1997	1,264,456 100%	1,893,179 100%	3,126,230 100%	6,304,948
1996	1,140,426 100%	1,751,629 100%	2,926,879 98.6%	5,776,621
1995	1,046,516 100%	1,561,103 100%	2,685,974 100%	5,312,016
1994	966,872 100%	1,342,286 100%	2,402,380 100%	4,835,817
1993	878,179 100%	1,249,912 100%	2,280,584 97.5%	4,352,349
1992	793,526 100%	1,165,702 100%	2,145,608 89.7%	3,882,840

TEN YEAR HISTORICAL FUNDING INFORMATION

-Continued-

Portion of Present Value of Accumulated Vested and Total Accumulated Benefits Provided for by Assets

(In Thousands of Dollars)

<u>Year Ending June 30</u>	<u>Accumulated Employee Contributions</u>	<u>Retired and Disabled</u>	<u>Non-Retired Accumulated Vested Benefits</u>	<u>Non-Retired Total Accumulated Benefits</u>	<u>Net Assets Available for Benefits, Actuarial Value</u>
2001	\$1,728,972 100%	\$ 2,426,062 100%	\$1,950,425 100%	\$2,249,293 100%	\$8,559,090
2000	\$1,647,901 100%	\$ 2,303,679 100%	\$1,785,795 100%	\$2,168,889 100%	\$8,267,657
1999	1,428,913 100%	2,158,640 100%	1,639,166 100%	2,005,646 100%	7,595,266
1998	1,288,353 100%	2,074,561 100%	1,511,289 100%	1,859,857 100%	6,914,957
1997	1,264,456 100%	1,893,179 100%	1,405,101 100%	1,747,693 100%	6,304,948
1996	1,140,426 100%	1,751,629 100%	1,307,888 100%	1,639,205 100%	5,776,621
1995	1,046,516 100%	1,658,027 100%	1,289,703 100%	1,604,165 100%	5,312,016
1994	966,872 100%	1,342,286 100%	841,089 100%	1,094,104 100%	4,835,817
1993	878,179 100%	1,249,912 100%	782,738 100%	1,018,084 100%	4,352,349
1992	793,526 100%	1,165,702 100%	732,949 100%	944,120 100%	3,882,840

TEN YEAR HISTORICAL ASSET INFORMATION

Revenues by Source
(In Thousands of Dollars)

<u>Year Ending June 30</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other Misc. Income</u>	<u>Total</u>
2001	\$ 124,954	\$ 187,759	\$ (187,147)	\$ 4,771	\$ 130,337
2000	112,116	216,709	468,829	4,951	802,605
1999	104,578	203,054	734,791	0	1,042,423
1998	96,786	196,457	855,380	0	1,148,623
1997	96,751	190,205	489,413	0	776,369
1996	90,516	185,911	415,407	0	691,834
1995	89,051	187,353	338,479	0	614,882
1994	83,713	184,077	392,999	672	661,461
1993	81,977	189,237	424,093	815	696,122
1992	78,612	187,318	403,760	779	670,469

Expenses by Type
(In Thousands of Dollars)

<u>Year Ending June 30</u>	<u>Benefits Paid</u>	<u>Administration Expenses and Misc.</u>	<u>Refunds of Contributions</u>	<u>Total</u>
2001	\$ 283,460	\$21,532	\$28,884	\$ 333,877
2000	268,181	7,905	33,943	310,029
1999	249,136	1,603	35,766	286,506
1998	237,730	2,218	33,010	272,958
1997	214,531	6,681	33,635	254,848
1996	200,748	6,119	29,197	236,064
1995	186,057	5,220	27,700	218,978
1994	163,884	5,524	24,797	194,205
1993	157,794	5,299	19,849	182,943
1992	144,269	4,217	21,099	169,585

ACTUARIAL METHODS

ACTUARIAL COST METHOD

Entry Age Normal Cost

ASSET VALUATION METHOD

75% of Expected
Actuarial Value Plus
25% of Market Value

Entry Age Normal Cost

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

The effect of this valuation method is to amortize all actuarial gains and losses, resulting from experience different from that anticipated in our assumptions, over a 40-year period (30-year period is being phased in commencing July 1, 1998). The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

ACTUARIAL ASSUMPTIONS

Interest	7.25%
Future Salary Increases	Based on PERF experience 1995-2000 (revised from 5%).
Cost of Living Increases	An increase of 2.0% (compounded) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit.
Mortality	UP-1994 (revised from 1983 GAM). Pre-retirement mortality based on PERF experience 1995-2000.
Disability	Based on PERF experience 1995-2000 (revised from PERF experience for July 1, 1991 through June 30, 1994).
Termination	Select and ultimate tables based on PERF experience 1995-2000 (revised from PERF experience for July 1, 1991 through June 30, 1994). Separate tables are used for state employees and municipality employees.
Retirement	Based on PERF experience 1995-2000 (revised from PERF experience for July 1, 1991 through June 30, 1994).
Spouse's Benefit	90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be 3 years older than their spouses.
Administrative Expense	None

SUMMARY OF MAJOR PLAN PROVISIONS

PARTICIPATION

All full time employees of the State of Indiana and all full time employees of political subdivisions which have adopted the plan must become members of PERF upon date of hire.

ELIGIBILITY FOR ANNUITY BENEFITS:

Normal Retirement

Earliest of:

- (1) Age 65 with 10 years of creditable service;
- (2) Age 60 with 15 years of creditable service;
- (3) Sum of age and creditable service equal to 85 (but not earlier than age 55).

Early Retirement

Age 50 with 15 years of creditable service

Late Retirement

Subject to continued employment after normal retirement

Disability Retirement

5 years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits.

Termination

10 years of creditable service and election not to take lump sum payment of employee account balance with interest.

Pre-Retirement Death

If death occurs in service, 15 years of creditable service. If death occurs after separating from service, age 50 with 15 years of creditable service.

SUMMARY OF MAJOR PLAN PROVISIONS, Continued

AMOUNT OF BENEFITS:

Normal Retirement	The normal retirement benefit is an annuity payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings* times years and months of creditable service earned.
Early Retirement	The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A participant may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.
Late Retirement	The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.
Disability Retirement	The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.
Termination	The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at 65. If the participant has 15 or more years of creditable service, then the participant may elect to receive a reduced early retirement benefit.

*Average monthly earnings is the monthly average of earnings during the 5 years within the 10 years preceding retirement that produce the highest such average. Earnings include basic salary, the participant's 3% mandatory contribution paid by the employer, and up to \$2,000 of additional compensation received from the employer in anticipation of the participant's termination or retirement.

SUMMARY OF MAJOR PLAN PROVISIONS, Continued

AMOUNT OF BENEFITS:

Pre-Retirement Death

The spouse or dependent beneficiary is entitled to receive the monthly life annuity under the assumption that the participant retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option.

Employee Contributions

Each participant is required to contribute to an employee annuity at the rate of 3% of pay (unless the employer has opted to make all or a portion of the contribution for the employee). These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement.

The benefits provided by employee contributions are in addition to the benefits provided by employer contributions. The monthly annuity provided at a normal retirement age of 65 is equal to \$1.00 for each \$108.79 of accumulated employee contributions plus interest.