

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA
ACTUARIAL VALUATION
JULY 1, 2004

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA

ACTUARIAL VALUATION

VALUATION DATE	July 1, 2004
VALUATION YEAR	July 1, 2004 - June 30, 2005

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PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

Summary of Actuarial Valuation as of July 1, 2004

Introduction

As of the valuation date there were 142,913 active members, 54,354 pensioners and 9,884 terminated members entitled to future benefits. See the exhibit labeled Summary of Employee Data for a breakdown of the members between state employees and employees of political subdivisions.

We have established the following contributions as of July 1, 2004:

	<u>With Fresh Start and 4-Year Phase-In</u>		
	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
Total Annual Cost	\$ 69,647,405	\$ 132,983,210	\$ 202,630,615
Cost as Percentage of Anticipated Payroll (Interest adjusted to mid-year)	4.5%	5.3%	5.0%

This Valuation is the third to reflect census data as reported by a new database system. The previous database system reported salaries on a calendar year basis and reported service through the March 31 preceding the valuation date. The new database system reports both salary and service on a fiscal year basis. Also, the new database system may have created an increase of about \$70 million in liabilities associated with prior service earned by active members. Due to the fiscal impact of the more current data, this valuation has been prepared in such a manner as to phase-in the changes brought about by the new database system over a four-year period on a pro rata basis. This phase-in will ease the transition to the census data reporting by the new database system.

This report reflects the plan provisions in effect as of July 1, 2004. 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 \$203,513,973 and an amortization payment of negative \$883,358. As of July 1, 2004, the Unfunded Actuarial Accrued Liability is negative \$9,623,114. A breakdown and a comparison with the results of the prior valuation is provided in the exhibit titled Contribution Breakdown and Comparison.

Introduction, Continued

The Total Annual Cost for 2004, as a percent of anticipated payroll increased to 5.0% as compared to 4.4% for 2003. The Fund had experience losses primarily from investments yielding less than the assumed 7.25% (estimated return for the 2003 plan year was 6.29% on an actuarial value basis) and from changes in actuarial assumptions. In terms of actual dollars, the Total Annual Cost increased by \$36,055,903 from \$166,574,712 for the 2003 plan year to \$202,630,615 for the 2004 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 revised from the prior Valuation. The COLA actuarial assumption was changed from a 2% annual assumption limited to 5 years from the valuation date to 0.5% annually for the lifetime of the benefit recipients.

A brief explanation of the methods and a complete summary of the assumptions used 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

On an actuarial basis, the entire asset portfolio had net investment income for the 2003-2004 plan year that resulted in an estimated yield of 6.29%. The approximate market basis return during the same time period was 16.19%. 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:

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, 2004 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, 2004 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 were chosen by the PERF Board after consultation with the actuary.
4. Generally accepted actuarial principles and in accordance with standards of practice prescribed by the Actuarial Standards Board.
5. Actuarial methods as stated in the report and our interpretation of plan provisions as summarized in the report.

Prepared and Submitted by
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SUMMARY OF CONTRIBUTIONS

	July 1, 2004		
	State	Political Subdivisions	Total
	<i>With Fresh Start and 4-Year Phase-in</i>		
TOTAL ANNUAL COST	\$ 69,647,405	\$ 132,983,210	\$ 202,630,615
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	4.5%	5.3%	5.0%

	July 1, 2004		
	State	Political Subdivisions	Total
	<i>Prior to Fresh Start and 4-Year Phase-in</i>		
TOTAL ANNUAL COST	\$ 78,574,934	\$ 141,685,867	\$ 220,260,801
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	5.0%	5.7%	5.4%

*Interest adjusted for mid-year contribution

CONTRIBUTION BREAKDOWN AND COMPARISON

With Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 79,041,240	\$ 124,472,733	\$ 203,513,973
Amortization of Unfunded Actuarial Liability	(9,393,835)	8,510,477	(883,358)
Total	\$ 69,647,405	\$ 132,983,210	\$ 202,630,615
ANTICIPATED PAYROLL	\$ 1,612,048,954	\$ 2,586,892,952	\$ 4,198,941,906
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	4.477%	5.327%	5.001%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

With Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 1,914,810,410	\$ 2,609,441,704	\$ 4,524,252,114
- Terminated Members	104,682,046	76,208,786	180,890,832
Total	\$ 2,019,492,456	\$ 2,685,650,490	\$ 4,705,142,946
Less: Non-Retired Member Assets	2,138,655,367	2,576,110,693	4,714,766,060
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ (119,162,911)	\$ 109,539,797	\$ (9,623,114)
Unfunded Actuarial Accrued Liability, Prior Year	\$ (218,851,183)	\$ (40,527,598)	\$ (259,378,781)
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(16,899,350)	(3,026,228)	(19,925,578)
Plus: Interest for Full Year at 7.25%	(14,641,508)	\$ (2,718,849)	\$ (17,360,357)
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	5,126,956	11,577,509	16,704,465
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	\$ (211,466,385)	\$ (28,642,710)	\$ (240,109,095)
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 92,303,474	\$ 138,182,507	\$ 230,485,981

CONTRIBUTION BREAKDOWN AND COMPARISON, Continued

Prior to Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 80,122,354	\$ 126,253,615	\$ 206,375,969
Amortization of Unfunded Actuarial Liability	<u>(1,547,420)</u>	<u>15,432,252</u>	<u>13,884,832</u>
Total	\$ 78,574,934	\$ 141,685,867	\$ 220,260,801
ANTICIPATED PAYROLL	\$ 1,617,534,203	\$ 2,596,856,089	\$ 4,214,390,292
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	5.034%	5.654%	5.416%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

Prior to Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 1,940,016,125	\$ 2,643,504,874	\$ 4,583,520,999
- Terminated Members	<u>100,057,983</u>	<u>75,690,239</u>	<u>175,748,222</u>
Total	\$ 2,040,074,108	\$ 2,719,195,113	\$ 4,759,269,221
Less: Non-Retired Member Assets	<u>2,138,655,367</u>	<u>2,576,110,693</u>	<u>4,714,766,060</u>
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ (98,581,259)	\$ 143,084,420	\$ 44,503,161
Unfunded Actuarial Accrued Liability, Prior Year	\$ (170,841,452)	\$ 33,248,360	\$ (137,593,092)
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(7,311,638)	6,820,880	(490,758)
Plus: Interest for Full Year at 7.25%	(11,855,912)	1,915,992	(9,939,920)
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	<u>4,798,069</u>	<u>11,865,128</u>	<u>16,663,197</u>
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	\$ (170,587,657)	\$ 40,208,600	\$ (130,379,057)
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 72,006,398	\$ 102,875,820	\$ 174,882,218

CONTRIBUTION BREAKDOWN AND COMPARISON

With Fresh Start and 4-Year Phase-in

	July 1, 2003		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 71,478,739	\$ 115,021,551	\$ 186,500,290
Amortization of Unfunded Actuarial Liability	<u>(16,899,350)</u>	<u>(3,026,228)</u>	<u>(19,925,578)</u>
Total	\$ 54,579,389	\$ 111,995,323	\$ 166,574,712
ANTICIPATED PAYROLL	\$ 1,491,661,265	\$ 2,460,568,258	\$ 3,952,229,523
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	3.792%	4.717%	4.367%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

With Fresh Start and 4-Year Phase-in

	July 1, 2003		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 1,759,606,136	\$ 2,345,374,401	\$ 4,104,980,537
- Terminated Members	<u>100,495,190</u>	<u>92,259,333</u>	<u>192,754,523</u>
Total	\$ 1,860,101,326	\$ 2,437,633,734	\$ 4,297,735,060
Less: Non-Retired Member Assets	<u>2,078,952,509</u>	<u>2,478,161,332</u>	<u>4,557,113,841</u>
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ (218,851,183)	\$ (40,527,598)	\$ (259,378,781)
Unfunded Actuarial Accrued Liability, Prior Year	\$ (51,612,094)	\$ 122,890,273	\$ 71,278,179
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(3,975,918)	9,466,804	5,490,886
Plus: Interest for Full Year at 7.25%	<u>(3,453,623)</u>	<u>8,223,202</u>	<u>\$ 4,769,579</u>
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	<u>(341,666,004)</u>	<u>(437,303,725)</u>	<u>(778,969,728)</u>
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	\$ (392,755,803)	\$ (315,657,054)	\$ (708,412,856)
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 173,904,620	\$ 275,129,456	\$ 449,034,075

CONTRIBUTION BREAKDOWN AND COMPARISON, Continued

Prior to Fresh Start and 4-Year Phase-in

	July 1, 2003		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 72,501,421	\$ 117,229,830	\$ 189,731,251
Amortization of Unfunded Actuarial Liability	(7,311,638)	6,820,880	(490,758)
Total	\$ 65,189,783	\$ 124,050,710	\$ 189,240,493
ANTICIPATED PAYROLL	\$ 1,524,695,265	\$ 2,513,984,529	\$ 4,038,679,794
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	4.431%	5.113%	4.856%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

Prior to Fresh Start and 4-Year Phase-in

	July 1, 2003		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 1,809,823,127	\$ 2,414,910,411	\$ 4,224,733,538
- Terminated Members	98,287,930	96,499,281	194,787,211
Total	\$ 1,908,111,057	\$ 2,511,409,692	\$ 4,419,520,749
Less: Non-Retired Member Assets	2,078,952,509	2,478,161,332	4,557,113,841
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ (170,841,452)	\$ 33,248,360	\$ (137,593,092)
Unfunded Actuarial Accrued Liability, Prior Year	\$ 61,989,091	\$ 207,690,784	\$ 269,679,875
Less: Amortization of Unfunded Actuarial Liability, Prior Year	9,600,900	19,388,683	28,989,583
Plus: Interest for Full Year at 7.25%	3,798,144	13,651,902	17,450,046
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	(345,440,484)	(443,626,407)	(789,066,891)
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	\$ (289,254,149)	\$ (241,672,404)	\$ (530,926,553)
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 118,412,697	\$ 274,920,764	\$ 393,333,461

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

	July 1, 2004		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 951,367,747	\$ 1,269,371,225	\$ 2,220,738,972
- Terminated Members	100,057,983	75,690,239	175,748,222
Total	\$ 1,051,425,730	\$ 1,345,061,464	\$ 2,396,487,194
Nonvested Benefits	143,665,505	235,294,253	378,959,758
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,195,091,235	\$ 1,580,355,717	\$ 2,775,446,952
Non-Retired Member Assets			
- Market Value	\$ 2,017,507,975	\$ 2,430,182,976	\$ 4,447,690,951
- Actuarial Value	2,138,655,367	2,576,110,693	4,714,766,060
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.919	1.807	1.856
- Actuarial Value	2.034	1.915	1.967
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.688	1.538	1.603
- Actuarial Value	1.790	1.630	1.699

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

- Continued -

	July 1, 2003		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 888,532,540	\$ 1,131,963,784	\$ 2,020,496,323
- Terminated Members	98,287,930	96,499,281	194,787,211
Total	\$ 986,820,470	\$ 1,228,463,065	\$ 2,215,283,534
Nonvested Benefits	135,807,575	211,074,941	346,882,516
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,122,628,045	\$ 1,439,538,006	\$ 2,562,166,050
Non-Retired Member Assets			
- Market Value	\$ 1,613,189,222	\$ 1,922,960,306	\$ 3,536,149,528
- Actuarial Value	2,078,952,509	2,478,161,332	4,557,113,841
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.635	1.565	1.596
- Actuarial Value	2.107	2.017	2.057
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.437	1.336	1.380
- Actuarial Value	1.852	1.721	1.779

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

Actuarial Present Value of Accumulated Plan Benefits, July 1, 2003	\$ 2,562,166,050
Plus: Increase Due to Additional Benefits Accumulated	219,410,223
Less: Transfers to Retired and Disabled Status	429,162,183
Plus: Increase Due to Decrease in the Discount Period (@7.25%)	201,664,280
Plus: Increase Due to Change in Plan Provisions	-
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	64,912,695
Plus: Actuarial Experience (Gain)/Loss and other Miscellaneous Items	<u>156,455,887</u>
Equals: Actuarial Present Value of Accumulated Plan Benefits, July 1, 2004	\$ 2,775,446,952

STATEMENT OF INCOME

July 1, 2003 - June 30, 2004

		<u>Market Value</u>
(1)	Net Value of Assets Available for Benefits, July 1, 2003	\$ 8,272,987,693
(2)	Receipts	
	Employer Contributions:	
	State	\$ 92,042,220
	Political Subdivisions	142,876,154
	Member Contributions:	
	State	\$ 50,352,642
	Political Subdivisions	85,610,116
	Investment Income and Dividends Net of Fees	1,349,019,750
	Security Lending Income Net of Fees	2,189,586
	Transfers In	2,363,876
	Miscellaneous Income	<u>18,221</u>
	Total Receipts	\$ 1,724,472,566
(3)	Disbursements	
	Benefits Paid During the Year	\$ 361,453,609
	Refund of Contributions and Interest	32,906,058
	Administrative Expenses	13,418,102
	Transfers Out	2,781,420
	Miscellaneous Disbursements	<u>-</u>
	Total Disbursements	\$ 410,559,190
(4)	Net Value of Assets Available for Benefits, June 30, 2004 (1) + (2) - (3)	\$ 9,586,901,069

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	<u>July 1, 2003</u>	<u>July 1, 2004</u>
Actuarial Value, Prior June 30	\$ 8,994,853,508	\$ 9,293,952,006
<u>Receipts</u>		
Employer Contributions Made During the Year	213,370,551	234,918,374
Member Contributions Made During the Year	128,827,605	135,962,758
Miscellaneous Income – Not Investment Related	1,773,638	2,363,876
Expected Investment Income (@ 7.25%) - Beginning Value	652,126,879	673,811,520
Expected Investment Income (@ 7.25%) - Contributions	<u>12,468,978</u>	<u>13,530,132</u>
Total	\$ 1,008,567,651	\$ 1,060,586,660
<u>Disbursements</u>		
Benefits Paid During the Year	322,750,816	\$ 361,453,610
Refund of Contributions and Interest	29,636,787	32,906,058
Miscellaneous Expenses – Not Investment Related	3,846,622	2,781,420
Expected Investment Expenses (@ 7.25%) - Disbursements	<u>12,913,491</u>	<u>14,396,364</u>
Total	\$ 369,147,716	\$ 411,537,452
Expected Actuarial Value, Current June 30	\$ 9,634,273,443	\$ 9,943,001,214
Actual Market Value, Current June 30	\$ 8,272,987,693	\$ 9,586,901,069
Actuarial Value, Current June 30	\$ 9,293,952,006	\$ 9,853,976,178
[75% of Expected Actuarial Value] + [25% of Actual Market Value]		

ALLOCATION OF ASSETS

	<u>July 1, 2003</u>	<u>July 1, 2004</u>
Total Assets Available for Benefits		
- Market Value	8,272,987,693	9,586,901,069
- Actuarial Value	9,293,952,006	9,853,976,178
Less: Annuity Savings Account	1,971,864,095	2,211,326,472
Less: Retired and Disabled	2,764,974,070	2,927,883,646
Equals: Total Non-Retired Assets		
- Market Value	3,536,149,528	4,447,690,951
- Actuarial Value	4,557,113,841	4,714,766,060
Total Ledger Assets	5,534,146,903	5,765,722,257
- State Share of Total	2,524,674,385	2,615,377,479
- State Percent of Total	45.619938%	45.360795%
- Political Subdivisions Share of Total	3,009,472,518	3,150,344,778
- Political Subdivisions Percent of Total	54.380062%	54.639205%
State Portion (Based on Ledger Share)		
- Market Value	1,613,189,222	2,017,507,975
- Actuarial Value	2,078,952,509	2,138,655,367
Political Subdivisions Portion (Based on Ledger Share)		
- Market Value	1,922,960,306	2,430,182,976
- Actuarial Value	2,478,161,332	2,576,110,693

Each year the assets of the plan are allocated first to the Annuity Savings Account and second to retired and disabled lives. Residual assets are then allocated to non-retired members to determine necessary contribution levels for non-retired members.

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

Schedule of Funding Progress

Actuarial Valuation Date July 1	(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)
1995*	1,249,865,324	1,245,330,865	(4,534,459)	100.4%	1,205,288,325	(0.4%)
1996*	1,335,189,108	1,358,810,072	23,621,054	98.3%	1,235,465,458	1.9%
1997	1,447,332,235	1,465,185,818	17,853,583	98.8%	1,283,228,330	1.4%
1998	1,626,450,185	1,491,985,623	(134,464,562)	109.0%	1,229,903,410	(10.9%)
1999	1,828,584,443	1,583,485,563	(245,098,880)	115.5%	1,271,755,859	(19.3%)
2000	1,960,018,018	1,701,091,436	(258,926,582)	115.2%	1,371,496,425	(18.9%)
2001*	2,063,626,964	1,896,505,744	(167,121,220)	108.8%	1,429,768,169	(11.7%)
2002*	2,061,789,940	2,010,177,846	(51,612,094)	102.6%	1,475,076,791	(3.5%)
2003*	2,078,952,509	1,860,101,326	(218,851,183)	111.8%	1,491,661,265	(14.7%)
2004*	2,138,655,367	2,019,492,456	(119,162,911)	105.9%	1,612,048,954	(7.4%)

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
1995	63,071,496	78,010,087	123.7%
1996	76,305,000	79,482,947	104.2%
1997	79,101,344	81,584,843	103.1%
1998	81,545,985	80,145,933	98.3%
1999	67,481,016	77,821,378	115.3%
2000	61,761,627	84,353,750	136.6%
2001	66,559,482	76,218,663	114.5%
2002	72,332,921	77,420,077	107.0%
2003	79,641,040	80,795,703	101.4%
2004	54,579,389	90,708,898	166.2%

*Plan changes and/or changes in actuarial assumptions.

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)
7/1/96	\$ 79,101	-	-	12.5944	\$ 79,101	\$ 81,585	\$ (2,484)	-	\$ (2,484)
7/1/97	81,546	\$ (180)	\$ (192)	12.9541	81,558	80,146	1,412	\$ (2,484)	(1,072)
7/1/98	67,481	(78)	(83)	12.8933	67,486	77,821	(10,335)	(1,072)	(11,407)
7/1/99	61,762	(827)	(889)	12.8280	61,824	84,354	(22,530)	(11,407)	(33,937)
7/1/00	66,559	(2,460)	(2,660)	12.7581	66,759	76,219	(9,460)	(33,937)	(43,397)
7/1/01	72,333	(3,146)	(3,422)	12.6830	72,609	76,304	(3,695)	(43,397)	(47,092)
7/1/02	79,641	(3,414)	(3,891)	12.1037	80,118	80,796	(678)	(47,092)	(47,770)
7/1/03	54,579	(3,463)	(3,947)	12.1037	55,063	90,709	(35,646)	(47,770)	(83,416)

REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(All PERF)

Schedule of Funding Progress

Actuarial Valuation Date <u>July 1</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	(d) Annual Anticipated Payroll	UAAL (Excess Assets) As % of Payroll (c)/(d)
1996	\$ 5,776,620,844	\$ 5,818,934,842	\$ 42,313,998	99.3%	\$ 2,921,540,553	1.4%
1997	6,304,948,368	6,283,864,768	(21,083,600)	100.3%	3,056,390,214	(0.7%)
1998	6,914,956,789	6,630,150,847	(284,805,942)	104.3%	3,110,162,069	(9.2%)
1999	7,595,266,028	7,075,980,504	(519,285,524)	107.3%	3,250,197,264	(16.0%)
2000	8,267,656,599	7,699,885,278	(567,771,321)	107.4%	3,482,453,418	(16.3%)
2001	8,723,303,892	8,305,671,786	(417,632,106)	105.0%	3,587,079,638	(11.6%)
2002	8,994,853,508	9,066,131,687	71,278,179	99.2%	3,785,241,807	1.9%
2003	9,293,952,006	9,034,573,225	(259,378,781)	102.9%	3,952,229,523	(6.6%)
2004	9,853,976,178	9,844,353,064	(9,623,114)	100.1%	4,198,941,906	(0.2%)

Schedule of Employer Contributions

<u>Plan Year Ending June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Employer Contribution</u>	<u>% of ARC Contributed</u>
1997	\$ 180,005,273	\$ 190,204,731	105.7%
1998	182,891,337	196,456,512	107.4%
1999	167,423,510	203,054,459	121.3%
2000	159,721,746	216,708,616	135.7%
2001	169,373,865	187,758,669	110.9%
2002	175,819,543	208,020,151	118.3%
2003	217,076,848	213,370,551	98.3%
2004	166,574,712	234,918,374	141.0%

SUMMARY OF EMPLOYEE DATA

	<u>July 1, 2003</u>	<u>July 1, 2004</u>
Active Members		
State	50,574	50,773
Political Subdivisions	<u>92,508</u>	<u>92,140</u>
Total	143,082	142,913
Retired Members and Beneficiaries Receiving Benefits	49,181	50,436
Annual Benefits Payable from Trust	\$ 273,821,963	\$ 308,061,648
Average Annual Benefit	\$ 5,568	\$ 6,108
Disabled Members Receiving Benefits	3,775	3,918
Annual Benefits Payable from Trust	\$ 15,845,234	\$ 17,649,672
Average Annual Benefit	\$ 4,197	\$ 4,505
Terminated Members Entitled to Future Benefits		
<u>STATE</u>	6,003	5,559
Deferred Annual Benefits	\$ 22,570,666	\$ 22,120,663
Average Annual Benefits	\$ 3,760	\$ 3,979
<u>POLITICAL SUBDIVISIONS</u>	5,894	4,325
Deferred Annual Benefits	\$ 18,733,704	\$ 14,584,130
Average Annual Benefits	\$ 3,178	\$ 3,372

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Date Base Established</u>	<u>Reason</u>	<u>STATE PORTION</u>		
		<u>Years Remaining at 7-1-2004</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2004</u>
7/1/2002	Fresh Start	28	\$ (3,975,918)	\$ (50,529,637)
7/1/2003	Experience Loss	29	13,396,675	172,144,771
7/1/2003	Assumption Changes	29	(26,320,107)	(338,208,475)
7/1/2004	Experience Loss	30	\$ 7,110,562	\$ 92,303,474
7/1/2004	Assumption Changes	30	<u>394,953</u>	<u>5,126,956</u>
Total			\$ (9,393,835)	\$ (119,162,911)

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

-Continued-

<u>Date Base Established</u>	<u>Reason</u>	<u>POLITICAL SUBDIVISION PORTION</u>		
		<u>Years Remaining at 7-1-2004</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2004</u>
7/1/2002	Fresh Start	28	\$ 9,466,804	\$ 120,312,908
7/1/2003	Experience Loss	29	21,194,490	272,345,251
7/1/2003	Assumption Changes	29	(33,687,522)	(432,878,378)
7/1/2004	Experience Loss	30	\$ 10,644,836	\$ 138,182,507
7/1/2004	Assumption Changes	30	<u>891,869</u>	<u>11,577,509</u>
Total			\$ 8,510,477	\$ 109,539,797

TEN YEAR HISTORY OF CONTRIBUTION RATES

<u>Valuation Date</u>	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
July 1, 1995*	6.3%	6.0%	6.1%
July 1, 1996*	6.6%	6.2%	6.4%
July 1, 1997	6.6%	5.9%	6.2%
July 1, 1998	5.7%	5.5%	5.6%
July 1, 1999	5.0%	5.1%	5.1%
July 1, 2000	5.0%	5.0%	5.0%
July 1, 2001*	5.2%	5.0%	5.1%
July 1, 2002	5.6%	6.2%	5.9%
July 1, 2003*	3.8%	4.7%	4.4%
July 1, 2004*	4.5%	5.3%	5.0%

* 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>
1995	8.61%	10.52%	7.00%
1996	7.96%	5.04%	7.25%
1997	8.57%	8.25%	7.25%
1998	9.34%	13.27%	7.25%
1999	9.52%	10.04%	7.25%
2000	8.53%	5.80%	7.25%
2001	5.77%	(2.14%)	7.25%
2002	3.08%	(4.85%)	7.25%
2003	4.20%	3.48%	7.25%
2004	6.29%	16.19%	7.25%

TEN YEAR HISTORICAL MEMBER INFORMATION

Active Member Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Total Anticipated Annual Payroll</u>	<u>Average Annual Pay</u>	<u>Percentage Increase In Average Pay</u>
1995	139,931	2,833,328,063	20,248	2.69%
1996	142,336	2,921,540,553	20,526	1.37%
1997	142,011	3,056,390,214	21,522	4.86%
1998	141,383	3,110,162,069	21,998	2.21%
1999	141,441	3,250,197,264	22,979	4.46%
2000	146,613	3,482,453,418	23,753	3.37%
2001	145,019	3,587,079,638	24,735	4.14%
2002	143,234	3,851,760,958	26,891	8.72%
2003	143,082	4,038,679,794	28,226	4.96%
2004	142,913	4,214,390,292	29,489	4.47%

Non-Retired Inactive Vested Member Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Average Annual Benefit*</u>
1995	5,871	3,011
1996	6,083	3,113
1997	5,741	3,349
1998	6,862	3,661
1999	7,979	3,611
2000	8,368	3,788
2001	10,323	3,982
2002	11,572	4,531
2003	11,897	3,472
2004	9,884	3,714

*July 1, 2002 and earlier amounts weighted with early retirement rates

TEN YEAR HISTORICAL MEMBER INFORMATION

-Continued-

Retired Member and Beneficiary Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Annual Benefit*</u>	<u>Average Annual Benefit*</u>
1995	39,610	152,231,035	3,843
1996	40,819	163,455,987	4,004
1997	42,050	176,509,450	4,198
1998	43,517	193,350,012	4,443
1999	44,594	203,097,160	4,554
2000	45,768	216,615,494	4,733
2001	47,203	230,791,087	4,889
2002	47,507	248,797,563	5,237
2003	49,181	273,821,963	5,568
2004	50,436	308,061,648	6,108

Disabled Member Statistics

1995	2,803	8,666,154	3,092
1996	2,966	9,516,383	3,208
1997	3,101	10,363,939	3,342
1998	3,257	11,433,222	3,510
1999	3,360	11,986,411	3,567
2000	3,537	13,230,143	3,740
2001	3,566	13,529,137	3,794
2002	3,585	14,212,424	3,964
2003	3,775	15,845,234	4,197
2004	3,918	17,649,672	4,505

*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 Member Actuarial Liability</u>	<u>Net Assets Available for Benefits, Actuarial Value</u>
1995	\$ 1,046,516 100%	\$ 1,561,103 100%	\$ 2,685,974 100%	\$ 5,312,016
1996	1,140,426 100%	1,751,629 100%	2,926,879 98.6%	5,776,621
1997	1,264,456 100%	1,893,179 100%	3,126,230 100%	6,304,948
1998	1,288,353 100%	2,074,561 100%	3,267,237 100%	6,914,957
1999	1,428,913 100%	2,158,640 100%	3,488,428 100%	7,595,266
2000	1,647,902 100%	2,303,679 100%	3,748,305 100%	8,267,657
2001	1,728,972 100%	2,426,062 100%	4,150,638 100%	8,723,304
2002	1,886,124 100%	2,582,149 100%	4,597,859 98.4%	8,994,854
2003	1,971,864 100%	2,764,974 100%	4,297,735 100%	9,293,952
2004	2,211,326 100%	2,927,884 100%	4,705,143 100%	9,853,976

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>
1995	\$ 1,046,516 100%	\$ 1,658,027 100%	\$ 1,289,703 100%	\$ 1,604,165 100%	\$ 5,312,016
1996	1,140,426 100%	1,751,629 100%	1,307,888 100%	1,639,205 100%	5,776,621
1997	1,264,456 100%	1,893,179 100%	1,405,101 100%	1,747,693 100%	6,304,948
1998	1,288,353 100%	2,074,561 100%	1,511,289 100%	1,859,857 100%	6,914,957
1999	1,428,913 100%	2,158,640 100%	1,639,166 100%	2,005,646 100%	7,595,266
2000	1,647,901 100%	2,303,679 100%	1,785,795 100%	2,168,889 100%	8,267,657
2001	1,728,972 100%	2,426,062 100%	1,950,425 100%	2,249,293 100%	8,723,304
2002	1,886,124 100%	2,582,149 100%	2,327,868 100%	2,646,870 100%	8,994,854
2003	1,971,864 100%	2,764,974 100%	2,215,284 100%	2,562,166 100%	9,293,952
2004	2,211,326 100%	2,927,884 100%	2,396,487 100%	2,775,447 100%	9,853,976

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 member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The 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 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

ACTUARIAL ASSUMPTIONS

Interest	7.25% net of administrative expenses
Future Salary Increases	Based on PERF experience 1995-2000.
Cost of Living Increases	An increase of 0.5% (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. Pre-retirement mortality based on PERF experience 1995-2000.
Disability	Based on PERF experience 1995-2000.
Termination	Select and ultimate tables based on PERF experience 1995-2000. Separate tables are used for state employees and political subdivision employees.
Retirement	Based on PERF experience 1995-2000.
Spouse's Benefit	90% of members 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	Netted against investment earnings

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 member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.
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 member has 15 or more years of creditable service, then the member may elect to receive a reduced early retirement benefit.

* Average monthly earnings is the monthly average of earnings during the 20 quarters (in groups of 4 consecutive quarters) preceding retirement that produce the highest such average. Earnings include basic salary, the member's 3% mandatory contribution paid by the employer, the member's salary reduction agreement under Section 125, 403(b) or 457 of the Internal Revenue Code, and up to \$2,000 of additional compensation received from the employer in anticipation of the member's termination or retirement.

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 member 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 member 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.