

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA
ACTUARIAL VALUATION
JULY 1, 2008

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA

ACTUARIAL VALUATION

VALUATION DATE

July 1, 2008

VALUATION YEAR

July 1, 2008 - June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
Summary of Actuarial Valuation.....	5
Actuarial Certification	7
 <u>FUNDING EXHIBITS</u>	
Summary of Contributions	8
Development of Funded Status.....	9
Change in Unfunded Actuarial Accrued Liability.....	9
Contribution Breakdown and Comparison	10
Actuarial Present Value of Accumulated Benefits for Non-Retired Members	12
Statement of Changes in the Present Value of Accumulated Plan Benefits for Non-Retired Members	14
 <u>ASSET EXHIBITS</u>	
Statement of Income	15
Development of Actuarial Value of Assets	16
Allocation of Assets.....	17
 <u>GASB #25 and #27 DISCLOSURES</u>	
Schedule of Funding Progress	18
Schedule of Employer Contributions.....	18
Development of Net Pension Obligation.....	19

TABLE OF CONTENTS

-Continued-

	<u>PAGE</u>
<u>DATA SUMMARIES</u>	
Summary of Employee Data.....	21
Projected Retirements Over Next 10 Years.....	22
Scheduled Amortization of Unfunded Actuarial Accrued Liability.....	23
<u>HISTORICAL EXHIBITS</u>	
Ten Year History of Contribution Rates.....	25
Ten Year Historical Investment Experience.....	26
Ten Year Historical Member Information.....	27
Ten Year Historical Funding Information	29
<u>BASIS FOR VALUATION</u>	
Actuarial Methods	31
Actuarial Assumptions.....	32
Summary of Major Plan Provisions.....	33

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

Summary of Actuarial Valuation as of July 1, 2008

Introduction

As of the valuation date there were 140,146 active members, 62,424 pensioners and 15,450 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, 2008:

	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
Total Annual Cost	\$ 107,981,141	\$ 202,590,260	\$ 310,571,401
Cost as Percentage of Anticipated Payroll (Interest adjusted to mid-year)	6.50%	7.14%	6.75%

Beginning with the 2007 valuation, smoothing rules have been applied to the State employer contribution rate to help reduce wide variations in the employer contribution rates from year to year. These smoothing rules are also applied to individual political subdivisions participating in PERF. For the 2008 valuation, an additional smoothing rule was applied such that no employer contribution rate decreases from the employer contribution rate developed from the 2007 valuation. The PERF Board of Trustees approved this additional smoothing rule upon recommendation by the actuary and PERF management. The additional smoothing rule is intended for the 2008 valuation only, but may be extended to future valuations if deemed necessary.

This report reflects the plan provisions in effect as of July 1, 2008. Refer to the exhibit titled Summary of Major Plan Provisions for a brief description of benefits provided by this plan.

Prior to smoothing, the Total Annual Cost is composed of employer normal cost of \$279,655,104 and an amortization payment of \$25,269,003. As of July 1, 2008, the Unfunded Actuarial Accrued Liability is \$323,105,125. A breakdown and a comparison with the results of the prior valuation are provided in the exhibits titled Contribution Breakdown and Comparison.

Prior to smoothing, the Total Annual Cost for 2008, as a percent of anticipated payroll increased to 6.869% as compared to 6.727% for 2007. The Fund had experience losses from investments yielding less than the assumed 7.25% (estimated return for the 2007 plan year was 5.32% on an actuarial value basis). In terms of actual dollars and prior to smoothing, the Total Annual Cost increased by \$20,240,065 from \$284,684,042 for the 2007 plan year to \$304,924,107 for the 2008 plan year.

Introduction, Continued

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 continued from the prior Valuation. The actuarial assumptions are deemed to be representative of actual and anticipated experience under the plan.

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 2007-2008 plan year that resulted in an estimated yield of 5.32%. The approximate market basis return during the same time period was negative 8.33%. 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.

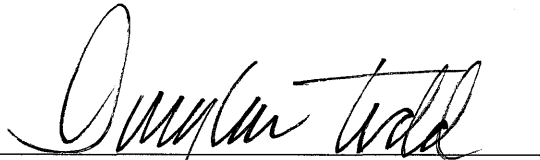
PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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, 2008 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, 2008 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 of Trustees 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
McCready and Keene, Inc.



Douglas Todd
A.S.A., M.A.A.A., E.A.
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PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

SUMMARY OF CONTRIBUTIONS

	July 1, 2008		
	State**	Political Subdivisions	Total
TOTAL ANNUAL COST	\$ 107,981,141	\$ 202,590,260	\$ 310,571,401
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	6.50%	7.14%	6.75%

*Interest adjusted for mid-year contribution

****Smoothing rules:**

1. Any increase or decrease between the current year's true rate and the previous year's actual rate shall be limited to one-half the increase or decrease rounded up to the next 0.25% multiple.
2. After the smoothing described above, any decrease in the employer rate shall be equal to the excess, if any, of the decrease over 1%.
3. The 2008 employer rate may not be less than the 2007 employer rate.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

DEVELOPMENT OF FUNDED STATUS

	July 1, 2007	July 1, 2008
Total Actuarial Accrued Liability	\$ 12,439,798,183	\$ 13,103,221,177
Minus: Total Actuarial Assets	12,220,934,214	12,780,116,052
Equals: Unfunded Actuarial Accrued Liability	\$ 218,863,969	\$ 323,105,125
Funded Status	98.2%	97.5%

CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY

	2006 - 2007	2007 - 2008
Unfunded Actuarial Accrued Liability, Prior Year	\$ 272,956,896	\$ 218,863,969
Asset Experience (Gain) or Loss	\$ (347,159,754)	\$ 235,548,704
Plus: Liability Experience (Gain) or Loss	124,812,545	(128,898,591)
Plus: Additional Liability Due to Change in Actuarial Assumptions	171,016,502	-
Plus: Additional Liability Due to Change in Plan Provisions	-	-
Plus: Amortization of Existing Bases	(2,762,220)	(2,408,958)
Equals: Change in Unfunded Actuarial Accrued Liability	\$ (54,092,927)	\$ 104,241,156
Unfunded Actuarial Accrued Liability, Current Year	\$ 218,863,969	\$ 323,105,125

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2008		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 98,916,617	\$ 180,738,487	\$ 279,655,104
Amortization of Unfunded Actuarial Liability	<u>3,417,230</u>	<u>21,851,773</u>	<u>25,269,003</u>
Total	\$ 102,333,847	\$ 202,590,260	\$ 304,924,107
ANTICIPATED PAYROLL	\$ 1,661,248,319	\$ 2,939,105,575	\$ 4,600,353,894
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	6.383%	7.143%	6.869%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

	July 1, 2008		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 2,272,481,545	\$ 3,427,008,829	\$ 5,699,490,374
- Terminated Members	<u>241,309,734</u>	<u>240,724,092</u>	<u>482,033,826</u>
Total	\$ 2,513,791,279	\$ 3,667,732,921	\$ 6,181,524,200
Less: Non-Retired Member Assets	<u>2,469,431,611</u>	<u>3,388,987,464</u>	<u>5,858,419,075</u>
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ 44,359,668	\$ 278,745,457	\$ 323,105,125
Unfunded Actuarial Accrued Liability, Prior Year	\$ (15,570,370)	\$ 234,434,339	\$ 218,863,969
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(1,199,457)	18,240,572	17,041,115
Plus: Interest for Full Year at 7.25%	<u>(1,041,891)</u>	<u>\$ 15,674,048</u>	<u>\$ 14,632,157</u>
Equals: Expected UAAL	\$ (15,412,804)	\$ 231,867,815	\$ 216,455,011
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	-	-	-
Plus: Increase (Decrease) Due to Change in Plan Provisions	<u>-</u>	<u>-</u>	<u>-</u>
Equals: Expected (UAAL)	\$ (15,412,804)	\$ 231,867,815	\$ 216,455,011
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 59,772,472	\$ 46,877,642	\$ 106,650,114

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA
CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2007		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 94,396,107	\$ 173,246,820	\$ 267,642,927
Amortization of Unfunded Actuarial Liability	<u>(1,199,457)</u>	<u>18,240,572</u>	<u>17,041,115</u>
Total	\$ 93,196,650	\$ 191,587,392	\$ 284,684,042
ANTICIPATED PAYROLL	\$ 1,573,566,285	\$ 2,812,109,584	\$ 4,385,675,869
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL (Interest Adjusted for Mid-Year Contribution)	6.137%	7,056%	6.727%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

	July 1, 2007		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 2,140,761,696	\$ 3,184,460,584	\$ 5,325,222,280
- Terminated Members	<u>194,320,140</u>	<u>205,690,335</u>	<u>400,010,475</u>
Total	\$ 2,335,081,836	\$ 3,390,150,919	\$ 5,725,232,755
Less: Non-Retired Member Assets	<u>2,350,652,206</u>	<u>3,155,716,580</u>	<u>5,506,368,786</u>
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ (15,570,370)	\$ 234,434,339	\$ 218,863,969
Unfunded Actuarial Accrued Liability, Prior Year	\$ 40,757,268	\$ 232,199,628	\$ 272,956,896
Less: Amortization of Unfunded Actuarial Liability, Prior Year	3,139,720	17,887,408	21,027,128
Plus: Interest for Full Year at 7.25%	<u>2,727,272</u>	<u>\$ 15,537,636</u>	<u>\$ 18,264,908</u>
Equals: Expected UAAL	\$ 40,344,820	\$ 229,849,856	\$ 270,194,676
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	72,553,863	98,462,639	171,016,502
Plus: Increase (Decrease) Due to Change in Plan Provisions	-	-	-
Equals: Expected (UAAL)	\$ 112,898,683	\$ 328,312,495	\$ 441,211,178
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ (128,469,053)	\$ (93,878,156)	\$ (222,347,209)

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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

	July 1, 2008		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 1,407,354,886	\$ 2,010,460,879	\$ 3,417,815,765
- Terminated Members	241,309,734	240,724,092	482,033,826
Total	\$ 1,648,664,620	\$ 2,251,184,971	\$ 3,899,849,591
Nonvested Benefits	168,391,735	329,145,752	497,537,487
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,817,056,355	\$ 2,580,330,723	\$ 4,397,387,078
Non-Retired Member Assets			
- Market Value	\$ 2,171,567,250	\$ 2,980,205,711	\$ 5,151,772,961
- Actuarial Value	2,469,431,611	3,388,987,464	5,858,419,075
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.317	1.324	1.321
- Actuarial Value	1.498	1.505	1.502
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.195	1.155	1.172
- Actuarial Value	1.359	1.313	1.332

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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

	July 1, 2007		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 1,329,379,000	\$ 1,840,804,849	\$ 3,170,183,849
- Terminated Members	194,320,140	205,960,335	400,010,475
Total	\$ 1,523,699,140	\$ 2,046,495,184	\$ 3,570,194,324
Nonvested Benefits	164,539,059	320,815,943	485,355,002
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,688,238,199	\$ 2,367,311,127	\$ 4,055,549,326
Non-Retired Member Assets			
- Market Value	\$ 2,795,256,558	\$ 3,752,591,491	\$ 6,547,848,049
- Actuarial Value	2,350,652,206	3,155,716,580	5,506,368,786
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.835	1.834	1.834
- Actuarial Value	1.543	1.542	1.542
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.656	1.585	1.615
- Actuarial Value	1.392	1.333	1.358

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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

Actuarial Present Value of Accumulated Plan Benefits, July 1, 2007	\$ 4,055,549,326
Plus: Increase Due to Additional Benefits Accumulated	303,263,816
Less: Transfers to Retired and Disabled Status	449,261,919
Plus: Increase Due to Decrease in the Discount Period (@7.25%)	316,013,953
Plus: Increase Due to Change in Plan Provisions	-
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	-
Plus: Actuarial Experience (Gain)/Loss and other Miscellaneous Items	<u>171,821,902</u>
Equals: Actuarial Present Value of Accumulated Plan Benefits, July 1, 2008	\$ 4,397,387,078

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

STATEMENT OF INCOME

July 1, 2007 - June 30, 2008

		<u>Market Value</u>
(1) Net Value of Assets Available for Benefits, July 1, 2007		\$13,262,413,477
(2) Receipts		
Employer Contributions:		
State	\$ 110,272,675	
Political Subdivisions	193,640,100	303,912,775
Member Contributions:		
State	\$ 53,416,033	
Political Subdivisions	102,313,061	155,729,094
Investment Income and Dividends Net of Fees		(947,297,236)
Security Lending Income Net of Fees		-
Transfers In		-
Miscellaneous Income		-
Total Receipts		\$ (487,655,367)
(3) Disbursements		
Benefits Paid During the Year		\$ 501,636,888
Refund of Contributions and Interest		45,610,365
Administrative Expenses		153,552,514
Transfers Out		488,405
Miscellaneous Disbursements		-
Total Disbursements		\$ 701,288,171
(4) Net Value of Assets Available for Benefits, June 30, 2008 (1) + (2) - (3)		\$12,073,469,938

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	<u>July 1, 2007</u>	<u>July 1, 2008</u>
Actuarial Value, Prior June 30	\$ 11,177,971,455	\$ 12,220,934,214
<u>Receipts</u>		
Employer Contributions Made During the Year	259,819,709	303,912,775
Member Contributions Made During the Year	147,738,697	155,729,094
Miscellaneous Income – Not Investment Related	2,988,770	-
Expected Investment Income (@ 7.25%) - Beginning Value	810,402,930	886,017,731
Expected Investment Income (@ 7.25%) - Contributions	<u>14,882,335</u>	<u>16,662,018</u>
Total	\$ 1,235,832,441	\$ 1,362,321,618
<u>Disbursements</u>		
Benefits Paid During the Year	\$ 466,008,762	501,636,888
Refund of Contributions and Interest	48,334,477	45,610,365
Miscellaneous Expenses – Not Investment Related	6,794,939	488,405
Expected Investment Expenses (@ 7.25%) - Disbursements	<u>18,891,259</u>	<u>19,855,418</u>
Total	\$ 540,029,437	\$ 567,591,076
Expected Actuarial Value, Current June 30	\$ 11,873,774,459	\$ 13,015,664,756
Actual Market Value, Current June 30	\$ 13,262,413,477	\$ 12,073,469,938
Actuarial Value, Current June 30 [75% of Expected Actuarial Value] + [25% of Actual Market Value]	\$ 12,220,934,214	\$ 12,780,116,052

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

ALLOCATION OF ASSETS

	<u>July 1, 2007</u>	<u>July 1, 2008</u>
Total Assets Available for Benefits		
- Market Value	\$ 13,262,413,477	\$ 12,073,469,938
- Actuarial Value	12,220,934,214	12,780,116,052
Less: Annuity Savings Account	\$ 2,707,176,269	\$ 2,694,331,410
Less: Retired and Disabled	\$ 4,007,389,159	\$ 4,227,365,567
Equals: Total Non-Retired Assets		
- Market Value	\$ 6,547,848,049	\$ 5,151,772,961
- Actuarial Value	5,506,368,786	5,858,419,075
Total Ledger Assets	\$ 6,769,495,765	\$ 5,205,044,878
- State Share of Total	\$ 2,889,877,271	\$ 2,194,022,337
- State Percent of Total	42.689698%	42.151843%
- Political Subdivisions Share of Total	\$ 3,879,618,494	\$ 3,011,022,542
- Political Subdivisions Percent of Total	57.310302%	57.848157%
State Portion (Based on Ledger Share)		
- Market Value	\$ 2,795,256,558	\$ 2,171,567,250
- Actuarial Value	2,350,652,206	2,469,431,611
Political Subdivisions Portion (Based on Ledger Share)		
- Market Value	\$ 3,752,591,491	\$ 2,980,205,711
- Actuarial Value	3,155,716,580	3,388,987,464

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.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA
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)
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%)
2005*	2,145,805,051	2,189,336,721	43,531,670	98.0%	1,645,247,889	2.6%
2006*	2,169,619,411	2,210,376,679	40,757,268	98.2%	1,592,207,236	2.6%
2007*	2,350,652,206	2,335,081,836	(15,570,370)	100.7%	1,573,566,285	(1.0%)
2008	2,469,431,611	2,513,791,279	44,359,668	98.2%	1,661,248,319	2.7%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
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%
2005	69,647,405	62,759,547	90.1%
2006	87,947,466	72,890,131	82.9%
2007	96,430,158	89,800,510	93.1%
2008	99,134,676	106,867,251	107.8%

*Plan changes and/or changes in actuarial assumptions.

June 5, 2009 (I418)

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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)
7/1/98	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)
7/1/04	69,647	(6,102)	(6,953)	12.1037	70,498	62,760	7,738	(84,159)*	(76,421)
7/1/05	87,947	(5,541)	(6,314)	12.1037	88,720	72,890	15,830	(76,421)	(60,591)
7/1/06	96,430	(4,393)	(5,006)	12.1037	97,043	89,801	7,242	(60,591)	(53,349)
7/1/07	99,135	(3,868)	(4,408)	12.1037	99,675	106,867	(7,192)	(53,349)	(60,541)

* A negative \$743 thousand was included to represent the addition of the Toll Road Commission to the State account.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA
REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(All PERF)

Schedule of Funding Progress

Actuarial Valuation Date July 1	(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)
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%)
2005*	10,471,937,382	10,858,322,359	386,384,977	96.4%	4,318,450,314	8.9%
2006*	11,177,971,455	11,450,928,351	272,956,896	97.6%	4,322,179,849	6.3%
2007*	12,220,934,214	12,439,798,183	218,863,969	98.2%	4,385,675,869	5.0%
2008	12,780,116,052	13,103,221,177	323,105,125	97.5%	4,600,353,894	7.0%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
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%
2005	202,630,615	206,323,040	101.8%
2006	249,669,105	230,357,341	92.3%
2007	278,189,803	253,854,486	91.3%
2008	284,684,042	303,912,775	106.8%

*Plan changes and/or changes in actuarial assumptions

June 5, 2009 (I418)

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

SUMMARY OF EMPLOYEE DATA

	<u>July 1, 2007</u>	<u>July 1, 2008</u>
Active Members		
State	45,465	45,713
Political Subdivisions	<u>93,398</u>	<u>94,433</u>
Total	138,863	140,146
Retired Members and Beneficiaries Receiving Benefits		
Annual Benefits Payable from Trust	\$ 390,434,248	\$ 413,098,677
Average Annual Benefit	\$ 6,977	\$ 7,126
Disabled Members Receiving Benefits		
Annual Benefits Payable from Trust	\$ 22,310,587	\$ 23,650,317
Average Annual Benefit	\$ 5,103	\$ 5,311
Terminated Members Entitled to Future Benefits		
<u>STATE</u>		
Deferred Annual Benefits	\$ 30,496,298	\$ 55,300,438
Average Annual Benefits	\$ 4,438	\$ 7,618
<u>POLITICAL SUBDIVISIONS</u>		
Deferred Annual Benefits	\$ 30,679,358	\$ 44,708,334
Average Annual Benefits	\$ 3,875	\$ 5,458

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

Projected Retirements Over Next 10 Years

<u>Year</u>	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
2008-2009	1,487.39	2,967.58	4,454.97
2009-2010	1,460.02	2,803.84	4,263.86
2010-2011	1,468.09	2,843.41	4,311.50
2011-2012	1,482.38	2,963.76	4,446.14
2012-2013	1,501.83	3,090.79	4,592.62
2013-2014	1,509.34	3,163.38	4,672.72
2014-2015	1,553.84	3,306.95	4,860.79
2015-2016	1,554.23	3,442.16	4,996.39
2016-2017	1,576.99	3,587.27	5,164.26
2017-2018	1,568.66	3,634.93	5,203.59

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Date Base Established</u>	<u>Reason</u>	<u>STATE PORTION</u>		
		<u>Years Remaining at 7-1-2008</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2007</u>
7/1/2008	Fresh Start	30	\$ 3,417,230	\$ 44,359,668

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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 7-1-2008</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2008</u>
7/1/2006	Fresh Start	28	\$ 17,887,408	\$ 227,329,725
7/1/2007	Actuarial Experience Gain	29	(7,231,867)	(92,928,145)
7/1/2007	Change in Assumptions	29	7,585,031	97,466,235
7/1/2008	Actuarial Experience Loss	30	<u>3,611,201</u>	<u>46,877,642</u>
			\$ 21,851,773	\$ 278,745,457

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

TEN YEAR HISTORY OF CONTRIBUTION RATES

<u>Valuation Date</u>	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
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%
July 1, 2005*	5.5%	6.3%	6.0%
July 1, 2006*	6.3%	6.9%	6.7%
July 1, 2007*	6.3%**	6.9%	6.6%
July 1, 2008*	6.50%**	7.14%	6.75%

*Plan changes and/or changes in actuarial assumptions
 **After application of smoothing parameters.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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>
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%
2005	7.00%	9.23%	7.25%
2006	7.85%	10.44%	7.25%
2007	10.37%	17.74%	7.25%
2008	5.32%	(8.33%)	7.25%

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA
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>
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%
2005	141,428	4,318,450,314	30,535	3.55%
2006	140,563	4,322,179,849	30,749	4.27%
2007	138,863	4,385,675,869	31,583	2.71%
2008	140,146	4,600,353,894	32,825	3.93%

Non-Retired Inactive Vested Member Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Average Annual Benefit*</u>
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
2005	10,531	3,828
2006	11,552	4,106
2007	14,789	4,137
2008	15,450	6,473

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

June 5, 2009 (I418)

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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>
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
2005	52,936	334,909,825	6,327
2006	54,040	355,485,118	6,578
2007	55,960	390,434,248	6,977
2008	57,971	413,098,677	7,126

Disabled Member Statistics

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
2005	4,185	19,375,530	4,630
2006	4,243	22,125,496	5,215
2007	4,372	22,310,587	5,103
2008	4,453	23,650,317	5,311

*Includes employee annuities

June 5, 2009 (I418)

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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>
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
2005	2,382,280 100.0%	3,301,265 100.0%	5,174,777 92.5%	10,471,937
2006	2,515,984 100.0%	3,648,764 100.0%	5,286,181 94.8%	11,177,971
2007	2,707,176 100%	4,007,389 100%	5,725,233 96.2%	12,220,934
2008	2,694,331 100.0%	4,227,366 100.0%	6,181,524 94.8%	12,780,116

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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>
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
2005	2,382,280 100.0%	3,301,265 100.0%	2,665,332 100.0%	3,075,942 100.0%	10,471,937
2006	2,515,984 100.0%	3,648,764 100.0%	3,103,472 100.0%	3,583,679 100.0%	11,177,971
2007	2,707,716 100.0%	4,007,389 100.0%	3,570,194 100.0%	4,055,549 100.0%	12,220,934
2008	2,694,331 100.0%	4,227,366 100.0%	3,899,850 100.0%	4,397,387 100.0%	12,780,116

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

ACTUARIAL ASSUMPTIONS

Interest	7.25% net of administrative expenses
Future Salary Increases	Annual Increase of 4% (Based on PERF experience 2000-2005).
Cost of Living Increases	An increase of 1.5% compounded annually 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 2000-2005. Separate tables are used for state employees and political subdivision employees.
Retirement	Based on PERF experience 2000-2005. Revised effective July 1, 2007
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

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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.

PUBLIC EMPLOYEES' RETIREMENT FUND
OF INDIANA

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.