

**PUBLIC EMPLOYEES'  
RETIREMENT FUND OF INDIANA**

**ACTUARIAL VALUATION**

**JULY 1, 2009**

PUBLIC EMPLOYEES'  
RETIREMENT FUND OF INDIANA

ACTUARIAL VALUATION

VALUATION DATE

July 1, 2009

PLAN YEAR

July 1, 2009 -- June 30, 2010

PUBLIC EMPLOYEES'  
RETIREMENT FUND OF INDIANA

Summary of Actuarial Valuation as of July 1, 2009

Introduction

As of the valuation date there were 147,792 active members, 65,099 pensioners and 10,670 terminated participants 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.

This report establishes the following contributions for the 2009-2010 Year:

	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
Total Annual Cost	\$ 118,199,909	\$ 241,983,391	\$ 360,183,300
Cost as % of Anticipated Payroll	7.00%	7.88%	7.57%

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 and 2009 valuations, 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 and 2009 valuations only, but may be extended to future valuations if deemed necessary.

This report reflects the plan provisions in effect as of July 1, 2009. 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 \$298,159,870 and an amortization payment of \$72,839,046. As of July 1, 2009, the Unfunded Actuarial Accrued Liability is \$936,944,440. A breakdown and a comparison with the results of the prior valuation are provided in the exhibits titled Contribution Breakdown and Comparison.

### Introduction, continued

Prior to smoothing, the Total Annual Cost for 2009, as a percent of anticipated payroll, increased to 7.796% as compared to 6.869% for 2007. The Fund had experience losses from investments yielding less than the assumed 7.25% (estimated return for the 2008 plan year was negative 0.94% on an actuarial value basis). In terms of actual dollars and prior to smoothing, the Total Annual Cost increased by \$20,240,065 from \$304,924,107 for the 2008 plan year to \$370,998,916 for the 2009 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 continued from the prior Valuation. These assumptions are deemed to be representative of actual and anticipated future experience.

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 2008-2009 plan year that resulted in an estimated yield of negative 0.94%. The approximate market basis return during the same time period was negative 21.11%. 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, 2009 submitted by the Public Employees' Retirement Fund (PERF). 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, 2009 submitted by PERF. Although we did not audit this data, it appears to be sufficient and reliable for purposes of this report.
3. Actuarial assumptions which were chosen by the PERF Board of Trustees after consultation with the actuary with each assumption deemed to be reasonably related to past experience and to anticipated future experience.
4. Generally accepted actuarial principles and in accordance with the standards of practice 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, 2009		
	State**	Political Subdiv.	Total
TOTAL ANNUAL COST	\$ 118,199,909	\$ 241,983,391	\$ 360,183,300
COST AS PERCENTAGE OF ANTICIPATED PAYROLL (interest adjusted for mid-year contribution)	7.00%	7.88%	7.57%

	July 1, 2008		
	State**	Political Subdiv.	Total
TOTAL ANNUAL COST	\$ 107,981,141	\$ 202,590,260	\$ 310,571,401
COST AS PERCENTAGE OF ANTICIPATED PAYROLL (interest adjusted for mid-year contribution)	6.5%	7.1%	6.8%

**\*\* 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 rounding describe in #1, any decrease in the employer contribution rate shall be equal to the excess, if any, of the decrease over 1%.
3. The employer contribution rate may not be less than the preceding year's employer contribution rate.

DEVELOPMENT OF FUNDED STATUS

	July 1, 2008	July 1, 2009
Actuarial Accrued Liability		
-- Non-Retired Members	\$ 6,181,524,200	\$ 6,225,705,492
-- Annuity Savings Account	2,694,331,410	2,669,318,240
-- Retired, Beneficiaries, and Disabled	4,227,365,567	4,611,256,619
Total	\$ 13,103,221,177	\$ 13,506,280,351
Less: Total Actuarial Assets	12,780,116,052	12,569,335,911
Equals: Unfunded Actuarial Accrued Liability	\$ 323,105,125	\$ 936,944,440
 <b>Funded Status</b>	 <b>97.5%</b>	 <b>93.1%</b>

CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY

	2007 - 2008	2008 - 2009
Unfunded Actuarial Accrued Liability, Prior Year	\$ 218,863,969	\$ 323,105,125
Plus: Asset Experience (Gain) or Loss	\$ 235,548,704	\$ 1,042,333,456
Plus: Liability Experience (Gain) or Loss	(128,898,590)	(424,818,257)
Plus: Additional Liability Due to Change in Actuarial Assumptions	0	0
Plus: Additional Liability Due to Change in Plan Provisions	0	0
Plus: Amortization of Existing Bases	(2,408,958)	(3,675,884)
Equals: Change in Unfunded Actuarial Accrued Liability	\$ 104,241,156	\$ 613,839,315
 Unfunded Actuarial Accrued Liability, Current Year	 \$ 323,105,125	 \$ 936,944,440



CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2009		
	State	Political Subdiv.	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 103,491,300	\$ 194,668,570	\$ 298,159,870
Amortization of Unfunded Actuarial Accrued Liability	24,800,374	48,038,672	72,839,046
Total	\$ 128,291,674	\$ 242,707,242	\$ 370,998,916
ANTICIPATED PAYROLL	\$ 1,749,780,803	\$ 3,181,642,137	\$ 4,931,422,940
COST AS PERCENTAGE OF ANTICIPATED PAYROLL (interest adjusted for mid-year contribution)	7.598%	7.905%	7.796%

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

	July 1, 2009		
	State	Political Subdiv.	Total
Actuarial Accrued Liability			
- Active Members	\$ 2,263,622,086	\$ 3,552,449,183	\$ 5,816,071,269
- Terminated Vested Members	179,417,239	230,216,984	409,634,223
Total	\$ 2,443,039,325	\$ 3,782,666,167	\$ 6,225,705,492
Less: Non-Retired Member Assets	2,121,550,162	3,167,210,890	5,288,761,052
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ 321,489,163	\$ 615,455,277	\$ 936,944,440
Unfunded Actuarial Accrued Liability, Prior Year	\$ 44,359,668	\$ 278,745,457	\$ 323,105,125
Less: Amortization of Unfunded Actuarial Liability, PY	3,417,230	21,851,773	25,269,003
Plus: Interest for Full Year at 7.25%	2,968,327	18,624,792	21,593,119
Equals: Expected UAAL, prior to changes	\$ 43,910,765	\$ 275,518,476	\$ 319,429,241
Plus: Increase (Decrease) - Change in Assumptions	0	0	0
Plus: Increase (Decrease) - Change in Plan Provisions	0	0	0
Equals: Expected UAAL	\$ 43,910,765	\$ 275,518,476	\$ 319,429,241
Experience (Gain)/Loss [Actual UAAL - Expected UAAL]	\$ 277,578,398	\$ 339,936,801	\$ 617,515,199

CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2008		
	State	Political Subdiv.	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 98,916,617	\$ 180,738,487	\$ 279,655,104
Amortization of Unfunded Actuarial Accrued Liability	3,417,230	21,851,773	25,269,003
Total	\$ 102,333,847	\$ 202,590,260	\$ 304,924,107
ANTICIPATED PAYROLL	\$ 1,661,248,319	\$ 2,939,105,575	\$ 4,600,353,894
COST AS PERCENTAGE OF ANTICIPATED PAYROLL (interest adjusted for mid-year contribution)	6.383%	7.143%	6.869%

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

	July 1, 2008		
	State	Political Subdiv.	Total
Actuarial Accrued Liability			
- Active Members	\$ 2,272,481,545	\$ 3,427,008,829	\$ 5,699,490,374
- Terminated Vested Members	241,309,734	240,724,092	482,033,826
Total	\$ 2,513,791,279	\$ 3,667,732,921	\$ 6,181,524,200
Less: Non-Retired Member Assets	2,469,431,611	3,388,987,464	5,858,419,075
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, PY	(1,199,457)	18,240,572	17,041,115
Plus: Interest for Full Year at 7.25%	(1,041,891)	15,674,048	14,632,157
Equals: Expected UAAL, prior to changes	\$ (15,412,804)	\$ 231,867,815	\$ 216,455,011
Plus: Increase (Decrease) - Change in Assumptions	0	0	0
Plus: Increase (Decrease) - Change in Plan Provisions	0	0	0
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

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

	July 1, 2009		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 1,406,256,075	\$ 2,129,593,866	\$ 3,535,849,941
- Terminated Vested Members	179,417,239	230,216,984	409,634,223
Total	\$ 1,585,673,314	\$ 2,359,810,850	\$ 3,945,484,164
Nonvested Benefits	169,136,195	337,765,851	506,902,046
 Total Non-Retired Actuarial Present Value of Accumulated Benefits	 \$ 1,754,809,509	 \$ 2,697,576,701	 \$ 4,452,386,210
 Non-Retired Member Assets			
- Market Value	\$ 867,175,446	\$ 1,294,585,235	\$ 2,161,760,681
- Actuarial Value	2,121,550,162	3,167,210,890	5,288,761,052
 Ratio of Assets to Present Value of Vested Accumulated Plan Benefits			
- Market Value	0.547	0.549	0.548
- Actuarial Value	1.338	1.342	1.340
 Ratio of Assets to Present Value of Total Accumulated Plan Benefits			
- Market Value	0.494	0.480	0.486
- Actuarial Value	1.209	1.174	1.188

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 Vested 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 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 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 Present Value of Total Accumulated Plan Benefits			
- Market Value	1.195	1.155	1.172
- Actuarial Value	1.359	1.313	1.332

STATEMENT OF CHANGES IN THE PRESENT VALUE OF ACCUMULATED PLAN BENEFITS  
("PVAB") FOR NON-RETIRED MEMBERS

Actuarial Present Value of Accumulated Plan Benefits, July 1, 2008	\$ 4,397,387,078
Plus: Increase Due to Additional Benefits Accumulated	349,421,838
Less: Transfers to Retired and Disabled Status	535,970,005
Plus: Interest Due to Decrease in the Discount Period (@ 7.25%	365,191,635
Plus: Increase (Decrease) Due to Change in Plan Provisions	0
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	0
Plus: Actuarial Experience (Gain)/Loss and Other Miscellaneous Items	<u>(123,644,336)</u>
Actuarial Present Value of Accumulated Plan Benefits, June 30, 2009	\$ 4,452,386,210

STATEMENT OF INCOME

July 1, 2008 - June 30, 2009

		<u>Market Value</u>
Net Value of Assets for Benefits, July 1, 2008		\$ 12,073,469,938
<u>Receipts:</u>		
Employer Contributions Made During the Year		
State	\$ 112,826,503	
Political Subdivisions	210,324,589	323,151,092
Employee Contributions Made During the Year		
State	\$ 102,720,013	
Political Subdivisions	57,313,849	160,033,862
Investment Income and Dividends Net of Fees		(2,517,954,977)
Security Lending Income Net of Fees		-
Net Transfers In		3,147,867
Miscellaneous Income		-
Total Receipts		<u>\$ (2,031,622,156)</u>
<u>Disbursements:</u>		
Benefits Paid During the Year		\$ 536,783,325
Refund of Contributions and Interest		36,098,593
Administrative Expenses		21,497,782
Net Transfers Out		5,132,542
Miscellaneous Disbursements		-
Total Disbursements		<u>\$ 599,512,242</u>
Net Value of Assets for Benefits, June 30, 2009		\$ 9,442,335,540

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	<u>July 1, 2008</u>	<u>July 1, 2009</u>
Actuarial Value, Prior June 30	\$ 12,220,934,214	\$ 12,780,116,052
<u>Receipts</u>		
Employer Contributions Made During the Year	\$ 303,912,775	\$ 323,151,092
Member Contributions Made During the Year	155,729,094	160,033,862
Miscellaneous Income - Not Investment Related	0	3,147,867
Expected Investment Earnings - Beginning Value	886,017,731	926,558,414
Expected Investment Earnings - Contributions	16,662,018	17,629,565
Total Receipts	<u>\$ 1,362,321,618</u>	<u>\$ 1,430,520,800</u>
<u>Disbursements</u>		
Benefits Paid During the Year	\$ 501,636,888	\$ 536,783,325
Refund of Contributions and Interest	45,610,365	36,098,593
Miscellaneous Expenses - Not Investment Related	488,405	5,132,542
Expected Investment Expenses - Disbursements	19,855,418	20,953,024
Total Disbursements	<u>\$ 567,591,076</u>	<u>\$ 598,967,484</u>
Expected Actuarial Value, Current June 30	\$ 13,015,664,756	\$ 13,611,669,368
Actual Market Value, Current June 30	\$ 12,073,469,938	\$ 9,442,335,540
Actuarial Value, Current June 30	\$ 12,780,116,052	\$ 12,569,335,911
[75% of Expected Actuarial Value] plus		
[25% of Actual Market Value]		

ALLOCATION OF ASSETS

	<u>July 1, 2008</u>	<u>July 1, 2009</u>
<u>Total Assets Available for Benefits</u>		
- Market Value	\$ 12,073,469,938	\$ 9,442,335,540
- Actuarial Value	\$ 12,780,116,052	\$ 12,569,335,911
Less: Annuity Savings Accounts	\$ 2,694,331,410	\$ 2,669,318,240
Less: Retired, Beneficiaries, and Disabled	\$ 4,227,365,567	\$ 4,611,256,619
Equals: Total Non-Retired Assets		
- Market Value	\$ 5,151,772,961	\$ 2,161,760,681
- Actuarial Value	5,858,419,075	5,288,761,052
Total Ledger Assets	\$ 5,205,044,878	\$ 2,353,380,818
- State Share of Total	\$ 2,194,022,337	\$ 944,042,551
- State Percent of Total	42.151843%	40.114313%
- Political Subdivisions Share of Total	\$ 3,011,022,542	\$ 1,409,338,267
- Political Subdivisions Percent of Total	57.848157%	59.885687%
State Portion (Based on Ledger Share)		
- Market Value	\$ 2,171,567,250	\$ 867,175,446
- Actuarial Value	2,469,431,611	2,121,550,162
Political Subdivisions Portion (Based on Ledger Share)		
- Market Value	\$ 2,980,205,711	\$ 1,294,585,235
- Actuarial Value	3,388,987,464	3,167,210,890

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 Employer Contributions  
(Dollar Amounts in Thousands)

<u>Plan Year Ending June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual (Cash Basis) Employer Contribution</u>	<u>% of ARC</u>
2004	\$ 54,579	\$ 90,709	166.2%
2005	69,647	62,760	90.1%
2006	87,947	72,890	82.9%
2007	96,430	89,801	93.1%
2008	99,135	106,867	107.8%
2009	107,981	111,214	103.0%

Three-Year Trend Information  
(Dollar Amounts in Thousands)

<u>Plan Year Ending June 30</u>	<u>Net Pension Cost (NPC)</u>	<u>Actual (Cash Basis) Employer Contribution</u>	<u>% of NPC</u>
2007	\$ 97,043	\$ 89,801	92.5%
2008	99,675	106,867	107.2%
2009	108,594	111,214	102.4%

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 Anticipated Payroll	UAAL (Excess Assets) as a % of Payroll (c)/(d)
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%
2009	2,121,550,162	2,443,039,325	321,489,163	86.8%	1,749,780,803	18.4%

\* Actuarial assumptions and/or method changed

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

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

Plan Year Ending June 30	(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)
1997	\$ 79,101	\$ -	\$ -	12.9541	\$ 79,101	\$ 81,585	\$ (2,484)	\$ -	\$ (2,484)
1998	81,546	(180)	(192)	12.9541	81,558	80,146	1,412	(2,484)	(1,072)
1999	67,481	(78)	(83)	12.8933	67,486	77,821	(10,335)	(1,072)	(11,407)
2000	61,762	(827)	(889)	12.8280	61,824	84,354	(22,530)	(11,407)	(33,937)
2001	66,559	(2,460)	(2,660)	12.7581	66,759	76,219	(9,460)	(33,937)	(43,397)
2002	72,333	(3,146)	(3,422)	12.6830	72,609	76,304	(3,695)	(43,397)	(47,092)
2003	79,641	(3,414)	(3,891)	12.1037	80,118	80,796	(678)	(47,092)	(47,770)
2004	54,579	(3,463)	(3,947)	12.1037	55,063	90,709	(35,646)	(47,770)	(83,416)
2005	69,647	(6,102)	(6,953)	12.1037	70,498	62,760	7,738	(84,159)	(76,421)
2006	87,947	(5,541)	(6,314)	12.1037	88,720	72,890	15,830	(76,421)	(60,591)
2007	96,430	(4,393)	(5,006)	12.1037	97,043	89,801	7,242	(60,591)	(53,349)
2008	99,135	(3,868)	(4,408)	12.1037	99,675	106,867	(7,192)	(53,349)	(60,541)
2009	107,981	(4,389)	(5,002)	12.1037	108,594	111,214	(2,620)	(60,541)	(63,161)

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

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

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 Anticipated Payroll	UAAL (Excess Assets) as a % of Payroll (c)/(d)
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%
2009	12,569,335,911	13,506,280,351	936,944,440	93.1%	4,931,422,940	19.0%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual (Cash Basis) Employer Contribution	% of ARC
2005	\$ 212,657,732	\$ 206,323,040	97.0%
2006	248,120,174	230,357,341	92.8%
2007	275,170,690	253,854,486	92.3%
2008	291,397,103	294,527,388	101.1%
2009	316,059,105	318,532,691	100.8%

SUMMARY OF EMPLOYEE DATA

	<u>July 1, 2008</u>	<u>July 1, 2009</u>
Active Members		
State	45,713	46,749
Political Subdivisions	94,433	101,043
Total	<u>140,146</u>	<u>147,792</u>
Retired Members and Beneficiaries Receiving Benefits	57,971	60,740
Annual Benefits Payable from Trust	\$ 413,098,677	\$ 453,741,633
Average Annual Benefit	\$ 7,126	\$ 7,470
Disabled Members Receiving Benefits	4,453	4,359
Annual Benefits Payable from Trust	\$ 23,650,317	\$ 23,810,874
Average Annual Benefit	\$ 5,311	\$ 5,462
Terminated Members Entitled to Future Benefits		
<u>STATE</u>	7,259	4,481
Deferred Annual Benefits	\$ 55,300,438	\$ 28,475,342
Average Annual Benefit	\$ 7,618	\$ 6,355
<u>POLITICAL SUBDIVISIONS</u>	8,191	6,189
Deferred Annual Benefits	\$ 44,708,334	\$ 29,280,317
Average Annual Benefit	\$ 5,458	\$ 4,731

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Date Base Established</u>	<u>Reason</u>	<u>Years Remaining at July 1, 2009</u>	<u>STATE PORTION</u>	
			<u>Amortization Amount</u>	<u>Outstanding Balance at July 1, 2009</u>
7/1/2008	Fresh Start	29	\$ 3,417,230	\$ 43,910,765
7/1/2009	Actuarial Experience Loss	30	<u>21,383,144</u>	<u>277,578,398</u>
		Total	\$ 24,800,374	\$ 321,489,163

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

Date Base Established	Reason	POLITICAL SUBDIVISION PORTION		
		Years Remaining at July 1, 2009	Amortization Amount	Outstanding Balance at July 1, 2009
7/1/2006	Fresh Start	27	\$ 17,887,408	\$ 224,626,885
7/1/2007	Actuarial Experience Gain	28	(7,231,867)	(91,909,258)
7/1/2007	Change in Actuarial Assumptions	28	7,585,031	96,397,591
7/1/2008	Actuarial Experience Loss	29	3,611,201	46,403,258
7/1/2009	Actuarial Experience Loss	30	<u>26,186,899</u>	<u>339,936,801</u>
		Total	\$ 48,038,672	\$ 615,455,277

TEN YEAR HISTORY OF EMPLOYER CONTRIBUTION RATES

Valuation Date	State	Political Subdivisions	Total
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%
July 1, 2009	7.00% **	7.88%	7.57%

\* Plan changes and/or changes in actuarial assumptions

\*\* After application of smoothing parameters



TEN YEAR HISTORICAL INVESTMENT EXPERIENCE

<u>Year Ending June 30</u>	<u>Estimated Annual Rate of Investment Return</u>		<u>Actuarial Assumed Interest Rate</u>
	<u>Actuarial Basis</u>	<u>Market Basis</u>	
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%
2009	(0.94%)	(21.11%)	7.25%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

As of July 1	Active Members	Active Members		
		Annual Payroll	Average Pay	Percent Increase
		(in 000's)		
2004	142,913	\$ 4,198,942	\$ 29,489	4.5%
2005	141,428	4,318,450	30,535	3.5%
2006	140,563	4,322,180	30,749	4.3%
2007	138,863	4,385,676	31,583	2.7%
2008	140,146	4,600,354	32,825	3.9%
2009	147,792	4,931,423	33,367	1.7%

SCHEDULE OF RETIREES AND BENEFICIARIES

Year Beginning July 1	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances (in 000's)	Number	Annual Allowances (in 000's)	Number	Annual Allowances (in 000's)		
2003	3,975	\$ 34,244	2,577	\$ 12,511	54,354	\$ 325,711	12.4%	\$ 5,992
2004	4,499	35,845	1,732	8,358	57,121	354,285	8.8%	6,202
2005	3,403	29,572	2,241	14,440	58,283	377,611	6.6%	6,479
2006	4,633	42,653	2,584	15,229	60,332	412,745	9.3%	6,841
2007	5,376	43,915	3,284	18,022	62,424	436,749	5.8%	6,996
2008	6,047	55,726	3,372	19,103	65,099	477,553	9.3%	7,336

SOLVENCY TEST

Portion of Actuarial Liability Provided by Assets  
(In thousands of Dollars)

<u>As of July 1</u>	<u>Accumulated Employee Contributions</u>	<u>Retired and Beneficiaries</u>	<u>Non-Retired Members (Er Financed Portion)</u>	<u>Total Actuarial Accrued Liabilites</u>	<u>Actuarial Value of Assets</u>
2004 *	\$ 2,211,326 100.0%	\$ 2,927,884 100.0%	\$ 4,705,143 100.0%	\$ 9,844,353 100.1%	\$ 9,853,976
2005 *	2,382,280 100.0%	3,301,265 100.0%	5,174,777 92.5%	10,858,322 96.4%	10,471,937
2006 *	2,515,984 100.0%	3,648,764 100.0%	5,286,181 94.8%	11,450,929 97.6%	11,177,971
2007 *	2,707,176 100.0%	4,007,389 100.0%	5,725,233 96.2%	12,439,798 98.2%	12,220,934
2008 *	2,694,331 100.0%	4,227,366 100.0%	6,181,524 94.8%	13,103,221 97.5%	12,780,116
2009	2,669,318 100.0%	4,611,257 100.0%	6,225,705 85.0%	13,506,280 93.1%	12,569,336

\* Actuarial assumptions and/or method changed

## ACTUARIAL METHODS

	<u>Actuarial Funding</u>	<u>Present Value of Accumulated Plan Benefits</u>
ACTUARIAL COST METHOD	Entry Age Normal Cost	Accrued Benefit (Unit Credit)
ASSET VALUATION METHOD	75% of Expected Actuarial Value Plus 25% of Market Value	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 liabilities 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 spread all actuarial gains and losses, resulting from experience different from that anticipated in our assumptions, over a fixed 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.

### Accrued Benefit (Unit Credit)

The accrued liability is equal to the sum of the individual accrued liabilities for all participants. The individual's accrued liability is the present value of the benefit accrued in prior plan years. The normal cost is the present value of benefits accruing in the plan year.

ACTUARIAL ASSUMPTIONS

Interest (Net of Administrative Expenses)	7.25%
Future Salary Increases (Based on PERF experience 2000-2005)*	4.00%
Inflation Component	3.00%
Merit/Seniority Component	1.00%
Post-Retirement Ad Hoc Benefit Increases	1.50% annually applied to the employer pension. No increase is assumed to be applied to the PERF annuity benefit.
Mortality - Pre-Retirement	Based on PERF experience 1995-2000
Mortality - Post-Retirement	UP-1994
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 Age	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.
Age Difference in Participant and Spouse	Males three years older than females
Administrative Expense	Netted against investment earnings.

\* No salary increases are assumed for determining the Present Value of Accumulated Plan Benefits (PVAB).

SUMMARY OF 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 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 and 15 years of Vesting Service

Late Retirement

Subject to continued employment after the Normal Retirement Date

Disability Retirement

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

Termination Benefit

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

Pre-Retirement Death Benefit

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 PLAN PROVISIONS

### AMOUNT OF BENEFITS:

Normal Retirement Benefit	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 Benefit	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 Benefit	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 Benefit	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 Benefit	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 PLAN PROVISIONS

### AMOUNT OF BENEFITS:

*continued*

Pre-Retirement Death Benefit      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.

NOTE: If information given in this Summary disagrees or appears to disagree with statutory provisions, the statutory provisions prevail.