FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

RETIREE HEALTH
AND
LIFE INSURANCE PLANS

BALL STATE UNIVERSITY®

MUNCIE, INDIANA

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of the

Ball State University

Retiree Health & Life Insurance Plans

at June 30, 2014, and 2013

and the results of activities for

the years then ended.

Bernard M. Hannon
Vice President for Business Affairs
and Treasurer

Ball State University's Report Date…..…………………..………..……………………January 15, 2016
Accepted by the Ball State University Board of Trustees……………..……........September 09, 2016

Ball State University

2013-2014

Officers

Hollis E. Hughes Jr.……………………………………………………(completed term December 31, 2013**) President
Richard Hall…………………………………………………………………………………(elected January 10, 2014) Chair*
Frank Hancock……………………………………………………………………………………………………Vice President
Frank Hancock…………………………………………………………………..(title change January 10, 2014) Vice Chair*
Thomas C. Bracken……………………………………………………………………(elected January 10, 2014) Secretary
Barbara Phillips…………………………………………..…(completed term December 31, 2013**) Assistant Secretary
Marianne Glick ………………………………………………………… (elected January 10, 2014) Assistant Secretary
Randall B. Howard…………………………………………………………………………………………………Treasurer

*With passage of new bylaws, the titles of president and vice president were replaced with the titles of chair and vice chair

**Once a term has officially completed, the officer remains in the role until a new officer is appointed.

University President

Jo Ann M. Gora
(retired June 30, 2014)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ball State University
Muncie, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Retiree Health and Life Insurance Plans of Ball State University ("the Plans"), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Plans as of June 30, 2014 and 2013, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the financial statements reflect the balances and the activity in the health and life insurance plans as it pertains to retiree and University shares of premiums, claims, administrative costs, as well as contributions, investment activity and related costs in the VEBA and OPEB Trusts and excludes balances and activity in the health and life insurance plans as it pertains to active employees. Our opinion is not modified with respect to that matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and contributions from university and other entities on pages 1–9 and 25, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plans' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Indianapolis, Indiana
January 15, 2016

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Ball State University
Retiree Health and Life Insurance Plans
Management's Discussion and Analysis
June 30, 2014 and 2013

Introduction and Overview

The Ball State University Retiree Health and Life Insurance Plans (the Plans) are single employer defined benefit plans, both of which are administered by the University. Ball State University (the University) is a public institution of higher education located in Muncie, Indiana. As of the beginning of the 2013-2014 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,954 full-time and 436 part-time personnel, whereas in 2012-2013 there were 2,862 full-time and 450 part-time personnel and 2,840 full-time and 485 part-time in 2011-2012.

Full-time regular employees of the University are eligible to receive a variety of employee benefits, including vacation, sick leave, short and long term disability insurance, health, life, and accidental death and dismemberment insurance, pension benefits, and fee waivers for employees, spouses and dependents. For the 2013-2014 fiscal year, the University recorded benefits of $79.5 million, plus a $19.7 million estimated value for vacation and sick leave benefits whose usage would be included in payroll, for a total of $99.2 million. The $79.5 million includes $31.9 million in health insurance for active employees, as well as $21.3 million in pension contributions, $13.9 million of employer matching payments to Social Security and Medicare, and $8.7 million in health insurance for current retirees, along with various other employee benefits. The University pays 100.0 percent of the required contributions to pension plans. Beginning July 1, 2011, the University began paying different percentages of the health care premiums for each of the various health care plan options for employees and early retirees. In 2013-2014, the University's share of the health care premiums ranged between 71.1 and 90.1 percent dependent on the plan. In addition, employees are provided the opportunity to set aside additional amounts for retirement through deductions from their paychecks before taxes. These amounts are then deposited into the 403(b) and/or 457(b) voluntary retirement plans that the University has established for this purpose.

In addition to providing pension benefits to all regular full-time employees, the University, like many other public and private employers, also provides health and life insurance benefits to employees who retire from the University after accruing the required years of service (15 years at age 62; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2014, 1,016 retired employees (1,051 as of June 30, 2013, and 975 as of June 30, 2012) were covered by retiree life insurance, while 1,957 retired employees, spouses and surviving spouses (1,987 as of June 30, 2013, and 1,870 as of June 30, 2012) were covered by retiree health insurance. In addition, 859 active employees (893 in 2013 and 890 in 2012) had fulfilled the age and service requirements for these benefits as of that date. These retiree benefits have been part of the University's benefit programs since 1949 (life insurance) and 1952 (health insurance). As this report will show, the overall financial strength of these programs is excellent and is a strong indicator of continued coverage for the foreseeable future. This is due in large part to the establishment of the Life Insurance Continuance Fund (LICF) (now OPEB 115 Trust) and the Voluntary Employee Beneficiary Association (VEBA) Trust to help fund future retiree benefits. On January 1, 2014, the variable life insurance contract with CIGNA was terminated, and a fully-insured retiree life insurance benefit was begun with The Hartford as carrier. LICF (now OPEB 115 Trust) was liquidated on March 31, 2014, and all proceeds were invested in an Other Post Employment Benefit (OPEB) Section 115 Trust Fund, with various fund managers. J.P. Morgan was named custodian of the new trust fund, with the exception of the investment in the UBS Trumbull Property Fund, which was established separately within the OPEB 115 Trust.

The VEBA Trust, the larger of the two funds, was established to partially finance the cost of retiree health care. In equilibrium, when the VEBA Trust balance equals the actuarial liability for retiree health care, it would cover 75.0 percent of the total cost of retiree health care, with the remaining 25.0 percent of the cost to be shared by the University and the retiree. Of course the percentage of the liability funded is subject to significant volatility in both the numerator (value of the investments) and the denominator (actuarial liability). While the University will continue to recognize the annual cost of prefunding their share of the retiree health care benefit over the course of their employees' careers, the earnings from the VEBA Trust help to offset a portion of this cost for both the employees and the University. Since the liability, as calculated under Governmental Accounting Standards Board (GASB) Statement No. 43 rules, is funded 89.4 percent as of the most recent valuation date of July 1, 2013, the VEBA Trust is already beginning to defray a portion of the health care premiums for retirees and employees, as well as the University. In other words, because of this funding level, total premiums are lower than they would be otherwise.

Many near-retirees in higher education are concerned about their ability to afford health care in retirement. A September 26, 2014, article from US News & World Report, entitled "What's Behind the Slowdown in Health Care Costs" revealed that the Office of the Actuary for the Centers for Medicare and Medicaid Services projects the United States will spend more on health care during the next decade than during the recession, which began in 2007, but that the rate of spending will be lower than from 1990 to 2008, when costs grew at an average of 7.2 percent each year, or two percent faster than the economy. The article goes on to say that health care spending is now projected to grow at a rate of six percent per year from 2015 to 2023, or 1.1 percentage points faster than the economy, which is expected to rebound gradually. By 2023, health costs will make up nearly a fifth of total spending.

Employer-provided retiree health insurance is a significant benefit for retirees. For many Americans, health care likely will be among their largest expenses in retirement. While the federal government provides the major health coverage for retirees age 65 and above, there are still significant out-of-pocket costs not paid by Medicare, such as deductibles, co-pays, dental expenses, and prescription drugs (even with the addition of Medicare Part D drug coverage). An article dated June 11, 2014, from Fidelity Viewpoints, entitled "Retiree Costs Hold Steady", revealed that Fidelity Benefits Consulting estimated that a 65-year-old couple retiring in 2014 would need to have saved up $220,000 to cover medical expenses throughout retirement. These amounts, depending upon the assumptions used, are not surprising considering the number of health issues typically encountered by senior citizens. The article goes on to say that while health care costs in retirement will vary depending on the individual's health, insurance and other medical costs, another critical factor is the timing of retirement. Similar to the decision pre-retirees make about when to start claiming Social Security benefits, health care costs should be factored into the retirement timing decision.

The Fidelity article states that couples who opt to retire at age 62 - instead of 65 – can anticipate an additional estimated annual cost of $17,000 per year, for a total of $271,000 during retirement. The extra costs include health insurance premiums for the period prior to Medicare eligibility and estimated out-of-pocket costs. On the other hand, the potential annual cost reduction for couples who can delay retirement to age 67 could be $10,000 per year; reducing their estimated costs for health care in retirement to $200,000.

For the years ended June 30, 2014, 2013, and 2012, the cost to Ball State University of health care for all current retirees, spouses, and surviving spouses were as follows:

	2014	2013	2012
Insurance Claims	$ 10,046,585	$ 9,676,616	$ 9,777,586
Administration	310,732	281,237	255,540
Total	$ 10,357,317	$ 9,957,853	$ 10,033,126
Less:			
Retiree Premiums	$ 2,776,870	$ 2,628,876	$ 2,391,172
Amount included in Benefits Expense	7,580,447	7,328,977	7,641,954
Less:			
Medicare Retiree Drug Subsidy	848,880	927,849	665,202
Net Cost of Benefit to University	$ 6,731,567	$ 6,401,128	$ 6,976,752

While there are other ways to calculate the cost, including the Annual Required Contribution (ARC) calculated by the actuaries and discussed later in this document, these are the actual costs recorded in the financial records of the University.

For this period, retiree health care as calculated above amounted to 6.8 percent of total estimated benefits (7.2 in 2013 and 8.0 in 2012), while pension contributions made by the University amounted to 21.5 percent (22.8 percent in 2013 and 22.5 percent in 2012), and the employer portion of Social Security and Medicare amounted to 14.0 percent (15.2 percent in 2013 and 15.2 percent in 2012). Taken together, 42.3 percent (45.2 percent in 2013 and 45.7 percent in 2012) of total estimated benefits were for retirement purposes. Retiree life insurance, since it has been totally paid from the LICF (now OPEB 115 Trust) until April 1, 2014, was not reflected in the University's benefit expense.

Funding Strategy

In fiscal year 1979-1980, the Ball State University Board of Trustees established the LICF (now OPEB 115 Trust) for the purpose of funding retiree life insurance benefits through contributions and investment returns. In 1985, a reserve for retiree health care was established, and in 1988, the balance was transferred to the VEBA Trust established for the purpose of funding future retiree health care. In fiscal year 1992, the first liability projection by consulting actuaries from Mercer was completed. In fiscal year 1996, following an extensive study by Hewitt Investment Group, a leading consultant providing investment advice for clients with predominantly pension assets totaling over $31.0 billion, the Board of Trustees approved a policy for the investment of the LICF (now OPEB 115 Trust) and the VEBA Trust. Following this action, Mercer Investment Consultants was appointed as the investment consultant for these plans, meeting with the University at least quarterly to review investment results, evaluate and replace managers when necessary, and recommend further refinements to the policy.

During this time, contributions were made to the VEBA Trust from the University's self-insured health care plan, other benefits accounts, and, on occasion, the LICF (now OPEB 115 Trust). In 2004, GASB issued Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which took effect for Ball State University during fiscal year 2006-2007, and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which took effect for Ball State University during fiscal year 2007-2008. The University's funding methodology is based on the calculation of the annual cost, or the ARC, as defined in these statements. In addition, funds available over and above the calculated contribution required have at times been contributed to the VEBA Trust in order to bring the funding status closer to the calculated actuarial liability. As of June 30, 2014, University contributions from date of inception, unchanged from the previous year, totaled $66.4 million, while the $36.4 million investment gain for the year brings the net dividends, interest and realized and unrealized investment gains and losses from inception to date to $146.4 million. In addition, to date transfers from LICF (now OPEB 115 Trust) of $9.4 million and withdrawals of $4.0 million for claims were unchanged from the previous year.

The most recent actuarial projection of the retiree health care liability dated July 1, 2013, when compared to the VEBA Trust established to fund this liability, revealed that the liability is now 89.4 percent funded under GASB rules. This is higher than the 86.2 percent funding level from 2011, the date of the previous projection, and reflects the higher balance in the VEBA Trust due to investment gains. As a result, the ARC, as calculated by the actuaries, is lower than the health insurance claims paid by the University. The Medicare Retiree Drug Subsidy together with the gains shown in the VEBA Trust enabled the University to fully-fund the ARC again this year. Because of this, premiums to be paid by Ball State University employees and retirees did not have to be increased more than expected for the fiscal year beginning July 1, 2014. In other words, the well-funded VEBA Trust is resulting in lower premiums than would have been expected for active employees, retirees and spouses, and the University.

The next actuarial projection of the retiree health care and life insurance liability will be as of July 1, 2015. Given the stronger performance of the financial markets, it is anticipated that a greater percentage of the liability will be funded at that time.

Unlike pension funds, other employee welfare benefits, like retiree health and life insurance, do not have vesting provisions. However, the consistent actions of the Board of Trustees, including the establishment of the VEBA Trust and LICF (now OPEB 115 Trust) that cannot be used for any purpose other than benefits for the participating retirees of the University and the high level of funding is the best assurance that these benefits are secure for the future.

Using this Report

This financial report includes two basic financial statements: the Statements of Net Position and the Statements of Changes in Net Position, prepared in accordance with the aforementioned GASB Statement No. 43. These financial statements focus on the financial condition of the Retiree Health and Life Insurance Plans and the results of operations, without consideration of the actuarial liabilities that the Plans are intended to fund. Information on the actuarial liabilities is revealed in Note F of the Notes to Financial Statements, as well as in the Required Supplemental Information following the Notes, where the asset balances are compared to the liabilities and the actual contributions are compared to the Annual Required Contributions.

The financial report also includes management's discussion and analysis and the report of the independent auditors, in addition to the financial statements, notes to financial statements, and required supplemental information.

Financial Highlights

Following two consecutive years of investment losses for the Retiree Health and Life Insurance Plans, specifically of eight percent in fiscal year 2007-2008 and 21.8 percent in fiscal year 2008-2009, the Plans posted a positive return of 11.2 percent in fiscal year 2009-2010. This turnaround continued into fiscal year 2010-2011, resulting in a gain over the prior year of 21.1 percent, but market declines saw the total portfolio drop back with a 0.4 percent loss for fiscal year 2011-2012. In fiscal years 2012-2013 and 2013-2014, the Plans again saw positive investment returns of 16.5 and 20.0 percent, respectively.

When compared to a "blended benchmark" reflecting the diversity of the portfolio and consisting of the MSCI AC World Index ex-U.S., the Russell 2000 Index, the Russell 1000 Index, the Barclays Gov't/Credit Intermediate Index, and the NCREIF ODCE Index, the blended benchmark recorded gains of two percent in 2012, 14.7 percent gains in 2013, and gains of 18.4 percent in 2014. In fiscal year 2013-2014, the Plans outperformed their benchmark for the year and also outperformed their peers, reflected by top decile rankings. This strong performance was due primarily to increased strength in both the United States and international stock markets.

The Retiree Health and Life Insurance portfolios have a long-term focus on achieving a total return that meets or exceeds the expected long-term growth in the retiree health and life insurance obligations. This is combined with modest liquidity requirements. For this reason, modest but limited fluctuations in market value and rates of return are expected in the short term, with larger fluctuations occurring during certain periods, in order to achieve a greater long-term rate of return. When compared to other similar categories of plans, the risk posture of this portfolio is greater than the average defined benefit pension plan, due to the pension plans' greater and more defined liquidity requirements, but less than the average endowment or foundation portfolio, due to the greater flexibility of the endowments and foundations to control their commitments.

For fiscal 2011-2012, the Retiree Health and Life Insurance Plans underperformed the median plan among peers by approximately 1.9 percent and trailed the custom index by approximately 2.3 percent. The following fiscal year, the Plans outperformed both the median plan among peers and the custom benchmark by approximately 6.4 percent and 1.8 percent, respectively. For fiscal 2013-2014, the Plans outperformed both the median plan among peers and the custom benchmark by approximately 4.5 percent and 1.6 percent, respectively. As of June 2014, the universe of peers included 143 VEBA/401(h) plans with assets totaling $9.2 billion.

When compared to the NACUBO (National Association of College and University Business Officers) Endowment Study for the same time period, the performance of the Retiree Health and Life Insurance Plans was as follows: in fiscal 2011-2012, the Plans outperformed the average plan by 0.8 percent when compared to institutions with assets between $51.0 million and $100.0 million, 0.5 percent when compared to institutions with assets between $101.0 million and $500.0 million; in fiscal 2012-2013, the Plans continued to outperform the average plan by five percent when compared to institutions with assets between $51.0 million and $100.0 million, 4.6 percent when compared to institutions with assets between $101.0 million and $500.0 million; and in fiscal 2013- 2014, the Plans continued to outperform the average plan by 4.4 percent when compared to institutions with assets between $51.0 million and $100.0 million, and 4.1 percent when compared to institutions with assets between $101.0 million and $500.0 million.

While the one-year results were encouraging, it should be noted that the investment policy for the VEBA and the OPEB 115 Trusts focuses on a five-year horizon, with the expectation that the annualized total return will exceed a customized index made up of the various sector indexes for the various sectors in the asset allocation policy, as well as rank in the top 50.0 percent of a total pension fund universe. Over the past five years, the combined portfolio trailed the customized index slightly with returns of 13.8 percent, versus 14.1 percent for the customized index.

During that same time period, according to NACUBO, endowments with assets between $51.0 million to $100.0 million returned 11.4 percent, and endowments with assets between $101.0 million and $500.0 million returned 11.8 percent. At the end of fiscal year 2014, funds invested in the OPEB 115 Trust had been converted largely into money market and real estate funds with the formation of the Trust, awaiting further investment decisions, while fixed income in the VEBA Trust over the five-year period showed a modest return. For the fiscal year, international equity markets had the best performance with two out of three funds ranking in the top decile. Large and small capitalization domestic equity markets posted positive returns with one large capitalization fund ranking in the top twenty. In addition, the real estate fund showed positive returns as well, however, it garnered the worst ranking at 99. The performance of the strategies in the Plans was mostly in line with or ahead of their respective benchmarks, with few exceptions.

It is helpful for perspective to look back at past years' performance numbers. In fiscal year 2006-2007, which was the last strong market prior to the downturn; the portfolio returned 18.0 percent versus the Hewitt Universe return of 16.9 percent and the custom index return of 17.9 percent. For the five-year period ending with fiscal year 2006-2007, the portfolio returned 12.4 percent versus 11.4 percent for the custom index. Hewitt Investment Group and the University continue to believe that the strategy, which is basically unchanged from 2007, is sound and will result in better returns in the future as the market continues to recover from its severe downturn in fiscal years 2007-2008 and 2008-2009. Strategically, no matter what the market, the intent is to hire good managers who will enable the University to achieve its long term objectives, rather than to "chase" short-term returns or to attempt to time the market.

Actuarial liability valuations are performed every two years, and the latest valuation, as of July 1, 2013, revealed that the total liability for the Retiree Health and Life Insurance Plan is now 90.4 percent funded, versus 87.3 percent funded in 2011, and 61.5 percent funded in 2009. The plan has almost recovered to the 91.2 percent funding level calculated as of July 1, 2007. The recovery in funding is due to the upturn in the investment markets over the past few years. The plans remain well-funded for the future.

The Statements of Net Position and the Statements of Changes in Net Position

The Statements of Net Position and the Statements of Changes in Net Position report in summary fashion the financial position of the individual plans and the total of the two plans, as well as their financial activities, focusing on the net assets of the plans. These statements include all assets, liabilities, contributions, investment income, and expenses, using the accrual basis of accounting.

The following is a summary of the major components of net assets at June 30, 2014, 2013, and 2012.

Net Position
As of June 30, 2014, 2013, and 2012

	2014			2013		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
Assets:						
Cash and Short Term Investments	$ 4,071,729	$ 20,908,237	$ 24,979,966	$ 3,516,389	$ 17,182	$ 3,533,571
Accounts Receivable	6,363,021	880,430	7,243,451	4,364,430	713,838	5,078,268
Investments	213,905,347	2,533,238	216,438,585	178,060,593	21,893,757	199,954,350
Total Assets	$ 224,340,097	$ 24,321,905	$ 248,662,002	$ 185,941,412	$ 22,624,777	$ 208,566,189
Liabilities	$ 1,348,893	$ 7,173	$ 1,356,066	$ 1,387,285	$ 811,309	$ 2,198,594
Net Position:						
Net Assets Held in Trust	$ 222,991,204	$ 24,314,732	$ 247,305,936	$ 184,554,127	$ 21,813,468	$ 206,367,595

	2012		
	Retiree Health Insurance	Retiree Life Insurance	Totals
Assets:			
Cash and Short Term Investments	$ 6,277,120	$ 14,318	$ 6,291,438
Accounts Receivable	2,873,132	608,742	3,481,874
Investments	149,249,971	20,048,237	169,298,208
Noncurrent Interest Receivable	-	-	-
Total Assets	$ 158,400,224	$ 20,671,297	$ 179,071,521
Liabilities	$ 1,256,371	$ 246,546	$ 1,502,917
Net Position:			
Net Assets Held in Trust	$ 157,143,853	$ 20,424,751	$ 177,568,604

Cash and Short Term Investments consist of cash and fixed income investments maturing within one year and reported on the investment manager and custodial reports. Cash and Short Term Investments were higher at June 30, 2014, due to large cash money market holdings after the formation of the OPEB 115 Trust on April 1, 2014. Funds were held in money markets awaiting Investment Committee decisions as to future investments in the OPEB 115 Trust. At June 30, 2012, JP Morgan Fixed Income, Janus Forty, Eagle Small Cap and CRM all held large money market holdings, ranging from $700.0 thousand to $1.5 million, as they awaited favorable investment opportunities.

Accounts Receivable consists primarily of accrued interest, dividends and amounts received by Ball State University but not yet transferred to the retiree plans. An increase in premiums for both the retiree and employer resulted in an increase to this line item.

Investments include domestic fixed income, domestic large and small capitalization equities, international equities, core real estate, and municipal bonds. The amounts shown for fiscal year 2013-2014 increased by eight percent over the prior year, and are recorded at fair value.

Liabilities are primarily benefits payable at year end. The increase in the OPEB 115 Trust liabilities is due the termination of the cash settlement early retirement program and the payouts accrued for these payments in the fiscal year 2012-2013.

Net Assets Held in Trust represents the balances at year end in the VEBA and OPEB 115 Trusts, and the difference between the receivables from Ball State University and the retiree contributions versus the benefits payable and other liabilities. Net position grew by 20.0 percent in fiscal year 2013-2014 over the prior year.

The following is a summary of the contributions, investment income, and deductions resulting in the changes in net position for the years ended June 30, 2014, 2013, and 2012.

Change in Net Position-Condensed
Years Ended June 30, 2014, 2013, and 2012

	2014			2013		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
Retiree Premiums	$ 2,776,870	$ 40,690	$ 2,817,560	$ 2,628,876	$ 20,458	$ 2,649,334
University Premiums	8,738,941	124,414	8,863,355	7,988,219	61,372	8,049,591
Total Premiums	$ 11,515,811	$ 165,104	$ 11,680,915	$ 10,617,096	$ 81,830	$ 10,698,926
Medicare Retiree Drug Subsidy	848,880	-	848,880	927,849	-	927,849
Contributions to VEBA Trust and LICF (now OPEB 115 Trust)	-	807,860	807,860	-	1,134,900	1,134,900
Net Investment Income	36,462,793	2,777,390	39,240,183	25,946,546	2,867,220	28,813,766
Benefits	(10,046,585)	(1,204,223)	(11,250,808)	(9,676,616)	(2,616,751)	(12,293,367)
Other Expenses	(343,822)	(44,867)	(388,689)	(404,600)	(78,482)	(483,082)
Increase in Net Position	$ 38,437,077	$ 2,501,264	$ 40,938,341	$ 27,410,274	$ 1,388,717	$ 28,798,991
Net Position Beginning of Year	184,554,127	21,813,468	206,367,595	157,143,853	20,424,751	177,568,604
Net Position End of Year	$ 222,991,204	$ 24,314,732	$ 247,305,936	$ 184,554,127	$ 21,813,468	$ 206,367,595

	2012		
	Retiree Health Insurance	Retiree Life Insurance	Totals
Retiree Premiums	$ 2,391,172	$ 18,501	$ 2,409,673
University Premiums	7,173,517	55,502	7,229,019
Total Premiums	$ 9,564,689	$ 74,003	$ 9,638,692
Medicare Retiree Drug Subsidy	665,202	-	665,202
Contributions to VEBA Trust and LICF (now OPEB 115 Trust)	-	292,700	292,700
Net Investment Income	(861,675)	(32,088)	(893,763)
Benefits	(9,777,586)	(1,876,365)	(11,653,951)
Other Expenses	(364,932)	-	(364,932)
Increase in Net Position	$ (774,302)	$ (1,541,750)	$ (2,316,052)
Net Position Beginning of Year	157,918,155	21,966,501	179,884,656
Net Position End of Year	$ 157,143,853	$ 20,424,751	$ 177,568,604

Retiree Premiums and University Premiums reflect sharing of total premium cost per University policy. For Health Care, the fiscal year 2013-2014 University premium share increased slightly from the previous fiscal year 2012-2013, ranging from 71.1 percent to 91.5 percent, depending on the Health Plan. For fiscal year 2012-2013, the University premium share remained unchanged from the previous fiscal year 2011-2012, ranging from 71.0 percent to 90.0. Premiums are paid into the University's health and life insurance accounts to help cover claims and administrative expenses.

The Medicare Retiree Drug Subsidy is paid each year to the University by Medicare in recognition of the fact that the University's retiree prescription drug benefit available to Medicare retirees is at least actuarially equivalent to the benefit available to them under Medicare Part D. As a result, Ball State University retirees covered by the University's retiree health care plan do not enroll in Medicare Part D. This subsidy recognizes savings incurred by the Medicare program as a result. The amount is utilized to offset a portion of retiree and University shares of the premiums for Medicare eligible retirees. In fiscal year 2011-2012, the amount of subsidy receivable was reduced to reflect timing differences in subsidy receipts, and subsidies recorded in previous years and deemed uncollectible. For fiscal year 2013-2014, the subsidy amounts paid and accrued accurately reflect the amounts due the University for the fiscal year.

With regard to the contributions to the VEBA Trust and the LICF (now OPEB 115 Trust), it is the University's policy to at least fund the total ARC each fiscal year. In years where additional funds might be available, the University may choose to contribute more than the ARC, to mitigate against future increase requirements. Since benefits paid in fiscal year 2013-2014 and fiscal year 2012-2013 on behalf of employees and their dependents exceeded the ARC, the University chose not to make an additional contribution to the VEBA Trust. An additional contribution of $2.0 million was made to the VEBA Trust in 2011. These contributions were partially used to reduce the receivable from the University in accordance with GASB 45, which took effect in 2008. The University has reported these contributions as a prepaid expense of the University toward the funding of the retiree health care liability.

University employees who retire under the University's Early Retirement Program have in past years been given a choice to receive a cash payment in lieu of retiree life insurance. This payment, which amounted to 40.0 percent of the face value of the life insurance policy to which the retiree would be entitled, was traditionally paid by the University in two equal installments on January 31 of the calendar year following the calendar year in which retirement takes place and the next succeeding January 31. This cash settlement option to retirees was suspended after June 30, 2013, retirements, and substantially all of the payments due to early retirees selecting this option were paid on or before June 30, 2013, with the exception of the tax liability of benefits paid to early retirees. This tax liability was recorded as an expense at June 30, 2013, and was paid in fiscal year 2013-2014.

The University's consulting actuaries have determined that this payment constitutes a contribution to the LICF (now OPEB 115 Trust), a payment of benefits, and a source of funding for the ARC. The tax portion of certain early retiree payments to be paid by the University, and paid in fiscal year 2013-2014, amounted to $306,761. For the year ended June 30, 2013, this cash settlement payment totaled $1,134,900.

Deductions are almost entirely made up of insurance claims or insurance premiums paid, including the University's cash payments to early retirees in lieu of life insurance. Claims are paid out of the University's auxiliary health care plan fund in the case of health insurance claims. In addition, deductions also include estimated claims incurred but not paid. Historically, life insurance death claims were paid out of the LICF (now OPEB 115 Trust). However, with the change to a fully funded life insurance plan with the Hartford, the premiums will soon begin to be paid from the OPEB 115 Trust. During the past several months, the life insurance premiums have been paid from the University's auxiliary life insurance plan fund.

As of June 30th of each year, actual Investment allocations, including cash and short term investments, were as follows:

	2014	2013	2012
Domestic Large Capitalization Equities	38.4%	41.7%	47.4%
Domestic Small Capitalization Equities	9.9%	10.0%	9.3%
International Equities	20.2%	19.6%	18.4%
Domestic Fixed Income (including short term)	22.8%	19.3%	24.9%
Real Estate Fund	8.7%	9.4%	0.0%
	100.0%	100.0%	100.0%

In 2010, a decision was made to terminate the Real Estate Investment Trust (REIT). The REIT redemptions were placed temporarily in the Domestic Fixed Income Fund and later re-allocated in a re-balancing effort. In fiscal years 2013- 2014 and 2012-2013, a portion of this balance was allocated to a new core real estate fund as well as to new and existing equity managers.

The asset allocation, which was approved by the Board of Trustees, reflects Mercer Investment Consultant's research and analysis of Ball State University's requirements for returns and tolerance for risk. Optimization studies, comparisons to average allocations for pension plans, endowments and foundations, as well as prospects for earnings and risk for various asset classes, are considered. At the present time, as mentioned earlier, the asset allocation reflects a slightly higher risk posture than a corporate pension plan and a slightly lower risk posture than an endowment or foundation. This reflects the fact that the University has a fiduciary responsibility to its retirees to provide the promised benefit when needed, even though the benefit cannot be calculated as precisely as a defined benefit pension plan. It also recognizes that the liquidity needs are less critical for the Retiree Health and Life Insurance Plans, due to the availability of other sources of funds within the University if needed. This allocation is reviewed with Mercer Investment Consultants on an ongoing basis and modified by the Trustees as needed.

For the fiscal year, as previously noted, the combined portfolio generated overall gains of 20.0 percent, which put it in the 3rd percentile (3rd percentile in 2013, 74th percentile in 2012) of Mercer Investment Consulting's predominantly VEBA and 401(h) plan universe, and outperformed the custom index calculated gain of 18.4 percent. The portfolio's policy objectives were not met in fiscal year 2012-2013. Before the economic downturn began in fiscal year 2007-2008, the portfolio's annualized returns for the previous five years placed it in the upper half of the Hewitt (former Investment Consultant's) Universe. The portfolio met all of the policy objectives in 2007 and 2008, but fell below policy objectives beginning in 2009. The 2012-2013 fiscal year began to show signs of recovery.

There were no negative returns in the portfolio for fiscal year 2013-2014 (net of fees). The best performance relative to the benchmark and Mercer Universe was turned in by Dimensional International Small Cap Value Fund, 35.8 percent (5th percentile) versus 29.5 percent for the MSCI World ex U.S. Small Cap Index.

The funds with the largest absolute return (net of fees) were Dimensional International Small Cap Value Fund and Dodge and Cox International Stock, returning 35.8 percent and 29.4 percent for the fiscal year (5th and 8th percentile, respectively) against similar returns by their benchmarks (MSCI World ex USA Small Cap and MSCI ACWI ex USA, respectively). Dodge and Cox Stock had similar results (27.5 percent, 18th percentile) outperforming its benchmark (Russell 1000 Value). Cambiar Small Cap placed in the 51st percentile with a return of 26.0 percent, outperforming the Russell 2000 Value index. EuroPacific Growth also outperformed the MSCI ACWI ex USA Index, with a return of 22.4 percent (60th percentile).

The 2014 results were positive and encouraging, with most of the managers outperforming their benchmarks. During the fiscal year, we terminated a large cap growth fund in the VEBA Trust, and replaced it with another large cap growth index fund. We also terminated all investments in the LICF (now OPEB 115 Trust) at its conversion to the OPEB 115 Trust on March 31, 2014, with the exception of the UBS Trumbull Property Fund which was moved directly into the OPEB 115 Trust. Proceeds from the terminated LICF (now OPEB 115 Trust) funds were placed in a J.P. Morgan Global Equity Money Market Fund within the OPEB 115 Trust, awaiting further investment allocation decisions by the Investment Committee. In fiscal year 2012-2013, we were able to reestablish our real estate allocation with entry into the UBS Realty Investors Trumbull Property Fund. The University and Mercer Investment Consultants believe that the remaining investments are desirable and their long-term performance will eventually exceed the University's objectives. As it periodically does, the University, with the assistance of Mercer Investment Consultants, is reviewing its overall asset allocation strategy and considering the inclusion of additional investment strategies or managers within the existing strategies.

Required Supplemental Information

In addition to the two required financial statements, GASB Statement No. 43 also requires supplemental information in the form of two required schedules: the Schedules of Funding Progress and the Schedules of Contributions from University and Other Entities. Both schedules are intended to show current and prior year amounts so that trends in funding can be ascertained.

Schedules of Funding Progress

The Schedules of Funding Progress compare the Actuarial Accrued Liability (AAL) to the assets accumulated in the VEBA Trust and the LICF (now OPEB 115 Trust) as of the point in time when the AAL is calculated, in this case July 1, 2013. For health care, the $181,841,263 net assets in the VEBA Trust are compared to the AAL balance of $203,498,679, which results in an Unfunded AAL (UAAL) of $21,657,416, or a Funded Ratio of 89.4 percent under GASB Statement No. 43 rules. This contrasts with the year ended June 30, 2011, when the VEBA Trust net assets of $156,645,642 compared to the AAL balance of $181,683,897 and an Unfunded AAL (UAAL) of $25,038,255 and a Funded Ratio of 86.2 percent. These two most recent studies are an improvement over the June 30, 2009, evaluation which consisted of $114,147,732 in net assets, an AAL balance of $192,195,650 yielding an Unfunded AAL of $78,047,918 or a Funded Ratio of only 59.4 percent. As anticipated, the volatile United States and world economies that had a negative effect on the VEBA Trust as unrealized losses from market depreciation in 2009, have somewhat rebounded to post unrealized gains in 2011 and 2013. The 2013 ratio, of 89.4 percent, exceeds the funding level of similar plans and is indicative of a secure plan. Since the UAAL amounts to 12.9 percent of covered payroll, funding the remainder in one year would be a heavy burden, which is why the University intends to fund the amount over no more than 30 years, and preferably fewer years if circumstances permit.

Life Insurance AAL again exceeded the assets in the LICF (now OPEB 115 Trust) for the third consecutive year since the University began requesting this calculation, resulting in a Funded Ratio of 100.4 percent in 2013, 96.1 percent in 2011, and 82.1 percent in 2009. When combined with the Health Care results, the total funded ratio becomes 90.4, 87.3 percent in 2011 and 61.5 percent in 2009. To the extent possible, once the LICF (now OPEB 115 Trust) again achieves full funding, and without impairing the adequacy of the obligation for retiree life insurance, funds will likely be transferred to the VEBA Trust, as has happened on occasion in the past, to help with funding for retiree health insurance.

Schedules of Contributions from University and Other Entities

These schedules compare actual contributions to the ARC, which is an actuarial calculation of "normal cost" each year plus the annual amortization of UAAL. Actual contributions consist, in the case of Ball State University, of employer-paid claims plus any contributions to the VEBA Trust and/or the LICF (now OPEB 115 Trust). In the case of health insurance, the actual contributions were above the ARC, resulting in a percentage contributed of 101.2 percent for fiscal year 2013-2014, 106.0 percent for fiscal year 2012-2013, and 118.0 percent for 2011-2012. In addition, the Medicare Retiree Drug Subsidy increased the contributions above the ARC each year. For life insurance, contributions were made as cash payments to early retirees in lieu of life insurance as well as premiums paid for retiree life insurance, which resulted in 65.7 percent of the ARC being contributed in fiscal year 2013-2014, 194.2 in fiscal year 2012-2013, and 83.3 in fiscal year 2011-2012.

Economic Factors That Will Affect the Future

The biggest single factor that affects the future of these programs is the pace of health care spending. Health care providers continue to improve the quality of their services to patients, in many cases curing or managing what was formerly incurable and beyond management. New technologies related to advances in health care have been bringing about significant diagnostic and treatment advances. However, all of this has come at a cost that exceeds the general rate of inflation. When combined with a rapidly aging population, the result has been a rate of increase that has on occasion been in double digits in the recent past.

The current study by the consulting actuaries from Gabriel, Roeder, Smith & Company assumes Ball State University retiree medical costs increasing as follows:

Year	Medical and Drug	Dental
2014	8.25%	4.00%
2015	7.50%	4.00%
2016	7.00%	4.00%
2017	6.50%	4.00%
2018	6.00%	4.00%
2019	5.50%	4.00%
2020	5.00%	4.00%
2021	4.50%	4.00%
2022	4.25%	4.00%
2023+	4.00%	4.00%

According to the actuaries, the earlier numbers represent recent experience with Ball State University's retiree population, while the later numbers consider the implication that the overall economy cannot sustain the current rates of increase in health care costs. Something will have to change in the way health care is priced and delivered. In all likelihood, it will be some combination of federal funding and mandates, incentives for healthy lifestyles, rationing of services, plus more direct consumer involvement and choice in the selection of treatment and the payment of health care expenses. In March of 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law, with the aim of providing insurance coverage to all Americans and reducing the overall cost of health care for all, including retirees through reductions in Medicare. Prior to that we saw the establishment of Medicare Part D prescription drug coverage with subsidies to qualifying employer drug plans for retirees, as well as high-deductible health savings account health insurance plans that incentivize members to choose care options based on price as well as other factors. It will be a few years before we realize the full effects of the PPACA. Some early PPACA regulations, such as full health plan coverage for preventive care and increased age of dependents covered, have been enacted in the current fiscal year.

The worst recession in decades may have officially ended in June 2009, but the effects are still being felt in the United States and across the globe. Fiscal years 2014, 2013 and 2012 still experienced tremendous volatility in the world markets. Since June 30, 2009, the investment markets have steadily improved, but are still weak. The United States' Gross Domestic Product (GDP) grew at a rate of 2.6 percent for the fourth quarter of 2014, which is the fourteenth of fifteen quarters with growth, following five out of six quarters with falling GDP between January 2008 and June 2009. The decline in market values of residential and commercial property in the United States as well as a number of foreign countries has begun showing signs of recovery. Loan defaults and foreclosures have slowed. The result has been a continued slow economic growth in the United States and elsewhere. The United States' unemployment rate remains stubbornly at 6.1 percent (June 2014), although well below the peak of 10.1 percent in October 2009. Complicating the picture has been increased spending and borrowing by governments world-wide, leading to fears of sovereign default on bonds as well as the possibility of inflation. At the same time, the continued slowing of economic growth has led to fears of deflation. This uncertainty has led to increased volatility in the investment markets. The longer this uncertainty persists, the more difficult it will be to maintain the current level of funding of the steadily increasing actuarial liability.

The University has continued its commitment to health enhancement and wellness programs for both active employees and retirees in order to reduce the rate of increase in serious illness and the associated health claims. It is hoped and anticipated that this effort will reduce health care claims expenditures and premiums for both employees and the University and reduce actuarial liabilities calculated in the future.

In summary, although there is a great deal of uncertainty in the economy and in the health care arena, Ball State University employees and retirees nevertheless have benefited from the long-term tangible commitment the University has made to funding these important retiree benefits. While it is impossible to say with any degree of certainty that the benefit will remain unchanged in the future in the face of whatever contingencies may arise, the level of funding that has been achieved to date is the best assurance that these benefits are secure for the future.

Requests for Information

Questions about any information provided in this report should be addressed to:

Ball State University
Office of University Controller
AD 301
Muncie, IN 47306

Ball State University
Retiree Health and Life Insurance Plans
Statement of Net Position
As of June 30, 2014 and 2013

	2014			2013		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Assets:						
Current Assets:						
Cash and Short Term Investments	$ 4,071,729	$ 20,908,237	$ 24,979,966	$ 3,516,389	$ 17,182	$ 3,533,571
Receivables:						
Accrued Interest and Dividends	432,494	24,753	457,247	264,282	23,266	287,548
Retiree Contributions Receivable	137,574	2,600	140,174	155,801	3,423	159,224
Receivable from Ball State University	5,792,953	853,077	6,646,030	3,944,347	687,149	4,631,496
Total Receivables	$ 6,363,021	$ 880,430	$ 7,243,451	$ 4,364,430	$ 713,838	$ 5,078,268
Investments, at Fair Value:						
Fixed Income	$ 32,154,146	$ -	$ 32,154,146	$ 31,327,078	$ 6,400,308	$ 37,727,386
Domestic Equity	114,565,949	-	114,565,949	92,872,376	10,160,604	103,032,980
International Equity	48,910,863	-	48,910,863	36,959,013	3,006,521	39,965,534
Real Estate Investments	18,274,389	2,533,238	20,807,627	16,902,126	2,326,324	19,228,450
Total Investments	$ 213,905,347	$ 2,533,238	$ 216,438,585	$ 178,060,593	$ 21,893,757	$ 199,954,350
Total Assets	$ 224,340,097	$ 24,321,905	$ 248,662,002	$ 185,941,412	$ 22,624,777	$ 208,566,189
Liabilities:						
Current Liabilities:						
Accrued Expenses and Other Liabilities	$ 85,985	$ 7,173	$ 93,158	$ 87,525	$ 6,579	$ 94,104
Benefits Payable	1,262,908	-	1,262,908	1,299,760	804,730	2,104,490
Total Liabilities	$ 1,348,893	$ 7,173	$ 1,356,066	$ 1,387,285	$ 811,309	$ 2,198,594
Net Position:						
Net Position Held in Trust for Other Postemployment Benefits (OPEB)	$ 222,991,204	$ 24,314,732	$ 247,305,936	$ 184,554,127	$ 21,813,468	$ 206,367,595

See accompanying Notes to Financial Statements.

Ball State University
Retiree Health and Life Insurance Plans
Statement of Changes in Net Position
For the Year Ended June 30, 2014 and 2013

	2014			2013		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Additions:						
Contributions:						
Retiree Premiums	$ 2,776,870	$ 40,690	$ 2,817,560	$ 2,628,876	$ 20,458	$ 2,649,334
Employer Matching Premiums	8,738,941	124,414	8,863,355	7,988,219	61,372	8,049,591
Medicare Retiree Drug Subsidy	848,880	-	848,880	927,849	-	927,849
Ball State University Contributions to Fund	-	807,860	807,860	-	1,134,900	1,134,900
Total Contributions	$ 12,364,691	$ 972,964	$ 13,337,655	$ 11,544,944	$ 1,216,730	$ 12,761,674
Investment Income:						
Interest and Dividends from Investments	$ 5,001,697	$ 446,005	$ 5,447,702	$ 4,137,917	$ 574,366	$ 4,712,283
Net Gain from Sale of Investments	8,098,695	5,297,117	13,395,812	3,753,911	1,111,981	4,865,892
Unrealized Gains/(Losses) from Market Appreciation and (Depreciation)	24,065,140	(2,897,896)	21,167,244	18,546,910	1,236,894	19,783,804
Total Investment Income	$ 37,165,532	$ 2,845,226	$ 40,010,758	$ 26,438,738	$ 2,923,241	$ 29,361,979
Less Investment Expenses:						
Investment Custodial Fees	$ 165,284	$ 12,287	$ 177,571	$ 146,575	$ 24,536	$ 171,111
Investment Management Fees	497,026	55,549	552,575	293,405	31,485	324,890
Investment Consulting Fees	53,768	-	53,768	54,763	-	54,763
Other Investment (Income)/Expenses	(13,339)	-	(13,339)	(2,551)	-	(2,551)
Total Investment Expenses	$ 702,739	$ 67,836	$ 770,575	$ 492,192	$ 56,021	$ 548,213
Net Investment Income	$ 36,462,793	$ 2,777,390	$ 39,240,183	$ 25,946,546	$ 2,867,220	$ 28,813,766
Total Additions	$ 48,827,484	$ 3,750,354	$ 52,577,838	$ 37,491,490	$ 4,083,950	$ 41,575,440
Deductions:						
Benefits	$ 10,046,585	$ 1,204,223	$ 11,250,808	$ 9,676,616	$ 2,616,751	$ 12,293,367
Administrative Expenses	310,732	44,867	355,599	281,237	78,482	359,719
Actuarial Expenses, Bank Charges, & Audit Fees	33,090	-	33,090	123,363	-	123,363
Total Deductions	$ 10,390,407	$ 1,249,090	$ 11,639,497	$ 10,081,216	$ 2,695,233	$ 12,776,449
Net Increase	$ 38,437,077	$ 2,501,264	$ 40,938,341	$ 27,410,274	$ 1,388,717	$ 28,798,991
Net Position:						
Beginning of Year	184,554,127	21,813,468	206,367,595	157,143,853	20,424,751	177,568,604
End of Year	$ 222,991,204	$ 24,314,732	$ 247,305,936	$ 184,554,127	$ 21,813,468	$ 206,367,595

See accompanying Notes to Financial Statements.

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Ball State University
Retiree Health and Life Insurance Plans
Notes to Financial Statements
June 30, 2014 and 2013

Note A – Significant Accounting Policies

Reporting Entity

The Ball State University Retiree Health and Other Post Employee Benefit Plans (the Plans) are single-employer defined benefit plans, both of which are considered trust funds of the University. Ball State University (the University) is a public institution of higher education in the State of Indiana governed by a nine-member Board of Trustees in accordance with IC 21-19-3. As part of a comprehensive employee benefits program, Ball State University provides health and life insurance benefits, in addition to pension benefits, to eligible retired employees. The Board of Trustees has the authority for establishing or amending benefit plan provisions.

Health insurance at Ball State University is a self-funded plan that utilizes third party administrators for health, dental, and prescription drug benefits. Each year, the Board of Trustees establishes premiums for the next calendar year, of which premiums paid by the employees and retirees range between eleven and 29.0 percent, depending on the health plan, and premiums paid by the University range between 71.1 and 90.1 percent. The premiums are intended to fully fund all claims, administrative costs, reserve adjustments, and contributions to a VEBA Trust established to partially fund health care costs for eligible retirees and their beneficiaries. The claims and applicable administrative costs of current retirees are paid from the self-funded plan, while the contributions to the VEBA Trust are intended to partially fund claims and administrative costs for retirees in the future. All of these payments count toward the Annual Required Contribution (ARC) payment as calculated under GASB Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

Life insurance at Ball State University was purchased from CIGNA from July 1, 2013-December 31, 2013, with premiums equal to actual claims plus a monthly administrative charge. On January 1, 2014, the University changed the third party administrator for life insurance to The Hartford, which provides a fully-funded insurance plan for both active and retired employees with premiums set at annual renewal. Ball State University accounts for the Life Insurance Plan in a manner similar to the Health Insurance Plan. Each year CIGNA and/or The Hartford establish, and the Board of Trustees approve, premiums for the next fiscal year, and 25.0 percent is collected from employees and retirees and 75.0 percent from the University. The premiums are intended to fully fund all claims and administrative costs for employees and retirees. CIGNA paid actual claims, and billed the University for the employees and charged the LICF (now OPEB 115 Trust) for the retiree claims and administration. The Hartford bills the University for monthly premiums. On occasion, excess funds in the LICF (now OPEB 115 Trust) are transferred to the VEBA Trust.

Basis of Accounting

These financial statements have been prepared in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Additionally, the Trusts have adopted the provisions of GASB 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. This Statement did not have an effect on the Trusts' financial statements.

As required under these standards, the financial statements of the Trusts are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plans.

Contributions and Benefits

Retiree premiums, related University match, and federal subsidy are recognized when due. Contributions to the VEBA Trust and LICF (now OPEB 115 Trust) from the University are discretionary and are recognized when received. Benefits and refunds are recognized when due and payable to the extent they can be ascertained, in accordance with the terms of the plan. The plans are described in greater detail in Note E.

Federal Income Tax Status

Ball State University is exempt from federal taxes under Section 115 of the Internal Revenue Code. In addition, the VEBA Trust is exempt under section 501(c)(9) and the LICF (now OPEB 115 Trust) is exempt under Section 115(i).

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, the Plans make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Administrative Expenses

Administrative expenses of the Plans are generally absorbed by the University, except that administrative charges from third party administrators, actuaries and consultants applicable to retiree health care and life insurance and investments are financed by premiums paid by the University and the retirees.

Commitments and Contingencies

Other than claims incurred but not reported, for which an accrual has been estimated, the Plans have not made any purchase commitments. There are no contingent liabilities as of the date of the financial statements.

Financial Statements

Due to the methods used to administer these plans, the financial statements reflect all of the activity in the health and life insurance plans as it pertains to retiree and University shares of premiums, claims, administrative costs, as well as contributions, investment activity and related costs in the VEBA Trust and LICF (now OPEB 115 Trust). Balances included in the financial statements of the University are reflected as receivable from the University.

The financial statements are prepared using the accrual basis of accounting. Premiums from retirees and the University are recognized in the period they are due, while contributions to the VEBA Trust and LICF (now OPEB 115 Trust) are recognized when paid by the University. The Medicare Retiree Drug Subsidy is recognized in the period to which the subsidy pertains, with any unknown amounts estimated based on the amounts known. Benefit claims are recognized in the period incurred and payable, to the extent they are known or able to be estimated. Actual results will differ from these estimates, and will be recognized in the subsequent period.

Net Position

Net position is composed of the amounts on deposit in the VEBA Trust and LICF (now OPEB 115 Trust) at fair value on June 30, 2014, and amounts contained in the operating auxiliary health and life insurance accounts that have not been deposited with the VEBA Trust and LICF (now OPEB 115 Trust) as of June 30, 2014. For reporting purposes, both amounts are combined and reported as Net Position.

Note B – Investments

The plans rely on various investment managers hired by the University's Board of Trustees, with the advice of outside consultants, to prudently invest the amounts contributed, in accordance with IC 30-4-3.5, the Indiana Uniform Prudent Investor Act. These investment manager arrangements are in the form of mutual funds, separately managed accounts with securities in the possession of custodians other than the investment manager, a private investment trust, and a private closed-end real estate investment trust. Investments are reported by the managers and, in some cases custodial banks at fair value, which in most cases represents the published market value as of the close of business on the last business day of the accounting period. Where the value is expressed in currencies other than dollars, the exchange rate applicable to the date of the market valuation is used. Fixed income securities maturing within one year of the date of the financial statements are classified as short term investments. The fair value of the investment in the core real estate fund is based on independent appraisals and internal valuations of recent acquisitions.

Purchases and sales of investments are recorded as of their trade date. Dividend income is recognized on the ex-dividend date. Interest income is recorded as earned.

The portfolio's risk exposures are as follows:

1. Custodial Credit Risk, Deposits – Custodial credit risk for deposits is risk that, in the event of the failure of a depository financial institution, the VEBA Trust and/or the LICF (now OPEB 115 Trust) will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All of the cash in the Plans is invested in money market accounts sponsored by the applicable custodial bank. These accounts are neither insured nor collateralized. The plan does not have a custody credit risk policy for deposits. The uninsured, uncollateralized deposits in the custodial accounts were $3.8 million for fiscal year 2013-2014 and $3.0 million for fiscal year 2012-2013.

2. Custodial Credit Risk, Investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the VEBA Trust and/or the LICF (now OPEB 115 Trust) would not be able to recover the value of its investment or collateral securities that are in the possession of another party. Since J.P. Morgan Asset Management holds all VEBA Trust investments in the name of the VEBA Trust or its nominee, and also holds all LICF (OPEB 115 Trust) investments in the name of the LICF (now OPEB 115 Trust) or its nominee, with the single exception of the UBS Trumbull Property Fund, the custodial credit risk exposure is minimal.

3. Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies for the VEBA Trust and LICF (now OPEB 115 Trust) includes limiting securities rated below A by Standard & Poor's and Moody's to 15.0 percent due to downgrades only, with the further stipulation that securities that fall below BBB (Standard and Poor's) or Baa (Moody's) should be sold as soon as possible.

The following tables present the Standard and Poor's quality ratings of non-government-guaranteed fixed income assets in the VEBA Trust as of June 30, 2014 and 2013. There are no fixed Income investments within the LICF (now OPEB 115 Trust) as of June 30, 2014, and fixed income investments are entirely invested in an intermediate bond mutual fund as of June 30, 2013, and therefore not included in the disclosure below.

VEBA Trust
Average Credit Quality and Exposure
Levels of Non-Government Guaranteed Securities
Year Ended June 30, 2014

Standard & Poor's	Federal Agencies: Bonds & Notes	Federal Agencies: Pass Through	Federal Agencies: Collateralized Mortgage Obligations	Federal Agencies: Discount	Foreign Government Obligations
AAA	$ -	$ 3,996,566	$ 7,442,740	$ -	$ -
AA+	492,028	-	-	-	-
A+	-	-	-	-	-
AA-	-	-	-	175,754	-
Total	$ 492,028	$ 3,996,566	$ 7,442,740	$ 175,754	$ 26,709
Percent of All Fixed Income Assets	1.4%	11.0%	20.5%	0.5%	0.1%

Standard & Poor's	Corporate Bonds & Notes: Short Term	Corporate Bonds & Notes: Long Term	Foreign Bonds: Short Term	Foreign Bonds: Long Term	Asset Backed Obligations
AAA	$ -	$ -	$ -	$ 149,616	$ 1,092,987
AA+	-	341,936	-	-	168,683
AA	-	245,500	-	-	-
AA-	92,472	232,110	-	413,210	-
A+	25,215	816,338	-	401,884	47,475
A	67,291	1,586,948	-	321,738	-
A-	126,328	1,681,112	-	511,303	23,749
BBB+	-	92,468	-	-	-
BBB	-	16,443	-	-	-
NR	-	-	-	-	545,119
Total	$ 311,306	$ 5,012,855	$ -	$ 1,797,751	$ 1,878,013
Percent of All Fixed Income Assets	0.9%	13.8%	0.0%	5.0%	5.2%

VEBA Trust
Average Credit Quality and Exposure
Levels of Non-Government Guaranteed Securities
Year Ended June 30, 2013

Standard & Poor's	Federal Agencies: Bonds & Notes	Federal Agencies: Pass Through	Federal Agencies: Collateralized Mortgage Obligations	Foreign Government Obligations
AAA	$ -	$ 2,328,714	$ 9,044,067	$ -
A+	-	-	-	27,454
Total	$ -	$ 2,328,714	$ 9,044,067	$ 27,454
Percent of All Fixed Income Assets	0.0%	6.7%	26.0%	0.1%

Standard & Poor's	Corporate Bonds & Notes: Short Term	Corporate Bonds & Notes: Long Term	Foreign Bonds: Short Term	Foreign Bonds: Long Term	Asset Backed Obligations
AAA	$ -	$ -	$ -	$ 146,349	$ 825,634
AA+	15,708	339,827	-	-	34,933
AA	-	293,414	-	100,729	-
AA-	-	256,167	-	426,852	-
A+	15,531	837,699	-	351,145	30,284
A	51,581	2,101,615	-	176,003	-
A-	117,371	1,780,185	-	501,121	42,023
BBB+	51,693	252,921	-	-	-
BBB	-	33,640	-	-	-
NR	-	-	-	-	286,249
Total	$ 251,884	$ 5,895,468	$ -	$ 1,702,199	$ 1,219,123
Percent of All Fixed Income Assets	0.7%	16.9%	0.0%	4.9%	3.5%

4. Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issuer. The VEBA Trust has no single issuer exposure that comprises five percent of the overall portfolio. At June 30, 2014, the LICF (now OPEB 115 Trust) had 89.0 percent of its portfolio invested in the J.P. Morgan Liquid Asset Money Market Fund, while awaiting investment allocation guidance from Investment Committee and Investment Consultants.

5. Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolios of the VEBA Trust and LICF (now OPEB 115 Trust) are monitored by measuring the weighted average duration of each portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve. The Investment Policy for the LICF (now OPEB 115 Trust) portfolio states that the total portfolio duration should not deviate by more than one year from the duration of the BC Aggregate Index. Similarly, the Investment Policy for the VEBA Trust portfolio states that the total portfolio duration should not deviate more than one year from the duration of the BCGC Intermediate Bond Index.

The following tables list the effective weighted average duration of fixed income investments in the LICF (now OPEB 115 Trust) and the VEBA Trust at June 30, 2014 and 2013.

OPEB 115 Trust (formerly LICF)
Year Ended June 30, 2014

Fixed Income Security Type	Fair Value June 30, 2014	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Securities	$ -	0.0%	-
Federal Agency Securities	$ -	0.0%	-
Corporate Bonds	$ -	0.0%	-
Mortgage Backed Securities	$ -	0.0%	-
Collateralized Mortgage Backed Securities	$ -	0.0%	-
Asset Backed Securities	$ -	0.0%	-
Money Market	$ 20,908,237	100.0%	-
Intermediate Bond Trust Fund	$ -	0.0%	-
		100.0%	

LICF (now OPEB 115 Trust)
Year Ended June 30, 2013

Fixed Income Security Type	Fair Value June 30, 2013	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Securities	$ -	0.0%	-
Federal Agency Securities	$ -	0.0%	-
Corporate Bonds	$ -	0.0%	-
Mortgage Backed Securities	$ -	0.0%	-
Collateralized Mortgage Backed Securities	$ -	0.0%	-
Asset Backed Securities	$ -	0.0%	-
Money Market	$ 17,182	0.3%	-
Intermediate Bond Trust Fund	$ 6,400,308	99.7%	-
		100.0%	

VEBA Trust
Year Ended June 30, 2014

Fixed Income Security Type		Fair Value June 30, 2014	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	9,140,322	25.2%	5.2
U.S. Treasury Strips	$	1,874,492	5.2%	3.5
Federal Agency Collateralized Mortgage Obligations	$	7,442,740	20.5%	14.3
Federal Agency Pass Through	$	3,996,566	11.0%	11.1
Federal Agency Bonds and Notes	$	492,028	1.4%	6.1
Federal Agency Discount	$	175,754	0.5%	5.3
Government National Mortgage Assoc Pools	$	316,916	0.9%	19.6
Asset Backed Obligations	$	1,878,013	5.2%	14.1
Foreign Bonds	$	1,797,751	5.0%	5.0
Foreign Government Obligations	$	26,709	0.1%	5.7
Corporate Bonds and Notes	$	5,324,161	14.7%	3.9
Money Market	$	3,760,423	10.3%	-
			100.0%	

VEBA Trust
Year Ended June 30, 2013

Fixed Income Security Type		Fair Value June 30, 2013	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	8,292,260	23.8%	5.0
U.S. Treasury Strips	$	2,933,089	8.4%	3.9
Federal Agency Collateralized Mortgage Obligations	$	9,044,067	26.0%	14.6
Federal Agency Pass Through	$	2,328,714	6.7%	11.1
Government National Mortgage Assoc Pools	$	195,685	0.6%	20.6
Asset Backed Obligations	$	1,219,123	3.5%	15.6
Foreign Bonds	$	1,702,199	4.9%	4.6
Foreign Government Obligations	$	27,454	0.1%	6.7
Corporate Bonds and Notes	$	6,147,352	17.6%	4.4
Money Market	$	2,953,523	8.4%	-
			100.0%	

6. Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Currency risk exposures, or exchange rate risk, for the VEBA Trust and LICF (now OPEB 115 Trust) primarily reside within international equity investment holdings. The amounts and countries listed are in addition to holdings within mutual funds in the portfolios. Any hedges through currency forward contracts are at the discretion of the investment managers.

The following tables present the Foreign Currency Risk for the plan assets for the VEBA Trust and LICF (now OPEB 115 Trust) for the year ended June 30, 2014, and 2013. There are no fixed Income investments within the LICF (now OPEB 115 Trust) as of June 30, 2014 and fixed income investments are entirely invested in an intermediate bond mutual fund as of June 30, 2013, and therefore not included in the disclosure below.

Foreign Holdings
Funds Utilized in the VEBA Trust and LICF (now OPEB 115 Trust)
Year Ended June 30, 2014

Country	Currency	Fixed Income	Equities
Australia	Australian Dollar	$ -	$ 873,229
Austria	Euro	-	176,970
Belgium	Euro	-	271,424
Brazil	Real	-	610,988
Canada	Canadian Dollar	-	1,852,465
China	Renminbi	-	1,143,151
Colombia	Peso	-	16,031
Denmark	Danish Krone	-	1,103,324
Finland	Euro	-	1,111,950
France	Euro	-	4,274,922
Germany	Euro	-	3,277,334
Greece	Euro	-	65,512
Hong Kong	Hong Kong Dollar	-	1,346,420
India	India Rupee	-	1,429,507
Indonesia	Rupiah	-	48,094
Ireland	Euro	-	500,057
Israel	Israeli New Shekel	-	192,611
Italy	Euro	-	1,356,821
Japan	Japanese Yen	-	7,693,607
South Korea	Won	-	982,138
Luxembourg	Euro	-	245,605
Mexico	Mexican Peso	-	485,162
Netherlands	Euro	-	1,832,565
New Zealand	New Zealand Dollar	-	56,361
Norway	Norwegian Krone	-	174,182
Philippines	Peso	-	16,031
Portugal	Euro	-	135,702
Russia	Ruble	-	225,898
Singapore	Singapore Dollar	-	242,802
South Africa	Rand	-	1,209,883
Spain	Euro	-	1,001,359
Sweden	Swedish Krona	-	1,153,258
Switzerland	Swiss Franc	-	5,392,025
Taiwan	New Taiwan Dollar	-	240,472
Thailand	Baht	-	379,903
Turkey	Turkish Lira	-	333,320
United Arab Emirates	Dirham	-	68,661
United Kingdom	British Pound	-	8,929,258
		$	$ 50,449,002

Foreign Holdings
VEBA Trust and LICF (now OPEB 115 Trust)
Year Ended June 30, 2013

Country	Currency	Fixed Income	Equities
Australia	Australian Dollar	$ -	$ 862,309
Austria	Euro	-	212,446
Belgium	Euro	-	311,417
Canada	Canadian Dollar	-	1,490,577
Denmark	Danish Krone	-	786,329
Emerging Markets	Multiple	-	5,559,969
Finland	Euro	-	752,991
France	Euro	-	3,929,641
Germany	Euro	-	2,752,611
Greece	Euro	-	19,372
Hong Kong	Hong Kong Dollar	-	1,159,925
Ireland	Euro	-	261,988
Israel	Israeli New Shekel	-	247,092
Italy	Euro	-	704,984
Japan	Japanese Yen	-	6,870,487
Netherlands	Euro	-	1,811,754
New Zealand	New Zealand Dollar	-	44,798
Norway	Norwegian Krone	-	191,542
Portugal	Euro	-	43,587
Singapore	Singapore Dollar	-	233,675
Spain	Euro	-	553,220
Sweden	Swedish Krona	-	1,017,212
Switzerland	Swiss Franc	-	4,147,849
United Kingdom	British Pound	-	8,062,422
		$ -	$ 42,028,198

Note C – Derivatives

The investment policy strictly limits derivatives as follows:

- Index U.S. Large Cap Equity Mutual Fund Managers – may be used only to provide liquidity and to “equitize” dividends and other cash flow and may not exceed ten percent of the portfolio.

- Index U.S. Small Cap Growth Equity Managers – may be used only to provide liquidity and to “equitize” dividends and other cash flow and may not exceed ten percent of the portfolio.

- Active U.S. Small Cap Equity Managers – options and futures limited to covered hedges only.

- International Equity Mutual Fund Managers – currency hedging is permitted.

- Fixed Income Managers – limited to pass through mortgage backed and asset backed securities and PAC I (Planned Amortization Class) CMOs (Collateralized Mortgage Obligations), but interest rate and prepayment sensitivity of these instruments must be similar to typical bonds of similar maturity and coupon. The total exposure to derivative securities should not exceed the allocations within the portfolio’s benchmark index.

Derivatives subject to significant price volatility in response to changes in interest rates or prepayment rates, such as interest-only securities, principal-only securities (POS), Inverse Floaters, Structured Notes, etc. are prohibited.

Note D – Contributions and Reserves

It is the intent of Ball State University to contribute annually from the Health and Life Insurance Plans an amount at least equal to the actuarially calculated ARC. The University utilizes the projected unit credit funding method to calculate the ARC. Under this method, the ARC is calculated by amortizing the unfunded actuarial accrued liability (which only takes into account credited service as of the valuation date) over 30 years and adding on the Normal Cost (representing the additional year of credited service earned during the year). The minimum contribution is equal to the ARC minus actual benefits paid on behalf of retirees and dependents. Additional amounts may be contributed if available.

Note E – Description of Plans

The University's regular full-time employees may become eligible for retiree health and life insurance coverage if they retire from the University after accruing the required years of service (15 years at age 62; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2014, out of a total of 2,944 (2,953 in 2013) benefits eligible active employees, 859 (893 in 2013) had fulfilled the age and service requirements for these retiree benefits. As of June 30, 2014, there were 1,983 retired employees, spouses and surviving spouses (1,987 in 2013) covered by retiree life insurance. Employees receiving benefits and whom have successfully fulfilled the age and service requirements to qualify for retiree health and life insurance must enroll in the plan before they retire or are terminated. If the election is not requested at the time of retirement or termination, the employee will not be eligible to participate in the plans. There are no provisions for accepting late elections.

Retiree health care benefits are the same as employee health care benefits (for retirees not eligible for Medicare) or substantially the same (for retirees who qualify for Medicare). The Plan includes prescription drug coverage, and dental coverage is optional. Spouses and dependents are eligible for coverage under the same rules as the employee plan, and unmarried surviving spouses are eligible to retain the coverage for the remainder of their lifetime. Medicare-eligible retirees and spouses receive supplemental "carve-out" medical coverage which is coordinated with Medicare Part A and Part B. Dental and prescription drug coverage is the same under all plans.

For the year ended June 30, 2014, retirees contributed $2.8 million ($2.6 million in 2013) in premiums for health care coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $8.7 million ($8.0 million in 2013) as its 75.0 percent requirement. Monthly premiums paid by retirees not eligible for Medicare set for calendar year 2014 ranged from $38.68 for single coverage in the least expensive plan option to $625.67 for family coverage in the most expensive plan option. Non-Medicare retirees paid $241.01 per month for single coverage and $625.67 per month for family coverage, under the Low Deductible PPO plan option, $89.58 per month for single coverage and $232.60 per month for family coverage, under the High Deductible Wellness plan option, or $38.68 per month for single coverage and $100.37 per month for family coverage, under the High Deductible/HSA Qualified plan option. Medicare-eligible retirees and spouses each paid $100.84 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid $9.56 if they chose the optional dental coverage. This was in addition to the Medicare Part B Premium.

Eligible employees receive life insurance coverage equal to 103.0 percent of twice the amount of their defined annual compensation, up to a maximum of $125.0 thousand. Retirees are eligible to receive 50.0 percent of the amount of coverage they have immediately prior to retirement or prior to reaching age 66, whichever occurs first, up to a maximum of $37.5 thousand.

On December 31, 2013, the variable life insurance contract with CIGNA was terminated, and a fully-insured retiree life insurance benefit was begun with The Hartford as carrier on January 1, 2014. For the year ended June 30, 2014, retirees contributed $40.7 thousand ($9.3 thousand under CIGNA and $31.4 thousand under The Hartford) in premiums for life insurance coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $124.4 thousand ($30.1 thousand under CIGNA and $94.3 thousand under The Hartford). For fiscal year ended June 30, 2013, retirees contributed $20.5 thousand to satisfy their 25.0 percent total premium while the University contributed $61.4 thousand as its 75.0 percent requirement. Under The Hartford coverage, retirees pay $.173 per $1,000 of coverage per month, which means the maximum monthly premium paid by retirees is $6.50. Under CIGNA, the retirees paid $0.55 per $1,000 of coverage per month, resulting in a maximum monthly premium of $2.06 paid by retirees.

Note F – Funded Status and Funding Progress

The funded status of each plan as of the most recent actuarial valuation date is as follows:

Schedules of Funding Progress

	Valu-ation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 161,541,171	13.4%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 161,541,171	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 161,541,171	13.3%
Health	7/1/11	$ 156,645,642	$ 181,683,897	$ 25,038,255	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,390,012	22,261,030	871,018	96.1%	$ 157,397,746	0.6%
Total		$ 178,035,654	$ 203,944,927	$ 25,909,273	87.3%	$ 157,397,746	16.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedules of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying Schedules of Contributions from the University and Other Entities present trend information about the amounts contributed to the plan by the University and the federal government through the Medicare Retiree Drug Subsidy in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Schedules of Contributions from University and Other Entities reported as required supplemental information includes roll-forward estimates of the ARC for fiscal years 2014 and 2013. When the July 1, 2015 actuarial study is completed, it will use a different cost method that may result in ARC calculations significantly different from the estimates used from the roll-forward of the July 1, 2013 actuarial study. The health care percentage of contributions for fiscal years 2014 and 2013 before federal subsidy were 101.2 percent and 106.0 percent of ARC. The federal subsidies of $848,880 and $927,849 yielded contribution percentages of 111.1 percent and 118.3 percent of ARC for fiscal years 2014 and 2013, respectively. The percentage contributed for the life insurance plan was 199.6 percent and 194.2 percent of ARC for fiscal years 2014 and 2013, respectively.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the University and its eligible employees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the University and its eligible employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
Acturial Cost Method	Projected unit credit
Amortization Method	Level percent of payroll over a 30-year closed period (closed basis) with 24 remaining years at July 1, 2013
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5% per year compounded annually
Payroll Growth Rate	4.0% per year compounded annually
Healthcare Cost Trend Rates:	
Medical and Drug	8.25% initial / 4.0% ultimate (not applicable to Life)
Dental	4.0%
Administration	4.0%

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Ball State University
Retiree Health and Life Insurance Plans
Required Supplemental Information
June 30, 2014

Schedules of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 161,541,171	13.4%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 161,541,171	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 161,541,171	13.3%
Health	7/1/11	$ 156,645,642	$ 181,683,897	$ 25,038,255	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,390,012	22,261,030	871,018	96.1%	$ 157,397,746	0.6%
Total		$ 178,035,654	$ 203,944,927	$ 25,909,273	87.3%	$ 157,397,746	16.5%
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%

Schedules of Contributions from University and Other Entities

	Health Care				Life Insurance	
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Federal Subsidy	Total Percentage Contributed	Annual Required Contribution	Percentage Contributed
2014	$ 8,547,981	101.2%	$ 848,880	111.1%	$ 467,051	199.6%
2013	$ 7,543,653	106.0%	$ 927,849	118.3%	$ 584,390	194.2%
2012	$ 6,751,195	118.0%	$ 665,202	127.8%	$ 446,152	83.3%
2011	$ 10,866,968	92.4%	$ 1,130,869	102.8%	$ 455,400	64.3%
2010	$ 10,695,791	96.1%	$ 1,279,788	108.0%	$ 538,920	237.2%
2009	$ 7,772,370	114.8%	$ 1,000,928	127.7%	$ 152,118	223.1%

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