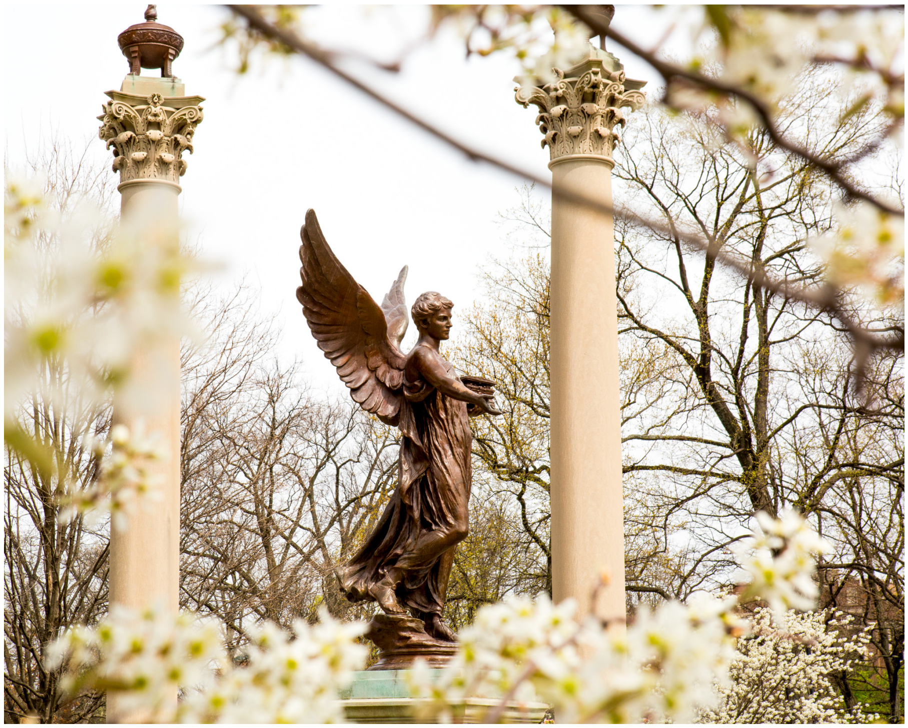
FINANCIAL REPORT

YEAR ENDED June 30, 2019



RETIREE HEALTH

AND

LIFE INSURANCE PLANS

BALL STATE UNIVERSITY

MUNCIE, INDIANA

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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, 2019 and 2018,

and the changes in net position

for the years then ended.

Alan T. Finn

Vice President for Business Affairs
and Treasurer

November 30, 2020

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CliftonLarsonAllen LLP
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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 Ball State University Retiree Health and Life Insurance Plans (the Plans), which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary 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 fiduciary net position of the Plans as of June 30, 2019 and 2018, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Scope of Financial Statements

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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note G to the financial statements, certain errors resulting in overstatement of amounts previously reported for contributions receivable and net position as of June 30, 2018, as well as overstatement of contributions recognized for the year ended June 30, 2018, were discovered during the current year. Accordingly, amounts reported for contributions received and receivable and net position have been restated in the 2018 financial statements now presented, and adjustment has been made to net position as of June 30, 2017 and 2018, to correct the error. Our opinion is not modified with respect to this 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 the Net OPEB liability, changes in Net OPEB liability and related ratios, contributions, and investment returns, and notes to the required supplementary information on pages 1–10 and 33–36, 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.

Board of Trustees
Ball State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, 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 solely 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 the effectiveness of the 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

CliftonLarsonAllen LLP

Indianapolis, Indiana
November 30, 2020

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Ball State University

Retiree Health and Life Insurance Plans
Management's Discussion and Analysis
June 30, 2019 and 2018

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 Ball State University (the University). The University is a public institution of higher education located in Muncie, Indiana. As of the beginning of each academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled:

	2019	2018	2017
Full-time Personnel	3,176	3,155	3,131
Part-time Personnel	406	434	387

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. The following table presents the amount of benefits the University recorded and a break-out of the most significant benefit costs for the current year and the preceding two years:

(in Millions of Dollars)	2019	2018	2017
Benefits	$ 94.8	$ 79.6	$ 96.9
Unused Vacation and Sick Days Included in Personnel Services	24.3	23.9	22.9
Total Benefits	$ 119.1	$ 103.5	$ 119.8
Benefits Include the Following:			
Health Insurance for Active Employees/Retirees	$ 43.2	$ 25.1	$ 42.7
Pension Contributions*	31.9	35.6	35.6
Matching Payments to Social Security and Medicare	15.3	15.3	15.1
Miscellaneous Other	4.4	3.6	3.5
Total Benefits (Excluding Unused Vacation and Sick Days)	$ 94.8	$ 79.6	$ 96.9

** 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. These percentage ranges are shown below:

	2019	2018	2017
University's Premium:	71.0 - 89.0%	71.0 - 89.0%	71.0 - 89.0%

Employees are also provided the opportunity to set aside additional funds for retirement through voluntary payroll deductions. These additional funds 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).

Number Calculated at Fiscal Year Ended June 30:	2019	2018	2017
Retirees with Life Insurance Coverage	1,106	1,104	1,079
Retirees, Spouses and Surviving Spouses with Health Insurance	2,030	2,080	2,015
Active Employees Who Have Fulfilled Age and Service Requirements for Benefits	800	806	775

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. JPMorgan 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. On September 1, 2016, custody of the VEBA Trust and the OPEB 115 Trust was transferred to U.S. Bank National Association (US Bank). US Bank is now custodian and trustee of all assets in both trusts.

The VEBA Trust, the larger of the two funds, was established to partially finance the cost of retiree health care. The original vision was that 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 (actuarial value of the investments) and the denominator (actuarial accrued liability, AAL). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* focuses on changes in the actuarial valuation and adds new disclosure requirements for financial reporting. The purpose of GASB No. 74 is to bring the OPEB plans into close alignment with the way pensions are valued and reported. Even with the changes and the volatile nature of the liability, the intent of the University is to continue to recognize the annual cost of prefunding 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.

Many near-retirees in higher education are concerned about their ability to afford health care in retirement. An April 2, 2019, article from PlanSponsor, entitled "Estimates for Health Care Costs in Retirement Continue to Rise" revealed that a 65-year old couple retiring in 2019 can expect to spend $285,000 in health care and medical expenses throughout retirement, according to Fidelity's annual Retiree Health Care Cost Estimate. For single retirees, the health care cost estimate is $150,000 for women and $135,000 for men. On a positive note, the article goes on to say that the past two years combined have seen a slower rise (3.6%) than in the previous two (2015 to 2017), which saw a rise in estimated health care costs of 12.2%. With medical care becoming more expensive and health care inflation expected to continue to outpace annual Social Security COLA's (cost of living adjustments), health care will be among the most important expenses for Americans in retirement.

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. An article from the Kaiser Family Foundation, dated October 3, 2018, entitled "2018 Employer Health Benefits Survey, Section 11: Retiree Health Benefits", shared that the percentage of large firms offering retiree coverage has decreased over time. This year (2018) they reported a decrease in the share of large firms offering retiree health benefits, partly attributable to a 17% decline in the percentage of public employers reporting that they provide benefits to any employee that has retired from the organization.

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). Things like home health aides, assisted living, and nursing homes are not covered by Medicare, so some people opt to buy long-term care insurance. For retirees with Medicare coverage, reitree health benefits can provide an important supplement to Medicare, helping them pay for cost sharing and benefits not otherwise covered by Medicare. 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.

For the years ended June 30, 2019, 2018 and 2017, the cost to the Health Care Plan for all current retirees, spouses, and surviving spouses were as follows:

	2019	2018	2017
Insurance Claims	$ 11,748,737	$ 10,769,971	$ 9,481,246
Administration	895,889	901,056	794,675
Total	$ 12,644,626	$ 11,671,027	$ 10,275,921
Less:			
Retiree Premiums	$ 3,226,567	$ 3,173,630	$ 3,087,182
Amount included in Benefits Expense	$ 9,418,059	$ 8,497,397	$ 7,188,739
Less:			
Medicare Retiree Drug Subsidy/Employer Group Waiver Program (EGWP)	2,693,209	1,546,570	2,025,608
Net Cost of Benefit to University	$ 6,724,850	$ 6,950,827	$ 5,163,131

While there are other ways to calculate the cost, including the Actuarially Determined Contribution (ADC), formerly called 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. The percentages below illustrate the University's commitment to all retirement benefits:

	2019	2018	2017
Retiree Health Care	6 %	5.9 %	4.4 %
Pension Contributions	26.8 %	34.4 %	29.7 %
Employer Portion of Social Security and Medicare	12.8 %	14.8 %	12.6 %
Total Estimated Benefits for Retirement Purposes	45.6 %	55.1 %	46.7 %

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, Hewitt Investment Group was appointed as the investment consultant for these plans. In 2014, after an extensive bid process, Mercer Investment Consultants began performing duties as the University's investment consultant. Their responsibilities require them to meet 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, 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 prior to GASB Statement No. 74 was 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, 2019, University contributions from date of inception totaled $74.5 million, while the $12.5 million investment gain for the year brings the net dividends, interest, and realized and unrealized investment gains and losses from inception to date to $300.2 million. In addition, to date transfers from the OPEB 115 Trust of $9.4 million and withdrawals of $4.0 million were unchanged from the previous year.

The most recent actuarial projection of the retiree health care liability dated July 1, 2019, when compared to the VEBA Trust established to fund this liability, revealed that the liability is now 92.1 percent funded under GASB rules. This percentage is slightly lower than the previous year but remains strong due largely to the strength of the market yields. Since the Great Recession of 2008 and 2009, the value of the trust assets was rebounding at a steady pace and reached a high of 100.9 percent funded in the July 1, 2014 actuarial report. In anticipation of GASB 74, the cost method used in the actuarial valuations was changed to the Entry Age Normal Cost Method which is the cost method required for pension valuation. This change along with a few other required changes dropped the funded ratio to 87.3 percent on the July 1, 2015 actuarial valuation report. The result of this cost method change, shifts the payment responsibility into future periods thus increasing the Actuarial Accrued Liability and reducing the annual normal cost. Other changes impacting the Actuarial Accrued Liability and thus the percent funded are changes in our demographics, eligibility, mortality rates, and lowering the discount value of future investment returns from 7.5 percent to 7.0 percent. All of the these changes were either mandated or adopted acting upon third party consultants to ensure our plans follow industry best practices. Due to the diligent oversight of the University's health care plan along with the University's practice of generous subsidies the plan has met it's guidelines of contributing the full ADC or ARC each year since the inception of GASB 43 and 45 when the measurement was first recorded. 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 2019 calendar year plan. The VEBA Trust continues to be relatively well-funded which is allowing for lower premiums than would have been expected for active employees, retirees and spouses, and the University.

The OPEB 115 Trust (previously LICF) was established to provide funding to pay for a portion of the retiree life insurance. From inception, the Trust has had cumulative contributions of $10.3 million, transfers to the VEBA Trust of $9.4 million, net earnings of $44.8 million, payout of $21.1 million and unrealized gains of $5.6 million. The OPEB 115 Trust has obtained a level of funding sufficient to subsidize both retiree and employer premiums at 75.0 percent.

Actuarial liability valuations are required to be performed every two years for plans of this size. However, the University has opted to perform these valuations each year with the implementations of GASB Statement No. 74, and 75. Once all the modifications are in place for these two standards, the University may choose to revert back to having a valuation every two years. The next valuation is scheduled for July 1, 2020.

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 and OPEB 115 Trusts that cannot be used for any purpose other than benefits for current and future retirees, 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 Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position, prepared in accordance with the aforementioned GASB Statement No. 74. 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 the Notes to Financial Statements, as well as in the Required Supplemental Information following the Notes.

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

Financial Highlights

The Retiree Health and Life Insurance Plan assets have shown gains in the last eight out of ten years following the losses that were suffered during the Great Recession. In fiscal year 2018-2019, the Combined Plans underperformed their benchmark and their peers for the year, and ranked in the 91st decile among peers (gross of fees). This under performance compared to benchmarks was reflected primarily in the U.S. large cap equity, international equity and real estate sectors. The "blended benchmark" reflects the diversity of the portfolio and consists of the S&P 500 Index, the Russell 1000 Index, the Russell 2000 Index,the MSCI ACWI ex USA Index, the MSCI Emerging Markets Index, the NCREIF NFI ODCE Index, and the BBgBarc US Int Gov/Credit A+ Index.

	2019	2018	2017
Combined Plan Performance (Gross of Fees)	4.8%	8.7%	15.5%
Blended Benchmark	5.9%	9.5%	14.5%

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 year 2016-2017, the Plans outperformed the median plan among peers by 9.7 percent, and outperformed the custom benchmark by 1.0 percent. For fiscal year 2017-2018, the Plans outperformed the median plan among peers by 2.9 percent, but underperformed the custom benchmark by 0.8 percent. For fiscal year 2018-2019, the Plans underperformed the median plan among peers by 1.1 percent. As of June 2019, the universe of peers (All Corporate Plans ($250 million - $1 billion) included 266 constituent plans with assets totaling $132.3 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 year 2016-2017, the Plans outperformed the average plan by 3.1 percent when compared to institutions with assets between $51.0 million and $100.0 million, and 2.5 percent when compared to institutions with assets between $101.0 million and $500.0 million; in fiscal year 2017-2018, the Plans outperformed the average plan by 0.3 percent when compared to institutions with assets between $101.0 million and $500.0 million, and 2.4 percent compared to institutions with assets between $250.0 million and $1.0 billion; and in fiscal year 2018-2019, the Plans underperformed the average plan by 0.5 percent when compared to institutions with assets between $101.0 million and $500.0 million, and 3.8 percent compared to institutions with assets between $250.0 million and $1.0 billion.

While the one-year results should be compared for performance, 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 appropriate 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 net of fees underperformed the customized index by 1.1 percent, with returns of 5.8 percent, ranking in the 68th percentile among its peers.

During that same five year time period, according to NACUBO, endowments with assets between $250.0 million to $1.0 billion returned 5.1 percent, and endowments with assets between $101.0 million and $500.0 million returned 4.8 percent. At the end of fiscal year 2018-2019, funds in the OPEB 115 Trust had been invested in fixed income, a total world stock index fund, and real estate funds. Fixed income in both the VEBA and OPEB 115 Trusts over the five-year period showed a modest return. For the fiscal year, U.S. low volatility domestic equity market with one fund manager had the best absolute performance, outperforming its benchmark by 5.5 percent (net of fees). Large capitalization markets posted positive returns, but trailed their respective benchmarks. Small cap equities also posted positive performance for the year, outperforming their benchmarks. International equity markets posted negative returns, trailing their respective benchmarks, while emerging markets equity market, with one fund manager, posted positive returns, outperforming its benchmark. In addition, the real estate fund showed negative returns of -0.8 percent, trailing its benchmark by 5.6 percent. While the overall performance of the strategies in the Plans produced a strong net of fees return of 4.4 percent, they still trailed their respective benchmarks.

In an effort to protect against severe market downturns, and per recommendations of Mercer Investment Group, the total equity allocation was diversified in fiscal year 2015-2016 with the addition of an Emerging Markets strategy, to achieve better risk-adjusted returns over time, and a Low Volatility strategy, to be able to weather downturns in the market much better than other capital strategies. The overall equity allocation remains unchanged. 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.

With the latest valuation, as of July 1, 2019, the total liability for the Retiree Health and Life Insurance Plans are now 93.3 percent funded, which decreased from the July 1, 2018, valuation of 94.4 percent funded. Even with actuarial cost method changes, changes in mortality tables, and moderate market volatility, the plans remain well-funded.

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

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary 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, 2019, and 2018 (Restated):

Fiduciary Net Position

As of June 30, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
Assets:						
Cash and Short Term Investments	$ 12,188,249	$ 559	$ 12,188,808	$ 5,628,114	$ —	$ 5,628,114
Receivables	1,130,266	50,438	1,180,704	801,842	39,862	841,704
Investments	287,374,222	26,692,973	314,067,195	281,489,635	26,562,469	308,052,104
Total Assets	$ 300,692,737	$ 26,743,970	$ 327,436,707	$ 287,919,591	$ 26,602,331	$ 314,521,922
Liabilities:	$ 802,704	$ 143,314	$ 946,018	$ 652,868	$ 140,305	$ 793,173
Net Position Restricted for OPEB:						
Net Assets Held in Trust	$ 299,890,033	$ 26,600,656	$ 326,490,689	$ 287,266,723	$ 26,462,026	$ 313,728,749

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 increased $6.6 million from June 30, 2018 to June 30, 2019, due to higher money market holdings awaiting investment opportunities.

Receivables consist 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, along with drug subsidies and administrative expenses, 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 2018-2019 increased by 2.0 percent over the prior year due to market gains recorded at fair value, and our practice of not drawing funds to cover plan expenses until it is sustainable.

Liabilities are primarily benefits payable at year end. Incurred But Not Reported (IBNR) claims payable,as calculated by our Mercer actuarial study, shows an increase of almost $100,000 in claims at June 30, 2019.

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 increased by 5.1 percent in fiscal year 2018-2019 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 ears ended June 30, 2019 and 2018 (Restated):

Change in Net Position-Condensed

June 30, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
University Contributions	9,619,197	484,686	10,103,883	8,569,997	473,884	9,043,881
Net Investment Income	12,422,172	1,193,705	13,615,877	21,773,514	2,072,660	23,846,174
Benefits	(8,522,170)	(1,528,156)	(10,050,326)	(7,596,341)	(1,500,438)	(9,096,779)
Other Expenses	(895,889)	(11,605)	(907,494)	(901,056)	(11,455)	(912,511)
Net Increase	$ 12,623,310	$ 138,630	$ 12,761,940	$ 21,846,114	$ 1,034,651	$ 22,880,765
Net Position Restricted for OPEB:						
Beginning of Year	$ 287,266,723	$ 26,462,026	$ 313,728,749	$ 269,515,141	$ 25,514,256	$ 295,029,397
Restatement-Correction of Error	—	—	—	(4,094,532)	(86,881)	(4,181,413)
Net Position - Beginning of Year, as Restated	287,266,723	26,462,026	313,728,749	265,420,609	25,427,375	290,847,984
Net Position End of Year	$ 299,890,033	$ 26,600,656	$ 326,490,689	$ 287,266,723	$ 26,462,026	$ 313,728,749

AgingInPlace, Guide to the SilverSneakers Program

Retiree Premiums and University Premiums reflect sharing of total premium cost per University policy. Premiums are paid into the University's health and life insurance accounts to help cover claims and administrative expenses.

In past years, the Medicare Retiree Drug Subsidy has been 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 did 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. During fiscal year 2016-2017, all receivable subsidy amounts had been paid.

Beginning January 1, 2016, Ball State University terminated the Medicare Retiree Drug Subsidy program, and retirees at age 65 and over were enrolled in an Employer Group Waiver Program (EGWP) with Express Scripts. Retirees were enrolled in Medicare Part D, and proceeds from the EGWP program are remitted to Ball State University monthly, quarterly, and annually after the calendar year reconciliation has been completed. Savings from this program are expected to be substantially greater, as the Medicare Retiree Drug Subsidy proceeds were expected to decline in 2016 and subsequent years. For fiscal year 2018-2019, all receivable proceeds from the Medicare Retiree Drug Subsidy had been paid, and the EGWP 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 OPEB 115 Trust, it is the University's policy to at least fund the plans equal to the total ADC or ARC each fiscal year. In years where additional funds might be available, the University may choose to contribute funds to the trusts which would help to mitigate against future increase requirements.

Deductions are almost entirely made up of insurance claims or insurance premiums paid. Health insurance claims are paid out of the University's auxiliary health care plan. Historically, retiree 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 have been partially paid out of the University's auxiliary life insurance plan fund. Premiums in fiscal year 2018-2019, 2017-2018 and 2016-2017 were paid partially from the University's auxiliary life insurance plan fund and partially from the OPEB 115 Trust.

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

	2019	2018	2017
Domestic Large Capitalization Equities	33.0 %	32.9 %	33.4 %
Domestic Small Capitalization Equities	10.7 %	10.5 %	8.9 %
Low Volatility Equities	4.3 %	4.2 %	3.7 %
International Equities	18.9 %	19.4 %	20.9 %
Emerging Markets Equities	3.6 %	3.8 %	3.7 %
Domestic Fixed Income (including short term)	19.9 %	19.4 %	19.2 %
Real Estate Fund	9.6 %	9.8 %	10.2 %
	100.0 %	100.0 %	100.0 %

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 Investment Committee and approved by the Board of Trustees as needed.

For fiscal year 2018-2019, as previously noted, the combined portfolio enjoyed an overall gain of 4.8 percent (gross of fees), which put it in the 91st percentile (14th percentile in 2018, 1st percentile in 2017) of Mercer Investment Consulting's All Corporate Plans ($250 million-$1 billion) universe, and underperformed the custom index calculated gain of 5.9 percent. The portfolio underperformed the custom index in fiscal year 2017-2018 with an overall gain of 8.7 percent, and the portfolio outperformed the custom index in fiscal years 2016-2017 with an overall gain of 15.5 percent. The Plan has experienced volatility over a number of years since the recession of 2009, but has been recovering. Fiscal year 2018-2019 has shown a moderate performance.

The worst performance for fiscal year 2018-2019 (net of fees) was turned in by DFA International Small Cap Value Fund, a negative 11.5 percent (100th percentile) versus a negative 6.2 percent for the MSCI World ex U.S. Small Cap (Net) Index. The best performance relative to the benchmark and Mercer Universe was turned in by Cambiar Small Cap Value Fund, 1.9 percent (11th percentile) versus negative 6.2 percent for the Russell 2000 Value Index.

The funds with the largest absolute return (net of fees) were Alliance Bernstein US Strategic Core Equity and JP Morgan Intermediate Bond, returning 15.9 percent and 6.5 percent for the fiscal year (21st and 78th percentile, respectively) against similar returns by their benchmarks (S&P 500 and Blmbg. Barc. Inter. A+ U.S. Gov. Credit Index, respectively). Vontobel Emerging Markets had similar results (5.9 percent, 18th percentile), outperforming its benchmark (MSCI EM (net)). Cambiar Small Cap Value placed in the 11th percentile with a return of 1.9 percent, outperforming the Russell 2000 Value Index. Similarly, Dodge & Cox Stock placed in the 67th percentile with a return of 4.4 percent, outperforming the Russell 1000 Value Index. EuroPacific Growth placed in the 36th percentile with a return of 1.9 percent, outperforming the MSCI AC World Ex USA (Net) Index. Dimensional International Small Cap Value underperformed the MSCI World ex USA Small Cap (Net) Index, with a return of negative 11.5 percent (100th percentile).

The fiscal year 2018-2019 results when compared to the benchmarks were mixed, with several of the managers outperforming their benchmarks. Investments in the VEBA and OPEB 115 Trusts remained unchanged during the fiscal year. Beginning in fiscal year 2012-2013, we were able to re-establish our real estate allocation with entry into the UBS Realty Investors Trumbull Property Fund, in both the VEBA and OPEB 115 Trusts. 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

Under GASB 74, the only required schedules are the Schedules of Changes in Net OPEB Liability, Schedule of Net OPEB Liability, Schedule of Contributions, and Schedule of Investment Returns. In addition, disclosure is required for any changes of benefit terms or assumptions. The Schedule of Funding Progress and the Schedule of Contributions from University and Other Entities that were required under GASB 45 will no longer be reported.

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
2019	8.25%	9.00%
2020	7.75%	4.25%
2021	7.25%	4.00%
2022	6.75%	3.75%
2023	6.25%	3.50%
2024	5.75%	3.50%
2025	5.25%	3.50%
2026	4.75%	3.50%
2027	4.25%	3.50%
2028	3.75%	3.50%
2029+	3.50%	3.50%

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, which could be a combination of federal funding and mandates, incentives for healthy lifestyles, rationing of services, and more direct consumer involvement. 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 encourage members to choose care options based on price as well as other factors.

Fiscal years 2019, 2018, and 2017 evidenced significant volatility in the world markets. Over the last several years, investment markets have steadily improved. The United States' Gross Domestic Product (GDP) grew at a moderate rate of 2.0 percent for the second quarter of 2019. Calendar year 2018 individual and corporate tax cuts in the United States, as well as increases in exports and government spending contributed to steady economic growth in the United States. The United States' unemployment rate continues to be stable at rates around 3.7 percent, which is well below the peak of 10.1 percent in October 2009. The global economy continued to expand at a slower rate in the second quarter of 2019 as growth has become less synchronized. Growth in the U.S. remained stable as the effects of fiscal stimulus were felt, while European and Japanese growth was relatively weak. Monetary and fiscal policies remained supportive across most regions, but escalating trade tensions weighed on the growth outlook.

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 AD301
Muncie, IN 47306

Ball State University

Retiree Health and Life Insurance Plans

Statements of Fiduciary Net Position

As of June 30, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Assets:						
Current Assets:						
Cash and Short Term Investments	$ 12,188,249	$ 559	$ 12,188,808	$ 5,628,114	$ —	$ 5,628,114
Receivables:						
Accrued Interest and Dividends	728,354	38,088	766,442	670,608	35,613	706,221
Retiree Contributions Receivable	401,912	12,350	414,262	131,234	4,249	135,483
Total Receivables	$ 1,130,266	$ 50,438	$ 1,180,704	$ 801,842	$ 39,862	$ 841,704
Investments, at Fair Value:						
Fixed Income	$ 52,247,343	$ 5,677,963	$ 57,925,306	$ 52,237,941	$ 5,314,660	$ 57,552,601
Domestic Equity	141,965,085	9,538,797	151,503,882	134,569,239	9,402,287	143,971,526
International Equity	65,441,779	8,065,934	73,507,713	66,713,106	8,402,082	75,115,188
Real Estate Investments	27,720,015	3,410,279	31,130,294	27,969,349	3,443,440	31,412,789
Total Investments	$ 287,374,222	$ 26,692,973	$ 314,067,195	$ 281,489,635	$ 26,562,469	$ 308,052,104
Total Assets	$ 300,692,737	$ 26,743,970	$ 327,436,707	$ 287,919,591	$ 26,602,331	$ 314,521,922
Liabilities:						
Current Liabilities:						
Accrued Expenses and Other Liabilities	$ 115,650	$ 143,314	$ 258,964	$ 102,084	$ 140,305	$ 242,389
Benefits Payable	687,054	—	687,054	550,784	—	550,784
Total Liabilities	$ 802,704	$ 143,314	$ 946,018	$ 652,868	$ 140,305	$ 793,173
Net Position Restricted for OPEB:						
Net Assets Held in Trust for Other Postemployment Benefits (OPEB)	$ 299,890,033	$ 26,600,656	$ 326,490,689	$ 287,266,723	$ 26,462,026	$ 313,728,749

See accompanying Notes to Financial Statements

Ball State University

Retiree Health and Life Insurance Plans

Statements of Changes in Fiduciary Net Position

For the Years Ended For the Years Ended June 30, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Additions:						
Contributions:						
Ball State University Contributions to Fund	9,619,197	484,686	10,103,883	8,569,997	473,884	9,043,881
Total Contributions	$ 9,619,197	$ 484,686	$ 10,103,883	$ 8,569,997	$ 473,884	$ 9,043,881
Investment Income:						
Interest and Dividends from Investments	$ 6,735,242	$ 654,035	$ 7,389,277	$ 6,204,373	$ 643,025	$ 6,847,398
Net Gain from Sale of Investments	6,780,838	202,728	6,983,566	8,397,333	235,673	8,633,006
Unrealized Gains (Losses) from Market Appreciation (Depreciation)	(281,014)	379,740	98,726	7,955,992	1,234,865	9,190,857
Total Investment Income	$ 13,235,066	$ 1,236,503	$ 14,471,569	$ 22,557,698	$ 2,113,563	$ 24,671,261
Less Investment Expenses:						
Investment Custodial Fees	$ 47,024	$ 4,342	$ 51,366	$ 45,631	$ 4,393	$ 50,024
Investment Management Fees	682,155	38,456	720,611	657,481	36,510	693,991
Investment Consulting Fees	79,292	—	79,292	77,357	—	77,357
Other Investment Expenses	4,423	—	4,423	3,715	—	3,715
Total Investment Expenses	$ 812,894	$ 42,798	$ 855,692	$ 784,184	$ 40,903	$ 825,087
Net Investment Income	$ 12,422,172	$ 1,193,705	$ 13,615,877	$ 21,773,514	$ 2,072,660	$ 23,846,174
Total Additions	$ 22,041,369	$ 1,678,391	$ 23,719,760	$ 30,343,511	$ 2,546,544	$ 32,890,055
Deductions:						
Benefits	$ 8,522,170	$ 1,528,156	$ 10,050,326	$ 7,596,341	$ 1,500,438	$ 9,096,779
Administrative Expenses	692,329	11,605	703,934	628,595	11,455	640,050
Actuarial Expenses and Audit Fees	203,560	—	203,560	272,461	—	272,461
Total Deductions	$ 9,418,059	$ 1,539,761	$ 10,957,820	$ 8,497,397	$ 1,511,893	$ 10,009,290
Net Increase in Net Position	$ 12,623,310	$ 138,630	$ 12,761,940	$ 21,846,114	$ 1,034,651	$ 22,880,765
Net Position Restricted for OPEB:						
Beginning of Year	$ 287,266,723	$ 26,462,026	$ 313,728,749	$ 269,515,141	$ 25,514,256	$ 295,029,397
Restatement-Correction of Error	—	—	—	(4,094,532)	(86,881)	(4,181,413)
Net Position - Beginning of Year, as Restated	287,266,723	26,462,026	313,728,749	265,420,609	25,427,375	290,847,984
End of Year	$ 299,890,033	$ 26,600,656	$ 326,490,689	$ 287,266,723	$ 26,462,026	$ 313,728,749

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, 2019 and 2018

Note A – Significant Accounting Policies

Reporting Entity

The Ball State University Retiree Health and Life Insurance Plans (the Plans) are single-employer defined benefit plans, both of which are using irrevocable trusts to accumulate funding to ensure a continued benefit. Ball State University (the University) is the plan administrator and fiduciary for these two plans and their respective trusts.

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.

Basis of Accounting

These financial statements have been prepared in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). As required under these standards, the financial statements of the retiree plans 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.

Cash, Cash Equivalents and Short Term Investments

Cash and cash equivalents include all highly liquid investments with maturities of ninety days or less as of June 30 for each fiscal year end, that bear little or no market risk. Investments with a maturity date of ninety-one days to one year are considered to be short term investments. Amounts are held in safekeeping with our custodian bank or held by the real estate fund manager.

Investments

Investments are reported at fair value. Investments with a maturity date of greater than one year are considered to be noncurrent assets. Plan investments are covered in more detail in Note C.

Receivables

Receivables consist of amounts due from retiree billings.

Fiduciary Net Position

Fiduciary Net Position is composed of the amounts on deposit in the Voluntary Employee Beneficiary Association (VEBA) and Other Postemployment Benefits other than Pension (OPEB) 115 Trusts at fair value on June 30, 2019 and 2018, and amounts contained in the operating auxiliary health and life insurance accounts that have not been deposited with the VEBA and OPEB 115 Trusts as of June 30, 2019 and 2018. For reporting purposes, both amounts are combined and reported as Net Position.

Contributions and Benefits

Retiree premiums are recognized when due, and are recorded as an offset to deductions for benefits. Such contributions amounted to $3,226,567 and $3,173,630 for fiscal year 2018-2019 and fiscal year 2017-2018 respectively for health insurance. Likewise, the contributions from retiree premiums for life insurance was $99,641 and $97,474 for fiscal years 2018-2019 and 2017-2018. Contributions 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 B.

Administrative Expenses

Certain administrative expenses of the Plans are absorbed by the University, and are excluded from these financial statements. Expenses associated with retiree benefit representatives and administrative charges from third party administrators, actuaries and consultants applicable to retiree health care and life insurance and investments are paid from the Plans.

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 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.

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 and OPEB 115 Trusts. Balances included in the financial statements of the University are reflected and reported in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The fiscal year 2018-2019 financial report contains a reclassification of retiree premiums, and has been retroactively presented for fiscal year 2017-2018. Retiree premiums are recorded as an offset to the deductions for benefits and are recognized when due.

Note B – Description of Plans

The University has two OPEB plans. The first plan, Ball State University Health Care Plan, was established to help offset the cost of retiree health care for both eligible retirees and the University. A VEBA Trust was created to provide a vehicle where assets could be accumulated for this specific purpose. The Retiree Health Insurance Plan is a single-employer defined benefit plan that is administered by the University. Per action of the University Board of Trustees, beginning January 1, 2020, the Retiree Health Insurance Plan was closed to hew hires and those who were not in a benefit eligible position.

The second OPEB plan, Ball State University OPEB 115 Trust Fund, was established to help offset the cost of retiree life insurance for both the members and the University. This plan is an open single-employer defined benefit plan that is administered by the University. Likewise, it has a trust, OPEB 115 Trust, connected to the plan to allow for the accumulation of earnings and the payment of a large portion of the insurance premiums.

Health insurance benefits are provided under a self-funded arrangement 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 11.0 and 29.0 percent of the anticipated University contributions, depending on the health plan. The contributions from the University are intended to fully fund all claims, administrative costs, and reserve adjustments.

Life insurance benefits are administered by The Hartford, which provides a fully-funded insurance plan for 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, The Hartford establishes, and the Board of Trustees approves, premiums for the next calendar year, of which premiums paid by the employees and retirees equal 25.0 percent of the anticipated University contributions. The contributions from the University are intended to fully fund all claims and administrative costs. The Hartford bills the University for monthly premiums.

Plan Administration. The authority to change benefits and to make adjustments to the plans and trusts ultimately reside with the University Board of Trustees. There is a committee of University personnel who work with consultants and third party administrators to propose changes to the benefit plans. These recommendations are then presented to the Board of Trustees for discussion and approval. A second committee composed of University personnel and designated trustees from the Board of Trustees work with external investment consultants, fund managers, and the trust custodian to manage the trust assets. The investment policy with any recommended changes is taken to the Board of Trustees for approval on an annual basis.

Eligibility. The University's regular full-time employees may become eligible for retiree health and life insurance benefits upon attainment of age 62 with 15 years of services (and Health Plan participation). Eligible employees hired June 30, 2009, and prior may retire with health and life insurance benefits upon attainment of age 50 with 15 years of service (and Health Plan participation). Eligible employees hired August 31, 1999, and prior may also retire with health and life insurance benefits at the earlier of age 50 with 15 years of service or age 60 with ten years of service (and 12 months of Health Plan participation). Eligible full-time contract faculty (not on a semester-by-semester basis) may accumulate cumulative years of service instead of consecutive years of service. As mentioned earlier, by action of the University Board of Trustees, beginning January 1, 2020 the Retiree Health Insurance Plan was closed to hew hires and those who were not in a benefit eligible position.

As of June 30, 2019, out of a total of 3,151 (3,190 in 2018) benefits eligible active employees, 800 (806 in 2018) had fulfilled the age and service requirements for these retiree benefits. As of June 30, 2019, there were 1,106 retired employees (1,108 in 2018) covered by retiree life insurance. Employees receiving benefits and who 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.

Plan Membership For Each Plan as of June 30,	2019	2018
Retirees with Life Insurance Coverage	1,106	1,108
Retirees, Spouses and Surviving Spouses with Health Insurance	2,030	2,027

Benefits Provided. 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, but 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.

Contributions. For the year ended June 30, 2019, retirees contributed $3.2 million ($3.2 million in 2018) in premiums for health care coverage, while the University contributed $9.6 million ($8.6 million in 2018). Retirees not eligible for Medicare were limited to one plan option in calendar year 2019 and 2018, the High Deductible Wellness plan. Monthly premiums paid by retirees not eligible for Medicare ranged from $108.10 for single coverage to $280.65 for family coverage. Medicare-eligible retirees and spouses each paid $115.36 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid $11.49 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.

For the year ended June 30, 2019, retirees contributed $99.4 thousand ($98.2 thousand in 2018) in premiums for life insurance coverage, while the University contributed $484.7 thousand ($473.9 thousand in 2018). Retirees pay $.2267 per $1,000 of coverage per month, which means the maximum monthly premium paid by retirees is $8.50, unchanged from 2018 rates.

Changes to premiums are provided to the University Board of Trustees for approval each year. It is the University's intent to budget retiree premiums so that 25.0 percent of claims and administrative expenses are covered. Any excess of claims and administrative expenses over retiree premiums is funded by the University.

Note C – Plan Investments

The Ball State University Board of Trustees (Trustees) have acknowledged responsibility as a fiduciary body for the invested assets of the University. Indiana Code 30-4-3-3 requires the Trustees to "exercise the judgment and care required by Indiana code 30-4-3.5," the Indiana Uniform Prudent Investor Act. This act requires the Trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the Trustees shall exercise reasonable care, skill, and caution." The Trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the *Ball State University Voluntary Employee Beneficiary Association Trust (VEBA) and Other Post-Employment Benefits (OPEB) 115 Trust Fund Investment Policy.* The Trustees have delegated the day-to-day responsibilities for overseeing the investment program to the VEBA and OPEB 115 Trust Investment Committee (Committee), which is overseen by the Vice President for Business Affairs and Treasurer, with a Trustee acting as liaison. The Committee, with the advice from external investment consultants, may recommend changes to the VEBA and OPEB 115 Trust Investment Policy. This policy is updated when necessary and approved on an annual basis by the Board of Trustees. No material changes were made to the policy during the 2018-2019 fiscal year.

The table below summarizes the investment allocations for the two plans combined and provides the long-term expected return:

Asset Allocations for the Combined VEBA and OPEB 115 Trusts

Asset Class		Target Allocation	Long-Term Expected Return
International Equity		20.0 %	7.0%
Emerging Markets Equity		4.0 %	8.1%
Low Volatility Equity		4.0 %	6.4%
US Small Cap Equity		10.0 %	6.5%
US Large Cap Equity		32.0 %	6.1%
Fixed Income		20.0 %	3.3%
Real Estate		10.0 %	6.6%
	Total	100.0 %	

Additional required disclosures:

- There were no investments identified at June 30, 2019 and June 30, 2018 that represented 5.0 percent or more of the fiduciary net position of the plans.
- The long-term expected return shown above was provided by our investment consultants using the geometric return calculation. The rate was calculated as a 20-year outlook.
- The annual money-weighted rate of return on the VEBA and OPEB 115 plan investments combined was 4.5 percent for June 30, 2019 and 8.3 percent for June 30, 2018.

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. 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. 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.

Fair Value Measurements

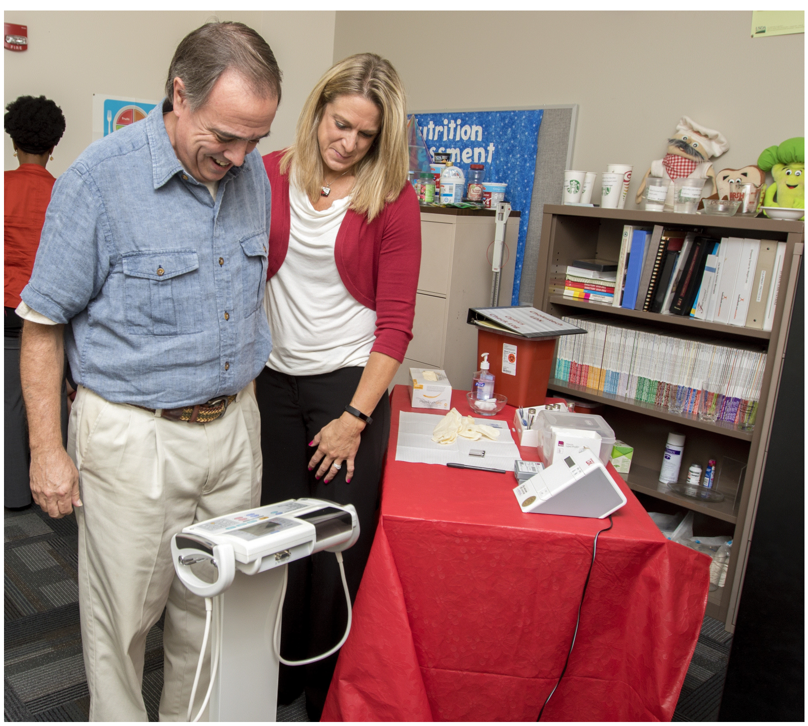
In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Retiree Health and Life Insurance Plans categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The VEBA and OPEB 115 Trusts established to support the Retiree Health and Life Insurance Plans have assets that are valued using Level 1, Level 2 or Level 3 inputs. A Level 1 input is a quoted price for identical assets or liabilities in an active market. Level 2 inputs consist of observable prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for asset or liability. Level 3 are unobservable inputs. The plans' Level 2 investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds and notes, the bond or note is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote is available. The plans' fair value measurements of recurring investments as of June 30, 2019 and 2018, are presented on the following pages.

Investments in Entities That Calculate Net Asset Value Per Share

The fair values of investments in real estate funds are based on the investments' net asset value (NAV) per share (or its equivalent) provided by the investee. Such fair values are included in the tables on the following pages.

Real Estate Funds: This type includes one open end fund during both fiscal years ended June 30, 2019 and 2018. The fund is an actively managed portfolio of primarily equity real estate investments located in the United States that seeks to provide attractive returns while limiting downside risk. The Fund's performance objective is to achieve at least a 5.0 percent real rate of return before management fees, over any given three-to-five year period. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can be redeemed at any time on a quarterly basis with a 60 day notice. The fund is generally designed to manage at a 20.0 percent maximum leverage ratio. There are no unfunded commitments in either year.

Global Equity Funds: This type includes one fund during both fiscal years ended June 30, 2019 and 2018,that invests primarily in emerging markets. This fund is focused on the consistent returns through stable and predictable earnings and dividend growth over many years. Capital appreciation through investing in a diversified portfolio consisting primarily of equity securities. Equity securities consist of common stocks, such as warrants, rights, convertible bonds, debentures or convertible preferred stock. Under normal market conditions, the fund will invest at least 75.0 percent of its assets in equity securities issued by companies that are in "developing countries" or "emerging markets". There are currently no unfunded commitments to this fund. Redemptions may occur monthly with a 15 day notice.



Amelia T. Wood Health Center

Investments Measured at Fair Value

OPEB 115 Trust

	June 30, 2019	2019 Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Investments				
Fixed Income Mutual Funds	$ 5,677,963	$ 5,677,963	$ —	$ —
Equity Mutual Funds	17,604,731	17,604,731	—	—
Total Marketable Securities	$ 23,282,694	$ 23,282,694	$ —	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 3,410,279			
Total Investments at Fair Value	$ 26,692,973			

	June 30, 2018	2018 Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed Income Mutual Funds	$ 5,314,660	$ 5,314,660	$ —	$ —
Equity Mutual Funds	17,804,369	17,804,369	—	—
	$ 23,119,029	$ 23,119,029	$	$
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 3,443,440			
Total Investments at Fair Value	$ 26,562,469			

Investments Measured at Fair Value

VEBA Trust

		2019		
		Fair Value Measurements Using:		
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Investments				
Open End Mutual Funds Equity	$ 125,946,777	$ 125,946,777	$ —	$ —
Common Stocks	58,467,464	58,467,464	—	—
Corporate Bonds and Notes	10,620,212	—	10,620,212	—
Federal Agencies Bonds and Notes	330,876	—	330,876	—
Federal Agencies Collateralized Mortgage Obligation	11,287,235	—	11,287,235	—
Asset Backed Obligations	2,261,055	—	2,261,055	—
Foreign Bonds	1,773,302	—	1,773,302	—
Foreign Stocks	11,371,775	11,371,775	—	—
Government National Mortgage Association Pools	7,662,012	—	7,662,012	—
U.S. Treasury Bonds and Notes	17,927,853	—	17,927,853	—
U.S. Treasury Strips	384,798	—	384,798	—
Total Marketable Securities	$ 248,033,359	$ 195,786,016	$ 52,247,343	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 27,720,015			
Global Equity Limited Partnerships	11,620,848			
Total Non-Marketable Investments	39,340,863			
Total Investments at Fair Value	$ 287,374,222			

		2018		
		Fair Value Measurements Using:		
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Investments				
Open End Mutual Funds Equity	$ 121,666,156	$ 121,666,156	$ —	$ —
Common Stocks	58,126,075	58,126,075	—	—
Corporate Bonds and Notes	9,502,428	—	9,502,428	—
Federal Agencies Bonds and Notes	322,304	—	322,304	—
Federal Agencies Collateralized Mortgage Obligation	8,285,376	—	8,285,376	—
Asset Backed Obligations	4,989,376	—	4,989,376	
Foreign Bonds	1,600,281	—	1,600,281	—
Foreign Stocks	10,517,537	10,517,537	—	—
Government National Mortgage Association Pools	7,481,478	—	7,481,478	—
U.S. Treasury Bonds and Notes	19,509,681	—	19,509,681	—
U.S. Treasury Strips	547,017	—	547,017	—
Total Marketable Securities	$ 242,547,709	$ 190,309,768	$ 52,237,941	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 27,969,349			
Global Equity Limited Partnerships	10,972,577			
Total Non-Marketable Investments	$ 38,941,926			
Total Investments at Fair Value	$ 281,489,635			

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 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 $5.3 million as of June 30, 2019 and $3.5 million as of June 30, 2018.

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 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. US Bank holds all VEBA Trust investments in the name of the VEBA Trust or its nominee, and also holds all OPEB 115 Trust investments in the name of the OPEB 115 Trust or its nominee. As a result, 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 and OPEB 115 Trusts require individual securities in the portfolio to be investment grade (BBB by Standard & Poor's or Baa by Moody's) with an average credit quality of AA or better. Should any security fall below investment grade, the Investment Manager should sell that security as soon as reasonably possible to meet the credit quality guidelines.

Silver Sneakers Yoga, LHF Life Health Fitness

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, 2019 and 2018. Fixed Income investments within the OPEB 115 Trust are entirely invested in an intermediate bond mutual fund, and therefore not included in the disclosure on the following pages.

VEBA Trust
Average Credit Quality and Exposure
Levels of Non-Government Guaranteed Securities

Year Ended June 30, 2019

	Federal Agencies				
Standard & Poor's	Bonds & Notes	Pass Through	Collateralized Mortgage Obligations	Discount	Foreign Government Obligations
AAA	$ 21,480,472	$ 7,954,427	$ 11,285,996	$ —	$ —
AA+	330,876	—	1,239	—	—
AA	—	—	—	198,748	—
AA-	—	—	—		—
Total	$ 21,811,348	$ 7,954,427	$ 11,287,235	$ 198,748	$ —
Percent of All Fixed Income Assets	33.8%	12.3%	17.5%	0.3%	0.0%

	Corporate Bonds & Notes		Foreign Bonds		
Standard & Poor's	Short Term	Long Term	Short Term	Long Term	Asset Backed Obligations
AAA	$ —	$ —	$ —	$ —	$ 1,066,889
AA+	—	248,421	—	—	36,497
AA	—	66,050	—	—	192,713
AA-	—	131,791	111,801	78,847	—
A+	15,675	357,831	60,173	58,568	53,022
A	91,138	803,081		194,221	—
A-	91,430	2,577,470	—	693,839	38,365
BBB+	217,588	3,556,648	—	496,739	—
BBB	102,831	1,561,675	30,513	134,451	8,183
BBB-	90,285	1,267,794	—	116,636	—
BB+	—	49,450	—	—	—
NR	—	—	—	—	1,087,982
Total	$ 608,947	$ 10,620,211	$ 202,487	$ 1,773,301	$ 2,483,651
Percent of All Fixed Income Assets	0.9%	16.5%	0.3%	2.8%	3.9%

VEBA Trust
Average Credit Quality and Exposure
Levels of Non-Government Guaranteed Securities

Year Ended June 30, 2018

	Federal Agencies				
Standard & Poor's	Bonds & Notes	Pass Through	Collateralized Mortgage Obligations	Discount	Foreign Government Obligations
AAA	$ 20,321,377	$ 7,481,907	$ 8,287,666	$ —	$ —
AA+	322,304	—	1,458	—	—
AA	—	—	—	193,630	—
AA-	—	—	—	549,479	—
Total	$ 20,643,681	$ 7,481,907	$ 8,289,124	$ 743,109	$ —
Percent of All Fixed Income Assets	35.7%	12.9%	14.3%	1.3%	0.0%

	Corporate Bonds & Notes		Foreign Bonds		
Standard & Poor's	Short Term	Long Term	Short Term	Long Term	Asset Backed Obligations
AAA	$ —	$ —	$ —	$ —	$ 2,202,989
AA+	—	233,081	—	—	50,872
AA	—	63,610	—	—	—
AA-	—	157,329	65,924	167,945	—
A+	—	213,942	69,244	303,269	122,216
A	265,672	1,067,693	65,053	261,029	—
A-	252,897	1,441,570	—	313,666	—
B+	—	45,375	—	—	—
BBB+	1,197	2,807,769	51,157	370,379	1,198
BBB	144,121	2,133,384	—	201,941	10,235
BBB-	153,844	1,288,561	—	47,040	—
NR	—	—	—	—	2,603,064
Total	$ 817,731	$ 9,452,314	$ 251,378	$ 1,665,269	$ 4,990,574
Percent of All Fixed Income Assets	1.4%	16.4%	0.4%	2.9%	8.6%

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, 2019, the OPEB 115 Trust had 21.2 percent and for June 30, 2018, 20.0 percent, of its portfolio invested in the JPMorgan Intermediate Bond Fund. Since the investment is a bond fund, the OPEB 115 Trust does not have discretion over the underlying investments. Our investment consultants feel that this allocation is appropriate for the long-term goals of the OPEB 115 Trust.
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 and OPEB 115 Trusts 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 *VEBA & OPEB Investment Guidelines* for the VEBA and OPEB 115 Trust portfolios state that the total portfolio duration should not deviate by more than one year from the duration of the Barclays Government/Credit Intermediate Fixed Income Index.

The following table lists the effective weighted average duration of fixed income investments in the VEBA Trust at June 30, 2019 and 2018:

VEBA Trust

Year Ended June 30, 2019

Fixed Income Security Type		Fair Value June 30, 2019	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	21,095,674	32.7 %	4.1
U.S. Treasury Strips	$	384,798	0.6 %	0.3
Federal Agency Collateralized Mortgage Obligations	$	11,287,235	17.5 %	14.3
Federal Agency Pass Through	$	7,851,338	12.2 %	9.5
Federal Agency Bonds and Notes	$	330,876	0.5 %	6.3
Federal Agency Discount	$	198,748	0.3 %	5.9
Government National Mortgage Assoc Pools	$	103,089	0.2 %	14.6
Asset Backed Obligations	$	2,483,651	3.9 %	7.2
Foreign Bonds	$	1,791,118	2.8 %	4.5
Foreign Government Obligations	$	184,672	0.3 %	1.7
Corporate Bonds and Notes	$	11,229,159	17.4 %	4.7
Cash and Money Market	$	7,495,157	11.6 %	—
			100 %	

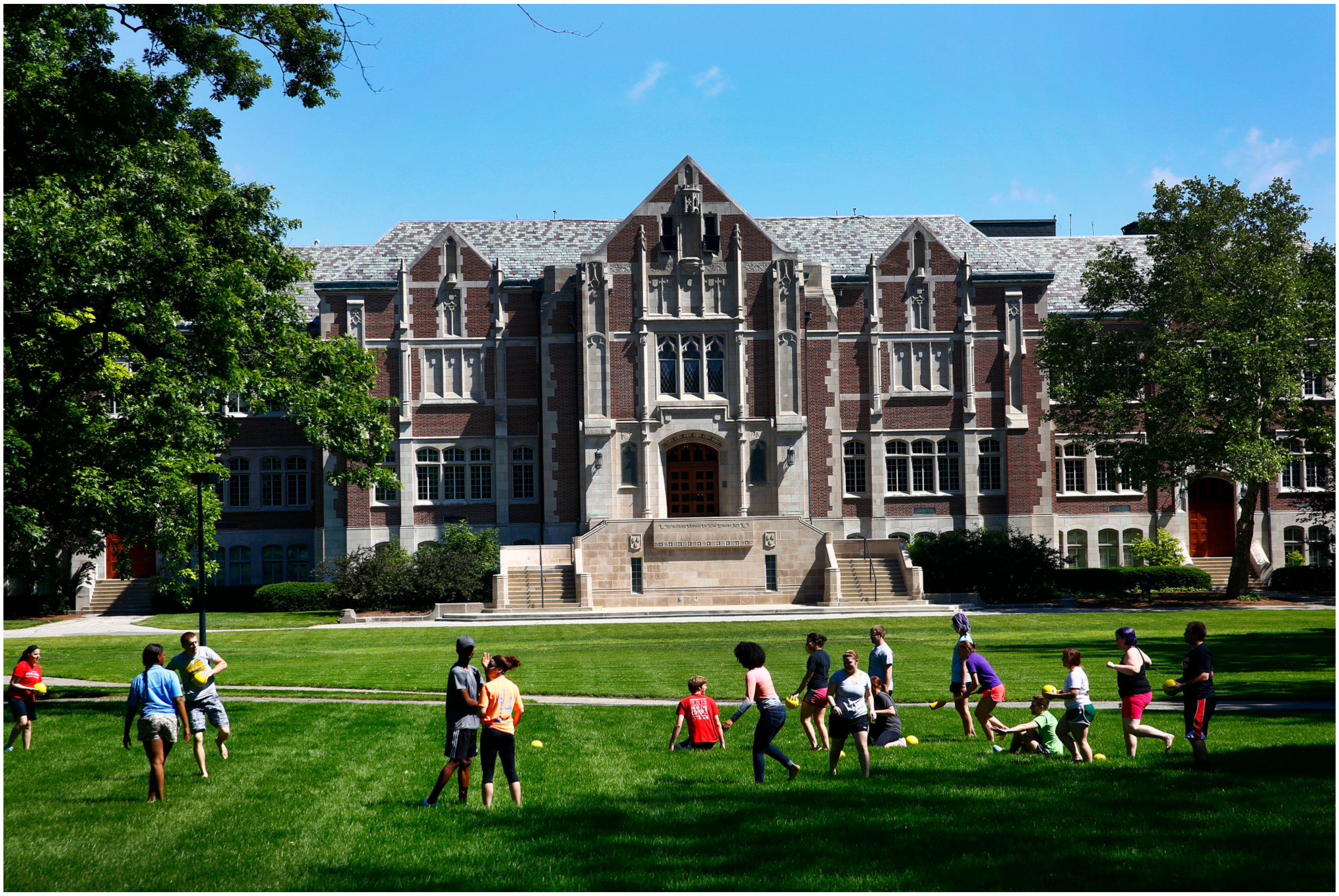
VEBA Trust

Year Ended June 30, 2018

Fixed Income Security Type		Fair Value June 30, 2018	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	20,321,377	35.1 %	4.3
U.S. Treasury Strips	$	549,479	1.0 %	0.4
Federal Agency Collateralized Mortgage Obligations	$	8,289,124	14.3 %	14.1
Federal Agency Pass Through	$	7,360,334	12.7 %	9.7
Federal Agency Bonds and Notes	$	322,304	0.6 %	7.3
Federal Agency Discount	$	193,630	0.3 %	—
Government National Mortgage Assoc Pools	$	121,573	0.2 %	15.6
Asset Backed Obligations	$	4,990,574	8.6 %	6.1
Foreign Bonds	$	1,734,442	3 %	4.2
Foreign Government Obligations	$	182,205	0.3 %	2.7
Corporate Bonds and Notes	$	10,270,045	17.8 %	4.8
Cash and Money Market	$	3,530,969	6.1 %	—
			100 %	

The effective weighted average duration of fixed income investments in the OPEB 115 Trust were $5,677,963, or 100% as of June 30, 2019, and $5,314,660, or 100% as of June 30, 2018. The fixed income security type for both years was the Intermediate Bond Trust Fund.

6. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. No currency risk exposures, or exchange rate risk, for the VEBA and OPEB 115 Trusts are presented. All foreign holdings reside within mutual funds or co-mingled funds which do not require disclosure as there is no "look-through" provision for these types of holdings.



David Owsley Museum of Art

Note D – 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 E – 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 determined contribution (ADC). The University utilizes the Entry Age Normal Cost Method to calculate the ADC which is required under GASB No. 74. Under this method, Normal Cost equals the employee’s present value of benefits divided by the employee’s present value of future payroll at entry age. The minimum contribution is equal to the ADC minus actual benefits paid on behalf of retirees and dependents. Additional amounts may be contributed if available.

The University is self-funded with regard to its health care plans, and premium rates developed each year are expected to cover the cost of employees' and retirees' health care claims expense, as well as a variety of health plan-related administrative costs. In addition to its VEBA Trust for ensuring the continuity of the retiree health care plans, the University, consistent with best practices, maintains two health care reserve funds: the Reserve for Incurred but Unreported Claims (IBNR) and the Reserve for Self-Insurance.

The IBNR and the Reserve for Self-Insurance balances are actuarially determined at each fiscal year end. A qualified actuary examines incurred and paid claim experience for medical, prescription, dental and COBRA (Consolidated Omnibus Budget Reconciliation Act) claims for the previous 12 months, evaluates claim lag for each category of claims, and estimates the amount of reserve requirements for Incurred but Unreported Claims at fiscal year-end. The University maintains a reserve balance to correspond with the annual actuarial estimate. Retrospective analysis is conducted by the actuary to validate the estimated balance of the IBNR.

Ball State University is responsible for the entire health claim risk and, therefore, maintains a Reserve of Self-Insurance that would be used in the event of claim cost experience being higher than expected. While the University has stop-loss coverage, this reserve would help to cover the gap between high claimants and the stop loss coverage. Since fiscal year 2006, the University has held a Reserve for Self-Insurance based on the risk-based capital (RBC) formula's net underwriting risk component,. The amount of the reserve has ranged from 100 percent to 200 percent of the Company Action Level (CAL) of the RBC net underwriting risk component. The University is currently electing to hold 150 percent of the CAL RBC amount. This reserve is used in years when claims out-pace premiums.

The IBNR and Reserve for Self-Insurance are funded from year-end surpluses in the Health Care Auxiliary funds of the University. The Health Care Auxiliary fund accounts for all premiums received during the fiscal year, from the University, active employees and retirees, The Auxiliary fund also accounts for all claims paid during the fiscal year, and a variety of health care-related administrative expenses. Premium rates are set to cover the anticipated cost of claims, and expenses. At fiscal year-end, if the Health Care Auxiliary has a surplus of premiums over expenses, the resulting surplus is used to fund the current year-end actuarial estimates for the IBNR and the Reserve for Self-Insurance. If the Health Care Auxiliary has a deficit, it is funded by the Reserve for Self-Insurance.

Note F - Net OPEB Liability of the Plan Sponsor

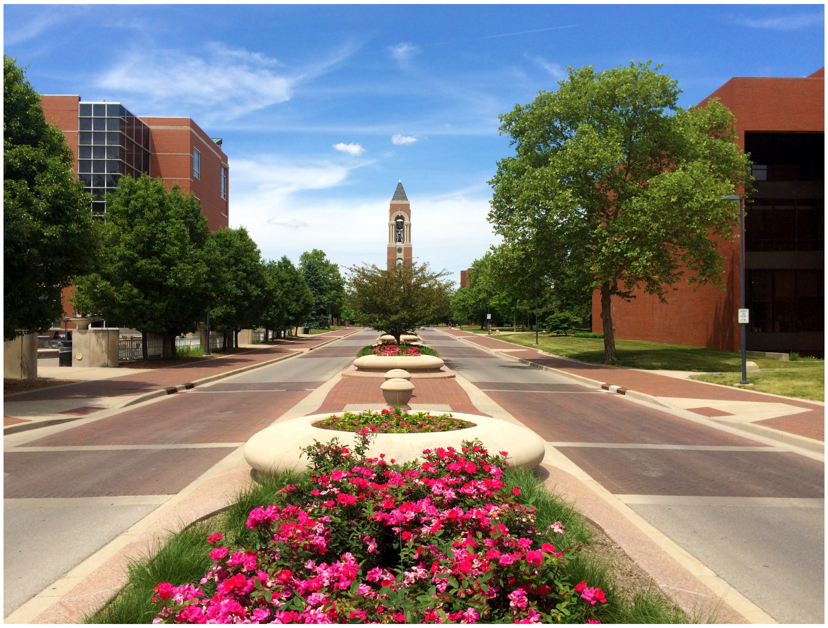
The components of the Net OPEB Liability of the University (sponsor) on June 30, 2019 and June 30, 2018 were as follows:

June 30, 2019

	Retiree Health Care	Retiree Life Insurance
Total OPEB Liability	$ 325,956,523	$ 24,453,051
Plan Fiduciary Net Position	299,890,033	26,600,656
Ball State University's Net OPEB Liability / (Asset)	$ 26,066,490	$ (2,147,605)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	92.00 %	108.78 %

June 30, 2018 (Restated)

	Retiree Health Care	Retiree Life Insurance
Total OPEB Liability	$ 308,880,335	$ 23,996,368
Plan Fiduciary Net Position	287,266,723	26,462,026
Ball State University's Net OPEB Liability / (Asset)	$ 21,613,612	$ (2,465,658)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	93.00 %	110.28 %



Shafer Tower

Actuarial Assumptions: The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and June 30, 2018, using the following actuarial assumptions:

Methods and Assumptions Used to Determine Total OPEB Liability for the Fiscal Years Ending June 30, 2019 and 2018:

Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Market value of assets	Market value of assets
Price Inflation:	No explicit price inflation assumption used	No explicit price inflation assumption used
Salary Increases:	3.5% per year	3.5% per year
Investment Rate of Return:	7.0%, net of OPEB plan investment expense, including inflation	7.0%, net of OPEB plan investment expense, including inflation
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition	Experience-based table of rates that are specific to the type of eligibility condition
Mortality:	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates
	projected forward from 2006 using Projection Scale MP-2018, with no collar adjustment	projected forward from 2006 using Projection Scale MP-2015, with no collar adjustment
Health Care Trend Rates:	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%
Dental Trend Rates:	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%
Aging Factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

Single Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rage that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments remains unchanged at 7.0 percent; the municipal bond rate is 3.13 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index); and the resulting Single Discount Rate is 7.0 percent.

The projection of cash flows used to determine this Single Discount Rate assumed the following:

- In all years the employer contributions will be made at rates equal to the actuarially determined contribution rate; and
- Contributions and benefit payments occur halfway through the year.
- Contributions are deemed sufficient to make all future payments.

Sensitivity of Net OPEB Liability

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption: Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate (SDR), the following presents the plans' net OPEB liability, calculated using a Single Discount Rate of seven percent, as well as what the plans' net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

Year Ended June 30, 2019

Healthcare

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 370,056,019	$ 325,956,523	$ 289,507,273
Plan Fiduciary Net Position	$ 299,890,033	$ 299,890,033	$ 299,890,033
Net OPEB Liability / (Asset)	$ 70,165,986	$ 26,066,490	$ (10,382,760)

Life

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 27,770,004	$ 24,453,051	$ 21,748,251
Plan Fiduciary Net Position	$ 26,600,656	$ 26,600,656	$ 26,600,656
Net OPEB Liability / (Asset)	$ 1,169,348	$ (2,147,605)	$ (4,852,405)

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

Year Ended June 30, 2018 (Restated)

Healthcare

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 350,874,982	$ 308,880,335	$ 274,200,098
Plan Fiduciary Net Position	$ 287,266,723	$ 287,266,723	$ 287,266,723
Net OPEB Liability / (Asset)	$ 63,608,259	$ 21,613,612	$ (13,066,625)

Life

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 27,292,436	$ 23,996,368	$ 21,312,788
Plan Fiduciary Net Position	$ 26,462,026	$ 26,462,026	$ 26,462,026
Net OPEB Liability / (Asset)	$ 830,410	$ (2,465,658)	$ (5,149,238)

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption: Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption
Year Ended June 30, 2019

	Healthcare		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 286,703,013	$ 325,956,523	$ 374,047,350
Plan Fiduciary Net Position	299,890,033	299,890,033	299,890,033
Net OPEB Liability / (Asset)	$ (13,187,020)	$ 26,066,490	$ 74,157,317

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption
Year Ended June 30, 2018 (Restated)

	Healthcare		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 271,534,735	$ 308,880,335	$ 354,671,836
Plan Fiduciary Net Position	287,266,723	287,266,723	287,266,723
Net OPEB Liability (Asset)	$ (15,731,988)	$ 21,613,612	$ 67,405,113

Note G - Restatement

A restatement has been made to the June 30, 2018 statements to correct for an error. The Retiree Health Care Receivable from Ball State University and related contributions were restated to correct for an error in recognizing Ball State University contributions when the amounts were committed by the Ball State University Board of Trustees rather than upon receipt by the Retiree Health Care Plan. The commitment of amounts to contribute by the Ball State University Board of Trustees does not create for the Retiree Health Care Plan a legally enforceable right to collect such amounts.

In addition, Retiree premiums of $3,173,630 were reclassified to Benefits and resulted in net amount of $7,596,341. All other contributions were collapsed into one line on the financial report. Since the operations of the plan occur within Ball State University's financial records system, all contributions to the plan would be contributions from Ball State University. The net effect of the restatement is outlined below:

	2018 Retiree Health Care					
	Prior to Restatement		Restatement Amount		After Restatement	
Statement of Fiduciary Net Position						
Assets:						
Current Assets:						
Receivables:						
Receivable from Ball State University	$	7,254,088	$	(7,254,088)	$	—
Total Receivables	$	8,055,930	$	(7,254,088)	$	801,842
Total Assets	$	295,173,679	$	(7,254,088)	$	287,919,591
Net Position Restricted for OPEB:						
Net Assets Held in Trust for Other						
Postemployment Benefits (OPEB)	$	294,520,811	$	(7,254,088)	$	287,266,723
Statement of Changes in Fiduciary Net Position						
Additions:						
Retiree Premiums	$	3,173,630	$	(3,173,630)	$	—
Employer Matching Premiums	$	10,182,983	$	(10,182,983)	$	—
Employer Group Waiver Program	$	1,546,570	$	(1,546,570)	$	—
Ball State University Contributions to Fund	$	—	$	8,569,997	$	8,569,997
Total Contributions	$	11,729,553	$	(3,159,556)	$	8,569,997
Total Additions	$	33,503,067	$	(3,159,556)	$	30,343,511
Deductions:						
Benefits	$	10,769,971	$	(3,173,630)	$	7,569,341
Total Deductions	$	11,671,027	$	(3,173,630)	$	8,497,397
Net Increase in Net Position	$	25,005,670	$	(3,159,556)	$	21,846,114
Net Position Restricted for OPEB:						
Beginning of Year	$	269,515,141	$	(4,094,532)	$	265,420,609
End of Year	$	294,520,811	$	(7,254,088)	$	287,266,723

The Retiree Life Insurance Receivable from Ball State University and related contributions were restated to correct for an error in recognizing Ball State University contributions when the amounts were committed by the Ball State University Board of Trustees rather than upon receipt by the Retiree Life Insurance Plan. the commitment of amounts to contribute by the Ball State University Board of Trustees does not create for the Retiree Life Insurance Plan a legally enforceable right to collect such amounts.

In addition, Retiree premiums of $98,181 were reclassified to Benefits and resulted in net amount of $1,500,438. All other contributions were collapsed into one line on the financial report. Since the operations of the plan occur within Ball State University's financial records system, all contributions to the plan would be contributions from Ball State University. The net effect of the restatement is outlined below:

	2018 Retiree Life Insurance					
		Prior to Restatement		Restatement Amount		After Restatement
Statement of Fiduciary Net Position						
Assets:						
Current Assets:						
Receivables:						
Receivable from Ball State University	$	102,361	$	(102,361)	$	—
Total Receivables	$	142,223	$	(102,361)	$	39,862
Total Assets	$	26,704,692	$	(102,361)	$	26,602,331
Net Position Restricted for OPEB:						
Net Assets Held in Trust for Other						
Postemployment Benefits (OPEB)	$	26,564,387	$	(102,361)	$	26,462,026
Statement of Changes in Fiduciary Net Position						
Additions:						
Retiree Premiums	$	98,181	$	(98,181)	$	—
Employer Matching Premiums	$	299,557	$	(299,557)	$	—
Ball State University Contributions to Fund	$	189,807	$	284,077	$	473,884
Total Contributions	$	489,364	$	(15,480)	$	473,884
Total Additions	$	2,562,024	$	(15,480)	$	2,546,544
Deductions:						
Benefits	$	1,598,619	$	(98,181)	$	1,500,438
Total Deductions	$	1,610,074	$	(98,181)	$	1,511,893
Net Increase in Net Position	$	1,050,131	$	(15,480)	$	1,034,651
Net Position Restricted for OPEB:						
Beginning of Year	$	25,514,256	$	(86,881)	$	25,427,375
End of Year	$	26,564,387	$	(102,361)	$	26,462,026

Ball State University
Retiree Health and Life Insurance Plans
Required Supplemental Information
June 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Healthcare

Last 10 Fiscal Years*

Fiscal year ending June 30,	2019	2018 (Restated)	2017 (Restated)
Total OPEB Liability;			
Service Cost	$ 7,611,987	$ 6,830,783	$ 6,599,790
Interest on the Total OPEB Liability	21,470,286	19,577,788	18,399,968
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience	(11,461,064)	8,842,791	740,511
Change of Assumptions **	9,074,176	487,135	9,175,625
Benefit Payments, Including Refunds of Employee Contributions ^	(9,619,197)	(8,569,997)	(13,952,042)
Net change in Total OPEB Liability	$ 17,076,188	$ 27,168,500	$ 20,963,852
Total OPEB Liability - Beginning	308,880,335	281,711,835	260,747,983
Total OPEB Liability - Ending (a)	$ 325,956,523	$ 308,880,335	$ 281,711,835
Plan Fiduciary Net Position;			
Employer Contributions ^	$ 9,619,197	$ 8,569,997	$ 13,952,042
Nonemployer Contributing Entities Contributions	—	—	—
Employee Contributions	—	—	—
OPEB Plan Net Investment Income	12,422,172	21,773,514	34,335,869
Benefit Payments, Including Refunds of Employee Contributions ^	(8,522,170)	(7,596,341)	(6,394,064)
OPEB Plan Administrative Expense	(895,889)	(901,056)	(794,675)
Other	—	—	—
Net Change in Plan Fiduciary Net Position	$ 12,623,310	$ 21,846,114	$ 41,099,172
Plan Fiduciary Net Position - Beginning	287,266,723	265,420,609	224,321,437
Plan Fiduciary Net Position - Ending (b)	$ 299,890,033	$ 287,266,723	$ 265,420,609
Net OPEB Liability - Ending (a) - (b)	$ 26,066,490	$ 21,613,612	$ 16,291,226
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	92.00 %	93.00 %	94.22 %
Covered-Employee Payroll #	$ 206,811,806	$ 203,494,948	$ 194,729,643
Net OPEB Liability as a Percentage of Covered-Employee Payroll	12.60 %	10.62 %	8.37 %

Notes to Schedule:

** The ten year schedule will be built over time. Measurement date is June 30 for each year.*

*** Represents the effect of the change in assumed future increases in medical benefits (medical trend).*

^ Includes amount being paid outside of trust.

 # Payroll provided separately by the employer.

Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Life

Last 10 Fiscal Years*

Fiscal year ending June 30,	2019	2018 (Restated)	2017 (Restated)
Total OPEB Liability:			
Service Cost	$ 305,397	$ 299,665	$ 289,531
Interest on the Total OPEB Liability	1,643,677	1,532,799	1,557,695
Changes of Benefit Terms **	—	—	(407,528)
Difference Between Expected and Actual Experience	(1,150,661)	(690,055)	(1,289,593)
Change of Assumptions	142,956	976,135	—
Benefit Payments, Including Refunds of Employee Contributions ^	(484,686)	(473,884)	(391,606)
Net Change in Total OPEB Liability	$ 456,683	$ 1,644,660	$ (241,501)
Total OPEB Liability - Beginning	23,996,368	22,351,708	22,593,209
Total OPEB Liability - Ending (a)	$ 24,453,051	$ 23,996,368	$ 22,351,708
Plan Fiduciary Net Position:			
Employer Contributions ^	$ 484,686	$ 473,884	$ 391,606
Nonemployer Contributing Entities Contributions	—	—	—
Employee Contributions	—	—	—
OPEB Plan Net Investment Income	1,193,705	2,072,660	2,944,544
Benefit Payments, Including Refunds of Employee Contributions ^	(1,528,156)	(1,500,438)	(1,355,245)
OPEB Plan Administrative Expense	(11,605)	(11,455)	(6,414)
Other	—	—	—
Net Change in Plan Fiduciary Net Position	$ 138,630	$ 1,034,651	$ 1,974,491
Plan Fiduciary Net Position - Beginning	26,462,026	25,427,375	23,452,884
Plan Fiduciary Net Position - Ending (b)	$ 26,600,656	$ 26,462,026	$ 25,427,375
Net OPEB Liability / (Asset) - Ending (a) - (b)	$ (2,147,605)	$ (2,465,658)	$ (3,075,667)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	108.78 %	110.28 %	113.76 %
Covered-Employee Payroll #	$ 206,811,806	$ 203,494,948	$ 194,729,643
Net OPEB Liability as a Percentage of Covered-Employee Payroll	(1.04) %	(1.21) %	(1.58) %

Notes to Schedule:

** The ten year schedule will be built over time. Measurement date is June 30 for each year.*

*** Represents the effect of the change in plan provisions (retiree contributions).*

^ Includes amount being paid outside of trust.

 # Payroll provided separately by the employer.

Schedule of the Contributions Multiyear

Healthcare

Last 10 Fiscal Years*

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution ^	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a % of Covered Payroll
2017 (Restated)	$ 8,888,232	$ 13,952,042	$ (5,063,810)	$ 194,729,643	7.95 %
2018 (Restated)	8,202,596	8,569,997	(367,401)	203,494,948	4.50 %
2019	9,449,906	9,616,197	(166,291)	206,811,806	5.29 %

Life

Last 10 Fiscal Years*

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution ^	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a % of Covered Payroll
2017 (Restated)	$ 261,383	$ 391,606	$ (130,223)	$ 194,729,643	0.20 %
2018 (Restated)	86,343	473,884	(387,541)	203,494,948	0.23 %
2019	128,901	484,686	(355,785)	206,811,806	0.23 %

** The ten year schedule will be built over time. Measurement date is June 30 for each year.*

^ Includes amount being paid outside of trust.

 # Payroll provided separately by the employer.

Schedule of Changes in Annual Money-Weighted Rate of Return

Healthcare

Last 10 Fiscal Years*

Fiscal year ending June 30,	2019	2018	2017
Annual Money-weighted Rate of Return	4.5 %	8.3 %	15.4 %

Life

Last 10 Fiscal Years*

Fiscal year ending June 30,	2019	2018	2017
Annual Money-weighted Rate of Return	4.6 %	8.3 %	12.8 %

** The ten year schedule will be built over time.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes to Benefit Terms

July 1, 2019, changes in benefits since the prior valuation include:

Healthcare:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation.

Life Insurance:

There were no changes in life insurance rates in fiscal year 2019.

Changes in Assumptions

July 1, 2019, changes in assumptions since the prior valuation include:

- Claim costs were updated based on current plan experience and future expectations.
- Assumed future increases in medical benefits changed to 8.25 percent for the fiscal year ending June 30, 2019, grading down to 3.75 percent in the next ten years.
- Assumed future increases in dental benefits changed from 9.00 percent for the fiscal year ending June 30, 2019, grading down to 3.50 percent in the next ten years
- The mortality improvement projection scale was changed from MP-2015 to MP-2018

For the Year Ended June 30, 2018

Changes to Benefit Terms

July 1, 2018, changes in benefits since the prior valuation include:

Healthcare:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation.

Life Insurance:

There were no changes in life insurance rates in fiscal year 2018.

Changes in Assumptions

July 1, 2018, changes in assumptions since the prior valuation include:

- Claim costs were updated based on current plan experience and future expectations.
- Assumed future increases in medical benefits changed to 8.25 percent for the fiscal year ending June 30, 2018, grading down to 3.50 percent in the next nine years.
- Assumed future increases in dental benefits changed from 4.50 percent for the fiscal year ending June 30, 2018, grading down to 3.50 percent in the next nine years

For the Year Ended June 30, 2017

Changes to Benefit Terms

July 1, 2017, changes in benefits since the prior valuation include:

Healthcare:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation.

Life Insurance:

Retiree contributions increased to $0.2267 per $1,000 effective January 1, 2017. Previously, it was $0.173 per $1,000.

Changes in Assumptions

July 1, 2017, changes in assumptions since the prior valuation include:

- Claim costs were updated based on current plan experience and future expectations.
- Assumed future increases in medical benefits changed from 7.75 percent for the fiscal year ending June 30, 2018, grading down to 3.50 percent in the next nine years, to 8.25 percent for the fiscal year ending June 30, 2018, grading down to 3.50 percent in the next ten years.

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