FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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, 2017, and 2016,

and the changes in net position

for the years then ended.

Bernard M. Hannon
Vice President for Business Affairs
and Treasurer

November 20, 2018

Ball State University Board of Trustees and President

2016-2017

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ball State University
Muncie, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Retiree Health and Life Insurance Plans of Ball State University (the Plans), which comprise the statements of fiduciary net position as of June 30, 2017 and 2016, 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.

Board of Trustees
Ball State University

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, 2017 and 2016, 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 B to the financial statements, certain errors resulting in overstatement of amounts previously reported for contributions receivable and net position as of June 30, 2016, as well as understatement of contributions recognized for the year ended June 30, 2016, were discovered by management of the Plans during the current year. Accordingly, amounts reported for contributions received and receivable and net position have been restated in the 2016 financial statements now presented, and adjustment has been made to retained earnings as of June 30, 2015 and 2016, 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 and changes therein, contributions, investment returns, and notes to the required supplementary information on pages 1–10 and 35–38, 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 20, 2018, 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

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Indianapolis, Indiana
November 20, 2018

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Ball State University
Retiree Health and Life Insurance Plans
Management's Discussion and Analysis
June 30, 2017 and 2016

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:

	2017	2016	2015
Full-time Personnel	3,131	3,097	2,994
Part-time Personnel	387	378	419

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)	2017	2016	2015
Benefits	$ 96.9	$ 89.8	$ 76.3
Unused Vacation and Sick Days Included in Personnel Services	22.9	21.3	20.6
Total Benefits	$ 119.8	$ 111.1	$ 96.9
Benefits Include the Following:			
Health Insurance for Active Employees	$ 34.8	$ 25.9	$ 25.5
Pension Contributions*	35.6	39.6	25.4
Matching Payments to Social Security and Medicare	15.1	14.6	14.2
Health Insurance for Current Retirees	7.9	5.1	6.9
Miscellaneous Other	3.5	3.2	4.3
Total Benefits (Excluding Unused Vacation and Sick Days)	$ 96.9	$ 88.4	$ 76.3

** 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:

	2017	2016	2015
University's Premium:	71.0 - 89.0%	71.0 - 89.0%	71.1 - 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:	2017	2016	2015
Retirees with Life Insurance Coverage	1,079	1,057	1,074
Retirees, Spouses and Surviving Spouses with Health Insurance	2,015	1,998	2,007
Active Employees Who Have Fulfilled Age and Service Requirements for Benefits	775	786	791

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). Adding to the unpredictability of the AAL, the Governmental Accounting Standards Board (GASB) has issued new statements. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is in effect for plan year ended June 30, 2017, and supersedes GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The new standard 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. A June 12, 2017, article from HealthView Services, entitled "2017 Retirement Health Care Costs Data Report" revealed that average annual health care expenses for a 65-year-old couple in retirement in 2017 are expected to be $11,369, escalating to annual expected expenses in retirement at age 85 to a level of $39,208. The article goes on to say that health care spending is projected to grow at a rate of 5.4 percent per year for the foreseeable future. With medical care becoming more expensive and health care inflation expected to remain significantly above 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 dated August 24, 2017, from CNN Money, entitled "Health Care Will Cost Couples $275,000 in Retirement", revealed that Fidelity Benefits Consulting estimated that a 65-year-old couple retiring in 2017 would need to have saved up to $275,000 in order to cover medical expenses throughout retirement, a 6 percent increase over last year's estimate. 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. 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.

Both the HealthView Insights article and the CNN Money article recommended that individuals planning for retirement make use of Health Savings Accounts (HSA), a tax-free investment vehicle that can be earmarked to pay for eligible health care expenses in retirement.

For the years ended June 30, 2017 and 2016, the cost to the Health Care Plan for all current retirees, spouses, and surviving spouses were as follows:

	2017	2016	2015
Insurance Claims	$ 9,481,246	$ 8,668,058	$ 9,315,618
Administration	465,182	475,388	469,730
Total	$ 9,946,428	$ 9,143,446	$ 9,785,348
Less:			
Retiree Premiums	$ 3,087,182	$ 3,115,598	$ 3,035,939
Amount included in Benefits Expense	$ 6,859,246	$ 6,027,848	$ 6,749,409
Less:			
Medicare Retiree Drug Subsidy/Employer Group Waiver Program (EGWP)	2,025,608	665,709	849,926
Net Cost of Benefit to University	$ 4,833,638	$ 5,362,139	$ 5,899,483

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:

	2017	2016	2015
Retiree Health Care	4.4%	5.2%	6.1%
Pension Contributions	29.7%	35.6%	26.3%
Employer Portion of Social Security and Medicare	12.6%	13.1%	14.6%
Total Estimated Benefits for Retirement Purposes	46.7%	53.9%	47.0%

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, 2017, University contributions from date of inception totaled $74.5 million, while the $34.4 million investment gain for the year brings the net dividends, interest, and realized and unrealized investment gains and losses from inception to date to $265.9 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, 2017, when compared to the VEBA Trust established to fund this liability, revealed that the liability is now 94.4 percent funded under GASB rules. This percentage is higher than the previous two years 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 the 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 2017 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 $43.1 million, payout of $19.0 million and unrealized gains of $4.0 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, 2018.

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 six out of eight years following the losses that were suffered during the Great Recession. In fiscal year 2016-2017, the Combined Plans outperformed their benchmark and their peers for the year, and ranked in the 1st decile among peers (gross of fees). This out performance was due primarily to gains in the international equity and emerging markets. 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.

	2017	2016	2015
Combined Plan Performance (Gross of Fees)	15.5%	(1.2)%	4.0%
Blended Benchmark	14.5%	0.6%	4.4%

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 2014-2015, the Plans outperformed the median plan among peers by 1.8 percent, but underperformed the custom benchmark by 0.2 percent. The following year, the Plans underperformed the median plan among peers by 3.6 percent, and underperformed the custom benchmark by 1.8 percent. 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. As of June 2017, the universe of peers included 207 VEBA /401(h) plans with assets totaling $11.0 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 2014-2015, the Plans outperformed the average plan by two percent when compared to institutions with assets between $51.0 million and $100.0 million, and two percent when compared to institutions with assets between $101.0 million and $500.0 million; in fiscal year 2015-2016, the Plans continued to outperform the average plan by 0.8 percent when compared to institutions with assets between $101.0 million and $500.0 million, but lagged behind institutions with assets between $250.0 million and $1.0 billion by 2.6 percent.; and 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.

While the one-year results were encouraging, it should be noted that the investment policy for the VEBA and the OPEB 115 Trusts focuses on a five-year horizon, with the expectation that the annualized total return will exceed a customized index made up of the 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 matched the customized index with returns of 10.3 percent, ranking in the 2nd percentile among its peers.

During that same time period, according to NACUBO, endowments with assets between $250.0 million to $1.0 billion returned 8.7 percent, and endowments with assets between $101.0 million and $500.0 million returned 7.8 percent. At the end of fiscal year 2016-2017, 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, international equity markets had the best absolute performance, outperforming their benchmark by 6.5 percent (net of fees). Large capitalization markets posted positive returns, outperforming their respective benchmarks. Small capitalization domestic equity markets posted positive returns, but trailed their respective benchmarks, and low volatility and emerging markets equities also posted positive performance for the year, while trailing their benchmarks. In addition, the real estate fund showed positive returns of 4.5 percent even though it trailed the benchmark by 3.4 percent. The performance of the strategies in the Plans was mixed, outperforming their respective benchmarks, with some exceptions.

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, 2017, the total liability for the Retiree Health and Life Insurance Plans are now 95.8 percent funded, which is increased from the July 1, 2016, valuation of 87.6 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, 2017 and 2016:

Fiduciary Net Position

As of June 30, 2017 and 2016

	2017			2016 Restated		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
Assets:						
Cash and Short Term Investments	$ 9,615,218	$ —	$ 9,615,218	$ 3,212,970	$ —	$ 3,212,970
Accounts Receivable	4,815,300	124,304	4,939,604	2,672,677	99,949	2,772,626
Investments	255,720,833	25,526,399	281,247,232	221,298,478	23,427,139	244,725,617
Total Assets	$ 270,151,351	$ 25,650,703	$ 295,802,054	$ 227,184,125	$ 23,527,088	$ 250,711,213
Liabilities:	$ 636,210	$ 136,447	$ 772,657	$ 823,043	$ 8,609	$ 831,652
Net Position Restricted for OPEB:						
Net Assets Held in Trust	$ 269,515,141	$ 25,514,256	$ 295,029,397	$ 226,361,082	$ 23,518,479	$ 249,879,561

Cash and Short Term Investments consist of cash and fixed income investments maturing within one year and reported on the investment manager and custodial reports. Cash and Short Term Investments were higher at June 30, 2017, due to money market holdings in several funds, awaiting investment opportunities.

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

Investments include domestic fixed income, domestic large and small capitalization equities, international equities, core real estate, and municipal bonds. The amounts shown for fiscal year 2016-2017 increased by 14.9 percent over the prior year due to market gains and are recorded at fair value.

Liabilities are primarily benefits payable at year end. Incurred But Not Reported (IBNR) claims payable, as calculated by our Mercer actuarial study, have decreased since we changed our Third Party Administrator to Anthem for the medical plans on April 1, 2014. Since the change, the claims have been processed and paid on a more timely basis.

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 18.1 percent in fiscal year 2016-2017 over the prior year.

The following is a summary of the contributions, investment income, and deductions resulting in the changes in net position for the years ended June 30, 2017 and 2016:

Change in Net Position-Condensed

Years Ended June 30, 2017 and 2016

	2017			2016 Restated		
	Retiree Health Insurance	Retiree Life Insurance	Totals	Retiree Health Insurance	Retiree Life Insurance	Totals
Retiree Premiums	$ 3,087,182	$ 82,515	$ 3,169,697	$ 3,115,598	$ 69,070	$ 3,184,668
University Premiums	9,863,441	251,809	10,115,250	9,778,824	212,239	9,991,063
Total Premiums	$ 12,950,623	$ 334,324	$ 13,284,947	$ 12,894,422	$ 281,309	$ 13,175,731
Employer Group Waiver Program/						
Medicare Retiree Drug Subsidy	2,025,608	—	2,025,608	665,709	—	665,709
Contributions to VEBA Trust and						
OPEB 115 Trust	4,117,880	161,083	4,278,963	494,029	146,333	640,362
Net Investment Income (Loss)	34,335,869	2,944,544	37,280,413	(3,401,575)	(63,386)	(3,464,961)
Benefits	(9,481,246)	(1,437,760)	(10,919,006)	(8,668,058)	(1,047,166)	(9,715,224)
Other Expenses	(794,675)	(6,414)	(801,089)	(815,468)	(4,571)	(820,039)
Net Increase (Decrease)	$ 43,154,059	$ 1,995,777	$ 45,149,836	$ 1,169,059	$ (687,481)	$ 481,578
Net Position Restricted for OPEB:						
Beginning of Year	$ 226,361,082	$ 23,518,479	$ 249,879,561	$ 234,430,016	$ 25,010,670	$ 259,440,686
Restatement - Correction of Error	—	—	—	(9,237,993)	(804,710)	(10,042,703)
Net Position - Beginning of the Year as Restated	$ 226,361,082	$ 23,518,479	$ 249,879,561	$ 225,192,023	$ 24,205,960	$ 249,397,983
Net Position End of Year	$ 269,515,141	$ 25,514,256	$ 295,029,397	$ 226,361,082	$ 23,518,479	$ 249,879,561

Retiree Premiums and University Premiums reflect sharing of total premium cost per University policy. For Health Care, the fiscal year 2016-2017 University premium share remained essentially the same as the previous fiscal year 2015-2016, ranging from 71.0 percent to 89.0 percent, depending on the Health Plan. For fiscal year 2014-2015, the University premium share decreased slightly from the previous fiscal year 2013-2014, ranging from 71.1 percent to 89.0, depending on the Health Plan. 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 2016-2017, 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. Since benefits paid in fiscal year 2014-2015 and fiscal year 2013-2014 on behalf of employees and their dependents exceeded the ADC or ARC, the University was not required to make a payment to the trusts, but planned to contribute any residual funds to the trusts after the reserves are adequately funded. Following this methodology, in fiscal year 2016-2017 the University contributed $6.5 million to the VEBA Trust, and in fiscal year 2015-2016, the University contributed $1.6 million to the VEBA Trust. Contributions to the trust are partially used to reduce the receivable from the University in accordance with GASB Statement No. 45, which took effect in 2008. The University has reported these contributions as a prepaid expense of the University toward the funding of the retiree health care liability.

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 in fiscal year 2014-2015 were paid out of the University's auxiliary life insurance plan fund. Premiums in fiscal year 2016-2017 and 2015-2016 were paid partially from the University's auxiliary life insurance plan fund and partially from the OPEB 115 Trust**.** Going forward, the retiree and University's portion of retiree premiums will be paid from the OPEB 115 Trust when funding levels are insufficient in the University's auxiliary life insurance plan fund.

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

	2017	2016	2015
Domestic Large Capitalization Equities	33.4%	32.2%	38.3%
Domestic Small Capitalization Equities	8.9%	8.9%	9.9%
Low Volatility Equities	3.7%	3.7%	—
International Equities	20.9%	22.9%	25.5%
Emerging Markets Equities	3.7%	3.4%	—
Domestic Fixed Income (including short term)	19.2%	17.5%	16.0%
Real Estate Fund	10.2%	11.4%	10.3%
	100.0%	100.0%	100.0%

Domestic Fixed Income was lower than usual in fiscal year 2015-2016 as flat United States interest rates caused fixed income investments to be less desirable. As expectations of United States Federal Reserve restrictions on interest rates ease off, allocations to fixed income will be adjusted accordingly.

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 2016-2017, as previously noted, the combined portfolio enjoyed an overall gain of 15.5 percent (gross of fees), which put it in the 1st percentile (96th percentile in 2016, 14th percentile in 2015) of Mercer Investment Consulting's predominantly VEBA and 401(h) plan universe, and outperformed the custom index calculated gain of 14.5 percent. The portfolio underperformed the custom index in fiscal year 2015-2016 with an overall loss of -1.2 percent, and the portfolio's policy objectives were met in fiscal years 2014-2015. The Plan has experienced volatility over a number of years since the recession of 2009, but has been recovering. Fiscal year 2016-2017 has shown a strong performance.

The worst performance for fiscal year 2016-2017 (net of fees) was turned in by JPMorgan Intermediate Bond Fund, a negative 0.8 percent (98th percentile) versus a negative 0.8 percent for the BBgBarc US Int Gov/Credit A+ Index. The best performance relative to the benchmark and Mercer Universe was turned in by Dodge & Cox International Stock, 30.4 percent (3rd percentile) versus 20.5 percent for the MSCI ACWI ex USA Index.

The funds with the largest absolute return (net of fees) were Dodge & Cox International Stock and Dodge & Cox Stock, returning 30.4 percent and 28.0 percent for the fiscal year (3rd and 5th percentile, respectively) against similar returns by their benchmarks (MSCI ACWI ex USA and Russel 1000 Value, respectively). Vanguard Growth Index had similar results (20.1 percent, 59th percentile) meeting its benchmark (Vanguard Spliced Large Cap Growth). EuroPacific Growth placed in the 39th percentile with a return of 22.2 percent, outperforming the MSCI ACWI Ex USA Index. Dimensional International Small Cap Value also outperformed the MSCI World ex USA Small Cap Index, with a return of 28.8 percent (27th percentile).

The fiscal year 2016-2017 results when compared to the benchmarks were encouraging, 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 reestablish 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
2017	8.25%	4.50%
2018	7.75%	4.25%
2019	7.25%	4.00%
2020	6.75%	3.75%
2021	6.25%	3.50%
2022	5.75%	3.50%
2023	5.25%	3.50%
2024	4.75%	3.50%
2025	4.25%	3.50%
2026	3.75%	3.50%
2027+	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. It will still be a few years before we realize the full effects of PPACA.

The worst recession in decades may have officially ended in June 2009, but the effects are still being felt in the United States and across the globe. Fiscal years 2017, 2016, and 2015 still experienced tremendous volatility in the world markets. Since June 30, 2009, the investment markets have steadily improved. The United States’ Gross Domestic Product (GDP) grew at a more robust rate of 3.0 percent for the second quarter of 2017, which is the twentieth of twenty-one quarters with growth, following five out of six quarters with falling GDP between January 2008 and June 2009. The decline in market values of residential and commercial property in the United States as well as a number of foreign countries has begun showing signs of recovery. Loan defaults and foreclosures have slowed. The result has been continued slow economic growth in the United States and elsewhere. The United States’ unemployment rate has slowly begun to fall with a rate of 4.4 percent (June 2017), although well below the peak of

10.1 percent in October 2009. Complicating the picture has been increased spending and borrowing and currency deflation by governments world-wide, leading to fears of sovereign default on bonds as well as the possibility of inflation. At the same time, the continued slowing of economic growth has led to fears of deflation. This uncertainty has led to increased volatility in the investment markets. The longer this uncertainty persists, the more difficult it will be to maintain the current level of funding of the steadily increasing actuarial liability.

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

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

Requests for Information

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

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

Ball State University

Retiree Health and Life Insurance Plans

Statements of Fiduciary Net Position

As of June 30, 2017 and 2016

	2017			2016 (Restated)		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Assets:						
Current Assets:						
Cash and Short Term Investments	$ 9,615,218	$ —	$ 9,615,218	$ 3,212,970	$ —	$ 3,212,970
Receivables:						
Accrued Interest and Dividends	602,224	33,881	636,105	524,377	31,997	556,374
Retiree Contributions Receivable	118,544	3,542	122,086	108,655	2,357	111,012
Receivable from Ball State University	4,094,532	86,881	4,181,413	2,039,645	65,595	2,105,240
Total Receivables	$ 4,815,300	$ 124,304	$ 4,939,604	$ 2,672,677	$ 99,949	$ 2,772,626
Investments, at Fair Value:						
Fixed Income	$ 43,473,417	$ 5,317,847	$ 48,791,264	$ 35,714,178	$ 5,303,563	$ 41,017,741
Domestic Equity	123,257,234	8,966,737	132,223,971	110,231,122	8,043,647	118,274,769
International Equity	62,786,244	8,015,724	70,801,968	50,265,023	6,991,208	57,256,231
Real Estate Investments	26,203,938	3,226,091	29,430,029	25,088,155	3,088,721	28,176,876
Total Investments	$ 255,720,833	$ 25,526,399	$ 281,247,232	$ 221,298,478	$ 23,427,139	$ 244,725,617
Total Assets	$ 270,151,351	$ 25,650,703	$ 295,802,054	$ 227,184,125	$ 23,527,088	$ 250,711,213
Liabilities:						
Current Liabilities:						
Accrued Expenses and Other Liabilities	$ 123,053	$ 136,447	$ 259,500	$ 119,825	$ 8,609	$ 128,434
Benefits Payable	513,157	—	513,157	703,218	—	703,218
Total Liabilities	$ 636,210	$ 136,447	$ 772,657	$ 823,043	$ 8,609	$ 831,652
Net Position Restricted for OPEB:						
Net Assets Held in Trust for Other Postemployment Benefits (OPEB)	$ 269,515,141	$ 25,514,256	$ 295,029,397	$ 226,361,082	$ 23,518,479	$ 249,879,561

Ball State University
Retiree Health and Life Insurance Plans
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2017 and 2016

	2017			2016 (Restated)		
	Retiree Health Care	Retiree Life Insurance	Totals	Retiree Health Care	Retiree Life Insurance	Totals
Additions:						
Contributions:						
Retiree Premiums	$ 3,087,182	$ 82,515	$ 3,169,697	$ 3,115,598	$ 69,070	$ 3,184,668
Employer Matching Premiums	9,863,441	251,809	10,115,250	9,778,824	212,239	9,991,063
Employer Group Waiver Program/						
Medicare Retiree Drug Subsidy	2,025,608	—	2,025,608	665,709	—	665,709
Ball State University Contributions to Fund	4,117,880	161,083	4,278,963	494,029	146,333	640,362
Total Contributions	$ 19,094,111	$ 495,407	$ 19,589,518	$ 14,054,160	$ 427,642	$ 14,481,802
Investment Income:						
Interest and Dividends from Investments	$ 5,432,518	$ 828,940	$ 6,261,458	$ 5,742,857	$ 605,592	$ 6,348,449
Net Gain/(Loss) from Sale of Investments	8,007,952	15,108	8,023,060	6,493,967	(35,669)	6,458,298
Unrealized Gains/(Losses) from						
Market Appreciation and (Depreciation)	21,692,402	2,151,301	23,843,703	(14,864,311)	(583,494)	(15,447,805)
Total Investment Income (Loss)	$ 35,132,872	$ 2,995,349	$ 38,128,221	$ (2,627,487)	$ (13,571)	$ (2,641,058)
Less Investment Expenses:						
Investment Custodial Fees	$ 85,471	$ 9,526	$ 94,997	$ 90,564	$ 8,415	$ 98,979
Investment Management Fees	632,079	41,279	673,358	617,788	41,400	659,188
Investment Consulting Fees	75,469	—	75,469	75,000	—	75,000
Other Investment (Income)/Expenses	3,984	—	3,984	(9,264)	—	(9,264)
Total Investment Expenses	$ 797,003	$ 50,805	$ 847,808	$ 774,088	$ 49,815	$ 823,903
Net Investment Income (Loss)	$ 34,335,869	$ 2,944,544	$ 37,280,413	$ (3,401,575)	$ (63,386)	$ (3,464,961)
Total Additions	$ 53,429,980	$ 3,439,951	$ 56,869,931	$ 10,652,585	$ 364,256	$ 11,016,841
Deductions:						
Benefits	$ 9,481,246	$ 1,437,760	$ 10,919,006	$ 8,668,058	$ 1,047,166	$ 9,715,224
Administrative Expenses	465,182	6,414	471,596	475,388	4,571	479,959
Actuarial Expenses and Audit Fees	329,493	—	329,493	340,080	—	340,080
Total Deductions	$ 10,275,921	$ 1,444,174	$ 11,720,095	$ 9,483,526	$ 1,051,737	$ 10,535,263
Net Increase (Decrease) in Net Position	$ 43,154,059	$ 1,995,777	$ 45,149,836	$ 1,169,059	$ (687,481)	$ 481,578
Net Position Restricted for OPEB:						
Beginning of Year	$ 226,361,082	$ 23,518,479	$ 249,879,561	$ 234,430,016	$ 25,010,670	$ 259,440,686
Restatement - Correction of Error	—	—	—	(9,237,993)	(804,710)	(10,042,703)
Net Position - Beginning of Year, as Restated	$ 226,361,082	$ 23,518,479	$ 249,879,561	$ 225,192,023	$ 24,205,960	$ 249,397,983
End of Year	$ 269,515,141	$ 25,514,256	$ 295,029,397	$ 226,361,082	$ 23,518,479	$ 249,879,561

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Ball State University
Retiree Health and Life Insurance Plans
Notes to Financial Statements
June 30, 2017 and 2016

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

Beginning with the fiscal year ended June 30, 2017, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* came into effect for the University's Retiree Health and Life Insurance Plans Financial Report and replaced GASB 43. GASB Statement No. 74 provides guidance for Other Post-employment Benefits (OPEB) plans and is applicable for plans that have assets set aside in a trust to pay current and future OPEB obligations. This new statement requires changes to actuarial valuation, financial report disclosures, and new disclosure requirements for the Required Supplemental Information that is similar to defined pension plans under GASB No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.*

GASB Statement No. 72, *Fair Value Measurement and Application,* was adopted for the year ended June 30, 2016, with retrospective application. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. Additional fair value investment disclosures were required by this statement and can be found in Note D.

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 D.

Accounts Receivable

Accounts receivable consists of amounts due from retiree billings, subsidies and support provided by the University, but not yet transferred to the trusts. The outstanding balance of the subsidies are $900,662 and $1,229,307 for fiscal year ended June 30, 2017 and 2016, respectively.

Fiduciary Net Position

Fiduciary Net Position is composed of the amounts on deposit in the VEBA and OPEB 115 Trusts at fair value on June 30, 2017 and 2016, 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, 2017 and 2016. For reporting purposes, both amounts are combined and reported as Net Position.

Contributions and Benefits

Retiree premiums, related University match, and federal subsidy are recognized when due. Contributions to the VEBA and OPEB 115 Trusts 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 C.

Administrative Expenses

Administrative expenses of the Plans are generally absorbed by the University, except for limited 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 financed by premiums paid by the University and the retirees.

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 as receivable from the University.

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

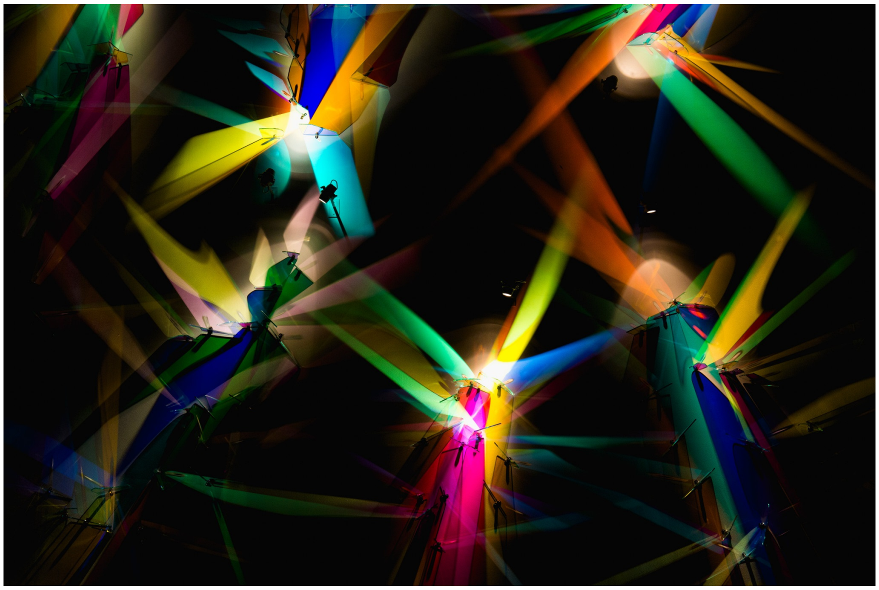
Note B – Restatement

A restatement has been made to the June 30, 2016 statements for comparative purposes. The net effect of the restatement is outlined below:

	2016 Retiree Health Care		
	Prior to Restatement	Restatement Amount	After Restatement
Statement of Fiduciary Net Position			
Assets:			
Current Assets:			
Receivables:			
Receivable from Ball State University	$ 12,415,177	$ (10,375,532)	$ 2,039,645
Total Receivables	$ 13,048,209	$ (10,375,532)	$ 2,672,677
Total Assets	$ 237,559,657	$ (10,375,532)	$ 227,184,125
Net Position:			
Net Assets Held in Trust for Other Postemployment Benefits (OPEB)	$ 236,736,614	$ (10,375,532)	$ 226,361,082
Statement of Changes in Fiduciary Net Position			
Additions:			
Ball State University Contributions to Fund	$ 1,631,568	$ (1,137,539)	$ 494,029
Total Contributions	$ 15,191,699	$ (1,137,539)	$ 14,054,160
Total Additions	$ 11,790,124	$ (1,137,539)	$ 10,652,585
Net Increase (Decrease)	$ 2,306,598	$ (1,137,539)	$ 1,169,059
Net Position:			
Beginning of Year	$ 234,430,016	$ (9,237,993)	$ 225,192,023
Net Assets Held in Trust for Other Postemployment Benefits (OPEB)	$ 236,736,614	$ (10,375,532)	$ 226,361,082

Notes:

Restatement: The Receivable from Ball State University Retiree Health Care was restated due to the recognition of a change in estimated future benefits, the pattern of consumption of those benefits, and the information available to the entity about those benefits, which was effected by changing the calculation of surplus benefits derived from active employees and retirees and how the payments to the VEBA Trust plan were classified. The VEBA Trust contribution of $1,631,568 that was deposited to the VEBA Trust during the year ended June 30, 2016, was deemed to be a reduction of receivable in the amount of $1,137,539 while the remaining $494,029 was deemed a contribution from pre-funding by active members. The remaining amount of the restatement, $9,237,993, is to correct for errors in recognizing contributions from the University that should have been shown as reductions to Receivable form Ball State University in years prior to the year ended June 30, 2016.



Light Sculpture in Music Instruction Building

	2016 Retiree Life Insurance					
	Prior to Restatement		Restatement Amount		After Restatement	
Statement of Fiduciary Net Position						
Assets:						
Current Assets:						
Receivables:						
Receivable from Ball State University	$	1,405,684	$	(1,340,089)	$	65,595
Total Receivables	$	1,440,038	$	(1,340,089)	$	99,949
Total Assets	$	24,867,177	$	(1,340,089)	$	23,527,088
Net Position:						
Net Assets Held in Trust for Other Postemployment Benefits (OPEB)	$	24,858,568	$	(1,340,089)	$	23,518,479
Statement of Changes in Fiduciary Net Position						
Additions:						
Ball State University Contributions to Fund	$	681,712	$	(535,579)	$	146,133
Total Contributions	$	963,021	$	(535,379)	$	427,642
Total Additions	$	899,635	$	(535,379)	$	364,256
Net Increase (Decrease)	$	(152,102)	$	(535,379)	$	(687,481)
Net Position - Beginning of Year	$	25,010,670	$	(804,710)	$	24,205,960
End of Year	$	24,858,568	$	(1,340,089)	$	23,518,479

Notes:

Restatement:The Receivable from Ball State University Retiree Life Insurance was restated due to the recognition of a change in estimated future benefits, the pattern of consumption of those benefits, and the information available to the entity about those benefits, which was effected by changing the calculation of surplus benefits derived from active employees and retirees and how the payments to the third party administrator was recorded in the financial statements. In 2016, insurance payments of $535,379 were reclassified to reduce the receivable. The remaining amount of the restatement of $804,710, is to correct for errors in recognizing contributions from the University in years prior to the year ended June 30, 2016.

Note C – Description of Plans

The University has two Other Postemployment Benefits Other than Pension (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 Voluntary Employee Beneficiary Association (VEBA) Trust was created to provide a vehicle where assets could be accumulated for this specific purpose. The Retiree Health Insurance Plan is an open single-employer defined benefit plan that is administered by the University.

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 also 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, depending on the health plan. The premiums paid by the University range between 71.0 and 89.0 percent. The premiums are intended to fully fund all claims, administrative costs, reserve adjustments, and contributions to a VEBA Trust. The claims and applicable administrative costs of current retirees are paid from the self-funded plan, while the contributions to the VEBA Trust are intended to partially fund claims and administrative costs for eligible retirees and their beneficiaries in the future. Historically, all of these payments counted toward the Annual Required Contribution (ARC) payment under GASB Statement No. 43. GASB No. 43 was replaced with GASB No. 74, effective for the plan year ended June 30, 2017, which changed the terminology from the ARC to the ADC (Actuarially Determined Contribution), this calculation is used as a measurement for administration to know the amount of contribution required to meet the annual normal cost plus one year of amortization of the unfunded actuarial accrued liability.

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 fiscal year. The Plan collects 25.0 percent from employees and retirees and 75.0 percent from the University. The premiums are intended to fully fund all claims and administrative costs for employees and retirees. 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 of June 30, 2017, out of a total of 3,034 (3,156 in 2016) benefits eligible active employees, 775 (786 in 2016) had fulfilled the age and service requirements for these retiree benefits. As of June 30, 2017, there were 1,079 retired employees (1,035 in 2016) 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,	2017	2016
Retirees with Life Insurance Coverage	1,079	1,057
Retirees, Spouses and Surviving Spouses with Health Insurance	2,015	1,998

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, 2017, retirees contributed $3.1 million ($3.1 million in 2016) in premiums for health care coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $9.9 million ($9.8 million in 2016) as its 75.0 percent requirement. Retirees not eligible for Medicare were limited to one plan option in calendar year 2017 and 2016, the High Deductible Wellness plan. Monthly premiums paid by retirees not eligible for Medicare ranged from $102.99 for single coverage to $267.40 for family coverage. Medicare-eligible retirees and spouses each paid $109.92 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid $10.94 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, 2017, retirees contributed $82.5 thousand ($69.1 thousand in 2016) in premiums for life insurance coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $251.8 thousand ($212.2 thousand in 2017) as its 75.0 percent requirement. Retirees pay $.2267 per $1,000 of coverage per month, which means the maximum monthly premium paid by retirees is $8.50. For the year ended June 30, 2016, retirees pay $.173 per $1,00 of coverage per month, which means the maximum monthly premium paid by retirees is $6.50.

Changes to premiums are provided to the University Board of Trustees for approval each year. It is the University's intent to budget healthcare premiums so that claims and administrative expenses are covered. Any surplus of premiums over claims and administrative expenses are used to adjust the healthcare reserve balances. Residual balances are contributed to the VEBA Trust. Life insurance rates are set to cover 25.0 percent of the fully insured premiums for retirees. The OPEB 115 Trust subsidizes the remaining 75.0 percent.

Note D – 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 2016-2017 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%	8.7%
Low Volatility Equity	4.0%	6.3%
US Small Cap Equity	10.0%	6.0%
US Large Cap Equity	32.0%	5.6%
Fixed Income	20.0%	3.4%
Real Estate	10.0%	6.7%
Total	100.0%	

Additional required disclosures:

- There were no investments identified at June 30, 2017 and June 30, 2016 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 15.17 percent.

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, the Retiree Health and Life Insurance Plans categorize its 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' fair value measurements of reoccurring investments as of June 30, 2017 and 2016, 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, 2017, and 2016. 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, 2017 and 2016,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.

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Investments Measured at Fair Value

OPEB 115 Trust

		2017		
		Fair Value Measurements Using:		
	June 30, 2017	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	$ 5,317,847	$ 5,317,847	$ —	$ —
Equity Mutual Funds	16,982,461	16,982,461	—	—
Total Marketable Securities	$ 22,300,308	$ 22,300,308	$ —	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 3,226,091			
Total Non-Marketable Investments	$ 3,226,091			
Total Investments at Fair Value	$ 25,526,399			

		2016		
		Fair Value Measurements Using:		
	June 30, 2016	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	$ 5,303,563	$ 5,303,563	$ —	$ —
Equity Mutual Funds	15,034,855	15,034,855	—	—
Total Marketable Securities	$ 20,338,418	$ 20,338,418	$ —	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 3,088,721			
Total Non-Marketable Investments	$ 3,088,721			
Total Investments at Fair Value	$ 23,427,139			

Investments Measured at Fair Value

VEBA Trust

		2017 Fair Value Measurements Using:		
	June 30, 2017	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	$ 114,369,609	$ 114,369,609	$ —	$ —
Common Stocks	52,371,586	52,371,586	—	—
Corporate Bonds and Notes	12,970,584	—	12,970,584	—
Federal Agencies Bonds and Notes	340,686	—	340,686	—
Federal Agencies Collateralized Mortgage Obligation	10,632,495	—	10,632,495	—
Foreign Bonds	1,989,149	—	1,989,149	—
Foreign Stocks	7,975,527	7,975,527	—	—
Government National Mortgage Association Pools	2,125,203	—	2,125,203	—
U.S. Treasury Bonds and Notes	16,212,245	—	16,212,245	—
U.S. Treasury Strips	752,706	—	752,706	—
Total Marketable Securities	$ 219,739,790	$ 174,716,722	$ 45,023,068	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 26,203,938			
Global Equity Limited Partnerships	9,777,105			
	$ 35,981,043			
Total Investments at Fair Value	$ 255,720,833			

		2016 Fair Value Measurements Using:		
	June 30, 2016	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	$ 101,357,716	$ 101,357,716	$ —	$ —
Asset Backed Obligations	2,776,070	—	2,776,070	—
Common Stocks	44,126,962	44,126,962	—	—
Corporate Bonds and Notes	6,921,952	—	6,921,952	—
Federal Agencies Bonds and Notes	530,084	—	530,084	—
Federal Agencies Collateralized Mortgage Obligation	6,349,882	—	6,349,882	—
Federal Agencies Discount	192,122	—	192,122	—
Federal Agencies Pass Through	3,998,323	—	3,998,323	—
Foreign Bonds	1,885,532	—	1,885,532	—
Foreign Govertment Obligations	25,144	—	25,144	—
Foreign Stocks	6,100,850	6,100,850	—	—
Government National Mortgage Association Pools	188,306	—	188,306	—
U.S. Treasury Bonds and Notes	12,116,837	—	12,116,837	—
U.S. Treasury Strips	1,162,452	—	1,162,452	—
Total Marketable Securities	$ 187,732,232	$ 151,585,528	$ 36,146,704	$ —
Non-Marketable Investments:				
Real Estate Limited Partnerships	$ 25,088,155			
Global Equity Limited Partnerships	8,478,091			
	$ 33,566,246			
Total Investments at Fair Value	$ 221,298,478			

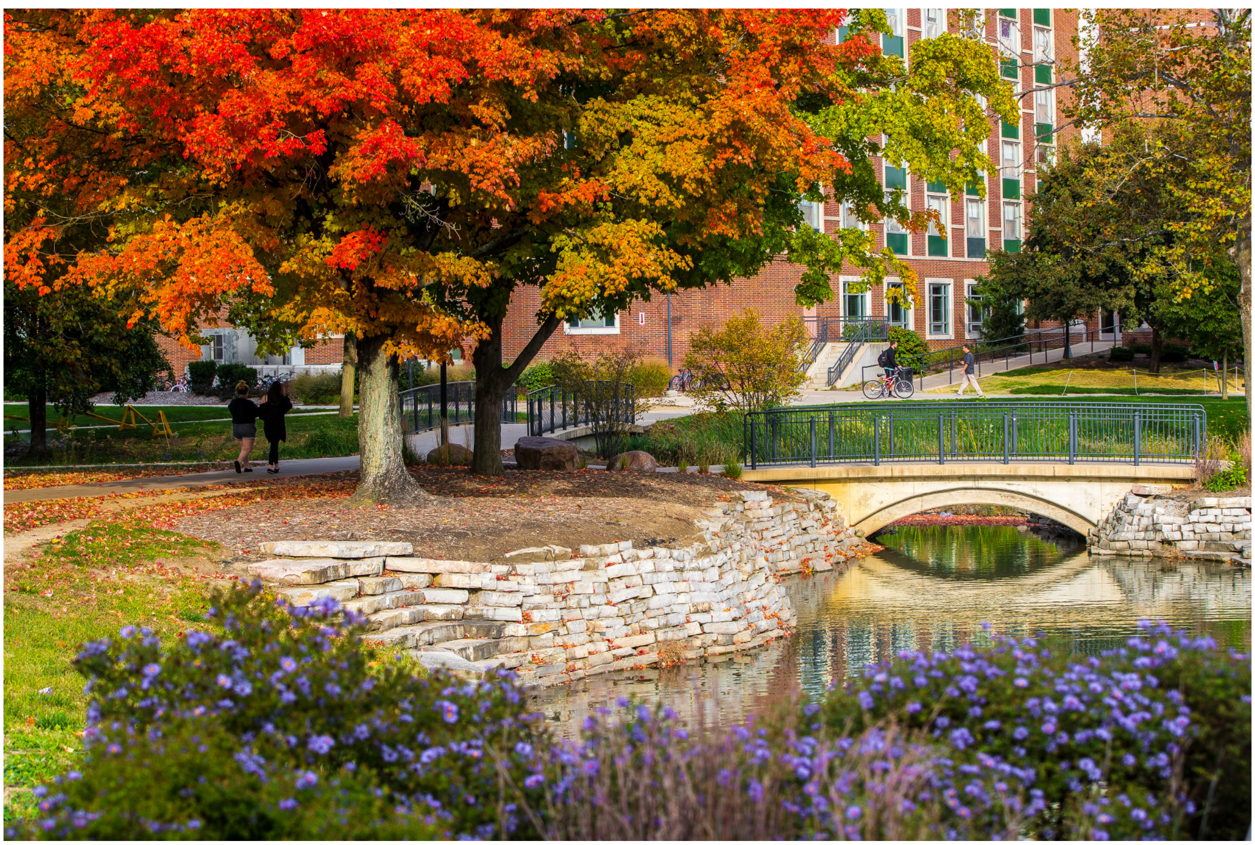
Purchases and sales of investments are recorded as of their trade date. Dividend income is recognized on the ex-dividend date. Interest income is recorded as earned.

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 $7.6 million for fiscal year 2016-2017 and $2.6 million for fiscal year 2015-2016.

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. Effective September 1, 2016, trust assets were moved to a new custodian, US Bank. 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.



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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, 2017 and 2016. 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, 2017

	Federal Agencies				
Standard & Poor's	Bonds & Notes	Pass Through	Collateralized Mortgage Obligations	Discount	Foreign Governmen t Obligations
AAA	$ 1,695,665	$ 5,142,414	$ 22,952,425	$ —	$ —
AA+	—	—	510,104	1,933	—
A+	—	—	—	—	23,371
AA-	—	—	—	191,856	—
Total	$ 1,695,665	$ 5,142,414	$ 23,462,529	$ 193,789	$ 23,371
Percent of All Fixed Income Assets	3.2%	9.7%	44.2%	0.4%	0.0%

	Corporate Bonds & Notes		Foreign Bonds		Asset Backed
Standard & Poor's	Short Term	Long Term	Short Term	Long Term	Obligations
AAA	$ —	$ 1,624,237	$ —	$ —	$ —
AA+	—	310,760	—	—	—
AA	—	197,234	—	—	—
AA-	108,427	503,912	—	314,218	—
A+	134,041	376,037	—	230,934	—
A	557,640	639,937	—	552,455	360,743
A-	35,851	1,112,840	106,428	247,530	107,788
BBB+	190,497	2,162,328	—	149,129	381,075
BBB	—	935,650	—	35,004	212,550
BBB-	—	275,731	—	119,743	273,225
NR	206,431	1,814,243	210,336	—	449,408
Total	$ 1,232,887	$ 9,952,909	$ 316,764	$ 1,649,013	$ 1,784,789
Percent of All Fixed Income Assets	2.3%	18.7%	0.6%	3.1%	3.4%

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

Year Ended June 30, 2016

Standard & Poor's	Federal Agencies: Bonds & Notes	Federal Agencies: Pass Through	Federal Agencies: Collateralized Mortgage Obligations	Federal Agencies: Discount	Foreign Government Obligations
AAA	$ —	$ 3,998,323	$ 6,357,774	$ —	$ —
AA+	530,084	—	—	—	—
A+	—	—	—	—	25,144
AA-	—	—	—	192,122	—
Total	$ 530,084	$ 3,998,323	$ 6,357,774	$ 192,122	$ 25,144
Percent of All Fixed Income Assets	1.4%	10.3%	16.3%	0.5%	0.1%

Standard & Poor's	Corporate Bonds & Notes: Short Term	Corporate Bonds & Notes: Long Term	Foreign Bonds: Short Term	Foreign Bonds: Long Term	Asset Backed Obligations
AAA	$ —	$ —	$ —	$ 150,326	$ 1,270,570
AA+	—	291,292	—	—	81,895
AA	—	204,670	—	—	—
AA-	—	355,041	—	323,929	—
A+	49,298	312,390	85,252	372,490	349,195
A	77,380	1,539,773	85,582	381,386	111,186
A-	65,635	1,197,020	—	450,137	16,466
BBB+	—	1,889,019	—	207,264	—
BBB	85,767	462,247	—	—	—
BBB-	—	237,978	—	—	—
NR	—	—	—	—	1,073,510
Total	$ 278,080	$ 6,489,430	$ 170,834	$ 1,885,532	$ 2,902,822
Percent of All Fixed Income Assets	0.7%	16.7%	0.4%	4.8%	7.5%

4. Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issuer. The VEBA Trust has no single issuer exposure that comprises five percent of the overall portfolio. At June 30, 2017, the OPEB 115 Trust had 20.8 percent and for June 30, 2016, 22.6 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 tables list the effective weighted average duration of fixed income investments in the OPEB 115 and the VEBA Trusts at June 30, 2017 and 2016:

OPEB 115 Trust
Year Ended June 30, 2017

Fixed Income Security Type		Fair Value June 30, 2017	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Securities	$	—	0.0%	—
Federal Agency Securities	$	—	0.0%	—
Corporate Bonds	$	—	0.0%	—
Mortgage Backed Securities	$	—	0.0%	—
Collateralized Mortgage Backed Securities	$	—	0.0%	—
Asset Backed Securities	$	—	0.0%	—
Cash and Money Market	$	—	0.0%	—
Intermediate Bond Trust Fund	$	5,317,847	100%	—
			100%	

OPEB 115 Trust
Year Ended June 30, 2016

Fixed Income Security Type		Fair Value June 30, 2016	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Securities	$	—	0.0%	—
Federal Agency Securities	$	—	0.0%	—
Corporate Bonds	$	—	0.0%	—
Mortgage Backed Securities	$	—	0.0%	—
Collateralized Mortgage Backed Securities	$	—	0.0%	—
Asset Backed Securities	$	—	0.0%	—
Cash and Money Market	$	—	0.0%	—
Intermediate Bond Trust Fund	$	5,303,563	100%	—
			100%	

VEBA Trust

Year Ended June 30, 2017

Fixed Income Security Type		Fair Value June 30, 2017	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	905,118	1.7%	8.1
U.S. Treasury Strips	$	752,704	1.4%	3.5
Federal Agency Collateralized Mortgage Obligations	$	23,462,529	44.2%	10.1
Federal Agency Pass Through	$	3,442,360	6.5%	9.5
Federal Agency Bonds and Notes	$	37,843	0.1%	8.1
Federal Agency Discount	$	193,789	0.4%	2.3
Government National Mortgage Assoc Pools	$	1,700,054	3.2%	18.8
Asset Backed Obligations	$	1,784,789	3.4%	5.2
Foreign Bonds	$	1,965,777	3.7%	3.9
Foreign Government Obligations	$	23,372	0.0%	2.7
Corporate Bonds and Notes	$	11,185,795	21.1%	4.7
Cash and Money Market	$	7,634,504	14.3%	—
			100%	

VEBA Trust

Year Ended June 30, 2016

Fixed Income Security Type		Fair Value June 30, 2016	Percent of All Fixed Income Assets	Weighted Average Duration (Years)
U.S. Treasury Bonds and Notes	$	12,116,838	31.1%	5.0
U.S. Treasury Strips	$	1,162,452	3.0%	3.9
Federal Agency Collateralized Mortgage Obligations	$	6,357,774	16.3%	12.6
Federal Agency Pass Through	$	3,998,323	10.3%	8.9
Federal Agency Bonds and Notes	$	530,084	1.4%	5.6
Federal Agency Discount	$	192,122	0.5%	3.3
Government National Mortgage Assoc Pools	$	188,306	0.5%	17.6
Asset Backed Obligations	$	2,902,822	7.5%	8.3
Foreign Bonds	$	2,056,366	5.2%	3.7
Foreign Government Obligations	$	25,144	0.1%	3.7
Corporate Bonds and Notes	$	6,767,510	17.4%	4.4
Cash and Money Market	$	2,629,408	6.7%	—
			100%	

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

The following tables present the Foreign Currency Risk for the plan assets for the VEBA and OPEB 115 Trusts as of June 30, 2017 and 2016:

Foreign Holdings

Funds Utilized in the VEBA Trust and OPEB 115 Trust

June 30, 2017

Country	Currency	Fixed Income	Equities
Australia	Australian Dollar	$ —	$ 1,704,707
Austria	Euro	—	244,969
Belgium	Euro	—	623,475
Brazil	Real	—	2,320,765
Canada	Canadian Dollar	—	3,114,049
Chile	Chilean Peso	—	20,379
China	Renminbi	—	2,739,697
Colombia	Colombia Peso	—	8,491
Czech Republic	Czech Koruna	—	3,396
Denmark	Danish Krone	—	804,190
Egypt	Egyptian Pound	—	3,396
Finland	Euro	—	532,765
France	Euro	—	5,726,079
Germany	Euro	—	3,450,573
Greece	Euro	—	26,359
Hong Kong	Hong Kong Dollar	—	3,264,021
Hungary	Hungarian Forint	—	6,793
India	India Rupee	—	3,961,374
Indonesia	Rupiah	—	723,135
Ireland	Euro	—	422,999
Israel	New Shekel	—	266,610
Italy	Euro	—	1,641,079
Japan	Yen	—	10,565,442
South Korea	Won	—	2,517,530
Luxembourg	Euro	—	164,180
Malaysia	Malaysian Ringgit	—	217,704
Mexico	Mexican Peso	—	1,729,829
Netherlands	Euro	—	2,860,245
New Zealand	New Zealand Dollar	—	106,760
Norway	Norwegian Krone	—	322,474
Pakistan	Pakistani Rupee	—	5,095
Peru	Sol	—	112,869
Philippines	Peso	—	98,645
Poland	Polish Zloty	—	142,328
Portugal	Euro	—	98,860
Qatar	Qatari Riyal	—	11,888
Russia	Ruble	—	261,056
Singapore	Singapore Dollar	—	672,857
South Africa	Rand	—	1,562,031
Spain	Euro	—	1,332,870
Sweden	Swedish Krona	—	1,060,199
Switzerland	Swiss Franc	—	5,421,238
Taiwan	New Taiwan Dollar	—	1,284,543
Thailand	Baht	—	761,347
Turkey	Turkish Lira	—	111,405
United Arab Emirates	Dirham	—	70,577
United Kingdom	Pound	—	8,485,534
Total		$ —	$ 71,586,807

Foreign Holdings

Funds Utilized in the VEBA Trust and OPEB 115 Trust

June 30, 2016

Country	Currency	Fixed Income	Equities
Australia	Australian Dollar	$ —	$ 1,527,141
Austria	Euro	—	121,070
Belgium	Euro	—	305,359
Brazil	Real	—	1,512,352
Canada	Canadian Dollar	—	2,284,620
China	Renminbi	—	1,585,593
Denmark	Danish Krone	—	990,539
Finland	Euro	—	421,725
France	Euro	—	4,161,453
Germany	Euro	—	2,545,068
Greece	Euro	—	14,628
Hong Kong	Hong Kong Dollar	—	2,531,158
India	India Rupee	—	3,286,388
Indonesia	Rupiah	—	463,967
Ireland	Euro	—	243,978
Israel	New Shekel	—	124,599
Italy	Euro	—	740,310
Japan	Yen	—	8,531,751
South Korea	Won	—	1,753,794
Luxembourg	Euro	—	150,769
Malaysia	Malaysian Ringgit	—	84,781
Mexico	Mexican Peso	—	805,703
Netherlands	Euro	—	2,091,190
New Zealand	New Zealand Dollar	—	80,714
Norway	Norwegian Krone	—	109,970
Philippines	Peso	—	58,513
Portugal	Euro	—	40,357
Russia	Ruble	—	14,628
Singapore	Singapore Dollar	—	337,776
South Africa	Rand	—	1,411,240
Spain	Euro	—	941,852
Sweden	Swedish Krona	—	958,936
Switzerland	Swiss Franc	—	4,654,290
Taiwan	New Taiwan Dollar	—	715,007
Thailand	Baht	—	351,566
Turkey	Turkish Lira	—	124,279
United Arab Emirates	Dirham	—	41,119
United Kingdom	Pound	—	6,829,678
Total		$ —	$ 52,947,863

Note E – 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 F – 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). Beginning with the July 1, 2015, actuarial liability study, the University utilizes the Entry Age Normal Cost Method to calculate the ARC which is an acceptable cost method under GASB Statements No. 43 and No. 45 and required under GASB No. 74. Prior to the July 1, 2015 study, the University used the Projected Unit Credit Method. The change in funding method resulted in an increase in accrued liability but a decrease in normal cost, resulting in a net decrease in the ADC. 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 three health care reserve funds: the Reserve for Incurred but Unreported Claims (IBNR), the Reserve for Self-Insurance, and the Reserve for Post-Retirement Health.

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 150 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 and the Reserve for Post-Retirement Health is expended.

The IBNR, Reserve for Self-Insurance, and the Reserve for Post-Retirement Health 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. Any residual is held in the Reserve for Post-Retirement Health. If the Health Care Auxiliary has a deficit, it is funded first by the Reserve for Post-Retirement Health and if needed, by the Reserve for Self-Insurance. At the University's discretion, a contribution of funds from the Post-Retirement Health fund to the VEBA is performed when funds are available and it is strategically appropriate.

No funds from either the reserves or the auxiliaries are used for any other purpose and cannot revert back the University. The Health Care Reserve Policy is a newly written policy and is administered under the authority of the Vice President for Business Affairs and

Treasurer in accordance with Board of Trustee policy governing these benefits. This policy will be reviewed and approved annually by the VEBA OPEB Investment Committee.

The balances of the reserve funds for the fiscal years ended June 30, 2017 and 2016 are shown below:

	June 30, 2017	June 30, 2016
Reserve for Post-Retirement Health	$ 4,538,413	$ 3,192,759

Note G - Net OPEB Liability of the Plan Sponsor

The components of the Net OPEB Liability of the University (sponsor) on June 30, 2017 were as follows:

	Retiree Health Care	Retiree Life Insurance
Total OPEB Liability	$ 281,711,835	$ 22,351,708
Plan Fiduciary Net Position ~	(265,877,234)	(25,552,765)
Ball State University's Net OPEB Liability	$ 15,834,601	$ (3,201,057)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	94.38%	114.32%

~The Plan Fiduciary Net Position shown in this table is comprised of only assets held in trust.

Actuarial Assumptions: The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Notes to Schedule of Contributions

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2017 *

Valuation Date:	June 30, 2016
Notes:	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	21 years
Asset Valuation Method:	Market value of assets
Price Inflation:	No explicit price inflation assumption used
Salary Increases:	3.5% per year
Investment Rate of Return:	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
Mortality:	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates 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%
Dental Trend Rates:	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 valuation assumptions used in the June 30, 2016 actuarial valuation*

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 3.6 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.

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, 2017

Healthcare

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 319,569,039	$ 281,711,835	$ 249,206,874
Plan Fiduciary Net Position ~	$ 265,877,234	$ 265,877,234	$ 265,877,234
Net OPEB Liability	$ 53,691,805	$ 15,834,601	$ (16,670,360)

Life

	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 25,508,002	$ 22,351,708	$ 19,793,616
Plan Fiduciary Net Position ~	$ 25,552,765	$ 25,552,765	$ 25,552,765
Net OPEB Liability	$ (44,763)	$ (3,201,057)	$ (5,759,149)

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, 2017

Healthcare

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 246,851,324	$ 281,711,835	$ 322,926,836
Plan Fiduciary Net Position ~	$ 265,877,234	$ 265,877,234	$ 265,877,234
Net OPEB Liability	$ (19,025,910)	$ 15,834,601	$ 57,049,602

~The Plan Fiduciary Net Position shown in the preceding tables is comprised of only assets held in trust.

Beneficence or "Benny"

Ball State University
Retiree Health and Life Insurance Plans
Required Supplemental Information
June 30, 2017

Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

Healthcare

Last 10 Fiscal Years*

Fiscal year ending June 30,	2017
Total OPEB Liability;	
Service Cost	$ 6,599,790
Interest on the Total OPEB Liability	18,399,968
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	(4,229,345)
Change of Assumptions **	9,175,625
Benefit Payments, Including Refunds of Employee Contributions ^	(8,982,186)
Net change in Total OPEB Liability	$ 20,963,852
Total OPEB Liability - Beginning	260,747,983
Total OPEB Liability - Ending (a)	$ 281,711,835
Plan Fiduciary Net Position;	
Employer Contributions ^	$ 15,482,186
Nonemployer Contributing Entities Contributions	—
Employee Contributions	—
OPEB Plan Net Investment Income	34,411,338
Benefit Payments, Including Refunds of Employee Contributions ^	(8,982,186)
OPEB Plan Administrative Expense	—
Other	—
Net Change in Plan Fiduciary Net Position	$ 40,911,338
Plan Fiduciary Net Position~ - Beginning	224,965,896
Plan Fiduciary Net Position~ - Ending (b)	$ 265,877,234
Net OPEB Liability - Ending (a) - (b)	$ 15,834,601
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	94.38 %
Covered-Employee Payroll #	$ 194,729,643
Net OPEB Liability as a Percentage of Covered-Employee Payroll	8.13 %

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.

~The Plan Fiduciary Net Position is comprised of only assets held in 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,		2017	
Total OPEB Liability:			
Service Cost	$	289,531	
Interest on the Total OPEB Liability		1,557,695	
Changes of Benefit Terms **		(407,528)	
Difference Between Expected and Actual Experience		(421,297)	
Change of Assumptions		—	
Benefit Payments, Including Refunds of Employee Contributions ^		(1,259,902)	
Net Change in Total OPEB Liability	$	(241,501)	
Total OPEB Liability - Beginning		22,593,209	
Total OPEB Liability - Ending (a)	$	22,351,708	
Plan Fiduciary Net Position:			
Employer Contributions ^	$	418,438	
Nonemployer Contributing Entities Contributions		—	
Employee Contributions		—	
OPEB Plan Net Investment Income		2,943,702	
Benefit Payments, Including Refunds of Employee Contributions ^		(1,259,902)	
OPEB Plan Administrative Expense		—	
Other		—	
Net Change in Plan Fiduciary Net Position	$	2,102,238	
Plan Fiduciary Net Position~ - Beginning		23,450,527	
Plan Fiduciary Net Position~ - Ending (b)	$	25,552,765	
Net OPEB Liability - Ending (a) - (b)	$	(3,201,057)	
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		114.32	%
Covered-Employee Payroll #	$	194,729,643	
Net OPEB Liability as a Percentage of Covered-Employee Payroll		(1.64)	%

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.

~The Plan Fiduciary Net Position is comprised of only assets held in trust.

 # Payroll provided separately by the employer.

Schedule of the Net OPEB Liability Multiyear

Healthcare

Last 10 Fiscal Years*

FY Ending June 30,	Total OPEB Liability	Plan Fiduciary Net Position~	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll #	Net OPEB Liability as a % of Covered Payroll
2017	$ 281,711,835	$ 265,877,234	$ 15,834,601	94.38 %	$ 194,729,643	8.13 %

Life

Last 10 Fiscal Years*

FY Ending June 30,	Total OPEB Liability	Plan Fiduciary Net Position~	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll #	Net OPEB Liability as a % of Covered Payroll
2017	$ 22,351,708	$ 25,552,765	$ (3,201,057)	114.32 %	$ 194,729,643	(1.64) %

~The Plan Fiduciary Net Position shown in the preceding tables is comprised of only assets held in trust.

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

 # 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	$ 8,888,232	$ 15,482,186	$ (6,593,954)	$ 194,729,643	7.95 %

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	$ 261,383	$ 418,438	$ (157,055)	$ 194,729,643	0.21 %

** 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 Investment Returns

Healthcare and Life

Last 10 Fiscal Years*

Annual Money-Weighted Rate of Return,

Net of Investment Expense

FY Ending June 30,	Percent
2017	15.71%

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

Notes to Required Supplementary Information
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 3.5 percent in the next nine years, to 8.25 percent for the fiscal year ending June 30, 2018, grading down to 3.5 percent in the next ten years.

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