NOTES TO THE FINANCIAL STATEMENTS

STATE OF INDIANA

Notes to the Financial Statements
June 30, 2014

STATE OF INDIANA
Notes to the Financial Statements
June 30, 2014
(schedule amounts are expressed in thousands)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the governmental fund types, proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2013, fiscal year-end.

Blended Component Units

The following component units are reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. These units, although legally separate from the State, are reported as part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission (BMVC) was established by state law to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund.

The Indiana Homeland Security Foundation was established to assist the Indiana Department of Homeland Security (IDHS) in developing projects that benefit public safety in local communities. The foundation administers the Indiana homeland security fund which funds these IDHS projects. The foundation has significant interrelated operations with the IDHS. Foundation funds are aligned with the Indiana Strategy for Homeland Security of the IDHS. The Indiana Homeland Security Foundation is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. These component units are included in the State’s reporting entity because the primary government appoints a voting majority of their governing bodies and is able to impose its will on each organization: Indiana Economic Development Corporation, Indiana Finance Authority, State Lottery Commission of Indiana, Indiana Stadium Convention and Building Authority, Indiana Bond Bank, Indiana Housing and Community Development Authority, Indiana Secondary Market for Education Loans, Inc., White River State Park Development Commission, Ports of Indiana, Indiana Comprehensive Health Insurance Association, Indiana Political Subdivision Risk Management Commission, Indiana State Museum and Historic Sites Corporation, and each of the seven colleges and universities. These component units are included in the State’s reporting entity because the primary government appoints a voting majority of their governing bodies and is financially accountable for each organization: Indiana Board for Depositories, Indiana State Fair Commission, and the Indiana Public Retirement System.

All governmental and proprietary component units are audited by outside auditors except for the State Fair Commission which is audited by the State Board of Accounts. The State Board of Accounts audits the colleges, universities, and the fiduciary in nature component unit. College and university foundations are audited by outside auditors.

The Indiana Economic Development Corporation (IEDC) was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of Indiana. The IEDC is composed of 12 members, none of whom may be members of the general assembly. These members consist of the governor and 11 individuals appointed by the governor. At least five members must belong to the same political party as the governor. At least three members must belong to a major political party other than the party of which the governor is a member. The IEDC is reported as a non-major discretely presented governmental component unit. The separately issued audited financial statements may be obtained by writing the Indiana Economic Development Corporation, One North Capital Avenue, Suite 700, Indianapolis, IN 46204.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a major discretely presented proprietary component unit. IFA's separately issued audited financial statements may be obtained by writing the Indiana Finance Authority, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the State Lottery Commission of Indiana, 1302 North Meridian Street, Indianapolis, IN 46202.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as an entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Stadium and Convention Building Authority, 425 West South Street, Indianapolis, IN 46225.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The Bond Bank is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Bond Bank, 10 West Market Street, Suite 2980, Indianapolis, IN 46204.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Housing and Community Development Authority, 40 South Meridian Street, Suite 1000, Indianapolis, IN 46204.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The Board is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Board for Depositories, One North Capitol Avenue, Suite 444, Indianapolis, IN 46204.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. ISM is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Secondary Market for Education Loans, Inc., Capital Center, Suite 400, 251 North Illinois Street, Indianapolis, IN 46204.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana White River State Park Commission, 801 West Washington Street, Indianapolis, IN 46204.

The Ports of Indiana is created under Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Ports of Indiana, 150 West Market Street, Suite 100, Indianapolis, IN 46204.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Fair Commission, 1202 East 38th Street, Indianapolis, IN 46205.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Comprehensive Health Insurance Association, 9465 Counselors Row, Suite 200, Indianapolis, IN 46240.

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Political Subdivision Risk Management Commission, c/o Indiana Department of Insurance, 311 West Washington Street, Suite 300, Indianapolis, IN 46204.

The Indiana State Museum and Historic Sites Corporation was created per Indiana Code 4-37 and is responsible for operating and administering the twelve State Historic Sites including the Indiana State Museum. The twelve Historic Sites include Angel Mounds, Corydon Capitol, Culbertson Mansion, J.F.D. Lanier Mansion, Levi Coffin, Limberlost, New Harmony, T.C. Steele, Gene Stratton-Porter, Vincennes, Whitewater Canal and the Indiana State Museum. The Corporation is governed by a thirty member board of trustees of which twenty-five are voting members and five are non-voting members. Of the twenty-five voting members, thirteen persons are appointed by the governor and twelve are appointed by the board. The five non-voting members include the chief executive officer, the governor or governor's designee, one member of the House of Representatives, one member of the Senate, and the director of the Department of Natural Resources or the director's designee. The Corporation is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Museum and Historic Sites Corporation, 650 West Washington Street, Indianapolis, IN 46204.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; and Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit. The separately issued audited financial statements for the colleges and universities may be obtained by writing to: Indiana University, Poplar's Room 500, 107 S. Indiana Ave., Bloomington, IN 47405-1202; Purdue University, Accounting Services, 401 South Grant Street, West Lafayette, IN 47907-2024; Ball State University, Administration Bldg., 301, 2000 West University Avenue, Muncie, IN 47306; Indiana State University, Office of the Controller, 210 N. 7th Street, Terre Haute, IN 47809; Ivy Tech Community College, 50 West Fall Creek Parkway, north Drive, Indianapolis, IN 46208; University of Southern Indiana, 8600 Boulevard, Evansville, IN 47712; and Vincennes University, 1002 North 1st Street, Vincennes, IN 47591.

Fiduciary in Nature Component Unit

Effective July 1, 2011, the Indiana Public Retirement System (INPRS) was established as an independent body corporate and politic. INPRS is not a department or agency for the State, but is an independent instrumentality exercising essential government functions. The INPRS board is composed of nine trustees appointed by the Governor which includes the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following plans: Public Employees' Retirement Fund, Teachers' Retirement Fund, Judges' Retirement System, State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys'

Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on the plans see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from INPRS' financial statements. INPRS is included as a component unit because the primary government appoints a voting majority of its governing body and has financial accountability. The Indiana Public Retirement System was determined to be significant for note disclosure purposes involving the fiduciary in nature component units. The separately issued audited financial statements may be obtained by writing the Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as disclosed in Note I.A. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net position and the statement of changes in net position. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For the State of Indiana, “available” means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month’s revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so revenues for the first several working days in July are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State’s primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Public Welfare-Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid program. Federal grant revenues, hospital assessment fees, quality assessment fees, Intermediate Care Facility for the Individuals with Disabilities fees, and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.
- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana. Interest income and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

The *capital projects funds* account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund’s principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where it has been decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, self-insurance, and centralized accounting. Major fund reporting requirements do not apply to internal service funds.

Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Pension (and other employee benefit) trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other postemployment benefit plans. Pension and other employee benefits trust funds include the Indiana Public Retirement System, State Police Pension Fund, State Employee Retiree Health Benefit Trust Fund – DB, and the State Employee Retiree Health Benefit Trust Fund – DC.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Investment trust funds are used to report the external portion of investment pools operated by a sponsoring government. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINdiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

D. Eliminating Internal Activity

Interfund loans including those from cash overdrafts in funds, interfund services provided or used, and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net position. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet has been eliminated in the government-wide statement of net position.

Eliminations were made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

E. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; AAA rated commercial paper, and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

The Indiana Public Retirement System (INRPS) Board of Trustees administers nine pension trust funds including eight Defined Benefit retirement plans and one Defined Contribution retirement plan, two other employment benefit funds, and one agency fund. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as fiduciary for all assets under its control. The INPRS Board of Trustees is required to diversify investments in accordance with the prudent investor standards. At June 30, 2014, cash and investments of the funds were held by banks or trust companies under custodial agreements with INPRS. The INPRS Board of Trustees contracts with investment counsel, trust companies or banks to assist INPRS in its investment program. The Investment Policy Statement adopted by the INPRS Board of Trustees and the asset allocation approved by the Board of Trustees contains target allocations and allowable ranges that are expected to meet target rates of return over a long period of time while minimizing risk. The investments of INPRS are subject to the provisions of IC 5-10.3-5-3(a) and IC 5-10.4-3-10(a). See Note IV(A)(3) for more information.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2. See Note IV(A)(2) for more information.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.

Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.

Sales tax – Due by the 20th day after the end of the month collected.

Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.

Financial institutions tax – same laws as corporate income taxes (see above) for making payments.

Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.

Inheritance tax – except as otherwise provided in IC 6-4.1-6-6(b), the inheritance tax imposed as a result of a decedent's death is due twelve (12) months after the person's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July. The State of Indiana does not collect property tax, which is collected by local units of government.

Unavailable revenue is the liability for the full accrual income taxes receivable net of the allowance for doubtful accounts and is reported under deferred inflows of resources.

3. Interfund Transactions and Balances

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund services provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. Inventories and Prepaid Items

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Net Position

Certain net positions are classified as restricted net position because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation. Net position restricted by enabling legislation for governmental activities totals $1.0 billion, of which $0.5 billion is permanent funds principal, $0.4 billion is for the Economic Stabilization Fund as discussed in Note V(D), and $0.1 billion is prepaid expenses.

6. Capital Assets

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold for external financial reporting is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- a network average International Roughness Index based on the right wheel path (IRI RWP) of no more than 101 and no more than 12.5% of all pavements in the unacceptable range for Interstates, National Highway Safety (NHS) Non-Interstate roads, and Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Bridge Division, Program Engineering, and Road Inventory Division of INDOT are responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred seventy-seven (377) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Months
Buildings and other structures including improvements to buildings and other structures	240-480
Computer software	36
Infrastructure (not using modified approach)	240-720
Furniture, machinery and equipment	12-168
Motor pool vehicles	96-168

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the separately elected officials (i.e., Auditor of State) may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate. Employees of the legislative and judicial branches of government participated in this program in FY 2014 and legislative branch employees have elected to participate in this program for FY 2015.

Matured vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

9. Fund Balance

In the fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned. A brief description of each category is as follows:

Nonspendable – represents amounts that are either not in spendable form, such as inventories, and activity that is legally or contractually required to be maintained intact, such as a principal balance in a permanent fund.

Restricted – represents amounts restricted to specific purposes because of constraints placed on their use that are either externally imposed such as by grantors or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that can only be used for a specific purpose pursuant to constraints imposed by the government's highest level of decision making authority. The State of Indiana's highest level of decision making authority is the General Assembly. The formal action necessary would be the enactment of a State law that specifically establishes, modifies, or rescinds a fund balance commitment.

Assigned – represents amounts that are constrained by the government's intent to be used for specific purposes as expressed by the governing body itself or the official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The State Budget Agency has the authority per the biennial budget bill to make assignments of fund balances for specific purposes except for those restricted by law. The State Board of Finance comprised of the Governor, Auditor of State and Treasurer of State is empowered to make assignments of funds except for trust funds per I.C. 4-9.1-1-7.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Only the general fund may report a positive unassigned fund balance; whereas, other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Funds on the State's accounting system are assigned one of the five fund balance classifications. If a fund has resources that are both restricted and unrestricted, then expenditures are applied first to restricted fund balance and then unrestricted amounts. A fund's unrestricted fund balance would have committed amounts reduced first, assigned amounts second, and unassigned amounts third when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation or amortization.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net position. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation or amortization expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Net pension assets, net pension obligations, and other postemployment benefits do not require the use of current financial resources and are not reported as expenditures in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2014, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
Governmental Funds		
US Department of Health & Human Services	(116,142)	(39,701)
US Department of Labor	(2,225)	(105)
US Department of Education	-	(16,465)
S&S Children Home Construction	(709)	-

B. Fund Balance

The State of Indiana reports its fund balances for governmental funds as nonspendable, restricted, committed, assigned, and unassigned. The detail of the fund balance classifications at June 30, 2014 is as follows:

		Major Special Revenue Funds		
	General Fund	Public Welfare - Medicaid Assistance Fund	Major Moves Construction Fund	Non-Major Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal	-	-	-	521,028
Prepaid expense	99,022	-	-	680
Restricted:				
Administration	379,568	-	-	-
Committed:				
Administration	-	-	-	8,581
Public Health	-	-	-	353,881
Economic Development	5,628	-	-	10,313
Environmental	-	-	-	646
Natural Resources	-	-	-	144
Higher Education	-	-	-	3
Secondary Education	-	-	-	569,555
Roads & Bridges	20	-	-	175,343
Other Purposes	-	-	-	14,972
Assigned:				
Administration	65,421	-	-	136,070
Corrections	12,724	-	-	11,872
Police & Protection	11,891	-	-	255,817
Mental Health	-	-	-	68,576
Public Health	22	422,742	-	252,810
Child Services	522,388	-	-	142,829
Disability & Aging	4	-	-	9,223
Economic Development	1,073	-	-	48,659
Environmental	427	-	-	113,320
Natural Resources	147	-	-	128,281
Higher Education	-	-	-	42,080
Secondary Education	8,564	-	-	120,080
Roads & Bridges	63	-	637,205	521,225
Capital Outlay	143,235	-	-	76,883
Other Purposes	156,932	-	-	57,454
Encumbrances	737,249	-	-	-
Unassigned:	1,327,799	-	-	(175,347)
Total fund balance	$ 3,472,177	$ 422,742	$ 637,205	$ 3,464,978

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

1. Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There are no formal deposit investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2014:

Primary Government				
	Fair	**Investment Maturities (in Years)**		
Investment Type	**Value Totals**	**Less than 1**	**1 - 5**	**6 - 10**
U.S. Treasuries	$ 1,181,449	$ 1,180,473	$ 975	$ -
U.S. Agencies	2,547,645	2,160,760	386,886	$ -
Supranationals	387,863	299,983	87,880	-
Municipal Bonds	38,510	20,329	-	$ 18,181
Local Govt Investment Pool	200,009	200,009	-	$ -
Non-U.S. Fixed Income	40,104	10,014	30,090	$ -
Certificate of Deposits	172,064	172,064	-	$ -
Money Market Mutual Funds	828,010	828,010	-	$ -
Total	**$ 5,395,654**	**$ 4,871,642**	**$ 505,831**	**$ 18,181**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities as of June 30, 2014. The following table reflects the greatest risk rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each type of investment:

Primary Government

Investment Type	Greatest Risk Rating	Fair Value
U.S. Treasuries	AA	$ 1,181,449
U.S. Agencies	AA	2,547,645
Supranationals	AAA	387,863
Certificate of Deposits	NR	172,064
Municipal Bonds	NR	38,510
Non-US Fixed Income Bonds	A	40,104
Local Govt Investment Pool	NR	200,009
Money Market Mutual Funds	AAA	828,010
Total		**$ 5,395,654**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Board for Depositories.

Investments in any one issuer, other than securities issued or guaranteed by the US government, that represent 5% or more of the total investments are:

IBRD	6.05%	$387,863
FHLB	25.62%	$1,643,683

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2014, there were no deposits or investments denominated in foreign currencies, thus there was no foreign currency risk.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. Effective 7/1/2014, securities lent for non-cash collateral can be collateralized with any type of non-cash collateral as long as the State is indemnified by the custodian holding the non-cash collateral. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive cash or securities as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Cash received as collateral is reported as an asset and a liability on the balance sheet. Securities received as non-cash collateral are not reported on the balance sheet because the State does not have the ability to pledge or sell them without a borrower default. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

Cash collateral received is invested by the custodian banks. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2014, was 34 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State. The securities lending agent is contractually obligated to indemnify the Treasurer of State for certain conditions, the two most important are default on the part of a borrower and failure to maintain the daily mark-to-market on the loans.

As of June 30, 2014, the fair values of the underlying securities on loan were:

Security Type	Fair Value
U.S. Governments	$ 1,005,039
U.S. Agencies	243,424
Total	**$ 1,248,463**

The fair values of the cash and non-cash collateral received for investment type:

Security Type	Fair Value
U.S. Governments	$ 1,063,540
U.S. Agencies	248,348
Total	**$ 1,311,888**

Collateral percentage: 105.08%

Collateral Type	Fair Value
Fair value of non-cash collateral	$ 147,732
Fair value of cash collateral (liability to borrowers)	1,164,156
Total	**$ 1,311,888**

Fair Value of reinvested cash collateral by type:

Collateral Type	Fair Value
Commercial paper	$ 27,550
Certificate of deposit	7,501
Repurchase agreements	38,970
Asset backed securities	263,572
Floating rate notes	736,899
MMMF's	22,974
Fair value of reinvestments	1,097,466
Receivable	55,811
Fair value cash collateral pool	1,153,277
Net unrealized gain/(loss)	**$ (10,880)**

The quality rating of the reinvested cash collateral investments as described by Standard and Poor's at June 30, 2014 is as follows:

S&P Rating	Fair Value of Cash Collateral	% of Portfolio
AAA	$ 275,211	25.1%
AAA	402,718	36.7%
A	372,264	33.9%
CCC	11,860	1.1%
NR	35,413	3.2%
Total	**$ 1,097,466**	**100.0%**

Major Moves Construction Fund/Next Generation Trust Funds

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund (MMCF/NGTF) have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. Investment Policy Statements for the investment of these two funds has been adopted by the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. There is no formal deposit policy other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations and investment structures for both Funds. These asset allocations and investment structures were established with consideration given to each Fund's objectives, time horizons, risk tolerances, performance expectations, and liquidity requirements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. The MMCF/NGTF managers long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective of 5.25%.

The following table provides the interest rate risk disclosure for the Major Moves/Next Generation Trust Fund as of June 30, 2014:

Major Moves/Next Generation Funds

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6- 10**	**More than 10**
U.S Treasuries	$ 134,626	$ 25,364	$ 53,817	$ 48,309	$ 7,136
U.S. Agencies	12,446	1,405	9,880	520	641
Government Asset and Mortgage Backed	15,453	554	6,495	2,673	5,731
Collateralized Mortgage Obligations					
Government CMOs	31,328	-	7,219	5,661	18,448
Corp CMOs	25,234	2	1,014	1,162	23,056
Corporate Bonds	515,028	93,473	363,242	44,453	13,860
Corporate Asset Backed	101,045	-	37,451	9,690	53,904
Private Placements	179,582	92,665	50,154	20,623	16,140
Municipal Bonds	19,827	6,025	11,224	1,740	838
Non US Government/Corp Bonds	37,979	1,476	16,893	10,576	9,034
Mutual Funds	102,462	102,462	-	-	-
Total	**$ 1,175,010**	**$ 323,426**	**$ 557,389**	**$ 145,407**	**$ 148,788**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

All investment managers must adhere to the following guideline related to the specific limitation on holdings:

The purchase of securities in the maximum amount invested in any single issuer of a non-agency mortgage-backed, asset-backed, or corporate security shall be limited to an initial cost of 2.5% of the market value of an Investment Manager's portfolio. This limit shall not apply to U.S. Government securities, or mortgage-back securities that are issued by an agency of the U.S. Government. Through capital appreciation, no such holding should exceed 3.5% of the market value of the total holdings of such Investment Manager's portfolio.

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual funds and bond commingled funds, municipal securities, asset-backed, and mortgage-backed securities as of June 30, 2014. The table below reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each type of investment.

Major Moves/Next Generation Funds

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Treasuries	AA	$ 134,626
U.S. Agencies	AA	12,446
Government Asset And Mortgage Backed	AA	15,453
Collateralized Mortgage Obligations		
Government CMO's	AA	31,328
Corporate CMO's	AAA	3,923
	AA	1,237
	A	148
	BBB	4,879
	B	1,404
	CCC&Below	13,641
	NR	2
Non US Govt/Corp Bonds	AA	1,114
	A	5,263
	BBB	23,624
	BB	4,564
	B	2,786
	CCC&Below	434
	NR	194
Corporate Bonds	AAA	2,697
	AA	28,926
	A	213,353
	BBB	220,101
	BB	25,093
	B	17,848
	CCC&Below	6,981
	NR	29
Corporate Asset and Mortgage Backed	AAA	72,023
	AA	10,977
	A	2,920
	BBB	1,438
	BB	185
	B	1,035
	CCC&Below	12,467
Private Placements	AAA	18,651
	AA	12,699
	A	14,788
	BBB	21,337
	BB	9,030
	B	9,073
	CCC&Below	8,704
	NR	85,300
Municipal Bonds	AAA	1,444
	AA	5,687
	A	11,141
	BBB	592
	BB	338
	NR	625
Money Market Mutual Funds	NR	102,462
Total		**$ 1,175,010**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

As of June 30, 2014, there were no investments in any one issuer that represent 5% or more of the total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Major Moves/Next Generation Trust Fund's foreign currency exposure is focused primarily in fixed income securities. The exposure to foreign currency fluctuation is as follows:

Currency	Combined Total	% of Total Market Value
Australia	$ 190	0.02%
Brazil	7,852	0.65%
Columbian Peso	1,891	0.16%
Euro	14,845	1.23%
Ghana	56	0.00%
Indonesia	565	0.05%
Mexico New Peso	4,503	0.37%
New Zealand	695	0.06%
Philippines Peso	470	0.04%
Polish Zloty	1,372	0.11%
Russian Rubel	1,788	0.15%
South African Comm	640	0.05%
Thailand	270	0.02%
Turkey	1,036	0.09%
United Kingdon	(11,500)	-0.95%
Uruguayan Peso	726	0.06%
Total	**$ 25,399**	**2.10%**

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

TrustINdiana, Local Government Investment Pool (Investment Trust Funds)

Investment Policy

Indiana Code, Title 5, Article13, Chapter 9, Section 11 established the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment criteria have been established to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state statute relating to the investment and deposit of public funds.

Valuation of Investments

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustINdiana securities are valued at amortized cost, which approximates market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2014:

TrustINdiana - Local Government Investment Pool				
			Maturities (in Years)	
Investment Type		Amortized Cost		Less than 1
U.S. Agencies	$	64,399	$	64,399
Commercial Paper		69,726		69,726
Money Market Mutual Funds		2,990		2,990
Total	**$**	**137,115**	**$**	**137,115**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of all bank deposits were covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TrustINdiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustINdiana:

TrustINdiana - Local Government Investment Pool		
	Greatest Risk	
Investment Type	Ratings	Fair Value
U.S. Agencies	AA+	$ 64,399
Commercial Paper	A1	69,726
Money Market Mutual Funds	AAA	2,990
Total		**$137,115**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. As noted above, TrustINdiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustINdiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represents 5% or more of the total investments were:

FHLB	14.56%	$	40,886
FAMC	7.28%	$	20,444

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool. As of June 30, 2014, there were no securities on loan and therefore, no credit risk exposure.

2. Pension and Other Employee Benefit Trust Funds – Primary Government

State Police Pension Fund

Investment Policy

The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-1-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-1-2-2 (c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute. The following was the SPRF's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation (%)
Broad domestic equity	29.0
Global ex U.S. equity	13.0
Defensive fixed income	4.0
Domestic fixed income	17.0
High yield fixed income	5.0
Hedge funds - alternatives	30.0
Cash and equivalents	2.0
Total	**100.0**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities, short term money market funds, bond mutual/commingled funds, municipal securities, asset-backed, and mortgage backed securities for the State Police Pension Trust. The table reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each investment type.

State Police Pension fund		
Investment Type	**Greatest Risk Ratings**	**Fair Value**
U.S. Treasuries	AA	$ 5,574
U.S. Agencies	AA	515
U.S. Agencies Assets and Mortgage Backed Securities	AA	9,381
Collateralized Mortgage Obligations		
Corporate CMO's	AAA	460
	A	88
	BBB	30
U.S. Agencies CMOs	AA	831
	NR	651
Corporate Bonds	AA	673
	A	5,506
	BBB	12,298
	BB	684
	B	927
	CCC & Below	157
Corporate Asset Backed	AAA	3,109
	AA	54
	A	417
	BBB	127
Private Placements	A	216
	BBB	693
	B	291
Municipal Bonds	AAA	222
	AA	1,346
	A	1,039
	BBB	205
Mutual/Commingled Funds	NR	72,186
Total		**$ 117,680**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Method Used to Value Investments

Investments are reported at fair value. Securities trades on a national or international exchange are valued at the last reported sales price at current exchange rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has eighteen different investments managers. Each investment manager is retained by the Trust to implement a specific investment style and strategy and shall adhere to the specific limitations on holdings outlined in each investment manager's securities guidelines. The securities guidelines for each investment manager is negotiated and agreed upon in writing on a case-by-case basis and referenced in Appendix D of the Investment Policy Statement.

At June 30, 2014, there were no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 6.75%.

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

State Police Pension		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6- 10**	**More than 10**
U.S. Treasuries	$ 5,574	$ 652	$ 296	$ 2,658	$ 1,968
U.S. Agencies					
Bonds	515	-	310	205	-
Mortgage Backed	9,381	7	63	562	8,749
Government CMO's	1,482	-	-	51	1,431
Collateralized Mortgage Obligations					
Corporate CMO's	578	-	100	-	478
Corporate Bonds	20,245	1,503	7,901	8,381	2,460
Corporate Asset Backed	3,707	471	398	261	2,577
Private Placements	1,200	-	462	738	-
Municipal Bonds	2,812	-	997	1,055	760
Money Market Mutual Funds	72,186	72,186	-	-	-
Total Fixed Income Securities	**$ 117,680**	**$ 74,819**	**$ 10,527**	**$ 13,911**	**$ 18,423**

Concentrations

There were no investments in any one issuer that exceeded 5 percent.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.3%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Police Pension Trust's foreign currency exposure is focused primarily in international and global equity holdings. The exposure to foreign currency fluctuation is as follows:

Currency	Market Value	% of Total Market Value
Australia	$ 1,034	0.22%
Chile	850	0.18%
China	741	0.16%
France	427	0.09%
Hong Kong	1,633	0.35%
India	730	0.16%
Israel	1,146	0.25%
Japan	2,501	0.54%
Netherlands	716	0.15%
South Korea	953	0.20%
Spain	1,073	0.23%
Switzerland	1,658	0.36%
United Kingdom	1,638	0.35%
Total Foreign Currency	**$ 15,100**	**3.24%**

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, and agency of the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise. The market value of the required collateral must be in an amount at least equal to 102% of the current market value of the loaned securities.

As of June 30, 2014, the State Police Pension Trust did not have any securities on loan and therefore, no credit risk exposure.

State Employee Retiree Health Benefit Trust Fund-DB

Investment Policy

The State Retiree Health Benefit Trust Fund – DB fund is comprised of the State Police Retiree Health Benefit Trust Fund, the SPD OPEB Trust Fund, the DNR OPEB Trust Fund, and the ATC/Excise OPEB Trust Fund.

The State Police Retiree Health Benefit Trust Fund consists of sections 401(h) and 115 established pursuant to the Internal Revenue Service that are separate accounts established within the State Police Pension Fund for the purpose of paying benefits for sickness, accident, hospitalization, and medical expenses. The assets in this account may be commingled for investment purposes only with the other accounts of the Indiana State Police Pension Fund. The investment authority for this Fund, since it is to be invested in the same manner as the State Police Pension Fund, is established under Indiana Code IC 10-12-2-2(c). There is no formal deposit policy other than compliance to State statute.

IC 10-12-2-2(c) reads as follows:

The trust fund shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

The SPD, DNR, and the ATC/Excise OPEB Trust Funds were established pursuant to HEA 1123 of the 2012 Indiana General Assembly. The State Personnel Department administers the SPD OPEB Trust Fund. The Department of Natural Resources administers the DNR OPEB Trust Fund. The ATC/Excise OPEB Trust Fund is administered by the Alcohol and Tobacco Commission. These trust funds were created to provide for the prefunding of annual required contributions and for covering the OPEB liability of covered individuals. The Treasurer of State shall invest monies in these trust funds not currently needed to meet the obligations of the trust funds in the same manner as other public money may be invested. Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. There are no formal deposit and investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in the State Retiree Health Benefit Trust Fund - DB:

State Employee Retiree Health Benefit Trust Fund - DB

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Agencies	AA+	75,306
Supranationals	AAA	10,003
	NR	1,001
Total		**$ 86,310**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.
Investments in any one issuer, not exempt from

disclosure, that represent 5% or more of the total investments were:

FHLB	35.91%	$ 33,677
FAMC	17.60%	16,507
FFCB	13.46%	12,622
FNMA	13.33%	12,500
IBRD	11.73%	11,004

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2014:

State Employee Retiree Health Benefit Trust Fund - DB

Investment Type	Fair Value	Investment Maturities (in	
U.S. Agencies	75,306	70,774	4,532
Supranationals	11,004	-	11,004
Total Fixed Income Securitie	**$ 86,310**	**$ 70,774**	**$ 15,536**

State Employee Retiree Health Benefit Trust Fund-DC

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Retiree Health Benefit Trust Fund has separate investment authority as established under Indiana Code 5-10-8-8.5 (b). The Treasurer of State shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested. There are no formal deposit and investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in State Retiree Health Benefit Trust Fund:

State Employee Retiree Health Benefit Trust Fund - DC

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Agencies	AA	197,732
Supranationals	AAA	5,005
	NR	9,995
Total		**$ 212,732**

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2014, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

Federal Home Loan Banks	51.00%	$ 125,157
Federal Farm Credit Banks	14.27%	35,027
Federal National Mortgage Association	5.10%	12,528
Federal Agriculture Mortgage Corporation	8.15%	20,000
International Bank for Reconstruction	6.11%	15,000

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2014:

State Retiree Health Benefit Trust Fund - DC

		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**
U.S. Agencies	197,732	139,985	57,747
Supranationals	15,000	9,995	5,005
Total Fixed Income Securities	**$ 212,732**	**$ 149,980**	**$ 62,752**

3. Pension Trust Funds – Fiduciary in Nature Component Unit

Indiana Public Retirement System

Investment Guidelines and Limitations

The Indiana General Assembly enacted the prudent investor standard to apply to the INPRS Board of Trustees and govern all its investments. Under statute (IC 5-10.3-5-3(a)) for PERF and (IC 5-10.4-3-10(a)) for TRF, the Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the INPRS Board of Trustees has broad authority to invest the assets of the plans. The INPRS Board of Trustees utilizes external investment managers, each with specific mandates to collectively achieve the investment objectives of the retirement funds. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the INPRS Board of Trustees. An asset allocation review is conducted periodically.

The INPRS Board of Trustees' strategic asset allocation for the Consolidated Defined Benefit Assets is as follows:

Asset Classes	Target Allocation - %	Allowable Ranges - %
Public Equity	22.5	20-25
Private Equity	10	7-13
Fixed Income - Ex Inflation - Linked	22	19-25
Fixed Income - Inflation - Linked	10	7-13
Commodities	8	6-10
Real Estate	7.5	4-11
Absolute Return	10	6-14
Risk Parity	10	5-15

Contributions and asset reallocation in the PERF, TRF Pre-1996 and TRF 1996 Annuity Savings Accounts and the Legislators' Defined Contribution Plan (LEDC) are directed by the members in each plan and as such, the asset allocation will differ from that of the Consolidated Defined Benefit Assets.

The Pension Relief Fund (PR Fund) is invested 100 percent in a money market fund.

The State Employees' Death Benefit Fund and the Public Safety Officers' Special Death Benefit Fund are 100 percent invested in short-term and fixed income investments.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense is as follows:

Pension Trust Funds (1)	2014 Annual Money Weighted Rate of Return
Public Employees' Retirement Fund	12.33%
Teachers' Retirement Fund Pre-1996 Account (2)	12.71%
Teachers' Retirement Fund 1996 Account (2)	12.71%
1977 Police Officers' and Firefighters' Pension and Disability Fund	13.70%
Judges' Retirement System	13.69%
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	13.69%
Prosecuting Attorneys' Retirement Fund	13.70%
Legislators' Defined Benefit Plan	13.65%
Total INPRS (3)	12.69%

(1) Excludes the Legislators' Defined Contribution Plan.
(2) The Teachers' Retirement Fund Accounts are combined for investment purposes.
(3) Rate of return also includes Legislators' Defined Contribution Plan, State Employees' Death Benefit Fund, Public Safety Officers' Special Death Benefit Fund and Pension Relief Fund.

Cash in Bank and Deposits

Cash balances represent both operational demand deposit accounts held at the bank and, investment related cash and short-term investments, both pooled and non-pooled, on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested in a short-term investment account, thus causing a possible negative book balance. Negative book balances are reflected in the liabilities section of the Statement of Fiduciary Net Position.

The table below presents the INPRS total deposits and short-term investment funds as of June 30, 2014.

Cash Deposits	Total
Demand Deposit Account – Bank Balances (Insured by FDIC up to $250 thousand per financial institution)	$ 10,050
Held with Treasurer of State (Fully insured)	4,951
Demand Deposit - Outstanding Check Flot	(39,299)
Held with Custodian Bank (Uncollateralized)	161,544
Short-term Investment Funds held at Bank (Collateralized)	963,462
Total	**$ 1,100,708**

Summary of Investments Held

A summary of investments held as of June 30, 2014, exclusive of operational cash and the securities lending program is as follows:

Investment Type (1)	Fair Value	% of Total Investments
Short-Term Investments (2)		
Cash at Brokers	$ 161,544	0.5%
Money Market Sweep Vehicle	963,462	3.2
Commercial Paper	3,474	0.0
U.S. Treasury Obligations	150,803	0.5
U.S. Agencies	34,418	0.1
Non-U.S. Governments	17,162	0.1
Total Short-Term Investments	1,330,863	4.4
Fixed Income Investments		
U.S. Governments	4,380,484	14.4
Non-U.S. Governments	2,474,447	8.1
U.S. Agencies	747,558	2.5
Corporate Bonds	2,898,294	9.5
Asset-Backed Securities	928,810	3.0
Commingled Fixed Income Funds	958,272	3.1
Total Fixed Income Investments	12,387,865	40.6
Equity Investments		
Domestic Equities	3,212,707	10.5
International Equities	2,860,157	9.4
Commingled Equity Funds	1,575,701	5.1
Total Equity Investments	7,648,565	25.0
Alternative Investments		
Private Equity	4,802,039	15.7
Absolute Return	1,425,500	4.7
Private Real Estate	410,929	1.3
Risk Parity	2,496,392	8.2
Total Alternative Investments	9,134,860	29.9
Derivatives	27,082	0.1
Total Investments	**$ 30,529,235**	**100.0%**

(1) The amounts disclosed above differ from the Asset Allocation Summary. The investment type disclosure groups assets according to the security type assigned to each investment by the Custodian. The Asset Allocation Summary groups assets according to the investment objective of each investment manager.
(2) Short-Term investments include highly liquid assets, both non-pooled and pooled, that are an integral part of the pension investments.

Custodial Credit Risk

Deposits, investment securities, and collateral securities are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, INPRS will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of INPRS and are held by either the counterparty or the counterparty trust department's agent, but not in INPRS' name.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. At June 30, 2014, there were no investment or collateral securities subject to custodial credit risk and $171,344 thousand of cash on deposit which was uninsured and uncollateralized and therefore exposed to credit risk as disclosed under cash in bank and deposits.

Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5 for PERF and IC 5-10.4-3-14(a) and IC 5-10.4-3-13 for TRF, securities are required to be held for the fund under custodial agreements. INPRS' custody agreement with the custodian requires that the custodian segregate the securities on the custodian's books and records from the custodian's own property. In addition, any investment manager for INPRS is not allowed, under any circumstances, to take possession, custody, title, or ownership of any managed assets.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes. The INPRS Investment

Policy Statement recognizes interest rate risk as a market risk factor that is monitored on an absolute and relative basis.

As of June 30, 2014 the debt securities had the following duration information:

Debt Security Type	Fair Value 6/30/2014	% of All Debt Securities	Portfolio Weighted Average Effective Duration (Years)
Short Term Investments			
Money Market Sweep Vehicle	$ 963,462	7.0%	0.01
Commercial Paper	3,474	0.1%	0.16
U.S. Treasury Obligations	150,803	1.1%	0.11
U.S. Agencies	34,418	0.2%	0.12
Non-U.S. Government	17,162	0.1%	0.22
Duration Not Available	161,544	1.2%	N/A
Total Short Term Investments	**1,330,863**	**9.7%**	
Fixed Income Investments			
U.S. Governments	4,380,484	31.9%	7.64
Non-U.S. Government	2,474,447	18.0%	6.44
U.S. Agencies	747,558	5.5%	2.77
Corporate Bonds	2,823,689	20.6%	5.28
Asset-Backed Securities	899,519	6.6%	1.07
Duration Not Available	1,062,168	7.7%	N/A
Total Fixed Income Investments	**12,387,865**	**90.3%**	
Total Debt Securities	**$ 13,718,728**	**100.0%**	

The $1,224 million, for which no duration was available, is primarily made up of cash and commingled debt funds.

Credit Risk

The credit risk of investments is the risk that the issuer will default and not meet their obligations. The INPRS Investment Policy Statement recognizes credit (quality) risk as a market and strategic risk factor that is monitored on an absolute and relative basis.

The quality rating of investments in debt securities as described by Moody's at June 30, 2014 is as follows:

Moody's Rating	Short-Term Investments	Fixed Income Securities	Total	Percentage of All Debt Securities
U.S. Government Guaranteed	$ -	$ 4,443,101	$ 4,443,101	32.4%
Aaa	185,222	1,852,621	2,037,843	14.9%
Aa	-	1,469,909	1,469,909	10.7%
A	-	915,584	915,584	6.7%
Baa	-	1,633,392	1,633,392	11.9%
Ba	-	306,423	306,423	2.2%
B	-	161,455	161,455	1.2%
Below B	-	125,534	125,534	0.9%
Unrated	1,145,641	1,479,846	2,625,487	19.1%
Total	**$ 1,330,863**	**$12,387,865**	**$ 13,718,728**	**100.0%**

The $2,625 million not rated by Moody's is primarily in the following security types: cash at broker, money market sweep vehicles, asset-backed securities, commercial mortgages, CMO/Remics and commingled debt funds.

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. The INPRS Investment Policy Statement recognizes issuer risk as a strategic risk factor that is monitored on an absolute and relative basis.

INPRS Investment Policy Statement has placed an upper limit on the concentration of assets placed with an investment manager.

No investment manager shall manage more than 10 percent of the system's assets in actively managed portfolios at the time of funding. Through capital appreciation and additional purchases, no investment manager shall be allowed to manage in excess of 15 percent of the system's assets in actively managed portfolios without Board approval.

No investment manager shall manage more than 15 percent of the system's assets in passively managed portfolios at the time of funding. Through capital appreciation and additional purchases, no investment manager shall be allowed to manage in excess of 20 percent of the system's assets in passively managed portfolios without Board approval

No investment manager shall manage more than 25 percent of the system's assets in a combination of actively and passively managed portfolios.

At June 30, 2014, single issuer exposure in the portfolio did not exceed 5 percent of the total net investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. INPRS' foreign currency exposure is focused primarily in international fixed income and equity holdings.

At June 30, 2014, INPRS did not have a currency hedging program at the total fund level. However, at the manager level, hedging currency risk is allowed and certain managers actively manage currency exposure. INRPS monitors currency risk at the total fund level, portfolio level, and asset class level.

INPRS has exposure to foreign currency fluctuation as follows:

Currency	Short Term Investments	Fixed Income	Equity	Other Investments	Grand Total	% of Total
Australian Dollar	$ (240)	$ 47,965	$ 61,627	$ (22,796)	$ 86,556	0.3%
Brazilian Real	189	53,493	20,386	(3,250)	70,818	0.2
Canadian Dollar	470	113,912	107,955	(105,261)	117,076	0.4
Chilean Peso	-	1,887	-	2,767	4,654	-
Chinese R Yuan HK	-	-	-	24,650	24,650	0.1
Chinese Yuan Renminbi	-	-	-	(11)	(11)	-
Colombian Peso	43	20,316	-	(881)	19,478	0.1
Czech Koruna	-	-	5,837	-	5,837	-
Danish Krone	66	15,275	29,440	(3,194)	41,587	0.1
Dominican Rep Peso	-	2,270	-	-	2,270	-
Egyptian Pound	-	-	324	-	324	-
Euro Currency Unit	13,441	1,126,815	653,170	(385,168)	1,408,258	4.8
Hong Kong Dollar	491	-	135,074	609	136,174	0.4
Hungarian Forint	81	3,257	2,445	3,282	9,065	-
Indian Rupee	110	3,571	38,701	21,500	63,882	0.2
Indonesian Rupiah	3	18,135	5,673	4,238	28,049	0.1
Israeli Shekel	21	-	2,500	(7,752)	(5,231)	-
Japanese Yen	1,682	231,495	412,522	(79,120)	566,579	1.9
Malaysian Ringgit	3,419	20,388	1,556	10,360	35,723	0.1
Mexican Peso	14,503	57,573	5,224	(14,435)	62,865	0.2
New Taiwan Dollar	170	-	62,185	(8,010)	54,345	0.2
New Turkish Lira	25	29,372	21,298	(15,686)	35,009	0.1
New Zealand Dollar	73	2,392	2,682	(4,020)	1,127	-
Nigerian Naira	798	553	-	1,716	3,067	-
Norwegian Krone	212	2,812	34,165	35,480	72,669	0.2
Peruvian Nuevo Sol	-	1,267	-	2,803	4,070	-
Philipines Peso	18	1,019	1,436	679	3,152	-
Polish Zloty	104	23,614	4,120	20,662	48,500	0.2
Pound Sterling	2,094	412,571	351,701	(146,264)	620,102	2.1
Qatari Riyal	-	-	2,197	-	2,197	-
Romania Leu	27	4,840	-	(71)	4,796	-
Russian Rubel	7	20,450	-	1,492	21,949	0.1
S. Africa Comm Rnd	265	20,974	29,815	2,699	53,753	0.2
Singapore Dollar	73	6,539	32,908	(11,832)	27,688	0.1
South Korean Won	30	(474)	76,720	19,973	96,249	0.3
Swedish Krona	281	67,815	61,147	(40,175)	89,068	0.3
Swiss Franc	1,431	3,032	144,227	(17,110)	131,580	0.4
Thai Baht	136	11,288	6,456	(3,865)	14,015	-
UAE Dirham	-	-	1,666	-	1,666	-
Zambia Kwacha	-	339	-	-	339	-
Held in Foreign Currency	**$ 40,023**	**$ 2,324,755**	**$ 2,315,157**	**$ (715,991)**	**$ 3,963,944**	**13.1%**

The foreign currency exposure consists of unhedged assets within the investment portfolio. The short term investment, debt securities and equity securities include accruals. Other investments include foreign holdings of other investments, derivatives and receivables/payables.

Securities Lending

Indiana Code 5-10.2-2-13(d) provides that the INPRS Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which certain securities held by the custodian on behalf of INPRS may be loaned. The statute requires that collateral initially in excess of the total fair value of the loaned securities must be pledged by the borrower and must be maintained at no less than the total fair value of the loaned securities.

The purpose of such a program is to provide additional revenue for the Consolidated Defined Benefits Assets. The INPRS Investment Policy Statement requires that collateral securities and/or cash be initially pledged at 102 percent of the fair value of the securities lent for domestic securities and 105 percent for international securities. No more than 40 percent of the Consolidated Defined Benefit Assets may be lent at one time. The custodian bank and/or its securities lending sub-agents provide 100 percent indemnification of the Consolidated Defined Benefit Assets against borrower default, overnight market risk and failure to return loaned securities. Securities received as collateral cannot be pledged or sold unless the borrower defaults.

At June 30, 2014, INPRS had no credit risk exposure since the collateral value held exceeded the fair value of securities on loan.

Securities Lending as of June 30, 2014

Security Type	Fair Value of Securities on Loan	Collateral Value (Securities and Cash)
U.S. Governments	$ 1,621,578	$ 1,667,028
Corporate Bonds	168,003	172,057
International Bonds	65,422	67,243
Domestic Equities	632,347	654,485
International Equities	83,079	90,866
Total	**$ 2,570,429**	**$ 2,651,679**

Cash collateral can be reinvested. The reinvested assets are subject to the investment guidelines specified by the INPRS Investment Policy Statement. It states that the maximum weighted average days to maturity may not exceed 60. The securities lending agent matches the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities. INPRS retains the fair value risk with respect to the investment of the cash collateral.

The quality rating of the reinvested cash collateral investments as described by Standard and Poor's at June 30, 2014 is as follows:

Standard and Poor's Rating	Commercial Paper	Repurchase Agreements	U.S. Agencies	Floating Rate Notes	Certificates of Deposit	Fair Value of Reinvested Cash Collateral	Percent of Portfolio
A-1 and A-1+	$ 707,030	$ -	$ 36,600	$ -	$ 166,519	$ 910,149	42.0%
AA+	-	-	-	16,712	-	16,712	0.8%
AA-	-	-	-	379,448	-	379,448	17.5%
A+	-	-	-	221,806	-	221,806	10.2%
A	-	-	-	17,405	-	17,405	0.8%
Unrated	-	623,472	-	-	-	623,472	28.7%
Total	**$ 707,030**	**$ 623,472**	**$ 36,600**	**$ 635,371**	**$ 166,519**	**$ 2,168,992**	**100.0%**

The majority of the unrated reinvested cash collateral investments consist of repurchase agreements.

Repurchase Agreements

A repurchase agreement is an agreement in which INPRS transfers cash to a broker-dealer or financial institution. The broker-dealer or financial institution transfer securities to INPRS and promises to repay the cash plus interest in exchange for the same securities. Repurchase agreements are assets with the security collateral held at INPRS' custodian bank.

An obligation under reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than the seller. Obligations under reverse repurchase agreements are liabilities with INPRS' security collateral held at the broker dealer or financial institution's custodian bank.

Cash received and reinvested in securities are not required to match the maturities of the securities posted as collateral.

At June 30 2014, INPRS did not have a repurchase agreement or an obligation under reverse repurchase agreement program at the total fund level. However, at the manager level, repurchase agreements and obligations under reverse repurchase agreements are allowable investments.

There were no repurchase agreements held at June 30, 2014 outside of the securities lending collateral holdings. The amounts held at June 30, 2014 for obligations under reverse repurchase agreements, exclusive of securities lending reinvested cash collateral, are as follows:

Obligations Under Reverse Repurchase Agreements by Collateral Type	Cash Collateral Posted	Fair Value
U.S. Treasury	$ 225,614	$ 227,143

At June 30, 2014, INPRS had no credit risk exposure related to obligations under reverse repurchase agreements since the collateral value posted exceeded the fair value of the liability held.

Derivative Financial Instruments

Overview of Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Position as either assets or liabilities, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Position as investment income. A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty. This would typically be referred to as an "OTC contract" (Over the Counter) such as swaps and forward contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded." Due to the level of risk associated with certain derivative investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements. Investments in limited partnerships may include derivatives that are not shown in the derivative total.

The derivative instruments held by INPRS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

All investment derivatives discussed below are included within the Investment Risk Schedules, which precede this section. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio. INPRS holds investments in limited partnership and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivatives held by these types of investment vehicles are not included in the information describing the INPRS' derivatives.

Futures

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

INPRS' investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, INPRS' investment managers use futures contracts to adjust the portfolio risk exposure. Futures contracts may be used for the purpose of investing cash flows or modifying duration, but in no event may leverage be created by any individual security or combination of securities. No short sales of equity securities or equity index derivatives are permitted.

As the fair value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Options

Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call) or to sell (in the case of a put) a specific amount of an asset for a specific price on or before a specified expiration date.

The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of a call option receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. An interest rate swaption is the option to enter into an interest rate swap based off a set of predetermined conditions.

Options are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value of exchange-traded options is determined based upon quoted market prices.

The fair value of over the counter options is determined by external pricing services, using various proprietary methods, based upon the type of option.

Swaps

Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract.

Interest rate swaps are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value is determined by external pricing services using various proprietary methods.

An inflation swap is a derivative used to transfer inflation risk from one party to another through an exchange of cash flows. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI) or an inflation bond.

Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other predetermined credit event for the referenced entity, obligation or index.

Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks, such as interest rate and currency risk. The fair value is determined by external pricing services using various proprietary methods.

Forwards

A forward currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as a forward contract when the settlement date is more than two days after the trade date. Risks associated with such contracts include movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation / depreciation in the Statement of Fiduciary Net Position. Realized gains or losses on forward currency contracts is the difference between the original contract and the closing value of such contract and is included in the Statement of Changes in Fiduciary Net Position.

The Fund enters into foreign currency forwards to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings and to settle future obligations.

Derivative Contracts

The tables below summarize INPRS' derivative contracts for the year ending June 30, 2014:

Investment Derivatives	Changes in Fair Value	Fair Value	Notional (USD)
Futures:			
Index Futures - Long	$ 13,719	$ 13,719	$ 624,486
Commodity Futures - Long	25,474	25,474	1,277,538
Fixed Income Futures - Long	1,212	1,212	443,391
Fixed Income Futures - Short	(699)	(699)	(572,292)
Foreign Currency Futures - Long	29	29	38,388
Foreign Currency Futures - Short	(435)	(435)	(383,873)
Total Futures	**39,300**	**39,300**	**1,427,638**
Options:			
Currency Spot Options Bought	(147)	796	59,840
Currency Spot Options Written	184	(986)	84,349
Interest Rate Options Bought	(986)	6,372	333,220
Interest Rate Options Written	649	(1,326)	144,320
Fixed Income Options Bought	(140)	36	36
Fixed Income Options Written	121	(18)	(18)
Foreign Currency Options Bought	(113)	66	160
Foreign Currency Options Written	79	(5)	(5)
Credit Default Single Issuer Swaptions Written	23	(60)	97,800
Credit Default Index Swaptions Written	21	(17)	22,700
Inflation Rate Swaptions Bought	(8)	7	6,955
Total Options	**(317)**	**4,865**	**749,357**
Swaps:			
Interest Rate Swaps - Pay Fixed Receive Variable	(14,747)	(26,533)	937,072
Interest Rate Swaps - Pay Variable Receive Fixed	12,700	5,310	1,014,556
Forward Volatility Agreement Straddle	(29)	268	2,600
Currency Swaps	24	27	13,102
Credit Default Swaps Single Name - Buy Protection	(1,237)	404	72,062
Credit Default Swaps Single Name - Sell Protection	936	1,130	50,900
Credit Default Swaps Index - Buy Protection	(816)	1,432	32,916
Credit Default Swaps Index - Sell Protection	290	879	45,555
Total Swaps	**(2,879)**	**(17,083)**	**2,168,763**
Total Derivatives	**$ 36,104**	**$ 27,082**	**$ 4,345,758**

The table below summarizes the swap maturity profile as of June 30, 2014.

	Swap Maturity Profile at June 30, 2014					
Swap Type	**< 1 yr**	**1 - 5 yrs**	**5 -1 0 yrs**	**10 - 20 yrs**	**20 + yrs**	**Total**
Interest Rate Swaps - Pay Fixed Receive Variable	$ -	$ (1,841)	$ (12,345)	$ (7,861)	$ (4,486)	$ (26,533)
Interest Rate Swaps - Pay Variable Receive Fixed	-	6,372	(1,370)	308	-	5,310
Forward Volatility Agreement Straddle	268	-	-	-	-	268
Currency Swaps	-	29	(2)	-	-	27
Credit Default Swaps Single Name - Buy Protection	-	(1,004)	774	-	634	404
Credit Default Swaps Single Name - Sell Protection	-	1,251	(121)	-	-	1,130
Credit Default Swaps Index - Buy Protection	-	(181)	-	-	1,613	1,432
Credit Default Swaps Index - Sell Protection	-	879	-	-	-	879
Total Swap Fair Value	**$ 268**	**$ 5,505**	**$ (13,064)**	**$ (7,553)**	**$ (2,239)**	**$ (17,083)**

Credit Risk

Counterparty credit risk exists on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract.

INPRS' investment managers use International Swaps and Derivative Association Master Agreements to further reduce counterparty risk by specifying credit protection mechanisms and providing standardization that improves legal certainty, thereby reducing the probability of unforeseen losses. Furthermore, the master agreements can provide additional credit protection through the requirement of collateral exchange and certain event of default and mutual termination provisions. Securities eligible as collateral are typically United States government bills and U.S. dollar cash.

The maximum amount of loss due to credit risk that the Fund would incur if the counterparty to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangements, is the total unrealized gain of derivatives at the end of the reporting period. The aggregate fair value of investment derivative instruments in an unrealized gain position at June 30, 2014, was $33,677 thousand, of which $31,587 thousand was uncollateralized.

The tables below summarize the counterparty positions as of June 30, 2014:

		Fair Value			Collateral	
Swaps Counterparty	**S&P Rating**	**Receivable/ Unrealized Gain**	**Payable/ (Unrealized Loss)**	**Total Fair Value**	**Posted**	**Received**
Bank of America	A-	$ 259	$ (225)	$ (101)	$ 360	$ (1,160)
Barclays	A-	181	(197)	(197)	200	-
Citibank	A-	895	(2,011)	2,176	877	(3,167)
CME Central	AA-	30,181	(28,927)	(18,286)	-	-
Credit Suisse	A-	20	(59)	(4)	50	(72)
Deutsche Bank	A	167	(1,141)	(944)	-	(4,449)
Goldman Sachs	A-	826	(1,353)	885	510	(570)
HSBC Securities Inc	A+	4	(132)	(132)	-	-
Intercontinental Exchange, Inc.	A	417	(348)	273	-	-
JPMorgan Chase Bank	A	108	(334)	(262)	-	(530)
London Clearing House	A-	530	(935)	(651)	-	-
Royal Bank of Canada (RBC)	AA-	17	(2)	(2)	1,600	-
UBS	A	72	-	92	20	(810)
Grand Total		**$ 33,677**	**$ (35,664)**	**$(17,153)**	**$ 3,617**	**$ (10,758)**

Interest Rate Risk

The System has exposure to interest rate risk due to investments in interest rate and inflation swaps and TBAs. The required risk disclosures are included in the Interest Rate Risk schedule.

The table below summarizes INPRS's Investments that are highly sensitive to interest rate changes:

Reference Currency	Pays	Receives	Fair Value	Notional
Interest Rate Swap - Pay Fixed Receive Variable:				
U.S. Dollar	0.0265% to 4.37%	3M USD LIBOR	$ (13,623)	$ 630,430
Euro Currency Unit	1.50% to 3.25%	6M EURIBOR REUTERS	(5,130)	63,967
Pound Sterling	1.00% to 3.75%	6M GBP LIBOR BBA	(52)	27,888
Chilean Peso	3.85% to 5.36%	6M CLP CLICP BLOOMBERG	(71)	5,784
Australian Dollar	3.75% to 5.50%	6M AUD BBR BBSW	(6,392)	101,851
Polish Zloty	3.76% to 4.20%	6M WIBOR WIBO	(89)	1,874
Japanese Yen	0.75% to 1.65%	6M JPY LIBOR BBA	(165)	59,184
Swiss Franc	2.50%	3M CHF LIBOR BBA	(254)	5,864
Malaysian Ringgit	0.00% to 4.49%	3M MYR KLIBOR BNM	(4)	4,893
South Korean Won	3.00% to 3.63%	3M KRW KWCDC COD	(491)	19,744
Norwegian Krone	4.00%	6M NOK NIBOR BBG	(95)	2,752
Swedish Krona	1.75%	3M SEK STIBOR SIDE	(179)	10,952
South African Rand	8.55%	3M ZAE JIBAR SAFEX	(5)	178
Colombian Peso	2.11% to 5.92%	COP DTF90 RATE	10	785
Colombian Peso	5.19% to 5.35%	1D COP COOVIBR	7	926
			$ (26,533)	**$ 937,072**
Interest Rate Swap - Pay Variable Receive Fixed:				
U.S. Dollar	3M USD LIBOR	1.00% to 4.50%	$ (1,682)	$ 170,480
Brazilian Real	1D BRL CDI	8.86% to 10.37%	(823)	28,683
South African Rand	3M ZAE JIBAR SAFEX	6.15% to 8.52%	(457)	13,343
Australian Dollar	6M AUD BBR BBSW	3.5% to 4.50%	7,576	644,574
Euro Currency Unit	6M EURIBOR REUTERS	1.50%	459	11,720
Japanese Yen	6M JPY LIBOR BBA	1.25% to 1.88%	274	37,475
Canadian Dollar	3M CAD BA CDOR	2.75% to 4.00%	143	15,096
Pound Sterling	6M GBP LIBOR BBA	2.25% to 3.75%	(26)	43,362
New Zealand Dollar	3M NZD BBR FRA	4.50% to 5.00%	(86)	15,804
Swedish Krona	3M SEK STIBOR SIDE	2.50%	71	2,019
Chilean Peso	6M CLP CLICP BLOOMBERG	4.61%	(6)	281
South Korean Won	3M KRW KWCDC COD	2.85% to 2.89%	17	3,041
Mexican Peso	1M MXN TIIE BANXICO	6.81% to 6.83%	18	10,620
Brazilian Real	ZCS BZDIOVRA	11.68%	(168)	18,057
			$ 5,310	**$1,014,555**

Foreign Currency Risk

The Fund is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule.

At June 30, 2014, INPRS' investments included the following currency forwards balances:

Forward Currency Contract Receivables	$ 4,027,199
Forward Currency Contract Payables	(4,046,822)

The aggregate realized gain/loss recognized for the year ended June 30, 2014 due to foreign currency transactions was $71,413 thousand realized loss.

Long Term Commitments for Alternative Investments

INPRS enters into long term commitments for funding other investments in private equity and private real estate. These amounts include Euro currency, Norwegian Krone and British Pound Sterling denominated commitments to limited liability partnerships. The remaining amount of unfunded commitments, converted to U.S. dollars using the closing exchange rate, as of June 30, 2014, is as follows:

Currency	Total Unfunded Commitments
U.S. Dollar	$ 2,010,868
Euro Currency Unit	156,072
Norwegian Krone	6,108
British Pound Sterling	1,696
Total	**$ 2,174,744**

B. Interfund Transactions

Interfund Loans

As explained in Note III(A), temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2014, the following funds had temporary cash overdrafts covered by loans from the General Fund: U.S. Department of Health and Human Services Fund, $116.1 million, U.S. Department of Labor Fund, $2.2 million, and S&S Children's Home Construction Fund, $0.7 million. Also, reported is an $8.0 million loan from the Motor Vehicle Highway Fund to the State Highway Fund.

The following is a summary of the Interfund Loans as of June 30, 2014:

Interfund Loans - Current

	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 119,076	$ -
Nonmajor Governmental Funds	8,000	127,076
Total Governmental Funds	127,076	127,076
Total Interfund Loans	**$ 127,076**	**$ 127,076**

Interfund Services Provided/Used

Interfund Services Provided of $8.4 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2014:

Interfund Services Provided/Used

	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 4,793
Nonmajor Governmental Funds	-	3,645
Total Governmental Funds	-	8,438
Proprietary Funds		
Internal Service Funds	8,438	-
Total Proprietary Funds	8,438	-
Total Interfund Services Provided/Used	$ 8,438	$ 8,438

Due From/Due To

The $45.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. Per Public Law 93-2013, Section 4, repayments to the Indiana Board for Depositories are to be made in annual increments of $5.0 million each July beginning July 2013. The interfund balance of $28.7 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. The $17.6 million due to nonmajor universities is from FY 2014 state appropriations for capital projects. The $0.3 million due the Indiana State Fair Commission is from an FY 2014 state operating expense appropriation.

The following is the schedule of Due From/Due To of component units, as of June 30, 2014:

Component Units

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 62,893	$ -	$ -
Nonmajor Governmental Funds	-	-	28,732	-
Total Governmental Funds	-	62,893	28,732	-
Component Units				
Nonmajor Universities	17,606	-	-	-
Board for Depositories	45,000	-	-	-
State Lottery Commission	-	-	-	28,732
Indiana State Fair Commission	287	-	-	-
Total Component Units	62,893	-	-	28,732
Total Due From/To	**$ 62,893**	**$ 62,893**	**$ 28,732**	**$ 28,732**

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – $484.4 million was transferred in from the Medicaid Assistance Fund of which $233.9 million was unused State match appropriations from prior fiscal years, $203.3 million was the State's share of hospital assessment fees, and $47.2 million was quality assessment fees. The hospital assessment fees and quality assessment fees can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act. $474.0 million was transferred in from the State Gaming Fund which was wagering taxes from riverboats and slot machines at horse tracks. The Build Indiana Fund transferred in $236.2 million as Motor Vehicle Excise Tax Cut Replacement distributions. $126.5 million was received from the Fund 6000 Programs Fund of which $56.2 million was distribution of financial institutions tax per IC 6-5.5; $35.3 million was transferred to the Department of Administration's lease fund from the ENCOMPASS project fund for the defeasement of bonds for the Miami Correctional Facility; $21.3 million was transferred in for Indiana Veterans' Home administration from the Comfort-Welfare Fund's receipts of resident fees and Medicaid reimbursements; $3.8 million was transferred in from consumer and non-consumer settlements, unclaimed property litigation, the telephone solicitation fund, and real estate appraiser licensing for the Office of the Indiana Attorney General; $3.6 million was transferred to the Office of Medicaid Policy and Planning's State Medicaid General Fund which was appropriation transfers from Indiana

Veterans' Home Medicaid reimbursements; $3.3 million was transferred in from permit fees collected from businesses that sell alcoholic beverages per IC 7.1-4-9-4; $1.5 was transferred in from the Tech Modernization and Upgrade Fund to the Gaming Tax fund to cover a budgetary shortfall; and $1.5 million was transferred to the State Police Motor Carrier fund from the Excess Handgun License Fees fund as the first part in a series of transfers meant to provide funding for the Department of Toxicology in FY 2015. $41.5 million was transferred in from the Tobacco Master Settlement Fund for various health and welfare purposes including developmental disability services provided by the FSSA's Division of Disability and Rehabilitative Services, the Children's with Special Health Care Needs program administered by the Indiana State Department of Health, and substance abuse prevention and treatment services through the FSSA's Division of Mental Health and Addiction. $10.0 million was received from the Mine Subsidence Insurance Fund pursuant to the 2013 biennial budget bill.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received $1.9 billion in transfers for Medicaid current obligations and for Medicaid administration to enable the Office of Medicaid Policy and Planning to carry out all services under IC 12-8-6. These services include, but may not be limited to the provision of care and treatment for individuals with mental illness, developmental disabilities, long term care needs, and family and child service's needs. $323.7 million was transferred to the U.S. Department of Health and Human Services Fund in support of: $131.2 million for Department of Child Services programs including adoption services grants, adoption assistance, special needs adoption, family and children services, administration, Social Security Title IV-D services, the Indiana Support Enforcement Tracking System, child welfare services state grants and training, child welfare administration, and independent living; $102.4 million for the Family and Social Services' Division of Family Resources for local offices, state administration, child care services, and TANF; $70.5 million for the State Medicaid program; $8.4 million to the FSSA divisions of Aging and Disability and Rehabilitative Services for developmentally disabled client and aging services, $5.2 million for county prosecutors' and local judges' salaries; $5.5 million for FSSA's central office; $0.3 million for child psychiatric and other programs provided through FSSA's Division of Mental Health and Addiction; and $0.2 million for the Department of Health including the cancer registry and Office of Women's Health. $200.0 million was transferred to the Major Moves Construction Fund pursuant to Indiana Code 8-14-14.1-4. $150.0 million was transferred to the State Tuition Reserve Fund per the 2013 biennial budget bill. $297.2 million was transferred to the Indiana Commission for Higher Education's Division of Student Financial Aid mostly for the awarding of the State's grants and scholarships for Hoosier students to attend colleges. The Mental Health Center Fund received appropriation transfers in totaling $94.3 million to fund services to adults who are seriously mentally ill in comprehensive community health centers and for the administration of services by the Department of Mental Health. The Build Indiana Fund received $81.6 million from riverboat ($81.3 million) and pari-mutuel ($0.3 million) wagering taxes which went to the Lottery and Gaming Surplus Account. $57.0 million was transferred to the Hospital Care for the Indigent Fund for carrying out its programs. $59.9 million was transferred to the U.S. Department of Agriculture Fund as the State's match of which $53.3 million was for the FSSA Division of Family Resources' local offices, state administration, information systems, TANF, and IMPACT, $5.1 million was for the National School Lunch program administered by the Indiana Department of Education's Division of School and Community Nutrition Programs, and $1.5 million was for the Board of Animal Health and DNR Entomology Division. $41.3 million was received by the Indiana Department of Transportation for the Public Mass Transportation Fund, which is used for the promotion and development of public transportation.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.9 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $82.5 million was transferred in from the Medicaid Indigent Care Trust Fund, which is part of the U.S. Department of Health and Human Services Fund, for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. $42.9 million was transferred in from the Mental Health Centers Fund for reimbursement of services to the seriously mentally ill.

Transfers out included $484.4 million to the General Fund of which $233.9 million was the return of unused State match appropriations for Medicaid from prior fiscal years, $203.3 million was hospital assessment fees, and $47.2 million was quality assessment fees. The hospital assessment fees and quality assessment fees can only be used for the State's share of Medicaid services under Title

XIX of the federal Social Security Act.

Major Moves Construction Funds – The Major Moves Construction Fund had a transfer in of $200.0 million from the Major Moves 2020 Trust Fund which is part of the General Fund pursuant to Indiana Code 8-14-14.1-4.

The Major Moves Construction Fund had a transfer out of $305.4 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers out of $2.7 million, representing cash contributions to the Department of Natural Resources (DNR) which are to be used for repayments of bonds made by the Indiana Finance Authority.

Internal Service Funds

$1.6 million was transferred to the Administrative Services Revolving Fund from the pay phone fund to partially fund the Government Management Information Systems organization within the Indiana Office of Technology. $0.38 million was transferred to the State Employee Health Insurance Fund when the Local Units of Government Fund was closed. $3.7 million was transferred from the Institutional Industries Fund to the General Fund representing cash assets in excess of $1.5 million pursuant to Indiana Code 11-10-6-8.

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Operating transfers in	Operating transfers (out)	Net transfers
Governmental Funds			
General Fund	$ 1,418,795	$ (3,361,171)	**$ (1,942,376)**
Public Welfare-Medicaid Assistance Fund	2,032,829	(500,512)	**1,532,317**
Major Moves Construction Fund	200,000	(305,441)	**(105,441)**
Nonmajor Governmental Fund	2,546,001	(2,025,722)	**520,279**
Proprietary Funds			
Inns and Concessions	-	(2,724)	**(2,724)**
Internal Service Funds	1,638	(3,692)	**(2,054)**
Total	**$ 6,199,263**	**$ (6,199,263)**	**$0**

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	Special Revenue Funds	Capital Projects Funds	Total Primary Government
Income taxes	$ 907,734	$ -	$ -	**$ 907,734**
Sales taxes	787,553	8,969	-	**796,522**
Fuel taxes	146	79,619	-	**79,765**
Gaming taxes	882	12,520	-	**13,402**
Inheritance taxes	1,379	-	-	**1,379**
Alcohol and tobacco taxes	47,079	27,541	1,862	**76,482**
Insurance	3,409	-	-	**3,409**
Financial institutions taxes	-	11,577	-	**11,577**
Other taxes	6,610	1,769	-	**8,379**
Total taxes receivable	1,754,791	141,994	1,862	**1,898,648**
Less allowance for uncollectible accounts	(356,887)	(14,576)	(4)	**(371,467)**
Net taxes receivable	**$ 1,397,904**	**$ 127,418**	**$ 1,858**	**$ 1,527,181**
Tax refunds payable	**$ 36,307**	**$ 1,907**	**$ -**	**$ 38,214**

D. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Primary Government – Governmental Activities

	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 1,840,978	$ 99,086	$ (153)	$ 1,939,911
Infrastructure	9,267,899	593,032	(29,640)	9,831,291
Construction in progress	2,084,978	727,185	(796,665)	2,015,498
Total capital assets, not being depreciated/amortized	13,193,855	1,419,303	(826,458)	13,786,700
Capital assets, being depreciated/amortized:				
Land and water use rights	18,284	2,704	-	20,988
Buildings and improvements	2,163,418	3,785	(41,780)	2,125,423
Furniture, machinery, and equipment	546,457	45,478	(27,418)	564,517
Computer software	52,797	10,946	(3,080)	60,663
Infrastructure	23,623	256	(898)	22,981
Total capital assets, being depreciated/amortized	2,804,579	63,169	(73,176)	2,794,572
Less accumulated depreciation/amortization for:				
Land and water use rights	(7,451)	(987)	-	(8,438)
Buildings and improvements	(1,088,920)	(65,574)	26,247	(1,128,247)
Furniture, machinery, and equipment	(389,317)	(37,537)	25,625	(401,229)
Computer software	(41,582)	(6,311)	1,799	(46,094)
Infrastructure	(14,824)	(516)	508	(14,832)
Total accumulated depreciation/amortization	(1,542,094)	(110,925)	54,179	(1,598,840)
Total capital assets being depreciated/amortized, net	1,262,485	(47,756)	(18,997)	1,195,732
Governmental activities capital assets, net	$ 14,456,340	$ 1,371,547	$ (845,455)	$ 14,982,432

Primary Government – Business-Type Activities

	Balance, July 1	Increases	Decreases	Balance, June 30
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 204	$ -	$ -	$ 204
Furniture, machinery, and equipment	905	26	-	931
Total capital assets, being depreciated	1,109	26	-	1,135
Less accumulated depreciation for:				
Buildings and improvements	(133)	(23)	-	(156)
Furniture, machinery, and equipment	(312)	(132)	-	(444)
Total accumulated depreciation	(445)	(155)	-	(600)
Total capital assets being depreciated, net	664	(129)	-	535
Business-type activities capital assets, net	$ 664	$ (129)	$ -	$ 535

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 35,920
Public safety	33,522
Health	1,067
Welfare	5,987
Conservation, culture and development	12,392
Education	1,383
Transportation	20,653
Total depreciation/amortization expense - governmental activities	**$ 110,924**
Business-type activities:	
Inns and Concessions	$ 33
Wabash Memorial Bridge	122
Total depreciation expense - business-type activities	**$ 155**

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2014 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2015	$ 29,478	$ 107,671
2016	27,100	107,887
2017	24,707	106,504
2018	20,058	103,893
2019	11,916	102,557
2020-2024	16,932	514,412
2025-2029	62	502,891
2030-2034	-	641
Total minimum lease payments (excluding executory costs)	**$ 130,253**	**1,546,456**
Less:		
Remaining premium(discount)		(10,958)
Amount representing interest		(422,899)
Present value of future minimum lease payments		**$ 1,112,599**

Assets acquired through capital lease

Land	$ -
Building	$ 5,364
Machinery and equipment	791
Infrastructure	1,108,584
less accumulated depreciation	(3,026)
	$ 1,111,713

Operating Leases

The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $32.6 million for the year ended June 30, 2014. A table of future minimum lease payments (excluding executory costs) is presented above.

Capital Leases Liabilities

The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2014 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 148,633	$ 83,350	$ (85,669)	$ 146,314	$ 79,585	$ 66,729
Net pension obligation	1,166,775	34,797	(315)	1,201,257	-	1,201,257
Other postemployment benefits	134,074	459	(821)	133,712	-	133,712
Pollution remediation	44,675	1,226	-	45,901	6,172	39,729
Intergovernmental payable	20,000	-	(10,000)	10,000	10,000	-
Capital leases	1,156,910	10,647	(54,958)	1,112,599	58,822	1,053,777
	$ 2,671,067	**$ 130,479**	**$ (151,763)**	**$ 2,649,783**	**$ 154,579**	**$ 2,495,204**
Business-type activities:						
Compensated absences	$ 479	$ 336	$ (235)	$ 580	$ 215	$ 365
Claims liability	28,650	1,342	(1,577)	28,415	3,327	25,088
	$ 29,129	**$ 1,678**	**$ (1,812)**	**$ 28,995**	**$ 3,542**	**$ 25,453**

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the Public Employees Retirement Fund-State and the State Teachers' Retirement Fund (Pre-1996 Account) as presented in Note V(E), other postemployment benefits, pollution remediation, intergovernmental payables, and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2014, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net position in the government-wide statement of activities.

Prior Period Adjustments

In the fund statements for governmental funds, and the government-wide statements, there is a decrease of $897 thousand in net position of the General Fund for deposits that were not recorded in the prior year.

In the fund financial statements for Special Revenue Funds, and the government-wide statements, net position decreased by $60.6 million due to the establishment of liabilities in the Department of Revenue holding accounts.

In the fund statements for Special Revenue funds, and the government-wide statements, net position decreased by $1.1 million due to the reclassification of certain funds to Agency funds.

In the fund statements for Special Revenue funds, net position increased $3.8 million in the Other Special Revenue Fund with a corresponding decrease in the Other Capital Projects Fund due money being incorrectly transferred between the funds in the prior year.

In the fund statements for Special Revenue funds, net position decreased $8.8 million in the Medicaid Assistance Fund due to the omission of a liability in the prior year.

For the government-wide statements, there is an increase of $37.4 million in net position for capital assets. This was the result of not capitalizing capital assets by June 30, 2013 that were acquired prior to this date and for corrections to acquisition cost by state agencies.

For the government-wide statements, there is a decrease of $13.2 million for software that was incorrectly reported as in development on June 30, 2013.

For the government-wide statements, there is a decrease of $94.8 million in net position for infrastructure assets that were incorrectly capitalized in prior years as construction in progress.

For the Enterprise funds and the government-wide statements, there is a decrease of $1.7 million in net position for the correction of errors relating to benefit payments for the Unemployment Compensation Fund.

For the Internal Service funds and the government-wide statements, there is an increase of $2.5 million in net position for the reclassification of the Conservation & Excise Officers Health Insurance Fund from an Agency fund and an increase of $.8 million due to capital asset errors in the Administrative Services statements.

For the Fiduciary Funds, there was a decrease of $47 thousand due to the omission of payables and receivables in the OPEB plan statements and an increase of $5 million due to an error in the recording of Commercial Vehicle Excise Tax.

For the discrete component units, the Indiana Finance Authority's net position decreased by $11.9 million due to the implementation of GASB 65. The State Lottery's net position increased by $3.2 million due to a correction in the calculation of the net pension asset. Non-major discrete units net position decreased by $9.5 million due to the implementation of GASB 65.

For the discrete component units, fiduciary funds, the net position of the Indiana Public Employees' Retiree System decreased by $36.8 million because of the reclassification of the Pension Relief Fund from an investment trust fund to an agency fund.

The following schedule reconciles June 30, 2013 net position as previously reported, to beginning net position, as restated:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Discretely Presented Component Units (Non Fiduciary)
June 30, 2013, fund balance/retained earnings/net assets as reported	$ 19,869,503	$ (1,211,252)	$ 28,237,479	$ 12,394,229
Change in accounting principle				
Adoption of GASB 65	-	-	-	(21,384)
Correction of errors	(131,344)	(1,742)	4,976	3,244
Reclassifications of funds	1,419	-	(36,617)	-
Balance July 1, 2013 as restated	**$ 19,739,578**	**$ (1,212,994)**	**$ 28,205,838**	**$ 12,376,089**

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance coverage for certain DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, Conservation and Excise Officers' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in four individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits, the Conservation and Excise health benefits, and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employee Disability Fund	State Employees' Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	Total
2014					
Unpaid Claims, July 1	$ 3,352	$ 4,840	$ 34,891	$ 391	**$ 43,474**
Incurred Claims and Changes in Estimate	17,468	20,856	300,228	2,431	**340,983**
Claims Paid	(18,058)	(20,466)	(298,853)	(2,285)	**(339,662)**
Unpaid Claims, June 30	**$ 2,762**	**$ 5,230**	**$ 36,266**	**$ 537**	**$ 44,795**
2013					
Unpaid Claims, July 1	$ 3,926	$ 5,183	$ 40,455	$ 464	**$ 50,028**
Incurred Claims and Changes in Estimate	29,147	21,347	297,386	2,313	**350,193**
Claims Paid	(29,721)	(21,690)	(302,950)	(2,386)	**(356,747)**
Unpaid Claims, June 30	**$ 3,352**	**$ 4,840**	**$ 34,891**	**$ 391**	**$ 43,474**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) $300,000 for a cause of action that accrues before January 2006; (B) $500,000 for a cause of action that accrues between 2006 and 2008; or (C) $700,000 for a cause of action that accrues on or after January 2008, for injury to or death of one person in any one occurrence and $5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $9.8 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2014, the State paid $10.2 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described, or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

In March 2013, Plaintiffs filed a class action lawsuit against the State which alleges the Indiana Bureau of Motor Vehicles charged amounts that were not authorized by law to persons under the age of 75 who have paid a fee to obtain or renew their drivers' licenses since March 7, 2007. A settlement has been reached that provides for credits, in a total amount of about $30 million, to be paid to class members and their attorneys. In November 2013, The Court's Order and Judgment Approving Settlement was entered. For a period of 3 years after the Court's final approval of the Settlement, any refunds that have not been paid as advance payments will be available to class members as outlined. Settlement agreement amended to remove obligation to promulgate rules regarding certain fees. Payments are to be made under agreement until December 2017. As of June 30, 2014, $9.8 million remained to be refunded which has been accrued as an expense and payable in the government-wide financial statements.

In October 2013, an individual brought a putative class action against the Indiana Bureau of Motor Vehicles alleging overcharges and the alleged overcharges sought could exceed $10 million. The State has filed a motion for partial summary judgment. The hearing on the motion for partial summary judgment was held on June 30, 2014. The matter is under advisement. A hearing is set for February 2, 2015, on motion.

In May 2013, Plaintiffs filed an inverse condemnation complaint against the State seeking $8 million in damages to their real estate which Plaintiffs allege will be caused by construction of the Illiana Expressway, which is a proposed highway to connect northwestern Indiana to the greater Chicago area. Construction of the Illiana Expressway has not yet begun. The State filed a Motion to Dismiss and Plaintiffs filed a Motion to Amend Complaint, which was granted by the Court. The State moved to dismiss the Second Amended Complaint on October 25, 2013, and the Plaintiffs have twice filed a praecipe for hearing on the pending motions. The Lake Circuit Court set a status hearing for February 25, 2014 at 9 a.m.; however, the parties agreed to stay the February 25, 2014 hearing. Plaintiffs filed their Third Motion to Amend Complaint, and the State has responded with Objections and Motion to Dismiss the Third Amended Complaint. A Lis Pendens notice was filed October 31, 2014. A hearing on the State's Objections and Motion to Dismiss the Plaintiffs'

Third Amended Complaint for Inverse Condemnation was held on December 4, 2014 in the Lake Circuit Court. The Judge has taken the matter under advisement. Discovery is ongoing.

In June 2014, Plaintiffs filed a class action lawsuit against the Department of Child Services alleging they were purportedly promised monies for adoptions, but then never paid. Mediation was held on August 15, 2014, and a tentative settlement of $15.1 million was reached. The proposed class is all individuals who entered into adoption subsidy agreements with the Department of Child Services, but have not received any payment before June 30, 2014. A settlement was reached and the settlement agreement was approved by the Court on November 3, 2014. The $15.1 million has been accrued as an expense and payable in the government-wide financial statements.

Other Litigation

The State on behalf of the Indiana Family and Social Services Administration (FSSA) is currently involved in the following case that could result in significant liability to the State:

In May 2010, the State of Indiana, on behalf of the FSSA, and counterclaim Plaintiff sued each other regarding counterclaim Plaintiff's state welfare system contract entered into in 2006. In October 2009, the State announced its intention to terminate the 10-year contract early effective December 2009 due to counterclaim Plaintiff's deficient performance. The trial court issued rulings in July and August of 2012 awarding the counterclaim Plaintiff $62.7 million. This amount included $9.5 million for equipment retained by the state, $2.5 million in early termination close-out payments, $40.0 million in subcontractor assignment fees (previously granted to the counterclaim Plaintiff on summary judgment), and $10.7 million in prejudgment interest. The court also ruled that the counterclaim Plaintiff was not entitled to recover $43.0 million claimed for deferred fees. The court further ruled that there was no material breach of the contract, so the State could not recover damages from the counterclaim Plaintiff for breach of contract. The State appealed. In February 2013, the Court of Appeals affirmed the trial court's award of $40.0 million in assignment fees and $9.5 million in equipment fees to IBM; it affirmed the trial court's denial of deferred fees to IBM; it reversed the trial court's award of $2.5 million in early termination close-out payments and $10.7 million in prejudgment interest to IBM; and found IBM materially breached the contract. The Court of Appeals remanded the case to the trial court to determine the amount of fees IBM is entitled to for change orders and to determine the state's damages and offset damages awarded to IBM as a result of IBM's material breach of contract. Both parties appealed. The Indiana Supreme Court heard oral arguments in the case on October 30, 2014. The Court is reviewing the matter and encouraged the parties to mediate the case.

Other Loss Contingencies

The U.S. Office of Inspector General (USOIG) has issued multiple audit reports on Indiana's Medicaid Assistance Program. The State has worked with the Centers for Medicare and Medicaid Services (CMS) to resolve the findings. As of June 30, 2014 there was $49.9 million in findings in which FSSA believes to be probable for having to be repaid and therefore, has been accrued as an expense and payable in the government-wide financial statements. FSSA management is continuing to work with CMS on a settlement of these findings.

Construction Commitments

As of June 30, 2014, the Indiana Department of Transportation had outstanding construction commitments totaling $1.2 billion for road and bridge projects. It is anticipated that these projects will be financed with approximately 10% State funds, 4% local funds, 72% traditional Federal funds, and 14% from the Major Moves Construction Fund. These amounts do not include the LSIORBP project described below.

The State of Indiana and the Commonwealth of Kentucky have entered into a legal agreement known as the "Bi-State Development Agreement" which governs "The Louisville- Southern Indiana Ohio River Bridges Project (LSIORBP)." The project consists of the construction of the East End Bridge and highway connections that will complete an outer loop around the greater Louisville area; a Downtown Crossing including a new I-65 bridge for northbound traffic; a revamped John F. Kennedy Memorial Bridge for southbound traffic, and rebuilding of the downtown interchanges on both sides of the Ohio River. Kentucky is responsible for the financing, reconstruction and operational improvements of the Downtown Crossing Bridges; and, Indiana is responsible for financing and constructing the East End Crossing.

The Ohio River Bridge Project structures will be ultimately owned 50% by Indiana and 50% by Kentucky and is expected to cost $2.6 billion. Kentucky's portion of the total project cost is estimated to be $1.3 billion and Indiana's portion is estimated to be $1.3 billion.

The State of Indiana has spent approximately $264.8 million to date and the Commonwealth of Kentucky has spent approximately $658.6 million to date.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling $5.4 million for building and improvement projects of the State's agencies as of June 30, 2014. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

The State had $14.8 million in total commitments for software in development as of June 30, 2014. These commitments are to be funded through the General Fund, federal funds and state dedicated funds.

Encumbrances

Significant encumbrances by major funds and non-major funds in the aggregate as of June 30, 2014 were as follows:

Governmental Funds	Encumbrances	
General Fund	$	811,961
Non-Major Governmental Funds		2,449,383
Total	**$**	**3,261,344**

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of “other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year, the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically from the reverting accounts of the State General Fund, also known as the state surplus, into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. If the balance in the fund at the end of the fiscal year exceeds 7% of total General Fund revenues for the same period, the excess is transferred from the Rainy Day Fund to the state surplus.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2014 was $373.9 million. Total outstanding loans were $5.6 million, resulting in total assets of $379.5 million. Because the API did not increase or decrease by more than 2% no money was transferred between the state surplus and the Rainy Day Fund.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors ten public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

Summary of Significant Accounting Policies (Primary government and fiduciary in nature component units)

The accrual basis is used for financial statement reporting purposes. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment assets and liabilities using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

The State sponsors the following defined benefit single-employer plans:

State Police Retirement Fund (Presented as a pension fund)

Financial Statements As separately issued financial statements are not available for the State Police Retirement Fund, summarized financial statements are as follows:

Combining Statement of Fiduciary Net Position
June 30, 2014

	State Police Pension Fund
Assets	
Cash, cash equivalents and non-pension investments	$ 49,494
Receivables:	
Contributions	245
Interest	408
Member loans	180
From investment sales	175
Total receivables	1,008
Pension and other employee benefit investments at fair value:	
Equity Securities	204,997
Debt Securities	118,965
Other	93,785
Total investments at fair value	417,747
Total assets	**468,249**
Liabilities:	
Accounts/escrows payable	98
Securities purchased payable	153
Total liabilities	**251**
Net Position	
Restricted for:	
Employees' pension benefits	467,998
Total net position	**$ 467,998**

Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	State Police Pension Fund
Additions:	
Member contributions	$ 3,763
Employer contributions	14,005
Net investment income (loss)	46,240
Less investment expense	(1,357)
Other	4
Total additions	62,655
Deductions:	
Pension and disability benefits	32,923
Administrative	307
Other	15
Total deductions	33,245
Net increase (decrease) in net position	29,410
Net position restricted for pension and other employee benefits, July 1, as restated:	
Pension benefits	438,588
Net position restricted for pension and other employee benefits, June 30	**$ 467,998**

Plan Description The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust. The State Police Retirement Fund does not issue a stand-alone financial report. The SPRF's financial statements are included in the State of Indiana's CAFR as part of the statements presented with fiduciary funds.

The SPRF includes the Pre-1987 Benefit System and the 1987 Benefit System. The term "Pre-1987 Benefit System" shall refer to the plan and the benefits provided to Employee Beneficiaries who are first employed as Employees by the Department before July 1, 1987, and who did not elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement. Any benefits provided to former Employees who qualified for such benefits under the terms of the Trust Agreement as in effect prior to July 1, 1987, shall also be deemed part of the Pre-1987 Benefit System. The term "1987 Benefit System" shall refer to the plan and the benefits provided to Employee Beneficiaries who are first employed as Employees by the Department on or after July 1, 1987, and to those Employee

Beneficiaries who were first employed before July 1, 1987, provided they elected to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement.

Plan Membership As of June 30, 2014, the SPRF membership consisted of:

	Pre-1987 Plan	1987 Plan
Inactive employees or beneficiaries currently receiving benefits	902	686
Inactive employees entitled to but not yet receiving benefits	9	138
Active employees	44	1,162
Total	**955**	**1,986**

Retirement benefits provided

Pre-1987 Plan The Pre-1987 Plan provides that the basic monthly pension amount may not exceed by more than $20 an amount equal to one-half of the member's average monthly wages (not including overtime) received during the highest paid consecutive 12 months prior to retirement. However, this amount may not exceed the monthly salary of a sixth-year trooper.

In addition to the basic retirement benefit described above, a plan member with over 20 years of service will receive the following incremental increases:

2% of the basic amount for each of the next 2 years over 20 years;
3% of the basic amount for each of the next 2 years over 22 years;
4% of the basic amount for each of the next 2 years over 24 years;
5% of the basic amount for each of the next 2 years over 26 years;
6% of the basic amount for each of the next 2 years over 28 years;
7% of the basic amount for each of the next 2 years over 30 years;
8% of the basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70% of the basic pension amount, according to IC 10-12-47 (e).

1987 Plan The 1987 Plan provides that the basic monthly pension amount may not exceed one-half of the member's average monthly salary received during the member's highest-paid three years before retirement. Members retiring from July 1, 1987, through June 30, 1988, may not receive a basic monthly benefit greater than 50% of the maximum salary of a first sergeant. Members retiring from July 1, 1988, through June 30, 1989, may not receive a basic monthly benefit greater than 50% of the maximum salary of a captain.

In addition to the basic retirement benefit described above, a Plan member with over 25 years of service will receive the following incremental increases:

5% of basic amount for each of the next 3 years over 25 years;
6% of basic amount for each of the next 2 years over 28 years;
7% of basic amount for each of the next 2 years over 30 years;
8% of basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70% (current practice is 57%) of the basic pension amount.

Disability and survivor benefits provided. The regular disability benefit for a disabled member may not exceed the maximum basic pension amount. If the member's disability was incurred in the line of duty, the member is entitled to an additional $40 per month for each dependent parent and dependent child under age 18.

If a member is permanently and totally disabled by a catastrophic personal injury that: (1) is sustained in the line of duty after January 1, 2001; and (2) permanently prevents the member from performing any gainful work; the member is entitled to a disability benefit equal to the member's salary at the commencement of the disability in lieu of the regular disability benefit. The member is also entitled to increases in the disability benefit equal to the salary increases that the member would have received had the member remained in active service.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. In addition, a member who meets the conditions listed in IC 5-10-15 has a presumption that a total or partial disability resulting from an exposure-related cancer, or heart or lung disease is a disability incurred in the line of duty. These presumptions may be rebutted by competent evidence. A meeting or hearing held to rebut a presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). A presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member's survivor is entitled to a supplemental death benefit of not more than $14,500 for employee beneficiaries who die before July 1, 2013. For employee beneficiaries who die after June 30, 2013, the amount of supplemental death benefits may not exceed $20,000.The maximum monthly pension payable to surviving spouses or a dependent mother and father of a member killed in the line of duty may not exceed the current basic monthly pension amount paid to retirees or, upon a retiree's death, one-half of the deceased officer's monthly benefit.

A dependent child entitled to survivor benefits may receive a maximum of 30% of the basic monthly pension currently being paid to retirees. Total benefits paid to all of a member's surviving dependent children may not exceed the basic monthly pension currently being paid to retirees.

Contributions Members of the Pre-1987 Plan contribute 5% of the member's wages (not including overtime and limited to sixth-year trooper pay). Members of the 1987 Plan contribute 6% of the member's wages (not including overtime). A member who receives a disability pension does not make contributions to the member's fund.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2010. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. For the year ended June 30, 2014, the State's contribution rate was 21.6 percent of payroll.

Deferred Retirement Option Program The Deferred Retirement Option (DROP) for the State Police Retirement Fund was established in 2001 pursuant to the Pension Trust Agreement and is governed by the Department of the State Police and the Treasurer of the State of Indiana (Trustee). Members of the Pre-1987 and 1987 plans that are eligible to retire may elect to accumulate a DROP benefit while continuing to work. At the time of their election, the member executes an irrevocable election to retire on a DROP retirement date and remain in active service, but the member does not contribute to the fund during the DROP period. For the Pre-87 Plan, when an employee has completed 20 years of service or more, he/she may irrevocably elect to enter the DROP for a period ending the earlier of (1) 36 consecutive months, (2) completion of 34 years of service, or (3) attainment of age 65. An employee on disability cannot enter the DROP. From the date the employee enters the DROP, he/she will not be credited with any additional years of service. The employees DROP accrual will be equal to the basic monthly retirement benefit. At the end of the DROP period, the employee must separate from employment and retire. Upon separation, the employee will receive their accumulated DROP benefit in the form of a lump sum payment, a rollover to another retirement program, or a combination of both. For the 1987 Plan, all DROP requirements are the same as the Pre-87 plan, except that the employee must have completed 25 years of service or more. The DROP and future retirement monthly benefit is calculated as of the member's DROP entry date. At the time of retirement, the member must choose among the available options for distribution of the accumulated benefit under the DROP. As of June 30, 2014, the amount held by the plan pursuant to the DROP is $2.3 million.

Net Pension Liability of the SPRF The components of the net pension liability of the SPRF at June 30, 2014 were as follows:

Total pension liability	$ 540,797
Plan fiduciary net position	(467,998)
SPRF's net pension liability	$ 72,799
Plan fiduciary net position as a percentage of the total pension liability	86.5%

Actuarial Assumptions The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pre-1987 Plan	1987 Plan
Interest rate/investment return	6.75%	6.75%
Interest on member balances	3.00%	3.00%
Future salary increases, which includes inflation and cost of living increases	3.50%	9% age 26 & younger; reduced 0.5% through age 35; 4% age 36 and older

Mortality rates for healthy members were based on the 2014 separate non-annuitant and annuitant mortality tables (separate male and female tables) as published by the IRS. Mortality rates for disabled members were based on the same tables increased by 115% for disabled retirements and disabled terminations with deferred benefits.

The most recent comprehensive experience study was completed in 2011 and was based on member experience between June 30, 2005 and June 30, 2010. The demographic assumptions were updated as needed for the June 30, 2011 actuarial valuation based on the results of the study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future rates of return (expected returns, net of pension plan investment expense) were developed for each major asset class. These estimated returns were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Development of the long-term investment return is shown below:

Asset Class	Long-Term Expected Real Rate of Return (%)
Broad domestic equity	7.7
Global ex U.S. equity	7.9
Defensive fixed income	2.8
Domestic fixed income	3.0
High yield fixed income	5.1
Hedge funds - alternatives	5.1
Cash and equivalents	2.0

Discount rate The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate The following presents the net pension liability of the SPRF, calculated using the discount rate of 6.75%, as well as what the SPRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	$ 139,722	$ 72,799	$ 16,570

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (EG&C Plan) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to certain employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana State excise police officer, Indiana State conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties. The EG&C Plan was established in 1972 and is governed by the INPRS Board of Trustees in accordance with IC 5-10-5.5.The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

Funding Policy The funding policy for the EG&C Plan is in accordance with IC 5-10-5.5-8.5. Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The employer contribution rate is actuarially determined. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation. During fiscal year 2014, the State was required to contribute 20.75 percent of covered payroll

The member contribution rate is established by statute IC 5-10-5.5-8 at four (4) percent of a participant's salary to be contributed to the participant's savings account. The employer may pay all or a part of the contribution for the participant. Member contributions are used to fund a portion of the defined benefit payment. Any participant who terminates employment before accumulating 15 years of creditable service and before attaining the age of 45 shall be entitled to a lump sum refund of all contributions in the participant's savings account plus accumulated interest as determined by the INPRS Board of Trustees in accordance with IC 5-10-5.5-17.

<u>Funded Status and Funding Progress</u> As of June 30, 2014, the most recent actuarial valuation date, the plan was 87 percent funded. The actuarial accrued liability for benefits was $123.6 million, and the actuarial value of assets was $107.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $16.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $25.8 million, and the ratio of the UAAL to the covered payroll was 62 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Prosecuting Attorneys' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)</u>

<u>Plan Description</u> The Prosecuting Attorneys' Retirement Fund (PARF) is a single-employer defined benefit plan administered by the Board of Trustees of the Indiana Public Retirement System. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney or chief deputy prosecuting attorney; or serve as the executive director or assistant executive director of the Indiana Prosecuting Attorneys Council or as a state-paid deputy prosecuting attorney.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

<u>Funding Policy</u> The funding policy for PARF is in accordance with statute IC 33-39-7-23 that requires an appropriation, determined by the INPRS Board of Trustees from the State of Indiana General Fund, for each biennium to PARF computed on an actuarially funded basis and the recommendation of the actuary. For fiscal year 2014, employer contributions were $1.2 million.

The member contribution rate is established by statute IC 33-39-7-12 at six (6) percent of salary. The employer may elect to pay the contributions for a member. Members receive interest earnings at a rate specified by the INPRS Board of Trustees in accordance with IC 33-39-7-14. Member contributions are used to fund a portion of the defined benefit payment unless the member ends employment other than by death or disability before the member completes eight (8) years of creditable service. The INPRS Board of Trustees shall return to the fund member an amount equal to the total sum contributed to the fund plus interest as determined by the INPRS Board of Trustees in accordance with IC 33-39-7-13.

<u>Funded Status and Funding Progress</u> As of June 30, 2014, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was $65.3 million, and the actuarial value of assets was $52.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $12.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $20.6 million, and the ratio of the UAAL to the covered payroll was 60 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of INPRS – a fiduciary in nature component unit)</u>

<u>Plan Description</u> The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Indiana Public Retirement System. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement

System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

Funding Policy The funding policy is in accordance with statute IC 2-3.5-4-9 and IC 2-3.5-4-10. The amount required to actuarially fund participants' retirement benefits, as determined by the INPRS Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund for each biennium. For fiscal year 2014, employer contributions were $0.1 million.

Funded Status and Funding Progress As of June 30, 2014, the most recent actuarial valuation date, the plan was 83 percent funded. The actuarial accrued liability for benefits was $4.2 million, and the actuarial value of assets was $3.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.7 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $29,401 as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The Judges' Retirement System (JRS) is a single-employer defined benefit public employee retirement system administered by the Board of Trustees of the Indiana Public Retirement System, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge or justice of any of the following courts: Supreme Court of the State of Indiana; Court of Appeals; Circuit Court of a Judicial Circuit; Indiana Tax Court; or county courts including Superior, Criminal, Probate, Juvenile, Municipal and County Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State or county auditor. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are actuarially determined and approved by the INPRS Board of Trustees and by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statute also provide for remittance of docket fees and court fees. These are considered employer contributions. For fiscal 2014, employer contributions were $20.9 million.

Funded Status and Funding Progress As of June 30, 2014, the most recent actuarial valuation date, the plan was 90 percent funded. The actuarial accrued liability for benefits was $464.9 million, and the actuarial value of assets was $419.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $45.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $46.0 million, and the ratio of the UAAL to the covered payroll was 98 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single employer defined benefit plans are as follows:

	Primary Government	Fiduciary in Nature Component Unit				
	SPRF	ECRF	JRS	PARF	LRS	TRF - Pre-1996 Account
Annual Pension Cost and Net Pension Obligation (Asset)						
Annual required contribution	$ 13,869.5	$ 5,340.5	$ 27,647.7	$ 2,345.1	$ 138.3	$ 879,072.0
Interest on net pension obligation	(742.9)	(1,132.1)	(7,601.0)	(619.1)	(3.2)	75,195.0
Adjustment to annual required contribution	(896.6)	(1,317.8)	(8,847.7)	(720.7)	(3.7)	87,529.0
Annual pension cost	14,023.2	5,526.2	28,894.4	2,446.7	138.8	866,738.0
Contributions made	(10,603.2)	(5,358.6)	(20,894.7)	(1,173.8)	(138.3)	(831,941.0)
Increase (decrease) in net pension obligation	3,420.0	167.6	7,999.7	1,272.9	0.5	34,797.0
Net pension obligation, beginning of year	(11,006.3)	(16,771.5)	(112,607.2)	(9,172.9)	(47.0)	1,113,995.0
Net pension obligation, end of year	$ (7,586.3)	$ (16,603.9)	$ (104,607.5)	$ (7,900.0)	$ (46.5)	$ 1,148,792.0
Significant Actuarial Assumptions						
Investment rate of return	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Projected future salary increases:						
Total	3.50 - 9.00%	3.25%	4.00%	4.00%	3.00%	3.00 - 12.50%
Attributed to inflation	3.5%	3.00%	3.00%	3.00%	3.00%	3.00%
Cost of living adjustments	N/A	1.00%	4.00%	N/A	1.00%	1.00%
Contribution rates:						
State	20.30%	20.75%	Appropriation 34.03%	Appropriation 6.46%	Flat Dollar Amount *	Pay-As-You-Go
Plan members	5.00% - 6.00%	4.00%	6.00%	6.00%	0.00%	3.00%
Actuarial valuation date	7/1/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2014
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	Funding: traditional unit credit Accounting: Entry age noral cost	entry age normal cost
Amortization method	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar
Amortization period	30 years	30 years	30 years	30 years	30 years	30 years
Amortization period (from date)	7/1/2010	7/1/2007	7/1/2006	7/1/2007	7/1/1992	N/A
Amortization period (open or closed)	closed	closed	closed	closed	closed	closed
Asset valuation method	smoothed basis	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor
Historical Trend Information						
Year ended June 30, 2014						
Annual pension cost (APC)	$ 14,023.2	$ 5,526.2	$ 28,894.4	$ 2,446.7	$ 138.8	$ 866,738.0
Percentage of APC contributed	75.6%	97.0%	72.3%	48.0%	99.6%	96.0%
Net pension obligation (asset)	$ (7,586.3)	$ (16,603.9)	$ (104,607.5)	$ (7,900.0)	$ (46.5)	$ 1,148,792.0
Year ended June 30, 2013						
Annual pension cost (APC)	$ 14,681.5	$ 5,026.1	$ 25,756.9	$ 2,455.9	$ 140.7	$ 859,719.0
Percentage of APC contributed	300.0%	392.7%	432.6%	791.7%	106.6%	117.8%
Net pension obligation (asset)	$ (11,006.3)	$ (16,771.5)	$ (112,607.2)	$ (9,172.9)	$ (47.0)	$ 1,113,995.0
Year ended June 30, 2012						
Annual pension cost (APC)	$ 14,329.4	$ 5,559.5	$ 19,961.0	$ 1,955.6	$ 113.5	$ 853,735.0
Percentage of APC contributed	86.3%	90.9%	94.7%	94.0%	99.6%	89.5%
Net pension obligation (asset)	$ 18,353.4	$ (2,057.6)	$ (26,946.5)	$ 7,814.6	$ (37.7)	$ 1,267,356.0

SPRF - State Police Retirement Fund
ECRF - State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
JRS - Judges' Retirement System
PARF - Prosecuting Attorneys' Retirement Fund
LRS - Legislators' Retirement System
TRF Pre-1996 Account - Teachers' Retirement Fund Pre-1996 Account
N/A - Not Applicable
* $137,599 based on June 30, 2014 actuarial valuation

The State sponsors the following cost-sharing multiple-employer plans:

Public Employees' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The Public Employees' Retirement Fund (PERF) as part of the implementation of GASB Statement No. 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions means a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12, and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. PERF ASA Only Plan members are full-time employees of the State of Indiana (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013 were members of the PERF Hybrid Plan or (2) on or after March 1, 2013 do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the ASA Only Plan and must offer eligible employees the ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the ASA-Only Plan as an option to their employees. Since inception, 395 members have selected the ASA Only Plan, or approximately 9% of eligible new hires of the State.

The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs. As of June 30, 2014, there were 1,125 participating political subdivisions in addition to the State.

Funding Policy The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2014, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 9.7 percent was required from employers during the period of July 1 – December 31, 2013, and an average contribution rate of 11.0 percent was required for the period of January 1 – June 30, 2014. For the ASA Only Plan all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less that 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for fiscal year 2014 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Funded status and funding progress information is being disclosed for the State of Indiana employee portion of the plan. The funded status and funding progress information presented is for active and retired assets. As of June 30, 2014, the most recent actuarial valuation date, the state employees portion of the plan was 80 percent funded. The actuarial accrued liability for benefits was $5.9 billion, and the actuarial value of assets was $4.7 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $1.2 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.7 billion, and the ratio of the UAAL to the covered payroll was 69 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Teachers' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The Indiana State Teachers' Retirement Fund (TRF) was established by the Indiana General Assembly in 1921. In 1955, TRF was designed as a pay-as-you-go defined benefit retirement plan. In 1995, legislation was passed that closed the pay-as-you-go plan (renamed the TRF Pre-1996 Account) to newly hired members and created a new account (named the TRF 1996 Account) for all members hired after June 30, 1995. TRF is two (2) cost-sharing, multiple-employer defined benefit plans, TRF Pre-1996 Account and TRF 1996 Account. TRF is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.4, and IC 5-10.5.

The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-286-3544, or by visiting INPRS' website, www.in.gov/inprs.

TRF Pre-1996 Account: The Indiana State Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) is a pay-as-you-go cost-sharing, multiple-employer defined benefit plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees hired before July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date. There are two (2) aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement.

As of June 30, 2014, the number of participating employers was 339 in addition to the State.

TRF 1996 Account: The Indiana State Teachers' Retirement 1996 Account (TRF 1996) is a cost-sharing, multiple-employer defined benefit plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees (hired before July 1, 2011) hired after June 30, 1995. Members who were hired before July 1, 1995, were members of TRF Pre-1996. However, pursuant to the law in place prior to July 1, 2005, if a member of TRF Pre-1996 left employment and re-employed after June 30, 1995, the member and the liability were transferred to TRF 1996. There are two (2) aspects to the TRF 1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the TRF 1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement.

As of June 30, 2014, the number of participating employers was 362 in addition to the State.

Funding Policy

TRF Pre-1996 Account: State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three (3) percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5. The State of Indiana contributed $825.6 million in fiscal year 2014 to TRF Pre-1996. As part of the $825.6 million contribution, the State pre-funded a one-time check (a.k.a.13th check) of $19 million in accordance with 2013 HB 1080 (which went into the Pension Stabilization Fund). Employers contributed $6.3 million in fiscal year 2014.

TRF Pre-1996 Account members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

As of June 30, 2014, the most recent actuarial valuation date, the plan was 33 percent funded. The actuarial accrued liability for benefits was $16.4 billion, and the actuarial value of assets was $5.4 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $11.0 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.3 billion, and the ratio of the UAAL to the covered payroll was 871 percent.

TRF 1996 Account: The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As the TRF 1996 Account is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2014, all participating employers in the TRF 1996 Account were required to contribute 7.5 percent of covered payroll.

TRF 1996 Account members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

As of June 30, 2014, the most recent actuarial valuation date, the plan was 96 percent funded. The actuarial accrued liability for benefits was $5.2 billion, and the actuarial value of assets was $5.0 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $0.2 billion. The covered payroll (annual payroll of active employees covered by the plan) was $2.6 billion, and the ratio of the UAAL to the covered payroll was 8 percent.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) is a cost-sharing, multiple-employer defined benefit plan established to provide retirement, disability, and survivor benefits to all full-time police officers and firefighters who are hired (or rehired) after April 30, 1977. The 1977 Fund was established in 1977 and is governed by the INPRS Board of Trustees in accordance with IC 36-8-8 to provide coverage to full-time sworn officers of a police force of an Indiana city or town and full-time firefighters employed by an Indiana city, town, township or county. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

At June 30, 2014, the number of participating employer units totaled 162.

Funding Policy The funding policy for the 1977 Fund requires remittances of member and employer contributions based on percentages of the salary of a first class officer or firefighter rather than actual payroll. The employer contribution rate is actuarially determined. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 36-8-8-6. As the 1977 Fund is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2014, all participating employers were required to contribute 19.7 percent of the salary of a first class officer or firefighter.

The member contribution rate is established by statute IC 36-8-8-8 at six (6) percent of the salary of a first class officer or firefighter. Each fund member shall contribute during the period of the fund member's employment or for 32 years, whichever is shorter. The employer may pay all or a part of the contribution for the member. Member contributions are used to fund a portion of the defined benefit payment unless the member ends employment other than by death or disability before the fund member completes 20 years of active service. The accumulated value of the member's contribution, including interest, may be withdrawn if the member terminates employment prior to completing 20 years of service. The INPRS Board of Trustees shall return to the fund member in a lump sum the fund member's contributions plus interest as determined by the INPRS Board of Trustees in accordance with IC 36-8-8-8.

The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

	Fiduciary in Nature Component Unit		
Historical Trend Information	PERF-State	STRF	PFPF
Year ended June 30, 2014			
Annual required contribution	$ 188,035	$ 879,072	$ 103,425
Percentage contributed	100%	95%	135%
Employer contribution	$ 187,765	$ 831,942	$ 140,119
Year ended June 30, 2013			
Annual required contribution	$ 160,150	$ 873,751	$ 112,590 *
Percentage contributed	98%	116%	122% *
Employer contribution	$ 157,581	$ 1,013,080	$ 137,111
Year ended June 30, 2012			
Annual required contribution	$ 183,389	$ 866,207	$ 132,549 *
Percentage contributed	75%	88%	102% *
Employer contribution	$ 138,327	$ 764,423	$ 135,605

Note:
* For PFPF, Denotes ARC and percentage contributed corrected from reported in 2013 CAFR.

PERF - Public Employees' Retirement Fund (Administered by the INPRS Board of Trustees)
STRF - State Teachers' Retirement Fund - Pre-1996 Account (Administered by the INPRS Board of Trustees)
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by the INPRS Board of Trustees)

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of INPRS – a fiduciary in nature component unit)

Plan Description The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to: (1) members of the General Assembly who were serving on April 30, 1989, and who filed an election under IC 2-3.5-3-1(b); (2) members of the General Assembly who are first elected or appointed after April 30, 1989; and (3) members of the General Assembly who: (a) served before April 30, 1989; (b) were not serving on April 20, 1989; and (c) are subsequently reelected or reappointed to the General Assembly. The plan is administered by the Board of Trustees' of the Indiana Public Retirement System. The Indiana Public Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting INPRS' website, www.in.gov/inprs.

Funding Policy For the Legislators' Defined Contribution Plan, each participant is required to contribute five (5) percent of annual salary in accordance with statute IC 2-3.5-5-4. In addition, the State of Indiana is required by statute IC 2-3.5-5-5.5 to contribute a percentage of the member's annual salary on behalf of the participant as determined by INPRS Board of Trustees and confirmed by the State Budget Agency each year. This rate, by statute, cannot exceed the total contribution rate paid that year by the State to PERF for State employees. The State contribution rate is the sum of: (1) the State's employer contribution rate for State employees, and (2) the rate the State pays on behalf of State employees to their annuity savings accounts (3.0 percent). The contribution rate for calendar year 2013 was 12.7 percent and the rate for calendar year 2014 is 14.2 percent.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq*. Separate financial reports are not issued for these plans.

Financial Statements As separately issued financial statements are not available for the State Employee Retiree Health Benefit Trust Fund-DB, summarized financial statements are as follows:

State of Indiana
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014

	SPP & LP	ISPP	CEPP	Total
Assets				
Cash, cash equivalents and non-pension investments	$ 145	$ 27,323	$ 1,624	**$ 29,092**
Receivables:				
Contributions	59	111	-	**170**
Interest	-	15	-	**15**
Total receivables	59	126	-	**185**
Pension and other employee benefit investments at fair value:				
Debt Securities	43,922	10,622	7,399	**61,943**
Total investments at fair value	43,922	10,622	7,399	**61,943**
Total assets	**44,126**	**38,071**	**9,023**	**91,220**
Liabilities:				
Accounts/escrows payable	8	-	2	**10**
Benefits payable	273	1,160	66	**1,499**
Total liabilities	**281**	**1,160**	**68**	**1,509**
Net Position				
Restricted for:				
OPEB benefits	43,845	36,911	8,955	**89,711**
Total net position	**$ 43,845**	**$ 36,911**	**$ 8,955**	**$ 89,711**

State of Indiana
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014

	SPP & LP	ISPP	CEPP	Total
Additions:				
Member contributions	$ 59	$ 9,010	$ 609	**$ 9,678**
Employer contributions	4,508	25,748	2,110	**32,366**
Net investment income (loss)	56	35	4	**95**
Less investment expense	-	(1)	-	**(1)**
Federal reimbursements	-	523	-	**523**
Other	-	200	-	**200**
Total additions	4,623	35,515	2,723	**42,861**
Deductions:				
Retiree health benefits	4,781	18,889	1,051	**24,721**
Administrative	8	848	116	**972**
Total deductions	4,789	19,737	1,167	**25,693**
Net increase (decrease) in net position	(166)	15,778	1,556	**17,168**
Net position restricted for pension and other employee benefits, July 1, as restated:				
OPEB benefits	44,011	21,133	7,399	**72,543**
Net position restricted for pension and other employee benefits, June 30, as restated	**$ 43,845**	**$ 36,911**	**$ 8,955**	**$ 89,711**

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. However, trust funds as authorized by the Indiana General Assembly were created to start pre-funding the SPP, ISPP, and CEPP plans. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	$ 1,010	$ 810	$ 26,030	$ 2,822
Interest on net OPEB obligation	(1,382)	62	5,535	435
Amortization adjustment to ARC	1,885	(86)	(7,551)	(594)
Annual OPEB Cost	1,513	786	24,014	2,663
Contributions made	(3,200)	(508)	(24,835)	(2,482)
Change in net OPEB obligation	(1,687)	278	(821)	181
Net OPEB obligation - beginning of year	(30,697)	1,396	123,005	9,673
Net OPEB obligation - end of year	$ (32,384)	$ 1,674	$ 122,184	$ 9,854

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2015 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

	Monthly Premium
State Personnel Healthcare Plan (SP) and Legislature's Healthcare Plan (LP)	
Consumer Driven Health Plan #1	
Single (Non-Tobacco)	$ 437.71
Family (Non-Tobacco)	1,315.34
Consumer Driven Health Plan #2	
Single (Non-Tobacco)	599.17
Family (Non-Tobacco)	1,737.19
Traditional PPO	
Single (Non-Tobacco)	971.10
Family (Non-Tobacco)	2,728.18
Dental	
Single	24.31
Family	63.96
Vision	
Single	3.55
Family	9.01
Indiana State Police Healthcare Plan (ISPP)	
Basic Plan - Medical Only	
Retiree Only (Pre-Medicare)	395.36
Retiree Plus One Dependent (Pre-Medicare)	508.52
Retiree Only (Post-Medicare)	145.16
Retiree Plus One Dependent (Post-Medicare)	174.76
Optional Plan - Medical, Dental, & Vision	
Retiree Only (Pre-Medicare)	462.31
Retiree Plus One Dependent (Pre-Medicare)	631.65
Retiree Only (Post-Medicare)	169.16
Retiree Plus One Dependent (Post-Medicare)	223.02
Conservation and Excise Police Health Care Plan (CEPP) - Medical, Dental, & Vision	
Single - (Pre-Medicare)	337.84
Family - (Pre-Medicare)	592.25
Single (Post-Medicare)	134.93
Family (Post-Medicare)	193.64

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for June 30, 2012 through June 30, 2014 for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Personnel Healthcare Plan	6/30/2014	$ 1,513	211.5%	$ (32,384)
	6/30/2013	1,234	340.6%	(30,697)
	6/30/2012	2,930	1155.1%	(27,728)
Legislature's Healthcare Plan	6/30/2014	$ 787	64.6%	$ 1,674
	6/30/2013	809	65.9%	1,396
	6/30/2012	802	60.9%	1,120
Indiana State Police Healthcare Plan	6/30/2014	$ 24,013	103.4%	$ 122,184
	6/30/2013	25,850	45.2%	123,005
	6/30/2012	26,336	70.7%	108,840
Conservation and Excise Police Health Care Plan	6/30/2014	$ 2,663	93.2%	$ 9,854
	6/30/2013	2,894	100.0%	9,673
	6/30/2012	3,460	199.1%	9,671

<u>Funded Status and Funding Progress</u> The funded status of the plans as of June 30, 2014, was as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial accrued liability (a)	$ 36,355	$ 11,768	$ 294,840	$ 38,063
Actuarial value of plan assets (b)	44,067	-	38,014	9,023
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ (7,712)	$ 11,768	$ 256,826	$ 29,040
Funded ratio (b)/(a)	121.2%	0.0%	12.9%	23.7%
Covered payroll (c)	$ 1,219,424	$ 3,623	$ 93,630	$ 15,969
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a)-(b)]/(c))	-0.6%	324.8%	274.3%	181.9%

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2013 with adjustments for known experience for the period ending June 30, 2014.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial valuation date	6/30/2014	6/30/2014	6/30/2014	6/30/2014
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	Market Value of Assets	N/A	Market Value of Assets	Market Value of Assets
Actuarial assumptions:				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Investment rate of return	4.50%	4.50%	4.50%	4.50%
Projected salary increases	4.00%	4.00%	4.00%	4.00%
Healthcare inflation rate	9.0%	9.0%	9.0%	9.0%

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2013 projected to June 30, 2014 with adjustments for known experience for the period ending June 30, 2014. There have been no material changes in the retiree health benefits or contribution requirements from the most recent available actuarial valuation for the period ending June 30, 2013. However, the premiums and per capita costs were updated for the current year valuation. Also, three actuarial assumptions were updated as follows: (1) the discount rate for the SPP and ISPP were reduced from 7.00% and 5.25% respectively to 4.50%; (2) the mortality table was updated from IRS 2008 Static Mortality Table projected to 2013 using scale AA to IRS 2008 Static Mortality Table projected to 2018 using scale AA for all four plans; and (3) the health care trend rates for all four plans were changed to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0% for medical and prescription drug benefits.

Defined Contribution Plan

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan established as a trust fund, the Retiree Health Benefit Trust Fund, in IC 5-10-8-8.5. The State established this trust fund to provide funding for the retiree health benefit plan developed under IC 5-10-8.5. The plan is a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Financial Statements As separately issued financial statements are not available for the State Employee Retiree Health Benefit Trust Fund-DC, summarized financial statements are as follows:

State of Indiana
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014

	State Employee Retiree Health Benefit Trust Fund - DC
Assets	
Cash, cash equivalents and non-pension investments	$ 32,683
Receivables:	
Contributions	2,902
Interest	53
Total receivables	2,955
Pension and other employee benefit investments at fair value:	
Debt Securities	212,732
Total investments at fair value	212,732
Total assets	**248,370**
Liabilities:	
Accounts/escrows payable	19
Benefits payable	299
Total liabilities	**318**
Net Position	
Restricted for:	
OPEB benefits	248,052
Total net position	**$ 248,052**

State of Indiana
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014
(amounts expressed in thousands)

	State Employee Retiree Health Benefit Trust Fund - DC
Additions:	
Employer contributions	40,913
Net investment income (loss)	788
Total additions	41,701
Deductions:	
Retiree health benefits	15,625
Administrative	139
Total deductions	15,764
Net increase (decrease) in net position	25,937
Net position restricted for pension and other employee benefits, July 1, as restated:	
OPEB benefits	222,115
Net position restricted for pension and other employee benefits, June 30	**$ 248,052**

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the plan pursuant to Indiana Code 5-10-8-8.5. The plan establishes a retirement medical benefits account for elected officers, appointed officers, and most employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Legislation passed by the 2012 Indiana General Assembly removed from eligibility in the DC plan all Conservation Officers, all Excise Officers, and employees of the Indiana State Police who did not previously waive coverage under the agency's DB plan. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

The trust meets the requirements of a qualified OPEB trust. The trust is qualified under section 115 of the Internal Revenue Code.

Contributions The State is required to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	$500
At least 30, but less than 40	$800
At least 40, but less than 50	$1,100
At least 50	$1,400

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars ($1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

At June 30, 2014, the plan participants consisted of:

Description	Number
Active participants with accounts, not yet retired	27,440
Retired participants with accounts	5,338
Total	32,778

At June 30, 2014, plan participants' retirement medical plan account balances totaled $272.7

million which consisted of $164.3 million in unretired active participants' accounts and $108.4 million in retired participants' accounts.

This plan is a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the Retiree Health Benefit Trust Fund created by the State as a dedicated trust fund.

The trust fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

The annual required contribution for the fiscal year ending June 30, 2014 was $38.2 million. For the fiscal year ending June 30, 2014, the State contributed $20.4 million in cigarette tax revenues to this fund. Another $20.5 million was contributed by state agencies that are funded by federal or dedicated funds for their portion of funding. The retiree contribution includes the bonus contributions of $1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements.

G. Pollution Remediation Obligations

Nature and source of pollution remediation obligations:

Five state agencies have identified themselves as responsible or potentially responsible parties to remediate forty-seven pollution sites pursuant to the State's implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations effective July 1, 2008. Obligating events for the cleanup of these sites include the federal Superfund law, being named by a regulator to remediate hazardous wastes and contamination, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes:

The State's total estimated liability is $45.9 million of which $6.2 million is estimated to be payable within one year and $39.7 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids/surveys, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and recognized estimation methods, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.

Estimated recoveries reducing the liability:

The estimated recoveries total $18.1 million. Of this total, $0.2 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock, bankruptcy court settlements, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), and credits received for work performed on Superfund sites. The ELTF state law states that if insufficient funds exist to pay claims neither the State nor the Fund are liable for unpaid claims. The State recognized $4.2 million of program revenue for four sites whose realized recoveries exceeded the pollution remediation liability.