



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

*The Indiana Public Retirement System is a pension
trust fund of the State of Indiana.*



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

*The Indiana Public Retirement System is a pension
trust fund of the State of Indiana.*

Public Employees' Retirement Fund | Teachers' Retirement Fund: *Pre-1996 Account and 1996 Account* | 1977 Police Officers' and Firefighters' Pension and Disability Fund | Judges' Retirement System | State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan | Prosecuting Attorneys' Retirement Fund | Legislators' Retirement System: *Defined Benefit Plan and Defined Contribution Plan* | State Employees' Death Benefit Fund | Public Safety Officers' Special Death Benefit Fund | Pension Relief Fund

INPRS | One North Capitol, Suite 001 | Indianapolis, IN 46204
Toll-free: (888) 526-1687 | www.inprs.in.gov | questions@inprs.in.gov

INPRS is a trust and an independent body, corporate and politic. The fund is not a department or agency of the State of Indiana, but is an independent instrumentality exercising essential governmental functions. (Indiana Code Section 5-10.5-2-3).

Table of Contents

Indiana Public Retirement System

2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015



INTRODUCTORY SECTION

- 7 Letter of Transmittal
- 12 Government Finance Officers Association – Certificate of Achievement
- 13 Public Pension Coordinating Council – Public Pension Standards Award
- 14 Administrative Organization
- 16 Summary of Key Data as of June 30, 2015

Fund Highlights

- 17 Public Employees' Retirement Fund
- 18 Teachers' Retirement Fund
- 19 1977 Police Officers' and Firefighters' Pension and Disability Fund
- 20 Judges' Retirement System
- 21 State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
- 22 Prosecuting Attorneys' Retirement Fund
- 23 Legislators' Retirement System – Defined Benefit Plan

FINANCIAL SECTION

- 26 Independent Auditor's Report
- 28 Management's Discussion and Analysis

Financial Statements

- 38 Statement of Fiduciary Net Position
- 40 Statement of Changes in Fiduciary Net Position
- 42 Notes to the Financial Statements

Required Supplementary Information

- 91 Introduction to Required Supplementary Information and Other Supplementary Schedules
- 92 Schedules of Changes in Net Pension Liability and Net Pension Liability
- 100 Schedule of Contributions
- 102 Schedule of Investment Returns
- 103 Schedule of Notes to Required Supplementary Information

Other Supplementary Schedules

- 104 Schedule of Pension Relief Changes in Assets and Liabilities
- 105 Schedule of Administrative and Project Expenses

- 106 Schedule of Administrative and Project Contractual and Professional Services Expenses
- 107 Schedule of Investment Expenses

INVESTMENT SECTION

- 110 Report on Investment Activities
- 113 Report from the Chief Investment Officer
- 118 Outline of Investment Policies
- 120 Investment Summary

Investment Results – Consolidated Defined Benefit Assets

- 121 Retirement Plans in Consolidated Defined Benefit Assets
- 122 Asset Allocation Summary: June 30, 2015 Actual vs. June 30, 2014 Actual
- 123 Asset Allocation Summary: June 30, 2015 Actual vs. Target
- 124 Annualized Time-Weighted Rate of Return by Asset Class vs. Benchmark Returns
- 125 Asset Class Summaries
- 133 Historical Comparative Investment Results
- 134 Ten-Year Time-Weighted Investment Rates of Return
- 135 Statistical Performance

Investment Results – Annuity Savings Accounts and Legislators' Defined Contribution Plan

- 136 Assets by Investment Option
- 137 Historical Annualized Rate of Return by Investment Option vs. Benchmark Returns
- 138 Annuity Savings Accounts Ten-Year Guaranteed Fund Interest Crediting Rates
- 139 List of Largest Assets Held
- 140 Schedule of Fees and Commissions
- 141 Schedule of Investment Management Fees
- 143 Investment Professionals

ACTUARIAL SECTION

Indiana Public Retirement System

- 149 Introduction
- 150 Actuaries' Certification Letters
- 156 Summary of Funded Status
- 157 Analysis of Financial Experience
- 158 Ten-Year Schedule of Participating Employers

Public Employees' Retirement Fund

- 159 Historical Summary of Actuarial Valuation Results
- 160 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 165 Analysis of Financial Experience and Solvency Test
- 166 Schedule of Active Members Valuation Data
- 167 Schedule of Retirants and Beneficiaries

Teachers' Retirement Fund Pre-1996 Account

- 168 Historical Summary of Actuarial Valuation Results
- 169 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 173 Analysis of Financial Experience and Solvency Test
- 174 Schedule of Active Members Valuation Data
- 175 Schedule of Retirants and Beneficiaries

Teachers' Retirement Fund 1996 Account

- 176 Historical Summary of Actuarial Valuation Results
- 177 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 181 Analysis of Financial Experience and Solvency Test
- 182 Schedule of Active Members Valuation Data
- 183 Schedule of Retirants and Beneficiaries

1977 Police Officers' and Firefighters' Pension and Disability Fund

- 184 Historical Summary of Actuarial Valuation Results
- 185 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions

- 188 Analysis of Financial Experience and Solvency Test
- 189 Schedule of Active Members Valuation Data
- 190 Schedule of Retirants and Beneficiaries

Judges' Retirement System

- 191 Historical Summary of Actuarial Valuation Results
- 192 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 195 Analysis of Financial Experience and Solvency Test
- 196 Schedule of Active Members Valuation Data
- 197 Schedule of Retirants and Beneficiaries

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan

- 198 Historical Summary of Actuarial Valuation Results
- 199 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 202 Analysis of Financial Experience and Solvency Test
- 203 Schedule of Active Members Valuation Data
- 204 Schedule of Retirants and Beneficiaries

Prosecuting Attorneys' Retirement Fund

- 205 Historical Summary of Actuarial Valuation Results
- 206 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 208 Analysis of Financial Experience and Solvency Test
- 209 Schedule of Active Members Valuation Data
- 210 Schedule of Retirants and Beneficiaries

Legislators' Defined Benefit Plan

- 211 Historical Summary of Actuarial Valuation Results
- 212 Summary of Actuarial Assumptions, Actuarial Methods and Plan Provisions
- 215 Analysis of Financial Experience and Solvency Test
- 216 Schedule of Active Members Valuation Data
- 217 Schedule of Retirants and Beneficiaries

STATISTICAL SECTION

Indiana Public Retirement System

- 220 Summary of Statistical Section

- 221 Schedule of Changes and Growth in Fiduciary Net Position
- 222 Summary of Income Sources for a Ten-Year Period
- 223 Summary of Participating Employers
- 224 Membership Data Summary
- 226 Ratio of Active Members to Annuitants
- 227 Pension Benefits by Indiana County
- 228 Retirees by Geographical Location

Public Employees' Retirement Fund

- 229 Schedule of Changes and Growth in Fiduciary Net Position
- 230 Schedule of Historical Contribution Rates
- 231 Ratio of Active Members to Annuitants
- 232 Schedule of Benefit Recipients by Type of Benefit Option
- 233 Schedule of Average Benefit Payments
- 234 Schedule of Participating Employers: Top 10

Teachers' Retirement Fund Pre-1996 Account

- 235 Schedule of Changes and Growth in Fiduciary Net Position
- 236 Ratio of Active Members to Annuitants
- 237 Schedule of Benefit Recipients by Type of Benefit Option
- 238 Schedule of Average Benefit Payments
- 239 Schedule of Participating Employers: Top 10

Teachers' Retirement Fund 1996 Account

- 240 Schedule of Changes and Growth in Fiduciary Net Position
- 241 Schedule of Historical Contribution Rates
- 242 Ratio of Active Members to Annuitants
- 243 Schedule of Benefit Recipients by Type of Benefit Option
- 244 Schedule of Average Benefit Payments
- 245 Schedule of Participating Employers: Top 10

1977 Police Officers' and Firefighters' Pension and Disability Fund

- 246 Schedule of Changes and Growth in Fiduciary Net Position
- 247 Schedule of Historical Contribution Rates
- 248 Ratio of Active Members to Annuitants
- 249 Schedule of Benefit Recipients by Type of Benefit Option
- 250 Schedule of Average Benefit Payments
- 251 Schedule of Participating Employers: Top 10

Judges' Retirement System

- 252 Schedule of Changes and Growth in Fiduciary Net Position
- 253 Ratio of Active Members to Annuitants

- 254 Schedule of Benefit Recipients by Type of Benefit Option
- 255 Schedule of Average Benefit Payments

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan

- 256 Schedule of Changes and Growth in Fiduciary Net Position
- 257 Schedule of Historical Contribution Rates
- 258 Ratio of Active Members to Annuitants
- 259 Schedule of Benefit Recipients by Type of Benefit Option
- 260 Schedule of Average Benefit Payments

Prosecuting Attorneys' Retirement Fund

- 261 Schedule of Changes and Growth in Fiduciary Net Position
- 262 Ratio of Active Members to Annuitants
- 263 Schedule of Benefit Recipients by Type of Benefit Option
- 264 Schedule of Average Benefit Payments

Legislators' Defined Benefit Plan

- 265 Schedule of Changes and Growth in Fiduciary Net Position
- 266 Ratio of Active Members to Annuitants
- 267 Schedule of Benefit Recipients by Type of Benefit Option
- 268 Schedule of Average Benefit Payments

Legislators' Defined Contribution Plan

- 269 Schedule of Changes and Growth in Fiduciary Net Position
- 270 Schedule of Historical Contribution Rates

State Employees' Death Benefit Fund

- 271 Schedule of Changes and Growth in Fiduciary Net Position
- 272 Schedule of Average Death Benefit Payments

Public Safety Officers' Special Death Benefit Fund

- 273 Schedule of Changes and Growth in Fiduciary Net Position
- 274 Schedule of Average Death Benefit Payments

Pension Relief Fund

- 275 Schedule of Average Death Benefit Payments

Indiana Public Retirement System



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Introductory Section

7	Letter of Transmittal
12	Government Finance Officers Association – Certificate of Achievement
13	Public Pension Coordinating Council – Public Pension Standards Award
14	Administrative Organization
16	Summary of Key Data as of June 30, 2015
17	Fund Highlights

Letter of Transmittal



December 4, 2015

Dear Board Members:

It is with pleasure that we present the Comprehensive Annual Financial Report (CAFR) of the Indiana Public Retirement System (INPRS) for the fiscal year ended June 30, 2015.

About the System

As of June 30, 2015, INPRS was responsible for the investment of approximately \$29.9 billion in net assets. For the year, INPRS paid approximately \$2.4 billion in monthly retirement, disability and survivor benefits to 137,992 benefit recipients. INPRS received contributions of approximately \$2.1 billion from 221,962 members actively employed in public service and 1,212 participating employers statewide, and a nonemployer contributing entity (State of Indiana). INPRS also maintains accounts for 93,389 inactive members for a total membership of 453,343. Details about INPRS members and employers can be found in the Statistical Section of this report.

This report provides detailed information on the performance of nine (9) retirement plans administered by INPRS, including:

- Public Employees' Retirement Fund (PERF)
- Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)
- Teachers' Retirement Fund 1996 Account (TRF 1996)
- 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund)
- Judges' Retirement System (JRS)
- State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (EG&C Plan)
- Prosecuting Attorneys' Retirement Fund (PARF)
- Legislators' Defined Benefit Plan (LEDB Plan)
- Legislators' Defined Contribution Plan (LEDC Plan)

INPRS also administers two (2) Other Postemployment Benefit Funds. Both are special death benefit funds for public safety officers and state employees who die in the line of duty. In addition, INPRS manages an Agency Fund. The agency fund is the Pension Relief Fund, which was created by the Indiana General Assembly to address the unfunded pension obligations of the police officers' and firefighters' pension systems of Indiana's cities and towns. INPRS is not responsible for the administration of those local pension funds, which have been closed to new membership since the creation of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. However, INPRS makes disbursements from funds provided by the General Assembly to the local police and firefighter units throughout the state that are still obliged to pay benefits under those former plans.

Letter of Transmittal, continued

Since their establishment, the laws governing the administration of INPRS-administered funds have changed and expanded in response to the needs of our members, employers, and citizens.

In 1955, the Annuity Savings Account (ASA) was established as a supplemental benefit to the then existing defined benefit for PERF and TRF members, making these plans amongst the first in the nation to adopt a hybrid plan design. With employers paying the necessary contribution to fund the defined benefit, employees have since been required to make a contribution into a member managed account. Members are immediately vested in their ASAs. Upon retirement, PERF and TRF members can withdraw their ASA balance in a lump sum or they can convert their balance into an annuitized amount that is added to their defined benefit. Non-vested inactive members (i.e., members who have not met the requirements for a defined pension benefit) may elect to withdraw their ASA balances upon termination of employment.

The 1995 legislative session brought several significant changes to TRF. Legislation was passed that closed the pay-as-you-go plan (the Pre-1996 Account) to newly hired members and created a new account named the 1996 Account. All teachers hired after June 30, 1995, would be members of the 1996 Account. The 1996 Account was established to be actuarially pre-funded by requiring school corporations to set aside a fixed percentage of payrolls for teacher retirement benefits. Also, in 1995, the General Assembly passed legislation creating the Pension Stabilization Fund (PSF), designed to partially fund TRF's unfunded liability of the Pre-1996 Account. The PSF was initially funded from \$425 million of employer reserves from the Pre-1996 Account and, since that time, has received contributions from the Indiana State General Fund, contributions from the Indiana State Lottery, and interest earned from the investment of PSF assets. As of June 30, 2015, the PSF had a balance of \$2.8 billion.

A public referendum held in 1996 approved an amendment to the Indiana Constitution to allow the funds to invest in equities. Since that time, INPRS has been able to diversify its investment asset classes and grow its asset base.

In 2000, legislation established that the fund's administrative bodies would no longer be state agencies but each would be an "independent body corporate and politic." This means INPRS is not a department or agency of the State, but is an independent instrument exercising essential government functions. Under Indiana law, INPRS is under the jurisdiction of the State Ethics Commission.

Effective July 1, 2011, the administration of the Indiana State Teachers' Retirement Fund (TRF), established in 1921, and the funds previously administered by the Indiana Public Employees' Retirement Fund (PERF), established in 1945, were consolidated as the Indiana Public Retirement System (INPRS).

Benefit Plan and Other Legislative Changes during Fiscal Year 2015

Major changes passed in fiscal year 2014 that become effective in fiscal year 2015:

- Legislation provided a one-time check (a.k.a. 13th check) to benefit recipients of PERF, TRF and the EG&C Plan in various amounts based on years of service. In addition, benefit recipients of the 1977 Fund received a COLA increase.
- Legislation provided that INPRS keep the ASA annuity program in-house until at least January 1, 2017. Legislation also provided that between October 1, 2014 and September 30, 2015, the Board shall provide ASA annuities to retiring and retired PERF and TRF members at a 5.75 percent interest rate. Between October 1, 2015 and December 31, 2016, the interest rate will be the greater of the market rate or 4.5 percent. After December 31, 2016, whenever the Board enters into an agreement with a third party provider, the interest rate will be the market rate.

Letter of Transmittal, continued

Major changes passed in fiscal year 2015 that become effective in fiscal year 2016:

- Legislation provided a one-time check (a.k.a. 13th check) to benefit recipients of PERF, TRF and the EG&C Plan in various amounts based on years of service. In addition, benefit recipients of the 1977 Fund received a COLA increase.
- Legislation allows emergency medical service providers access to a special death benefit. Their death must be a direct result of carrying out their duties as a provider. This applies only to deaths after June 30, 2015. The employer must purchase coverage for each EMS provider at \$100 per year.
- Legislation allows INPRS to provide other methods of payment to members, in addition to direct deposit.
- Legislation provides PERF employers the choice to offer the PERF ASA Only option for retirement. They can offer the PERF ASA Only plan in addition to or instead of the PERF Hybrid plan. PERF employers are not able to offer a retirement benefit other than PERF. Pre-existing defined contribution plans are exempt. In addition, if an employer in the Public Employees' Retirement Fund (PERF) stops enrolling new positions in the fund, they must pay their share of unfunded liabilities.

Management's Responsibility for Financial Reporting

INPRS management has the fiduciary responsibility to safeguard the system and is responsible for the contents of this report. INPRS management is also responsible for establishing and maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization. INPRS management is responsible for ensuring that an adequate internal control structure is in place to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires management to make estimates and judgments. The internal control structure is subject to periodic evaluation by management and the internal audit staff to ensure compliance with applicable laws and regulations.

INPRS' unmodified opinion, as expressed in the independent auditor's report regarding the fair presentation of the financial statements, can be viewed in the Financial Section. In addition, the Financial Section contains the Management's Discussion and Analysis, which provides in depth discussion and analysis of the fiduciary net position, additions and deductions to net position, and funding progress.

Economic Condition

The economic condition of INPRS is based primarily upon investment results and contributions from members, employers and nonemployer contributing entities. Verus, the primary investment management consultant for INPRS, and the INPRS Chief Investment Officer (CIO) evaluated the impact of economic conditions on the investments of INPRS. The Verus Report on Investment Activities and the CIO Report are located in the Investment Section of this report. In aggregate, fiscal year 2015 contributions from members, employers, and nonemployer contributing entities to all of the INPRS administered plans were 104.5 percent of the Actuarial Determined Contribution.

Investments

In fiscal year 2015, INPRS Consolidated Defined Benefit Assets time-weighted rate of return is 0.0 percent net of fees. Investments in global public equity, private equity, absolute return and commodities outperformed their respective benchmarks. The five-year return rate of 7.7 percent is above the long-term actuarial assumed rate of 6.75 percent. While, the three-year rate of return of 6.4 percent and the 10-year rate of return of 4.7 percent are below the long term actuarial

Letter of Transmittal, continued

assumed rate of 6.75 percent. INPRS implemented a risk-based asset allocation beginning in 2011. Since that time, the portfolio has performed as expected given U.S. and global market conditions. As with any long-term, forward-looking asset allocation, the true test will be time as the portfolio weathers changing environments.

The foundation of any successful investment program is the commitment to and execution of disciplined decision-making policies and processes conducted by competent investment professionals. The INPRS Investment Policy Statement is an essential element of our commitment to investments excellence. Detailed investment policies and results can be found in the Investment Section of this report.

Funding

An actuarial analysis of all INPRS-administered retirement plans is performed on an annual basis. An assumption experience study is performed every three to five years. PricewaterhouseCoopers (PwC) completed an experience study for all DB retirement plans except TRF and Nyhart completed an experience study for both TRF Pre-1996 and TRF 1996 during fiscal year 2015.

One purpose of the annual actuarial analysis is to measure the funding status, typically referred to as the funded percentage. The percentage is computed by dividing the actuarial value of net assets by the actuarial accrued liability. This ratio provides an indication of the funding status of the plan, and generally, the greater this percentage, the stronger the plan.

As discussed earlier in this letter, INPRS administers eight (8) separate DB retirement plans. The aggregate funded status percentage for all the pre-funded plans in fiscal year 2015 is 86.0 percent compared to 87.9 percent in fiscal year 2014. Decline from last year is due to the experience study. INPRS adopted the mortality tables issued by the Society of Actuaries in 2014. The TRF Pre-1996 pay-as-you-go account, designed in 1921 for a zero funded status, actually has a funded status of 30.4 percent thanks to the underpinning of the Pension Stabilization Fund and member ASA account balances. Actuarial standards consider a funded percentage of 80 percent or better as being healthy. We are pleased with our overall funded status and continue to work to achieve 100 percent funding.

Details of the actuarial analysis can be found in the Actuarial Section of this report and the supporting statistics can be found in the Statistical Section. In the Statement of Changes in Fiduciary Net Position, contained in the Financial Section of this report, the accumulated balance of funds derived from the excess of additions over deductions is referred to as the net position restricted for pension benefits. The actuarial accrued liability is not disclosed in the Statement of Fiduciary Net Position, but is disclosed in the Summary of INPRS Funded Status in the Actuarial Section.

Accomplishments in 2015

The INPRS strategic plan provides the foundation from which INPRS moves towards its vision to be a 100% funded public retirement system trusted and valued by stakeholders. A copy of the INPRS strategic plan that includes details of accomplishments in FY15 can be found on the INPRS website www.inprs.in.gov. FY15 marked a year of transition as INPRS shifted focus from the implementation of modernized IT systems to a focus on quality management and process improvement. Embedding a culture of value oriented continuous improvement is the cornerstone to achieving the INPRS strategic plan.

Letter of Transmittal, continued

Acknowledgements

The compilation of this report reflects the combined efforts of INPRS staff and advisors. It is intended to demonstrate the spirit of full disclosure and to provide information for use as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by our members and employers.

If, after reviewing this report, you would like more information, please feel free to contact us at questions@inprs.in.gov.

We express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report. The INPRS staff also wishes to express our gratitude to Indiana Governor Mike Pence, the Indiana General Assembly, members of the Indiana Committee on Pension Management Oversight, and the INPRS Board of Trustees who provided INPRS staff the privilege of serving the needs of our members and employers.

Sincerely,



Steve Russo
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Indiana Public Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2015***

Presented to

Indiana Public Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)



Alan H. Winkle
Program Administrator

Administrative Organization¹

Board of Trustees



Brian Abbott



Jillean Battle



Ken Cochran



Suzanne Crouch



Sara Beth Murphy



Deanna Oware



Mike Pinkham



Kyle Rosebrough



Bret Swanson

Executive Team



Steve Russo
Executive Director



Steven Barley
*Chief Operations
Officer and
Deputy Director*



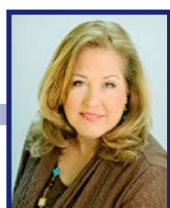
Donna Brown
*Chief Financial
Officer*



David Cooper
*Chief Investment
Officer*



Tony Green
*Chief Legal
and Compliance
Officer*



Donna Grotz
*Director of Strategic
Initiatives and
Administration*



Mike Hinline
*Chief Information and
Technology Officer*



Jeffrey Hutson
*Chief
Communication
Officer*



Teresa Snedigar
*Director of
Internal Audit*

¹As of June 30, 2015.

Vision:

To be a 100 percent funded public retirement system trusted and valued by stakeholders.

Mission:

Efficiently collect necessary contributions, manage assets and pay earned benefits.

Principles:

Integrity. We hold ourselves accountable to the highest standards of ethical and professional behavior.

Stewardship. We prudently invest assets held in trust for current and future retirees. We wisely manage expenses to maximize value to our stakeholders. We rigorously identify, measure, and manage risk across the organization.

Service. We exist to serve our stakeholders with attentiveness to high quality, respectful customer service.

Trust. We are our stakeholders' trusted source of reliable information.

Collaboration. We seek out stakeholder input when establishing goals and setting priorities.

Mike Pence
Governor

Sue Ellspermann
Lt. Governor

Executive Team¹

Steve Russo
Executive Director

Steven Barley
Chief Operations Officer
and Deputy Director

Donna Brown
Chief Financial Officer

David Cooper
Chief Investment Officer

Tony Green
Chief Legal and Compliance Officer

Donna Grotz
Director of Strategic Initiatives
and Administration

Mike Hineline
Chief Information and
Technology Officer

Jeffrey Hutson
Chief Communication Officer

Teresa Snedigar
Director of Internal Audit

Professional Consultants²

Groom Law Group
1701 Pennsylvania Ave., N.W.
Washington, DC 20006-5811

Ice Miller LLP
One American Square, Suite 2900
Indianapolis, IN 46282

Krieg DeVault LLP
One Indiana Square, Suite 2800
Indianapolis, IN 46204

Nyhart
8415 Allison Pointe Blvd., Suite 300
Indianapolis, IN 46250

PricewaterhouseCoopers LLP
One North Wacker Drive
Chicago, IL 60606

Verus
999 Third Avenue, Suite 4200
Seattle, WA 98104

¹As of June 30, 2015.

²A complete list of investment professionals that have provided services to INPRS can be found at the end of the Investment Section.

Indiana Public Retirement System



Summary of Key Data as of June 30, 2015

- PERF = Public Employees' Retirement Fund
- TRF Pre-1996 = Teachers' Retirement Fund Pre-1996 Account
- TRF 1996 = Teachers' Retirement Fund 1996 Account
- 1977 Fund = 1977 Police Officers' and Firefighters' Pension and Disability Fund
- JRS = Judges' Retirement System
- EG&C Plan = State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
- PARF = Prosecuting Attorneys' Retirement Fund
- LEDB Plan = Legislators' Defined Benefit Plan
- LEDC Plan = Legislators' Defined Contribution Plan

(dollars in millions)

Plan	Number of Employers ¹	Total Number of Members	Fiduciary Net Position	Actuarial Value of Assets (AVA)	Actuarial Accrued Liabilities (AAL)	Unfunded AAL	Funded Status (AVA/AAL)
PERF	1,167	288,342	\$ 13,908	\$ 14,132	\$ 17,980	\$ 3,848	78.6%
TRF Pre-1996	339	71,477	5,100	5,172	17,018	11,846	30.4
TRF 1996	360	72,984	5,379	5,461	5,906	445	92.5
1977 Fund	165	18,103	4,828	4,939	4,681	(258)	105.5
JRS	1	804	437	448	469	21	95.4
EG&C Plan	1	759	110	113	133	20	84.9
PARF	1	553	54	55	78	23	70.4
LEDB Plan	1	99	3	3	4	1	77.1
LEDC Plan	1	222	28	-	-	-	-
Other ²	-	-	14	-	-	-	-
Total	1,212	453,343	\$ 29,861	\$ 30,323	\$ 46,269	\$ 15,946	86.0%³

¹Sum of individual employers by retirement plan does not equal total employers, since one (1) employer may participate in multiple retirement plans.

²Includes State Employees' Death Benefit Fund and Public Safety Officers' Special Death Benefit Fund.

³Total INPRS, excluding TRF Pre-1996 Account (Pay-As-You-Go).

Fund Highlights

Hybrid Plan

The membership of the Public Employees' Retirement Fund (PERF) Hybrid plan includes eligible state and local government entities.

Eligibility for Pension Benefit Payment¹

- Early retirement with reduced benefits between ages 50-59 with 15 years of service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Age 60 with 15 years of service
- Age 65 with 10 years of service
- Age 65 with 8 years of service²
- Age 70 with 20 years of service³

Contribution Rates

- Employer contribution rates for the Defined Benefit (pension) are determined annually by the INPRS Board based on recommendations by the INPRS actuary.
- Members are required to contribute 3 percent of gross wages to their Annuity Savings Account. Employers have the option of making all or part of this contribution on behalf of the member. Members may also make voluntary contributions to the Annuity Savings Account up to an additional 10 percent of their gross wages, under certain limitations.

Benefit Formula

Lifetime Annual Benefit = (Years of Creditable Service x Average Highest 20 Quarters of Salary x .011) + Annuity Savings Account⁴

Cost of Living Allowance (COLA)

Cost of living adjustments are granted by the Indiana General Assembly on an ad hoc basis.

ASA Only Plan

Established on March 1, 2013, the membership of the Public Employees' Retirement Fund (PERF) ASA Only plan includes first-time, full-time employees of the State of Indiana and quasi agencies.

Eligibility for Plan Payment

- Members are fully vested in the 3 percent employee share (Annuity Savings Account) upon hire
- The member's share of the employer contribution is based on full years of participation:

1 year = 20 percent
2 years = 40 percent
3 years = 60 percent
4 years = 80 percent
5 years = 100 percent

Contribution Rates

- Employer pays the mandatory 3 percent employee (member) share of gross wages.
- The employer share is also paid by the employer, but the member must meet vesting requirements.⁵

Benefit Formula

Not applicable

Cost of Living Allowance (COLA)

Not applicable

¹A member is eligible for withdrawal of the PERF Hybrid Plan Annuity Savings Account (ASA) benefit once he/she separates from service for 30 days. Certain restrictions may apply if the member is vested in a pension benefit.

²A member who has at least eight years of PERF Plan service as a county clerk, county auditor, county recorder, county treasurer, county sheriff or county coroner is eligible for normal retirement after reaching age 65. This change in the law applies only to members retiring after June 30, 2002. Public Law 73-2002 also provides that a member serving as state auditor, state treasurer or secretary of state, and whose term commences after the November 5, 2002 election, be vested with at least eight years of creditable service.

³Actively employed members who have completed at least 20 years of service may apply for retirement benefits at age 70, remain actively employed in a PERF covered position without a separation from service, and receive monthly benefits.

⁴Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined pension benefit or in a total distribution.

⁵Contribution amounts covering unfunded pension liability are not made to member ASA Only accounts.

Fund Highlights, continued

The membership of the Indiana State Teachers' Retirement Fund (TRF Pre-1996 and 1996 Accounts) includes eligible educators and administrators.

Eligibility for Pension Benefit Payment¹

- Early retirement with reduced benefits between ages 50-59 with 15 years of service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Age 60 with 15 years of service
- Age 65 with 10 years of service
- Age 70 with 20 years of service²

Contribution Rates

- The Pre-1996 Account is funded primarily by State General Fund appropriations and state lottery proceeds.
- Employer contribution rates for the 1996 Account are determined annually by the INPRS Board based on recommendations by the INPRS actuary.
- Members are required to contribute 3 percent of gross wages to their Annuity Savings Account. Employers have the option of making all or part of this contribution on behalf of the member. Members may also make voluntary contributions to the Annuity Savings Account up to an additional 10 percent of their wages, under certain limitations.

Benefit Formula

$$\begin{aligned} &\text{Lifetime Annual Benefit} = \\ &\quad (\text{Years of Creditable Service} \\ &\quad \times \text{Average Highest Five-Year Annual Salary} \\ &\quad \times .011) + \text{Annuity Savings Account}^3 \end{aligned}$$

Cost of Living Allowance (COLA)

Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

¹A member is eligible for withdrawal of the Annuity Savings Account (ASA) benefit once he/she separates from service for 30 days. Certain restrictions may apply if the member is vested in a pension benefit.

²Actively employed members who have completed at least 20 years of service may apply for retirement benefits at age 70, remain actively employed in a TRF covered position without a separation from service, and receive monthly benefits.

³Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined pension benefit or in a total distribution.

1977 Police Officers' and Firefighters' Pension and Disability Fund provides 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 or township.

Eligibility for Pension Benefit Payment

- Early retirement with reduced benefits at age 50
- Age 52 with 20 years of service
- Deferred Retirement Option Plan (DROP) available to members who are eligible for an unreduced retirement – members continue to work and earn a salary while accumulating a DROP benefit

Contribution Rates

- Employer contribution rate is adopted by the INPRS Board of Trustees based on recommendations by the INPRS actuary.
- Member must also contribute 6 percent of first-class salary for the term of the member's employment up to 32 years.
- Employers have the option of making all or part of this contribution on behalf of the member.

Benefit Formula

Annual Benefit = 50 percent of first-class salary for 20 years of service.¹

Cost of Living Allowance (COLA)

Cost of living adjustment is a percentage determined by statute equal to the change in the Consumer Price Index but not in excess of a 3 percent increase.

¹This percentage is increased by 1 percent for each six months of active service accumulated after 20 years of service (to a maximum of 32 years, or 74 percent).

Fund Highlights, continued

The Judges' Retirement System includes any person who has served, is serving or shall serve as a regular judge or justice of the Supreme Court of the state of Indiana, Court of Appeals, Indiana Tax Court, Circuit Court of a Judicial Court, or County Courts including: Superior, Criminal, Probate, Juvenile, Municipal and County Courts. Beginning Jan. 1, 2011, full-time magistrates who are serving on July 1, 2010, may elect to be members of the 1985 System. The 1985 System is mandatory for all new judges and beginning Jan. 1, 2011, all new full-time magistrates.

Eligibility for Pension Benefit Payment

- Early retirement with reduced benefits at age 62 and at least eight years of service credit
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Age 65 with at least eight years of service credit

Contribution Rates

- Employer contributions are determined by the Indiana General Assembly as appropriations from the state's General Fund and certain court and docket fees.
- A member of either the 1977 or 1985 Judges' Retirement System is required to contribute 6 percent of the member's salary for a maximum period of 22 years.
- No contributions are due to either retirement system during the time that a member is not employed as a judge or for any period of service as a senior judge.

Benefit Formula

$$\text{Annual Benefit} = \text{Salary at Retirement}^1 \times \text{Percentage Below}$$

Years of Service	Percentages	Years of Service	Percentages
8	24%	16	54%
9	27%	17	55%
10	30%	18	56%
11	33%	19	57%
12	50%	20	58%
13	51%	21	59%
14	52%	22 or more	60%
15	53%		

Cost of Living Allowance (COLA)

For participants of the 1977 System and the 1985 System (who apply for a benefit after 12/31/09), the cost of living allowance is a percentage increase equal to the increase in the salary of the participant's position from which the participant retired.

¹Benefit calculations for the 1977 System (those who began service as a judge before September 1, 1985) are based on the salary being paid for the office that the participant held at the time of the participant's separation from service. The 1985 System (those who began service as a judge after August 31, 1985) uses the applicable salary determined by statute.

Fund Highlights, continued

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan includes members engaged exclusively in the performance of law enforcement duties 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 or gaming agent.

Eligibility for Pension Benefit Payment

- Early retirement with reduced benefits at age 45 with at least 15 years of creditable service
- Age 50 with 25 years of service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Deferred Retirement Option Plan (DROP) – continue to work and earn a salary while accumulating a DROP benefit

Contribution Rates

- Employer contribution rate is adopted by the INPRS Board of Trustees based on recommendations by the INPRS actuary.
- Member is required to contribute 4 percent of member's annual salary. The contribution is made through payroll deduction and is deposited in member's account.

Benefit Formula

$$\text{Annual Benefit} = 25 \text{ percent}^1 \times \text{Average Annual Salary}^2$$

Cost of Living Allowance (COLA)

Cost of living allowance is applied at the same rate as was granted by the Indiana General Assembly for the Public Employees' Retirement Fund.

¹This percentage is increased by 1.66 percent of average annual salary for each completed year of creditable service after 10 years. However, the total percentage may not exceed 75 percent.

²Average Annual Salary is defined as the average annual salary of an officer during the five years of highest annual salary in the 10 years immediately preceding an officer's retirement date.

Fund Highlights, continued

The Prosecuting Attorneys' Retirement Fund (PARF) includes prosecuting attorneys, chief deputy prosecuting attorneys and other deputy prosecuting attorneys paid by the state. PARF members are also members of the PERF Plan. According to statute, benefits payable from PARF are reduced by any benefits payable from the PERF Plan.

Eligibility for Pension Benefit Payment

- Early retirement with reduced benefits at age 62 and at least eight years of service credit
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Age 65 with at least eight years of service credit

Contribution Rates

- Actuarially determined State General Fund appropriations
- A prosecuting attorney or chief deputy prosecuting attorney must contribute 6 percent of the state-paid portion of member's salary. The State of Indiana has the option of making this contribution on behalf of the member. This 6 percent contribution will be withheld by the Auditor of the State.
- Prosecuting attorneys and chief deputy prosecuting attorneys are also PERF members, and the member's mandatory 3 percent PERF ASA contributions are paid on member's behalf by the state.

Benefit Formula

Annual Benefit = Highest Annual Salary
(state-paid portion only) at Retirement
x Percentage Below

Years of Service	Percentages
Less than 8	0%
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%

Years of Service	Percentages
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

Cost of Living Allowance (COLA)

No cost of living allowance is provided.

The Legislators' Retirement System Defined Benefit Plan (LEDB plan) includes only legislators of the state of Indiana who were serving on April 30, 1989, and elected participation. Legislators elected or appointed after April 30, 1989, participate in the Legislators' Defined Contribution Plan (LEDC plan).

Eligibility for Pension Benefit Payment

- Early retirement at least age 55 with 10 years of creditable service, when member is no longer serving in the General Assembly and is not receiving, nor entitled to receive, compensation from the state for work in any capacity
- At age 55 if age and creditable service equal at least 85 ("Rule of 85")
- Age 60 with at least 15 years of service as a member of the General Assembly
- Age 65 with 10 years or more of creditable service as a member of the General Assembly (or meet the requirements for disability benefits under this plan)

Contribution Rates

- The LEDB plan employer contributions are actuarially determined State General Fund appropriations. There are no member contributions for the defined benefit plan.
- For the LEDC plan, the state contribution is determined by multiplying the member's salary for that year by a percentage determined by the INPRS Board and confirmed by the State Budget Agency not to exceed the total contribution rate paid that year by the state to INPRS for state members. The member must contribute 5 percent of member's salary for service after June 30, 1989.

Benefit Formula

The lesser of:

- $\$40 \times \text{Years of service before November 8, 1989 or}$
- $\text{Highest consecutive three-year average annual salary at termination} \div 12$

Cost of Living Allowance (COLA)

Cost of living allowance is applied at the same rate as was granted by the Indiana General Assembly for the Public Employees' Retirement Fund.

