

# Indiana Public Retirement System

Teachers' Retirement Fund 1996 Account  
Report on Allocation of Pension Amounts

For the Year Ended June 30, 2014



Assurance ■ Tax ■ Consulting

**Indiana Public Retirement System**

**Teachers' Retirement Fund 1996 Account  
Report on Allocation of Pension Amounts**

**Year Ended June 30, 2014**

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## Independent Auditor's Report

Board of Trustees  
Indiana Public Retirement System

### Report on the Schedules

We have audited the accompanying Schedule of Employer Allocations of the Indiana Public Retirement System (System) Teachers' Retirement Fund 1996 Account as of and for the years ended June 30, 2014 and 2013, and the related Notes to the Schedule. We have also audited the total for all entities of the columns titled net pension liability as of June 30, 2014 and 2013, and total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer, of the System as of and for the year ended June 30, 2014, and the related Notes to the Schedules.

### *Management's Responsibility for the Schedules*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations as of and for the years ended June 30, 2014 and 2013 and net pension liability for the total of all participating entities for the System as of June 30, 2014 and 2013, and total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for the total of all participating entities for the System as of and for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Indiana Public Retirement System as of and for the year ended June 30, 2014, and our report thereon, dated December 17, 2014, expressed an unmodified opinion on those financial statements.

## ***Other Information:***

Our audit for the year ended June 30, 2014 and 2013 was conducted for the purpose of forming opinions on the Schedules. The other information (pages 29 – 41) is presented for the purpose of additional analysis. The other information has not been subjected to the auditing procedures applied in the audit of the Schedules, and accordingly, we do not express an opinion or provide any assurance on it.

## **Restriction on Use**

Our report is intended solely for the information and use of the management and the Board of Trustees of Indiana Public Retirement System, and System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

Indianapolis, Indiana  
August 3, 2015

## Indiana Public Retirement System

### Teachers' Retirement Fund 1996 Account

#### Notes to the Schedules of Employer Allocations and Pension Amounts by Employer Year Ended June 30, 2014

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#### Nature of the Schedules

The purpose of these schedules is to provide employers information, with regard to GASB Statement No. 68, for their financial statements. As of the measurement date, the schedules provide each employer with their proportionate share of the net pension liability, deferred outflows and inflows of resources, and pension expense. The proportionate share of net pension liability as of June 30, 2013 is provided as a beginning balance. Deferred outflows and inflows of resources, and pension expense include: each employer's proportionate share of plan level amounts such as differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and changes in assumptions, plus amounts specifically related to the individual employer such as a change in proportion, differences between the employer's contributions and the employer's proportionate share of collective contributions, and employer service purchase credits.

#### Basis of the Allocation

Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. This basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined. This pension plan does not have a special funding situation, as there is not a non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plan.

#### Net Pension Liability

The net pension liability for fiscal year 2014 is calculated as set forth in the following table:

Net pension liability - beginning July 1, 2013	\$ 314,471,586
Total pension expense	131,809,475
Deferred outflows of resources	7,297,433
Deferred inflows of resources	(211,276,794)
Defined Benefit Plan Employer Contributions - CAFR total	(194,750,861)
Net pension liability - ending June 30, 2014	<u>\$ 47,550,839</u>

#### Average Expected Remaining Service Life

The average expected remaining service life of the pension plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan including retirees. The total future service years of the plan are determined using the mortality, termination, retirement and disability assumptions associated with the plan. The average expected remaining service life is used to amortize all deferred outflows and inflows of resources, except for the difference between expected and actual investment earnings, which is amortized over five years.

	<u>Years</u>
June 30, 2014	13

## Indiana Public Retirement System

### Teachers' Retirement Fund 1996 Account

#### Notes to the Schedules of Employer Allocations and Pension Amounts by Employer Year Ended June 30, 2014

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#### Types of Deferred Outflows and Inflows of Resources

Difference between expected and actual experience: the actuaries use assumptions such as future salary increases and inflation to develop what they expect to be the experience of the pension plan. Each year the difference between the expected experience and the actual experience is amortized over the average expected remaining service life of the plan.

Net difference between projected and actual investment earnings: the actuaries use the pension plans long term rate of return to project investment earnings net of investment expenses. The difference between the expected and the actual investment earnings is deferred and amortized over five years.

Changes in assumptions: there were no changes in assumptions for the June 30, 2014 actuarial valuation.

A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service life of the plan.

The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service life of the plan.

#### Pension Expense

As part of the plan pension expense, employer's service purchase credits are expensed in the year purchased. Total pension expense has been reduced by the amount of contributions paid by INPRS:

The components of pension expense are:

Service cost	\$	155,314,388
Interest on the Total Pension Liability		262,263,149
Projected earnings on plan investments		(236,899,056)
Change of benefit terms		(4,504,201)
Pension plan administrative expenses		6,707,586
Recognition of outflow (inflow) of resources due to amortization		<u>(51,072,391)</u>
Total pension expense - actuarial valuation		131,809,475
Reconciling items:		
INPRS employer contributions for INPRS employees		<u>(139,327)</u>
Total pension expense - subject to allocation	\$	<u><u>131,670,148</u></u>

#### Access to INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations

Link to the INPRS June 30, 2014 CAFR

[www.in.gov/inprs/files/2014INPRSCAFRBook\\_Web.pdf](http://www.in.gov/inprs/files/2014INPRSCAFRBook_Web.pdf)

Link to the June 30, 2014 Actuarial Valuations

[www.in.gov/inprs/files/FY2014TRFActuarialValuationReport.pdf](http://www.in.gov/inprs/files/FY2014TRFActuarialValuationReport.pdf)

**OTHER INFORMATION  
(UNAUDITED)**

**Indiana Public Retirement System**

**Teachers' Retirement Fund 1996 Account**

**Notes to the Schedule of Additional Pension Amounts by Employer (Unaudited)  
Year Ended June 30, 2014**

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**Nature of the Schedule**

The purpose of this schedule is to provide employers additional information with regard to GASB Statement No. 68 for their financial statements.

**Contributions**

As of the measurement date, the schedule provides each employer their contributions and reflects the reversal of any prior year accrual and the addition of any current year accrual.

**Amortization of Net Deferred Outflows and Inflows of Resources**

For each employer this schedule provides the amortization of net deferred outflows and inflows of resources for the next five years and thereafter.

**Discount Rate Sensitivity**

The discount rate sensitivity for each employer's net pension liability is provided assuming a 1% decrease and a 1% increase in the pension plan's discount rate.