

Indiana Public Retirement System

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

For the Year Ended June 30, 2019



Indiana Public Retirement System

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

Year Ended June 30, 2019

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Schedule of Allocation	3
Schedule of Pension Amounts	4 - 5
Notes to the Schedules of Allocation and Pension Amounts	6 - 8



Independent Auditor's Report

RSM US LLP

Board of Trustees
Indiana Public Retirement System

Report on the Schedules

We have audited the accompanying Schedule of Allocation of the Indiana Public Retirement System (System) Teachers' Retirement Fund Pre-1996 Account as of and for the years ended June 30, 2019 and 2018, and the related Notes to the Schedules. We have also audited the total for all entities of the columns titled beginning net pension liability, ending net pension liability, 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 of the System as of and for the year ended June 30, 2019, 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 Allocation and the specified column totals included in the Schedule of Pension Amounts based on our audits. We conducted our audits 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 Allocation and specified column totals included in the Schedule of Pension Amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Allocation and specified column totals included in the Schedule of Pension Amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Allocation and specified column totals included in the Schedule of Pension Amounts, 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 Allocation and specified column totals included in the Schedule of Pension Amounts 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 Allocation and specified column totals included in the Schedule of Pension Amounts.

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, 2019 and 2018, and the total for all entities of the columns titled beginning net pension liability, ending net pension liability, 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 of the System as of and for the year ended June 30, 2019, 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, 2019, and our report thereon, dated November 22, 2019, expressed an unmodified opinion on those financial statements.

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.

RSM US LLP

Indianapolis, Indiana
December 20, 2019

Indiana Public Retirement System

Teachers' Retirement Fund Pre-1996 Account

Schedule of Allocation

As of and for the Years Ended June 30, 2019 and 2018

Non-Employer Contributing Entity	2019		2018	
	Contributions	Proportionate Share Factor	Contributions	Proportionate Share Factor
State of Indiana	\$ 943,900,000	1.00	\$ 917,900,000	1.00
Total TRF Pre 1996	\$ 943,900,000	1.00	\$ 917,900,000	1.00

See Notes to the Schedules of Allocation and Pension Amounts.

Indiana Public Retirement System

Teachers' Retirement Fund Pre-1996 Account
 Schedule of Pension Amounts
 As of and for the Year Ended June 30, 2019
 and Beginning Net Pension Liability as of July 1, 2018

Non-Employer Contributing Entity	Beginning Net Pension Liability	Ending Net Pension Liability	Deferred Outflows of Resources - Debit			
			Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Total Deferred Outflows of Resources
State of Indiana	\$ 10,871,842,494	\$ 10,630,018,922	\$ -	\$ -	\$ -	\$ -
Total TRF Pre 1996	\$ 10,871,842,494	\$ 10,630,018,922	\$ -	\$ -	\$ -	\$ -

See Notes to the Schedules of Allocation and Pension Amounts.

Deferred Inflows of Resources - Credit				Pension Expense
Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Inflows of Resources	Total Pension Expense
\$ -	\$ 76,613,305	\$ -	\$ 76,613,305	\$ 780,897,126
\$ -	\$ 76,613,305	\$ -	\$ 76,613,305	\$ 780,897,126

Indiana Public Retirement System

Teachers' Retirement Fund Pre-1996 Account Notes to the Schedules of Allocation and Pension Amounts Year Ended June 30, 2019

Nature of the Schedules

The purpose of these schedules is to provide the non-employer contributing entity information, with regard to GASB Statement No. 68, for their financial statements. As of the measurement date, the schedules provide the non-employer contributing entity with its proportionate share of the net pension liability, deferred outflows and inflows of resources, and pension expense. The net pension liability as of the previous measurement date is provided as a beginning balance. Deferred outflows and inflows of resources, and pension expense include the non-employer contributing entity'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.

Basis of the Allocation

In determining the proportionate share of the net pension liability and corresponding pension amounts for a cost-sharing plan, the basis should be consistent with the manner in which contributions to the Plan, excluding those to separately finance specific liabilities of an individual employer, are determined. The System has determined that the actual contributions made to the Plan during the fiscal year are appropriate as the basis because they are representative of future contributions. GASB Statement No. 68 states that special funding situations are defined as circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and the amount of contribution is not dependent upon one or more events unrelated to pensions. Based on this definition, the TRF Pre-1996 Account plan does have a special funding situation, as the State of Indiana is the non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plan on behalf of the participating TRF Pre-1996 Account employers. The participating employers also make contributions but only in specific cases when an active member is paid from federal funds. These contributions are based on a rate which was estimated to be the normal cost for the period covered. Due to this fact, future contributions to cover the historical pension benefits are paid entirely by the non-employer contributing entity (State of Indiana) and, therefore, the entire net pension liability is being allocated to the State of Indiana.

Net Pension Liability

The net pension liability for fiscal year 2019 is calculated as set forth in the following table:

Net pension liability - beginning July 1, 2018	\$ 10,871,842,494
Total pension expense (income)	780,897,126
Change in deferred outflows of resources	-
Change in deferred inflows of resources	(75,315,897)
Non-employer contributions	(943,900,000)
Employer contributions from federal funds	(3,504,801)
Net pension liability - ending June 30, 2019	<u>\$ 10,630,018,922</u>

Indiana Public Retirement System

Teachers' Retirement Fund Pre-1996 Account Notes to the Schedules of Allocation and Pension Amounts Year Ended June 30, 2019

Average Expected Remaining Service Lives

The average expected remaining service lives of the members of the pension plan are 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 lives 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, 2019	1
June 30, 2018	1
June 30, 2017	1
June 30, 2016	1
June 30, 2015	1

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 lives of the plan participants.

Net difference between projected and actual investment earnings: the actuaries use the pension plan's expected 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. The deferred outflows and the deferred inflows are offset against each other.

Changes in assumptions: The COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA occurring beginning on January 1, 2020, we now assume that the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

In 2017, two mortality tables, healthy and disabled, were utilized. An assumption study was performed in April 2015. Key assumptions are as follows:

- Inflation remained at 2.25%
- The future salary increase remained a table ranging from 2.5% to 12.5%
- Mortality remained the same, as healthy members assume the RP-2014 (with MP-2014 improvement removed) White Collar mortality tables. Disabled members assume the RP-2014 Disabled mortality tables (with MP-2014 mortality removed). Both tables assume future mortality improvement projected generationally using mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Retirement and Termination rates remained the same

Indiana Public Retirement System

**Teachers' Retirement Fund Pre-1996 Account
Notes to the Schedules of Allocation and Pension Amounts
Year Ended June 30, 2019**

Pension Expense

The components of pension expense are:

Service cost	\$	37,234,272
Interest on the total pension liability		947,606,953
Member contributions		-
Projected earnings on plan investments		(243,050,021)
Miscellaneous expenses		(317,058)
Plan amendments		(189,903)
Pension plan administrative expenses		5,329,271
Recognition of outflow (inflow) of resources due to amortization		34,283,612
		<hr/>
Total pension expense - Schedule of Pension Amounts	\$	<u>780,897,126</u>

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

Link to the INPRS June 30, 2019 CAFR

www.in.gov/inprs/files/2019_INPRSCAFRBook.pdf

Link to the June 30, 2019 Actuarial Valuations

www.in.gov/inprs/actuarialvaluation.htm