

# 2021 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021



*INPRS is a component unit and a pension trust fund of the State of Indiana.*



Prepared through the joint efforts of INPRS's team members.  
Available online at [www.in.gov/inprs](http://www.in.gov/inprs)

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INPRS is a component unit and a pension trust fund of the State of Indiana.

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

## FUNDS MANAGED BY INPRS

## ABBREVIATIONS USED

### Defined Benefit

1. Public Employees' Defined Benefit Account
2. Teachers' Pre-1996 Defined Benefit Account
3. Teachers' 1996 Defined Benefit Account
4. 1977 Police Officers' and Firefighters' Retirement Fund
5. Judges' Retirement System
6. Excise, Gaming and Conservation Officers' Retirement Fund
7. Prosecuting Attorneys' Retirement Fund
8. Legislators' Defined Benefit Fund

### Defined Contribution

9. Public Employees' Defined Contribution Account
10. My Choice: Retirement Savings Plan for Public Employees
11. Teachers' Defined Contribution Account
12. My Choice: Retirement Savings Plan for Teachers
13. Legislators' Defined Contribution Fund

### Other Postemployment Benefit

14. Special Death Benefit Fund
15. Retirement Medical Benefits Account Plan

### Custodial

16. Local Public Safety Pension Relief Fund

### DB Fund

- PERF DB  
TRF Pre-'96 DB  
TRF '96 DB  
'77 Fund  
JRS  
EG&C  
PARF  
LE DB

### DC Fund

- PERF DC  
PERF MC DC  
TRF DC  
TRF MC DC  
LE DC

### OPEB Fund

- SDBF  
RMBA

### Custodial Fund

- LPSPR

## Contact Information

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Toll-free (844) GO - INPRS | [www.inprs.in.gov](http://www.inprs.in.gov) | [questions@inprs.in.gov](mailto:questions@inprs.in.gov)



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### Vision

Engaged members able to realize their retirement dreams.

### Mission

As fiduciaries, educate stakeholders, collect necessary contributions, and prudently manage member assets to deliver promised defined benefit and defined contribution benefits and services.

**507,000+**

Members

**1,250+**

Participating employers

**\$45.8 Billion**

Total fund market value

**89.0% Funded**

Excluding TRF Pre-'96



## About INPRS

The Indiana Public Retirement System (INPRS) is an independent body corporate and politic of the state of Indiana, which currently consists of 16 funds (eight defined benefit, five defined contribution, two other postemployment benefits, and one custodial). The Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), two largest retirement plans offered by the State of Indiana, trace their existence back to the early and middle parts of the 20th Century. TRF was established in 1921 and PERF in 1945. Pursuant to statute, the Indiana General Assembly integrated the management of the two systems in 2011, creating INPRS.

In accordance with Indiana Code (IC) 5-10.5, INPRS is governed by a nine-member Board of Trustees. The board is composed of:

- One trustee with experience in economics, finance, or investments;
- One trustee with experience in executive management or benefits administration;
- One trustee who is an active or retired member of the '77 Fund;
- Two trustees who are TRF members with at least 10 years of creditable service;
- One trustee who is a PERF Member with at least 10 years of creditable service;
- Director of the State Budget Agency, or designee;
- Auditor of State, or nominee;
- Treasurer of State, or nominee.

### Indiana Public Pension Timeline (Calendar Year)

<b>1915</b>	Locally funded teachers retirement fund established.
<b>1921</b>	State funded Teachers' Retirement Fund created; a "pay-as-you-go", multiple-employer pension system.
<b>1945</b>	Public Employees' Retirement Fund created; a multiple-employer retirement system with a defined benefit component (DB).
<b>1953</b>	JRS was created with its own board.
<b>1955</b>	Annuity Savings Accounts (ASA's) created to supplement PERF DB and TRF DB plans resulting in the nation's first pension changes to adopt a hybrid design.
<b>1972</b>	EG&C created.
<b>1977</b>	'77 Fund created for local police officers and firefighters hired after April, 30 1977.

<b>1980</b>	LPSPR created to support police and firefighter pension obligations of Indiana's cities and towns for plans under the "Old Funds".
<b>1983</b>	The 1977 and 1985 Judges' Benefits Fund System (now Judges' Retirement System) were created and administered by the PERF board and the 1953 JRS plan was eliminated and members were transferred to the 1977 Judges' Benefits Fund System.
<b>1989</b>	Legislators' Retirement System created. Participants in the DB plan limited to members serving as of April 30, 1989; otherwise, the plan is Defined Contribution only.
<b>1990</b>	PARF created. Members must also be members of PERF.
<b>1995</b>	Closed TRF Pre-'96 to new entrants and created TRF '96. Also created the Pension Stabilization Fund (PSF) to partially fund TRF Pre-'96.
<b>1996</b>	Amendment to the Indiana Constitution approved allowing funds to invest in equities.
<b>2011</b>	Indiana General Assembly created the Board of Trustees of INPRS to administer public employee retirement plans.
<b>2013</b>	ASA Only (now PERF MC DC) plan offered to state employees who joined after March 1, 2013. Default option remains as PERF Hybrid.
<b>2016</b>	PERF MC DC offered to employees of political subdivisions who join after January 2, 2016. Default option remained as PERF Hybrid.
<b>2017</b>	State Employees' Death Benefit Fund, Public Safety Officer's Death Benefit Fund, and the "in the line of duty" death benefit from the Local Public Safety Pension Relief Fund assets merged into SDBF.
<b>2018</b>	ASA's previously reported within the DB Hybrid funds of PERF, TRF Pre-'96 and TRF '96, are segregated and administered as DC plans.
<b>2018</b>	Supplemental Reserve Accounts (SRA's) established for PERF DB, TRF Pre-'96 DB, TRF '96 DB, EG&C, and LE DB to pay postretirement benefit increases after June 30, 2018.
<b>2019</b>	TRF MC DC offered to new members of TRF.
<b>2019</b>	RMBA was transferred to INPRS for administration.

# INPRS BELIEVES

**People are the foundation of our success. It takes people with different backgrounds, ideas, and strengths to be successful.**

## ► Our people are...

- **Models of Integrity** - hold themselves accountable to the highest standards of ethical and professional behavior.
- **Team Players** – encourage and support others for the success of the team breaking down silos and connecting with our shared vision.
- **Candid** - believe in direct, respectful, and honest communication.
- **Continuous Learners** – eager to improve while having an open-mind to feedback and new ideas.
- **Diligent** – well-researched, risk aware, and transparent.

## ► Success is built upon...

- **Trust** - empowering our people to successfully fulfill their duties while providing them with training, support, and mentorship.
- **Constructive Conflict** - encouraging debate around ideas to arrive at the best solution.
- **Commitment** – dedicated to decisions and action plans.
- **Accountability** - setting clear expectations for people, roles, and teams and holding ourselves and each other accountable for results.

**Balance in life is important. We strive to have a flexible and supportive environment while not sacrificing service to our members.**



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December 16, 2021

Dear Board Members:

On behalf of all management and staff, we are pleased to submit the Comprehensive Annual Financial Report of the Indiana Public Retirement System (INPRS) for the year ended June 30, 2021. We are responsible for the accuracy of the content and the completeness and fairness of the presentation, including disclosures. A narrative overview and analysis to accompany the basic financial statements is presented as Management's Discussion and Analysis (MD&A); which can be found immediately following the Independent Auditor's Report in the Financial Section. This Letter of Transmittal is designed to complement the MD&A.

INPRS, an independent body corporate and politic of the State of Indiana, currently consists of 16 funds. As fiduciaries, our mission is to educate stakeholders, collect necessary contributions, and prudently manage member assets to deliver promised defined benefit and defined contribution benefits and services.

### **Adapting and Thriving**

Fiscal Year 2021 was marked by a historic pandemic resulting in our organization learning new ways in which to work and collaborate. Throughout this period INPRS staff has continued to accomplish the mission of providing exceptional customer service to our members and other stakeholders. Investments made in technology and the organizational culture have allowed us to thrive during these challenging times.

INPRS is proud to look back at the accomplishments and initiatives that helped us deliver benefits and distributions and provide high quality service at a low cost to members and employers. For the 9th consecutive year, INPRS adapted to unique challenges to deliver improved service to our 507,957 members and 1,288 employers, while also decreasing cost. We delivered benefits and distributions of \$3.4 billion and collected \$3.2 billion in contributions.

### **New Undertakings**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, included several provisions to allow individuals that met certain requirements receive a source of cash to get through the pandemic. INPRS quickly modified its processes and systems to assist participants in FY 2020 and 2021 to withdraw monies without penalty and additional income tax. CARES related distributions totaling \$44.2 million were issued at participants' requests. The ability to request distributions terminated as of December 30, 2020.

INPRS successfully transitioned members from paper checks to a Stored Value Card or Direct Deposit payment options. This effort, spanning multiple phases from 2016 to 2021, transitioned 9,419 check payments to the electronic option. The goal of this program was to phase out as many paper checks issued for member benefits as possible by leveraging the groundwork set in 2015 legislation allowing the implementation of a Stored Value Card payment option. This cross-agency initiative leaves approximately 0.28% (or 457) of our total benefit payments sent out via check per month and saves INPRS up to \$4,865 per month in postage over our 2018 numbers.

The board approved a new target rate of return and asset target allocations to maximize INPRS's chances of continued success. The net pension liabilities as of June 30, 2021 were calculated using the new 6.25% discount rate and other assumptions approved by the board on May 7, 2021. The previous rate of return was 6.75%.

## Helping Members Realize Their Retirement Dreams

Since the formation of INPRS in 2011, our Vision Statement has served as the guiding inspiration for our success. This statement provides direction and describes what our organization wants to achieve in the future. Our vision at INPRS remains the same in helping our members to realize and secure their retirement dreams.

In support of our Vision Statement, the Mission Statement reflects a concise explanation of INPRS's reason for existence. This statement describes our purpose and overall intention in our role as a fiduciary. Our top priority is to keep our promise of a secure pension benefit at the time of retirement – “we are trusted to pay.”

The spread of COVID-19 resulted in a significant market downturn in the early days of the pandemic. Anticipating the concern this would have among active and retired members, INPRS launched an ongoing crisis communication response. This effort increased the frequency of communication, providing essential facts regarding the health of the pension system and INPRS's response to serving members in a new fashion. The communication results included improved member perception of the relevance communication received, with a survey rating that exceeded other peer pension systems, as measured by the CEM Benchmarking Engagement Consortium.

## Funding of the Defined Benefit Program

INPRS's primary goal continues to be ensuring a financially sound retirement system. We establish a predictable schedule of contribution rates, which works with investment portfolio performance to advance us along the path of long-term sustainability. In FY 2020, we completed an actuarial experience study to update our assumptions about the future workforce, benefits, and contributions.

The aggregate funded status of the pre-funded defined benefit plans decreased from 90.6 percent in FY 2020 to 89.0 percent in FY 2021. The funded status of Teacher Pre-'96 pay-as-you-go plan improved from 26.5 percent in FY 2020 to 31.7 percent in FY 2021 resulting in \$9.8 billion in unfunded liabilities. The Pre-'96 projected peak appropriations level is in FY 2026, and the projected 100% funded status is in 2034. A snapshot of the Defined Benefit Plans' funding status is presented in the MD&A.

## Investment Overview

INPRS's consolidated defined benefit assets returned 25.5 percent net of fees and held assets with a fair value of \$38.6 billion as of June 30, 2021. U.S. monetary and fiscal stimulus, as well as a gradual reopening of the global economy, led to historic investment performance in many asset categories. The investment portfolio is diversified by asset class, investment approach, and individual investments within each global asset class to reduce overall portfolio risk and volatility. In addition, INPRS administered defined contribution assets of \$6.9 billion.

Please refer to the Investment Section for more information on INPRS's portfolio performance, investment strategy, and policy.

## Major Initiatives

We have a fiduciary duty to be principled and effective within our operations, and we believe that an environment of continuous improvement is key to long-term value creation. Major initiatives with significant current and future impacts are summarized below.

### Culture

Instituted and communicated the organizational Values Statement and advanced a broad cultural framework throughout the organization – work continues with engagement studies and leadership training. Improved strategies in our recruiting and onboarding processes and staff recognition.

### Call Center Strategy

Implemented a Call Center Retention Program focusing on Call Center recruiting, training, employee satisfaction, and retention.

### Onboarding Education

Refined the new member onboarding education processes with tools and information resulting in members making well-informed, intentional decisions regarding retirement plan selection.

### Improved Data Assets

Analyzed key processes and identified opportunities to implement technology to reduce manual intervention, increase speed and accuracy of processing, decrease service time, reduce risk and personalize service to our customers; implemented tools to better evaluate the condition of data.

INPRS IT implemented several solutions that expanded our ability to monitor the activities within our systems to improve responsiveness to business needs and provided better visibility into the security across our environments.

## Accurate Information of MyChoice Accounts

Embarked on a comprehensive project to research the PERF MyChoice accounts thoroughly, correct any issues found, identify the root causes of any existing and potential errors, and identify the risks involved with the errors.

## Strategic Plan

The INPRS strategic plan provides the foundation from which INPRS moves towards its vision to be a member-focused organization. A copy of the INPRS strategic plan that includes details of other key initiatives can be found on the INPRS website, [www.in.gov/inprs](http://www.in.gov/inprs).

## Legislative Changes

Several legislative changes were signed into law to improve the benefits of members and beneficiaries. Details can be found in Note 7 of the Financial Section.

## Economic Conditions

The first half of the fiscal year was met with a record infusion of stimulus and other emergency measures as Federal Reserve officials and lawmakers stepped in to provide support due to the COVID-19 pandemic. Along with rollbacks in virus-related restrictions, the economy rebounded at a record rate leading to a sharp increase in the stock market and robust projections to corporate earnings. The unemployment rate, which rose to double digits at the onset of the pandemic, declined sharply as employees were called back to work.

The economic condition of INPRS is driven by investment results and contributions from members, employers, and nonemployer contributing entities. Our Chief Investment Officer, in partnership with Verus Consulting, has evaluated the economic conditions of INPRS's investments, the details of which can be found in the Investment Section. Total defined benefit contributions for fiscal year 2021 have exceeded the actuarially determined contribution. A historical look at this activity is outlined in the Schedule of Contributions in the Required Supplementary Information.

## Management's Responsibility for Financial Reporting

INPRS management is responsible for establishing and maintaining a system of adequate internal accounting controls. A system of internal accounting controls ensures the security of member and employer contributions and provides a reasonable, but not absolute, assurance that assets are properly safeguarded, transactions are properly executed, and financial statements are reliable. Our independent external auditors have conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. They have full and unrestricted access to the Board to discuss their audit and related findings concerning the integrity of financial reporting and adequacy of internal controls. The Independent Auditor's Report regarding the fair presentation of the financial statements is in the Financial Section.

## Awards and Acknowledgments

For the 9<sup>th</sup> consecutive year, INPRS received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA), the highest recognition in governmental accounting and financial reporting. Also for the 9<sup>th</sup> consecutive year, INPRS received a Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council.

We express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report. This report is intended to provide complete and reliable information as a basis for making management decisions, for determining compliance with legal provisions, and as a measurement of responsible stewardship of the assets. The INPRS staff also wishes to express our appreciation to Indiana Governor Eric Holcomb, 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.

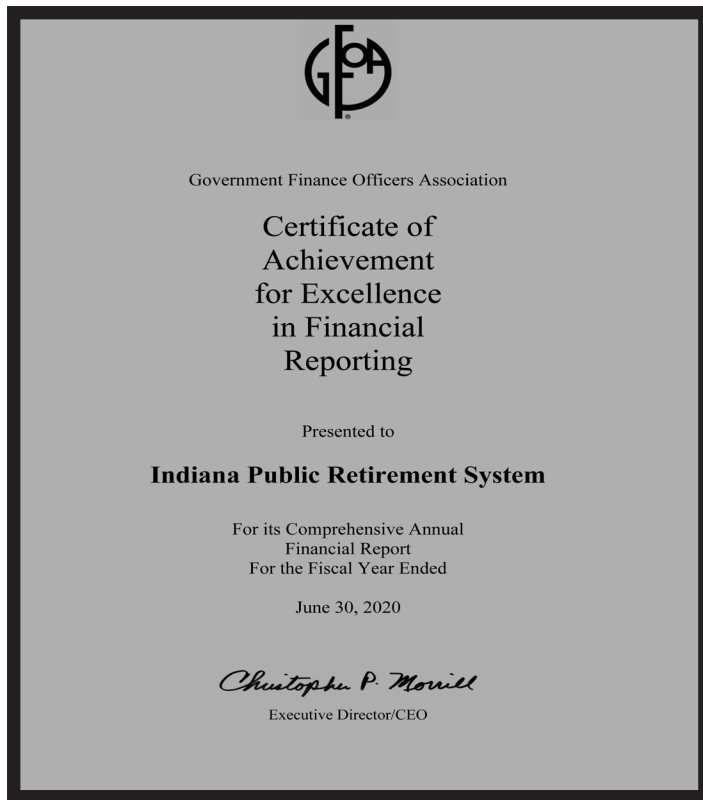
Sincerely,



Steve Russo  
Executive Director



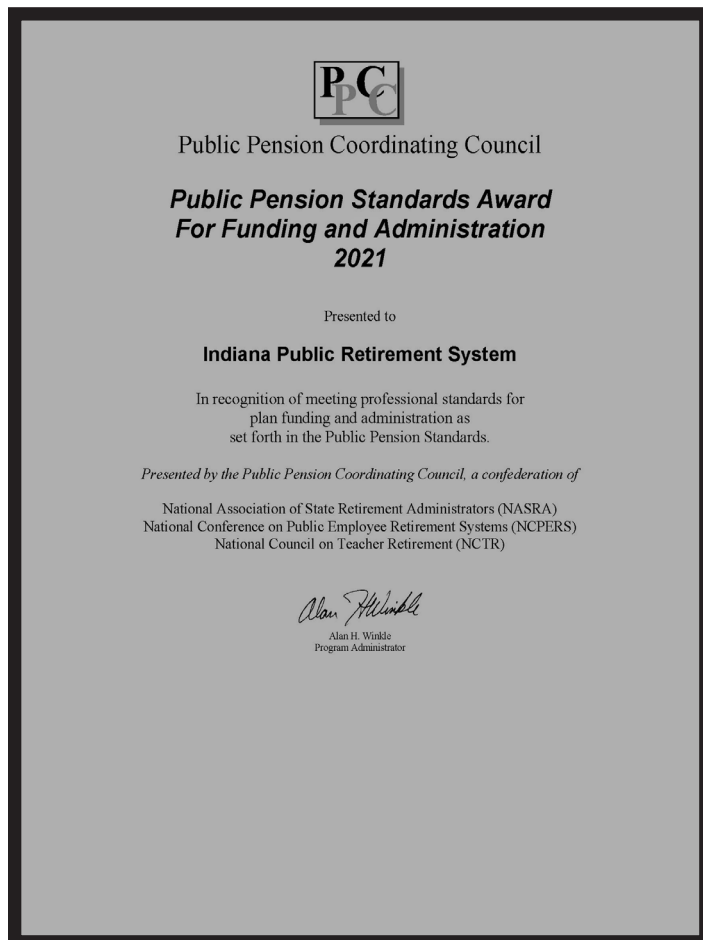
Robert Corne  
Chief Financial Officer



### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to INPRS for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the 9th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.



### PUBLIC PENSION STANDARDS AWARD

The Public Pension Coordinating Council awarded the Public Pension Standards Award for Funding and Administration to INPRS for the fiscal year ended June 30, 2021. This is the 10th consecutive year that INPRS has achieved this prestigious award. In order to be awarded a Public Pension Standards Award, a public pension program must meet professional standards for plan design and administration as set forth in the Public Pension Standards. A Public Pension Standards Award is valid for a period of one year.

## Governance and Administrative Organization

### Executive Branch

Eric Holcomb  
Governor



Suzanne Crouch  
Lt. Governor



### Board of Trustees



Brian Abbott

TRF Member

Nomination/  
Appointment:

Speaker of House/  
Governor

Term Expiration:

6/30/2022



David Frick

Executive Management  
and Benefits  
Administration

Nomination/  
Appointment:

Governor

Term Expiration:

6/30/2021



Tera Klutz

Auditor of State

Nomination/Appointment:

Self-nominated/Governor

Term Expiration:

6/30/2023



Justin McAdam

OMB General Counsel  
& Policy Director

Nomination/  
Appointment:

Director of State Budget  
Agency/Governor

Term Expiration:

6/30/2023



Kelly Mitchell

Treasurer of State

Nomination/  
Appointment:

Self-nominated/  
Governor

Term Expiration:

6/30/2023



Mike Pinkham

1977 Fund Member

Nomination/Appointment:

Speaker of House/  
Governor

Term Expiration:

6/30/2024



Connie Plankenhorn

TRF Member

Nomination/  
Appointment:

Senate Pro Tempore/  
Governor

Term Expiration:

6/30/2022



Vivienne Ross

PERF Member

Nomination/  
Appointment:

Senate Pro Tempore/  
Governor

Term Expiration:

6/30/2024



Bret Swanson

Economics, Finance,  
Investments

Nomination/Appointment:

Governor

Term Expiration:

6/30/2021

## Governance and Administrative Organization, continued

### Executive Team



Steve Russo  
Executive Director



Steven Barley  
Chief  
Operations  
Officer and  
Deputy Director



Scott Davis  
Chief Investment  
Officer



Tony Green  
Chief Legal and  
Compliance Officer



Donna Grotz  
Chief Finance and  
Administration  
Officer<sup>1</sup>



Keith Hall  
Chief Audit and Risk  
Officer



Cheryl Harding  
Director of Strategic  
Initiatives



Mike Hinline  
Chief Information  
and Technology  
Officer



Jeffrey Hutson  
Chief  
Communication  
Officer

### Professional Consultants <sup>2</sup>

Capital Cities, LLC  
426 East New York Street  
Indianapolis, IN 46202

Kutak Rock, LLP  
8601 North Scottsdale Road, #300  
Scottsdale, AZ 85253

Cavanaugh Macdonald Consulting, LLC  
3802 Raynor Parkway, Suite 202  
Bellevue, NE 68123

Foster Garvey PC  
1111 Third Avenue, Suite 3000  
Seattle, WA 98101

Verus  
800 Fifth Avenue, Suite 3900  
Seattle, WA 98104

<sup>1</sup> Donna Grotz retired June 30, 2021. Robert Come was hired August 9, 2021 as Chief Financial Officer.

<sup>2</sup> Information regarding investment professionals that have provided services to INPRS can be found in the Schedules of Investment Management Fees and Investment Professionals in the Investment Section.