

2020 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020



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

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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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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.

467,000+

Members

1,250+

Participating employers

\$36.9 Billion

Total fund market value

90.6% 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)

1915	Locally funded teachers retirement fund established.
1921	State funded Teachers' Retirement Fund created; a "pay-as-you-go", multiple-employer pension system.
1945	Public Employees' Retirement Fund created; a multiple-employer retirement system with a defined benefit component (DB).
1953	JRS was created with its own board.
1955	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.
1972	EG&C created.
1977	'77 Fund created for local police officers and firefighters hired after April, 30 1977.

1980	LPSPR created to support police and firefighter pension obligations of Indiana's cities and towns for plans under the "Old Funds".
1983	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.
1989	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.
1990	PARF created. Members must also be members of PERF.
1995	Closed TRF Pre-'96 to new entrants and created TRF '96. Also created the Pension Stabilization Fund (PSF) to partially fund TRF Pre-'96.
1996	Amendment to the Indiana Constitution approved allowing funds to invest in equities.
2011	Indiana General Assembly created the Board of Trustees of INPRS to administer public employee retirement plans.
2013	ASA Only (now PERF MC DC) plan offered to state employees who joined after March 1, 2013. Default option remains as PERF Hybrid.
2016	PERF MC DC offered to employees of political subdivisions who join after January 2, 2016. Default option remained as PERF Hybrid.
2017	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.
2018	ASA's previously reported within the DB Hybrid funds of PERF, TRF Pre-'96 and TRF '96, are segregated and administered as DC plans.
2018	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.
2019	TRF MC DC offered to new members of TRF.
2019	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 10, 2020

Dear Board Members:

On behalf of all management and staff, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Indiana Public Retirement System (INPRS) for the year ended June 30, 2020. 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.

Unprecedented Environment

The fiscal year (FY) 2020 marked a year of unprecedented transitions. The first two quarters of FY 2020 showed strong investment markets with a continuation of US history's longest economic expansion. All that momentum changed in March when the novel coronavirus disease 2019 (COVID-19) resulted in a market crash and rapid economic contraction.

Investments made in technology over the years allowed INPRS to swiftly transition to a predominantly remote workforce to protect our members, staff, and vendors. INPRS accomplished years' worth of digital adoption in a matter of weeks. The final quarter of FY 2020 showed a market recovery from March's lows, but the economic environment remained muted due to continued caution while the pandemic continued.

Despite the environment and challenges, for the 7th consecutive year, we improved service to our 467,337 members and 1,273 employers while decreasing cost. We delivered benefits and distributions of \$3.1 billion and collected \$2.6 billion in contributions.

New Undertakings

Administration for Retiree Medical Benefits Account (RMBA) was successfully transferred from the State of Indiana (SOI) to INPRS. INPRS leveraged its investment management expertise by investing the \$436 million transferred from SOI to deliver investment income of \$22.1 million for the year. INPRS utilized its experience in benefits administration to streamline RMBA processes.

A year-long project to modify existing systems with a new set of rules for TRF My Choice Defined Contribution (TRF MC DC) plan was completed successfully. Effective July 1, 2019, new teachers could make an election between TRF MC DC and TRF Defined Benefit. 761 new teachers decided to select TRF MC DC plan in the first year of its offering.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, included several provisions to help people receive a source of cash to get through the pandemic, if they met certain conditions. INPRS quickly modified its processes and systems to assist 1,162 participants in FY 2020 to withdraw monies without penalty and additional income tax.

Helping Members Realize Their Retirement Dreams

Since the formation of INPRS in 2011, INPRS's vision focused on adequately funding the plans it managed and serving as a trusted and valued retirement system. Efficiently collecting contributions, effectively engaging members, and prudently investing stakeholder assets to pay for member benefits were the cornerstone of its activities. Having established itself as a trusted and valued retirement system, INPRS embarked on the next step of its journey. It determined that a stakeholder-focused Vision and Mission statement will align the organization's efforts with stakeholder engagement. Further, to guide the organization's effort, it replaced its Strategic Plan Principles with a Values Statement.

The reworded Vision and Mission statement will allow INPRS to demonstrate its commitment to engaging members and helping them realize their retirement dreams. The new Values Statement will help us focus on our people, who are the foundation of our success. By committing to building a workforce with different backgrounds and translating diverse ideas and strengths into executable plans, we will be able to model best practices in accountability and teamwork, make risk-aware decisions, hire and develop staff to meet the needs of our changing business models, and dedicate resources to increase our members' financial awareness and retirement security. Refer to the value statement in the Introductory Section.

Progress on 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 improved from 88.1 percent in FY 2019 to 90.6 percent in FY 2020. The funded status of Teacher Pre-'96 Pay-Go plan improved from 25.7 percent in FY 2019 to 26.5 percent in FY 2020 with \$10.3 billion in unfunded liabilities; the projected peak appropriations is in FY 2026, and the projected 100% funded status is in 2038. A snapshot of the Defined Benefit Plans' funding status is presented in the MD&A.

Investment Overview

Due to the ongoing COVID-19 pandemic, INPRS's consolidated defined benefit assets returned 2.6 percent net of fees and held assets with a fair value of \$30.7 billion as of June 30, 2020. Given the organization's investment strategy, the consolidated defined benefit assets were still able to exceed specific industry benchmarks in many asset class categories and return a positive performance, which cannot be understated in these uncertain times. 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 \$5.8 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.

Complete and accurate member records - Accurate data and complete reporting of member information is just as critical to secure retirement as the employer's role in educating employees about their benefits. For the past two years, we have increasingly focused on engaging with our members' employers in this responsibility to ensure that the quality of data received is not only accurate but complete and timely. Several controls are in place to sustain and improve member data accuracy. Further, an Information Management Program was established with a team of experts to manage data as an INPRS asset. We are confident that we will make further strides in improving data quality and integrity in the coming years.

Leveraging technology - Over the past decade, INPRS has been a strong leader amongst our peers in identifying and leveraging technology to innovate for our stakeholders. This year we replaced aging technology with a modern data visualization tool to upgrade our INPRS Reporting Portal (IRP) to a completely new data model and toolset. This new software makes information available more quickly and in a more user-friendly manner to allow faster and higher-quality service to our members and their employers. INPRS continued its focus with ongoing improvements in the cybersecurity space to protect and defend our stakeholder information.

Member Experience and Engagement - Our relationship with our members begins on their first day of employment and extends through their retirement years. Reflecting the longevity of our members' careers and their lifespans, this past year, we launched several initiatives to ensure that retirees and active employees are aware of their financial needs and have knowledge of retirement planning tools throughout their careers.

While we have been providing financial education to our members for several years, we focused on measuring and improving member engagement to empower our members to meet future retirement needs.

One of our goals has always been that members have a consistent and quality experience when interacting with us. An online focus group program was implemented to incorporate member insights into the strategic plan. The introduction of online focus groups provides INPRS a cost-effective way to receive direct input from members throughout the state without the inconvenience of traveling to a central focus group location. Later in the fiscal year, the need for social isolation added greater importance to the online focus group option. This platform was utilized to forecast pandemic-related changes in the number of retiring members, their demand for retirement counseling services, and preferences in the future for remote versus face-to-face retirement counseling and workshops.

Quality member experience requires a well-trained, and fully staffed call center. Several initiatives and programs were developed and implemented to focus on call center recruiting, employee satisfaction, retention and training.

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.

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

For the first half of the fiscal year, global economic conditions remained relatively healthy; buoyed by accommodative monetary policy, healthy labor markets, and modest inflation. During the second half of the fiscal year, COVID-19 spread globally, and governments overwhelmingly elected to close off vast segments of their economies to slow the spread of the virus which resulted in widespread unemployment. The combination of reduced economic mobility and high unemployment led to significant declines in global growth and inflation which forced policy makers, both central bankers and governments alike, to respond with an unprecedented policy response aimed at supporting lost income and preventing corporate defaults and bankruptcies.

The economic condition of INPRS is driven by investment results and contributions from members, employers, and non-employer contributing entities. Our Chief Investment Officer in partnership with Verus Consulting has evaluated INPRS's investments' economic conditions, the details of which can be found in the Investment Section. Total defined benefit contributions for the fiscal year 2020 have exceeded the actuarially determined contributions. 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 8th 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. For the 8th 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.

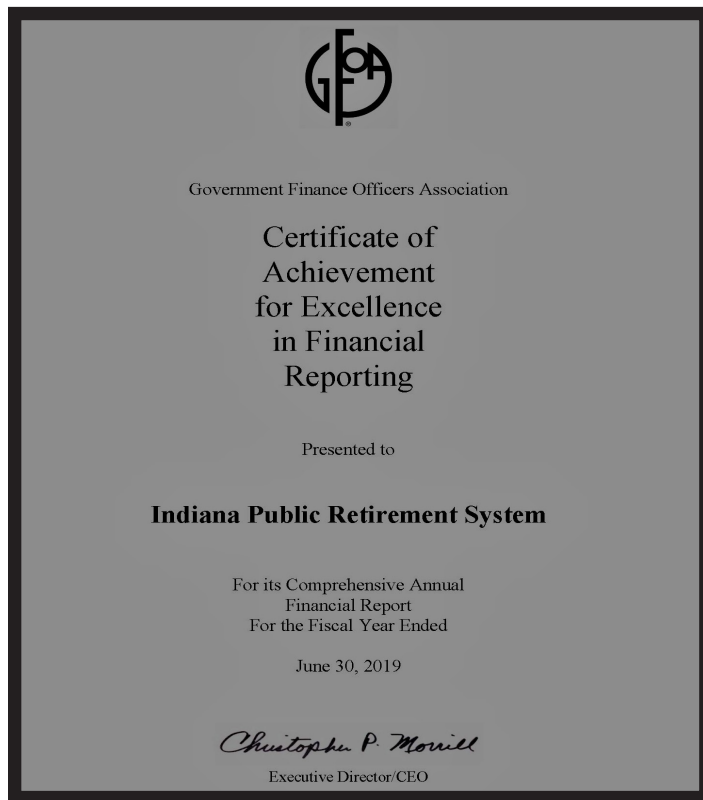
Sincerely,



Steve Russo
Executive Director

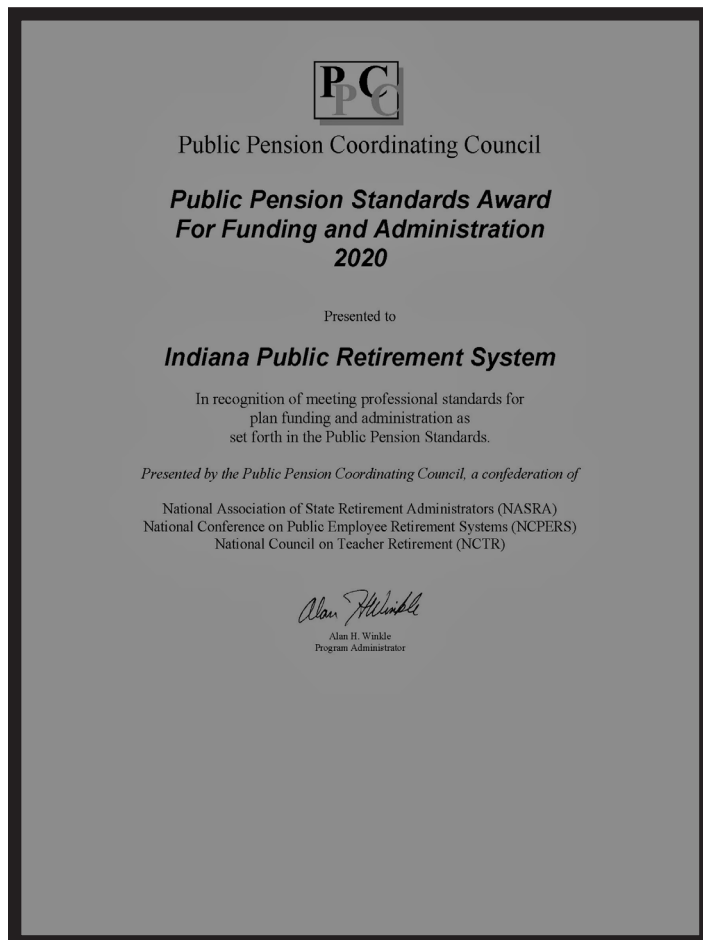


Donna Grotz
Chief Finance and Administration Officer



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to INPRS for its CAFR for the fiscal year ended June 30, 2019. This was the 8th consecutive year that INPRS has achieved this prestigious award. To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements.



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, 2020. This is the 9th 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:
6/30/2020



Connie Plankenhorn

TRF Member

Nomination/
Appointment:

Senate Pro Tempore/
Governor

Term Expiration:
6/30/2022



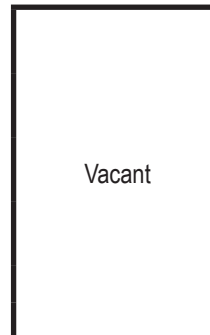
Bret Swanson

Economics, Finance,
Investments

Nomination/
Appointment:

Governor

Term Expiration:
6/30/2021



Vacant

PERF Member

Nomination/Appointment:

Term Expiration:

Executive Team



Steve Russo
Executive Director



Steven Barley
Chief
Operations
Officer and
Deputy Director



Scott Davis
Chief Investment
Officer



Cheryl Drummer
Director of Strategic
Initiatives



Tony Green
Chief Legal and
Compliance Officer



Donna Grotz
Chief Finance and
Administration Officer



Mike Hinline
Chief Information and
Technology Officer



Jeffrey Hutson
Chief
Communication
Officer



Teresa Snedigar
Chief Audit and Risk
Officer

Professional Consultants ¹

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

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

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Bellevue, NE 68123

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

Verus
800 Fifth Avenue, Suite 3900
Seattle, WA 98104

¹ A complete list of investment professionals that have provided services to INPRS can be found beginning on page 122 of the Investment Section.