



**THE STRATEGIC PLAN OF THE
INDIANA PUBLIC RETIREMENT SYSTEM
FOR FISCAL YEARS**

2018-2020



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INTRODUCTION

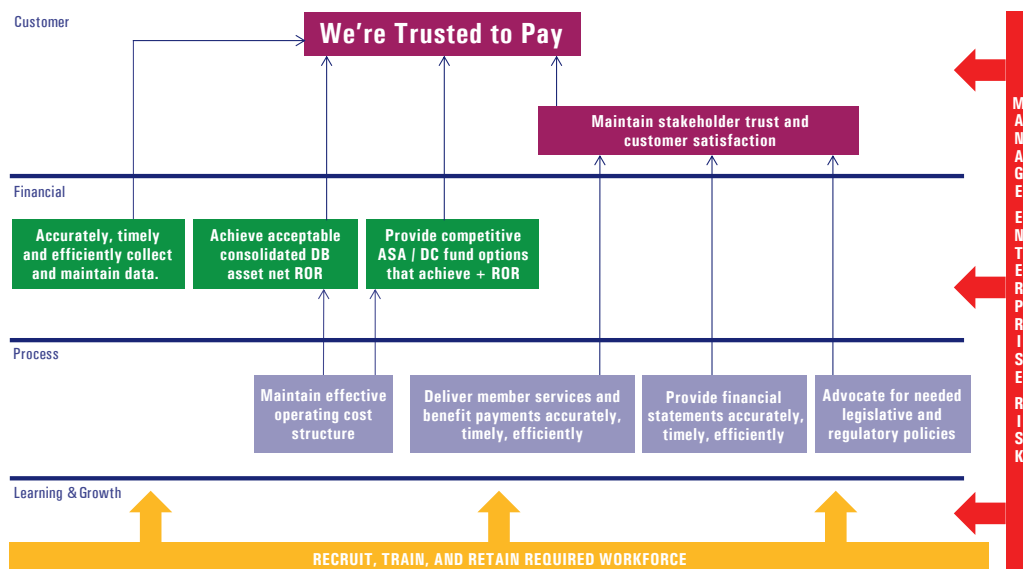
STRATEGIC PLANNING PROCESS

In constructing the 2018 – 2020 Strategic Plan, INPRS took deliberate steps to assess and improve the overall strategic planning process. The executive team completed a series of workshops to benchmark INPRS’ past performance as well as analyze the organization’s strengths, weaknesses, opportunities, and threats (SWOT). These workshops focused on the following strategic topics: Organizational Identity, Industry Trends, Organizational Structure, Products and Services, and Performance Measurement. As a result, the INPRS mission statement was revised to include the engagement of our members, and the Goals and Objectives for fiscal years 2018 – 2020 were completed.

The Goals and Objectives found in the Strategic Plan follow the SMART goal setting approach to ensure that they are specific, measurable, attainable, relevant and time-bound. To track progress toward the completion of each Objective, interim steps, or progress indicators, have been developed and documented as part of the overall plan. This method of strategic planning ensures accountability and confidence in the timely delivery of a well thought-out Strategic Plan.

The Vision, Mission, Principles and Strategy Map continue to be the foundation of our Strategic Plan as we affirm our path for Fiscal Year 2018 (FY2018). They continue to align our efforts to deliver on our promise “to be trusted to pay” member benefits as we strive “to be a 100 percent funded public retirement system trusted and valued by stakeholders.”

INPRS STRATEGY MAP



INTRODUCTION

ASSET MANAGEMENT

The INPRS investment team is responsible for the prudent investment and management of approximately \$31.2 billion in assets across both a defined benefit plan and a defined contribution plan. Many studies were completed during FY2017 to ensure the proper liquidity of funds in the defined benefit plan, the competitiveness of the investment management fees, and the validation of higher fees for select areas of active vs. passive management. In addition, the INPRS investment team collaborated with the INPRS Board of Trustees to establish imperatives for the defined contribution plan in an effort to maintain a best-in-class retirement platform for our members:

- Provide a simple and diversified default option (“Allocate it for Me” – Target Date Funds)
- Provide a simple and diversified menu of stand-alone options (“Allocate it Myself” – Core & Specialty Options)
- Leverage the Defined Benefit asset base to provide low-cost investment options
 - Due to our extensive asset base, members have saved over \$15 million in estimated annual investment management fees as compared to typical defined contribution plans.

Looking forward, our investment team will continue to evaluate our asset allocation, overall portfolio risk, and the proper mix of active vs. passive management to achieve the target rate of return while complying with our cost and risk guidelines.

PAVING THE WAY FOR SEPARATE DB AND DC PLANS

The Indiana General Assembly passed legislation in FY2016 to address various pension related matters. One of the goals of this legislation was to create options for our members to select between the current hybrid plan with a guaranteed defined benefit, and the My Choice plan. In addition, the legislation wanted to ensure that associated risks and costs for each plan were separated. To efficiently comply with this legislation, INPRS is pursuing a plan structure with separate defined benefit and defined contribution plans.

Legislation also required that the Guaranteed Fund investment option be replaced with a Stable Value Fund investment option. This fund seeks to provide safety of principal and a stable credited rate of interest, while generating competitive returns over time. During the exchange of funds, member trust and customer satisfaction scores were maintained due to an effective communication and education program conducted throughout the transition period. The Guaranteed Fund was closed effective December 31, 2016.

The Indiana General Assembly previously passed legislation regarding annuity rates and provided the ability for INPRS to engage a third party annuity provider. The goal of this legislation was to preserve the financial

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stability of the funds, price annuities at market rate, and to lower the risk to employers and taxpayers from managing the annuity program internally. INPRS selected MetLife as our third party annuity provider. MetLife serves over 3,000 public sector organizations across the country and has a deep understanding of the unique needs of the public sector. Beginning January 2018, MetLife will offer annuities at a group rate, which may often be better than the retail rate available elsewhere.

RECORDKEEPING TRANSITION

In FY2016, INPRS planned to transition to a new record keeper and partner with a third party annuity provider. In FY2017, INPRS selected Voya, a leading industry provider of retirement products and services, to provide our record keeping services. Since the beginning of this partnership, collaborative relationships have been established between Voya, their subcontractors, and the third party annuity provider, MetLife. The launch of a cohesive internal and external program reporting structure, regular meeting cadence, and multiple communication channels have enabled significant program progress during this past year. In addition to transferring basic record keeper responsibilities, INPRS is focusing on improving member experience as we offer an improved paperless retirement application, a seamless annuity process outside of INPRS, better member education products, and new plan management tools. Execution of the program began in the fall of 2016 and includes critical activities such as systems development, exhaustive systems testing and robust training of employees across the organization. The completion of the joint transition is planned for January 2018.

ENHANCED DATA INTEGRITY AND SECURITY

With an increasing concentration on the integrity and safety of member data, INPRS continues to make significant strides in enhancing our data integrity and security program. Multiple security initiatives were implemented and enhanced during FY2017, including an effort to increase security awareness training, implement data loss prevention measures and improve our data monitoring activities. Regarding data integrity, INPRS completed several systemic process improvements and monitoring activities to ensure the integrity of our member data. Specifically, the Information Technology team improved processes surrounding the death of a member and how service credit and demographic data are collected and maintained. Additional improvement initiatives will be implemented this fiscal year to further enhance INPRS Data Integrity and Security Program.

CONTINUOUS IMPROVEMENT

“Continuous Improvement” was a primary focus in all aspects of the business during FY2017, delivering great results. The improvement efforts of the executive team can be summarized in two primary areas:

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Member Service and Pension Administration Cost. In FY2017, INPRS continued to benchmark with 67 leading global pension systems to share detailed plan information and best practices on more than 120 key performance metrics. This year's benchmarking report showed that INPRS' overall Service Score continued to improve at a rate two times the rate of our peer group for the third consecutive year. In addition, our Cost per Active Member hit a six-year low measuring \$27 lower than the peer average. These results demonstrate our commitment to a continuous improvement philosophy and strongly position INPRS to be a "High Service, Low Cost" retirement plan.

In order to sustain a continuous improvement culture, INPRS continued its commitment to the Center of Excellence (CoE). This group consists of three highly experienced Continuous Improvement Specialists that expanded their scope to work with the entire organization on education, eliminating problems, and improving existing processes. The CoE is on track to meet their annual savings goal of over \$250,000 for the organization.

Also during FY2017, INPRS continued to focus on improving the Balanced Scorecard. Several "target performance levels" were increased during the year acknowledging the improvements that were made and committing to these higher performance levels as our new baseline. INPRS managed and reported 20 different key performance measures to our Board of Trustees on a quarterly basis. We continue to show significant year-over-year improvement in the majority of measures, but especially in the areas of financial performance and member service. We anticipate that the recordkeeper transition will enable us to make further step function improvements in FY2018.



VISION, MISSION AND PRINCIPLES

VISION

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

MISSION

Efficiently collect contributions, effectively engage members, and prudently invest stakeholder assets to pay earned benefits.

PRINCIPLES

Integrity

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

Stewardship

We prudently manage assets held in trust for current and future retirees. We are value oriented. We rigorously identify, measure, and manage risk.

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.

**GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS**



Goal 1: Deliver member services and benefit payments accurately, timely and efficiently.

Strategic Objectives

- A. Implement an integrated vendor business model that reduces service provider risks, improves the delivery of services, reflects industry standard practices, reduces cost per member and improves customer satisfaction.
- B. Implement a call center structure that improves member experience measured by a satisfaction rating of 80% (top 2 scores) and reduces the number of call transfers to less than 30%.
- C. Reduce the time to fully execute a member's initial defined benefit pension payment by 10%.
- D. Implement debit cards in place of paper checks in accordance with legislation passed in April 2015.
- E. Decrease the amount of overpayments issued as a result of delays in the death notification process.
- F. Evaluate the benefits and obstacles of bringing the defined benefit disbursements process in-house.



GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS

Goal 1: Deliver member services and benefit payments accurately, timely and efficiently.

Key Operational Requirements

1. Distribute timely and accurate payments to members.
 - a. Monthly payroll
 - b. Weekly payroll
 - c. Retirements
 - d. Disability
 - e. Death
 - f. Annuity Savings Account (ASA)
2. Distribute accurate 1099-R documents by January 31 of every year.
3. Effectively manage complaints and escalated cases.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS



Goal 2: Maintain stakeholder trust and customer satisfaction through effective communication, education and collaborative relationships.

Strategic Objectives

- A. Improve customer satisfaction with the public website to consistently meet or exceed Balanced Scorecard targets.
- B. Continue ongoing member engagement to maintain 85% or better perception of trust among stakeholders (as measured by the annual General Member Survey).
- C. Support improvement of data integrity while increasing member engagement by 5% via Annual Member Statements.
- D. Reduce the number of retirement-eligible inactive members by 24% annually.
- E. Improve the perceived relevance of communication by small funds members by 5%.
- F. Improve the member experience to better align with member expectations and industry standards.
- G. Maximize percent of member transactions completed via online tools.
- H. Engage stakeholders and members to quantify the feasibility and desirability of providing a broader range of retirement readiness services.

Key Operational Requirements

- 1. Complete ongoing customer satisfaction surveys.
- 2. Complete the annual general member surveys.
- 3. Provide required reports to the Legislature including the Pension Management Oversight (PMO) Committee.



**GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS**

Goal 3: Accurately, timely and efficiently collect employer contributions and maintain data.

Strategic Objectives

- A. Increase overall employer satisfaction to 98% or greater (top 3 score).

Key Operational Requirements

1. Request pension relief information from employers.
2. Process requests for new units and enlargements biannually.
3. Provide Annual Contribution Rate notification to employers.
4. Track and report the timeliness of employer contributions. Explore opportunities to maintain employers' compliance within established contribution time frames.
5. Track employers that are habitually late and ask the Auditor of State to intercept funds from these employers.
6. Annually obtain actuarial valuation reports for the defined benefit plans.
7. Establish annual employer contribution rates at or above the Actuarially Determined Employer Contribution (ADEC) rates.
8. Perform an experience study of the defined benefit plans to update the actuarial assumptions, and review the actuarial methods for any necessary changes.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS



Goal 4: Achieve a consolidated Defined Benefit (DB) asset net rate of return equal to the actuarial rate of return within accepted cost and risk parameters with sufficient cash flow to pay all benefit obligations.

Strategic Objectives

- A. Evaluate (both organizationally and economically) an internal investment management program.
- B. Define the most productive mix of passive and active management across the portfolio.
- C. Evaluate the benefits and considerations of currency risk in the portfolio.
- D. Determine if the target rate of return and asset allocation risk level should change as a fund becomes more or less funded.
- E. Reassess the strategy and execution of Indiana-focused investment programs.

Key Operational Requirements

- 1. Achieve the DB investment targets and metrics.
- 2. Annually conduct a review of investment management fees, including benchmarking fees as compared to other public pension funds.
- 3. Complete the annual Investment Policy Statement (IPS) Review.
- 4. Complete a long term liquidity analysis of plans, taking into consideration projected cash out flows and the liquidity position of the investment portfolio on an annual basis.
- 5. Provide and review rolling cash flow forecasts, reflecting incoming contributions and outgoing disbursements.
- 6. Ensure the allocation to each asset class is within the Board-approved range.
- 7. To assist in allocation and rebalancing decision-making, review monthly risk reports from Barra, Verus, and the internal investment staff.



GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS

Goal 4: Achieve a consolidated Defined Benefit (DB) asset net rate of return equal to the actuarial rate of return within accepted cost and risk parameters with sufficient cash flow to pay all benefit obligations.

Key Operational Requirements, cont.

8. Conduct an asset-liability study to recommend, for Board approval, an asset allocation strategy that is expected to meet the target rate of return net of fees while minimizing risk.
9. Monitor securities litigation and opportunistically participate in domestic and/ or international cases to maximize INPRS' loss recovery.

**GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS**



Goal 5: Provide industry competitive Annuity Savings Account (ASA) and Defined Contribution (DC) fund options that achieve rates of returns equal to or greater than the funds' benchmarks.

Strategic Objectives

- A. Define the most productive mix of passive and active management and determine if active management is warranted within the various stand-alone and/or target date funds.
- B. Conduct a review of the target date funds' asset allocation relative to INPRS members' objectives and risk tolerance.
- C. Explore opportunities to collaborate with the state's deferred compensation plan.

Key Operational Requirements

- 1. Achieve 100% of ASA Metrics.
- 2. Perform an annual review of ASA and DC fund options, including glide path (asset allocation) assumptions for target date funds.
- 3. Conduct an annual review of investment fees.
- 4. Review the external annuity provider's rate to ensure competitive levels for members.



**GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS**

Goal 6: Provide financial statements accurately, timely and efficiently.

Strategic Objectives

- A. Implement the proper accounting and cash flow to split the Defined Benefit and the Defined Contribution.
- B. Develop a reconciliation method to adequately review the DC administrative expenses against the DC participant fees to determine any future fee adjustments.

Key Operational Requirements

- 1. Obtain an annual unmodified opinion from the external auditor.
- 2. Publish the INPRS CAFR annually by December month end to the GFOA and the INPRS website.
- 3. Obtain an annual Government Finance Officers Association (GFOA) certification of the CAFR.
- 4. Annually publish audited GASB #68 related schedules for employers.
- 5. Include the most recent financial statements and most recent financial information in Board Effect for Board of Trustees' meetings.
- 6. Finalize the monthly financial statement close package by 12th business day each month.
- 7. As issued, determine if new Government Accounting Standards Board (GASB) pronouncements have an impact on INPRS.
- 8. Ensure that any audit findings or control issues identified in the annual external audit have action plans developed to correct the deficiency or material weakness within 30 days after the close of the audit.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS



Goal 7: Maintain an effective operating cost structure that leverages leading governance practices, management practices, benchmarking and secure business processes.

Strategic Objectives

- A. Improve the quality and efficiency of “critical” and “high” importance business processes by continuing to strengthen the quality management culture and COE initiatives.
- B. Enhance member and employer experience by improving accessibility and visibility to business information while reducing business information/reporting requests by 30%.
- C. Evaluate the current Organizational Structure and develop recommendations to become more efficient and process focused.
- D. Implement a business initiative decision model to find the optimal balance between the CEM “Cost Per Member” and “Service Level” while demonstrating an overall year over year improvement.
- E. Implement a flexible staffing model that reduces costs, maximizes workforce performance and stabilizes customer service levels throughout the calendar year.
- F. Reduce the complex data retention requirements for all internal documents and emails.
- G. Improve the efficiency and the effectiveness of actuarial services by 10%

Key Operational Requirements

- 1. Maintain a strategic plan on a three-year time horizon to be updated annually (SWOT, Strategy Map, Strategic Plan).
- 2. Participate in the annual Cost Effectiveness Measurement (CEM) surveys (Administration Cost, DB Performance and Fee Structure, and DC Performance and Fee Structure). Coordinate all survey responses and follow the improvement process to develop and implement an INPRS cost and service improvement plan.
- 3. Continue to identify additional benchmarking in the financial services industry and other areas that will provide insight and continuous improvement ideas.



GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS

Goal 7: Maintain an effective operating cost structure that leverages leading governance practices, management practices, benchmarking and secure business processes.

Key Operational Requirements, cont.

4. Maintain a Balanced Scorecard that contains a comprehensive set of measures for senior executives to assess INPRS progress towards meeting its Strategic Goals. Reevaluate all measures and target performance levels on an annual basis (end of fiscal year).
5. Establish an operating budget to be approved by the Board no later than June 30 of each year.
6. Report financial performance to the budget at every Board meeting.
7. Determine appropriate Board education and implement annually.
8. Provide consistent guidelines and processes that define the creation, review, approval, distribution, tracking and updating of policies and procedures used by INPRS.
9. Conduct quarterly performance reviews with business owners of Strategic Vendors and annual performance reviews with business owners of Core Vendors to ensure that key vendors are providing service according to expectations outlined in the contract.

GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS



Goal 8: Proactively manage enterprise risk.

Strategic Objectives

- A. Document the strategy, develop a plan and gain EStaff concurrence for an enterprise focused Data Integrity Program. The program will improve stakeholder experience, reduced resource utilization, and build awareness of data integrity issues.
- B. Complete an assessment of the maturity of INPRS' Enterprise Risk Management and create a plan to ensure best practice and compliance.

Key Operational Requirements

- 1. Complete a risk assessment of the Strategic Plan, prioritize risks, and development improvement plans for all risks above the approved thresholds.
- 2. Ensure customer and staff security by performing IT security access control audits twice per year.
- 3. Support INPRS business continuity planning by holding an IT disaster recovery test to validate capabilities for timely recovery of application systems.
- 4. Complete a risk assessment of the organization and develop an annual audit plan.
- 5. Complete the integrated fraud program that will consider whistleblower input, and include annual training, quarterly articles on the INPRS intranet (PATI), specific fraud testing in each audit, and implement quarterly fraud testing in specific areas.
- 6. Ensure that any audit findings or control issues identified during audits have action plans developed to correct the deficiency or material weakness and action plans are implemented in the agreed upon timeline.
- 7. Monitor the compliance matrix for the Investment Policy Statement (IPS).
- 8. Complete the biennial review of Board governance documents.
- 9. Enhance the comprehensive INPRS compliance program to ensure compliance with all federal and state requirements.
- 10. Maintain and improve information security through execution of the information security program including active testing, improving organizational security awareness and improved data protection.



GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS

Goal 8: Proactively manage enterprise risk.

Key Operational Requirements, cont.

11. Conduct Business Continuity and Disaster Recovery (BCDR) tabletop exercise to ensure all critical processes are operating in accordance with the plan.
12. Conduct annual review of Business Impact Analysis (BIA) and Business Continuity Plan (BCP) Document.

**GOALS, OBJECTIVES & KEY
OPERATIONAL REQUIREMENTS**



Goal 9: Recruit, train and retain the required workforce.

Strategic Objectives

- A. Improve the overall timing and effort required to identify qualified candidates and track them through the hiring process.
- B. Integrate segmented HR Processes through a single online resource.
- C. Improve reporting and analytics of HR data.
- D. Design a total compensation plan with work/life balance to retain, engage and motivate employees.
- E. Create more flexible work rules to enable INPRS to attract and retain top talent.

Key Operational Requirements

- 1. Continuously assess staffing needs and complete recruiting of the required staff.
- 2. Complete an annual employee survey and create action plans to address employee concerns.
- 3. Review and refresh the Succession Plan and Position Risk Assessment to address retention and developmental plans.
- 4. Educate and communicate to INPRS staff which develops organizational culture through "All Staff" meetings and INPRS Management Team Workshops.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 10: Advocate for legislative and regulatory policies needed to achieve strategic goals.

Strategic Objectives

- A. Seek stakeholder and plan sponsor input on retirements and benefits that improves fiscal strength, cost effectiveness and efficiencies of systems.
- B. Complete a detailed impact study to determine when the “Next Level Indiana Innovation and Entrepreneurial Fund” and the “Teacher’s Defined Contribution Plan” can be effectively implemented per HB 1001.

Key Operational Requirements

- 1. Conduct a review of Indiana Code for changes needed to achieve INPRS’ mission and strategic goals at least annually in advance of the Pension Management Oversight (PMO) Committee annual meetings.
- 2. Provide all reports as required by Indiana Code to the Administrative and Legislative branches of Indiana State government.
- 3. Track and communicate pending legislation during legislative sessions to prepare INPRS staff for pending changes.
- 4. Train INPRS functional departments to enable implementation of all legislative changes by their required implementation dates.
- 5. Complete a monthly review of the nature of member benefit appeals and complaints to assess the need for change to existing code, policies, processes and procedures.
- 6. Respond to requests from the Legislative Services Agency (LSA) within timeframes mutually agreed upon between INPRS and LSA to enable appropriate review and response.
- 7. Provide financial and actuarial support during the legislative sessions to INPRS staff for legislators and LSA.