



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

**2019-2021**



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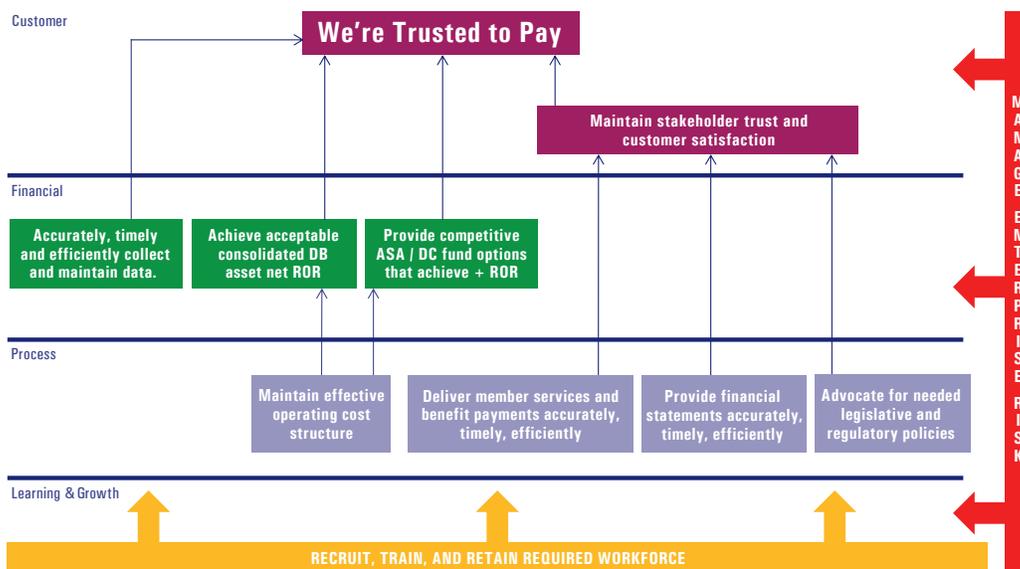
# INTRODUCTION

## STRATEGIC PLANNING PROCESS

As INPRS began preparing the 2019 – 2021 Strategic Plan, the environment was much different compared to prior years. This year, the organization had just completed the successful implementation of a multi-year program to change recordkeepers, use an outside provider for optional member annuities, and conclude the modernization of our IT infrastructure. Therefore, the focus of our planning was less about major projects, but more about the fundamental question: As an organization, where are we going and why is this best for our members? The executive team completed a series of workshops during the preparation period to analyze the organization’s strengths, weaknesses, opportunities, and threats (SWOT) as well as the strategic planning process. These workshops focused on the following strategic topics: industry trends for defined contribution plans (DC plans), member services, organizational efficiency, products and services, and performance measurement. As a result of our workshops, we were able to confirm the vision, mission, principles and strategy map that continue to be the foundation of our Strategic Plan and improve the strategic planning process to focus our available resources on serving our members.

The Goals and Objectives found in this year’s Strategic Plan follow the SMART goal setting approach to ensure that they are specific, measurable, attainable, relevant and time-bound. In addition to the detail found in the Strategic Plan, each objective has been thoughtfully planned and documented to clearly communicate what we plan to achieve, when it will be delivered, and the expected benefits to the

## INPRS STRATEGY MAP



# INTRODUCTION

organization. In addition to the upfront review of expectations, the executive team also agreed to devote more staff time to managing the execution phase of select objectives. This method of strategic plan management ensures accountability and confidence in the timely execution of a well-thought-out Strategic Plan.

## ASSET MANAGEMENT

The INPRS investment team is responsible for the prudent investment and management of approximately \$34.5 billion in assets across both a defined benefit (DB) plan and a defined contribution (DC) plan.

One significant component of the investment decision-making process is to determine the proper mix of active versus passive management based on performance and fee expectations. In FY2018, INPRS's investment team completed a comprehensive study of the active management environment across various asset classes, determined potential opportunities for improvement, and developed an active risk tolerance across the portfolio.

Another key variable in the investment decision-making process is related to how much liquidity risk is taken in the portfolio. In FY2018, INPRS's investment team implemented a new liquidity coverage metric that will help guide asset allocation decisions going forward. Since INPRS will be regularly measuring if the plan has sufficient liquidity to cover cash-flow needs in various scenarios, INPRS's investment team will utilize this measure to ensure the appropriate amount of liquid assets in the portfolio.

## RECORDKEEPING TRANSITION

In FY2018, INPRS completed a multi-year engagement to transition recordkeeping services and outsource some internally managed annuities. This program provided INPRS with an opportunity to evolve to a more industry standard system of retirement plans while improving business processes, the member experience, and ensuring our fiduciary responsibility.

To ensure overall program success, INPRS followed program management best practices, developed organizational training and coordinated transition activities across all departments. As planned, in January 2018, INPRS launched our new website and aligned with several new strategic partners to implement an array of improvements. INPRS selected Voya Financial, a leading industry provider of retirement products and services, to provide our core recordkeeping services; MetLife became the preferred provider of optional defined contribution account annuities, and State Street Corporation began pension payment disbursements.



# INTRODUCTION

During the design and build phase of the new system, collaborative relationships with Voya, their subcontractors, and MetLife generated new opportunities for improved processes to enhance both our member and employer interactions. As a result, INPRS implemented many member-facing improvements including a new completely-online retirement application, a seamless process for optional annuities, enhanced member education, and new plan management tools through the [www.myINPRSretirement.org](http://www.myINPRSretirement.org) website.

## ENHANCED DATA INTEGRITY AND SECURITY

INPRS continues our progress toward managing our data as an asset. We are implementing a data integrity awareness campaign across the organization as well as a newly defined Information Management program. This program is designed to continue data improvement efforts in a more integrated fashion across all business units while establishing steps to make data integrity a fundamental part of the entire organization. A core focus on data quality management and information governance will help build this organizational culture. These activities started in prior years and will conclude this year in an ongoing program to carry INPRS into the future. Finally, security is a constant focus for INPRS. We continue our vigilance and development of enhanced awareness, monitoring, and prevention activities.

## CONTINUING THE SEPARATION OF DB AND DC PLANS AND IMPROVING OPTIONS

The Indiana General Assembly passed legislation in 2018 affecting various pension-related matters. This legislation continues the separation of DB and DC accounts and improves options for DC accounts. Legislation expands the ability of PERF and TRF members to make rollover distributions into their DC accounts from other qualified retirement accounts. Legislation also allows PERF and TRF members to withdraw all or part of their DC accounts after termination and retain their creditable service. In addition, legislation modified the default investment option for the LEDC plan to a target date fund instead of INPRS CDB Unit Trust.

Legislation also made joining PERF easier for political subdivisions by allowing participation to begin on a selected date, rather than only on January 1 or July 1. It allows new units and members joining the 1977 ('77) Fund flexibility in sharing the cost of buying credit for prior service. '77 Fund members are also now allowed to purchase prior service in Indiana as a full time, fully paid police officer or firefighter for an employer that was not participating in the '77 fund at the time of their service.

Finally, the 2018 legislative session created a funding mechanism option for postretirement benefit increases. Supplemental allowance reserve accounts were established for PERF, TRF, EG&C, and LEDB plans.

# INTRODUCTION

## VOICE OF CUSTOMER

For years, INPRS has utilized a Voice of the Customer (VOC) program to gain insights from members, employers, and other key stakeholders. By listening to our stakeholders, we're better able to make decisions that meet their needs. In FY2019, INPRS will leverage the VOC process to improve organizational performance and service levels that are most important to our members.

Another important initiative is our Annual Member Statement (AMS). Beginning in September 2018, PERF and TRF members will receive an AMS the month after their birthday. This statement will include key demographic data as well as projected benefits for members' DB and DC accounts. While education and engaging members is a vital objective of the AMS, there are also essential compliance aspects of the project. By mailing service credit information, members will be able to review and verify the accuracy of their data. Any changes provided by members will both improve the accuracy of their retirement planning, as well as ensure INPRS has accurate data to report and manage the overall financial strength of the fund.

## CONTINUOUS IMPROVEMENT

Continuous Improvement remained a primary business focus during FY2018. The improvement efforts of the executive team are measured in our Strategic Plan execution, CEM Benchmarking results and the INPRS Balanced Scorecard (BSC) performance.

One of INPRS's top priorities has been the development of a flexible staffing model to ensure quality and consistent member service during our peak retirement periods. To this end, several milestones were achieved to ensure a smooth implementation of the staffing model including the flexible staffing document, multi-year volume and staffing projections, an operations dashboard to improve overall management, and proactive reviews for those members attending retirement workshops or counseling sessions. In total, INPRS delivered over 70 percent of the Strategic Objectives on time, with the balance being delayed to accommodate the transition to the new recordkeeper.

In FY2018, INPRS continued to benchmark with CEM Benchmarking, Inc. and hosted the CEM World Conference in Indianapolis. This organization has participation from 70 leading global pension systems that join to share detailed plan information and best practices on more than 120 key performance metrics. This year's benchmarking report showed that INPRS's overall Service Score continued to improve at a faster rate than our peer group for the fifth consecutive year. In addition, our Cost per Active Member hit a seven-year low measuring \$28 lower than the peer average. These results demonstrate our ongoing commitment to a continuous improvement philosophy and strongly position INPRS to be a "High Service and Low Cost" retirement plan.



# INTRODUCTION

Although past performance has been very good, INPRS continued to focus on improving the BSC metrics during FY2018. During the recordkeeper transition period, two measures dipped temporarily as expected, but both metrics have recovered strongly since making the complete transition in January. In total, INPRS managed and reported 20 different key performance measures to our Board of Trustees on a quarterly basis during this significant transition. We continue to show year-over-year improvement in the majority of measures, but especially in the areas of call center performance and member service. We anticipate that the recordkeeper transition will enable us to make further improvements in our member service level in FY2019.

# 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 risks.

### 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. Complete an assessment of key business processes within Operations to identify potential improvements in member services, cost reduction, and/or quality measures
- B. Reduce the call transfers between Voya and INPRS from 30% to 20% to improve overall call center performance and maximize member experience
- C. Improve benefit payment efficiencies by implementing stored value card to replace paper checks
- D. Determine the merit of bringing additional benefit disbursements processes in-house

#### **Key Operational Requirements**

- 1. Distribute timely and accurate payments to members
  - a. Monthly payroll
  - b. Weekly payroll
  - c. Retirements
  - d. Disability
  - e. Death
  - f. Defined Contribution Account
- 2. Distribute accurate 1099-R documents by January 31 of every year
- 3. Effectively manage complaints and escalated cases by driving systemic process changes

**GOALS, OBJECTIVES & KEY  
OPERATIONAL REQUIREMENTS**



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

**Strategic Objectives**

- A. Develop a retirement financial education strategy leading to improved member retirement readiness as measured by INPRS-specific retirement readiness index/indicator
- B. Identify and deploy the structure and governance needed to establish an excellent integrated digital user experience for INPRS members, employers and stakeholders
- C. Integrate Voice of the Customer (VOC) as a standard process to improve organizational performance and key service levels for stakeholders
- D. Reduce the number of retirement-eligible inactive members by 24% annually
- E. Improve employer relationships through the identification of key employer stakeholders (organizational leaders engaged in pension-related management decisions)

**Key Operational Requirements**

- 1. Complete ongoing VOC satisfaction surveys
- 2. Complete ongoing 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. Complete an assessment of key business processes within Operations impacting employer satisfaction and services

**Key Operational Requirements**

1. Request pension relief information from employers
2. Provide annual contribution rate notification to employers
3. Track and report the timeliness of employer contributions. Explore opportunities to maintain employers' compliance within established contribution time frames
4. Track employers that are habitually late and ask the Auditor of State to intercept funds from these employers
5. Annually obtain actuarial valuation reports for the defined benefit plans
6. Establish annual employer contribution rates at or above the actuarially determined contribution (ADC) rates
7. 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 assumed rate of return within accepted cost and risk parameters with sufficient cash flow to pay all benefit obligations.**

### Strategic Objectives

- A. Reassess the strategy and execution of Indiana-focused investment programs to ensure the appropriate target rate of return is achieved
- B. Determine if the target rate of return and asset allocation risk level should change as a fund becomes more or less funded
- C. Determine the appropriate objectives and asset allocation for the supplemental reserve accounts
- D. Evaluate the merits and considerations of managing a risk parity portfolio internally
- E. Evaluate the merits of a central warehouse and interface for manager contacts, notes, and other research

### 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



GOALS, OBJECTIVES & KEY  
OPERATIONAL REQUIREMENTS

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

**Key Operational Requirements, cont.**

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
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's loss recovery
10. Assess the most productive mix of passive and active management across the portfolio

## GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS



**Goal 5: Provide industry competitive Defined Contribution (DC) fund options that achieve rates of return equal to or greater than the funds' benchmarks.**

### Strategic Objectives

- A. Conduct a review of the target date funds' asset allocation relative to INPRS' members' objectives and risk tolerance and establish the ultimate objectives for the target date funds
- B. Reassess the line-up of stand-alone investment options

### Key Operational Requirements

- 1. Achieve 100% of DC metrics
- 2. Perform an annual review of 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
- 5. Conduct periodic meetings with business partners to benchmark our organization



**GOALS, OBJECTIVES & KEY  
OPERATIONAL REQUIREMENTS**

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

**Strategic Objectives**

- A. Complete an assessment of key business processes within Finance to identify potential improvements in member services, cost reduction, and/or quality measures

**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 Government Finance Officers Association (GFOA) and the INPRS website
3. Obtain an annual GFOA certification of the CAFR
4. Annually publish audited Government Accounting Standards Board (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 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. Evaluate the current organizational structure and develop recommendations to become more efficient in meeting our goals and objectives
- B. Strengthen the existing CEM improvement process to monitor and respond to key service levels monthly
- C. Improve the quality and efficiency of key business processes through process maturity evaluations and Center of Excellence (COE) engagement
- D. Improve internal access and visibility to business information resulting in improved operational efficiency and delivery of stakeholder services utilizing new tools and processes

### 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
- 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.



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.**

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. Implement an enterprise focused data integrity program
- B. Assess and update the current enterprise risk management policy and procedures to maximize organizational value

#### **Key Operational Requirements**

1. Complete a risk assessment of the strategic plan, prioritize risks, and develop improvement plans for all risks above the approved thresholds
2. Ensure member, employer and staff security by performing IT security access control audits
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 time frame
7. Monitor the compliance matrix for the Investment Policy Statement (IPS) quarterly
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



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) documents

**GOALS, OBJECTIVES & KEY  
OPERATIONAL REQUIREMENTS**



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

**Strategic Objectives**

- A. Evaluate the merits of integrating the HR processes to improve the recruiting and performance management processes as well as provide improved reporting and analytics

**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. Implement post-retirement benefit adjustment (SB373) and incorporate into the actuarial valuations
- B. Implement the Teacher's Defined Contribution Plan (TRF My Choice) 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
- 8. Seek stakeholder and plan sponsor input on retirements and benefits to improve fiscal strength, cost effectiveness and efficiencies of systems