



STATE OF INDIANA
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August 5, 2022

Indiana Treasurer of State
State Police Pension Trust
200 W. Washington Street
Indianapolis, IN 46204

We have reviewed the audit report of the State Police Pension Trust, which was opined upon by RSM US LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the State Police Pension Trust as of June 30, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, RSM US LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

Indiana State Police Pension Trust



**Annual Financial Report
For the Year Ended June 30, 2021**

Indiana State Police Pension Trust

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Independent Auditor's Report

Indiana Treasurer of State
Indiana State Police Pension Trust
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Indiana State Police Pension Trust (Trust), as of June 30, 2021, the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Indiana State Police Pension Trust as of June 30, 2021, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, the Schedules of Changes in Net Pension Liability, Total Pension Liability and Related Ratios and Investment Returns, Schedules of Contributions and the related notes to required supplementary information on pages 27 through 32 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Indianapolis, Indiana
December 20, 2021

Indiana State Police Pension Trust

Management's Discussion and Analysis

This section provides an overview and analysis of the basic financial statements of the Indiana State Police Pension Trust (Trust) for the year ended June 30, 2021. We encourage readers to consider information in the financial statements and required supplementary information that follow this document.

Overview and Analysis of the Financial Statements

The Indiana State Police Pension Trust annual financial report consists of four parts – the independent auditor's report; management's discussion and analysis (this section); the financial statements, including notes to financial statements; and the required supplementary information. The basic financial statements of the Trust are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements provide information about the nature and amount of investments available to pay the pension benefits of the Trust. The Statement of Changes in Fiduciary Net Position accounts for all additions to and deductions from the net position restricted for pension benefits. These statements measure the success of the Trust in increasing the net position available for pension benefits during the year.

Financial Highlights

- The Trust's net position at June 30, 2021 was \$620.9 million
- Contributions of \$46.3 million increased by \$2.9 million from the prior year
- Benefit payments were \$42.7 million, resulting in a \$0.02 million decrease from the prior year
- The total net investment gain was \$119.5 million

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position measure the value of plan net position and the changes to them. As of June 30, 2021, the plan net position increased to \$620.9 million. The increase in net position of \$122.1 million resulted primarily from contributions of \$46.3 million plus investment gains of \$119.5 million offset by benefits paid of \$42.7 million and administrative expenses of \$907 thousand.

Fiduciary Net Position — The following table summarizes the Trust's Statements of Fiduciary Net Position:

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 33,295,053	\$ 36,645,057
Investments	587,069,843	460,847,453
Contribution receivables	293,101	511,640
Investment receivables	388,107	364,791
Other assets	97,937	505,972
Total assets	<u>621,144,041</u>	<u>498,874,913</u>
Liabilities		
Accrued expenses	107,230	99,815
Benefits payable	26,012	64,894
From investment purchases	155,657	-
Total liabilities	<u>288,899</u>	<u>164,709</u>
Net position restricted for pensions	<u>\$ 620,855,142</u>	<u>\$ 498,710,204</u>

Indiana State Police Pension Trust

Management's Discussion and Analysis

In 2021, the plan net position increased by 24.5 percent or \$122.1 million. The increase is primarily from contributions of \$46.3 million as well as a net investment gain of \$119.5 million, offset by benefit payments, refunds and administrative expenses of \$43.6 million.

Changes in Fiduciary Net Position — The following table summarizes the Trust's Statements of Changes in Fiduciary Net Position:

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions	\$ 46,286,062	\$ 43,429,721
Net investment gains	119,479,409	7,502,709
Other income	<u>99</u>	<u>764</u>
Total additions	<u>165,765,570</u>	<u>50,933,194</u>
Deductions:		
Benefit payments	42,621,301	42,640,474
Refunds	92,422	20,956
Administrative expenses	<u>906,909</u>	<u>854,574</u>
Total deductions	<u>43,620,632</u>	<u>43,516,004</u>
Net increase in net position restricted for pensions	<u>\$ 122,144,938</u>	<u>\$ 7,417,190</u>

In 2021, the Trust incurred a net investment gain of \$119.5 million, compared to a gain of \$7.1 million in 2020. In 2021, the net investment gain increased by \$112.4 million from 2020. The increase in net investment income in 2021 was the result of upward movement in the securities market. Overall investment returns were positive and in-line with long-term plan expectations.

Plan Funding

Pension Benefit Trust Fund

The fund is a pre-funded plan which invests assets in order to meet the future obligations of the plan. The funded ratio of the plans within the Trust measures the ratio of the fiduciary net position against the total pension liability and is an indicator of the fiscal strength of the pre-funded pension fund's ability to meet obligations to its members. An annual actuarial valuation is performed and the most recent valuation showed the funded status of 84.56 percent, an increase of 10.92 percent from the previous year. The increase was a combination of an actuarial gain on plan experience, along with significant investment returns in 2021.

Supplemental Benefit Trust Fund

This fund is an unfunded pension plan sometimes referred to as a "pay-as-you-go" plan in which the contributions made to the plan are used to pay current benefits and administrative costs and there are no assets maintained for investment purposes.

Indiana State Police Pension Trust

Management's Discussion and Analysis

Investment Performance

The investment portfolio is structured, based on a Board approved Investment Policy Statement, to meet the return objectives of the State Police Pension Trust, while also reflecting the appropriate risk tolerance and asset class performance. Over the last year, the majority of investment styles were additive to overall investment performance, namely fixed income securities and cash equivalents.

Future Outlook

The actuarial assumptions related to plan demographics for each plan were relatively consistent in 2021 when compared to prior years with only minor updates for member salaries and mortality improvement. However, on the asset side, the pension benefit trust reduced the expected long-term rate of return on plan assets from 6.75 percent in 2020 to 6.25 percent in 2021. The more conservative viewpoint is in-line with industry trends and overall, did not significantly impact the upcoming actuarially determined contributions for 2022, as the valuation for funding purposes are in-line with those assumption changes and do not differ significantly from the current year. Plan membership is also expected to remain consistent as no influx of retirements or new members are anticipated in the upcoming years.

The COVID-19 pandemic has led to significant volatility in the global public equity and debt markets. The volatility of the markets do have a significant impact on the Plan's portfolio which has rebounded significantly since lows seen at the end of March 2020. The potential impacts, including the possibility of a global, national and/or regional economic recession, are increasingly uncertain and difficult to assess. The resulting financial and economic market uncertainty could have a significant adverse impact on the financial results of the Plan, including contributions received and the fair value of the Plan's portfolio.

Contacting the Financial Management of the Trust

This financial report provides a general overview of the net position of the Indiana State Police Pension Trust. Users of this report should address questions concerning the information contained herein, or requests for additional financial information, to Jessica Baumgartner, Staff Accountant at the Office of the Treasurer of Indiana.

BASIC FINANCIAL STATEMENTS

Indiana State Police Pension Trust

Statement of Fiduciary Net Position

June 30, 2021

	State Police Retirement Fund	State Police Supplemental Trust	Total
Assets			
Cash and cash equivalents	\$ 33,295,053	\$ -	\$ 33,295,053
Receivables:			
Contributions:			
Member	260,134	-	260,134
Employer	-	32,967	32,967
Interest	388,107	-	388,107
Member loans	61,470	-	61,470
From investment sales	21,892	-	21,892
Internal balances	6,955	(6,955)	-
Total receivables	<u>738,558</u>	<u>26,012</u>	<u>764,570</u>
Investments at fair value:			
Short-term investments			
Equity securities	191,330,021	-	191,330,021
Fixed income securities	256,142,688	-	256,142,688
Alternatives	139,597,134	-	139,597,134
Total investments at fair value	<u>587,069,843</u>	<u>-</u>	<u>587,069,843</u>
Property, plant and equipment, net of accumulated depreciation	<u>14,575</u>	<u>-</u>	<u>14,575</u>
Total assets	<u>621,118,029</u>	<u>26,012</u>	<u>621,144,041</u>
Liabilities			
Accrued expenses	107,230	-	107,230
Benefits payable	-	26,012	26,012
From investment purchases	155,657	-	155,657
Total liabilities	<u>262,887</u>	<u>26,012</u>	<u>288,899</u>
Net position			
Restricted for pensions	<u>\$ 620,855,142</u>	<u>\$ -</u>	<u>\$ 620,855,142</u>

See Notes to Financial Statements.

Indiana State Police Pension Trust

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	State Police Retirement Fund	State Police Supplemental Trust	Total
Additions			
Member contributions	\$ 5,338,525	\$ -	\$ 5,338,525
Employer contributions	36,748,010	4,199,527	40,947,537
Total contributions	42,086,535	4,199,527	46,286,062
Investment income:			
Net appreciation in fair value of investments	118,067,730	-	118,067,730
Interest and dividends	3,005,027	-	3,005,027
Less investment expense	(1,593,348)	-	(1,593,348)
Net investment income	119,479,409	-	119,479,409
Other income	99	-	99
Total additions	161,566,043	4,199,527	165,765,570
Deductions			
Benefit payments:			
Pension benefits	38,521,898	-	38,521,898
Disability benefits	-	2,799,864	2,799,864
Survivor benefits	-	665,656	665,656
Insurance and other benefits	-	633,883	633,883
Refunds of contributions and interest	92,422	-	92,422
Administrative	806,785	100,124	906,909
Total deductions	39,421,105	4,199,527	43,620,632
Increase in net position	122,144,938	-	122,144,938
Net position restricted for pensions July 1, 2020	498,710,204	-	498,710,204
Net position restricted for pensions June 30, 2021	\$ 620,855,142	\$ -	\$ 620,855,142

See Notes to Financial Statements.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions

Administration of the Plans:

The Indiana State Police Pension Trust is administered by the Treasurer of the State of Indiana as Trustee under the Pension Trust Agreement with the Indiana Department of State Police.

The Pension Trust Agreement established the Pension Advisory Board which consists of the Superintendent of the Department of State Police of Indiana (Board Chairman); a representative of the Pension Consultants and the Trustee, who both shall serve on a nonvoting basis; three active employees who are elected; and an executive secretary who shall be appointed by the Superintendent. The duties of the Board are to approve pensions, adjust compensation used for pension plan purposes, formulate policies and assist in the administration of the pension plans. There are two plans administered by the Board, the State Police Retirement Fund and the State Police Supplemental Trust Fund.

State Police Retirement Fund:

The State Police Retirement Fund (SPRF) is a defined benefit, single-employer pension plan. Indiana Code 10-12-2-2 grants authority to the Department of the State Police to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the Trust.

The SPRF includes the Pre-1987 Benefit System and the 1987 Benefit System. The term "Pre-1987 Benefit System" shall refer to the plan and the benefits provided to employee beneficiaries who are first employed as employees by the Department before July 1, 1987, and who did not elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement. Any benefits provided to former employees who qualified for such benefits under the terms of the Trust Agreement as in effect prior to July 1, 1987, shall also be deemed part of the Pre-1987 Benefit System. The term "1987 Benefit System" shall refer to the plan and the benefits provided to employee beneficiaries who are first employed as employees by the Department on or after July 1, 1987, and to those employee beneficiaries who were first employed prior to July 1, 1987, provided they elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the Trust Agreement.

Employees covered by benefit terms:

As of June 30, 2021, the following employees were covered by the benefit terms of the SPRF:

	Pre-1987 Plan	1987 Plan	Total
Inactive members and their beneficiaries currently receiving benefits	722	849	1,571
Inactive members entitled to but not yet receiving benefits	3	177	180
Active members	12	1,196	1,208
Total	737	2,222	2,959

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions (Continued)

Retirement benefits provided:

Pre-1987 Plan:

The Pre-1987 Plan provides that the basic monthly pension amount may not exceed by more than \$20 an amount equal to one-half of the member's average monthly wages (not including overtime) received during the highest paid consecutive 12 months prior to retirement. However, this amount may not exceed the monthly salary of a sixth-year trooper.

In addition to the basic retirement benefit described above, a plan member with over 20 years of service will receive the following incremental increases:

- 2% of the basic amount for each of the next 2 years over 20 years;
- 3% of the basic amount for each of the next 2 years over 22 years;
- 4% of the basic amount for each of the next 2 years over 24 years;
- 5% of the basic amount for each of the next 2 years over 26 years;
- 6% of the basic amount for each of the next 2 years over 28 years;
- 7% of the basic amount for each of the next 2 years over 30 years;
- 8% of the basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70 percent of the basic pension amount, according to IC 10-12-3-7 (c).

1987 Plan:

The 1987 Plan provides that the basic monthly pension amount may not exceed one-half of the member's average monthly salary received during the member's highest-paid three years before retirement. Members retiring from July 1, 1987, through June 30, 1988, may not receive a basic monthly benefit greater than 50 percent of the maximum salary of a first sergeant. Members retiring from July 1, 1988, through June 30, 1989, may not receive a basic monthly benefit greater than 50 percent of the maximum salary of a captain.

In addition to the basic retirement benefit described above, a plan member with over 25 years of service will receive the following incremental increases:

- 5% of the basic amount for each of the next 3 years over 25 years;
- 6% of the basic amount for each of the next 2 years over 28 years;
- 7% of the basic amount for each of the next 2 years over 30 years;
- 8% of the basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70 percent of the basic pension amount, according to IC 10-12-4-7 (e).

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions (Continued)

Disability and survivor benefits provided:

The regular disability benefit for a disabled member may not exceed the maximum basic pension amount. If the member's disability was incurred in the line of duty, the member is entitled to an additional \$40 per month for each dependent parent and dependent child under age 18.

If a member is permanently and totally disabled by a catastrophic personal injury that: (1) is sustained in the line of duty after January 1, 2001; and (2) permanently prevents the member from performing any gainful work; the member is entitled to a disability benefit equal to the member's salary at the commencement of the disability in lieu of the regular disability benefit. The member is also entitled to increases in the disability benefit equal to the salary increases that the member would have received had the member remained in active service.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. In addition, a member who meets the conditions listed in IC 5-10-15 has a presumption that a total or partial disability resulting from an exposure-related cancer, or heart or lung disease is a disability incurred in the line of duty. These presumptions may be rebutted by competent evidence. A meeting or hearing held to rebut a presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). A presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member's survivor is entitled to a supplemental death benefit of not more than \$14,500 for employee beneficiaries who die before July 1, 2013. For employee beneficiaries who die after June 30, 2013, the amount of supplemental death benefits may not exceed \$20,000. The maximum monthly pension payable to surviving spouses or a dependent mother and father of a member killed in the line of duty may not exceed the current basic monthly pension amount paid to retirees or, upon a retiree's death, one-half of the deceased officer's monthly benefit.

A dependent child entitled to survivor benefits may receive a maximum of 30 percent of the basic monthly pension currently being paid to retirees. Total benefits paid to all of a member's surviving dependent children may not exceed the basic monthly pension currently being paid to retirees.

Contributions:

Members of the Pre-1987 Plan contribute 5 percent of the member's wages (not including overtime and limited to sixth-year trooper pay). Members of the 1987 Plan contribute 6 percent of the member's wages (not including overtime). A member who receives a disability pension does not make contributions to the member's fund.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2010.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions (Continued)

Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. For the year ended June 30, 2021, the State contribution rate was 25.4 percent of covered payroll.

Deferred Retirement Option Program. The Deferred Retirement Option (DROP) for the State Police Retirement Fund was established in 2001 pursuant to the Pension Trust Agreement and is governed by the Department of the State Police and the Treasurer of the State of Indiana (Trustee). Members of the Pre-1987 and 1987 plans that are eligible to retire may elect to accumulate a DROP benefit while continuing to work. At the time of their election, the member executes an irrevocable election to retire on a DROP retirement date and remain in active service, but the member does not contribute to the fund during the DROP period. For the Pre-1987 Plan, when an employee has completed 20 years of service or more, he/she may irrevocably elect to enter the DROP for a period ending the earlier of (1) 60 consecutive months, (2) completion of 34 years of service, or (3) attainment of age 65. An employee on disability cannot enter the DROP. From the date the employee enters the DROP, he/she will not be credited with any additional years of service. The employee's DROP accrual will be equal to the basic monthly retirement benefit. At the end of the DROP period, the employee must separate from employment and retire. Upon separation, the employee will receive their accumulated DROP benefit in the form of a lump sum payment, a rollover to another retirement program, or a combination of both. For the 1987 Plan, all DROP requirements are the same as the Pre-1987 Plan, except that the employee must have completed 25 years of service or more. The DROP and future retirement monthly benefit is calculated as of the member's DROP entry date. At the time of retirement, the member must choose among the available options for distribution of the accumulated benefit under the DROP. As of June 30, 2021, the amount held by the plan pursuant to the DROP is \$2.3 million.

State Police Supplemental Trust:

The State Police Supplemental Trust (SPST) is a defined benefit, single-employer pension plan. Indiana Code 10-12-2-4 and 10-12-2-5 grant authority to the Department of the State Police to establish and operate a fund for death and disability benefits.

The SPST includes the Pre-1987 Benefit System and the 1987 Benefit System. The term "Pre-1987 Benefit System" shall refer to the plan and benefits provided employee beneficiaries who are first employed as employees by the Department before July 1, 1987, and who did not elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the State Police Retirement Fund (SPRF) Trust Agreement. Any benefits provided to former employees who qualified for such benefits under the terms of the Trust Agreement as in effect prior to July 1, 1987, shall also be deemed part of the Pre-1987 Benefit System. The term "1987 Benefit System" shall refer to the plan and the benefits provided to employee beneficiaries who are first employed as employees by the Department on or after July 1, 1987, and to those employee beneficiaries who were first employed before July 1, 1987, provided they elected to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of the SPRF Trust Agreement.

In relation to the SPRF, the membership of the SPST is generally made up of active members and disabled members of the SPRF with the following exceptions:

- The SPST does not include active SPRF members who elected a DROP
- The SPST does not include inactive SPRF members who are currently receiving SPRF retirement benefits

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions (Continued)

Employees covered by benefit terms:

As of June 30, 2021, the following employees were covered by the benefit terms of the SPST:

	Pre-1987 Plan	1987 Plan	Total
Inactive members and their beneficiaries currently receiving benefits	13	43	56
Inactive members entitled to but not yet receiving benefits	-	-	-
Active members	12	1,167	1,179
Total	25	1,210	1,235

Benefits provided:

Line of Duty Death Benefits:

Pre-1987 Plan:

The benefit valued was 50 percent of current salary (but in no event greater than the sixth year trooper rate), plus \$20. Benefits are assumed to increase with the sixth year trooper rate. Dependent children are paid 30 percent of the beneficiary's benefit until they reach age 18 or 23 if enrolled in school full-time.

1987 Plan:

The benefit valued was 50 percent of the average of the highest 36 consecutive months of salary. Dependent children are paid 30 percent of the beneficiary's benefit until they reach age 18 or age 23 if enrolled in school full-time.

Line of Duty Disability Benefits:

Pre-1987 Plan:

The benefit valued was 50 percent of current salary (but in no event greater than the sixth year trooper pay), plus \$20. Benefits are assumed to increase with the sixth year trooper rate and are payable until the participant has earned 34 years of service. The plan also pays medical expenses. Benefits are increased by \$40 for each dependent child under 18.

1987 Plan:

The benefit valued was 50 percent of the average of the highest 36 consecutive months of salary. Benefits are assumed to increase with assumed salary increases and are payable for a minimum of two years and until the participant has earned 25 years of service. The plan also pays medical expenses. Benefits are increased by \$40 for each dependent child under 18.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 1. Plan Descriptions (Continued)

Non-Line of Duty Disability Benefits

Pre-1987 Plan:

The benefit valued was 50 percent of current salary (but in no event greater than the sixth year trooper pay), plus \$20. Benefits are assumed to increase with the sixth year trooper rate and are payable until the participant has earned 34 years of service, but not for a period longer than the accrued service at date of disability.

1987 Plan:

The benefit valued was 50 percent of the average of the highest 36 consecutive months of salary. Benefits are assumed to increase with assumed salary increases and are payable for a minimum of two years and until the participant has earned 25 years of service.

Catastrophic Injury Disability Benefits

Pre-1987 Plan:

The benefit valued was 100 percent of current salary. Benefits are assumed to increase with salary increases and are payable until the participant has earned 34 years of service. The Plan also pays medical expenses. Benefits are increased by \$40 for each dependent child until they reach the age of 18 or age 23 if enrolled in school full-time.

1987 Plan:

The benefit valued was 100 percent of current salary. Benefits are assumed to increase with salary increases and are payable until the participant has earned 25 years of service. The Plan also pays medical expenses. Benefits are increased by \$40 for each dependent child until they reach the age of 18 or age 23 if enrolled in school full-time.

Contributions:

The SPST is one hundred percent funded by the State of Indiana using annual appropriations on a pay-as-you-go basis to cover current period expenses. The plan is not pre-funded. The SPST received \$4,199,527 from the State during the fiscal year.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 2. Summary of Significant Accounting Policies

Fiduciary Funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. Pension trust funds are a type of fiduciary fund used to report resources held in trust for the members and beneficiaries of defined benefit pension plans. The State Police Retirement Fund (SPRF) and the State Police Supplemental Trust (SPST) are pension trust funds included in the State of Indiana's financial statements included within the State's fiduciary funds.

Basis of accounting:

The financial statements of the Indiana State Police Pension Trust (Trust) have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. Under the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of this entity are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g. additions) and decreases (e.g. deductions) in net position. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. The Trust applies all applicable GASB pronouncements in accounting and reporting for its operations.

Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Contributions and receivables:

Contribution receivables represent employer and member contributions due at and received after year-end, for wages paid before year-end, based upon the employer's payroll date. The estimate for contribution receivables at year-end was calculated using member contributions from the last reported payroll period before year-end.

Cash and cash equivalents:

Cash is made up of deposits with financial institutions. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Investments:

Investments are generally reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 2. Summary of Significant Accounting Policies (Continued)

Short-term investments are generally classified as cash equivalents and are reported at amortized cost, which approximates fair value.

Equity securities and mutual funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fair value for the majority of fixed income securities is determined by using quoted market prices by independent pricing services.

Investments that do not have an established market are reported at net asset value; these include commingled funds, private equity funds and hedge funds. The alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Holdings are generally valued by a general partner or investment manager on a quarterly basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of judgment.

Capital assets:

Capital assets are reported at historical cost or estimated historical cost if purchased or constructed and are greater than the \$500 capitalization threshold as defined within the State of Indiana's capitalization policy.

Capital assets are depreciated using the straight-line method using an estimated useful life determined based on the type of asset. Computer software is depreciated over 36 months or 3 years.

Benefits and distributions:

Pension, disability, death, distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Pension benefits are paid once the retirement or survivor applications have been processed and approved.

Use of estimates:

In preparing the financial statements to conform to generally accepted accounting principles, the Board makes estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Risks and uncertainties:

The Trust invests in various investment instruments. Investment securities, in general, are exposed to various risks, including interest rate risk, credit risk, custodial credit risk, etc. as well as an overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the fair value of investments will occur in the near term, which could materially differ from the amounts reported within this report.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments

Investment Policy

The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-12-2-2 (c-e), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-12-2-2 (c-e) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a like character with similar aims. The trustee shall also diversify such investments in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute.

The following was the SPRF's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation (%)
Broad domestic equity	31.0
Global ex U.S. equity	11.0
Core U.S. fixed	22.0
Short duration gov't/credit	4.0
Cash equivalents	2.0
Hedge funds	25.0
Core real estate	5.0
Total	100.0

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

Fair Value Measurement

The Trust categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2 and 3 of the fair value hierarchy are defined as follows:

- Level 1** Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.
- Level 2** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.
- Level 3** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. The Trust's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Investments measured at fair value using net asset value per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy; however, separate disclosures for these investments are required.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical investments.

Fixed income investments classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Valuation estimates from service providers' internal models use observable inputs such as interest rates, yield curves, credit/risk spreads and default rates. Matrix pricing techniques value securities based on their relationship to benchmark quoted prices.

Fixed income investments classified in Level 3 (if any) include valuations using significant unobservable inputs, valuations using proprietary information, inputs that cannot be corroborated by observable market data and securities valued with last trade date due to limited trading volume.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

The following table summarizes the valuation of the SPRF's investments by the fair value hierarchy levels as of June 30, 2021:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investment by Fair Value Level</u>				
Fixed Income Investments				
Corporate Bonds	\$ 14,856,355	\$ -	\$ 14,856,355	\$ -
Collateralized Mortgage Obligations	169,884	-	169,884	-
Private Placements	543,324	-	543,324	-
Municipal Bonds	3,424,748	-	3,424,748	-
U.S. Government Mortgage Backed	357,079	-	357,079	-
U.S. Treasuries	4,845,103	4,845,103	-	-
Total Fixed Income Investments	<u>24,196,493</u>	<u>4,845,103</u>	<u>19,351,390</u>	<u>-</u>
Equity Investments				
Domestic Equity	112,553,159	112,553,159	-	-
International Equity	247,495	247,495	-	-
Mutual Funds	78,529,367	78,529,367	-	-
Total Equity Investments	<u>191,330,021</u>	<u>191,330,021</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 215,526,514</u>	<u>\$ 196,175,124</u>	<u>\$ 19,351,390</u>	<u>\$ -</u>
<u>Investment Measured at the Net Asset Value (NAV)</u>				
Commingled Fixed Income Funds	\$ 231,946,195			
Hedge Funds	54,965,064			
Private Equity	84,632,070			
Total Investments Measured at the NAV	<u>371,543,329</u>			
Total Investments Measured by Fair Value	<u>\$ 587,069,843</u>			

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

Investments measured at the NAV per share (or its equivalent) are as follows:

Investments Measured at the Net Asset Value (NAV)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Commingled Fixed Income / Equity Funds ⁽¹⁾	\$ 231,946,195	\$ -	Daily	1 day
Private Equity ⁽²⁾	84,632,070	16,274,708	N/A	N/A
Multi-Strategy Hedge Funds ⁽³⁾	54,965,064	1,500,000	Semi-Annually	95 days
Total	<u>\$ 371,543,329</u>	<u>\$ 17,774,708</u>		

- (1) *Commingled Fixed Income / Commingled Equity* - There are 5 fixed income or equity funds which are considered to be commingled in nature. Each are valued at the net asset value of the units held at the end of the period based upon fair value of the underlying securities.
- (2) *Private Equity* - Consisting of 16 private equity funds, this strategy invests across a range of strategies, geographies, and industries. These underlying portfolio company investments cannot be redeemed with the funds, but rather the funds will make distributions of capital to SPRF as the funds sell the underlying portfolio company investments.
- (3) *Multi-Strategy Hedge Funds* - This type invests in 8 hedge funds that are comprised of investments across hedge fund strategies. Four broad categories are, equity hedge, event driven, macro, and relative value. "Multi" references the multiple underlying sub-strategies within each category.

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the SPRF will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2021, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk

Investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the SPRF will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty’s trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust’s investments are exposed to custodial credit risk because they are held by the Trust’s custodian in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian’s operational failure, (ii) custodian’s failure to carry out the credit analysis, (iii) custodian’s failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SPRF does not have a formal policy on credit risk.

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual/commingled funds, municipal securities, asset-backed, and mortgage backed securities for the State Police Pension Trust. The table reflects the “greatest risk” rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each investment type.

	Corporate Bonds	Collateralized Mortgage Obligations	Private Placements	Municipal Bonds	U.S. Government Mortgage Backed	Commingled Fixed Income / Commingled Equity Funds	Total
AAA	\$ -	\$ -	\$ -	\$ 378,866	\$ -	\$ -	\$ 378,866
AA	719,222	-	83,626	2,294,103	357,079	-	3,454,030
A	1,351,738	-	263,210	442,349	-	-	2,057,297
BBB	9,719,443	-	196,488	309,430	-	-	10,225,361
BB	1,924,041	-	-	-	-	-	1,924,041
B	1,141,911	-	-	-	-	-	1,141,911
Not Rated	-	169,884	-	-	-	231,946,195	232,116,079
Total Fair Value	\$ 14,856,355	\$ 169,884	\$ 543,324	\$ 3,424,748	\$ 357,079	\$ 231,946,195	\$ 251,297,585

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund’s policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund’s objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 6.25 percent.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury securities	\$ 4,845,103	\$ 539,026	\$ 3,357,928	\$ 948,149	\$ -
U.S. government mortgage backed	357,079	-	7,680	54,694	294,705
Collateralized mortgage obligations	169,884	-	-	169,884	-
Corporate bonds	14,856,355	180,068	5,318,141	9,043,677	314,469
Private placements	543,324	-	459,698	83,626	-
Municipal bonds	3,424,748	-	1,773,879	1,433,475	217,394
Commingled fixed income funds	231,946,195	231,946,195	-	-	-
Total	<u>\$ 256,142,688</u>	<u>\$ 232,665,289</u>	<u>\$ 10,917,326</u>	<u>\$ 11,733,505</u>	<u>\$ 826,568</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has eighteen different investment managers. Each investment manager is retained by the Trust to implement a specific investment style and strategy and shall adhere to the specific limitations on holdings outlined in each investment manager's securities guidelines. The securities guidelines for each investment manager is negotiated and agreed upon in writing on a case-by-case basis and referenced in Appendix D of the Investment Policy Statement.

At June 30, 2021, investments in one mutual fund and five commingled fixed income / commingled equity funds each represented 5 percent or more of the total investments or fiduciary net position of the fund.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 3. Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Police Pension Trust's foreign currency exposure is focused primarily in international and global equity holdings. The exposure to foreign currency fluctuation is as follows:

Currency	Fair Value	% of Total Fair Value
Pound sterling	\$ 250,400	0.04%

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.43 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) non-cash collateral if the State is indemnified by the custodian holding the non-cash collateral, in excess of the total market value of the loaned securities. The market value of the required collateral must be in an amount at least equal to 102 percent of the current market value of the loaned securities.

As of June 30, 2021, the State Police Pension Trust did not have any securities on loan and therefore, no credit risk exposure.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 4. Net Pension Liability

The net pension liabilities were measured as of June 30, 2021, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The components of the net pension liabilities at June 30, 2021 were as follows:

	<u>State Police Retirement Fund</u>	<u>State Police Supplemental Trust</u>
Total pension liability	\$ 734,253,873	\$ 26,212,345
Less plan fiduciary net position	<u>(620,855,142)</u>	<u>-</u>
Net pension liability	<u>\$ 113,398,731</u>	<u>\$ 26,212,345</u>
Plan fiduciary net position as a percentage of the total pension liability	84.56%	0.00%

Actuarial assumptions. The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Methods and Assumptions:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Inflation	2.25%
Salary increases	3.5% for the pre-1987 plan. For the 1987 plan, 9% at ages 26 and younger, annual increase reduced 0.5% per year reaching 4% at age 36, annual increases of 4% at ages 36 and older. Salary matrix effective July 1, 2018 is reflected.
Investment rate of return	SPRF - 6.25%, net of pension plan investment expense, including inflation, decreased from 6.75% as of June 30, 2020. SPST - 2.18% as of June 30, 2021, 2.66% as of June 30, 2020 Rate is S&P Municipal Bond 20 Year High Grade Rate Index
Retirement age	<u>Pre-1987 Plan</u> - Retirement rates are based on age with 10% assumed to retire at ages 42-45, 7.5% at ages 46-54, 10% at 55, 12.5% at 56, 15% at 57, 20% at 58, 40% at ages 59 and older, except 100% at 65 (with at least 20 years of service). Based on experience study through June 30, 2019. <u>1987 Plan</u> - Retirement rates are based on years of service with 15% assumed to retire at 25 years of service, 12.5% at 26 years, 10% at 27 years, 7.5% at years 28 and 29, 10% at 30 years, 12.5% at 31 years, 15% at 32 years, 40% at 33 years, and 27.5% at 34 or more years, except 100% at age 65 (with at least 25 years of service). Based on experience study through June 30, 2019.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 4. Net Pension Liability (Continued)

Methods and Assumptions (Continued):

SPST Disability Incidence	<u>Pre-1987 Plan</u> - None anticipated <u>1987 Plan</u> - 150% of the 1964 OASDI table. 2% of disabilities are assumed to be catastrophic used at all ages. Disabled participants are assumed to remain disabled until they reach eligibility for the disabled retirement benefit, age 55 in most instances. The assumed claim cost is based on the average premium reimbursement per covered life in the past two years. This amount, \$905 per month, was then age graded 1% for each year above or below age 40. Finally, the claim cost is trended forward for future expected reimbursements using the post-retirement medical trend assumption of 8% at 2021, graded down 0.5% per year until reaching the ultimate rate of 4.5% at 2028.
Mortality	
Employees	SOA Pub-2010 Safety Employees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2020 (with annual updates)
Retiree	SOA Pub-2010 Safety Retirees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2020 (with annual updates)
Beneficiaries	SOA Pub-2010 Safety Contingent Survivors with no set forward for males and 2 year forward for females with mortality improvement scale MP-2020 (with annual updates)
Disabled	SOA Pub-2010 Safety General Disabled Retirees with no set forward for males and no set forward for females with mortality improvement scale MP-2020 (with annual updates)

The most comprehensive experience study was completed in June 2019 and was based on member experience through June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation and forward based on the results of the study.

The changes in assumptions for base year ending June 30, 2021 reflect the changes in the mortality improvement updating the improvement scale MP-2020, a decrease in the SPRF's long-term rate of return on plan assets from 6.75 percent in 2020 to 6.25 percent in 2021 and a decrease in the SPST Fund's discount rate from 2.66 percent to 2.18 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 4. Net Pension Liability (Continued)

The SPRF is a pre-funded plan and utilizes a long-term expected rate of return on pension plan investments of 6.25 percent, which was determined using a building-block method in which best estimates of expected future rates of return (expected returns, net of pension plan investment expense) were developed for each major asset class. These estimated returns were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Development of the long-term investment return is shown below:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad domestic equity	31.0	6.6
Global ex U.S. equity	11.0	6.8
Core U.S. fixed	22.0	1.8
Short duration govt/credit	4.0	1.5
Cash equivalents	2.0	1.0
Hedge funds	25.0	4.0
Core real estate	5.0	5.8
Total	100.0	

Discount rate. The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the SPRF, calculated using the discount rate of 6.25 percent, as well as what the SPRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
State Police Retirement Fund	\$ 202,283,462	\$ 113,398,731	\$ 38,623,340

Indiana State Police Pension Trust

Notes to Financial Statements Year Ended June 30, 2021

Note 4. Net Pension Liability (Continued)

The SPST is an unfunded plan which has no assets set aside for future benefits as benefits are funded on a pay-as-you-go basis.

Discount rate. The discount rate used to measure the total pension liability of the SPST was 2.18 percent. This rate was chosen in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, which requires a blended discount rate based on the long-term rate of return on plan investments (which for the SPST is 0 percent) blended with a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The 2.18 percent is the June 30, 2021 value of the S&P Municipal Bond 20 Year High Grade Rate Index.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the SPST, calculated using the discount rate of 2.18 percent, as well as what the SPST's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.18 percent) or 1-percentage-point higher (3.18 percent) than the current rate:

	1% Decrease (1.18%)	Current Rate (2.18%)	1% Increase (3.18%)
State Police Supplemental Trust	\$ 28,846,126	\$ 26,212,345	\$ 24,931,644

The schedules of changes in net pension liability, total pension liability and related ratios and investment returns and the schedules of contributions are presented as Required Supplementary Information (RSI) following the notes to the financial statements.

Note 5. Subsequent Events

The Trust has evaluated subsequent events for potential recognition and/or disclosure through December 20, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**Indiana State Police Pension Trust
State Police Retirement Fund (SPRF)**

Required Supplementary Information
Schedule of Changes in Net Pension Liability, Total Pension Liability and Related Ratios
and Investment Returns (amount expressed in thousands)

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	\$ 19,105	\$ 19,640	\$ 19,824	\$ 15,926	\$ 14,409	\$ 14,537	\$ 14,356	\$ 13,747	\$ 13,576
Interest	45,437	46,071	45,018	43,156	39,358	37,930	35,912	34,935	33,758
Changes in benefit terms	3,408	-	-	-	-	-	275	269	147
Differences between expected and actual experience	(9,392)	(12,530)	(9,072)	(5,963)	42,319	(562)	4,765	778	1,112
Changes in assumptions	37,121	(23,483)	(1,513)	8,070	(6,232)	(4)	9,230	775	533
Benefit payments, including refunds of employee contributions	(38,614)	(38,734)	(38,391)	(35,059)	(34,228)	(33,678)	(34,955)	(32,923)	(30,724)
Net change in total pension liability	57,065	(9,036)	15,866	26,130	55,626	18,223	29,583	17,581	18,402
Total pension liability—beginning	677,189	686,225	670,359	644,229	588,603	570,380	540,797	523,216	504,814
Total pension liability—ending (a)	<u>\$ 734,254</u>	<u>\$ 677,189</u>	<u>\$ 686,225</u>	<u>\$ 670,359</u>	<u>\$ 644,229</u>	<u>\$ 588,603</u>	<u>\$ 570,380</u>	<u>\$ 540,797</u>	<u>\$ 523,216</u>
Plan fiduciary net position									
Contributions - employer	\$ 36,748	\$ 34,095	\$ 29,901	\$ 25,002	\$ 20,556	\$ 18,073	\$ 13,451	\$ 14,005	\$ 47,588
Contributions - employee	5,339	5,338	5,289	4,683	3,997	4,043	3,967	3,763	3,786
Net investment income	119,479	7,109	18,794	23,078	41,978	(10,454)	(990)	44,883	29,787
Benefit payments, including refunds of employee contributions	(38,614)	(38,734)	(38,391)	(35,059)	(34,228)	(33,678)	(34,955)	(32,923)	(30,724)
Administrative expense	(807)	(392)	(389)	(380)	(389)	(307)	(300)	(307)	(261)
Other	-	1	-	1	1	3	-	(11)	2
Net change in plan fiduciary net position	122,145	7,417	15,204	17,325	31,915	(22,320)	(18,827)	29,410	50,178
Plan fiduciary net position—beginning	498,710	491,293	476,089	458,764	426,849	449,169	467,996	438,586	388,408
Plan fiduciary net position—ending (b)	<u>\$ 620,855</u>	<u>\$ 498,710</u>	<u>\$ 491,293</u>	<u>\$ 476,089</u>	<u>\$ 458,764</u>	<u>\$ 426,849</u>	<u>\$ 449,169</u>	<u>\$ 467,996</u>	<u>\$ 438,586</u>
Net pension liability - ending (a) - (b)	\$ 113,399	\$ 178,479	\$ 194,932	\$ 194,270	\$ 185,465	\$ 161,754	\$ 121,211	\$ 72,801	\$ 84,630
Plan fiduciary net position as a percentage of the total pension liability	84.56%	73.64%	71.59%	71.02%	71.21%	72.52%	78.75%	86.54%	83.83%
Covered payroll	\$ 87,364	\$ 88,652	\$ 88,103	\$ 87,972	\$ 75,035	\$ 68,139	\$ 67,628	\$ 68,490	\$ 63,347
Employer net pension liability as a percentage of covered payroll	129.80%	201.33%	221.25%	220.83%	247.17%	237.39%	179.23%	106.29%	133.60%
Annual money-weighted rate of return, net of investment expense	24.43%	1.45%	3.97%	5.03%	9.85%	-2.40%	-0.26%	10.42%	7.51%

Note to Schedule:

The Trust implemented GASB 67 in FY 2014. Information is not available prior to 2013. Additional years will be added to future reports as schedules are required to show 10 years of historical data.

Changes in Assumptions:

2021 - Change in the long-term expected rate of return which impacted the discount rate to 6.25 percent in 2021 from 6.75 percent in 2020 and changes for updates in mortality improvements for updated improvement scales.

2020 - Change in Mortality from RP-2014 adjusted to 2006 and then projected forward with improvement scale MP-2018 to the SOA Pubs-2010 mortality tables specific to public safety participants and then projected forward with improvement scale MP-2019.

2020 - Change in Mortality from RP-2014 adjusted to 2006 and then projected forward with improvement scale MP-2018 to the SOA Pubs-2010 mortality tables specific to public safety participants and then projected forward with improvement scale MP-2019.

2019 and prior - Changes in mortality improvements for updated improvement scales.

**Indiana State Police Pension Trust
State Police Supplemental Trust (SPST)**

Required Supplementary Information
Schedule of Changes in Net Pension Liability, Total Pension Liability and Related Ratios
and Investment Returns (amount expressed in thousands)

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	\$ 5,194	\$ 4,230	\$ 4,485	\$ 4,112	\$ 4,422	\$ 3,776
Interest	704	511	628	664	582	1,143
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(40)	7,530	(1,753)	(881)	(59)	(476)
Changes in assumptions	988	(956)	297	(63)	(645)	4,125
Benefit payments, including refunds of employee contributions	(4,199)	(3,997)	(3,983)	(4,343)	(4,259)	(4,677)
Net change in total pension liability	2,647	7,318	(326)	(511)	41	3,891
Total pension liability—beginning	23,565	16,247	16,573	17,084	17,043	13,152
Total pension liability—ending (a)	<u>\$ 26,212</u>	<u>\$ 23,565</u>	<u>\$ 16,247</u>	<u>\$ 16,573</u>	<u>\$ 17,084</u>	<u>\$ 17,043</u>
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position—beginning	-	-	-	-	-	-
Plan fiduciary net position—ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability - ending (a) - (b)	\$ 26,212	\$ 23,565	\$ 16,247	\$ 16,573	\$ 17,084	\$ 17,043
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 87,364	\$ 88,652	\$ 88,103	\$ 87,972	\$ 75,035	\$ 68,139
Employer net pension liability as a percentage of covered payroll	30.00%	26.58%	18.44%	18.84%	22.77%	25.01%
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note to Schedule:

The Trust implemented GASB 67 in FY 2016. Information is not available prior to 2016. Additional years will be added to future reports as schedules are required to show 10 years of historical data.

Changes in Assumptions:

2021 - Changes in mortality improvements for annual updates to mortality improvement scales.

2020 - Change in Mortality from RP-2014 adjusted to 2006 and then projected forward with improvement scale MP-2018 to the SOA PubS-2010 mortality tables specific to public safety participants and then projected forward with improvement scale MP-2019.

2019 and prior - Changes in mortality improvements for annual updates to mortality improvement scales.

Discount Rates:

2021 - 2.18%

2020 - 2.66%

2019 - 2.79%

2018 - 2.99%

2017 - 3.13%

2016 - 2.71%

**Indiana State Police Pension Trust
State Police Retirement Fund (SPRF)**

Required Supplementary Information
Schedule of Contributions
(amount expressed in thousands)

Fiscal year ending June 30,	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 30,510	\$ 30,947	\$ 30,860	\$ 25,857	\$ 20,556
Contributions in relation to the actuarial determined contribution	36,748	34,095	29,901	25,002	20,556
Contribution deficiency (excess)	(6,238)	(3,148)	959	855	-
Covered payroll	\$ 87,364	\$ 88,652	\$ 88,103	\$ 87,972	\$ 75,731
Contributions as a percentage of covered payroll	42.1%	38.5%	33.9%	28.4%	27.1%

**Indiana State Police Pension Trust
State Police Supplemental Trust (SPST)**

Required Supplementary Information
Schedule of Contributions
(amount expressed in thousands)

Fiscal year ending June 30,	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 6,398	\$ 5,085	\$ 5,383	\$ 5,049	\$ 5,308
Contributions in relation to the actuarial determined contribution	4,199	3,997	3,983	4,343	4,259
Contribution deficiency (excess)	2,199	1,088	1,400	706	1,049
Covered payroll	\$ 87,364	\$ 88,652	\$ 88,103	\$ 87,972	\$ 75,731
Contributions as a percentage of covered payroll	4.8%	4.5%	4.5%	4.9%	5.6%

2016	2015	2014	2013	2012
\$ 19,455	\$ 17,119	\$ 17,271	\$ 18,058	\$ 18,210
18,073	13,450	14,005	47,589	16,059
1,382	3,669	3,266	(29,531)	2,151
\$ 68,786	\$ 68,219	\$ 68,490	\$ 63,347	\$ 66,083
26.3%	19.7%	20.4%	75.1%	24.3%

2016	2015	2014	2013	2012
\$ 4,904	\$ 5,195	\$ 4,029	\$ 4,525	\$ 4,167
4,677	4,342	4,545	3,746	4,199
227	853	(516)	779	(32)
\$ 68,786	\$ 68,219	\$ 68,490	\$ 63,347	\$ 66,083
6.8%	15.0%	15.5%	19.5%	66.6%

Indiana State Police Pension Trust

Required Supplementary Information Fiscal Year Ended June 30, 2021

Note to Required Supplementary Information

The Schedule of Contributions shows the difference between the actual contributions and the actuarially determined contributions (ADC). The actuarial valuation and assumptions utilized to measure the ADC may differ from those disclosed within Note 4 of the Financial Statements. The following methods and assumptions were utilized to measure the ADC for each of the two plans:

Methods and Assumptions: SPRE

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years when the Actuarially Determined Contribution for the plan year ending June 30, 2021 was determined
Asset valuation method	4 year smoothed value
Inflation	2.25%
Salary increases	3.5% for the Pre-1987 Plan. For the 1987 plan, 9% at ages 26 and younger, annual increase reduced 0.5% per year reaching 4% at age 36, annual increases of 4% at ages 36 and older. New salary matrix effective July 1, 2018 is reflected.
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Retirement age	<u>Pre-1987 Plan</u> - Retirement rates are based on age with 10% assumed to retire at ages 42-45, 7.5% at ages 46-54, 10% at 55, 12.5% at 56, 15% at 57, 20% at 58, 40% at ages 59 and older, except 100% at 65 (with at least 20 years of service). Based on experience study through June 30, 2019. <u>1987 Plan</u> - Retirement rates are based on years of service with 15% assumed to retire at 25 years of service, 12.5% at 26 years, 10% at 27 years, 7.5% at years 28 and 29, 10% at 30 years, 12.5% at 31 years, 15% at 32 years, 40% at 33 years, and 27.5% at 34 or more years, except 100% at age 65 (with at least 25 years of service). Based on experience study through June 30, 2019.
Mortality	
Employees	SOA Pub-2010 Safety Employees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)
Retiree	SOA Pub-2010 Safety Retirees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)
Beneficiaries	SOA Pub-2010 Safety Contingent Survivors with no set forward for males and 2 year forward for females with mortality improvement scale MP-2019 (with annual updates)
Disabled	SOA Pub-2010 Safety General Disabled Retirees with no set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)

Indiana State Police Pension Trust

Required Supplementary Information Fiscal Year Ended June 30, 2021

Note to Required Supplementary Information (Continued)

Methods and Assumptions: SPST

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age normal cost
Amortization Method	Over the average remaining service of all plan participants
Remaining Amortization Period	As of June 30, 2020 the amortization period is 11.626 years
Asset valuation method	Not applicable, no assets held
Inflation	2.25%
Salary increases	3.5% for the Pre-1987 Plan. For the 1987 plan, 9% at ages 26 and younger, annual increase reduced 0.5% per year reaching 4% at age 36, annual increases of 4% at ages 36 and older
Discount rate	2.66%, net of pension plan investment expense, including inflation. 2.79% as of June 30, 2019. Rate is S&P Municipal Bond 20 Year High Grade Rate Index
Retirement age	<u>Pre-1987 Plan</u> - Retirement rates are based on age with 10% assumed to retire at ages 42-45, 7.5% at ages 46-54, 10% at 55, 12.5% at 56, 15% at 57, 20% at 58, 40% at ages 59 and older, except 100% at 65 (with at least 20 years of service). Based on experience study through June 30, 2019. <u>1987 Plan</u> - Retirement rates are based on years of service with 15% assumed to retire at 25 years of service, 12.5% at 26 years, 10% at 27 years, 7.5% at years 28 and 29, 10% at 30 years, 12.5% at 31 years, 15% at 32 years, 40% at 33 years, and 27.5% at 34 or more years, except 100% at age 65 (with at least 25 years of service). Based on experience study through June 30, 2019.
SPST Disability Incidence	<u>Pre-1987 Plan</u> - None anticipated <u>1987 Plan</u> - 150% of the 1964 OASDI table. 2% of disabilities are assumed to be catastrophic used at all ages. Disabled participants are assumed to remain disabled until they reach eligibility for the disabled retirement benefit, age 55 in most instances. The assumed claim cost is based on the average premium reimbursement per covered life in the past two years. This amount, \$855 per month, was then age graded for years before age 40, \$770 per month and years after age 40, \$941 per month. Finally, the claim cost is trended forward for future expected reimbursements using the post-retirement medical trend assumption of 8% at 2021, graded down 0.5% per year until reaching the ultimate rate of 4.5% at 2028.
Mortality	
Employees	SOA Pub-2010 Safety Employees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)
Retiree	SOA Pub-2010 Safety Retirees with 3 year set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)
Beneficiaries	SOA Pub-2010 Safety Contingent Survivors with no set forward for males and 2 year forward for females with mortality improvement scale MP-2019 (with annual updates)
Disabled	SOA Pub-2010 Safety General Disabled Retirees with no set forward for males and no set forward for females with mortality improvement scale MP-2019 (with annual updates)