



2014 INPRS UPDATE

Pension Management Oversight Committee

August 26, 2014

Steve Russo

Executive Director

Agenda

- General Update
- COLAs & Thirteenth Checks
- INPRS Requests For PMOC Consideration
- National Trends
- PERF Employer New Hire Withdrawals
- Closing the PERF & TRF Hybrid plan to new hires

General Update

Overview – Plans & Funds

- Eight Retirement Plans
 - PERF
 - TRF
 - '77 Police and Fire
 - Judges
 - Excise Police, Gaming Agents and Conservation Officers
 - Prosecuting Attorneys
 - Legislators Defined Benefit
 - Legislators Defined Contribution

- Three Non-Retirement Funds
 - Pension Relief
 - Public Safety Officers' Special Death Benefit Fund
 - State Employees' Death Benefit Fund

Due to changes in federal regulatory accounting requirements, TRF will split into two separate and distinct funds (TRF Pre-'96 & TRF '96)

INPRS – FY14 in Review

- Defined Benefit investment returns were 13.7%, double the 6.75% target!
 - New all-time high market value of assets \$30.2 billion
 - Estimated \$983M reduction in unfunded actuarial accrued liabilities
 - Aggregate funded status of the pre-funded plans improved to 89%
- Employers paid 99.4% of the actuarial determined contribution (ADC)
- Synergies of combined PERF/TRF assets generating \$347M of savings to employers/taxpayers
- Higher number of projected CY14 retirements (+10% TRF, +35% PERF, 50% still annuitizing ASAs)
- Continued progress towards exemplary customer service and operational excellence
- INPRS remains highly respected by peers and industry professionals

Where does the money come from?

Indiana Pension Receipts 1993 - 2012

Employers: 48%

Investment Earnings: 35%

Employees:
17%



Source: National Institute On Retirement Security - Pensionomics 2014

FY2014 Actual Change In Net Position*

INPRS' Net Assets increased 11% from July 1, 2013 to June 30, 2014

Net Assets – June 30, 2013	\$27.1B
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Investment Income	+ \$3.4B
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Contributions	+ \$2.3B
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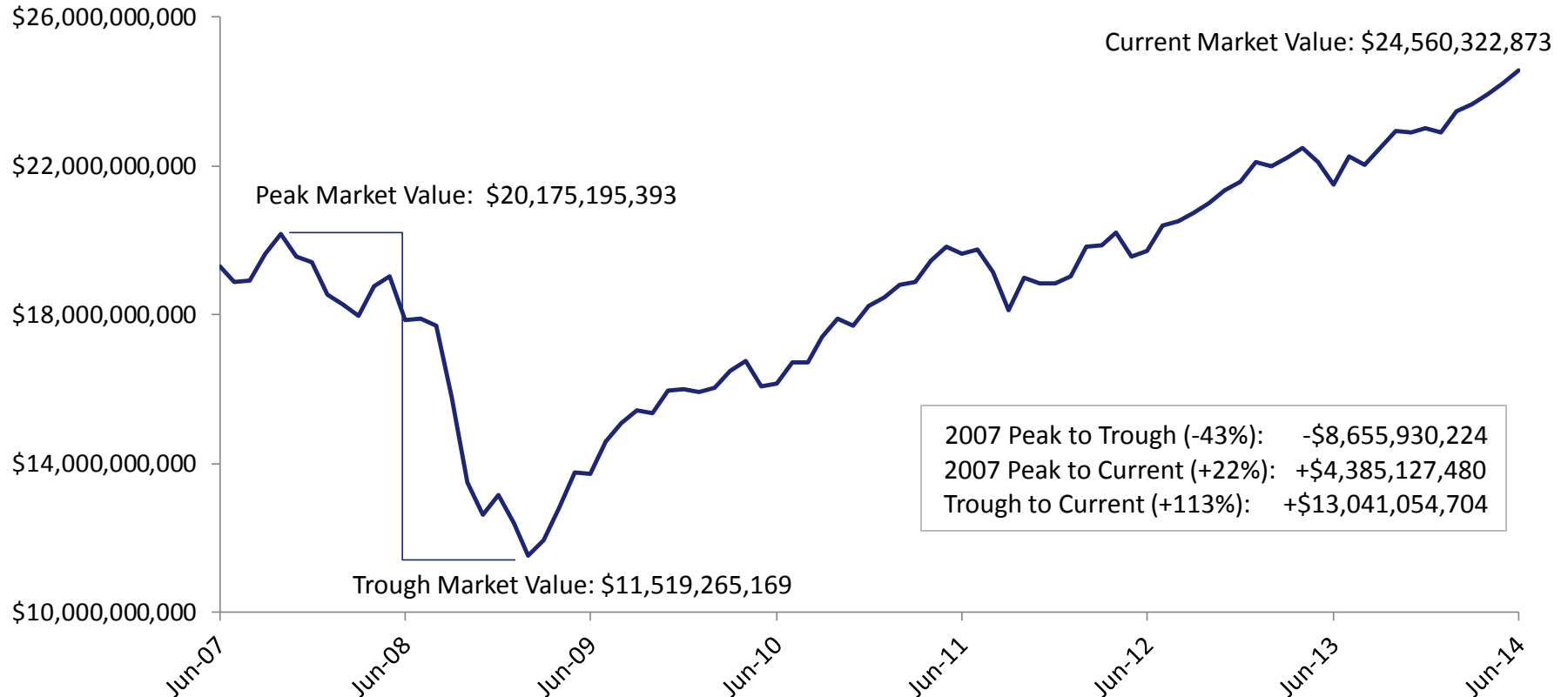
Payments	- \$2.6B
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Net Assets – June 30, 2014	\$30.2B
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* Preliminary unaudited results

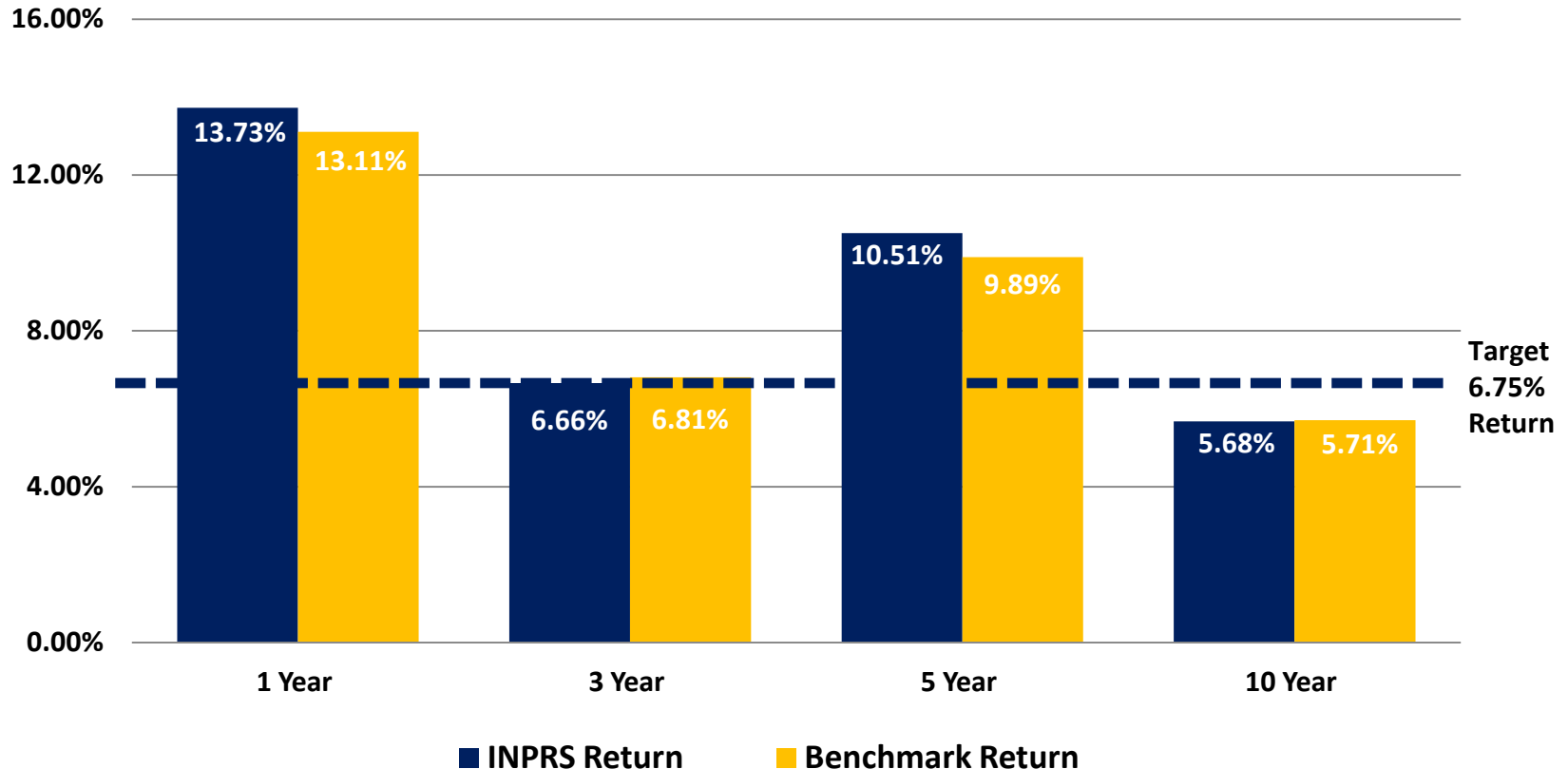
Defined Benefit Investments Performance

INPRS DB Market Value (As of 6/30/2014)



DB Investments Performance

Annualized Net of Fee Returns as of 6/30/14



Estimated Funded Status as of June 30, 2014

Funded status continues to improve!

\$ in Millions

Defined Benefit Retirement Plans	Actuarial Value of Assets Funded Status as of June 30, 2014				Actuarial Value of Assets Funded Status as of June 30, 2013			
	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status
PERF	\$ 16,581.6	\$ 13,905.9	\$ 2,675.7	83.9%	\$ 16,145.7	\$ 12,947.3	\$ 3,198.4	80.2%
TRF 1996 Account	5,218.0	5,026.2	191.8	96.3%	4,749.3	4,453.8	295.5	93.8%
1977 Fund	4,708.7	4,627.0	81.7	98.3%	4,392.9	4,180.7	212.2	95.2%
Judges	469.8	419.6	50.2	89.3%	453.1	381.2	71.9	84.1%
EG&C Plan	123.6	107.6	16.0	87.1%	118.1	98.6	19.5	83.5%
PARF	65.3	52.9	12.4	81.0%	62.0	48.8	13.2	78.7%
LEDB Plan	4.2	3.5	0.7	83.3%	4.3	3.4	0.9	79.8%
Aggregate Pre-Funded Plans	\$ 27,171.2	\$ 24,142.7	\$ 3,028.5	88.9%	\$ 25,925.4	\$ 22,113.8	\$ 3,811.6	85.3%
TRF Pre-1996 Account (Pay-As-You-Go)	16,379.1	5,351.4	11,027.7	32.7%	16,462.4	5,235.1	11,227.3	31.8%
Aggregate All INPRS Plans	\$ 43,550.3	\$ 29,494.1	\$ 14,056.2	67.7%	\$ 42,387.8	\$ 27,348.9	\$ 15,038.9	64.5%
<i>Memo:</i>								
Total Teachers' Retirement Fund	21,597.1	10,377.6	11,219.5	48.1%	\$ 21,211.7	\$ 9,688.9	11,522.8	45.7%

Estimated FY14 INPRS Actuarial Determined Contributions (ADC)

\$ in Thousands

Defined Benefit Retirement Plans	FY2014 (Actual Payroll Based Adj)			FY2013 (Actual Payroll Based Adj)			Memo: Excluding Excess State Reserves of \$329.0 Mil.
	Actuarial Determined Contribution	Actual Employer/Non Employer Contributing Entity Contribution	Percentage Contributed	Actuarial Determined Contribution	Actual Employer Contribution	Percentage Contributed	
PERF	\$ 528,960	\$ 520,507	98.4%	\$ 477,342	\$ 455,658	95.5%	95.5%
TRF 1996 Account	\$ 177,711	\$ 194,751	109.6%	\$ 167,311	\$ 180,714	108.0%	108.0%
1977 Fund	\$ 103,461	\$ 140,119	135.4%	\$ 88,287	\$ 137,111	155.3%	155.3%
Judges	\$ 28,190	\$ 20,895	74.1%	\$ 25,458	\$ 111,419	437.7%	83.4%
EG&C Plan	\$ 5,341	\$ 5,359	100.3%	\$ 5,003	\$ 19,740	394.5%	102.4%
PARF	\$ 2,569	\$ 1,174	45.7%	\$ 2,542	\$ 19,443	764.9%	81.8%
LEDB	\$ 138	\$ 138	100.0%	\$ 140	\$ 150	107.1%	107.1%
Aggregate Pre-Funded Plans	\$ 846,370	\$ 882,943	104.3%	\$ 766,084	\$ 924,235	120.6%	104.7%
TRF Pre-1996 Account (Pay-As-You-Go)	\$ 879,072	\$ 831,942	94.6%	\$ 873,751	\$ 1,013,080	115.9%	92.3%
Aggregate All INPRS Plans	\$ 1,725,442	\$ 1,714,885	99.4%	\$ 1,639,835	\$ 1,937,315	118.1%	98.1%

Pension Funding Sources

FY2014 – FY2017

\$ in Millions

Fund	FY2014 Actual		FY2015 Forecast		FY2016 Forecast		FY2017 Forecast	
	General Fund Appropriation	Other ¹	General Fund Appropriation	Other ¹	General Fund Appropriation	Other ¹	General Fund Appropriation	Other ¹
PERF		\$690.3		\$713.0		\$729.0		\$741.0
TRF - Pre-1996 Account - Pre-Funded 13th Check	\$776.3 \$19.3	\$193.4	\$792.7 \$20.3	\$185.0	\$817.0	\$194.0	\$841.0	\$200.0
TRF - 1996 Account		\$276.6		\$314.0		\$339.0		\$363.0
1977 Fund		\$181.9		\$185.0		\$191.0		\$196.0
JRS	\$13.7	\$10.1	\$13.8	\$10.0	\$12.0	\$10.1	\$12.7	\$10.2
EG&C Plan		\$6.4		\$6.6		\$6.7		\$6.9
PARF	\$1.2	\$1.3	\$1.1	\$1.2	\$1.5	\$1.3	\$1.6	\$1.3
LEDB & LEDC	\$0.1	\$1.6	\$0.1	\$1.6	\$0.1	\$1.6	\$0.1	\$1.6
Pension Relief	\$145.0	\$57.4	\$175.0	\$54.1	\$160.0	\$57.6	\$165.0	\$57.6
Total	\$955.6	\$1,419.0	\$1,003.0	\$1,470.5	\$990.6	\$1,530.3	\$1,020.4	\$1,577.6

¹ Other includes member contributions, employer contributions, Pension Stabilization Fund drawdown, lottery proceeds, docket & court fees, cigarette & alcohol taxes, and Pension Relief Fund drawdown

Teachers' Retirement Fund (TRF)

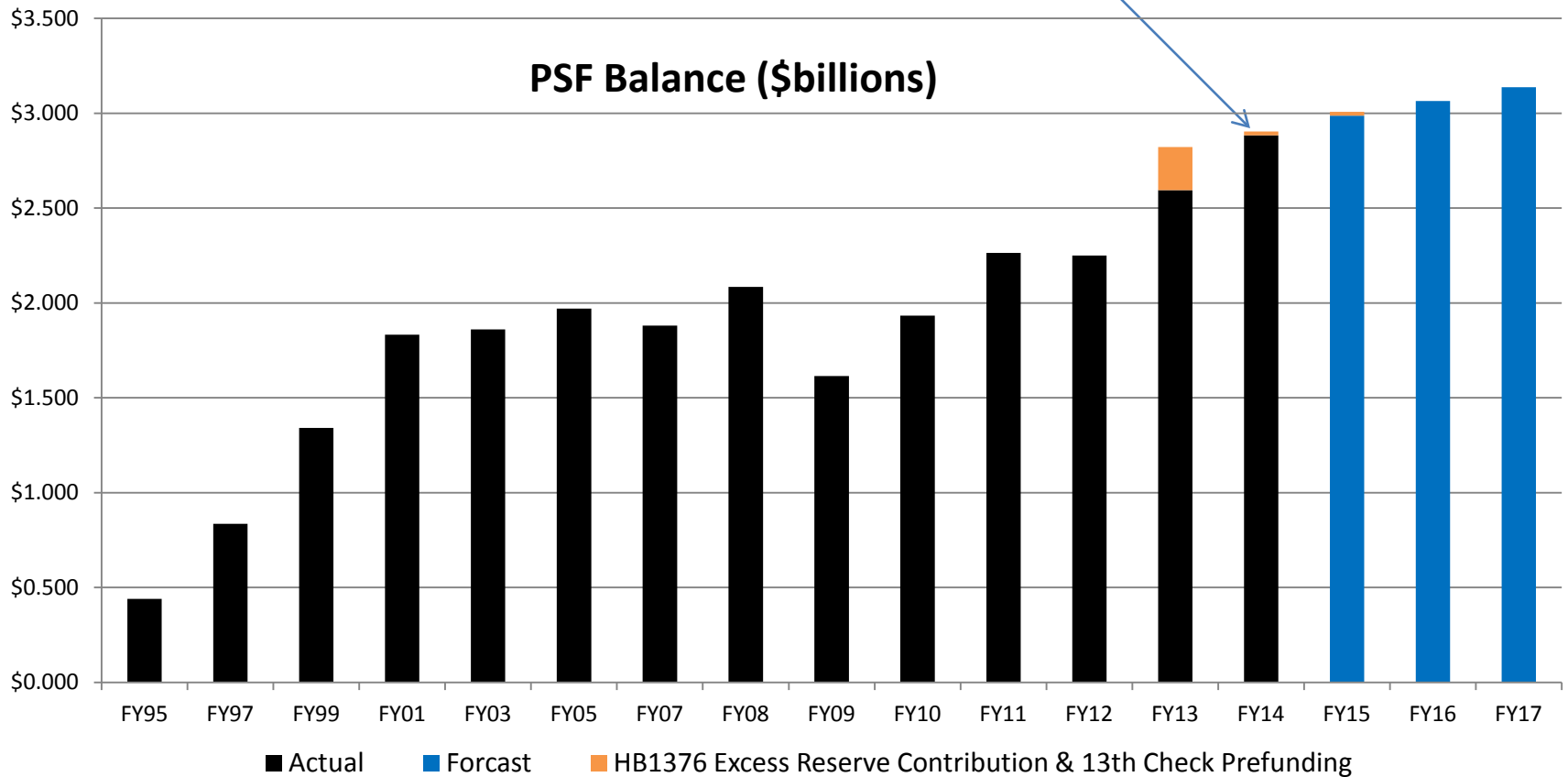
Pre-1996 Account Budget Impacts

- 3% year-over-year appropriations growth for FY2015 – FY2017

<i>\$ Millions</i>	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Total:							
Benefit Payments	(\$769.4)	(\$823.9)	(\$873.4)	(\$916.7)	(\$934.3)	(\$969.6)	(\$1,003.0)
General Fund Appropriations	\$704.3	\$725.4	\$747.2	\$776.3	\$792.7	\$816.5	\$841.0
Amount Withdrawn from PSF	(\$65.1)	(\$98.5)	(\$126.2)	(\$140.4)	(\$141.6)	(\$153.1)	(\$162.0)
Lottery Transfer	\$35.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0
Other Income	\$7.5	\$11.8	\$13.6	\$3.2	\$2.9	\$2.7	\$2.4
Investment Gains / (Losses)	\$343.1	\$43.7	\$142.5	\$376.8	\$191.7	\$197.6	\$202.5
13th Check Prefunding	-	-	\$19.6	\$19.3	\$20.3	-	-
State Excess Reserve Income	-	-	\$206.8	-	-	-	-
Closeout: COLA Reserve Account	-	-	\$58.7	-	-	-	-
PSF Balance	\$2,263.5	\$2,250.5	\$2,595.5	\$2,884.4	\$2,987.7	\$3,064.9	\$3,137.8

TRF Pre-1996 Pension Stabilization Fund

Balance as of June 30, 2014 = \$2.9B

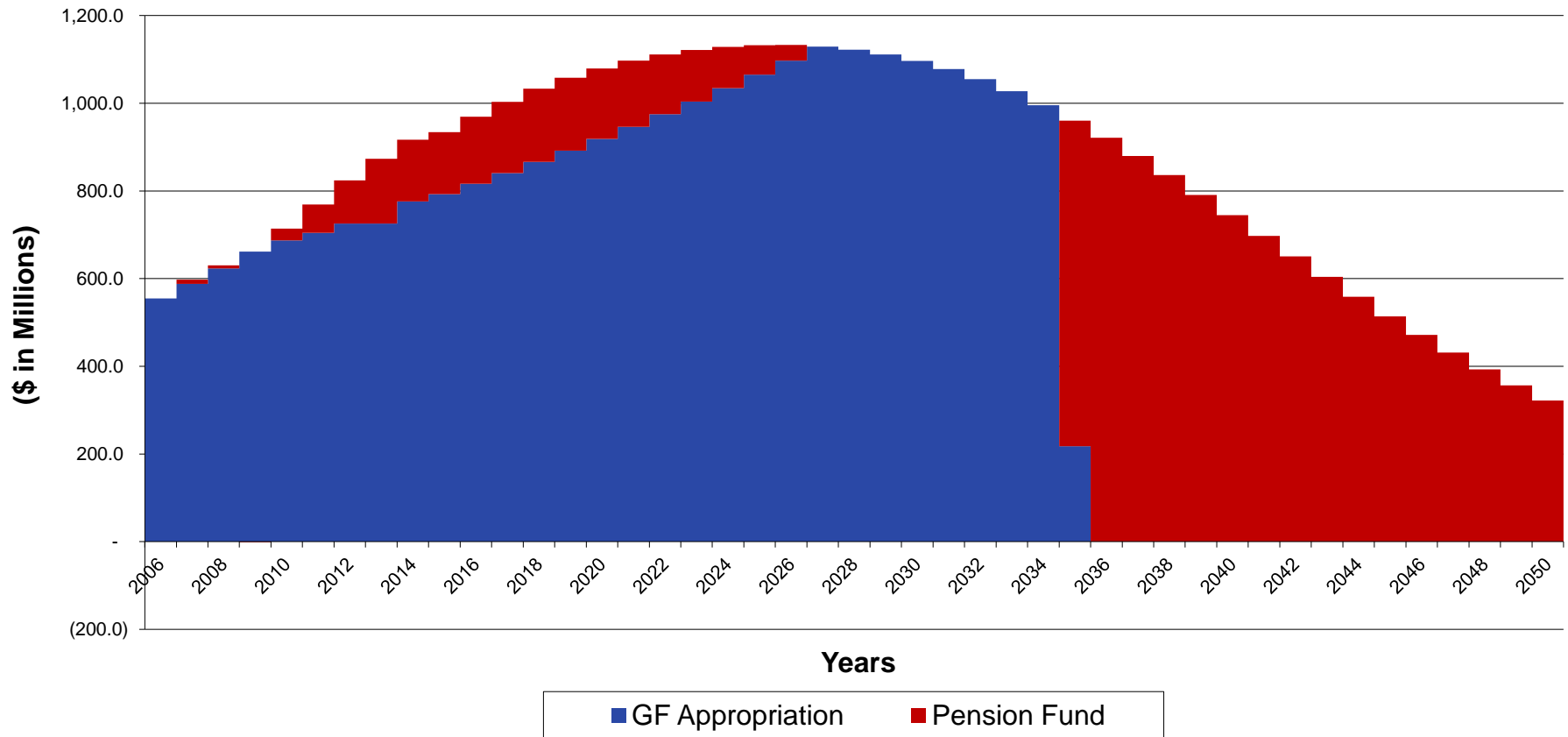


Long Term TRF Pre-96 Funding Options

- While near term General Fund appropriations should maintain 3% growth, the legislature will have options in the future
 - Option A – Maintain 3% appropriations growth until 100% funded
 - Option B – Manage appropriations to maintain positive Pension Stabilization Fund (PSF) balance

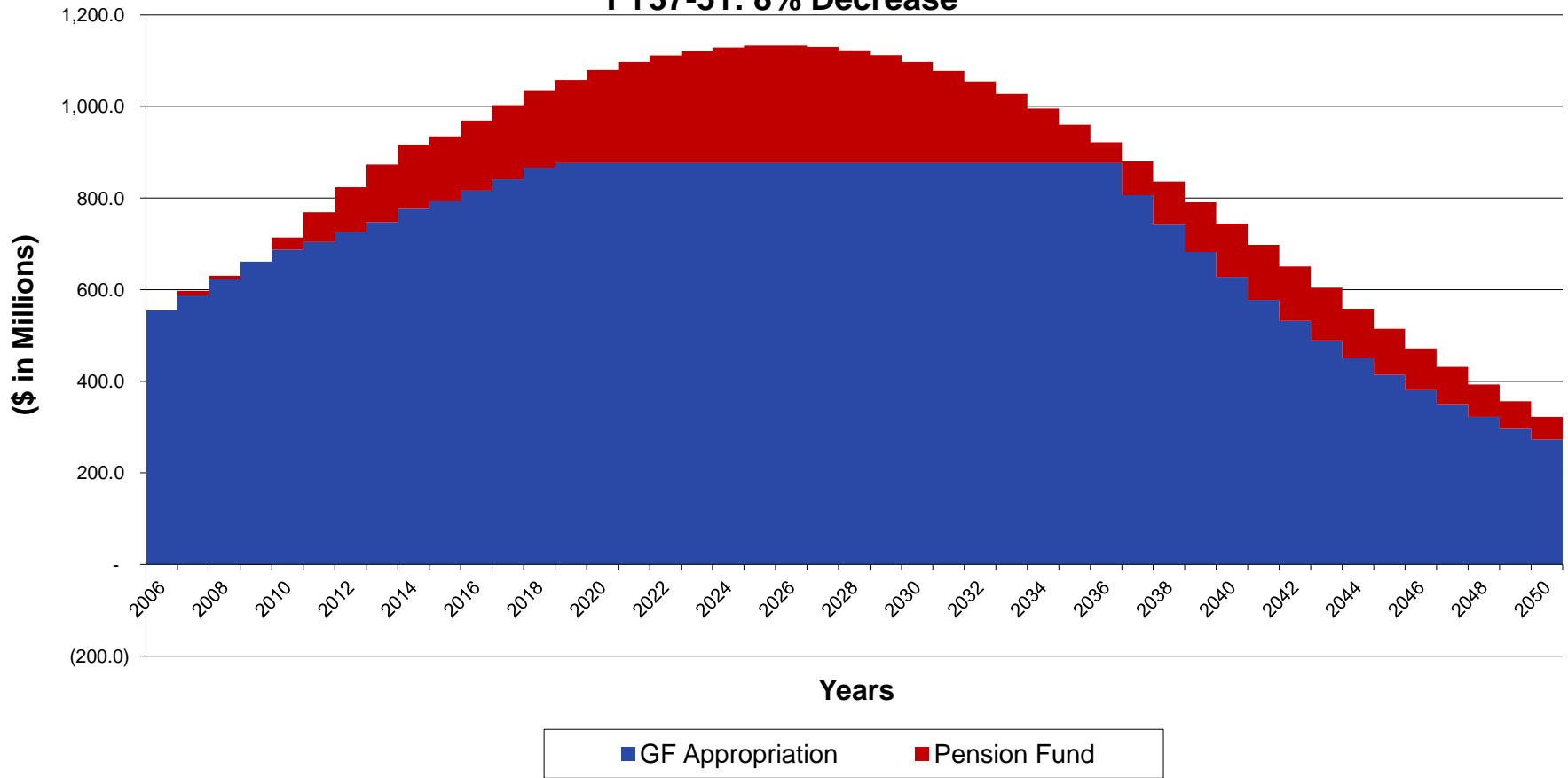
Teachers' Retirement Fund (TRF) Pre-1996 Account Forecast – Option A

Pre-96 Account DB Appropriations Forecast
assumes 3% per yr. state appropriations growth until 100% funded



Teachers' Retirement Fund (TRF) Pre-1996 Account Forecast – Option B

Pre-96 Account DB Appropriations Forecast
 FY 14 \$776M; FY15-18: 3% Increase; FY19: 1.2% Increase; FY20-36: Flat;
 FY37-51: 8% Decrease



Pension Relief

Established in 1977 to help cities and towns with the costs of legacy police and firefighter retirement plans

\$ in millions

	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2016 Forecast	FY2017 Forecast
Additions								
General Fund Appropriation (State)		\$ 112.0	\$ 131.0	\$ 180.0	\$ 145.0	\$ 175.0	\$ 160.0	\$ 165.0
Lottery (State)		35.0	30.0	30.0	30.0	30.0	30.0	30.0
Cigarette Tax (State)		25.6	24.3	24.7	23.8	21.5	23.9	23.9
Alcohol Tax (State)		3.1	3.3	3.4	3.4	2.2	3.7	3.7
Public Deposit Insurance Fund (PDIF)		1.2	1.4	0.5	0.2	0.3	0.3	0.3
Investment Income		0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total Additions		\$ 177.1	\$ 190.1	\$ 238.7	\$ 202.5	\$ 229.1	\$ 218.0	\$ 223.0
Deductions								
Pension Relief Distributions		\$ 219.4	\$ 224.2	\$ 219.8	\$ 219.4	\$ 218.9	\$ 220.3	\$ 221.3
Death Benefits		0.5	0.1	0.3	0.3	0.5	0.3	0.3
Public Deposit Insurance Fund (PDIF)		-	-	-	-	-	-	-
Other (Local Unit Withdrawals & Admin. Expenses)		3.0	0.3	0.4	2.2	0.1	0.1	0.1
Total Deductions		\$ 222.9	\$ 224.6	\$ 220.5	\$ 221.9	\$ 219.5	\$ 220.7	\$ 221.7
Pension Relief Fund Balance	\$ 98.7	\$ 52.9	\$ 18.4	\$ 36.6	\$ 17.2	\$ 26.8	\$ 24.1	\$ 25.4
Memo: Local Unit Balances	\$ 7.7	\$ 4.8	\$ 4.5	\$ 4.2	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1









Sudan and Terror State Divestment Update 2014

- ✓ 16 publically traded companies, representing less than 0.19% of INPRS assets are on track for divestment per legislative mandate











INPRS continues to be in full compliance with the Sudan and Terror States Divestment legislation

FY14 Performance Scorecard









Portfolio Performance

DB - 10-year Rate of Return		
DB - 10-year Sharpe Ratio		
DB - 5-year Rate of Return		
ASA - Rate of Return		

Financial Health

Funded Status -- Prefunded plans		
Actuarial Required Contribution (ARC)		
Employer Contributions		
Cost per Member		
Performance to Budget		

Operational Excellence

System Availability		
Strategic Plan Implementation Status		
Overall Plan Compliance		
Employee Engagement		

Customer Service

Member and Employer Satisfaction		
Member and Employer Dissatisfaction		
Benchmark Service Score		
Cash Distributions on Time		
Customer Complaints		

FY14 Strategic Plan Accomplishments

INPRS Three-Year Strategic Plan available on the INPRS website

www.in.gov/inprs under Publications

- Completed 100% of our 59 annual key operational requirements
- Completed 24 of 58 long term strategic objectives
 - System Modernization Complete!
 - ✓ Benefit Payment Processing – Completed 2009
 - ✓ Modern Financial System – Completed 2010
 - ✓ ASA Modernization – Completed 2011
 - ✓ New Employer Reporting System – Completed 2012
 - ✓ **New Benefits Administration System – Completed Fall 2013**
 - Restructured member counseling to increase regional capacity
 - Implemented new GASB 67 standards (external audit in-progress)
 - Established a comprehensive vendor management program
 - Developed a process management and improvement capability

FY15 – FY17 INPRS Initiatives

Top Five FY15 – FY17 Strategic Priorities

- Develop and execute an integrated vendor business model
(Custodian - Benefit Payroll - ASA Record Keeping - ASA Annuity – Call Center – Website)
- Implement a quality management system
- Develop and execute post-modernization IT services delivery model
- Enhance data integrity and security
- Assess internal investment management

Top Five FY15 Tactical Priorities

- Refine the member and employer experience (call center and website)
- GASB 68 implementation
- ASA annuity implementation
- Refine benefit payroll process
- DB asset liability study and asset allocation

Optional ASA Only Plan Update

- 2011 SEA524 created an optional ASA Only plan for first time newly hired State of Indiana PERF eligible employees
 - Employee contributes 3% (same as PERF Hybrid plan & by statute, state picks up the contribution)
 - State contributes the same as the PERF DB contribution rate (currently 11.2%)
 - Employee receives at least 3% and not greater than the actuarial normal cost of the PERF DB plan (currently 4.6%)
 - The amount not credited to the member is applied to the PERF DB unfunded liability (currently 6.6%)
- IRS approval received in October 2012 and plan went live on March 1, 2013
- Between March 1, 2013 and June 30, 2014 (5,105 newly enrolled members)
 - 17% (889) were not eligible to enroll
 - 66% (3,338) defaulted to the hybrid plan
 - 9% (483) proactively enrolled in the hybrid plan
 - 8% (395) proactively enrolled in the ASA Only Plan

COLAs / 13 Checks

COLAs

	<u>Ad-Hoc</u>	<u>Auto</u>
PERF	✓	
TRF	✓	
'77 Police & Fire		✓
Judges		✓
Excise, Gaming & Conservation Officers	✓	
Prosecuting Attorneys	✓	
Legislators DB	✓	
Legislators DC		N/A

Auto COLA History

1977 Police and Fire (CPI, Max. 3%)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1.8%	3.0%	3.0%	2.4%	3.0%	0.0%	2.4%	2.1%	2.8%	1.7%	1.4%

Judges '77 System (Whenever salary of the position changes)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1.72%-2.2%	1/1-0.5%	2.0%	7/1-4.0%	3.25%	0.0%	0.0%	1.3%	2.2%	3.1%	0.0%
7/1-15.0%-22.0%		12/2-1.50%								

Judges '85 System (Ad-Hoc before 2011, same as '77 system after 2010*)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	0.0%	1.3%	2.2%	3.1%	0.0%

*Only for members who retired after 12/31/09

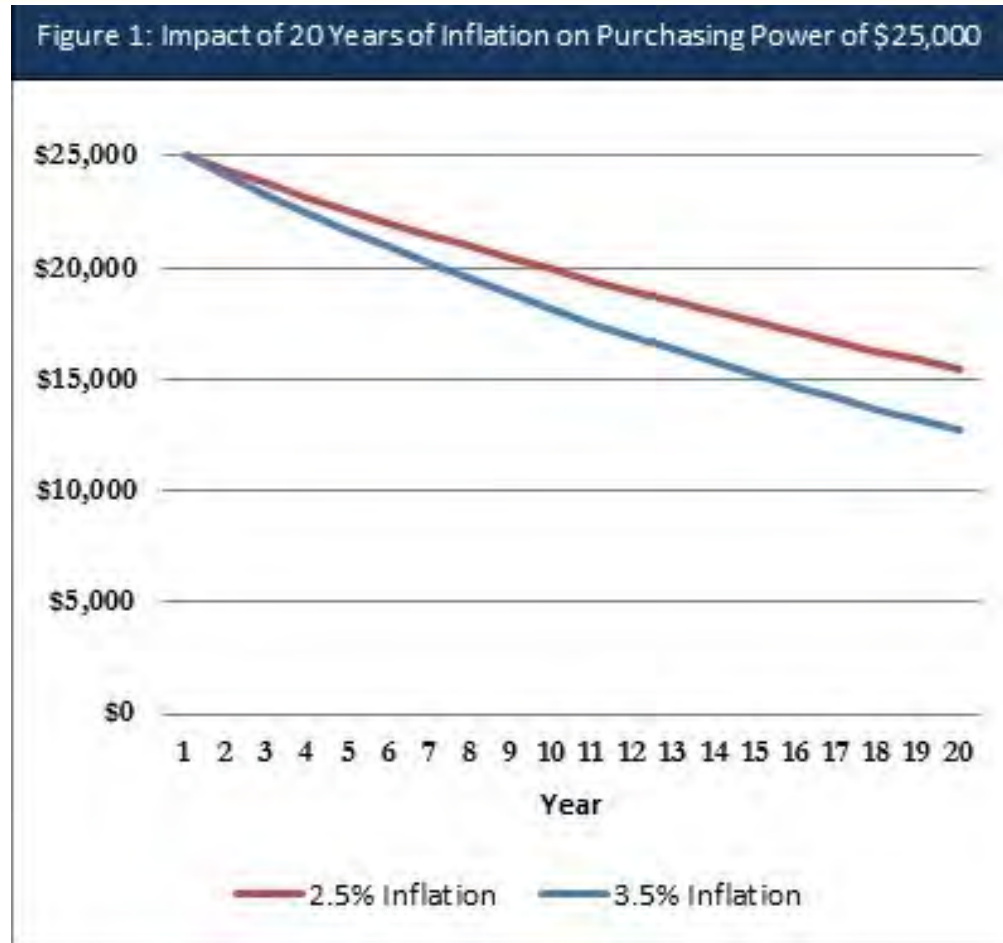
PERF / TRF COLAs & Thirteenth Checks

- COLAs are not free! (a one-time 1% PERF & TRF COLA = \$146M)
- “Thirteenth Checks” aren’t free either, but are cheaper than COLAs (\$47M)
- Actuaries factor in ad-hoc COLAs based upon historical experience. The actuaries currently assume a 1% annual COLA. Each 1% of COLA equals
 - Approximately \$2.4B of PERF/TRF liabilities
 - 3.8 percentage point change in funding ratio
- When the General Assembly grants a COLA / 13th Check, there is a cost to both state and local units of government including schools
 - For all but the TRF Pre-96 account, COLAs are funded by the employer as part of their contribution rate (1% COLA = \$57.6M, 13th Check = \$26.7M)
 - For the TRF Pre-96 account, COLAs and thirteenth checks are funded directly from the state general fund (1% COLA = \$88.1M, 13th Check = \$20.3M)

2014 Session HB1231

- Proposed a two-part COLA
 - \$10 per year of service (\$300 maximum)
 - + % COLA based upon retirement date
 - 1.5% before Jan. 1, 1983
 - 1.0% before Jan. 1, 1995
 - 0.5% after December 31, 1994
- Fiscal Impact
 - \$385M (net present value of future benefits)
 - Equivalent to a 2.1% COLA for TRF, 3.6% COLA for PERF
 - \$239M increase in unfunded liabilities

Impact of 20 Years of Inflation on Purchasing Power of \$25,000



Source: NASRA Issue Brief: Cost-of-Living Adjustments (February 2014)

COLA vs 13th Check Member Impact Years 2010 to 2014 & Lifetime

Example:

Retiree			2009 Annual Benefit	1% COLA Annually		Annual 13th Check	Winner / (Loser) Amount		Crossover Year
Plan	Age	Years of Service		2014 Benefit	Cummulative Total Benefit 2010-2014	Cummulative Total Benefit 2010-2014	2010-2014	Lifetime	
PERF	80	10	\$3,319	\$3,489	\$21,996	\$22,884	\$888	\$258	2025
TRF	60	30	\$22,298	\$23,435	\$147,759	\$146,565	(\$1,194)	(\$35,415)	2012

Assumes 13th check for years 2010 to 2014 and 13th check for years 2015 forward.

Years 2010 to 2014

Members with lower annual benefits are "Winners" and members with higher annual benefits are "Losers".

Approximately 88% of PERF members and approximately 43% of TRF members are "Winners" after 4 years.

Lifetime

Almost 100% of PERF and TRF members are "Losers" over their lifetime.

The average "Loser" for PERF would lose approximately \$8,000 and for TRF approximately \$18,000 over their lifetime.

COLA Design Options

- Automatic vs. Ad hoc
- Simple vs. Compound
- Inflation-based
- Performance-based
- Delayed-Onset or Minimum Age
- Limited Benefit Basis
- Self-funded Annuity Option
- Reserve Account

NASRA ISSUE BRIEF: Cost-Of-Living Adjustments

www.nasra.org (News & Analysis / Issue Briefs)

INPRS Requests For PMOC Consideration

Elimination of Paper Benefit Checks

- IC 5-10.2-4-1.2 does not explicitly permit or require INPRS to issue Electronic Benefit Transfer (EBT) cards in lieu of paper checks.
 - Direct deposit is required for all retirees after July 1, 2009, unless a waiver is submitted
 - Direct deposit is voluntary for all retirees on or before June 30, 2009
- INPRS spent \$212,400 issuing 180,000 paper checks in FY14
- Social Security eliminated paper checks as of March 1, 2013
- FSSA and DWD have eliminated paper checks
- Eliminating paper checks will
 - Save money
 - Give all members immediate and predictable access to their benefit

Amortization Period Of Unfunded Liabilities

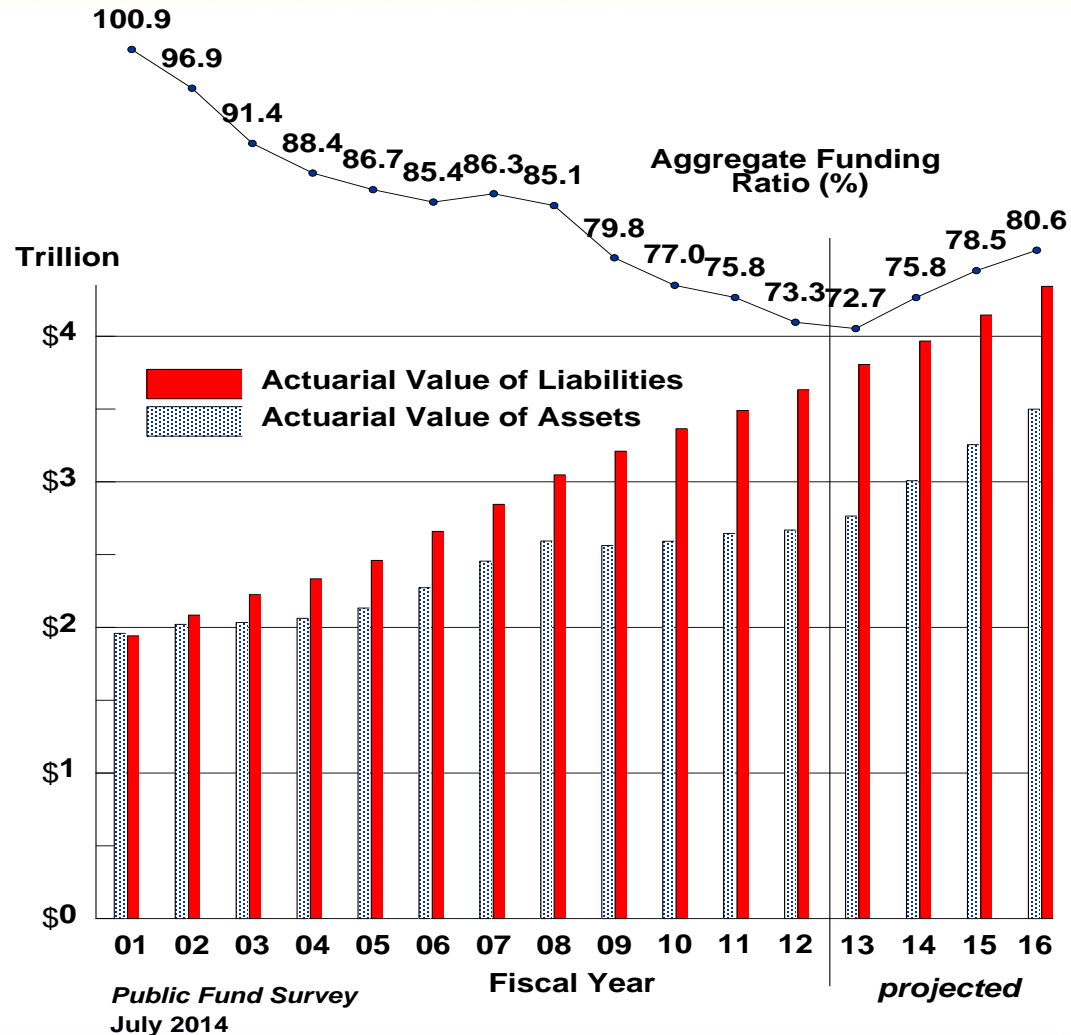
- Six sections of IC specify differing amortization rules for certain types of unfunded liabilities. Some grant the board authority to establish periods of no greater than 40 years while others dictate a 30-year time period
- There has been national discussion regarding intergenerational equity in public pension plans
 - Amortization periods should not exceed a retiree's life expectancy
 - Amortization periods in excess of 20 years unfairly burden the next generation
- More than 40 states have taken actions to address amortization
- INPRS recommends changing to a 20-year amortization on a prospective basis
- No immediate fiscal impact. Future impact only **IF** new unfunded liabilities are created on a go-forward basis
 - Every 1% miss each year to the INPRS 6.75% return target would create \$193M of additional unfunded liabilities in PERF and TRF.
 - If amortized over 20, instead of 30 years, the PERF employer contribution rate would increase by .04 percentage points and the TRF '96 employer contribution rate would increase by .02 percentage points

“77 Police & Fire Fund Technical Corrections

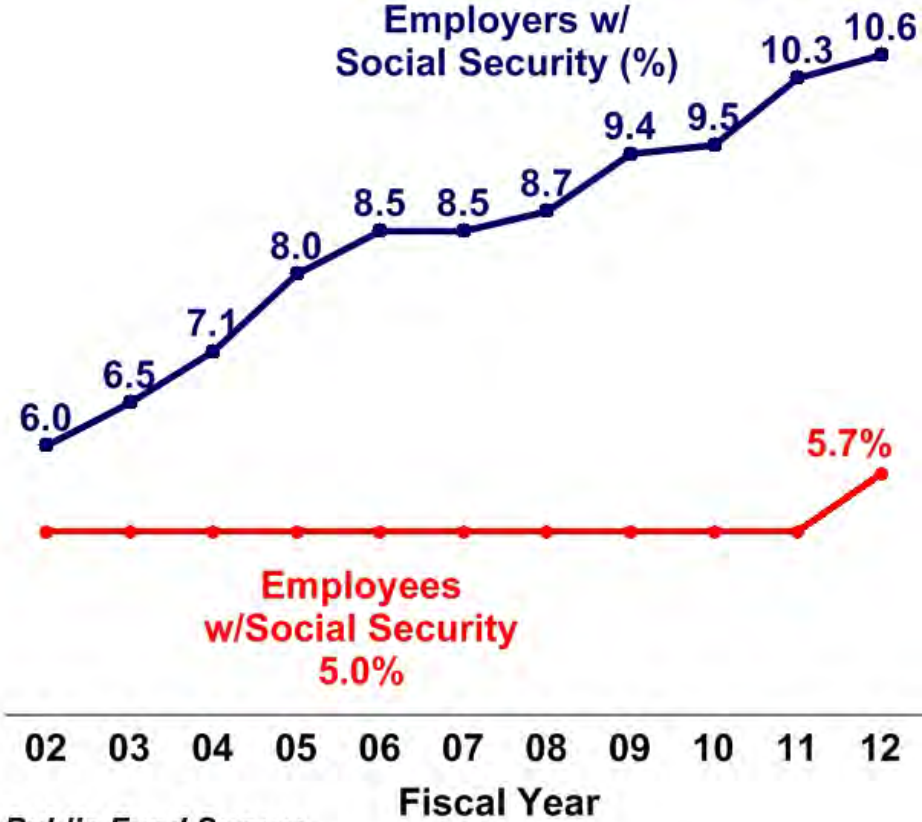
- Three sections of “77 fund IC reference firefighters, but omit police officers
 - IC 36-8-8-18 – Prior service credit
 - IC 36-8-8-18.1 – Members previously covered in PERF
 - IC 36-8-8-21 – Age limitation exception requirements
- INPRS has historically interpreted these statutes to also include police officers
- INPRS requests a technical correction to codify what INPRS believes to be the legislature’s original intent
- No fiscal impact

National Trends

National Public Plan Funding Levels and Actuarial Value of Assets & Liabilities



National Median Contribution Rates



Public Fund Survey
November 2013



Trends in State Plan Modifications

- Since 2009, more than 45 states have made significant changes including increasing employee contributions, reducing benefits, or both.
 - 36 increased employee contributions
 - 29 changed COLA structures
 - 24 changed one or two variables in their DB benefit formula that reduced benefits by an average of 7.5%
 - 23 increased age and years of service requirements by an average of 2.6 years
 - 5 adopted new hybrid plan designs
 - 2 closed DB plans to new hires

What happens to PERF when some employers do not enroll new hires in PERF?

Six PERF Political Subdivisions representing 13% of current PERF covered payroll have recently elected to not enroll any new hires into PERF
Indiana University, Purdue University, Ivy Tech, University of Southern Indiana
Marion County Health & Hospital Corporation, Tri Creek School Corporation

What happens if PERF and TRF '96 is closed to all new members?

And the answer is.....

- 1) There is no incremental total cost to the current pension plans**
- 2) However, existing unfunded liabilities are not reduced and must be paid**
- 3) The fewer the number of active employees in the plan, the fewer the number to spread the cost of the unfunded liabilities. (Higher Contribution Rates)**

PERF & TRF Participation Requirements

	<u>TRF</u>	<u>STATE</u>	<u>PERF</u>
			<u>Political Subdivisions</u>
EMPLOYER	Mandatory*	Mandatory	Optional****
EMPLOYEE	Mandatory**	Mandatory***	Mandatory

- * Charter Schools may provide an alternative to their licensed teachers
- ** If a Charter School offers alternatives to TRF, the employee can choose
- *** State employee new hire can choose the Hybrid or the ASA Only Plan
- **** PSD's can opt-in or out of PERF in total or by job classification/grouping

What is the process when a PERF employer withdraws?

- Rules are established in IC 10.3-6-8
- When an employer withdraws an existing PERF member, the employer must pay any unfunded liability upon withdrawal
- There is no provision in IC for the employer to pay anything if they close membership to new hires
- Employers who close membership to new hires are effectively shifting a portion of the unfunded liabilities onto other employers

What Does PERF & TRF '96 Cost Today?

FY15 Contribution Rates as a % of Covered Payroll

	<u>TRF '96</u>	<u>PERF Hybrid</u>	<u>PERF ASA Only</u>
Employee ASA*	3.0%	3.0%	3.0%
Employer ASA			+4.6%
Total ASA			7.6%
<i>Employer Normal Cost</i>	5.7%	4.6%	
<i>Employer Unfunded Liability</i>	+1.8%	+6.6%	6.6%
Total Employer DB	7.5%	11.2%	6.6%
TOTAL	10.5%	14.2%	14.2%

* Employers may elect to pick-up all or part of the contribution

Estimated PERF Impacts

(dollars in millions)

	Scenarios - % reductions in covered payroll over 30 years					
	13%	20%	40%	60%	80%	100%
Peak annual % increase in contribution rate (thru 2043)	0.40%	0.66%	1.61%	3.10%	5.79%	13.68%
Contribution amount shifted to non-withdrawing employers (thru 2043)	\$465	\$689	\$1,211	\$1,492	\$1,321	\$0
NPV of contribution amount shifted to non-withdrawing employers	\$170	\$249	\$428	\$512	\$433	\$0

Estimated impacts assume attainment of all future actuarial assumptions
 If actual performance is worse than assumptions, the impact is greater
 If actual performance is better than assumptions, the impact is smaller

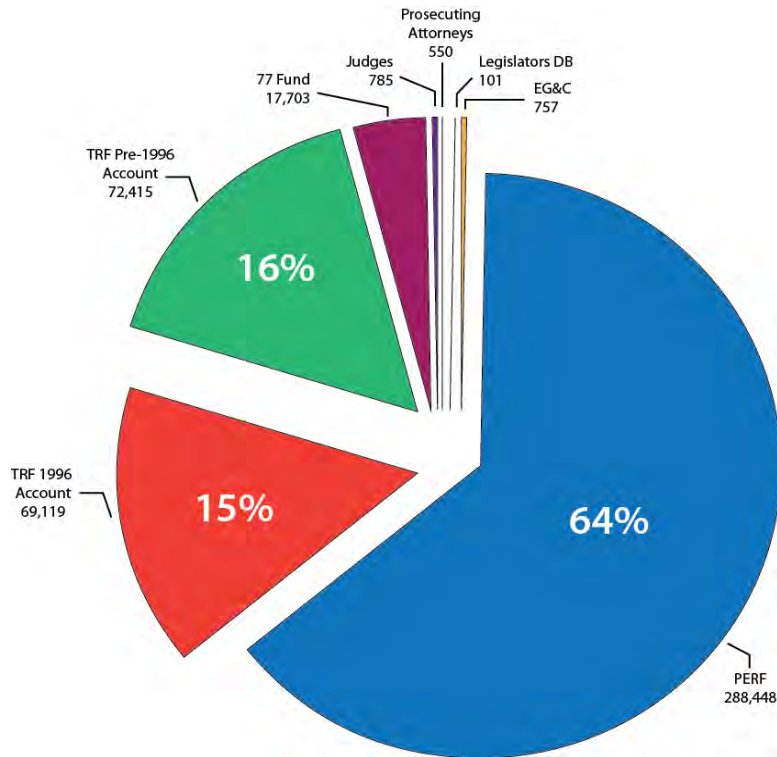
APPENDIX

Overview – Member Demographics

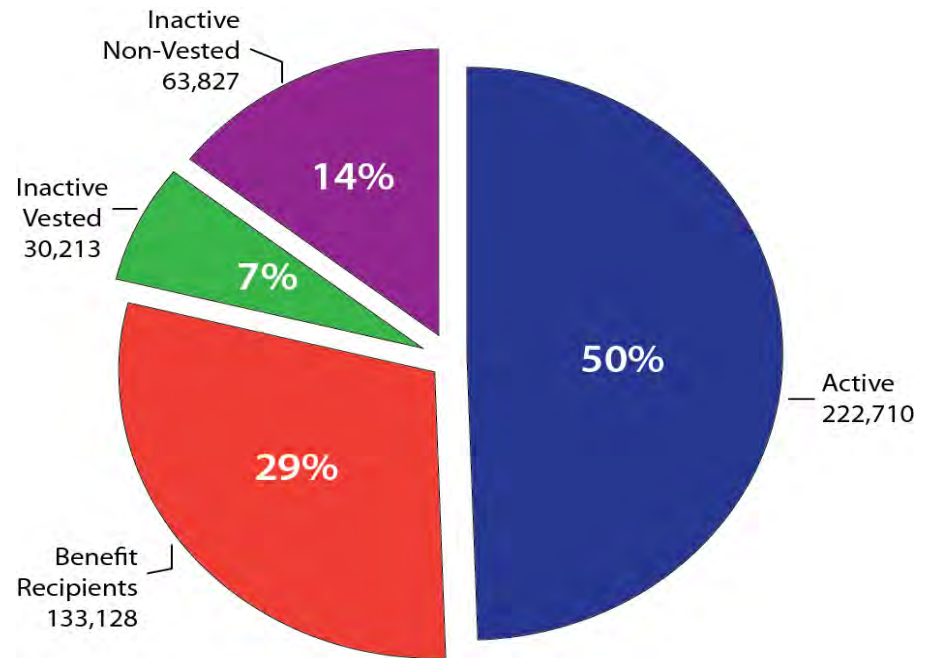
(as of June 30, 2013)

449,878 Members

Members By Fund



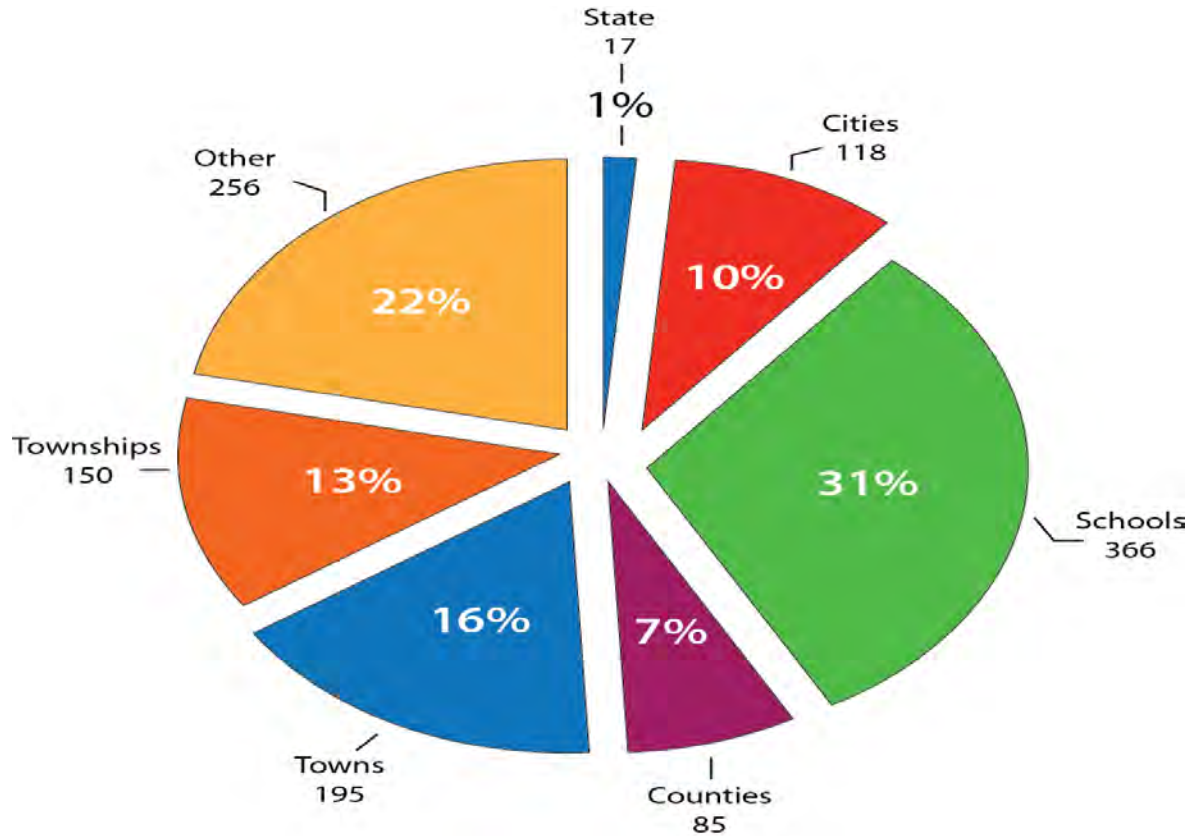
Members By Status



Overview – Employer Demographics

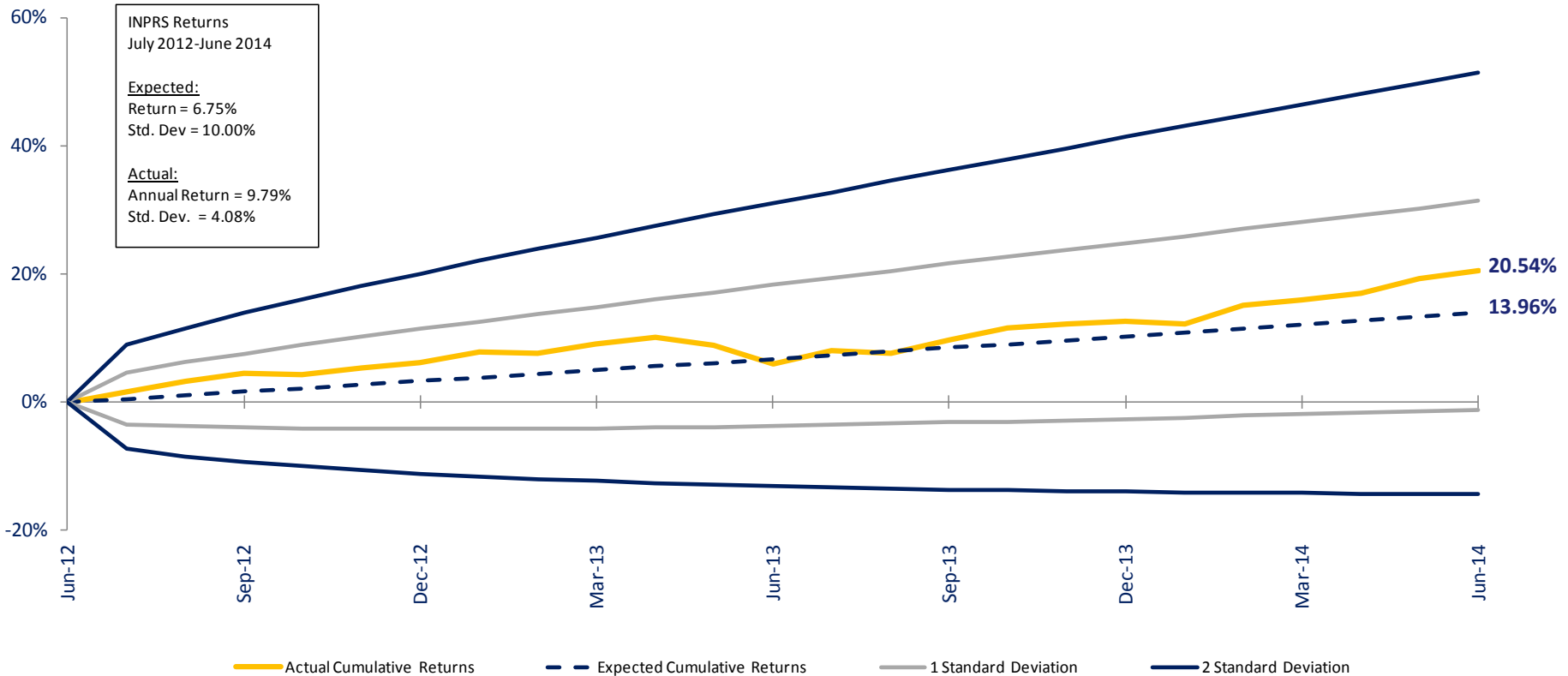
(as of June 30, 2013)

1,100 + Employers



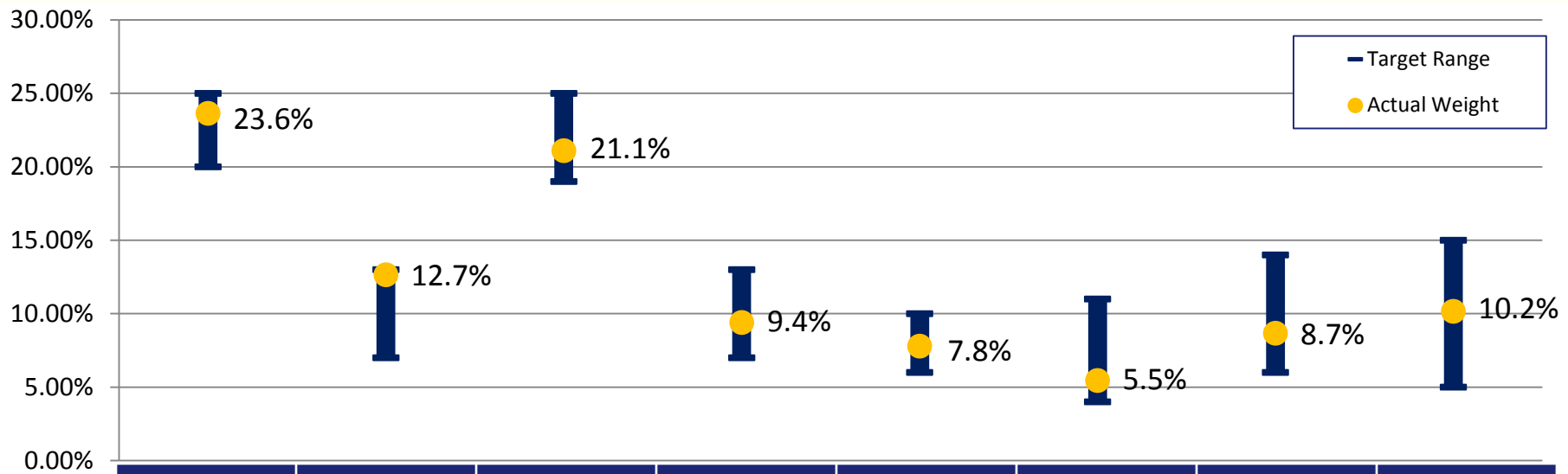
Defined Benefit Asset Allocation Performance

INPRS Net of Fees Cumulative Returns



Asset Allocation & Performance

As of 6/30/14



	Public Equity	Private Equity	Fixed Income (Ex Inflation-Linked)	Fixed Income (Inflation-Linked)	Commodities	Real Estate	Absolute Return	Risk Parity
1 Year Return	22.49%	19.63%	7.05%	5.37%	12.79%	10.24%	10.34%	16.69%
3 Year Return	10.75%	14.37%	4.71%	4.11%	-1.63%	10.99%	4.73%	
5 Year Return	15.59%	15.52%	7.22%	6.24%	4.18%	10.25%	7.27%	
10 Year Return		12.57%	5.50%	5.53%				

Sudan and Terror States Divestment

HEA 1067 (Sudan Divestment)

If a company continues to have scrutinized active business operations 90 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 9 months
- 100% in 15 months.

HEA 1547 (Terror States Divestment)

If a company continues to have scrutinized active business operations 180 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 3 years
- At least 75% in 4 years
- 100% in 5 years

Sudan and Terror States Divestment Update 2014

HEA 1067 (Sudan Divestment)

INPRS holds no securities on the Sudan Restricted List.

HEA 1547 (Terror States Divestment)

Companies Still on List from 2011 - Need to be 50% divested by May 16, 2014, 75% divested by May 16, 2015 and 100% divested by May 16, 2016

<u>Asset Description</u>	<u>Market Value</u>	<u>% of INPRS Total Market Value</u>
Royal Dutch Shell PLC	\$ 2,781,802	0.01%
Maurel et Prom	\$ 34,815	0.00%

Companies Still on List from 1/1/2012 - Need to be 50% divested by April, 15 2015, 75% divested by April 15, 2016 and 100% divested by April 15, 2017

<u>Asset Description</u>	<u>Market Value</u>	<u>% of INPRS Total Market Value</u>
Mazda Motor Corp	\$ 308,693	0.00%
Statoil ASA	\$ 931,486	0.00%

Companies Still on List from 1/1/2013 - Need to be 50% divested by April, 15 2016,

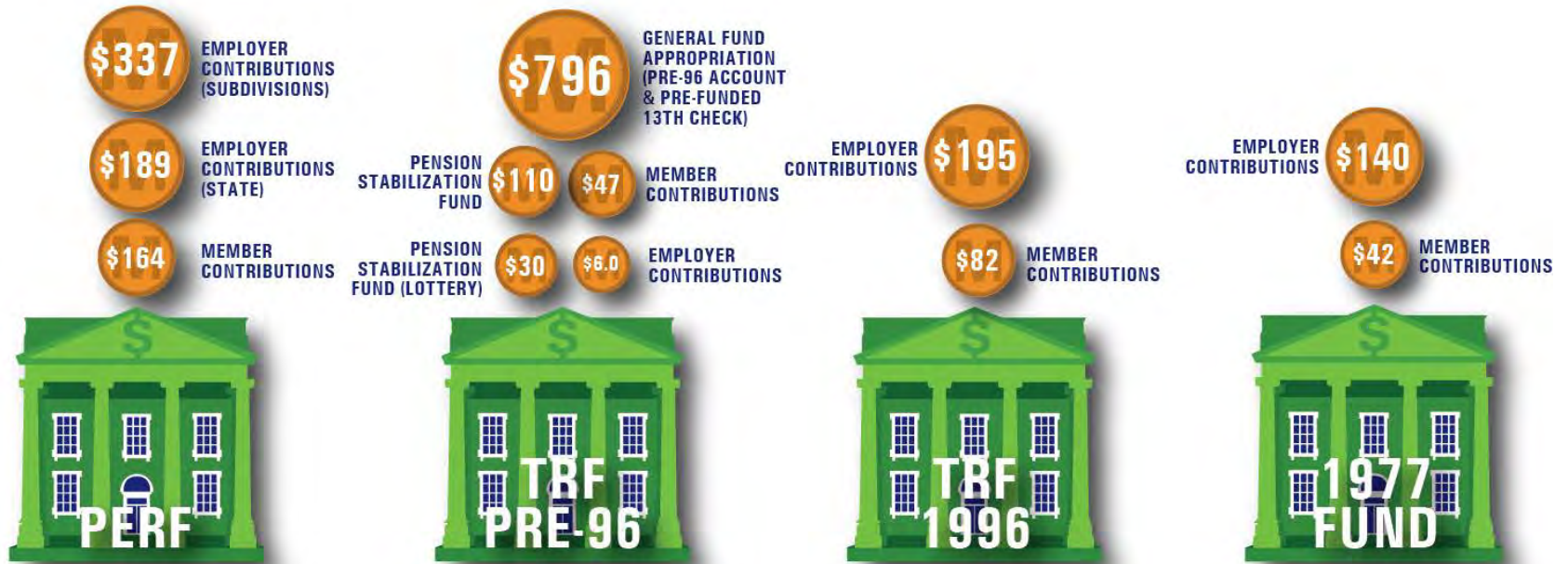
<u>Asset Description</u>	<u>Market Value</u>	<u>% of INPRS Total Market Value</u>
BP PLC	\$ 9,165,679	0.04%
Cosmo Oil Co Ltd	\$ 37,396	0.00%
Dundee Corp	\$ 17,233	0.00%
Eni SpA	\$ 7,720,807	0.03%
Essar Global Ltd	\$ 11,059	0.00%
Isuzu Motors Ltd	\$ 319,285	0.00%
JX Holdings Inc	\$ 302,279	0.00%
Mitsubishi Corp	\$ 6,135,960	0.03%
MTN Group Ltd	\$ 2,712,606	0.01%
Showa Shell Sekiyu KK	\$ 367,493	0.00%

Companies New to List as of 1/1/2014 - Need to be 50% divested by April, 15 2017, 75% divested by April 15, 2018 and 100% divested by April 15, 2019

<u>Asset Description</u>	<u>Market Value</u>	<u>% of INPRS Total Market Value</u>
Outotec OYJ	\$ 39,079	0.00%
Telefonaktiebolaget LM Ericsson	\$ 15,683,991	0.07%

INPRS' Contribution Sources – FY 2014

99% of Actuarial Determined Contributions (ADC) Paid in FY14*



* Estimates pending final actuarial analysis

INPRS' Contribution Sources – FY 2014



Public Employees' Retirement Fund (PERF) Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Full-time employees of the state and political subdivisions that elect to participate*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDED RATIO: *83.9% (Estimate)*

UNFUNDED LIABILITY: *\$2,676 M (Estimate)*

BENEFITS¹

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*

Vesting: *DB - 10 years, ASA - Immediate*

Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2013): *\$8,137 (ASA Annuitized)*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$680 M	\$739 M	\$791 M	\$846 M	

FUNDING SOURCES

Employee Contribution: *3% salary to member ASA*

Employer Contribution (State): *Actuarially Calculated Contribution Rate (FY14 = 11.2%; FY15 = 11.2%)*

Employer Contribution (Subdivisions): *Actuarially Calculated Contribution Rate (FY14 = 10.4%; FY15 = 11.1%)*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$164 M	\$169 M	\$172 M	\$175 M	
\$175 M	\$181 M	\$185 M	\$189 M	
<u>\$351 M</u>	<u>\$363 M</u>	<u>\$372 M</u>	<u>\$377 M</u>	
\$690 M	\$713 M	\$729 M	\$741 M	

¹ Actual and Projected Benefit Payments include ASA Annuity payments

Teachers' Retirement Fund (TRF) – Pre 1996 Account Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities hired prior to July 1, 1995*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDED RATIO: *32.7% (Estimate)*

UNFUNDED LIABILITY: *\$11,027 M (Estimate)*

BENEFITS¹

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*

Vesting: *DB - 10 years, ASA - Immediate*

Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2013): *\$19,731 (ASA Annuitized)*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$1,035 M	\$1,054 M	\$1,093 M	\$1,130 M	

FUNDING SOURCES

Employee Contribution: *3% salary to member ASA*

General Fund Appropriation: *Pre-96 Pay-as-you-go benefit obligation*

General Fund Appropriation: *Pre-Funded 13th Check*

Pension Stabilization Fund: *Pre-96 Pay-as-you-go benefit obligation*

Pension Stabilization Fund: *Lottery (Pre-96)*

Other: *Pre-96 Employer Contribution (AOS, FSP, HEP)*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$ 47 M	\$ 38 M	\$ 35 M	\$ 32 M	
\$776 M	\$793 M	\$817 M	\$841 M	
\$ 20 M	\$ 20 M	-	-	
\$ 110 M	\$ 111 M	\$123 M	\$132 M	
\$ 30 M	\$ 30 M	\$ 30 M	\$ 30 M	
\$ 6 M	\$ 6 M	\$ 6 M	\$ 6 M	
\$ 989 M	\$ 998 M	\$ 1011 M	\$ 1041 M	

¹ Actual and Projected Benefit Payments include ASA Annuity payments

Teachers' Retirement Fund (TRF) – 1996 Account Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities hired after June 30, 1995*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDED RATIO: *96.3%(Estimate)*

UNFUNDED LIABILITY: *\$192 M (Estimate)*

BENEFITS¹

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*

Vesting: *DB - 10 years, ASA - Immediate*

Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2013): *\$18,327 (ASA Annuitized)*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$ 77 M	\$ 90 M	\$ 101 M	\$ 114 M	

FUNDING SOURCES

Employee Contribution: *3% salary to member ASA*

Employer Contribution: *1996 Account Actuarially Calculated Contribution Rate (FY14 & FY15 = 7.5%)*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$ 82 M	\$ 90 M	\$ 97 M	\$ 104 M	
\$ 195 M	\$ 224 M	\$ 242 M	\$ 259 M	
\$ 277 M	\$ 314 M	\$ 339 M	\$ 363 M	

¹ Actual and Projected Benefit Payments include ASA Annuity payments

1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Local full-time police and firefighters hired after April 30, 1977*

TYPE: *Defined Benefit*

FUNDED RATIO: *98.3% (Estimate)*

UNFUNDED LIABILITY: *\$82 M (Estimate)*

BENEFITS

Benefit Formula: *50% of first class officer salary*

Vesting: *20 years*

Full Retirement Age: *52 with at least 20 years service*

Avg. Overall Annual Retiree Benefit (2013): *\$25,008*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$105 M	\$134 M	\$155 M	\$168 M	

FUNDING SOURCES

Employee Contribution: *6% of first class officer salary (max. 32 years)*

Employer Contribution: *Actuarially Calculated Contribution Rate (FY13 & FY14 = 19.7%)*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$ 42 M	\$ 42 M	\$ 43 M	\$ 44 M	
<u>\$140 M</u>	<u>\$143 M</u>	<u>\$148 M</u>	<u>\$152 M</u>	
\$182 M	\$185 M	\$191 M	\$196 M	

Judges' Retirement System Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Judges of the Indiana Supreme Court, Indiana Circuit Court, Indiana Tax Court, County and Municipal Courts*

TYPE: *Defined Benefit - Consists of two plans: 1977 System and the 1985 System*

FUNDED RATIO: *89.3% (Estimate)*

UNFUNDED LIABILITY: *\$50 M (Estimate)*

BENEFITS

Benefit Formula: *Final Salary x percent factor established in IAC (24% - 60%)*

Vesting: *8 years*

Full Retirement Age: *65 with at least 8 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2013): *\$57,551*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$18.5 M	\$24.0 M	\$25.8M	\$27.9 M	

FUNDING SOURCES

Employee Contribution: *6% salary (max. 22 years)*

General Fund Appropriation: *Actuarially Calculated*

Other: *Certain docket and court fees*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$ 2.9 M	\$ 2.8 M	\$ 2.9 M	\$ 3.0 M	
\$13.7 M	\$13.8 M	\$12.0 M	\$12.7 M	
<u>\$ 7.2 M</u>	<u>\$ 7.2 M</u>	<u>\$ 7.2 M</u>	<u>\$ 7.2 M</u>	
\$23.8 M	\$23.8 M	\$22.1 M	\$22.9 M	

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *State Excise Police, Gaming Agents, Gaming Control Officers, and Conservation Enforcement Officers*

TYPE: *Defined Benefit*

FUNDED RATIO: *87.1% (Estimate)*

UNFUNDED LIABILITY: *\$16 M (Estimate)*

BENEFITS

Benefit Formula: *(Average high five salary x 25%) + (1.67% x yrs service beyond 10 years)*

Vesting: *10 years*

Full Retirement Age: *60 if hired before age 50, mandatory at 65*

Avg. Overall Annual Retiree Benefit (2013): *\$24,177*

Actual	Projected Benefit Payments		
FY14	FY15	FY16	FY17
\$ 5.8 M	\$ 6.6 M	\$ 6.8 M	\$ 6.5 M

FUNDING SOURCES

Employee Contribution: *Pre '77 hires - 3% of first \$8,500, Post '77 hires - 4% of total salary*

Employer Contribution: *Actuarially Calculated Contribution Rate (FY14 & FY15 = 20.75%)*

Actual	Projected Contributions		
FY14	FY15	FY16	FY17
\$ 1.0 M	\$ 1.1 M	\$ 1.1 M	\$ 1.1 M
<u>\$ 5.4 M</u>	<u>\$ 5.5 M</u>	<u>\$ 5.6 M</u>	<u>\$ 5.8 M</u>
\$ 6.4 M	\$ 6.6 M	\$ 6.7 M	\$ 6.9 M

Prosecuting Attorneys' Retirement Fund (PARF) Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Prosecutors or a chief deputy prosecutors serving after December 31, 1989
Executive Director or Dep Executive Director of the Prosecutors Council, or state paid dep. prosecutors hired after June 30, 1995*

TYPE: *Defined Benefit*

FUNDED RATIO: *81.0% (Estimate)*

UNFUNDED LIABILITY: *\$12 M (Estimate)*

BENEFITS

Benefit Formula: *High Salary x percent factor established in IAC (24% - 60%)*

Vesting: *8 years*

Full Retirement Age: *65 with at least 8 years service, 55 - rule of 85*

Avg. Overall Annual Retiree Benefit (2013): *\$22,118*

Actual	Projected Benefit Payments			
	FY14	FY15	FY16	FY17
\$ 2.3 M	\$ 3.2 M	\$ 3.3 M	\$ 3.6 M	

FUNDING SOURCES

Employee Contribution: *6% salary*

General Fund Appropriation: *Actuarially Calculated*

Actual	Projected Contributions			
	FY14	FY15	FY16	FY17
\$ 1.3 M	\$ 1.2 M	\$ 1.3 M	\$ 1.3 M	
\$ 1.2 M	\$ 1.1 M	\$ 1.5 M	\$ 1.6 M	
\$ 2.5 M	\$ 2.3 M	\$ 2.8 M	\$ 2.9 M	

Legislators' Retirement System Fund Overview

As of June 30, 2014 (Estimate)

MEMBERSHIP: *Members of the Indiana General Assembly*

TYPE: *Defined Benefit - Members serving on April 30, 1989 who elected to participate*
Defined Contribution - Members serving on or after April 30, 1989 who elect to participate

FUNDING RATIO: *83.3% (Estimate)*

UNFUNDED LIABILITY: *\$ 0.7 M (Estimate)*

BENEFITS

Benefit Formula: *Lesser of \$480 x yrs service before '89 OR high consecutive three year salary*

Vesting: *10 years*

Full Retirement Age: *65 with at least 10 years service, 55 - rule of 85, 60 w/ 15 yrs service*

Avg. Overall Annual Retiree Benefit (2013): *\$5,362 (DB Plan Only)*

Actual FY14	Projected Benefit Payments		
	FY15	FY16	FY17
\$ 0.4 M	\$ 0.4 M	\$ 0.4 M	\$ 0.4 M

FUNDING SOURCES

Employer Contribution: *State rate plus 3% of salary for the DC plan*

General Fund Appropriation: *Actuarially Calculated Contribution for the DB plan*

Actual FY14	Projected Contributions		
	FY15	FY16	FY17
\$ 1.6 M	\$ 1.6 M	\$ 1.6 M	\$ 1.6 M
<u>\$ 0.1 M</u>	<u>\$ 0.1 M</u>	<u>\$ 0.1 M</u>	<u>\$ 0.1 M</u>
\$ 1.7 M	\$ 1.7 M	\$ 1.7 M	\$ 1.7 M