NOTES TO THE FINANCIAL STATEMENTS

STATE OF INDIANA

Notes to the Financial Statements
June 30, 2021

STATE OF INDIANA
Notes to the Financial Statements
June 30, 2021
(schedule amounts are expressed in thousands)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the governmental fund types, proprietary fund types, and colleges and universities. This is to emphasize that, as well as being legally separate from the government; they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2020, fiscal year-end.

Blended Component Units

The following component units are reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. These units, although legally separate from the State, are reported as part of the State because they provide services entirely or almost entirely to the State.

The Bureau of Motor Vehicle Commission (BMVC) was established per Indiana Code 9-14-9 to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund.

The Indiana Homeland Security Foundation was established per Indiana Code 10-15-2-1 to assist the Indiana Department of Homeland Security (IDHS) in developing projects that benefit public safety in local communities. The foundation administers the Indiana Homeland Security fund which funds these IDHS projects. The foundation has significant interrelated operations with the IDHS. Foundation funds are aligned with the Indiana Strategy for Homeland Security of the IDHS. The Indiana Homeland Security Foundation is reported as a non-major governmental fund.

The Indiana Natural Resources Foundation was established per Indiana Code 14-12-1 to promote, support, assist, sustain and encourage charitable, educational and scientific programs, projects and policies of the Indiana Department of Natural Resources. The Indiana Natural Resources Foundation is reported as a non-major governmental fund.

The Healthy Hoosiers Foundation was established per Indiana Code 16-19-3-30 to support the purposes and programs of the Indiana State Department of Health, which may include programs intended to reduce infant mortality, increase childhood immunizations, reduce obesity, and reduce smoking rates. The Healthy Hoosiers Foundation is reported as a non-major governmental fund.

The Indiana War Memorials Foundation was established per Indiana Code 10-18-1 for the benefit of, to perform the functions of, and to carry out the purposes of the Indiana War Memorials Commission. The Foundation provides cultural and recreational services. The Indiana War Memorials Foundation is reported as a non-major governmental fund.

The Indiana State Library Foundation was established per Indiana Code 4-23-7.1-42 to support the programs of the State Library and libraries in the state. The Indiana State Library Foundation is reported as a non-major governmental fund.

The Governor's Residence Commission was established per Indiana Code 4-23-15 to provide the governor of the state of Indiana a suitable and fitting residential site located at the seat of state government; and to make provision to maintain, remodel, expand, finish, refinish, furnish or refurnish, construct or reconstruct such residential site either of the existing mansion and any expansion thereof, or any other acquired site for such governor's mansion, all as may be required from time to time. The Governor's Residence Commission is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. The component units that are included in the State's reporting entity because the primary government appoints a voting majority of their governing bodies and is able to impose its will on each organization are: Indiana Economic Development Corporation, Indiana Destination Development Corporation, Indiana Finance Authority, State Lottery Commission of Indiana, Indiana Stadium Convention and Building Authority, Indiana Bond Bank, Indiana Housing and Community Development Authority, Indiana Secondary Market for Education Loans, Inc., White River State Park Development Commission, Ports of Indiana, Indiana Comprehensive Health Insurance Association, Indiana Political Subdivision Risk Management Commission, Indiana State Museum and Historic Sites Corporation, Indiana Motorsports Commission, and each of the seven colleges and universities. The following component units are included in the State's reporting entity because the primary government appoints a voting majority of their governing bodies and is financially accountable for each organization: Indiana Board for Depositories, Indiana State Fair Commission, and the Indiana Public Retirement System.

The Indiana Economic Development Corporation (IEDC) was created per Indiana Code 5-28-3 to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy and the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry, and the promotion of Indiana. The IEDC leads the state of Indiana's economic development efforts, helping businesses launch, grow, and locate in the state. The IEDC manages many initiatives, including performance-based tax credits, workforce training grants, innovation and entrepreneurship resources, public infrastructure assistance, and talent attraction and retention efforts. The IEDC Board of Directors is composed of 12 members, consisting of the Governor and 11 individuals appointed by the Governor. At least five members of the board must belong to the same political party as the Governor, and at least three members must belong to another major political party, but none may be members of the general assembly. The IEDC is reported as a non-major discretely presented governmental component unit. The separately issued audited financial statements may be obtained by writing the Indiana Economic Development Corporation, One North Capital Avenue, Suite 700, Indianapolis, IN 46204.

The Indiana Destination Development Corporation (IDDC) was created per Indiana Code 5-33 to assist in the development and promotion of Indiana's tourist resources, facilities, attractions, and activities. The IDDC Board of Directors is composed of 7 members, consisting of the Governor, the Secretary of Commerce and 5 members appointed by the Governor that are from the private sector tourism industry. None of the members may be from the general assembly. The IDDC is reported as a non-major discretely presented governmental component unit. The IDDC does not issue their own separately audited financial statements.

The Indiana Finance Authority (IFA) was created per Indiana Code 5-1.2-3-1 as a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The authority is composed of five members, consisting of the budget director or their designee, who serves as chairman, the Treasurer of State or their designee, and three members appointed by the governor of which no more than two may be from the same political party. The Authority is reported as a major discretely presented proprietary component unit. IFA's separately issued audited financial statements may be obtained by writing the Indiana Finance Authority, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

The State Lottery Commission of Indiana, created per Indiana Code 4-30-3, is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, local police and firefighters' pensions, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the State Lottery Commission of Indiana, 1302 North Meridian Street, Suite 100, Indianapolis, IN 46202.

The Indiana Stadium and Convention Building Authority was established per Indiana Code 5-1-17, as an entity of the State to finance, design, construct, and own the new Indiana Stadium in Indianapolis and the expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Stadium and Convention Building Authority, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

The Indiana Bond Bank, created per Indiana Code 5-1.5-2, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The Bond Bank is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Bond Bank, 10 West Market Street, Suite 2410, Indianapolis, IN 46204.

The Indiana Housing and Community Development Authority was created per Indiana Code 5-20-1-3 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The Authority is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Housing and Community Development Authority, 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204.

The Indiana Board for Depositories was established per Indiana Code 5-13-12 to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The Board is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Board for Depositories, One North Capitol Avenue, Suite 900, Indianapolis, IN 46204 or at https://www.in.gov/tos/deposit/.

The Indiana Secondary Market for Education Loans, Inc. (ISM), d/b/a INvestEd, was created per Indiana Code 21-16-5 to purchase education loans in the secondary market, lend money for the origination of education loans, and originate loans to consolidate education debt. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. ISM is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Secondary Market for Education Loans, Inc., d/b/a INvestEd, 11595 North Meridian Street, Suite 200, Carmel, IN 46032.

The White River State Park Development Commission created per Indiana Code 14-13-1-5 has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county, and is authorized to acquire additional land and property. The Commission has 10 voting members which consist of the director or their designee, the executive of the city of Indianapolis or their designee, the president of Indiana University or their designee, and seven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana White River State Park Development Commission, 801 West Washington Street, Indianapolis, IN 46204.

The Ports of Indiana is a body both corporate and politic created per Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Ports of Indiana Commission consists of seven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Ports of Indiana, 150 West Market Street, Suite 450, Indianapolis, IN 46204.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure, and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members; five of which are appointed by the governor, and three are ex officio members. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Fair Commission, 1202 East 38th Street, Indianapolis, IN 46205.

The Indiana Comprehensive Health Insurance Association was created per Indiana Code 27-8-10-2.1 to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Comprehensive Health Insurance Association, 9465 Counselors Row, Suite 200, Indianapolis, IN 46240.

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Political Subdivision Risk Management Commission, c/o Indiana Department of Insurance, 311 West Washington Street, Suite 103, Indianapolis, IN 46204.

The Indiana State Museum and Historic Sites Corporation was created per Indiana Code 4-37 and is responsible for operating and administering the Indiana State Museum and eleven Historic Sites across the State. The eleven Historic Sites include Angel Mounds, Corydon Capitol, Culbertson Mansion, J.F.D. Lanier Mansion, Levi Coffin, Limberlost, New Harmony, T.C. Steele, Gene Stratton-Porter, Vincennes, and the Whitewater Canal. The Corporation is governed by a thirty member board of trustees of which twenty-five are voting members and five are non-voting members. Of the twenty-five voting members, thirteen persons are appointed by the governor and twelve are appointed by the board. The five non-voting members include the chief executive officer, the governor or governor’s designee, one member of the House of Representatives, one member of the Senate, and the director of the Department of Natural Resources or the director’s designee. The Corporation is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana State Museum and Historic Sites Corporation, 650 West Washington Street, Indianapolis, IN 46204.

The Indiana Motorsports Commission was established per Indiana Code 5-1-17.5-15 as a separate body corporate and politic, as an instrumentality of the state, to finance and lease real and personal property improvements for the benefit of an owner of a qualified motorsports facility within a motorsports investment district. The commission is governed by a board of directors composed of five directors of which one is the budget director, or the budget director's designee, and four directors appointed by the governor. The commission is reported as a non-major discretely presented proprietary component unit. The separately issued audited financial statements may be obtained by writing the Indiana Motorsports Commission, One North Capital Avenue, Suite 900, Indianapolis, IN 46204.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; and Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as major discretely presented component units. The separately issued audited financial statements for the colleges and universities may be obtained by writing to: Indiana University, BL143 P Music Practice, 1024 E. 3rd St., Bloomington, IN 47405; Purdue University, 2550 Northwestern Ave., Suite 1100, West Lafayette, IN 47906-4182; Ball State University, Administration Bldg., 301, 2000 West University Avenue, Muncie, IN 47306; Indiana State University, Office of the Controller, 200 N. 7th Street, Terre Haute, IN 47809-1902; Ivy Tech Community College, Attn: AVP, Controller, 50 West Fall Creek Parkway, North Drive, Indianapolis, IN 46208-5752; University of Southern Indiana, 8600 University Boulevard, Evansville, IN 47712; and Vincennes University, 1002 North 1st Street, Vincennes, IN 47591.

Fiduciary in Nature Component Unit

The Indiana Public Retirement System (INPRS) was established per Indiana Code 5-10.5-2-1 as an independent body corporate and politic. INPRS is not a department or agency for the State, but is an independent instrumentality exercising essential government functions. The INPRS board is composed of nine trustees appointed by the Governor which includes the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following plans: Public Employees' Retirement Fund; Teachers' Retirement Fund; Judges' Retirement System; State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan; the 1977 Police Officers' and Firefighters' Pension and Disability Fund; the Legislators' Retirement System Defined Benefit Plan; the Legislators' Retirement System Defined Contribution Plan; the Prosecuting Attorneys' Retirement Fund; the Retirement Medical Benefits Account Defined Contribution plan; the Pension Relief Fund; and one death benefit fund. For more information on the plans see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from INPRS' financial statements. INPRS is included as a component unit because the primary government appoints a voting majority of its governing body and has financial accountability. The Indiana Public Retirement System was determined to be significant for note disclosure purposes involving the fiduciary in nature component units. The separately issued audited financial statements may be obtained by writing the Indiana Public Retirement System, One North Capitol Avenue, Suite 001, Indianapolis, IN 46204.

Related Organizations

The primary government appoints a voting majority of the board of the Indiana Education Savings Authority (IESA) created per Indiana Code 21-9. The IESA serves as the governing board of Indiana's tax-advantaged CollegeChoice 529 Savings Plans which are CollegeChoice Direct, CollegeChoice Advisor, and CollegeChoice CD. The primary government's accountability for IESA does not extend beyond making the appointments to the board. The primary government is not able to impose its will on IESA nor is it financially accountable for IESA. The State had no related party transactions with IESA during fiscal year 2021.

The primary government appoints a voting majority of the board of the Achieving a Better Life Experience Authority (ABLE) created per Indiana Code 12-11-14-09. The authority serves as the governing board of Indiana's tax-advantaged ABLE

Savings Plan, INvestABLE Indiana. The primary government's accountability for ABLE does not extend beyond making the appointments to the board. The primary government is not able to impose its will on ABLE nor is it financially accountable for ABLE. ABLE expended $217.3 thousand of state appropriations for operating expenses during fiscal year 2021.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointment.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as disclosed in Note I.A. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes; even those levied for a specific purpose and are reported by type of tax. Investment income is considered general revenue in the general fund.

Separate financial statements are presented for the State's governmental, proprietary, and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net position and the statement of changes in net position. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferrals resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month's revenues.

Gaming taxes are accrued based on the gaming day. Vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so revenues for the first several working days in July are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State's primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Public Welfare-Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid program. Federal grant revenues, hospital assessment fees, quality assessment fees, Intermediate Care Facility for Individuals with Disabilities fees, and other resources disclosed under interfund transfers in Note IV (B) are reported in this fund.

- The *U.S. Department of Health and Human Services Fund* receives federal grants that are used to carry out health and human services programs. Federal grant revenues, vital record fees, child support annual fees, and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

- The *Federal COVID-19 Fund* provides federal grant dollars to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019. The fund includes the CARES Act, the Coronavirus Relief Fund, and additional funds provided for existing grant programs.

- The *ARPA-Economic Stimulus Fund* contains the federal grant dollars received through the American Rescue Plan Act of 2021, a coronavirus rescue package designed to facilitate the State of Indiana's recovery from the economic and health effects of the COVID-19 pandemic.

The *capital projects funds* account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues and expenses resulting from secondary or auxiliary activities of the fund. Nonoperating items include investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where it has been decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, self-insurance, and centralized accounting. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

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. They cannot be used to support the State's own programs. Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds.

Pension and other employee benefit trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other postemployment benefit plans. Pension and other employee benefits trust funds include the Indiana Public Retirement System, State Police Pension Fund, State Employee Retiree Health Benefit Trust Fund – DB, and the State Employee Retiree Health Benefit Trust Fund – DC.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Custodial funds are used to report all fiduciary activities that are not held in one of the three other types of fiduciary funds. They are also used to report the external portion of a pool that is not held in a trust fund. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds known as TrustINdiana. This fund is operated by the state treasurer. Custodial funds include Local Distributions, Child Support, patient and inmate accounts, and the external portion of TrustINdiana, which is presented in a separate column in the fiduciary fund statements.

D. Eliminating Internal Activity

Interfund activity including those from cash overdrafts in funds, interfund services provided or used, interfund loans and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net position. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet has been eliminated in the government-wide statement of net position.

Eliminations were made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

E. Assets, Liabilities, and Equity

1. Deposits, Investments, and Securities Lending

For purposes of reporting cash flows, cash and 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).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. Money market investments and participating interest-earning investment contracts that mature within one year of purchase are reported at cost, which approximates fair value. Fair value is determined by quoted market prices which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; highest rated commercial paper; highest rated supranational issues; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

The Indiana Public Retirement System (INPRS) Board of Trustees administers sixteen funds including eight Defined Benefit retirement plans and five Defined Contribution retirement plans, two other postemployment benefit funds, and one custodial fund. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as fiduciary for all assets under its control. The INPRS Board of Trustees is required to diversify investments in accordance with the prudent investor standards. At June 30, 2021, cash and investments of the funds were held by banks or trust companies under custodial agreements with INPRS. The INPRS Board of Trustees contracts with investment counsel, trust companies or banks to assist INPRS in its investment program. The Investment Policy Statement adopted by the INPRS Board of Trustees and the asset allocation approved by the Board of Trustees contains target allocations and allowable ranges that are expected to meet target rates of return over a long period of time while minimizing risk. The investments of INPRS are subject to the provisions of IC 5-10.3-5-3(a) and IC 5-10.4-3-10(a). See Note IV(A)(3) for more information.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2. See Note IV(A)(2) for more information.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual:

- Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.

- Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.

- Sales tax – Due by the 20th day after the end of the month collected.

- Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.

- Financial institutions tax – same laws as corporate income taxes (see above) for making payments.

- Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July.

The State of Indiana does not collect property tax, which is collected by local units of government.

Unavailable revenue is the liability for the income taxes receivable net of the allowance for doubtful accounts and the portion of federal grants receivable not available in the current reporting period and is reported under deferred inflows of resources.

3. *Interfund Transactions and Balances*

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

- Interfund services provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

- Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

- Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

- Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

- Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. *Inventories and Prepaid Items*

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The consumption rather than the purchases method is used for prepaids as expenditures or expenses are recorded for the cost of prepaid items when consumed rather than when purchased.

5. *Restricted Net Position*

Certain net positions are classified as restricted net position because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation. Net position restricted by enabling legislation for governmental activities totals $1.2 billion, of which $0.5 billion is permanent funds principal, $0.5 billion is for the Economic Stabilization Fund as discussed in Note V (D), $0.1 billion is prepaid expenses and $0.1 billion for other purposes.

6. *Capital Assets*

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold for external financial reporting is met.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- A network average International Roughness Index based on the right wheel path (IRI RWP) of no more than 101 and no more than 12.5% of all pavements in the unacceptable range for Interstates, National Highway System (NHS) Non-Interstate roads, and Non-NHS roads,

- An average sufficiency rating of 87% for interstate bridges,

- An average sufficiency rating of 85% for NHS Non-Interstate bridges, and

- An average sufficiency rating of 83% for Non-NHS bridges.

The Bridge Division, Program Engineering, and

Road Inventory Division of INDOT are responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred ninety-three (393) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Months
Buildings and other structures including improvements to buildings and other structures	240-480
Computer software	36
Infrastructure (not using modified approach)	240-720
Furniture, machinery and equipment	12-168
Motor pool vehicles	96-168

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The Commission on Public Records, State Archives Collection consists of historical and legal documents that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. The vacation day accrual rate increases at five, ten, and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

The legislative and judicial branches may elect to participate in a leave conversion program which allows their employees to convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate. The legislative branch participated in this program in FY 2021 for their employees and the legislative branch has elected to participate in this program for FY 2022 for their employees.

Matured vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

9. Fund Balance

In the fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned. A brief description of each category is as follows:

Nonspendable – represents amounts that are either not in spendable form, such as prepaid expenditures, and activity that is legally or contractually required to be maintained intact, such as a principal balance in a permanent fund.

Restricted – represents amounts restricted to specific purposes because of constraints placed on their use that are either externally imposed such as by grantors or imposed by law through constitutional provisions or enabling legislation.
Committed – represents amounts that can only be used for a specific purpose pursuant to constraints imposed by the government's highest level of decision making authority. The State of Indiana's highest level of decision making authority is the General Assembly. The formal action necessary would be the enactment of a State law that specifically establishes, modifies, or rescinds a fund balance commitment.

Assigned – represents amounts that are constrained by the government's intent to be used for specific purposes as expressed by the governing body itself or the official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The State Budget Agency has the authority per the biennial budget bill to make assignments of fund balances for specific purposes except for those restricted by law. The State Board of Finance comprised of the Governor, Auditor of State and Treasurer of State is empowered to make assignments of funds except for trust funds per I.C. 4-9.1-1-7.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Only the general fund may report a positive unassigned fund balance; whereas, other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Funds on the State's accounting system are assigned one of the five fund balance classifications. If a fund has resources that are both restricted and unrestricted, then expenditures are applied first to restricted fund balance and then unrestricted amounts. A fund's unrestricted fund balance would have committed amounts reduced first, assigned amounts second, and unassigned amounts third when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The allowance for doubtful accounts for taxes receivable, the estimate of claims payable for the Medicaid fund, the estimate of additions for the Local Distributions fund, and the estimated useful lives of capital assets are among the most sensitive accounting estimates affecting the financial statements.

The additions for the Local Distributions fund, a custodial fund, are estimated using the most recent actual known local option income tax collections which are for the calendar year two years prior to the current fiscal year. Adjustments to the estimate are made for units of local government that have changed their local income tax rates during the following two calendar years, for actual collections during the six months prior to the end of the current fiscal year, and for interest earned. The economy, any rate changes that are made in the current calendar year after preparation of the financial statements, and any unknown errors can impact the estimation process and cause actual results to differ.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation or amortization.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, payables that do not require the use of current financial resources are accrued. These receivables and payables are not accrued in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net position. In the proprietary fund financial statements, internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation or amortization expense.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Net pension liabilities and other postemployment benefits do not require the use of current financial resources and are not reported as expenditures in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements, internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2021, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual Deficits	Fund Balance
Governmental Funds			
US Department of Health & Human Services	$ (454,698)	$ 73,994	$ (380,704)
US Department of Agriculture	(3,544)	(17,458)	(21,002)
US Department of Labor	-	(5,086)	(5,086)
US Department of Education	-	(61,754)	(61,754)

B. Fund Balance

The State of Indiana reports its fund balances for governmental funds as nonspendable, restricted, committed, assigned, and unassigned. The detail of the fund balance classifications at June 30, 2021 is as follows:

	General Fund	Public Welfare - Medicaid Assistance Fund	US Department of Health and Human Services	Federal COVID-19	ARPA - Economic Stimulus Fund	Non-Major Funds
Fund Balances:						
Nonspendable:						
Permanent fund principal	-	-	-	-	-	502,835
Prepaid expense	92,133	-	-	-	-	16,737
Restricted:						
Administration	544,891	-	-	-	-	-
Natural Resources	-	-	-	-	-	150
Other Purposes	-	-	-	-	-	4,079
Committed:						
Administration	-	-	-	-	-	2,497
Public Health	-	-	-	-	-	277,520
Economic Development	3,474	-	-	-	-	18,331
Environmental	-	-	-	-	-	203
Natural Resources	-	-	-	-	-	14,059
Secondary Education	-	-	-	-	-	592,644
Roads & Bridges	36,126	-	-	-	-	38,027
Other Purposes	-	-	-	-	-	20,525
Assigned:						
Administration	74,696	-	-	-	-	236,510
Corrections	83,105	-	-	-	-	31,300
Police & Protection	39,907	-	-	-	-	361,007
Mental Health	95,325	-	-	-	-	24,614
Public Health	33,496	337,470	-	67,176	-	345,393
Child Services	530,292	-	-	-	-	147,106
Disability & Aging	44,135	-	-	-	-	10,293
Economic Development	2,277	-	-	-	-	52,901
Environmental	21,808	-	-	-	-	152,013
Natural Resources	627	-	-	-	-	265,779
Higher Education	96,302	-	-	-	-	19,417
Secondary Education	775,385	-	-	-	-	22,494
Roads & Bridges	134,753	-	-	-	-	1,862,602
Capital Outlay	368,300	-	-	-	-	118,621
Other Purposes	349,435	-	-	-	-	211,513
Unassigned:	3,428,843	-	(380,704)	-	-	(87,842)
Total	**$ 6,755,310**	**$ 337,470**	**$ (380,704)**	**$ 67,176**	**$ -**	**$ 5,261,328**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments, and Securities Lending

1. Primary Government – Other than Major Moves Construction Fund and Next Level Indiana Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Level Indiana Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the INPRS policy in note IV (A) 3. There are no formal deposit investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 and Indiana Code 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; municipal securities issued by an Indiana local governmental entity if the issuer has not defaulted on any obligation within the twenty years preceding the date of the purchase; AAA rated money market mutual funds with a portfolio made up of direct obligations of the United States, obligations issued by any federal agency, instrumentality, or federal government sponsored enterprise or repurchase agreements fully collateralized by the same obligations allowed to be owned within the money market mutual fund; commercial paper rated in the highest rating category by one nationally recognized rating service with a stated final maturity of 270 days or less from date of purchase; securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States; obligations issued by United States agencies and instrumentalities, or federal government sponsored enterprises; supranational issuers having the highest investment credit rating by at least two nationally recognized credit rating agencies; repurchase agreements that are fully collateralized, as determined by the current fair value computed on the day the agreement is effective, by interest bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency; and the State's local government investment pool.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2021:

Investment Type	Fair Value Totals	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10
U.S. Treasuries	$ 3,863,390	$ 3,112,645	$ 750,745	$ -
U.S. Agencies	1,784,403	954,105	830,298	$ -
Supranationals	1,741,125	1,696,232	44,893	-
Municipal Bonds	27,683	19,027	5,508	$ 3,148
Local Govt Investment Pool	393,200	393,200	-	$ -
Non-U.S. Fixed Income	70,000	15,000	55,000	$ -
Certificate of Deposits	361,082	361,082	-	$ -
Money Market Mutual Funds	2,124,000	2,124,000	-	$ -
Total	$ 10,364,883	$ 8,675,291	$ 1,686,444	$ 3,148

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, a government 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 of Indiana's 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.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government 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 State of Indiana. The Treasurer of State is authorized by statute (IC 5-13-10.5-5) to accept safekeeping receipts or other reporting for securities from: (1) a duly designated depository as prescribed in this article; or (2) a financial institution located either in or out of Indiana having physical custody of securities with a combined capital and surplus of at least ten million dollars ($10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. 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) custodians' 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. Indiana Code 5-13-9, IC 5-13-10, and IC 5-13-10.5 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise, as well as, other securities that are AAA rated or insured through the Public Deposit Insurance Fund or the FDIC. The allowable investments are noted above under the Investment Policy Statement section in more detail. The State Treasurer recognizes credit (quality) risk as a market and strategic risk factor in all investments.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, and money market funds, as of June 30, 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. 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 type of investment, not exempt from disclosure:

Investment Type	Greatest Risk Rating	Fair Value
U.S. Agencies	AAA	$ 9,931
	AA	1,774,472
Supranationals	AAA	1,741,125
Certificate of Deposits	NR	361,082
Municipal Bonds	NR	27,683
Non-US Fixed Income Bonds	A	70,000
Local Govt Investment Pool	NR	393,200
Money Market Mutual Funds	AAA	2,124,000
Total		$ 6,501,493

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. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Board for Depositories.

At June 30, 2021, investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments (in thousands) were:

IBRD 10.01% $1,220,089
FHLB 7.67% $935,357

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. As of June 30, 2021, there were no deposits or investments denominated in foreign currencies, thus there was no foreign currency risk.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities, to broker-dealers and other entities (borrowers), for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Securities may be lent under this section only if the agreement under which the securities are lent is collateralized by: (1) cash; or (2) non-cash collateral; in excess of the total fair value of the loaned securities.

The State's custodial banks manage the securities lending programs and receive cash or securities as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the fair value of the securities lent. Cash received as collateral is reported as an asset and a liability on the balance sheet. Securities received as non-cash collateral are not reported on the balance sheet, because the State does not have the ability to pledge or sell them without a borrower default. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Indiana Public Retirement System (discretely presented component unit), which allows no more than 40% to be lent at one time.

Cash collateral received is invested by the custodian banks. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2021, was 4.5 days.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

As of June 30, 2021, the fair values of the underlying securities on loan were:

Security Type	Fair Value
U.S. Treasuries	$ 2,485,659

The fair values of the collateral received for each investment type were:

Security Type	Fair Value
U.S. Treasuries	$ 2,512,281

The percentage of collateral received for underlying securities on loan was 101.07%.

The fair values of the cash and non-cash collateral received were:

Collateral Type	Fair Value
Non-cash collateral	$ 88,674
Cash collateral (liability to borrowers)	2,423,607
Total	**$ 2,512,281**

Events of the market crisis of late 2008 negatively impacted the value of the State's securities lending cash collateral reinvestment pool. Since that time, the State, with the agreement of its' custodial bank, has been injecting capital into the pool using securities lending revenues to restore the value of the cash collateral reinvestment pool. As of June 30, 2021, the fair value of the cash collateral reinvestment pool was 98.80% of the fair value of the cash collateral received from the borrowers.

Fair Value of reinvested cash collateral by type:

Collateral Type	Fair Value
Commercial paper	$ 134,759
Certificates of deposit	448,686
Repurchase agreements	507,616
Asset backed securities	86,500
Floating rate notes	1,217,069
Receivable/(Payable)	(2)
Total	**$ 2,394,628**

The quality rating of the reinvested cash collateral investments as described by Standard and Poor's at June 30, 2021, is as follows:

S&P Rating	Fair Value of Cash Collateral	% of Portfolio
AAA	$ 83,310	3.5
AA	493,592	20.6
A	1,287,769	53.8
CC	3,191	0.1
NR	526,766	22.0
Total	**$ 2,394,628**	**100.0**

Fair Value Measurement – Primary Government

The primary government 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 (lowest priority level) 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.

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The U.S. Agency securities and Supranational securities are classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. The certificate of deposits are valued at cost-based measures and are classified as Level 2. The Non-US Government Bonds and municipal bonds classified in Level 3 have no observable inputs and there is no market activity regarding those investments, so they have been valued using cost-based measures. The local government investment pool is valued using the fair value valuation methodology and is marked to fair value daily using the most recent market bid price as obtained from one or more market makers and is thus classified in Level 2 of the fair value hierarchy. The money market mutual funds are valued at the daily closing price as reported by the funds and are deemed to be actively traded and are classified in Level 1 of the fair value hierarchy.

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

		Fair Value Measurements Using		
Investment Type	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Treasuries	$ 3,863,390	$ 3,863,390	$ -	$ -
U.S. Agencies	1,784,403	-	1,784,403	-
Supranationals	1,741,125	-	1,741,125	-
Municipal Bonds	27,683	-	-	27,683
Non-US Govt Bonds	70,000	-	-	70,000
Certificate of Deposits	361,082	-	361,082	-
Local Government Investment Pool	393,200	-	393,200	-
Money Market Mutual Funds	2,124,000	2,124,000	-	-
Total Fixed Income Securities	**$ 10,364,883**	**$ 5,987,390**	**$ 4,279,810**	**$ 97,683**

Major Moves Construction Fund/Next Level Indiana Trust Fund

Investment Policy

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Level Indiana Trust Fund have separate investment authority as established under Indiana Code 8-14-14, Indiana Code 8-14-14.2, Indiana Code 8-14-15.2 and Indiana Code 8-14-15.1, respectively. The Treasurer of State shall invest the funds in the Major Moves Construction Fund in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. The Next Level Indiana Trust Fund allows for investment of not more than 50% of the money in the trust, $250,000,000, to be invested in investments that: (a) maximize risk appropriate returns, which may include the purchase of equity or debt securities; and (b) make significant investments in Indiana funds and companies. At least 50% of the money in the trust, $250,000,000 or greater, may be invested by the Treasurer of State in the same manner as the public employees' retirement fund, excluding investment in equity securities. An Investment Policy Statement for the Major Moves Construction Fund for the investment of these funds has been adopted by the Treasurer of State. An Investment Policy Statement for the Next Level Indiana Trust Fund for the investment of these funds has been adopted by the Next Level Indiana Trust Fund Investment Board. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. There is no formal deposit policy other than compliance to State Statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations and investment structures for both Funds. These asset allocations and investment structures were established with consideration given to each Fund's objectives, time horizons, risk tolerances, performance expectations, and liquidity requirements.

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. The Funds' manager's 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 fair value while maintaining a long-term return objective of 2.35%.

The following table provides the interest rate risk disclosure for the Major Moves/Next Level Indiana Trust Fund as of June 30, 2021:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6- 10**	**More than 10**
U.S Treasuries	$ 745,249	$ 610,677	$ 115,741	$ 8,737	$ 10,094
U.S. Agencies	70,113	19,992	50,121	-	-
Government Asset and Mortgage Backed	25,048	1,602	2,960	3,631	16,855
Collateralized Mortgage Obligations					
Government CMOs	7,443	3,244	1,170	736	2,293
Corp CMOs	7,112	5,140	-	-	1,972
Corporate Bonds	179,570	30,492	111,003	23,580	14,495
Corporate Asset Backed	29,737	12,358	12,985	444	3,950
Private Placements	94,469	34,895	34,437	8,275	16,862
Municipal Bonds	14,782	2,588	10,291	1,636	267
TrustINdiana	10,000	10,000	-	-	-
Non US Government/Corp Bonds	17,641	2,103	7,169	4,452	3,917
Mutual Funds/Commingled Funds	90,576	90,576	-	-	-
Total Fixed Income Securities	**$ 1,291,740**	**$ 823,667**	**$ 345,877**	**$ 51,491**	**$ 70,705**

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, a government 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 of Indiana's 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.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government 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 State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. 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) custodians' 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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

All investment managers must adhere to the following guideline related to the specific limitation on holdings:

The purchase of securities in the maximum amount invested in any single issuer of a non-agency mortgage-backed, asset-backed, or corporate security shall be limited to an initial cost of 2.5% of the fair value of an Investment Manager's portfolio. This limit shall not apply to U.S. Government securities, or mortgage-back securities that are issued by an agency of the U.S. Government. Through capital appreciation, no such holding should exceed 3.5% of the fair value of the total holdings of such Investment Manager's portfolio.

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual funds and bond commingled funds, municipal securities, asset-backed, and mortgage-backed securities as of June 30, 2021. The table below 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 type of investment, not exempt from disclosure, in the Major Moves/Next Level Indiana Trust Fund.

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Agencies	AAA	44,853
	AA	5,268
	NR	19,992
Government Asset And Mortgage Backed	AA	24,010
	NR	1,038
Collateralized Mortgage Obligations		
Government CMO's	AA	6,638
	BBB	375
	BB	430
Corporate CMO's	AA	148
	A	94
	BBB	766
	B	418
	CCC & Below	4,590
	NR	1,096
Non US Govt/Corp Bonds	AAA	1,396
	AA	1,452
	A	1,588
	BBB	5,071
	BB	4,808
	B	635
	CCC & Below	478
	NR	2,213
Corporate Bonds	AAA	1,491
	AA	3,236
	A	50,655
	BBB	102,479
	BB	17,578
	B	4,043
	CCC & Below	88
Corporate Asset and Mortgage Backed	AAA	12,504
	AA	3,858
	A	1,314
	BBB	564
	BB	319
	B	2,290
	CCC & Below	8,876
	NR	12
Private Placements	AAA	32,412
	AA	13,018
	A	11,647
	BBB	18,682
	BB	5,395
	B	4,786
	CCC & Below	2,185
	NR	6,344
TrustINdiana	NR	10,000
Municipal Bonds	AAA	676
	AA	8,505
	A	5,055
	BBB	422
	CCC & Below	123
	NR	1
Money Market Mutual Funds	NR	90,576
Total		$ 546,491

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 representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at fair value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at fair value.

As of June 30, 2021, there were no investments in any one issuer that represent 5% or more of the total investments.

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 Major Moves/Next Level Trust Fund's foreign currency exposure is focused primarily in fixed income securities. The exposure to foreign currency fluctuation is as follows:

Currency	Fair Value	% of Total Fair Value
Argentina Peso	$ 226	0.02%
Australian Dollar	1,361	0.10%
Brazil Real	1,737	0.13%
Canadian Dollar	2,086	0.15%
Chinese R Yuan HK	(459)	-0.03%
Chinese Yuan Renminbi	462	0.03%
Colombian Peso	580	0.04%
Euro Currency	(1,475)	-0.11%
Indian Rupee	219	0.02%
Indonesian Rupiah	1,650	0.12%
Japanese Yen	1,380	0.10%
Mexican Peso	2,272	0.17%
Peruvian Sol	(39)	0.00%
Polish Zloty	2	0.00%
Pound Sterling	1,366	0.10%
Russian Ruble	3,145	0.23%
Singapore Dollar	2	0.00%
South African Rand	851	0.06%
Subtotal	15,366	1.12%
U.S. Dollar	1,353,764	98.88%
Total Fair Value	**$ 1,369,130**	**100.00%**

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) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total fair value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Fair Value Measurement

The Major Moves Construction Fund and Next Level Indiana Trust Fund 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 (lowest priority level) 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.

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The U.S. agency securities, municipal bonds, corporate bonds, and other debt securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. The local government investment pool is valued using the fair value valuation methodology and is marked to fair value daily using the most recent fair value bid price as obtained from one or more market makers and is thus classified in Level 2 of the fair value hierarchy. Those money market mutual funds that are valued at the daily closing price as reported by the funds and are deemed to be actively traded and are classified in Level 1 of the fair value hierarchy. The international commingled mutual fund was not priced in an active market and had no observable inputs thus was classified in Level 3.

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

		Fair Value Measurements Using		
Investment Type	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	$ 745,249	$ 745,249	$ -	$ -
U.S. Agencies	70,113	-	70,113	-
Govt Asset and Mortgage Backed	25,048	-	25,048	-
Collateralized Mortgage Obligations				
Govt CMO's	7,443	-	7,443	-
Corporate CMO's	7,112	-	7,112	-
Corporate Bonds	179,570	-	177,584	1,986
Corporate Asset Backed	29,737	-	29,737	-
Private Placements	94,469	-	94,469	-
Local Government Investment Pool	10,000	-	10,000	-
Non US Govt/Corp Bonds	17,641	-	17,641	-
Municipal Bonds	14,782	-	14,782	-
Mutual/Commingled Funds	90,576	9,927	(3,734)	84,383
Total Fixed Income Securities	**$ 1,291,740**	**$ 755,176**	**$ 450,195**	**$ 86,369**

TrustINdiana, Local Government Investment Pool (Custodial Fund)

Investment Policy

Indiana Code, Title 5, Article13, Chapter 9, Section 11 established the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment criteria have been established to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state statute relating to the investment and deposit of public funds.

Valuation of Investments

Securities, other than repurchase agreements, are valued at the most recent fair value bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The underlying investments of the Pool are marked-to-fair value on a daily basis.

Security transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of premium or accretion of discount, is recorded on the accrual basis.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2021:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Fixed Income Securities		
Commercial Paper	$ 587,666	$ 587,666
Repurchase Agreements	8,075	8,075
Money Market Mutual Funds	120,067	120,067
Total	**$ 715,808**	**$ 715,808**

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, a government 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 balances of all bank deposits were covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government 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 State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. 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. TrustINdiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustINdiana as of June 30, 2021. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The table reflects the greatest risk rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations for each type of investment, not exempt from disclosure, in TrustINdiana.

Investment Type	Greatest Risk Ratings	Fair Value
Repurchase Agreements	A1	$ 8,075
Commercial Paper	A1	587,666
Money Market Mutual Funds	AAA	120,067
Total		**$ 715,808**

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 representing 5% or more of the total investments. As noted above, TrustINdiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustINdiana limits its investments in any one issuer of commercial paper to a maximum of 5% of assets per commercial paper issuer and 10% of assets per ultimate commercial paper issuer. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

At June 30, 2021, there were no investments in any one issuer, not exempt from disclosure that represents 5% or more of the total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or a deposit. TrustINdiana's investment policy prohibits investment in foreign investments, thus there was no foreign currency risk.

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in an amount at least equal to 102% of the current fair value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool. As of June 30, 2021, there were no securities on loan and therefore, no credit risk exposure.

Fair Value Measurement

TrustINdiana categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. 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 (lowest priority level) 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.

The money market mutual funds are valued at the daily closing price as reported by the funds and are deemed to be actively traded, thus classified as Level 1 of the fair value hierarchy. The commercial paper and repurchase agreements classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market.

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

		Fair Value Measurements Using	
Investment Type	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Fixed Income Securities			
Commercial Paper	$ 587,666	$ -	$ 587,666
Repurchase Agreements	8,075	-	8,075
Money Market Mutual Funds	120,067	120,067	-
Total	**$ 715,808**	**$ 120,067**	**$ 595,741**

2. Pension and Other Employee Benefit Trust Funds – Primary Government

State Police Pension Fund

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 10-1-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-1-2-2 (c) 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 like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like 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 SPPT's adopted asset allocation policy as of June 30, 2021:

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The SPPT 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, not exempt from disclosure, in State Police Pension Trust.

	Greatest Risk	
Investment Type	**Ratings**	**Fair Value**
U.S. Government Mortgage Backed	AA	$ 357
Collateralized Mortgage Obligations	NR	170
Corporate Bonds	AA	719
	A	1,352
	BBB	9,719
	BB	1,924
	B	1,142
Private Placements	AA	84
	A	263
	BBB	196
Municipal Bonds	AAA	379
	AA	2,294
	A	442
	BBB	310
Commingled Fixed Income / Commingled Equity Funds	NR	231,946
Total		**$ 251,297**

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, a government 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.

Investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government 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 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.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities 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 fair value 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 judgement.

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 18 different investments 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/comingled equity funds each represent 5 percent or more of the total investments.

Fidelity 500 Index Fund	52,202	8.47%
Echo Street Goodco Select II	51,700	8.38%
Brandywine US Fixed Income	47,160	7.65%
GQC Partners International	45,552	7.39%
Loomis Sayles Absolute	43,836	7.11%
Columbus Unconstrained Bond	43,698	7.09%

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 fair value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 6.25%.

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 4,846	$ 540	$ 3,358	$ 948	$ -
U.S. Government Mortgage Backed	357	-	7	55	295
Collateralized Mortgage Obligations	170	-	-	170	-
Corporate Bonds	14,856	180	5,318	9,044	314
Private Placements	543	-	460	83	-
Municipal Bonds	3,425	-	1,774	1,434	217
Commingled Fixed Income Funds	231,946	231,946	-	-	-
Total	**$ 256,143**	**$ 232,666**	**$ 10,917**	**$ 11,734**	**$ 826**

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%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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	0.04%
U.S. Dollars	616,325	99.96%
Total Fair Value:	**$ 616,575**	**100.00%**

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 fair value of the loaned securities. The fair value of the required collateral must be in an amount at least equal to 102% of the current fair 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.

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 (lowest priority level) 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 required 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, to the extent these securities are traded.

Fixed income investments classified in Level 2 of the fair value hierarchy are normally valued based on price data obtained from observed transactions and fair value 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.

The following table summarizes the valuation of the investments in the Trust by the fair value hierarchy levels as of June 30, 2021:

Investment Type	June 30, 2021	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Fixed Income Investments			
U.S. Treasuries	$ 4,846	$ 4,846	$ -
U.S. Government Mortgage Backed	357	-	357
Collateralized Mortgage Obligations	170	-	170
Corporate Bonds	14,856	-	14,856
Private Placements	543	-	543
Municipal Bonds	3,425	-	3,425
Total Fixed Income Investments	**24,197**	**4,846**	**19,351**
Equity Investments			
Domestic Equity	112,554	112,554	-
International Equity	247	247	-
Mutual Funds	78,529	78,529	-
Total Equity Investments	**191,330**	**191,330**	**-**
Total Investments by Fair Value	**215,527**	**$ 196,176**	**$ 19,351**
Investment measured at the Net Asset Value (NAV)			
Commingled Fixed Income / Equity Funds	231,946		
Multi-Strategy Hedge Funds	54,965		
Private Equity	84,632		
Total Investments measured at NAV	**371,543**		
Total Investments measured by Fair Value	**$ 587,070**		

The valuation methods for investments measured at the NAV per share (or its equivalent) are described below:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income / Equity Funds	$ 231,946	$ -	Daily	1 day
Private Equity	84,632	16,275	N/A	N/A
Multi-Strategy Hedge Funds	54,965	1,500	Semi-Annually	95 days
Total investments measured at the NAV	**$ 371,543**	**$ 17,775**		

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.

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 the Trust as the funds sell the underlying portfolio company investments.

Multi-Strategy Hedge Funds – Consisting of 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.

State Employee Retiree Health Benefit Trust Fund-DB

Investment Policy

The State Retiree Health Benefit Trust Fund – DB fund is comprised of the State Police Retiree Health Benefit Trust Fund (ISPP), the State Personnel Plan Trust Fund (SPP), and the Conservation and Excise Police Trust Fund (CEPP).

The ISPP consists of sections 401(h) and 115 established pursuant to the Internal Revenue Service that are separate accounts established within the State Police Pension Fund for the purpose of paying benefits for sickness, accident, hospitalization, and medical expenses. The assets in this account may be co-invested for investment purposes only with the other accounts of the Indiana State Police Pension Fund. The investment authority for these funds, is established under Indiana Code IC 5-10-8-6 and 10-12-2-2.

IC 10-12-2-2 reads as follows:

The trust fund may not be commingled with any other funds; and shall be invested only in accordance with state 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. The Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

IC 5-10-8-6(d)(2) reads as follows:

Notwithstanding IC 5-13, the treasurer of state shall invest the money in these trust funds not currently needed to meet the obligations of the trust fund in the same manner as money may be invested by the Indiana State Police Pension Trust under IC 10-12-2-2. The trustee shall also comply with the prudent investor rule set forth in IC 30-4-3.5.

An investment Policy Statement for the State Police Retiree Health Benefit Trust Fund has been adopted by the Treasurer of State, the State Police Department, and the State Police Pension Board. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statement establishes target asset allocations and investment structures based on the Fund’s objectives with consideration given to risk tolerances, performance expectations, and liquidity requirements.

The SPP and CEPP were established pursuant to HEA 1123 of the 2012 Indiana General Assembly. These trust funds were created to provide for the prefunding of annual required contributions and for covering the OPEB liability of covered individuals.

The SPP Trust Fund is administered by the State Personnel Department. The investment authority for the SPP Trust Fund is established under IC 5-10-8-7(i)(2).

IC 5-10-8-7(i)(2) reads as follows:

Notwithstanding IC 5-13, the treasurer of state shall invest the money in the trust fund not currently needed to meet obligations of the trust funds in the same manner as money may be invested by the public employees’ retirement fund under IC 5-10.3-5. However, the trustee may not invest the money in the trust in equity securities. The trustee shall also comply with the prudent investor rule set forth in IC 30-4-3.5.

There is no formal deposit or investment policy for SPP, other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk

Indiana Code, Title 5, Article 13, Chapters 9, 10, 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments.

The CEPP is administered by the Department of Natural Resources and the Alcohol and Tobacco Commission. The investment authority for the CEPP Trust Funds is established under IC 5-10-8-6(d)(2), as defined above. An Investment Policy Statement for the Conservation and Excise Police Trust Funds has been adopted by the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statement establishes target asset allocations and investment structures based on the Fund's objectives with consideration given to risk tolerances, performance expectations, and liquidity requirements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2021:

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
U.S. Treasuries	$ 61,496	$ 61,496
U.S. Agencies	157,246	157,246
Mutual Funds	10,671	10,671
Money Market Mutual Funds	575	575
Total Fixed Income Securities	**$ 229,988**	**$ 229,988**

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, a government 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 any bank 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.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government 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 State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. 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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The following table provides information on the credit quality ratings for investments, not exempt from disclosure, in the State Retiree Health Benefit Trust Fund - DB:

Investment Type	**Greatest Risk Ratings**	**Fair Value**
U.S. Agencies	AA+	$ 157,246
Money Market Mutual Funds	NR	575
Mutual Funds	NR	10,671
Total		**$ 168,492**

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 representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

FHLB 61.01% $157,247

Rate of Return - For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, for the three OPEB plans administered through trusts was:

SPP	ISPP	CEPP
0.1%	0.1%	6.5%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

As of June 30, 2021, there were no deposits or investments denominated in foreign currencies, thus there was no foreign currency risk.

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 fair value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Fair Value Measurement

The State Retiree Health Benefit Trust – DB funds 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 (lowest priority level) 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.

U.S. Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The U.S Agency securities and Mutual Funds classified in Level 2 of the fair value hierarchy are valued using other observable inputs other than quoted prices in an active market. Other Equity investments have no observable inputs and therefore classified in Level 3 of the fair value hierarchy. Money Market Mutual Funds are valued at the daily closing price as reported by the fund and are deemed to be actively traded and are classified in the Level 1 fair value hierarchy.

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

		Fair Value Measurements Using		
Investment Type	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed Income Securities				
U.S. Treasuries	$ 61,496	$ 61,496	$ -	$ -
U.S. Agencies	157,246	-	157,246	-
Mutual Funds	10,671	-	10,671	-
Money Market Mutual Funds	575	575	-	-
Total Fixed Income Securities	229,988	62,071	167,917	-
Equity Investments				
Mutual Funds	17,191	-	17,191	-
Other Equity Investments	3,362	-	-	3,362
Total Equity Investments	20,553	-	17,191	3,362
Total Investments by Fair Value	**$ 250,541**	**$ 62,071**	**$ 185,108**	**$ 3,362**

3. Pension Trust Funds – Fiduciary in Nature Component Unit

Indiana Public Retirement System (INPRS)

Investment Guidelines and Limitations

Oversight of INPRS assets is the fiduciary responsibility of the INPRS Board. As stated in IC 5-10.3-5-3 (a) and IC 5-10.4-3-10 (a) "The Board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." Accordingly, the INPRS Board must sufficiently diversity the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so. Primary risk measures are volatility in the plan's assets, funded status, and the contribution rates.

Indiana law permits the INPRS Board to establish investment guidelines, limits on all types of investments, and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control. On June 30, 2021, cash and investments were held by banks or trust companies under custodial agreements with INPRS. The Investment Policy Statement, adopted by the Board, includes target asset allocations and allowable ranges that are expected to meet rates of return over a period while minimizing risk.

The following Defined Benefits global asset classes, target allocations, and target ranges were approved by the INPRS Board based on a formal asset-liability study and shall remain in place until revised by the INPRS Board. An asset-liability study is conducted every five years.

To maximize the probability of achieving the target rate of return over a 30-year time horizon, INPRS's Board of Trustees approved a new asset allocation on May 7, 2021 that included the increased use of leverage. The explicit leverage enables the Plan to obtain additional investment exposure, which results in an asset allocation that exceeds 100 percent of invested assets. Beginning in fiscal year 2022, the plan's target allocation for total exposure is 115 percent.

Global Asset Classes	Target Allocation - %	Target Range - %	New Target Allocation - %	New Target Range - %
Public Equity	22	19.5-24.5	20	17.0-23.0
Private Markets	14	10.0-18.0	15	10.0-20.0
Fixed Income - Ex Inflation - Linked	20	17.0-23.0	20	17.0-23.0
Fixed Income - Inflation - Linked	7	4.0-10.0	15	12.0-18.0
Commodities	8	6.0-10.0	10	7.0-13.0
Real Estate	7	3.5-10.5	10	5.0-15.0
Absolute Return	10	6.0-14.0	5	0.0-10.0
Risk Parity	12	7.0-17.0	20	15.0-25.0
Leverage Offset	N/A		-15	

The defined contribution plans are structured to provide members with a choice of diverse investment options that offer a range of risk and return characteristics appropriate for members. Members can self-direct their investment options or leave their contributions invested in the default target date retirement fund. The offered investment options undergo periodic reviews by the INPRS Board.

The State Death Benefit Fund and Retirement Medical Benefits Account Plan are 100 percent invested in intermediate term fixed income investments in a commingled fund. The Local Public Safety Pension Relief Fund is invested 100 percent in high-quality, short-term money market instruments.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts invested.

For the year ended June 30, 2021, the annual money-weighted rates of return on defined benefit pension trust fund investments are as follows:

Defined Benefit Pension Trust Funds	Annual Money Weighted Rate of Return
Public Employees' Retirement Fund - DB	25.46%
Teachers' Retirement Fund Pre-1996 - DB	25.67%
Teachers' Retirement Fund 1996 - DB	25.46%
1977 Police Officers' and Firefighters' Pension and Disability Fund	25.47%
Judges' Retirement System	25.46%
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	25.48%
Prosecuting Attorneys' Retirement Fund	25.49%
Legislators' Defined Benefit Plan	25.46%

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, INPRS's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. At June 30, 2021, $841 million of cash deposits were uninsured and uncollateralized and therefore exposed to credit risk. The following table shows cash deposits and short-term investments as of June 30, 2021.

Cash Deposits	Total
Demand Deposit Account – Bank Balances (Insured by FDIC up to $250 thousand per financial institution)	$ 5,702
Held with Custodian Bank (Uncollateralized)	835,794
Short-term Investment Funds held at Bank (Collateralized)	1,448,771
Total	**$ 2,290,267**

Custodial Credit Risk for Investments

Custodial credit risk for investments is a risk if the securities are uninsured, are not registered in the name of INPRS, and are held by either the counterparty or the counterparty's trust department or agent, but not in the name of INPRS. INPRS's custody agreement with the custodian requires the custodian to segregate the securities on the custodian's books and records from the custodian's property. In addition, investment managers are not allowed, under any circumstances, to take possession, custody, title, or ownership of any managed assets.

Method Used to Value Investments

Public Equity investments are comprised of domestic and international stocks as well as commingled equity instruments. Equity securities traded on a national or international exchange are valued at the official closing price or last reported sales price of the instrument. International equities are then adjusted to reflect the exchange rate as of June 30, 2021 of the underlying currency. Commingled equities are not traded on a national security exchange and are valued at the net asset value of the units held at June 30, 2021, based on the fair value of the underlying securities.

Private Market 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 or semi-annual basis. Investments in private markets are generally considered illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon sale of an asset may differ significantly from the fair value.

Fixed Income securities are comprised of U.S. Government, U.S. government-sponsored agencies, publicly traded debt and commingled debt instruments. Securities traded on national and international exchanges are valued based on published market prices and quotations. Securities that are not traded on a national security exchange are valued using a matrix pricing approach. Commingled securities are valued at the net asset value of the units held as of June 30, 2021 based on the fair value of the securities.

Commodities, including derivative instruments, are reported at fair value and involve, to varying degrees, elements of market risk to the extent of future market movements in excess of amounts recognized in the Financial Statements. Derivative instruments are considered investments and not hedges for accounting purposes. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Position. The change in the fair value is recorded in the Statement of Changes in Fiduciary Net Position as Net Investment Income (Loss). Gains and losses arising from this activity are recognized in the Statement of Changes in Fiduciary Net Position as incurred.

Real Estate, Absolute Return and Risk Parity investments are valued by the manager or independent appraiser based on reported net asset values, cash flow analysis, purchases and sales of similar investments, new financings, economic conditions, other practices used within the industry, or other information provided by the underlying investment advisors. Due to the inherent uncertainty in privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed, and the differences can be material.

INPRS relies on third party resources to verify the methodology and calculation used for investment valuation and performance metric reported by the custodian.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates adversely affect the fair value of the investments. The Investment Policy Statement recognizes interest rate risk as a market risk factor. While INPRS does not have a formal stated policy regarding interest rate risk, it is monitored regularly at the Plan level, and within the fixed income asset classes as part of achieving the long-term actuarial rate of return. Duration is a measure of interest rate risk. The longer a fixed-income investment is to maturity, the more susceptible the value of the fixed-income investment is to market interest rate changes. Short-Term Investments excludes cash with custodian of approximately $835.8 million. Securities with no available duration include term loans, commingled funds, private placements, commit to purchase SWAPS, and new positions where availability of modeling characteristics are pending.

As of June 30, 2021 the duration of the fixed income portfolio is as follows:

Debt Security Type	Fair Vale	% of All Debt Securities	Portfolio Weighted Average Effective Duration (Years)
Short Term Investments			
Short Term Investments	$ 1,448,771	10.1	0.41
U.S. Treasury Obligations	279,594	2.0	0.17
Non-U.S. Government	10,762	0.1	0.52
Corporate Bonds Less than 1 Year	1,603	--	0.13
Total Short-Term Investments	1,740,730	12.2	
Fixed Income Investments			
U.S. Governments	5,886,197	41.2	14.89
U.S. Agencies	134,471	0.9	8.82
Non-U.S. Government	3,042,517	21.3	7.58
Corporate Bonds	1,498,844	10.5	8.06
Asset-Backed Securities	315,561	2.2	2.59
Duration Not Available	1,667,226	11.7	N/A
Total Fixed Income Investments	12,544,816	87.8	
Total Debt Securities	**$ 14,285,546**	**100.0**	

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the Investment Policy Statement, when building the most diversified investment portfolio, emphasis is given to risk allocation, not capital allocation. As a result, INPRS regularly monitors success in achieving the targeted risk diversification that is inherent in the approved asset allocation. Credit ratings, obtained from several industry rating services for Fixed Income Securities and Short-Term Investments are shown in the table below. The most conservative rating of Standard and Poor's, Moody's, and Fitch are utilized in the schedule below. Short-Term Investments excludes cash with custodian of approximately $835.8 million. Unrated investments primarily consist of money market sweep vehicles, private placement, term loans and asset-backed securities, commercial mortgages, CMO/REMIC's, and commingled debt funds.

Credit Rating	Short-Term Investments	Fixed Income Securities	Total	Percentage of All Debt Securities
AAA	$ -	$ 470,349	$ 470,349	3.3
U.S. Government Guaranteed	-	6,020,473	6,020,473	42.2
AA	279,594	1,211,988	1,491,582	10.4
A	-	467,693	467,693	3.3
BBB	1,603	1,059,376	1,060,979	7.4
BB	-	589,882	589,882	4.1
B	-	431,305	431,305	3.0
Below B	-	331,505	331,505	2.3
Unrated	1,459,533	1,962,245	3,421,778	24.0
Total	**$ 1,740,730**	**$ 12,544,816**	**$ 14,285,546**	**100.0**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. As of June 30, 2021, INPRS does not have investments in any single issuer that represent 5 percent or more of the Fiduciary Net Position other than U.S. Government securities which are not subject to the GASB 40 disclosure requirements. To limit business and liquidity risk arising due to the allocation of a large percentage of assets to a single investment manager, the Board has placed an upper limit on the concentration of assets placed with an investment manager as follows:

- No investment manager shall manage more than 15 percent of INPRS assets in actively managed portfolios.
- No investment manager shall manage more than 20 percent of INPRS assets in passively managed portfolios.
- No investment manager will manage more than 25 percent of the INPRS assets in a combination of actively and passively managed portfolios.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. INPRS has defined a foreign exchange risk management policy to effectively manage the Fund's performance volatility associated with foreign currency risk.

Foreign investments included in the Fiduciary Net Position as of June 30, 2021 are below. Short-term, fixed income, and equity investments include income accruals. Other investments include foreign holdings of other investments, derivatives, and receivables/payables. The percentage shown in the table is with respect to DB pooled investments. Totals less than $5 million are included in Other.

	Investment Held in Foreign Currency					
Currency	**Short Term**	**Fixed Income**	**Equity**	**Other Investments**	**Total**	**% of Total** [1]
Australian Dollar	$ 271	$ 73,999	$ 74,040	$ (75,458)	$ 72,852	0.2
Brazilian Real	124	47,724	33,127	46,215	127,190	0.3
Canadian Dollar	1,020	106,654	99,746	(118,934)	88,486	0.2
Chilean Peso	6	10,487	3,183	8,611	22,287	-
Chinese R Yuan HK	-	-	-	50,564	50,564	0.1
Chinese Yuan Renminbi	1,646	(37)	91,804	42,937	136,350	0.3
Colombian Peso	719	40,488	-	(13,910)	27,297	0.1
Czech Koruna	(36)	29,480	1,711	17,925	49,080	0.1
Danish Krone	1,832	12,900	49,076	(13,270)	50,538	0.1
Egyptian Pound	10,761	-	-	169	10,930	-
Euro Currency Unit	16,110	867,982	715,704	(837,623)	762,173	1.7
Hong Kong Dollar	416	42	276,788	631	277,877	0.6
Hungarian Forint	146	24,032	-	20,670	44,848	0.1
Indian Rupee	17	(82)	74,997	1,690	76,622	0.2
Indonesian Rupiah	424	74,675	2,272	2,034	79,405	0.2
Japanese Yen	4,695	194,991	578,449	(197,250)	580,885	1.3
Malaysian Ringgit	129	46,724	4,474	20,960	72,287	0.2
Mexican Peso	(639)	51,729	13,238	31,986	96,314	0.2
New Taiwan Dollar	10	-	115,119	(391)	114,738	0.3
Norwegian Krone	186	423	4,125	1,462	6,196	-
Peruvian Sol	445	37,586	-	(20,552)	17,479	-
Philipines Peso	-	373	1	(3,157)	(2,783)	-
Polish Zloty	608	47,570	4,770	24,096	77,044	0.2
Pound Sterling	789	597,061	234,456	(592,739)	239,567	0.5
Romania Leu	-	10,878	-	15,420	26,298	0.1
Russian Ruble (New)	1,198	69,483	45,230	12,158	128,069	0.3
Saudi Arabia Riyal	3	-	17,543	(50)	17,496	-
Singapore Dollar	200	2,786	19,728	(3,228)	19,486	-
South African Rand	221	121,081	32,295	(43,724)	109,873	0.2
South Korean Won	907	298	192,527	1,487	195,219	0.4
Swedish Krona	665	79,258	83,731	(75,318)	88,336	0.2
Swiss Franc	6,480	-	233,000	(1,193)	238,287	0.5
Thailand Baht	82	61,049	4,327	12,220	77,678	0.2
Turkish Lira	-	12,344	6,330	(7,652)	11,022	-
Other	2,424	26,570	6,771	(14,900)	20,865	-
Total	**$ 51,859**	**$ 2,648,548**	**$ 3,018,562**	**$ (1,708,114)**	**$ 4,010,855**	**8.8 %**

(1) Total of foreign currency risk, as a percentage of all pooled investments.

Securities Lending

The INPRS Board has authorized the custodian to enter into a securities lending program agreement under which securities held by the custodian on behalf of INPRS may be loaned. The purpose of such a program is to provide additional revenue. The policy requires the following:

- Securities that are loaned in exchange for cash or securities collateral must be at least 102 percent of the fair value of domestic securities on loan and 105 percent of the fair value of international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. In no event shall the acceptable collateral be less than the total fair value of loaned securities. Securities shall not be loaned in excess of 40 percent of the fair value.

- The custodian and/or securities lending sub-agent is required to provide agreed upon indemnification to INPRS from and against any losses, damages, costs, and expenses which arise from a borrower defaulting on a loan or filing for bankruptcy.

- A maximum of 25% of the cash collateral may be invested with a single counterparty.

- All collateral investments have a maturity of the next business day.

As of June 30, 2021, there was no security lending credit risk exposure as the collateral pledged of $605 million, exceeded the fair value of securities on loan, as shown below. All reinvested cash collateral investments consist of repurchase agreements which are not rated by any of the rating agencies.

Security Type	Fair Value of Securities on Loan
U.S. Governments	$ 170,891
Corporate Bonds	22,332
International Bonds	12,081
Domestic Equities	271,397
International Equities	107,369
Total	**$ 584,070**

Repurchase Agreements

A repurchase agreement is an agreement in which cash is transferred to a broker-dealer or financial institution in return for transfer of security to the custodian and promise to repay cash plus interest. These repurchase agreements are assets whereby security collateral is held by the custodian. An obligation under a reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than a seller. Obligations under reverse repurchase agreements are liabilities whereby security collateral is held at the broker-dealer or financial institution's custodian.

INPRS's Investment Policy Statement allows prudent use of securities lending, repurchase, and reverse repurchase agreements. Repurchase agreements that may create explicit leverage in the portfolio are prohibited; however, repurchase transactions (including triparty repurchase transactions) collateralized with U.S. Government securities are permitted. Repurchase transactions are required to be collateralized at 102 percent at time of purchase and marked to fair value on each business day.

Investments under Repurchase Agreements (exclusive of Securities Lending) as of June 30, 2021 are as follows. At June 30, 2021, there was no reverse repurchase risk as the cash collateral value posted was less than the fair value of the liability held.

Repurchase Agreements by Collateral Type	Cash Collateral Received	Fair Value
U.S. Treasury	$ 340,388	$ 340,388

Obligations Under Reverse Repurchase Agreements by Collateral Type	Cash Collateral Posted	Fair Value
U.S. Treasury	$ 463,610	$ 473,553

Fair Value Measurement

GASB Statement No. 72, requires investments measured at fair value to be categorized under a fair value hierarchy. The categorization of INPRS's investments within the hierarchy is based on the valuation transparency of the instrument and should not be perceived as the risk of the particular investment. The three-tier hierarchy is summarized as follows:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices in active markets; quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations reflect practices where significant inputs are unobservable.

U.S. Treasury Obligations generally include investments in money market securities that are reported at either fair value or at cost plus accrued interest, which approximates fair value.

U.S. Government, U.S. corporate obligations, Equity and Derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and Derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix based pricing technique. Bid evaluations are typically based on market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price by the applicable day's index ratio. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Equity and equity derivatives classified in Level 2 are securities whose values are derived daily from associated traded securities.

Investments classified as Level 3 are valued using best available sources such as property appraisals, discounted cash flow models and public market comparisons of similar assets where applicable. The values are supplied by advisors or general partners who hold those or similar assets in investment vehicles they oversee. These pricing sources may or may not be indicative of realizable exit values attainable for the assets.

The remaining investments not categorized under the fair value hierarchy are measured at the Net Asset Value (NAV). The NAV for these investments is provided by the investment manager and may be sold at an amount different than NAV. To manage risk relating to Absolute Return investments, assets are placed in limited liability vehicles to protect INPRS from losing more than its invested capital.

The following table summarizes INPRS's investment assets and liabilities measured at fair value as of June 30, 2021, presented in the fair value hierarchy. Also shown are investments at amortized cost, and NAV to allow reconciliation to the Total Pooled Investments in the Statement of Fiduciary Net Position.

		Fair Value Measurements Using		
Investment Type (1)	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level				
Short Term Investments (2)				
BNY - Mellon Cash Reserves	$ 75,494	$ -	$ 75,494	$ -
Corporate Bonds	9,117	-	9,117	-
U.S. Treasury Obligations	279,594	279,594	-	-
Non-U.S. Governments	3,248	-	3,248	-
Total Short Term Investments	367,453	279,594	87,859	-
Fixed Income Investments				
U.S. Governments	5,886,451	5,886,197	254	-
Non-U.S. Governments	3,581,738	637	3,512,406	68,695
U.S. Agencies	116,893	-	116,893	-
Corporate Bonds	1,201,436	-	873,768	327,668
Asset-Backed Securities	257,196	-	257,196	-
Total Fixed Income Investments	11,043,714	5,886,834	4,760,517	396,363
Equity Investments				
Domestic Equities	5,796,092	5,792,302	3,790	-
International Equities	3,764,722	3,759,571	2,591	2,560
Total Equity Investments	9,560,814	9,551,873	6,381	2,560
Total Investments by Fair Value Level	**20,971,981**	**$ 15,718,301**	**$ 4,854,757**	**$ 398,923**
Investments Measured at the Net Asset Value (NAV)				
Commingled Short Term Funds	235,089			
Commingled Fixed Income Funds	1,501,103			
Commingled Equity Funds	2,573,610			
Private Markets	6,041,424			
Absolute Return	3,567,656			
Real Estate	2,347,684			
Risk Parity	5,734,417			
Total Investments Measured at the Net Asset Value (NAV)	**22,000,983**			
Investment Derivatives				
Total Futures	85,382	$ 85,382	$ -	$ -
Total Options	4,850	-	4,850	-
Total Swaps	13,705	-	13,705	-
Total Investment Derivatives	**103,937**	**$ 85,382**	**$ 18,555**	**$ -**
Investments Not Subject to Fair Value Leveling				
Cash at Brokers	835,794			
Repurchase Agreements	340,388			
Short-Term Investments	1,138,188			
Pooled Synthetic GIC's at Contract Value	2,322,567			
Securities Lending Collateral	199,190			
Total Investments Not Subject to Fair Value Leveling	4,836,127			
Total Investments (less Securities Lending Collateral)	**$ 47,913,028**			

(1) The amounts disclosed above will differ from the Asset Allocation Summary. The investment type combines assets according to the security type assigned to each investment by the Custodian. The Asset Allocation Summary groups assets according to the investment objective of each investment manager.
(2) Short Term Investments include highly liquid assets, both pooled and non-pooled that are an integral part of the pension investments.

The valuation method for investments measured at the net asset value (NAV) per share or equivalent, at June 30, 2021, is presented as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Short Term Funds (1)	$ 235,089	$ -	Daily	1 day
Commingled Fixed Income Funds (1)	1,501,103	-	Daily	1 day
Commingled Equity Funds (1)	2,573,610	-	Daily	1 day
Private Markets (2)	6,041,424	3,422,691	Not Eligible	N/A
Real Estate Funds (3)	2,347,684	592,032	Quarterly	30-90 days
Absolute Return (4)	3,567,656	169,707	Monthly, Quarterly, Semi-Annually	30-120 days
Risk Parity (5)	5,734,417	-	Daily, Weekly, Monthly	3-5 days
Total	**$ 22,000,983**	**$ 4,184,430**		

*(1) Commingled Short Term, Fixed Income and Equity Fund*s - There are four short-term funds, 16 fixed income funds and three equity funds, which are considered to be commingled in nature. These investments are valued at the net asset value of the units held at June 30, 2021, based upon the fair value of the underlying securities.

(2) *Private Markets* - There are 283 funds that invest across a range of strategies, geographies, and industries within private equity and private credit. The underlying portfolio investments cannot be redeemed with each fund, but rather the fund will make distributions of capital as the fund liquidates the underlying portfolio investments over the typical 10-year term in the case of private equity, and the typical 7-year term in the case of private credit.

(3) *Real Estate Funds* - There are 46 funds invested primarily in U.S. commercial real estate, of which 37 funds are classified as illiquid, or approximately 40 percent of the value of the real estate fund investments. These funds have underlying portfolio investments that cannot be redeemed with the funds, but rather these funds will make distributions of capital as the funds liquidate their underlying portfolio investments over the average 10-year life of the funds. There are nine real estate funds that have been classified as liquid due to the open-ended structure of the fund. Open-ended funds generally offer periodic distributions of net cash flow, which can be reinvested, as well as quarterly redemption windows.

(4) *Absolute Return* - The portfolio consists of 30 fund holdings that cover a broad spectrum of investment strategies and investment horizons which result in distinct fund redemption terms to prevent asset-liability mismatches. These funds attempt to generate returns in excess of the plan's target actuarial rate of return over a full market cycle with minimal beta to the plan's primary long-only market exposures (equities, credit, rates, and commodities). Fund redemption periods range from weeks (alternative beta) to years (drawdown vehicles), but as a whole, on a weighted-average basis, the portfolio maintains a liquidity profile of less than one year. The valuation process for the majority of absolute return funds are done monthly.

(5) *Risk Parity* **-** This portfolio, which consists of three funds is constructed to accrue various asset class risk premiums, including equity, without long-term reliance on any single asset class. The structure of these investments provides a reasonable level of liquidity and investments may be redeemed in accordance to the terms set forth by each investment management agreement. Investments are considered to be liquid, market-priced instruments, and 100 percent of the NAV is independently calculated by the fund administrators. Fair values are reported as NAV per share.

It is probable that illiquid investments will be sold at an amount different from the NAV of the ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments (one quarter in arrears plus current quarter cash flows).

Derivative Financial Instruments - Activity

A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (similar to a security) or set of assets (similar to an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks. The following derivative instruments are included in Investments:

Futures

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Options

Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call) or to sell (in the case of a put) a specific amount of an asset for a specific price on or before a specified expiration date.

Swaps

Swaps are derivative instruments in which one party exchanges a stream of fixed cash flows for floating cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at contract inception.

The following table summarizes INPRS' derivative instruments outstanding as of June 30, 2021:

Investment Derivatives	Change in Fair Value	Fair Value	Notional
Futures			
Index Futures - Long	$ (430)	$ (430)	$ 69,180
Commodity Futures - Long	83,623	83,623	3,233,775
Fixed Income Futures - Long	4,152	4,152	709,444
Fixed Income Futures - Short	(1,956)	(1,956)	(307,174)
Currency Futures - Long	(6)	(6)	6,853
Total Futures	85,383	85,383	3,712,078
Options			
Currency Spot Options Bought	(39)	523	43,989
Currency Spot Options Written	(150)	(599)	(43,344)
Interest Rate Options Bought	(306)	462	64,900
Interest Rate Options Written	(11)	(908)	(90,200)
Credit Default Index Swaptions Written	146	(83)	(181,300)
Market Index - Options and Hybrids	425	4,927	2,402
Total Options	65	4,322	(203,553)
Swaps			
Variance Swaps	-	-	56
Interest Rate Swaps - Pay Fixed Receive Variable	7,423	11,281	510,063
Interest Rate Swaps - Pay Variable Receive Fixed	(3,094)	(5,098)	472,492
Inflation Swaps - Pay Fixed Receive Variable	(22)	266	4,600
Zero Coupon Swaps - Pay Fixed Receive Variable	316	1,269	195,933
Zero Coupon Swaps - Pay Variable Receive Fixed	(2,462)	(2,516)	394,631
Total Return Swaps	(14)	(14)	1,621
Credit Default Swaps Single Name - Buy Protection	(161)	183	23,140
Credit Default Swaps Single Name - Sell Protection	1,720	632	140,685
Credit Default Swaps Index - Buy Protection	92	(843)	24,313
Credit Default Swaps Index - Sell Protection	1,094	9,072	380,083
Total Swaps	4,892	14,232	2,147,617
Total Derivatives	**$ 90,340**	**$ 103,937**	**$ 5,656,142**

The table below summarizes the swap maturity profile of derivative instruments as of June 30, 2021.

Swap Type	Swap Maturity Profile at June 30, 2020					
	< 1 yr	1 - 5 yrs	5 -1 0 yrs	10 - 20 yrs	20 + yrs	Total
Interest Rate Swaps - Pay Fixed Receive Variable	$ 18	$ 479	$ 1,124	$ 6,690	$ 2,970	$ 11,281
Interest Rate Swaps - Pay Variable Receive Fixed	-	(2,506)	(511)	(68)	(2,013)	(5,098)
Inflation Swaps - Pay Fixed Receive Variable	-	-	-	266	-	266
Zero Coupon Swaps - Pay Fixed Receive Variable	572	362	(2)	-	337	1,269
Zero Coupon Swaps - Pay Variable Receive Fixed	(926)	(1,570)	(134)	114	-	(2,516)
Credit Default Swaps Single Name - Buy Protection	(97)	280	-	-	-	183
Credit Default Swaps Single Name - Sell Protection	105	815	(288)	-	-	632
Total Return Swaps	(14)	-	-	-	-	(14)
Credit Default Swaps Index - Buy Protection	(139)	(704)	-	-	-	(843)
Credit Default Swaps Index - Sell Protection	(41)	8,622	466	-	25	9,072
Total Swap Fair Value	**$ (522)**	**$ 5,778**	**$ 655**	**$ 7,002**	**$ 1,319**	**$ 14,232**

Derivative Financial Instruments – Risk Management

INPRS's Investment Policy Statement allows derivatives transactions by investment managers who possess recognized expertise in derivative overlay strategies to offset, or hedge, unintended market exposures in underlying funds that remain in a lock-up period. Direct purchases of physical commodities is prohibited; however, swaps and instruments that constitute a security or authorized derivatives are permitted.

INPRS effectively manages credit risk relating to derivative instruments by following these guidelines:

- To avoid counterparty risk, derivative transactions are executed through the use of listed options and futures traded on registered exchanges, whenever possible. Non-exchange traded options, forwards, or swaps are executed only if the counterparty is rated "A" or better by at least one of the Nationally Recognized Statistical Rating Organizations ("NSRSOs").

- Exchange-traded commodity futures, options, and other instruments are traded on any exchange regulated by the Commodities Futures Trading Commission ("CFTC") of the United States and/or the Financial Services Authority ("FSA") of the United Kingdom.

- For non-exchange traded derivatives, counterparty creditworthiness is at a minimum of "A3" as defined by Moody's Investor Service, "A-" by Standard & Poor's, and/or "A-" by Fitch. Unrated counterparties are not selected unless such counterparty is a wholly-owned affiliate of a parent organization that guarantees payment and meets the above counterparty creditworthiness standards.

- Derivative instruments are standardized and exchange-traded (e.g., futures) and/or privately-negotiated and over-the counter (e.g., swap agreements). Underlying risk exposures may be to cash commodities and/or commodity derivatives. Risk exposures for exchange-traded instruments shall lie with exchange clearinghouses and with approved counterparties for non-exchange traded transactions.

- The fair value of commodities collateral is maintained at 100 percent or greater of the net option-adjusted notional value of any commodities overlay exposure at the consummation of any new commodities overlay position. If the collateral fair value falls below the net option-adjusted value of the overlay, the investment manager(s) adjust their portfolio at the earliest feasible opportunity to bring the collateral value up to the notional value of the overlay.

Derivative Financial Instruments – Counterparty Credit Risk

Counterparty credit risk exists on all open over-the-counter positions. INPRS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, posting collateral exposure, and monitoring procedures, in addition to adherence to the standard International Swaps and Derivatives Association and Credit Support Annex agreements.

As of June 30, 2021, the aggregate fair value of investment derivatives in an asset position subject to counterparty credit risk was approximately $19.9 million, of which $16.7 million was uncollateralized.

The table below summarizes the counterparty positions as of June 30, 2021:

		Fair Value			Collateral	
Swaps Counterparty	**S&P Rating**	**Receivable/ Unrealized Gain**	**Payable/ (Unrealized Loss)**	**Fair Value**	**Posted**	**Received**
Bank of America	A-	$ 2,081	$ (1,666)	$ 189	$ 200	$ (1,580)
Banque Nationale De Paris	A+	65	(53)	146	620	(3,750)
Barclays	BBB	416	(213)	(101)	955	(705)
Chicago Mercantile Exchange	AA-	1,889	(6,422)	(4,244)	677	-
Citigroup, Inc.	BBB+	457	(290)	(137)	70	(3,540)
Deutsche Bank	BBB+	-	(149)	(78)	120	(120)
Goldman Sachs	BBB+	388	(183)	97	1,178	(2,420)
HSBC Securities Inc	A-	14	-	-	1,900	(1,820)
Intercontinental Exchange, Inc.	BBB+	3,778	(1,870)	7,296	1,093	-
JPMorgan Chase Bank	A-	14	(53)	(24)	160	(580)
London Clearing House	A	10,534	(3,929)	9,363	-	-
Morgan Stanley	BBB+	250	(165)	1,725	3,048	(2,050)
Total		**$ 19,886**	**$ (14,993)**	**$ 14,232**	**$ 10,021**	**$ (16,565)**

Derivative Financial Instruments – Foreign Currency Risk

Foreign currency forward contracts and futures contracts are exposed to foreign currency risk. At June 30, 2021, INPRS's investments included a foreign currency contract receivable balance of $6.8 billion and an offsetting foreign currency contract payable of $6.8 billion. In addition, the net loss for the year ended June 30, 2021, due to foreign currency transactions was $238.1 million.

Derivative Financial Instruments – Synthetic Guaranteed Investment Contracts (GICs)

The Defined Contribution Stable Value Fund consists of fully benefit-responsive synthetic guaranteed investment contracts (GICs). The Stable Value Fund is an investment option that seeks to provide safety of principal and a stable credited rate of interest, while generating competitive returns over time compared to other comparable investments. As of June 30, 2021, the Stable Value Fund portfolio of well diversified high-quality investment grade fixed income securities had a fair value of $2.1 billion, which was $270.1 million less than the fair value protected by the wrap contract.

Derivative Financial Instruments – Interest Risk

INPRS has exposure to interest rate risk due to investments in interest rate swaps, inflation swaps and forward mortgage-backed securities (TBAs).

Derivative instruments as of June 30, 2021, subject to interest rate risk are:

Reference Currency	Pays	Receives	Fair Value	Notional
Interest Rate Swap - Pay Fixed Receive Variable:				
U.S. Dollar	0.50% to 2.00%	3M USD LIBOR BBA	$ 9,044	$ 132,110
South Korean Won	1.25% to 1.50%	2M KRW KWCDC COD	344	79,367
Polish Zloty	0.25% to 1.75%	6M PLN WIBOR	(113)	62,210
Euro Currency Unit	-0.5% to 0.25%	6M EURIBOR REUTERS	1,356	61,856
Hungarian Forint	1.5% to 2.70%	6M HUB BUBOR REUTERS	127	43,193
Chilean Peso	2.55%	CLP CLICP BLOOMBERG	166	28,377
Czech Koruna	1.5% to 1.75%	6M CZK PRIBOR PRBO	167	27,927
Mexican Peso	5.60% to 6.86%	28D MXN TIIE BANXICO	287	20,945
Israeli Shekel	1.25%	3M ILS TELBOR REFERENCE BANKS	4	14,171
Chinese Yuan Renminbi	2.75% to 2.90%	7D CHINA FIXING REPO RATES	11	13,361
Brazil Real	8.50%	1D BRL CDI	(77)	12,914
Malaysian Ringgit	2.25% to 3.00%	3M MYR-KLIBOR-BNM	33	9,476
Singapore Dollar	1.75%	6M SGD SOR REUTERS	(38)	2,083
Japanese Yen	0.30%	6M JPY LIBOR BBA	(30)	2,072
Thailand Baht	1.25%	6M THB THBFIX REUTERS	-	1
Total			**$ 11,281**	**$ 510,063**
Interest Rate Swap - Pay Variable Receive Fixed:				
Chinese Yuan Renminbi	7D CHINA FIXING REPO RATES	2.50% to 2.90%	$ (223)	$ 131,028
Thailand Baht	6M THB THBFIX REUTERS	0.75% to 1.00%	(308)	67,971
Canadian Dollar	CAD-BA-CDOR 3M	1.00% to 1.29%	(943)	58,379
Mexican Peso	28D MXN TIIE BANXICO	4.84% to 6.30%	(461)	52,212
U.S. Dollar	3M USD LIBOR BBA	0.64% to 1.66%	(2,169)	42,030
Euro Currency Unit	6M EURIBOR REUTERS	-0.05%	(34)	27,145
Brazil Real	1D BRL CDI	3.36% to 7.37%	18	21,130
Indian Rupee	INR FBIL MIBOR OIS COM	5.50%	(82)	19,605
South African Rand	3M ZAR JIBAR SAFEX	5.60% to 6.86%	(205)	17,520
Chilean Peso	CLP CLICP BLOOMBERG	1.59% to 4.20%	(465)	11,984
Polish Zloty	6M PLN WIBOR	0.75% to 1.46%	(222)	11,140
South Korean Won	3M KRW KWCDC COD	1.75%	(46)	8,744
Hong Kong Dollar	HKD HIBOR BLOOMBERG 3M	1.50%	42	3,604
Total			**$ (5,098)**	**$ 472,492**

B. Interfund Transaction

Interfund Loans

As explained in Note III(A), temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2021, the following funds had temporary cash overdrafts covered by loans from the General Fund: U.S. Department of Health and Human Services Fund,

$454.7 million and U.S. Department of Agriculture, $3.5 million. There is also reported an $8.0 million loan from the Motor Vehicle Highway Fund to the State Highway Fund, which is not expected to be repaid within the next fiscal year. Also, reported is an interfund loan from the Fund 6000 Programs Fund to Other Special Revenue Funds for $4.0 million and a $1.1 million interfund loan between funds within Other Special Revenue Funds for license fees.

The following is a summary of the Interfund Loans as of June 30, 2021:

	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 458,241	$ -
US Department of Health and Human Services	-	454,698
Nonmajor Governmental Funds	13,151	16,694
Total	**$ 471,392**	**$ 471,392**

Interfund Services Provided/Used

Interfund Services Provided of $11.1 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2021:

	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 5,887
Public Welfare - Medicaid Assistance	-	3
U.S. Department of Health & Human Services	-	1,641
Federal COVID-19		41
Nonmajor Governmental Funds	-	3,493
Total Governmental Funds	-	11,065
Proprietary Funds		
Internal Service Funds	11,065	-
Total Proprietary Funds	11,065	-
Total	**$ 11,065**	**$ 11,065**

Due From/Due To Component Units

The $10.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. Per Public Law 93-2013, Section 4, repayments to the Indiana Board for Depositories are to be made in annual increments of $5.0 million each July beginning July 2013. The interfund balance of $22.7 million represents the accrued distribution amount from the State Lottery Commission to the Lottery Surplus Fund.

The following is the schedule of Due From/Due To component units, as of June 30, 2021:

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 10,000	$ -	$ -
Nonmajor Governmental Funds	-	-	22,738	-
Total Governmental Funds	-	10,000	22,738	-
Component Units				
Board for Depositories	10,000	-	-	-
State Lottery Commission	-	-	-	22,738
Total Component Units	10,000	-	-	22,738
Total	**$ 10,000**	**$ 10,000**	**$ 22,738**	**$ 22,738**

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – $257.4 million was transferred in from the Medicaid Assistance Fund for unused State match for Medicaid, hospital assessment fees, quality assessment fees, and indirect costs. $292.0 million was transferred in from the State Gaming Fund which was wagering taxes. $315.7 was transferred in from the Lottery Surplus fund as part of the excise tax cut replacement distribution. $212.4 million was received from the Fund 6000 Programs Fund for General Fund portion of financial institutions tax, Indiana Veterans' Home administration; General Fund portion of alcoholic beverages permit fees, and various other programs. $80.7 million was transferred in from the U.S. Department of Health and Human Services Fund for unused state match funds and indirect costs.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received $2.5 billion in transfers for Medicaid current obligations and for Medicaid administration. $349.5 million was transferred to the U.S. Department of Health and Human Services Fund from the General Fund largely for state match related to federal grants.

Medicaid Assistance Fund – The Medicaid Assistance Fund received a transfer of $2.5 billion from the General Fund to support the state Medicaid program. $356.9 million was transferred in from the Healthy Indiana Plan trust fund to support the Healthy Indiana Plan.

Transfers out included $257.4 million to the General Fund for unused State match for Medicaid, hospital assessment fees, quality assessment fees, and indirect costs.

U.S. Department of Health and Human Services Fund – $349.5 million was transferred to the U.S. Department of Health and Human Services Fund from the General Fund largely for state match related to federal grants. $48.6 million was transferred to the U.S. Department of Health and Human Services Fund from the Tobacco Master Settlement Fund primarily to support The Family and Social Services Administration Medicaid administration.

The U.S. Department of Health and Human Services Fund transferred $80.7 million to the General Fund for unused state match funds and indirect costs.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers out of $.6 million, representing cash contributions to the Department of Natural Resources (DNR) which are to be used for repayments of bonds made by the Indiana Finance Authority.

Internal Service Funds

$4.0 million in excess net income was transferred out of the Institutional Industries fund into the General Fund per statute.

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

	Transfers in	Transfers out	Net transfers
Governmental Funds			
General Fund	$ 1,315,297	$ (3,229,307)	**$ (1,914,010)**
Public Welfare-Medicaid Assistance Fund	2,877,283	(257,434)	**2,619,849**
US Department of Health and Human Services Fund	413,429	(84,711)	**328,718**
Federal COVID-19	-	(11)	**(11)**
Nonmajor Governmental Funds	2,689,019	(3,718,987)	**(1,029,968)**
Proprietary Funds			
Nonmajor Enterprise Funds	-	(555)	**(555)**
Internal Service Funds	-	(4,023)	**(4,023)**
Total	**$ 7,295,028**	**$ (7,295,028)**	**$ -**

C. Receivables

Primary Government – Governmental Activities

Taxes Receivable/Tax Refunds Payable as of June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	Special Revenue Funds	Capital Projects Funds	Total Primary Government
Income taxes	$ 1,519,949	$ -	-	**$ 1,519,949**
Sales taxes	1,084,844	16,781	-	**1,101,625**
Fuel taxes	19	180,408	-	**180,427**
Gaming taxes	1,853	19,876	-	**21,729**
Alcohol and tobacco taxes	48,907	30,774	2,049	**81,730**
Insurance	96	-	-	**96**
Financial institutions taxes	-	30,471	-	**30,471**
Other taxes	10,647	854	-	**11,501**
Total taxes receivable	2,666,315	279,164	2,049	**2,947,528**
Less allowance for uncollectible accounts	(885,921)	(61,660)	(7)	**(947,588)**
Net taxes receivable	**$ 1,780,394**	**$ 217,504**	**$ 2,042**	**$ 1,999,940**
Tax refunds payable	**$ 37,502**	**$ 5,895**	**$ -**	**$ 43,397**

Primary Government – Business-Type Activities

The accounts receivable amount reported on the financial statements of the Unemployment Compensation fund is comprised of funds due from Indiana employers (employer receivables) and from overpayments made to Unemployment Insurance recipients (claimant receivables). Accounts receivable as of June 30, 2021 is as follows:

	Business - Type Activities
	Unemployment Compensation
Employer	$ 43,260
Claimant	262,953
Total receivable	**$ 306,213**

A major portion of the accounts receivable, $25.5 million of employer receivables and $207.4 million of claimant receivables for a total of $232.9 million, will not be collected within one year.

D. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows. Reclassifications represent assets transferred to the state from the Indiana Finance Authority, a discretely presented component unit. Projects previously in construction in progress were determined to not be capitalizable after changes in accounting estimates. This has caused the decrease in construction in progress to be greater than the increase in capital assets.

Primary Government – Governmental Activities

	Balance, July 1, As restated	Reclassifications	Increases	Decreases	Balance, June 30
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 2,532,593	$ 5,036	$ 79,007	$ (478)	$ 2,616,158
Infrastructure	12,829,407	-	73,679	(33,857)	12,869,229
Construction in progress	1,114,887	-	682,067	(732,495)	1,064,459
Total capital assets, not being depreciated/amortized	16,476,887	5,036	834,753	(766,830)	16,549,846
Capital assets, being depreciated/amortized:					
Buildings and improvements	2,411,440	521,575	12,508	(5,924)	2,939,599
Furniture, machinery, and equipment	705,767	-	53,523	(48,726)	710,564
Computer software	319,871	-	591,742	(4,179)	907,434
Infrastructure	34,287	-	-	(99)	34,188
Total capital assets, being depreciated/amortized	3,471,365	521,575	657,773	(58,928)	4,591,785
Less accumulated depreciation/amortization for:					
Buildings and improvements	(1,538,389)	(258,005)	(63,530)	4,933	(1,854,991)
Furniture, machinery, and equipment	(474,287)	-	(45,306)	47,008	(472,585)
Computer software	(262,623)	-	(40,968)	1,767	(301,824)
Infrastructure	(28,827)	-	(490)	100	(29,217)
Total accumulated depreciation/amortization	(2,304,126)	(258,005)	(150,294)	53,808	(2,658,617)
Total capital assets being depreciated/amortized, net	1,167,239	263,570	507,479	(5,120)	1,933,168
Governmental activities capital assets, net	**$ 17,644,126**	**$ 268,606**	**$ 1,342,232**	**$ (771,950)**	**$ 18,483,014**

Primary Government – Business-Type Activities

	Balance, July 1	Increases	Decreases	Balance, June 30
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 566	-	-	566
Furniture, machinery, and equipment	486	60	(37)	509
Total capital assets, being depreciated	1,052	60	(37)	1,075
Less accumulated depreciation for:				
Buildings and improvements	(296)	(38)	-	(334)
Furniture, machinery, and equipment	(374)	(39)	15	(398)
Total accumulated depreciation	(670)	(77)	15	(732)
Total capital assets being depreciated, net	382	(17)	(22)	343
Business-type activities capital assets, net	**$ 382**	**$ (17)**	**$ (22)**	**$ 343**

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	28,680
Public safety		41,833
Health		2,654
Welfare		21,723
Conservation, culture and development		19,289
Education		4,014
Transportation		32,101
Total depreciation/amortization expense - governmental activities	**$**	**150,294**
Business-type activities:		
Inns and Concessions	$	77
Total depreciation expense - business-type activities	**$**	**77**

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2021 and the assets acquired through capital leases are as follows:

Future minimum lease payments

		Capital Leases Governmental Activities		
Year ending June 30,	**Operating Leases**	**Principal**	**Interest**	**Future Minimum Lease Payments**
2022	$ 28	$ 68,947	$ 35,415	$ 104,362
2023	25	73,241	31,784	105,025
2024	23	76,682	28,057	104,739
2025	19	78,217	24,189	102,406
2026	15	82,238	20,149	102,387
2027-2031	23	286,076	49,518	335,594
2032-2036	-	58,786	12,484	71,270
2037-2041	-	13,560	678	14,238
Total minimum lease payments (excluding executory costs)	133	737,747	202,274	940,021
Add:				
Remaining premium	-	24,648	-	24,648
Total minimum lease payments	**$ 133**	**$ 762,395**	**$ 202,274**	**$ 964,669**

Assets acquired through capital lease

Building	$ 5,364
Machinery and equipment	14,034
Infrastructure	748,023
less accumulated depreciation	(6,082)
	$ 761,339

Operating Leases

The State leases building and office facilities and other equipment under operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $31.1 million for the year ended June 30, 2021. A table of future minimum lease payments (excluding executory costs) is presented above.

Capital Leases Liabilities

The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2021 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 193,385	$ 101,222	$ (87,585)	$ 207,022	$ 76,490	$ 130,532
Net pension liability	11,792,876	1,015,220	(1,415,893)	11,392,203	-	11,392,203
Net OPEB liability	132,962	30,406	(109,190)	54,178	-	54,178
Pollution remediation	33,579	3,001	(1,083)	35,497	3,693	31,804
OPEB DC liability	57,197	-	(13,156)	44,041	-	44,041
Asset retirement obligations	-	7,775	-	7,775	-	7,775
Capital leases	832,347	844	(70,796)	762,395	68,947	693,448
	$ 13,042,346	**$ 1,158,468**	**$ (1,697,703)**	**$ 12,503,111**	**$ 149,130**	**$ 12,353,981**
Business-type activities:						
Compensated absences	$ 764	$ 294	$ (260)	$ 798	$ 263	$ 535
Claims liability	23,079	557	(912)	22,724	1,069	21,655
	$ 23,843	**$ 851**	**$ (1,172)**	**$ 23,522**	**$ 1,332**	**$ 22,190**

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension liabilities as presented in Note V(E) (employee retirement systems and plan), other postemployment benefits as presented in Note V(F), pollution remediation as presented in Note V(G), asset retirement obligations as presented in Note V(H), and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

G. Prior Period Adjustments and Reclassification

For the fiscal year ended June 30, 2021, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net position in the government-wide statement of activities.

In the fund financial statements for the General Fund and the government-wide statements, there was a decrease in fund balance of $2.4 million due to the reclassification of funds to the newly created Indiana Destination Development Corporation and a decrease of $.4 million from revenues that were recorded incorrectly in the prior year.

In the fund statements for the Special Revenue funds, and the government-wide statements, net position decreased $1.9 million due to the reclassification of funds to the newly created Indiana Destination Development Corporation

In the fund statements for the Special Revenue funds, and the government-wide statements, net position decreased by $24.5 million relating to the overstatement of receivables and $18.8 million due to the incorrect reporting of funds held in trust in the prior year. Net position increased $2.5 million as a result of reporting funds that were previously omitted.

For the government-wide statements, there is a decrease of $2.3 million in net position for capital assets. This was the result of not capitalizing capital assets by June 30, 2020 that were acquired prior to this date and for corrections to acquisition cost by state agencies. Net position decreased $4.1 million for software projects and $8.3 million for public works projects that were incorrectly recorded to construction in progress in the prior year. In addition, the government-wide statements had a decrease in net position of $7.7 million resulting from costs incurred prior to June 30, 2020 that should not have been capitalized for INDOT infrastructure assets.

For the discrete component units, net position increased $602.6 million for Indiana University due to the reporting of new component units and increased $4.3 million for the reclassification of funds to the newly created Indiana Destination Development Corporation. Net position increased $7.3 million for Ivy Tech State College for errors in prior year elimination entries. In addition, net position increased $2.6 million in the combined Colleges and Universities due to the implementation of GASB 84.

For the fiduciary funds, net position increased $16.6 million due to the Implementation of GASB 84.

The following schedule reconciles June 30, 2020 net position as previously reported, to beginning net position, as restated:

	Governmental Activities	Fiduciary Funds	Discretely Presented Component Units
June 30, 2020, fund balance/net position as reported	$ 16,057,945	$ 39,143,000	$ 16,868,595
Change in accounting principle	-	16,642	2,621
Correction of errors	(63,631)	-	7,311
Reclassifications of funds	(4,293)	-	606,932
Balance July 1, 2020 as restated	**$ 15,990,021**	**$ 39,159,642**	**$ 17,485,459**

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies; personal injury or property damage liabilities incurred by a state officer, agent, or employee; errors, omissions, and theft by employees; certain employee health benefits; employee death benefits; and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance coverage for certain DNR Inn properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, Conservation and Excise Officers' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in four individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits, the Conservation and Excise health benefits, and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. An insurance carrier provides claims administration services for the health insurance programs.

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The unrestricted net position in these funds is reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employee Disability Fund	State Employees' Health Insurance Fund	Conservation and Excise Officers Health Insurance Fund	Total
2021					
Unpaid Claims, July 1	$ 3,934	$ 4,194	$ 40,327	$ 740	**$ 49,195**
Incurred Claims and Changes in Estimate	26,980	16,922	344,908	4,521	**393,331**
Claims Paid	(27,411)	(17,535)	(346,622)	(4,462)	**(396,030)**
Unpaid Claims, June 30	**$ 3,503**	**$ 3,581**	**$ 38,613**	**$ 799**	**$ 46,496**
2020					
Unpaid Claims, July 1	$ 3,634	$ 4,018	$ 44,051	$ 829	**$ 52,532**
Incurred Claims and Changes in Estimate	25,137	15,690	337,711	3,125	**381,663**
Claims Paid	(24,837)	(15,514)	(341,435)	(3,214)	**(385,000)**
Unpaid Claims, June 30	**$ 3,934**	**$ 4,194**	**$ 40,327**	**$ 740**	**$ 49,195**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) $300,000 for a cause of action that accrues before January 2006; (B) $500,000 for a cause of action that accrues between 2006 and 2008; or (C) $700,000 for a cause of action that accrues on or after January 2008, for injury to or death of one person in any one occurrence and $5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $10.0 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2021, the State paid $8.9 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described, or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 2017, Plaintiff filed a complaint against the Indiana Department of Environmental Management, the Indiana State Department of Health, and the State of Indiana. There are over 100 individual plaintiffs alleging negligence and negligent infliction of emotional distress against the State Defendants and the City of East Chicago, the East Chicago Housing Authority, and the East Chicago Department of Public and Environmental Health, seeking damages for alleged physical and emotional harms caused by their alleged exposure to lead, arsenic, and other contamination while residents at the West Calumet Housing Complex and/or while students at Carrie Gosch Elementary School in East Chicago, Indiana since the late 1990's. On February 12, 2018, outside counsel entered an appearance on behalf of the State Defendants along with a motion to extend time to respond. On March 5, 2018, an answer on behalf of the Stale Defendants was filed along with a motion to dismiss the Indiana State Department of Health. This motion was later found to be moot. Outside counsel filed a motion staying discovery pending the outcome of a motion for judgment on the pleadings. That motion was granted. The Motion for Judgment on the Pleadings was filed July 9, 2018. Plaintiff filed a response to the Motion for Judgment on the Pleadings on August 18, 2018. A Reply in Support of the Motion for Judgment was filed and a hearing held. The Motion for Judgment on the Pleadings was denied November 9, 2018. The Order denying the Motion to Dismiss required additional discovery. Initial discovery deadlines were set. The State's Motion to Certify for Interlocutory Appeal was filed on December 10, 2018. A Notice of Appeal was filed April 25, 2019. The parties completed briefing of the matter on appeal. On June 10, 2020, the Indiana Court of Appeals upheld the Trial Court's denial of the Defendants' Motion for Judgment on the Pleadings and remanded the matter for continued proceedings. Parties are conferring about discovery. A case management plan was entered on February 9, 2021. Discovery is ongoing.

In 2017, Plaintiffs, including a representative of the deceased's estate, filed a wrongful death suit in state court regarding a police action shooting by an Indiana State Trooper. A motion to dismiss was filed by the Defendants on July 25, 2017. The Motion to Dismiss was denied on January 31, 2018. A Motion to certify order for interlocutory appeal filed on March 5, 2018 and was granted on April 23, 2018. The Indiana Court of Appeals denied interlocutory appeal on July 16, 2018. Defendants filed their Answer on July 30, 2018. Defendants filed their Motion for Summary Judgment July 17, 2020; a hearing was held on October 15, 2020. The Defendants' Motion for Summary Judgment was denied on January 27, 2021. The Defendants' filed their Motion for interlocutory appeal on February 26, 2021. Plaintiffs filed their Response on March 3, 2021. Plaintiffs filed their reply on March 10, 2021. A hearing on the motion was held on June 9, 2021. The court granted the Defendants' motion and certified the case for interlocutory appeal on June 25, 2021. The Court of Appeals accepted the interlocutory appeal on August 26, 2021. The case is stayed pending resolution of the interlocutory appeal.

In 2018, Plaintiff’s estate filed a Complaint against Indiana the Department of Correction alleging failure to protect, conspiracy, and failure to intervene pursuant to 42 U.S.C. Section 1983 and also negligent or willful and wanton conduct, negligent infliction of emotional distress, and wrongful death. The Plaintiff, a prisoner, died after setting a fire in his cell that he likely set himself. Plaintiff's estate is requesting compensatory and punitive damages and attorney's fees and costs. Defendants filed a Motion for Summary Judgment on March 29, 2021. Plaintiff filed its response on May 25, 2021. Defendants filed their reply and the Motion is fully briefed and awaiting ruling. Discovery is ongoing. No trial date is set.

In 2019, Plaintiffs filed a complaint individually, and on behalf of their two minor children, alleging that three employees of the Indiana Department of Child Services violated their constitutional rights when they removed their minor children from their home in 2017 without a court order. The removals were spurred when a foster child placed with the Plaintiffs was taken to the hospital for medical care. Defendants filed a partial motion to dismiss on October 10, 2019. The motion was fully briefed but later denied as moot since the arguments largely mirrored those made in the later-filed dispositive motions. Discovery has been ongoing. Parties filed dispositive motions on October 15, 2020. Briefing is complete. Defendants answered on December 4, 2020. Status conferences were held on January 26, 2021, and April 23, 2021. A tentative settlement was reached subject to statutory approvals; dismissal documents are due on January 9, 2022.

Other Litigation

The State on behalf of the following state agencies is currently involved in the following cases that could result in significant liability to the State:

Indiana Bureau of Motor Vehicles (BMV)

In June 2017, plaintiffs and the State of Indiana entered into a settlement agreement for the March and October 2013 class action lawsuits brought against the Bureau of Motor Vehicles (BMV). The court approved this settlement agreement in August 2017. The settlement agreement was amended in August 2018 to place remaining customer claims under the March 2013 case on customer BMV accounts to be claimed as credits. Credits not claimed by August 2021 will be transferred to the Attorney General’s Unclaimed Property Fund. $2.4 million was payable to claimants under the March 2013 case as of June 30, 2021, which has been accrued as an expense and payable in the government-wide financial statements for remaining claims to be paid.

Other Loss Contingencies

The U.S. Office of Inspector General (USOIG) has issued multiple audit reports on Indiana’s Medicaid Assistance Program. The State has worked with the Centers for Medicare and Medicaid Services (CMS) to resolve the findings. As of June 30, 2021, there were $37.1 million in findings which the Family and Social Services Administration (FSSA) believes to be probable for having to be repaid and therefore, has been accrued as an expense and payable in the government-wide financial statements. An additional $23.0 million is reasonably possible to need to be repaid. FSSA management is continuing to work with CMS on a settlement of these findings.

Construction Commitments

As of June 30, 2021, the Indiana Department of Transportation had outstanding construction commitments totaling $1.6 billion for road and bridge projects. It is anticipated that these projects will be financed with approximately 22% traditional state funds, 8% toll road lease amendment proceeds funds, 4% local funds, 63% federal funds, and 3% major moves funds.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling $47.5 million for building and improvement projects of the State’s agencies as of June 30, 2021. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

The State had $118.7 million in total commitments for software in development as of June 30, 2021. These commitments are to be funded through the General Fund, federal funds, and state dedicated funds.

Encumbrances

Significant encumbrances by major funds and non-major funds in the aggregate as of June 30, 2021 were as follows:

Governmental Funds	Encumbrances
General Fund	$ 819,171
Public Welfare - Medicaid Assistance	16,299
US Department of Health & Human Services	745,810
Federal COVID-19	405,030
Non-Major Governmental Funds	3,248,610
Total	**$ 5,234,920**

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of “other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

Indiana Code (IC) 4-10-18 establishes the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund") within the state's General Fund to assist in stabilizing revenue during periods of economic recession. The fund receives funding through calculated transfers as prescribed by Indiana Code.

The State Budget Director is required to annually calculate State of Indiana Adjusted Personal Income (API) and its growth rate over the previous year. API growth rates exceeding 2% trigger an appropriation from the General Fund into the Rainy Day Fund. API growth rates less than 2% trigger an appropriation from the Rainy Day Fund to the General Fund. Additionally, any balance in the Rainy Day Fund at the end of the fiscal year exceeding 7% of total General Fund revenues for the same period is transferred from the Rainy Day Fund to the General Fund.

In fiscal year 2021, the API growth rate did not trigger a transfer into or out of the Rainy Day Fund. Also, the Rainy Day Fund did not exceed 7% of total General Fund revenues for fiscal year 2021.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2021 was $544.9 million. There were no outstanding loans as of fiscal year end.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors eleven public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I (A).

<u>Summary of Significant Accounting Policies (Pensions)</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to or deductions from fiduciary net position have been determined on the same basis as they are reported for all of the plans by their respective trustees. The Indiana Public Retirement System is the trustee for all of the plans except for the State Police Retirement Fund and the State Police Supplemental Trust Fund which is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The State sponsors the following defined benefit single-employer plans:

<u>State Police Retirement Fund (Presented as a pension and other employee benefit trust fund)</u>

Plan description. The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department 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 State Police Retirement Fund issues a publicly available financial report that can be obtained by writing the State Police Retirement Fund, c/o Treasurer of State, 200 W. Washington Street, Room 242 State House, Indianapolis, IN 46204.

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 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 Trust Agreement.

Retirement benefits provided.

<u>Pre-1987 Plan:</u> 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% of the basic pension amount, will receive the following incremental increases:

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

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

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 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% 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% 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 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% 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.

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
Inactive employees or beneficiaries currently receiving benefits	722	849
Inactive employees entitled to but not yet receiving benefits	3	177
Active employees	12	1,196
Total	**737**	**2,222**

Contributions. Members of the Pre-1987 Plan contribute 5% of the member's wages (not including overtime and limited to sixth-year trooper pay). Members of the 1987 Plan contribute 6% 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. 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's 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-87 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 employees 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-87 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.

Net Pension Liability

The SPRF's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the SPRF at June 30, 2020 were as follows:

Total pension liability	$ 677,189
Plan fiduciary net position	(498,710)
SPRF's net pension liability	**$ 178,479**
Plan fiduciary net position as a percentage of the total pension liability	73.6%

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pre-1987 Plan	1987 Plan
Interest rate/investment return	6.75%	6.75%
Interest on member balances	3.00%	3.00%
Future salary increases, which includes inflation and cost of living increases	3.50%	9% age 26 & younger; reduced 0.5% through age 35; 4% age 36 and older

Mortality rates for employees were based on the SOA Pub-2010 Safety Employees Mortality Tables with 3 year set forward for males and no set forward for females. Mortality rates for healthy retirees were based on the SOA Pub-2010 Safety Retirees Mortality Tables with 3 year set forward for males and not set forward for females. Mortality rates for beneficiaries were based on the SOA Pub-2010 Safety Contingent Survivor Mortality Tables with no set forward for males and 2 year set forward for females. Mortality rates for disabled retirees were based on the SOA Pub-2010 Disabled Retirees Mortality tables with no set forward for males or females. All mortality used MP-2019 Mortality Improvement Scale (with annual updates).

The most recent comprehensive experience study was completed in 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 based on the results of the study.

The long-term expected rate of return on pension plan investments 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	7.2
Global ex U.S. equity	11.0	7.3
Short duration fixed income	4.0	2.7
Core U.S. fixed	22.0	2.8
Hedge funds - alternatives	25.0	5.0
Real Estate	5.0	6.3
Cash and equivalents	2.0	2.3
Total	**100.0**	

Discount rate. The discount rate used to measure the total pension liability was 6.75%. 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 all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	$ 686,224	$ 491,293	$ 194,931
Changes for the year:			
Service cost	19,641	-	19,641
Interest	46,071	-	46,071
Differences between expected and actual experience	(12,530)	-	(12,530)
Changes of assumptions or other inputs	(23,483)	-	(23,483)
Contributions - employer	-	34,095	(34,095)
Contributions - employee	-	5,338	(5,338)
Net investment income	-	7,110	(7,110)
Benefit payments, including refunds of employee contributions	(38,734)	(38,734)	-
Administrative expense	-	(392)	392
Net changes	(9,035)	7,417	(16,452)
Balances at 6/30/20	**$ 677,189**	**$ 498,710**	**$ 178,479**

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	259,243	178,479	110,435

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the State Police Retirement Fund. This report may be obtained by writing the State Police Retirement Fund, c/o Treasurer of State, 200 W. Washington Street, Room 242 State House, Indianapolis, IN 46204.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the State recognized pension expense of $43.0 million for the SPRF. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,070	$ 19,171
Changes of assumptions or other inputs	3,932	22,240
Net difference between projected and actual earnings on pension plan investments	29,143	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	36,748	-
Total	$ 82,893	$ 41,411

Deferred outflows of resources in the amount of $36.7 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/ (Deferred Inflows of Resources)
2022	5,039
2023	6,418
2024	(76)
2025	(4,994)
2026	(1,653)

State Police Supplemental Trust Fund (Presented as a pension and other employee benefit trust fund)

Plan description. The State Police Supplemental Trust (SPST) is a defined benefit, single-employer pension plan and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. 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 provision of Section 31 of the State Police Retirement Fund (SPRF). 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 elect to be covered by the 1987 Benefit System in accordance with the provision 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.

Retirement benefits provided.

Line of Duty Death Benefits. For the 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. For the 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 23 if enrolled in school full time.

Line of Duty Disability Benefits. For the 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. For the 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.

Non-Line of Duty Disability Benefits. For the 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. For the 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. For the 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 23 if enrolled in school full time. For the 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 23 if enrolled in school full time.

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
Inactive employees or beneficiaries currently receiving benefits	13	43
Active employees	12	1,167
Total	**25**	**1,210**

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 amount paid for pensions as the benefits came due during fiscal year 2021 was $4.2 million.

Total Pension Liability

The SPST Plan's total pension liability was measured as of June 30, 2020.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pre-1987 Plan	1987 Plan
Interest rate/investment return	2.66%	2.66%
Future salary increases, which includes inflation and cost of living increases	3.50%	9% age 26 & younger; reduced 0.5% through age 35; 4% age 36 and older
Inflation	2.25%	2.25%

There are no Disability incidence rates assumed for participants in the Pre-1987 plan. Disability incidence rates for participants in the 1987 plan are assumed to be 150% of the 1964 OASDI table. 2% of disabilities are assumed to be catastrophic.

Mortality rates for active and terminated vested participants were based on the SOA PubS-2010 Safety Employees Mortality Tables with 3 year set forward for males and no set forward for females. Mortality rates for retirees were based on the SOA PubS-2010 Safety Retirees with 3 year set forward for males and no set forward for females. Mortality rates for beneficiaries were based on SOA PubS-2010 Safety Contingent Survivors with no set forward for males and 2 year set forward for females. Mortality rates for retirements due to disability were based on SOA PubS-2010 General Disabled Retirees with no set forward for males and no set forward for females. All mortality tables are using MP-2019 Mortality Improvement Scale.

The most recent comprehensive experience study was completed in 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 based on the results of the study.

Discount rate. The discount rate used to measure the total pension liability was 2.66%. This rate was chosen in accordance with GASB #67 and #68, which requires that the discount rate should be 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 2.66% is the June 30, 2020 value of the S&P Municipal Bond 20 Year High Grade Rate Index.

New assumptions were needed to properly value the medical insurance premiums for active participant disabilities that occurred in the line of duty. The disability incidence rate table above was 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 claims cost is based on the average premium reimbursement per covered life in the past two years. This amount, $855/month, was then age-graded for years before age 40, $770/month, and years after age 40, $941/month. Finally, the claims cost is trended forward for future expected premiums 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.

Changes in the Total Pension Liability

	Increase (Decrease) Total Pension Liability (a)
Balances at 6/30/19	$ 16,247
Changes for the year:	
Service cost	4,230
Interest	511
Differences between expected and actual experience	7,530
Changes of assumptions or other inputs	(956)
Benefit payments, including refunds of employee contributions	(3,997)
Net changes	7,318
Balances at 6/30/20	**$ 23,565**

Sensitivity of the total pension liability to changes in the discount rate. The following presents the total pension liability of the SPST, calculated using the discount rate of 2.66%, as well as what the SPST's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease (1.66%)	Current Rate (2.66%)	1% Increase (3.66%)
Total pension liability	25,720	23,565	21,814

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the State recognized pension expense of $5.4 million for the SPST. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,882	$ 2,423
Changes of assumptions or other inputs	2,631	1,350
Total	**$ 9,513**	**$ 3,773**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	610
2023	610
2024	610
2025	610
2026	610
Thereafter	2,690

<u>State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of INPRS – a fiduciary in nature component unit)</u>

Plan description. The State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (EG&C Plan) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to certain employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana State excise police officer, Indiana State conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties. The EG&C Plan is administered by the INPRS Board of Trustees in accordance with IC 5-10-5.5 and other Indiana pension law.

Retirement benefits provided. A member is eligible for full retirement benefits if the member is: 1) age 65 if employed by age 50 with 15 years of creditable service, 2) age 65 if employed after age 50 with 10 years of service, or 3) age 55 if age and creditable service total at least 85 ("Rule of 85"), or 4) age 50 with 25 years of service. Participants are eligible for early retirement benefit at age 45 if the participant has 15 years of creditable service but the benefit is reduced by .25 percent for each month the participant is younger than age 60. Retirement at age 65 is mandatory. The annual benefit is equal to 25 percent times the average annual salary. The average annual salary equals the average annual salary of the five highest years in the 10 years immediately preceding an officer's retirement date. Percentage is increased by 1.66 percent for each completed year of creditable service after 10 years. Total percentage may not exceed 75 percent. Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS board. For the year ended June 30, 2021, postretirement benefits of $99 thousand were issued to members as a 13th check.

Disability and survivor benefits provided. If a participant becomes disabled in the line of duty, the benefit is the member's salary times the degree of impairment without a reduction for early commencement. If not in the line of duty, the member's salary used to calculate the benefit is reduced 50 percent. A minimum benefit may apply.

Eligible survivors of an active member who dies in the line of duty receives 100 percent of the member's benefit. Survivors of active member who die not in the line of duty or inactive members with more than 15 years of service who dies receive 50 percent of the member's benefit. The minimum benefit is calculated as if the member had at least 25 years of service and age 50. For inactive members with less than 15 years of creditable service, the benefit consists of contributions plus interest. While receiving a benefit, a spouse or parent (for their lifetime), or dependents(s) (until age 18) receives 50 percent of the member's benefit. If the spouse is more than five years younger than the member, the benefit is actuarially adjusted.

Deferred Retirement Option Plan. In accordance with IC 5-10-5.5-22, members eligible to retire with an unreduced benefit may elect to earn a DROP benefit while continuing to work. Members execute an irrevocable election to retire on a DROP retirement date and remain in active service while contributing to the fund until that date. The DROP retirement date must be not less than 12 months and not more than 36 months after their DROP entry date, and cannot be after the member reaches mandatory retirement age. The DROP and future retirement monthly benefit are calculated as of the members' DROP entry date. At retirement, members 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 fund under the DROP is $0.6 million.

Employees covered by benefit terms. As of June 30, 2021, the EG&C plan membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	252
Inactive vested members entitled to but not yet receiving benefits	5
Inactive non-vested members entitled to a distribution of contributions	134
Active members: vested and non-vested	439
Total	**830**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 20.75 percent, with 0.61 percent from July 2020 to December 2020 and 0.85 percent from January 2021 to June 2021 funding a supplemental reserve account for postretirement benefits administered by the INPRS Board. Members are required to contribute 4 percent of annual salary. Employers may pay all or part of the member contribution for the member.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Net Pension Liability

The EG&C Plan's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	2.75% to 5.00%, based on service
Inflation	2.25%
Cost of living increases	2019-2021 - 13th check, Beginning Jan. 1, 2022 - 0.40% Beginning Jan. 1, 2034 - 0.50% Beginning Jan. 1, 2039 - 0.60%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the EG&C defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	$ 152,207	$ 142,115	$ 10,092
Changes for the year:			
Service cost	3,983	-	3,983
Interest	10,294	-	10,294
Changes in benefit terms	814	-	814
Differences between expected and actual experience	6,031	-	6,031
Changes of assumptions or other inputs	(1,984)	-	(1,984)
Contributions - employer	-	6,742	(6,742)
Contributions - employee	-	1,299	(1,299)
Net investment income	-	3,677	(3,677)
Benefit payments, including refunds of employee contributions	(7,367)	(7,367)	-
Administrative expense	-	(107)	107
Net changes	11,771	4,244	7,527
Balances at 6/30/20	**$ 163,978**	**$ 146,359**	**$ 17,619**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the EG&C Plan, calculated using the discount rate of 6.75%, as well as what the EG&C Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	39,715	17,619	(624)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the State recognized pension expense of $6.2 million for the EG&C Plan. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the EG&C Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,432	$ 374
Changes of assumptions or other inputs	317	6,547
Net difference between projected and actual earnings on pension plan investments	2,762	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	7,083	-
Total	**$ 19,594**	**$ 6,921**

Deferred outflows of resources in the amount of $7.0 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	554
2023	366
2024	1,360
2025	2,752
2026	558
Thereafter	-

Prosecuting Attorneys' Retirement Fund (Presented as part of INPRS – a fiduciary in nature component unit)

Plan description. The Prosecuting Attorneys' Retirement Fund (PARF) is a single-employer (the State of Indiana) defined benefit plan established to provide retirement, disability, and survivor benefits to prosecuting attorneys. Members serve as a: (1) prosecuting attorney or a chief deputy prosecuting attorney; or (2) deputy prosecuting attorney, (3) executive director, or (4) assistant executive director of the Indiana Prosecuting Attorneys Council. The PARF plan is administered by the INPRS Board of Trustees in accordance with IC 33-39-7 and other Indiana pension law. PARF members are also members of the PERF Hybrid Plan. According to statute, benefits payable from PARF are reduced by any benefits payable from the PERF DB fund.

Retirement benefits provided. A participant is entitled to a full retirement benefit if the participant is: (1) age 65 with at least 8 years of creditable service; or (2) age 55 if age and creditable service total at least 85. A participant is eligible for early retirement benefits at age 62 and 8 years of creditable service with a reduction in the full benefit by 0.25 percent for each month less than age 65. Annual benefit equals highest 12 consecutive months of salary (state-paid portion only) before separation from services times percentage for years of service. 24 percent at eight years of service; increased by three percent per year for years nine through 11; 50 percent at year 12; increased by one percent per year for years 13 through 22 with a maximum of 60 percent, and reduced for any PERF DB benefit. There is no postretirement benefit adjustment provided under this plan.

Disability and survivor benefits provided. A qualified member with 22+ years of creditable service receives full benefit. Less than 22 years of creditable service receives the full benefit reduced by one percent for each year under 22. Benefit to be no lower than 50 percent.

While in active service, a spouse or dependent children receives the greater of $12,000 annually or 50 percent of benefit for the later of age 62 or the age the day before death. If death occurs while the participant is receiving a benefit, a spouse (for their lifetime), or dependent children (until age 18 unless disabled) receives the greater of $12,000 annually or 50 percent of the member's benefit.

Employees covered by benefit terms. As of June 30, 2021, the PARF membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	185
Inactive vested members entitled to but not yet receiving benefits	104
Inactive non-vested members entitled to a distribution of contributions	141
Active members: vested and non-vested	198
Total	**628**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Employer contributions are determined by the INPRS Board based on an actuarial valuation and appropriations are received from the state's general fund. For fiscal year 2021, the appropriation from the state's general fund totaled $4.4 million and the Actuarially Determined Contribution (ADC) was $5.0 million.

Members are required to contribute six percent of the state-paid portion of salary for a maximum period of 22 years of creditable service. In addition, members are required to contribute three percent as participants of the PERF DC plan. Employers may pay all or part of the member contributions for the member.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Net Pension Liability

The PARF's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	2.75%
Inflation	2.25%
Cost of living increases	N/A

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the PARF defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	$ 110,081	$ 65,523	$ 44,558
Changes for the year:			
Service cost	2,067	-	2,067
Interest	7,402	-	7,402
Differences between expected and actual experience	(2,515)	-	(2,515)
Changes of assumptions or other inputs	(5,012)	-	(5,012)
Contributions - employer	-	4,232	(4,232)
Contributions - employee	-	1,439	(1,439)
Net investment income	-	1,730	(1,730)
Benefit payments, including refunds of employee contributions	(4,974)	(4,974)	-
Administrative expense	-	(74)	74
Net changes	(3,032)	2,353	(5,385)
Balances at 6/30/20	**$ 107,049**	**$ 67,876**	**$ 39,173**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the PARF, calculated using the discount rate of 6.75%, as well as what the PARF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	52,125	39,173	28,459

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the State recognized pension expense of $1.8 million for the PARF. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the PARF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,306
Changes of assumptions or other inputs	-	2,602
Net difference between projected and actual earnings on pension plan investments	1,237	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	4,402	-
Total	**$ 5,639**	**$ 3,908**

Deferred outflows of resources in the amount of $4.4 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(3,571)
2023	(112)
2024	469
2025	543

<u>Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of INPRS – a fiduciary in nature component unit)</u>

Plan description. The Legislators' Retirement System is governed by the INPRS Board of Trustees. The Legislators' Defined Benefit Plan (LE DB) is a single-employer (the State of Indiana) defined benefit plan, providing retirement, disability, and survivor benefits to members of the General Assembly who were serving on April 30, 1989, and filed an election under IC 2-3.5-3-1(b). The fund is closed to new entrants. Administration of the fund is generally in accordance with IC 2-3.5 and other Indiana pension law.

Retirement benefits provided. A participant is entitled to an unreduced monthly retirement benefit (1) at age 65 with at least 10 years of creditable service; (2) at age 60 with at least 15 years of creditable service, or (3) at age 55 if age and creditable service total at least 85. A participant is entitled to early retirement at age 55 and 10 years of creditable service (reduce full benefit by 0.1 percent per month between ages 60 and 65, and by 5/12 percent per month between ages 55 and 60). Early retirement benefits are applicable when the member is no longer serving in the General Assembly and is not receiving, nor entitled to receive, compensation from the state for work in any capacity.

The annual retirement benefit equals the lesser of: $40 multiplied by 12 months multiplied by years of service before November 8, 1989, or the highest consecutive three-year average annual salary.

Postretirement adjustments are granted by the Indiana General Assembly on an ad hoc basis pursuant to IC 5-10.2-12-4, IC 2-3.5-4-13 and administered by the INPRS Board. No postretirement adjustment occurred in the year ended June 30, 2021.

Disability and survivor benefits provided. Any active member that qualifies for social security disability with at least five years of creditable service may receive an unreduced benefit for the duration of their disability. If death occurs while in active service, a spouse or dependent children receives 50 percent of the benefit for the later of age 55 or age the day before the member's death. If death occurs while receiving a benefit, a spouse (for their lifetime), or dependents (until age 18 unless disabled) receives 50 percent of the member's benefit.

Employees covered by benefit terms. As of June 30, 2021, the LEDB Plan membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	77
Inactive vested members entitled to but not yet receiving benefits	6
Active members: vested and non-vested	7
Total	**90**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Employer contributions are actuarially determined and derive from the state's General Fund, a portion of which will be allocated to fund a supplemental reserve account for postretirement benefits administered by the INPRS Board. For the year ended June 30, 2021, the State of Indiana appropriated $0.2 million for employer contributions. The Actuarially Determined Contribution (ADC) for LEDB was $0.2 million.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Net Pension Liability

The LEDB Plan's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.75%
Inflation	2.25%
Cost of living increases	No COLA through FY2022
	Beginning Jan. 1, 2022 - 0.40%
	Beginning Jan. 1, 2034 - 0.50%
	Beginning Jan. 1, 2039 - 0.60%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the LEDB defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	$ 3,362	$ 3,026	$ 336
Changes for the year:			
Service cost	-	-	-
Interest	215	-	215
Differences between expected and actual experience	(14)	-	(14)
Changes of assumptions or other inputs	(87)	-	(87)
Contributions - employer	-	208	(208)
Net investment income	-	77	(77)
Benefit payments, including refunds of employee contributions	(349)	(349)	-
Administrative expense	-	(38)	38
Net changes	(235)	(102)	(133)
Balances at 6/30/20	**$ 3,127**	**$ 2,924**	**$ 203**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the LEDB Plan, calculated using the discount rate of 6.75%, as well as what the LEDB Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	405	203	24

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the LEDB Plan recognized pension income of $10.4 thousand. At June 30, 2021, the LEDB Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 52	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	238	-
Total	**$ 290**	**$ -**

Deferred outflows of resources in the amount of $238 thousand related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	1
2023	6
2024	21
2025	24

Judges' Retirement System (Presented as part of INPRS – a fiduciary in nature component unit)

Plan description. The Judges' Retirement System (JRS) is a single-employer (State of Indiana) defined benefit plan providing retirement, disability, and survivor benefits to members. Membership consists of individuals who served, are serving, or shall serve as a regular judge, magistrate, or justice of the (1) Supreme Court of the state of Indiana, (2) Court of Appeals, (3) Indiana Tax Court, (4) Circuit Court of a Judicial Circuit, or (5) county courts including: Superior, Criminal, Probate, Juvenile, Municipal, and County. Administration of the fund is generally in accordance with IC 33-38 and other Indiana pension law. JRS is governed through the INPRS Board of Trustees.

Retirement benefits provided. A member is entitled to a full benefit 1) at age 65 with at least eight years of creditable service, or 2) at age 55 if age and creditable service total at least 85. A member is entitled to an early retirement benefit at age 62 and at least eight years of creditable service but the full benefit is reduced by 0.1 percent for each month less than age 65.

The annual retirement benefit equals individual salary, or salary of office at retirement multiplied by percentage for years of service: 24 percent at eight years of service; increased by three percent per year for years nine through 11; 50 percent at year 12; increased by one percent per year for years 13 through 22 with a maximum of 60 percent.

Postretirement benefit increases for members (not survivors or disabled members) are equal to the change in the salary of the office at retirement. For the year ended June 30, 2021, a postretirement benefit adjustment of 3.3 percent occurred and was administered by the INPRS Board.

Disability and survivor benefits provided. A qualified member with 22+ years of creditable services receivables an unreduced disability benefit. Members with less than 22 years of creditable service receive the full benefit reduced by one percent for each year under 22 years of creditable service with the benefit to be no lower than 50 percent. If death occurs while in active service with 8+ years of service, or while receiving a benefit, a spouse or dependent children (for their lifetime) receive the greater of $12,000 annually or 50 percent of benefit entitled at the date of death.

Employees covered by benefit terms. As of June 30, 2021, the Judges' Retirement System membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	394
Inactive vested members entitled to but not yet receiving benefits	24
Inactive non-vested members entitled to a distribution of contributions	34
Active members: vested and non-vested	465
Total	**917**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Employer contributions are determined by the INPRS Board based on an actuarial valuation and are received from the state general fund and certain court and docket fees. For the year ended June 30, 2021, the fund received $18.6 million in employer contributions, with appropriations of $11.5 million and $7.1 million in docket and court fees. The Actuarially Determined Contribution (ADC) was $22.1 million.

Members are required to contribute six percent of the member's salary for a maximum period of 22 years of creditable service. Employers may pay all or part of the member contribution for the member.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Net Pension Liability

The JRS' net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Interest on member balances	3.50%
Future salary increases	2.75%
Inflation	2.25%
Cost of living increases	2.75%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the JRS defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	$ 586,499	$ 545,331	$ 41,168
Changes for the year:			
Service cost	19,567	-	19,567
Interest	40,006	-	40,006
Differences between expected and actual experience	(1,968)	-	(1,968)
Changes of assumptions or other inputs	(24,815)	-	(24,815)
Contributions - employer	-	18,166	(18,166)
Contributions - employee	57	3,549	(3,492)
Net investment income	-	14,020	(14,020)
Benefit payments, including refunds of employee contributions	(26,836)	(26,836)	-
Administrative expense	-	(109)	109
Net changes	6,011	8,790	(2,779)
Balances at 6/30/20	**$ 592,510**	**$ 554,121**	**$ 38,389**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the JRS, calculated using the discount rate of 6.75%, as well as what the JRS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability	106,797	38,389	(19,206)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the JRS recognized pension expense of $19.5 million. At June 30, 2021, the JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,452	$ 1,855
Changes of assumptions or other inputs	-	19,003
Net difference between projected and actual earnings on pension plan investments	10,389	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	18,621	-
Total	**$ 32,462**	**$ 20,858**

Deferred outflows of resources in the amount of $18.6 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(3,665)
2023	(3,855)
2024	(2,326)
2025	2,829

The State sponsors the following cost-sharing multiple-employer plans:

<u>Public Employees' Defined Benefit Account (Presented as part of INPRS – a fiduciary in nature component unit)</u>

Plan description. PERF DB is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2.and other Indiana pension law. PERF DB is a component of the Public Employees Hybrid plan (PERF Hybrid).

PERF Hybrid consists of two components: PERF DB, the monthly employer-funded defined benefit component, along with the Public Employees Hybrid Members Defined Contribution Account (PERF DC), a member-funded account. First time new employees hired by the State or a participating political subdivision who offers a choice have a one-time election to join either the PERF Hybrid plan or PERF My Choice: Retirement Savings Plan for Public Employees (PERF MC DC). A new hire that is an existing member of PERF Hybrid and was not given the option for the PERF MC DC plan is given the option to elect PERF MC DC or remain in PERF Hybrid.

Members who have service in both PERF DB and either the Teachers Retirement Fund (TRF Pre-'96 DB or TRF '96 DB) have the option of choosing from which of these funds they would like to retire.

Retirement benefits provided. A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position. A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is reduced to 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of $180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than $2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. For the year ended June 30, 2021, postretirement benefits of $31.2 million were issued to members as a 13th check.

Disability and survivor benefits provided. An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $180 per month). If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100 percent Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Employees covered by benefit terms. As of June 30, 2021, there were 1,225 participating political subdivisions in addition to the State. As of June 30, 2021, PERF membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	94,851
Inactive vested members entitled to but not yet receiving benefits	33,931
Active members: vested and non-vested	125,386
Total	**254,168**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 11.2 percent of covered payroll, with 0.44 percent funding a supplemental reserve account for postretirement benefit increases. Contributions from employers with PERF MC DC plan members who offered PERF Hybrid prior to July 1, 2016 fund PERF DB's unfunded liability at 8.0 percent of covered payroll for the State and 7.2 percent for political subdivisions as of June 30, 2021. No member contributions are required.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.75% - 8.75%, based on service
Inflation	2.25%
Cost of living increases	2019-2021 - 13th check, Beginning Jan. 1, 2022 - 0.40% Beginning Jan. 1, 2034 - 0.50% Beginning Jan. 1, 2039 - 0.60%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the PERF defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate. The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	1,283,030	786,971	371,481

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the State reported a liability of $787.0 million for its proportionate share of the net pension liability. The PERF net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the State's proportion was 26.06 percent, which was an increase of 0.16 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the State recognized pension expense of $69.4 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,943	$ 10,566
Changes of assumptions or other inputs	-	163,972
Net difference between projected and actual earnings on pension plan investments	67,352	-
Changes in the employer proportion and differences between the employer's contributions and the employer's proportionate share of contributions	14,310	1,461
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	181,825	-
Total	**$ 277,430**	**$ 175,999**

Deferred outflows of resources in the amount of $181.8 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(73,750)
2023	(24,394)
2024	(10,860)
2025	28,610

<u>Teachers' 1996 Defined Benefit Account (Presented as part of INPRS – a fiduciary in nature component unit)</u>

Plan description. TRF '96 DB is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits. Membership in TRF '96 DB is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at state institutions, and certain INPRS personnel. Faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or an alternate university plan not administered by INPRS. Membership in TRF '96 DB is optional for teachers employed by charter schools, employees and officials of the Indiana State Board of Education who were Indiana licensed teachers before their employment with the Board, and teachers employed by special management teams as defined under IC 20-31. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.4, 35 IAC 14, and other Indiana pension law. TRF '96 DB is a component of the Teachers' Hybrid Plan. The Teachers Hybrid Plan consists of two components: TRF '96 DB: the monthly employer-funded defined benefit component, along with TRF DC, a member-funded account.

Retirement benefits provided. A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service, 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the TRF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the TRF-covered position. A member is entitled to an early retirement benefit at age 50 and minimum of 15 years of creditable service. The benefit is 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

The lifetime annual benefit equals the years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of $185 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than $2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. For the year ended June 30, 2021, postretirement benefits of $2.8 million were issued to members as a 13th check.

Disability and survivor benefits provided. An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $185 per month). Under certain conditions, active TRF members may qualify for a classroom disability benefit of at least $125 per month. If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Employees covered by benefit terms. As of June 30, 2021, the number of participating employers was 382 in addition to the State. As of June 30, 2021, TRF 1996 Account membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	8,287
Inactive vested members entitled to but not yet receiving benefits	6,827
Active members: vested and non-vested	59,866
Total	**74,980**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 5.5 percent of covered payroll, with 0.14 percent funding a supplemental reserve account for future postretirement benefit increases. No member contributions are required.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.75% - 12.0%, based on service
Inflation	2.25%
Cost of living increases	2019-2021 - 13th check, Beginning Jan. 1, 2022 - 0.40% Beginning Jan. 1, 2034 - 0.50% Beginning Jan. 1, 2039 - 0.60%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the TRF '96 defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate. The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	3,852	252	(2,659)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilties, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the State reported a liability of $252 thousand for its proportionate share of the net pension liability. The TRF 1996 Account net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the State's proportion was 0.32 percent, which was a decrease of 0.02 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the State recognized pension expense of $14.2 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 170	$ 564
Changes of assumptions or other inputs	488	948
Net difference between projected and actual earnings on pension plan investments	401	-
Changes in the employer proportion and differences between the employer's contributions and the employer's proportionate share of contributions	122,559	296
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	5,604	-
Total	**$ 129,222**	**$ 1,808**

Deferred outflows of resources in the amount of $5.6 thousand related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	13,410
2023	13,445
2024	13,525
2025	13,548
2026	13,382
Thereafter	54,500

The State is a non-employer contributing entity in a special funding situation for the following pension plan:

State Teachers' Retirement Fund Pre-1996 Account (Presented as part of INPRS – a fiduciary in nature component unit)

Plan description. The Indiana State Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) is a pay-as-you-go cost-sharing, multiple-employer defined benefit plan providing retirement, disability, and survivor benefits for teachers, administrators, and certain INPRS personnel hired before July 1, 1996. Membership in TRF Pre-'96 DB is closed to new entrants. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.4, 35 IAC 14, and other Indiana pension law. TRF Pre-'96 DB is a component of the Teachers' Hybrid Plan. The Teachers' Hybrid Plan consists of two components: TRF Pre-'96 DB: the monthly employer-funded defined benefit component, along with TRF DC, a member-funded account.

Retirement benefits provided. A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service, 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the TRF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the TRF-covered position. A member is entitled to an early retirement benefit at age 50 and minimum of 15 years of creditable service. The benefit is 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59.

The lifetime annual benefit equals the years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of $185 per month). The average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than $2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. For the year ended June 30, 2021, postretirement benefits of $21.9 million were issued to members as a 13th check.

Disability and survivor benefits provided. An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $185 per month). Under certain conditions, active TRF members may qualify for a classroom disability benefit of at least $125 per month. If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If death occurs while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Employees covered by benefit terms. As of June 30, 2021, the number of participating employers was 335 in addition to the State. The State of Indiana makes contributions as the sole nonemployer contributing entity. As of June 30, 2021, TRF Pre-1996 Account membership consisted of:

Retired members, beneficiaries, and disabled members receiving benefits	53,537
Inactive vested members entitled to but not yet receiving benefits	1,964
Active members: vested and non-vested	8,375
Total	**63,876**

Based on census data as of June 30, 2020 used for the June 30, 2021 actuarial valuation.

Contributions. According to statute, the TRF Pre-'96 DB fund is funded primarily by appropriations from the state general fund and lottery proceeds. The Actuarially Determined Contribution (ADC) for TRF

Pre-'96 DB was $1,600.6 million. This includes a base appropriation of $946.6 million and $30.0 million of lottery proceeds to fund the supplemental reserve account for postretirement benefits, and $2.3 million of employer contributions from grant monies. In addition, HEA 1001-2021 granted a special appropriation of $600.0 million in fiscal year 2021. No member contributions are required.

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the State reported a liability of $10,307.6 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the State's proportion was 100.00 percent, which was the same as its proportion measured as of June 30, 2019.
For the year ended June 30, 2021, the State recognized pension expense of $538.9 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	35,463	-
Employer's contributions to the pension plan subsequent to the measurement date of the net pension liability	1,598,457	-
Total	$1,633,920	$ -

$1.6 billion reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(13,447)
2023	(1,518)
2024	22,618
2025	27,810

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.75% - 12.0%, based on service
Inflation	2.25%
Cost of living increases	2019-2021 - 13th check,
	Beginning Jan. 1, 2022 - 0.40%
	Beginning Jan. 1, 2034 - 0.50%
	Beginning Jan. 1, 2039 - 0.60%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

The most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. The demographic assumptions were updated as needed for the June 30, 2020 actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	7.6
Fixed income - ex inflation - linked	20.0	1.9
Fixed income - inflation - linked	7.0	0.5
Commodities	8.0	1.6
Real estate	7.0	5.8
Absolute return	10.0	2.9
Risk parity	12.0	5.5
Total	**100.0**	

Discount rate. Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the 6.75% long-term assumed investment rate of return. Based on these assumptions, the TRF Pre-'96 defined benefit 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 all periods of projected benefits to determine the total pension liability for the plan.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate. The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	11,565,852	10,307,552	9,222,047

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued stand-alone financial report of the Indiana Public Retirement System. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Amounts Summary – Defined Benefit Plans

A summary of the pension amounts disclosed in the notes for the defined benefit plans is provided in the following table.

Plan	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
SPRF	$ 677,189	$ 498,710	$ 178,479	$ 82,893	$ 41,411	$ 42,955
SPST	23,565	-	23,565	9,513	3,773	5,351
EG&C	163,978	146,359	17,619	19,594	6,921	6,163
PARF	107,049	67,876	39,173	5,639	3,908	1,793
LE DB	3,127	2,924	203	290	-	(10)
JRS	592,510	554,121	38,389	32,462	20,858	19,542
PERF	4,242,250	3,455,279	786,971	277,430	175,999	69,369
TRF 1996	20,698	20,446	252	129,222	1,808	14,155
TRF Pre-1996	13,968,703	3,661,151	10,307,552	1,633,920	-	538,945
Total	**$ 19,799,069**	**$ 8,406,866**	**$ 11,392,203**	**$ 2,190,963**	**$ 254,678**	**$ 698,263**

The State contributes to the following defined contribution plans:

<u>My Choice (PERF MC DC) – State Employees' Defined Contribution Plan (Presented as part of INPRS – a fiduciary in nature component unit)</u>

PERF MC DC is a multiple employer defined contribution fund providing retirement benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elected to participate in the retirement fund. Effective April 1, 2021, a political subdivision served by a volunteer fire department may make contributions to PERF MC DC plan for the members of the volunteer fire department in an amount determined by the governing body of the political subdivision. MC DC is a primary defined contribution benefit plan for members making this election. Administration of the account is generally in accordance with other Indiana pension law.

First time new employees hired by the State of Indiana or a political subdivision who offer a choice have a one-time election to join either PERF Hybrid or PERF My Choice. A state hire that is an existing member of PERF Hybrid plan and was not given the option for PERF My Choice is given the option to elect PERF My Choice or remain in PERF Hybrid.

The PERF MC DC plan may be funded with an employer variable rate contribution. As of June 30, 2021, the employer contribution is 3.2 percent for state employees and up to 4.0 percent for political subdivision members. Political subdivisions may match 50 percent of a member's voluntary contributions.

Member contributions under the PERF MC DC are set by statute and the INPRS Board at three percent of covered payroll. The employer may choose to make these contributions on behalf of the member. Under certain limitations, voluntary member contributions up to 10 percent can be made solely by the member.

The state contributed 3.2% to My Choice members' accounts during the fiscal year ended June 30, 2021. My Choice members totaled 7,183 as of June 30, 2021.

Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death). As of January 1, 2021, members at least 62 years of age with five qualifying years of service may take an in-service distribution of their DC account. Additionally, members that are normal retirement age may take a withdrawal after separation without the 30 day wait period. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF MC DC members are 100 percent vested in their member contributions. PERF MC DC members vest in employer contributions in increments of 20 percent for each full year of service until 100 percent is reached at 5 years.

Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity.

The survivor benefit is that the beneficiary is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. The amount a beneficiary is entitled to if a member dies after having selected an annuity or having withdrawn from the account depends upon the annuity option selected by the member and the amount of benefits the member received.

<u>Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of INPRS – a fiduciary in nature component unit)</u>

The Legislators' Defined Contribution plan is a single-employer (State of Indiana) defined contribution fund that provides retirement benefits to members of the General Assembly. Administration of the fund is generally in accordance with IC 2-3.5 and other Indiana pension law.

Members are entitled to the total of vested contributions plus earnings. Effective January 1, 2021, a member at least 59 1/2 years of age may take an in-service distribution of their account. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, monthly annuity, or installment options.

If a participant dies their beneficiary is entitled to the total of contributions plus earnings. The amount can be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity.

Contributions are determined by the INPRS Board and confirmed by the State Budget Agency. The employer contribution rate is 14.2 percent of covered payroll. This rate may not exceed the sum contribution rates for State of Indiana employer and member PERF Hybrid plans. The member contribution is five percent of member's salary. The employer may choose to make contributions on behalf of the member.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions. The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. The SPP, ISPP, and CEPP are administered through trusts that meet the criteria in GASB 74. The LP is not administered through a trust that meets the requirements of GASB 74 and is not accumulating assets.

Benefits Provided. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 et seq. Separate financial reports are not issued for these plans.

Employees covered by benefit terms. As of June 30, 2020, and June 30, 2021 membership in the plans consisted of:

June 30, 2020	SPP	ISPP	CEPP	LP
Inactive employees or beneficiaries currently receiving benefit payments	552	1,076	198	34
Active employees	25,659	1,688	244	113
Total	**26,211**	**2,764**	**442**	**147**

Based on census data as of June 30, 2018 used for the June 30, 2019 actuarial valuation.

June 30, 2021	SPP	ISPP	CEPP	LP
Inactive employees or beneficiaries currently receiving benefit payments	411	1,058	212	38
Active employees	25,318	1,662	241	115
Total	**25,729**	**2,720**	**453**	**153**

Contributions. Actuarially determined contributions (ADC) are determined for these plans by the actuary. The state determines the contributions to make for these plans after considering its other needs and the OPEB participants' needs.

For the SPP, the state contributes at least the ADC annually.

The ISPP has established a 401(h) and section 115 trust for the purpose of funding retiree OPEB. Contributions to the 401(h) and section 115 trust are made from the following sources: 1) Medicare Part D retiree drug subsidy reimbursement; 2) excess long-term disability fund; 3) retiree premiums 4) state contributions for ISP active employees in accordance with the OPEB DC plan (501 plan); and 5) discretionary contributions from the ISP healthcare fund up to $1 million. Additionally, active ISP employees contribute $20 per paycheck towards the 401(h) trust account. This ISP funding policy is expected to continue for the foreseeable future.

The annual cost of the CEPP is financed on a pay-as-you-go basis from state subsidies, active/retiree contributions, and a discretionary contribution from the CEPP reserve fund.

Retiree participants pay the full premium rate as determined by the administrators of these plans.

Financial Statements: As separately issued financial statements are not available for the State Employee Retiree Health Benefit Trust Fund-DB, summarized financial statements are as follows:

State of Indiana
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2021

	SPP	ISPP	CEPP	Total
Assets				
Cash, cash equivalents and non-pension investments	$ 375	$ 6,450	$ 966	**$ 7,791**
Receivables:				
Contributions	375			**375**
Interest	-	3	37	**40**
Total receivables	375	3	37	**415**
Pension and other employee benefit investments at fair value:				
Debt Securities	46,497	172,245	-	**218,742**
Mutual Funds and Collective Trust Funds	-	-	27,862	**27,862**
Other	-	-	3,362	**3,362**
Total investments at fair value	46,497	172,245	31,224	**249,966**
Total assets	**47,247**	**178,698**	**32,227**	**258,172**
Liabilities:				
Benefits payable	410	491	89	**990**
Total liabilities	**410**	**491**	**89**	**990**
Net Position				
Restricted for:				
OPEB benefits	46,837	178,207	32,138	**257,182**
Total net position	**$ 46,837**	**$ 178,207**	**$ 32,138**	**$ 257,182**

State of Indiana
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2021

	SPP	ISPP	CEPP	Total
Additions:				
Employer contributions	$ 4,559	$ 22,970	$ 4,301	**$ 31,830**
Net investment income (loss)	58	131	1,857	**2,046**
Federal reimbursements	-	5	-	**5**
Other	-	175	-	**175**
Total additions	4,617	23,281	6,158	**34,056**
Deductions:				
Retiree health benefits	4,639	3,371	1,078	**9,088**
Administrative	278	360	114	**752**
Total deductions	4,917	3,731	1,192	**9,840**
Net increase (decrease) in net position	(300)	19,550	4,966	**24,216**
Net position restricted for other post employment benefits, July 1, as restated:	47,137	158,657	27,172	**232,966**
Net position restricted for pension and other employee benefits, June 30, as restated	**$ 46,837**	**$ 178,207**	**$ 32,138**	**$ 257,182**

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019 projected to July 1, 2020 on a "no loss / no gain" basis. The components of the net OPEB liability of the three plans administered through trusts at June 30, 2020 were as follows:

	SPP	ISPP	CEPP
Total OPEB liability	$52,311	$177,448	$49,275
Plan fiduciary net position	47,137	158,657	27,172
Net OPEB liability	$ 5,174	$ 18,791	$22,103
Plan fiduciary net position as a percentage of the total OPEB liability	90.1%	89.4%	55.1%

The components of the net OPEB liability for the three OPEB plans administered through trusts at June 30, 2021 was:

	SPP	ISPP	CEPP
Total OPEB liability	$62,697	$168,917	$52,984
Plan fiduciary net position	46,837	178,207	32,138
Net OPEB liability	$15,860	$ (9,290)	$20,846
Plan fiduciary net position as a percentage of the total OPEB liability	74.7%	105.5%	60.7%

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Description	SPP	ISPP	CEPP	LP
Inflation	2.25%	2.25%	2.25%	2.25%
Salary increases	2.75% for general wage inflation plus merit and productivity increases based on the assumptions approved from the INPRS 2020 Experience Study.	Pre-1987 Plan, 3.5%. 1987 Plan as follows: Age 26, 9.0%; age 31, 6.5%, and age 36+, 4.0%	2.75% for general wage inflation plus merit and productivity increases based on the assumptions approved from the INPRS 2020 Experience Study.	2.25% for general wage inflation plus 0.50% for merit and productivity increases
Investment rate of return	3.23%	6.20%	6.20%	2.66%
Healthcare cost trend rates	7.5% decreasing 0.5% per year to an ultimate rate of 4.5%	7.5% decreasing 0.5% per year to an ultimate rate of 4.5%	7.5% decreasing 0.5% per year to an ultimate rate of 4.5%	7.5% decreasing 0.5% per year to an ultimate rate of 4.5%

For SPP and LP, mortality rates were based on the following: For Healthy Judges/PARF employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 with a 1 year setback for males and a 1 year setback for females. For all other healthy employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 with a 3 year set forward for males and a 1 year set forward for females. For disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 with a 140% load. For surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 with no set forward for males and a 2 year set forward for females. For ISPP and CEPP, mortality rates were based on the following: For Healthy employees and retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 with a 3 year set forward for males no set forward for females. For disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019. For surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 with no set forward for males and a 2 year set forward for females.

For SPP and CEPP, the most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. For ISPP, the most recent comprehensive experience study was completed in July 2020 and was based on member experience between June 30, 2011 through June 30, 2019. For LP, the most recent comprehensive experience study was based on professional judgement and limited experience through 2008.

Discount Rate. For SPP for the June 30, 2020 valuation, the long-term expected rate of return on OPEB plan investment is 3.25%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.25%). The best estimates of arithmetic real rates of return for each major asset class included in the SPP OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table:

State Personnel Plan Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
U.S. Bond	100.0	1.0

The discount rate used to measure the total OPEB liability for SPP was 3.23 percent as of June 30, 2020 and applied to all periods of projected benefit payments to determine the total OPEB liability. The change in the discount rate from the 2019 to the 2020 actuarial valuations was .03%, lowering the rate to 3.23%. The projection of cash flows used to determine the discount rate assumed that the State's contributions to this plan will be made at a rate equal to the actuarially determined rate. The discount rate of 3.25% was used in calculating the actuarially determined contribution for this plan

For ISPP for the June 30, 2020 valuation, the long-term expected rate of return on OPEB plan investments is 6.20%. The expected future real rates of return are shown below. Inflation is expected to be 2.25% the best estimate of arithmetic real rates of return for each major asset class included in the ISPP OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table.

State Police Plan Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad US Equity	29.0	6.9
Global ex-US Equity	13.0	7.1
Domestic Fixed	17.0	3.0
High Yield	5.0	4.8
Short Duration	4.0	2.6
Cash Equivalents	2.0	2.3
Hedge Funds	25.0	5.1
Real Estate	5.0	5.8
Total	**100.0**	

The discount rate used to measure the total OPEB liability for SPP was 6.20 percent as of June 30, 2020 and applied to all periods of projected benefit payments to determine the total OPEB liability. There was no change in the discount rate from the 2019 to the 2020 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that the State will continue to make contributions equal to the benefit payments each year plus additional prefunding contributions of $17.5 million per year (based on actual pre-funding contributions over the past four years) until the trust is sufficient to pay all future benefits. The discount rate of 6.20 was used in calculating the actuarially determined contribution for this plan.

For CEPP for the June 30, 2020 valuation, the long-term expected rate of return on OPEB plan investment is 6.20% which is based on the asset allocation being similar to the investment of the ISP OPEB Trust. Inflation is expected to be 2.25%. The best estimates of arithmetic real rates of return for each major asset class included in the CEPP OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Conservation & Excise Officers Plan Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad US Equity	29.0	6.9
Global ex-US Equity	13.0	7.1
Domestic Fixed	17.0	3.0
High Yield	5.0	4.8
Short Duration	4.0	2.6
Cash Equivalents	2.0	2.3
Hedge Funds	25.0	5.1
Real Estate	5.0	5.8
Total	**100.0**	

The discount rate used to measure the total OPEB liability for CEPP was 6.20 percent as of June 30, 2020 and applied to all periods of projected benefit payments to determine the total OPEB liability. The change in the discount rate from the 2019 to the 2020 actuarial valuations was 2.84%, raising the rate to 6.20%. The projection of cash flows used to determine the discount rate assumed that the State will continue to make contributions equal to the benefit payments each year plus additional pre-funding contributions of $2.9 million per year (based on actual pre-funding contributions over the past four years). The discount rate of 6.20% was used in calculating the actuarially determined contribution for this plan.

For LP for the June 30, 2020 valuation, the discount rate used to measure the total OPEB liability was 2.66% and applied to all periods of projected benefit payments to determine the total OPEB liability. The change in the discount rate from the 2019 to the 2020 actuarial valuations was 0.85%, lowering the rate to 2.66%.

Actuarial assumptions. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Description	SPP	ISPP	CEPP	LP
Inflation	2.00%	2.00%	2.00.%	2.00%
Salary increases	2.65% for general wage inflation plus merit and productivity increases based on the assumptions approved from the INPRS 2020 Experience Study.	Pre-1987 Plan, 3.5%. 1987 Plan as follows: Age 26, 9.0%; age 31, 6.5%, and age 36+, 4.0%	2.25% for general wage inflation plus merit and productivity increases based on the assumptions approved from the INPRS 2020 Experience Study.	2.00% for general wage inflation plus 0.65% merit and productivity increases.
Investment rate of return	3.00%	6.20%	6.20%	2.19%
Healthcare cost trend rates	8.0% decreasing 0.5% per year to an ultimate rate of 4.5%	8.0% decreasing 0.5% per year to an ultimate rate of 4.5%	8.0% decreasing 0.5% per year to an ultimate rate of 4.5%	8.0% decreasing 0.5% per year to an ultimate rate of 4.5%

For SPP, mortality rates were based on the following: For Healthy Judges/PARF employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 1-year setback for males and a 1-year setback for females. For all other healthy employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 3-year set forward for males and a 1 year set forward for females. For disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 140% load. For surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020 with no set forward for males and a 2-year set forward for females. For LP, mortality rates were based on the following: For Healthy employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 1-year setback for males and a 1-year setback for females. For disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 140% load. For surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020 with no set forward for males and a 2-year set forward for females. For ISPP and CEPP, mortality rates were based on the following: For Healthy employees and retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020 with a 3-year set forward for males no set forward for females. For disabled retirees: SOA Pub-2010 General Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020. For surviving spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020 with no set forward for males and a 2-year set forward for females.

For SPP and CEPP, the most recent comprehensive experience study was completed in February 2020 and was based on member experience between June 30, 2014 and June 30, 2019. For ISPP, the most recent comprehensive experience study was completed in July 2020 and was based on member experience between June 30, 2011 through June 30, 2019. For LP, the most recent comprehensive experience study was based on professional judgement and limited experience through 2008.

Discount Rate. For SPP for the June 30, 2021 valuation, the long-term expected rate of return on OPEB plan investment is 3.00%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.00%). The best estimates of arithmetic real rates of return for each major asset class included in the SPP OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table:

State Personnel Plan

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
U.S. Bond	100.0	1.0

The discount rate used to measure the total OPEB liability for SPP was 2.96 percent as of June 30, 2021 and applied to all periods of projected benefit payments to determine the total OPEB liability. The change in the discount rate from the 2020 to the 2021 actuarial valuations was .27%, lowering the rate to 2.96%. The projection of cash flows used to determine the discount rate assumed that the State's contributions to this plan will be made at a rate equal to the actuarially determined rate. The discount rate of 2.96% was used in calculating the actuarially determined contribution for this plan

For ISPP for the June 30, 2021 valuation, the long-term expected rate of return on OPEB plan investments is 6.20%. This was developed in consultation with the group's asset advisor using a building-block approach in which expected future rates of return are developed for each major asset class. The expected future nominal rates of return are shown below. Inflation is expected to be 2.00% the best estimate of arithmetic real rates of return for each major asset class included in the ISPP OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table.

State Police Plan Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad US Equity	31.0	6.6
Global ex-US Equity	11.0	6.8
Domestic Fixed	22.0	1.8
Short Duration	4.0	1.5
Cash Equivalents	2.0	1.0
Hedge Funds	25.0	4.0
Real Estate	5.0	5.8
Total	**100.0**	

The discount rate used to measure the total OPEB liability for ISPP was 6.20 percent as of June 30, 2021 and applied to all periods of projected benefit payments to determine the total OPEB liability. There was no change in the discount rate from the 2020 to the 2021 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that the State will continue to make contributions equal to the benefit payments each year plus additional prefunding contributions of $17.0 million per year (based on actual pre-funding contributions over the past four years) until the trust is sufficient to pay all future benefits. The discount rate of 6.20 was used in calculating the actuarially determined contribution for this plan.

For CEPP for the June 30, 2021 valuation, the long-term expected rate of return on OPEB plan investment is 6.20%. This was developed in consultation with the group's asset advisor using a building-block approach in which expected future rates of returned are developed for each major asset class. The expected future nominal rates of return as provided by the entity's investment advisor are shown below. Inflation is expected to be 2.00%. The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Conservation & Excise Officers Plan Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Broad US Equity	45.0	6.6
Global ex-US Equity	15.0	6.8
Domestic Fixed	23.0	1.8
Short Duration	5.0	1.5
Cash Equivalents	2.0	1.0
Hedge Funds	10.0	4.0
Total	**100.0**	

The discount rate used to measure the total OPEB liability for CEPP was 6.20 percent as of June 30, 2021 and applied to all periods of projected benefit payments to determine the total OPEB liability. There was no change in the discount rate from the 2020 to the 2021 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that the State will continue to make contributions equal to the benefit payments each year plus additional pre-funding contributions of $3.1 million per year (based on actual pre-funding contributions over the past five years). The discount rate of 6.20% was used in calculating the actuarially determined contribution for this plan.

For LP for the June 30, 2021 valuation, the discount rate used to measure the total OPEB liability was 2.19% and applied to all periods of projected benefit payments to determine the total OPEB liability. The change in the discount rate from the 2020 to the 2021 actuarial valuations was 0.47%, lowering the rate to 2.19%.

Changes in the Net/Total OPEB Liability

State Personnel Plan	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/19	$ 57,424	$ 46,203	$ 11,221
Changes for the year:			
Service cost	2,961	-	2,961
Interest	1,892	-	1,892
Differences between expected and actual experience	1,622	-	1,622
Changes of assumptions or other inputs	(6,835)	-	(6,835)
Contributions - employer	-	5,031	(5,031)
Net investment income	-	789	(789)
Benefit payments, including refunds of employee contributions	(4,752)	(4,752)	-
Administrative expense	-	(133)	133
Net changes	(5,112)	935	(6,047)
Balances at 6/30/20	**$ 52,312**	**$ 47,138**	**$ 5,174**

Indiana State Police	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/19	$ 198,445	$ 137,969	$ 60,476
Changes for the year:			
Service cost	5,033	-	5,033
Interest	12,530	-	12,530
Differences between expected and actual experience	(20,071)	-	(20,071)
Changes of assumptions or other inputs	(15,687)	-	(15,687)
Contributions - employer	-	21,727	(21,727)
Contributions - employee	-	846	(846)
Net investment income	-	1,276	(1,276)
Benefit payments, including refunds of employee contributions	(2,802)	(2,802)	-
Administrative expense	-	(359)	359
Net changes	(20,997)	20,688	(41,685)
Balances at 6/30/20	**$ 177,448**	**$ 158,657**	**$ 18,791**

Conservation & Excise Police Plan	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/19	$ 76,899	$ 23,723	$ 53,176
Changes for the year:			
Service cost	2,368	-	2,368
Interest	2,647	-	2,647
Differences between expected and actual experience	(7,900)	-	(7,900)
Changes of assumptions or other inputs	(23,751)	-	(23,751)
Contributions - employer	-	4,167	(4,167)
Net investment income	-	347	(347)
Benefit payments, including refunds of employee contributions	(988)	(988)	-
Administrative expense	-	(77)	77
Net changes	(27,624)	3,449	(31,073)
Balances at 6/30/20	**$ 49,275**	**$ 27,172**	**$ 22,103**

Legislature Plan	Increase (Decrease) Total OPEB Liability (a)
Balances at 6/30/19	$ 8,090
Changes for the year:	
Service cost	43
Interest	277
Differences between expected and actual experience	(270)
Changes of assumptions or other inputs	464
Benefit payments, including refunds of employee contributions	(494)
Net changes	20
Balances at 6/30/20	**$ 8,110**

Changes since last year's valuation, which was for the fiscal year ending June 30, 2019 are as follows:

For SPP, the mortality, termination, retirement rate, and payroll growth assumptions have been updated based on the revised tables presented in the INPRS 2020 Experience Study. The mortality, retirement rate, and payroll growth updates led to slight decreases in liabilities, while the termination update led to an increase in liabilities. The health care coverage election rate has been updated from 40% to 35% for employees that are eligible for a normal, unreduced or disability pension under PERF and from 15% to 10% for employees with health coverage that are not eligible for a normal, unreduced or disability pension under PERF. The change led to a reduction in liabilities. The spousal coverage election rate has been updated from 70% for male employees and 55% for female employees to 20% for male employees and 15% for female employees. This change led to a slight decrease in liabilities

For ISP, the disability assumption has been updated to follow the table presented for the Conservation and Excise Police in the INPRS 2020 Experience Study. This change led to a slight decrease in liabilities. The mortality assumption has been updated to follow the table presented for the '77 Fund in the INPRS 2020 Experience Study. This change led to decrease in liabilities. The payroll growth assumption has been updated to follow the table used in the July 1, 2020 pension valuation for the Indiana State Police. This change led to a decrease in liabilities.

For CEPP, the mortality, retirement rate, disability, and payroll growth assumptions have been updated based on the revised tables presented in the INPRS 2020 Experience Study. The retirement and disability updates led to an increase in liabilities, while the mortality and payroll growth updates led to a decrease in liabilities. The spousal coverage election rate has been updated from 85% for male employees and 25% for female employees to 85% for male employees and 15% for female employees. This change led to a slight decrease in liabilities.

For LP, the mortality and payroll growth assumptions have been updated based on the revised tables presented in the INPRS 2020 Experience Study. The mortality update led to a decrease in liabilities, while the payroll growth update led to a slight increase in liabilities. The health care coverage election rate has been updated from 40% to 35% for employees that are eligible for a normal, unreduced or disability pension under PERF and from 15% to 10% for employees with health coverage that are not eligible for a normal, unreduced or disability pension under PERF. The change led to a slight reduction in liabilities. The spousal coverage election rate has been updated from 100% for all employees to 95% for male employees and 50% for female employees. This change led to a slight decrease in liabilities.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability for the three OPEB plans administered through trusts calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

June 30, 2020 valuation:

State Personnel Plan	Net OPEB Liability	
1% Decrease (2.23%)	Current Rate (3.23%)	1% Increase (4.23%)
9,584	5,174	1,128

State Police Plan	Net OPEB Liability	
1% Decrease (5.20%)	Current Rate (6.20%)	1% Increase (7.2%)
38,456	18,791	1,819

Conservation & Excise Officers Plan		
	Net OPEB Liability	
1% Decrease (5.20%)	Current Rate (6.20%)	1% Increase (7.20%)
29,255	22,103	16,261

June 30, 2021 valuation:

State Personnel Plan		
	Net OPEB Liability	
1% Decrease (1.96%)	Current Rate (2.96%)	1% Increase (3.96%)
21,663	15,860	10,557

State Police Plan		
	Net OPEB Liability	
1% Decrease (5.20%)	Current Rate (6.20%)	1% Increase (7.2%)
9,103	(9,290)	(25,261)

Conservation & Excise Officers Plan		
	Net OPEB Liability	
1% Decrease (5.20%)	Current Rate (6.20%)	1% Increase (7.20%)
28,534	20,846	14,553

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability for the LP OPEB plan that is not administered through a trust calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

Legislature Plan		
	Total OPEB Liability	
1% Decrease (1.66%)	Current Rate (2.66%)	1% Increase (3.66%)
9,207	8,110	7,219

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability for the three OPEB plans administered through trusts calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

June 30, 2020 valuation:

	Net OPEB Liability		
	1% Decrease (6.5% decreasing to 3.5%)	Current Rate (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
SPP	(625)	5,174	12,107
ISP	(1,029)	18,791	42,369
CEPP	15,228	22,103	30,772

June 30, 2021 valuation:

	Net OPEB Liability		
	1% Decrease (7.0% decreasing to 3.5%)	Current Rate (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%)
SPP	9,036	15,860	23,974
ISP	(26,756)	(9,290)	11,340
CEPP	13,915	20,846	29,529

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability for the LP OPEB plan that is not administered through a trust calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

Legislature Plan		
	Total OPEB Liability	
1% Decrease (6.5% decreasing to 3.5%)	Current Rate (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
7,183	8,110	9,230

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OEPB

State Personnel Plan - For the year ended June 30, 2021 the State recognized OPEB expense of $3.6 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,096	$ 3,047
Changes of assumptions or other inputs	2,002	6,524
Net difference between projected and actual earnings on OPEB plan investments	1,218	-
Employer's contributions to the OPEB plan subsequent to the measurement date of the net OPEB liability	4,559	-
Total	$ 13,875	$ 9,571

Deferred outflows of resources in the amount of $4.6 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	88
2023	88
2024	(95)
2025	(188)
2026	597
Thereafter	(745)

Indiana State Police Plan - For the year ended June 30, 2021 the State recognized OPEB income of $22.5 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 85,539
Changes of assumptions or other inputs	-	76,668
Net difference between projected and actual earnings on OPEB plan investments	8,315	-
Employer's contributions to the OPEB plan subsequent to the measurement date of the net OPEB liability	22,970	-
Total	$ 31,285	$ 162,207

Deferred outflows of resources in the amount of $23.0 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(30,442)
2023	(30,442)
2024	(30,850)
2025	(31,251)
2026	(25,798)
Thereafter	(5,109)

Conservation & Excise Police Plan - For the year ended June 30, 2021 the State recognized OPEB expense of $1.6 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,852	$ 6,771
Changes of assumptions or other inputs	4,667	22,475
Net difference between projected and actual earnings on OPEB plan investments	650	-
Employer's contributions to the OPEB plan subsequent to the measurement date of the net OPEB liability	4,301	-
Total	$ 16,470	$ 29,246

Deferred outflows of resources in the amount of $4.3 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(2,697)
2023	(2,697)
2024	(2,768)
2025	(2,811)
2026	(2,905)
Thereafter	(3,199)

Legislature Plan - For the year ended June 30, 2021 the State recognized OPEB income of $0.2 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,509
Changes of assumptions or other inputs	572	154
Employer's contributions to the OPEB plan subsequent to the measurement date of the total OPEB liability	484	-
Total	$ 1,056	$ 1,663

Deferred outflows of resources in the amount of $0.5 million related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30:	Deferred Outflows of Resources/(Deferred Inflows of Resources)
2022	(504)
2023	(504)
2024	(122)
2025	39

Defined Contribution Plan

Plan Description. The State of Indiana sponsors one single employer defined contribution OPEB plan, the Retirement Medical Benefits Account Plan (RMBA). The plan is administered in accordance with IC 5-10-8.5. RMBA allows for certain medical care expense premiums to be reimbursed from individual accounts established for retired participants under IC 5-10-8.5-9. RMBA became effective for participants who retired on or after July 1, 2007. The plan is administered by the INPRS Board of Trustees.

Retired participants include: (a) participants who have applied to receive a normal, unreduced or disability retirement benefit. (b) participants who have completed at least ten years of service as an elected or appointed officer on their last day of service.

Individual account balances are comprised of annual contributions and earnings on investments after deduction of costs to manage the plan. Annual contributions range between five hundred and one thousand four hundred dollars, based on the participant's age while in service. Individual account balances are reset after a break in service of more than 30 days. IC 5-10-8.5-16 provides a one-time credit for an additional contribution to a participant's account, if, by June 30, 2017, the participant was eligible for an unreduced pension benefit and had completed at least 15 years of service or had completed 10 years of service as an elected or appointed officer. The one-time additional contribution is credited to a participant's account after the participant's last day of service. Participants lose their right to this one-time contribution if there is a break in service for more than 30 days between July 1, 2007 and June 30, 2017.

Contributions for self-funded agencies and employees not funded by the state budget is recovered by an annual charge per employee determined each year. The annual charge for FY 2021 was one thousand twenty-six dollars, which was due by June 30. The remaining funding is through appropriation of cigarette taxes (IC 6-7-1-28.1(7)) received throughout the year.

The Plan administrator reimburses premiums for medical, dental, vision and long-term care for retired participants and their spouses and dependent children. The reimbursements are deducted from the participant's individual account balance and end when the participant's individual account balance is exhausted. If a retired participant dies without a surviving spouse or dependent children, unused amounts are forfeited. Forfeitures are used to reduce the contributions required from the employer.

The amount of reimbursed retiree medical expenses during the fiscal year ending June 30, 2021 was $16.7 million. As of June 30, 2021, the state owes contributions of $44.0 million to the plan to fulfill its obligation towards additional contributions per IC 5-10-8.5-16. Forfeitures of retiree medical benefits for the fiscal year ending June 30, 2021 totaled $10.7 million.

As of June 30, 2021 participation in the plan was as follows:

Inactive employees or beneficiaries currently receiving benefit payments	7,871
Active employees	28,912
Total	**36,783**

Financial report. INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

A summary of the OPEB amounts disclosed in the notes is provided in the following table.

Plan	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
OPEB DB						
SPP	$ 52,311	$ 47,137	$ 5,174	$ 13,875	$ 9,571	$ 3,570
ISP	177,448	158,657	18,791	31,285	162,207	(22,513)
CEPP	49,275	27,172	22,103	16,470	29,246	1,573
LP	8,110	-	8,110	1,056	1,663	(184)
Total OPEB DB	**287,144**	**232,966**	**54,178**	**62,686**	**202,687**	**(17,554)**
RMBA-DC	44,041	-	44,041	-	-	13,156
Total OPEB	**$ 331,185**	**$ 232,966**	**$ 98,219**	**$ 62,686**	**$ 202,687**	**$ (4,398)**

G. Pollution Remediation Obligations

Nature and source of pollution remediation obligations:

Five state agencies have identified themselves as responsible or potentially responsible parties to remediate forty-three pollution sites. Obligating events for the cleanup of these sites include being compelled to take action because the pollution creates an imminent danger to public health or welfare or the environment, being named by a regulator to remediate hazardous wastes and contamination, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes:

The State's total estimated liability is $35.5 million of which $3.7 million is estimated to be payable within one year and $31.8 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids/surveys, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and recognized estimation methods, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty-year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.
Estimated recoveries reducing the liability:

The estimated recoveries total $13.9 million. Of this total, $0.2 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock, bankruptcy court settlements, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), credits received for work performed on Superfund sites, and federal funds. The ELTF state law states that if insufficient funds exist to pay claims neither the State nor the Fund are liable for unpaid claims. The State recognized $3.6 million of program revenue for seven sites whose realized recoveries exceeded the pollution remediation liability.

H. Asset Retirement Obligations

GASB Statement No. 83, Certain Asset Retirement Obligations (GASB 83), establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In accordance with the statement, the State has recognized asset retirement obligations of $7.8 million as of June 30, 2021, related to decommissioning costs for various wastewater treatment plants. This obligation was recognized using the best estimate of the current value of outlays expected to be incurred based on vendor quotes and engineering estimates. Additionally, the Indiana Department of Environmental Management approves plans for each decommissioning. The corresponding deferred outflow of resources is amortized over the estimated remaining useful life of the associated tangible capital assets. These assets have remaining estimated lives ranging from zero to thirty-two years. No restricted assets are set aside for payment of the asset retirement obligations.

I. Tax Abatements

The State provides tax abatements through seven programs which are the (1) Coal Gasification Technology Investment Credit, (2) Economic Development for a Growing Economy (EDGE) Credit, (3) Hoosier Business Investment Credit, (4) Industrial Recovery Credit, (5) Research Expense Credit, (6) Venture Capital Investment Credit, and (7) Neighborhood Assistance Program Credit. The Indiana Economic Development Corporation (IEDC) approves the tax credits for programs (1) through (6). The Indiana Housing and Community Development Authority (IHCDA) approves the tax credits for the Neighborhood Assistance Program Credit. The following is a summary of these programs where the taxes abated exceeded $1 million individually or in the aggregate.

Coal Gasification Technology Investment Credit

The Coal Gasification Technology Investment Credit is created by IC 6-3.1-29. This program was created to foster job creation and higher wages, reduce air pollution as a result of the generation of electricity through fossil fuels, and promote investment in integrated coal gasification power plants and fluidized bed combustion technology. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, insurance premiums tax liability, or utility receipts tax. The credit must be claimed on the taxpayer's annual state income tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC) and is for a qualified investment in an integrated coal gasification power plant equal to the sum of 10% of the taxpayer's qualified investment for the first $500 million invested; 5% of the taxpayer's qualified investment that exceeds $500 million, only if the facility is dedicated primarily to serving Indiana retail electric or gas utility consumers. For qualified investment in fluidized bed combustion technology, the credit is equal to the sum of 7% of the taxpayer's qualified investment for the first $500 million invested; 3% of the taxpayer's qualified investment that exceeds $500 million. Qualified investment is defined as a taxpayer's expenditures for all real and tangible personal property incorporated in and used as part of an integrated coal gasification power plant or a fluidized bed combustion technology and transmission equipment and other real and personal property located at the site of an integrated coal gasification power plant or a fluidized bed combustion technology that is employed specifically to serve the integrated coal gasification power plant or fluidized bed combustion technology. In order to award a tax credit under this program, the IEDC must determine the taxpayer's proposed investment satisfies the requirements of IC 6-3.1-29. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-29. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Economic Development for a Growing Economy (EDGE) Credit

The Economic Development for a Growing Economy Credit is created by IC 6-3.1-13. This program was created to foster job creation in Indiana, job retention in Indiana, and to foster employment in Indiana of students who participate in a course of study that includes a cooperative arrangement between an educational institution and an employer for the training of students in high wage, high demand jobs that require an industry certification. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC). The amount and duration of this tax credit shall be determined by the IEDC. The credit may be stated as a percentage of the incremental income tax withholdings attributable to the applicant's project and may include a fixed dollar limitation. In the case of a credit awarded for a project to create new jobs in Indiana, the credit amount may not exceed the incremental income tax withholdings. However, the credit amount claimed for a taxable year may exceed the taxpayer's state tax liability for the taxable year, in which the excess may, at the discretion of the IEDC, be refunded to the taxpayer. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-13. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to the creation or retention of full-time, permanent jobs for Indiana residents at the project location and new capital investment in Indiana.

Hoosier Business Investment Credit

The Hoosier Business Investment Credit is created by IC 6-3.1-26. This program was created to foster job creation and create higher wages in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC) and may not exceed 10% of the taxpayer's qualified investment in a taxable year for qualified investment that is not a logistics investment and 25% of the qualified investment made in a taxable year if the qualified investment is a logistics investment. Qualified investment is defined as the amount of the taxpayer's expenditures in Indiana for the purchase of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution equipment; the purchase of new computers and related equipment; costs associated with the modernization of existing telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; onsite infrastructure improvements; the construction of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; costs associated with retooling existing machinery and equipment; costs associated with the construction of special purpose building and foundations for use in the computer, software, biological sciences, or telecommunications industry; costs associated with the purchase of machinery, equipment or special purpose buildings used to make motion pictures or audio productions; and a logistics investment as further described in IC 6-3.1-26-8.5 that are certified by the IEDC under this chapter as being eligible for the credit. The term does not include property that can be readily moved outside Indiana. In order to award a tax credit under this program, the IEDC must determine the following conditions exist, the applicant's project will raise the total earnings of employees of the applicant in Indiana or substantially enhance the logistics industry by creating new jobs, preserving existing jobs that otherwise would be lost, increasing wages in Indiana, or improving the overall Indiana economy, in the case of a logistics investment being claimed by the applicant; the applicant's project is economically sound and will benefit the people of Indiana by increasing opportunities for employment and strengthening the economy of Indiana; receiving the tax credit is a major factor in the applicant's decision to go forward with the project and not receiving the tax credit will result in the applicant not raising the total earnings of the applicant's employees in Indiana, or other employees in Indiana in the case of a logistics investment being claimed by the applicant; awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data; the credit is not prohibited by the relocation of jobs from one location in Indiana to another location in Indiana; in the case of a qualified investment that is not being claimed as a logistics investment by the applicant, the average wage that will be paid by the taxpayer to its employees (excluding highly compensated employees) at the location after the credit is given will be at least equal to one hundred fifty percent (150%) of the hourly minimum wage under IC 22-2-2-4 or its equivalent. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-26. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to the creation or retention of full-time, permanent jobs for Indiana residents at the project location and new capital investment in Indiana.

Industrial Recovery Credit

The Industrial Recovery Credit is created by IC 6-3.1-11. This program was created to foster the rehabilitation of property located within an industrial recovery site. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC) and may not exceed 15% for a plant that was in service at least fifteen years ago but less than thirty years ago, 20% for a plant that was placed in service at least thirty years ago but less than forty years ago, and 25% if a plant was placed in service at least forty years ago. Qualified investment is defined as the amount of the taxpayer's expenditures for rehabilitation of property located within an industrial recovery site. Rehabilitation is defined as the remodeling repair, or betterment of real property in any manner or enlargement or extension of real property. Plant is defined as a building or complex of buildings used, or designed and constructed for use, in production, manufacturing, fabrication, assembly, processing, refining, finishing, or warehousing of tangible personal property, whether the tangible personal property is or was for sale to third parties or for use by the owner in the owner's business. In order to award a tax credit under this program, the IEDC must consider the following factors; the level of distress in the surrounding community caused by the loss of jobs at the vacant industrial facility; evidence of support for the designation by residents, businesses, and private organizations in the surrounding community; evidence of a commitment by private or governmental entities to assist in the financing of improvements or redevelopment activities benefiting the vacant industrial facility; whether the industrial recovery site is within an economic revitalization area designated under IC 6-1.1-12.1. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-11. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to new capital investment in Indiana within the statutory parameters.

Research Expense Credit

The Research Expense Credit is created by IC 6-3.1-4. The program was created to incentivize research investment in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The program is administered by the Indiana Department of Revenue (DOR), with the exception of the aerospace technology portion which is administered by the Indiana Economic Development Corporation (IEDC). The credit may be calculated one of two ways, listed below, as elected by the taxpayer. For Indiana qualified research expense incurred after December 31, 2007, the credit is equal to 15% of the Indiana qualified research expense less the taxpayer's base amount of Indiana qualified research expense, up to $1 million. For qualified research expense in excess of $1 million, the credit amount is equal to 10%. For Indiana qualified research expense incurred after December 31, 2009, the taxpayer's research expense tax credit is equal to 10% of the part of the taxpayer's Indiana qualified research expense for the taxable year that exceeds 50% of the taxpayer's average Indiana qualified research expense for the 3 taxable years preceding the taxable year for which the credit is being determined. If the taxpayer did not have Indiana qualified research expense in any 1 of the 3 taxable years preceding the taxable year for which the credit is being determined, the amount of the research expense tax credit is equal to 5% of the taxpayer's Indiana qualified research expense for the taxable year. Indiana qualified research expense is defined as qualified research expense that is incurred for research conducted in Indiana. Qualified research expense means qualified research expense as defined in Section 41(b) of the Internal Revenue Code. The tax credit will be recaptured if the DOR determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-4. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Venture Capital Investment Credit

The Venture Capital Investment Credit is created by IC 6-3.1-24. This credit was created to improve access to capital for fast growing Indiana companies by providing individual and corporate investors an incentive to invest in early-stage firms. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, insurance premiums tax, or state gross retail and use tax liability. The credit must be claimed on the taxpayer's state income tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC) and is equal to 20% of the taxpayer's qualified investment capital provided to the qualified Indiana business or $1.0 million, whichever is less. Starting on January 1, 2022, the credit will be equal to 25% of the taxpayer's qualified investment capital, up to $1.0 million for qualified Indiana businesses, or 30% up to $1.5 million for qualified Indiana businesses that are women- or minority-owned. Qualified Indiana business is defined as an independently owned and operated business that is certified as a qualified Indiana business by the IEDC. Qualified investment capital is defined as debt or equity capital that is provided to a qualified Indiana business. However, the term does not include debt that is provided by a financial institution (as defined in IC 5-13-4-10) after May 15, 2005 and is secured by a valid mortgage, security agreement, or other agreement or document that establishes a collateral or security position for the financial institution that is senior to all collateral or security interests of other taxpayers that provide debt or equity capital to the qualified Indiana business. In order to award a tax credit under this program, the IEDC must certify the taxpayer's proposed investment plan. The proposed investment plan must include the name and address of the taxpayer, the name and address of each proposed recipient of the taxpayer's proposed investment; the amount of the proposed investment; a copy of the certification issued by the IEDC stating the business being invested in is a qualified Indiana business, and any other information required by the IEDC. The IEDC must determine that the proposed investment would qualify for the taxpayer credit under this program, and the amount of proposed investment would not result in the total amount of tax credits certified for the calendar year exceeding $12.5 million. The total amount of credits that may be approved by the IEDC for a calendar year may not exceed $12.5 million. Starting on January 1, 2022, the total amount of credits that may be approved by the IEDC for a calendar year may not exceed $20.0 million, with not more than $7.5 million set aside for a taxpayer's investment in a qualified Indiana investment fund. A qualified Indiana investment fund is certified by the IEDC and must have a substantial presence in Indiana. The credit is equal to 20% of the taxpayer's qualified investment capital, up to $5 million. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-24. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Neighborhood Assistance Program Credit

The Neighborhood Assistance Program (NAP) Credit is created by IC 6-3.1-9. The IHCDA distributes state tax credits to eligible non-profit organizations through an application approval process that they use to raise funds for their activities of community services, crime prevention, education, job training, and neighborhood assistance in economically disadvantaged areas or households. Each fiscal year, NAP State tax credits are capped at $2.5 million and the maximum credit per donor is $25,000. NAP tax credits are distributed to donors at 50% of the contribution amount and are subtracted from a donor's adjusted gross income or financial institutions tax liability on their annual state income tax returns. Unused portions of the credit may not be carried forward or carried back and the credit is nonrefundable. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

The state tax abatements for the fiscal year ended June 30, 2021 are:

Tax Abatement Program	Amount of Taxes Abated
Coal Gasification Technology Investment Credit	
Corporate Income Tax	$ 15,000
Economic Development for a Growing Economy (EDGE) Credit	
Individual Income Tax	9,640
Corporate Income Tax	72,277
Hoosier Business Investment Credit	
Individual Income Tax	1,151
Corporate Income Tax	6,613
Industrial Recovery Credit	
Individual Income Tax	10,257
Corporate Income Tax	12,166
Neighborhood Assistance Credit	
Individual Income Tax	2,355
Corporate Income Tax	(D)
Research Expense Credit	
Individual Income Tax	31,234
Corporate Income Tax	61,256
Venture Capital Investment Credit	
Individual Income Tax	4,179
Corporate Income Tax	104

(D) - *Non-disclosable per Indiana Code 6-8.1-7-2.*