



INDIANA PERF AND TRF ANNUITY SAVINGS ACCOUNT

TYPE OF PLAN: Mandatory Combined Plan

YEAR EFFECTIVE: 1997 (year in which plans were allowed to invest in equities).

WORKERS COVERED: All general employees and teachers hired after 1955 are covered by a defined benefit plan and are required to contribute to an annuity savings account (ASA).

ACTIVE PARTICIPANTS: 149,877 general employees (as of 2010); 72,872 teachers (as of 2010).

CONTRIBUTION RATE: Members contribute no less than 3 percent of salary and no more than 13 percent directly to their ASA; they do not contribute to the defined benefit plan. For 2010, the state contributed 7 percent to both the public employees' and teachers' defined benefit plans. In some cases, the state may also make the mandatory 3 percent contribution to an employee's ASA account on the employee's behalf.

VESTING SCHEDULE: State contributions are fully vested after 10 years of service.

INVESTMENT OPTIONS: Prior to 1997, equity investments were prohibited. Today, members have eight investment options, including six index funds, a fund that guarantees a pre-determined return, and a default target-date fund.

ORIGIN OF PLAN: Indiana's retirement plan has included both a defined benefit and defined contribution component since 1955. However, neither pension fund was allowed to invest in equities. The rate of return on the defined contribution ASAs was predetermined by the state.

The change to allow state pension funds to invest in equities was a result of a 1996 voter referendum. Similar referendums had failed in 1986 and 1990. The 1996 passage was likely influenced by the economic boom and bull market of the 1990s.

The Guaranteed Fund, which had been the single investment option for an ASA before the switch, gave a risk-free return of 9 percent in 1997. Over the next decade, this rate declined. During the 2008 and 2009 fiscal years, the guaranteed returns for general employees and teachers were 6 percent and 5.5 percent, respectively. The return for both groups was lowered to 1.75 percent in 2011.

LEARN MORE

- Indiana Public Employees' Retirement Fund. Online at: <http://www.in.gov/perf>.
- Indiana Teachers' Retirement Fund. Online at: <http://www.in.gov/trf>.