Indiana Public Retirement System

INPRS
INDIANA PUBLIC RETIREMENT SYSTEM

2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Investment Section

Investment Results – Consolidated Defined Benefit Assets

Investment Results – Annuity Savings Accounts and Legislators' Defined Contribution Plan

Verus

August 18, 2015

Board of Trustees
Indiana Public Retirement System
One North Capitol Avenue
Indianapolis, IN 46204

Dear Trustees:

Verus Advisory is pleased to provide the Board of Trustees of the Indiana Public Retirement System ("INPRS") with an overview of the market environment for the fiscal year ended June 30, 2015 as well as an update on performance and a summary of Portfolio changes.

Investment Landscape

Sluggish global growth, continued easy monetary policies and sharp declines in commodity markets created a challenging climate for most well diversified investment portfolios, INPRS being no exception.

The U.S. continued a moderate recovery during fiscal year 2015, with improving consumer confidence, unemployment and GDP growth rates, marking the U.S. as an outlier in the struggling global economy. Despite a challenging winter and west-coast port closures, real year-over-year GDP growth ended at 2.3 percent in the U.S., a rate that continued to outpace other developed economies. Sustained improvement in unemployment and payroll numbers also indicated a strengthening U.S. labor force as broad unemployment fell to 5.4 percent while consumer confidence reached levels not seen since 2005. Despite improving fundamental indicators, concerns remained that headline numbers are masking underlying structural issues in the United States; broad unemployment (U6) persisted at elevated levels and wage growth has remained stagnant.

Largely attributable to this improving economic backdrop at home and relative weakness globally, domestic equities led all major asset classes during the fiscal year returning 7.3 percent as proxied by the Russell 3000. Unlike past years, there was wide dispersion amongst market capitalization and style tilts during fiscal year 2015; small-cap growth assets as proxied by the Russell 2000 Growth returned 12.3 percent while large-cap value assets returned only 4.1 percent as measured by the Russell 1000 Value. Valuations continue to look rich in the U.S., suggesting strong earnings growth is needed to support equity markets; the S&P 500 Shiller P/E ratio rose 5 percent during fiscal year 2015, ending at 26.8 versus a 30 year average of 23.6.

Continued speculation around the timing of a Fed rate hike resulted in a modestly flattened U.S. Treasury yield curve compared to fiscal year end 2014. Broadly speaking, yields rose across the U.S. fixed income markets with credit spreads remaining at historically average levels. Global sovereign rates moved lower, with China being the only notable exception; this places the U.S. in the historically unusual position of being the high carry developed marketplace. Inflation expectations, while volatile, fell modestly over the course of the fiscal year with the five year U.S. implied inflation rate ending at 1.6 percent; CPI over the course of the fiscal year ended at 0.1 percent.

Quantitative easing across Europe and Japan, as well as a large decline in commodity prices, devalued many currencies relative to the U.S. dollar; over the course of the year the dollar appreciated 17 percent relative to a trade-weighted basket of currencies. The dollar's strength posed a challenge for many U.S. investors with international equity exposure as gains in many of these markets were significantly reduced or eliminated completely when converting returns back to the U.S. dollar. To illustrate, dollar based investors in the MSCI EAFE Index suffered a 3.6 percent loss while the local investors achieved an 11.2 percent return over the same timeframe. Geopolitical events across Europe, significant swings in commodity prices as well as currency headwinds resulted in significant emerging market equity volatility. Tensions in Greece mounted as financial austerity requirements met the opposition of the Greek people; while limited in its economic impact, contagion risk was elevated as markets closely observed the threat of a "Grexit." The MSCI Emerging Markets Index fell 4.8 percent over the course of the fiscal year 2015.

Plan Performance[1]

The INPRS investment portfolio ("the Portfolio") earned a 0.0 percent return net of fees for the fiscal year ending June 30, 2015. While this absolute return is materially below the 6.75 percent actuarial assumed rate of return, it was slightly higher than the policy return of (0.2) percent over the same time period.

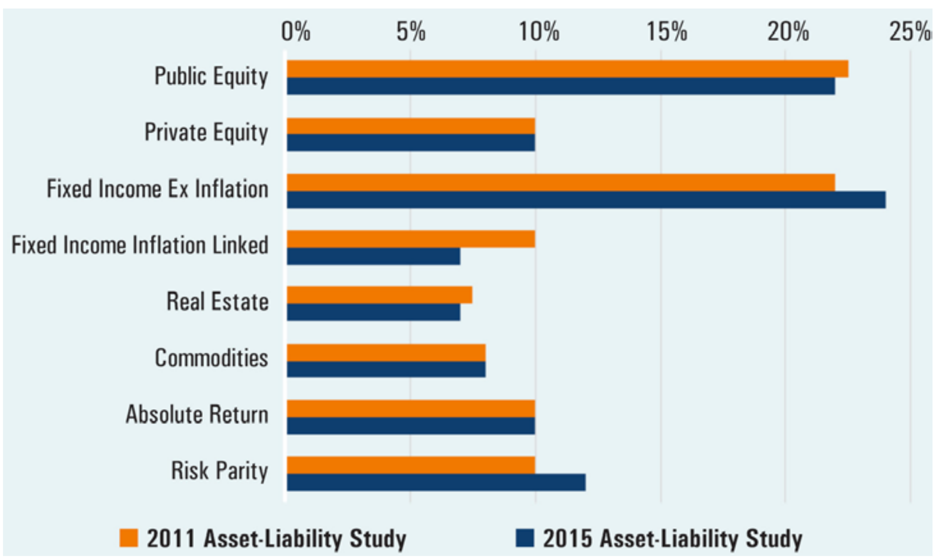
The Portfolio's investments in global public equities, private equity, absolute return and commodities outperformed their respective benchmarks. In aggregate, real estate investments appreciated 10.6 percent, underperforming the benchmark by 1.8 percent. The private equity program exceeded its benchmark for the fiscal year, returning 10.9 percent, 0.6 percent above the benchmark return. The global public equity portfolio returned 2.4 percent, outperforming its respective benchmark by 1.6 percent. Global fixed income ex-inflation underperformed its index by 1.5 percent, returning 1.5 percent while the fixed income inflation linked bond portfolio returned (0.1) percent, underperforming the benchmark by 0.1 percent. The risk parity portfolio returned (3.1) percent, underperforming the benchmark by 4.9 percent while the absolute return portfolio outperformed the benchmark by 1.4 percent, returning 3.8 percent. The Plan's worst performing asset class was the commodities portfolio which lost 30.3 percent over the course of the fiscal year, slightly outperforming its custom benchmark by 0.3 percent.

[1]Rates of return are net of fees and based on calculations made by the System's custodian, Bank of New York Mellon, and are presented using a time weighted rate of return methodology based upon market value.

For three years ending June 30, 2015, the Portfolio returned 6.4 percent net of fees on an annualized basis, outperforming its Policy benchmark by 0.2 percent. Over the five-year period ending June 30, 2015, the Portfolio returned 7.7 percent, outperforming its Policy benchmark by 0.3 percent. The trailing ten-year return for the Portfolio was 4.7 percent, which was relatively flat compared to its Policy benchmark.

Plan Activity

During fiscal year 2015, Verus performed an asset-liability study that resulted in an adjustment to the Plan's target asset allocation. The Portfolio's new allocation targets support the System's continued efforts to diversify by economic regime and thoughtfully manage risk, while balancing the need to take advantage of risk premia where it is prudent to do so. Notable changes to the portfolio include a reduction in real estate and inflation linked instruments (though increasing the duration), an increased allocation to private credit strategies, and a modest increase to risk parity. The resulting portfolio is expected to achieve higher risk-adjusted returns (Sharpe ratio) while maintaining diversification when compared to the previous targets (shown below).



All of us here at Verus appreciate the opportunity to assist the INPRS Board in meeting the Plan's investment objectives. We are confident in the direction of the portfolio given the System's demographics and fiscal strength. We look forward to continuing our partnership as we navigate ever-changing capital markets.

Sincerely,

Jeffrey J. MacLean
Chief Executive Officer

INPRS' Investment Imperatives[1]

There are three long-term imperatives that are vital for the continued health of the System. Every tactical and strategic decision that is made must have the expectation of positively contributing to those imperatives.

1. **Achieve the long term rate of return assumption.** Effective fiscal year 2013, INPRS' Board set the long-term rate of return assumption at 6.75 percent, and again this fiscal year, the Board reaffirmed 6.75 percent as the appropriate long-term assumption. In order for INPRS' Funds to maintain a healthy funded status, it is essential to achieve this rate of return over a long time period.

2. **Accomplish the first goal as effectively and efficiently as possible.** Not only is it important to achieve the long-term rate of return, or 6.75 percent; but as fiduciaries, it is also important to focus on return per unit of risk, diversification, and cost efficiency while generating a return equal to the long term rate of return assumption.

3. **Have sufficient liquidity on hand to pay beneficiaries.** INPRS is fortunate to have a highly liquid portfolio. The current liquidity profile is more than sufficient to match the beneficiary payment requirements of the Fund. Nevertheless, this is an imperative on which we will remain vigilant.

Year in Review[2]

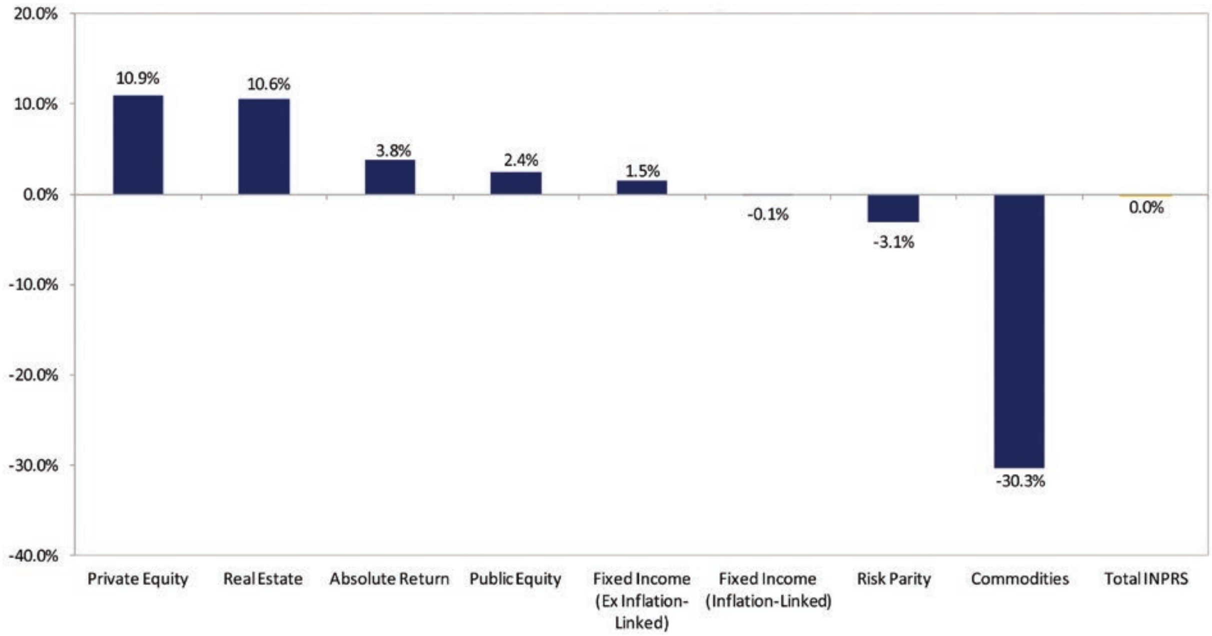
Fiscal year 2015 differed from fiscal year 2014 in several ways. Overall, performance was basically flat, at 0.0 percent in fiscal year 2015 compared to 13.7 percent the previous fiscal year. Fittingly, the average of the two years was nearly equal to our long-term rate of return assumption of 6.75 percent. Not only was there a substantial difference in returns when comparing fiscal year 2014 to fiscal year 2015, but also a large disparity among the returns generated by the different asset classes exists. In fiscal year 2014, all asset classes were positive, and almost all exceeded 6.75 percent individually. By contrast, in fiscal year 2015, individual asset class returns varied significantly from positive to negative returns and above 6.75 percent to below 6.75 percent. This fiscal year, the markets demonstrated the need for diversification in an investment portfolio. Fiscal year 2015 was marked by global economic conditions that included:

- A strengthening U.S. dollar
- Fragile global growth
- The largest global Central Banks (excluding the United States) easing monetary policy
- Low inflation globally
- Substantial decline in energy prices
- The U.S. Federal Reserve ending quantitative easing and preparing markets for potential forthcoming interest rate increases
- A debt crisis in Greece reemerging as a concern

[1]For more detail, see the INPRS Investment Policy Statement, Section 4 – Guiding Principles.
[2]Rates of return are based on calculations made by the System's custodian, Bank of New York Mellon, and are presented using a time-weighted rate of return methodology based upon market value.

As a result of the aforementioned market conditions, the individual asset classes and INPRS Consolidated Defined Benefit plan in total generated the following returns:

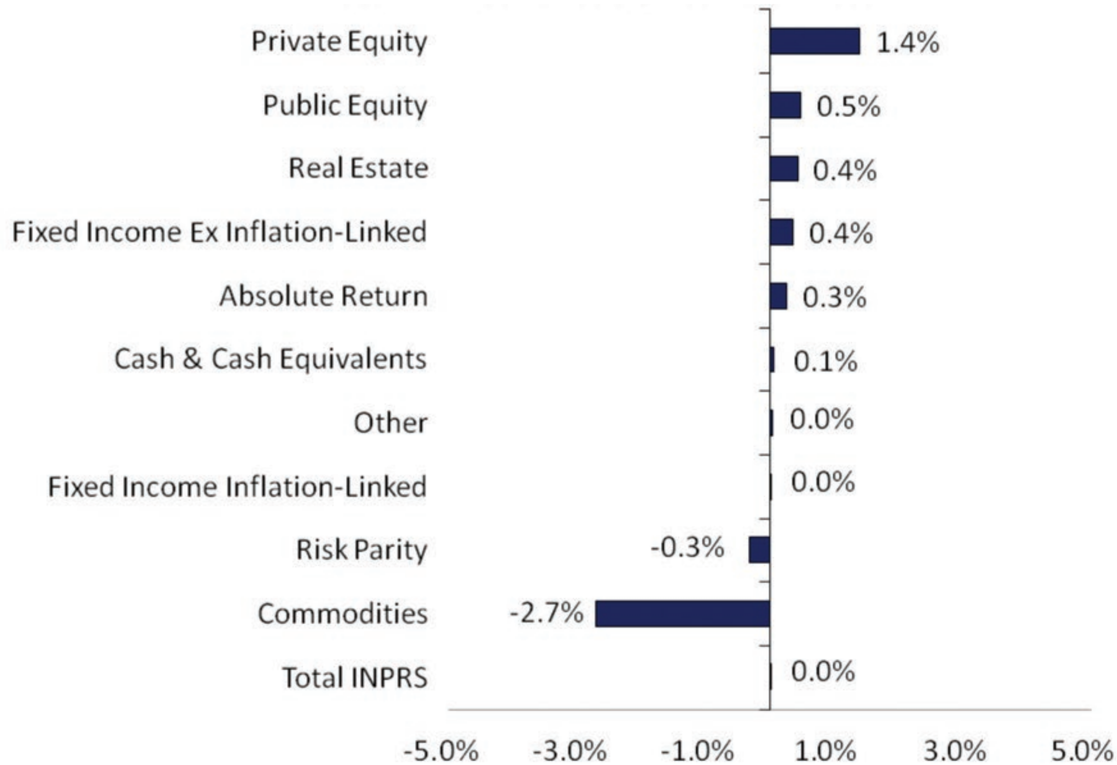
INPRS Fiscal Year 2015
Net of Fees Total Return



The best performing asset classes were the alternative investments led by Private Equity and Real Estate. The Absolute Return portfolio also managed to outperform all traditional asset classes. The traditional asset class returns that include Public Equity (stocks) and Inflation and Ex-Inflation Linked Fixed Income (bonds) were uninspiring given the global economic conditions previously discussed. Commodities were the worst performing asset class returning (30.3) percent after appreciating 12.8 percent last fiscal year. Commodities performed poorly due to a global oversupply of energy, the strengthening of the U.S. dollar (commodities are priced in dollars), and concerns regarding China's growth moving forward.

The chart above demonstrates the absolute return of each asset class; while the chart on the next page takes into account the weight of each asset class in the portfolio as well as its return in order to show the contribution to total return that each asset class provided. Despite the large negative return from Commodities, the flat overall performance of the Consolidated Defined Benefit is a result of the portfolio diversification INPRS employs.

Fiscal YTD Contribution to Total Return
As of June 30, 2015[1]



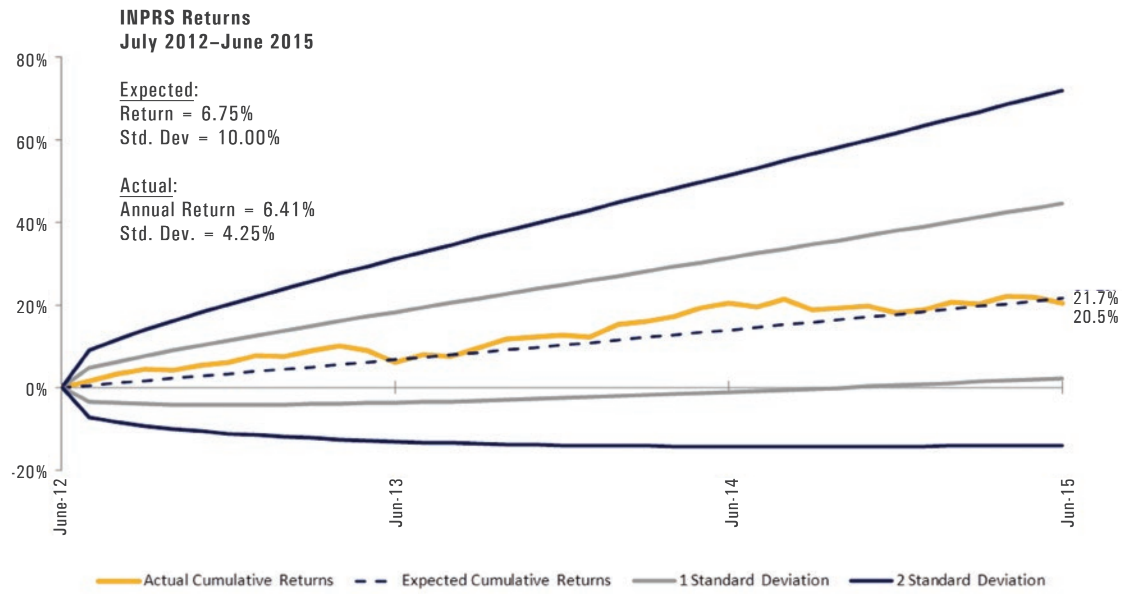
[1]The sum total of contribution to return at the asset class level may differ from the reported portfolio-level return due to rounding at the asset class level.

In fiscal year 2015, INPRS produced a return that was 0.2 percent above its dynamic benchmark, net of all fees. That equates to approximately $37 million of added value over a portfolio of merely passive investments. Outside of alternative investments, the Fixed Income portfolio did not exceed its dynamic benchmark, however, active management in the Public Equity portfolio contributed positively to performance.

Notwithstanding the tepid return this fiscal year, the Consolidated Defined Benefit assets exceeded the all-time high set in fiscal year 2014, ending the year at $24.6 billion.

In reflecting upon the first Investment Imperative and examining a longer time horizon, over the last three years INPRS has experienced a cumulative return of 20.5 percent versus a long-term rate of return target equivalent of 21.7 percent. The following chart shows the path of that cumulative return over the past three years as well as the range of outcomes that were possible given the projected volatility of INPRS portfolio. Not only has the market been less volatile than normal, but the diversified portfolio INPRS has built following the merger of PERF and TRF has also contributed to the muted volatility during this period. INPRS objective continues to be constructing a portfolio with an expected return of 6.75 percent annualized (the dotted line) with as little interim deviation around 6.75 percent annualized (movement around the dotted line) as possible. The less return volatility the portfolio incurs the more predictable and stable the contribution requirements will be for employers.

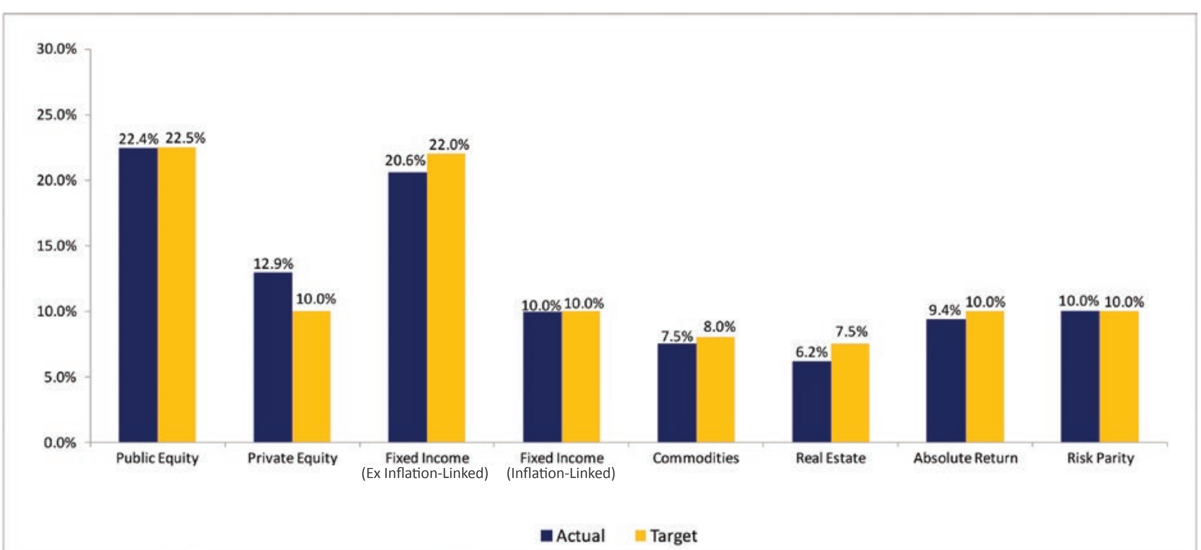
INPRS Net of Fees Cumulative Returns



With regard to the second Investment Imperative, effectiveness and efficiency, INPRS continued to negotiate fees and cut costs where possible. To that same end, INPRS is investigating the merits of managing assets internally. Currently, all assets are externally managed, but a study is underway to determine if the cost savings and other benefits of managing assets internally outweigh the potential risks of the same.

Another large part of effectively and efficiently generating the target long term rate of return is linked to diversification. INPRS became more risk-diversified than it has ever been as it moved closer to its target asset allocations.

INPRS Asset Allocation
As of June 30, 2015



Note: Fixed Income Ex Inflation-Linked is shown exclusive of Cash and Cash Equivalents

Over the course of fiscal year 2015 INPRS, with the assistance of its general investment consultant, Verus, conducted an asset-liability study. The study culminated with the Board approving an asset allocation that incorporates only slight changes to the prior asset allocation targets. Despite the expectation that the new asset allocation will provide a slightly better expected return and Sharpe ratio, the outcome of the asset-liability study reaffirmed the path of economic diversification INPRS had previously chosen beginning in 2012 and continues to pursue.

Lastly and relative to the third Investment Imperative, liquidity, INPRS continues to hold a portfolio positioned to provide adequate liquidity. As of June 30, 2015 there were $4.0 billion identified as primary liquidity sources with investments in Money Market Sweep Vehicles and U.S. Government and Agency Securities and another $1.1 billion invested in highly liquid assets such as Large Cap Domestic Equities. Cash forecasting continued to improve in fiscal year 2015, as INPRS strives to employ greater precision in determining the optimal amount of cash to keep on-hand.

Despite a challenging global economic environment, INPRS managed to generate flat investment returns for the fiscal year, while simultaneously continuing to make ongoing strides to give itself the best opportunity to achieve its three imperatives and ensure the continued health and viability of the Fund.

Sincerely,

David C. Cooper
Chief Investment Officer

Outline of Investment Policies

The Indiana Public Retirement System's ("INPRS") Board of Trustees ("Board") serves as the ultimate fiduciary of INPRS. Indiana Code, Article 5-10.5 provides that a nine-member Board of Trustees will oversee INPRS. The nine trustees shall be appointed by the Governor, four of whom must be members of INPRS. The INPRS Board of Trustees appoints the executive director of INPRS.

The Board establishes investment policies; however, Indiana law establishes guidelines on the investment of the Fund's assets. At all times, INPRS must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

The objective of the Board's Investment Policy Statement ("IPS") is to maintain adequate funding for each retirement fund and pension system in order to provide for the payment of such fund's actuarially determined liabilities over time in a cost-effective manner. The purpose of the IPS is to support this general objective by:

- Setting forth the investment policies which the Board judges to be appropriate and prudent, in consideration of the needs and legal requirements applicable to direct investment of the assets;
- Making a clear distinction between the roles and responsibilities of the Board, Staff, and each Service Provider;
- Establishing formalized criteria to measure, monitor and evaluate the performance results of the Investment Managers;
- Communicating the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, Investment Managers, Consultants, Service Providers, employers, members and all other interested parties; and
- Serving as a review document to guide the ongoing oversight of the investments by the System and demonstrating that the Board is fulfilling its fiduciary responsibilities in the administration and management of each Retirement Fund's assets solely in the interests of such Retirement Fund's members and beneficiaries.

The Board intends for the IPS to be a dynamic document, and, as such, expects to conduct periodic reviews utilizing input from INPRS staff, consultants and other knowledgeable parties. The Board anticipates approving changes from time to time to reflect changes in any or all of: economic and market conditions, investment opportunities, the System's investment strategy, benefit provisions, and the INPRS's governance.

The Board recognizes that the allocation of assets is the most important determinant of investment rates of returns over long periods of time. The procedure for determining the allocation will consider the relevant characteristics of the liabilities and the potential assets of the Fund. An asset liability study will be conducted no less than every three years and will analyze the expected returns of various asset classes, projected liabilities, risks associated with alternative asset mix strategies and their effect on the projected market value of assets, funded status, and contributions to the Fund.

The investment portfolio includes long-term commitments to the following asset classes: Public Equity, Private Equity, Fixed Income - Ex Inflation-Linked, Fixed Income - Inflation-Linked, Commodities, Real Estate, Absolute Return, and Risk Parity. The current asset allocation, approved by the Board on October 28, 2011 is as follows:

INPRS Asset Allocation:	Target Allocation	Target Range	Benchmark
Public Equity	22.5%	+/- 2.5%	MSCI All Country World
Private Equity	10.0%	+/- 3.0%	Russell 3000 + 300bps
Fixed Income – Ex Inflation-Linked	22.0%	+/- 3.0%	Barclays Global Aggregate (USDH)
Fixed Income – Inflation-Linked	10.0%	+/- 3.0%	Custom Benchmark
Commodities	8.0%	+/- 2.0%	Custom Benchmark
Real Estate	7.5%	+/- 3.5%	NCREIF NFI-ODCE
Absolute Return	10.0%	+/- 4.0%	HFRI Fund of Funds Composite
Risk Parity	10.0%	+/- 5.0%	Custom Benchmark

Outline of Investment Policies, continued

The Board employs investment managers to implement the asset allocation through a selective and thorough search process that embodies the principles of procedural due diligence. It is the intent of the Board to encourage the participation of all qualified organizations in this process. The Board encourages investment managers to develop long-term investment strategies consistent with the guidelines outlined in the IPS, as well as governing Indiana statutes. Additionally, investment managers will adhere to and comply with the CFA Institute Global Investment Performance Standards in calculating and reporting investment performance. Performance of each manager is measured against the rate of return associated with appropriate market index benchmarks and an appropriate universe or style peer group of investment managers.

Annuity Savings Accounts (ASA) are accounts established for each member of the Plans. A member's account is credited with the legislated 3% mandatory contribution (either paid by the member or "picked-up" by the employer). The member has investment direction to several alternative funds or may direct contributions to the Guaranteed Fund. The ASA produces an additional separate benefit from the fixed-formula employer funded pension benefit to the member. The ASA investment options currently include:

1. Large Cap Equity Index Fund;
2. Small/Mid Cap Equity Fund;
3. International Equity Fund;
4. Fixed Income Fund;
5. Inflation Linked Fixed Income Fund;
6. Target-Date Retirement Funds;
7. Money Market Fund;
8. Stable Value Fund (PERF ASA Only & Legislators' Plan only);
9. Consolidated Defined Benefit Assets (Legislators' Plan only);
10. Guaranteed Fund (excluding PERF ASA Only)

The Guaranteed Fund provides a guarantee of the value of an individual's contributions plus any interest credited. The INPRS Board of Trustees annually establishes the interest crediting rate for the Guaranteed Fund based on a uniform methodology. The interest crediting rate for the Guaranteed Fund during the last 10 years is included in the Investment Highlights of this section.

The number and types of investment funds offered will be periodically reviewed by the Board in order to ensure diversity of investment alternatives, adequate and reasonable availability of investment types, and clarity and usefulness of the investment choices. ASA performance data is included in the Investment Highlights of this section.

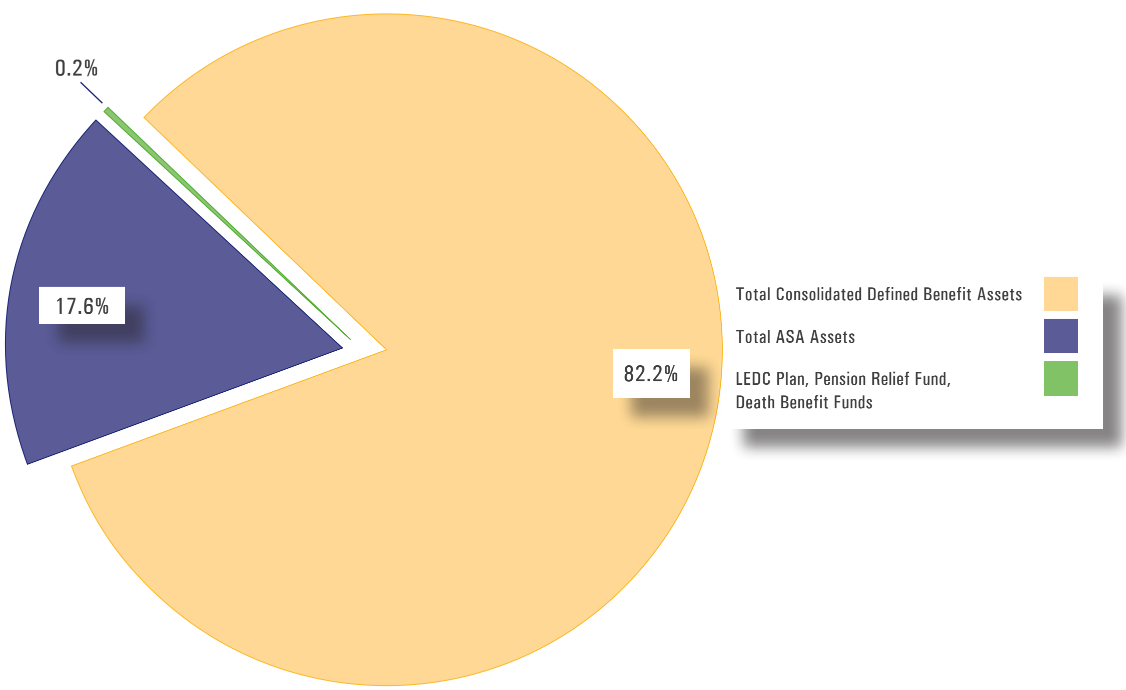
Fund Fact Sheets for the aforementioned ASA investment options, are available online at: http://www.in.gov/inprs/fundfactsheets.htm.

Investment Summary
Fiscal Year Ended June 30, 2015

(dollars in millions)

	Actual Assets	Percent
Consolidated Defined Benefit Assets:		
Defined Benefit Retirement Plans' Assets	$ 24,620.7	82.2 %
Legislators' Defined Contribution Plan (LEDC Plan)[1]	9.1	-
Total Consolidated Defined Benefit Assets	24,629.8	82.2
Annuity Savings Accounts (ASA) Assets[2]:		
Public Employees' Retirement Fund (PERF)	2,687.7	9.0
Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)	1,419.6	4.7
Teachers' Retirement Fund 1996 Account (TRF 1996)	1,168.5	3.9
Total Annuity Savings Accounts Assets	5,275.8	17.6
Legislators' Defined Contribution Plan[3]	18.4	0.1
Pension Relief Fund[4]	30.4	0.1
Death Benefit Funds[5]	13.7	-
Total Investments[6]	**$ 29,968.1**	**100.0 %**

[1]Assets represent members of the LEDC Plan who have elected the Consolidated Defined Benefit Assets option.
[2]ASA assets are directed by PERF, TRF Pre-1996 and TRF 1996 members outside the Consolidated Defined Benefit Assets.
[3]Account balances directed outside the Legislators' Consolidated Defined Benefit Assets option.
[4]Assets are invested in a Money Market Fund with Bank of New York Mellon.
[5]Includes State Employees' Death Benefit Fund and Public Safety Officers' Special Death Benefit Fund.
[6]Includes Investment Receivables, Foreign Exchange Contracts Receivables, Interest and Dividend Receivables, Securities Lending Collateral, Investment Payables, Foreign Exchange Contracts Payables, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.

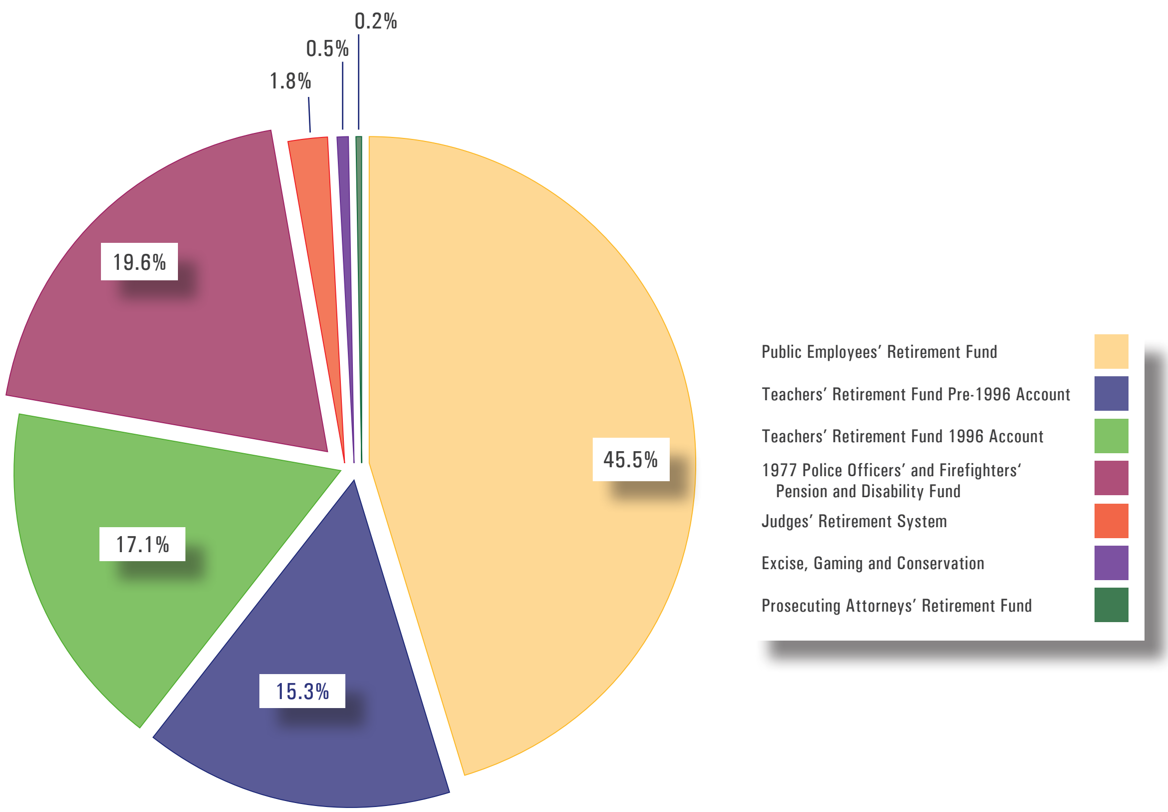


Retirement Plans in Consolidated Defined Benefit Assets Fiscal Year Ended June 30, 2015

(dollars in millions)

Retirement Plan	Amount	Percent
Public Employees' Retirement Fund	$ 11,210.3	45.5 %
Teachers' Retirement Fund Pre-1996 Account	3,766.7	15.3
Teachers' Retirement Fund 1996 Account	4,213.5	17.1
1977 Police Officers' and Firefighters' Pension and Disability Fund	4,826.2	19.6
Judges' Retirement System	437.3	1.8
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	110.1	0.5
Prosecuting Attorneys' Retirement Fund	53.4	0.2
Legislators' Retirement System – Defined Benefit Plan	3.2	-
Legislators' Retirement System – Defined Contribution Plan	9.1	-
Total Consolidated Defined Benefit Assets[1]	**$ 24,629.8**	**100.0 %**

[1]Includes Investment Receivables, Foreign Exchange Contracts Receivables, Interest and Dividend Receivables, Securities Lending Collateral, Investment Payables, Foreign Exchange Contracts Payables, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.

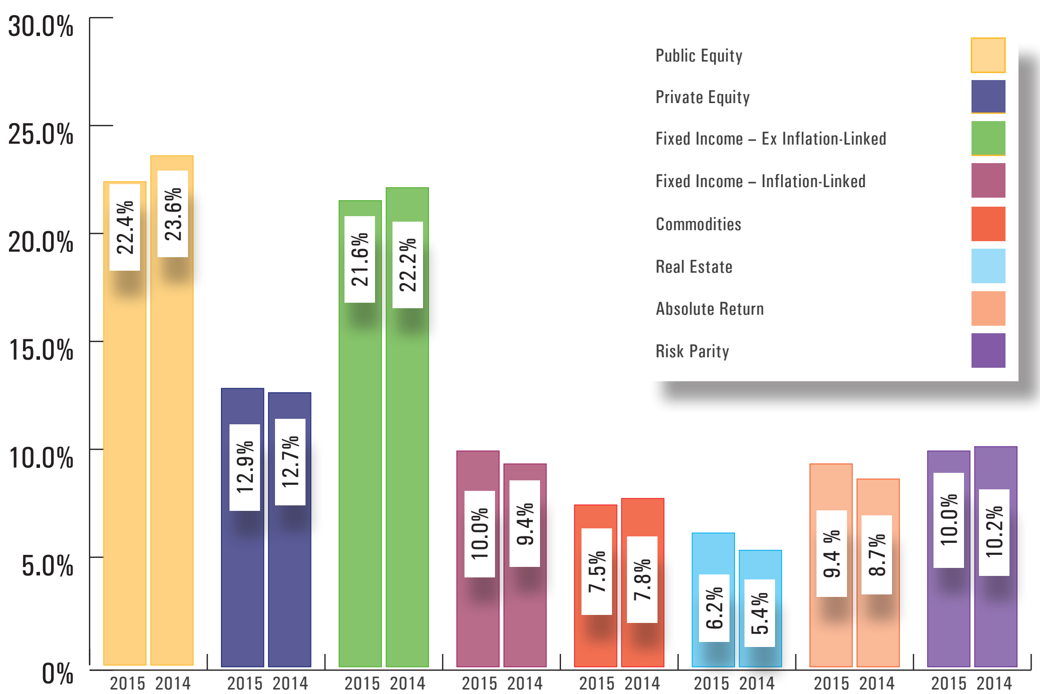


Asset Allocation Summary
June 30, 2015 Actual vs. June 30, 2014 Actual

(dollars in millions)

Asset Class	June 30, 2015 Amount	June 30, 2015 Percent	June 30, 2014 Amount	June 30, 2014 Percent
Public Equity	$ 5,521.0	22.4 %	$ 5,807.2	23.6 %
Private Equity	3,181.0	12.9	3,107.2	12.7
Fixed Income – Ex Inflation-Linked[1]	5,335.7	21.6	5,459.3	22.2
Fixed Income – Inflation-Linked	2,455.9	10.0	2,308.4	9.4
Commodities	1,850.5	7.5	1,913.4	7.8
Real Estate	1,518.9	6.2	1,338.0	5.4
Absolute Return	2,309.3	9.4	2,130.4	8.7
Risk Parity	2,457.5	10.0	2,496.4	10.2
Total Consolidated Defined Benefit Assets[2]	**$ 24,629.8**	**100.0 %**	**$ 24,560.3**	**100.0 %**

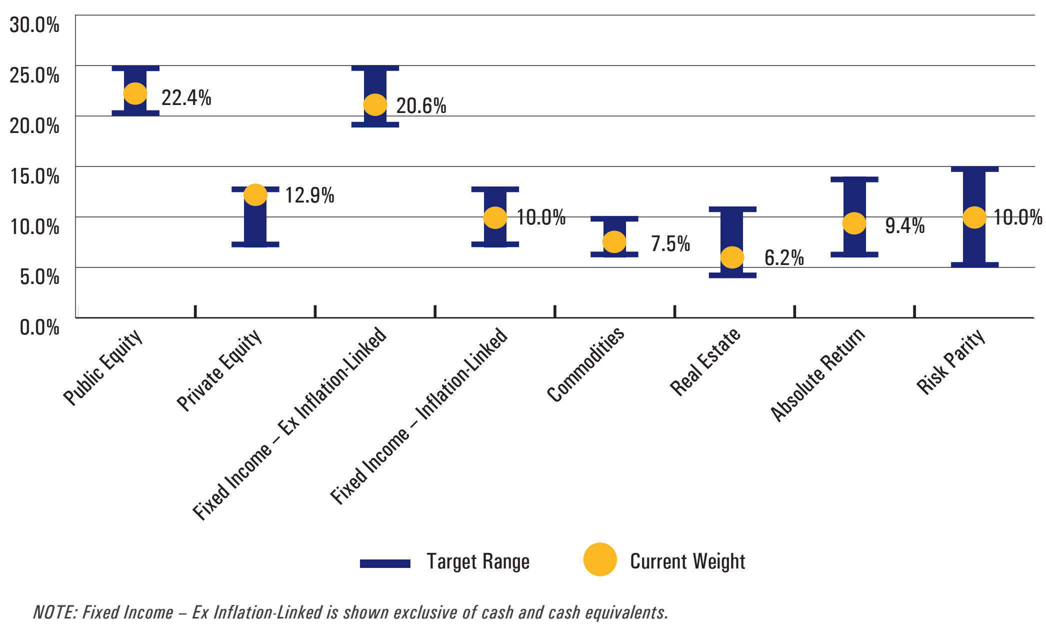
[1]Includes Cash & Cash Equivalents
[2]Amounts disclosed above will agree to the Pooled Unit Trust Investments in the Financial Section in Note 2 (H) Summary of Significant Accounting Policies. The amounts disclosed above are shown by investment strategy and will differ from the Statement of Net Position and the Summary of Investments Held in the Financial Section Note 3 (D) Cash and Investments, due to the investment strategy disclosure being related to a systematic plan to achieve returns and diversification and the Summary of Investments Held disclosure summarized by 1) the legal structure of the investments and 2) excluding Investment Receivables, Foreign Exchange Contracts Receivables, Interest and Dividend Receivables, Securities Lending Collateral, Investment Payables, Foreign Exchange Contracts Payables, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.



Asset Allocation Summary
June 30, 2015 Actual vs. Target

Asset Class	June 30, 2015 Actual	Target	Allowable Range for Investments
Public Equity	22.4 %	22.5 %	20.0 to 25.0 %
Private Equity	12.9	10.0	7.0 to 13.0
Fixed Income – Ex Inflation-Linked[1]	21.6	22.0	19.0 to 25.0
Fixed Income – Inflation-Linked	10.0	10.0	7.0 to 13.0
Commodities	7.5	8.0	6.0 to 10.0
Real Estate	6.2	7.5	4.0 to 11.0
Absolute Return	9.4	10.0	6.0 to 14.0
Risk Parity	10.0	10.0	5.0 to 15.0
Total Consolidated Defined Benefit Assets	**100.0 %**	**100.0 %**	

[1]Includes Cash & Cash Equivalents



NOTE: Fixed Income – Ex Inflation-Linked is shown exclusive of cash and cash equivalents.

Annualized Time-Weighted Rate of Return by Asset Class vs. Benchmark Returns Fiscal Year Ended June 30, 2015 (percent return)[1]

	1-Year[2]			
Asset Class	Actual Return	Benchmark Return	Actual Over / (Under) Benchmark (Pct. Points)	Benchmark
Public Equity	2.4 %	0.8 %	1.6	MSCI All Country World IMI Index (MSCI ACWI)
Private Equity	10.9	10.3	0.6	Russell 3000 Index Plus 300 Basis Points
Fixed Income - Ex Inflation-Linked	1.5	3.0	(1.5)	Barclays Global Aggregate Index (USDH)
Fixed Income - Inflation-Linked	(0.1)	0.0	(0.1)	Custom Benchmark[3]
Commodities	(30.3)	(30.6)	0.3	Custom Benchmark[4]
Real Estate	10.6	12.4	(1.8)	NCREIF Open End Diversified Core Equity Index
Absolute Return	3.8	2.4	1.4	HFRI Custom Benchmark[5]
Risk Parity	(3.1)	1.8	(4.9)	Custom Benchmark[6]
Total Consolidated Defined Benefit Assets	**0.0 %**	**(0.2) %**	**0.2**	**Custom Benchmark**

[1]Net of fees.
[2]Based on calculations made by the System's custodian, Bank of New York Mellon. Time-weighted rates of return have been reported for fiscal year 2015.
[3]Custom benchmark is a Global Inflation 70/30 where there is a 70% weight to Global Inflation-Linked Bonds (including U.S.) and a 30% weight to U.S. Inflation-Linked Bonds
[4]50% Bloomberg Commodity Index / 50% Goldman Sachs Commodity Index and a collateral component is a 75/25 blend of Global Inflation Linked Bonds (ILBs) and 90-day Treasury Bills respectively.
[5]HFRI Custom Benchmark is a weighted average of INPRS' exposure to representative HFRI sub-strategy indices
[6]60% MSCI ACWI IMI Index (Equities) / 40% Barclays Global Aggregate Bond Index (Bonds)

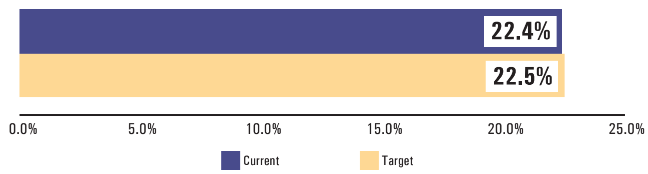
Asset Class Summary: Public Equity

Market Value as of 06/30/15	INPRS 1-Year Net Performance[1]	MSCI All Country World IMI Index 1-Year Performance
$5,521.0 Million	2.4%	0.8%

Portfolio Objective

The Public Equity portfolio seeks to provide long-term capital appreciation and income through exposure to public equity securities. INPRS uses a variety of external managers to create a globally diversified portfolio within the asset class. Historically, public equities have performed well in environments when actual economic growth came in higher than expectations and/or when actual inflation came in lower than expectations.

INPRS Allocation



Performance Attribution

The Public Equity portfolio had a return of 2.4 percent for fiscal year 2015. The portfolio outperformed the benchmark by 1.6 percent as the outperformance from the international portfolio offset the underperformance from the domestic portfolio.

Market Overview

Over the past year, global equities, as represented by the MSCI All Country World IMI Index, were up 0.8 percent. Equity markets had a low-returning year after strong performance in the previous two years. Based on the Russell 3000 Index, domestic equities were up 7.3 percent over the fiscal year. International equities were down 5.0 percent based on the MSCI ACWI ex U.S. IMI Index.

For the first quarter of the fiscal year, global equities were down 2.8 percent. Global equity markets had negative returns due to unrest in the Middle East, a volatile situation in Ukraine, and weak economic growth data coming out of Europe and China.

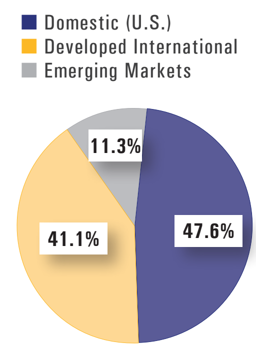
In the second quarter, global equities were up 0.6 percent, despite a farther fall in oil prices as well as concerns whether the Fed would raise interest rates. The Fed ended its quantitative easing program but still kept interest rates unchanged for the immediate term. Around the globe, central banks in most countries continued to ease monetary policy.

In the third quarter, global equities were up 2.6 percent. Central banks in the Eurozone and China eased monetary policy further and oil prices stabilized after the sharp drop in the last quarter. However, concern over the impact of the strong dollar was widely shared by CEOs and investors around the world.

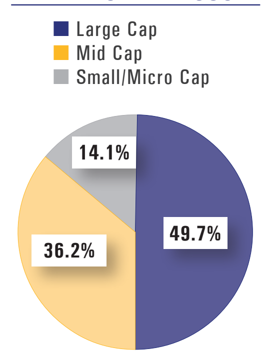
In the fourth quarter, global equities were up 0.5 percent. Economic data was mixed in the U.S. but improved toward the end of the quarter. The Eurozone came under pressure as the crisis in Greece escalated.

Portfolio Structure

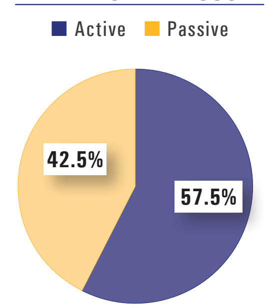
REGIONAL EXPOSURE



MARKET CAP EXPOSURE



MARKET CAP EXPOSURE



[1] *Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*

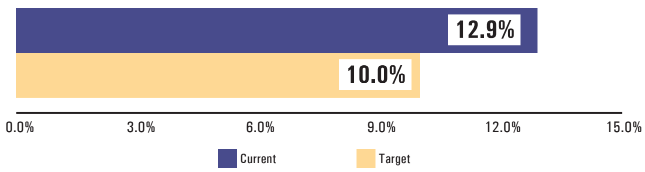
Asset Class Summary: Private Equity

Market Value as of 06/30/2015	INPRS 1-Year Net Performance[1]	Custom Benchmark 1-Year Performance[2]
$3,181.0 Million	10.9%	10.3%

Portfolio Objective

The Private Equity portfolio seeks to provide risk adjusted returns in excess of the public equity markets while simultaneously decreasing the volatility of the investment portfolio through diversification. The Private Equity portfolio is invested in the following sub-asset classes: venture and growth capital, buyout, energy, and debt related strategies.

INPRS Allocation



Performance Attribution

The Private Equity portfolio returned 10.9 percent for fiscal year 2015, outpacing its benchmark return of 10.3 percent by 0.6 percent. The Private Equity portfolio also outperformed the Cambridge Associates Pooled IRR for the one year period, 11 percent versus 10.6 percent, respectively, and since inception, 11.8 percent versus 10.7 percent, respectively.

Real assets (energy) led the way for the Private Equity portfolio returning 15.4 percent inception to date. Venture capital, buyouts, and special situations all proved to be accretive to the overall plan return generating 13.4 percent, 11.6 percent, and 10.9 percent, respectively.

The continuation of last year's supportive exit environment for private equity resulted in the Private Equity portfolio receiving positive net cash flows of $204 million. Distributions during the fiscal year totaled $750 million and contributions totaled $546 million.

Portfolio Overview

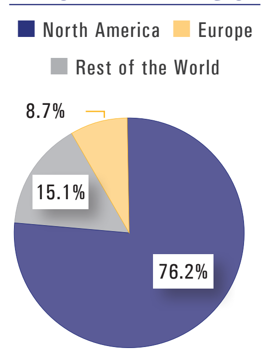
The Private Equity portfolio continues to maintain a home continent bias with 76 percent of portfolio net asset value located in North America. Investments are well diversified by sub-asset class with buyout and venture capital / growth accounting for the largest portions of the portfolio at 39 percent and 28 percent, respectively.

The portfolio continues to mature with only 4.1 percent of net asset value now coming from pre-2006 funds and a weighted average fund age of 6.5 years.

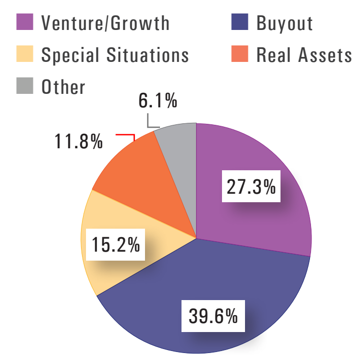
In fiscal year 2015, INPRS invested capital with six existing managers across eight investments, totaling $383.5 million of new commitments. Commitments were made to managers in the buyout, real assets, and special situations sub-asset classes.

Portfolio Structure

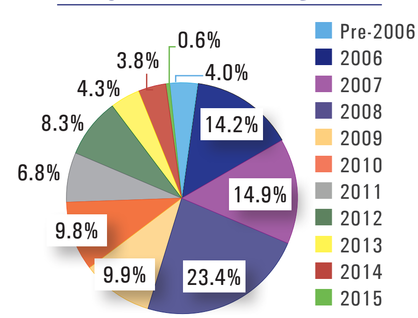
INVESTMENT BY REGION



INVESTMENT BY SUB-ASSET CLASS



INVESTMENT BY VINTAGE YEAR



[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*
[2]*Custom Benchmark is the Russell 3000 Index plus 300 basis points.*

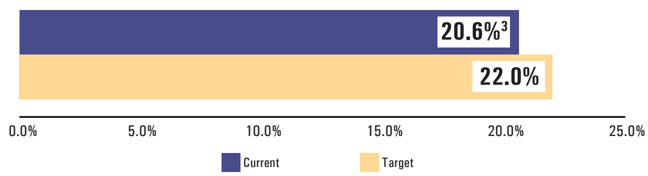
Asset Class Summary: Fixed Income – Ex Inflation-Linked

Market Value as of 6/30/2015[1]	INPRS 1-Year Net Performance[2]	Barclays Capital Global Aggregate Index 1-Year Performance
$5,335.7 Million	1.5%	3.0%

Portfolio Objective

The Fixed Income portfolio seeks to generate current income and long-term risk-adjusted return in excess of the Barclays Capital Global Aggregate Index ("Benchmark") through investment in debt securities. A focus is placed on preservation of capital. To minimize the probability of substantial principal loss over the investment horizon, the objective is to reduce portfolio volatility first and foremost while expecting to enhance portfolio returns.

INPRS Allocation



Performance Attribution

For fiscal year 2015, the Fixed Income portfolio returned 1.5 percent, underperforming its benchmark by 1.5 percent. The portfolio's overweight to longer duration government bonds and emerging markets debt were the main detractors from performance.

Market Overview

Fiscal year 2015 was a year of global growth divergence. Relative strength of the U.S. economy revived the discussion of a less accommodative Federal Reserve ("Fed") while weakness in European, Japanese and Chinese economies saw unprecedented accommodation by their respective central banks. Diverging global growth also led to significant supply and demand imbalance in the commodities markets where the likes of crude oil and copper experienced sharp decline in pricing that adversely affected commodity export countries. Continued geopolitical tension sparked by ideology and currency war further fueled market volatility.

For the first quarter, strong U.S. economic prints (e.g. increased consumer confidence, higher capacity utilization) fueled speculation of an earlier than expected Fed rate hike and significant strengthening of the U.S. Dollar against its major trading partners while the deteriorating European economy and weakening Japanese and Chinese economies drove further stimuli from their respective central banks to battle against deflation and slower growth. The Fixed Income portfolio returned 0.6% with longer duration U.S. government bonds as the main contributor to performance.

For the second quarter, crude oil price collapsed on intense competition between oil producing countries and weaker oil demand caused by diverging global growth. Global markets experienced episodes of elevated volatility with spreads of risk assets widened and currencies of emerging countries tumbling. The Fixed Income portfolio returned 2.0 percent with longer duration U.S. government bonds as the main contributor and emerging markets debt as the main detractor to performance.

For the third quarter, over 20 central banks eased monetary policy (e.g. rate cut, QE) to battle against disinflationary pressures and stimulate economic growth, with the Fed being a rare outlier due to continued strength of the U.S. economy. Performance of risk assets (e.g. EMD, HY bonds) was choppy as market participants weighed the fallout from crude oil price decline and the prospect of Fed rate hike. The Fixed Income portfolio returned 1.9 percent with longer duration U.S. government bonds and core European sovereign bonds as the main contributors to performance.

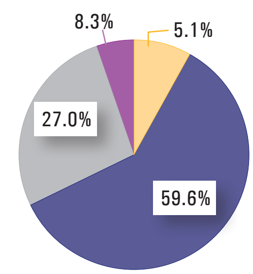
For the fourth quarter, consistently strong U.S. economic prints and recovery in core European economic growth sparked a sell-off in U.S. Treasury and core European sovereign bonds. Uncertainty over the ramifications of a disorderly Greek exit from the Eurozone caused spreads of risk assets to widen. The Fixed Income portfolio declined 2.9 percent with longer duration U.S. government bonds and core European sovereign bonds as the main detractors to performance.

Portfolio Overview

	INPRS	Benchmark
Duration to worst:	8.7 yrs	6.6 yrs
Yield to worst:	3.0%	1.7%
Credit quality:	A2 / A-	Aa3 / AA-

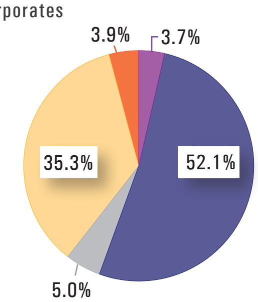
REGIONAL EXPOSURE

Domestic
Foreign - Developed
Foreign - Emerging
Foreign - Frontier



SECTOR EXPOSURE

Government
Gov't Related
Securitized
Derivatives
Corporates



[1]*Market Value includes Cash.*
[2]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*
[3]*Represents Fixed Income assets only, exclusive of cash.*

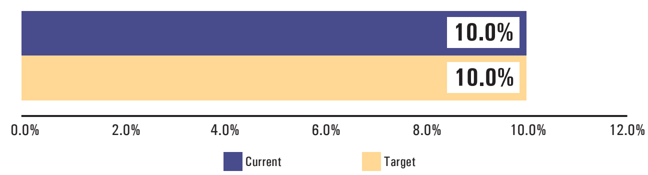
Asset Class Summary: Fixed Income – Inflation-Linked

Market Value as of 6/30/2015	INPRS 1-Year Net Performance[1]	Custom Benchmark[2] 1-Year Performance
$2,455.9 Million	(0.1)%	0.0%

Portfolio Objective

The Global Inflation-Linked Bonds ("ILBs") portfolio seeks to generate long-term risk-adjusted return in excess of the custom global inflation index ("Benchmark"), comprised of 70 percent Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index and 30 percent Barclays Capital Global Inflation-Linked Bond Index, through investment in inflation-linked securities as well as provide protection against unanticipated inflation.

INPRS Allocation



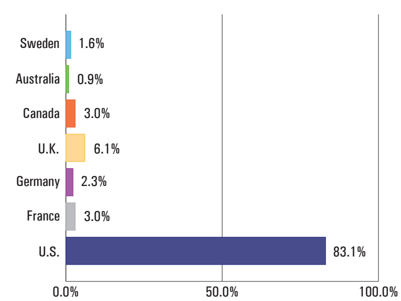
Portfolio Overview

	INPRS	Benchmark
Duration to worst:	9.7 yrs	9.1 yrs
Yield to worst:	2.0%	2.0%
Credit quality:	Aaa / AA+	Aaa / AA+

Performance Attribution

For fiscal year 2015, INPRS Global ILBs portfolio returned (0.1%) percent, underperforming its benchmark by 0.1 percent. The portfolio's overweight to U.S. TIPS was the main detractor to performance.

COUNTRY EXPOSURE



Market Overview

Fiscal year 2015 was a year of global growth divergence. Relative strength of the U.S. economy revived the discussion of a less accommodative Federal Reserve ("Fed") while weakness in European, Japanese and Chinese economies saw unprecedented accommodation by their respective central banks. Diverging global growth also led to significant supply and demand imbalance in the commodities markets where the likes of crude oil and copper experienced sharp decline in pricing that adversely affected commodity export countries. Continued geopolitical tension sparked by ideology and currency war further fueled market volatility. Global inflation and inflation expectations fluctuated but generally trended lower over this period.

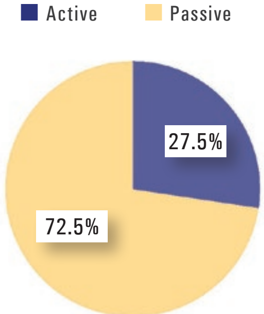
For the first quarter, strong U.S. economic prints (e.g. increased consumer confidence, higher capacity utilization) fueled speculation of an earlier than expected Fed rate hike and significant strengthening of the U.S. Dollar against its major trading partners while the deteriorating European economy and weakening Japanese and Chinese economies drove further stimuli from their respective central banks to battle against deflation and slower growth. TIPS and ILBs underperformed nominal government bonds due to decelerating global inflation and higher real yields. INPRS Global ILBs portfolio declined 1.5 percent with TIPS being the main detractor from performance.

For the second quarter, crude oil price collapsed on intense competition between oil producing countries and weaker oil demand caused by diverging global growth. Global markets experienced episodes of elevated volatility with spreads of risk assets widened and currencies of emerging countries tumbling. TIPS and ILBs underperformed nominal government bonds as breakevens narrowed. INPRS Global ILBs portfolio returned 0.5 percent with ILBs as the main contributor to performance.

For the third quarter, over 20 central banks eased monetary policy (e.g. rate cut, QE) to battle against disinflationary pressures and stimulate economic growth, with the Fed being a rare outlier due to continued strength of the U.S. economy. While subdued global inflation expectations was a headwind for TIPS and ILBs, decrease in real yields was a tailwind. INPRS Global ILBs portfolio returned 2.7 percent with ILBs as the main contributor to performance.

For the fourth quarter, consistently strong U.S. economic prints and recovery in core European economic growth sparked a sell-off in U.S. Treasury and core European sovereign bonds and drove inflation expectations higher. Although TIPS and ILBs outperformed nominal government bonds, an increase in real yields hurt absolute returns. INPRS Global ILBs portfolio declined 1.7 percent with ILBs as the main detractor from performance.

MANAGEMENT EXPOSURE



[1] *Investment performance is based on calculations made by the systems's custodian, BNY Mellon, and are time-weighted rates of return*
[2] *Custom benchmark is a Global Inflation 70/30 where there is a 70% weight to Global Inflation-Linked Bonds (including U.S.) and a 30% weight to U.S. Inflation-Linked Bonds*

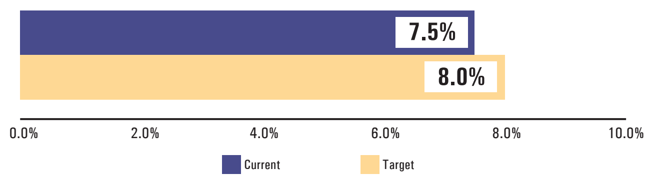
Asset Class Summary: Commodities

Market Value as of 6/30/2015	INPRS 1-Year Net Performance[1]	Custom Benchmark 1-Year Performance[2]
$1,850.5 Million	(30.3)%	(30.6)%

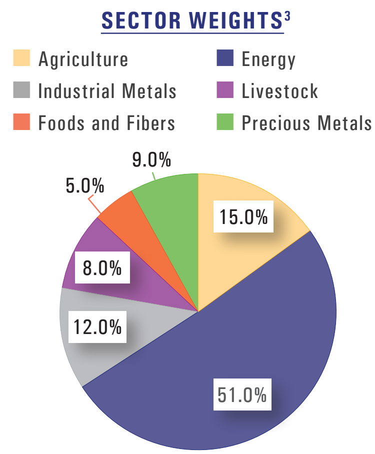
Portfolio Objective

The purpose of the Commodities portfolio is to enhance long-term risk-adjusted returns by preserving investment capital and lowering overall volatility. The portfolio should also act as a hedge against unanticipated inflation. Commodity investments have historically delivered returns that are less correlated with equity and fixed income markets which may provide an opportunity to enhance returns and/or reduce volatility.

INPRS Allocation



Portfolio Structure



Performance Attribution

The Commodities portfolio one-year total return outperformed its benchmark by 0.3 percentage points. Commodities' total return is comprised of two components: 1) commodity futures return and 2) collateral return. The one-year return for each of these components was approximately (29.8) percent and (0.5) percent, respectively.

Market Overview

INPRS' commodity exposure is approximately equal to a 50/50 blend of the Bloomberg Commodity Index ("BCOM") and the S&P Goldman Sachs Commodity Index ("GSCI"). For the fiscal year, the two indices returned (23.7) percent and (36.8) percent, respectively.

Commodity prices experienced a significant decline during the first quarter on slack demand amid lower global growth expectations, improved outlook for supplies in several key markets, and the U.S. dollar outpacing foreign currencies. All sectors moved lower during the period. Agriculture experienced the steepest loss as a result of favorable weather conditions for crop harvests, falling nearly 22 percent during the quarter.

Following strong performance in the first half of 2014, commodity markets fell sharply during the second quarter of the fiscal year, led by the precipitous decline in the energy markets. The broadly diversified BCOM was down (12.1) percent for the quarter while the more energy-focused GSCI decreased (27.7) percent. Oil markets moved sharply lower following the Organization for Petroleum Exporting Countries' announcement that it would not curtail member production quotas.

Commodities continued their decline in the third quarter, with the BCOM and the GSCI returning (5.9) percent and (8.2) percent, respectively. Commodities were again pressured by a strengthening U.S. currency, as the dollar climbed 9 percent versus a basket of foreign currencies. Concerns over global GDP growth, notably in Europe and Asia, also weighed on commodity prices during the quarter.

Commodities performed well in the fourth quarter with broad strength in Energy and Agriculture offsetting weakness in the Industrial and Precious Metal sectors. The BCOM climbed 4.7 percent, while the GSCI gained 8.7 percent. Despite macroeconomic concerns including Greece's possible exit from the Eurozone and downward revised expectations for Chinese growth, WTI Crude Oil experienced a significant increase, recovering 25 percent from a six-year low.

[1]Investment Returns are based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.
[2]Custom Benchmark is a 50/50 blend of the Bloomberg Commodity Index and the Goldman Sachs Commodity Index. The collateral component is a 75/25 blend of Global ILB's and 90-day Treasury Bills, respectively.
[3]Approximate

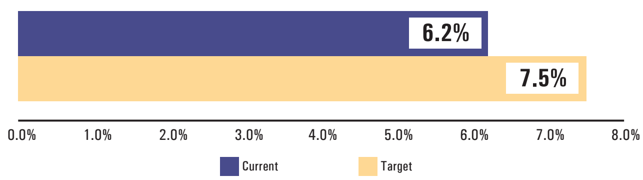
Asset Class Summary: Real Estate

Market Value as of 6/30/2015	INPRS 1-Year Net Performance[1]	NCREIF Open End Diversified Core Equity Index ("ODCE") 1-Year Performance
$1,518.9 Million	10.6%	12.4%

Portfolio Objective

The real estate portfolio is mostly comprised of investments in private real estate partnerships, and the underlying exposures are a mix of debt and equity holdings. The portfolio seeks to generate attractive risk-adjusted returns by providing stable current income and preserving investment capital. The portfolio should also reduce volatility by providing a hedge against inflation and through the diversification benefits provided by real estate investments.

INPRS Allocation



Performance Attribution

For fiscal year 2015, the real estate portfolio trailed its benchmark by 1.8 percentage points. INPRS' real estate debt portfolio accounted for all of the relative underperformance, as its real estate debt and equity portfolios returned 6.5 percent and 14.2 percent, respectively, for the period.

Market Overview

Capital continued to flow into private real estate during the fiscal year, as evidenced by a very strong year of performance. Historically low supply has aided real estate's recovery following the financial crisis, and recent tenant demand has outpaced construction with new development less than half of its historical average.

For the first quarter, the ODCE returned 3.2 percent. Positive momentum in the economy, including a strengthening U.S. labor market, contributed to optimism and above-average appreciation in private real estate during the quarter. Notwithstanding the looming prospect of higher interest rates, net operating income grew across each of the four major property types.

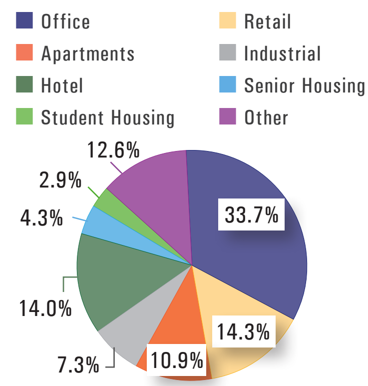
Job growth is critical for the success of all types of real estate, and the second quarter witnessed a significant increase in U.S. employment. The U.S. added an average of 324,000 jobs per month during the quarter, the best quarterly performance since 1999. Not surprising, the ODCE had another positive quarter, returning 3.3 percent. Among the major property types, Industrial was the top performer, increasing 3.9 percent during the quarter

For the third quarter, the ODCE was up 3.4 percent. Retail and Industrial were the top-performing property types, increasing 4.9 percent and 3.5 percent, respectively. The outlook for commercial real estate remained strong during the quarter, driving transaction volume up and yields on new acquisitions down. Major cities ("gateway markets"), such as New York and San Francisco, experienced the steepest declines in going-in yields.

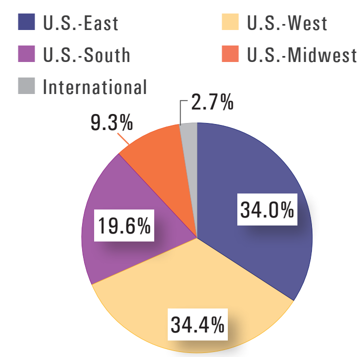
The ODCE finished the year with another strong quarter, up 3.8 percent. Industrial and Office each posted sizable gains, returning 3.8 percent and 3.1 percent, respectively. A significant contributor to Industrial's performance has been the rise of e-commerce. Increases in on-line shopping have spurred demand for warehouses and production facilities to meet the production, distribution, and shipping needs of internet retailers.

Portfolio Structure

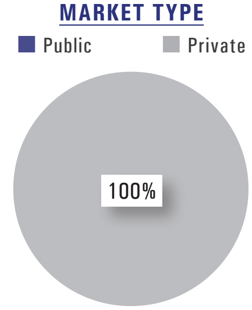
PROPERTY TYPE[2]



PROPERTY LOCATION[2]



MARKET TYPE



[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return*
[2]*Estimated*

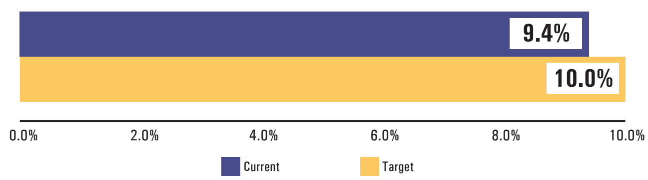
Asset Class Summary: Absolute Return

Market Value as of 6/30/2015	INPRS 1-Year Net Performance[1]	HFRI Custom[2]
$2,309.3 Million	3.8%	2.4%

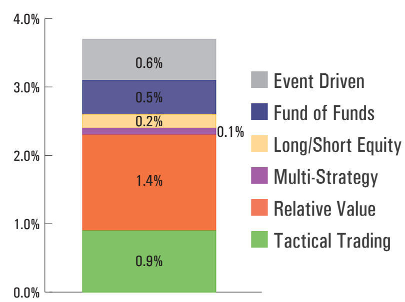
Portfolio Objective

The purpose of the Absolute Return Strategies Program is to enhance the long-term risk adjusted returns by providing diversification benefits, preserving capital, and reducing volatility. Absolute Return Strategies generate returns by exploiting mispricing and inefficiencies in global capital markets, while attempting to reduce exposures to primary market factors (e.g., interest rates and equities) through various hedging techniques. These strategies have historically delivered returns that were lowly-correlated with traditional long-only investment strategies. It is important to maintain an appropriate level of diversification among investment strategies in order to most effectively meet these stated objectives. At the end of the fiscal year, the Absolute Return portfolio was comprised of 21 managers managing investments across the strategy spectrum.

INPRS Allocation



Contribution to Performance by Strategy[4]



Performance Attribution

INPRS outperformed the HFRI Custom benchmark for the following reasons:
1) outperformance by quantitative macro and relative value strategies; and
2) less liquid event-driven strategies outperformed liquid strategies.

Market Overview

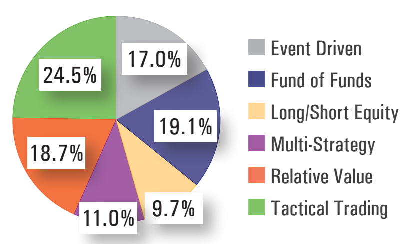
INPRS' absolute return portfolio returned 3.8 percent during fiscal 2015. The performance compares favorably to a 2.4 percent return for the custom benchmark and a 2.8 percent return for the HFRI FOF Conservative Index on an absolute basis and performed comparably on a risk-adjusted basis with a Sharpe ratio of 1.2.[2,3]

While global equities and corporate and sovereign credit in aggregate delivered low returns throughout the fiscal year, the headline story was the appreciation of the U.S. Dollar and declines across commodities markets. The speculation around the first rate hike in the U.S. amid a largely-easing rest of world sent the U.S. Dollar Index (DXY) up nearly 20.0 percent over the fiscal year. Global commodities, confronting dual headwinds on the back half of the commodities super cycle and an appreciating U.S. Dollar, lost nearly 24.0 percent.

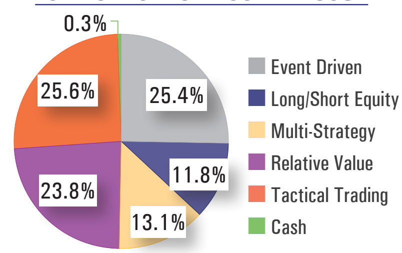
Several funds in INPRS' portfolio were able to take advantage of this dynamic either directly or via broader themes/trades linked to currency and commodity moves. Specifically, systematic macro, statistical arbitrage, and equity market neutral strategies performed well. Separately, taking advantage of greater market liquidity and search for yield, less liquid asset-backed strategies also performed well.

INPRS' fund-of-funds portfolio generated a rate of return of 2.9 percent for the fiscal year. In aggregate, these portfolios had significant tilts toward event-driven strategies, and there was significant outperformance by activist equity strategies compared to traditional event equity and credit strategies, with the latter more significantly represented in the portfolio.

Portfolio Composition



FUND OF FUNDS – LOOK-THROUGH



[1]Investment performance is based on calculations made by the systems custodian, BNY Mellon, and are time-weighted rates of return
[2]HFRI Custom benchmark is a weighted average of INPRS' exposure to representative HRFI sub-strategy indices
[3]Sharpe ratio measured performance in excess of 1-month LIBOR
[4]The sum total of sub-strategy returns may differ from the reported portfolio-level return due to rounding at the sub-strategy and portfolio levels

Asset Class Summary: Risk Parity

Market Value as of 6/30/2015	INPRS 1-Year Net Performance[1]	Custom Benchmark 1-Year Performance[2]
$2,457.5 Million	(3.1)%	1.8%

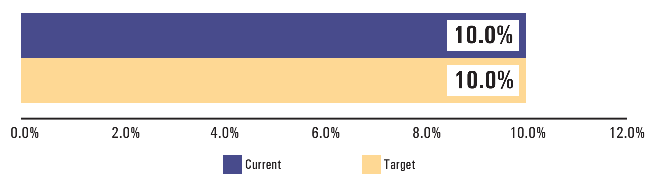
Portfolio Objective

The Risk Parity portfolio seeks to create risk balance that is capable of delivering consistent and high risk adjusted returns in several macro-economic environments. Unlike a traditional asset allocation that is highly dependent on positive equity returns, the Risk Parity portfolio is constructed to accrue various asset class risk premiums, including equity, without long-term dominance from any single asset class. As a result, the underperformance of a given asset class in a particular environment is expected to be offset by the outperformance of another asset with an opposing sensitivity to the environment.

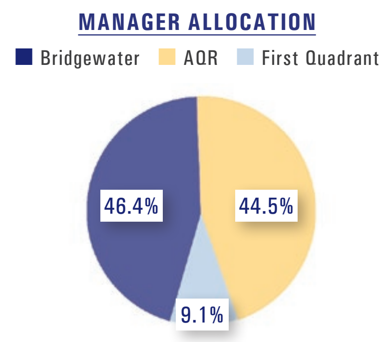
The Risk Parity portfolio rests on the following key tenets:

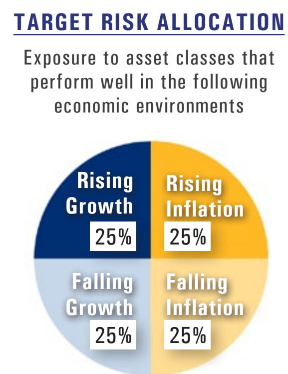
1. Over a full market cycle, most asset classes carry a risk premium, and by investing in them, investors expect to earn a return higher than that offered by cash instruments.
2. The return of a particular asset class is proportional to its risk over long periods of time (i.e., different asset classes have similar Sharpe ratios).
3. True diversification goes beyond simple capital allocation and, instead, focuses on risk allocation.
4. The main drivers of returns are growth and inflation factors and changes in risk premiums; asset classes will perform differently depending on the particular combination of such factors.

INPRS Allocation



Portfolio Structure





Performance Attribution

Lacking a passive market equivalent for the Risk Parity portfolio, INPRS continues to use the traditional portfolio of 60 percent global equities and 40 percent global bonds ("60/40 portfolio") as a benchmark for long-term return and risk comparisons, despite expectations of significant tracking error. For fiscal year 2015, the Risk Parity portfolio underperformed a 60/40 portfolio by 4.9 percent. Diversification beyond U.S. equities and bonds were not rewarded during the year, which is not the expectation over long time periods.

While equity returns have been a terrific benefit to most portfolios—including Risk Parity—over the past few years, it is worth noting the lack of volatility in equities. The S&P 500 had an intra-year decline greater than 10 percent in 17 of the 32 years prior to 2012 but has not experienced one since.[3] Given that the Risk Parity portfolio is constructed to avoid concentration in any single asset class, it is expected that the Risk Parity portfolio will typically lag a 60/40 portfolio that has concentrated equity risk during a period of such consistent equity returns.

Market Overview

In contrast to the 16 percent return from the Risk Parity portfolio last year, which benefited from positive returns across most asset classes, fiscal year 2015 was a difficult period for asset classes with a positive bias to inflation and, consequently, Risk Parity. With increasing oil supply, fears about slowing growth in China, and deflationary fears prevalent in many of the world's developed economies, commodities and U.S. TIPS struggled in 2015. These negative returns outweighed any benefit from asset classes expected to perform well in the opposing, deflationary environment (e.g. equities and nominal bonds).

[1]Based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.
[2]Comprised of 60% MSCI ACWI IMI Index (equities) & 40% Barclays Global Aggregate Bond Index (bonds).
[3]Source: J.P. Morgan Asset Management.

Historical Comparative Investment Results[1]
Fiscal Year Ended June 30, 2015
(percent return)[2]

		Annualized Time-Weighted Rates of Return		
	Percent of Portfolio	1-Year[3]	3-Year[3]	5-Year[3]
Total Consolidated Defined Benefit Assets	100.0 %	0.0 %	6.4 %	7.7 %
vs. BNY Mellon Public Universe Median[4]		3.1	10.8	11.0
Target Reference Index[5]		(0.2)	6.2	7.4
Total Domestic Equity	11.1	6.7	16.9	17.0
vs. BNY Mellon Public Universe Median		7.2	17.5	17.7
Russell 3000 Index		7.3	17.7	17.5
Total International Equity	11.3	(2.5)	10.9	8.8
vs. BNY Mellon Public Universe Median		(3.0)	11.4	9.5
MSCI ACWI ex U.S. IMI Net		(5.0)	9.8	8.0
Total Domestic Fixed Income	12.5	1.7	3.3	4.7
vs. BNY Mellon Public Universe Median		1.4	2.5	4.5
Barclays U.S. Aggregate Bond Index		1.9	1.8	3.3
Total International Fixed Income	6.5	(0.4)	(3.3)	(0.1)
vs. BNY Mellon Public Universe Median		(10.4)	1.8	3.5
Barclays Global Aggregate ex-USD (USDH)		3.7	4.2	3.9

[1]As the investment objectives and resulting portfolio construction of INPRS may differ from those in the listed peer universes, the most relevant evaluation of INPRS' performance will be against the investment imperatives outlined in the report from the Chief Investment Officer and the cited benchmarks for each asset class.
[2]Net of fees.
[3]Investment performance is based on calculations made by the system's custodian, BNY Mellon. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return based on the market rates of return.
[4]Universe of Public Funds.
[5]Benchmark history through December 31, 2011, represents composite returns for the legacy PERF and TRF dynamic policies and have been combined using dynamic market weights each month and are reported under the single Total Consolidated Defined Benefit Assets structure beginning January 1, 2012.

Ten-Year Time-Weighted Investment Rates of Return[1]

(dollars in millions)

Fiscal Year Ended June 30		Market Value of Assets	Rate of Return[2]	Actuarial Assumed Rate
2006	PERF CRIF[3]	$ 13,694.9	10.7 %	7.25 %
	TRF DB Assets[4]	4,521.0	11.2	7.50
2007	PERF CRIF	16,114.3	18.2	7.25
	TRF DB Assets	5,501.0	17.9	7.50
2008	PERF CRIF	14,851.0	(7.6)	7.25
	TRF DB Assets	5,252.0	(6.0)	7.50
2009	PERF CRIF	11,795.1	(20.6)	7.25
	TRF DB Assets	4,236.0	(18.0)	7.50
2010	PERF CRIF	13,314.0	13.9	7.25
	TRF DB Assets	5,073.0	14.8	7.50
2011	PERF CRIF	15,796.6	20.1	7.00
	TRF DB Assets	5,984.0	18.2	7.00
2012	INPRS[5]	19,708.9	0.7	7.00
2013	INPRS	21,488.7	6.0	6.75
2014	INPRS	24,560.3	13.7	6.75
2015	INPRS	24,629.8	0.0	6.75

[1] Returns from 2006 - 2011 presented as previously reported; returns 2012 and thereafter are based on calculations made by the System's custodian, Bank of New York Mellon. All returns are time-weighted rates of return.
[2] Net of fees; 2006 - 2011 reported as Gross of fees.
[3] Public Employees' Retirement Fund Consolidated Retirement Investment Fund
[4] Teachers' Retirement Fund Defined Benefit Assets
[5] INPRS Consolidated Defined Benefit Assets

Statistical Performance
Fiscal Year Ended June 30, 2015

Statistic	1-Year	3-Years	5-Years	10-Years
Annualized Time-Weighted Rate of Return	0.00 %	6.41 %	7.68 %	4.73 %
Annualized Standard Deviation	3.99	4.19	6.09	9.52
Annualized Sharpe Ratio	0.01	1.50	1.24	0.40
Beta	0.29	0.34	0.45	0.60
Annualized Alpha	0.16	(0.25)	0.02	(0.11)
Correlation	0.65	0.69	0.87	0.92

Market proxy is the S&P 500.
Risk Free Proxy is the Citigroup 3 Month T-Bill

Definition of Key Terms:

Standard Deviation: A statistic used to measure the dispersion in a distribution. Dispersion is measured relative to the mean, or average of the distribution. The greater the dispersion, the higher the risk associated with the pattern of observations. One standard deviation describes two-thirds of the observations in a normal, or bell-shaped distribution. In an asset allocation context, standard deviation is a conventional proxy for risk or volatility.

Sharpe Ratio: Ratio used to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting a risk-free rate(proxy) from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe Ratio provides insight on excess risk held in the portfolio. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been. A negative Sharpe Ratio indicates that a risk-less asset would perform better than the security being analyzed.

Beta: A measure of the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. Beta is the tendency of a security's return to respond to swings in the market. A Beta of less than one (1) indicates less volatility than the market. A Beta of greater than one (1) indicates greater volatility than the market.

Alpha: A measure of performance on a risk-adjusted basis. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

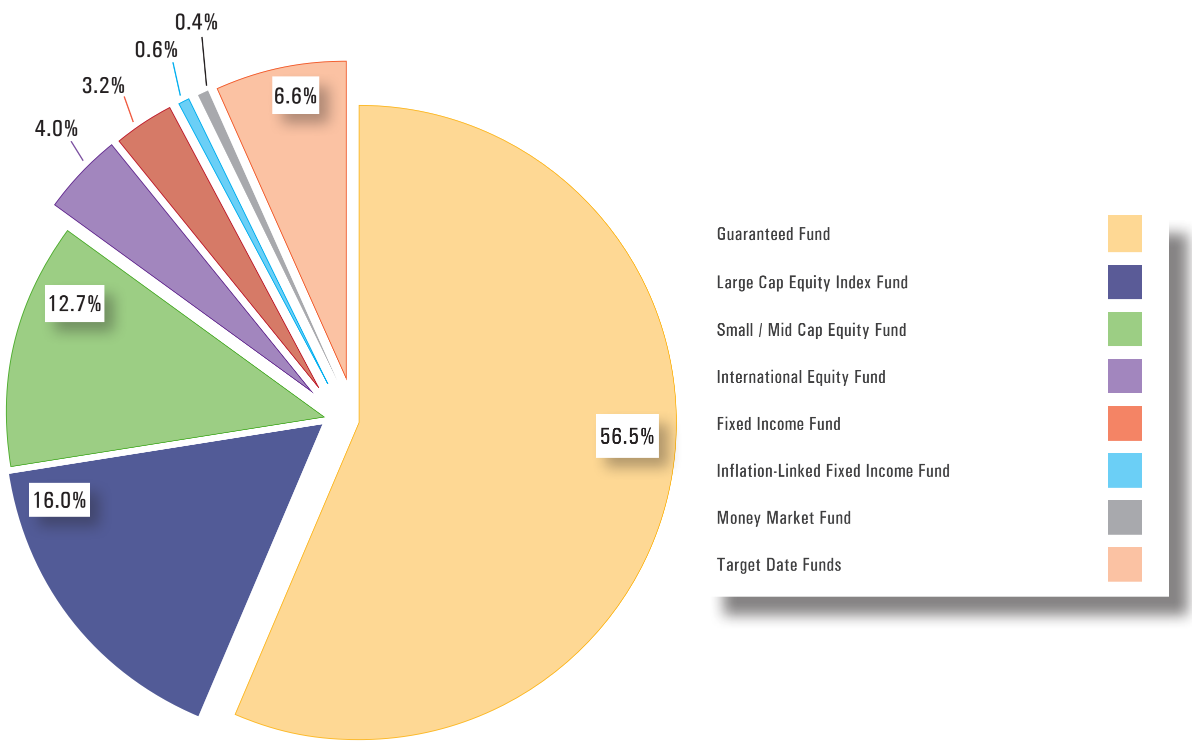
Correlation: A Statistical measure of how two (2) securities move in relation to each other. A correlation of positive 1.0 indicates similar magnitude and direction of change. A correlation of negative (1.0) indicates similar magnitude, but opposite direction. A correlation of zero indicates the relationship is purely random. Often, the correlation is squared and known as ***R-squared*** or the ***Coefficient of the Correlation.***

Assets by Investment Option
Fiscal Year Ended June 30, 2015

(dollars in millions)

Investment Option	ASA & LEDC Plan Assets[1]	Percent of Self-Directed Investments
Guaranteed Fund	$ 2,990.9	56.5 %
Large Cap Equity Index Fund	844.7	16.0
Small / Mid Cap Equity Fund	671.4	12.7
International Equity Fund	209.4	4.0
Fixed Income Fund	171.4	3.2
Inflation-Linked Fixed Income Fund	33.3	0.6
Money Market Fund	23.1	0.4
Stable Value Fund	1.1	-
Target Date Funds[2]	348.9	6.6
Total ASA and LEDC Plan Assets[3]	**$ 5,294.2**	**100.0 %**

[1]Assets include all PERF, TRF Pre-1996, and TRF 1996 ASA assets and the LEDC Plan account balances allocated outside of the Consolidated Defined Benefit Assets option.
[2]Consolidated market values of all Target Date Funds.
[3]Includes Investment Receivables, Foreign Exchange Contracts Receivables, Interest and Dividend Receivables, Investment Payables, Foreign Exchange Contracts Payables, and Obligations Under Reverse Repurchase Agreements.



Historical Annualized Rate of Return by Investment Option vs. Benchmark Returns Fiscal Year Ended June 30, 2015
(percent return)[1]

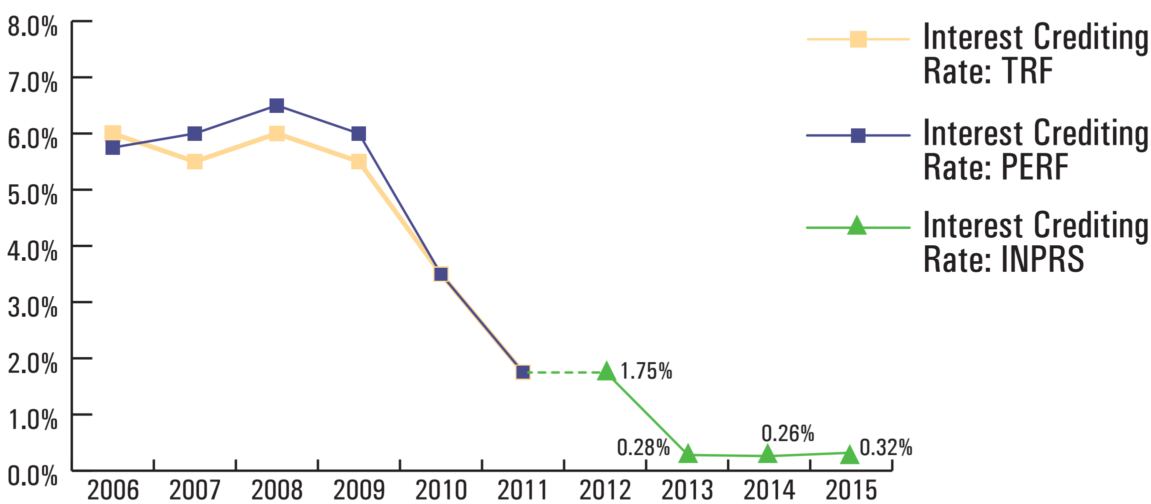
Investment Option	1-Year[2]	3-Year[2]	5-Year[2]
Guaranteed Fund	0.32 %	0.28 %	0.89 %
Large Cap Equity Index Fund	7.4	17.3	17.4
S&P 500 Index	*7.4*	*17.3*	*17.3*
Small / Mid Cap Equity Fund	4.8	18.2	17.5
Russell Small Cap Completeness Index	*6.1*	*19.2*	*18.0*
International Equity Fund	(3.3)	10.6	8.7
MSCI ACWI ex U.S. Index	*(5.3)*	*9.4*	*7.8*
Fixed Income Fund	1.3	2.3	3.9
Barclays U.S. Aggregate Bond Index	*1.9*	*1.8*	*3.4*
Inflation-Linked Fixed Income Fund	(1.8)	(0.5)	3.2
Barclays U.S. TIPS Index	*(1.7)*	*(0.8)*	*3.3*
Money Market Fund	0.1	0.1	0.2
Citigroup 3-Month T-Bill Index	*0.0*	*0.1*	*0.1*
Stable Value Fund[3]	1.3	2.7	2.9
Citigroup 3-Month T-Bill Index	*0.0*	*0.1*	*0.1*
Target Date Funds[4]**:**			
Retirement Fund	0.5	2.7	4.4
Retirement Fund Index	*0.3*	*1.8*	*3.4*
Retirement Fund 2020	0.8	4.8	6.2
2020 Fund Index	*0.6*	*4.1*	*5.5*
Retirement Fund 2025	1.0	6.4	7.5
2025 Fund Index	*0.9*	*5.9*	*7.0*
Retirement Fund 2030	1.1	8.6	9.1
2030 Fund Index	*0.8*	*8.1*	*8.7*
Retirement Fund 2035	1.3	9.9	9.9
2035 Fund Index	*0.8*	*9.4*	*9.5*
Retirement Fund 2040	1.3	10.1	10.0
2040 Fund Index	*0.7*	*9.6*	*9.5*
Retirement Fund 2045	1.3	10.1	10.0
2045 Fund Index	*0.7*	*9.6*	*9.5*
Retirement Fund 2050	1.3	10.1	10.0
2050 Fund Index	*0.7*	*9.6*	*9.5*
Retirement Fund 2055	1.3	10.1	10.0
2055 Fund Index	*0.7*	*9.6*	*9.5*
Retirement Fund 2060	1.2	10.2	10.3
2060 Fund Index	*0.7*	*9.6*	*9.6*

[1]Net of fees.
[2]Based on performance calculations made by the system's recordkeeper, Xerox. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the fiscal year ended June 30, 2015. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.
[3]Investment Fund Option in the Legislators' Defined Contribution Plan and Public Employees' Retirement Fund ASA Only Plan.
[4]Target Date Fund benchmarks are comprised of performance data using a passive strategy with the same asset allocation of each Target Date Fund.

Annuity Savings Accounts
Ten-Year Guaranteed Fund Interest Crediting Rates

	Interest Credit Rate		
Year	INPRS	PERF	TRF
2006	N/A	5.75 %	6.00 %
2007	N/A	6.00	5.50
2008	N/A	6.50	6.00
2009	N/A	6.00	5.50
2010	N/A	3.50	3.50
2011	N/A	1.75	1.75
2012[1]	1.75 %	N/A	N/A
2013	0.28	N/A	N/A
2014	0.26	N/A	N/A
2015	0.32	N/A	N/A

[1]Guaranteed Fund assets of PERF, TRF Pre-1996 and TRF 1996 were unitized as of January 1, 2012.



Top Ten Equity Holdings
Fiscal Year Ended June 30, 2015
(by Market Value)[1]

(dollars in thousands)

Company	Shares	Market Value
Apple Inc.	526,092	$ 65,985
Microsoft Corp.	1,093,395	48,273
Nestle SA	519,848	37,547
Visa Inc.	523,224	35,134
Qualcomm Inc.	494,192	30,951
Exxon Mobil Corp.	355,956	29,616
Allergan PLC	96,672	29,336
Taiwan Semiconductor Manufacturing	5,855,494	26,664
Celgene Corp.	229,483	26,559
Samsung Electronics Co, Ltd.	22,001	25,010

[1]A complete list of portfolio holdings is available upon request.

Top Ten Fixed Income Holdings
Fiscal Year Ended June 30, 2015
(by Market Value)[1]

(dollars in thousands)

Description	Coupon Rate	Maturity Date	Par Value	Market Value
U.S. Treasury Bond	2.500 %	2/15/45	$ 265,956	$ 234,063
U.S. Treasury - CPI Inflation Index Bond	0.125	4/15/18	190,092	193,077
U.S. Treasury - CPI Inflation Index Bond	0.125	4/15/17	149,148	151,175
U.S. Treasury - CPI Inflation Index Bond	0.250	1/15/25	153,240	150,307
U.S. Treasury - CPI Inflation Index Bond	0.625	1/15/24	139,383	141,757
U.S. Treasury - CPI Inflation Index Bond	0.125	1/15/23	136,718	134,304
U.S. Treasury - CPI Inflation Index Bond	0.125	4/15/19	131,539	133,244
U.S. Treasury - CPI Inflation Index Bond	0.375	7/15/23	130,172	130,640
U.S. Treasury - CPI Inflation Index Bond	0.125	7/15/22	128,558	127,583
U.S. Treasury - CPI Inflation Index Bond	1.125	1/15/21	112,380	118,868

[1]A complete list of portfolio holdings is available upon request.

Top Ten Brokers' Commission Fees
Fiscal Year Ended June 30, 2015

(dollars in thousands)

Broker	Amount Paid in Fees
Morgan Stanley & Co. Inc.	$ 559
Goldman Sachs & Co.	408
Jefferies & Co. Inc., New York	395
Instinet Europe Limited, London	378
Newedge USA LLC	370
Credit Suisse, New York	151
UBS Securities LLC	131
Merrill Lynch International	109
UBS Warburg, London	95
Merrill Lynch Pierce Fenner Smith	70
Top Ten Brokers' Commission Fees	2,666
Other Brokers	2,081
Total Brokers' Commission Fees	**$ 4,747**

Investment Management Fees
Fiscal Year Ended June 30, 2015

(dollars in thousands)

		Investment Management Fees
Consolidated Defined Benefit Assets		
Public Equity	$	19,603
Private Equity		45,954
Fixed Income – Ex Inflation-Linked		9,818
Fixed Income – Inflation-Linked		8,530
Commodities		7,746
Real Estate		14,838
Absolute Return		59,294
Risk Parity		7,410
Total Consolidated Defined Benefit Assets		173,193
Special Death Benefit Fund Assets		20
Annuity Savings Account Assets		4,460
Total Investment Management Fees	**$**	**177,673**

Fiscal Year Ended June 30, 2015

Consolidated Defined Benefit Assets

Custodian

Bank of New York Mellon

Consultants

Aksia (Absolute Return)
Mercer (Real Estate)
Verus (General: Defined Benefit)
Torrey Cove (Private Equity)

Public Equity

Altrinsic Global Advisors, LLC
Arrowstreet Capital, LP
Artisan Partners Limited Partnership
Baillie Gifford & Company
BlackRock Institutional Trust
Jackson Square Partners
Disciplined Growth Investors
Leading Edge Investment Advisors
Rhumbline Advisers
Schroders
Times Square Capital Management, LLC

Private Equity

A.M. Pappas & Associates, LLC
ABRY Partners
Accel Partners
Accent Equity Partners AB
Actis Capital LLP
Advanced Technology Ventures
Advent International Corporation
Aisling Capital
Alpinvest
American Securities Capital Partners, L.P.
AnaCap Financial Partners LLP
Apax Partners
Apollo Advisors
ARCH Venture Partners
Ares Commercial Real Estate Corporation
Austin Ventures
Avenue
Bain Capital
Baring Private Equity Asia Limited
Bay Partners
Bertram Capital
Black Diamond Capital Management, LLC
Brentwood Associates
Caltius Mezzanine
Candover Partners, Ltd.
Cardinal Partners
Carlye Solutions Group
Catterton Partners
Centerfield Capital Partners
Century Park Capital Partners
Cerberus Capital Management, LLC
Charterhouse Group International, Inc.
CID Capital
Cinven
Clarity China
Close Brothers Private Equity, Ltd.
Code Hennessy & Simmons LLC
Coller Investment Management
Columbia Capital LLC
Court Square Capital Partners
Crescent Capital Partners
Crestview Capital Funds
CVC Capital Partners
Doll Capital Management
Elevation Associates, L.P.
EnCap Investments
Energy Capital Partners
Enhanced Capital Partners
Escalate Capital Partners
Falcon Strategic Partners
First Reserve Corporation
Forbion Capital Partners
Fortress Investment Group LLC
Gilde Buy Out Partners
Globespan Capital Partners
Green Equity Partners
GSO Capital Partners
GTCR LLC
H2 Equity Partners BV
Hammond Kennedy Whitney & Co
Hellman & Friedman LLC
Herkules Capital

Fiscal Year Ended June 30, 2015

Consolidated Defined Benefit Assets

Private Equity, cont.

High Road Capital Partners
Horsley Bridge
Insight Venture Partners
Institutional Venture Management, LLC
JFM Management Inc.
Khosla Ventures
KPS Special Situations Funds
Landmark Partners, Inc.
Lehman Brothers
Lexington Partners, L.P.
Lightyear Capital LLC
Lindsay Goldberg
Lion Capital
MBK Partners, GP, L.P.
Merit Capital Partners
Mill Road Capital
Neuberger Berman
New Enterprise Associates
New Mountain Capital, LLC
NGP Energy Capital Management
Oak Hill Advisors, L.P.
Oak Hill Capital Management, LLC
Oak Investment Partners
Oaktree Capital Management, LLC
Opus Capital
Panda Power Generation Infrastructure Fund, GP
PCP Managers,LLC
Peninsula Capital Partners L.L.C.
Permira Holdings Limited
Platinum Equity, LLC
Resolute Fund Partners, LLC
Rho Capital Partners, Inc.
RJD Partners Limited
SAIF Partners
Sankaty Advisors
Scale Management
Silver Cup
Silver Lake Partners, LLC
StepStone
Sun Capital Partners, Inc.
TA Associates
TCW/Crescent Mezzanine V
Technology Crossover Ventures
Terra Firma Capital Partners
The Blackstone Group
TowerBrook Investors GP
TP Management LLC
TPG Capital
Trilantic
Trinity Ventures
Triton
True Ventures
TSG6 Management, LLC
Veritas Capital
Veronis Suhler Stevenson
Vestar Capital Partners
Vintage Investment Partners
Vision Capital LLP
Vista Equity Partners
Walden Group of Venture Capital Funds
Warburg, Pincus LLC
Wayzata Investment Partners, LLC
Weston Presidio Capital Management
White Deer Management LLC
Windjammer Capital Investors
WL Ross & Company, LLC
Xenon Private Equity
York Capital Management

Fixed Income – Ex Inflation-Linked

Goldman Sachs Asset Management, LP
Income Research + Management
Oak Hill Advisors, LP
Oak Tree Capital Management, LP
Pacific Investment Management Company (PIMCO)
Reams Asset Management
Stone Harbor
TCW
Northern Trust Global Investments
Wellington

Fiscal Year Ended June 30, 2015

Consolidated Defined Benefit Assets

Fixed Income – Inflation-Linked

BlackRock Financial Management
Bridgewater Associates, Inc.
Northern Trust Global Investments

Commodities

CoreCommodity Management
Goldman Sachs Asset Management, LP
Gresham Investment Management, LLC

Real Estate

Abacus Capital Group, LLC
Blackstone Real Estate Partners
Colony Capital, LLC
Exeter Property Group, LLC
Greenfield Partners, LLC
H/2 Capital Partners
Harrison Street Real Estate Capital, LLC
House Investments
JDM Partners
LaSalle Investment Management
Lone Star Funds
Mesa West Capital
Prima Capital Advisors, LLC
Stockbridge Capital Group
TA Realty Associates
Walton Street Capital, LLC
WestRiver Capital, LLC

Absolute Return

AQR Capital Management
Aeolus Capital Management
Black River Asset Management
Blackstone Alternative Asset Management (BAAM)
Blackstone Tactical Opportunities Advisors
Brevan Howard Asset Management
Bridgewater Associates, Inc.
Davidson Kempner Capital Management
D.E. Shaw Multi-Asset Manager
Emerging Sovereign Group
Highfields Capital Management
Ionic Capital Management
Kepos Capital
King Street Capital Management
MKP Capital Management
Nephila Capital
Oceanwood
Oxford Asset Management
Pacific Alternative Asset Management Company (PAAMCO)
Perella Weinberg Partners
Pharo Global Advisors
Tilden Park Associates
Two Sigma Advisers

Risk Parity

AQR Capital Management
Bridgewater Associates, Inc
First Quadrant

Fiscal Year Ended June 30, 2015

Annuity Savings Account & Legislators' Defined Contribution Plan Assets

Public Employees' Retirement Fund (PERF)

Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)

Teachers' Retirement Fund 1996 Account (TRF 1996)

Legislators' Defined Contribution Plan (LEDC Plan)

Consultant

Cap Cities (General: Defined Contribution)

Large Cap Equity Index Fund

BlackRock Institutional Trust

Small/Mid Cap Equity Fund

Artisan Partners Limited Partnership

Rhumbline Advisers

Times Square Capital Management, LLC

International Equity Fund

Altrinsic Global Advisors, LLC

Arrowstreet Capital, LP

Baillie Gifford & Company

BlackRock Institutional Trust

Fixed Income Fund

Loomis Sayles & Company

Northern Trust Global Investments

Pacific Investment Management Company (PIMCO)

Inflation-Linked Fixed Income Fund

BlackRock Institutional Trust

Money Market Fund

Bank of New York Mellon

Guaranteed Fund

Logan Circle

Reams Asset Management

State Street Global Advisors

Stable Value Fund (PERF ASA Only & Legislators' Plans only)

Galliard Capital Management

Pension Relief Fund

Bank of New York Mellon

Special Death Funds

PNC Institutional Investments