

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM**

**Meeting held at:
One North Capitol
1st Floor Conference Room
Indianapolis, Indiana 46204**

February 17, 2012

Board Members Present

Greg Hahn, Vice Chairman
Tim Berry
Jodi Golden
Adam Horst
Michael Pinkham
Bret Swanson
Cari Whicker

Others Present

Jim Baker
Pete Keliuotis, Strategic Investment Solutions (SIS)

Staff Present

Steve Russo, Executive Director
Erin Hankins, Executive Assistant
Tom Davidson, General Counsel
Allison Karns, Legislative Director/Staff Attorney
Katie Williams, Legal Analyst
Julia Pogue, Chief Financial Officer
Jeff Hutson, Chief Communication Officer
Teresa Snedigar, Director of Internal Audit
David Cooper, Chief Investment Officer
Scott Davis, Investments, Director of Public Equity
Bob Clone, Director of Private Equity
Thiago DeFreitas, Senior Investment Analyst
Mike Dunlop, Investment Analyst

Meeting called to order at 10:00 a.m. by Vice Chairman Hahn.

I. Approval of Minutes from December 16, 2011 Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the December 16, 2011 Board meeting.

Proposed by: Tim Berry
Seconded by: Mike Pinkham
Votes: 6 in favor, 0 opposed, 1 abstentions

II. New Business

In accordance with normal practice, written materials for the following matters were provided to the Board members by mail in advance of the meeting.

A. Indiana Administrative Code Adoption

Allison Karns presented an executive summary of recent changes affecting INPRS made to the Indiana Administrative Code. Board members asked if changes affect confidentiality of member information. Ms. Karns explained that changes in the IAC would allow members of the General Assembly to assist their constituents with questions about their accounts. Current confidentiality policy was summarized for the Board.

MOTION duly made and carried to approve the staff recommended changes to the Indiana Administrative Code.

Proposed by: Adam Horst
Seconded by: Tim Berry
Votes: 7 in favor, 0 opposed, 0 abstentions

B. Financial Update

Julia Pogue presented the INPRS financial update to the Board. This update included financial highlights as of December 2011. She summarized the Fiscal Year 2012 forecasted net position compared to the budget for four specific areas: administration, projects, investments, and capital. Steve Russo praised Ms. Pogue and her team for their collaborative work with the State Board of Accounts (SBOA) to complete the first year of merged operations with a set of consolidated INPRS accounts.

C. Investments Update

David Cooper began gave an update on the investment committee and reviewed topics covered in the most recent committee meeting: department update (recognizing Scott Davis for his recent recognition by Money Management newsletter); successful completion of the unitization project approved last year; Europe discussion; Guaranteed Fund discussion; asset allocation progress and timeline; risk management update; 2012 objectives; INPRS Consolidation Cost Savings update; and portfolio review as of 12/31/11. Mr. Cooper then presented to the Board PERF and TRF current and historical market values; total, ASA, and

target date fund returns; asset allocation; new investments (in private equity) and terminations; and the PERF and TRF watch lists. Board members asked questions regarding target date funds and diversification of assets within the ASA. Staff provided answers and offered to provide a summary of member fund selections at a future meeting.

D. Guaranteed Fund

Steve Russo led the Board in a discussion of the current and future state of the Guaranteed Fund (“GF”). Mr. Russo stated that the conversation would begin in the February meeting and a vote for any decisions would be taken at the April meeting. Mr. Russo provided a history of the ASA and GF: referencing the applicable Indiana Code (that applies to both PERF and TRF), highlighting key events on the timeline, and summarizing the crediting rate history. The current method of setting the GF rate and alternative methods to set the rate were discussed.

Guaranteed Fund Alternative Crediting Rate Methodology for Fiscal Year 2013 was presented by Mike Dunlop, INPRS Investment Analyst, and discussed by the Board. Mr. Dunlop explained several considerations for the GF, potential results of the changes, and projected scenarios for the future of the GF.

Board members and staff discussed the GF: member perceptions, potential challenges to adjusting the GF crediting rate methods, asset allocation options, educating members about options. Consensus was made that change is needed and three issues should be addressed: rate setting process, reenrollment in asset allocations, and future of GF.

Mr. Russo stated that a resolution would be drafted for discussion at next board meeting and emphasized that communication to all parties is important.

E. Executive Director’s Report

Steve Russo presented the Executive Director’s report. He gave a legislative update, summarizing bills that died (SB34, SB218, SB220, SB279, SB408, and HB1162) or that had been passed out of the first House (SB127, SB128, SB143, HB1003, and HB1123). Mr. Russo noted that SB34 had been amended and was alive in SB128. He then updated the Board on the ongoing modernization efforts. The Employer Reporting & Maintenance (ERM) project is likely to take an extra quarter to get Employers ready, deal with conversion issues, and ensure a confident launch. Mr. Russo stated that the new Defined Benefit system (INPAS) project has started well and the new telephone installation has begun. He presented metrics highlights for the Governor’s and Board Dashboards, as well as key metrics from the INPRS Scorecard for Operations, Communications, Finance, Investments, and Audit departments.

III. Adjournment

MOTION duly made and carried to adjourn the February 17, 2012 Board meeting at 11:55 a.m.

Proposed by: Bret Swanson
Seconded by: Adam Horst
Votes: 7 in favor, 0 opposed, 0 abstentions