

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street
Indianapolis, Indiana 46204**

June 11, 2010

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Greg Hahn, Vice-Chair
Allen Clark
Cari Whicker
Bret Swanson
Ryan Kitchell

Others Present

Douglas Kryscio, Mercer
Jamie Duncan, OMB
Andrea Unzicker, TRF Chief Compliance Officer
Julia Pogue, TRF Chief Financial Officer
Tim Walsh, TRF Chief Investment Officer
Bryan Martin, TRF
Erin Hankins, TRF Executive Assistant
Jaclyn Brinks, TRF Legal Services Provider
Tom Mariani, PERF Legal Consultant

PERF Staff Present

Steve Russo, Executive Director
Todd Williams, Chief Financial Officer
Kathryn Cimera, General Counsel
Shawn Wischmeier, Chief Investment Officer
David Cooper, Deputy Chief Investment Officer
Jeff Hutson, Director of Outreach & Communications
Dave Huffman, Chief Technology Officer/Deputy Director
Josh Rabuck, Investments, RM and AR Director
Sandra Wilson, Executive Assistant
Katie Williams, Legal Assistant

Meeting called to order at 11:04 a.m. by Chairman Cochran.

I. Approval of Minutes from April 16, 2010

MOTION duly made and carried to approve the minutes from April 16, 2010, Board of Trustees meeting.

Proposed by: Ken Cochran
Seconded by: Bret Swanson
Votes: 4 in favor, 0 opposed, 1 abstention

II. Approval of Minutes from May 10, 2010

MOTION duly made and carried to approve the minutes from May 10, 2010, Board of Trustees meeting.

Proposed by: Greg Hahn
Seconded by: Bret Swanson
Votes: 5 in favor, 0 opposed, 0 abstentions

III. New Business

• Financial Update

Todd Williams presented the financial update to the Board. Mr. Williams began with an overview of April 2010 year to date net assets. He then compared actual expenses to budgeted expenses for Fiscal Year 2010. Mr. Williams noted that all expenses were under budget. Administrative expenses were favorable to the budget due to reduced headcount, cost management initiatives and timing of ASA Phase II and other IT programs. Project expenses were below budget largely due to disaster recovery plan revisions and cost management. Favorable private investment manager fees relative to budgeted amounts were partially offset by public investment manager fees, reducing investment fee expenses for Fiscal Year 2010.

• Fiscal Year 2011 Budget

Mr. Williams began his presentation to the Board with an overview of the Fiscal Year 2011 Budget. He outlined the Modernization Project Assumptions, updating the Board with the expected dates for implementation and completion of projects.

Mr. Williams then highlighted the main expenses and projects affecting the Fiscal Year 2011 budget.

Staff recommended that the Board approve the Fiscal Year 2011 Budget of \$150.6 million for expenses plus \$0.6 million for capital expenses.

Mr. Greg Hahn inquired as to whether the budget process differed from that of prior years. Mr. Williams replied that the process utilized this year was consistent with past years.

MOTION duly made and carried to approve the Fiscal Year 2011 Budget as recommended by staff.

<i>Proposed by:</i>	<i>Greg Hahn</i>
<i>Seconded by:</i>	<i>Bret Swanson</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

- **Investments Update**

Mr. Wischmeier and Mr. Doug Kryscio, of Mercer, presented the investment update to the Board. Mr. Wischmeier began by explaining the “Board Dashboard”, the format used for presenting investment information to the Board. Mr. Kryscio gave an overview of current investments, reviewing the assets under management and CRIF assets, noting that the equity portfolio had completed its transition to a global benchmark.

Mr. Wischmeier presented a breakdown of private equity investments and noted that two new investments, Lexington Capital Partners VII and Panda Power Generation Infrastructure Fund, were added since the last Board meeting. Mr. Wischmeier commented that staff is continuing its efforts to increase international commitments.

Mr. Russo announced Mr. Wischmeier’s plan to leave PERF and relocate to North Carolina. Mr. Russo and Board members offered their gratitude and words of appreciation to Mr. Wischmeier for his service to PERF and its members. Mr. Wischmeier commented positively on his experience working at PERF.

Mr. Russo then introduced Mr. David Cooper, who has been appointed as the new PERF Chief Investment Officer. Mr. Russo presented to the Board the option to sign a resolution updating the delegation of investment manager selection in light of the pending change of leadership. Mr. Wischmeier would remain at PERF until June 18, 2010, then, at that time, Mr. Cooper would take over the position of PERF CIO.

MOTION duly made and carried to approve Resolution No. 10-06, delegating investment manager selection to Mr. Russo and Mr. Cooper.

<i>Proposed by:</i>	<i>Greg Hahn</i>
<i>Seconded by:</i>	<i>Cari Whicker</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

- **ASA Guaranteed Fund Rate**

Mr. Wischmeier advised the Board of the Indiana Code statutes (IC 5-10.2-2-3 and IC 5-10.2-2-4a) referencing the guaranteed program, then presented the historical interest crediting rate of the Guaranteed Fund. Mr. Wischmeier also discussed the gains and losses as a result of the Guaranteed Payout rate from 1999 through April 2010. The current rate-setting methodology was adopted by the PERF Board at the May 2009 Board meeting and was set equal to the two-year T. Rowe Price GIC Rate (as published in the WSJ as of December 31st) with no band, rounded to the nearest 25 basis points.

Ms. Cari Whicker asked for confirmation that the Guaranteed Fund Rate is set using the GIC rate, but the funds are invested in the CRIF. Mr. Wischmeier confirmed Ms. Wicker's statement and suggested that, in the future, the Board may want to consider investing the Guaranteed Fund in an investment vehicle with a rate of return more similar to the GIC. Mr. Wischmeier noted the importance of making decisions regarding the investment of the Guaranteed Fund based on an evaluation of all aspects of PERF's investment portfolio.

Staff recommended the Guaranteed Fund Rate for Fiscal Year 2011 be set equal to 1.75% to become effective upon go-live of the ASA record-keeper (currently scheduled for August 2, 2010).

MOTION duly made and carried to set the Guaranteed Fund Rate at 1.75% per staff recommendation.

<i>Proposed by:</i>	<i>Greg Hahn</i>
<i>Seconded by:</i>	<i>Bret Swanson</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

Mr. Wischmeier then offered his opinion in favor of setting PERF's customized target dates funds as the default investment option for members who do not make their own investment selection for their ASA. Mr. Kryscio concurred with Mr. Wischmeier's recommendation.

- **Indiana Administrative Code Adoption**

Ms. Kathryn Cimera presented recommended revisions to the Indiana Administrative Code. Ms. Cimera advised the Board that the IAC is the means by which the Board establishes rules for the administration of the Fund. The current IAC changes are driven by new legislation and administrative issues.

Ms. Cimera offered a summary of the PERF IAC changes and recommended that the Board adopt Resolution No. 10-05 updating the administrative rules governing PERF as discussed.

MOTION duly made and carried to approve Resolution No. 10-05 and the recommended changes to the Indiana Administrative Code.

Proposed by: Greg Hahn
Seconded by: Bret Swanson
Votes: 6 in favor, 0 opposed, 0 abstentions

- **New Units and Enlargements**

Mr. Williams presented the new units and enlargements. A discussion was held regarding whether approval for setting employer contribution rates could be delegated to the Executive Director and whether new rates had to be set at the time of an enlargement. Kathryn Cimera, PERF General Counsel advised the Board that the approval for new units and enlargements has been delegated by the Board to the Executive Director. However, the delegation of setting employer contribution rates would require further study.

Staff recommended that the Board approve the employer contribution rates for the new units and enlargements effective July 1, 2010.

MOTION duly made and carried to approve the employer contribution rates for the new units and enlargements effective July 1, 2010 based on the actuary's recommendation.

Proposed by: Greg Hahn
Seconded by: Ryan Kitchell
Votes: 6 in favor, 0 opposed, 0 abstentions

IV. Draft Agenda for Next Board Meeting

Mr. Russo presented a draft agenda for the next Board meeting, date and time to be determined.

V. Adjournment

MOTION duly made and carried to adjourn the June 11, 2010 Board meeting.

Proposed by: Ryan Kitchell
Seconded by: Cari Whicker
Votes: 6 in favor, 0 opposed, 0 abstentions