MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND

and

INDIANA STATE TEACHERS' RETIREMENT FUND

Meeting held at:
1301 West 38th Street
Indianapolis, Indiana 46208

September 16, 2010

JOINT SESSION

Board Members Present
Ken Cochran, Chair/President
Allen Clark
Ryan Kitchell
Bret Swanson
Cari Whicker

Others Present
Chris Ruhl, Indiana Office of Management and Budget
Doug Kryscio, Mercer Investment Consulting (PERF Consultant)
John Meier, Strategic Investment Solutions (TRF Consultant)
Jeff Wong, KPMG (PERF/TRF Consultant)
Kristen Moreland, KPMG (PERF/TRF Consultant)
Kiley Enmark, KPMG (PERF/TRF Consultant)
Cindy Fraterrigo, PricewaterhouseCoopers (PERF Consultant)
Sheldon Gamzon, PricewaterhouseCoopers (PERF Consultant)
Brandon Robertson, PricewaterhouseCoopers (PERF Consultant)
John Dowell, Nyhart (TRF Consultant)
Mike Zurek, Nyhart (TRF Consultant)

Staff Present
Steve Russo, Executive Director
Erin Hankins, Executive Assistant
Andrea Unzicker, Chief Legal Counsel and Compliance Officer
Jaclyn Brinks, Staff Attorney
Julia Pogue, Chief Financial Officer
Todd Williams, Director of Administration and Enterprise Initiatives
David Cooper, Chief Investment Officer
Josh Rabuck, Investments, RM and AR Director
Jeff Hutson, Chief Communication Officer

Dave Huffman, Chief Technology Officer and Deputy Director
Matt Ackerman, PMO Director

Meeting called to order at 9:14 a.m. by President Ken Cochran.

I. Approval of Minutes from June 11, 2010 Joint Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the June 11, 2010 joint Board meeting.

Proposed by:	***Bret Swanson***
Seconded by:	***Allen Clark***
Votes:	***5 in favor, 0 opposed, 0 abstentions***

II. New Business

Financial Update

Julia Pogue presented the financial update and reviewed PERF and TRF 2009-2010 fiscal year highlights, July 2010 monthly highlights, actual and forecast expenses to date, and capitalized assets. PERF finished $21.8 million below budget and TRF finished $7.8 million below budget for the 2009-2010 fiscal year, primarily due to favorable investment management fees and reduced administrative costs.

Investments Update

Steve Russo introduced PERF and TRF's new Chief Investment Officer, David Cooper. Mr. Cooper discussed his vision and priorities as CIO and reviewed PERF and TRF investments performance, the public markets manager watch list, and a portfolio summary.

Executive Director's Report

Steve Russo presented the executive director's report and updated the Board on ASA modernization, PERF and TRF metrics, and organizational integration. The Board requested further information on member day trading of ASA accounts and average member activity on the PERF and TRF Web sites. Two Board members expressed interest in interviewing candidates for the director of internal audit position. Todd Williams reported on strategic planning, enterprise risk management, and the search for a risk management manager.

The Board considered the Board meeting action item tracking list. Mr. Russo recommended the closure of completed action items concerning IT security, recent retirement trends, the establishment of a risk assessment and management plan, a vendor communications policy, monthly rebalancing,

computer model certification, and annual savings to members in target date funds.

IT Update – KPMG Presentation

Jeff Wong, Kristen Moreland, and Kiley Enmark of KPMG, consultants to PERF and TRF, presented a five-year business systems strategy update. KPMG provided an independent assessment of the status of modernization and recommended action steps to help address and resolve challenges. Dave Huffman and Matt Ackerman gave the executive management response, including planned actions, to KPMG's recommendations.

Actuarial Assumptions Discussion

Steve Russo presented an overview of pension actuarial science and recommended that the Board determine economic and method actuarial assumptions to aid PERF and TRF actuaries in preparing the 2010 actuarial valuation.

The Board considered at length data and recommendations from PERF and TRF consultants and staff:

- Cindy Fraterrigo, Sheldon Gamzon, and Brandon Robertson of PricewaterhouseCoopers, actuarial consultants to PERF, reported on actuarial assumptions and methods currently used for the PERF defined benefit plans and presented potential impacts to changes in the assumptions.
- John Dowell and Mike Zurek of Nyhart, actuarial consultants to TRF, reported on actuarial assumptions and methods currently used for the TRF defined benefit plan and presented potential impacts to changes in the assumptions.
- Doug Kryscio of Mercer Investment Consultants, consultant to PERF, advised the Board on PERF's long-term total fund return assumption. Mr. Kryscio stated that a return assumption of 7.0% would be acceptable, albeit on the low side of most public funds.
- John Meier of Strategic Investment Solutions, consultant to TRF, advised the Board on TRF's long-term total fund return assumption. Mr. Meier stated that a return assumption of 7.5% can be supported, assuming some alpha is delivered.
- David Cooper presented a staff analysis of PERF and TRF's long-term return assumptions given the current economic environment and an analysis given the range of return assumptions from the universe of investment consultants.

The Board, consultants, and staff then discussed policy-driven actuarial assumptions and methods (i.e., investment return, pay increase, cost of living

adjustment, mortality, actuarial cost, and asset valuation).

III. Adjournment

MOTION duly made and carried to adjourn the September 16, 2010 joint Board meeting at 3:22 p.m.

Proposed by: Ryan Kitchell
Seconded by: Bret Swanson
Votes: 5 in favor, 0 opposed, 0 abstentions

MINUTES
BOARD OF TRUSTEES OF THE
INDIANA STATE TEACHERS' RETIREMENT FUND

Meeting held at:
1301 West 38th Street
Indianapolis, Indiana 46208

September 16, 2010

REGULAR SESSION

Board Members Present
Ken Cochran, President
Allen Clark
Ryan Kitchell
Bret Swanson

Others Present
Chris Ruhl, Indiana Office of Management and Budget
Doug Kryscio, Mercer Investment Consulting (PERF Consultant)
John Meier, Strategic Investment Solutions (TRF Consultant)
Cindy Fraterrigo, PricewaterhouseCoopers (PERF Consultant)
Sheldon Gamzon, PricewaterhouseCoopers (PERF Consultant)
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Jaclyn Brinks, Staff Attorney
Julia Pogue, Chief Financial Officer
Todd Williams, Director of Administration and Enterprise Initiatives
David Cooper, Chief Investment Officer
Josh Rabuck, Investments, RM and AR Director
Jeff Hutson, Chief Communication Officer

Meeting called to order at 3:23 p.m. by President Ken Cochran.

I. Approval of Minutes from June 11, 2010 Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the June 11, 2010 Board meeting.

Proposed by: ***Bret Swanson***
Seconded by: ***Ryan Kitchell***
Votes: ***4 in favor, 0 opposed, 0 abstentions***

II. New Business

Indiana Administrative Code Adoption

Andrea Unzicker presented Board Resolution No. 2010-09-01 to the Board. TRF staff recommended updating the Indiana Administrative Code to align TRF employer interest rates with the Indiana Department of Revenue published rate and to reflect the status of ERM implementation.

MOTION duly made and carried to approve Board Resolution No. 2010-09-01.

Proposed by: ***Bret Swanson***
Seconded by: ***Allen Clark***
Votes: ***4 in favor, 0 opposed, 0 abstentions***

Delegation of Investment Management Authority

Ms. Unzicker presented Board Resolution No. 2010-09-02, confirming the delegation of the investment manager retention, management, and termination process to staff pursuant to the TRF Investment Policy Statement.

MOTION duly made and carried to approve Board Resolution No. 2010-09-02.

Proposed by: ***Ryan Kitchell***
Seconded by: ***Bret Swanson***
Votes: ***4 in favor, 0 opposed, 0 abstentions***

Adoption of Actuarial Assumptions

The Board further deliberated policy-driven actuarial assumptions. Based upon the Board's discussion, Ms. Unzicker presented Board Resolution No. 2010-09-03, establishing the following:

- Assumed rate of investment return shall be 7.0%;
- Core/price component of the pay increase assumption shall be 3.0%;
- Merit/seniority component of the pay increase assumption shall be based upon results of the actuarial experience study;
- Cost of living adjustment assumption shall be 1.0%;

- Mortality shall be based upon 2008 IRS Static Mortality Tables projected forward five years;
- Liabilities shall be amortized on a level dollar closed-ended basis;
- Actuary shall amortize liabilities over thirty (30) years and use the entry age normal method; and
- Asset gains or losses shall be smoothed equally over a four (4) year period, with the actuarial value of assets never exceeding plus or minus 20% of the market value of assets.

MOTION duly made and carried to approve Resolution No. 2010-09-03.

Proposed by: ***Bret Swanson***
Seconded by: ***Allen Clark***
Votes: ***4 in favor, 0 opposed, 0 abstentions***

III. Adjournment

MOTION duly made and carried to adjourn the September 16, 2010 Board meeting at 3:55 p.m.

Proposed by: Ryan Kitchell
Seconded by: Bret Swanson
Votes: 4 in favor, 0 opposed, 0 abstentions