

**MINUTES  
BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEES' RETIREMENT FUND**

**and**

**INDIANA STATE TEACHERS' RETIREMENT FUND**

**Meeting held at:  
143 W. Market Street  
Indianapolis, Indiana 46204**

**June 11, 2010**

**JOINT SESSION**

**Board Members Present**

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

**Others Present**

Jamie Duncan, Office of Management and Budget  
Pete Keliuotis, Strategic Investment Solutions (TRF Consultant)  
Douglas Kryscio, Mercer Investment Consulting (PERF Consultant)  
Janet Sweet, Capital Cities  
Joe Bill Wiley, Capital Cities

**Staff Present**

Steve Russo, Executive Director  
Tim Walsh, TRF Chief Investment Officer  
Jaclyn Brinks, TRF Legal Services Provider  
Andrea Unzicker, TRF Chief Compliance Officer  
Kathryn Cimera, PERF General Counsel  
Shawn Wischmeier, PERF Chief Investment Officer  
David Cooper, PERF Deputy Chief Investment Officer  
Jeff Hutson, PERF Director of Outreach & Communications  
Josh Rabuck, PERF Investments, RM and AR Director  
Sandra Wilson, PERF Executive Assistant  
Katie Williams, PERF Legal Assistant

Meeting called to order at 10:07 a.m. by President Ken Cochran.

## **I. New Business**

### **ASA Funds Update**

Joe Bill Wiley and Janet Sweet of Capital Cities presented an overview of the new ASA options, including the manager search, mapping considerations, investment allocation, target date option structure, glide path construction, and applicable regulations. The Board requested that additional information be provided at a future Board meeting on rebalancing rationale, procedure, and reporting. The Board also discussed at length the use of the target date funds as the ASA default option. Capital Cities responded to the Boards' questions, noting the rationale behind the common use of target date funds as a default. The Board sought additional information on the requirement under the Pension Protection Act that computer models be certified by an eligible investment expert.

### **Executive Director's Report**

Steve Russo updated the Board on the ASA modernization project and PERF and TRF performance metrics.

Mr. Russo concluded his report to the Board with an integration update. He advised the Board that opinions from law firms, fiduciary consultants, and the SBOA all indicate that it is permissible to combine the administrative functions of the two funds. Funds can be comingled for investment purposes but must be accounted for separately, as must the liabilities. "Shared" expenses between the funds must be allocated in a justifiable manner. The next phase of integration will include detailed integration planning parallel with the development of a strategic plan for TRF and PERF.

## **II. Proposed CY2010 Board Meeting Schedule**

Ken Cochran proposed a Board meeting schedule for the remainder of 2010. The Board asked that the proposed August 13 meeting be moved to September.

## **III. Draft Agenda for Next Board Meeting**

Steve Russo reviewed proposed topics for the next Board meeting, including actuarial assumptions, risk management, and a PERF and TRF strategic plan.

## **IV. Adjournment**

**MOTION** duly made and carried to adjourn the June 11, 2010 joint Board meeting at 11:02 a.m.

*Proposed by: Greg Hahn  
Seconded by: Bret Swanson  
Votes: 5 in favor, 0 opposed, 0 abstentions  
(Ryan Kitchell was not present for this vote.)*

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

**Meeting held at:  
143 W. Market Street  
Indianapolis, Indiana 46204**

**June 11, 2010**

**REGULAR SESSION**

**Board Members Present**

Ken Cochran, President  
Greg Hahn, Vice President  
Cari Whicker, Secretary  
Allen Clark  
Ryan Kitchell  
Bret Swanson

**Others Present**

Jamie Duncan, Office of Management and Budget  
Pete Keliuotis, Strategic Investment Solutions (SIS)  
Kathryn Cimera, PERF General Counsel  
Katie Williams, PERF Legal Assistant  
Jeff Hutson, PERF Director of Communications

**Staff Present**

Steve Russo, Executive Director  
Erin Hankins, Executive Assistant  
Andrea Unzicker, Chief Compliance Officer  
Jaclyn Brinks, Legal Services Provider  
Tim Walsh, Chief Investment Officer  
Bryan Martin, Director of Investments  
Julia Pogue, Chief Financial Officer

Meeting called to order at 1:36 p.m. by President Ken Cochran.

## **I. Approval of Minutes**

### **April 21, 2010 Minutes**

**MOTION** duly made and carried to approve the minutes from the April 21, 2010 Board meeting.

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

### **May 10, 2010 Minutes**

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

*Proposed by: Ryan Kitchell  
Seconded by: Bret Swanson  
Votes: 6 in favor, 0 opposed, 0 abstentions*

## **II. Old Business**

### **Tracking List**

Steve Russo reviewed the Board meeting open action item tracking list and recommended the closure of completed items. Mr. Russo also outlined TRF retirement trends for calendar years 2008, 2009, and 2010 and detailed the Northern Trust Compliance Analyst system that TRF implemented in February 2010.

## **III. New Business**

### **Financial Update**

Julia Pogue presented the financial update and reviewed financial highlights for April 2010, actual and forecast expenses to date, and capitalized assets.

### **Budget**

Julia Pogue outlined the fiscal year 2011 budget, including categories, goals and cost drivers, reclassification of expenses, and an expense comparison between 2010 and 2011. TRF staff recommended Board approval of a \$61 million expense budget and \$0.3 million capital expenditure for fiscal year 2011 for TRF's ongoing operations and incremental project expenses.

**MOTION** duly made and carried to approve the \$61 million expense budget and \$0.3 million capital expenditure for fiscal year 2011.

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

### Investments Update

Tim Walsh gave the investments update and reviewed DB and ASA performance, the performance detail, investment accomplishments since the April 2010 Board meeting, and the public markets manager watch list.

### ASA Default Update

Steve Russo presented the ASA default update. The Board received recommendations from consultants Capital Cities and SIS that the Board change the ASA default to the target date funds. TRF staff recommended Board adoption of Resolution No. 2010-06-01 to update the default ASA option to the target date funds.

**MOTION** duly made and carried to adopt Resolution No. 2010-06-01 to update the default ASA option.

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

The Board iterated that its decision was based on established industry practice and was not intended to be an endorsement of target date funds as the best choice for any one member. When members are defaulted, the Board directed staff to take reasonable efforts to contact those members and advise them to be proactive in selecting their allocations.

### Guaranteed Fund Crediting Rate

Steve Russo reviewed the statutory basis for the guaranteed fund and the rate history. TRF staff recommended that the Board approve changing the current rate-setting methodology to a rate based on the two-year T. Rowe Price GIC Rate. The new methodology would make TRF consistent with PERF. TRF staff also recommended the adoption of Board Resolution 2010-06-02 amending the IPS and setting the rate equal to 1.75%, effective upon the ASA record keeper go-live date.

**MOTION** duly made and carried to establish the guaranteed fund rate-setting methodology to a rate based on the two-year T. Rowe Price GIC Rate.

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

**MOTION** duly made and carried to adopt Resolution No. 2010-06-02 to amend the IPS and set the rate equal to 1.75%, effective upon the record keeper go-live date.

*Proposed by: Bret Swanson*  
*Seconded by: Cari Whicker*  
*Votes: 6 in favor, 0 opposed, 0 abstentions*

#### Risk Management Update

Andrea Unzicker presented the risk management update and reviewed the TRF-PERF risk management plan and timeline, current risk management tools and resources, and actionable steps to implementing the risk management plan.

#### **IV. Draft Agenda for Next Board Meeting**

Steve Russo reviewed 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 at 2:11 p.m.

*Proposed by: Bret Swanson*  
*Seconded by: Ryan Kitchell*  
*Votes: 6 in favor, 0 opposed, 0 abstentions*