

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204**

June 19, 2009

REGULAR SESSION

Board Members Present

Kevin Boehnlein, Vice Chair

Bob Welch

Matt Murphy

Cynthia Walsh

Ryan Kitchell (present for a portion of the meeting as indicated)

Board Members Absent

Ken Cochran, Chair

Others Present

Douglas Kryscio, Mercer Investment Consulting

Bruce Hopkins, CEM Benchmarking

Bill Murphy, RIPEA

PERF Staff Present

Terren Magid, Executive Director

Kathryn Cimera, General Counsel

Shawn Wischmeier, Chief Investment Officer

Steven Barley, Chief Operations Officer & Deputy Director

Kent Francis, Director of Internal Audit and Interim CFO

Jeff Hutson, Director of Outreach & Communications

Dave Huffman, Chief Technology Officer & Deputy Director

Sandra Wilson, Executive Assistant

Jeri Mains, Legal Assistant

Matt Ackerman, Manager-Vendor Management Office

Meeting called to order at 12:10 p.m. by Vice Chairman Boehnlein.

I. Approval of Minutes from April 17, 2009

MOTION duly made and carried to approve the minutes from April 17, 2009 Board of Trustees meeting.

Proposed by: Matt Murphy
Seconded by: Bob Welch
Votes: 4 in favor, 0 opposed, 0 abstentions

II. Approval of Minutes from May 15, 2009

MOTION duly made and carried to approve the minutes from May 15, 2009 Board of Trustees meeting.

Proposed by: Cynthia Walsh
Seconded by: Matt Murphy
Votes: 4 in favor, 0 opposed, 0 abstentions

III. Approval of Amended Minutes from April 18, 2008

Kathryn Cimera, General Counsel, discussed an inadvertent omission from the April 18, 2008, minutes and recommends they be amended. Ms. Walsh and Mr. Murphy indicated they would abstain from voting as neither was present for the meeting. It was then agreed that this matter would be tabled until Mr. Kitchell arrived.

IV. New Business

-Mr. Kitchell arrived during the CEM presentation.

• **CEM**

Mr. Magid introduced Bruce Hopkins of CEM Benchmarking to the Board. Mr. Hopkins presented the Pension Administration Benchmarking Results for Fiscal Year 2008. Issues discussed included administration cost, service score, transaction volume and service measures.

PERF's total adjusted administration cost was \$89 per active member and annuitant. Like the peers, PERF spent the largest proportion of the budget on member transactions. Drivers of the cost were discussed and explained. Factors that impact cost are economies of scale, transaction volumes, cost environment, plan complexity and service level. Mr. Hopkins emphasized the significant improvement in PERF's service score since 2004. PERF had a service score of 82 which is above the peer median of 79 and the US median of 73.

Approval of Amended Minutes from April 18, 2008

In light of Mr. Kitchell's arrival, the Board returned to the approval of amended minutes from April 18, 2008.

MOTION duly made and carried to approve the amended minutes from April 18, 2008 Board of Trustees meeting.

Proposed by: Bob Welch
Seconded by: Ryan Kitchell
Votes: 3 in favor, 0 opposed, 2 abstentions

- **Benefits**

Benefits Update

Mr. Magid introduced Steven Barley, Chief Operations Officer and Deputy Director. Mr. Barley provided the Board with an update of how PERF manages the retirement process. Mr. Barley covered the basics of the management reporting process for retirements including internal metrics and controls that help us achieve our goals, web focus reports, and inventory management. Mr. Barley also discussed the status of summer 2009 retirements and FY09 results to date.

- **Investments**

-Mr. Kitchell left the meeting during the Investments Update.

Investments Update

Shawn Wischmeier, Chief Investment Officer, introduced Doug Kryscio of Mercer to the Board. Mr. Wischmeier and Mr. Kryscio provided the Board with an investments update. Mr. Wischmeier presented the Board with samples of new reports on investment performance for consideration in future updates. A discussion was held regarding the form in which the Board prefers updates to be presented. The Board also discussed the potential Blackrock-BGI merger and the possible implications, if any, it may have on the Fund.

- **Finance & Budget**

New Units and Enlargements

Kent Francis, acting Chief Financial Officer, presented the New Units and Enlargements that had been approved by the Executive Director pursuant to the delegation of Authority in Appendix O of the Board Governance Manual. There are three new units being added and seventeen current units that are enlarging their coverage. The new units and some of the enlargement required Board approval for new contribution rates. These rates were presented to the Board for approval.

MOTION duly made and carried to approve the new contribution rates for the new units and enlargements.

Proposed by: Bob Welch
Seconded by: Cynthia Walsh
Votes: 4 in favor, 0 opposed, 0 abstentions

Financial Update

Kent Francis, acting Chief Financial Officer, reviewed the March financial statements with the Board. As of May 31, 2009, Mr. Francis reported that the net assets are down approximately \$4.2B over the last 12 months due to investment performance.

Budget

Mr. Magid reviewed the Fiscal Year 2010 Budget with the Board. Mr. Magid provided the Board with the ongoing strategic objectives and addressed the cost saving initiatives undertaken this past year which will carry into FY 2010.

The Board discussed PERF's absorption of IOT Pensions and the challenges faced keeping costs down while moving to a new operating system. The new IT group also will provide IT service to TRF which will reimburse PERF for its share of the cost. This reimbursement is reflected in the recommended budget. In order to improve efficiency and lower cost of the current structure of IOT Pensions, the new IT group under the PERF umbrella, will be reorganized. The Board also discussed the necessity of continuing systems modernization in order to see improved customer service and cost savings in the future.

It is recommended that the board approve the Fiscal Year 2010 Budget.

MOTION duly made and carried to approve the Fiscal Year 2010 Budget.

Proposed by: Matt Murphy
Seconded by: Cynthia Walsh
Votes: 4 in favor, 0 opposed, 0 abstentions

• **Line of Duty Death Benefit**

Mr. Magid presented the board with a line-of-duty death benefit claim for Robert J. Statzer, an employee with the State of Indiana. According to a witness, Robert Statzer, maintenance electrician, was standing behind a dump truck outside the construction shop when the vehicle backed over him, trapping Mr. Statzer beneath the vehicle. Mr. Statzer experienced multiple injuries that led to his death on November 25, 2008. The benefit amount paid was \$50,000.

V. Executive Director Report

Mr. Magid discussed the FY09 accomplishments, including but not limited to, PERF's continued improvement in Customer Service. Mr. Magid also discussed PERF's plan for moving forward in FY 2010 as set forth in PERF's strategic plan. Mr. Magid discussed progress PERF made against the strategic plan and what steps will be taken in the upcoming year to ensure PERF continues to move the strategic plan forward. He stated specific 1st quarter goals would be presented at the August Board meeting.

VI. Date of Next Meeting

August 21, 2009 at 12 pm.

VII. Adjourn

The meeting adjourned at 3:18 p.m.