

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

**and**

**INDIANA STATE TEACHERS' RETIREMENT FUND**

**Meeting held at:  
150 West Market Street, Suite 300  
Indianapolis, Indiana 46204**

**December 17, 2010**

**EXECUTIVE SESSION**

An Executive Session was held at 10:00 a.m. pursuant to IC 5-14-1.5-6.1(b)(2)(B) and IC 5-14-1.5-6.1(b)(2)(C). As required by IC 5-14-1.5-6.1(d), the board hereby certifies that only subject matter related to IC 5-14-1.5-6.1(b)(2)(B) and IC 5-14-1.5-6.1(b)(2)(C) was discussed.

**JOINT SESSION**

**Board Members Present**

Ken Cochran, Chairman/President  
Greg Hahn  
Chris Ruhl  
Bret Swanson  
Cari Whicker

**Others Present**

Andy Thomas, Indiana Retired Teachers' Association (IRTA)  
Stephanie Snow, Indiana Retired Teachers' Association (IRTA)  
John Dowell, Nyhart (TRF Consultant)  
Mike Zurek, Nyhart (TRF Consultant)  
Joe Bill Wiley, Capital Cities (PERF/TRF Consultant)  
Tiffany Spudich, Capital Cities (PERF/TRF Consultant)  
Amanda Black, Capital Cities (PERF/TRF Consultant)  
Brandon Robertson, PricewaterhouseCoopers (PERF Consultant)  
Cindy Fraterrigo, PricewaterhouseCoopers (PERF Consultant)

**Staff Present**

Steve Russo, Executive Director  
Erin Hankins, Executive Assistant  
Andrea Unzicker, Chief Legal and Compliance Officer

Jaclyn Brinks, Staff Attorney  
Allison Murphy, Legislative Director  
Teresa Snedigar, Director of Internal Audit  
Julia Pogue, Chief Financial Officer  
David Cooper, Chief Investment Officer  
David Jacobs, Senior Investment Analyst – Fixed Income and Real Assets  
Jeff Hutson, Chief Communication Officer

Meeting called to order at 10:56 a.m. by Chairman/President Ken Cochran.

**I. Approval of Minutes from November 19, 2010 Joint Board of Trustees Meeting**

**MOTION** duly made and carried to approve the minutes from the November 19, 2010 joint Board meeting.

<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>

**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.

**Financial Update**

Julia Pogue presented the financial update and reviewed PERF and TRF financial highlights for October 2010, actual expenses compared to budget, and a statement of fiduciary net assets.

**Budget Forecast**

Julia Pogue presented the PERF and TRF budget forecast for fiscal year 2011. PERF and TRF are projected to finish 4.6%, or \$9.7 million, below budget in 2011 due to savings in integration and modernization projects, disaster recovery, and investment management fees.

**Investments Update**

David Cooper presented the investments update and discussed the status of departmental goals, current and historic PERF and TRF market values, total returns, asset allocations, and new investments and terminations. Mr. Cooper reviewed the TRF Watch List and stated that Taplin, Canida, and Habacht will be removed from the list because the company's three-year performance return more closely matches TRF's benchmark at the present time.

In the June 2010 regular meeting, the Board requested a staff report on a PERF and TRF annuity savings account (ASA) rebalancing policy. Tiffany Spudich of Capital Cities led the discussion, stating that for small/mid-cap equity, international equity, and fixed income options, the rebalancing will occur systematically on a monthly basis, unless the underlying investment managers' allocations are within +/- 100 basis points of the strategic targets. For target date options, rebalancing will occur systematically on a monthly basis, unless the underlying investment options' allocations are within +/- 50 basis points of the strategic targets. The Board requested and received additional information on the procedure for rebalancing, including oversight of underlying managers and policy compliance.

#### Board Governance Manual

Andrea Unzicker presented the Board Governance Manual and stated that the goal and purpose of the Manual is to align the PERF and TRF Board Governance Manuals, provide written documentation of Board-approved policies, and provide guidance to the Board members. Ms. Unzicker provided the Board with copies of the aligned Manual and guided the Board through changes made since the previous Board meeting, including a clarification of the statutory origins of the fiduciary and prudent person standards. Staff recommended the adoption of the aligned Manual.

#### Indiana Administrative Code Updates

Allison Murphy presented Indiana Administrative Code updates addressing de minimis overpayments, stale checks, and inactive membership.

#### Reputation Management

Jeff Hutson provided the reputation management report and reviewed the historical evolution of PERF member communication, as well as current PERF and TRF efforts, opportunities, risks, and recommendations. The Board requested and received additional information on PERF customer service surveys, suggested a tracking system for member concerns, and inquired about use of social media. PERF-TRF communication will coordinate the creation of an information document regarding unfunded liability.

#### Executive Director's Report

Steve Russo presented the Executive Director's report, reviewed PERF and TRF metrics, and gave an integration and strategic planning update, including a proposed mission statement and principles. Mr. Russo discussed the action item tracking list and recommended closure of Item 8 as a result of the ASA rebalancing policy presented earlier in the meeting. The Board honored Robert

E. Pitcher and William E. Phillips, members of the 1977 Police and Fire Retirement Fund who recently died in the line of duty. The Board also received for consideration copies of a PERF and TRF presentation given to the Indiana General Assembly Budget Committee on December 8, 2010.

### **III. Adjournment**

**MOTION** duly made and carried to adjourn the December 17, 2010 joint Board meeting at 12:29 p.m.

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

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

**Meeting held at:  
150 West Market Street, Suite 300  
Indianapolis, Indiana 46204**

**December 17, 2010**

**REGULAR SESSION**

**Board Members Present**

Ken Cochran, President  
Greg Hahn  
Chris Ruhl  
Bret Swanson  
Cari Whicker

**Others Present**

Andy Thomas, Indiana Retired Teachers' Association (IRTA)  
Stephanie Snow, Indiana Retired Teachers' Association (IRTA)  
John Dowell, Nyhart (TRF Consultant)  
Mike Zurek, Nyhart (TRF Consultant)  
Brandon Robertson, PricewaterhouseCoopers (PERF Consultant)  
Cindy Fraterrigo, PricewaterhouseCoopers (PERF Consultant)

**Staff Present**

Steve Russo, Executive Director  
Erin Hankins, Executive Assistant  
Andrea Unzicker, Chief Legal and Compliance Officer  
Jaclyn Brinks, Staff Attorney  
Teresa Snedigar, Director of Internal Audit  
Julia Pogue, Chief Financial Officer  
David Cooper, Chief Investment Officer  
David Jacobs, Senior Investment Analyst – Fixed Income and Real Assets  
Jeff Hutson, Chief Communication Officer

Meeting called to order at 1:46 p.m. by President Ken Cochran.

## **I. Approval of Minutes from November 19, 2010 Board of Trustees Meeting**

**MOTION** duly made and carried to approve the minutes from the November 19, 2010 Board meeting.

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

## **II. New Business**

### **Board Governance Manual Adoption**

Andrea Unzicker presented the Board Governance Manual. Staff recommended the adoption of the Manual by adoption of Board Resolution No. 2010-12-01.

**MOTION** duly made and carried to approve Resolution No. 2010-12-01.

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

### **Mission Statement and Principles Adoption**

Steve Russo presented the Mission Statement and Principles. Staff recommended the approval of the Mission Statement and Principles by adoption of Board Resolution No. 2010-12-02.

**MOTION** duly made and carried to approve Resolution No. 2010-12-02.

*Proposed by:*        *Bret Swanson*  
*Seconded by:*     *Chris Ruhl*  
*Votes:*                *5 in favor, 0 opposed, 0 abstentions*

### **Actuarial Valuation Review and Contribution Rate**

Steve Russo presented the actuarial valuation and contribution rates report and stated that it is the duty of the Board to set employer contribution rates to be paid into the funds. John Dowell and Mike Zurek of Nyhart reviewed actuarial valuation results as of June 30, 2010 and recommended maintaining the current contribution rate for TRF.

**MOTION** duly made and carried to adopt a 7.5% annual contribution rate for TRF 1996 account members through 2011.

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

### Indiana Administrative Code Adoption

Andrea Unzicker presented the Indiana Administrative Code changes. Staff recommended the adoption of the Indiana Administrative Code rules by adoption of Resolution No. 2010-12-03.

**MOTION** duly made and carried to approve Resolution No. 2010-12-03.

*Proposed by: Bret Swanson*  
*Seconded by: Chris Ruhl*  
*Votes: 5 in favor, 0 opposed, 0 abstentions*

### ASA Rebalancing Policy

David Cooper presented the Annuity Savings Account (ASA) Rebalancing Policy. Investment staff and Capital Cities recommended the Board adopt Resolution No. 2010-12-04 for establishing targets and guidelines for rebalancing investment options under the TRF ASA program.

**MOTION** duly made and carried to approve Resolution No. 2010-12-04.

*Proposed by: Bret Swanson*  
*Seconded by: Chris Ruhl*  
*Votes: 5 in favor, 0 opposed, 0 abstentions*

### Proposed 2011 Board Meeting Dates

Steve Russo discussed Board member availability for 2011 proposed meeting dates.

### **III. Adjournment**

**MOTION** duly made and carried to adjourn the December 17, 2010 Board meeting at 2:10 p.m.

*Proposed by: Chris Ruhl*  
*Seconded by: Bret Swanson*  
*Votes: 5 in favor, 0 opposed, 0 abstentions*