

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

April 17, 2009

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Kevin Boehnlein, Vice Chair
Bob Welch
Matt Murphy
Cynthia Walsh

Board Members Absent

Ryan Kitchell

Others Present

Douglas Kryscio, Mercer Investment Consulting
Peter Schnitzler, Indiana Business Journal
John Guy, Indiana Business Journal
Cyndee Hebert, WTHR
Bill Ditton, WTHR

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

Meeting called to order at 12:18 p.m. by Chairman Cochran.

I. Approval of Minutes from February 20, 2009

MOTION duly made and carried to approve the minutes from February 20, 2009 Board of Trustees meeting.

Proposed by: Kevin Boehnlein
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

II. Old Business

- **Legislative Update**

Ms. Cimera, General Counsel, provided an update on the bills being considered by the General Assembly and the potential impact on PERF. There were approximately 15 bills that would have an impact on PERF if passed.

III. New Business

- **IT**

Systems Modernization

Mr. Magid reminded the board that PERF laid out its 5-year IT Strategic Plan in the June 2007 board meeting. On an annual basis thereafter PERF staff provides a progress update. David Huffman, Chief Technology Officer, then provided a brief history on the project. Pursuant to an extensive study completed by KPMG in 2007, a determination was made that the current IT system was out of date and needed to be replaced and PERF processes re-engineered. KPMG estimated that the replacement and re-engineering would take five years to complete. PERF is now two years into its plan.

Mr. Huffman briefly discussed the first year accomplishments and the year two objectives including modifications to the plan over the first two years. The most significant project modification was the inclusion of TRF as a partner in the modernization plan.

Second year accomplishments included the following:

- ASA record keeper RFP, vendor selection;
- Financial systems and wage & contribution RFP, vendor selection;
- Completed ASA record keeper Phase I, and
- Combination of PERF IT, TRF IT and IOT Pensions into a single group under the direction of PERF.

Mr. Huffman detailed the plan for year three including a proposed time-line. Mr. Huffman also explained that the decision to include TRF in PERF's Strategic Plan resulted in a cost savings.

Mr. Huffman then discussed the significant savings projected versus original budgets estimated by KPMG. The savings, projected to be approximately \$28M dollars, can be attributable primarily to combining efforts with TRF and striking favorable contract terms with vendors.

Mr. Huffman then briefly described the potential risks associated with the project which include the implementation of the wage and contribution system, legislative requirements, State IT centralization, and staffing concerns.

- **PERF Market Share**

In response to a question raised in the November board meeting, Mr. Magid asked Jeff Hutson, Chief Communication Officer, to research the extent to which PERF covers all eligible employers in Indiana.

The employers that can participate in PERF are set forth in Indiana Code 5-10.3-1-6. The list of active taxing units maintained by the Department of Local Government Finance (DLGF) provides a good proxy for how many employers fit within the parameters of Indiana Code 5-10.3-1-6 and are eligible to participate in PERF. Out of this list, approximately 48% are participating PERF employers already.

Mr. Hutson provided a brief summary of future market research that could be done and a discussion was held regarding how to best utilize this information.

- **Benefits Update**

'77 Police & Firefighters Fund

Pursuant to a request from the Board at an earlier board meeting, Steven Barley, Chief Operations Officer and Deputy Director, provided a brief overview of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. Mr. Barley covered the basic structure of the plan, plan demographics, and the Pension Relief Fund in his presentation.

- **Investments**

Investments Update

Chairman Cochran introduced Shawn Wischmeier, Chief Investment Officer, to provide the Investments update. Mr. Wischmeier, introduced Doug Kryscio of Mercer to assist in the presentation. Mr. Wischmeier discussed the direct benefit of the Board's decision at its October 2008 meeting to approve a revised asset

allocation, and its earlier decision to delegate authority to staff to make investment Fund Manager decisions. He reported that there had been a reduction in the correlation with the broader public equity markets in the first quarter. The PERF portfolio had outperformed the benchmarks for this short period of time. Additionally, he reported that the majority of managers terminated from the plan over the last two years under-performed their respective benchmarks post termination. Mr. Kryscio stated that the fixed income markets continue to be affected by illiquidity, but noted that PERF's portfolio is well positioned for the future.

- **Finance**

Financial Update

Chairman Cochran introduced Kent Francis, Acting Chief Financial Officer, who reviewed the March financial statements with the Board. As of March 31, 2009, Mr. Francis reported that the net assets are down approximately \$4.7B over the last 12 months and that PERF continues to project a favorable 18% variance on its administrative budget.

IV. Executive Director Report

Mr. Magid discussed the March scorecard and highlights. Mr. Magid also discussed the FY09-Q3 accomplishments and the goals for FY09-Q4. Mr. Magid then spoke about the current challenges faced by PERF in light of the record high number of retirement applications received for June.

V. Date of Next Meeting

May 15, 2009 at 8:30 a.m.

VI. Adjourn

The meeting adjourned at 1:40 p.m.