



Indiana Deferred Compensation Committee

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**MINUTES
PUBLIC MEETING
WEDNESDAY, FEBRUARY 25, 2004
9:30 AM
INDIANA GOVERNMENT CENTER SOUTH
TRAINING ROOM 1**

I. Call to Order

The meeting was called to order by Mike Gery.

II. Roll Call

Members Present: Mike Gery, Chairman; Jeff Heinzmann, Secretary; Betsy Burdick; Mike Puro; Tom Williams.

III. Reading of the Previous Minutes

Tom Williams moved to approve the minutes, Betsy Burdick seconded, and the minutes were unanimously approved.

IV. Secretary's Report

Jeff Heinzmann began by reporting to the Committee that the Northeast Indiana Solid Waste Management district has adopted the State's 457 Plan and the Town of Milford has adopted the State's 401(a) Plan.

Jeff Heinzmann distributed to the Committee members a document from Fidelity stating the company's plans concerning the assessment of short term redemption fees.

V. Consideration of Investment Policy Statement

The Committee members discussed the draft Investment Policy Statement (IPS) with Ice Miller and Mellon. Mellon presented a package of multiple drafts with the most recent draft on top showing the comments made by Committee members as well as legal counsel.

There were four areas of discussion. The first section discussed was how to list the funds for the Investment Fund Structure. Everyone agreed that the IPS would be a document that would be frequently used and changed. Numerous specific provisions of the IPS draft were discussed by the Committee, Mellon, and counsel.

Finally, the Committee went through the IPS to point out minor grammatical changes. As there was no further discussion, Tom Williams moved for Mellon to make the discussed changes to the IPS and then forward it to the Committee members for approval and signing. Jeff Heinzmann seconded the motion and the IPS was unanimously approved.

VI. December 31, 2003, Report of Third Party Administrator

Leslie Williamson and Patrick Tamm addressed the Committee on behalf of ING. ING has contact the appropriate fund companies to discuss with them the different share classes options available that could decrease the amount of fees participants pay. The Vanguard 500 Index and Capital Opportunity funds are in the process of mapping to the new share class and should be complete at month end. Domini Social Equity did not have the specific share class the Committee originally inquired about however, an "R" share class is available. The change in share class results in a fee decrease from 0.95% to 0.93%.

Leslie Williamson also reported on the activity of the third party administrator. ING has been working with both IDOA/Personnel and PERF to increase the number of participants in the state plan. IDOA/Personnel has added a link on the state's website to Hoosier Start's website. ING will also set up tables outside of the cafeterias in the Government Centers to answer question and enroll new participants. ING is working with PERF to gain access to the different local government units. ING will be mailing letters to local units of government who are not currently enrolled in the state's plan outline the advantage of the plan.

Pat Tamm noted to the Committee that ING would be providing to them and Mellon a response to the question of allocation of the lifestyle funds. He also informed the Committee that although ING does have contracts already in place with many fund companies, ING can add any fund the Committee should select to the line-up.

VII. December 31, 2003 Report re Indiana Stable Value Fund

Christopher Welker and John Finnegan presented the Committee with reports detailing the performance of the Stable Value Fund.

VIII. December 31, 2003 Report of Mellon Consultants

Don Ebisen and Sally Hill presented the Committee their quarterly report. The report detailed the performance of the funds. AllianceBernstein has made many positive changes to its corporate structure. Even though the company will be reimbursing shareholder who were negatively affected, Indiana participants probably will not receive anything because the Alliance Growth & Income fund has not been involved in the controversy.

PIMCO has also received a subpoena from the SEC. However, after contacting the company, Mellon noted that the PIMCO Total Return Fund is not part of the investigation.

Mike Gery thanked Mellon for their report.

IX. Report on Committee Inquiry to Mutual Fund Companies

Because of time constraints the Committee did not discuss the responses Mellon received from the fund companies however, the responses were included as an appendix to the quarterly report for the Committee to review.

X. Consideration of AllianceBernstein Growth & Income Fund

Because AllianceBernstein as a company has taken positive steps to improve its management and has reached agreements with various regulators, and because the Large Cap Value fund has

maintained positive performance, the Committee decided not to take any action on the AllianceBernstein fund at this time. However, the Committee directed Mellon to continue to monitor the fund and report to the Committee any significant issues.

XI. Consideration of International Fund Overlap

The Committee discussed that there is a significant overlap in holdings between the two international funds. Mellon provided the Committee members with a fund search of possible replacements for both the AllianceBernstein and an additional fund to be added under the International fund category.

Mike Puro stated that in his opinion no action should be taken by the Committee at this time because the Committee only received the report from Mellon yesterday and therefore, they had not had enough time to properly review the material. Mike Puro requested time under Old Business to discuss this matter in more detail.

After discussing the International fund situation, the Committee agreed to table any formal action concerning the International fund structure until the May quarterly meeting. This action will allow the Committee plenty of time to consider the details supplied in the Mellon search. The Committee will also be researching the proper process for replacing or adding a fund to the line-up. Jeff Heinzmann will be contacting IDOA to discuss if the Committee is required to use the BAA/RFP process established by IDOA.

XII. Discussion of SEC Proposed Regulations on Late Trading

Ice Miller presented the Committee with a report detailing the SEC plans to make changes for the requirements for Mutual Fund companies and late trading issues. Many states have written to the SEC describe their concerns of how the new proposed rules might negatively affect retirement plans.

Jeff Heinzmann stated that he believes issues similar to these are important issues that the Committee should consider in detail at a special meeting time rather than during the regularly scheduled quarterly meetings.

The Committee discussed the possibility of asking Ice Miller to draft a letter from them to the SEC detailing their concerns with proposed changes for late trading and redemption fees.

XIII. Recordkeeper BAA/RFP Update

Jeff Heinzmann reported to the Committee that the Auditor of State's office has begun drafting the BAA/RFP for the Third Party Administrator of the State's plans. He is hopeful to have the BAA/RFP out by the end of March so any transition period could be completed before ING's contract expired on January 31, 2005.

XIV. Old Business

Mike Puro asked Mellon why the Committee did not receive the reports on the fund searches until the day before the Committee meeting. Mellon stated that the reports were not completed until recently because they had not received information from ING. Mike Puro stated that he felt

there has been a breakdown in the communication process between ING and Mellon, as well as, between Mellon and all of the Committee members. He also did not receive proper notice of the details of the last Committee meeting. He stressed that in the future he hopes that this kind of lapse in communication does not occur again, and that Jeff Heinzmann should be Mellon's & ING's contact to resolve any communication problems or issues.

XV. New Business

The Committee scheduled the next two quarterly meeting dates. They selected May 19, 2004, and August 25, 2004.

XVI. Adjournment

Mike Gery adjourned the meeting.