



**MINUTES
PUBLIC MEETING
March 19, 2015
9:00 am
IGCS Conference Room 3**

I. Call to Order/Roll Call

State Auditor Suzanne Crouch called the meeting to order at 9:00 a.m. Other Committee members present were Mike Frick, Deputy Treasurer, and Micah Vincent, OMB. Also present were Erin Sheridan, Deputy Auditor of State and Maggie Johnson with the State's Auditor Office; Jaimie Beisel with Empower (Third Party Administrator to the Plan); Mike Paton of Barnes & Thornburg (Counsel to the Committee and the Administrator); Tiffany Spudich and Tarek Zeni with Capital Cities, L.L.C. (Investment Consultants to the Committee); and Stephanie King and Taylor Alan-Lee with PIMCO (an Investment Management Firm).

II. Reading of the Minutes

Auditor Crouch asked for a motion to approve the minutes from the February 20, 2015 meeting. Mr. Frick moved to approve the minutes. Mr. Vincent seconded. The minutes were approved unanimously.

III. Administrators Report

None.

IV. PIMCO Report

Ms. Spudich discussed that PIMCO was invited to attend the meeting to allow the Committee to conduct further due diligence. Specifically, the goal of the meeting was to have PIMCO address the organizational changes that have occurred since the beginning of 2014. For way of background, Ms. Spudich explained that the PIMCO Total Return and Unconstrained Bond Funds were placed on Watchlist status in February of 2014 by the Committee. The PIMCO Unconstrained Bond Fund serves as an underlying component of the Indiana Flexible Bond Fund, while the PIMCO Total Return Fund is offered to participants on a stand-alone basis. It was discussed that in January of 2014, co-CIO Mohamed El-Erian announced his departure from the firm, creating a domino effect of organizational changes and thereby warranting Watchlist. Bill Gross, Founder and Managing Director of PIMCO, submitted his resignation on September 26th. While the departures of El-Erian and Gross were material, the firm has added numerous investment professionals. Firm asset outflows continue; however, the firm remains substantially large in terms of assets under management.

Ms. Spudich introduced Stephanie King, Executive Vice President and Co-Head of the U.S. Public Client Service Practice, and Taylor Alan-Lee, Account Manager, from PIMCO. Ms. King highlighted the investment objectives of the PIMCO Funds for the Indiana Deferred Compensation Plans. In particular, the PIMCO Total Return's investment objectives include income and capital appreciation, capital preservation, and portfolio diversification; thus, providing participants with a broadly diversified fixed income option. The PIMCO Unconstrained Bond Fund, on the other hand, strives to deliver similar risk profile to core bonds, retain diversification potential versus equities, and access multiple sources of return; thus, providing PIMCO's best ideas within fixed income with an absolute return focus.

Ms. King went on to provide an organization update. Since the beginning of 2014, PIMCO has hired numerous investment professionals, along with key professionals who have returned to the firm. These personnel additions include seven senior portfolio managers. Ms. King also noted that a retention policy has been put into place through 2017 to retain employees. In total, PIMCO has 2,490 employees, with 768 being investment professionals.

Total firm assets stood at \$1.68 trillion as of December 31st. Asset outflows have notably tapered since Gross' departure at the end of September, but remain negative on a net basis. Most importantly, Ms. King explained that asset outflows have not impacted performance. Additionally, participants have been able to readily redeem their investment in PIMCO.

Ms. King also highlighted PIMCO's investment process that leverages top down and bottom up expertise and the team managing both the Total Return and Unconstrained Bond Strategies. Specifically, the PIMCO Total Return Fund is managed by Scott Mather, CIO, U.S. Core Strategies, Mark Kiesel, CIO Global Credit, and Mihir Worah, CIO, Real Return and Asset Allocation. Each of the individuals has been with PIMCO for over ten years and is highly regarded within the investment community, including Mather and Kiesel being named Morningstar's Fixed Income Fund Manager of the Year in 2011 and 2012, respectively.

With regards to the PIMCO Unconstrained Bond Strategy, Ms. King explained that the team draws on extensive investment experience and a combination of global and sector expertise. Marc Seidner acts as Manager Director and CIO for Non-Traditional Strategies. He recently rejoined the firm and assumed his current title when Saumil Parikh departed PIMCO in January of this year. Seidner is joined by four Manager Directors, including: Dan Ivascyn, Group CIO, Mohit Mittal, Sudi Mariappa and Mohsen Fahmi. Similar to the Total Return Strategy, all of these individuals have many years of investment experience.

Mr. Alan-Lee provided an update regarding the portfolio construction, outlook and performance for both Strategies offered in the Indiana Deferred Compensation Plans. Specifically, Mr. Alan-Lee explained that portfolio construction/positioning has not materially changed over the last five months, as PIMCO's investment themes and outlook (e.g. "New Neutral") remain relatively the same. However, tactical trading opportunities have occurred within the context of PIMCO's outlook. Mr. Alan-Lee also discussed performance by highlighting that both Funds have been able to deliver excess returns above their benchmarks since inception within the Indiana Deferred Compensation Plans (PIMCO Total Return: March 31, 2005, PIMCO Unconstrained Bond: May 13, 2013).

Following PIMCO's presentation, the Committee collectively discussed continuing to closely monitor PIMCO and readdressing the situation at the May 22nd meeting given the level of comfort provided during PIMCO's presentation. Mr. Vincent made a motion to not take action at this time. Mr. Frick seconded.

V. Old Business

None.

VI. New Business

None.

VII. Adjournment

There being no further business before the Committee the meeting was adjourned at 10:05 a.m. The next meeting is May 22, 2015.