



**MINUTES
PUBLIC MEETING
May 17, 2013
9:00 am
State Auditor's Conference Room**

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 8:59 am. Other committee members present were, Zac Jackson, Deputy Budget Director, Mike Frick, Deputy Treasurer, and Steffanie Rhinesmith. Also present were Kirke Willing; Deputy Auditor, Shari Condon with Great-West Financial (Third Party Administrator to the Plan), Mike Paton of Barnes & Thornburg (Counsel to the Committee and the Administrator), Tiffany Spudich and Joe Bill Wiley with Capital Cities (Investments Consultants to the Committee) and Erin Sheridan with the Auditor of State's Office.

II. Reading of the Minutes

Tim Berry asked for a motion to approve the minutes from the February 15, 2013 meeting. Steffanie Rhinesmith moved to approve the minutes. Zac Jackson seconded. The minutes were approved unanimously.

III. Administrators Report

Auditor Berry announced the speakers of the Annual Fall Dinner hosted by Hoosier S.T.A.R.T. The Indianapolis event is on September 17, 2013 and Chris Hogan from the Dave Ramsey Group will be the featured speaker. The theme this year is: "Retirement...Mission Impossible?, not with Hoosier S.T.A.R.T." Registration will open on July 25, 2013. There will also be two simultaneous workshops offered before the dinner. Registrants may select one of the two Workshops; Naked Retirement with Robert Laura or Pete the Planner will present 60 Minutes to Change.

The satellite dinners will be in Ft. Wayne, Merrillville, Henryville, & Evansville with a live presentation from Pete The planner who will present "Mock Retirement".

IV. Management Consultants Report

Market Review

Joe Bill Wiley from Capital Cities began the meeting with a Market Overview that he presented to the committee. Joe Bill began by stating the economy has signs of improvement and the unemployment rate

is at 7.5%. US Equity markets rallied sharply during the first quarter of 2013, with the S & P 500 up 10.6%. Over the last year, all equity styles have posted double digit returns with the exception of Emerging Markets (+2.3%). Fixed income results were effectively flat during the first Quarter as the Barclays Aggregate Bond index fell 12 basis points. High Yield Credit produced the strongest results at +2.9%. High Yield also led all other fixed income styles over the last year with a +13.1% return.

Investment Structure Overview

Capital Cities presented the Investment Structure Overview. Current investment array offers participants exposure to traditional asset classes through Tier II and Tier III Core and Legacy Options. Specialty Tier III options allow participants to utilize more specialized styles or strategies like the Inflation- Linked Bond Fund; the Flexible Bond Fund; and Fidelity Low-Price Stock Fund (Unconstrained Equity).

Tier I Target Date options are offered to participants who seek a broadly-diversified, pre-allocated portfolio based on a retirement year. These options are constructed from both Tier II and III stand-alone options as well as strategies that are not offered on a stand-alone basis. The Target Date Options are allocated among 12 different managers to better control business and strategy risk and are constructed in light of the appropriate time horizon and market environment. Equity is evenly split between active and passive management allowing for some potential downside protection and upside participation while controlling costs. The fixed income component is divided evenly between Unconstrained and Stable Value allowing active risk control and return potential while providing a component of principle stability. Exposure to Alternatives starts at 15% as a diversifier to equity and fixed income. Exposure grows to 25% at retirement, as the need for inflation and downside protection increases.

Tiffany also offered a more detailed look at the “White label” options which includes Indiana Inflation-Linked Bond Fund, Indiana Flexible Bond Fund and Indiana Stable Value Fund.

Overall, the Hoosier S.T.A.R.T. Plan features reflect best practices and position the Plan as an attractive retirement savings vehicle for participants. At this time, Tim Berry announced the Auto-enrollment & auto-escalation changes. New employees are enrolled at a 2% contribution rate (formerly .5%) escalating contributions .5% for five years. Opt out options are available.

Performance & Evaluation Report/ Manager/Operations Update

Tiffany Spudich from Capital Cities updated the Committee on Considerations & Observations. A new share class is now available. Wells Fargo recently introduced a new R6 share class that charges 60 basis points in investment management fees, which are five basis points less expensive than that of the Institutional share class currently offered in the Plan. Great West anticipates being able to transition to R6 share class in early July.

Tiffany continued her report to the committee announcing the personnel and organizational changes taking place at Logan Circle. Rita Rausher was removed from the position of Chief Compliance Officer on January 30th. Jennifer Vollmer has been acting as the interim and replacement is expected June 1st. They will continue to monitor these changes. Logan Circle will be launching a new Growth Equities Strategy which will be headed by Chief Investment Officer David Shell.

The BlackRock Large Cap Value Fund and the Wells Fargo Adv Capital Growth Fund will continue to be monitored and both remain on the Watchlist.

Tiffany reminded the Committee about the addition of the new white-labeled fund named the Indiana Flexible Bond Fund comprised of Reams Unconstrained Fixed Income and PIMCO Unconstrained Bond. The new Fund will be added June 5th. The new manager structure for the Target Date Funds that was approved in the February 15th meeting will also occur on June 5th. This includes the incorporation of passive equity, unconstrained equity, unconstrained fixed income and alternatives.

IV. Old Business

V. New Business

No new business was reported.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 9:40 a.m. Next scheduled meeting will be on August 16, 2013.