



**MINUTES
PUBLIC MEETING
May 20, 2011
9:00 am
IGCS- conference room 17**

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 9:02am. Committee members present were, Deputy Treasurer Mike Frick, Steffanie Rhinesmith, Adam Horst and Martha Lake. Also present were Kirke Willing, Deputy Auditor, Jaimie Beisel with Great-West Retirement Services (Third Party Administrator to the Plan), Mike Paton of Barnes & Thornburg (Counsel to the Committee and the Administrator), Janet Sweet and Tiffany Spudich 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 18, 2011 meeting. Steffanie Rhinesmith moved to approve the minutes. Mike Frick seconded. The minutes were approved unanimously.

II. Administrator's Report

Fall Retirement Dinners

Auditor Berry announced the speaker for this year's fall dinner is Terry Savage, a well known financial author. The retirement dinner in Indianapolis this year will be held on October 6, 2011 at the JW Marriott. Terry will speak that evening which will be taped for the satellite dinner locations around the state, but she has agreed to personally appear at the Lake County dinner which has been popular in year's past.

IV. Management Consultants Report

Performance & Evaluation Report

Capital Cities discussed their Performance & Evaluation Report with Tiffany reporting that within the U.S. equity markets, results were strong across the board and the broadly representative S & P 500 rose 5.9%. Growth and Value were roughly at parity in large and Mid capitalization; however, growth strongly outperformed Value at the bottom of the capitalization spectrum. Foreign Equity markets rose 3.4% to add gains to their strong 2010 advance, but results lagged US returns. In fixed income markets, results were positive in the first quarter, with the exception of treasuries (-0.2%)

Considerations & Observations

Vanguard Capital Opportunity stop light changed from green to yellow for short-term performance. The Fund's last three-year performance has fallen to the 75th percentile of peers. Short-term ranking can mainly be attributed to underperformance displayed over the last one-year period in which the fund trailed the Index by over 15 percentage points. During the period, the Fund's willingness to hold larger capitalization stocks than that of the index hurt performance. Further, stock selection within Information Technology detracted. They will continue to be monitored.

Wells Fargo continues to be monitored for short and long-term performance, but there has been much improvement over the past year. From a personnel update, Jim Leach, Co-PM on the SMID and Mid Strategies left the firm on March 21; Leach had been a member of the Fundamental Growth Equity Team since 1999. John Neitzell joined Wells as a technology analyst in early 2011.

Defined Contribution Trends & Regulations

Final Rule to Improve Transparency of Fees and Expenses to workers in 401 (k) Plans

On October 14th the DOL released its final rule to improve transparency of fees and expenses to workers in 401(k) plans. Plan sponsors will need to adhere to these regulations starting in late 2011. Participants must receive statements, at least quarterly, showing the dollar amount of the plan-related fees and expenses (whether "administrative" or "individual") actually charged to or deducted from their individual accounts, along with a description of the services for which the charge was made. Investment-related information must provide participants with Performance Data, Benchmark Information, Fee & Expense Information, Internet web site address and a glossary too.

The final Rule has caused concern within the DC marketplace regarding the amount of disclosures, need for standardization and who will assume some of the new requirements. Great West expects to have draft communication prepared for Indiana Deferred Comp during the third quarter.

Target Date Funds

While there has been much scrutiny and proposed regulations surrounding Target date Funds, there is a consensus among those within the DC marketplace that a sweeping regulatory change is unlikely.

Automatic Features

Effective July 1, 2011, any new state employee will be auto-enrolled into the plan at a rate of 0.5% of their bi-weekly salary. Employees who are auto enrolled will see their deferrals increased by 0.5% on their hire date anniversary each year until contributions reach 3%. Further, current participants can voluntarily opt-in to an auto-escalation program through the web site. All participants have the ability to opt-out of auto-enrollment and auto-escalation.

Roth 457(b)

A Roth 457(b) option will be offered to all state employees within the 457 plan on July 1, 2011. Great west will also be contacting the 280 political sub-divisions to update their adoption agreements to either elect or decline the Roth 457 (b) option.

Investment Menu

Investment Menus show that more plan sponsors added funds to their investment line-up in 2010 than eliminated options. On January 27, 2011 an inflation-linked fixed Income Fund was added to the INDC Plans to provide participants with a Real/TIPS investment option.

IV. Old Business

Mike Patton reviewed Amendment 2 of the Plan. The rules were added to Section 21.05 and are in accordance with the Heroes Earning Assistance & Relief Tax Act of 2008. The rules that need to be approved by the board apply mostly to the Participants performing qualified military service and their survivors. Differential wage payment, survivor benefits, and calculations based on periods of service.

In addition to Amendment 2 of the Plan Mike provided the committee with an amended and restated plan document that incorporates all of the prior amendments that have been made by the plan as well as eliminate a number of obsolete references that are no longer applicable. The restated plan document has also added the proper provisions to enable participants to make Roth contributions beginning July 1, 2011.

Auditor Berry asked for a motion to approve the combination of the additional amendment and the restated current working plan document effective January 1, 2011. Adam Horst moved to approve, Martha Lake seconded and the changes and amendments were approved unanimously.

V. New Business

The contract with Capital Cities is set to expire. The original contracts pricing has been in place for six years. A new contract has a slight increase in pricing but is otherwise similar to the other contract. The fee is now \$75,000, up from \$60,000 which is consistent with other similar contracts for the investment consulting within the state.

Auditor Berry asked for a motion to approve the renewed contract with Cap Cities. Steffanie Rhinesmith moved to approve, Martha Lake seconded and motion was approved unanimously.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 9:36 a.m. Next scheduled meeting is August 19, 2011