



**MINUTES  
PUBLIC MEETING  
August 19, 2011  
9:00 am  
IGCS- conference room 1**

**I. Call to Order/Roll Call**

Auditor Tim Berry called the meeting to order at 9:00am. Committee members present were, Steffanie Rhinesmith, Adam Horst and Martha Lake. Also present were Kirke Willing, Deputy Auditor, Jaimie Beisel & Jane Jerger with Great-West Retirement Services (Third Party Administrator to the Plan), Mike Paton of Barnes & Thornburg (Counsel to the Committee and the Administrator), Joe Bill Wiley 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 May 20, 2011 meeting. Steffanie Rhinesmith moved to approve the minutes. Adam Horst seconded. The minutes were approved unanimously.

**II. Administrator's Report**

Fall Retirement Dinners

Auditor Berry reminded the board that 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 results were relatively flat for the second quarter within the U.S. equity markets, with the S & P 500 delivering a 0.1% return. Growth outperformed Value across the capitalization range during the quarter. From a capitalization perspective, Mid Cap Equity (0.4%) slightly edged Large Cap Equity (0.1%), while smaller stocks trailed notably (Small Cap Broad -1.6%). Developed foreign equity markets performed slightly better than their US counterparts by delivering a 1.6% return for the quarter. For the last one year time period, all equity markets posted double digit returns. In fixed income markets, results were positive

across the board in the second quarter. Municipals posted the strongest gains with 3.9% return. High Yield continued to lead within fixed income over the last year with a 15.6% return.

### **Considerations & Observations**

A stop light was changed to yellow for the short term Fidelity Diversified International. Generally, the manager portfolio's sector allocation track the MSCI EAFE index, with a modest allocation to emerging markets securities. The manager seeks to add the most value through security selection. The Fund typically holds over 300 issues with a <50% turnover.

The funds short-term performance (last 3 year time period) ranks at 83<sup>rd</sup> percentile of peers, tailing the Index by 149 bps. Short-term underperformance is mainly the result of underperformance displayed in the fourth quarter in 2008, in which the Fund tailed the index by 342 bps.

Wells Fargo has been under an ongoing review due to Performance and Personnel. Capital Cities continues to monitor short- and long-term performance. (Last 3 and 5 year periods), which rank at the 91<sup>st</sup> and 81<sup>st</sup> percentile of peers respectively.

### **Target Date Funds Review**

#### *Current Glidepath and Portfolios*

The committee made a decision last year to move to a new glidepath as opposed to gliding down the existing glidepath due to participant demographics and industry trends. As a result, the equity exposure was reduced throughout the glidepath from 90% to 80% at the early stages and 40% to 30% at retirement. Further, the 2010 Fund rolled into the Retirement Fund and the new glidepath began to offer funds in five-year increments in order to better meet participant's unique risk/reward profiles. Given the timing of this annual glidepath review, it is recommended that the funds glide-down one year along the existing paths. Following the existing glidepath and rolling down "one-notch", the new portfolios will provide a relatively smooth transition for participants pertaining to the selling of equity. Also, the weighted management fees will remain relatively the same. Notification of a change is not necessary but advance notice should be given to participants.

#### *Manager Structure Considerations*

The manager structure was evaluated for each of the Portfolios, taking into consideration the following:

- Small Cap as a percentage of overall domestic Equity
- Total International as a percentage of overall Equity
- Emerging Markets as a percentage of International
- The suitability of TIPS
- Appropriateness of alternative manager structures.

The utilization of a Core Plus International Equity Strategy allows the manager to tactically shift the exposure to emerging markets

The portfolios' fixed income component has built-in yield curve diversification and is appropriately allocated among fixed income styles, including: Core Plus, Stable Value and TIPS.

No material recommendations resulted from this analysis, as the allocations are still generally in-line with

the original intended structure with regards to capitalization and utilization of International stocks. Further, the Options offer broad exposure to appropriate investment styles. However, additional asset classes could be considered in the future as warranted.

Tim Berry asked for a motion to approve Capital Cities recommendation to have the target date funds glide-down one year along the existing glidepath. Adam Horst moved to approve the recommended glide-down. Steffanie Rhinesmith seconded. The changes were approved unanimously.

#### **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 9:23 a.m. Next scheduled meeting is November 18, 2011 at 8:30 a.m.