



**MINUTES
PUBLIC MEETING
November 11, 2013
9:00 am**

Indiana Government Center South- Conference RM 18

I. Call to Order/Roll Call

Deputy State Auditor Erin Sheridan called the meeting to order at 9:04 am. Other committee members present were, Mike Frick, Deputy Treasurer, Steffanie Rhinesmith, and Kirke Willing (sitting in for Zac Jackson). Also present were Jaimie Beisel with Great-West Financial (Third Party Administrator to the Plan), Todd Williams (new Great West employee), 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 Maegan Otten with the Auditor of State's Office.

II. Reading of the Minutes

Ms. Sheridan asked for a motion to approve the minutes from the August 16, 2013, 2013 meeting. Mr. Frick moved to approve the minutes. Ms. Rhinesmith seconded. The minutes were approved unanimously.

III. Administrators Report

Ms. Sheridan explained to the committee the recent changes in the State Auditor's office. Dwayne Sawyer was sworn into office Monday, August 19th, and will serve the remainder of Tim Berry's term. Kirke Willing resigned as Deputy State Auditor to take a position with the Indiana Finance Authority. Ms. Sheridan is Dwayne's designee for this board until he is more acclimated to the office.

Ms. Sheridan explained the Annual Fall Dinners hosted by Hoosier S.T.A.R.T. were a success. Mr. Sawyer did not take the active speaking role that former Auditor Tim Berry used in the past due to his recent Auditor appointment, rather, Mr. Beisel with Great West stepped up and helped with these meetings. Pete the Planner was a big hit among attendee's. There were over 900 participants in the Indy and satellite dinners combined. Mr. Beisel elaborated on the dinners' success including Chris Hogan and Pete the Planner. Approximately 250 people requested follow-up retirement appointments. He also introduced Todd Williams as the new retirement plan consultant in the Indianapolis office. Ms. Sheridan also introduced Maegan Otten, who will be keeping the meeting minutes. Also, the 'Fee Holiday' was an incentive to reach out for new, extra retirement planning appointments.

IV. Management Consultants Report

Market Review

Mr. Wiley with Capital Cities discussed 3rd Quarter Market Review. The quarter ending September 30, 2012, was marked with volatility including the conflict in Syria, uncertainty of feds tapering in quantitative easing, political discord, possible government shutdown, and the debt ceiling. Positively, there were no military strikes and the feds announced there would be no tapering on Sept 18, 2013, based on perceptions of a soft economy. USGDP was revised upward from 1.6 to 2.5, news out of Europe was more positive than it has been in last 18 months, GDP was positive .3%. China seems to be lifting the economic buoy up as well, still has been a soft economy for the last several months. With that said, returns range from 4-13% across all equity styles. The trailing 12 month period sees returns in the equity markets ranging from 20-33%. All fixed income styles for the most part except for slightly positive returns except municipals. Broad Market Barclays Aggregate returned about 60 basis points, appetite for risk returned in the credit markets. Credit spread sectors led by high yields with about 2.3% return.

Ms. Spudich went on discuss considerations and observations. Former Auditor Berry did win the Award of Excellence from pension and investments and defined contributions institutional investment association. Per Ms. Spudich, the awards are designed to recognize executives at defined contribution plans undertaking creative and unusual projects to drive successful outcomes for participants.

Watchlist and Manager Alert Updates

The next item is the Wells Fargo Advanced Capital Growth Fund. It was on the watchlist, it has been removed. It did have personnel change and one analyst has departed in September. Cap Cities is watching this firm closely because of these changes and see that they hire a suitable replacement. Tom Pence and Mike Smith, the portfolio managers are still on the job.

There are two funds that being watched for under performance, not currently on watch list. They are Perkins Mid Cap Value and the Ironbridge SMID Fund. The Perkins seems to be taking quite a bit less risk than its peers. Perkins has been very bear-ish and do not believe the fundamentals are there to provide the 22-33 percent returns we've been having and are holding cash. Capital Cities believe their performance is in line with expectations. They may provide better downside protection to investors. The same for Ironbridge SMID, they are ranking in bottom quartile of their peers for the 3 and 5 year periods. They are very focused on high quality companies. This is explainable given their process, but will continue to be monitored.

Another watchlist item is the BlackRock Large Cap Value will be monitored for at least another 6 months because their core portfolio manager left in the second quarter. Other housekeeping items include move to the less expensive share class for Wells Fargo. Cap Cities is continuing with the glide path Great West roll down of target date funds on December 30, 2013.

Mr. Wiley discussed additions and departures from his firm including partner Janet in September 2013.

Investment Policy Statement

Investment Policy Statement- distributed last quarter with new revisions including minor edits and new mandates. The hope was to execute this at this meeting.

Ms. Sheridan asked for a motion to execute the restated Investment Policy Statement. Mr. Frick made the motion, Ms. Rhinesmith seconded the motion, motion passed. Ms. Spudich gathered signatures at the end.

Target Date & Stable Value Fund Review

The Target Date and Flexible Bond Fund was rolled out June 5th and this is the first full quarter of results.

Stable Value Funds offer participants intermediate term returns and liquidity (subject to plan rules) without market value risk or other penalty. This is typically accomplished through wrap contract or investment contract that guarantees the payment of plan-related benefits at book value (cost plus accrued interest) which enables the entire investment to be carried at its book value. The Indiana Stable value is properly designed to provide participants with a capital preservation option. Capital cities recommend continuing to evaluate the Indiana Stable value Fund given the changing environment. Look to potentially diversify the underlying strategies and wrap agreements in the future. The Indiana Stable Value's performance and risk in in line with stable value peers and outperforms money market funds with similar risk.

Fixed Income Supplement

A review was given of Fixed Income Portfolios including stocks and bonds. They are performing in line with expectations. The three unconstrained equity managers, complimented by passive management, include Putnam Capital Spectrum, Neuberger Berman Global Thematic Opp, and Osterweis Fund. They each have different approaches to unconstrained equity which provides diversification to the portfolio. Putnam is focused on US Stocks and buys stock and/or hi-yield bonds. They are up 30% for the one year time period. Neuberger looks across the globe for certain themes, including emerging markets. They feel that market will show the most growth. They were only up 1.3% in the last one year, but in line with expectations. Osterweis is more US focused, value oriented, and are trading in line with expectations.

IV. Old Business

V. New Business

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 9:29 a.m. The next meeting is February 14th, 2014.