



**MINUTES
PUBLIC MEETING
November 16, 2012
9:00 am
IGCS Conference Room 4 & 5**

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 9:04 am. Other committee members present were, Jon Vanator, Deputy Budget Director, Mike Frick, Chief Deputy Treasurer, Steffanie Rhinesmith 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), Tiffany Spudich, Janet Sweet and Amanda Black 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 September 21, 2012 meeting. Mike Frick moved to approve the minutes. Jon Vanator seconded. The minutes were approved unanimously.

III. Administrators Report

Auditor Berry announced the fall educational dinner in Indy and the regional dinners were well attended and once again were successful. Jean Chatzkey was the key note speaker and the break-out sessions were about the investment portfolio and the other on Long Term Care Insurance.

IV. Management Consultants Report

Manager Search Book

During the August meeting, the Committee elected to conduct an Unconstrained Equity, Passive Equity and Alternatives Searches for inclusion in the Target Date Fund options.. Capital Cities conducted the search and all three search requests were advertised in both the Indianapolis Star and Pension & Investments. Over 125 managers were also notified by email or phone. Two managers (Rhumblin and Vanguard) responded to the Passive US Small/Mid Equity search and one manager (Vanguard) responded to the passive International Equity search. The Unconstrained Equity search received 34 responses and 24 responded to the alternatives search.

Capital Cities gave a brief overview of the search process which requires, complex reviews, screening, & rankings so the selections can be presented as a finalist to the Committee. Concerning the two Passive

manager searches Capital Cities recommended to the committee the selection of Vanguard as manager for each of the Passive Equity Funds. The committee agreed unanimously with the selection of Vanguard. The Passive Small/Mid Equity could represent \$4 million within the target date funds and the Passive International Equity could also represent \$4 million well.

For the Unconstrained Equity Search there were 5 finalists (Putnam Capital Spectrum Fund, Neuberger Berman Global Thematic Opportunities Fund, Osterweis Fund, American Funds Capital Income Builder Fund, and American Funds New Perspective Fund) which could be grouped in various complementary combinations given their unique approaches to the asset class. The ultimate decision should be based on the Committee's manager preferences.

Amanda Black gave a description of each finalist with their strategy. After listening to the details it prompted much discussion from the Committee. An overview was also given that stated the advantages and considerations if the managers were combined.

After reviewing the scenarios the Committee opted for the first Structure (Putnam, Osterweis and Neuberger) that Capital Cities suggested would be the most beneficial to Participants. The Committee, citing the high diversification of strategy and business risk, complementary styles, and the provided "niche" of alpha styles, felt that this combination would best complement the existing managers in the Target Date Funds. Steffanie Rhinesmith made the motion to select the combination of the three managers. Mike Frick seconded. The selection was approved unanimously. The Unconstrained Equity portion could represent up to \$25 million within the combined target date options and will be divided equally by the three managers.

Capital Cities continued to their final Search Update of the meeting, which was to add an Alternatives manager within Target Date Funds. Capital Cities provided the Alternatives Elimination grid which included 3 finalists; Wellington Management's Real Total Return Fund, the Neuberger Berman Absolute Return Multi-Manager Fund and Palmer Square's Capital Management Absolute Return Fund.

Jaimie Beisel confirmed the implementation of today's decision and communications to participants would not be a problem for Great West Retirement Services.

After much discussion by the committee and Capital Cities and confirming with Great-West that adding the Alternatives Manager to their platform would not be a problem, the committee selected Wellington Management Real Total Return to be the Alternatives Fund within the Target Date Funds. Mike Frick made the motion for the selection of Wellington Management and Steffanie Rhinesmith seconded. The selection was approved unanimously. The Alternatives fund could represent 10-20% of assets across the Target Date Funds Glidepath.

Performance & Evaluation Report

Janet Sweet from Capital Cities updated the Committee on Perkins Mid Cap Value Fund short-term performance (last three-year time period). The fund now ranks in the bottom quartile of peers and has historically underperformed during up markets, while providing protection in the down markets. Capital Cities will be conducting a further review of the Fund's performance.

Also being reviewed by Capital Cities is The Indiana Stable Value Fund. SEI recently announced plans to terminate the SEI Stable Asset Fund effective November 30th. SEI served as the cash buffer component of the Stable Value Fund representing 10% of the Fund. Capital Cities worked with Logan to replace the SEI strategy with the Dreyfus Government Cash Management Fund, while the overall structure is being reviewed. This change took place on September 25th and at the same time the Stable Value Fund was

rebalanced to the strategic target of 45/45/10.

BlackRock Large Cap value continues to be on the Watchlist due to short-term under performance, although Janet mentioned progress in the past Quarter. While generally viewed positively, the numerous changes still warrant continued Watchlist status and careful monitoring.

Wells Fargo Adv Capital Growth continues on the Watchlist, but the strategy has displayed strong performance year-to-date, posting a 18.5% return compared to the index at 16.8%, and ranking in the 24th percentile of peers. This strong YTD performance has improved the funds short-term performance ranking to the 58th percentile of peers. Capital Cities will continue to monitor firm assets and personnel.

IV. Old Business

No old business needed to be addressed.

V. New Business

No new business was reported.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 10:21 a.m. Next scheduled meeting will be on February 15, 2013.