



MINUTES
PUBLIC MEETING
November 19, 2010
9:00 am
Indiana Government Center South
Conference Room 17

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 9:04am. Committee members present were Adam Horst (Governor's appointee), Treasurer Richard Mourdock, Steffanie Rhinesmith, and Martha Lake. Also present were Kirke Willing, Deputy Auditor, Jaimie Beisel and 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), Tiffany Spudich and Janet Sweet 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 24, 2010 meeting. Adam Horst moved to approve the minutes. Steffanie Rhinesmith seconded. The minutes were approved unanimously.

III. Administrator's Report

Auditor Berry thanked and acknowledged Janet Sweet & Joe Bill Wiley for their well received presentations at the Hoosier S.T.A.R.T. Retirement Dinners in October. The dinners were in Henryville, Evansville, Indianapolis, Ft. Wayne, and Merrillville. The investment products that are present within the plan were the main focus this year. An overall attendance was approximately 650. Next year's focus will be to reach individuals not as close to retiring since the majority of attendees were close to retirement age.

IV. Management Consultants Report

Investment Performance Quarterly Report

Janet began her report by noting that during the third quarter which ended September 30, 2010 global equity markets regained their footing from the second quarter slide. Within domestic equity, Mid cap issues fared the best. Posting a 13.3% return for the quarter. From a style perspective, Growth-oriented stocks notably outperformed Value. Over the last year, Small & Mid cap stocks, posting 15.9% & 17.5% respectively, continued to outpace Large cap stocks at 10.2%. This is the best return index since 1939. Foreign equity markets also rose during the third quarter, beating their domestic counterparts (MSCI EAFE: 16% vs S&P 500: 11.3%). Over the one-year period, however, International markets, with a 3.3% return, continued to trail U.S. stocks. Turning to Fixed Income, all benchmarks earned positive returns, with spread sectors posting the strongest gains during the quarter. Specifically, High Yield and Credit returned 6.7% & 4.7% respectively. High Yield, which is the best overall continued to lead within fixed income over the last year with an 18.4% return.

Nothing new is being reported for the Plan Summary. Although Artio's performance is still being

monitored due to their short term ranking in 2009. Capital Cities will continue to observe closely.

Fund Changes- Next Steps

Tiffany Spudich began her report by outlining the new Target Date Options that were agreed upon by the Committee at the September meeting. Funds in 5 year increments were added and new mapping considerations showing the new options were shown. Given the addition of the 2020, 2030, 2040, and 2050 Funds and the removal on the 2010 Fund, the intended age ranges for each existing option have changed. As such new participants who fall under QDIA shall be mapped to the most appropriate Fund according the new options. Existing participants invested in the Target Date Funds will remain invested as they are now, but should be urged through participant communications to review the new Funds available and determine which one is appropriate for them. Great-West will notify participants in writing 30 days in advance of these changes. Capital Cities will work with Great-West marketing team to help make notifications via the website and newsletter. A new, more conservative Glidepath is also being added which will result in an equity reduction across Funds, ranging from 10 percentage points to 25 percentage points.

Timing of the “Inflation-Linked Bond Fund”, as it will be named, will be added the same time as the Target Date Funds. Great West is currently in the process of adding the BlackRock Inflation Protected Bond Fund to the platform and little difficulty is expected.

Implementation of the new Inflation-Linked Bond Fund and changes to the Target Date Options is scheduled for January 27th.

The Fidelity Low Priced Stock

The Fidelity Low Priced Stock and the Roth 457 plan were both topics brought up by several participants at the fall dinners. Tiffany gave a current investment structure that showed the Plan will contain 22 investments options with no gaps in coverage.

Before voting to re-open the Fund a brief look at the history shows the Fund was initially closed to new investors in 2003, but in May of 2008 it was re-opened to existing Retirement Plans who held the option on their platform. In August 2008 the Investment Committee conducted a thorough review of the classification and benchmarking on the Fund. Beginning with the third quarter of 2008, the Funds classification was changed to a “Specialty” option and performance benchmarking changes were made to compare the Fund to the Total Domestic Equity database and a blended index that would more closely reflect the “go anywhere” style of the fund. Currently the Plan has 2, 414 participants and \$10.3 million in assets in the Fund, representing 1.3% of total Plan assets.

Tiffany continued her discussion focusing on both the Benefits and Considerations to re-opening the Fund. The Fund allows sophisticated investors access to a global fund that has demonstrated strong Short & Long-term performance over long periods of time with “green light” ranking that wouldn’t require additional monitoring since the Investment Committee is currently monitoring the Fund. Most importantly, participants have expressed interest in having the fund available to them again.

Janet pointed out that there are considerations that need to be taken into account. The Fund style doesn’t fit into the Plan’s Tier I or Tier II Option Array. Participant confusion is possible and there is no diversification benefit. The Fund currently has a “Yellow light” ranking on qualitative review regarding the Assets in Product which is being monitored.

Discussion

Auditor Berry asked if there were any risks to consider in re-opening the fund. Janet stated that probably the only risk in re-opening the fund would be if Fidelity then turned around and closed the fund again, but she does not foresee that occurring in the near future given the current capacity of the fund. Jaimie Beisel with Great-West stated that they would be able to re-open this fund easily and seamlessly. Auditor Berry stated how surprised he was at how much feedback he received from participants around the state and their desire to have this fund reopened. It was a topic of conversation at each of the dinner events he hosted around the state and because of that he feels that the Fund should be re-opened.

Auditor Berry asked for a motion to re-open the Fidelity Low Priced Stock. Treasurer Mourdock moved to approve and Steffanie Rhinesmith seconded. The change was approved unanimously.

The Investment Policy Statement (IPS)

Every year Capital Cities suggests that the board review the IPS to ensure it is compliant. The recommended changes to the IPS are under Guidelines and Investment Policy, Appendix A and Appendix B. The changes which can be viewed on the website have basically reflected the fund changes that have already been adopted by the committee. The changes go into effect January 2011.

Tim Berry asked for a motion to approve the Investment Policy Statement. Treasurer Mourdock moved to approve and Martha Lake seconded. The change was approved unanimously.

IV. Old Business

No old business to address

V. New Business

No new business to address.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 9:35 a.m. Next scheduled meeting is February 18, 2011 in the Auditor's Office Conference Room.