



**MINUTES  
PUBLIC MEETING  
July 30, 2008  
9:00 am  
Indiana State House  
Room 240**

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

Auditor Tim Berry called the meeting to order at 9:00am. Committee members Judy Rhoads, Steffanie Rhinesmith, Ryan Kitchell and Jim Holden were present.

**II. Reading of the Minutes**

Steffanie Rhinesmith moved to approve the May 16, 2008, Public Meeting minutes. Judy Rhoads seconded the motion and the minutes were approved unanimously.

**III. Investment Managers Report**

**AllianceBernstein Under Performance Discussion and Due Diligence Visit**

Bill Mauger from Capital Cities, L.L.C. reminded the Board of its decision during the May 16, 2008 Indiana Deferred Compensation Board meeting to extend the Watchlist of the AllianceBernstein Growth & Income Fund and to conduct a comprehensive due diligence meeting with AllianceBernstein. In addition, the Committee voted to proceed with a Large Cap Value Manager Search in order to have a suitable replacement if the Fund's performance continued to deteriorate and/or product and service issues had not been rectified.

On June 16, 2008, Capital Cities met face to face with Aryeh Glatter, Co-Portfolio

Manager of the Fund and Vicki Fuller, Public Funds Senior Vice President and Director, of AllianceBernstein in order to discuss the Fund's Watchlist status within the Plan and the firm's recent response to the Broad Agency Announcement for the Large Cap Value Search. Due to AllianceBernstein's significant underperformance in the first quarter of 2008, concerns regarding the lack of good customer service when it came to answering simple questions, and getting good honest feedback on asset flow within the product, it was Capital Cities' recommendation to terminate the relationship with AllianceBernstein.

Judy Rhoades made a motion to replace AllianceBernstein Growth & Income Fund subject to the approval of a new manager, Jim Holden seconded, and the motion was carried unanimously.

### **Capital Cities Large Cap Value Equity Manager Search Analysis**

Capital Cities conducted a search starting in late May that concluded the first week of July 2008. They contacted 128 organizations directly and publicly broadcast the BAA in Pensions and Investments and on the Auditor of State's website. They received 64 responses, which was narrowed down to seven semi-finalists. After personally interviewing the semi-finalist, three finalists emerged: Victory, Eaton Vance, and BlackRock.

Victory is a wholly owned subsidiary of KeyBank National Association and KeyCorp, a publicly held financial services company. They were organized in 1984 and manage \$58 billion in assets.

Eaton Vance Management is wholly owned by Eaton Vance Corporation, which is a publicly traded corporation. Eaton Vance Management was created in 1979 and they manage over \$150 billion in assets.

BlackRock is independent in ownership and governance, with no single majority stockholder and majority of independent directors. BlackRock was founded in 1988 with \$1.4 trillion in assets under management.

BlackRock and Eaton Vance are more traditional value products and benchmarked against the Russell 1000 Value focused style managers. Victory is benchmarked against the S&P 500 and takes a more relative value approach. It is believed that the hick-up issues with performance and the roller coaster effect that were seen with the AllianceBernstein product will be experienced with the Victory product as well. However, Victory's performance has been great since their organizational change and restructuring that took place in 2003. They have a very good manager in place and it should be noted they are a "Buy Indiana" firm. It is Capital Cities' belief that a more traditional value product is a better fit, than a relative value manager. BlackRock and Eaton Vance are more complimentary to the Large Cap Structure of Wells, which is managed to the Russell 1000 Growth. BlackRock has an existing administrative

relationship with Great West that would help in the transition between the managers.

After much discussion between the Committee and Capital Cities concerning the strengths of BlackRock and Eaton Vance, Auditor Berry asked if BlackRock would be Capital Cities recommendation to replace AllianceBernstein as the Large Cap Manager for the plan. Bill Mauger responded, of the three finalists, Capital Cities prefers BlackRock because their risk controls are more easily identifiable and they would be able to better explain underperformance. He believes BlackRock's explanation for buy and sell decisions that they made in their portfolios are better articulated and their performance analytics will make it easier to serve the account.

Steffanie Rhinesmith moved to hire BlackRock and map the AllianceBernstein to the account, Tim Berry seconded, the motion carried unanimously.

#### **IV. New/Old Business**

Capital Cities will update Committee on the Stable Value Manager Restructure at the August 15, 2008.

#### **V. Adjournment**

There being no further business before the Committee the meeting was adjourned at 10:28 am.