



**MINUTES  
PUBLIC MEETING  
August 15, 2008  
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. Ryan Kitchell, Richard Mourdock and Judy Rhoads were present.

**II. Reading of the Minutes**

Auditor Berry moved to approve the July 30, 2008 Public Meeting minutes. Ryan Kitchell seconded the motion, minutes were approved unanimously.

**III. Administrator's Report**

Auditor Berry announced that the Deferred Compensation Plan continues to see only a three percent opt out for auto enrollment. Because of the huge success with auto enrollment, local units of Government are now showing interest in the program.

**IV. Management Consultant's Report**

Bill Mauger from Capital Cities L.L.C began his overview for the second quarter reporting that the market had experienced another rough quarter and a very tough year across the board in all markets. The good news is that the market is starting to see some recovery in the third quarter as the price of oil is starting to fall again.

For the first time in three quarters, some equity style groups were able to post returns in the black. Most notable, Small Cap Growth outperformed its equity peers. Posting a

4.47 % return over the last quarter. Over the last one-year period, Growth continues to beat Value. International equity, with -10.61% return, remains in second place to Large Cap Growth (-5.96%) over the last quarter. U.S. government bond prices fell and spread sectors generated excess return over the three-month period. High Yield and Municipals were the only fixed income styles to post positive returns for the quarter. The U.S. Treasury Index still leads the pack over the last one-year time period with a 10.33% return.

### **AllianceBernstein & Income Fund Resolution**

Due to significant underperformance and product concerns, the Deferred Compensation Committee voted July 30, 2008 to replace AllianceBernstein Growth & Income Fund with BlackRock Large Cap Value Fund. The implementation is tentatively scheduled for October/November of 2008. Great West will give the proper notification to the Plans' participants.

### **Fidelity Low-Priced Stock Analysis**

In May 2008, Fidelity announced the re-opening of the Fidelity Low-Priced Stock Fund to participants in plans that currently have the Fund in their line-up. The Indiana Deferred Compensation Committee elected not to reopen the Fund at this time, but reserves the right to open the Fund to participants at a later time.

Given the substantial size of the Fund (\$29.0 billion) and almost 'go-anywhere' style of long-time manager Joel Tillinghast, the re-opening of the Fund marks a good time to re-evaluate how best to monitor the Fund going forward. Capital Cities recommends that the Fund be classified as a "Specialty" fund. Utilizing the Russell 2000 Index as the primary benchmark and establishing a secondary benchmark comprised of an appropriate blend of Russell Madcap Index and the MSCI ACWI ex US Index. Finally, Capital Cities suggested changing the peer group to the Total Domestic Equity Peer Group to more accurately reflect the Fund's opportunity set, capitalization and style.

Tim Berry questioned, due to the reclassification of this fund, whether the Board has any clean up to do with the Investment Policy Statement, even though the Fund is still part of the plan but kept closed to the participants.

Bill Mauger from Capital Cities LLC, explained that it would require an amendment to the appendix of the Investment Policy Statement.

Ryan Kitchell motioned to change the benchmark per Capital Cities LLC recommendation. Richard Mourdock seconded the motion. Further discussion prompted Ryan Kitchell to expand the original motion by adding the authorization to change the Investment Policy Statement. Richard Mourdock seconded the motion as amended and the motion was unanimously approved.

### **Artio Global Investors Inc. /Julius Baer Investment Management**

Julius Baer Investment Management filed a registration statement with the SEC for a proposed initial public offering. The IPO is anticipated to be completed towards the end

of the year. Upon completion of the IPO, Julius Baer Investment Management will be known, as Artio Global Investors Inc. Capital Cities LLC will monitor their progress.

### **Indiana Stable Value/ Logan Circle Partners**

Logan's Sub-advisory relationship with Dwight as the Global Wrap Manager for the Stable Value Product ended May 31, 2008. Logan contracted with Aegon to provide Global Wrap services similar to those that Dwight was providing. The transition was completed on June 1, 2008.

Unfortunately, the construction of the Stable Value Fund is very complicated, with three underlying managers. The portfolio construction target is 45% to Logan Core Plus, 45% to Fidelity MIP II, and 10% to SEI Stable Asset Fund.

Logan and Aegon would like to have more latitude with their investments as they feel there is more opportunity in High Yield.

### **Revenue Sharing**

During the July 30, 2008 Deferred Compensation meeting the Board requested that Capital Cities inquire to see if the Revenue Sharing Managers would offer a Cheaper Share Class of Funds if Revenue Sharing were to go away. Both Wells Fargo and Janus Advisers have cheaper share classes they would be willing to offer to the plan. Both would already have the necessary agreement plans in place with Great West.

## **V. New Business**

Mike Patton with Barnes Thornburg LLP provided to the IDC Board members a copy of the Department of Labor's new disclosure requirements for Participant-Directed Individual Account Plans. The proposed regulations would require individual account plans that permit participants to direct the investment of their accounts to disclose information regarding the plan's investment options and expenses. These regulations are proposed to be effective for plan years beginning on and after January 1, 2009. The intent of the regulations is to ensure that all participants have the information they need to make informed decisions about the management of their individual accounts and the investment of their retirement savings. Plan fiduciaries will be required to work closely with their record keepers and custodians to ensure that all required information is provided in timely manner.

## **VI. Adjournment**

There being no further business before the Committee the meeting was adjourned at 10:27am

