

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM**

**Meeting held at:
One N. Capitol
1st Floor Conference Room
Indianapolis, Indiana 46204**

June 23, 2017

Board Members Present

Michael Pinkham
Micah Vincent
Bret Swanson

Brian Abbott
Tera Klutz

Guest Presenters

Jeff MacLean, Verus
Chris Flynn, CEM Benchmarking
Keith Bozarth, Cutter Associates
Bruce Hopkins, CEM Benchmarking
Joe Nichols, Cavanaugh Macdonald

Brent Banister, Cavanaugh Macdonald
Philip Gutwein II, Faegre, Baker,
Daniels
Tenley Drescher-Roads, Faegre, Baker,
Daniels

Staff Presenters

Steve Russo, Executive Director
Jim Cullen, Director Financial Planning
& Analysis
Scott Davis, Chief Investment Officer
Steven Barley, Chief Operations Officer

Tony Green, Chief Legal and
Compliance Officer
Lindsay Knowles, Benefits Attorney
Teresa Snedigar, Chief Audit & Risk
Officer

Meeting called to order at 10:15 a.m. by Vice Chairman Swanson.

In accordance with normal practice, Board members were provided electronically written materials in advance of the meeting.

I. Approval of Minutes from May 5, 2017, Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the May 5, 2017, Board meeting with correction to the date under adjournment.

*Proposed by: Tera Klutz
Seconded by: Micah Vincent
Votes: 5 in favor, 0 opposed, 0 abstentions*

II. **Board Education**

A. Ethics

Tenley Drescher-Roads of Faegre, Baker, Daniels talked about high risk areas for Board members. Ms. Drescher-Roads summarized areas such as moonlighting, ghost employment, gifts, and conflicts of interest. Philip Gutwein II with Faegre, Baker, Daniels talked about ethical issues from a fiduciary perspective. Mr. Gutwein discussed the duty of prudence and duty of loyalty in regards to conflicts of interests. He went on to summarize a few case studies.

B. Investment Implementation Trends

Scott Davis started by summarizing the INPRS' investment framework, defined benefit investment management fees, defined benefit split between active and passive management, and expected growth in investment portfolio size over next fifteen years.

Chris Flynn from CEM Benchmarking discussed performance and cost for pension funds. Mr. Flynn started with where the data came from and then moved to cost and fund size. Mr. Flynn also talked about private assets.

Keith Bozarth of Cutter Associates presented an introduction to internal investment. Mr. Bozarth spoke about the team presenting and their background. Mr. Bozarth gave a project overview, summary of findings, areas potentially impacted by internal management, scenarios modeled, potential qualitative benefits, management challenges, Board governance considerations, and a long-term perspective.

III. **Unfinished Business**

No unfinished business was discussed by the Board.

IV. **Required Business**

A. Actuarial Services RFP

Steve Russo gave a summary of Actuarial services RFP process. Of the five finalists, Cavanaugh Macdonald was recommended to the Board for approval. Mr. Russo introduced Joe Nichols and Brent Banister from Cavanaugh Macdonald to talk about the company. Mr. Banister spoke about Cavanaugh Macdonald's focus on public sector pension plans, staff expertise, and implementation plan.

MOTION duly made and carried to hire Cavanaugh Macdonald as INPRS' actuarial services consulting firm to execute the annual actuarial valuations, conduct the upcoming experience study, and perform special projects as requested.

Proposed by: Brian Abbott
Seconded by: Mike Pinkham
Votes: 5 in favor, 0 opposed, 0 abstentions

B. FY18-FY20 Strategic Plan Approval

Steve Russo presented the preliminary fiscal year 2018-2020 strategic plan. Mr. Russo informed the Board of minor changes to the mission statement. Mr. Russo also discussed the draft top five fiscal year strategic objectives, budget drivers, strategic planning and budgeting next steps.

MOTION duly made and carried to approve recommendation of FY18 – FY 20 Strategic Plan.

Proposed by: Mike Pinkham
Seconded by: Tera Klutz
Votes: 5 in favor, 0 opposed, 0 abstentions

C. FY18 Budget Approval

Steve Russo discussed the 2018 fiscal year budget drivers. Mr. Russo talked about the FY18 risks and opportunities. Mr. Russo summarized the FY17 administrative budget and investment expense budget.

MOTION duly made and carried to approve recommendation of FY18 budget as presented.

Proposed by: Tera Klutz
Seconded by: Brian Abbott
Votes: 5 in favor, 0 opposed, 0 abstentions

D. FY18 Internal Audit Plan Approval

Teresa Snedigar presented FY17 audit results. Nine audits were completed out of eighteen and five are in progress. Ms. Snedigar also presented the FY18 audit plan.

MOTION duly made and carried to approve the audit plan as presented.

Proposed by: Tera Klutz
Seconded by: Brian Abbott
Votes: 5 in favor, 0 opposed, 0 abstentions

E. Indiana Administration Code Adoption

Lindsay Knowles presented proposed updates to the IAC. A written executive summary of the changes was given to the board for review. Ms. Knowles discussed IAC changes due to 2017 Legislation and the defined benefit and defined contribution split. Ms. Knowles proposed new rules in the areas of administrative fees, survivor benefits and defined contribution account beneficiaries, beneficiary designation, ASA valuation, stale checks, computation of Prosecuting Attorneys' Retirement Fund benefit, conversion of annuity savings account monies to a third party annuity provider after January 2017, temporary disability benefits. Deferred retirement option plan disability benefit, required minimum distribution procedure, and minimum retirement benefit.

MOTION duly made and carried to approve all of the changes to the IAC presented in Board Resolution No. 2017-06-23.

*Proposed by: Brian Abbott
Seconded by: Micha Vincent
Votes: 5 in favor, 0 opposed, 0 abstentions*

V. New Business

A. CEM Benchmarking Review

Bruce Hopkins presented pension administration benchmarking results for fiscal year 2016. Mr. Hopkins talked about total pension administration cost, the average, and reasons why the total cost was below peer average. Mr. Hopkins discussed transaction volumes per member, cost trends, and total service score in comparison to peer median.

B. Operations Update

Steve Barley summarized the department's performance, the amount of retirements received by fund, and retirement satisfaction. Mr. Barley gave an overview on the Call Center, which included call center volume, service level, complaints summary, and call center satisfaction.

C. Investments Update

Scott Davis presented the INPRS investment update to the Board. He provided highlights of INPRS' investment portfolio as well as an update on the current managers on the watch list.

D. Financial Update

Jim Cullen presented the INPRS financial update to the Board. Mr. Cullen summarized the financial highlights as of end of April 2017. Mr. Cullen also talked about April 2017 fiscal year actual and forecast change in net position. Mr. Cullen also covered the Contributions Scorecard and the Administrative and Investment Expense Analysis.

E. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo provided an update on the Recordkeeper and ASA Annuity transition. Mr. Russo talked about the annuitization communication rollout. Mr. Russo also summarized the Balance Scorecard.

VI. **Preliminary Agenda for September 15, 2017 Board Meeting**

A copy of the preliminary agenda for the September 15, 2017, meeting was included in materials provided electronically to Board members.

VII. **Other Business as requested by the Board**

No other business was requested by the Board.

VIII. **Adjournment**

MOTION duly made and carried to adjourn the June 23, 2017, Board meeting at 2:30 p.m.

*Proposed by: Tera Klutz
Seconded by: Brian Abbott
Votes: 5 in favor, 0 opposed, 0 abstentions*