

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

**Meeting held at:
One North Capitol
3rd Floor Conference Room
Indianapolis, Indiana 46204**

October 28, 2011

Board Members Present

Greg Hahn, Vice Chairman
Tim Berry
Jodi Golden
Michael Pinkham
Chris Ruhl
Bret Swanson
Cari Whicker

Others Present

Pete Keliuotis, Strategic Investment Solutions (SIS) (by telephone)
Michael Thor, Protiviti, Inc.
Michael McGarry, Protiviti, Inc.

Staff Present

Steve Russo, Executive Director
Erin Hankins, Executive Assistant
Andrea Unzicker, Chief Legal and Compliance Officer
Jaclyn Brinks, Staff Attorney
Jeff Hutson, Chief Communication Officer
Teresa Snedigar, Director of Internal Audit
Dan Guingrich, Enterprise Risk Manager
Donna Grotz, Director of Strategic Initiatives and Administration
Donna Brown, Controller
David Cooper, Chief Investment Officer
Scott Davis, Investments – Director of Public Equity

Meeting called to order at 10:00 a.m. by Vice Chairman Hahn.

I. Approval of Minutes from September 16, 2011 Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the September 16, 2011 Board meeting.

Proposed by: Chris Ruhl
Seconded by: Bret Swanson
Votes: 7 in favor, 0 opposed, 0 abstentions

II. New Business

In accordance with normal practice, written materials for the following matters were provided to the Board members by mail in advance of the meeting.

Audit Update

Teresa Snedigar presented the audit update and reviewed completed projects (e.g., TRF retirements, procurement and contract monitoring, and legislative changes) and projects in process (e.g., death process and controls, gift waiver review, and participation on project teams for the new Employer Reporting Maintenance and defined benefit systems). Ms. Snedigar then presented a revised audit plan and discussed a schedule for completing projects in process. The Board requested and received additional information regarding consultant involvement in the audit process and progress in timely completion of the 2011 audit.

Enterprise Risk Management Update

Dan Guingrich and Donna Grotz presented the enterprise risk management ("ERM") update. Mr. Guingrich provided a history of INPRS ERM and stated that INPRS has hired Protiviti, Inc. to aid in the implementation of a risk management program. Michael Thor and Michael McGarry of Protiviti then discussed ERM as an industry trend, Protiviti's views on implementing ERM, and a potential high-level INPRS 90-day ERM plan. The Board requested and received additional information regarding the overlap between ERM and the Investments division's risk management program, INPRS' use of work product from other ERM consultants in developing an ERM program, and Protiviti's most valuable deliverables to the Board, experience working with other pension plans, and experience with the organization of ERM in private companies.

Financial Update

Donna Brown presented the financial update and reviewed INPRS financial highlights for September 2011, actual and forecasted expenses compared to

budget, and a statement of fiduciary net assets. Forecast budget savings were driven primarily by investment management fees, personnel headcount, and consulting fees remaining under budget levels. The Board asked staff to include in future financial updates a dashboard showing organizational cash flow.

Investments Update

David Cooper presented the investments update and discussed PERF and TRF current and historical market values; total, ASA, and target date fund returns; asset allocation; new investments and terminations; and the PERF and TRF watch lists. The Board requested and received additional information on the inclusion of inception-to-date and net of fees data on TRF investments and plans in the TRF portfolio to finish the Guaranteed Fund.

Asset/Liability Study

David Cooper presented an asset allocation study, including prior PERF and TRF asset liability, investment responsibilities, and a history of developing the new INPRS investment allocation. Pete Keliuotis of Strategic Investment Solutions (SIS) appeared by telephone and discussed SIS's asset/liability analysis and recommendations, which covered the ALM process to date, asset mix alternatives, a range of asset mix returns, historical scenario analysis, risk allocation, and a proposed asset allocation. Staff recommended that the Board adopt the following as the asset allocation across all defined benefit plans:

- Public Equity: 22.5%
- Fixed Income – Ex Inflation-Linked: 22.0%
- Fixed Income – Inflation-Linked: 10.0%
- Absolute Return: 10.0%
- Private Equity: 10.0%
- Real Estate: 7.5%
- Commodities: 8.0%
- Risk Parity: 10.0%

The Board requested and received additional information on the effect of transitioning assets from the CRIF to the Guaranteed Fund.

MOTION duly made and carried to adopt the staff recommendation relative to asset allocation as stated above.

Proposed by: **Bret Swanson**
Seconded by: **Chris Ruhl**
Votes: **7 in favor, 0 opposed, 0 abstentions**

Executive Director's Report

Steve Russo presented the Executive Director's report and reviewed activity in the Pension Management Oversight Commission ("PMOC"), PERF new units and enlargements, enterprise modernization, and proposed consolidated INPRS metrics. Mr. Russo stated that INPRS has achieved total organizational integration. Mr. Russo also discussed the Action Item Tracking List and recommended closure of Item 5 due to planned routine Board updates on the overall status of risk management implementation. The Board received a draft agenda for the next Board meeting and was encouraged to provide input to Mr. Russo on its contents.

III. Adjournment

MOTION duly made and carried to adjourn the October 28, 2011 Board meeting at 12:26 p.m.

Proposed by: Tim Berry
Seconded by: Bret Swanson
Votes: 7 in favor, 0 opposed, 0 abstentions