

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

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

September 14, 2018

Board Members Present

Ken Cochran
Brian Abbott
Connie Plankenhorn
Bret Swanson

Tera Klutz
Kelly Mitchell
David Frick
Micah Vincent

Guest Presenters

Jeff MacLean, Verus
Sandy Halim, CEM Benchmarking

John Schembari, Kutakrock

Staff Presenters

Steve Russo, Executive Director
Scott Davis, Chief Investment Officer
Steve Barley, Chief Operations Officer
Tony Green, Chief Counsel
Teresa Snedigar, Chief Financial Officer

Donna Grotz, Chief Finance and
Administration Officer
Jodi O'Neill, Deputy Chief Compliance
Officer

Meeting called to order at 10:02 a.m. by Chairman Cochran.

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

I. Approval of Minutes from June 22, 2018, Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the June 22, 2018, Board meeting.

*Proposed by: Micah Vincent
Seconded by: Brian Abbott
Votes: 8 in favor, 0 opposed, 0 abstentions*

II. Unfinished Business

A. Indiana Administrative Code (IAC) Proposals

Tony Green presented revised proposed updates to the IAC. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the June 22, 2018 meeting. No public comments were received.

MOTION duly made and carried to approve all of the changes to the IAC presented in Board Resolution No. 2018-09-14.

Proposed by: David Frick
Seconded by: Tera Klutz
Votes: 8 in favor, 0 opposed, 0 abstentions

III. Required Business

A. Proposed Board Governance Manual Updates

Tony Green presented revisions made to the Board Governance Manual. Mr. Green noted updates to the INPRS mission and principle statements. Mr. Green also talked about added descriptions for the TRF MyChoice plan, delineating the PERF and TRF ASA's from PERF and TRF defined benefit funds, added descriptions to the special death benefit fund to INPRS, changing the director of enterprise risk management to Chief Audit and Risk Officer, revision of Statement of Enterprise Risk Appetite, revision of the Portfolio Performance in the Statement of Future Risk Appetite, hiring of a new actuary and fiduciary counsel, and technical corrections based on language in the Indiana Code. Mr. Green asked the Board to review and provide any feedback to him before the next board meeting. He said that the board would be voting on the recommended changes at the next Board meeting in October.

IV. New Business

A. CEM Investment Benchmarking Review

Sandy Halim summarized the CEM investment benchmarking results for INPRS defined benefit and defined contribution plans. Ms. Halim talked about the calendar year 2017 returns, value added, cost and cost effectiveness, and risk for the defined benefit plans. Ms. Halim also discussed the investment line up, fees, and performance for the defined contribution plans.

B. FY18 – A Look Back

Steve Russo presented the 2018 fiscal year in review. Mr. Russo stated that the INPRS managed pension plans remain well funded with no expected increase in 2020 employer contribution rates. Mr. Russo reviewed the estimated aggregate funded status of the pre-funded defined benefit plans, the COLA assumption changes driven by Senate Enrolled Act 373, the Teacher pre-1996 pay-go plan status, and the progress toward exemplary customer and operational services. Mr. Russo also discussed FY18 year-end performance and year over year trend. Mr. Russo also reviewed the FY18 strategic plan accomplishments.

C. Enterprise Risk Management Update

Teresa Snedigar reviewed the INPRS Enterprise Risk Management (ERM) policy and procedures. Ms. Snedigar summarized ERM. Ms. Snedigar discussed integrating ERM and strategic planning, aligning strategic planning and enterprise risk, points of engagement, processes in action, roles in ERM, and the next steps.

D. Compliance Update

Jodi O'Neill presented the Ethics and Compliance Update. Ms. O'Neill discussed compliance status, fiscal year inquiries, records retention, and a networking group with other Indiana State agencies. Ms. O'Neill also talked about an education and training program within INPRS.

E. Operations Update

Steve Barley summarized the Operation department's key performance metrics including call center, retirements, complaints, and satisfaction scores. Mr. Barley also key notes and challenges within the department.

F. Investments Update

Scott Davis presented the INPRS investment update to the Board. He started with a review of team imperatives, provided highlights of INPRS' investments, and reviewed the INPRS investment portfolio. Mr. Davis talked about INPRS' fiscal year 2017 in review, asset allocation as of July 31st, defined benefit performance, and ASA funds' performance. Mr. Davis also discussed the current managers on the watch list.

Jeff MacLean talked about the economic climate. Mr. MacLean also discussed 2018 equity drawdowns, market performance, economic and inflation impact (2013-2018). Mr. MacLean also discussed portfolio risks, main drivers in the market, global activity, and volatility.

G. Financial Update

Donna Grotz presented the INPRS financial update to the Board. Ms. Grotz began with the FY 2018 fiscal year end financial results. Ms. Grotz talked about the administrative and investment expenses July 2017 through June 2018. Ms. Grotz also summarized the July 2018 financial results.

H. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo mentioned a Line of Duty death. Mr. Russo summarized the Balance Scorecard. Mr. Russo also gave a summary of recommendations with new measures, removed measures, and target modifications. Lastly, Mr. Russo discussed escalated BSC measures.

V. Other business as requested by the Board

No other business was requested by the Board.

VI. Preliminary Agenda for October 26, 2018 Board Meeting

A copy of the preliminary agenda for the October 26, 2018, meeting was included in materials provided electronically to Board members.

VII. Board Education

A. Fiduciary Duty & SEC Pay-To-Play

Tony Green introduced John Schembari from Kutakrock as the INPRS primary counsel regarding fiduciary duty. John Schembari discussed the Board's authority and duties, who is a fiduciary, and fiduciary duties. Mr. Schembari also talked about duty of prudence, duty of loyalty, temptation from outside entities, prohibited transactions, SEC Pay-to-Play regulations, and Pay-to-Play cases.

VIII. Executive Session

A brief Executive Session was held at pursuant to IC 5-14-1.5-6.1(b)(9).

As posted, the Board discussed personnel matters as authorized pursuant to IC 5-14-1.5-6.1(b)(9).

As required by IC 5-14-1.5-6.1(d), the Board hereby certifies that only subject matter related to IC 5-14-1.5-6.1(b)(9) was discussed.

IX. Adjournment

MOTION duly made and carried to adjourn the September 14, 2018 Board meeting at 2:18 p.m.

Proposed by: Brian Abbott
Seconded by: David Frick
Votes: 6 in favor, 0 opposed, 0 abstentions