

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

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

April 25, 2014

Board Members Present

Bret Swanson, Vice Chair
Suzanne Crouch
Jodi Golden

Sarah Beth Murphy
Michael Pinkham
Kyle Rosebrough

Guests Presenting

Pete Keliuotis, Strategic Investment
Solutions (SIS)

Staff Presenting

Steve Russo, Executive Director
David Cooper, Chief Investment Officer

Donna Brown, Controller
Jillian Battle, Legislative Director

Meeting called to order at 10:04 a.m. by Vice Chairman Swanson.

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

I. Approval of Minutes from February 21, 2014 Board of Trustees Meeting

A board member suggested editing the minutes to reflect that members receive materials by electronic means rather than by mail.

MOTION duly made and carried to make the suggested change and approve the minutes from the February 21, 2014 board meeting.

*Proposed by: Suzanne Crouch
Seconded by: Kyle Rosebrough
Votes: 6 in favor, 0 opposed, 0 abstentions*

II. Required Business

A. FY 2015 Member Crediting Rate Approvals

David Cooper presented the background of the INPRS funds and of the Guaranteed Fund (“GF”). He reviewed the GF Rate Methodology approved by the Board at the April 27, 2012 meeting. Mr. Cooper stated that the rate for the next fiscal year would be calculated in line with the Board approved calculation methodology. Staff recommended that the FY 2015 Guaranteed Fund interest crediting rate be set at 0.32%.

MOTION duly made and carried to adopt the staff recommended 0.32% Guaranteed Fund crediting rate for fiscal year 2015.

Proposed by: Sarah Beth Murphy
Seconded by: Suzanne Crouch
Votes: 6 in favor, 0 opposed, 0 abstentions

Mr. Cooper then reviewed how the interest crediting rate is determined and applied to member accounts of the ‘77 Police & Fire, PARF, Judges’, and CG&E funds. Staff recommended that the FY 2015 interest crediting rate for each of the PARF, Judges, ‘77 Police & Fire, and CG&E funds be set at 2.69%.

MOTION duly made and carried to adopt the staff recommended 2.69% interest crediting rate for fiscal year 2015 for the 1977 Police Officers' and Firefighters' Pension and Disability Fund (“77 Fund”), Judges' Retirement System (“Judges”), Prosecuting Attorneys' Retirement Fund (“PARF”), and State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (“CG&E”) Employee DB Contributions.

Proposed by: Michael Pinkham
Seconded by: Sarah Beth Murphy
Votes: 6 in favor, 0 opposed, 0 abstentions

III. Unfinished Business

A. FY 2014 Actuarial Assumptions & Methods

Steve Russo reviewed the February 21, 2014 Board presentation and presented new information on cost of living adjustments (COLA), pay growth and interest rate assumptions.

Mr. Russo presented the recommendation made by staff, general investment consultant SIS, and actuaries that INPRS maintain a 6.75% long term rate of return assumption pending the outcome of an upcoming asset liability study. Staff recommended no change in actuarial assumptions for the FY 2014 actuarial valuation. Potential changes for the FY 2015 actuarial valuation will be based upon an upcoming asset liability study and changes to industry standard mortality tables.

MOTION duly made and carried to approve the fiscal year 2014 actuarial assumptions and methods.

Proposed by: Jodi Golden
Seconded by: Michael Pinkham
Votes: 6 in favor, 0 opposed, 0 abstentions

B. Funding Policy

Donna Brown presented the updated funding policy to the Board. Ms. Brown reviewed the background and explanation of the changes to the INPRS funding policy that were presented at the February 21, 2014 board meeting. Staff recommended approval of the funding policy.

MOTION duly made and carried to approve the INPRS Funding Policy as presented.

Proposed by: Jodi Golden
Seconded by: Suzanne Crouch
Votes: 6 in favor, 0 opposed, 0 abstentions

C. ASA Annuity Update

Steve Russo presented an update on the ASA Annuity topic to the Board. He explained the implications of HEA 1075 on INPRS and the Board: outsourcing of annuities is prohibited until January 1, 2017; the interest rate will be 5.75% beginning on October 1, 2014 and remain there for 1 year; beginning October 1, 2015 the Board shall set a market based rate as determined by the Board, no lower than 4.5%; and if, or when, the Board outsources on or after January 1, 2017 the rate shall be at a market based rate as established by the provider(s).

Mr. Russo then described current efforts to support the legislative direction of HEA 1075 and to manage risk for the October 1, 2014 implementation of the new annuity rate.

IV. New Business

A. Preliminary FY 2015 Budget & Strategic Plan

Steve Russo presented an overview and summary of the strategic planning process. He discussed a draft of the INPRS Strategic Plan for fiscal years 2015-2017, which included strategic priorities, near term tactical priorities, and strategic projects. Mr. Russo requested input from board members and provided a timeline for finalizing the strategic plan.

Mr. Russo then presented a preliminary budget for fiscal year 2015. He explained several budget drivers, compared the FY 2014 and FY 2015 budgets, and

discussed various factors affecting the development of the FY 2015 budget. The FY 2015 budget will be presented to the Board for their review and recommended approval at the June 20, 2014 board meeting.

B. Financial Update

Donna Brown presented the INPRS financial update to the Board. She began with a summary of the financial highlights as of March 2014. Ms. Brown reviewed the fiscal year 2014 actual and forecast expenses compared to budget and change in net position.

C. Investments Update

David Cooper was joined by Pete Keliuotis, from Strategic Investment Solutions (SIS), to present the investment update to the Board. Mr. Cooper began with highlights of the INPRS investment program. He then provided an update on the requests for proposal (RFPs) for new consultants in the areas of private equity, absolute return, and general investments.

Mr. Cooper also presented a portfolio review, which included a summary of DB performance, asset allocations as of March 31, 2014, fiscal year 2014 performance, monthly returns, and asset class and individual fund performance. He then reviewed new investments and the current watch list of investment managers.

D. 2014 Legislative Session Summary

Jillian Battle presented a summary of the 2014 Indiana Legislative Session to the Board. She outlined the implications of bills affecting INPRS: HEA 1075 (annuities); HEA 1074 (PERF, TRF, and CG&E 13th checks); HEA 1321 (employees of Innovation Network Schools); SEA 177 (trailing contributions); SEA 209 (additional ASA Only Plan contributions); SEA 225 (retirement medical accounts); and SEA 80 (Pension Management Oversight).

E. Executive Director Report

Steve Russo presented the Executive Director's report. He began with an update on past due employer contributions and reviewed the contribution accrual analysis as of March 2014. Mr. Russo then presented performance metrics and a summary of imperatives to the Board. Scorecard details were provided to the Board for their review.

V. **Other business as requested by the Board**

Board members requested an executive session be scheduled for the June 2014 board meeting.

VI. Preliminary Agenda June 2014 Board Meeting

A copy of the preliminary agenda for the June 20, 2014 meeting was included in materials provided electronically to board members.

VII. Adjournment

MOTION duly made and carried to adjourn the April 25, 2014 Board meeting at 12:21 p.m.

Proposed by: Jodi Golden
Seconded by: Michael Pinkham
Votes: 6 in favor, 0 opposed, 0 abstentions