

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

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

**June 24, 2016**

**Board Members Present**

Sarah Beth Murphy  
Michael Pinkham  
Kyle Rosebrough  
Ken Cochran  
Erin Sheridan

Brian Abbott  
Bret Swanson  
Deanna Oware  
Jillean Battle (via conference call)

**Guest Presenters**

Tiffany Spudich, Capital Cities  
Bruce Hopkins, CEM Benchmarking

Scott Whalen, Verus

**Staff Presenters**

Steve Russo, Executive Director  
Scott Davis, Interim Chief Investment  
Officer  
Donna Brown, Chief Financial Officer  
Donna Grotz, Director of Strategic  
Initiatives and Administration

Steven Barley, Chief Operations Officer  
Tony Green, Chief Legal and  
Compliance Officer  
Jodi O'Neill, Deputy Compliance Officer  
Teresa Snedigar, Director Internal Audit

**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 April 29, 2016, Board of Trustees Meeting**

**MOTION** duly made and carried to approve the Board of Trustees Meeting minutes from the April 29, 2016, Board meeting.

*Proposed by: Mike Pinkham  
Seconded by: Brian Abbott  
Votes: 9 in favor, 0 opposed, 0 abstentions*

## II. Unfinished Business

### A. Board Governance Manual Review & Update

Tony Green presented proposed updates to the Board Governance Manual as initially discussed in the April 29, 2016 Board meeting. Mr. Green noted updates to the INPRS vision, mission, and principle statements. Mr. Green also talked about revised descriptions of the PERF ASA-only plan, revision of Director of Enterprise Risk Management duties, revision of Statement of Enterprise Risk Appetite, and technical corrections based on language in the Indiana Code.

**MOTION** duly made and carried to approve the updates to the Board Governance Manual.

*Proposed by: Jillean Battle*  
*Seconded by: Bret Swanson*  
*Votes: 9 in favor, 0 opposed, 0 abstentions*

### B. ASA Annuities

Steve Russo presented the ASA Annuity Timeline. Mr. Russo informed the Board of the current status, implementation date considerations, Indiana Statutes governing ASA annuities, and statutory considerations. Mr. Russo talked about the risk of internal ASA management versus third party contracting to MetLife. Mr. Russo also discussed interest rate setting methodology options for internally provided ASA annuities until such time ASA annuities are provided by a third party.. He also noted pricing statistics on MetLife's annuity. Mr. Russo presented recommendations for annuities and rate setting.

**MOTION** duly made and carried to engage with MetLife to offer an annuity to INPRS' members no sooner than April 1, 2017.

*Proposed by: Bret Swanson*  
*Seconded by: Sarah Beth Murphy*  
*Votes: 9 in favor, 0 opposed, 0 abstentions*

**MOTION** duly made and carried to approve the recommended rate setting methodology for ASA annuities provided after December 31, 2016 and until the Board enters into a third party agreement.

*Proposed by: Brian Abbott*  
*Seconded by: Bret Swanson*  
*Votes: 9 in favor, 0 opposed, 0 abstentions*

### III. Required Business

#### A. FY17- FY19 Strategic Plan Approval

Steve Russo presented the recommended fiscal year 2017-2019 strategic plan. Mr. Russo informed the Board of no substantive changes since initially presented to the Board at the April 29, 2016 Board meeting. Mr. Russo also discussed the recommended top five fiscal year strategic objectives

**MOTION** duly made and carried to approve recommendation of FY17 – FY 19 Strategic Plan.

*Proposed by: Bret Swanson*  
*Seconded by: Sarah Beth Murphy*  
*Votes: 9 in favor, 0 opposed, 0 abstentions*

#### B. FY17 Budget Approval

Donna Brown discussed the fiscal year budget drivers. Ms. Brown talked about the FY16 administrative expense and investment expense. Ms. Brown presented the FY17 administrative budget and investment expense budget.

**MOTION** duly made and carried to approve recommendation of FY17 budget as presented.

*Proposed by: Deanna Oware*  
*Seconded by: Brian Abbott*  
*Votes: 9 in favor, 0 opposed, 0 abstentions*

#### C. FY17 Internal audit Plan Approval

Teresa Snedigar presented FY16 audit results. Ms. Snedigar also presented the FY17 audit plan.

**MOTION** duly made and carried to approve the FY17 audit plan as presented.

*Proposed by: Bret Swanson*  
*Seconded by: Deanna Oware*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*

#### D. Stable Value Fund

Scott Davis and Tiffany Spudich from Capital Cities discussed the ASA Stable Value Fund. Mr. Davis discussed the proposed stable value fund structure. Mr. Davis recommended an initial investment above the 3% investment policy

statement limit for the transition of the Guaranteed Fund assets to the Stable Value Fund Asset Oversight Manager by December 31, 2016.

**MOTION** duly made and carried to approve staff recommendation.

*Proposed by: Bret Swanson*  
*Seconded by: Brian Abbott*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*

#### **IV. New Business**

##### **A. CEM Benchmarking Review**

Bruce Hopkins from CEM Benchmarking presented investment cost and pension administration benchmarking results. Mr. Hopkins talked about total returns, value added, cost and cost effectiveness, and risk for calendar year 2014. Mr. Hopkins also talked about the total pension administration cost per active member, cost trends, reasons for cost, and where INPRS stands compared to 72 leading global pension systems.

##### **B. Compliance Review**

Jodi O'Neill and Tony Green presented the Ethics and Compliance Update. Ms. O'Neill discussed compliance status, training and certification. Ms. O'Neill also talked about an education and training program to begin in July.

##### **C. Operations Update**

Steve Barley presented an overview of the Operations department. Mr. 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.

##### **D. 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 a portfolio review. Mr. Davis talked about INPRS asset allocation as of May 31<sup>st</sup>, defined benefit performance, and ASA funds' performance. Mr. Davis also discussed the current managers on the watch list.

##### **E. Financial Update**

Donna Brown presented the INPRS financial update to the Board. Ms. Brown began with a summary of the financial highlights as of end of May 2016. Ms.

Brown reviewed the May financials, then talked about past due employer contributions. Ms. Brown discussed fiscal year 2016 actual and forecast change in net position and expenses compared to budget.

F. Executive Director Report

Steve Russo discussed the Executive Director's report. Mr. Russo also summarized the Balance Scorecard.

V. Preliminary Agenda for September 2, 2016 Board Meeting

A copy of the preliminary agenda for the September 2, 2016, meeting was included in materials provided electronically to Board members.

VI. Other Business as requested by the Board

No other business was requested by the Board.

VII. Executive Session

A brief Executive Session was held at pursuant to 5-14-1.5-6.1(b)(2)(B), IC 5-14-1.5-6.1(b)(2)(C) and 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)(2)(B), IC 5-14-1.5-6.1(b)(9) and IC 5-14-1.5-6.1(b)(2)(C) was discussed.

**MOTION** duly made and carried to approve the compensation of the Executive Director and the annual incentive plan for the Executive Director. The incentive plan will consist of performance drivers that are 50% investment performance based and 50% operational performance based.

*Proposed by: Sarah Beth Murphy*  
*Seconded by: Brian Abbott*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*

VIII. Adjournment

**MOTION** duly made and carried to adjourn the June 24, 2016, Board meeting at 1:56 p.m.

*Proposed by: Sarah Beth Murphy*  
*Seconded by: Mike Pinkham*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*