

MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM
1 N. Capitol, Indianapolis, IN 46204
1st Floor Conference Room and Virtual Webcast
[Pursuant to Executive Order 20-09 and extensions]

October 30, 2020

Board Members Present

Michael Pinkham
Brian Abbott
Connie Plankenhorn
Justin McAdam

Tera Klutz
Vivienne Ross
Bret Swanson
Kelly Mitchell

Guest Presenters

Jeff MacLean, Verus
Sandy Halim, CEM Benchmarking

Brent Banister, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald

Staff Presenters

Steve Russo, Executive Director
Scott Davis, Chief Investment Officer
Donna Grotz, Chief Finance and
Administration Officer
Alex Far, Director of Investment
Operations

Tony Green, Chief Legal & Compliance
Officer
Jeff Hutson, Chief Communications
Officer
Andy Blough, Chief Actuary
Bo Abesamis III, Callan

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

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

I. Approval of Minutes from September 11, 2020 Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the September 11, 2020, Board meeting.

Proposed by: Brian Abbot
Seconded by: Mike Pinkham
Votes: 8 in favor, 0 opposed, 0 abstentions

II. Unfinished Business

A. Proposed Board Governance Manual Updates.

Tony Green presented revised proposed updates to the Governance Manual. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the September 11, 2020 meeting.

The Board discussed the need for more involvement in the hiring and termination of the Chief Audit and Risk Officer position through the Governance Working Group.

MOTION duly made and carried to approve the changes to the Board Governance Manual and direct staff to research and present options for the Board's involvement regarding the hiring and termination of the Chief Audit and Risk Officer position.

Proposed by: Justin McAdam
Seconded by: Tera Klutz
Votes: 8 in favor, 0 opposed, 0 abstentions

B. Proposed Investment Policy Statement Updates

Scott Davis presented a revised Investment Policy Statement. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the September 11, 2020 meeting.

MOTION duly made and carried to adopt the revised INPRS Investment Policy Statement.

Proposed by: Kelly Mitchell
Seconded by: Justin McAdam
Votes: 8 in favor, 0 opposed, 0 abstentions

III. Required Business

A. Actuarial Valuation & Contribution Rates

Ed Koebel from Cavanaugh Macdonald spoke about actuarial valuation results for PERF, TRF, the 1977 Fund, JRS, EG&C, PARF, and LE DB funds as of June 30, 2020. Mr. Koebel also discussed the summary of legislation passed in the 2020 Indiana General Assembly. Mr. Koebel also talked about current and projected funded status, and the current and projected calculation of the actuarial required contribution rate.

Brent Banister from Cavanaugh talked about the 2014-2019 experience study results for PERF, TRF, the 1977 Fund, JRS, EG&C, PARF, and LE DB funds. Mr. Banister highlighted the liability and estimated dates when each fund will be fully funded.

Andy Blough discussed the INPRS funded status as of June 30, 2020 comparison to June 30, 2025 projection. Mr. Blough also summarized the recommendations for contribution rates, lottery revenue allocations to the supplemental reserve accounts, and requests for appropriations from the General Assembly during the next biennium (FY2022 and FY2023).

INPRS Staff Recommended Total Employer DB Contribution Rates for Fiscal Year 2022	
PERF (State)	11.2%
TRF 1996 Defined Benefit Account	5.5%

INPRS Staff Recommended Total DB Contribution Rates for Calendar Year 2022	
PERF (PSD Composite Rate)	11.2%
'77 Fund	17.5%
EG&C Plan	20.75%
LE DC Plan	14.2%

INPRS Staff Recommended Supplemental Reserve Account (SRA) Surcharge Rates for Calendar Year 2021	
PERF	0.44%
TRF Pre-'96	N/A
TRF '96	0.14%
EG&C	0.85%
LE DB	N/A

INPRS Staff Recommended Supplemental Reserve Account (SRA) Lottery Revenue Allocation	
TRF Pre-'96	2,500,000.00 per month until February 2021 board meeting

INPRS Staff Recommended General Assembly Appropriation Requests for Fiscal Years 2022 and 2023		
	FY 2022	FY 2023
TRF Pre-'96	975,000,000	1,004,300,000
JRS (includes court and docket fees)	17,563,885	18,046,892
PARF	4,044,194	4,155,409
LE DB	182,512	182,512
LPSPR	155,000,000	152,500,000

INPRS Staff Recommended My Choice DC Contribution Rates for Fiscal Year 2022 and 2023	
PERF State My Choice Member Crediting Rate	3.2%

PERF State UAAL Contribution Rate for My Choice Members	8.0%
PERF State My Choice Total Contribution Rate	11.2%
PERF Political Subdivision My Choice Member Maximum Crediting Rate	3.9%
PERF Political Subdivision UAAL Contribution Rate for My Choice Members	7.3%
PERF Political Subdivisions My Choice Total Contribution Rate	11.2%
TRF '96 My Choice Member Contribution Rate	5.3%
TRF '96 UAAL Contribution Rate for My Choice Members	0.2%
TRF '96 My Choice Total Contribution Rate	5.5%

MOTION duly made and carried to approve staff recommended contribution rates, supplemental reserve account contributions, appropriation requests, and MyChoice DC crediting rates. The delegation of the \$15 million of lottery revenue allocation to the INPRS Executive Director will be voted on at the February Board meeting.

Proposed by: Tera Klutz
Seconded by: Brian Abbott
Votes: 8 in favor, 0 opposed, 0 abstentions

B. Defined Contribution Fee Review & CY21 Fee

Donna Grotz presented the Defined Contribution (DC) Fee review. Ms. Grotz provided a DC fee benchmark. The current DC fee of \$45.00 per year is adequate and does not need to be changed.

MOTION duly made and carried to approve staff recommended to leave the Defined Contribution Administrative Fee at \$45.00 per year.

Proposed by: Mike Pinkham
Seconded by: Brian Abbott
Votes: 8 in favor, 0 opposed, 0 abstentions

C. Custodian Banking Services Recommendation

Alex Far presented Master Custody Update. Mr. Far discussed the role of the INPRS custodian as well as the process taken to search for a custodian and the timeline.

Bo Abesamis III from Callan reviewed the due diligence search and fee review for master custody services. Mr. Abesamis talked about the results from the requests for proposals and compared the differences in services and fees between the four custodian banks.

MOTION duly made and carried to approve staff recommended to BNY Mellon Asset service as custodian for INPRS.

Proposed by: Brian Abbott
Seconded by: Justin McAdam
Votes: 8 in favor, 0 opposed, 0 abstentions

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 2019 returns, value added, cost and cost effectiveness, cost trend, and risk for the defined benefit plans. Ms. Halim also discussed where INPRS ranked compared to peers.

B. Member & Employer Survey Findings

Jeff Hutson presented the Member and Employer survey results. Mr. Hutson talked about the key takeaways from the employer and member surveys, which highlighted core attributes, trustworthiness, satisfaction, engagement. Mr. Hutson also provided survey results from members and employers regarding investing and retirement income planning.

C. Financial Update

Donna Grotz presented the INPRS financial update. Ms. Grotz summarized the financial results, net position, supplemental reserve accounts, and the administrative and investment expenses as of the end of September 2020.

D. Investments Update

Scott Davis presented the INPRS investment update to the Board. Mr. Davis provided highlights and reviewed the INPRS investment portfolio as of September 30, 2020. Mr. Davis talked about the asset allocation, defined benefit funds' performance, and defined contribution funds' performance. Jeff MacLean of Verus briefly discussed the economy sensitivity and portfolio risk.

E. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo provided an update on the Pension Management Oversight Committee (PMOC) meetings from 2020. Mr. Russo also gave highlights of the Balance Scorecard and escalated BSC measures.

V. Other business as requested by the Board

There was no other business as requested by the Board discussed.

VI. Preliminary Agenda for December 11, 2020 Board Meeting

A copy of the preliminary agenda for the December 11, 2020, meeting was included in materials provided electronically to Board members.

VII. Preliminary 2021 Board Meeting Calendar

A copy of the proposed 2021 Board Meeting schedule was included in materials provided electronically to Board members.

VIII. Adjournment

MOTION duly made and carried to adjourn the October 30, 2020 Board meeting at 1:27 p.m.

*Proposed by: Bret Swanson
Seconded by: Tera Klutz
Votes: 8 in favor, 0 opposed, 0 abstentions*