

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

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

October 31, 2014

Board Members Present

Ken Cochran, Chair
Brian Abbott
Suzanne Crouch
Bret Swanson

Sarah Beth Murphy
Deanna Oware
Michael Pinkham
Kyle Rosebrough

Guests Presenting

Tom Iannucci, President of Cortex
Ian Lanoff, Groom Law Group
Cliff Asness, AQR Capital Management
LLC
Brandon Robertson, PWC

Rick Funston, Funston Advisory
Services LLC
Jeffrey MacLean, Wurts and Associates
DeWitt Miller, Wurts and Associates
John Dowell, Nyhart Group

Staff Presenting

Steve Russo, Executive Director
Donna Brown, Chief Financial Officer
David Cooper, Chief Investment Officer

Tony Green, Chief Legal & Compliance
Officer

Meeting called to order at 9:52 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 September 12, 2014 Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the September 12, 2014 board meeting.

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

II. Board Education

A. Governance, Strategy, and Risk – Rick Funston

Mr. Funston gave an educational presentation on governance, strategy and risk. He covered the shifts taking place in pensions, fiduciary challenges, and governance. He also discussed risks to public retirement systems and the importance of risk intelligent management.

B. Fiduciary duty and risk management – Tom Iannucci

Mr. Iannucci provided an educational presentation on fiduciary duty and risk management. He covered the importance of good governance, risk management, and the challenges. He discussed what a policy focused board does: focus, prudently delegate, develop systems of oversight, and invest in board education.

C. Fiduciary duty – Ian Lanoff

Mr. Lanoff supplied an educational presentation about fiduciary duty. He talked about the duty of loyalty and prudence. He also discussed economically targeted Investments, non-investment related duties, and the liability for the breach of fiduciary duty.

D. Investments Education – Cliff Asness

Mr. Asness talked about the current environment and risk premia. He further discussed asset and risk allocation as well as diversification.

III. Required Business

A. Actuarial Valuation & Contribution Rates

Donna Brown, along with John Dowell from Nyhart and Brandon Robertson from PricewaterhouseCoopers, presented the results of the actuarial valuation as of June 30, 2014. Ms. Brown reviewed the funding objectives and noted changes since the June 30, 2013 valuation. She explained the participant information used in the valuation, as well as the change in actuarial assets and liabilities..

Mr. Dowell from Nyhart provided information about the pre and post 96 TRF Fund status. He talked about the current and projected funded status, and the current and projected calculation of the actuarial contribution rate.

Mr. Robertson followed with information regarding the PERF and non-PERF funds such as 1977 Fund, JRS, EG&C, PARF, and LEDB. He discussed the current and projected funded status, and the current and projected calculation of

the actuarial required contribution rate. Then, he reviewed last year's valuation and compared it to this year's valuation for each fund.

Ms. Brown finished with a review of overall fund status of INPRS, interest rate sensitivities, and a summary of the ARC (Annual Required Contribution). She discussed the contribution rate development for political subdivisions in PERF.

Mr. Robertson talked about mortality rates and discussed some differences between private and public sector employees. A study may be needed to review mortality rates for public sector and teachers. Staff is working with actuary to present options for a later meeting.

INPRS Staff Recommended Contribution Rates for Fiscal Year 2016	
PERF State	11.2%
TRF 1996 Account	7.5%
ASA-Only Member Crediting Rate	4.6%
ASA-Only Total Employer Rate	11.2%

INPRS Staff Recommended Contribution Rates for Calendar Year 2016	
PERF PSD (CRG Rate)	11.2%
1977 Fund	19.7%
E,G,&C Plan	20.75%

MOTION duly made and carried to adopt the staff recommended Contribution Rates noted in the chart above, including individual Political Subdivision Employer Rates reflected in the attachments provided to the Board.

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

B. Appropriations

Ms. Brown recommended appropriations for 2016 and 2017 since it's a budget year.

	INPRS Staff Recommended Appropriation Amounts (\$000's) for Fiscal Year 2016	INPRS Staff Recommended Appropriation Amounts (\$000's) for Fiscal Year 2017
TRF Pre 96 Account	\$816,500	\$841,000
Judges Plan	\$16,946	\$16,824
PARF	\$1,440	\$1,486
LEDB Plan	\$138	\$135
Pension Relief	\$155	\$160

MOTION duly made and carried to adopt the staff recommended Appropriation Amounts noted in the chart above.

Proposed by: Deanna Oware
Seconded by: Sarah Beth Murphy
Votes: 8 in favor, 0 opposed, 0 abstentions

IV. Unfinished Business

A. Board Meeting Internet Streaming

Mr. Russo informed the board that INPRS staff is looking at options to allow for live video streaming of the meetings. Staff reached out to public pension plans to solicit information on any issues, risks, and concerns of live streaming. The board discussed some of the benefits and problems of providing live streaming of board meetings.

The board agreed to discuss the matter at the December board meeting.

V. New Business

A. Financial Update

Donna Brown presented the INPRS financial update to the Board. She began with a summary of the financial highlights as of end of September 2014. She talked about the benefits and expenses. Ms. Brown also provided a contribution accrual analysis for past-due contributions from employers.

B. General Investments Consultant

David Cooper explained the importance of asset allocation and risk management. He recommended the board award the general consultant contract to Wurts and Associates. Mr. Russo reiterated the importance of understanding asset allocation and risk tolerance.

Jeffrey MacLean, CEO of Wurts and Associates, described his company and services. If selected as INPRS general consultant, he offered to help INPRS implement risk management within investment operations. The board requested budget for this service.

MOTION duly made and carried to approve investment consultant subject to successful contract negotiations.

Proposed by: Bret Swanson
Seconded by: Kyle Rosebrough
Votes: 8 in favor, 0 opposed, 0 abstentions

C. Investments Update

David Cooper provided the Board with a summary of DB performance, asset allocations, fiscal year to date 2014 performance, monthly returns, and asset class and individual fund performance.

D. Executive Director Report

Steve Russo informed the board about two line of duty deaths. Then, he reviewed the interest rate changes on annuities. INPRS successfully implemented the change of rate and new process with the new rate. INPRS is looking at options in preparation for the next change on October 1, 2015.

Mr. Russo provided an update on legislative drafts considered by the legislative Committee on Pension Management Oversight.

Mr. Russo updated the board on the status of INPRS operations. He further provided scorecard details to the board.

VI. Other business as requested by the Board

No other business was requested by the Board.

VII. Preliminary Agenda December 12, 2014 Board Meeting

A copy of the preliminary agenda for the December 12, 2014 meeting was included in materials provided electronically to board members.

VIII. Proposed 2015 Board Meeting Schedule

Mr. Russo proposed a board meeting schedule for 2015. He suggested the meetings be held on Fridays. A formal adoption is needed at the next meeting in December.

IX. Adjournment

MOTION duly made and carried to adjourn the October 31, 2014 Board meeting at 4:15 p.m.

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