

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

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

December 12, 2014

Board Members Present

Ken Cochran, Chairman
Brian Abbott
Suzanne Crouch
Sarah Beth Murphy
Jodi Golden

Michael Pinkham
Kyle Rosebrough
Bret Swanson
Deanna Oware

Guest Presenters

Bill Sarb, McGladrey LLP
Joseph Evans, McGladrey LLP
Jeff MacLean, Wurts & Associates, Inc.

Staff Presenters

Steve Russo, Executive Director
Tony Green, Chief Legal and
Compliance Officer
David Cooper, Chief Investment Officer

Donna Brown, Chief Financial Officer
Teresa Snedigar, Director of Internal
Audit

Meeting called to order at 10:03 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 October 31, 2014, Board of Trustees Meeting

MOTION duly made and carried to approve the minutes from the October 31, 2014, Board meeting.

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

II. Unfinished Business

A. Board meeting Internet Streaming.

Steve Russo reviewed the statutory requirements for Board Meetings and INPRS current practices. He also talked about the benefits and potential risks of Internet Streaming and presented several options to the Board. The Board requested additional evaluation of the various options for further discussion at the next Board meeting.

III. Required Business

A. Election of Board Officers

Under Indiana Code 5-10.5-3-7, the board shall elect a Chair and Vice Chair from its members to serve as officers. Officers shall serve for one year or until the officer's successor is elected and qualified. Chairman Cochran opened the floor for nominations.

MOTION duly made and carried to reelect Ken Cochran as Chair and Bret Swanson as Vice Chair of the INPRS Board of Trustees.

Proposed by: Michael Pinkham
Seconded by: Sarah Beth Murphy
Votes: 9 in favor, 0 opposed, 0 abstentions

B. Annual Independent External Audit Review

Bill Sarb and Joseph Evans from McGladrey, LLP, presented the fiscal year 2014 audit results. The auditors determined that INPRS met all appropriate standards, including new standards such as GASB Statement No. 67. INPRS will receive an unmodified opinion, the best audit opinion possible.

C. Indiana Administrative Code (IAC) adoption

Tony Green discussed the need to clarify Indiana Administrative Code with respect to in-service distributions at age 62 when a member changes their employment accruing service credit in a different fund while continuing with the same employer. The board requested a clarification on terms and chose to delay a vote on the resolution.

D. ASA Annuity Interest Rate Setting Methodology

Steve Russo discussed the current rate for the ASA annuity and the next statutorily required change coming September 30, 2015. Mr. Russo gave a recommendation for the new rate setting methodology. He also provided data in

support of the proposed methodology. The rate change will be communicated to members on-line and by various other sources.

MOTION duly made and carried that effective October 1, 2015, and until such time the Board enters into an agreement with a third party, the interest rate used to determine ASA annuity benefit amounts shall be set quarterly and be the greater of (A) The sum of 1.5% and the average of the 10-year United States Treasury yield, rounded to the nearest 100th percent, as published by the United States Department of the Treasury, on the last five business days of each quarter preceding two (2) calendar quarters that the ASA annuity interest rate will be in effect; or (B) 4.5%.

Proposed by: Jodi Golden
Seconded by: Brian Abbott
Votes: 9 in favor, 0 opposed, 0 abstentions

IV. New Business

A. Actuarial Experience Study - Mortality

Donna Brown presented a summary of the current Mortality assumptions used in the annual INPRS actuarial valuations and the findings of a newly released mortality study conducted by the Society of Actuaries. The study excluded public sector data. Ms. Brown recommended that INPRS conduct a mortality study using INPRS member specific data. INPRS was planning an on overall actuarial experience study in FY16. After a review of three options, Ms. Brown recommended that INPRS pull up the overall experience study from FY16 to FY15 and that the experience study also include a study of INPRS specific mortality experience. She also indicated Nyhart, Inc., and PricewaterhouseCoopers, LLP, will conduct the study.

MOTION duly made and carried to pull up the experience study and complete it prior to the 6/30/15 valuation.

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

B. Investments Update

David Cooper began with a portfolio review and highlights of INPRS investments. Mr. Cooper also discussed having an Asset-Liability Study. He presented a 2015 timeline and gave two fiducially acceptable options for a Study.

Jeffrey MacLean, CEO of Wurts & Associates Inc., discussed risk management within investment operations and how the economy has impacted the financial market.

MOTION duly made and carried for Board to receive updates, summaries and to receive recommendations regarding the Asset-Liability Study at future Board Meetings.

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

C. 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 October 2014. She talked about the benefits, expenses, and fiscal year 2015 actual and forecast expenses compared to budget. Ms. Brown also provided a contribution accrual analysis for past-due employer contributions.

D. Executive Director's Report

Steve Russo presented the Executive Director's report. He provided information about current 1977 Fund Statewide Physical and Mental Examination standards. INPRS is required to review standards every five years under IC 36-8-8-19. INPRS has reviewed the standards and will maintain current existing physical and mental exam standards.

Mr. Russo also informed the board about the two buildings owned by INPRS. He discussed plans to sell the building at 143 W. Market and move INPRS staff to One North Capitol. Mr. Russo has directed the investments team to evaluate if retaining ownership of the building and leasing out the space is better than selling at this time.

Mr. Russo also presented metrics for the Governor's Dashboards and noted changes from the last review. Scorecard details were provided to the Board for their review.

V. Proposed 2015 Board Meeting Schedule

A copy of the proposed 2015 Board Meeting schedule was included in materials provided electronically to board members.

MOTION duly made and carried to accept the 2015 Board Meeting schedule.

Proposed by: Brian Abbott
Seconded by: Sarah Beth Murphy
Votes: 9 in favor, 0 opposed, 0 abstentions

VI. Preliminary Agenda for February 27, 2014, Board Meeting

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

VII. Other business as requested by the Board

No other business was requested by the Board.

VIII. Executive Session

An Executive Session was held at 12:12 p.m. pursuant to 5-14-1.5-6.1(b)(2)(B) 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)(9) was discussed.

MOTION duly made and carried to give the Executive Director a salary increase.

Proposed by: Sarah Beth Murphy
Seconded by: Ken Cochran
Votes: 8 in favor, 0 opposed, 0 abstentions

IX. Adjournment

MOTION duly made and carried to adjourn the December 12, 2014, Board meeting at 2:27 p.m.

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