

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

**Meeting held at:  
One North Capitol  
9<sup>th</sup> Floor Conference Room  
Indianapolis, Indiana 46204**

**December 13, 2013**

**Board Members Present**

Ken Cochran, Chairman  
Brian Abbott  
Chris Atkins  
Steve Daniels

Jodi Golden  
Sarah Beth Murphy  
Michael Pinkham  
Kyle Rosebrough

**Guests Presenting**

Paul Joyce, Deputy State Examiner,  
SBOA  
Todd Caldwell, Lead Auditor, SBOA  
Joe Bill Wiley, CapCities  
Tiffany Spudich, CapCities

John Dowell, Nyhart  
Brandon Robertson,  
PricewaterhouseCoopers  
Pete Keliuotis, Strategic Investment  
Solutions (SIS)

**Staff Presenting**

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

Teresa Snedigar, Director of Internal  
Audit  
Kelly Doria, Investment Counsel  
Lindsay Knowles, Staff Attorney  
Tom Perkins, Staff Attorney

**Meeting called to order at 10:07 a.m. by Chairman Cochran.**

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

Chairman Cochran introduced Sarah Beth Murphy, the newest member of the INPRS Board of Trustees.

**I. Approval of Minutes from October 25, 2013 Board of Trustees Meeting**

**MOTION** duly made and carried to approve the minutes from the October 25, 2013 Board meeting.

*Proposed by:* Brian Abbott  
*Seconded by:* Jodi Golden  
*Votes:* 6 in favor, 0 opposed, 1 abstention

## II. Unfinished Business

### A. ASA Annuity Update

Steve Russo introduced the topic and provided a summary of the ASA Annuity process. A discussion was had on the RFP process for a 3<sup>rd</sup> party annuity provider.

Chairman Cochran presented a draft letter written to members of the Indiana State Legislature explaining the Board's decision to use a 3<sup>rd</sup> party annuity provider. A brief discussion was had on the content of the letter.

**MOTION** duly made and carried to send letter to members of Indiana legislature regarding the ASA Annuity decision.

*Proposed by:* Jodi Golden  
*Seconded by:* Steve Daniels  
*Votes:* 7 in favor, 0 opposed, 0 abstentions

## III. Required Business

### A. State Board of Accounts Audit Review

Paul Joyce, Deputy State Examiner, and Todd Caldwell, Lead Auditor, from the State Board of Accounts presented their 2013 Independent Auditor's Report to the board. Mr. Caldwell reviewed the process, standards, and findings of the audit. SBOA gave INPRS an unqualified opinion (i.e. there were no material findings).

Mr. Joyce stated that, given pension specific changes to GASB reporting standards, the SBOA is supportive of INPRS moving to an external 3<sup>rd</sup> party audit firm(s) for fiscal year 2014.

Teresa Snedigar presented the INPRS staff recommendation for board approval to issue an RFP for audit services. She stated that INPRS staff will seek board approval at a future meeting prior to executing a contract.

**MOTION** duly made and carried to approve the RFP process for a 3<sup>rd</sup> party auditor.

*Proposed by:* Steve Daniels  
*Seconded by:* Sarah Beth Murphy  
*Votes:* 7 in favor, 0 opposed, 0 abstentions

B. Annual ASA Funds Review

Mr. Russo introduced Joe Bill Wiley and Tiffany Spudich from CapCities and provided a summary of the Annual ASA Funds Review.

Mr. Wiley reviewed the history, project timeline, and participant behavior over the past year. Ms. Spudich provided a detailed review of the investment structure of the ASA Plan. She discussed the 2010 objectives, the current investment structure, unconstrained fixed income, target date funds and fees.

C. Actuarial Valuation & Contribution Rates

Julia Pogue, along with John Dowell from Nyhart and Brandon Robertson from PricewaterhouseCoopers, presented the results of the actuarial valuation as of June 30, 2013. Ms. Pogue reviewed INPRS' funding objectives and significant changes that occurred since the June 30, 2012 valuation. She explained the participant information used in the valuation, as well as changes in asset reconciliation and actuarial accrued liability reconciliation from 2012 to 2013.

Mr. Dowell provided information to the Board about the projections of funded status and actuarially calculated contribution rates for the TRF Pre-1996 and 1996 accounts.

Mr. Robertson followed with information about the projections of funded status and actuarially calculated contribution rates for PERF (providing separate numbers for the state and political subdivisions), 1977 Fund, JRS, EG&C, PARF, and LEDB.

Ms. Pogue then reviewed the overall funded 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. Based on actuarial valuations as of June 30, 2013, the Composite Rate Group (CRG) contribution rate for political subdivisions included in the CRG was recommended by staff to be continued at 11.2% effective January 1, 2015. Staff also recommended to include eight (8) additional employers in the CRG whose ARC rate is greater than 11.2%; and for all other political subdivision employers, maintain a maximum year-over-year rate increase of 1.5%.

INPRS Staff Recommended Contribution Rates for Fiscal Year 2015	
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 2015	
PERF PSD (CRG Rate)	11.2%
1977 Fund	19.7%
E,G,&C Plan	20.75%
LEDC Plan	14.2%

INPRS Staff Recommended Appropriation Amounts (\$000's) for Fiscal Year 2015	
TRF Pre 96 Account	\$792,700
Judges Plan	\$21,020
PARF	\$1,063
LEDB Plan	\$131

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

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

#### D. Board Governance Manual Updates

Tony Green reviewed proposed updates to the Board Governance Manual. An executive summary of the changes, a red-line version and final version of the Manual were provided to the Board for their review.

A vote to approve the changes took place after the Investment Policy Statement presentation.

#### E. Indiana Administrative Code Adoption

Lindsay Knowles presented proposed updates to the Indiana Administrative Code and gave a brief summary of each change. A written executive summary of the changes was given to the board for review. New rules and changes were proposed in the areas of benefits, cost sharing (GASB) and technical corrections.

**MOTION** duly made and carried to adopt the staff recommended changes to the Indiana Administrative Code as captured in Resolution No. 2013-12-2.

*Proposed by:* Chris Atkins  
*Seconded by:* Brian Abbott  
*Votes:* 8 in favor, 0 opposed, 0 abstentions

## F. Investment Policy Statement Updates

Tony Green presented to the Board on the topic of securities class actions. Mr. Green defined the terms and explained why INPRS monitors securities class actions. Revisions to the Investment Policy Statement were made to provide the System the ability to take action in litigation in a timely manner.

David Cooper reviewed the proposed additions and edits to the Investment Policy Statement. He presented the staff recommendation that the Board approve the Investment Policy Statement recommended revisions.

**MOTION** duly made and carried to adopt the staff recommended changes to the Board Governance Manual and Investment Policy Statement.

*Proposed by:* Chris Atkins  
*Seconded by:* Steve Daniels  
*Votes:* 8 in favor, 0 opposed, 0 abstentions

## G. 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 of the INPRS Board of Trustees.

*Proposed by:* Chris Atkins  
*Seconded by:* Jodi Golden  
*Votes:* 8 in favor, 0 opposed, 0 abstentions

**MOTION** duly made and carried to elect Bret Swanson as Vice Chair of the INPRS Board of Trustees.

*Proposed by:* Chris Atkins  
*Seconded by:* Brian Abbott  
*Votes:* 8 in favor, 0 opposed, 0 abstentions

## IV. New Business

### A. 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 a review of the investment team imperatives and objectives and highlights of the INPRS investment program. He then provided a portfolio overview, which included a summary of DB performance, an economic and market update, asset

allocations as of October 31, 2013, fiscal year 2014 performance, and asset class and individual fund performance. He then reviewed new investments, new terminations, and the watch list.

#### B. Financial Update

Julia Pogue presented the INPRS financial update to the Board. She began with a summary of the financial highlights as of October 2013. Ms. Pogue reviewed the Fiscal Year 2014 actual and forecast expenses compared to budget and change in net position.

#### C. Executive Director's Report

Steve Russo presented the Executive Director's report. He began by notifying the Board of the line of duty death of David Grundle, an EMT from the Clark County EMS Department, on December 8, 2010. Mr. Grundle's family applied for the line of death duty death benefit in 2013.

Mr. Russo provided an update on two IT Modernization projects: Employer Reporting and Maintenance (ERM) and Indiana Pension Administration System (INPAS). He then discussed past due employer contributions and provided details about total amounts and specific employers with past due payments. Mr. Russo discussed plans to implement a withholding process for habitually late employers.

Mr. Russo presented performance metrics to the Board. He gave a summary of the imperatives and changes from the last board meeting. Scorecard details were provided to the Board for their review.

#### V. Proposed 2014 Board Meeting Schedule

**MOTION** duly made and carried to approve the proposed Board meeting schedule for the year 2014.

*Proposed by: Chris Atkins*  
*Seconded by: Jodi Golden*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*

#### VI. Preliminary Agenda for February 21, 2014 Board Meeting

Mr. Russo gave copies of the preliminary agenda for the February 2014 meeting to the board members.

#### VII. 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:

- a) securities litigation strategy as authorized pursuant to IC 5-14-1.5-6.1(b)(2)(B) and
- b) 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) and IC 5-14-1.5-6.1(b)(9) was discussed.

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

No other business was discussed.

**IX. Adjournment**

**MOTION** duly made and carried to adjourn the December 13, 2013 Board meeting at 2:44 p.m.

*Proposed by: Jodi Golden*  
*Seconded by: Kyle Rosebrough*  
*Votes: 8 in favor, 0 opposed, 0 abstentions*