

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

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

December 13, 2019

Board Members Present

Bret Swanson

Brian Abbott

Connie Plankenhorn

Tera Klutz

Kelly Mitchell

David Frick

Justin McAdam

Michael Pinkham

Guest Presenters

Jeff MacLean, Verus

Tiffany Spudich, Capital Cities

Bill Sarb, RSM US LLP

Michael Paton, Barnes & Thornburg

Staff Presenters

Steve Russo, Executive Director

Alex Far, Director of Investment
Operations

Nick Detmer, Deputy CIO & Director of
Private Equity

Tony Green, Chief Legal & Compliance
Officer

Keith Hall, Senior Internal Auditor

Donna Frank, Deputy Compliance
Officer and Counsel

Donna Grotz, Chief Finance and
Administration Officer

Meeting called to order at 9:15 a.m. by Chairman Swanson.

I. Executive Session

A brief Executive Session was held at pursuant to 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.

Public meeting called to order at 10:09 a.m. by Chairman Swanson.

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

II. Approval of Minutes from October 25, 2019, Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the October 25, 2019, Board meeting.

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

III. Unfinished Business

A. 1977 Fund Employer Contribution Rate

Steve Russo provided a summary of the discussion that occurred at the October 25, 2019 Board meeting. Mr. Russo also gave an overview of the November 21, 2019 working group meeting. Mr. Russo reviewed a funding policy simulation and the probability of a future contribution rate increase should the contribution rate lower to 15%. Mr. Russo also showed the impact of the investment return assumption on the contribution rate. INPRS staff recommended approving the 17.5% contribution rate for calendar year 2021.

MOTION duly made and carried to approve staff recommended 17.5% contribution rate for calendar year 2021 for the 1977 Fund.

Proposed by: Michael Pinkham
Seconded by: Tera Klutz
Votes: 8 in favor, 0 opposed, 0 abstentions

IV. 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 Swanson opened the floor for nominations.

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

Proposed by: Michael Pinkham
Seconded by: Tera Klutz

Votes: 8 in favor, 0 opposed, 0 abstentions

MOTION duly made and carried to elect Brian Abbott as Vice Chair of the INPRS Board of Trustees.

*Proposed by: Justin McAdam
Seconded by: David Frick
Votes: 8 in favor, 0 opposed, 0 abstentions*

B. Annual Independent External audit Review

Keith Hall and Bill Sarb of RSM US LLP presented the audit results for fiscal year 2019. Mr. Sarb discussed the responsibility of Auditors, financial information received, and information technology general controls. The auditors determined that INPRS met all appropriate standards. INPRS received an unmodified opinion, dated November 22, 2019.

C. Indiana Administrative Code (IAC) Proposals

Tony Green presented proposed updates to the IAC. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the October 25, 2019 meeting. No public comments were received.

MOTION duly made and carried to approve all of the changes to the IAC presented in Board Resolution No. 2019-12-13.

*Proposed by: Tera Klutz
Seconded by: Kelly Mitchell
Votes: 8 in favor, 0 opposed, 0 abstentions*

D. Annual Defined Contribution (DC) Funds Review

Tiffany Spudich presented the annual Defined Contribution Funds overview. Ms. Spudich talked about the annual timeline for fiduciary oversight, the DC Plan overview, investment structure framework, INPRS' DC imperatives, DC plan investment menu, and investment management fees. Ms. Spudich also provided an overview of each investment fund, including performance and manager due diligence.

V. New Business

A. Financial Update

Donna Grotz presented the INPRS financial update to the Board. Ms. Grotz gave an overview of the fiscal year to date October 2019 financial results. Ms. Grotz

talked about contributions received, net change in investments, expenses, and the fiduciary net position as of October 2019.

B. Compliance Update

Donna Frank presented a compliance update. Ms. Frank gave an overview of the compliance program, provided the results from a compliance survey, and highlighted points for the compliance program in FY 2020.

C. Investments Update

Nick Detmer presented the INPRS investments update to the Board. Mr. Detmer provided INPRS' investments highlights in the context of the macroeconomic environment and reviewed the INPRS investments portfolio as of October 31, 2019. Mr. Detmer also talked about asset allocation, defined benefit performance, and defined contribution funds' performance. Mr. Detmer further discussed private asset class performance and investment activity as well as current private equity investing priorities. Mr. Detmer also summarized new investments and highlighted an update to a qualitative factor appearing on the Watch List.

Jeff MacLean discussed the asset-liability study.

D. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo reported three line of duty deaths. Mr. Russo provided an overview of the 1977 Fund baseline examination standards. Mr. Russo summarized the Balance Scorecard (BSC) and discussed escalated BSC measures.

VI. **Proposed 2020 Board Meeting Schedule**

A copy of the proposed 2020 Board Meeting schedule was included in materials provided electronically to Board members.

MOTION duly made and carried to accept the 2020 Board Meeting schedule.

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

VII. **Preliminary Agenda for February 21, 2020 Board Meeting**

A copy of the preliminary agenda for the February 21, 2020, meeting was included in materials provided electronically to Board members.

VIII. Board Education

DC Fiduciary Trends

Michael Paton gave an overview of developments affecting defined contribution fiduciaries. Mr. Paton talked about several lawsuits against fiduciaries of ERISA-covered defined contribution retirement plans. Mr. Paton discussed best practices to manage ERISA-covered defined contribution plans which include periodic requests for proposal for plan recordkeepers and other advisers whose fees are paid from the plan. He also discussed using periodic benchmarking of fees paid to various service providers, offering a greater number of passively managed investment options or replacing actively managed funds with passively managed funds. Mr. Paton remarked on evaluating the plan's investment funds to identify lower cost options, stricter oversight on the engagement of related parties, and greater reliance on third party advisers to the plan fiduciaries.

IX. Other business as requested by the Board

MOTION duly made and carried to approve the compensation of the Executive Director and the annual incentive plan for the Executive Director to be effective December 13, 2019. The incentive plan will consist of three categories to include strategic performance, investment performance, and operational performance.

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

X. Adjournment

MOTION duly made and carried to adjourn the December 13, 2019 Board meeting at 1:27 p.m.

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