

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

**Meeting held at:
143 W. Market Street
Indianapolis, Indiana 46204**

April 24, 2015

Board Members Present

Ken Cochran, Chairman
Kyle Rosebrough
Sarah Beth Murphy
Bret Swanson

Suzanne Crouch
Brian Abbott
Jillean Battle

Guest Presenters

Brandon Robertson,
PricewaterhouseCoopers
Jeff MacLean, Verus (Formerly Wurts &
Associates, Inc.)

Bob Prince, Bridgewater
Alan Bowser, Bridgewater
John Dowell, Nyhart Group

Staff Presenters

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

Tony Green, Chief Legal & Compliance
Officer

Meeting called to order at 10:01 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 March 6, 2015, Board of Trustees Meeting

MOTION duly made and carried to approve the corrected minutes from the March 6, 2015, Board meeting.

*Proposed by: Bret Swanson
Seconded by: Brian Abbott
Votes: 6 in favor, 0 opposed, 0 abstentions*

II. Unfinished Business

A. Asset Liability Study

Chief Investment Officer David Cooper and Jeff MacLean from Verus, Inc., discussed the current asset allocation. Mr. MacLean discussed the risk analysis survey and asset-liability study. Mr. MacLean reviewed the Board's objectives, drivers of risk, and governance. He also talked about the current INPRS allocation policy, funding status, funding considerations, return assumptions and risk. Mr. Cooper discussed the largest risks to INPRS' current portfolio and asset allocations under consideration.

Jeff MacLean provided information from the February asset-liability study and risk-diversified asset allocation mixes. Mr. MacLean spoke about risk, ways to increase returns under new portfolio mixes and expected rate of return.

Mr. MacLean also discussed the long term target rate of return. David Cooper followed up by talking about projected returns from INPRS' partners. The Board discussed two different decisions to be made in the future: one regarding asset allocation and the other regarding the long term assumed asset rate of return. Steve Russo added more research and analysis will be done in preparation for the June Board meeting.

III. Required Business

A. FY16 Member Crediting Rate Approvals

David Cooper provided background information about the current crediting rates for member contributions into each INPRS Fund and the crediting rate methodology for the PERF and TRF Guaranteed Fund. Mr. Cooper presented crediting rates based upon previously established methodologies for each Fund in fiscal year 2016.

MOTION duly made and carried to change the crediting rates for fiscal year 2016. The PERF and TRF Guaranteed Fund interest rate will change to .46% and the 1977 Fund, PARF, Judges, CG&E will be set at 1.87%.

Proposed by: Brian Abbott
Seconded by: Sarah Beth Murphy
Votes: 7 in favor, 0 opposed, 0 abstentions

B. Board Governance Manual Review & Update

Tony Green discussed the updates and additions made to the Board Governance Manual. Mr. Green noted updates to Board duties, to the descriptions of the INPRS Funds to align with the CAFR, to special procurements to allow for

contracts for services, to delegated duties of the Executive Director and Staff, and revisions to Executive Director and Executive Staff Succession planning. Mr. Green also noted technical corrections based on language in the Indiana Code.

MOTION duly made and carried to accept all of the changes to the Board Governance Manual.

Proposed by: Bret Swanson
Seconded by: Kyle Rosebrough
Votes: 7 in favor, 0 opposed, 0 abstentions

IV. New Business

A. FY16 Actuarial Assumptions & Methods

John Dowell from Nyhart and Brandon Robertson from PricewaterhouseCoopers talked about the results of the experience study and recommended changes to actuarial assumptions based on the results of the study. The following assumptions were reviewed as part of the experience study: mortality, inflation/salary growth, retirement, withdrawal, disability, dependent and cost of living adjustments (COLA).

Donna Brown summarized the financial impact of the recommended changes in assumptions for each Fund. Ms. Brown went on to explain the current actuarial methods utilized in the valuation and recommended no change in the methods.

MOTION duly made and carried to adopt the recommended actuarial assumption changes noted and maintain the current actuarial cost methods displayed in the attachments provided to the Board. The long term rate of return on investments will be addressed at the June Board Meeting.

Proposed by: Brian Abbott
Seconded by: Bret Swanson
Votes: 7 in favor, 0 opposed, 0 abstentions

B. 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 March 2015. She talked about past due employer contributions. Ms. Brown also discussed fiscal year 2015 actual and forecast change in net position and expenses compared to budget. Ms. Brown presented the INPRS statement of fiduciary net position as well as the year to date statement of change in fiduciary net position.

C. Investments Update

David Cooper presented the INPRS investment update to the Board. He began with a portfolio review and highlights of INPRS investments. Mr. Cooper also talked about INPRS asset allocation, INPRS defined benefit performance, target date funds performance, and fiscal year performance. Mr. Cooper also discussed the current managers on the watch list.

D. Preliminary FY16 Budget & Strategic Plan

Steve Russo presented the fiscal year 2016-2018 preliminary strategic plan and budget highlights. He talked about the INPRS strategic planning process and a revised Vision, Mission, and Principles statement. Mr. Russo also discussed INPRS strategic goals, the top five priorities for 2016, and the preliminary budget for 2016.

E. 2015 Legislative Session Summary

Steve Russo informed the board of the pending bills in the Legislature. Mr. Russo talked about the nine active bills and provided highlighted details about each one. He noted House Bill 1466 contained various pension matters. Mr. Russo also spoke about planned actions forthcoming after the bills are passed.

F. Executive Director's Report

Steve Russo presented the Executive Director's report. He informed the Board of a line of duty death in 2014 and talked about the performance metrics. Scorecard details were provided to the Board for their review. Mr. Russo also gave an update on the plans for the Harrison Building at 143 W. Market Street.

V. **Preliminary Agenda for June 26, 2015, Board Meeting**

A copy of the preliminary agenda for the June 26, 2015, meeting was included in materials provided electronically to board members.

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

No other business was requested by the Board.

VII. **Board Education**

A. Meeting Your Investment Objectives in a Low Return Environment

Bob Prince and Alan Bowser from Bridgewater presented information about meeting investment objectives in a low return environment. Mr. Prince reviewed the INPRS investment imperatives and talked about the dynamics of investing

and achievable return on assets. He provided information about risk adjusting asset classes, balancing asset exposure to economic environments, balancing stocks and bonds, and a fully balanced portfolio versus equities. Mr. Prince discussed diversifying leverage and options such as accepting lower returns, taking more risk, or taking risk more efficiently.

VIII. Executive Session

A brief Executive Session was held at 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.

IX. Adjournment

MOTION duly made and carried to adjourn the April 24, 2015, Board meeting at 4:00 p.m.

Proposed by: Sarah Beth Murphy
Seconded by: Kyle Rosebrough
Votes: 4 in favor, 0 opposed, 0 abstentions