

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

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

October 25, 2013

Board Members Present

Ken Cochran, Chairman
Brian Abbott
Brian Bailey
Steve Daniels

Jodi Golden
Michael Pinkham
Kyle Rosebrough
Bret Swanson

Guests Present

Richard Dabrowski, Strategic
Investment Solutions (SIS)
Pete Keliuotis, Strategic Investment
Solutions (SIS)
Ray Jones, IRTA
Nancy Tolson, IRTA
John O'Neil, ISTA
Patrick Cunningham, IHOR
David B. Girton, Liger/Andes
Sally Sloan, AFT Indiana
David Larson, ISEA

Brandon Smith, IPBS
Niki Kelly, FW Journal Gazette
Eric Berman, WIBC
Dan Carden, NWI Times
Justin Swanson, IACT
Rhonda Cook, IACT
Terry W. Irwin, S. Henry School Corp.
Rosie Norman, IFA
Stephanie Wells, LSA
Deanna Oware, OMB

Staff Present

Steve Russo, Executive Director
Steven Barley, Chief Operations Officer
David Cooper, Chief Investment Officer
Tom Farrer, Director of Quality
Management
Tony Green, Chief Legal and
Compliance Officer
Donna Grotz, Director of Strategic
Initiatives and Administration
Mike Hineline, Chief Information and
Technology Officer

Jeff Hutson, Chief Communication
Officer
Julia Pogue, Chief Financial Officer
Teresa Snedigar, Director of Internal
Audit
Scott Davis, Investments
Allen Huang, Investments
Blair Webb, Investments
Erin Hankins, Executive Assistant
Katie Williams, Legal Analyst

Meeting called to order at 10:00 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.

I. Approval of Minutes from September 13, 2013 Board of Trustees Meeting

Board member Steve Daniels requested he be marked as abstaining from the vote from the vote to approve the minutes from the July 30, 2013 meeting. Staff confirmed that the final version of the September 13, 2013 minutes would be edited accordingly.

MOTION duly made and carried to approve the minutes from the September 13, 2013 Board meeting.

*Proposed by: Brian Abbott
Seconded by: Mike Pinkham
Votes: 7 in favor, 0 opposed, 0 abstentions*

II. Required Business

No required business was discussed.

III. Unfinished Business

No unfinished business was discussed.

IV. New Business

A. ASA Annuity Update

Steve Russo introduced the topic and reviewed the agenda for the ASA Annuity Update to the Board.

Tony Green reviewed fiduciary standards that apply to the INPRS Board of Trustees. He discussed statutory responsibility and fiduciary duty as found in the Indiana Code. He then referred to federal regulations and rulings in the areas of duty of loyalty, annuities, and liability.

Mr. Russo explained how the market prices annuities. He provided information on the three federal or state plans that offer “annuitization” and how they compare to INPRS. Mr. Russo reviewed and summarized the outcomes of the three meetings of the Pension Management Oversight Committee (PMOC). He shared the final report from the October 21, 2013 PMOC meeting which included a recommendation to the INPRS Board regarding annuitization options.

A discussion was had regarding the timeline of the RFP for the 3rd Party Annuity Provider. The board expressed interest in reviewing the RFP in December 2013 and learning more about the desires of PMOC members with regard to their recommendation. The board and staff discussed the history of rate setting for the annuity and how the rate would affect unfunded liability.

MOTION duly made and carried to take the PMOC recommendation under advisement, discover more information about PMOC's intent, and discuss the matter at the December 2013 INPRS board meeting.

Proposed by: Mike Pinkham
Seconded by: Bret Swanson
Votes: 8 in favor, 0 opposed, 0 abstentions

Chairman Cochran requested that INPRS staff investigate the matter further.

Mr. Russo continued his update on stakeholders. He discussed the communication INPRS has had with member associations, media outlets, and members regarding the ASA Annuity discussion. Mr. Russo then outlined the third party operating model, INPRS' involvement, and the transfer of risk. He discussed member protection through annuity insurance and IRS compliance. Mr. Russo concluded with a review of the implementation and Communications timelines for the project.

B. Financial Update

Julia Pogue presented the INPRS financial update to the Board. She began with a summary of the financial highlights as of September 2013 and the reasons for the change in net position. Ms. Pogue reviewed the Fiscal Year 2014 expense budget and discussed the forecast for Fiscal Year 2014 financials.

C. 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 portfolio review, which included highlights of INPRS investments, DB performance, an economic and market update, asset allocations, fiscal year 2014 performance, monthly returns from January 2009–September 2013, and asset class and individual fund performance. In response to a board member's question, Mr. Cooper stated that the asset allocation has met the intended goal of increased diversification. He then reviewed new investments, new terminations, and the watch list. A discussion was had about reasons and length of time that managers are kept on the watch list.

Mr. Cooper presented to the Board the need for a request for proposal for consultants for both Private Equity and Absolute Return. An RFP will help ensure

that INPRS is receiving the best combination of price and value. He reviewed a tentative schedule for the RFP process.

Mr. Cooper concluded with a presentation on the Currency Hedging Project. He explained currency hedging and the discussed the questions that the investment team would seek to answer throughout the project. A discussion was had on the matter. Mr. Keliuotis provided information on the policies of other funds regarding currency hedging.

D. Executive Director's Report

Steve Russo presented the Executive Director's report. He provided an update on the status, successes, and current production issues with ERM. Mr. Russo informed the Board that go-live date for INPAS would be delayed until late November 2013; the delay will have minimal impact. He reviewed the IT release schedule. Mr. Russo then discussed the IT Managed Services RFP. He reviewed the results of the RFP, the decision to move into contract negotiations with CherryRoad Technology for the INPAS component, and other items discussed by the RFP Evaluation Team.

Mr. Russo presented metrics highlights for the Governor's and Board Dashboards. He described the development of internal metrics measurements and the imperatives used. Scorecard details were provided to the Board for their review.

E. Other Business as Requested by the Board

A board member requested a review of the RFP for a 3rd Party Annuity Provider at the December 2013 board meeting.

V. Preliminary Agenda for December 13, 2013 Board Meeting

Mr. Russo gave copies of the preliminary agenda for the December 2013 meeting to the board members. Mr. Russo stated that he would add an 3rd Party Annuity Vendor RFP update to the agenda.

A draft calendar for 2014 meeting dates was also distributed and briefly discussed.

VI. Adjournment

MOTION duly made and carried to adjourn the October 25, 2013 Board meeting at 12:19 p.m.

Proposed by: Brian Abbott
Seconded by: Steve Daniels
Votes: 8 in favor, 0 opposed, 0 abstentions