

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

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

June 26, 2015

Board Members Present

Ken Cochran, Chairman
Sarah Beth Murphy
Michael Pinkham
Bret Swanson

Suzanne Crouch
Brian Abbott
Deanna Oware

Guest Presenters

Brandon Robertson,
PricewaterhouseCoopers
Jeff MacLean, Verus

John Dowell, Nyhart Group
Bruce Hopkins, CEM Benchmarking Inc.

Staff Presenters

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

Tony Green, Chief Legal & Compliance
Officer
Jodi O'Neill, Deputy 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 April 24, 2015, Board of Trustees Meeting

MOTION duly made and carried to approve the corrected minutes from the April 24, 2015, Board meeting.

*Proposed by: Brian Abbott
Seconded by: Suzanne Crouch
Votes: 7 in favor, 0 opposed, 0 abstentions*

II. Unfinished Business

A. Board Meeting Internet Streaming

Steve Russo talked about the options under consideration for Internet Streaming. He offered staff recommendation to utilize *YouTube* live streaming and discussed the associated costs. Mr. Russo emphasized the desire to focus on audio quality over video quality and establishing a policy in the Board Governance Manual. After further discussion, the Board agreed to upgrade equipment to record meetings, and then post the audio recordings to the INPRS website. Further review is needed in the future to determine if audio recordings should continue.

MOTION duly made and carried to upgrade equipment to record meetings and post the audio recordings on the website on a trial basis.

Proposed by: Bret Swanson
Seconded by: Suzanne Crouch
Votes: 7 in favor, 0 opposed, 0 abstentions

B. Asset Liability Study

Chief Investment Officer David Cooper and Jeff MacLean from Verus, Inc., discussed the current asset allocation and summarized expected returns and risks of several alternatives. Mr. MacLean reviewed the risk analysis survey and asset-liability study as well as the Board's objectives, drivers of risk, and governance. Mr. MacLean spoke about risk, ways to increase returns under new portfolio mixes and expected rate of return.

Mr. MacLean and Mr. Cooper recommended the Board move to a more diversified portfolio; scale back inflation-linked bond portfolio and modestly increase risk parity and private credit. Staff recommended Board approval of the asset allocation change.

MOTION duly made and carried to adopt the asset allocation presented in the meeting materials.

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

III. Required Business

A. Long Term Assumed Rate of Return Assumption

Jeff MacLean from Verus discussed liquidity and low interest rates. He reviewed historical policy return and risk free rate. Mr. MacLean also spoke about modeling changes to the assumed return rate and the cost of lowering

the assumed rate of return. Mr. MacLean recommended the Board keep the actuarial rate of return assumption at 6.75%.

John Dowell from Nyhart and Brandon Robertson from PricewaterhouseCoopers talked about projected returns over thirty years versus ten years. Mr. Robertson and Mr. Dowell also recommended keeping the actuarial rate of return assumption at 6.75%.

David Cooper reiterated what Mr. MacLean, Mr. Dowell, and Mr. Robertson discussed. Mr. Cooper recommended the actuarial rate of return remain at 6.75%.

MOTION duly made and carried to keep the actuarial rate of return assumption at 6.75%.

Proposed by: Bret Swanson
Seconded by: Sarah Beth Murphy
Votes: 7 in favor, 0 opposed, 0 abstentions

B. FY16-FY18 Strategic Plan Approval

Steve Russo discussed the INPRS Strategic Plan for fiscal years 2016-2018. He summarized INPRS principles, goals and objectives. Staff recommended Board approval of the fiscal year 2016-2018 INPRS Strategic Plan.

MOTION duly made and carried to accept the FY16-FY18 Strategic Plan.

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

C. FY16 Budget Approval

Donna Brown reviewed the budget for fiscal year 2016. She discussed the drivers, projected costs and investment expenses. Staff recommended Board approval of the FY 2016 Budget.

MOTION duly made and carried to adopt the FY 2016 Budget.

Proposed by: Michael Pinkham
Seconded by: Bret Swanson
Votes: 7 in favor, 0 opposed, 0 abstentions

IV. New Business

A. CEM Benchmarking Review

Steve Russo and Bruce Hopkins from CEM Benchmarking presented pension administration benchmarking results. Mr. Hopkins talked about the total pension administration cost per active member, cost trends, reasons for cost, and where INPRS stands compared to 74 leading global pension systems. Mr. Hopkins noted INPRS' costs are lower compared to peer average and INPRS has a high service score compared to the peer average.

B. Ethics and Compliance Review

Tony Green presented an ethics update. Mr. Green discussed information from the Inspector General regarding new ethics legislation. Mr. Green reviewed changes in law dealing with conflicts of interest, post employment, use of State property, and ethics training.

Jodi O'Neill gave an overview of the INPRS compliance program. Ms. O'Neill summarized fiduciary duties, retained and delegated duties. Ms. O'Neill also discussed the compliance program structure and how duties are tracked. Ms. O'Neill noted INPRS is in compliance with all duties.

C. Investments Update

David Cooper presented the INPRS investment update to the Board. He started 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. 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 May 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.

E. Executive Director's Report

Steve Russo presented the Executive Director's report. He talked about the performance metrics. Scorecard details were provided to the Board electronically for their review. Mr. Russo informed the Board of a transition from an Imperative Scorecard to a Balanced Scorecard which shows performance to the Strategic

Plan instead of organizational performance. The Balanced Scorecard will go into effect July 1, 2015. Mr. Russo also gave an update on the plans to update the web site.

V. Preliminary Agenda for September 11, 2015, Board Meeting

A copy of the preliminary agenda for the September 11, 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. 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.

VIII. Adjournment

MOTION duly made and carried to adjourn the June 26, 2015, Board meeting at 1:48 p.m.

Proposed by: Brian Abbott
Seconded by: Deanna Oware
Votes: 7 in favor, 0 opposed, 0 abstentions