

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA PUBLIC RETIREMENT SYSTEM
1 N. Capitol, Indianapolis, IN 46204
1st Floor Conference Room and Virtual Webcast
[Pursuant to Executive Order 20-09 and extensions]**

May 7, 2021

Board Members Present

Michael Pinkham

Brian Abbott

Connie Plankenhorn

Vivienne Ross

Tera Klutz

Kelly Mitchell

David Frick

Bret Swanson

Justin McAdam

Guest Presenters

Jeff MacLean, Verus

Ed Koebel, Cavanaugh Macdonald

Ben Taylor, Callan

Staff Presenters

Steve Russo, Executive Director

Donna Grotz, Chief Finance and
Administration Officer

Tony Green, Chief Legal & Compliance
Officer

Andy Blough, Chief Actuary

Scott Davis, Chief Investment Officer

Donna Frank, Deputy Compliance
Officer and Counsel

Meeting called to order at 10:02 a.m. by Chairman Swanson.

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

I. Approval of Minutes from February 26, 2021 Board of Trustees Meeting

MOTION duly made and carried to approve the Board of Trustees Meeting minutes from the February 26, 2021, Board meeting.

*Proposed by: Brian Abbott
Seconded by: Kelly Mitchell
Votes: 9 in favor, 0 opposed, 0 abstentions*

II. Unfinished Business

A. Indiana Administrative Code (IAC) Adoption

Tony Green presented proposed updates to the IAC. A copy was provided to the Board electronically for their review. The presented rule changes were required because of federal and state law changes. Recommended revisions were discussed. No public comments were received.

MOTION duly made and carried to approve all of the changes to the IAC presented in Board Resolution No. 2021-05-07.

Proposed by: Mike Pinkham
Seconded by: Brian Abbott
Votes: 9 in favor, 0 opposed, 0 abstentions

B. Proposed Board Governance Manual Updates.

Tony Green presented revised proposed updates to the Governance Manual. A copy was provided to the Board electronically for their review. Recommended revisions were discussed at the February 26, 2021 meeting.

MOTION duly made and carried to approve the changes to the Board Governance Manual.

Proposed by: Brian Abbott
Seconded by: Kelly Mitchell
Votes: 9 in favor, 0 opposed, 0 abstentions

C. Asset Liability Study

Scott Davis presented the INPRS's Asset-Liability Study. Mr. Davis reviewed the timeline and Board responsibilities. Mr. Davis discussed asset allocation options, return and risk considerations, and operational considerations. Mr. Davis also talked about cash exposure versus usage, active management, management fees, transition costs, review of peers, and asset class target ranges. Consequently, INPRS investment staff recommended Option 1 for an asset allocation.

Jeff MacLean discussed INPRS's asset allocation recommendation. Mr. MacLean talked about enterprise risk tolerance and gave a summary of the options. Mr. MacLean also recommended the first option.

Global Asset Classes	Target Allocation	Target Range
Public Equity	20%	+/- 3.0%
Private Markets	15%	+/- 5.0%
Fixed Income – Ex Inflation-Linked	20%	+/- 3.0%
Fixed Income – Inflation-Linked	15%	+/- 3.0%
Commodities	10%	+/- 3.0%
Real Assets	10%	+/- 5.0%
Absolute Return	5%	+/- 5.0%
Risk Parity	20%	+/- 5.0%
Total Exposure	115%	Max = 120%

Scott Davis discussed implementation using Parametric Portfolio Associates and recommended approval to exceed the 6% concentration threshold. Mr. Davis also recommended an expansion of consultant Mercer’s contract to include infrastructure and other real assets. Mr. Davis provided an overview of the comparison completed for consultants.

MOTION duly made and carried to adopt the recommended option one asset allocation.

Proposed by: David Frick
Seconded by: Justin McAdam
Votes: 9 in favor, 0 opposed, 0 abstentions

MOTION duly made and carried to exceed 6% of Retirement Fund assets with Parametric Portfolio Associates and expand the Mercer contract.

Proposed by: Kelly Mitchell
Seconded by: Brian Abbott
Votes: 9 in favor, 0 opposed, 0 abstentions

D. FY22 Actuarial Assumptions & Methods

Scott Davis discussed two options for the board to consider as a new target rate of return. INPRS investment staff recommended the board choose Option 1 with a new target rate of 6.25%.

Jeff MacLean spoke about the investment rate of return, historical policy return, and target rate of return. Mr. MacLean gave a brief overview of the study about the target rate of return. Verus recommended a 6.25% target rate of return.

Andy Blough presented FY 2021 actuarial valuation assumptions and methods. Mr. Blough provided a summary of the February 26, 2021 Board Meeting and actuarial valuation assumptions and methods that had been presented by Cavanaugh Macdonald. Mr. Blough discussed the PERF, TRF '96, and 1977 Fund projected employer contribution rates. Mr. Blough also gave a summary of recommended actuarial valuation assumptions and methods considering the new asset allocation. Mr. Blough and Cavanaugh Macdonald recommended adopting the assumptions and methods shown for the 6/30/2021 actuarial valuations.

- Inflation assumption decrease from 2.25% to 2.00%
- Discount rate decrease from 6.75% to 6.25%
- Wage inflation decrease from 2.75% to 2.65%
- '77 Fund COLA assumption decrease from 2.10% to 1.95%
- JRS COLA assumption decrease from 2.75% to 2.65%
- Member contribution balance growth assumption decrease from 3.50% to 3.30%

MOTION duly made and carried to adopt the recommended actuarial assumptions and methods, which included an investment rate of return set at 6.25%.

Proposed by: Tera Klutz
Seconded by: Connie Plankenhorn
Votes: 9 in favor, 0 opposed, 0 abstentions

III. Required Business

A. Proposed Investment Policy Statement Updates

Scott Davis presented a revised Investment Policy Statement. A copy was provided to the Board electronically for their review. Scott discussed the changes to the defined benefit plans, defined contribution plans and other plans and noted specific sections of the Investment Policy Statement. Recommended revisions were discussed. Mr. Davis said the Board would be voting on the recommended changes at the next Board meeting in June.

B. FY22 Member Crediting Rate Approvals

Steve Russo presented the FY22 Member Crediting Rates. Mr. Russo started with a background of the crediting rate and the rate-setting methodology. Mr. Russo presented the FY22 crediting rate recommendation based upon the established rate-

setting methodology. Mr. Russo recommended the Board maintain the methodology and the interest credit rate for each of the 1977 Fund, JRS, EG&C, and PARF plans be set at 1.43%.

FY2021 Interest Credit Rate	
Approved Interest Credit Rate	1.11%

FY2022 Interest Credit Rate Calculation	
1/31/20 10-yr Treasury Yield	1.11%
2/28/20 10-yr Treasury Yield	1.44%
3/31/20 10-yr Treasury Yield	1.74%
Average Yield	1.43%

Source: U.S. Department of Treasury

MOTION duly made and carried to adopt the recommended methodology and interest crediting rate for each of the 1977 Fund, JRS, EG&C, and PARF plans be set at 1.43%.

Proposed by: Tera Klutz
Seconded by: Brian Abbott
Votes: 9 in favor, 0 opposed, 0 abstentions

IV. New Business

A. Annual Defined Contribution Annuity Review

Ben Taylor of Callan presented the MetLife Annual Review. Mr. Taylor started by providing the scope of monitoring services provided by Callan. Mr. Taylor discussed rate comparisons from MetLife and ongoing oversight.

B. Compliance Update

Donna Frank presented a compliance update. Ms. Frank gave an overview of the compliance program, the compliance status as of FY2020 and FY2021, and highlighted points for the compliance program in FY 2021.

C. Financial Update

Donna Grotz presented the INPRS financial update. Ms. Grotz summarized the financial results, the supplemental reserve accounts, and the administrative and investment expenses as of the end of March 2021.

D. Investments Update

Scott Davis presented the INPRS investment update to the Board. Mr. Davis provided highlights of INPRS' investments and reviewed the INPRS investment portfolio as of March 31, 2021. Mr. Davis provided a brief overview about asset allocation, defined benefit performance, and defined contribution funds' performance.

E. Preliminary FY22 Budget & Strategic Plan

Steve Russo discussed the 2022 Board survey results. Mr. Russo gave an overview of the survey feedback, then talked about the top five of nine strategic priorities and changes to the draft FY2022-2024 Strategic Plan. Mr. Russo also provided the preliminary FY2022 administrative and expense budget. Mr. Russo summarized INPRS expense background and the needs for FY2022.

F. 2021 Legislative Session Summary

Tony Green presented the 2021 Legislative Session summary. Mr. Green summarized each of the six bills impacting INPRS.

G. Executive Director Report

Steve Russo presented the Executive Director's report. Mr. Russo noted two line of duty deaths. Mr. Russo also provided highlights of the Balance Scorecard and escalated BSC measures.

V. Other business as requested by the Board

There was no other business as requested by the Board discussed.

VI. Preliminary Agenda for June 25, 2021 Board Meeting

A copy of the preliminary agenda for the June 25, 2021, meeting was included in materials provided electronically to Board members.

VII. Adjournment

MOTION duly made and carried to adjourn the May 7, 2021 Board meeting at 2:24 p.m.

Proposed by: David Frick
Seconded by: Tera Klutz
Votes: 9 in favor, 0 opposed, 0 abstentions