MINUTES
PUBLIC MEETING
February 20, 2009
9:00 am
Auditor of State
Conference Room

I. Call to Order/Roll Call

Auditor Tim Berry called the meeting to order at 9:00am. Steffanie Rhinesmith and Richard Mourdock were present. Ryan Kitchell arrived before the Management Consultant's Report.

II. Reading of the Minutes

Richard Mourdock moved to approve the November 21, 2008 Public Meeting minutes. Steffanie Rhinesmith seconded the motion, the minutes were approved unanimously.

III. Administrator's Report

Auditor Berry announced that the current administrative contract with Great West has been extended. Under the new extended contract, fees will be reduced, and capped at a $90,000 asset level and new participants who enroll in the plan will receive a one-year free administrative fee.

IV. Management Consultant's Report

Janet Sweet began her report by announcing the merger of Callan Associates with Mercer. Capital Cities' services will continue as they have and technologically they will continue to use Callan's resources.
Capital Cities is excited to introduce a new service called Virtual Safe. This will allow companies to log on a website with a password to retrieve any report that Capital Cities now provides to them.

Janet explained in the market overview that the significant decline in equity markets experienced in 2008 has severely impacted historical five and ten year annualized returns. The current economic recession is the worst since the post-war era. Households, businesses and governments face tight or no access to credit and massive wealth destruction. Housing has been in a recession for three years. Data shows that some 2.6 million Americans lost their jobs in 2008, the worst since 1945. Corporate pension plans will face significant funding shortfalls and large required contributions in order to maintain compliance with PPA Standards. Public plans will also face significant funding shortfalls with larger contributions necessary amid falling tax revenues from government entities. Defined contribution plans' participants have suffered significant losses. Plans' participants have started shifting to a more conservative asset class. The evaporation of liquidity in the fixed income markets has caused significant problems among all plan types in meeting spending obligations and rebalancing guidelines.

The Federal Government is doing all it can, insuring a major fiscal stimulus plan. Capital Cities will continue to analyze the impact government has on Institutional Plans. Capital Cities feels adhering to a disciplined strategy and not a knee jerk reaction will be the most successful way to invest money in the immediate future. They will continue to monitor how to better evaluate and manage client's risk.

Capital Cities has proposed a 2009 Project Timeline for the Deferred Compensation Board meetings. The first quarter, they will evaluate total plan fees for Investment Managers, Custodians and Consultants. They also will review asset allocation of lifestyle funds. The second quarter they plan to review the Plans' Investment Option Structure. They would also like to discuss trends and opportunities within the Defined Contribution marketplace. The third quarter they will review and update the investment policy statement. In the fourth quarter, they will review the portfolio Investment Manager's strategies, structures and performances. In addition, make sure they are adhering to all of their guidelines.

Treasurer Mourdock questioned waiting until the fourth quarter to review the managers. He felt it might be better to bring in a new manager each meeting to discuss their performance. Janet assured the Board they will continue to review each manager and if they feel something needs watchlisting they will bring it to the Board's attention.

Investment Performance & Evaluation Report

BlackRock Large Cap Value Fund was selected on July 30, 2008 to replace AllianceBerstein. BlackRock Large Cap Value Fund was implemented October 21, 2008. This is their first performance period ended on December 31, 2008. Capital Cities feels no adjustments are needed at this time.

Well Fargo Adv Capital Growth has experienced some short-term underperformance.

The Fund's short-term performance has deteriorated to the 78th percentile of peers due to the significant underperformance in the second half of 2008. Capital Cities will conduct an onsite due diligence meeting on March 20, 2009, in order to further assess any performance concern's. Capital Cities will be following up with a Managers Alert that summarizes their findings.

During the November 2008 board meeting, the Committee voted to move to the cheaper share classes of the Funds. On February 10, 2009, the Plans moved to the cheaper share classes of Wells Fargo Advantage Capital Growth and Janus Adviser Mid Cap Value, saving participants respectively 19 and 50 basis points in fees. Capital Cities feels no adjustments are needed at this time.

Time-Based Option Analysis

The Indiana Funds have exhibited strong performance with an appropriate risk/reward profile across the glide path that provides the optimal number of options for participants. The Indiana Funds' expense ratios range from 40 to 43 basis points, which rank significantly below its peers. The Indiana Deferred Compensation Plans' timely adoption of target date retirement funds, and utilization as a QDIA, positions the Plans favorable among DC peers. The construction of the Indiana Funds from underlying Plan options meets the highest fiduciary standards. The Funds are diversified and are easily administered within the Plans. The six options offered by the IDCP provide participants with an appropriate range of risk/reward statistics, especially given the more gradual step-down in later stages of the glide path due to the offering of the 2010 Fund. The Indiana Funds glide path plots squarely within the range of peers. The Funds follow a step-down glide path that is in-line with the industry standards.

Ryan Kitchell has concern for the participants who are in the current glide path and retire in 2010 and have 50 percent of their investments in equities. He feels they might not have the money they thought they would at retirement.

Mike Paton suggested changing the name from Income Fund to Retirement Fund. He feels simply changing the name would help alleviate any participant confusion.

Auditor Berry asked if it would require a vote by the Board to change the name. Mike Paton (Counsel for Plan Administrator) confirmed it would require a vote by the Board, and a notice of the change should be sent to the participants in their quarterly statement.

Stable Value Fund

Stable Value Plans are suffering because the market value of underlying securities have dropped below book value. Capital Cities is working with Logan Partner to replace AIG as the Wrap Provider. Unfortunately, as of now, there are only seven Wrap Providers in the market.

Aegon that wraps about 40 percent of the portfolio has raised their fees from seven basis points to 15. Capital Cities explained that this is not unique to the industry. They want to be compensated more for the financial risk they are taking on. Aegon has also indicated the desire for Logan Fixed Income Portfolio to be more conservative. Capital Cities is working with them on a schedule for moving in that fashion instead of forcing them to sell all their high yield securities.

V. Old Business

Auditor Berry announced that IDCC will submit the Annual Report to the State Board of Finance.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned at 10:10am.