

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, September 26, 2006

Don Bennett called the meeting to order at 10:02 a.m. Other Board members present included Kevin Boehnlein, Karen Davis, Tim Walsh, Cari Whicker and Tony Armstrong designee for Chuck Schalliol.

TRF staff present included Cristy Wheeler, Bob Newland, Tom Abbett, Crystal Lawson, Phil Barnes, Amy Maynard, Ken Smithee, Steffanie Rhinesmith, Tom Davidson, Dave Yeater and Dan Diebolt. Also in attendance were Steve Moberly of IRTA, Matt Myers of IOT Pensions Systems, Adam VanOsborne of Indiana Education Insight and Marilyn Edwards of ISTA.

The Agenda was presented.

Tony Armstrong moved to approve the agenda. Cari Whicker seconded the motion. The motion carried.

The minutes of the August 29, 2006 meeting were presented.

Karen Davis noted a time correction for the recess and then moved to approve the minutes. Cari Whicker seconded the motion. The motion carried.

Dan Diebolt presented retiree payments for the month of October 2006.

Tony Armstrong moved to accept the payments. Karen Davis seconded the motion. The motion carried.

Tom Abbett presented the expenditures for August 2006.

Election of Board Officers was as follows: President nomination - Don Bennett. Tony Armstrong moved to approve this nomination. Karen Davis seconded the motion. The motion carried. Vice President nomination - Tim Walsh. Karen Davis moved to approve Tim Walsh as Vice President. Don Bennett seconded the motion. The motion carried. Secretary nomination - Karen Davis. Cari Whicker moved to approve this nomination. Tony Armstrong seconded the motion. The motion carried.

Cristy Wheeler began the Director's report by asking Crystal Lawson to discuss the RFP for Information Technology. Crystal Lawson discussed the TRF system, SIRIS, as a program using dead language (Forte). TRF would like to issue an RFP for a consultant to review our system, benchmark and make a recommendation to us. Our Technology structure is out dated and doesn't give TRF the capability to enhance services to our members. We also have record keeper issues with respect to allocation changes. Our current system only allows quarterly updates and trading; if a record keeper is hired we would be able to enhance our services to the members by giving them the flexibility for daily trading and quicker posting of returns. As a side note, our Interactive Web has approximately 4,000 registered members since inception (June 21, 2006) and is running well.

Cristy Wheeler presented two policies for Board approval. The Employment Policy contains basic employment guidelines and the Flex Time Policy provides managers with guidelines for approving flexible schedules.

Karen Davis moved to approve the Employment Policy and the Flex Time Policy. Tony Armstrong seconded the motion. The motion carried.

The investment staff discussed the asset allocation study. They recommend mix option 3D and discussed the specifics of each portion. Bob Newland mentioned PERF's Indiana Investment Fund (IIF) as an existing fund in which we could invest a portion of our proposed additional private equity allocation. Credit Suisse oversees the IIF. If PERF's Board approves, Shawn Wischmeier and Mike Arpey would discuss IIF in more detail at our next meeting. Phil Barnes discussed potential areas for investment of the additional allocation to Real Estate, such as TA's Fund VIII, RREEF's current core product, infrastructure, international, opportunistic or timber. Bob

Newland discussed potential areas for investment of the additional allocation to Absolute Return, such as Bridgewater's Pure Beta product. Steffanie Rhinesmith discussed options to restructure our equities, such as moving from Rhumblin's S&P 500 Index Fund to an Equal Weighted Index Fund, moving from PIMCO's StockPlus to Total Return Plus and adding an Emerging Manager program. Phil Barnes discussed options to restructure our Fixed Income, such as adding a "Real Return" portfolio.

Tim Walsh moved to accept the Investment Staff's recommendation of mix 3D. Tony Armstrong seconded the motion. The motion carried.

Bob Newland handed out the Investment Returns showing the one, three and five year results. The Board asked to collaborate with Callan on how to measure a "good manager" effect.

Steffanie Rhinesmith presented a recommendation to terminate Holt-Smith & Yates (HS&Y). They have been on the watchlist several times for performance and organizational reasons, and their performance has not sufficiently improved. Staff also recommends moving assets (approximately \$59 million) to Intech through an in-kind transfer. Sixteen of the twenty-one stocks in the HS&Y's portfolio overlap with Intech's. Intech is one of our lowest trading cost managers and does have experience managing these transfer transitions.

Cari Whicker moved to approve staff's recommendation to terminate Holt-Smith & Yates and transfer the \$59 million to Intech for transfer management. Tim Walsh seconded the motion. The motion carried.

Cristy Wheeler then moved to TRF's monthly highlights. Tom Davidson introduced Bethaney Matlock, his new Legal Administrator. Tom discussed the Federal Pension Legislation. Items of potential impact to us include allowing after tax rollovers, minimum distribution rules and allowing non-spouse beneficiaries to rollover their benefits into another qualified plan. Also, our plan now allows those age 70 or older to begin receiving benefits without a separation of service, referred to as working retirement. When this happens, the member stops earning service credit. The new legislation allows us to offer this option to members age 62 years or older, but such a change would require a change to our current legislation.

Cristy Wheeler updated the Board on WorldCom. Northern Trust filed on our behalf for participation in the class action suit. We are happy to report that all our reported losses have been approved as covered losses.

Crystal Lawson presented the Operations report. This is the busiest part of the year for processing retirements. We have processed 1330 regular retirements from 1/1/06 to 10/1/06. Additionally, we have 835 retirees receiving preliminary 85% checks.

Tom Abbett presented the Accounting Report. TRF has approximately 9800 inactive accounts. Out of the 9800, there are 3400 with no Social Security Numbers. The IRS agreed to help us reach out to the remaining 6400 members, and letters were sent last month. Currently, we have requests for refunds from 753 members with inactive accounts. Accounting is also working on cleaning up outstanding paper checks. There are approximately 1,000 checks that have been returned or not cashed.

Cristy Wheeler handed out the 3rd Quarter results for our 2006 Goals and Accomplishments. Cristy also noted there were two spot bonus awards presented this month: Deborah Black and Amy Maynard.

Cristy Wheeler also proposed an extension to our October meeting by 1 hour.

The October meeting was scheduled for October 31, 2006 at 10:00 a.m. The November meeting was tentatively scheduled for November 28, 2006.

Tim Walsh moved to approve adjournment. Cari Whicker seconded the motion. The motion carried.

There being no additional business, the meeting adjourned at 11:35 a.m.