

**Annual Meeting of the Members
January 19, 2012, 4:00 p.m.
Minutes**

**St. Paul Public Schools District Headquarters
St. Paul, Minnesota**

The Annual Meeting of the Members of the Association was held on Thursday, January 19, 2012, in accordance with Article II, Section 1 of the Association Bylaws, at the St. Paul Public Schools District Headquarters Auditoriums E & F. There being a quorum of members present or represented by proxies, President Kunz called the meeting to order at 4:07 p.m., welcomed the members in attendance and presided throughout. He then introduced other members of the Board of Trustees present:

Matt Bogenschultz	Mike McCollor	James Paddock
Feryle Borgeson	Erma McGuire	Stephanie Pignato
John Brodrick	Karen Odegard	Eugene Waschbusch

The minutes of the Special Meeting of the Members held on October 26, 2011 were approved on a motion by Walt Handschin, seconded by John Brodrick. The signed minutes of the Annual Meeting held on January 20, 2011 had been earlier approved by the membership at the Special Meeting, October 26, 2011.

Mr. Kunz introduced Paul Doane, Executive Director for the Association, who reported the following names of members filing letters of intent to serve as Trustee on the Board: Lori Borgeson, Frank Feinberg, Mike McCollor, Karen Odegard.

Mr. Kunz opened the floor to further nominations. There being none, he declared the nominations closed. Mr. Kunz then appointed the following members to serve as tellers for the election:

Norm Evers John Ertz Dick Wasko

The meeting was recessed to permit members who had not yet voted to do so. When all members who wished to vote had done so, Mr. Kunz reconvened the meeting.

Mr. Waschbusch presented the reports of the Secretary-Treasurer. The Report on Membership in the Association for the period July 1, 2010 through June 30, 2011 was accepted on a motion by Carol Adams, seconded by Stephanie Pignato and carried.

Mr. Waschbusch then presented his Report on the Revenues and Expenditures for the period July 1, 2010 through June 30, 2011, which was accepted on a motion by Matt Bogenschultz, seconded by Anne Scoville and carried.

The Report on Investments during the period July 1, 2010 through June 30, 2011 was given by Mr. Waschbusch, who noted that the fiscal year market return was 25.01% which again exceeded the Board's Policy Benchmark. On motion by Feryle Borgeson, seconded by John Brodrick, and carried, the Investment Report was accepted.

Mr. Doane introduced Ms. Elizabeth O'Hara, Relationship Manager, and Mr. Frank Boggan, Portfolio Manager from Wellington Asset Management, the Board's mid cap growth investment management firm. Ms. O'Hara introduced Mr. Boggan who outlined the mandate of the portfolio they manage for the Association as well as an overview of recent performance and prospects for the markets over the coming year. He responded to questions from the members and trustees during and following the conclusion of his presentation.

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President Kunz then introduced Matt Bogenschultz, Chair of the Committee of Nine, who in turn introduced the members of the Committee present, and Brian Rice, of Rice Michaels & Walther, LLP, lobbyist for the Committee of Nine. Mr. Bogenschultz provided a review of Committee activities in the previous year, and the Legislative Goals for 2012. Mr. Rice discussed key issues facing the Legislature in the 2012 Session.

Mr. Doane, after complimenting the Trustees and staff for its work during the past year, highlighted some of the actions taken ("2011 Year in Review") by Board and staff during the past twelve months. He then presented framed Resolutions, issued by the National Council on Teacher Retirement, to former Board members, Carol Adams and Chong Thao, who had retired in January 2011. Mr. Doane then honored retiring Board member, Dr. Erma McGuire, for her 18 years of past service as a Trustee and, following some comments, presented her with a small gift as a token of appreciation.

President Kunz asked Mr. Doane, in response to several inquiries from members, to outline the terminology "defined benefit" and "defined contribution."

Mr. Doane then reported on the proxies earlier received by the Association as well as a report of the duly appointed Tellers on those voting at the Annual Meeting. The final vote counts were as follows:

Three-Year Term	Regular Election
<u>Name</u>	<u>Votes</u>
Mike McCollor	1,085
Karen Odegard	1,002
Lori Borgeson	996
Frank Feinberg	556

Others receiving one vote each were: Vicci Johnson, Marty Gaslin, Theodore Eckman

The President then called for a motion to approve the Report on the Election of Trustees. Upon a motion by Carol Adams and seconded by Stephanie Pignato, the report was approved. Mr. Kunz then declared that Mike McCollor, Karen Odegard, and Lori Borgeson had been elected as trustees for three years.

There being no old business, Mr. Kunz opened the floor for any new business or questions. Mr. Waschbusch and Mr. Brodrick responded to a question regarding a recent news article on health benefits provided to certain retirees. Health benefits are managed by the SPPS District.

Mr. Kunz thanked all in attendance for their participation in the meeting, and called for a motion to adjourn. A motion to adjourn was made by Mr. Borgeson, seconded by Carol Adams, and approved, whereupon Mr. Kunz declared the meeting adjourned at 6:00 p.m.

Attested:

John R. Kunz, Jr.
President

Respectfully Submitted:

Eugene R. Waschbusch
Secretary-Treasurer

Annual Meeting of the Members

January 17, 2013, 4:00 p.m.

Minutes

St. Paul Public Schools District Headquarters

St. Paul, Minnesota

The Annual Meeting of the Members of the Association was held on Thursday, January 17, 2013, in accordance with Article II, Section 1 of the Association Bylaws, at the St. Paul Public Schools District Headquarters Auditoriums A & B. There being a quorum of members present or represented by proxies, President Kunz called the meeting to order at 4:00 p.m., welcomed the members in attendance and presided throughout. He then introduced other members of the Board of Trustees present:

Matt Bogenschultz	John Brodrick	James Paddock
Feryle Borgeson	Mike McCollor	Stephanie Pignato
Lori Borgeson	Karen Odegard	Eugene Waschbusch

The minutes of the Annual Meeting of the Members held on January 19, 2012 were approved on a motion by Karen Odegard, seconded by Jim Paddock.

Mr. Kunz reported the following names of members filing letters of intent to serve as Trustee on the Board: Feryle Borgeson, John Kunz, Greg Moon, Eugene Waschbusch.

Mr. Kunz opened the floor to further nominations. There being none, he declared the nominations closed. Mr. Kunz then appointed the following members to serve as tellers for the election:

Darrel Dewar	Tom Curtis	Bruce Robb
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The meeting was recessed to permit members who had not yet voted to do so. When all members who wished to vote had done so, Mr. Kunz reconvened the meeting.

President Kunz then requested of the members in attendance for a change in the Agenda to consider out of order Item 7, the Report of the Saint Paul Teachers' Pension PAC. This was requested due to the Association's lobbyist having a conflict in his schedule. There being no objections, President Kunz introduced Matt Bogenschultz, Chair of the Saint Paul Teachers' Pension PAC (formerly the Committee of Nine), who in turn introduced the members of the Saint Paul Teachers' Pension PAC present, and Brian Rice, of Rice Michaels & Walther, LLP, lobbyist for the Saint Paul Teachers' Pension PAC. Mr. Bogenschultz provided a review of the Pension PAC activities in the previous year, and the Legislative Goals for 2013. Mr. Rice discussed key issues facing the Legislature in the 2013 Session.

Mr. Waschbusch presented the reports of the Secretary-Treasurer. The Report on Membership in the Association for the period July 1, 2011 through June 30, 2012 was accepted on a motion by John Brodrick, seconded by Feryle Borgeson and carried.

Mr. Waschbusch then presented the Report on Association Revenues and Expenditures for the period July 1, 2011 through June 30, 2012. Upon motion by Jim Paddock, seconded by Lori Borgeson, the Report was approved by the meeting.

The Report on Investments during the period July 1, 2011 through June 30, 2012 was given by Mr. Waschbusch, who noted that the fiscal year market return was 0.86% among other details summarizing the investment performance of its various managers. On motion by John Brodrick, seconded by Lori Borgeson, the Investment Report was accepted.

Mr. Doane introduced the individual Staff members to the Meeting. He then introduced Mr. Michael Bacine, Managing Director and Principal, from Franklin Park, the Board's private equity consultant firm.

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Mr. Bacine outlined the mandate of the portfolio it manages for the Association as well as an overview of recent performance and prospects for the markets over the coming year. He responded to questions from the members and trustees following the conclusion of his presentation.

Mr. Doane introduced Ms. Bonnie Wurst, Actuary for the Association's actuarial firm Gabriel Roeder Smith & Company. Ms. Wurst presented to the members an overview of the role of the actuary and her responsibilities to the Association. Ms. Wurst also responded to a series of questions from the membership. In a follow up to the actuary, Mr. Doane addressed several further questions from Members relative to possible legislative initiatives, Plan funding and investments.

Mr. Doane referenced that The Board had planned to present a framed Resolution, issued by the National Council on Teacher Retirement, to former Board member, Erma McGuire, who had retired in January 2012, but who was unable to attend due to illness. Due to the lateness of the hour, Mr. Doane did not present his "Year in Review" summary.

President Kunz then reported on the proxies earlier received by the Association as well as a report of the duly appointed Tellers on those voting at the Annual Meeting. The final vote counts were as follows:

Three-Year Term	Regular Election
<u>Name</u>	<u>Votes</u>
Eugene Waschbusch	1,183
John Kunz	1,167
Feryle Borgeson	1,077
Greg Moon	222

Others receiving one vote each were: Frank Feinberg, Rita Thofern, Karen Odegard, James Paddock

The President then called for a motion to approve the Report on the Election of Trustees. Upon a motion by Karen Odegard and seconded by Mr. Paddock, the report was approved. Mr. Kunz then declared that Eugene Waschbusch, John Kunz, and Feryle Borgeson had been re-elected as trustees for a term of three years.

There being no old business, Mr. Kunz opened the floor for any new business or questions, of which there were none.

Mr. Kunz thanked all in attendance for their participation in the meeting, and called for a motion to adjourn. A motion to adjourn was made by Lori Borgeson, seconded by Walt Handschin, and approved, whereupon Mr. Kunz declared the meeting adjourned at 6:00 p.m.

Attested:

Respectfully Submitted:

John R. Kunz, Jr.
President

Eugene R. Waschbusch
Secretary-Treasurer

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m. Present were:

Matt Bogenschultz	Karen Odegard	Eugene Waschbusch
Feryle Borgeson	John Kunz	James Paddock
Lori Borgeson	Mike McCollor	Stephanie Pignato

John Brodrick joined the meeting at 9:05 a.m.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. McCollor, with two changes, the insertion of the Audit Committee report in lieu of the cancelled tour of the Flannery Building; the Board approved the agenda, as adjusted.

Approval of Minutes

Mr. Bogenschultz moved to approve the minutes of the January 23, 2012 meeting of the Board. The motion was seconded by Ms. Pignato and so voted by the Board.

Consent Agenda

On motion by Ms. Pignato, seconded by Mr. Paddock, the matter was amended, on motion of Mr. Borgeson and seconded by Mr. Paddock, to require that the 'Report on Member and Survivor Deaths' be reported and read by Staff, the Board accepted the following consent agenda items as amended:

- a. CA – 2013-20: Report on Deaths*
- b. CA – 2013-21: Report on Benefit Applications*
- c. CA – 2012-40: Accounting Month Ending June 30, 2012*
- d. CA – 2013-22: Refunds – January 2012*
- e. CA – 2013-23: Investment Transactions – December 2012*
- f. CA – 2013-24: Accounting Month Ending July 31, 2012*

Legislative Proposal

Mr. Doane provided an update to the members of the Board of Trustees on the status of proposed legislation under consideration and a summary of the legislative meetings having been held since the start of the Session in January. Following discussion of the final proposed features of the Board's Legislative package and,

Upon motion by Mr. McCollor and seconded by Mr. Bogenschultz, the Board so voted to ratify its earlier actions and to instruct the Executive Director to have said proposal, as developed and reported in the Legislative presentation packet including: revisions to the Return to Work Program; a revised Early Retirement Reduction Table; planned ½% contribution increases for both employer and employee accounts for FY 2016 and 2017; and, increases of 0.2% for the appropriate multiplier factor to determine years of service benefit calculations; and, to present same to the LCPR Staff for drafting and to submit the formal filing of the Bill to this current session of the Legislature.

Consultant Project 2 Discussion Selection

Mr. Doane reviewed with the Board the various steps pursued to undertake a second Investment Consultant project involving the review of RFP finalists for three prospective search efforts (two fixed income and one energy/infrastructure strategy) and a review of the Board earlier approved portfolio implementation plan and to assess progress and advise if adjustments are in order. Requests for indications of interest were submitted to eight consulting firms, with seven responding. After summarizing the various responses and methodology in selecting finalists, the staff recommended the retention of RV Kuhns of Chicago, IL.

Upon motion of Mr. McCollor and seconded by Mr. Borgeson, the Board voted to accept the recommendation of staff to retain the services of investment consulting firm RV Kuhns to undertake so-called Project 2 of this program.

Performance Report: Asset Consulting Group – 2nd Quarter Report

Ms. Haley Rives, CFA, Vice President presented the 2nd Quarter performance report to the Board and answered questions from the trustees. Ms. Rives reported a 2012 return of 13.5% gross for the Total Fund. ACG's report also included an assessment of manager compliance with Statutory and Investment Policy guidelines as well as noting which firms had achieved designated performance targets. These reports will help to provide future direction to the Board in assessing when and if manager changes are to be considered. Performance for the fiscal year through January was slightly over 10%.

RFP Update

Mr. Doane provided the Board with an overview of the results of the Staff solicitation for responses for two fixed income strategies, unconstrained global and enhanced domestic fixed income. Within the established filing limits, the Staff received 36 responses for the enhanced fixed income and 20 for the unconstrained global mandates. The Staff hopes to complete its review and to narrow the list to six semi-finalists which it will report to the consulting firm RV Kuhns, for its input, before reducing the number to two–three for interviews to be held in April. Funding for these mandates is expected to come from the portfolio's two domestic fixed income passive portfolios. Additionally, the staff reported that it hopes to complete and send out a call for responses for the planned energy MLP/natural resources/infrastructure mandate during February with a projected return date of mid-March. Mr. Doane reported that it is contemplated to include the option of a private market component to the energy related RFP

Pension Administration System: Update – Asst. Director MacDonald

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of new Pension Administration System (PAS) being implemented by Sagitec Solutions, based in Little Canada, MN. The program is well underway and proceeding on schedule. Staff is involved with beginning the conversion of the data bases to the PAS format and the program is on track to be operational by mid-June. The Program will greatly facilitate staff handling of member data, benefit calculations and while adjusting to regular Statutory and other modifications to procedures. The PAS is also designed to accommodate the safe storage of member data and provide for disaster recovery of information which currently is inadequate.

Executive Director's Report

The Report included: Notice from the SPPS District's Board of Trustees re: the reappointment of John Brodrick as its appointee to the SPTRFA Board. *Upon motion of Mr. Paddock, and duly seconded by Ms. Odegard, the Board voted to acknowledge this reappointment.* The Board re-welcomed Mr. Brodrick for another term with SPTRFA.

Mr. Doane reviewed a member matter involving interpretation of a divorce decree counter to Board policy and determined a policy to carry forward in such circumstances; there was an update on the portfolio with revisions planned; the Board and staff gave a preliminary indication of interest in attending the planned 2013 NCTR events (Trustee Workshop, Harvard University in July and Annual conference in Washington, DC in October); a discussion was held regarding a planned redrafting of the Board's original Resolution presented to NCTR to be heard by the NCTR Legislative Committee in Washington later this month with the Board instructing staff to withdraw the Board's name from the Resolution if changes were considered too extensively changed for the original; the concept of utilizing Strategic Partnerships (SPs) as a cornerstone of the Plan's investment portfolio was discussed; an update on the investment management agreement with new portfolio (High Yield) with Waddell and Reed was provided; at staff's request, the Board agreed to set two Investment Committee meeting dates to consider finalists for two mandates, the unconstrained global fixed income and an enhanced fixed income portfolio, for April 11 at 3:30 p.m. and April 18 at 8 a.m.

Upon motion by Ms. Odegard and seconded by Ms. Borgeson, the Board so voted to authorize Mr. Doane to participate in an investment panel at the Los Angeles Institutional Investor Conference, April 24-26 and to incorporate certain due diligence visits as part of that meeting.

Real Estate Subcommittee Update – Mr. Borgeson

Mr. Borgeson updated the members of the Board of Trustees on plans to consider the possible acquisition of office space upon the expiration of the current lease at the end of October this year. A planned tour of the building was postponed due to the unavailability of the property and will be rescheduled.

Mr. Doane provided the Board with more detail about the expiring lease and a proposed renewal with a possible reconfiguration of the existing space within the present building. He was requested to continue discussions with the current building manager and report back to the April Board meeting.

Adjournment

*Upon motion of Mr. Waschbusch and seconded by Mr. McCollor, the Board voted to adjourn at 2:37 p.m. The Board is to next convene formally on **Thursday, April 18, 2013** following the conclusion of the Investment Committee meeting scheduled for 8:00 a.m. that same morning.*

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m. Present were:

Matt Bogenschultz	Karen Odegard	Eugene Waschbusch
Feryle Borgeson	John Kunz	James Paddock
Lori Borgeson	Mike McCollor	Stephanie Pignato

John Brodrick joined the meeting at 9:50 a.m.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. Borgeson, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. McCollor moved approval of the minutes of the February 20, 2013 meeting of the Board. The motion was seconded by Ms. Odegard and so voted by the Board.

Investment Committee Meeting

At 8:10 a.m. upon a motion by Mr. Borgeson and seconded by Ms. Pignato, the Board approved recessing the meeting and convened the meeting of the Investment Committee.

A conference call was held with RV Kuhns staff, Ron Klotter and Kristen Steffens, and the Committee in regard to various considerations of the two Investment Management candidates for the Board's unconstrained global fixed income mandate.

Global Unconstrained Fixed Income Mandate Interviews

- 1) Brandywine Global Investment Advisors
Mr. Jack McIntyre, Portfolio Manager and Mr. Craig Scott, Director of Marketing presented to the Board.
- 2) T. Rowe Price Global
Mr. Steven Huber, Portfolio Manager and Mr. Terry Moore, Portfolio Specialist, with Mr. John Masdea, Vice President of Institutional Sales, presented to the Board.

Investment Committee Discussion and Recommendation to Board

Following discussion among the Committee members and a survey of opinions, including staff and consultant, it was moved by Mr. Kunz and seconded by Mr. Bogenschultz to recommend to the Board that a \$100 million global unconstrained mandate be evenly split between the two finalists, Brandywine Global and T Rowe Price Global and was so voted by the Committee, with two abstentions, Ms. Odegard and Mr. Brodrick.

At 11:30 a.m. upon motion of Mr. Borgeson, seconded by Mr. Kunz, the Committee voted to adjourn and reconvene the special meeting of the Board.

Member Benefit Payment Issue – Member #6144

At this point, it was agreed by consensus of the Board to hear from a retired member and her spouse on a personal matter involving the desire to consider a change in the benefit option selected. The Board will take the matter on advisement and report at a later date.

Board Consideration/Action on Investment Committee recommendations:

The Board then took up the recommendations of its Investment Committee of several new investment mandates.

Upon motion of the Committee (which doesn't require a second), the Board so voted to approve the following investment managers and mandates:

- 1) Enhanced Domestic Fixed Income (\$90 million)- Guggenheim Partners (NYC)*
- 2) Structured Alpha "500" Option Overlay (\$50 million)-Allianz Global Investors (NYC)*
- 3) Global Unconstrained (\$50 million)- Brandywine Global (Philadelphia)*
- 4) Global Unconstrained (\$50 million)- T Rowe Price (Baltimore)*

Consent Agenda

On motion by Mr. McCollor, seconded by Ms. Odegard, the Board accepted the following consent agenda items:

- a. CA-2013-25: Report on Deaths*
- b. CA-2013-26: Report on Benefit Applications*
- c. CA-2013-27: Refunds — February 2013*
- d. CA-2013-28: Refunds — March 2013*
- e. CA-2013-29: Inv. Transactions — January 2013*
- f. CA-2013-30: Inv. Transactions — February 2013*
- g. CA – 2013-31: Accounting — ME August 31, 2012*
- h. CA – 2013-32: Accounting — ME September 30, 2012*
- i. CA – 2013-33: Accounting — ME October 31, 2012*
- j. CA – 2013-34: Accounting — ME November 30, 2012*
- k. CA – 2013-35: Accounting — ME December 31, 2012*
- l. CA – 2013-36: Accounting — ME January 31, 2013*
- m. CA – 2013-37: Accounting — ME February 28, 2013*

Executive Session: Closed Session – Disability Applications

At 1:05 p.m., Ms. Borgeson made a motion to suspend the regular meeting and move to closed session to hear two disability benefit applications for Members #16450 and #22562. The motion was seconded by Mr. Paddock and it was approved by the Board. The meeting moved into a closed executive session.

Following a request of staff to include specific years of service and other information related to the member's status and school work summary, upon a motion by Mr. Waschbusch, seconded by Ms. Borgeson, the Board, in executive session, recommended approval of disability application, Member # 16450. Upon motion by Ms. Odegard, seconded by Mr. Waschbusch, the Board recommended approval of disability application #22562, with Mr. Borgeson abstaining. At approximately 1:20 p.m., upon motion by Ms. Pignato and seconded by Ms. Borgeson, the Board voted to close the executive session and return to the regular meeting agenda. On motion by Mr. Waschbusch, seconded by Ms. Borgeson, the recommendations determined during the closed session that disability benefits be granted to Member #16450. Similarly, upon motion of Ms. Odegard and seconded by Mr. Waschbusch, the Board voted to approve the action of the Closed meeting with regard to Member #22562.

The President then called upon the Annuities and Benefits Committee, chaired by Mr. Paddock, working with SPTRFA Staff, to review early work done and prepare recommendations for the Board to consider later in the year that could be suitable for Legislative consideration in the 2014 session along with other proposals the Board may develop.

At this point, 1:00 p.m., Mr. McCollor was excused.

Office of the State Auditor: SAS Required FYE 2013 Audit Overview

Rick Pietrick, Audit Director, presented an outline of the expected timetable and issues related to the next (FY 2013) annual audit of the System. Staff will begin its work shortly after the completion of the current fiscal year and plans to have a completed audit of the System in early December with its report to the Board.

At this point, 2:10 p.m., Mr. Brodrick and Mr. Paddock were excused.

Presentation of Draft FY 2014 Budget

Mr. Doane outlined the preliminary operating budget for the next Fiscal Year July 1, 2013 to June 30, 2014. Additionally, the Board was provided a budget packet that included a breakdown by each category of expenditure as well as a narrative summary for review. It is expected that the Budget will be discussed in more detail at the May meeting and acted upon following that discussion.

SPTRFA IT Administration: Asst. Director MacDonald

TUTTI System - Update

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System. Ms. MacDonald outlined the projected costs and work schedule associated with the new system schedule to be operational this summer.

IT Network Monitoring contract.

Ms. MacDonald reported on a staff recommendation to retain a new vendor for IT support services for the ensuing fiscal year. The contract with Eden Prairie based Corporate Technology Services will have a retained fee of \$6,000/year and commence July 1.

Upon motion of Ms. Odegard and seconded by Mr. Bogenschultz, the Board so voted to approve the contract for one year with Corporate Technology Services at a general retainer amount of \$6,000/year to cover 4.5 hours of services per month.

At this point, 3:05 p.m., Mr. Borgeson was excused.

Executive Director's Report

Mr. Doane outlined a series of items for the Board's consideration, information and action including: 1) notification of two new "discretionary" investments made by consultant Franklin Park on behalf of the Board, Altaris Health Partners III and KPS IV funds each being a \$4 million commitment; 2) an update on status of the Fund's legislation including a proposed amendment calling for a study on the consolidation of systems requested by Governor Dayton, which was endorsed by the Board; 3) an update on the current search for a manager for a proposed \$20 million MLP mandate with interviews of finalists scheduled for May 15 ahead of the monthly Board meeting of that date; 4) a detailed review of the March 31 Investment Portfolio's performance which has the Fund ahead 13% for the fiscal year to date; 5) indication that the Director will be visiting with portfolio manager Capital Guardian; 6) notification that staff will be attending a one day investment informational seminar June 15 in Chicago; 7)

notification that staff will be requesting from UBS core real estate a withdrawal of \$40 million for re-investment into the planned MLP vehicle and to add to expanded fixed income mandates; 8) review of proposed order of future RFP and investment mandates which the Board, upon further discussion asked that any pending actions be deferred for further consideration in the May Board meeting. Additionally, the following items involved consideration and action by the Board:

- 1) *Upon motion of Mr. Waschbusch and seconded by Ms. Borgeson, the Board so voted to authorize an expenditure for sufficient travel costs associated with staff attendance at the Franklin Park Client Conference in Philadelphia April 30-May1;*
- 2) *Upon motion of Mr. Waschbusch and seconded by Ms. Odegard, the Board so voted to authorize the Executive Director to renew for another four year period its lease of office space with the modification of adding immediately adjacent office space and deleting the current Board Room space which involves adding approximately 240 square feet to the agreement with an increase in monthly rent of approximately \$300.00, with a revision of the current floor plan to accommodate effective use of the new space, including certain furnishings associated with the new Board Room and related spaces and to cover any costs associated with office space improvements beyond the estimated costs of \$15,000 which will be paid by the landlord; and*
- 3) *Upon motion of Ms. Odegard and seconded by Ms. Pignato, the Board so voted to authorize the Executive Director to engage securities litigation firm Bernstein Litowitz Berger and Grossmann to pursue lead plaintiff designation for the Fund in the matter involving ITT Educational Services securities as evaluated by special counsel Labaton Sucharow.*

Tour of Proposed Renovation to Office

Mr. Doane then led the Board on a tour of the newly planned office space.

Member Questions and Answers

Ms. Odegard advised the Board of her plans to cancel her previously authorized attendance at the annual NCPERS Conference and in lieu of that to attend the annual NCTR Conference in October, 2013 in Washington, D.C.

Upon motion of Mr. Waschbusch and seconded by Ms. Borgeson, the Board approved this requested revision to conference attendance by Ms. Odegard.

Adjournment

*Upon motion of Mr. Bogenschultz and seconded by Ms. Pignato, the Board voted to adjourn at 4:30 p.m. The Board is to next convene formally on **Wednesday, May 15, 2013** at 8:00 a.m.*

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m.

Due to the planned relocation of the Board Room to new space within the current staff offices, the Board meeting was temporarily held in the MELSA/Metronet Board Room, across the hall from the regular location. The Board expressed its gratitude to MELSA for its use of the room.

Present for the Meeting were Trustees:

Matt Bogenschultz	Karen Odegard	Eugene Waschbusch
Feryle Borgeson	John Kunz	James Paddock
Lori Borgeson	Mike McCollor	Stephanie Pignato

John Brodrick joined the meeting at 9.10 a.m.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Mr. Borgeson moved adoption of the agenda which was seconded by Mr. McCollor, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Waschbusch moved approval of the minutes of the April 18, 2013 meeting of the Board, with a suggested change in wording replacing “left the meeting” to “was excused from the meeting”. The motion, with the revised wording, was seconded by Ms. Pignato and so voted by the Board.

Investment Committee Meeting

At 8:10 a.m. upon a motion by Mr. Borgeson and seconded by Ms. Odegard, the Board voted to recess the regular meeting and convene a meeting of the Investment Committee, Chairman Waschbusch to preside.

Mr. Ron Klotter, Consultant, with RV Kuhns discussed the RFP Process and answered questions from the Committee in regard to various considerations of the two finalist candidates for the Board’s \$20 million MLP Energy mandate.

MLP Energy Mandate Interviews

- 1) Tortoise Capital Advisors, LLC
Mr. Kevin Birzer, Managing Director, James Mick, Senior Investment Analyst, and Frederic Volp presented to the Board.
- 2) Harvest Fund Advisors, LLC
Mr. David Martinelli, Managing Partner, and Mr. Kirk Huddle, Marketing Director, presented to the Board.

Board Consideration/Action on Investment Committee recommendations:

The Board then took up the recommendations of its Investment Committee.

Upon motion of the Committee (not requiring a second), the Board so voted to table final approval of the hiring MLP/Energy infrastructure mandate until the next meeting of the Board, prior to which, staff was instructed to undertake a further due diligence assessment of the two finalists including contacting existing clients of the two firms for any further insight and report back to the Board.

RV Kuhns: Analysis of Investment Plan Strategic Implementation

Mr. Klotter of RV Kuhns, as part of Investment Consultant Project #2, offered the results of its analysis of the Board's current and prospective implementation steps related to its investment plan. Mr. Klotter offered a variety of insights, supporting the steps taken and direction of the Plan and suggested some considerations to help guide future actions.

Performance Report: Asset Consulting Group – 3rd Quarter Report

Ms. Haley Rives, CFA, Vice President presented the 3rd Quarter performance report to the Board and answered questions from the trustees. Ms. Rives reported a March 2013 return of 6.2% for the quarter placing the Fund in the top 1/3 of comparable public funds. For the trailing 12 months the return was 9.5%. Assets were pegged at \$934 million. ACG's report also included a preliminary update for the month of April. It showed continued improvement in returns. Through April, the Fund added another 1.5% to reach nearly 15% for the Fiscal Year to date and assets stood at \$945 million.

Consent Agenda

On motion by Mr. Borgeson, seconded by Ms. Pignato, the Board accepted the following consent agenda items:

- a. CA-2013-38: Report on Deaths*
- b. CA-2013-39: Report on Benefit Applications*
- c. CA-2013-40: Refunds — April 2013*
- d. CA-2013-41: Inv. Transactions — March 2013*

FY 2014 Budget Discussion

Mr. Doane reviewed the proposed operating budget for the next fiscal year, starting July 1, 2013. The operating accounts will increase by approximately 3%. The increases include: regular step increases in staff wages as well as the change in one staffing position from 4/5 time to full time effective mid May 2013; costs related to outsourcing of network and PC support related to the newly established Pension Administration System; remodeling of the office to accommodate a relocated Board room and reception space; and, planned increases within the Professional services accounts.

Upon motion of Mr. McCollor and seconded by Ms. Odegard, the Board so voted to approve the FY 2014 budget as proposed.

Updates: Pension Administration System & Disability Coverage: Ms. MacDonald

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System. Live testing is expected within the month. Ms. MacDonald also summarized the broader Informational Technology developments aimed at furthering staff efficiencies and improving member servicing. Regarding the Board's policy on disability benefits, it was suggested to have the topic as a session for further consideration at the Summer Workshop. Staff was instructed to prepare background material and to secure input from the SPPS administration on this topic as well since any solution would require involvement with SPPS.

Franklin Park Client Conference / Brandywine Global Due Diligence Visit

Ms. Odegard and Ms. MacDonald reviewed for the Board their recent visit with newly hired fixed income manager Brandywine Global in Philadelphia. The visit was tied into attendance at the annual client conference of our Private Equity Portfolio firm, Franklin Park, based in BalaCynwid, PA. Their report was very complimentary of both firms visited and the important informational value from the trip. In accordance with the Board's limited travel policy, Ms. Odegard personally offered and covered all costs related to the visit.

Investment Summary / Board Training

Mr. Doane provided an overview of the current portfolio with a summary of certain proposed modifications needed to meet the Board approved targets within its overall fund asset mix. Fixed income is in need of rebalancing back to its target 20% level, hedge funds and real assets categories will require further action to augment funding and future consideration of the use of strategic partnerships as well as the expanded global equity mandates were part of the discussion. It was agreed that the next step is to adjust assets sufficiently so as to fund the recently hired mandates and to continue to weigh further necessary steps. This will be part of the Board's next meeting in June. Other portfolio related matters that were discussed included: (a) consideration of "watch status" for existing emerging markets manager Capital Group; (b) re-visiting having investment firms, in person or by video conference, attend Board meetings when performance issues or other circumstances justify; (c) possible Summer workshop topics including consideration, within the hedge fund allocation, to explore more fully a "fund of one" portfolio approach similar to the Board's approach to the private equity commitment; and d) proposal to amend the Investment Policy to authorize staff limited discretion when hiring managers for smaller (up to \$10 million) sized mandates. Staff will accommodate several suggestions offered and reword the proposal for consideration at the June Board meeting.

Executive Director's Report

Mr. Doane outlined a series of items for the Board's consideration, information and action including: a) an update on a submission by Securities Litigation Counsel in the matter re: ITT Educational Services; b) providing current status on the Board's 2013 legislative proposal; c) update on the proposed funding schedule for its recently approved fixed income mandates; d) a proposed Policy on ACH recoveries which will be further examined by staff; e) review of the Spring Newsletter for members; f) setting of the date and time for the Summer Workshop for 3 p.m. Thursday, August 1 to conclude noon Friday August 2, along with dates for upcoming

Board meetings for 2013-2014 season as 6/11, 9/18, 11/20, 12/18, 1/16 (annual meeting), 2/19, 4/10, 5/21 and 6/10. Other matters discussed and requiring Board action were:

- 1) Upon motion of Mr. Waschbusch and seconded by Mr. McCollor, the Board voted to authorize the Executive Director to attend the annual late June NCTR Directors' meeting (Albany, NY);*
- 2) Upon motion of Ms. Odegard and seconded by Mr. Paddock, the Board so voted to renew the contract with Asset Consulting Group of St Louis, MO for performance measurement services for the ensuing fiscal year at \$60,000;*
- 3) Upon motion of Mr. Borgeson and seconded by Mr. Bogenschultz, the Board so voted to modify the prior action of the Board withdrawing \$40 million from the UBS Trumbull Property Fund to divert \$10 million of the requested withdrawal to UBS Trumbull's Growth and Income Fund, as part of the Board's allocation to Value-ad real estate, with the balance of the original withdrawal to be earmarked in part for the new MLP energy mandate (\$20M); and*
- 4) Upon motion of Mr. Bogenschultz and seconded by Mr. McCollor, the Board so voted to extend the contract with Franklin Park for discretionary private equity services totaling an additional \$20 million to be invested during Fiscal Year 2014.*

Member Questions and Adjournment

*Upon motion of Mr. Borgeson and seconded by Mr. McCollor, the Board voted to adjourn at 4:10 p.m. The Board is to next convene formally on **Tuesday, June 11, 2013** at 8:00 a.m. at which meeting John Kunz, as Vice Chair of the Investment Committee, will act in Investment Chairman Waschbusch's anticipated absence.*

Following the meeting, the Board toured the new office Board room and reception space.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Paul V. Doane', with a stylized, flowing script.

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:02 a.m.

Present for the Meeting were Trustees:

Karen Odegard	Feryle Borgeson	John Kunz	James Paddock
Lori Borgeson	Mike McCollor	Stephanie Pignato	

Matt Bogenschultz joined the meeting at 8:10 a.m. John Brodrick joined the meeting at 10:15 a.m. Gene Waschbusch was absent.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. Borgeson, with no changes, the Board approved the agenda.

Approval of Minutes

Ms. Pignato moved approval of the minutes of the May 15, 2013 meeting of the Board. The motion was seconded by Mr. Paddock and so voted by the Board.

Consent Agenda

On motion by Mr. Borgeson, seconded by Ms. Pignato, the Board accepted the following consent agenda items:

- a. CA-2013-42: Report on Deaths*
- b. CA-2013-43: Report on Benefit Applications*
- c. CA-2013-44: Refunds —May 2013*
- d. CA-2013-45: Inv. Transactions — April 2013*
- e. CA-2013-46: Accounting – Month Ended March 31, 2013*
- f. CA-2013-47: Accounting – Month Ended April 30, 2013*

Investment Committee Report

Following the Board's discussion and a due diligence report from staff, it was moved *by the Investment Committee (no second required) and so voted by the Board to accept the recommendation of the Investment Committee that Tortoise Capital Advisors LLC be selected for the \$20 million MLP Energy mandate and staff be instructed to undertake appropriate steps to establish a separate account and to execute an Investment Management Agreement and other actions necessary to establish the account.*

2013 Legislative Wrap-Up

Mr. Brian Rice, Esq. of Rice, Michels & Walther, the Saint Paul Pension PAC lobbyist, spoke to the Board following a staff summary on the details of the Board's recently enacted legislative initiative. Attorney Rice addressed numerous questions from the Board and outlined his outlook for the 2014 Session.

Legislatively Mandated Consolidation Study

Mr. Doane outlined the legislative amendment calling for the Directors to undertake a study as to the feasibility of Consolidation of the three teacher retirement systems, TRA, DTRFA and SPTRFA. A report to the Legislative Commission on Pensions and Retirement is due in January 2014. He summarized the two meetings of the group to date and the upcoming schedule and discussion topics. The current outline calls for SPTRFA to consider various options and decide on a preferred approach by late September. The Consolidation Study will be a continuing topic for further Board discussion at the Board's Summer Workshop, August 1.

Investment Review***ACG: May 2013 Performance Update***

Mr. Doane presented the May 2013 performance update which showed the Board's investment portfolio up 16% for the fiscal year to date. He pointed out the need to continue to scale back the allocation to global equities that currently exceeds the Board's approved asset class mix in favor of under allocated areas such as fixed income and hedge funds, areas intended to further dampen portfolio volatility. Mr. Doane outlined the recent strong performance from mid cap firms Wellington Management and Boston Company, who were both recipients of additional funds temporarily extended to both managers last September. Both have strongly outperformed their respective benchmarks during this period.

Capital Group – "Watch Status"

Following a recommendation by staff, based on its recent due diligence review of Capital Group, *Upon motion by Ms. Odegard and seconded by Mr. Bogenschultz, the Board voted to place Capital Group formally on "watch" for performance reasons and to request it to appear at its meeting in September to review steps the firm is taking to address performance issues, in accordance with the Board's Investment Policy.*

Staff had recommended extending the additional time warranted by what it saw as encouraging signs. Year to date, Capital Group has rebounded performance-wise. The "watch" status will permit heightened monitoring.

Fixed Income Update

Mr. Doane reported to the Board on the recent steps taken related to the hiring of four new fixed income portfolios including two global opportunistic strategies with Brandywine Global and T Rowe Price Global, both recently funded with \$50 million, and firms Guggenheim Partners (domestic core plus strategy) and Allianz GI (structured alpha overlay strategy), \$75 million and \$20 million respectively.

Upon motion of Ms. Odegard and seconded by Mr. Bogenschultz, it was voted to modify the Board's earlier action revising the Allianz proposed "overlay" of the underlying Guggenheim Partners portfolio to a \$20 million direct allocation to Allianz to apply its Structured Alpha portfolio to an underlying fixed income beta portfolio (e.g. 10-year Treasury) within an existing commingled structure.

This change was required due to the concerns about meeting sufficient collateral requirements for the Allianz overlay provided by the Guggenheim portfolio.

Mr. Brodrick was excused from the Meeting at 12:30 p.m.

Summer Workshop Topic Discussion

The Board discussed possible topics to cover during its investment workshop.

Upon motion of Mr. Paddock and seconded by Ms. Odegard, it was voted by the Board to revise the Workshop meeting date and time to 8 a.m. on Thursday, August 1, 2013, to be followed by a business dinner.

Topics for the Workshop were to include: disability coverage; “hedge fund of one” concept; advanced primer on private equity; teacher systems’ consolidation study; Executive Director search; among other areas.

Mr. Bogenschultz was excused from the Meeting at 1:15 p.m.

Pension Administration System Update: Ms. MacDonald

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System. The System is expected to be operational on July 1. Within FY 2014 budgeted funds for support services, staff plans to employ approximately \$15K for Sagitec Solutions, LLC to provide system migration assistance through a full year service cycle.

Executive Director’s Report

Mr. Doane outlined a series of items for the Board’s consideration, information and action including:

a) Investment Policy Proposed Amendment to amend the Investment Policy to grant the staff limited discretion to identify and select managers when dealing with relatively small allocations (not greater than \$10 million) for two Board approved mandates, private equity energy (\$5 million) and opportunistic real estate (up to \$10 million).

Upon motion of Mr. Borgeson and seconded by Ms. Odegard, the Board approved permitting discretion to the staff to identify and select finalist investment manager(s) for Board approved mandates not to exceed \$10 million with recommendations being subject to review by the Board.

b) Contacts for the next fiscal year have been executed, in accordance with earlier approval by the Board, with Franklin Park, LLC for private equity related services and with Asset Consulting Group for performance measurement related services;

c) Initial contractual arrangements have been forwarded to UBS related to the transferring \$10 million from the Fund’s existing UBS (Trumbull) portfolio to the UBS “value ad” Growth Income real estate portfolio;

e) *Upon motion of Mr. Paddock and seconded by Mr. McCollor, the Board in approved Mr. Doane’s attendance at the Public Fund’s East Conference in Newport , RI July 24-26, where he will be a panelist with expenses covered by the conference;*

f) *Upon motion of Mr. McCollor and seconded by Ms. Odegard, it was voted that the following members, Mr. Kunz and Ms. Pignato, to serve as voting Delegates to the annual NCTR conference planned for October 5-9, 2013 in Washington, DC, and Mr. Paddock as alternate.*

g) Board Meeting Dates FY 2014 were reviewed with the only change from the proposed scheduled reducing the Workshop from two partial days to one full day, August 1, 2013;

h) Update of the Board's Security Lending program which is on track to generate sufficient income to more than cover the annual cost for custody services with US Bank. The program is well under the 35% Board imposed policy limit on the lending of eligible securities.

Board Questions and Adjournment

*Upon motion of Mr. Borgeson and seconded by Mr. Paddock, the Board voted to adjourn at 1:45 p.m. The Board is to next convene formally on **Wednesday, September 18, 2013** at 8:00 a.m.*

There will be an informal gathering of the Board at its Summer Workshop at the Board's office at 8:00 a.m. Thursday, August 1, 2013.

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:08 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	John Kunz	Stephanie Pignato
Feryle Borgeson	Mike McCollor	Eugene Waschbusch
Lori Borgeson		

Karen Odegard joined the meeting at 8:40 a.m.

John Brodrick joined the meeting at 9:00 a.m.

James Paddock joined the meeting at 10:00 a.m.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Mr. McCollor moved adoption of the agenda which was seconded by Ms. Pignato, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Borgeson moved approval of the minutes of the June 11, 2013 meeting of the Board. The motion was seconded by Mr. McCollor and so voted by the Board.

Consent Agenda

On motion by Mr. Bogenschultz, seconded by Mr. McCollor, the Board accepted the following consent agenda items:

- a. CA-2014-01: Report on Deaths*
- b. CA-2014-02: Report on Benefit Applications*
- c. CA-2013-48: June 2013 Final – Report on Benefit Applications*
- d. CA-2013-49: Inv. Transactions – May 2013*
- e. CA-2013-50: Inv. Transactions – June 2013*
- f. CA-2013-51: Refunds – June 2013*
- g. CA-2013-52: Accounting – Month Ended May 31, 2013*
- h. CA-2014-03: Refunds – August 1, 2013*
- i. CA-2014-04: Refunds – September 1, 2013*
- j. CA-2013-05: Inv. Transactions – July 2013*

Executive Session: Closed Session – Disability Applications

At 8:15 a.m., Mr. Borgeson made a motion to suspend the regular meeting and move to closed session to hear two disability benefit applications for Members #23704 and #21365. The motion was seconded by Ms. Pignato and it was approved by the Board. The meeting moved into a closed executive session.

Upon a motion by Mr. McCollor, seconded by Mr. Borgeson, the Board, in executive session, recommended approval of disability application, Member # 23704.

Upon motion by Mr. McCollor, seconded by Mr. Borgeson, the Board tabled further consideration of disability application #21365 and the matter to be held for the next meeting of the Board and the staff instructed to secure additional information.

Upon motion by Mr. Bogenschultz and seconded by Mr. McCollor, the Board voted to close the executive session at 8:40 a.m. and return to the regular meeting agenda.

Upon motion by Mr. Borgeson, seconded by Ms. Pignato, the Board confirmed the action taken during the closed session granting a disability benefit to Member #23704.

Upon motion of Mr. Borgeson and seconded by Ms. Pignato, the Board confirmed its vote to table the action of the Closed meeting with regard to Member #21365 until November's meeting pending receipt of certain requested data related to the application.

Overview of Emerging Markets - Staff

Mr. Doane provided the Board with an overview of the role of Emerging Markets in the portfolio and the background of the Capital Group relationship.

Emerging Markets Manager Presentation: Capital Group (Formerly Cap Guardian)

Mr. Shaw Wagener, Portfolio Manager and Mr. Michael Consorte, Client Service Representative presented to the board on the performance, investment process, recently implemented changes related to the research process and other matters of the emerging markets mandate managed by Capital Group for the Association. They answered questions from the trustees and staff. This relationship remains under review and will remain closely monitored by staff.

Board Follow-up Discussion on Emerging Markets Allocation

A discussion by the Board as to the merits of adding a small allocation to another Emerging Markets manager followed the Capital Group presentation with the result that no action was desired at this time.

Legislative Consolidation Study – Update and Discussion

Mr. Doane outlined for the Board the latest information on the teacher plans Study Group and reviewed details related to the proposed merger of SPTRFA into the TRA Plan. Upon extensive discussion and consideration of estimated financial impacts of various scenarios and other related details of the merger, President Kunz then individually polled the Board members for their opinion. Following this indication that the Board appeared united in its view to remain a separate Board and not seek to merge with TRA, a Resolution was prepared to this effect and discussed.

Upon motion of Mr. Borgeson and seconded by Ms. Odegard, the Board, by unanimous vote, approved the Resolution on Consolidation (attached to these minutes) which indicates the Board's preference to remain outside of the State TRA.

Board consideration/action Re: Assets Transfer to SBI Supplemental Funds

The Board, following discussion and a presentation from staff detailing possible cost savings and a proposed transfer of certain assets and timetable for such action, determined that any transfer

was separate from the Consolidation topic and, while merited in terms of operational savings and staffing succession issues, should be deferred to the November meeting for further discussion. It was also voiced to consider any planned transfer to occur in segments rather than a one-time transfer.

Staff Report/Recommendation H/F Consultant Project #3

Mr. Doane reported to the Board a report on hiring a hedge fund consultant for Project #3. Following a review of the process employed and an overview of the responses received and the staff's recommendation offered, it was

Moved by Ms. Odegard, seconded by Mr. McCollor, the majority of the Board voted with one opposed, Mr. Borgeson, to retain the consulting firm of Bogdahn Associates of Orlando, FL at a cost of \$25,000 for all services related to the hiring of a Fund of One Hedge Fund Strategy and to include in its bid certain "follow-on" duties overseeing and assisting staff with any oversight role related to the formulation of the underlying hedge fund team by the firm retained to manage the customized portfolio.

Executive Director's Report

Mr. Doane outlined a series of items for the Board's consideration, information and action including:

- a) Legislative 2014 Session Initiatives which is expected to include a request to extend the \$7 million State supplemental appropriation beyond October 2014 and seeking authorization to invest with the SBI's Combined Fund;
- b) Reported on the receipt of the annual State supplemental payments, \$9.827 million;
- c) Meeting with Senator Sandy Pappas and correspondence with Senate Finance Chair Cohen;
- d) Acknowledgement of the fine effort by RV Kuhns CEO, Becky Gratsinger, on behalf of SPTRFA before the LCPR last month, with an associated cost of \$5,000;
- e) Acknowledge receipt to two items from outside counsel re: Letter of Determination and pending matter with IRS regarding tax withholding payment;
- f) Informed the Board about the action by Indiana Teachers pension Board reducing returns on its annuity component;
- g) Two matters from security litigation counsels relative to possible recovery actions involving AIG and Velti corporations by Berman DeValerio and Bernstein Litowitz;
- h) Update on Securities Lending income, including involvement of three new separate account managers as part of program;
- i) Information about the annual percentage growth of contribution income outpacing the annual growth in annuitant payout for the first time, which is a very financially healthy development and should continue with the declining number of Basic Plan members;
- j) Staff has provided LCPR actuary, Milliman, with details of our Fund for its review as regularly undertaken in addition to SPTRFA's own actuarial work which is also underway by its firm, Gabriel Roeder Smith;
- k) NCTR Convention Update on attendees, agenda, Capitol Hill visit schedule and possible visits to Washington DC based managers;

- l) Proxy holders for the Annual Meeting were appointed by Board President Kunz to Ms. Odegard, Ms. Borgeson, and Mr. McCollor.
- m) Regarding invoices from legal counsel, it was reported to the Board and acknowledged that staff should not make payment for services not formally requested. However, if matters relate to ongoing items, that may require occasional unsolicited follow up, such payment for services may be appropriate, but kept to a minimum.

At 1:00 p.m., both Mr. McCollor and Mr. Brodrick were excused by the Chair from the meeting.

Investment Performance

Asset Consulting Group(ACG) 2nd Quarter Performance Update

Ms. Haley Rives, CFA, Vice President from ACG presented the second quarter 2013 performance update and answered questions from trustees. Her report indicated a total portfolio value of \$926 million with the portfolio ending the fiscal year in the 26th percentile of peers at 13.9%. For the quarter, the portfolio stood in the 31st percentile with a return of 0.7%. April's strong start to the quarter was tempered by a difficult May and sluggish June. The three year return of 12.7% annually represented the 19th percentile of the universe of funds. The Board's long term (10 year) record and longer remain above the target 8%. A review of compliance issues and performance objectives indicated conformity.

July / August Investment Performance Update – Staff

Mr. Doane reported to the Board on the preliminary performance of the present fiscal year, started July 1. To date, performance is mildly positive, up 1.4% net, but that trails slightly the Board's benchmark which was up nearly 2%. July had been very encouraging but the portfolio lost ground in August when all assets groups struggled. Portfolio total assets were placed at \$928.5 million.

Report on Opportunistic Real Estate \$5M Mandate (2)

Mr. Doane presented to the Board the results of staff's analysis of responses to its RFP for opportunistic real estate. This mandate (\$10 million) would complete, at this time, the planned diversification to the Real Assets (Inflation Hedged) category of holdings. Upon review, including the involvement of consultant ACG, it was decided to divide the mandate among two firms that offer varied (primarily due to scale and geography) but complementing approaches to this new Board mandate.

Upon motion by Mr. Borgeson, seconded by Mr. Bogenschultz, the Board voted to approve the hiring of both Dune Real Estate (NY) and Perseus Realty Partners (PRP) (Washington DC) for a \$5 million allocation each and to instruct the staff to undertake any final due diligence and whatever additional procedures may be required to effectuate the investment management agreements for each firm.

Following this discussion and action,

Upon motion by Ms. Odegard, seconded by Mr. Borgeson, it was voted by the Board to instruct staff to withdraw \$5 million each from Lazard's Thematic portfolio and Capital Group's emerging market portfolio to fund the two opportunistic real estate managers.

At 2:00 p.m. both Mr. McCollor and Mr. Brodrick returned to the meeting.

Private Equity (energy) Recommendation: \$5 Million (VIA Energy III) - Staff

Mr. Doane outlined for the Board the earlier discussion related to completing a planned allocation to public/private energy. The public securities component was filled with the hiring of Tortoise Capital. Staff then presented its proposal to complete the private markets component of this allocation (\$5 million). Private equity adviser, Franklin Park, had offered its review of the staff's selection. Franklin Park offered generally a favorable report but did caution about the use of the recommended firm's Fund of Funds approach with the added fee structure. After considerable discussion,

Upon motion by Ms. Pignato, seconded by Mr. Borgeson, the Board, by a majority vote, agreed to commit \$5 million to the firm of VIA Energy Fund III (Princeton, NJ) and to authorize staff to undertake the steps necessary, including any final due diligence and a further discussion with Franklin Park, to review and effectuate the associated partnership agreement.

Board Discussion/Action H/F RFP Process (\$50M mandate 'Fund of One')

Mr. Doane led a Board discussion on the RFP process for seeking a manager to oversee a customized "Fund of One" portfolio of hedge fund managers. Staff outlined the mandate, \$50 million, and the time frame and process to be followed with the involvement of newly retained consulting firm, Bogdahn Associates. It is planned that staff will bring two finalists for consideration by the Investment Committee ahead of the Board's November meeting with expectations to fund the new mandate by year end. Funds will come from the existing global equity allocation which remains about 13% over policy targets.

Upon motion by Mr. McCollor, seconded by Mr. Bogenschultz, the Board voted, with one objection, to authorize staff to issue an RFP for a Manager of a Customized Portfolio of Hedge Fund Managers with an allocation up to \$50 million.

Audit Committee Report: Policy Recommendations

Chairman Odegard presented several items from the Committee for the Board's consideration.

1) A recommendation to establish, for auditing purposes, that small differences between the benefit amounts calculated by staff and re-calculated during the review by the Audit Committee would not require revising benefits paid provided the difference was 0.5% or less.

Upon motion by Mr. McCollor and seconded by Ms. Pignato, the Board so voted to adopt this provision and instructed staff to insert language to this effect within the appropriate location of the Board's Policy.

2) Other provisions of the Committee, regarding dealing with establishing a fixed percentage of interest credit on refunds (6%) and steps to insure that each retirement application package is fully completed with all required documentation prior to the payment of any benefits, were returned to the Committee to complete further review. The Committee was urged, once the policy language was redrafted to reflect the Board's discussion, to return to the November Board meeting for final action.

Pension Administration System Update: Ms. MacDonald

Ms. MacDonald provided an update to the members of the Board of Trustees on the status of the new TUTTI Pension Administration System. She also discussed a possible next step, once the existing member benefit modifications and system processing are fully operational, as there continues to be several glitches that staff is aggressively addressing, which could include the establishing of a member benefits web portal. This feature would allow members to directly secure benefit information, retirement calculations and other features directly off the Board's website for their convenience and efficiency.

Member Questions and Adjournment

Upon motion of Mr. Bogenschultz and seconded by Ms. Odegard, the Board so voted to approve the attendance of Mr. Borgeson as the Board's representative at the annual meeting of the UBS Trumbull Property investment in Los Angeles in early October at no expense to the Fund.

*Upon motion of Mr. Brodrick and seconded by Mr. Paddock, the Board voted to adjourn at 3:45 p.m. The Board is to next convene formally on **Wednesday, November 20, 2013** at 8:00 a.m.*

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:07 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	Karen Odegard	Stephanie Pignato
Feryle Borgeson	John Kunz	Eugene Waschbusch
Lori Borgeson	Mike McCollor	

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. McCollor, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Bogenschultz moved approval of the minutes of the September 18, 2013 meeting of the Board. The motion was seconded by Ms. Pignato and so voted by the Board.

Consent Agenda

On motion by Ms. Odegard, seconded by Mr. Borgeson, the Board accepted the following consent agenda items:

- a. CA-2014-06: Report on Deaths*
- b. CA-2014-07: Report on Benefit Applications*
- c. CA-2014-08: Inv. Transactions — August 2013*
- d. CA-2014-09: Inv. Transactions — September 2013*
- e. CA-2014-10: Inv. Transactions — October 2013*
- f. CA-2014-44: Refunds — September 2013*
- g. CA-2014-44: Refunds — October 2013*

Executive Session: Closed Session – Disability Applications

At 8:20 a.m., Ms. Odegard made a motion to suspend the regular meeting and move to closed session to hear a disability benefit application for Members #21365. The motion was seconded by Mr. Borgeson and it was approved by the Board. The meeting moved into a closed executive session.

Upon motion by Ms. Odegard, seconded by Mr. McCollor, the Board, after considerable discussion about the Plan's disability policy and provisions, approved the disability application #21365 and

Upon motion by Mr. Bogenschultz and seconded by Ms. Borgeson, the Board voted to close the executive session at 9:00 a.m. and return to the regular meeting agenda.

Upon motion by Ms. Pignato, seconded by Mr. McCollor, the Board confirmed the action taken during the closed session granting a disability benefit to Member #21365.

Committee Reports

Executive Committee

The Committee reviewed its actions from two committee meetings held on October 21 and 28 including: 1) discussion on a draft of the Board's position for inclusion in the Consolidation Study Report indicating a preference to remain as a separate System and not merge with Minnesota TRA; 2) review of GRS prepared analysis of various funding scenarios regarding a "fixed amortization date"; and 3) discussion of items related to succession plans for a new Executive Director in June 2014, including consideration of establishing a new Investment Advisory Committee to consist of three non-Board members to assist Board and staff with investment matters post July, 2014.

Upon motion of Mr. Waschbusch and seconded by Ms. Pignato, the Executive Committee report with recommendations was so voted by the full Board.

Audit Committee

The Committee presented revised language on two proposed policy matters.

Upon motion by Mr. Bogenschultz and seconded by Mr. McCollor, the Board adopted a new policy, Section 3.7.3, clarifying the calculation of interest credited on refunds.

Upon motion by Mr. Borgeson and seconded by Mr. Bogenschultz, the Board adopted a new policy, Section 10.2 "Application Documentation" which details procedures related to gathering required documents related to retirement benefits and penalties, including non-payment of monthly annuity, until such time as all required member's personal materials have been recorded as part of the application file and, as further amended, to state that "exceptions to these requirements will be reviewed by the Executive Director and granted by the Board".

Personnel Committee

The Committee reviewed its schedule for the hiring process of a replacement Executive Director for the System during 2014.

Upon motion of Ms. Pignato and seconded by Mr. Borgeson, the Board approved the proposed schedule of dates for completion of the process in time for the proposed hiring of a new Director by June 30, 2014.

At 9:30 a.m., Mr. Brodrick and Mr. Paddock joined the meeting.

Consolidation Study Draft Report:

Mr. Doane presented in detail the latest version of the Draft Report as compiled by the three Systems' directors examining the merits of consolidation as directed by the Legislature to undertake such study and report back to the Legislative Commission on Pensions and Investments (LCPR) by January 6, 2014. The Board re-examined the specific language describing its position on merger which is to remain as a separate retirement system from TRA at this time. It does wish to reserve the right to reexamine the merger question at a later date after more facts surface related to costs, potential impact on stakeholders and related matters. The Board, which gave its preliminary approval of the Report at its September Board meeting, plans to consider a final position in December when the draft report is complete.

Actuarial Valuation for July 1, 2013 – Gabriel Roeder Smith & Co. (GRS)

Ms. Bonnie Wurst and Ms. Sheri Wroblewski, Actuaries with GRS presented the annual actuarial report for July 1, 2013. The report covered plan changes made during FY 2013, including various contribution increases and changes to program features that impacted assumptions employed in the report. The strong FY 2013 investment performance was another factor which combined to improve the Plan's funded status (on a market value of assets basis) from 60 to 64%. The Plan also made considerable improvement to its prior funding deficiency (6.4%) which now stands at 2.8%. Approved future contribution increases and projected operational changes are expected to close the gap. Accrued liabilities improved slightly, down \$20 million to \$1.467 billion, due to a reduction in expected wage growth. Active members stood at 3,941 as of 7/1/13.

NCTR Conference Review

The Board members who had attended the NCTR Annual Conference in Washington, D.C. this past October were asked for feedback on their experience. Most thought the discussion groups were better done this year and especially singled out the topics of "business continuity planning" and "social media" as very beneficial. Also, the keynote comments from Cokie and Steve Roberts on the Washington political scene were well received. Mr. Borgeson also used the occasion to review his attendance as the Board's designated representative to the annual meeting of the UBS Real Estate investment meeting in Los Angeles in late September.

Investment Performance Update (Quarter Ending September 30)

Mr. Doane presented the September Quarterly and October monthly performance updates. Through October 31 for the fiscal year, the fund is ahead 8.5% and nearly 16% for the calendar year return. Assets stood at \$985 million. Non-US equities have been the stronger performer during the fiscal year ahead 13%, while domestic equity returns were solid at 11.3%. Fixed income performance, as expected, relatively lagged equities producing less than 2% for the four months. The majority of the recently hired managers in this area, Waddell and Reed, Allianz, Guggenheim, T Rowe Price reported benchmark outperformance for the stretch. Inflation hedged group of assets slightly outperformed the fixed markets. Their role is largely aimed at dampening volatility due to the lower correlations to both equities and fixed income.

At 12:30 p.m. Mr. McCollor was excused from the meeting.

Executive Director's Report

Mr. Doane outlined a series of items for the Board's consideration, information and action including: 1) a new investment made by private equity advisor Franklin Park under its discretionary authority of \$4 million with Vista Foundation Fund II a San Francisco based investor in private enterprise software companies; 2) updates on three previously approved Board investments in the real assets class, \$3 million (November 1) with VIA Energy Fund III, \$5 million in Dune Capital (opportunistic real estate) in late October, and ongoing review of documents related to planned \$5 million investment with PRP Fund III, Washington DC, with a likely close early in 2014; 3) summarized the developments re: Velti plc securities litigation where Berman DeValerio is pursuing lead plaintiff designation on the Board's behalf; 4) an overview of the asset movement related to recent and prospective investment changes to the portfolio through year end; 5) update on the ongoing RFP for a customized hedge fund manager, delayed somewhat due to the desire to initially determine the outcome of the merger study;

6) the Director advised the Board that he will be presenting before the Federal Reserve Bank of Cleveland's symposium of pension plan funding addressing the issues facing Municipal Plans and in general the Defined Benefit structure; and 7) update on securities lending program halted in October due to credit markets uncertainty related to possible Government shutdown.

Upon motion of Mr. Waschbusch and seconded by Mr. Borgeson, the Board voted to confirm the recent actions of the Director to permit new lending on the portfolio but to maintain the modified lowered "cap" at \$40 million as recommended by staff until such time as the near term uncertainty over the Federal debt ceiling is addressed in early 2014 and to instruct staff to so notify our custodian.

Board Policy Discussion/Considerations:

- a) Letter of Determination. The current window (Cycle C) is open for seeking approval from the IRS as to the Plan's Tax Qualified Status. This had been satisfactorily received in the most five year cycle through the efforts of outside counsel, Oppenheimer, Wolff, Donnelly. The staff had recommended that the Board consider a formal policy governing the frequency of seeking such IRS approvals that would involve every third cycle.

Upon motion of Ms. Odegard and seconded by Ms. Pignato, the Board so voted to authorize the retention of Tim Quinn at Oppenheimer to apply for the Letter of Determination process during the current cycle which closes on January 31, 2014 and to instruct staff to undertake any necessary steps to advise outside counsel and assist with any support materials to facilitate the timely pursuit of the Determination process.

Projected cost for this application process and related legal work will be \$10,000.

- b) Policy on Workplace Recovery. Executive Director outlined the topic for the Board and presented a preliminary overview of the considerations that will be examined in more detail during the staff's development of the matter. It is expected that staff will have further materials to allow the Board to further discuss the subject of disaster recovery with the goal of preparing the basics of a Board policy at its December meeting.

Preliminary Discussion: Legislative Package 2014 Session – Staff: Legislative Counsel

Mr. Doane introduced Brian Rice, Legislative Counsel, who offered his insights into the 2014 Legislative session slated to begin late February. Mr. Rice and staff reviewed some possible legislative initiatives including a continuation of the current State supplemental aid payment due to expire after October 2014 and establishing a fixed amortization date of 2042 at which time actuarial projections indicate the System could attain full funding if certain assumptions are achieved. They also outlined several planned and continuing discussions with legislative leaders.

Preliminary planning for Member Outreach Program: Staff

Ms. Langer and Ms. Nystrom reviewed with the Board a detailed overview of comprehensive plans under consideration for implementing a member outreach program. The Plan, which will involve staff visits and providing enhanced informational materials through the website and other electronic means, is designed to improve and increase interaction between staff and the active membership and to better inform members of the features and benefits of the Retirement System. The Plan is expected to be launched in early 2014 once the new benefit administration system, TUTTI, is fully operational, expected by late February or early March. In the meantime, certain

features of the proposed Outreach Program, such as member email blasts informing of various Plan features and including important dates, such as the upcoming Annual Meeting in January, are expected to begin sooner with the Plan's school visits deferred until important member record information contained in the new benefit administration system is fully available.

Social Media / Sagitec / Website Update: Staff

Due to the lateness of the hour, this matter was agreed to be held until the next Board meeting.

Member Questions and Adjournment

*Upon motion of Mr. Borgeson and seconded by Ms. Borgeson, the Board voted to adjourn at 4:35 p.m. The Board is to next convene formally on **Wednesday, December 18, 2013** at 8:00 a.m.*

Respectfully submitted,

Paul V. Doane, Executive Director

Call to Order

The meeting was called to order by President Kunz at 8:11 a.m.

Present for the Meeting were Trustees:

Matt Bogenschultz	James Paddock	
Feryle Borgeson	John Kunz	Stephanie Pignato
Lori Borgeson	Karen Odegard	Eugene Waschbusch

At 9:00 a.m. Mr. McCollor was excused from the meeting

At 9:45 a.m. Mr. Brodrick joined the meeting.

Also present were: Christine MacDonald, Assistant Director; Susan Nystrom, Fiscal Services Specialist, Janet Williams, Member Benefits Counselor, and Paul Doane, Executive Director.

Adoption of Agenda

Ms. Odegard moved adoption of the agenda which was seconded by Mr. Bogenschultz, with no changes, the Board approved the agenda.

Approval of Minutes

Mr. Bogenschultz moved approval of the minutes of the November 20, 2013 meeting of the Board. The motion was seconded by Ms. Pignato and so voted by the Board.

Consent Agenda

On motion by Mr. McCollor, seconded by Mr. Paddock, the Board accepted the following consent agenda items:

- a. CA-2014-13: Report on Deaths*
- b. CA-2014-14: Inv. Transactions — November 2013*
- c. CA-2013-53: Accounting — Month Ending June 30, 2013*
- d. CA-2014-45: Refunds — December 2013*

Consolidation Report Final Review/Action

Mr. Doane walked the Board through a thorough review of the Report, detailing recent additions, since the last review, and outlining the schedule for related LCPR consideration. The Report incorporates the Board's action to prefer to remain separate from TRA and not merge due to the actuarial determined cost savings among other considerations outlined in the Report.

Upon motion by Mr. Waschbusch and seconded by Mr. Paddock, the Board voted unanimously to approve the Report, with a minor wording change to the Executive Summary relative to STPRFA's earlier funded ratio, as presented and, in conjunction with both MN TRA and DTRFA (Duluth), to forward the Report as statutorily directed to the Legislative Commission on Pensions and Retirement (LCPR) ahead of the January 6, 2014 deadline.

Approval of July 1, 2013 GRS Actuarial Valuation Report

Ms. Bonnie Wurst, Actuary and Senior Consultant with Gabriel Roeder Smith & Co., was present to provide a final review of its annual valuation which had been presented, in draft, at the November Board meeting.

Upon motion by Mr. Borgeson and seconded by Mr. Bogenschultz, the Board voted to approve the July 1, 2013 valuation which indicated the Plan's funded ratio on a market value of assets basis at 64% with a funding deficiency at 1.67% of payroll.

Annual Audit Report – June 30, 2013

Ms. Amy Ames and Ms. Nicole Litzner of the Office of the State Auditor (OSA) presented the results of its FY 2013 Plan audit. The OSA provided its highest level report, an unqualified audit, and identified only two minor items, one in the benefit calculation process and one related to a procedural signoff process of member files. Both items are being addressed by internal revised operational procedures to prevent reoccurrence.

Upon motion by Mr. Borgeson and seconded by Ms. Pignato, the Board voted to accept the Annual Audit Report of the Plan by OSA for FY 2013.

At 10:55 a.m., upon motion of Ms. Odegard and second by Mr. Paddock, the Board voted to recess the Board meeting and convene a meeting of the Investment Committee.

Investment Committee

At 10:55 a.m. Investment Committee Chair Waschbusch convened the meeting of the Investment Committee.

A. Clifton Group, Portfolio Review/Update and Proposal

Jack Hansen, CIO and Ben Lazarus, Account Representative, presented an update of the Clifton Group's cash overlay strategy which synthetically invests the Plan's available cash in corresponding equity or debt indices with the goal of adding 10-15 basis points (bp) of net return annually. They also summarized its TIPS Index portfolio which the Board added to the Inflation Hedged Assets about a year ago. Finally, Clifton introduced a proposal to enhance its TIPS portfolio return through an overlay of S&P 500 call and put option writing with the goal of adding 200-300 basis points of annual return. The Committee took this matter under advisement to be considered following further staff input.

At 12:15 p.m. Mr. McCollor rejoined the Meeting.

B. Investment Policy

In accordance with the Board's Policy requiring at least annual review of the Investment Policy, staff reviewed the document in detail pointing out changes to the Policy made over the past year and other areas that had been questioned by the Committee. A suggested amendment to the Policy offered by the Committee was to insert appropriate language to insert in Section 1.13.6 "Termination of SPTRFA Investment Managers" language that would cover situations that held that where an investment manager was found to be guilty of fraudulent, illegal or other unethical actions such would be grounds for termination of the relationship. This was accepted by the Committee and will be presented to the full Board at its January meeting.

Staff reported receipt of notice of changes of two Portfolio Managers, **Waddell & Reed**, with High Yield portfolio manager Bill Nelson replacing former PM Brian Krug, and **Advantus**, where REIT portfolio manager Matt Richmond, formerly with Principal Group, will be replacing former PM Joe Betlej. Staff reported meeting with Mr. Nelson as part of the follow-on due diligence and indicated expectations to meet with Mr. Richmond later.

*Upon motion of Mr. Kunz and seconded by Mr. Borgeson, the Committee voted to recommend to the Board that, in accordance with Policy provisions identifying portfolio manager change as grounds for placement on “watch” with requisite steps therein related, **Waddell and Reed** shall be notified, upon Board approval, of being formally placed on “Watch”.*

*Upon motion of Mr. Borgeson and seconded by Mr. Kunz, the Committee so voted to recommend to the Board that in accordance with Policy provisions identifying portfolio manager change as grounds for placement on “watch,” with requisite steps therein related, **Advantus** shall be notified, upon Board approval, of being formally placed on “Watch”.*

C. J.P. Morgan Asset Management

Mr. Bob Parise, Client Advisor for J.P. Morgan (JPM) offered to appear before the Committee to explain the latest series of questionable ethical actions involving his firm which have resulted in the payment of extensive fines to both the SEC and Department of Justice. In light of the Board’s discussions previously, related to possible punitive actions which the Board might consider to evidence its displeasure with actions that indirectly may have caused negative financial impact to the Plan, the Committee weighed the explanatory information provided relative to the future status of two existing portfolio relationships.

Upon motion by Ms. Odegard and seconded by Ms. Pignato, the Committee voted to recommend placing JP Morgan on “watch” due to its questionable business practices and to continue to closely monitor the firm’s actions related to such ethical and trust violations.

D. Planned Transfer of Plan Assets

In light of the discussion re: JPM and as a follow up to prior Committee and Board discussions regarding the merits of a liquidation certain existing portfolio assets and transferring the resultant cash, potentially using the services of a transitional manager, to certain appropriate accounts within the State Board of Investment’s (SBI) Supplemental Funds,

Upon motion Mr. Kunz and seconded by Mr. Paddock, the Board so voted to request staff to prepare a brief proposal detailing a plan for the systematic transfer of certain Plan assets over the ensuing months for investment into appropriate SBI’s accounts with specifics, related to any transfer, to be determined along with a summary of accounts available and comparative performance results and an indication of which proposed portfolios accounts are part of the Plan’s securities lending program.

Performance Update

Staff provided a brief update on November and September Quarter performance. The Fund has produced a 10% net return on a fiscal year to date basis and assets have regained a total of \$1 billion. A review of manager contribution and results of the recent realignment of mandates was presented.

E. Performance Update

Staff reported on its recent attendance at the annual meeting of VIA Energy III Fund in San Francisco, CA. This investment represents a new investment in the Inflation Hedged Asset class. VIA Energy Fund III recently issued a capital call. Staff reported a favorable meeting with senior management and discussions with fellow limited partners and consulting firms in attendance.

Upon motion of Mr. Borgeson and seconded by Mr. Paddock, the Committee voted to adjourn its meeting and to reconvene the meeting of the Board.

Upon motion by Mr. Paddock and seconded by Ms. Borgeson, the Board voted to reconvene its meeting.

At 2:45 p.m., the meeting reconvened.

Personnel Committee Report

The Committee Chair, Mr. McCollor reported results of a recent Committee meeting at which a suggested time frame and details related to the planned change in Executive Directors, slated for mid- 2014.

Upon motion from the Committee, the Board voted to approve the proposed schedule of steps related to the process for hiring a replacement Executive Director.

Sagitec: Benefits Administration System Update

Staff provided the Board with an update on recent developments regarding the newly implemented Pension Administration System, “TUTTI”. Efforts to mitigate operational and institutional risks have been achieved with redundant systems offsite. The program is still very much a work in progress. The majority of system “bugs” have been resolved. Among the items remaining is the uploading of current payroll data involving continued testing and staff interaction with vendor, Sagitec Solutions.

Social Media / Website / Outreach Program Update

Staff gave the Board an overview of the upcoming weekly notifications related to the Member Outreach program slated to get underway in early 2014. There was also a review of the results to date of the Plan’s social media initiatives and a visit to the Website to indicate recent features and adjustments.

Executive Director’s Report

Board was informed about several developments since the last Board meeting including: a) status of the ongoing Hedge Fund mandate search which will extend into 2014 although semi-finalists have been identified by project consultant Bogdahn Group; b) the IRS Letter of Determination process; c) staff salary change notification; d) certain details related to the Plan’s Annual Meeting and follow-on January Board meeting; e) reviewed recent meetings with key legislators and certain informational details employed with public officials outlining financial and actuarial basis for the Board’s preference to remain as a separate retirement plan. Also,

Upon motion of Ms. Pignato and seconded by Mr. Bogenschultz, the Board voted, with one member opposed, to authorize staff to prepare two legislative initiatives seeking to extend the existing State supplemental appropriation due to expire after October 2014 and to establish a fixed amortization date of 2042 replacing the current rolling 25-year schedule.

Upon motion of Mr. Paddock and seconded by Ms. Borgeson, the Board voted to adopt the staff proposed policy change incorporating language defining the role of the Annuities and Refunds Committee and requiring a Committee endorsed Retirement Record form as part of the documentation in a member's file prior to receiving any benefit payment.

Upon motion of Mr. Waschbusch and seconded by Mr. McCollor, the Board voted to restore the temporarily adjusted securities lending program to its previous policy of permitting up to 35% of eligible Plan securities to be included.

Other items, due to the lateness of the hour, were deferred to the January meeting.

Member Questions and Adjournment

*Upon motion of Ms. Borgeson and seconded by Mr. Bogenschultz, the Board voted to adjourn at 4:15 p.m. The Board is to next convene formally on **Thursday, January 16, 2014 after adjournment of the Annual Meeting of the Members.***

Respectfully submitted,

Paul V. Doane, Executive Director