MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES’ RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204

April 18, 2008

REGULAR SESSION

Board Members Present
Ken Cochran, Chair
Kevin Boehnlein, Vice Chair
Bob Welch
Kathy Ettensohn
Ryan Kitchell

Board Members Absent
Matt Murphy

Others Present
Doug Kryscio, Mercer Investment Consulting
Curt Smith, Strategic Investment Solutions (SIS)
Rick Kinsley, The Kinsley Group
Jan Harford, CEM Benchmarking
Clayton Jue, Leading Edge Investment Advisors, LLC
Steve Russo, Teachers Retirement Fund
Cindy Walsh, National Bond and Trust

PERF Staff Present
Terren Magid, Executive Director
Will Frayer, Staff Attorney
Shawn Wischmeier, Chief Investment Officer
Patricia Bush, Chief Financial Officer
Jeff Hutson, Director of Outreach and Communications
Sandra Wilson, Executive Assistant
Jeri Mains, Legal Assistant
Greg Davis, Director of Private Equity
Bryan Martin, Director of Alternative

Meeting called to order at 12:13 p.m. by Chairman Cochran.
I. Approval of Minutes

MOTION duly made and carried to approve the minutes from February 22, 2008 Board of Trustees meeting.

Proposed by: Bob Welch
Seconded by: Kathy Ettensohn
Votes: 5 in favor, 0 opposed, 0 abstentions

II. New Business

• Administrative Items

Ethics Training

Mr. Magid presented materials necessary for members of the board of trustees to take their ethics training on-line. The course is to be completed by May 9th 2008.

• CEM

Mr. Magid introduced Jan Harford of CEM Benchmarking to the Board. Ms. Harford presented the Pension Administration Benchmarking Results for Fiscal Year 2007. Highlights of the survey results included that PERF service score increase an average of 6 percentage points per year since 2004 where the average service score increase for peer funds was a .8% increase. Issues discussed included administration cost, service score, service improvements and new technology.

• Benefits

Benefit Processing

Mr. Magid introduced Steven Barley to the Board to present the Benefits Update. Mr. Barley discussed retirement application volumes, retirement, cases processed, and other key service metrics.

Line of Duty Death Benefit

Mr. Magid presented the board with a line-of-duty death benefit claim for David T. Sherfick, an employee of the Brown Civil Township/Brown Township Fire & Rescue. Capt. Sherfick was returning to the station after providing medical assistance to a patient. A vehicle in oncoming traffic crossed the center lane and struck Capt. Sherfick’s vehicle head on; killing him instantly. Not only was Capt. Sherfick killed, but so was the driver of the second vehicle involved. The cause of death was “Multiple System Blunt Force Trauma”. The benefit amount is $150,000.
Investments

Investments Update

Shawn Wischmeier introduced Doug Kryscio of Mercer to the Board. Mr. Wischmeier and Mr. Kryscio provided the Board with an investments update.

Investment Manager Recommendations

Mr. Wischmeier and Mr. Kryscio presented to the Board a proposal for Fixed Income Core Opportunistic Managers. PERF’s goal is to select a complementary set of managers to create a more global and diversified fixed income portfolio. Mr. Kryscio discussed hiring three new managers, who they are and why they are recommended.

It is recommended that the board approve three Core Opportunistic managers: PIMCO, Goldman Sachs Asset Management, and Loomis Sayles. Also, recommended the transition of BlackRock from a Core Plus to a Core mandate and to transition the Lehman Brother Enhanced Index mandate, and the Seix and WAMCO Core Plus mandates.

MOTION duly made and carried to approve three Core Opportunistic managers: PIMCO, Goldman Sachs Asset Management, and Loomis Sayles. Along with the transition of BlackRock from a Core Plus to a Core mandate and transition of the Lehman Brother Enhanced Index mandate, and the Seix and WAMCO Core Plus mandates.

Proposed by: Kevin Boehnlein
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

Private Equity Recommendations

Mr. Wischmeier and Curt Smith presented four private equity investments for the board’s consideration.

The first investment proposal is Crestview Partners II. Crestview is raising a $2.5 billion successor fund that invests primarily in investments with a contrarian orientation. The fund will pursue unusual opportunities arising from major dislocations, financial distress, out of favor industries or special situations. The firm will look for investments that have the following characteristics: contrarian theme, relationship edge or in-house industry expertise.

Crestview has raised one prior fund in 2005 which performed above the median as of September 30, 2007. Crestview has indicated Fund II will continue with this same investment strategy.
It is recommended that the board approve up to a $35 million commitment to Crestview Partners II pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $35 million to Crestview Partners II pending final due diligence and document review by legal counsel.

- **Proposed by:** Bob Welch
- **Seconded by:** Kathy Ettensohn
- **Votes:** 5 in favor, 0 opposed, 0 abstentions

The second investment proposal is GSO Capital Opportunities Fund. GSO Capital Partners is raising a $750 million debt fund that will opportunistically provide investors with capital through leveraged buyouts, acquisitions, recapitalizations, and growth financings. Investments will include secured debt, subordinated debt, mezzanine securities, preferred stock, and private equity. The firm will utilize its longstanding relationships and sound reputation as a competitive advantage in sourcing attractive investment opportunities.

Since 2005, GSO Capital Partners has made 64 investments that employ a similar investment strategy. Of these investments, 14 have been realized generating a gross IRR of 38.3%.

It is recommended that the board approve up to a $50 million commitment to GSO Capital Partners pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $50 million to GSO Capital Partners pending final due diligence and document review by legal counsel.

- **Proposed by:** Ryan Kitchell
- **Seconded by:** Bob Welch
- **Votes:** 5 in favor, 0 opposed, 0 abstentions

The third investment proposal is A.M. Pappas Life Science Ventures IV (“Pappas Ventures IV”). Pappas Ventures is raising a $200 million venture capital fund that invests primarily in early stage, product-oriented companies within the biotechnology and pharmaceutical sectors. The firm will utilize its extensive investing and industry experience to identify successful investment opportunities.

Since 1998, Pappas Ventures has raised over $250 million in committed capital in three funds. Pappas Ventures has generated returns above the median for each of its three funds. Pappas Ventures IV will continue with the same investment strategy as the three prior funds. Additionally, Indiana PERF is an investor in Pappas Ventures III through the Indiana Future Fund.
It is recommended that the board approve up to a $15 million commitment to Pappas Ventures pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $15 million to Pappas Ventures pending final due diligence and document review by legal counsel.

*Proposed by:* Bob Welch  
*Seconded by:* Ryan Kitchell  
*Votes:* 5 in favor, 0 opposed, 0 abstentions

The fourth investment proposal is Scale Venture Partners III. Scale Venture Partners is raising a $400 million venture capital fund that invests primarily in mid to late stage information technology and healthcare companies. The firm will utilize its deep network and extensive industry experience to identify start-ups in large markets with attractive growth potential.

Since 2000, Scale Venture Partners has raised $900 million in committed capital in two funds. Scale Venture Partners II has generated above average returns as of December 31, 2007, while Scale Venture Partners I has generated returns above the median as of December 31, 2007. Scale Venture Partners III will continue with the same investment strategy as the two prior funds.

It is recommended that the board approve up to a $15 million commitment to Scale Venture Partners III pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $15 million to Scale Venture Partners III pending final due diligence and document review by legal counsel.

*Proposed by:* Bob Welch  
*Seconded by:* Kathy Ettensohn  
*Votes:* 5 in favor, 0 opposed, 0 abstentions

**Real Estate Recommendations**

Mr. Wischmeier and Curt Smith presented two Real Estate recommendations for the board’s consideration.

The first is a private real estate investment in Colony Credit Opportunity Fund. Colony is raising a $1 billion fund that invests primarily of debt instruments, in real estate and real estate related companies. The firm will look to use its experience and the opportunities provided by recent credit events to target attractive risk adjusted returns.

Colony’s opportunistic funds have invested $34.5 billion in total capitalization generating a gross annualized IRR of 23% since inception; 17 years ago.
During this period its debt related and distressed portfolios have produced a
gross annualized IRR of 26%.

It is recommended that the board approve up to a $75 million commitment to
Colony Credit Opportunity Fund pending final due diligence and document
review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $75 million
to Colony Credit Opportunity Fund pending final due diligence and document
review by legal counsel.

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The second private real estate debt investment in Walton Street Real Estate
Fund VI. Walton Street is raising a $3 billion fund to invest in equity and debt
interest in real estate related assets and real estate operating companies
through value-added and opportunistic investment strategies. The fund will
mainly invest in the U.S. with a small allocation to Mexico and India.

Walton Street has been a top performer with its previous 5 funds. They have
invested over $13 billion in cost for an average realized gross equity multiple
of 2.3x and an IRR of 28%.

It is recommended that the board approve up to a $75 million commitment to
Walton Street Real Estate Fund VI pending final due diligence and document
review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to $75 million
to Walton Street Real Estate Fund VI pending final due diligence and document
review by legal counsel.

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- Finance & Budget

**Financial Update**

Ms. Bush reviewed the March financial statements with the board. As of
March 31, 2008, PERF net assets were $15.9B representing a decrease of
$1.3 billion (-7.6%) from June 30, 2007.
III. Old Business

- Legislative Update
  Terren Magid introduced Will Frayer to the Board to discuss bills that were passed during the legislative session.

- IT Strategic Plan Update
  Mr. Magid introduced Dave Huffman to the Board to present the Systems Modernization Project Review. Mr. Huffman discussed that the project update including the project overview, project plan, budget impact, progress against the year one plan, as well as projects to be undertaken in Fiscal 2009.

- Emerging Managers Program
  Mr. Wischmeier introduced Clayton Jue with Leading Edge Investment Advisors, LLC to discuss the Emerging Manager Program. Mr. Jue discussed the program.

IV. Executive Director Report

Mr. Magid presented the March scorecard measures, FY08-Q3 accomplishments and FY08-Q4 Goals. Mr. Magid also reviewed items to be discussed at the May retreat.

V. Date of Next Meeting

Board Retreat, May 16, 2008 at 8:30 a.m.

VI. Adjournment

Adjourned at 3:58 p.m.