



IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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IPERS Investment Board Holds Quarterly Meeting, Approves New Investment Asset Allocation Plan

September 17, 2020 (Des Moines, IA) - At its quarterly meeting today, the Iowa Public Employees' Retirement System's (IPERS) Investment Board approved a plan to strategically invest assets of the pension plan's \$35 billion trust fund. The changes were part of the board's annual asset allocation review. The new plan has expected returns of approximately 7.0% over 30 years which is consistent with IPERS' liability discount rate assumption of 7.0%.

IPERS CEO Greg Samorajski said an annual review of the allocation plan is critical to IPERS' success and viability because investment income represents approximately 70% of the funds used to pay member benefits.

During the review, IPERS' investment consultant Wilshire Associates recommended a diversified mix of suitable asset classes that maximize returns for a given level of risk. The board voted to adopt an allocation plan that provides a higher return potential and also a higher level of risk than the current portfolio.

"This plan achieves higher portfolio efficiency by increasing the utilization of private market strategies in a lower return environment," Samorajski said. "As the fiduciary of the IPERS Trust Fund, I commend the IPERS Investment Board for its careful review of the asset allocation plan. The board is committed to the health of the pension plan for the nearly 400,000 members it serves."

IPERS Asset Allocation Plan

Asset Class	Current Policy	New Policy (approved 9-17-20)
US Equity	22.00%	22.0%
International Equity	17.50%	17.50%
Private Equity	11.00%	13.00%
Global Smart Beta	6.00%	6.00%
Total Growth Assets	56.50%	58.50%
Core (Plus) Fixed Income	28.00%	20.00%
Total Safety Assets	28.00%	20.00%
Public Credit	4.00%	4.00%
Private Credit	3.00%	8.00%
Total Credit Assets	7.00%	12.00%
Private Real Assets	7.50%	8.50%

Total Inflation Hedging Assets	7.50%	8.50%
Cash	1.00%	1.00%
Total Liquidity Assets	1.00%	1.00%
Total Assets	100%	100%
Expected Return (30-year)	6.70	6.97
Expected Return (10-year)	5.39	5.76
Standard Deviation of Return	11.48	12.03
Sharpe Ratio (10-year)	0.40	0.42

Additional Meeting Highlights:

A representative of CEM Benchmarking Inc. provided its annual report of IPERS' investment cost effectiveness analysis. Key points included:

- IPERS' 5-year net total return was 7.8%. This was above the U.S. Public median of 7.5% and was above the peer median of 7.0%.
- IPERS 5-year net value added was 0.8%. This was above the U.S. Public median by 0.4% and above the peer median by 0.8%.
- IPERS' investment cost of 37.7 bps was below IPERS' benchmark cost of 48.0 bps, suggesting that IPERS' trust fund was low cost compared to peers.

Wilshire Consulting reported on IPERS' FY2020 performance. According to Wilshire's evaluation of IPERS' peer pension plans with assets of least \$1 billion:

- IPERS' total fund returned 3.4%, which is slightly higher than the median of 1.45% of the peer group.
- IPERS' 10-year annualized returns were 8.6% for the total fund, slightly ahead of the median of 7.75% of the peer group.
- IPERS' 10-year risk-adjusted returns remain top-quartile, outpacing 84% of peers over the preceding three years.

The board also acknowledged IPERS' receipt of \$7,599,603.99 as a final distribution in the Westridge (WG Trading) fraud case. IPERS was an investor in the WG Trading fund. In 2009, investigators discovered that the firm's founders had defrauded investors over several years. The total distribution is equal to all of IPERS' net principal investment in the fund. More information about the case is available [here](#).

Complete materials from today' IPERS Investment Board meeting are available [here](#).

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The Iowa Legislature created IPERS in 1953 to provide a dependable and economical retirement plan for Iowa's public employees. Today, IPERS is a \$34 billion trust fund that pays more than \$2.2 billion in annual benefits to more than 112,000 retirees. IPERS is the state's largest public retirement system, serving more than 180,000 current public employees.