



INVESTMENT BOARD MEETING MINUTES
IPERS Board Room
7401 Register Drive, Des Moines, Iowa
December 6, 2019

The following people attended the IPERS Investment Board Meeting held in the IPERS Board Room on Friday, December 6, 2019.

Members of the Board – Present

Lisa Stange, Chair	Phyllis Peterson
Marlene Sprouse, Vice Chair	Representative Mary Ann Hanusa
David Creighton	Representative Mary Mascher
Justin Kirchhoff	Senator Pam Jochum
Treasurer Michael Fitzgerald	Senator Mark Lofgren

Members of the Board – Absent

None

Administration and Staff

Donna Mueller, Chief Executive Officer	David Martin, Chief Benefits Officer
Karl Koch, Chief Investment Officer	Gregg Schochenmaier, General Counsel
Sriram Lakshminarayanan, Chief Risk Officer	Rick Hindman, Chief Information Officer
Pat Reinhardt, Senior Investment Officer	Shawna Lode, Director of Communications
Keith Scholten, Senior Investment Officer	Darla Iverson, Chief Financial Officer
Melinda McElroy, Executive Assistant	Donnel Anderson, Accounting and Finance

Consultant – Wilshire Associates

Rose Dean
Shawn Quinn

Actuary – Cavanaugh Macdonald

Patrice Beckham
Brent Banister

Benefits Advisory Committee and Alternates

Brad Hudson, Vice Chair	Andrew Hennesy
Lowell Dauenbaugh	Melissa Peterson

Guests

Jina Bresson, State Treasurer's Office	Logan Murray, House Rep. Caucus Staff
Joel Anderson, Governor's Office	Brian Guillaume, House Dem. Caucus Staff
Steve Timmins, Department of Management	Bridget Godes, Senate Dem. Caucus Staff
Ed Cook, Legislative Service Agency	Dylan Keller, Senate Rep. Caucus Staff
Jennifer Acton, Legislative Service Agency	Scott Sams, Principal Global Investors

Call to Order

Chair Lisa Stange called the meeting to order at 8:30 a.m.

Approval of Minutes from the Previous Meetings - Tab 2

Marlene Sprouse made the motion to approve the meeting minutes from the September 18, 2019, and the September 19, 2019, Board meetings. Treasurer Fitzgerald seconded. The motion carried by unanimous voice vote with Phyllis Peterson absent.

CEO's Report

Donna Mueller distributed the CEO job posting and reviewed the work plan the CEO search committee will use in conducting the search. She next reported that the legislative Public Retirement Systems Committee will meet on December 11, 2019, to hear presentations from all the public retirement systems in Iowa. She concluded her report by informing the Board that she continues to work with the Governor's office for an increased budget and with the Department of Administrative Services to expand the number of investment staff positions and to reclassify and upgrade base compensation for all investment staff positions.

Actuarial Audit Services Hiring Recommendation - Tab 3

IPERS received 6 proposals in response to the Actuarial Audit Services RFP. The Evaluation Committee recommended that Gabriel, Roeder, Smith & Company be retained to conduct an actuarial audit and evaluation of actuarial services provided by IPERS' consulting actuarial firm. Justin Kirchhoff made the motion to approve the hiring recommendation. Marlene Sprouse seconded. The motion carried by unanimous voice vote with Phyllis Peterson absent.

2019 Actuarial Valuation Report - Tab 4

Patrice Beckham and Brent Banister of Cavanaugh Macdonald presented the results of the 2019 actuarial valuation report. The System's funded status increased from 82.4 to 83.7%. The unfunded actuarial liability decreased to \$6.477 billion. The 2019 valuation sets the required contribution rates for FY2021. Contribution rates will remain unchanged for the Regular membership and will drop 0.50% for both Special Service groups.

IPERS Investment Staff Reports - Tab 5

Beta Report – Tab 5A

Karl Koch reviewed the Fund's asset allocation and reported all asset classes were within their established policy ranges. The estimated market value of the IPERS Trust Fund is \$34.86 billion.

Alpha Report - Tab 5B

The investment team reviewed the alpha report noting MacKay Shields, core-plus fixed-income manager, was flagged for the earlier than expected retirement of a senior portfolio manager.

Risk Report - Tab 5C

Sriram Lakshminarayanan reviewed IPERS' standard risk reports.

CY2020 Private Markets Commitments - Tab 5D

Pat Reinhardt reviewed the private market capital commitments for calendar year 2020. Pathway Capital Management will be authorized to commit up to \$700 million to Pathway Private Equity Fund XXV. IPERS will also commit \$272 million to the private credit program to reduce leverage in its direct lending program. No new commitments were recommended for the private real assets program.

FY2019 Investment Management Expenses - Tab 5E

Karl Koch reported IPERS' investment management expenses for fiscal year 2019 were \$64.68 million, a 5.8% decrease from FY2018.

CIO Updates

Karl Koch updated the Investment Board on the status of the RFPs issued for absolute return investment products and U.S. SMID-Cap value equity products. He concluded his report by discussing staff's plans for implementing the asset allocation changes the Board approved at its September 19, 2019, meeting.

Private Infrastructure - Tab 6

Shawn Quinn of Wilshire Associates presented information concerning private infrastructure, and he reviewed the various strategy options and policy considerations involved in an allocation to private infrastructure within IPERS' private real assets portfolio. Lisa Stange made the motion, directing staff to issue an RFP to evaluate open-end infrastructure funds. David Creighton seconded. The motion carried by unanimous roll call vote.

Ayes: Lisa Stange, Marlene Sprouse, David Creighton, Justin Kirchhoff and Phyllis Peterson

Nays: None

Absent: Treasurer Fitzgerald

MOTION PASSED

CEO and CIO Performance Reviews

Marlene Sprouse made the motion that the IPERS Investment Board go into a closed session of this public meeting to discuss the performance evaluations of the chief investment officer and the chief executive officer as authorized by Iowa Code section 21.5(1)(i). David Creighton seconded. The motion carried by unanimous voice vote with Treasurer Fitzgerald absent.

Marlene Sprouse made the motion that the IPERS Investment Board end its closed session and resume the open session of this meeting. No action was taken by the Board during its closed session. David Creighton seconded. The motion carried by unanimous voice vote with Treasurer Fitzgerald absent.

IPERS Staff Reports

Benefits Division Update

David Martin reviewed the member demand measures report for October 2019.

Information Management Division Update

Rick Hindman updated the Board on IPERS' progress to resolve issues identified from the disaster recovery exercise held in early September. He also shared with the Board that no issues were reported by the firm IPERS contracted with to perform a pension system penetration test.

Resolution Supporting Internal Management

Prior to adjourning the meeting, the Investment Board passed a resolution supporting internal investment management. David Creighton made the motion and the motion was seconded by Phyllis Peterson. The motion carried by unanimous roll call vote.

Ayes: Lisa Stange, Marlene Sprouse, David Creighton, Justin Kirchhoff and Phyllis Peterson

Nays: None

Absent: Treasurer Fitzgerald

MOTION PASSED

Confirm Next Meeting Date and Adjournment

The IPERS Investment Board's next meeting date is Friday, March 27, 2020, at the IPERS office. With no further business to come before the Board, the meeting adjourned at 1:05 p.m.