



**INVESTMENT BOARD MEETING MINUTES**

Video / Telephonic Meeting

September 17, 2020

The following people participated in the IPERS Investment Board meeting held on Thursday, September 17, 2020.

**Members of the Board – Present**

Lisa Stange, Chair

David Creighton, Vice Chair

Mike Duncan

Treasurer Michael Fitzgerald

Justin Kirchhoff

Phyllis Peterson

Kris Rowley

Representative Mary Mascher

Senator Mark Lofgren

Senator Pam Jochum

**Members of the Board – Absent**

Representative Mary Ann Hanusa

**Administration and Staff**

Greg Samorajski, CEO

Karl Koch, CIO

Sriram Lakshminarayanan, CRO

Pat Reinhardt, Senior Investment Officer

Keith Scholten, Senior Investment Officer

Melinda McElroy, Executive Assistant

Elizabeth Hennessey, General Counsel

David Martin, Chief Benefits Officer

Shawna Lode, Communications Director

Darla Iverson, Chief Financial Officer

Rick Hindman, Chief Information Officer

**Consultant – Wilshire Associates**

Rose Dean

Ali Kazemi

Ned McGuire

**Presenter - CEM Benchmarking**

Michael Reid

## **Proceedings**

Chair Lisa Stange called the meeting to order at 8:30 a.m. The Board welcomed its newest member, Mike Duncan, who serves as the active educational member on the Board.

## **Election of Chair and Vice Chair**

David Creighton nominated Lisa Stange for chair and himself as vice chair. Treasurer Fitzgerald seconded the nominations. The motion carried by unanimous roll call vote.

**Ayes:** Lisa Stange, David Creighton, Mike Duncan, Treasurer Fitzgerald, Justin Kirchhoff, Phyllis Peterson and Kris Rowley

**Nays:** None

**Absent:** None

**MOTION PASSED**

## **Approval of Minutes**

Phyllis Peterson made the motion to approve the meeting minutes from the June 18, 2020, Investment Board meeting. Treasurer Fitzgerald seconded. The motion carried by unanimous roll call vote.

**Ayes:** Lisa Stange, David Creighton, Mike Duncan, Treasurer Fitzgerald, Justin Kirchhoff, Phyllis Peterson and Kris Rowley

**Nays:** None

**Absent:** None

**MOTION PASSED**

## **IPERS CEO Report**

Greg Samorajski reviewed the status of IPERS' internal investment initiative that seeks to manage a portion of the IPERS portfolio internally. Staff will develop an internal management pilot program for the Board's consideration possibly in December or at their March 2021 meeting. The Board expressed verbal support for IPERS to submit legislation that would allow the Investment Board to determine the number of investment staff and investment staff compensation.

## **IPERS FY2022-23 Budget**

Darla Iverson reviewed IPERS' proposed FY2022 and FY2023 budgets noting that all IPERS expenditures are paid from the Trust Fund and no state general funds are appropriated to or spent at IPERS. The budget requests represent a status quo budget. Staff asked the Board to support IPERS in requesting an additional \$1.135 million in each of the two upcoming fiscal years to fund the hiring of additional investment staff to manage some of IPERS' assets internally.

Lisa Stange made the motion that the Investment Board supports IPERS' budget request for an additional \$1.135 million in each of the two upcoming fiscal years if the Board authorizes an internal investment strategy. These funds will support the hiring of additional investment staff. David Creighton seconded. The motion carried by unanimous roll call vote.

**Ayes:** Lisa Stange, David Creighton, Mike Duncan, Treasurer Fitzgerald, Justin Kirchhoff, Phyllis Peterson and Kris Rowley

**Nays:** None

**Absent:** None

**MOTION PASSED**

### **Annual Asset Allocation Review**

Rose Dean of Wilshire Associates presented the annual asset allocation review. The Board decided to lower its target weight to core-plus fixed income from 28% to 20% and reallocate it by increasing the target weight to private equity from 11% to 13%, increasing the target weight to private credit from 3% to 8% and increasing the target to private real assets from 7.5% to 8.5%. The Policy Benchmark target weights for each asset class impacted by the change will adjust as funding occurs. Lisa Stange made the motion to approve the newly revised asset allocation policy. David Creighton seconded. The motion carried by unanimous roll call vote.

**Ayes:** Lisa Stange, David Creighton, Mike Duncan, Treasurer Fitzgerald, Justin Kirchhoff, Phyllis Peterson and Kris Rowley

**Nays:** None

**Absent:** None

**MOTION PASSED**

### **Review of Investment Policy and Goal Statement**

In addition to approving target weight revisions to Appendix B (asset allocation policy), the Board also approved revisions to Appendix C and Appendix D. The proposed revision to Appendix C (private markets policy) increased the asset-level leverage for investments in infrastructure fund from 70% to 80%. The proposed revision to Appendix D (securities monitoring and litigation policy) clarified that IPERS may participate in securities litigation outside the United States if certain conditions are met and the Board approves such action. The revisions to Appendix B are effective October 1, 2020 and revisions to Appendix C and D are effective September 17, 2020. Justin Kirchhoff made the motion to approve the proposed changes in Appendix C and D of the Investment Policy and Goal Statement. Mike Duncan seconded the motion.

**Ayes:** Lisa Stange, Mike Duncan, Treasurer Fitzgerald, Justin Kirchhoff, Phyllis Peterson and Kris Rowley

**Nays:** None

**Absent:** David Creighton

**MOTION PASSED**

### **IPERS Investment Staff Reports**

#### ***Beta Report***

Karl Koch reported that all asset classes were within acceptable policy ranges as of September 4, 2020, and the Total Fund market value estimate was \$35.4 billion on that date.

### *Alpha Report*

The Investment staff reviewed the alpha report. Investment managers Janus and IPM Informed Portfolio Management AB were flagged for underperformance. It was also noted that the liquid absolute return strategy account with Berenberg Asset Management closed in July due to the firm's decision to discontinue the product.

### *Risk Report*

Sriram Lakshminarayanan presented IPERS' risk monitoring reports.

### *CIO Updates*

Karl Koch reported on the status of the administrative rules waivers IPERS submitted to the Department of Administrative Services (DAS). DAS approved the waiver concerning the one-year extension of Wilshire's contract but denied the other two waivers. These waivers sought a permanent exception from the requirement to rebid investment management contracts every six years and a waiver from the competitive selection process as it relates to private market investments. Staff will continue to work with DAS for an explanation and potential solutions. He also reported IPERS received its final distribution in the Westridge fraud case.

### **CEM Investment Benchmarking Review for CY2019**

Michael Reid of CEM Benchmarking reviewed IPERS' investment benchmarking results for the 5-year period ending December 31, 2019. IPERS once again ranked as a low-cost fund based on CEM's analysis for the calendar year and reported its 5-year net value added was 0.8% which was above the peer median of 0.4% over that time period.

### **Investment Performance Review for FY2020**

Ali Kazemi of Wilshire Associates presented IPERS' investment performance for the fiscal year ended June 30, 2020. The portfolio returned 3.39% (net of fees) for FY2020, slightly underperforming its policy benchmark return of 3.96%.

### **Benefit Division Update - Tab 10**

David Martin reviewed the member demand measures report for the fiscal year end June 30, 2020, and for the month of October 2020.

### **Public Comments**

None

### **Confirm Next Meeting Date and Adjournment**

The next meeting date of the IPERS Investment Board is Friday, December 3, 2020. With no further business to come before the Board, the meeting adjourned at 12:15 p.m.