



INVESTMENT BOARD MEETING MINUTES
Video / Telephonic Meeting
December 3, 2020

The following people attended the IPERS Investment Board Meeting held on Friday, December 3, 2020.

Members of the Board – Present

Lisa Stange, Chair
David Creighton, Vice Chair
Mike Duncan
Justin Kirchhoff
Treasurer Michael Fitzgerald

Phyllis Peterson
Kris Rowley
Representative Mary Mascher
Senator Pam Jochum
Senator Mark Lofgren

Members of the Board – Absent

Representative Mary Ann Hanusa

Administration and Staff

Greg Samorajski, Chief Executive Officer
Karl Koch, Chief Investment Officer
Sriram Lakshminarayanan, Risk & Asset Allocation Officer
Sheldon Lien, Senior Investment Officer
Pat Reinhardt, Senior Investment Officer
Keith Scholten, Senior Investment Officer

Luca Rassenti, Quantitative Investment Officer
Kevin Terdal, Compliance Investment Officer
Melinda McElroy, Executive Assistant
David Martin, Chief Benefits Officer
Elizabeth Hennessey, General Counsel
Shawna Lode, Director of Communications
Kathy Bowers, Internal Auditor

Consultant – *Wilshire Associates*

Rose Dean
Ali Kazemi

Actuary – *Cavanaugh Macdonald*

Patrice Beckham
Brent Banister
Bryan Hoge

Benefits Advisory Committee

Lowell Dauenbaugh
Dan Homan
Sue Cave

Call to Order

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

Approval of Minutes from the Previous Meetings

David Creighton made the motion to approve the meeting minutes from the September 16, 2020, and the September 17, 2020, Board meetings. Treasurer Fitzgerald seconded. The motion carried by unanimous voice vote.

CEO's Report

Greg Samorajski reported the IPERS building remains closed to the public due to the COVID-19 pandemic and that the majority of staff are working remotely. He next reported on draft legislation submitted to the Governor's office. The proposal submitted seeks support to manage a portion of the IPERS portfolio internally; develops governance legislation that would allow the CEO and the Investment Board to determine the number of investment staff and investment staff compensation; and requests an additional budget increase of \$1.135 million in each of the two upcoming fiscal years to fund the hiring of additional investment staff. If approved for filing, the proposal will then be submitted to the legislative services agency for drafting legislation.

2020 Actuarial Valuation Report

Patrice Beckham, Brent Banister and Bryan Hoge of Cavanaugh Macdonald presented the results of the 2020 actuarial valuation report. IPERS' funded status increased slightly from 83.7 to 84%. The unfunded actuarial liability increased \$110 million to \$6.587 billion. The 2020 valuation sets the required contribution rates for FY2022. Contribution rates will remain unchanged for the Regular membership and will decrease 0.50% of pay for both Special Service groups. In concluding their report, Cavanaugh Macdonald recommended reviewing IPERS' amortization policy to address the ability to manage "tail volatility."

IPERS Investment Staff Reports

Beta Report

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 \$37.38 billion.

Alpha Report

The investment team reviewed the alpha report noting two firms flagged for performance issues: Janus, domestic equity manager, and IPM Informed Portfolio Management, liquid absolute return strategy manager.

Risk Report

Sriram Lakshminarayanan reviewed IPERS' standard risk reports.

CY2021 Private Markets Commitments

Pat Reinhardt reviewed the private market capital commitments for calendar year 2021. IPERS will commit \$960 million to Pathway Private Equity Fund XXV for private equity investments, \$900 million for private credit investments, with \$850 million designated for opportunistic private credit strategies, and \$300 million to Brookfield’s Super-Core Infrastructure Partners fund within IPERS’ private real assets program.

FY2020 Investment Management Expenses

Karl Koch reported IPERS’ investment management expenses for fiscal year 2020 were \$50.25 million, a 22.3% decrease from FY2019.

CIO Updates

Karl Koch introduced two new investment staff members. Sheldon Lien is the senior investment officer for IPERS’ public equity portfolios and Luca Rassenti is IPERS’ first quantitative investment officer. He next reported that IPERS received 112 proposals in response to the Opportunistic Private Credit Strategies RFP issued in October 2020 with 90 firms meeting the minimum qualifications. Staff plans to engage Wilshire’s assistance in reviewing the proposals.

Absolute Return Investment Products Hiring Recommendations

Sriram Lakshminarayanan stated that this RFP was issued in October 2019 with the purpose of identifying absolute return investment products that could potentially be used in a portable alpha strategy. The evaluation committee recommended the Investment Board approve the hiring of five investment firms/strategies for use in the Liquid Absolute Return Strategies (LARS) portfolio, subject to final due diligence and successful contract negotiations.

Firm Name	Strategy Name
Aspect Capital Ltd.	Aspect Diversified Program
Man Group	AHL Alpha Program
PIMCO	CommoditiesPlus
P/E Global	Diversified Global Macro
Welton Investment Partners	Welton Global

Justin Kirchhoff made the motion to approve the hiring recommendations. Kris Rowley 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

MOTION PASSED

Alternative Risk Premia – Internal Management

Sriram Lakshminarayanan reviewed with the Board the benefits of managing an alternative risk premia (ARP) investment program internally at IPERS. He reported on the types of ARP, investment processes and steps, how staff plans to manage risks, and the costs to implement the program. David Creighton made the motion to amend the Investment Policy and Goal

Statement to give the investment staff authority to invest in swaps for an Alternative Risk Premia internal investment program and to create or utilize limited liability corporations (LLCs) for the purpose of implementing the ARP Program. Justin Kirchhoff seconded. The motion carried by roll call vote.

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

Nays: Treasurer Fitzgerald

MOTION PASSED

CIO Performance Reviews

David Creighton made the motion that the IPERS Investment Board go into a closed session of this public meeting to discuss the performance evaluation of the chief investment officer as authorized by Iowa Code section 21.5(1)(i). Mike Duncan seconded. The motion carried by unanimous roll call vote.

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

Nays: None

Absent: Phyllis Peterson

David Creighton made the motion that the IPERS Investment Board end its closed session and resume the open session of this meeting. The Board took no action during its closed session. Kris Rowley seconded. The motion carried by unanimous voice vote with Phyllis Peterson absent.

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

Nays: None

Absent: Phyllis Peterson

IPERS Staff Reports

Benefits Division Update

David Martin reviewed the member demand measures report for September 2020 and reported that the Benefits Advisory Committee is engaging IPERS' actuarial firm, Cavanaugh Macdonald, to study the cost impact to the System for reducing the bona fide retirement period for licensed teachers from the current four-month requirement to one month. The study will look at the cost impact for a period of 5 years from the date of enactment.

Internal Auditors Report

Kathy Bowers updated the Board on the internal audit activities happening at IPERS.

Confirm Next Meeting Date and Adjournment

The IPERS Investment Board's next meeting date is Friday, March 26, 2021. With no further business to come before the Board, the meeting adjourned at 12:30 p.m.