



INVESTMENT BOARD MEETING MINUTES

IPERS Headquarters

7401 Register Drive, Des Moines, Iowa

September 22, 2022

The following people participated in the IPERS Investment Board meeting held on Thursday, September 22, 2022.

Members of the Board – Present

Justin Kirchhoff, Chair

Bill Bemis

Treasurer Michael Fitzgerald

Tami Loge

Lisa Stange

Kris Rowley

Representative Mary Mascher

Members of the Board – Absent

Representative Brian Lohse

Senator Tim Goodwin

Senator Pam Jochum

Administration and Staff

Greg Samorajski, CEO

Sriram Lakshminarayanan, CIO

Rich Wiggins, Risk and Operations Officer

Sheldon Lien, Senior Investment Officer

Pat Reinhardt, Senior Investment Officer

Keith Scholten, Senior Investment Officer

Marcus Dong, Retirement Investment Officer

John Fujiwara, Retirement Investment Officer

Kevin Terdal, Retirement Investment Officer

Melinda McElroy, Executive Assistant

Elizabeth Hennessey, General Counsel

Shawna Lode, Communications Director

Tara Hagan, Chief Financial Officer

David Martin, Chief Benefits Officer

Rick Hindman, Chief Operations Officer

Consultant – Wilshire

Rose Dean

Ali Kazemi

Blake Curtis

Shawn Quinn

Presenter - CEM Benchmarking

Michael Reid

Proceedings

Chair Justin Kirchhoff called the meeting to order at 8:30 a.m.

Election of Chair and Vice Chair

Lisa Stange nominated Justin Kirchhoff for chair and Bill Bemis volunteered to serve as vice chair. Tami Loge seconded the nominations. The motion carried by unanimous roll call vote.

Ayes: Justin Kirchhoff, Bill Bemis, Treasurer Fitzgerald, Tami Loge, Lisa Stange and Kris Rowley

Nays: None

MOTION PASSED

Approval of Minutes

Kris Rowley moved to approve the meeting minutes from the June 16, 2022, Investment Board meeting. Lisa Stange seconded. The motion carried by unanimous voice vote.

CEO Report

Greg Samorajski introduced a guest to the Board meeting, Senator Dennis Guth. Senator Guth co-chairs the legislative Administration and Regulation Appropriations Subcommittee. Greg next introduced Tara Hagan, recently hired as IPERS' Chief Financial Officer.

IPERS FY2024 Budget

Greg Samorajski and Tara Hagan reviewed IPERS' proposed FY2024 budget noting that all IPERS expenditures are paid from the Trust Fund and no state general funds are appropriated to IPERS. IPERS' initial FY2024 appropriation request must be entered as a status quo budget. IPERS expects there will be a formal process to request budget enhancements. If approved by the Governor, IPERS will seek an increased budget appropriation of \$4.545 million. IPERS also sought a budget increase in FY2023.

Lisa Stange moved that the Investment Board endorses IPERS' FY2024 budget enhancement request of \$4.545 million. Tami Loge seconded. The motion carried by unanimous roll call vote.

Ayes: Justin Kirchhoff, Bill Bemis, Treasurer Fitzgerald, Tami Loge, Lisa Stange and Kris Rowley

Nays: None

MOTION PASSED

Investment Performance Review for FY2022

Rose Dean and Ali Kazemi of Wilshire presented IPERS' investment performance for the fiscal year ended June 30, 2022. The portfolio returned -3.90% (net of fees) for FY2022, slightly outperforming its policy benchmark return of -4.05% over the same period.

Annual Asset Allocation Review

Rose Dean and Ali Kazemi of Wilshire presented the annual asset allocation review, comparing IPERS' current policy targets to actual allocation. Two alternative portfolios were considered, both scenarios increased the target allocation to private equity to be more in line with actual allocation.

Lisa Stange moved to increase the long-term allocation to private equity from 13% to 17% and to increase the allocation to private real assets from 8.5% to 9.5%. Kris Rowley seconded. The motion carried by unanimous roll call vote.

Ayes: Justin Kirchhoff, Bill Bemis, Treasurer Fitzgerald, Tami Loge, Lisa Stange and Kris Rowley

Nays: None

MOTION PASSED

Annual Review of Investment Policy and Goal Statement

Sriram Lakshminarayanan noted the policy benchmark for domestic equity was changed to the Russell 3000 Index, effective April 1, 2022. To be consistent with the public markets policy, the Investment staff recommended changing the private equity return objective to the Russell 3000 Index + 300 basis points, effective October 1, 2022.

Lisa Stange moved to approve the recommendation. Bill Bemis seconded. The motion carried by unanimous roll call vote.

Ayes: Justin Kirchhoff, Bill Bemis, Treasurer Fitzgerald, Tami Loge, Lisa Stange and Kris Rowley

Nays: None

MOTION PASSED

CEM Investment Benchmarking Review for CY2021

Michael Reid of CEM Benchmarking reviewed IPERS' investment benchmarking results for the 5-year period ending December 31, 2021. 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 1.4%, exceeding the peer median of 0.5%.

IPERS Investment Staff Reports

Beta Report

Sriram Lakshminarayanan reported all asset classes were within acceptable policy ranges as of September 9, 2022, and the Total Fund market value estimate was \$40.6 billion on that date.

Alpha Report

The Investment staff reviewed the alpha report. International equity manager Columbia was flagged for minor underperformance issues and LARS manager Fort was flagged for material underperformance concerns.

Private Markets Program

Pat Reinhardt reviewed the four private markets investment management firms currently being monitored: Clarion Partners, Forest Investment Associates and UBS Farmland for performance issues and RREEF for personnel turnover. Pat concluded by reporting on the recent private credit searches. Sixteen mandates were approved for investment; staff has finished operational due diligence reviews and contract negotiations with 10 firms. Three additional firms should be onboarded in the fourth quarter and the hiring of three firms was postponed due to operational concerns or contracting issues.

Risk Report

Sriram Lakshminarayan introduced Rich Wiggins, IPERS' Investment Risk and Operations Officer. Rich then presented IPERS' risk monitoring reports.

CIO Updates

Sriram Lakshminarayanan reported on recent staff travel for operational due diligence review meetings with several of IPERS' portable alpha managers prior to going live with the investments.

Public Comments

Former Senator Patrick Deluhery questioned the increased allocation to private equity noting IPERS' historically higher allocation to fixed income and bonds.

Representative Mary Mascher expressed her concerns on Iowa's teacher shortage and the possible impact to IPERS.

Confirm Next Meeting Date and Adjournment

The next regularly scheduled IPERS Investment Board meeting is Thursday, December 1, 2022. With no further business to come before the Board, the meeting adjourned at 12:15 p.m.