

IPERS INVESTMENT BOARD
IN-SERVICE MEETING
September 21, 2005
Wakonda Club

The following people were in attendance at the IPERS Investment In-Service Meeting that was held at the Wakonda Club on Tuesday, September 21, 2005.

Members of the Board

Bruce Kelley, Chair
Joanne Stockdale, Vice Chair
Lana Dettbarn
David Creighton

Lorie Bennett
Phyllis Peterson
Representative Jeff Elgin
Representative Pam Jochum

Administration & Staff

Donna Mueller, CEO
Kathy Comito, CIO
Karl Koch, Investment Officer 4
Jeff Beisner, Investment Officer 3
Keith Scholten, Investment Officer 3
Pat Reinhardt, Investment Officer 3
Muriel Godbersen, Investment Officer 1
Roger Wheatley, Internal Auditor

Julie Economaki, Public Information Officer
Kelly Lovell, General Counsel
Bob Sharp, Project Manager
Melinda Prince, Executive Secretary
Robin Hillabolt, Secretary
Leon Schwartz, Chief Operations Officer
David Martin, Chief Benefits Officer

Consultant

Wilshire Associates
Eileen Neill
Michael Schlachter
Jim Rice

Speakers

National Association of State
Retirement Administrators
Keith Brainard
Western Asset Management
Donald Plotsky

Barclays Global Investors
Kevin Kneafsey
Trey Heiskell
Wilshire Associates
Eileen Neill

Other Guests

Kim Dentlinger, Treasurer's Office
Ralph Gross, Merrill Lynch
Len Cockman, IPERS Benefits
Advisory Committee
Janie Garr, IPERS Benefits
Advisory Committee

Jim Maloney, IPERS Benefits
Advisory Committee
Jeff Beardlsey, EMC Insurance Companies
Ed Cook, Caucus Staff
Steve Timmins, Iowa Department
of Management

IPERS INVESTMENT IN-SERVICE
MEETING MINUTES
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Iowa Ethics Policy Review – Tab 2

Kelly Lovell outlined IPERS need for ethics rules that exceed the provisions of Iowa Code chapter 68B and related administrative rules. A primary purpose of the rules is to have a process in place by which someone who might have a potential conflict can come to the general counsel at IPERS to discuss it in confidence. He reviewed the new policy's restrictions for contractual relationships, restricted donors, board members owning stock and other potential conflicts.

IPERS Fiscal Year 2007 Budget Request – Tab 3

Donna Mueller reviewed IPERS FY '05 budget report and the IPERS FY '07 budget request, noting that we came in well under budget in FY '05. Services were broken down in areas that match our benchmarking services by Cost Effectiveness Measurement (CEM). This is the fourth year in a row that for these general administrative services IPERS is at a status quo budget. IPERS is not seeking any increases over last year.

Bob Sharp gave an update on year one of the benefit system modernization project. He reviewed the Wechsler Limited Group's plan to provide project management oversight. The IT strategic plan includes a project budget analysis estimating the cost for the remainder of the modernization project.

Leon Schwartz explained the costs involved and more about the system we looking at, which is a template that we could modify to fit our specific laws. Leon and Donna both spoke to the fact that the FTE would not be decreased due to the automation, in fact it would probably increase slightly due to the baby boomers reaching retirement and thus our number of benefit recipients rising dramatically. We are currently the lowest ratio of staff to participants of any of the members in our CEM peer group. We also have the lowest administrative expense of our peer group.

U.S. Public Pension Plan Trends – Tab 4

Keith Brainard is the research director for the National Association of state Retirement Administrators (NASRA), an author of several white papers on pension plans, and for the last several years has published the NASRA public fund survey. His presentation was an overview of public pension systems in the U.S. He explained that more than 10 percent of the nation's workforce is employed by a state or local government and about 90 percent of all public employees have a defined benefit plan as their primary retirement benefit. Keith compared IPERS 88.6% funded ratio to other public pension plans and noted that we are slightly above the 86.7% median. IPERS' contribution rates, however, are well below the public pension plan median.

Understanding Derivatives – Tab 5

Donald Plotsky is the Head of Product Group for Western Asset Management. His presentation focused on derivatives, how they are used, the types of derivatives, some of the risks involved and how Western Asset uses derivatives in IPERS portfolio.

Solving the Investor's Problem – Tab 6

Kevin Kneafsey is a senior investment strategist at Barclays Global Investors and the author of several articles. Trey Heiskel is a principal and our Client Services Officer with Barclays. Their presentation covered the steps in determining the goal of the pension plan and how to best achieve that goal utilizing alpha and beta investing.

Portable Alpha– Tab 7

Eileen Neill, Wilshire Associates gave a presentation on Portable Alpha and how IPERS might utilize this strategy to enhance its investment portfolio. Her focus was on implementation of a portable alpha strategy.

Adjournment

The meeting was adjourned at 5:30 pm

Dinner Speaker – Dr. Mark Zandi, Economy.com – Tab 8

An outline of this presentation may be found in Tab 8 of the September 21, 2005 In-Service Notebook.