

## IPERS INVESTMENT BOARD MEETING

September 20, 2007

IPERS Board Room

The following people were in attendance at the IPERS Investment Board Meeting that was held in the IPERS Board Room on Thursday, September 20, 2007.

### Members of the Board

Joanne Stockdale  
Treasurer Michael Fitzgerald  
Lana Dettbarn  
David Creighton  
Phyllis Peterson

Michael Beary  
Senator Mike Connolly  
Senator Mark Zieman  
Representative Pat Jochum  
Representative Carmine Boal

### Administration & Staff

Donna Mueller, CEO  
Karl Koch, CFA, CIO  
Jeff Beisner, CPA, Investment Officer 3  
Pat Reinhardt, CFA, Investment Officer 3  
Keith Scholten, CFA, Investment Officer 3  
Muriel Godbersen, Investment Officer 1  
Julie Economaki, Public Information Officer  
Gregg Schochenmaier, General Counsel

Kelly Lovell, General Counsel  
Bob Sharp, I-Que Project Manager  
Leon Schwartz, Chief Operations Officer  
David Martin, Chief Benefits Officer  
Melinda Prince, Executive Secretary  
Robin Hillabolt, Secretary

### Consultant

Wilshire Associates  
Eileen Neill  
Jim Rice

### Manager/Custodian

Bank of New York  
David Blakeley

### Guests

Jina Lilly, State Treasurer's Office  
Kelly Ryan, House Republican Caucus Staff  
Steve Timmins, Dept. of Management  
Ed Cook, Legislative Services Agency

Scott Sams, Principal Global Investors  
Jenifer Parsons, House Democratic Caucus Staff  
Jennifer Acton, Legislative Service Agency  
Lynette Martin, J.P. Morgan

NOTE: References to specific “Tabs” relate to the September 20th Board notebook, where the full reports may be found.

**IPERS INVESTMENT BOARD  
MEETING MINUTES  
September 20, 2007**

**Proceedings**

Meeting called to order at 8:30 a.m. by Acting Chair Joanne Stockdale.

**Election of Chair and Vice Chair**

Phyllis Peterson nominated Joanne Stockdale for Chair. Joanne Stockdale nominated David Creighton for Vice Chair. Jay Ingram seconded the nominations. The nominations carried by unanimous roll call vote.

**Approval of Minutes of Previous Meeting – Tab 2**

The meeting minutes, from the June 27, 2007, Investment Board meeting, were approved by unanimous roll call vote.

**IPERS CEO’s Report – Donna Mueller – Tab 3**

Donna Mueller presented the draft strategic plan outlining key points on the governance, funding and plan proposals. Donna also outlined staff’s proposed legislative changes to Iowa Code chapter 97B for the upcoming 2008 legislative session.

**Staff Reports – Tab 4**

***Total Fund Market Value& Composition – Karl Koch – Tab 4A***

Karl Koch reported that all asset class allocations were within their permitted policy ranges and as of September 7, 2007, the estimated value of the Fund was \$22.8 billion.

***Consultant & Manager Watch List – Karl Koch – Tab 4B***

Karl indicated that there had been no changes to the watch list since the previous meeting.

***Sudan Divestment Update – Muriel Godbersen – Tab 4C***

Muriel Godbersen reported on the progress IPERS has made in implementing the Sudan divestment legislation. Forty-five firms were sent letters on July 2, and IPERS will determine its list of restricted companies when the 90-day response period ends on October 1. IPERS will then notify its investment managers of the names of the companies on the restricted list and instruct them to not purchase the securities of any of these firms and to divest of any direct holdings in those companies within fifteen months. Muriel also noted that updating the lists will be a continuing process.

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### **FY2007 Investment Performance Review – Eileen Neill – Tab 5**

Eileen Neill reported the IPERS fund modestly underperformed the benchmark over the fiscal year ended June 30, 2007, due to underperformance in the U.S. and international equities, real estate, high yield, and fixed income portfolios. All asset classes were within their active risk budgets. Eileen noted that IPERS’ risk-adjusted returns compared favorably to funds reporting to the TUCS universe of public funds with assets greater than \$1 billion over the last three, five and ten year periods.

### **Review and Adoption of Investment Policy and Goal Statement – Karl Koch – Tab 6**

Karl Koch reviewed with the Board those areas in the Investment Policy and Goal Statement that staff had highlighted for discussion. There was much discussion among Board members and staff concerning the existing language that requires the System to “oppose” social investment policies or strategies. Donna and Karl asked for clarification as to who the Board expected to represent the System in these cases, and what actions would constitute opposition to a proposed social investment mandate. Several Board members expressed their expectation that staff, on behalf of the System and the Board, acting as fiduciaries to IPERS members, register IPERS as “opposed” to social investment legislation. David Creighton made a motion that the Investment Policy and Goal Statement be amended to read: “The System and Investment Board will not support investment policies or strategies which seek to promote specific social issues or agendas through investment or divestment of IPERS’ assets.” Phyllis Peterson seconded. The motion carried by unanimous roll call vote.

Karl also reviewed proposed new policy language concerning Board continuing education. The Board agreed that the new language should be inserted, with Board members being encouraged, rather than required, to meet the continuing education guidelines.

### **Securities Lending Annual Review – Jina Lilly – Tab 7**

Jina Lilly of the State Treasurer’s Office reviewed the securities lending program. Earnings in FY2007 decreased 16.9 percent versus FY2006. Spreads were lower on the cash collateral reinvestment vehicle and U.S. Treasuries versus FY2006. Reinvestment spreads tightened considerably year over year and demand for U.S. Treasuries dissipated during the third quarter of 2006 through March 2007. Utilization levels remained strong despite portfolio shifts and lower spreads.

Donna inquired if the custodian and securities lending contracts between the Treasurer and the Bank of New York would be extended. Treasurer Fitzgerald indicated that his office was currently evaluating whether to extend the existing contract for one year or to proceed with rebidding the securities lending and custodial services contracts, which expire on June 30, 2008. Treasurer Fitzgerald indicated that he would have a decision by the December meeting.

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## **Staff Reports – Tab 8**

### ***Benefits Update – David Martin – Tab 8A***

David Martin directed Board members to Tab 8A for the current statistics.

### ***I-Que Project Update – Bob Sharp – Tab 8B***

Bob Sharp reviewed the I-Que project status and timeline.

### ***Securities Litigation Update – Gregg Schochenmaier – Tab 8C***

Gregg Schochenmaier discussed the securities litigation program, describing the program for newer board members and providing an update on current litigation. The Bridgestone case is in mediation. In the case with Mills Corporation, IPERS, as lead plaintiff, filed a consolidated class complaint at the end of July 2007. This has prompted a period for the multiple defendants to make a return filing. The twelve sets of defendants that met the deadline have all filed Motions to Dismiss.

## **International Equity Restructuring Recommendation – Jim Rice & Jeff Beisner – Tab 9**

Jim Rice of Wilshire Associates presented the investment structure review performed by staff and Wilshire of the International Equity portfolio. Staff and Wilshire recommended the current regional structure be maintained, as no compelling reason to change the structure was identified in the analysis. Staff and Wilshire also recommended that a comprehensive review of the Schrodgers Pacific Basin product be initiated to determine whether the firm should be retained or replaced due to the product’s recent poor performance. Jeff Beisner reviewed the proposed minimum qualifications of an RFP to be used for the comprehensive review, and asked the Board to approve the issuance of the RFP to evaluate International Equity - Pacific Basin managers. David Creighton moved to approve the issuance of the RFP. Jay Ingram seconded. The motion carried by unanimous roll call vote with Phyllis Peterson absent.

## **IPERS FY2009 Budget Request – Leon Schwartz – Tab 10**

Leon Schwartz reviewed a draft of IPERS’ FY2009 budget request. Leon noted that the proposed budget was slightly higher than the previous year due mainly to an increase in the amount the State of Iowa charges IPERS to utilize the I3 budget system.

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

The next meeting date of the IPERS Investment Board will be December 6, 2007, at the IPERS office. The meeting adjourned at 1:35 p.m.