



INVESTMENT BOARD IN-SERVICE MEETING MINUTES

IPERS Board Room

7401 Register Drive, Des Moines, Iowa

September 19, 2012

The following people were in attendance at the IPERS Investment In-Service Meeting that was held in the IPERS Board Room on Wednesday, September 19, 2012.

Members of the Board – Present

David Creighton, Chair
Phyllis Peterson, Vice Chair
Treasurer Michael Fitzgerald
Michael Beary
Lisa Stange

Marlene Sprouse
Dennis Young
Senator Steve Kettering
Senator Matt McCoy

Members of the Board – Absent

Representative Mary Mascher
Representative Dawn Pettengill

Administration and Staff

Donna Mueller, CEO
Karl Koch, Chief Investment Officer
Jeff Beisner, Investment Officer 3
Pat Reinhardt, Investment Officer 3

Keith Scholten, Investment Officer 3
Kevin Terdal, Investment Officer 1
Melinda Prince, Executive Secretary

Consultant – Wilshire Associates

Eileen Neill
Karyn Williams
Ali Kazemi

Consultant – Holland Park Risk Mgmt.

Valter Viola

Presenters

Adam Berger, Wellington Asset Mgmt
Jerome Booth, Ashmore
Dan Roberts, MacKay Shields
Gregg Hymowitz, Entrust Capital
Amar Patel, Entrust Capital
Michael Mendelson, AQR Capital Mgmt
Jeremiah Chafkin, AlphaSimplex Group

Guests

Jina Bresson, State Treasurer's Office
Theresa Kehoe, Senate Democratic Caucus Staff
Kristi Kielhorn, House Republican Caucus Staff
Mary Braun, Iowa House Democratic Caucus Staff
Scott Sams, Principal Global Investors

Proceedings

Chairman David Creighton called the meeting to order at 1:03 p.m.

Panel Discussion on Global Economic and Investment Outlook – Tab 1

Panel discussion was held on global economic and investment outlook. Adam Berger of Wellington Asset Management began the discussion with a presentation outlining Wellington’s global investment outlook for the short-, medium-, and long-term investment horizons. Dr. Jerome Booth of Ashmore Investment Management followed with a presentation on the investment outlook for emerging markets. Dr. Dan Roberts of MacKay Shields concluded with a presentation of his economic outlook and suggested fixed income strategies for the next 1-3 years.

Introduction to Risk Management Strategies – Tab 2

Dr. Karyn Williams of Wilshire Associates coordinated the discussion on risk management strategies. She reviewed how risk management strategies represent the implementation phase of a risk management program after goals and objectives and policies have been determined. She noted that the presentations that followed were examples of some risk management implementation strategies presented for educational purposes only.

Using Active Managers for Risk Management – Tab 3

Adam Berger of Wellington Asset Management discussed different ways of using a fund’s active managers in implementing risk management strategy.

Hedging Tail Risk in Investment Portfolios – Tab 4

Gregg Hymowitz and Amar Patel, of Entrust Capital discussed the concept of “tail risk” and presented information on how investors could hedge tail risk in investment portfolios.

Investing in Risk Parity – Tab 5

Michael Mendelson of AQR Capital Management discussed the risk parity concept. In his view, traditional asset allocations are too heavy in equity risk and represent a concentrated timing bet. He described his solution as a risk parity portfolio that attempts to balance risks while maintaining the investor’s overall appetite for risk. He discussed why all risk parity portfolios use leverage and how the risks of using leverage could be managed.

NOTE: References to specific “Tabs” relate to the September 19th In-Service notebook, where the full reports may be found.

Active Volatility Management – Tab 6

Jeremiah Chafkin of AlphaSimplex Group discussed how an active futures overlay program could be used to reduce equity exposure during high volatility periods. He explained how such a strategy could provide a cost-efficient and automated daily mechanism to tactically manage risk consistent with an organization’s risk policies.

Adjournment

The meeting was adjourned at 4:58p.m.