The following people participated in the IPERS Investment Board meeting held on Thursday, September 19, 2019.

**Members of the Board – Present**
- Treasurer Michael Fitzgerald, Chair
- Lisa Stange, Vice Chair
- David Creighton
- Justin Kirchhoff
- Phyllis Peterson
- Marlene Sprouse
- Wayne Walter
- Representative Mary Ann Hanusa
- Representative Mary Mascher
- Senator Mark Lofgren

**Members of the Board – Absent**
- Senator Pam Jochum

**Administration and Staff**
- Donna Mueller, CEO
- Karl Koch, CIO
- Sriram Lakshminarayanan, CRO
- Pat Reinhardt, Senior Investment Officer
- Keith Scholten, Senior Investment Officer
- Kevin Terdal, Investment Officer
- Melinda McElroy, Executive Assistant
- Gregg Schochenmaier, General Counsel
- David Martin, Chief Benefits Officer
- Shawna Lode, Communications Director

**Consultant – Wilshire Associates**
- Rose Dean
- Ali Kazemi
- Ned McGuire

**BAC Members**
- Len Cockman
- Brad Hudson
- Phil Tetzloff
- Matt Carver
- Lowell Dauenbaugh

**Guests**
- Paul Martiniello, CEM Benchmarking Inc.
- Jina Bresson, State Treasurer’s Office
- Steve Timmins, Dept. of Management
- Jennifer Acton, Legislative Service Agency
- Dylan Keller, Senate Rep. Caucus Staff
- Bridget Godes, Senate Dem. Caucus Staff
- Scott Sams, Principal Global Investors
- Carlos Pacheco, Bank of New York Mellon
- Pat Deluhery
Proceedings
Chairman Treasurer Fitzgerald called the meeting to order at 8:30 a.m.

Election of Chair and Vice Chair
David Creighton nominated Lisa Stange for chair and Marlene Sprouse as vice chair. Wayne Walter seconded the nominations. The motion carried by unanimous voice vote.

Approval of Minutes – Tab 2
Marlene Sprouse made the motion to approve the meeting minutes from the June 20, 2019, Investment Board meeting. Treasurer Fitzgerald seconded. The motion carried by unanimous voice vote.

IPERS CEO Report
Donna Mueller’s report to the Board included several items: 1) Ed Macdonald, founding principle of Cavanaugh Macdonald (IPERS’ actuarial firm) is retiring. His retirement should have no impact to the services IPERS receives. 2) An RFP for actuarial audit services was issued. The Investment Board will approve vendor selection in December 2019 with the final audit report presented to the Board in March 2020. 3) Donna reviewed proposed governance legislation as discussed with Governor Reynolds. The same proposal was submitted in 2018 for her consideration. 4) IPERS engaged all areas of the organization in a comprehensive disaster recovery drill. The drill tested performing essential pension functions from remote locations with production software running from a disaster recovery site and transferred back to the IPERS headquarters. While a successful exercise, there were lessons learned as to areas requiring additional resources. 5) Donna requested a CEO search committee be established in anticipation of her retirement in April 2020. The committee will develop search processes and make initial recommendations of candidates to the governor for her consideration.

IPERS Investment Staff Reports – Tab 3

Beta Report – Tab 3A
Karl Koch reported that all asset classes were within acceptable policy ranges as of September 6, 2019, and the Total Fund market value estimate was $34.11 billion.

Alpha Report – Tab 3B
The Investment staff reviewed the alpha report, no concerns were noted.

Risk Report – Tab 3C
Sriram Lakshminarayanan presented IPERS’ risk monitoring reports.

CIO Updates
Karl Koch reported on the upcoming search to identify absolute return investment products that could potentially be used in a portable alpha strategy. He next discussed the vacant senior investment officer position and the investment experience preferred for the position.
Investment in PGIM Fixed Income Global Liquidity Relative Value Fund - Tab 4

Sriram Lakshminarayanan requested the Board revise its hiring approval of September 20, 2018, for active investment management services from PGIM Fixed Income U.S. Liquidity Relative Value (USLRV) to PGIM Fixed Income Global Liquidity Relative Value (GLRV). Many of the assets of the USLRV have systematically transitioned over to the GLRV product which is managed by the same team. The GLRV product also uses a broader set of financial instruments that could allow it to possibly obtain better diversification than the USLRV product. Marlene Sprouse made the motion to approve the recommendation. David Creighton seconded.

Ayes: Lisa Stange, Marlene Sprouse, Treasurer Fitzgerald, David Creighton, Justin Kirchhoff, Phyllis Peterson and Wayne Walter
Nays: None
Absent: None

MOTION PASSED

CEM Investment Benchmarking Review for CY2018 – Tab 5

Paul Martiniello of CEM Benchmarking reviewed IPERS’ investment benchmarking results for the 5-year period ending December 31, 2018. 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 0.2% which was slightly better than the peer median over that time period.

Investment Performance Review for FY2019 – Tab 6

Ali Kazemi of Wilshire Associates presented IPERS’ investment performance for the fiscal year. The portfolio returned 8.35% (net of fees) for FY2019, slightly underperforming its policy benchmark return of 8.64%.

Annual Asset Allocation Review – Tab 7

Rose Dean of Wilshire Associates presented the annual asset allocation review. Wilshire recommended eliminating REITS and MLPs (3.5% in total allocation) from public real assets and reallocating those assets. After lengthy discussion, the Board decided to eliminate the entire 7% allocation to public real assets (REITS, MLPs and TIPS) and reallocate it to other public market asset classes. International equities will increase from 15% target weight to 17.5%. Global smart beta equities will increase from 3% target weight to 6%. Core-plus fixed income will increase from 27% target weight to 28%. Public credit will increase from 3.5% target weight to 4%.

Proposed Revisions to Investment Policy and Goal Statement – Tab 8

The Board approved revising Appendix B of the Investment Policy and Goal Statement to reflect the new asset allocation decisions, to become effective January 1, 2020. Treasurer Fitzgerald made the motion, the motion was seconded by Wayne Walter.
MOTION PASSED

IPERS FY2021 Budget – Tab 9

Donna Mueller reviewed IPERS’ proposed FY2021 budget noting that all IPERS expenditures are paid from the Trust Fund and no state general funds are appropriated to or spent at IPERS. The proposed budget again requests the addition of two investment professionals and an upgrade in current investment staff salaries.

Benefit Division Update – Tab 10

David Martin further reported on the disaster recovery drill and the successes and lessons learned by the benefits division in that exercise.

Confirm Next Meeting Date and Adjournment

The next meeting date of the IPERS Investment Board is Friday, December 6, 2019. With no further business to come before the Board, the meeting adjourned at 1:10 p.m.