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## LEGAL UPDATE

Legal Services Division



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### IPERS INVESTMENT BOARD MEETING — SEPTEMBER 17, 2020

**Purpose.** *Legal updates are prepared by the nonpartisan Legal Services Division of the Legislative Services Agency. A legal update is intended to provide legislators, legislative staff, and other persons interested in legislative matters with summaries of recent meetings, court decisions, Attorney General Opinions, regulatory actions, federal actions, and other occurrences of a legal nature that may be pertinent to the General Assembly's consideration of a topic. Although an update may identify issues for consideration by the General Assembly, it should not be interpreted as advocating any particular course of action.*

**Meeting.** The Iowa Public Employees' Retirement System (IPERS) Investment Board met telephonically on Thursday, September 17, 2020. The board approved the minutes from the June 18, 2020, meeting. The board also elected Ms. Lisa Stange, Chairperson, and Mr. David Creighton, Vice-Chairperson for the board.

**Internal Investment Proposal.** Mr. Greg Samorajski, IPERS CEO, reported to the board regarding a study of a proposal to utilize an internal investment strategy for a portion of the IPERS portfolio. Current investment strategy of solely utilizing external investment managers has not resulted in a significant improvement in investment returns. The Chief Investment Officer has been directed to develop an internal investment pilot program for possible presentation to the board in December. Possible areas for internal investment were discussed with the hope of realizing upwards of \$50 million per year in value to the trust fund. Additional investment staff and investment staff compensation flexibility would be needed to implement the strategy if approved.

**IPERS FY 2022 and FY 2023 Budgets.** The board approved the proposed FY 2022 and FY 2023 budgets for submission to the Governor. The budgets match the FY 2021 budget but with an additional \$1.135 million and 4.0 FTE positions each fiscal year for additional investment staff, including salaries and benefits, if an internal investment strategy is authorized. The board approved the increase in the budget to provide flexibility to the board to implement an internal investment strategy if approved.

**Asset Allocation Review and Modification.** Wilshire Associates presented an asset allocation review with recommendations to the board. The review examined past performance of the trust fund and made projections of future performance based upon the current asset allocation strategy and alternative asset allocation strategies. The board reviews the allocation of assets within the trust fund annually and adjusts the allocation at the board's discretion. The board approved a modification in the current asset allocation for the IPERS trust fund, increasing the current allocation of assets for private equity, private credit, and private real assets, while reducing the allocation to core plus fixed income.

**Investment Policy Review.** In addition to modifying the asset allocation policy, the board approved changes in investment policy that governs IPERS and the board relating to investments in infrastructure funds and authorizing IPERS to participate in securities litigation outside the United States if certain conditions are met and such action is approved by the board.

**Westridge Fraud Case.** The board acknowledged IPERS' receipt of \$7.6 million as a final distribution in the Westridge (WG Trading) fraud case. IPERS was an investor in the WG Trading fund. The total distribution is equal to all of IPERS' net principal investment in the fund.

**Next Meeting.** The next Investment Board meeting is scheduled for December 3, 2020.

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