
FISCAL UPDATE Article

Fiscal Services Division

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IPERS INVESTMENT BOARD MEETING

Meeting. The IPERS Investment Board met on Friday, March 22, 2019. The Board approved the minutes from the December 6, 2018, meeting.

CEM Pension Administration Benchmarking Report. Paul Martiniello, Director at CEM Benchmarking Inc., presented the IPERS FY 2018 Pension Administration Benchmarking Report to the Board. The key takeaways from the report were as follows:

- IPERS' total pension administration costs are \$51 per active member and annuitant, which was \$45 below the peer average of \$96. The primary reason reported for the difference is that IPERS has higher total productivity compared to its peer group of 12 other like-sized pension systems.
- IPERS continues to have the lowest administrative cost in its peer group.
- IPERS' total service score was 84, which was above the peer average of 82. IPERS' overall service score increased from 78 to 84 between 2015 and 2018.

Risk Analysis and Assessment. Pat Backham and Brent Banister, actuaries with Cavanaugh Macdonald, presented a risk analysis and assessment to the Board. The purpose of the report was to better understand and assess the risks inherent in funding IPERS. The report can also be used to identify decisions within the authority of the Investment Board that may have a positive impact in addressing the identified risks. There was no measurable probability of depletion of assets for any of the three pension groups. There was significant volatility in the Actuarial Contribution Rate, even with asset smoothing and amortization of experience gains and losses; however, the Contribution Rate Funding Policy attempts to address the volatility which has had an overall positive effect on IPERS' funding. Based on the results of the assessment, the Investment Board may have to make some minor adjustments to the Contribution Rate Funding Policy once the plan is fully funded.

Internal Auditor Report. The IPERS Internal Auditor reported there were no major issues in 2018 and the few minor issues reported were addressed through written policies and procedures.

High-Yield Investment Management Services Hiring Recommendation. The Board voted to approve hiring PGIM Fixed Income to replace Oaktree Capital for the U.S. high-yield income mandate, subject to final due diligence and successful contract negotiations.

Investment Policy and Goal Statement. The Board voted to approve a revision to Appendix B – Asset Allocation Policy and Active Risk Budget to become effective April 1, 2019.

Year-End 2018 Performance Review Report. Wilshire Associates presented its year-end 2018 performance review. Some highlights include:

- The 10-year annualized return is at 8.7%.
- The second half of 2018 was marked by volatile equity markets, both domestic and international, as investors feared the impact of tightening monetary policies, slowing global growth, and political instability.
- The total portfolio risk increased from 4.85% as of June 2018 to 6.39% at the end of 2018. According to Wilshire, this reflects the portfolio's risk being largely driven by equity market volatility.

Next Meeting. The next meeting of the IPERS Investment Board will be June 27, 2019.

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