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## FISCAL UPDATE Article

Fiscal Services Division

September 17, 2021



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### IPERS INVESTMENT BOARD MEETING — SEPTEMBER 2021

**Meeting.** The Iowa Public Employees' Retirement System (IPERS) Investment Board met virtually on September 16, 2021. The Board took the following actions:

- Approved the minutes from the June 17, 2021, and August 5, 2021, meetings.
- Approved increasing the IPERS Chief Executive Officer (CEO) salary from \$211,764.80 to \$218,129.60 to reflect a 3.0% across-the-board compensation increase authorized by Governor Reynolds for State of Iowa, noncontract employees. The Board approved the increase retroactive to August 5, 2021.
- Approved going into closed session to discuss the FY 2023 budget including personnel and salaries.
- Approved Phyllis Peterson as chairperson and Justin Kirchhoff as vice chairperson.

**New Investment Board Member.** CEO Greg Samorajski introduced and welcomed the newest Investment Board member, Bill Bernis.

**FY 2023 Budget Request.** For FY 2023, IPERS is requesting a status quo budget. The IPERS Trust Fund budget request for FY 2023 totals \$18.4 million for general operations and includes 88.1 full-time equivalent (FTE) positions, which is no change compared to estimated FY 2022. The IPERS CEO plans to continue conversations with the Governor's office and the IPERS Investment Board concerning where additional funds may be utilized in the future.

If more funding becomes available, IPERS reviewed with the Board where an additional \$4.5 million and 13.0 new FTE positions could be utilized, including:

- \$2.9 million for investment management, including \$1.5 million and 6.0 FTE positions for new hires, and \$1.4 million for incentive compensation.
- \$500,000 and 7.0 FTE positions for member services, including 4.0 FTE positions for a new benefits division and 3.0 FTE positions for new information technology (IT) division staff.
- \$1.0 million for consultants to study the pension administration system.
- \$100,000 to increase the paygrades and salaries of 6.0 FTE positions.

**CY 2020 CEM Investment Benchmarking Review.** Michael Reid, vice president of CEM Benchmarking, Inc., presented a summary to the Board of an Investment Cost Effectiveness Analysis for a five-year period ending December 31, 2020. The following were the highlights from that report:

- IPERS five-year net total return was 10.2%, which was above the U.S. public median of 9.7% and above the peer median of 9.4%.
- IPERS five-year policy return was 9.4%, which was above the U.S. public median of 9.2% and above the peer median of 9.1%.
- IPERS five-year net value added was 0.9%, which was above the U.S. public median of 0.4% and above the peer median of 0.5%.
- IPERS investment cost was 31.2 basis points, which was below the benchmark cost of 45.2 basis points. According to CEM, this suggests that the IPERS Trust Fund is a lower cost fund compared to its peers.
- The IPERS Trust Fund experienced lower cost, because it paid less than peers for similar services and has a lower cost implementation style.

**FY 2021 Investment Performance Review.** Ali Kazemi of Wilshire Associates Incorporated presented the FY 2021 Investment Performance report to the Board. Highlights included:

- The total IPERS Trust Fund had a return of 29.6% for FY 2021 and for the second quarter of 2021 has a return for the Fund of 6.8%.
- The 10-year annualized return was 9.4% for the total Fund, which was slightly less than the policy return rate of 9.6%.
- Over the last 10 years, IPERS' total return has ranked in the top 9.0% of all public plans with greater than \$1.000 billion in assets, and over the last three years, IPERS has been in the top 4.0%.

**Annual Review of Investment Policies.** IPERS investment staff did not propose any revisions to the Investment Policy and Goal Statement at this meeting. The staff is currently evaluating potential changes to the domestic equity portfolio benchmark and structure. The proposal will be presented at the December 2, 2021, Board meeting.

**IPERS Trust Fund Update.** Karl Koch, chief investment officer (CIO), reported that the estimated market value of the IPERS Trust Fund was \$43.453 billion on September 3, 2021.

**Next Meeting.** The next Investment Board meeting will be December 2, 2021, and the next Benefits Advisory Committee (BAC) meeting will be October 25, 2021.

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