



IPERS INVESTMENT BOARD MEETING

Meeting. The Iowa Public Employees' Retirement System (IPERS) Investment Board met on Thursday, September 22, 2016.

COLA Study. The Chief Executive Officer, Donna Mueller, updated the Board on the results of the Benefits Advisory Committee (BAC) 2016 Cost-of-Living Adjustment (COLA) Study. The proposal completed by the actuary applies to all three retirement groups in IPERS: Regular Membership, Sheriffs and Deputies, and Protection Occupation. The study includes the following options:

1. An annual COLA equal to the lesser of the Consumer Price Index (CPI) and 2.0% of the member's monthly benefit compounded. Would commence at age 66 or one year after retirement, whichever is later.
2. A COLA percentage that could be purchased with a one-percentage-point increase in contributions compounded. Would commence at age 66 or one year after retirement, whichever is later.
3. A 2.0% COLA calculated on the member's monthly benefit amount, up to \$22,000. This option is an annual simple COLA, rather than compounded. Would commence at age 75 or one year after retirement, whichever is later. This option is prorated based on years of service, with the maximum being 30 years.

Under the proposal, funding for the COLA would be effective July 1, 2017 (FY 2018). The COLA implementation date would be July 1, 2026 (FY 2027). All three options would increase the active members' annual actuarial contribution rate and the unfunded actuarial liability (UAL) of the IPERS Trust Fund.

IPERS Trust Fund. The Chief Investment Officer (CIO), Karl Koch, updated the Board on the current market value of the IPERS Trust Fund. As of September 9, 2016, the Trust Fund balance was \$28.8 billion. The CIO also updated the Board on the consultant and manager watch list. Oaktree, a U.S. high yield company, was removed from the list; and GAM, a Pacific Basin equities company, was added to the list for one year on July 19, 2016. The GAM invests 0.57% of the IPERS Fund.

The Board heard a presentation from Paul Martiniello of CEM Benchmarking on the investment cost effectiveness analysis for the five-year period ending December 31, 2015. A summary of the results included the following:

- IPERS' five-year net total return was 7.59%. This was above the U.S. median of 7.25% and above the peer median of 7.50%.
- IPERS' five-year policy return (as calculated by CEM) was 7.54%. This was above the U.S. median of 7.32% and effectively equal to the peer median of 7.46%.
- IPERS' five-year net value added was 0.05%. This was equal to the U.S. median of 0.05% and equal to the peer median of 0.05%.
- IPERS' investment cost of 43.6 basis points (bps) was below the benchmark cost of 46.7 bps, suggesting that the fund was slightly lower-cost compared to the peer group. The IPERS Fund is slightly lower-cost because IPERS paid less than the peer group for similar services.
- The IPERS Fund achieved a five-year net value-added of 5.0 bps and cost savings of 7.0 bps.
- IPERS asset risk of 9.2% was above the U.S. median of 9.1%.

Eileen Neill of Wilshire Associates presented an update on the 2016 Fiscal Year Investment Performance Review and the Annual Asset Allocation Review. The FY 2016 annual investment performance of the IPERS Trust Fund was 2.15%.

Board Action. The IPERS Investment Board took the following actions:

- The Board voted to approve the expenditure of \$20,000 from the IPERS Trust Fund to accelerate the economic piece of the IPERS Experience Study. Without the expenditure, the Experience Study would not have been scheduled to occur for another 18 months.
- The Board reviewed and approved revisions to the investment policies and goal statements.
- The Board approved the IPERS FY 2018 and FY 2019 budget requests of \$17.7 million and 88.1 full-time equivalent positions (FTE) positions, respectively. This is no change in funding or FTE positions compared to FY 2017. A total of \$2.5 million was reverted back to the IPERS Trust Fund for FY 2016.

More Information. Additional information is available at <https://www.ipers.org/>.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.iowa.gov