

Fall 2021

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What's Up for Next Year??

With COVID concerns still impacting our lives, PAPERS has not yet determined the dates or formats for next year's conferences. So we ask for your patience and this information will be announced as soon as the Board is able to reach an informed decision.

In response to several inquiries made by members firms or pension plans as budgets for 2022 are being planned, at this point we do not anticipate any changes in the amounts of conference registration fees or annual membership dues for next year. As per our usual schedule, dues invoices for 2022 will be issued near the beginning of December (2021).

2021 PAPERS Fall Workshop

Held in Hybrid Format

Virtual Sessions Nov. 9 &10, 2021

(mornings only)

In-Person Sessions Nov. 16, 2021

(afternoon only) @ Harrisburg Hilton Hotel



Save Money by Registering Now

Fall Workshop Early Bird Rates Expire This Week

Check out Pages 3-4 for a complete schedule for this conference.

You'll find the conference registration form printed on Pages 5-6. The Early Bird registration rates expire on October 9th; Standard Rates become effective 10/10/2021.

All this information is also posted on the PAPERS website www.pa-pers.org and is updated as changes occur.

Become a PAPERS Member

For details about PAPERS membership, check the "Join Now" section of the PAPERS website www.pa-pers.org or contact:

PAPERS, PO Box 61543, Harrisburg, PA 17106-1543 or Doug Bonsall at douglas.b@verizon.net

Membership Categories

- **Participating** (\$125/year early bird rate; \$150/year after 3/31/2021) - *Public employee retirement systems (pension funds)*
- **Associate** (\$1,500/year) - *Corporate providers of legal and investment services to pension plans*
- **Affiliate** (\$750/year) - *Corporate providers of other services, exclusive of legal and investment services, to pension funds.*
- **Sustaining** (\$75/year) - *Individual membership open only to those persons with an interest in public pensions but not affiliated with an organization which qualifies for group membership in any other category above*

A current (2021) PAPERS membership (Participating, Associate, Affiliate or Sustaining) is required to attend PAPERS conferences, to receive CPE (Continuing Professional Education) credits.

SERS Searching for an Executive Director

The Pennsylvania State Employees' Retirement System (SERS), Harrisburg, PA is seeking an Executive Director. This position serves as secretary to an eleven-member board and as chief executive officer for defined benefit, defined contribution, and deferred compensation plans for over 240,000 active and retired members. For additional information about the position please go to sers.pa.gov.

Apply online at www.employment.pa.gov. Click on the Open Jobs tile, then click on the "Open to Public" link. Filter by department. Select *State Employees' Retirement System*. Open the relevant job announcement and click the green Apply button.

Please direct questions to Cheryl Krchnar at 717.599. 8591 or ra-erJobsAtSERS@pa.gov

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Agenda for PAPERS 2021 Fall Workshop

(As of 10/1/2021 – Subject to Change)

Something New - This will be a Hybrid Forum!

As the world adjusts to the continuing COVID-19 pandemic, the PAPERS Board has considered how to hold the Fall Workshop in a way that best serves the wishes of all stakeholders. The result is a conference offering both on-line and in-person educational sessions. Your registration will entitle you to attend any or all of the sessions, spread over three different days in two different formats.

On-Line Sessions

On the business day prior to each date below, registered participants will receive a unique log-in link by e-mail for to access each of the sessions.

Tuesday, November 9, 2021

8:00 a.m. *Discount Rates & Investments – Three Different Views*

Speakers **Rich Hazzouri** – Morgan Stanley
..... **Sean McShea**, Sage Advisory Services
..... **Gregory Stump** – Boomershine Consulting

An actuary, an investment consultant and a fixed income money manager will share the lens through which they look at pension plan discount rates and the implications their perspectives have on the decisions fiduciaries make.

9:00 a.m. *Understanding Investment Management Fees*

Speaker **Alison Berman** – Palisade Capital Management

A basic understanding of the different types of fees that could be used in your portfolio.

Wednesday, November 10, 2021

8:00 a.m. *Introduction to Retirement System Funding & Valuations*

Speaker **Kris Seets** – Korn Ferry

Presentation description to follow.

9:00 a.m. *Fiduciary Responsibilities for Defined Contribution Plans*

Speaker **Chris Brokaw & Steve Gordon** – AndCo Consulting

This presentation will review the fundamental responsibilities for a DC plan. It will define basic concepts and provide a framework for fulfilling fiduciary obligations.

(Agenda continues on next page)

In-Person Sessions

Location – Hilton Hotel, One North Second Street, Harrisburg, PA 17101

Tuesday, November 16, 2021

10:00-11:30 a.m. **PAPERS Board Meeting (Board members only)**
Commonwealth Board Room – First Floor

12:00 p.m. **Registration**
Lancaster-Lebanon Pre-Function Area – Second Floor

12:30 p.m. **Luncheon**
Lancaster-Lebanon Rooms – Second Floor

1:00 p.m. **Speaker – State Treasurer Stacy Garrity**

Workshops will be held in the adjacent Carlisle Room (second floor). The sessions will be recorded and shared electronically later with those registrants unable to attend the in-person sessions.

1:30-2:20 p.m. **Governance: The Five Imperatives of 21st Century Investing**
Speaker **Chris Merker – Robert W. Bird & Co**

Dr. Merker presents original research on governance best practices from data collected over the past 13 years from public pension and other investment boards. He demonstrates a clear link between governance behaviors and financial outcomes, and discusses the five imperatives.

2:20-3:10 p.m. **Megatrends Shaping Global Real Assets Markets**
Speaker **Justin Ourso – Nuveen**

A powerful convergence of forces is shaping the global real assets markets. Demographic trends, technology and environmental issues are becoming new value drivers, as an expanding real assets investment landscape is presenting a widening range of risk and return opportunities. This session will focus on agriculture, timberland and infrastructure as we assess these trends and themes, identify areas of the market we consider most attractive today, and explore examples of how we believe these asset classes can help achieve investor goals while also mitigating climate risks.

3:10-3:20 p.m. **Break**

3:20-4:10 p.m. **Solving for 2022**
Speaker **Erik Knutzen – Neuberger Berman**

How can institutions bridge the return gap between their requirements and lower expected returns? Will inflation be transitory or sustained? When will the Fed taper their bond purchases? Which asset classes might provide effective diversification? How does China's change in policy orientation affect global markets? Markets are more complex than ever, especially following several years of strong returns despite challenges on many fronts. Erik will discuss how he and his team are working with institutional investors to think through these issues and manage their investment portfolios to serve their beneficiaries.

4:10-5:00 p.m. **Legislative Update**
Speaker **State Representative Frank Ryan – PA 101st District**

5:00 p.m. **Cocktail Reception**
Hill Society Room – First Floor



2021 Fall Workshop Registration

Form updated & revised 9/3/2021

Nov. 9 & 10, 2021 (virtual); Nov. 16, 2021* (in-person) at Harrisburg Hilton

**PAPERS will continue to monitor the COVID pandemic situation and will announce by e-mail updates any changes in format that may become necessary. The presentations on Nov. 16th will be recorded and shared electronically later with those registrants unable to attend the in-person sessions.*

Each individual planning to participate in the Fall Workshop must submit a separate registration form.

Individual's name _____

Preferred name for name tag _____

Representing (name of pension plan or firm) _____

Mailing address _____

City, State, Zip _____

Telephone number (_____) _____ - _____ E-mail address _____

Please check all conference events that you plan to attend

Tuesday, Nov. 9, 2021 (virtual)

Morning on-line sessions

Wednesday, Nov. 10, 2021 (virtual)

Morning on-line sessions

Tuesday, Nov. 16, 2021 (in-person @ Harrisburg Hilton)

Lunch

Afternoon in-person sessions

Cocktail reception/mixer

Please include full payment of all fees due with this form.

(see reverse for registration rates)

Check if interested in *Certified PA Public Retirement Plan Professional Program*

Registration form continues on reverse.

Please indicate appropriate category (check one only):

Pension Plan Representatives – Current (2021) PAPERS Participating Membership for plan required
Each individual from pension plan

\$100 Early bird registration payment received or postmarked by 10/9/2021

\$125 Standard registration payment made on or after 10/10/2021

Associate Member Representatives – Current (2021) PAPERS Associate Membership for firm required
Firms providing investment management and legal services

\$400 Early bird registration payment received or postmarked by 10/9/2021

\$475 Standard registration payment made on or after 10/10/2021

Affiliate Member Representatives - Current (2021) PAPERS Affiliate Membership for firm required
Firms providing consulting services, exclusive of investment/legal

\$200 Early bird registration payment received or postmarked by 10/9/2021

\$250 Standard registration payment made on or after 10/10/2021

Sustaining Members - Current (2021) PAPERS Sustaining Membership for eligible individual required
Available only to those persons with an interest in public pensions but not affiliated with an organization which qualifies for group membership in any other category above

\$50 Early bird registration payment received or postmarked by 10/9/2021

\$75 Standard registration payment made on or after 10/10/2021

Platinum Sponsors - Current (2021) PAPERS Associate or Affiliate Membership required

Four complimentary registrations

Each additional individual from firm (refer to **Associate** or **Affiliate** Member rates above)

Gold or Silver Sponsors Current (2021) PAPERS Associate or Affiliate Membership required

Two complimentary registrations

Each additional individual from firm (refer to **Associate** or **Affiliate** Member rates above)

Registration Payment Methods

- To pay by check.** Please make check payable to: **PAPERS** and return with this application to:
PAPERS, P.O. Box 61543, Harrisburg, PA 17106-1543
- To pay by credit card or PayPal.** Please access the PAPERS website (www.pa-pers.org) and click on the "Fall Workshop" tab. Near the bottom of this page click on the drop down box, select the appropriate membership category/registration fee and follow the directions to pay the applicable amount electronically to PAPERS. To complete the registration process, this completed *Fall Workshop Registration* must be submitted and may either be mailed to: **PAPERS, PO Box 61543, Harrisburg, PA 17106-1543** or scanned, saved and e-mailed to: douglas.b@verizon.net.
- To pay by ACH transfer.** Please contact PAPERS by e-mail douglas.b@verizon.net to request the bank account and routing information you'll need to pay by this method. If you require a signed form to initiate the ACH transaction, please send the form to this e-mail address and it will be completed/returned promptly. Then, submit your completed *Forum Registration* as note in #2 above so it can be matched with the ACH payment.

The Best Strategies for Inflationary Times

Submitted by: *Man Group*

Over the past three decades, a sustained surge in inflation has been absent in developed markets. As a result, investors face the challenge of having limited experience and no recent data to guide the repositioning of their portfolios in the face of heightened inflation risk. In the paper titled *The Best Strategies for Inflationary Times*, Otto van Hemert, Ben Funnell, Teun Draaisma, Henry Neville, and Professor Campbell R. Harvey of Man Group provide some insight by analyzing both passive and active strategies across a variety of asset classes for the U.S., U.K., and Japan over the past 95 years. Unexpected inflation is bad news for traditional assets, such as bonds and equities, with local inflation having the greatest effect. Commodities have positive returns during inflation surges but there is considerable variation within the commodity complex. Among the dynamic strategies, we find that trend-following provides the most reliable protection during important inflation shocks. Active equity factor strategies also provide some degree of hedging ability. We also provide analysis of alternative asset classes such as fine art and discuss the economic rationale for including cryptocurrencies as part of a strategy to protect against inflation.

A link to the full paper can be found at: <http://www.pa-pers.org/newweb/documents/Fall1%202021%20-%20Man%20Group%20full%20research%20paper.pdf> [here](#).

Authors:

Otto van Hemert, *Director of Core Strategies and a member of Man AHL's management and investment committees.*



Henry Neville, *Analyst at Man Group since the beginning of 2016.*



Ben Funnell, *Joint lead Portfolio Manager within Man Group's multi-asset offering.*



Professor Campbell R. Harvey, *Leading financial economist, has been an Investment Strategy Advisor to Man Group since 2005 and has contributed to both research and product design.*

Teun Draaisma, *Joint lead Portfolio Manager within Man Group's multi-asset offering*



Opportunities in Today's Real Assets Market



Justin "Biff" Ourso, CFA, Senior Managing Director, Nuveen Real Assets, is responsible for leading and developing the strategic direction and investment execution of Nuveen Real Assets' business across the agriculture, timberland, infrastructure and impact sectors, which encompasses more than \$20 billion in assets under management. He is also a member of Nuveen's Global Investment Committee. Biff also participates as a member of the investment committees for Nuveen's investment specialists in farmland, timberland, and agribusiness and their accompanying investment funds. Biff graduated with a B.A. in Economics from Davidson College and he holds the CFA designation.

Real assets—farmland, timberland and private equity infrastructure investments—historically have generated relatively attractive and stable levels of current income. Much of this income is driven from contractual payments, such as acreage leased to farmers and infrastructure assets with long-term contracts for providing essential services, or the production/sale of commodities. Diversification of income streams leads to extremely limited correlation across assets and relative to other asset classes.

The COVID-19 pandemic and ongoing recovery have affected various real assets in different ways, reflecting the nuanced risk factors that drive returns in this asset class. These differences highlight the importance of diversification, active management and careful structuring when investing in real assets. The potential transition to an environment of rising inflation and interest rates coupled with excess competition for stabilized investments, in our view, has increased the attractiveness of core-plus and value-added real assets.

Farmland

By its fundamental nature, farmland is resilient throughout economic cycles, so farmland's performance through the pandemic was not surprising. Farmland values benefit from strong demand for grain and oilseeds from China, and the heightened focus on health and nutrition and regenerative agriculture. Consumers' focus on food sustainability and the connections between diet and health gained even more momentum during the crisis, as evidenced by surging demand for plant-based protein. ESG-focused farmland investors are looking for managers and operators who can implement measures to enhance the sustained productivity of farmland while limiting carbon emissions and other environmental impacts.

Timberland

The pandemic set off a homebuilding and renovation boom in the United States and other countries as people spent more time than ever in their homes. Forest products used in at-home consumption, such as tissue paper and packaging for food and e-commerce, also did well. This, coupled with supply chain disruptions including shutdowns and/or reduced operating rates at sawmills led to record lumber prices. For timberland owners, however, the benefit of high lumber prices has varied drastically by region. In the Southeastern United States, ample inventory of standing trees relative to harvest volume has generally kept timber prices from increasing along with lumber prices. But in the Pacific Northwest, where inventory and harvest volume are more balanced, timberland prices have responded positively to increasing demand for lumber. This highlights the importance of selectivity and knowledge of local markets when it comes to real assets investing.

Infrastructure

The transition to clean energy and upgrades to digital infrastructure continue to attract massive amounts of capital from investors looking for exposure to these megatrends. There are opportunities to invest in the clean energy transition trend across generation, transmission and storage of renewable energy, as well as with renewable diesel and other lower-carbon fuels beyond the electrification trend. The continuation of remote work and the 5G rollout are supporting demand for digital infrastructure assets, which increasingly are a central part of infrastructure portfolios. With activity-based assets, the increase in economic activity as restrictions are lifted should bolster volumes and values for airports, seaports, toll roads, parking garages and other transportation assets.

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Record-Breaking \$809 Million in Securities Fraud Case Against Twitter

By: Darren Robbins, *Robbins Geller Rudman & Dowd LLP*

Darren Robbins is a founding partner of Robbins Geller, and over the last 2 decades has served as lead counsel in more than 100 securities class actions and recovered billions of dollars for investors. He served as lead counsel in a securities class action against American Realty, recovering a record \$1.025 billion. Darren was also lead counsel in a securities case against Valeant Pharmaceuticals that resulted in a \$1.21 billion settlement. Darren's practice also focuses on corporate governance reform. He has negotiated sweeping corporate governance reforms, including the election of a shareholder-nominated director to the company's board of directors, a mandatory holding period for shares acquired via option exercise, and compensation reforms that tied executive pay to performance.

Robbins Geller Rudman & Dowd LLP has represented numerous labor pension funds in litigation to recover billions in investment dollars lost to fraud or misconduct. And the prospect of a jury trial has been a key factor in securing the best results for our clients and impacted investors. Just before a federal jury trial was about to get underway, Robbins Geller and co-counsel obtained a record-breaking \$809,500,000 settlement against Twitter, Inc. in a securities fraud class action. Plaintiffs National Elevator Industry Pension Fund, represented by class counsel Robbins Geller, and KBC Asset Management NV, represented by co-counsel, Motley Rice LLC, led the case.

“The jury trial is a great equalizer, even for some of the most powerful entities on the planet. It levels the playing field and sets the stage for accountability,” said Tor Gronborg, a partner at Robbins Geller who serves as a lead attorney on the *Twitter* trial team. If approved by the court, the proposed settlement would represent the largest securities fraud class action recovery in the last 20 years in the Ninth Circuit and the second-largest ever in that Circuit.

The case involved allegations that Twitter committed securities fraud by concealing stagnant user growth and declining user engagement from investors, causing its stock to trade at artificially inflated levels. The suit alleged that, when the truth was revealed, Twitter's stock price dropped by 20%. No party has admitted wrongdoing or liability as part of this settlement.

The Firm's client brought this action to recover its investment losses and losses for the class of shareholders who purchased Twitter stock. “The bottom line is whether you have a track record of trying complex securities fraud trials or not – that's what enabled us to maximize the recovery for our clients and the class here,” said Daniel Drosman, who serves as lead counsel in the *Twitter* case for Robbins Geller.

Robbins Geller has tried several securities cases to a jury verdict in recent years, including a verdict after a six-week trial against Household International, Inc., which resulted in more than \$1.5 billion recovered for investors. The Firm has secured many of the nation's largest investor fraud settlements, including the recent \$1.2 billion recovery against Valeant Pharmaceuticals International, Inc., and \$1 billion recovery in American Realty Capital Properties, Inc., which also resolved on the eve of trial.

Indeed, just in the past year, Robbins Geller has secured over \$1.5 billion for consumers and investors in cases involving large technology companies, including the largest privacy class action settlement against Facebook (\$650 million), arising out of allegations that the use of the social network's facial recognition technology to extract and store users' biometric identifiers was without the consent required by Illinois privacy laws.

Additionally, Robbins Geller is currently prosecuting a shareholder challenge against Tesla founder Elon Musk regarding Tesla's acquisition of SolarCity, and a securities class action against Google's parent company Alphabet, Inc., where the United States Court of Appeals for the Ninth Circuit recently overturned the company's request to dismiss the case.

Skew – An Important Moment

By: Tim Rudderow, Mount Lucas Management LP

Introduction

Over the years we all have learned about return and standard deviation, the first and second “moments” of asset class return distributions. But there are more moments to every distribution and the third, skew, is important to understand as you consider your asset allocation model. Put simply, skew tells you which way the big moves in the return series lean. We all know the stock market goes up on the escalator and down on the elevator – up gradually, down fast. That means the return distribution has negative skew. In the article below, we will go through the details of an asset with positive skew, Managed Futures. We will show how positive skew can impact portfolio returns, and how strategy decisions by your manager may be impacting that skew.

The full article by Mr. Rudderow may be accessed at: <http://www.papers.org/newweb/documents/Fall%202021%20-%20Mt%20Lucas%20full%20article.pdf>

Timothy Rudderow Chief Executive Officer | Chief Investment Officer

Tim co-founded Mount Lucas in 1986 and is the firm's chief executive officer, overseeing all of its activities, as well as its chief investment officer. He has been in the investment business since the late 1970s, when he worked at Commodities Corporation with the late Frank Vannerson, another co-founder of Mount Lucas. Tim specializes in the design and management of technical trading systems applied to the futures, equity, and fixed income markets. He holds a B.A. in Mathematics from Rutgers University and an M.B.A. in Management Analysis from Drexel University.

