

Spring 2021 In This Issue

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Important Announcement

The 2021 Fall Workshop is scheduled for November but the PAPERS Board has not yet determined if the conference will be in-person, virtual or a hybrid. That decision will be forthcoming as the current COVID situation continues to be monitored.

Virtual Conference 17th annual PAPERS Forum May 12-13-19-20-26-27, 2021



Registration begins in March, 2021

A 2021 PAPERS membership (Participating, Associate, Affiliate or Sustaining) for your pension plan or firm is required for your representative(s) to participate in PAPERS' two annual conferences.

Corporate sponsorships for the Forum are now being accepted from PAPERS' Associate and Affiliate Members.

Contact PAPERS Director of Operations Doug Bonsall (717-921-1957 OR douglas.b@verizon.net) for details about becoming a sponsor.

See Pages 3-4 for registration form and details.

Check the PAPERS website www.pa-pers.org for:

- **Conference registration form** (in fillable PDF format)
Early bird registration rates available on/before 4/12/2021

The conference agenda is currently being determined and will be released as speakers and topics are confirmed. Twelve presentations – two on each of the six days of the virtual conference – are being planned.

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From the Desk of PAPERS' Executive Director

As we begin planning for our May Forum conference, snow is still falling on the ground! But, as we all know, spring is on its way and with it brings optimism and opportunities for new beginnings. Realizing, in some form or another, the virtual world is here to stay, we are still actively exploring ways to get together in person, hopefully by the Fall Workshop.



In the meantime, we are taking advantage of the virtual format by providing high quality presentations in our newsletter and at our conferences that are educational, easily assessable, and valuable. There has been a dramatic change in how we approach our daily lives and, in some respects, the focus on public pensions have become more acute. The experts in the field have spent countless hours on the subject and some of the best and brightest share their thoughts and expertise with us. From interesting articles to case studies to virtual roundtables, the 2021 Forum is lining up to be one of the most informative to date. Starting on the morning of May 12, there will be two sessions a day each day for six days: May12-13-19-20-26-27. We look forward to your participation and your feedback!

Warmly,

Karen Deklinski

PAPERS Executive Director

kdeklinski@msn.com; 717-979-5788

Become a PAPERS Member

For details about **Participating, Associate, Affiliate** and **Sustaining Memberships**, check the membership section of the PAPERS website www.pa-pers.org or contact:

**PAPERS, PO Box 61543
Harrisburg, PA 17106-1543**

Douglas A. Bonsall

Phone: 717-921-1957

E-mail: douglas.b@verizon.net



2021 PAPERS Forum Registration

Virtual Conference Dates – May 12-13-19-20-26-27, 2021

Register early to save on registration fees.

Each individual registering must submit a separate registration form.

Individual's name _____

Representing (name of pension plan or firm) _____

Mailing address _____

City, State, Zip _____

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

Please indicate appropriate category (check one only):

Pension Plan Representatives – Current (2021) PAPERS Participating Membership required

Each individual from pension plan

____ \$125 Early bird registration payment received or postmarked by 4/12/2021

____ \$150 Standard registration payment made after 4/12/2021

Associate Member Representatives – Current (2021) PAPERS Associate Membership required

Firms providing investment management and legal services

____ \$750 Early bird registration payment received or postmarked by 4/12/2021

____ \$825 Standard registration payment made after 4/12/2021

Affiliate Member Representatives - Current (2021) PAPERS Affiliate Membership required

Firms providing consulting services, exclusive of investment/legal

____ \$375 Early bird registration payment received or postmarked by 4/12/2021

____ \$425 Standard registration payment made after 4/12/2021

Sustaining Members - Current (2021) PAPERS Sustaining Membership 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

____ \$75 Early bird registration payment received or postmarked by 4/12/2021

____ \$100 Standard registration payment made after 4/12/2021

Platinum (\$5,000) Sponsors - Current (2021) PAPERS Associate or Affiliate Membership required

____ One of four complimentary registrations

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

Gold (\$3,000) or Silver (\$2,500) Sponsors Current (2021) PAPERS Associate or Affiliate Membership required

____ One of two complimentary registrations

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

Payment Methods are shown on reverse side.



2021 PAPERS Forum Registration

Virtual Conference Dates – May 12-13-19-20-26-27, 2021

Early bird rates in effect through 4/12/2021.

Please include full payment of all fees due with registration.

Payment methods:

1. **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**
2. **To pay by credit card or PayPal.** Please access the PAPERS website (www.pa-pers.org) and click on the "Spring Forum" 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 *Forum 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**.
3. **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.

PAPERS Membership & Sponsorship 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 or to enroll in the PAPERS certification program described on Page 5.

Corporate (Associate & Affiliate) Members also have the additional opportunity to become sponsors for PAPERS' two annual conferences. Sponsors receive recognition in the printed and on-line materials produced for the conferences and also receive priority consideration to provide speakers and/or make presentations. The three categories of sponsorships for each conference are: **Platinum** - \$5,000; **Gold** - \$3,000; **Silver** - \$2,500.



Certified PA Public Retirement Plan Professional

Course Design

The certification program provides participants with exposure to a diverse and comprehensive curriculum of pension topics in a three-part process:

- **On-line introductory education modules develop by FI360, Inc.**
 - *The Role of the Retirement Plan Fiduciary*
 - *Creating a Comprehensive Fiduciary Process – Parts 1 & 2*
- **Attendance at PAPERS conferences**
- **Continuing Education** – additional on-line education modules; on-line library resources

Program Enrollment

Please visit the PAPERS website www.papers.org to access the certification program application form. A link to this printable form may be found on the "Certification Program" page.

Submit the completed form either by mail or e-mail. See details below under "Program Cost" for more information about submitting the application and required payment.

Program Cost

The one-time enrollment fee of \$499 is payable by three methods:

1. **To pay by check.** Please make check payable to: **PAPERS** and return with application to: **PAPERS, P.O. Box 61543, Harrisburg, PA 17106-1543**
2. **To pay by credit card or PayPal.** Please access the PAPERS website www.papers.org and click on "Certification Program". Near the bottom of this page click on the drop down box and follow the directions to pay the registration fee. If a

completed application has not already been submitted, please do so either by mail to: **PAPERS, PO Box 61543, Harrisburg, PA 17106-1543** or scanned, saved and e-mailed to: douglas.b@verizon.net.

3. **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 membership application as note in #2 above so it can be matched with the ACH payment.

Process

After submitting a course enrollment form and payment of the one-time fee, individuals will receive an authorization code giving access to the on-line modules. Modules may be taken at one's leisure to be completed within six months of enrollment.

At the conclusion of each module, participants will take an on-line test to check their understanding of the material. The test may be re-taken any number of times until a passing grade is received.

Participants will receive written notification upon successful completion of the three on-line modules. The next step in the certification process is attendance at three of the next four PAPERS conferences (held each spring and fall). After attending the required number of conferences, participants will be awarded the *Certified PA Public Retirement Plan Professional* designation. Public recognition of this achievement will be provided at PAPERS conferences, on the website and in newsletters.

Continuing education will be required to maintain this designation.



Application Form

Certified Pennsylvania Public Retirement Plan Professional

Participant Information:

Name: _____ Date: _____

(Please **print** your name the way you would like it on your final certification)

Organization: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone: _____ E-Mail: _____

Payment Information:

The one-time registration fee is \$499. Please fill out the following only if different than above:

Billing Name: _____

Billing Address: _____

City: _____ State: _____ Zip: _____

Payment methods:

- 1. 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**
- 2. To pay by credit card or PayPal.** (this function available after 6/1/2018) Please access the PAPERS website www.pa-pers.org and click on "Certification Program". Near the bottom of this page click on the drop down box and follow the directions to pay the registration fee. If a completed application has not already been submitted, please do so either by mail to: **PAPERS, PO Box 61543, Harrisburg, PA 17106-1543** or scanned, saved and e-mailed to: douglas.b@verizon.net.
- 3. 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 membership application as note in #2 above so it can be matched with the ACH payment.

Please submit this completed application and payment to:

PAPERS, PO Box 61543, Harrisburg, PA 17106-1543

The Completion Portfolio: Tomorrow's Real Estate Strategy Today

By: Meredith Despins, Nareit

Senior Vice President, Investment Affairs & Investor Education



Meredith Despins is senior vice president, Investment Affairs & Investor Education for Nareit, the not-for-profit association of the real estate investment trust (REIT) and publicly traded real estate industry. She is responsible for delivering a research-based perspective on the role REITs can play in pension investment portfolios to build portfolio value, deliver income, and manage risk.

Meredith is a member of the corporate advisory committee of the Pennsylvania Association of Public Employee Retirement Systems (PAPERS). A graduate of Trinity College, Hartford, Connecticut, with honors, Ms. Despins is a member of Phi Beta Kappa.

Representing 17% of the U.S. investment marketplace, real estate is the third largest asset class behind bonds and equities. It has been a staple of pension plan portfolios for decades, providing diversification, reduced volatility, higher returns, income and inflation protection.

But the real estate investment market has changed over the decades. A marketplace that was once built primarily on assets in four sectors – retail, office, residential and industrial – has expanded in scope. Beyond the four basic “food groups,” the new real estate investment marketplace includes fast-growing, 21st Century property sectors, such as cell phone towers and other infrastructure, data centers and e-commerce logistics facilities. It also includes health care and self-storage facilities, as well as single-family rental and manufactured homes.

Increasingly, investors are seeking to add these newer sectors to their real estate portfolios to complement the more traditional real estate types. This strategy *completes* the real estate allocation, equipping it to deliver more robust diversification to further boost overall portfolio returns and reduce risk.

Building the Completion Portfolio

Private real estate core funds, which historically have made up the lion's share of most institutional real estate portfolios, offer little exposure to the assets required to build a completion real estate portfolio. Although providers of private funds are becoming more interested in newer sectors of the real estate market, these assets currently represent only about 4% of the private real estate universe.

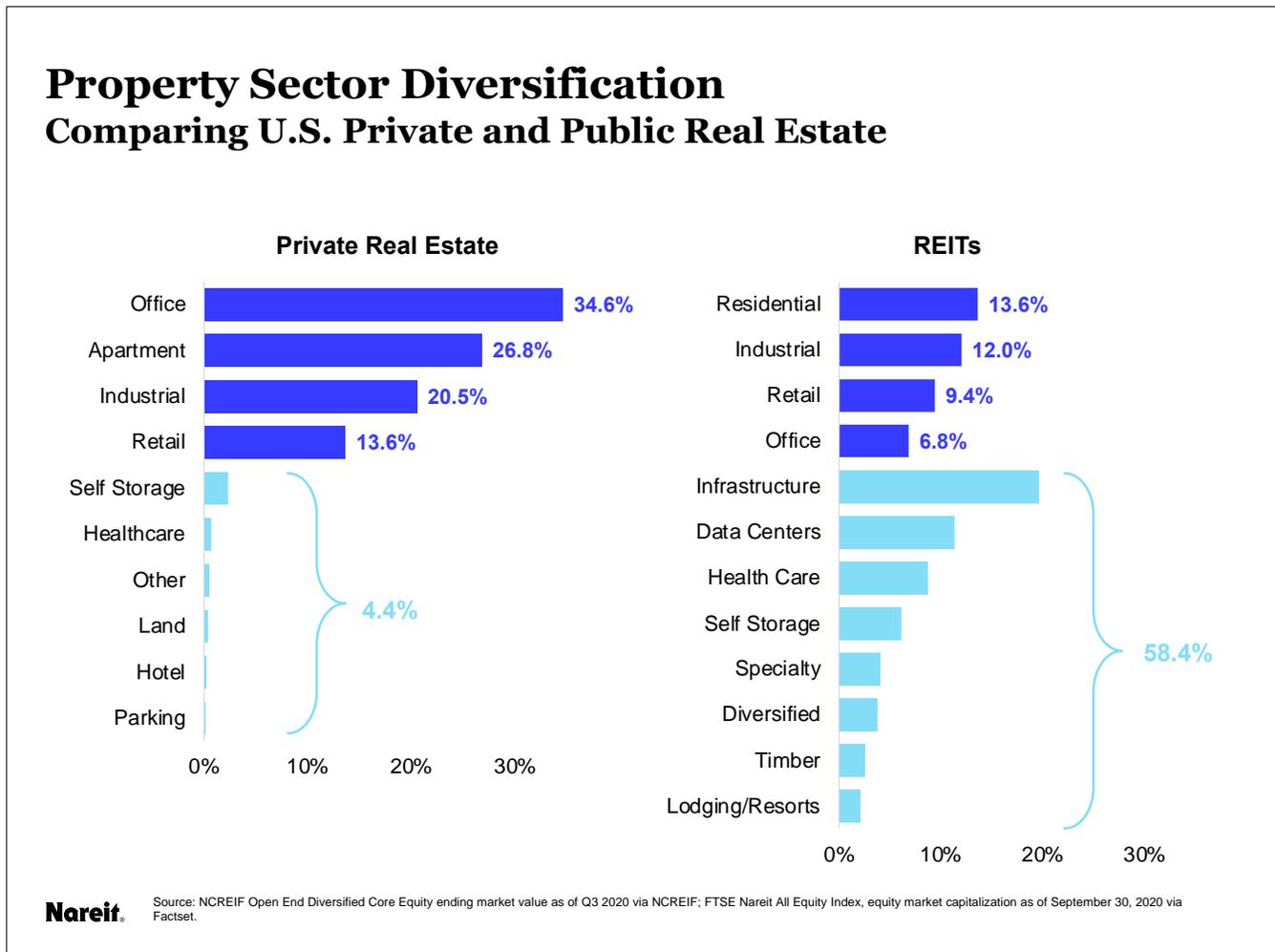
The public real estate market, however, offers ample opportunity to gain exposure to new economy assets, which represent approximately 58% of publicly listed U.S. REITs' equity market capitalization.

Institutional investors in growing numbers have turned to REITs to supplement their private real estate assets and to build completion portfolios. An estimated 60% of pension, endowment and foundation real estate portfolios on an asset-weighted basis are now a blend of public and private assets.

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The Completion Portfolio

(Continued from Page 7)



The Public/Private Blend's Advantages

In addition to providing efficient and economic access to all the 21st Century real estate economy offers, REITs bring other benefits to the completion portfolio.

One of those is market liquidity. Many portfolio managers whose private real estate fund investments were gated during the pandemic and during the 2008 financial crisis and its aftermath experienced the challenge of being unable to rely on liquidity from those assets to help make adjustments in their portfolios. Unlike private funds, publicly listed REIT strategies can provide immediate liquidity to rebalance or put money to work quickly to seize opportunities.

REITs also provide increased control over portfolio design and implementation, enabling investors to customize their real estate portfolios and act on convictions they may have for certain property types or geographies. This allows investors to exclude some property types or specific locations, while increasing exposure to other assets that may strengthen returns.

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The Completion Portfolio

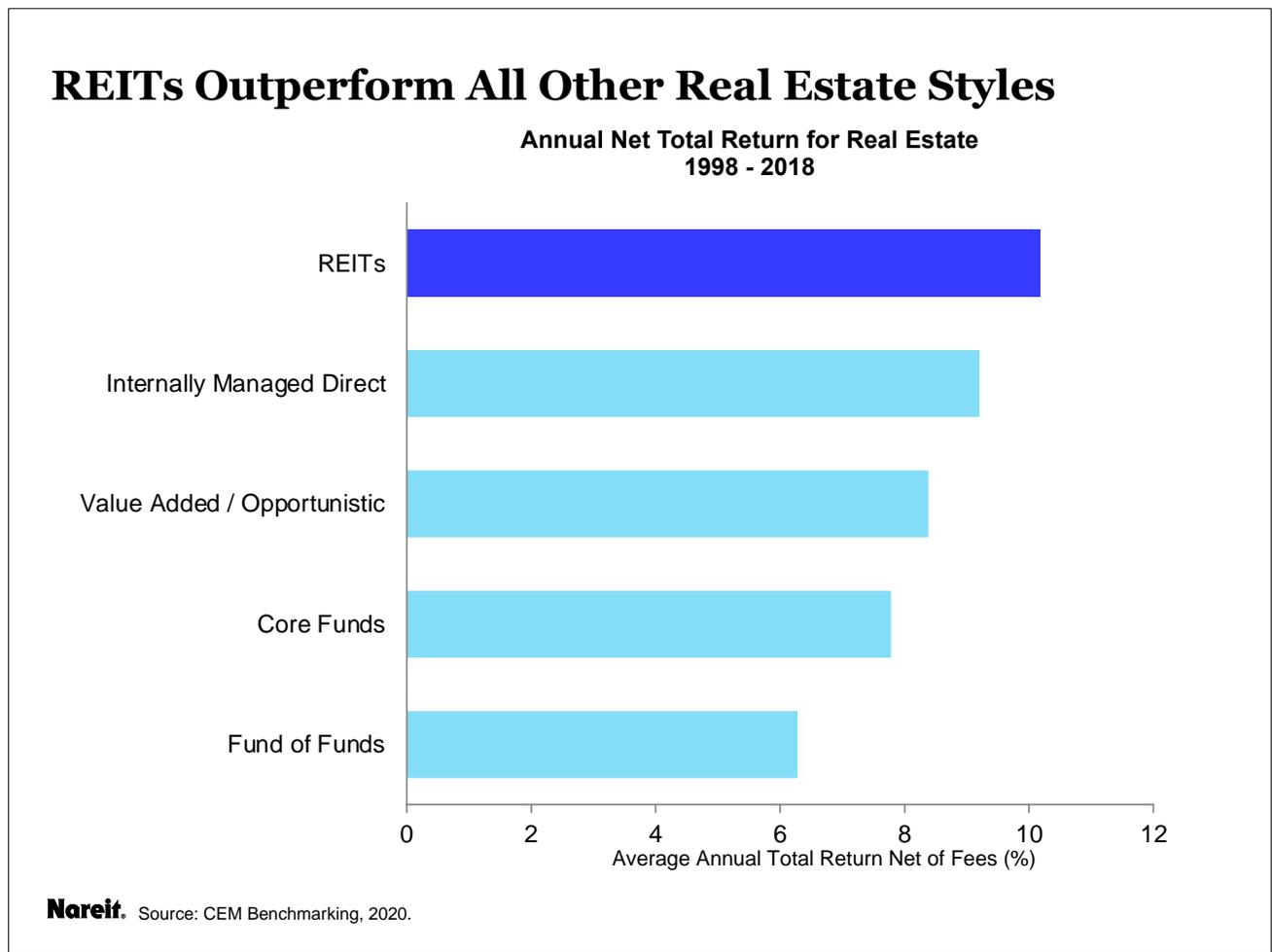
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A Track Record of Performance

Finally, REITs have a proven track record of delivering lower costs and higher total returns net of fees than any style of private real estate fund investment. The results were documented in a recent Nareit-sponsored CEM Benchmarking study of realized investment returns and costs for approximately 200 major U.S. pension funds over a 21-year period, 1998-2018.

REIT investments delivered an average annual net return of 10.2% over the study period – nearly 270 basis points higher than the 7.5% average annual net return of private real estate. Every type of private real estate, both direct and LP/GP – style funds, underperformed REIT investments. Average annual net returns for internally managed core real estate were 9.2%; returns for opportunistic and value-added funds were 8.4%; returns for core funds were 7.8%; and returns for real estate fund-of-funds were 6.3%.

The real estate investment marketplace has changed significantly in recent decades. But the changes have brought new opportunity to real estate investors, and the evolution of the REIT market has made these opportunities readily available.



When Markets Are Recovering, Don't Ignore Volatility

By: Kent Hargis, Sammy Suzuki and Christopher W. Marx from AllianceBernstein



Kent Hargis is Co-Chief Investment Officer of Strategic Core Equities. He has been managing the Global, International and US portfolios since their inception in September 2011, and the Emerging Markets Strategic Core Portfolio since January 2015. Hargis was named head of Quantitative Research for Equities in 2009, with responsibility for overseeing the research and application of risk and return models across the firm's equity portfolios. He joined the firm in October 2003 as a senior quantitative strategist. Prior to that, Hargis was chief portfolio strategist for global emerging markets at Goldman Sachs. From 1995 through 1998, he was assistant professor of international finance in the graduate program at the University of South Carolina, where he published extensively on various international investment topics. Hargis holds a PhD in economics from the University of Illinois, where his research focused on international finance, econometrics and emerging financial markets.

Sammy Suzuki is Co-Chief Investment Officer of Strategic Core Equities. He has been managing the Emerging Markets Strategic Core Portfolio since its inception in July 2012, and the Global, International and US portfolios since 2015. Suzuki has managed portfolios for well over a decade. From 2010 to 2012, he also held the role of director of Fundamental Value Research, where he managed 50 fundamental analysts globally. Prior to managing portfolios, Suzuki spent a decade as a research analyst. He joined AB in 1994 as a research associate covering the capital equipment industry, and then became an analyst covering the technology industry. Suzuki became portfolio manager in 2004. From 1998 to 2004, he served as senior research analyst for the global automotive industry. Before joining the firm, Suzuki was a consultant at Bain & Company. He holds a BS in materials science and engineering and a BS in finance (both magna cum laude) from the University of Pennsylvania. He is a CFA charterholder and a member of the Board of the CFA Society New York



Christopher W. Marx is a Senior Investment Strategist for Equities. He works with clients across a range of equity services and also serves as an advisory member on the Strategic Core investment team. Previously, Marx was a portfolio manager of Equities. In 2011 he cofounded the Global, International and US Strategic Core Equity portfolios with Kent Hargis. Marx joined the firm in 1997 as a research analyst covering a variety of industries both domestically and internationally, including chemicals, metals, retail and consumer staples. He became part of the portfolio-management team in 2004. Prior to joining the firm, Marx spent six years as a consultant for Deloitte & Touche and Boston Consulting Group. He holds a BA in economics from Harvard University and an MBA from the Stanford Graduate School of Business.

Global stocks rebounded sharply from the coronavirus market crash in 2020, but the ride was rocky. Even in a rising market, volatility is a clear and present danger. With so many risks clouding the outlook, we believe that investors should focus on generating a smoother pattern of returns through the recovery from COVID-19.

When equity markets tumbled in early 2020, controlling volatility was a high priority for many investors. But as markets recovered through the last nine months of the year, volatility might have seemed less pressing.

In fact, volatility persisted through 2020, even as stocks recovered. The daily volatility of the MSCI ACWI Index was 28%—nearly three times higher than in 2019. The index rose or fell by at least 1% in 90 days during 2020—more than three times as frequently as in 2019.

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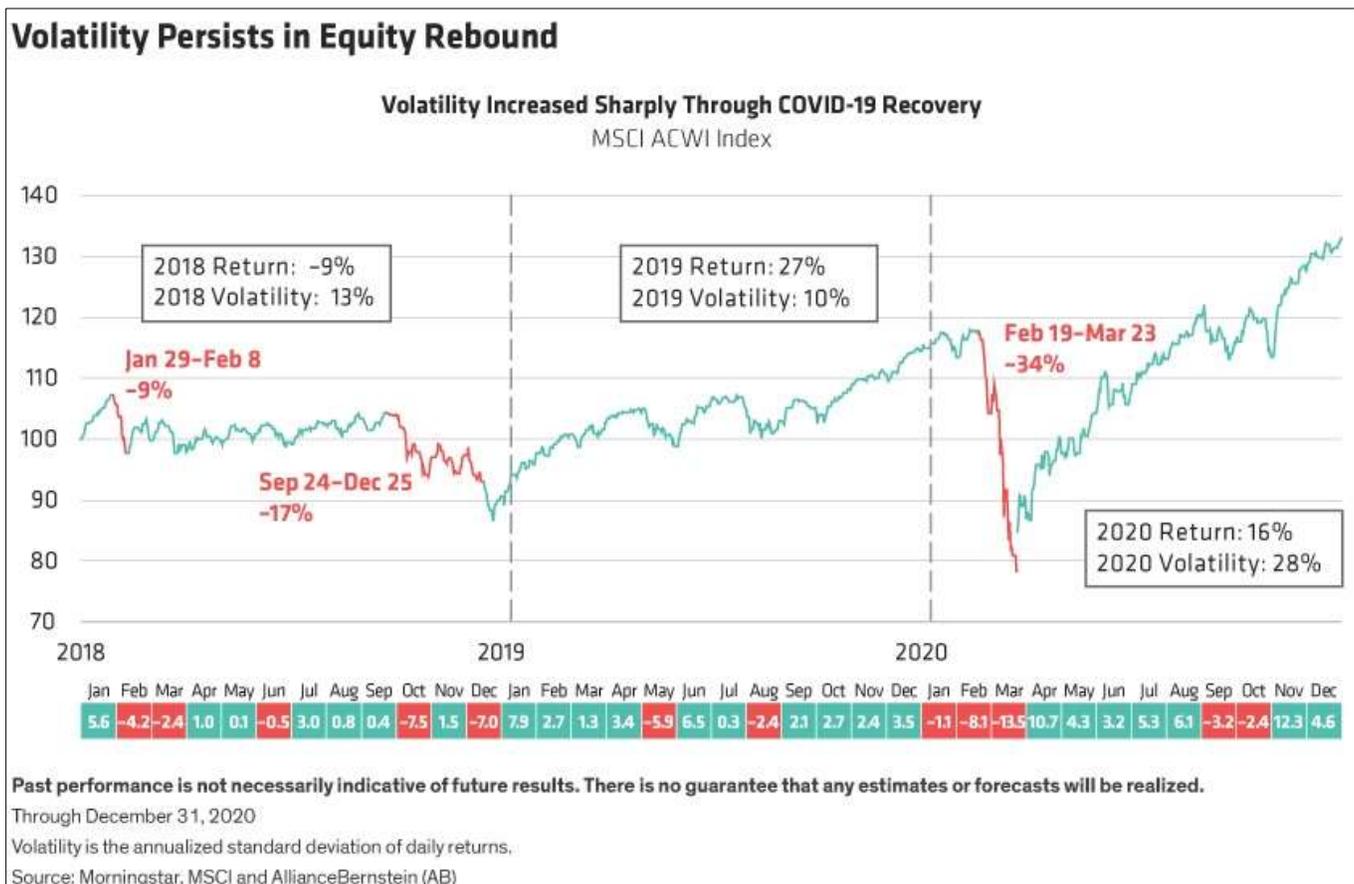
When Markets Are Recovering

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Stay Invested Through Volatile Episodes

Big drawdowns can be unsettling for investors. But selling out of equities when the market corrects is often a mistake. Indeed, investors who exited stocks during the COVID-19 crash during February and March of 2020 would have locked in losses and missed the rebound through the rest of the year. Since it's almost impossible to time inflection points in the market, we believe staying invested through bouts of volatility is essential for success.

Even after recovering most of the losses from the first quarter 2020 sell-off, news of vaccine breakthroughs has pushed equity markets higher since November. Yet the world's exit path from the pandemic is still highly uncertain. Restoring global economic growth will be an uneven process that will depend on fiscal policies, public health concerns and consumer confidence. These are just some of the risks that may continue to fuel volatility this year. In this environment, we think it's important to consider investment strategies that can help investors capture good sources of long-term return potential but that are also designed to help reduce risk in falling markets and deliver a more comfortable investment journey.



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