Update to the School Administrators of Iowa

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IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM
August 4, 2016
Our Mission

Administer a cost-efficient retirement plan that provides lifetime pension payments to public employees and serves to attract and retain a quality workforce.
Governance

What is the role of the Plan Sponsor

- Creates plan
- Establishes funding
- Monitors performance against plan goals
- Determines participation
- Determines benefits

Governor

Legislature

Plan Sponsor

Benefits Advisory Committee

IPERS Administration

Investment Board Fund Trustee

Plan Sponsor

Governor

Plan Sponsor

Legislature

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Governor

Plan Sponsor
Did you know? One in ten Iowans is an IPERS member.

- Over 111,000 retirees and beneficiaries
- $1.7 billion paid in benefits
  - $1.5 billion paid to Iowans
Large Membership Pool

As of 6/30/15

Regular members make up 95%.

Special Service members make up 5%.

As of 6/30/15
IPERS is a Defined Benefit Plan

- Paid as a lifetime, monthly annuity
- Amount is based on a formula
- Contributions from employee and employer
- Pooled contributions are invested by professional investment managers

*Early-retirement reduction applies only to the benefits of Regular members who retire before normal retirement age.*
Prefund – Not Pay-as-You-Go

Guaranteed lifetime annuity.

70% of benefits are funded by investments.
What is an Actuarial Valuation?

Annual snapshot as of June 30

- Evaluates funded status
- Evaluates asset and liability measures
- Determines annual required contributions
Key Funding Measurements

FY2015

- Ratio of actuarial assets to actuarial liabilities, **83.7%** (up from 82.7%)
- Unfunded actuarial liability (UAL) decreased by **$89 million**
- Deferred investment gain of **$514 million**
$5.4 billion UAL resulted from:

- A decade of insufficient contributions
- Two recessions – 2001 and 2009
- Updated mortality tables
- IPERS members living longer
Regular Membership

Historical Contribution Rates

Fiscal Year

Employee Rate

Employer Rate

Actuarial Contribution Rate
Investment Returns

Annualized Returns

- 1-Year: 3.96%
- 10-Year: 7.21%
- 20-Year: 8.58%
- 30-Year: 9.38%

For periods ending June 30, 2015

Actuarial Assumed Investment Return

- 1953–1993: 6.50%
- 1996–present: 7.50%

Current actuarial assumed investment return = 7.50%
The IPERS Trust Fund as of 6/30/15 remained at $28 billion after paying out $1.7 billion.
Benefit Payments by County

- Over 111,000 retirees
- $1.7 billion paid in benefits
- $1.5 billion paid to Iowans

As of 6/30/2015
IPERS’ Benefit Plan

- Model pension system
- Reformed in 2010
- Contribution rates tied to actuarial rate
  - Investment Board adopted funding policy
- Benefit reductions taken by current, active members
  - No separate tier for new hires
Credit Ratings & GASB

- Credit-rating agencies apply their own standards currently; independent of GASB
- Updated methodology attributes more weight to debt and pension liabilities
- Extensive information on IPERS’ website
New Administrative Rule

Requires annual certification of your Section 125 plan with IPERS

- Employer contributions may be considered IPERS-covered wages if made to a qualified plan
- Any employer-sponsored fringe benefit plan that is subject to Section 125 of the federal Internal Revenue Code
  - Also known as cafeteria plan, flexible benefits plan, flex plan, and flexible spending arrangement
- More information on IPERS’ website
Conducted by Essman/Research in March

- 904 phone surveys to active and retired members
- 759 online surveys to public employers
- 145 online surveys to policymakers and elected officials
Key Findings

Active and Retired Members

- Have a high degree of trust and confidence in IPERS
- Feel IPERS provides clearly-written annual benefits statements and financial reports
- Believe IPERS should help educate younger members on the importance of saving
- Don’t visit the IPERS website frequently
Key Findings

**Employers**
- Feel responsible to introduce IPERS to new employees
- Would like more materials, such as a video, to help them
- Are well-acquainted with the online system
- Gave IPERS high performance marks for training, communications, website and helpdesk support
Member Awareness Study

Key Findings

*Policymakers and Elected Officials*

- Will benefit from more education about IPERS’ law changes, governance, plan design, and how IPERS contributes to Iowa’s economy
- Consider IPERS a good recruiting and retention tool
- Feel IPERS is better funded than other state pension systems; an excellent value, with a good reputation for being fiscally responsible
IPERS’ total pension administration cost of $54 per active member and annuitant has remained significantly below its 4-year peer group cost of $95.

Source: CEM Benchmarking Inc.
IPERS Fun Facts

- 134 members over the age of 100
- Provided over 8,138 preretirement counseling sessions in FY2016
- Received over 88,389 phone calls
- Prepared more than 43,149 estimates
- Welcomed 6,022 retirees
Our Vision

*IPERS is a sustainable and affordable retirement plan that is valued by all Iowans and provides members with secure income, supports self-sufficiency in retirement, and contributes to local economies.*
The purpose of this presentation is to provide an update on IPERS. For additional information, feel free to contact us or visit our website at [www.ipers.org](http://www.ipers.org)

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