



IPERS INVESTMENT BOARD MEETING

Meeting. The IPERS Investment Board met on March 24, 2017. The Board heard the following presentations and took the following action:

CEM Benchmarking. CEM Pension Administration Benchmarking Analysis presented a report to the Investment Board that compared Iowa to other like pension systems in the following states: Washington, Wisconsin, Indiana, Ohio, Colorado, Arizona, Oregon, Illinois, Missouri, New York, and Louisiana. The report highlighted the following:

- IPERS total pension administration cost was \$53 per active member and annuitant. CEM reported this was \$49 below the peer average of \$102 (and \$33 below the peer median of \$85).
- IPERS total pension administration cost per active member and annuitant increased by 5.7% per annum between 2013 and 2016.
- IPERS continues to have the lowest administration costs in its peer group.
- IPERS total service score, an evaluation of customer service, was 81, which was equal to the peer average but below the peer median score of 85.
- IPERS service score increased from 80 to 81 between 2013 and 2016.

Actuarial Consulting Services Contract. The Investment Board voted 7-0 to approve the hiring of Cavanaugh Macdonald as the System's actuary, subject to successful contract and fee negotiations.

Retirement System Portfolio. As of March 10, 2017, the IPERS Trust Fund had a total asset balance of \$29.663 billion. The portfolio is invested 81.51%, or \$24.179 billion, in public markets and 18.49%, or \$5.483 billion, in private markets. Columbia Management invests approximately 1.18% of the IPERS Trust Fund in U.S. Large Cap Growth Equities that was placed on the watch list on February 1, 2017, for one year. PanAgora Asset Management invests approximately 3.22% in the Enhanced S&P 500 Index that was placed on the watch list on March 10, 2017, for one year.

IPERS Economic Assumptions. The actuary was asked to review the economic assumptions and to present recommendations to the Investment Board. The Board voted unanimously to approve the recommendations of the actuary in regard to the following economic assumptions:

- Price Inflation: 2.60% - previously was 3.00%
- Interest on Member Accounts: 3.50% - previously was 3.75%
- Investment Return: 7.00% - previously was 7.50%
- General Wage Growth: 3.25% - previously was 4.00%
- Payroll Growth: 3.25% - previously was 4.00%

These assumptions will be applied in the June 30, 2017, valuation used to determine the July 1, 2018, contribution rates (FY 2019). The current Unfunded Actuarial Liability (UAL) is amortized at 27 years. Adopting the new economic assumptions increases the current UAL by approximately \$1.386 billion, and the Investment Board voted 4-3 to amortize this increase over

20 years. IPERS reported that, using the new assumptions with the 2016 data, the IPERS funded ratio dropped from approximately 84.0% to 80.0%.

The actual rates will be reported in the June 30, 2017, Actuarial Valuation, but the following rate changes were built off the June 30, 2016, Actuarial Valuation for demonstration purposes.

- IPERS Regular Membership contribution rate will increase from 14.88% to 15.88%. The 1.0% increase will be applied 60.0% employer and 40.0% employee.
- Sheriffs and Deputies contribution rate will increase from 18.76% to 19.50%. The 0.74% increase will be applied 50.0% employer and 50.0% employee.
- Protection Occupation contribution rate will increase from 16.40% to 17.22%. The 0.82% increase will be applied 60.0% employer and 40.0% employee.

Next Meeting. The next meeting of the IPERS Investment Board is June 22, 2017.

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