

Iowa Public Employees' Retirement System (IPERS)

Presentation to the
Administration and Regulation Appropriations Subcommittee

March 12, 2002

Iowa Public Employees' Retirement System (IPERS)
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IPERS Vision, Core Purpose and Core Values

Vision

To be recognized as the best-administered public retirement system in the country, providing our members and beneficiaries valuable benefits and superior services.

Core Purpose

To provide cost-effective and sufficient core retirement benefits and services exclusively to members and beneficiaries for their care in retirement, to reduce personnel turnover and to attract competent men and women to public service in the State of Iowa.

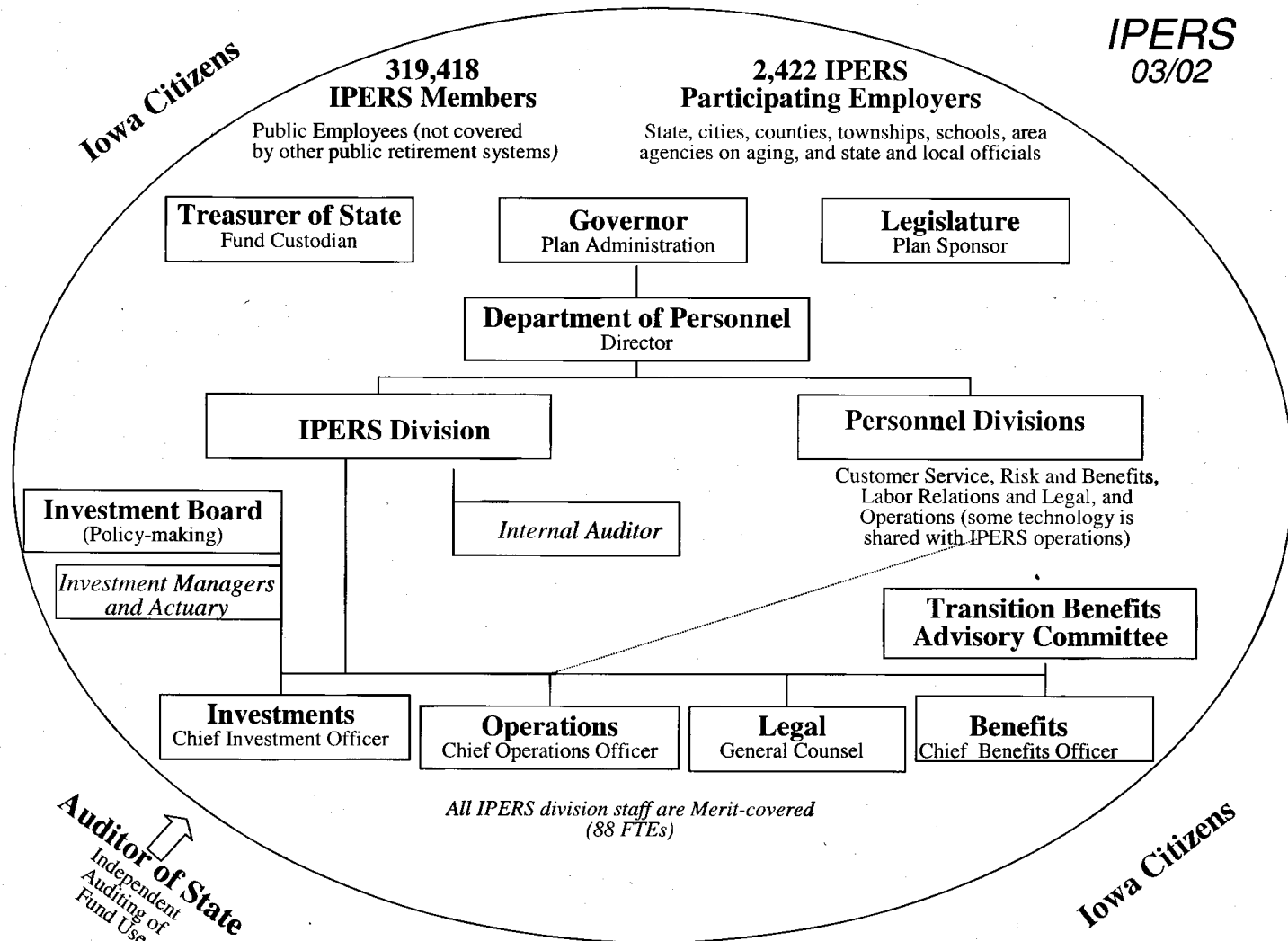
Core Values

- Members and public employers are the reason we exist and providing the most efficient and effective services to our members and beneficiaries is our primary responsibility.
- Protection of member benefits and services are fundamental to IPERS' operations.
- Independent responsible management of the trust fund for the exclusive benefit of our members and beneficiaries is our most important fiduciary responsibility and must not be compromised for political or operational expediency.
- Honesty and integrity shall prevail in our dealings with members, other stakeholders and with our colleagues.
- Respect for staff guides our deliberations and we are committed to follow the highest standards of professional conduct.

Major Provisions of S.F. 497

1. Establishes a Chief Executive Officer (CEO) for IPERS whose sole focus shall be the retirement system
 - 4 year term, subject to confirmation of the Senate
 - cannot be summarily removed except for cause
 - Credentials require extensive pension management experience
2. Makes IPERS a semi-autonomous division within the Department of Personnel.
3. Retains positions of Chief Investment Officer (CIO), whose responsibilities are focused on the investment program, and the Chief Benefits Officer (CBO), whose responsibilities are directed to benefits and member services.
4. Clarifies that IPERS' budget request is to be prepared by the CEO in consultation with the Investment Board and IPERS' managers.
5. Transforms the existing IPERS' Investment Board *from* an advisory board to a more fully empowered policy board.
6. Codifies a Benefits Advisory Committee whose responsibilities include working with, and advising IPERS and the General Assembly, on benefits and member services. This transforms the purely *ad hoc* employer and employee Constituent Group, which has been in existence since the early 1990s, into a more formal role.
7. Becomes effective July 1, 2002.

IPERS
03/02

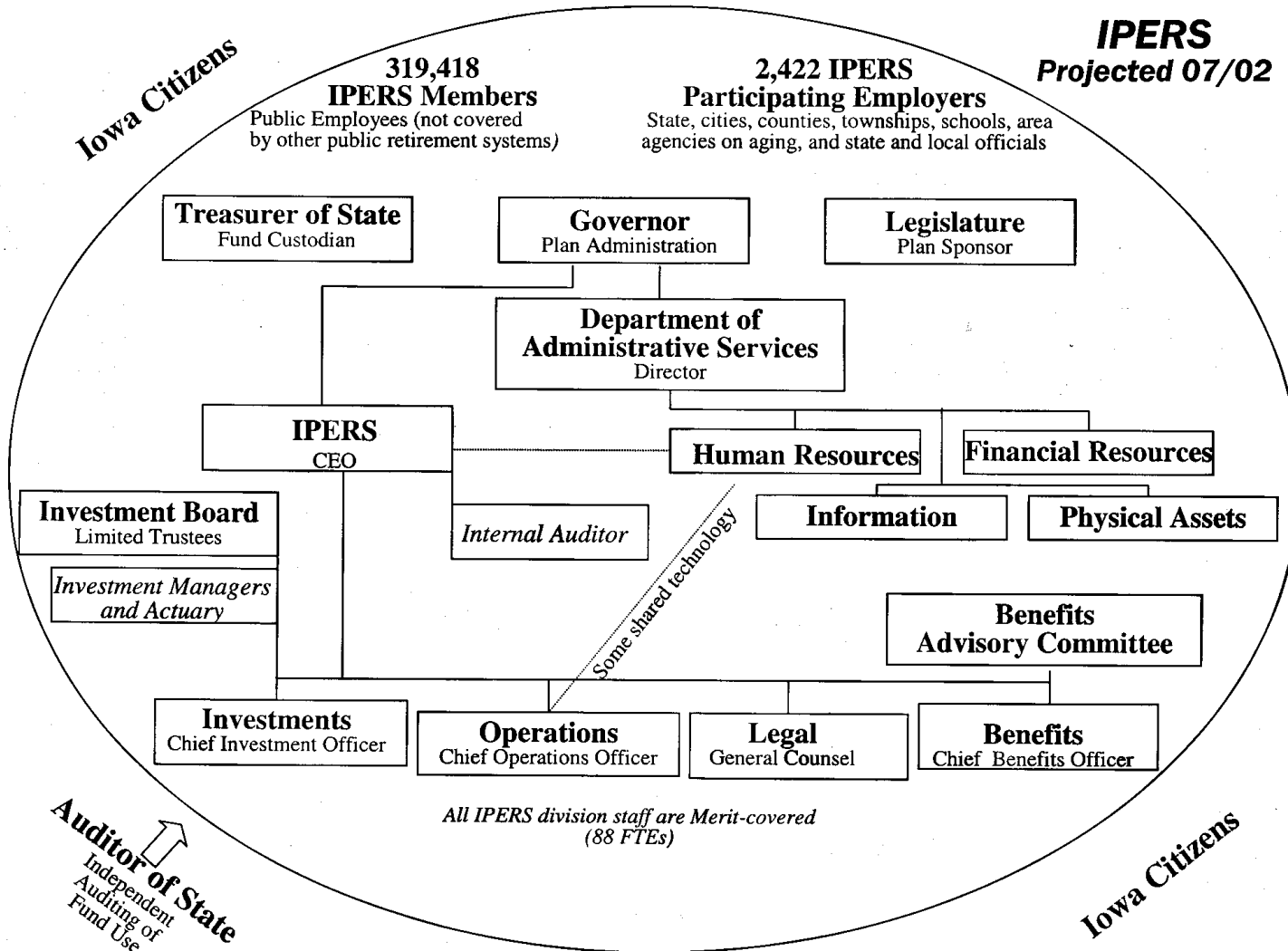


IPERS
Projected 07/02

Iowa Citizens

319,418
IPERS Members
Public Employees (not covered
by other public retirement systems)

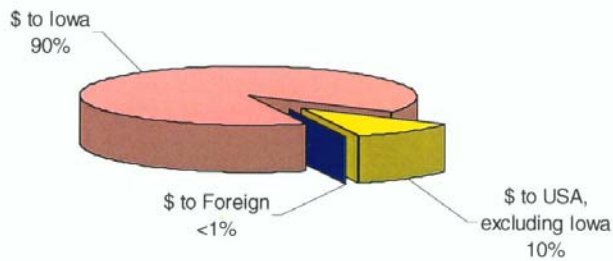
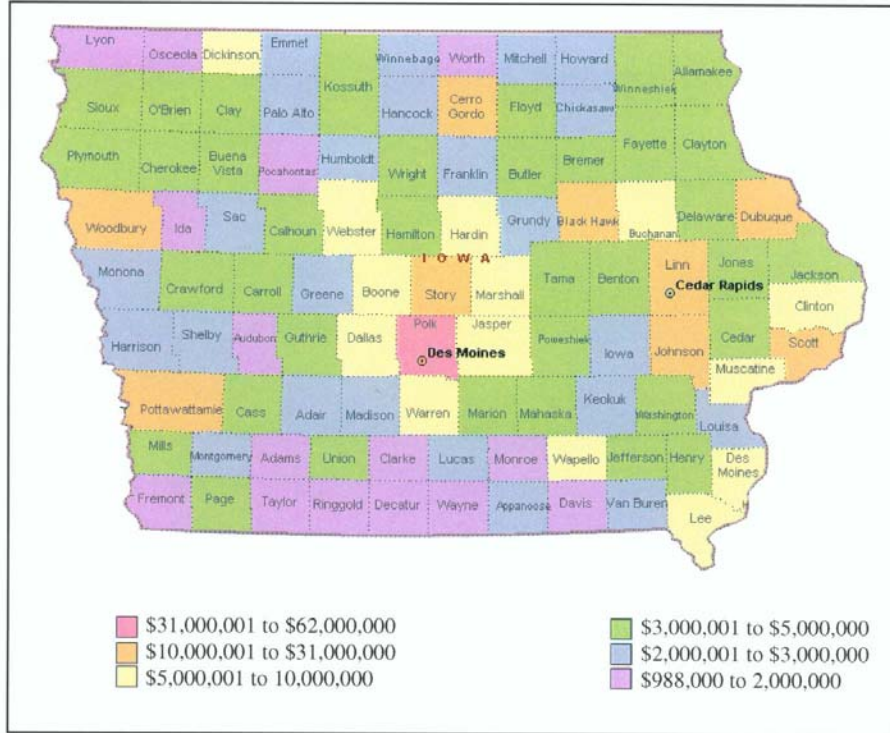
2,422 IPERS
Participating Employers
State, cities, counties, townships, schools, area
agencies on aging, and state and local officials



Auditor of State
Independent
Auditing of
Fund Use

Iowa Citizens

**IPERS Benefit Payments
as of June 30, 2001**



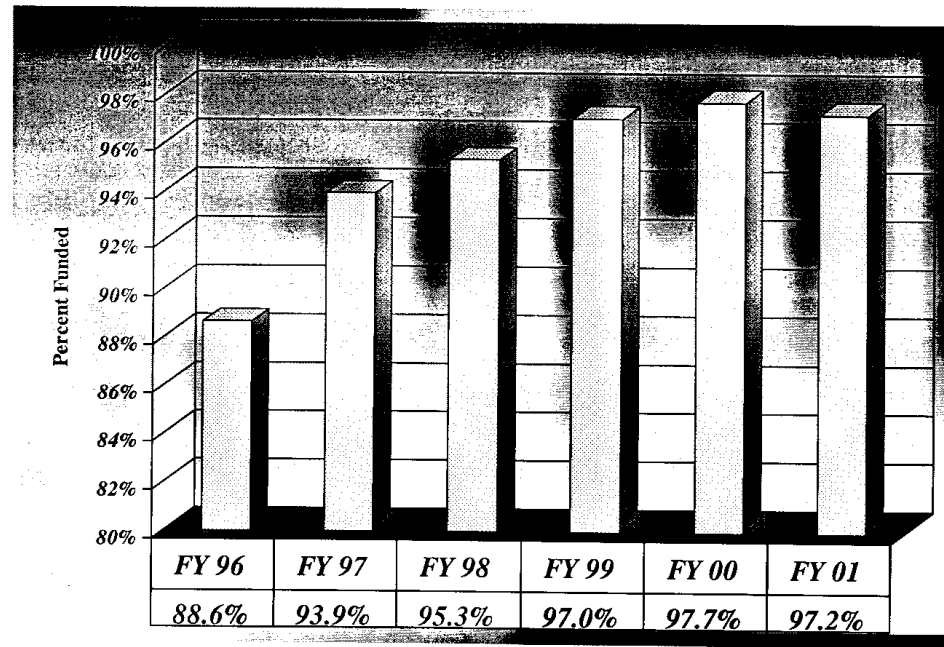
■	\$ to Iowa \$541,633,959
■	\$ to USA, excluding Iowa \$63,119,137
■	\$ to Foreign \$103,761

**Distribution of IPERS Benefit Payments in Iowa Counties
as of June 30, 2001**

COUNTY	AMOUNT	AVERAGE	PAYEES	COUNTY	AMOUNT	AVERAGE	PAYEES
Adair	\$ 2,105,367	\$ 8,005	263	Jefferson	\$ 3,290,123	\$ 8,821	373
Adams	988,092	6,631	149	Johnson	12,221,417	8,009	1526
Allamakee	3,325,909	8,661	384	Jones	4,607,809	9,179	502
Appanoose	2,556,382	7,794	328	Keokuk	2,862,774	7,696	372
Audubon	1,494,862	6,889	217	Kossuth	3,189,120	8,053	396
Benton	4,039,186	7,187	562	Lee	6,961,851	9,282	750
Black Hawk	21,551,506	9,071	2376	Linn	30,509,673	9,964	3062
Boone	6,593,185	8,130	811	Louisa	2,623,639	8,894	295
Bremer	4,624,937	8,409	550	Lucas	2,254,706	7,541	299
Buchanan	5,714,207	8,491	673	Lyon	1,837,627	7,754	237
Buena Vista	4,061,133	8,221	494	Madison	2,621,471	7,992	328
Butler	3,133,060	7,736	405	Mahaska	4,112,262	8,532	482
Calhoun	3,058,945	7,987	383	Marion	4,712,116	8,536	552
Carroll	3,044,338	7,371	413	Marshall	9,287,361	8,544	1087
Cass	3,932,216	8,475	464	Mills	3,974,182	8,211	484
Cedar	3,513,606	8,487	414	Mitchell	2,769,375	8,218	337
Cerro Gordo	10,631,422	9,835	1081	Monona	2,522,393	8,436	299
Cherokee	4,620,472	8,801	525	Monroe	1,655,437	7,015	236
Chickasaw	2,870,567	9,260	310	Montgomery	2,780,581	7,376	377
Clarke	1,793,241	7,116	252	Muscatine	6,068,683	8,245	736
Clay	3,651,423	8,394	435	O'Brien	3,205,211	7,595	422
Clayton	4,036,217	7,837	515	Osceola	1,074,387	7,115	151
Clinton	7,552,928	8,672	871	Page	4,833,666	8,305	582
Crawford	3,838,835	8,437	455	Palo Alto	2,976,334	8,044	370
Dallas	7,222,236	8,152	886	Plymouth	4,260,737	8,371	509
Davis	1,942,575	7,116	273	Pocahontas	1,687,677	7,602	222
Decatur	1,992,081	6,822	292	Polk	61,040,621	9,474	6443
Delaware	3,635,297	8,514	427	Pottawattamie	12,116,078	8,773	1381
Des Moines	8,497,568	9,892	859	Poweshiek	3,592,451	8,553	420
Dickinson	5,178,510	9,643	537	Ringgold	1,666,232	7,244	230
Dubuque	10,941,984	9,043	1210	Sac	2,129,222	7,218	295
Emmet	2,561,196	8,741	293	Scott	20,887,595	10,110	2066
Fayette	4,559,710	8,056	566	Shelby	2,858,922	8,215	348
Floyd	3,948,905	8,547	462	Sioux	3,998,234	7,530	531
Franklin	2,305,546	7,711	299	Story	17,839,065	9,856	1810
Fremont	1,740,624	7,134	244	Tama	3,754,479	8,572	438
Greene	2,643,765	6,779	390	Taylor	1,858,750	7,495	248
Grundy	2,892,077	8,034	360	Union	3,406,739	7,814	436
Guthrie	3,169,712	7,788	407	Van Buren	2,397,045	7,833	306
Hamilton	4,498,763	9,016	499	Wapello	7,870,417	8,883	886
Hancock	2,446,997	8,239	297	Warren	7,867,852	9,322	844
Hardin	5,831,811	8,464	689	Washington	4,198,488	7,226	581
Harrison	2,936,910	7,895	372	Wayne	1,752,600	6,927	253
Henry	4,608,250	8,259	558	Webster	7,693,996	8,400	916
Howard	2,420,938	8,555	283	Winnebago	2,415,895	8,107	298
Humboldt	2,914,709	7,964	366	Winneshiek	4,025,532	8,249	488
Ida	1,378,689	7,575	182	Woodbury	17,747,103	10,264	1729
Iowa	2,797,891	7,949	352	Worth	1,663,401	8,036	207
Jackson	3,633,460	8,003	454	Wright	3,589,447	8,176	439
Jasper	6,930,943	8,807	787				

Total Iowa Benefit Payments \$541,633,959

IPERS' Funded Ratio



$$\text{Funded Ratio} = \frac{\text{IPERS' Actuarial Assets}}{\text{IPERS' Actuarial Liabilities}}$$

**IPERS TRUST FUND
ASSETS AND EXPENSES
FY 1990 - 2001**

<u>FY</u>	<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</u>	<u>REFUNDS PAID</u>	<u>REFUNDS % OF TRUST</u>	<u>BENEFITS PAID</u>	<u>BENEFITS % OF TRUST</u>	<u>ADMINISTRATIVE EXPENSES</u>	<u>ADMIN EXP % OF TRUST</u>	<u>INVESTMENT MGMT EXPENSE</u>	<u>INV MGMT EXPENSE % OF TRUST</u>
1990	4,727,639,799	22,277,786	0.47%	167,939,830	3.55%	2,383,365	0.05%	10,233,253	0.22%
1991	5,180,869,951	21,759,868	0.42%	185,708,786	3.58%	3,501,116	0.07%	13,713,496	0.26%
1992	5,646,470,378	24,222,944	0.43%	200,972,498	3.56%	2,445,338	0.04%	15,394,221	0.27%
1993	6,136,131,480	22,610,294	0.37%	222,863,750	3.63%	3,251,098	0.05%	15,893,685	0.26%
1994	6,841,201,336	21,025,322	0.31%	246,123,627	3.60%	3,289,949	0.05%	17,128,037	0.25%
1995	7,306,409,847	21,811,912	0.30%	278,097,597	3.81%	3,250,710	0.04%	14,099,790	0.19%
1996*	9,587,104,982	23,743,427	0.25%	303,812,003	3.17%	3,409,775	0.04%	14,584,775	0.15%
1997	11,533,968,923	25,285,487	0.22%	348,536,733	3.02%	3,828,712	0.03%	17,380,143	0.15%
1998	13,692,899,832	24,557,597	0.18%	402,544,698	2.94%	4,012,736	0.03%	20,285,406	0.15%
1999	15,325,576,009	14,442,111 **	0.09%	466,752,949	3.05%	4,620,009	0.03%	34,555,214	0.23%
2000	17,140,231,190	65,608,628 **	0.38%	533,747,215	3.11%	5,865,985	0.03%	31,008,690	0.18%
2001	15,928,547,166	42,073,825	0.26%	624,259,449	3.92%	7,264,447	0.05%	42,597,049	0.26% ***
Average yearly % of Trust Fund			0.31%		3.41%		0.04%		0.21%

*In 1996, the asset valuation method was changed from a cost based to a market based method.

**Legislation passed in 1998 increased the refund payable amount for vested members effective 7/1/99. Many members delayed receiving their refund to take advantage of the legislative enhancement. Therefore, the refunds paid for FY99 decreased significantly, and increased significantly for FY2000.

***Effective in FY 2001, administrative rules require that IPERS Investment Management Expenses in basis points be calculated on the average of the four quarter-end market values for the fiscal year. This amount for FY 2001 is \$16,368,557,250.

TRUST FUND

STATE OF IOWA
 Fiscal Year 2003 Annual Budget
 SPECIAL DEPARTMENT: (680) PERSONNEL, DEPARTMENT OF
 Budget Unit: (02791553D36) IPERS ADMINISTRATION
 Schedule 1

Rank BASE	Description	Funding Source	Fiscal Year 2003 Department Request	Fiscal Year 2003 Governor's Recommendations
		OTHER STATE	\$ 5,550,152	\$ 5,550,152
		REIMB. OTHER	100	100
		OTHER	12,000	12,000
		TOTAL	\$ 5,562,252	\$ 5,562,252
		FTE	56.04	56.04
0001	To restore funding for 14.00 FTE that provide services to members, legal, investment and administrative support to the Department.	OTHER STATE	\$ 753,555	\$ 753,555
		FTE	14.00	14.00
0002	To restore funding for 11.00 FTE that provide services to members, legal, investment and administrative support to the Department.	OTHER STATE	\$ 672,783	\$ 672,783
		FTE	11.00	11.00
0003	To restore funding for 7.00 FTE that provide administrative support to the Department.	OTHER STATE	\$ 423,713	\$ 423,713
		FTE	7.00	7.00
0004	To provide funding to implement SF 497 which was passed and signed into law during the 2001 legislative session.	OTHER STATE	\$ 360,953	\$ 0
		FTE	2.00	0.00
0005	To provide funding for security needs, maintenance and improvement projects at the IPERS headquarters building.	OTHER STATE	\$ 662,000	\$ 662,000

STATE OF IOWA
 Fiscal Year 2003 Annual Budget
 SPECIAL DEPARTMENT: (680) PERSONNEL, DEPARTMENT OF
 Budget Unit: (02791553D36) IPERS ADMINISTRATION
 Schedule 1

<u>Rank</u>	<u>Description</u>	<u>Funding Source</u>	<u>Fiscal Year 2003 Department Request</u>	<u>Fiscal Year 2003 Governor's Recommendations</u>
0006	To provide funding to print and distribute an IPERS' Employer and an IPERS' Member Handbook in FY03.	OTHER STATE	\$ 279,302	\$ 0
0007	To provide funding to complete Phase 2 of a 3 phase IPERS Internet presence project.	OTHER STATE	\$ 271,000	\$ 0
0008	To provide funding for 1.00 FTE to accomplish strategic planning and research needs which have been identified for IPERS.	OTHER STATE FTE	\$ 208,895 1.00	\$ 0 0.00
<u>Total Budget</u>	<u>Unit Funding</u>	<u>Fiscal Year 2001 Actual</u>	<u>Fiscal Year 2002 Estimated</u>	<u>Fiscal Year 2003 Department Request</u>
APPROP	IPERS FUND	\$ 5,688,002	\$ 8,274,702	\$ 9,182,353
RECEIPTS	OTHER	183,760	75,000	12,000
RECEIPTS	REIMB. OTHER	0	100	100
		<u>\$ 5,871,762</u>	<u>\$ 8,349,802</u>	<u>\$ 9,194,453</u>
		<u>74.15</u>	<u>88.04</u>	<u>91.04</u>
				<u>\$ 8,074,303</u>
				<u>88.04</u>

IPERS

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