

FY2024 Budget Request

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Winter 2023



Key Statistics

- **IPERS' administrative budget has been static since FY2007.**

	<u>Assets Under Management</u>	<u>FTE</u>
FY2007:	\$23.2 billion	95
FY2022:	\$40.2 billion	88

IPERS' Strategic Goals

• Investment Management

- Build and strengthen internal and external capabilities to maximize investment returns.

• Service Delivery

- Improve member services and restore above average member service rating at low cost.

IPERS is Self-Funded

- IPERS is not asking for or receiving state funds.
- IPERS seeks permission to use an additional \$2.5 million from its trust fund (<0.01% of the fund's value) to address critical staffing and member service needs.

Key Budget Statistics*

- Benefits paid = \$2.5 billion (not appropriated)
- Investment expenses= \$70 million (not appropriated)
- Administrative expenses and investment staff salaries = \$18.5 million (appropriated)

FY2024 requested appropriation = \$21 million

FY2024 requested appropriation increase = \$2.5 million

Key Statistics: Investment Management

- IPERS Trust Fund growth in last decade = 84%
- IPERS: One investment officer per \$5 billion in assets
- Peer systems: One investment officer per \$1.5 billion in assets
- IPERS contracts with more than 50 external money managers
- External management: IPERS pays 20 cents in management fees for every dollar earned in excess of benchmark
- Internal management: IPERS pays approximately two cents for every dollar earned in excess of benchmark
- Target savings using internal management = \$36 million annually

FY2024 Budget: Investment Management

Hire six additional investment officers

- \$1.47 million annually
- Some staff will be assigned to assist in the implementation of the Board's asset allocation decisions. Some staff will implement Board-mandated strategies to generate excess returns.

Implement incentive compensation program

- Starting at \$200,000 annually
- IPERS has fallen behind the industry in the compensation of its investment professionals. Rather than simply pay higher salaries, IPERS proposes the adoption of an incentive compensation program, which is typical in the private sector and is becoming increasingly common among public pension systems.

Key Statistics: Service Delivery

- Increase in members over last decade = 15%
- Increase in retirees over last decade = 30%
- Number of Benefits staff has remained at 39 since FY2011.
- **IPERS service score – 77**
 - Lowest since 2014
 - Peer average = 81
- Insufficient staffing meant increased call center wait times, increased undesirable call center outcomes, reduced availability for one-on-one member counseling and decreased member experience surveying.

FY2024 Budget: Service Delivery

Hire four additional retirement benefit counselors

- \$320,424 annually
- Additional staff is needed to improve IPERS' service delivery efforts. With new employees, it might be possible to establish one or more in-person counseling locations outside of Des Moines.

Hire a consultant to support benefits management system review

- \$500,000
- IPERS' strategic relationship with its benefits management system vendor ends in 2026. As soon as possible, IPERS should engage with an industry consultant to assess our needs and for assistance in understanding the benefits management system marketplace. The consultant role might develop into a project management role when a new vendor is selected or, ideally, when the current vendor's system is refined and updated.

Comparative Costs*

- Current administrative cost per member = \$46
- Peer administrative cost per member = \$99
- Administrative cost per member after budget increase = \$54
 - IPERS will remain the low-cost system among peers