

# IPERS Update

## Public Retirement Systems Committee

**Gregory S. Samorajski, CEO**

December 6, 2023



All data as of FY2023 unless noted

# IPERS' Background

**Established in 1953**

**IPERS is a workforce recruitment tool**

**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

## **Legislature and Governor**

- Plan sponsors

## **Public Retirement Systems Committee**

## **IPERS Investment Board**

- Fund trustee

## **Benefits Advisory Committee**

- Advises on benefits

## **State Treasurer**

- Fund custodian

## **IPERS Administration**

- Carries out the law, collects contributions, invests assets, pays benefits



## **Plan Sponsors' Roles:**

- Creates/amends plan
- Determines plan participation
- Determines plan benefits
- Appropriates funds from the IPERS Trust Fund for administrative expenses

# Core Elements

**Mandatory participation**

**Pooled investment risk**

**Pooled longevity risk/Lifetime annuity**

**Employer/Employee cost-sharing**

**Works with Social Security and personal savings**

# How IPERS Works

**\$1.5 Billion (Contributions)**

**\$2.9 Billion (Investment earnings)**

---

**\$4.4 Billion**

=

**\$2.6 Billion (Benefit payments)**

**\$100 Million (Expenses)**

**\$300 Million (Unfunded liability payments)**

**\$1.4 Billion (New liabilities)**

---

**\$4.4 Billion**



**70%**

OF FUNDS USED TO PAY  
BENEFITS COME FROM  
INVESTMENT INCOME

# Contribution Rates

	Member Share	Employer Share	Total
<b>Regular Members</b>			
7/1/23 – 6/30/24	6.29%	9.44%	15.73%
7/1/24 – 6/30/25	6.29%	9.44%	15.73%
<b>Sheriffs and Deputy Sheriffs</b>			
7/1/23 – 6/30/24	8.51%	8.51%	17.02%
7/1/24 – 6/30/25	8.51%	8.51%	17.02%
<b>Protection Occupations</b>			
7/1/23 – 6/30/24	6.21%	9.31%	15.52%
7/1/24 – 6/30/25	6.21%	9.31%	15.52%

# Membership Groups

Total members: 404,124



# IPERS Members

## All Members by Status

**179,903**  
Active

**90,374**  
Inactive

**125,397**  
Retired

**8,450**  
Retired  
Reemployed

## Active Members by Employer Type

**93,034**  
Education

**24,856**  
City

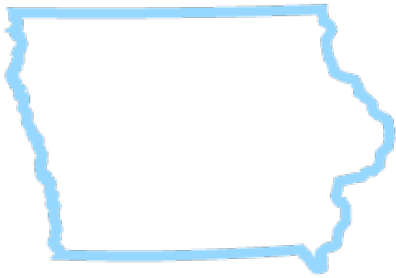
**28,215**  
County

**5,976**  
Other

**27,821**  
State



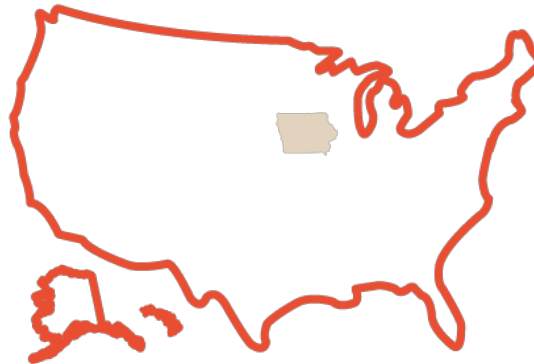
# Benefit Payments



Iowa

119,985 payees

\$2,259,995,139 paid



United States

(excluding Iowa):

19,703 payees

\$301,188,589 paid



World

57 payees

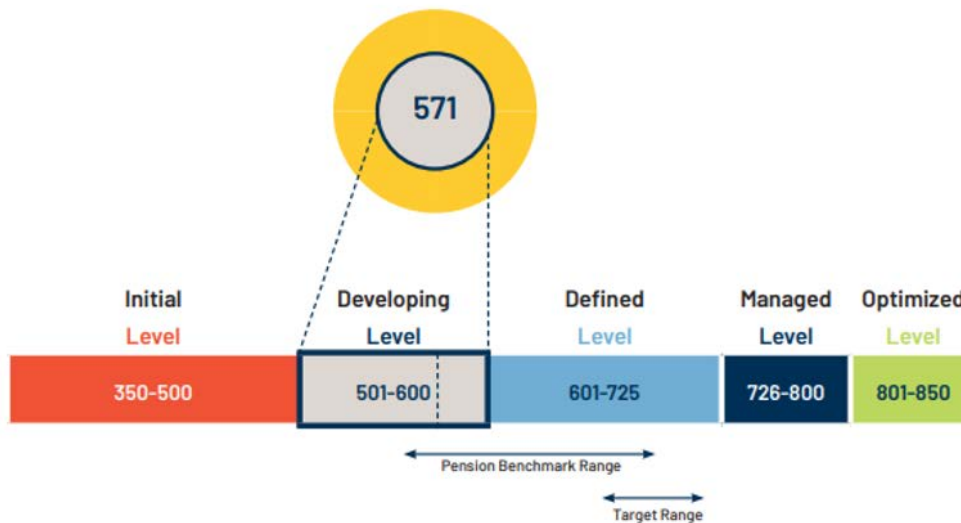
\$603,606 paid

# Emerging Goals

- **Goal #1:** Bolster IPERS' business process security and cybersecurity programs.
- **Strategy:** Implement recommendations to strengthen IPERS' business processes to minimize fraud risk and protect member information.

# Emerging Goals

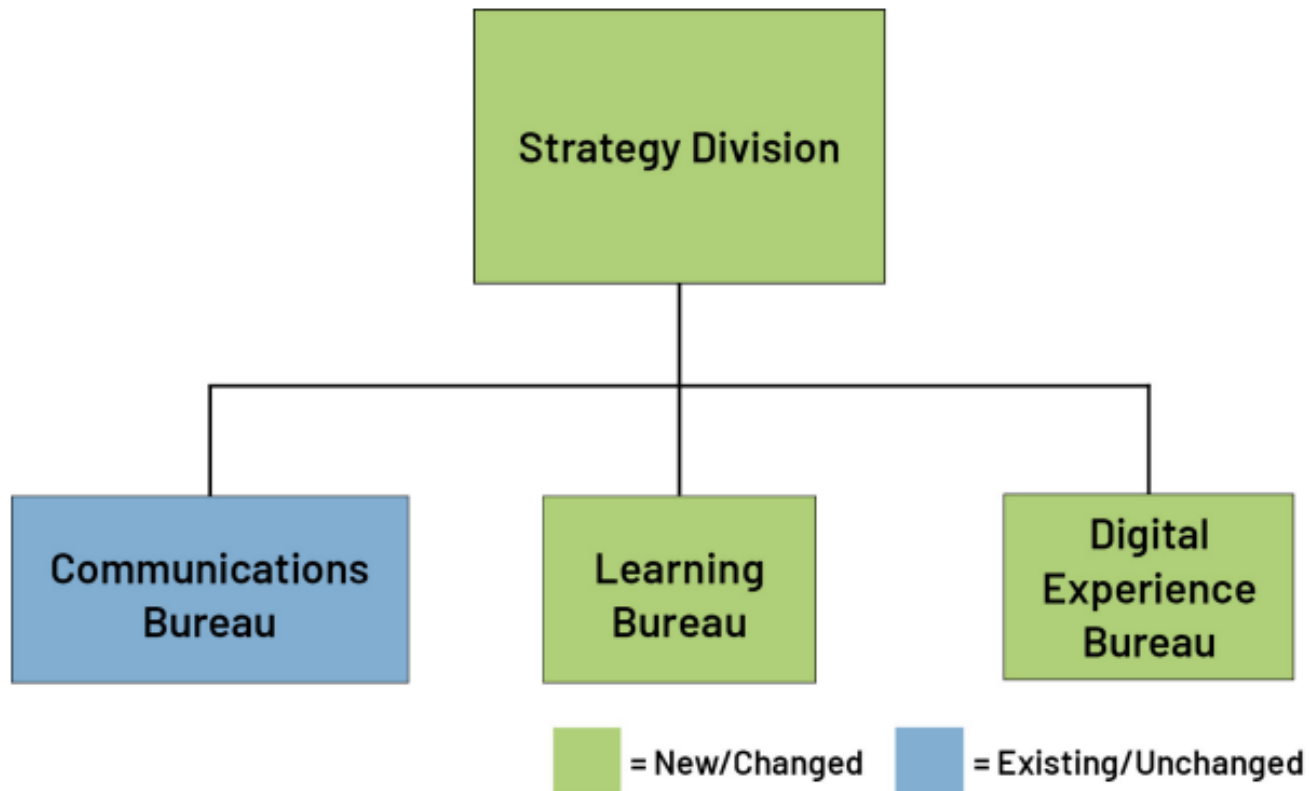
- **2023 Cybersecurity and Business Security Audit**
  - Examine operating environment and identify risks
  - Report suggested more than 100 operational enhancements
  - IPERS is requesting four new FTEs to address opportunities



# Emerging Goals

- **Goal #2:** Enhance member engagement using technology through communication and education.
- **Goal #3:** Modernize member service delivery.
- **Strategy:** Create a Strategy Division to dive deep into the member journey to identify new opportunities for member and staff education, and relevant digital tools.

# Emerging Goals



# Emerging Goals

- **Digital Experience Bureau**

- **Establish IPERS as a national leader in digital service delivery**

- Mailing costs = \$1 million annually
    - Key projects:
      - Transition mailed products to digital delivery
      - Online retirement application
      - Ongoing evaluation of members' experiences with IPERS' services

- **Learning Bureau**

- **Create education programs for IPERS members and staff**

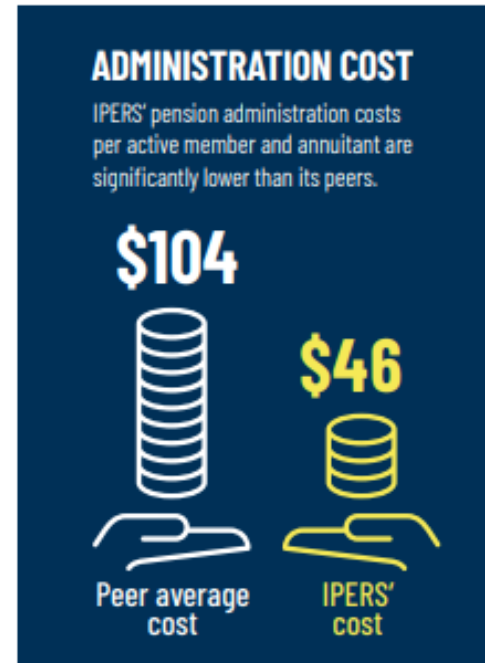
- Current member education only for near-retirees
    - Current staff training only for new Retirement Benefit Counselors
    - Key projects:
      - Educational opportunities for members at various points of career/life journey
      - Employee leadership program
      - Introductory IPERS training for all new staff

# Emerging Goals

- **Goal #4:** Improve traditional service delivery.
- **Strategy:** Provide additional staffing to improve service delivery and address key work areas.

# Emerging Goals

- **CEM Benchmarking Report**
  - IPERS' total service score = 77
  - Peer median service score = 81
  - With additional staffing, IPERS remains a lower-cost plan



## SERVICE SCORES BY ACTIVITY

Activity	You	Peer Median
Call Center	55	66
Member Presentations	45	100
Online Member Self-Service	75	85



# Benefits Advisory Committee

Iowa Public Employees' Retirement System

Len Cockman, Chair



# Benefits Advisory Committee



**Len Cockman**  
*Chair, Employer Association Representative- Local School Districts  
 Voting Member  
 Term Expires 2024*



**Lowell Dauenbaugh**  
*Vice Chair, Public Member  
 Voting Member  
 Term Expires 2029*



**Matt Carver**  
*Member Association Representative- School Administrators  
 Voting Member  
 Term Expires 2025*



**Susanne Cove**  
*Member Association Representative- State Police Officers Council*



**Todd Copley**  
*Member Association Representative- AFSCME  
 Voting Member  
 Term Expires 2025*



**Andrew Hennessy**  
*Member Association Representative- PERS Improvement Association*



**John Hieronymus**  
*Member Association Representative- Retired IPERS Members*



**Richard Hoffman**  
*Member Association Representative- International Brotherhood of Teamsters  
 Voting Member  
 Term Expires 2025*



**Steve Hoffman**  
*Member Association Representative- ISSDA*



**Connie Kuehnen**  
*Employer Association Representative- Community Colleges*



**Erin Mullenix**  
*Employer Association Representative- Cities  
 Voting Member  
 Term Expires 2026*



**Brian McDonough**  
*Employer Association Representative- Counties  
 Voting Member  
 Term Expires 2024*



**Melissa Peterson**  
*Member Association Representative- Teachers  
 Voting Member  
 Term Expires 2026*



**Adam Steen**  
*Employer Association Representative- State of Iowa  
 Voting Member*

- Represents member, employer and retiree groups
- Important liaison between members, administrators and legislators
- Associations choose BAC representatives
  - Nine voting members
  - Public member and DAS Director
- Studies issues and makes plan recommendations to IPERS and legislature
- Ensures IPERS meets member and employer needs

# IPERS Investment Board

Public Retirement Systems Committee

Bill Bemis, Vice Chair



# IPERS Investment Board



**Justin Kirchoff**

*Chair, Voting Member  
Term Expires 2025*



**Bill Bemis**

*Vice Chair, Voting Member  
Term Expires 2027*



**Roby Smith**

*State Treasurer  
Voting Member*



**Tami Loge**

*Voting Member  
Term Expires 2028*



**Kris Rowley**

*Voting Member  
Term Expires 2025*



**Matthew Watters**

*Voting Member  
Term Expires 2029*



**Molly Donahue**

*State Senator  
Nonvoting Member*



**Mark Lofgren**

*State Senator  
Nonvoting Member*



**Martin Graber**

*State Representative  
Nonvoting Member*



**Amy Nielsen**

*State Representative  
Nonvoting Member*



**Vacant**

**Trustee is a fiduciary with a legal duty to act:**

- Solely in the interest of the participants and beneficiaries
- For the exclusive purpose of providing benefits to participants and beneficiaries in a cost-effective manner

# IPERS Investment Board

## Roles and Responsibilities:

- Establish the investment policy and risk tolerance of the investment program
- Set an allocation and diversification plan
- Approve the hiring of investment managers, actuaries and consultants
- Review investment performance, investment management expenses and consult on IPERS' administrative budget
- Adopt actuarial methods, mortality tables and assumptions for the actuary to prepare the annual valuation of assets and liabilities

# Investment Update

Public Retirement Systems Committee

Sriram Lakshminarayanan, CIO





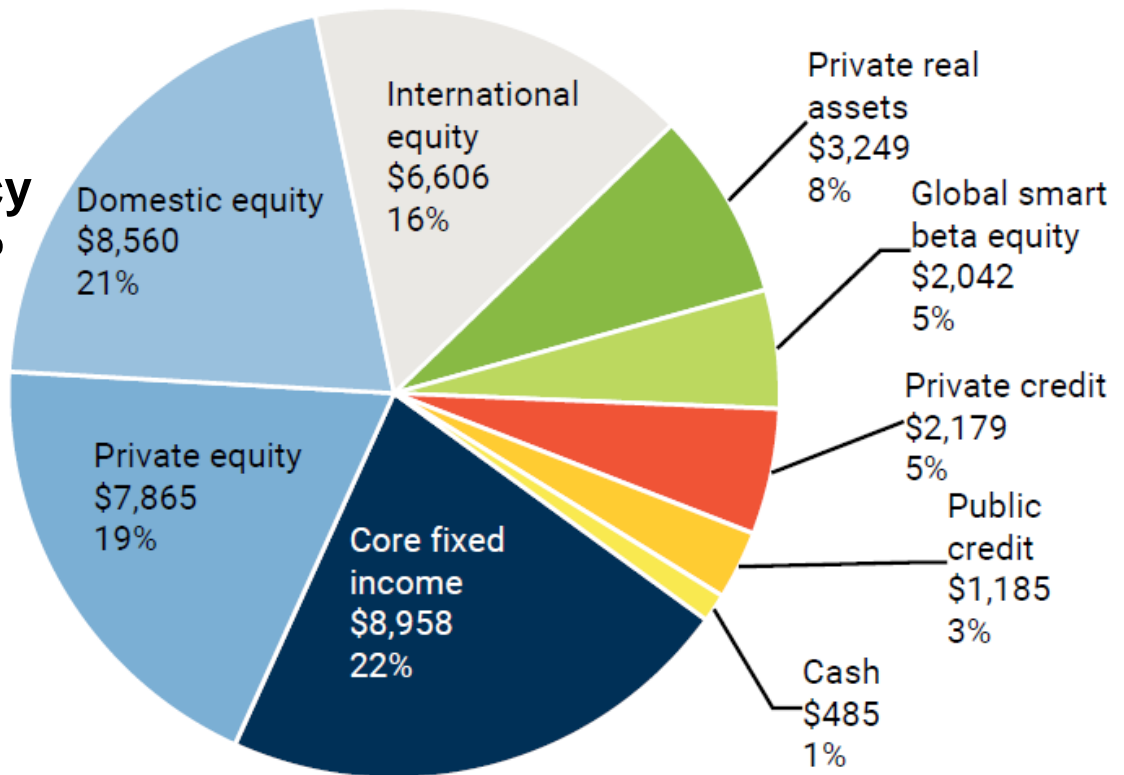
# Investment Staff

## Chief Investment Officer

- Manages seven investment officers
- Oversees \$40 billion global portfolio
- Key responsibilities:
  - Implement the Board's investment policies
  - Manage investment risk within risk budgets set by the Board
  - Add value – Earn more than the Board's strategic asset allocation plan
  - Advise Board on investment issues; make recommendations for asset allocation and implementation
  - Recommend, oversee and evaluate investment managers; administer competitive bidding process; divestment mandates

# Asset Allocation

- **Investment Board annually reviews, periodically adjusts**
- **Most important policy decision, drives 90% of total return**
- **How much risk?**
  - Long-date liabilities allow for long investment horizon
  - Can afford to take more equity and illiquidity risk
  - Cash flows must be monitored diligently





# FY2023 Investment Summary

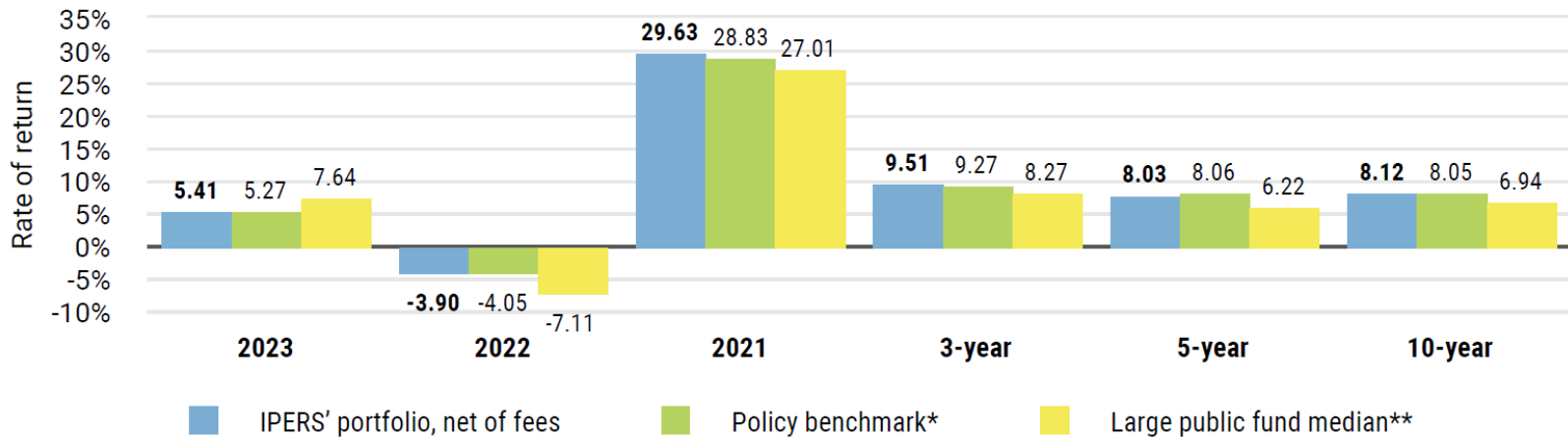
**IPERS' 5.41% net investment return lagged the actuarial assumed investment return of 7%.**

**Investment expenses (\$69.1 million) were 0.17% of the trust fund's total quarterly average fair value.**

**IPERS' net investment returns over 3-, 5- and 10-year periods ending June 30, 2023, exceeded the median large public pension fund return and were earned with less risk.**

**Investment Board approved creation of IPERS' first internally managed private co-investment program.**

# Investment Performance Summary

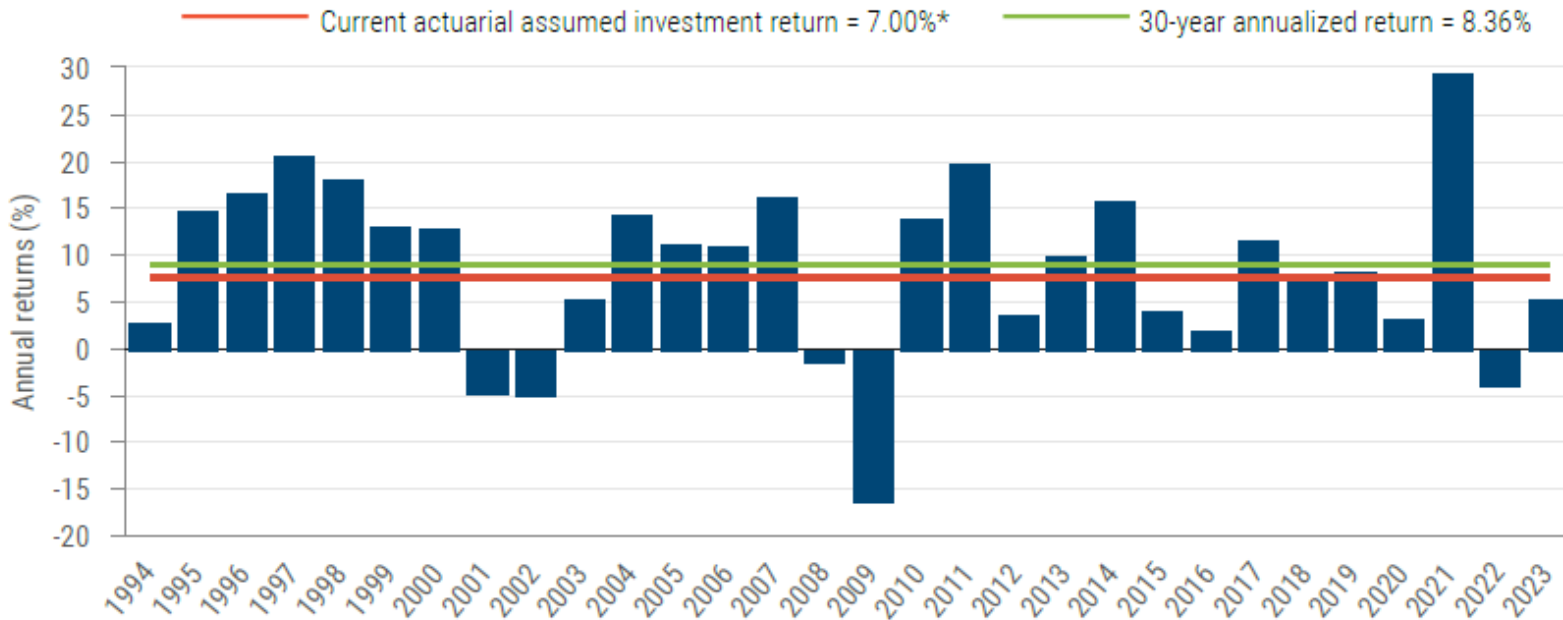


\*A benchmark composed of market indexes with weightings reflective of IPERS' asset allocation targets.

\*\*Investment Metrics' Universe of All Public Funds > \$1 Billion Index

Note: 3-, 5- and 10-year results are annualized returns.

# Investment Returns



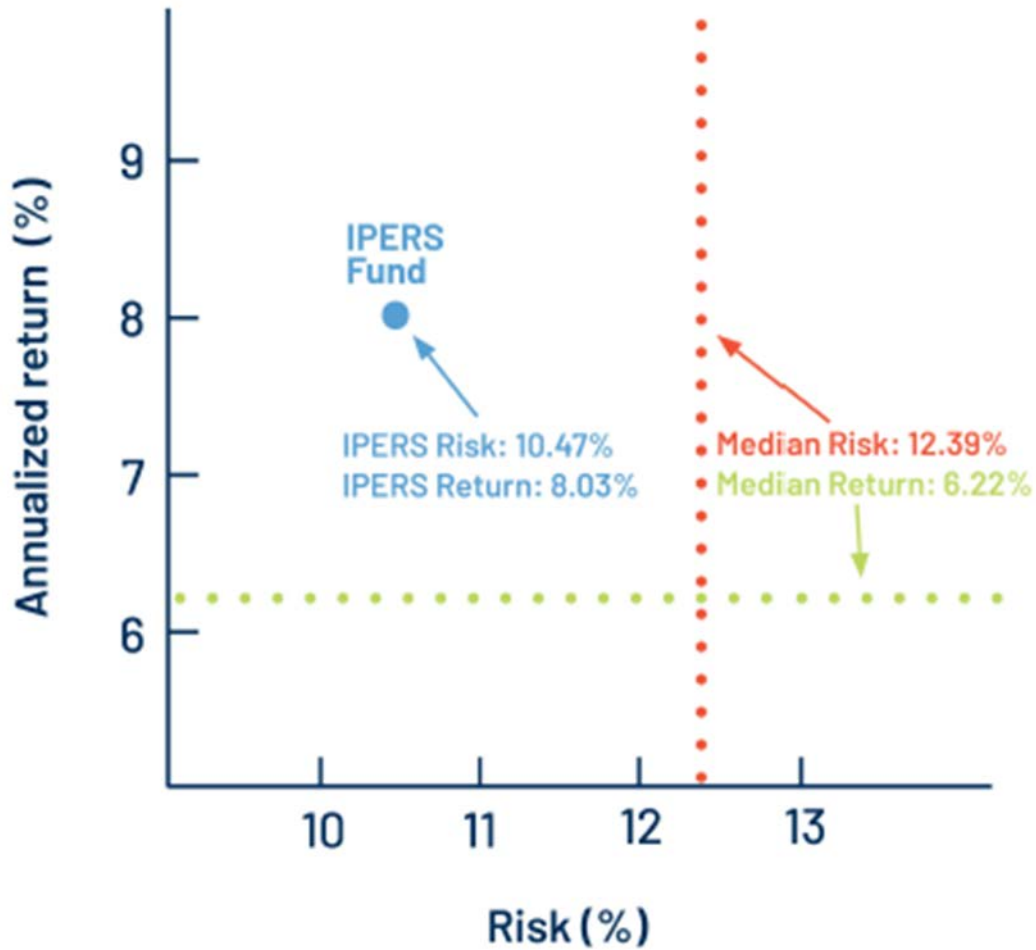
**\*Actuarial assumed investment return**

1977 – 1993:	6.50%	1996 – 2016:	7.50%
1994 – 1995:	6.75%	2017 – 2023:	7.00%

**Annualized returns for periods ended June 30, 2023**

1-year return:	5.41%	10-year return:	8.12%
3-year return:	9.51%	20-year return:	7.95%
5-year return:	8.03%	30-year return:	8.36%

# Risk vs. Total Return



# FY2023 Actuarial Valuation

Cavanaugh Macdonald Consulting



Patrice A. Beckham, FSA, EA, FCA, MAAA



# Purpose of an Actuarial Valuation

**Develop a strategy to systematically fund the benefits of the system**

**Measure assets and liabilities (future benefit payments)**

**Determine actuarial contribution rates**

- 6/30/23 valuation results are used to set the FY2025 required contribution rates under IPERS' funding policy

**Analyze experience (actual vs. expected) in last year**

**Report on trends and analyze actuarial risks**



# Purpose of an Actuarial Valuation

**Snapshot picture of the System as of a single date (June 30, 2023)**

**Statistical projection of amount/timing of future benefits to be paid**

- Uses one set (best estimate) of many possible reasonable scenarios
- Other reasonable sets of assumptions exist
- Different assumptions would produce different results, potentially significant

**Actual experience will determine the true costs (actual benefit payments paid to members)**



# Impacts on the FY2023 Valuation

## **Actuarial experience: actual versus assumed**

- 5.41% return on the market value of assets in FY2023
- 7.17% return on actuarial assets resulted in actuarial gain of \$65 million
- Liability loss of \$382 million, largely due to salary increases that were larger than expected
- Required contributions were higher than the actuarial rate by \$147 million which reduced the UAL

**Net impact was an increase in the UAL of \$92 million (from \$4.615 billion to \$4.707 billion)**

**Funded ratio increased from 89.50% to 89.70%**





# Key Valuation Results\*

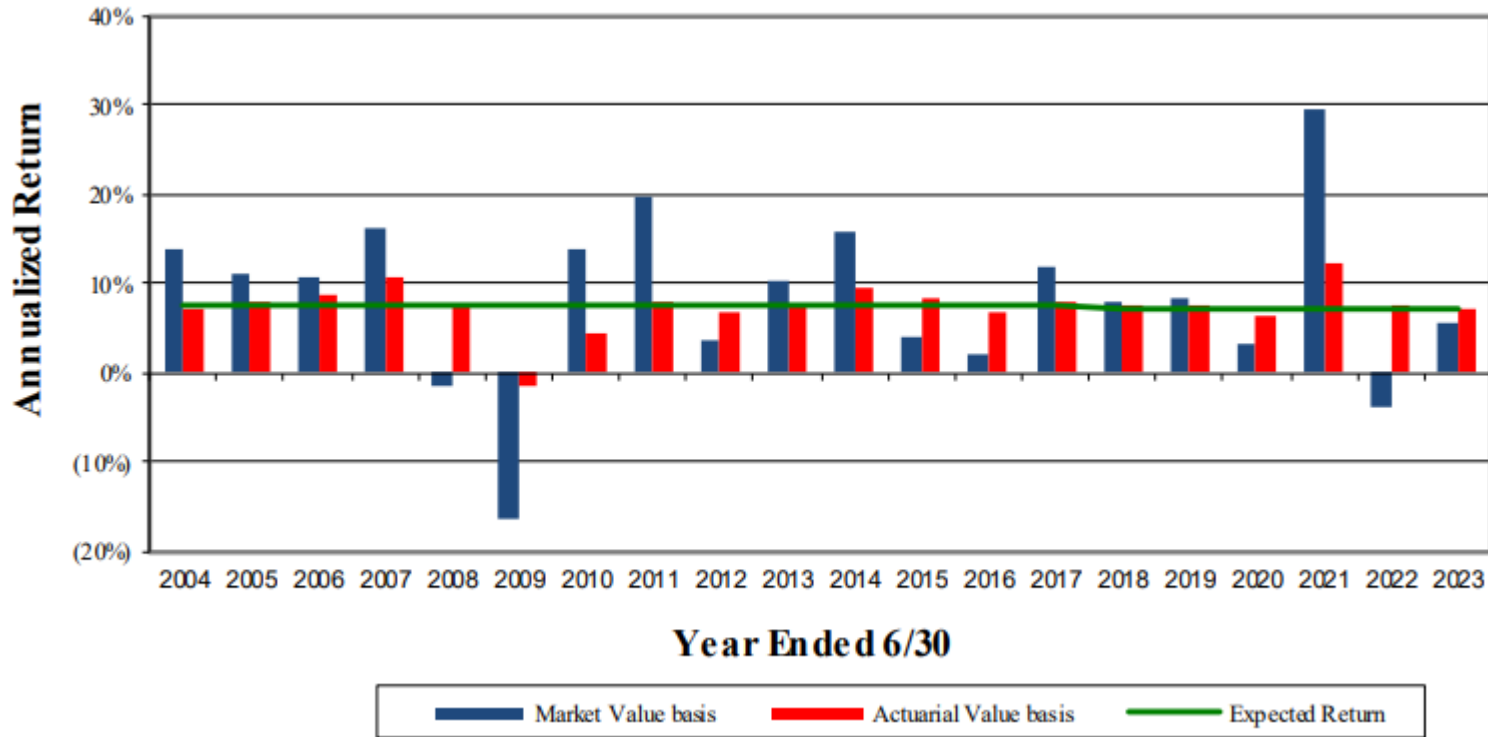
	June 30, 2023	June 30, 2022
Actuarial Liability (\$M)	\$45,720	\$43,970
Actuarial Assets (\$M)	\$41,013	\$39,354
UAL (\$M)	\$ 4,707	\$ 4,615
Funded Ratio - AVA	89.70%	89.50%
Funded Ratio - MVA	90.13%	91.40%
Actuarial Contribution Rate*	13.89%	13.96%
Required Contribution Rate	(15.73%)	(15.73%)
Shortfall/(Margin)*	(1.84%)	(1.77%)

\*Regular members only

Contribution margin serves to pay off the UAL more rapidly than scheduled.



# Historical Asset Returns



# Unfunded Actuarial Liability (UAL) by Group

	Regular	Sheriffs/Deputy Sheriffs	Protection Occupation	Total
Actuarial Liability	\$42,651	\$910	\$2,159	\$45,720
Actuarial Value of Assets	37,856	934	2,223	41,013
UAL	\$ 4,795	\$ (24)	\$ (64)	\$ 4,707
Funded Ratio	88.76%	102.60%	102.96%	89.70%

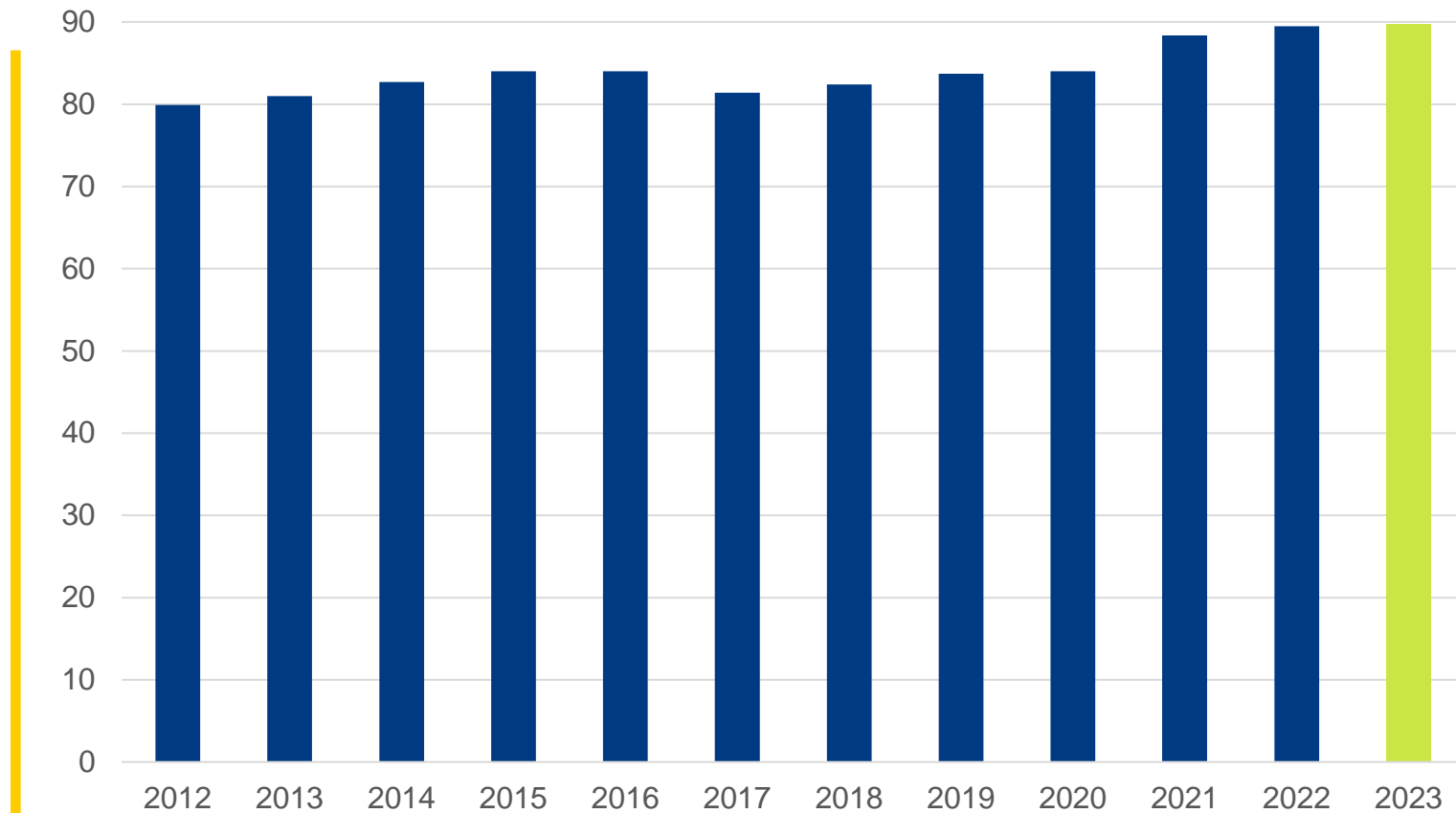


# Change in UAL (all groups)

	Total
<b>UAL 6/30/22</b>	<b>\$4,615</b>
Expected decrease from contributions above actuarial rate	(147)
Expected decrease from amortization method	(1)
Investment experience	(65)
Liability experience	382
Other	(77)
<b>UAL 6/30/23</b>	<b>\$4,707</b>



# Historical Funded Ratio (All groups)



↑ Investment return lowered to 7.00%



# Contribution Rates

## Components

- Normal Cost (ongoing cost for active members)
- Amortization payment on Unfunded Actuarial Liability (UAL)

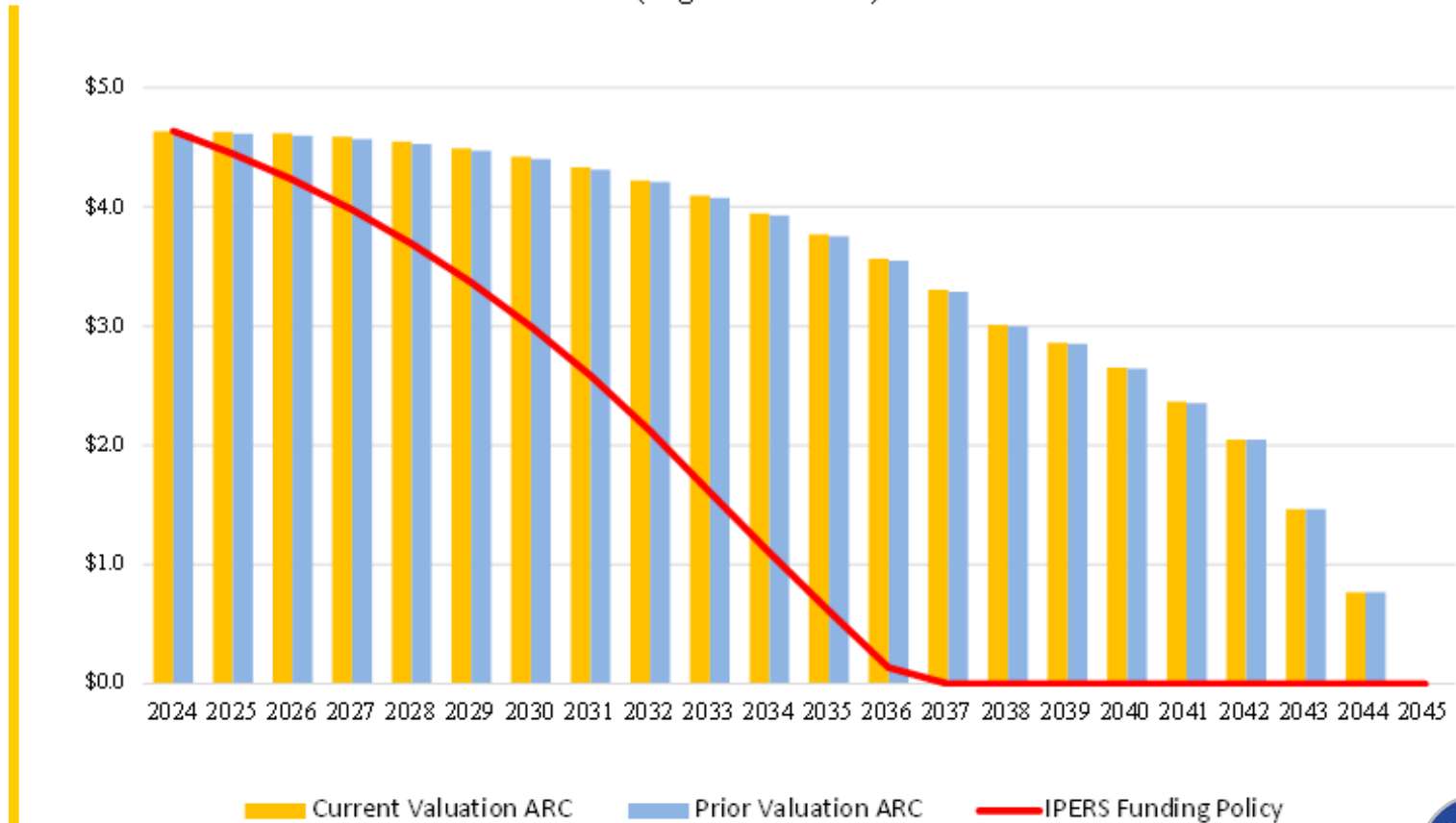
## UAL Amortization Policy

- June 30, 2014, base is amortized over a closed 30-year period.
  - 21 years remain as of current valuation
- Each following year, changes in the expected and actual UAL and assumption changes are established as a new base and amortized over a closed 20-year period.
- Once a group is fully funded, all outstanding bases are eliminated. The surplus (assets > actuarial liability) is amortized over an open 30-year period.



# Projected UAL Balance

Amortization of the Projected UAL  
(Regular Members)



# Contribution Rates

## Contribution Rate Funding Policy

- Compare Required Contribution Rate (RCR) from prior year to Actuarial Contribution Rate (ACR) in current year
- If  $ACR < \text{previous RCR}$ , then:
  - If difference is  $< 0.50\%$ , RCR is unchanged
  - If difference is  $\geq 0.50\%$ , RCR is lowered by  $0.50\%$  *if funded ratio is 95% or higher*

## If $ACR > \text{previous RCR}$ , then current RCR shall be:

- Regular members: increased to ACR or 1% more than previous RCR, whichever is smaller
- Sheriffs/Deputy Sheriffs: increased to ACR
- Protection Occupation: increased to ACR





# FY2025 Contribution Rates



**Unchanged**



**Unchanged**



**Unchanged**



# Contribution Rates



	Valuation Date (Contribution Rates for FY2025/FY2024)	
	June 30, 2023	June 30, 2022
Normal Cost	10.62%	10.60%
UAL Payment	3.27%	3.36%
<b>Total Actuarial Rate</b>	<b>13.89%</b>	<b>13.96%</b>
<b>Required Contribution</b>	<b>15.73%</b>	<b>15.73%</b>
<b>Shortfall/(Margin)</b>	<b>(1.84%)</b>	<b>(1.77%)</b>
Employee Rate	6.29%	6.29%
Employer Rate	9.44%	9.44%



# Contribution Rates



	Valuation Date (Contribution Rates for FY2025/FY2024)	
	June 30, 2023	June 30, 2022
UAL Payment	(0.89%)	(1.66%)
Funded Ratio	102.60%	104.70%
Normal Cost	16.80%	16.78%
Applicable UAL Rate*	0.00%	0.00%
<b>Total Actuarial Rate</b>	<b>16.80%</b>	<b>16.78%</b>
*The UAL Rate is allowed to be negative only if the funded ratio was at least 110% for the last three years.		
Employee Rate	8.51%	8.51%
Employer Rate	8.51%	8.51%
<b>Required Contribution</b>	<b>17.02%</b>	<b>17.02%</b>
<b>Shortfall/(Margin)</b>	<b>(0.22%)</b>	<b>(0.24%)</b>



# Contribution Rates



	Valuation Date (Contribution Rates for FY2025/FY2024)	
	June 30, 2023	June 30, 2022
UAL Payment	(0.76%)	(1.18%)
Funded Ratio	102.96%	104.41%
Normal Cost	15.34%	15.31%
Applicable UAL Rate*	0.00%	0.00%
<b>Total Actuarial Rate</b>	<b>15.34%</b>	<b>15.31%</b>
*The UAL Rate is allowed to be negative only if the funded ratio was at least 110% for the last three years.		
Employee Rate	6.21%	6.21%
Employer Rate	9.31%	9.31%
<b>Required Contribution</b>	<b>15.52%</b>	<b>15.52%</b>
<b>Shortfall/(Margin)</b>	<b>(0.18%)</b>	<b>(0.21%)</b>



# Summary

## **Unfavorable actuarial experience (actual vs expected) in FY2023**

- Gain on actuarial value of assets: \$65 million
- Actuarial loss on liabilities: \$382 million
- Unfunded actuarial liability increased from \$4.615 billion in FY2022 to \$4.707 billion in FY2023.

## **Contribution rate margin for FY2023 decreased the UAL by \$147 million**

## **Contribution Rate Funding Policy**

- Required Contribution Rate is unchanged for all groups
- Required Contribution Rate for FY2025 is greater than Actuarial Contribution Rate for all three groups



# Contact Us



[info@ipers.org](mailto:info@ipers.org)



515-281-0020  
800-622-3849 (toll-free)

