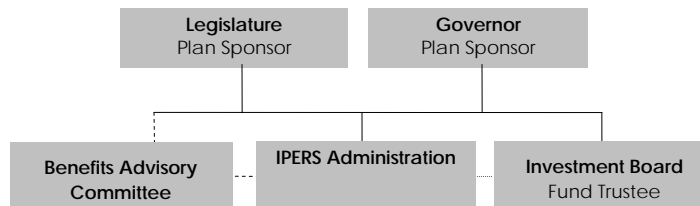


Update on IPERS

Donna M. Mueller • Government Oversight Committee • 03/03/09



Governance



Plan Sponsor

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



Core defined benefit plan

IPERS is designed to work with Social Security and personal savings

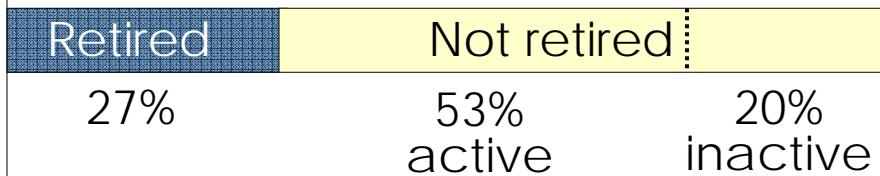


- Benefits based on formula
- Multiplier (based on years of service) X Average of 3 years' highest wages
- Helps retain employees
- Maximum possible wage replacement: up to 65% or 72%
- Average benefit replaces about 44%
- Disability and death benefits
- Lifetime annuity benefit



Large membership pool

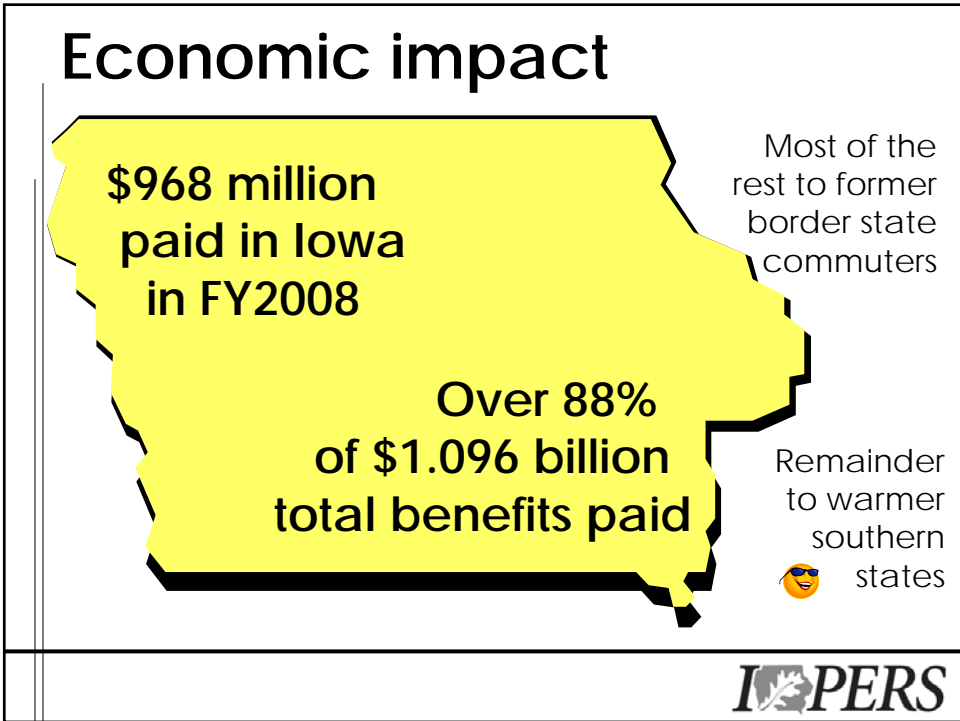
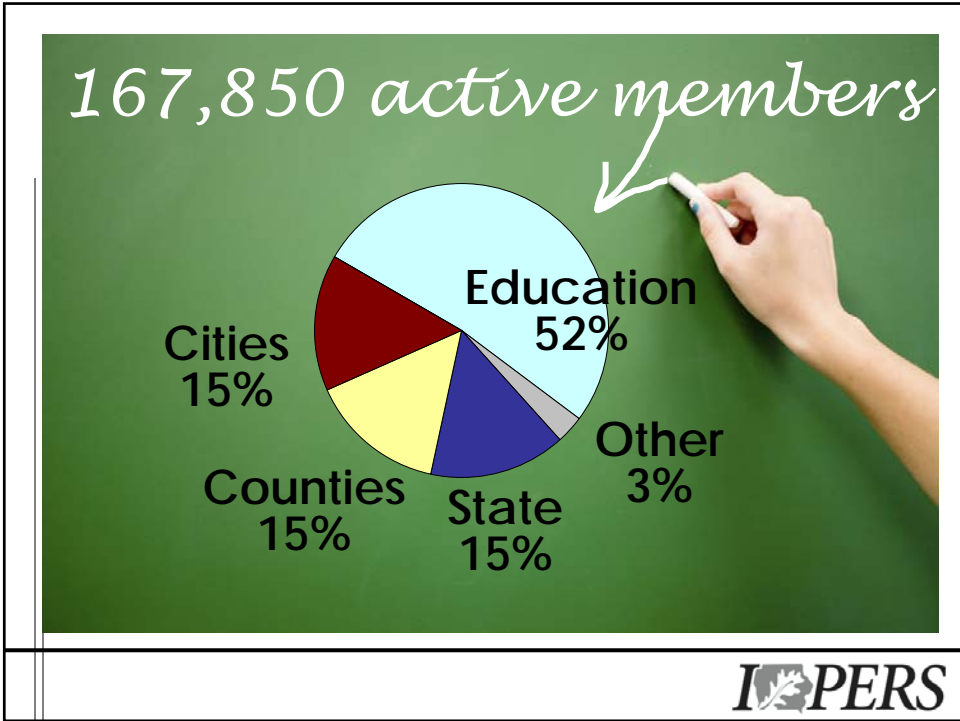
319,637 members



Secure lifetime pensions

Secure "to date" benefits
Money back plus guarantee





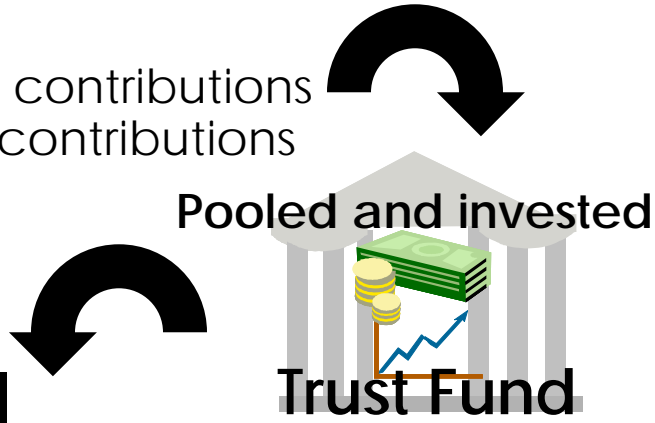
How the Trust Fund works

Assets

Employee contributions
Employer contributions

Liabilities

Benefits and expenses



Prefund, not pay-as-you-go

Prefund benefits

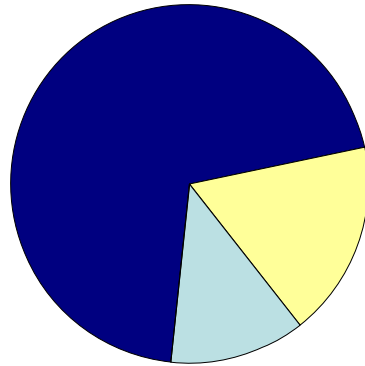


Current employees contribute for their own *future* retirements



IPERS income by source

1999-2008



Investments
70.1%

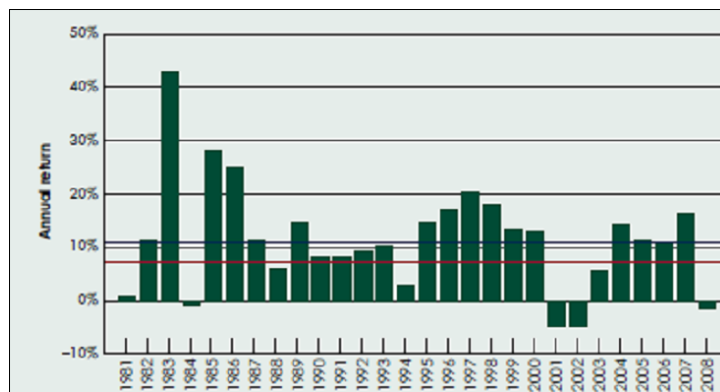
Employers
17.7%

Employees
12.2%

 IPERS

Long-term look

Investment returns 1981-2008



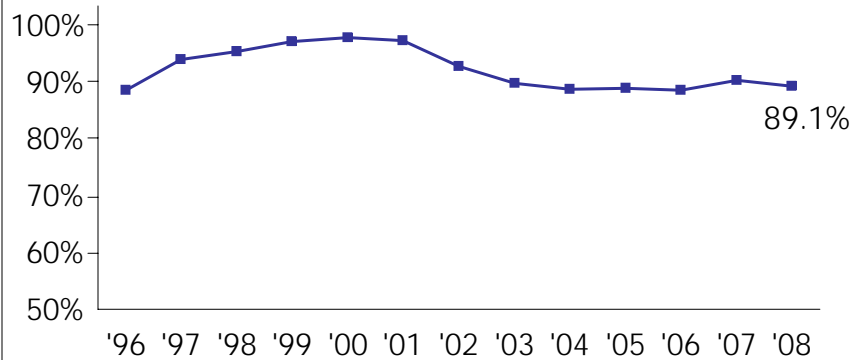
Annualized
return
11.10%

Assumed
return
7.50%

 IPERS

Healthy funded ratio

Actuarial assets ÷ Actuarial liabilities



Actuarial balance sheet

FY2008 actuarial valuation

Assets

Liabilities

Contributions + Investments < Benefits + Expenses

\$21.857 billion

\$24.522 billion

\$2.665 billion UAL
(unfunded actuarial liability)



Inside IPERS' actuarial balance sheet

Assets < Liabilities

2 recent bear markets

Contribution rate below actuarial rate

Failure to amortize UAL

Salary increases higher than assumptions

Older entrants

Longevity



Bear market

Public market returns

	FY2008	FY2009 YTD*
U.S. stocks	-12.5%	-29.5%
Intl. stocks	-6.2%	-37.6%
U.S. bonds	6.2%	1.5%
High-yield bonds	-0.5%	-24.6%

* July 1 through December 31, 2008



Investment returns

	IPERS	IPERS' actuarial assumption	Peers ¹
FY2008	-1.33%	7.5%	-4.36%
FY2009 YTD² (July-Dec.)	-17.3% (est.)	7.5%	

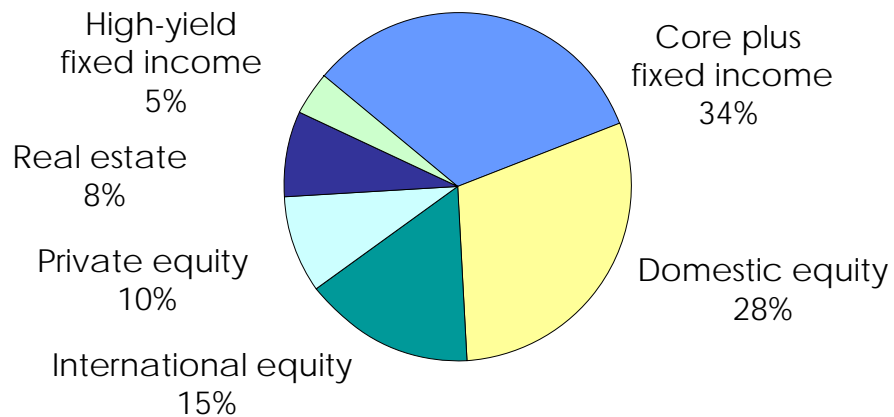
¹Median: TUCS Public Funds > \$1 billion

²Process underway to determine how to account for the impaired Westridge investment



Diversified portfolio

Asset allocation targets



Past contribution “holidays”

Regular members

- 95% of members
- Rate set in law lower than actuarial rate
- Added \$621 million to UAL in 6 yrs
- Benefits Advisory Committee: increase rate 4 percentage points starting FY2006
- Legislature: increased rate 2 percentage points phased in over 4 years, starting in FY2008
- First rate increase since 1979



Contributions still lagging

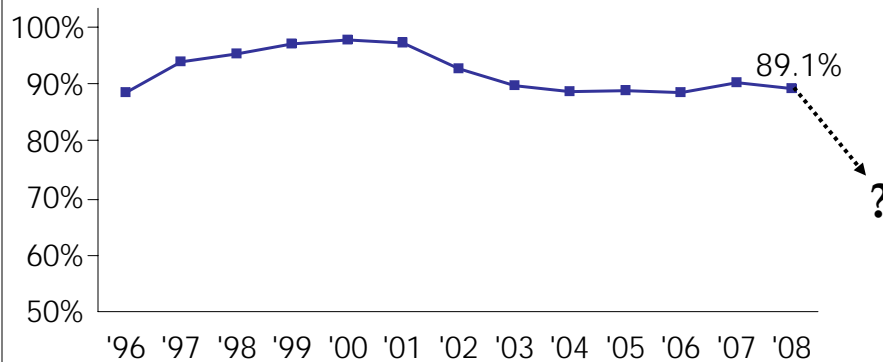
	FY2010 Contribution Rate	Actuarial Rate	Percent Funded
Regular members	10.95%	12.34%	88.4%
Special Service members*			
Sheriffs and deputies	15.24%	15.24%	101.5%
Protection occupations	15.34%	15.34%	105.1%

*Benefits for Special Service members are higher than those for regular members.



Future funded ratio

Actuarial assets ÷ Actuarial liabilities



IPERS

The solutions of the past will not work in the situation we now face.

- Past action began to address past problems.
- We cannot assume the high investment returns of the past will continue.
- This recession demands new solutions that likely will include adjusting both contributions and future benefits.

IPERS