

*Administration and Regulation Appropriations Subcommittee
February 1, 2006*

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During the last fiscal year, IPERS:

- Covered 305,925 members.
- Had 2,388 participating employers.
- Paid almost \$869 million in retirement, death, and disability benefits to 79,604 retirees and beneficiaries. More than 88 percent of benefits were paid to retirees and beneficiaries in Iowa.
- Collected over \$513 million in contributions.
- Attained an 11.25 percent overall return on investments, exceeding all benchmarks.
- Held investment management expenses at 0.27 percent of the portfolio's total quarterly average fair value, well below the 0.40 percent allowed by law.
- Experienced a positive impact to the fund of \$2.4 billion from investments, contributions, and other income. Assets held in trust to pay benefits equaled \$18,767,228,779.
- Answered 85,208 calls and 4,464 e-mails about benefits.
- Had visitors to 753,414 IPERS Web pages.
- Electronically scanned over 8.5 million pages of members' paper records for long-term preservation and backup.
- Adopted a rigorous ethics policy that applies to the IPERS Investment Board, staff, and contracted service providers.

FY2007 Budget Offer Number: 553ADM006 (Detail on Page 6)

Offer Name: Benefits Administration Systems Modernization

Pages 19 & 92, Administration and Regulation Appropriations Subcommittee

Detailed Document of the FY2007 Governor's Recommendations

LSA, Fiscal Services Division, January 2006

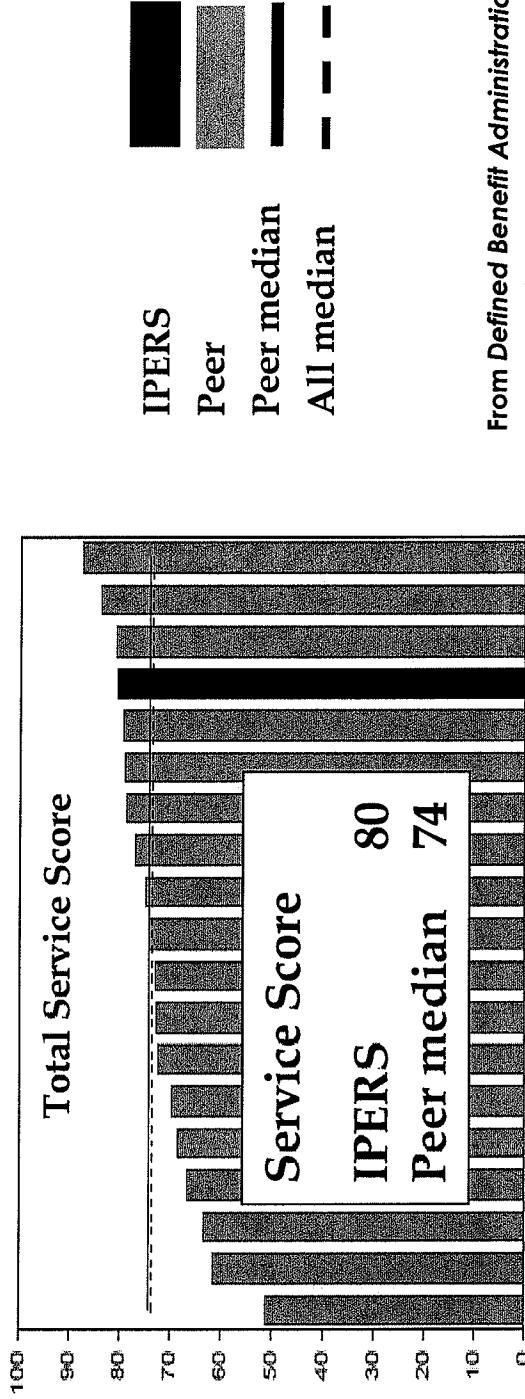
Services Rank High

Survey

- About 96 percent of 237 public employers surveyed feel the overall value of IPERS is very good or excellent.
- More than three-fourths of employers said offering the pension plan as part of their employee benefit package is helpful in recruiting and keeping good employees.
- Over 98 percent of 1,068 IPERS members taking part in the survey rated IPERS' overall performance as very good or excellent.

From Survey of IPERS Members, Employers and Elected Officials, T.L. Grantham & Associates, 2005

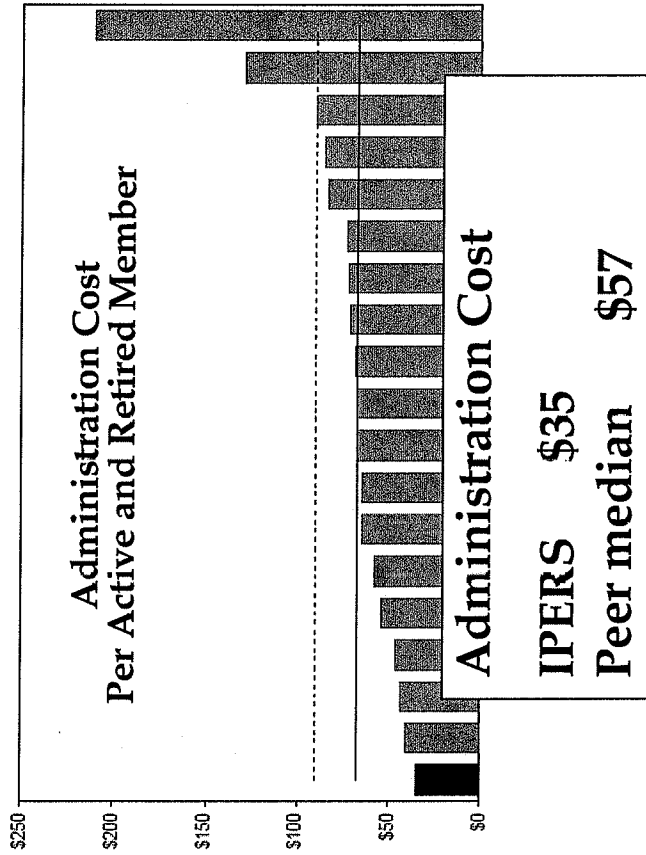
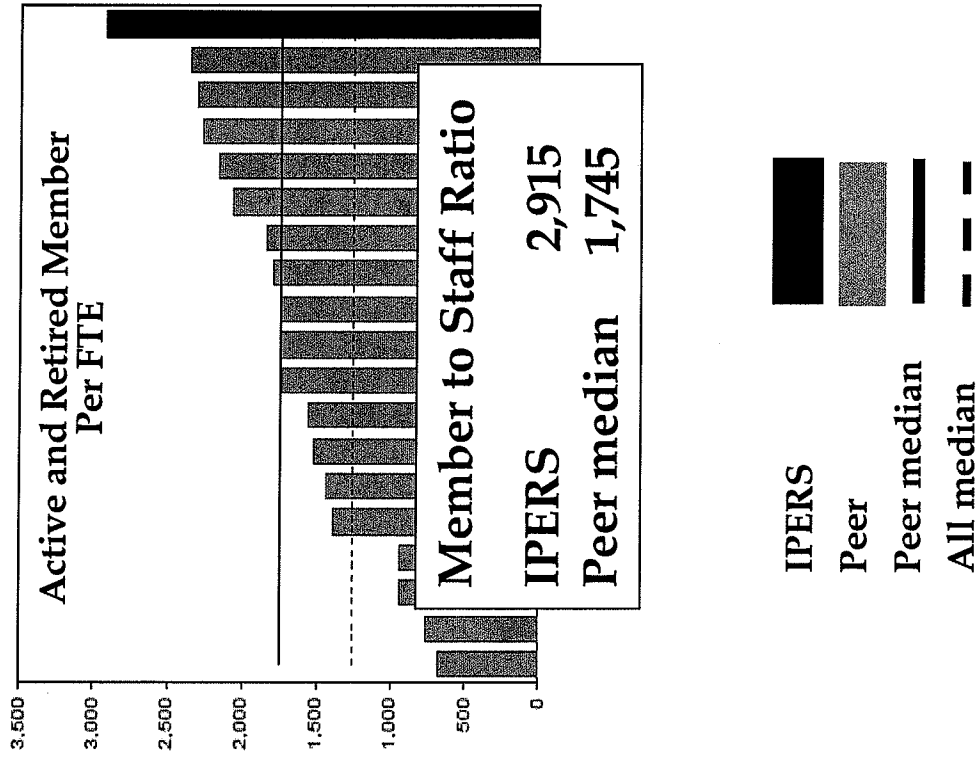
Benchmarking Study



From Defined Benefit Administration Benchmarking Analysis January 7, 2005, Cost Effectiveness Measurement Inc.



Administrative Costs Are Low

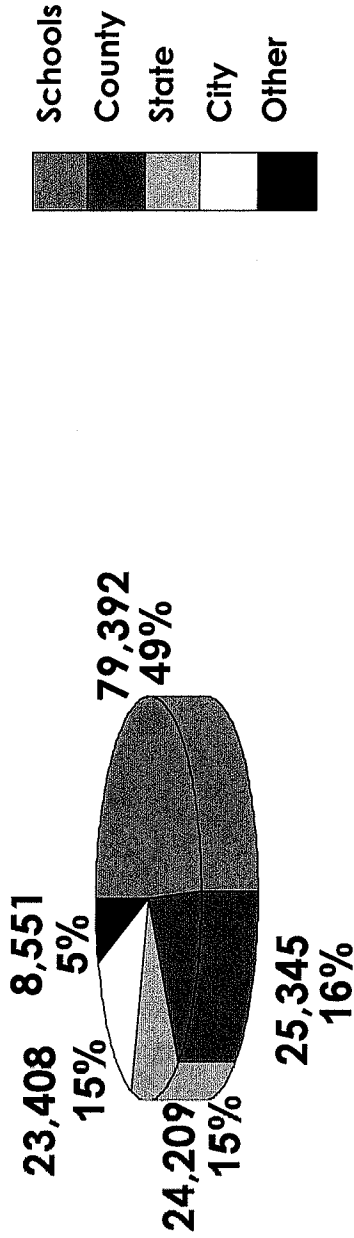


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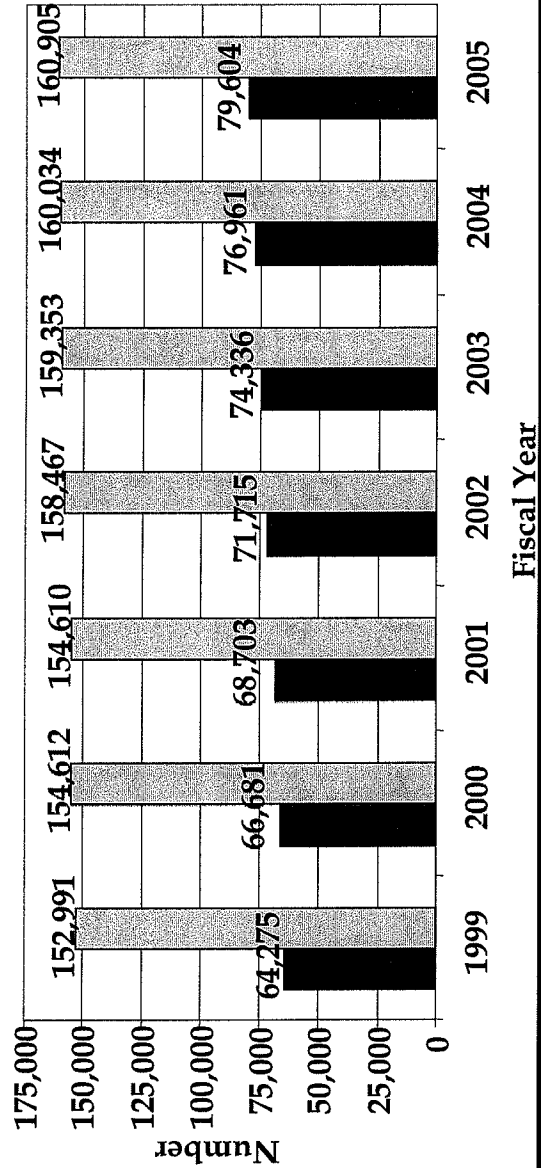


Membership Is Changing

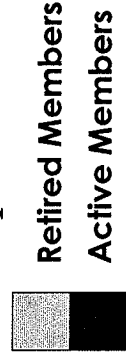
Employment of Contributing (Active) IPERS Members



Retirees and Active (Contributing) Members

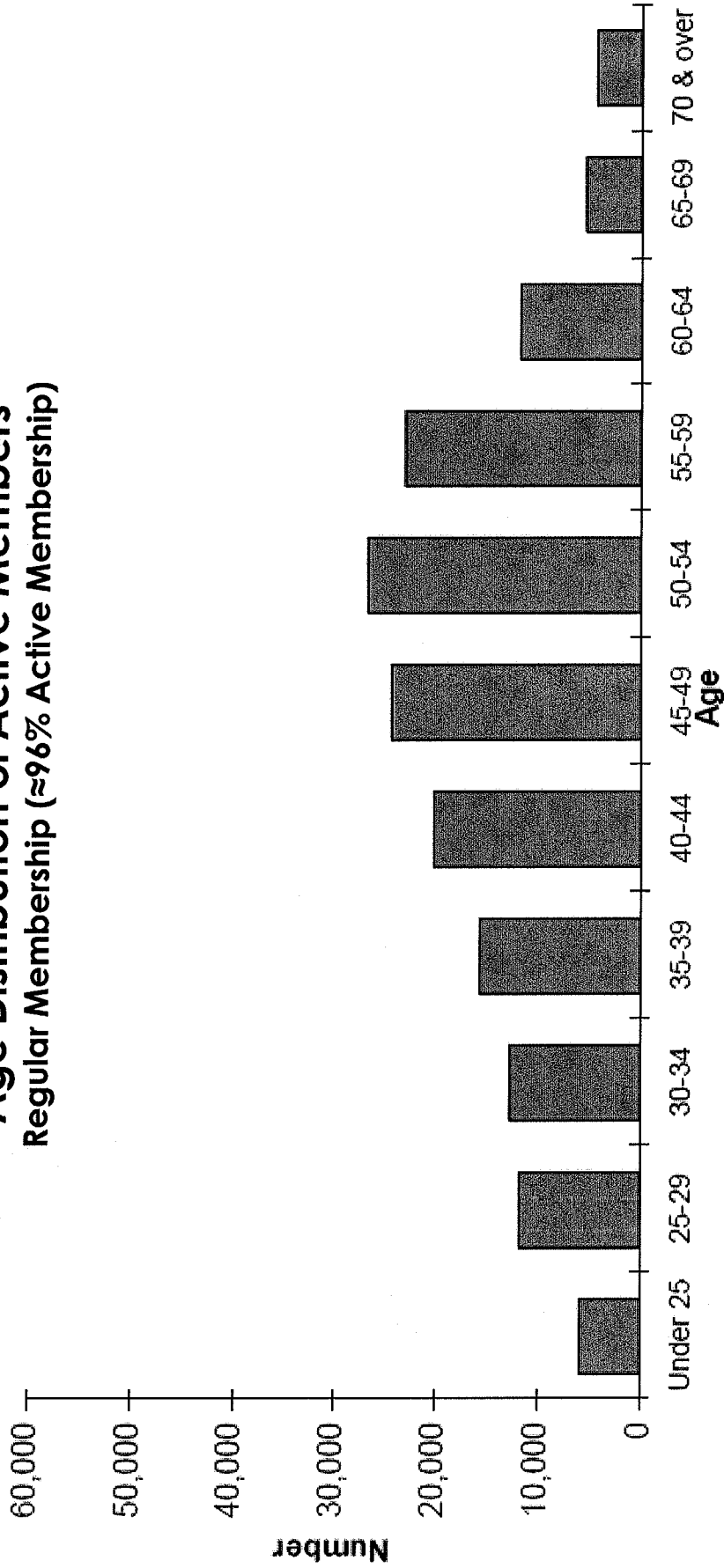


From 1999-2005, the number of retirees increased by 15,329, or about 24 percent, and the number of active members increased by 7,914, or about 5 percent.



Normal Costs Have Increased and a Retirement Boom Is Coming

Age Distribution of Active Members
Regular Membership (≈96% Active Membership)



IPERS Valuation Report as of June 30, 2005, Milliman



Authorizes spending from the IPERS Trust Fund for Year 2 of a 5-year project to replace an aging, inflexible, inefficient, and unreliable benefits administration technology system. No General Funds are requested. The request is supported by the IPERS Investment Board, trustees of the IPERS Trust Fund. The current system is a disjointed system of several smaller systems cobbled together to implement numerous law changes over the past 10 years.

Goals

1. Meet increased demands for service from baby boomers while limiting the need for additional staff

- Manage an expected increase in the total number of retirees (From 80,000 to 125,000 in the next ten years)
- Provide services to an increasing number of new retirees (From 5,000 new retirees annually to 9,000 a year by 2013)

2. Reduce security and financial risks

- Eliminate the use of the SSN as the membership number (The federal government is likely to soon require this)
- Ensure the security of electronic information
- Eliminate miscalculations which must be corrected manually
- Provide better access to performance data

3. Reduce inefficiencies to control future cost increases

- Automate current manual benefit payment processes
- Integrate multiple member and employer systems into one system, improving business processes and eliminating the need for staff to learn multiple systems
- Reduce maintenance and Band-Aid fixes
- Investigate and implement money-saving plan design changes (For example, reporting IPERS service credit by pay period rather than quarterly could save an estimated \$6.3 million a year)
- Improve services while reducing the demand on staff by using the new system's online capabilities to give members convenient access to their own accounts

Year 1 Accomplishments:

- Established and staffed a project management office, with the project manager reporting to the CEO directly
- Secured the services of a private company with expertise in public pension technology systems for assessment and planning
- Reviewed the current system and business process to identify ways to deliver services more efficiently, reduce risks, and improve member account access
- Completed planning to identify the requirements for the new system and created a map for making the change from the current system to a new one
- Issued an RFP on January 13, 2006, with a bidders' conference on February 9 and proposals due March 3
- Will select an implementation vendor in May

FY2007 (Year 2) Budget

Continue 5.0 FTEs and support from FY2006	\$ 392,097
New Technology/Implementation Vendor	5,000,000
Public Pension Consultant—Independent Verification/Validation and Quality Assurance	561,600
Data cleansing, Planning and Project Support Technology/Infrastructure	975,000
Total FY2007	<u>350,000</u>
Restoration (FY2006)	<u>\$7,278,697</u>
Total New FY2007	<u>1,415,097</u>
	<u>\$5,863,600</u>

FY2008–FY2010 (estimated): \$16.5 million
 FY2006–FY2010 total estimated project cost: \$25.2 million

