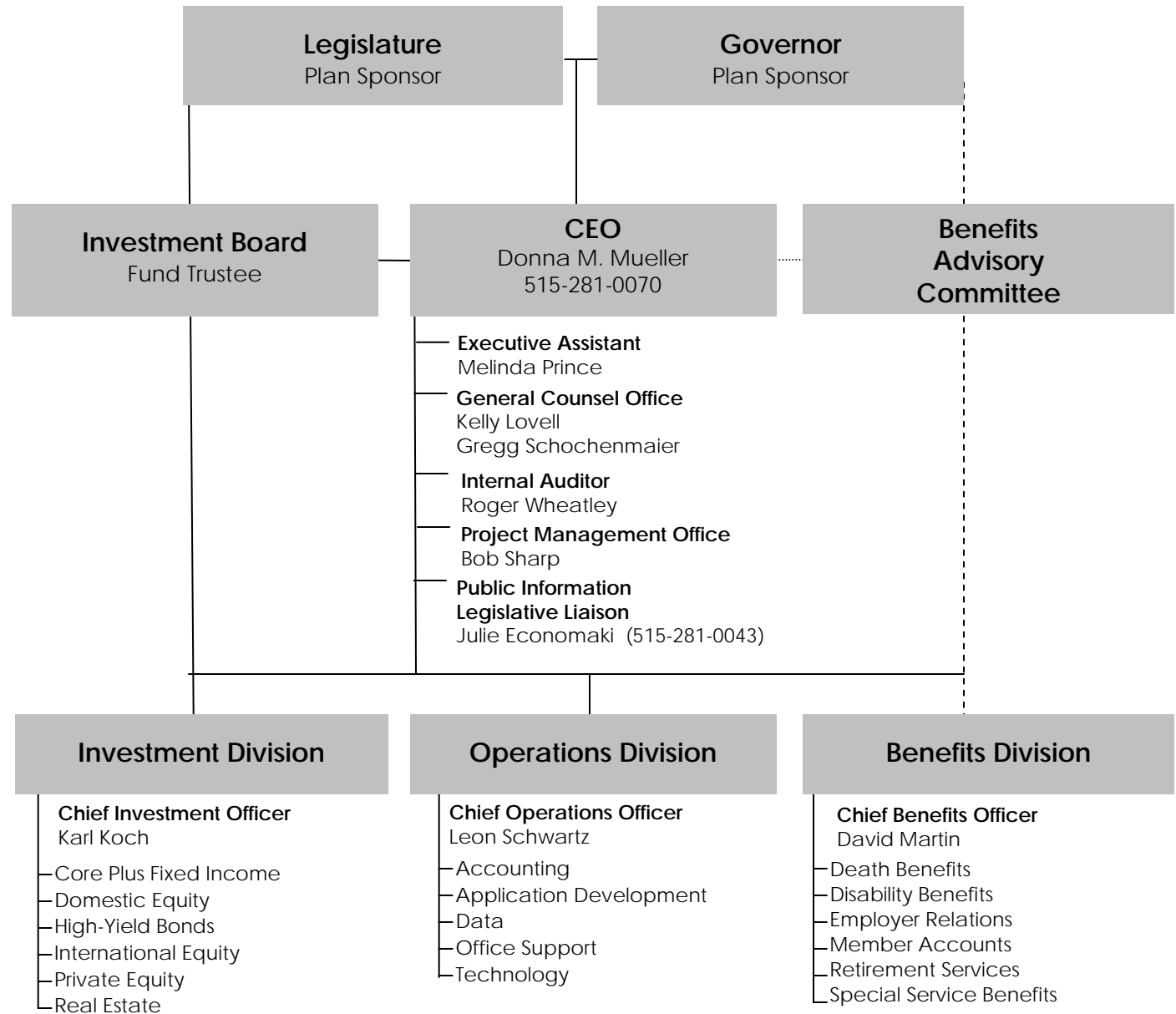


Plan Sponsor

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

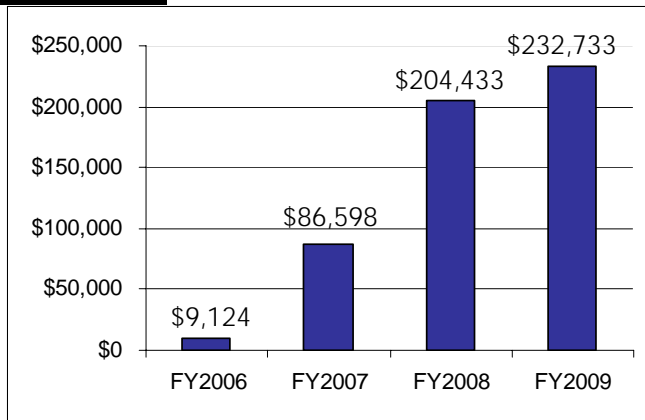


Fiscal Year 2009 Budget Request Summary

- No General Funds.
- Expenses paid by IPERS Trust Fund.
- Legislature authorizes.
- FY2009 Request: \$17,313,766 and 95.13 FTE (FY2008 Budget: \$17,285,466 and 95.13 FTE)
- No increase for internal operations.
- \$28,300 increase in I/3 costs assessed by DAS.

FY2009 Offer Name	Offer	General Fund	Other Funds (IPERS Trust Fund)	Total
Investment Management <i>(Oversee investments and investment policy)</i>	553_ADM_001	\$0	\$ 750,463	\$ 750,463
Retirement Services <i>(Paying benefits; disability services)</i>	553_ADM_002	0	3,097,594	3,097,594
Member Services <i>(Benefit education and estimates; retirement counseling)</i>	553_ADM_003	0	2,663,949	2,663,949
Employer Relations and Data Management <i>(Employer training; compliance reviews; employer reporting)</i>	553_ADM_004	0	1,118,720	1,118,720
Governance, Plan Design, and Financial Control <i>(Legal compliance; administrative rules; internal auditing; appeals; plan design)</i>	553_ADM_005	0	1,930,383	1,930,383
Facilities Maintenance and Improvement	553_ADM_006	0	658,464	658,464
IPERS Quest for Excellence (I-Que) Project	553_ADM_007	0	7,094,193	<u>7,094,193</u>
				\$17,313,766

I/3 Fees



- Dramatic rise
- Methodology based on total dollars
- Most transactions internal to IPERS
- I/3 automatically processes a few big-dollar transactions
- Not included in DAS distribution of appropriation to agencies
- Subsidizing state costs beyond actual use conflicts with fiduciary responsibility



Summary

Fourth year of a five-year project to replace an aging and inefficient retirement benefits administration system. The system's technology is used to:

- Manage over 300,000 member accounts.
- Pay over \$1 billion a year in benefits.
- Collect \$575 million a year in employee and employer contributions.
- Process approximately 1 million member payments a year.
- Create over 700,000 document images a year.

I-Que Goals

- Meet increased demands for service from baby boomers.
- Automate and streamline processes.
- Control future cost increases.
- Improve and add online features for employers.
- Provide additional information and online services for members and retirees.
- Reduce security and financial risks.
- Provide for the Legislature's consideration money-saving changes that will be possible because of system improvements. (For example, reporting IPERS service credit by pay period rather than quarterly could save the Trust Fund an estimated \$6.3 million a year.)

FY2009 Budget

Existing project staff, support, and resources	\$ 479,748
Implementation vendor	5,308,026
Public pension consultant— Independent Validation/Verification, QA	310,582
Data cleansing, planning, training	742,745
Infrastructure	<u>253,092</u>
Total (FY2009)	\$7,094,193

Estimated cost for FY2010: \$4,000,000

Progress

- On track to finish within five years and a \$25.2 million budget.
- Phase one to be implemented in May 2008.
- Phase one includes employer functions such as reporting wages and submitting contributions.
- Working with employers and employer associations for a smooth implementation.
- Phase two to be implemented in January 2009.
- Phase two includes member self-service.

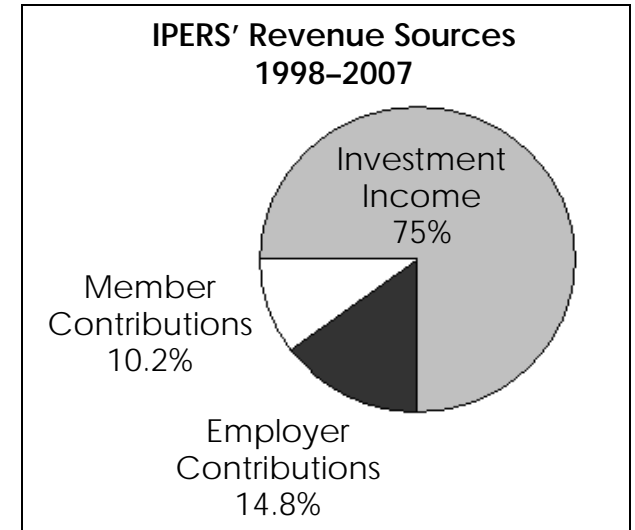
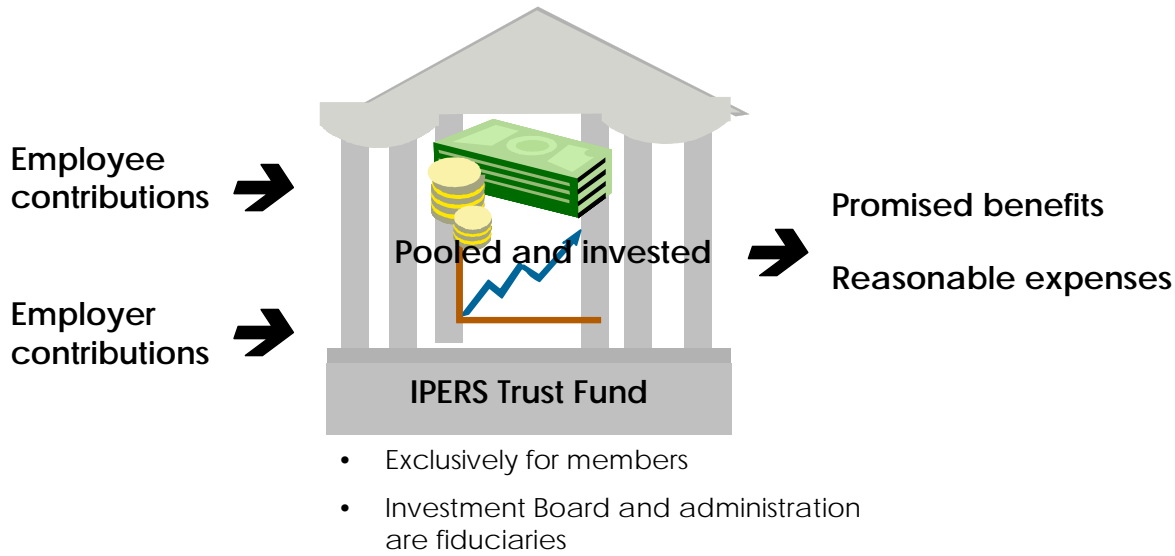
IPERS Trust Fund Assets and Expenses

<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>ADMIN EXPENSES</u>	<u>ADMIN EXP % OF TRUST</u>	<u>INVESTMENT MGMT EXPENSES</u>	<u>INV MGMT EXPENSES % 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 ¹	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 ¹	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% ²
2002	\$14,874,419,194	\$37,915,199	0.25%	\$705,767,690	4.74%	\$7,581,105	0.05%	\$37,634,731	0.25%
2003	\$15,403,200,907	\$35,591,323	0.23%	\$736,330,878	4.78%	\$8,041,113	0.05%	\$29,908,131	0.21%
2004	\$17,249,916,851	\$36,430,011	0.21%	\$792,866,773	4.60%	\$7,959,601	0.05%	\$31,224,356	0.19%
2005	\$18,767,228,779	\$43,113,458	0.23%	\$868,557,596	4.63%	\$8,214,903	0.04%	\$48,784,645	0.27%
2006	\$20,404,852,110	\$41,667,603	0.20%	\$924,361,399	4.53%	\$9,320,559	0.05%	\$46,104,211	0.23%
2007	\$23,217,167,946	\$38,116,271	0.16%	\$1,013,972,987	4.37%	\$9,060,968	0.04%	\$58,315,192	0.26%
			0.28%		3.81%		0.04%		0.21%

¹Legislation 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 FY1999 decreased significantly, and increased significantly for FY2000.

²Effective in FY2001 and forward, 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 FY2001 is \$16,368,557,250; for FY2002 it is \$15,186,687,250; for FY2003 it is \$14,391,071,750; for FY2004 it is \$16,796,164,750; for FY2005 it is \$18,224,890,500; for FY2006 it is \$20,013,819,500; and for FY2007 it is \$22,210,312,875.

Contributions + Investment Earnings = Liabilities



Currently:

Contributions + Investment Earnings < Liabilities

Statutory vs. Actuarial Contribution Rate (Percent of pay)

7/1/07–6/30/08

	Employee Share	Employer Share	Total	Percent of Actuarial Rate
Regular IPERS Members	3.90	6.05	9.95 (By statute)	86*
Sheriffs and Deputies	7.70	7.70	15.40 (Adjustable)	100
Protection Occupations	5.64	8.47	14.11 (Adjustable)	100

*Actuarial rate: 11.51%
Milliman Actuarial Valuation as of June 30, 2006

7/1/08–6/30/09

	Employee Share	Employer Share	Total	Percent of Actuarial Rate
Regular IPERS Members	4.10	6.35	10.45 (By statute)	87*
Sheriffs and Deputies	7.52	7.52	15.04 (Adjustable)	100
Protection Occupations	5.63	8.45	14.08 (Adjustable)	100

*Actuarial rate: 12.02%
Milliman Actuarial Valuation as of June 30, 2007

Upcoming contribution rates

(regular members)

7/1/09 7/1/10

Employee	4.30	4.50
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Employer	6.65	6.95
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Total Rate	10.95	11.45
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Annual Dividends

- No traditional cost-of-living adjustment to monthly pension
- Once-a-year payments intended to offset some of the negative effects of inflation on the pension

November Dividend				FED			CPI
FY	Total Paid	# Paid	Multiplier (Percent)	Total Paid	# Paid	Multiplier (Percent)	
'99	\$14,086,374	33,414	1.33	\$12,152,683	26,993	1.33	1.33
'00	\$15,451,127	31,462	1.59	\$18,797,522	29,590	1.59	1.59
'01	\$19,010,893	29,644	3.00	\$46,219,145	35,152	3.00	3.73
'02	\$22,282,087	27,861	3.00	\$57,890,007	39,445	3.00	3.25
'03	\$20,835,973	26,106	0.00	\$25,570,783	44,619	1.07	1.07
'04	\$19,300,657	24,262	0.00	\$31,067,817	48,347	1.07	2.11
'05	\$17,911,022	22,554	0.00	\$37,178,186	52,712	1.07	3.27
'06	\$16,542,558	20,870	0.00	\$43,988,077	56,509	1.07	2.53
'07	\$15,231,083	19,227	0.00	\$51,378,132	60,329	1.07	4.32
'08*	\$14,011,894	17,598	0.00	\$59,451,293	64,275	1.07	2.69

*Preliminary

November Dividend Formula
Set Base Payment × *Multiplier*
 (not to exceed 3%)

FED Formula
December Benefit × *12 Months* × *Multiplier* × *# Full Calendar Years Retired*
 (not to exceed 3%)