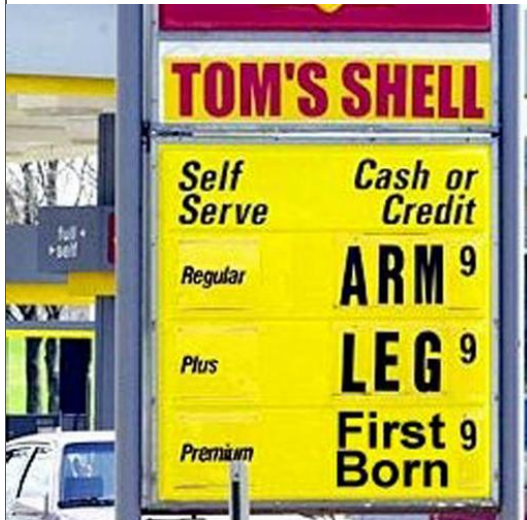


Donna M. Mueller • BAC • 09/14/09



Cost of living adjustment



Maintain
real
purchasing
power

No traditional COLA in IPERS

\$1.00 in 1980 =
\$2.61 in 2009



It takes the entire average monthly IPERS benefit (\approx \$1,000) to buy what \$400 bought in 1980.

Bureau of Labor Statistics calculator

November Dividend

Base = last year's dividend

Increase = yearly benefit + last year's dividend × multiplier

Pre-July 1990

Base guaranteed by law

Paid from Trust Fund

No increase since 2001

Pay only base in FY2010

\$650

Median
FY2009
payment

Favorable Experience Dividend (FED)

December benefit × 12 months × multiplier × years retired

July 1, 1990 and after

No guarantee

Separate account

Created with Trust Fund transfer

No more transfers if underfunded

Multiplier 1.07% since Jan. 2003

Median
FY2009
payment

\$654

Decisions, decisions

Is the reserve account sufficiently funded to pay the FED?

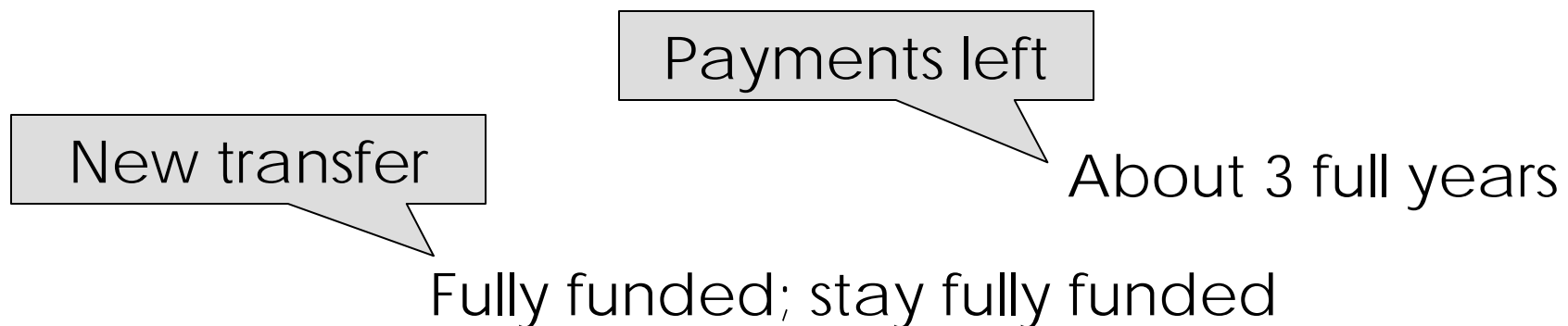


Consider (but not limited to)

- Amount credited to account
- Previous years' distributions
- Likelihood of future transfers to and payments from the account
- November dividend

Follow the money

Transfers from Trust Fund	\$602.3 million
Investment income	<u>212.6 million</u>
Total FED Reserve Acct	\$814.9 million
-Payments	<u>\$452.1 million</u>
Remaining (as of 6/30/09)	\$362.8 million



Pay the FED in 2010?

No ✓ Yes

Not prefunded

Started with a Trust Fund transfer

New transfers unlikely

Money running out

Legislature could transfer back
\$362.8 million

Pay the FED in 2010?

No ✓ Yes

Non-retirees facing core benefit cuts

Contributions increasing

No salary COLA for many

Pay the FED in 2010?

No ✓ Yes

Negative CPI

Save for inflation years

Social Security: no COLA justified

Law provides discretion to not pay

Pay the FED in 2010?

No _____ Yes ✓

Is money in FED Reserve Account

Law restricts use for FED

Need law change to apply to UAL

Not paying could create fear about
IPERS' stability

Pre-1990 retirees will receive dividend

Pay the FED in 2010?

No _____

Yes ✓

Net income down (no Social Security COLA; Medicare premium increase)

Not paying creates personal hardships

Retirees expect dividend payment

Past FED payment never skipped

Positive impact in communities

If yes, what FED multiplier?

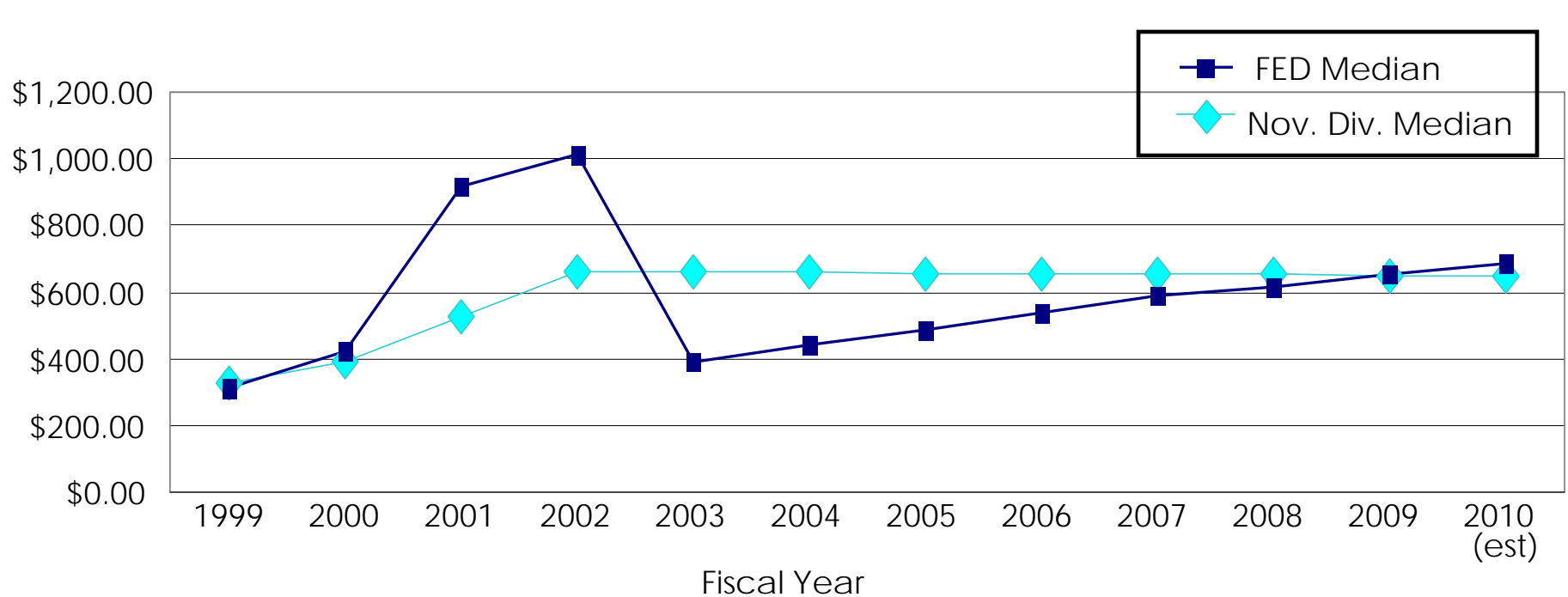
FED FORMULA:

December benefit \times 12 months \times multiplier \times years retired

Must justify multiplier

- Cannot exceed 3%
- At 1.07% since 2003
- Negative CPI

Median Dividend Payment Amount



Multiplier

FED	1.33	1.59	3.00	3.00	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07*
Nov.	1.33	1.59	3.00	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00*

* Rates not yet set. Median payment applies previous year's multiplier.