

# The Truth about IPERS

and why it's important for Iowa



**IPERS has been in the news recently, and you may have some questions about what you've read or heard.**

We are committed to keeping our members and the community informed. This publication was created to help members, lawmakers, and all Iowans understand the facts about IPERS.

As a trust fund, IPERS receives contributions from members and employers. They are pooled and invested to pay benefits far into the future.

IPERS IS A **\$31 BILLION**  
TRUST FUND



1 IN 10 IOWANS IS AN IPERS MEMBER

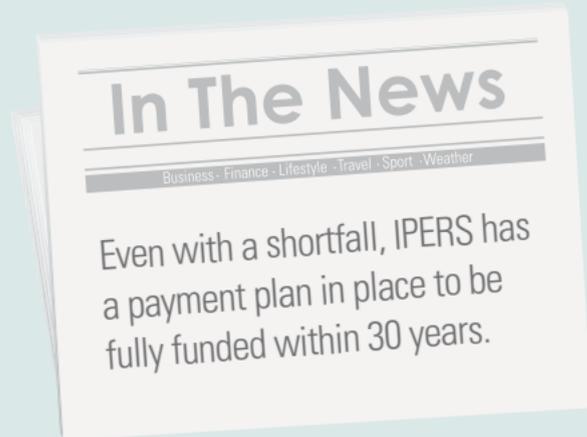
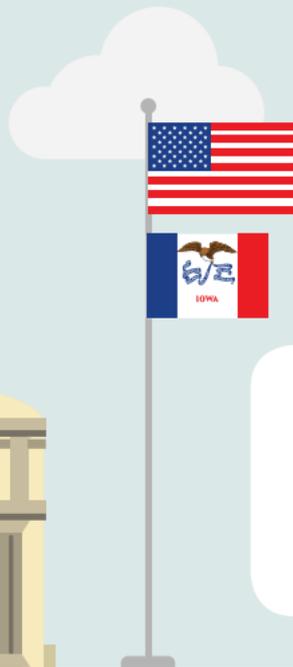
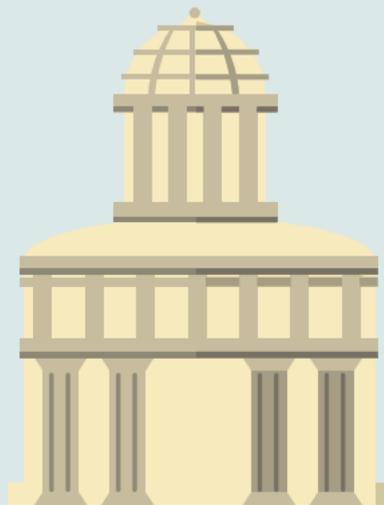


**70%**  
OF BENEFIT PAYMENTS  
COME FROM IPERS'  
INVESTMENT INCOME

## THE IOWA LEGISLATURE AND GOVERNOR ARE THE **PLAN SPONSORS**

### **IPERS is the plan administrator.**

As administrator, IPERS cannot make changes to the plan, or advocate for or against changes. In 2012, the Legislature and Governor passed pension reform to get IPERS on track for full funding.



### **The Public Retirement Systems Committee**

is charged with reviewing and evaluating Iowa's public retirement systems. Some committee members are concerned about IPERS' shortfall and are studying possible changes to the plan.

# Why IPERS is important for Iowa

IPERS was created in 1953 to attract and retain a quality workforce. Members teach our children, maintain our roads and parks, care for our most vulnerable citizens, and protect Iowans across our state. The benefits paid to retirees fuel local economies, creating a steady flow of money to Main Street. As a defined benefit plan, retirees receive a fixed, reliable lifetime monthly payment during retirement.

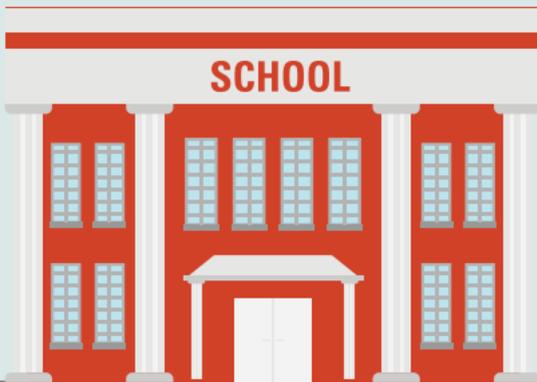
**355,000** PEOPLE  
ARE IPERS MEMBERS



# \$2 BILLION PAID TO RETIREES ANNUALLY

## SUPPORTS LOCAL COMMUNITIES

IPERS is a powerful economic engine that helps create jobs, keeps retirees off public assistance and provides security for all members.



# The \$7 billion shortfall

The early 2000s brought the 'perfect storm' of new mortality tables, which increased liabilities, and the dot com recessions. A contribution rate change was needed to keep IPERS healthy, but the Legislature chose to delay a contribution increase. As a result, a shortfall, or unfunded actuarial liability (UAL), developed. This shortfall means that, if ALL future retirement benefits had to be paid TODAY, there wouldn't be enough money.



FY2017

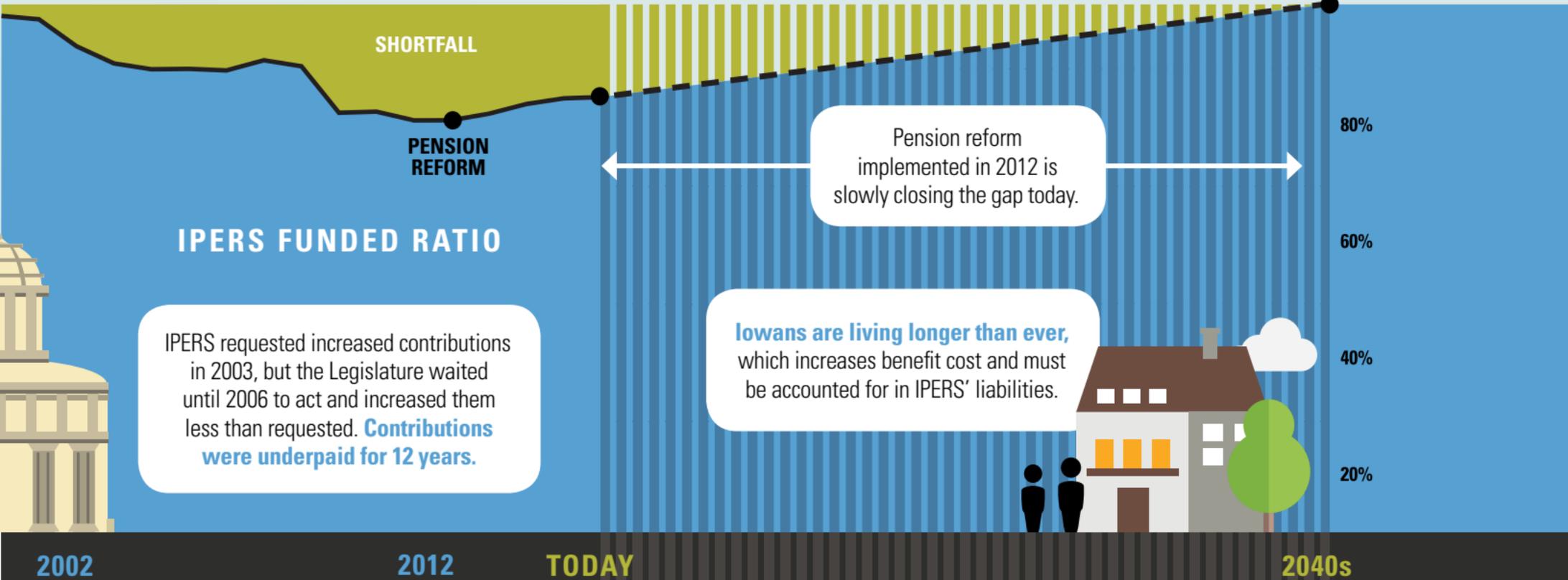
**FUNDED RATIO**

**81%**

Once a year, IPERS' actuary takes a "snapshot" of the System to determine its soundness. By industry standards, IPERS is considered financially healthy.



# IPERS IS ON TRACK TO CLOSE THE SHORTFALL

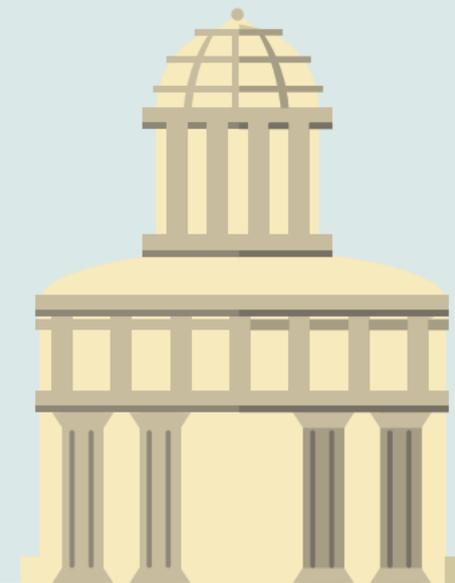


# What is being done about it

Benefit cuts, higher contributions, a longer vesting period, and allowing IPERS the ability to adjust future contribution rates are helping to close the funding gap. The shortfall didn't happen overnight, and it can't be paid off overnight. IPERS is like an ocean liner; it cannot turn on a dime. But, given the opportunity to stay the course, the Trust Fund will reach full funding.

**Defined benefit plans like IPERS  
measure success in decades-long periods.**

It's the long-term performance that's  
important and indicates financial health.



# STRONG, SECURE, AND SUSTAINABLE

## IPERS IS CONSIDERED A MODEL PUBLIC PENSION SYSTEM

The IPERS Investment Board oversees the Trust Fund and makes adjustments as needed, such as the assumption changes made in March 2017, to keep IPERS sound and secure.



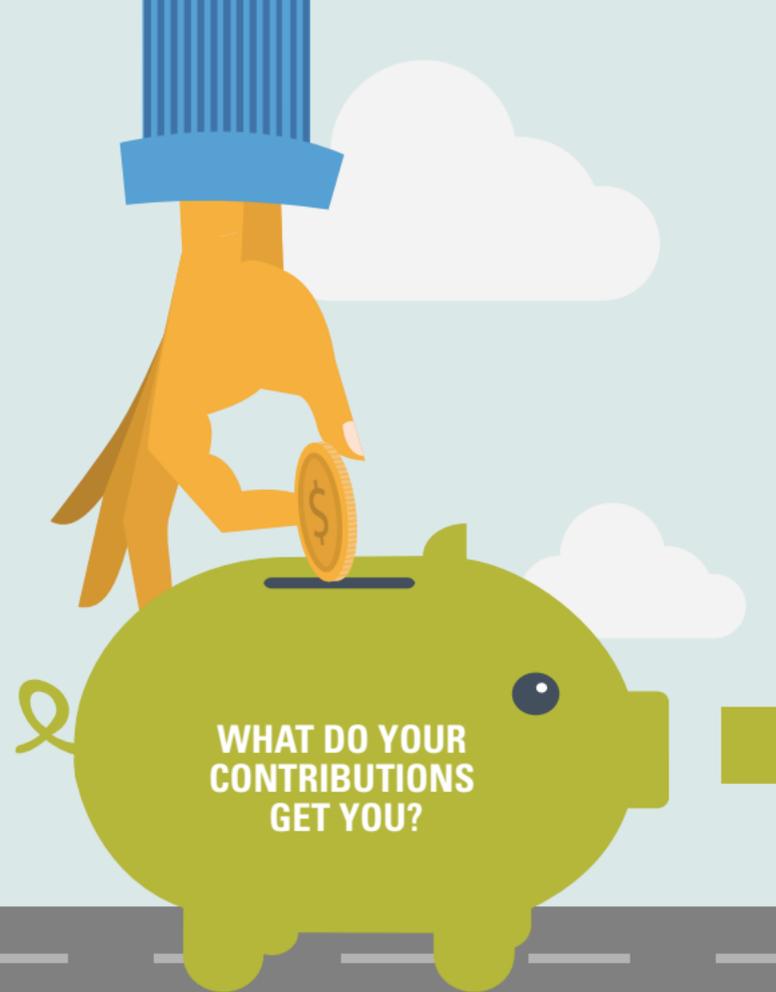
Members are doing their part to keep IPERS healthy. They contribute more, have a longer vesting period and receive less in benefits.



# What's on the horizon?

Some lawmakers and lobbyists want to explore moving public employee pensions from a defined benefit (DB) to a defined contribution (DC) plan.

Changing from a DB to a DC would not eliminate the shortfall, and would make it worse in the short-term. The retirement benefits currently promised to employees will still need to be paid. Switching to a DC and barring new employees from entering the DB plan creates additional challenges to making up the shortfall.



# DB

IPERS is a defined  
**BENEFIT** plan.

Benefits are based on a formula and are guaranteed for life, no matter how the stock market performs.



\$

SET BENEFIT AMOUNT  
BASED ON A FORMULA,  
GUARANTEED



# DC

401(k)s, 457s and  
403(b)s are defined  
**CONTRIBUTION** plans.

Benefits are portable yet unpredictable because they are based on the amount contributed and how the stock market performs.

?

AMOUNT DEPENDS  
ON MARKET AND  
CONTRIBUTIONS



Depending on distribution decisions at retirement, DC benefits may not last a lifetime.

# How to Stay Informed



For up to date information on IPERS, including legislative updates, visit [www.ipers.org](http://www.ipers.org), or follow us on Twitter and Facebook



To contact your legislator, visit [www.legis.iowa.gov/legislators/find](http://www.legis.iowa.gov/legislators/find)

To contact the Public Retirement Systems Committee, visit [www.legis.iowa.gov/committees](http://www.legis.iowa.gov/committees) and choose Public Retirement Systems Committee



**Are you an IPERS member?**

Register for My Account and add your email address to receive more information through our member newsletter.

## QUESTIONS? CONTACT US.

[info@ipers.org](mailto:info@ipers.org) | **515-281-0020** or 1-800-622-3849 (toll-free) Monday–Friday 7:30 a.m.–5 p.m. Central Time

