

## LONG-TERM PERFORMANCE IT'S WHAT COUNTS



FROM IPERS CEO  
*DONNA M. MUELLER*

The country is experiencing a long, slow recovery from the Great Recession, and IPERS is certainly no exception. The good news is that the last few years have brought stability and positive results. The FY2012 report shows we continue to trend in the right direction.

For IPERS, the ultimate test of our financial soundness is whether we can pay all of our promised benefits as they come due — not just today and tomorrow, but over a long period of time. In the pension world, we look at horizons of 30 or more years to assess our financial condition.

IPERS was one of the early leaders of pension reform, thanks to plan changes (increased contributions and benefit revisions) by the forward-thinking legislators who passed House File 2518 in 2010. As a result of this and better investment returns, IPERS' funded status has stabilized at 79.9 percent for the last two years, and for the first time in many years, IPERS' unfunded actuarial liability can now be amortized in 30 years.

Improved financial health is our constant focus, but it cannot be earned overnight. IPERS' Investment Board and staff aim to earn adequate returns while taking a prudent level of risk. IPERS is monitoring whether the changes enacted with House File 2518, combined with investment income, keep us on the path to full funding.

Keep reading to learn more about IPERS' focus on long-term performance. If you want to dig deeper, please visit our website and download the entire FY2012 Comprehensive Annual Financial Report.

*Donna M. Mueller*

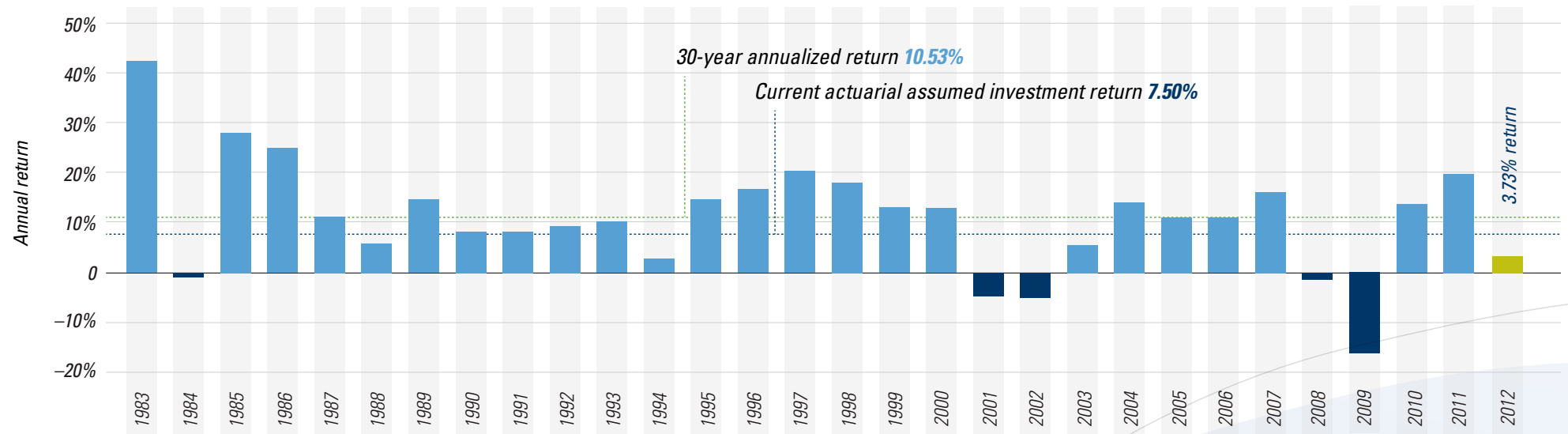


# Working Today for Your Tomorrow

IPERS uses long-term investment strategies to ensure promised benefits can be paid far into the future. For investment gains and losses, our actuary uses a method called *asset smoothing* – essentially spreading the returns over four years. This way, short-term turbulence in the markets doesn't distort fund performance in any given year and keeps the focus on the long-term horizon.

Compared to its benchmark of 7.5 percent, IPERS' 30-year investment performance is more than 3 percentage points higher. Even factoring in the losses of two recent recessions, IPERS' investment earnings have contributed more than 65 percent of benefits paid in the past several decades.

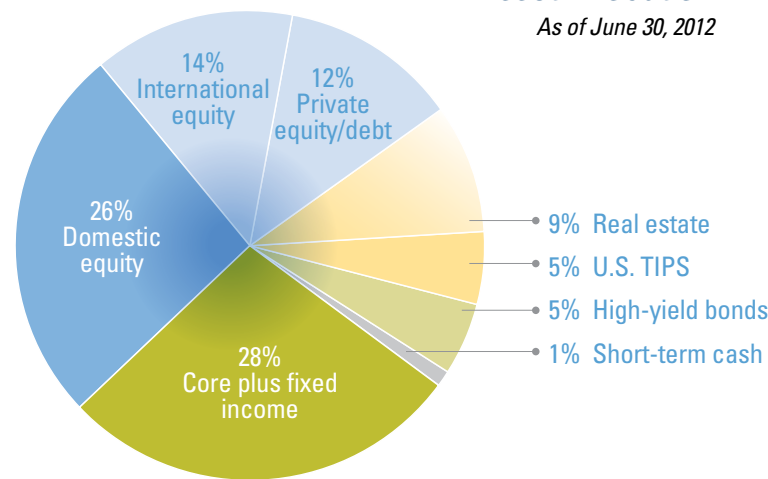
## Long-Term Investment Performance Fiscal years ended June 30



## Deciding where to plant

It's virtually impossible to forecast how the market will perform year in and year out. That's why IPERS invests in a variety of asset classes. By diversifying (not putting all the money into one type of investment), IPERS reduces its risk when the market doesn't perform as desired.

Our investment managers, staff, and board carefully evaluate how best to invest the \$23.2 billion Trust Fund by weighing the risks associated with each asset. Not every asset is going to perform as expected all the time.



## Determining how much to plant

Employees and employers contribute to IPERS a set percentage of employees' wages. Regular members contribute 40 percent of the contribution rate, and employers pick up 60 percent. The contributions are pooled and invested by IPERS' professional investment managers. Along with investment earnings, these contributions fund all IPERS payments – including retirement benefits, death benefits, and refunds.

*It's performance over the long haul that sustains the System.*

## Investment Performance Summary For the periods ended June 30

	FY2012	FY2011	FY2010	3-YEAR	5-YEAR	10-YEAR	20-YEAR
IPERS' portfolio, net of fees	3.73%	19.91%	13.82%	12.29%	3.18%	7.33%	8.48%
Policy benchmark*	5.09%	20.15%	16.98%	13.88%	4.01%	7.64%	8.14%
Large public fund median†	1.12%	21.46%	13.09%	11.85%	1.74%	6.63%	8.14%

\*A benchmark composed of market indexes with weightings reflective of IPERS' asset allocation targets.  
†Trust Universe Comparison Service (TUCS) Public Funds with Total Market Value Greater than \$1 billion.

## Contributions

July 1, 2012–June 30, 2013

Membership Class	Member Share	Employer Share	Total
Regular members	5.78%	8.67%	14.45%
Sheriffs and deputies	9.90%	9.90%	19.80%
Protection occupations	6.84%	10.27%	17.11%

July 1, 2013–June 30, 2014

Membership Class	Member Share	Employer Share	Total
Regular members	5.95%	8.93%	14.88%
Sheriffs and deputies	9.88%	9.88%	19.76%
Protection occupations	6.76%	10.14%	16.90%

## Working Members by Membership Class

**REGULAR MEMBERS** 95% Regular members

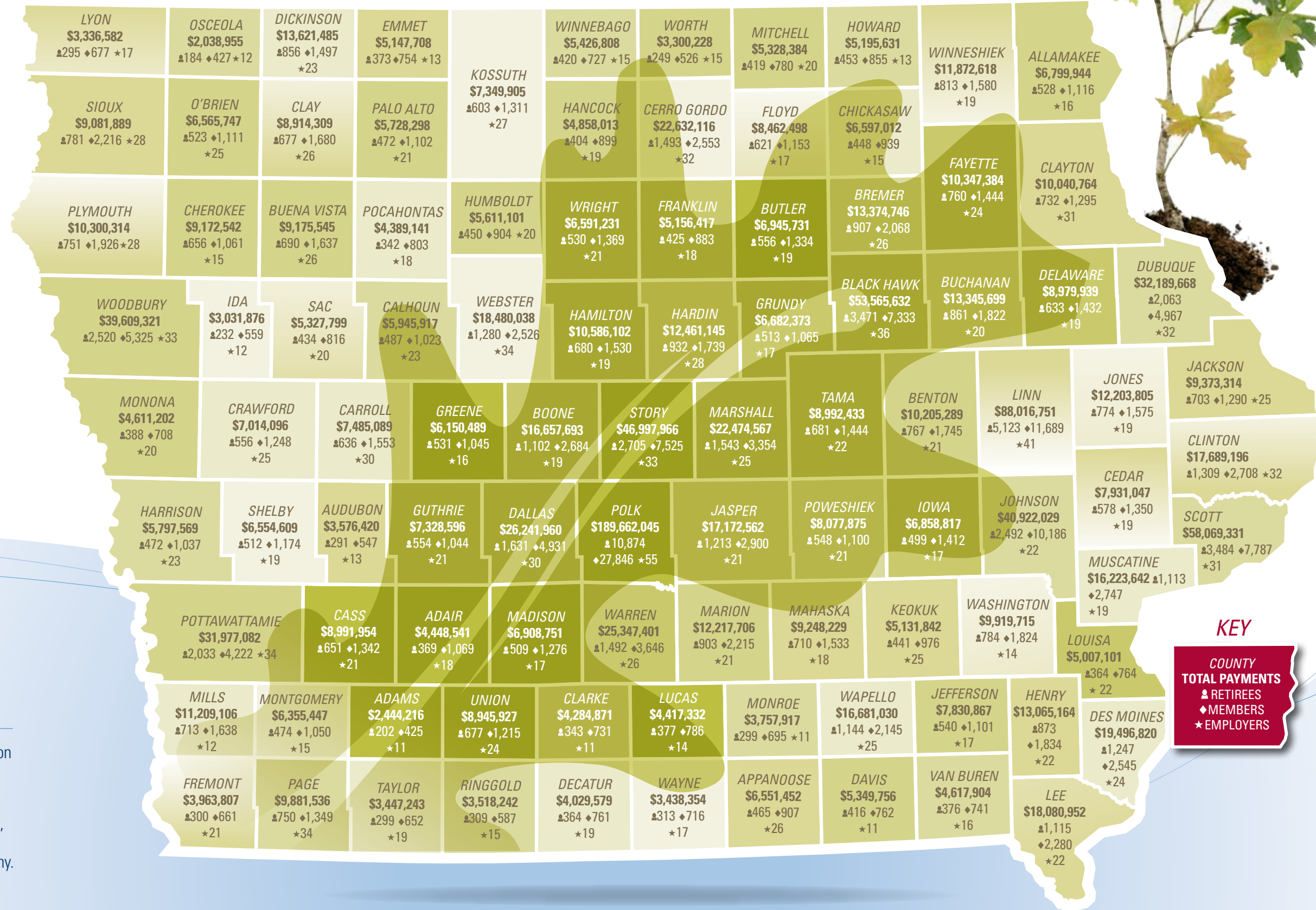
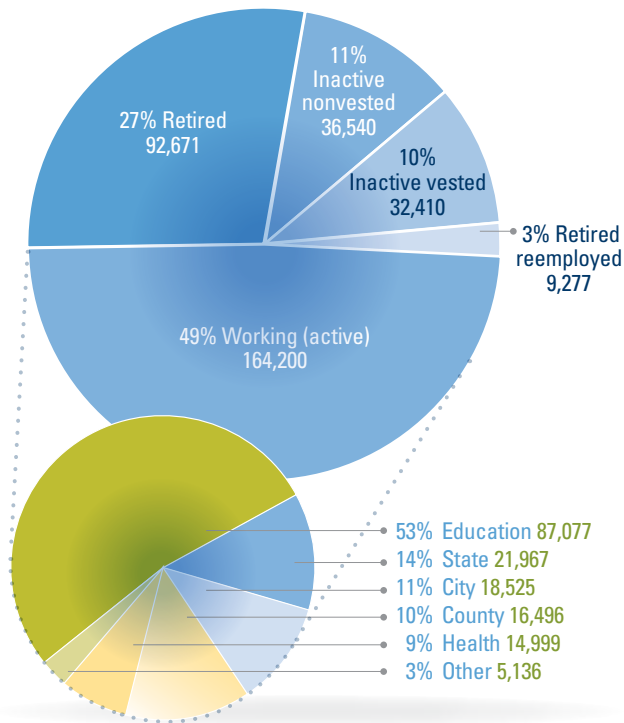
**SHERIFFS AND DEPUTY SHERIFFS • PROTECTION OCCUPATIONS** 5% Special service members



# Contributing to the Iowa economy

## Benefit Payments by Iowa County

IPERS Membership by Status and Employer Type



### IT'S A SIMPLE FACT:

IPERS benefit payments have a ripple effect. One person's retirement check becomes another person's paycheck.

IPERS paid \$1.5 billion in benefits in FY2012, with \$1.4 billion staying in Iowa. These dollars are spent on Main Street, directly affecting business development and having an indirect impact on their employees and stakeholders. IPERS' significant economic footprint is helping sustain the economy.



Connect with us—  
at your convenience!

With the My Account online feature, you can log on to see individualized information about your IPERS benefits.

- Sign up for instant access to your account information.
- Keep your contact information up to date.
- Print your projected retirement benefits.
- Print a refund application.

Retirees can use My Account, too!

- Change withholding amounts.
- Update direct deposit.
- View 1099-R information and other documents.
- See your payment history.

**REGISTER TODAY AT [www.ipers.org](http://www.ipers.org)**

## Net Assets As of June 30, 2012

### Assets

Cash and cash equivalents	\$ 314,436,701
Receivables	2,138,410,239
Investments at fair value	23,170,509,781
Securities lending collateral pool	337,758,495
Capital assets	25,619,802
Other assets	1,664,561
<b>Total assets</b>	<b>\$25,988,399,579</b>

### Liabilities

Accounts payable and accrued expenses	\$ 28,659,222
Investment purchases payable	777,041,988
Rebates and collateral payable	351,926,015
Foreign exchange contracts payable	1,587,231,846
<b>Total liabilities</b>	<b>\$ 2,744,859,071</b>

Net assets held in trust for pension benefits	\$23,243,540,508
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IPERS' funded ratio has remained steady at 79.9 percent for two years.

## Changes in Net Assets Year Ended June 30, 2012

### Additions

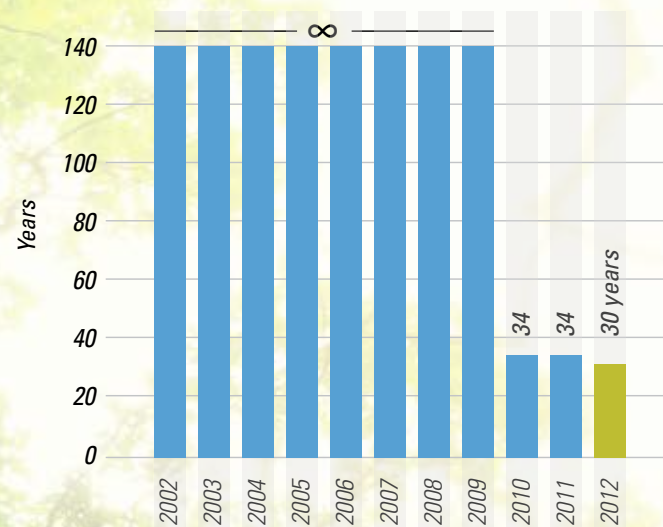
Total contributions	\$ 942,394,013
Net investment income	816,726,378
Net securities lending income	7,256,194
Other additions	499,935
<b>Total additions</b>	<b>\$ 1,766,876,520</b>

### Deductions

Benefit payments	\$ 1,549,176,636
Member refunds	43,328,126
Administrative expenses	12,964,185
<b>Total deductions</b>	<b>\$ 1,605,468,947</b>

Net increase	\$ 161,407,573
Net assets held in trust for pension benefits, beginning of year	23,082,132,935
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$23,243,540,508</b>

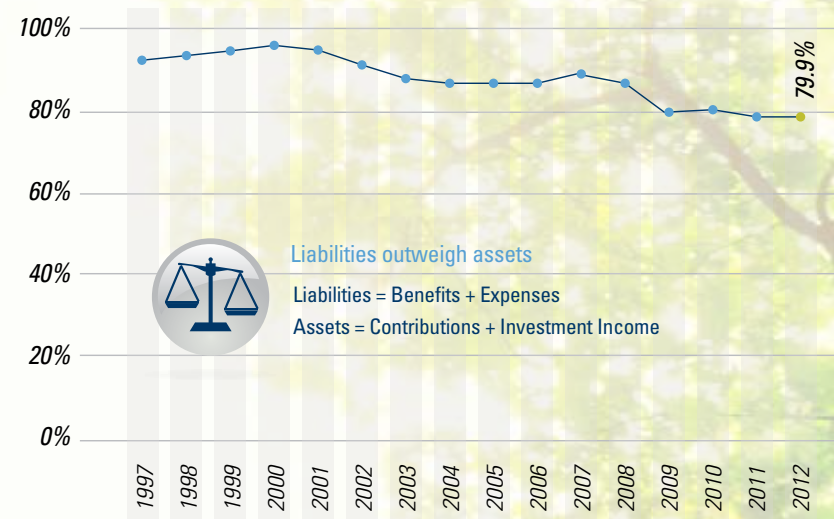
## UAL Amortization Period As of June 30



A UAL (unfunded actuarial liability) indicates that the Trust Fund does not currently have all the money needed to pay all future benefits. It does not mean that it will someday run out of money. Generally, an amortization period of 30 years or less is considered healthy. IPERS' UAL amortization period was infinity from 2002–2009, 34 years in 2010 and 2011, and is now 30 years in 2012.

## Funded Ratio As of June 30

### Balancing Assets With Liabilities



## FED payments to end next year

Most IPERS retirees do not have a guaranteed cost-of-living adjustment. By design, IPERS members must supplement their benefit with Social Security and personal savings to combat the effects of inflation.

After more than a decade of payments, the 13th check (officially known as the Favorable Experience Dividend, or FED, payment) will end in January 2014.

By law, the FED Reserve Account cannot be replenished until the IPERS plan is at least 100 percent funded and can remain so after the transfer.

Note: The November dividend is a guaranteed payment for all IPERS members who began receiving benefits before July 1, 1990. If you have received a November dividend in the past, you will continue to receive one each year.





**Iowa Public Employees' Retirement System**

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FROM THE GOVERNOR AND LIEUTENANT GOVERNOR

Public pensions like IPERS have recently received more attention in light of these challenging economic times. As a leader in pension reform, the Iowa Legislature has helped IPERS make steady progress to shore up its shortfalls. This FY2012 financial summary shows that plan changes in 2010 have made a significant impact on the System's soundness.

Retirement security benefits everyone in a community. This year, IPERS paid \$1.5 billion in benefits with nearly \$1.4 billion of that total going directly to Iowans. That means IPERS' effect on the economy rippled down Main Street and throughout Iowa to help with our economic comeback.

*IPERS plays a big role in attracting and retaining the quality public workforce we need in Iowa. Teachers, firefighters, police officers, social workers, snowplow operators, school bus drivers, and thousands of other state and local government employees look to IPERS for a secure retirement.*

Unlike Social Security, IPERS is a prefunded system (not pay-as-you-go), which means contributions from employees and employers are pooled and invested over a lifetime career of more than 30 years to fund retirement benefits. IPERS is designed to provide monthly lifetime annuities that supplement Social Security benefits and personal savings, enabling public employees to care for themselves in retirement.

IPERS consistently delivers high-quality service with low administration costs. IPERS' dedication to being the best possible public pension in the country is something all Iowans can be proud of, and the results showcased in this report prove it.



*Terry E. Branstad*  
*Kim Reynolds*