

# Frequently Asked Questions: Changes to Economic Assumptions

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*On March 24, 2017, IPERS' Investment Board voted to adopt new economic assumptions that are used to calculate the System's liabilities. This action followed an [economic assumption study](#) presentation by IPERS' actuarial firm, Cavanaugh Macdonald of Bellevue, NE.*

**Q. What are the changes to the economic assumptions?**

A. The new assumptions are:

- Inflation drops from 3 percent to 2.6 percent
- Interest on member accounts drops from 3.75 percent to 3.5 percent
- Investment return drops from 7.5 percent to 7 percent
- Wage growth drops from 4 percent to 3.25 percent
- Payroll growth drops from 4 percent to 3.25 percent

**Q. What do the updated economic assumptions mean to IPERS' funded status?**

A. IPERS' funded status remains solid. Using the new assumptions, with the 2016 valuation data, IPERS' funded ratio dropped from 84 percent to 80 percent. A funded ratio of 80 percent or higher is considered financially healthy.

**Q. Why was the study done?**

A. IPERS' Investment Board is charged with acting in the best interest of its members. That means, among other things, it regularly reviews demographic and economic assumptions used to determine future liabilities. IPERS' regularly scheduled experience study was planned for 2018, but because of the low investment performance environment, the Board moved it up to spring of 2017. The new assumptions will be used for the first time in the June 30, 2017, valuation. Any changes to the members' and employers' contribution rates will be determined at that time, effective July 1, 2018.

**Q. Do the changes affect my monthly IPERS benefit payments?**

A. No, retirees' benefit payments will not be affected. These modifications were made in order to provide a more accurate valuation of future liabilities.

**Q. If changes are made to IPERS, how does that happen?**

A. The Legislature and Governor oversee the laws that govern IPERS. They establish, by statute, what the member benefits are and who may participate in IPERS. There is also a [Public Retirement Systems Committee](#), co-chaired by [Senator Charles Schneider](#) and [Representative Dawn Pettengill](#), which will be examining all the public pension systems in the near future.

**Q. If plan changes occur, what will happen to the benefits earned to date?**

A. This will depend on how the new plan is structured once it's finalized. Benefit changes passed in 2010 increased contributions and amended future benefit accruals for all Regular members. These changes were agreed upon by the Benefits Advisory Committee.

**Q. What is IPERS' role?**

A. IPERS' role is clear: We administer the benefit program. We are charged with adhering to the law, performing all the duties associated with running a public pension program, while acting as responsible fiduciaries of the system. This means we must act on behalf of IPERS members to provide the highest standard of care to preserve the assets of the Trust Fund.