



MEASURED
ADJUSTMENTS
FOR LONG-TERM
SECURITY

IAPERS[®]

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

AN ANNUAL SUMMARY FOR THE
FISCAL YEAR ENDED JUNE 30, 2010

FROM GOVERNOR
TERRY E. BRANSTAD



Sustainability for the long term must be the focus of the Iowa Public Employees' Retirement System. We have made promises to you, our public employees, and we must honor our commitments. In the recession of 2007–2009, the IPERS Trust Fund suffered losses, just like the rest of the economy. Course corrections have been made, and you will see from this report that already the IPERS Trust Fund has rebounded, earning 13.82 percent in FY2010.

Public pensions also give back to the economy. You may be surprised to learn that IPERS paid \$1.1 billion in benefits to Iowans this past year. This is a sizable economic footprint for our state. Pension benefits paid to Iowans are returned to our local economy in the form of housing, goods, and services.

Our goal is for IPERS to be 100 percent funded in order to provide the lowest cost to taxpayers. That may require looking at other changes to ensure the sustainability of our plan. Compared to other states' retirement systems, IPERS is in much better shape, but we need to explore ways to do even better.

I have full confidence in the leadership at IPERS. The experience and knowledge of the IPERS board and staff are excellent. The IPERS Trust Fund is one of the best managed of its kind in the country. I am looking forward to working with the legislature to ensure the sustainability of IPERS... and keeping our promises to you.

A handwritten signature in black ink that reads "Terry E. Branstad".

FROM IPERS CEO
DONNA M. MUELLER

This report covers a very busy year. IPERS focused its efforts on further recovery from the worst recession in its history. Our overall goals are long-term security and delivering promised benefits. With those as our guide, IPERS implemented measured adjustments to regain some of the prior years' losses and secure plan funding in fiscal year 2010.

The good news is that we appear to be headed in the right direction. The benefit changes made with the enactment of House File 2518 slow future growth of liabilities. At the same time, it gradually aligns the contributions collected more closely to the actuarially required contributions for the regular membership (95 percent of our members).

As reported last year, IPERS joined with federal authorities and the Iowa Attorney General to hold Westridge Capital Management accountable and recover IPERS' assets. It's estimated that 80–90 percent of IPERS' principal will be recovered. We are looking forward to bringing closure to this fraud case and justice to our stakeholders.

Clearly, by making these measured course corrections, we are making positive progress toward long-term security and funding promised benefits.

A handwritten signature in black ink that reads "Donna M. Mueller".



MEASURING UP IN FY2010

This year, incremental course corrections contributed to IPERS' success in emerging from the global recession. Our staff of professional investment officers, the Investment Board, the Benefits Advisory Committee, and the changes of House File 2518 all contributed to IPERS' progress and success.

While our positive return of 13.82 percent is a step in the right direction to funding promised benefits, we knew investment performance alone would not be enough. Years of insufficient contributions, along with investment losses in fiscal years 2008 and 2009, threatened IPERS' ability to fully fund promised benefits for the regular membership.

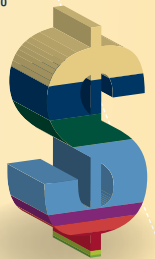
Legislative changes reduce liabilities and the cost of future benefits. (See *Moving the Needle*.) They allow us to sustain our healthy funding ratio of 81.4 percent as well as the ability to finance the unfunded actuarial liability. We hope the worst is behind us as we move confidently toward our goal of 100 percent funding.

For the first time since 2001, IPERS is able to amortize the unfunded actuarial liability (UAL). The financing period (similar to a mortgage) has gone from infinity to
34 YEARS!

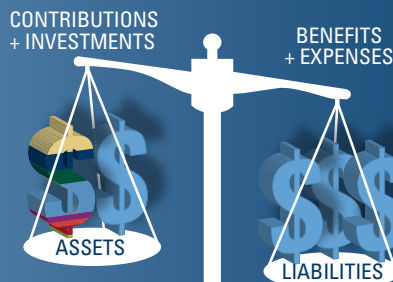
INVESTMENTS

Target Asset Class Allocation

- DOMESTIC EQUITY 23%
- INTERNATIONAL EQUITY 15%
- PRIVATE EQUITY 13%
- CORE PLUS FIXED INCOME 28%
- HIGH YIELD FIXED INCOME 5%
- U.S. TIPS 5%
- REAL ESTATE 8%
- OTHER REAL ASSETS 2%
- CASH 1%



FUNDING STATUS



FUNDED RATIO

◀ IPERS' funded ratio for FY2010 is

81.4%

MOVING THE NEEDLE



For many years, changes to IPERS' funding were necessary to become fully funded. Then the recession hit in FY2008, further eroding the status of IPERS' funding. The Benefits Advisory Committee wanted to meet the recession head-on by finding ways to rebalance the funding over the next 30 years. It was essential that any changes to plan funding would ensure:

- Retirees' benefits are secure and IPERS will continue to pay them on time.
- IPERS will honor past promises to pay benefits already earned by members who have not yet retired.
- Changes will secure dependable monthly income for future generations.

House File 2518 accomplishes all that. The main changes are:

- Contribution rates increase for regular members on July 1, 2011, and can be adjusted each year after that by up to 1.0 percentage point a year.
- The length of time to vest increases from four to seven years.
- The average wage used in the benefit formula calculation changes from the average of the highest three annual salaries to the highest five annual salaries.
- There will be greater benefit reductions for those who choose to retire early, before reaching normal retirement age.

DID YOU KNOW?

IPERS is a prefunded retirement plan.

That means the money employees contribute today is pooled and invested so it can grow and pay for their own future benefits.

For a detailed summary of House File 2518, visit the IPERS website at www.ipers.org.

CONTRIBUTION RATES

FY2011 (JULY 1, 2010–JUNE 30, 2011)

Employee	Employer	Combined
4.50%	6.95%	11.45%
6.64%	9.95%	16.59%
8.94%	8.94%	17.88%

FY2012 (JULY 1, 2011–JUNE 30, 2012)

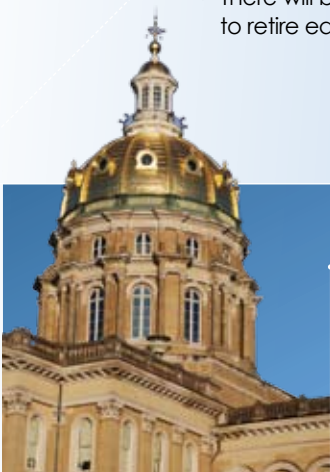
Employee	Employer	Combined
5.38%	8.07%	13.45%
6.65%	9.97%	16.62%
9.83%	9.83%	19.66%

MEMBERSHIP CLASS

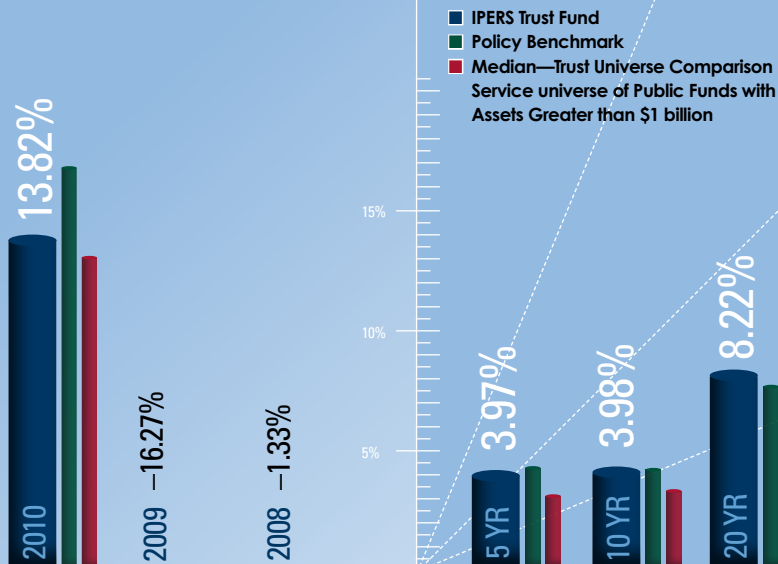
Regular

Protection Occupation

Sheriffs/Deputies



INVESTMENT RETURNS



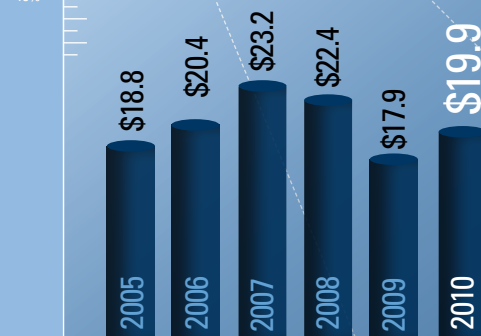
DID YOU KNOW?

IPERS takes on all the investment risk. Members don't have to worry about market fluctuations. Your benefits are guaranteed for life.

—DONNA M. MUELLER, CEO

TRUST FUND VALUE

Value on June 30 (billions of dollars)



BASIC FINANCIAL STATEMENTS



PLAN NET ASSETS AS OF JUNE 30, 2010

ASSETS	
Cash and cash equivalents	\$ 208,953,317
Total receivables	619,309,853
Investments at fair value	19,936,770,851
Securities lending collateral pool	496,199,655
Capital assets	18,223,796
Other assets	703,380
Total assets	\$21,280,160,852
LIABILITIES	
Accounts payable and accrued expenses	\$ 16,424,954
Investments purchased payable	861,221,980
Rebates and collateral payable	521,824,119
Foreign exchange contracts payable	2,609,171
Total liabilities	\$ 1,402,080,224

Net assets held in trust for pension benefits	\$19,878,080,628
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CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 2010

ADDITIONS	
Total contributions	\$ 755,210,092
Net investment income	2,443,245,425
Net securities lending income	34,578,669
Total additions	\$ 3,233,034,186

DEDUCTIONS	
Benefit payments	\$ 1,278,555,844
Employee refunds	41,470,129
Administrative expenses	8,968,236
Total deductions	\$ 1,328,994,209

Net increase	\$ 1,904,039,977
Net assets held in trust for pension benefits—beginning of year	17,974,040,651
Net assets held in trust for pension benefits—end of year	\$19,878,080,628

DID YOU KNOW?

IPERS spends about half the amount in administration costs that other similar retirement systems do, yet our services rank an 81 out of 100—equal to the median score of others.

Source: Pension Administration Benchmarking Results, CEM Benchmarking Inc., March 1, 2010.

MEASURING THE VALUE OF IPERS FOR IOWA

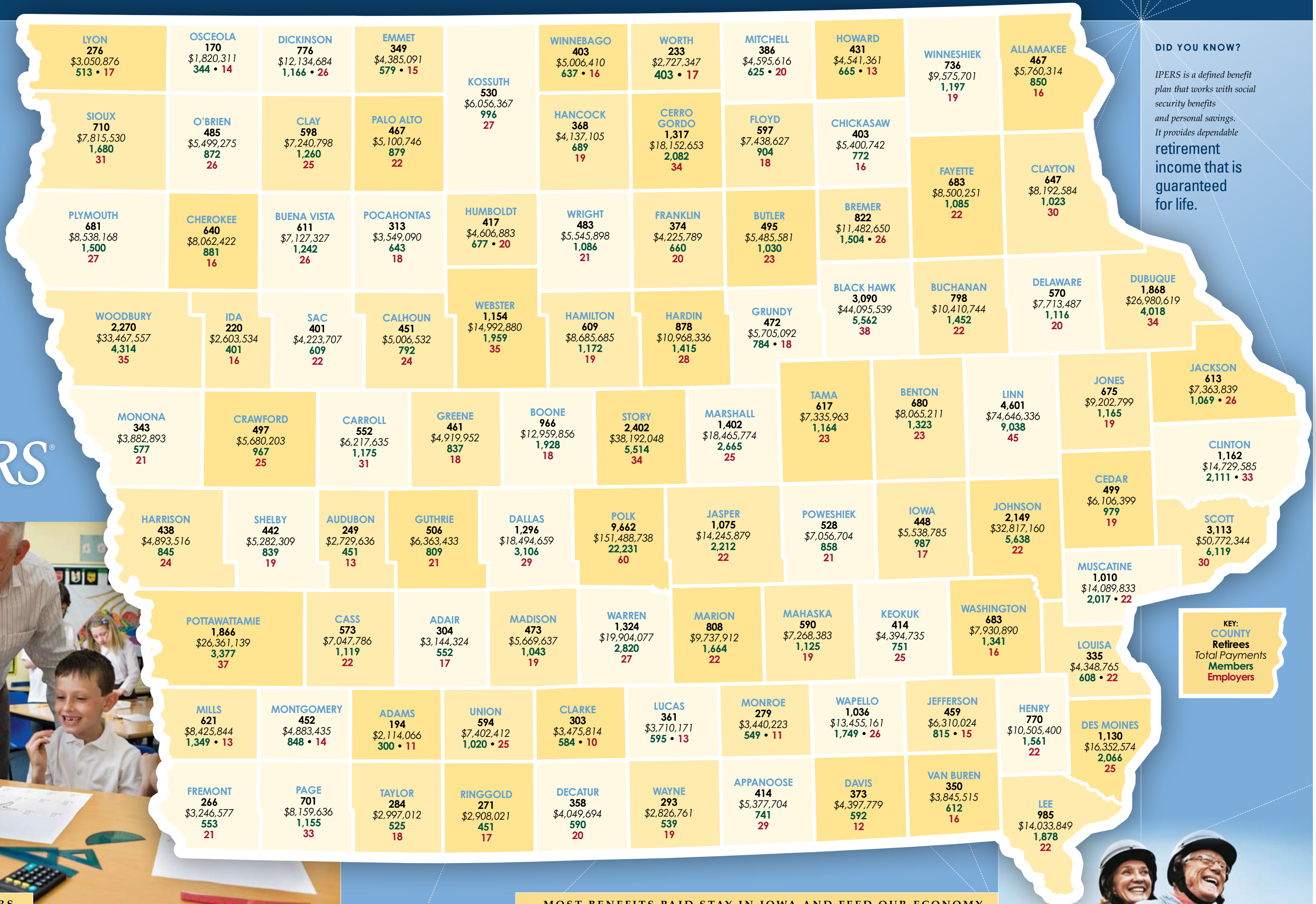
IPERS paid \$1.3 billion to retirees and beneficiaries in fiscal year 2010, with 88 percent of those payments staying in Iowa.

These dollars are spent on Main Street, directly impacting businesses and indirectly impacting the employees and stakeholders of those businesses. That spending creates a significant economic footprint. It's a simple fact: IPERS benefit payments have a ripple effect. One person's retirement check becomes another person's paycheck.



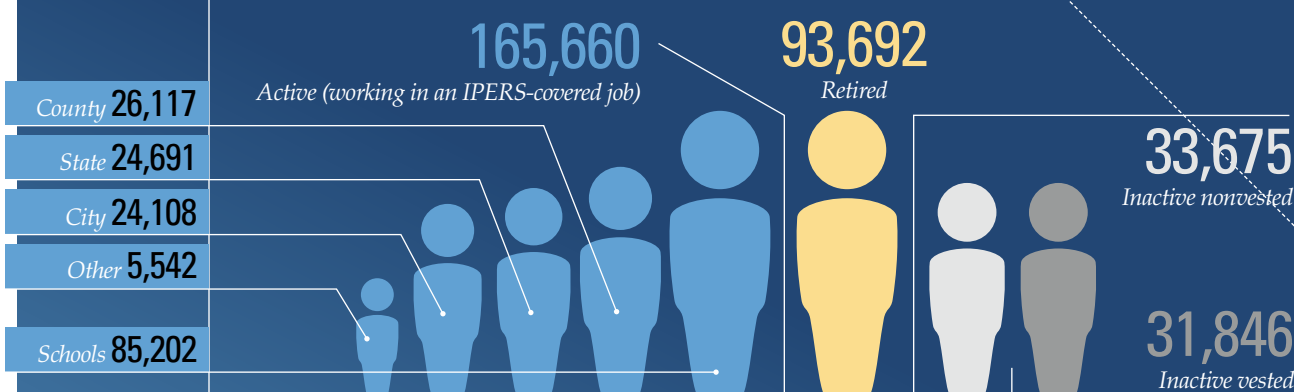
DID YOU KNOW?

IPERS is a defined benefit plan that works with social security benefits and personal savings. It provides dependable retirement income that is guaranteed for life.



KEY:
COUNTY
Retirees
Total Payments
Members
Employers

ABOUT IPERS MEMBERS

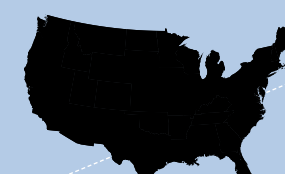


MOST BENEFITS PAID STAY IN IOWA AND FEED OUR ECONOMY

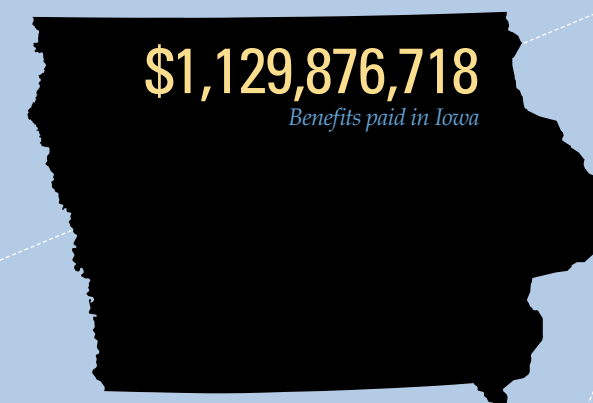
\$234,200
Outside the United States



\$148,444,926
Outside Iowa (United States)



\$1,129,876,718
Benefits paid in Iowa



MISSION

To provide a cost-efficient statewide retirement plan that helps employers recruit and retain employees in public service and allows members to care for themselves in retirement.

VISION

IPERS will be a fully funded retirement plan that is valued by Iowa's public employers and employees for its benefits, excellent customer service, and cost-effective management.

www.ipers.org

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Working Today for Your Tomorrow