IPERS

IOWA
PUBLIC EMPLOYEES'
RETIREMENT SYSTEM

2000

A Division of the Iowa Department of Personnel, State of Iowa

Comprehensive Annual Financial Report
A Pension Trust Fund of the State of Iowa
For the Year Ended June 30, 2000

Iowa Public Employees' Retirement System

A Division of the Iowa Department of Personnel, State of Iowa

Comprehensive Annual Financial Report
A Pension Trust Fund of the State of Iowa
For the Year Ended June 30, 2000

Prepared By:
Iowa Public Employees' Retirement System

Mollie K. Anderson, Director
Iowa Department of Personnel

For More Information

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47th IPERS ANNUAL REPORT
FOR THE FISCAL YEAR 2000

Fiscal Year 2000 Highlights:

Membership:

Active Membership	154,612
Retired Membership	66,681

Contributions:

Employee	$ 168,847,367
Employer	253,271,051
Buy-backs/Buy-ins	7,295,195

Distributions:

Benefits Paid	$ 533,747,215
Refunds Paid	65,608,528

Investments:

Net Investment Income	$ 1,990,366,366
Investment Rate of Return	13.1%

Funding:

Net Assets Held in Trust for Pension Benefits	$17,140,231,190
Actuarial Present Value of Total Projected Benefits or Total Liabilities	$17,947,607,541

Introduction

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Iowa Public Employees' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Jeffrey L. Esser

Executive Director

December 15, 2000

To the Governor and the General Assembly of the State of Iowa:

We are pleased to present the 47th comprehensive annual financial report of the Iowa Public Employees' Retirement System (IPERS or System) for the fiscal year ended June 30, 2000. This report is intended to provide readers with financial, actuarial, investment, and membership information in a single publication. This report also fulfills the requirements in Iowa Code sections 97B.4 and 97B.57.

This transmittal letter provides a brief overview of the status of the System. A more thorough discussion of the System's activities and financial status is presented in the following sections of this report. The report is divided into six sections:

- The Introduction contains the Certificate of Achievement, this transmittal letter, and identification of the Investment Board, administrative staff, consultants, and investment managers.

- The Financial section contains a letter expressing the opinion of our independent auditor, the Auditor of State, and the financial statements of the System.

- The Actuarial section contains a letter expressing the opinion of our actuarial firm, Milliman & Robertson, Inc., and the results of its annual actuarial valuation.

- The Investments section includes information on the Fund's asset allocation and performance and the Investment Policy and Goal Statement.

- The Statistical section includes historical information on the System's assets, membership, and financial and investment results.

- The Plan Summary contains significant data pertaining to the System's membership and an overview of the retirement program.

Plan History:

IPERS was established by the Legislature on July 4, 1953 to replace the Iowa Old-Age and Survivors' Insurance System (IOASI). Effective July 4, 1953, all current public employees who had been IOASI contributors were given the option of transferring their contributions to IPERS for service credit in IPERS (prior service) or taking refunds of their IOASI contributions. At the same time, the Legislature elected to include Iowa's public employees in the federal Social Security plan retroactive to 1951. Prior to enactment of the 1953 legislation, public employees were not covered under Social Security.

Initially, the IPERS plan was a money purchase system in which contributions made by members and their employers were used to calculate benefits. Today, IPERS is a defined benefit plan in which benefits are based on a member's years of service, high three-year average covered wage, and a formula multiplier. Four or more years of service are required to qualify for the "high three" formula. A vested member with less than four years of service receives benefits computed on a money purchase basis.

Member Services:

For most members, the IPERS benefits they receive will constitute only a portion of their retirement income. IPERS benefits are designed so that, when they are combined with a member's Social Security benefits and individual savings, the member will enjoy an adequate retirement income. Because a member's retirement income is derived from three separate sources, the need for financial planning actually begins years before retirement. Over the years, IPERS has become better aware of our members' need for additional assistance in their retirement planning.

The most important service that IPERS provides to our retirees is the accurate and timely payment of benefits. At fiscal year end, IPERS provided monthly payments to over 66,000 members. More than 79% of these payments were paid via electronic funds transfer (EFT), which ensures that the monthly benefit is in the recipient's account on the day that it is payable. Since 1992, EFT has been IPERS' preferred method of distribution.

During the year, IPERS' benefits staff prepared over 57,000 benefit estimates, fielded over 89,000 phone calls and provided on-site preretirement counseling to 3,400 members. The staff also provided multiple off-site retirement seminars for members, mostly at employer locations around the state, reaching over 2,500 members. Over 4,400 individual preretirement counseling sessions were held at those off-site visits as well.

The ability to purchase membership service is an area of continuing importance to our members. Over 2000 buy-back/buy-in applications were received in fiscal year 2000, with over 1,800 members deciding to purchase service credit.

The System also provides a number of publications which are aimed at meeting the informational needs of members, retirees, and employers. The System provides a handbook, *Retirement Planning Guidelines*, to members to explain the retirement program. The *Employer Handbook* is a comprehensive resource on IPERS' procedures and reporting requirements for covered employers. In addition, employers are informed of current events through a quarterly newsletter, *The Latest Word*. IPERS also publishes a biannual newsletter for its retirees, *Pensioners' Post*, and a biannual newsletter, *Inside IPERS*, for active members. The newsletters are intended to keep members and retirees apprised of developments that affect them, their benefits, and IPERS. Some of these publications and certain other forms can be downloaded from our web site for use by our IPERS members.

Benefit Enhancements:

Fiscal year 2000 saw the enactment of many major and minor plan enhancements. Some of the more notable changes include the following:

- Adding enhanced disability benefits for IPERS' special service members.

- Amending the Cost of Living Adjustment paid to pre-July 1, 1990 retirees to be based on 100% of the Consumer Price Index, rather than the 80% previously provided (still capped at 3% maximum annual increase).

- Capping allocations to the Favorable Experience Dividend reserve fund in excess of the amount necessary for 10 years of maximum payouts.

- Providing for improved preretirement death benefits to active members, including the opportunity to elect a single life annuity for sole beneficiaries.

- Providing parity for IPERS' members who are in the protection occupation class of public safety employees, by providing annual adjustments to the benefits payable to these members until they reach the same level as that currently enjoyed by the sheriff/deputy sheriff/airport firefighter class of public safety employees. At the end of the adjustment period, all public safety employees will be able to retire at 60% of their final average salary after 22 years of public safety service, plus an additional 1.5% for additional years of such service, up to a maximum of 8 additional years (an additional 12%).

- Approving IPERS' proposal to move to a new definition of final average salary, in lieu of the current method utilizing the computed year concept.

- Amending the bona fide retirement provisions so as to permit part-time elected officials to terminate all other IPERS covered employment, terminate IPERS coverage for the elected position, and retire. This change permits many public officials to retire and remain in elective offices they would have otherwise had to vacate in order to retire. In addition, the bona fide retirement rules were modified so as to permit schools to hire recent retirees as substitute teachers.

- Curtailing the limitations imposed on benefit calculations for highly compensated employees by (1) restoring high three-year averaging in 2002; (2) by increasing the wage smoothing trigger amount to $65,000 in 2000, and to $75,000 in 2001; and (3) reducing the number of years to be used in wage smoothing to six in 2000 and 2001.

- Creating a new retirement option (Option 6, effective July 1, 2001) in which a member can elect a joint and survivor annuity option which will revert to the Option 2 benefit that could have been elected at retirement, in cases where the designated contingent annuitant dies before the member.

- Providing that adjustments for retirements before normal retirement age will be calculated by determining the member's earliest normal retirement age, including Rule of 88, and beginning early retirement adjustments as of that date.

- Providing several new opportunities for members to purchase service credit or to restore previously refunded service credit.

Major Initiatives:

- **Portability.** In 2000, the General Assembly directed IPERS to perform a special study on ways to give its members greater portability of pensions, not only into IPERS but also out of IPERS, after IPERS' covered employment ends. IPERS is required to file its report on the outcome of this study with the Legislature by September 1, 2001.

- **Task Force on IPERS Structure and Governance.** The Honorable Thomas J. Vilsack, Governor of Iowa, chartered a Task Force on IPERS Structure and Governance (Task Force) in March 2000. The mission of the Task Force is to study the organizational structure of IPERS, and to then recommend to the Governor changes which would make IPERS more effective, efficient, and responsive in fulfilling its fiduciary responsibilities to its members and other stakeholders. An RFP was issued and a consultant has been hired to help assure that the Task Force's recommendations will represent a fair and objective evaluation of the current facts and laws, and industry practices and standards. The Task Force will provide its recommendations to the Governor in December 2000.

- **Internal Revenue Service (IRS) Matters.** IPERS has submitted a private letter ruling (PLR) request with the IRS. The PLR asks the IRS to approve IPERS' qualified benefits arrangement. This arrangement was adopted to permit IPERS to pay members the full amount of the benefits they would have received without regard to the limits placed on such payments by Internal Revenue Code section 415.

  IPERS also submitted the entire plan, as amended by 2000 Iowa Acts, Senate File 2411, and by administrative rules adopted to implement that Act, to the IRS for a new determination of its tax-qualified status.

  IPERS also plans to submit a PLR asking the IRS to approve the exemption of in-service disability benefits received by special service members from federal income tax. IPERS plans to submit this PLR in calendar year 2000.

Financial Highlights:

Total Net Assets

Total net assets held in trust for pension benefits increased from $15,325,576,009 on June 30, 1999 to $17,140,231,190 on June 30, 2000. These assets consist of fixed assets owned by IPERS and funds available for investment purposes.

Investment Results

Sound investment planning has resulted in the steady growth of the Trust Fund. At the close of fiscal year 2000, IPERS' net investment portfolio assets had a fair value of $17,128,481,291. The change in fair value represents an increase of $1,823,574,327 from the $15,304,906,964 net investment asset fair value as of June 30, 1999. The total return on investments for the fiscal year ended June 30, 2000 was 13.1%. The total return on investments for the ten-year period ending June 30, 2000 was 12.6%. While benefiting from the strong capital market performance of the most recent decade, it should be anticipated that the performance of institutional funds, including IPERS, may not be sustainable at such high levels in the future. Nonetheless, it is expected that the System's diversified investment strategy will, over time, provide performance which meets or exceeds the System's actuarial liabilities.

Revenues

The System is funded through a combination of member contributions, employer contributions, and investment income. In general, total contributions are 9.45% of employees' covered wages. Most employers contribute at a rate of 5.75% and most employees at a rate of 3.7%. Employees engaged in certain special service occupations (e.g., law enforcement, fire safety, and similar protection occupations) contribute at a slightly higher rate as required by statute, as do their employers. Revenues from employer and employee contributions, excluding buy-back/buy-in contributions, totaled $422,118,418 for fiscal year 2000, a 3% increase from the prior fiscal year. Buy-back/buy-in contributions for the year amounted to $7,295,195, a 62% decrease from the prior year. Net investment income for fiscal year 2000 was $1,990,366,366, an increase of $299,266,767 from the prior year. Investment income represents approximately 82% of the total revenues of the fund.

Revenues
($ millions)

Source	2000	1999	% Change
Employee Contributions	$ 168.8	$ 163.3	3
Employer Contributions	253.3	244.9	3
Buy-backs/Buy-ins	7.3	19.2	<62>
Net Investment Income	1,990.4	1,691.1	18
Total	$2,419.8	$2,118.5	14

Expenses

Expenses are incurred primarily for the purpose for which IPERS was created, namely the payment of benefits to retirees. Included in the total expenses for the fiscal year were benefit payments and refunds to members totaling $599,355,843. This amount increased 25% from the prior fiscal year and represented 99% of the total fund expenditures. During the year, the total number of members receiving monthly benefits was 66,681, a net increase of 2,406. The average monthly retirement benefit, including the November dividend payment, increased to $652.

Expenses
($ millions)

Type	2000	1999	% Change
Benefits	$533.8	$466.8	14
Refunds	65.6	14.4	355
Administrative	5.9	4.6	27
Total	$605.3	$485.8	25

All administrative expenses for the System are paid for from the IPERS Trust Fund. The administrative budget is submitted to the Legislature annually for formal approval. Those administrative expenses totaled $5,865,985 for fiscal year 2000, a 27% increase from last year. The increase was, in large part, due to reengineering of IPERS computer systems.

The System retains two investment consultants and several investment managers to assist the Investment Board and Administration in carrying out their fiduciary duties by providing advice to the System and investing the System's assets. For the fiscal year, IPERS expended $31,008,690 for these services, a 10% decrease from last year. The decrease in fees can be attributed to lower performance fees paid to investment managers. For several managers that earned performance fees in fiscal year 2000, the magnitude of their outperformance was not as great as in fiscal year 1999. Some managers underperformed their market benchmark in fiscal year 2000. IPERS' performance fee structures allow investment managers to share in the financial gains of their outperformance while IPERS retains the great majority of such gains.

In addition to the appropriations process described above for administrative expenses, state law limits the amount which can be expended annually for investment management expenses to .40 of 1% of the total fund's assets at market. For fiscal year 2000, the System expended .18 of 1% of total fund assets for investment management functions, well below the maximum allowed.

Funding

The ultimate test of whether a system such as IPERS is financially sound is whether it can pay all of its promised benefits as they come due. The achievement of this goal can only be judged over a long period of time. The annual valuation of the System's assets and liabilities by IPERS' actuary provides the best current estimate of the System's funding status, but even this has its limitations. The actuarial valuation for funding purposes at June 30, 2000 reflects an unfunded liability of $326,509,222. This represents the difference between the actuarial accrued liability of $14,471,650,757 and the actuarial value of net assets of $14,145,141,535. During the fiscal year, the unfunded actuarial accrued liability decreased by $63,115,094 from the preceding fiscal year's ending balance, primarily due to a higher-than-projected investment return on the System's assets. The System's amortization period of the unfunded liability increased slightly from 20 to 21 years.

Future Prospects:

IPERS is maintained on an actuarially sound basis as certified by its actuary, thus providing protected future benefits for its members. It is expected that the investment earnings of the System's assets will continue to meet or exceed the actuarially assumed earnings rate. The System's goal is to maintain its actuarially sound status without increasing the required contribution rates paid by covered employers and employees.

IPERS' employees are dedicated to the prudent investment and safeguarding of the System's assets and providing the highest possible level of service to members and retirees. These are and will remain our first priorities.

Accounting System and Internal Control:

The financial statements included in this report are the responsibility of IPERS management and have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. IPERS management is also responsible for maintaining an internal accounting control system designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles.

Independent Audit:

The Auditor of State is required by Iowa Code chapter 11 (1999) to audit annually all departments of the State.

The accompanying financial statements of the System have been audited by the Auditor of State in accordance with generally accepted auditing standards, state law, and Government Auditing Standards. The Auditor's report is contained in the Financial section of this report.

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Iowa Public Employees' Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments:

The preparation of this report is the result of the combined effort of the System's staff. It is intended to provide complete and accurate information concerning the activities and results of the System's operations. This report is being provided to the Governor and to covered employers. Copies are available to members and other interested persons upon request.

Sincerely,

Mollie K. Anderson, Director
Iowa Department of Personnel

Kathy S. Comito
Chief Investment Officer

Greg Cusack
Chief Benefits Officer

Gregg A. Schochenmaier, General Counsel
Manager, Legal and Communications

Leon J. Schwartz
Chief Operations Officer

IPERS INVESTMENT BOARD

Standing left to right: Dr. Sheila M. Riggs; Michael A. Logan; Bruce G. Kelley; Kimberly K. Reynolds; Thomas D. Whitson; Janet L. Adams.
Seated left to right: Mollie K. Anderson, Director; Senator John P. Kibbie; and Representative Mona L. Martin

Investment Board

The Investment Board of IPERS was created by state statute to oversee the investment activity of the System. The Board's role is to establish and approve policy relating to the investment of the Trust Fund assets. The Investment Board holds public meetings regularly to review investment performance and to formalize investment policy with the Administration.

Six of the Board members are appointed by the Governor and must by statute include:

- One retired member of the System.
- One active member who is an employee of a school district, area education agency, or merged area school.
- One active member who is not an employee of a school.
- One executive of a domestic life insurance company.
- One executive of a state or national bank operating within the State.
- One executive of an industrial corporation located within the State.

The Director of the Iowa Department of Personnel serves as an ex officio, nonvoting member. The two remaining members are from the State Legislature. The President of the Senate appoints a member of the Senate and the Speaker of the House appoints a member of the House. The term for a Board member appointed by the Governor is six years.

IPERS Investment Board

Bruce G. Kelley
EMC Insurance Companies, Des Moines
Term Expires 2001
Chairperson

Senator John P. Kibbie
State Senator, Emmetsburg
Vice Chairperson

Representative Mona L. Martin
State Representative, Davenport

Kimberly K. Reynolds
Clarke County Treasurer, Osceola
Term Expires 2001

Michael A. Logan
Retired Teacher, Coralville
Term Expires 2004

Janet L. Adams
Teacher, Webster City
Term Expires 2005

Thomas D. Whitson
Peoples National Bank, Council Bluffs
Term Expires 2003

Dr. Sheila M. Riggs
Wellmark Blue Cross And Blue Shield of Iowa, Des Moines
Term Expires 2005

Mollie K. Anderson
Director, Iowa Department of Personnel, Des Moines
(ex officio, nonvoting member)

Administration

IPERS' primary purpose is to provide a strong and secure retirement income for Iowa's former and current public employees. The activities of the Administration are designed to accomplish this purpose and include the following:

- Providing counseling services and retirement information to active and retired members.
- Providing retirement and death benefits to members and beneficiaries of the System.
- Providing refunds to members, which may be placed in other retirement vehicles.
- Administering the benefits of the Iowa Old-Age and Survivors' Insurance System.
- Administering the Teacher's Retirement Allowance Law.
- Collecting employer and employee contributions in accordance with state law and IPERS' administrative rules.
- Overseeing the investment of the System's funds in accordance with the Investment Policy and Goal Statement adopted by the Investment Board.

Iowa Department of Personnel
IPERS Division

Mollie K. Anderson * Director

Investment Policy and Administration

Kathy S. Comito * Chief Investment Officer

Membership and Benefit Administration

Greg Cusack * Chief Benefits Officer

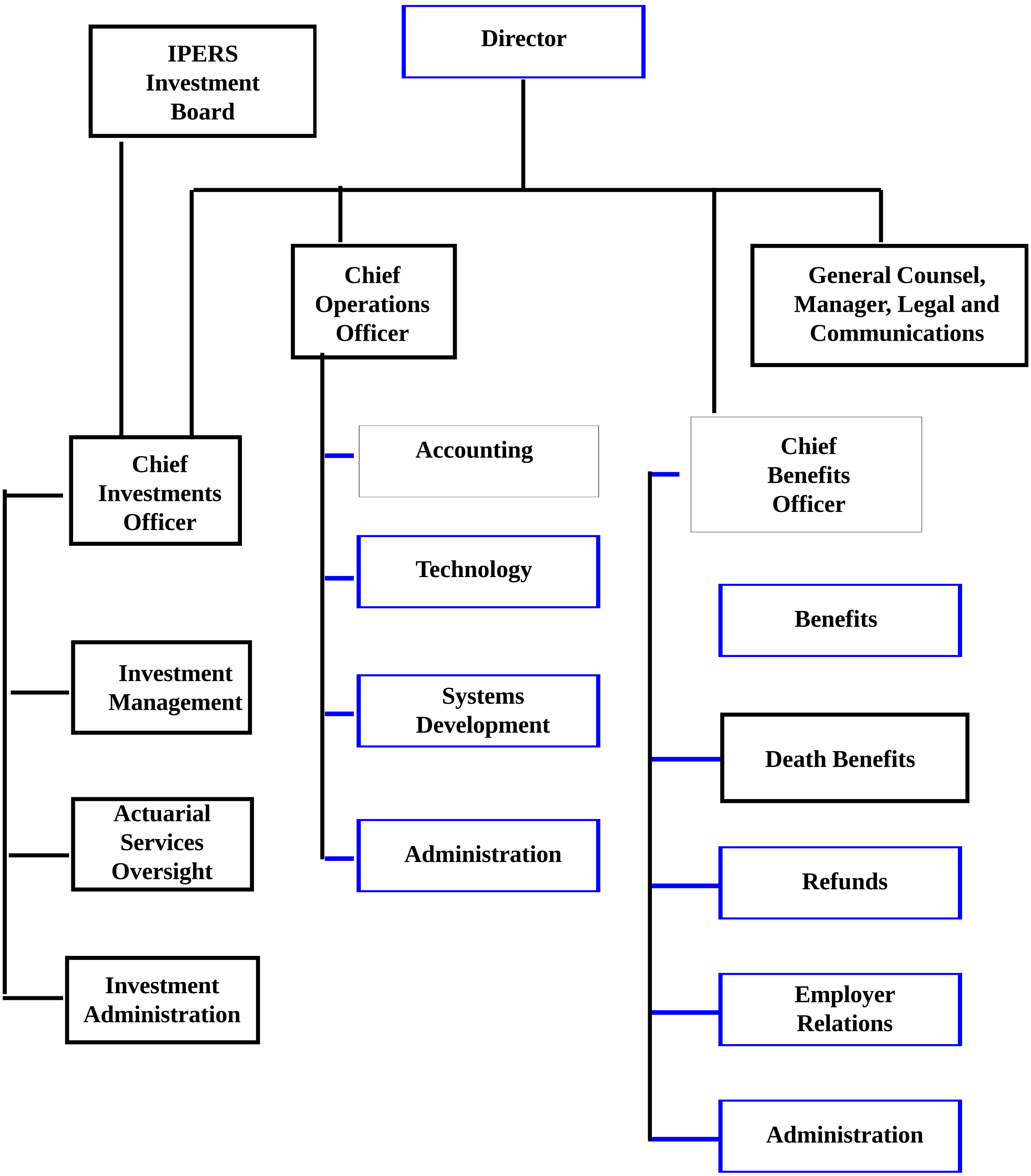
Operations

Leon J. Schwartz * Chief Operations Officer

Legal & Communications

Gregg A. Schochenmaier * General Counsel, Manager, Legal and Communications

Iowa Department of Personnel
IPERS Division



Consulting and Professional Services

To assist the Investment Board and Administration in carrying out their fiduciary duties, the System has hired an actuarial firm, legal counsel, master custodian, and two investment consulting firms.

The actuarial firm chosen by the System is responsible for:

- Certifying the adequacy of the contribution rates used by the System.
- Measuring and reporting the assets and liabilities of the System.
- Reviewing and analyzing trends in the System's membership and actuarial assumptions.

The legal counsel chosen by the System is responsible for:

- Assisting periodically in the review and analysis of tax and benefit-related matters.
- Providing advice to the staff on state and federal legislation and regulations.

The master custodian for the fund is responsible for:

- Maintaining safe custody of the assets owned by the System.
- Settling trades in accordance with instructions from the System.
- Collecting in a timely manner the income due the System.
- Providing periodic reports summarizing the investment activity of the System's assets.

The investment consulting firms chosen by the System are responsible for:

- Preparing asset allocation studies for the System.
- Reviewing periodically the performance of the Fund.
- Assisting in the screening and selection of investment managers.
- Providing support in the development and refinement of the System's Investment Goals and Objectives.

ACTUARY
Milliman & Robertson, Inc. - Omaha, NE

LEGAL COUNSEL
Ice Miller Donadio & Ryan - Indianapolis, IN

MASTER CUSTODIAN
Mellon Trust Company - Everett, MA

INVESTMENT CONSULTANTS
Wilshire Associates Inc. - Santa Monica, CA
(General)

The Townsend Group - Cleveland, OH
(Real Estate)

Investment Managers

The Investment Board and Administration have selected a variety of investment management firms to carry out the investment activity of the System. Managers are given full discretion to direct and manage the investment of the assets allocated to their accounts in accordance with applicable federal and state regulations and their executed contracts.

The investment managers chosen by the System are responsible for:

- Investing the funds allocated to them in accordance with their contracts, the Investment Policy and Goal Statement, and applicable statutes.
- Reporting periodically to the Administration and Investment Board on matters such as performance, market conditions, and compliance with their contracts.

DOMESTIC EQUITY
Dresdner RCM Capital Management
San Francisco, CA

J. P. Morgan Investment Mgmt., Inc.
New York, NY

Mellon Capital Management
San Francisco, CA

Wellington Trust Company, N.A.
Boston, MA

INTERNATIONAL EQUITY
Barclays Global Investors
San Francisco, CA

Putnam Institutional Management
Boston, MA

Schroder Investment Mgmt. North America Inc.
London, England

TACTICAL
Baring International Investment Ltd.
Boston, MA

Mellon Capital Management
San Francisco, CA

PRIVATE EQUITY/DEBT
Pathway Capital Management
Irvine, CA

Warburg, Pincus Asset Management, Inc.
New York, NY

GLOBAL FIXED INCOME
BlackRock Financial Management
New York, NY

Heitman Capital Management
Chicago, IL

J. P. Morgan Investment Mgmt., Inc.
New York, NY

Mellon Capital Management
San Francisco, CA

Miller, Anderson & Sherrerd
West Conshohocken, PA

Oaktree Capital Management
Los Angeles, CA

Western Asset Management Co.
Pasadena, CA

REAL ESTATE
AEW Capital Management
Boston, MA

Heitman Capital Management
Chicago, IL

INVESCO Realty Advisors
Dallas, TX

RREEF America LLC
Chicago, IL

TA Realty Corporation
Boston, MA

UBS Brinson Realty Investors LLC
Hartford, CT

CASH
Mellon Bond Associates
Pittsburgh, PA

Financial

Independent Auditor’s Report

Statement of Plan Net Assets

Statement of Changes in Plan Net Assets

Notes to the Financial Statements

Supplementary Information

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To Mollie K. Anderson, Director of the Iowa Department of Personnel:

We have audited the accompanying statement of plan net assets of the Iowa Public Employees' Retirement System (IPERS) as of June 30, 2000 and 1999 and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of IPERS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of IPERS are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of IPERS.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of IPERS at June 30, 2000 and 1999 and the changes in plan net assets for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 1998 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the data included in the actuarial, investments, statistical and plan summary sections and, accordingly, express no opinion thereon.

The report on IPERS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts in accordance with Government Auditing Standards will be issued under separate cover,

Richard D. Johnson
Richard D. Johnson, CPA
Auditor of State

December 1, 2000

Iowa Public Employees' Retirement System

Exhibit A

Statement of Plan Net Assets
June 30, 2000 and 1999

	2000	1999
Assets:		
Cash and cash equivalents	$ 53,633,269	$ 69,307,920
Contributions receivable	33,232,166	33,810,199
Accrued interest and dividends	41,623,359	51,279,062
Receivable for investments sold	166,738,881	123,375,165
Foreign exchange contracts receivable	77,105,784	680,520,124
Miscellaneous receivable	181,128	--
Total	372,514,587	958,292,470
Investments at fair value (note 3)	18,358,625,668	16,572,854,855
Fixed assets - net of accumulated depreciation (note 5)	4,239,779	745,712
Total Assets	$18,735,380,034	$17,531,893,037
Liabilities:		
Accounts payable and accrued expenses	$ 22,755,805	$ 15,861,861
Payable for investments purchased	961,882,627	919,875,694
Rebates and collateral payable	533,437,139	596,554,476
Foreign exchange contracts payable	77,073,273	674,024,997
Total Liabilities	1,595,148,844	2,206,317,028
Net assets held in trust for pension benefits (note 10)	$17,140,231,190	$15,325,576,009

(See Schedule of Funding Progress on page 32.)

See notes to financial statements.

Exhibit B

Iowa Public Employees' Retirement System
Statement of Changes in Plan Net Assets
Years Ended June 30, 2000 and 1999

	2000	1999
Additions:		
Contributions:		
Employer contributions	$ 253,271,051	$ 244,933,066
Employee contributions	168,847,367	163,288,710
Buy-back/buy-in contributions	7,295,195	19,169,871
Total contributions	429,413,613	427,391,647
Investments:		
Interest	384,080,928	270,038,734
Dividends	91,198,414	95,689,990
Real estate and private equity/debt (note 11)	49,594,632	47,261,037
Tactical	40,963,371	45,367,569
Net appreciation in fair value of investments	1,452,037,499	1,263,746,452
Security lending income	24,729,865	39,433,023
Other	722,625	599,799
Investment income	2,043,327,334	1,762,136,604
Investment management expense (note 11)	31,008,690	34,555,214
Security lending expense	21,952,278	36,481,791
Net investment income	1,990,366,366	1,691,099,599
Miscellaneous income	97,030	--
Total additions	2,419,877,009	2,118,491,246
Deductions:		
Monthly benefit payments	533,747,215	466,752,949
Member and employer refunds	65,608,628	14,442,111
Administrative expense	5,865,985	4,620,009
Total deductions	605,221,828	485,815,069
Net increase	1,814,655,181	1,632,676,177
Net assets held in trust for pension benefit beginning of year	15,325,576,009	13,692,899,832
Net assets held in trust for pension benefit end of year (note 10)	$17,140,231,190	$15,325,576,009

See notes to financial statements.

Notes to the Financial Statements
June 30, 2000 and 1999

(1) Reporting Entity

IPERS, a public employee retirement system within the Department of Personnel, State of Iowa, was created in 1953 by the Iowa Legislature. IPERS is an integral part of the primary government of the State of Iowa and, accordingly, has been included as a pension trust fund in the Iowa Comprehensive Annual Financial Report. The more significant of the retirement system's accounting policies are described in note 3.

For financial reporting purposes, IPERS considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with IPERS is such that exclusion would cause IPERS financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of IPERS to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on IPERS. IPERS has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Plan Description

Administration - IPERS is a cost-sharing, multiple-employer defined benefit public employee retirement system. Administrative expenses are appropriated each year by the Iowa Legislature and paid from the Trust Fund.

Plan Membership - IPERS membership is mandatory for most state, county, and local public employees, employees of school districts, and for certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. Members of other retirement systems supported by Iowa public funds are excluded from membership.

	June 30, 2000	June 30, 1999
Employer members:		
City	1,298	1,307
County	441	429
School	397	399
State	24	23
Other	226	218
Total	2,386	2,376
Employee members:		
Current retirees and beneficiaries	66,681	64,275
Inactive vested	30,650	32,854
Active vested plan members	114,114	112,911
Active nonvested plan members	40,498	40,080
Inactive nonvested	60,372	59,336

Plan Benefits - The following brief description of IPERS is provided for general information purposes only. Members should refer to the Plan agreement for more comprehensive information.

Pension Benefits – Normal retirement is age 65, or age 62 if the member has 20 years of service, or any time on or after age 55 if the member's age and service years equals 88. At retirement, a member chooses one of five benefit options available through IPERS. A member may also take early retirement between the ages of 55 and 65.

If the retirement is at or after age 55 and before age 65 and the member has not completed 20 years of service, the member will receive benefits computed as the normal retirement benefit reduced by one-quarter of one percent for each month the early retirement precedes the 65th birthday. If the retirement is at or after age 55 and before age 62 and the member has completed 20 years of service, the benefit is reduced from age 62. This reduction is permanent.

Disability and Death Benefits - A vested member who is awarded federal Social Security or federal Railroad Retirement disability benefits because of a disability is eligible to claim IPERS benefits regardless of age. Disability benefits are unreduced for age if the member is less than age 65, but the benefit will be reduced if the member has less than thirty years of service. When a member dies after retirement, the availability of death benefits depends on the benefit option selected by the member at the time of retirement.

If a member dies before retirement, the beneficiary will receive a lump sum cash payment based upon a calculated formula. If a member leaves covered employment and applies for a refund, a lump sum cash payment will be made based upon the member's accumulated contributions.

Vested Membership - A member who leaves covered employment after completing at least four years of covered service has vested rights to IPERS benefits, provided the member lives to the retirement age of 55 and does not withdraw the member's accumulated contributions. A member who leaves covered employment before completing at least four years of service, but who leaves the accumulated contributions in the System, receives vested rights to IPERS benefits at age 55.

Funding Requirements - Member and employer contribution rates are established by statute. In general, IPERS members contribute 3.70% and employers contribute 5.75% of the covered wage base. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety, and protection occupations contribute at slightly higher rates as shown in the table below. Covered wages increased from $160,000 to the new federal limit of $170,000 on January 1, 2000.

CONTRIBUTION RATES AS OF JUNE 30, 2000

	Employee	Employer	Total
Regular	3.70%	5.75%	9.45%
Sheriffs/Deputy Sheriffs (County) / Airport Firefighters	5.69%	8.54%	14.23%
Protection Occupations*	5.58%	8.38%	13.96%

* Protection Occupations: City Marshals/Police or Firefighters in towns under 8,000 population, State Conservation Peace Officers, State Correctional Officers, Airport Safety Officers, DOT Peace Officers, and Fire Prevention Inspector Peace Officers.

(3) Summary of Significant Accounting Policies

A. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

IPERS is a pension trust fund which is a fiduciary fund type. Pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable. Their expenses are recognized when the liability is incurred. The financial statements of IPERS have been prepared in conformity with generally accepted accounting principles as applied to government units.

B. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents represent cash and money market investments with an original maturity of three months or less held by the System's administration and cash allocated to the System's investment managers for investment.

C. Foreign Exchange Contracts

The System enters into forward foreign exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains or losses on these contracts are included in income in the period in which the exchange rates change.

D. Investments

IPERS is authorized to execute the investment of moneys to meet the investment policy and goal statement established by the Investment Board, in accordance with the "Prudent Person" mandate of Iowa Code § 97B.7.

All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate, private equity/debt partnerships, and direct real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization other than the U.S. government and its instrumentalities whose fair value exceeds five percent of the net assets available for benefits.

IPERS' domestic bank deposits held throughout the year and at year end were entirely covered by Federal depository insurance or by the State Sinking Fund.

The System participates in the securities lending program operated by the State's custodian bank as authorized by the Code of Iowa. The custodian bank is responsible for operating the program and is permitted to lend any of the securities it holds in custody to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities, or irrevocable letters of credit. A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income.

At year-end the System had $20,908 in credit risk exposure to borrowers because the amounts they owed the System exceeded the amount the System owed them on 8 separate loans. Additional collateral was provided the next business day, eliminating this exposure. The contract with the custodian bank requires it to indemnify the System if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contracts do not allow the System to pledge or sell any collateral securities unless the borrower defaults. As of June 30, 2000, the System had securities on loan, including accrued interest income of $521,906,689 against collateral with a total value of $535,600,125 .

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the custodian and reviewed by the System. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans.

The table below presents IPERS investment portfolio as of June 30, 2000 and 1999 summarized according to the classification of the manager responsible for overseeing the investment.

Manager	June 30, 2000	June 30, 1999
Domestic Equity	$ 4,914,395,105	$ 5,409,767,797
International Equity	2,442,677,906	1,654,121,153
Global Fixed Income	7,003,083,153	5,913,415,803
Tactical Fund	888,238,021	1,232,386,503
Real Estate Funds	685,633,246	585,558,461
Private Equity/Debt	1,890,871,718	1,180,776,463
Securities Lending Collateral Pool	533,726,519	596,828,675
Total	$18,358,625,668	$16,572,854,855

IPERS' investments are categorized in the following chart to give an indication of the level of credit risk assumed by IPERS at June 30, 2000. Category 1 includes registered securities that are held by the custodian bank in IPERS' name. Federal reserve book entry and depository securities are included in this category. All investments of the retirement system meet the criteria of Category 1 except for securities on loan with brokers for cash collateral and investments in mutual and commingled funds, real estate funds, and limited partnerships, which, by their nature, are not required to be categorized. A summary of investments as of June 30, 2000 and 1999 follows:

Investment	June 30, 2000	June 30, 1999
Category 1		
Domestic Equity	$ 2,686,681,001	$ 2,562,932,660
International Equity	1,066,731,393	1,011,524,219
Global Fixed Income	3,129,593,231	3,403,613,404
Foreign Currency	465,428,243	56,881,394
Subtotal	7,348,433,868	7,034,951,677
Not categorized:		
Securities on Loan with Brokers	521,906,689	574,110,375
Investment in Mutual & Commingled Funds	7,420,127,386	6,241,599,316
Investment in Short-Term Investments Funds (STIF)	427,133,465	522,803,411
Investment in Real Estate	626,507,950	530,454,483
Investment in Private Equity/Debt	1,480,789,791	1,072,106,918
Securities Lending Collateral Pool	533,726,519	596,828,675
Total Investments	$18,358,625,668	$16,572,854,855

E. Fixed Assets

The purchase of a building and land in November 1999 was recorded at cost including the costs of acquisition and remodeling. The building is being depreciated using the straight-line method and a useful life of 39 years. Land, a nonexhaustible asset, is not depreciated. Other fixed assets consist primarily of office furniture and data processing equipment. All purchased equipment is recorded at cost or, if cost is not practically determinable, at estimated cost. Depreciation on equipment is computed using the straight-line method based on estimated useful lives ranging from three to ten years.

F. Compensated Absences

Expenses related to accumulated vacation and sick leave earned by IPERS employees are recorded when earned.

G. Operating Lease

In fiscal year 2000, IPERS leased the building space occupied by its administrative offices. The lease is classified as an operating lease and accordingly, all rents are charged to expense as incurred. The lease requires the payment of normal maintenance and property taxes on the property. Future rental payments required under the operating lease total $36,177 for the fiscal year 2001 only. Rental expense for the year ended June 30, 2000 totaled $293,388.

In November 1999, IPERS purchased and then remodeled a new headquarters building for $3.1 million. Occupancy was taken in August 2000.

H. Operating Lease - Lessor

IPERS leases 14,400 square feet of the building acquired in November 1999, to Data Input Services, Inc., an Iowa corporation. The lessor pays all operating expenses directly associated with its occupancy. In addition, the lessor pays a proportionate share of common operating expenses.

All rental income is categorized as miscellaneous income. The following table is a schedule by year of future rental income under the lease, in excess of one year as of June 30, 2000.

Year Ending June 30,

Year	Rental Income
2001	$ 64,800
2002	67,800
2003	72,000
2004	72,000
2005	42,000
Total	$ 318,600

Total rental income for the year ended June 30, 2000 totaled $91,880.

(4) Contributions Required and Contributions Made

On an annual basis, a valuation of the liabilities and reserves of the IPERS Trust Fund is performed by IPERS' actuary in accordance with Iowa Code § 97B.61 in order to determine the amount of contributions required. In addition, after accepting the actuarial methods and assumptions of the valuation, IPERS certifies the contribution rate determined thereby as the rate necessary and sufficient for members and employers to fully fund the benefits and retirement allowances being credited for service under Iowa Code chapter 97B.

The Iowa statutes provide that most IPERS members shall contribute 3.70% of pay and employers shall contribute 5.75%, for a total of 9.45%. The valuation is performed to determine whether that rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in the IPERS funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost rate. The remaining contribution rate is used to amortize the unfunded actuarial accrued liability as a level percentage of payroll. The current valuation results indicate the statutory rate results in an amortization period less than the funding policy's maximum of 30 years.

For the fiscal year ended June 30, 2000, the actuarially determined contribution requirement for employers was $251,013,451 or 5.75% of covered payroll. The actuarially determined contribution requirement for employees for the same time period was $161,521,699 or 3.70% of covered payroll. The actual amount of contributions made by employers and employees during the fiscal year ended June 30, 2000, was $253,271,051 and $168,847,367 respectively.

(5) Fixed Assets

A summary of fixed assets as of June 30, follows:

	2000	1999
Building and Improvements	$3,105,953	--
Land	500,000	--
Furniture, Fixtures & Equipment	3,021,443	$2,899,274
Less Accumulated Depreciation	(2,387,617)	(2,153,562)
Total	$4,239,779	$ 745,712

Depreciation expense for the year ended June 30, 2000 was $315,315.

(6) Litigation & Contingencies

IPERS is party to various lawsuits or threatened lawsuits. It is the opinion of management that the ultimate liability arising from such litigation and threats of litigation will not have a material effect on the financial statements.

(7) Commitments

At June 30, 2000, IPERS had commitments to fund an additional $704,246,773 to various private equity/debt partnerships and real estate investment managers.

(8) Location of Historical Trend Information

Historical trend information related to the pension plan is presented on Schedules 1 and 2 accompanying these financial statements. The information is presented to enable the reader to assess the progress made by IPERS in accumulating sufficient assets to pay pension benefits as they become due.

(9) Pension and Retirement Benefits

The System is a participating employer in IPERS, which is a cost-sharing, multiple-employer defined benefit public employees' retirement system designed to provide retirement, disability and death benefits to members and beneficiaries. Iowa Code § 97B.11 establishes the contribution provisions of the plan.

State statute requires contributions of 3.70% by the employee and 5.75% by the employer. Certain employers and employees in special risk occupations contribute at a slightly higher rate as required by statute. Covered wages increased from $160,000 to the new federal limit of $170,000 on January 1, 2000. The System's contribution to IPERS for the years ended June 30, 2000, 1999, and 1998 were $172,263, $152,318, and $140,928 respectively, equal to the required contributions for each year.

(10) Net Assets Held in Trust for Pension Benefits

A summary of the net assets held in trust, follows:

	Net Assets Designated for FED Reserve	Undesignated Net Assets	Total Net Assets
Balance at June 30, 1999	$ 246,370,642	$15,079,205,367	$15,325,576,009
Additions:			
Contributions, investment and misc. income	237,587,877	2,182,289,132	2,419,877,009
Amount allocated to FED Reserve	93,113,507	(93,113,507)	-
Deductions:			
Benefit payments, refunds, and administration	-	586,424,306	586,424,306
FED payments	18,797,522	-	18,797,522
Balance at June 30, 2000	$ 558,274,504	$16,581,956,686	$17,140,231,190

(11) Real Estate Income and Expense/Reclassification

In prior years, real estate management fees were netted against the related income. IPERS has changed the method of reporting these management fees to provide additional information, with no change in net investment income. The cost of managing the real estate is now reported in investment management expense and not netted against related income. Comparative information for the year ended June 30, 1999 has been reclassified in order to be consistent with the current year's presentation.

SUPPLEMENTARY INFORMATION

Schedule 1 **Schedule of Funding Progress**

Fiscal Year	Net Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll[1]	UAAL as a % of Covered Payroll
1995	$ 7,574,159,776	-	-	-	3,352,992,969	-
1996	8,975,396,251	10,136,356,814	88.55%	$(1,160,960,563)	3,463,455,913	(33.52)%
1997	10,112,976,077	10,774,216,472	93.86%	$ (661,240,395)	3,640,257,177	(18.16)%
1998	11,352,674,142	11,907,220,417	95.34%	$ (554,546,275)	3,908,471,056	(14.19)%
1999	12,664,031,437	13,053,655,753	97.02%	$ (389,624,316)	4,086,572,426	(9.53)%
2000	14,145,141,535	14,471,650,757	97.74%	$ (326,509,222)	4,365,451,325	(7.48)%

The System elected to change the actuarial cost method from the aggregate cost to the entry age normal starting with the June 30, 1996 valuation. Unlike the aggregate cost method, the entry age normal method separately identifies an unfunded actuarial accrued liability. Under the previous method, any payment of the unfunded actuarial accrued liability was considered part of the normal cost of the System.

[1] Annual covered payroll is the payroll subject to contributions to IPERS according to the covered wage limit of $160,000 through December 31, 1999. The covered wage limit increased to the new federal limit of $170,000 effective January 1, 2000.

ACTUARIAL ASSUMPTIONS: The information presented in the required supplemental schedules was determined as part of the annual actuarial valuations. Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Entry age normal
Asset valuation method	Expected value at the valuation date plus 25% of the difference between the market value and expected value
Amortization method	Level percent of pay
Amortization period	21 years (Open Method)
Investment rate of return	7.50%
Projected salary increases	4.0 – 18.5% depending upon members age
Mortality tables	1994 Group Annuity Mortality Table
Inflation rate	3.50%

See accompanying independent auditor’s report.

Schedules of Employer and Employee Contributions

Schedule 2

Schedule of Employer Contributions
Last Six Fiscal Years

Fiscal Year	Actuarial Recommended Employer Contribution Rate	Covered Payroll	Employer Contributions Required	Employer Contributions Made	Excess of Contributions Made Over Contributions Required	Employer Contributions Made as a % of Covered Payroll[1]
1995	4.753%	$ 3,352,992,969	159,374,462	196,675,586	37,301,124	5.87%
1996	5.110	3,463,455,913	176,982,597	204,884,696	27,902,099	5.92
1997	5.750	3,640,257,177	209,314,788	214,967,348	5,652,560	5.91
1998	5.750	3,908,471,056	224,737,086	227,772,773	3,035,687	5.83
1999	5.750	4,086,572,426	234,977,914	244,933,066	9,955,152	6.00
2000	5.750	4,365,451,325	251,013,451	253,271,051	2,257,600	5.80

Schedule of Employee Contributions
Last Six Fiscal Years

Fiscal Year	Actuarial Recommended Employee Contribution Rate	Covered Payroll	Employee Contributions Required	Employee Contributions Made	Excess of Contributions Made Over Contributions Required	Employee Contributions Made as a % of Covered Payroll[1]
1995	3.169%	$ 3,352,992,969	106,249,641	131,117,057	24,867,416	3.91%
1996	3.404	3,463,455,913	117,896,039	136,589,797	18,693,758	3.94
1997	3.700	3,640,257,177	134,689,516	143,311,565	8,622,049	3.94
1998	3.700	3,908,471,056	144,613,429	151,848,515	7,235,086	3.89
1999	3.700	4,086,572,426	151,203,180	163,288,710	12,085,530	4.00
2000	3.700	4,365,451,325	161,521,699	168,847,367	7,325,668	3.87

[1] In general, employer and employee contributions made as a percentage of covered payroll will exceed the normal statutory rates of 5.75% for employers and 3.70% for employees because of the slightly higher contribution rates for employers and employees engaged in certain law enforcement, fire safety, and protection occupations.

See accompanying independent auditor’s report.

Schedule 3

Iowa Public Employees' Retirement System
Investment Income by Specific Source
Years Ended June 30, 2000 and 1999

	2000	1999
Interest income - short term	$ 3.744.366	$ 4.506.310
Interest income on bonds	380.336.562	265.532.424
Dividend income	91.198.414	95.689.990
Real estate funds (note 11)	50.561.885	45.779.515
Private equity/debt funds	(967.253)	1.481.522
Tactical funds	40.963.371	45.367.569
Security lending income	24.729.865	39.433.023
Other income	722.625	599.799
Investment income	591.289.835	498.390.152
Gain on investments	1.460.419.781	1.242.604.082
Currency gain or (loss)	(8.382.282)	21.142.370
Net appreciation in fair value of investments	1.452.037.499	1.263.746.452
Total investment income (note 11)	$2,043,327,334	$1,762,136,604

See accompanying independent auditor's report.

Iowa Public Employees' Retirement System

Schedule 4

Schedule of Administrative Expenses
Years Ended June 30, 2000 and 1999

	2000	1999
Personnel:		
Salaries & wages	$3,079,546	$2,800,867
Travel	46,277	51,313
Professional and technical services:		
Professional	161,117	254,931
Actuary	73,894	38,782
Computer support services	859,636	47,661
Auditing	51,125	46,332
Communications:		
Telephone	111,315	119,971
Printing	77,768	150,729
Other expenses:		
Office supplies	621,770	437,267
Utilities	32,838	29,629
Depreciation	315,315	230,583
Repairs	10,034	19,143
Rent	293,388	271,001
Miscellaneous	131,962	121,800
Total administrative expenses	$5,865,985	$4,620,009

See accompanying independent auditor's report.

Schedule 5

Iowa Public Employees' Retirement System
Schedule of Investment and Consulting-Related Expenses
Years Ended June 30, 2000 and 1999

	2000	1999
J.P. Morgan Investment Management, Inc.	$ 1,559,101	$ 7,349,972
Mellon Capital Management	461,176	435,092
RCM Capital Management	2,900,642	2,549,680
Wellington Trust Company, N.A.	3,369,898	1,413,359
TOTAL DOMESTIC EQUITY	**8,290,817**	**11,748,103**
Barclays Global Investors	35,545	272,821
Black Rock, Inc.	412,680	----
J.P. Morgan Investment Management, Inc.	1,189,902	1,270,794
Loomis, Sayles & Company	74,143	890,915
Mellon Bond Associates	275,132	323,486
Mellon Capital Management	262,901	109,197
Miller, Anderson & Sherrerd	1,025,130	1,352,228
Morgan Grenfell Asset Management	188,110	560,997
Oaktree Capital Management	2,006,358	1,954,653
TCW Global Advisors	114,701	983,062
Western Asset Management Company	278,439	----
TOTAL GLOBAL FIXED INCOME	**5,863,041**	**7,718,153**
Baring International Investment Ltd.	173,142	876,358
Mellon Capital Management	1,647,316	2,225,429
Mellon Capital GTAA	43,659	----
TOTAL TACTICAL	**1,864,117**	**3,101,787**
Barclays Global Investors	399,827	194,172
Brandywine Asset Management	173,607	174,352
Clay Finlay, Inc.	422,405	459,598
Nomura Capital Management, Inc.	348,584	926,239
Schroder Capital Management International	1,973,394	1,014,758
BGI Alpha Tilt	125,560	----
Putnam	109,667	----
TOTAL INTERNATIONAL EQUITY	**3,553,044**	**2,769,119**
RREEF Reit	527,734	479,438
RREEF IMA	2,694,872	754,193
AEW	145,874	225,786
Copley	83,366	189,463
Heitman/JMB	514,082	807,226
Invesco	1,246,418	2,805,439
TA Associates	1,030,386	270,811
UBS Brinson	1,160,155	106,938
TOTAL REAL ESTATE (note 11)	**7,402,887**	**5,639,294**
Pathway Capital Management	1,351,188	935,834
Warburg, Pincus Counsellors, Inc.	1,172,940	562,597
TOTAL PRIVATE EQUITY/DEBT	**2,524,128**	**1,498,431**
Asset Strategy Consulting	----	289,260
The Townsend Group	132,000	132,000
Wilshire Associates, Inc.	239,000	239,000
TOTAL INVESTMENT CONSULTANT FEES	**371,000**	**660,260**
Mellon Trust Company	454,326	760,850
Treasurer of State	49,398	30,823
TOTAL CUSTODY EXPENSES	**503,724**	**791,673**
Investment Staff Expenses	529,505	549,135
Miscellaneous Expenses	106,427	79,259
TOTAL OTHER INVESTMENT EXPENSES	**635,932**	**628,394**
TOTAL INVESTMENT EXPENSES (note 11)	**$31,008,690**	**$34,555,214**

See accompanying independent auditor's report.

Actuarial

Actuary's Certification Letter

Comparative Statistics

Actuarial Balance Sheet

Active Membership Statistics

MILLIMAN & ROBERTSON, INC.
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December 1, 2000

We have performed an actuarial valuation of the Iowa Public Employees' Retirement System (System) as of June 30, 2000. An actuarial valuation is prepared annually in accordance with Iowa Code § 97B.61 using the actuarial assumptions adopted by the System and reflecting the applicable statutory laws in effect at that date. The primary purposes for performing the valuation are:

- To certify that the contribution rate to be paid by the members and employers for the Fiscal Year beginning July 1, 2000 is sufficient to fund the benefits expected to be paid to members and meets the criteria set out in the funding policy established by IPERS.
- To disclose various asset and liability measures as of June 30, 2000.
- To analyze and report on trends in System contributions, assets and liabilities over the past several years.

The actuarial assumptions are unchanged from last year. However, the report reflects several changes in benefit provisions from the 1999 report. Legislation passed in 2000 provided for several different benefit enhancements. Certain changes were effective regardless of the valuation results (non-contingent enhancements), but two provisions were to be effective only when the actuarial valuation indicated such enhancements could be enacted within the existing statutory contribution rates (contingent enhancements). The results of this valuation indicate that both of the contingent benefit enhancements can be absorbed within the current contribution structure without violating IPERS' funding policy. The enhancements included in this valuation are:

- Change in the determination of final average earnings for higher paid members to use a high 6 year average for 2000 and 2001 (rather than high 7) and increase in the default standard from $55,000 to $65,000 for calendar year 2000 and $75,000 for calendar year 2001.
- Cost of living adjustment paid to pre-July 1990 retirees is based on 100% of the change in the Consumer Price Index (rather than 80% in the prior law). The 3% maximum annual increase limitation was retained. The actuarial assumption for postretirement increases for this group had always been the maximum of 3%, so this change had no cost impact.
- Cap the Favorable Experience Dividend (FED) Reserve Fund at 10 years of maximum payouts. This did not have an impact on the valuation results for the current year, but has the potential to impact future valuations.
- Improvement of the death benefit for active members to provide the greater of the current death benefit or the present value of the member's accrued benefit (contingent enhancements).
- Use of the Rule of 88 as a "normal retirement date" for purposes of calculating any applicable early retirement reduction (contingent enhancements).

The actuarial valuation results provide a "snapshot" view of the System's financial condition on June 30, 2000. The valuation results reflect overall favorable experience for the past plan year as demonstrated by an unfunded actuarial liability, prior to the adjustment for the impact of the change in plan provisions and the Favorable Experience Dividend (FED) transfer, that was lower than expected based on our assumptions. The favorable experience was the net impact of a significant actuarial gain on the actuarial value of assets and an experience loss on liabilities. Several factors contributed to the experience loss, the most significant of which were:

- Active members pending distribution not included in the previous actuarial valuation.
- Salary increases greater than those which were expected.
- Service purchases completed during April through November of 1999 under the old (non-actuarial cost) basis.
- Members included in the actuarial valuation for the first time this year (new entrants).

The impact of the change in plan provisions (death benefit and Rule of 88 as normal retirement date for early retirement factors) and the FED transfer was to increase unfunded actuarial liability by $204 million and extend the years to amortize from 5 to 21. The funding policy's maximum amortization period is 30 years.

In 1998, legislation was passed to create the Favorable Experience Dividend (FED) reserve account with initial funding of $200 million (on an actuarial value of assets basis). The law provides that a portion of the favorable experience in subsequent years may be transferred to the FED reserve. Legislation passed in 2000 capped the FED reserve at ten years of expected payouts at the maximum level. This limitation did not impact the amount transferred to the FED for the 2000 valuation. Based on the results of the June 30, 2000 valuation, $93.1 million was transferred to the FED reserve. When the current year's transfer is included, the FED reserve is projected to provide nine (9) years of payouts at the maximum level of 3% per year retired (if all assumptions are met in the future).

Contribution Rate

Iowa statutes require most IPERS members to contribute 3.70% of pay and employers to contribute 5.75%, for a total of 9.45%. Members employed in certain special risk occupations, and their employers, contribute at a slightly higher rate as determined by a separate actuarial investigation. The funding objective of the System is to maintain contributions which are level as a percent of payroll. This objective is addressed by (1) the use of the Entry Age Normal actuarial cost method, which develops costs which are level as a percent of pay over a member's working lifetime, and (2) the amortization of any unfunded actuarial liability as a level percent of payroll. An annual valuation is performed to determine whether the 9.45% is sufficient to fund the benefits promised by the System. Under the entry age normal cost method the required contribution rate consists of two elements: 1) the normal cost rate; and 2) the contribution rate required to amortize the unfunded actuarial liability. The statutory rate of 9.45% is applied first to the normal cost rate and any remaining contribution is used to amortize the unfunded actuarial accrued liability as a level percentage of pay. The unfunded actuarial liability represents the difference between the portion of the present value of projected benefits allocated by the actuarial cost method to service credited prior to the valuation date and the actuarial value of assets as of that date.

The normal cost rate for the June 30, 2000 actuarial valuation, after recognizing all benefit enhancements, is 8.95%. IPERS' funding policy sets out several safeguards for the System's funding which includes a maximum normal cost rate of 8.95%. Since the normal cost rate is currently at the maximum in the funding policy, no benefit enhancements could be enacted without an offsetting increase in the contribution rate.

Using the assumptions and benefit provisions in effect as of June 30, 2000, and assuming that all of the actuarial assumptions are met, the 9.45% statutory rate will be sufficient to pay the current normal cost and to amortize the unfunded actuarial liability over 21 years.

Actuarial Value of Net Assets

For financial statement purposes, the System's assets are reported at current fair values. For actuarial purposes, the assets are valued using a technique which dampens the volatility in the fair value. Specifically, the assets are valued at their expected value at the valuation date (based on the assumed rate of investment return) plus 25% of the difference between the fair value and the expected value on the valuation date. Between June 30, 1999 and June 30, 2000, the actuarial value of assets increased by $1,481,110,098. The primary reason for the significant increase in the actuarial value of net assets was due to the actual return on the Fund's investments exceeding the 7.5% assumed rate of return.

Liabilities

Three different measurements of liabilities are shown on the following page. Each liability measurement is used for a different purpose. Therefore, the relative importance of the measurement will depend on the perspective of the person using the information. From an actuarial viewpoint, the actuarial balance sheet liability and the actuarial accrued liability are the most critical because, along with the actuarial value of assets, they ultimately determine whether the statutory contribution rate for the System is sufficient to provide the current benefit structure. The other liability figure is valuable because it provides a useful comparison of assets and liabilities.

- Actuarial Balance Sheet Liability is the present value of all future benefits. This liability is calculated based on **both future payroll projections** and **service credits to retirement or other separation from service**. It represents the present value of all benefits expected to be paid to all current System members (retired, active and deferred vested) in the future.

- Actuarial Liability is the portion of the present value of future benefits (actuarial balance sheet liability) that will not be paid by future normal costs. It is also defined as the portion of the actuarial balance sheet liability allocated by the actuarial cost method to service before the valuation date.

- Liability for Accrued Benefits is used only for informational purposes. It does **not** impact the contribution rate or amortization period for the System. This liability represents the present value of benefits earned to date, based on **service and salary as of June 30, 2000.** The liability for accrued benefits can be used as a measure of the funded status of the System, since it more closely represents the amount required to pay all accrued benefits if the fund were to liquidate on the measurement date. In a well funded System, the expectation would be that the assets would be equal to or exceed the liability for accrued benefits, as is true for IPERS.

The net changes in System liabilities between June 30, 2000 and June 30, 1999 are summarized below:

	June 30, 2000	June 30, 1999	Change
Actuarial Balance Sheet Liability	$17,947,607,541	$16,315,525,420	10.0%
Actuarial Liability	14,471,650,757	13,053,655,753	10.8%
Liability for Accrued Benefits	11,141,602,323	9,934,872,095	12.1%

Experience

Numerous factors contributed to the change in the System's assets, liabilities and remaining amortization period for the unfunded actuarial liability between June 30, 1999 and June 30, 2000. The components are examined in the following discussion.

Actuarial gains/losses result from actual experience that is more/less favorable than anticipated based on the actuarial assumptions. These "experience" (or actuarial) gains/losses are reflected in the unfunded actuarial liability (UAL) and are measured as the difference between the expected unfunded actuarial liability and the actual unfunded actuarial liability, taking into account changes due to assumption or benefit provision changes. Overall, the System experienced a net actuarial gain of $266 million. The change in the unfunded actuarial liability between June 30, 1999 and June 30, 2000 is shown on the following page (in millions):

UAL June 30, 1999	$390
Expected change in UAL due to amortization payment	(32)
Investment gain	(781)
Liability (gain)/loss from actual experience	515
Non-contingent benefit enhancements	31
Change in actuarial assumptions	0
UAL before FED transfer, June 30, 2000	123
FED Transfer	93
UAL after FED transfer, June 30, 2000	216
Contingent benefit enhancements (death benefits and early retirement factors from Rule of 88)	111
UAL after FED transfer and all benefit enhancements, June 30, 2000	$327

Solvency Test

A short-term solvency test, which is one means of determining a system's progress under its funding program, compares the plan's present assets with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retirees; and (3) the pension benefit obligation for service already rendered by active members. In a system that has been following the level percent of payroll financing discipline, the obligation for active member contributions on deposit (Item 1) and the liabilities for future benefits to present retired lives (Item 2) will be fully covered by present assets with the exception of rare circumstances. The obligation for service already rendered by active members (Item 3) will be fully or partially covered by the remainder of present assets. Absent any significant benefit changes, if the system has been using level cost financing, the funded portion of Item 3 usually will increase over a period of time.

Solvency Test Last Ten Fiscal Years

Actuarial Valuation	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portions of Liabilities Covered by Assets (1)	(2)	(3)
2000	$2,382,209,851	4,906,082,319	5,335,750,045	14,145,141,535	100%	100%	100%
1999	2,155,591,553	4,414,919,917	4,820,813,078	12,664,031,437	100%	100%	100%
1998	2,012,398,849	3,866,369,340	4,448,899,695	11,352,674,142	100%	100%	100%
1997	1,933,363,854	3,366,088,472	4,027,315,316	10,112,976,077	100%	100%	100%
1996	1,797,120,005	3,076,721,751	3,881,257,078	8,975,396,251	100%	100%	100%
1995	1,679,791,138	2,517,031,712	2,579,784,695	7,574,159,776	100%	100%	100%
1994	1,649,551,000	2,232,336,187	2,308,964,035	6,926,678,212	100%	100%	100%
1993	1,515,557,000	2,206,710,587	2,154,408,522	6,365,169,296	100%	100%	100%
1992	1,469,229,075	1,797,774,550	2,212,374,402	5,805,210,929	100%	100%	100%
1991	1,263,546,643	1,644,047,308	2,113,478,570	5,304,520,455	100%	100%	100%

SUMMARY

IPERS continues to be funded on an actuarially sound basis meeting its funding objective of contributions which are a level percent of payroll and amortizing any unfunded actuarial liability over a period not to exceed 30 years. Based on the current benefit structure, the unfunded actuarial liability will be amortized in 21 years, if all actuarial assumptions are met. Over the long term, the statutory rate of 9.45% is sufficient to support the current benefit structure. After the unfunded actuarial liability is fully amortized, the required actuarial contribution rate is expected to drop to the normal cost rate, which is presently 8.95%.

In performing the valuation, we have relied upon membership and financial data reported to us by the System. We did not verify the accuracy of the information but did review it for reasonableness in relation to the data submitted for previous years. All of the information in the Actuarial section of this report has been provided by Milliman and Robertson, Inc. We also provided the information that was used in the Schedule of Funding Progress located in the Financial section.

This valuation has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with principles prescribed by the Governmental Accounting Standards Board Statement No. 25, the Actuarial Standards Board (ASB), and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We further certify that the actuarial assumptions and methods used in the valuation are reasonable, as related to the experience of the System.

Respectfully submitted
Milliman & Robertson, Inc.

Patrice A. Beckham

Patrice A. Beckham, F.S.A., M.A.A.A.
Consulting Actuary

COMPARATIVE STATISTICS
JUNE 30, 2000

	June 30, 2000*	June 30, 1999*	% Change
SYSTEM MEMBERSHIP			
1. Active Membership			
- Number of Active Members	153,039	152,440	0.4
- Projected Payroll	$4,443,000,000	$4,165,000,000	6.7
- Average Annual Salary	$29,032	$27,322	6.3
2. Inactive Membership			
- Number of Vested Deferred Members	31,219	34,332	(9.1)
- Number of Nonvested Members	61,903	60,521	2.3
3. Retired Membership			
- Number of Retirees and Beneficiaries**	65,712	63,396	3.7
- Average Annual Retirement Benefit	7,830	7,309	7.1
ASSETS AND LIABILITIES			
1. Net Assets			
- Fair Value (includes FED Reserve)	$17,140,231,190	$15,325,576,009	11.8
- Actuarial Value (excludes FED Reserve)	$14,145,141,535	$12,664,031,437	11.7
2. Projected Liabilities			
- Retirees/Beneficiaries	$4,906,082,319	$4,414,919,917	11.1
- Inactive Members	$368,875,562	$341,571,178	7.9
- Active Members	$12,672,649,660	$11,559,034,325	9.6
Total Liability	$17,947,607,541	$16,315,525,420	10.0
3. Actuarial Accrued Liability	$14,471,650,757	$13,053,655,753	10.9
4. Unfunded Actuarial Accrued Liability	$326,509,222	$389,624,316	(16.2)
5. Funded Ratio (Actuarial Value of Assets/ Actuarial Accrued Liability)	97.7%	97.0%	0.8
SYSTEM CONTRIBUTIONS			
1. Required Contribution Rate***	9.45%	9.45%	---
2. Normal Cost Rate	8.95%	8.79%	1.8
3. Years Required to Amortize the Unfunded Actuarial Accrued Liability	21 years	20 years	5.0

* System Membership data is as of March 31.
** Retired reemployed are included in the number of retired members.
*** Contributions for certain special groups (3.3% of the membership) are not fixed at 9.45% but are actuarially determined separately each year.

Actuarial Assumptions and Methods

1. Rate of Interest/Investment Rate of Return - 7.50% per annum, compounded annually.

2. Rate of Crediting Interest on Contribution Balances - 5.5% per annum, compounded annually.

3. Inflation rate of 3.50%.

4. Payroll Growth 4.0% per year.

5. Rate of Salary Increase.

Annual Percentage Rate of Increase

Age	Years 0-1	Year 2	Year 3	Years 4-5	Years 6-7	Years 8-10	Years 11-15	Years 16-20	Years 21+
22	18.5	12.5	8.5	8.0	7.5	6.0	5.5	5.0	4.9
27	15.5	10.0	8.3	7.0	6.5	6.0	5.5	5.0	4.9
32	14.8	9.8	8.0	7.0	6.5	6.0	5.5	5.0	4.9
37	14.7	9.8	8.0	7.0	6.3	6.0	5.5	5.0	4.9
42	14.7	9.2	8.0	7.0	6.2	6.0	5.5	4.9	4.9
47	14.2	9.0	8.0	7.0	6.2	5.5	5.2	4.8	4.2
52	13.3	8.3	6.9	7.0	6.2	5.5	5.0	4.5	4.2
57	12.5	7.7	6.9	7.0	5.7	5.5	4.6	4.5	4.2
62	10.9	7.1	6.7	6.0	4.5	4.5	4.5	4.5	4.0

6. Rates of Mortality - Assumed mortality rates vary depending upon the member's age. Mortality rates are based on the 1994 Group Annuity Mortality Table with adjustments to better reflect actual experience. Rates for selected ages are shown below.

Annual Mortality Rates per 1,000 Members

Age	Male	Female	Age	Male	Female
20	0.5	0.3	55	4.9	2.0
21	0.6	0.3	60	9.0	3.7
25	0.7	0.3	65	16.2	7.2
30	0.8	0.3	70	26.0	12.1
35	0.9	0.4	75	40.9	19.4
40	1.2	0.6	80	68.6	33.6
45	1.7	0.9	85	105.8	57.9
50	2.9	1.2	90	167.3	99.4

7. Rate of Employment Termination

Annual Percentage Rate of Termination

Males:

Age	Years 0-1	Year 2	Year 3	Years 4-6	Years 7-8	Years 9+
22	33.0	27.5	22.0	9.9	8.8	6.6
27	23.1	16.5	12.1	9.9	8.8	6.6
32	19.8	16.5	11.0	7.5	5.5	3.9
37	19.6	16.0	11.0	7.5	5.0	3.3
42	19.6	14.3	11.0	7.5	5.0	2.5
47	19.6	14.3	9.9	7.5	5.0	2.0
52	17.6	11.0	7.7	7.5	5.0	2.0
55+	16.5	11.0	5.5	7.5	5.0	2.0

Females:

Age	Years 0-1	Year 2	Year 3	Years 4-6	Years 7-8	Years 9+
22	33.0	30.8	22.0	11.0	9.9	5.5
27	27.5	22.0	16.9	11.0	9.9	5.5
32	24.8	22.0	15.4	10.6	7.2	5.0
37	19.8	15.8	14.3	10.6	6.6	3.6
42	19.8	15.7	12.1	8.8	6.1	3.1
47	19.8	14.3	12.1	8.3	5.0	2.5
52	19.8	14.3	12.1	8.3	5.0	2.5
55+	19.8	14.3	12.1	8.3	5.0	2.5

8. Rates of Disablement

Annual Rate per
1,000 Members

Age	Males	Females
27	0.2%	0.2%
32	0.2	0.2
37	0.4	0.3
42	0.7	0.5
47	1.4	0.9
52	3.3	2.2
57	6.3	3.9
62	9.0	6.2

9. Withdrawal Rate of Member Accounts

Annual Rate per
1,000 Members

Age	Males	Females
25	1,000	1,000
30	900	800
35	800	700
40	600	500
45	300	150
50	150	150
55	0	0

10. Retirement Rates

Early Retirement with Reduced Benefits

Age	Annual Rate per 100 Members
55	5
58	5
60	10
61	15
62	25
63 - 64	20

Normal Retirement[1]

	Annual Rate per 100 Members	
Age	1st year of eligibility	Thereafter
55 – 58	20	10
59	20	20
60	25	25
61	35	35
62	50	50
63	35	40
64	35	40
65	30	50
66	20	25
67 - 68	15	20
70+	100	100

[1]Eligibility for normal retirement is rule of 88, age 62 with 20 years of service, or age 65.

Terminated vested members are assumed to retire at age 62.

11. Age of Spouses For Joint and Survivor Retirees - The male of the couple is assumed to be three years older than the female.

Actuarial Cost Method - The actuarial cost method employed in the current valuation of the System is called the "Entry Age Normal Cost Method." Under this method, the actuarial present value of each member's projected benefit is allocated on a level percentage basis over the member's compensation between the entry age of the member and the assumed exit ages. Under this method, a total contribution rate is determined which consists of two parts: (i) the normal cost rate; and (ii) the contribution rate necessary to fund the unfunded actuarial accrued liability.

Actuarial Value of Net Assets - For actuarial purposes, assets are valued at the expected value at the valuation date plus 25% of the difference between the fair value and the expected value on the valuation date. Under this method, the expected value of assets is defined as the prior year's actuarial value increased by the System's net receipts and disbursements and the assumed investment rate of return.

The actuarial assumptions were developed both from the experience of the System and from standard actuarial sources, based on a five-year experience study (1993–1998) conducted by Milliman & Robertson, Inc. The actuarial assumptions resulting from the study were first utilized in the June 30, 1999 actuarial valuation.

ACTUARIAL BALANCE SHEET
JUNE 30, 2000

ASSETS

Actuarial value of assets	$14,145,141,535
Present value of future normal costs	3,475,956,784
Present value of future contributions to amortize the unfunded actuarial accrued liability	326,509,222
Total Net Assets	$17,947,607,541

LIABILITIES

Present Value of Future Benefits	
Retired Members and Beneficiaries	
Annuity benefits being paid and contingent payments upon death	$ 4,906,082,319
Active Members	
Retirement benefits	11,176,512,405
Death benefits	257,857,577
Termination benefits	858,739,651
Disability benefits	379,540,027
Inactive Members	
Retirement allowances & death benefits for vested members	350,543,027
Accumulated employee account balances for nonvested members	18,332,535
Total Liabilities	$17,947,607,541

ACTIVE MEMBERSHIP STATISTICS
FOR 10 YEARS ENDING JUNE 30, 2000

Active Member Statistics					
Fiscal Year Beginning July 1	Total Actives	Percent Change	Average Covered Wage	Average Age	Average Service Credit
1991	135,104	2.8	21,885	43.7	11.1
1992	134,485	-0.5	22,510	44.3	11.4
1993	136,409	1.4	22,604	43.9	10.6
1994	141,423	3.7	22,968	44.2	10.7
1995	144,912	2.5	23,322	44.1	10.8
1996	147,431	1.7	25,218	44.2	11.0
1997	147,736	0.2	26,055	44.6	11.5
1998	148,917	0.8	26,767	44.7	11.5
1999	152,440	2.4	27,322	44.8	11.4
2000	153,039	0.4	29,032	44.8	11.6

Analysis of Change in Membership						
Fiscal Year Ending June 30	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
1991	131,357	14,882	3,187	183	7,765	135,104
1992	135,104	12,620	3,524	216	9,499	134,485
1993	134,485	17,065	6,086	102	8,953	136,409
1994	136,409	17,529	2,330	572	9,613	141,423
1995	141,423	17,346	4,138	114	9,605	144,912
1996	144,912	17,514	3,133	224	11,638	147,431
1997	147,431	16,288	3,820	191	11,972	147,736
1998	147,736	17,606	3,079	285	13,061	148,917
1999	148,917	18,503	3,642	250	11,088	152,440
2000	152,440	18,698	2,139	256	15,704	153,039

Investments

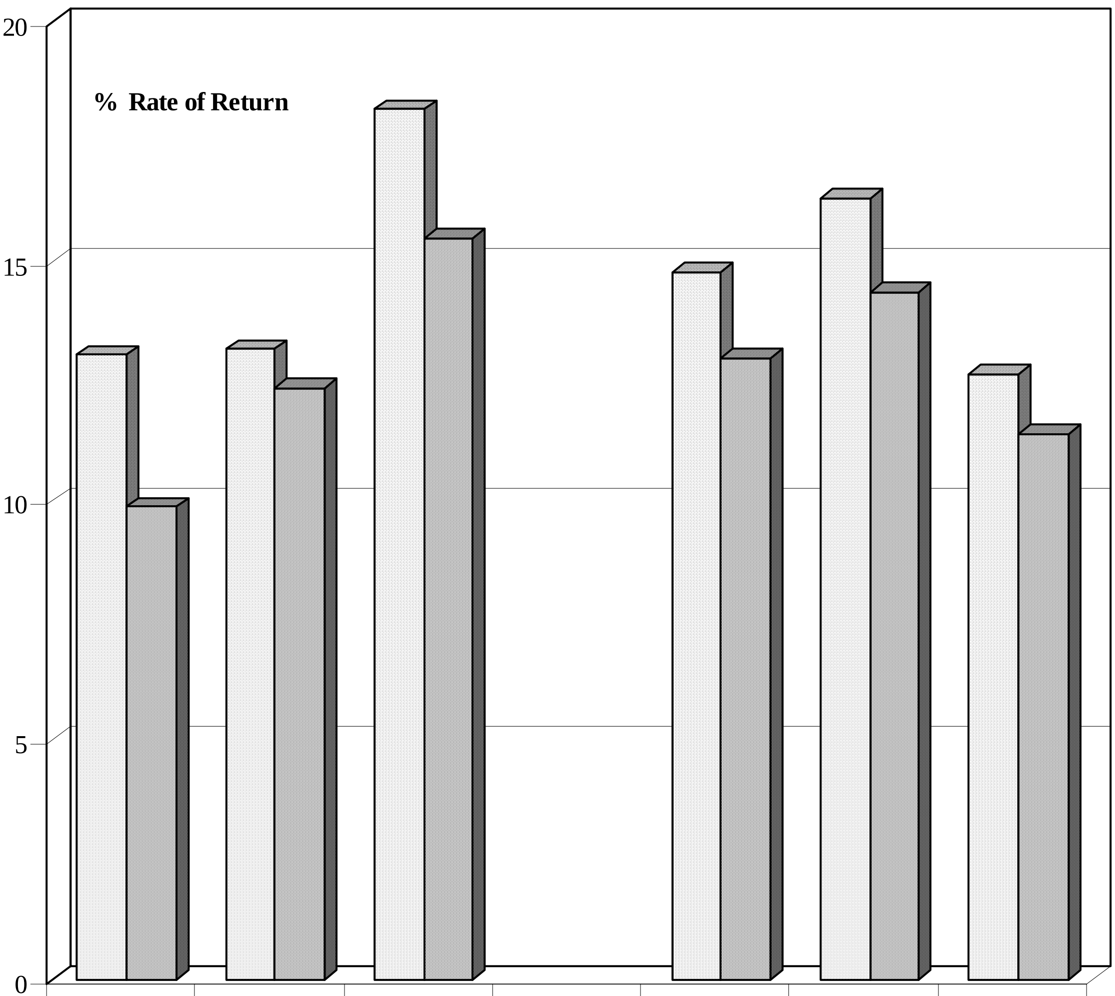
Investment Overview

Investment Results

Investment Policy And Goal Statement

Annualized Performance Summary

For the periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio *	13.05	13.18	18.20		14.78	16.33	12.65
Policy Benchmark	9.88	12.37	15.50		12.98	14.37	11.40

* Net of Fees

Investment Overview

Investment returns play an important role in the funded status of the IPERS Trust Fund. The IPERS Investment Board has adopted an Investment Policy and Goal Statement, the objective of which is to benefit the members of the System by maximizing the total rate of return on investments within prudent risk parameters. The System's overall investment performance goal is to achieve an annualized rate of return which, when combined with the required employer and employee contributions to the System, will meet or exceed the benefit funding requirements of the System. In addition, specific investment return objectives are adopted by the Investment Board for the Trust Fund in total and for each asset class. Please see the Investment Policy and Goal Statement at the end of this Investments section for a listing of these investment return objectives.

The System's investments are managed by professional investment management firms and partnerships based upon statutory investment authority, the investment policies adopted by the IPERS Investment Board and detailed service contracts. The System's staff coordinates and monitors the investment of the Trust Fund's assets and assists the Investment Board in the formulation and implementation of investment policy and long-term investment strategy.

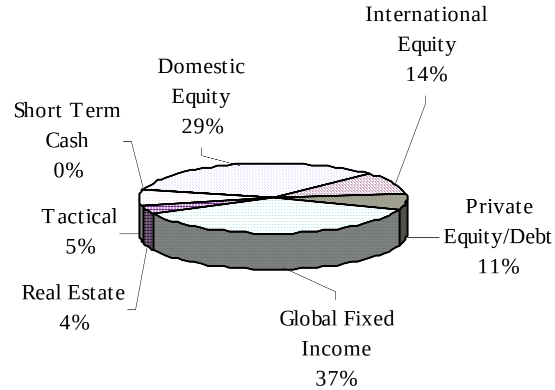
The IPERS net investment portfolio fair values reported in this Investments section and used as the basis for calculating investment returns differ from those shown in the Financial section of this report. The values used in this section are the appropriate basis for investment return calculation, and are net of all investment receivables, payables and securities lending collateral.

The Importance of Asset Allocation and Diversification

Asset allocation is a process designed to construct an optimal long-term asset mix which achieves a specific set of investment objectives. Each year the IPERS Investment Board adopts an Investment Policy and Goal Statement that describes the System's investment objectives and establishes the System's asset allocation policy as designed to meet those objectives. The asset allocation policy is adopted to provide for diversification of assets in an effort to maximize the investment return to the System consistent with prudent levels of market and economic risks. Of all the components of investment policy formulation, the determination of asset allocation policy is the most important decision in the investment process.

Allocation of IPERS' Investments

As of June 30, 2000



In addition to asset class diversification, the System also seeks to diversify the investment portfolio by investment management styles. The success of a particular investment style tends to be cyclical. For example, "growth" stock investing may outperform "value" stock investing for several quarters, or perhaps several years, until the trend is reversed. By utilizing several investment management firms with a variety of investment styles, the investment performance of the Fund is not dependent upon the success of one particular investment style.

The System also instructs its investment managers to diversify their portfolios at the security level. Managers are required to diversify across sectors, industries, and individual securities. The System develops specific investment guidelines for each manager that controls the risk of high concentrations in a particular sector, industry, or security.

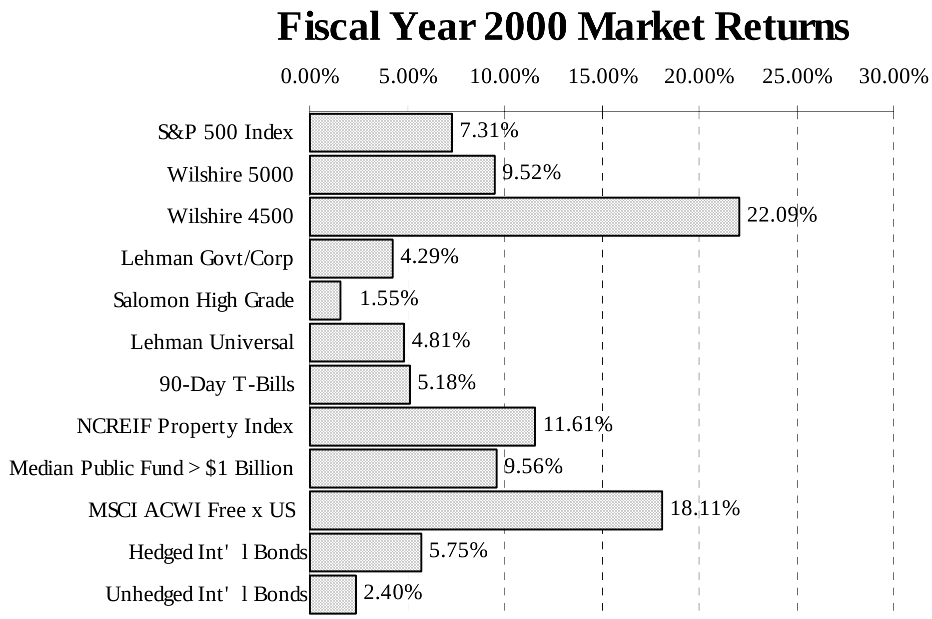
Overall, diversification of the System's assets among various asset classes, investment management styles, and individual securities enhances the potential to achieve a greater rate of return while minimizing the risk of negative returns caused by adverse short-term changes in the capital markets.

Capital Markets Commentary

Capital markets performed relatively well in fiscal year 2000, with all of the major asset classes producing positive returns during the period. Some highlights:

The U.S. equity market, as measured by the Wilshire 5000 Index, returned 9.5% for the fiscal year, a return very close to long-term historical average returns for the index. However, the performance for the period varied greatly by style and market capitalization. The

Wilshire Large Capitalization Growth Stock Index returned 24.9% for the fiscal year versus -9.4% for the Wilshire Large Capitalization Value Stock Index. In small capitalization stocks, growth stocks also dominated during the fiscal year, as evidenced by the Wilshire Small Cap Growth Stock Index returning 45.2% versus -4.4% for the Wilshire Small Cap Value Stock Index. Performance in the domestic equity markets also varied greatly by sector during the fiscal year. For example, stocks in the technology sector of the S&P 500 Index returned 41.8% during the fiscal year, while stocks in the transportation sector returned -24.7% and stocks in the consumer durables sector returned -21.4%.



Tighter monetary policy by the Federal Reserve and a Treasury bond repurchase plan by the United States Treasury significantly impacted returns in the fixed income markets in fiscal year 2000, especially in non-Treasury sectors. The fixed income market, as measured by the Lehman Brothers Universal Index, returned 4.8% for the one-year period ended June 30, 2000. Of the various bond sectors, U.S. Treasury securities provided a 5.3% annual return for the fiscal year, followed by mortgages with a 5.0% annual return and corporate bonds with a 3.0% annual return. International bonds hedged against currency fluctuations outperformed all U.S. bond sectors, returning 5.8% for the fiscal year.

International equities performed reasonably well in fiscal year 2000. The MSCI All Country World Free ex-U.S. index returned 18.1% for the fiscal year ended June 30, 2000. Strong markets in Europe and the Pacific regions contributed to the performance. European stock markets recovered in fiscal year 2000, with the MSCI Europe Index producing a return of 15.1% versus -0.8% in fiscal year 1999. European stocks were helped by two interest rate hikes by the European Central Bank that eased concerns regarding the stability of the Euro and inflationary pressures in Europe. Stock markets in the Far East, as measured by the MSCI Pacific Index, returned 21.6% in fiscal year 2000 versus 32.7% for fiscal year 1999. Concerns over the slow progress in structural reforms in Japan were a major reason for the drop in returns. Emerging markets returned 9.5% in fiscal year 2000, a substantial decline from the 28.7% return in Emerging Markets in fiscal year 1999. Emerging market stocks suffered in part because of the sensitivity of the asset class to volatility in developed markets, and also because of expectations of slower export growth in Asia and a lack of progress in structural, political and social reforms in South East Asia.

The U.S. commercial real estate market provided stable returns in fiscal year 2000. The NCREIF Property Index, a commonly cited measure of privately-traded commercial real estate values and income, returned 11.6% for the one-year period ended June 30, 2000, down from the 12.6% annual return produced in fiscal year 1999. Publicly traded real estate securities (REITS) enjoyed much better performance during fiscal year 2000. The Wilshire Real Estate Investment Trust Index, a representative index of REIT performance, posted an annual return of 5.2% for the year ended June 30, 2000, compared to an annual return of -7.2% in the previous fiscal year.

Exceptionally high returns in private equity investments continued to capture the attention of many institutional investors in fiscal year 2000. According to *Venture Economics*, the annual return on venture capital funds for the one-year period ended 3/31/00 was 170.8%, while buyout funds had an annual return of 31.2% for the same time period. The attractive returns and the very large number of private equity funds raising follow-on funds led to unprecedented amounts of capital being committed to the asset class. According to *Venture Economics*, private equity firms (venture capital and buyout funds combined) raised $66.7 billion in the first half of calendar year 2000 alone, a 50% increase over the $42.5 billion raised in the first half of 1999.

Investment Results

IPERS posted a total portfolio investment return of 13.1% for the fiscal year ended June 30, 2000. This return was well ahead of the 9.9% return of IPERS' "policy benchmark," a set of indices reflecting IPERS' target asset class allocations. The total net investment portfolio fair value increased to $17,128,481,291, an increase of $1,823,574,327 from the previous year[1] . The outperformance of the Fund relative to the policy benchmark was primarily the result of the superior relative performance of the private equity portfolio, where the one-year return was 59.3%, greatly outperforming its benchmark return of 16.1%. Additionally, the international equity portfolio contributed a stong return of 22.1%, outperforming its benchmark by 374 basis points (3.74%). For the five years ending June 30, 2000, IPERS' total fund achieved a 16.3% annualized return, compared to 14.4% for the policy benchmark, while the ten-year annualized return of 12.7% outpaced the 11.4% policy benchmark return. The investment return, net of fees, for the total portfolio and for each asset class, over various periods, are shown in the following table. For comparison purposes, the benchmark for each asset class is also shown.

Time-weighted Rates of Return for periods ended June 30, 2000[a]

		Annualized Returns		
Asset Class	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Total Fund				
IPERS	13.05%	14.78%	16.33%	12.65%
Policy Benchmark[b]	9.88	12.98	14.37	11.40
CPI + 3%	6.67	5.43	5.47	5.86
Actuarial Interest Rate	7.50	7.50	7.50	7.50
Large Public Fund Universe Median	9.44	12.39	14.72	12.64
Domestic Equity				
IPERS	11.68	21.08	23.79	17.55
Wilshire 5000	9.52	19.07	22.47	17.29
International Equity				
IPERS	22.10	10.86	12.03	8.25
Custom Benchmark	18.36	6.69	11.05	7.92
Global Fixed Income				
IPERS	4.42	6.01	6.79	8.53
Custom Benchmark	4.81	6.11	6.30	7.84
Tactical				
IPERS	6.44	14.66	17.45	14.82
Custom Benchmark	7.77	15.05	16.89	14.14
Private Equity/Debt[c]				
IPERS	59.30	34.40	32.50	17.90
Wilshire 5000 + 5%	16.10	27.10	29.20	20.00
Real Estate				
IPERS	11.03	11.93	10.38	0.09
CPI + 6%	9.67	8.43	8.47	8.86
Short-Term Cash[d]				
IPERS	5.91	5.72	5.72	N/A
US Treasury Bills	5.18	5.18	5.33	N/A

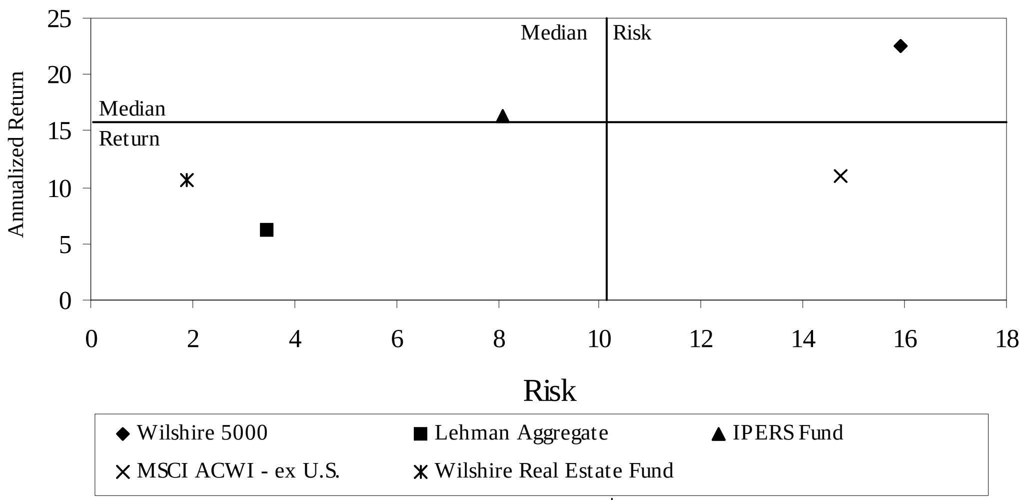
[a] All returns are calculated in accordance with AIMR standards. 3-year, 5-year and 10-year returns are annualized.
[b] As of June 30, 2000 the Policy Benchmark consists of: 28% Wilshire 5000, 15% MSCI ACWI x US, 34% Lehman Universal, 3% Salomon Cash Pay High Yield, 5% Tactical custom benchmark, 10% Wilshire 5000 + 5%, and 5% CPI + 6%.
[c] Private Equity/Debt portfolio returns and benchmark returns are calculated using an Internal Rate of Return (IRR) methodology in accordance with AIMR standards.
[d] Starting in Fiscal Year 2000, Short-Term Cash returns exclude miscellaneous income.

[1] Based on fair value of the total investment portfolio at June 30, 2000 and June 30, 1999, net of all investment receivables, payables and securities lending collateral. Although these values are the appropriate basis for calculation of investment returns, they differ from the "Investments at fair value" shown in the Financial section of this report, which are reported using GASB Statement No. 28 financial statement standards.

The total return an investment portfolio achieves over the long term is largely determined by the level of risk or volatility that the investor is willing to accept. In general, the greater the volatility of returns, the higher the return has to be to compensate the investor for accepting that volatility. A pension fund's willingness to accept additional risk is often the result of its need to achieve or maintain an actuarially sound system. Given the disparities in funding levels which exist among pension funds, it is often difficult, if not impossible, to make a meaningful comparison of their returns.

The graph below provides a comparison of IPERS' investment risk/return characteristics for the last five years against a universe of other master trust funds. The vertical line represents the median level of risk (volatility of returns) experienced by this universe of funds. The horizontal line represents the median rate of return earned by this same group of funds. IPERS' risk/return characteristics are plotted on the same graph along with selected investment indexes. As shown in the graph, the return on IPERS' investments for the five years ended June 30, 2000 was slightly higher than the median master trust return, while the System's investment returns were significantly less volatile than the risk level for the median master trust over this same time period.

Comparison Return vs Risk
For Master Trusts
5 Years Ended June 30, 2000



	Annualized Return	Standard Deviation
IPERS Total Fund	16.33%	8.11%
Median Fund	15.80	10.11
Wilshire 5000	22.47	15.92
Lehman Aggregate	6.25	3.44
MSCI ACWI – ex U.S.	11.08	14.75
Wilshire Real Estate Fund	10.66	1.87

Global Fixed Income

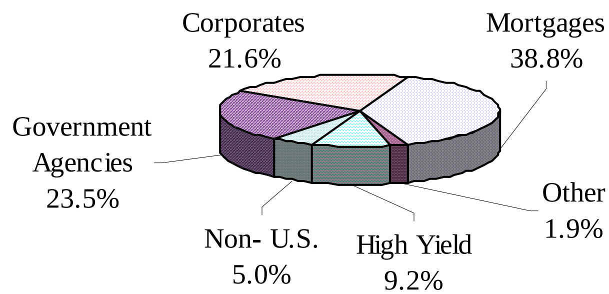
The total IPERS fund asset allocation target for fixed income is 37%. IPERS' Global Fixed Income portfolio was approximately 37% of the total fund assets at fiscal year end. The total return for the Global Fixed Income portfolio for the year ended June 30, 2000 was 4.42% compared to the Lehman Brothers Universal return of 4.81%. The Global Fixed Income portfolio fair value was approximately $6,206,231,331 and the average bond rating for the portfolio was AA.

The overall fixed income investment strategy continues to focus on high quality securities that have low default risk and yet provide a high rate of return. IPERS participates in most major fixed income sectors and is managed through four different strategies:

Active Bond - a diversified portfolio of fixed income securities utilizing cash and cash equivalents, forward foreign exchange contracts, currency options, financial futures, government and government agency bonds, Eurobonds, non-dollar bonds, non-convertible preferred stock, options on fixed income instruments, mortgage-backed bonds, corporate bonds, commercial mortgage backed securities, private placement corporate bonds, and asset-backed securities. The portfolio is expected to have interest rate sensitivity similar to the benchmark, be diversified by industry, sector, and individual security, and exceed the return on the Lehman Brothers U.S. Universal Index by 75 basis points, net of fees, on an annualized basis, over 3-5 year time periods.

Global Fixed Income Portfolio

June 30, 2000



Mortgage Bond - a diversified portfolio consisting of mortgages, mortgage backed, asset backed, and commercial mortgage securities. For investment management purposes, the commercial mortgage investments are managed in a separate account. The objective of the traditional mortgage portfolio is to exceed the return of the Lehman Brothers Mortgage Index by 100 basis points, annually, net of fees. The objective of the separate account commercial mortgage-backed security portfolio is to exceed the return of the Lehman Brothers Corporate Index by 75 basis points annually, net of fees.

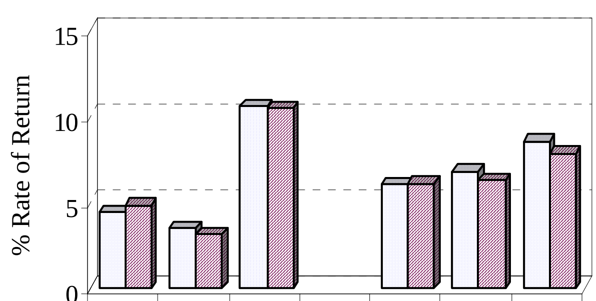
Passive Bond - a passively managed, diversified portfolio comprised of investments in commingled funds which are designed to emulate or index the Lehman Brothers Aggregate Bond Index.

High Yield **-** a strategy utilizing a bottom-up, fundamental research approach in selecting U.S. and Canadian companies that consistently outperform the Salomon Brothers' Cash Pay High Yield Bond Index over a full market cycle. This fund is intended to add a risk-controlled portfolio management process to emphasize higher income than can be achieved with strictly investment grade securities, and is expected to outperform the Index by 100 basis points annually, net of fees.

There were multiple factors that were present throughout the year that impacted the bond market. Action by the Federal Reserve to increase short-term interest rates combined with an announcement by the U.S. Treasury to repurchase Treasury bonds led to an inverted yield curve that continues to exist. Investment grade, non-Treasury securities underperformed most of the year as recession and inflationary concerns drove investors to safer Treasury investments. Easing inflation concerns and the forecast of a "soft landing" for the economy have helped non-Treasury securities somewhat but supply and demand factors continue to keep spreads at or near historically high levels. These factors caused IPERS to fall short of its benchmark for the year ended June 30, 2000, earning 4.42% versus 4.81% for the benchmark. IPERS has historically beaten its fixed income benchmark, earning 6.79% versus 6.30% for the five-year period ended June 30, 2000 and 8.53% versus 7.84% for the ten-year period ended June 30, 2000.

Global Fixed Income Performance Summary

For the Periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio*	4.42	3.45	10.60		6.01	6.79	8.53
Custom Benchmark	4.81	3.13	10.50		6.11	6.30	7.84

* Net of Fees

Domestic Equity

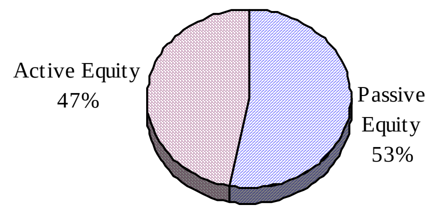
At June 30, 2000, 29% of IPERS' total portfolio was invested in domestic equities. The total net fair value of the domestic equity portfolio was $4,964,575,157. The portfolio is widely diversified across various equity market sectors and industries and has highly diversified financial characteristics and risk factors which influence the overall return.

The domestic equity portfolio has two components:

Passive Equity - the passive component is divided into large cap, small-mid cap, and enhanced strategies for management purposes and consists primarily of investments in commingled index funds, index futures, and short-term securities. The return objective for each strategy is to track, within a certain range, the returns of a broad market index. The passive component is designed to add diversity to the overall portfolio while complementing the active investment styles of IPERS' other domestic equity portfolios. The passive component constitutes an efficient, low cost investment strategy that offsets much of the volatility associated with active management.

Domestic Equity Portfolio

June 30, 2000

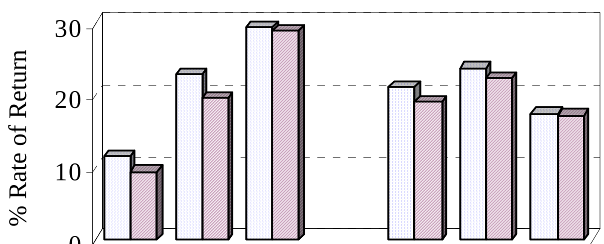


Active Equity - a portfolio consisting primarily of large capitalization stocks. For management purposes, the portfolio is divided among separate strategies that focus on different investment styles: a value portfolio which focuses on companies undervalued relative to their prospective dividend and earnings growth; a growth portfolio which focuses on companies whose earnings are expected to grow at rates exceeding that of the general economy; and a core portfolio that seeks to add value across all sectors through stock selection. Each investment strategy is expected to exceed an appropriate style benchmark over a full market cycle.

The U.S. stock market provided returns during the year ended June 30, 2000 that were more consistent with longer term historical market performance. For the fiscal year, IPERS' domestic equity portfolio earned an 11.7% return compared to 9.5% for the Wilshire 5000 Index. For the five-year period ended June 30, 2000, the domestic equity portfolio has earned an annualized return (net of fees) of 23.8% versus 22.5% for the Wilshire 5000 Index.

Domestic Equity Performance Summary

For the Periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio *	11.68	22.87	29.40		21.08	23.79	17.55
Wilshire 5000	9.52	19.60	28.90		19.07	22.47	17.29

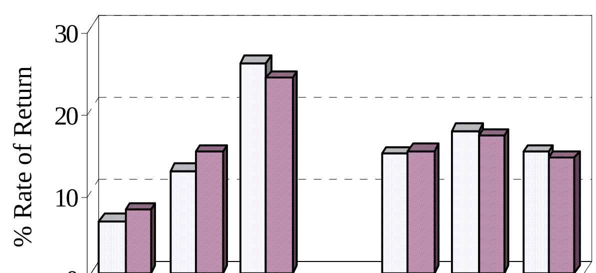
* Net of Fees

Tactical Asset Allocation

IPERS' tactical asset allocation (TAA) portfolio is designed to take advantage of short-term discrepancies in valuation between capital markets. IPERS' TAA managers allocate investments between stocks, bonds and cash based upon the relative value of each asset class. By making tactical shifts in the asset mix as risk premiums change, the TAA managers seek to take advantage of mispriced markets. IPERS' TAA strategy is utilized in both domestic and global markets.

Tactical Asset Allocation Performance Summary

For the Periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio *	6.44	12.58	25.80		14.66	17.45	14.82
Benchmark	7.77	14.85	24.00		15.05	16.89	14.14

* Net of Fees

The fair value of the TAA portfolio was $888,254,296 on June 30, 2000, which represented approximately 5% of total IPERS assets. The TAA portfolio underperformed for the year ended June 30, 2000, earning 6.4% versus 7.8% for the benchmark. Over longer time periods, IPERS' TAA portfolio has outperformed its benchmark, earning 17.5% versus 16.9% for the five years ended June 30, 2000, and 14.8% versus 14.1% for the ten years ended June 30, 2000.

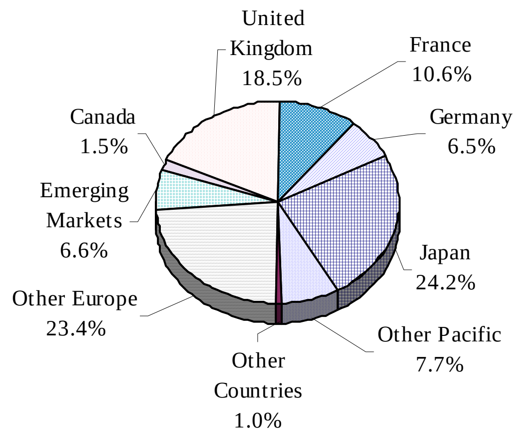
International Equity

At June 30, 2000, the international equity portfolio had a net fair value of $2,440,319,199, representing 14% of the total IPERS portfolio. IPERS' international equity portfolio is comprised primarily of common stocks or equity commingled funds, foreign exchange contracts and cash, and is widely diversified across many regions, countries, industries, and securities.

The international equity portfolio has three primary components:

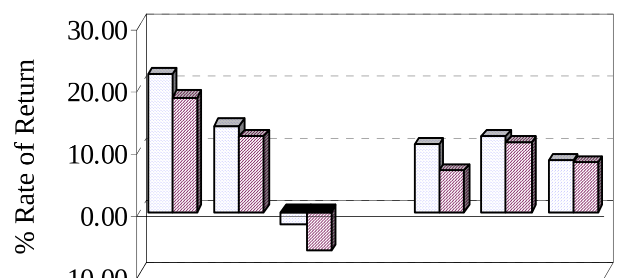
> ***Active Equity*** - a diversified portfolio consisting primarily of equity securities issued by foreign companies in developed countries. For purposes of investment management, a regional approach is used to invest in these international markets. The portfolio's performance objective is to exceed the return of the Morgan Stanley Capital International All-Country World Index ex-U.S.
>
> ***Passive Equity*** - a passively managed, diversified portfolio comprised of commingled index fund investments in Canadian and developed European countries' corporate equity securities. The objective of the portfolio is to track the performance of the Morgan Stanley Capital International World Index ex-U.S.
>
> ***Global Emerging Markets*** - an actively managed diversified portfolio consisting primarily of equity securities issued by companies in countries which are small and immature by developed market standards. Over time, these markets are expected to experience growth rates well in excess of developed markets. Consequently, investments in emerging markets provide opportunities for higher portfolio returns. Furthermore, low correlation between returns of emerging markets and developed markets can serve to reduce total risk in the international equity portfolio.

International Equity Portfolio
June 30, 2000



IPERS' international equity portfolio returned 22.1% during fiscal year 2000 compared to 18.4% for the benchmark. Since inception in 1989, this portfolio has outperformed its benchmark earning an annualized return of 8.2% versus 7.2% for the benchmark.

International Equity Performance Summary
For the Periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio *	22.10	13.85	-2.00		10.86	12.03	8.25
Policy Benchmark	18.36	12.12	-6.40		6.69	11.05	7.92

* Net of Fees

Private Equity/Debt

At June 30, 2000, IPERS' private equity/debt portfolio had a fair value of $1,892,848,532, representing 11.1% of the total IPERS portfolio. Since the inception of the private equity/debt portfolio in 1986 through June 30, 2000, the System has committed $1,817,650,543 to eighty-six partnerships. Of that total, $528,799,388 remains to be called for investment. During the fiscal year, IPERS committed $431,269,500 to seventeen new partnerships.

The long-term objective of the private equity/debt portfolio is to achieve a rate of return that exceeds the returns available in the public equity markets. The System seeks to minimize the risk associated with the asset class by investing in a variety of partnerships with different investment styles and objectives. The portfolio is also diversified by industry focus, geographic location, and most importantly, time, which means that capital is committed to partnerships over the full course of the business cycle and not concentrated in any one year.

The performance objective for the private equity/debt portfolio is to exceed the return of the Wilshire 5000 Index, calculated on an internal rate of return (IRR) basis, by five percentage points on an annualized basis. The private equity/debt portfolio returned 59.3%

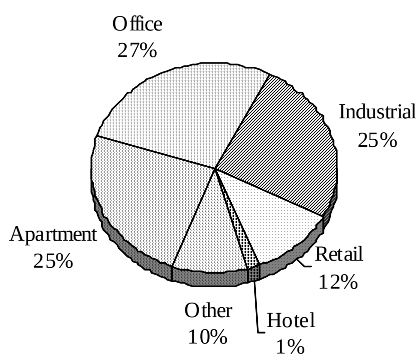
in fiscal year 2000 versus 16.1% for its benchmark. However, since inception in 1985, the private equity/debt portfolio has provided an annualized IRR of 19.0% versus its return objective of 22.1%.

Real Estate

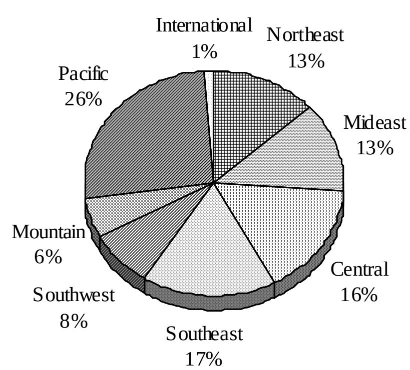
At June 30, 2000, approximately 4% of IPERS' total portfolio at fair value was invested in various real estate properties, commingled funds, partnerships, and publicly traded real estate investment trusts (REITs). In order to mitigate risk, the real estate portfolio is diversified by both geographic location and property type, as shown in the following charts. The total return for the real estate portfolio for the fiscal year was 11.0%, compared to 9.7% for the portfolio's benchmark (CPI + 6%). The IPERS real estate portfolio's positive return was attributable to operating income, appreciation of property values and cash distributions from sales of properties. An additional $229.9 million was allocated to the portfolio and is being invested in direct ownership of small to medium-sized properties throughout the U.S.

Real Estate Portfolio
June 30, 2000

By Property Type



By Property Location



Investments in Iowa

Iowa Code § 97B.7 authorizes IPERS to invest the moneys of the Trust Fund in accordance with the Investment Policy and Goal Statement adopted by the Investment Board and subject to the Prudent Person rule. Section 97B.7 also directs that where consistent with the aforementioned standards, IPERS will invest "...in a manner that will enhance the economy of the state, and in particular, will result in increased employment of the residents of the state." At June 30, 2000, the System had invested $930,334,841 in Iowa companies, real estate properties and mortgages, as well as in stocks and bonds of companies with significant operations in the state of Iowa (as shown in the table below).

Asset Class	Iowa Based Companies	Companies with Iowa Operations	Total Investment Amount
Equity	$ 57,710,629	$730,324,324	$788,034,953
Fixed Income	37,918,145	90,849,094	128,767,239
Real Estate	13,523,649	-	13,523,649
Private Equity/Debt	9,000	-	9,000
Total	$109,161,423	$821,173,418	$930,334,841

Schedule of Brokerage Commissions Paid
Year Ended June 30, 2000

			Commissions		
Brokerage Firms	**Shares Traded**	**Dollar Volume of Trades**	**Dollar Amount**	**Average Per Share**	**As a % of Dollar Volume of Trades**
Lehman Brothers	24,527,439	$ 679,991,181	$ 778,312	$ 0.032	0.11 %
Merrill Lynch International	90,043,216	422,677,546	728,652	0.008	0.17
Morgan Stanley & Co Inc	37,583,492	367,900,519	564,241	0.015	0.15
Salomon Smith Barney	23,638,950	218,045,887	440,228	0.019	0.20
Goldman Sachs & Co	12,982,792	268,015,239	423,303	0.033	0.16
Warburg Dillon Read LLC	88,638,374	109,680,899	224,701	0.003	0.20
Credit Suisse First Boston	4,143,512	101,678,628	210,752	0.051	0.21
Bear Stearns	3,638,743	162,803,164	193,441	0.053	0.12
Dresdner Kleinwort Benson	5,789,038	85,874,638	161,296	0.028	0.19
UBS	3,711,659	51,085,103	140,620	0.038	0.28
Investment Technology Groups, New York	7,058,045	287,464,560	140,404	0.020	0.05
Morgan J P SECS Inc, New York	19,954,995	68,963,803	135,942	0.007	0.20
Credit Lyonnais SECS	30,413,569	33,407,139	134,747	0.004	0.40
Hoare Govett Secs Ltd	29,389,030	58,671,737	127,079	0.004	0.22
Donaldson, Lufkin & Jenrette	2,556,854	73,936,798	126,352	0.049	0.17
Robert Fleming Inc	49,508,451	37,640,288	112,576	0.002	0.30
Bridge Trading Co, St Louis	3,207,088	148,583,499	112,097	0.035	0.08
Paine Webber Inc, NJ	2,214,294	96,020,799	106,550	0.048	0.11
DB Clearing SVCS, New York	1,949,400	50,298,290	103,369	0.053	0.21
James Capel	4,074,815	27,586,846	100,810	0.025	0.37
Societe Generale SECS Corp	3,739,670	31,154,628	96,335	0.026	0.31
Deutsche Morgan Grenfell, New York	2,187,483	64,021,560	96,316	0.044	0.15
Russell Frank SECS Inc	1,723,300	52,863,192	96,302	0.056	0.18
Cazenove & Co	4,876,359	34,669,504	91,235	0.019	0.26
Jardine Fleming, Hong Kong	9,759,746	27,847,130	88,479	0.009	0.32
Others (Including 184 Brokerage Firms)	397,953,861	1,271,889,340	1,855,093	0.005	0.15
TOTALS	865,264,175	$ 4,832,771,917	$ 7,389,232	$ 0.009	0.15 %

INVESTMENT POLICY AND GOAL STATEMENT

I. INTRODUCTION - IPERS' PURPOSE AND PRINCIPLES

The Iowa Public Employees' Retirement System (IPERS) was established in 1953, and is governed by Iowa Code chapter 97B. Since its creation, IPERS' activities have been directed toward fulfilling the foundational purpose of the System, as described in § 97B.2:

> "...to promote economy and efficiency in the public service by providing an orderly means for employees, without hardship or prejudice, to have a retirement system which will provide for the payment of annuities, enabling the employees to care for themselves in retirement, and which will improve public employment within the state, reduce excessive personnel turnover, and offer suitable attraction to high-grade men and women to enter public service in the state."

IPERS is administered by the Director of the Department of Personnel, through a chief investment officer, chief benefits officer, and other full-time staff. The investment activities are governed by an Investment Board, and the underlying principle which governs these activities is the "prudent person" rule. In the formulation of this investment policy and goal statement, a primary consideration of the Investment Board and staff has been their awareness of the stated purpose and investment principle. IPERS' investment activities are designed and executed in a manner that will fulfill these goals. The investment policy and the individual strategies will be periodically reviewed to ensure that they conform to §§ 97B.2 and 97B.7.

The Investment Board designates the chief investment officer as its primary representative in the execution of the System's investment program. Additionally, the Board supports the retention and development of sufficient investment staff and the provision of such other resources as are required in order to ensure the thorough oversight and administration of each investment program undertaken by the System.

II. INVESTMENT GOAL STATEMENT

In accordance with the above described purpose and statutory citations, the following investment goals are adopted:

A. The investment activities are designed and executed in a manner that serves the best interests of the members and beneficiaries of the System.

B. The investment activities are designed to provide a return on the portfolio that, when coupled with the periodic contributions of the membership and employers, will meet or exceed the benefit funding requirements of the plan over time. Of primary consideration is the maintenance of funding which is adequate to provide for the payment of the plan's actuarially determined liabilities over time.

C. The long-term performance expectations for the total fund after the deduction of management fees are as follows:

1. Performance which exceeds the rate of inflation, as determined by the Consumer Price Index (CPI), by at least 300 basis points (3%).
2. Performance which exceeds the assumed actuarial rate of interest.
3. Performance which meets or exceeds IPERS' total fund policy return, which is defined as a passively managed benchmark comprised of the target asset allocations to, and appropriate indexes for, each asset class.
4. Performance which exceeds the median risk-adjusted return of a universe of large public funds.

III. INVESTMENT POLICY STATEMENT

IPERS' investment policies are structured to maximize the probability that the investment goals will be fulfilled. All investment policy decisions shall include liquidity and risk considerations that are prudent and reasonable under the circumstances that exist over time. IPERS' investment policies will evolve as the internal conditions of the fund and the capital markets environments change.

A. Asset Allocation Policy

The System adopts and implements an asset allocation policy that is predicated on a number of factors, including:

1. The actuarially projected liability stream of benefits and its cost to both covered employees and employers.
2. The relationship between the current and projected assets of the plan and the plan's projected liabilities.

3. Expectations regarding short-term and long-term capital market returns and risks.

4. Historical returns and risks of the capital markets.

5. The perception of future economic conditions, including inflation and interest rate assumptions, and their impacts on the System's assets and liabilities.

This policy is adopted to provide for diversification of assets in an effort to maximize the investment return to the System consistent with market and economic risk. Asset allocation identifies the classes of assets the System will utilize and the percentage each class represents of the total fund.

Each asset class selected for the IPERS portfolio serves a specific role in maximizing the total return and controlling overall risk, as follows:

Domestic Equities	Long-term return
International Equities	Long-term return, diversification
Emerging Market Equity	Long-term return greater than international equities, diversification
Global Tactical Asset Allocation	Return greater than the strategic asset allocation based on near-term market outlook
Global Fixed Income	Stable return relative to domestic equities
High Yield Bonds	Long-term return greater than global fixed income, diversification
Equity Real Estate	Diversification
Private Equity/Debt	Long-term return greater than public equities

Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy and that periodic revisions may be effected to the allocation over time. In the absence of suitable opportunities within a specific market, the funds shall be directed to the other components within the ranges specified. The Investment Board and staff will regularly monitor and assess the actual asset allocation versus the policy targets and evaluate any variations considered significant.

	% of Portfolio at Market		
	Target	Minimum	Maximum
Equity Component			
Public Market			
Domestic Equities	28	23	33
International Equities	13	9	17
Emerging Market Equities	2	1	3
% Public	43	--	--
Private Market			
Equity Real Estate	5	3	7
Private Equity/Debt	10	7	13
% Private	15	--	--
% Equity	58	50	66
Fixed Income Component			
Global Fixed Income	34	30	38
High Yield Bonds	3	2	4
% Fixed Income	37	32	42
Global Tactical Asset Allocation	5	3	7
Cash[1]	0	0	5
Total	100%		

[1] Cash, for purpose of applying target and range, is limited to funds available prior to distribution to investment managers and the amount reserved to pay benefits and administrative costs.

B. Portfolio Component Definitions and Performance Expectations

IPERS will utilize the following portfolio components and performance expectations, net of investment management fees, to fulfill the asset allocation targets and total fund performance goals established elsewhere in this document:

1. Domestic Equities

A portfolio of common stocks, stock index funds, equity commingled funds, American Depository Receipts, convertible securities, derivatives and cash. The portfolio will seek to outperform the Wilshire 5000 Index over a full market cycle. The sub-components of this portfolio will be as follows:

a. Passive Equity - A highly diversified equity portfolio which is designed to emulate or index the equity market, experiences low turnover, and is fully invested in the market except during periods of rebalancing.

b. Active Equity - A diversified equity portfolio utilizing large, medium and/or small capitalization stocks with moderate to high turnover, and a cash position which typically does not exceed 5%. This portfolio may be divided into separate core, growth and value components for the purpose of management. Relevant performance benchmarks will be chosen for each component.

2. International Equities

A diversified international investment portfolio of common stocks, equity commingled funds, closed-ended or open-ended country funds, Global, American or International Depository Receipts (GDRs, ADRs, IDRs), convertible securities, government debt instruments, foreign exchange contracts, and/or cash issued under the laws of selected foreign countries, territories, or their political subdivisions. The portfolio may be divided into separate regional and currency components for the purpose of management. The portfolio's performance is expected to exceed that of the Morgan Stanley Capital International (MSCI) All-Country World Index ex-U.S. ("ACWI ex-U.S.") over a full market cycle. The portfolio will consist of one or more of the following:

a. Passive Equity - A highly diversified equity portfolio which is designed to emulate or index the international equity market or a portion thereof, experiences low turnover, and is fully invested in the market except during periods of rebalancing.

b. Active Equity - A diversified international equity portfolio, and a cash position which does not exceed a range of 10% to 25%, to include non-equity exposure. The portfolio may be divided into separate regional components for the purpose of management. Relevant regional performance indexes will be chosen for each component.

c. Global Emerging Markets - A diversified portfolio consisting of cash and equity and non-equity securities of countries that are generally considered to be emerging or developing by international financial markets and institutions generally, including the World Bank and the International Monetary Fund. The return objective for the portfolio is to exceed the MSCI Emerging Markets Free ex-Malaysia Index by at least 250 basis points (2.5%) annually over a full market cycle.

3. Global Tactical Asset Allocation

A portfolio utilizing domestic and international stocks and/or stock index funds, bonds and/or bond index funds, cash and derivatives, to add value by actively shifting assets among the eligible asset classes and countries based upon the Manager's near-term perception of market and economic conditions. The portfolio may be divided into separate domestic and global components for the purpose of management. The performance of each component is expected to exceed by at least 100 basis points (1%) annually that of a passively managed benchmark comprised of the target asset allocation to and appropriate indexes for each asset class. Overall, the portfolio performance is expected to exceed by at least 100 basis points (1%) over a full market cycle that of a customized benchmark weighted 80% for the domestic component benchmark and 20% for the global component benchmark.

4. Global Fixed Income

A diversified portfolio of fixed income strategies and investments with the objective of outperforming the Lehman Brothers U.S. Universal Index by 50 basis points (0.5%) annually over a full market cycle. The portfolio will utilize passive and active investment strategies. The portfolio will consist of the following types of fixed-income investments: domestic and international bonds, government and government agency securities (including municipal and sovereign securities, if appropriate), bond index funds, corporate bonds, mortgage-backed and asset-backed securities, commercial mortgages and commercial mortgage-backed securities. Fixed income managers may utilize private placement structures, derivatives, foreign exchange contracts, financial futures, currency options, Eurobonds, cash and cash equivalents in the management of their respective portfolios. International bonds are considered to be a sector of the global fixed income market. Fixed income managers pursuing active strategies will be permitted to make limited tactical investments in international bonds (including bonds issued in emerging markets) and high yield bonds.

5. High Yield Bonds

The System will have a strategic allocation to a diversified portfolio of high yield corporate bonds. The portfolio will emphasize investments in fixed income securities rated BB+ and below by S&P (or equivalent at another major rating agency). The objective of the portfolio is to outperform the Salomon Cash Pay High Yield Bond Index by 100 basis points (1%) annually over a full market cycle.

6. Equity Real Estate

A diversified portfolio of real estate equity and participating/convertible debt interests in the form of private market commingled real estate fund participations, separate accounts and co-investments, and publicly-traded investments in real estate operating companies, real estate investment trusts and limited partnerships. The annualized long term return objective for the real estate portfolio is to exceed the CPI by 600 basis points (6%).

7. Private Equity/Debt

Participation in investment vehicles which finance early stage and later stage companies prior to going public, vehicles investing in leveraged buyouts and turn arounds of existing companies, and other equity and debt oriented non-traditional investments. The long term return objective for this component is to exceed the Wilshire 5000 Index by 500 basis points (5%) on an internal rate of return basis.

8. Cash

A portfolio comprised of the Custodian bank's Short Term Investment Fund (STIF) and/or other short-term investment vehicles. The return objective of the cash portfolio is to exceed the rate of return on 90-Day U.S. Treasury Bills, while preserving principal. The return objective of the active component of the cash portfolio is to exceed the rate of return on the Merrill Lynch 91-Day Actual Treasury Bill Index by 75 basis points (0.75%) annually.

C. Investment Management Policy

To achieve optimum performance results in concert with diversification of its assets, IPERS will select and utilize external investment managers to manage portions of its portfolio. The System may also utilize the services of investment management consultants for the purpose of performance review, asset allocation studies, manager selection screening, and topical studies.

1. Manager/Consultant Utilization and Selection

The selection of the managers and consultants is accomplished in accordance with Iowa Executive Order Number 50, dated January 12, 1983, superseded by Executive Order Number 60, which provides each State of Iowa agency the authority to solicit and select professional service providers and execute and monitor state professional service contracts pursuant to the policies and procedures established by the Department of Revenue and Finance. The System will procure manager and consultant services with adequate attention to the principles of competition and reasonableness of costs, and will wherever feasible compensate the external managers through the use of performance fees.

Each investment manager and consultant functions under a formal contract which delineates their responsibilities and the appropriate performance expectations. A formal set of investment guidelines and investment administrative requirements for each investment manager and consultant exists as an addendum to this document.

2. Manager/Consultant Discretion

The investment managers shall have full discretion to direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document, applicable federal and state statutes and regulations, and the executed contracts. Further, the investment managers shall have full discretion to establish and execute trades through accounts with one or more securities broker/dealers as the managers may select. The investment managers will attempt to obtain the "best available price and most favorable execution" with respect to all of the portfolio transactions. In accordance with this principle, broker/dealers with an office in Iowa will be given an opportunity to compete for various transactions.

The Board and staff will consider the comments and recommendations of the consultants in conjunction with other available information in making informed, prudent decisions.

3. Manager Evaluation

The investment managers under contract with the System will meet periodically with the Investment Board and/or staff for the purpose of reviewing the investment activities of their assigned portfolio, its performance, the investment strategy which governs its management and the marketplace in which it exists. Such meetings may be conducted at the offices of the investment firms. A detailed discussion of IPERS' manager evaluation policies and procedures is provided in the IPERS Manager Monitoring and Retention Policy.

D. Cash Management Policy

Management of cash, which is generated by contributions, investment income and proceeds of sales and maturities, shall emphasize the maximization of return within parameters of the System's liquidity and capital preservation requirements. The allocation of cash between STIF and other short-term investment vehicles will be the responsibility of the System's staff. Cash allocated for investment by the investment management firms is managed in accordance with the guidelines established in the contractual agreement with each firm. Due to the fluid nature of the capital markets, cash allocation decisions shall be made by the staff consistent with the Board's investment policies and will be periodically reviewed with the Investment Board.

E. Currency Management Policy

In order to control and manage the underlying currency exposure of its international portfolio, the System has adopted the following currency management objectives:

1. Protect international asset values during periods of dollar strength.

2. Participate in currency returns during periods of dollar weakness.

3. Reduce the return volatility in its non-dollar investments caused by exchange rate risk.

IPERS' currency policy is to manage the non-dollar portion of the global fixed income allocation against a 100% hedged benchmark and may allow its non-dollar equity managers to hedge on a selective basis for the protection of the asset values. The System will not manage currency as a separate asset class or enter into speculative currency positions (i.e., currency positions greater than 100% or less than 0% of the underlying asset exposure) in its portfolio, except as it relates to specific cross-hedging activity which may be permitted in certain investment manager guidelines.

F. Custody

The Treasurer of the State of Iowa is the custodian and trustee of the Fund. The Treasurer will hold the System's assets in a custody/record keeping account in a master custody bank located in a national money center and in the international sub-custodian banks under contract to the custodian bank. The custodian bank agreement shall be reviewed periodically by the staff and Investment Board and is incorporated herein.

G. Securities Lending

The Investment Board may authorize the execution of a "Securities Lending Program" which will be conducted in accordance with Iowa Code § 12.8. A formal written agreement shall be established between the Treasurer of the State of Iowa and the lending agent(s) stipulating the workings of the program. The agreement(s) will be reviewed with the Investment Board and staff and will be incorporated herein.

H. Proxy Voting

IPERS acknowledges that proxies are a significant and valuable tool in corporate governance and therefore have economic value. The System commits to managing its proxy voting rights with the same care, skill, diligence, and prudence as is exercised in managing its other valuable assets. As responsible fiduciaries, the System's staff, its designated voting agents, its investment managers, and the trustees or agents of the System's collective, common or pooled fund investments will exercise their proxy voting rights in the sole interest of the System's members and in accordance with the applicable statutes.

The voting rights of individual stocks directly owned by the System will be exercised by the staff, its designated voting agents, or, at staff's discretion, by selected investment managers. Votes will be cast in accordance with the "prudent person" standards delineated in Iowa Code § 97B.7 and the following policies:

1. The staff, or its designated agent, shall evaluate each proxy proposal and vote in the manner most beneficial to the long-term earnings of the fund.

2. The staff, or its designated agent, will cast abstention votes on proposals related to social responsibility issues where such proposals involve insignificant economic impact.

3. The effect of proposals on any Iowa-based employment of specific companies will be taken into consideration in voting proxies and tenders.

The voting rights of individual stocks held in any collective, common or pooled fund will be exercised by the trustees or agents of said fund in accordance with their own proxy voting policies, upon the determination by the System that such proxy policies are generally consistent with IPERS' proxy voting policy and statutory mandates.

I. Commission Recapture and Soft Dollar Policy

The System encourages, but does not require, certain of its active equity managers to direct brokerage transactions to commission recapture brokers to the extent these brokers can provide best execution. Best execution is defined as achieving the most favorable price and execution service available, bearing in mind the System's best interests, and considering all relevant factors. The System will monitor on an ongoing basis the services provided by the commission recapture brokers so as to assure that the investment managers are securing the best execution of the fund's brokerage transactions.

All rebates or credits from commissions paid by the System's investment managers to the commission recapture brokers will be realized in cash and used exclusively to reduce the normal operating expenses of the fund. It is the System's policy to refrain from using soft dollar credits, as obtained through a directed brokerage program, to acquire investment products or services or defray normal administrative expenses of the fund. If the generation of soft dollar credits is unavoidable in certain instances, the System will make a best effort to have the credits converted to cash and remitted directly to the fund.

J. Derivatives Policy

Certain of the System's investment managers may be permitted through their individual investment guidelines to use derivative instruments. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or derivatives.

While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically comprise a portion of the System's fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, swaptions, etc. The System's managers are not permitted to utilize derivatives for speculative purposes (for example, by taking a position greater than 100% or less than 0% of underlying asset exposure), but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, and augmenting index fund performance through index arbitrage.

K. Social Investing

As fiduciaries, the IPERS Investment Board, staff and investment managers must perform their duties for the exclusive benefit and in the best economic interest of the System's members and beneficiaries. The System will therefore oppose the investment policies or strategies which seek to promote specific social issue or agendas through investment or divestment of IPERS' assets. To act otherwise could be construed as a violation of fiduciary duty and could endanger the System's tax-exempt status.

IV. RESPONSIBILITIES OF THE INVESTMENT BOARD AND STAFF

Successful management and oversight of IPERS' investment activities require the Investment Board and staff to have specific responsibilities, as outlined below:

A. Statutory Responsibilities

1. The Board shall annually adopt an Investment Policy and Goal Statement which is consistent with Iowa Code §§ 97B.7 and 97B.8.

2. The Board shall at least annually conduct a review of the general policies and procedures utilized by the System in administering the investment program.

3. The Board shall at least annually conduct a public meeting to review the policies and the investment performance of the fund.

B. Operational Responsibilities

1. Upon recommendation of the staff or of individual Board members, the Board shall periodically and as necessary adopt changes to the Investment Policy and Goal Statement, including the asset allocation policy targets and portfolio component definitions.

2. The Board shall approve changes to the actuarial interest rate assumption, as may be periodically recommended by staff.

3. The Board shall review the specific types and proportions of assets being utilized in implementing the overall policy, as established by the staff (e.g., the proportion of mortgage bonds within the Global Fixed Income portfolio).

4. The Board shall periodically review the cash allocation schedule as implemented by the staff, whereby available funds are channeled to specific investment portfolios and managers.

5. The Board shall approve the engagement of investment managers, and the solicitation of proposals for additional managers as recommended by the staff. The staff shall have the authority to terminate, amend or rebid contracts with existing managers. Staff shall inform the Board in advance whenever practical of its decision to terminate a manager.

6. The Board shall approve the engagement and termination of consultants, the solicitation of proposals for new consultants and the rebid of contracts with existing consultants. The staff shall have the authority to amend contracts with existing consultants.

7. The Board shall annually review the general provisions of the System's investment management contracts.

8. Commitments/cash allocations to investments within the state of Iowa (excluding publicly traded securities) in excess of 0.20% of IPERS' total fund market value shall require prior approval by the Board.

9. The Board shall hold public meetings to review the investment performance of the fund, to hear presentations from a portion of the System's investment managers, and to effect its statutory and operational responsibilities.

10. To maintain and strengthen the investment management of the System:

    a. The Board and staff shall participate in conferences/seminars related to the investment activities of public and private institutional investors.

    b. The staff, and as appropriate the Board, shall meet periodically with the investment managers of the fund at the firms' offices to review and clarify investment or administrative issues related to the management of the portfolio.

    c. The staff, and as appropriate the Board, shall participate in investor meetings conducted by the various managers of the fund.

    These activities shall be conducted in compliance with Iowa Code chapter 68B, the "Iowa Public Officials Act."

C. Administrative Responsibilities

1. The Board shall meet annually, and may meet more often, to review its investment policies. Future meeting dates shall be set by members of the Board at the end of each meeting.

2. At the first meeting in each fiscal year, the voting Board members shall elect a chair and vice-chair.

3. Advance notice of time, date, tentative agenda, and place of each Board meeting shall be given in compliance with Iowa Code chapter 21.

4. Parties wishing to present items for the Board’s next meeting agenda shall file a written request with IPERS at least five business days prior to the meeting. The Board may take up matters not included on its agenda.

5. Five Board members eligible to vote shall constitute a quorum. A simple majority vote of the full voting membership shall be the vote of the Board.

6. In the event that it should become necessary to fill the chief investment officer position, the Board may consult with, and make hiring recommendations to, the Director of the Department of Personnel.

Statistical

Average Benefit Payments for
Last Ten Years for Retirees

New Retirees by Employer Group

Average Benefit Payments
by Retirement Date

Membership Statistics

Additions by Source

Deductions by Type

Growth of Net Assets

Annualized Performance Summary

AVERAGE BENEFIT PAYMENTS FOR LAST TEN YEARS
FOR RETIREES AS OF JUNE 30, 2000

	Years of Credited Service						
Fiscal Year	0-10	11-15	16-20	21-25	26-30	30+	Total
1991							
Number of Retirees	11,403	9,647	8,663	6,429	5,449	8,324	49,915
Average Monthly Benefit	$80	$160	$256	$367	$522	$591	$296
Average Years of Service	7.64	13.34	18.28	23.18	28.50	36.48	19.68
1992							
Number of Retirees	11,512	9,850	8,971	6,707	5,674	8,561	51,275
Average Monthly Benefit	$83	$168	$267	$386	$551	$633	$315
Average Years of Service	7.64	13.34	18.28	23.18	28.53	36.31	19.73
1993							
Number of Retirees	11,649	10,074	9,248	7,055	6,038	9,018	53,082
Average Monthly Benefit	$86	$176	$281	$413	$596	$697	$342
Average Years of Service	7.61	13.26	18.28	23.20	28.54	36.09	19.85
1994							
Number of Retirees	11,798	10,166	9,466	7,279	6,274	9,311	54,294
Average Monthly Benefit	$89	$185	$295	$435	$633	$755	$366
Average Years of Service	7.55	13.37	18.29	23.22	28.54	35.93	19.91
1995							
Number of Retirees	10,302	10,356	10,082	8,189	6,314	11,341	56,584
Average Monthly Benefit	$89	$179	$293	$440	$639	$822	$401
Average Years of Service	7.04	12.61	17.55	22.52	27.70	35.39	19.08
1996							
Number of Retirees	11,574	11,566	8,948	7,189	5,805	12,872	57,954
Average Monthly Benefit	$119	$206	$330	$475	$672	$837	$428
Average Years of Service	8.31	13.29	18.28	22.75	27.44	33.91	20.24
1997							
Number of Retirees	12,254	10,600	10,317	8,323	5,892	12,514	59,900
Average Monthly Benefit	$116	$268	$391	$554	$776	$1,009	$503
Average Years of Service	7.54	13.39	18.33	23.24	28.13	35.04	20.38
1998							
Number of Retirees	12,477	10,734	10,531	8,609	6,327	13,428	62,106
Average Monthly Benefit	$122	$276	$408	$581	$840	$1,113	$548
Average Years of Service	7.51	13.39	18.34	23.23	28.15	34.92	20.57
1999							
Number of Retirees	12,820	10,880	10,733	8,910	6,681	14,251	64,275
Average Monthly Benefit	$132	$301	$445	$633	$929	$1,232	$609
Average Years of Service	7.47	13.38	18.35	23.25	28.17	34.82	20.69
2000							
Number of Retirees	13,001	11,049	10,941	9,305	7,037	15,303	66,636
Average Monthly Benefit	$134	$308	$461	$662	$979	$1,325	$652
Average Years of Service	7.52	13.36	18.33	23.22	28.13	34.67	20.87

NEW RETIREES BY EMPLOYER GROUP AS OF JUNE 30, 2000						
Fiscal Year	City	County	School	State	Other	Total
1991						
Number of Retirees	313	425	1,463	465	74	2,740
Average Monthly Benefit	$453	$415	$580	$527	$517	$529
Average Credited Service	18.86	18.32	23.20	19.27	19.92	20.23
1992						
Number of Retirees	350	449	1,475	588	81	2,943
Average Monthly Benefit	$491	$462	$609	$578	$535	$564
Average Credited Service	18.48	18.81	22.56	19.26	18.68	19.81
1993						
Number of Retirees	352	549	1,747	794	92	3,534
Average Monthly Benefit	$514	$503	$734	$787	$574	$684
Average Credited Service	17.98	18.17	23.47	23.07	18.28	20.70
1994						
Number of Retirees	223	296	1,471	246	94	2,330
Average Monthly Benefit	$581	$545	$843	$672	$648	$754
Average Credited Service	18.48	18.81	24.38	19.22	18.94	22.34
1995						
Number of Retirees	431	601	2,002	635	469	4,138
Average Monthly Benefit	$667	$638	$891	$875	$408	$774
Average Credited Service	19.18	19.37	24.15	21.38	15.21	21.50
1996						
Number of Retirees	378	452	1,707	490	106	3,133
Average Monthly Benefit	$657	$585	$864	$832	$699	$788
Average Credited Service	18.65	18.29	23.04	20.36	18.43	21.25
1997						
Number of Retirees	489	539	2,006	667	119	3,820
Average Monthly Benefit	$684	$639	$1,049	$1,031	$853	$935
Average Credited Service	19.21	18.24	24.66	22.88	19.82	22.60
1998						
Number of Retirees	431	601	2,002	635	469	4,138
Average Monthly Benefit	$667	$638	$891	$875	$408	$774
Average Credited Service	19.18	19.37	24.15	21.38	15.21	21.50
1999						
Number of Retirees	401	611	2,193	621	158	3,984
Average Monthly Benefit	$789	$787	$1,184	$1,146	$1,054	$1,072
Average Credited Service	18.86	19.54	24.14	21.92	21	22.42
2000						
Number of Retirees	513	654	2,607	659	208	4,641
Average Monthly Benefit	$714	$745	$1,236	$1,180	$998	$1,091
Average Credited Service	17.53	18.29	24.38	21.75	19.28	22.16

AVERAGE BENEFIT PAYMENTS BY RETIREMENT DATE FOR RETIREES AS OF JUNE 30, 2000								
	Years of Credited Service							
Fiscal Year	0-5	6-10	11-15	16-20	21-25	26-30	30+	Total
Prior to 1/1/76:								
Number of Retirees	120	607	698	544	325	214	679	3,187
Average Monthly Benefit	$60	$118	$269	$333	$399	$468	$529	$325
Average Years of Service	5.11	8.47	13.37	18.11	23.08	27.90	38.39	20.23
Between 1/1/76 and 6/30/82:								
Number of Retirees	469	1,462	1,665	1,317	1,098	693	1,318	8,022
Average Monthly Benefit	$51	$124	$275	$352	$446	$575	$668	$361
Average Years of Service	4.63	8.56	13.28	18.35	23.13	27.96	36.03	19.10
Between 7/1/82 and 6/30/86:								
Number of Retirees	440	1,376	1,539	1,503	1,084	898	1,353	8,193
Average Monthly Benefit	$57	$146	$288	$403	$535	$713	$854	$445
Average Years of Service	4.57	8.52	13.44	18.25	23.22	28.20	34.45	19.40
Between 7/1/86 and 6/30/90:								
Number of Retirees	375	1,594	1,889	2,069	1,568	1,035	2,390	10,920
Average Monthly Benefit	$71	$149	$289	$411	$568	$746	$946	$511
Average Years of Service	4.51	8.54	13.38	18.28	23.12	27.99	33.82	20.55
Between 7/1/90 and 6/30/96:								
Number of Retirees	948	2,561	3,111	3,299	2,988	2,173	4,591	19,671
Average Monthly Benefit	$74	$164	$305	$477	$695	$1,000	$1,298	$672
Average Years of Service	4.44	8.48	13.40	18.32	23.27	28.12	34.42	21.18
Between 7/1/96 and 6/30/00:								
Number of Retirees	865	2,184	2,147	2,209	2,242	2,024	4,972	16,643
Average Monthly Benefit	$77	$186	$382	$620	$889	$1,385	$1,942	$1,028
Average Years of Service	4.52	8.43	13.26	18.48	23.27	28.27	34.48	22.37
Total as of June 30, 2000:								
Number of Retirees	3,217	9,784	11,049	10,941	9,305	7,037	15,303	66,636
Average Monthly Benefit	$68	$155	$308	$461	$662	$979	$1,325	$652
Average Years of Service	4.54	8.50	13.36	18.33	23.22	28.13	34.67	20.87
IOASI RETIREES*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45
Average Monthly Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	218

*Recipients receiving benefits calculated under the Iowa Old-Age and Survivors' Insurance System (IOASI) are identified separately.

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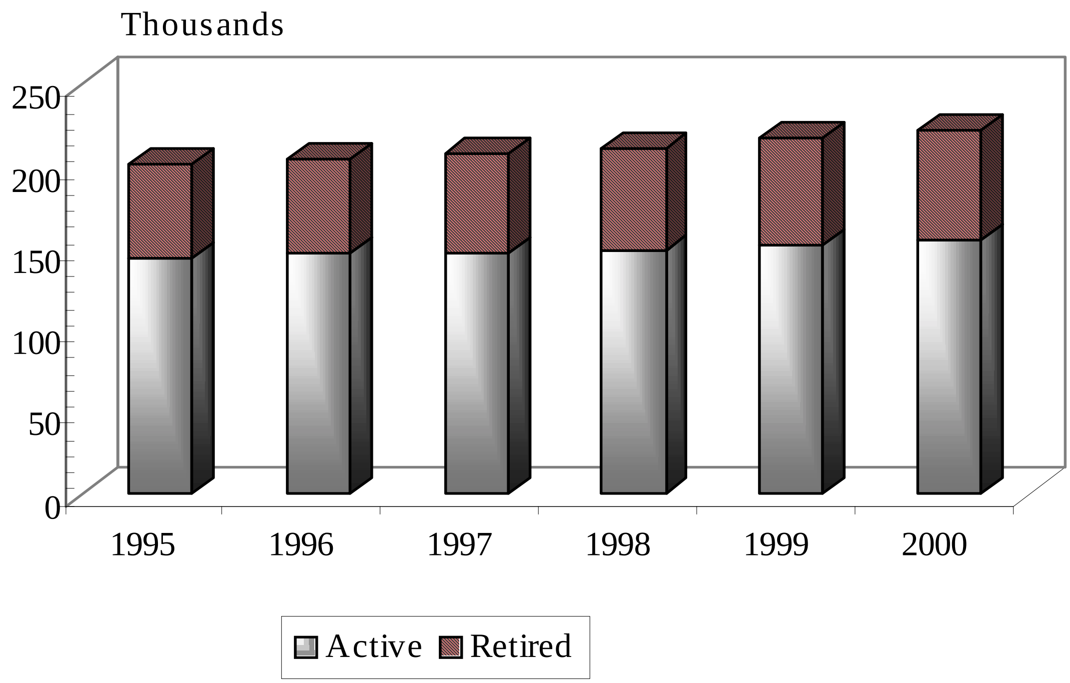
MEMBERSHIP STATISTICS

Special Statistics Last Six Fiscal Years							
	Number of						
Fiscal Year	Retired Members	Active Members	Total Additions	Total Deductions	Total Investments	Total Net Assets	
1995	56,584	144,912	$1,375,792,511	303,160,219	8,575,937,402	8,199,217,051	
1996	57,954	147,431	1,718,853,136	330,965,205	10,078,422,619	9,587,104,982	
1997	59,900	147,736	2,324,514,873	377,650,932	12,356,344,733	11,533,968,923	
1998	62,106	148,917	2,590,045,940	431,115,031	14,882,880,303	13,692,899,832	
1999	64,275	152,991	2,118,491,246	485,815,069	16,572,854,855	15,325,576,009	
2000	66,681	154,612	2,419,877,009	605,221,828	18,358,625,668	17,140,231,190	

IPERS Membership by Status

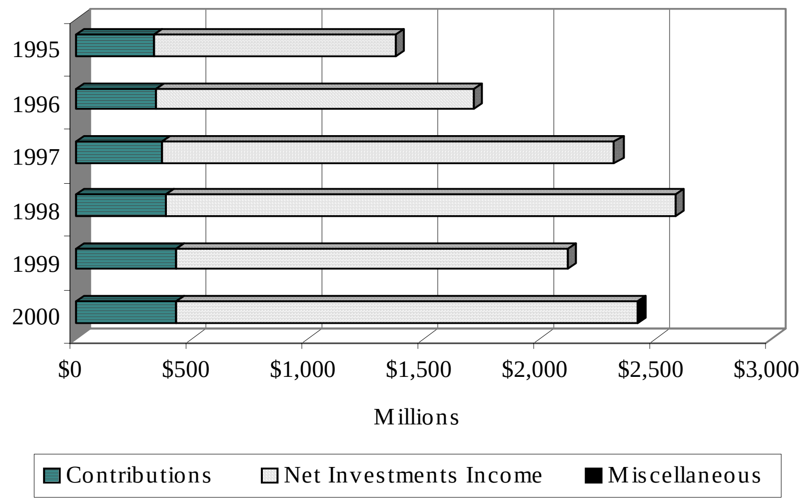
1995 - 2000



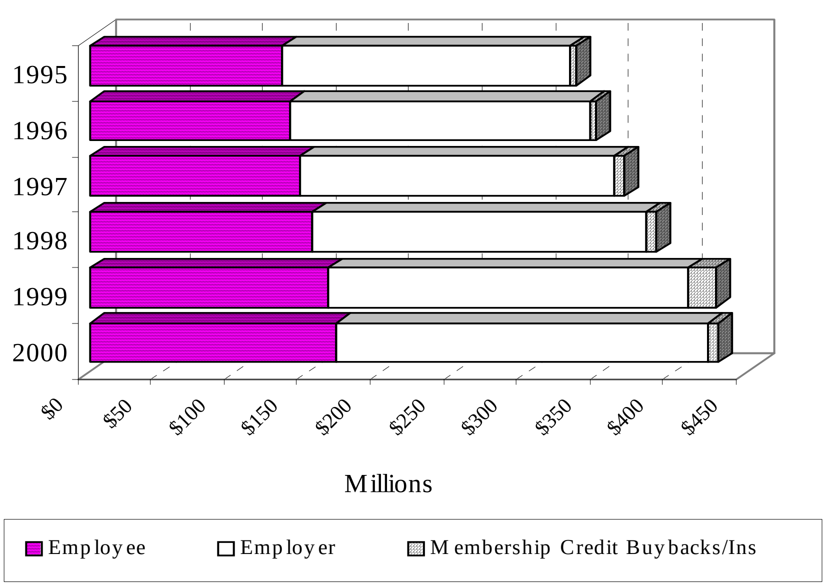
Additions by Source
Last Six Fiscal Years

Fiscal Year	Contributions Employee	Employer	Membership Credit Buybacks/Ins	Net Investment Income	Miscellaneous Income	Total
1995	$ 131,117,057	196,675,586	3,870,832	1,044,129,036	--	1,375,792,511
1996	136,589,797	204,884,696	4,295,339	1,373,083,304	--	1,718,853,136
1997	143,311,565	214,967,348	6,638,079	1,959,597,881	--	2,324,514,873
1998	151,848,515	227,772,773	7,581,962	2,202,842,690	--	2,590,045,940
1999	163,288,710	244,933,066	19,169,871	1,691,099,599	--	2,118,491,246
2000	168,847,367	253,271,051	7,295,195	1,990,366,366	97,030	2,419,877,009

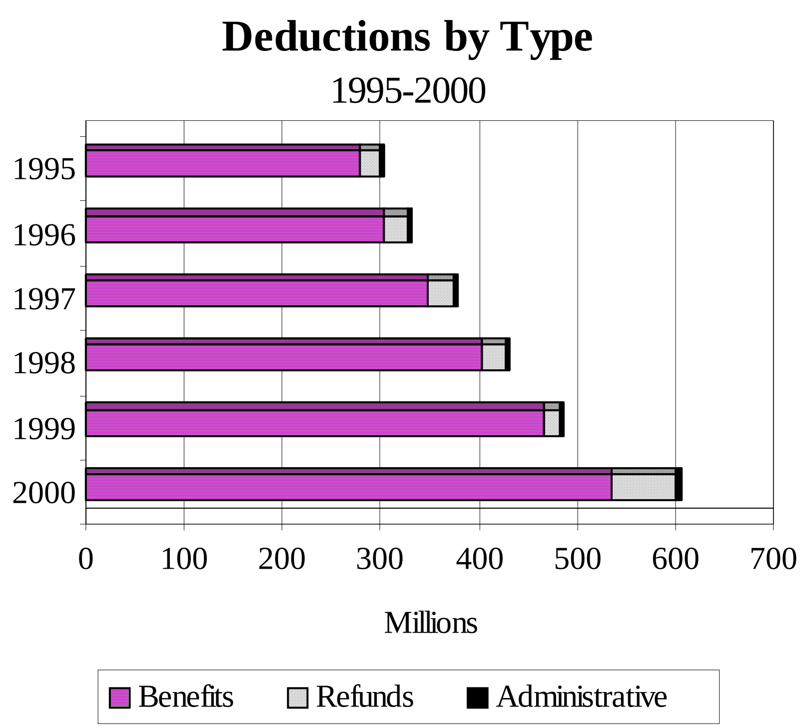
Additions by Source
1995 - 2000



Contributions by Source
1995 - 2000

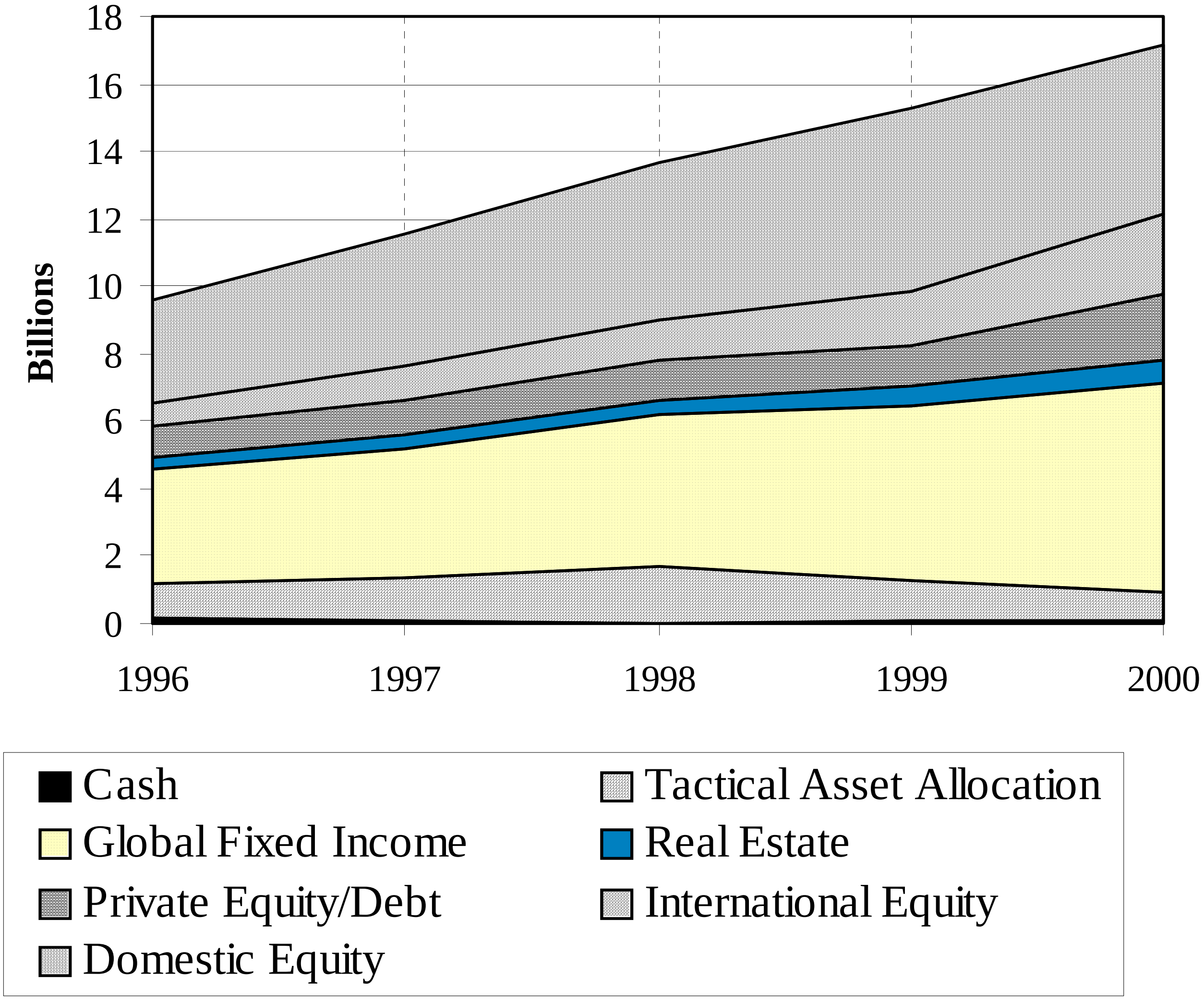


Deductions by Type Last Six Fiscal Years				
Fiscal Year	Benefits	Refunds	Administrative Expenses	Total
1995	$ 278,097,597	21,811,912	3,250,710	303,160,219
1996	303,812,003	23,743,427	3,409,775	330,965,205
1997	348,536,733	25,285,487	3,828,712	377,650,932
1998	402,544,698	24,557,597	4,012,736	431,115,031
1999	466,752,949	14,442,111	4,620,009	485,815,069
2000	533,747,215	65,608,628	5,865,985	605,221,828



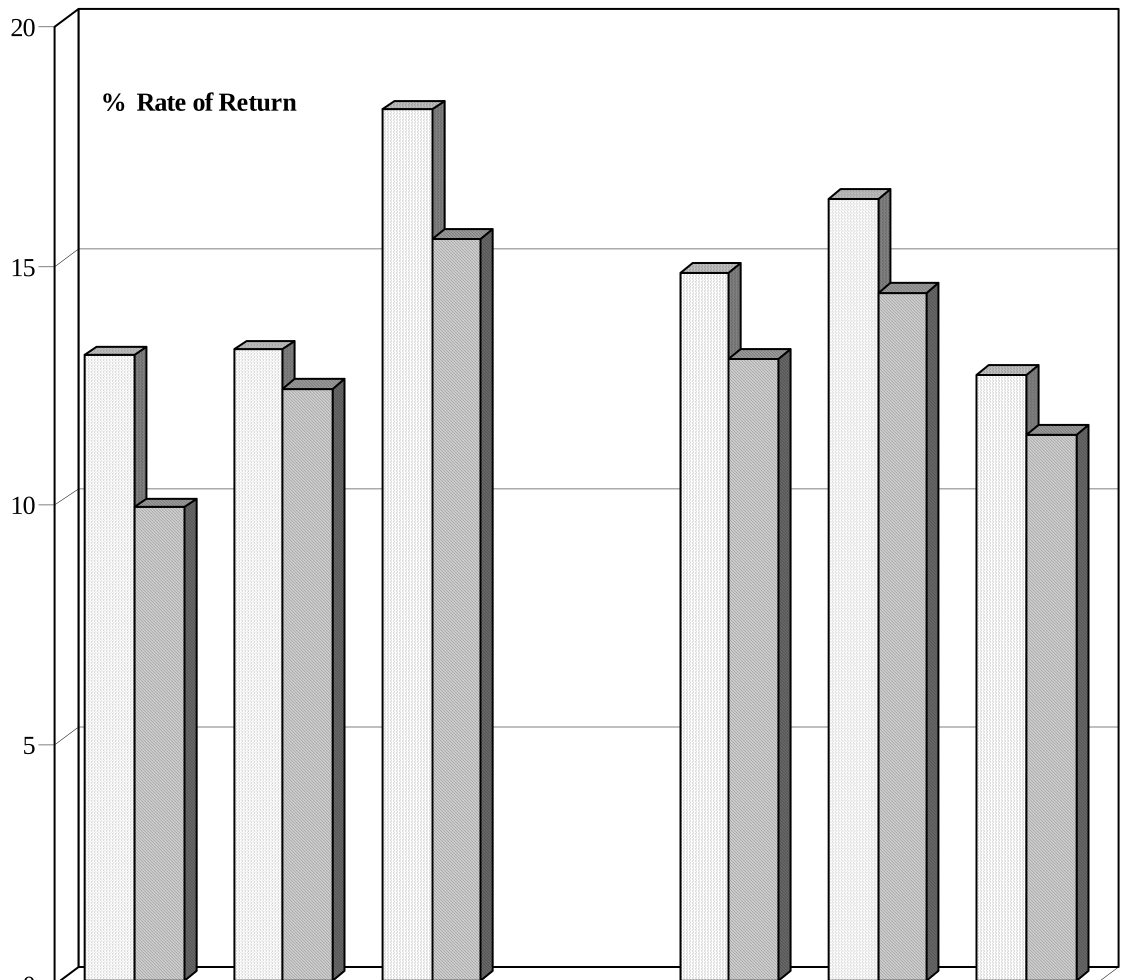
Growth of Net Assets

Five Year Historical Summary



Annualized Performance Summary

For the periods ended June 30



	2000	1999	1998		3 yr	5 yr	10 yr
IPERS' Portfolio *	13.05	13.18	18.2		14.78	16.33	12.65
Policy Benchmark	9.88	12.37	15.5		12.98	14.37	11.40

* Net of Fees

Plan Summary

Membership

Buy-backs/Buy-ins

Contributions

Vesting

Refunds

Benefits

Membership and Employer Information*
For the Fiscal Year Ended June 30

Membership

Retired Members	2000	1999
All Retired Members	66,681	64,275
Average Years of Service	21	21
Average Monthly Benefit	$652	$609
Current Year Member Retirements	4,641	3,984
Average Years of Service	22	22
Average Monthly Benefit	$1,091	$1,072
Retired Reemployed**	5,487	4,961
Active Members	154,612	152,991
Inactive Vested	30,650	32,854
Inactive Nonvested	60,372	59,336
Total Membership	312,315	309,456

*Varies by calendar quarter.

**Retired reemployed are included in the number of retired members.

Employer

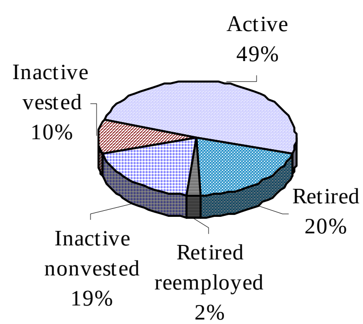
	2000		1999	
Employer Type	**Number of Entities**	**Covered Wages**	**Number of Entities**	**Covered Wages**
City	1298	$ 522,664,179	1307	$ 492,084,653
County	441	642,141,973	429	604,817,270
School	397	2,059,610,887	399	1,958,232,738
State	24	907,926,909	23	819,516,472
Other	226	233,107,377	218	211,921,293
Total	2386	$4,365,451,325	2376	$4,086,572,426

Membership

Participation in IPERS is mandatory for most employees of the State of Iowa and its political subdivisions, including public school systems, except for those employees covered by another retirement system, other than Social Security, supported in whole or in part by public contributions. Membership is optional for the members of the Iowa General Assembly and certain other individuals.

At June 30, 2000, there were 154,612 active members employed by 2,386 public employers actively contributing to the System. The number of active employees increased by 1,621 from June 30, 1999. The chart below, "Membership Profile," provides further information on the composition of the members for fiscal year 2000.

Membership Profile
June 30, 2000



Buy-backs/Buy-ins

Under certain circumstances, members may buy back previously refunded member service or may purchase (buy in) IPERS service credit for public employment elsewhere. The cost of purchasing service is determined by the system's actuary. There are federal limitations on how much service credit a member may purchase annually.

Contributions

IPERS accumulates the resources necessary to meet its responsibilities by collecting mandatory contributions from employees and employers and by investing those funds. Employee contributions made on or after January 1, 1995 are treated as a pretax payment for federal income tax purposes only. Employee contributions made on or after January 1, 1999 are treated as a pretax payment for state income tax purposes also. Contributions continue throughout covered employment. The majority of employers contribute at a rate of 5.75% and employees at a rate of 3.7%. Certain employers and employees in special risk occupations contribute at a slightly higher rate as required by statute. The table "Contribution Rates & Maximums" on the following page reflects the current contribution rates for employers and employees. For calendar year 2000, contribution rates were based on the federal wage ceiling of $170,000.

Contribution Rates & Maximum Covered Wages				
IPERS	**Employee**	**Employer**	**Total**	**Maximum**
Regular 07/01/99 to 06/30/00	3.70%	5.75%	9.45%	$170,000
Special Subgroups **1)** Sheriffs/Deputy Sheriffs (County) and Airport Firefighters 07/01/99 to 06/30/00	5.69%	8.54%	14.23%	$170,000
2) Protection Occupations* 07/01/99 to 06/30/00	5.58%	8.38%	13.96%	$170,000

*Protection Occupations: City Marshals/Police or Firefighters in towns under 8,000 population, State Conservation Peace Officers, State Correctional Officers, Airport Safety Officers, DOT Peace Officers, and Fire Prevention Inspector Peace Officers.

Vesting

Vesting entitles a member to receive IPERS benefits at some point in the future. While the requirements for vesting have changed over time, in general a member vests after completing four years of service or after attaining the age of 55, regardless of the termination date or length of service.

Refunds

An IPERS member who terminates public employment for any reason may request a full refund of the member's accumulated contributions. Acceptance of the refund automatically terminates IPERS membership and all claims to future benefits. Refunds expense for fiscal year 2000, including employer refunds and actuarial equivalents, totaled $65,608,628.

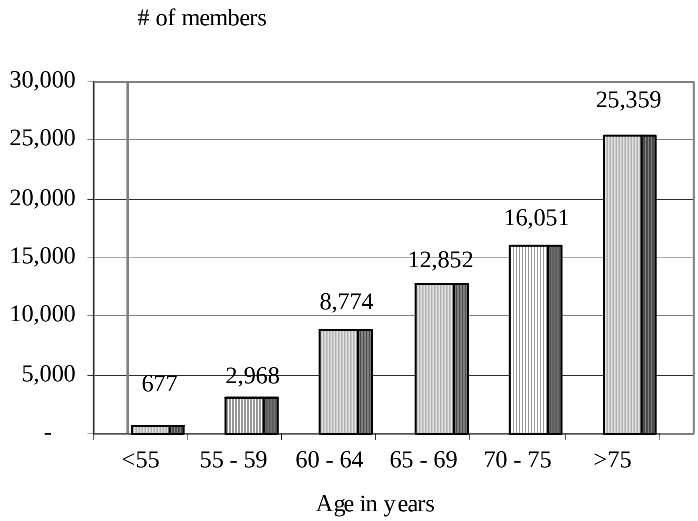
Benefits

Retirement Ages

To receive full retirement benefits, an IPERS member must retire at or after "normal retirement age" with 30 or more years of service. Normal retirement is the first of the month in which the member turns 65, the first of the month in which the member turns 62 if the member has 20 years of membership service, or the first of the month in which the member's age and years of service when combined equal 88. A vested member who is awarded federal Social Security or federal Railroad Retirement disability benefits, but who has not reached normal retirement age, is eligible for IPERS benefits, unreduced for age, regardless of the length of service. A member can take retirement as early as age 55, but benefits will be reduced if the member's retirement precedes the normal retirement date. At the close of fiscal year 2000, a total of 66,681 IPERS and Iowa Old-Age and Survivors' Insurance System (IOASI) members were receiving pension benefits. The graph entitled "Retired Members by Age," provides a breakdown of the number of retirees in various age groups.

Retired Members by Age

as of June 30, 2000



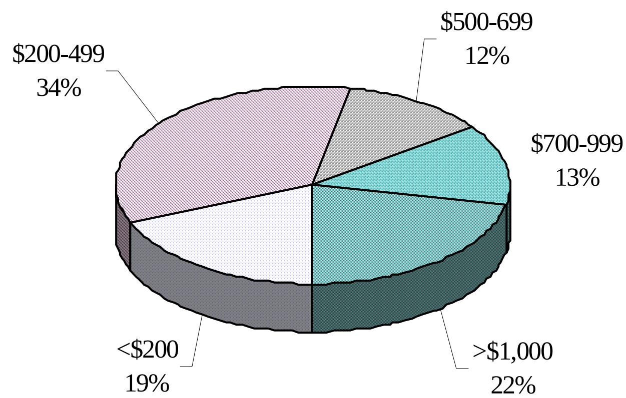
Benefit Amounts

For all present retirees, the monthly IPERS benefit check averages $652. For members retiring in fiscal year 2000, the average benefit was $1,091. The average member retired with 22 years of service. The “Retirees by Monthly Benefit” chart below provides a statistical breakdown of benefit levels received by retirees. The amount of the benefit depends upon the number of years of credited service and the “average covered wage.” Other determining factors are the member’s age at retirement, the years of prior service credit, and the option selected by the retiree. An IPERS member who retires under option two at age 65 with at least 10 years of service is assured a minimum benefit of $50 per month.

Under the “high three” formula, full benefits are based upon 30 years of service and retirement at the “normal retirement age.” Years of prior service can be credited toward the 30 years. Benefits will be prorated downward for members who have less than 30 years or who retire before their normal retirement age. Four or more years of service are required to qualify for the “high three” formula benefit. A vested member with less than four years receives benefits computed on a money purchase basis. For regular class members, years of service beyond 30 will earn 1% for each year through 35 years, thereby increasing the maximum possible benefit to 65% of a member’s highest three-year average covered wage.

Retirees by Monthly Benefit

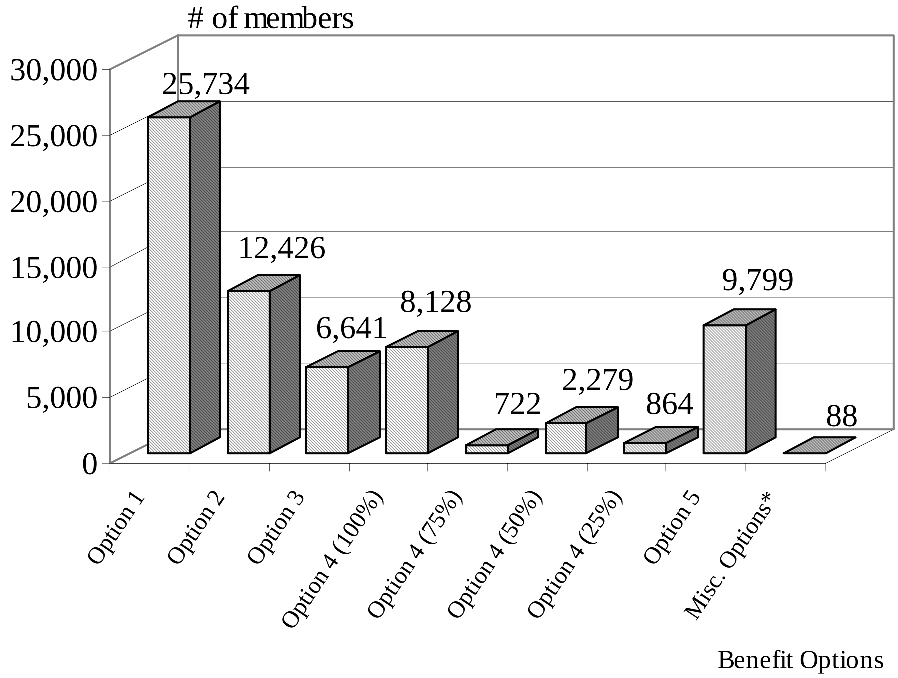
June 30, 2000



Benefit Options:

Upon retirement, an IPERS member may choose from five benefit options. Each of the five options provides a lifetime benefit for the IPERS member. The amount and availability of survivor monthly benefits or a lump sum death benefit vary according to the option selected.

Retired Membership by Benefit Option
as of June 30, 2000



*Consists of benefits available under previous laws

Option 1 - A member receives a lifetime monthly benefit. At retirement, the member specifies a lump sum death benefit amount, in $1,000 increments, to be paid to a designated beneficiary upon the death of the member. The death benefit cannot exceed the member's accumulated contributions. The death benefit cannot lower the monthly benefit as calculated under Option 2 by more than 50%.

Option 2 - A member receives a lifetime monthly benefit. When the member dies, the designated beneficiary receives a lump sum refund of the excess, if any, of the member's accumulated contributions minus the amount of all retirement benefits paid to the member prior to death.

Option 3 - A member receives the maximum lifetime monthly benefit. No payment is made to a beneficiary upon the member's death.

Option 4 - A member receives a lifetime monthly benefit actuarially reduced to provide for a lifetime monthly benefit to the contingent annuitant upon the member's death. The age of the contingent annuitant determines the cost of the lifetime payments to the member based on actuarial tables. The contingent annuitant can receive 100%, 75%, 50% or 25% of the member's monthly benefit. This amount is subject to restriction if the contingent annuitant is not the member's spouse and is more than ten years younger than the member.

Option 5 - A member receives a lifetime benefit with a ten-year guarantee. If the member dies before ten full years (120 monthly payments are made), the member's designated beneficiary will receive a monthly benefit for the remainder of the ten years. If the beneficiary should die before the ten years expire, the beneficiary's estate will receive a commuted lump sum settlement. If the member designates more than one beneficiary, payments will be made in a lump sum only. Members who have attained age 90 as of the first month of entitlement are not allowed to select this option.

Dividend Payments

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, once a year a lump sum "dividend" payment is made. For retirees that began benefits prior to July 1990,the dividend is included with a member's regular November benefit payment. Post June 1990 retirees received a Favorable Experience Dividend (FED) with their January benefit payment. The FED payment is based upon the actuarial soundness of the system along with the retiree's annual benefit and number of years retired. In November 1999, the dividends paid totaled \$15,451,127 and the January 2000 FED totaled \$18,797,522.

Death Benefits

If an IPERS member dies before retirement, the member's designated beneficiary receives a lump sum cash payment based on the following formula:

$$\text{Death benefit} = \text{Member's accumulated contributions} + \left[\text{Member's highest year of covered wage} \times \frac{\text{Years of Membership service}}{\text{30 years*}} \right]$$

* The denominator is 22 for sheriffs, deputy sheriffs, and airport firefighters. It is 25 for all other special service occupations.

If an IPERS member dies after retirement, payment is made to the beneficiary according to the option selected by the member at the time of retirement. For fiscal year 2000, death benefits paid to beneficiaries or to the estates of deceased nonretired and retired members totaled \$11,029,124.