

## **Revisions to the Individual Account Program (IAP)**

### **Why Revise the IAP?**

PERS created an IAP Remediation project to simplify the program for members and for employers who report contribution data to PERS.

Revisions to the IAP more closely align the program with the way PERS administers regular accounts under Tier One and Tier Two.

### **IAP Plan Revision Highlights**

1. Member IAP accounts are now credited with earnings annually instead of monthly.

Annual earnings are now credited with the same structures used for Tier One and Tier Two member regular accounts. Originally, IAP accounts were credited monthly with a “unit value” that was confusing. Annual earnings crediting to member accounts holds plan participants harmless for any delays in contributions being sent to PERS or sent by PERS to the plan’s third-party administrator for record keeping, CitiStreet.

2. Administrative fees are now deducted from earnings on the IAP fund instead of directly from member accounts.

Previously, members paid a monthly account administrative fee. The fees charged previously were restored to each account as part of the IAP revisions.

3. PERS recalculated member data for 2004 and 2005 (and will do the same for 2006) so all contributions received in a calendar year receive the same earnings percentage for each respective year.

Due to problems with the new electronic employer reporting system, PERS did not receive contributions for some members in a timely manner when the IAP was initiated.

The contribution delays caused some members to have a higher or lower reported earnings percentage based on monthly investment dates. One member may have received a higher apparent rate of return because his/her contributions were posted en masse mid-year when the unit values were favorable, while the other’s account went through the flat or negative return periods through the year.

Earnings for 2004 and 2005 have been credited based on IAP fund investment results and the costs associated with the IAP. The IAP earnings crediting rate for 2004 is 12.77 percent and is 12.80 percent for 2005.

The PERS Board will credit 2006 IAP earnings in March 2007.