

INSIDE IPERS

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Legislative Highlights - 2000 Session

By Greg Cusack
Chief Benefits Officer

In the session just ended, the Iowa General Assembly enacted numerous changes (through Senate File 2411) to IPERS' benefit structure. [The bill in its entirety can be found on the General Assembly's web site (www.legis.state.ia.us/). IPERS has a section by section description of this bill on our web site (www.state.ia.us/idop/legislationchangeshome.htm).] The following is a summary of major provisions in that bill:

➤ Changes in Bona Fide Requirements Effective July 1, 2000

Benefits: A member terminating public employment and wishing to begin retirement benefits must be out of **all** employment with a covered employer for one month, and then out of all **covered** employment for three additional months. [Current law requires being out of **all** employment for four months.] Since temporary employment of six months or less is not considered "covered" employment, employers may reemploy a recently retired member as a **true** temporary employee after waiting only one month.

Refunds: A member terminating public employment and wishing to receive a lump sum refund cannot accept other covered employment within four months after receiving the last payment of wages for covered employment or begin covered employment prior to filing a refund application.

➤ Improving the Death Benefit for Beneficiaries of Members Who Die Before Retirement

Each year, between 450 and 500 of IPERS' 152,000 active members die before initiating their retirements. The current death benefit payable to these beneficiaries is a lump sum payment awarding all of the member's account (including accrued interest) plus a portion of the member's highest annual salary (determined by actual years of service divided by 30). The new death benefit will be particularly valuable for members in their late 40s or older, as they tend to have a higher account value than younger members. This new calculation method will give the beneficiary a choice between receiving a lump sum payout or a lifetime annuity of the actuarial value of the member's accrued benefit at time of death. The difference can be substantial. Once the actuary certifies the Fund can afford this benefit (around November 1 of this year), we are to implement it retroactively to January 1, 1999. There is only a limited window for persons who have already received payment, which expires June 30, 2001.

➤ "Pop-up" Option for Option 4

At retirement, the member has a choice among four different methods to leave a death benefit to a named beneficiary upon the member's own death. (One of the options pays no death benefit at all.) Under Option 4, the member can choose to leave the same, or different lesser percentages, of the member's benefit for the lifetime of the named beneficiary following the member's death. To pay for this generous benefit, an actuarial adjustment is made to the member's benefit to provide for the lifetime annuity for the beneficiary. Unfortunately, it does happen that occasionally the beneficiary dies before the member. This new provision, should it be selected by a member retiring in the future (it is effective July 1, 2001), would allow the benefit to "pop-up" to a higher monthly allowance as provided under Option 2, if the selected contingent annuitant dies before the member. (Current law keeps the member's benefit at the reduced Option 4 level, and no benefit is payable following the member's death.)

➤ Elected Officials' Retirements

As you might recall from last summer, local elected officials who wish to retire from their full-time IPERS covered employment currently have to resign from their elected offices to do so. Effective July 1, 2000, these part-time elected officials will be able to terminate their full-time IPERS covered positions and retire without having to resign from their part-time elected positions.

➤ Rule of 88 as Normal Retirement Standard

Although the Rule of 85, which IPERS and its Constituent Group supported, did not pass, the Legislature made an adjustment to the "early retirement reduction" method we currently employ. For example, when a person takes "early retirement" by terminating employment and filing for retirement to begin before attaining the normal retirement, to allow for the longer benefit distribution stream, IPERS reduces the otherwise applicable benefit by .25% for each month that the member's retirement precedes "normal" retirement. Before this year's

change, we had three "normal" retirement standards: the Rule of 88, age 62 for persons with 20 or more years of service, or age 65 for everyone else. However, until this year's legislation, we only used ages 62 and 65 as the points from which reductions were calculated. Now we are to also use that point in time when the member otherwise "would" have attained the Rule of 88. Generally, this change could benefit persons nearing retirement if they have at least 27 years of service at age 55. [Please note that, as there is a cost to the System for this benefit, we must await the Actuary's certification that we can afford this change before we implement it, which will not likely occur until November of this year.]

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Move to New Headquarters Building

By Dave Cook

As you are aware, IPERS is moving to a new building during August. We are excited about this opportunity and believe that this new facility will enable us to serve you better. We anticipate completion of the move at the end of August.

The building IPERS purchased is located near the new Des Moines Register newspaper production facility. Our address will be 7401 Register Drive. The post office box will remain the same. Our mailing address is:

IPERS
PO Box 9117
Des Moines IA 50306-9117

All of the telephone numbers that you use to contact us will remain the same as will our fax numbers. You may also continue to send e-mail to the same e-mail address: info@ipers.state.ia.us

Please be aware that although this is a substantial move, we will continue to serve you, our members, as quickly and efficiently as possible during this time. We do not anticipate delays in processing member requests, but unfortunately this may happen. If you do encounter delays, please be patient and we will process your requests just as soon as possible.

We've included directions for those who wish to visit us in September after our move is complete. Please be aware that road construction in the area south of Des Moines may force revision of these directions at a later date, and you could expect some delays in traveling.

The photo below is the outside of the building before IPERS began remodeling. We purchased the building from Data Input, Inc., which is why their name remains on the building at the time of the photo. By September the building will clearly be signed for IPERS. We also anticipate new paint and accent colors before the move, so the building will not look exactly like the photo.



Outside view of new IPERS Headquarters before remodeling

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Legislative Highlights - 2000 Session
Continued from page 1**➤ Calculation of Benefits for “Higher Paid” Members**

As part of the conditions for lifting the “covered wage ceiling” in 1996, the Legislature imposed a multi-year formula upon IPERS’ members who were “higher paid.” This was done to avoid “windfall” payouts as a consequence of eliminating the covered wage ceiling. Under current law, the “higher-paid” (those earning in excess of \$55,000 annually) would have their benefits calculated using a seven-year (versus the normal three-year) average. Adding insult to injury (from their perspective), three of those years were the last three covered wage years! Under this year’s legislation, the standard of “higher paid” is raised \$10,000 each January (allowing those who fall under that criterion to have a three-year average used), the average is kept at six (rather than (seven) years, and all return to a three year average in 2002, rather than 2003 under current law.

➤ Providing Major Benefit Changes for Public Safety Employees

This provision gives IPERS’ special service groups (those in public safety occupations) disability benefits similar to those enjoyed by those public employees covered by the Municipal Fire and Police Retirement System of Iowa and the Peace Officers Retirement System, effective July 2000. In addition, the following will be achieved over the next three years for members in protection occupation positions:

- ✓ Equalize number of years required to establish 60% formula at 22 years
- ✓ Provide credit for a maximum of eight years of service beyond 22 years
- ✓ Provide same credit per year of service beyond 22 years at 1.5%

The Legislature also provided these same persons with a \$100,000 in-service death benefit in cases where members died in the line of duty (as was the tragic case of the three Keokuk firefighters last December). *For more detailed information on these changes effecting public safety workers, please see the separate article in this newsletter.*

➤ Canadian Teacher, Substitute Teacher and Peace Corps Service Eligible for Possible Buy-In Service Time

The Legislature has directed that members having either verifiable service time as a teacher in the public school system of Canada, or service as a Peace Corps volunteer, may be eligible to purchase at least a portion of that time as IPERS covered service. In addition, covered employees who were previously in noncovered employment as substitute teachers can purchase at least a portion of that time. Please contact our office if you believe you may be eligible for this new coverage.

➤ Moving Towards Replacing the Calendar Year for Wage Reporting and Calculating Benefits to “Twelve Contiguous Quarters”

Over the years, we have found our “calendar year” basis for wage reporting and benefit calculations to be increasingly challenged by practice. Few people work exactly within January to December time frames, and very few terminate precisely on December 31 of a given year. In practice, therefore, we have had to use an artificial construct - a “computed year” - to fairly fill in the period of the final year after a person retired. We have hopes that this change, proposed to go into effect July 1, 2003, will be more understandable to all members.

➤ Special Studies for the Year Beginning July 1, 2000

The Legislature often assigns “special study” tasks to IPERS concerning issues about which the Legislature has great interest and/or intends to pursue enacting. This year proved to be no exception. We have been asked to carefully consider how IPERS can assist our members attain greater “portability”, both into as well as out of IPERS. For the former, for instance, we have been asked to specifically investigate offering IPERS’ eligible time for private employment. For the latter, we will be looking at ways in which defined contribution type plans - either as an alternative or as part of our core offering - might deliver added value to our members. We will keep you informed as to the progress of these studies, and of our eventual reports to the Legislature, in future issues of this newsletter.

➤ Implementation of Changes

As you can imagine, making these changes - to our publications and forms as well as in our computer system’s logic paths - is a time consuming process. As you read this, know we have been working on these issues for many weeks. Please be patient with us as we do our best to bring “on-line” these many changes in a manner that is useful and convenient for you, and accurate for us.

➤ Future Legislation

It is never too early to begin considering those areas of future possible benefit enhancements which our members believe it important we pursue. If you have any suggestions for us, please drop me a line at IPERS.

➤ Thanks to Key Players

Last, but not least, we are very grateful to all who assisted in this process, including the hard-working members of the Constituent Group and IPERS’ staff. Special thanks are due Senator Sheldon Rittmer, chairman of the Senate State Government Committee, and Representative Mona Martin, chairwoman of the House State Government Committee, upon whose expert shoulders fell the burden of ferrying this bill safely through the legislative process. Senator Jack Kibbie and Representative Rick Larkin, ranking members of these same committees in their respective chambers, were also vital players contributing substantially to the content of the bill.

Governor Forms Task Force on IPERS’ Governance and Structure

By Greg Cusack
Chief Benefits Officer

Governor Thomas Vilsack recently appointed a special task force to examine the “structure and governance” of your retirement system. In opening remarks at the group’s first meeting on April 14, Governor Vilsack called attention to the importance IPERS plays in the lives of our 313,000 plus members, including 66,000 retirees. He emphasized that it was imperative that IPERS be positioned in its governance and structure to move into the future with the same understanding and support of its membership, public officials, and general citizenry as it enjoys today. As the fund now stands at over \$16 billion in total assets, and as the bill he just signed adds to the already valuable benefits enjoyed by members of the System, it is an appropriate time to conduct this study in a fair and public manner.

Governor Vilsack appointed a diverse and vigorous task force consisting of 14 members, including four prominent legislators. Joanne Stockdale, past member and chairperson of the IPERS Investment Board, was named chairwoman by the Governor, while Lowell Dauenbaugh of the Iowa State Teachers’ Association (and also chairman of the IPERS Constituent Group) was tapped as vice-chairman.

The task force has a challenging schedule before it, with monthly all-afternoon meetings slated through November when its final report to the Governor is to be issued. In addition to Ms. Stockdale and Mr. Dauenbaugh, the other members of the task force are: State Treasurer Michael Fitzgerald; Senators Jack Kibbie and Mary Lou Freeman; Representatives Mona Martin and Rick Larkin; Director of the State’s Department of Personnel Mollie Anderson; Jan Cordeman, President of Iowa Council 61 of the American Federation of Federal, State, County and Municipal Employees; Andi Stewart of the League of Iowa Municipalities; Tom Whitson, a Council Bluffs banker and member of the IPERS’ Investment Board; Marilyn Peters, Clinton County judicial advocate; R. Craig Shives, a Des Moines pension attorney; and Jerry Nissen of the Iowa Western Community College.

Protecting Iowa Families

By David Martin

An often-overlooked protection that is offered by IPERS is the disability benefit guaranteed to all vested members. Vesting occurs after only four years of service or immediately for members age 55 and older. Vested members may begin retirement benefits without an early retirement adjustment if the member retires because of disability and begins receiving federal Social Security disability or Railroad Retirement disability benefits.

Most of us never imagine we will become disabled. Unfortunately, becoming disabled happens to more of us than we think. Did you know IPERS currently pays lifetime monthly benefits to over 2,400 members under this provision? The average age when the disability occurred is 55, with an average monthly benefit of \$597. The youngest member was only 25 when benefits started.

In addition to receiving guaranteed lifetime benefits, IPERS protects our disabled members against the effects of inflation by paying annual dividends. These dividends are paid in the same manner as for our nondisabled retirees. Disabled members are also permitted to choose from the same benefit options as nondisabled members. Options include protecting a surviving spouse or other loved one with lifetime income and inflation protection after the member’s death.

Becoming disabled is devastating enough for families without suffering the financial hardships it causes. Fortunately, you and your family have some financial protection with guaranteed income from IPERS.

Move to New Headquarters Building

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How do I get there?

If arriving from north of Des Moines:

Take I-35 south until the intersection with I-80 and I-235. Go west on combined I-35 and I-80 and then continue south on I-35 past the western suburbs of Des Moines. Continue south of Des Moines and get off at the Iowa 5 (Army Post Road) exit. Take Iowa 5 east to Iowa 28 and then continue to follow Iowa 5 east approximately ¼ mile from the Iowa 28 intersection. The Des Moines Register production facility is at the corner of Iowa 28 and Iowa 5 (which is also Army Post Road) and the new IPERS building is just to the east on Register Drive. Register Drive will be the first road to the south after the Iowa 5 and Iowa 28 intersection.

If arriving from south of Des Moines:

Take I-35 north until the intersection with Iowa 5 (Army Post Road) exit. Take Iowa 5 east to Iowa 28 and then continue to follow Iowa 5 east approximately ¼ mile from the Iowa 28 intersection. The Des Moines Register production facility is at the corner of Iowa 28 and Iowa 5 (which is also Army Post Road) and the new IPERS building is just to the east on Register Drive. Register Drive will be the first road to the south after the Iowa 5 and Iowa 28 intersection.

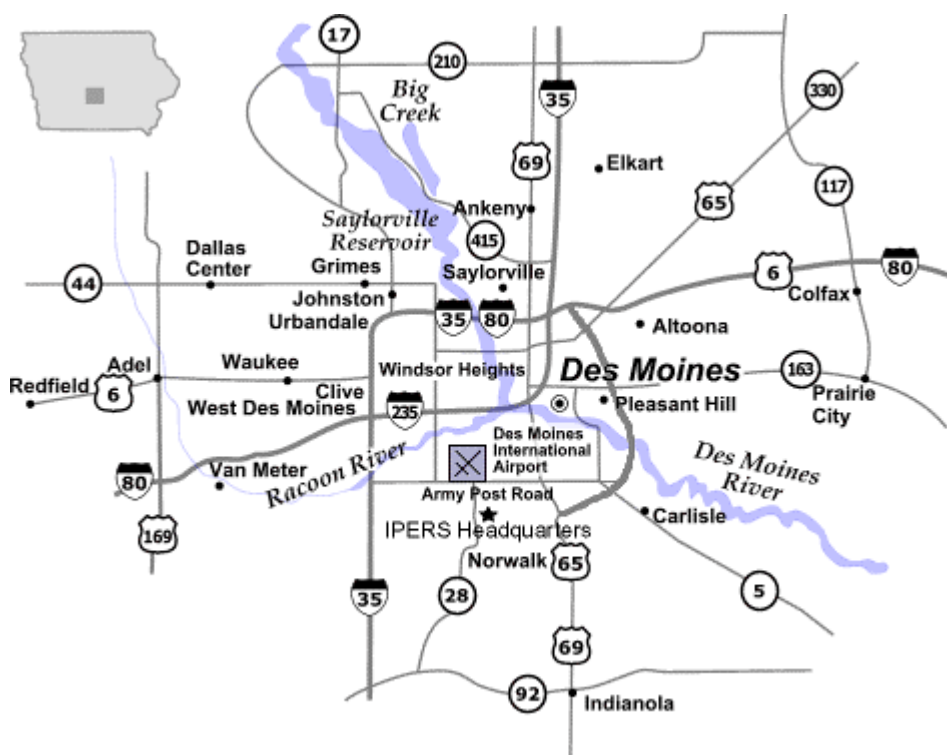
If arriving from the west:

Take I-80 east until the intersection with I-35. Take I-35 south and continue south of Des Moines until the Iowa 5 (Army Post Road) exit. Take Iowa 5 east to Iowa 28 and then continue to follow Iowa 5 east approximately ¼ mile from the Iowa 28 intersection. The Des Moines Register production facility is at the corner of Iowa 28 and Iowa 5 (which is also Army Post Road) and the new IPERS building is just to the east on Register Drive. Register Drive will be the first road to the south after the Iowa 5 and Iowa 28 intersection.

If arriving from the east you actually have two routes to get to the IPERS building:

- 1) Take I-80 west until the intersection of I-35, continue west on the combined I-80 and I-35 route and follow the description as provided above as if arriving from the north; or
- 2) Take I-80 until the intersection of US 65 and then take US 65 south until the Iowa 5 intersection. Continue west on Iowa 5 (which is also Army Post Road) until near the intersection of Iowa 28. You will have to go about one mile west of the Des Moines International Airport from the Fleur Drive intersection. Register Drive will be the last road to the south before the intersection of Iowa 28 and Iowa 5 (Army Post Road).

We look forward to serving you at our new location!



Area Map

Benefit Enhancements for Public Safety Occupations

By Greg Cusack
Chief Benefits Officer

Background: Who Are They?

Public safety occupations are essentially those in which an employee, as an essential condition of his/her employment, is expected to engage in activities integral to their job description which expose them to high risk. The most common occupations with which most citizens are familiar are police officers and firefighters.

Within Iowa, three retirement systems cover persons engaged in public safety occupations:

1. The **Peace Officer Retirement System**, created in Iowa Code Chapter 97A, which covers state highway patrol officers;
2. The **Municipal Fire and Police Retirement System of Iowa**, created in Iowa Code Chapter 411, which covers police officers and firefighters in cities and towns above 8,000 population; and
3. The **Iowa Public Employees' Retirement System (IPERS)**, created in Iowa Code Chapter 97B, and which covers two subsets of public safety classifications:
 - Sheriffs, deputy sheriffs, and airport firefighters; and
 - Protection occupation positions, which are further defined in the Iowa Code [see 97B.49B(1)(c)] as:
 - a) Conservation peace officers [see 456A.13];
 - b) "Marshals" or firefighters and police officers in cities and towns under 8,000 population;
 - c) Correctional officers or correctional supervisors and other employees of the Department of Corrections "whose primary purpose is, through ongoing direct inmate contact, to enforce and maintain discipline, safety, and security within a correctional facility." [see 97B.49B(1)(d)(3)]
 - d) Airport safety officers; and
 - e) "Peace officers" employed by the Department of Transportation.

Parity Study of 1998 and Recommendations

Persons covered by the three retirement systems (POR, MFPRSI, and IPERS) currently receive different benefits. In 1998 The General Assembly directed officers from the three retirement systems to study the three systems and subsequently recommend what adjustments would be necessary to deliver "parity" to members of the three systems. We subsequently recommended that all public safety members, regardless of which retirement system they were a member, should receive essentially the same benefits. This year's legislation enacted all of the recommendations for IPERS' public safety members!

This Year's Changes

Giving all of IPERS' special public safety occupations disability benefits similar to those enjoyed by those public employees covered by the Municipal Fire and Police Retirement System of Iowa and the Peace Officers Retirement System, effective July 2000. In addition, the following will be achieved over the next three years for members in protection occupation positions:

- Equalize number of years required to establish 60% formula at 22 years
- Provide credit for a maximum of eight years of service beyond 22 years
- Provide same credit per year of service beyond 22 years at 1.5%

Employer and employee contribution rates will be adjusted starting July 1 of this year. For the protection occupation classes, these rates will change for each of the next three years as well until all of the benefit changes have been realized.

The Legislature also provided all public safety employees with a \$100,000 in-service death benefit in cases where members died in the line of duty.

Beneficiary Designations Require Spousal Consent

By David Martin

Beneficiary designations filed July 1, 2000 or later will require a spouse's signature, if the member is married. It is extremely important that you keep your beneficiary designation current. If you need to change your designation, contact our office for a new form or download one off our web page. IPERS requires **original signatures**; we cannot accept faxed copies or photocopies.

Implementing Executive Order No. 8

Agency Plan for Regulatory Review

In October 1999 Governor Vilsack issued a series of executive orders dealing with administrative rules and the administrative rule-making process. As a part of that process, Executive Order No. 8 directed each agency to conduct an intensive review of its administrative rules to identify and eliminate or modify "...outdated, redundant, overbroad, ineffective, unnecessary or otherwise undesirable rules." It is believed that this review and amendment process will save the public and the government money, reduce inconvenience and confusion, and increase public confidence in state government.

Each agency, including the Iowa Public Employees' Retirement System (IPERS), was directed to provide the Administrative Coordinator (Brian Gentry) with its draft Agency Plan for Regulatory Review by March 1, 2000. The Agency Plan must provide a realistic, workable, and effective scheme for the review of agency rules, including a means for public participation in the review process. The final Agency Plan must also state the method by which the agency will determine how well the rules under review meets the following general criteria: need; clarity; legislative intent/statutory authority; cost/benefits; and fairness to those regulated or affected by the rules.

In addition to notices that have been given to Constituent Group representatives and IPERS' staff, IPERS will place articles describing the regulatory review process required under Executive Order No. 8 in each of the following newsletters, including a request for written or oral responses directed to IPERS Administrative Administrator: The Latest Word (IPERS' employers); Inside IPERS (active members); and Pensioners' Post (retirees). The publication schedule for these items is as follows:

The Latest Word: March 2000

Inside IPERS: June 2000

Pensioners' Post: June 2000

In addition to the foregoing publications, IPERS will place this article on its web site, describing the mandated regulatory review. In addition, IPERS' web site will provide links to the Iowa Code and Iowa Administrative Code, and an on-line form for comments pertaining to the described elimination or amendment of undesirable rules. The Administrative Rules Coordinator will review and approve the content of the draft Agency Plan by June 1, 2000. The final Agency Plan will be posted on IPERS' web site when available.

All questions and comments should be directed to IPERS' Administrative Rules Administrator, as follows:

Regular mail: PO Box 9117, Des Moines IA 50306-9117
Oral comments: 1-800-622-3849
Faxed comments: 1-515-281-0055
E-mail: info@ipers.state.ia.us

Protecting Those Who Protect Us

By David Martin

All of us are moved when a firefighter or police officer dies while serving our communities. Regrettably, these tragic events seem to happen all too often. Should a service-related death ever occur, a recent benefit change will provide additional funds to the surviving families of such individuals. Changes to the defined benefit plan offered to firefighters and police officers will pay \$100,000 to the beneficiary of any firefighter or police officer killed in the line of duty. **This payment is in addition to other death benefits already provided by IPERS, but may be limited by certain IRS limits.**

Reminder:

👉 In July 2000, an IPERS representative will be in the following areas:

Mason City Area -- July 10 through 13
Decorah Area -- July 24 through 27
Waterloo Area -- July 31 through August 3

Please call IPERS at 1-800-622-3849 for an appointment.

Summer 2000
Inside IPERS
A Newsletter for the
Active Members of IPERS

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Number of Phone Calls From Members Continues to Escalate

By Greg Cusack
Chief Benefits Officer

We know that all too many of you have experienced some frustration in trying to contact us by phone in recent months because the phones have been consistently "busy." Phone traffic has increased even more due to recent legislation.

We are experiencing record numbers of members trying to contact us in every conceivable way: by phone, facsimile, mail, and internet. To aid you in getting through to us as quickly as possible, please remember that our busiest times tend to be:

- Mondays; and
- The first five days of each month.

If your concern is not urgent, you will fare better by not attempting to reach us at those times.

We have made plans to expand our call center with our move to the new headquarters later this summer. While we are striving to meet these increased demands, we will appreciate your patience.