

INSIDE IPERS

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Consultant Submits Report On Portability Options

by Greg Cusack, Chief Benefits Officer

The 1999 session of the Iowa General Assembly instructed IPERS to consider various proposals to provide members increased portability of pensions earned prior to coverage under IPERS and also of pensions earned under IPERS.

Through a competitive bid process, IPERS secured the services of Dr. Joseph Metz of Buck Consultants. Dr. Metz had, under previous contracts, submitted three other very influential reports to IPERS since 1995 which have formed the bulk of our benefits enhancement goals for both active and retired members.

On June 15, 2001, Dr. Metz presented his final report to IPERS at a special meeting of its Constituent Group [see related article on the Constituent Group elsewhere in this issue]. "...our Report proposes that members be permitted to purchase additional service credit for prior employment as authorized by the Federal Internal Revenue Code. This will enhance portability into IPERS. With respect to portability "out of" IPERS, our report addresses the needs of terminated vested members, permitting them to roll over the full accrued value of their vested benefits into another tax-qualified retirement plan upon reaching early retirement age (age 55). We address the needs of those approaching retirement who want to continue working, but would like to "lock in" their retirement benefits earned to date and would like an incentive to continue work (called a DROP plan). We also address the needs of those in IPERS who have worked 30 or more years of service. Finally, we address the needs of retirees who return to work in the public sector and are also drawing pension benefits." Specifically, these recommendations are:

1. Expanding our purchase of service credit program to include other, including private, service time.
2. Permitting vested members who terminate prior to retirement age to roll over the full accrued value of their vested benefits into another tax-qualified retirement plan upon reaching early retirement age (age 55).
3. Lifting or eliminating current earnings limitations for reemployed retirees.
4. Granting service credit for members with up to 40 years of service.
5. Establishing a voluntary supplemental savings plan (such as deferred compensation or tax sheltered annuities) within IPERS or, alternatively, expanding the State's existing deferred compensation plan to include IPERS' members with no access to a voluntary supplemental savings plan.
6. Adopting a deferred retirement option plan (DROP) which would permit active members of IPERS who are eligible to retire because of age and/or service the option of receiving a lump-sum payment in addition to their retirement annuity.
7. Establishing a pension equity plan (PEP) within IPERS for short-term, highly compensated employees and officers of the legislative and executive branches of State government.

I have been working with my colleagues here and the transition Benefits Advisory Committee on IPERS' report to the General Assembly on this same subject. Our report was due to the General Assembly on or before September 1, 2001. If you have any comments upon these recommendations, or wish an e-mail copy of Dr. Metz's Executive Summary of this report, please let me know at Greg.Cusack@idop.state.ia.us.

Constituent Group Becomes Transition Benefits Advisory Committee

by Greg Cusack, Chief Benefits Officer

During this past session, the Legislature made some significant changes to IPERS' governance and structure. Among them, the informal Constituent Group made up of 15 representatives of IPERS' member and employer associations became the *transition* Benefits Advisory Committee on July 1, 2001. Since I first called them together in 1993, the Constituent Group has proven highly effective in working with IPERS in considering and advocating for improvements in our plan design and benefit structure. The fact that they enjoy good working relationships with members of the General Assembly has been of invaluable assistance to IPERS over the years.

In their new role the committee members will continue to advocate for quality member services, integrity of plan design, and needed improvements in our benefit structure. During the coming year they are also to prepare the way for a *permanent* Benefits Advisory Committee beginning July 1, 2002. The *transition* Benefits Advisory Committee members, and the groups they represent, are: Lowell Dauenbaugh of the Iowa State Education Association; Dr. Gene Gardner of the Iowa Association of Community College Trustees; Dr. Mark Haack of the School Administrators of Iowa; Jenifer Owenson of the Iowa Association of School Boards; Walt Galvin of the Retired School Personnel Association; Diane Reid for the State's Conservation Officers; Mollie Anderson, Director of the Iowa Department of Personnel; Steve Timmins of the Department of Management; Janie Garr of the IPERS' Improvement Association; Mike Campbell of the American Federation of State, County, and Municipal Employees (AFSCME); Bill Sage of the Sheriffs and Deputy Sheriffs' Association; Jim Maloney of the Association of Counties; Mike Rolow of the Iowa Association of Police; Andi Stewart of the League of Iowa Cities; and Larry Zimpleman of Principal Financial who is the "public" member. In the near future they will have their own location within IPERS' web site (<http://www.state.ia.us/idop/RetirementHome.html>) to allow you to keep updated on agendas for their forthcoming meetings and condensed notes from past meetings.

Member Demand Measures for FY 01 – Implications for IPERS

by Greg Cusack, Chief Benefits Officer

Throughout the year we track certain key numbers which represent the "demand" you, our members, make upon us. We also have additional member and quality service data which we use to assess "how we're doing" in meeting your expectations. We believe it is important for us – the stewards of your retirement system – to give you regular updates on this data so that you are also well informed members, ever ready to spring to the defense of IPERS should the need arise.

As reported in an earlier edition of this newsletter, our actuary is predicting that the number of retirees (currently approaching 70,000) will **double** in the next 12 to 15 years. However, in the last year this number grew just 3% over the previous year. We expect a substantial spike in annual retirements to begin in FY 06 or FY 07 at the latest, with numbers perhaps doubling or tripling over current levels. This is precisely when the leading edge of the "baby-boomers" will enter retirement age.

The early warning ripples of this demographic wave are already appearing: benefit estimates requested for members preparing for retirement is up 13% this year (to 64,556), and phone calls continue to increase (up 2.5% to 91,620 over last year). There was also a corresponding rise in the numbers of folks who attended group informational sessions sponsored by IPERS around the State – up 29% (to 3,016) over last year.

IPERS is a vital *economic engine* for Iowa! This past year your retirement system pumped over \$666 million into the hands of our members in distributions of all types, including over \$605 million in monthly annuity payments and cost of living dividend payments to

Continued on page 4

2001 Tax Bill

by Kelly Lovell, Deputy General Counsel

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGATTRA) is probably most well known for its tax rebate and marriage tax relief provisions. However, EGATTRA also made many important changes for public and private retirement plans. For example, EGATTRA increased the annual limits on contributions to and distributions from most retirement savings vehicles. It also made many other changes to help increase plan participation and usage. Portability between different types of retirement plans was a big winner in this process.

Previously, many employers did not bother offering both tax-sheltered annuities (403(b) and 457 plans) because amounts contributed to one type reduced the amount that could be contributed to the other. Under EGATTRA, the full amount can be contributed to each type. In general, many of the rules that applied to 457 plans have been liberalized or made consistent with other deferred compensation vehicles.

Perhaps even more importantly, EGATTRA permits amounts deferred to tax-sheltered annuities and 457 plans to be rolled into defined benefit plans like IPERS to purchase service credit. Thus, employees can begin saving, on a tax-deferred basis, for service purchases at a later date. Furthermore, the moneys deferred can be used to purchase service credit without first having a 20% deduction for tax withholding.

See www.house.gov/jct/; www.nasra.org; www.nctr.org; or www.ncpers.org for links to more complete summaries of EGATTRA's provisions.

Active Member Retirement Education Survey

by Curt Sorteberg, Executive Officer

IPERS seeks to be in the mainstream of retirement systems in providing services to our members. Recently, we have noticed that retirement education is becoming a hot button issue for many systems and the prevailing wisdom is that the process should begin at much younger ages. We ask that you complete the following survey to help us determine the demand for such services and the types of services needed.

Please take a few moments to complete these short questions and mail your responses to Curt Sorteberg, IPERS, P.O. Box 9117, Des Moines, IA 50306-9117. You may also respond by e-mail to: Curt.Sorteberg@idop.state.ia.us. If you respond by mail, please include your e-mail address. If you respond by e-mail, we request permission to record your e-mail address to be used only for IPERS purposes such as legislative alerts, benefit changes and other information.

✂
Detach at line before mailing, please.

I have been an active member of IPERS for ____ years.

May IPERS record your e-mail address, if any, for IPERS purposes only? __Yes __No

E-mail Address: _____

1. Which of the following best describes your level of retirement planning?

____ Extensive ____ Just beginning
 ____ Adequate ____ None
 ____ Some

Comments: _____

2. How would you describe your knowledge of your IPERS pension plan?

____ Substantial ____ A little
 ____ Some ____ Practically none

Comments: _____

Monthly Benefit Estimate Requests

by Joyce Fister, Senior Retirement Benefits Officer

If you are contemplating retirement either in the immediate future or possibly three to five years out, please contact IPERS at 1-800-622-3849 for an estimate of your retirement benefits. An estimate does not commit you to a particular retirement date; it merely gives you planning information. When you call our office for an estimate, we will need your name, Social Security number, birth date, spouse's birth date, and possible termination date. If you are age 70 or older and still working, you may be eligible to receive monthly benefits and continue working.

Upon receipt of an estimate request, IPERS will verify your account information and prepare an estimate of future retirement benefits. If you are retiring in the very near future, you will receive an application packet that includes an estimate of benefits and application form. When you are ready to retire, you must submit a properly completed application. A properly completed application includes birth proof, benefit option choice, direct deposit information, income tax withholding form, proof of disability if applicable, employer certification page, selection of first month of entitlement, and your notarized signature and that of your spouse, if any.

You will find an estimate request form in the back of the member handbook "Retirement Planning Guidelines" that you can complete and mail to our office. An estimate is an approximation of your benefit amount based on the best information we have available at that time. We cannot guarantee the benefit amount until your final wages have been reported by your employer and all of your account information has been verified.

3. How would you rate the **amount** of information that IPERS provides to you about your pension plan?

Rating: _____ 1-Very Inadequate; 2-Inadequate; 3-Adequate; 4-Just Right; 5-Too Much

Comments: _____

4. How would you rate the **quality** of the information that IPERS provides you in newsletters, its web site and other vehicles?

Rating: _____ 1-Poor; 2-Fair; 3-Good; 4-Very Good; 5-Excellent

Comments: _____

5. In which of the following areas of retirement planning do you believe you need more information or education? In the table below, check all that apply and indicate who you think should be responsible for providing the information and/or education using the codes below. You may enter more than one Code for each issue.

A=IPERS B=Social Security Administration
 C=Other Government Agency D=Private Provider

Check if applies	Retirement Planning Issue	Who should provide the assistance?
	General financial planning	
	IPERS payment options	
	Other savings vehicles such as IRAs, deferred compensation, etc.	
	Health and wellness programs	
	Retirement opportunities including volunteering, travel, part-time employment, etc.	
	Health Care Assistance	
	Other (Please indicate):	

Investment Swindles - News You Can Use*

by Gregg Schochenmaier, General Counsel

It seems routine that you hear a news broadcast about how some group of people were swindled out of their life savings, or a substantial portion of it. It is estimated that swindlers' annual take through lying and deceit is \$10 billion dollars. That's more money than the combined annual profits of the nation's three major automakers! Successful investment swindlers use every trick in the book, and some that aren't even recorded yet, in an effort to swindle you out of your precious savings.

Swindlers can be a faceless voice on a telephone, or sometimes a friend of a friend. They may perform surgery on their victims' savings from a dingy back office or boiler-room or from an opulent suite in the new bank building. They may wear three-piece suits or they may wear hard hats. The first rule of protecting yourself from an investment swindle is to rid yourself of any notions you might have as to what an investment swindler looks like or sounds like.

Who are the victims of investment swindles? If you are absolutely certain it could never be you, the investment swindler starts with a big advantage. Investment fraud generally happens to people who think it couldn't happen to them. Just as there is no typical profile for swindlers, neither is there one for their victims. While some scams target persons with deep pockets, most swindlers take the attitude that everyone's money spends the same. It simply takes more small investors to fund a large fraud. In fact, many swindlers target smaller investors because they figure such persons may be more receptive to a proposal that offers fast and large profits. Victims do have one trait in common: Greed that exceeds their caution.

How do investment swindlers find or attract their victims? Swindlers attempt to mimic the sales approaches of legitimate investment firms and salespersons. Thus, the fact that someone may contact you in a particular way – by phone, mail, or even through a referral – should not in itself be viewed as an indication that the investment is or isn't shady. Many totally reputable firms also use the same methods to identify individuals who may have an interest in their investment products or services.

What are the techniques investment swindlers use? Their techniques are varied but share a common denominator – their ability to be convincing. The skills that make them successful are essentially the same skills that enable any good salesperson to be successful. But swindlers have a decided advantage. They don't have to make good on their promises so they can promise whatever it takes to persuade you to part with your money. These are some of their techniques:

- ◆ *Expectation of large profits* – The profits a swindler talks about are large enough to make you interested and eager to invest, but not so large as to make you skeptical. Or a swindler may mention a profit figure you consider believable and then suggests the potential profit is even greater. Generally speaking, if an investment proposal sounds too good to be true, it probably is.
- ◆ *Low Risk* – Some swindlers suggest there is no risk and the investment is a sure money maker. Obviously, the last thing a swindler wants you to think about is the possibility of losing money. Some may acknowledge that there could be some risk, then quickly assure you it is minimal in relation to the profits the investment is sure to make. A swindler may become impatient or even aggressive if the question of risk is raised, perhaps suggesting that the swindler has better things to do than waste time with people who do not have the courage and foresight needed to make money. With this kind of putdown, he hopes you won't bring the subject up again.
- ◆ *Urgency* – There's usually some compelling reason why it's essential for you to invest right now. Perhaps because the opportunity can only be offered to a limited number of people. Or because delaying the investment could mean missing out on large profits (after all, once the information becomes generally known, the price is sure to change, right?). Urgency is important to a swindler. For one thing, the swindler wants your money as quickly as possible with a minimum of effort. The swindler doesn't want you to have time to think it over, discuss it with someone who might suggest that you become suspicious, or check the swindler or the swindler's proposal out with a regulatory agency. Besides, the swindler may not be remaining in town very long in order to keep one step ahead of law enforcement officials.
- ◆ *Confidence* – They aren't called con men for nothing. Swindlers sound confident about the money you are going to make so that you

IPERS Representatives On The Road

by Pam Bachof, Senior Retirement Benefits Officer

Throughout the year, IPERS representatives travel to several areas of the state. The main purpose of these visits is for Retirement Benefits Officers to meet with members who plan to retire within the next 3-5 years. When group sessions are held in some locations, members who are several years from retirement are encouraged to attend. These sessions are informative and help members keep current on legislative changes affecting IPERS.

Individual counseling sessions are by appointment only and must be scheduled by contacting the IPERS office in Des Moines. In most locations, appointments are scheduled into the evening hours for those members unable to come during the daytime hours. Appointment hours vary by location as they are based on the availability of rooms at the facility we are using. Evening appointments tend to fill up fast so it is important to call as early as possible.

Once an appointment has been made and if time allows, requested information and/or forms will be mailed prior to our visit with a confirmation of the date, time, and location. This allows you time to review the information and jot down questions. If you want to complete your application during our visit, you will need the employer verification page completed, copies of birth proof for you and your spouse depending on the option you choose, and copies of Social Security or Railroad disability award letters if applicable. The officer you meet with can help you complete the remainder of the application form and notarize your signature and that of your spouse, if any.

Listed below are some suggestions to keep these visits efficient and enable us to visit with as many members as possible.

- Appointments are scheduled every 1/2 hour. It is necessary to maintain this schedule in order to serve all members who have appointments, to stay on track for other assignments we may have, and to allow for scheduled breaks for meals.
- If you are unable to keep your appointment, please notify IPERS as early as possible to allow another member to fill the opening. This is especially important for evening appointments.
- Even when we are in your area, it is best to call the Des Moines office with IPERS questions or to schedule an appointment after the deadline (in case there have been cancellations). IPERS staff will know if we have any openings and will prepare and fax to us information needed for your appointment.

IPERS publishes the travel schedules in various ways. If the schedule is available at the time our newsletters are being published, it will appear in the newsletter. IPERS may send the schedules to all of the public employers for them to post in public areas. Also, the travel schedules are posted on our web site www.state.ia.us/ipers.

If you attend one of the offsite counseling sessions, it is not necessary for you to come to the Des Moines office to visit with an officer. The same service is provided in the area we are visiting as in the Des Moines office. Of course, our members are always welcome to visit the Des Moines office, preferably by appointment. We appreciate your cooperation in helping us serve you better and encourage you to meet with an officer before you retire.

will become confident enough to let go of your savings. A swindler's message is that he is doing you a favor by offering you this investment opportunity. A swindler may even threaten [pleasantly or otherwise] to end the discussion by suggesting that if you are not interested, plenty of other people will be. Once you protest that you are interested, the swindler figures your savings are practically in his pocket. Be mindful of the articulate individuals that dominate a conversation, even if they do it in a low-key friendly sort of way. The more they talk the less opportunity you have to ask questions.

In the next edition of the Inside IPERS, I will further discuss this topic by giving you the questions you should be asking to help you identify if you have a swindler trying to steal your nest egg.

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Reminders:

- Please remember to keep your address, name changes, and telephone numbers current with IPERS. Failure to do so may interfere with you receiving important information from our office.
- Please include your Social Security number in all correspondence to IPERS. Your account is accessed by using that number.
- **IPERS has moved** to 7401 Register Drive. Our mailing address will continue to be PO BOX 9117 DES MOINES IA 50306-9117.

NOTE: IPERS recently activated an Interactive Voice Response unit to answer frequently asked questions and allow members to request certain forms. Callers can transfer to a counselor at any point.

IPERS Preretirement Death Benefits

by Kelly Lovell, Deputy General Counsel

The 2000 Second Session of the Iowa General Assembly made many significant amendments to Iowa Code chapter 97B, "Iowa Public Employees' Retirement System" (IPERS). One of the more significant changes relates to **preretirement death benefits**.

Previously, IPERS only provided a lump sum preretirement death benefit, based on a formula. The formula was the sum of two amounts. The first amount was the member's accumulated contributions and interest. The second amount was the member's highest year of wages multiplied by a fraction. The numerator of the fraction was the member's years of service and, for regular class members, the denominator was 30.

Many members were extremely dissatisfied with this formula, because of the size of the lump sum amount it produced, and because a beneficiary could not receive a lifetime annuity. The 2000 legislation, amending Iowa Code section 97B.52(1), made changes in both areas.

First, the new preretirement death benefit formula provides that the lump sum amount now is the greater of the old formula amount, or the actuarial present value of the member's accrued benefit as of the date of death. (In some cases, the old formula, particularly for younger members, will provide the better lump sum amount.)

Second, regardless of the method used to determine the new lump sum amount, that amount may be converted to a lifetime monthly benefit by sole beneficiaries, if a timely election is received.

As revised, IPERS provides a preretirement death benefit to beneficiaries of members who (1) have an IPERS account, and (2) die before retiring or taking a refund.* Eligibility, the amount of the death benefit, and the form in which it can be paid, will depend on the date of the death, the date the claim is made, and certain other factors. One of the most important, and complex, things to understand about the new death benefit is the distinction between "window period beneficiaries" and "post-window period beneficiaries."

"Window period beneficiaries" are beneficiaries of members who died on or after January 1, 1999, but before January 1, 2001. "Post-window period beneficiaries" are beneficiaries of members who died on or after January 1, 2001.

The main difference between the two groups is that window period beneficiaries **must** claim their benefits by **December 31, 2001** or they will **forfeit** any right to the new preretirement death benefits. The claims period for post-window period beneficiaries is one year if they wish to receive an annuity, or five years for the lump sum. (Special rules may apply to surviving spouses permitting longer claims periods.)

The statutory change is somewhat unusual in that, even though a window period beneficiary previously was paid a lump sum preretirement death benefit under the old formula, that beneficiary can, if they make a timely claim, also profit from the statutory change.

For eligible beneficiaries who already received a lump sum preretirement death benefit payment, there are several options to consider. For example, they can receive a lump sum equal to the difference between the prior lump sum payment and the new lump sum amount, or sole beneficiaries can receive a lifetime annuity. The annuity can be based on the amount of the increase, or on the entire lump sum payable under the new formula. If they choose the latter, monthly annuity payment will be withheld until the prior lump sum payment is recovered.

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A Newsletter for the
Active Members of IPERS

Iowa Public Employees' Retirement System
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The payment of the actuarial present value of the member's death, as a lump sum or an annuity, has relieved some of the prior pressure on members with health problems to retire early in order to preserve lifetime death benefits under one of the IPERS retirement options. However, it is very important for members (and beneficiaries) discussing retirement decisions with IPERS' staff to remember that the assumptions provided to and used by IPERS' staff in preparing estimates such as possible retirement dates, possible eligibility for Social Security disability, and so forth, make a big difference in the information provided. Each situation is unique, and each member should discuss their situation in detail with an IPERS retirement officer to understand their choices and to determine the best choice for them. If you have any questions, please contact Jan Selzer at 1-515-281-0026, or Kelly Lovell at 1-515-281-0089.

*Please note that, although increased monthly death benefit amounts or lump sums may be available under the option already selected by a reemployed retiree, the preretirement death benefits described in this article are **not** available to reemployed retirees.

Member Demand Measures for FY 01 – Implications for IPERS Continued from page 1

retirees (89% of whom have chosen to remain in Iowa). This annual payroll increased by \$35 million over last year, with the average retired member now receiving about \$670 monthly!

Investing for retirement for our public servants is a wonderfully effective way to increase community sustenance in Iowa. Retired public servants reinvest IPERS dollars **in** Iowa communities when they spend on housing, food, medical and other services.

Because IPERS has 311,873 members, we estimate that one out of three or four households has an "investment" in IPERS' stability and well-being and the retirement system contributes to their own livelihood as well. Your staff continues to "hustle" in the hopes of meriting your continued confidence. We are here for you!