

New state law adjusts IPERS plan

Retirement benefits intact

The Iowa Legislature made several changes to the IPERS plan during the 2008 legislative session, but did not change core retirement benefits.

Governor Culver signed Senate File (SF) 2424 into law in May. The changes become effective on different dates as noted inside.

The bill did not change eligibility for benefits or the formula used to figure benefit amounts, but did change the following:

- Directs IPERS to review contribution rates each year and adjust the rates as necessary based on an actuarial valuation. Rates can change by no more than 0.5 percentage point a year for each membership class.
- Removes bonuses and allowances from the compensation classified as IPERS-covered wages. IPERS-

covered wages determine the amount contributed to IPERS and help calculate benefits.

- Moves county jailers, emergency medical service providers, county attorney investigators, and National Guard installation security officers from the regular membership class to the protection occupation class.
- Adds ways for vested members to purchase service credits.
- Clarifies that recipients of regular disability benefits can continue receiving disability benefits only if they continue to meet eligibility requirements for having a permanent disability.
- Allows beneficiaries who are not spouses, as well as spouses, to roll over their death benefits to traditional and Roth IRAs.

Read more about SF2424 changes inside.

SF2424 also removes out-of-date language, makes technical corrections, and changes requirements for employers. This summary does not address these changes, which do not affect your member rights. You can see the complete bill from the link on

IPERS' Web site, <www.ipers.org>. Select "Legislative News" in the Newsroom. You also can link to IPERS laws and administrative rules adopted to carry out state and federal laws from the IPERS Central section of the Web site.

Who does what?

- The **Iowa Legislature & Governor** determine, by law, who participates in IPERS and what benefits the IPERS plan will provide.
- The **Benefits Advisory Committee** represents employers and members in advising IPERS and the legislature on IPERS benefits.
- The **Investment Board**, trustee of the IPERS Trust Fund, monitors proposals that may help or harm the long-term financial stability of the fund and the board's ability to act in the best interests of IPERS members.
- **IPERS' Administration** advises the legislature on the fiscal and policy implications of proposed law changes and implements laws that are passed.

Why IPERS calls you a member

You are a part of a "member-owned" trust fund and you have rights to the benefits provided by the IPERS plan. You become a member and gain membership rights when you start contributing to IPERS. Membership rights increase when you become vested in IPERS. You vest after four years of membership or when you turn age 55 if you are contributing to IPERS.

IPERS deposits contributions in the trust fund, which was established by Iowa law, and invests the contributions to grow the fund. The law says the trust fund can be used only to pay benefits promised to members plus reasonable costs to operate the plan.

You keep your membership rights even if you are no longer working in a job covered by IPERS, as long as you do not withdraw your contributions. Retirees also continue to be IPERS members.

Summary of 2008 Law Changes

Setting contribution rates

SF2424 directs IPERS to adjust contribution rates for members in the regular membership class (about 96 percent of all working members) based on an annual actuarial valuation, which is a snapshot of IPERS' finances. The contribution rate is the percentage of your wages you and your employer pay to IPERS.

In the past, only the legislature could adjust contribution rates for regular members. The legislature has set rates for regular members through June 2011, so this change is effective July 1, 2011.

IPERS already sets rates for Special Service members, who make up IPERS' other two membership classes (sheriffs/deputies and protection occupations). IPERS knows from experience that small and timely adjustments to contribution rates keep benefits fully funded and contribution rates stable over time. Although the rates have varied from year to year, current contribution rates for Special Service members are about equal to their rates ten years ago.

The contribution rate for each membership class can increase or decrease no more than 0.5 percentage point each year. IPERS will announce the rates at least six months before the rates are effective.

Effective July 1, 2011

Iowa Code Section Amended: 97B.11 and related sections

IPERS is prefunded, which means that while members are working they contribute to IPERS for their own future retirements. Contributions from employees and their employers, plus investment income, must be enough to cover the costs of future benefits that IPERS promises to pay.

Reclassifying regular members as protection occupation members

Four groups of employees will move from IPERS' regular membership class to the protection occupation membership class:

- County jailers and detention officers working as jailers.
- Emergency medical service providers.
- County attorney investigators.
- National Guard installation security officers.

IPERS service already earned will continue to count as regular service when calculating retirement benefits. Service earned after July 1, 2008, will count as protection occupation service.

The protection occupation class is one of two groups of Special Service members. Special Service membership is reserved for employees working in jobs that call for earlier retirements. These members earn benefits faster than members in the regular class and become eligible for retirement benefits at a younger age. They also have higher disability and death benefits. Since benefits are higher, contribution rates are also higher than those for members in the regular class.

The current protection occupation class includes correctional officers, police and firefighters in Iowa's towns and smaller cities, airport firefighters, airport safety and security officers, conservation peace officers, Department of Transportation peace officers, and fire inspectors. The second group of Special Service members consists only of county sheriffs and deputy sheriffs.

Adding people to the group can affect contribution rates for those already in the group. This is because, similar to an insurance pool, everyone in the pool shares the costs. Characteristics of the members in the pool affect the cost of benefits. For example, as life spans increase, retirement benefit costs increase because people will receive benefits longer. Likewise, people who join the pool at an older age have a cost impact because they have fewer years to contribute before drawing retirement benefits than younger people just starting their careers.

Effective July 1, 2008

Iowa Code Section Amended: 97B.49B(1)



Protection occupation members work to protect people and property, and their jobs are hazardous and physically demanding. Because it takes strength, speed, stamina, and agility to do these jobs, retirement is necessary at an earlier age and with less service than it is for regular members.

IF YOU HAVE BOTH REGULAR AND SPECIAL SERVICE CREDIT:

- Members with both regular and Special Service credit must meet the same retirement benefit eligibility requirements as regular members.
- Benefits for members with mixed service credit are calculated using a hybrid formula.
- The hybrid formula cannot be used for anyone with 30 or more years of regular service or 22 or more years of Special Service.
- The maximum retirement benefit under the hybrid formula is 65 percent of the final average salary.
- The formula applies the appropriate multiplier for each class to the service earned in that class.
- A benefit reduction for early retirement will apply *only* to the regular service credits when the member does not meet eligibility requirements for unreduced regular benefits.

If you have both regular and Special Service credit and are getting close to retirement, contact IPERS for more information about your benefits.

	IPERS REGULAR MEMBERS	IPERS SPECIAL SERVICE MEMBERS	
Contribution rates 7/1/08–6/30/09 Percent of employees' covered wages	Regular members 4.10% employee (≈40%) <u>6.35% employer (≈60%)</u> 10.45% total (100%)	Sheriffs and deputies 7.52% employee (50%) <u>7.52% employer (50%)</u> 15.04% total (100%)	Protection occupations 5.63% employee (40%) <u>8.45% employer (60%)</u> 14.08% total (100%)
Retirement benefit eligibility	Age 55, with reduced benefits unless: • Rule of 88 (age + years of service = 88), or • Age 62 with 20 years of service, or • Age 65.	Age 55, regardless of years of service. (Sheriffs and deputies may start receiving benefits at age 50 if they have 22 years of service. Protection occupation members do not have this option.)	
Multiplier used in benefit formula	2% a year for 30 years, plus 1% a year for years 31–35.	2.7272% a year for 22 years, plus 1.5% each year for years 23–30.	
Maximum retirement benefit	65% of final average salary (average of highest three years).	72% of final average salary (average of highest three years).	
Disability benefits	Benefit amount earned to date, with no reduction for early retirement. Must qualify for federal social security or railroad retirement benefits.	1. Same as for regular members, or one of the following: 2a. In-service disability: the benefit amount earned to date or 60% of final average salary, whichever is more. 2b. Ordinary disability: the benefit amount earned to date or 50% of final average salary, whichever is more.	
Death benefits	Before retirement: One-time lump sum based on years of service and covered wages or monthly benefit based on present value of earned benefit (if beneficiary is an individual). After retirement: Monthly benefit, one-time lump sum, or none depending on option selected at retirement (increased death benefits lower the monthly benefit).	Same as for regular members plus \$100,000 line-of-duty death benefit. Maximum: 100 × monthly benefit amount (under Option 2, which pays to the beneficiary the difference between the retirement benefits received and the total contributions plus interest).	

IPERS has benefit information specific to each membership class on <www.ipers.org>. Select **Members** and then select **Benefit Information**. Finally pick your membership class. You may also call IPERS for information.

Summary of 2008 Law Changes

Definition of IPERS-covered wages

SF2424 changes the definition of IPERS-covered wages. The definition is important because contributions and benefit calculations are based on IPERS-covered wages. The new law removes bonuses and allowances from the definition of IPERS-covered wages.



NOT INCLUDED IN IPERS-COVERED WAGES:

1 Bonuses, whether paid as a one-time lump sum or in installments.

Bonuses do not reflect a normal progression of wages that typically occurs throughout a career. Successfully funding a retirement plan requires that employees and their employers contribute a percentage of wages that increase incrementally throughout employees' careers. When bonuses inflate the final average salary used to calculate pensions, the pensions are out of proportion to the contributions paid while those employees were working. Even when members do not seek bonuses just to inflate their pensions, bonuses received in the few years before retirement can result in pensions that are higher than they should be for the contributions paid throughout a career.

Bonuses include recruitment and retention incentives, and awards for performance, but do not include overtime. IPERS will work with employers to make sure that employers correctly report special appropriations meant to improve salaries rather than give bonuses.

2 Allowances, except legislative pay.

Few allowances were part of IPERS-covered wages in the past. However, the language in the law had caused confusion and led to errors when employers reported wages to IPERS. The law now states more clearly that covered wages do not include allowances.

Effective July 1, 2008
Iowa Code Section Amended: 97B.1A(26)

Eligibility for regular disability benefits

This revision clarifies that IPERS will continue to pay regular disability benefits only when recipients have a permanent disability and continue to meet the eligibility guidelines they met initially.

Although IPERS is not aware that any member has received undue benefits, it was not clear what would happen if someone lost eligibility for social security disability benefits or railroad retirement disability benefits. IPERS members must receive those benefits to be eligible for IPERS regular disability benefits.

IPERS members receiving Special Service disability benefits (sheriffs, deputies, police officers, firefighters, correctional officers, and other public safety personnel) already must prove continued eligibility.

Anyone no longer qualified for disability benefits may later requalify for disability benefits. Members may also become eligible for retirement benefits under the normal guidelines.

Effective July 1, 2009
Iowa Code Section Amended: 97B.50(2)

Your benefits are safe.

When stocks began to fall, some of you called us and asked, "Are my benefits safe?"

Yes, your benefits are safe. IPERS monthly benefits have a lifetime guarantee, regardless of the performance of the stock market. As a long-term investor, IPERS plans for the ups and downs in the stock market.

Service purchases

The new law adds ways for members to buy service credits. Service is important because it helps determine your benefit amount at retirement. Retirees may also buy service credit, which will increase their benefits. Service credits also affect disability and death benefits.

NEW WAYS TO PURCHASE SERVICE

1 Members who have earned at least five years of IPERS service may buy up to five years of service credit that is not tied to specific employment (also called buy-in of air time) at the actuarial cost.

2 Vested members who have a mixture of regular service and Special Service may convert regular service credits to Special Service credits by paying the added actuarial cost (also called a buy-up) of the higher Special Service benefits.

Effective July 1, 2008
Iowa Code Section Amended: 97B.80C(1) and (2)

CREDIT APPLIED WHEN BUYING BACK PAST SERVICE

When members quit working for an IPERS-covered employer and withdraw their contributions, they give up IPERS membership rights for that period of employment, including all service credits earned. If they later return to a job covered by IPERS, they can buy back that service at the actuarial cost.

The new law grants a credit that will reduce the buy-back cost to members who:

- Received a refund from IPERS before July 1, 1998,
- Were vested in IPERS when they received the refund, and
- Returned to work before July 1, 1998, and worked:
 - Full-time, and
 - In a job with mandatory IPERS coverage.

If you are interested in buying back service and think you may be eligible for the cost-reduction credit, please call. The credit will be based on your membership class, the number of years covered by your refund, and how much your employer contributed to IPERS during the time you worked.

Effective January 1, 2009
Iowa Code Section Amended: 97B.80C(3)

About purchasing service

When you purchase service, you pay money into the IPERS Trust Fund to buy additional service credits that IPERS will use to calculate your retirement benefits. The added service credits can increase the amount of your benefits or allow you to retire earlier. IPERS does not profit from a service purchase.

ACTUARIAL COST

IPERS' actuary determines the cost of your service purchase by calculating the value of the extra benefits over your lifetime (the actuarial cost). The calculation reflects projections of future mortality rates, salary increases, and employment patterns. While the actuary uses the same set of assumptions for all service purchase calculations, the impact of each factor varies by individual.

Generally, the sooner benefits begin, the more valuable they are. If the service purchase moves up your projected normal retirement date, the service purchase cost reflects the fact that you will begin drawing benefits earlier.

APPLYING

You must complete an *Application for Service Purchase* so the actuary can develop a cost quote. Filing an application does not obligate you to purchase.

Only you can decide if the added benefits you will receive from a service purchase outweigh the cost of purchasing the service.

YOUR IPERS BENEFIT EQUALS:		
Multiplier (Based on Years of Service)	×	Salary (Average of Highest 3 Years)

For regular IPERS members, the multiplier increases 2 percent each year you work in a job covered by IPERS, up to 30 years, and one percent for years 31–35. The maximum multiplier for regular members is 65 percent.

The multiplier for Special Service members (sheriffs, deputies, correctional officers, police, firefighters, and other public safety personnel) increases about 2.7272 percent each year, up to 22 years, and 1.5 percent each year for years 23–30. The maximum multiplier is 72 percent.

Summary of 2008 Law Changes

Inside IPERS is published twice a year by the Iowa Public Employees' Retirement System.

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Death benefits

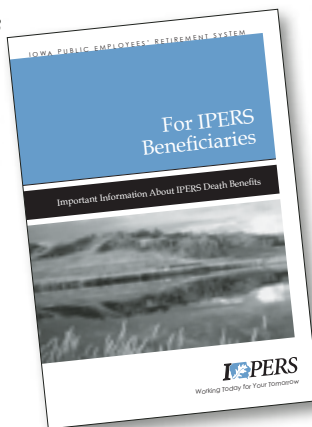
AWARDING MILITARY SERVICE CREDITS

Under current law, members leaving IPERS-covered employment for active military duty receive free service credits for the time they are gone *only if* they return to a job with IPERS coverage. The new law creates a way to credit the accounts of members who die because of their military service. Since service credits are part of the formula used to figure death benefits, this change could increase payments to beneficiaries.

Under the new law, IPERS can award free service credit for active duty, regardless of the return-to-work requirement, when a member:

- Serves in a combat zone or hazardous duty area, and
- Dies of a service-related injury or disease within two years after suffering the injury or disease.

Effective July 1, 2008
Iowa Code Section Amended: 97B.1A(20)



PAYING DEATH BENEFITS TO MINORS

This change allows IPERS to pay up to \$25,000 in death benefits to an adult custodian of a minor named as the beneficiary without court oversight. This raises IPERS' \$10,000 limit to the limit set in Iowa Code Chapter 565B, Transfers to Minors.

Lawyers helping families suggested the change because legal fees associated with court intervention were disproportionate to the value of the death benefits, resulting in a financial hardship.

Effective July 1, 2008
Iowa Code Section Amended: 97B.34A

TRANSFERRING DEATH BENEFITS TO OTHER RETIREMENT ACCOUNTS

These changes are consistent with changes made by the Internal Revenue Service. IPERS can now transfer (roll over) a deceased member's account to a traditional or Roth IRA selected by a beneficiary who is not the deceased member's spouse. In the past, only a spouse named as the beneficiary of a deceased IPERS member had rollover rights.

Effective: Traditional IRA retroactive to January 1, 2007
Roth IRA retroactive to January 1, 2008
Iowa Code Section Amended: 97B.53B

Thanks! Many employer, employee, and retiree groups, and many individuals worked to support the changes recommended by the Benefits Advisory Committee that were included in SF2424. Senator Michael Connolly, a member of the IPERS Investment Board, managed the bill in the Senate. Representative Pam Jochum, a former member of the IPERS Investment Board, managed the bill in the House.

Benefit education and retirement planning

SOUTHEAST	Davenport	Aug. 25–28, 2008	Staybridge Suites, 4729 Progress Drive	Individual counseling by appointment
	Coralville	Sept. 15–18, 2008	Suburban Extended Stay, 2491 Holiday Road	Individual counseling by appointment
	Fairfield	Sept. 24, 2008	City Hall, 118 South Main Street	Individual counseling by appointment
	Mount Pleasant	Sept. 25–26, 2008	Henry County Health Center, 407 South White Street	Individual counseling by appointment
	West Burlington	Oct. 20–23, 2008	AmericInn, 628 South Gear Avenue	Individual counseling by appointment
	Sigourney	Nov. 5, 2008	Keokuk County Health Center, 23019 Highway 149	Individual counseling by appointment
	Washington	Nov. 6–7, 2008	Washington County Hospital, 400 East Polk Street	Individual counseling by appointment
SOUTHWEST	Atlantic	Sept. 2–4, 2008	Cass County Memorial Hospital, 1501 East Tenth Street	Individual counseling by appointment
	Council Bluffs	Nov. 4, 2008	Iowa School for the Deaf, Lied Multipurpose Complex, 3501 Harry Langdon Boulevard	5 p.m.–8:30 p.m. retirement seminar (registration required)
	Council Bluffs	Nov. 4–6, 2008	Country Inn & Suites, 17 Arena Way	Individual counseling by appointment
	Mount Ayr	Dec. 10, 2008	Ringgold County Hospital, 211 Shellway Drive	Individual counseling by appointment
	Clarinda	Dec. 11–12, 2008	Clarinda Regional Health Center, 823 South 17th Street	Individual counseling by appointment
NORTHEAST	Waterloo	Aug. 18–21, 2008	Country Inn & Suites, 4025 Hammond Avenue	Individual counseling by appointment
	Decorah	Sept. 22–25, 2008	Winneshiak Medical Center, 901 Montgomery Street	Individual counseling by appointment
	Dubuque	Sept. 29–Oct. 2, 2008	Country Inn & Suites, 1315 Associates Drive	Individual counseling by appointment
	Maquoketa	Oct. 27–30, 2008	Comfort Inn, 1910 Nairn Drive	Individual counseling by appointment
	Cedar Rapids	Nov. 17–20, 2008	Country Inn & Suites, 9100 Atlantic Drive, SW	Individual counseling by appointment
	Mason City	Dec. 1–4, 2008	Country Inn & Suites, 4082 Fourth Street, SW	Individual counseling by appointment
	Manchester	Dec. 8–12, 2008	West Delaware County Community School District, 601 New Street	Individual counseling by appointment
NORTHWEST	Audubon	Aug. 20, 2008	Audubon County Memorial Hospital, 515 Pacific Street	Individual counseling by appointment
	Denison	Aug. 21–22, 2008	Norelius Community Library, 1403 First Avenue South	Individual counseling by appointment
	Sioux Center	Sept. 8, 2008	Northwest Area Education Agency, 1382 Fourth Avenue, NE	6:30 p.m.–7:30 p.m. group presentation
	Sioux Center	Sept. 8–12, 2008	Holiday Inn Express, 100 Saint Andrews Way	Individual counseling by appointment
	Spencer	Oct. 6–9, 2008	AmericInn, 1005 13th Street, SW	Individual counseling by appointment
	Rockwell City	Oct. 15, 2008	City Hall, 335 Main Street	Individual counseling by appointment
	Ida Grove	Oct. 16–17, 2008	City Hall, 403 Third Street	Individual counseling by appointment
	Fort Dodge	Nov. 10–13, 2008	AmericInn, 100 West Kenyon Road	Individual counseling by appointment
	Harlan	Jan. 7, 2009	City Hall, 711 Durant Street	Individual counseling by appointment
	Missouri Valley	Jan. 8–9, 2009	City Hall, 223 East Erie Street	Individual counseling by appointment
	Sioux City	Jan. 12, 2009	Sioux City Convention Center, 801 Fourth Street	5:30 p.m.–8:30 p.m. retirement seminar (registration required)
	Sioux City	Jan. 13–15, 2009	Sioux City Convention Center, 801 Fourth Street	Individual counseling by appointment
CENTRAL	Des Moines	Sept. 3–4, 2008	IPERS, 7401 Register Drive	Evening individual counseling by appointment
	Des Moines	Oct. 1–2, 2008	IPERS, 7401 Register Drive	Evening individual counseling by appointment
	Des Moines	Nov. 12–13, 2008	IPERS, 7401 Register Drive	Evening individual counseling by appointment

Check www.ipers.org often for updates and news.

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*Inside*IPERS

Special Legislative Issue: Summary of IPERS changes inside

Benefit education and retirement planning

**IPERS counselors are coming to a location near you.
The counseling schedule is on page 7.**

INDIVIDUAL COUNSELING

- Projection of benefits and discussion of options.
- For everyone retiring in three to five years; open to anyone.
- Evening appointments fill up fast; call soon.
- Appointment confirmed by letter.

TELEPHONE COUNSELING

Call IPERS at 1-800-622-3849 weekdays, 7:30 a.m.–5 p.m. if you are unable to meet with an IPERS representative in person. Counselors can send you benefit projections by mail.

RETIREMENT SEMINAR

- Comprehensive resource for retirement planning for all ages.
- Experts in financial planning, deferred savings programs, and Social Security.
- IPERS retirement estimates provided.
- Informal group setting.
- Registration required. Call IPERS.

GROUP PRESENTATION

- IPERS overview and general information.
- For new to mid-career members.
- No registration required.

You gotta love the Iowa State Fair

“U gotta love it” when you can find corndogs, funnel cakes, the butter cow, and information about your own retirement benefits in one place.

The 2008 Iowa State Fair opens August 7 with the theme, “U gotta love it.” IPERS will be there for the entire fair, which runs through August 17. Look for our booth in the northwest quadrant of the Varied Industries Building.

Each day during last year’s fair, an average of 181 people came to the IPERS booth to ask questions and pick up benefit information. The two staff members in the booth met with about 15 people every hour!