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IPERS retirees embrace the electronic age

More than 87 percent of benefits received by retirees and beneficiaries during the last fiscal year were paid by IPERS without writing a single check.

"Directly depositing the money into bank accounts is fast, dependable, safe, and less expensive than issuing checks," said Donna M. Mueller, CEO of IPERS. "There is no worry and no hassle, whether you are home or away from home."

IPERS is not alone in using direct deposit. Both Iowa and the United States Government use electronic transfers of funds for taxes. According to the U.S. Treasury Department, more than 49 million federal taxpayers chose to receive their refunds by direct deposit last year.

Direct deposit has been available for federal payments for nearly 30 years and has proven to be safe, reliable, and convenient. Federal

statistics indicate that taxpayers who receive their refunds by direct deposit have significantly fewer problems than those with a paper check. If a problem does occur with a direct deposit payment, it usually can be resolved in 24 hours, compared with an average of 14 days for a replacement check.

IPERS will, starting January 31, 2006, charge an administrative fee of \$1 for each monthly benefit check issued. The amount of \$1 is less than what it costs IPERS to issue the check. Electronic deposits will continue to be free.

Mueller noted that although she projects to save over \$1 a check in administrative costs, she would not advocate for direct deposit if was not a secure business practice.

"Direct deposit is safe," Mueller stressed. "IPERS has been paying benefits electronically for more than 20 years."

THANKS FOR YOUR HELP!

Hundreds of IPERS members and retirees took part in a telephone survey designed to help us improve the information and services we provide to you. Employers and elected officials are also participating in the survey. We will use the results to find ways to keep you better informed about *your* retirement plan. We will share our findings and plans in the next newsletter.

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Pensioners' Post

MEDICARE HELP IS JUST A PHONE CALL AWAY 24 Hours a day, Seven Days a Week

For more information about the upcoming Medicare Prescription Drug Benefit or for help with any Medicare question call 1-800-Medicare, which is 1-800-633-4227, or visit Medicare's consumer website at www.medicare.gov.

DID YOU KNOW?

Last year IPERS paid nearly \$793 million in benefits. Almost 89 percent of the benefits were paid to retirees and beneficiaries living in Iowa.

DID YOU KNOW?

IPERS is a trust fund composed of employee contributions, employer contributions, and investment income. IPERS safeguards over \$18 billion in assets for the exclusive benefit of IPERS members. Benefits are paid from the trust fund.

Medicare to Offer Prescription Drug Coverage

Courtesy of the Kansas City Regional Office of the Centers for Medicare & Medicaid Services

In January 2006, for the first time, Medicare will offer prescription drug coverage for the more than 41 million people with Medicare. Enrollment in the new drug plans will begin November 15, 2005. Education about this benefit begins now.

The Centers for Medicare & Medicaid Services (CMS) is working with others to make sure America's seniors know about what they need to do to enroll in one of the prescription drug coverage plans. According to the CMS, drug coverage will:

- Be available to all people with Medicare regardless of their income or how they receive their medical coverage
- Offer comprehensive help for those with limited income and resources which means no premiums or deductibles for more than nine million Medicare beneficiaries
- Give beneficiaries a choice between at least two plans available in their area that will cover

- a comprehensive set of both brand name and generic drugs
- Provide convenient access to pharmacies, generally within just a few miles of one's home
- Be available to all people with Medicare who live in nursing homes because all prescription drug plans will have to contract with the pharmacies that serve long-term care facilities
- Ensure that Medicare Advantage plans such as health maintenance organizations will continue to offer prescription drug coverage to enrollees and enhance their existing coverage
- Ensure that people who receive both Medicare and Medicaid, and who currently receive their drug benefit through Medicaid, will automatically be enrolled in a plan if they do not choose one by the middle of December. This way they will not experience a gap in their prescription drug coverage.

In addition to the Medicare prescription drug coverage, the new Medicare law ensures that retirees who currently have health and drug coverage from their past employer or union continue to receive that coverage.



www.medicare.gov
1-800-MEDICARE (1-800-633-4227)





The IPERS Post Pensioners'

RETIRED MEMBERS' NEWSLETTER

Published semiannually by the Iowa Public Employees' Retirement System

SUMMER 2005



Working today for your tomorrow.

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NO CHANGE THIS YEAR FOR IPERS

The bill that increased the contribution rate for public employees who are regular IPERS members, House File (HF) 729, stalled in the Senate amid disagreement of what percentage of the contribution employers and employees each should pay. The bill remains eligible for debate during the 2006 Session of the 81st Iowa General Assembly.

Read more about the IPERS legislation inside this issue.

DID YOU KNOW?

The contribution rate is the percentage of wages paid to IPERS for public employees' retirement. Not all IPERS members pay the same rate. The rates are set in different ways.

About 96 percent of all IPERS active members are regular members. Their contribution rate is set in Iowa law. The rate changes only if the Legislature changes the law.

There are two groups of Special Service members, 1) sheriffs and deputies, and 2) other protection occupations. Each year IPERS' actuary completes a valuation—a review of assets, liabilities, membership characteristics, and other factors—to determine the needed rates. The rates can vary each year. The rates may move up or down.

IPERS' overhead lowest, service rated high in independent review

IPERS' administrative costs were lower in 2004 than those of all other public retirement systems of a similar size, according to an independent reviewer. At the same time, IPERS' overall service rating, based on several ratings measuring service delivery, exceeded the median.

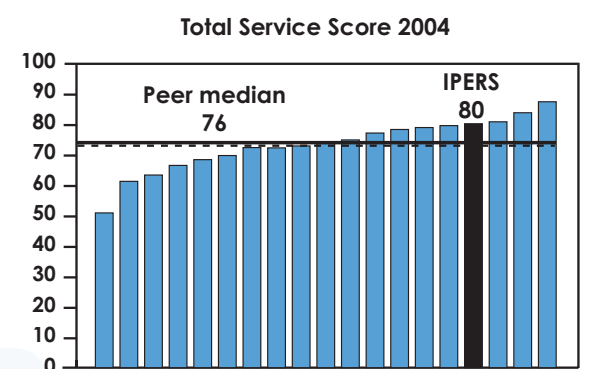
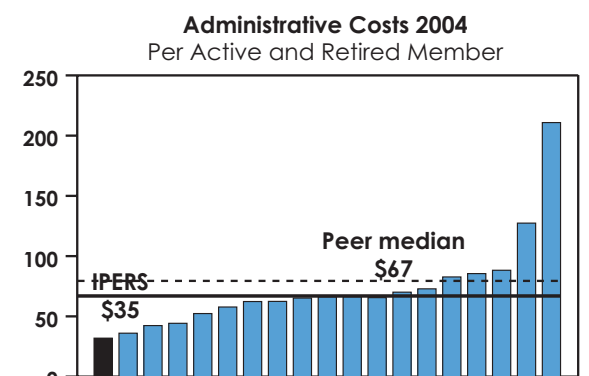
Cost Effectiveness Measurement Inc. (CEM), a private company based in Canada, reviews costs and performance of public retirement systems in the United States and abroad. CEM again this year rated IPERS' services high while finding IPERS' administrative costs low. CEM reviewed 53 pension systems and compared IPERS to 18 that are similar in membership.

"Sometimes it is good to be last," declared Donna M. Mueller, CEO of IPERS.

In 2003, IPERS' administrative costs were second to the lowest. CEM stated in its findings, "In summary, your administration cost was the lowest of your peers. This was particularly impressive given your above peer median Total Service and Total Work Scores."

You can read the entire 2004 report at www.ipers.org.

■ Peer
■ IPERS
— Peer Median
- - - All Median



FROM DONNA M. MUELLER, CEO

Lesson from 2005 Legislative Session: Get involved—stay involved!



Disappointing as it was that the Iowa Senate did not pass House File (HF) 729 during the 2005 legislative session, the debate on the bill was a good lesson in democracy. A democracy requires that its people be involved, and reasonable people disagree. They certainly disagreed about IPERS contributions and benefits!

Agreement

There was agreement in both the Iowa House and Senate that the Legislature needed to address IPERS' increasing unfunded actuarial liability. They agreed that they need to adjust contributions. That seemed to be where the agreement ended.

At the end of March, the Iowa House passed HF 729 by a vote of 94-5. Representative Jeff Elgin, Cedar Rapids, managed the bill in the House. He worked with employer and employee groups to craft a compromise that became HF 729. The compromise included increas-

ing the contribution rate for regular members 0.5 percentage point a year for 8 years, beginning July 2006. Employers and employees would split the cost of contributions as they do currently—approximately 60 percent paid by employers and 40 percent paid by employees.

Disagreement

The Senate discussed the IPERS bill for weeks. Senator Mark Zieman managed the bill in the Senate. He and other senators filed amendments reflecting the different opinions expressed in the subcommittee and committee meetings, and during floor debates. Some of the amendments focused only on who would pay what share of increased contributions to IPERS. Others made benefit cuts for new IPERS members. There was also talk of transferring money from the account that pays the Favorable Experience Dividend (FED) to the overall IPERS Trust Fund.

In the end, after much debate, senators did not agree and the bill did not pass the full Senate. Senate Republican leadership insisted on

the 50-50 sharing of costs by employees and employers. The Senate Democratic leadership supported the House version of HF 729.

Involvement

Many IPERS members wrote, called, e-mailed, and visited their senators and representatives. Proposed retirement benefit cuts triggered many of those contacts.

That is as it should be. IPERS is a membership organization funded by the contributions employees make to IPERS, the contributions their employers pay on their behalf as part of their compensation package, and investment income. The Legislature is the IPERS plan sponsor. Legislators make policy and funding decisions. Regardless of where you stand on any issue, it is important that those elected to represent you hear what you have to say.

To be continued...

The debate isn't over. Because 2005 was the first session in a two-year General Assembly, next year HF 729 picks up where it left off.



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IPERS addressed in HF 729

HF 729 IN THE HOUSE

HF 729, as passed by the House, addressed two public pension systems in Iowa: 1) IPERS and 2) Judicial Retirement. The bill:

- Increases the IPERS contribution rate by 0.5 percent a year for 8 years. In 2014, the total contribution rate would be 13.45 percent, with employees paying 5.3 percent of their covered wages for IPERS and employers paying 8.15 percent.
- Disallows an increase between FY2006 and FY2014 if IPERS' funding status improves so that the unfunded actuarial liability (UAL) can be amortized within 10 years.
- Continues the current cost-sharing arrangement between employers and employees. Employers would continue to pay approximately 60 percent of contributions and employees would continue to pay 40.

HF 729 IN THE SENATE

The Senate discussed amendments to the House version, including:

- Increasing the retirement age to 62 for new IPERS members.
- Using the average of the highest 5 years of wages to figure the monthly annuity for new IPERS members.
- Increasing the percentage of contributions paid by employees from 40 percent to 50 percent.
- Transferring the money in the Favorable Experience Dividend (FED) Reserve Account to the general trust fund, thus ending the January FED checks.

Although the benefit reductions and FED transfer were dropped, the Republican leadership continued throughout the session to insist that the employees' share of contributions increase to 50 percent. The Senate Democratic leadership disagreed.

In the 50-member Senate, 25 Republicans and 25 Democrats share power. The bill remains in the Senate and is eligible for consideration next year.

STUDY BY PUBLIC RETIREMENT SYSTEMS COMMITTEE

HF 729 also includes a study by the Legislature's Public Retirement Systems Committee of alternative plans to IPERS. This ten-member committee of State senators and representatives is a permanent committee. It meets between sessions of the Legislature, typically in the fall. The committee is charged with reviewing policy issues for all of Iowa's public retirement systems, including IPERS.

The **UAL** represents the System's accrued liability that exceeds current assets. Although it is not unusual for retirement systems to have a UAL, IPERS' UAL is a concern because contributions and investment income are not sufficient to address it. The FY2004 contribution rate for regular members was only 90.9 percent of the actuarially required contribution.

Protect yourself from identity theft

Paper and postal mail. Computers and electronic mail.

Theft and fraud take different forms, but they do take place. They even take place in retirement systems. Some members in public pension plans in other states recently received unsolicited e-mails as part of a scam to collect personal information from the members. The e-mails said that retirement plan benefits changed; some promised complimentary estimates in exchange for personal information.

According to the Iowa Attorney General Tom Miller, identity theft occurs when someone obtains important personal information, such as your credit card account number or social security number, to commit fraud or theft. Thieves find information about you on receipts and statements you throw away. They watch you enter personal identification numbers (PINs). They steal from your mailbox.

Attorney General Miller urges you to protect yourself.

- Reduce the access others have to your personal identifying information. For example, use a num-

ber other than your social security number on your driver's license.

- Be careful with credit cards and carefully review your statements.
- Do not use obvious passwords and PINs such as your birth date, address, phone number, or part of your social security number.
- Make sure your information is handled safely by shredding or safely storing documents that contain personal and account information.

The Iowa Attorney General has additional tips on his Web site at <www.state.ia.us/government/ag/idavoid.htm>. You can also write or call the Attorney General's Consumer Protection Division, Hoover Building, Des Moines, Iowa 50319, 515-281-5926.

The United States Department of Justice has a Web page on identity theft and fraud that includes ways to protect yourself and information on what to do if you are a victim of identity theft at <www.usdoj.gov/criminal/fraud/idtheft.html>.

Governor Vilsack announces electronic calendar of public meetings

Governor Tom Vilsack in May announced the unveiling of a public meeting calendar at the State of Iowa homepage, <www.iowa.gov>.

The new calendar provides information about public meetings and events being held by many state government agencies. The calendar posts meeting details, locations, times, and agendas. Users can search by keyword or by state agency.

"State government has a responsibility to make it as easy as possible for Iowans to stay informed about what's going on at the state level," said Governor Vilsack. "We have created a one-stop shop for finding meeting information so Iowans have an opportunity to stay involved in what state government does."

State agencies, including IPERS, enter information about the event or meeting with a link to agendas or more detailed information. The calendar is voluntary for state agencies and supplemental to the public meeting notices and laws, including notices printed in newspapers.

While visiting the State of Iowa Web site, be sure to check out the *Results Iowa* link. You can review performance measures for IPERS and other state agencies.

To find information about public meetings and events:

- Go to <www.iowa.gov>.
- Select *Public Meeting Calendar* at the top of the State of Iowa homepage.
- Enter a keyword in the calendar search space and all meetings with that word will pop up.
- Click on the Search button and all calendar events will display.
- Today's events will display automatically.
- Search archived events by checking the Archive button on the calendar.

Select a specific state agency to find meetings posted by that entity.

The facts about the Benefits Advisory Committee's position on HF 729

By Lowell Dauenbaugh



Lowell Dauenbaugh chairs the IPERS Benefits Advisory Committee. He represents the Iowa State Education Association on the BAC and is the association's assistant executive director.

During the legislative debates on HF 729, there was much misinformation about the IPERS Benefits Advisory Committee's (BAC) recommendation to increase contribution rates. The BAC would like to share with you accurate information on which we based our support for the House version of HF 729.

It is TRUE that IPERS needs a contribution rate increase to reduce the unfunded actuarial liability (UAL).

IPERS' UAL has been

increasing each year and is now \$2.176 billion. The UAL is increasing because contributions barely cover normal (this year's) costs. At the current contribution level, only 0.36 of one percentage point can be applied to the UAL. This does not pay even the interest on the UAL. A contribution rate increase is necessary.

Iowa law requires IPERS' actuary to declare publicly what contribution rate is necessary to fund IPERS fully. For the third year in a row, the rate certified by the actuary is greater than the rate set by law. The contribution rate for regular members in fiscal year (FY) 2004 was 90.9 percent of the actuarially required contribution. Regular members compose about 96 percent of IPERS' total membership.

It is TRUE that the Benefits Advisory Committee recommended a contribution rate increase based on an asset/liability study that examined the effect of various funding options.

Possible funding solutions considered, but rejected, were:

- a. **Change asset allocation in the investment portfolio.**
The IPERS Investment Board decided this is too risky. The actuary concluded that an 11 percent rate of return on investments would be needed *every year* through 2014 for investments alone to address the UAL. The highest expected 10-year return for any asset class is 11 percent for private equity, the highest-risk class. Although IPERS has some funds in private equity, the Investment Board determined it would not be prudent to move all investments to this class.
- b. **Cut benefits.**
The BAC and Investment Board did not recommend cutting benefits because it would not be effective. Benefits already earned cannot be decreased. This liability is already in place. Future benefits for new employees can be reduced. However, there would not be a positive funding impact for 15 to 20 years. Reducing future benefits for current employees carries substantial legal risk and would not have an immediate positive impact on the funding.

It is NOT TRUE that contribution increases are needed only because of benefit improvements.

IPERS' liabilities are increasing because the membership is aging and retirees are living longer. New em-

ployees joining IPERS are older. All added to increased normal costs and the unfunded actuarial liability.

Investment returns slumped during the bear market years. These losses are spread over several years and continue to affect IPERS' funding status.

Benefit changes are responsible for some of the needed increase. However, IPERS benefits are comparable to those of other public retirement systems and those of large employers. They are not "Cadillac" benefits.

The UAL will continue to increase because current contributions are not enough to pay even the interest on the UAL. The contributions certified by IPERS' actuary represent what IPERS must collect to pay interest and enough of the principal to amortize the UAL over 30 years.

It is NOT TRUE that the BAC, employee groups, or IPERS increased or will increase benefits.

Only the Legislature can change benefits.

It is NOT TRUE that contribution rates never change.

Although the contribution rate for regular members has not changed since 1979, IPERS adjusts the contribution rate for Special Service members (sheriffs and deputies, other protection occupations) based on an annual actuarial valuation. Only the Legislature can change the rate for regular members.

It is NOT TRUE that employees are unwilling to share in the increased costs.

Employee members of the BAC and the associations they represent voted to support the contribution rate increase. Under the BAC recommendation, employees and their employers would continue to share responsibility for paying contributions. The 40-60 split recommended by the BAC merely continues the current relationship.

It is TRUE that sheriffs and deputy sheriffs pay 50 percent of their contributions.

Sheriffs and deputies agreed last year to pay 50 percent of their contributions in return for the opportunity to retire at age 50. None of the other groups, including other protection occupations such as correctional officers, have this added benefit. The BAC has *not* asked for more benefits for regular members in return for supporting increased contribution rates.

It is TRUE that the Benefits Advisory Committee has a direct interest in the welfare of Iowa's public schoolteachers, school bus drivers, child abuse investigators, health and safety inspectors, public health nurses, environmental engineers, and other public employees.

The Legislature determined the makeup of the BAC, which represents public employers as well as employee and retiree groups. These groups know that IPERS is part of an overall compensation package offered by schools, cities, counties, state agencies, and others to attract and keep quality employees. They also know that a cut in retirement benefits, or an increase in the amount employees must pay for benefits, reduces the overall compensation package offered to employees.

BENEFITS ADVISORY COMMITTEE

Member and retiree representatives

- Lowell Dauenbaugh, Chairperson (Iowa State Education Association)
- Dr. Gaylord Tryon (School Administrators of Iowa)
- Walt Galvin (Retired School Personnel Association)
- Bill Sage (Sheriffs and Deputy Sheriffs' Association)
- Heather Stubbe (State Police Officers Council)
- Roger Muri (Iowa Association of Chiefs of Police)
- Janie Garr (IPERS Improvement Association)
- Stan McElderry (American Federation of State, County, and Municipal Employees)

Employer representatives

- Mollie Anderson (Iowa Department of Administrative Services)
- Len Cockman (Iowa Association of School Boards)
- Dr. Gene Gardner, Vice Chair (Iowa Association of Community College Trustees)
- Jim Maloney (Iowa Association of Counties)
- Alan Kemp (Iowa League of Cities)

Contact information, committee minutes, and other committee information are available at <www.ipers.org> under the *About IPERS* tab.

DID YOU KNOW?

The Iowa Legislature and Governor are the sponsors of the IPERS retirement plan. As plan sponsors, they design the plan, deciding what benefits to provide and to whom, and how to fund the plan.