

IPERS BENEFITS ADVISORY COMMITTEE
Monday, September 14, 2009
IPERS Board Room

The following people were in attendance at the IPERS Benefits Advisory Committee meeting held in the IPERS Board Room on Monday, September 14, 2009.

Members of the Benefits Advisory Committee

Len Cockman, Brad Hudson, Steve Hoffman, Jim Maloney, Mark Tomb, Ray Walton, Diane Reid, Susanna Brown, Pat Lynch, Martha Henrichs, Gaylord Tryon, and Janie Garr.

Absent: Walt Galvin, Danny Homan

IPERS Administration and Staff

Donna Mueller, Chief Executive Officer, David Martin, Chief Benefits Officer; Melinda Prince, Executive Assistant; Karl Koch, Chief Investment Officer; Leon Schwartz, Chief Operations Officers; Julie Economaki, Public Information Officer; Gregg Schochenmaier and Kelly Lovell, General Counsel; Linda Guffey, Sam Hoerr and Brian Karn, IPERS Benefits staff.

BAC Alternates or Representatives

Lewis Washington, AFSCME; Susan Cameron, Iowa State Sheriffs and Deputies Association; Jon Studer, Iowa State Education Association; and Mathelle Carlson, IPERS Improvement Association.

Public Members

There were 32 members of the public in attendance at the BAC meeting. Public members were asked to sign in prior to the meeting.

Call to Order and Election of Officers

Meeting called to order at 1:00 p.m. by Len Cockman.

Gaylord Tryon nominated Len Cockman as chair of the Benefits Advisory Committee. Jim Maloney seconded the nomination. Ray Walton made the motion to cease nominations, Jim Maloney seconded. The nomination carried by unanimous roll call vote of the full BAC membership.

Jim Maloney nominated Brad Hudson as vice chair of the Benefits Advisory Committee. Gaylord Tryon seconded the nomination. Ray Walton made the motion to cease nominations, seconded by Mark Tomb. The nomination carried by unanimous roll call vote of the full BAC membership.

Ray Walton made the motion to approve the minutes from the May 4, 2009, Benefits Advisory Committee meeting. Gaylord Tryon seconded, the motion carried by unanimous voice vote.

Airport Firefighter's Request for a Cancer Presumption Benefit

The airport firefighters and AFSCME appeared before the BAC to request a cost study on the impact to the contribution rates if a cancer and infectious disease disability benefit is added for their membership. BAC discussed applying the benefit to all members of Special Service groups 1 and 2.

Brad Hudson made the motion to authorize a cost study on behalf of Special Service groups 1 and 2 for parity with the 411 system on a cancer and infectious disease presumption. The cost of the study will be paid from the BAC budget. Diane Reid seconded, the motion carried by roll call vote.

Long-Term Funding Presentation

Pat Beckham of Milliman presented preliminary studies of the impact various plan design changes would have on the long-term funding status of the IPERS Trust Fund. At previous meetings the BAC discussed the range of maximum contribution rates that would be reasonable to request of members and employers. The next step was to look at a benefit package that could be afforded within the contribution rates, along with a payment on the unfunded actuarial liability that would work towards fully funding the pension system.

The plan design changes studied were:

- 1) Increasing contribution rates by 0.5 percentage point with a 14 percent and 16 percent maximum maintaining the 60 percent employer, 40 percent employee split.
- 2) Reducing the benefit formula multiplier to less than 2 percent per year for new and current employees.
- 3) Using a five-year average salary instead of a three-year average salary in the formula used to figure benefit amounts for new and current members.
- 4) Reducing benefits for those who retire before age 65. Eliminating the Rule of 88 and 62/20 for new members and using varying transition rules for current members.

After the studies were reviewed, the BAC asked for additional information from staff regarding retirement experience, specifically how many members who are eligible retire under the Rule of 88 and how many retire under the Rule of 62/20.

Brad Hudson asked Milliman to study the funding impact of a contribution rate of 13.45 percent effective July 1, 2011, with a one percentage point increase thereafter until the funded ratio smooths out and the actuarial rate and statutory rates cross. The study should include using both an open and closed amortization period.

Diane Reid asked Milliman to study a one percentage point increase each year in contribution rates effective July 1, 2011, as opposed to the current 0.5 percentage point increase. The study should include using both an open and closed amortization period. She also asked for a comparison of employee and employer contribution rates for other state pension systems.

The results of these studies will be presented to the BAC at their October 5, 2009, meeting.

2010 FED Payment

Donna Mueller reviewed her presentation that included a review of how the Favorable Experience Dividend reserve account was established and the decisions that need to be taken into consideration when making a payment from the account. The BAC discussed that the multiplier used in recent years was less than the CPI. The BAC also noted the economic impact of these payments in that 88 percent of payments are made in Iowa.

Public comment was received in support of making the FED payment in January of 2010.

Gaylord Tryon made the motion to recommend that staff make the FED payment in January with the multiplier at the rate of 1.07 percent. Ray Walton seconded. Motion carried by unanimous roll call vote of the full BAC membership

BAC Budget

Leon Schwartz reviewed the BAC's actual budget for fiscal year (FY) 2009 and proposed budget for FY2010. For FY2009 the BAC expended \$5,521.88 of its appropriated \$50,000. He concluded his report by reviewing IPERS' overall FY2011 budget program. Pat Lynch made the motion to support a status quo budget for FY2011. Mark Tomb seconded, the motion carried by unanimous voice vote.

Membership Petitions

Gregg Schochenmaier reported that no organizations filed a petition the BAC for membership. Notice and any petitions on file will be reviewed again in three years.

Other Business

None

Public Comments

Retired member spoke in support of the IPERS system.

Future Meeting Dates

The IPERS Investment Board will meet on September 16 and 17, 2009. The next BAC meeting is scheduled for Monday, October 5, 2009. A November 2, 2009, meeting was added to the calendar. With no further business to come before the committee, Pat Lynch made the motion to adjourn the meeting. Ray Walton seconded, the motion carried by unanimous voice vote. Meeting adjourned at 4:34 p.m.