



Ready to Retire?

Iowa Public Employees' Retirement System

For Members Retiring | Regular



IOWA PERS[®]

Congratulations! You've reached an important milestone: retirement.

As you embark on this exciting time, we're here to help you. This booklet explains your IPERS benefits and walks you through the steps you need to follow to begin the application process.

Remember, your IPERS benefits are only one part of your overall retirement savings. Your total retirement income will come from a combination of your IPERS benefits, Social Security, personal savings, and any other retirement plan benefits.

Eligibility for Benefits

You are eligible for monthly benefits starting at age 55, after you leave all employment with an IPERS-covered employer. (See page 13 for the requirements to earn disability benefits from IPERS.)

You must also be vested to become eligible for retirement benefits. There are a few different ways you can become a vested IPERS member.

Before July 1, 2012, you become vested when:

- You have four years of service, or
- You reach age 55 while in covered employment.



If you were vested under the pre-July 1, 2012, rules as of July 1, 2012, you remain vested. However, if you were not vested as of July 1, 2012, you must qualify under the following rules to become vested.

Beginning July 1, 2012, you become a vested member when:

- You have seven years of service, or
- You reach age 65 while in covered employment.

If you are at least 70 years old and still working for an IPERS-covered employer, you may apply to begin receiving IPERS retirement benefits while still employed. When you stop working, IPERS may adjust your benefit to account for your additional years of service and salary.

SECURE AND DEPENDABLE RETIREMENT BENEFITS

No hassle, no risk—guaranteed! IPERS uses a formula to calculate your benefits, providing you with guaranteed lifetime retirement benefits. Your benefits aren't tied to the performance of the stock market, so you don't have to worry about riding out the bumps in the market. IPERS takes on all the investment risk, providing you with retirement benefits you can depend on.

This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available on the IPERS website.

Your Benefit Amount

YOUR IPERS BENEFIT AMOUNT IS:

- Based on your individual factors.
- Affected by early retirement.
- Guaranteed for life.

WHAT IS NORMAL RETIREMENT AGE?

Normal retirement age, when an **early-retirement reduction** no longer applies, is one of the following (whichever comes first):

- **Age 65**
- Age 62 if you have 20 or more years of service (**Rule of 62/20**)
- When your years of service plus your age equals or exceeds 88 (**Rule of 88**)

The formula used to calculate your annual IPERS benefit consists of:

- **YOUR AVERAGE SALARY.**
- **A MULTIPLIER.**
- **AN EARLY-RETIREMENT REDUCTION,** only if you don't meet normal retirement age when you start receiving benefits.

IPERS Benefit Calculation

$$\begin{array}{l} \text{Average Salary} \\ \times \text{Multiplier} \\ - \text{Reduction, If Any} \end{array}$$

Your Annual IPERS Benefit

Your **average salary** is the average of your highest three years' wages as of June 30, 2012.

If you continue working in IPERS-covered employment after June 30, 2012, your average salary will not increase again until your highest five-year

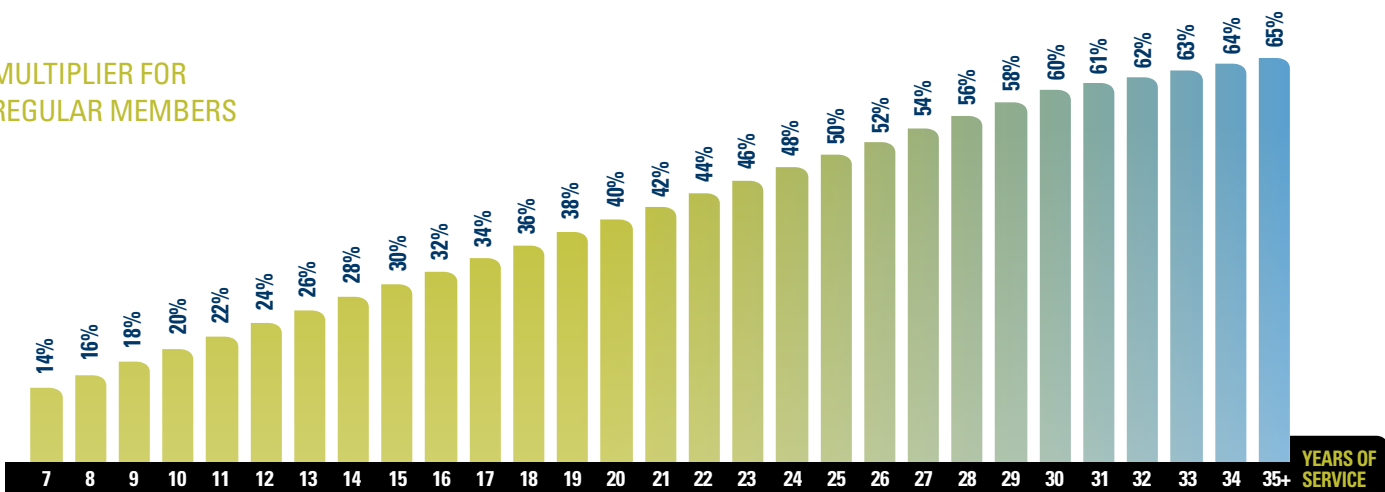
average surpasses your June 30, 2012, three-year average. When that occurs, your average salary will become your highest five-year average.

IPERS tests your earnings for wage spiking, to prevent overpaying your benefits. Your average salary will be decreased if wage spiking has occurred.

If you choose to begin receiving benefits before normal retirement age, a permanent **early-retirement reduction** will apply to your benefit. For service earned before July 1, 2012, the reduction is 0.25 percent for each month (or 3 percent a year) that you receive benefits before your earliest normal retirement age. For service earned after June 30, 2012, the reduction is 0.5 percent for each month (or 6 percent a year) that you receive benefits before age 65.

Your **multiplier** increases with every year you work in IPERS-covered employment. Purchasing IPERS service also increases your multiplier. The maximum multiplier is 65 percent.

MULTIPLIER FOR REGULAR MEMBERS



Calculation Examples



Retirement benefits in the following examples are calculated under Option 2. The amounts will be adjusted if another option is chosen.

EXAMPLE 1:

Average Salary Comparison

When Jane retires in January 2014, her highest five-year average salary over her entire career is more than her highest three-year average salary at June 30, 2012.

Because Jane's five-year average is more than her June 30, 2012, snapshot of her highest three-year average, the five-year average is used in the benefit formula.

Jane has worked in IPERS-covered employment for 23 years. She retires at age 64, after she has reached normal retirement age.

\$53,048.00	<i>Average salary</i>
× 46%	<i>Multiplier from years of service</i>
<hr/>	
\$24,402.08	<i>Jane's annual benefit</i>

Jane's earnings*

SNAPSHOT OF HIGHEST THREE-YEAR AVERAGE SALARY AT JUNE 30, 2012

2010	\$51,900
2011	\$53,086
2012[†]	\$53,900
<hr/>	
	\$52,962

HIGHEST FIVE-YEAR AVERAGE SALARY OVER ENTIRE CAREER

2009	\$50,046
2010	\$51,900
2011	\$53,086
2012	\$54,476
2013	\$55,732
<hr/>	
	\$53,048



*Years are measured January 1–December 31 unless otherwise noted.

[†]First half of 2012 (January 1–June 30), plus two quarters' worth of Jane's 2009 average quarterly salary.

Calculation Examples



EXAMPLE 2:

Retirement Benefits Payable Before Normal Retirement Age

In December 2014, Steve is 61 years old and has 26½ years of service. His average salary is \$54,000.

Because he is retiring before meeting normal retirement age, his benefits will be reduced. The reduction amount will be increased for all service Steve earned after June 30, 2012.

A 3-percent-a-year early-retirement reduction from Steve's nearest normal retirement applies to the 24 years of service he earned before July 1, 2012. Because Steve has more than 20 years of service, his nearest normal retirement is age 62. Steve's early-retirement reduction for his service before July 1, 2012, is 3 percent \times 1 year = 3 percent.

\$54,000.00	Average salary
\times 48%	Multiplier for service before July 1, 2012
– \$777.60	Early-retirement reduction (3% \times 1 year)

\$25,142.40 *Benefit earned before July 1, 2012*

A 6-percent-a-year early-retirement reduction from age 65 applies to the 2½ years of service Steve has earned since July 1, 2012. He is 4 years from age 65. His early-retirement reduction for his service after June 30, 2012, is 6 percent \times 4 years = 24 percent.

\$54,000	Average salary
\times 5%	Multiplier for service after June 30, 2012
– \$648	Early-retirement reduction of (6% \times 4 years)

\$2,052 *Benefit earned after June 30, 2012*

When Steve retires in December 2014, his annual benefit is:

\$25,142.40	From service before July 1, 2012
+ \$2,052.00	From service after June 30, 2012
\$27,194.40	Steve's annual benefit

EXAMPLE 3 (CONTINUED FROM EXAMPLE 2):

Retirement Benefits Payable at Normal Retirement Age

If Steve waited until June 2015 to retire, he would still be 61 years old and he would have 27 years of service. He now meets the Rule of 88.

\$54,000	Average salary
\times 54%	Multiplier from years of service
– \$0	No reduction
\$29,160	Steve's annual benefit

By working six more months, Steve could increase his benefit by \$1,965.60 a year, or \$163.80 each month. If Steve collects his monthly benefit for 20 years, he can increase his lifetime benefit by \$39,312 by delaying his retirement only six months.

These examples are for illustrative purposes only. Your benefits may be different depending on your employer, length of service, covered wages, and the payment option you choose at retirement.

Service Credits

Purchasing Service

You may want additional service to help you increase your retirement benefits. Vested members can purchase service after meeting certain requirements.

You may be able to purchase service for:

- Previous IPERS-covered employment for which you took an **IPERS refund**.
- Certain **leaves of absence** from IPERS-covered employment.
- Previous employment with **optional IPERS coverage** that you elected out of.
- U.S. **military** active duty.
- Previous U.S. **public employment**.
- Most types of **private-sector employment**.
- Time when you were **not employed**.

Free Service Credit

You may be entitled to free service credit for military service and leaves qualified under the Family Medical Leave Act. See the IPERS “Purchasing Service” booklet for more information.

“I recently received an estimate of my benefit under the different payment options. My IPERS benefits will definitely help me have a financially secure retirement.”

—IPERS MEMBER BEGINNING RETIREMENT PROCESS



Your Payment Options

WHEN SELECTING A PAYMENT OPTION, YOU SHOULD CONSIDER:

- What your expenses will be after you retire.
- The type of death benefit you want your beneficiary to receive.

Death benefits can be either lump-sum or monthly benefits, depending on the option you choose, your beneficiary(ies), and other circumstances such as your date of death and your beneficiary's date of death.

You select your option on your benefit application. If you are married, your spouse needs to consent in writing to your choice. You cannot change your

decision after your first benefit payment is issued. No matter which option you choose, monthly benefits are paid to you for life if you are vested and your monthly benefit under Option 2 would be at least \$50.

The table below gives an example of each option. Your personal situation may vary.

Payment Option	Description	Important to Note
1 Annuity With Fixed Lump-Sum Survivor Benefit	Monthly benefit for life. You specify an amount, in \$1,000 increments, to be paid in a lump sum to your beneficiary when you die.	<ul style="list-style-type: none"> • After retirement, you cannot change the death benefit amount. • The death benefit amount cannot exceed your total contributions plus interest.
2 Annuity With Variable Decreasing Lump Sum	Monthly benefit for life. After your death, your beneficiary receives the difference between the retirement benefits you received and your total contributions plus interest.	<ul style="list-style-type: none"> • A death benefit is not guaranteed. • Once you have received monthly benefits adding up to the amount of your contributions plus interest, no death benefit will be payable to your beneficiary(ies).
3 Single Life Annuity	Monthly benefit for life.	<ul style="list-style-type: none"> • After your death, no further benefits are payable.
4 100%, 75%, 50%, or 25% Joint and Survivor Annuity	Monthly benefit for life. After your death, your beneficiary receives 100%, 75%, 50%, or 25% of your monthly benefit for life.	<ul style="list-style-type: none"> • Restrictions on percentages apply if your beneficiary is not your spouse and is more than 10 years younger than you. • You cannot change your beneficiary after IPERS has made your first monthly payment.
5 120-Month Term Certain Annuity	Monthly benefit for life. If you die before receiving 120 payments, your beneficiary begins receiving a monthly benefit (otherwise, no further benefits payable).	<ul style="list-style-type: none"> • If you designate only one person as your beneficiary, your beneficiary receives the same monthly benefit for 120 months minus the number of payments you received. • If you designate more than one person, a trust, or an estate as your beneficiary, payment is made in a lump sum equivalent to the value of the remaining monthly payments as of your date of death. • Must be under age 90 to elect this option.
6 100%, 75%, 50%, or 25% Joint and Survivor Annuity With Pop-Up Annuity	Monthly benefit for life. After your death, your beneficiary receives 100%, 75%, 50%, or 25% of your monthly benefit for life.	<ul style="list-style-type: none"> • Restrictions on percentages apply if your beneficiary is not your spouse and is more than 10 years younger than you. • If your beneficiary dies before you, your benefit pops up to what it would have been under Option 2. You may designate a new beneficiary at this time. • You cannot change your beneficiary after IPERS has made the first monthly payment.

EXAMPLE:

All Benefit Payment Options

Ann starts receiving benefits in November 2014 at age 58, after working in IPERS-covered employment for 25.75 years, with an average salary of \$22,136.36. Her husband is 55 years old. Her IPERS contributions plus interest total \$22,861.

Here's the amount of her benefits under each option.

	Death Benefits Payable to Your Beneficiary		Monthly Benefit Payable to Ann	Death Benefit Payable to Ann's Husband After Ann Dies
	Lump-Sum Benefit	Monthly Benefit		
	Yes.	No.	\$888.45 if Ann selects a \$1,000 death benefit. \$858 if Ann selects a \$22,000 death benefit.	Minimum lump sum: \$1,000 Maximum lump sum: \$22,000
	Maybe.	No.	\$889.52	Lump sum: \$6,849.64 after 18 months. After Ann receives 26 monthly payments, no death benefit will be payable to her husband.
	No.	No.	\$889.90	None.
	No.	Yes, if your beneficiary outlives you.	100% \$801.78 75% \$822.13 50% \$843.55 25% \$866.10	100% \$801.78 75% \$616.60 50% \$421.78 25% \$216.53
	Maybe. If your beneficiary is several people, a trust, or an estate, payments will be made in a commuted lump sum based on today's value of the remaining monthly payments.	Maybe. A monthly benefit can be paid only if you named one beneficiary and received less than 120 payments.	\$876.76	Monthly benefit after 24 months: \$876.76 for 96 months; thereafter, no benefits payable. OR Lump sum: \$64,101.27 if Ann dies after 24 months of benefit payments. (Payable only to multiple beneficiaries, a trust, or an estate.)
	Maybe, if your beneficiary dies before you and any balance remains of your total contributions plus interest.	Yes, if your beneficiary outlives you.	100% \$795.53 75% \$817.20 50% \$840.09 25% \$864.29	100% \$795.53 75% \$612.90 50% \$420.05 25% \$216.07

Applying for Benefits

For a benefit application and estimate, call IPERS at 515-281-0020 or toll-free at 1-800-622-3849.

You must leave employment with all IPERS-covered employers at least one month before you can begin receiving retirement benefits. You may receive your last paycheck the month after you leave employment without affecting the month you are first entitled to a benefit (first month of entitlement). For example, you could leave employment June 30, get your last paycheck July 8, and receive your first benefit at the end of July.

If You Have Reached Age 70

If you are age 70 and still working for an IPERS-covered employer, you may begin to receive retirement benefits while still employed. When you stop working, IPERS may adjust your benefit to account for your additional years of service and salary. If you are no longer employed by an IPERS-covered employer, you *must* begin receiving your retirement benefits by April 1 of the year after the year you turn 70½.

When to File Your Application

To start receiving benefits, you must complete a benefit application. File a completed application 60 days before the month you want benefits to begin in. For example, to start receiving monthly benefits in July, you should file an application in May. An incomplete or late application may delay payment or result in a loss of benefits. An application is not final until it has been reviewed and approved by IPERS.

Small Benefit Cashouts

If the value of your benefit would be less than \$50 a month under Option 2, you will receive a lump-sum payment.

Proof of Birth Date

You must include proof of your birth date with your application. Proof also needs to be submitted for your beneficiary if you choose Option 4 or Option 6. A photocopy of a birth certificate or infant baptismal certificate is preferred. For other acceptable documents to show birth date proof, see the application.

Direct Deposit of Payments

Direct deposit is an easy and safe way to receive your benefits. IPERS electronically transfers funds to your checking or savings account the last business day of each month. This saves you the hassle of depositing your check each month. Direct deposit is free. To participate, complete the direct deposit section of the application and provide a voided check.

Timing of Payments

Benefits are paid the last business day of the month for which the payment is issued. For example, your January payment will be paid the last business day of January.

Your first payment will be based on your earnings through the last quarter for which IPERS-covered wages have been reported by your employer. If subsequent earnings are reported, your benefit will be automatically recalculated and any increase due to you will be paid retroactively.

Important Tax Information

You have choices in how taxes are withheld from your benefits. At least part of your IPERS benefit will be subject to federal income tax and, for Iowa residents, state income tax. All applicants need to complete IRS Form W-4P, which will be included with your benefit application.

Before completing the IRS Form W-4P, you should:

- Consult your tax adviser.
- Review the instructions that accompany the IRS Form W-4P.
- Carefully read the Special Tax Notice and Supplemental Notice.

You can change your withholding after benefits begin at anytime by completing a new IRS Form W-4P.

Benefit Application Checklist

Submit your completed application 60 days before the month you want to begin receiving benefits. Keep these things in mind when applying.

- **Complete all sections of the application.** IPERS will return incomplete applications, which could delay payment or result in a loss of benefits.
- **Include document(s) that prove your birth date.** If you choose Option 4 or 6, you must also prove your beneficiary's birth date.
- **Mark your option choice.**
- **List beneficiary(ies)** for Option 1, 2, 4, 5, or 6.
- **Include a voided check for direct deposit.**
- **Complete IRS Form W-4P**, which will be included with your benefit application.
- **Include all documentation** for disability benefits, if applicable.
- You must **sign the application in front of a notary.** If you are married, your spouse must also sign in front of a notary.



Returning to Work

You may decide to return to work after retirement. It's important to understand how your retirement benefits may be affected, based on:

- Your age.
- The type of employer you work for.
- How much you earn.



What Is a Bona Fide Retirement?

All retirees who begin receiving benefits under age 70 must have a bona fide retirement. To have a bona fide retirement, you must:

- **Apply** for benefits.
- **Leave employment** with all IPERS-covered employers, including noncovered service with covered employers.
- Begin receiving **monthly benefits**.
- **Not work** for any IPERS-covered employers for one month, and not work in covered employment for three additional months.

The bona fide retirement period begins with the first month you receive a benefit. (For example, if your first benefit is paid in January, you can start noncovered employment with a covered employer in February and covered employment in May.) Employment with a noncovered employer can begin or continue at anytime.

It's important to follow bona fide retirement rules; otherwise your benefits could be revoked. You will be required to return all benefits to IPERS if you don't have a bona fide retirement. If you have questions about reemployment, contact IPERS.

Where You Work Makes a Difference

If you are retired and return to work with an employer that is not covered by IPERS, there are no employment restrictions—you can work as soon and as much as you wish with no effect on your IPERS benefits. However, Social Security may have certain income limits that apply to your Social Security benefits.

If you return to work for an IPERS-covered employer after completing your bona fide retirement, there are earnings restrictions you should understand before accepting any employment. The restrictions depend on your age. If you earn more than the amount of the earnings limit, your IPERS benefits will be reduced.

See the "Returning to Work After Retirement" booklet for details on returning to work. It is your responsibility to understand and follow the rules when going back to work.

Your Safety Net

Disability Benefits

If you qualify for disability benefits from IPERS, your benefits can begin before you would normally be eligible for benefits.

Regular Disability Benefits

To qualify for Regular disability benefits, you must:

- Be vested.
- Have ended all IPERS-covered employment.
- Be receiving federal Social Security or Railroad Retirement disability benefits.
- Apply for benefits. You must indicate on your application for IPERS retirement benefits that you are retiring because of a disability.

Death Benefits

*If You Die **Before** You Start Receiving Benefits*

IPERS provides death benefits if you die before beginning to receive your IPERS benefits. How IPERS pays out the benefits depends on how you designate your beneficiary(ies).

- If you designate only one person as your beneficiary, he or she may choose between a lump-sum payment or a lifetime monthly payment, when eligible (provided the monthly benefit would be \$50 or more).
- If you designate more than one person or an estate, trust, church, charity, or other similar organization as a beneficiary, your beneficiary(ies) will receive only a lump-sum payment.

*If You Die **After** You Start Receiving Benefits*

Your beneficiary(ies) may receive a death benefit if you die after retirement, depending on the payment option you choose when you apply for benefits. See pages 8–9 for details.



Notes

Questions? *Contact us.*

info@ipers.org
www.ipers.org

515-281-0020
1-800-622-3849 (toll-free)
7:30 a.m.–5 p.m. Central Time
Monday–Friday

Fax: 515-281-0053

OFFICE HOURS

8 a.m.–4:30 p.m. Central Time
Monday–Friday
7401 Register Drive
Des Moines, IA 50321

MAILING ADDRESS

P.O. Box 9117
Des Moines, IA 50306-9117

Retirement Checklist

As you plan for retirement, keep these things in mind.

- **Keep your address updated with IPERS.** Your employer does not tell IPERS when you move.
- **Review and update your beneficiary designation.** Everyone must complete a new beneficiary designation when applying for benefits—unless you select Option 3. To change your beneficiary before you apply, fill out an *Enrollment/Beneficiary Designation* form. You can check your current beneficiary designation by logging in to My Account at www.ipers.org.
- **Request a benefit estimate.** The estimate will show your estimated retirement benefit and death benefit payable under each option. It may also help you decide when to retire.
- **Meet with an IPERS representative.** Retirement planning sessions are held periodically across Iowa and in our Des Moines office. Call IPERS to schedule an appointment.
- **Consider a service purchase.** If you are considering purchasing service, call IPERS as soon as possible. Service purchases can take several months to complete.
- **Tell your beneficiary to contact IPERS as soon as possible after your death.** This will help ensure timely processing of any benefits.
- **Visit www.ipers.org.** Our website provides benefits summaries, retirement planning tools, and forms. You can also register for My Account to access your account information online at anytime.



Working Today for Your Tomorrow