



Ready to Retire?

Iowa Public Employees' Retirement System

For Members Retiring | Protection Occupations



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

If you are vested (have at least four years of service in a protection occupation or as a sheriff or deputy) and leave covered employment, you can begin receiving monthly benefits at age 55.

Disability Benefits

If you meet certain conditions, you may receive disability benefits from IPERS at any age. For more information, see the booklet "Understanding Your Disability Benefits" or contact IPERS.

IMPORTANT!

If you are considering switching to a job in IPERS-covered Regular employment, contact IPERS beforehand to discuss how the change will affect your IPERS benefits.

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

WILL YOUR BENEFIT BE REDUCED FOR EARLY RETIREMENT?

If you have always worked as a Special service member, your benefit is not reduced for early retirement. If you have both Special service and Regular service, a hybrid formula may be used to calculate your benefit. Keep reading for more information on calculations for members with both types of service.

The formula used to calculate your annual IPERS benefit includes:

- **YOUR AVERAGE SALARY**
(average of your highest 3 years' salaries).
- **A MULTIPLIER**
(based on your years of service).

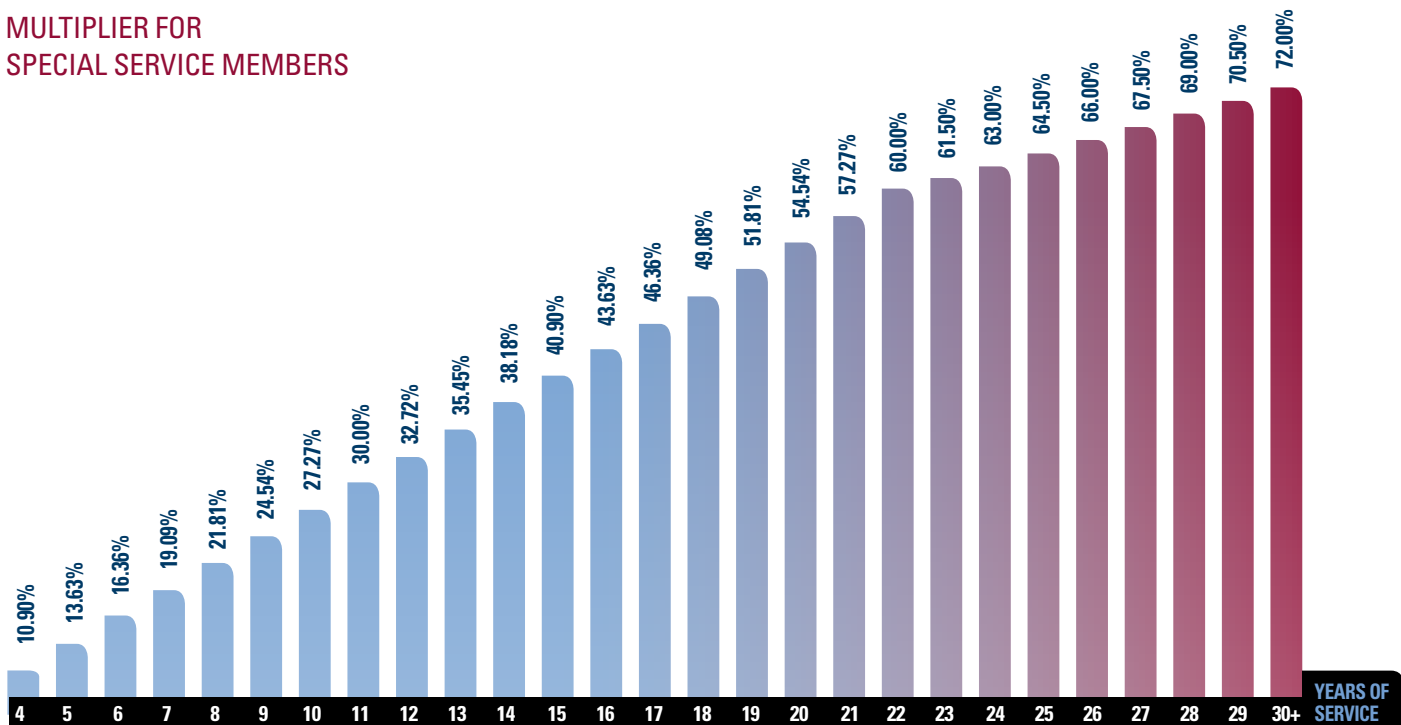
IPERS Benefit Calculation for Special Service Members

$$\begin{array}{l} \text{Average Salary} \\ \times \text{Multiplier} \\ \hline \text{Your Annual IPERS Benefit} \end{array}$$

IPERS will compare your highest 3-year **average salary** to your highest calendar year salary (control-year salary) not being used in the formula. If your highest 3-year average salary is more than 121 percent of your control-year salary, your salary in the benefit formula will be reduced to 121 percent of your control-year salary. Additional rules apply when your control-year salary does not represent a full year of salary.

Your **multiplier** increases with every year you work in IPERS-covered employment. Purchasing IPERS service also increases your multiplier. The maximum multiplier is 72 percent.

MULTIPLIER FOR SPECIAL SERVICE MEMBERS



Calculation Examples



Retirement benefits in the following examples are calculated under Option 2. The amounts will be adjusted if another option is chosen. These calculations use Special service credit only (employment in the protection occupation membership class or the sheriff/deputy membership class, but not in the Regular membership class).

EXAMPLE 1:

Retirement Benefits Calculated With Average Salary

JOE, AGE 55

Joe works for an IPERS-covered employer for 21 years. He retires at age 55, when he qualifies for a normal retirement pension. His highest 3-year average salary is \$51,814.

$$\begin{array}{rcl} \$51,814.00 & \text{Joe's highest 3-year average salary} \\ \times & 57.27\% & \text{Multiplier from years of service} \\ \hline \end{array}$$

\$29,673.88 *Joe's annual benefit*

JOE, AGE 58

If Joe worked another 3 years and retired at age 58 with a highest 3-year average salary of \$55,056, his annual benefit would be as follows.

$$\begin{array}{rcl} \$55,056.00 & \text{Joe's highest 3-year average salary} \\ \times & 63\% & \text{Multiplier from years of service} \\ \hline \end{array}$$

\$34,685.28 *Joe's annual benefit*

Preretirement Death Benefits

If Joe died at age 58 before his benefits started, a lump-sum benefit of \$289,044 would be payable to Joe's beneficiary.

EXAMPLE 2:

Retirement Benefits Calculated With Control-Year Salary

BRENDA, AGE 65

Brenda works for an IPERS-covered employer for 30 years and decides to retire at age 65. Her highest 3-year average salary is \$60,000. Her control-year salary is \$46,000. To find out what to use as Brenda's salary in the benefit formula, IPERS multiplies \$46,000 by 121 percent, which equals \$55,660.

Because \$55,660 is less than \$60,000, IPERS will adjust Brenda's salary used in the benefit formula to \$55,660.

$$\begin{array}{rcl} \$55,660.00 & 121\% \text{ of Brenda's control-year salary} \\ \times & 72\% & \text{Multiplier from years of service} \\ \hline \end{array}$$

\$40,075.20 *Brenda's annual benefit*

Preretirement Death Benefits

If Brenda died before she started receiving her retirement benefits, her beneficiary would be eligible for a death benefit of \$333,960.

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.

If You Have Regular Service in Addition to Special Service

If you have worked in IPERS-covered Special service *and* Regular service, a hybrid formula may be used to calculate your benefit. The hybrid formula cannot be used if you have 30 or more years of Regular service or 22 or more years of Special service. Grandfathered years of Special service (years in which you contributed at Regular rather than Special service

rates while working in a Special service position) are treated as Regular service in this formula.

The hybrid formula takes all of your service (up to the maximums) into account by applying the appropriate multiplier for each membership class to the service you earned in that class. The multiplier for your first 30 years of Regular service is 2 percent for each year. The multiplier for the first 22 years of Special service was shown on the previous page.

The hybrid formula may change the amount of your average salary. Many Regular members' benefits are calculated with the highest five-year average salary.

Your benefits under the hybrid formula will be reduced if you begin receiving them before normal retirement age. An early-retirement reduction will apply *only* to your Regular service credits. Normal retirement age 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 maximum retirement benefit under the hybrid formula is 65 percent of your average salary. The following examples show benefits calculated using the hybrid formula.

About IPERS Membership Classes



IPERS has three membership classes: the Regular membership class (which makes up about 95 percent of the membership), the sheriff/ deputy membership class, and the protection occupation membership class. Sheriffs/deputies and members in protection occupations are known as Special service members. These members work in public safety occupations. Their careers tend to be shorter because of the physical demands of their jobs. There are some differences in the retirement benefits offered to each membership class.

Hybrid Calculation Examples



These examples were calculated without any adjustments for the July 1, 2012, changes in Regular-class benefits. See the Member Handbook for detailed information on the changes to Regular benefits.

EXAMPLE 3:

Retirement Benefits Payable at Normal Retirement Age

NANCY, AGE 62

Nancy works for an IPERS-covered employer for 21 years. During those years, she worked as a Regular-class employee for 6 years and in a protection occupation for 15 years. She retires at age 62, after reaching normal retirement age. Her average salary is \$53,754.

\$53,754.00	Nancy's average salary
× 12%	Multiplier from Regular service

\$6,450.48	Nancy's Regular-class benefit
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\$53,754.00	Nancy's average salary
× 40.90%	Multiplier from Special service

\$21,985.39	Nancy's Special service benefit
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\$6,450.48	Benefit from Regular service
+ \$21,985.39	Benefit from Special service

\$28,435.87	Nancy's annual benefit
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EXAMPLE 4:

Retirement Benefits Payable Before Normal Retirement Age

JACK, AGE 55

Jack works for an IPERS-covered employer for 20 years. During those years, he worked as a Regular-class employee for 10 years and as a police officer for 10 years. He retires at age 55, before he meets normal retirement age. His average salary is \$50,000.

\$50,000	Jack's average salary
× 20%	Multiplier from Regular service
– \$2,100	Early-retirement reduction (3% × 7 years)

\$7,900	Jack's Regular-class benefit
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\$50,000	Jack's average salary
× 27.27%	Multiplier from Special service

\$13,635	Jack's Special service benefit
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\$7,900	Benefit from Regular service
+ \$13,635	Benefit from Special service

\$21,535	Jack's annual benefit
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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 in the Regular membership class that you would like to convert to Special service credit.
- 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-sector employment.
- Most types of private-sector employment.
- Time when you were not employed.

“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

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.



Your Payment Options

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 on pages 10–11 gives an example of each option. Your personal situation may vary.

Options 1–5 have a “level payment” version of the option that you can choose. Level payment options are not listed in the table on pages 10–11.

Level Payment Options

With level payment options, you receive higher IPERS benefits before age 62 and then reduced IPERS benefits after age 62 to provide nearly equal monthly income to you before and after you become eligible for Social Security benefits. If you choose a level payment option, **your IPERS benefits will be permanently reduced** after you become eligible for Social Security benefits at age 62.

If you choose a level payment option, you must provide IPERS with an estimate of what your Social Security benefits will be at age 62 at least 60 days before you want to begin receiving IPERS benefits. The amount of your IPERS benefits will not be recalculated later based on the actual Social Security benefits you receive.

LEVEL PAYMENT OPTIONS

Level payment options provide higher IPERS benefits before age 62 and lower IPERS benefits after age 62 (when you presumably become eligible for Social Security benefits). These options are designed to provide a level retirement income before and after you become eligible for Social Security benefits.

EXAMPLE:

Level Payment Option

Mark, age 55, retires after 22 years of service at an average salary of \$38,000. Assuming he is eligible for an IPERS monthly benefit of \$1,900 and Social Security benefits at age 62 of \$920, here's how his IPERS benefits under Option 2 would be affected if he chooses Level Payment Option 2.

Option 2 (Without Level Payment Option)

	IPERS Benefits	Social Security Benefits	Total Benefits
Before Age 62	\$1,900	\$0	\$1,900
Age 62 and After	\$1,900	\$920	\$2,820

Level Payment Option 2

	IPERS Benefits	Social Security Benefits	Total Benefits
Before Age 62	\$2,397	\$0	\$2,397
Age 62 and After	\$1,477	\$920	\$2,397

Your Payment Options at a Glance

When selecting a payment option, consider:

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

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

Ken retires at the age of 56 and 4 months, after working in IPERS-covered Special service for 20 years, with a highest 3-year average salary of \$42,068.57. His wife is age 57 and 4 months. His IPERS contributions plus interest total \$60,741.71. **Here's the amount of his benefits under each option.**

Death Benefits Payable to Your Beneficiary			
Lump-Sum Benefit	Monthly Benefit	Monthly Benefit Payable to Ken	Death Benefit Payable to Ken's Wife After Ken Dies
Yes.	No.	\$1,913.17	Minimum lump sum: \$1,000 Maximum lump sum: \$60,000 (Ken's monthly benefit would be \$1,819.36.)
Maybe.	No.	\$1,912.02	Lump sum: \$14,853.23 after 2 years. After Ken receives 32 monthly payments, there will not be any death benefit payable to his wife.
No.	No.	\$1,914.76	None.
No.	Yes, if your beneficiary outlives you.	100% \$1,703.60 75% \$1,751.90 50% \$1,803.02 25% \$1,857.21	100% \$1,703.60 75% \$1,313.93 50% \$901.51 25% \$464.30
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.	\$1,881.56	Monthly benefit after 24 months: \$1,881.56 for 96 months; thereafter, no benefits payable. OR Lump sum: \$141,068.25 if Ken dies after 24 months of pension payments.
Maybe, if your beneficiary dies before you and any balance remains of your total contributions plus interest.	Yes, if your beneficiary outlives you.	100% \$1,686.54 75% \$1,738.39 50% \$1,793.53 25% \$1,852.28	100% \$1,686.54 75% \$1,303.79 50% \$896.76 25% \$463.07

Applying for Benefits

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 in which you want benefits to begin. 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.

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

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.
- If you choose a level payment option, **complete the Level Payment Option application** and provide IPERS with an estimate of what your Social Security benefit will be at age 62.
- **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.

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.

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.

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.

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. You may have a choice between two types of disability benefits: Special service disability benefits and Regular disability benefits. See the booklet “Understanding Your Disability Benefits” for more details.

Special Service Disability Benefits

To be eligible for Special service disability benefits, you must:

- Be vested.
- Have disability that began while you were employed in an IPERS-covered Special service job—but not necessarily while you were on duty.
- Leave your IPERS-covered Special service job because of your disability.
- Apply for benefits within one year of leaving IPERS-covered employment.
- Complete a medical exam by the Medical Board of the University of Iowa, unless waived by IPERS.

Regular Disability Benefits

To qualify for Regular disability benefits, you must:

- Be vested.
- Have ended all IPERS-covered employment.
- Be receiving federal Social Security disability 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 on the job, up to \$100,000 of your death benefit may be paid as a line-of-duty death benefit, which means it would be a lump-sum tax-free 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 9–11 for details.

For more information about Special service disability benefits, see the “Understanding Your Disability Benefits” brochure or contact IPERS.

Questions? *Contact us.*

info@ipers.org
www.ipers.org

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

Fax: 515-281-0053

OFFICE HOURS

Monday–Friday
8 a.m.–4:30 p.m. Central Time
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 at anytime.



Working Today for Your Tomorrow