

Sec. 4. Section 96.14, Code Supplement 2007, is amended by adding the following new subsection:

NEW SUBSECTION. 17. EMPLOYER SUBPOENA COST AND PENALTY. An employer who is served with a subpoena pursuant to section 96.11, subsection 7, for the investigation of an employer liability issue, to complete audits, to secure reports, or to assess contributions shall pay all costs associated with the subpoena, including service fees and court costs. The department shall penalize an employer in the amount of two hundred fifty dollars if that employer refused to honor a subpoena or negligently failed to honor a subpoena. The cost of the subpoena and any penalty shall be collected in the manner provided in section 96.14, subsection 3.

Sec. 5. EFFECTIVE DATE. The sections of this Act amending section 96.14 take effect January 1, 2009.

Approved May 15, 2008

CHAPTER 1171

PUBLIC RETIREMENT SYSTEMS AND ANALOGOUS BENEFITS

S.F. 2424

AN ACT concerning public retirement systems and other employee benefit-related matters, including the public safety peace officers' retirement, accident, and disability system, the Iowa public employees' retirement system, the statewide fire and police retirement system, and the judicial retirement system, including implementation and transition provisions, and providing effective and retroactive applicability dates.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I PUBLIC SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM

Section 1. Section 97A.1, subsection 14, Code 2007, is amended by striking the subsection.

Sec. 2. Section 97A.1, subsection 15, Code 2007, is amended to read as follows:

15. "Pensions" shall mean annual payments for life derived from the appropriations provided by the state of Iowa and from contributions of the members which are deposited in the ~~pension accumulation~~ retirement fund. All pensions shall be paid in equal monthly installments.

Sec. 3. Section 97A.5, subsections 3 and 4, Code 2007, are amended to read as follows:

3. COMPENSATION. The trustees shall serve as such without compensation, but they shall be reimbursed from the ~~expense~~ retirement fund for all necessary expenses which they may incur through service on the board.

4. RULES. The board of trustees shall, from time to time, establish such rules not inconsistent with this chapter, for the administration of ~~funds~~ the system and the retirement fund created by this chapter and as may be necessary or appropriate for the transaction of its business.

Sec. 4. Section 97A.5, subsection 6, paragraph a, Code 2007, is amended to read as follows:

a. The department of public safety shall keep in convenient form the data necessary for the actuarial valuation of the ~~various funds of the system~~ and for checking the expense of the system. The commissioner of public safety shall keep a record of all the acts and proceedings of the board, which records shall be open to public inspection. The board of trustees shall biennially make a report to the general assembly showing the fiscal transactions of the system for the preceding biennium, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the system.

Sec. 5. Section 97A.5, subsections 8, 9, 11, and 12, Code 2007, are amended to read as follows:

8. MEDICAL BOARD. The board of trustees shall designate a single medical provider network as the medical board to be composed of three physicians who for the system. The medical board shall arrange for and pass upon ~~the all~~ medical examinations required under the provisions of this chapter and shall report in writing to the board of trustees, its conclusions and recommendations upon all matters duly referred to it. For examinations required because of disability, a physician from the medical board specializing in occupational medicine, and a second physician specializing in an appropriate field of medicine as determined by the occupational medicine physician, shall pass upon the medical examinations required for disability retirements and shall report to the system in writing their conclusions and recommendations upon all matters referred to the medical board. Each report of a medical examination under section 97A.6, subsections 3 and 5, shall include the medical board's findings in accordance with section 97A.6 as to the extent of the member's physical impairment.

9. DUTIES OF ACTUARY. The actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds retirement fund created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

11. ACTUARIAL INVESTIGATION. At least once in each two-year period, the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds retirement fund of the system, and taking into account the results of the investigation and valuation, the board of trustees shall:

a. ~~Adopt~~ adopt for the system, upon recommendation of the system's actuary, such actuarial methods and assumptions, interest rate, and mortality and other tables as shall be deemed necessary;

b. ~~Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8 to conduct the actuarial valuation of the system.~~

12. ANNUAL ACTUARIAL VALUATION.

a. On the basis of the actuarial methods and assumptions, rate of interest, and tables adopted by the board of trustees, the actuary hired by the board of trustees shall make an annual actuarial valuation of the assets and liabilities of the funds of the system retirement fund created by this chapter. As a result of the annual actuarial valuation, the board of trustees shall certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

b. Effective with the fiscal year beginning July 1, 2008, the annual actuarial valuation required to be conducted shall include information as required by section 97D.5.

Sec. 6. Section 97A.5, subsection 13, paragraphs b, c, and d, Code 2007, are amended to read as follows:

b. The funds retirement fund established in section 97A.8 shall be held in trust for the benefit of the members of the system and the members' beneficiaries. No part of the corpus or income of the funds retirement fund shall be used for, or diverted to, purposes other than for the exclusive benefit of the members or the members' beneficiaries or for expenses incurred in

the operation of the ~~funds retirement fund~~. A person shall not have any interest in, or right to, any part of the corpus or income of the ~~funds retirement fund~~ except as otherwise expressly provided.

c. Notwithstanding any provision of this chapter to the contrary, in the event of a complete discontinuance of contributions, for reasons other than achieving fully funded status upon an actuarially determined basis, or upon termination of the ~~funds retirement fund~~ established in section 97A.8, a member shall be vested, to the extent then funded, in the benefits which the member has accrued at the date of the discontinuance or termination.

d. Benefits payable from the ~~funds retirement fund~~ established in section 97A.8 to members and members' beneficiaries shall not be increased due to forfeitures from other members. Forfeitures shall be used as soon as possible to reduce future contributions by the state to the ~~pension-accumulation retirement~~ fund, except that the rate shall not be less than the minimum rate established in section 97A.8.

Sec. 7. Section 97A.5, subsection 14, Code 2007, is amended to read as follows:

14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the ~~funds retirement fund~~ established in section 97A.8.

Sec. 8. Section 97A.6, subsection 7, Code 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. Should a disability beneficiary under age fifty-five be employed in a public safety occupation, the disability beneficiary's retirement allowance shall cease. Notwithstanding any provision of this chapter to the contrary, if a disability beneficiary is employed in a public safety occupation that would otherwise constitute membership service, the disability beneficiary shall not become a member of the system. For purposes of this paragraph, "public safety occupation" means a peace officer, as defined in section 97A.1; a protection occupation, as defined in section 97B.49B; a sheriff or deputy sheriff as defined in section 97B.49C; and a police officer or fire fighter as defined in section 411.1, who was not restored to active service as provided by this subsection.

Sec. 9. Section 97A.6, subsection 11, Code 2007, is amended to read as follows:

11. PENSIONS OFFSET BY COMPENSATION BENEFITS. Any amounts which may be paid or payable by the state under the provisions of any workers' compensation or similar law to a member or to the dependents of a member on account of any disability or death, shall be offset against and payable in lieu of any benefits payable out of ~~funds the retirement fund~~ provided by the state under the provisions of this chapter on account of the same disability or death. In case the present value of the total commuted benefits under said workers' compensation or similar law is less than the ~~pension reserve on present value of~~ the benefits otherwise payable from ~~funds the retirement fund~~ provided by the state under this chapter, then the present value of the commuted payments shall be deducted from the pension reserve ~~payable~~ and such benefits as may be provided by the ~~pension reserve system~~ so reduced shall be payable under the provisions of this chapter.

Sec. 10. Section 97A.7, subsections 1, 2, and 3, Code Supplement 2007, are amended to read as follows:

1. The board of trustees shall be the trustees of the ~~several funds retirement fund~~ created by this chapter as provided in section 97A.8 and shall have full power to invest and reinvest ~~such funds~~ subject to the terms, conditions, limitations, and restrictions imposed by subsection 2 of this section and chapter 12F, and subject to like terms, conditions, limitations, and restrictions said trustees shall have full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities and investments in ~~which any of the funds created herein shall retirement fund which~~ have been invested, as well as of the proceeds of said investments and

any moneys belonging to ~~said funds~~ the retirement fund. The board of trustees may authorize the treasurer of state to exercise any of the duties of this section. When so authorized the treasurer of state shall report any transactions to the board of trustees at its next monthly meeting.

2. ~~The several funds~~ retirement fund created by this chapter may be invested in any investments authorized for the Iowa public employees' retirement system in section 97B.7A.

3. The treasurer of the state shall be the custodian of the ~~several funds~~ retirement fund. All payments from ~~said funds~~ the retirement fund shall be made by the treasurer only upon vouchers signed by two persons designated by the board of trustees. A duly attested copy of the resolution of the board of trustees designating such persons and bearing on its face specimen signatures of such persons shall be filed with the treasurer of state as the treasurer's authority for making payments on such vouchers. No voucher shall be drawn unless it shall previously have been allowed by resolution of the board of trustees.

Sec. 11. Section 97A.8, Code 2007, is amended to read as follows:

97A.8 METHOD OF FINANCING.

There is hereby created as a special fund, separate and apart from all other public moneys or funds of this state, the peace officers' retirement, accident, and disability system retirement fund, hereafter called the "retirement fund". All the assets of the system created and established by this chapter shall be credited according to the purpose for which they are held to one of three funds, namely, the pension accumulation fund, the pension reserve fund, and the expense to the retirement fund.

1. ~~PENSION ACCUMULATION FUND. The pension accumulation fund shall be the fund in which shall be accumulated all All moneys for the payment of all pensions and other benefits payable from contributions made by the state and from which shall be paid the lump-sum death benefits for all members payable from the said contributions shall be accumulated in the retirement fund. The refunds and benefits for all members and beneficiaries shall be payable from the retirement fund.~~ Contributions to and payments from the ~~pension accumulation retirement~~ retirement fund shall be as follows:

a. On account of each member there shall be paid annually into the ~~pension accumulation retirement~~ retirement fund by the state of Iowa an amount equal to a certain percentage of the earnable compensation of the member to be known as the "normal contribution". The rate percent of such contribution shall be fixed on the basis of the liabilities of the retirement system as shown by annual actuarial valuations.

b. ~~(1) On the basis of the actuarial methods and assumptions, rate of interest, and of the mortality, interest, and other tables adopted by the board of trustees, the board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter pursuant to the requirements of section 97A.5 and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all equal to the rate required by the system to discharge its liabilities, stated as a percentage of the earnable compensation of all members, and reduced by the employee contribution made pursuant to rate provided in this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the board of trustees after each valuation. To assist in determining the normal rate of contribution, the board of trustees may adopt a smoothing method for valuing the assets of the system. The smoothing method is designed to reduce changes in the normal contribution rate which could result from fluctuations in the market value of the assets of the system.~~

~~(2) Notwithstanding the provisions of subparagraph (1) to the contrary, the normal contribution rate shall be as follows:~~

- (a) For the fiscal year beginning July 1, 2008, nineteen percent.
- (b) For the fiscal year beginning July 1, 2009, twenty-one percent.
- (c) For the fiscal year beginning July 1, 2010, twenty-three percent.
- (d) For the fiscal year beginning July 1, 2011, twenty-five percent.
- (e) For each fiscal year beginning on or after July 1, 2012, the lesser of twenty-seven percent or the normal contribution rate as calculated pursuant to subparagraph (1).

c. The total amount payable in each year to the ~~pension accumulation~~ retirement fund shall not be less than the rate percent known as the normal contribution rate of the total compensation earnable by all members during the year. However, the aggregate payment by the state shall be sufficient when combined with the amount in the retirement fund to provide the pensions and other benefits payable out of the retirement fund during the then current year.

d. All lump-sum death benefits on account of death in active service payable from contributions of the state shall be paid from the ~~pension accumulation~~ retirement fund.

e. ~~Upon the retirement or death of a member an amount equal to the pension reserve on any pension payable to the member or on account of the member's death shall be transferred from the pension accumulation fund to the pension reserve fund.~~

f. ~~e.~~ Except as otherwise provided in paragraph "h" "~~g~~".

(1) An amount equal to three and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1989.

(2) An amount equal to four and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1990.

(3) An amount equal to five and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1991.

(4) An amount equal to six and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1992.

(5) An amount equal to seven and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1993.

(6) An amount equal to eight and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal period beginning July 1, 1994, through December 31, 1994, and an amount equal to eight and thirty-five hundredths percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal period beginning January 1, 1995, through June 30, 1995.

(7) An amount equal to nine and thirty-five hundredths percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal year beginning July 1, 1995.

(8) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, an amount equal to the member's contribution rate times each member's compensation shall be paid to the ~~pension accumulation~~ retirement fund from the earnable compensation of the member. For the purposes of this subparagraph, the member's contribution rate shall be nine and thirty-five hundredths percent. However, the system shall increase the member's contribution rate as necessary to cover any increase in cost to the system resulting from statutory changes which are enacted by any session of the general assembly meeting after January 1, 1995, if the increase cannot be absorbed within the contribution rates otherwise established pursuant to this paragraph, but subject to a maximum employee contribution rate of eleven and three-tenths percent. After the employee contribution reaches eleven and three-tenths percent, sixty percent of the additional cost of such statutory changes shall be paid by the employer under paragraph "c" and forty percent of the additional cost shall be paid by employees under this ~~paragraph~~ subparagraph (8).

~~g.~~ f. The board of trustees shall certify to the director of the department of administrative services and the director of the department of administrative services shall cause to be deducted from the earnable compensation of each member the contribution required under this subsection and shall forward the contributions to the board of trustees for recording and for deposit in the ~~pension accumulation~~ retirement fund.

The deductions provided for under this subsection shall be made notwithstanding that the minimum compensation provided by law for any member is reduced. Every member is deemed to consent to the deductions made under this section.

~~h.~~ g. Notwithstanding the provisions of paragraph "~~f~~" "e", the following transition percentages apply to members' contributions as specified:

(1) For members who on July 1, 1990, have attained the age of forty-nine years or more, an amount equal to nine and one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the ~~pension accumulation~~ retirement fund for the fiscal period beginning July 1, 1990, through October 15, 1992, and commencing October 16, 1992, and for each subsequent fiscal period, the rates specified in paragraph "~~f~~" "e", subparagraphs (4) through (8), shall apply.

(2) For members who on July 1, 1990, have attained the age of forty-eight years but have not attained the age of forty-nine years, an amount equal to eight and one-tenth percent shall be paid for the fiscal year beginning July 1, 1990, and an amount equal to nine and one-tenth percent shall be paid for the fiscal period beginning July 1, 1991, through October 15, 1992, and commencing October 16, 1992, and for each subsequent fiscal period, the rates specified in paragraph "~~f~~" "e", subparagraphs (4) through (8), shall apply.

(3) For members who on July 1, 1990, have attained the age of forty-seven years but have not attained the age of forty-eight years, an amount equal to seven and one-tenth percent shall be paid for the fiscal year beginning July 1, 1990, an amount equal to eight and one-tenth percent shall be paid for the fiscal year beginning July 1, 1991, and an amount equal to nine and one-tenth percent shall be paid for the fiscal period beginning July 1, 1992, through October 15, 1992, and commencing October 16, 1992, and for each subsequent fiscal period, the rates specified in paragraph "~~f~~" "e", subparagraphs (4) through (8), shall apply.

(4) For members who on July 1, 1990, have attained the age of forty-six years but have not attained the age of forty-seven years, an amount equal to six and one-tenth percent shall be paid for the fiscal year beginning July 1, 1990, an amount equal to seven and one-tenth percent shall be paid for the fiscal year beginning July 1, 1991, an amount equal to eight and one-tenth percent shall be paid for the fiscal period beginning July 1, 1992, through October 15, 1992, and commencing October 16, 1992, and for each subsequent fiscal period, the rates specified in paragraph "~~f~~" "e", subparagraphs (4) through (8), shall apply.

(5) For members who on July 1, 1990, have attained the age of forty-five years but have not attained the age of forty-six years, an amount equal to five and one-tenth percent shall be paid for the fiscal year beginning July 1, 1990, an amount equal to six and one-tenth percent shall be paid for the fiscal year beginning July 1, 1991, and an amount equal to seven and one-tenth percent shall be paid for the fiscal period beginning July 1, 1992, through October 15, 1992. Commencing October 16, 1992, and for each subsequent fiscal period, the rates specified in paragraph "~~f~~" "e", subparagraphs (4) through (8), shall apply.

~~i.~~ h. (1) Notwithstanding paragraph "~~g~~" "f" or other provisions of this chapter, beginning January 1, 1995, for federal income tax purposes, and beginning January 1, 1999, for state income tax purposes, member contributions required under paragraph "~~f~~" "e" or "~~h~~" "g" which are picked up by the department shall be considered employer contributions for federal and state income tax purposes, and the department shall pick up the member contributions to be made under paragraph "~~f~~" "e" or "~~h~~" "g" by its employees. The department shall pick up these contributions by reducing the salary of each of its employees covered by this chapter by the amount which each employee is required to contribute under paragraph "~~f~~" "e" or "~~h~~" "g" and shall certify the amount picked up in lieu of the member contributions to the department of administrative services. The department of administrative services shall forward the amount

of the contributions picked up to the board of trustees for recording and deposit in the ~~pension accumulation~~ retirement fund.

(2) Member contributions picked up by the department under subparagraph (1) shall be treated as employer contributions for federal and state income tax purposes only and for all other purposes of this chapter shall be treated as employee contributions and deemed part of the employee's earnable compensation or salary.

~~2. PENSION RESERVE FUND. The pension reserve fund shall be the fund in which shall be held the reserves on all pensions granted to members or to their beneficiaries and from which such pensions and benefits in lieu thereof shall be paid. Should a beneficiary retired on account of disability be restored to active service and again become a member of the system, the member's pension reserve shall be transferred from the pension reserve fund to the pension accumulation fund. Should the pension of a disability beneficiary be reduced as a result of an increase in the beneficiary's amount earned, the amount of the annual reduction in the beneficiary's pension shall be paid annually into the pension accumulation fund during the period of such reduction.~~

~~3. 2. a. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all All the expenses necessary in connection with the administration and operation of the system shall be paid from the retirement fund. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.~~

~~b. For purposes of this subsection, investment management expenses are limited to the following:~~

~~a. (1) Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this chapter.~~

~~b. (2) Fees and costs for safekeeping fund assets.~~

~~e. (3) Costs for performance and compliance monitoring, and accounting for fund investments.~~

~~d. (4) Any other costs necessary to prudently invest or protect the assets of the fund.~~

Sec. 12. Section 97A.11, Code 2007, is amended to read as follows:

97A.11 CONTRIBUTIONS BY THE STATE.

On or before the first day of November in each year, the board of trustees shall certify to the director of the department of administrative services the amounts which will become due and payable during the year next following to the ~~pension accumulation~~ retirement fund and the ~~expense fund~~. The amounts so certified shall be paid by the director of the department of administrative services out of the funds appropriated for the Iowa department of public safety, to the treasurer of state, the same to be credited to the system for the ensuing year.

Sec. 13. Section 97A.12, Code 2007, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT — EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the ~~various funds~~ retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execu-

tion against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 14. Section 97A.14, Code 2007, is amended to read as follows:

97A.14 HOSPITALIZATION AND MEDICAL ATTENTION.

The board of trustees shall provide hospital, nursing, and medical attention for the members in service when injured while in the performance of their duties and shall continue to provide hospital, nursing, and medical attention for injuries or diseases incurred while in the performance of their duties for the members receiving a retirement allowance under section 97A.6, subsection 6. The cost of hospital, nursing, and medical attention shall be paid out of the ~~expense~~ retirement fund. However, any amounts received by the injured person under the workers' compensation law of the state, or from any other source for such specific purposes, shall be deducted from the amount paid by the board of trustees provisions of this section.

Sec. 15. Section 97A.14A, subsection 5, Code 2007, is amended to read as follows:

5. All funds recovered by the system under this section shall be deposited in the ~~pension accumulation~~ retirement fund created in section 97A.8.

Sec. 16. Section 97A.15, subsection 2, paragraph a, Code 2007, is amended to read as follows:

a. "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to the member's individual account in the annuity savings fund together with regular interest thereon as provided in this subsection. Accumulated contributions do not include any amount deducted from the compensation of a member and credited to the ~~pension accumulation~~ retirement fund.

Sec. 17. Section 97A.15, subsection 8, Code 2007, is amended to read as follows:

8. The actuary shall annually determine the amount required in the annuity reserve fund. If the amount required is less than the amount in the annuity reserve fund, the board of trustees shall transfer the excess funds from the annuity reserve fund to the ~~pension accumulation~~ retirement fund. If the amount required is more than the amount in the annuity reserve fund, the board of trustees shall transfer the amount prescribed by the actuary to the annuity reserve fund from the ~~pension accumulation~~ retirement fund.

DIVISION II
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Sec. 18. Section 97B.1A, subsection 20, paragraph a, Code 2007, is amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by a covered employer immediately prior to entry into the armed forces, and if the any of the following requirements are met:

(1) The employee was released from service and returns to covered employment with an employer within twelve months of the date on which the employee has the right of release from service or within a longer period as required by the applicable laws of the United States.

(2) The employee, while serving on active duty in the armed forces of the United States in an area designated by the president of the United States or the United States Congress as a combat zone or as a qualified hazardous duty area, or deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the United States secretary of defense as a contingency operation as defined in 10 U.S.C. § 101(a)(13), or which became such a contingency operation by the operation of law, dies, or suffers an injury or acquires a disease resulting in death, so long as the death from the injury or disease occurs within a two-year period from the date the employee suffered the active duty injury or disease and the active duty injury or disease prevented the employee from returning to covered employment as provided in subparagraph (1).

Sec. 19. Section 97B.1A, subsection 26, paragraph a, subparagraph (2), subparagraph subdivision (i), Code 2007, is amended to read as follows:

(i) Payments for allowances ~~made to an employee that are not included in an employee's federal taxable income~~ except for those allowances included as wages for a member of the general assembly.

Sec. 20. Section 97B.1A, subsection 26, paragraph a, subparagraph (2), Code 2007, is amended by adding the following new subparagraph subdivision:

NEW SUBPARAGRAPH SUBDIVISION. (n) Bonuses of any type, whether paid in a lump sum or in installments.

Sec. 21. Section 97B.4, subsection 2, Code Supplement 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. In administering this chapter, the system shall not be a participating agency for purposes of chapter 8A, subchapter II.

Sec. 22. Section 97B.4, subsection 4, paragraph d, Code Supplement 2007, is amended to read as follows:

d. ANNUAL VALUATION OF ASSETS. The system shall cause an annual actuarial valuation to be made of the assets and liabilities of the retirement system and shall prepare an annual statement of the amounts to be contributed under this chapter, and shall publish annually such valuation of the assets and liabilities and the statement of receipts and disbursements of the retirement system. Based upon the actuarial methods and assumptions adopted by the board for the annual actuarial valuation, the system shall certify to the governor the contribution rates determined thereby as the rates necessary and sufficient for members and employers to fully fund the benefits and retirement allowances being credited. Effective with the fiscal year beginning July 1, 2008, the annual actuarial valuation required by this paragraph shall include information as required by section 97D.5 for each membership group which separately determines contribution rates under this chapter.

Sec. 23. Section 97B.7, subsection 3, paragraph d, Code 2007, is amended to read as follows:

d. To be used to pay for investment management expenses incurred in the management of the retirement fund. Expenses incurred pursuant to this paragraph shall be charged to the investment income of the retirement fund. ~~However, the amount appropriated for a fiscal year under this paragraph shall not exceed four-tenths of one percent of the market value of the retirement fund.~~

Sec. 24. Section 97B.9, subsections 1 and 2, Code 2007, are amended to read as follows:

1. An employer shall be charged the greater of ~~ten~~ twenty dollars per occurrence or interest at the combined interest and dividend rate required under section 97B.70 for the applicable calendar year for contributions unpaid on the date on which they are due and payable as prescribed by the system. The system may adopt rules prescribing circumstances for which the interest or charge shall not accrue with respect to contributions required. Interest or charges collected pursuant to this section shall be paid into the Iowa public employees' retirement fund.

2. If within thirty days after due notice the employer defaults in payment of contributions or interest thereon, the amount due ~~shall~~ may be collected by civil action in the name of the system, and the employer adjudged in default shall pay the costs of such action. Civil actions brought under this section to collect contributions or interest thereon shall be heard by the court at the earliest possible date and shall be entitled to preference upon the calendar of the court over all other civil actions.

Sec. 25. Section 97B.10, subsection 3, Code 2007, is amended to read as follows:

3. ~~Except as provided in this subsection, interest~~ Interest shall not be paid on credits issued pursuant to this section. ~~However, if a credit for contributions paid prior to an individual's de-~~

cision to elect out of coverage pursuant to section 97B.42A is issued, accumulated interest and interest on dividends as provided in section 97B.70 shall apply. In addition, the system may, at any time, apply accumulated interest and interest dividends as provided in section 97B.70 on any credits issued under this section if the system finds that the crediting of interest is just and equitable.

Sec. 26. Section 97B.11, Code 2007, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

1. Each employer shall deduct from the wages of each member of the retirement system a contribution in the amount of the applicable employee percentage of the covered wages paid by the employer and such additional amount if otherwise required by law, until the member's termination from employment. The contributions of the employer shall be in the amount of the applicable employer percentage of the covered wages of the member and such additional amount if otherwise required by law.

2. ~~For~~ Prior to July 1, 2011, for purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seven-tenths percent plus forty percent of the total additional percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus sixty percent of the total additional percentage.

c. "Total additional percentage" means as follows:

(1) ~~For~~ for the fiscal period beginning July 1, 2007, through June 30, 2011, ~~the total additional percentage for a fiscal year shall be~~ the total additional percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) ~~For~~ For each fiscal year beginning on or after July 1, 2011, the total additional percentage shall be the total additional percentage for the prior fiscal year.

d. "Total comparison percentage" means the percentage rate that the system determines, based upon the most recent actuarial valuation of the retirement system, would be sufficient to amortize the unfunded actuarial liability of the retirement system in ten years.

3. On and after July 1, 2011, for purposes of this section, unless the context otherwise requires:

a. For members in regular service:

(1) "Applicable employee percentage" means the percentage rate equal to forty percent of the required contribution rate for members in regular service.

(2) "Applicable employer percentage" means the percentage rate equal to sixty percent of the required contribution rate for members in regular service.

b. For members in special service in a protection occupation as described in section 97B.49B:

(1) "Applicable employee percentage" means the percentage rate equal to forty percent of the required contribution rate for members described in section 97B.49B.

(2) "Applicable employer percentage" means the percentage rate equal to sixty percent of the required contribution rate for members described in section 97B.49B.

c. For members in special service as a county sheriff or deputy sheriff as described in section 97B.49C:

(1) "Applicable employee percentage" means the percentage rate equal to fifty percent of the required contribution rate for members described in section 97B.49C.

(2) "Applicable employer percentage" means the percentage rate equal to fifty percent of the required contribution rate for members described in section 97B.49C.

d. "Required contribution rate" means that percentage of the covered wages of members in regular service, members described in section 97B.49B, and members described in section 97B.49C, that the system shall, for each fiscal year, separately set for members in each membership category as provided in this paragraph. The required contribution rate for a membership category shall be the contribution rate the system actuarially determines, based upon the

most recent actuarial valuation of the system and using the actuarial methods, assumptions, and funding policy approved by the investment board, is the rate required by the system to discharge its liabilities as a percentage of the covered wages of members in that membership category. However, the required contribution rate set by the system for a fiscal year shall not vary by more than one-half percentage point from the required contribution rate for the prior fiscal year.

Sec. 27. Section 97B.14, Code 2007, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the system for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, ~~if total contributions by both employee and employer amount to one hundred dollars or more each month,~~ and shall be otherwise paid in such manner, at such times, and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the system.

Sec. 28. Section 97B.33, Code 2007, is amended to read as follows:

97B.33 ~~CERTIFICATION TO DIRECTOR~~ PAYMENT TO INDIVIDUALS.

~~Upon final decision of the system, or upon final judgment of any court of competent jurisdiction, that any person is entitled to any payment or payments under this chapter, the system shall certify to the director of the department of administrative services the name and address of the person so entitled to receive such payment or payments, the amount of such payment or payments, and the time at which such payment or payments should be made, and the system, through the director of the department of administrative services, shall make payment in accordance with the certification of the system to the person, provided that where judicial review of the system's decision is or may be sought in accordance with the terms of the Iowa administrative procedure Act, chapter 17A, certification of payment may be withheld pending such review. The director of the department of administrative services shall not be held personally liable for any payment or payments made in accordance with a certification by the system.~~

Sec. 29. Section 97B.34A, subsections 1 and 2, Code 2007, are amended to read as follows:

1. If the total sum to be paid to the minor is less than ~~ten thousand dollars~~ the greater of twenty-five thousand dollars or the maximum amount permitted under section 565B.7, subsection 3, the funds may be paid to an adult as custodian for the minor. The custodian must complete the proper forms as determined by the system.

2. If the total sum to be paid to the minor is equal to or more than ~~ten thousand dollars~~ the amount authorized in subsection 1, the funds must be paid to a court-established conservator. The system shall not make payment until the conservatorship has been established and the system has received the appropriate documentation.

Sec. 30. Section 97B.38, Code 2007, is amended to read as follows:

97B.38 FEES FOR SERVICES.

The system may, by rule, prescribe reasonable fees which may be charged for ~~production costs incurred, including staff time and materials, associated with performing to perform~~ its duties under this chapter for active, inactive, and retired members, beneficiaries, and the general public, ~~where such production costs are more than de minimis,~~ as determined by the system.

Sec. 31. Section 97B.49B, subsection 1, paragraph e, Code 2007, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (9) A jailer or detention officer who performs duties as a jailer,

including but not limited to the transportation of inmates, who is certified as having completed jailer training pursuant to chapter 80B, and who is employed by a county as a jailer.

NEW SUBPARAGRAPH. (10) An employee covered by the merit system as provided in chapter 8A, subchapter IV, whose primary duty is providing security at Iowa national guard installations and facilities and who carries or is licensed to carry a firearm while performing those duties.

NEW SUBPARAGRAPH. (11) An emergency medical care provider who provides emergency medical services, as defined in section 147A.1, and who is not a member of the retirement systems established in chapter 410 or 411.

NEW SUBPARAGRAPH. (12) An investigator employed by a county attorney's office who is a certified law enforcement officer and who is deputized as an investigator for the county attorney's office by the sheriff of the applicable county.

Sec. 32. Section 97B.49B, subsection 3, paragraph a, Code 2007, is amended by striking the paragraph.

Sec. 33. Section 97B.49C, subsection 3, paragraph a, Code 2007, is amended by striking the paragraph.

Sec. 34. Section 97B.49F, subsection 1, paragraph b, subparagraph (2), subparagraph subdivision (b), Code 2007, is amended to read as follows:

(b) The percentage representing the percentage amount the actuary has certified, ~~in the annual actuarial valuation of the retirement system as of June 30 of the year in which the dividend is to be paid,~~ that the fund can absorb without requiring an increase in the employer and employee contributions to the fund. The actuary's certification of such percentage amount shall be based on a comparison of the actuarially required contribution rate for the fiscal year of the dividend adjustment to the statutory contribution rate for that same fiscal year. If the actuarially required contribution rate exceeds the statutory contribution rate for that same fiscal year, the percentage amount shall be zero.

Sec. 35. Section 97B.49H, subsection 3, Code 2007, is amended to read as follows:

3. The system shall annually determine the amount to be credited to the supplemental accounts of active members. The total amount credited to the supplemental accounts of all active members shall not exceed the amount that the system determines, in consultation with the system's actuary, ~~can be absorbed without significantly impacting the funded status of leaves~~ the system fully funded following the crediting of the total amount to the supplemental accounts. The amount to be credited shall not be greater than the amount calculated by multiplying the member's covered wages for the applicable wage reporting period by the supplemental rate. For purposes of this subsection, the supplemental rate is the difference, if positive, between the combined employee and employer statutory contribution rates in effect under section 97B.11 and the normal cost rate of the retirement system as determined by the system's actuary in the most recent annual actuarial valuation of the retirement system. The credits shall be made ~~at least quarterly to each member's account at the time that covered wages are reported for each wage reporting period~~ during the calendar year following a determination that the retirement system ~~does not have an unfunded accrued liability~~ will remain fully funded following the crediting of the total amount to the supplemental accounts. The normal cost rate, calculated according to the actuarial cost method used, is the percent of pay allocated to each year of service that is necessary to fund projected benefits over all members' service with the retirement system.

Sec. 36. Section 97B.50, subsection 2, Code 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. For a vested member who retires from the retirement system due to disability on or after July 1, 2009, and commences receiving disability benefits pursuant to

the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., or the federal Social Security Act, 42 U.S.C. § 423 et seq., the system may require the vested member to certify on an annual basis continued eligibility for disability payments under the federal Railroad Retirement Act or the federal Social Security Act. If the vested member is under the age at which disability benefits are converted under the federal Social Security Act or the federal Railroad Retirement Act to retirement benefits and is no longer eligible for disability payments under either the federal Railroad Retirement Act or the federal Social Security Act, the vested member shall no longer be eligible to receive retirement benefits as provided by this subsection. If the system has paid retirement benefits to the member between the month the member was no longer eligible for payment pursuant to the federal Railroad Retirement Act or the federal Social Security Act and the month the system terminated retirement benefits under this paragraph, the member shall return all retirement benefits paid by the system following the termination of such federal disability benefits, plus interest. The system shall adopt rules pursuant to chapter 17A to implement this paragraph.

Sec. 37. Section 97B.50A, subsection 12, Code 2007, is amended to read as follows:

12. CONTRIBUTIONS. The expenses incurred in the administration of this section by the system shall be paid through contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable 97B.11.

Sec. 38. Section 97B.52, subsection 1, paragraph a, unnumbered paragraphs 1 and 3, Code 2007, are amended to read as follows:

A lump sum payment equal to the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by the applicable denominator. However, a lump sum payment made to a beneficiary under this paragraph due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this paragraph as it appeared in the 1983 Code.

~~Effective July 1, 1978, a method of payment under this paragraph filed with the system by a member does not apply.~~

Sec. 39. Section 97B.53B, Code 2007, is amended to read as follows:

97B.53B ROLLOVERS OF MEMBERS' ACCOUNTS.

1. As used in this section, unless the context otherwise requires, and to the extent permitted by the internal revenue service:

a. "Direct rollover" means a payment by the system to the eligible retirement plan specified by the member or the member's surviving spouse an eligible person.

b. "Eligible person" means any of the following:

(1) The member.

(2) The member's surviving spouse.

(3) The member's spouse or former spouse as an alternate payee under a qualified domestic relations order.

(4) Effective January 1, 2007, the member's nonspouse beneficiaries who are designated beneficiaries as defined by section 401(a)(9)(E) of the federal Internal Revenue Code, as authorized under section 829 of the federal Pension Protection Act of 2006.

c. "Eligible retirement plan" means either, for an eligible person, any of the following retirement plans that accepts can accept an eligible rollover distribution from a member or a member's surviving spouse that eligible person:

(1) An individual retirement account in accordance with section 408(a) of the federal Internal Revenue Code.

(2) An individual retirement annuity in accordance with section 408(b) of the federal Internal Revenue Code.

(3) In addition, an "eligible retirement plan" includes an An annuity plan in accordance with section 403(a) of the federal Internal Revenue Code, or a qualified trust in accordance with

section 401(a) of the federal Internal Revenue Code, that accepts an eligible rollover distribution from a member.

~~(4) Effective January 1, 2002, the term “eligible retirement plan” also includes an annuity contract described in section 403(b) of the federal Internal Revenue Code, and an eligible plan under section 457(b) of the federal Internal Revenue Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that chooses to separately account for amounts transferred into such eligible retirement plan from the system.~~

~~(5) Effective January 1, 2008, a Roth individual retirement account or a Roth individual retirement annuity established under section 408A of the Internal Revenue Code.~~

~~e. d. (1) “Eligible rollover distribution” includes any of the following:~~

~~(a) All or any portion of a member’s account and supplemental account.~~

~~(b) Effective January 1, 2002, after-tax employee contributions, if the plan to which such amounts are to be transferred is an individual retirement account described in federal Internal Revenue Code section 408(a) or 408(b), or is a qualified defined contribution plan described in federal Internal Revenue Code section 401(a) or 403(a), and such plan agrees to separately account for the after-tax amount so transferred.~~

~~(c) A distribution made on behalf of a surviving spouse and to an alternate payee, who is a spouse or former spouse, under a qualified domestic relations order. Effective January 1, 2007, after-tax employee contributions to a qualified defined benefit plan described in federal Internal Revenue Code section 401(a) or 403(a), or a tax-sheltered annuity plan described in federal Internal Revenue Code section 403(b), and such plan agrees to separately account for the after-tax amount so transferred.~~

~~(2) An eligible rollover distribution does not include any of the following:~~

~~(a) A distribution that is one of a series of substantially equal periodic payments, which occur annually or more frequently, made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee’s designated beneficiary, or made for a specified period of ten years or more.~~

~~(b) A distribution to the extent that the distribution is required pursuant to section 401(a)(9) of the federal Internal Revenue Code.~~

~~(c) Prior to January 1, 2002, the portion of any distribution that is not includible in the gross income of the distributee, determined without regard to the exclusion for net unrealized appreciation with respect to employer securities.~~

~~2. Effective January 1, 1993, a member or a member’s surviving spouse An eligible person may elect, at the time and in the manner prescribed in rules adopted by the system and in rules of the receiving retirement plan, to have the system pay all or a portion of an eligible rollover distribution directly to an eligible retirement plan, specified by the member or the member’s surviving spouse, in a direct rollover. However, effective January 1, 2007, if the eligible person is a nonspouse beneficiary as described in subsection 1, paragraph “b”, subparagraph (4), the nonspouse beneficiary may only have a direct rollover of the distribution to an individual retirement account or annuity as described in subsection 1, paragraph “c”, subparagraphs (1), (2), and (5), established for the purpose of receiving the distribution on behalf of the nonspouse beneficiary, and such individual retirement account or annuity will be treated as an inherited individual retirement account or annuity pursuant to section 829 of the federal Pension Protection Act of 2006.~~

Sec. 40. Section 97B.65, Code 2007, is amended to read as follows:

97B.65 REVISION RIGHTS RESERVED — LIMITATION ON INCREASE OF BENEFITS — RATES OF CONTRIBUTION.

1. The right is reserved to the general assembly to alter, amend, or repeal any provision of this chapter or any application thereof to any person, provided, however, that to the extent of the funds in the retirement system the amount of benefits which at the time of any such alteration, amendment, or repeal shall have accrued to any member of the retirement system shall not be repudiated, provided further, however, that the amount of benefits accrued on account

of prior service shall be adjusted to the extent of any unfunded accrued liability then outstanding.

2. An increase in the benefits or retirement allowances provided under this chapter shall not be enacted until after the system's actuary determines that the system is fully funded and will continue to be fully funded immediately following enactment of the increase and the increase can be absorbed within the contribution rates otherwise established for the membership group authorized to receive the increase. However, an increase in the benefits or retirement allowances provided under this chapter may be enacted if the statutory change providing for the increase is accompanied by a change in the employer and employee contribution rates an adjustment in the required contribution rate of the membership group affected that is necessary to support such increase as determined by the system's actuary.

Sec. 41. Section 97B.80C, subsection 1, paragraph a, Code 2007, is amended to read as follows:

a. "Nonqualified service" means service that is not qualified service and includes, but is not limited to, any of the following:

(1) Full-time volunteer public service in the federal peace corps program. Service that is not qualified service.

(2) Public employment comparable to employment covered under this chapter in a qualified Canadian governmental entity that is an elementary school, secondary school, college, or university that is organized, administered, and primarily supported by the provincial, territorial, or federal governments of Canada, or any combination of the same. Any period of time for which there was no performance of services.

(3) Service as described in subsection 1, paragraph "c", subparagraph (2).

Sec. 42. Section 97B.80C, subsection 2, Code 2007, is amended to read as follows:

2. a. A vested or retired member may make contributions to the retirement system to purchase up to the maximum amount of permissive service credit for qualified service as determined by the system, pursuant to Internal Revenue Code section 415(n), and the requirements of this section, and the system's administrative rules.

b. A vested or retired member of the retirement system who has five or more full calendar years of covered wages may make contributions to the retirement system to purchase up to five years a maximum of twenty quarters of permissive service credit for nonqualified service as determined by the system, pursuant to Internal Revenue Code section 415(n), and the requirements of this section, and the system's administrative rules. A vested or retired member must have at least twenty quarters of covered wages in order to purchase permissive service credit for nonqualified service.

c. A vested or retired member may convert regular member service credit to special service credit by payment of the amount actuarially determined as necessary to fund the resulting increase in the member's accrued benefit. The conversion shall be treated as a purchase of qualified service credit subject to the requirements of paragraph "a" if the service credit to be converted was or would have been for qualified service. The conversion shall be treated as a purchase of nonqualified service credit subject to the requirements of paragraph "b" if the service credit to be converted was purchased as nonqualified service credit.

Sec. 43. Section 97B.80C, subsection 3, Code 2007, is amended by adding the following new paragraph:

NEW PARAGRAPH. cc. For a member making contributions for a purchase of permissive service credit for qualified service as described in subsection 1, paragraph "c", subparagraph (1), subparagraph subdivision (h), in which, prior to July 1, 1998, the member received a refund of the member's accumulated contributions and subsequently returned to covered employment as a full-time employee for whom coverage under this chapter was mandatory the member shall receive a credit against the actuarial cost of the service purchase equal to the

amount of the member's employer's accumulated contributions which were not paid to the member as a refund pursuant to section 97B.53 plus interest as calculated pursuant to section 97B.70.

Sec. 44. Section 97B.82, subsection 2, paragraph b, subparagraph (2), subparagraph subdivision (c), Code 2007, is amended to read as follows:

(c) ~~The For rollover service purchases prior to January 1, 2007, the~~ portion of any distribution that is not includible in the gross income of the distributee, determined without regard to the exclusion for net unrealized appreciation with respect to employer securities.

For rollover service purchases on or after January 1, 2007, the portion of any distribution that is not includible in the gross income of the distributee, determined without regard to the exclusion for net unrealized appreciation with respect to employer securities, shall be treated as an eligible rollover distribution only when such portion is received from a qualified plan under section 401(a) or 403(a) of the federal Internal Revenue Code.

Sec. 45. Section 97B.82, subsection 3, Code 2007, is amended to read as follows:

3. A member may purchase any service credit as authorized by this section, to the extent permitted by the internal revenue service, by means of a direct transfer, ~~excluding of pretax amounts, and effective January 1, 2007,~~ any after-tax contributions, from an annuity contract qualified under federal Internal Revenue Code section 403(b), or an eligible plan described in federal Internal Revenue Code section 457(b), maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. A direct transfer is a trustee-to-trustee transfer to the retirement system of contributions made to annuity contracts qualified under federal Internal Revenue Code section 403(b) and eligible governmental plans qualified under federal Internal Revenue Code section 457(b) for purposes of purchasing service credit in the retirement system.

Sec. 46. Section 97B.73B, Code 2007, is repealed.

Sec. 47. TRANSITION PROVISION — REQUIRED CONTRIBUTION RATE FOR FISCAL YEAR 2010-2011. For purposes of establishing the required contribution rate for the fiscal year beginning July 1, 2011, as provided in section 97B.11, as amended in this Act, the required contribution rate for the fiscal year beginning July 1, 2010, shall be, for members in regular service, members described in section 97B.49B, and members described in section 97B.49C, the total contribution percentage rate paid by members and employers of that membership group for the fiscal year beginning July 1, 2010.

Sec. 48. IMPLEMENTATION PROVISION. Notwithstanding any provision of section 97B.65 to the contrary, the provisions of this division of this Act shall be enacted and implemented by the Iowa public employees' retirement system upon the effective dates provided for the provisions of this division of this Act.

Sec. 49. EFFECTIVE DATES — RETROACTIVE APPLICABILITY.

1. The sections of this Act amending section 97B.49B, subsection 3, section 97B.49C, subsection 3, section 97B.50A, subsection 12, and section 97B.65 take effect July 1, 2011.

2. The section of this Act amending section 97B.53B, being deemed of immediate importance, takes effect upon enactment, and, except as otherwise stated, is retroactively applicable to January 1, 2007, and is applicable on and after that date.

3. The sections of this Act amending section 97B.82, being deemed of immediate importance, take effect upon enactment, and are retroactively applicable to January 1, 2007, and are applicable on and after that date.

4. The section of this Act enacting section 97B.80C, subsection 3, paragraph cc, takes effect January 1, 2009.

DIVISION III
STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 50. Section 411.5, subsections 10 and 11, Code 2007, are amended to read as follows:

10. ACTUARIAL INVESTIGATION — TABLES — RATES. At least once in each five-year period, the actuary shall make an actuarial investigation into the mortality, service, and compensation experience of the members and beneficiaries of the retirement system, and the interest and other earnings on the moneys and other assets of the retirement system, and shall make a valuation of the assets and liabilities of the fire and police retirement fund, and on the basis of the results of the investigation and valuation, the system shall do all of the following:

~~a. Adopt~~ adopt for the retirement system such actuarial methods and assumptions, interest rate, and mortality and other tables as are deemed necessary to conduct the annual actuarial valuation of the system.

~~b. Certify the rates of contribution payable by the cities in accordance with section 411.8.~~

~~c. Certify the rates of contributions payable by the members in accordance with section 411.8.~~

11. ANNUAL ACTUARIAL VALUATION.

~~a. On the basis of the actuarial methods and assumptions, rate of interest and tables adopted, the actuary shall make an annual valuation of the assets and liabilities of the fire and police retirement fund created by this chapter. As a result of the annual actuarial valuation, the system shall do all of the following:~~

~~(1) Certify the rates of contribution payable by the cities in accordance with section 411.8.~~

~~(2) Certify the rates of contributions payable by the members in accordance with section 411.8.~~

b. Effective with the fiscal year beginning July 1, 2008, the annual actuarial valuation required to be conducted shall include information as required by section 97D.5.

Sec. 51. Section 411.8, subsection 1, paragraph b, Code 2007, is amended to read as follows:

~~b. On the basis of the actuarial methods and assumptions, rate of interest, and of the mortality, interest and other tables adopted by the system, the actuary engaged by the system to make each valuation required by this chapter pursuant to the requirements of section 411.5, shall immediately after making such valuation, determine the "normal contribution rate". Except as otherwise provided in this lettered paragraph, the normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted, all equal to the rate required by the system to discharge its liabilities, stated as a percentage of the earnable compensation of all members, and reduced by the employee contribution made pursuant to rate provided in paragraph "f" of this subsection and the contribution rate representing the state appropriation made as provided in section 411.20. However, the normal rate of contribution shall not be less than seventeen percent.~~

~~Beginning July 1, 1996, and each fiscal year thereafter, the normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted, multiplied by six-tenths, or seventeen percent, whichever is greater.~~

The normal rate of contribution shall be determined by the actuary after each valuation.

Sec. 52. NEW SECTION. 411.10 PURCHASE OF SERVICE CREDIT FOR MILITARY SERVICE.

1. An active member of the system who has been a member of the retirement system five or more years may elect to purchase up to five years of service credit for military service, other

than military service required to be recognized under Internal Revenue Code section 414(u) or under the federal Uniformed Services Employment and Reemployment Rights Act, that will be recognized by the retirement system for purposes of calculating a member's benefit, pursuant to Internal Revenue Code section 415(n) and the requirements of this section.

2. a. A member seeking to purchase service credit pursuant to this section shall file a written application with the system requesting an actuarial determination of the cost of a purchase of service credit. Upon receipt of the cost estimate for the purchase of service from the system, the member may make contributions to the system in an amount equal to the actuarial cost of the service credit purchase.

b. For purposes of this subsection, the actuarial cost of the service credit purchase is an amount determined by the system in accordance with actuarial tables, as reported to the system by the system's actuary, which reflects the actuarial cost necessary to fund an increased retirement allowance resulting from the purchase of service credit.

3. The system shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

4. The board of trustees shall adopt rules providing for the implementation and administration of this section.

Sec. 53. Section 411.15, Code 2007, is amended to read as follows:

411.15 HOSPITALIZATION AND MEDICAL ATTENTION.

Cities shall provide hospital, nursing, and medical attention for the members of the police and fire departments of the cities, when injured while in the performance of their duties as members of such department, and shall continue to provide hospital, nursing, and medical attention for injuries or diseases incurred while in the performance of their duties for members receiving a retirement allowance under section 411.6, subsection 6. Cities may provide fund the cost of the hospital, nursing, and medical attention required by this section through the purchase of insurance, by self-insuring the obligation, or through payment of moneys into a local government risk pool established for the purpose of covering the costs associated with the requirements of this section. However, the cost of the hospital, nursing, and medical attention required by this section shall not be funded through an employee-paid health insurance policy. The cost of providing the hospital, nursing, and medical attention required by this section shall be paid from moneys held in a trust and agency fund established pursuant to section 384.6, or out of the appropriation for the department to which the injured person belongs or belonged; provided that any amounts received by the injured person under the workers' compensation law of the state, or from any other source for such specific purposes, shall be deducted from the amount paid by the city under the provisions of this section.

DIVISION IV
JUDICIAL RETIREMENT SYSTEM

Sec. 54. Section 602.9104, subsection 1, paragraph b, Code 2007, is amended to read as follows:

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

Sec. 55. Section 602.9104, subsection 4, paragraphs b, c, d, and e, Code 2007, are amended to read as follows:

b. "Fully funded status" means that the most recent actuarial valuation reflects that, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, the funded status of the system is at least ninety one hundred percent, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2006.

c. "Judge's required contribution" means an amount equal to the basic salary of the judge multiplied by the following applicable percentage:

(1) ~~For the fiscal year beginning July 1, 2008, and ending June 30, 2009, seven and seven-tenths percent.~~

(2) ~~For the fiscal year beginning July 1, 2009, and ending June 30, 2010, eight and seven-tenths percent.~~

(1) ~~(3) For the fiscal year beginning July 1, 2006 2010, and for each subsequent fiscal year until the system attains fully funded status, six percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent nine and thirty-five hundredths percent.~~

(2) ~~(4) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty forty percent of the required contribution rate.~~

d. "Required contribution rate" means that percentage of the basic salary of all judges covered under this article ~~which the actuary of the system determines is necessary, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, to amortize the unfunded actuarial liability of the judicial retirement system within twenty years equal to the actuarially required contribution rate determined by the actuary pursuant to section 602.9116.~~

e. "State's required contribution" means an amount equal to the basic salary of all judges covered under this article multiplied by the following applicable percentage:

(1) ~~For the fiscal year beginning July 1, 2006 2008, and for each subsequent fiscal year until the system attains fully funded status, twenty-three and seven-tenths thirty and six-tenths percent.~~

(2) ~~Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty sixty percent of the required contribution rate.~~

Sec. 56. Section 602.9116, subsection 1, Code Supplement 2007, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104. The court administrator shall adopt actuarial methods and assumptions, mortality tables, and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. In addition, effective with the fiscal year beginning July 1, 2008, the actuarial valuation or actuarial update required to be conducted shall include information as required by section 97D.5. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system, determine the actuarially required contribution rate for each fiscal year which is the rate required by the system to discharge its liabilities, stated as a percentage of the basic salary of all judges covered under this article, and shall report any findings and recommendations to the general assembly.

DIVISION V MISCELLANEOUS PROVISIONS

Sec. 57. Section 8A.438, Code 2007, is amended by striking the section and inserting in lieu thereof the following:

8A.438 TAX-SHELTERED INVESTMENT CONTRACTS.

1. The director may establish a tax-sheltered investment program for eligible employees. The director may arrange for the provision of investment vehicles authorized under sec-

tion 403(b) of the Internal Revenue Code, as defined in section 422.3. The department may offer the tax-sheltered investment program to eligible public employers in the state of Iowa.

2. a. A special, separate tax-sheltered investment revolving trust fund is created in the state treasury under the control of the department. The fund shall consist of all moneys deposited in the fund pursuant to this section, any funds received from other entities in the state of Iowa, and interest and earnings thereon. The director is the trustee of the fund and shall administer the fund. Any loss to the fund shall be charged against the fund and the director shall not be personally liable for such loss.

b. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund.

Sec. 58. Section 55.1, unnumbered paragraph 1, Code 2007, is amended to read as follows:

A person who is elected to a municipal, county, state, or federal office shall, upon written application to the employer of that person, be granted a leave of absence from regular employment to serve in that office except where prohibited by the federal law. The leave of absence may be granted without pay ~~and, except that if a salaried employee takes leave without pay from regular employment for a portion of a pay period, the employee's salaried compensation for that pay period shall be reduced by the ratio of the number of days of leave taken to the total number of days in the pay period.~~ The leave of absence shall be granted without loss of net credited service and benefits earned. This section shall not be construed to require an employer to pay pension, health or other benefits during the leave of absence to an employee taking a leave of absence under this section.

Sec. 59. Section 55.1, unnumbered paragraph 3, Code 2007, is amended to read as follows:

An employee shall not be prohibited from returning to regular employment before the period expires for which the leave of absence was granted. This section applies only to employers which employ twenty or more full-time persons. ~~The leave of absence granted by this section need not exceed six years.~~ The leave of absence granted by this section does not apply to an elective office held by the employee prior to the election.

Sec. 60. Section 97C.21, Code 2007, is amended to read as follows:

97C.21 VOLUNTARY COVERAGE OF ELECTED OFFICIALS.

Notwithstanding any provision of this chapter to the contrary, an employer of elected officials otherwise excluded from the definition of employee as provided in section 97C.2, may, but is not required to, choose to provide benefits to those elected officials as employees as provided by this chapter. Alternatively, the governor may authorize a statewide referendum of the appointed and elected officials of the state and its political subdivisions on the question of whether to include in or exclude from the definition of employee all such positions. This choice shall be reflected in the federal-state agreement described in section 97C.3, and, if necessary, in this chapter. An employer who is providing benefits to elected officials otherwise excluded from the definition of employee prior to July 1, 2002, shall not be deemed to be in an erroneous reporting situation, and corrections for prior federal social security withholdings shall not be required. The implementation of this section shall be subject to the approval of the federal social security administration.

Sec. 61. Section 97D.2, Code 2007, is amended to read as follows:

97D.2 ANALYSIS OF COST OF PROPOSED CHANGES.

When the public retirement systems committee established by section 97D.4 or a standing committee of the senate or house of representatives recommends a proposal for a change in a public retirement system within this state, the committee shall require the development of actuarial information concerning the costs of the proposed change. If the proposal affects police and fire retirement under chapter 411, the committee shall arrange for the services of an actuarial consultant or request actuarial information from the statewide fire and police retirement system created in chapter 411 to assist in developing the information. Actuarial informa-

tion developed as provided under this section concerning the cost of a proposed change shall include information on the effect of the proposed change on the normal cost rate for that public retirement system using the entry age normal actuarial cost method.

Sec. 62. NEW SECTION. 97D.5 PUBLIC RETIREMENT SYSTEMS — ANNUAL ACTUARIAL VALUATIONS — REQUIRED INFORMATION.

1. For purposes of this section, “public retirement system” means the public safety peace officers’ retirement system created in chapter 97A, the Iowa public employees’ retirement system created in chapter 97B, the statewide fire and police retirement system created in chapter 411, or the judicial retirement system created in chapter 602.

2. Effective with the fiscal year beginning July 1, 2008, a public retirement system shall include in each actuarial valuation or actuarial update required to be conducted by that public retirement system the following additional information, all as determined by using the entry age normal actuarial cost method:

a. The actuarially required contribution rate for the public retirement system which is equal to the normal cost rate plus the contribution rate necessary to amortize the unfunded actuarial accrued liability on a level percent of payroll basis over thirty years.

b. The normal cost rate for the public retirement system which shall be determined for each individual member on a level percentage of salary basis and then summed for all members to obtain the total normal cost.

Sec. 63. Section 260C.14, subsection 9, Code 2007, is amended by striking the subsection and inserting in lieu thereof the following:

9. a. The board may establish a plan, in accordance with section 403(b) of the Internal Revenue Code, as defined in section 422.3, for employees, which plan shall consist of one or more investment contracts, on a group or individual basis, acquired from a company, or a salesperson for that company, that is authorized to do business in this state.

b. The selection of investment contracts to be included within the plan established by the board shall be made either pursuant to a competitive bidding process conducted by the board, in coordination with employee organizations representing employees eligible to participate in the plan, or pursuant to an agreement with the department of administrative services to make available investment contracts included in a deferred compensation or similar plan established by the department pursuant to section 8A.438, which plan meets the requirements of this subsection. The determination of whether to select investment contracts for the plan pursuant to a competitive bidding process or by agreement with the department of administrative services shall be made by agreement between the board and the employee organizations representing employees eligible to participate in the plan.

c. The board may make elective deferrals in accordance with the plan as authorized by an eligible employee for the purpose of making contributions to an investment contract in the plan on behalf of the employee. The deferrals shall be made in the manner which will qualify contributions to the investment contract for the benefits under section 403(b) of the Internal Revenue Code, as defined in section 422.3. In addition, the board may make nonelective employer contributions to the plan.

d. As used in this subsection, unless the context otherwise requires, “investment contract” shall mean a custodial account utilizing mutual funds or an annuity contract which meets the requirements of section 403(b) of the Internal Revenue Code, as defined in section 422.3.

Sec. 64. Section 273.3, subsection 14, Code 2007, is amended by striking the subsection and inserting in lieu thereof the following:

14. a. The board may establish a plan, in accordance with section 403(b) of the Internal Revenue Code, as defined in section 422.3, for employees, which plan shall consist of one or more investment contracts, on a group or individual basis, acquired from a company, or a salesperson for that company, that is authorized to do business in this state.

b. The selection of investment contracts to be included within the plan established by the

board shall be made either pursuant to a competitive bidding process conducted by the board, in coordination with employee organizations representing employees eligible to participate in the plan, or pursuant to an agreement with the department of administrative services to make available investment contracts included in a deferred compensation or similar plan established by the department pursuant to section 8A.438, which plan meets the requirements of this subsection. The determination of whether to select investment contracts for the plan pursuant to a competitive bidding process or by agreement with the department of administrative services shall be made by agreement between the board and the employee organizations representing employees eligible to participate in the plan.

c. The board may make elective deferrals in accordance with the plan as authorized by an eligible employee for the purpose of making contributions to the investment contract on behalf of the employee. The deferrals shall be made in the manner which will qualify contributions to the investment contract for the benefits under section 403(b) of the Internal Revenue Code, as defined in section 422.3. In addition, the board may make nonelective employer contributions to the plan.

d. As used in this subsection, unless the context otherwise requires, "investment contract" shall mean a custodial account utilizing mutual funds or an annuity contract which meets the requirements of section 403(b) of the Internal Revenue Code, as defined in section 422.3.

Sec. 65. Section 294.16, Code 2007, is amended by striking the section and inserting in lieu thereof the following:

294.16 INVESTMENT CONTRACTS.

1. The school district may establish a plan, in accordance with section 403(b) of the Internal Revenue Code, as defined in section 422.3, for employees, which plan shall consist of one or more investment contracts, on a group or individual basis, acquired from a company, or a salesperson for that company, that is authorized to do business in this state.

2. The selection of investment contracts to be included within the plan established by the school district shall be made either pursuant to a competitive bidding process conducted by the school district, in coordination with employee organizations representing employees eligible to participate in the plan, or pursuant to an agreement with the department of administrative services to make available investment contracts included in a deferred compensation or similar plan established by the department pursuant to section 8A.438, which plan meets the requirements of this section. The determination of whether to select investment contracts for the plan pursuant to a competitive bidding process or by agreement with the department of administrative services shall be made by agreement between the school district and the employee organizations representing employees eligible to participate in the plan.

3. The school district may make elective deferrals in accordance with the plan as authorized by an eligible employee for the purpose of making contributions to the investment contract on behalf of the employee. The deferrals shall be made in the manner which will qualify contributions to the investment contract for the benefits under section 403(b) of the Internal Revenue Code, as defined in section 422.3. In addition, the school district may make nonelective employer contributions to the plan.

4. As used in this section, unless the context otherwise requires, "investment contract" shall mean a custodial account utilizing mutual funds or an annuity contract which meets the requirements of section 403(b) of the Internal Revenue Code, as defined in section 422.3.

Sec. 66. TRANSITION PROVISIONS — INTERNAL REVENUE CODE SECTION 403(b) PLANS. Notwithstanding any provision of law to the contrary, the investment contracts to be included within a plan established pursuant to section 260C.14, subsection 9, section 273.3, subsection 14, or section 294.16, for the period beginning January 1, 2009, and ending December 31, 2009, shall be investment contracts selected by the department of administrative services from among the investment contracts included in a deferred compensation or similar plan established by the department of administrative services, which plan meets the requirements of section 403(b) of the Internal Revenue Code, as defined in section 422.3, or shall be

from no more than five companies authorized to issue investment contracts as selected by the applicable employer and from no more than three companies authorized to issue investment contracts as selected by, and in the sole discretion of, the employee organizations representing the applicable employer's employees. Selection of companies and investment contracts for a plan shall be made in the best interests of employees eligible to participate in the plan. The determination of whether to select investment contracts for the plan for the period beginning January 1, 2009, and ending December 31, 2009, that are included in a deferred compensation or similar plan established by the department of administrative services or that are selected by the applicable employer and the employee organizations representing the applicable employer's employees, shall be made by an agreement entered into by August 15, 2008, between the applicable employer and the employee organizations representing the applicable employer's employees eligible to participate in the plan. Applicable employers shall have the authority to take such action as deemed necessary to establish, effective January 1, 2009, an eligible plan pursuant to section 260C.14, subsection 9, section 273.3, subsection 14, or section 294.16.

Sec. 67. DEPARTMENT OF ADMINISTRATIVE SERVICES — SELECTION OF INVESTMENT CONTRACT PROVIDERS FOR INTERNAL REVENUE CODE SECTION 403(b) PLANS.

1. The department of administrative services shall establish, by January 1, 2010, a plan, as authorized pursuant to section 8A.438 and in accordance with section 403(b) of the Internal Revenue Code, as defined in section 422.3, for employees, which plan shall consist of one or more investment contracts, on a group or individual basis, acquired from a company, or a salesperson for that company, that is authorized to do business in this state, that is eligible to be utilized as a vendor of investment contracts for plans established pursuant to section 260C.14, subsection 9, section 273.3, subsection 14, or section 294.16.

2. The department of administrative services shall determine which vendors will be authorized to participate under the tax-sheltered investment program established by the department pursuant to section 8A.438. Employee organizations representing employees and employers participating in the programs authorized under sections 8A.433 and 8A.438 shall be allowed to assist the department in this decision, specific only to the initial competitive bid process that will determine the vendors that will be in the program as of January 1, 2010.

3. As used in this section, unless the context otherwise requires, "investment contract" shall mean a custodial account utilizing mutual funds or an annuity contract which meets the requirements of section 403(b) of the Internal Revenue Code, as defined in section 422.3.

Sec. 68. EFFECTIVE DATE.

1. The sections of this division of this Act amending section 260C.14, subsection 9, section 273.3, subsection 14, and section 294.16, take effect January 1, 2009.

2. The section of this division of this Act, enacting transition provisions relating to plans required to meet requirements for Internal Revenue Code section 403(b) plans, being deemed of immediate importance, takes effect upon enactment.

Approved May 15, 2008