

MAR 4 2003  
STATE GOVERNMENT

HOUSE FILE 398

BY KURTENBACH, DIX, ALONS,  
JENKINS, HAHN, BOAL, KRAMER,  
J. K. VAN FOSSEN, DRAKE, and  
EICHHORN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act requiring the establishment of alternative defined  
2 contribution retirement systems for elementary and secondary  
3 school teachers and public hospital employees.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

HF 398

1 Section 1. Section 97B.42, Code 2003, is amended by adding  
2 the following new unnumbered paragraphs:

3 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other  
4 provision of this section, commencing July 1, 2004, a member  
5 who is employed by a school district or area education agency  
6 as an elementary or secondary school teacher may elect  
7 coverage under the eligible alternative retirement benefits  
8 system as provided in section 294.17, in lieu of continuing or  
9 commencing contributions to the Iowa public employees'  
10 retirement system. However, the employer's and employee's  
11 annual contribution in dollars to the eligible alternative  
12 retirement benefits system shall equal, but not exceed, the  
13 annual contribution in dollars which the employer and employee  
14 would contribute if the employee had elected to remain an  
15 active member under this chapter, as set forth in section  
16 97B.11. A member who elects coverage under the eligible  
17 alternative retirement benefits system as provided by this  
18 paragraph may withdraw the member's accumulated contributions  
19 effective when coverage under the eligible alternative  
20 retirement benefits system commences. A member who is  
21 employed by a school district or area education agency as an  
22 elementary or secondary school teacher prior to July 1, 2004,  
23 must file an election for coverage under the eligible  
24 alternative retirement benefits system described in section  
25 294.17, with the division and the employing school district or  
26 area education agency within eighteen months of the first day  
27 on which coverage commences under the eligible alternative  
28 retirement benefits system described in section 294.17, or the  
29 employee shall remain a member under this chapter and shall  
30 not be eligible to elect to participate in the eligible  
31 alternative retirement benefits system at a later date. A  
32 person hired on or after July 1, 2004, by a school district or  
33 area education agency as an elementary or secondary school  
34 teacher must file an election for coverage under the eligible  
35 alternative retirement benefits system with the division and

1 the employing school district or area education agency within  
2 sixty days of commencing employment, or the employee shall  
3 remain a member under this chapter and shall not be eligible  
4 to elect to participate in the eligible alternative retirement  
5 benefits system at a later date. The division shall cooperate  
6 with the state board of education and with applicable school  
7 districts and area education agencies to facilitate the  
8 implementation of this provision.

9 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other  
10 provision of this section, commencing July 1, 2004, a member  
11 who is employed by a public hospital may elect coverage under  
12 the eligible alternative retirement benefits system as  
13 provided in section 347.14 or 392.6, in lieu of continuing or  
14 commencing contributions to the Iowa public employees'  
15 retirement system. However, the employer's and employee's  
16 annual contribution in dollars to the eligible alternative  
17 retirement benefits system shall equal, but not exceed, the  
18 annual contribution in dollars which the employer and employee  
19 would contribute if the employee had elected to remain an  
20 active member under this chapter, as set forth in section  
21 97B.11. A member who elects coverage under the eligible  
22 alternative retirement benefits system as provided by this  
23 paragraph may withdraw the member's accumulated contributions  
24 effective when coverage under the eligible alternative  
25 retirement benefits system commences. A member who is  
26 employed by a public hospital prior to July 1, 2004, must file  
27 an election for coverage under the eligible alternative  
28 retirement benefits system described in section 347.14 or  
29 392.6, with the division and the employing public hospital  
30 within eighteen months of the first day on which coverage  
31 commences under the eligible alternative retirement benefits  
32 system described in section 347.14 or 392.6, or the employee  
33 shall remain a member under this chapter and shall not be  
34 eligible to elect to participate in the eligible alternative  
35 retirement benefits system at a later date. A person hired on

1 or after July 1, 2004, by a public hospital must file an  
2 election for coverage under the eligible alternative  
3 retirement benefits system with the division and the employing  
4 public hospital within sixty days of commencing employment, or  
5 the employee shall remain a member under this chapter and  
6 shall not be eligible to elect to participate in the eligible  
7 alternative retirement benefits system at a later date. In  
8 addition, an election by a member to participate in an  
9 alternative retirement benefits system as provided by this  
10 paragraph shall be irrevocable and the member shall not be  
11 eligible to elect coverage under this chapter while employed  
12 by a public hospital in this state that has made an  
13 alternative retirement benefits system available. The  
14 division shall cooperate with boards of trustees of public  
15 hospitals authorized to offer an eligible alternative  
16 retirement benefits system to facilitate the implementation of  
17 this provision.

18 Sec. 2. Section 256.7, Code 2003, is amended by adding the  
19 following new subsection:

20 NEW SUBSECTION. 26. By July 1, 2004, provide for the  
21 establishment of an eligible alternative retirement benefits  
22 system for elementary and secondary school teachers employed  
23 by a school district or area education agency consistent with  
24 the requirements of section 294.17.

25 Sec. 3. NEW SECTION. 294.17 ELIGIBLE ALTERNATIVE PENSION  
26 AND ANNUITY RETIREMENT SYSTEM.

27 1. The state board of education shall establish an  
28 eligible alternative pension and annuity retirement system,  
29 hereafter called the "retirement system", effective July 1,  
30 2004, for elementary and secondary school teachers employed by  
31 a school district or area education agency pursuant to the  
32 requirements of this section. The state board of education  
33 shall be the plan sponsor of the retirement system and shall  
34 file an application for a favorable determination letter for  
35 the retirement system with the internal revenue service.

1     2. The state board of education shall select a provider of  
2 the retirement system that is a financial institution capable  
3 of providing bundled services for the retirement system,  
4 including, but not limited to, administration, investment  
5 management, employee education, and recordkeeping. In  
6 selecting a provider, the state board of education shall place  
7 primary emphasis on the reasonableness of services in relation  
8 to cost, the ability and experience of the provider in  
9 providing bundled retirement services to the educational  
10 community, the financial stability of the provider, and the  
11 ability of the provider to provide services as required by  
12 this section.

13     3. To be an eligible alternative retirement benefits  
14 system, the retirement system shall meet the following  
15 requirements:

16     a. The retirement system shall be an employer-sponsored  
17 defined contribution plan requiring mandatory employer  
18 contributions that meet the requirements of section 401(a) of  
19 the Internal Revenue Code.

20     b. The employer's and employee's annual contribution in  
21 dollars under an eligible alternative retirement benefits  
22 system described in this section shall equal, but not exceed,  
23 the annual contribution in dollars which the employer and  
24 employee would contribute if the employee had elected to  
25 remain an active member pursuant to the Iowa public employees'  
26 retirement system, as set forth in section 97B.11.

27 Contributions under the retirement system shall be treated in  
28 the same manner as contributions under the Iowa public  
29 employees' retirement system are treated pursuant to section  
30 97B.11A.

31     c. Employer and employee contributions under the  
32 retirement system shall be fully vested immediately.

33     d. Upon termination of employment as an elementary or  
34 secondary school teacher employed by a school district or area  
35 education agency, the teacher shall be eligible to receive a

1 benefit payable in at least any of the following forms:

2 (1) Payment of all or part of the teacher's account  
3 balance in the retirement system in a lump sum.

4 (2) Payment based on the teacher's account balance in the  
5 retirement system in monthly, quarterly, or annual  
6 installments over a fixed reasonable period of time, not  
7 exceeding the life expectancy of the teacher and the teacher's  
8 beneficiary, if applicable.

9 (3) Payment based on the teacher's account balance in the  
10 form of a single life or joint life and survivorship annuity.

11 4. Persons employed by a school district or area education  
12 agency as an elementary or secondary school teacher on or  
13 after July 1, 2004, may elect coverage under the retirement  
14 system established in this section in lieu of coverage under  
15 the Iowa public employees' retirement system, pursuant to the  
16 requirements of section 97B.42.

17 Sec. 4. Section 347.14, Code 2003, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 17. Provide an eligible alternative  
20 retirement benefits system offered through the county hospital  
21 pursuant to this subsection which is issued by or through an  
22 insurance company authorized to issue annuity contracts in  
23 this state for persons employed by the county hospital in lieu  
24 of coverage under the Iowa public employees' retirement  
25 system. For purposes of this paragraph, "eligible alternative  
26 retirement benefits system" means an employer-sponsored  
27 primary pension plan requiring mandatory employer  
28 contributions that meets the requirements of section 401(a),  
29 401(k), 403(a), or 403(b) of the Internal Revenue Code.

30 Sec. 5. Section 392.6, Code 2003, is amended by adding the  
31 following new unnumbered paragraph:

32 NEW UNNUMBERED PARAGRAPH. The board of trustees may  
33 provide an eligible alternative retirement benefits system  
34 offered through the city hospital pursuant to this paragraph  
35 which is issued by or through an insurance company authorized

1 to issue annuity contracts in this state for persons employed  
2 by the city hospital in lieu of coverage under the Iowa public  
3 employees' retirement system. For purposes of this paragraph,  
4 "eligible alternative retirement benefits system" means an  
5 employer-sponsored primary pension plan requiring mandatory  
6 employer contributions that meets the requirements of section  
7 401(a), 401(k), 403(a), or 403(b) of the Internal Revenue  
8 Code.

9 **EXPLANATION**

10 This bill provides for the establishment of alternative  
11 retirement benefits to those provided under the Iowa public  
12 employees' retirement system (IPERS) for teachers and  
13 employees of municipal and county hospitals.

14 For teachers, the bill requires the state board of  
15 education to establish an alternative pension and annuity  
16 retirement system for elementary and secondary school teachers  
17 employed by a school district or area education agency. The  
18 bill provides, effective July 1, 2004, that current teachers,  
19 and teachers hired on or after July 1, 2004, have the option  
20 to elect to be covered under IPERS or the alternative  
21 retirement system within a specified time period. The bill  
22 establishes the requirements for the alternative plan for  
23 teachers, including the required payment options following a  
24 participant's retirement. The bill requires that the plan be  
25 an employer-sponsored defined contribution plan and that the  
26 contributions to the plan be the same as the annual  
27 contributions that would have been made to IPERS if the  
28 employee elected to remain in IPERS. The bill provides that  
29 employer and employee contributions are fully vested  
30 immediately. The bill establishes the criteria for selecting  
31 the provider of the alternative retirement system.

32 The bill also authorizes the establishment of an  
33 alternative retirement system for employees of city and county  
34 hospitals which shall be issued by the hospital through an  
35 insurance company authorized to issue annuity contracts in

1 this state. A hospital is not required to establish an  
2 alternative retirement system under the bill. The bill  
3 provides, effective July 1, 2004, that current hospital  
4 employees, and employees hired on or after July 1, 2004, have  
5 the option to elect to be covered under IPERS or the  
6 alternative retirement system if the hospital has established  
7 one. An election to participate in IPERS or the alternative  
8 retirement system is irrevocable as to the employee. The bill  
9 requires that the plan be an employer-sponsored defined  
10 contribution plan and that the contributions to the plan be  
11 the same as the annual contributions that would have been made  
12 to IPERS if the employee elected to remain in IPERS.

13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35