

Senate File 2288 - Introduced

SENATE FILE 2288
BY COMMITTEE ON LOCAL
GOVERNMENT

(SUCCESSOR TO SSB 3140)

A BILL FOR

1 An Act relating to municipal utility retirement systems.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 97B.1A, subsection 8, paragraph a, Code
2 2018, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (11A) Persons with service under this
4 chapter who are employed by a municipal utility, other than a
5 municipal water utility or waterworks, that has established
6 a pension and annuity retirement system for its employees
7 pursuant to chapter 412, and who are covered under this chapter
8 at the time of commencement of employment with the municipal
9 utility.

10 Sec. 2. Section 97B.1A, Code 2018, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 15A. "*Municipal utility*" means a public
13 utility as defined in section 412.5.

14 Sec. 3. Section 97B.42C, Code 2018, is amended to read as
15 follows:

16 **97B.42C Retirement system merger.**

17 A municipal ~~water utility or waterworks~~ that has established
18 a pension and annuity retirement system for its employees
19 pursuant to [chapter 412](#), or a school district that has
20 established a pension and annuity retirement system for its
21 employees pursuant to [chapter 294](#), may adopt a resolution to
22 authorize the merger of its pension and annuity retirement
23 system with and into the Iowa public employees' retirement
24 system. The system is authorized, but is not required, to
25 accept such a proposal. The governing body of the municipal
26 ~~water utility or waterworks~~ or school district and the Iowa
27 public employees' retirement system shall, acting in their
28 fiduciary capacities, mutually determine the terms and
29 conditions of such a merger, including any additional funds
30 necessary to fund the service credits being transferred to the
31 Iowa public employees' retirement system, and either party
32 may decline the merger if they cannot agree on such terms and
33 conditions. The system shall adopt such rules as it deems
34 necessary and prudent to effectuate mergers as provided by this
35 section.

1 Sec. 4. Section 412.4, Code 2018, is amended to read as
2 follows:

3 **412.4 Payments and investments.**

4 The council, board of waterworks trustees, or other board
5 or commission, whichever is authorized by law to manage and
6 operate any such waterworks, or other municipally owned and
7 operated public utility, shall have the right and power to
8 contract with any legal reserve insurance company authorized to
9 conduct its business in the state, or any bank located in Iowa
10 having trust powers for the investment of funds contributed to
11 an annuity or pension system, for the payment of the pensions
12 or annuities provided in such pension or annuity retirement
13 system, and may pay the premiums or make the contribution of
14 such contract out of the fund provided in [section 412.2](#). Funds
15 shall be invested in accordance with the investment policy for
16 the retirement fund, as established by the governing body of
17 the public utility. In establishing the investment policy,
18 the council, board, or commission shall be governed by the
19 standards set forth in [section 97B.7A](#). ~~However, permissible~~
20 ~~investments shall be limited to those investments authorized in~~
21 ~~[section 12B.10, subsection 5](#), and investments in diversified~~
22 ~~commingled investment funds holding only publicly traded~~
23 ~~securities and under the management of an investment advisor~~
24 ~~registered with the federal securities and exchange commission~~
25 ~~under the Investment Advisor Act of 1940. Funds contributed~~
26 ~~to a bank pursuant to such a contract shall be invested in~~
27 ~~the manner prescribed in [section 633.123A](#) or chapter 633A,~~
28 ~~subchapter IV, part 3, and may be commingled with and invested~~
29 ~~as a part of a common or master fund managed for the benefit of~~
30 ~~more than one public utility.~~

31

EXPLANATION

32 The inclusion of this explanation does not constitute agreement with
33 the explanation's substance by the members of the general assembly.

34 This bill relates to municipal utility retirement systems.
35 Code section 97B.1A(8), defining employees for purposes of

1 mandatory membership in the Iowa public employees' retirement
2 system (IPERS), is amended. Currently, the definition of
3 "employee" identifies certain categories of employees who have
4 the ability to opt out of mandatory membership in IPERS under
5 certain circumstances. The bill includes in this category
6 persons with service under IPERS who are also covered under
7 IPERS at the time they commence employment with a municipal
8 utility, other than a municipal water utility or waterworks,
9 that has established its own pension system.

10 Code section 97B.1A is also amended by providing that the
11 term "municipal utility" means a public utility as defined in
12 Code section 412.5.

13 Code section 97B.42C, concerning retirement system mergers,
14 is amended to authorize a merger with IPERS by any municipal
15 utility with a pension system for its employees under
16 Code chapter 412 and not just a municipal water utility or
17 waterworks with a pension system established under Code chapter
18 412.

19 Code section 412.4, concerning investments authorized by a
20 pension system established under Code chapter 412, is amended
21 to eliminate the provision limiting permissible investments
22 to those investments authorized in Code section 12B.10(5)
23 and certain other diversified investment funds. The bill
24 also eliminates a provision prescribing how certain funds
25 contributed to a bank may be invested.