MINUTES

Public Retirement Systems Committee

November 9 and 10, 2011

MEMBERS PRESENT:

Senator John P. (Jack) Kibbie, Co-chair
Senator Jeff Danielson
Senator Steve Kettering
Senator Matthew McCoy
Senator Brad Zaun

Representative Dawn E. Pettengill, Co-chair
Representative Jack Drake
Representative Vicki S. Lensing
Representative Mark Lofgren
Representative Mary Mascher

MEETING IN BRIEF

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Organizational staffing provided by: Ed Cook, Senior Legal Counsel, (515) 281-3994

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I. Procedural Business

Convening and Adjournment. Temporary Co-chairperson Kibbie called the first meeting day of the Public Retirement Systems Committee to order at 10:01 a.m. on November 9, 2011, in the Supreme Court Chamber (Room 103) at the State Capitol. The committee recessed for the day at 2:58 p.m. The second meeting day of the committee commenced at 9:08 a.m. on Thursday, November 10, 2011, and adjourned at 12:12 p.m.

Election and Approval. Upon motion by Representative Mascher, members of the committee elected temporary Co-chairpersons Kibbie and Pettengill as permanent Co-chairpersons of the committee. The proposed rules for the committee were unanimously approved by voice vote. Members of the committee introduced themselves, and Co-chairperson Kibbie introduced members of the legislative staff.

Opening Remarks. Co-chairperson Kibbie expressed the importance of the four public retirement systems in the state of Iowa and noted having worked on this committee in the past. At the outset of the second meeting day, Co-chairperson Pettengill distributed an article entitled “Benefits Help Close Wage Gap Between Public and Private Sector Employees” for subsequent review by committee members. The article asserts that pension contributions and retiree health insurance help close the gap between public and private sector worker compensation.

II. Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Overview. Mr. Dennis Jacobs, Executive Director, MFPRSI, and Mr. Donn Jones and Mr. Glen Gahan, Principals, SilverStone Group, addressed the committee. Mr. Jacobs discussed the history of the MFPRSI which began as 87 individual municipal systems. Mr. Jacobs noted having spent his career working to achieve goals set forth in the initial legislative language creating the combined system.

System Description. Mr. Jacobs discussed the basic retirement formula and the maximum benefit structure and noted that members of the MFPRSI do not pay into Social Security. Mr. Jacobs discussed disability statistics within the MFPRSI and service retirements numbers. The MFPRSI contains both a pension and disability program.

Mr. Jacobs discussed the structure of the current investment portfolio, including real estate, stocks, and other investments. The MFPRSI’s investment return assumption is set at 7.5 percent and the average rate of return since the inception of the system has been 7.8 percent. Mr. Jacobs described the systems asset allocation model, as determined by the MFPRSI board.

He described the challenges facing the system as including achievement of investment returns which surpass the investment return assumption for the plan, restoration of a favorable funding status following the decline in the investment markets in 2007-2008, implementation of federal and state requirements concerning veterans’ reemployment rights, and implementation of a number of complex programs within the MFPRSI.

Mr. Jacobs noted that there are five recommendations for technical statutory changes from the MFPRSI trustees which will be submitted for consideration of the General Assembly.

Actuarial Projections. Mr. Jones provided information relative to the most recent actuarial valuation of the MFPRSI. He discussed present and forecasted future assets, noting contribution rates by members of the MFPRSI and the state. The city contribution rate is the variable within the MFPRSI which fluctuates largely due to investment returns. The MFPRSI has used the aggregate cost actuarial cost method in determining the city contribution rate since the inception of the combined system.

Mr. Jones noted that the 2011 fund valuation was at an 85 percent funding level. These numbers are down from the over 100 percent funding level before the recession, but was higher than the funding ratios during the recession. Mr. Jones then discussed alternative actuarial cost methods including a possible shift to the entry age normal cost method and a 30-year amortization that would initially lower the cities' contribution rate.

Mr. Gahan discussed 20-year cost projections using both the aggregate cost and entry age normal actuarial cost methods. Mr. Gahan noted actual and actuarial rates of return over the course of this period. The period of 2013 through 2014 will see city contribution rate increases due to the amortization of past losses that occurred during the recession. Gradual decreases are expected to bring the city contribution rates down to 17 percent by 2031 using the aggregate cost method.

Mr. Gahan explained that using the entry age normal cost method would initially lower the city contribution rate below the rate as determined by the aggregate cost method, but that using entry age normal method would eventually lead to higher contribution rates in later years.

Committee Discussion. Senator Danielson requested that the MFPRSI provide information on the impact of the reduction in state contributions to the system. Senator Danielson further asked if any changes could be made to better respond to market fluctuations. Mr. Jones responded that pension plans are long-term obligations. He did note that recently the system went from a four-year to a five-year smoothing of market gains and losses. Mr. Jones stated that there is no actuarial need for extending or contracting the smoothing-out period to absorb shocks based on market returns. He said that adjustments to alleviate city contribution rates in the short term may lead to higher city rates in later years.

Mr. Jacobs responded that $80-90 million was saved as reserves by some cities when they entered the MFPRSI, but noted that only half of the cities came in with such surpluses and that the other half of cities entered the MFPRSI with differing levels of deficits in their respective systems. Mr. Jones noted that any earlier reserve moneys may very well have been used up. Representative Mascher asked if this information can be provided to the committee and noted that the MFPRSI may need to approach individual cities for such information.

Representative Mascher asked about the unique characteristic of the MFPRSI in which retirees do not contribute to or receive Social Security, and that employees and employers do not pay into workers' compensation insurance. Mr. Jones noted the high levels of disability in this line of work and the corresponding high levels of disability insurance usage. He mentioned that statistics on level of disability in the MFPRSI would create higher premiums if cities integrated the MFPRSI population into the insurance structure provided to other city employees.

Representative Lofgren discussed the rate of return on investments in U.S. Treasury securities and whether it would be wise to lower the assumed rate of return or seek a risk-free rate of return for

MFPRSI. Mr. Jacobs suggested that reducing the assumed investment rate of return or using lower return investments would drive required city contribution rates higher.

Iowa League of Cities. Ms. Jessica Harder, Legislative Counsel, began the league presentation and noted the importance of the MFPRSI and how it plays a role in the recruiting and retention of quality employees. Ms. Harder suggested that the committee consider a change in the MFPRSI where new municipal employees under the MFPRSI would enter under a 60 percent employer, 40 percent employee contribution structure.

Ms. Erin Mullenix, league Research and Fiscal Analyst, discussed the impacts that possible future rate increases would have on city contribution rates in terms of dollars. She noted specific impacts of increased city contributions over the coming years and noted the total projected impact of these rate increases during the years provided.

Ms. Mullenix discussed city contribution rates using actuarial assumptions and the current formula which applies fixed contribution for employee members and the varying contribution rates for the cities. Ms. Mullenix noted the divergence between these contribution rates over the period of 2013, 2014, and 2015. Ms. Mullenix further discussed the rise in dollar amount contributions expected from the cities during this coming period. She focused on two contribution snapshots in 2001 and 2011 and noted an 80 percent increase in amounts paid by cities between those periods.

Ms. Mullenix described the impacts of the proposed change with proposed new employees under the League's proposed 60/40 contribution recommendation.

Mr. Gerald Clausen, City Manager, City of Carroll, opined that the MFPRSI's continuous demands for more revenue from cities is unfairly taxing individual taxpayers in the poor economy. He characterized the MFPRSI as being uncontrolled in terms of costs. Carroll employees participate in three different retirement plans, with the MFPRSI being the most expensive for the city. Mr. Clausen then specifically referred to the league's projected costs for the City of Carroll and the high tax burden on the City of Carroll under the mandated city contribution rates. Mr. Clausen remarked on the role of cities in working as engines of economic growth and characterized the MFPRSI as acting as a drain on city resources and preventing cities from preparing for and contributing to the economic recovery needed within this state.

Mr. James Patrick, City Manager, City of Storm Lake, offered how the MFPRSI's benefits help Iowa cities recruit and retain good employees, but that he has seen inequities within the MFPRSI. He observed that the results of MFPRSI policies are not achieving its goals and discussed having lost seven officers in recent years who have left service with his city in order to seek higher wages in the near-term while accepting lower long-term benefits. Storm Lake has lost three employees in the past four months due to these circumstances. In his view, the increases in recruitment and training costs have created a fiscal impact in his city, and retention problems have also created overtime burdens on cities the size of Storm Lake. The costs arise in training, team building, and providing uniforms to new officers. The City of Storm Lake will need to consider whether to lower force levels, contract services out to Buena Vista County, or pursue other options to lower costs.

Mr. Dwayne Pitcher, Director of Finance, Ames, explained that he is a trustee of the MFPRSI. Mr. Pitcher noted the lack of workers' compensation which is usually covered by the city while long-term disability is all that is covered under the MFPRSI but the contribution rate seems high.

Committee Discussion. Committee discussion relative to the comments by the League centered on the tension between providing an adequate retirement for members of the MFPRSI while being sensitive to the contribution rate and budgetary concerns of the cities. Committee members requested information from the league relative to what percentage of cities' budgets are pension costs as well as how many MFPRSI members remain in Iowa. In addition, a request was made that in comparing contribution rates between the MFPRSI and public safety employees in IPERS, attention should be given to the fact that cities do not pay workers' compensation under the MFPRSI and MFPRSI members are not in Social Security.

In response to questions as to the league position relative to the MFPRSI and whether or not the league is requesting a change to a defined contribution system, Ms. Harder noted that the league's concern is with the rising fiscal demands from the city contribution rates. She stated that there are many available options for changing the MFPRSI. The option offered by the league is to share costs at a 60/40 rate between cities and employees, and she suggested this would create a better partnership between cities and MFPRSI members. She stated that the league is providing a reasonable approach that would not impact benefits and she expressed willingness on behalf of the league to engage in other options as well.

Ms. Harder further explained that there are divergent opinions amongst cities but that the league's position is to work to reform the MFPRSI as it exists, as a defined benefit system.

MFPRSI Member Associations. Mr. Dave Mohlis, President, Iowa State Police Association, stated that he is a 20-year veteran of the Waterloo Police Department. Mr. Mohlis expressed his desire to discuss what has made the MFPRSI unique in the state. The MFPRSI serves local protective service employees and provides the only retirement coverage for these individuals while also providing certain disability and death benefits. Mr. Mohlis suggested that cities receive financial benefits by not paying for continuing disability coverage for these employees due to the lower rates they are able to attain for other city employees. Mr. Mohlis noted that overtime is not accounted for within the MFPRSI benefits.

Mr. Wayne Sawtelle, Vice President, Iowa Association of Professional Firefighters, noted that he is a Lieutenant with the Marshalltown Fire Department, where he has worked for 18 years. He commented that cities do not have to make contributions into Social Security for MFPRSI members and asked that the committee take this into account with their considerations. Mr. Sawtelle then discussed his role as a trustee of the MFPRSI and the Board of Trustees' consideration of possible changes to the MFPRSI. The Board had considered five alternatives in considering possible benefit and contribution structure changes to MFPRSI, but ultimately decided that no changes to the MFPRSI should be pursued. Mr. Sawtelle believes that all organizations representing local protective service employees are all open to changes that will strengthen the MFPRSI in order to provide better protection and service for members across the state.

Mr. Clint Petersen, Iowa Association of Professional Fire Chiefs, Fire Chief, Ames, has been employed with the Fire Department for the City of Ames for 32 years. Mr. Petersen complimented the quality of leadership that Mr. Jacobs has provided to the MFPRSI over the course of his career and noted that the MFPRSI is admired by many states around the nation. Mr. Petersen discussed the MFPRSI's history since its creation in 1992. He has been a fire chief through three economic downturns and noted that prior projected city contribution rates during these downturns have generally not turned out as dire.

Committee Discussion. In response to questions relative to workers' compensation, Mr. Petersen said that the City of Ames pays workers' compensation, but does so outside of the traditional workers' compensation insurance paid by the city. He observed long-term disability is covered under the MFPRSI itself. Mr. Petersen discussed how keeping the police officers and fire fighters out of workers' compensation insurance and paying only actual costs, the cities save money due to the lower insurance rates for all other city employees. Mr. Petersen asked that the committee consider the cost savings which cities enjoy by not contributing into the Social Security system and to also consider the guaranteed Social Security benefits that are not a part of retirement packages for MFPRSI members. Mr. Petersen mentioned that overtime is not viewed as compensable earnings under the structure of the current system.

III. Public Retirement System Materials Review

Mr. Cook provided the committee and members of the public with a demonstration on how to find all of the materials presented throughout the two meeting days through the Legislative Services Agency website.

Mr. Cook provided background on the information available to the committee and members of the public including materials compiled to compare the different public safety retirement systems. These materials include information on historical contribution rates, membership numbers, vesting requirements, as well as other useful information. Mr. Cook then discussed the roles of disability, death, Medicare, and Social Security benefits within the retirement systems, and noted that some materials are continuing to be updated to reflect the most recent available information.

Mr. Cook drew the attention of the committee to two documents, included on the website, that were requested to be distributed by Co-chairperson Pettengill. One document, compiled by the National Conference of State Legislatures report and produced by Ronald Snell, is entitled *Pensions and Retirement Plan Enactments in 2011 State Legislatures*.

Mr. Cook then referred to the Milliman report entitled *Decisions, Decisions: Retirement Plan Choices for Public Employees and Employers* as providing additional information to members of the committee, discussing defined benefit and defined contribution plans.

Representative Mascher asked whether there is information on funding percentages for retirement systems across the 50 states. Mr. Cook noted the importance of time dynamics given the economic downturn and the present recovery, and said that snapshots in time are presented by the actuarial reports produced by each of the states. Representative Mascher commented that other states have not been as responsible with their retirement systems and was hoping for a better way to compare states to gauge Iowa's management of its systems. Mr. Cook responded that this information, if available, could be provided on the Legislative Services Agency website.

IV. Peace Officers' Retirement System (PORS)

PORS Staff. Mr. Dave Heuton, Director of Administrative Services, PORS, described the current structure of PORS and noted that PORS is governed by Iowa Code chapter 97A. Mr. Heuton described PORS membership numbers and explained the PORS structure as a defined benefit plan. He described covered wages and optional protections under PORS and the structure of accidental disability contributions and benefits within PORS. Mr. Heuton described ordinary disability benefits, death benefits, and the escalation of benefits through cost of living adjustments. He further discussed the PORS maximum benefit and line of duty benefits. Mr. Heuton then noted the PORS Social Security exemption and Medicare information.

Mr. Heuton commented on the relatively static active membership numbers corresponding with a rapid increase in retired members. The current asset allocations in place are set in consultation with the Treasurer of State's office. There is a disparity in the small cap investment and a need to expand investments in those areas producing the highest dividends. Mr. Heuton referred to value of current assets in both actual and actuarial terms. Mr. Heuton then noted the impacts of large swings during the recent economic recession and the good years following the economic recovery. Still, he said PORS has not fully recovered since the 2001 economic downturn.

Mr. Heuton discussed actuarial terminology of total liability, normal cost, and actuarial liability. He described present statutory contribution rates and the setting of actuarial contribution rates. Mr. Heuton described the need to annually evaluate contribution rates and noted that actuarial projections have never aligned completely with actual rates. He provided a brief history of how PORS had operated for the past 20 years and described the possible changes that may be made to PORS mortality tables.

Based upon the July 1, 2011, actuarial valuation of the system, the shortfall in contributions to the system is 13.69 percent of payroll. However, due to improved investment experience, the funded status of the system based upon the market value of assets improved to 66.9 percent from 59.3 percent from the prior fiscal year. Long term, Mr. Heuton stated that the impact of the changes to the system made during the 2010 Legislative Session will result in the funded status of the system improving to 85 percent by the year 2031, assuming all other assumptions are met. The 2010 legislative changes included reducing the years of disability retirement counted as service credit as well as limiting postretirement benefit increases, called the flat escalator. In addition, the employer and employee contributions were increased and a supplemental $5 million annual appropriation to the system will begin on July 1, 2012. For employees, the contribution rate will increase from 9.35 percent of pay to 11.35 percent. As a result of these changes, the PORS board recommended no changes to the system.

State Police Officers Council and Iowa State Patrol Supervisors Association. Ms. Sue Brown, State Police Officers Council, noted the remarkable turnaround since the 2010 legislative changes were put in place. She stated that those changes have created a viable plan for the future of PORS. Ms. Brown noted her support of the changes put in place in 2010 and reiterated the need to give those changes time to take effect.

Mr. Rob Hansen, Member, Iowa State Patrol Supervisors Association, thanked the committee and expressed support for the 2010 legislative changes to restore viability to PORS. He stressed that

PORS serves as the retirement, disability, and workers' compensation system for members. He opined that the fixed contribution escalator and other elements of the 2010 legislation should be given time to work and develop before the General Assembly considers any future changes to PORS.

In response to committee questions, Mr. Heuton, Ms. Brown, and Mr. Hansen all confirmed that they were not advocating for any statutory changes to the current structure of PORS.

V. Judicial Retirement System

Mr. David Boyd, State Court Administrator, Judicial Branch, accompanied by Ms. Peggy Sullivan, Director of Finance and Personnel, Judicial Branch, provided background relating to the Judicial retirement system, highlighted results from the most recent actuarial valuation of the system, and presented an overview of investment results during the past year. Mr. Boyd discussed limitation of the system to full-time judicial officers, indicating that the size of the system is relatively small, consisting of 200 active members, 176 retired members or surviving spouses, and 8 inactive members (members who have left the bench but not yet retired). The calculation of a judge's basic retirement benefit and retirement eligibility requirements were reviewed.

Mr. Boyd provided a historical overview of state contributions to the system, indicating that the state did not make employer contributions until approximately 1994, and that the subsequent statutory provision for a minimum annual state contribution rate of at least 23.7 percent was consistently suspended by law, resulting in a significant underfunding of the system. During the same period the judges' contribution rate increased from 4 percent to 9.35 percent. Mr. Boyd stated that if the statutory contribution rate had been met, the fund would be approximately $16.5 million larger. He indicated that beginning in 2009 the state's contribution was changed from a direct appropriation to the Judicial Retirement Fund to a 30.6 percent contribution from the Judicial Branch's operation appropriation.

Mr. Brent Bannister, Senior Actuary, Cavanaugh Macdonald Consulting LLC, discussed the results of the July 1, 2011, actuarial valuation. He stated that the judicial system is now two-thirds funded, which is an improvement, and that it has an unfunded actuarial accrued liability of $55 million, which represents a decrease of $2 million from the previous year. Mr. Bannister noted the statutory contribution rate of 30.6 percent was less than the actuarial contribution rate, by .55 percent for FY 2011-2012 and .78 percent for FY 2010-2011. He stressed that the investment losses experienced in FY 2008-2009 decreased the system's funded ratio and increased the actuarial contribution rate, which offset to some extent the anticipated improvement in funding based on the higher state contribution levels. He attributed the improvement in the system's funded status to a combination of strong investment returns over the last two years and liability gains due primarily to lower salary increases than expected, and predicted that if all actuarial assumptions are met in future years, the funded ratio of the system should increase over time.

Committee discussion included an information request from Senator Danielson for the total dollar amount contributed to the system by the state during the past five years, and observations concerning the existence of a 9.35 percent cap on judges' contributions and the relatively advanced age of a typical judicial retirement.

VI. Iowa Public Employees' Retirement System (IPERS)

IPERS Staff. Ms. Donna Mueller, Chief Executive Officer, IPERS, accompanied by Mr. David O. Creighton, Sr., Chairperson, IPERS Investment Board, and Mr. Karl Koch, Chief Investment Officer, and Mr. Bannister, actuary, presented an overview of the operation and organization of the system, its investment performance, actuarial results, and issues and challenges facing IPERS.

Ms. Mueller listed the primary goals of IPERS as including the attracting and retaining of public service employees, allowing them to care for themselves in retirement, and creating economy and efficiency in state government. She noted that IPERS is a core defined benefit plan with a maximum possible wage replacement, when the formula multiplier is applied to the high-three-year average salary, of up to 65 percent for regular employees or 72 percent for special service groups. On average, IPERS retirees receive a benefit that replaces approximately 44 percent of the employee's previous salary.

Ms. Mueller indicated that the system is designed to work in tandem with social security and personal savings, observed that most individuals underestimate the expense and risk associated with increasing longevity, and indicated that the past year had the largest number of retirements on record for the system. She addressed IPERS demographics, identifying IPERS as the largest retirement system in the state and adding that while the state is the single largest IPERS contributing employer, it still constitutes only about 15 percent of the total employer contribution base, with schools, counties, and cities comprising the bulk of IPERS membership. The system includes over 164,000 active members, and nearly 100,000 retirees and beneficiaries, receiving nearly $1.3 billion in benefits.

Mr. Creighton described the composition of the IPERS Investment Board, explaining that the board serves as the trustee and primary fiduciary of the IPERS Trust Fund. Mr. Creighton summarized the primary functions of the board as adopting an investment policy and goal statement, hiring investment managers and consultants, adopting key actuarial assumptions, evaluating executive officer performance, and reviewing IPERS' administrative budget and current best practices for managing investment risks. He emphasized that the board is a high-quality, low-cost fiduciary body with a legal responsibility to act solely in the interests of plan participants and beneficiaries, and that this responsibility is taken very seriously by board members. A series of charts summarizing IPERS investment performance, portfolio diversification, and efficient administrative costs was presented, culminating in the statement that the IPERS Trust Fund market value as of June 30, 2011, is $23.2 billion, up from $19.9 billion as of one year earlier.

The balance between preservation of capital and return on investments was characterized as "delicate", and the impact of recent market fluctuations was discussed, with the comment that it has become increasingly important to do a better job of allocating risk based on market performance. Committee discussion included the importance of conducting both fundamental and technical analyses, the extent to which IPERS invests in Iowa companies and a request for more detailed information regarding such investment, and the impact of early retirements.

Mr. Bannister emphasized the importance of actuarial assets equaling actuarial liabilities, and summarized the actuarial valuation process, which he characterized as an annual snapshot to see how funding is progressing from one year to the next. The process takes into account expected future benefits payments, utilizing "smoothing" of assets, allocating costs to current member service, and amortizing any shortfall between assets and expected liability.

Mr. Bannister stated that the fund's current total liability is approximately $28 billion, and asset value is approximately $22.5 billion, resulting in an unfunded actuarial liability of approximately $5.5 billion and a funded ratio of around 80 percent. He presented a history of IPERS-funded ratios dating back to 1996, and indicated that he is feeling relatively optimistic about the status of the system. In the late 1990s the system appeared poised to be fully funded by 2006, and adjustments were made in benefit and contribution levels in response to subsequent negative market performance. At this point, he stated that the system is projected to pay the unfunded liability of the system in 34 years, and that it appears, when the "big picture" is considered that the system is headed in the right direction.

Mr. Bannister next presented a series of charts detailing contribution rates for regular service and special service members. In a response to previous inquiries, he commented that the impact of early retirement programs for state employees is relatively minor, given the fact that the employees were destined to retire ultimately and that state employees do not constitute a majority of IPERS membership. He concluded his remarks with the observation that there has been significant improvement in long-term funding in the past few years, but that future funding is heavily dependent on investment returns and contributions at the full actuarial rate.

Committee discussion included the appropriateness of a 7.5 percent assumed rate of return in the future, the impact of increasing maximum salary levels on the system, and the potential impact of the current European monetary crisis on the system.

Ms. Mueller returned to the earlier discussion of IPERS' low costs, citing favorable ratings in terms of administrative costs, investment costs, and quality of services and best practices utilization. She presented figures for FY 2010-2011 indicating IPERS provided 61,000 benefit estimates, and responded to 9,000 e-mail messages and 90,000 telephone calls.

She then detailed legislative changes enacted in 2010 applicable to IPERS' regular membership effective July 1, 2012, with regard to vesting, the benefit formula, and the early retirement reduction percentage. Vesting will increase from after four years or an active member attaining age 55 to after seven years or an active member attaining age 65. Benefits will be calculated based on a high five-year average, or a high three years as of June 30, 2012, if higher. With regard to early retirement, benefits will be reduced 6 percent per year from age 65 for service earned after July 1, 2012. She stated that there will be no change in the present method for calculating an employee's normal retirement age. Ms. Mueller identified as current issues facing IPERS the cost to the system of retirees returning to IPERS-covered employment, the future of continuing retiree dividend payments for members retiring after 1990, and the potential impact of the Government Accounting Standards Board proposed accounting changes relative to public pensions. She additionally noted that the Favorable Experience Dividend currently paid with the January benefit payment will be running out in the next two to three years, and by law cannot be replenished until the trust fund is 100 percent funded.

Benefits Advisory Committee. Mr. Len Cockman, Chairperson, IPERS Benefits Advisory Committee (BAC), described the composition of the committee and listed as responsibilities advising on plan design, reviewing benefit administration, reviewing IPERS' administrative budget, and evaluating, in cooperation with the IPERS Investment Board, executive officer performance. Additionally, the BAC engages in strategic planning, monitors the impact of recent benefit changes, reviews the system's funding status, and monitors adherence to the system's primary mission and goals. He indicated that the BAC serves as an additional conduit of communication with regard to how IPERS functions and what it accomplishes.

Committee discussion included commentary that many states do not have a comparable entity and that the BAC greatly improves relationships between various system groups, and encouragement that the BAC devote more attention to self-promotion to increase public awareness. Additional discussion focused on issues relative to retired employee rehiring practices and statistics, the existence of an exception to the four-month rehiring prohibition for specified licensed health care professionals, and the position of the BAC with regard to including bailiffs in a special occupation classification, with a request for additional information regarding a cost/benefit analysis, an accurate estimate of the number of rehired retirees and in what capacity, and other states' practices.

Iowa Hospital Association. Mr. Greg Boattenhamer, Senior Vice-President of Government Relations, Iowa Hospital Association (IHA), discussed the exception to the four-month bona fide retirement rule for health care professionals. Mr. Boattenhamer stated that approximately 50 percent of the hospitals in the state are public institutions which were at a competitive disadvantage in comparison to private hospitals prior to 2004 when public hospital employees were subject to the four-month retiree reemployment rule. Legislation enacted that year reduced the retirement waiting period to one month, leveling the playing field between public and private hospitals, subject to a sunset provision which was subsequently extended until July 1, 2012. Mr. Boattenhamer stated that this has assisted public hospitals facing shortages of licensed health care workers, and that to date 118 licensed health care professionals, the majority of which are nurses, have utilized the shortened retirement waiting period to assist with public hospital employer staffing needs on a part-time basis. A state map was distributed depicting hospitals across the state employing the 118 individuals. He maintained that the impact on IPERS has been negligible and argued that while IPERS has historically expressed concerns regarding treating different classifications of employees differently, the unique nature of the hospital employment environment justified eliminating the sunset provision and making the exception permanent. Mr. Boattenhamer concluded that the IHA is recommending legislation to make the reduced waiting period retirement rule permanent.

VII. Iowa Retirement Investors' Club

Mr. Ed Holland, Risk and Benefits Administrator, Department of Administrative Services, provided an overview of the state's deferred compensation program, indicating that the program has grown and improved with a doubling of the number of assets and contributors since 2000. Mr. Holland stated that oversight and employee education efforts have increased. He stated that approximately 59 percent of eligible state government employees participate in the program. Committee discussion included program performance in comparison to IPERS and the percentage and dollar amount of the state matching component. Mr. Holland said that the contributions totaled $11 million and $37 million annually for the respective state and employee portions. Also included in committee discussion was the suggestion that perhaps the state portion might be better allocated to fully fund other state pension plans, and inquiry regarding whether there has been an analysis of investment performance under the program.

VIII. Next Meeting

The committee agreed that possible recommendations would be considered at an additional committee meeting to be held early in January 2012.

IX. Materials Filed With the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the <Additional Information> link on the committee's Internet webpage:
http://www.legis.iowa.gov/Schedules/committee.aspx?GA=84&CID=57.

1. PORS System Presentation, Mr. Heuton, Director of Administrative Services, PORS.
2. IPERS System Presentation, Ms. Mueller, Chief Executive Officer, IPERS, and Mr. Koch, Chief Investment Officer, IPERS.
3. Iowa Judicial Retirement System Status of Judicial Retirement Fund, Mr. Boyd, State Court Administrator, Judicial Branch, and Ms. Sullivan, Director of Finance and Personnel, Judicial Branch.
4. Issue Review, IPERS Retirement Dividend Payments, LSA Fiscal Services Division.
5. MFPRSI System Presentation, Mr. Jacobs, Executive Director, MFPRSI, Mr. Jones, Principal, SilverStone Group, and Mr. Gahan, Principal, SilverStone Group.
6. National Institute on Retirement Security - Retirement Plan Choices, September 2011.
7. Legislative Services Agency, Retirement Plan Comparison, Non-Public Safety Employees.
8. Legislative Services Agency, Retirement Plan Comparison, Public Safety Employees.
9. Legislative Services Agency, Retirement Plan Historical Contribution Rates.
10. National Conference of State Legislatures, 2011 Retirement Plan Enactments.
11. LSA Legal Services Division, Legislative Guide on Iowa Public Retirement Systems.
12. IPERS, 2011 Actuarial Valuation Report.
13. PORS, Comprehensive Exam of Plan Design.
14. Judicial Retirement System, 2011 Actuarial Valuation Report, System Actuaries.
15. PORS, 2011 Actuarial Valuation Report.
16. IPERS, Iowa Hospital Association, Testimony.
17. MFPRSI, Iowa League of Cities, Presentation.
18. MFPRSI, Iowa League of Cities, Research Note.
19. MFPRSI, Iowa State Police Association and Iowa Association of Professional Firefighters.
20. MFPRSI, City of Storm Lake.

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