IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

Regulatory Analysis

Notice of Intended Action to be published: 495—Chapter 7
"Service Credit and Vesting Status"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 97B.4 and 97B.15
State or federal law(s) implemented by the rulemaking: Executive Order 10 and Iowa Code sections 17A.3, 97B.4, and 97B.15

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

May 5, 2026 1 to 2 p.m.	IPERS Boardroom 7401 Register Drive Des Moines, Iowa Via videoconference call: Join Online Meeting Meeting ID: 243 870 453 017 71 Passcode: kM68fC6e

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Iowa Public Employees' Retirement System (IPERS) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Iowa Public Employees' Retirement System
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Des Moines, Iowa 50321
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Purpose and Summary

This proposed chapter was reviewed as part of the Red Tape Review process laid out in Executive Order 10. As a result of this review, IPERS removed restricted terms, combined or eliminated duplicative language, and made editorial updates to ensure the chapter reflects current policies and procedures. IPERS is a State retirement system that provides for the payment of annuities, enables employees to care for themselves in retirement, improves public employment within the State, reduces excessive personnel turnover, and offers suitable attraction to public service. IPERS is required to administer the retirement system.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**
- **Classes of persons that will bear the costs of the proposed rulemaking:**

This proposed rulemaking does not have a cost to the public.
- **Classes of persons that will benefit from the proposed rulemaking:**

This proposed rulemaking will benefit all IPERS members and beneficiaries and IPERS-covered public employers.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

This proposed chapter will benefit over 2,000 IPERS-covered employers and over 400,000 IPERS members by removing restrictive terms and reducing duplicative terms found both in rule and in the Iowa Code.

- **Qualitative description of impact:**

This proposed rulemaking will benefit all IPERS members and beneficiaries and IPERS-covered public employers.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

IPERS has always incurred personnel and other administrative costs associated with implementing the agency's administrative rules while carrying out agency functions. Implementation of this proposed rulemaking adds no additional expense.

- **Anticipated effect on State revenues:**

This proposed rulemaking will not impact State revenues. IPERS is a trust fund, separate and distinct from the General Fund of the State.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

IPERS is required to adopt rules to regulate and provide for the nature and extent of the proofs and evidence, and their method of taking, in order to establish the right to benefits authorized under Iowa Code chapter 97B.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

IPERS has not identified any less costly methods or less intrusive methods.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

Not applicable.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking does not create a substantial impact on small business.

Text of Proposed Rulemaking

ITEM 1. Rescind 495—Chapter 7 and adopt the following **new** chapter in lieu thereof:

CHAPTER 7
SERVICE CREDIT AND VESTING STATUS

495—7.1(97B) Service credit.

7.1(1) *General.*

a. From July 4, 1953, through June 30, 1965, a member received one quarter of membership service, as defined under Iowa Code section 97B.1A(15), credit for each quarter in which the member's covered wages totaled at least $200. From July 1, 1965, through June 30, 1992, a member received one quarter of service credit for each quarter in which the member's covered wages totaled at least $300. For quarters beginning July 1, 1992, and later, a member receives one quarter of service credit for each calendar quarter in which at least $1 of covered wages is reported.

b. Notwithstanding paragraph 7.1(1)*"a,"* a member who is on an unpaid leave of absence and who during the period covered by the unpaid leave performs services for the covered employer granting the unpaid leave does not receive service credit for such services until the employer has reported $1,000 in each of two consecutive quarters included in the unpaid leave period, and such service credit is granted only with respect to quarters beginning after said two consecutive quarters.

c. A nonvested member who terminates covered employment prior to attaining the age of 55, but who has covered wages in the year in which the member attains the age of 55 is treated as a vested member.

d. Notwithstanding paragraph 7.1(1)*"c,"* effective July 1, 2012, a nonvested member who is not vested by age as of June 30, 2012, can only become vested by age if the member terminates employment at age 65 or older while in covered employment.

7.1(2) *Service credit for persons employed by institutions operating on a nine-month basis.* An employee working in a position for a school district or other educational institution that operates on a nine-month basis receives credit for the third quarter when covered wages are reported in the second and fourth quarters. A member who was on an approved leave of absence in the second quarter, but who has service credit for that quarter, whether by operation of law or through a service purchase, and who returns to work in the fourth quarter immediately following also receives credit for the missing third quarter. In order for the member to receive this service credit, the quarters before and after the third quarter must be reported for the same occupation class code.

7.1(3) *Approved leave periods.*

a. Notwithstanding any provision of Iowa Code chapter 97B or these rules to the contrary, contributions, benefits and service credit with respect to qualified military service defined under Iowa Code section 97B.1A(20)*"a"* will be provided in accordance with Internal Revenue Code Section 414(u).

For reemployments initiated on or after December 12, 1994, a member is treated as receiving compensation for each quarter during the member's period of military service equal to the compensation that the member would have received but for the period of military service, as certified by the member's employer on forms supplied by IPERS. IPERS takes the member's deemed compensation during the period of military service into consideration in determining a member's make-up contributions, if any, and the member's high three-year average covered wage.

For reemployments initiated on or after December 12, 1994, following a military leave described in this subrule, make-up contributions are permitted with respect to employee contributions that would have been made during the period of military service if the member had actually been in covered employment during the period earning the deemed compensation provided for under this subrule. Make-up contributions are permitted during the five-year period that begins on the date of reemployment or, if less, a period equal to three times the period of military service.

The member shall request the foregoing make-up contributions (except contributions for periods prior to January 1, 1995, which are made as posttax contributions) on forms to be filed with the employer, which shall forward a copy to IPERS. Make-up contributions are made as pretax contributions under Internal Revenue Code Section 414(h)(2). Employers must comply with a member's request to begin make-up contributions during a period not exceeding that described in the preceding paragraph and shall forward said amounts to IPERS in the same manner as provided for pick-up contributions under Iowa Code section 97B.11A. An election to make up employee contributions under this subrule is irrevocable.

b. Effective for leaves of absence beginning on or after July 1, 1998, an eligible member must make contributions to IPERS in order to receive service credit for the period of the leave.

c. Reentry into public employment by an employee on a leave of absence under FMLA or USERRA can be achieved by the employee by accepting employment with any public employer, provided that any interruption between the end of the period of leave of absence and reentry into public employment meets the requirements of the FMLA, USERRA and this subrule.

d. Credit for a leave of absence is not granted and cannot be purchased for any time period that begins after or extends beyond an employee's termination of employment as certified by the employer. This includes a certification of termination of employment made by an employer on a refund application. Employers are required to certify all leaves of absence for which credit is being requested using an affidavit furnished by IPERS and accompanied by a copy of the official record(s) that authorized the leave of absence. The provisions of this subrule denying credit for leaves of absence in cases in which the member takes a refund do not apply to employees who were on leaves of absence that began before November 27, 1996, and took a refund before such date. The provisions of the subrule requiring employers to certify all leaves of absence using an affidavit furnished by IPERS applies to all requests for leave of absence credit filed after November 27, 1996, regardless of when the leave of absence was granted.

e. Effective July 1, 2008, free service credit will be given in the calculation of death benefits for members who served military duty and met the definition provided under Iowa Code section 97B.1A(20)*"a."*

495—7.2(97B) Vesting status.

7.2(1) *General.*

a. IPERS may determine the vested status of a member, as defined in Iowa Code section 97B.1A(25), when the member's contribution payments cease. At that time, IPERS compares the membership date and termination date. If service sufficient to indicate vested status is present, after any periods of interruption in service have been taken into consideration, IPERS considers the member a vested member. All vested members receive all the rights and benefits of a vested member in IPERS until or unless the member files for a refund of accumulated contributions.

b. Effective July 1, 2005, a terminated nonvested member who has not attained the age of 55 does not become vested upon attainment of the age of 55 while an inactive member. However, a member who terminates before attaining the age of 55 who has covered wages in the calendar year when the member terminates and the member attains the age of 55 in that year becomes vested, even if the member has less than 16 quarters of service credit on file at termination.

c. Effective July 1, 2012, vesting by age and vesting by service is determined as provided in Iowa Code section 97B.1A(25)*"a"* through *"d."* A member who is vested by age or by service as of June 30, 2012, remains vested following the implementation of new vesting requirements on July 1, 2012.

7.2(2) *Inactive members who become vested due to a statutory reduction in years.* Effective July 1, 1988, an inactive member meeting the requirements in Iowa Code section 97B.1A(25)*"d"*(5) is considered vested.

7.2(3) *Vesting upon complete or partial termination.* In the case of a complete or partial termination of this fund, any affected member has a vested interest in the accrued benefit as of the date of such termination, to the extent such benefit is then funded.

7.2(4) *Benefit nonforfeitable upon attaining normal retirement age.* For purposes of compliance with the Internal Revenue Code and related guidance, the normal retirement benefit, which is the benefit calculated under Iowa Code sections 97B.49A through 97B.49D, is nonforfeitable upon attainment of normal retirement age, which: (1) prior to July 1, 2012, is age 55 or the completion of 16 quarters of IPERS covered employment, whichever is later; and (2) for members who are not vested under one of the methods under (1) on July 1, 2012, is age 65 or completion of 28 quarters of IPERS covered employment, whichever is later. The retirement benefit is subject to the provisions of Iowa Code section 97B.52A. This subrule does not reduce or limit rights heretofore existing, nor indicate that vested benefits would be forfeitable before attaining the stated age.

7.2(5) *Vesting at age 55 prior to July 1, 2012.* Under Iowa Code section 97B.1A(25)*"a"*(3) for periods prior to July 1, 2012, the phrase "has attained the age of fifty-five or greater while in covered employment" means "has attained the age of fifty-five or greater while an active member, as defined in Iowa Code section 97B.1A(3)".

7.2(6) *Vesting after June 30, 2012.* For periods after June 30, 2012, the member becomes vested if the member meets the requirements set forth in Iowa Code section 97B.1A(25)*"a"*(4).

These rules are intended to implement Iowa Code sections 97B.1A, 97B.1A(13), 97B.1A(20), 97B.1A(25), and 97B.43.