**RA 26-214**

# IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

**Regulatory Analysis**

Notice of Intended Action to be published: 495—Chapter 14
"Death Benefits and Beneficiaries"

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:

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|---|---|
| August 26, 2026<br>3 to 3:30 p.m. | IPERS Boardroom<br>7401 Register Drive<br>Des Moines, Iowa<br>Via videoconference call:<br>Join online meeting<br>Meeting ID: 275 109 054 101 443<br>Passcode: Uf6u9vH3 |

*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:

Cheryl Vander Hart
Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, Iowa 50321
Phone: 515.281.7623
Email: cheryl.vanderhart@ipers.org

*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 14 and adopt the following **new** chapter in lieu thereof:

CHAPTER 14
DEATH BENEFITS AND BENEFICIARIES

**495—14.1(97B) Internal Revenue Code limitations.**

**14.1(1)** Death benefits payable under Iowa Code sections 97B.51 and 97B.52 must not exceed the maximum amount possible under Internal Revenue Code (IRC) Section 401(a)(9) as amended to August 1, 2026.

**14.1(2)** To satisfy subrule 14.1(1), a member's combined lump sum death benefit under Iowa Code section 97B.52(1) and 97B.52(2) does not exceed 100 times the Option 2 amount that would have been payable to the member at the member's earliest normal retirement age. If a beneficiary of a special service member is eligible for an in-the-line-of-duty death benefit, IPERS takes any reduction required under this rule first from a death benefit payable under Iowa Code section 97B.52(1). The limit set forth above applies to active and inactive members. Death benefits payable under this chapter for a reemployment period for a retired reemployed member who dies during the period of reemployment are subject to the limits described in this rule.

**14.1(3)** The maximum claims period for IPERS lump sum death benefits is the period required under IRC Section 401(a)(9), which may be less than five years for a member who dies after the member's required beginning date, unless the beneficiary is a spouse. The claims period for all cases in which the member's death occurs during the same calendar year in which a claim must be filed under this rule ends April 1 of the year following the year of the member's death.

**14.1(4)** A member's beneficiary or heir may file a claim for previously forfeited death benefits. Interest, if any, for periods prior to the date of the claim will only be credited through the quarter that the death benefit was required to be forfeited by law. Interest for periods following the quarter of forfeiture will accrue beginning with the quarter that the claim for reinstatement is received by IPERS. For death benefits required to be forfeited in order to satisfy IRC Section 401(a)(9) as amended to August 1, 2026, in no event will the forfeiture date precede January 1, 1988. IPERS is liable for any excise taxes imposed by the Internal Revenue Service on reinstated death benefits.

**14.1(5)** Effective January 14, 2004, IPERS processes all claims for a previously forfeited death benefit under the procedure set forth in rule 495—14.6(97B).

**14.1(6)** The system recognizes the validity of same-gender marriages executed in Iowa on or after April 27, 2009, if the domestic relations order or other assignment otherwise meets the system's minimum requirements for such orders; the system modifies the tax treatment of distributions under such orders as required by the federal laws governing such distributions. The Iowa Supreme Court decision recognizing same-gender marriages in Iowa specifically states that this recognition does not extend to same gender marriages of other states. The system recognizes the validity of same-gender marriages based on the U.S. Supreme Court's decision in *United States v. Windsor*, 133 S.Ct. 2675 (2013), and the direction of Rev. Rul. 2013-17 and IRS Notice 2014-19. IPERS recognizes the federal tax treatment of distributions as required by the sources listed in this paragraph.

**495—14.2(97B) Designation of beneficiaries.**

**14.2(1)** *Designation of beneficiaries.*

*a.* Members may designate their beneficiary through the IPERS website or in the manner set forth in Iowa Code section 97B.44.

*b.* The beneficiary designation by a retiring member on the application for monthly benefits revokes all prior designation of beneficiary forms.

*c.* If a retired member is reemployed in covered employment, the most recently filed beneficiary form governs the payment of all death benefits for all periods of employment.

*d.* Notwithstanding paragraph 14.2(1)*"c,"* a reemployed IPERS Option 4 or 6 retired member may name someone other than the member's contingent annuitant as beneficiary, but only for lump sum death benefits accrued during the period of reemployment and only if the contingent annuitant has died or has been divorced from the member before or during the period of reemployment unless a qualified domestic relations order (QDRO) directs otherwise. If a reemployed IPERS Option 4 or 6 retired member dies without filing a new beneficiary form, the death benefits accrued for the period of reemployment are paid to the member's contingent annuitant, unless the contingent annuitant has died or been divorced from the member. If the contingent annuitant has been divorced from the member, any portion of the lump sum death benefits awarded in a QDRO is paid to the contingent annuitant as alternate payee, and the remainder of the lump sum death benefits is paid to the member's estate or, if applicable, to the member's heirs if no estate is probated.

*e.* A funeral home cannot be designated as a beneficiary.

**14.2(2)** *Deceased beneficiary.* If a named beneficiary predeceased the member, IPERS will pay that beneficiary's share to the surviving named beneficiaries in equal shares.

**14.2(3)** *Change of beneficiary.* Members may change their beneficiary through the IPERS website or in accordance with Iowa Code section 97B.44(1). The latest dated designation of beneficiary form on file determines the identity of the beneficiary.

**495—14.3(97B) Applications for death benefits.**

**14.3(1)** IPERS pays any death benefit payable under Iowa Code section 97B.52 only after IPERS receives:

*a.* An application in writing for the benefit; and

*b.* A copy of the member's death certificate.

If a death certificate cannot be obtained, IPERS may rely on such resources as it has available, including but not limited to records from the Social Security Administration, the bureau of health statistics, IPERS' own internal records, or reports derived from other public records, and other departmental or governmental records to which IPERS may have access together with information establishing the claimant's right to payment.

**14.3(2)** A named beneficiary must complete an IPERS application for death benefits based on the deceased member's account. If the claimant's claim is based on dissolution of marriage that revoked the IPERS beneficiary designation, the claim is processed pursuant to rule 495—14.14(97B).

**495—14.4(97B) Commuted lump sums—guaranteed payments.** In addition to death benefits payments provided in Iowa Code section 97B.52(1)*"c"* where a member has selected Option 5 and dies before receiving all guaranteed payments, and the member's designated beneficiary also dies before IPERS makes all guaranteed payments, IPERS pays any remaining guaranteed payments in a commuted lump sum.

**495—14.5(97B) Payment of the death benefit when no designation of beneficiary or an invalid designation of beneficiary form is on file.** When no designation of beneficiary or an invalid designation of beneficiary form is on file with IPERS, payment shall be made as provided in Iowa Code sections 97B.44(4) and 97B.52(7).

**495—14.6(97B) Waiver of beneficiary rights.**

**14.6(1)** A beneficiary's waiver of the rights set forth in Iowa Code section 97B.52(6) must:

*a.* Occur prior to receiving payment from IPERS; and

*b.* Be binding and executed on a form provided by IPERS.

**14.6(2)** The waiver may be general, in which case payment is divided equally among all remaining designated beneficiaries or, if there are none, to the member's estate.

**14.6(3)** The waiver may also expressly be made in favor of one or more of the member's designated beneficiaries or the member's estate as provided in Iowa Code section 97B.52(6).

**14.6(4)** A release that is acceptable to IPERS, indemnifying IPERS from all liability to beneficiaries, heirs, or other claimants for any waiver executed by an executor, administrator, or other fiduciary, must accompany any waiver filed by an executor, administrator, or other fiduciary under this rule and Iowa Code section 97B.52(6).

**495—14.7(97B) Simultaneous deaths.** IPERS applies the provisions of the Uniform Simultaneous Death Act, Iowa Code sections 633.523 et seq., in determining the proper beneficiaries of death benefits in applicable cases.

**495—14.8(97B) Felonious deaths.** IPERS applies the provisions of the Felonious Death Act, Iowa Code sections 633.535 et seq., in determining the proper beneficiaries of death benefits in applicable cases.

**495—14.9(97B) No interest on postretirement death benefits.** Interest accrues as set forth in Iowa Code section 97B.52(4)*"b."* For a retired reemployed member who dies before the member's reemployment first month of entitlement (FME), interest accrues on the retired or retired reemployed member's accumulated contributions.

**495—14.10(97B) Preretirement death benefits.**

**14.10(1)** *Death prior to first month of entitlement.* Where an active member, or an inactive member vested by service, dies prior to the first month of entitlement, the lump sum death benefit is the greater of the amount provided in subrule 14.10(3) or 14.10(4). Sole beneficiaries may elect, in lieu of the lump sum amount, to receive a single life annuity that is the actuarial equivalent of such lump sum amount. Where an inactive member, not vested by service, dies prior to the first month of entitlement, the lump sum death benefit is as provided in subrule 14.10(7).

**14.10(2)** *Death benefits under Iowa Code section 97B.52(1).*

*a. Definitions.*

*"Accrued benefit"* means the monthly amount that would have been payable to the deceased member under IPERS Option 2 at the member's earliest normal retirement age, based on the member's covered wages and service credits at the date of death. If a deceased member's wage record consists of a combination of regular and special service credits, the monthly amount that would have been payable to the deceased member under Option 2 at the member's earliest normal retirement age is determined separately for regular and special service credits, and then combined.

*"Nearest age"* means a member's or beneficiary's age expressed in whole years, after rounding for partial years of age. Ages are rounded down to the nearest whole year if less than six complete months have passed following the month of the member's or beneficiary's last birthday, and are rounded up if six complete months or more have passed following the month of the member's or beneficiary's last birthday.

*b. Process for applying.*

(1) A claim for a single life annuity under Iowa Code section 97B.52(1) must be filed as follows:

1. For a nonspouse beneficiary, within 12 months of the member's death.

2. For a surviving spouse beneficiary, within 12 months of the member's death, or by the date that the member would have attained the age of 72, whichever period is later.

(2) Elections to receive the lump sum amount or single life annuity are irrevocable once the first payment is made.

(3) No further benefits are payable following the death of any beneficiary who qualifies and elects to receive the single life annuity provided under this subrule.

(4) The provisions of this subrule shall not apply to members who died before January 1, 2001.

**14.10(3)** *Accumulated contributions lump sum benefit.* The calculation of the highest year of covered wages under Iowa Code section 97B.52(1)*"a"* uses the highest calendar year of covered wages reported to IPERS.

**14.10(4)** *Present value lump sum.* A lump sum death benefit equal to the present value of the member's accrued benefit is calculated as follows:

*a.* IPERS calculates a member's retirement benefit at earliest normal retirement age under IPERS Option 2, based on the member's covered wages and service credits at the date of death and the retirement benefit formula in effect in the month following the date of death.

*b.* For purposes of determining the "member date of death annuity factor" under the conversion tables supplied by IPERS' actuary, IPERS assumes that "age" means the member's nearest age at the member's date of death.

*c.* For purposes of determining the "member unreduced retirement annuity factor" under the conversion tables supplied by IPERS' actuary, IPERS assumes that "age" means the member's nearest age at the member's earliest normal retirement date. If a member had already attained the member's earliest normal retirement date, IPERS assumes that "age" means the member's nearest age at the date of death.

**14.10(5)** *Single life annuity benefit.* To convert the actuarial equivalent of a lump sum death benefit to a single life annuity, IPERS assumes the following:

*a.* For purposes of determining the "age of beneficiary annuity factor" under the conversion tables supplied by IPERS' actuary, IPERS assumes that "age" means the beneficiary's nearest age as of the beneficiary's first month of entitlement.

*b.* A beneficiary's first month of entitlement is the month after the date of the member's death.

*c.* Effective for claims filed after June 30, 2004, no retroactive payments of the single life annuity are made under this subrule.

*d.* Effective for claims filed after June 30, 2004, the beneficiary whose single life annuity is less than $600 per year receives only the lump sum payment under this rule.

*e.* Any sole beneficiary who is eligible for and elects to receive a single life annuity under this subrule qualifies for the favorable experience dividend (FED) payments authorized under rule 495—15.2(97B), subject to the requirements of that rule.

**14.10(6)** *Retired reemployed members and aged 70 members who retire without terminating employment.* Preretirement death benefits for retired reemployed members and aged 70 members who retire without terminating employment are calculated as follows:

*a.* For beneficiaries of such members who elect IPERS Option 4 or 6 at retirement, IPERS recomputes (for retired reemployed members) or recalculates/recomputes (for aged 70 members who retired without terminating employment) the member's monthly benefits as though the member had elected to terminate employment as of the date of death, to have the member's benefits adjusted for postretirement wages, and then lived into the recomputation or recalculation/recomputation (as applicable) first month of entitlement.

*b.* The recomputation provided under paragraph 14.10(6)*"a"* applies only to beneficiaries of members who elected IPERS Option 4 or 6, where the member's monthly benefit would have been increased by the period of reemployment, and is subject to the limitations of Iowa Code sections 97B.48A, 97B.49A, 97B.49B, 97B.49C, 97B.49D, and 97B.49G. The recalculation/recomputations provided under paragraph 14.10(6)*"a"* apply only to beneficiaries of members who elected IPERS Option 4 or 6, where the member's monthly benefit would have been increased by the period of employment after the initial retirement, and is subject to the limitations of Iowa Code sections 97B.49A, 97B.49B, 97B.49C, 97B.49D, and 97B.49G. In all other cases, including cases where members previously received a lump sum payment under Iowa Code section 97B.48(1) in lieu of a monthly retirement allowance, preretirement death benefits under this paragraph are the lump sum amount equal to the accumulated employee and accumulated employer contributions.

*c.* Beneficiaries of members who had elected IPERS Option 4 or 6 may elect to receive the accumulated employer and accumulated employee contributions described in paragraph 14.10(6)*"b"*

instead of the increased monthly annuity amount. Notwithstanding paragraph 14.10(6)*"b,"* if the member elected IPERS Option 5 at retirement, the lump sum amount payable under this paragraph is the greater of the applicable commuted lump sum or the accumulated employee and accumulated employer contributions.

**14.10(7)** *Inactive member, not vested by service death benefit.*

*a.* For deaths occurring after June 30, 2004, and before July 1, 2012, for inactive members, as defined by Iowa Code section 97B.1A(12), who have less than 16 quarters of service credit, preretirement death benefits are provided solely under Iowa Code section 97B.52(1)*"a"* and are only payable in lump sum amounts.

*b.* For deaths occurring after June 30, 2012, preretirement death benefits are provided solely under Iowa Code section 97B.52(1)*"a"* and are only payable in lump sum amounts for inactive members, as defined by Iowa Code section 97B.1A(12), who are not vested by service.

**495—14.11(97B) Procedures for deaths of certain voluntary emergency services personnel occurring in the line of duty.** Effective July 1, 2006, for a member who dies while performing the functions of a voluntary emergency services provider as described under Iowa Code section 85.61 or 147A.1, benefits for deaths occurring in the line of duty are paid pursuant to Iowa Code section 100B.31.

**495—14.12(97B) Rollovers by nonspouse beneficiaries.**

**14.12(1)** Effective January 1, 2007, nonspouse beneficiaries may request a direct rollover of such beneficiaries' death benefit payments to traditional IRA accounts established in accordance with Section 829 of the Pension Protection Act of 2006, as amended to August 1, 2026, and IRS Notice 2007-7. IPERS shall determine the amount eligible for direct rollover under IRC Section 401(a)(9) as amended to August 1, 2026, if any, and the procedural requirements for requesting such rollovers. It is the beneficiaries' responsibility to determine that the recipient IRAs meet the structural and operational requirements of Section 829 and Notice 2007-7. IPERS bears no responsibility for rollovers to IRA accounts that fail to meet such requirements.

**14.12(2)** Effective January 1, 2008, IPERS will also allow rollovers under this rule to Roth IRA accounts established in accordance with the structural and operational requirements of Section 829 and Notice 2007-7.

**495—14.13(97B) Required minimum distribution (RMD) basic calculation.**

**14.13(1)** The RMD for a member who retired under an option with a lump sum death benefit and died after the member's required beginning date (RBD) is calculated as follows:

*a.* Step 1. Determine the number of payments remaining for the calendar year in which the member died. The current month's payment is not used in this calculation.

*b.* Step 2. Multiply the number of remaining payments determined in Step 1 by the gross amount of the member's last monthly payment to get the RMD amount. If the lump sum death benefit is less than the RMD, then the RMD is the lump sum death benefit amount.

*c.* Step 3. Determine the total non-RMD amount by subtracting the RMD as determined in Step 2 from the lump sum death benefit.

*d.* The eligible rollover amount is the total non-RMD amount as determined in Step 3.

**14.13(2)** In order to allocate nontaxable amounts between RMD and non-RMD, the calculation is performed as follows:

*a.* Nontaxable amounts are allocated first to the RMD portion of the lump sum death benefit.

*b.* If the nontaxable amounts are greater than the RMD amount, the remaining nontaxable amounts are allocated to the non-RMD portion of the lump sum amount.

*c.* If the nontaxable amounts are less than the RMD amount, the remaining portion of the RMD amount is composed of taxable amounts.

**495—14.14(97B) Beneficiary revocation pursuant to Iowa Code section 598.20B, dissolution of marriage.** IPERS is not liable for the payment of death benefits to a beneficiary pursuant to a beneficiary designation that has been revoked or reinstated by a divorce, annulment, or remarriage before IPERS receives the written notice set forth in subrule 14.14(1).

**14.14(1)** *Form of notice.*

*a.* The written notice must include the following information:

(1) The name of the deceased member,

(2) The name of the person(s) whose entitlement to IPERS death benefits is being challenged,

(3) The name, address, and telephone number of the person(s) asserting an interest,

(4) A statement that the decedent's divorce, annulment, or remarriage revoked the entitlement of the person(s) whose status is being challenged to the IPERS death benefits in question, and

(5) A copy of the divorce decree upon which the claim is based.

*b.* In addition to the above information, if the person whose entitlement is being challenged is not the former spouse, the written notice must indicate that the person was related to the former spouse, but not the member, by blood, adoption or affinity, and state the nature of the relationship.

**14.14(2)** *Delivery of notice.* Written notice under this rule must be addressed to IPERS General Counsel and mailed to IPERS by registered mail or served upon IPERS in the same manner as a summons in a civil action.

**14.14(3)** *Administration.*

*a.* Upon receipt of written notice that meets the requirements of subrules 14.14(1) and 14.14(2):

(1) IPERS reviews the deceased member's account and determines whether there are moneys left to be distributed from the account.

(2) IPERS pays the amounts owed, if any, to the probate court having jurisdiction over the decedent's estate, if the deceased member has an open estate.

(3) IPERS pays the amounts owed, if any, to the probate court that had or would have had jurisdiction over the decedent's estate, if the deceased member's estate is closed or an estate was not opened.

(4) As IPERS makes applicable payments, a copy of the written notice received by IPERS is filed with the probate court.

*b.* If the probate court charges a filing fee for the deposit of amounts payable hereunder, IPERS deducts such filing fees and other court costs from the amounts payable prior to transfer. The probate court holds the funds and, upon its determination, orders disbursement or transfer in accordance with the determination. Additional filing fees and court costs, if any, are charged upon disbursement either to the recipient or against the funds on deposit with the probate court, in the discretion of the court.

**14.14(4)** *Release of claims.* Payments made to a probate court under this rule discharge IPERS from all claims by all persons for the value of amounts paid the court.

**495—14.15(97B) Procedures for final distribution to heirs who have filed claims.** If a claimant identified other persons in the claimant's group who are entitled to a share of the member's death benefit, but such persons have not filed a claim within five years after the member's death, or by the date required under IRC Section 401(a)(9) as amended to August 1, 2026, if earlier, the provisions of Iowa Code section 97B.52(7) apply and the remainder of the member's death benefit is paid in pro rata shares to the claimants who were previously paid a share of the death benefit. To comply with the applicable IRS limitations, the final payments under this rule are made by December 31 of the fifth year that begins after the member's date of death, or by December 31 of the year that distribution is required under IRC Section 401(a)(9) as amended to August 1, 2026, if earlier. For purposes of Iowa Code section 97B.52(7), the sole recourse of any claimant who is a member of a group receiving payments hereunder or of any lower-numbered group that should have received all of such payments is against the claimants of the group that received death benefit payments.

These rules are intended to implement Iowa Code sections 97B.44 and 97B.52.