RA 26-215

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

Regulatory Analysis

Notice of Intended Action to be published: 495—Chapter 15
"Dividends"

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:

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

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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 rule 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 15 and adopt the following **new** chapter in lieu thereof:

CHAPTER 15
DIVIDENDS

495—15.1(97B) Dividend payments for beneficiaries of members retiring prior to July 1, 1990, who chose joint and survivor annuity options.

15.1(1) *General.* The dividend payable to the beneficiary of a pre-July 1, 1990, retired member who selected a joint and survivor annuity option, except for the year of the member's death and the next year, is calculated in the same manner as for retired members. For a member who lives into November of the year in which the member dies, the dividend will be payable to the member's account.

15.1(2) *Dividend for the years in which member's death occurs.* For a member who does not live into November of the year in which the member dies, IPERS calculates the dividend payable for the year in which the member dies the same as it would have been calculated for the deceased retired member. The dividend amount that would have been payable to the deceased retired member is then multiplied by the survivor annuity percentage selected for the contingent annuitant (CA) in the member's retirement application.

15.1(3) *Dividend for the year following the year of the retired member's death.* For a member who does not live into November of the year in which the member dies, IPERS calculates the dividend payable in the year following the year of the member's death as follows: the sum of the survivor's monthly benefit payments received for the year in which the member's death occurs is divided by the number of survivor benefit payments for that year, and that amount is multiplied by 12. That amount plus the member's survivor's prior dividend is then multiplied by the dividend rate for the year following the year of the member's death, which equals the dividend adjustment for the year following the year of the member's death. This dividend adjustment plus the prior year's dividend produces the dividend amount for the year following the year of the member's death.

15.1(4) *Examples.*

a. Dividend for the year of the member's death. IPERS assumes the following: the member retired in 1989 and selected a joint and 50 percent to survivor annuity. The retired member received a monthly payment of $1,000, and died in June 2002. The member received $12,000 in monthly benefits for January through December 2001. The member received a dividend of $500 in 2001, and the dividend rate is 3 percent for 2002.

2001 total monthly benefits		2001 dividend amount		2002 dividend rate		2002 dividend adjustment		2001 dividend amount		Dividend payable amount		CA%		CA 2002 dividend
$12,000.00	+	$500.00	×	3%	=	$375.00	+	$500.00	=	$875.00	×	50%	=	$437.50

b. Dividend for the year following the year of the member's death. IPERS assumes the following: the member retired in 1989 and selected a joint and 50 percent to survivor annuity. The retired member received a monthly payment of $1,000, and died in June 2002. The survivor received $500 each month for July through December of 2002 for a total of $3,000. The survivor received a dividend of $437.50 in 2002, and the dividend rate is 3 percent for 2003.

2002 total monthly benefits for CA		Total of payments for CA 2002		Twelve months for 2002		2002 dividend amount		2003 dividend rate		2003 dividend adjustment		2002 dividend amount		Dividend payable to CA for 2003
$3,000.00	÷	6 months	×	12 months	+	$437.50	×	3%	=	$193.13	+	$437.50	=	$630.63

495—15.2(97B) Favorable experience dividend (FED) under Iowa Code section 97B.49F(2). For qualified recipients, as defined under Iowa Code section 97B.49F(2)*"a,"* dividends are payable as follows.

15.2(1) *Allocation of favorable experience.* IPERS will, following the first annual actuarial evaluation in which IPERS is found to be fully funded, determine by rule the allocation of IPERS' favorable actuarial experience, if any, between the reserve account created under Iowa Code section 97B.49F(2) and the remainder of the retirement fund.

15.2(2) *Determination of applicable percentage.* IPERS has sole discretion to determine the applicable percentages used in calculating FEDs payable under this rule, if any, subject to the actuary's certification that the resulting FEDs meet the requirements of Iowa Code section 97B.49F(2)*"d"* and this rule.

a. IPERS' annual applicable percentage target for calculating dividends under Iowa Code section 97B.49F(2) is equal to the applicable percentage used in calculating dividends payable to retired members under Iowa Code section 97B.49F(1). Notwithstanding this paragraph, IPERS may set a greater or lesser applicable percentage for calculating dividends under this rule depending on the funding adequacy of the reserve account. The applicable percentage shall not exceed 3 percent.

b. IPERS uses at least a rolling five-year period to make its annual applicable percentage decisions.

c. For any year IPERS cannot afford an applicable percentage equal to that payable to retired members under Iowa Code section 97B.49F(1), IPERS may use applicable percentages in succeeding years that are higher than those used in calculating dividends for retired members under Iowa Code section 97B.49F(1) (but not in excess of 3 percent).

d. An applicable percentage in excess of the applicable percentage declared under Iowa Code section 97B.49F(1) made for catch-up purposes shall not reduce the funding of the reserve account below the amount IPERS' actuary determines is necessary to pay the maximum FED for each of the next five years, based on reasonable actuarial assumptions.

15.2(3) *Calculation of FED for qualified recipients.* In determining whether a member has been retired one full year, as required under Iowa Code section 97B.49F(2)*"a,"* IPERS considers the member's first month of entitlement as the first month of the one-year period. The month in which the FED is payable is included in determining whether a member meets the eligibility requirements.

a. IPERS calculates an eligible qualified recipient's FED as provided under Iowa Code section 97B.49F(2)*"d."* The number of complete years the member has been retired is determined by rounding down to the nearest whole year.

b. For otherwise eligible retired reemployed members who chose to suspend their monthly allowance under 495—paragraph 12.8(2)*"c,"* the suspension has no effect on the calculation of FED.

15.2(4) *FED for qualified recipients who die before the January distribution date.*

a. If a qualified recipient receiving monthly payments would have been eligible for a FED distribution in the following January but dies prior to the January distribution date, IPERS pays a FED to the qualified recipient's account for the calendar year in which the death occurred. The FED is calculated using the monthly payments received in the calendar year the death occurred. A lump sum death benefit is not a monthly payment for purposes of determining FED eligibility or in making FED calculations.

b. The FED percentage applied to the monthly payments received in the calendar year of death is the most recently declared FED percentage in effect at the time of the FED payment to the qualified recipient. This subrule does not permit a FED distribution to a qualified recipient where the total monthly benefits received by the member, counting the month of death, is less than 12, even if a period of 12 months has elapsed between the first payment of monthly benefits to the member and the January distribution date.

c. Notwithstanding paragraphs 15.2(4)*"a"* and *"b,"* if IPERS determines in January of a given year that, based on reasonable actuarial assumptions, there is a reasonable likelihood that a FED will not be declared for the next following January, IPERS may defer paying FED distributions under

this subrule until the determination is made. If IPERS subsequently determines that no FED will be declared for a given year, no FED will be payable to a person whose death occurs during the applicable calendar year.

d. Effective July 1, 2000, a retired qualified recipient eligible for a FED payment must, in addition to all other applicable requirements, be living on January 1 in order to receive a FED payment otherwise payable in that January.

15.2(5) *Determination of sufficiency of FED reserve account.* Iowa Code section 97B.49F(2)*"d"* charges IPERS with determining whether the reserve account is sufficiently funded to make a distribution. IPERS makes this determination by:

a. Declaring the value of the FED reserve account balance as specified in the Allocation of Net Assets Held in Trust in the financial statements for the fiscal year that ended immediately preceding a January FED payment. The value includes but is not limited to investment income and expenses and certain noninvestment income that are properly recorded for the FED reserve balance based on standard accounting rules used to determine a final balance at the conclusion of a fiscal year;

b. Comparing the balance declared in paragraph 15.2(5)*"a"* to the total estimated FED payment for the following January as calculated pursuant to rule 495—15.2(97B) utilizing a 1 percent multiplier; and

c. Declaring the reserve account not sufficiently funded when the estimated FED payment as determined in paragraph 15.2(5)*"b"* is equal to or greater than the declared reserve account balance as defined in paragraph 15.2(5)*"a."*

15.2(6) *Determination of FED distribution if reserve account is not sufficiently funded.*

a. If IPERS determines, pursuant to subrule 15.2(5), that the reserve account is not sufficiently funded, IPERS will use a multiplier in the formula pursuant to rule 495—15.2(97B) that is best estimated to approximate a full distribution of the declared reserve account balance as of the preceding June 30 fiscal year end.

b. No investment gains or losses change this balance between July 1 and the FED payment in January of the fiscal year in which the remaining balance of the reserve account is paid by IPERS.

c. Any remaining reserve account balance is credited among the membership groups in the net assets held in trust, and the reserve account balance will be zero at the end of the fiscal year in which a FED payment is made pursuant to this subrule.

d. Any funds IPERS collects from a FED payment to a member or beneficiary because of an erroneous FED payment made by IPERS is deposited in the IPERS trust fund.

e. Payments under this subrule represent a final distribution of the balance of the reserve account as determined in rule 495—15.2(97B) effectively halting any future FED payment, unless and until the reserve account is funded again pursuant to subrule 15.2(1).

f. No claim or administrative appeal is allowed under this subrule if made more than 30 calendar days following the date on which IPERS made a FED payment to a member or beneficiary based upon the date of the EFT or the date IPERS mailed a state warrant to the member or beneficiary.

g. Payment will not occur after January 31 in the year of the FED payment under this subrule for any adjustment to any previous fiscal years' FED payment to a member or beneficiary.

These rules are intended to implement Iowa Code sections 97B.1A(11A), 97B.49F and 97B.70.