RA 26-220

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

Regulatory Analysis

Notice of Intended Action to be published: 495—Chapter 32
"Qualified Benefits Arrangement"

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:

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

CHAPTER 32
QUALIFIED BENEFITS ARRANGEMENT

495—32.1(97B) Qualified benefits arrangement. This rule establishes a separate unfunded qualified benefits arrangement. "QBA" means the qualified benefit arrangement described in Section 415(m) of the Internal Revenue Code and established under Iowa Code section 97B.49I. This arrangement is established solely to enable IPERS to continue to apply the same formula for determining benefits payable to all employees covered by the retirement system created under Iowa Code chapter 97B, including those whose benefits are limited by Section 415 of the Internal Revenue Code.

32.1(1) The QBA is administered by IPERS. IPERS has full discretionary authority to interpret, construe, implement, and determine all questions arising in connection with the QBA. Further, IPERS has full authority to modify the benefits payable under the QBA as may be necessary to maintain the QBA's qualification under Section 415(m) of the Internal Revenue Code.

32.1(2) All members, retired members, and beneficiaries of IPERS are eligible to participate in the QBA if their benefits would exceed the limitation imposed by Section 415 of the Internal Revenue Code. Participation is determined for each plan year, and participation ceases for any plan year in which the benefit of a retiree or beneficiary is not limited by Section 415 of the Internal Revenue Code.

32.1(3) On and after the effective date of the QBA, IPERS shall pay to each eligible retiree and beneficiary a supplemental pension benefit equal to the difference between the retiree's or beneficiary's monthly benefit otherwise payable from IPERS prior to any reduction or limitation because of Section 415 of the Internal Revenue Code and the actual monthly benefit payable from IPERS as limited by Section 415. IPERS shall compute and pay the supplemental pension benefits in the same form, at the same time, and to the same persons as such benefits would have otherwise been paid as a monthly pension under IPERS except for the Internal Revenue Code Section 415 limitations.

32.1(4) IPERS determines the amount of benefits that cannot be provided under IPERS because of the limitations of Section 415 of the Internal Revenue Code, and the amount of contributions that must be made to the QBA as a separate fund within the retirement fund created in Iowa Code section 97B.7. If applicable, fees for the actuary's service shall be paid by the applicable employers.

32.1(5) Contributions do not accumulate under this QBA to pay future supplemental pension benefits. Instead, each payment of contributions by the applicable employer that would otherwise be made to IPERS are reduced by the amount necessary to pay supplemental pension benefits and administrative expenses of the QBA. The employer shall pay to this QBA the contributions necessary to pay the required supplemental pension payments, and these contributions are deposited in a separate fund that is a portion of the retirement fund established under Iowa Code section 97B.7 and administered by IPERS. This fund is intended to be exempt from federal income tax under Sections 115 and 415(m) of the Internal Revenue Code. IPERS shall pay the required supplemental pension benefits to the member out of the employer contributions so transferred. The employer contributions otherwise required under the terms of Iowa Code sections 97B.11, 97B.49B and 97B.49C are divided into those contributions required to pay supplemental pension benefits hereunder, and those contributions paid into and accumulated in the retirement fund created in Iowa Code section 97B.7 to pay the maximum benefits permitted. Employer contributions made to a separate fund to provide supplemental pension benefits must not be commingled with the contributions paid into and accumulated in the retirement fund created in Iowa Code section 97B.7. The supplemental pension benefit liability is funded on a plan-year-to-plan-year basis. Any assets of the separate QBA fund

not used for paying benefits for a current plan year shall be used, as determined by IPERS, for the payment of administrative expenses of the QBA for the plan year.

32.1(6) A member cannot elect to defer the receipt of all or any part of the payments due under this QBA.

32.1(7) Payments under this rule are exempt from garnishment, assignment, attachment, alienation, judgments, and other legal processes to the same extent as provided under Iowa Code section 97B.39.

32.1(8) Nothing in this rule may be construed as providing for assets to be held in trust or escrow or any form of asset segregation for members, retirees, or beneficiaries. To the extent any person acquires the right to receive benefits under this QBA, the right is no greater than the right of any unsecured general creditor of the state of Iowa.

32.1(9) This QBA is a portion of a governmental plan as defined in Section 414(d) of the Internal Revenue Code, is intended to meet the requirements of Sections 115 and 415(m) of the Internal Revenue Code, and shall be so interpreted and administered.

32.1(10) Amounts deducted from employer contributions and deposited in the separate QBA fund do not reduce the amounts that are to be credited to employer contribution accounts under Iowa Code sections 97B.11, 97B.49B and 97B.49C.

32.1(11) All references to the Internal Revenue Code in this rule are to the Internal Revenue Code as amended to August 1, 2026.

This rule is intended to implement Iowa Code section 97B.49I.