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## FISCAL UPDATE Article

Fiscal Services Division

August 26, 2021



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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

### IPERS BENEFITS ADVISORY COMMITTEE BOARD MEETING — AUGUST 2021

**Meeting.** The Iowa Public Employees' Retirement System (IPERS) [Benefits Advisory Committee](#) (BAC) Board met by virtual video/telephonically on August 23, 2021. The Board approved the minutes from the February 22, 2021, and June 28, 2021, meetings.

**Chairperson and Vice Chairperson of the BAC Board.** Len Cockman was re-elected Chairperson of the BAC Board for another term and Lowell Dauenbaugh was re-elected as Vice Chairperson.

**Plan Design Cost Studies.** Patrice Beckham and Brent Banister from Cavanaugh Macdonald Consulting presented a cost study to the Board that analyzed the impact of proposed changes to the current plan design regarding posting of employer contributions to member accounts, as well as the benefits earned by retired reemployed members.

- **Employer Contributions Posting to Member Accounts.** Under current law, when a retired member returns to IPERS-covered employment after satisfying the member's bona fide retirement period, and then decides to terminate that employment, Iowa Code section [97B.48A\(4\)](#) provides for a lump-sum payment out of 100.0% of the employee and employer contributions, plus interest. The issue arose that if all the contributions are being paid out with interest to the member, then no payment is being applied to pay down the unfunded actuarial liability (UAL). Under the proposed change, only employer contributions attributable to funding the normal cost for the group would post to the member's account and would be eligible for a refund. Any employer contribution needed to fund the UAL would not post to the member's account and would not be eligible for a refund. The proposed change would ensure that the contributions intended to fund the UAL would be retained by IPERS for that purpose and would not be paid out as a benefit to the member. The change would be applied prospectively. The cost savings from the proposed change is estimated to increase the funded ratio across the three service groups by 0.00% to 0.02% and would increase the contribution rate by 0.01% to 0.03%, depending on which group the member belongs to (Regular Membership, Sheriffs and Deputies, or Protection Occupation).
- **Changes to Retired Reemployed Benefits.** Under current law, if a retiree returns to IPERS-covered employment, any benefit earned during that reemployment period is treated as a separate benefit. If the reemployment period lasts less than seven years, all the contributions received for a retired reemployed member plus interest are paid out as either a lump sum or an equivalent benefit increase, with no portion of those contributions being applied to the UAL. Under the proposed change, only the employer contributions needed to fund the normal cost would be posted to the member's account for refund purposes, and the remainder would be used to pay down the UAL. The estimated savings to IPERS would be approximately \$5.0 million per year.

**Tabled Agenda Item.** The discussion of earnings limits for retired reemployed members was tabled until the next BAC Board meeting.

**BAC Budget.** Iowa Code section [97B.7\(3\)\(c\)](#) authorizes a standing appropriation from the IPERS Trust Fund of up to \$50,000 per fiscal year for actual expenses of the BAC. At the close of FY 2021, an estimated \$35,000 had been spent, of which \$28,000 (80.0%) was used to pay for studies conducted by Cavanaugh Macdonald on behalf of the BAC Board.

**IPERS Trust Fund Appropriation.** For FY 2021, IPERS was appropriated \$18.0 million from the IPERS Trust Fund for general operations, of which approximately \$2.5 million will be reverted to the Fund at the

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close of the fiscal year. For FY 2022, HF 867 ([FY 2022 Administration and Regulation Appropriations Act](#)) appropriated \$18.1 million from the IPERS Trust Fund for general operations.

**Benefits Update.** Jim Burke, supervisor of the IPERS Compliance Team, provided the Board with a brief update. For this past year, due to COVID-19, compliance audits were completed over the phone rather than in-person. A total of 520 audits were completed, which covered approximately 25.0% of the employers across the State. These audits resulted in 455 adjustments which equated to \$2.3 million in wage adjustments, and 582 issues were identified and addressed.

**Investment Fund Update.** Karl Koch, Chief Investment Officer (CIO), reported that the IPERS Trust Fund experienced a 29.6% return on investment this past year and has an estimated market value of \$42.900 billion as of August 23, 2021.

**Next Meeting.** The next IPERS Investment Board meeting will be Wednesday and Thursday, September 15 and 16, 2021, and the next BAC meeting will be Monday, October 25, 2021.

LSA Staff Contacts: Jennifer D. Acton (515.281.7846) [jennifer.acton@legis.iowa.gov](mailto:jennifer.acton@legis.iowa.gov)  
J.D. Arnett (515.281.3745) [J.D.Arnett@legis.iowa.gov](mailto:J.D.Arnett@legis.iowa.gov)

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