**Fiscal Note**

**Fiscal Services Division**

SF 2266 – Income Cap, IPERS Beneficiaries (LSB5955SV.1)
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Fiscal Note Version – Final Action

**Description**

Senate File 2266 increases the earnings limitation from $30,000 annually to $50,000 annually for retirees under the age of 65 who return to work for an Iowa Public Employees’ Retirement System (IPERS)-covered employer. The Bill also increases the limit of compensation school board members can earn through part-time or temporary district employment from $6,000 to $20,000. The Bill takes effect upon enactment.

**Background**

Iowa Code section 97B.48A provides that a retiree who has not reached age 65 and returns to work for an IPERS-covered employer will have the retiree’s retirement allowance reduced by $0.50 for every $1 the retiree earns over $30,000 for the remainder of the calendar year. The earnings limit was last increased from $14,000 to $30,000 during the 2002 Legislative Session (2022 Iowa Acts, Chapter 1135).

As of June 30, 2021, there were 9,484 retired, reemployed IPERS members. IPERS paid out $2.365 billion in retirement benefits in FY 2021, and the IPERS Trust Fund balance was $42.850 billion.

**Assumptions**

- For calendar year (CY) 2021, there were 136 IPERS members under the age of 65 who exceeded the annual $30,000 earnings limit.
- The average annual earnings of the 136 members who exceeded the limit totaled $50,000.
- The total average reduction per member was approximately $8,000, resulting in approximately $1.1 million remaining in the IPERS Trust Fund due to the penalty.
- School districts would pay the increased contract costs for services provided by board members.

**Fiscal Impact**

Increasing the earnings income limit to $50,000 will result in members receiving approximately $1.1 million in retirement benefits annually that under current law would have been retained in the IPERS Trust Fund. The assumed loss of reduced retirement benefits is a nominal liability to the IPERS Trust Fund of approximately 0.003%. The costs related to part-time and temporary school board member employment would be paid from existing school district resources and are anticipated to be minimal.
Sources
Iowa Public Employees' Retirement System (IPERS)
IPERS FY 2021 Annual Comprehensive Financial Report
Department of Education

/s/ Holly M. Lyons
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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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