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LEGISLATIVE SERVICES
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**REPORT TO THE
GENERAL ASSEMBLY
REGARDING THE ESTABLISHMENT
OF AN IPERS'
BENEFITS ADVISORY BOARD**

Iowa Public Employees' Retirement System

January 8, 1999

Legislative Mandate of 1998

In Section 84 of House File 2496, the 1998 General Assembly directed the Iowa Public Employees' Retirement System to examine the merits of establishing a *benefits advisory board* for the System, and to report back on its recommendations on or before January 8, 1999.

Background

Prior to 1994, **benefits policy** was formulated as a result of the Legislature sorting through various constituent requests and recommendations, primarily as expressed through various employer and employee membership organizations. Although IPERS also presented its legislative proposals, and did so following individual sessions between its Chief Benefits Officer and representatives of the larger associations, there was no means to coordinate IPERS' policy recommendations among all the groups. Nor did this process easily facilitate *long-range planning*.

Legislators on occasion expressed their frustration at being "caught in the middle" between membership organizations, or between IPERS and membership organizations, with respect to benefit proposals. They also questioned where these *ad hoc* benefit enhancement proposals were taking the overall plan.

Accordingly, several members of the joint pension subcommittee of the State Government Committees of the Senate and House of Representatives urged IPERS to take a more active role in working with the various employer and employee membership organizations before the session began. This coincided with IPERS' own efforts to bring more long-range planning into our own process so that additional benefit enhancement proposals would fit logically within a cohesive and compelling *vision* of future plan design. To support those efforts, IPERS successfully sought legislative approval in 1994 to hire a benefits consultant to look at IPERS in the national context of statewide public retirement systems in order to gain perspective on how our plan compared with those of other states.

Also in 1994 we created - through invitation - a *constituent group* on benefits issues.¹ Our primary purpose at that time was to work cooperatively with this group - together with our benefits consultant - in the appraisal of, and recommendations regarding, IPERS' benefits plan. Initially consisting of five persons representing three member and two employer associations, this group had grown to nine members by 1996. Since inception, this group has served to advise principally IPERS' Chief Benefits Officer with respect to ongoing deliberations about benefit enhancements for the System, as well as to provide valuable feedback regarding member service quality issues. At most of the meetings, IPERS' Chief Investment Officer (or her representative), IPERS' attorneys, and IPERS' Retirement Benefits staff have also been

¹ We asked the various employer and employee membership organizations to designate representatives of their choice to work with us.

participants. House and Senate caucus staff and a key member of the Legislative Service Bureau staff have also frequently been in attendance.

The key role this *constituent group* has played in developing and supporting benefits policy has been noted and commended in IPERS' 1995 and 1997 official Reports to the General Assembly regarding recommended benefit enhancements. Its members have consistently provided valuable insight, careful evaluation, and assistance in weighing various proposals for improving benefits to IPERS' active and retired members.² In essence, this group has evolved over time into functioning as an *ad hoc* "benefits advisory board".

Recent Developments

Spurred by the 1998 Legislature's request that IPERS examine the utility of a more formal **benefits advisory board**, the *constituent group* this autumn reassessed both its composition and role, while the IPERS' *management team*³ met separately to discuss the merits of a more formal organization.

From discussions occurring over several months, it was clear that the employer and employee membership organizations represented on the *constituent group* wish their members to continue to play a vital role in assessing and prioritizing various possible changes to IPERS' benefits' structure. While the IPERS' *management team* also recognized this value, in addition they believed it likely that an expanded *constituent group* could play a useful role in assisting IPERS deliver needed quality services to its more than 220,000 active and retired members.⁴

With IPERS' staff also participating, the *constituent group* approached the issue of adjusting its composition by asking, "Which other groups representing a constituency, an important point of view, or having special expertise should be at the table with us?" After several sessions, spanning a couple of months, the *constituent group* was once again expanded. Associations or groups currently participating are listed on the following page (with newly invited groups denoted in **bold face**).

² For an example of their role, see pp. 6-7 of the September 1997 IPERS' report, To the Governor and General Assembly: A Report Regarding Plan Design, Multi-Year Benefit Enhancements and Contribution Rates for the Iowa Public Employees' Retirement System.

³ Consisting of IPERS' four managers and Linda Hanson, Director, Department of Personnel.

⁴ With the achievement of significant benefit enhancements in the most recent legislative session, most especially the Favorable Experience Dividend (FED) for members retired since July 1, 1990, and the Supplemental Account for Active Members (SAAM), IPERS and the *constituent group* recognize that any future benefit enhancements may take longer to achieve (as the lion's share of available dollars will be purposefully used to pay for these two major ongoing enhancements).

CONSTITUENT GROUP MEMBERSHIP

[A = Actives; R = Retired; ST = State; S = Schools; MEE = Multiple Classes or Governmental Levels of Employees; ER = Employers; MER = Multiple Employers; C = City; CO = County; P = Policy Maker/Advisor]

Chairman: Lowell Dauenbaugh

Vice-Chairman: Gene Gardner

Schools

Iowa State Education Association - A, R, S
Community College Association - A, ER, S, P
School Administrators of Iowa - A, S
Iowa Association of School Boards - R, S
Retired School Personnel Association - R, S

Lowell Dauenbaugh
Gene Gardner
Gaylord Tryon
Jenifer Owenson
Walt Galvin

State

Conservation Officers - A, ST
Director, Department of Personnel - ER, ST, P

Diane Reid
Linda Hanson

Multi-Level

IPERS' Improvement Association - A, R, MEE
American Federation of State, County, and
Municipal Employees (AFSCME) - A, R, MEE

Janie Garr
Mike Campbell (Marcia Nichols)

County

Sheriffs and Deputy Sheriffs' Association - A, CO
Association of Counties - A, MER, CO, P

Bill Hutchins
Jim Maloney

City

Association of Police - A, C
League of Iowa Cities - A, MER, C, P

Terry Dehmlow
Andi Stewart

Policy/ Advisory

Legislative Staff Person

(Appointed by Chapter 97D Retirement Committee) - P

Representative from Department of Management - P
Benefits Expert - Policy Advisor

Vacant
Vacant
Vacant

Policy Options

As the IPERS' Management Team reviewed the situation, it appeared we had two basic options before us: Either

1. Use the existing, expanded *constituent group* as the de facto benefits advisory board it had become over time; or
2. Call for the creation of a statutory body, the composition of which could vary significantly from the existing *constituent group*.

To support the creation of another (possibly replacement) board, we believed we needed firm evidence of the increased value such a statutory board would bring us. We were also concerned that a statutory board would probably leave us with two functioning groups: one the statutory group, the other the *constituent group*. This would likely happen if the statutory board was not of the size and composition of the current body. This would substantively alter the discussion and process of a group which we have found to be of great use to us.

In sum, and after careful consideration, we concluded that we could well lose some value from the existing arrangement if we were to advocate such a change. The *constituent group* echoed similar concerns.

We believe the clear value of the existing *constituent group* includes being:

- **Large and diverse**, allowing a **wide representation** of employee and employer groups to sit at a common table together to express and resolve hopes and concerns about IPERS' benefits structure and delivery and communication systems;
- Sufficiently **informal** to allow **free flow of ideas** and "out of the box" **creative thinking** regarding innovative solutions;
- Sufficiently formal and **focused** to give all *constituent group* members and IPERS' staff alike a clear idea of which issues are of greatest importance to individual associations and to the larger group as well; and
- **Non-binding** in the nature of its proposals so that IPERS' staff, while giving them respectful hearing, are still free to make its own recommendations to the General Assembly.⁵

⁵ It is significant, however, that there has been remarkable harmony between the expressed wishes of the *constituent group* and IPERS' staff in the past several legislative sessions. That this is so is due largely to the time and in-depth exploration of issues which the structure and membership of the *constituent group* allows.

Recommendation

In the absence of any clear **advantage** which the creation of a statutory board (in addition to or in lieu of the *constituent group*) would bring us, we recommend against the creation of a statutory Benefits Advisory Board at this time.