

F I N A L R E P O R T

PUBLIC RETIREMENT SYSTEMS COMMITTEE

January, 1988

BACKGROUND INFORMATION

The Public Retirement Systems Committee was established pursuant to section 97B.76 of the Code. Under that section, the Committee is directed to:

1. Develop and recommend retirement standards and a coherent state policy on public retirement systems.
2. Continuously survey pension and retirement developments in other states and in industry and business and periodically review the state's policy and standards in view of these developments and changing economic and social conditions.
3. Review the provisions in the public retirement systems in effect in this state.
4. Review individually sponsored bills relating to the public retirement systems.
5. Review proposals from interested associations and organizations recommending changes in the state's retirement laws.
6. Study the feasibility of adopting a consolidated retirement system for the public employees of this state.
7. Make recommendations to the general assembly.

The Committee held two two-day meetings during the interim on September 2 and 3 and October 28 and 29.

Members of the Committee are:

Senator Bob Carr, Dubuque, Chairperson
Representative Gene Blanshan, Scranton, Vice Chairperson
Senator Charles Bruner, Ames
Senator Bill Dieleman, Pella
Senator Richard Drake, Muscatine
Senator Jack Nystrom, Boone
Representative Dorothy Carpenter, West Des Moines
Representative Charles Poncy, Ottumwa
Representative Dennis Renaud, Altoona
Representative George Swearingen, Sigourney

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SUMMARY OF MEETINGS

For the September 2 and 3 meeting, interested associations and individuals were invited to make ten-minute presentations about the present provisions of the Iowa Public Employees' Retirement System, the Peace Officers' Retirement, Accident, and Disability System, and Chapter 411 fire and police retirement systems; pending legislation affecting any of these retirement systems, and proposed legislation affecting benefits or financing. A listing of those individuals making presentations and the associations they represent, if any, is attached to this report.

In addition, the Committee heard a presentation by Nancy Heaton, Finance Officer of Iowa City, representing the Alliance of Iowa Police and Fire Retirement Systems. The Alliance has recently been established and is soliciting memberships from cities having chapter 410 and 411 fire and/or police retirement systems. The Alliance will maintain information and conduct research about the retirement systems that may be helpful to the Committee and the General Assembly.

Mr. Maurice Baringer and Mr. Dennis Jacobs, from the IPERS Division of the Department of Personnel, described the Iowa Public Employees' Retirement System and listed several recommendations for technical amendments to the IPERS law.

Treasurer of State Michael Fitzgerald, a member of the Peace Officers' Retirement System Board of Trustees, presented information about the Peace Officers' Retirement System.

The Committee discussed comments of the twenty individuals who had made presentations to the Committee and developed a list of actuarial studies that it believed should be conducted in order to evaluate the appropriateness of the presenters' requests. Inquiry was made as to which of the proposed actuarial studies will be conducted by the IPERS Division or the Board of Trustees of the Peace Officers' Retirement System. There were two actuarial studies requested by the Committee that are not otherwise being conducted.

The Committee asked for information about the relative hazards of certain occupations. The Department of Personnel provided information listing all job classes in state employment that were assigned a fourth degree or fifth degree for the hazard/risk factor under the comparable worth study of occupations in the executive branch. These ratings and the criteria for fourth and fifth degree are attached to this report.

At the October 28 and 29 meeting, Mr. David Boyd, Deputy Court Administrator, described the Judicial Retirement System. Judge Allen Donielson presented the recommendations of the Iowa Judges Association.

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Mr. Baringer and Mr. Jacobs presented the results of the actuarial cost studies for IPERS requested by the Committee. Mr. Gale Patrick, Consulting Actuary for the Peace Officers' Retirement System presented the results of the actuarial cost studies for the PORS requested by the Committee. Copies of the actuarial cost study results are attached to this report.

The Committee discussed the results of the actuarial cost studies it had received and made its recommendations.

ADDITIONAL COST STUDIES

Two cost studies were requested by the Committee that were not conducted by either the IPERS Division of the Department of Personnel or the Board of Trustees of the PORS.

The first study was a request to determine the cost of the disability benefits provided under chapter 411 of the Code in order to determine whether those benefits might be provided under IPERS for sheriffs and deputy sheriffs. The Insurance Division of the Department of Commerce asked for assistance from the Technical Actuarial Advisory Committee of the Actuaries Club of Des Moines. The information was calculated as a cost for police officers and for fire fighters and was calculated as 3.70% of payroll for police officers and 3.85% of payroll for fire fighters.

The Committee also asked for the costs of providing a retirement benefit of 60% of final average compensation for members of chapter 411 police and fire retirement systems under both the service retirement allowance and the disability retirement allowance. The IPERS Consulting Actuary indicated that the study could be performed for \$1,500. Accordingly, the Legislative Council approved the expenditure of this amount from section 2.12 of the Code, to pay the costs of the actuarial study. The results of the actuarial study were not available to Committee members at the time they made their recommendations, but have subsequently been received and are attached to this report.

IPERS

The Iowa Public Employees' Retirement System has over 128,500 active members who are employees of the state, counties, cities, and other governmental subdivisions. As of June 30, 1987, there were over 44,363 retirees receiving benefits of over \$128.5 million during the 1986-1987 fiscal year. Over \$197 million was paid into the Fund during the fiscal year from contributions of members and employers, but the Fund actually increased by more than that because of earned income from investments. The Fund totaled \$3,485,335,363 as of June 30, 1987.

Employees under the regular IPERS program currently contribute 3.7 percent of covered wages while employers contribute 5.75

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percent. Covered wages will be \$24,000 during 1988 and will increase \$1,000 per year each year thereafter if the results of an actuarial valuation indicate that the cost can be absorbed within the present contribution rates.

The IPERS system is a defined benefit retirement system which means that members will receive retirement benefits on the basis of their three-year average covered wage and years of service not on the employee and employer contributions that have been made to the system on behalf of the member. The employer contributions of members who leave the system before retirement remain in the IPERS fund to pay for increased benefits for members who retire from the system.

According to the IPERS actuaries from Milliman & Robertson, Inc., 9.45 percent of covered wages is currently being collected from the contributions of employers and employees, but only 7.80 percent is required to fund the present benefits on an actuarially sound basis including .17% for increasing the covered wages by \$1,000.

After discussing the cost study results provided by the IPERS Division, the Committee recommends the following:

1. The IPERS Division should be asked to consider again the actuarial cost estimates for implementation of the rule of 92 (whereby a person whose combined age and years of service total 92 and that person may retire with full benefits), based upon the actual retirement experience by age rather than the assumption that all individuals eligible to retire when "92" is reached would do so. It should also consider the recommendation in conjunction with the other recommendations made for reducing the early retirement penalty.

2. Provide a reduction in the penalty for early retirement for those employees who are fifty-five years of age or older and have not completed thirty years of service from five-tenths percent per month for each month the member retires prior to sixty-five years of age to twenty-five hundredths percent per month (cost .83 percent of covered wages).

3. Provide a military service buy-back for IPERS members. These members would be required to pay both the employer and employee contributions without interest based upon their current salaries (No cost).

4. Provide that the monthly retirement benefits for IPERS members retiring between January 1, 1976, and June 30, 1982, be increased from 47% of average final compensation to 50% and eliminate the November bonus payment (Cost .16 percent of covered wages)

5. Provide a 10 percent increase in monthly retirement benefits for IPERS members retiring prior to January 1, 1976 (Cost .12% of covered

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The cost of implementing recommendations 2 through 5 is 1.11% leaving a margin of .54% of covered payroll.

The representatives from the IPERS Division were asked questions about the impact of the stock market crash on the value of IPERS stock. Mr. Baringer and Mr. Jacobs stated that at the end of September the market value of the portfolio was \$3.8 billion, of which \$1.3 billion was common stocks. However, even though the value of stocks in the fund has declined, there have been increases in the value of the bonds in the fund. In addition, in determining the value of the fund, the IPERS Investment Board uses a ten-year rolling average.

PEACE OFFICERS' RETIREMENT SYSTEM

The Peace Officers' Retirement System includes 501 active members. It has 213 members, spouses of members and children of members receiving retirements benefits. There are 17 vested terminated members not yet receiving benefits.

In 1986-1987, \$2,039,464 was paid out in benefits. During this period the members contributed \$426,577 while the state contributed \$2,628,277. The total assets in the fund on July 1, 1987, were \$57,955,521.

The consulting actuary from Towers, Perrin, Forster, & Corsby stated that as of July 1, 1987, including new members to the system as of July 3, 1987, a contribution rate of 19.39 percent of payroll would satisfy the funding method set in the statute, and the present contribution percent is 19.1 percent with 16 percent contributed by the state and 3.1 percent contributed by the employees. The actuary increased the investment return assumption as of July 1, 1987, from 7% to 8%.

Members of the Peace Officers' Retirement System are not covered under Social Security.

The Committee made no recommendations relating to the PORS.

JUDICIAL RETIREMENT SYSTEM

The Judicial Retirement System includes 157 active judges of the Supreme Court, Court of Appeals, and District Court, and District Associate Judges. It has 44 retired judges, 18 active senior judges, 6 retired senior judges, 35 spouses receiving annuities, and 11 retired judges not yet receiving annuities.

In 1986-1987, over \$1.3 million was paid in annuities to judges and spouses. During this period, the judges and the state contributed \$553,612. Filing fees totaled \$2,025,664 and investment and interest income totaled \$589,867. The total assets in the fund on June 30, 1987, were \$9,366,876.

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The Judicial Department stated that the financial management of the fund is now administered by an independent money manager. The Deputy Court Administrator stated that the law requires an actuarial analysis every four years and the last actuarial valuation was obtained as of July 1, 1985.

The Committee recommends that the Judicial Department be required to conduct an actuarial valuation of the Judicial Retirement System biennially as of June 30 of each odd-numbered year rather than every four years.

PRESENTERS

PUBLIC RETIREMENT SYSTEMS COMMITTEE

1. Orville Duncan, Superintendent, Pella Community School District, representing the School Administrators of Iowa
2. Ken Runde, Deputy Sheriff Dubuque County, representing the Iowa State Sheriffs and Deputies Association
3. Dun Pudwell, Department of Natural Resources
President, Iowa Lands and Waters Officers Association
4. Jan Reinicke, Iowa State Education Association
5. Michael Williams, Des Moines Airport Firefighters
6. Kerry Kirkpatrick, Motor Vehicle Enforcement Officer,
Department of Transportation
7. Wilbur Johnson, State Fire Marshall
8. Lon Lindenberg, Fish and Game Conservation Officers,
Department of Natural Resources
9. Richard Conn, President, Iowa State Troopers Association, Inc.
10. Roger Hughes, Executive Director, Iowa Association of Chiefs
of Police and Peace Officers
11. Tom Ryan, Davenport, President, Iowa Association of Professional
Firefighters
12. Bill Watters, Dubuque, Iowa Retired Teachers Association
13. Ron Reid, Iowa State Patrol Supervisors Association
14. Wesley Smith, Hamilton County Engineer, representing the
IPERS Improvement Association
15. David Long, League of Iowa Municipalities
16. Bob Blair, Retired Troopers and Agents Association
17. Kenneth Street, Louisa County Supervisor, representing personal interests
18. Ed Moses, Ames, representing Iowa Association of Professional,
Managerial and Scientific State Employees, Inc.
19. Marian Campbell, Webster City, representing personal interests
20. Verne Schroeder, representing the Fire Marshal's Office,
DOT Enforcement Officers, and Des Moines Airport Firefighters

Alliance of Iowa Police and Fire Retirement Systems

22. Judge Allen Donielson, Iowa Court of Appeals, representing the Iowa Judges Association

Attachment A

Comparable Worth Ratings

<u>Job Class</u>	<u>Hazard/Risk Rating</u>
Aircraft Pilot	4
Airport Firefighter*	4
airport Firefighter Supervisor	4
Canteen Operator 2	4
Conservation Officer*	4
Corr. Building Services Coord.	4
Correctional Counselor 1*	4
Correctional Counselor 2*	4
Correctional Deputy Superintendent*	4
Correctional Treatment Director	4
Correctional Treatment Manager*	4
Corrections Farm Manager	4
Dental Hygienist	4
Fire Inspector 1	4
Fire Inspector 2	4
Fire Marshall	4
Motor Vehicle Officer 1	4
Motor Vehicle Officer 2	4
Parole Board Liaison Officer*	4
Restoration Painter	4
State Industries Technician	4
State Industries Supervisor*	4
Special Agent	4
Treatment Services Director	4
Trooper*	4
Trooper Pilot*	4
Sergeant (DPS)*	4
Lieutenant (DPS)*	4
Captain (DPS)*	4
Youth Services Worker*	4
Correctional Security Director	5
Correctional Supervisor 1*	5
Correctional Supervisor 2*	5
Correctional Officer	5
Senior Correctional Officer	5
Correctional Security Manager*	5
Senior State Industries Technician*	5

* CW evaluation appealed - final rating

Jobs of Interest - Comparable Worth Ratings

<u>Job Class</u>	<u>Hazard/Risk Rating</u>
Airport Firefighters	4
Airport Firefighter Supervisor	4
Conservation Officer	4
Correctional Officer	5
Senior Correctional Officer	5
Fire Inspector 1	4
Fire Inspector 2	4
Fire Marshall	4
Assistant State Fire Marshall	3*
Motor Vehicle Officer 1	4
Motor Vehicle Officer 2	4
Park Ranger 1	3*
Park Ranger 2	3*
Park Ranger 3	3*
Resident Treatment Worker	3
Resident Treatment Technician	3
Resident Treatment Supervisor 1	3
Resident Treatment Supervisor 2	3
Special Agent	4
Trooper	4
Trooper Pilot	4
Sergeant (DPS)	4
Lieutenant (DPS)	4
Captain (DPS)	4

Attachment C

Definitions3rd Degree

The work involves risk requiring special safety precautions and which may result in serious and/or permanent injury (for example, loss of a limb, damage requiring surgery, extensive burns). May include exposure to infection or contagious diseases. Health may be temporarily affected when injuries occur.

4th Degree

The work environment occasionally involves risk with exposure to life-threatening situations which require a range of safety and other precautions (for example working at great heights, subject of possible physical attack or mob conditions, riots, explosions, or similar situations where conditions cannot be controlled or anticipated.) May involve work in a minimum security type environment involving regular and occasionally necessary contact with correctional residents, with inflammable explosive materials or equipment which may cause serious injury or exposure to health hazards due to occasional contact to contaminated materials. This degree indicates hazardous work where there is the chance of permanent bodily injury and the potential for loss of life resulting from work hazards is a real possibility.

5th Degree

The work environment regularly (daily) involves risk with exposure to life threatening situations. May involve frequent work in a maximum security environment and regular necessary contact with materials or equipment which may cause serious injury or exposure to health hazards. This degree indicates highly hazardous work where the chance of permanent serious bodily injury or the potential for loss of life is relatively great.

IPERS
1988-89 Actuarial Analysis
(As of June 30, 1987 Financials & Actuarial Valuations)

SYSTEM FACTS

A. Contribution Rate 9.45% of covered payroll
 Employer rate 5.75%
 Employee rate 3.70%

B. Covered Payroll \$2,088,000,000 (estimated)

C. Total Contributions (\$2,088,000,000 X 9.45%) = \$197,316,000 (estimated)

By employer type:	Total	Employer	Employee
State - 20.63%	\$40.7M	\$24.4M	\$16.3M
County - 14.73%	29.1M	17.5M	11.6M
City - 12.07%	23.8M	14.3M	9.5M
School - 48.10%	94.9M	56.9M	38.0M
Misc. - 4.47%	8.8M	5.3M	3.5M

	<u>Z</u>	<u>S</u>
Contribution Rate Required for FY 1988, beginning July 1, 1987.	7.80	\$162,864,000
Available for benefit formula changes	(1.65)	(34,452,000)

COST OF CHANGES

1a. Rule of 95 (age + service = 95)	.87	18,165,600
b. Rule of 92 (age + service = 92)	1.74	36,331,200
c. Rule of 85 (age + service = 85)	4.61	96,256,800
2a. Vested refunds receive employee contributions plus 1/30 of employer's contributions times years of service	3.58	74,750,400
b. 1/60 per year	1.76	36,748,800
c. 1/90 per year	1.34	27,979,200
d. 1/120 per year	.86	17,956,801
3. 3% early retirement penalty in lieu of 6%	.83	17,330,400
4. No service maximum for benefit formula	1.75	36,540,000
5. Military service buy-in, with members paying both employer and employee contributions without interest	-0-	-0-
6. Pre-1976 retirees' benefits increased 10%	.12	2,505,600

	<u>¢</u>	<u>\$</u>
7. Retirees' (1/1/76 through 6/30/82) benefits increased from 47% to 50%	.16	3,340,800
8. Buy-back - Active, vested, or retired	.344	7,182,720
9a. Death Benefit - Lump sum or 100% joint and survivor annuity	.355	7,412,400
b. Lump sum or 50% joint and survivor annuity	.003	62,640
10. Covered wage increase per \$2,000 per year and per \$3,000 per year	.17 .34	3,550,000 7,100,000
11a. Special groups - DOT enforcement officers to age 60 with 25 years	8.63	199,181
b. DOT officers to age 55 with 25 years	5.44	125,555
c. Sheriffs/Deputies to age 55 with 25 years	-0-	-0-
d. Local peace officers to age 55 with 25 years	-0-	-0-
e. Conservation officers to age 55 with 25 years	1.83	50,204
f. Correctional officers to age 55 with 25 years	2.27	614,966
g. Des Moines Airport Fire fighters to age 55 with 25 years	3.54	16,850
h. State fire inspectors to age 60 with 25 years	7.56	20,487

**Contribution Rates & Maximums for IPERS
(in Percentages)**

IPERS

	Employee	Employer	Total	Maximum
Regular				
July 4, 1953 to Dec. 31, 1963 . . . . .	.035	.035	.07	\$ 4,000
Jan. 1, 1964 to Dec. 31, 1967 . . . . .	.035	.035	.07	4,800
Jan. 1, 1968 to Dec. 31, 1970 . . . . .	.035	.035	.07	7,000
Jan. 1, 1971 to Dec. 31, 1972 . . . . .	.035	.035	.07	7,800
Jan. 1, 1973 to Dec. 31, 1975 . . . . .	.035	.035	.07	10,800
Jan. 1, 1976 to June 30, 1977 . . . . .	.035	.0475	.0825	20,000
July 1, 1977 to June 30, 1979 . . . . .	.036	.0525	.0885	20,000
July 1, 1979 to Dec. 31, 1983 . . . . .	.037	.0575	.0945	20,000
Jan. 1, 1984 to Dec. 31, 1985 . . . . .	.037	.0575	.0945	21,000
Jan. 1, 1986 to Dec. 31, 1986 . . . . .	.037	.0575	.0945	22,000
Jan. 1, 1987 to Dec. 31, 1987 . . . . .	.037	.0575	.0945	23,000
Jan. 1, 1988 to Dec. 31, 1988 . . . . .	.037	.0575	.0945	24,000*
Sheriff/Deputy Sheriff (County)				
July 1, 1979 to Dec. 31, 1983 . . . . .	.0541	.0841	.1382	\$ 20,000
Jan. 1, 1984 to June 30, 1984 . . . . .	.0541	.0841	.1382	21,000
July 1, 1984 to Dec. 31, 1985 . . . . .	.0632	.0978	.1610	21,000
Jan. 1, 1986 to Dec. 31, 1986 . . . . .	.0632	.0978	.1610	22,000
Jan. 1, 1987 to Dec. 31, 1987 . . . . .	.0632	.0978	.1610	23,000
Jan. 1, 1988 to Dec. 31, 1988 . . . . .	.0632	.0978	.1610	24,000*
City Marshall/Policemen				
July 1, 1983 to Dec. 31, 1983 . . . . .	.0482	.0749	.1231	\$ 20,000
Jan. 1, 1984 to June 30, 1984 . . . . .	.0482	.0749	.1231	21,000
July 1, 1984 to Dec. 31, 1985 . . . . .	.0547	.0848	.1395	21,000
Jan. 1, 1986 to Dec. 31, 1986 . . . . .	.0547	.0848	.1395	22,000
Jan. 1, 1987 to Dec. 31, 1987 . . . . .	.0547	.0848	.1395	23,000
Jan. 1, 1988 to Dec. 31, 1988 . . . . .	.0547	.0848	.1395	24,000*
State Conservation Law Enforcers				
July 1, 1976 to June 30, 1978 . . . . .		.0826		
July 1, 1978 to June 30, 1986 . . . . .		.0843		
July 1, 1986 to Dec. 31, 1986 . . . . .	.0384	.1274	.1658	\$ 22,000
Jan. 1, 1987 to Dec. 31, 1987 . . . . .	.0384	.1274	.1658	23,000
Jan. 1, 1988 to Dec. 31, 1988 . . . . .	.0384	.1274	.1658	24,000
State Correctional Officers				
July 1, 1980 to . . . . .		.0171		
Airport Fire Fighters				
July 1, 1986 to Dec. 31, 1986 . . . . .	.0440	.0680	.1120	22,000
Jan. 1, 1987 to Dec. 31, 1987 . . . . .	.0440	.0680	.1120	23,000
Jan. 1, 1988 to Dec. 31, 1988 . . . . .	.0440	.0680	.1120	24,000*

*IPERS maximum to increase yearly by \$1,000 until maximum of \$40,000 is reached.

TOWERS, PERRIN, FORSTER & CROSBY
8300 NORMAN CENTER DRIVE, SUITE 600
MINNEAPOLIS, MINNESOTA 55437-1097
(612) 835-4700

October 21, 1987

CONFIDENTIAL

Mrs. Shelley L. DeForest
Secretary
Iowa Peace Officers Retirement,
Accident and Disability System
Wallace State Office Building
East 9th and Grand Avenue
Des Moines, Iowa 50319

Dear Shelley:

As requested, we have calculated the additional cost of the various benefit improvements now under consideration by the System. This letter summarizes the results of the alternative benefit improvements along with preliminary results of the 1987 Actuarial Valuation of the System's current program that was in effect on July 1, 1987, and expresses these costs as a percentage of total payroll.

The costs shown in this letter were determined as of July 1, 1987, and are based on the census information furnished by the System for the 1987 actuarial valuation. In addition, the results reflect the impact of the additional 38 individuals who entered the System on July 3, 1987. Except for the investment return assumption, the actuarial assumptions used for the 1987 valuation and survey work are consistent with those set forth in Table 1 of the Appendix of the 1986 Valuation Report. For 1987 valuation and survey costs, the investment return assumption was increased from 7% to 8%. The actuarial method used to determine the costs was the Aggregate Actuarial Cost Method as mandated according to Section 97A.8 of the Code of Iowa and as described in Table 2 of the Appendix of the 1986 Valuation Report. In addition, the System reported that the value of the System's assets was \$57,955,521 as of June 30, 1987.

Below is a summary of the July 1, 1987 valuation results under the revised actuarial assumptions. The results are shown with only the July 1 participants and also with the inclusion of the July 3rd new entrants. For comparison purposes, we have included the results of the July 1, 1986 valuation.

TOWERS, PENN, FORSTER & CROSBY

LETTER TO Mrs. Shelley L. DeForest
 SHEET NO. Three
 DATE October 21, 1987

A description of the alternative benefit improvements and the corresponding additional costs (including the impact of the 38 July 3rd new participants) are summarized below:

	<u>Additional Cost As A Percentage of Payroll</u>
1. Increase the service retirement allowance from 50% of final average compensation to 60% and decrease the accidental disability retirement allowance from 66-2/3% of final average compensation to 60% for all active members.	
o Based on a 50% surviving spouse's benefit	5.98%
o Based on a 75% surviving spouse's benefit	6.29
2. Increase the service retirement allowance by 2% of final average compensation for each year of service in excess of 22 years (up to age 55) for all active members.	
o Based on a 50% surviving spouse's benefit	8.34%
o Based on a 75% surviving spouse's benefit	8.79
3. Increase the surviving spouse's benefit from 50% to 75% of the amount received by the member for active and retired members (does not change benefit for current surviving spouses):	
o Active Members	1.76%
o Retired Members	<u>1.35</u>
Total	3.11

LETTER TO Mrs. Shelley L. DeForest
 SHEET NO. Four
 DATE October 21, 1987

Additional Cost As A
 Percentage of Payroll

- | | |
|--|------------|
| 4. Change the minimum benefit from \$50 to a monthly pension equal to 20% of the monthly earnable compensation payable to an active member having the rank of senior patrol officer of the Iowa State Patrol for active and retired members. There is also a one-time move to bring those current surviving spouses' benefits up to the 20% minimum benefit. | .38% |
| | |
| 5. Increase the surviving spouse's benefit from 50% to 75% with the increase in the minimum benefit from \$50 to 20% of monthly earnable compensation. | |
| o Active Members | 1.76% |
| o Retired Members | 1.37 |
| o Beneficiaries | <u>.26</u> |
| Total | 3.39 |
| | |
| 6. Give escalator benefit to future vested terminations with 22 or more years of service for active members only. | |
| o Based on a 50% surviving spouse's benefit | .18% |
| o Based on a 75% surviving spouse's benefit | .24 |

TOWERS, PERRIN, FORSTER & CROSSY

LETTER TO Mrs. Shelley L. DeForest
SHEET NO Five
DATE October 21, 1987

Shelley, if you have any questions or would like to discuss the results of our survey, please call me. We will send the 1987 Actuarial Valuation Report as soon as it is typed.

Sincerely,



Gale D. Patrick, F.S.A.
Consultant

GDP/ckp

CHAPTER 411 POLICE AND FIRE RETIREMENT SYSTEMS

Study of Costs Related to 60% Service
Retirement and 60% Accidental
Disability Retirement

	<u>Additional Costs as % of Pay</u>	
	<u>Police System</u>	<u>Fire System</u>
<u>Larger Size Cities</u>		
City A	3.36%	4.35%
City B	3.79%	3.65%
<u>Medium Size Cities</u>		
City C	3.76%	3.82%
City D	2.61%	3.12%
<u>Smaller Size Cities</u>		
City E	3.52%	--
City F	2.80%	2.00%

Summary of Results as % of Pay

Highest:	4.35%
Lowest:	2.00%
Average:	3.34%

HOUSE FILE _____
BY (PROPOSED PUBLIC RETIREMENT
SYSTEMS COMMITTEE BILL)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the administration and benefits for certain
2 public retirement systems.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. _____ H.F. _____

1 Section 1. Section 97B.49, subsection 5, unnumbered
2 paragraph 1, Code Supplement 1987, is amended to read as
3 follows:

4 For Effective July 1, 1988, for each active member retiring
5 on or after ~~July 1, 1986~~ January 1, 1976, with four or more
6 complete years of service, a monthly benefit shall be computed
7 which is equal to one-twelfth of an amount equal to fifty
8 percent of the three-year average covered wage multiplied by a
9 fraction of years of service. For the purposes of this
10 subsection, "fraction of years of service" means a number, not
11 to exceed one, equal to the sum of the years of membership
12 service and the number of years of prior service divided by
13 thirty years.

14 Sec. 2. Section 97B.49, subsection 7, paragraph a, Code
15 Supplement 1987, is amended to read as follows:

16 a. Notwithstanding other provisions of this chapter,
17 effective July 1, 1988, a member who is or has been employed
18 as a conservation peace officer under section 107.13 and who
19 retires on or after ~~July 1, 1986~~ January 1, 1976, and at the
20 time of retirement is at least sixty years of age and has
21 completed at least twenty-five years of membership service as
22 a conservation peace officer, may elect to receive, in lieu of
23 the receipt of any benefits under subsection 5 of this
24 section, a monthly retirement allowance equal to one-twelfth
25 of fifty percent of the member's three-year average covered
26 wage as a conservation peace officer, with benefits payable
27 during the member's lifetime.

28 Sec. 3. Section 97B.49, subsection 8, paragraph a,
29 unnumbered paragraphs 1 and 2, Code Supplement 1987, are
30 amended to read as follows:

31 Notwithstanding Effective July 1, 1988, notwithstanding
32 other provisions of this chapter, a member who is or has been
33 employed as a peace officer and who retires on or after July
34 1, 1986 1983, or as a county sheriff or deputy sheriff under
35 subparagraph 1 or 2 between January 1, 1976, and June 30,

1 1983, and at the time of retirement is at least sixty years of
2 age and has completed at least twenty-five years of membership
3 service as a peace officer, may elect to receive, in lieu of
4 the benefits under subsection 5 of this section, a monthly
5 retirement allowance equal to one-twelfth of fifty percent of
6 the member's three-year average covered wage as a peace
7 officer, with benefits payable during the member's lifetime.

8 A peace officer who retires on or after July 1, 1986, and
9 has not completed twenty-five years of membership service as
10 required under this subsection is eligible to receive a
11 monthly retirement allowance equal to one-twelfth of fifty
12 percent of the member's three-year average covered wage as a
13 peace officer multiplied by the fraction of years of service
14 as a peace officer. For the purpose of this subsection,
15 "fraction of years of service" means a number, not to exceed
16 one, equal to the sum of the years of membership service as a
17 peace officer, divided by twenty-five years. On or after July
18 1, 1984 1988, if the peace officer has not reached sixty years
19 of age at retirement, the monthly retirement allowance shall
20 be reduced by ~~five-tenths~~ twenty-five hundredths of one
21 percent per month for each month that the peace officer's
22 retirement precedes the date on which the peace officer
23 attains sixty years of age.

24 Sec. 4. Section 97B.49, subsection 14, unnumbered
25 paragraph 2, Code Supplement 1987, is amended to read as
26 follows:

27 An airport firefighter who retires on or after July 1,
28 1986, and has not completed twenty-five years of membership
29 service as required under this subsection is eligible to
30 receive a monthly retirement allowance equal to one-twelfth of
31 fifty percent of the member's three-year average covered wage
32 as an airport firefighter multiplied by a fraction of years of
33 service as an airport firefighter. For the purpose of this
34 subsection, "fraction of years of service" means a number, not
35 to exceed one, equal to the sum of the years of membership

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1 service as an airport firefighter, divided by twenty-five
 2 years. On or after July 1, ~~1986~~ 1988, if the airport
 3 firefighter has not reached sixty years of age at retirement,
 4 the monthly retirement allowance shall be reduced by five-
 5 tenths twenty-five hundredths of one percent per month for
 6 each month that the airport firefighter's retirement precedes
 7 the date on which the airport firefighter attains sixty years
 8 of age.

9 Sec. 5. Section 97B.49, Code Supplement 1987, is amended
 10 by adding the following new subsection:

11 NEW SUBSECTION. 15. Effective July 1, 1988, for each
 12 member who retired from the system prior to January 1, 1976,
 13 and for each member who retired from the system under
 14 subsection 1 on or after January 1, 1976, the amount of
 15 regular monthly retirement allowance attributable to
 16 membership service and prior service that was payable to the
 17 member for June 1988 is increased by ten percent.

18 The increase payable to a member under this section is also
 19 payable to a beneficiary and a contingent annuitant.

20 Sec. 6. Section 97B.50, subsection 1, Code Supplement
 21 1987, is amended by striking the subsection and inserting in
 22 lieu thereof the following:

23 1. Except as otherwise provided in this section, a member,
 24 upon retirement prior to the normal retirement date, is
 25 entitled to receive a monthly retirement allowance determined
 26 in the same manner as provided for normal retirement in
 27 subsections 1, 4, and 5 of section 97B.49 reduced as follows:

28 a. For a member who is less than sixty-two years of age,
 29 by twenty-five hundredths of one percent per month for each
 30 month that the early retirement date precedes the normal
 31 retirement date.

32 b. For a member who is at least sixty-two years of age and
 33 who has not completed thirty years of membership service and
 34 prior service, by twenty-five hundredths of one percent per
 35 month for each month that the early retirement date precedes

1 the normal retirement date.

2 Sec. 7. Section 97B.50, subsection 3, Code Supplement
3 1987, is amended to read as follows:

4 3. A member who is at least sixty-two years of age and
5 less than sixty-five years of age, and who has completed
6 thirty or more years of membership service and prior service,
7 shall receive full benefits under section 97B.49 determined as
8 if the member had attained sixty-five years of age. ~~For a~~
9 ~~member who is at least fifty-nine but less than sixty-two~~
10 ~~years of age who has completed at least thirty years of~~
11 ~~service, the monthly retirement allowance shall be reduced by~~
12 ~~twenty-five hundredths percent per month for each month that~~
13 ~~the member's retirement date precedes the member's sixty-~~
14 ~~second birthday. For a member who is at least fifty-five~~
15 ~~years of age and less than fifty-nine years of age who has~~
16 ~~completed thirty years of membership service, the monthly~~
17 ~~retirement allowance shall be reduced by five tenths percent~~
18 ~~per month for each month that the member's retirement date~~
19 ~~precedes the member's normal retirement date.~~

20 Sec. 8. NEW SECTION. 97B.80 VETERAN'S CREDIT.

21 An active member in service on July 1, 1988, who at any
22 time on or after July 1, 1950, served on active duty in the
23 armed forces of the United States, upon submitting
24 verification of the dates of the active duty service in the
25 armed forces to the department, may make employer and employee
26 contributions to the system based upon the member's covered
27 wages for the calendar year beginning January 1, 1987, at the
28 rates in effect under section 97B.11 on January 1, 1987, for
29 the period of time of the active duty service, not to exceed
30 four years, and receive credit for membership service and
31 prior service for the period of time for which the
32 contributions are made. Verification of active duty service
33 and payment of contributions shall be made to the department
34 not later than June 30, 1989. However, a member is not
35 eligible to make contributions under this section if the

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1 member is receiving or is eligible to receive retirement pay
2 from the United States government for active duty in the armed
3 forces.

4 Sec. 9. Section 602.9116, Code 1987, is amended to read as
5 follows:

6 602.9116 ACTUARIAL VALUATION.

7 The court administrator shall cause an actuarial valuation
8 to be made of the assets and liabilities of the judicial
9 retirement fund at least once every ~~four~~ two years commencing
10 with the fiscal year beginning July 1, ~~1981~~ 1989. The court
11 administrator shall adopt mortality tables and other necessary
12 factors for use in the actuarial calculations required for the
13 valuation upon the recommendation of the actuary. Following
14 the actuarial valuation, the court administrator shall
15 determine the condition of the system and shall report its
16 findings and recommendations to the general assembly.

17 The cost of the actuarial valuation shall be paid from the
18 judicial retirement fund.

19

EXPLANATION

20 This bill increases benefits for Iowa public employees'
21 retirement system (IPERS) members retiring between January 1,
22 1976, and June 30, 1972, from 47% of final average
23 compensation to 50% of final average compensation. It
24 increases benefits by ten percent for IPERS members retiring
25 prior to January 1, 1976, and for those members retiring on or
26 after January 1, 1976, under the previous benefit formula. It
27 reduces the penalty for early retirement of IPERS members from
28 five-tenths percent per month to twenty-five hundredths
29 percent per month for each month the retirement precedes the
30 member's normal retirement date.

31 The bill provides that former members of the armed forces
32 may purchase service under IPERS for their years of military
33 service up to four years. They are required to pay both the
34 employer and employee contributions based upon their current
35 salaries.

1 The bill also provides for a biennial actuarial valuation
2 of the judicial retirement system rather than a quadrennial
3 valuation, commencing July 1, 1989.

4 COMPANION TO LSB 7645IS 72

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