



CHESTER J. CULVER
GOVERNOR

OFFICE OF THE GOVERNOR

PATTY JUDGE
LT. GOVERNOR

April 23, 2010

The Honorable Michael Mauro
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 2518, an Act concerning public retirement systems, including the public safety peace officers' retirement, accident, and disability system, the Iowa public employees' retirement system, and the statewide fire and police retirement system, making appropriations, and including effective date and retroactive applicability provisions.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chester J. Culver".

Chester J. Culver
Governor

CJC:bdj

cc: Secretary of the Senate
Chief Clerk of the House





House File 2518

AN ACT
CONCERNING PUBLIC RETIREMENT SYSTEMS, INCLUDING THE PUBLIC
SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY
SYSTEM, THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, AND
THE STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM, MAKING
APPROPRIATIONS, AND INCLUDING EFFECTIVE DATE AND RETROACTIVE
APPLICABILITY PROVISIONS.

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

DIVISION I
PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,
ACCIDENT, AND DISABILITY SYSTEM

Section 1. Section 80.8, Code 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 4. Should a peace officer become incapacitated for duty as a natural and proximate result of an injury, disease, or exposure incurred or aggravated while in the actual performance of duty at some definite time or place, the peace officer shall, upon being found to be temporarily incapacitated following an examination by a workers' compensation physician or other approved physician be entitled to receive the peace officer's fixed pay and allowances, without using the peace officer's sick leave, until reexamined by a workers' compensation physician or other approved physician or examined by the medical board provided for in section 97A.5, and found to be fully recovered or permanently disabled. In addition, a peace officer found to be temporarily incapacitated under this subsection shall be credited with any sick leave used prior to the determination that the peace officer was temporarily incapacitated under this subsection for the period of time sick leave was used. For purposes of this

subsection, disease shall mean as described in section 97A.6, subsection 5.

Sec. 2. Section 97A.1, subsection 6, Code 2009, is amended to read as follows:

6. "Child" means only the surviving issue of a deceased active or retired member, or a child legally adopted by a deceased member prior to the member's retirement. "Child" includes only an individual who is under the age of eighteen years, an individual who is under the age of twenty-two and is a full-time student, or an individual who is disabled under the definitions used in section ~~402~~ 202 of the Social Security Act as amended if the disability occurred to the individual during the time the individual was under the age of eighteen years and the parent of the individual was an active member of the system.

Sec. 3. Section 97A.6, subsection 2, paragraph e, subparagraph (6), Code 2009, is amended to read as follows:

(6) For a member who terminates service, other than by death ~~or disability~~, on or after July 1, 2000, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added two and three-fourths percent of the member's average final compensation for each year of service over twenty-two years. However, this subparagraph does not apply to more than ten additional years of service.

Sec. 4. Section 97A.6, subsection 5, paragraph b, Code 2009, is amended by striking the paragraph.

Sec. 5. Section 97A.6, subsection 7, paragraph a, subparagraph (2), Code 2009, is amended to read as follows:

(2) A beneficiary retired under the provisions of this paragraph in order to be eligible for continued receipt of retirement benefits shall no later than May 15 of each year submit to the board of trustees a copy of the beneficiary's state federal individual income tax return for the preceding year. The beneficiary shall also submit, within sixty days, any documentation requested by the system that is determined to be necessary by the system to determine the beneficiary's gross wages.

Sec. 6. Section 97A.6, subsection 7, paragraph b, Code 2009, is amended to read as follows:

b. Should a disability beneficiary under age fifty-five be restored to active service at a compensation not less than the disability beneficiary's average final compensation, the disability beneficiary's retirement allowance shall cease, the

disability beneficiary shall again become a member and shall contribute thereafter at the same rate payable by other members of comparable rank, seniority, and age, and former service on the basis of which the disability beneficiary's service was computed at the time of retirement shall be restored to full force and effect. Upon subsequent retirement the disability beneficiary shall be credited with all service as a member, and also with no more than two years of the period of disability retirement.

Sec. 7. Section 97A.8, subsection 1, paragraph b, subparagraph (2), subparagraph division (e), Code 2009, is amended by striking the subparagraph division and inserting in lieu thereof the following:

(e) For the fiscal year beginning July 1, 2012, twenty-seven percent.

(f) For the fiscal year beginning July 1, 2013, twenty-nine percent.

(g) For the fiscal year beginning July 1, 2014, thirty-one percent.

(h) For the fiscal year beginning July 1, 2015, thirty-three percent.

(i) For the fiscal year beginning July 1, 2016, thirty-five percent.

(j) For each fiscal year beginning on or after July 1, 2017, the lesser of thirty-seven percent or the normal contribution rate as calculated pursuant to subparagraph (1).

Sec. 8. Section 97A.8, subsection 1, paragraph e, subparagraph (8), Code 2009, is amended to read as follows:

(8) (a) For purposes of this subparagraph, the "applicable employee percentage" shall be as follows:

(i) For the fiscal period beginning July 1, 2006, and ending June 30, 2011, nine and thirty-five hundredths percent.

(ii) For the fiscal year beginning July 1, 2011, nine and eighty-five hundredths percent.

(iii) For the fiscal year beginning July 1, 2012, ten and thirty-five hundredths percent.

(iv) For the fiscal year beginning July 1, 2013, ten and eighty-five hundredths percent.

(v) For the fiscal year beginning July 1, 2014, and each fiscal year thereafter, eleven and thirty-five hundredths percent.

(b) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, an

amount equal to the member's contribution rate times each member's compensation shall be paid to the retirement fund from the earnable compensation of the member. For the purposes of this subparagraph, the member's contribution rate shall be ~~nine and thirty-five hundredths percent~~ the applicable employee percentage. ~~However, the system shall increase the member's contribution rate as necessary to cover any increase in cost to the system resulting from statutory changes which are enacted by any session of the general assembly meeting after January 1, 1995, if the increase cannot be absorbed within the contribution rates otherwise established pursuant to this paragraph, but subject to a maximum employee contribution rate of eleven and three-tenths percent. After the employee contribution reaches eleven and three-tenths percent, sixty percent of the additional cost of such statutory changes shall be paid by the employer under paragraph "c" and forty percent of the additional cost shall be paid by employees under this subparagraph (8).~~

Sec. 9. Section 97A.8, subsection 1, Code 2009, is amended by adding the following new paragraph:

NEW PARAGRAPH. *i.* Notwithstanding any provision of this subsection to the contrary, if any statutory changes are enacted by any session of the general assembly meeting after January 1, 2011, which increases the cost to the system, the system shall, if the increased cost cannot be absorbed within the contribution rates otherwise established pursuant to this subsection at the time the statutory changes are enacted, increase the normal contribution rate and the member's contribution rate as necessary to cover any increase in cost by providing that sixty percent of the additional cost of such statutory changes shall be paid by the employer under paragraph "c" and forty percent of the additional cost shall be paid by employees under paragraph "e", subparagraph (8).

Sec. 10. Section 97A.10, subsection 1, paragraph a, subparagraph (1), Code 2009, is amended to read as follows:

(1) *"Eligible qualified service"* means ~~as follows:~~

~~(a) Service with the department prior to July 1, 1994, in a position as a gaming enforcement officer, fire prevention inspector peace officer, or as an employee of the division of capitol police except clerical workers.~~

~~(b) Service~~ service as a member of a city fire retirement system or police retirement system operating under chapter 411 prior to January 1, 1992, for which service was not eligible to be transferred to this system pursuant to section 97A.17.

Sec. 11. Section 97A.10, subsections 2 and 3, Code 2009, are amended to read as follows:

2. An active member of the system may make contributions to the system to purchase up to the maximum amount of permissive service credit for eligible qualified service as determined by the system, pursuant to Internal Revenue Code section 415(n) and the requirements of this section. A member seeking to purchase permissive service credit pursuant to this section shall file a written application along with appropriate documentation with the department by July 1, ~~2007~~ 2011.

3. A member making contributions for a purchase of permissive service credit for eligible qualified service under this section shall make contributions in an amount equal to the actuarial cost of the permissive service credit purchase, less an amount equal to the member's contributions under chapter 411 for the period of eligible qualified service together with interest at a rate determined by the board of trustees. For purposes of this subsection, the actuarial cost of the permissive service credit purchase is an amount determined by the system in accordance with actuarial tables, as reported to the system by the system's actuary, which reflects the actuarial cost necessary to fund an increased retirement allowance resulting from the purchase of permissive service credit.

Sec. 12. Section 97A.11, Code 2009, is amended to read as follows:

97A.11 Contributions by the state.

On or before the first day of ~~November~~ January in each year, the board of trustees shall certify to the director of the department of administrative services the amounts which will become due and payable during the fiscal year next following to the retirement fund. The amounts so certified shall be paid by the director of the department of administrative services out of the funds appropriated for the Iowa department of public safety, to the treasurer of state, the same to be credited to the system for the ensuing fiscal year.

Sec. 13. NEW SECTION. **97A.11A Supplemental state appropriation.**

1. Beginning with the fiscal year commencing July 1, 2012, and ending June 30 of the fiscal year during which the board determines that the system's funded ratio of assets to liabilities is at least eighty-five percent, there is appropriated from the general fund of the state for each fiscal year to the retirement fund described in section 97A.8, an

amount equal to five million dollars.

2. Moneys appropriated by the state pursuant to this section shall not be used to reduce the normal rate of contribution by the state below seventeen percent.

Sec. 14. Section 97A.14, Code 2009, is amended to read as follows:

97A.14 Hospitalization and medical attention.

1. The board of trustees shall provide hospital, nursing, and medical attention for the members in service when injured while in the performance of their duties and shall continue to provide hospital, nursing, long-term care, and medical attention for injuries or diseases incurred while in the performance of their duties for the members but only while the members are still receiving a retirement allowance under section 97A.6, subsection 6. The cost of hospital, nursing, and medical attention shall be paid out of the retirement fund. However, any amounts received by the injured person under the workers' compensation law of the state, or from any other source for such specific purposes, shall be deducted from the amount paid by the board of trustees ~~provisions of~~ under this section.

2. For purposes of this section, medical attention shall include but not be limited to services provided by licensed medical personnel to include office, hospital, nursing home care, long-term care, and prescriptions for medicine or equipment. Within twelve months of receiving treatment or incurring a cost with direct correlation to the disabling condition, the beneficiary of an accidental disability benefit shall submit a written request for reimbursement to the board. A denial of reimbursement by the board shall be subject to judicial review in the same manner as any other action by the board in accordance with section 97A.6, subsection 13.

Sec. 15. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM — ADDITIONAL APPROPRIATION FOR PURCHASE OF SERVICE. If section 97A.10 is amended by this Act to provide for the purchase of eligible service credit on and after July 1, 2010, there shall be appropriated from the general fund of the state to the retirement fund described in section 97A.8 an amount equal to that portion of the actuarial cost of the permissive service credit purchase for eligible service credit pursuant to section 97A.10 that is not required to be contributed by a member making contributions to the system for that purchase.

Sec. 16. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,

ACCIDENT, AND DISABILITY SYSTEM — EMPLOYERS CONTRIBUTION RATE CALCULATION STUDY.

1. The board of trustees of the Iowa department of public safety peace officers' retirement, accident, and disability system, as defined in section 97A.2, shall, in consultation with the system's actuary, conduct a study concerning the calculation of the employers contribution rate beginning on and after July 1, 2017, with the goal of establishing a mechanism for ensuring that the system's funded ratio of assets to liabilities is at least eighty-five percent.

2. On or before October 15, 2015, the board of trustees shall file a report with the legislative services agency, for distribution to the public retirement systems committee, which contains the results of the study and any recommendations for statutory changes to implement the recommendations of the study.

Sec. 17. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM — ADJUSTMENT OF PENSIONS PAYABLE. It is the intent of the general assembly that the applicable amount for each adjustment occurring on July 1 as provided in section 97A.6, subsection 14, paragraph "a", subparagraph (2), subparagraph division (a), shall be the exact dollar amount listed in each subparagraph subdivision of subparagraph division (a) for each July 1 in which that particular subparagraph subdivision applies and shall not be increased above the amount listed in that subparagraph subdivision for each year that the subparagraph subdivision applies. However, the applicable amount for each adjustment occurring on or after July 1, 2010, as provided by this section, shall not be less than the applicable amount for the adjustment for the previous July 1.

Sec. 18. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM — BOARD REPORT.

1. The board of trustees of the Iowa department of public safety peace officers' retirement, accident, and disability system, as defined in section 97A.2, shall conduct a comprehensive examination of the plan design of the Iowa department of public safety peace officers' retirement, accident, and disability system, pursuant to the principles established in chapter 97D, with the goal of making recommendations for benefit and other statutory changes to the system that will maintain an adequate retirement for members at a reasonable cost to members and employers.

2. On or before October 15, 2011, the board of trustees shall file a report with the legislative services agency, for distribution to the public retirement systems committee, which contains the results of the comprehensive examination and any recommendations for benefit or other statutory changes to the system.

DIVISION II
IOWA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM

Sec. 19. Section 97B.1A, Code Supplement 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "*Final average covered wage*" means the greater of the following:

a. (1) The member's covered wages averaged for the highest five years of the member's regular service, except as otherwise provided in this paragraph. The highest five years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the system may determine the wages for the fifth year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the four highest years and using the computed average quarter for each quarter in the fifth year in which no wages have been reported in combination with the final quarter or quarters of the member's service to create a full calendar year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's final average covered wage. If the five-year average covered wage of a member exceeds the highest maximum covered wages in effect for a calendar year during the member's period of service, the five-year average covered wage of the member shall be reduced to the highest maximum covered wages in effect during the member's period of service. Notwithstanding any other provision of this subparagraph to the contrary, a member's wages for the fifth year as computed under this subparagraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages.

(2) Notwithstanding any other provisions of this paragraph "a" to the contrary, the member's five-year average covered wage shall be the lesser of the five-year average covered wage as calculated pursuant to subparagraph (1) and the adjusted covered wage amount. For purposes of this subparagraph (2),

the covered wage amount shall be an amount equal to one hundred thirty-four percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest calendar year of covered wages not used in the calculation of the member's five-year average covered wage pursuant to subparagraph (1), or such other calendar year of covered wages selected by the system pursuant to rules adopted by the system.

b. If the member was vested as of June 30, 2012, the member's three-year average covered wage as of June 30, 2012.

Sec. 20. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2009, is amended to read as follows:

c. Notwithstanding any other provisions of this subsection to the contrary, for a member who retires on or after July 1, 2007, the member's three-year average covered wage shall be the lesser of the three-year average covered wage as calculated pursuant to paragraph "a" and the adjusted covered wage amount. For purposes of this paragraph, the adjusted covered wage amount shall be the greater of the member's three-year average covered wage calculated pursuant to paragraph "a" as of July 1, 2007, and an amount equal to one hundred twenty-one percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest ~~full~~ calendar year of covered wages not used in the calculation of the member's three-year average covered wage pursuant to paragraph "a", ~~or, if the member does not have another full calendar year of covered wages that was not used in the calculation of the three year average covered wage under paragraph "a", the lowest full calendar year of covered wages that was used in the calculation of the member's three-year average covered wage pursuant to paragraph "a"~~ such other calendar year of covered wages selected by the system pursuant to rules adopted by the system.

Sec. 21. Section 97B.1A, subsection 25, paragraph a, subparagraphs (1) through (5), Code Supplement 2009, are amended by striking the subparagraphs and inserting in lieu thereof the following:

- (1) Is vested by service.
- (2) Prior to July 1, 2005, has attained the age of fifty-five.
- (3) Between July 1, 2005, and June 30, 2012, has attained the age of fifty-five or greater while in covered employment.
- (4) On and after July 1, 2012, meets one of the following

requirements:

(a) For a member in special service, has attained the age of fifty-five or greater while in covered employment.

(b) For a member in regular service, has attained the age of sixty-five or greater while in covered employment.

Sec. 22. Section 97B.1A, subsection 25, Code Supplement 2009, is amended by adding the following new paragraph:

NEW PARAGRAPH. *d.* "Vested by service" means a member who meets one of the following requirements:

(1) Prior to July 1, 1965, had attained the age of forty-eight and completed at least eight years of service.

(2) Between July 1, 1965, and June 30, 1973, had completed at least eight years of service.

(3) Between July 1, 1973, and June 30, 2012, had completed at least four years of service.

(4) On and after July 1, 2012, meets one of the following requirements:

(a) For a member in special service, has completed at least four years of special service.

(b) For a member in regular service, has completed at least seven years of service.

(5) On or after July 1, 1988, an inactive member who had accumulated, as of the date of the member's last termination of employment, years of membership service equal to or exceeding the years of membership service specified in this paragraph "d" for qualifying as vested by service on that date of termination.

Sec. 23. Section 97B.4, subsection 2, paragraph c, Code 2009, is amended to read as follows:

~~c. In administering this chapter, the system may enter into a biennial agreement with the department of administrative services concerning the sharing of resources between the system and department which are of benefit to each and which are consistent with the mission of the system and the department.~~ The budget program for the system shall be established by the chief executive officer in consultation with the board and other staff of the system and shall be compiled and submitted by the system pursuant to section 8.23.

Sec. 24. Section 97B.4, subsection 4, paragraph a, Code 2009, is amended to read as follows:

a. Annual report to governor. Not later than the thirty-first day of December of each year, the system shall submit to the governor a report covering the administration and operation of this chapter during the preceding fiscal

year and shall make recommendations for amendments to this chapter. The report shall include a balance sheet of the moneys in the retirement fund. The report shall also include information concerning the investment management expenses for the retirement fund for each fiscal year expressed as a percent of the market value of the retirement fund investment assets, ~~including the information described in section 97B.7, subsection 3, paragraph "d"~~. The information provided under this paragraph shall also include information on the investment policies and investment performance of the retirement fund. In providing this information, to the extent possible, the system shall include the total investment return for the entire fund, for portions of the fund managed by investment managers, and for internally managed portions of the fund, and the cost of managing the fund per thousand dollars of assets. The performance shall be based upon market value, and shall be contrasted with relevant market indices and with performances of pension funds of similar asset size.

Sec. 25. Section 97B.11, subsection 3, paragraph d, Code 2009, is amended to read as follows:

d. "Required contribution rate" means that percentage of the covered wages of members in regular service, members described in section 97B.49B, and members described in section 97B.49C, that the system shall, for each fiscal year, separately set for members in each membership category as provided in this paragraph. The required contribution rate that is set by the system for a membership category shall be the contribution rate the system actuarially determines, based upon the most recent actuarial valuation of the system and using the actuarial methods, assumptions, and funding policy approved by the investment board, is the rate required by the system to discharge its liabilities as a percentage of the covered wages of members in that membership category. However, the required contribution rate set by the system for members in regular service for a fiscal year shall not vary by more than ~~one-half~~ one percentage point from the required contribution rate for the prior fiscal year.

Sec. 26. Section 97B.49A, subsection 3, Code 2009, is amended to read as follows:

3. *Calculation of monthly allowance.* For each active or inactive vested member retiring on or after July 1, 1994, with four or more complete years of service, a monthly benefit shall be computed which is equal to one-twelfth of an amount equal