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STATE GOVERNMENT

HOUSE FILE 2242  
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Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to benefits under the Iowa public employees'  
2 retirement system.

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

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HF 2242

1 Section 1. Section 97B.41, subsection 2, Code Supplement  
2 1995, is amended to read as follows:

3 2. "Accumulated contributions" means the total obtained as  
4 of any date, by accumulating each individual contribution by  
5 the member ~~at-two-percent~~ with interest plus interest  
6 dividends as provided in section 97B.70, for all completed  
7 calendar years and for any completed calendar year for which  
8 the interest dividend has not been declared and for completed  
9 months of partially completed calendar years ~~at-two-percent~~  
10 ~~interest-plus-the-interest-dividend-rate-calculated-for-the~~  
11 ~~previous-year~~, compounded ~~annually~~, ~~from-the-end-of-the~~  
12 ~~calendar-year-in-which-such-contribution-was-made-to-the-first~~  
13 ~~day-of-the-month-of-such-date~~ as provided in section 97B.70.

14 Sec. 2. Section 97B.41, subsection 18, Code Supplement  
15 1995, is amended to read as follows:

16 18. a. "Three-year average covered wage" means a member's  
17 covered wages averaged for the highest three years of the  
18 member's service, except as otherwise provided in this  
19 subsection. The highest three years of a member's covered  
20 wages shall be determined using calendar years. However, if a  
21 member's final quarter of a year of employment does not occur  
22 at the end of a calendar year, the department may determine  
23 the wages for the third year by computing the average quarter  
24 of all quarters from the member's highest calendar year of  
25 covered wages not being used in the selection of the two  
26 highest years and using the computed average quarter for each  
27 quarter in the third year in which no wages have been reported  
28 in combination with the final quarter or quarters of the  
29 member's service to create a full year. However, the  
30 department shall not use the member's final quarter of wages  
31 if using that quarter would reduce the member's three-year  
32 average covered wage. If the three-year average covered wage  
33 of a member exceeds the highest maximum covered wages in  
34 effect for a calendar year during the member's period of  
35 service, the three-year average covered wage of the member

1 shall be reduced to the highest maximum covered wages in  
2 effect during the member's period of service.

3 b. Notwithstanding any other provisions of this subsection  
4 to the contrary, the three-year average covered wage shall be  
5 computed as follows for the following members:

6 (1) For a member who retires during the calendar year  
7 beginning January 1, 1997, and whose three-year average  
8 covered wage at the time of retirement exceeds forty-eight  
9 thousand dollars, the member's covered wages averaged for the  
10 highest four years of the member's service or forty-eight  
11 thousand dollars, whichever is greater.

12 (2) For a member who retires during the calendar year  
13 beginning January 1, 1998, and whose three-year average  
14 covered wage at the time of retirement exceeds fifty-two  
15 thousand dollars, the member's covered wages averaged for the  
16 highest five years of the member's service or fifty-two  
17 thousand dollars, whichever is greater.

18 (3) For a member who retires during the calendar year  
19 beginning January 1, 1999, and whose three-year average  
20 covered wage at the time of retirement exceeds fifty-five  
21 thousand dollars, the member's covered wages averaged for the  
22 highest six years of the member's service or fifty-five  
23 thousand dollars, whichever is greater.

24 (4) For a member who retires on or after January 1, 2000,  
25 but before January 1, 2003, and whose three-year average  
26 covered wage at the time of retirement exceeds fifty-five  
27 thousand dollars, the member's covered wages averaged for the  
28 highest seven years of the member's service or fifty-five  
29 thousand dollars, whichever is greater.

30 For purposes of this paragraph, the highest years of the  
31 member's service shall be determined using calendar years and  
32 may be determined using one computed year calculated in the  
33 manner and subject to the restrictions provided in paragraph  
34 "a".

35 Sec. 3. Section 97B.41, subsection 20, paragraph b,

1 subparagraph (11), unnumbered paragraphs 1 and 2, Code  
2 Supplement 1995, are amended by striking the unnumbered  
3 paragraphs and inserting in lieu thereof the following:

4 (11) For the calendar year beginning January 1, 1991,  
5 wages not in excess of thirty-one thousand dollars.

6 (11A) For the calendar year beginning January 1, 1992,  
7 wages not in excess of thirty-four thousand dollars.

8 (11B) For the calendar year beginning January 1, 1993,  
9 wages not in excess of thirty-five thousand dollars.

10 (11C) For the calendar year beginning January 1, 1994,  
11 wages not in excess of thirty-eight thousand dollars.

12 (11D) For the calendar year beginning January 1, 1995,  
13 wages not in excess of forty-one thousand dollars.

14 (11E) For the calendar year beginning January 1, 1996,  
15 wages not in excess of forty-four thousand dollars.

16 (11F) Commencing with the calendar year beginning January  
17 1, 1997, and for each subsequent calendar year, wages not in  
18 excess of the amount permitted for that year under section  
19 401(a)(17) of the Internal Revenue Code.

20 Sec. 4. Section 97B.48A, subsection 4, Code 1995, is  
21 amended to read as follows:

22 4. The department shall pay to the member the accumulated  
23 contributions of the member and to the employer the employer  
24 contributions, plus ~~two-percent~~ interest plus interest  
25 dividends as provided in section 97B.70, for all completed  
26 calendar years, compounded ~~annually~~ as provided in section  
27 97B.70, on the covered wages earned by a retired member that  
28 are not used in the recalculation of the retirement allowance  
29 of a member.

30 Sec. 5. Section 97B.49, subsection 4, Code Supplement  
31 1995, is amended by adding the following new unnumbered  
32 paragraph:

33 NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for  
34 members who retired on or after July 1, 1953, and before July  
35 1, 1990, with at least ten years of prior and membership

1 service, the minimum monthly benefit payable at the normal  
2 retirement date for prior and membership service shall be two  
3 hundred dollars. The minimum monthly benefit payable shall be  
4 increased by ten dollars for each year of prior and membership  
5 service beyond ten years, up to a maximum of twenty additional  
6 years of prior and membership service. If benefits commenced  
7 on an early retirement date, the amount of the benefit shall  
8 be reduced in accordance with section 97B.50. If an optional  
9 allowance was selected under section 97B.51, the amount  
10 payable shall be the actuarial equivalent of the minimum  
11 benefit.

12 Sec. 6. Section 97B.49, subsection 5, paragraph b, Code  
13 Supplement 1995, is amended to read as follows:

14 b. For each active or inactive vested member retiring on  
15 or after July 1, 1990, with four or more complete years of  
16 service, a monthly benefit shall be computed which is equal to  
17 one-twelfth of an amount equal to fifty-two-percent the  
18 applicable percentage multiplier of the three-year average  
19 covered wage multiplied by a fraction of years of service.  
20 The applicable percentage multiplier shall be the following:

21 (1) For active or inactive vested members retiring on or  
22 after July 1, 1990, but before July 1, 1991, fifty-two  
23 percent.

24 (2) For active or inactive vested members retiring on or  
25 after July 1, 1991, but before July 1, 1992, fifty-four  
26 percent.

27 (3) For active or inactive vested members retiring on or  
28 after July 1, 1992, but before July 1, 1993, fifty-six  
29 percent.

30 (4) For active or inactive vested members retiring on or  
31 after July 1, 1993, but before July 1, 1994, fifty-seven and  
32 four-tenths percent.

33 (5) For active or inactive vested members retiring on or  
34 after July 1, 1994, sixty percent.

35 The applicable percentage multiplier shall be subject to

1 adjustments as provided in paragraphs "e" and "f".

2 Commencing July 1, 1991, the department shall increase the  
3 percentage multiplier of the three-year average covered wage  
4 by an additional two percent each July 1 until reaching sixty  
5 percent of the three-year average covered wage if the annual  
6 actuarial valuation of the retirement system indicates for  
7 that year that the cost of this increase in the percentage of  
8 the three-year average covered wage used in computing  
9 retirement benefits can be absorbed within the employer and  
10 employee contribution rates in effect under section 97B.11.  
11 However, commencing July 1, 1994, if the annual actuarial  
12 valuation of the retirement system indicates that the employer  
13 and employee contribution rates in effect under section 97B.11  
14 can absorb an increase in the percentage multiplier in excess  
15 of two percent, the department shall increase the percentage  
16 multiplier for that year beyond two percent to the extent  
17 which the increase can be absorbed by the contribution rates  
18 in effect, not to exceed a maximum percentage multiplier of  
19 sixty percent. The increase in the percentage multiplier for  
20 a year applies only to the members retiring on or after July 1  
21 of the respective year.

22 If the annual actuarial valuation of the retirement system  
23 in any year indicates that the full cost of the increase  
24 provided under this paragraph cannot be absorbed within the  
25 employer and employee contribution rates in effect under  
26 section 97B.11, the department shall reduce the increase to a  
27 level which the department determines can be so absorbed.

28 Notwithstanding any other provision of this chapter  
29 providing for the payment of the benefits provided in  
30 subsection 16, the department shall establish apply the  
31 percentage multiplier which applies to members covered under  
32 subsection 16 at the same level as is established under this  
33 subsection for other members of the system, including any  
34 modification in the percentage multiplier as provided in  
35 paragraph "f", except that any modification in the percentage

1 multiplier as provided in paragraph "e" shall not apply.

2 By November 15, 1995, the department shall set aside from  
3 other moneys in the retirement fund three million eight  
4 hundred sixty thousand dollars. The moneys set aside shall be  
5 from the funds generated by the employer and employee  
6 contributions in effect under section 97B.11 that exceed the  
7 amount necessary to fund the system's existing liabilities, as  
8 determined in the annual actuarial valuation of the system as  
9 of June 30, 1995. If the annual actuarial valuation indicates  
10 that the amount of the employer and employee contributions in  
11 excess of the amount necessary to fund existing liabilities is  
12 less than three million eight hundred sixty thousand dollars,  
13 the department shall set aside all funds that are available.  
14 The funds set aside shall not be used in determining the  
15 covered wage limitation pursuant to section 97B.41, subsection  
16 20, paragraph "b", subparagraph (1), on January 1, 1996.  
17 However, any funds set aside which are not specifically  
18 dedicated to a purpose by the Seventy-sixth General Assembly  
19 shall be used in determining the covered wage limitation  
20 thereafter.

21 In accordance with sections 97B.1 and 97B.47, it is the  
22 intent of the general assembly that once the goal of sixty  
23 percent of the three-year average covered wage is attained for  
24 a percentage multiplier, the department shall submit to the  
25 public retirement systems committee a plan for future benefit  
26 enhancements. This plan shall include, but is not limited to,  
27 continuation in the increase in the covered wage ceiling until  
28 reaching fifty-five thousand dollars for a calendar year,  
29 providing for annual adjustments in the annual dividends paid  
30 to retired members as provided in section 97B.49, subsection  
31 13, and providing for the indexing of terminated vested  
32 members' earned benefits at a rate of three percent per year  
33 calculated from the date of termination from covered  
34 employment until the date of retirement.

35 Sec. 7. Section 97B.49, subsection 5, Code Supplement

1 1995, is amended by adding the following new paragraph:

2 NEW PARAGRAPH. e. For each active or inactive vested  
3 member retiring on or after July 1, 1996, with more than  
4 thirty years of membership service, the percentage multiplier  
5 of the three-year average covered wage used under subsections  
6 5 and 15 to calculate the monthly retirement allowance shall  
7 be increased by one-fourth of one percentage point for each  
8 additional calendar quarter of membership service beyond  
9 thirty years of service, not to exceed a total of five  
10 additional percentage points.

11 Sec. 8. Section 97B.49, subsection 5, Code Supplement  
12 1995, is amended by adding the following new paragraph:

13 NEW PARAGRAPH. f. Notwithstanding any other provisions of  
14 this section to the contrary, for members retiring on or after  
15 July 1, 1997, and whose three-year average covered wage  
16 exceeds fifty-five thousand dollars, the monthly benefit shall  
17 be calculated by multiplying the sum of the following amounts  
18 by the fractions of years of service for that member.

19 (1) For the first fifty-five thousand dollars of the  
20 member's three-year average covered wage, one-twelfth of an  
21 amount equal to the applicable percentage multiplier otherwise  
22 provided in this subsection multiplied by fifty-five thousand  
23 dollars.

24 (2) For that portion of a member's three-year average  
25 covered wage that exceeds fifty-five thousand dollars but is  
26 less than or equal to sixty-five thousand dollars, one-twelfth  
27 of an amount equal to the applicable percentage multiplier  
28 otherwise provided in this subsection, reduced by ten  
29 percentage points, multiplied by that portion.

30 (3) For that portion of a member's three-year average  
31 covered wage that exceeds sixty-five thousand dollars but is  
32 less than or equal to seventy-five thousand dollars, one-  
33 twelfth of an amount equal to the applicable percentage  
34 multiplier otherwise provided in this subsection, reduced by  
35 fifteen percentage points, multiplied by that portion.



1 (4) For that portion of a member's three-year average  
2 covered wage that exceeds seventy-five thousand dollars but is  
3 less than or equal to eighty-five thousand dollars, one-  
4 twelfth of an amount equal to the applicable percentage  
5 multiplier otherwise provided in this subsection, reduced by  
6 twenty percentage points, multiplied by that portion.

7 (5) For that portion of a member's three-year average  
8 covered wage that exceeds eighty-five thousand dollars but is  
9 less than or equal to ninety-five thousand dollars, one-  
10 twelfth of an amount equal to the applicable percentage  
11 multiplier otherwise provided in this subsection, reduced by  
12 thirty percentage points, multiplied by that portion.

13 (6) For that portion of a member's three-year average  
14 covered wage that exceeds ninety-five thousand dollars, one-  
15 twelfth of an amount equal to the applicable percentage  
16 multiplier otherwise provided in this subsection, reduced by  
17 forty percentage points, multiplied by that portion.

18 The covered wage categories referred to in subparagraphs  
19 (1) through (6) of this paragraph and the fifty-five thousand  
20 dollar amount otherwise specified in this paragraph shall be  
21 increased by the department for each calendar year, beginning  
22 January 1, 1998, by an amount that represents the percentage  
23 increase in the consumer price index during the previous  
24 calendar year, as published annually in the federal register  
25 by the federal department of labor, bureau of labor  
26 statistics.

27 Sec. 9. Section 97B.49, subsection 13, Code Supplement  
28 1995, is amended to read as follows:

29 13. a. A member who retired from the system between  
30 January 1, 1976, and June 30, 1982, or a contingent annuitant  
31 or beneficiary of such a member, shall receive with the  
32 November ~~1994 and the November 1995~~ 1996 monthly benefit  
33 ~~payments~~ payment a retirement dividend equal to one two  
34 ~~hundred eighty-one~~ twenty-three percent of the monthly benefit  
35 ~~payment~~ the member received for the preceding June, or the

1 most recently received benefit payment, whichever is greater.  
2 The retirement dividend does not affect the amount of a  
3 monthly benefit payment.

4 b. Each member who retired from the system between July 4,  
5 1953, and December 31, 1975, or a contingent annuitant or  
6 beneficiary of such a member, shall receive with the November  
7 ~~1994-and-the-November-1995~~ 1996 monthly benefit ~~payments~~  
8 payment a retirement dividend equal to two hundred ~~thirty-six~~  
9 ninety-two percent of the monthly benefit payment the member  
10 received for the preceding June, or the most recently received  
11 benefit payment, whichever is greater. The retirement  
12 dividend does not affect the amount of a monthly benefit  
13 payment.

14 c. Notwithstanding the determination of the amount of a  
15 retirement dividend under paragraph "a", "b", "d", or "f", a  
16 retirement dividend shall not be less than twenty-five  
17 dollars.

18 d. A member who retired from the system between July 1,  
19 1982, and June 30, 1986, or a contingent annuitant or  
20 beneficiary of such a member, shall receive with the November  
21 ~~1994-and-the-November-1995~~ 1996 monthly benefit ~~payments~~  
22 payment a retirement dividend equal to ~~forty-nine~~ seventy-four  
23 percent of the monthly benefit payment the member received for  
24 the preceding June, or the most recently received benefit  
25 payment, whichever is greater. The retirement dividend does  
26 not affect the amount of a monthly benefit payment.

27 e. If the member dies on or after July 1 of the dividend  
28 year but before the payment date, the full amount of the  
29 retirement dividend for that year shall be paid ~~to the~~  
30 designated-beneficiary to the member's account, upon  
31 notification of the member's death. ~~If there is no~~  
32 ~~beneficiary-designated-by-the-member, the department shall pay~~  
33 ~~the dividend to the member's estate. The beneficiary, or the~~  
34 ~~representative of the member's estate, must apply for the~~  
35 ~~dividend within two years after the dividend is payable or the~~

1 ~~dividend-is-forfeited-~~

2 f. A member who retired from the system between July 1,  
3 1986, and June 30, 1990, or a contingent annuitant or  
4 beneficiary of such a member, shall receive with the November  
5 1996 ~~and-the-November-1997~~ monthly benefit payments payment a  
6 retirement dividend ~~in-an-amount-determined-by-the-general~~  
7 assembly equal to twenty-four percent of the monthly benefit  
8 payment the member received for the preceding June, or the  
9 most recently received benefit payment, whichever is greater.  
10 The retirement dividend does not affect the amount of a  
11 monthly benefit payment.

12 Sec. 10. Section 97B.49, subsection 15, paragraph b, Code  
13 Supplement 1995, is amended to read as follows:

14 b. For each active or inactive vested member retiring on  
15 or after July 1, 1990, and before July 1, 1996, who is at  
16 least fifty-five years of age and for which the sum of the  
17 number of years of membership service and prior service and  
18 the member's age in years as of the member's last birthday  
19 equals or exceeds ninety-two, a monthly benefit shall be  
20 computed which is equal to one-twelfth of the same percentage  
21 of the three-year average covered wage of the member as is  
22 provided in subsection 5.

23 Sec. 11. Section 97B.49, subsection 15, Code Supplement  
24 1995, is amended by adding the following new paragraph:

25 NEW PARAGRAPH. c. For each active or inactive vested  
26 member retiring on or after July 1, 1996, who is at least  
27 fifty-five years of age and for which the sum of the number of  
28 years of membership service and prior service and the member's  
29 age in years as of the member's last birthday equals or  
30 exceeds eighty-five, a monthly benefit shall be computed which  
31 is equal to one-twelfth of the same percentage of the three-  
32 year average covered wage of the member as is provided in  
33 subsection 5, multiplied by a fraction of years of service as  
34 is provided in subsection 5.

35 Sec. 12. Section 97B.66, unnumbered paragraph 2, Code

1 Supplement 1995, is amended to read as follows:

2 The contributions paid by the vested or retired member  
3 shall be equal to the accumulated contributions as defined in  
4 section 97B.41, subsection 2, by the member for the applicable  
5 period of service, and the employer contribution for the  
6 applicable period of service under the teachers insurance and  
7 annuity association-college retirement equity fund, that would  
8 have been or had been contributed by the vested or retired  
9 member and the employer, if applicable, plus interest on the  
10 contributions that would have accrued for the applicable  
11 period from the date the previous applicable period of service  
12 commenced under this system or from the date the service of  
13 the member in the teachers insurance and annuity association-  
14 college retirement equity fund commenced to the date of  
15 payment of the contributions by the member ~~equal-to-two~~  
16 ~~percent-plus-the-interest-dividend-rate-applicable-for-each~~  
17 year as provided in section 97B.70.

18 Sec. 13. Section 97B.70, Code Supplement 1995, is amended  
19 to read as follows:

20 97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

21 1. Interest For calendar years prior to January 1, 1997,  
22 interest at two percent per annum and interest dividends  
23 declared by the department shall be credited to the member's  
24 contributions and the employer's contributions to become part  
25 of the accumulated contributions thereby.

26 ~~1-~~ a. The average rate of interest earned shall be  
27 determined upon the following basis:

28 ~~a-~~ (1) Investment income shall include interest and cash  
29 dividends on stock. \*

30 ~~b-~~ (2) Investment income shall be accounted for on an  
31 accrual basis.

32 ~~c-~~ (3) Capital gains and losses, realized or unrealized,  
33 shall not be included in investment income.

34 ~~d-~~ (4) Mean assets shall include fixed income investments  
35 valued at cost or on an amortized basis, and common stocks at

1 market values or cost, whichever is lower.

2 e- (5) The average rate of earned interest shall be the  
3 quotient of the investment income and the mean assets of the  
4 retirement fund.

5 2- b. The interest dividend shall be determined within  
6 sixty days after the end of each calendar year as follows:

7 The dividend rate for a calendar year shall be the excess  
8 of the average rate of interest earned for the year over the  
9 statutory two percent rate plus twenty-five hundredths of one  
10 percent. The average rate of interest earned and the interest  
11 dividend rate in percent shall be calculated to the nearest  
12 one hundredth, that is, to two decimal places. Interest and  
13 interest dividends calculated pursuant to this subsection  
14 shall be compounded annually.

15 2. For calendar years beginning January 1, 1997, a per  
16 annum interest rate at one percent above the interest rate on  
17 one-year certificates of deposit shall be credited to the  
18 member's contributions and the employer's contributions to  
19 become part of the accumulated contributions. For purposes of  
20 this subsection, the interest rate on one-year certificates of  
21 deposit shall be determined by the department based on the  
22 average rate for such certificates of deposit as of January 10  
23 of each year as published in a publication of general  
24 acceptance in the business community. The per annum interest  
25 rate shall be credited on a quarterly basis by applying one-  
26 quarter of the annual interest rate to the sum of the  
27 accumulated contributions as of the end of the previous  
28 calendar quarter.

29 3. Interest and interest dividends shall be credited to  
30 the contributions of active members and inactive vested  
31 members until the first of the month coinciding with or next  
32 following the member's retirement date.

33 4. Effective upon the date that the department determines  
34 that this subsection shall be implemented, interest and  
35 interest dividends shall be credited to the contributions of a

1 person who leaves the contributions in the retirement fund  
2 upon termination from covered employment prior to achieving  
3 vested status, but who subsequently achieves vested status.  
4 The interest and interest dividends shall be credited to the  
5 contributions commencing either upon the date that the  
6 department determines that this subsection shall be  
7 implemented, or the date on which the person becomes a vested  
8 member, whichever is later. Interest and interest dividends  
9 shall cease upon the first of the month coinciding with or  
10 next following the person's retirement date. If the  
11 department no longer maintains the accumulated contribution  
12 account of the person pursuant to section 97B.53, but the  
13 person submits satisfactory proof to the department that the  
14 person did make the contributions, the department shall credit  
15 interest and interest dividends in the manner provided in this  
16 subsection. However, the department shall not implement this  
17 subsection, unless and until the department determines that  
18 the most recent annual actuarial valuation of the retirement  
19 system indicates that the employer and employee contribution  
20 rates in effect under section 97B.11 can absorb the enactment  
21 of this subsection and the amendments to section 97B.41,  
22 subsection 12, section 97B.53, subsections 3 and 7, and  
23 section 97B.53, subsection 6, unnumbered paragraph 1,  
24 contained in 1994 Iowa Acts, chapter 1183, after meeting the  
25 other established priorities of the system, as defined in  
26 section 97B.41, subsection 12.

27 Sec. 14. Section 97B.72, unnumbered paragraph 2, Code  
28 Supplement 1995, is amended to read as follows:

29 There is appropriated from moneys available to the general  
30 assembly under section 2.12 an amount sufficient to pay the  
31 contributions of the employer based on the period of service  
32 for which the members have paid accumulated contributions in  
33 an amount equal to the contributions which would have been  
34 made if the members of the general assembly who made employee  
35 contributions had been members of the system during the

1 applicable period of service in the general assembly plus two  
2 percent interest plus and interest dividends at the rate  
3 provided in section 97B.70 for all completed calendar years,  
4 and for any completed calendar year for which the interest  
5 dividend has not been declared and for completed months of  
6 partially completed calendar years ~~at-two-percent-interest~~  
7 ~~plus-the-interest-dividend-rate-calculated-for-the-previous~~  
8 ~~year, compounded annually,-from-the-end-of-the-calendar-year~~  
9 ~~in-which-contribution-was-made-to-the-first-day-of-the-month~~  
10 ~~of-such-date~~ as provided in section 97B.70.

11 Sec. 15. Section 97B.72A, subsection 1, unnumbered  
12 paragraph 2, Code Supplement 1995, is amended to read as  
13 follows:

14 There is appropriated from the general fund of the state to  
15 the department an amount sufficient to pay the contributions  
16 of the employer based on the period of service of members of  
17 the general assembly for which the member paid accumulated  
18 contributions under this section. The amount appropriated is  
19 equal to the employer contributions which would have been made  
20 if the members of the system who made employee contributions  
21 had been members of the system during the period for which  
22 they made employee contributions ~~plus two-percent interest~~  
23 ~~plus-the-interest-dividend-rate-applicable~~ at the rate  
24 provided in section 97B.70 for each year compounded ~~annually~~  
25 as provided in section 97B.70.

26 Sec. 16. Section 97B.74, unnumbered paragraph 1, Code  
27 Supplement 1995, is amended to read as follows:

28 An active, vested, or retired member who was a member of  
29 the system at any time on or after July 4, 1953, and who  
30 received a refund of the member's contributions for that  
31 period of membership service, may elect in writing to the  
32 department to make contributions to the system for all or a  
33 portion of the period of membership service for which a refund  
34 of contributions was made, and receive credit for the period  
35 of membership service for which contributions are made. The

1 contributions repaid by the member for such service shall be  
2 equal to the accumulated contributions, as defined in section  
3 97B.41, subsection 2, received by the member for the  
4 applicable period of membership service plus interest on the  
5 accumulated contributions for the applicable period from the  
6 date of receipt by the member to the date of repayment equal  
7 to two-percent-plus at the interest dividend rate provided in  
8 section 97B.70 applicable for each year compounded annually as  
9 provided in section 97B.70.

10

## EXPLANATION

11 This bill provides numerous changes to the Iowa public  
12 employees' retirement system (IPERS). This bill may include a  
13 state mandate as defined in section 25B.3. The state mandate  
14 funding requirement in section 25B.2, however, does not apply  
15 to public employee retirement systems.

16 Section 97B.41, concerning definitions, is amended.

17 Subsection 18, concerning the definition of three-year  
18 average covered wage is amended to provide that, for certain  
19 members who retire between January 1, 1997, and December 31,  
20 2003, the member's three-year average covered wage shall be  
21 determined on the member's wages from four to seven years if  
22 the member's three-year average covered wage exceeds a certain  
23 dollar amount for the year the member decides to retire.

24 Subsection 20, concerning the definition of covered wages,  
25 provides that, beginning January 1, 1997, the covered wage  
26 limitation is eliminated subject to the amount permitted under  
27 the Internal Revenue Code. Currently, the covered wage  
28 limitation for 1996 is \$44,000 and current law provides that  
29 this amount will increase by \$3,000 a year up to a maximum of  
30 \$55,000, provided that the actuarial valuation of the system  
31 indicates that the increase can be absorbed within existing  
32 contribution rates.

33 Section 97B.49, subsection 4, is amended to provide,  
34 beginning January 1, 1997, that the minimum monthly benefit  
35 for members who retired between July 1, 1953, and July 1,



1 1990, with at least 10 years of service is \$200. For each  
2 year of service from 10 to 30 years of total service, the  
3 minimum benefit shall increase by \$10 per year of additional  
4 service.

5 Section 97B.49, subsection 5, paragraph "b", is amended to  
6 reflect the history of the increase in the percentage  
7 multiplier up to the current 60 percent. The section reflects  
8 that vested members retiring on or after July 1, 1994, get a  
9 monthly retirement allowance based on 60 percent of the  
10 member's three-year average covered wage. The paragraph is  
11 also amended to provide that the increase in the percentage  
12 multiplier for years of service as provided in section 97B.49,  
13 subsection 5, new paragraph "e", in this bill shall not apply  
14 to members covered under subsection 16, which applies to  
15 protection occupations, sheriffs, deputies, and airport fire  
16 fighters. However, these members are subject to the reduction  
17 in the percentage multiplier if the member's three-year  
18 average covered wage exceeds certain income levels.

19 Section 97B.49, subsection 5, is amended by adding new  
20 paragraph "e" which provides that a member retiring after July  
21 1, 1996, gets an additional one-fourth of one percent added to  
22 the applicable percentage multiplier for each quarter year of  
23 service beyond 30 years, up to a maximum of an additional 5  
24 percentage points.

25 Section 97B.49, subsection 13, concerning retirement  
26 dividends, is amended to provide for the payment of a  
27 retirement dividend based on a percentage of a member's  
28 monthly retirement allowance for certain retirees in November  
29 1996. Members who retired between July 4, 1953, and December  
30 31, 1975, receive a dividend of 292 percent of the monthly  
31 benefit, members who retired between January 1, 1976, and June  
32 30, 1982, receive a dividend of 223 percent of the monthly  
33 benefit, members who retired between July 1, 1982, and June  
34 30, 1986, receive a dividend of 74 percent of the monthly  
35 benefit, and members who retired between July 1, 1986, and

1 June 30, 1990, receive a dividend of 24 percent of the monthly  
2 benefit.

3 Section 97B.49, subsection 15, is amended to provide that a  
4 member retiring on or after July 1, 1996, is eligible for  
5 normal retirement without penalty based upon a rule of 85  
6 where the combination of a member's age and years of service  
7 equals or exceeds 85, and the member is at least 55 years of  
8 age. Currently, the law provides for a rule of 92.

9 Section 97B.70 is amended to provide that, effective for  
10 years beginning January 1997, the interest credited to the  
11 member's and the employer's contributions for purposes of  
12 determining the accumulated contributions shall be equal to 1  
13 percent higher than the interest rate for one year  
14 certificates of deposit as of January of each year. This  
15 section also provides that interest shall be credited on a  
16 quarterly basis.

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