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SENATE FILE 2245

BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 2180)

Passed Senate, Date 2/29/96 (P. 538) Passed House, Date 4/22/96 (P. 1842)

Vote: Ayes 48 Nays 0 Vote: Ayes 95 Nays 0

Approved Item Veto 5-10-96

A BILL FOR

An Act relating to public retirement systems, making appropriations, and providing effective and retroactive applicability dates.

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

S.F. 2245

TLSB 3538SV 76

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DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.4, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department, through the chief investment officer and chief benefits officer, shall administer this chapter. The department may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

Sec. 2. Section 97B.7, subsection 2, paragraph b, unnumbered paragraphs 1 through 3, Code 1995, are amended to read as follows:

To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the investment board. In establishing the investment policy of the fund and the investment of the fund, the department and investment board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs,

not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and investment board shall give appropriate consideration to those facts and circumstances that the department and investment board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and investment board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

Sec. 3. Section 97B.11, Code 1995, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the

employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 4. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 5. Section 97B.15, Code 1995, is amended to read as follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may

establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 6. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 7. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 8. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer

and referred to in this chapter as a retirement benefits specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 9. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE ---~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under ~~chapter 97B~~ this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b). A marital property order shall not require the payment of benefits to an alternate payee prior to the

member's retirement or require the department or the member to designate a particular person as a designated beneficiary or contingent annuitant, or to select a particular benefit option on behalf of the member. In addition, a marital property order shall not require payment of benefits to an alternate payee prior to the date the member elects to receive a lump sum distribution of accumulated contributions pursuant to section 97B.53.

Sec. 10. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 11. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load

does not exceed one-half time for two full semesters or three full quarters per calendar year.

Sec. 12. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 13. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 14. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If the department has not maintained the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6,~~

~~unnumbered paragraph 1, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system. -- Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.41, subsection 12, Code Supplement 1993. -- As used in this subsection, unless the context otherwise requires, "other established priorities of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (11), and that the department has implemented the amendments to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183.~~

Notwithstanding provisions of this subsection to the contrary, a member retiring on or after July 1, 1996, shall receive credit for membership service for four calendar quarters of service for each calendar year in which the employee served as a temporary employee of the general assembly prior to retirement and elected coverage under this chapter, if the temporary employee worked during the entire time the general assembly was in regular session for that calendar year.

Sec. 15. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for an employer other than special service.

Sec. 16. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved

application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 17. Section 97B.41, subsection 15, paragraphs a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 18. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 19. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

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

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

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

Sec. 20. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

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

Sec. 21. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter

providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 22. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section

97B.46.

Sec. 23. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 24. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person-in-public-employment-to-be-an-active-member-of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except-as-heretofore-provided~~.

Sec. 25. Section 97B.42, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this section, a "retirement system in the state which is maintained in whole or in part by public contributions or payments" shall not include a deferred compensation plan established under section 509A.12 or a tax-sheltered annuity qualified under section 403(b) of the Internal Revenue Code.

Sec. 26. Section 97B.45, unnumbered paragraph 2, Code 1995, is amended to read as follows:

A member may retire after the member's sixty-fifth birthday

except as otherwise provided in section 97B.46. A member retiring on or after the normal retirement date, as provided in section 97B.46, shall submit a written notice to the department setting forth the date the retirement is to become effective. The date shall be after the member's last day of service and not before the first day of the sixth calendar month preceding the month in which the notice is filed.

Sec. 27. Section 97B.46, subsection 2, Code 1995, is amended by striking the subsection.

Sec. 28. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as a lump sum in an actuarial equivalent amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 29. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. If, after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday, a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be suspended for as long as the member remains in employment for the remainder of that calendar year reduced by fifty cents for each dollar the member earns over the limit provided in this subsection. However, effective January 1, 1992, employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount

equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 30. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

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

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

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of prior and membership service, the minimum monthly benefit payable at the normal

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

Sec. 32. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

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

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

The applicable percentage multiplier shall be subject to adjustments as provided in paragraphs "e" and "f".

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

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percentage multiplier which applies to members covered under subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraphs "e" and "f".

~~By November 15, 1995, the department shall set aside from~~

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

In accordance with sections 97B.1 and 97B.4, it is the intent of the general assembly that once the goal of sixty percent of the three year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year calculated from the date of termination from covered employment until the date of retirement.

Sec. 33. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. For each active or inactive vested

member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of six additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3), the applicable years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two.

Sec. 34. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

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

(1) For the first fifty-five thousand dollars of the member's three-year average covered wage, one-twelfth of an amount equal to the applicable percentage multiplier otherwise

provided in this subsection multiplied by fifty-five thousand dollars.

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

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

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

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

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

The covered wage categories referred to in subparagraphs (1) through (6) of this paragraph and the fifty-five thousand dollar amount otherwise specified in this paragraph shall be increased by the department for each fiscal year, beginning

July 1, 1998, by an amount that represents the increase in the consumer price index during the previous twelve-month period ending on June 30, as published annually in the federal register by the federal department of labor, bureau of labor statistics.

Sec. 35. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

d. A member who retired from the system between July 1, 1982, and June 30, 1986, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~

payment a retirement dividend equal to ~~forty-nine~~ seventy-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

Sec. 36. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable.

Sec. 37. Section 97B.49, subsection 15, paragraph b, Code Supplement 1995, is amended to read as follows:

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

Sec. 38. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraph:

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

Sec. 39. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1996, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime.

Sec. 40. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor.

Sec. 41. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 42. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire prevention inspector peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 43. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual

years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction of years of service provided in paragraph "a", subparagraphs (1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph "a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that

the sum of the fractions of years of service shall equal one.

c. (1) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "e", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection.

(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "f".

Sec. 44. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time after July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to

disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 45. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR SHERIFFS, DEPUTY SHERIFFS, AIRPORT FIRE FIGHTERS, AND MEMBERS OF A PROTECTION OCCUPATION.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as a sheriff, deputy sheriff, or airport fire fighter or as a vested member of a protection occupation under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective January 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of

duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after January 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Disease under this subsection shall mean heart disease or any disease of the lungs or respiratory tract and shall be presumed to have been contracted while on active duty as a result of strain, exposure, or the inhalation of noxious fumes, poison, or gases. However, if a person's membership in the system first commenced on or after January 1, 1997, and the heart disease or disease of the lungs or respiratory tract would not exist, but for a medical condition that was known to exist on the date that membership commenced, the presumption established in this paragraph shall not apply.

d. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective January 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this

subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after January 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following

the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the

department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section.

Sec. 46. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 47. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments~~,--and-the~~ and shall be limited to the amount of the member's accumulated contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or 5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 48. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's

decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 49. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16,

paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 50. Section 97B.52, subsection 3, paragraph b, Code Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or the estate, or any other third-party payee, must apply to the department within ~~two~~ five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 51. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate

is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 52. Section 97B.52A, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same employer.

Sec. 53. Section 97B.53, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section 97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as~~

~~defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 54. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 55. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon submitting verification of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the system prior to July 1, 1967. A member making contributions

pursuant to this section may make the contributions either for the entire applicable period of service, or~~,~~ ~~effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.66, unnumbered paragraphs 1 and 2, Code Supplement 1993. As used in this section, unless the context otherwise requires, "other established priority of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (1).~~

Sec. 56. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

The contributions paid by the vested or retired member shall be equal to the accumulated contributions as defined in

section 97B.41, subsection 2, by the member for the applicable period of service, and the employer contribution for the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, that would have been or had been contributed by the vested or retired member and the employer, if applicable, plus interest on the contributions that would have accrued for the applicable period from the date the previous applicable period of service commenced under this system or from the date the service of the member in the teachers insurance and annuity association-college retirement equity fund commenced to the date of payment of the contributions by the member ~~equal to two percent plus the interest dividend rate applicable for each year~~ as provided in section 97B.70.

Sec. 57. Section 97B.66, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 58. Section 97B.68, subsection 1, Code 1995, is amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee shall become subject to this chapter on the date the notification is received by the department.

Sec. 59. Section 97B.68, Code 1995, is amended by adding

the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 60. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

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

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

~~e.~~ (5) The average rate of earned interest shall be the

quotient of the investment income and the mean assets of the retirement fund.

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

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

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

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

4. ~~Effective upon the date that the department determines that this subsection shall be implemented, interest~~ Interest and interest dividends shall be credited to the contributions of a person who leaves the contributions in the retirement fund upon termination from covered employment prior to

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

Sec. 61. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2,

which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been

made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two percent~~ interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years, and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year in which contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 62. Section 97B.72, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 63. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An active or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period of service in the general assembly. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or for portions of the period of service, and~~,~~ ~~effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts,~~

~~chapter-1183,-shall-be-implemented,~~ if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. The member of the system shall submit proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the-department-shall-not-implement-the-amendments-to-this paragraph,-as-enacted-in-1994-Iowa-Acts,-chapter-1183,-unless and-until-the-department-determines-that-the-most-recent annual-actuarial-valuation-of-the-retirement-system-indicates that-the-employer-and-employee-contribution-rates-in-effect under-section-97B.11-can-absorb-the-amendments-to-this paragraph-and-to-section-97B.66,-unnumbered-paragraphs-1-and 2,-section-97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa-Acts, chapter-1183,-after-meeting-the-other-established-priority-of the-system,-as-defined-in-section-97B.66.--Until-the amendments-are-implemented,-the-department-shall-continue-to implement-the-provisions-of-section-97B.72A,-subsection-1, unnumbered-paragraph-1,-Code-Supplement-1993.~~

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

Sec. 64. Section 97B.72A, subsection 2, Code Supplement 1995, is amended to read as follows:

2. ~~Effective-January-1,-1994,-however~~ However, the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 65. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years,-as-long-as-the-increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~The-member-may-also-make-one-lump-sum-contribution-to-the-system-which-represents-the-entire-period-of-service-in-the-other-public-system,-even-if-the-period-of-time-exceeds-one-year-or-includes-a-portion-of-a-year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number-of-years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the

most recent full calendar year at the applicable rates in effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 66. Section 97B.73, unnumbered paragraph 6, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 67. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~

calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.73A, unnumbered paragraph 1, Code Supplement 1993.~~

Sec. 68. Section 97B.73A, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 69. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

~~An active~~ A vested, or retired member who was a member of the system at any time on or after July 4, 1953, and who received a refund of the member's contributions for that

period of membership service, may elect in writing to the department to make contributions to the system for all or a portion of the period of membership service for which a refund of contributions was made, and receive credit for the period of membership service for which contributions are made. The contributions repaid by the member for such service shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, received by the member for the applicable period of membership service plus interest on the accumulated contributions for the applicable period from the date of receipt by the member to the date of repayment ~~equal to two percent plus~~ at the interest ~~dividend~~ rate provided in section 97B.70 applicable for each year compounded ~~annually~~ as provided in section 97B.70.

~~An active member must have at least one quarter's reportable wages on file and have membership service, including that period of membership service for which a refund of contributions was made, sufficient to give the member vested status.~~ A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, ~~or, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered~~

~~paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. --Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

Sec. 70. Section 97B.74, unnumbered paragraph 4, Code Supplement 1995, is amended by striking the unnumbered paragraph.

Sec. 71. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member, who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than~~ one or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. --The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The

department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution payment is made. Verification of active duty service and payment of contributions shall be made to the department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

Sec. 72. Section 97B.80, unnumbered paragraph 3, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

DIVISION II

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Sec. 73. Section 12B.10, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 74. Section 12B.10A, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 75. Section 12B.10B, subsection 3, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 76. Section 12B.10C, Code 1995, is amended by adding the following new subsection 4 and renumber the subsequent subsections:

NEW SUBSECTION. 4. A pension and annuity retirement system governed by chapter 294.

Sec. 77. NEW SECTION. 294.10B RIGHTS NOT TRANSFERABLE -- NOT SUBJECT TO LEGAL PROCESS.

The right of any person to any future payment under a pension and annuity retirement system established in this chapter shall not be transferable or assignable, at law or in equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law, except for the purposes of enforcing child, spousal, or medical support obligations, or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, or marital property orders, the garnishment or attachment of or the execution against benefits due a person under such a retirement system shall not exceed the amount specified in 15 U.S.C. § 1673(b).

DIVISION III

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

Sec. 78. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER OF INSURANCE~~ ACTUARY. The ~~state commissioner of insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform

such other duties as are required in connection therewith.

Sec. 79. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately after the establishment of this system, the state commissioner of insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall recommend and the board of trustees shall authorize~~ recommends, and on the basis of ~~such~~ the investigation, the ~~actuary shall recommend for adoption by~~ the board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In the year 1952, and at~~ At least once in each two-year period ~~thereafter, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by

this chapter.

Sec. 80. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 81. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 82. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's

retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 83. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 84. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall

be approved by the board of trustees; provided, that a cash payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 85. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 86. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 87. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with five or more years of membership service who are receiving an ordinary

disability retirement allowance. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 88. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 89. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service

retirement allowance shall be reduced by the board of trustees pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the acturial cost for each month of retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 90. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a.--Bonds-or-other-evidences-of-indebtedness-issued, assumed,-or-guaranteed-by-the-United-States-of-America,-or-by any-agency-or-instrumentality-thereof.~~

~~b.--In-savings-accounts-or-time-deposits-in-Iowa-banks approved-as-depositories-by-the-executive-council.~~

~~c.--In~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 91. Section 97A.8, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state-commissioner-of-insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal

contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner of insurance~~ board of trustees after each valuation.

Sec. 92. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 93. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 94. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 95. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR

ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 96. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system

prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION IV

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 97. Section 400.8, subsection 1, Code 1995, is amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate

to matters which will fairly test the mental and physical ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 98. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the programs.

Sec. 99. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be

engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in the same manner as provided in subsection 12, paragraph "e", of this section for readjustment of pensions when a rank or position has been abolished~~ by the board of trustees as though such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions

in the department.

Sec. 100. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pension under subsection 8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 101. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 102. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 103. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context

otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall

transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 104. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.6, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 105. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be

computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 106. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the direction of the board of trustees for the exclusive benefit of members paying contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to

govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

DIVISION V

JUDICIAL RETIREMENT SYSTEM

Sec. 107. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION VI

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 108. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997.

EXPLANATION

This bill provides numerous changes to public retirement systems. This bill may include a state mandate as defined in section 25B.3. The state mandate funding requirement in section 25B.2, however, does not apply to public employee retirement systems.

The changes to each public retirement system are as follows:

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 97B.4 is amended to state that the department of

personnel shall comply with applicable federal and state laws.

Section 97B.7 is amended to provide that the department follow the same standards in establishing investment policy as are required in making particular investments for the fund.

Section 97B.11 is amended to provide that no contributions shall be deducted from wages, and no membership service credited, from a member whose contributions for any calendar quarter would amount to one dollar or less.

Section 97B.14 is amended concerning which contributions are forwarded to the department. The change references the date established in section 97B.11A concerning the employer pickup of employee contributions.

Section 97B.15 is amended to provide that the department may adopt interim written policies and procedures to conform the requirements of the retirement system with federal law without complying with the rulemaking requirements of chapter 17A.

Section 97B.17 is amended to provide that the records maintained by the department concerning IPERS members may be stored on paper, in a magnetic format, or in electronic form, including optical disk storage.

The section is also amended by adding a new paragraph authorizing the department to release records to a governmental entity for the purposes of civil or criminal law enforcement activity. The section further provides that the department is not liable for the release of records pursuant to this new paragraph.

Section 97B.25 is amended to provide that a retirement application shall not be amended or revoked by the member once the first retirement allowance is paid and a member's death during the member's first month of entitlement shall not invalidate an approved application.

Section 97B.39 is amended to provide that a member's right to payments under IPERS is subject to marital property orders. This amendment further provides that a marital property order

shall not attempt to require payment prior to retirement or mandate a member's right to select certain options upon retirement.

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

Subsection 8, concerning the definition of employees under IPERS, is amended to provide that certain university instructors governed by the board of regents who work less than half-time for a school year are considered temporary employees and not covered by IPERS. Currently, this reference applies to half-time community college instructors.

In addition, subsection 8 is amended to provide that persons employed through programs provided through the Iowa conservation corps under chapter 15 are not employees for purposes of IPERS.

New subsection 10A provides that reference to the Internal Revenue Code means the Internal Revenue Code as defined in section 422.3.

Subsection 12, concerning the definition of membership service is amended to eliminate contingent language concerning the implementation of certain amendments to this subsection. In addition, the definition is amended to provide that for members who retire after July 1, 1996, temporary employees of the general assembly who elect to be covered under IPERS shall receive four calendar quarters of service for each year they work during the entire time the general assembly is in regular session. Under current law, temporary employees only receive service credit for those quarters in which they are employed.

New subsections 13A and 16A add two definitions concerning regular and special service. Special service is defined as service as a member of a protection occupation, and service as a county sheriff, deputy sheriff, or airport fire fighter, all as described in section 97B.49, subsection 16. Regular service is defined as service other than special service.

New subsection 14A defines retirement as the period of time from when a member has survived into the first day of the

member's first month of entitlement until the member dies.

Subsection 15, concerning the definition of service, is amended to provide that a leave of absence authorized pursuant to the federal Family and Medical Leave Act is deemed to be a leave authorized by the person's employer.

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

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

Section 97B.42 is amended to provide that an employee ceases to be an active member of IPERS if the employee receives service credit for service in another public retirement system for the same position previously covered under IPERS. Current law provides that an employee shall cease to be an active member of IPERS upon joining another public retirement system maintained by public contributions. The bill adds similar language to a provision which currently prohibits a person from being a member of another public retirement system in the state and a member under IPERS.

Section 97B.42 is further amended to state that an employer shall not make contributions on behalf of an employee to both IPERS and any other public retirement system in the state which is supported by public contributions. Current law

provides that a person in public employment shall not be an active member of both IPERS and any other public retirement system in the state which is supported by public contributions.

Section 97B.42 is also amended to state that a deferred compensation plan or tax-deferred annuity in which an employer may make public payments or contributions is not considered a retirement plan for purposes of this section, thus specifying that a public employer may continue to pay to IPERS on behalf of an employee even if the employer made contributions to a deferred compensation plan or tax-deferred annuity.

Sections 97B.45 and 97B.46 are amended by striking the provision that a member shall not be employed as a peace officer or fire fighter after attaining 65 years of age.

Section 97B.48, subsection 1, is amended to provide that a member who would have received a retirement allowance of less than $600 a year may elect to receive a lump sum equal to the member's and the employer's accumulated contributions and any retirement dividends credited before December 31, 1966. Current law provides that the lump sum received shall be an actuarial equivalent amount, defined as a benefit of equal value when computed pursuant to actuarial tables.

Section 97B.48A, concerning reemployment, is amended to provide that for members under 65 years of age, a member's retirement allowance shall be reduced by 50 cents for each dollar the member earns over the limit for extra income provided in section 97B.48A. This section of the bill also provides that the earned income limit is the greater of $7,440 or the amount of income permitted under Social Security. Current law provides for a suspension of the retirement allowance for earnings over $7,440. The section provides for recouping these reductions from beneficiaries of the member if the member dies prior to IPERS recovering the full amount of the reductions.

Section 97B.49, subsection 4, is amended to provide,

beginning January 1, 1997, that the minimum monthly benefit for members who retired between July 1, 1953, and July 1, 1990, with at least 10 years of service is $200. For each year of service from 10 to 30 years of total service, the minimum benefit shall increase by $10 per year of additional service.

Section 97B.49, subsection 5, paragraph "b", is amended to reflect the history of the increase in the percentage multiplier up to the current 60 percent. The section reflects that vested members retiring on or after July 1, 1994, receive a monthly retirement allowance based on 60 percent of the member's three-year average covered wage. The paragraph is also amended to provide that the increase in the percentage multiplier for years of service as provided in section 97B.49, subsection 5, new paragraph "e", in this bill applies to members covered under subsection 16 or 17 which apply to protection occupations, sheriffs, deputies, and airport fire fighters and that these members are also subject to the reduction in the percentage multiplier if the member's three-year average covered wage exceeds certain income levels.

Section 97B.49, subsection 5 is amended by adding new paragraph "e" which provides that a member retiring after July 1, 1996, receives an additional one-fourth of one percent added to the applicable percentage multiplier for each calendar quarter of service in addition to the number of years of service required for a member to receive the maximum percentage multiplier, up to a maximum of an additional 6 percentage points. This additional percentage applies to all members under IPERS.

Section 97B.49, subsection 5, is amended by adding new paragraph "f" which provides a mechanism to reduce the percentage multiplier applied to members whose three-year average covered wage for service exceeds $55,000. The multiplier is not reduced for the first $55,000 of a member's wage but is reduced for that portion of the wages that exceeds

$55,000. For wages between $55,000 and $65,000, the applicable percentage multiplier applied is reduced 10 percent, for wages between $65,000 and $75,000, the applicable percentage multiplier applied is reduced 15 percent, for wages between $75,000 and $85,000, the applicable percentage multiplier applied is reduced 20 percent, for wages between $85,000 and $95,000, the applicable percentage multiplier applied is reduced 30 percent, and for wages over $95,000, the applicable percentage multiplier applied is reduced 40 percent. The section provides that these brackets shall be adjusted by the department of personnel for inflation.

Section 97B.49, subsection 13, concerning retirement dividends, is amended to provide for the payment of a retirement dividend based on a percentage of a member's monthly retirement allowance for certain retirees in November 1996. Members who retired between July 4, 1953, and December 31, 1975, receive a dividend of 292 percent of the monthly benefit, members who retired between January 1, 1976, and June 30, 1982, receive a dividend of 223 percent of the monthly benefit, members who retired between July 1, 1982, and June 30, 1986, receive a dividend of 74 percent of the monthly benefit, and members who retired between July 1, 1986, and June 30, 1990, receive a dividend of 24 percent of the monthly benefit.

Section 97B.49, subsection 13, concerning retirement dividends, is further amended by adding a new paragraph "g" to provide for the payment of a retirement dividend every November, beginning in November 1997, for members who retired before July 1, 1990. The percentage applied to calculate the adjustment of the dividend is the lesser of 80 percent of the increase in the federal consumer price index, the amount the actuary determines the system can afford without an increase in contribution rates, or 3 percent.

Section 97B.49, subsection 15, is amended to provide that a member retiring on or after July 1, 1996, is eligible for

normal retirement without penalty based upon a rule of 88 where the combination of a member's age and years of service equals or exceeds 88, and the member is at least 55 years of age. Currently, the law provides for a rule of 92.

Section 97B.49, subsection 16, is amended to provide that for members retiring on or after July 1, 1996, a county sheriff, deputy sheriff, or airport fire fighter may elect to retire at any age without a penalty after 25 years of service, so long as the last 12 years of service were as a sheriff, deputy, or fire fighter. A sheriff, deputy, or fire fighter may still elect, as is provided under current law, to obtain full retirement at 55 years of age with 22 years of service.

Section 97B.49, subsection 16, paragraph "d", is amended to add probation officer II, parole officer II, and residential counselor to the classifications of employees of a judicial district department of correctional services who are included within the definition of a member of a protection occupation.

Section 97B.49, subsection 16, is amended by adding a new paragraph "m" requiring that the department of public safety shall pay the department of personnel the costs of additional benefits provided a fire prevention inspector peace officer. This provision is immediately effective and retroactive to July 1, 1992.

Section 97B.49 is amended to add a new subsection 17 that establishes a hybrid retirement formula to be used in computing the retirement allowance for members who earned service as a regular IPERS member and who earned service as a member of a protection occupation or a county sheriff, deputy sheriff, or airport fire fighter.

New section 97B.50A is added to provide for a disability retirement allowance for members of a protection occupation or a county sheriff, deputy sheriff, or airport fire fighter, effective January 1, 1997. The section provides for a monthly disability benefit equal to 1/12 of 60 percent of the member's three-year average covered wage for accidental disability, and

1/12 of 50 percent of the member's three-year average covered wage for ordinary disability. Accidental disability is based on job-related injury or disease. The section provides that certain heart and lung diseases qualify an eligible member for an accidental disability. The section also establishes a medical board and provides for the medical reexamination of certain disabled retirees. In addition, the section provides that any allowance paid under this section shall be offset against any workers' compensation benefits paid.

Section 97B.51 is amended to provide that a member shall not change an election of an optional retirement allowance once the first retirement allowance is paid.

Section 97B.51, subsection 5, provides that a member may elect, at retirement, to provide a lump sum payment to a beneficiary on the member's death. This section of the bill provides that the lump sum payment shall not exceed the member's accumulated contributions. Current law does not specify that the lump sum payment cannot exceed the member's accumulated contributions.

Section 97B.51, subsection 6, is amended to provide for an equal distribution of a member's reduced retirement allowance payments upon the member's death if multiple beneficiaries are designated unless the member provides in writing for a different distribution.

Section 97B.52 is amended to provide that payment to a member's beneficiary, if the member dies prior to the member's first month of entitlement, is calculated based on years of service divided by 22, 25, or 30, depending upon the member's last membership service.

Section 97B.52, subsection 3, is amended to provide that a beneficiary, heirs, or the estate, have five years, and not two years, after the member's death to apply to the department to receive the member's death benefit. The section of the bill also requires the department to reinstate a surviving spouse's right to receive a death benefit after five years if

required or permitted pursuant to the Internal Revenue Code.

Section 97B.52, subsection 5, is amended to provide for the payment of benefits that are waived by the eligible beneficiary.

Section 97B.52A is amended to provide that a member does not have a bona fide retirement until all employment with the employer, even noncovered employment, is terminated for at least 30 days.

Section 97B.53 is amended to eliminate contingent language concerning the implementation of amendments to this section.

Section 97B.53B is amended to provide that annual distributions of less than $200 of taxable income are not considered an eligible rollover distribution. Current law refers to a distribution of less than $200 of taxable income.

Section 97B.66 is amended to provide that members may make contributions as "buy-backs" in increments of calendar quarters rather than full years concerning former service in the teachers insurance and annuity association-college retirement equity fund (TIAA-CREF). This section also eliminates contingency language concerning the implementation of partial "buy-backs", and contains a conforming change pertaining to interest accrual under section 97B.70.

Section 97B.68 is amended to provide that a member of a federal retirement system is not eligible for membership in IPERS for the same position. Current law prohibits membership in both systems regardless of the position.

Section 97B.68 is amended by adding a new subsection 3 to provide that effective July 1, 1996, employees under the federal retirement system may be covered under IPERS if service under IPERS is not counted for their federal system retirement.

Section 97B.70 is amended to provide that, effective for years beginning January 1997, the interest credited to the member's and the employer's contributions for purposes of determining the accumulated contributions shall be equal to 1

percent higher than the interest rate for one year certificates of deposit as of January of each year. This section also provides that interest shall be credited on a quarterly basis, and removes contingency language.

Sections 97B.72, concerning members of the 71st General Assembly or a succeeding general assembly, 97B.72A, concerning members of the general assembly before July 1, 1988, 97B.73, for members of other public retirement systems, and 97B.73A, concerning part-time county attorneys, are amended to provide that members may make contributions in increments of calendar quarters rather than full years concerning former service. The sections also eliminate contingency language concerning the implementation of partial "buy-ins", or "buy-backs", as applicable, and contain conforming changes pertaining to interest accrual under section 97B.70. Section 97B.72A is also amended to provide that only vested or retired members, and not active members, may make contributions.

Section 97B.74 is amended to provide that members may make contributions as "buy-backs" in increments of calendar quarters rather than full years concerning members seeking reinstatement as a vested member. The section also provides that only former vested or retired members, and not former active members who were not vested, can buy back refunds received. The section also eliminates contingent language concerning the implementation of amendments to this Code section.

Section 97B.80 is amended to provide that members may make contributions as "buy-ins" in increments of one or more calendar quarters rather than full years for active duty service in the armed forces. The section eliminates the restriction on making contributions in increments of less than one year only once.

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Various provisions in chapter 12B pertaining to public investments are amended to provide the same exemptions to

pension and annuity retirement systems for teachers established under chapter 294 as are provided pertaining to other public retirement systems.

New Section 294.10B is added to provide that payments under a pension and annuity retirement system for teachers established in chapter 294 are subject to child, spousal, or medical support obligations, or marital property orders, but are not transferable or subject to other types of legal process.

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

Sections 97A.5, 97A.6, and 97A.8 are amended to provide that the board of trustees shall, upon the advice of an actuary hired by the board, make the necessary valuations for determining the contribution rate into the fund. Currently, the commissioner of insurance is given the responsibility to perform these functions.

Section 97A.5 is further amended to provide that the board of trustees may hire investment and benefit advisors and consultants in order to administer the system. The section is also amended to provide that the department of public safety, the board of trustees, and the treasurer of state shall not be liable for their actions that do not constitute malicious or wanton misconduct, even if the actions violate standards established in section 97A.7.

Section 97A.6, subsection 2, is amended to increase, from .6 percent to 1.5 percent the additional benefit for members for each additional year of service in the system from 22 to 30 years of service for members terminating service on or after July 1, 1996.

Section 97A.6, subsection 12, is amended to increase the minimum benefit for surviving spouses of members from 20 percent to 25 percent of the compensation for a senior patrol officer.

Section 97A.6, subsection 14, is amended to provide for an

increase in the percentages used to provide an annual readjustment of the pension payable from the current 12.5 percent and 25 percent to 15 percent and 30 percent, respectively. Currently, only those members who retired prior to July 1, 1990, get the higher percentage readjustment. The bill also provides that a retired member is eligible for this readjustment if the member served 22 years. Currently, a member must serve 22 years and attain the age of 55 years before retirement in order to be eligible for the readjustment.

Section 97A.6 is amended by adding a new subsection providing for early retirement benefits for members who retire between the ages of 50 and 55 years but who have 22 years of service. The member's benefit will be reduced by an amount for each month of early retirement to reflect the actuarial cost, so that the early retirement does not result in any increase in cost to the system.

Section 97A.8, subsection 1, is amended to eliminate the requirement that, beginning July 1, 1996, the normal contribution rate and the member's contribution rate be equivalent to the respective rates provided under the statewide fire and police retirement system. Instead, these sections provide for establishing both rates based on the costs associated with the peace officers' retirement system, subject to certain existing limitations.

Section 97A.8, subsection 3, is amended to specify which investment management expenses may be paid for by the expense fund established for the system.

Section 97A.12 is amended to provide that a member's pension under the system is subject to assignment based on a marital property order or a child, spousal, or medical support order.

New section 97A.17 establishes a mechanism for allowing vested members of the system and vested members of the statewide fire and police retirement system established in

chapter 411 to transfer to the other system with credit for the period of service in the former system. The section permits a member who transferred to the other system before the effective date of this section to transfer credit from the former system to the current system within one year from the effective date of this section.

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Section 400.8 is amended to authorize the board of trustees of the statewide fire and police retirement system to update the medical protocols used for examining applicants for employment as a police officer or fire fighter.

Section 411.5 is amended to provide that the board of trustees is given the authority to take any necessary action to administer the voluntary benefit programs established in new section 411.40.

Section 411.6, subsection 12, is amended to replace the current method for annually readjusting the pensions of members of the system effective July 1, 1997. The bill provides that the monthly pensions of members shall be adjusted each July 1 by adding an amount to the pension that represents an increase of 1.5 percent over the previous year's monthly pension plus a set dollar amount based on the number of years the member has been retired. This section provides that a retired member must be retired on or before the effective date of the pension readjustment to be eligible for the readjustment.

Section 411.13 is amended to provide that a member's pension under the system is subject to assignment based on a marital property order or a child, spousal, or medical support order.

New section 411.31 establishes a mechanism for allowing vested members of the system and vested members of the public safety peace officers', accident and disability system in chapter 97A to transfer to the other system with credit for the period of service in the former system. The section

permits a member who transferred to the other system before the effective date of this section to transfer credit from the former system to the current system within one year from the effective date of this section.

Section 411.38 is amended to establish a mechanism to charge participating cities in the system with the unfunded liability of that city along with interest calculated based on the investment performance or actuarial assumptions of the system.

New section 411.40 establishes voluntary benefit programs for members of the system. The board of trustees is authorized to establish programs for the benefit of members, to include retiree health, long-term care, and life insurance. The section establishes a voluntary benefit fund for the purpose of investing assets transferred to the fund from employee contributions. Participation in the program by members is voluntary.

JUDICIAL RETIREMENT SYSTEM

Section 602.9111 is amended to provide that the state treasurer may hire investment and benefit advisors and consultants in order to administer the system and is amended to provide for what investment management expenses may be paid for from the judicial retirement fund. The bill provides that the state court administrator and the treasurer of state shall not be liable for their actions concerning the fund that do not constitute malicious or wanton misconduct even if the actions violate standards established for the fund.

SENATE FILE 2245
FISCAL NOTE

A fiscal note for Senate File 2245 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2245 makes changes to the State retirement systems. This fiscal note will address each retirement system separately.

Iowa Public Employees Retirement System (IPERS)

The Bill makes numerous technical and administrative changes. Only those with fiscal effects will be described. The Bill makes the following changes to the IPERS benefits:

1. Removes the covered wage ceiling to include an employee's total salary in calculating the retirement benefit.
2. Provides for dividend increases for retirees.
3. Provides adjustments to the three-year average covered wage and a reduced pension benefit for that portion of the three-year average covered wage exceeding $55,000.
4. Gives legislative session employees a full year credit for employment throughout the legislative session.
5. Modifies the penalty for reemployment of a retiree so that the pension benefit is reduced by $0.50 for each $1.00 earned above the limit. Previously the pension benefit was suspended once the limit was reached.
6. For persons retired before July 1, 1990, sets the minimum monthly pension benefit for a retiree with 10 years of service at $200, and increases the minimum monthly pension benefit by $10 for each year of service from 11 to 30 years of service, up to $400.
7. Provides a credit of 1.0% for each year of service beyond 30 years up to a maximum of 6.0%, bringing the total possible percentage multiplier to 66.0%.
8. Beginning in FY 1998 and for persons retired before July 1, 1990, sets the dividend adjustment equal to the lesser of (a) 80.0% of the increase in the consumer price index, (b) a percentage that the actuary determines the IPERS Fund can absorb, or (c) 3.0%.
9. Replaces the Rule of 92 with the Rule of 88.
10. Establishes a pension benefit formula that calculates the pension benefit proportionately to the amount of service covered by regular IPERS, the Protection Occupations, and as a Sheriff, Deputy Sheriff, or Airport Firefighter.
11. Modifies the interest rates paid on members' contribution accounts to equal the one-year interest rates for certificates of deposit plus 1.0%.
12. Permits Sheriffs, Deputy Sheriffs, and Airport Firefighters to retire after 25 years of service without a reduction for age less than 55 years (referred to as "Twenty-five and out").

13. Adds Probation/Parole Officers II and Residential Counselors to the Protection Occupation classification.
14. Provides accidental and ordinary disability retirement similar to that offered by the Municipal Fire and Police Retirement System for Sheriffs, Deputy Sheriffs, Airport Firefighters, and Protection Occupations, except there is no exemption for Worker's Compensation requirements.

ASSUMPTIONS

1. The enhancements falling within the available margin will not result in additional costs to employers and employees, except for lifting the ceiling on covered wages.
2. The IPERS Investment Board will raise the interest rate assumption to 7.50% and change the cost method if the covered wage ceiling is removed so that future liabilities can be fully recognized. There will be no available margin without these changes.
3. Providing current benefits, including the increase to retirees' dividends anticipated under current law, lifting the covered wage ceiling and reducing the percentage multiplier for persons earning more than the previous covered wage ceiling will require 7.764% of covered wages.
4. Counties will experience a $7,500 salary savings for each experienced deputy sheriff that is replaced by an entry level deputy sheriff. There will be an estimated 33 retirements due to the "twenty-five and out" provision in FY 1997, and 20 annually in succeeding years.
5. There are 268 Probation/Parole Officers II and Residential Counselors who will move into the Protection Occupation classification. The contribution rates will be the same for these individuals as for other persons covered under the Protection Occupation classification.

FISCAL IMPACT

The total costs for the benefits enhancements for IPERS members and retirees are projected to cost governmental employers the following in FY 1997:

State	$3.5 million
Schools	2.8 million
Counties	2.0 million
Cities	0.7 million
Federal	0.06 million

The above costs for benefits enhancements are distributed as follows. (No dollar cost is identified for enhancements paid from the available margin.)

Regular IPERS

Enhancement	Percent of Covered Wage
Current benefits with base changes	7.764%
Modify penalty for exceeding earning limit	Not Significant
Full year credit for Leg. Session employees	Unknown
Minimum monthly pension $200 to $400	0.254%
Additional years of service, 1% per year	0.395%
Automatic Dividend Adjust (80% CPI, 3%, or actuary %)	0.731%
Rule of 88	0.292%
Proportionate pension formula for service under different plans	Not available (savings)
Interest rates equal 3-year CD rates plus 1%	0.010%
Total	9.446%
Remaining available margin	0.004%

The FY 1997 costs to the Iowa employers for lifting the ceiling on the covered wage are distributed as follows. (These amounts are included in the totals stated in the first paragraph of this section.)

State	$2.4 million
Schools	2.8 million
Counties	0.6 million
Cities	0.7 million

Special Groups

The following costs to Iowa employers are included in the totals stated in the first paragraph of this section.

Enhancement	Percent of Covered Wage	FY 1997 Employer Cost	Affected Employer
Twenty-five and out			
Sheriffs & Deputies	5.490%	$1.4 million	Counties
Salary savings from early deputy retirements		-0.2 million	Counties
Airport Firefighters	5.490%	0.05 million	Federal
Adding Probation/Parole Officers II and Residential Counselors to Protect. Occ.	0.000%	0.3 million	State
Ordinary and Accidental Disability:			
Sheriffs & Deputies	0.860%	0.2 million	Counties
Airport Firefighters	0.860%	Not Significant	Federal
Protection Occupations	1.520%	0.8 million	State

(Note: The above amounts may not add due to rounding.)

Peace Officers Retirement System (POR)

The major changes to the POR include:

1. Allowing an actuarial evaluation for contribution rates and other issues instead of rates established for the Municipal Fire and Police Retirement System.
2. Increasing the credit for up to eight additional years of service from 0.6% to 1.5%.
3. Increasing the surviving spouse's minimum retirement benefit from 20.0% to 25.0% of a senior patrol officer's salary.
4. Increasing the pension escalator from 25.0% to 30.0% for retirees and from 12.5% to 15.0% for a surviving spouse. The calculation is the percentage of the increase for a patrol officer of the same rank as when the retiree retired.
5. Eliminating the requirement the retiree reach age 55 before retiring to receive a pension escalator.
6. Providing an early retirement option providing a pension benefit equal to the actuarial equivalent accounting for age.
7. Providing portability between POR and the Municipal Fire and Police Retirement System.

ASSUMPTIONS

1. Benefits enhancements that can be absorbed within the available margin identified by the actuary will be stated as a percentage of covered wages.
2. The enhancements falling within the available margin will not result in additional costs to employers and employees.
3. The State will continue employer contributions at 18.0% of covered wage and employee contributions of 9.35%.

FISCAL IMPACT

There will be no additional cost to the State to implement these benefits.

Enhancement	Percentage of Covered Wage
Rate required to maintain current benefits	20.420%
Additional years of service at 1.5%	2.350%
Minimum surviving spouse to 25.0% of senior patrol officer	0.960%
Increasing escalator to 25.0% for retirees and 15.0% for surviving spouses	2.330%
Elimination of age requirements to receive a pension escalator	0.240%
Early retirement option	0.000%
Portability to Municipal Fire and Police	

Retirement System	Unknown, but not expected to be significant
Total cost with enhancements	26.300%
Remaining available margin	1.050%

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The major changes for the MFPRSI include:

1. Creation of a Voluntary Employee Benefits Association (VEBA) Program for employees to accumulate assets to pay for future health insurance needs. Participation is voluntary.
2. Modification of the pension escalator to apply systemwide to all retirees.
3. Providing portability between POR and the Municipal Fire and Police Retirement System.

FISCAL IMPACT

The Voluntary Employee Benefits Association (VEBA) Program will pay its administrative costs, and the pension escalator is designed to be a cost neutral change. The cost for portability between the two law enforcement retirement systems is based on average liabilities and assets, and the costs, while unknown, are not expected to be significant.

Judicial Retirement System

The Bill permits the Judicial Retirement System to hire investment advisors and other consultants.

FISCAL IMPACT

The Judicial Department estimates an annual cost of $15,000 to hire advisors and consultants and anticipates the cost will be offset by increased investment earnings.

SOURCES

IPERS
POR
MFPRSI
Judicial Department

(LSB 3538sv, MDF)

FILED FEBRUARY 27, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2245

S-5154

Amend Senate File 2245 as follows:

1. Page 1, by inserting after line 2 the following:

"Sec. ___. Section 12.8, unnumbered paragraph 3, Code 1995, is amended to read as follows:

The treasurer of state, with the approval of the ~~investment~~ board of trustees of the Iowa public employees' retirement system, may conduct a program of lending securities in the Iowa public employees' retirement system portfolio. When securities are loaned as provided by this paragraph, the treasurer shall act in the manner provided for investment of moneys in the Iowa public employees' retirement fund under section 97B.7. The treasurer of state shall report at least annually to the ~~investment~~ board of trustees of the Iowa public employees' retirement system on the program and shall provide additional information on the program upon the request of the ~~investment~~ board of trustees or the employees of the Iowa public employees' retirement system division of the department of personnel.

Sec. ___. Section 19A.1, subsection 3, paragraph c, Code 1995, is amended to read as follows:

c. The ~~investment~~ board of trustees of the Iowa public employees' retirement system created by section ~~97B.8~~ 97B.8A.

Sec. ___. Section 68B.35, subsection 2, paragraph e, Code 1995, is amended to read as follows:

e. Members of the banking board, the ethics and campaign disclosure board, the credit union review board, the economic development board, the employment appeal board, the environmental protection commission, the health facilities council, the Iowa business investment corporation board of directors, the Iowa finance authority, the Iowa seed capital corporation, the Iowa public employees' retirement system ~~investment~~ board of trustees, the lottery board, the natural resource commission, the board of parole, the petroleum underground storage tank fund board, the public employment relations board, the state racing and gaming commission, the state board of regents, the tax review board, the transportation commission, the office of consumer advocate, the utilities board, and any full-time members of other boards and commissions as defined under section 7E.4 who receive an annual salary for their service on the board or commission.

Sec. ___. Section 97B.1, Code 1995, is amended to read as follows:

97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

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Page 2

1. The "Iowa Public Employees' Retirement System" is created. The system is within the department of personnel, subject to the administration of the board.

2. As used in this chapter unless the context requires otherwise:

a. "Board" means the ~~investment~~ board of trustees created by section ~~97B.8~~ 97B.8A.

b. "Department" means the department of personnel.

c. "Director" means the director of the department of personnel.

d. "System" means the Iowa public employees' retirement system."

2. By striking page 1, line 3, through page 2, line 23, and inserting the following:

"Sec. ___. Section 97B.4, Code 1995, is amended to read as follows:

97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES -- IMMUNITY.

The ~~department~~ board, through the department and the chief investment officer and chief benefits officer, shall administer this chapter. The department, upon the approval of the board, may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

In the administration of the investment of moneys in the fund and in making benefit recommendations, employees of the department and members of the board may travel outside the state for the purpose of meeting with investment and benefit firms and consultants and attending conferences and meetings to fulfill their fiduciary responsibilities. This travel is not subject to section 421.38, subsection 2.

The department, members of the ~~investment~~ board, and the treasurer of state are not personally liable for actions or omissions under this chapter that do not involve malicious or wanton misconduct even if

those actions or omissions violate the standards established in section 97B.7.

Sec. ___. Section 97B.7, subsection 2, paragraphs b and d, Code 1995, are amended to read as follows:

b. To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the ~~investment~~ board. In establishing the investment policy of the fund and the investment of the fund, the department and ~~investment~~ board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and ~~investment~~ board shall give appropriate consideration to those facts and circumstances that the department and ~~investment~~ board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and ~~investment~~ board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

(1) The composition of the retirement fund with regard to diversification.

(2) The liquidity and current return of the investments in the fund relative to the anticipated cash flow requirements of the retirement system.

(3) The projected return of the investments relative to the funding objectives of the retirement

system.

Consistent with this paragraph, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state. Investments of moneys in the fund are not subject to sections 73.15 through 73.21.

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed one-half percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

d. To sell any securities or other property in the trust fund and reinvest the proceeds in accordance with the direction of the department when such action may be deemed advisable by the department for the protection of the trust fund or the preservation of the value of the investment. Such sale of securities or other property of the trust fund shall only be made after advice from the ~~investment~~ board in the manner and to the extent provided in this chapter in regard to the purchase of investments.

Sec. ___. NEW SECTION. 97B.8A BOARD OF TRUSTEES.

1. BOARD ESTABLISHED. A board is established to be known as the "Board of Trustees of the Iowa Public Employees' Retirement System", referred to in this chapter as the "board", whose duties are to establish policy for the department in matters relating to the

administration of the system, including the investment of the trust funds and the disbursement of benefits provided to members of the system consistent with the goals established in section 97D.1.

2. REVIEW.

a. At least annually the board shall review the investment policies and procedures used by the department under section 97B.7, subsection 2, paragraph "b", and shall hold a public meeting on the investment policies and investment performance of the fund. Following its review and the public meeting, the board shall establish an investment policy and goal statement which shall direct the investment activities of the department. The development of the investment policy and goal statement and its subsequent execution shall be performed cooperatively between the board and the department.

b. At least every two years, the board, in consultation with the benefits advisory committee, shall review the benefits provided to members under chapter 97B and shall make recommendations to the general assembly concerning the benefits, benefits policy, and benefit goal, provided under this chapter.

3. MEMBERSHIP.

a. The board consists of thirteen members. Eight of the members shall be appointed by the governor. Of the members appointed by the governor, one member shall be an executive of a domestic life insurance company; one member shall be an executive of a state or national bank operating within the state of Iowa; one member shall be a certified financial planner; one member shall be a retirement benefits specialist; one, not a member of the system, who is a member of a county board of supervisors or local school board; one member shall be an active member who is an employee of a school district, area education agency, or merged area; one member shall be an active member who is not an employee of a school district, area education agency, or merged area; and one member who is a retired member of the system. One member shall be appointed by the benefits advisory committee. The president of the senate, after consultation with the majority leader and the minority leader of the senate, shall appoint one member from the membership of the senate and the speaker of the house of representatives, after consultation with the majority leader and the minority leader of the house of representatives, shall appoint one member from the membership of the house. The director of the department of personnel, the treasurer of state or the

treasurer's designee, and the two legislative members are ex officio, nonvoting members of the board. Five voting members of the board shall constitute a quorum.

b. The members who are an executive of a domestic life insurance company, an executive of a state or national bank operating within the state of Iowa, a certified financial planner, a retirement benefits specialist, a member of a county board of supervisors or school board, the member who is a retired member of the system, and, if an active member is not selected, the member selected by the benefits advisory committee shall be paid their actual expenses incurred in performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. Legislative members shall be paid the per diem specified in section 2.10, subsection 6, for each day of service, and their actual expenses incurred in the performance of their duties. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The following members shall be paid their actual expenses incurred in the performance of their duties as members of the board and the performance of their duties as members of the board shall not affect their salaries, vacations, or leaves of absence for sickness or injury: the director of the department of personnel; the treasurer of state, or the treasurer's designee; the active member who is an employee of a school district, area education agency, or merged area; the active member who is not an employee of a school district, area education agency, or merged area; and, if an active member is selected, the active member selected by the benefits advisory committee. The appointive terms of the members appointed by the governor and the member selected by the benefits advisory committee are for a period of six years beginning and ending as provided in section 69.19. A vacancy in the membership of the board shall be filled in the same manner as the original appointment. Gubernatorial appointees to the board are subject to confirmation by the senate.

4. ADMINISTRATIVE AUTHORITY.

The authority of the department to carry out its duties as provided by this chapter are, notwithstanding provisions of this chapter to the contrary, subject to the approval of the board.

Sec. ___. NEW SECTION. 97B.8B BENEFITS ADVISORY COMMITTEE.

A benefits advisory committee shall be established

whose duties are to make recommendations to the board of trustees concerning the disbursement of benefits to members of the system and to select a member of the board of trustees.

The benefits advisory committee shall be comprised of representatives of constituent groups concerned with the system and shall consist of representatives of employers, active members, and retired members. The Iowa public employees' retirement system division of the department shall adopt rules under chapter 17A to provide for the selection of members to the committee."

3. Page 50, by inserting after line 23 the following:

"Sec. ___. Section 473.11, subsection 2, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The treasurer of state shall be the custodian of the energy conservation trust and shall invest the moneys in the trust, in consultation with the energy fund disbursement council established in subsection 3 and the ~~investment~~ board of trustees of the Iowa public employees' retirement system, in accordance with the following guidelines:

Sec. ___. BOARD TRANSITION -- EFFECTIVE DATE.

1. Notwithstanding provisions of section 97B.8A, as enacted in this Act, to the contrary, the initial board of trustees of the Iowa public employees' retirement system shall consist of the following members, who shall serve the following terms:

a. The governor shall appoint to the initial board of trustees one member, not a member of the system, who is a member of a county board of supervisors or local school board and one member who is a retirement benefits specialist. The terms of these two members appointed under this paragraph shall commence on July 1, 1996 and expire on April 30, 2002.

b. The members of the investment board established under section 97B.8, Code 1995, who are an executive of a domestic life insurance company, an executive of a state or national bank, an active member who is an employee of a school district, area education agency, or merged area, an active member who is not an employee of a school district, area education agency, or merged area, and a retired member shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members on the initial board of trustees shall expire on the same date as their terms would have expired on the investment board in

accordance with section 97B.8, Code 1995.

c. The term of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation located within the state of Iowa shall cease on July 1, 1996. The governor shall appoint to the initial board of trustees one member who is a certified financial planner, for a term which shall commence on July 1, 1996, and expire on the same date as the term would have expired of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation.

d. The benefits advisory committee established in section 97B.8B, as enacted in this Act, shall appoint one member to the initial board of trustees for a term which shall commence on July 1, 1996, and expire on April 30, 2000.

e. The members of the investment board established under section 97B.8, Code 1995, who are legislative members shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members shall expire at the pleasure of the appointing authorities as provided in section 97B.8A, as enacted in this Act.

f. The director of the department of personnel shall cease membership on the investment board established under section 97B.8, Code 1995, and commence membership on the initial board of trustees on July 1, 1996. The director of the department of personnel shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

g. The treasurer of state or the treasurer's designee shall commence membership on the initial board of trustees on July 1, 1996, and shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

2. Initial appointments by the governor under this section are subject to confirmation by the senate. If a vacancy occurs as to a member of the initial board of trustees who is appointed by the governor prior to the expiration of a term as provided in this section, the governor shall appoint a member to serve the remainder of the term so that the membership requirements of section 97B.8A, as enacted in this Act, are fulfilled, and the appointment shall be subject to confirmation by the senate. If a vacancy occurs as to the member appointed by the benefits advisory committee prior to the expiration of the term established in this section, the benefits advisory

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committee shall appoint a member to serve the remainder of the term. Upon the expiration of a term established in this section, a member shall be appointed in the manner and for a term of service as specified in section 97B.8A, as enacted in this Act. Except as otherwise provided in this section, the initial board of trustees shall be subject to the requirements of section 97B.8A, as enacted in this Act.

3. In order to provide for the appointments to the initial board of trustees, this section of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. ___. REPEAL. Section 97B.8, Code 1995, is repealed."

4. Page 70, by inserting after line 25 the following:

"___. The section of this Act which enacts section 97B.8B, being deemed of immediate importance, takes effect upon enactment."

5. By renumbering as necessary.

By JIM LIND
MICHAEL E. GRONSTAL

S-5154 FILED FEBRUARY 29, 1996
ADOPTED (p. 537)

SENATE FILE 2245

S-5155

Amend Senate File 2245 as follows:

1. Page 67, by inserting after line 5 the following:

"Sec. ___. Section 411.36, subsection 1, paragraph c, Code Supplement 1995, is amended to read as follows:

c. The city ~~treasurers~~ officials of four participating cities, one of whom is from a city having a population of less than forty thousand, and three of whom are from cities having a population of forty thousand or more. The city ~~treasurers~~ officials shall be appointed by the governing body of the Iowa league of cities."

2. By renumbering as necessary.

By MICHAEL E. GRONSTAL

S-5155 FILED FEBRUARY 29, 1996
WITHDRAWN
(p. 537)

SENATE FILE 2245

S-5153

Amend Senate File 2245 as follows:

1. Page 28, line 25, by striking the word "January" and inserting the following: "July".
2. Page 29, line 9, by striking the word "January" and inserting the following: "July".
3. Page 29, by striking lines 13 through 22.
4. Page 29, line 33, by striking the word "January" and inserting the following: "July".
5. Page 30, line 14, by striking the word "January" and inserting the following: "July".
6. Page 50, by inserting after line 23 the following:

"Sec. ___. INTERIM STUDY COMMITTEE. The legislative council shall direct the public retirement systems committee established under section 97D.4 to meet during the 1996 legislative interim and make recommendations regarding diseases which are presumed to have been contracted while on active duty for purposes of accidental disability benefits provided under section 97B.50A, as enacted in this Act."

7. By renumbering and relettering as necessary.

By SHELDON RITTMER

(p.537)

S-5153 FILED FEBRUARY 29, 1996
ADOPTED

SENATE FILE 2245

S-5156

Amend Senate File 2245 as follows:

1. Page 50, by inserting after line 23 the following:

"Sec. ___. DEVELOPMENT OF PROPOSAL FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall develop a proposal concerning various alternatives for establishing a defined contribution option for members of the Iowa public employees' retirement system. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains a proposal, or proposals, for establishing a defined contribution option. The report shall also contain actuarial information concerning the costs of the proposal or proposals."

2. By renumbering as necessary.

By MARY E. KRAMER

S-5156 FILED FEBRUARY 29, 1996
ADOPTED (p.537)

SENATE FILE 2245

S-5137

Amend the amendment, S-5135, to Senate File 2245 as follows:

1. Page 5, line 25, by striking the words "eleven members. Eight" and inserting the following: "twelve members. Nine".

2. Page 5, line 32, by inserting after the word "Iowa;" the following: "one member shall be a certified financial planner;".

3. Page 6, line 2, by striking the words "the two legislative members;".

4. Page 6, line 12, by striking the words "is an" and inserting the following: "and the two legislative members are".

5. Page 6, line 13, by striking the word "member" and inserting the following: "members".

6. Page 6, line 13, by striking the word "Six" and inserting the following: "Five".

7. Page 6, line 16, by inserting after the word "company," the following: "a certified financial planner,".

8. Page 7, by inserting after line 33 the following:

"___. The governor shall appoint to the initial board of trustees one member who shall be a certified financial planner. The term of the member appointed under this paragraph shall commence on July 1, 1996, and expire on April 30, 2000."

9. By relettering as necessary.

By JIM LIND

S-5137 FILED FEBRUARY 28, 1996

Out of Order 2/29/96

(p. 537)

SENATE FILE 2245

S-5132

Amend Senate File 2245 as follows:

1. Page 62, by inserting after line 28 the following:

"Sec. ___. Section 411.6, subsection 1, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. In lieu of retirement pursuant to paragraphs "a" through "c" with twenty-two years of service and upon attaining the age of fifty-five, a member may retire upon written application to the system who has served twenty-five or more years of service.

Sec. ___. Section 411.6, subsection 2, paragraph d, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Commencing July 1, 1990, if the member has completed more than twenty-two years of creditable service, or twenty-five years of creditable service pursuant to subsection 1, paragraph "d", the service retirement allowance shall consist of a pension which equals the amount provided in paragraphs "b" and "c", plus an additional percentage as set forth below:"

2. Page 65, by inserting after line 5 the following:

"Sec. ___. Section 411.6, subsection 12, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under subsection 1 of this section is not eligible for the readjustment of pensions provided in this subsection unless the member served twenty-two years and attained the age of fifty-five years prior to the member's termination of employment, or the member has served twenty-five years and retired pursuant to subsection 1, paragraph "d"."

3. By renumbering as necessary.

By MARY LUNDBY

S-5132 FILED FEBRUARY 27, 1996
LOST

(P. 475)

SENATE FILE 2245

S-5130

Amend Senate File 2245 as follows:

1. Page 67, by inserting after line 5 the following:

"Sec. ___. Section 411.36, subsection 1, paragraph a, Code Supplement 1995, is amended to read as follows:

a. Two fire fighters from different participating cities, one of whom is an active member of the retirement system and one of whom is a retired member. The fire fighters shall be ~~appointed by the governing body of the Iowa association of professional fire fighters~~ selected pursuant to an election as provided in section 411.36A.

Sec. ___. NEW SECTION. 411.36A ELECTION TO BOARD -- FIRE FIGHTERS.

The fire fighters who are voting members of the board shall be elected by the active members of the system who are fire fighters. The board shall adopt guidelines governing the election of the fire fighter members that shall provide a nomination procedure, the manner for each participating city fire department to conduct the election, and that ensures compliance with the requirements of state law."

2. Page 69, by inserting after line 11 the following:

"Sec. ___ BOARD OF TRUSTEES -- TRANSITION. The section of this Act that amends section 411.36 shall not apply to the members of the board selected pursuant to section 411.36, subsection 1, paragraph "a", prior to the effective date of this Act, and those members shall serve until the expiration of the terms to which they were appointed. Upon the expiration of their terms, section 411.36, as amended by this Act, and section 411.36A shall apply to their successors."

3. By renumbering as necessary.

By STEVEN D. HANSEN

S-5130 FILED FEBRUARY 27, 1996
ADOPTED

(p.474)

SENATE FILE 2245

S-5135

Amend Senate File 2245 as follows:

1. Page 1, by inserting after line 2 the following:

"Sec. ___. Section 12.8, unnumbered paragraph 3, Code 1995, is amended to read as follows:

The treasurer of state, with the approval of the ~~investment~~ board of trustees of the Iowa public employees' retirement system, may conduct a program of lending securities in the Iowa public employees' retirement system portfolio. When securities are loaned as provided by this paragraph, the treasurer shall act in the manner provided for investment of moneys in the Iowa public employees' retirement fund under section 97B.7. The treasurer of state shall report at least annually to the ~~investment~~ board of trustees of the Iowa public employees' retirement system on the program and shall provide additional information on the program upon the request of the ~~investment~~ board of trustees or the employees of the Iowa public employees' retirement system division of the department of personnel.

Sec. ___. Section 19A.1, subsection 3, paragraph c, Code 1995, is amended to read as follows:

c. The ~~investment~~ board of trustees of the Iowa public employees' retirement system created by section ~~97B.8~~ 97B.8A.

Sec. ___. Section 68B.35, subsection 2, paragraph e, Code 1995, is amended to read as follows:

e. Members of the banking board, the ethics and campaign disclosure board, the credit union review board, the economic development board, the employment appeal board, the environmental protection commission, the health facilities council, the Iowa business investment corporation board of directors, the Iowa finance authority, the Iowa seed capital corporation, the Iowa public employees' retirement system ~~investment~~ board of trustees, the lottery board, the natural resource commission, the board of parole, the petroleum underground storage tank fund board, the public employment relations board, the state racing and gaming commission, the state board of regents, the tax review board, the transportation commission, the office of consumer advocate, the utilities board, and any full-time members of other boards and commissions as defined under section 7E.4 who receive an annual salary for their service on the board or commission.

Sec. ___. Section 97B.1, Code 1995, is amended to read as follows:

97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

1. The "Iowa Public Employees' Retirement System" is created. The system is within the department of personnel, subject to the administration of the board.

2. As used in this chapter unless the context requires otherwise:

a. "Board" means the ~~investment~~ board of trustees created by section ~~97B.8~~ 97B.8A.

b. "Department" means the department of personnel.

c. "Director" means the director of the department of personnel.

d. "System" means the Iowa public employees' retirement system."

2. By striking page 1, line 3, through page 2, line 23, and inserting the following:

"Sec. ___. Section 97B.4, Code 1995, is amended to read as follows:

97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES -- IMMUNITY.

The ~~department~~ board, through the department and the chief investment officer and chief benefits officer, shall administer this chapter. The department, upon the approval of the board, may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

In the administration of the investment of moneys in the fund and in making benefit recommendations, employees of the department and members of the board may travel outside the state for the purpose of meeting with investment and benefit firms and consultants and attending conferences and meetings to fulfill their fiduciary responsibilities. This travel is not subject to section 421.38, subsection 2.

The department, members of the ~~investment~~ board, and the treasurer of state are not personally liable for actions or omissions under this chapter that do not involve malicious or wanton misconduct even if

those actions or omissions violate the standards established in section 97B.7.

Sec. ___. Section 97B.7, subsection 2, paragraphs b and d, Code 1995, are amended to read as follows:

b. To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the ~~investment~~ board. In establishing the investment policy of the fund and the investment of the fund, the department and ~~investment~~ board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and ~~investment~~ board shall give appropriate consideration to those facts and circumstances that the department and ~~investment~~ board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and ~~investment~~ board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

(1) The composition of the retirement fund with regard to diversification.

(2) The liquidity and current return of the investments in the fund relative to the anticipated cash flow requirements of the retirement system.

(3) The projected return of the investments relative to the funding objectives of the retirement

system.

Consistent with this paragraph, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state. Investments of moneys in the fund are not subject to sections 73.15 through 73.21.

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed one-half percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

d. To sell any securities or other property in the trust fund and reinvest the proceeds in accordance with the direction of the department when such action may be deemed advisable by the department for the protection of the trust fund or the preservation of the value of the investment. Such sale of securities or other property of the trust fund shall only be made after advice from the ~~investment~~ board in the manner and to the extent provided in this chapter in regard to the purchase of investments.

Sec. ___. NEW SECTION. 97B.8A BOARD OF TRUSTEES.

1. BOARD ESTABLISHED. A board is established to be known as the "Board of Trustees of the Iowa Public Employees' Retirement System", referred to in this chapter as the "board", whose duties are to establish policy for the department in matters relating to the

administration of the system, including the investment of the trust funds and the disbursement of benefits provided to members of the system.

2. REVIEW.

a. At least annually the board shall review the investment policies and procedures used by the department under section 97B.7, subsection 2, paragraph "b", and shall hold a public meeting on the investment policies and investment performance of the fund. Following its review and the public meeting, the board shall establish an investment policy and goal statement which shall direct the investment activities of the department. The development of the investment policy and goal statement and its subsequent execution shall be performed cooperatively between the board and the department.

b. At least every two years, the board shall review the benefits provided to members under chapter 97B and shall hold a public meeting on the benefits provided to members under this chapter. Following its review and public meeting, the board shall make recommendations to the general assembly concerning the benefits provided under this chapter.

3. MEMBERSHIP.

a. The board consists of eleven members. Eight of the members shall be appointed by the governor. One member shall be an executive of a domestic life insurance company; one member shall be an executive of a state or national bank operating within the state of Iowa; one member shall be an executive of an industrial corporation located within the state of Iowa; one, not a member of the system, who is a member of a county board of supervisors or local school board; and four shall be members of the system, one of whom is an active member who is an employee of a school district, area education agency, or merged area, one of whom is an active member who is not employed in a position described under section 97B.49, subsection 16, and is not an employee of a school district, area education agency, or merged area, one of whom is employed in a position described under section 97B.49, subsection 16, and one of whom is a retired member of the system. The president of the senate, after consultation with the majority leader and the minority leader of the senate, shall appoint one member from the membership of the senate and the speaker of the house of representatives, after consultation with the majority leader and the minority leader of the house of representatives, shall appoint one member from the membership of the house. The

following members are ex officio, voting members of the board: the two legislative members; the member who is a member of a county board of supervisors or local school board; the active member who is an employee of a school district, area education agency, or merged area; the active member who is not employed in a position described under section 97B.49, subsection 16, and is not an employee of a school district, area education agency, or merged area; and the active member who is employed in a position described under section 97B.49, subsection 16. The director of the department of personnel is an ex officio, nonvoting member of the board. Six voting members of the board shall constitute a quorum.

b. The members who are an executive of a domestic life insurance company, an executive of a state or national bank operating within the state of Iowa, an executive of an industrial corporation located within the state of Iowa, a member of a county board of supervisors or school board, and the member who is a retired member of the system, shall be paid their actual expenses incurred in performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. Legislative members shall be paid the per diem specified in section 2.10, subsection 6, for each day of service, and their actual expenses incurred in the performance of their duties. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The following members shall be paid their actual expenses incurred in the performance of their duties as members of the board and the performance of their duties as members of the board shall not affect their salaries, vacations, or leaves of absence for sickness or injury: the director of the department of personnel; the active member who is an employee of a school district, area education agency, or merged area; the active member who is not employed in a position described under section 97B.49, subsection 16, and is not an employee of a school district, area education agency, or merged area; and the active member who is employed in a position described under section 97B.49, subsection 16. The appointive terms of the members appointed by the governor are for a period of six years beginning and ending as provided in section 69.19. A vacancy in the membership of the board shall be filled in the same manner as the original appointment. Gubernatorial appointees to the board are subject to confirmation by

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Page 7

the senate.

4. ADMINISTRATIVE AUTHORITY.

The authority of the department to carry out its duties as provided by this chapter are, notwithstanding provisions of this chapter to the contrary, subject to the approval of the board."

3. Page 50, by inserting after line 23 the following:

"Sec. ___. Section 473.11, subsection 2, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The treasurer of state shall be the custodian of the energy conservation trust and shall invest the moneys in the trust, in consultation with the energy fund disbursement council established in subsection 3 and the ~~investment~~ board of trustees of the Iowa public employees' retirement system, in accordance with the following guidelines:

Sec. ___. BOARD TRANSITION -- EFFECTIVE DATE.

1. Notwithstanding provisions of section 97B.8A, as enacted in this Act, to the contrary, the initial board of trustees of the Iowa public employees' retirement system shall consist of the following members, who shall serve the following terms:

a. The governor shall appoint to the initial board of trustees one member, not a member of the system, who is a member of a county board of supervisors or local school board and one member who is an active member of the system and is employed in a position described under section 97B.49, subsection 16. The terms of these two members appointed under this paragraph shall commence on July 1, 1996 and expire on April 30, 2002.

b. The members of the investment board established under section 97B.8, Code 1995, who were appointed by the governor shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members on the initial board of trustees shall expire on the same date as their terms would have expired on the investment board in accordance with section 97B.8, Code 1995.

c. The members of the investment board established under section 97B.8, Code 1995, who are legislative members shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members shall expire at the pleasure of the appointing authorities as provided in section 97B.8A, as enacted in this Act.

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Page 8

d. The director of the department of personnel shall cease membership on the investment board established under section 97B.8, Code 1995, and commence membership on the initial board of trustees on July 1, 1996. The director of the department of personnel shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

2. Initial appointments by the governor under this section are subject to confirmation by the senate. If a vacancy occurs as to a member of the initial board of trustees who is appointed by the governor prior to the expiration of a term as provided in this section, the governor shall appoint a member to serve the remainder of the term so that the membership requirements of section 97B.8A, as enacted in this Act, are fulfilled, and the appointment shall be subject to confirmation by the senate. Upon the expiration of a term established in this section, a member shall be appointed in the manner and for a term of service as specified in section 97B.8A, as enacted in this Act. Except as otherwise provided in this section, the initial board of trustees shall be subject to the requirements of section 97B.8A, as enacted in this Act.

3. In order to provide for the appointments to the initial board of trustees, this section of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. ___. REPEAL. Section 97B.8, Code 1995, is repealed."

4. By renumbering as necessary.

WITHDRAWN

By JIM LIND
MICHAEL E. GRONSTAL

WITHDRAWN 2-29-96 (P. 537)

S-5135 FILED FEBRUARY 27, 1996

SENATE FILE 2245

S-5122

Amend Senate File 2245 as follows:

1. Page 70, by inserting after line 15 the following:

"DIVISION

CONGRESSIONAL ACTION

Sec. ___. CONGRESSIONAL ACTION. The general assembly urges the members of Iowa's congressional delegation to reassert the rights of states to make decisions concerning the implementation of their governmental pension plans and, in particular, to adopt legislation to eliminate arbitrary federal restrictions on the rights of states to decide on any limitation regarding the time period during which a beneficiary may apply to the pension plan to receive rightful payment of a death benefit. The secretary of the senate shall send a copy of this section of this Act to the members of Iowa's congressional delegation, upon enactment."

2. By renumbering as necessary.

adopted 2/27/96 (P.474) By ANDY McKEAN

S-5122 FILED FEBRUARY 26, 1996

SENATE FILE 2245

S-5125

Amend Senate File 2245 as follows:

1. Page 2, lines 28 and 29, by striking the words "three and seven-tenths" and inserting the following: "~~three-and-seven-tenths~~ four and seven hundred twenty-five thousandths".

2. Page 2, line 32, by striking the words "five and seventy-five hundredths" and inserting the following: "~~five-and-seventy-five-hundredths~~ four and seven hundred twenty-five thousandths".

3. Page 25, line 6, by striking the word "Sixty" and inserting the following: "~~Sixty~~ Fifty".

4. Page 25, line 8, by striking the word "forty" and inserting the following: "~~forty~~ fifty".

A

B

(P. 474) A- adopted 2/27/96 By H. KAY HEDGE

B- withdrawn 2/27/96 (P.474)

S-5125 FILED FEBRUARY 26, 1996

SENATE FILE 2245

S-5118

Amend Senate File 2245 as follows:

1. Page 16, line 31, by inserting after the word "percent." the following: "However, effective July 1, 1996, and for monthly benefits payable on or after that date, the applicable percentage multiplier for members retiring pursuant to this subparagraph shall be fifty-eight percent, and the department shall recalculate and pay monthly benefits accordingly."

By TOM VILSACK

S-5118 FILED FEBRUARY 26, 1996

LOST, MOTION TO RECONSIDER FILED (P.458)

(P. 453)

Motion to R/c adopted 2/27/96 (P.476)

Now withdrawn 2/29/96 (P.536)

SENATE FILE 2245

S-5119

Amend Senate File 2245 as follows:

1. Page 1, by inserting after line 2 the following:

"Section 1. Section 2.11, Code 1995, is amended by adding the following new unnumbered paragraph after unnumbered paragraph one:

NEW UNNUMBERED PARAGRAPH. A temporary employee of the general assembly may elect to receive payment of the employee's salary during each month of the same calendar year in which the temporary employee is employed, for payment at the same time as other state employees are paid, by notifying the finance officer prior to commencing employment as a temporary employee of the general assembly."

2. Page 8, by striking lines 19 through 27.

3. By renumbering as necessary.

By MICHAEL E. GRONSTAL

S-5119 FILED FEBRUARY 26, 1996
ADOPTED (p. 452)

SENATE FILE 2245

S-5120

Amend Senate File 2245 as follows:

1. By striking page 28, line 15, through page 32, line 8.

2. By renumbering as necessary.

By SHELDON RITTMER

WITHDRAWN 2/29/96 (p. 536)
S-5120 FILED FEBRUARY 26, 1996
DEFERRED

SENATE FILE 2245

S-5121

Amend Senate File 2245 as follows:

1. Page 19, by striking lines 17 through 19 and inserting the following: "paragraph "a", the applicable".

2. Page 19, line 23, by striking the words "subparagraph (1) or (2),".

3. Page 24, by striking lines 11 through 26.

4. By renumbering as necessary.

By SHELDON RITTMER

S-5121 FILED FEBRUARY 26, 1996
LOST
(p. 454)

H-3/1/96 State Gov.
H-3/21/96 Amend/Do Pass
w/ H 5515

SENATE FILE **2245**

BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 2180)

(AS AMENDED AND PASSED BY THE SENATE FEBRUARY 29, 1996)

_____ - New Language by the Senate

* - Language Stricken by the Senate

Passed Senate, (P.1478) Date 4/23/96 Passed House, (P.1842) Date 4/22/96

Vote: Ayes 45 Nays 4 Vote: Ayes 95 Nays 0

Approved Item Veto 5-10-96

(P.1496) Repassed 4-24-96 Vote 48-0

A BILL FOR

An Act relating to public retirement systems, making appropriations, and providing effective and retroactive applicability dates.

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

S.F. 2245

SF 2245

ec/cc/26

S.F. 2245 H.F. _____

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 2.11, Code 1995, is amended by adding the following new unnumbered paragraph after unnumbered paragraph one:

NEW UNNUMBERED PARAGRAPH. A temporary employee of the general assembly may elect to receive payment of the employee's salary during each month of the same calendar year in which the temporary employee is employed, for payment at the same time as other state employees are paid, by notifying the finance officer prior to commencing employment as a temporary employee of the general assembly.

Sec. 2. Section 12.8, unnumbered paragraph 3, Code 1995, is amended to read as follows:

The treasurer of state, with the approval of the ~~investment~~ board of trustees of the Iowa public employees' retirement system, may conduct a program of lending securities in the Iowa public employees' retirement system portfolio. When securities are loaned as provided by this paragraph, the treasurer shall act in the manner provided for investment of moneys in the Iowa public employees' retirement fund under section 97B.7. The treasurer of state shall report at least annually to the ~~investment~~ board of trustees of the Iowa public employees' retirement system on the program and shall provide additional information on the program upon the request of the ~~investment~~ board of trustees or the employees of the Iowa public employees' retirement system division of the department of personnel.

Sec. 3. Section 19A.1, subsection 3, paragraph c, Code 1995, is amended to read as follows:

c. The ~~investment~~ board of trustees of the Iowa public employees' retirement system created by section ~~97B.8~~ 97B.8A.

Sec. 4. Section 68B.35, subsection 2, paragraph e, Code 1995, is amended to read as follows:

e. Members of the banking board, the ethics and campaign

disclosure board, the credit union review board, the economic development board, the employment appeal board, the environmental protection commission, the health facilities council, the Iowa business investment corporation board of directors, the Iowa finance authority, the Iowa seed capital corporation, the Iowa public employees' retirement system ~~investment~~ board of trustees, the lottery board, the natural resource commission, the board of parole, the petroleum underground storage tank fund board, the public employment relations board, the state racing and gaming commission, the state board of regents, the tax review board, the transportation commission, the office of consumer advocate, the utilities board, and any full-time members of other boards and commissions as defined under section 7E.4 who receive an annual salary for their service on the board or commission.

Sec. 5. Section 97B.1, Code 1995, is amended to read as follows:

97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

1. The "Iowa Public Employees' Retirement System" is created. The system is within the department of personnel, subject to the administration of the board.

2. As used in this chapter unless the context requires otherwise:

a. "Board" means the ~~investment~~ board of trustees created by section ~~97B.8~~ 97B.8A.

b. "Department" means the department of personnel.

c. "Director" means the director of the department of personnel.

d. "System" means the Iowa public employees' retirement system.

Sec. 6. Section 97B.4, Code 1995, is amended to read as follows:

97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES -- IMMUNITY.

The ~~department~~ board, through the department and the chief

investment officer and chief benefits officer, shall administer this chapter. The department, upon the approval of the board, may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

In the administration of the investment of moneys in the fund and in making benefit recommendations, employees of the department and members of the board may travel outside the state for the purpose of meeting with investment and benefit firms and consultants and attending conferences and meetings to fulfill their fiduciary responsibilities. This travel is not subject to section 421.38, subsection 2.

The department, members of the ~~investment~~ board, and the treasurer of state are not personally liable for actions or omissions under this chapter that do not involve malicious or wanton misconduct even if those actions or omissions violate the standards established in section 97B.7.

Sec. 7. Section 97B.7, subsection 2, paragraphs b and d, Code 1995, are amended to read as follows:

b. To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of mcneys in the

retirement fund in accordance with the investment policy and goal statement established by the ~~investment~~ board. In establishing the investment policy of the fund and the investment of the fund, the department and ~~investment~~ board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and ~~investment~~ board shall give appropriate consideration to those facts and circumstances that the department and ~~investment~~ board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and ~~investment~~ board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

(1) The composition of the retirement fund with regard to diversification.

(2) The liquidity and current return of the investments in the fund relative to the anticipated cash flow requirements of the retirement system.

(3) The projected return of the investments relative to the funding objectives of the retirement system.

Consistent with this paragraph, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state. Investments of moneys in the fund are not subject to sections 73.15 through 73.21.

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed one-half percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

d. To sell any securities or other property in the trust fund and reinvest the proceeds in accordance with the direction of the department when such action may be deemed advisable by the department for the protection of the trust

fund or the preservation of the value of the investment. Such sale of securities or other property of the trust fund shall only be made after advice from the ~~investment~~ board in the manner and to the extent provided in this chapter in regard to the purchase of investments.

Sec. 8. NEW SECTION. 97B.8A BOARD OF TRUSTEES.

1. BOARD ESTABLISHED. A board is established to be known as the "Board of Trustees of the Iowa Public Employees' Retirement System", referred to in this chapter as the "board", whose duties are to establish policy for the department in matters relating to the administration of the system, including the investment of the trust funds and the disbursement of benefits provided to members of the system consistent with the goals established in section 97D.1.

2. REVIEW.

a. At least annually the board shall review the investment policies and procedures used by the department under section 97B.7, subsection 2, paragraph "b", and shall hold a public meeting on the investment policies and investment performance of the fund. Following its review and the public meeting, the board shall establish an investment policy and goal statement which shall direct the investment activities of the department. The development of the investment policy and goal statement and its subsequent execution shall be performed cooperatively between the board and the department.

b. At least every two years, the board, in consultation with the benefits advisory committee, shall review the benefits provided to members under chapter 97B and shall make recommendations to the general assembly concerning the benefits, benefits policy, and benefit goals, provided under this chapter.

3. MEMBERSHIP.

a. The board consists of thirteen members. Eight of the members shall be appointed by the governor. Of the members appointed by the governor, one member shall be an executive of

a domestic life insurance company; one member shall be an executive of a state or national bank operating within the state of Iowa; one member shall be a certified financial planner; one member shall be a retirement benefits specialist; one, not a member of the system, who is a member of a county board of supervisors or local school board; one member shall be an active member who is an employee of a school district, area education agency, or merged area; one member shall be an active member who is not an employee of a school district, area education agency, or merged area; and one member who is a retired member of the system. One member shall be appointed by the benefits advisory committee. The president of the senate, after consultation with the majority leader and the minority leader of the senate, shall appoint one member from the membership of the senate and the speaker of the house of representatives, after consultation with the majority leader and the minority leader of the house of representatives, shall appoint one member from the membership of the house. The director of the department of personnel, the treasurer of state or the treasurer's designee, and the two legislative members are ex officio, nonvoting members of the board. Five voting members of the board shall constitute a quorum.

b. The members who are an executive of a domestic life insurance company, an executive of a state or national bank operating within the state of Iowa, a certified financial planner, a retirement benefits specialist, a member of a county board of supervisors or school board, the member who is a retired member of the system, and, if an active member is not selected, the member selected by the benefits advisory committee shall be paid their actual expenses incurred in performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. Legislative members shall be paid the per diem specified in section 2.10, subsection 6, for each day of service, and their actual expenses incurred in the

performance of their duties. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The following members shall be paid their actual expenses incurred in the performance of their duties as members of the board and the performance of their duties as members of the board shall not affect their salaries, vacations, or leaves of absence for sickness or injury: the director of the department of personnel; the treasurer of state, or the treasurer's designee; the active member who is an employee of a school district, area education agency, or merged area; the active member who is not an employee of a school district, area education agency, or merged area; and, if an active member is selected, the active member selected by the benefits advisory committee. The appointive terms of the members appointed by the governor and the member selected by the benefits advisory committee are for a period of six years beginning and ending as provided in section 69.19. A vacancy in the membership of the board shall be filled in the same manner as the original appointment. Gubernatorial appointees to the board are subject to confirmation by the senate.

4. ADMINISTRATIVE AUTHORITY.

The authority of the department to carry out its duties as provided by this chapter are, notwithstanding provisions of this chapter to the contrary, subject to the approval of the board.

Sec. 9. NEW SECTION. 97B.8B BENEFITS ADVISORY COMMITTEE.

A benefits advisory committee shall be established whose duties are to make recommendations to the board of trustees concerning the disbursement of benefits to members of the system and to select a member of the board of trustees.

The benefits advisory committee shall be comprised of representatives of constituent groups concerned with the system and shall consist of representatives of employers, active members, and retired members. The Iowa public employees' retirement system division of the department shall

adopt rules under chapter 17A to provide for the selection of members to the committee.

Sec. 10. Section 97B.11, Code 1995, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 11. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 12. Section 97B.15, Code 1995, is amended to read as

follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 13. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 14. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or

other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 15. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer and referred to in this chapter as a retirement benefits specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 16. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE ---~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under ~~chapter 97B~~ this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b). A marital property order shall not require the payment of benefits to an alternate payee prior to the member's retirement or require the department or the member to designate a particular person as a designated beneficiary or contingent annuitant, or to select a particular benefit option on behalf of the member. In addition, a marital property order shall not require payment of benefits to an alternate payee prior to the date the member elects to receive a lump sum distribution of accumulated contributions pursuant to section 97B.53.

Sec. 17. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 18. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year.

Sec. 19. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 20. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 21. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If

the department has not maintained the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6, unnumbered paragraph 1, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.41, subsection 12, Code Supplement 1993. As used in this subsection, unless the context otherwise requires, "other established priorities of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (11), and that the department has implemented the amendments to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183.~~

Sec. 22. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for

an employer other than special service.

Sec. 23. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 24. Section 97B.41, subsection 15, paragraphs a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 25. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 26. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this

subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

(3) For a member who retires during the calendar year

beginning January 1, 1999, and whose three-year average covered wage at the time of retirement exceeds fifty-five thousand dollars, the member's covered wages averaged for the highest six years of the member's service or fifty-five thousand dollars, whichever is greater.

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

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

Sec. 27. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

(11F) Commencing with the calendar year beginning January 1, 1997, and for each subsequent calendar year, wages not in excess of the amount permitted for that year under section

401(a)(17) of the Internal Revenue Code.

Sec. 28. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 29. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee

shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section 97B.46.

Sec. 30. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 31. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person-in-public-employment-to-be-an-active-member-of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except-as-heretofore-provided~~.

Sec. 32. Section 97B.42, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this section, a "retirement system in the state which is maintained in whole or in part by public contributions or payments" shall not include a deferred compensation plan established under section

509A.12 or a tax-sheltered annuity qualified under section 403(b) of the Internal Revenue Code.

Sec. 33. Section 97B.45, unnumbered paragraph 2, Code 1995, is amended to read as follows:

A member may retire after the member's sixty-fifth birthday ~~except as otherwise provided in section 97B.46~~. A member retiring on or after the normal retirement date, as provided in section 97B.46, shall submit a written notice to the department setting forth the date the retirement is to become effective. The date shall be after the member's last day of service and not before the first day of the sixth calendar month preceding the month in which the notice is filed.

Sec. 34. Section 97B.46, subsection 2, Code 1995, is amended by striking the subsection.

Sec. 35. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as a lump sum in an ~~actuarial equivalent~~ amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 36. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. If, ~~after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday,~~ a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be ~~suspended for as long as the member remains in employment for the remainder of that calendar year~~ reduced

by fifty cents for each dollar the member earns over the limit provided in this subsection. However, ~~effective January 1, 1992,~~ employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 37. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

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

Sec. 38. Section 97B.49, subsection 4, Code Supplement 1995, is amended by adding the following new unnumbered

paragraph:

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of prior and membership service, the minimum monthly benefit payable at the normal retirement date for prior and membership service shall be two hundred dollars. The minimum monthly benefit payable shall be increased by ten dollars for each year of prior and membership service beyond ten years, up to a maximum of twenty additional years of prior and membership service. If benefits commenced on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50. If an optional allowance was selected under section 97B.51, the amount payable shall be the actuarial equivalent of the minimum benefit.

Sec. 39. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

(4) For active or inactive vested members retiring on or after July 1, 1993, but before July 1, 1994, fifty-seven and

four-tenths percent.

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

The applicable percentage multiplier shall be subject to adjustments as provided in paragraphs "e" and "f".

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

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percertage multiplier which applies to members covered under

subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraphs "e" and "f".

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

~~In accordance with sections 97B.1 and 97B.47, it is the intent of the general assembly that once the goal of sixty percent of the three year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year~~

~~calculated from the date of termination from covered employment until the date of retirement.~~

Sec. 40. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of six additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3), the applicable years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two.

Sec. 41. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. Notwithstanding any other provisions of this section to the contrary, for members retiring on or after July 1, 1997, and whose three-year average covered wage exceeds fifty-five thousand dollars, the monthly benefit shall

be calculated by multiplying the sum of the following amounts by the fractions of years of service for that member.

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

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

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

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

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

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

forty percentage points, multiplied by that portion.

The covered wage categories referred to in subparagraphs (1) through (6) of this paragraph and the fifty-five thousand dollar amount otherwise specified in this paragraph shall be increased by the department for each fiscal year, beginning July 1, 1998, by an amount that represents the increase in the consumer price index during the previous twelve-month period ending on June 30, as published annually in the federal register by the federal department of labor, bureau of labor statistics.

Sec. 42. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

c. Notwithstanding the determination of the amount of a retirement dividend under paragraph "a", "b", "d", ~~or~~ "f", or "g", a retirement dividend shall not be less than twenty-five

dollars.

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

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

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

Sec. 43. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be

eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable.

Sec. 44. Section 97B.49, subsection 15, paragraph b, Code Supplement 1995, is amended to read as follows:

b. For each active or inactive vested member retiring on or after July 1, 1990, and before July 1, 1996, who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds ninety-two, a monthly benefit shall be

computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5.

Sec. 45. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraph:

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

Sec. 46. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1996, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime.

Sec. 47. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of

correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor.

Sec. 48. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 49. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire prevention inspector peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 50. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction of years of service provided in paragraph "a", subparagraphs

(1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph "a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that the sum of the fractions of years of service shall equal one.

c. (1) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "e", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection.

(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "f".

Sec. 51. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who

retired from the system at any time after July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 52. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR SHERIFFS, DEPUTY SHERIFFS, AIRPORT FIRE FIGHTERS, AND MEMBERS OF A PROTECTION OCCUPATION.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as a sheriff, deputy sheriff, or airport fire fighter or as a vested member of a protection occupation under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided

in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be

retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years

to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section.

Sec. 53. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 54. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments~~,-and-the~~ and shall be limited to the amount of the member's accumulated contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or 5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 55. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments

shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 56. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16, paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 57. Section 97B.52, subsection 3, paragraph b, Code

Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or the estate, or any other third-party payee, must apply to the department within ~~two~~ five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 58. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 59. Section 97B.52A, Code Supplement 1995, is amended

by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same employer.

Sec. 60. Section 97B.53, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section 97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 61. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 62. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon submitting verification of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the system prior to July 1, 1967. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon the-date-that-the-department-determines-that-the-amendments-to this-paragraph-and-unnumbered-paragraph-2-contained-in-1994 Iowa-Acts,-chapter-1183,-shall-be-implemented,~~ for portions of

the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more years~~,-as-long-as-the-increments represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~However,-the-department-shall-not-implement-the amendments-to-this-paragraph-or-unnumbered-paragraph-2,-as enacted-in-1994-Iowa-Acts,-chapter-1183,-unless-and-until-the department-determines-that-the-most-recent-annual-actuarial valuation-of-the-retirement-system-indicates-that-the-employer and-employee-contribution-rates-in-effect-under-section-97B.11 can-absorb-the-amendments-to-this-paragraph-and-unnumbered paragraph-2-and-to-section-97B.72,-unnumbered-paragraphs-1-and 2,-section-97B.72A,-subsection-1,-unnumbered-paragraph-1, section-97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa-Acts, chapter-1183,-after-meeting-the-other-established-priority-of the-system.--Until-the-amendments-are-implemented,-the department-shall-continue-to-implement-the-provisions-of section-97B.66,-unnumbered-paragraphs-1-and-2,-Code-Supplement 1993.--As-used-in-this-section,-unless-the-context-otherwise requires,-"other-established-priority-of-the-system"-means that-commencing-January-1-following-the-most-recent-annual actuarial-valuation-of-the-system,-the-department-has increased-the-covered-wage-limitation-from-the-previous-year by-three-thousand-dollars,-in-accordance-with-section-97B.41, subsection-20,-paragraph-"b",-subparagraph-(11).~~

Sec. 63. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

The contributions paid by the vested or retired member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, by the member for the applicable period of service, and the employer contribution for the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, that would have been or had been contributed by the vested or retired

member and the employer, if applicable, plus interest on the contributions that would have accrued for the applicable period from the date the previous applicable period of service commenced under this system or from the date the service of the member in the teachers insurance and annuity association-college retirement equity fund commenced to the date of payment of the contributions by the member ~~equal to two percent plus the interest dividend rate applicable for each year~~ as provided in section 97B.70.

Sec. 64. Section 97B.66, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 65. Section 97B.68, subsection 1, Code 1995, is amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee shall become subject to this chapter on the date the notification is received by the department.

Sec. 66. Section 97B.68, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The

employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 67. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

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

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

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

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

The dividend rate for a calendar year shall be the excess

of the average rate of interest earned for the year over the statutory two percent rate plus twenty-five hundredths of one percent. The average rate of interest earned and the interest dividend rate in percent shall be calculated to the nearest one hundredth, that is, to two decimal places. Interest and interest dividends calculated pursuant to this subsection shall be compounded annually.

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

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

4. ~~Effective upon the date that the department determines that this subsection shall be implemented, interest~~ Interest and interest dividends shall be credited to the contributions of a person who leaves the contributions in the retirement fund upon termination from covered employment prior to achieving vested status, but who subsequently achieves vested status. The interest and interest dividends shall be credited to the contributions commencing ~~either~~ upon ~~the date that the department determines that this subsection shall be implemented, or~~ the date on which the person becomes a vested

member~~,-whichever-is-later~~. Interest and interest dividends shall cease upon the first of the month coinciding with or next following the person's retirement date. If the department no longer maintains the accumulated contribution account of the person pursuant to section 97B.53, but the person submits satisfactory proof to the department that the person did make the contributions, the department shall credit interest and interest dividends in the manner provided in this subsection. ~~However,-the-department-shall-not-implement-this subsection,-unless-and-until-the-department-determines-that the-most-recent-annual-actuarial-valuation-of-the-retirement system-indicates-that-the-employer-and-employee-contribution rates-in-effect-under-section-97B.11-can-absorb-the-enactment of-this-subsection-and-the-amendments-to-section-97B.41, subsection-12,-section-97B.53,-subsections-3-and-7,-and section-97B.53,-subsection-6,-unnumbered-paragraph-1, contained-in-1994-Iowa-Acts,-chapter-1183,-after-meeting-the other-established-priorities-of-the-system,-as-defined-in section-97B.41,-subsection-12.~~

Sec. 68. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to

this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the-date-that the-department-determines-that-the-amendments-to-this paragraph-and-unnumbered-paragraph-2-contained-in-1994-Iowa Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the-increments represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~However,-the-department-shall-not-implement-the amendments-to-this-paragraph-or-unnumbered-paragraph-2,-as enacted-in-1994-Iowa-Acts,-chapter-1183,-unless-and-until-the department-determines-that-the-most-recent-annual-actuarial valuation-of-the-retirement-system-indicates-that-the-employer and-employee-contribution-rates-in-effect-under-section-97B.11 can-absorb-the-amendments-to-this-paragraph-and-unnumbered paragraph-2-and-to-section-97B.66,-unnumbered-paragraphs-1-and 2,-section-97B.72A,-subsection-1,-unnumbered-paragraph-1, section-97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa-Acts, chapter-1183,-after-meeting-the-other-established-priority-of the-system,-as-defined-in-section-97B.66.--Until-the amendments-are-implemented,-the-department-shall-continue-to implement-the-provisions-of-section-97B.72,-unnumbered paragraphs-1-and-2,-Code-Supplement-1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two~~ percent interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years,

and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year in which contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 69. Section 97B.72, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 70. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An active or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period of service in the general assembly. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or for portions of the period of service, and~~, effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. The member of the system shall submit

proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72A, subsection 1, unnumbered paragraph 1, Code Supplement 1993.~~

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

Sec. 71. Section 97B.72A, subsection 2, Code Supplement 1995, is amended to read as follows:

2. ~~Effective January 1, 1994, however~~ However, the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of

annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 72. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~The member may also make one lump sum contribution to the system which represents the entire period of service in the other public system, even if the period of time exceeds one year or includes a portion of a year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number of years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the most recent full calendar year at the applicable rates in effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the

member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 73. Section 97B.73, unnumbered paragraph 6, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 74. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer

under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.73A, unnumbered paragraph 1, Code Supplement 1993.~~

Sec. 75. Section 97B.73A, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 76. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

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

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

~~An active member must have at least one quarter's reportable wages on file and have membership service, including that period of membership service for which a refund of contributions was made, sufficient to give the member vested status.~~ A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of~~

~~the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

Sec. 77. Section 97B.74, unnumbered paragraph 4, Code Supplement 1995, is amended by striking the unnumbered paragraph.

Sec. 78. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member, who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than~~ one or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution payment is made. Verification of active duty service and payment of contributions shall be made to the

department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

Sec. 79. Section 97B.80, unnumbered paragraph 3, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 80. Section 473.11, subsection 2, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The treasurer of state shall be the custodian of the energy conservation trust and shall invest the moneys in the trust, in consultation with the energy fund disbursement council established in subsection 3 and the ~~investment~~ board of trustees of the Iowa public employees' retirement system, in accordance with the following guidelines:

Sec. 81. BOARD TRANSITION -- EFFECTIVE DATE.

1. Notwithstanding provisions of section 97B.8A, as enacted in this Act, to the contrary, the initial board of trustees of the Iowa public employees' retirement system shall consist of the following members, who shall serve the following terms:

a. The governor shall appoint to the initial board of trustees one member, not a member of the system, who is a member of a county board of supervisors or local school board

and one member who is a retirement benefits specialist. The terms of these two members appointed under this paragraph shall commence on July 1, 1996 and expire on April 30, 2002.

b. The members of the investment board established under section 97B.8, Code 1995, who are an executive of a domestic life insurance company, an executive of a state or national bank, an active member who is an employee of a school district, area education agency, or merged area, an active member who is not an employee of a school district, area education agency, or merged area, and a retired member shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members on the initial board of trustees shall expire on the same date as their terms would have expired on the investment board in accordance with section 97B.8, Code 1995.

c. The term of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation located within the state of Iowa shall cease on July 1, 1996. The governor shall appoint to the initial board of trustees one member who is a certified financial planner, for a term which shall commence on July 1, 1996, and expire on the same date as the term would have expired of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation.

d. The benefits advisory committee established in section 97B.8B, as enacted in this Act, shall appoint one member to the initial board of trustees for a term which shall commence on July 1, 1996, and expire on April 30, 2000.

e. The members of the investment board established under section 97B.8, Code 1995, who are legislative members shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members shall expire at the pleasure of the

appointing authorities as provided in section 97B.8A, as enacted in this Act.

f. The director of the department of personnel shall cease membership on the investment board established under section 97B.8, Code 1995, and commence membership on the initial board of trustees on July 1, 1996. The director of the department of personnel shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

g. The treasurer of state or the treasurer's designee shall commence membership on the initial board of trustees on July 1, 1996, and shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

2. Initial appointments by the governor under this section are subject to confirmation by the senate. If a vacancy occurs as to a member of the initial board of trustees who is appointed by the governor prior to the expiration of a term as provided in this section, the governor shall appoint a member to serve the remainder of the term so that the membership requirements of section 97B.8A, as enacted in this Act, are fulfilled, and the appointment shall be subject to confirmation by the senate. If a vacancy occurs as to the member appointed by the benefits advisory committee prior to the expiration of the term established in this section, the benefits advisory committee shall appoint a member to serve the remainder of the term. Upon the expiration of a term established in this section, a member shall be appointed in the manner and for a term of service as specified in section 97B.8A, as enacted in this Act. Except as otherwise provided in this section, the initial board of trustees shall be subject to the requirements of section 97B.8A, as enacted in this Act.

3. In order to provide for the appointments to the initial board of trustees, this section of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 82. REPEAL. Section 97B.8, Code 1995, is repealed.

Sec. 83. DEVELOPMENT OF PROPOSAL FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall develop a proposal concerning various alternatives for establishing a defined contribution option for members of the Iowa public employees' retirement system. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains a proposal, or proposals, for establishing a defined contribution option. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 84. INTERIM STUDY COMMITTEE. The legislative council shall direct the public retirement systems committee established under section 97D.4 to meet during the 1996 legislative interim and make recommendations regarding diseases which are presumed to have been contracted while on active duty for purposes of accidental disability benefits provided under section 97B.50A, as enacted in this Act.

DIVISION II

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Sec. 85. Section 12B.10, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 86. Section 12B.10A, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 87. Section 12B.10B, subsection 3, Code 1995, is

amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 88. Section 12B.10C, Code 1995, is amended by adding the following new subsection 4 and renumbering the subsequent subsections:

NEW SUBSECTION. 4. A pension and annuity retirement system governed by chapter 294.

Sec. 89. NEW SECTION. 294.10B RIGHTS NOT TRANSFERABLE -- NOT SUBJECT TO LEGAL PROCESS.

The right of any person to any future payment under a pension and annuity retirement system established in this chapter shall not be transferable or assignable, at law or in equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law, except for the purposes of enforcing child, spousal, or medical support obligations, or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, or marital property orders, the garnishment or attachment of or the execution against benefits due a person under such a retirement system shall not exceed the amount specified in 15 U.S.C. § 1673(b).

DIVISION III

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

Sec. 90. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER OF INSURANCE~~ ACTUARY. The ~~state commissioner of insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

Sec. 91. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately after the establishment of this system, the state commissioner of insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall recommend and the board of trustees shall authorize~~ recommends, and on the basis of ~~such~~ the investigation, the ~~actuary shall recommend for adoption by the~~ board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In the year 1952, and at~~ At least once in each two-year period ~~thereafter, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by this chapter.

Sec. 92. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 93. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 94. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 95. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 96. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall be approved by the board of trustees; provided, that a cash

payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 97. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 98. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 99. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with five or more years of membership service who are receiving an ordinary disability retirement allowance. ~~However, effective July 1,~~

~~1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 100. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 101. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service retirement allowance shall be reduced by the board of trustees

pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the acturial cost for each month of retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 102. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a.--Bonds-or-other-evidences-of-indebtedness-issued, assumed,-or-guaranteed-by-the-United-States-of-America,-or-by any-agency-or-instrumentality-thereof.~~

~~b.--In-savings-accounts-or-time-deposits-in-Iowa-banks approved-as-depositories-by-the-executive-council.~~

~~c.--In~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 103. Section 97A.8, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state-commissioner-of-insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable

compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner of insurance~~ board of trustees after each valuation.

Sec. 104. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 105. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 106. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 107. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 108. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION IV

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 109. Section 400.8, subsection 1, Code 1995, is amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate to matters which will fairly test the mental and physical

ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 110. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the programs.

Sec. 111. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the

difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in-the-same-manner-as-provided-in-subsection-12,-paragraph "e",-of-this-section-for-readjustment-of-pensions-when-a-rank or-position-has-been-abolished~~ by the board of trustees as though such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions in the department.

Sec. 112. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pens.on under subsection

8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 113. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 114. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 115. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to

the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 116. Section 411.36, subsection 1, paragraph a, Code Supplement 1995, is amended to read as follows:

a. Two fire fighters from different participating cities, one of whom is an active member of the retirement system and one of whom is a retired member. The fire fighters shall be ~~appointed by the governing body of the Iowa association of professional fire fighters~~ selected pursuant to an election as provided in section 411.36A.

Sec. 117. NEW SECTION. 411.36A ELECTION TO BOARD -- FIRE FIGHTERS.

The fire fighters who are voting members of the board shall be elected by the active members of the system who are fire fighters. The board shall adopt guidelines governing the election of the fire fighter members that shall provide a nomination procedure, the manner for each participating city fire department to conduct the election, and that ensures compliance with the requirements of state law.

Sec. 118. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.6, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 119. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient

to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 120. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the direction of the board of trustees for the exclusive benefit of members paying contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

Sec. 121. BOARD OF TRUSTEES -- TRANSITION. The section of this Act that amends section 411.36 shall not apply to the members of the board selected pursuant to section 411.36, subsection 1, paragraph "a", prior to the effective date of this Act, and those members shall serve until the expiration of the terms to which they were appointed. Upon the expiration of their terms, section 411.36, as amended by this Act, and section 411.36A shall apply to their successors.

DIVISION V

JUDICIAL RETIREMENT SYSTEM

Sec. 122. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not

personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION VI

CONGRESSIONAL ACTION

Sec. 123. CONGRESSIONAL ACTION. The general assembly urges the members of Iowa's congressional delegation to reassert the rights of states to make decisions concerning the implementation of their governmental pension plans and, in particular, to adopt legislation to eliminate arbitrary federal restrictions on the rights of states to decide on any limitation regarding the time period during which a beneficiary may apply to the pension plan to receive rightful payment of a death benefit. The secretary of the senate shall send a copy of this section of this Act to the members of Iowa's congressional delegation, upon enactment.

DIVISION VII

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 124. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997.

3. The section of this Act which enacts section 97B.8B, being deemed of immediate importance, takes effect upon enactment.

SENATE FILE 2245
FISCAL NOTE

A fiscal note for **Amendment H-5533 to Amendment H-5515 to Senate File 2245** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-5533 to Amendment H-5515 to Senate File 2245 permits sheriffs, deputy sheriffs, and airport firefighters to retire after 25 years of service with no reduction for age less than 65 years.

ASSUMPTIONS

Counties will experience a $7,500 salary savings for each experienced deputy sheriff that is replaced by an entry level deputy sheriff. There will be an estimated 33 retirements due to the "twenty-five and out" provision in FY 1997, and 20 annually in succeeding years.

FISCAL IMPACT

The cost for this benefit is estimated to be 3.340% of covered wage for employers and 2.150% for employees, for a total cost of 5.490% covered wage.

The total estimated cost to counties for sheriffs and deputy sheriffs is estimated to be $1.4 million. The salary savings are estimated to be $248,000 in FY 1997 and $150,000 in FY 1998 resulting in an estimated net cost to counties of $1.2 million in FY 1997 and $1.3 million in FY 1998.

The annual federal costs for airport firefighters is estimated to be $54,000.

SOURCE

IPERS (LSB 3538sv.5, MDF)

FILED APRIL 17, 1996 BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2245
FISCAL NOTE

A fiscal note for **Senate File 2245 as amended by H-5515** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2245 as amended by H-5515 strikes everything after the enacting clause and makes changes to the State retirement systems. This fiscal note will address each retirement system separately.

Iowa Public Employees Retirement System (IPERS)

The Bill makes numerous technical and administrative changes. Only those with fiscal effects will be described. The Bill makes the following changes to the IPERS benefits:

1. Removes the covered wage ceiling to include an employee's total salary in calculating the retirement benefit.
2. Provides for dividend increases for retirees.
3. Provides adjustments to the three-year average covered wage and a reduced pension benefit for that portion of the three-year average covered wage exceeding $55,000.
4. Modifies the penalty for reemployment of a retiree so that the pension benefit is reduced by $0.50 for each $1.00 earned above the limit. Previously the pension benefit was suspended once the limit was reached.
5. For persons retired before July 1, 1990, sets the minimum monthly pension benefit for a retiree with 10 years of service at $200, and increases the minimum monthly pension benefit by $10 for each year of service from 11 to 30 years of service, up to $400.
6. Establishes a pension benefit formula that calculates the pension benefit proportionately to the amount of service covered by regular IPERS, the Protection Occupations, and as a Sheriff, Deputy Sheriff, or Airport Firefighter.
7. Modifies the interest rates paid on members' contribution accounts to equal the one-year interest rates for certificates of deposit plus 1.0%.

ASSUMPTIONS

1. The enhancements falling within the available margin will not result in additional costs to employers and employees, except for lifting the ceiling on covered wages.
2. The IPERS Investment Board will raise the interest rate assumption to 7.50% and change the cost method if the covered wage ceiling is removed so that future liabilities can be fully recognized. There will be no available margin without these changes.
3. Providing current benefits, including the increase to retirees' dividends anticipated under current law, lifting the covered wage ceiling and reducing the percentage multiplier for persons earning more than the

previous covered wage ceiling will require 7.764% of covered wages.

FISCAL IMPACT

The projected cost increases for governmental employers in FY 1997 are distributed as follows:

State	$2.4 million
Schools	2.8 million
Counties	0.6 million
Cities	0.7 million

The cost increases for governmental entities are caused by lifting the ceiling on covered wages. All other benefits enhancements are paid for from the available margin.

Enhancement	Percent of Covered Wage
Current benefits with base changes	7.764%
Modify penalty for exceeding earning limit	Not Significant
Minimum monthly pension $200 to $400	0.254%
Proportionate pension formula for service under different plans	Not available (savings)
Interest rates equal 3-year CD rates plus 1%	0.010%
Total	8.028%
Remaining available margin	1.422%

Peace Officers Retirement System (POR)

The major changes to the POR include:

1. Allowing an actuarial evaluation for contribution rates and other issues instead of rates established for the Municipal Fire and Police Retirement System.
2. Increasing the credit for up to eight additional years of service from 0.6% to 1.5%.
3. Increasing the surviving spouse's minimum retirement benefit from 20.0% to 25.0% of a senior patrol officer's salary.
4. Increasing the pension escalator from 25.0% to 30.0% for retirees and from 12.5% to 15.0% for a surviving spouse. The calculation is the percentage of the increase for a patrol officer of the same rank as when the retiree retired.
5. Eliminating the requirement the retiree reach age 55 before retiring to receive a pension escalator.
6. Providing an early retirement option providing a pension benefit equal to the actuarial equivalent accounting for age.
7. Providing portability between POR and the Municipal Fire and Pol Retirement System.

ASSUMPTIONS

1. Benefits enhancements that can be absorbed within the available margin identified by the actuary will be stated as a percentage of covered wages.
2. The enhancements falling within the available margin will not result in additional costs to employers and employees.
3. The State will continue employer contributions at 18.0% of covered wage and employee contributions of 9.35%, for a total contribution rate of 27.35%.

FISCAL IMPACT

There will be no additional cost to the State to implement these benefits.

Enhancement	Percentage of Covered Wage
Rate required to maintain current benefits	20.420%
Additional years of service at 1.5%	2.350%
Minimum surviving spouse to 25.0% of senior patrol officer	0.960%
Increasing escalator to 25.0% for retirees and 15.0% for surviving spouses	2.330%
Elimination of age requirements to receive a pension escalator	0.240%
Early retirement option	0.000%
Portability to Municipal Fire and Police Retirement System	Unknown, but not expected to be significant
Total cost with enhancements	26.300%
Remaining available margin	1.050%

The cost for portability between the two law enforcement retirement systems is based on average liabilities and assets, and the costs, while unknown, are not expected to be significant.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The major changes for the MFPRSI include:

1. Creation of a Voluntary Employee Benefits Association (VEBA) Program for employees to accumulate assets to pay for future health insurance needs. Participation is voluntary.
2. Modification of the pension escalator to apply systemwide to all retirees.
3. Providing portability between POR and the Municipal Fire and Police Retirement System.

FISCAL IMPACT

The Voluntary Employee Benefits Association (VEBA) Program will pay its administrative costs, and the pension escalator is designed to be a cost

neutral change. The cost for portability between the two law enforcement retirement systems is based on average liabilities and assets, and the costs, while unknown, are not expected to be significant.

Judicial Retirement System

The Bill permits the Judicial Retirement System to hire investment advisors and other consultants.

FISCAL IMPACT

The Judicial Department estimates an annual cost of $15,000 to hire advisors and consultants and anticipates the cost will be offset by increased investment earnings.

SOURCES

IPERS
POR
MFPRSI
Judicial Department

(LSB 3538sv.3, MDF)

FILED MARCH 26, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 2245

H-6040

Amend the House amendment, S-5828, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 17, line 15, by inserting after the words "paragraph "a"," the following: "or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3),".

2. Page 20, by inserting after line 18 the following:

"Sec. ___. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1997, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime.

Sec. ___. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor."

3. Page 23, by inserting after line 9 the following:

"Sec. ___. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR AIRPORT FIRE FIGHTERS.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as an airport fire fighter under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in

lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Disease under this subsection shall mean heart disease or any disease of the lungs or respiratory tract and shall be presumed to have been contracted while on active duty as a result of strain, exposure, or the inhalation of noxious fumes, poison, or gases. However, if a person's membership in the system first commenced on or after July 1, 1997, and the heart disease or disease of the lungs or respiratory tract would not exist, but for a medical condition that was known to exist on the date that membership commenced, the presumption established in this paragraph shall not apply.

d. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section

97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical

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examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section."

4. Page 38, line 2, by striking the word "PROPOSALS" and inserting the following: "PROPOSAL".

5. Page 38, lines 3 and 4, by striking the words "AND FOR CONVERTING THE SYSTEM INTO A DEFINED CONTRIBUTION PLAN".

6. Page 38, by striking lines 11 through 16 and inserting the following: "addition to the current defined benefit plan. On or before September 1,".

7. Page 38, line 20, by striking the word "proposals" and inserting the following: "a proposal, or proposals,".

8. Page 38, lines 21 through 23, by striking the words "and for converting the Iowa public employees' retirement system into a defined contribution plan".

9. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-6040 FILED APRIL 23, 1996

House Refused 4/23/96 (P. 1848)

Senate Receded 4/24/96 (P. 1495)

SENATE FILE 2245

H-6035

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 20, by inserting after line 32 the following:

"Sec. ___. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR AIRPORT FIRE FIGHTERS.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as an airport fire fighter under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Disease under this subsection shall mean heart disease or any disease of the lungs or respiratory tract and shall be presumed to have been contracted while on active duty as a result of strain, exposure, or the inhalation of noxious fumes, poison, or gases. However, if a person's membership in the system first commenced on or after July 1, 1997, and the heart disease or disease of the lungs or respiratory tract would not exist, but for a medical condition that was known to exist on the date that membership commenced, the presumption established in this paragraph shall

not apply.

d. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in

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lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules

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pursuant to chapter 17A specifying the application procedure for members pursuant to this section."

2. By renumbering as necessary.

By WARNSTADT of Woodbury

H-6035 FILED APRIL 22, 1996

(p. 1839)
Lost 4/23/96

SENATE FILE 2245

H-6033

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 35, by inserting after line 40 the following:

"Sec. ___. COMPREHENSIVE EXAMINATION OF PLAN DESIGN FOR THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall conduct a comprehensive examination of the plan design of the Iowa public employees' retirement system, pursuant to the principles established in chapter 97D, and make recommendations for plan improvement.

In conducting the examination, the division shall consider and develop recommendations concerning establishment of the following:

1. Objective actuarial standards to determine the funded status of the system, including recommended minimum standards to determine whether the system is fully funded, and to develop safeguards to ensure that the system remains fully funded based on those standards.

2. Equitable contribution rates for both employers and employees, to include consideration of proposals to provide for equal employer and employee contribution rates and proposals to increase or decrease contribution rates based on the funded status of the system.

3. Establishing a schedule for implementing the recommendations.

On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the comprehensive examination and any proposal, or proposals, for improving plan design of the Iowa public employees' retirement system. The report shall also contain actuarial information concerning the costs of the proposal or proposals."

2. By renumbering as necessary.

By SUKUP of Franklin

H-6033 FILED APRIL 22, 1996

adopted 4/22/96

SENATE FILE 2245

H-6034

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 14, line 3, by striking the words "paragraph "e"" and inserting the following: "paragraphs "e" and "f"".

2. Page 14, line 42, by striking the words "paragraph "e"" and inserting the following: "paragraphs "e" and "f"".

3. Page 16, by inserting after line 41 the following:

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

NEW PARAGRAPH. f. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of five additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", the applicable years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two."

4. By striking page 16, line 42, through page 18, line 2, and inserting the following:

"Sec. ___. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-~~

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~~one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

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

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

f. A member who retired from the system between July 1, 1986, and June 30, 1990, or a contingent annuitant or beneficiary of such a member, shall receive with the November 1996 ~~and the November 1997~~ monthly benefit ~~payments~~ payment a retirement dividend ~~in an amount determined by the general assembly~~ equal to twenty-four percent of the monthly benefit payment the member received for the preceding June, or the

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

Sec. ___. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable."

5. Page 18, by inserting before line 3 the following:

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

b. For each active or inactive vested member retiring on or after July 1, 1990, and before July 1, 1996, who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or

exceeds ninety-two, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5.

Sec. ___. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraphs:

NEW PARAGRAPH. c. For each active or inactive vested member retiring on or after July 1, 1996, and before the implementation date provided in paragraph "d", subparagraph (2), who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds ninety, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

NEW PARAGRAPH. d. (1) For each active or inactive vested member retiring on or after the implementation date provided in subparagraph (2), who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

(2) The department shall implement this paragraph on July 1, 1997, or on the date that the department determines that the most recent annual actuarial valuation of the system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the costs of this paragraph, whichever is later. However, until this paragraph is implemented, the department shall not pay a dividend adjustment pursuant to subsection 13, paragraph "g"."

6. Page 19, line 39, by inserting after the letter "c." the following: "(1)".

7. Page 19, by inserting after line 46 the following:

"(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier

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in accordance with subsection 5, paragraph "f", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection."

8. Page 35, by inserting after line 40 the following:

"Sec. ___. STUDY OF PROPOSALS CONCERNING CONTRIBUTION RATES -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing equitable contribution rates for both employers and employees covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide that the employee and employer contribution rate be equal. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing employer and employee contribution rates. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. ___. STUDY OF PROPOSALS REGARDING DISABILITY RETIREMENT BENEFITS -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing disability retirement benefits for employees, or certain employees, covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide disability retirement benefits for sheriffs, deputy sheriffs, airport fire fighters, or members of a protection occupation in a manner similar to the disability retirement benefits provided under chapters 97A and 411. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing

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disability retirement benefits. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. ___. STUDY OF PROPOSALS CONCERNING INCLUSION OF MEMBERS IN A PROTECTION OCCUPATION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for determining additional occupations of members who should be eligible for inclusion as members in a protection occupation as provided in section 97B.49, subsection 16, paragraph "d". On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing which occupations should qualify for inclusion in a protection occupation. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. ___. STUDY CONCERNING ORGANIZATIONAL STRUCTURE OF THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM. The public retirement systems committee established in section 97D.4 shall study the feasibility of changing the organizational structure and governance of the Iowa public employees' retirement system. The committee shall consider the recommendations of the Buck Consultants Inc. report submitted to the Iowa public employees' retirement system in 1995, the Iowa public employees' retirement system division, and the department of personnel. The public retirement systems committee shall submit a report to the general assembly on or before January 31, 1998, containing its findings and recommendations."

9. By renumbering as necessary.

By MARTIN of Scott
JACOBS of Polk
GIPP of Winneshiek

H-6034 FILED APRIL 22, 1996

adopted 4/22/96 (P. 1836)

SENATE FILE 2245

H-5962

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 18, by inserting before line 3 the following:

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

c. For each active or inactive vested member retiring on or after July 1, 1996, who is not eligible to receive benefits under paragraph "b" and who is at least fifty-nine years and six months of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5."

2. By renumbering as necessary.

By HALVORSON of Clayton

H-5962 FILED APRIL 16, 1996

O/O/order 4/22/96 (P. 1835)

SENATE FILE 2245

H-5995

Amend the amendment, H-5515, to Senate file 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 23, by inserting after line 43 the following:

"Sec. ___. Section 97B.61, unnumbered paragraph 2, Code 1995, is amended to read as follows:

After accepting the actuarial methods and assumptions of the valuation, the department shall certify to the governor the contribution rates determined thereby as the rates necessary and sufficient for members and employers to fully fund, at a one hundred percent level, the benefits and retirement allowances being credited.

2. By renumbering as necessary.

By SUKUP of Franklin
GRUNDBERG of Polk
MEYER of Sac
BODDICKER of Cedar
VAN FOSSEN of Scott
METCALF of Polk
CHURCHILL of Polk

4/22/96 (P. 1840)

H-5995 FILED APRIL 17, 1996

SENATE FILE 2245

H-5963

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 48, by inserting after line 37 the following:

"Sec. ___. Section 411.36, subsection 1, paragraph a, Code Supplement 1995, is amended to read as follows:

a. Two fire fighters from different participating cities, one of whom is an active member of the retirement system and one of whom is a retired member. The fire fighters shall be ~~appointed by the governing body of the Iowa association of professional fire fighters~~ selected pursuant to an election as provided in section 411.36A.

Sec. ___. NEW SECTION. 411.36A ELECTION TO BOARD -- FIRE FIGHTERS.

The fire fighters who are voting members of the board shall be elected by the active members of the system who are fire fighters. The board shall adopt guidelines governing the election of the fire fighter members that shall provide a nomination procedure, the manner for each participating city fire department to conduct the election, and that ensures compliance with the requirements of state law."

2. Page 50, by inserting after line 22 the following:

"Sec. ___. BOARD OF TRUSTEES -- TRANSITION. The section of this Act that amends section 411.36 shall not apply to the members of the board selected pursuant to section 411.36, subsection 1, paragraph "a", prior to the effective date of this Act, and those members shall serve until the expiration of the terms to which they were appointed. Upon the expiration of their terms, section 411.36, as amended by this Act, and section 411.36A shall apply to their successors."

3. By renumbering as necessary.

By RANTS of Woodbury

H-5963 FILED APRIL 16, 1996

Lost 4/22/96
(P. 1842)

H-5864

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. By striking page 1, line 7, through page 2, line 49, and inserting the following:

"Sec. ___. Section 12.8, unnumbered paragraph 3, Code 1995, is amended to read as follows:

The treasurer of state, with the approval of the ~~investment~~ board of trustees of the Iowa public employees' retirement system, may conduct a program of lending securities in the Iowa public employees' retirement system portfolio. When securities are loaned as provided by this paragraph, the treasurer shall act in the manner provided for investment of moneys in the Iowa public employees' retirement fund under section 97B.7. The treasurer of state shall report at least annually to the ~~investment~~ board of trustees of the Iowa public employees' retirement system on the program and shall provide additional information on the program upon the request of the ~~investment~~ board of trustees or the employees of the Iowa public employees' retirement system division of the department of personnel.

Sec. ___. Section 19A.1, subsection 3, paragraph c, Code 1995, is amended to read as follows:

c. The ~~investment~~ board of trustees of the Iowa public employees' retirement system created by section ~~97B.8~~ 97B.8A.

Sec. ___. Section 68B.35, subsection 2, paragraph e, Code 1995, is amended to read as follows:

e. Members of the banking board, the ethics and campaign disclosure board, the credit union review board, the economic development board, the employment appeal board, the environmental protection commission, the health facilities council, the Iowa business investment corporation board of directors, the Iowa finance authority, the Iowa seed capital corporation, the Iowa public employees' retirement system ~~investment~~ board of trustees, the lottery board, the natural resource commission, the board of parole, the petroleum underground storage tank fund board, the public employment relations board, the state racing and gaming commission, the state board of regents, the tax review board, the transportation commission, the office of consumer advocate, the utilities board, and any full-time members of other boards and commissions as defined under section 7E.4 who receive an annual salary for their service on the board or commission.

Sec. ___. Section 97B.1, Code 1995, is amended to read as follows:

97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

1. The "Iowa Public Employees' Retirement System" is created. The system is within the department of personnel, subject to the administration of the board.

2. As used in this chapter unless the context requires otherwise:

a. "Board" means the ~~investment~~ board of trustees created by section ~~97B.8~~ 97B.8A.

b. "Department" means the department of personnel.

c. "Director" means the director of the department of personnel.

d. "System" means the Iowa public employees' retirement system.

Sec. ___. Section 97B.4, Code 1995, is amended to read as follows:

97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES -- IMMUNITY.

The ~~department~~ board, through the department and the chief investment officer and chief benefits officer, shall administer this chapter. The department, upon the approval of the board, may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

In the administration of the investment of moneys in the fund and in making benefit recommendations, employees of the department and members of the board may travel outside the state for the purpose of meeting with investment and benefit firms and consultants and attending conferences and meetings to fulfill their fiduciary responsibilities. This travel is not subject to section 421.38, subsection 2.

The department, members of the ~~investment~~ board, and the treasurer of state are not personally liable for actions or omissions under this chapter that do not involve malicious or wanton misconduct even if

those actions or omissions violate the standards established in section 97B.7.

Sec. ___. Section 97B.7, subsection 2, paragraphs b and d, Code 1995, are amended to read as follows:

b. To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the ~~investment~~ board. In establishing the investment policy of the fund and the investment of the fund, the department and ~~investment~~ board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and ~~investment~~ board shall give appropriate consideration to those facts and circumstances that the department and ~~investment~~ board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and ~~investment~~ board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

(1) The composition of the retirement fund with regard to diversification.

(2) The liquidity and current return of the investments in the fund relative to the anticipated cash flow requirements of the retirement system.

(3) The projected return of the investments relative to the funding objectives of the retirement

system.

Consistent with this paragraph, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state. Investments of moneys in the fund are not subject to sections 73.15 through 73.21.

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed ~~one-half~~ four-tenths of one percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

d. To sell any securities or other property in the trust fund and reinvest the proceeds in accordance with the direction of the department when such action may be deemed advisable by the department for the protection of the trust fund or the preservation of the value of the investment. Such sale of securities or other property of the trust fund shall only be made after advice from the ~~investment~~ board in the manner and to the extent provided in this chapter in regard to the purchase of investments.

Sec. ___. NEW SECTION. 97B.8A BOARD OF TRUSTEES.

1. BOARD ESTABLISHED. A board is established to be known as the "Board of Trustees of the Iowa Public Employees' Retirement System", referred to in this chapter as the "board", whose duties are to establish policy for the department in matters relating to the

administration of the system, including the investment of the trust funds and the disbursement of benefits provided to members of the system consistent with the goals established in section 97D.1.

2. REVIEW.

a. At least annually the board shall review the investment policies and procedures used by the department under section 97B.7, subsection 2, paragraph "b", and shall hold a public meeting on the investment policies and investment performance of the fund. Following its review and the public meeting, the board shall establish an investment policy and goal statement which shall direct the investment activities of the department. The development of the investment policy and goal statement and its subsequent execution shall be performed cooperatively between the board and the department.

b. At least every two years, the board, in consultation with the benefits advisory committee, shall review the benefits provided to members under chapter 97B and shall make recommendations to the general assembly concerning the benefits, benefits policy, and benefit goals, provided under this chapter.

3. MEMBERSHIP.

a. The board consists of thirteen members. Eight of the members shall be appointed by the governor. Of the members appointed by the governor, one member shall be an executive of a domestic life insurance company; one member shall be an executive of a state or national bank operating within the state of Iowa; one member shall be a certified financial planner; one member shall be a retirement benefits specialist; one, not a member of the system, who is a member of a county board of supervisors or local school board; one member shall be an active member who is an employee of a school district, area education agency, or merged area; one member shall be an active member who is not an employee of a school district, area education agency, or merged area; and one member who is a retired member of the system. One member shall be appointed by the benefits advisory committee. The president of the senate, after consultation with the majority leader and the minority leader of the senate, shall appoint one member from the membership of the senate and the speaker of the house of representatives, after consultation with the majority leader and the minority leader of the house of representatives, shall appoint one member from the membership of the house. The director of the

department of personnel, the treasurer of state or the treasurer's designee, and the two legislative members are ex officio, nonvoting members of the board. Five voting members of the board shall constitute a quorum.

b. The members who are an executive of a domestic life insurance company, an executive of a state or national bank operating within the state of Iowa, a certified financial planner, a retirement benefits specialist, a member of a county board of supervisors or school board, the member who is a retired member of the system, and, if an active member is not selected, the member selected by the benefits advisory committee shall be paid their actual expenses incurred in performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. Legislative members shall be paid the per diem specified in section 2.10, subsection 6, for each day of service, and their actual expenses incurred in the performance of their duties. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The following members shall be paid their actual expenses incurred in the performance of their duties as members of the board and the performance of their duties as members of the board shall not affect their salaries, vacations, or leaves of absence for sickness or injury: the director of the department of personnel; the treasurer of state, or the treasurer's designee; the active member who is an employee of a school district, area education agency, or merged area; the active member who is not an employee of a school district, area education agency, or merged area; and, if an active member is selected, the active member selected by the benefits advisory committee. The appointive terms of the members appointed by the governor and the member selected by the benefits advisory committee are for a period of six years beginning and ending as provided in section 69.19. A vacancy in the membership of the board shall be filled in the same manner as the original appointment. Gubernatorial appointees to the board are subject to confirmation by the senate.

4. ADMINISTRATIVE AUTHORITY. The authority of the department to carry out its duties as provided by this chapter are, notwithstanding provisions of this chapter to the contrary, subject to the approval of the board.

Sec. ___. NEW SECTION. 97B.8B BENEFITS ADVISORY COMMITTEE.

A benefits advisory committee shall be established whose duties are to make recommendations to the board of trustees concerning the disbursement of benefits to members of the system and to select a member of the board of trustees.

The benefits advisory committee shall be comprised of representatives of constituent groups concerned with the system and shall consist of representatives of employers, active members, and retired members. The Iowa public employees' retirement system division of the department shall adopt rules under chapter 17A to provide for the selection of members to the committee."

2. Page 35, by inserting after line 23 the following:

"Sec. ___. Section 473.11, subsection 2, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The treasurer of state shall be the custodian of the energy conservation trust and shall invest the moneys in the trust, in consultation with the energy fund disbursement council established in subsection 3 and the ~~investment~~ board of trustees of the Iowa public employees' retirement system, in accordance with the following guidelines:

Sec. ___. BOARD TRANSITION -- EFFECTIVE DATE.

1. Notwithstanding provisions of section 97B.8A, as enacted in this Act, to the contrary, the initial board of trustees of the Iowa public employees' retirement system shall consist of the following members, who shall serve the following terms:

a. The governor shall appoint to the initial board of trustees one member, not a member of the system, who is a member of a county board of supervisors or local school board and one member who is a retirement benefits specialist. The terms of these two members appointed under this paragraph shall commence on July 1, 1996 and expire on April 30, 2002.

b. The members of the investment board established under section 97B.8, Code 1995, who are an executive of a domestic life insurance company, an executive of a state or national bank, an active member who is an employee of a school district, area education agency, or merged area, an active member who is not an employee of a school district, area education agency, or merged area, and a retired member shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members on the initial board of trustees shall expire on the same date as their

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terms would have expired on the investment board in accordance with section 97B.8, Code 1995.

c. The term of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation located within the state of Iowa shall cease on July 1, 1996. The governor shall appoint to the initial board of trustees one member who is a certified financial planner, for a term which shall commence on July 1, 1996, and expire on the same date as the term would have expired of the member of the investment board established under section 97B.8, Code 1995, who is an executive of an industrial corporation.

d. The benefits advisory committee established in section 97B.8B, as enacted in this Act, shall appoint one member to the initial board of trustees for a term which shall commence on July 1, 1996, and expire on April 30, 2000.

e. The members of the investment board established under section 97B.8, Code 1995, who are legislative members shall cease membership on the investment board and commence membership on the initial board of trustees on July 1, 1996. The terms of these members shall expire at the pleasure of the appointing authorities as provided in section 97B.8A, as enacted in this Act.

f. The director of the department of personnel shall cease membership on the investment board established under section 97B.8, Code 1995, and commence membership on the initial board of trustees on July 1, 1996. The director of the department of personnel shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

g. The treasurer of state or the treasurer's designee shall commence membership on the initial board of trustees on July 1, 1996, and shall serve on the board of trustees as provided in section 97B.8A, as enacted in this Act.

2. Initial appointments by the governor under this section are subject to confirmation by the senate. If a vacancy occurs as to a member of the initial board of trustees who is appointed by the governor prior to the expiration of a term as provided in this section, the governor shall appoint a member to serve the remainder of the term so that the membership requirements of section 97B.8A, as enacted in this Act, are fulfilled, and the appointment shall be subject to confirmation by the senate. If a vacancy occurs as to the member appointed by the benefits advisory committee prior to the expiration of the term

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established in this section, the benefits advisory committee shall appoint a member to serve the remainder of the term. Upon the expiration of a term established in this section, a member shall be appointed in the manner and for a term of service as specified in section 97B.8A, as enacted in this Act. Except as otherwise provided in this section, the initial board of trustees shall be subject to the requirements of section 97B.8A, as enacted in this Act.

3. In order to provide for the appointments to the initial board of trustees, this section of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. ___. REPEAL. Section 97B.8, Code 1995, is repealed."

3. Page 51, by inserting after line 20 the following:

"___. The section of this Act which enacts section 97B.8B, being deemed of immediate importance, takes effect upon enactment."

4. By renumbering and correcting internal references as necessary.

By LARKIN of Lee

H-5864 FILED APRIL 4, 1996

WITHDRAWN
4-22-96 (P. 1842)

SENATE FILE 2245

H-5919

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 35, by striking lines 24 through 26 and inserting the following:

"Sec. ___. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- DEVELOPMENT OF PROPOSALS FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION AND FOR CONVERTING THE SYSTEM INTO A DEFINED CONTRIBUTION PLAN -- REPORT. The Iowa".

2. Page 35, line 32, by inserting after the word "system" the following: "in addition to the current defined benefit plan and a proposal concerning various alternatives for converting the Iowa public employees' retirement system into a defined contribution plan by terminating the current defined benefit plan and establishing a defined contribution plan".

3. Page 35, line 37, by striking the words "a proposal, or proposals," and inserting the following: "proposals".

4. Page 35, line 38, by inserting after the word "option" the following: "and for converting the Iowa public employees' retirement system into a defined contribution plan".

5. Page 35, line 40, by striking the words "proposal or".

6. By renumbering as necessary.

By MARTIN of Scott
CONNORS of Polk

H-5919 FILED APRIL 10, 1996

adopted 4/22/96 (P. 1840)

SENATE FILE 2245

H-5792

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 1, by inserting after line 6 the following:

"Section 1. Section 2.11, Code 1995, is amended by adding the following new unnumbered paragraph after unnumbered paragraph 1:

NEW UNNUMBERED PARAGRAPH. A temporary employee of the general assembly may elect to receive payment of the employee's salary during each month of the same calendar year in which the temporary employee is employed, for payment at the same time as other state employees are paid, by notifying the finance officer prior to commencing employment as a temporary employee of the general assembly."

2. Page 14, line 3, by striking the words "paragraph "e"" and inserting the following: "paragraphs "e" and "f"".

3. Page 14, line 42, by striking the words "paragraph "e"" and inserting the following: "paragraphs "e" and "f"".

4. Page 16, by inserting after line 41 the following:

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

NEW PARAGRAPH. f. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of six additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3), the applicable years

of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two."

5. By striking page 16, line 42, through page 18, line 2, and inserting the following:

"Sec. ___. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

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

e. If the member dies on or after July 1 of the dividend year but before the payment date, the full amount of the retirement dividend for that year shall

be paid ~~to the designated beneficiary~~ to the member's account, upon notification of the member's death. ~~If there is no beneficiary designated by the member, the department shall pay the dividend to the member's estate. The beneficiary, or the representative of the member's estate, must apply for the dividend within two years after the dividend is payable or the dividend is forfeited.~~

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

Sec. ___. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the

employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable."

6. Page 18, by inserting before line 3 the following:

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

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

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

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

7. Page 18, by inserting before line 3 the following:

"Sec. ___. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1997, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the

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applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime."

8. Page 18, by inserting before line 3 the following:

"Sec. ___. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor."

9. Page 19, line 39, by inserting after the letter "c." the following: "(1)".

10. Page 19, by inserting after line 46 the following:

"(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "f", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection."

11. Page 20, by inserting after line 32 the following:

"Sec. ___. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR SHERIFFS, DEPUTY SHERIFFS, AIRPORT FIRE FIGHTERS, AND MEMBERS OF A PROTECTION OCCUPATION.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as a sheriff, deputy sheriff, or airport fire fighter or as a vested member of a protection occupation under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty

as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death

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benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section."

12. Page 35, by inserting after line 40 the following:

"Sec. ___. INTERIM STUDY COMMITTEE. The legislative council shall direct the public retirement systems committee established under section 97D.4 to meet during the 1996 legislative interim and make recommendations regarding diseases which are presumed to have been contracted while on active duty for purposes of accidental disability benefits provided under section 97B.50A, as enacted in this Act."

13. By renumbering and correcting internal references as necessary.

By LARKIN of Lee
MAY of Worth
SCHRADER of Marion
OLLIE of Clinton
TAYLOR of Linn
SHOULTZ OF Black Hawk
MYERS of Johnson
BERNAU of Story
KOENIGS of Mitchell
COHOON of Des Moines
NELSON of Pottawattamie
DREES of Carroll
WISE of Lee
BRAMMER OF Linn
WEIGEL of Chickasaw
KREIMAN of Davis
JOCHUM of Dubuque
HARPER of Black Hawk
BELL of Jasper
OSTERHAUS of Jackson
BRAND of Benton
O'BRIEN of Boone
MERTZ of Kossuth
McCOY of Polk
MASCHER of Johnson
WITT of Black Hawk
MURPHY of Dubuque

H-5792 FILED APRIL 1, 1996

WITHDRAWN
(p. 1842) 4/22/96

SENATE FILE 2245

H-5533

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 18, by inserting after line 2 the following:

"Sec. ___. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1997, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime."

2. By renumbering as necessary.

By CONNORS of Polk
MURPHY of Dubuque
WITT of Black Hawk

H-5533 FILED MARCH 25, 1996

Lost 4/22/96 (P. 1836)

SENATE FILE 2245

H-5850

Amend the amendment, H-5515, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 35, by inserting after line 40 the following:

"Sec. ___. STUDY OF PROPOSALS CONCERNING CONTRIBUTION RATES -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing equitable contribution rates for both employers and employees covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide that the employee and employer contribution rate be equal. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing employer and employee contribution rates. The report shall also contain actuarial information concerning the costs of the proposal or proposals."

2. By renumbering as necessary.

By GRUNDBERG of Polk
MEYER of Sac
CHURCHILL of Polk
DRAKE of Pottawattamie
VAN FOSSEN of Scott
VEENSTRA of Sioux
DINKLA of Guthrie
METCALF of Polk
JACOBS of Polk
HOUSER of Pottawattamie
DISNEY of Polk
BRANSTAD of Winnebago
LAMBERTI of Polk
WELTER of Jones

H-5850 FILED APRIL 3, 1996

o/o / ordw 4/22/96 (P. 1835)

SENATE FILE 2245

H-5515

Amend Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. By striking everything after the enacting clause and inserting the following:

"DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.4, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department, through the chief investment officer and chief benefits officer, shall administer this chapter. The department may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

Sec. 2. Section 97B.7, subsection 2, paragraph b, unnumbered paragraphs 1 through 3, Code 1995, are amended to read as follows:

To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the investment board. In establishing the investment policy of the fund and the investment of the fund, the department and investment board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment

which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and investment board shall give appropriate consideration to those facts and circumstances that the department and investment board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and investment board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

Sec. 3. Section 97B.7, subsection 2, paragraph b, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed ~~one-half~~ four-tenths of one percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

Sec. 4. Section 97B.11, Code 1995, is amended to

read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 5. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 6. Section 97B.15, Code 1995, is amended to read as follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter

to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 7. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 8. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 9. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer and referred to in this chapter as a retirement benefits specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The

retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 10. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE -- ~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter ~~97B~~ shall not exceed the amount specified in 15 U.S.C. § 1673(b). The department shall comply with the provisions of a marital property order requiring the selection of a particular benefit option, designated beneficiary, or contingent annuitant if the selection is otherwise authorized by this chapter and the member has not received payment of the member's first retirement allowance. However, a marital property order shall not require the payment of benefits to an alternative payee prior to the member's retirement, prior to the date the member elects to receive a lump sum distribution of accumulated contributions pursuant to section 97B.53, or in an amount that exceeds the benefits the member would otherwise be eligible to receive pursuant to this chapter.

Sec. 11. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

2. "Accumulated contributions" means the total obtained as of any date, by accumulating each individual contribution by the member ~~at two percent~~

with interest plus interest dividends as provided in section 97B.70, for all completed calendar years and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year in which such contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 12. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year.

Sec. 13. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 14. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 15. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If the department has not maintained

the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6, unnumbered paragraph 1, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.41, subsection 12, Code Supplement 1993. As used in this subsection, unless the context otherwise requires, "other established priorities of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (11), and that the department has implemented the amendments to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183.~~

Sec. 16. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for an employer other than special service.

Sec. 17. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 18. Section 97B.41, subsection 15, paragraphs

a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 19. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 20. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

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

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

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

Sec. 21. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

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

Sec. 22. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 23. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who

are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section 97B.46.

Sec. 24. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 25. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person-in-public-employment-to-be-an-active member-of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except-as-heretofore-provided~~.

Sec. 26. Section 97B.42, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this section, a "retirement system in the state which is maintained in whole or in part by public contributions or payments" shall not include a deferred compensation plan established under section 509A.12 or a tax-sheltered annuity qualified under section 403(b) of the Internal Revenue Code.

Sec. 27. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as

a lump sum in an ~~actuarial-equivalent~~ amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 28. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. If, ~~after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday,~~ a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be ~~suspended for as long as the member remains in employment for the remainder of that calendar year~~ reduced by fifty cents for each dollar the member earns over the limit provided in this subsection. However, ~~effective January 1, 1992,~~ employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 29. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

4. The department shall pay to the member the accumulated contributions of the member and to the employer the employer contributions, plus ~~two percent~~

interest plus interest dividends as provided in section 97B.70, for all completed calendar years, compounded ~~annually~~ as provided in section 97B.70, on the covered wages earned by a retired member that are not used in the recalculation of the retirement allowance of a member.

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

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of prior and membership service, the minimum monthly benefit payable at the normal retirement date for prior and membership service shall be two hundred dollars. The minimum monthly benefit payable shall be increased by ten dollars for each year of prior and membership service beyond ten years, up to a maximum of twenty additional years of prior and membership service. If benefits commenced on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50. If an optional allowance was selected under section 97B.51, the amount payable shall be the actuarial equivalent of the minimum benefit.

Sec. 31. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

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

(5) For active or inactive vested members retiring

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on or after July 1, 1994, sixty percent.

The applicable percentage multiplier shall be subject to adjustments as provided in paragraph "e".

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

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percentage multiplier which applies to members covered under subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraph "e".

~~By November 15, 1995, the department shall set aside from other moneys in the retirement fund three million eight hundred sixty thousand dollars.--The moneys set aside shall be from the funds generated by the employer and employee contributions in effect under section 97B.11 that exceed the amount necessary to fund the system's existing liabilities, as determined in the annual actuarial valuation of the~~

~~system as of June 30, 1995. If the annual actuarial valuation indicates that the amount of the employer and employee contributions in excess of the amount necessary to fund existing liabilities is less than three million eight hundred sixty thousand dollars, the department shall set aside all funds that are available. The funds set aside shall not be used in determining the covered wage limitation pursuant to section 97B.41, subsection 20, paragraph "b", subparagraph (11), on January 1, 1996. However, any funds set aside which are not specifically dedicated to a purpose by the Seventy-sixth General Assembly shall be used in determining the covered wage limitation thereafter.~~

~~In accordance with sections 97B.1 and 97B.4, it is the intent of the general assembly that once the goal of sixty percent of the three-year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty-five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year calculated from the date of termination from covered employment until the date of retirement.~~

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

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

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

(2) For that portion of a member's three-year average covered wage that exceeds fifty-five thousand dollars but is less than or equal to sixty-five

thousand dollars, one-twelfth of an amount equal to the applicable percentage multiplier otherwise provided in this subsection, reduced by ten percentage points, multiplied by that portion.

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

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

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

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

The covered wage categories referred to in subparagraphs (1) through (6) of this paragraph and the fifty-five thousand dollar amount otherwise specified in this paragraph shall be increased by the department for each fiscal year, beginning July 1, 1998, by an amount that represents the increase in the consumer price index during the previous twelve-month period ending on June 30, as published annually in the federal register by the federal department of labor, bureau of labor statistics.

Sec. 33. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994~~ 1996 and the November ~~1995~~ 1997 monthly benefit payments a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit

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payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

b. Each member who retired from the system between July 4, 1953, and December 31, 1975, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994~~ 1996 and the November ~~1995~~ 1997 monthly benefit payments a retirement dividend equal to two hundred ~~thirty-six~~ ninety-two percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

d. A member who retired from the system between July 1, 1982, and June 30, 1986, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994~~ 1996 and the November ~~1995~~ 1997 monthly benefit payments a retirement dividend equal to ~~forty-nine~~ seventy-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

f. A member who retired from the system between July 1, 1986, and June 30, 1990, or a contingent annuitant or beneficiary of such a member, shall receive with the November 1996 and the November 1997 monthly benefit payments a retirement dividend ~~in an amount determined by the general assembly~~ equal to twenty-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is

greater. The retirement dividend does not affect the amount of a monthly benefit payment.

Sec. 34. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 35. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire prevention inspector peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 36. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction of years of service provided in paragraph "a", subparagraphs (1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph "a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that the sum of the fractions of years of service shall equal one.

c. In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "e".

Sec. 37. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability

benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time after July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 38. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 39. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments, ~~and the~~ and shall be limited to the amount of the member's accumulated

contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or 5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 40. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 41. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16, paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 42. Section 97B.52, subsection 3, paragraph b, Code Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or the estate, or any other third-party payee, must apply to the department within ~~two~~ five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 43. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 44. Section 97B.52A, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same employer.

Sec. 45. Section 97B.53, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section 97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 46. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 47. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon submitting verification

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of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the system prior to July 1, 1967. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, ~~or, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a~~ year calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section~~

~~97B.66, unnumbered paragraphs 1 and 2, Code Supplement 1993. As used in this section, unless the context otherwise requires, "other established priority of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (11).~~

Sec. 48. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 49. Section 97B.66, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 50. Section 97B.68, subsection 1, Code 1995, is amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee

shall become subject to this chapter on the date the notification is received by the department.

Sec. 51. Section 97B.68, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 52. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

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

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

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

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

The dividend rate for a calendar year shall be the excess of the average rate of interest earned for the year over the statutory two percent rate plus twenty-

five hundredths of one percent. The average rate of interest earned and the interest dividend rate in percent shall be calculated to the nearest one hundredth, that is, to two decimal places. Interest and interest dividends calculated pursuant to this subsection shall be compounded annually.

2. For calendar years beginning January 1, 1997, a per annum interest rate at one percent above the interest rate on one-year certificates of deposit shall be credited to the member's contributions and the employer's contributions to become part of the accumulated contributions. For purposes of this subsection, the interest rate on one-year certificates of deposit shall be determined by the department based on the average rate for such certificates of deposit as of the first business day of each year as published in a publication of general acceptance in the business community. The per annum interest rate shall be credited on a quarterly basis by applying one-quarter of the annual interest rate to the sum of the accumulated contributions as of the end of the previous calendar quarter.

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

4. ~~Effective upon the date that the department determines that this subsection shall be implemented, interest~~ Interest and interest dividends shall be credited to the contributions of a person who leaves the contributions in the retirement fund upon termination from covered employment prior to achieving vested status, but who subsequently achieves vested status. The interest and interest dividends shall be credited to the contributions commencing ~~either~~ upon ~~the date that the department determines that this subsection shall be implemented, or~~ the date on which the person becomes a vested member, ~~whichever is later~~. Interest and interest dividends shall cease upon the first of the month coinciding with or next following the person's retirement date. If the department no longer maintains the accumulated contribution account of the person pursuant to section 97B.53, but the person submits satisfactory proof to the department that the person did make the contributions, the department shall credit interest and interest dividends in the manner provided in this subsection. ~~However, the department shall not implement this subsection, unless and until the~~

~~department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the enactment of this subsection and the amendments to section 97B.41, subsection 12, section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12.~~

Sec. 53. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a~~ year calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.66, unnumbered paragraphs 1 and 2, section~~

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~~97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two percent~~ interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years, and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year in which contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 54. Section 97B.72, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 55. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An active or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period of service in the general assembly. A member making contributions pursuant to this section

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may make the contributions either for the entire applicable period of service, or for portions of the period of service, and~~,-effective-upon-the-date-that the-department-determines-that-the-amendments-to-this paragraph-contained-in-1994-Iowa-Acts,-chapter-1183, shall-be-implemented,~~ if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long as-the-increments-represent-full-years-and-not-a portion-of-a-year~~ calendar quarters. The member of the system shall submit proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the-department-shall-not-implement-the-amendments-to this-paragraph,-as-enacted-in-1994-Iowa-Acts,-chapter 1183,-unless-and-until-the-department-determines-that the-most-recent-annual-actuarial-valuation-of-the retirement-system-indicates-that-the-employer-and employee-contribution-rates-in-effect-under-section 97B.11-can-absorb-the-amendments-to-this-paragraph-and to-section-97B.66,-unnumbered-paragraphs-1-and-2, section-97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa Acts,-chapter-1183,-after-meeting-the-other established-priority-of-the-system,-as-defined-in section-97B.66.--Until-the-amendments-are-implemented, the-department-shall-continue-to-implement-the provisions-of-section-97B.72A,-subsection-1, unnumbered-paragraph-1,-Code-Supplement-1993.~~

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

Sec. 56. Section 97B.72A, subsection 2, Code Supplement 1995, is amended to read as follows:

2. ~~Effective-January-1,-1994,-however~~ However, the department shall ensure that the member, in exercising an option provided in this section, does not exceed

the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 57. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~The member may also make one lump sum contribution to the system which represents the entire period of service in the other public system, even if the period of time exceeds one year or includes a portion of a year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number of years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the most recent full calendar year at the applicable rates in effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 58. Section 97B.73, unnumbered paragraph 6, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted

pursuant to section 415 of the federal Internal Revenue Code.

Sec. 59. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective upon-the-date-that-the-department-determines-that-the amendments-to-this-paragraph-contained-in-1994-Iowa Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the-increments-represent-full-years and-not-a-portion-of-a-year~~ calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However,-the department-shall-not-implement-the-amendments-to-this paragraph,-as-enacted-in-1994-Iowa-Acts,-chapter-1183, unless-and-until-the-department-determines-that-the most-recent-annual-actuarial-valuation-of-the retirement-system-indicates-that-the-employer-and employee-contribution-rates-in-effect-under-section 97B.11-can-absorb-the-amendments-to-this-paragraph-and to-section-97B.66,-unnumbered-paragraphs-1-and-2, section-97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.72A,-subsection-1,-unnumbered-paragraph-1,-and section-97B.74,-unnumbered-paragraphs-1-and-2, contained-in-1994-Iowa-Acts,-chapter-1183,-after meeting-the-other-established-priority-of-the-system, as-defined-in-section-97B.66.--Until-the-amendments are-implemented,-the-department-shall-continue-to implement-the-provisions-of-section-97B.73A,~~

~~unnumbered paragraph 1, Code Supplement 1993.~~

Sec. 60. Section 97B.73A, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 61. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

~~An active,~~ A vested, or retired member who was a member of the system at any time on or after July 4, 1953, and who received a refund of the member's contributions for that period of membership service, may elect in writing to the department to make contributions to the system for all or a portion of the period of membership service for which a refund of contributions was made, and receive credit for the period of membership service for which contributions are made. The contributions repaid by the member for such service shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, received by the member for the applicable period of membership service plus interest on the accumulated contributions for the applicable period from the date of receipt by the member to the date of repayment ~~equal to two percent plus~~ at the interest ~~dividend~~ rate provided in section 97B.70 applicable for each year compounded ~~annually~~ as provided in section 97B.70.

~~An active member must have at least one quarter's reportable wages on file and have membership service, including that period of membership service for which a refund of contributions was made, sufficient to give the member vested status.~~ A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or, ~~effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered~~

~~paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

Sec. 62. Section 97B.74, unnumbered paragraph 4, Code Supplement 1995, is amended by striking the unnumbered paragraph.

Sec. 63. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member, who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than~~ one or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution

payment is made. Verification of active duty service and payment of contributions shall be made to the department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

Sec. 64. Section 97B.80, unnumbered paragraph 3, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 65. DEVELOPMENT OF PROPOSAL FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall develop a proposal concerning various alternatives for establishing a defined contribution option for members of the Iowa public employees' retirement system. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains a proposal, or proposals, for establishing a defined contribution option. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

DIVISION II

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Sec. 66. Section 12B.10, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 67. Section 12B.10A, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 68. Section 12B.10B, subsection 3, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 69. Section 12B.10C, Code 1995, is amended by adding the following new subsection 4 and renumbering the subsequent subsections:

NEW SUBSECTION. 4. A pension and annuity retirement system governed by chapter 294.

Sec. 70. NEW SECTION. 294.10B RIGHTS NOT TRANSFERABLE -- NOT SUBJECT TO LEGAL PROCESS.

The right of any person to any future payment under a pension and annuity retirement system established in this chapter shall not be transferable or assignable, at law or in equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law, except for the purposes of enforcing child, spousal, or medical support obligations, or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against benefits due a person under such a retirement system shall not exceed the amount specified in 15 U.S.C. § 1673(b).

DIVISION III

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

Sec. 71. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER OF INSURANCE~~ ACTUARY. The ~~state commissioner of insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

Sec. 72. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately after the establishment of this system, the state commissioner of insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall recommend and the board of trustees shall authorize~~ recommends, and on the basis

of ~~such~~ the investigation, the ~~actuary shall recommend for adoption by the~~ board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In the year 1952, and at~~ At least once in each two-year period ~~thereafter, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by this chapter.

Sec. 73. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 74. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the

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member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 75. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 76. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 77. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's

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retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall be approved by the board of trustees; provided, that a cash payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 78. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 79. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 80. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with

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five or more years of membership service who are receiving an ordinary disability retirement allowance. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 81. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 82. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service retirement allowance shall be reduced by the board of trustees pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the acturial cost for each month of

retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 83. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a.--Bonds-or-other-evidences-of-indebtedness issued,-assumed,-or-guaranteed-by-the-United-States-of America,-or-by-any-agency-or-instrumentality-thereof.~~

~~b.--In-savings-accounts-or-time-deposits-in-Iowa banks-approved-as-depositories-by-the-executive council.~~

~~c.--In~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 84. Section 97A.8, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state-commissioner-of-insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner-of-insurance~~ board of trustees after each valuation.

Sec. 85. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 86. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this

chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 87. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this

chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 88. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 89. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment

covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION IV

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 90. Section 400.8, subsection 1, Code 1995, is amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate to matters which will fairly test the mental and physical ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional

offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 91. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the programs.

Sec. 92. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the

member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in the same manner as provided in subsection 12, paragraph "e", of this section for readjustment of pensions when a rank or position has been abolished~~ by the board of trustees as though such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions in the department.

Sec. 93. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty

years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pension under subsection 8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 94. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 95. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 96. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment

covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 97. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.6, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 98. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 99. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the

direction of the board of trustees for the exclusive benefit of members paying contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

DIVISION V

JUDICIAL RETIREMENT SYSTEM

Sec. 100. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management

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expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION IV

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 101. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997."

By COMMITTEE ON STATE GOVERNMENT
MARTIN of Scott, Chairperson

H-5515 FILED MARCH 21, 1996

adopted 4/22/96 (P. 1842)

SENATE FILE 2245
FISCAL NOTE

A fiscal note for **Senate File 2245** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2245 makes changes to the State retirement systems. This fiscal note will address each retirement system separately.

Iowa Public Employees Retirement System (IPERS)

The Bill makes numerous technical and administrative changes. Only those with fiscal effects will be described. The Bill makes the following changes to the IPERS benefits:

1. Removes the covered wage ceiling to include an employee's total salary in calculating the retirement benefit.
2. Provides for dividend increases for retirees.
3. Provides adjustments to the three-year average covered wage and a reduced pension benefit for that portion of the three-year average covered wage exceeding $55,000.
4. Gives legislative session employees an option for a full year of credit for employment throughout the legislative session.
5. Modifies the penalty for reemployment of a retiree so that the pension benefit is reduced by $0.50 for each $1.00 earned above the limit. Previously the pension benefit was suspended once the limit was reached.
6. For persons retired before July 1, 1990, sets the minimum monthly pension benefit for a retiree with 10 years of service at $200, and increases the minimum monthly pension benefit by $10 for each year of service from 11 to 30 years of service, up to $400.
7. Provides a credit of 1.0% for each year of service beyond 30 years up to a maximum of 6.0%, bringing the total possible percentage multiplier to 66.0%.
8. Beginning in FY 1998 and for persons retired before July 1, 1990, sets the dividend adjustment equal to the lesser of (a) 80.0% of the increase in the consumer price index, (b) a percentage that the actuary determines the IPERS Fund can absorb, or (c) 3.0%.
9. Replaces the Rule of 92 with the Rule of 88.
10. Establishes a pension benefit formula that calculates the pension benefit proportionately to the amount of service covered by regular IPERS, the Protection Occupations, and as a Sheriff, Deputy Sheriff, or Airport Firefighter.
11. Modifies the interest rates paid on members' contribution accounts to equal the one-year interest rates for certificates of deposit plus 1.0%.
12. Permits Sheriffs, Deputy Sheriffs, and Airport Firefighters to retire after 25 years of service without a reduction for age less than 55 years (referred to as "Twenty-five and out").

13. Adds Probation/Parole Officers II and Residential Counselors to the Protection Occupation classification.
14. Provides accidental and ordinary disability retirement similar to that offered by the Municipal Fire and Police Retirement System for Sheriffs, Deputy Sheriffs, Airport Firefighters, and Protection Occupations, except there is no exemption for Worker's Compensation requirements. The Bill does not include the presumption that heart, lung, and respiratory tract diseases result from employment.

ASSUMPTIONS

1. The enhancements falling within the available margin will not result in additional costs to employers and employees, except for lifting the ceiling on covered wages.
2. The IPERS Investment Board will raise the interest rate assumption to 7.50% and change the cost method if the covered wage ceiling is removed so that future liabilities can be fully recognized. There will be no available margin without these changes.
3. Providing current benefits, including the increase to retirees' dividends anticipated under current law, lifting the covered wage ceiling and reducing the percentage multiplier for persons earning more than the previous covered wage ceiling will require 7.764% of covered wages.
4. Counties will experience a $7,500 salary savings for each experienced deputy sheriff that is replaced by an entry level deputy sheriff. There will be an estimated 33 retirements due to the "twenty-five and out" provision in FY 1997, and 20 annually in succeeding years.
5. IPERS will incur costs similar to those of the Municipal Fire and Police Retirement System in operating a disability system proposed in this Bill.
6. There are 268 Probation/Parole Officers II and Residential Counselors who will move into the Protection Occupation classification. The contribution rates will be the same for these individuals as for other persons covered under the Protection Occupation classification.

FISCAL IMPACT

The total costs for the benefits enhancements for IPERS members and retirees are projected to cost governmental employers the following in FY 1997:

State	$3.8 million
Schools	2.8 million
Counties	2.0 million
Cities	0.7 million
Federal	0.06 million

The above costs for benefits enhancements are distributed as follows. (No dollar cost is identified for enhancements paid from the available margin.)

Regular IPERS

Enhancement	Percent of Covered Wage
Current benefits with base changes	7.764%
Modify penalty for exceeding earning limit	Not Significant
Full year credit for Leg. Session employees	Unknown
Minimum monthly pension $200 to $400	0.254%
Additional years of service, 1% per year	0.395%
Automatic Dividend Adjust (80% CPI, 3%, or actuary %)	0.731%
Rule of 88	0.292%
Proportionate pension formula for service under different plans	Not available (savings)
Interest rates equal 3-year CD rates plus 1%	0.010%
Total	9.446%
Remaining available margin	0.004%

The FY 1997 costs to the Iowa employers for lifting the ceiling on the covered wage are distributed as follows. (These amounts are included in the totals stated in the first paragraph of this section.)

State	$2.4 million
Schools	2.8 million
Counties	0.6 million
Cities	0.7 million

Special Groups

The following costs to Iowa employers are included in the totals stated in the first paragraph of this section.

Enhancement	Percent of Covered Wage	FY 1997 Employer Cost	Affected Employer
Twenty-five and out Sheriffs & Deputies	5.490%	$1.4 million	Counties
Salary savings from early deputy retirements		-0.2 million	Counties
Airport Firefighters	5.490%	0.05 million	Federal
Adding Probation/Parole Officers II and Residential Counselors to Protect. Occ.	0.000%	0.3 million	State
Ordinary and Accidental Disability:			
Sheriffs & Deputies	0.860%	0.2 million	Counties
Airport Firefighters	0.860%	Not Significant	Federal
Protection Occupations	1.520%	0.8 million	State and Cities

Notes:
(1) The above amounts may not add due to rounding.
(2) The disability estimate includes the presumption that heart, lung, and respiratory tract disease is job related. The Bill does not include the presumption, therefore the disability costs are overstated to some extent. The cost reduction from excluding the presumption has not been determined at this time.

It is estimated that establishing a disability program would increase the annual administrative costs for IPERS by $200,000 and would require an additional benefits counselor, costing $35,000 annually. (These costs are included in the totals cited at the beginning of this section.)

Peace Officers Retirement System (POR)

The major changes to the POR include:

1. Allowing an actuarial evaluation for contribution rates and other issues instead of rates established for the Municipal Fire and Police Retirement System.
2. Increasing the credit for up to eight additional years of service from 0.6% to 1.5%.
3. Increasing the surviving spouse's minimum retirement benefit from 20.0% to 25.0% of a senior patrol officer's salary.
4. Increasing the pension escalator from 25.0% to 30.0% for retirees and from 12.5% to 15.0% for a surviving spouse. The calculation is the percentage of the increase for a patrol officer of the same rank as when the retiree retired.
5. Eliminating the requirement the retiree reach age 55 before retiring to receive a pension escalator.
6. Providing an early retirement option providing a pension benefit equal to the actuarial equivalent accounting for age.
7. Providing portability between POR and the Municipal Fire and Police Retirement System.

ASSUMPTIONS

1. Benefits enhancements that can be absorbed within the available margin identified by the actuary will be stated as a percentage of covered wages.
2. The enhancements falling within the available margin will not result in additional costs to employers and employees.
3. The State will continue employer contributions at 18.0% of covered wage and employee contributions of 9.35%, for a total contribution rate of 27.35%.

FISCAL IMPACT

There will be no additional cost to the State to implement these benefits.

Enhancement	Percentage of Covered Wage
Rate required to maintain current benefits	20.420%
Additional years of service at 1.5%	2.350%
Minimum surviving spouse to 25.0% of senior patrol officer	0.960%
Increasing escalator to 25.0% for retirees and 15.0% for surviving spouses	2.330%
Elimination of age requirements to receive a pension escalator	0.240%
Early retirement option	0.000%
Portability to Municipal Fire and Police Retirement System	Unknown, but not expected to be significant
Total cost with enhancements	26.300%
Remaining available margin	1.050%

The cost for portability between the two law enforcement retirement systems is based on average liabilities and assets, and the costs, while unknown, are not expected to be significant.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The major changes for the MFPRSI include:

1. Creation of a Voluntary Employee Benefits Association (VEBA) Program for employees to accumulate assets to pay for future health insurance needs. Participation is voluntary.
2. Modification of the pension escalator to apply systemwide to all retirees.
3. Providing portability between POR and the Municipal Fire and Police Retirement System.

FISCAL IMPACT

The Voluntary Employee Benefits Association (VEBA) Program will pay its administrative costs, and the pension escalator is designed to be a cost neutral change. The cost for portability between the two law enforcement retirement systems is based on average liabilities and assets, and the costs, while unknown, are not expected to be significant.

Judicial Retirement System

The Bill permits the Judicial Retirement System to hire investment advisors and other consultants.

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FISCAL IMPACT

The Judicial Department estimates an annual cost of $15,000 to hire advisors and consultants and anticipates the cost will be offset by increased investment earnings.

SOURCES

IPERS
POR
MFPRSI
Judicial Department

(LSB 3538sv.2, MDF)

FILED MARCH 11, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2245

S-5835

Amend the House amendment, S-5828, to Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. Page 17, line 15, by inserting after the words "paragraph "a"," the following: "or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3),".

2. Page 20, by inserting after line 18 the following:

"Sec. ___. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1997, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime.

Sec. ___. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor."

3. Page 23, by inserting after line 9 the following:

"Sec. ___. NEW SECTION. 97B.50A DISABILITY BENEFITS FOR AIRPORT FIRE FIGHTERS.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who is classified as an airport fire fighter under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this subsection shall receive an accidental disability retirement allowance under the provisions of this subsection, in

lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Disease under this subsection shall mean heart disease or any disease of the lungs or respiratory tract and shall be presumed to have been contracted while on active duty as a result of strain, exposure, or the inhalation of noxious fumes, poison, or gases. However, if a person's membership in the system first commenced on or after July 1, 1997, and the heart disease or disease of the lungs or respiratory tract would not exist, but for a medical condition that was known to exist on the date that membership commenced, the presumption established in this paragraph shall not apply.

d. Upon retirement for an accidental disability as provided by this subsection, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's three-year average covered wage at the time of disability.

3. ORDINARY DISABILITY RETIREMENT ALLOWANCE.

a. Effective July 1, 1997, a member who otherwise meets the requirements of this subsection shall receive an ordinary disability retirement allowance under the provisions of this subsection, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section

97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after July 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Upon retirement for an ordinary disability as provided by this subsection, a member shall receive the greater of a monthly ordinary disability retirement allowance calculated under this subsection or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly ordinary disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of fifty percent of the member's three-year average covered wage at the time of disability.

4. OFFSET TO ALLOWANCE. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

5. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental or ordinary disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental or ordinary disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical

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examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

6. DEATH BENEFITS. A member who is receiving an accidental or ordinary disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under this section.

7. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

8. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section."

4. Page 38, line 2, by striking the word "PROPOSALS" and inserting the following: "PROPOSAL".

5. Page 38, lines 3 and 4, by striking the words "AND FOR CONVERTING THE SYSTEM INTO A DEFINED CONTRIBUTION PLAN".

6. Page 38, by striking lines 11 through 16 and inserting the following: "addition to the current defined benefit plan. On or before September 1,".

7. Page 38, line 20, by striking the word "proposals" and inserting the following: "a proposal, or proposals,".

8. Page 38, lines 21 through 23, by striking the words "and for converting the Iowa public employees' retirement system into a defined contribution plan".

9. By renumbering as necessary.

By JOHN P. KIBBIE
MICHAEL E. GRONSTAL

S-5835 FILED APRIL 23, 1996
ADOPTED (P. 1478)

APRIL 24, 1996

HOUSE AMENDMENT TO
SENATE FILE 2245

S-5828

Amend Senate File 2245, as amended, passed, and reprinted by the Senate, as follows:

1. By striking everything after the enacting clause and inserting the following:

"DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.4, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department, through the chief investment officer and chief benefits officer, shall administer this chapter. The department may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

Sec. 2. Section 97B.7, subsection 2, paragraph b, unnumbered paragraphs 1 through 3, Code 1995, are amended to read as follows:

To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the investment board. In establishing the investment policy of the fund and the investment of the fund, the department and investment board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment

which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and investment board shall give appropriate consideration to those facts and circumstances that the department and investment board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and investment board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

Sec. 3. Section 97B.7, subsection 2, paragraph b, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed ~~one-half~~ four-tenths of one percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

Sec. 4. Section 97B.11, Code 1995, is amended to

read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 5. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 6. Section 97B.15, Code 1995, is amended to read as follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter

to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 7. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 8. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 9. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer and referred to in this chapter as a retirement benefits specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The

retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 10. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE -- ~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter 97B shall not exceed the amount specified in 15 U.S.C. § 1673(b). The department shall comply with the provisions of a marital property order requiring the selection of a particular benefit option, designated beneficiary, or contingent annuitant if the selection is otherwise authorized by this chapter and the member has not received payment of the member's first retirement allowance. However, a marital property order shall not require the payment of benefits to an alternative payee prior to the member's retirement, prior to the date the member elects to receive a lump sum distribution of accumulated contributions pursuant to section 97B.53, or in an amount that exceeds the benefits the member would otherwise be eligible to receive pursuant to this chapter.

Sec. 11. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

2. "Accumulated contributions" means the total obtained as of any date, by accumulating each individual contribution by the member ~~at two percent~~

with interest plus interest dividends as provided in section 97B.70, for all completed calendar years and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year, compounded annually, from the end of the calendar year in which such contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 12. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year.

Sec. 13. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 14. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 15. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If the department has not maintained

the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6, unnumbered paragraph 1, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.41, subsection 12, Code Supplement 1993. As used in this subsection, unless the context otherwise requires, "other established priorities of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (1), and that the department has implemented the amendments to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183.~~

Sec. 16. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for an employer other than special service.

Sec. 17. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 18. Section 97B.41, subsection 15, paragraphs

a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 19. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 20. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

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

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

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

Sec. 21. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

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

Sec. 22. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 23. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who

are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section 97B.46.

Sec. 24. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 25. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person-in-public-employment-to-be-an-active member-of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except-as-heretofore-provided~~.

Sec. 26. Section 97B.42, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this section, a "retirement system in the state which is maintained in whole or in part by public contributions or payments" shall not include a deferred compensation plan established under section 509A.12 or a tax-sheltered annuity qualified under section 403(b) of the Internal Revenue Code.

Sec. 27. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as

a lump sum in an ~~actuarial-equivalent~~ amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 28. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. If~~,-after-the-first-day-of-the-month-in-which the-member-attains-the-age-of-fifty-five-years-and until-the-member's-sixty-fifth-birthday,~~ a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be ~~suspended-for-as-long-as-the-member-remains-in employment-for-the-remainder-of-that-calendar-year~~ reduced by fifty cents for each dollar the member earns over the limit provided in this subsection. However, ~~effective-January-1,-1992,~~ employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 29. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

4. The department shall pay to the member the accumulated contributions of the member and to the employer the employer contributions, plus ~~two~~ percent

interest plus interest dividends as provided in section 97B.70, for all completed calendar years, compounded ~~annually~~ as provided in section 97B.70, on the covered wages earned by a retired member that are not used in the recalculation of the retirement allowance of a member.

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

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of prior and membership service, the minimum monthly benefit payable at the normal retirement date for prior and membership service shall be two hundred dollars. The minimum monthly benefit payable shall be increased by ten dollars for each year of prior and membership service beyond ten years, up to a maximum of twenty additional years of prior and membership service. If benefits commenced on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50. If an optional allowance was selected under section 97B.51, the amount payable shall be the actuarial equivalent of the minimum benefit.

Sec. 31. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

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

(5) For active or inactive vested members retiring

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on or after July 1, 1994, sixty percent.

The applicable percentage multiplier shall be subject to adjustments as provided in paragraphs "e" and "f".

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

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percentage multiplier which applies to members covered under subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraphs "e" and "f".

~~By November 15, 1995, the department shall set aside from other moneys in the retirement fund three million eight hundred sixty thousand dollars.--The moneys set aside shall be from the funds generated by the employer and employee contributions in effect under section 97B.11 that exceed the amount necessary to fund the system's existing liabilities, as~~

~~determined in the annual actuarial valuation of the system as of June 30, 1995. If the annual actuarial valuation indicates that the amount of the employer and employee contributions in excess of the amount necessary to fund existing liabilities is less than three million eight hundred sixty thousand dollars, the department shall set aside all funds that are available. The funds set aside shall not be used in determining the covered wage limitation pursuant to section 97B.41, subsection 20, paragraph "b", subparagraph (11), on January 1, 1996. However, any funds set aside which are not specifically dedicated to a purpose by the Seventy-sixth General Assembly shall be used in determining the covered wage limitation thereafter.~~

~~In accordance with sections 97B.1 and 97B.4, it is the intent of the general assembly that once the goal of sixty percent of the three-year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty-five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year calculated from the date of termination from covered employment until the date of retirement.~~

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

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

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

(2) For that portion of a member's three-year average covered wage that exceeds fifty-five thousand

dollars but is less than or equal to sixty-five thousand dollars, one-twelfth of an amount equal to the applicable percentage multiplier otherwise provided in this subsection, reduced by ten percentage points, multiplied by that portion.

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

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

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

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

The covered wage categories referred to in subparagraphs (1) through (6) of this paragraph and the fifty-five thousand dollar amount otherwise specified in this paragraph shall be increased by the department for each fiscal year, beginning July 1, 1998, by an amount that represents the increase in the consumer price index during the previous twelve-month period ending on June 30, as published annually in the federal register by the federal department of labor, bureau of labor statistics.

Sec. 33. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be

increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of five additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", the applicable years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two.

Sec. 34. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

d. A member who retired from the system between

July 1, 1982, and June 30, 1986, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~forty-nine~~ seventy-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

Sec. 35. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the

following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable.

Sec. 36. Section 97B.49, subsection 15, paragraph b, Code Supplement 1995, is amended to read as follows:

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

Sec. 37. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraphs:

NEW PARAGRAPH. c. For each active or inactive vested member retiring on or after July 1, 1996, and before the implementation date provided in paragraph "d", subparagraph (2), who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds ninety, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

NEW PARAGRAPH. d. (1) For each active or inactive vested member retiring on or after the implementation date provided in subparagraph (2), who

is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

(2) The department shall implement this paragraph on July 1, 1997, or on the date that the department determines that the most recent annual actuarial valuation of the system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the costs of this paragraph, whichever is later. However, until this paragraph is implemented, the department shall not pay a dividend adjustment pursuant to subsection 13, paragraph "g".

Sec. 38. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 39. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire prevention inspector peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 40. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or

after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction of years of service provided in paragraph "a", subparagraphs (1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph

"a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that the sum of the fractions of years of service shall equal one.

c. (1) In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "e".

(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "f", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection.

Sec. 41. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time after July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty

or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 42. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 43. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments, ~~and the~~ and shall be limited to the amount of the member's accumulated contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or 5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 44. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the

original named beneficiary predeceases the member.

Sec. 45. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16, paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 46. Section 97B.52, subsection 3, paragraph b, Code Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or the estate, or any other third-party payee, must apply to the department within ~~two~~ five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 47. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 48. Section 97B.52A, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same employer.

Sec. 49. ~~Section 97B.53, subsection 3,~~ Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994~~

~~Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section 97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 50. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 51. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon submitting verification of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the system prior to July 1, 1967. A member making contributions pursuant to

this section may make the contributions either for the entire applicable period of service, or~~,-effective upon-the-date-that-the-department-determines-that-the amendments-to-this-paragraph-and-unnumbered-paragraph 2-contained-in-1994-Iowa-Acts,-chapter-1183,-shall-be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the increments-represent-full-years-and-not-a-portion-of-a~~ year calendar quarters. ~~However,-the-department-shall not-implement-the-amendments-to-this-paragraph-or unnumbered-paragraph-2,-as-enacted-in-1994-Iowa-Acts, chapter-1183,-unless-and-until-the-department determines-that-the-most-recent-annual-actuarial valuation-of-the-retirement-system-indicates-that-the employer-and-employee-contribution-rates-in-effect under-section-97B.11-can-absorb-the-amendments-to-this paragraph-and-unnumbered-paragraph-2-and-to-section 97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.72A,-subsection-1,-unnumbered-paragraph-1,-section 97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa Acts,-chapter-1183,-after-meeting-the-other established-priority-of-the-system.--Until-the amendments-are-implemented,-the-department-shall continue-to-implement-the-provisions-of-section 97B.66,-unnumbered-paragraphs-1-and-2,-Code-Supplement 1993.--As-used-in-this-section,-unless-the-context otherwise-requires,-"other-established-priority-of-the system"-means-that-commencing-January-1-following-the most-recent-annual-actuarial-valuation-of-the-system, the-department-has-increased-the-covered-wage limitation-from-the-previous-year-by-three-thousand dollars,-in-accordance-with-section-97B.41,-subsection 20,-paragraph-"b",-subparagraph-(11).~~

Sec. 52. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

The contributions paid by the vested or retired member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, by the member for the applicable period of service, and the employer contribution for the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, that would have been or had been contributed by the vested or retired member and the employer, if applicable, plus interest on the contributions that would have accrued for the applicable period from the date the previous applicable period of service commenced under this

system or from the date the service of the member in the teachers insurance and annuity association-college retirement equity fund commenced to the date of payment of the contributions by the member ~~equal to two percent plus the interest dividend rate applicable for each year~~ as provided in section 97B.70.

Sec. 53. Section 97B.66, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 54. Section 97B.68, subsection 1, Code 1995, is amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee shall become subject to this chapter on the date the notification is received by the department.

Sec. 55. Section 97B.68, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 56. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

1. ~~Interest~~ For calendar years prior to January 1,

1997, interest at two percent per annum and interest dividends declared by the department shall be credited to the member's contributions and the employer's contributions to become part of the accumulated contributions thereby.

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

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

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

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

2. For calendar years beginning January 1, 1997, a per annum interest rate at one percent above the interest rate on one-year certificates of deposit shall be credited to the member's contributions and the employer's contributions to become part of the accumulated contributions. For purposes of this subsection, the interest rate on one-year certificates of deposit shall be determined by the department based on the average rate for such certificates of deposit as of the first business day of each year as published in a publication of general acceptance in the business community. The per annum interest rate shall be credited on a quarterly basis by applying one-quarter of the annual interest rate to the sum of the accumulated contributions as of the end of the previous calendar quarter.

3. Interest and interest dividends shall be

credited to the contributions of active members and inactive vested members until the first of the month coinciding with or next following the member's retirement date.

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

Sec. 57. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated

contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the date-that-the-department-determines-that-the amendments-to-this-paragraph-and-unnumbered-paragraph 2-contained-in-1994-Iowa-Acts,-chapter-1183,-shall-be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the increments-represent-full-years-and-not-a-portion-of-a~~ year calendar quarters. ~~However,-the-department-shall not-implement-the-amendments-to-this-paragraph-or unnumbered-paragraph-2,-as-enacted-in-1994-Iowa-Acts, chapter-1183,-unless-and-until-the-department determines-that-the-most-recent-annual-actuarial valuation-of-the-retirement-system-indicates-that-the employer-and-employee-contribution-rates-in-effect under-section-97B.11-can-absorb-the-amendments-to-this paragraph-and-unnumbered-paragraph-2-and-to-section 97B.66,-unnumbered-paragraphs-1-and-2,-section 97B.72A,-subsection-1,-unnumbered-paragraph-1,-section 97B.73A,-unnumbered-paragraph-1,-and-section-97B.74, unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa Acts,-chapter-1183,-after-meeting-the-other established-priority-of-the-system,-as-defined-in section-97B.66.--Until-the-amendments-are-implemented, the-department-shall-continue-to-implement-the provisions-of-section-97B.72,-unnumbered-paragraphs-1 and-2,-Code-Supplement-1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two-percent~~ interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years, and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially

completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year in which contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 58. Section 97B.72, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 59. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An active or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period of service in the general assembly. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or for portions of the period of service, and~~, effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. The member of the system shall submit proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section~~

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~~97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72A, subsection 1, unnumbered paragraph 1, Code Supplement 1993.~~

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

Sec. 60. Section 97B.72A, subsection 2, Code Supplement 1995, is amended to read as follows:

2. ~~Effective January 1, 1994, however~~ However, the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 61. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~The member may also make one~~

~~lump-sum-contribution-to-the-system-which-represents the-entire-period-of-service-in-the-other-public system,-even-if-the-period-of-time-exceeds-one-year-or includes-a-portion-of-a-year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number-of-years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the most recent full calendar year at the applicable rates in effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 62. Section 97B.73, unnumbered paragraph 6, Code 1995, is amended to read as follows:

However, ~~effective-January-1,-1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 63. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective upon-the-date-that-the-department-determines-that-the amendments-to-this-paragraph-contained-in-1994-Iowa Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more

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~~years,-as-long-as-the-increments-represent-full-years and-not-a-portion-of-a-year~~ calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However,-the department-shall-not-implement-the-amendments-to-this paragraph,-as-enacted-in-1994-Iowa-Acts,-chapter-1183, unless-and-until-the-department-determines-that-the most-recent-annual-actuarial-valuation-of-the retirement-system-indicates-that-the-employer-and employee-contribution-rates-in-effect-under-section 97B.11-can-absorb-the-amendments-to-this-paragraph-and to-section-97B.66,-unnumbered-paragraphs-1-and-2, section-97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.72A,-subsection-1,-unnumbered-paragraph-1,-and section-97B.74,-unnumbered-paragraphs-1-and-2, contained-in-1994-Iowa-Acts,-chapter-1183,-after meeting-the-other-established-priority-of-the-system, as-defined-in-section-97B.66.--Until-the-amendments are-implemented,-the-department-shall-continue-to implement-the-provisions-of-section-97B.73A, unnumbered-paragraph-1,-Code-Supplement-1993.~~

Sec. 64. Section 97B.73A, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective-January-1,-1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 65. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

~~An-active,~~ A vested, or retired member who was a member of the system at any time on or after July 4, 1953, and who received a refund of the member's contributions for that period of membership service, may elect in writing to the department to make contributions to the system for all or a portion of the period of membership service for which a refund of contributions was made, and receive credit for the period of membership service for which contributions are made. The contributions repaid by the member for such service shall be equal to the accumulated

contributions, as defined in section 97B.41, subsection 2, received by the member for the applicable period of membership service plus interest on the accumulated contributions for the applicable period from the date of receipt by the member to the date of repayment ~~equal to two percent plus~~ at the interest ~~dividend~~ rate provided in section 97B.70 applicable for each year compounded ~~annually~~ as provided in section 97B.70.

~~An active member must have at least one quarter's reportable wages on file and have membership service, including that period of membership service for which a refund of contributions was made, sufficient to give the member vested status.~~ A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

Sec. 66. Section 97B.74, unnumbered paragraph 4, Code Supplement 1995, is amended by striking the unnumbered paragraph.

Sec. 67. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member,

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who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than~~ one or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution payment is made. Verification of active duty service and payment of contributions shall be made to the department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

Sec. 68. Section 97B.80, unnumbered paragraph 3, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 69. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- DEVELOPMENT OF PROPOSALS FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION AND FOR CONVERTING THE SYSTEM INTO A DEFINED CONTRIBUTION PLAN -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall develop a proposal concerning various alternatives for establishing a defined contribution option for members of the Iowa public employees' retirement system in addition to the current defined benefit plan and a proposal concerning various alternatives for converting the Iowa public employees' retirement system into a defined contribution plan by terminating the current defined benefit plan and establishing a defined contribution plan. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains proposals for establishing a defined contribution option and for converting the Iowa public employees' retirement system into a defined contribution plan. The report shall also contain actuarial information concerning the costs of the proposals.

Sec. 70. STUDY OF PROPOSALS CONCERNING CONTRIBUTION RATES -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing equitable contribution rates for both employers and employees covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide that the employee and employer contribution rate be equal. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing employer and employee contribution rates. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 71. STUDY OF PROPOSALS REGARDING DISABILITY RETIREMENT BENEFITS -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation

with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing disability retirement benefits for employees, or certain employees, covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide disability retirement benefits for sheriffs, deputy sheriffs, airport fire fighters, or members of a protection occupation in a manner similar to the disability retirement benefits provided under chapters 97A and 411. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing disability retirement benefits. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 72. STUDY OF PROPOSALS CONCERNING INCLUSION OF MEMBERS IN A PROTECTION OCCUPATION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for determining additional occupations of members who should be eligible for inclusion as members in a protection occupation as provided in section 97B.49, subsection 16, paragraph "d". On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing which occupations should qualify for inclusion in a protection occupation. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 73. STUDY CONCERNING ORGANIZATIONAL STRUCTURE OF THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM. The public retirement systems committee established in section 97D.4 shall study the feasibility of changing the organizational structure and governance of the Iowa public employees' retirement system. The committee shall consider the recommendations of the Buck Consultants Inc. report submitted to the Iowa public employees' retirement system in 1995, the Iowa public employees' retirement system division, and the

department of personnel. The public retirement systems committee shall submit a report to the general assembly on or before January 31, 1998, containing its findings and recommendations.

Sec. 74. COMPREHENSIVE EXAMINATION OF PLAN DESIGN FOR THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall conduct a comprehensive examination of the plan design of the Iowa public employees' retirement system, pursuant to the principles established in chapter 97D, and make recommendations for plan improvement.

In conducting the examination, the division shall consider and develop recommendations concerning establishment of the following:

1. Objective actuarial standards to determine the funded status of the system, including recommended minimum standards to determine whether the system is fully funded, and to develop safeguards to ensure that the system remains fully funded based on those standards.

2. Equitable contribution rates for both employers and employees, to include consideration of proposals to provide for equal employer and employee contribution rates and proposals to increase or decrease contribution rates based on the funded status of the system.

3. Establishing a schedule for implementing the recommendations.

On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the comprehensive examination and any proposal, or proposals, for improving plan design of the Iowa public employees' retirement system. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

DIVISION II

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Sec. 75. Section 12B.10, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 76. Section 12B.10A, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 77. Section 12B.10B, subsection 3, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 78. Section 12B.10C, Code 1995, is amended by adding the following new subsection 4 and renumbering the subsequent subsections:

NEW SUBSECTION. 4. A pension and annuity retirement system governed by chapter 294.

Sec. 79. NEW SECTION. 294.10B RIGHTS NOT TRANSFERABLE -- NOT SUBJECT TO LEGAL PROCESS.

The right of any person to any future payment under a pension and annuity retirement system established in this chapter shall not be transferable or assignable, at law or in equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law, except for the purposes of enforcing child, spousal, or medical support obligations, or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against benefits due a person under such a retirement system shall not exceed the amount specified in 15 U.S.C. § 1673(b).

DIVISION III

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

Sec. 80. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER OF INSURANCE~~ ACTUARY. The ~~state commissioner of insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

Sec. 81. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately after the establishment of this system, the state commissioner of insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall recommend and the board of trustees shall authorize~~ recommends, and on the basis

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of ~~such~~ the investigation, the ~~actuary shall recommend for adoption by the~~ board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In the year 1952, and at~~ At least once in each two-year period ~~thereafter, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by this chapter.

Sec. 82. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 83. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the

member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 84. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 85. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 86. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's

retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall be approved by the board of trustees; provided, that a cash payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 87. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 88. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 89. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with

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five or more years of membership service who are receiving an ordinary disability retirement allowance. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 90. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 91. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service retirement allowance shall be reduced by the board of trustees pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the acturial cost for each month of

retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 92. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a.--Bonds-or-other-evidences-of-indebtedness issued,-assumed,-or-guaranteed-by-the-United-States-of America,-or-by-any-agency-or-instrumentality-thereof.~~

~~b.--In-savings-accounts-or-time-deposits-in-Iowa banks-approved-as-depositories-by-the-executive council.~~

~~c.--In~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 93. Section 97A.8, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state-commissioner-of-insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner-of-insurance~~ board of trustees after each valuation.

Sec. 94. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 95. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this

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chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 96. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this

chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 97. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 98. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment

covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION IV
STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 99. Section 400.8, subsection 1, Code 1995, is amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate to matters which will fairly test the mental and physical ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional

offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 100. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the programs.

Sec. 101. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the

member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in the same manner as provided in subsection 12, paragraph "e", of this section for readjustment of pensions when a rank or position has been abolished~~ by the board of trustees as though such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions in the department.

Sec. 102. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty

years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pension under subsection 8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 103. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 104. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 105. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment

covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 106. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.6, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 107. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 108. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the

direction of the board of trustees for the exclusive benefit of members paying contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

DIVISION V

JUDICIAL RETIREMENT SYSTEM

Sec. 109. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management

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expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION IV

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 110. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997."

RECEIVED FROM THE HOUSE

S-5828 FILED APRIL 23, 1996
CONCURRED (P. 1478)

Kibbie
Gronstal
Halvorson
Rittmer
Lundby

SSB 2180
State Government
Succeeded By
(SF) / HF 2245

SENATE FILE _____
BY (PROPOSED COMMITTEE ON STATE GOVERNMENT BILL BY CHAIRPERSON GRONSTAL)

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

A BILL FOR

An Act relating to public retirement systems, making appropriations, and providing effective and retroactive applicability dates.

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

TLSB 3538SC 76
ec/cf/24

S.F. _____ H.F. _____

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.4, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department, through the chief investment officer and chief benefits officer, shall administer this chapter. The department may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

Sec. 2. Section 97B.7, subsection 2, paragraph b, unnumbered paragraphs 1 through 3, Code 1995, are amended to read as follows:

To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the investment board. In establishing the investment policy of the fund and the investment of the fund, the department and investment board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs,

not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and investment board shall give appropriate consideration to those facts and circumstances that the department and investment board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and investment board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

Sec. 3. Section 97B.11, Code 1995, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the

employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 4. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 5. Section 97B.15, Code 1995, is amended to read as follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may

establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 6. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 7. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 8. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer

and referred to in this chapter as a retirement benefits specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 9. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE ---~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under ~~chapter 97B~~ this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b). A marital property order shall not require the payment of benefits to an alternate payee prior to the

member's retirement or require the department or the member to designate a particular person as a designated beneficiary or contingent annuitant, or to select a particular benefit option on behalf of the member. In addition, a marital property order shall not require payment of benefits to an alternate payee prior to the date the member elects to receive a refund of accumulated contributions pursuant to section 97B.53.

Sec. 10. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 11. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three

full quarters per calendar year.

Sec. 12. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 13. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 14. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If the department has not maintained the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6, unnumbered paragraph 1, and section 97B.70, by enacting a new~~

~~subsection-4,-contained-in-1994-Iowa-Acts,-chapter-1183,-after meeting-the-other-established-priorities-of-the-system.--Until the-amendments-are-implemented,-the-department-shall-continue to-implement-the-provisions-of-section-97B.41,-subsection-12, Code-Supplement-1993.--As-used-in-this-subsection,-unless-the context-otherwise-requires,-"other-established-priorities-of the-system"-means-that-commencing-January-1-following-the-most recent-annual-actuarial-valuation-of-the-system,-the department-has-increased-the-covered-wage-limitation-from-the previous-year-by-three-thousand-dollars,-in-accordance-with section-97B.41,-subsection-20,-paragraph-"b",-subparagraph (11),-and-that-the-department-has-implemented-the-amendments to-section-97B.66,-unnumbered-paragraphs-1-and-2,-section 97B.72,-unnumbered-paragraphs-1-and-2,-section-97B.72A, subsection-1,-unnumbered-paragraph-1,-section-97B.73A, unnumbered-paragraph-1,-and-section-97B.74,-unnumbered paragraphs-1-and-2,-contained-in-1994-Iowa-Acts,-chapter-1183.~~

Sec. 15. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for an employer other than special service.

Sec. 16. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 17. Section 97B.41, subsection 15, paragraphs a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the

employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 18. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 19. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

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

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

For purposes of this paragraph, the highest years of the member's service shall be determined using calendar years and may be determined using one computed year calculated in the manner and subject to the restrictions provided in paragraph

"a".

Sec. 20. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

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

Sec. 21. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 22. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service

rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section 97B.46.

Sec. 23. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still

actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 24. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person in public employment to be an active member of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except as heretofore provided~~.

Sec. 25. Section 97B.45, unnumbered paragraph 2, Code 1995, is amended to read as follows:

A member may retire after the member's sixty-fifth birthday ~~except as otherwise provided in section 97B.46~~. A member retiring on or after the normal retirement date, as provided in section 97B.46, shall submit a written notice to the department setting forth the date the retirement is to become effective. The date shall be after the member's last day of service and not before the first day of the sixth calendar month preceding the month in which the notice is filed.

Sec. 26. Section 97B.46, subsection 2, Code 1995, is amended by striking the subsection.

Sec. 27. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as a lump sum in an ~~actuarial equivalent~~ amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall

terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 28. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. ~~If, after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday,~~ a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be ~~suspended for as long as the member remains in employment for the remainder of that calendar year~~ reduced by fifty cents for each dollar the member earns over the limit provided in this subsection. However, ~~effective January 1, 1992,~~ employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 29. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

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

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

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of membership service, the minimum monthly benefit payable at the normal retirement date for prior and membership service shall be two hundred dollars. The minimum monthly benefit payable shall be increased by ten dollars for each year of membership service beyond ten years, up to a maximum of twenty additional years of membership service. If benefits commenced on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50. If an optional allowance was selected under section 97B.51, the amount payable shall be the actuarial equivalent of the minimum benefit.

Sec. 31. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

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

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

The applicable percentage multiplier shall be subject to adjustments as provided in paragraphs "e" and "f".

~~Commencing July 1, 1991, the department shall increase the percentage multiplier of the three-year average covered wage by an additional two percent each July 1 until reaching sixty percent of the three-year average covered wage if the annual actuarial valuation of the retirement system indicates for that year that the cost of this increase in the percentage of the three-year average covered wage used in computing retirement benefits can be absorbed within the employer and employee contribution rates in effect under section 97B.11. However, commencing July 1, 1994, if the annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb an increase in the percentage multiplier in excess of two percent, the department shall increase the percentage multiplier for that year beyond two percent to the extent which the increase can be absorbed by the contribution rates in effect, not to exceed a maximum percentage multiplier of sixty percent. The increase in the percentage multiplier for a year applies only to the members retiring on or after July 1~~

~~of the respective year.~~

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percentage multiplier which applies to members covered under subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraphs "e" and "f".

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

~~In accordance with sections 97B.1 and 97B.4, it is the~~

~~intent of the general assembly that once the goal of sixty percent of the three-year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty-five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year calculated from the date of termination from covered employment until the date of retirement.~~

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

NEW PARAGRAPH. e. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of six additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", or receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (3), the applicable

years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two.

Sec. 33. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

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

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

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

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

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

twenty percentage points, multiplied by that portion.

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

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

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

Sec. 34. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

b. Each member who retired from the system between July 4, 1953, and December 31, 1975, or a contingent annuitant or

beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to two hundred ~~thirty-six~~ ninety-two percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

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

f. A member who retired from the system between July 1, 1986, and June 30, 1990, or a contingent annuitant or beneficiary of such a member, shall receive with the November 1996 ~~and the November 1997~~ monthly benefit ~~payments~~ payment a

retirement dividend ~~in an amount determined by the general assembly~~ equal to twenty-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

Sec. 35. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable.

Sec. 36. Section 97B.49, subsection 15, paragraph b, Code Supplement 1995, is amended to read as follows:

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

Sec. 37. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraph:

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

Sec. 38. Section 97B.49, subsection 16, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A member who retires from employment as a county sheriff, deputy sheriff, or airport fire fighter, who retires on or after July 1, 1996, and at the time of retirement has completed a total of twenty-five years of membership service with the last twelve years of membership service as a county sheriff, deputy sheriff, or airport fire

fighter, may elect to receive in lieu of the receipt of any benefits under subsection 5 or 15, or subparagraphs (1) and (2) of this paragraph, a monthly retirement allowance equal to one-twelfth of the applicable percentage multiplier of the member's three-year average covered wage as is provided in paragraph "a", with benefits payable during the member's lifetime.

Sec. 39. Section 97B.49, subsection 16, paragraph d, subparagraph (9), Code Supplement 1995, is amended to read as follows:

(9) An employee of a judicial district department of correctional services who is employed as a probation officer II or III, ~~or~~ a parole officer II or III, or a residential counselor.

Sec. 40. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 41. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire protection inspector

peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 42. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular

service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction of years of service provided in paragraph "a", subparagraphs (1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph "a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that the sum of the fractions of years of service shall equal one.

c. (1) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "e", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection.

(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "f".

Sec. 43. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time after July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 44. NEW SECTION. 97B.50A ACCIDENTAL DISABILITY BENEFITS FOR SHERIFFS, DEPUTY SHERIFFS, AIRPORT FIRE FIGHTERS, AND MEMBERS OF A PROTECTION OCCUPATION.

1. DEFINITIONS. For purposes of this section, unless the context otherwise provides, "member" means a vested member who

is classified as a sheriff, deputy sheriff, or airport fire fighter or as a vested member of a protection occupation under section 97B.49, subsection 16, at the time of the alleged disability.

2. ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

a. Effective January 1, 1997, a member who is injured in the performance of the member's duties, and otherwise meets the requirements of this section shall receive an accidental disability retirement allowance under the provisions of this section, in lieu of a monthly retirement allowance as provided in section 97B.49 or benefits calculated as provided in section 97B.50, subsection 2.

b. Upon application of a member, a member who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury, disease, or exposure occurring or aggravated while in the actual performance of duty shall be retired by the department, provided that the medical board shall certify that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. The department shall make the final determination, based on the medical evidence received, of a member's total and permanent disability. However, if a person's membership in the system first commenced on or after January 1, 1997, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.

c. Disease under this section shall mean heart disease or any disease of the lungs or respiratory tract and shall be presumed to have been contracted while on active duty as a result of strain, exposure, or the inhalation of noxious fumes, poison, or gases. However, if a person's membership in the system first commenced on or after January 1, 1997, and the heart disease or disease of the lungs or respiratory tract

would not exist, but for a medical condition that was known to exist on the date that membership commenced, the presumption established in this paragraph shall not apply.

d. Any amounts which may be paid or payable by the employer under the provisions of any workers' compensation or other law to a member, or to the dependents of a member on account of any disability, shall not be offset against and payable in lieu of any retirement allowance payable pursuant to this section on account of the same disability.

3. RETIREMENT AFTER ACCIDENT.

Upon retirement for an accidental disability as provided by this section, a member shall receive the greater of a monthly accidental disability retirement allowance calculated under this section or a disability retirement allowance calculated under section 97B.50, subsection 2. The monthly accidental disability allowance calculated under this section shall consist of an allowance equal to one-twelfth of thirty-three and one-third percent of the member's three-year average covered wage at the time of disability.

4. REEXAMINATION -- REEMPLOYMENT OF MEMBERS RETIRED ON ACCOUNT OF AN ACCIDENTAL DISABILITY.

a. Once each year during the first five years following the retirement of a member under this section, and once in every three-year period thereafter, the department may, and upon the member's application shall, require any member receiving an accidental disability retirement allowance who has not yet attained the age of fifty-five years to undergo a medical examination as arranged by the medical board. The examination shall be made by the medical board or by an additional physician or physicians designated by the board. If any member receiving an accidental disability retirement allowance who has not attained the age of fifty-five years refuses to submit to the medical examination, the allowance may be discontinued until the member's withdrawal of the refusal, and should the member's refusal continue for one

year, all rights in and to the member's disability retirement allowance shall be revoked by the department.

b. If a member receiving a disability retirement allowance is returned to covered employment, the member's disability retirement allowance shall cease, the member shall again become an active member, and shall contribute thereafter at the same rate payable by similarly classified members. Upon subsequent retirement, the member's retirement allowance shall be calculated as provided in section 97B.48A.

5. DEATH BENEFITS. A member who is receiving an accidental disability retirement allowance under this section shall be treated as having elected a lifetime monthly retirement allowance with no death benefit unless the member elects an optional form of benefit provided under section 97B.51, which shall be actuarially equivalent to the lifetime monthly retirement allowance provided under subsection 3.

6. MEDICAL BOARD. The system shall designate a medical board to be composed of three physicians who shall arrange for and pass upon the medical examinations required under the provisions of this section and shall report in writing to the department the conclusions and recommendations upon all matters duly referred to the medical board. Each report of a medical examination under this section shall include the medical board's findings as to the extent of the member's physical impairment.

7. RULES. The department shall adopt rules pursuant to chapter 17A specifying the application procedure for members pursuant to this section.

Sec. 45. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 46. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments~~,-and-the~~ and shall be limited to the amount of the member's accumulated contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or 5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 47. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 48. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the

highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16, paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 49. Section 97B.52, subsection 3, paragraph b, Code Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or

the estate, or any other third-party payee, must apply to the department within ~~two~~ five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 50. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 51. Section 97B.52A, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same

employer.

Sec. 52. Section 97B.53, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section 97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 53. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 54. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon

submitting verification of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the system prior to July 1, 1967. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the-date-that-the-department-determines-that-the-amendments-to-this-paragraph-and-unnumbered-paragraph-2-contained-in-1994-Iowa-Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the-increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~However,-the-department-shall-not-implement-the-amendments-to-this-paragraph-or-unnumbered-paragraph-2,-as-enacted-in-1994-Iowa-Acts,-chapter-1183,-unless-and-until-the-department-determines-that-the-most-recent-annual-actuarial-valuation-of-the-retirement-system-indicates-that-the-employer-and-employee-contribution-rates-in-effect-under-section-97B.11~~

~~can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.66, unnumbered paragraphs 1 and 2, Code Supplement 1993. As used in this section, unless the context otherwise requires, "other established priority of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (1).~~

Sec. 55. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 56. Section 97B.68, subsection 1, Code 1995, is

amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee shall become subject to this chapter on the date the notification is received by the department.

Sec. 57. Section 97B.68, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position for and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 58. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

1. ~~Interest~~ For calendar years prior to January 1, 1997, interest at two percent per annum and interest dividends declared by the department shall be credited to the member's contributions and the employer's contributions to become part

of the accumulated contributions thereby.

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

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

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

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

2. For calendar years beginning January 1, 1997, a per annum interest rate at one percent above the interest rate on one-year certificates of deposit shall be credited to the member's contributions and the employer's contributions to become part of the accumulated contributions. For purposes of this subsection, the interest rate on one-year certificates of deposit shall be determined by the department based on the average rate for such certificates of deposit as of January 10 of each year as published in a publication of general acceptance in the business community. The per annum interest

rate shall be credited on a quarterly basis by applying one-quarter of the annual interest rate to the sum of the accumulated contributions as of the end of the previous calendar quarter.

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

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

~~other-established-priorities-of-the-system,-as-defined-in section-97B.41,-subsection-12.~~

Sec. 59. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the-date-that the-department-determines-that-the-amendments-to-this paragraph-and-unnumbered-paragraph-2-contained-in-1994-Iowa Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the-increments represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~However,-the-department-shall-not-implement-the amendments-to-this-paragraph-or-unnumbered-paragraph-2,-as enacted-in-1994-Iowa-Acts,-chapter-1183,-unless-and-until-the department-determines-that-the-most-recent-annual-actuarial valuation-of-the-retirement-system-indicates-that-the-employer and-employee-contribution-rates-in-effect-under-section-97B.11 can-absorb-the-amendments-to-this-paragraph-and-unnumbered paragraph-2-and-to-section-97B.66,-unnumbered-paragraphs-1-and~~

~~2,-section-97B.72A,-subsection-1,-unnumbered-paragraph-1,~~
~~section-97B.73A,-unnumbered-paragraph-1,-and-section-97B.74,~~
~~unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa-Acts,~~
~~chapter-1183,-after-meeting-the-other-established-priority-of~~
~~the-system,-as-defined-in-section-97B.66.--Until-the~~
~~amendments-are-implemented,-the-department-shall-continue-to~~
~~implement-the-provisions-of-section-97B.72,-unnumbered~~
~~paragraphs-1-and-2,-Code-Supplement-1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two percent~~ interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years, and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at-two-percent-interest-plus-the-interest-dividend-rate-calculated-for-the-previous-year~~, compounded ~~annually,-from-the-end-of-the-calendar-year-in-which-contribution-was-made-to-the-first-day-of-the-month-of-such-date~~ as provided in section 97B.70.

Sec. 60. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An-active-or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the

applicable period of service in the general assembly. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or for portions of the period of service, and~~, effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented~~, if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. The member of the system shall submit proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72A, subsection 1, unnumbered paragraph 1, Code Supplement 1993.~~

There is appropriated from the general fund of the state to the department an amount sufficient to pay the contributions of the employer based on the period of service of members of the general assembly for which the member paid accumulated contributions under this section. The amount appropriated is equal to the employer contributions which would have been made

if the members of the system who made employee contributions had been members of the system during the period for which they made employee contributions plus ~~two-percent~~ interest ~~plus-the-interest-dividend-rate-applicable~~ at the rate provided in section 97B.70 for each year compounded ~~annually~~ as provided in section 97B.70.

Sec. 61. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years,-as-long-as-the-increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. ~~The-member-may-also-make-one-lump-sum-contribution-to-the-system-which-represents-the-entire-period-of-service-in-the-other-public-system,-even-if-the-period-of-time-exceeds-one-year-or-includes-a-portion-of-a-year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number-of-years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the most recent full calendar year at the applicable rates in

effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 62. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the-date-that-the-department determines-that-the-amendments-to-this-paragraph-contained-in 1994-Iowa-Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However,-the~~

~~department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66.--Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.73A, unnumbered paragraph 1, Code Supplement 1993.~~

Sec. 63. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

~~An active,~~ A vested, or retired member who was a member of the system at any time on or after July 4, 1953, and who received a refund of the member's contributions for that period of membership service, may elect in writing to the department to make contributions to the system for all or a portion of the period of membership service for which a refund of contributions was made, and receive credit for the period of membership service for which contributions are made. The contributions repaid by the member for such service shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, received by the member for the applicable period of membership service plus interest on the accumulated contributions for the applicable period from the date of receipt by the member to the date of repayment ~~equal to two percent plus~~ at the interest ~~dividend~~ rate provided in section 97B.70 applicable for each year compounded ~~annually~~ as provided in section 97B.70.

~~An active member must have at least one quarter's~~

reportable wages on file and have membership service, including that period of membership service for which a refund of contributions was made, sufficient to give the member vested status. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented, for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more years, as long as the increments represent full years and not a portion of a year calendar quarters. However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.

Sec. 64. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member, who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee

contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than~~ one or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution payment is made. Verification of active duty service and payment of contributions shall be made to the department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

DIVISION II

PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,

ACCIDENT, AND DISABILITY SYSTEM

Sec. 65. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER-OF-INSURANCE~~ ACTUARY. The ~~state commissioner-of-insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

Sec. 66. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately-after-the-establishment of-this-system,-the-state-commissioner-of-insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall-recommend-and-the-board-of trustees-shall-authorize~~ recommends, and on the basis of ~~such~~ the investigation, the ~~actuary-shall-recommend-for-adoption-by~~ ~~the~~ board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In-the-year-1952,-and-at~~ At least once in each two-year period ~~thereafter, the-state commissioner-of-insurance~~ the actuary hired by the board of trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and

other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by this chapter.

Sec. 67. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 68. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years

of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 69. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 70. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 71. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding

the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall be approved by the board of trustees; provided, that a cash payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 72. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 73. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 74. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with five or more years of membership service who are receiving an ordinary disability retirement allowance. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 75. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 76. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but

less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service retirement allowance shall be reduced by the board of trustees pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the acturial cost for each month of retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 77. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a.--Bonds-or-other-evidences-of-indebtedness-issued,-assumed,-or-guaranteed-by-the-United-States-of-America,-or-by-any-agency-or-instrumentality-thereof.~~

~~b.--In-savings-accounts-or-time-deposits-in-Iowa-banks-approved-as-depositories-by-the-executive-council.~~

~~c.--In~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 78. Section 97A.8, subsection 1, paragraph b, Code

1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state commissioner of insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner of insurance~~ board of trustees after each valuation.

Sec. 79. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 80. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 81. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 82. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 83. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system

in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION III

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 84. Section 400.8, subsection 1, Code 1995, is

amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate to matters which will fairly test the mental and physical ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 85. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the

programs.

Sec. 86. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished,

adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in the same manner as provided in subsection 12, paragraph "c", of this section for readjustment of pensions when a rank or position has been abolished~~ by the board of trustees as through such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions in the department.

Sec. 87. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date

was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pension under subsection 8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 88. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 89. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the

purposes of enforcing child, spousal, or medical support obligations or marital property orders, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 90. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose

employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 91. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.6, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 92. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the

assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 93. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the direction of the board of trustees for the exclusive benefit of members paying

contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

DIVISION IV

JUDICIAL RETIREMENT SYSTEM

Sec. 94. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial

retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION V

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 95. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997.

EXPLANATION

This bill provides numerous changes to public retirement systems. This bill may include a state mandate as defined in

section 25B.3. The state mandate funding requirement in section 25B.2, however, does not apply to public employee retirement systems.

The changes to each public retirement system are as follows:

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 97B.4 is amended to state that the department of personnel shall comply with applicable federal and state laws.

Section 97B.7 is amended to provide that the department follow the same standards in establishing investment policy as are required in making particular investments for the fund.

Section 97B.11 is amended to provide that no contributions shall be deducted from wages, and no membership service credited, from a member whose contributions for any calendar quarter would amount to one dollar or less.

Section 97B.14 is amended concerning which contributions are forwarded to the department. The change references the date established in section 97B.11A concerning the employer pickup of employee contributions.

Section 97B.15 is amended to provide that the department may adopt interim written policies and procedures to conform the requirements of the retirement system with federal law without complying with the rulemaking requirements of chapter 17A.

Section 97B.17 is amended to provide that the records maintained by the department concerning IPERS members may be stored on paper, in a magnetic format, or in electronic form, including optical disk storage.

The section is also amended by adding a new paragraph authorizing the department to release records to a governmental entity for the purposes of civil or criminal law enforcement activity. The section further provides that the department is not liable for the release of records pursuant to this new paragraph.

Section 97B.25 is amended to provide that a retirement

application shall not be amended or revoked by the member once the first retirement allowance is paid and a member's death during the member's first month of entitlement shall not invalidate an approved application.

Section 97B.39 is amended to provide that a member's right to payments under IPERS is subject to marital property orders. This amendment further provides that a marital property order shall not attempt to require payment prior to retirement or mandate a member's right to select certain options upon retirement.

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

Subsection 8, concerning the definition of employees under IPERS, is amended to provide that certain university instructors governed by the board of regents who work less than half-time for a school year are considered temporary employees and not covered by IPERS. Currently, this reference applies to half-time community college instructors.

In addition, subsection 8 is amended to provide that persons employed through programs provided through the Iowa conservation corps under chapter 15 are not employees for purposes of IPERS.

New subsection 10A provides that reference to the Internal Revenue Code means the Internal Revenue Code as defined in section 422.3.

Subsection 12, concerning the definition of membership service is amended to eliminate contingent language concerning the implementation of certain amendments to this subsection.

New subsections 13A and 16A add two definitions concerning regular and special service. Special service is defined as service as a member of a protected occupation, and service as a county sheriff, deputy sheriff, or airport fire fighter, all as described in section 97B.49, subsection 16. Regular service is defined as service other than special service.

New subsection 14A defines retirement as the period of time from when a member has survived into the first day of the

member's first month of entitlement until the member dies.

Subsection 15, concerning the definition of service, is amended to provide that a leave of absence authorized pursuant to the federal Family and Medical Leave Act is deemed to be a leave authorized by the person's employer.

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

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

Section 97B.42 is amended to provide that an employee ceases to be an active member of IPERS if the employee receives service credit for service in another public retirement system for the same position previously covered under IPERS. Current law provides that an employee shall cease to be an active member of IPERS upon joining another public retirement system maintained by public contributions. The bill adds similar language to a provision which currently prohibits a person from being a member of another public retirement system in the state and a member under IPERS.

Section 97B.42 is further amended to state that an employer shall not make contributions on behalf of an employee to both IPERS and any other public retirement system in the state which is supported by public contributions. Current law

provides that a person in public employment shall not be an active member of both IPERS and any other public retirement system in the state which is supported by public contributions.

Sections 97B.45 and 97B.46 are amended by striking the provision that a member shall not be employed as a peace officer or fire fighter after attaining 65 years of age.

Section 97B.48, subsection 1, is amended to provide that a member who would have received a retirement allowance of less than $600 a year may elect to receive a lump sum equal to the member's and the employer's accumulated contributions and any retirement dividends credited before December 31, 1966. Current law provides that the lump sum received shall be an actuarial equivalent amount, defined as a benefit of equal value when computed pursuant to actuarial tables.

Section 97B.48A, concerning reemployment, is amended to provide that for members under 65 years of age, a member's retirement allowance shall be reduced by 50 cents for each dollar the member earns over the limit for extra income provided in section 97B.48A. This section of the bill also provides that the earned income limit is the greater of $7,440 or the amount of income permitted under Social Security. Current law provides for a suspension of the retirement allowance for earnings over $7,440. The section provides for recouping these reductions from beneficiaries of the member if the member dies prior to IPERS recovering the full amount of the reductions.

Section 97B.49, subsection 4, is amended to provide, beginning January 1, 1997, that the minimum monthly benefit for members who retired between July 1, 1953, and July 1, 1990, with at least 10 years of service is $200. For each year of service from 10 to 30 years of total service, the minimum benefit shall increase by $10 per year of additional service.

Section 97B.49, subsection 5, paragraph "b", is amended to

reflect the history of the increase in the percentage multiplier up to the current 60 percent. The section reflects that vested members retiring on or after July 1, 1994, get a monthly retirement allowance based on 60 percent of the member's three-year average covered wage. The paragraph is also amended to provide that the increase in the percentage multiplier for years of service as provided in section 97B.49, subsection 5, new paragraph "e", in this bill applies to members covered under subsection 16 or 17 which apply to protection occupations, sheriffs, deputies, and airport fire fighters and that these members are also subject to the reduction in the percentage multiplier if the member's three-year average covered wage exceeds certain income levels.

Section 97B.49, subsection 5 is amended by adding new paragraph "e" which provides that a member retiring after July 1, 1996, gets an additional one-fourth of one percent added to the applicable percentage multiplier for each quarter year of service in addition to the number of years of service required for a member to receive the maximum percentage multiplier, up to a maximum of an additional 6 percentage points. This additional percentage applies to all members under IPERS.

Section 97B.49, subsection 13, concerning retirement dividends, is amended to provide for the payment of a retirement dividend based on a percentage of a member's monthly retirement allowance for certain retirees in November 1996. Members who retired between July 4, 1953, and December 31, 1975, receive a dividend of 292 percent of the monthly benefit, members who retired between January 1, 1976, and June 30, 1982, receive a dividend of 223 percent of the monthly benefit, members who retired between July 1, 1982, and June 30, 1986, receive a dividend of 74 percent of the monthly benefit, and members who retired between July 1, 1986, and June 30, 1990, receive a dividend of 24 percent of the monthly benefit.

Section 97B.49, subsection 13, concerning retirement

dividends, is further amended by adding a new paragraph "g" to provide for the payment of a retirement dividend every November, beginning in November 1997, for members who retired before July 1, 1990. The percentage applied to calculate the adjustment of the dividend is the lesser of 80 percent of the increase in the federal consumer price index, the amount the actuary determines the system can afford without an increase in contribution rates, or 3 percent.

Section 97B.49, subsection 15, is amended to provide that a member retiring on or after July 1, 1996, is eligible for normal retirement without penalty based upon a rule of 88 where the combination of a member's age and years of service equals or exceeds 88, and the member is at least 55 years of age. Currently, the law provides for a rule of 92.

Section 97B.49, subsection 16, is amended to provide that for members retiring on or after July 1, 1996, a county sheriff, deputy sheriff, or airport fire fighter may elect to retire at any age without a penalty after 25 years of service, so long as the last 12 years of service were as a sheriff, deputy, or fire fighter. A sheriff, deputy, or fire fighter may still elect, as is provided under current law, to obtain full retirement at 55 years of age with 22 years of service.

Section 97B.49, subsection 16, paragraph "d", is amended to add probation officer II, parole officer II, and residential counselor to the classifications of employees of a judicial district department of correctional services who are included within the definition of a member of a protection occupation.

Section 97B.49, subsection 16, is amended by adding a new paragraph "m" requiring that the department of public safety shall pay the department of personnel the costs of additional benefits provided a fire protection inspector peace officer. This provision is immediately effective and retroactive to July 1, 1992.

Section 97B.49 is amended to add a new subsection 17 that establishes a hybrid retirement formula to be used in

computing the retirement allowance for members who earned service as a regular IPERS member and who earned service as a member of a protection occupation or a county sheriff, deputy sheriff, or airport fire fighter.

New section 97B.50A is added to provide for a disability retirement allowance for members of a protection occupation or a county sheriff, deputy sheriff, or airport fire fighter, effective January 1, 1997. The section provides for a monthly accidental disability benefit equal to 1/12 of 33 1/3 percent of the member's three-year average covered wage. Accidental disability is based on job-related injury or disease. The section provides that certain heart and lung diseases qualify an eligible member for an accidental disability. The section also establishes a medical board and provides for the medical reexamination of certain disabled retirees.

Section 97B.51 is amended to provide that a member shall not change an election of an optional retirement allowance once the first retirement allowance is paid.

Section 97B.51, subsection 5, provides that a member may elect, at retirement, to provide a lump sum payment to a beneficiary on the member's death. This section of the bill provides that the lump sum payment shall not exceed the member's accumulated contributions. Current law does not specify that the lump sum payment cannot exceed the member's accumulated contributions.

Section 97B.51, subsection 6, is amended to provide for an equal distribution of a member's reduced retirement allowance payments upon the member's death if multiple beneficiaries are designated unless the member provides in writing for a different distribution.

Section 97B.52 is amended to provide that payment to a member's beneficiary, if the member dies prior to the member's first month of entitlement, is calculated based on years of service divided by 22, 25, or 30, depending upon the member's last membership service.

Section 97B.52, subsection 3, is amended to provide that a beneficiary, heirs, or the estate, have five years, and not two years, after the member's death to apply to the department to receive the member's death benefit. The section of the bill also requires the department to reinstate a surviving spouse's right to receive a death benefit after five years if required or permitted pursuant to the Internal Revenue Code.

Section 97B.52, subsection 5, is amended to provide for the payment of benefits that are waived by the eligible beneficiary.

Section 97B.52A is amended to provide that a member does not have a bona fide retirement until all employment with the employer, even noncovered employment, is terminated for at least 30 days.

Section 97B.53 is amended to eliminate contingent language concerning the implementation of amendments to this section.

Section 97B.53B is amended to provide that annual distributions of less than $200 of taxable income are not considered an eligible rollover distribution. Current law refers to a distribution of less than $200 of taxable income.

Section 97B.66 is amended to provide that members may make contributions as "buy-backs" in increments of calendar quarters rather than full years concerning former service in the teachers insurance and annuity association-college retirement equity fund (TIAA-CREF). This section also eliminates contingency language concerning the implementation of partial "buy-backs", and contains a conforming change pertaining to interest accrual under section 97B.70.

Section 97B.68 is amended to provide that a member of a federal retirement system is not eligible for membership in IPERS for the same position. Current law prohibits membership in both systems regardless of the position.

Section 97B.68 is amended by adding a new subsection 3 to provide that effective July 1, 1996, employees under the federal retirement system may be covered under IPERS if

service under IPERS is not counted for their federal system retirement.

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

Sections 97B.72, concerning members of the general assembly or after the 71st General Assembly, 97B.72A, concerning members of the general assembly before July 1, 1988, 97B.73, for members of other public retirement systems, and 97B.73A, concerning part-time county attorneys, are amended to provide that members may make contributions in increments of calendar quarters rather than full years concerning former service. The sections also eliminate contingency language concerning the implementation of partial "buy-ins", or "buy-backs", as applicable, and contain conforming change pertaining to interest accrual under section 97B.70. Section 97B.72A is also amended to provide that only vested or retired members, and not active members, may make contributions.

Section 97B.74 is amended to provide that members may make contributions as "buy-backs" in increments of calendar quarters rather than full years concerning members seeking reinstatement as a vested member. The section also provides that only former vested or retired members, and not former active members who were not vested, can buy back refunds received. The section also eliminates contingent language concerning the implementation of amendments to this Code section.

Section 97B.80 is amended to provide that members may make contributions as "buy-ins" in increments of one or more calendar quarters rather than full years for active duty

service in the armed forces. The section eliminates the restriction on making contributions in increments of less than one year only once.

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

Sections 97A.5, 97A.6, and 97A.8 are amended to provide that the board of trustees shall, upon the advice of an actuary hired by the board, make the necessary valuations for determining the contribution rate into the fund. Currently, the commissioner of insurance is given the responsibility to perform these functions.

Section 97A.5 is further amended to provide that the board of trustees may hire investment and benefit advisors and consultants in order to administer the system. The section is also amended to provide that the department of public safety, the board of trustees, and the treasurer of state shall not be liable for their actions that do not constitute malicious or wanton misconduct, even if the actions violate standards established in section 97A.7.

Section 97A.6, subsection 2, is amended to increase, from .6 percent to 1.5 percent the additional benefit for members for each additional year of service in the system from 22 to 30 years of service for members terminating service on or after July 1, 1996.

Section 97A.6, subsection 12, is amended to increase the minimum benefit for surviving spouses of members from 20 percent to 25 percent of the compensation for a senior patrol officer.

Section 97A.6, subsection 14, is amended to provide for an increase in the percentages used to provide an annual readjustment of the pension payable from the current 12.5 percent and 25 percent to 15 percent and 30 percent, respectively. Currently, only those members who retired prior to July 1, 1990, get the higher percentage readjustment. The bill also provides that a retired member is eligible for this

readjustment if the member served 22 years. Currently, a member must serve 22 years and attain the age of 55 years before retirement in order to be eligible for the readjustment.

Section 97A.6 is amended by adding a new subsection providing for early retirement benefits for members who retire between the ages of 50 and 55 years but who have 22 years of service. The member's benefit will be reduced by an amount for each month of early retirement to reflect the actuarial cost, so that the early retirement does not result in any increase in cost to the system.

Section 97A.8, subsection 1, is amended to eliminate the requirement that, beginning July 1, 1996, the normal contribution rate and the members contribution rate be equivalent to the respective rates provided under the statewide fire and police retirement system. Instead, these sections provide for establishing both rates based on the costs associated with the peace officers' retirement system, subject to certain existing limitations.

Section 97A.8, subsection 3, is amended to specify which investment management expenses may be paid for by the expense fund established for the system.

Section 97A.12 is amended to provide that a member's pension under the system is subject to assignment based on a marital property order or a child, spousal, or medical support order.

New section 97A.17 establishes a mechanism for allowing vested members of the system and vested members of the statewide fire and police retirement system established in chapter 411 to transfer to the other system with credit for the period of service in the former system. The section permits a member who transferred to the other system before the effective date of this section to transfer credit from the former system to the current system within one year from the effective date of this section.

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Section 400.8 is amended to authorize the board of trustees of the statewide fire and police retirement system to update the medical protocols used for examining applicants for employment as a police officer or fire fighter.

Section 411.5 is amended to provide that the board of trustees is given the authority to take any necessary action to administer the voluntary benefit programs established in new section 411.40.

Section 411.6, subsection 12, is amended to replace the current method for annually readjusting the pensions of members of the system effective July 1, 1997. The bill provides that the monthly pensions of members shall be adjusted each July 1 by adding an amount to the pension that represents an increase of 1.5 percent over the previous year's monthly pension plus a set dollar amount based on the number of years the member has been retired. This section provides that a retired member must be retired on or before the effective date of the pension readjustment to be eligible for the readjustment.

Section 411.31 is amended to provide that a member's pension under the system is subject to assignment based on a marital property order or a child, spousal, or medical support order.

New section 411.31 establishes a mechanism for allowing vested members of the system and vested members of the public safety peace officers', accident and disability system in chapter 97A to transfer to the other system with credit for the period of service in the former system. The section permits a member who transferred to the other system before the effective date of this section to transfer credit from the former system to the current system within one year from the effective date of this section.

Section 411.38 is amended to establish a mechanism to charge participating cities in the system with the unfunded

liability of that city along with interest calculated based on the investment performance or actuarial assumptions of the system.

New section 411.40 establishes voluntary benefit programs for members of the system. The board of trustees is authorized to establish programs for the benefit of members, to include retiree health, long-term care, and life insurance. The section establishes a voluntary benefit fund for the purpose of investing assets transferred to the fund from employee contributions. Participation in the program by members is voluntary.

JUDICIAL RETIREMENT SYSTEM

Section 602.9111 is amended to provide that the state treasurer may hire investment and benefit advisors and consultants in order to administer the system and is amended to provide for what investment management expenses may be paid for from the judicial retirement fund. The bill provides that the state court administrator and the treasurer of state shall not be liable for their actions concerning the fund that do not constitute malicious or wanton misconduct even if the actions violate standards established for the fund.

OFFICE OF THE GOVERNOR
STATE CAPITOL
DES MOINES, IOWA 50319
515 281-5211

TERRY E. BRANSTAD
GOVERNOR

RECEIVED
MAY 10 96
Legislative Service Bureau

May 10, 1996

The Honorable Paul Pate
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit Senate File 2245, an act relating to public retirement systems, making appropriations, and providing effective and retroactive applicability dates.

Senate File 2245 is therefore approved on this date with the following exception, which I hereby disapprove.

I am unable to approve the item designated as Section 32, in its entirety. This provision is unnecessary and discriminatory. The Legislature appropriately removed the covered wage ceiling for all members in the IPERS system. However, this provision permanently reduces the value credited to members' salary increments above a set arbitrary amount. In doing so, it unnecessarily discriminates against those members by prohibiting them from receiving full value of their wages in the calculation of their retirement benefits.

For the above reason, I hereby respectfully disapprove this item in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 2245 are hereby approved as of this date.

Sincerely,

Terry E. Branstad
Governor

TEB/ps

cc: Secretary of the Senate
Chief Clerk of the House

SENATE FILE 2245

AN ACT

RELATING TO PUBLIC RETIREMENT SYSTEMS, MAKING APPROPRIATIONS, AND PROVIDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

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

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.4, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department, through the chief investment officer and chief benefits officer, shall administer this chapter. The department may adopt, amend, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A. Not later than the fifteenth day of December of each year, the department 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 Iowa public employees' retirement fund.

Sec. 2. Section 97B.7, subsection 2, paragraph b, unnumbered paragraphs 1 through 3, Code 1995, are amended to read as follows:

To invest the portion of the retirement fund which in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall execute the disposition and investment of moneys in the retirement fund in accordance with the investment policy and goal statement established by the investment board. In establishing the investment policy of the fund and the investment of the fund, the department and investment board shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the standard prescribed in this section, the treasurer of state, the department, and the board may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The department and investment board shall give appropriate consideration to those facts and circumstances that the department and investment board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department and investment board that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

Sec. 3. Section 97B.7, subsection 2, paragraph b, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Except as provided in section 97B.4, if there is loss to the fund, the treasurer, the department, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund the amount required to cover a loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund, and there is appropriated from the retirement fund the amount required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund, and there is appropriated from the retirement fund the amount required for the investment management expenses, subject to the limitations stated in this unnumbered paragraph. The amount appropriated for a fiscal year under this unnumbered paragraph shall not exceed ~~one-half~~ four-tenths of one percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue and finance.

Sec. 4. Section 97B.11, Code 1995, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and seven-tenths percent of the covered wages paid by the employer, until the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of five and seventy-five hundredths percent of the covered wages of the member.

If the total of the contributions to be deducted from the wages of a member and contributions picked up and paid by the employer shall not exceed one dollar for any calendar quarter, contributions shall not be deducted or paid concerning that member and the member shall not receive credit for membership service for that quarter.

Sec. 5. Section 97B.14, Code 1995, is amended to read as follows:

97B.14 CONTRIBUTIONS FORWARDED.

Contributions deducted from the wages of the member ~~or~~ under section 97B.11 prior to January 1, 1995, member contributions picked up by the employer under section 97B.11A beginning January 1, 1995, and the employer's contribution shall be forwarded to the department for recording and deposited with the treasurer of the state to the credit of the Iowa public employees' retirement fund. Contributions shall be remitted monthly, if total contributions by both employee and employer amount to one hundred dollars or more each month, and shall be otherwise paid in such manner, at such times and under such conditions, either by copies of payrolls or other methods necessary or helpful in securing proper identification of the member, as may be prescribed by the department.

Sec. 6. Section 97B.15, Code 1995, is amended to read as follows:

97B.15 RULES, POLICIES, AND PROCEDURES.

The department may adopt rules under chapter 17A and establish procedures, not inconsistent with this chapter, which are necessary or appropriate to implement this chapter and shall adopt reasonable and proper rules to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the proofs and evidence in order to establish the right to benefits under this chapter. The department may adopt rules, and take action based on the rules, to conform the requirements for receipt of retirement benefits under this chapter to the mandates of applicable federal statutes and regulations.

Prior to the adoption of rules, the department may establish interim written policies and procedures, and take action based on the policies and procedures, to conform the requirements for receipt of retirement benefits under this chapter to the applicable requirements of federal law.

Sec. 7. Section 97B.17, unnumbered paragraph 1, Code 1995, is amended to read as follows:

The department shall establish and maintain records of each member, including but not limited to, the amount of wages of each member, the contribution of each member with interest, and interest dividends credited. The records may be maintained in paper, magnetic, or electronic form, including optical disk storage. These records are the basis for the compilation of the retirement benefits provided under this chapter. The following records maintained under this chapter containing personal identifiable information are not public records for the purposes of chapter 22:

Sec. 8. Section 97B.17, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any provisions of chapter 22 to the contrary, the department's records may be released to any political subdivision, instrumentality, or other agency of the state solely for use in a civil or criminal law enforcement activity pursuant to the requirements of this paragraph. To obtain the records, the political subdivision, instrumentality, or agency shall, in writing, certify that the activity is authorized by law, provide a written description of the information desired, and describe the law enforcement activity for which the information is sought. The department shall not be civilly or criminally liable for the release or rerelease of records in accordance with this paragraph.

Sec. 9. Section 97B.25, Code 1995, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits officer and referred to in this chapter as a retirement benefits

specialist shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid and if valid, the month with respect to which benefits shall commence, the monthly benefit amount payable, and the maximum duration. The retirement benefits specialist shall promptly notify the applicant and any other interested party of the decision and the reasons. Unless the applicant or other interested party, within thirty calendar days after the notification was mailed to the applicant's or party's last known address, files an appeal as provided in section 97B.20A, the decision is final and benefits shall be paid or denied in accord with the decision. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 10. Section 97B.39, Code 1995, is amended to read as follows:

97B.39 RIGHTS NOT TRANSFERABLE -- ~~NOT~~ OR SUBJECT TO LEGAL PROCESS -- EXCEPTIONS.

The right of any person to any future payment under this chapter is not transferable or assignable, at law or in equity, and the moneys paid or payable or rights existing under this chapter are not subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter ~~97B~~ shall not exceed the amount specified in 15 U.S.C. § 1673(b). The department shall comply with the provisions of a marital property order requiring the selection of a particular benefit option, designated beneficiary, or contingent annuitant if the selection is otherwise authorized by this chapter and the member has not received payment of the member's first

retirement allowance. However, a marital property order shall not require the payment of benefits to an alternative payee prior to the member's retirement, prior to the date the member elects to receive a lump sum distribution of accumulated contributions pursuant to section 97B.53, or in an amount that exceeds the benefits the member would otherwise be eligible to receive pursuant to this chapter.

Sec. 11. Section 97B.41, subsection 2, Code Supplement 1995, is amended to read as follows:

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

Sec. 12. Section 97B.41, subsection 8, paragraph b, subparagraph (6), Code Supplement 1995, is amended to read as follows:

(6) Employees hired for temporary employment of less than six months or one thousand and forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year.

Sec. 13. Section 97B.41, subsection 8, paragraph b, Code Supplement 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (20) Persons employed through any program described in section 15.225, subsection 1, and provided by the Iowa conservation corps.

Sec. 14. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.

Sec. 15. Section 97B.41, subsection 12, Code Supplement 1995, is amended to read as follows:

12. "Membership service" means service rendered by a member after July 4, 1953. Years of membership service shall be counted to the complete quarter calendar year. However, membership service for a calendar year shall not include more than four quarters. In determining a member's period of membership service, the department shall combine all periods of service for which the member has made contributions. If the department has not maintained the accumulated contribution account of the member for a period of service, as provided pursuant to section 97B.53, subsection 6, the department shall credit the member for the service if the member submits satisfactory proof to the department that the member did make the contributions for the period of service and did not take a refund for the period of service. ~~However, the department shall not implement the amendments to this subsection, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this subsection and to section 97B.53, subsections 3 and 7, section 97B.53, subsection 6, unnumbered paragraph 1, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system. Until the amendments are implemented, the department shall continue~~

~~to implement the provisions of section 97B.41, subsection 12, Code Supplement 1993. As used in this subsection, unless the context otherwise requires, "other established priorities of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (11), and that the department has implemented the amendments to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183.~~

Sec. 16. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Regular service" means service for an employer other than special service.

Sec. 17. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 14A. "Retirement" means that period of time beginning when a member who has filed an approved application for a retirement allowance has survived into at least the first day of the member's first month of entitlement and ending when the member dies.

Sec. 18. Section 97B.41, subsection 15, paragraphs a and b, Code Supplement 1995, are amended to read as follows:

a. Service in the armed forces of the United States, if the employee was employed by the employer immediately prior to entry into the armed forces, and if the employee was released from service and returns to covered employment with the employer within twelve months of the date on which the employee has the right of release from service or within a longer period as ~~provided~~ required by the applicable laws of the United States.

b. Leave of absence or vacation authorized by the employer for a period not exceeding twelve months. A leave of absence

authorized pursuant to the requirements of the federal Family and Medical Leave Act of 1993 is considered a leave of absence authorized by the employer.

Sec. 19. Section 97B.41, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. "Special service" means service for an employer while employed in a protection occupation as provided in section 97B.49, subsection 16, paragraph "a", and as a county sheriff, deputy sheriff, or airport fire fighter as provided in section 97B.49, subsection 16, paragraph "b".

Sec. 20. Section 97B.41, subsection 18, Code Supplement 1995, is amended to read as follows:

18. a. "Three-year average covered wage" means a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 department may determine the wages for the third 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 two highest years and using the computed average quarter for each quarter in the third 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 year. However, the department shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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.

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

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

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

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

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

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

Sec. 21. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended by striking the unnumbered paragraphs and inserting in lieu thereof the following:

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

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

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

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

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

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

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

Sec. 22. Section 97B.41, subsection 20, paragraph b, subparagraph (11), unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in section 97B.49, subsection 16 or 17, the department shall establish the covered wages limitation which applies to members covered under section 97B.49, subsection 16 or 17, at the same level as is established under this subparagraph for other members of the system.

Sec. 23. Section 97B.42, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Each employee whose employment commences after July 4, 1953, or who has not qualified for credit for prior service rendered prior to July 4, 1953, or any publicly elected official of the state or any of its political subdivisions shall become a member upon the first day in which such employee is employed. The employee shall continue to be an active member so long as the employee continues in covered employment. The employee shall cease to be an active member if the employee joins another retirement system in the state which is maintained in whole or in part by public contributions or payments and receives retirement credit for service in that other system for the same position previously covered under this chapter. If an employee joins another

publicly maintained retirement system and ceases to be an active member under this chapter, the employee may elect to leave the employee's accumulated contributions in the retirement fund or receive a refund of the employee's accumulated contributions in the manner provided for members who are terminating covered employment pursuant to section 97B.53. However, if an employee joins another publicly maintained retirement system and leaves the employee's accumulated contributions in the retirement fund, the employee shall not be eligible to receive retirement benefits until the employee has a bona fide retirement from employment with a covered employer as provided in section 97B.52A, or until the employee would otherwise be eligible to receive benefits upon attaining the age of seventy years as provided in section 97B.46.

Sec. 24. Section 97B.42, unnumbered paragraph 4, Code 1995, is amended to read as follows:

Persons who are members of any other retirement system in the state which is maintained in whole or in part by public contributions other than persons who are covered under the provisions of chapter 97, Code 1950, as amended by the Fifty-fourth General Assembly on the date of the repeal of said chapter, under the provisions of sections 97.50 through 97.53 shall not become members under this chapter while still actively participating in that other retirement system unless the persons do not receive retirement credit for service in that other system for the position to be covered under this chapter.

Sec. 25. Section 97B.42, unnumbered paragraph 5, Code 1995, is amended to read as follows:

Nothing herein contained shall be construed to permit any ~~person in public employment to be an active member of~~ employer to make any public contributions or payments on behalf of an employee in the same position for the same period of time to both the Iowa public employees' retirement system and of any other retirement system in the state which is supported in whole or in part by public contributions or payments ~~except as heretofore provided~~.

Sec. 26. Section 97B.42, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this section, a "retirement system in the state which is maintained in whole or in part by public contributions or payments" shall not include a deferred compensation plan established under section 509A.12 or a tax-sheltered annuity qualified under section 403(b) of the Internal Revenue Code.

Sec. 27. Section 97B.48, subsection 1, Code 1995, is amended to read as follows:

1. Retirement allowances shall be paid monthly, except that an allowance of less than six hundred dollars a year may, at the member's option, be paid as a lump sum in an ~~actuarial equivalent~~ amount equal to the sum of the member's and employer's accumulated contributions and the retirement dividends standing to the member's credit before December 31, 1966. Receipt of the lump-sum payment by a member shall terminate any and all entitlement for the period of service covered of the member under this chapter.

Sec. 28. Section 97B.48A, subsection 1, Code 1995, is amended to read as follows:

1. ~~If, after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday,~~ a member who has not reached the member's sixty-fifth birthday and who has a bona fide retirement under this chapter is in regular full-time employment during a calendar year, the member's retirement allowance shall be ~~suspended for as long as the member remains in employment for the remainder of that calendar year~~ reduced by fifty cents for each dollar the member earns over the limit provided in this subsection. However, ~~effective January 1, 1992,~~ employment is not full-time employment until the member receives remuneration in an amount in excess of seven thousand four hundred forty dollars for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under sixty-five years of age before a reduction in federal Social Security retirement benefits is

required, whichever is higher. Effective the first of the month in which a member attains the age of sixty-five years, a retired member may receive a retirement allowance without a reduction after return to covered employment regardless of the amount of remuneration received.

If a member dies and the full amount of the reduction from retirement allowances required under this subsection has not been paid, the remaining amounts shall be deducted from the payments made, if any, to the member's designated beneficiary or contingent annuitant. If the member has selected an option under which remaining payments are not required or the remaining payments are insufficient to satisfy the full amount of the reduction from retirement allowances required under this subsection, the amount still unpaid shall be a claim against the member's estate.

Sec. 29. Section 97B.48A, subsection 4, Code 1995, is amended to read as follows:

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

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

NEW UNNUMBERED PARAGRAPH. Effective January 1, 1997, for members who retired on or after July 1, 1953, and before July 1, 1990, with at least ten years of prior and membership service, the minimum monthly benefit payable at the normal retirement date for prior and membership service shall be two hundred dollars. The minimum monthly benefit payable shall be increased by ten dollars for each year of prior and membership service beyond ten years, up to a maximum of twenty additional years of prior and membership service. If benefits commenced

on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50. If an optional allowance was selected under section 97B.51, the amount payable shall be the actuarial equivalent of the minimum benefit.

Sec. 31. Section 97B.49, subsection 5, paragraph b, Code Supplement 1995, is amended to read as follows:

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

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

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

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

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

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

The applicable percentage multiplier shall be subject to adjustments as provided in paragraphs "e" and "f".

~~Commencing July 1, 1991, the department shall increase the percentage multiplier of the three-year average covered wage by an additional two percent each July 1 until reaching sixty percent of the three-year average covered wage if the annual actuarial valuation of the retirement system indicates for that year that the cost of this increase in the percentage of the three-year average covered wage used in computing~~

~~retirement benefits can be absorbed within the employer and employee contribution rates in effect under section 97B.11. However, commencing July 1, 1994, if the annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb an increase in the percentage multiplier in excess of two percent, the department shall increase the percentage multiplier for that year beyond two percent to the extent which the increase can be absorbed by the contribution rates in effect, not to exceed a maximum percentage multiplier of sixty percent. The increase in the percentage multiplier for a year applies only to the members retiring on or after July 1 of the respective year.~~

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

Notwithstanding any other provision of this chapter providing for the payment of the benefits provided in subsection 16 or 17, the department shall ~~establish~~ apply the percentage multiplier which applies to members covered under subsection 16 or 17 at the same level as is established under this subsection for other members of the system, including any modification in the percentage multiplier as provided in paragraphs "e" and "f".

~~By November 15, 1995, the department shall set aside from other moneys in the retirement fund three million eight hundred sixty thousand dollars. The moneys set aside shall be from the funds generated by the employer and employee contributions in effect under section 97B.11 that exceed the amount necessary to fund the system's existing liabilities, as determined in the annual actuarial valuation of the system as of June 30, 1995. If the annual actuarial valuation indicates that the amount of the employer and employee contributions in excess of the amount necessary to fund existing liabilities is~~

~~less than three million eight hundred sixty thousand dollars, the department shall set aside all funds that are available. The funds set aside shall not be used in determining the covered wage limitation pursuant to section 97B.41, subsection 20, paragraph "b", subparagraph (11), on January 1, 1996. However, any funds set aside which are not specifically dedicated to a purpose by the Seventy-sixth General Assembly shall be used in determining the covered wage limitation thereafter.~~

~~In accordance with sections 97B.1 and 97B.4, it is the intent of the general assembly that once the goal of sixty percent of the three-year average covered wage is attained for a percentage multiplier, the department shall submit to the public retirement systems committee a plan for future benefit enhancements. This plan shall include, but is not limited to, continuation in the increase in the covered wage ceiling until reaching fifty five thousand dollars for a calendar year, providing for annual adjustments in the annual dividends paid to retired members as provided in section 97B.49, subsection 13, and providing for the indexing of terminated vested members' earned benefits at a rate of three percent per year calculated from the date of termination from covered employment until the date of retirement.~~

VETO

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

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

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

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

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

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

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

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

The covered wage categories referred to in subparagraphs (1) through (6) of this paragraph and the fifty-five thousand dollar amount otherwise specified in this paragraph shall be increased by the department for each fiscal year, beginning July 1, 1998, by an amount that represents the increase in the consumer price index during the previous twelve-month period ending on June 30, as published annually in the federal register by the federal department of labor, bureau of labor statistics.

Veto

Sec. 33. Section 97B.49, subsection 5, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. For each active or inactive vested member retiring on or after July 1, 1996, the percentage multiplier of the three-year average covered wage used under subsections 5, 15, 16, and 17 to calculate the monthly retirement allowance shall be increased by one-fourth of one percentage point for each additional calendar quarter of membership service beyond the applicable years of service, not to exceed a total of five additional percentage points. For purposes of this paragraph, "the applicable years of service" shall be the following, based upon the service retirement allowance selected:

(1) For members receiving a retirement allowance for regular service under subsection 5 or 15, or receiving a combined retirement allowance under subsection 17, the applicable years of service is thirty.

(2) For members receiving a retirement allowance for service in a protection occupation under subsection 16, paragraph "a", the applicable years of service is twenty-five.

(3) For members receiving a retirement allowance for service as a sheriff, deputy sheriff, or airport fire fighter under subsection 16, paragraph "b", subparagraph (1) or (2), the applicable years of service is twenty-two.

Sec. 34. Section 97B.49, subsection 13, Code Supplement 1995, is amended to read as follows:

13. a. A member who retired from the system between January 1, 1976, and June 30, 1982, or a contingent annuitant or beneficiary of such a member, shall receive with the November ~~1994 and the November 1995~~ 1996 monthly benefit ~~payments~~ payment a retirement dividend equal to ~~one~~ two hundred ~~eighty-one~~ twenty-three percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

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

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

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

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

f. A member who retired from the system between July 1, 1986, and June 30, 1990, or a contingent annuitant or beneficiary of such a member, shall receive with the November 1996 ~~and the November 1997~~ monthly benefit ~~payments~~ payment a

retirement dividend ~~in an amount determined by the general assembly~~ equal to twenty-four percent of the monthly benefit payment the member received for the preceding June, or the most recently received benefit payment, whichever is greater. The retirement dividend does not affect the amount of a monthly benefit payment.

Sec. 35. Section 97B.49, subsection 13, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Effective July 1, 1997, commencing with dividends payable in November 1997, and for each subsequent year, all members who retired prior to July 1, 1990, shall be eligible for annual dividend payments, payable in November of that year, pursuant to the requirements of this paragraph. The dividend payable in any given year shall be the sum of the dollar amount of the dividend payable in the previous November and the dividend adjustment.

The dividend adjustment for a given year shall be calculated by multiplying the total of the retiree's monthly benefit payments and the dividend payable to the retiree in the previous calendar year by the applicable percentage as determined by this paragraph. The applicable percentage shall be the least of the following percentages:

(1) The percentage representing eighty percent of the percentage increase in the consumer price index published in the federal register by the federal department of labor, bureau of labor statistics, that reflects the percentage increase in the consumer price index for the twelve-month period ending June 30 of the year that the dividend is to be paid.

(2) The percentage representing the percentage amount the actuary has certified, in the annual actuarial valuation of the system as of June 30 of the year in which the dividend is to be paid, that the fund can absorb without requiring an increase in the employer and employee contributions to the fund.

(3) Three percent.

The dividend determined pursuant to this paragraph shall not be used to increase the monthly benefit amount payable.

Sec. 36. Section 97B.49, subsection 15, paragraph b, Code Supplement 1995, is amended to read as follows:

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

Sec. 37. Section 97B.49, subsection 15, Code Supplement 1995, is amended by adding the following new paragraphs:

NEW PARAGRAPH. c. For each active or inactive vested member retiring on or after July 1, 1996, and before the implementation date provided in paragraph "d", subparagraph (2), who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds ninety, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

NEW PARAGRAPH. d. (1) For each active or inactive vested member retiring on or after the implementation date provided in subparagraph (2), who is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight, a monthly benefit shall be computed which is equal to one-twelfth of the same percentage of the three-year average covered wage of the member as is provided in subsection 5, multiplied by a fraction of years of service as is provided in subsection 5.

(2) The department shall implement this paragraph on July 1, 1997, or on the date that the department determines that the most recent annual actuarial valuation of the system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the costs of this paragraph, whichever is later. However, until this paragraph is implemented, the department shall not pay a dividend adjustment pursuant to subsection 13, paragraph "g".

Sec. 38. Section 97B.49, subsection 16, paragraph e, Code Supplement 1995, is amended to read as follows:

e. Annually, the department of personnel shall actuarially determine the cost of the additional benefits provided for members covered under paragraph "a" and the cost of the additional benefits provided for members covered under paragraph "b" as percents of the covered wages of the employees covered by this subsection. Sixty percent of the cost shall be paid by the employers of employees covered under this subsection and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph are in addition to the contributions paid under ~~section~~ sections 97B.11 and 97B.11A.

Sec. 39. Section 97B.49, subsection 16, Code Supplement 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the department of personnel from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the additional benefits provided to a fire prevention inspector peace officer pursuant to paragraph "d", subparagraph (8).

Sec. 40. Section 97B.49, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 17. a. An active or inactive vested member, who is or has been employed in both special service and regular service, who retires on or after July 1, 1996, with four or more completed years of service and at the time of retirement is at least fifty-five years of age, may elect

to receive, in lieu of the receipt of any other benefits under this section, a combined monthly retirement allowance equal to the sum of the following:

(1) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in subsection 16, paragraph "b", for which special service contributions were made, divided by twenty-two.

(2) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed twenty-five, earned in a position described in subsection 16, paragraph "a", for which special service contributions were made, divided by twenty-five.

(3) One-twelfth of an amount equal to the applicable percentage multiplier established in subsection 5 of the member's three-year average covered wage multiplied by a fraction of years of service. The fraction of years of service for purposes of this subparagraph shall be the actual years of service, not to exceed thirty, for which regular service contributions were made, divided by thirty. However, any otherwise applicable age reduction for early retirement shall apply to the calculation under this subparagraph.

In calculating the fractions of years of service under subparagraphs (1) and (2), a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the department.

b. In calculating the combined monthly retirement allowance pursuant to paragraph "a", the sum of the fraction

of years of service provided in paragraph "a", subparagraphs (1), (2), and (3), shall not exceed one. If the sum of the fractions of years of service would exceed one, the department shall deduct years of service first from the calculation under paragraph "a", subparagraph (3), and then from the calculation under paragraph "a", subparagraph (2), if necessary, so that the sum of the fractions of years of service shall equal one.

c. (1) In calculating the combined monthly retirement allowance pursuant to paragraph "a", for members retiring on or after July 1, 1997, whose three-year average covered wage exceeds fifty-five thousand dollars, each calculation under paragraph "a", subparagraphs (1), (2), and (3) of this subsection shall be subject to reduction, calculated in the manner provided in subsection 5, paragraph "e".

(2) In calculating the combined monthly retirement allowance pursuant to paragraph "a", and in determining the applicable percentage multiplier established in subsection 5, the member shall be entitled to an addition in the percentage multiplier in accordance with subsection 5, paragraph "f", only for those years of service in excess of thirty years. Any addition in the percentage multiplier shall be included in the calculations required under paragraph "a", subparagraphs (1), (2), and (3) of this subsection.

Sec. 41. Section 97B.50, subsection 2, Code 1995, is amended to read as follows:

2. a. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Social Security Act, 42 U.S.C. § 423 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time after July 4, 1953.

Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

b. A vested member who retires from the system due to disability and commences receiving disability benefits pursuant to the federal Railroad Retirement Act, 45 U.S.C. § 231 et seq., and who has not reached the normal retirement date, shall receive benefits under section 97B.49 and shall not have benefits reduced upon retirement as required under subsection 1 regardless of whether the member has completed thirty or more years of membership service. However, the benefits shall be suspended during any period in which the member returns to covered employment. This section takes effect July 1, 1990, for a member meeting the requirements of this paragraph who retired from the system at any time since July 4, 1953. Eligible members are entitled to the receipt of retroactive adjustment payments back to July 1, 1990, notwithstanding the requirements of subsection 4.

Sec. 42. Section 97B.51, subsection 3, Code Supplement 1995, is amended to read as follows:

3. A member who had elected to take the option stated in subsection 1 of this section may, at any time prior to retirement, revoke such an election by written notice to the department. A member shall not change or revoke an election once the first retirement allowance is paid.

Sec. 43. Section 97B.51, subsection 5, Code Supplement 1995, is amended to read as follows:

5. At retirement, a member may designate that upon the member's death, a specified amount of money shall be paid to a named beneficiary, and the member's monthly retirement allowance shall be reduced by an actuarially determined amount to provide for the lump sum payment. The amount designated by the member must be in thousand dollar increments~~, and the~~ and shall be limited to the amount of the member's accumulated contributions. The amount designated shall not lower the monthly retirement allowance of the member by more than one-half the amount payable under section 97B.49, subsection 1 or

5. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 44. Section 97B.51, subsection 6, Code Supplement 1995, is amended to read as follows:

6. A member may elect to receive a decreased retirement allowance during the member's lifetime with provision that in event of the member's death during the first one hundred twenty months of retirement, monthly payments of the member's decreased retirement allowance shall be made to the member's beneficiary until a combined total of one hundred twenty monthly payments have been made to the member and the member's beneficiary. When the member designates multiple beneficiaries, the present value of the remaining payments shall be paid in a lump sum to each beneficiary, either in equal shares to the beneficiaries, or if the member specifies otherwise in a written request, in the specified proportion. A member may designate a different beneficiary if the original named beneficiary predeceases the member.

Sec. 45. Section 97B.52, subsection 1, Code Supplement 1995, is amended to read as follows:

1. If a member dies prior to the member's first month of entitlement, the accumulated contributions of the member at the date of death plus the product of an amount equal to the highest year of covered wages of the deceased member and the number of years of membership service divided by ~~thirty~~ the applicable denominator shall be paid to the member's beneficiary in a lump sum payment. However, a lump sum payment made to a beneficiary under this subsection due to the death of a member shall not be less than the amount that would have been payable on the death of the member on June 30, 1984, under this subsection as it appeared in the 1983 Code.

As used in this subsection, "applicable denominator" means the following, based upon the type of membership service in which the member served either on the date of death, or if the member died after terminating service, on the date of the member's last termination of service:

a. For regular service, the applicable denominator is thirty.

b. For service in a protection occupation, as defined in section 97B.49, subsection 16, paragraph "d", the applicable denominator is twenty-five.

c. For service as a sheriff, deputy sheriff, or airport fire fighter, as provided in section 97B.49, subsection 16, paragraph "b", the applicable denominator is twenty-two.

Effective July 1, 1978, a method of payment under this subsection filed with the department by a member does not apply.

Sec. 46. Section 97B.52, subsection 3, paragraph b, Code Supplement 1995, is amended to read as follows:

b. If a death benefit is due and payable, interest shall continue to accumulate through the month preceding the month in which payment is made to the designated beneficiary, heirs at law, or the estate unless the payment of the death benefit is delayed because of a dispute between alleged heirs, in which case the benefit due and payable shall be placed in a noninterest bearing escrow account until the beneficiary is determined in accordance with this section. In order to receive the death benefit, the beneficiary, heirs at law, or the estate, or any other third-party payee, must apply to the department within two five years of the member's death.

The department shall reinstate a designated beneficiary's right to receive a death benefit beyond the five-year limitation if the designated beneficiary was the member's spouse at the time of the member's death and the distribution is required or permitted pursuant to Internal Revenue Code section 401(a)(9) and the applicable treasury regulations.

Sec. 47. Section 97B.52, subsection 5, Code Supplement 1995, is amended to read as follows:

5. Following written notification to the department, a beneficiary of a deceased member may waive current and future rights to payments to which the beneficiary would otherwise be entitled under sections 97B.51 and this section. Upon receipt of the waiver, the department shall pay ~~to the estate of the~~

~~deceased member~~ the amount designated to be received by ~~the~~ that beneficiary to the member's other surviving beneficiary or beneficiaries or to the estate of the deceased member, as elected by the beneficiary in the waiver. If the payments being waived are payable to the member's estate and an estate is not probated, the payments shall be paid to the deceased member's surviving spouse, or if there is no surviving spouse, to the member's heirs other than the beneficiary who waived the payments.

Sec. 48. Section 97B.52A, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A member who terminates covered employment but maintains an employment relationship with an employer that made contributions to the system on the member's behalf does not have a bona fide retirement until all employment, including employment which is not covered by this chapter, with such employer is terminated for at least thirty days. In order to receive retirement benefits, the member must file a completed application for benefits form with the department before returning to any employment with the same employer.

Sec. 49. Section 97B.53, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The accumulated contributions of a terminated, vested member shall be credited with interest, including interest dividends, in the manner provided in section 97B.70. Interest and interest dividends shall be credited to the accumulated contributions of members who terminate service and subsequently become vested in accordance with section 97B.70. ~~However, the department shall not implement the amendments to this subsection or to subsection 6, unnumbered paragraph 1, or to subsection 7, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to these provisions of this section and the amendments to section~~

~~97B.41, subsection 12, and section 97B.70, by enacting a new subsection 4, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, 1993 Code of Iowa.~~

Sec. 50. Section 97B.53B, subsection 1, paragraph c, subparagraph (4), Code 1995, is amended to read as follows:

(4) ~~A distribution~~ Annual distributions of less than two hundred dollars of taxable income.

Sec. 51. Section 97B.66, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A vested or retired member who was a member of the teachers insurance and annuity association-college retirement equity fund at any time between July 1, 1967 and June 30, 1971 and who became a member of the system on July 1, 1971, upon submitting verification of service and wages earned during the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, may make employer and employee contributions to the system based upon the covered wages of the member and the covered wages and the contribution rates in effect for all or a portion of that period of service and receive credit for membership service under this system equivalent to the applicable period of membership service in the teachers insurance and annuity association-college retirement equity fund for which the contributions have been made. In addition, a member making employer and employee contributions because of membership in the teachers insurance and annuity association-college retirement equity fund under this section who was a member of the system on June 30, 1967 and withdrew the member's accumulated contributions because of membership on July 1, 1967 in the teachers insurance and annuity association-college retirement equity fund, may make employee contributions to the system for all or a portion of the period of service under the

system prior to July 1, 1967. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.66, unnumbered paragraphs 1 and 2, Code Supplement 1993. As used in this section, unless the context otherwise requires, "other established priority of the system" means that commencing January 1 following the most recent annual actuarial valuation of the system, the department has increased the covered wage limitation from the previous year by three thousand dollars, in accordance with section 97B.41, subsection 20, paragraph "b", subparagraph (1).~~

Sec. 52. Section 97B.66, unnumbered paragraph 2, Code Supplement 1995, is amended to read as follows:

The contributions paid by the vested or retired member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, by the member for the applicable

period of service, and the employer contribution for the applicable period of service under the teachers insurance and annuity association-college retirement equity fund, that would have been or had been contributed by the vested or retired member and the employer, if applicable, plus interest on the contributions that would have accrued for the applicable period from the date the previous applicable period of service commenced under this system or from the date the service of the member in the teachers insurance and annuity association-college retirement equity fund commenced to the date of payment of the contributions by the member ~~equal to two percent plus the interest dividend rate applicable for each year~~ as provided in section 97B.70.

Sec. 53. Section 97B.66, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 54. Section 97B.68, subsection 1, Code 1995, is amended to read as follows:

1. Effective July 1, ~~1988~~ 1996, a person who is a member of the federal civil service retirement program or the federal employee's retirement system is not eligible for membership in the Iowa public employees' retirement system for the same position, and this chapter does not apply to that employee. An employee whose membership in the federal civil service retirement program or the federal employee's retirement system is subsequently terminated shall immediately notify the employee's employer and the department of personnel of that fact, and the employee shall become subject to this chapter on the date the notification is received by the department.

Sec. 55. Section 97B.68, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Effective July 1, 1996, an employee who participates in the federal civil service retirement

program or the federal employee's retirement system may be covered under this chapter if otherwise eligible. The employee shall not be covered under this chapter, however, unless the employee is not credited for service in the federal civil service retirement system or the federal employee's retirement system for the position to be covered under this chapter. This subsection shall not be construed to permit any employer to contribute on behalf of an employee for the same position and the same period of service to both the Iowa public employees' retirement system and either the federal civil service retirement program or the federal employee's retirement system.

Sec. 56. Section 97B.70, Code Supplement 1995, is amended to read as follows:

97B.70 INTEREST AND DIVIDENDS TO MEMBERS.

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

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

~~a.~~ (1) Investment income shall include interest and cash dividends on stock.

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

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

~~d.~~ (4) Mean assets shall include fixed income investments valued at cost or on an amortized basis, and common stocks at market values or cost, whichever is lower.

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

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

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

2. For calendar years beginning January 1, 1997, a per annum interest rate at one percent above the interest rate on one-year certificates of deposit shall be credited to the member's contributions and the employer's contributions to become part of the accumulated contributions. For purposes of this subsection, the interest rate on one-year certificates of deposit shall be determined by the department based on the average rate for such certificates of deposit as of the first business day of each year as published in a publication of general acceptance in the business community. The per annum interest rate shall be credited on a quarterly basis by applying one-quarter of the annual interest rate to the sum of the accumulated contributions as of the end of the previous calendar quarter.

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

4. ~~Effective upon the date that the department determines that this subsection shall be implemented, interest~~ Interest and interest dividends shall be credited to the contributions of a person who leaves the contributions in the retirement fund upon termination from covered employment prior to achieving vested status, but who subsequently achieves vested status. The interest and interest dividends shall be credited to the contributions commencing ~~either~~ upon ~~the date that the department determines that this subsection shall be implemented, or~~ the date on which the person becomes a vested member~~, whichever is later~~. Interest and interest dividends

shall cease upon the first of the month coinciding with or next following the person's retirement date. If the department no longer maintains the accumulated contribution account of the person pursuant to section 97B.53, but the person submits satisfactory proof to the department that the person did make the contributions, the department shall credit interest and interest dividends in the manner provided in this subsection. ~~However, the department shall not implement this subsection, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the enactment of this subsection and the amendments to section 97B.41, subsection 12, section 97B.53, subsections 3 and 7, and section 97B.53, subsection 6, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priorities of the system, as defined in section 97B.41, subsection 12.~~

Sec. 57. Section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

Persons who are members of the Seventy-first General Assembly or a succeeding general assembly who submit proof to the department of membership in the general assembly during any period beginning July 4, 1953, may make contributions to the system for all or a portion of the period of service in the general assembly, and receive credit for the applicable period for which contributions are made. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period. The proof of membership in the general assembly and payment of accumulated contributions shall be transmitted to the department. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~, effective upon the date that the department determines that the amendments to this~~

~~paragraph and unnumbered paragraph 2 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 2, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and unnumbered paragraph 2 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

There is appropriated from moneys available to the general assembly under section 2.12 an amount sufficient to pay the contributions of the employer based on the period of service for which the members have paid accumulated contributions in an amount equal to the contributions which would have been made if the members of the general assembly who made employee contributions had been members of the system during the applicable period of service in the general assembly plus ~~two~~ percent interest ~~plus~~ and interest dividends at the rate provided in section 97B.70 for all completed calendar years, and for any completed calendar year for which the interest dividend has not been declared and for completed months of partially completed calendar years ~~at two percent interest plus the interest dividend rate calculated for the previous year~~, compounded ~~annually, from the end of the calendar year~~

~~in which contribution was made to the first day of the month of such date~~ as provided in section 97B.70.

Sec. 58. Section 97B.72, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 59. Section 97B.72A, subsection 1, Code Supplement 1995, is amended to read as follows:

1. ~~An active or~~ A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly. The contributions made by the member shall be equal to the accumulated contributions as defined in section 97B.41, subsection 2, which would have been made if the member of the general assembly had been a member of the system during the applicable period of service in the general assembly. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or for portions of the period of service, and, ~~effective upon the date that the department determines that the amendments to this paragraph contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. The member of the system shall submit proof to the department of membership in the general assembly. The department shall credit the member with the period of membership service for which contributions are made. ~~However, the department shall not implement the amendments to this paragraph, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates~~

~~that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.73A, unnumbered paragraph 1, and section 97B.74, unnumbered paragraphs 1 and 2, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.72A, subsection 1, unnumbered paragraph 1, Code Supplement 1993.~~

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

Sec. 60. Section 97B.72A, subsection 2, Code Supplement 1995, is amended to read as follows:

2. ~~Effective January 1, 1994, however~~ However, the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 61. Section 97B.73, unnumbered paragraph 1, Code 1995, is amended to read as follows:

A vested or retired member who was in public employment comparable to employment covered under this chapter in another state or in the federal government, or who was a member of another public retirement system in this state, including but not limited to the teachers insurance annuity association-

college retirement equities fund, but who was not retired under that system, upon submitting verification of membership and service in the other public system to the department, including proof that the member has no further claim upon a retirement benefit from that other public system, may make employer and employee contributions to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~The member may also make one lump sum contribution to the system which represents the entire period of service in the other public system, even if the period of time exceeds one year or includes a portion of a year.~~ If the member wishes to transfer only a portion of the service value of another public system to this system and the other public system allows a partial withdrawal of a member's system credits, the member shall receive credit for membership service in this system equivalent to the ~~number of years~~ period of service transferred from the other public system. The contribution payable shall be based upon the member's covered wages for the most recent full calendar year at the applicable rates in effect for that calendar year under sections 97B.11 and 97B.49 and multiplied by the member's years of service in other public employment. If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy since the covered wages were earned.

Sec. 62. Section 97B.73, unnumbered paragraph 6, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 63. Section 97B.73A, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

A part-time county attorney may elect in writing to the department to make employee contributions to the system for the county attorney's previous service as a county attorney and receive credit for membership service in the system for the applicable period of service as a part-time county attorney for which employee contributions are made. The contributions paid by the member shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, for the applicable period of membership service. A member making contributions pursuant to this section may make the contributions either for the entire applicable period of service, or~~,-effective-upon-the-date-that-the-department determines-that-the-amendments-to-this-paragraph-contained-in 1994-Iowa-Acts,-chapter-1183,-shall-be-implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years,-as-long-as-the increments-represent-full-years-and-not-a-portion-of-a-year~~ calendar quarters. A member who elects to make contributions under this section shall notify the applicable county board of supervisors of the member's election, and the county board of supervisors shall pay to the department the employer contributions that would have been contributed by the employer under section 97B.11 plus interest on the contributions that would have accrued if the county attorney had been a member of the system for the applicable period of service. ~~However,-the department-shall-not-implement-the-amendments-to-this paragraph,-as-enacted-in-1994-Iowa-Acts,-chapter-1183,-unless and-until-the-department-determines-that-the-most-recent annual-actuarial-valuation-of-the-retirement-system-indicates that-the-employer-and-employee-contribution-rates-in-effect under-section-97B.11-can-absorb-the-amendments-to-this paragraph-and-to-section-97B.66,-unnumbered-paragraphs-1-and 2,-section-97B.72,-unnumbered-paragraphs-1-and-2,-section 97B.72A,-subsection-1,-unnumbered-paragraph-1,-and-section 97B.74,-unnumbered-paragraphs-1-and-2,-contained-in-1994-Iowa Acts,-chapter-1183,-after-meeting-the-other-established priority-of-the-system,-as-defined-in-section-97B.66.--Until the-amendments-are-implemented,-the-department-shall-continue to-implement-the-provisions-of-section-97B.73A,-unnumbered paragraph-1,-Code-Supplement-1993.~~

Sec. 64. Section 97B.73A, unnumbered paragraph 3, Code Supplement 1995, is amended to read as follows:

However, ~~effective-January-1,-1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 65. Section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1995, are amended to read as follows:

~~An-active,~~ A vested~~,~~ or retired member who was a member of the system at any time on or after July 4, 1953, and who received a refund of the member's contributions for that period of membership service, may elect in writing to the department to make contributions to the system for all or a portion of the period of membership service for which a refund of contributions was made, and receive credit for the period of membership service for which contributions are made. The contributions repaid by the member for such service shall be equal to the accumulated contributions, as defined in section 97B.41, subsection 2, received by the member for the applicable period of membership service plus interest on the accumulated contributions for the applicable period from the date of receipt by the member to the date of repayment ~~equal to-two-percent-plus~~ at the interest ~~dividend~~ rate provided in section 97B.70 applicable for each year compounded ~~annually~~ as provided in section 97B.70.

~~An-active-member-must-have-at-least-one-quarter's reportable-wages-on-file-and-have-membership-service, including-that-period-of-membership-service-for-which-a-refund of-contributions-was-made,-sufficient-to-give-the-member vested-status.~~ A member making contributions pursuant to this

section may make the contributions either for the entire applicable period of service, or~~,~~ ~~effective upon the date that the department determines that the amendments to this paragraph and unnumbered paragraph 1 contained in 1994 Iowa Acts, chapter 1183, shall be implemented,~~ for portions of the period of service, and if contributions are made for portions of the period of service, the contributions shall be in increments of one or more ~~years, as long as the increments represent full years and not a portion of a year~~ calendar quarters. ~~However, the department shall not implement the amendments to this paragraph or unnumbered paragraph 1, as enacted in 1994 Iowa Acts, chapter 1183, unless and until the department determines that the most recent annual actuarial valuation of the retirement system indicates that the employer and employee contribution rates in effect under section 97B.11 can absorb the amendments to this paragraph and to unnumbered paragraph 1 and to section 97B.66, unnumbered paragraphs 1 and 2, section 97B.72, unnumbered paragraphs 1 and 2, section 97B.72A, subsection 1, unnumbered paragraph 1, and section 97B.73A, unnumbered paragraph 1, contained in 1994 Iowa Acts, chapter 1183, after meeting the other established priority of the system, as defined in section 97B.66. Until the amendments are implemented, the department shall continue to implement the provisions of section 97B.74, unnumbered paragraphs 1 and 2, Code Supplement 1993.~~

Sec. 66. Section 97B.74, unnumbered paragraph 4, Code Supplement 1995, is amended by striking the unnumbered paragraph.

Sec. 67. Section 97B.80, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Effective July 1, 1992, a vested or retired member, who at any time served on active duty in the armed forces of the United States, upon submitting verification of the dates of the active duty service, may make employer and employee contributions to the system based upon the member's covered wages for the most recent full calendar year in which the member had reportable wages at the applicable rates in effect

for that year under sections 97B.11 and 97B.49, for all or a portion of the period of time of the active duty service, in increments of ~~no greater than one year and not less than one~~ or more calendar ~~quarter~~ quarters, and receive credit for membership service and prior service for the period of time for which the contributions are made. ~~However, the member may not make contributions in an increment of less than one year more than once. The member may also make one lump sum contribution to the system which represents the period of time of the active duty service, even if the period of time exceeds one year.~~ If the member's most recent covered wages were earned prior to the most recent calendar year, the member's covered wages shall be adjusted by the department by an inflation factor to reflect changes in the economy. The department shall adjust benefits for a six-month period prior to the date the member pays contributions under this section if the member is receiving a retirement allowance at the time the contribution payment is made. Verification of active duty service and payment of contributions shall be made to the department. However, a member is not eligible to make contributions under this section if the member is receiving, is eligible to receive, or may in the future be eligible to receive retirement pay from the United States government for active duty in the armed forces, except for retirement pay granted by the United States government under retired pay for nonregular service (10 U.S.C. § 1331, et seq.). A member receiving retired pay for nonregular service who makes contributions under this section shall provide information required by the department documenting time periods covered under retired pay for nonregular service.

Sec. 68. Section 97B.80, unnumbered paragraph 3, Code 1995, is amended to read as follows:

However, ~~effective January 1, 1994,~~ the department shall ensure that the member, in exercising an option provided in this section, does not exceed the amount of annual additions to a member's account permitted pursuant to section 415 of the federal Internal Revenue Code.

Sec. 69. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- DEVELOPMENT OF PROPOSALS FOR ESTABLISHING A DEFINED CONTRIBUTION OPTION AND FOR CONVERTING THE SYSTEM INTO A DEFINED CONTRIBUTION PLAN -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall develop a proposal concerning various alternatives for establishing a defined contribution option for members of the Iowa public employees' retirement system in addition to the current defined benefit plan and a proposal concerning various alternatives for converting the Iowa public employees' retirement system into a defined contribution plan by terminating the current defined benefit plan and establishing a defined contribution plan. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains proposals for establishing a defined contribution option and for converting the Iowa public employees' retirement system into a defined contribution plan. The report shall also contain actuarial information concerning the costs of the proposals.

Sec. 70. STUDY OF PROPOSALS CONCERNING CONTRIBUTION RATES -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing equitable contribution rates for both employers and employees covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide that the employee and employer contribution rate be equal. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing

employer and employee contribution rates. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 71. STUDY OF PROPOSALS REGARDING DISABILITY RETIREMENT BENEFITS -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for establishing disability retirement benefits for employees, or certain employees, covered by the Iowa public employees' retirement system. In conducting the study, the division shall consider a proposal to provide disability retirement benefits for sheriffs, deputy sheriffs, airport fire fighters, or members of a protection occupation in a manner similar to the disability retirement benefits provided under chapters 97A and 411. On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the study and any proposal, or proposals, for establishing disability retirement benefits. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 72. STUDY OF PROPOSALS CONCERNING INCLUSION OF MEMBERS IN A PROTECTION OCCUPATION -- IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall study proposals concerning various options for determining additional occupations of members who should be eligible for inclusion as members in a protection occupation as provided in section 97B.49, subsection 16, paragraph "d". On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of

the study and any proposal, or proposals, for establishing which occupations should qualify for inclusion in a protection occupation. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

Sec. 73. STUDY CONCERNING ORGANIZATIONAL STRUCTURE OF THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM. The public retirement systems committee established in section 97D.4 shall study the feasibility of changing the organizational structure and governance of the Iowa public employees' retirement system. The committee shall consider the recommendations of the Buck Consultants Inc. report submitted to the Iowa public employees' retirement system in 1995, the Iowa public employees' retirement system division, and the department of personnel. The public retirement systems committee shall submit a report to the general assembly on or before January 31, 1998, containing its findings and recommendations.

Sec. 74. COMPREHENSIVE EXAMINATION OF PLAN DESIGN FOR THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM -- REPORT. The Iowa public employees' retirement system division, in consultation with the public retirement systems committee established in section 97D.4, shall conduct a comprehensive examination of the plan design of the Iowa public employees' retirement system, pursuant to the principles established in chapter 97D, and make recommendations for plan improvement.

In conducting the examination, the division shall consider and develop recommendations concerning establishment of the following:

1. Objective actuarial standards to determine the funded status of the system, including recommended minimum standards to determine whether the system is fully funded, and to develop safeguards to ensure that the system remains fully funded based on those standards.

2. Equitable contribution rates for both employers and employees, to include consideration of proposals to provide for equal employer and employee contribution rates and proposals to increase or decrease contribution rates based on the funded status of the system.

3. Establishing a schedule for implementing the recommendations.

On or before September 1, 1997, the Iowa public employees' retirement system division shall file a report with the legislative service bureau, for distribution to the public retirement systems committee, which contains the results of the comprehensive examination and any proposal, or proposals, for improving plan design of the Iowa public employees' retirement system. The report shall also contain actuarial information concerning the costs of the proposal or proposals.

DIVISION II

TEACHERS' PENSION AND ANNUITY RETIREMENT SYSTEMS

Sec. 75. Section 12B.10, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 76. Section 12B.10A, subsection 6, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 77. Section 12B.10B, subsection 3, Code 1995, is amended by adding the following new paragraph e and relettering the subsequent paragraphs:

NEW PARAGRAPH. e. A pension and annuity retirement system governed by chapter 294.

Sec. 78. Section 12B.10C, Code 1995, is amended by adding the following new subsection 4 and renumbering the subsequent subsections:

NEW SUBSECTION. 4. A pension and annuity retirement system governed by chapter 294.

Sec. 79. NEW SECTION. 294.10B RIGHTS NOT TRANSFERABLE -- NOT SUBJECT TO LEGAL PROCESS.

The right of any person to any future payment under a pension and annuity retirement system established in this chapter shall not be transferable or assignable, at law or in

equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law, except for the purposes of enforcing child, spousal, or medical support obligations, or marital property orders. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against benefits due a person under such a retirement system shall not exceed the amount specified in 15 U.S.C. § 1673(b).

DIVISION III

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

Sec. 80. Section 97A.5, subsection 9, Code 1995, is amended to read as follows:

9. DUTIES OF ~~COMMISSIONER OF INSURANCE~~ ACTUARY. The ~~state commissioner of insurance~~ actuary hired by the board of trustees shall be the technical advisor of the board of trustees on matters regarding the operation of the funds created by the provisions of this chapter and shall perform such other duties as are required in connection therewith.

Sec. 81. Section 97A.5, subsections 10 through 12, Code 1995, are amended to read as follows:

10. TABLES -- RATES. ~~Immediately after the establishment of this system, the state commissioner of insurance~~ The actuary hired by the board of trustees shall make such investigation of anticipated interest earnings and of the mortality, service, and compensation experience of the members of the system as the actuary ~~shall recommend and the board of trustees shall authorize~~ recommends, and on the basis of ~~such~~ the investigation, the ~~actuary shall recommend for adoption by~~ the board of trustees ~~such~~ shall adopt the tables and ~~such~~ the rates as are required in subsection 11 of this section. The board of trustees shall adopt the rate of interest and tables, and certify rates of contributions to be used by the system.

11. ACTUARIAL INVESTIGATION. ~~In the year 1952, and at~~ At least once in each two-year period ~~thereafter, the state commissioner of insurance~~ the actuary hired by the board of

trustees shall make an actuarial investigation in the mortality, service, and compensation experience of the members and beneficiaries of the system, and the interest and other earnings on the moneys and other assets of the system, and shall make a valuation of the assets and liabilities of the funds of the system, and taking into account the results of ~~such~~ the investigation and valuation, the board of trustees shall:

a. Adopt for the system such interest rate, mortality and other tables as shall be deemed necessary;

b. Certify the rates of contribution payable by the state of Iowa in accordance with section 97A.8.

12. VALUATION. On the basis of ~~such~~ the rate of interest and ~~such~~ tables ~~as~~ adopted by the board of trustees ~~shall adopt, the state commissioner of insurance~~ the actuary hired by the board of trustees shall make an annual valuation of the assets and liabilities of the funds of the system created by this chapter.

Sec. 82. Section 97A.5, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 14. INVESTMENT CONTRACTS. The board of trustees may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the funds established in section 97A.8.

NEW SUBSECTION. 15. LIABILITY. The department, the board of trustees, and the treasurer of state are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties under this chapter, even if those actions or omissions violate the standards established in section 97A.7, except for acts or omissions which involve malicious or wanton misconduct.

Sec. 83. Section 97A.6, subsection 1, paragraph a, Code 1995, is amended to read as follows:

a. Any member in service may retire upon the member's written application to the board of trustees, setting forth at what time, not less than thirty nor more than ninety days

subsequent to the execution and filing therefor, the member desires to be retired, provided, that the said member at the time so specified for retirement shall have attained the age of fifty-five and shall have completed twenty-two years or more of creditable service, and notwithstanding that, during such period of notification, the member may have separated from the service. However, a member may retire at fifty years of age and receive a reduced retirement allowance pursuant to subsection 2A.

Sec. 84. Section 97A.6, subsection 2, paragraph d, subparagraph (3), Code 1995, is amended to read as follows:

(3) For a member who terminates service, other than by death or disability, on or after October 16, 1992, but before July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added six-tenths 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 eight additional years of service.

Sec. 85. Section 97A.6, subsection 2, paragraph d, Code 1995, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For a member who terminates service, other than by death or disability, on or after July 1, 1996, and who does not withdraw the member's contributions pursuant to section 97A.16, upon the member's retirement there shall be added one and one-half 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 eight additional years of service.

Sec. 86. Section 97A.6, subsection 10, Code 1995, is amended to read as follows:

10. OPTIONAL ALLOWANCE. With the provision that no optional selection shall be effective in case a beneficiary dies within thirty days after retirement, in which event such a beneficiary shall be considered as an active member at the time of death, until the first payment on account of any benefit becomes normally due, any beneficiary may elect to

receive the beneficiary's benefit in a retirement allowance payable throughout life, or may elect to receive the actuarial equivalent at that time of the beneficiary's retirement allowance in a lesser retirement allowance payable throughout life with the provision that an amount in money not exceeding the amount of the beneficiary's accumulated contributions shall be immediately paid in cash to such member or some other benefit or benefits shall be paid either to the member or to such person or persons as the member shall nominate, provided such cash payment or other benefit or benefits, together with the lesser retirement allowance, shall be certified by the ~~state commissioner of insurance~~ actuary to be of equivalent actuarial value to the member's retirement allowance and shall be approved by the board of trustees; provided, that a cash payment to such member or beneficiary at the time of retirement of an amount not exceeding fifty percent of the member's or beneficiary's accumulated contributions shall be made by the board of trustees upon said member's or beneficiary's election.

Sec. 87. Section 97A.6, subsection 12, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Pension to surviving spouse and children of deceased pensioned members. In the event of the death of any member receiving a retirement allowance under the provisions of subsections 2, 2A, 4, or 6 of this section there shall be paid a pension:

Sec. 88. Section 97A.6, subsection 12, paragraph a, Code 1995, is amended to read as follows:

a. To the member's surviving spouse, equal to one-half the amount received by the deceased beneficiary, but in no instance less than an amount equal to ~~twenty~~ twenty-five percent of the monthly earnable compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol, and in addition a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for each child under eighteen years of age or twenty-two years of age if applicable; or

Sec. 89. Section 97A.6, subsection 14, paragraph a, subparagraphs (1), (2), and (3), Code 1995, are amended to read as follows:

(1) ~~Twenty-five~~ Thirty percent for members receiving a service retirement allowance and for beneficiaries receiving a pension under subsection 9 of this section. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

(2) ~~Twenty-five~~ Thirty percent for members with five or more years of membership service who are receiving an ordinary disability retirement allowance. ~~However, effective July 1, 1990, for members who retired before that date, thirty percent shall be the applicable percentage for members under this subparagraph.~~

(3) ~~Twelve and one-half~~ Fifteen percent for members with less than five years of membership service who are receiving an ordinary disability retirement allowance, and for beneficiaries receiving a pension under subsection 8 of this section. ~~However, effective July 1, 1990, for members who retired before that date, fifteen percent shall be the applicable percentage for members and beneficiaries under this subparagraph.~~

Sec. 90. Section 97A.6, subsection 14, paragraph d, Code 1995, is amended to read as follows:

d. A retired member eligible for benefits under the provisions of subsection 1 is not eligible for the annual readjustment of pensions provided in this subsection unless the member served at least twenty-two years ~~and attained the age of fifty-five years~~ prior to the member's termination of employment.

Sec. 91. Section 97A.6, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. EARLY RETIREMENT BENEFITS.

a. Notwithstanding the calculation of the service retirement allowance under subsection 2, beginning July 1, 1996, a member who has completed twenty-two years or more of creditable service and is at least fifty years of age, but less than fifty-five years of age, who has otherwise completed the requirements for retirement under subsection 1, may retire and receive a reduced service retirement allowance pursuant to this subsection. The service retirement allowance for a member less than fifty-five years of age shall be calculated in the manner prescribed in subsection 2, except that the percentage multiplier of the member's average final compensation used in the determination of the service retirement allowance shall be reduced by the board of trustees pursuant to paragraph "b".

b. On July 1, 1996, and on each July 1 thereafter, the board of trustees shall determine for the respective fiscal year the percent by which the percentage multiplier under subsection 2 shall be reduced for each month that a member's retirement date precedes the member's fifty-fifth birthday. The board of trustees shall make this determination based upon the most recent actuarial valuation of the system, the calculation of the actuarial cost for each month of retirement of a member prior to age fifty-five, and the premise that the provision of a service retirement allowance to a member who is less than fifty-five years of age will not result in any increase in cost to the system.

Sec. 92. Section 97A.7, subsection 2, Code 1995, is amended to read as follows:

2. The several funds created by this chapter may be invested in:

~~a. Bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof.~~

~~b. In savings accounts or time deposits in Iowa banks approved as depositories by the executive council.~~

~~c.~~ In any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b".

Sec. 93. Section 97A.8, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. On the basis of the rate of interest and of the mortality, interest, and other tables adopted by the board of trustees, the ~~state commissioner of insurance~~ board of trustees, upon the advice of the actuary hired by the board for that purpose, shall make each valuation required by this chapter and shall immediately after making such valuation, determine the "normal contribution rate". The normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the sum of the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the rate of interest and of mortality and service tables adopted by the board of trustees, all reduced by the employee contribution made pursuant to this subsection. However, the normal rate of contribution shall not be less than seventeen percent. The normal rate of contribution shall be determined by the ~~state commissioner of insurance~~ board of trustees after each valuation.

Sec. 94. Section 97A.8, subsection 1, paragraph c, unnumbered paragraph 3, Code 1995, is amended by striking the unnumbered paragraph.

Sec. 95. Section 97A.8, subsection 1, paragraph f, subparagraph (8), Code 1995, is amended to read as follows:

(8) Notwithstanding any other provision of this chapter, beginning July 1, 1996, and each fiscal year thereafter, ~~the member's contribution rate shall be equivalent to the member's contribution rate provided under section 411.8, subsection 1, paragraph "f", for the statewide fire and police retirement system for the applicable fiscal year~~ an amount equal to the member's contribution rate times each member's compensation shall be paid to the pension accumulation 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. 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 paragraph.

Sec. 96. Section 97A.8, subsection 3, Code 1995, is amended to read as follows:

3. EXPENSE FUND. The expense fund shall be the fund to which shall be credited all money provided by the state of Iowa to pay the administration expenses of the system and from which shall be paid all the expenses necessary in connection with the administration and operation of the system. Biennially the board of trustees shall estimate the amount of money necessary to be paid into the expense fund during the ensuing biennium to provide for the expense of operation of the system. Investment management expenses shall be charged to the investment income of the system and there is appropriated from the system an amount required for the investment management expenses. The board of trustees shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this subsection, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the board of trustees in administering this chapter.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund.

Sec. 97. Section 97A.12, Code 1995, is amended to read as follows:

97A.12 EXEMPTION FROM EXECUTION AND OTHER PROCESS OR ASSIGNMENT.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the various funds created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 98. NEW SECTION. 97A.17 OPTIONAL TRANSFERS WITH CHAPTER 411.

1. For purposes of this section unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the statewide fire and police retirement system established in chapter 411.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 411.

DIVISION IV

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 99. Section 400.8, subsection 1, Code 1995, is amended to read as follows:

1. The commission, when necessary under the rules, including minimum and maximum age limits, which shall be prescribed and published in advance by the commission and posted in the city hall, shall hold examinations for the purpose of determining the qualifications of applicants for positions under civil service, other than promotions, which examinations shall be practical in character and shall relate to matters which will fairly test the mental and physical ability of the applicant to discharge the duties of the position to which the applicant seeks appointment. The

physical examination of applicants for appointment to the positions of police officer, police matron, or fire fighter shall be held in accordance with medical protocols established by the board of trustees of the fire and police retirement system established by section 411.5. The board of trustees may change the medical protocols at any time the board so determines. The commission shall conduct a medical examination of an applicant for the position of police officer, police matron, or fire fighter after a conditional offer of employment has been made to the applicant. An applicant shall not be discriminated against on the basis of height, weight, sex, or race in determining physical or mental ability of the applicant. Reasonable rules relating to strength, agility, and general health of applicants shall be prescribed. The costs of the physical examination required under this subsection shall be paid from the trust and agency fund of the city.

Sec. 100. Section 411.5, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. VOLUNTARY BENEFIT PROGRAMS. The board of trustees shall be responsible for the administration of the voluntary benefit programs established under section 411.40. The board may take any necessary action, including the adoption of rules, for purposes of administering the programs.

Sec. 101. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the

amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have the member's retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed ~~in the same manner as provided in subsection 12, paragraph "c", of this section for readjustment of pensions when a rank or position has been abolished~~ by the board of trustees as though such rank or position had not been abolished and salary increases had been granted to such rank or position on the same basis as increases granted to other ranks and positions in the department.

Sec. 102. Section 411.6, subsection 12, paragraphs a through c, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On each July 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries shall be adjusted as provided in this subsection. An amount equal

peace officers' retirement, accident, and disability system established in chapter 97A.

d. "Former system" means the eligible retirement system in which a person has terminated employment covered by the system prior to commencing employment covered by the current system.

2. Commencing July 1, 1996, a vested member of an eligible retirement system who terminates employment covered by one eligible retirement system and, within sixty days, commences employment covered by the other eligible retirement system may elect to transfer the average accrued benefit earned from the former system to the current system. The member shall file an application with the current system for transfer of the average accrued benefit within ninety days of the commencement of employment with the current system.

3. Notwithstanding subsection 2, a vested member whose employment with the current system commenced prior to July 1, 1996, may elect to transfer the average accrued benefit earned under the former system to the current system by filing an application with the current system for transfer of the average accrued benefit on or before July 1, 1997.

4. Upon receipt of an application for transfer of the average accrued benefit, the current system shall calculate the average accrued benefit and the former system shall transfer to the current system assets in an amount equal to the average accrued benefit. Once the transfer of the average accrued benefit is completed, the member's service under the former system shall be treated as membership service under the current system for purposes of this chapter and chapter 97A.

Sec. 106. Section 411.37, subsection 2, Code 1995, is amended to read as follows:

2. The board shall include in the transition plan or other transition documents, provisions to facilitate continuity under sections 411.20, 411.21, and 411.30 ~~and a recommendation for an equitable process for determining earnable compensation changes when calculating adjustments to pensions under section 411.67, subsection 12, to be submitted to the general assembly meeting in 1991~~.

Sec. 107. Section 411.38, subsection 1, paragraph b, unnumbered paragraph 1, Code 1995, is amended to read as follows:

Transfer from each terminated city fire or police retirement system to the statewide system amounts sufficient to cover the accrued liabilities of that terminated system as determined by the actuary of the statewide system. The actuary of the statewide system shall redetermine the accrued liabilities of the terminated systems as necessary to take into account additional amounts payable by the city which are attributable to errors or omissions which occurred prior to January 1, 1992, or to matters pending as of January 1, 1992. If the actuary of the statewide system determines that the assets transferred by a terminated system are insufficient to fully fund the accrued liabilities of the terminated system as determined by the actuary as of January 1, 1992, the participating city shall pay to the statewide system an amount equal to the unfunded liability plus interest for the period beginning January 1, 1992, and ending with the date of payment or the date of entry into an amortization agreement pursuant to this section. Interest on the unfunded liability shall be computed at a rate equal to the greater of the actuarial interest rate assumption on investments of the moneys in the fund or the actual investment earnings of the fund for the applicable calendar year. The participating city may enter into an agreement with the statewide system to make additional annual contributions sufficient to amortize the unfunded accrued liability of the terminated system. The terms of an amortization agreement shall be based upon the recommendation of the actuary of the statewide system, and the agreement shall do each of the following:

Sec. 108. NEW SECTION. 411.40 VOLUNTARY BENEFIT PROGRAMS.

The board of trustees may establish voluntary benefit programs for members subject to the following conditions:

1. The voluntary benefit programs may provide benefits including, but not limited to, retiree health benefits, long-term care, and life insurance.

to the sum of one and one-half percent of the monthly pension of each retired member and beneficiary and the applicable incremental amount shall be added to the monthly pension of each retired member and beneficiary. The board of trustees shall report to the general assembly every six years, by September 15 of that year, beginning with September 15, 2001, on whether the provisions of this subsection continue to provide an equitable method for the annual readjustment of pensions payable under this chapter.

b. For purposes of this subsection, "applicable incremental amount" means the following amount for members receiving a pension under subsection 2, 4, or 6 and for beneficiaries receiving a pension under subsection 11:

(1) Fifteen dollars where the member's retirement date was less than five years prior to the effective date of the increase.

(2) Twenty dollars where the member's retirement date was at least five years, but less than ten years, prior to the effective date of the increase.

(3) Twenty-five dollars where the member's retirement date was at least ten years, but less than fifteen years, prior to the effective date of the increase.

(4) Thirty dollars where the member's retirement date was at least fifteen years, but less than twenty years, prior to the effective date of the increase.

(5) Thirty-five dollars where the member's retirement date was at least twenty years prior to the effective date of the increase.

c. For beneficiaries receiving a pension under subsection 8 or 9, the applicable incremental amount shall be determined as set forth in paragraph "b", except that the date of the member's death shall be substituted for the member's retirement date.

Sec. 103. Section 411.6, subsection 12, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. A retired member eligible for benefits under this section and otherwise eligible for the readjustment

of benefits provided in this subsection is not eligible for the readjustment unless the member was retired on or before the effective date of the readjustment.

Sec. 104. Section 411.13, Code 1995, is amended to read as follows:

411.13 EXEMPTION FROM EXECUTION AND OTHER PROCESS, OR ASSIGNMENT -- EXCEPTIONS.

The right of any person to a pension, annuity, or retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this chapter, and the moneys in the fire and police retirement fund created under this chapter, are not subject to execution, garnishment, attachment, or any other process whatsoever, and are unassignable except for the purposes of enforcing child, spousal, or medical support obligations or marital property orders, or as ~~in this chapter~~ otherwise specifically provided in this chapter. For the purposes of enforcing child, spousal, or medical support obligations, the garnishment or attachment of or the execution against compensation due a person under this chapter shall not exceed the amount specified in 15 U.S.C. § 1673(b).

Sec. 105. NEW SECTION. 411.31 OPTIONAL TRANSFERS WITH CHAPTER 97A.

1. For purposes of this section, unless the context otherwise requires:

a. "Average accrued benefit" means the average of the amounts representing the present value of the accrued benefit earned by the member determined by the former system and the present value of the accrued benefit earned by the member determined by the current system.

b. "Current system" means the eligible retirement system in which a person has commenced employment covered by the system after having terminated employment covered by the former system.

c. "Eligible retirement system" means the system created under this chapter and the Iowa department of public safety

2. Participation in the voluntary benefit programs by members shall be voluntary.

3. Contributions to the voluntary benefit programs shall be paid entirely by each participating member by means of payroll deduction. Cities employing members participating in voluntary benefit programs shall forward the amounts deducted to the board of trustees for deposit in the voluntary benefit fund.

4. The voluntary benefit programs and the voluntary benefit fund shall be administered under the direction of the board of trustees for the exclusive benefit of members paying contributions as provided in subsection 3.

5. The assets of the voluntary benefit programs shall be credited to the voluntary benefit fund, which is hereby created. The voluntary benefit fund shall include contributions deposited in accordance with subsection 3, and any interest and earnings on the contributions. The board of trustees shall annually establish an investment policy to govern the investment and reinvestment of the assets in the voluntary benefit fund. The voluntary benefit fund created under this section and the fire and police retirement fund created under section 411.8 shall not be used to subsidize any portion of the liabilities of the other fund.

6. The board of trustees shall include in its annual budget the amount of money necessary during the following year to provide for the expense of operation of the voluntary benefit programs. The operating expenses shall be paid from the voluntary benefit fund under the direction of the board of trustees.

DIVISION V

JUDICIAL RETIREMENT SYSTEM

Sec. 109. Section 602.9111, Code 1995, is amended to read as follows:

602.9111 INVESTMENT OF FUND.

So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state

in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof or in~~ any investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b", and the earnings therefrom shall be credited to ~~said~~ the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Investment management expenses shall be charged to the investment income of the fund and there is appropriated from the fund an amount required for the investment management expenses. The court administrator shall report the investment management expenses for the fiscal year as a percent of the market value of the system.

For purposes of this section, investment management expenses are limited to the following:

a. Fees for investment advisors, consultants, and investment management and benefit consultant firms hired by the treasurer of state in administering the fund.

b. Fees and costs for safekeeping fund assets.

c. Costs for performance and compliance monitoring, and accounting for fund investments.

d. Any other costs necessary to prudently invest or protect the assets of the fund. The state court administrator and the treasurer of state, and their employees, are not personally liable for claims based upon an act or omission of the person performed in the discharge of the person's duties concerning the judicial retirement fund, except for acts or omissions which involve malicious or wanton misconduct.

DIVISION VI

EFFECTIVE AND APPLICABILITY PROVISIONS

Sec. 110. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. The section of this Act which amends section 97B.49, subsection 16, by enacting a new paragraph "m", being deemed of immediate importance, takes effect upon enactment and applies retroactively to July 1, 1992.

2. The section of this Act which amends section 411.6, subsection 12, paragraphs "a" through "c", takes effect July 1, 1997.

LEONARD L. BOSWELL
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2245, Seventy-sixth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Item Veto
Approved May 10, 1996

TERRY E. BRANSTAD
Governor