

MAR 11 1997
Place On Calendar

S-4/2/97 State Gov.
S-4/3/97 Amend/DO Van
w/S-3361
S-4/10/97 Unfinished Business Calendar
HOUSE FILE 540
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 106)

(P. 978) Passed House, Date 4/2/97 Vote: Ayes 97 Nays 0
(P. 1484) Passed Senate, Date 4-28-97 Vote: Ayes 47 Nays 1
Approved May 26, 1997
(P. 1628) Passed 4-28-97 Vote 98-0

A BILL FOR

1 An Act relating to personnel procedures and investment policy
2 requirements for state government employees.

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

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HF 540

1 Section 1. Section 12B.10, subsection 6, Code 1997, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. h. Investments under the deferred
4 compensation plan established by the executive council
5 pursuant to section 509A.12.

6 Sec. 2. Section 12B.10A, subsection 6, Code 1997, is
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. h. The deferred compensation plan
9 established by the executive council pursuant to section
10 509A.12.

11 Sec. 3. Section 12B.10B, subsection 3, Code 1997, is
12 amended by adding the following new paragraph:

13 NEW PARAGRAPH. h. The deferred compensation plan
14 established by the executive council pursuant to section
15 509A.12.

16 Sec. 4. Section 12B.10C, Code 1997, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. 7. The deferred compensation plan
19 established by the executive council pursuant to section
20 509A.12.

21 Sec. 5. Section 12C.1, subsection 1, Code 1997, is amended
22 to read as follows:

23 1. All funds held ~~in-the-hands-of~~ by the following
24 officers or institutions shall be deposited in one or more
25 depositories first approved by the appropriate governing body
26 as indicated: For the treasurer of state, by the executive
27 council; for judicial officers and court employees, by the
28 supreme court; for the county treasurer, recorder, auditor,
29 and sheriff, by the board of supervisors; for the city
30 treasurer or other designated financial officer of a city, by
31 the city council; for the county public hospital or merged
32 area hospital, by the board of hospital trustees; for a
33 memorial hospital, by the memorial hospital commission; for a
34 school corporation, by the board of school directors; for a
35 city utility or combined utility system established under

1 chapter 388, by the utility board; for a regional library
2 established under chapter 256, by the regional board of
3 library trustees; and for an electric power agency as defined
4 in section 28F.2, by the governing body of the electric power
5 agency. However, the treasurer of state and the treasurer of
6 each political subdivision or the designated financial officer
7 of a city shall invest all funds not needed for current
8 operating expenses in time certificates of deposit in approved
9 depositories pursuant to this chapter or in investments
10 permitted by section 12B.10. The list of public depositories
11 and the amounts severally deposited in the depositories are
12 matters of public record. This subsection does not limit the
13 definition of "public funds" contained in subsection 2.
14 Notwithstanding provisions of this section to the contrary,
15 public funds of a state government deferred compensation plan
16 established by the executive council may also be invested in
17 the investment products authorized under section 509A.12.

18 Sec. 6. NEW SECTION. 19A.12B STATE DEFERRED COMPENSATION
19 PROGRAM, FEES, ADMINISTRATION REVOLVING FUND.

20 1. The department shall administer any deferred
21 compensation program established by the executive council
22 under section 509A.12. The department may establish a fee to
23 be charged to participating employees to cover some or all of
24 the costs of administering the program.

25 2. A deferred compensation administration revolving fund
26 is established in the state treasury under the control of the
27 department. All contributions of employees participating in
28 the deferred compensation program, all appropriations made to
29 the department for the purpose of administering the deferred
30 compensation program, except for costs associated with
31 salaries of permanent employees of the department, and all
32 fees collected by the department for administration of the
33 deferred compensation program pursuant to this section shall
34 be deposited into the revolving fund. The department shall
35 authorize disbursements from the revolving fund for the

1 investment of participant's contributions and for the payment
2 of administrative costs. Notwithstanding the provisions of
3 section 12C.7, subsection 2, interest earned on moneys in the
4 revolving fund shall be credited to the revolving fund and
5 shall be used by the department to cover costs of
6 administration for the deferred compensation program.

7 Notwithstanding section 8.33, the department shall not revert
8 any unencumbered or unobligated balance of the revolving fund
9 to the general fund of the state.

10 Sec. 7. Section 49.20, Code 1997, is amended to read as
11 follows:

12 49.20 COMPENSATION OF MEMBERS.

13 The members of election boards shall be deemed temporary
14 ~~state county~~ employees ~~who are compensated by the county in~~
15 ~~which they serve~~, and shall receive compensation at a rate
16 established by the county board of supervisors, which shall be
17 not less than three dollars and fifty cents per hour, while
18 engaged in the discharge of their duties and shall be
19 reimbursed for actual and necessary travel expense, except
20 that persons who have advised the commissioner prior to their
21 appointment to the election board that they are willing to
22 serve without pay at elections conducted for any school
23 district or a city of three thousand five hundred or less
24 population, shall receive no compensation for service at those
25 elections. Compensation shall be paid to members of election
26 boards only after the vote has been canvassed and it has been
27 determined in the course of the canvass that the election
28 record certificate has been properly executed by the election
29 board.

30 Sec. 8. Section 70A.31, Code 1997, is amended to read as
31 follows:

32 70A.31 ELIGIBILITY.

33 The phased retirement incentive program requires that
34 participants agree to work a maximum of thirty-two hours per
35 week and a minimum of twenty hours per week for the first year

1 four years after entering the program. After the fourth year
2 of participation in the program, participants shall agree to
3 work a maximum of twenty hours per week. Participants shall
4 agree to retire from state government employment effective on
5 the last day of their fifth year of participation in the
6 program.

7 Sec. 9. Section 70A.32, subsection 4, Code 1997, is
8 amended to read as follows:

9 4. Continuation of membership in the state employees
10 disability insurance program. During the five-year period,
11 monthly earnings of the employee for purposes of the
12 disability insurance program shall equal the monthly earnings
13 as if the participant were a full-time employee.

14 Sec. 10. Section 70A.33, unnumbered paragraph 1, Code
15 1997, is amended to read as follows:

16 A state employee meeting the requirements of section 70A.31
17 may file a request to participate in the program with the head
18 of the employee's state department, agency, or commission.
19 The employee shall specify the number of hours per week the
20 employee intends to work for each of the five years of
21 participation, subject to the requirements of section 70A.31.
22 Participation in the program is dependent upon the approval of
23 the head of the department, agency, or commission. The cost
24 to the state department, agency, or commission shall be paid
25 from the funds appropriated to the department, agency, or
26 commission for salaries, support, maintenance, and
27 miscellaneous purposes.

28 Sec. 11. Section 509A.12, unnumbered paragraph 1, Code
29 1997, is amended to read as follows:

30 ~~At the request of an employee, the governing body or the~~
31 ~~county board of supervisors shall by contractual agreement~~
32 ~~acquire an individual or group life insurance contract,~~
33 ~~annuity contract, interest in a mutual fund, security, or any~~
34 ~~other deferred payment contract for the purpose of funding a~~
35 ~~deferred compensation program.~~ A governing body or county

1 board of supervisors may establish a deferred compensation
2 program under this section. The contributions made on behalf
3 of an employee who chooses to participate in the program shall
4 be invested at the direction of the employee in a life
5 insurance contract, annuity contract, mutual fund, security,
6 or any other deferred payment contract offered as an
7 investment option under the program. The contract acquired
8 for an employee shall be in accordance with the plan document
9 and shall be acquired from any a company, or a salesperson for
10 that company, that is authorized to do business in this state,
11 ~~or through an Iowa licensed salesperson that the employee~~
12 ~~selects on a group or individual basis.~~ When the state of
13 Iowa acquires an investment product pursuant to the plan
14 document the state does not become a shareholder, stockholder,
15 or owner of a corporation in violation of Article VIII,
16 section 3, of the Constitution of the State of Iowa or any
17 other provision of law.

18

EXPLANATION

19 This bill concerns investment guidelines for state deferred
20 compensation and phased retirement plans, and makes changes in
21 the classification of local election board members.

22 The bill adds state deferred compensation plans established
23 by the executive council to the list of entities exempt from
24 public fund investment standards, maturity and procedural
25 limitations, written investment policy requirements, and
26 regulation of public fund custodial agreements established in
27 Code sections 12B.10, 12B.10A, 12B.10B, and 12B.10C,
28 respectively. The bill also provides that public funds
29 invested for purposes of a state deferred compensation plan
30 may be invested in a deferred compensation investment product
31 authorized in Code section 509A.12. The bill further provides
32 that the department of personnel may establish a fee to cover
33 some of the costs of administering the deferred compensation
34 program which fee shall be deposited in a revolving fund for
35 that purpose. The bill modifies the eligibility provisions

1 contained in Code section 70A.31 for employees participating
2 in the phased retirement program to provide that they must
3 retire at the end of the fifth year in the program.

4 The bill amends Code section 49.20 to provide that members
5 of local election boards shall be classified as temporary
6 county employees rather than temporary state employees.

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HOUSE FILE 540

S-3667

1 Amend House File 540 as follows:
2 1. Page 5, by inserting after line 17 the
3 following:
4 "Sec. ____ . STATE DEFERRED COMPENSATION PROGRAM.
5 The department of personnel shall, to the extent
6 permitted by law, allow state employees having entered
7 the state deferred compensation program on or after
8 July 1, 1994, to transfer moneys deferred thereunder
9 into a mutual fund offered pursuant to section
10 509A.12. This option shall continue until one year
11 after the date upon which the option of utilizing a
12 mutual fund in connection with a deferred compensation
13 program becomes available."

By MIKE CONNOLLY

S-3667 FILED APRIL 21, 1997

Withdrawn 4-28-97

HOUSE FILE 540

S-3668

1 Amend House File 540 as follows:
2 1. Page 5, by inserting after line 17 the
3 following:
4 "Sec. ____ . STATE DEFERRED COMPENSATION PROGRAM.
5 The department of personnel shall make available to
6 eligible public employees the option of utilizing
7 mutual funds in connection with a deferred
8 compensation program established pursuant to section
9 509A.12 by September 1, 1997."

By MIKE CONNOLLY

S-3668 FILED APRIL 21, 1997

Withdrawn
4-28-97

HOUSE FILE 540

S-3666

1 Amend House File 540, as passed by the House, as
2 follows:

3 1. Page 4, by inserting after line 27 the
4 following:

5 "Sec. 101. Section 97A.8, subsection 1, paragraph
6 i, Code 1997, is amended to read as follows:

7 i. (1) Notwithstanding paragraph "g" or other
8 provisions of this chapter, beginning January 1, 1995,
9 for federal income tax purposes, and beginning January
10 1, 1998, for state income tax purposes, member
11 contributions required under paragraph "f" or "h"
12 which are picked up by the department shall be
13 considered employer contributions for federal and
14 state income tax purposes, and the department shall
15 pick up the member contributions to be made under
16 paragraph "f" or "h" by its employees. The department
17 shall pick up these contributions by reducing the
18 salary of each of its employees covered by this
19 chapter by the amount which each employee is required
20 to contribute under paragraph "f" or "h" and shall
21 certify the amount picked up in lieu of the member
22 contributions to the department of revenue and
23 finance. The department of revenue and finance shall
24 forward the amount of the contributions picked up to
25 the board of trustees for recording and deposit in the
26 pension accumulation fund.

27 (2) Member contributions picked up by the
28 department under subparagraph (1) shall be treated as
29 employer contributions for federal and state income
30 tax purposes only and for all other purposes of this
31 chapter and the laws of this state shall be treated as
32 employee contributions and deemed part of the
33 employee's earnable compensation or salary.

34 Sec. 201. Section 97B.11A, Code 1997, is amended
35 to read as follows:

36 97B.11A PICKUP OF EMPLOYEE CONTRIBUTIONS.

37 1. Notwithstanding section 97B.11 or other
38 provisions of this chapter, beginning January 1, 1995,
39 for federal income tax purposes, and beginning January
40 1, 1998, for state income tax purposes, member
41 contributions required under section 97B.11 which are
42 picked up by the employer shall be considered employer
43 contributions for federal and state income tax
44 purposes, and each employer shall pick up the member
45 contributions to be made under section 97B.11 by its
46 employees. Each employer shall pick up these
47 contributions by reducing the salary of each of its
48 employees covered by this chapter by the amount which
49 each employee is required to contribute under section
50 97B.11 and shall pay the amount picked up in lieu of

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Page 2

1 the member contributions as provided in section
2 97B.14.

3 2. Member contributions picked up by each employer
4 under subsection 1 shall be treated as employer
5 contributions for federal and state income tax
6 purposes only and for all other purposes of this
7 chapter ~~and the laws of this state~~ shall be treated as
8 employee contributions and deemed part of the
9 employee's wages or salary.

10 Sec. 301. Section 294.10A, Code 1997, is amended
11 to read as follows:

12 294.10A PICKUP OF TEACHER ASSESSMENTS.

13 1. Notwithstanding section 294.9 or other
14 provisions of this chapter, for federal income tax
15 purposes beginning January 1 following the submission
16 by a board of trustees of an application to the
17 federal internal revenue service requesting
18 qualification of a plan in accordance with the
19 requirements of the Internal Revenue Code, as defined
20 in section 422.3, and for state income tax purposes
21 beginning January 1, 1998, or January 1 following an
22 application for qualification, whichever is later,
23 teacher assessments required under section 294.9 which
24 are picked up by an employing school district shall be
25 considered employer contributions for federal and
26 state income tax purposes, and each employing school
27 district establishing a pension and annuity retirement
28 system pursuant to this chapter shall pick up the
29 teacher assessments to be made under section 294.9 by
30 its employees commencing on the January 1 following an
31 application for qualification applicable date under
32 this subsection. Each employing school district shall
33 pick up these teacher assessments by reducing the
34 salary of each of the teachers covered by this chapter
35 by the amount which each teacher is required to
36 contribute through assessments under section 294.9 and
37 shall pay to the board of trustees the amount picked
38 up in lieu of the teacher assessments for recording
39 and deposit in the fund.

40 2. Teacher assessments picked up by each employing
41 school district under subsection 1 shall be treated as
42 employer contributions for federal and state income
43 tax purposes only and for all other purposes of this
44 chapter ~~and the laws of this state~~ shall be treated as
45 teacher assessments and deemed part of the teacher's
46 wages or salary.

47 Sec. 401. Section 411.8, subsection 1, paragraph
48 i, Code 1997, is amended to read as follows:

49 i. (1) Notwithstanding paragraph "g" or other
50 provisions of this chapter, beginning January 1, 1995,

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Page 3

1 for federal income tax purposes, and beginning January
 2 1, 1998, for state income tax purposes, member
 3 contributions required under paragraph "f" or "h"
 4 which are picked up by the city shall be considered
 5 employer contributions for federal and state income
 6 tax purposes, and each city shall pick up the member
 7 contributions to be made under paragraph "f" or "h" by
 8 its employees. Each city shall pick up these
 9 contributions by reducing the salary of each of its
 10 employees covered by this chapter by the amount which
 11 each employee is required to contribute under
 12 paragraph "f" or "h" and shall pay the amount picked
 13 up in lieu of the member contributions to the board of
 14 trustees for recording and deposit in the fund.

15 (2) Member contributions picked up by each city
 16 under subparagraph (1) shall be treated as employer
 17 contributions for federal and state income tax
 18 purposes only and for all other purposes of this
 19 chapter ~~and the laws of this state~~ shall be treated as
 20 employee contributions and deemed part of the
 21 employee's earnable compensation or salary.

22 Sec. 501. Section 422.7, subsections 29 through
 23 31, Code 1997, are amended by striking the
 24 subsections."

25 2. Page 5, by inserting after line 17 the
 26 following:

27 "Sec. 601. EFFECTIVE AND APPLICABILITY DATES.
 28 Sections 101, 201, 301, 401, and 501 of this Act take
 29 effect January 1, 1998, and apply to tax years
 30 beginning on or after January 1, 1998."

31 3. Title page, line 1, by inserting after the
 32 word "to" the following: "public retirement systems
 33 and employer contributions,".

34 4. Title page, line 2, by inserting after the
 35 word "employees" the following: ", and providing
 36 applicability and effective dates".

37 5. By renumbering and correcting internal
 38 references as necessary.

By JOHN P. KIBBIE
 JOHNIE HAMMOND
 MARY A. LUNDBY

MARY LOU FREEMAN
 PATRICK J. DELUHERY

S-3666 FILED APRIL 21, 1997

*Withdrawn
 4-28-97
 (p. 1484)*

HOUSE FILE 540

S-3685

- 1 Amend House File 540, as passed by the House, as
 2 follows:
 3 1. Page 2, by inserting after line 17 the
 4 following:
 5 "Sec. ____ . NEW SECTION. 19A.12B DEFERRED
 6 COMPENSATION PLAN.
 7 The department shall make available to eligible
 8 state employees by September 1, 1997 the option of
 9 utilizing mutual funds as an investment alternative to
 10 the state's deferred compensation plan established
 11 under section 509A.12. The department shall make
 12 participation in the state's deferred compensation
 13 plan available to other public entities for their
 14 employees. Participating employees shall, to the
 15 extent permitted by law, be allowed to transfer moneys
 16 deferred under the plan to a mutual fund offered
 17 pursuant to section 509A.12."
 18 2. By striking page 4, line 35 through page 5,
 19 line 1 and inserting the following: "deferred
 20 compensation-program. A governing body, county board
 21 of supervisors or other public entity, to the extent
 22 allowed by law, may establish a deferred
 23 compensation".

By MIKE CONNOLLY

S-3685 FILED APRIL 22, 1997

(p.1484) 4-28-97 adopted

HOUSE FILE 540

S-3775

- 1 Amend the amendment, S-3685, to House File 540, as
 2 passed by the House, as follows:
 3 1. Page 1, line 11, by striking the words "The
 4 department shall make".
 5 2. Page 1, by striking lines 12 and 13.
 6 3. Page 1, line 14, by striking the word
 7 "employees."

By SHELDON RITTMER

S-3775 FILED APRIL 25, 1997

(p.1484) adopted 4/28/97

HOUSE FILE 540

S-3361

- 1 Amend House File 540, as passed by the House, as
 2 follows:
 3 1. By striking page 2, line 18, through page 3,
 4 line 29.
 5 2. By renumbering as necessary.

By COMMITTEE ON STATE GOVERNMENT
SHELDON RITTMER, Chairperson

S-3361 FILED APRIL 3, 1997

Adopted 4-21-97 (p.1290)

SENATE AMENDMENT TO HOUSE FILE 540

H-1950

1 Amend House File 540, as passed by the House, as
2 follows:

3 1. Page 2, by inserting after line 17 the
4 following:

5 "Sec. ____ . NEW SECTION. 19A.12B DEFERRED
6 COMPENSATION PLAN.

7 The department shall make available to eligible
8 state employees by September 1, 1997 the option of
9 utilizing mutual funds as an investment alternative to
10 the state's deferred compensation plan established
11 under section 509A.12. Participating employees shall,
12 to the extent permitted by law, be allowed to transfer
13 moneys deferred under the plan to a mutual fund
14 offered pursuant to section 509A.12."

15 2. By striking page 2, line 18, through page 3,
16 line 29.

17 3. By striking page 4, line 35 through page 5,
18 line 1 and inserting the following: "~~deferred~~
19 ~~compensation-program-~~ A governing body, county board
20 of supervisors or other public entity, to the extent
21 allowed by law, may establish a deferred
22 compensation".

23 4. By renumbering, relettering, or redesignating
24 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-1950 FILED APRIL 28, 1997
CONCURRED

(P. 1628)

HOUSE FILE 540

H-1476

1 Amend House File 540 as follows:

2 1. By striking page 2, line 18, through page 3,
3 line 9, and inserting the following:

4 "Sec. ____ . NEW SECTION. 19A.12B STATE DEFERRED
5 COMPENSATION ADMINISTRATION REVOLVING FUND.

6 A deferred compensation administration revolving
7 fund is established in the state treasury under the
8 control of the department. All mutual fund
9 contributions of employees participating in the
10 deferred compensation program shall be deposited into
11 the revolving fund. The department shall authorize
12 disbursements from the revolving fund for the
13 investment of participants' contributions.

14 An annual report outlining the deferred
15 compensation administration expenses shall be made
16 available upon request. Notwithstanding section 8.33,
17 any unencumbered or unobligated moneys in the
18 revolving fund at the end of a fiscal year shall not
19 revert to the general fund of the state."

20 2. By renumbering as necessary.

By JAMES POLK

H-1476 FILED MARCH 31, 1997

WITHDRAWN 4/2/97 (P. 978)

*Jacobs, chair
Taylor
Van Lomen*

HSB 106

STATE GOVERNMENT

Succeeded By
SF/HF 540

SENATE/HOUSE FILE
BY (PROPOSED DEPARTMENT OF
PERSONNEL BILL)

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

A BILL FOR

1 An Act relating to personnel procedures and investment policy
2 requirements for state government employees.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. h. Investments under the deferred
4 compensation plan established by the executive council
5 pursuant to section 509A.12.

6 Sec. 2. Section 12B.10A, subsection 6, Code 1997, is
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. h. The deferred compensation plan
9 established by the executive council pursuant to section
10 509A.12.

11 Sec. 3. Section 12B.10B, subsection 3, Code 1997, is
12 amended by adding the following new paragraph:

13 NEW PARAGRAPH. h. The deferred compensation plan
14 established by the executive council pursuant to section
15 509A.12.

16 Sec. 4. Section 12B.10C, Code 1997, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. 7. The deferred compensation plan
19 established by the executive council pursuant to section
20 509A.12.

21 Sec. 5. Section 12C.1, subsection 1, Code 1997, is amended
22 to read as follows:

23 1. All funds held ~~in-the-hands-of~~ by the following
24 officers or institutions shall be deposited in one or more
25 depositories first approved by the appropriate governing body
26 as indicated: For the treasurer of state, by the executive
27 council; for judicial officers and court employees, by the
28 supreme court; for the county treasurer, recorder, auditor,
29 and sheriff, by the board of supervisors; for the city
30 treasurer or other designated financial officer of a city, by
31 the city council; for the county public hospital or merged
32 area hospital, by the board of hospital trustees; for a
33 memorial hospital, by the memorial hospital commission; for a
34 school corporation, by the board of school directors; for a
35 city utility or combined utility system established under

1 chapter 388, by the utility board; for a regional library
2 established under chapter 256, by the regional board of
3 library trustees; and for an electric power agency as defined
4 in section 28F.2, by the governing body of the electric power
5 agency. However, the treasurer of state and the treasurer of
6 each political subdivision or the designated financial officer
7 of a city shall invest all funds not needed for current
8 operating expenses in time certificates of deposit in approved
9 depositories pursuant to this chapter or in investments
10 permitted by section 12B.10. The list of public depositories
11 and the amounts severally deposited in the depositories are
12 matters of public record. This subsection does not limit the
13 definition of "public funds" contained in subsection 2.

14 Notwithstanding provisions of this section to the contrary,
15 public funds of a state government deferred compensation plan
16 established by the executive council may also be invested in
17 the investment products authorized under section 509A.12.

18 Sec. 6. Section 49.20, Code 1997, is amended to read as
19 follows:

20 49.20 COMPENSATION OF MEMBERS.

21 The members of election boards shall be deemed temporary
22 ~~state county employees who are compensated by the county in~~
23 ~~which they serve,~~ and shall receive compensation at a rate
24 established by the county board of supervisors, which shall be
25 not less than three dollars and fifty cents per hour, while
26 engaged in the discharge of their duties and shall be
27 reimbursed for actual and necessary travel expense, except
28 that persons who have advised the commissioner prior to their
29 appointment to the election board that they are willing to
30 serve without pay at elections conducted for any school
31 district or a city of three thousand five hundred or less
32 population, shall receive no compensation for service at those
33 elections. Compensation shall be paid to members of election
34 boards only after the vote has been canvassed and it has been
35 determined in the course of the canvass that the election

1 record certificate has been properly executed by the election
2 board.

3 Sec. 7. Section 70A.31, Code 1997, is amended to read as
4 follows:

5 70A.31 ELIGIBILITY.

6 The phased retirement incentive program requires that
7 participants agree to work a maximum of thirty-two hours per
8 week and a minimum of twenty hours per week for the first year
9 four years after entering the program. After the fourth year
10 of participation in the program, participants shall agree to
11 work a maximum of twenty hours per week. Participants shall
12 agree to retire from state government employment effective on
13 the last day of their fifth year of participation in the
14 program.

15 Sec. 8. Section 70A.32, subsection 4, Code 1997, is
16 amended to read as follows:

17 4. Continuation of membership in the state employees
18 disability insurance program. During the five-year period,
19 monthly earnings of the employee for purposes of the
20 disability insurance program shall equal the monthly earnings
21 as if the participant were a full-time employee.

22 Sec. 9. Section 70A.33, unnumbered paragraph 1, Code 1997,
23 is amended to read as follows:

24 A state employee meeting the requirements of section 70A.31
25 may file a request to participate in the program with the head
26 of the employee's state department, agency, or commission.

27 The employee shall specify the number of hours per week the
28 employee intends to work for each of the five years of
29 participation, subject to the requirements of section 70A.31.
30 Participation in the program is dependent upon the approval of
31 the head of the department, agency, or commission. The cost
32 to the state department, agency, or commission shall be paid
33 from the funds appropriated to the department, agency, or
34 commission for salaries, support, maintenance, and
35 miscellaneous purposes.

1 Sec. 10. Section 509A.12, unnumbered paragraph 1, Code
2 1997, is amended to read as follows:

3 ~~At the request of an employee, the governing body or the~~
4 ~~county board of supervisors shall by contractual agreement~~
5 ~~acquire an individual or group life insurance contract,~~
6 ~~annuity contract, interest in a mutual fund, security, or any~~
7 ~~other deferred payment contract for the purpose of funding a~~
8 ~~deferred compensation program.~~ A governing body or county
9 board of supervisors may establish a deferred compensation
10 program under this section. The contributions made on behalf
11 of an employee who chooses to participate in the program shall
12 be invested at the direction of the employee in a life
13 insurance contract, annuity contract, mutual fund, security,
14 or any other deferred payment contract offered as an
15 investment option under the program. The contract acquired
16 for an employee shall be in accordance with the plan document
17 and shall be acquired from any a company, or a salesperson for
18 that company, that is authorized to do business in this state,
19 ~~or through an Iowa licensed salesperson that the employee~~
20 ~~selects on a group or individual basis.~~ When the state of
21 Iowa acquires an investment product pursuant to the plan
22 document the state does not become a shareholder, stockholder,
23 or owner of a corporation in violation of Article VIII,
24 section 3, of the Constitution of the State of Iowa or any
25 other provision of law.

26

EXPLANATION

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27 This bill concerns investment guidelines for state deferred
28 compensation and phased retirement plans, and makes changes in
29 the classification of local election board members.

30 The bill adds state deferred compensation plans established
31 by the executive council to the list of entities exempt from
32 public fund investment standards, maturity and procedural
33 limitations, written investment policy requirements, and
34 regulation of public fund custodial agreements established in
35 Code sections 12B.10, 12B.10A, 12B.10B, and 12B.10C,

1 respectively. The bill also provides that public funds
2 invested for purposes of a state deferred compensation plan
3 may be invested in a deferred compensation investment product
4 authorized in Code section 509A.12. The bill modifies the
5 eligibility provisions contained in Code section 70A.31 for
6 employees participating in the phased retirement program to
7 provide that they must retire at the end of the fifth year in
8 the program.

9 The bill amends Code section 49.20 to provide that members
10 of local election boards shall be classified as temporary
11 county employees rather than temporary state employees.

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HOUSE FILE 540

AN ACT

RELATING TO PERSONNEL PROCEDURES AND INVESTMENT POLICY
REQUIREMENTS FOR STATE GOVERNMENT EMPLOYEES.

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

Section 1. Section 12B.10, subsection 6, Code 1997, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. Investments under the deferred compensation plan established by the executive council pursuant to section 509A.12.

Sec. 2. Section 12B.10A, subsection 6, Code 1997, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. The deferred compensation plan established by the executive council pursuant to section 509A.12.

Sec. 3. Section 12B.10B, subsection 3, Code 1997, is amended by adding the following new paragraph:

NEW PARAGRAPH. h. The deferred compensation plan established by the executive council pursuant to section 509A.12.

Sec. 4. Section 12B.10C, Code 1997, is amended by adding the following new subsection:

NEW SUBSECTION. 7. The deferred compensation plan established by the executive council pursuant to section 509A.12.

Sec. 5. Section 12C.1, subsection 1, Code 1997, is amended to read as follows:

1. All funds held ~~in-the-hands-of~~ by the following officers or institutions shall be deposited in one or more depositories first approved by the appropriate governing body as indicated: For the treasurer of state, by the executive council; for judicial officers and court employees, by the supreme court; for the county treasurer, recorder, auditor, and sheriff, by the board of supervisors; for the city treasurer or other designated financial officer of a city, by the city council; for the county public hospital or merged area hospital, by the board of hospital trustees; for a memorial hospital, by the memorial hospital commission; for a school corporation, by the board of school directors; for a city utility or combined utility system established under chapter 388, by the utility board; for a regional library established under chapter 256, by the regional board of library trustees; and for an electric power agency as defined in section 28F.2, by the governing body of the electric power agency. However, the treasurer of state and the treasurer of each political subdivision or the designated financial officer of a city shall invest all funds not needed for current operating expenses in time certificates of deposit in approved depositories pursuant to this chapter or in investments permitted by section 12B.10. The list of public depositories and the amounts severally deposited in the depositories are matters of public record. This subsection does not limit the

definition of "public funds" contained in subsection 2. Notwithstanding provisions of this section to the contrary, public funds of a state government deferred compensation plan established by the executive council may also be invested in the investment products authorized under section 509A.12.

Sec. 6. NEW SECTION. 19A.12B DEFERRED COMPENSATION PLAN.

The department shall make available to eligible state employees by September 1, 1997 the option of utilizing mutual funds as an investment alternative to the state's deferred compensation plan established under section 509A.12. Participating employees shall, to the extent permitted by law, be allowed to transfer moneys deferred under the plan to a mutual fund offered pursuant to section 509A.12.

Sec. 7. Section 70A.31, Code 1997, is amended to read as follows:

70A.31 ELIGIBILITY.

The phased retirement incentive program requires that participants agree to work a maximum of thirty-two hours per week and a minimum of twenty hours per week for the first year four years after entering the program. After the fourth year of participation in the program, participants shall agree to work a maximum of twenty hours per week. Participants shall agree to retire from state government employment effective on the last day of their fifth year of participation in the program.

Sec. 8. Section 70A.32, subsection 4, Code 1997, is amended to read as follows:

4. Continuation of membership in the state employees disability insurance program. During the five-year period, monthly earnings of the employee for purposes of the disability insurance program shall equal the monthly earnings as if the participant were a full-time employee.

Sec. 9. Section 70A.33, unnumbered paragraph 1, Code 1997, is amended to read as follows:

A state employee meeting the requirements of section 70A.31 may file a request to participate in the program with the head of the employee's state department, agency, or commission. The employee shall specify the number of hours per week the employee intends to work for each of the five years of participation, subject to the requirements of section 70A.31. Participation in the program is dependent upon the approval of the head of the department, agency, or commission. The cost to the state department, agency, or commission shall be paid from the funds appropriated to the department, agency, or commission for salaries, support, maintenance, and miscellaneous purposes.

Sec. 10. Section 509A.12, unnumbered paragraph 1, Code 1997, is amended to read as follows:

~~At the request of an employee, the governing body or the county board of supervisors shall by contractual agreement acquire an individual or group life insurance contract, annuity contract, interest in a mutual fund, security, or any other deferred payment contract for the purpose of funding a deferred compensation program. A governing body, county board of supervisors or other public entity, to the extent allowed by law, may establish a deferred compensation program under this section. The contributions made on behalf of an employee who chooses to participate in the program shall be invested at the direction of the employee in a life insurance contract, annuity contract, mutual fund, security, or any other deferred payment contract offered as an investment option under the program. The contract acquired for an employee shall be in accordance with the plan document and shall be acquired from any a company, or a salesperson for that company, that is authorized to do business in this state, or through an Iowa-licensed salesperson that the employee selects on a group or individual basis. When the state of Iowa acquires an investment product pursuant to the plan document the state does not become a shareholder, stockholder, or owner of a~~

corporation in violation of Article VIII, section 3, of the Constitution of the State of Iowa or any other provision of law.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 540, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved May 26, 1997

TERRY E. BRANSTAD
Governor

HF 540