

FEB 24 2000

APPROPRIATIONS

HOUSE FILE 2411
BY NELSON-FORBES

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

A BILL FOR

1 An Act providing for reimbursement under the medical assistance
2 program of direct services performed by a school nurse and
3 providing an appropriation from the tobacco settlement fund as
4 state matching funds for the costs of such reimbursement.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2411

1 Section 1. NEW SECTION. 249A.18A DIRECT SERVICES --
2 SCHOOL NURSES -- REIMBURSEMENT.

3 The department of human services, in consultation with the
4 Iowa department of public health and the department of
5 education, shall utilize medical assistance program funding to
6 implement the screening, diagnosis and treatment components
7 through the elementary and secondary school systems. The
8 department may enter contracts to utilize school nurses in
9 implementing this section.

10 Sec. 2. APPROPRIATION. There is appropriated from the
11 tobacco settlement fund created in section 12.65, to the
12 department of human services for the fiscal year beginning
13 July 1, 2000, and ending June 30, 2001, an amount necessary to
14 provide state matching funds for implementation of the
15 screening, diagnosis and treatment components of the medical
16 assistance program as provided pursuant to section 249A.18A.

17 EXPLANATION

18 This bill requires the department of human services, in
19 consultation with the Iowa department of public health and the
20 department of education, to implement the screening, diagnosis
21 and treatment components of the medical assistance program,
22 through the school systems. The bill provides for an
23 appropriation to the department of human services from the
24 tobacco settlement fund, in an amount necessary, for fiscal
25 year 2000-2001 to provide state matching funds for payment of
26 implementation of these services.

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REVISED

SENATE FILE 2411
FISCAL NOTE

A fiscal note for Senate File 2411 (Revised) 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 2411 makes technical and substantive changes to the four State retirement systems. This fiscal note will discuss each system separately, examining primarily the substantive changes with significant costs.

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

The changes for the Peace Officers' Retirement System (POR) include:

1. The addition of a retired member to the Board of Trustees.
2. Increases the maximum pension from 60.0% to 60.5% of the members average final compensation beginning July 1, 2000.
3. An increase to the credit for additional years of service beyond 22 years from 1.5% per year to 2.75% per year. The maximum number of years of additional credit is ten years. The combination of the increase of the pension to 60.5% and the additional years credit to 2.75% will bring the maximum to 88.0% of the members average final compensation with 30 years of service.
4. An increase to the credit for up to eight additional years of service for members who retired prior to July 1, 1996, up to the current level of 1.5% per year. Persons who retired prior to July 1, 1990, did not receive credit for additional years of service beyond 22 years, and those who retired between July 1, 1990, and July 1, 1996, received varying amounts of credit for additional years of service up to 0.6% per year.
5. An increase to the minimum death benefit paid to a surviving spouse from 20.0% to 25.0% of the salary of a senior Highway Patrol officer.
6. An increase to the pension escalators for retired members and beneficiaries, except children of a deceased member. Retirees and beneficiaries with a service retirement allowance, beneficiaries receiving an accidental death benefit, those with five or more years of service receiving an ordinary disability retirement allowance, and those receiving an accidental disability allowance have their escalators increased from 30.0% to 40.0% of the difference between the retiree's salary at retirement and the current salary for an active member of the same rank. Retirees with less than five years of service and receiving an ordinary disability retirement allowance have their escalators increased from 15.0% to 24.0% of the difference between the retiree's salary and an active member's salary for the same rank. Retirees and beneficiaries also receive fixed dollar increments based on how long they have been retired. Surviving children's monthly benefits continue at the current level.
7. Creation of a Line of Duty Death Benefit which pays \$100,000 to beneficiaries or the estate of a member who is killed or dies of traumatic injuries in the line of duty. Provisions for exclusion are included.

-2-

8. Adoption by the actuary of a smoothing method for valuing system assets.
9. Statement that it is the intent of the General Assembly that the pension benefit for retired members should be increase to 90.0% of earnable compensation when the retiree has 30 years of service.

ASSUMPTIONS

1. The normal contribution rate is 13.43% of covered payroll.
2. The members current contribution rate is 9.35%, and the State's current contribution rate 17.0%, for an actual current contribution rate of 26.35% of covered payroll.
3. The available margin is 12.92%

FISCAL IMPACT

The total cost of the above enhancements is approximately 10.0% of covered payroll, which is less than the available margin. The costs have been broken down by the actuary as follows:

1. The cost of adding a member to the Board of Trustees is estimated to be \$1,500 per year and is considered immaterial.
2. The combined costs of increasing the average final compensation to 60.5% and increasing the credit for up to ten additional years of service to 2.75% for future retirees are 5.64% of covered payroll.
3. The cost of granting credit for up to eight additional years of service for all currently retired members at 1.60% of covered payroll.
4. The annual cost of increasing the death benefit for surviving spouses is estimated to be \$8,415 and is considered immaterial.
5. The cost of increasing the escalators is estimated to be slightly less than 2.78%.
6. The cost of the Line of Duty Death Benefit is not a significant percentage of covered payroll.
7. Adopting smoothing methods is a technical change and will not create a cost or saving.
8. The statement of the intent to increase the pension benefit with 30 years of service to 90.0% of average earnable compensation will not become a cost until approved by a future General Assembly.

SOURCE

Department of Public Safety

DIVISION II - IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Senate File 2411 makes numerous technical and procedural changes to the IPERS System. Some of the technical and procedural changes without significant cost include: employment as elected officials, definitions of temporary employment, changes in the definition of three-year average covered wages to be based on quarters instead of years, refinement as to what is included in wages, allowing IPERS staff to seek and hold nonpartisan elected offices, late fees for unpaid contributions, wage reporting, spouse's approval for a change in beneficiaries, increasing the threshold for re-employment from \$12,000 to \$14,000, adding

-3-

airport security guards to protection occupations, modifying the dividend calculation to use 100.0% of the Consumer Price Index instead of 80.0% (the maximum increase remains at 3.0% and must be actuarially affordable), shortens the eligibility period for retroactive adjustment payments to disability retirees to six months (previously back to July 1, 1990), bona fide retirement clarification, and direct rollovers for purchase of service credit.

The significant changes to the IPERS System are:

1. Raising the ceiling for higher paid employees to which the reduction formula for three-year average covered wage is applied from \$55,000 in calendar 2000 to \$65,000 and in calendar 2001 to \$75,000. The reduction is removed beginning in calendar 2002, and all persons retiring after that date will have an unreduced three-year average covered wage.
2. Using the Rule of 88 as a determinant of a normal retirement date for calculation of an early retirement reduction when the System can afford the change.
3. Enhancing disability benefits for special service members which includes the presumption that heart and lung disease is a result of employment. The costs of the benefit are to be paid with increased employer (60.0% of the cost) and employee (40.0% of the cost) contributions.
4. Enhancing the death benefit for IPERS members who die before retirement so that the beneficiary can elect to receive the current death benefit or an amount equal to the actuarial value of the member's retirement benefit as of the date of the death. The death benefit may be paid as an annuity if there is one recipient.

ASSUMPTIONS

1. The contribution rates for sheriffs, deputies, and airport firefighters are 8.56% for employers and 5.70% for employees, for a total of 14.26% of covered wage.
2. The contribution rates for Protection Occupation groups are 8.38% for employers and 5.58% for employees, for a total of 13.96% of covered wage.
3. The employee contribution rate is 3.70% of covered wages, and the employer contribution rate is 5.75%.
4. The maximum acceptable years to amortize the unfunded actuarial liability is 20 years.
5. Actuarial assumptions were revised for the June 30, 1999, evaluation. The current unfunded actuarial liability will be amortized in 20 years based on those assumptions. The actuary projects the years to amortize the unfunded liability will decrease to one year by FY 2002 if the rate of return equals 7.5%.

FISCAL IMPACT

1. The change to the reduction formula for higher paid employees is not material.
2. The cost to the employers for the Protection Occupation members disability benefit is 0.19% of covered payroll. The cost to the Protection Occupation members is 0.13% of covered payroll, for a total increase of 0.32% of covered payroll.
3. The total cost for sheriffs, deputy sheriffs, and airport firefighters

-4-

will decrease by a total of 0.28% of covered payroll. The employers' costs will decrease by 0.17% of covered payroll, and the employees' costs will decrease by 0.11% of covered payroll.

4. The enhanced death benefit for members who die before retirement is projected to cost seven years to amortize. The System cannot afford the benefit at this time but will be able to afford the enhancement in FY 2002.
5. The use of the Rule of 88 to determine the normal retirement date is projected to cost four years to amortize. The System cannot afford the benefit at this time but will be able to afford the enhancement in FY 2002.
6. The combined costs of the enhanced death benefit and using the Rule of 88 to determine a normal retirement date is greater than the sum of the individual cost estimates, that is, greater than 11 years to amortize both enhancements.

SOURCE

Iowa Public Employees Retirement System

DIVISION III - STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM (411s)

Senate File 2411 makes a number of technical and procedural changes. Some of these changes include: permitting the System to establish a medical board (other than the University of Iowa Hospitals) to perform physical examinations for disability cases; permitting the System to establish guidelines for on-going wellness and fitness for members; modifying various definitions and requirements; requiring the System be notified of a temporary disability of more than 60 days; removing the 22 years of service requirement to receive a disability retirement after age 55; requiring the signature of a spouse to designate a death benefit beneficiary other than the spouse; making persons disabled by substance abuse, alcoholism, commission of a felony, and stress from conflicts with supervisors and co-workers ineligible for disability retirement; credit for backpay; the System's subrogation rights; and a statement of the General Assembly's intent that the retirement benefit increase to 90.0% of earnable compensation when the system can afford it, after which proposals to reduce contribution rates will be considered.

The changes identified as having a cost include:

1. Increasing the service retirement allowance from 60.0% to 66.0% of the member's average final compensation.
2. Increasing the credit for additional years of service beyond 22 years from 1.5% to 2.0% per year.
3. Creating a \$100,000 Line of Duty Death Benefit for the families of members killed in the line of duty.

ASSUMPTIONS

1. The normal contribution rate is 22.40% of covered payroll.
2. The members current contribution rate is 9.35%, the cities' current contribution rate 17.0%, and the State's contribution rate is 1.93%, for a current total contribution rate of 28.28% of covered payroll.

-5-

3. The available margin is 5.88%

FISCAL IMPACT

The total cost of the above enhancements is 5.54% of covered payroll which is less than the available margin. The costs have been broken down by the actuary as follows:

1. Increasing the retirement benefit from 60.0% to 66.0% costs 3.54% of covered payroll.
2. Increasing the credit for up to eight additional years of service beyond 22 years to 2.0% per year costs 1.91% of covered payroll.
3. Creating the Line of Duty Death Benefit costs 0.09% of covered payroll.

SOURCE

Municipal Fire and Police Retirement System

DIVISION IV - JUDICIAL RETIREMENT SYSTEM

Senate File 2411 makes the following changes to the Judicial Retirement System:

1. The judges' contribution rate increases from 4.0% to 5.0% until the System is fully funded. At that time and based on an actuarial evaluation, the contribution rates will be set so that the State contributes 60.0% and the judges contribute 40.0% of the cost to maintain the fully funded status of the System.
2. Increases the maximum annuity for judges retiring in FY 2001 from 52.0% of the judge's salary at retirement to 56.0%. In FY 2002, the percentage is increased to 60.0%.
3. Makes corresponding increases for the Senior Judges' pensions with the percentage applied to the benefits effective as of the judge's retirement from full employment as a judge.

ASSUMPTIONS

1. The annual pension cost for the State is 15.80% of covered payroll as of July 1, 1999.
2. The judges' contribution rate is 4.0% of covered payroll. The State's contribution rate is 23.70% of covered payroll.
3. The available margin is 7.90% of covered payroll.
4. The cost for increasing the specified percentage used to determine the judge's annual annuity includes the cost increases for the Senior Judge Program.

FISCAL IMPACT

The cost of increasing the specified percentage from 52.0% of the judge's salary at retirement to 56.0% is 2.10% of covered payroll. The cost of increasing the percentage of the three-year average salary percentage from 56.0% to 60.0% is 2.40% of covered payroll. The total cost of the enhancements is 4.50% of covered payroll which is less than the available margin.

SOURCE

Judicial Branch

(LSB 5811SV.2, MDF)

FILED MARCH 8, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR

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Municipal Fire and Police Retirement System

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SOURCE

Judicial Branch

(LSB 5811SV, MDF)

FILED MARCH 8, 2000

BY DENNIS PROUTY, FISCAL DIRECTOR