

2/20/02 Referred To: Appropriations

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STATE GOVERNMENT

HOUSE FILE 2434
BY DIX

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

A BILL FOR

1 An Act requiring the department of personnel to establish an
2 alternative defined contribution retirement system for members
3 of the general assembly.

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

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HF 2434

1 Section. 1. NEW SECTION. 19A.12F ELIGIBLE ALTERNATIVE
2 PENSION AND ANNUITY RETIREMENT SYSTEM.

3 1. The department shall establish an eligible alternative
4 pension and annuity retirement system, hereafter called the
5 "retirement system", effective July 1, 2003, for members of
6 the general assembly of Iowa pursuant to the requirements of
7 this section. The department shall be the plan sponsor of the
8 retirement system and shall file an application for a
9 favorable determination letter for the retirement system with
10 the internal revenue service.

11 2. The department shall select a provider of the
12 retirement system that is a financial institution capable of
13 providing bundled services for the retirement system,
14 including, but not limited to, administration, investment
15 management, member education, and recordkeeping. In selecting
16 a provider, the department shall place primary emphasis on the
17 reasonableness of services in relation to cost, the ability
18 and experience of the provider in providing bundled retirement
19 services, the financial stability of the provider, and the
20 ability of the provider to provide services as required by
21 this section.

22 3. To be an eligible alternative retirement benefits
23 system, the retirement system shall meet the following
24 requirements:

25 a. The retirement system shall be an employer-sponsored
26 defined contribution plan requiring mandatory employer
27 contributions that meet the requirements of section 401(a) of
28 the Internal Revenue Code.

29 b. The employer's and employee's annual contribution in
30 dollars under an eligible alternative retirement benefits
31 system described in this section shall equal, but not exceed,
32 the annual contribution in dollars which the employer and
33 employee would contribute if the employee had elected to
34 remain an active member pursuant to the Iowa public employees'
35 retirement system, as set forth in section 97B.11.

1 Contributions under the retirement system shall be treated in
2 the same manner as contributions under the Iowa public
3 employees' retirement system are treated pursuant to section
4 97B.11A.

5 c. Employer and employee contributions under the
6 retirement system shall be fully vested immediately.

7 d. Upon resignation or retirement as a member of the
8 general assembly, the person shall be eligible to receive a
9 benefit payable in at least any of the following forms:

10 (1) Payment of all or part of the person's account balance
11 in the retirement system in a lump sum.

12 (2) Payment based on the person's account balance in the
13 retirement system in monthly, quarterly, or annual
14 installments over a fixed reasonable period of time, not
15 exceeding the life expectancy of the person and the person's
16 beneficiary, if applicable.

17 (3) Payment based on the person's account balance in the
18 form of a single life or joint life and survivorship annuity.

19 4. Persons who become a member of the general assembly on
20 or after July 1, 2003, may elect coverage under the retirement
21 system established in this section in lieu of coverage under
22 the Iowa public employees' retirement system, pursuant to the
23 requirements of section 97B.42.

24 Sec 2. Section 97B.42, Code 2001, is amended by adding the
25 following new unnumbered paragraph:

26 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other
27 provision of this section, commencing July 1, 2003, an
28 employee who is a member of the general assembly of Iowa may
29 elect coverage under the eligible alternative retirement
30 benefits system as provided in section 19A.12F, in lieu of
31 continuing or commencing contributions to the Iowa public
32 employees' retirement system. However, the employer's and
33 employee's annual contribution in dollars to the eligible
34 alternative retirement benefits system shall equal, but not
35 exceed, the annual contribution in dollars which the employer

1 and employee would contribute if the employee had elected to
2 remain an active member under this chapter, as set forth in
3 section 97B.11. A member who elects coverage under the
4 eligible alternative retirement benefits system as provided by
5 this paragraph may withdraw the member's accumulated
6 contributions effective when coverage under the eligible
7 alternative retirement benefits system commences. A member
8 who is a member of the general assembly of Iowa prior to July
9 1, 2003, must file an election for coverage under the eligible
10 alternative retirement benefits system described in section
11 19A.12F, with the department within eighteen months of the
12 first day on which coverage commences under the eligible
13 alternative retirement benefits system described in section
14 19A.12F, or the employee shall remain a member under this
15 chapter and shall not be eligible to elect to participate in
16 the eligible alternative retirement benefits system at a later
17 date. A person who becomes a member of the general assembly
18 of Iowa on or after July 1, 2003, must file an election for
19 coverage under the eligible alternative retirement benefits
20 system with the department within sixty days of commencing
21 employment, or the employee shall remain a member under this
22 chapter and shall not be eligible to elect to participate in
23 the eligible alternative retirement benefits system at a later
24 date. The department shall cooperate with the legislative
25 council of the general assembly to facilitate the
26 implementation of this provision.

27 EXPLANATION

28 This bill requires the department of personnel to establish
29 an alternative pension and annuity retirement system for state
30 legislators. The bill provides, effective July 1, 2003, that
31 current state legislators, and state legislators elected on or
32 after July 1, 2003, have the option to elect to be covered
33 under the Iowa public employees' retirement system (IPERS) or
34 the alternative retirement system within a specified time
35 period.

1 The bill establishes the requirements for the alternative
2 plan, including the required payment options following a
3 participant's retirement. The bill requires that the plan be
4 an employer-sponsored defined contribution plan and that the
5 contributions to the plan be the same as the annual
6 contributions that would have been made to IPERS if the
7 employee elected to remain in IPERS. The bill provides that
8 employer and employee contributions to the alternative
9 retirement system are fully vested immediately. The bill
10 establishes the criteria for selecting the provider of the
11 alternative retirement system.

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