

FILED MAR 8 '01

SENATE FILE
BY KIBBIE

396

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

A BILL FOR

1 An Act concerning the governance of the Iowa public employees'
2 retirement system and providing an effective date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 396 STATE GOVERNMENT

1 Section 1. Section 12.8, unnumbered paragraph 3, Code
2 2001, is amended to read as follows:

3 The treasurer of state, with the approval of the investment
4 board of the Iowa public employees' retirement system, may
5 conduct a program of lending securities in the Iowa public
6 employees' retirement system portfolio. When securities are
7 loaned as provided by this paragraph, the treasurer shall act
8 in the manner provided for investment of moneys in the Iowa
9 public employees' retirement fund under section 97B-7 97B.7A.
10 The treasurer of state shall report at least annually to the
11 investment board of the Iowa public employees' retirement
12 system on the program and shall provide additional information
13 on the program upon the request of the investment board or the
14 employees of the Iowa public employees' retirement system
15 division of the department of personnel.

16 Sec. 2. Section 12B.10, subsection 4, paragraph f, Code
17 2001, is amended to read as follows:

18 f. Investments authorized for the Iowa public employees'
19 retirement system in section 97B-77-~~subsection-27-paragraph~~
20 "b" 97B.7A, except that investment in common stocks is not
21 permitted.

22 Sec. 3. Section 12C.5, Code 2001, is amended to read as
23 follows:

24 12C.5 REFUSAL OF DEPOSITS -- PROCEDURE.

25 If the approved depositories will not accept the deposits
26 under the conditions prescribed or authorized in this chapter,
27 the funds may be deposited, on the same or better terms as
28 were offered to the depositories, in one or more approved
29 depositories conveniently located within the state.

30 The treasurer of state may invest in any of the investments
31 authorized for the Iowa public employees' retirement system in
32 section 97B-77-~~subsection-27-paragraph~~-"b" 97B.7A except that
33 investment in common stocks shall not be permitted.

34 Sec. 4. Section 12C.10, Code 2001, is amended to read as
35 follows:

1 12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.

2 The governing council or board, who by law have control of
3 any fund created by direct vote of the people, may invest any
4 portion of the fund not currently needed, in investments
5 authorized in section 12B.10. The treasurer of state may
6 invest in any of the investments authorized for the Iowa
7 public employees' retirement system in section 97B-77
8 ~~subsection-27-paragraph-"b"~~ 97B.7A except that investment in
9 common stocks shall not be permitted. Interest or earnings on
10 such funds shall be credited as provided in section 12C.7,
11 subsection 2.

12 Sec. 5. Section 19A.1, subsection 3, paragraph b, Code
13 2001, is amended to read as follows:

14 b. The investment board of the Iowa public employees'
15 retirement system created by section 97B-8 97B.8A.

16 Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended
17 to read as follows:

18 2. The several funds created by this chapter may be
19 invested in any investments authorized for the Iowa public
20 employees' retirement system in section 97B-77-~~subsection-27~~
21 ~~paragraph-"b"~~ 97B.7A.

22 Sec. 7. Section 97B.1, Code 2001, is amended to read as
23 follows:

24 97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

25 1. The "Iowa Public Employees' Retirement System" is
26 created. The Iowa public employees' retirement system is
27 division, a separate and distinct division within the
28 department of personnel, shall administer the system.

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

31 a. "Board" means the investment board created by section
32 97B-8 97B.8A.

33 b. "Chief executive officer" means the chief executive
34 officer of the Iowa public employees' retirement system
35 division, notwithstanding section 7E.2, subsection 3,

1 paragraph "c", subparagraph (1).

2 c. "Committee" means the benefits advisory committee
3 created by section 97B.8B.

4 ~~b:~~ d. "Department Division" means the department-of
5 personnel Iowa public employees' retirement system division.

6 ~~c:--"Director"--means-the-director-of-the-department-of~~
7 ~~personnel:~~

8 ~~d:~~ e. "System" means the Iowa public employees' retirement
9 system.

10 Sec. 8. NEW SECTION. 97B.3A CHIEF EXECUTIVE OFFICER --
11 APPOINTMENT AND QUALIFICATIONS.

12 1. The administrator of the division is the chief
13 executive officer. The chief executive officer shall be
14 appointed by the governor subject to confirmation by the
15 senate and shall serve for six years beginning and ending as
16 provided by section 69.19. A vacancy shall be filled for the
17 unexpired portion of the term in the same manner as a full-
18 term appointment is made. The governor may remove the chief
19 executive officer for malfeasance in office, or for any cause
20 that renders the chief executive officer ineligible,
21 incapable, or unfit to discharge the duties of the office.

22 2. The qualifications for appointment as the chief
23 executive officer shall include a demonstrated knowledge of
24 and extensive experience in all aspects of pension fund
25 administration, including financial management, investment
26 asset management, benefit design and delivery, legal
27 administration, and operations administration. The chief
28 executive officer shall not be selected on the basis of
29 political affiliation, and while employed as the chief
30 executive officer, shall not be a member of a political
31 committee, participate in a political campaign, or be a
32 candidate for a partisan elective office, and shall not
33 contribute to a political campaign fund, except that the chief
34 executive officer may designate on the checkoff portion of the
35 state or federal income tax return, or both, a party or

1 parties to which a contribution is made pursuant to the
2 checkoff. The chief executive officer shall not hold any
3 other office under the laws of the United States or of this or
4 any state and shall devote full time to the duties of office.

5 Sec. 9. Section 97B.4, Code 2001, is amended by striking
6 the section and inserting in lieu thereof the following:

7 97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES OF
8 DIVISION -- IMMUNITY.

9 1. CHIEF EXECUTIVE OFFICER. The division, through the
10 chief executive officer, shall administer this chapter. The
11 chief executive officer shall also be the division's statutory
12 designee with respect to the rulemaking power.

13 2. GENERAL AUTHORITY.

14 a. The division may adopt, amend, waive, or rescind rules,
15 employ persons, execute contracts with outside parties, make
16 expenditures, require reports, make investigations, and take
17 other action it deems necessary for the administration of the
18 system in conformity with the requirements of this chapter,
19 the applicable provisions of the Internal Revenue Code, and
20 all other applicable federal and state laws. The rules shall
21 be effective upon compliance with chapter 17A.

22 b. The division may delegate to any person such authority
23 as it deems reasonable and proper for the effective
24 administration of this chapter, and may bond any person
25 handling moneys or signing checks under this chapter.

26 c. In administering this chapter, the division shall enter
27 into a biennial agreement with the department of personnel
28 concerning the sharing of resources between the division and
29 department which are of benefit to each and which are
30 consistent with the mission of the division and the
31 department. The budget program for the division shall be
32 established by the chief executive officer in consultation
33 with the board and other staff of the division and shall be
34 compiled by the department of personnel in collaboration with
35 the division and submitted on behalf of the division by the

1 department pursuant to section 8.23.

2 3. PERSONNEL.

3 a. CHIEF INVESTMENT OFFICER. The chief executive officer,
4 following consultation with the board, shall employ a chief
5 investment officer who shall be appointed pursuant to chapter
6 19A and shall be responsible for administering the investment
7 program for the retirement fund pursuant to the investment
8 policies of the board.

9 b. CHIEF BENEFITS OFFICER. The chief executive officer,
10 following consultation with the benefits advisory committee,
11 shall employ a chief benefits officer who shall be appointed
12 pursuant to chapter 19A and shall be responsible for
13 administering the benefits and other services provided under
14 the system.

15 c. ACTUARY. The division shall employ an actuary who
16 shall be selected by the board and shall serve at the pleasure
17 of the board. The actuary shall be the technical advisor for
18 the system on matters regarding the operation of the
19 retirement fund.

20 d. DIVISION EMPLOYEES. Subject to other provisions of
21 this chapter, the division may employ all other personnel as
22 necessary for the administration of the system. The maximum
23 number of full-time equivalent employees specified by the
24 general assembly for the division for administration of the
25 system for a fiscal year shall not be reduced by any authority
26 other than the general assembly. The personnel of the
27 division shall be appointed pursuant to chapter 19A. The
28 division shall not appoint or employ a person who is an
29 officer or committee member of a political party organization
30 or who holds or is a candidate for a partisan elective public
31 office.

32 e. LEGAL ADVISORS. The division may employ attorneys and
33 contract with attorneys and legal firms for the provision of
34 legal counsel and advice in the administration of this chapter
35 and chapter 97C.

1 f. OUTSIDE ADVISORS. The division may execute contracts
2 with persons outside state government, including investment
3 advisors, consultants, and managers, in the administration of
4 this chapter. However, a contract with an investment manager
5 or investment consultant shall not be executed by the division
6 pursuant to this paragraph without the prior approval by the
7 board of the hiring of the investment manager or investment
8 consultant.

9 4. REPORTS.

10 a. ANNUAL REPORT TO GOVERNOR. Not later than the
11 fifteenth day of December of each year, the division shall
12 submit to the governor a report covering the administration
13 and operation of this chapter during the preceding fiscal year
14 and shall make recommendations for amendments to this chapter.
15 The report shall include a balance sheet of the moneys in the
16 retirement fund. The report shall also include information
17 concerning the investment management expenses for the
18 retirement fund for each fiscal year expressed as a percent of
19 the market value of the retirement fund investment assets,
20 including the information described in section 97B.7,
21 subsection 3, paragraph "d". The information provided under
22 this paragraph shall also include information on the
23 investment policies and investment performance of the
24 retirement fund. In providing this information, to the extent
25 possible, the division shall include the total investment
26 return for the entire fund, for portions of the fund managed
27 by investment managers, and for internally managed portions of
28 the fund, and the cost of managing the fund per thousand
29 dollars of assets. The performance shall be based upon market
30 value, and shall be contrasted with relevant market indices
31 and with performances of pension funds of similar asset size.

32 b. ANNUAL STATEMENT TO MEMBERS. The division shall
33 prepare and distribute to the members, at the expense of the
34 retirement fund, an annual statement of the member's account
35 and, in such a manner as the division deems appropriate, other

1 information concerning the system.

2 c. ACTUARIAL INVESTIGATION. During calendar year 2002,
3 and every four years thereafter, the division shall cause an
4 actuarial investigation to be made of all experience under the
5 retirement system. Pursuant to such an investigation, the
6 division shall, from time to time, determine upon an actuarial
7 basis the condition of the system and shall report to the
8 general assembly its findings and recommendations.

9 d. ANNUAL VALUATION OF ASSETS. The division shall cause
10 an annual actuarial valuation to be made of the assets and
11 liabilities of the system and shall prepare an annual
12 statement of the amounts to be contributed under this chapter,
13 and shall publish annually such valuation of the assets and
14 liabilities and the statement of receipts and disbursements of
15 the system. Based upon the actuarial methods and assumptions
16 adopted by the board for the annual valuation, the division
17 shall certify to the governor the contribution rates
18 determined thereby as the rates necessary and sufficient for
19 members and employers to fully fund the benefits and
20 retirement allowances being credited.

21 5. INVESTMENTS. The division, through the chief
22 investment officer, shall invest, in accordance with the
23 investment policy and goal statement established by the board,
24 the portion of the retirement fund which, in the judgment of
25 the division, is not needed for current payment of benefits
26 under this chapter subject to the requirements of section
27 97B.7A.

28 6. OLD RECORDS. The division may destroy or dispose of
29 such original reports or records as have been properly
30 recorded or summarized in the permanent records of the
31 division and are deemed by the chief executive officer to be
32 no longer necessary to the proper administration of this
33 chapter. The destruction or disposition shall be made only by
34 order of the chief executive officer. Records of deceased
35 members of the system may be destroyed ten years after the

1 later of the final payment made to a third party on behalf of
2 the member or the death of the member. Any moneys received
3 from the disposition of these records shall be deposited to
4 the credit of the retirement fund subject to rules adopted by
5 the division.

6 7. IMMUNITY. The division, employees of the division, the
7 board, the members of the board, and the treasurer of state
8 are not personally liable for actions or omissions under this
9 chapter that do not involve malicious or wanton misconduct
10 even if those actions or omissions violate the standards
11 established in section 97B.7A.

12 Sec. 10. Section 97B.7, Code 2001, is amended by striking
13 the section and inserting in lieu thereof the following:

14 97B.7 FUND CREATED -- EXCLUSIVE BENEFIT -- STANDING
15 APPROPRIATIONS.

16 1. There is hereby created as a special fund, separate and
17 apart from all other public moneys or funds of this state, the
18 "Iowa Public Employees' Retirement Fund", hereafter called the
19 "retirement fund". The retirement fund shall consist of all
20 moneys collected under this chapter, together with all
21 interest, dividends, and rents thereon, and shall also include
22 all securities or investment income and other assets acquired
23 by and through the use of the moneys belonging to the
24 retirement fund and any other moneys that have been paid into
25 the retirement fund.

26 2. The treasurer of the state of Iowa is hereby made the
27 custodian of the retirement fund and shall hold and disburse
28 the retirement fund in accordance with the requirements of
29 this chapter. As custodian, the treasurer shall be authorized
30 to disburse moneys in the retirement fund upon warrants drawn
31 by the director of revenue and finance pursuant to the order
32 of the division. The selection by the treasurer of any bank
33 or other third party for the purposes of investment asset
34 safekeeping, other custody, or settlement services shall be
35 subject to approval by the board.

1 3. All moneys which are paid or deposited into the fund
2 are appropriated and made available to the division to be used
3 for the exclusive benefit of the members and their
4 beneficiaries or contingent annuitants as provided in this
5 chapter:

6 a. To be used by the division for the payment of claims
7 for benefits under this chapter.

8 b. To be used by the division to pay refunds provided for
9 in this chapter.

10 c. To be used for the costs of administering the system,
11 including the expenses of the benefits advisory committee. If
12 as a result of action under section 8.31, the governor has
13 reduced the moneys appropriated from the retirement fund to
14 the division for salaries, support, maintenance, and other
15 operational purposes to pay the costs of the system for a
16 fiscal year, it is the intent of the general assembly that the
17 amount by which the appropriation has been reduced should be
18 transferred from the retirement fund to the division for
19 salaries, support, maintenance, and other operational purposes
20 to pay the costs of the system for that fiscal year.

21 d. To be used to pay for investment management expenses
22 incurred in the management of the retirement fund. Expenses
23 incurred pursuant to this paragraph shall be charged to the
24 investment income of the retirement fund. However, the amount
25 appropriated for a fiscal year under this paragraph shall not
26 exceed four-tenths of one percent of the market value of the
27 retirement fund.

28 Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT
29 OF RETIREMENT FUND -- STANDARDS -- IMMUNITY.

30 1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In
31 establishing the investment policy of the retirement fund and
32 providing for the investment of the retirement fund, the
33 division and board shall do the following:

34 a. Exercise the judgment and care, under the circumstances
35 then prevailing, which persons of prudence, discretion, and

1 intelligence exercise in the management of their own affairs,
2 not for the purpose of speculation, but with regard to the
3 permanent disposition of the funds, considering the probable
4 income, as well as the probable safety, of their capital.

5 b. Give appropriate consideration to those facts and
6 circumstances that the division and board know or should know
7 are relevant to the particular investment or investment policy
8 involved, including the role the investment plays in the total
9 value of the retirement fund.

10 c. For the purposes of this subsection, appropriate
11 consideration includes, but is not limited to, a determination
12 that the particular investment or investment policy is
13 reasonably designed to further the purposes of the system,
14 taking into consideration the risk of loss and the opportunity
15 for gain or income associated with the investment or
16 investment policy and consideration of the following factors
17 as they relate to the retirement fund:

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

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

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

25 2. INVESTMENT ACQUISITIONS. Within the limitations of the
26 investment standards prescribed in this section, the system
27 may acquire and retain every kind of property and every kind
28 of investment which persons of prudence, discretion, and
29 intelligence acquire or retain for their own account.

30 Consistent with this section, investments shall be made in a
31 manner that will enhance the economy of this state, and in
32 particular, will result in increased employment of the
33 residents of this state. Investments of moneys in the
34 retirement fund are not subject to sections 73.15 through
35 73.21.

1 3. LIABILITY -- REIMBURSEMENT. Except as provided in
2 section 97B.4, subsection 7, if there is loss to the
3 retirement fund, the treasurer of state, the division, the
4 employees of the division, the members of the board severally,
5 and the board are not personally liable, and the loss shall be
6 charged against the retirement fund. There is appropriated
7 from the retirement fund, the amount required to cover a loss.

8 4. INVESTMENT PROCEDURES. In managing the investment of
9 the retirement fund, the division, in accordance with the
10 investment policy established by the board, is authorized to
11 do the following:

12 a. To sell any securities or other property in the
13 retirement fund and reinvest the proceeds when such action may
14 be deemed advisable by the division for the protection of the
15 retirement fund or the preservation of the value of the
16 investment. Such sale of securities or other property of the
17 retirement fund and reinvestment shall only be made in
18 accordance with policies of the board in the manner and to the
19 extent provided in this chapter.

20 b. To subscribe for the purchase of securities for future
21 delivery in anticipation of future income. The securities
22 shall be paid for by anticipated income or from funds from the
23 sale of securities or other property held by the retirement
24 fund.

25 c. To pay for securities directed to be purchased upon the
26 receipt of the purchasing bank's paid statement or paid
27 confirmation of purchase.

28 5. TRAVEL. In the administration of the investment of
29 moneys in the retirement fund, employees of the division and
30 members of the board may travel outside the state for the
31 purpose of meeting with investment firms and consultants and
32 attending conferences and meetings to fulfill their fiduciary
33 responsibilities. This travel is not subject to section
34 421.38, subsection 2.

35 Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

1 1. BOARD ESTABLISHED. A board is established to be known
2 as the "Investment Board of the Iowa Public Employees'
3 Retirement System", referred to in this chapter as the
4 "board". The duties of the board are to establish policy, and
5 review its implementation, in matters relating to the
6 investment of the retirement fund. The board shall be the
7 trustee of the retirement fund.

8 2. INVESTMENT REVIEW. a. At least annually the board
9 shall review the investment policies and procedures used by
10 the board and division, and shall hold a public meeting on the
11 investment policies and investment performance of the
12 retirement fund. Following its review and the public meeting,
13 the board shall, pursuant to the requirements of section
14 97B.7A, and in consultation with the chief investment officer
15 and other relevant personnel of the division, establish an
16 investment policy and goal statement that shall direct the
17 investment activities concerning the retirement fund.

18 b. The board shall review and approve, prior to the
19 execution of a contract with the division, the hiring of each
20 investment manager and investment consultant outside of state
21 government.

22 3. ACTUARIAL RESPONSIBILITIES.

23 a. The board shall select the actuary to be employed by
24 the system as provided in section 97B.4.

25 b. The board shall, in consultation with the chief
26 executive officer, the actuary, and other relevant personnel
27 of the division, adopt from time to time mortality tables and
28 all other necessary factors for use in actuarial calculations
29 required in connection with the system. The board shall also
30 adopt the actuarial methods and assumptions to be used by the
31 actuary for the annual valuation of assets as required by
32 section 97B.4.

33 4. MEMBERSHIP.

34 a. The board shall consist of nine voting members. The
35 voting members shall be as follows:

1 (1) Three public members, appointed by the governor, who
2 are not members of the system and who each have substantial
3 institutional investment experience or substantial
4 institutional financial experience.

5 (2) Three members, appointed by the governor from a slate
6 of at least two nominees per position submitted by the
7 benefits advisory committee established in section 97B.8B, who
8 are members of the system. Of the three members appointed,
9 one shall be an active member who is an employee of a school
10 district, area education agency, or merged area; one shall be
11 an active member who is not an employee of a school district,
12 area education agency, or merged area; and one shall be a
13 retired member of the system.

14 (3) The treasurer of state.

15 (4) One state representative, appointed by the speaker of
16 the house of representatives, and one state senator, appointed
17 by the president of the senate, after consultation with the
18 majority leader and the minority leader of the senate.

19 b. Five voting members of the board shall constitute a
20 quorum.

21 c. The three members who have substantial institutional
22 investment experience or substantial institutional financial
23 experience, and the member who is a retired member of the
24 system, shall be paid their actual expenses incurred in the
25 performance of their duties and shall receive a per diem as
26 specified in section 7E.6 for each day of service not
27 exceeding forty days per year. Legislative members shall be
28 paid the per diem and expenses specified in section 2.10, for
29 each day of service. The per diem and expenses of the
30 legislative members shall be paid from funds appropriated
31 under section 2.12. The members who are active members of the
32 system and the treasurer of state shall be paid their actual
33 expenses incurred in the performance of their duties as
34 members of the board and the performance of their duties as
35 members of the board shall not affect their salaries,

1 vacations, or leaves of absence for sickness or injury.
2 d. The appointive terms of the members appointed by the
3 governor are for a period of six years beginning and ending as
4 provided in section 69.19. If there is a vacancy in the
5 membership of the board for one of the members appointed by
6 the governor, the governor has the power of appointment.
7 Gubernatorial appointees to this board are subject to
8 confirmation by the senate.

9 5. CLOSED SESSIONS. In addition to the reasons provided
10 in section 21.5, subsection 1, the board may hold a closed
11 session pursuant to the requirements of section 21.5 of that
12 portion of a board meeting in which financial or commercial
13 information is provided to or discussed by the board if the
14 board determines that disclosure of such information could
15 result in a loss to the system or to the provider of the
16 information.

17 Sec. 13. NEW SECTION. 97B.8B BENEFITS ADVISORY
18 COMMITTEE.

19 1. COMMITTEE ESTABLISHED. A benefits advisory committee
20 shall be established whose duty is to consider and make
21 recommendations to the division and the general assembly
22 concerning the provision of benefits to members of the system.

23 2. MEMBERSHIP. The benefits advisory committee shall be
24 comprised of representatives of constituent groups concerned
25 with the system, and shall include representatives of
26 employers, active members, and retired members. In addition,
27 the director of the department of personnel and a member of
28 the public selected by the voting members of the committee
29 shall serve as members of the committee. The division shall
30 adopt rules under chapter 17A to provide for the selection of
31 members to the committee and the election of the voting
32 members of the committee.

33 3. VOTING MEMBERS. Of the members who comprise the
34 committee, nine members shall be voting members. Except as
35 otherwise provided by this subsection, the voting members

1 shall be elected by the members of the committee from the
2 membership of the committee. Of the nine voting members of
3 the committee, four shall represent covered employers, and
4 four shall represent the members of the system. Of the four
5 voting members representing employers, one shall be the
6 director of the department of personnel, one shall be a member
7 of a constituent group that represents cities, one shall be a
8 member of a constituent group that represents counties, and
9 one shall be a member of a constituent group that represents
10 local school districts. Of the four voting members who
11 represent members of the system, one shall be a member of a
12 constituent group that represents teachers. The ninth voting
13 member of the committee shall be a citizen who is not a member
14 of the system and who is elected by the other voting members
15 of the committee.

16 4. DUTIES.

17 a. At least every two years, the benefits advisory
18 committee shall review the benefits and services provided to
19 members under this chapter, and the voting members of the
20 committee shall make recommendations to the division and the
21 general assembly concerning the benefits, benefits policy, and
22 benefit goals, provided under this chapter.

23 b. Upon the expiration of the term of office of or a
24 vacancy concerning one of the three members of the investment
25 board described in section 97B.8A, subsection 4, paragraph
26 "a", subparagraph (2), the voting members of the committee
27 shall submit to the governor the names of at least two
28 nominees who meet the requirements specified in that
29 subparagraph. The governor shall appoint the member from the
30 list submitted by the committee.

31 5. TERMS OF VOTING MEMBERS. Except for the director of
32 the department of personnel and as otherwise provided in the
33 rules for the initial selection of voting members of the
34 committee, each member selected to be a voting member shall
35 serve as a voting member for three years. Terms for voting

1 members begin on May 1 in the year of selection and expire on
2 April 30 in the year of expiration. Vacancies shall be filled
3 in the same manner as the original selections. A vacancy
4 shall be filled for the unexpired term.

5 6. EXPENSES. The members who are not active members of
6 the system shall be paid their actual expenses incurred in the
7 performance of their duties and shall receive a per diem as
8 specified in section 7E.6 for each day of service not
9 exceeding forty days per year. The members who are active
10 members of the system and the director of the department of
11 personnel shall be paid their actual expenses incurred in the
12 performance of their duties as members of the committee and
13 the performance of their duties as members of the committee
14 shall not affect their salaries, vacations, or leaves of
15 absence for sickness or injury.

16 Sec. 14. Section 97B.20A, Code 2001, is amended to read as
17 follows:

18 97B.20A APPEAL PROCEDURE.

19 Members and third-party payees may appeal any decision made
20 by the department division that affects their rights under
21 this chapter. The appeal shall be filed with the department
22 division within thirty days after the notification of the
23 decision was mailed to the party's last known mailing address,
24 or the decision of the department division is final. If the
25 party appeals the decision of the department division, the
26 department division shall conduct an internal review of the
27 decision and the chief benefits executive officer shall notify
28 the individual who has filed the appeal in writing of the
29 department's division's decision. The individual who has
30 filed the appeal may file an appeal of the department's
31 division's final decision with the department division under
32 chapter 17A by notifying the department division of the appeal
33 in writing within thirty days after the notification of its
34 final decision was mailed to the party's last known mailing
35 address. Once notified, the department division shall forward

1 the appeal to the department of inspections and appeals.

2 Sec. 15. Section 97B.25, Code 2001, is amended to read as
3 follows:

4 97B.25 APPLICATIONS FOR BENEFITS.

5 A representative designated by the chief benefits executive
6 officer and referred to in this chapter as a retirement
7 benefits officer shall promptly examine applications for
8 retirement benefits and on the basis of facts found shall
9 determine whether or not the claim is valid. If the claim is
10 valid, the retirement benefits officer shall send a
11 notification to the member stating the option the member has
12 selected pursuant to section 97B.51, the month with respect to
13 which benefits shall commence, and the monthly benefit amount
14 payable. If the claim is invalid, the retirement benefits
15 officer shall promptly notify the applicant and any other
16 interested party of the decision and the reasons. A
17 retirement application shall not be amended or revoked by the
18 member once the first retirement allowance is paid. A
19 member's death during the first month of entitlement shall not
20 invalidate an approved application.

21 Sec. 16. Section 257B.20, subsection 4, Code 2001, is
22 amended to read as follows:

23 4. In any investments authorized for the Iowa public
24 employees' retirement system in section ~~97B.77-subsection-27~~
25 ~~paragraph-"b"~~ 97B.7A, except that investment in common stocks
26 shall not be permitted.

27 Sec. 17. Section 411.7, subsection 2, Code 2001, is
28 amended to read as follows:

29 2. The secretary of the board of trustees shall invest, in
30 accordance with the investment policy established by the board
31 of trustees, the portion of the fund established in section
32 411.8 which in the judgment of the board is not needed for
33 current payment of benefits under this chapter in investments
34 authorized in section ~~97B.77-subsection-27-paragraph-"b"~~
35 97B.7A, for moneys in the Iowa public employees' retirement

1 fund.

2 Sec. 18. Section 602.9111, subsection 1, Code 2001, is
3 amended to read as follows:

4 1. So much of the judicial retirement fund as may not be
5 necessary to be kept on hand for the making of disbursements
6 under this article shall be invested by the treasurer of state
7 in any investments authorized for the Iowa public employees'
8 retirement system in section 97B.77--~~subsection-27-paragraph~~
9 "b" 97B.7A, and the earnings therefrom shall be credited to
10 the fund. The treasurer of state may execute contracts and
11 agreements with investment advisors, consultants, and
12 investment management and benefit consultant firms in the
13 administration of the judicial retirement fund.

14 Sec. 19. INVESTMENT BOARD TRANSITION.

15 1. Notwithstanding provisions of section 97B.8A, as
16 enacted in this Act, to the contrary, the new investment board
17 of the Iowa public employees' retirement system shall, on
18 January 1, 2002, consist of the following members, who shall
19 serve the following terms:

20 a. The members of the investment board established under
21 section 97B.8, Code 2001, who are an active member who is an
22 employee of a school district, area education agency, or
23 merged area; an active member who is not an employee of a
24 school district, area education agency, or merged area; and a
25 retired member, shall cease membership on the investment board
26 and commence membership on the new investment board
27 established under section 97B.8A on January 1, 2002. The
28 terms of these members on the investment board established
29 under section 97B.8A shall expire on the same date as their
30 terms would have expired on the investment board in accordance
31 with section 97B.8, Code 2001.

32 b. The members of the investment board established under
33 section 97B.8, Code 2001, who are an executive of a domestic
34 life insurance company, an executive of a state or national
35 bank, and an executive of an industrial corporation located

1 within the state of Iowa, shall cease membership on the
2 investment board and commence membership on the new investment
3 board established under section 97B.8A on January 1, 2002.
4 The terms of these members on the new investment board
5 established under section 97B.8A shall expire on the same date
6 as their terms would have expired on the investment board in
7 accordance with section 97B.8, Code 2001. Upon expiration of
8 each of these member's term of office, the governor shall
9 appoint a member to the board consistent with the requirements
10 of section 97B.8A, subsection 4, paragraph "a", subparagraph
11 (1).

12 c. The members of the investment board established under
13 section 97B.8, Code 2001, who are legislative members shall
14 cease membership on the investment board and commence
15 membership on the new investment board established under
16 section 97B.8A on January 1, 2002. The terms of these members
17 shall expire at the pleasure of the appointing authorities as
18 provided in section 97B.8A, as enacted in this Act.

19 d. The director of the department of personnel shall cease
20 membership on the investment board established under section
21 97B.8, Code 2001, on January 1, 2002. The treasurer of state
22 shall commence membership on the new investment board
23 established under section 97B.8A, and shall serve on the board
24 as provided in section 97B.8A, as enacted in this Act.

25 2. Initial appointments by the governor under this section
26 are subject to confirmation by the senate. If a vacancy
27 occurs as to a member of the investment board established
28 under section 97B.8A who is appointed by the governor prior to
29 the expiration of a term as provided in this section, the
30 governor shall appoint a member to serve the remainder of the
31 term so that the membership requirements of section 97B.8A, as
32 enacted in this Act, are fulfilled, and the appointment shall
33 be subject to confirmation by the senate. Upon the expiration
34 of a term established in this section, a member shall be
35 appointed in the manner and for a term of service as specified

1 in section 97B.8A, as enacted in this Act. Except as
2 otherwise provided in this section, the investment board
3 established under this section shall be subject to the
4 requirements of section 97B.8A, as enacted in this Act.

5 Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.

6 1. Effective July 1, 2001, and notwithstanding provisions
7 of section 97B.8B, as enacted in this Act, to the contrary, a
8 transition benefits advisory committee shall be created and
9 shall consist of the following voting members:

10 a. A member representing the Iowa state education
11 association.

12 b. A member representing the Iowa association of community
13 college trustees.

14 c. A member representing the school administrators of
15 Iowa.

16 d. A member representing the Iowa association of school
17 boards.

18 e. A member representing the retired school personnel
19 association.

20 f. A member representing the state police officers
21 council.

22 g. The director of the department of personnel.

23 h. A member representing the IPERS' improvement
24 association.

25 i. A member representing the American federation of state,
26 county, and municipal employees.

27 j. A member representing the Iowa state sheriffs' and
28 deputies' association.

29 k. A member representing the Iowa state association of
30 counties.

31 l. A member representing the Iowa league of cities.

32 m. A member representing the Iowa association of chiefs of
33 police and peace officers.

34 n. A member of the public with substantial pension
35 benefits experience as selected by the chief benefits officer

1 of the Iowa public employees' retirement system.

2 o. A member representing the department of management.

3 2. By January 1, 2002, the transition benefits advisory
4 committee shall issue a report to the Iowa public employees'
5 retirement system division concerning the rules to be adopted
6 by the division governing the benefits advisory committee as
7 provided in section 97B.8B, as enacted in this Act. The rules
8 should include provisions governing the selection of members
9 of the committee, the selection of voting members of the
10 committee, and any other provisions deemed necessary for
11 establishing the benefits advisory committee consistent with
12 the requirements of section 97B.8B.

13 3. The transition benefits advisory committee shall be
14 dissolved by January 31, 2002.

15 Sec. 21. AMENDMENTS CHANGING TERMINOLOGY -- DIRECTIVES TO
16 CODE EDITOR. Except as otherwise provided in this Act, the
17 Iowa Code editor is directed to strike the words "department",
18 "department of personnel", and "department's" and insert the
19 words "division" and "division's" wherever the word
20 "department", "department of personnel", or "department's"
21 appears in chapter 97B of the Iowa Code and the reference to
22 "department", "department of personnel", or "department's"
23 means the department of personnel unless a contrary intent is
24 clearly evident.

25 Sec. 22. ADMINISTRATIVE RULES. To the extent not
26 inconsistent with this Act, the administrative rules
27 promulgated and adopted by the department of personnel
28 concerning the Iowa public employees' retirement system prior
29 to January 1, 2002, shall be the rules of the Iowa public
30 employees' retirement system division and shall remain in
31 effect on and after January 1, 2002, subject to the authority
32 of the division to modify or change the rules pursuant to Iowa
33 Code chapter 17A.

34 Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59,
35 97B.60, 97B.61, Code 2001, are repealed.

1 bill in both structure and duties.

2 Under the bill, the investment board is made the trustee of
3 the IPERS retirement fund. The board is given the explicit
4 authority, in consultation with the chief investment officer
5 and other personnel of the division, to develop the investment
6 policy and goal statement that will direct the investment
7 activities concerning the fund. The actual investment of the
8 fund remains the responsibility of the division subject to the
9 investment policy established by the board. In addition, the
10 investment board is given the authority to hire and fire the
11 actuary to be used as the technical advisor of the system.
12 The board is also given the responsibility of adopting the
13 actuarial assumptions to be used by the actuary in determining
14 the condition of the retirement fund. The board is required
15 to consult with the chief executive officer, the actuary, and
16 other relevant division personnel in the development of the
17 actuarial assumptions.

18 The membership of the board is also modified under the
19 bill. Under the bill, the director of the department of
20 personnel is replaced with the treasurer of state, and the
21 treasurer is made a voting member of the board. In addition,
22 the three current members who must be an executive of a
23 domestic life insurance company, an executive of a state or
24 national bank operating within the state of Iowa, and an
25 executive of an industrial corporation located within the
26 state of Iowa, are replaced with three members who must have
27 substantial institutional investment experience or financial
28 experience. In addition, while the three current members of
29 the board who are members of the system remain, the manner of
30 their selection is changed. The bill provides that the
31 governor shall appoint these members from a slate of at least
32 two nominees submitted by the newly created benefits advisory
33 committee. The bill also establishes a mechanism for
34 transitioning from the current board membership to the new
35 board membership.

1 The bill also establishes a new benefits advisory
2 committee. The duties of the committee are to submit nominees
3 to the governor to fill the positions on the investment board
4 for members of the system and to review and make
5 recommendations to the division and the general assembly
6 concerning the provision of benefits to members of the system.
7 The bill provides that the members of this board shall be
8 comprised of representatives of constituent groups concerned
9 with the system, including representatives of employers,
10 active members, and retired members. The election of these
11 members shall be done pursuant to rules adopted by the
12 division. The director of the department of personnel and a
13 person to be selected by the voting members of the committee
14 are also specifically included as voting members of the
15 committee. The bill provides that of the members of the
16 committee, nine shall be voting members who shall serve as
17 voting members for three-year terms. Of the nine voting
18 members, four shall represent employers, and four shall
19 represent employees. The ninth member shall be a member of
20 the public and shall be chosen by the other eight voting
21 members of the committee. Of the employer representatives,
22 one shall be the director of the department of personnel, one
23 shall represent a constituent group that represents the cities
24 or counties, and one shall represent local school districts.
25 Of the employee representatives, one shall be from a group
26 that represents teachers. Expenses for members of the
27 committee shall be paid in the same manner and amount as they
28 are paid for the current members of the investment board. The
29 bill also provides for the establishment of a transition
30 benefits advisory committee on July 1, 2001. The bill
31 establishes the exact membership of this transition committee
32 and provides that it shall be dissolved by January 31, 2002.
33 The transition committee is given the task of making
34 recommendations in a report to the IPERS division no later
35 than January 1, 2002, concerning the rules to adopt in

1 governing the new benefits advisory committee. The proposed
2 rules in the report shall include, at a minimum, provisions
3 governing the selection of members to the committee and the
4 selection of voting members of the committee.

5 The bill provides that the administrative rules adopted by
6 the department of personnel concerning IPERS shall, consistent
7 with this bill, remain in effect after the effective date of
8 this bill.

9 Except for the section of the bill concerning the benefits
10 advisory committee transition which takes effect July 1, 2001,
11 the bill takes effect January 1, 2002.

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