

# Senate Study Bill 1247

## Bill Text

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1 1 Section 1. Section [12.8](#), unnumbered paragraph 3, Code  
1 2 2001, is amended to read as follows:  
1 3 The treasurer of state, with the approval of the investment  
1 4 board of the Iowa public employees' retirement system, may  
1 5 conduct a program of lending securities in the Iowa public  
1 6 employees' retirement system portfolio. When securities are  
1 7 loaned as provided by this paragraph, the treasurer shall act  
1 8 in the manner provided for investment of moneys in the Iowa  
1 9 public employees' retirement fund under section

~~97B.7~~

~~97B.7A.~~

1 10 The treasurer of state shall report at least annually to the  
1 11 investment board of the Iowa public employees' retirement  
1 12 system on the program and shall provide additional information  
1 13 on the program upon the request of the investment board or the  
1 14 employees of the Iowa public employees' retirement system  
1 15 division of the department of personnel.

1 16 Sec. 2. Section [12B.10](#), subsection 4, paragraph f, Code  
1 17 2001, is amended to read as follows:

1 18 f. Investments authorized for the Iowa public employees'  
1 19 retirement system in section

~~97B.7, subsection 2, paragraph~~

~~1 20~~

~~"b"~~

~~97B.7A~~, except that investment in common stocks is not  
1 21 permitted.

1 22 Sec. 3. Section [12C.5](#), Code 2001, is amended to read as  
1 23 follows:

1 24 12C.5 REFUSAL OF DEPOSITS PROCEDURE.

1 25 If the approved depositories will not accept the deposits  
1 26 under the conditions prescribed or authorized in this chapter,  
1 27 the funds may be deposited, on the same or better terms as  
1 28 were offered to the depositories, in one or more approved  
1 29 depositories conveniently located within the state.

1 30 The treasurer of state may invest in any of the investments  
1 31 authorized for the Iowa public employees' retirement system in  
1 32 section

~~97B.7, subsection 2, paragraph "b"~~

~~97B.7A~~ except that

1 33 investment in common stocks shall not be permitted.

1 34 Sec. 4. Section [12C.10](#), Code 2001, is amended to read as  
1 35 follows:

2 1 12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.

2 2 The governing council or board, who by law have control of  
2 3 any fund created by direct vote of the people, may invest any  
2 4 portion of the fund not currently needed, in investments  
2 5 authorized in section 12B.10. The treasurer of state may  
2 6 invest in any of the investments authorized for the Iowa  
2 7 public employees' retirement system in section

~~97B.7,~~

~~subsection 2, paragraph "b"~~

~~97B.7A~~ except that investment in  
2 9 common stocks shall not be permitted. Interest or earnings on  
2 10 such funds shall be credited as provided in section 12C.7,  
2 11 subsection 2.

2 12 Sec. 5. Section 19A.1, subsection 3, paragraph b, Code  
2 13 2001, is amended to read as follows:

2 14 b. The investment board of the Iowa public employees'  
2 15 retirement system created by section

~~97B.8~~

~~97B.8A.~~  
2 16 Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended  
2 17 to read as follows:

2 18 2. The several funds created by this chapter may be  
2 19 invested in any investments authorized for the Iowa public  
2 20 employees' retirement system in section

~~97B.7, subsection 2,~~

2 21

~~paragraph "b"~~

~~97B.7A.~~  
2 22 Sec. 7. Section 97B.1, Code 2001, is amended to read as  
2 23 follows:

2 24 97B.1 SYSTEM CREATED ORGANIZATIONAL DEFINITIONS.  
2 25 1. The "Iowa Public Employees' Retirement System" is  
2 26 created. The Iowa public employees' retirement system

~~is~~

2 27 division, a separate and distinct division within the  
2 28 department of personnel, shall administer the system.

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

2 31 a. "Board" means the investment board created by section  
2 32

~~97B.8~~

~~97B.8A.~~  
2 33 b. "Chief executive officer" means the chief executive  
2 34 officer of the Iowa public employees' retirement system  
2 35 division, notwithstanding section 7E.2, subsection 3,  
3 1 paragraph "c", subparagraph (1).

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

3 4

~~b.~~

~~d. "~~

~~Department~~

~~Division" means the~~

~~department of~~

3 5

~~personnel~~

~~Iowa public employees' retirement system division.~~

3 6

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

~~personnel.~~

~~d.~~

~~e.~~ "System" means the Iowa public employees' retirement system.

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

3 12 1. The administrator of the division is the chief  
3 13 executive officer. The chief executive officer shall be  
3 14 appointed by the governor subject to confirmation by the  
3 15 senate and shall serve at the pleasure of the governor.

3 16 2. The qualifications for appointment as the chief  
3 17 executive officer shall include a demonstrated knowledge of  
3 18 and executive-level experience in all aspects of pension fund  
3 19 administration, including financial management, investment  
3 20 asset management, benefit design and delivery, legal  
3 21 administration, and operations administration. The chief  
3 22 executive officer shall not be selected on the basis of  
3 23 political affiliation, and while employed as the chief  
3 24 executive officer, shall not be a member of a political  
3 25 committee, participate in a political campaign, or be a  
3 26 candidate for a partisan elective office, and shall not  
3 27 contribute to a political campaign fund, except that the chief  
3 28 executive officer may designate on the checkoff portion of the  
3 29 state or federal income tax return, or both, a party or  
3 30 parties to which a contribution is made pursuant to the  
3 31 checkoff. The chief executive officer shall not hold any  
3 32 other office under the laws of the United States or of this or  
3 33 any state and shall devote full time to the duties of office.

3 34 Sec. 9. Section 97B.4, Code 2001, is amended by striking  
3 35 the section and inserting in lieu thereof the following:

4 1 97B.4 ADMINISTRATION OF SYSTEM POWERS AND DUTIES OF  
4 2 DIVISION IMMUNITY.

4 3 1. CHIEF EXECUTIVE OFFICER. The division, through the  
4 4 chief executive officer, shall administer this chapter. The  
4 5 chief executive officer shall also be the division's statutory  
4 6 designee with respect to the rulemaking power.

4 7 2. GENERAL AUTHORITY.

4 8 a. The division may adopt, amend, waive, or rescind rules,  
4 9 employ persons, execute contracts with outside parties, make  
4 10 expenditures, require reports, make investigations, and take  
4 11 other action it deems necessary for the administration of the  
4 12 system in conformity with the requirements of this chapter,  
4 13 the applicable provisions of the Internal Revenue Code, and  
4 14 all other applicable federal and state laws. The rules shall  
4 15 be effective upon compliance with chapter 17A.

4 16 b. The division may delegate to any person such authority  
4 17 as it deems reasonable and proper for the effective  
4 18 administration of this chapter, and may bond any person  
4 19 handling moneys or signing checks under this chapter.

4 20 c. In administering this chapter, the division shall enter  
4 21 into a biennial agreement with the department of personnel  
4 22 concerning the sharing of resources between the division and  
4 23 department which are of benefit to each and which are  
4 24 consistent with the mission of the division and the  
4 25 department. The budget program for the division shall be  
4 26 compiled by the department of personnel in collaboration with  
4 27 the division and submitted by the department pursuant to  
4 28 section 8.23.

4 29 3. PERSONNEL.

4 30 a. CHIEF INVESTMENT OFFICER. The chief executive officer,  
4 31 following consultation with the board, shall employ a chief

4 32 investment officer who shall be appointed pursuant to chapter  
4 33 19A and shall be responsible for administering the investment  
4 34 program for the retirement fund pursuant to the investment  
4 35 policies of the board.

5 1 b. CHIEF BENEFITS OFFICER. The chief executive officer,  
5 2 following consultation with the benefits advisory committee,  
5 3 shall employ a chief benefits officer who shall be appointed  
5 4 pursuant to chapter 19A and shall be responsible for  
5 5 administering the benefits and other services provided under  
5 6 the system.

5 7 c. ACTUARY. The division shall employ an actuary who  
5 8 shall be selected by the board and shall serve at the pleasure  
5 9 of the board. The actuary shall be the technical advisor for  
5 10 the system on matters regarding the operation of the  
5 11 retirement fund.

5 12 d. DIVISION EMPLOYEES. Subject to other provisions of  
5 13 this chapter, the division may employ all other personnel as  
5 14 necessary for the administration of the system. The maximum  
5 15 number of full-time equivalent employees specified by the  
5 16 general assembly for the division for administration of the  
5 17 system for a fiscal year shall not be reduced by any authority  
5 18 other than the general assembly. The personnel of the  
5 19 division shall be appointed pursuant to chapter 19A. The  
5 20 division shall not appoint or employ a person who is an  
5 21 officer or committee member of a political party organization  
5 22 or who holds or is a candidate for a partisan elective public  
5 23 office.

5 24 e. LEGAL ADVISORS. The division may employ attorneys and  
5 25 contract with attorneys and legal firms for the provision of  
5 26 legal counsel and advice in the administration of this chapter  
5 27 and chapter 97C.

5 28 f. OUTSIDE ADVISORS. The division may execute contracts  
5 29 with persons outside state government, including investment  
5 30 advisors, consultants, and managers, in the administration of  
5 31 this chapter. However, a contract with an investment manager  
5 32 or investment consultant shall not be executed by the division  
5 33 pursuant to this paragraph without the prior approval by the  
5 34 board of the hiring of the investment manager or investment  
5 35 consultant.

#### 6 1 4. REPORTS.

6 2 a. ANNUAL REPORT TO GOVERNOR. Not later than the  
6 3 fifteenth day of December of each year, the division shall  
6 4 submit to the governor a report covering the administration  
6 5 and operation of this chapter during the preceding fiscal year  
6 6 and shall make recommendations for amendments to this chapter.  
6 7 The report shall include a balance sheet of the moneys in the  
6 8 retirement fund. The report shall also include information  
6 9 concerning the investment management expenses for the  
6 10 retirement fund for each fiscal year expressed as a percent of  
6 11 the market value of the retirement fund investment assets,  
6 12 including the information described in section 97B.7,  
6 13 subsection 3, paragraph "d". The information provided under  
6 14 this paragraph shall also include information on the  
6 15 investment policies and investment performance of the  
6 16 retirement fund. In providing this information, to the extent  
6 17 possible, the division shall include the total investment  
6 18 return for the entire fund, for portions of the fund managed  
6 19 by investment managers, and for internally managed portions of  
6 20 the fund, and the cost of managing the fund per thousand  
6 21 dollars of assets. The performance shall be based upon market  
6 22 value, and shall be contrasted with relevant market indices  
6 23 and with performances of pension funds of similar asset size.

6 24 b. ANNUAL STATEMENT TO MEMBERS. The division shall  
6 25 prepare and distribute to the members, at the expense of the  
6 26 retirement fund, an annual statement of the member's account  
6 27 and, in such a manner as the division deems appropriate, other  
6 28 information concerning the system.

6 29 c. ACTUARIAL INVESTIGATION. During calendar year 2002,  
6 30 and every four years thereafter, the division shall cause an  
6 31 actuarial investigation to be made of all experience under the  
6 32 retirement system. Pursuant to such an investigation, the  
6 33 division shall, from time to time, determine upon an actuarial  
6 34 basis the condition of the system and shall report to the  
6 35 general assembly its findings and recommendations.

7 1 d. ANNUAL VALUATION OF ASSETS. The division shall cause  
7 2 an annual actuarial valuation to be made of the assets and  
7 3 liabilities of the system and shall prepare an annual  
7 4 statement of the amounts to be contributed under this chapter,  
7 5 and shall publish annually such valuation of the assets and  
7 6 liabilities and the statement of receipts and disbursements of  
7 7 the system. Based upon the actuarial methods and assumptions  
7 8 adopted by the board for the annual valuation, the division  
7 9 shall certify to the governor the contribution rates  
7 10 determined thereby as the rates necessary and sufficient for  
7 11 members and employers to fully fund the benefits and  
7 12 retirement allowances being credited.

7 13 5. INVESTMENTS. The division, through the chief  
7 14 investment officer, shall invest, in accordance with the  
7 15 investment policy and goal statement established by the board,  
7 16 the portion of the retirement fund which, in the judgment of  
7 17 the division, is not needed for current payment of benefits  
7 18 under this chapter subject to the requirements of section  
7 19 97B.7A.

7 20 6. OLD RECORDS. The division may destroy or dispose of  
7 21 such original reports or records as have been properly  
7 22 recorded or summarized in the permanent records of the  
7 23 division and are deemed by the chief executive officer to be  
7 24 no longer necessary to the proper administration of this  
7 25 chapter. The destruction or disposition shall be made only by  
7 26 order of the chief executive officer. Records of deceased  
7 27 members of the system may be destroyed ten years after the  
7 28 later of the final payment made to a third party on behalf of  
7 29 the member or the death of the member. Any moneys received  
7 30 from the disposition of these records shall be deposited to  
7 31 the credit of the retirement fund subject to rules adopted by  
7 32 the division.

7 33 7. IMMUNITY. The division, employees of the division, the  
7 34 board, the members of the board, and the treasurer of state  
7 35 are not personally liable for actions or omissions under this  
8 1 chapter that do not involve malicious or wanton misconduct  
8 2 even if those actions or omissions violate the standards  
8 3 established in section 97B.7A.

8 4 Sec. 10. Section [97B.7](#), Code 2001, is amended by striking  
8 5 the section and inserting in lieu thereof the following:

8 6 97B.7 FUND CREATED EXCLUSIVE BENEFIT STANDING  
8 7 APPROPRIATIONS.

8 8 1. There is hereby created as a special fund, separate and  
8 9 apart from all other public moneys or funds of this state, the  
8 10 "Iowa Public Employees' Retirement Fund", hereafter called the  
8 11 "retirement fund". The retirement fund shall consist of all  
8 12 moneys collected under this chapter, together with all  
8 13 interest, dividends, and rents thereon, and shall also include  
8 14 all securities or investment income and other assets acquired  
8 15 by and through the use of the moneys belonging to the  
8 16 retirement fund and any other moneys that have been paid into  
8 17 the retirement fund.

8 18 2. The treasurer of the state of Iowa is hereby made the  
8 19 custodian of the retirement fund and shall hold and disburse  
8 20 the retirement fund in accordance with the requirements of  
8 21 this chapter. As custodian, the treasurer shall be authorized  
8 22 to disburse moneys in the retirement fund upon warrants drawn  
8 23 by the director of revenue and finance pursuant to the order  
8 24 of the division.

8 25 3. All moneys which are paid or deposited into the fund

8 26 are appropriated and made available to the division to be used  
8 27 for the exclusive benefit of the members and their  
8 28 beneficiaries or contingent annuitants as provided in this  
8 29 chapter:

8 30 a. To be used by the division for the payment of claims  
8 31 for benefits under this chapter.

8 32 b. To be used by the division to pay refunds provided for  
8 33 in this chapter.

8 34 c. To be used for the costs of administering the system,  
8 35 including up to \$50,000 per fiscal year for actual and  
9 1 necessary expenses of the benefits advisory committee. If as  
9 2 a result of action under section 8.31, the governor has  
9 3 reduced the moneys appropriated from the retirement fund to  
9 4 the division for salaries, support, maintenance, and other  
9 5 operational purposes to pay the costs of the system for a  
9 6 fiscal year, it is the intent of the general assembly that the  
9 7 amount by which the appropriation has been reduced should be  
9 8 transferred from the retirement fund to the division for  
9 9 salaries, support, maintenance, and other operational purposes  
9 10 to pay the costs of the system for that fiscal year.

9 11 d. To be used to pay for investment management expenses  
9 12 incurred in the management of the retirement fund. Expenses  
9 13 incurred pursuant to this paragraph shall be charged to the  
9 14 investment income of the retirement fund. However, the amount  
9 15 appropriated for a fiscal year under this paragraph shall not  
9 16 exceed four-tenths of one percent of the market value of the  
9 17 retirement fund.

9 18 Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT  
9 19 OF RETIREMENT FUND STANDARDS IMMUNITY.

9 20 1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In  
9 21 establishing the investment policy of the retirement fund and  
9 22 providing for the investment of the retirement fund, the  
9 23 division and board shall do the following:

9 24 a. Exercise the judgment and care, under the circumstances  
9 25 then prevailing, which persons of prudence, discretion, and  
9 26 intelligence exercise in the management of their own affairs,  
9 27 not for the purpose of speculation, but with regard to the  
9 28 permanent disposition of the funds, considering the probable  
9 29 income, as well as the probable safety, of their capital.

9 30 b. Give appropriate consideration to those facts and  
9 31 circumstances that the division and board know or should know  
9 32 are relevant to the particular investment or investment policy  
9 33 involved, including the role the investment plays in the total  
9 34 value of the retirement fund.

9 35 c. For the purposes of this subsection, appropriate  
10 1 consideration includes, but is not limited to, a determination  
10 2 that the particular investment or investment policy is  
10 3 reasonably designed to further the purposes of the system,  
10 4 taking into consideration the risk of loss and the opportunity  
10 5 for gain or income associated with the investment or  
10 6 investment policy and consideration of the following factors  
10 7 as they relate to the retirement fund:

10 8 (1) The composition of the retirement fund with regard to  
10 9 diversification.

10 10 (2) The liquidity and current return of the investments in  
10 11 the retirement fund relative to the anticipated cash flow  
10 12 requirements of the system.

10 13 (3) The projected return of the investments relative to  
10 14 the funding objectives of the retirement system.

10 15 2. INVESTMENT ACQUISITIONS. Within the limitations of the  
10 16 investment standards prescribed in this section, the system  
10 17 may acquire and retain every kind of property and every kind  
10 18 of investment which persons of prudence, discretion, and  
10 19 intelligence acquire or retain for their own account.

10 20 Consistent with this section, investments shall be made in a  
10 21 manner that will enhance the economy of this state, and in  
10 22 particular, will result in increased employment of the

10 23 residents of this state. Investments of moneys in the  
10 24 retirement fund are not subject to sections 73.15 through  
10 25 73.21.

10 26 3. LIABILITY REIMBURSEMENT. Except as provided in  
10 27 section 97B.4, subsection 7, if there is loss to the  
10 28 retirement fund, the treasurer of state, the division, the  
10 29 employees of the division, the members of the board severally,  
10 30 and the board are not personally liable, and the loss shall be  
10 31 charged against the retirement fund. There is appropriated  
10 32 from the retirement fund, the amount required to cover a loss.

10 33 4. INVESTMENT PROCEDURES. In managing the investment of  
10 34 the retirement fund, the division, in accordance with the  
10 35 investment policy established by the board, is authorized to  
11 1 do the following:

11 2 a. To sell any securities or other property in the  
11 3 retirement fund and reinvest the proceeds when such action may  
11 4 be deemed advisable by the division for the protection of the  
11 5 retirement fund or the preservation of the value of the  
11 6 investment. Such sale of securities or other property of the  
11 7 retirement fund and reinvestment shall only be made in  
11 8 accordance with policies of the board in the manner and to the  
11 9 extent provided in this chapter.

11 10 b. To subscribe for the purchase of securities for future  
11 11 delivery in anticipation of future income. The securities  
11 12 shall be paid for by anticipated income or from funds from the  
11 13 sale of securities or other property held by the retirement  
11 14 fund.

11 15 c. To pay for securities directed to be purchased upon the  
11 16 receipt of the purchasing bank's paid statement or paid  
11 17 confirmation of purchase.

11 18 5. TRAVEL. In the administration of the investment of  
11 19 moneys in the retirement fund, employees of the division and  
11 20 members of the board may travel outside the state for the  
11 21 purpose of meeting with investment firms and consultants and  
11 22 attending conferences and meetings to fulfill their fiduciary  
11 23 responsibilities. This travel is not subject to section  
11 24 421.38, subsection 2.

11 25 Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

11 26 1. BOARD ESTABLISHED. A board is established to be known  
11 27 as the "Investment Board of the Iowa Public Employees'  
11 28 Retirement System", referred to in this chapter as the  
11 29 "board". The duties of the board are to establish policy, and  
11 30 review its implementation, in matters relating to the  
11 31 investment of the retirement fund. The board shall be the  
11 32 trustee of the retirement fund.

11 33 2. INVESTMENT REVIEW. a. At least annually the board  
11 34 shall review the investment policies and procedures used by  
11 35 the board and division, and shall hold a public meeting on the  
12 1 investment policies and investment performance of the  
12 2 retirement fund. Following its review and the public meeting,  
12 3 the board shall, pursuant to the requirements of section  
12 4 97B.7A, and in consultation with the chief investment officer  
12 5 and other relevant personnel of the division, establish an  
12 6 investment policy and goal statement that shall direct the  
12 7 investment activities concerning the retirement fund.

12 8 b. The board shall review and approve, prior to the  
12 9 execution of a contract with the division, the hiring of each  
12 10 investment manager and investment consultant outside of state  
12 11 government.

12 12 c. The board shall be involved in the performance  
12 13 evaluation of the chief investment officer.

12 14 3. ACTUARIAL RESPONSIBILITIES.

12 15 a. The board shall select the actuary to be employed by  
12 16 the system as provided in section 97B.4.

12 17 b. The board shall, in consultation with the chief  
12 18 executive officer, the actuary, and other relevant personnel  
12 19 of the division, adopt from time to time mortality tables and

12 20 all other necessary factors for use in actuarial calculations  
12 21 required in connection with the system. The board shall also  
12 22 adopt the actuarial methods and assumptions to be used by the  
12 23 actuary for the annual valuation of assets as required by  
12 24 section 97B.4.

12 25 4. MEMBERSHIP.

12 26 a. The board shall consist of nine members, including  
12 27 seven voting members and two nonvoting members. The voting  
12 28 members shall be as follows:

12 29 (1) Three public members, appointed by the governor, who  
12 30 are not members of the system and who each have substantial  
12 31 institutional investment experience or substantial  
12 32 institutional financial experience.

12 33 (2) Three members, appointed by the governor, who are  
12 34 members of the system. Of the three members appointed, one  
12 35 shall be an active member who is an employee of a school  
13 1 district, area education agency, or merged area; one shall be  
13 2 an active member who is not an employee of a school district,  
13 3 area education agency, or merged area; and one shall be a  
13 4 retired member of the system.

13 5 (3) The treasurer of state.

13 6 The nonvoting members of the board shall be one state  
13 7 representative, appointed by the speaker of the house of  
13 8 representatives, and one state senator, appointed by the  
13 9 president of the senate, after consultation with the majority  
13 10 leader and the minority leader of the senate.

13 11 b. Four voting members of the board shall constitute a  
13 12 quorum.

13 13 c. The three members who have substantial institutional  
13 14 investment experience or substantial institutional financial  
13 15 experience, and the member who is a retired member of the  
13 16 system, shall be paid their actual expenses incurred in the  
13 17 performance of their duties and shall receive a per diem as  
13 18 specified in section 7E.6 for each day of service not  
13 19 exceeding forty days per year. Legislative members shall be  
13 20 paid the per diem and expenses specified in section 2.10, for  
13 21 each day of service. The per diem and expenses of the  
13 22 legislative members shall be paid from funds appropriated  
13 23 under section 2.12. The members who are active members of the  
13 24 system and the treasurer of state shall be paid their actual  
13 25 expenses incurred in the performance of their duties as  
13 26 members of the board and the performance of their duties as  
13 27 members of the board shall not affect their salaries,  
13 28 vacations, or leaves of absence for sickness or injury.

13 29 d. The appointive terms of the members appointed by the  
13 30 governor are for a period of six years beginning and ending as  
13 31 provided in section 69.19. If there is a vacancy in the  
13 32 membership of the board for one of the members appointed by  
13 33 the governor, the governor has the power of appointment.  
13 34 Gubernatorial appointees to this board are subject to  
13 35 confirmation by the senate.

14 1 5. CLOSED SESSIONS. In addition to the reasons provided  
14 2 in section 21.5, subsection 1, the board may hold a closed  
14 3 session pursuant to the requirements of section 21.5 of that  
14 4 portion of a board meeting in which financial or commercial  
14 5 information is provided to or discussed by the board if the  
14 6 board determines that disclosure of such information could  
14 7 result in a loss to the system or to the provider of the  
14 8 information.

14 9 Sec. 13. NEW SECTION. 97B.8B BENEFITS ADVISORY  
14 10 COMMITTEE.

14 11 1. COMMITTEE ESTABLISHED. A benefits advisory committee  
14 12 shall be established whose duty is to consider and make  
14 13 recommendations to the division and the general assembly  
14 14 concerning the provision of benefits to members of the system.

14 15 2. MEMBERSHIP. The benefits advisory committee shall be  
14 16 comprised of representatives of constituent groups concerned



14 17 with the system, and shall include representatives of  
14 18 employers, active members, and retired members. In addition,  
14 19 the director of the department of personnel and a member of  
14 20 the public selected by the voting members of the committee  
14 21 shall serve as members of the committee. The division shall  
14 22 adopt rules under chapter 17A to provide for the selection of  
14 23 members to the committee and the election of the voting  
14 24 members of the committee.

14 25 3. VOTING MEMBERS. Of the members who comprise the  
14 26 committee, nine members shall be voting members. Except as  
14 27 otherwise provided by this subsection, the voting members  
14 28 shall be elected by the members of the committee from the  
14 29 membership of the committee. Of the nine voting members of  
14 30 the committee, four shall represent covered employers, and  
14 31 four shall represent the members of the system. Of the four  
14 32 voting members representing employers, one shall be the  
14 33 director of the department of personnel, one shall be a member  
14 34 of a constituent group that represents cities, one shall be a  
14 35 member of a constituent group that represents counties, and  
15 1 one shall be a member of a constituent group that represents  
15 2 local school districts. Of the four voting members who  
15 3 represent members of the system, one shall be a member of a  
15 4 constituent group that represents teachers. The ninth voting  
15 5 member of the committee shall be a citizen who is not a member  
15 6 of the system and who is elected by the other voting members  
15 7 of the committee.

15 8 4. DUTIES.

15 9 a. At least every two years, the benefits advisory  
15 10 committee shall review the benefits and services provided to  
15 11 members under this chapter, and the voting members of the  
15 12 committee shall make recommendations to the division and the  
15 13 general assembly concerning the benefits, benefits policy, and  
15 14 benefit goals, provided under this chapter.

15 15 b. The benefits advisory committee shall be involved in  
15 16 the performance evaluation of the chief benefits officer.

15 17 5. TERMS OF VOTING MEMBERS. Except for the director of  
15 18 the department of personnel and as otherwise provided in the  
15 19 rules for the initial selection of voting members of the  
15 20 committee, each member selected to be a voting member shall  
15 21 serve as a voting member for three years. Terms for voting  
15 22 members begin on May 1 in the year of selection and expire on  
15 23 April 30 in the year of expiration. Vacancies shall be filled  
15 24 in the same manner as the original selections. A vacancy  
15 25 shall be filled for the unexpired term.

15 26 6. EXPENSES. The members who are not active members of  
15 27 the system shall be paid their actual expenses incurred in the  
15 28 performance of their duties and shall receive a per diem as  
15 29 specified in section 7E.6 for each day of service not  
15 30 exceeding forty days per year. The members who are active  
15 31 members of the system and the director of the department of  
15 32 personnel shall be paid their actual expenses incurred in the  
15 33 performance of their duties as members of the committee and  
15 34 the performance of their duties as members of the committee  
15 35 shall not affect their salaries, vacations, or leaves of  
16 1 absence for sickness or injury.

16 2 Sec. 14. Section [97B.20A](#), Code 2001, is amended to read as  
16 3 follows:

16 4 97B.20A APPEAL PROCEDURE.

16 5 Members and third-party payees may appeal any decision made  
16 6 by the

~~department~~

~~division~~ that affects their rights under

16 7 this chapter. The appeal shall be filed with the

~~department~~

-

16 8 division within thirty days after the notification of the  
16 9 decision was mailed to the party's last known mailing address,  
16 10 or the decision of the

~~department~~

- division is final. If the  
16 11 party appeals the decision of the

~~department~~

- division, the  
16 12

~~department~~

- division shall conduct an internal review of the  
16 13 decision and the chief

~~benefits~~

- executive officer shall notify  
16 14 the individual who has filed the appeal in writing of the  
16 15

~~department's~~

- division's decision. The individual who has  
16 16 filed the appeal may file an appeal of the

~~department's~~

-  
16 17 division's final decision with the

~~department~~

- division under  
16 18 chapter 17A by notifying the

~~department~~

- division of the appeal  
16 19 in writing within thirty days after the notification of its  
16 20 final decision was mailed to the party's last known mailing  
16 21 address. Once notified, the

~~department~~

- division shall forward  
16 22 the appeal to the department of inspections and appeals.  
16 23 Sec. 15. Section [97B.25](#), Code 2001, is amended to read as  
16 24 follows:  
16 25 97B.25 APPLICATIONS FOR BENEFITS.  
16 26 A representative designated by the chief

~~benefits~~

- executive

16 27 officer and referred to in this chapter as a retirement  
16 28 benefits officer shall promptly examine applications for  
16 29 retirement benefits and on the basis of facts found shall  
16 30 determine whether or not the claim is valid. If the claim is  
16 31 valid, the retirement benefits officer shall send a  
16 32 notification to the member stating the option the member has  
16 33 selected pursuant to section 97B.51, the month with respect to  
16 34 which benefits shall commence, and the monthly benefit amount  
16 35 payable. If the claim is invalid, the retirement benefits  
17 1 officer shall promptly notify the applicant and any other  
17 2 interested party of the decision and the reasons. A  
17 3 retirement application shall not be amended or revoked by the  
17 4 member once the first retirement allowance is paid. A  
17 5 member's death during the first month of entitlement shall not  
17 6 invalidate an approved application.

17 7 Sec. 16. Section [257B.20](#), subsection 4, Code 2001, is  
17 8 amended to read as follows:

17 9 4. In any investments authorized for the Iowa public

17 10 employees' retirement system in section

~~97B.7, subsection 2,~~

17 11

~~paragraph "b"~~

~~97B.7A, except that investment in common stocks~~  
17 12 shall not be permitted.

17 13 Sec. 17. Section [411.7](#), subsection 2, Code 2001, is  
17 14 amended to read as follows:

17 15 2. The secretary of the board of trustees shall invest, in  
17 16 accordance with the investment policy established by the board  
17 17 of trustees, the portion of the fund established in section  
17 18 411.8 which in the judgment of the board is not needed for  
17 19 current payment of benefits under this chapter in investments  
17 20 authorized in section

~~97B.7, subsection 2, paragraph "b"~~

17 21 97B.7A, for moneys in the Iowa public employees' retirement  
17 22 fund.

17 23 Sec. 18. Section [602.9111](#), subsection 1, Code 2001, is  
17 24 amended to read as follows:

17 25 1. So much of the judicial retirement fund as may not be  
17 26 necessary to be kept on hand for the making of disbursements  
17 27 under this article shall be invested by the treasurer of state  
17 28 in any investments authorized for the Iowa public employees'  
17 29 retirement system in section

~~97B.7, subsection 2, paragraph~~

17 30

~~"b"~~

~~97B.7A, and the earnings therefrom shall be credited to~~  
17 31 the fund. The treasurer of state may execute contracts and  
17 32 agreements with investment advisors, consultants, and  
17 33 investment management and benefit consultant firms in the  
17 34 administration of the judicial retirement fund.

17 35 Sec. 19. INVESTMENT BOARD TRANSITION.

18 1 1. Notwithstanding provisions of section 97B.8A, as  
18 2 enacted in this Act, to the contrary, the new investment board  
18 3 of the Iowa public employees' retirement system shall, on July  
18 4 1, 2002, consist of the following members, who shall serve the  
18 5 following terms:

18 6 a. The members of the investment board established under  
18 7 section [97B.8](#), Code 2001, who are an active member who is an  
18 8 employee of a school district, area education agency, or  
18 9 merged area; an active member who is not an employee of a  
18 10 school district, area education agency, or merged area; and a  
18 11 retired member, shall cease membership on the investment board  
18 12 and commence membership on the new investment board  
18 13 established under section 97B.8A on July 1, 2002. The terms  
18 14 of these members on the investment board established under  
18 15 section 97B.8A shall expire on the same date as their terms  
18 16 would have expired on the investment board in accordance with  
18 17 section 97B.8, Code 2001.

18 18 b. The members of the investment board established under  
18 19 section [97B.8](#), Code 2001, who are an executive of a domestic  
18 20 life insurance company, an executive of a state or national  
18 21 bank, and an executive of an industrial corporation located  
18 22 within the state of Iowa, shall cease membership on the  
18 23 investment board and commence membership on the new investment  
18 24 board established under section 97B.8A on July 1, 2002. The  
18 25 terms of these members on the new investment board established  
18 26 under section 97B.8A shall expire on the same date as their

18 27 terms would have expired on the investment board in accordance  
18 28 with section 97B.8, Code 2001. Upon expiration of each of  
18 29 these member's term of office, the governor shall appoint a  
18 30 member to the board consistent with the requirements of  
18 31 section 97B.8A, subsection 4, paragraph "a", subparagraph (1).

18 32 c. The members of the investment board established under  
18 33 section 97B.8, Code 2001, who are legislative members shall  
18 34 cease membership on the investment board and commence  
18 35 membership on the new investment board established under  
19 1 section 97B.8A on July 1, 2002. The terms of these members  
19 2 shall expire at the pleasure of the appointing authorities as  
19 3 provided in section 97B.8A, as enacted in this Act.

19 4 d. The director of the department of personnel shall cease  
19 5 membership on the investment board established under section  
19 6 97B.8, Code 2001, on July 1, 2002. The treasurer of state  
19 7 shall commence membership on the new investment board  
19 8 established under section 97B.8A, and shall serve on the board  
19 9 as provided in section 97B.8A, as enacted in this Act.

19 10 2. Initial appointments by the governor under this section  
19 11 are subject to confirmation by the senate. If a vacancy  
19 12 occurs as to a member of the investment board established  
19 13 under section 97B.8A who is appointed by the governor prior to  
19 14 the expiration of a term as provided in this section, the  
19 15 governor shall appoint a member to serve the remainder of the  
19 16 term so that the membership requirements of section 97B.8A, as  
19 17 enacted in this Act, are fulfilled, and the appointment shall  
19 18 be subject to confirmation by the senate. Upon the expiration  
19 19 of a term established in this section, a member shall be  
19 20 appointed in the manner and for a term of service as specified  
19 21 in section 97B.8A, as enacted in this Act. Except as  
19 22 otherwise provided in this section, the investment board  
19 23 established under this section shall be subject to the  
19 24 requirements of section 97B.8A, as enacted in this Act.

19 25 Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.

19 26 1. Effective July 1, 2001, and notwithstanding provisions  
19 27 of section 97B.8B, as enacted in this Act, to the contrary, a  
19 28 transition benefits advisory committee shall be created and  
19 29 shall consist of the following voting members:

19 30 a. A member representing the Iowa state education  
19 31 association.

19 32 b. A member representing the Iowa association of community  
19 33 college trustees.

19 34 c. A member representing the school administrators of  
19 35 Iowa.

20 1 d. A member representing the Iowa association of school  
20 2 boards.

20 3 e. A member representing the retired school personnel  
20 4 association.

20 5 f. A member representing the state police officers  
20 6 council.

20 7 g. The director of the department of personnel.

20 8 h. A member representing the IPERS' improvement  
20 9 association.

20 10 i. A member representing the American federation of state,  
20 11 county, and municipal employees.

20 12 j. A member representing the Iowa state sheriffs' and  
20 13 deputies' association.

20 14 k. A member representing the Iowa state association of  
20 15 counties.

20 16 l. A member representing the Iowa league of cities.

20 17 m. A member representing the Iowa association of chiefs of  
20 18 police and peace officers.

20 19 n. A member of the public with substantial pension  
20 20 benefits experience as selected by the chief benefits officer  
20 21 of the Iowa public employees' retirement system.

20 22 o. A member representing the department of management.

20 23 2. By July 1, 2002, the transition benefits advisory

20 24 committee shall issue a report to the Iowa public employees'  
20 25 retirement system division concerning the rules to be adopted  
20 26 by the division governing the benefits advisory committee as  
20 27 provided in section 97B.8B, as enacted in this Act. The rules  
20 28 should include provisions governing the selection of members  
20 29 of the committee, the selection of voting members of the  
20 30 committee, and any other provisions deemed necessary for  
20 31 establishing the benefits advisory committee consistent with  
20 32 the requirements of section 97B.8B.

20 33 3. The transition benefits advisory committee shall be  
20 34 dissolved by July 31, 2002.

20 35 Sec. 21. AMENDMENTS CHANGING TERMINOLOGY DIRECTIVES TO  
21 1 CODE EDITOR. Except as otherwise provided in this Act, the  
21 2 Iowa Code editor is directed to strike the words "department",  
21 3 "department of personnel", and "department's" and insert the  
21 4 words "division" and "division's" wherever the word  
21 5 "department", "department of personnel", or "department's"  
21 6 appears in chapter 97B of the Iowa Code and the reference to  
21 7 "department", "department of personnel", or "department's"  
21 8 means the department of personnel unless a contrary intent is  
21 9 clearly evident.

21 10 Sec. 22. ADMINISTRATIVE RULES. To the extent not  
21 11 inconsistent with this Act, the administrative rules  
21 12 promulgated and adopted by the department of personnel  
21 13 concerning the Iowa public employees' retirement system prior  
21 14 to July 1, 2002, shall be the rules of the Iowa public  
21 15 employees' retirement system division and shall remain in  
21 16 effect on and after July 1, 2002, subject to the authority of  
21 17 the division to modify or change the rules pursuant to Iowa  
21 18 Code chapter 17A.

21 19 Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59,  
21 20 97B.60, 97B.61, Code 2001, are repealed.

21 21 Sec. 24. EFFECTIVE DATE. This Act takes effect July 1,  
21 22 2002. However, section 21 of this Act, establishing a  
21 23 benefits advisory committee transition, takes effect July 1,  
21 24 2001.

#### 21 25 EXPLANATION

21 26 This bill modifies the governance and structure of the Iowa  
21 27 public employees' retirement system (IPERS). Under current  
21 28 law, IPERS is administered by the department of personnel  
21 29 through the chief benefits officer and the chief investment  
21 30 officer, both of whom are selected by the department. The  
21 31 treasurer of state is the trustee of the IPERS retirement  
21 32 fund, and the IPERS investment board is statutorily required  
21 33 to advise the department in the formulation of the investment  
21 34 policy for the fund.

21 35 Under the bill, IPERS remains within the department of  
22 1 personnel. However, the management of IPERS is made the  
22 2 direct responsibility of the newly created IPERS division  
22 3 within the department, and all powers and duties currently  
22 4 given to the department of personnel to manage and operate  
22 5 IPERS are given to the division. A chief executive officer,  
22 6 who shall manage the division, shall be appointed by the  
22 7 governor and be subject to confirmation by the senate. The  
22 8 bill requires that the chief executive officer have  
22 9 demonstrated knowledge of and executive-level experience in  
22 10 all aspects of pension fund administration. The bill also  
22 11 requires the chief executive officer to employ a chief  
22 12 investment officer who shall be selected following  
22 13 consultation with the investment board and a chief benefits  
22 14 officer who shall be selected following consultation with the  
22 15 benefits advisory committee.

22 16 The current IPERS investment board is modified under the  
22 17 bill in both structure and duties.

22 18 Under the bill, the investment board is made the trustee of  
22 19 the IPERS retirement fund. The board is given the explicit  
22 20 authority, in consultation with the chief investment officer

22 21 and other personnel of the division, to develop the investment  
22 22 policy and goal statement that will direct the investment  
22 23 activities concerning the fund. The actual investment of the  
22 24 fund remains the responsibility of the division subject to the  
22 25 investment policy established by the board. In addition, the  
22 26 investment board is given the authority to hire and fire the  
22 27 actuary to be used as the technical advisor of the system.  
22 28 The board is also given the responsibility of adopting the  
22 29 actuarial assumptions to be used by the actuary in determining  
22 30 the condition of the retirement fund. The board is required  
22 31 to consult with the chief executive officer, the actuary, and  
22 32 other relevant division personnel in the development of the  
22 33 actuarial assumptions.

22 34 The membership of the board is also modified under the  
22 35 bill. Under the bill, the director of the department of  
23 1 personnel is replaced with the treasurer of state, and the  
23 2 treasurer is made a voting member of the board. In addition,  
23 3 the three current members who must be an executive of a  
23 4 domestic life insurance company, an executive of a state or  
23 5 national bank operating within the state of Iowa, and an  
23 6 executive of an industrial corporation located within the  
23 7 state of Iowa, are replaced with three members who must have  
23 8 substantial institutional investment experience or financial  
23 9 experience. In addition, the three current members of the  
23 10 board who are members of the system remain. The two  
23 11 legislative members of the board also remain but are made  
23 12 nonvoting members of the new board. The bill also establishes  
23 13 a mechanism for transitioning from the current board  
23 14 membership to the new board membership.

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

24 18 The bill provides that the administrative rules adopted by  
24 19 the department of personnel concerning IPERS shall, consistent  
24 20 with this bill, remain in effect after the effective date of  
24 21 this bill.

24 22 Except for the section of the bill concerning the benefits  
24 23 advisory committee transition which takes effect July 1, 2001,  
24 24 the bill takes effect July 1, 2002.

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24 26 ec/cf/24.1