

MAR 10 2004
Place On Calendar

HOUSE FILE 2532
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 686)

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

A BILL FOR

1 An Act relating to the Iowa public employees' retirement system
2 and the judicial retirement system, and providing an effective
3 date.

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

5

HOUSE FILE 2532

H-8226

1 Amend House File 2532 as follows:

2 1. Page 1, by inserting before line 1, the
3 following:

4 "DIVISION I

5 PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,
6 ACCIDENT, AND DISABILITY SYSTEM

7 Section 1. Section 97A.4, Code 2003, is amended by
8 adding the following new unnumbered paragraph:
9 NEW UNNUMBERED PARAGRAPH. Upon application by the
10 member, the board of trustees shall credit as service
11 for a member of the system a previous period of
12 service as a member of a city fire retirement system
13 and police retirement system operating under chapter
14 411 prior to January 1, 1992, for which service was
15 not eligible to be transferred to this system pursuant
16 to section 97A.17."

17 2. Title page, line 1, by inserting after the
18 words "relating to" the following: "the public safety
19 peace officers' retirement, accident, and disability
20 system,".

21 3. By renumbering as necessary.

By FREVERT of Palo Alto

H-8226 FILED MARCH 11, 2004

HF 2532

1

DIVISION I

2

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

3

Section 1. Section 97B.1A, subsection 22, Code Supplement

4

2003, is amended to read as follows:

5

22. "Special service" means service for an employer while

6

employed in a protection occupation as provided in section

7

97B.49B, and as a county sheriff, or deputy sheriff, ~~or~~

8

~~airport-fire-fighter~~ as provided in section 97B.49C.

9

Sec. 2. Section 97B.11, Code Supplement 2003, is amended
10 to read as follows:

11

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

12

1. Each employer shall deduct from the wages of each
13 member of the retirement system a contribution in the amount

14

of ~~three-and-seven-tenths-percent~~ the applicable employee

15

percentage of the covered wages paid by the employer, until

16

the member's termination from employment. The contributions

17

of the employer shall be in the amount of ~~five-and-seventy-~~

18

~~five-hundredths-percent~~ the applicable employer percentage of

19

the covered wages of the member.

20

2. For purposes of this section, the "applicable employee
21 percentage" is as follows:

22

a. Prior to July 1, 2004, three and seven-tenths percent.

23

b. Beginning on or after July 1, 2004, but before July 1,
24 2005, four and two-tenths percent.

25

c. Beginning on or after July 1, 2005, but before July 1,
26 2006, four and seven-tenths percent.

27

d. Beginning on or after July 1, 2006, four and seven-
28 tenths percent plus fifty percent of the additional required
29 percentage.

30

3. For purposes of this section, the "applicable employer
31 percentage" is as follows:

32

a. Prior to July 1, 2006, five and seventy-five hundredths
33 percent.

34

b. Beginning on or after July 1, 2006, five and seventy-
35 five hundredths percent plus fifty percent of the additional

1 required percentage.

2 4. For purposes of this section:

3 a. "Additional required percentage" means the percentage,
4 if positive, equal to the total required percentage less ten
5 and forty-five hundredths percent.

6 b. "Total required percentage" means the total of the
7 applicable employee percentage and the applicable employer
8 percentage for the prior fiscal year unless any of the
9 following applies:

10 (1) If the system determines, based upon the most recent
11 actuarial valuation of the retirement system, that the total
12 required percentage for the prior fiscal year is insufficient
13 to amortize the unfunded actuarial liability of the retirement
14 system within thirty years, the total required percentage for
15 the next fiscal year shall be the lesser, as determined by the
16 system's actuary, of the percentage rate needed to amortize
17 the unfunded actuarial liability of the retirement system in
18 thirty years or a percentage rate equal to one percentage
19 point over the total required percentage for the prior fiscal
20 year.

21 (2) If the system determines, based upon the most recent
22 actuarial valuation of the retirement system, that the total
23 required percentage for the prior fiscal year is sufficient to
24 amortize the unfunded actuarial liability of the retirement
25 system within ten years or less, the total required percentage
26 for the next fiscal year shall be the greater, as determined
27 by the system, of the following:

28 (a) One percentage point less than the total required
29 percentage for the prior fiscal year.

30 (b) The percentage rate equal to the normal cost rate to
31 pay benefits provided under this chapter plus that percentage
32 necessary, but in no event less than seventy-five hundredths
33 of one percent, to amortize any unfunded actuarial liability
34 of the retirement system within ten years.

35 The calculation of the total required percentage as

1 provided by this lettered paragraph shall be done by the
2 system based upon the most recent actuarial valuation of the
3 retirement system by the system's actuary.

4 Sec. 3. Section 97B.49B, subsection 1, paragraph c, Code
5 Supplement 2003, is amended to read as follows:

6 c. "Eligible service" means membership and prior service
7 in a protection occupation. In addition, for a member with
8 membership and prior service in a protection occupation
9 described in paragraph "e", subparagraph (2), eligible service
10 includes membership and prior service as a sheriff, or deputy
11 ~~sheriff-or-airport-fire-fighter~~ as defined in section
12 97B.49C.

13 Sec. 4. Section 97B.49B, subsection 1, paragraph e, Code
14 Supplement 2003, is amended by adding the following new
15 subparagraph:

16 NEW SUBPARAGRAPH. (8) An airport fire fighter employed by
17 the military division of the department of public defense.

18 Sec. 5. Section 97B.49B, subsection 3, paragraph b, Code
19 Supplement 2003, is amended by adding the following new
20 subparagraph:

21 NEW SUBPARAGRAPH. (7) For the fiscal year commencing July
22 1, 2004, and each succeeding fiscal year, there is
23 appropriated from the general fund of the state to the system,
24 from funds not otherwise appropriated, an amount necessary to
25 pay the employer share of the cost of the additional benefits
26 provided to airport fire fighters under this section.

27 Sec. 6. Section 97B.49C, subsection 1, paragraph a, Code
28 Supplement 2003, is amended by striking the paragraph.

29 Sec. 7. Section 97B.49C, subsection 1, paragraph d, Code
30 Supplement 2003, is amended to read as follows:

31 d. "Eligible service" means membership and prior service
32 as ~~an-airport-fire-fighter~~, a sheriff, and deputy sheriff
33 under this section. In addition, eligible service includes
34 membership and prior service as a marshal in a city not
35 covered under chapter 400 or a fire fighter or police officer

1 of a city not participating in the retirement systems
2 established in chapter 410 or 411, and as an airport fire
3 fighter prior to July 1, 1994.

4 Sec. 8. Section 97B.49C, subsection 2, Code Supplement
5 2003, is amended to read as follows:

6 2. CALCULATION OF MONTHLY ALLOWANCE.

7 a. Notwithstanding other provisions of this chapter, a
8 member who retires from employment as a sheriff, deputy
9 sheriff, or airport fire fighter on or after July 1, 1994, and
10 before July 1, 2004, and at the time of retirement is at least
11 fifty-five years of age may elect to receive, in lieu of the
12 receipt of any benefits as calculated pursuant to section
13 97B.49A or 97B.49D, a monthly retirement allowance equal to
14 one-twelfth of an amount equal to the applicable percentage of
15 the three-year average covered wage as a member who has been
16 employed in eligible service multiplied by a fraction of years
17 of service, with benefits payable during the member's
18 lifetime.

19 b. Notwithstanding other provisions of this chapter, a
20 member who retires from employment as a sheriff or deputy
21 sheriff on or after July 1, 2004, and at the time of
22 retirement is at least fifty years of age may elect to
23 receive, in lieu of the receipt of any benefits as calculated
24 pursuant to section 97B.49A or 97B.49D, a monthly retirement
25 allowance equal to one-twelfth of an amount equal to the
26 applicable percentage of the three-year average covered wage
27 as a member who has been employed in eligible service
28 multiplied by a fraction of years of service, with benefits
29 payable during the member's lifetime.

30 Sec. 9. Section 97B.49C, subsection 3, paragraph a, Code
31 Supplement 2003, is amended to read as follows:

32 a. Annually, the system shall actuarially determine the
33 cost of the additional benefits provided for members covered
34 under this section as a percentage of the covered wages of the
35 employees covered by this section. ~~Sixty~~ Fifty percent of the

1 cost shall be paid by the employers of employees covered under
2 this section and forty fifty percent of the cost shall be paid
3 by the employees. The employer and employee contributions
4 required under this paragraph are in addition to the
5 contributions paid under sections 97B.11 and 97B.11A.

6 ~~However, the cost of including service as an airport fire~~
7 ~~fighter prior to July 1, 1994, as eligible service under this~~
8 ~~section shall not affect the contribution rates calculated and~~
9 ~~paid by the member or the employer under this section.~~

10 Sec. 10. Section 97B.49C, subsection 3, paragraph b, Code
11 Supplement 2003, is amended to read as follows:

12 b. ~~{1}~~ Annually, during each fiscal year commencing with
13 the fiscal year beginning July 1, 1988, each county shall pay
14 to the system the amount necessary to pay the employer share
15 of the cost of the additional benefits provided to sheriffs
16 and deputy sheriffs.

17 ~~{2}--For the fiscal year commencing July 1, 1994, and each~~
18 ~~succeeding fiscal year, there is appropriated from the general~~
19 ~~fund of the state to the system, from funds not otherwise~~
20 ~~appropriated, an amount necessary to pay the employer share of~~
21 ~~the cost of the additional benefits provided to airport fire~~
22 ~~fighters under this section.~~

23 Sec. 11. Section 97B.52, subsection 1, paragraph a,
24 subparagraph (3), Code Supplement 2003, is amended to read as
25 follows:

26 (3) For service as a sheriff, or deputy sheriff, ~~or~~
27 ~~airport fire fighter~~, as provided in section 97B.49C, the
28 applicable denominator is twenty-two.

29 Sec. 12. Section 97B.52A, subsection 1, paragraph c, Code
30 Supplement 2003, is amended to read as follows:

31 c. For a member whose first month of entitlement is July
32 2000 or later, the member does not return to any employment
33 with a covered employer until the member has qualified for at
34 least one calendar month of retirement benefits, and the
35 member does not return to covered employment until the member

1 has qualified for no fewer than four calendar months of
2 retirement benefits. For purposes of this paragraph,
3 effective July 1, 2000, any employment with a covered employer
4 does not include employment as an elective official or member
5 of the general assembly if the member is not covered under
6 this chapter for that employment. For purposes of this
7 paragraph and for a member whose first month of entitlement is
8 July 2004 or later, but before July 2006, covered employment
9 does not include employment as a licensed health care
10 professional by a public hospital as defined in section
11 249I.3.

12 Sec. 13. Section 411.6, subsection 7, paragraph c, Code
13 2003, is amended to read as follows:

14 c. Should a disability beneficiary under age fifty-five be
15 employed in a public safety occupation, the disability
16 beneficiary's retirement allowance shall cease.

17 Notwithstanding any provision of this chapter to the contrary,
18 if a disability beneficiary is employed in a public safety
19 occupation that would otherwise constitute membership service,
20 the disability beneficiary shall not become a member of the
21 system. For purposes of this paragraph, "public safety
22 occupation" means a peace officer, as defined in section
23 97A.1; a protection occupation, as defined in section 97B.49B;
24 a sheriff, or deputy sheriff, ~~or airport fire fighter,~~ as
25 defined in section 97B.49C; and a police officer or fire
26 fighter as defined in section 411.1, who was not restored to
27 active service as provided by this subsection.

28 Sec. 14. Section 724.6, subsection 2, Code 2003, is
29 amended to read as follows:

30 2. Notwithstanding subsection 1, fire fighters, as defined
31 in section 411.1, subsection 9, airport fire fighters included
32 under section ~~97B.49C~~ 97B.49B, emergency rescue technicians,
33 and emergency medical care providers, as defined in section
34 147A.1, shall not, as a condition of employment, be required
35 to obtain a permit under this section. However, the

1 provisions of this subsection shall not apply to a person
2 designated as an arson investigator by the chief fire officer
3 of a political subdivision.

4 Sec. 15. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM --
5 PENSION FLEXIBILITY STUDY -- REPORT.

6 1. The Iowa public employees' retirement system (IPERS)
7 shall conduct a study to consider various options to provide
8 persons covered under the Iowa public employees' retirement
9 system additional flexibility in plan design with features
10 incorporating aspects of defined contribution type vehicles.
11 In conducting its study, IPERS shall consider, among other
12 ideas, the following:

13 a. Ways in which IPERS can assist employers in expanding
14 existing supplemental plans offered by public employers.

15 b. Ways in which IPERS could offer its own defined
16 contribution type supplementary plan vehicle to complement its
17 core defined benefit plan including, but not limited to,
18 defined contribution type plans that might provide a cost of
19 living or favorable experience dividend benefit to members.

20 c. Various hybrid plan designs incorporating features of
21 both defined benefit and defined contribution plan vehicles,
22 including, but not limited to, an integrated defined benefit
23 and defined contribution plan, a floor-offset plan, or a
24 pension equity plan.

25 2. In performing the study required by this section, IPERS
26 shall work closely with the system's benefits advisory
27 committee and, through quarterly reports, regularly update the
28 public retirement systems committee established by section
29 97D.4. On or before September 1, 2005, the Iowa public
30 employees' retirement system shall file a report with the
31 legislative services agency for distribution to the public
32 retirement systems committee, which report shall contain its
33 findings and recommendations, including any proposal or
34 proposals regarding adding additional flexibility in IPERS'
35 plan design with features incorporating aspects of defined

1 contribution type vehicles.

2 Sec. 16. PROTECTION OCCUPATION MEMBERSHIP STUDY. The Iowa
3 public employees' retirement system (IPERS), in consultation
4 with the system's benefits advisory committee, shall study the
5 possible inclusion within the protection occupation category
6 of IPERS an employee covered by the merit system as provided
7 in chapter 8A, subchapter IV, whose primary duty is providing
8 security at Iowa national guard installations and facilities
9 and who carries or is licensed to carry a firearm while
10 performing those duties, and a jailer or detention officer who
11 performs duties as a jailer, including but not limited to the
12 transportation of inmates, is certified as having completed
13 jailer training pursuant to chapter 80B, and is employed by a
14 county as a jailer. On or before September 1, 2005, the Iowa
15 public employees' retirement system shall file a report with
16 the legislative services agency for distribution to the public
17 retirement systems committee established by section 97D.4 with
18 its findings and recommendations. The report shall include
19 information concerning the number of possible employees that
20 might be added, the actuarial cost of adding these categories
21 of employees to the protection occupation category, and any
22 other information that might assist legislators in considering
23 whether, and how, to add these or other categories of
24 employees to the protection occupation category.

25 Sec. 17. LICENSED HEALTH CARE PROFESSIONALS -- BONA FIDE
26 RETIREMENT REPORT. The Iowa public employees' retirement
27 system and the largest statewide organization representing
28 public hospitals in this state shall each submit a report to
29 the general assembly by December 1, 2006, concerning the costs
30 and effectiveness of the provision of this Act amending
31 section 97B.52A that provides that covered employment, for
32 purposes of establishing a bona fide retirement, does not
33 include employment as a licensed health care professional by a
34 public hospital as defined in section 249I.3. Each report
35 shall provide statistics concerning the number of members

1 taking advantage of this provision, the costs and financial
2 benefits, if any, associated with this provision, and
3 recommendations for further action.

4 DIVISION II
5 JUDICIAL RETIREMENT SYSTEM

6 Sec. 18. Section 602.9106, Code 2003, is amended to read
7 as follows:

8 602.9106 RETIREMENT.

9 Any person who shall have become separated from service as
10 a judge of any of the courts included in this article and who
11 has had an aggregate of at least ~~six~~ four years of service as
12 a judge of one or more of such courts and shall have attained
13 the age of sixty-five years or who has had ~~twenty-five~~ twenty
14 years of consecutive service as a judge of one or more of said
15 courts, and who shall have otherwise qualified as provided in
16 this article, shall be entitled to an annuity as hereinafter
17 provided.

18 Sec. 19. Section 602.9107C, subsection 1, Code 2003, is
19 amended to read as follows:

20 1. A judge under this system who has at least ~~six~~ four
21 years of service as a judge of any of the courts included in
22 this article and who was a member of the Iowa public
23 employees' retirement system as provided in chapter 97B, but
24 who was not retired under that system, upon submitting
25 verification of membership and service in the Iowa public
26 employees' retirement system to the court administrator,
27 including proof that the judge has no further claim upon a
28 retirement benefit from that public system, may make
29 contributions as provided by this section to the system either
30 for the entire period of service in the other public system,
31 or for partial service in the other public system in
32 increments of one or more calendar quarters, and receive
33 credit for that service under the system.

34 Sec. 20. Section 602.9108, Code 2003, is amended to read
35 as follows:

1 602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

2 The amount designated as the judge's contribution to the
3 judicial retirement fund in section 602.9104, subsection 1,
4 and all amounts paid into the fund by a judge shall be
5 credited to the individual account of the judge. If a judge
6 covered under this article becomes separated from service as a
7 judge before the judge completes an aggregate of ~~six~~ four
8 years of service as a judge of one or more of the courts, the
9 total amount in the judge's individual account shall be
10 returned to the judge or the judge's legal representatives
11 within one year of the separation. If a judge, who is covered
12 under this article and who has completed an aggregate of ~~six~~
13 four years or more of service as a judge of one or more of the
14 courts, dies before retirement, without a survivor, the total
15 amount in the judge's individual account shall be paid in one
16 sum to the judge's legal representatives within one year of
17 the judge's death. If an annuitant under this section dies
18 without a survivor, and without having received in annuities
19 an amount equal to the total amount in the judge's individual
20 account at the time of separation from service, the amount
21 remaining to the annuitant's credit shall be paid in one sum
22 to the annuitant's legal representatives within one year of
23 the annuitant's death.

24 Sec. 21. Section 602.9112, Code 2003, is amended to read
25 as follows:

26 602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

27 Any judge of the supreme, district or municipal court,
28 including a district associate judge, or a judge of the court
29 of appeals, who shall have served as a judge of one or more of
30 such courts for a period of ~~six~~ four years in the aggregate
31 and who believes the judge has become permanently
32 incapacitated, physically or mentally, to perform the duties
33 of the judge's office may personally or by the judge's next
34 friend or guardian file with the court administrator a written
35 application for retirement. The application shall be filed in

1 duplicate and accompanied by an affidavit as to the duration
2 and particulars of the judge's service and the nature of the
3 judge's incapacity. The court administrator shall forthwith
4 transmit one copy of the application and affidavit to the
5 chief justice who shall request the attorney general in
6 writing to cause an investigation to be made relative to the
7 claimed incapacity and report back the results thereof in
8 writing. If the chief justice finds from the report of the
9 attorney general that the applicant is permanently
10 incapacitated, physically or mentally, to perform the duties
11 of the applicant's office the chief justice shall by
12 endorsement thereon declare the applicant retired, and the
13 office vacant, and shall file the report in the office of the
14 court administrator, and a copy in the office of the secretary
15 of state. From the date of such filing the applicant shall be
16 deemed retired from the applicant's office and entitled to the
17 benefits of this article to the same extent as if the
18 applicant had retired under the provisions of section
19 602.9106.

20 Sec. 22. Section 602.9115A, unnumbered paragraphs 1 and 3,
21 Code 2003, are amended to read as follows:

22 In lieu of the annuities and refunds provided for judges
23 and judges' survivors under sections 602.9107, ~~602.9107A~~₇
24 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges
25 may elect to receive an optional retirement annuity during the
26 judge's lifetime and have the optional retirement annuity, or
27 a designated fraction of the optional retirement annuity,
28 continued and paid to the judge's survivor after the judge's
29 death and during the lifetime of the survivor.

30 The optional retirement annuity shall be the actuarial
31 equivalent of the amounts of the annuities payable to judges
32 and survivors under sections 602.9107, ~~602.9107A~~₇ 602.9115,
33 602.9204, 602.9208, and 602.9209. The actuarial equivalent
34 shall be based on the mortality and interest assumptions set
35 out in section 602.9107, subsection 3.

1 Sec. 23. Section 602.9203, subsection 2, paragraph b, Code
2 2003, is amended to read as follows:

3 b. Meets the minimum requirements for entitlement to an
4 annuity as specified in section 602.9106. However, a judge
5 who elects to retire prior to attaining the age of sixty-five
6 and who has not had ~~twenty-five~~ twenty years of consecutive
7 service, may serve as a senior judge, but shall not be paid an
8 annuity pursuant to section 602.9204 until attaining age
9 sixty-five.

10 Sec. 24. Section 602.9107A, Code 2003, is repealed.

11 Sec. 25. EFFECTIVE DATE. This division of this Act,
12 concerning the judicial retirement system, being deemed of
13 immediate importance, takes effect upon enactment.

14 EXPLANATION

15 This bill makes changes to the Iowa public employees'
16 retirement system and the judicial retirement system. The
17 bill may include a state mandate as defined in Code section
18 25B.3. The state mandate funding requirement in Code section
19 25B.2, however, does not apply to public employee retirement
20 systems. The changes to each public retirement system are as
21 follows:

22 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

23 Code section 97B.11, governing contributions to the
24 retirement fund, is amended. The bill increases, beginning
25 July 1, 2004, contributions to the system by the employee.
26 Currently, the employer rate is 5.75 percent and the employee
27 rate is 3.7 percent of a member's covered wages. The bill
28 increases the employee rate to 4.2 percent for the fiscal year
29 beginning July 1, 2004, and to 4.7 percent for the fiscal year
30 beginning July 1, 2005. Beginning July 1, 2006, and for each
31 fiscal year thereafter, employees are required to contribute a
32 minimum of 4.7 percent and employers are required to
33 contribute a minimum of 5.75 percent to the system. The
34 required percentages shall increase on a 50-50 basis between
35 employers and employees if the system determines that an

1 additional percentage is necessary based upon the actuarial
2 valuation of the system. The additional percentage rate is
3 defined as the percentage, if positive, determined by
4 calculating the total required percentage rate and subtracting
5 10.45 percent. The bill provides that the total required
6 percentage rate for a fiscal year is the total required
7 percentage rate used in the prior year unless IPERS determines
8 that the rate should be modified. The bill provides that if
9 the total rate for the prior year is insufficient to amortize
10 the system's unfunded actuarial liability within 30 years, the
11 rate will increase to the lesser of the rate needed to
12 amortize the unfunded actuarial liability in 30 years or 1
13 percentage point over the prior year's total rate. On the
14 other hand, the bill provides that if the total rate for the
15 prior year is sufficient to amortize the system's unfunded
16 actuarial liability in 10 years or less, the rate will
17 decrease to the greater of 1 percentage point less than the
18 prior year's total rate, or the rate equal to the normal cost
19 rate plus the greater of an additional .75 percent or such
20 other percent as necessary to amortize any unfunded liability
21 of the system over 10 years.

22 Code sections 97B.49B and 97B.49C are amended, and
23 conforming changes are made in other applicable Code sections,
24 to transfer airport fire fighters employed by the military
25 division of the department of public defense from the sheriffs
26 and deputy sheriffs' category under IPERS to the protection
27 occupation category.

28 Code section 97B.49C, subsection 2, concerning the
29 calculation of a retirement allowance for sheriffs and deputy
30 sheriffs under IPERS, is amended to provide for retirement at
31 age 50 instead of age 55.

32 Code section 97B.49C, subsection 3, concerning the
33 calculation of contributions payable for the sheriffs'
34 category under IPERS, is amended to provide that the cost of
35 additional benefits provided for members covered under this

1 section shall be paid on a 50-50 basis by employee members and
2 employers. Under current law, the cost of additional benefits
3 is paid 60 percent by the employer and 40 percent by the
4 employee member.

5 Code section 97B.52A, concerning bona fide retirement, is
6 amended to provide that a person who first receives a
7 retirement allowance under IPERS on or after July 2004, but
8 before July 2006, may return to covered employment as a
9 licensed health care professional by a public hospital after
10 having qualified for one calendar month of retirement benefits
11 and still receive retirement benefits. Under current law, a
12 person must wait four months to return to employment covered
13 by IPERS in order to continue receiving a retirement
14 allowance.

15 The bill also requires three studies concerning IPERS. One
16 study requires IPERS to study various options to provide
17 additional flexibility in IPERS plan design by considering
18 various supplementary or hybrid defined contribution plans.
19 IPERS is required to submit a report on this study to the
20 pension interim study committee by September 1, 2005. In
21 addition, IPERS is required to study the possible inclusion of
22 merit system personnel whose primary duty is providing
23 security at Iowa national guard facilities, and jailers and
24 detention officers, as members of a protection occupation for
25 purposes of IPERS. The study requires IPERS to consider the
26 number of employees possibly affected, the actuarial cost of
27 adding new members, and any other relevant information
28 concerning adding members to the protected occupation category
29 of IPERS. IPERS is required to submit a report on this study
30 to the pension interim study committee by September 1, 2005.
31 Finally, both IPERS and the largest statewide organization
32 representing public hospitals are required to submit a report
33 to the general assembly by December 1, 2006, concerning a
34 provision in the bill allowing a member who retires between
35 July 2004 and July 2006 to return to covered employment as a

1 licensed health care professional by a public hospital after
2 having qualified for only one calendar month of retirement
3 benefits and still receive retirement benefits.

4 JUDICIAL RETIREMENT SYSTEM

5 The bill makes two changes to the judicial retirement
6 system. Covered judges under the system generally include all
7 appellate, district, and district associate judges.

8 The bill reduces the vesting requirement for a judge under
9 the judicial retirement system from six years to four years.
10 Once a judge vests under the system, the judge is eligible to
11 obtain a retirement annuity. A judge who leaves service prior
12 to vesting receives only the contributions the judge made to
13 the system during that service.

14 In addition, the bill reduces from 25 to 20 years the
15 number of years of service a judge must have under the system
16 in order to receive an unreduced retirement allowance. Code
17 section 602.9107A, which provided a reduced retirement
18 allowance for judges with at least 20 years of service but
19 less than 25 years of service, is repealed.

20 This division of this bill, concerning the judicial
21 retirement system, takes effect upon enactment.

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HOUSE FILE 2532

H-8262

- 1 Amend House File 2532 as follows:
- 2 1. Page 1, line 22, by striking the figure
- 3 "2004", and inserting the following: "2005".
- 4 2. Page 1, by striking lines 23 through 29 and
- 5 inserting the following:
- 6 "b. Beginning on or after July 1, 2005, four and
- 7 one-tenths percent."
- 8 3. Page 1, line 32, by striking the figure
- 9 "2006", and inserting the following: "2005".
- 10 4. By striking page 1, line 34, through page 3,
- 11 line 3, and inserting the following:
- 12 "b. Beginning on or after July 1, 2005, six and
- 13 thirty-five hundredths percent."
- 14 5. Page 4, line 22, by striking the words "at
- 15 least fifty years of age" and inserting the following:
- 16 "either at least fifty-five years of age or is at
- 17 least fifty years of age with at least twenty-two
- 18 years of eligible service".
- 19 6. Page 6, line 6, by inserting after the words
- 20 "For purposes of" the following: "determining a bona
- 21 fide retirement under".
- 22 7. Page 7, by inserting after line 3 the
- 23 following:
- 24 "Sec. _____. FAVORABLE EXPERIENCE DIVIDEND RESERVE
- 25 ACCOUNT -- DEPOSIT OF INVESTMENT RETURN.
- 26 Notwithstanding any provision of chapter 97B to the
- 27 contrary, the Iowa public employees' retirement system
- 28 shall have the authority to credit the lesser of the
- 29 system's actuarial interest rate assumption or the
- 30 system's actual investment return to the favorable
- 31 experience dividend reserve account created in section
- 32 97B.49F. This authority applies to the fiscal year
- 33 beginning July 1, 2003, and ending June 30, 2004."
- 34 8. Page 9, by inserting after line 3 the
- 35 following:
- 36 "Sec. _____. EFFECTIVE DATE. The section of this
- 37 Act providing for the deposit of investment return to
- 38 the favorable experience dividend reserve account,
- 39 being deemed of immediate importance, takes effect
- 40 upon enactment."
- 41 9. By renumbering as necessary.

By ELGIN of Linn

H-8262 FILED MARCH 16, 2004

HOUSE FILE 2532

H-8261

- 1 Amend House File 2532 as follows:
- 2 1. Page 3, line 15, by striking the word
- 3 "subparagraph" and inserting the following:
- 4 "subparagraphs".
- 5 2. Page 3, by inserting after line 17 the
- 6 following:
- 7 "NEW SUBPARAGRAPH. (9) A registered nurse or
- 8 licensed practical nurse employed at a correctional
- 9 facility by the Iowa department of corrections."
- 10 3. By renumbering as necessary.

By BELL of Jasper

H-8261 FILED MARCH 16, 2004

HOUSE FILE 2532

H-8267

- 1 Amend House File 2532 as follows:
- 2 1. Page 4, line 33, by striking the word
- 3 "additional" and inserting the following:
- 4 "~~additional~~".
- 5 2. Page 5, line 4, by striking the words
- 6 "addition to" and inserting the following: "~~addition~~
- 7 ~~to~~ lieu of".
- 8 3. Page 5, line 15, by striking the word
- 9 "additional" and inserting the following:
- 10 "~~additional~~".

By ELGIN of Linn

H-8267 FILED MARCH 17, 2004

HOUSE FILE 2532

H-8274

- 1 Amend the amendment, H-8261, to House File 2532 as
- 2 follows:
- 3 1. Page 1, by striking lines 2 through 10 and
- 4 inserting the following:
- 5 "____. Page 8, line 10, by inserting after the
- 6 word "duties," the following: "a registered nurse or
- 7 licensed practical nurse employed at a correctional
- 8 facility by the department of corrections,".

By BELL of Jasper

H-8274 FILED MARCH 18, 2004

ADOPTED

HOUSE FILE 2532**H-8272**

1 Amend the amendment, H-8267, to House File 2532 as
2 follows:

3 1. Page 1, by striking lines 2 through 10 and
4 inserting the following:

5 "____. Page 4, line 35, by striking the words
6 "~~Sixty Fifty~~", and inserting the following: "Sixty".

7 "____. Page 5, line 2, by striking the words
8 "~~forty fifty~~", and inserting the following: "forty"."

By JOCHUM of Dubuque

H-8272 FILED MARCH 18, 2004
WITHDRAWN

HOUSE FILE 2532**H-8273**

1 Amend House File 2532 as follows:

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

4 "Sec. _____. Section 97B.1A, subsection 8, paragraph
5 a, Code Supplement 2003, is amended by adding the
6 following new subparagraph:

7 NEW SUBPARAGRAPH. (12) An adjunct instructor who
8 is a member of the system for other employment.

9 Sec. _____. Section 97B.1A, subsection 8, paragraph
10 b, subparagraph (3), Code Supplement 2003, is amended
11 to read as follows:

12 (3) Employees hired for temporary employment of
13 less than six consecutive months or one thousand forty
14 hours in a calendar year. An employee who works for
15 an employer for six or more consecutive months or who
16 works for an employer for more than one thousand forty
17 hours in a calendar year is not a temporary employee
18 under this subparagraph. Adjunct instructors who are
19 not otherwise a member of the system are temporary
20 employees for the purposes of this chapter. As used
21 in this section, unless the context otherwise
22 requires, "adjunct instructors" means instructors
23 employed by a community college or a university
24 governed by the state board of regents without a
25 continuing contract, whose teaching load does not
26 exceed one-half time for two full semesters or three
27 full quarters per calendar year."

28 2. By renumbering as necessary.

By FREVERT of Palo Alto

H-8273 FILED MARCH 18, 2004

Fiscal Services Division Legislative Services Agency Fiscal Note

HF 2532 - Public Pension, Substantive Changes (LSB 5334 HV)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2532 makes substantive changes to the Iowa Public Employees' Retirement System (IPERS) and the Iowa Judicial Retirement System. This Fiscal Note will examine the substantive changes with a significant cost.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The Bill increases the required contribution rate from regular IPERS members by 0.50% to 4.20% in FY 2005 and 0.50% to 4.70% in FY 2006. The Bill further permits the IPERS to adjust the contribution rates beginning in FY 2007 with the employer paying 50.0% and the employee paying 50.0% above the base amount. The base amount will be 5.75% for employers and 4.70% for employees, with a combined base rate of 10.45%.

The IPERS will adjust the rates for the following year; if the prior years combined contributions will be insufficient to amortize the unfunded actuarial liability of the System within 30 years by increasing the total contribution to a rate that will amortize the unfunded actuarial liability of the System within 30 years. However, the combined rate will not be increased by more than 1.00% over the prior year and will never be below the base amount.

The IPERS will adjust the rates for the following year; if the prior years combined contributions will be sufficient to amortize the unfunded actuarial liability of the System within 10 years, or less, by reducing the prior years combined contributions by 1.00%. However, the rate will not be lowered below the rate needed to amortize the unfunded actuarial liability of the System within 10 years, or below the normal cost rate for the System plus 0.75%. The normal cost rate for the system in FY 2003 was 9.06%.

The Bill makes numerous technical changes in order to establish a separate class of IPERS membership for the sheriffs and sheriffs' deputies apart from airport firefighters. Airport firefighters are placed in the Protection Occupation class.

The Bill permits sheriffs and sheriffs' deputies to retire at the age of 50, instead of the current age of 55. The Bill further provides for a change in the distribution of contributions between employers and employees. Each employer and employee will contribute 50.0% of the actuarially determined cost above the base amount. Currently the employer pays 60.0% and the employee contributes 40.0%. The base amount is 5.75% for employers and 3.70% for employees.

The Bill reduces from the current four months to one month; the time a licensed health care professional at a public hospital must leave covered employment in order to continue to receive a retirement benefit after returning to covered employment. This change is only effective for retirements during FY 2005 and FY 2006. A study and report is being requested to determine the impact of this change.

The Bill requires three studies:

- Pension Flexibility Study.
- Protection Occupation Membership Study.
- Licensed Health Care Professionals - Bona Fide Retirement Report.

Assumptions

1. A 4.00% annual payroll growth is assumed.
2. Contribution rates will only be impacted by the changes in the Bill.
3. The number of members in each class and covered payroll for FY 2004 are as follows:

<u>EMPLOYER</u>	<u>MEMBERSHIP CLASS</u>	<u>MEMBERS</u>	<u>FY 2004 COVERED PAYROLL</u>	
			<u>(\$ in millions)</u>	
State	Regular	22,298	\$	978.3
Counties	Regular	25,060		724.3
Cities	Regular	23,307		607.3
Schools	Regular	84,906		2,407.0
Other	Regular	8,901		281.7
Total		<u>164,472</u>	\$	<u>4,998.6</u>
State	Airport Firefighters	57	\$	2.5
Counties/ Cities	Sheriffs/Sheriffs' Deputies	1,555	\$	70.9

4. The number of members in each class will remain constant.
5. Regular IPERS members currently contribute 3.70% of covered wage and employers contribute 5.75%.
6. A combined regular IPERS contribution of 10.45% in FY 2007 will be insufficient to amortize the unfunded actuarial liability of the System within 30 years.
7. Sheriffs and sheriffs' deputies and airport firefighters members would contribute 5.10% of covered wage and employers would contribute 7.66% in FY 2005, without the changes in this Bill.
8. Protection Occupation members would contribute 6.16% of covered wage and employers would contribute 9.23% in FY 2005, without the changes in this Bill.
9. The retirement rate for employees ages 50 through 54 is 30.0% for sheriffs and sheriffs' deputies.
10. The employer contribution for sheriffs and sheriffs' deputies will increase by 1.78% (a decrease of 0.255% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 9.44%.
11. The employee contributions for sheriffs and sheriffs' deputies will increase by 2.29% (an increase of 0.255% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 7.39%.

Fiscal Impact

Regular IPERS employers' contribution will increase from 5.75% to 6.25% of covered wage beginning in FY 2007. The increased required by employer contributions is as follows:

- State - \$5.5 million.
- Counties - \$4.1 million.
- Cities - \$3.4 million.
- Schools - \$13.5 million.
- Other employers including townships, multi-unit employers, and utilities - \$1.6 million.
- Total employer increase - \$28.1 million.

Regular IPERS employees' contributions will increase from 3.70% to 4.20% of covered wage in FY 2005, to 4.70% in FY 2006, and to 5.20% in FY 2007. The total required increase for employees from one year to the next is as follows:

- State - an increase of \$5.1 million in FY 2005, \$5.5 million in FY 2006, and \$5.9 million in FY 2007. The average annual contribution by each employee will range from an increase of \$228 in FY 2005 to an accumulative increase of \$740 in FY 2007.
- Counties - an increase of \$3.8 million in FY 2005, \$4.0 million in FY 2006, and \$4.4 million in FY 2007. The average annual contribution by each employee will range from an increase of \$150 in FY 2005 to an accumulative increase of \$488 in FY 2007.
- Cities - an increase of \$3.2 million in FY 2005, \$3.4 million in FY 2006, and \$3.6 million in FY 2007. The average annual contribution by each employee will range from an increase of \$136 in FY 2005 to an accumulative increase of \$440 in FY 2007.
- Schools - an increase of \$12.5 million in FY 2005, \$13.5 million in FY 2006, and \$14.6 million in FY 2007. The average annual contribution by each employee will range from an increase of \$147 in FY 2005 to an accumulative increase of \$478 in FY 2007.
- Other employers including townships, multi-unit employers, and utilities - an increase of \$1.5 million in FY 2005, \$1.5 million in FY 2006, and \$1.8 million in FY 2007. The average annual contribution by each employee will range from an increase of \$165 in FY 2005 to an accumulative increase of \$534 in FY 2007.
- Total employee increase - \$26.0 million in FY 2005, \$28.1 million in FY 2006, and \$30.2 million in FY 2007. The average annual contribution by each employee will range from an increase of \$158 in FY 2005 to an accumulative increase of \$513 in FY 2007.

Placing the airport firefighters in the Protection Occupation class will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 15.39% of covered wage for FY 2005. The employer will pay 9.23%, an increase of 1.57% or a total State increase of \$41,000 for all airport firefighters. The employees will pay 6.16%, an increase of 1.06% or \$28,000 for all airport firefighter employees. The average employee will contribute an estimated additional \$500 in FY 2005.

Changing the retirement age for sheriffs and sheriffs' deputies and the distribution of the contributions between employers and employees will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 16.83% of covered wage for FY 2005. The employer will pay 9.44%, an increase of 1.78% or \$1.3 million, and the employees will pay 7.39%, an increase of 2.29% or \$1.7 million. The average employee will contribute an estimated additional \$1,100 in FY 2005.

The fiscal impact of the change for licensed health care professional on employers and employees cannot be determined without knowing, the size of the group, their covered payroll, and which employees would take advantage of the program. A study of this group is requested in this Bill.

The cost of the three studies is as follows:

- Pension Flexibility Study will cost \$26,000.
- Protection Occupation Membership Study will cost \$5,100.
- Licensed Health Care Professionals - Bona Fide Retirement Report will cost \$17,000.

JUDICIAL RETIREMENT SYSTEM

The Bill makes two changes to the Judicial Retirement System.

The Bill reduces the vesting requirement from six years to four years. When a judge becomes vested, the judge is eligible to obtain a retirement annuity rather than the return of the judge's contribution.

The Bill also reduces the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years.

Fiscal Impact

An actuarial study of these changes has not yet been completed, therefore, the fiscal impact is undetermined at this time.

Sources

Iowa Public Employees' Retirement System (IPERS)
Milliman USA Consultants and Actuaries
Iowa Judicial Retirement System

Dennis C Prouty

March 18, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

HOUSE FILE 2532
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 686)

(As Amended and Passed by the House March 18, 2004)

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

A BILL FOR

1 An Act relating to the Iowa public employees' retirement system
2 and the judicial retirement system, and providing an effective
3 date.

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

5

6

House Amendments _____

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1 DIVISION I

2 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

3 Section 1. Section 97B.1A, subsection 22, Code Supplement
4 2003, is amended to read as follows:

5 22. "Special service" means service for an employer while
6 employed in a protection occupation as provided in section
7 97B.49B, and as a county sheriff, or deputy sheriff, ~~or~~
8 ~~airport-fire-fighter~~ as provided in section 97B.49C.

9 Sec. 2. Section 97B.11, Code Supplement 2003, is amended
10 to read as follows:

11 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

12 1. Each employer shall deduct from the wages of each
13 member of the retirement system a contribution in the amount
14 of ~~three-and-seven-tenths-percent~~ the applicable employee
15 percentage of the covered wages paid by the employer, until
16 the member's termination from employment. The contributions
17 of the employer shall be in the amount of ~~five-and-seventy-~~
18 ~~five-hundredths-percent~~ the applicable employer percentage of
19 the covered wages of the member.

20 2. For purposes of this section, the "applicable employee
21 percentage" is as follows:

22 a. Prior to July 1, 2005, three and seven-tenths percent.

23 b. Beginning on or after July 1, 2005, four and one-tenths
24 percent.

25 3. For purposes of this section, the "applicable employer
26 percentage" is as follows:

27 a. Prior to July 1, 2005, five and seventy-five hundredths
28 percent.

29 b. Beginning on or after July 1, 2005, six and thirty-five
30 hundredths percent.

31 Sec. 3. Section 97B.49B, subsection 1, paragraph c, Code
32 Supplement 2003, is amended to read as follows:

33 c. "Eligible service" means membership and prior service
34 in a protection occupation. In addition, for a member with
35 membership and prior service in a protection occupation

1 described in paragraph "e", subparagraph (2), eligible service
2 includes membership and prior service as a sheriff, or deputy
3 sheriff, ~~or airport fire fighter~~ as defined in section
4 97B.49C.

5 Sec. 4. Section 97B.49B, subsection 1, paragraph e, Code
6 Supplement 2003, is amended by adding the following new
7 subparagraph:

8 NEW SUBPARAGRAPH. (8) An airport fire fighter employed by
9 the military division of the department of public defense.

10 Sec. 5. Section 97B.49B, subsection 3, paragraph b, Code
11 Supplement 2003, is amended by adding the following new
12 subparagraph:

13 NEW SUBPARAGRAPH. (7) For the fiscal year commencing July
14 1, 2004, and each succeeding fiscal year, there is
15 appropriated from the general fund of the state to the system,
16 from funds not otherwise appropriated, an amount necessary to
17 pay the employer share of the cost of the additional benefits
18 provided to airport fire fighters under this section.

19 Sec. 6. Section 97B.49C, subsection 1, paragraph a, Code
20 Supplement 2003, is amended by striking the paragraph.

21 Sec. 7. Section 97B.49C, subsection 1, paragraph d, Code
22 Supplement 2003, is amended to read as follows:

23 d. "Eligible service" means membership and prior service
24 as ~~an airport fire fighter~~, a sheriff, and deputy sheriff
25 under this section. In addition, eligible service includes
26 membership and prior service as a marshal in a city not
27 covered under chapter 400 or a fire fighter or police officer
28 of a city not participating in the retirement systems
29 established in chapter 410 or 411, and as an airport fire
30 fighter prior to July 1, 1994.

31 Sec. 8. Section 97B.49C, subsection 2, Code Supplement
32 2003, is amended to read as follows:

33 2. CALCULATION OF MONTHLY ALLOWANCE.

34 a. Notwithstanding other provisions of this chapter, a
35 member who retires from employment as a sheriff, deputy

1 sheriff, or airport fire fighter on or after July 1, 1994, and
2 before July 1, 2004, and at the time of retirement is at least
3 fifty-five years of age may elect to receive, in lieu of the
4 receipt of any benefits as calculated pursuant to section
5 97B.49A or 97B.49D, a monthly retirement allowance equal to
6 one-twelfth of an amount equal to the applicable percentage of
7 the three-year average covered wage as a member who has been
8 employed in eligible service multiplied by a fraction of years
9 of service, with benefits payable during the member's
10 lifetime.

11 b. Notwithstanding other provisions of this chapter, a
12 member who retires from employment as a sheriff or deputy
13 sheriff on or after July 1, 2004, and at the time of
14 retirement is either at least fifty-five years of age or is at
15 least fifty years of age with at least twenty-two years of
16 eligible service may elect to receive, in lieu of the receipt
17 of any benefits as calculated pursuant to section 97B.49A or
18 97B.49D, a monthly retirement allowance equal to one-twelfth
19 of an amount equal to the applicable percentage of the three-
20 year average covered wage as a member who has been employed in
21 eligible service multiplied by a fraction of years of service,
22 with benefits payable during the member's lifetime.

23 Sec. 9. Section 97B.49C, subsection 3, paragraph a, Code
24 Supplement 2003, is amended to read as follows:

25 a. Annually, the system shall actuarially determine the
26 cost of the additional benefits provided for members covered
27 under this section as a percentage of the covered wages of the
28 employees covered by this section. ~~Sixty~~ Fifty percent of the
29 cost shall be paid by the employers of employees covered under
30 this section and ~~forty~~ fifty percent of the cost shall be paid
31 by the employees. The employer and employee contributions
32 required under this paragraph are in addition-to lieu of the
33 contributions paid under sections 97B.11 and 97B.11A.
34 ~~However, the cost of including service as an airport fire~~
35 ~~fighter prior to July 1, 1994, as eligible service under this~~

1 ~~section shall not affect the contribution rates calculated and~~
2 ~~paid by the member or the employer under this section.~~

3 Sec. 10. Section 97B.49C, subsection 3, paragraph b, Code
4 Supplement 2003, is amended to read as follows:

5 b. ~~(1)~~ Annually, during each fiscal year commencing with
6 the fiscal year beginning July 1, 1988, each county shall pay
7 to the system the amount necessary to pay the employer share
8 of the cost of the additional benefits provided to sheriffs
9 and deputy sheriffs.

10 ~~(2) -- For the fiscal year commencing July 1, 1994, and each~~
11 ~~succeeding fiscal year, there is appropriated from the general~~
12 ~~fund of the state to the system, from funds not otherwise~~
13 ~~appropriated, an amount necessary to pay the employer share of~~
14 ~~the cost of the additional benefits provided to airport fire~~
15 ~~fighters under this section.~~

16 Sec. 11. Section 97B.52, subsection 1, paragraph a,
17 subparagraph (3), Code Supplement 2003, is amended to read as
18 follows:

19 (3) For service as a sheriff, or deputy sheriff, ~~or~~
20 ~~airport fire fighter~~, as provided in section 97B.49C, the
21 applicable denominator is twenty-two.

22 Sec. 12. Section 97B.52A, subsection 1, paragraph c, Code
23 Supplement 2003, is amended to read as follows:

24 c. For a member whose first month of entitlement is July
25 2000 or later, the member does not return to any employment
26 with a covered employer until the member has qualified for at
27 least one calendar month of retirement benefits, and the
28 member does not return to covered employment until the member
29 has qualified for no fewer than four calendar months of
30 retirement benefits. For purposes of this paragraph,
31 effective July 1, 2000, any employment with a covered employer
32 does not include employment as an elective official or member
33 of the general assembly if the member is not covered under
34 this chapter for that employment. For purposes of determining
35 a bona fide retirement under this paragraph and for a member

1 whose first month of entitlement is July 2004 or later, but
 2 before July 2006, covered employment does not include
 3 employment as a licensed health care professional by a public
 4 hospital as defined in section 249I.3.

5 Sec. 13. Section 411.6, subsection 7, paragraph c, Code
 6 2003, is amended to read as follows:

7 c. Should a disability beneficiary under age fifty-five be
 8 employed in a public safety occupation, the disability
 9 beneficiary's retirement allowance shall cease.

10 Notwithstanding any provision of this chapter to the contrary,
 11 if a disability beneficiary is employed in a public safety
 12 occupation that would otherwise constitute membership service,
 13 the disability beneficiary shall not become a member of the
 14 system. For purposes of this paragraph, "public safety
 15 occupation" means a peace officer, as defined in section
 16 97A.1; a protection occupation, as defined in section 97B.49B;
 17 a sheriff, or deputy sheriff,--or-airport-fire-fighter, as
 18 defined in section 97B.49C; and a police officer or fire
 19 fighter as defined in section 411.1, who was not restored to
 20 active service as provided by this subsection.

21 Sec. 14. Section 724.6, subsection 2, Code 2003, is
 22 amended to read as follows:

23 2. Notwithstanding subsection 1, fire fighters, as defined
 24 in section 411.1, subsection 9, airport fire fighters included
 25 under section ~~97B.49C~~ 97B.49B, emergency rescue technicians,
 26 and emergency medical care providers, as defined in section
 27 147A.1, shall not, as a condition of employment, be required
 28 to obtain a permit under this section. However, the
 29 provisions of this subsection shall not apply to a person
 30 designated as an arson investigator by the chief fire officer
 31 of a political subdivision.

32 Sec. 15. FAVORABLE EXPERIENCE DIVIDEND RESERVE ACCOUNT --
 33 DEPOSIT OF INVESTMENT RETURN. Notwithstanding any provision
 34 of chapter 97B to the contrary, the Iowa public employees'
 35 retirement system shall have the authority to credit the

1 lesser of the system's actuarial interest rate assumption or
2 the system's actual investment return to the favorable
3 experience dividend reserve account created in section
4 97B.49F. This authority applies to the fiscal year beginning
5 July 1, 2003, and ending June 30, 2004.

6 Sec. 16. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM --
7 PENSION FLEXIBILITY STUDY -- REPORT.

8 1. The Iowa public employees' retirement system (IPERS)
9 shall conduct a study to consider various options to provide
10 persons covered under the Iowa public employees' retirement
11 system additional flexibility in plan design with features
12 incorporating aspects of defined contribution type vehicles.
13 In conducting its study, IPERS shall consider, among other
14 ideas, the following:

15 a. Ways in which IPERS can assist employers in expanding
16 existing supplemental plans offered by public employers.

17 b. Ways in which IPERS could offer its own defined
18 contribution type supplementary plan vehicle to complement its
19 core defined benefit plan including, but not limited to,
20 defined contribution type plans that might provide a cost of
21 living or favorable experience dividend benefit to members.

22 c. Various hybrid plan designs incorporating features of
23 both defined benefit and defined contribution plan vehicles,
24 including, but not limited to, an integrated defined benefit
25 and defined contribution plan, a floor-offset plan, or a
26 pension equity plan.

27 2. In performing the study required by this section, IPERS
28 shall work closely with the system's benefits advisory
29 committee and, through quarterly reports, regularly update the
30 public retirement systems committee established by section
31 97D.4. On or before September 1, 2005, the Iowa public
32 employees' retirement system shall file a report with the
33 legislative services agency for distribution to the public
34 retirement systems committee, which report shall contain its
35 findings and recommendations, including any proposal or

1 proposals regarding adding additional flexibility in IPERS'
2 plan design with features incorporating aspects of defined
3 contribution type vehicles.

4 Sec. 17. PROTECTION OCCUPATION MEMBERSHIP STUDY. The Iowa
5 public employees' retirement system (IPERS), in consultation
6 with the system's benefits advisory committee, shall study the
7 possible inclusion within the protection occupation category
8 of IPERS an employee covered by the merit system as provided
9 in chapter 8A, subchapter IV, whose primary duty is providing
10 security at Iowa national guard installations and facilities
11 and who carries or is licensed to carry a firearm while
12 performing those duties, a registered nurse or licensed
13 practical nurse employed at a correctional facility by the
14 department of corrections, and a jailer or detention officer
15 who performs duties as a jailer, including but not limited to
16 the transportation of inmates, is certified as having
17 completed jailer training pursuant to chapter 80B, and is
18 employed by a county as a jailer. On or before September 1,
19 2005, the Iowa public employees' retirement system shall file
20 a report with the legislative services agency for distribution
21 to the public retirement systems committee established by
22 section 97D.4 with its findings and recommendations. The
23 report shall include information concerning the number of
24 possible employees that might be added, the actuarial cost of
25 adding these categories of employees to the protection
26 occupation category, and any other information that might
27 assist legislators in considering whether, and how, to add
28 these or other categories of employees to the protection
29 occupation category.

30 Sec. 18. LICENSED HEALTH CARE PROFESSIONALS -- BONA FIDE
31 RETIREMENT REPORT. The Iowa public employees' retirement
32 system and the largest statewide organization representing
33 public hospitals in this state shall each submit a report to
34 the general assembly by December 1, 2006, concerning the costs
35 and effectiveness of the provision of this Act amending

1 section 97B.52A that provides that covered employment, for
2 purposes of establishing a bona fide retirement, does not
3 include employment as a licensed health care professional by a
4 public hospital as defined in section 249I.3. Each report
5 shall provide statistics concerning the number of members
6 taking advantage of this provision, the costs and financial
7 benefits, if any, associated with this provision, and
8 recommendations for further action.

9 Sec. 19. EFFECTIVE DATE. The section of this Act
10 providing for the deposit of investment return to the
11 favorable experience dividend reserve account, being deemed of
12 immediate importance, takes effect upon enactment.

13 DIVISION II

14 JUDICIAL RETIREMENT SYSTEM

15 Sec. 20. Section 602.9106, Code 2003, is amended to read
16 as follows:

17 602.9106 RETIREMENT.

18 Any person who shall have become separated from service as
19 a judge of any of the courts included in this article and who
20 has had an aggregate of at least ~~six~~ four years of service as
21 a judge of one or more of such courts and shall have attained
22 the age of sixty-five years or who has had ~~twenty-five~~ twenty
23 years of consecutive service as a judge of one or more of said
24 courts, and who shall have otherwise qualified as provided in
25 this article, shall be entitled to an annuity as hereinafter
26 provided.

27 Sec. 21. Section 602.9107C, subsection 1, Code 2003, is
28 amended to read as follows:

29 1. A judge under this system who has at least ~~six~~ four
30 years of service as a judge of any of the courts included in
31 this article and who was a member of the Iowa public
32 employees' retirement system as provided in chapter 97B, but
33 who was not retired under that system, upon submitting
34 verification of membership and service in the Iowa public
35 employees' retirement system to the court administrator,

1 including proof that the judge has no further claim upon a
2 retirement benefit from that public system, may make
3 contributions as provided by this section to the system either
4 for the entire period of service in the other public system,
5 or for partial service in the other public system in
6 increments of one or more calendar quarters, and receive
7 credit for that service under the system.

8 Sec. 22. Section 602.9108, Code 2003, is amended to read
9 as follows:

10 602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

11 The amount designated as the judge's contribution to the
12 judicial retirement fund in section 602.9104, subsection 1,
13 and all amounts paid into the fund by a judge shall be
14 credited to the individual account of the judge. If a judge
15 covered under this article becomes separated from service as a
16 judge before the judge completes an aggregate of ~~six~~ four
17 years of service as a judge of one or more of the courts, the
18 total amount in the judge's individual account shall be
19 returned to the judge or the judge's legal representatives
20 within one year of the separation. If a judge, who is covered
21 under this article and who has completed an aggregate of ~~six~~
22 four years or more of service as a judge of one or more of the
23 courts, dies before retirement, without a survivor, the total
24 amount in the judge's individual account shall be paid in one
25 sum to the judge's legal representatives within one year of
26 the judge's death. If an annuitant under this section dies
27 without a survivor, and without having received in annuities
28 an amount equal to the total amount in the judge's individual
29 account at the time of separation from service, the amount
30 remaining to the annuitant's credit shall be paid in one sum
31 to the annuitant's legal representatives within one year of
32 the annuitant's death.

33 Sec. 23. Section 602.9112, Code 2003, is amended to read
34 as follows:

35 602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

1 Any judge of the supreme, district or municipal court,
2 including a district associate judge, or a judge of the court
3 of appeals, who shall have served as a judge of one or more of
4 such courts for a period of ~~six~~ four years in the aggregate
5 and who believes the judge has become permanently
6 incapacitated, physically or mentally, to perform the duties
7 of the judge's office may personally or by the judge's next
8 friend or guardian file with the court administrator a written
9 application for retirement. The application shall be filed in
10 duplicate and accompanied by an affidavit as to the duration
11 and particulars of the judge's service and the nature of the
12 judge's incapacity. The court administrator shall forthwith
13 transmit one copy of the application and affidavit to the
14 chief justice who shall request the attorney general in
15 writing to cause an investigation to be made relative to the
16 claimed incapacity and report back the results thereof in
17 writing. If the chief justice finds from the report of the
18 attorney general that the applicant is permanently
19 incapacitated, physically or mentally, to perform the duties
20 of the applicant's office the chief justice shall by
21 endorsement thereon declare the applicant retired, and the
22 office vacant, and shall file the report in the office of the
23 court administrator, and a copy in the office of the secretary
24 of state. From the date of such filing the applicant shall be
25 deemed retired from the applicant's office and entitled to the
26 benefits of this article to the same extent as if the
27 applicant had retired under the provisions of section
28 602.9106.

29 Sec. 24. Section 602.9115A, unnumbered paragraphs 1 and 3,
30 Code 2003, are amended to read as follows:

31 In lieu of the annuities and refunds provided for judges
32 and judges' survivors under sections 602.9107, ~~602.9107A~~,
33 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges
34 may elect to receive an optional retirement annuity during the
35 judge's lifetime and have the optional retirement annuity, or

1 a designated fraction of the optional retirement annuity,
2 continued and paid to the judge's survivor after the judge's
3 death and during the lifetime of the survivor.

4 The optional retirement annuity shall be the actuarial
5 equivalent of the amounts of the annuities payable to judges
6 and survivors under sections 602.9107, ~~602.9107A~~, 602.9115,
7 602.9204, 602.9208, and 602.9209. The actuarial equivalent
8 shall be based on the mortality and interest assumptions set
9 out in section 602.9107, subsection 3.

10 Sec. 25. Section 602.9203, subsection 2, paragraph b, Code
11 2003, is amended to read as follows:

12 b. Meets the minimum requirements for entitlement to an
13 annuity as specified in section 602.9106. However, a judge
14 who elects to retire prior to attaining the age of sixty-five
15 and who has not had ~~twenty-five~~ twenty years of consecutive
16 service, may serve as a senior judge, but shall not be paid an
17 annuity pursuant to section 602.9204 until attaining age
18 sixty-five.

19 Sec. 26. Section 602.9107A, Code 2003, is repealed.

20 Sec. 27. EFFECTIVE DATE. This division of this Act,
21 concerning the judicial retirement system, being deemed of
22 immediate importance, takes effect upon enactment.

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**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

HF 2532 - Public Pension, Substantive Changes (LSB 5334 HV.1)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version – as Amended and Passed by the House

Description

House File 2532, as amended and passed by the House, makes substantive changes to the Iowa Public Employees' Retirement System (IPERS) and the Iowa Judicial Retirement System. This Fiscal Note will examine the substantive changes with a significant cost.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The Bill increases the required contribution rate from regular IPERS members by 0.40% to 4.10%, and employer contributions by 0.60% to 6.35% in FY 2006.

The Bill makes numerous technical changes in order to establish a separate class of IPERS membership for sheriffs and sheriffs' deputies apart from airport firefighters. Airport firefighters are placed in the Protection Occupation class.

The Bill permits sheriffs and sheriffs' deputies who have at least 22 years of service to retire if they are at least 50 years of age, instead of waiting to the age of 55. The Bill further provides for a change in the distribution of contributions between employers and employees. Each employer and employee will contribute 50.0% of the actuarially determined cost. Currently, the employer pays 60.0% and the employee contributes 40.0%.

The Bill reduces from the current four months to one month; the time a licensed health care professional at a public hospital must leave covered employment in order to continue to receive a retirement benefit after returning to covered employment. This change is only effective for retirements during FY 2005 and FY 2006. A study and report is being requested to determine the impact of this change.

The Bill specifies that any interest earned by the Favorable Experience Dividend Reserve Account in excess of 7.5% will remain in the Regular IPERS Trust Account.

The Bill requires three studies:

- Pension Flexibility Study.
- Protection Occupation Membership Study.
- Licensed Health Care Professionals - Bona Fide Retirement Report.

Assumptions

1. A 4.00% annual payroll growth is assumed.

2. Contribution rates will only be impacted by the changes in the Bill.
3. The number of members in each class and covered payroll for FY 2004 are as follows:

EMPLOYER	MEMBERSHIP CLASS	MEMBERS	FY 2004 COVERED PAYROLL	
			(\$ in millions)	
State	Regular	22,298	\$	978.3
Counties	Regular	25,060		724.3
Cities	Regular	23,307		607.3
Schools	Regular	84,906		2,407.0
Other	Regular	8,901		281.7
Total		164,472	\$	4,998.6
State	Airport Firefighters	57	\$	2.5
Counties/ Cities	Sheriffs/Sheriffs' Deputies	1,555	\$	70.9

4. The number of members in each class will remain constant.
5. Regular IPERS members currently contribute 3.70% of covered wage and employers contribute 5.75%.
6. Sheriffs and sheriffs' deputies and airport firefighters members would contribute 5.10% of covered wage and employers would contribute 7.66% in FY 2005, without the changes in this Bill.
7. Protection Occupation members would contribute 6.16% of covered wage and employers would contribute 9.23% in FY 2005, without the changes in this Bill.
8. The retirement rate for employees ages 50 through 54 is 30.0% for sheriffs and sheriffs' deputies.
9. The employer contribution for sheriffs and sheriffs' deputies will increase by 0.755% (a decrease of 1.280% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 8.415%.
10. The employee contributions for sheriffs and sheriffs' deputies will increase by 3.315% (an increase of 1.280% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 8.415%.

Fiscal Impact

Regular IPERS employers' contribution will increase from 5.75% to 6.35% of covered wage beginning in FY 2006. The increase required by employer contributions is as follows:

- State - \$6.3 million.
- Counties - \$4.7 million.
- Cities - \$3.9 million.
- Schools - \$15.6 million.
- Other employers including townships, multi-unit employers, and utilities - \$1.8 million.
- Total employer increase - \$32.3 million.

Regular IPERS employees' contributions will increase from 3.70% to 4.10% of covered wage beginning in FY 2006. The total required increase for all employees, classified by their employer group, is as follows:

- State - an increase of \$4.2 million beginning in FY 2006. The average annual contribution by each employee will increase by \$190 beginning in FY 2006.
- Counties - an increase of \$3.1 million beginning in FY 2006. The average annual contribution by each employee will increase by \$125 beginning in FY 2006.

- Cities - an increase of \$2.6 million beginning in FY 2006. The average annual contribution by each employee will increase by \$113 beginning in FY 2006.
- Schools - an increase of \$10.4 million beginning in FY 2006. The average annual contribution by each employee will increase by \$123 beginning in FY 2006.
- Other employers including townships, multi-unit employers, and utilities - an increase of \$1.2 million beginning in FY 2006. The average annual contribution by each employee will increase by \$137 beginning in FY 2006.
- Total employee increase - an increase of \$21.5 million beginning in FY 2006. The average annual contribution by each employee will increase by \$131 beginning in FY 2006.

Placing the airport firefighters in the Protection Occupation class will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 15.39% of covered wage beginning in FY 2005. The employer will pay 9.23%, an increase of 1.57% or a total State increase of \$41,000 for all airport firefighters. The employees will pay 6.16%, an increase of 1.06% or \$28,000 for all airport firefighter employees. The average employee will contribute an estimated additional \$500 beginning in FY 2005.

Changing the retirement age for sheriffs and sheriffs' deputies and the distribution of the contributions between employers and employees will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 16.83% of covered wage beginning in FY 2005. The employer will pay 9.44%, an increase of 1.78% or \$1.3 million, and the employees will pay 7.39%, an increase of 2.29% or \$1.7 million. The average employee will contribute an estimated additional \$1,100 beginning in FY 2005.

The fiscal impact of the change for licensed health care professional on employers and employees cannot be determined without knowing, the size of the group, their covered payroll, and which employees would take advantage of the program. A study of this group is requested in this Bill.

As of December 31, 2003, the Favorable Experience Dividend Reserve Account has earned approximately \$35.0 million above the System's actuarial interest rate assumption of 7.5%. If the interest earned by the system does not change by the end of the current fiscal year, the Regular IPERS Trust Account will retain the \$35.0 million that would otherwise have been transferred to the Favorable Experience Dividend Reserve Account. The Regular IPERS Trust Account will retain more if the interest earned increases and less if the interest earned decreases. Any additional interest retained by the Regular IPERS Trust Account will go towards paying down the Systems estimated \$1.9 billion unfunded actuarial liability.

The cost of the three studies is as follows:

- Pension Flexibility Study will cost \$26,000.
- Protection Occupation Membership Study will cost \$5,100.
- Licensed Health Care Professionals - Bona Fide Retirement Report will cost \$17,000.

JUDICIAL RETIREMENT SYSTEM

The Bill makes two changes to the Judicial Retirement System.

The Bill reduces the vesting requirement from six years to four years. When a judge becomes vested, the judge is eligible to obtain a retirement annuity rather than the return of the judge's contribution.

The Bill also reduces the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years.

Assumptions

1. Most judges serve at least six years before retirement.
2. Covered payroll for the Judicial Retirement System is \$21.0 million annually.
3. Changing the eligibility for unreduced retirement benefits would increase the actuarially determined contribution rate for the State by 2.52% annually.

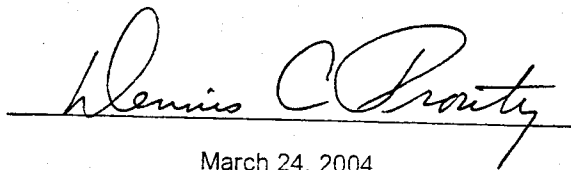
Fiscal Impact

The reduction in the number of years to vest from six years to four years will not have a significant fiscal impact on the System.

Changing the eligibility for unreduced retirement benefits from the current provision of age 65 or 25 years of service to age 65 or 20 years of service would increase the actuarially determined contribution rate for the State by 2.52% or \$529,000 annually.

Sources

Iowa Public Employees' Retirement System (IPERS)
Milliman USA Consultants and Actuaries
Iowa Judicial Retirement System



March 24, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Fiscal Services Division Legislative Services Agency Fiscal Note

HF 2532 - Public Pension (LSB 5334 HV.2)

Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)

Fiscal Note Version – As Amended and Passed by the House - Revised

Description

House File 2532, as amended and passed by the House, makes substantive changes to the Iowa Public Employees' Retirement System (IPERS) and the Iowa Judicial Retirement System. This Fiscal Note will examine the substantive changes with a significant cost.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The Bill increases the required contribution rate from regular IPERS members by 0.40% to 4.10%, and employer contributions by 0.60% to 6.35% in FY 2006.

The Bill makes numerous technical changes in order to establish a separate class of IPERS membership for sheriffs and sheriffs' deputies apart from airport firefighters. Airport firefighters are placed in the Protection Occupation class.

The Bill permits sheriffs and sheriffs' deputies who have at least 22 years of service to retire if they are at least 50 years of age, instead of waiting to the age of 55. The Bill further provides for a change in the distribution of contributions between employers and employees. Each employer and employee will contribute 50.0% of the actuarially determined cost. Currently, the employer pays 60.0% and the employee contributes 40.0%.

The Bill reduces from the current four months to one month; the time a licensed health care professional at a public hospital must leave covered employment in order to continue to receive a retirement benefit after returning to covered employment. This change is only effective for retirements during FY 2005 and FY 2006. A study and report is being requested to determine the impact of this change.

The Bill specifies that any interest earned by the Favorable Experience Dividend Reserve Account in excess of 7.5% will remain in the Regular IPERS Trust Account.

The Bill requires three studies:

- Pension Flexibility Study.
- Protection Occupation Membership Study.
- Licensed Health Care Professionals - Bona Fide Retirement Report.

Assumptions

1. A 4.00% annual payroll growth is assumed.
2. Contribution rates will only be impacted by the changes in the Bill.

3. The number of active members in each class and covered payroll for FY 2004 are as follows:

<u>EMPLOYER</u>	<u>MEMBERSHIP CLASS</u>	<u>MEMBERS</u>	<u>FY 2004 COVERED PAYROLL (\$ in millions)</u>
State	Regular	22,298	\$ 978.3
Counties	Regular	25,060	724.3
Cities	Regular	23,307	607.3
Schools	Regular	84,906	2,407.0
Other	Regular	8,901	281.7
Total		<u>164,472</u>	<u>\$ 4,998.6</u>
State	Airport Firefighters	57	\$ 2.5
Counties/ Cities	Sheriffs/Sheriffs' Deputies	1,555	\$ 70.9

4. The number of members in each class will remain constant.
5. Regular IPERS members currently contribute 3.70% of covered wage and employers contribute 5.75%.
6. Sheriffs and sheriffs' deputies and airport firefighters members would contribute 5.10% of covered wage and employers would contribute 7.66% in FY 2005, without the changes in this Bill.
7. Protection Occupation members would contribute 6.16% of covered wage and employers would contribute 9.23% in FY 2005, without the changes in this Bill.
8. The retirement rate for employees ages 50 through 54 is 30.0% for sheriffs and sheriffs' deputies.
9. The employer contribution for sheriffs and sheriffs' deputies will increase by 0.755% (a decrease of 1.280% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 8.415%.
10. The employee contributions for sheriffs and sheriffs' deputies will increase by 3.315% (an increase of 1.280% due to the change in the contribution percentages and an increase of 2.035% due to the benefit enhancement) to 8.415%.

Fiscal Impact

Regular IPERS employers' contribution will increase from 5.75% to 6.35% of covered wage beginning in FY 2006. The increase required by employer contributions is as follows:

- State - \$6.3 million.
- Counties - \$4.7 million.
- Cities - \$3.9 million.
- Schools - \$15.6 million.
- Other employers including townships, multi-unit employers, and utilities - \$1.8 million.
- Total employer increase - \$32.3 million.

Regular IPERS employees' contributions will increase from 3.70% to 4.10% of covered wage beginning in FY 2006. The total required increase for all employees, classified by their employer group, is as follows:

- State - an increase of \$4.2 million beginning in FY 2006. The average annual contribution by each employee will increase by \$190 beginning in FY 2006.
- Counties - an increase of \$3.1 million beginning in FY 2006. The average annual contribution by each employee will increase by \$125 beginning in FY 2006.
- Cities - an increase of \$2.6 million beginning in FY 2006. The average annual contribution by each employee will increase by \$113 beginning in FY 2006.

- Schools - an increase of \$10.4 million beginning in FY 2006. The average annual contribution by each employee will increase by \$123 beginning in FY 2006.
- Other employers including townships, multi-unit employers, and utilities - an increase of \$1.2 million beginning in FY 2006. The average annual contribution by each employee will increase by \$137 beginning in FY 2006.
- Total employee increase - an increase of \$21.5 million beginning in FY 2006. The average annual contribution by each employee will increase by \$131 beginning in FY 2006.

Placing the airport firefighters in the Protection Occupation class will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 15.39% of covered wage beginning in FY 2005. The employer will pay 9.23%, an increase of 1.57% or a total State increase of \$41,000 for all airport firefighters. The employees will pay 6.16%, an increase of 1.06% or \$28,000 for all airport firefighter employees. The average employee will contribute an estimated additional \$500 beginning in FY 2005.

Revised

Changing the retirement age for sheriffs and sheriffs' deputies and the distribution of the contributions between employers and employees will result in the following contribution changes: The combined employer and employee rate will increase from 12.76% to 16.83% of covered wage beginning in FY 2005. The employer will pay 8.415%, an increase of 0.755% or \$557,000, and the employees will pay 8.415%, an increase of 3.315% or \$2.4 million. The average employee will contribute an estimated additional \$1,600 beginning in FY 2005. The employers will contribute an average of \$360 annually for each employee beginning in FY 2005.

The fiscal impact of the change for licensed health care professional on employers and employees cannot be determined without knowing, the size of the group, their covered payroll, and which employees would take advantage of the program. A study of this group is requested in this Bill.

As of December 31, 2003, the Favorable Experience Dividend Reserve Account has earned approximately \$35.0 million above the System's actuarial interest rate assumption of 7.5%. If the interest earned by the system does not change by the end of the current fiscal year, the Regular IPERS Trust Account will retain the \$35.0 million that would otherwise have been transferred to the Favorable Experience Dividend Reserve Account. The Regular IPERS Trust Account will retain more if the interest earned increases and less if the interest earned decreases. Any additional interest retained by the Regular IPERS Trust Account will go towards paying down the Systems estimated \$1.9 billion unfunded actuarial liability.

Revised

The cost of the three studies including outside consultants is as follows:

- Pension Flexibility Study will cost \$8,000 in FY 2004, \$238,000 in FY 2005, and \$26,000 in FY 2006. The total cost of the study is an estimated \$271,000.
- Protection Occupation Membership Study will cost \$8,000 in FY 2005.
- Licensed Health Care Professionals - Bona Fide Retirement Report will cost \$16,000 in FY 2004, \$5,000 in FY 2005, and \$4,000 in FY 2006. The total cost of the study is an estimated \$25,000.

JUDICIAL RETIREMENT SYSTEM

The Bill makes two changes to the Judicial Retirement System.

The Bill reduces the vesting requirement from six years to four years. When a judge becomes vested, the judge is eligible to obtain a retirement annuity rather than the return of the judge's contribution.

The Bill also reduces the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years.

Assumptions

1. Most judges serve at least six years before retirement.
2. Covered payroll for the Judicial Retirement System is \$21.0 million annually.
3. Changing the eligibility for unreduced retirement benefits would increase the actuarially determined contribution rate for the State by 2.52% annually.

Fiscal Impact

The reduction in the number of years to vest from six years to four years will not have a significant fiscal impact on the System.

Changing the eligibility for unreduced retirement benefits from the current provision of age 65 or 25 years of service to age 65 or 20 years of service would increase the actuarially determined contribution rate for the State by 2.52% or \$529,000 annually.

Sources

Iowa Public Employees' Retirement System (IPERS)
Milliman USA Consultants and Actuaries
Iowa Judicial Retirement System

Dennis C Prouty

March 29, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Chair: Drake
Connors
Elgin
Jones
Lykam

SUC
S- 2532

HSB 686
STATE GOVERNMENT

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON ELGIN)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to public retirement systems and providing
2 effective and applicability dates.

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

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1 DIVISION I
2 PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,
3 ACCIDENT, AND DISABILITY SYSTEM
4 Section 1. Section 97A.4, Code 2003, is amended by adding
5 the following new unnumbered paragraph:
6 NEW UNNUMBERED PARAGRAPH. Upon application by the member,
7 the board of trustees shall credit as service for a member of
8 the system a previous period of service as a member of a city
9 fire retirement system and police retirement system operating
10 under chapter 411 prior to January 1, 1992, for which service
11 was not eligible to be transferred to this system pursuant to
12 section 97A.17.

13 DIVISION II
14 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)
15 Sec. 2. Section 97B.1A, Code Supplement 2003, is amended
16 by adding the following new subsections:
17 NEW SUBSECTION. 10A. "Final average salary" means the
18 greater of the following:
19 a. A member's three-year average covered wage calculated
20 as of June 30, 2004, if applicable.
21 b. A member's five-year average covered wage.
22 NEW SUBSECTION. 11A. a. "Five-year average covered wage"
23 means, for a member who retires prior to July 1, 2008, a
24 member's covered wages averaged for the highest five years of
25 the member's service, except as otherwise provided in this
26 subsection. The highest five years of a member's covered
27 wages shall be determined using calendar years. However, if a
28 member's final quarter of a year of employment does not occur
29 at the end of a calendar year, the system may determine the
30 wages for the fifth year by computing the average quarter of
31 all quarters from the member's highest calendar year of
32 covered wages not being used in the selection of the four
33 highest years and using the computed average quarter for each
34 quarter in the fifth year in which no wages have been reported
35 in combination with the final quarter or quarters of the

1 member's service to create a full year. However, the system
2 shall not use the member's final quarter of wages if using
3 that quarter would reduce the member's five-year average
4 covered wage. Notwithstanding any other provision of this
5 paragraph to the contrary, a member's wages for the fifth year
6 as computed by this paragraph shall not exceed, by more than
7 three percent, the member's highest actual calendar year of
8 covered wages.

9 b. "Five-year average covered wage" means, for a member
10 who retires on or after July 1, 2008, the greater of the
11 member's covered wages averaged for a member's highest twenty
12 consecutive quarters of service or the member's covered wages
13 averaged for a member's highest five calendar years of
14 service. The system shall adopt rules to implement this
15 paragraph in accordance with the requirements of this chapter
16 and the federal Internal Revenue Code.

17 Sec. 3. Section 97B.1A, subsection 22, Code Supplement
18 2003, is amended to read as follows:

19 22. "Special service" means service for an employer while
20 employed in a protection occupation as provided in section
21 97B.49B, and as a county sheriff, or deputy sheriff, ~~or~~
22 ~~airport-fire-fighter~~ as provided in section 97B.49C.

23 Sec. 4. Section 97B.11, Code Supplement 2003, is amended
24 to read as follows:

25 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

26 1. Each employer shall deduct from the wages of each
27 member of the retirement system a contribution in the amount
28 of ~~three-and-seven-tenths-percent~~ the applicable employee
29 percentage of the covered wages paid by the employer, until
30 the member's termination from employment. The contributions
31 of the employer shall be in the amount of ~~five-and-seventy-~~
32 ~~five-hundredths-percent~~ the applicable employer percentage of
33 the covered wages of the member.

34 2. For purposes of this section, the "applicable employee
35 percentage" is as follows:

- 1 a. Prior to July 1, 2004, three and seven-tenths percent.
- 2 b. Beginning on or after July 1, 2004, but before July 1,
- 3 2005, four and two-tenths percent.
- 4 c. Beginning on or after July 1, 2005, but before July 1,
- 5 2006, four and seven-tenths percent.
- 6 d. Beginning on or after July 1, 2006, but before July 1,
- 7 2007, five and two-tenths percent.
- 8 e. Beginning on or after July 1, 2007, but before July 1,
- 9 2008, five and seven-tenths percent.
- 10 f. Beginning on or after July 1, 2008, but before July 1,
- 11 2009, six and two-tenths percent.
- 12 g. Beginning on or after July 1, 2009, but before July 1,
- 13 2010, six and seven-tenths percent.
- 14 h. Beginning on or after July 1, 2010, fifty percent of
- 15 the total required percentage.
- 16 3. For purposes of this section, the "applicable employer
- 17 percentage" is as follows:
- 18 a. Prior to July 1, 2008, five and seventy-five hundredths
- 19 percent.
- 20 b. Beginning on or after July 1, 2008, but before July 1,
- 21 2009, six and two-tenths percent.
- 22 c. Beginning on or after July 1, 2009, but before July 1,
- 23 2010, six and seven-tenths percent.
- 24 d. Beginning on or after July 1, 2010, fifty percent of
- 25 the total required percentage.
- 26 4. For purposes of this section, the "total required
- 27 percentage" means the total of the applicable employee
- 28 percentage and the applicable employer percentage for the
- 29 prior fiscal year unless any of the following applies:
- 30 a. If the system determines, based upon the most recent
- 31 actuarial valuation of the retirement system, that the total
- 32 required percentage for the prior fiscal year is insufficient
- 33 to amortize the unfunded actuarial liability of the retirement
- 34 system within thirty years, the total required percentage for
- 35 the next fiscal year shall be the lesser, as determined by the

1 system's actuary, of the percentage rate needed to amortize
2 the unfunded actuarial liability of the retirement system in
3 thirty years or a percentage rate equal to one percentage
4 point over the total required percentage for the prior fiscal
5 year.

6 b. If the system determines, based upon the most recent
7 actuarial valuation of the retirement system, that the total
8 required percentage for the prior fiscal year is sufficient to
9 amortize the unfunded actuarial liability of the retirement
10 system within ten years or less, the total required percentage
11 for the next fiscal year shall be the greater, as determined
12 by the system, of the following:

13 (1) One percentage point less than the total required
14 percentage for the prior fiscal year.

15 (2) The percentage rate equal to the normal cost rate to
16 pay benefits provided under this chapter plus that percentage
17 necessary, but in no event less than seventy-five hundredths
18 of one percent, to amortize any unfunded actuarial liability
19 of the retirement system within ten years.

20 The calculation of the total required percentage as
21 provided by this subsection shall be done by the system based
22 upon the most recent actuarial valuation of the retirement
23 system by the system's actuary.

24 Sec. 5. Section 97B.42, Code Supplement 2003, is amended
25 by adding the following new unnumbered paragraphs:

26 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other
27 provision of this section, commencing July 1, 2005, a member
28 who is employed by a school district or area education agency
29 as an elementary or secondary school teacher may elect
30 coverage under the eligible alternative retirement benefits
31 system as provided in section 294.17, in lieu of continuing or
32 commencing contributions to the Iowa public employees'
33 retirement system. However, the employer's and employee's
34 annual contribution in dollars to the eligible alternative
35 retirement benefits system shall equal, but not exceed, the

1 annual contribution in dollars which the employer and employee
2 would contribute if the employee had elected to remain an
3 active member under this chapter, as set forth in section
4 97B.11. A member who elects coverage under the eligible
5 alternative retirement benefits system as provided by this
6 paragraph may withdraw the member's accumulated contributions
7 effective when coverage under the eligible alternative
8 retirement benefits system commences. A member who is
9 employed by a school district or area education agency as an
10 elementary or secondary school teacher prior to July 1, 2005,
11 must file an election for coverage under the eligible
12 alternative retirement benefits system described in section
13 294.17, with the system and the employing school district or
14 area education agency within eighteen months of the first day
15 on which coverage commences under the eligible alternative
16 retirement benefits system described in section 294.17, or the
17 employee shall remain a member under this chapter and shall
18 not be eligible to elect to participate in the eligible
19 alternative retirement benefits system at a later date. A
20 person hired on or after July 1, 2005, by a school district or
21 area education agency as an elementary or secondary school
22 teacher must file an election for coverage under the eligible
23 alternative retirement benefits system with the system and the
24 employing school district or area education agency within
25 sixty days of commencing employment, or the employee shall
26 remain a member under this chapter and shall not be eligible
27 to elect to participate in the eligible alternative retirement
28 benefits system at a later date. The system shall cooperate
29 with the state board of education and with applicable school
30 districts and area education agencies to facilitate the
31 implementation of this provision.

32 NEW UNNUMBERED PARAGRAPH. Notwithstanding any other
33 provision of this section, commencing July 1, 2005, a member
34 who is employed by a public hospital as defined in section
35 249I.3 may elect coverage under the eligible alternative

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1 retirement benefits system as provided in section 347.14 or
2 392.6, in lieu of continuing or commencing contributions to
3 the Iowa public employees' retirement system. However, the
4 employer's and employee's annual contribution in dollars to
5 the eligible alternative retirement benefits system shall
6 equal, but not exceed, the annual contribution in dollars
7 which the employer and employee would contribute if the
8 employee had elected to remain an active member under this
9 chapter, as set forth in section 97B.11. A member who elects
10 coverage under the eligible alternative retirement benefits
11 system as provided by this paragraph may withdraw the member's
12 accumulated contributions effective when coverage under the
13 eligible alternative retirement benefits system commences. A
14 member who is employed by a public hospital prior to July 1,
15 2005, must file an election for coverage under the eligible
16 alternative retirement benefits system described in section
17 347.14 or 392.6, with the system and the employing public
18 hospital within eighteen months of the first day on which
19 coverage commences under the eligible alternative retirement
20 benefits system described in section 347.14 or 392.6, or the
21 employee shall remain a member under this chapter and shall
22 not be eligible to elect to participate in the eligible
23 alternative retirement benefits system at a later date. A
24 person hired on or after July 1, 2005, by a public hospital
25 must file an election for coverage under the eligible
26 alternative retirement benefits system with the system and the
27 employing public hospital within sixty days of commencing
28 employment, or the employee shall remain a member under this
29 chapter and shall not be eligible to elect to participate in
30 the eligible alternative retirement benefits system at a later
31 date. In addition, an election by a member to participate in
32 an alternative retirement benefits system as provided by this
33 paragraph shall be irrevocable and the member shall not be
34 eligible to elect coverage under this chapter while employed
35 by a public hospital in this state that has made an

1 alternative retirement benefits system available. The system
2 shall cooperate with boards of trustees of public hospitals
3 authorized to offer an eligible alternative retirement
4 benefits system to facilitate the implementation of this
5 provision.

6 Sec. 6. Section 97B.42A, Code Supplement 2003, is amended
7 by adding the following new subsection:

8 NEW SUBSECTION. 6. A person who is employed in a position
9 as an employee as defined in section 97B.1A, subsection 8,
10 paragraph "a", subparagraph (7), on July 1, 2004, and who has
11 elected out of coverage under this chapter prior to that date,
12 shall not become a member under the retirement system on July
13 1, 2004, unless, on or before August 31, 2004, the person
14 files an application with appropriate documentation to elect
15 coverage under this chapter. If a person elects coverage
16 under this chapter, the period of time from July 1, 2004,
17 until the date the person's election of coverage is effective
18 shall not constitute service for purposes of coverage under
19 this chapter. A decision to elect coverage under this chapter
20 under this subsection is irrevocable upon approval from the
21 system.

22 A person who becomes a member of the Iowa public employees'
23 retirement system pursuant to this subsection, and who has one
24 or more years of covered wages, may purchase credit, pursuant
25 to section 97B.80C, for one or more quarters of service prior
26 to July 1, 2004, in which the person was employed in a
27 position as described by section 97B.1A, subsection 8,
28 paragraph "a", subparagraph (7), but was not a member of the
29 retirement system.

30 Sec. 7. Section 97B.49A, subsection 3, Code Supplement
31 2003, is amended to read as follows:

32 3. CALCULATION OF MONTHLY ALLOWANCE. For each active or
33 inactive vested member retiring on or after July 1, 1994, with
34 four or more complete years of service, a monthly benefit
35 shall be computed which is equal to one-twelfth of an amount

1 equal to the applicable percentage of the ~~three-year-average~~
2 ~~covered-wage~~ member's final average salary multiplied by a
3 fraction of years of service. However, if benefits under this
4 section commence on an early retirement date, the amount of
5 the benefit shall be reduced in accordance with section
6 97B.50.

7 Sec. 8. Section 97B.49B, subsection 1, paragraph c, Code
8 Supplement 2003, is amended to read as follows:

9 c. "Eligible service" means membership and prior service
10 in a protection occupation. In addition, for a member with
11 membership and prior service in a protection occupation
12 described in paragraph "e", subparagraph (2), eligible service
13 includes membership and prior service as a sheriff, or deputy
14 sheriff, ~~or airport fire fighter~~ as defined in section
15 97B.49C.

16 Sec. 9. Section 97B.49B, subsection 1, paragraph e, Code
17 Supplement 2003, is amended by adding the following new
18 subparagraphs:

19 NEW SUBPARAGRAPH. (8) An airport fire fighter employed by
20 the military division of the department of public defense.

21 NEW SUBPARAGRAPH. (9) An employee covered by the merit
22 system as provided in chapter 8A, subchapter IV, whose primary
23 duty is providing security at Iowa national guard
24 installations and facilities and who carries or is licensed to
25 carry a firearm while performing those duties.

26 NEW SUBPARAGRAPH. (10) A jailer or detention officer who
27 performs duties as a jailer, including but not limited to the
28 transportation of inmates, is certified as having completed
29 jailer training pursuant to chapter 80B, and is employed by a
30 county as a jailer.

31 Sec. 10. Section 97B.49B, subsection 2, Code Supplement
32 2003, is amended to read as follows:

33 2. CALCULATION OF MONTHLY ALLOWANCE. Notwithstanding
34 other provisions of this chapter, a member who is or has been
35 employed in a protection occupation who retires on or after

1 July 1, 1994, and at the time of retirement is at least fifty-
2 five years of age may elect to receive, in lieu of the receipt
3 of any benefits as calculated pursuant to section 97B.49A or
4 97B.49D, a monthly retirement allowance equal to one-twelfth
5 of an amount equal to the applicable percentage of the three-
6 year-average-covered-wage member's final average salary as a
7 member who has been employed in a protection occupation
8 multiplied by a fraction of years of service, with benefits
9 payable during the member's lifetime.

10 Sec. 11. Section 97B.49B, subsection 3, paragraph b, Code
11 Supplement 2003, is amended by adding the following new
12 subparagraph:

13 NEW SUBPARAGRAPH. (7) For the fiscal year commencing July
14 1, 2004, and each succeeding fiscal year, there is
15 appropriated from the general fund of the state to the system,
16 from funds not otherwise appropriated, an amount necessary to
17 pay the employer share of the cost of the additional benefits
18 provided to airport fire fighters under this section.

19 Sec. 12. Section 97B.49B, subsection 4, Code Supplement
20 2003, is amended to read as follows:

21 4. Notwithstanding any provision of this chapter to the
22 contrary, the three-year-average-covered-wage final average
23 salary for a member retiring under this section whose years of
24 eligible service equals or exceeds twenty-two years of
25 eligible service for that member shall be determined by
26 calculating the member's eligible combined wage for each year
27 of eligible service. For purposes of this subsection,
28 "eligible combined wage" means the wages earned by the member
29 for each quarter year period from eligible service and from
30 covered employment that is not eligible service if at least
31 seventy-five percent of the wages earned was from eligible
32 service.

33 Sec. 13. Section 97B.49C, subsection 1, paragraph a, Code
34 Supplement 2003, is amended by striking the paragraph.

35 Sec. 14. Section 97B.49C, subsection 1, paragraph d, Code

1 Supplement 2003, is amended to read as follows:

2 d. "Eligible service" means membership and prior service
3 as ~~an-airport-fire-fighter~~, a sheriff, and deputy sheriff
4 under this section. In addition, eligible service includes
5 membership and prior service as a marshal in a city not
6 covered under chapter 400 or a fire fighter or police officer
7 of a city not participating in the retirement systems
8 established in chapter 410 or 411, and as an airport fire
9 fighter prior to July 1, 1994.

10 Sec. 15. Section 97B.49C, subsection 2, Code Supplement
11 2003, is amended to read as follows:

12 2. CALCULATION OF MONTHLY ALLOWANCE.

13 a. Notwithstanding other provisions of this chapter, a
14 member who retires from employment as a sheriff, deputy
15 sheriff, or airport fire fighter on or after July 1, 1994, and
16 before July 1, 2004, and at the time of retirement is at least
17 fifty-five years of age may elect to receive, in lieu of the
18 receipt of any benefits as calculated pursuant to section
19 97B.49A or 97B.49D, a monthly retirement allowance equal to
20 one-twelfth of an amount equal to the applicable percentage of
21 the three-year average covered wage as a member who has been
22 employed in eligible service multiplied by a fraction of years
23 of service, with benefits payable during the member's
24 lifetime.

25 b. Notwithstanding other provisions of this chapter, a
26 member who retires from employment as a sheriff or deputy
27 sheriff on or after July 1, 2004, and at the time of
28 retirement is at least fifty years of age may elect to
29 receive, in lieu of the receipt of any benefits as calculated
30 pursuant to section 97B.49A or 97B.49D, a monthly retirement
31 allowance equal to one-twelfth of an amount equal to the
32 applicable percentage of the member's final average salary as
33 a member who has been employed in eligible service multiplied
34 by a fraction of years of service, with benefits payable
35 during the member's lifetime.

1 Sec. 16. Section 97B.49C, subsection 3, paragraph a, Code
2 Supplement 2003, is amended to read as follows:

3 a. Annually, the system shall actuarially determine the
4 cost of the additional benefits provided for members covered
5 under this section as a percentage of the covered wages of the
6 employees covered by this section. Sixty Fifty percent of the
7 cost shall be paid by the employers of employees covered under
8 this section and forty fifty percent of the cost shall be paid
9 by the employees. The employer and employee contributions
10 required under this paragraph are in addition to the
11 contributions paid under sections 97B.11 and 97B.11A.

12 ~~However, the cost of including service as an airport fire~~
13 ~~fighter prior to July 1, 1994, as eligible service under this~~
14 ~~section shall not affect the contribution rates calculated and~~
15 ~~paid by the member or the employer under this section.~~

16 Sec. 17. Section 97B.49C, subsection 3, paragraph b, Code
17 Supplement 2003, is amended to read as follows:

18 b. ~~{1}~~ Annually, during each fiscal year commencing with
19 the fiscal year beginning July 1, 1988, each county shall pay
20 to the system the amount necessary to pay the employer share
21 of the cost of the additional benefits provided to sheriffs
22 and deputy sheriffs.

23 ~~{2}--For the fiscal year commencing July 1, 1994, and each~~
24 ~~succeeding fiscal year, there is appropriated from the general~~
25 ~~fund of the state to the system, from funds not otherwise~~
26 ~~appropriated, an amount necessary to pay the employer share of~~
27 ~~the cost of the additional benefits provided to airport fire~~
28 ~~fighters under this section.~~

29 Sec. 18. Section 97B.49C, subsection 4, Code Supplement
30 2003, is amended to read as follows:

31 4. Notwithstanding any provision of this chapter to the
32 contrary, the three-year-average-covered-wage final average
33 salary for a member retiring under this section whose years of
34 eligible service equals or exceeds twenty-two years of
35 eligible service for that member shall be determined by

1 calculating the member's eligible combined wage for each
2 quarter year of eligible service. For purposes of this
3 subsection, "eligible combined wage" means the wages earned by
4 the member for each quarter year period from eligible service
5 and from covered employment that is not eligible service if at
6 least seventy-five percent of the wages earned was from
7 eligible service.

8 Sec. 19. Section 97B.49D, subsection 1, paragraphs a, b,
9 and c, Code Supplement 2003, are amended to read as follows:

10 a. One-twelfth of an amount equal to the applicable
11 percentage of the member's ~~three-year-average-covered-wage~~
12 final average salary multiplied by a fraction of years of
13 service. The fraction of years of service for purposes of
14 this paragraph shall be the actual years of service, not to
15 exceed thirty, for which regular service contributions were
16 made, divided by thirty. However, any otherwise applicable
17 age reduction for early retirement shall apply to the
18 calculation under this paragraph.

19 b. One-twelfth of an amount equal to the applicable
20 percentage of the member's ~~three-year-average-covered-wage~~
21 final average salary multiplied by a fraction of years of
22 service. The fraction of years of service for purposes of
23 this paragraph shall be the actual years of service, not to
24 exceed the applicable years of service for the member as
25 defined in section 97B.49B, earned in a position described in
26 section 97B.49B, for which special service contributions were
27 made, divided by the applicable years of service for the
28 member as defined in section 97B.49B. In calculating the
29 fractions of years of service under the paragraph, a member
30 shall not receive special service credit for years of service
31 for which the member and the member's employer did not make
32 the required special service contributions to the system.

33 c. One-twelfth of an amount equal to the applicable
34 percentage of the member's ~~three-year-average-covered-wage~~
35 final average salary multiplied by a fraction of years of

1 service. The fraction of years of service for purposes of
2 this paragraph shall be the actual years of service, not to
3 exceed twenty-two, earned in a position described in section
4 97B.49C, for which special service contributions were made,
5 divided by twenty-two. In calculating the fractions of years
6 of service under this paragraph, a member shall not receive
7 special service credit for years of service for which the
8 member and the member's employer did not make the required
9 special service contributions to the system.

10 Sec. 20. Section 97B.50, subsection 1, Code Supplement
11 2003, is amended to read as follows:

12 1. Except as otherwise provided in this section, a vested
13 member who is at least fifty-five years of age, upon
14 retirement prior to the normal retirement date for that
15 member, is entitled to receive a monthly retirement allowance
16 determined in the same manner as provided for normal
17 retirement in sections 97B.49A, 97B.49E, and 97B.49G, reduced
18 as-follows by the lesser of the following:

19 a. ~~For-a-member-who-is-less-than-sixty-two-years-of-age,~~
20 ~~by-twenty-five~~ Twenty-five hundredths of one percent per month
21 for each month that ~~the-early-retirement-date~~ July 2004
22 precedes the member's normal retirement date.

23 b. ~~For-a-member-who-is-at-least-sixty-two-years-of-age-and~~
24 ~~who-has-not-completed-twenty-years-of-membership-service-and~~
25 ~~prior-service,-by-twenty-five-hundredths-of-one-percent-per~~
26 ~~month~~ The actuarial cost to the system for each month that the
27 member's early retirement date precedes the member's normal
28 retirement date.

29 Sec. 21. Section 97B.50A, subsection 1, paragraph c, Code
30 Supplement 2003, is amended to read as follows:

31 c. "Reemployment comparison amount" means an amount equal
32 to the current covered wages of an active special service
33 member at the same position on the salary scale within the
34 rank or position the member held at the time the member
35 received a disability retirement allowance pursuant to this

1 section. If the rank or position held by the member at the
2 time of retirement pursuant to this section is abolished, the
3 amount shall be computed by the system as though the rank or
4 position had not been abolished and salary increases had been
5 granted on the same basis as granted to other ranks or
6 positions by the former employer of the member. The
7 reemployment comparison amount shall not be less than the
8 ~~three-year-average-covered-wage~~ final average salary of the
9 member, based on all regular and special service covered under
10 this chapter.

11 Sec. 22. Section 97B.50A, subsection 2, paragraph c, Code
12 Supplement 2003, is amended to read as follows:

13 c. Disease under this subsection ~~shall-mean~~ means heart
14 disease or any disease of the lungs or respiratory tract and
15 ~~shall-be-presumed-to-have-been.~~ A rebuttable presumption
16 arises that the disease was contracted while on active duty as
17 a result of strain, exposure, or the inhalation of noxious
18 fumes, poison, or gases. However, if a person's special
19 service membership in the retirement system first commenced on
20 or after July 1, 2000, and the heart disease or disease of the
21 lungs or respiratory tract would not exist, but for a medical
22 condition that was known to exist on the date that special
23 service membership commenced, the presumption established in
24 this paragraph shall not apply.

25 Sec. 23. Section 97B.50A, subsection 2, paragraph d, Code
26 Supplement 2003, is amended to read as follows:

27 d. Upon retirement for an in-service disability as
28 provided by this subsection, a member shall have the option to
29 receive a monthly in-service disability retirement allowance
30 calculated under this subsection or a monthly retirement
31 allowance as provided in section 97B.49A, 97B.49B, 97B.49C,
32 97B.49D, or 97B.49G, as applicable, that the member would
33 receive if the member had attained fifty-five years of age.
34 The monthly in-service disability allowance calculated under
35 this subsection shall consist of an allowance equal to one-

1 twelfth of sixty percent of the member's ~~three-year-average~~
2 ~~covered-wage~~ final average salary or its actuarial equivalent
3 as provided under section 97B.51.

4 Sec. 24. Section 97B.50A, subsection 3, paragraph c, Code
5 Supplement 2003, is amended to read as follows:

6 c. Upon retirement for an ordinary disability as provided
7 by this subsection, a member shall receive the greater of a
8 monthly ordinary disability retirement allowance calculated
9 under this subsection or a monthly retirement allowance as
10 provided in section 97B.49A, 97B.49B, 97B.49C, 97B.49D, or
11 97B.49G, as applicable. The monthly ordinary disability
12 allowance calculated under this subsection shall consist of an
13 allowance equal to one-twelfth of fifty percent of the
14 member's ~~three-year-average-covered-wage~~ final average salary
15 or its actuarial equivalent as provided under section 97B.51.

16 Sec. 25. Section 97B.52, subsection 1, paragraph a,
17 subparagraph (3), Code Supplement 2003, is amended to read as
18 follows:

19 (3) For service as a sheriff, or ~~or~~ deputy sheriff, ~~or~~
20 ~~airport-fire-fighter~~, as provided in section 97B.49C, the
21 applicable denominator is twenty-two.

22 Sec. 26. Section 97B.52A, subsection 1, paragraph c, Code
23 Supplement 2003, is amended to read as follows:

24 c. For a member whose first month of entitlement is July
25 2000 or later, the member does not return to any employment
26 with a covered employer until the member has qualified for at
27 least one calendar month of retirement benefits, and the
28 member does not return to covered employment until the member
29 has qualified for no fewer than four calendar months of
30 retirement benefits. For purposes of this paragraph,
31 effective July 1, 2000, any employment with a covered employer
32 does not include employment as an elective official or member
33 of the general assembly if the member is not covered under
34 this chapter for that employment. For purposes of this
35 paragraph, covered employment does not include employment by a

1 public hospital as defined in section 249I.3.

2 Sec. 27. Section 256.7, Code Supplement 2003, is amended
3 by adding the following new subsection:

4 NEW SUBSECTION. 26. By July 1, 2005, provide for the
5 establishment of an eligible alternative retirement benefits
6 system for elementary and secondary school teachers employed
7 by a school district or area education agency consistent with
8 the requirements of section 294.17.

9 Sec. 28. NEW SECTION. 294.17 ELIGIBLE ALTERNATIVE
10 PENSION AND ANNUITY RETIREMENT SYSTEM.

11 1. The state board of education shall establish an
12 eligible alternative pension and annuity retirement system,
13 hereafter called the "retirement system", effective July 1,
14 2005, for elementary and secondary school teachers employed by
15 a school district or area education agency pursuant to the
16 requirements of this section. The state board of education
17 shall be the plan sponsor of the retirement system and shall
18 file an application for a favorable determination letter for
19 the retirement system with the internal revenue service.

20 2. The state board of education shall select a provider of
21 the retirement system that is a financial institution capable
22 of providing bundled services for the retirement system,
23 including, but not limited to, administration, investment
24 management, employee education, and recordkeeping. In
25 selecting a provider, the state board of education shall place
26 primary emphasis on the reasonableness of services in relation
27 to cost, the ability and experience of the provider in
28 providing bundled retirement services to the educational
29 community, the financial stability of the provider, and the
30 ability of the provider to provide services as required by
31 this section.

32 3. To be an eligible alternative retirement benefits
33 system, the retirement system shall meet the following
34 requirements:

35 a. The retirement system shall be an employer-sponsored

1 defined contribution plan requiring mandatory employer
2 contributions that meet the requirements of section 401(a) of
3 the Internal Revenue Code.

4 b. The employer's and employee's annual contribution in
5 dollars under an eligible alternative retirement benefits
6 system described in this section shall equal, but not exceed,
7 the annual contribution in dollars which the employer and
8 employee would contribute if the employee had elected to
9 remain an active member pursuant to the Iowa public employees'
10 retirement system, as set forth in section 97B.11.

11 Contributions under the retirement system shall be treated in
12 the same manner as contributions under the Iowa public
13 employees' retirement system are treated pursuant to section
14 97B.11A.

15 c. Employer and employee contributions under the
16 retirement system shall be fully vested immediately.

17 d. Upon termination of employment as an elementary or
18 secondary school teacher employed by a school district or area
19 education agency, the teacher shall be eligible to receive a
20 benefit payable in at least any of the following forms:

21 (1) Payment of all or part of the teacher's account
22 balance in the retirement system in a lump sum.

23 (2) Payment based on the teacher's account balance in the
24 retirement system in monthly, quarterly, or annual
25 installments over a fixed reasonable period of time, not
26 exceeding the life expectancy of the teacher and the teacher's
27 beneficiary, if applicable.

28 (3) Payment based on the teacher's account balance in the
29 form of a single life or joint life and survivorship annuity.

30 4. Persons employed by a school district or area education
31 agency as an elementary or secondary school teacher on or
32 after July 1, 2005, may elect coverage under the retirement
33 system established in this section in lieu of coverage under
34 the Iowa public employees' retirement system, pursuant to the
35 requirements of section 97B.42.

1 Sec. 29. Section 347.14, Code 2003, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 17. Provide an eligible alternative
4 retirement benefits system offered through the county hospital
5 pursuant to this subsection which is issued by or through an
6 insurance company authorized to issue annuity contracts in
7 this state for persons employed by the county hospital in lieu
8 of coverage under the Iowa public employees' retirement
9 system. For purposes of this paragraph, "eligible alternative
10 retirement benefits system" means an employer-sponsored
11 primary pension plan requiring mandatory employer
12 contributions that meets the requirements of section 401(a),
13 401(k), 403(a), or 403(b) of the Internal Revenue Code.

14 Sec. 30. Section 392.6, Code Supplement 2003, is amended
15 by adding the following new unnumbered paragraph:

16 NEW UNNUMBERED PARAGRAPH. The board of trustees may
17 provide an eligible alternative retirement benefits system
18 offered through the city hospital pursuant to this paragraph
19 which is issued by or through an insurance company authorized
20 to issue annuity contracts in this state for persons employed
21 by the city hospital in lieu of coverage under the Iowa public
22 employees' retirement system. For purposes of this paragraph,
23 "eligible alternative retirement benefits system" means an
24 employer-sponsored primary pension plan requiring mandatory
25 employer contributions that meets the requirements of section
26 401(a), 401(k), 403(a), or 403(b) of the Internal Revenue
27 Code.

28 Sec. 31. Section 411.6, subsection 7, paragraph c, Code
29 2003, is amended to read as follows:

30 c. Should a disability beneficiary under age fifty-five be
31 employed in a public safety occupation, the disability
32 beneficiary's retirement allowance shall cease.

33 Notwithstanding any provision of this chapter to the contrary,
34 if a disability beneficiary is employed in a public safety
35 occupation that would otherwise constitute membership service,

1 the disability beneficiary shall not become a member of the
2 system. For purposes of this paragraph, "public safety
3 occupation" means a peace officer, as defined in section
4 97A.1; a protection occupation, as defined in section 97B.49B;
5 a sheriff, or deputy sheriff, ~~or airport fire fighter~~, as
6 defined in section 97B.49C; and a police officer or fire
7 fighter as defined in section 411.1, who was not restored to
8 active service as provided by this subsection.

9 Sec. 32. Section 724.6, subsection 2, Code 2003, is
10 amended to read as follows:

11 2. Notwithstanding subsection 1, fire fighters, as defined
12 in section 411.1, subsection 9, airport fire fighters included
13 under section ~~97B.49C~~ 97B.49B, emergency rescue technicians,
14 and emergency medical care providers, as defined in section
15 147A.1, shall not, as a condition of employment, be required
16 to obtain a permit under this section. However, the
17 provisions of this subsection shall not apply to a person
18 designated as an arson investigator by the chief fire officer
19 of a political subdivision.

20 Sec. 33. EFFECTIVE DATE. The section of this Act amending
21 section 97B.52A, being deemed of immediate importance, takes
22 effect upon enactment.

23 DIVISION III

24 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

25 Sec. 34. Section 411.6, subsection 5, paragraph c, Code
26 2003, is amended to read as follows:

27 c. Disease under this section ~~shall-mean~~ means heart
28 disease or any disease of the lungs or respiratory tract ~~and~~
29 ~~shall-be-presumed-to-have-been.~~ A rebuttable presumption
30 arises that the disease was contracted while on active duty as
31 a result of strain or the inhalation of noxious fumes, poison
32 or gases. However, if a person's membership in the system
33 first commenced on or after July 1, 1992, and the heart
34 disease or disease of the lungs or respiratory tract would not
35 exist, but for a medical condition that was known to exist on

1 the date that membership commenced, the presumption
2 established in this paragraph shall not apply.

3 Sec. 35. Section 411.6, subsection 12, paragraph d, Code
4 2003, is amended by striking the subsection.

5 Sec. 36. Section 411.8, subsection 1, paragraph b, Code
6 2003, is amended to read as follows:

7 b. On the basis of the rate of interest and of the
8 mortality, interest and other tables adopted by the system,
9 the actuary engaged by the system to make each valuation
10 required by this chapter, shall immediately after making such
11 valuation, determine the "normal contribution rate". Except
12 as otherwise provided in this lettered paragraph, the normal
13 contribution rate shall be the rate percent of the earnable
14 compensation of all members ~~obtained-by-deducting-from-the~~
15 ~~total-liabilities-of-the-fund-the-amount-of-the-funds-in-hand~~
16 ~~to-the-credit-of-the-fund-and-dividing-the-remainder-by-one~~
17 ~~percent-of-the-present-value-of-the-prospective-future~~
18 ~~compensation-of-all-members~~ that the actuary determines is
19 necessary, pursuant to the entry age normal actuarial cost
20 method, to amortize the unfunded actuarial liabilities of the
21 system within twenty-five years, as computed on the basis of
22 the rate of interest and of mortality and service tables
23 adopted, all reduced by the employee contribution made
24 pursuant to paragraph "f" of this subsection. However, ~~the~~
25 ~~normal-rate-of-contribution-shall-not-be-less-than-seventeen~~
26 ~~percent.~~

27 Beginning July 1, 1996, and each fiscal year thereafter,
28 the normal contribution rate shall be the rate percent of the
29 earnable compensation of all members ~~obtained-by-deducting~~
30 ~~from-the-total-liabilities-of-the-fund-the-amount-of-the-funds~~
31 ~~in-hand-to-the-credit-of-the-fund-and-dividing-the-remainder~~
32 ~~by-one-percent-of-the-present-value-of-the-prospective-future~~
33 ~~compensation-of-all-members~~ that the actuary determines is
34 necessary, pursuant to the entry age normal actuarial cost
35 method, to amortize the unfunded actuarial liabilities of the

1 system within twenty-five years, as computed on the basis of
2 the rate of interest and of mortality and service tables
3 adopted, multiplied by six-tenths, or seventeen percent,
4 whichever is greater.

5 The normal rate of contribution shall be determined by the
6 actuary after each valuation.

7 Sec. 37. Section 411.15, Code 2003, is amended to read as
8 follows:

9 411.15 HOSPITALIZATION AND MEDICAL ATTENTION.

10 Cities shall provide pay, at no cost to members, for the
11 cost of any hospital, nursing, and medical attention for the
12 members of the police and fire departments of the cities, when
13 injured while in the performance of their duties as members of
14 such department, and shall continue to provide hospital,
15 nursing, and medical attention for injuries or diseases
16 incurred while in the performance of their duties for members
17 receiving a retirement allowance under section 411.6,
18 subsection 6. Cities may provide pay for the cost of the
19 hospital, nursing, and medical attention required by this
20 section through the purchase of insurance, by self-insuring
21 the obligation, or through payment of moneys into a local
22 government risk pool established for the purpose of covering
23 the costs associated with the requirements of this section.
24 The cost of providing paying for the hospital, nursing, and
25 medical attention required by this section shall be paid from
26 moneys held in a trust and agency fund established pursuant to
27 ~~section 384.67 or out of the appropriation for the department~~
28 ~~to which the injured person belongs or belonged, provided that~~
29 ~~any amounts received by the injured person under the workers'~~
30 ~~compensation law of the state, or from any other source for~~
31 ~~such specific purposes, shall be deducted from the amount paid~~
32 ~~by the city under the provisions of this section.~~

33 Sec. 38. Section 411.20, unnumbered paragraph 2, Code
34 2003, is amended by striking the unnumbered paragraph.

35 Sec. 39. Section 411.36, subsection 1, paragraph c, Code

1 2003, is amended to read as follows:

2 c. A city treasurer, city financial officer, or city clerk
3 involved with the financial matters of the city from four
4 participating cities, one of whom is from a city having a
5 population of less than forty thirty thousand, and three of
6 whom are from cities having a population of forty thirty
7 thousand or more. The members authorized pursuant to this
8 paragraph shall be appointed by the governing body of the Iowa
9 league of cities.

10 Sec. 40. Section 411.38, subsection 1, paragraph b,
11 unnumbered paragraph 1, Code 2003, is amended to read as
12 follows:

13 Transfer from each terminated city fire or police
14 retirement system to the statewide system amounts sufficient
15 to cover the accrued liabilities of that terminated system as
16 determined by the actuary of the statewide system. The
17 actuary of the statewide system shall redetermine the accrued
18 liabilities of the terminated systems as necessary to take
19 into account additional amounts payable by the city which are
20 attributable to errors or omissions which occurred prior to
21 January 1, 1992, or to matters pending as of January 1, 1992.
22 If the actuary of the statewide system determines that the
23 assets transferred by a terminated system are insufficient to
24 fully fund the accrued liabilities of the terminated system as
25 determined by the actuary as of January 1, 1992, the
26 participating city shall pay to the statewide system an amount
27 equal to the unfunded liability plus interest for the period
28 beginning January 1, 1992, and ending with the date of payment
29 or the date of entry into an amortization agreement pursuant
30 to this section. Interest on the unfunded liability shall be
31 computed at a rate equal to the greater of the actuarial
32 interest rate assumption on investments of the moneys in the
33 fund or the actual investment earnings of the fund for the
34 applicable calendar year. However, for unfunded liabilities
35 discovered by the system on or after January 1, 2003, the

1 participating city shall not be charged interest but shall
2 only pay an amount equal to the unfunded liability. The
3 participating city may enter into an agreement with the
4 statewide system to make additional annual contributions
5 sufficient to amortize the unfunded accrued liability of the
6 terminated system. The terms of an amortization agreement
7 shall be based upon the recommendation of the actuary of the
8 statewide system, and the agreement shall do each of the
9 following:

10 Sec. 41. EFFECTIVE DATE -- APPLICABILITY.

11 1. The sections of this Act amending Code section 411.8,
12 subsection 1, and section 411.20, being deemed of immediate
13 importance, take effect upon enactment and shall be applicable
14 to contributions required to be made to the system on or after
15 July 1, 2004.

16 2. The section of this Act amending Code section 411.38,
17 subsection 1, being deemed of immediate importance, takes
18 effect upon enactment and is retroactively applicable to
19 January 1, 2003, and is applicable on and after that date.

20 DIVISION IV

21 JUDICIAL RETIREMENT SYSTEM

22 Sec. 42. Section 602.9104, Code Supplement 2003, is
23 amended to read as follows:

24 602.9104 DEDUCTIONS FROM JUDGES' SALARIES -- CONTRIBUTIONS
25 BY STATE.

26 1. a. A judge to whom this article applies shall be paid
27 an amount equal to ~~ninety-five-percent-of~~ the basic salary of
28 the judge as set by the general assembly. ~~--An~~ minus an amount
29 ~~equal-to-five-percent-of-the-basic-salary-of-the-judge-as-set~~
30 ~~by-the-general-assembly-is~~ designated as the judge's required
31 contribution to the judicial retirement fund, ~~and.~~ The amount
32 designated as the judge's required contribution shall be paid
33 by the state in the manner provided in subsection 2.

34 b. The state shall contribute annually to the judicial
35 retirement fund an amount equal to the state's required

1 contribution for all judges covered under this article. The
2 state's required contribution shall be appropriated directly
3 to the judicial retirement fund.

4 2. The amount designated ~~in-subsection-1~~ as the judge's
5 required contribution to the judicial retirement fund shall be
6 paid by the department of administrative services from the
7 general fund of the state to the court administrator for
8 deposit with the treasurer of state to the credit of the
9 judicial retirement fund. Moneys in the fund are appropriated
10 for the payment of annuities, refunds, and allowances provided
11 by this article, except that the amount of the appropriations
12 affecting payment of annuities, refunds, and allowances to
13 judges of the municipal and superior court is limited to that
14 part of the fund accumulated for their benefit as provided in
15 this article. The corpus and income of the fund shall be used
16 only for the exclusive benefit of the judges covered under
17 this article, their survivors, or an alternate payee who is
18 assigned benefits pursuant to a domestic relations order.

19 3. A judge covered under this article is deemed to consent
20 to the reduction in basic salary as provided in subsection 1.

21 4. ~~a-~~ As used in this ~~subsection~~ section, unless the
22 context otherwise requires:

23 ~~(1)~~ a. "Actuarial valuation" means an actuarial valuation
24 of the judicial retirement system or an annual actuarial
25 update of an actuarial valuation, as required pursuant to
26 section 602.9116.

27 ~~(2)~~ b. "Fully funded status" means that the most recent
28 actuarial valuation reflects that, using the projected unit
29 credit method in accordance with generally recognized and
30 accepted actuarial principles and practices set forth by the
31 American academy of actuaries, the funded status of the system
32 is at least one hundred percent.

33 c. "Judge's required contribution" means an amount equal
34 to the basic salary of the judge multiplied by the following
35 applicable percentage:

1 (1) For the fiscal year beginning July 1, 2004, and ending
2 June 30, 2005, five percent.

3 (2) For the fiscal year beginning July 1, 2005, and ending
4 June 30, 2006, seven and two-tenths percent.

5 (3) For the fiscal year beginning July 1, 2006, and ending
6 June 30, 2007, ten percent.

7 (4) For the fiscal year beginning July 1, 2007, and for
8 each subsequent fiscal year until the system attains fully
9 funded status based upon the benefits provided for judges
10 through the judicial retirement system as of July 1, 2001,
11 eleven and one-half percent.

12 (5) Commencing with the first fiscal year in which the
13 system attains fully funded status, based upon the benefits
14 provided for judges through the judicial retirement system as
15 of July 1, 2001, and for each subsequent fiscal year, the
16 percentage rate equal to forty percent of the required
17 contribution rate.

18 (3) d. "Required contribution rate" means that percentage
19 of the basic salary of all judges covered under this article
20 which,--in-addition-to-the-judge's-contribution-established-in
21 subsection-1, the actuary of the system determines is
22 necessary to maintain fully funded status.

23 e. "State's required contribution" means an amount equal
24 to the basic salary of all judges covered under this article
25 multiplied by the following applicable percentage:

26 (1) For the fiscal year beginning July 1, 2004, and ending
27 June 30, 2005, twenty-three and seven-tenths percent.

28 (2) For the fiscal year beginning July 1, 2005, and ending
29 June 30, 2006, twenty-one and one-half percent.

30 (3) For the fiscal year beginning July 1, 2006, and ending
31 June 30, 2007, eighteen and seven-tenths percent.

32 (4) For the fiscal year beginning July 1, 2007, and for
33 each subsequent fiscal year until the system attains fully
34 funded status based upon the benefits provided for judges
35 through the judicial retirement system as of July 1, 2001,

1 seventeen and two-tenths percent.

2 (5) Commencing with the first fiscal year in which the
3 system attains fully funded status, based upon the benefits
4 provided for judges through the judicial retirement system as
5 of July 1, 2001, and for each subsequent fiscal year, the
6 percentage rate equal to sixty percent of the required
7 contribution rate.

8 ~~b.---Effective-with-the-fiscal-year-commencing-July-1,-1994,~~
9 ~~and-for-each-subsequent-fiscal-year-until-the-system-attains~~
10 ~~fully-funded-status,-based-upon-the-benefits-provided-for~~
11 ~~judges-through-the-judicial-retirement-system-as-of-July-1,~~
12 ~~2001,-the-state-shall-contribute-annually-to-the-judicial~~
13 ~~retirement-fund-an-amount-equal-to-at-least-twenty-three-and~~
14 ~~seven-tenths-percent-of-the-basic-salary-of-all-judges-covered~~
15 ~~under-this-article.---Commencing-with-the-first-fiscal-year-in~~
16 ~~which-the-system-attains-fully-funded-status,-based-upon-the~~
17 ~~benefits-provided-for-judges-through-the-judicial-retirement~~
18 ~~system-as-of-July-1,-2001,-and-for-each-subsequent-fiscal~~
19 ~~year,-the-state-shall-contribute-to-the-judicial-retirement~~
20 ~~fund-the-required-contribution-rate.---The-state's-contribution~~
21 ~~shall-be-appropriated-directly-to-the-judicial-retirement~~
22 ~~fund.~~

23 Sec. 43. Section 602.9106, Code 2003, is amended to read
24 as follows:

25 602.9106 RETIREMENT.

26 Any person who shall have become separated from service as
27 a judge of any of the courts included in this article and who
28 has had an aggregate of at least ~~six~~ four years of service as
29 a judge of one or more of such courts and shall have attained
30 the age of sixty-five years or who has had twenty-five years
31 of consecutive service as a judge of one or more of said
32 courts, and who shall have otherwise qualified as provided in
33 this article, shall be entitled to an annuity as hereinafter
34 provided.

35 Sec. 44. Section 602.9107, subsection 1, paragraph a, Code

1 2003, is amended to read as follows:

2 a. (1) The annual annuity of a judge under this system is
3 an amount equal to three and one-half percent of the judge's
4 average annual basic salary for the judge's highest three
5 years as a judge of one or more of the courts included in this
6 article, multiplied by the judge's years of service as a judge
7 of one or more of the courts for which contributions were made
8 to the system. However, an annual annuity shall not exceed an
9 amount equal to a specified percentage of the highest basic
10 annual salary which the judge is receiving or had received as
11 of the time the judge became separated from service.

12 Forfeitures shall not be used to increase the annuities a
13 judge or survivor would otherwise receive under the system.

14 (2) For each judge who retires and receives an annuity on
15 or after July 1, 2004, and who has completed more than twenty
16 years of service, the annual annuity of a judge is an amount
17 equal to seventy percent of the judge's average annual basic
18 salary for the judge's highest three years as a judge of one
19 or more of the courts included in this article, plus an
20 additional one-fourth of one percentage point for each
21 additional calendar quarter of eligible service beyond twenty
22 years of service, not to exceed a total of five additional
23 percentage points.

24 Sec. 45. Section 602.9107, subsection 1, paragraph b,
25 subparagraph (4), Code 2003, is amended to read as follows:

26 (4) For judges who retire and receive an annuity on or
27 after July 1, 2001, but before July 1, 2004, the specified
28 percentage shall be sixty percent.

29 Sec. 46. Section 602.9107, subsection 1, paragraph b, Code
30 2003, is amended by adding the following new subparagraph:

31 NEW SUBPARAGRAPH. (5) For judges who retire and receive
32 an annuity on or after July 1, 2004, the specified percentage
33 shall be seventy percent.

34 Sec. 47. Section 602.9107C, subsection 1, Code 2003, is
35 amended to read as follows:

1 1. A judge under this system who has at least ~~six~~ four
2 years of service as a judge of any of the courts included in
3 this article and who was a member of the Iowa public
4 employees' retirement system as provided in chapter 97B, but
5 who was not retired under that system, upon submitting
6 verification of membership and service in the Iowa public
7 employees' retirement system to the court administrator,
8 including proof that the judge has no further claim upon a
9 retirement benefit from that public system, may make
10 contributions as provided by this section to the system either
11 for the entire period of service in the other public system,
12 or for partial service in the other public system in
13 increments of one or more calendar quarters, and receive
14 credit for that service under the system.

15 Sec. 48. Section 602.9108, Code 2003, is amended to read
16 as follows:

17 602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

18 The amount designated as the judge's required contribution
19 to the judicial retirement fund in section 602.9104,
20 ~~subsection-17~~ and all amounts paid into the fund by a judge
21 shall be credited to the individual account of the judge. If
22 a judge covered under this article becomes separated from
23 service as a judge before the judge completes an aggregate of
24 ~~six~~ four years of service as a judge of one or more of the
25 courts, the total amount in the judge's individual account
26 shall be returned to the judge or the judge's legal
27 representatives within one year of the separation. If a
28 judge, who is covered under this article and who has completed
29 an aggregate of ~~six~~ four years or more of service as a judge
30 of one or more of the courts, dies before retirement, without
31 a survivor, the total amount in the judge's individual account
32 shall be paid in one sum to the judge's legal representatives
33 within one year of the judge's death. If an annuitant under
34 this section dies without a survivor, and without having
35 received in annuities an amount equal to the total amount in

1 the judge's individual account at the time of separation from
2 service, the amount remaining to the annuitant's credit shall
3 be paid in one sum to the annuitant's legal representatives
4 within one year of the annuitant's death.

5 Sec. 49. Section 602.9112, Code 2003, is amended to read
6 as follows:

7 602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

8 Any judge of the supreme, district or municipal court,
9 including a district associate judge, or a judge of the court
10 of appeals, who shall have served as a judge of one or more of
11 such courts for a period of ~~six~~ four years in the aggregate
12 and who believes the judge has become permanently
13 incapacitated, physically or mentally, to perform the duties
14 of the judge's office may personally or by the judge's next
15 friend or guardian file with the court administrator a written
16 application for retirement. The application shall be filed in
17 duplicate and accompanied by an affidavit as to the duration
18 and particulars of the judge's service and the nature of the
19 judge's incapacity. The court administrator shall forthwith
20 transmit one copy of the application and affidavit to the
21 chief justice who shall request the attorney general in
22 writing to cause an investigation to be made relative to the
23 claimed incapacity and report back the results thereof in
24 writing. If the chief justice finds from the report of the
25 attorney general that the applicant is permanently
26 incapacitated, physically or mentally, to perform the duties
27 of the applicant's office the chief justice shall by
28 endorsement thereon declare the applicant retired, and the
29 office vacant, and shall file the report in the office of the
30 court administrator, and a copy in the office of the secretary
31 of state. From the date of such filing the applicant shall be
32 deemed retired from the applicant's office and entitled to the
33 benefits of this article to the same extent as if the
34 applicant had retired under the provisions of section
35 602.9106.

1 Sec. 50. Section 602.9116, subsection 1, Code 2003, is
2 amended to read as follows:

3 1. The court administrator shall cause an actuarial
4 valuation to be made of the assets and liabilities of the
5 judicial retirement fund at least once every four years
6 commencing with the fiscal year beginning July 1, 1981. For
7 each fiscal year in which an actuarial valuation is not
8 conducted, the court administrator shall cause an annual
9 actuarial update to be prepared for the purpose of determining
10 the adequacy of the contribution rates specified in section
11 602.91047-subsection-4. The court administrator shall adopt
12 mortality tables and other necessary factors for use in the
13 actuarial calculations required for the valuation upon the
14 recommendation of the actuary. Following the actuarial
15 valuation or annual actuarial update, the court administrator
16 shall determine the condition of the system and shall report
17 its findings and recommendations to the general assembly.

18 Sec. 51. Section 602.11115, subsection 3, Code Supplement
19 2003, is amended to read as follows:

20 3. To commence coverage under the judicial retirement
21 system pursuant to article 9, part 1, retroactive to the date
22 the district associate judge became a district associate judge
23 or a full-time judicial magistrate, whichever was earlier, and
24 to cease to be a member of the Iowa public employees'
25 retirement system, effective July 1, 1984. The department of
26 administrative services shall transmit by January 1, 1985, to
27 the state court administrator for deposit in the judicial
28 retirement fund the district associate judge's accumulated
29 contributions as defined in section 97B.1A, subsection 2 for
30 the judge's period of membership service as a district
31 associate judge or full-time judicial magistrate, or both.
32 Before July 1, 1986, or at retirement previous to that date, a
33 district associate judge who becomes a member of the judicial
34 retirement system pursuant to this subsection shall contribute
35 to the judicial retirement fund an amount equal to the

1 difference between four percent of the district associate
2 judge's total basic salary for the entire period of service
3 before July 1, 1984, as a district associate judge or judicial
4 magistrate, or both, and the district associate judge's
5 accumulated contributions transmitted by the department of
6 administrative services to the state court administrator
7 pursuant to this subsection. The district associate judge's
8 contribution shall not be limited to the amount specified in
9 section 602.9104, subsection 1, Code 1985. The state court
10 administrator shall credit a district associate judge with
11 service under the judicial retirement system for the period of
12 service for which contributions at the four percent level are
13 made.

14 Sec. 52. Section 602.11116, subsection 3, Code Supplement
15 2003, is amended to read as follows:

16 3. To commence membership under the judicial retirement
17 system pursuant to article 9, part 1, retroactive to the date
18 the associate juvenile judge or associate probate judge became
19 an associate juvenile judge or associate probate judge, and to
20 cease to be a member of the Iowa public employees' retirement
21 system, effective July 1, 1998. The department of
22 administrative services shall transmit by January 1, 1999, to
23 the state court administrator for deposit in the judicial
24 retirement fund the associate juvenile judge's or associate
25 probate judge's accumulated contributions as defined in
26 section 97B.1A, subsection 2, for the judge's period of
27 membership service as an associate juvenile judge or associate
28 probate judge. Before July 1, 2000, or at retirement previous
29 to that date, an associate juvenile judge or associate probate
30 judge who becomes a member of the judicial retirement system
31 pursuant to this subsection shall contribute to the judicial
32 retirement fund an amount equal to the difference between four
33 percent of the associate juvenile judge's or associate probate
34 judge's total salary received for the entire period of service
35 before July 1, 1998, as an associate juvenile judge or

1 associate probate judge, and the associate juvenile judge's or
2 associate probate judge's accumulated contributions
3 transmitted by the department of administrative services to
4 the state court administrator pursuant to this subsection.
5 The associate juvenile judge's or associate probate judge's
6 contribution shall not be limited to the amount specified in
7 section 602.9104, subsection 1, Code 1999. The state court
8 administrator shall credit an associate juvenile judge or
9 associate probate judge with service under the judicial
10 retirement system for the period of service for which
11 contributions at the four percent level are made.

12 EXPLANATION

13 This bill makes numerous changes to public retirement
14 systems, including the public safety peace officers'
15 retirement, accident, and disability system, the Iowa public
16 employees' retirement system, the statewide fire and police
17 retirement system, and the judicial retirement system. The
18 bill may include a state mandate as defined in Code section
19 25B.3. The state mandate funding requirement in Code section
20 25B.2, however, does not apply to public employee retirement
21 systems. The changes to each public retirement system are as
22 follows:

23 PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,
24 ACCIDENT, AND DISABILITY SYSTEM (PORS)

25 Code section 97A.4 is amended to provide that a member of
26 PORS can have service credited under PORS for service in a
27 city fire and police retirement system operating under Code
28 chapter 411 prior to those systems' consolidation on January
29 1, 1992, if the person was not eligible to transfer that
30 service from the chapter 411 system to PORS.

31 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

32 The provisions of Code chapter 97B governing the
33 determination of a member's salary used in calculating a
34 retirement allowance are amended. The bill establishes that a
35 member's retirement allowance will be calculated based upon

1 the greater of the member's three-year average covered wage if
2 calculated on June 30, 2004, or the member's five-year average
3 covered wage. Currently, a member's retirement allowance is
4 calculated based upon the member's three-year average covered
5 wage.

6 Code section 97B.11, governing contributions to the
7 retirement fund, is amended. The bill increases, over a six-
8 year period beginning July 1, 2004, contributions to the
9 system from the employer and employee. Currently, the
10 employer rate is 5.75 percent and the employee rate is 3.7
11 percent of a member's covered wages. The bill increases the
12 employer rate to 6.2 percent for the fiscal year beginning
13 July 1, 2008, and to 6.7 percent for the fiscal year beginning
14 July 1, 2009. The bill increases the employee percentage by
15 .5 percent each fiscal year beginning July 1, 2004, until the
16 rate reaches 6.7 percent beginning July 1, 2009. Beginning
17 July 1, 2010, contributions are calculated based upon the
18 total required percentage rate with employees paying 50
19 percent and employers 50 percent of the required rate. The
20 bill provides that the total required percentage rate for a
21 fiscal year is the rate used in the prior year unless IPERS
22 determines that the rate should be modified. The bill
23 provides that if the total rate for the prior year is
24 insufficient to amortize the system's unfunded actuarial
25 liability within 30 years, the rate will increase to the
26 lesser of the rate needed to amortize the unfunded actuarial
27 liability in 30 years or one percentage point over the prior
28 year's total rate. On the other hand, the bill provides that
29 if the total rate for the prior year is sufficient to amortize
30 the system's unfunded actuarial liability in 10 years or less,
31 the rate will decrease to the greater of one percentage point
32 less than the prior year's total rate, or the rate equal to
33 the normal cost rate plus the greater of an additional .75
34 percent or such other percent as necessary to amortize any
35 unfunded liability of the system over 10 years.

1 Code sections 97B.42, 256.7, 347.14, 392.6, and new Code
2 section 294.17 provide for the establishment of alternative
3 retirement benefits to those provided under the Iowa public
4 employees' retirement system (IPERS) for teachers and
5 employees of municipal and county hospitals. For teachers,
6 the bill requires the state board of education to establish an
7 alternative pension and annuity retirement system for
8 elementary and secondary school teachers employed by a school
9 district or area education agency. The bill provides,
10 effective July 1, 2005, that current teachers, and teachers
11 hired on or after July 1, 2005, have the option to elect to be
12 covered under IPERS or the alternative retirement system
13 within a specified time period. The bill establishes the
14 requirements for the alternative plan for teachers, including
15 the required payment options following a participant's
16 retirement. The bill requires that the plan be an employer-
17 sponsored defined contribution plan and that the contributions
18 to the plan be the same as the annual contributions that would
19 have been made to IPERS if the employee elected to remain in
20 IPERS. The bill provides that employer and employee
21 contributions are fully vested immediately. The bill
22 establishes the criteria for selecting the provider of the
23 alternative retirement system. The bill also authorizes the
24 establishment of an alternative retirement system for
25 employees of city and county hospitals which shall be issued
26 by the hospital through an insurance company authorized to
27 issue annuity contracts in this state. A hospital is not
28 required to establish an alternative retirement system under
29 the bill. The bill provides, effective July 1, 2005, that
30 current hospital employees, and employees hired on or after
31 July 1, 2005, have the option to elect to be covered under
32 IPERS or the alternative retirement system if the hospital has
33 established one. An election to participate in IPERS or the
34 alternative retirement system is irrevocable as to the
35 employee. The bill requires that the plan be an employer-

1 sponsored defined contribution plan and that the contributions
2 to the plan be the same as the annual contributions that would
3 have been made to IPERS if the employee elected to remain in
4 IPERS.

5 Code section 97B.42A is amended to permit a city manager
6 who is employed as a city manager as of July 1, 2004, and who
7 has previously elected not to be covered under IPERS, to
8 become a member of IPERS by filing an election with IPERS by
9 August 31, 2004. The change permits a city manager who elects
10 coverage under IPERS to purchase service for time the person
11 was employed as a city manager but had elected out of IPERS
12 coverage.

13 Code sections 97B.49B and 97B.49C are amended to transfer
14 airport fire fighters employed by the military division of the
15 department of public defense from the sheriffs and deputy
16 sheriffs' category under IPERS to the protection occupation
17 category.

18 Code section 97B.49B is also amended to add merit system
19 personnel whose primary duty is providing security at Iowa
20 national guard facilities, and jailers and detention officers,
21 as members of a protection occupation for purposes of IPERS.

22 Code section 97B.49C, subsection 2, concerning the
23 calculation of a retirement allowance for sheriffs and deputy
24 sheriffs under IPERS, is amended to provide for retirement at
25 age 50 instead of age 55.

26 Code section 97B.49C, subsection 3, concerning the
27 calculation of contributions payable for the sheriffs'
28 category under IPERS, is amended to provide that the cost of
29 additional benefits provided for members covered under this
30 section shall be paid on a 50-50 basis by employee members and
31 employers. Under current law, the cost of additional benefits
32 is paid 60 percent by the employer and 40 percent by the
33 employee member.

34 Code section 97B.50, concerning the calculation of a
35 member's retirement allowance for an early retirement, is also

1 amended. Currently, a member's retirement allowance is
2 reduced by .25 percent for each month the member retires prior
3 to the member's normal retirement date. The bill provides
4 that the reduction for an early retirement shall be the lesser
5 of .25 percent for each month that July 2004 precedes the
6 member's normal retirement date, or the actuarial cost to the
7 system for each month that the member's early retirement date
8 precedes the member's normal retirement date.

9 Code section 97B.50A, concerning disability retirement for
10 certain special service members covered under IPERS, is
11 amended to provide that the presumption that heart disease or
12 disease of the lungs or respiratory tract is work related,
13 entitling the person to an accidental disability retirement
14 benefit, is rebuttable.

15 Code section 97B.52A, concerning bona fide retirement, is
16 amended to provide that a person who retires and receives a
17 retirement allowance under IPERS may return to covered
18 employment by a public hospital after having qualified for one
19 calendar month of retirement benefits and still receive
20 retirement benefits. Under current law, a person must wait
21 four months to return to employment covered by IPERS in order
22 to continue receiving a retirement allowance. This provision
23 takes effect upon enactment.

24 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

25 Code section 411.6, subsection 5, providing for the
26 establishment of an accidental disability benefit, is amended.
27 Under current law, heart disease or disease of the lungs or
28 respiratory tract is presumed to be work-related, entitling
29 the person to an accidental disability retirement benefit.

30 The bill provides that the presumption created is rebuttable.

31 Code section 411.6, subsection 12, is amended by striking
32 the provision that a person receiving a pension under the
33 system is ineligible to receive the annual readjustment of the
34 person's pension unless the retiree had served at least 22
35 years and had reached at least age 55 at the time the person

1 retired. The bill provides that the annual readjustment
2 applies to all retirees under the system.

3 Code section 411.8, concerning the method of financing the
4 retirement system, is amended. The bill changes the method by
5 which the system determines the normal contribution rate that
6 is used in determining the contribution rate of cities.
7 Current law provides that the rate shall be determined using
8 the aggregate cost actuarial method. The bill provides that
9 the system shall use the entry age normal actuarial cost
10 method to calculate a rate under that method that will
11 amortize the system's unfunded actuarial liabilities over 25
12 years. In addition, this section and section 411.20 are
13 amended to eliminate the cities' minimum 17 percent
14 contribution rate. The changes to this section and section
15 411.20 take effect upon enactment and apply to contributions
16 made to the system on or after July 1, 2004.

17 Code section 411.15, concerning hospitalization and medical
18 attention to members who are injured in the performance of
19 their duties, is amended. The bill provides that the cost of
20 medical attention shall be paid for by the city at no cost to
21 members. In addition, the bill requires that the cost of the
22 medical attention shall only be paid for out of the trust and
23 agency fund. Under current law, the cost of medical attention
24 can be paid from appropriations to the department to which the
25 injured person belongs and the cost of medical attention paid
26 by the city can be reduced by any amounts received from any
27 other source to pay for the medical attention.

28 Code section 411.36, concerning the membership of the board
29 of trustees of the four members representing cities, is
30 amended. Under current law, one of the four city finance
31 members shall come from a city under 40,000 and three shall
32 come from cities over 40,000. The bill changes this threshold
33 population to 30,000.

34 Code section 411.38, subsection 2, concerning the
35 obligation of cities to pay any unfunded liabilities owned as

1 of January 1, 1992, when the system was consolidated, is
2 amended. The bill provides that no interest shall be
3 collected on any unfunded liabilities discovered on or after
4 January 1, 2003. Under current law, the city would be
5 required to pay interest on this liability. This section
6 takes effect upon enactment and is retroactively applicable to
7 January 1, 2003.

8 JUDICIAL RETIREMENT SYSTEM

9 Code section 602.9104, concerning contributions by judges
10 and the state to the judicial retirement fund, is amended.
11 Under current law, judges pay 5 percent of their salary and
12 the state pays 23.7 percent of all judges' salary to the fund
13 until the fund becomes fully funded based upon the benefits
14 provided judges as of July 1, 2001. The bill provides for a
15 modification in the percentages of salary paid by judges and
16 the state each fiscal year beginning July 1, 2004. The bill
17 provides that judges will pay 5 percent of their salary for
18 the fiscal year beginning July 1, 2004, 7.2 percent of their
19 salary for the fiscal year beginning July 1, 2005, 10 percent
20 of their salary for the fiscal year beginning July 1, 2006,
21 and 11.5 percent of their salary for the fiscal year beginning
22 July 1, 2007, and each fiscal year thereafter, until the fund
23 becomes fully funded based upon the benefits provided judges
24 as of July 1, 2001. Once the fund becomes fully funded,
25 judges will pay 40 percent of the percentage of pay necessary
26 to keep the fund fully funded. As for the state's
27 contribution, the bill provides that the state will pay 23.7
28 percent of total pay for the fiscal year beginning July 1,
29 2004, 21.5 percent of total pay for the fiscal year beginning
30 July 1, 2005, 18.7 percent of total pay for the fiscal year
31 beginning July 1, 2006, and 17.2 percent of total pay for the
32 fiscal year beginning July 1, 2007, and each fiscal year
33 thereafter, until the fund becomes fully funded based upon the
34 benefits provided judges as of July 1, 2001. Once the fund
35 becomes fully funded, the state will pay 60 percent of the

1 percentage of total pay necessary to keep the fund fully
2 funded.

3 Code section 602.9107, concerning the calculation of a
4 retirement annuity under the judicial retirement system, is
5 amended. The bill increases the percentage multiplier used in
6 calculating a judge's retirement annuity from 3 percent to 3.5
7 percent for each year of service under the retirement system
8 and increases the maximum percentage of the judge's final
9 average salary used in calculating an annuity from 60 percent
10 to 70 percent for judges with 20 years of service or less who
11 retire on or after July 1, 2004. The bill also provides that
12 a judge with more than 20 years of service who retires on or
13 after July 1, 2004, can receive an additional .25 percent of
14 their final average salary for each quarter year of service
15 over 20 years, up to a maximum of five additional percentage
16 points.

17 The bill also reduces the vesting requirement for a judge
18 under the judicial retirement system from six years to four
19 years. Once a judge vests under the system, the judge is
20 eligible to obtain a retirement annuity. A judge who leaves
21 service prior to vesting receives only the contributions the
22 judge made to the system during that service. Covered judges
23 under the system generally include all appellate, district,
24 and district associate judges. The provisions of the bill
25 reducing the vesting requirement take effect upon enactment.

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