MAR 11 2005
Place On Calendar

HOUSE FILE 729
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 166)

Passed House, Date 3-31-05 Passed Senate, Date 2-14-06
Vote: Ayes 94 Nays 5 Vote: Ayes 46 Nays 0
Passed 4-4-06
Vote 97-0
Approved April 26, 2005

HF 729

A BILL FOR

An Act relating to the Iowa public employees' retirement system and the judicial retirement system.

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

HOUSE FILE 729

H-1058

Amend House File 729 as follows:

1. Page 12, by inserting after line 2 the following:

"Sec. ____. Section 602.9107A, Code 2005, is repealed."

2. By renumbering as necessary.

By ELGIN of Linn

H-1058 FILED MARCH 14, 2005

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S.F. ________ H.F. 729

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.11, Code 2005, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

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

2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seven-tenths percent plus forty percent of the total additional percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus sixty percent of the total additional percentage.

c. "Total additional percentage" means as follows:

(1) For the fiscal period beginning July 1, 2006, through June 30, 2014, the total additional percentage for a fiscal year shall be the total additional percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2014, the total additional percentage shall be the total additional percentage for the prior fiscal year.

d. "Total comparison percentage" means the percentage rate that the system determines, based upon the most recent actuarial valuation of the retirement system, would be sufficient to amortize the unfunded actuarial liability of the retirement system in ten years.

Sec. 2. Section 97B.49C, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. Annually, the system shall actuarially determine the cost of the benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Fifty~~ Notwithstanding any provision of section 97B.11 to the contrary, fifty percent of the cost shall be paid by the employers of employees covered under this section and fifty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are-in-lieu-of-the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

Sec. 3. Section 97B.50A, subsection 12, Code 2005, is amended to read as follows:

12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in the administration of this section by the system shall be paid through ~~additional~~ contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable.

Sec. 4. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION FLEXIBILITY REVIEW -- REPORT.

1. The public retirement systems committee (committee) established by section 97D.4 shall conduct a review of various options to provide persons covered under the Iowa public employees' retirement system (IPERS) additional flexibility in plan design with features incorporating aspects of defined contribution type vehicles. In conducting its review, the committee shall consider previous studies and reports on pension flexibility issues in Iowa and across the country, and shall solicit input on pension flexibility issues from IPERS staff, the IPERS benefits advisory committee, and other interested parties.

2. The committee's review of pension flexibility issues

shall consider, among other ideas, the following:

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

b. Ways in which IPERS could offer its own defined contribution type supplementary plan vehicle to complement its core defined benefit plan.

c. Ways in which IPERS could provide a cost of living or favorable experience dividend benefit to members through either defined contribution or alternative defined benefit type plans.

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

3. The committee shall submit a report to the general assembly by January 1, 2006, which report shall contain, in addition to any other findings and recommendations concerning public retirement systems in Iowa, its findings and recommendations concerning its review of pension flexibility issues, including any proposal or proposals regarding adding additional flexibility in IPERS' plan design for the benefit of IPERS covered employees and employers.

DIVISION II

JUDICIAL RETIREMENT SYSTEM

Sec. 5. Section 602.9104, Code 2005, is amended to read as follows:

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

1. a. A judge to whom this article applies shall be paid an amount equal to ~~ninety-five-percent-of~~ the basic salary of the judge as set by the general assembly~~.--An~~ reduced by an amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge as-set-by-the-general-assembly-is~~ designated as the judge's required contribution to the judicial retirement fund~~,-and~~.

The amount designated as the judge's required contribution shall be paid by the state in the manner provided in subsection 2.

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

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

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

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

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

~~(2)~~ b. "Fully funded status" means that the most recent actuarial valuation reflects that, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the

American academy of actuaries, the funded status of the system is at least ~~one-hundred~~ ninety percent, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2005.

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status, six percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

~~(3)~~ d. "Required contribution rate" means that percentage of the basic salary of all judges covered under this article which~~,-in-addition-to-the-judge's-contribution-established-in subsection-1,~~ the actuary of the system determines is necessary, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, to ~~maintain-fully-funded-status~~ amortize the unfunded actuarial liability of the judicial retirement system within twenty years.

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status, twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the

required contribution rate.

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

Sec. 6. Section 602.9106, Code 2005, is amended to read as follows:

602.9106 RETIREMENT.

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

Sec. 7. Section 602.9107, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. The annual annuity of a judge under this system is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, multiplied by the judge's years of service as a judge of one or more of the courts for which contributions were made to the system. However, an annual annuity shall not exceed an amount equal to a specified percentage of the highest basic annual salary which the judge is receiving or had received as of the time the judge became separated from service. Forfeitures shall not be used to increase the annuities a judge or survivor would otherwise receive under the system.

Sec. 8. Section 602.9107, subsection 1, paragraph b, subparagraph (4), Code 2005, is amended to read as follows:

(4) For judges who retire and receive an annuity on or after July 1, 2001, but before July 1, 2005, the specified percentage shall be sixty percent.

Sec. 9. Section 602.9107, subsection 1, paragraph b, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (5) For judges who retire and receive an annuity on or after July 1, 2005, the specified percentage shall be sixty-five percent.

Sec. 10. Section 602.9107C, subsection 1, Code 2005, is amended to read as follows:

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

Sec. 11. Section 602.9108, Code 2005, is amended to read as follows:

602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

The amount designated as the judge's contribution to the judicial retirement fund in section 602.9104, ~~subsection 1,~~ and all amounts paid into the fund by a judge shall be credited to the individual account of the judge. If a judge covered under this article becomes separated from service as a judge before the judge completes an aggregate of ~~six~~ four years of service as a judge of one or more of the courts, the total amount in the judge's individual account shall be returned to the judge or the judge's legal representatives within one year of the separation. If a judge, who is covered under this article and who has completed an aggregate of ~~six~~ four years or more of service as a judge of one or more of the courts, dies before retirement, without a survivor, the total amount in the judge's individual account shall be paid in one sum to the judge's legal representatives within one year of the judge's death. If an annuitant under this section dies without a survivor, and without having received in annuities an amount equal to the total amount in the judge's individual account at the time of separation from service, the amount remaining to the annuitant's credit shall be paid in one sum to the annuitant's legal representatives within one year of the annuitant's death.

Sec. 12. Section 602.9112, Code 2005, is amended to read as follows:

602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

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

Sec. 13. Section 602.9115A, unnumbered paragraphs 1 and 3, Code 2005, are amended to read as follows:

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

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

Sec. 14. Section 602.9116, subsection 1, Code 2005, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104~~, subsection 4~~. The court administrator shall adopt mortality tables and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system and shall report its findings and recommendations to the general assembly.

Sec. 15. Section 602.9203, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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

Sec. 16. Section 602.9204, subsection 1, Code 2005, is amended to read as follows:

1. A judge who retires on or after July 1, 1994, and who is appointed a senior judge under section 602.9203 shall be paid a salary as determined by the general assembly. A senior judge or retired senior judge shall be paid an annuity under the judicial retirement system in the manner provided in section 602.9109, but computed under this section in lieu of section 602.9107, as follows: The annuity paid to a senior

judge or retired senior judge shall be an amount equal to ~~three-percent~~ <u>the applicable percentage multiplier</u> of the basic senior judge salary, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except the annuity of the senior judge or retired senior judge shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary used in calculating the annuity. However, following the twelve-month period during which the senior judge or retired senior judge attains seventy-eight years of age, the annuity paid to the person shall be an amount equal to ~~three-percent~~ <u>the applicable percentage multiplier</u> of the basic senior judge salary cap, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except that the annuity shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary cap. A senior judge or retired senior judge shall not receive benefits calculated using a basic senior judge salary established after the twelve-month period in which the senior judge or retired senior judge attains seventy-eight years of age. The state shall provide, regardless of age, to an active senior judge or a senior judge with six years of service as a senior judge and to the judge's spouse, and pay for medical insurance until the judge attains the age of seventy-eight years.

Sec. 17. Section 602.9204, subsection 2, Code 2005, is amended by adding the following new paragraph:

<u>NEW PARAGRAPH</u>. oa. "Applicable percentage multiplier" means as follows:

(1) For a senior judge or retired senior judge who retired as a judge and received an annuity prior to July 1, 2005, three percent.

(2) For a senior judge or a retired senior judge who

retired as a judge and received an annuity on or after July 1, 2005, three and one-fourth percent.

EXPLANATION

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

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The bill amends Code section 97B.11 relating to the contributions made to the system by employers and employees. Currently, the employer rate is 5.75 percent and the employee rate is 3.7 percent of a member's covered wages. The bill provides that for the fiscal period beginning July 1, 2006, and ending June 30, 2014, the base employer rate may increase from the current rate by .3 percentage points per fiscal year and the base employee rate may increase from the current rate by .2 percentage points per fiscal year. The bill provides that the increase in contribution rates for any fiscal year will occur only if the percentage rate IPERS determines would be sufficient to amortize the unfunded actuarial liability of the system in 10 years is greater than the total employer and employee contribution rate for the prior fiscal year. If the rate to amortize the unfunded actuarial liability in 10 years is less than the total employer and employee contribution rate for the prior fiscal year, then the employer and employee rates will not increase by a total of .5 percentage points for that year. The bill further provides that beginning July 1, 2014, the total employer and employee contribution rate shall be the same as for the prior fiscal year. Based on the bill, the maximum total contribution rate from both employers and employees could increase from the current 9.45 percent to 13.45 percent by July 1, 2013. The bill also makes conforming changes to the Code sections providing for the contributions paid by special service members of IPERS to retain the current contribution rate calculation for these members.

The bill also requires the public retirement systems committee to conduct a review of pension flexibility issues and to submit its findings and recommendations to the legislature by January 1, 2006. The pension flexibility review is charged to examine and consider various supplementary defined-contribution and hybrid retirement plans.

JUDICIAL RETIREMENT SYSTEM

Code section 602.9104, concerning contributions by judges and the state to the judicial retirement fund, is amended. Under current law, judges pay 5 percent of their salary and the state pays 23.7 percent of all judges' salaries to the fund until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2001. The bill changes the definition of fully funded to provide that a funded status of 90 percent, instead of 100 percent, is deemed fully funded. The bill further provides that judges will pay 6 percent of their salary for the fiscal year beginning July 1, 2005, and each fiscal year thereafter, until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2005, multiplied by a fraction determined by taking the actual state contribution rate for the fiscal year divided by 23.7. As for the state's contribution, the bill provides that the state will continue to pay 23.7 percent of total pay for each fiscal year until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2005. Once the system becomes fully funded, the judges and the state will each pay 50 percent of the percentage of the total amount necessary to amortize any unfunded liability of the system within 20 years.

Code section 602.9106 is amended to provide that a judge may retire and receive an unreduced retirement allowance after service of 20 years, instead of 25 years, as a judge so long as the judge is at least 50 years of age. The section is also amended to provide that a judge vests under the retirement system after four years of service instead of six. Other Code sections are amended to conform to these changes.

Code section 602.9107, concerning the calculation of a retirement annuity under the judicial retirement system, is amended. The bill increases the percentage multiplier used in calculating a judge's retirement annuity from 3 percent to 3.25 percent for each year of service under the retirement system and increases the maximum percentage of the judge's final average salary used in calculating an annuity from 60 percent to 65 percent for judges with 20 years of service or less who retire on or after July 1, 2005.

Code section 602.9204, concerning the calculation of a retirement annuity for senior judges, is amended to provide that the percentage multiplier used to calculate senior judge annuities is also increased from 3 percent to 3.25 percent per year of service for judges who retired and received an annuity on or after July 1, 2005. The maximum percentage applicable to each senior judge is not changed.

HOUSE FILE 729

H-1149

Amend House File 729 as follows:

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

"DIVISION I

PUBLIC SAFETY PEACE OFFICERS' RETIREMENT SYSTEM

Section 1. Section 97A.4, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. Upon application by the member, the board of trustees shall credit as service for a member of the system a previous period of service as a member of a city fire retirement system and police retirement system operating under chapter 411 prior to January 1, 1992, for which service was not eligible to be transferred to this system pursuant to section 97A.17.

Sec. 2. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM -- ADDITIONAL APPROPRIATION.

1. Notwithstanding any provision of section 97A.8 to the contrary, the Iowa department of public safety peace officers' retirement, accident, and disability system as defined in section 97A.2 shall not increase the contribution rate of members of the system to cover any increase in cost to the system resulting from this Act.

2. In addition to any payments to the pension accumulation fund as provided in section 97A.8, there shall be appropriated from the general fund of the state to the pension accumulation fund described in section 97A.8 an annual amount equal to fifty thousand dollars for the fiscal period beginning July 1, 2005, and ending June 30, 2027."

2. Title page, line 1, by inserting after the words "to the" the following: "public safety peace officers' retirement system, the".

3. Title page, line 2, by inserting after the word "system" the following: ", and providing an appropriation".

4. By renumbering, redesignating, and correcting internal references as necessary.

By FREVERT of Palo Alto

H-1149 FILED MARCH 22, 2005

HOUSE FILE 729

H-1262

Amend House File 729 as follows:

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

"Sec. ___. Section 97B.42, Code 2005, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any other provision of this section, commencing July 1, 2006, a member who is employed by a school district or area education agency as an elementary or secondary school teacher may elect coverage under the eligible alternative retirement benefits system as provided in section 294.17, in lieu of continuing or commencing contributions to the Iowa public employees' retirement system. However, the employer's and employee's annual contribution in dollars to the eligible alternative retirement benefits system shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member under this chapter, as set forth in section 97B.11. A member who elects coverage under the eligible alternative retirement benefits system as provided by this paragraph may withdraw the member's accumulated contributions effective when coverage under the eligible alternative retirement benefits system commences. A member who is employed by a school district or area education agency as an elementary or secondary school teacher prior to July 1, 2006, must file an election for coverage under the eligible alternative retirement benefits system described in section 294.17, with the system and the employing school district or area education agency within eighteen months of the first day on which coverage commences under the eligible alternative retirement benefits system described in section 294.17, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. A person hired on or after July 1, 2006, by a school district or area education agency as an elementary or secondary school teacher must file an election for coverage under the eligible alternative retirement benefits system with the system and the employing school district or area education agency within sixty days of commencing employment, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. The system shall cooperate with the state board of education and with applicable school districts and area education agencies to facilitate the implementation of this provision.

NEW UNNUMBERED PARAGRAPH. Notwithstanding any other provision of this section, commencing July 1, 2006, a member who is employed by a public hospital may elect coverage under the eligible alternative retirement benefits system as provided in section 347.14 or 392.6, in lieu of continuing or commencing contributions to the Iowa public employees' retirement system. However, the employer's and employee's annual contribution in dollars to the eligible alternative retirement benefits system shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member under this chapter, as set forth in section 97B.11. A member who elects coverage under the eligible alternative retirement benefits system as provided by this paragraph may withdraw the member's accumulated contributions effective when coverage under the eligible alternative retirement benefits system commences. A member who is employed by a public hospital prior to July 1, 2006, must file an election for coverage under the eligible alternative retirement benefits system described in section 347.14 or 392.6, with the system and the employing public hospital within eighteen months of the first day on which coverage commences under the eligible alternative retirement benefits system described in section 347.14 or 392.6, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. A person hired on or after July 1, 2006, by a public hospital must file an election for coverage under the eligible alternative retirement benefits system with the system and the employing public hospital within sixty days of commencing employment, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. In addition, an election by a member to participate in an alternative retirement benefits system as provided by this paragraph shall be irrevocable and the member shall not be eligible to elect coverage under this chapter while employed by a public hospital in this state that has made an alternative retirement benefits system available. The system shall cooperate with boards of trustees of public hospitals authorized to offer an eligible alternative retirement benefits system to facilitate the implementation of this provision."

2. Page 2, by inserting after line 21 the following:

"Sec. ___. Section 256.7, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 26. By July 1, 2006, provide for the establishment of an eligible alternative retirement benefits system for elementary and secondary school teachers employed by a school district or area education agency consistent with the requirements of section 294.17.

Sec. ___. NEW SECTION. 294.17 ELIGIBLE ALTERNATIVE PENSION AND ANNUITY RETIREMENT SYSTEM.

1. The state board of education shall establish an eligible alternative pension and annuity retirement system, hereafter called the "retirement system", effective July 1, 2006, for elementary and secondary school teachers employed by a school district or area education agency pursuant to the requirements of this section. The state board of education shall be the plan sponsor of the retirement system and shall file an application for a favorable determination letter for the retirement system with the internal revenue service.

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

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

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

b. The employer's and employee's annual contribution in dollars under an eligible alternative retirement benefits system described in this section shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member pursuant to the Iowa public employees' retirement system, as set forth in section 97B.11. Contributions under the retirement system shall be treated in the same manner as contributions under the Iowa public employees' retirement system are treated pursuant to section 97B.11A.

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

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

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

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

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

4. Persons employed by a school district or area education agency as an elementary or secondary school teacher on or after July 1, 2006, may elect coverage under the retirement system established in this section in lieu of coverage under the Iowa public employees' retirement system, pursuant to the requirements of section 97B.42.

Sec. ___. Section 347.14, Code 2005, is amended by adding the following new subsection:

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

Sec. ___. Section 392.6, Code 2005, is amended by adding the following new unnumbered paragraph:

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

3. By renumbering as necessary.

By KURTENBACH of Story
DIX of Butler
PAULSEN of Linn
JENKINS of Black Hawk
BAUDLER of Adair
ANDERSON of Page
HUTTER of Scott
KAUFMANN of Cedar
CHAMBERS of O'Brien
FREEMAN of Buena Vista
HOFFMAN of Crawford
ROBERTS of Carroll
LUKAN of Dubuque
RASMUSSEN of Buchanan
VAN ENGELENHOVEN of Marion
ARNOLD of Lucas
STRUYK of Pottawattamie
DOLECHECK of Ringgold
EICHHORN of Hamilton
HORBACH of Tama

H-1262 FILED MARCH 30, 2005

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 729 - Public Pension Omnibus (LSB 1330 HV)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 729 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 permits the IPERS to adjust the total employee and employer contribution rates by up to 0.50% each year beginning in FY 2007, and ending in FY 2014, with the employee paying 40.00% (0.20%) and the employer paying 60.00% (0.30%) above the current applicable percentages. The current applicable percentage for employees is 3.70% and for employers it is 5.75%, for a total contribution of 9.45%. The maximum contribution rate could be 5.30% for employees and 8.15% for employers, for a total contribution of 13.45%. After FY 2014, the rates will remain the same as in FY 2014.

The IPERS will only 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 10 years by increasing the total contribution to a rate that will amortize the unfunded actuarial liability of the System within ten years. However, the combined rate will never be below the prior years rates.

The Bill requires the Public Retirement Systems Committee to study and report to the General Assembly, by January 1, 2006, on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

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 by employer and covered payroll for FY 2004 are as follows:

Employer	Active Member Counts	FY 2004 Covered Payroll ($ in millions)
State	19,584	$ 881.7
Board of Regents	2,111	36.8
Counties	23,845	726.4
Cities	21,781	605.3
Schools	74,830	2,210.5
Community Colleges	3,659	115.5
Other	8,469	278.9
Total	**154,279**	**$ 4,855.1**

4. The number of members in each class will remain constant.
5. A combined regular IPERS contribution will be insufficient to amortize the unfunded actuarial liability of the System within ten years in FY 2007 through FY 2014.

Fiscal Impact

The Regular IPERS employees' current contributions of 3.70% and employers' contributions of 5.75% will increase as follows:

	Employees' Contribution Rate	Employers' Contribution Rate	Total Contribution Rates
FY 2006	3.70%	5.75%	9.45%
FY 2007	3.90%	6.05%	9.95%
FY 2008	4.10%	6.35%	10.45%
FY 2009	4.30%	6.65%	10.95%
FY 2010	4.50%	6.95%	11.45%
FY 2011	4.70%	7.25%	11.95%
FY 2012	4.90%	7.55%	12.45%
FY 2013	5.10%	7.85%	12.95%
FY 2014	5.30%	8.15%	13.45%
FY 2015	5.30%	8.15%	13.45%

ATTACHMENT 1 provides a detailed explanation of the impact of HF 729 on the employees and employers, by employer group for FY 2007 through FY 2015. The average change per employee varies by employer group due the variance in the average wage of the groups. An employee that earns a higher wage will have their contribution increase more than an employee with a lower wage.

The total employer increases are $16.4 million for FY 2007 and $34.1 million for FY 2008. The estimates are broken out as follows:

(Dollars in Millions)

Employer	FY 2007	FY 2008
State	$ 3.0	$ 6.2
Board of Regents	0.1	0.3
Counties	2.5	5.1
Cities	2.0	4.2
Schools	7.5	15.5
Community Colleges	0.4	0.8
Other	0.9	2.0
Total Regular	$ 16.4	$ 34.1

There will be no significant fiscal impact for the Public Retirement Systems Committee report on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

JUDICIAL RETIREMENT SYSTEM

The Bill makes two changes to the Judicial Retirement System.

The Bill changes how a judge's contribution is calculated. Under current law, judges contribute 5.00% of their salary. The Bill increases the contribution to 6.00%, if the State contributes the required 23.70% of covered payroll. If the State fails to fully fund the State's share, the judges required contribution is based upon the ratio of the State's actual contribution to the required contribution. Once the System is fully funded, which is defined by the Bill to be 90.00% of the

Systems actuarially determined liabilities, the judges and the State will contribute 50.00% of the required contribution. The required contribution is defined by the Bill to mean the rate that will amortize any unfunded liabilities of the System with 20 years.

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, as long as the judge is at least 50 years of age.

The Bill increases the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increases maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00%. The multiplier is also increased for judges on senior status without an increase in the maximum percentage.

Assumptions

1. The covered payroll for FY 2006 will be $22.0 million.
2. Under current law, the State would be required to contribute $5.2 million (23.70% of covered payroll). The Judges would be required to contribute $1.1 million (5.00% of covered payroll). The State would be contributing 82.58% and the judges would be contributing 17.42%, of the total funding.
3. While the State contributed $2.0 million in FY 2005, the estimate assumes the State will fully fund the State's 23.70% contribution at $5.2 million.
4. The actuarial calculation for reducing 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 requires a 2.52% increase in contributions.
5. While the actuarial calculation for increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% is not available, a 3.50% multiplier with a 70.00% maximum percentage would require a 6.91% increase in contributions.

Fiscal Impact

Under this Bill, if the State notwithstands the 23.70% required contribution and continues to contribute $2.0 million, this would be 9.29% of covered payroll, and the Judges would be required to contribute $507,000 (2.31% of covered payroll). The State would be contributing 80.09% and the judges would be contributing 19.91%, of the total funding.

Under this Bill, the State would be required to contribute $5.2 million (23.70% of covered payroll). The Judges would be required to contribute $1.3 million (6.00% of covered payroll). The State would be contributing 79.80% and the judges would be contributing 20.20%, of the total funding.

The judges' contributions will increase by an estimated $220,000 annually due to increasing their contribution from 5.00% to 6.00%.

Reducing 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 will have an estimated negative annual impact on the System of $554,000.

Increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% will have an estimated negative annual impact on the System of less than $1.5 million.

The State making the required contribution will benefit the System by an estimated $3.2 million annually.

The net benefit to the Judicial Retirement System of House File 729 will be an estimated $1.4 million annually.

Sources

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

/s/ Holly M. Lyons

March 17, 2005

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.

Attachment 1

Employer	Active Member Counts	FY 2004 Covered Payroll	Fiscal Year	Current Law Employer Contribution Rate	Adjusted Employer Contribution Rate	Rate Change	Employer Total Contribution Change	Current Law Employee Contr. Rate	Adjusted Employee Contribution Rate	Rate Change	Total Employee Contribution Change	Average Change Per Employee
State	19,584	$ 881,689,127	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	19,584	916,956,692	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	19,584	953,634,960	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	19,584	991,780,358	FY 2007	5.75%	6.05%	0.30%	2,975,341	3.70%	3.90%	0.20%	1,983,561	101
	19,584	1,031,451,572	FY 2008	5.75%	6.35%	0.30%	6,188,709	3.70%	4.10%	0.20%	4,125,806	211
	19,584	1,072,709,635	FY 2009	5.75%	6.65%	0.30%	9,654,387	3.70%	4.30%	0.20%	6,436,258	329
	19,584	1,115,618,021	FY 2010	5.75%	6.95%	0.30%	13,387,416	3.70%	4.50%	0.20%	8,924,944	456
	19,584	1,160,242,742	FY 2011	5.75%	7.25%	0.30%	17,403,641	3.70%	4.70%	0.20%	11,602,427	592
	19,584	1,206,652,451	FY 2012	5.75%	7.55%	0.30%	21,719,744	3.70%	4.90%	0.20%	14,479,829	739
	19,584	1,254,918,549	FY 2013	5.75%	7.85%	0.30%	26,353,290	3.70%	5.10%	0.20%	17,568,860	897
	19,584	1,305,115,291	FY 2014	5.75%	8.15%	0.30%	31,322,767	3.70%	5.30%	0.20%	20,881,845	1,066
	19,584	1,357,319,903	FY 2015	5.75%	8.15%	0.00%	32,575,678	3.70%	5.30%	0.00%	21,717,118	1,109
Board of Regents	2,111	$ 36,817,920	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	2,111	38,290,637	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	2,111	39,822,262	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	2,111	41,415,153	FY 2007	5.75%	6.05%	0.30%	124,245	3.70%	3.90%	0.20%	82,830	39
	2,111	43,071,759	FY 2008	5.75%	6.35%	0.30%	258,431	3.70%	4.10%	0.20%	172,287	82
	2,111	44,794,629	FY 2009	5.75%	6.65%	0.30%	403,152	3.70%	4.30%	0.20%	268,768	127
	2,111	46,586,414	FY 2010	5.75%	6.95%	0.30%	559,037	3.70%	4.50%	0.20%	372,691	177
	2,111	48,449,871	FY 2011	5.75%	7.25%	0.30%	726,748	3.70%	4.70%	0.20%	484,499	230
	2,111	50,387,866	FY 2012	5.75%	7.55%	0.30%	906,982	3.70%	4.90%	0.20%	604,654	286
	2,111	52,403,380	FY 2013	5.75%	7.85%	0.30%	1,100,471	3.70%	5.10%	0.20%	733,647	348
	2,111	54,499,516	FY 2014	5.75%	8.15%	0.30%	1,307,988	3.70%	5.30%	0.20%	871,992	413
	2,111	56,679,496	FY 2015	5.75%	8.15%	0.00%	1,360,308	3.70%	5.30%	0.00%	906,872	430
County	23,845	$ 726,405,870	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	23,845	755,462,105	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	23,845	785,680,589	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	23,845	817,107,813	FY 2007	5.75%	6.05%	0.30%	2,451,323	3.70%	3.90%	0.20%	1,634,216	69
	23,845	849,792,125	FY 2008	5.75%	6.35%	0.30%	5,098,753	3.70%	4.10%	0.20%	3,399,169	143
	23,845	883,783,810	FY 2009	5.75%	6.65%	0.30%	7,954,054	3.70%	4.30%	0.20%	5,302,703	222
	23,845	919,135,162	FY 2010	5.75%	6.95%	0.30%	11,029,622	3.70%	4.50%	0.20%	7,353,081	308
	23,845	955,900,569	FY 2011	5.75%	7.25%	0.30%	14,338,509	3.70%	4.70%	0.20%	9,559,006	401
	23,845	994,136,592	FY 2012	5.75%	7.55%	0.30%	17,894,459	3.70%	4.90%	0.20%	11,929,639	500
	23,845	1,033,902,055	FY 2013	5.75%	7.85%	0.30%	21,711,943	3.70%	5.10%	0.20%	14,474,629	607
	23,845	1,075,258,138	FY 2014	5.75%	8.15%	0.30%	25,806,195	3.70%	5.30%	0.20%	17,204,130	721
	23,845	1,118,268,463	FY 2015	5.75%	8.15%	0.00%	26,838,443	3.70%	5.30%	0.00%	17,892,295	750
City	21,781	$ 605,278,594	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%		$ 0	$ 0
	21,781	629,489,738	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	21,781	654,669,327	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	21,781	680,856,100	FY 2007	5.75%	6.05%	0.30%	2,042,568	3.70%	3.90%	0.20%	1,361,712	63
	21,781	708,090,344	FY 2008	5.75%	6.35%	0.30%	4,248,542	3.70%	4.10%	0.20%	2,832,361	130
	21,781	736,413,958	FY 2009	5.75%	6.65%	0.30%	6,627,726	3.70%	4.30%	0.20%	4,418,484	203
	21,781	765,870,516	FY 2010	5.75%	6.95%	0.30%	9,190,446	3.70%	4.50%	0.20%	6,126,964	281
	21,781	796,505,337	FY 2011	5.75%	7.25%	0.30%	11,947,580	3.70%	4.70%	0.20%	7,965,053	366
	21,781	828,365,551	FY 2012	5.75%	7.55%	0.30%	14,910,580	3.70%	4.90%	0.20%	9,940,387	456
	21,781	861,500,173	FY 2013	5.75%	7.85%	0.30%	18,091,504	3.70%	5.10%	0.20%	12,061,002	554
	21,781	895,960,180	FY 2014	5.75%	8.15%	0.30%	21,503,044	3.70%	5.30%	0.20%	14,335,363	658
	21,781	931,798,587	FY 2015	5.75%	8.15%	0.00%	22,363,166	3.70%	5.30%	0.00%	14,908,777	684
Schools	74,830	$ 2,210,526,742	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	74,830	2,298,947,812	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	74,830	2,390,905,724	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	74,830	2,486,541,953	FY 2007	5.75%	6.05%	0.30%	7,459,626	3.70%	3.90%	0.20%	4,973,084	66
	74,830	2,586,003,631	FY 2008	5.75%	6.35%	0.30%	15,516,022	3.70%	4.10%	0.20%	10,344,015	138
	74,830	2,689,443,776	FY 2009	5.75%	6.65%	0.30%	24,204,994	3.70%	4.30%	0.20%	16,136,663	216
	74,830	2,797,021,528	FY 2010	5.75%	6.95%	0.30%	33,564,258	3.70%	4.50%	0.20%	22,376,172	299
	74,830	2,908,902,389	FY 2011	5.75%	7.25%	0.30%	43,633,536	3.70%	4.70%	0.20%	29,089,024	389
	74,830	3,025,258,484	FY 2012	5.75%	7.55%	0.30%	54,454,653	3.70%	4.90%	0.20%	36,303,102	485
	74,830	3,146,268,824	FY 2013	5.75%	7.85%	0.30%	66,071,645	3.70%	5.10%	0.20%	44,047,764	589
	74,830	3,272,119,577	FY 2014	5.75%	8.15%	0.30%	78,530,870	3.70%	5.30%	0.20%	52,353,913	700
	74,830	3,403,004,360	FY 2015	5.75%	8.15%	0.00%	81,672,105	3.70%	5.30%	0.00%	54,448,070	728
Community Colleges	3,659	$ 115,454,892	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	3,659	120,073,088	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	3,659	124,876,011	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	3,659	129,871,052	FY 2007	5.75%	6.05%	0.30%	389,613	3.70%	3.90%	0.20%	259,742	71
	3,659	135,065,894	FY 2008	5.75%	6.35%	0.30%	810,395	3.70%	4.10%	0.20%	540,264	148
	3,659	140,468,529	FY 2009	5.75%	6.65%	0.30%	1,264,217	3.70%	4.30%	0.20%	842,811	230
	3,659	146,087,271	FY 2010	5.75%	6.95%	0.30%	1,753,047	3.70%	4.50%	0.20%	1,168,698	319
	3,659	151,930,761	FY 2011	5.75%	7.25%	0.30%	2,278,961	3.70%	4.70%	0.20%	1,519,308	415
	3,659	158,007,992	FY 2012	5.75%	7.55%	0.30%	2,844,144	3.70%	4.90%	0.20%	1,896,096	518
	3,659	164,328,312	FY 2013	5.75%	7.85%	0.30%	3,450,895	3.70%	5.10%	0.20%	2,300,596	629
	3,659	170,901,444	FY 2014	5.75%	8.15%	0.30%	4,101,635	3.70%	5.30%	0.20%	2,734,423	747
	3,659	177,737,502	FY 2015	5.75%	8.15%	0.00%	4,265,700	3.70%	5.30%	0.00%	2,843,800	777
Other:	8,469	$ 278,947,722	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
Townships	8,469	290,105,631	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
Multi-Units	8,469	301,709,856	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
Utilities	8,469	313,778,250	FY 2007	5.75%	6.05%	0.30%	941,335	3.70%	3.90%	0.20%	627,557	74
	8,469	326,329,380	FY 2008	5.75%	6.35%	0.30%	1,957,976	3.70%	4.10%	0.20%	1,305,318	154
	8,469	339,382,556	FY 2009	5.75%	6.65%	0.30%	3,054,443	3.70%	4.30%	0.20%	2,036,295	240
	8,469	352,957,858	FY 2010	5.75%	6.95%	0.30%	4,235,494	3.70%	4.50%	0.20%	2,823,663	333
	8,469	367,076,172	FY 2011	5.75%	7.25%	0.30%	5,506,143	3.70%	4.70%	0.20%	3,670,762	433
	8,469	381,759,219	FY 2012	5.75%	7.55%	0.30%	6,871,666	3.70%	4.90%	0.20%	4,581,111	541
	8,469	397,029,588	FY 2013	5.75%	7.85%	0.30%	8,337,621	3.70%	5.10%	0.20%	5,558,414	656
	8,469	412,910,771	FY 2014	5.75%	8.15%	0.30%	9,909,859	3.70%	5.30%	0.20%	6,606,572	780
	8,469	429,427,202	FY 2015	5.75%	8.15%	0.00%	10,306,253	3.70%	5.30%	0.00%	6,870,835	811
Total Regular	154,279	$ 4,855,120,867	FY 2004	5.75%	5.75%	0.00%	$ 0	3.70%	3.70%	0.00%	$ 0	$ 0
	154,279	5,049,325,702	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	154,279	5,251,298,730	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	154,279	5,461,350,679	FY 2007	5.75%	6.05%	0.30%	16,384,052	3.70%	3.90%	0.20%	10,922,701	71
	154,279	5,679,804,706	FY 2008	5.75%	6.35%	0.30%	34,078,828	3.70%	4.10%	0.20%	22,719,219	147
	154,279	5,906,996,894	FY 2009	5.75%	6.65%	0.30%	53,162,972	3.70%	4.30%	0.20%	35,441,981	230
	154,279	6,143,276,770	FY 2010	5.75%	6.95%	0.30%	73,719,321	3.70%	4.50%	0.20%	49,146,214	319
	154,279	6,389,007,841	FY 2011	5.75%	7.25%	0.30%	95,835,118	3.70%	4.70%	0.20%	63,890,078	414
	154,279	6,644,568,155	FY 2012	5.75%	7.55%	0.30%	119,602,227	3.70%	4.90%	0.20%	79,734,818	517
	154,279	6,910,350,881	FY 2013	5.75%	7.85%	0.30%	145,117,368	3.70%	5.10%	0.20%	96,744,912	627
	154,279	7,186,764,916	FY 2014	5.75%	8.15%	0.30%	172,482,358	3.70%	5.30%	0.20%	114,988,239	745
	154,279	7,474,235,513	FY 2015	5.75%	8.15%	0.00%	179,381,652	3.70%	5.30%	0.00%	119,587,768	775

HOUSE FILE 729

H-1265

Amend the amendment, H-1262, to House File 729 as follows:

1. Page 1, line 8, by inserting after the words "who is" the following: "newly".

2. Page 1, line 10, by inserting after the word "teacher" the following: "on or after July 1, 2006,".

3. Page 1, by striking lines 20 through 39 and inserting the following: "chapter, as set forth in section 97B.11. A person hired on or after July 1, 2006,".

4. Page 2, line 5, by inserting after the words "who is" the following: "newly".

5. Page 2, line 5, by inserting after the word "hospital" the following: "on or after July 1, 2006,".

6. Page 2, by striking lines 16 through 33 and inserting the following: "chapter, as set forth in section 97B.11. A person hired on or".

7. Page 3, by striking lines 26 through 32 and inserting the following:

"2. The state board of education shall select providers of the retirement system that are insurance companies authorized to issue annuity contracts in this state that are capable of providing bundled services for the retirement system, including, but not limited to, administration, investment management, employee education, and recordkeeping. The state board of education may limit the number of providers offered pursuant to this subsection to no more than six. The selection by the state board of education of a provider of the retirement system pursuant to this subsection shall not constitute an endorsement of the provider by the state board of education. In selecting providers, the state board of education shall place".

By KURTENBACH of Story

H-1265 FILED MARCH 31, 2005

ADOPTED

HOUSE FILE 729
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 166)

(As Amended and Passed by the House March 31, 2005)

Re- Passed House, Date 4-4-06 Passed Senate, Date 2-14-06
Vote: Ayes 97 Nays 0 Vote: Ayes 46 Nays 0
Approved ______________

A BILL FOR

An Act relating to the Iowa public employees' retirement system and the judicial retirement system.

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

House Amendments ______

TLSB 1330HV 81
ec/gg/14

S.F. ________ H.F. 729

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.11, Code 2005, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

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

2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seven-tenths percent plus forty percent of the total additional percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus sixty percent of the total additional percentage.

c. "Total additional percentage" means as follows:

(1) For the fiscal period beginning July 1, 2006, through June 30, 2014, the total additional percentage for a fiscal year shall be the total additional percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2014, the total additional percentage shall be the total additional percentage for the prior fiscal year.

d. "Total comparison percentage" means the percentage rate that the system determines, based upon the most recent actuarial valuation of the retirement system, would be sufficient to amortize the unfunded actuarial liability of the retirement system in ten years.

Sec. 2. Section 97B.49C, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. Annually, the system shall actuarially determine the cost of the benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Fifty~~ Notwithstanding any provision of section 97B.11 to the contrary, fifty percent of the cost shall be paid by the employers of employees covered under this section and fifty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are-in-lieu-of-the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

Sec. 3. Section 97B.50A, subsection 12, Code 2005, is amended to read as follows:

12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in the administration of this section by the system shall be paid through ~~additional~~ contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable.

Sec. 4. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION FLEXIBILITY REVIEW -- REPORT.

1. The public retirement systems committee (committee) established by section 97D.4 shall conduct a review of various options to provide persons covered under the Iowa public employees' retirement system (IPERS) additional flexibility in plan design with features incorporating aspects of defined contribution type vehicles. In conducting its review, the committee shall consider previous studies and reports on pension flexibility issues in Iowa and across the country, and shall solicit input on pension flexibility issues from IPERS staff, the IPERS benefits advisory committee, and other interested parties.

2. The committee's review of pension flexibility issues

shall consider, among other ideas, the following:

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

b. Ways in which IPERS could offer its own defined contribution type supplementary plan vehicle to complement its core defined benefit plan.

c. Ways in which IPERS could provide a cost of living or favorable experience dividend benefit to members through either defined contribution or alternative defined benefit type plans.

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

3. The committee shall submit a report to the general assembly by January 1, 2006, which report shall contain, in addition to any other findings and recommendations concerning public retirement systems in Iowa, its findings and recommendations concerning its review of pension flexibility issues, including any proposal or proposals regarding adding additional flexibility in IPERS' plan design for the benefit of IPERS covered employees and employers.

DIVISION II

JUDICIAL RETIREMENT SYSTEM

Sec. 5. Section 602.9104, Code 2005, is amended to read as follows:

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

1. a. A judge to whom this article applies shall be paid an amount equal to ~~ninety-five-percent-of~~ the basic salary of the judge as set by the general assembly~~.--An~~ reduced by an amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge as-set-by-the-general-assembly-is~~ designated as the judge's required contribution to the judicial retirement fund~~,-and~~.

The amount designated as the judge's required contribution shall be paid by the state in the manner provided in subsection 2.

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

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

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

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

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

~~(2)~~ b. "Fully funded status" means that the most recent actuarial valuation reflects that, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the

American academy of actuaries, the funded status of the system is at least ~~one-hundred~~ ninety percent, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2005.

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status, six percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

~~(3)~~ d. "Required contribution rate" means that percentage of the basic salary of all judges covered under this article which~~, in addition to the judge's contribution established in subsection 1,~~ the actuary of the system determines is necessary, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, to ~~maintain fully funded status~~ amortize the unfunded actuarial liability of the judicial retirement system within twenty years.

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status, twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the

required contribution rate.

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

Sec. 6. Section 602.9106, Code 2005, is amended to read as follows:

602.9106 RETIREMENT.

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

Sec. 7. Section 602.9107, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. The annual annuity of a judge under this system is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, multiplied by the judge's years of service as a judge of one or more of the courts for which contributions were made to the system. However, an annual annuity shall not exceed an amount equal to a specified percentage of the highest basic annual salary which the judge is receiving or had received as of the time the judge became separated from service. Forfeitures shall not be used to increase the annuities a judge or survivor would otherwise receive under the system.

Sec. 8. Section 602.9107, subsection 1, paragraph b, subparagraph (4), Code 2005, is amended to read as follows:

(4) For judges who retire and receive an annuity on or after July 1, 2001, but before July 1, 2005, the specified percentage shall be sixty percent.

Sec. 9. Section 602.9107, subsection 1, paragraph b, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (5) For judges who retire and receive an annuity on or after July 1, 2005, the specified percentage shall be sixty-five percent.

Sec. 10. Section 602.9107C, subsection 1, Code 2005, is amended to read as follows:

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

Sec. 11. Section 602.9108, Code 2005, is amended to read as follows:

602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

The amount designated as the judge's contribution to the judicial retirement fund in section 602.9104, ~~subsection 1,~~ and all amounts paid into the fund by a judge shall be credited to the individual account of the judge. If a judge covered under this article becomes separated from service as a judge before the judge completes an aggregate of ~~six~~ four years of service as a judge of one or more of the courts, the total amount in the judge's individual account shall be returned to the judge or the judge's legal representatives within one year of the separation. If a judge, who is covered under this article and who has completed an aggregate of ~~six~~ four years or more of service as a judge of one or more of the courts, dies before retirement, without a survivor, the total amount in the judge's individual account shall be paid in one sum to the judge's legal representatives within one year of the judge's death. If an annuitant under this section dies without a survivor, and without having received in annuities an amount equal to the total amount in the judge's individual account at the time of separation from service, the amount remaining to the annuitant's credit shall be paid in one sum to the annuitant's legal representatives within one year of the annuitant's death.

Sec. 12. Section 602.9112, Code 2005, is amended to read as follows:

602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

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

Sec. 13. Section 602.9115A, unnumbered paragraphs 1 and 3, Code 2005, are amended to read as follows:

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

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

Sec. 14. Section 602.9116, subsection 1, Code 2005, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104~~, subsection 4~~. The court administrator shall adopt mortality tables and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system and shall report its findings and recommendations to the general assembly.

Sec. 15. Section 602.9203, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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

Sec. 16. Section 602.9204, subsection 1, Code 2005, is amended to read as follows:

1. A judge who retires on or after July 1, 1994, and who is appointed a senior judge under section 602.9203 shall be paid a salary as determined by the general assembly. A senior judge or retired senior judge shall be paid an annuity under the judicial retirement system in the manner provided in section 602.9109, but computed under this section in lieu of section 602.9107, as follows: The annuity paid to a senior

judge or retired senior judge shall be an amount equal to ~~three-percent~~ the applicable percentage multiplier of the basic senior judge salary, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except the annuity of the senior judge or retired senior judge shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary used in calculating the annuity. However, following the twelve-month period during which the senior judge or retired senior judge attains seventy-eight years of age, the annuity paid to the person shall be an amount equal to ~~three-percent~~ the applicable percentage multiplier of the basic senior judge salary cap, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except that the annuity shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary cap. A senior judge or retired senior judge shall not receive benefits calculated using a basic senior judge salary established after the twelve-month period in which the senior judge or retired senior judge attains seventy-eight years of age. The state shall provide, regardless of age, to an active senior judge or a senior judge with six years of service as a senior judge and to the judge's spouse, and pay for medical insurance until the judge attains the age of seventy-eight years.

Sec. 17. Section 602.9204, subsection 2, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. oa. "Applicable percentage multiplier" means as follows:

(1) For a senior judge or retired senior judge who retired as a judge and received an annuity prior to July 1, 2005, three percent.

(2) For a senior judge or a retired senior judge who

retired as a judge and received an annuity on or after July 1, 2005, three and one-fourth percent.

Sec. 18. Section 602.9107A, Code 2005, is repealed.

HOUSE FILE 729

S-3129

Amend the amendment, S-3105, to House File 729, as amended, passed, and reprinted by the House, as follows:

1. By striking page 1, line 3, through page 2, line 6.

2. By striking page 3, line 50, through page 4, line 39.

3. By striking page 4, line 40, through page 5, line 5, and inserting the following:

"Sec. ___. Section 97B.49B, subsection 3, Code 2005, is amended to read as follows:"

4. By striking page 6, line 26, through page 10, line 16.

5. Page 10, by striking lines 19 through 26.

6. By renumbering as necessary.

By MARK ZIEMAN

S-3129 FILED APRIL 14, 2005

HOUSE FILE 729

S-3220

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

1. Page 2, by inserting after line 21, the following:

"Sec. ___. Section 97B.80C, subsection 1, paragraph a, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) Any service that is not qualified service for which the internal revenue service permits the purchase of permissive service credit."

2. By renumbering as necessary.

By JACK HATCH

S-3220 FILED MAY 2, 2005

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

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

"Section 1. Section 97B.1A, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 10A. "Final average salary" means as follows:

a. For a member whose first date of service is before July 1, 2005, the member's three-year average covered wage.

b. For a member whose first date of service is on or after July 1, 2005, the member's five-year average covered wage.

NEW SUBSECTION. 10B. "First date of service" means the later of the following, if applicable:

a. The date a person first enters service if no refund of contributions for service on that date is made.

b. The date an inactive nonvested member first reenters service if no refund of contributions for service on that date is made.

NEW SUBSECTION. 11A. a. "Five-year average covered wage" means, for a member who retires prior to July 1, 2008, a member's covered wages averaged for the highest five years of the member's service, except as otherwise provided in this subsection. The highest five years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the system may determine the wages for the fifth year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the four highest years and using the computed average quarter for each quarter in the fifth year in which no wages have been reported in combination with the final quarter or quarters of the member's service to create a full year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's five-year average covered wage. Notwithstanding any other provision of this paragraph to the contrary, a member's wages for the fifth year as computed by this paragraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages.

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

2. Page 1, by striking lines 14 through 32 and inserting the following:

"2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seventy-five hundredths percent plus the total additional employee percentage plus fifty percent of the total adjusted percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus fifty percent of the total adjusted percentage.

c. "Total additional employee percentage" means as follows:

(1) For the fiscal period beginning July 1, 2005, through June 30, 2013, the total additional employee percentage for a fiscal year shall be the total additional employee percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage for the prior fiscal year and the applicable employer percentage for the prior fiscal year, one-half percentage point. The maximum total additional employee percentage shall be two percentage points.

(2) For each fiscal year beginning on or after July 1, 2014, the total additional employee percentage shall be the total additional employee percentage for the prior fiscal year.

d. "Total adjusted percentage" means as follows:

(1) For the fiscal period beginning July 1, 2009, through June 30, 2013, the total adjusted percentage for a fiscal year shall be the total adjusted percentage for the prior fiscal year plus, only if the total additional employee percentage for the prior fiscal year was two percentage points and the total comparison percentage is greater than the total of the applicable employee percentage for the prior fiscal year and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2013, the total adjusted percentage shall be the lesser of the percentage rate, whether positive or

negative, equal to the total required percentage, as defined in paragraph "f", for that fiscal year minus eleven and one-half percent or the total adjusted percentage for the fiscal year beginning July 1, 2013."

3. Page 1, line 33, by striking the words "d." and inserting the following: "e.".

4. Page 2, by inserting after line 2, the following:

"f. "Total required percentage" for a fiscal year means the percentage rate equal to the total of eleven and one-half percent and the total adjusted percentage for the prior fiscal year unless any of the following applies:

(1) If the system determines, based upon the most recent actuarial valuation of the retirement system, that the total required percentage for the prior fiscal year is insufficient to amortize the unfunded actuarial liability of the retirement system within thirty years, the total required percentage for the next fiscal year shall be the lesser, as determined by the system's actuary, of the percentage rate needed to amortize the unfunded actuarial liability of the retirement system in thirty years or a percentage rate equal to one percentage point greater than the total required percentage for the prior fiscal year.

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

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

(b) The percentage rate equal to the normal cost rate as certified by the system's actuary plus that percentage necessary, but in no event less than seventy-five hundredths of one percent, to amortize any unfunded actuarial liability of the retirement system within twenty years.

The total required percentage as provided by this paragraph "f" for a particular fiscal year shall be determined by the system, by rule, following a determination by the system's actuary as to the total required percentage for that fiscal year based upon the most recent actuarial valuation of the retirement system by the system's actuary.

Sec. ___. Section 97B.45, subsection 4, Code 2005, is amended to read as follows:

4. ~~The~~ For a member whose first date of service is before July 1, 2005, the first of any month in which the member is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight.

Sec. ___. Section 97B.47, Code 2005, is amended to read as follows:

97B.47 EARLY RETIREMENT DATE.

1. ~~A member's~~ The early retirement date of a member whose first date of service is before July 1, 2005, shall be the first of the month in which a member attains the age of fifty-five years or the first of any month after attaining the age of fifty-five years prior to the member's normal retirement date, provided such date shall be after the last day of service.

2. The early retirement date of a member whose first date of service is on or after July 1, 2005, shall be the first of the month in which the member attains the age of sixty-two years or the first of any month after attaining the age of sixty-two years prior to the member's normal retirement date, provided such date shall be after the last day of service.

Sec. ___. Section 97B.49A, subsection 3, Code 2005, is amended to read as follows:

3. CALCULATION OF MONTHLY ALLOWANCE. For each active or inactive vested member retiring on or after July 1, 1994, with four or more complete years of service, a monthly benefit shall be computed which is equal to one-twelfth of an amount equal to the applicable percentage of the ~~three-year average covered wage~~ member's final average salary multiplied by a fraction of years of service. However, if benefits under this section commence on an early retirement date, the amount of the benefit shall be reduced in accordance with section 97B.50.

Sec. ___. Section 97B.49B, subsections 2, 3, and 4, Code 2005, are amended to read as follows:

2. CALCULATION OF MONTHLY ALLOWANCE. Notwithstanding other provisions of this chapter, a member who is or has been employed in a protection occupation who retires on or after July 1, 1994, and at the time of retirement is at least fifty-five years of age may elect to receive, in lieu of the receipt of any benefits as calculated pursuant to section 97B.49A or 97B.49D, a monthly retirement allowance equal to one-twelfth of an amount equal to the applicable

percentage of the ~~three-year average covered wage~~ member's final average salary as a member who has been employed in a protection occupation multiplied by a fraction of years of service, with benefits payable during the member's lifetime.

3. ~~ADDITIONAL~~ CONTRIBUTIONS.

a. Annually, the system shall actuarially determine the cost of the ~~additional~~ benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Sixty~~ Notwithstanding any provision of section 97B.11 to the contrary, sixty percent of the cost shall be paid by the employers of employees covered under this section and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are in addition to the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

b. (1) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, there is appropriated from the state fish and game protection fund to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (1).

(2) Annually, during each fiscal year commencing with the fiscal year beginning July 1, 1988, each applicable city shall pay to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of that city covered under subsection 1, paragraph "e", subparagraphs (2) and (4).

(3) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, the department of corrections shall pay to the system from funds appropriated to the Iowa department of corrections, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (3).

(4) For the fiscal year commencing July 1, 1990, and each succeeding fiscal year, the state department of transportation shall pay to the system, from funds appropriated to the state department of transportation from the road use tax fund and the primary road fund, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (5).

(5) For the fiscal year commencing July 1, 1992,

and each succeeding fiscal year, the department of public safety shall pay to the system from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to a fire prevention inspector peace officer pursuant to subsection 1, paragraph "e", subparagraph (6).

(6) For the fiscal year commencing July 1, 1994, and each succeeding fiscal year through the fiscal year ending June 30, 1998, each judicial district department of correctional services shall pay to the system from funds appropriated to that judicial district department of correctional services, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of a judicial district department of correctional services who are employed as a probation officer III or a parole officer III.

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

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

Sec. ___. Section 97B.49C, subsection 2, paragraphs a and b, Code 2005, are amended to read as follows:

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

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

5. Page 2, by inserting after line 14 the following:

"Sec. ___. Section 97B.49C, subsection 4, Code 2005, is amended to read as follows:

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

Sec. ___. Section 97B.49D, subsection 1, paragraphs a, b, and c, Code 2005, are amended to read as follows:

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

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

c. One-twelfth of an amount equal to the applicable percentage of the member's ~~three-year average covered wage~~ final average salary multiplied by a fraction of years of service. The fraction of years of service for purposes of this paragraph shall be the actual years of service, not to exceed twenty-two, earned in a position described in section 97B.49C, for which special service contributions were made, divided by twenty-two. In calculating the fractions of years of service under this paragraph, a member shall not receive special service credit for years of service for which the member and the member's employer did not make the required special service contributions to the system.

Sec. ___. Section 97B.50, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. For a member ~~who is less than sixty-two years of age~~ whose first date of service is before July 1, 2005, by twenty-five hundredths of one percent per month for each month that the early retirement date precedes the normal retirement date.

Sec. ___. Section 97B.50, subsection 1, paragraph b, Code 2005, is amended by striking the paragraph and inserting in lieu thereof the following:

b. For a member whose first date of service is on or after July 1, 2005, by the actuarial cost to the system for each month that the early retirement date precedes the normal retirement date.

Sec. ___. Section 97B.50A, subsection 1, paragraph c, Code 2005, is amended to read as follows:

c. "Reemployment comparison amount" means an amount equal to the current covered wages of an active special service member at the same position on the salary scale within the rank or position the member held at the time the member received a disability retirement allowance pursuant to this section. If the rank or position held by the member at the time of retirement pursuant to this section is abolished, the amount shall be computed by the system as though the rank or position had not been abolished and salary increases had been granted on the same basis as granted to other ranks or positions by the former employer of the member. The reemployment comparison amount shall not be less than the ~~three-year average covered wage~~ final average salary of the member, based on all regular and special service covered under this chapter.

Sec. ___. Section 97B.50A, subsection 2, paragraph d, Code 2005, is amended to read as follows:

d. Upon retirement for an in-service disability as provided by this subsection, a member shall have the option to receive a monthly in-service disability retirement allowance calculated under this subsection or a monthly retirement allowance as provided in section 97B.49A, 97B.49B, 97B.49C, 97B.49D, or 97B.49G, as applicable, that the member would receive if the member had attained fifty-five years of age. The monthly in-service disability allowance calculated under this subsection shall consist of an allowance equal to one-twelfth of sixty percent of the member's ~~three-year average covered wage~~ final average salary or its actuarial equivalent as provided under section 97B.51.

Sec. ___. Section 97B.50A, subsection 3, paragraph c, Code 2005, is amended to read as follows:

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

Sec. ___. Section 97B.53, subsection 2, Code 2005, is amended to read as follows:

2. If a vested member's employment is terminated prior to the member's retirement, other than by death, the member may receive a monthly retirement allowance commencing on the first day of the month in which the

member attains the age of sixty-five years, if the member is then alive, or, if the member so elects in accordance with section 97B.47, commencing on the ~~first day of the month in which the member attains the age of fifty-five~~ member's early retirement date or any month thereafter prior to the date the member attains the age of sixty-five years, and continuing on the first day of each month thereafter during the member's lifetime, provided the member does not receive prior to the date the member's retirement allowance is to commence a refund of moneys in the member's account as provided under any of the provisions of this chapter. The amount of each such monthly retirement allowance shall be determined as provided in either sections 97B.49A through 97B.49G, or in section 97B.50, whichever is applicable."

6. Page 3, by inserting after line 23 the following:

"Sec. ___. FAVORABLE EXPERIENCE DIVIDEND RESERVE ACCOUNT -- TRANSFER OF MONEYS. Notwithstanding any provision of chapter 97B to the contrary, the Iowa public employees' retirement system shall have the authority to transfer a portion of the moneys in the favorable experience dividend reserve account created in section 97B.49F to the retirement fund created in section 97B.7.

Sec. ___. IPERS BENEFIT ENHANCEMENTS -- DELAYED EFFECTIVE DATE. Notwithstanding any provision of law to the contrary, if any benefit enhancements are enacted during the fiscal period beginning July 1, 2005, through June 30, 2013, for members of the Iowa public employees' retirement system (IPERS), the benefit enhancements shall become effective the latter of July 1, 2014, or the July 1 following the most recent actuarial valuation of the retirement system in which the IPERS actuary certifies that the funded status of IPERS is at least one hundred percent. For purposes of this section, benefit enhancements are retirement benefits provided to members of IPERS which the IPERS actuary determines will increase IPERS' normal cost rate."

7. Title page, line 2, by inserting after the word "system" the following: "and including an effective date provision".

8. By renumbering, redesignating, and correcting internal references as necessary.

COMMITTEE ON STATE GOVERNMENT
WALLY E. HORN, CO-CHAIRPERSON
LARRY McKIBBEN, CO-CHAIRPERSON

S-3105 FILED APRIL 11, 2005

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

1. Page 1, by striking lines 14 through 32 and inserting the following:

"2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seventy-five hundredths percent plus the total additional employee percentage plus fifty percent of the total adjusted percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus fifty percent of the total adjusted percentage.

c. "Total additional employee percentage" means as follows:

(1) For the fiscal period beginning July 1, 2005, through June 30, 2013, the total additional employee percentage for a fiscal year shall be the total additional employee percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage for the prior fiscal year and the applicable employer percentage for the prior fiscal year, one-half percentage point. The maximum total additional employee percentage shall be two percentage points.

(2) For each fiscal year beginning on or after July 1, 2014, the total additional employee percentage shall be the total additional employee percentage for the prior fiscal year.

d. "Total adjusted percentage" means as follows:

(1) For the fiscal period beginning July 1, 2009, through June 30, 2013, the total adjusted percentage for a fiscal year shall be the total adjusted percentage for the prior fiscal year plus, only if the total additional employee percentage for the prior fiscal year was two percentage points and the total comparison percentage is greater than the total of the applicable employee percentage for the prior fiscal year and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2013, the total adjusted percentage shall be the lesser of the percentage rate, whether positive or negative, equal to the total required percentage, as defined in paragraph "f", for that fiscal year minus eleven and one-half percent or the total adjusted percentage for the fiscal year beginning July 1,

2013."

2. Page 1, line 33, by striking the word "d." and inserting the following: "e."

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

"f. "Total required percentage" for a fiscal year means the percentage rate equal to the total of eleven and one-half percent and the total adjusted percentage for the prior fiscal year unless any of the following applies:

(1) If the system determines, based upon the most recent actuarial valuation of the retirement system, that the total required percentage for the prior fiscal year is insufficient to amortize the unfunded actuarial liability of the retirement system within thirty years, the total required percentage for the next fiscal year shall be the lesser, as determined by the system's actuary, of the percentage rate needed to amortize the unfunded actuarial liability of the retirement system in thirty years or a percentage rate equal to one percentage point greater than the total required percentage for the prior fiscal year.

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

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

(b) The percentage rate equal to the normal cost rate as certified by the system's actuary plus that percentage necessary, but in no event less than seventy-five hundredths of one percent, to amortize any unfunded actuarial liability of the retirement system within twenty years.

The total required percentage as provided by this paragraph "f" for a particular fiscal year shall be determined by the system, by rule, following a determination by the system's actuary as to the total required percentage for that fiscal year based upon the most recent actuarial valuation of the retirement system by the system's actuary.

Sec. ___. Section 97B.49B, subsection 3, Code 2005, is amended to read as follows:

3. ~~ADDITIONAL~~ CONTRIBUTIONS.

a. Annually, the system shall actuarially determine the cost of the ~~additional~~ benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Sixty~~ Notwithstanding any provision of section 97B.11 to the contrary, sixty percent of the cost shall be paid by the employers of employees covered under this section and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are in addition to the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

b. (1) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, there is appropriated from the state fish and game protection fund to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (1).

(2) Annually, during each fiscal year commencing with the fiscal year beginning July 1, 1988, each applicable city shall pay to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of that city covered under subsection 1, paragraph "e", subparagraphs (2) and (4).

(3) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, the department of corrections shall pay to the system from funds appropriated to the Iowa department of corrections, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (3).

(4) For the fiscal year commencing July 1, 1990, and each succeeding fiscal year, the state department of transportation shall pay to the system, from funds appropriated to the state department of transportation from the road use tax fund and the primary road fund, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (5).

(5) For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the system from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to a fire prevention inspector peace officer pursuant to subsection 1, paragraph "e", subparagraph (6).

(6) For the fiscal year commencing July 1, 1994,

and each succeeding fiscal year through the fiscal year ending June 30, 1998, each judicial district department of correctional services shall pay to the system from funds appropriated to that judicial district department of correctional services, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of a judicial district department of correctional services who are employed as a probation officer III or a parole officer III.

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

4. Page 3, by inserting after line 23 the following:

Sec. ___. IPERS BENEFIT ENHANCEMENTS -- DELAYED EFFECTIVE DATE. Notwithstanding any provision of law to the contrary, if any benefit enhancements are enacted during the fiscal period beginning July 1, 2005, through June 30, 2013, for members of the Iowa public employees' retirement system (IPERS), the benefit enhancements shall become effective the latter of July 1, 2014, or the July 1 following the most recent actuarial valuation of the retirement system in which the IPERS actuary certifies that the funded status of IPERS is at least one hundred percent. For purposes of this section, benefit enhancements are retirement benefits provided to members of IPERS which the IPERS actuary determines will increase IPERS' normal cost rate."

5. Title page, line 2, by inserting after the word "system" the following: "and including an effective date provision".

6. By renumbering, redesignating, and correcting internal references as necessary.

By MARK ZIEMAN

S-3145 FILED APRIL 19, 2005

S-3151

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

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

"Sec. ____. Section 97B.42, Code 2005, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. Notwithstanding any other provision of this section, commencing on the applicable start date, a member who is employed by a school district or area education agency as an elementary or secondary school teacher may elect coverage under the eligible alternative retirement benefits system as provided in section 294.17, in lieu of continuing or commencing contributions to the Iowa public employees' retirement system. However, the employer's and employee's annual contribution in dollars to the eligible alternative retirement benefits system shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member under this chapter, as set forth in section 97B.11. A member who elects coverage under the eligible alternative retirement benefits system as provided by this paragraph may withdraw the member's accumulated contributions effective when coverage under the eligible alternative retirement benefits system commences. A member who is employed by a school district or area education agency as an elementary or secondary school teacher prior to the applicable start date, must file an election for coverage under the eligible alternative retirement benefits system described in section 294.17, with the system and the employing school district or area education agency within eighteen months of the first day on which coverage commences under the eligible alternative retirement benefits system described in section 294.17, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. A person hired on or after the applicable start date, by a school district or area education agency as an elementary or secondary school teacher must file an election for coverage under the eligible alternative retirement benefits system with the system and the employing school district or area education agency within sixty days of commencing employment, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. The system shall cooperate with the state board of education and with applicable school districts and area education agencies to facilitate the implementation of this provision.

NEW UNNUMBERED PARAGRAPH. Notwithstanding any other provision of this section, commencing on the applicable start date, a member who is employed by a public hospital may elect coverage under the eligible alternative retirement benefits system as provided in section 347.14 or 392.6, in lieu of continuing or commencing contributions to the Iowa public employees' retirement system. However, the employer's and employee's annual contribution in dollars to the eligible alternative retirement benefits system shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member under this chapter, as set forth in section 97B.11. A member who elects coverage under the eligible alternative retirement benefits system as provided by this paragraph may withdraw the member's accumulated contributions effective when coverage under the eligible alternative retirement benefits system commences. A member who is employed by a public hospital prior to the applicable start date, must file an election for coverage under the eligible alternative retirement benefits system described in section 347.14 or 392.6, with the system and the employing public hospital within eighteen months of the first day on which coverage commences under the eligible alternative retirement benefits system described in section 347.14 or 392.6, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. A person hired on or after the applicable start date, by a public hospital must file an election for coverage under the eligible alternative retirement benefits system with the system and the employing public hospital within sixty days of commencing employment, or the employee shall remain a member under this chapter and shall not be eligible to elect to participate in the eligible alternative retirement benefits system at a later date. In addition, an election by a member to participate in an alternative retirement benefits system as provided by this paragraph shall be irrevocable and the member shall not be eligible to elect coverage under this chapter while employed by a public hospital in this state that has made an alternative retirement benefits system available. The system shall cooperate with boards of trustees of public hospitals authorized to offer an eligible alternative retirement benefits system to facilitate the implementation of this provision.

NEW UNNUMBERED PARAGRAPH. For purposes of this section, the "applicable start date" means the July 1 following the most recent actuarial valuation of the retirement system in which the system's actuary certifies that the actuarial valuation of assets of the retirement system equals or exceeds the actuarial valuation of the accrued liabilities of the retirement system."

2. Page 2, by inserting after line 21, the following:

"Sec. ___. Section 256.7, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 26. By the applicable start date as defined in section 97B.42, provide for the establishment of an eligible alternative retirement benefits system for elementary and secondary school teachers employed by a school district or area education agency consistent with the requirements of section 294.17.

Sec. ___. NEW SECTION. 294.17 ELIGIBLE ALTERNATIVE PENSION AND ANNUITY RETIREMENT SYSTEM.

1. The state board of education shall establish an eligible alternative pension and annuity retirement system, hereafter called the "retirement system", effective on the applicable start date as defined in section 97B.42, for elementary and secondary school teachers employed by a school district or area education agency pursuant to the requirements of this section. The state board of education shall be the plan sponsor of the retirement system and shall file an application for a favorable determination letter for the retirement system with the internal revenue service.

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

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

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

b. The employer's and employee's annual contribution in dollars under an eligible alternative retirement benefits system described in this section shall equal, but not exceed, the annual contribution in dollars which the employer and employee would contribute if the employee had elected to remain an active member pursuant to the Iowa public employees' retirement system, as set forth in section 97B.11. Contributions under the retirement system shall be treated in the same manner as contributions under the Iowa public employees' retirement system are treated pursuant to section 97B.11A.

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

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

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

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

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

4. Persons employed by a school district or area education agency as an elementary or secondary school teacher on or after the applicable start date as defined in section 97B.42, may elect coverage under the retirement system established in this section in lieu of coverage under the Iowa public employees' retirement system, pursuant to the requirements of section 97B.42.

Sec. ___. Section 347.14, Code 2005, is amended by adding the following new subsection:

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

Sec. ___. Section 392.6, Code 2005, is amended by adding the following new unnumbered paragraph:

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

3. By renumbering as necessary.

By STEWART IVERSON, Jr.

S-3151 FILED APRIL 20, 2005
DEFERRED

HOUSE FILE 729

S-3153

Amend the amendment, S-3151, to House File 729, as amended, passed, and reprinted by the House, as follows:

1. Page 3, by striking lines 38 through 44 and inserting the following:

"2. The state board of education shall select providers of the retirement system that are insurance companies authorized to issue annuity contracts in this state that are capable of providing bundled services for the retirement system, including, but not limited to, administration, investment management, employee education, and recordkeeping. The state board of education may limit the number of providers offered pursuant to this subsection to no more than six. The selection by the state board of education of a provider of the retirement system pursuant to this subsection shall not constitute an endorsement of the provider by the state board of education. In selecting providers, the state board of education shall place".

By STEWART IVERSON, Jr.

S-3153 FILED APRIL 20, 2005

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

1. By striking page 1, line 14 through page 2, line 2, and inserting the following:

"2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" is as follows:

(1) Prior to July 1, 2006, three and seven-tenths percent.

(2) Beginning on or after July 1, 2006, but before July 1, 2007, four and eight hundredths percent.

(3) Beginning on or after July 1, 2007, but before July 1, 2008, four and forty-six hundredths percent.

(4) Beginning on or after July 1, 2008, but before July 1, 2009, four and eighty-four hundredths percent.

(5) Beginning on or after July 1, 2009, but before July 1, 2010, five and twenty-two hundredths percent.

(6) Beginning on or after July 1, 2010, but before July 1, 2011, five and six-tenths percent.

(7) Beginning on or after July 1, 2011, but before July 1, 2012, five and ninety-eight hundredths percent.

(8) Beginning on or after July 1, 2012, but before July 1, 2013, six and thirty-six hundredths percent.

(9) Beginning on or after July 1, 2013, but before July 1, 2014, six and seventy-five hundredths percent.

(10) Beginning on or after July 1, 2014, fifty percent of the total required percentage.

b. "Applicable employer percentage" is as follows:

(1) Prior to July 1, 2006, five and seventy-five hundredths percent.

(2) Beginning on or after July 1, 2006, but before July 1, 2007, six and twenty-five hundredths percent.

(3) Beginning on or after July 1, 2007, but before July 1, 2014, six and seventy-five hundredths percent.

(4) Beginning on or after July 1, 2014, fifty percent of the total required percentage.

c. "Total required percentage" for a fiscal year means the percentage rate equal to the applicable employee percentage and the applicable employer percentage for the prior fiscal year unless any of the following applies:

(1) If the system determines, based upon the most recent actuarial valuation of the retirement system, that the total required percentage for the prior fiscal year is insufficient to amortize the unfunded actuarial liability of the retirement system within thirty years, the total required percentage for the next fiscal year shall be the lesser, as determined by the system's actuary, of the percentage rate needed to

amortize the unfunded actuarial liability of the retirement system in thirty years or a percentage rate equal to one percentage point greater than the total required percentage for the prior fiscal year.

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

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

(b) The percentage rate equal to the normal cost rate as certified by the system's actuary plus that percentage necessary, but in no event less than seventy-five hundredths of one percent, to amortize any unfunded actuarial liability of the retirement system within twenty years.

3. For each fiscal year beginning on or after July 1, 2014, the applicable employee percentage and the applicable employer percentage for a particular fiscal year shall be determined by the system, by rule, following a determination by the system's actuary as to the total required percentage for that fiscal year based upon the most recent actuarial valuation of the retirement system by the system's actuary.

Sec. ___. Section 97B.49B, subsection 3, Code 2005, is amended to read as follows:

3. ~~ADDITIONAL~~ CONTRIBUTIONS.

a. Annually, the system shall actuarially determine the cost of the ~~additional~~ benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Sixty~~ Notwithstanding any provision of section 97B.11 to the contrary, sixty percent of the cost shall be paid by the employers of employees covered under this section and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are in addition to the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

b. (1) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, there is appropriated from the state fish and game protection fund to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (1).

(2) Annually, during each fiscal year commencing with the fiscal year beginning July 1, 1988, each applicable city shall pay to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of that city covered under subsection 1, paragraph "e", subparagraphs (2) and (4).

(3) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, the department of corrections shall pay to the system from funds appropriated to the Iowa department of corrections, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (3).

(4) For the fiscal year commencing July 1, 1990, and each succeeding fiscal year, the state department of transportation shall pay to the system, from funds appropriated to the state department of transportation from the road use tax fund and the primary road fund, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (5).

(5) For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the system from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to a fire prevention inspector peace officer pursuant to subsection 1, paragraph "e", subparagraph (6).

(6) For the fiscal year commencing July 1, 1994, and each succeeding fiscal year through the fiscal year ending June 30, 1998, each judicial district department of correctional services shall pay to the system from funds appropriated to that judicial district department of correctional services, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of a judicial district department of correctional services who are employed as a probation officer III or a parole officer III.

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

2. By renumbering as necessary.

By STEWART IVERSON, Jr.

S-3264 FILED MAY 4, 2005

SENATE CLIP SHEET

FEBRUARY 13, 2006

HOUSE FILE 729

S-5003

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

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

"Section 1. Section 97B.1A, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 11A. "Fully funded" means a funded ratio of at least one hundred percent using the most recent actuarial valuation. For purposes of this subsection, "funded ratio" means the ratio produced by dividing the lesser of the actuarial value of the system's assets or the market value of the system's assets, by the system's actuarial liabilities, using the actuarial method adopted by the investment board pursuant to section 97B.8A, subsection 3.

Sec. ___. Section 97B.1A, subsection 24, paragraph a, Code Supplement 2005, is amended to read as follows:

a. "Three-year average covered wage" means~~, for a member who retires prior to July 1, 2008,~~ a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the system may determine the wages for the third year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the two highest years and using the computed average quarter for each quarter in the third year in which no wages have been reported in combination with the final quarter or quarters of the member's service to create a full year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-year average covered wage of a member exceeds the highest maximum covered wages in effect for a calendar year during the member's period of service, the three-year average covered wage of the member shall be reduced to the highest maximum covered wages in effect during the member's period of service. Notwithstanding any other provision of this paragraph to the contrary, a member's wages for the third year as computed by this paragraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages for a member whose first month of entitlement is January 1999 or later.

Sec. ___. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph and inserting in lieu thereof the following:

c. Notwithstanding any other provisions of this subsection to the contrary, for a member who retires on or after July 1, 2007, the member's three-year average covered wage shall be the lesser of the three-year average covered wage as calculated pursuant to paragraph "a" and the adjusted covered wage amount. For purposes of this paragraph, the adjusted covered wage amount shall be the greater of the member's three-year average covered wage calculated pursuant to paragraph "a" as of July 1, 2007, and an amount equal to one hundred twenty-one percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest full calendar year of covered wages not used in the calculation of the member's three-year average covered wage pursuant to paragraph "a", or, if the member does not have another full calendar year of covered wages that was not used in the calculation of the three-year average covered wage under paragraph "a", the lowest full calendar year of covered wages that was used in the calculation of the member's three-year average covered wage pursuant to paragraph "a"."

2. Page 1, line 23, by striking the figure "2006" and inserting the following: "2007".

3. Page 1, line 24, by striking the figure "2014" and inserting the following: "2011".

4. Page 1, line 31, by striking the figure "2014" and inserting the following: "2011".

5. Page 2, by inserting after line 2 the following:

"Sec. ___. Section 97B.48A, subsection 1, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this subsection and not for purposes of determining a retiree's covered wages, remuneration paid on and after July 1, 2007, includes noncovered contributions to a defined contribution plan qualified under Internal Revenue Code section 401(a), a tax-deferred annuity qualified under Internal Revenue Code section 403(b), an eligible deferred compensation plan qualified under Internal Revenue Code section 457, or any other tax qualified or nonqualified investment vehicle, that is provided by an employer to a retiree who has been or will be reemployed in covered employment."

6. Page 2, line 3, by inserting after the word

"Code" the following: "Supplement".

7. Page 2, by inserting after line 14 the following:

"Sec. ___. Section 97B.49F, subsection 2, paragraph c, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4A) Notwithstanding any provisions of this paragraph to the contrary, moneys shall not be credited to the reserve account if the system is not fully funded or if the system would not remain fully funded if moneys were credited to the reserve account.

Sec. ___. Section 97B.49H, subsection 3, Code 2005, is amended to read as follows:

3. The system shall annually determine the amount to be credited to the supplemental accounts of active members. The total amount credited to the supplemental accounts of all active members shall not exceed the amount that the system determines, in consultation with the system's actuary, can be absorbed without significantly impacting the funded status of the system. The amount to be credited shall ~~be~~ not be greater than the amount calculated by multiplying the member's covered wages for the applicable wage reporting period by the supplemental rate. For purposes of this subsection, the supplemental rate is the difference, if positive, between the combined employee and employer statutory contribution rates in effect under section 97B.11 and the normal cost rate of the retirement system as determined by the system's actuary in the most recent annual actuarial valuation of the retirement system. The credits shall be made at least quarterly during the calendar year following a determination that the retirement system does not have an unfunded accrued liability. The normal cost rate, calculated according to the actuarial cost method used, is the percent of pay allocated to each year of service that is necessary to fund projected benefits over all members' service with the retirement system."

8. Page 2, by inserting after line 21 the following:

"Sec. ___. Section 97B.65, Code 2005, is amended to read as follows:

97B.65 REVISION RIGHTS RESERVED -- INCREASE OF BENEFITS -- RATES OF CONTRIBUTION.

The right is reserved to the general assembly to alter, amend, or repeal any provision of this chapter or any application thereof to any person, provided, however, that to the extent of the funds in the retirement system the amount of benefits which at the time of any such alteration, amendment, or repeal shall have accrued to any member of the retirement system shall not be repudiated, provided further, however, that the amount of benefits accrued on account of prior service shall be adjusted to the extent of any unfunded accrued liability then outstanding. ~~Any~~ An increase ~~enacted~~ in the benefits or retirement ~~allowance~~ allowances provided under this chapter shall not be enacted until after the system's actuary determines that the system is fully funded and will continue to be fully funded immediately following enactment of the increase. However, an increase in the benefits or retirement allowances provided under this chapter may be enacted if the increase is accompanied by a change in the employer and employee contribution rates necessary to support such increase~~, all~~ as determined ~~in accordance with sound actuarial principles and methods~~ by the system's actuary."

9. Page 3, line 17, by striking the word and figures "January 1, 2006" and inserting the following: "October 1, 2007".

10. Page 5, line 4, by striking the figure "2005" and inserting the following: "2006".

11. Page 5, line 8, by striking the figure "2005" and inserting the following: "2006".

12. Page 5, line 30, by striking the figure "2005" and inserting the following: "2006".

13. Page 7, line 11, by striking the figure "2005" and inserting the following: "2006".

14. Page 7, line 16, by striking the figure "2005" and inserting the following: "2006".

15. Page 11, line 33, by striking the figure "2005" and inserting the following: "2006".

16. Page 12, line 2, by striking the figure "2005" and inserting the following: "2006".

17. By renumbering as necessary.

COMMITTEE ON STATE GOVERNMENT
WALLY E. HORN, CO-CHAIRPERSON
LARRY McKIBBEN, CO-CHAIRPERSON

EIGHTY-FIRST GENERAL ASSEMBLY
2006 REGULAR SESSION
DAILY
HOUSE CLIP SHEET

FEBRUARY 16, 2006

SENATE AMENDMENT TO
HOUSE FILE 729

H-8029

Amend House File 729, as amended, passed, and reprinted by the House, as follows:

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

"Section 1. Section 97B.1A, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 11A. "Fully funded" means a funded ratio of at least one hundred percent using the most recent actuarial valuation. For purposes of this subsection, "funded ratio" means the ratio produced by dividing the lesser of the actuarial value of the system's assets or the market value of the system's assets, by the system's actuarial liabilities, using the actuarial method adopted by the investment board pursuant to section 97B.8A, subsection 3.

Sec. ___. Section 97B.1A, subsection 24, paragraph a, Code Supplement 2005, is amended to read as follows:

a. "Three-year average covered wage" means~~, for a member who retires prior to July 1, 2008,~~ a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the system may determine the wages for the third year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the two highest years and using the computed average quarter for each quarter in the third year in which no wages have been reported in combination with the final quarter or quarters of the member's service to create a full year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-year average covered wage of a member exceeds the highest maximum covered wages in effect for a calendar year during the member's period of service, the three-year average covered wage of the member shall be reduced to the highest maximum covered wages in effect during the member's period of service. Notwithstanding any other provision of this paragraph to the contrary, a member's wages for the third year as computed by this paragraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages for a member whose first month of entitlement is January 1999 or later.

Sec. ___. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph and inserting in lieu thereof the following:

c. Notwithstanding any other provisions of this subsection to the contrary, for a member who retires on or after July 1, 2007, the member's three-year average covered wage shall be the lesser of the three-year average covered wage as calculated pursuant to paragraph "a" and the adjusted covered wage amount. For purposes of this paragraph, the adjusted covered wage amount shall be the greater of the member's three-year average covered wage calculated pursuant to paragraph "a" as of July 1, 2007, and an amount equal to one hundred twenty-one percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest full calendar year of covered wages not used in the calculation of the member's three-year average covered wage pursuant to paragraph "a", or, if the member does not have another full calendar year of covered wages that was not used in the calculation of the three-year average covered wage under paragraph "a", the lowest full calendar year of covered wages that was used in the calculation of the member's three-year average covered wage pursuant to paragraph "a"."

2. Page 1, line 23, by striking the figure "2006" and inserting the following: "2007".

3. Page 1, line 24, by striking the figure "2014" and inserting the following: "2011".

4. Page 1, line 31, by striking the figure "2014" and inserting the following: "2011".

5. Page 2, by inserting after line 2 the following:

"Sec. ___. Section 97B.48A, subsection 1, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this subsection and not for purposes of determining a retiree's covered wages, remuneration paid on and after July 1, 2007, includes noncovered contributions to a defined contribution plan qualified under Internal Revenue Code section 401(a), a tax-deferred annuity qualified under Internal Revenue Code section 403(b), an eligible deferred compensation plan qualified under Internal Revenue Code section 457, or any other tax qualified or nonqualified investment vehicle, that is provided by an employer to a retiree who has been or will be reemployed in covered employment."

6. Page 2, line 3, by inserting after the word

"Code" the following: "Supplement".

7. Page 2, by inserting after line 14 the following:

"Sec. ___. Section 97B.49F, subsection 2, paragraph c, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4A) Notwithstanding any provisions of this paragraph to the contrary, moneys shall not be credited to the reserve account if the system is not fully funded or if the system would not remain fully funded if moneys were credited to the reserve account.

Sec. ___. Section 97B.49H, subsection 3, Code 2005, is amended to read as follows:

3. The system shall annually determine the amount to be credited to the supplemental accounts of active members. The total amount credited to the supplemental accounts of all active members shall not exceed the amount that the system determines, in consultation with the system's actuary, can be absorbed without significantly impacting the funded status of the system. The amount to be credited shall ~~be~~ not be greater than the amount calculated by multiplying the member's covered wages for the applicable wage reporting period by the supplemental rate. For purposes of this subsection, the supplemental rate is the difference, if positive, between the combined employee and employer statutory contribution rates in effect under section 97B.11 and the normal cost rate of the retirement system as determined by the system's actuary in the most recent annual actuarial valuation of the retirement system. The credits shall be made at least quarterly during the calendar year following a determination that the retirement system does not have an unfunded accrued liability. The normal cost rate, calculated according to the actuarial cost method used, is the percent of pay allocated to each year of service that is necessary to fund projected benefits over all members' service with the retirement system."

8. Page 2, by inserting after line 21 the following:

"Sec. ___. Section 97B.65, Code 2005, is amended to read as follows:

97B.65 REVISION RIGHTS RESERVED -- INCREASE OF BENEFITS -- RATES OF CONTRIBUTION.

The right is reserved to the general assembly to alter, amend, or repeal any provision of this chapter or any application thereof to any person, provided, however, that to the extent of the funds in the retirement system the amount of benefits which at the time of any such alteration, amendment, or repeal shall have accrued to any member of the retirement system shall not be repudiated, provided further, however, that the amount of benefits accrued on account of prior service shall be adjusted to the extent of any unfunded accrued liability then outstanding. ~~Any~~ An increase ~~enacted~~ in the benefits or retirement ~~allowance~~ allowances provided under this chapter shall not be enacted until after the system's actuary determines that the system is fully funded and will continue to be fully funded immediately following enactment of the increase. However, an increase in the benefits or retirement allowances provided under this chapter may be enacted if the increase is accompanied by a change in the employer and employee contribution rates necessary to support such increase~~,~~ ~~all~~ as determined ~~in accordance with sound actuarial principles and methods~~ by the system's actuary."

9. Page 3, line 17, by striking the word and figures "January 1, 2006" and inserting the following: "October 1, 2007".

10. Page 5, line 4, by striking the figure "2005" and inserting the following: "2006".

11. Page 5, line 8, by striking the figure "2005" and inserting the following: "2006".

12. Page 5, line 30, by striking the figure "2005" and inserting the following: "2006".

13. Page 7, line 11, by striking the figure "2005" and inserting the following: "2006".

14. Page 7, line 16, by striking the figure "2005" and inserting the following: "2006".

15. Page 11, line 33, by striking the figure "2005" and inserting the following: "2006".

16. Page 12, line 2, by striking the figure "2005" and inserting the following: "2006".

17. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-8029 FILED FEBRUARY 15, 2006

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 729 - Public Pension Omnibus (LSB 1330 HV)
Analyst: Sam Leto (Phone: (515) 281-6764) (sam.leto@legis.state.ia.us)
Fiscal Note Version – As Amended and Passed by the Senate

Description

House File 729, as Amended and Passed by the Senate, (H-8029), makes several 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.

1. For IPERS, creates a new definition of "fully funded." IPERS would be considered "fully funded" when the System assets are at least equal to the System liabilities.
2. For IPERS, changes the calculation of average covered wages to prevent "spiking" of retirement benefits by limiting the covered wage that determines benefits to the lesser of the member's three-year average covered wage and 121.00% of the members highest annual wage not included in the three-year average.
3. For IPERS, reduces the number of years that increases in contribution rates are permitted from eight years to four years and the rate increase from 4.00% to 2.00%.
4. For IPERS, specifies that retirement investment plan contributions by the employer will be considered during the determination of $30,000 reemployment wages before a reduction in the member's retirement allowance is made.
5. For IPERS, specifies that additional funds will not be credited to the Favorable Experience Dividend (FED) Fund until the System is "fully funded".
6. For IPERS, specifies that an amount to be credited to a member's supplemental account will be reduced when the System determines that crediting the account would significantly impact the funded status of the System.
7. For IPERS, specifies that benefit increases will not be enacted, unless contribution rates are increased to fully pay for the increased benefits, or the System would remain fully funded after the benefit increase.
8. For IPERS, changes the date a pension flexibility report is due to the Interim Retirement and Pensions Committee from January 1, 2006, to October 1, 2007.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The Bill, as Amended and Passed by the Senate, permits the IPERS to adjust the total employee and employer contribution rates by up to 0.50% each year beginning in FY 2008, and ending in FY 2011, with the employee paying 0.20% (40.00%) and the employer paying 0.30% (60.00%) above the current applicable percentages. The current applicable percentage for employees is 3.70% and for employers it is 5.75%, for a total contribution of 9.45%. The maximum contribution rate could be 4.50% for employees and 6.95% for employers, for a total contribution of 11.45%. After FY 2011, the rates will remain the same as in FY 2011.

The IPERS will only 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 ten years by increasing the total contribution to a rate that will amortize the unfunded actuarial liability of the System within ten years. However, the combined rate will never be below the prior year's rates.

As Amended by the Senate, the Bill requires the Public Retirement Systems Committee to study and report to the General Assembly, by October 1, 2007, on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

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 by employer and covered payroll for FY 2005 are as follows:

Employer	Active Member Counts	FY 2005 Covered Payroll ($ in millions)
State	19,924	$ 919.6
Board of Regents	2,037	41.0
Counties	24,011	745.9
Cities	22,093	639.9
Schools	78,534	2,266.2
Community Colleges	3,528	128.3
Other	8,565	289.0
Total	**158,692**	**$ 5,029.9**

4. The number of members in each class will remain constant.
5. A combined regular IPERS contribution will be insufficient to amortize the unfunded actuarial liability of the System within ten years in FY 2008 through FY 2011.

Fiscal Impact

The Regular IPERS employees' current contributions of 3.70% and employers' contributions of 5.75% will increase as follows:

	Employees' Contribution Rate	Employers' Contribution Rate	Total Contribution Rates
FY 2006	3.70%	5.75%	9.45%
FY 2007	3.70%	5.75%	9.45%
FY 2008	3.90%	6.05%	9.95%
FY 2009	4.10%	6.35%	10.45%
FY 2010	4.30%	6.65%	10.95%
FY 2011	4.50%	6.95%	11.45%
FY 2012	4.50%	6.95%	11.45%

ATTACHMENT 1 provides a detailed explanation of the impact of HF 729, as amended, on the employees and employers, by employer group for FY 2008 through FY 2012. The average change per employee varies by employer group due to the variance in the average wage of the groups. An employee that earns a higher wage will have their contribution increase more than an employee with a lower wage.

The estimated total employer increases are $17.0 million for FY 2008 and $35.3 million for FY 2009, as shown in the table below.

(Dollars in Millions)

Employer	FY 2008	FY 2009
State	$ 3.1	$ 6.5
Board of Regents	0.1	0.3
Counties	2.5	5.2
Cities	2.2	4.5
Schools	7.7	15.9
Community Colleges	0.4	0.9
Other	1.0	2.0
Total Regular	$ 17.0	$ 35.3

There will be no significant fiscal impact for the Public Retirement Systems Committee report on previous studies and reports pertaining to pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

JUDICIAL RETIREMENT SYSTEM

The Bill, as Amended and Passed by the Senate, makes two changes to the Judicial Retirement System.

The Bill, as amended, changes how a judge's contribution is calculated. Under current law, judges contribute 5.00% of their salary. As amended, the Bill increases the contribution to 6.00%, if the State contributes the required 23.70% of covered payroll. If the State fails to fully fund the State's share, the judges required contribution is based upon the ratio of the State's actual contribution to the required contribution. Once the System is fully funded, which is defined by the Bill, to be 90.00% of the System's actuarially determined liabilities, the judges and the State will contribute 50.00% of the required contribution. The required contribution is defined by the Bill as the rate that will amortize any unfunded liabilities of the System with 20 years.

The Bill, as amended, 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 return the judge's contribution.

The Bill, as amended, 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, if the judge is at least 50 years of age.

The Bill, as amended, increases the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increases the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00%. The multiplier is also increased for judges on senior status without an increase in the maximum percentage.

Assumptions

1. The covered payroll for FY 2007 will be $22.2 million.
2. Under current law, the State would be required to contribute $5.3 million (23.70% of covered payroll). The Judges would be required to contribute $1.1 million (5.00% of covered payroll). The State would be contributing 82.81% and the judges would be contributing 17.19%, of the total funding.
3. While the State contributed $2.0 million in FY 2006, the estimate assumes the State will fully fund the State's 23.70% contribution at $5.3 million.
4. The actuarial calculation for reducing 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 requires a 2.52% increase in contributions.
5. While the actuarial calculation for increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% is not available, a 3.50% multiplier with a 70.00% maximum percentage would require a 6.91% increase in contributions.

Fiscal Impact

Under this Bill, as Amended and Passed by the Senate, the State would be required to contribute $5.3 million (23.70% of covered payroll). The Judges would be required to contribute $1.3 million (6.00% of covered payroll). The State would be contributing 80.30% and the judges would be contributing 19.70%, of the total funding.

If the State notwithstands the 23.70% required contribution and continues to contribute $2.0 million, this would be 9.01% of covered payroll, and the Judges would be required to contribute $506,000 (2.28% of covered payroll). The State would be contributing 79.81% and the judges would be contributing 20.19%, of the total funding.

The judges' contributions will increase by an estimated $222,000 annually due to increasing their contribution from 5.00% to 6.00%.
Reducing 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 will have an estimated negative annual impact on the System of $559,000.

Increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% will have an estimated negative annual impact on the System of less than $1.5 million.

The State making the required contribution will benefit the System by an estimated $3.3 million annually.

The net benefit to the Judicial Retirement System of House File 729, as Amended and Passed by the Senate, will be an estimated $1.4 million annually.

Sources

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

/s/ Holly M. Lyons

February 22, 2006

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.

Attachment 1

House File 729 – Public Pensions Omnibus
IPERS

Employer	Active Member Counts	FY 2005 Covered Payroll	Fiscal Year	Current Law Employer Contribution Rate	Adjusted Employer Contribution Rate	Rate Change	Employer Total Contribution Change	Current Law Employee Contr. Rate	Adjusted Employee Contribution Rate	Rate Change	Total Employee Contribution Change	Average Change Per Employee
State	19,584	919,560,703	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	19,584	956,343,131	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	19,584	994,593,856	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	19,584	1,034,377,610	FY 2008	5.75%	6.05%	0.30%	3,103,133	3.70%	3.90%	0.20%	2,068,755	106
	19,584	1,075,752,715	FY 2009	5.75%	6.35%	0.30%	6,454,516	3.70%	4.10%	0.20%	4,303,011	220
	19,584	1,118,782,823	FY 2010	5.75%	6.65%	0.30%	10,069,045	3.70%	4.30%	0.20%	6,712,697	343
	19,584	1,163,534,136	FY 2011	5.75%	6.95%	0.30%	13,962,410	3.70%	4.50%	0.20%	9,308,273	475
	19,584	1,210,075,502	FY 2012	5.75%	6.95%	0.00%	14,520,906	3.70%	4.50%	0.00%	9,680,604	494
Board of Regents	2,111	40,957,912	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	2,111	42,596,228	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	2,111	44,300,078	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	2,111	46,072,081	FY 2008	5.75%	6.05%	0.30%	138,216	3.70%	3.90%	0.20%	92,144	44
	2,111	47,914,964	FY 2009	5.75%	6.35%	0.30%	287,490	3.70%	4.10%	0.20%	191,660	91
	2,111	49,831,563	FY 2010	5.75%	6.65%	0.30%	448,484	3.70%	4.30%	0.20%	298,989	142
	2,111	51,824,825	FY 2011	5.75%	6.95%	0.30%	621,898	3.70%	4.50%	0.20%	414,599	196
	2,111	53,897,818	FY 2012	5.75%	6.95%	0.00%	646,774	3.70%	4.50%	0.00%	431,183	204
County	23,845	745,864,664	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	23,845	775,699,251	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	23,845	806,727,221	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	23,845	838,996,309	FY 2008	5.75%	6.05%	0.30%	2,516,989	3.70%	3.90%	0.20%	1,677,993	70
	23,845	872,556,162	FY 2009	5.75%	6.35%	0.30%	5,235,337	3.70%	4.10%	0.20%	3,490,225	146
	23,845	907,458,408	FY 2010	5.75%	6.65%	0.30%	8,167,126	3.70%	4.30%	0.20%	5,444,750	228
	23,845	943,756,745	FY 2011	5.75%	6.95%	0.30%	11,325,081	3.70%	4.50%	0.20%	7,550,054	317
	23,845	981,507,014	FY 2012	5.75%	6.95%	0.00%	11,778,084	3.70%	4.50%	0.00%	7,852,056	329
City	21,781	639,908,949	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	21,781	665,505,307	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	21,781	692,125,519	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	21,781	719,810,540	FY 2008	5.75%	6.05%	0.30%	2,159,432	3.70%	3.90%	0.20%	1,439,621	66
	21,781	748,602,962	FY 2009	5.75%	6.35%	0.30%	4,491,618	3.70%	4.10%	0.20%	2,994,412	137
	21,781	778,547,080	FY 2010	5.75%	6.65%	0.30%	7,006,924	3.70%	4.30%	0.20%	4,671,282	214
	21,781	809,688,963	FY 2011	5.75%	6.95%	0.30%	9,716,268	3.70%	4.50%	0.20%	6,477,512	297
	21,781	842,076,522	FY 2012	5.75%	6.95%	0.00%	10,104,918	3.70%	4.50%	0.00%	6,736,612	309
Schools	74,830	2,266,220,746	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	74,830	2,356,869,576	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	74,830	2,451,144,359	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	74,830	2,549,190,133	FY 2008	5.75%	6.05%	0.30%	7,647,570	3.70%	3.90%	0.20%	5,098,380	68
	74,830	2,651,157,739	FY 2009	5.75%	6.35%	0.30%	15,906,946	3.70%	4.10%	0.20%	10,604,631	142
	74,830	2,757,204,048	FY 2010	5.75%	6.65%	0.30%	24,814,836	3.70%	4.30%	0.20%	16,543,224	221
	74,830	2,867,492,210	FY 2011	5.75%	6.95%	0.30%	34,409,907	3.70%	4.50%	0.20%	22,939,938	307
	74,830	2,982,191,898	FY 2012	5.75%	6.95%	0.00%	35,786,303	3.70%	4.50%	0.00%	23,857,535	319
Community Colleges	3,659	128,350,692	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	3,659	133,484,720	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	3,659	138,824,108	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
	3,659	144,377,073	FY 2008	5.75%	6.05%	0.30%	433,131	3.70%	3.90%	0.20%	288,754	79
	3,659	150,152,156	FY 2009	5.75%	6.35%	0.30%	900,913	3.70%	4.10%	0.20%	600,609	164
	3,659	156,158,242	FY 2010	5.75%	6.65%	0.30%	1,405,424	3.70%	4.30%	0.20%	936,949	256
	3,659	162,404,572	FY 2011	5.75%	6.95%	0.30%	1,948,855	3.70%	4.50%	0.20%	1,299,237	355
	3,659	168,900,754	FY 2012	5.75%	6.95%	0.00%	2,026,809	3.70%	4.50%	0.00%	1,351,206	369
Other:	8,469	289,014,587	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
Townships	8,469	300,575,170	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
Multi-Units	8,469	312,598,177	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.00%	0	0
Utilities	8,469	325,102,104	FY 2008	5.75%	6.05%	0.30%	975,306	3.70%	3.90%	0.20%	650,204	77
	8,469	338,106,189	FY 2009	5.75%	6.35%	0.30%	2,028,637	3.70%	4.10%	0.20%	1,352,425	160
	8,469	351,630,436	FY 2010	5.75%	6.65%	0.30%	3,164,674	3.70%	4.30%	0.20%	2,109,783	249
	8,469	365,695,654	FY 2011	5.75%	6.95%	0.30%	4,388,348	3.70%	4.50%	0.20%	2,925,565	345
	8,469	380,323,480	FY 2012	5.75%	6.95%	0.00%	4,563,882	3.70%	4.50%	0.00%	3,042,588	359
Total Regular	154,279	5,029,878,253	FY 2005	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	154,279	5,231,073,383	FY 2006	5.75%	5.75%	0.00%	0	3.70%	3.70%	0.00%	0	0
	154,279	5,440,313,318	FY 2007	5.75%	5.75%	0.30%	0	3.70%	3.70%	0.20%	0	0
	154,279	5,657,925,851	FY 2008	5.75%	6.05%	0.30%	16,973,778	3.70%	3.90%	0.20%	11,315,852	73
	154,279	5,884,242,885	FY 2009	5.75%	6.35%	0.30%	35,305,457	3.70%	4.10%	0.20%	23,536,972	153
	154,279	6,119,612,601	FY 2010	5.75%	6.65%	0.30%	55,076,513	3.70%	4.30%	0.20%	36,717,676	238
	154,279	6,364,397,105	FY 2011	5.75%	6.95%	0.30%	76,372,765	3.70%	4.50%	0.20%	50,915,177	330
	154,279	6,618,972,989	FY 2012	5.75%	6.95%	0.00%	79,427,676	3.70%	4.50%	0.00%	52,951,784	343

Chair: Elgin
Drake
Jochum
Tomenga
Wendt

HSB 166

SSB 729 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

An Act relating to the Iowa public employees' retirement system and the judicial retirement system.

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

TLSB 1330HC 81

ec/gg/14

S.F. ________ H.F. ________

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.11, Code 2005, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

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

2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to the base employee percentage and fifty percent of the total adjusted required percentage.

b. "Applicable employer percentage" means the percentage rate equal to the base employer percentage and fifty percent of the total adjusted required percentage.

c. "Base employee percentage" means as follows:

(1) Prior to July 1, 2006, three and seven-tenths percent.

(2) Beginning on or after July 1, 2006, but before July 1, 2007, four and one-tenth percent.

(3) Beginning on or after July 1, 2007, but before July 1, 2008, four and one-half percent.

(4) Beginning on or after July 1, 2008, but before July 1, 2009, four and nine-tenths percent.

(5) On or after July 1, 2009, five and three-tenths percent.

d. "Base employer percentage" means as follows:

(1) Prior to July 1, 2006, five and seventy-five hundredths percent.

(2) Beginning on or after July 1, 2006, but before July 1,

2007, six and thirty-five hundredths percent.

(3) Beginning on or after July 1, 2007, but before July 1, 2008, six and ninety-five hundredths percent.

(4) Beginning on or after July 1, 2008, but before July 1, 2009, seven and fifty-five hundredths percent.

(5) On or after July 1, 2009, eight and fifteen hundredths percent.

e. "Total adjusted required percentage" means, for each fiscal year beginning on or after July 1, 2010, the percentage rate, whether positive or negative, equal to the total required percentage, as defined in paragraph "f", for that fiscal year minus thirteen and forty-five hundredths percent.

f. "Total required percentage" for a fiscal year means the percentage rate equal to the total of thirteen and forty-five hundredths percent and the total adjusted required percentage for the prior fiscal year unless any of the following applies:

(1) If the system determines, based upon the most recent actuarial valuation of the retirement system, that the total required percentage for the prior fiscal year is insufficient to amortize the unfunded actuarial liability of the retirement system within thirty years, the total required percentage for the next fiscal year shall be the lesser, as determined by the system's actuary, of the percentage rate needed to amortize the unfunded actuarial liability of the retirement system in thirty years or a percentage rate equal to one percentage point greater than the total required percentage for the prior fiscal year.

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

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

(b) The percentage rate equal to the normal cost rate as certified by the system's actuary plus that percentage necessary, but in no event less than seventy-five hundredths of one percent, to amortize any unfunded actuarial liability of the retirement system within twenty years.

The total required percentage as provided by this paragraph "f" for a particular fiscal year shall be determined by the system, by rule, following a determination by the system's actuary as to the total required percentage for that fiscal year based upon the most recent actuarial valuation of the retirement system by the system's actuary.

Sec. 2. Section 97B.49B, subsection 3, Code 2005, is amended to read as follows:

3. ~~ADDITIONAL~~ CONTRIBUTIONS.

a. Annually, the system shall actuarially determine the cost of the ~~additional~~ benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Sixty~~ Notwithstanding any provision of section 97B.11 to the contrary, sixty percent of the cost shall be paid by the employers of employees covered under this section and forty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are-in-addition-to-the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

b. (1) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, there is appropriated from the state fish and game protection fund to the system the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (1).

(2) Annually, during each fiscal year commencing with the fiscal year beginning July 1, 1988, each applicable city shall pay to the system the amount necessary to pay the employer

share of the cost of the ~~additional~~ benefits provided to employees of that city covered under subsection 1, paragraph "e", subparagraphs (2) and (4).

(3) For the fiscal year commencing July 1, 1988, and each succeeding fiscal year, the department of corrections shall pay to the system from funds appropriated to the Iowa department of corrections, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (3).

(4) For the fiscal year commencing July 1, 1990, and each succeeding fiscal year, the state department of transportation shall pay to the system, from funds appropriated to the state department of transportation from the road use tax fund and the primary road fund, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees covered under subsection 1, paragraph "e", subparagraph (5).

(5) For the fiscal year commencing July 1, 1992, and each succeeding fiscal year, the department of public safety shall pay to the system from funds appropriated to the department of public safety, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to a fire prevention inspector peace officer pursuant to subsection 1, paragraph "e", subparagraph (6).

(6) For the fiscal year commencing July 1, 1994, and each succeeding fiscal year through the fiscal year ending June 30, 1998, each judicial district department of correctional services shall pay to the system from funds appropriated to that judicial district department of correctional services, the amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to employees of a judicial district department of correctional services who are employed as a probation officer III or a parole officer III.

(7) For the fiscal year commencing July 1, 2004, and each

succeeding fiscal year, there is appropriated from the general fund of the state to the system, from funds not otherwise appropriated, an amount necessary to pay the employer share of the cost of the ~~additional~~ benefits provided to airport fire fighters under this section.

Sec. 3. Section 97B.49C, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. Annually, the system shall actuarially determine the cost of the benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Fifty~~ Notwithstanding any provision of section 97B.11 to the contrary, fifty percent of the cost shall be paid by the employers of employees covered under this section and fifty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are in lieu of the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

Sec. 4. Section 97B.50A, subsection 12, Code 2005, is amended to read as follows:

12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in the administration of this section by the system shall be paid through ~~additional~~ contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable.

Sec. 5. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION FLEXIBILITY REVIEW -- REPORT.

1. The public retirement systems committee (committee) established by section 97D.4 shall conduct a review of various options to provide persons covered under the Iowa public employees' retirement system (IPERS) additional flexibility in plan design with features incorporating aspects of defined contribution type vehicles. In conducting its review, the committee shall consider previous studies and reports on pension flexibility issues in Iowa and across the country, and shall solicit input on pension flexibility issues from IPERS

staff, the IPERS benefits advisory committee, and other interested parties.

2. The committee's review of pension flexibility issues shall consider, among other ideas, the following:

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

b. Ways in which IPERS could offer its own defined contribution type supplementary plan vehicle to complement its core defined benefit plan.

c. Ways in which IPERS could provide a cost of living or favorable experience dividend benefit to members through either defined contribution or alternative defined benefit type plans.

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

3. The committee shall submit a report to the general assembly by January 1, 2006, which report shall contain, in addition to any other findings and recommendations concerning public retirement systems in Iowa, its findings and recommendations concerning its review of pension flexibility issues, including any proposal or proposals regarding adding additional flexibility in IPERS' plan design for the benefit of IPERS covered employees and employers.

DIVISION II

JUDICIAL RETIREMENT SYSTEM

Sec. 6. Section 602.9104, Code 2005, is amended to read as follows:

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

1. <u>a.</u> A judge to whom this article applies shall be paid an amount equal to ~~ninety-five percent of~~ the basic salary of the judge as set by the general assembly~~. An~~ <u>reduced by an</u>

amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge as-set-by-the-general-assembly-is~~ designated as the judge's required contribution to the judicial retirement fund~~,-and~~. The amount designated as the judge's required contribution shall be paid by the state in the manner provided in subsection 2.

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

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

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

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

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

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

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status based upon the benefits provided for judges through the judicial retirement system as of July 1, 2001, six and one-half percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent.

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

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

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

(1) For the fiscal year beginning July 1, 2005, and for each subsequent fiscal year until the system attains fully funded status based upon the benefits provided for judges through the judicial retirement system as of July 1, 2001, twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the

system attains fully funded status, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2001, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

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

Sec. 7. Section 602.9106, Code 2005, is amended to read as follows:

602.9106 RETIREMENT.

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

Sec. 8. Section 602.9107, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. (1) The annual annuity of a judge under this system is an amount equal to three and one-half percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, multiplied by the judge's years of service as a judge of one or more of the courts for which contributions were made to the system. However, an annual annuity shall not exceed an amount equal to a specified percentage of the highest basic annual salary which the judge is receiving or had received as of the time the judge became separated from service. Forfeitures shall not be used to increase the annuities a judge or survivor would otherwise receive under the system.

(2) For each judge who retires and receives an annuity on or after July 1, 2005, and who has completed more than twenty years of service, the annual annuity of a judge is an amount equal to seventy percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, plus an additional one-fourth of one percentage point for each additional calendar quarter of eligible service beyond twenty years of service, not to exceed a total of five additional percentage points.

Sec. 9. Section 602.9107, subsection 1, paragraph b, subparagraph (4), Code 2005, is amended to read as follows:

(4) For judges who retire and receive an annuity on or after July 1, 2001, but before July 1, 2005, the specified percentage shall be sixty percent.

Sec. 10. Section 602.9107, subsection 1, paragraph b, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (5) For judges who retire and receive an annuity on or after July 1, 2005, the specified percentage shall be seventy percent.

Sec. 11. Section 602.9108, Code 2005, is amended to read as follows:

602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

The amount designated as the judge's contribution to the judicial retirement fund in section 602.9104, ~~subsection 1,~~ and all amounts paid into the fund by a judge shall be credited to the individual account of the judge. If a judge covered under this article becomes separated from service as a judge before the judge completes an aggregate of six years of service as a judge of one or more of the courts, the total amount in the judge's individual account shall be returned to the judge or the judge's legal representatives within one year of the separation. If a judge, who is covered under this article and who has completed an aggregate of six years or more of service as a judge of one or more of the courts, dies before retirement, without a survivor, the total amount in the judge's individual account shall be paid in one sum to the judge's legal representatives within one year of the judge's death. If an annuitant under this section dies without a survivor, and without having received in annuities an amount equal to the total amount in the judge's individual account at the time of separation from service, the amount remaining to the annuitant's credit shall be paid in one sum to the annuitant's legal representatives within one year of the annuitant's death.

Sec. 12. Section 602.9115A, unnumbered paragraphs 1 and 3, Code 2005, are amended to read as follows:

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

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

Sec. 13. Section 602.9116, subsection 1, Code 2005, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104~~, subsection 4~~. The court administrator shall adopt mortality tables and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system and shall report its findings and recommendations to the general assembly.

Sec. 14. Section 602.9203, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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

Sec. 15. Section 602.9204, subsection 1, Code 2005, is amended to read as follows:

1. A judge who retires on or after July 1, 1994, and who is appointed a senior judge under section 602.9203 shall be paid a salary as determined by the general assembly. A senior judge or retired senior judge shall be paid an annuity under the judicial retirement system in the manner provided in

section 602.9109, but computed under this section in lieu of section 602.9107, as follows: The annuity paid to a senior judge or retired senior judge shall be an amount equal to ~~three-percent~~ the applicable percentage multiplier of the basic senior judge salary, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except the annuity of the senior judge or retired senior judge shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary used in calculating the annuity. However, following the twelve-month period during which the senior judge or retired senior judge attains seventy-eight years of age, the annuity paid to the person shall be an amount equal to ~~three-percent~~ the applicable percentage multiplier of the basic senior judge salary cap, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except that the annuity shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary cap. A senior judge or retired senior judge shall not receive benefits calculated using a basic senior judge salary established after the twelve-month period in which the senior judge or retired senior judge attains seventy-eight years of age. The state shall provide, regardless of age, to an active senior judge or a senior judge with six years of service as a senior judge and to the judge's spouse, and pay for medical insurance until the judge attains the age of seventy-eight years.

Sec. 16. Section 602.9204, subsection 2, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. oa. "Applicable percentage multiplier" means as follows:

(1) For a senior judge or retired senior judge who retired as a judge and received an annuity prior to July 1, 2005,

three percent.

(2) For a senior judge or a retired senior judge who retired as a judge and received an annuity on or after July 1, 2005, three and one-half percent.

EXPLANATION

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

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The bill amends Code section 97B.11 relating to the contributions made to the system by employers and employees. Currently, the employer rate is 5.75 percent and the employee rate is 3.7 percent of a member's covered wages. The bill provides that the base employer rate will increase from the current rate by .6 percentage points per fiscal year beginning July 1, 2006, until reaching 8.15 percent on July 1, 2009. The bill further provides that the base employee rate will increase from the current rate by .4 percentage points per fiscal year beginning July 1, 2006, until reaching 5.3 percent on July 1, 2009. Beginning July 1, 2010, the total employer percentage shall be 8.15 percent and 50 percent of the total adjusted required percentage, and the total employee percentage shall be 5.3 percent and 50 percent of the total adjusted required percentage. The bill provides that the total additional required percentage shall be, beginning for each fiscal year on or after July 1, 2010, the percentage rate, whether positive or negative, equal to the total required percentage minus 13.45 percent. The bill provides that the total required percentage rate for a fiscal year is the total adjusted required percentage for the prior year plus 13.45 percent unless IPERS determines that this total rate should be modified. The bill provides that if the total rate for the prior year is insufficient to amortize the system's unfunded actuarial liability within 30 years, the rate will increase to the lesser of the rate needed to amortize the unfunded actuarial liability in 30 years or one percentage point over the prior year's total rate. On the other hand, the bill provides that if the total rate for the prior year is sufficient to amortize the system's unfunded actuarial liability in 10 years or less, the rate will decrease to the greater of one percentage point less than the prior year's total rate, or the rate equal to the normal cost rate plus the greater of an additional .75 percent or such other percent as necessary to amortize any unfunded liability of the system over 20 years. The bill also makes conforming changes to the Code sections providing for the contributions paid by special service members of IPERS to retain the current contribution rate calculation for these members.

The bill also requires the public retirement systems committee to conduct a review of pension flexibility issues and to submit its findings and recommendations to the legislature by January 1, 2006. The pension flexibility review is charged to examine and consider various supplementary defined-contribution and hybrid retirement plans.

JUDICIAL RETIREMENT SYSTEM

Code section 602.9104, concerning contributions by judges and the state to the judicial retirement fund, is amended. Under current law, judges pay 5 percent of their salary and the state pays 23.7 percent of all judges' salaries to the fund until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2001. The bill changes the definition of fully funded to provide that a funded status of 90 percent, instead of 100 percent, is deemed fully funded. The bill further provides that judges will pay 6.5 percent of their salary for the fiscal year beginning July 1, 2005, and each fiscal year thereafter, until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2001, multiplied by a fraction determined by taking the actual state contribution rate for the fiscal year divided by 23.7. Once the fund becomes fully funded, judges will pay 50 percent of the percentage of the total amount necessary to keep the fund fully funded. As for the state's contribution, the bill provides that the state will continue to pay 23.7 percent of total pay for each fiscal year until the fund becomes fully funded based upon the benefits provided judges as of July 1, 2001. Once the fund becomes fully funded, the state will pay 50 percent of the percentage of the total amount necessary to keep the fund fully funded.

Code section 602.9106 is amended to reduce from 25 to 20 years the number of years of service a judge must have under the retirement system in order to receive an unreduced retirement allowance. Code section 602.9107A, which provided a reduced retirement allowance for judges with at least 20 years of service but less than 25 years of service, is repealed.

Code section 602.9107, concerning the calculation of a retirement annuity under the judicial retirement system, is amended. The bill increases the percentage multiplier used in calculating a judge's retirement annuity from 3 percent to 3.5 percent for each year of service under the retirement system and increases the maximum percentage of the judge's final average salary used in calculating an annuity from 60 percent to 70 percent for judges with 20 years of service or less who retire on or after July 1, 2005. The bill also provides that a judge with more than 20 years of service who retires on or after July 1, 2005, can receive an additional .25 percent of the judge's final highest average salary, for each quarter year of service over 20 years, up to a maximum of 5 additional percentage points.

Code section 602.9204, concerning the calculation of a retirement annuity for senior judges, is amended to provide that the percentage multiplier used to calculate senior judge annuities is also increased from 3 percent to 3.5 percent per year of service for judges who retired and received an annuity on or after July 1, 2005. The maximum percentage applicable to each senior judge is not changed.

HOUSE FILE 729

AN ACT

RELATING TO THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE JUDICIAL RETIREMENT SYSTEM.

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

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.1A, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 11A. "Fully funded" means a funded ratio of at least one hundred percent using the most recent actuarial valuation. For purposes of this subsection, "funded ratio" means the ratio produced by dividing the lesser of the actuarial value of the system's assets or the market value of the system's assets, by the system's actuarial liabilities, using the actuarial method adopted by the investment board pursuant to section 97B.8A, subsection 3.

Sec. 2. Section 97B.1A, subsection 24, paragraph a, Code Supplement 2005, is amended to read as follows:

a. "Three-year average covered wage" means~~, for a member who retires prior to July 1, 2008,~~ a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the system may determine the wages for the third year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the two highest years and using the

computed average quarter for each quarter in the third year in which no wages have been reported in combination with the final quarter or quarters of the member's service to create a full year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-year average covered wage of a member exceeds the highest maximum covered wages in effect for a calendar year during the member's period of service, the three-year average covered wage of the member shall be reduced to the highest maximum covered wages in effect during the member's period of service. Notwithstanding any other provision of this paragraph to the contrary, a member's wages for the third year as computed by this paragraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages for a member whose first month of entitlement is January 1999 or later.

Sec. 3. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph and inserting in lieu thereof the following:

c. Notwithstanding any other provisions of this subsection to the contrary, for a member who retires on or after July 1, 2007, the member's three-year average covered wage shall be the lesser of the three-year average covered wage as calculated pursuant to paragraph "a" and the adjusted covered wage amount. For purposes of this paragraph, the adjusted covered wage amount shall be the greater of the member's three-year average covered wage calculated pursuant to paragraph "a" as of July 1, 2007, and an amount equal to one hundred twenty-one percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest full calendar year of covered wages not used in the calculation of the member's three-year average covered wage pursuant to paragraph "a", or, if the member does not have another full calendar year of covered wages that was not used in the calculation of the three-year average covered wage under paragraph "a", the lowest full calendar year of covered wages that was used in the calculation of the member's three-year average covered wage pursuant to paragraph "a".

Sec. 4. Section 97B.11, Code 2005, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

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

2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seven-tenths percent plus forty percent of the total additional percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus sixty percent of the total additional percentage.

c. "Total additional percentage" means as follows:

(1) For the fiscal period beginning July 1, 2007, through June 30, 2011, the total additional percentage for a fiscal year shall be the total additional percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2011, the total additional percentage shall be the total additional percentage for the prior fiscal year.

d. "Total comparison percentage" means the percentage rate that the system determines, based upon the most recent actuarial valuation of the retirement system, would be sufficient to amortize the unfunded actuarial liability of the retirement system in ten years.

Sec. 5. Section 97B.48A, subsection 1, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this subsection and not for purposes of determining a retiree's covered wages, remuneration paid on and after July 1, 2007, includes noncovered contributions to a defined contribution plan qualified under Internal Revenue Code section 401(a), a tax-deferred annuity qualified under Internal Revenue Code section 403(b), an eligible deferred compensation plan qualified under Internal Revenue Code section 457, or any other tax qualified or nonqualified investment vehicle, that is provided by an employer to a retiree who has been or will be reemployed in covered employment.

Sec. 6. Section 97B.49C, subsection 3, paragraph a, Code Supplement 2005, is amended to read as follows:

a. Annually, the system shall actuarially determine the cost of the benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. ~~Fifty~~ Notwithstanding any provision of section 97B.11 to the contrary, fifty percent of the cost shall be paid by the employers of employees covered under this section and fifty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are-in-lieu-of-the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

Sec. 7. Section 97B.49F, subsection 2, paragraph c, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4A) Notwithstanding any provisions of this paragraph to the contrary, moneys shall not be credited to the reserve account if the system is not fully funded or if the system would not remain fully funded if moneys were credited to the reserve account.

Sec. 8. Section 97B.49H, subsection 3, Code 2005, is amended to read as follows:

3. The system shall annually determine the amount to be credited to the supplemental accounts of active members. The total amount credited to the supplemental accounts of all active members shall not exceed the amount that the system determines, in consultation with the system's actuary, can be absorbed without significantly impacting the funded status of the system. The amount to be credited shall ~~be~~ not be greater than the amount calculated by multiplying the member's covered wages for the applicable wage reporting period by the supplemental rate. For purposes of this subsection, the supplemental rate is the difference, if positive, between the combined employee and employer statutory contribution rates in effect under section 97B.11 and the normal cost rate of the retirement system as determined by the system's actuary in the most recent annual actuarial valuation of the retirement system. The credits shall be made at least quarterly during the calendar year following a determination that the retirement system does not have an unfunded accrued liability. The normal cost rate, calculated according to the actuarial cost method used, is the percent of pay allocated to each year of service that is necessary to fund projected benefits over all members' service with the retirement system.

Sec. 9. Section 97B.50A, subsection 12, Code 2005, is amended to read as follows:

12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in the administration of this section by the system shall be paid through ~~additional~~ contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable.

Sec. 10. Section 97B.65, Code 2005, is amended to read as follows:

97B.65 REVISION RIGHTS RESERVED -- INCREASE OF BENEFITS -- RATES OF CONTRIBUTION.

The right is reserved to the general assembly to alter, amend, or repeal any provision of this chapter or any application thereof to any person, provided, however, that to the extent of the funds in the retirement system the amount of benefits which at the time of any such alteration, amendment, or repeal shall have accrued to any member of the retirement system shall not be repudiated, provided further, however, that the amount of benefits accrued on account of prior service shall be adjusted to the extent of any unfunded accrued liability then outstanding. ~~Any~~ An increase ~~enacted~~ in the benefits or retirement ~~allowance~~ allowances provided under this chapter shall not be enacted until after the system's actuary determines that the system is fully funded and will continue to be fully funded immediately following enactment of the increase. However, an increase in the benefits or retirement allowances provided under this chapter may be enacted if the increase is accompanied by a change in the employer and employee contribution rates necessary to support such increase~~, all~~ as determined ~~in accordance with sound actuarial principles and methods~~ by the system's actuary.

Sec. 11. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION FLEXIBILITY REVIEW -- REPORT.

1. The public retirement systems committee (committee) established by section 97D.4 shall conduct a review of various options to provide persons covered under the Iowa public employees' retirement system (IPERS) additional flexibility in plan design with features incorporating aspects of defined contribution type vehicles. In conducting its review, the committee shall consider previous studies and reports on pension flexibility issues in Iowa and across the country, and shall solicit input on pension flexibility issues from IPERS staff, the IPERS benefits advisory committee, and other interested parties.

2. The committee's review of pension flexibility issues shall consider, among other ideas, the following:

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

b. Ways in which IPERS could offer its own defined contribution type supplementary plan vehicle to complement its core defined benefit plan.

c. Ways in which IPERS could provide a cost of living or favorable experience dividend benefit to members through either defined contribution or alternative defined benefit type plans.

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

3. The committee shall submit a report to the general assembly by October 1, 2007, which report shall contain, in addition to any other findings and recommendations concerning public retirement systems in Iowa, its findings and recommendations concerning its review of pension flexibility issues, including any proposal or proposals regarding adding additional flexibility in IPERS' plan design for the benefit of IPERS covered employees and employers.

DIVISION II

JUDICIAL RETIREMENT SYSTEM

Sec. 12. Section 602.9104, Code 2005, is amended to read as follows:

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

1. a. A judge to whom this article applies shall be paid an amount equal to ~~ninety-five-percent-of~~ the basic salary of the judge as set by the general assembly~~;--An~~ reduced by an amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge as-set-by-the-general-assembly-is~~ designated as the judge's

required contribution to the judicial retirement fund~~,-and~~. The amount designated as the judge's required contribution shall be paid by the state in the manner provided in subsection 2.

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

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

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

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

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

~~(2)~~ b. "Fully funded status" means that the most recent actuarial valuation reflects that, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, the funded status of the system is at least ~~one-hundred~~ ninety percent, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2006.

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

(1) For the fiscal year beginning July 1, 2006, and for each subsequent fiscal year until the system attains fully funded status, six percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

~~(3)~~ d. "Required contribution rate" means that percentage of the basic salary of all judges covered under this article which~~,-in-addition-to-the-judge's-contribution-established-in subsection-1,~~ the actuary of the system determines is necessary, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, to ~~maintain-fully-funded-status~~ amortize the unfunded actuarial liability of the judicial retirement system within twenty years.

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

(1) For the fiscal year beginning July 1, 2006, and for each subsequent fiscal year until the system attains fully funded status, twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent

fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

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

Sec. 13. Section 602.9106, Code 2005, is amended to read as follows:

602.9106 RETIREMENT.

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

Sec. 14. Section 602.9107, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. The annual annuity of a judge under this system is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, multiplied by the judge's years of service as a judge of one or more of the courts for which contributions were made to the system. However, an annual annuity shall not exceed an amount equal to a specified percentage of the highest basic annual salary which the judge is receiving or had received as of the time the judge became separated from service. Forfeitures shall not be used to increase the annuities a judge or survivor would otherwise receive under the system.

Sec. 15. Section 602.9107, subsection 1, paragraph b, subparagraph (4), Code 2005, is amended to read as follows:

(4) For judges who retire and receive an annuity on or after July 1, 2001, <u>but before July 1, 2006,</u> the specified percentage shall be sixty percent.

Sec. 16. Section 602.9107, subsection 1, paragraph b, Code 2005, is amended by adding the following new subparagraph:

<u>NEW SUBPARAGRAPH</u>. (5) For judges who retire and receive an annuity on or after July 1, 2006, the specified percentage shall be sixty-five percent.

Sec. 17. Section 602.9107C, subsection 1, Code 2005, is amended to read as follows:

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

Sec. 18. Section 602.9108, Code 2005, is amended to read as follows:

602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

The amount designated as the judge's contribution to the judicial retirement fund in section 602.9104, ~~subsection 1,~~ and all amounts paid into the fund by a judge shall be credited to the individual account of the judge. If a judge covered under this article becomes separated from service as a judge before the judge completes an aggregate of ~~six~~ <u>four</u> years of service as a judge of one or more of the courts, the total amount in the judge's individual account shall be returned to the judge or the judge's legal representatives within one year of the separation. If a judge, who is covered under this article and who has completed an aggregate of ~~six~~ <u>four</u> years or more of service as a judge of one or more of the courts, dies before retirement, without a survivor, the total amount in the judge's individual account shall be paid in one sum to the judge's legal representatives within one year of the judge's death. If an annuitant under this section dies without a survivor, and without having received in annuities an amount equal to the total amount in the judge's individual account at the time of separation from service, the amount remaining to the annuitant's credit shall be paid in one sum to the annuitant's legal representatives within one year of the annuitant's death.

Sec. 19. Section 602.9112, Code 2005, is amended to read as follows:

602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

Any judge of the supreme, district or municipal court, including a district associate judge, or a judge of the court of appeals, who shall have served as a judge of one or more of such courts for a period of ~~six~~ <u>four</u> years in the aggregate and who believes the judge has become permanently incapacitated, physically or mentally, to perform the duties of the judge's office may personally or by the judge's next friend or guardian file with the court administrator a written application for retirement. The application shall be filed in duplicate and accompanied by an affidavit as to the duration and particulars of the judge's service and the nature of the judge's incapacity. The court administrator shall forthwith transmit one copy of the application and affidavit to the chief justice who shall request the attorney general in writing to cause an investigation to be made relative to the claimed incapacity and report back the results thereof in writing. If the chief justice finds from the report of the attorney general that the applicant is permanently incapacitated, physically or mentally, to perform the duties of the applicant's office the chief justice shall by endorsement thereon declare the applicant retired, and the office vacant, and shall file the report in the office of the court administrator, and a copy in the office of the secretary of state. From the date of such filing the applicant shall be deemed retired from the applicant's office and entitled to the benefits of this article to the same extent as if the applicant had retired under the provisions of section 602.9106.

Sec. 20. Section 602.9115A, unnumbered paragraphs 1 and 3, Code 2005, are amended to read as follows:

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

The optional retirement annuity shall be the actuarial equivalent of the amounts of the annuities payable to judges and survivors under sections 602.9107, ~~602.9107A,~~ 602.9115, 602.9204, 602.9208, and 602.9209. The actuarial equivalent

shall be based on the mortality and interest assumptions set out in section 602.9107, subsection 3.

Sec. 21. Section 602.9116, subsection 1, Code 2005, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104~~, subsection 4~~. The court administrator shall adopt mortality tables and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system and shall report its findings and recommendations to the general assembly.

Sec. 22. Section 602.9203, subsection 2, paragraph b, Code 2005, is amended to read as follows:

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

Sec. 23. Section 602.9204, subsection 1, Code 2005, is amended to read as follows:

1. A judge who retires on or after July 1, 1994, and who is appointed a senior judge under section 602.9203 shall be paid a salary as determined by the general assembly. A senior judge or retired senior judge shall be paid an annuity under the judicial retirement system in the manner provided in

section 602.9109, but computed under this section in lieu of section 602.9107, as follows: The annuity paid to a senior judge or retired senior judge shall be an amount equal to ~~three percent~~ the applicable percentage multiplier of the basic senior judge salary, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except the annuity of the senior judge or retired senior judge shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary used in calculating the annuity. However, following the twelve-month period during which the senior judge or retired senior judge attains seventy-eight years of age, the annuity paid to the person shall be an amount equal to ~~three percent~~ the applicable percentage multiplier of the basic senior judge salary cap, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except that the annuity shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary cap. A senior judge or retired senior judge shall not receive benefits calculated using a basic senior judge salary established after the twelve-month period in which the senior judge or retired senior judge attains seventy-eight years of age. The state shall provide, regardless of age, to an active senior judge or a senior judge with six years of service as a senior judge and to the judge's spouse, and pay for medical insurance until the judge attains the age of seventy-eight years.

Sec. 24. Section 602.9204, subsection 2, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. oa. "Applicable percentage multiplier" means as follows:

(1) For a senior judge or retired senior judge who retired as a judge and received an annuity prior to July 1, 2006, three percent.

(2) For a senior judge or a retired senior judge who retired as a judge and received an annuity on or after July 1, 2006, three and one-fourth percent.

Sec. 25. Section 602.9107A, Code 2005, is repealed.

CHRISTOPHER C. RANTS
Speaker of the House

JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 729, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved April 26, 2006

THOMAS J. VILSACK
Governor