

House Study Bill 166

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL
BY CHAIRPERSON ELGIN)

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

A BILL FOR

1 An Act relating to the Iowa public employees' retirement system
2 and the judicial retirement system.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1330HC 81
5 ec/gg/14

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1 1 DIVISION I
1 2 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)
1 3 Section 1. Section 97B.11, Code 2005, is amended to read
1 4 as follows:
1 5 97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.
1 6 1. Each employer shall deduct from the wages of each
1 7 member of the retirement system a contribution in the amount
1 8 of ~~three and seven-tenths percent the applicable employee~~
1 9 ~~percentage~~ of the covered wages paid by the employer, until
1 10 the member's termination from employment. The contributions
1 11 of the employer shall be in the amount of ~~five and seventy-~~
1 12 ~~five hundredths percent the applicable employer percentage of~~
1 13 the covered wages of the member.
1 14 2. ~~For purposes of this section, unless the context~~
1 15 ~~otherwise requires:~~
1 16 a. ~~"Applicable employee percentage" means the percentage~~
1 17 ~~rate equal to the base employee percentage and fifty percent~~
1 18 ~~of the total adjusted required percentage.~~
1 19 b. ~~"Applicable employer percentage" means the percentage~~
1 20 ~~rate equal to the base employer percentage and fifty percent~~
1 21 ~~of the total adjusted required percentage.~~
1 22 c. ~~"Base employee percentage" means as follows:~~
1 23 ~~(1) Prior to July 1, 2006, three and seven-tenths percent.~~
1 24 ~~(2) Beginning on or after July 1, 2006, but before July 1,~~
1 25 ~~2007, four and one-tenth percent.~~
1 26 ~~(3) Beginning on or after July 1, 2007, but before July 1,~~
1 27 ~~2008, four and one-half percent.~~
1 28 ~~(4) Beginning on or after July 1, 2008, but before July 1,~~
1 29 ~~2009, four and nine-tenths percent.~~
1 30 ~~(5) On or after July 1, 2009, five and three-tenths~~
1 31 ~~percent.~~
1 32 d. ~~"Base employer percentage" means as follows:~~
1 33 ~~(1) Prior to July 1, 2006, five and seventy-five~~
1 34 ~~hundredths percent.~~
1 35 ~~(2) Beginning on or after July 1, 2006, but before July 1,~~
2 1 ~~2007, six and thirty-five hundredths percent.~~
2 2 ~~(3) Beginning on or after July 1, 2007, but before July 1,~~
2 3 ~~2008, six and ninety-five hundredths percent.~~
2 4 ~~(4) Beginning on or after July 1, 2008, but before July 1,~~
2 5 ~~2009, seven and fifty-five hundredths percent.~~
2 6 ~~(5) On or after July 1, 2009, eight and fifteen hundredths~~
2 7 ~~percent.~~
2 8 e. ~~"Total adjusted required percentage" means, for each~~
2 9 ~~fiscal year beginning on or after July 1, 2010, the percentage~~
2 10 ~~rate, whether positive or negative, equal to the total~~
2 11 ~~required percentage, as defined in paragraph "f", for that~~
2 12 ~~fiscal year minus thirteen and forty-five hundredths percent.~~
2 13 f. ~~"Total required percentage" for a fiscal year means the~~
2 14 ~~percentage rate equal to the total of thirteen and forty-five~~
2 15 ~~hundredths percent and the total adjusted required percentage~~
2 16 ~~for the prior fiscal year unless any of the following applies:~~
2 17 ~~(1) If the system determines, based upon the most recent~~
2 18 ~~actuarial valuation of the retirement system, that the total~~

2 19 required percentage for the prior fiscal year is insufficient
2 20 to amortize the unfunded actuarial liability of the retirement
2 21 system within thirty years, the total required percentage for
2 22 the next fiscal year shall be the lesser, as determined by the
2 23 system's actuary, of the percentage rate needed to amortize
2 24 the unfunded actuarial liability of the retirement system in
2 25 thirty years or a percentage rate equal to one percentage
2 26 point greater than the total required percentage for the prior
2 27 fiscal year.

2 28 (2) If the system determines, based upon the most recent
2 29 actuarial valuation of the retirement system, that the total
2 30 required percentage for the prior fiscal year is sufficient to
2 31 amortize the unfunded actuarial liability of the retirement
2 32 system within ten years or less, the total required percentage
2 33 for the next fiscal year shall be the greater, as determined
2 34 by the system, of the following:

2 35 (a) One percentage point less than the total required
3 1 percentage for the prior fiscal year.

3 2 (b) The percentage rate equal to the normal cost rate as
3 3 certified by the system's actuary plus that percentage
3 4 necessary, but in no event less than seventy-five hundredths
3 5 of one percent, to amortize any unfunded actuarial liability
3 6 of the retirement system within twenty years.

3 7 The total required percentage as provided by this paragraph
3 8 "f" for a particular fiscal year shall be determined by the
3 9 system, by rule, following a determination by the system's
3 10 actuary as to the total required percentage for that fiscal
3 11 year based upon the most recent actuarial valuation of the
3 12 retirement system by the system's actuary.

3 13 Sec. 2. Section 97B.49B, subsection 3, Code 2005, is
3 14 amended to read as follows:

3 15 3. ~~ADDITIONAL CONTRIBUTIONS.~~

3 16 a. Annually, the system shall actuarially determine the
3 17 cost of the ~~additional~~ benefits provided for members covered
3 18 under this section as a percentage of the covered wages of the
3 19 employees covered by this section. ~~Sixty~~ Notwithstanding any
3 20 provision of section 97B.11 to the contrary, sixty percent of
3 21 the cost shall be paid by the employers of employees covered
3 22 under this section and forty percent of the cost shall be paid
3 23 by the employees. The employer and employee contributions
3 24 required under this paragraph ~~are in addition to the shall be~~
3 25 ~~treated as~~ contributions paid under sections 97B.11 and
3 26 97B.11A.

3 27 b. (1) For the fiscal year commencing July 1, 1988, and
3 28 each succeeding fiscal year, there is appropriated from the
3 29 state fish and game protection fund to the system the amount
3 30 necessary to pay the employer share of the cost of the
3 31 ~~additional~~ benefits provided to employees covered under
3 32 subsection 1, paragraph "e", subparagraph (1).

3 33 (2) Annually, during each fiscal year commencing with the
3 34 fiscal year beginning July 1, 1988, each applicable city shall
3 35 pay to the system the amount necessary to pay the employer
4 1 share of the cost of the ~~additional~~ benefits provided to
4 2 employees of that city covered under subsection 1, paragraph
4 3 "e", subparagraphs (2) and (4).

4 4 (3) For the fiscal year commencing July 1, 1988, and each
4 5 succeeding fiscal year, the department of corrections shall
4 6 pay to the system from funds appropriated to the Iowa
4 7 department of corrections, the amount necessary to pay the
4 8 employer share of the cost of the ~~additional~~ benefits provided
4 9 to employees covered under subsection 1, paragraph "e",
4 10 subparagraph (3).

4 11 (4) For the fiscal year commencing July 1, 1990, and each
4 12 succeeding fiscal year, the state department of transportation
4 13 shall pay to the system, from funds appropriated to the state
4 14 department of transportation from the road use tax fund and
4 15 the primary road fund, the amount necessary to pay the
4 16 employer share of the cost of the ~~additional~~ benefits provided
4 17 to employees covered under subsection 1, paragraph "e",
4 18 subparagraph (5).

4 19 (5) For the fiscal year commencing July 1, 1992, and each
4 20 succeeding fiscal year, the department of public safety shall
4 21 pay to the system from funds appropriated to the department of
4 22 public safety, the amount necessary to pay the employer share
4 23 of the cost of the ~~additional~~ benefits provided to a fire
4 24 prevention inspector peace officer pursuant to subsection 1,
4 25 paragraph "e", subparagraph (6).

4 26 (6) For the fiscal year commencing July 1, 1994, and each
4 27 succeeding fiscal year through the fiscal year ending June 30,
4 28 1998, each judicial district department of correctional
4 29 services shall pay to the system from funds appropriated to

4 30 that judicial district department of correctional services,
4 31 the amount necessary to pay the employer share of the cost of
4 32 the ~~additional~~ benefits provided to employees of a judicial
4 33 district department of correctional services who are employed
4 34 as a probation officer III or a parole officer III.

4 35 (7) For the fiscal year commencing July 1, 2004, and each
5 1 succeeding fiscal year, there is appropriated from the general
5 2 fund of the state to the system, from funds not otherwise
5 3 appropriated, an amount necessary to pay the employer share of
5 4 the cost of the ~~additional~~ benefits provided to airport fire
5 5 fighters under this section.

5 6 Sec. 3. Section 97B.49C, subsection 3, paragraph a, Code
5 7 2005, is amended to read as follows:

5 8 a. Annually, the system shall actuarially determine the
5 9 cost of the benefits provided for members covered under this
5 10 section as a percentage of the covered wages of the employees
5 11 covered by this section. ~~Fifty Notwithstanding any provision~~
5 12 ~~of section 97B.11 to the contrary, fifty percent of the cost~~
5 13 shall be paid by the employers of employees covered under this
5 14 section and fifty percent of the cost shall be paid by the
5 15 employees. The employer and employee contributions required
5 16 under this paragraph ~~are in lieu of the shall be treated as~~
5 17 contributions paid under sections 97B.11 and 97B.11A.

5 18 Sec. 4. Section 97B.50A, subsection 12, Code 2005, is
5 19 amended to read as follows:

5 20 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in
5 21 the administration of this section by the system shall be paid
5 22 through ~~additional~~ contributions as determined pursuant to
5 23 section 97B.49B, subsection 3, or section 97B.49C, subsection
5 24 3, as applicable.

5 25 Sec. 5. PUBLIC RETIREMENT SYSTEMS COMMITTEE == PENSION
5 26 FLEXIBILITY REVIEW == REPORT.

5 27 1. The public retirement systems committee (committee)
5 28 established by section 97D.4 shall conduct a review of various
5 29 options to provide persons covered under the Iowa public
5 30 employees' retirement system (IPERS) additional flexibility in
5 31 plan design with features incorporating aspects of defined
5 32 contribution type vehicles. In conducting its review, the
5 33 committee shall consider previous studies and reports on
5 34 pension flexibility issues in Iowa and across the country, and
5 35 shall solicit input on pension flexibility issues from IPERS
6 1 staff, the IPERS benefits advisory committee, and other
6 2 interested parties.

6 3 2. The committee's review of pension flexibility issues
6 4 shall consider, among other ideas, the following:

6 5 a. Ways in which IPERS can assist employers in expanding
6 6 existing supplemental plans offered by public employers.

6 7 b. Ways in which IPERS could offer its own defined
6 8 contribution type supplementary plan vehicle to complement its
6 9 core defined benefit plan.

6 10 c. Ways in which IPERS could provide a cost of living or
6 11 favorable experience dividend benefit to members through
6 12 either defined contribution or alternative defined benefit
6 13 type plans.

6 14 d. Various hybrid plan designs incorporating features of
6 15 both defined benefit and defined contribution plan vehicles,
6 16 including, but not limited to, an integrated defined benefit
6 17 and defined contribution plan, a floor=offset plan, or a
6 18 pension equity plan.

6 19 3. The committee shall submit a report to the general
6 20 assembly by January 1, 2006, which report shall contain, in
6 21 addition to any other findings and recommendations concerning
6 22 public retirement systems in Iowa, its findings and
6 23 recommendations concerning its review of pension flexibility
6 24 issues, including any proposal or proposals regarding adding
6 25 additional flexibility in IPERS' plan design for the benefit
6 26 of IPERS covered employees and employers.

6 27 DIVISION II

6 28 JUDICIAL RETIREMENT SYSTEM

6 29 Sec. 6. Section 602.9104, Code 2005, is amended to read as
6 30 follows:

6 31 602.9104 DEDUCTIONS FROM JUDGES' SALARIES == CONTRIBUTIONS
6 32 BY STATE.

6 33 1. a. A judge to whom this article applies shall be paid
6 34 an amount equal to ~~ninety-five percent of the basic salary of~~
6 35 ~~the judge as set by the general assembly. An reduced by an~~
7 1 ~~amount equal to five percent of the basic salary of the judge~~
7 2 ~~as set by the general assembly is designated as the judge's~~
7 3 ~~required contribution to the judicial retirement fund, and.~~
7 4 The amount designated as the judge's required contribution
7 5 shall be paid by the state in the manner provided in

7 6 subsection 2.

7 7 b. The state shall contribute annually to the judicial
7 8 retirement fund an amount equal to the state's required
7 9 contribution for all judges covered under this article. The
7 10 state's required contribution shall be appropriated directly
7 11 to the judicial retirement fund by the general assembly.

7 12 2. The amount designated in ~~subsection 1~~ as the judge's
7 13 required contribution to the judicial retirement fund shall be
7 14 paid by the department of administrative services from the
7 15 general fund of the state to the court administrator for
7 16 deposit with the treasurer of state to the credit of the
7 17 judicial retirement fund. Moneys in the fund are appropriated
7 18 for the payment of annuities, refunds, and allowances provided
7 19 by this article, except that the amount of the appropriations
7 20 affecting payment of annuities, refunds, and allowances to
7 21 judges of the municipal and superior court is limited to that
7 22 part of the fund accumulated for their benefit as provided in
7 23 this article. The corpus and income of the fund shall be used
7 24 only for the exclusive benefit of the judges covered under
7 25 this article, their survivors, or an alternate payee who is
7 26 assigned benefits pursuant to a domestic relations order.

7 27 3. A judge covered under this article is deemed to consent
7 28 to the reduction in basic salary as provided in subsection 1.

7 29 4. ~~a.~~ As used in this ~~subsection~~ section, unless the
7 30 context otherwise requires:

7 31 ~~(1)~~ a. "Actuarial valuation" means an actuarial valuation
7 32 of the judicial retirement system or an annual actuarial
7 33 update of an actuarial valuation, as required pursuant to
7 34 section 602.9116.

7 35 ~~(2)~~ b. "Fully funded status" means that the most recent
8 1 actuarial valuation reflects that, using the projected unit
8 2 credit method in accordance with generally recognized and
8 3 accepted actuarial principles and practices set forth by the
8 4 American academy of actuaries, the funded status of the system
8 5 is at least one hundred ninety percent.

8 6 c. "Judge's required contribution" means an amount equal
8 7 to the basic salary of the judge multiplied by the following
8 8 applicable percentage:

8 9 (1) For the fiscal year beginning July 1, 2005, and for
8 10 each subsequent fiscal year until the system attains fully
8 11 funded status based upon the benefits provided for judges
8 12 through the judicial retirement system as of July 1, 2001, six
8 13 and one-half percent multiplied by a fraction equal to the
8 14 actual percentage rate contributed by the state for that
8 15 fiscal year divided by twenty-three and seven-tenths percent.

8 16 (2) Commencing with the first fiscal year in which the
8 17 system attains fully funded status, based upon the benefits
8 18 provided for judges through the judicial retirement system as
8 19 of July 1, 2001, and for each subsequent fiscal year, the
8 20 percentage rate equal to fifty percent of the required
8 21 contribution rate.

8 22 ~~(3)~~ d. "Required contribution rate" means that percentage
8 23 of the basic salary of all judges covered under this article
8 24 which, in addition to the judge's contribution established in
8 25 ~~subsection 1~~, the actuary of the system determines is
8 26 necessary to maintain fully funded status.

8 27 e. "State's required contribution" means an amount equal
8 28 to the basic salary of all judges covered under this article
8 29 multiplied by the following applicable percentage:

8 30 (1) For the fiscal year beginning July 1, 2005, and for
8 31 each subsequent fiscal year until the system attains fully
8 32 funded status based upon the benefits provided for judges
8 33 through the judicial retirement system as of July 1, 2001,
8 34 twenty-three and seven-tenths percent.

8 35 (2) Commencing with the first fiscal year in which the
9 1 system attains fully funded status, based upon the benefits
9 2 provided for judges through the judicial retirement system as
9 3 of July 1, 2001, and for each subsequent fiscal year, the
9 4 percentage rate equal to fifty percent of the required
9 5 contribution rate.

9 6 ~~b.~~ ~~Effective with the fiscal year commencing July 1, 1994,~~
9 7 ~~and for each subsequent fiscal year until the system attains~~
9 8 ~~fully funded status, based upon the benefits provided for~~
9 9 ~~judges through the judicial retirement system as of July 1,~~
9 10 ~~2001, the state shall contribute annually to the judicial~~
9 11 ~~retirement fund an amount equal to at least twenty-three and~~
9 12 ~~seven-tenths percent of the basic salary of all judges covered~~
9 13 ~~under this article. Commencing with the first fiscal year in~~
9 14 ~~which the system attains fully funded status, based upon the~~
9 15 ~~benefits provided for judges through the judicial retirement~~
9 16 ~~system as of July 1, 2001, and for each subsequent fiscal~~

~~9 17 year, the state shall contribute to the judicial retirement
9 18 fund the required contribution rate. The state's contribution
9 19 shall be appropriated directly to the judicial retirement
9 20 fund.~~

9 21 Sec. 7. Section 602.9106, Code 2005, is amended to read as
9 22 follows:

9 23 602.9106 RETIREMENT.

9 24 Any person who shall have become separated from service as
9 25 a judge of any of the courts included in this article and who
9 26 has had an aggregate of at least six years of service as a
9 27 judge of one or more of such courts and shall have attained
9 28 the age of sixty-five years or who has had ~~twenty-five~~ twenty
9 29 years of consecutive service as a judge of one or more of said
9 30 courts, and who shall have otherwise qualified as provided in
9 31 this article, shall be entitled to an annuity as hereinafter
9 32 provided.

9 33 Sec. 8. Section 602.9107, subsection 1, paragraph a, Code
9 34 2005, is amended to read as follows:

9 35 a. (1) The annual annuity of a judge under this system is
10 1 an amount equal to three ~~and one-half~~ percent of the judge's
10 2 average annual basic salary for the judge's highest three
10 3 years as a judge of one or more of the courts included in this
10 4 article, multiplied by the judge's years of service as a judge
10 5 of one or more of the courts for which contributions were made
10 6 to the system. However, an annual annuity shall not exceed an
10 7 amount equal to a specified percentage of the highest basic
10 8 annual salary which the judge is receiving or had received as
10 9 of the time the judge became separated from service.
10 10 Forfeitures shall not be used to increase the annuities a
10 11 judge or survivor would otherwise receive under the system.

10 12 (2) For each judge who retires and receives an annuity on
10 13 or after July 1, 2005, and who has completed more than twenty
10 14 years of service, the annual annuity of a judge is an amount
10 15 equal to seventy percent of the judge's average annual basic
10 16 salary for the judge's highest three years as a judge of one
10 17 or more of the courts included in this article, plus an
10 18 additional one-fourth of one percentage point for each
10 19 additional calendar quarter of eligible service beyond twenty
10 20 years of service, not to exceed a total of five additional
10 21 percentage points.

10 22 Sec. 9. Section 602.9107, subsection 1, paragraph b,
10 23 subparagraph (4), Code 2005, is amended to read as follows:

10 24 (4) For judges who retire and receive an annuity on or
10 25 after July 1, 2001, but before July 1, 2005, the specified
10 26 percentage shall be sixty percent.

10 27 Sec. 10. Section 602.9107, subsection 1, paragraph b, Code
10 28 2005, is amended by adding the following new subparagraph:

10 29 NEW SUBPARAGRAPH. (5) For judges who retire and receive
10 30 an annuity on or after July 1, 2005, the specified percentage
10 31 shall be seventy percent.

10 32 Sec. 11. Section 602.9108, Code 2005, is amended to read
10 33 as follows:

10 34 602.9108 INDIVIDUAL ACCOUNTS == REFUNDING.

10 35 The amount designated as the judge's contribution to the
11 1 judicial retirement fund in section 602.9104, ~~subsection 1,~~
11 2 and all amounts paid into the fund by a judge shall be
11 3 credited to the individual account of the judge. If a judge
11 4 covered under this article becomes separated from service as a
11 5 judge before the judge completes an aggregate of six years of
11 6 service as a judge of one or more of the courts, the total
11 7 amount in the judge's individual account shall be returned to
11 8 the judge or the judge's legal representatives within one year
11 9 of the separation. If a judge, who is covered under this
11 10 article and who has completed an aggregate of six years or
11 11 more of service as a judge of one or more of the courts, dies
11 12 before retirement, without a survivor, the total amount in the
11 13 judge's individual account shall be paid in one sum to the
11 14 judge's legal representatives within one year of the judge's
11 15 death. If an annuitant under this section dies without a
11 16 survivor, and without having received in annuities an amount
11 17 equal to the total amount in the judge's individual account at
11 18 the time of separation from service, the amount remaining to
11 19 the annuitant's credit shall be paid in one sum to the
11 20 annuitant's legal representatives within one year of the
11 21 annuitant's death.

11 22 Sec. 12. Section 602.9115A, unnumbered paragraphs 1 and 3,
11 23 Code 2005, are amended to read as follows:

11 24 In lieu of the annuities and refunds provided for judges
11 25 and judges' survivors under sections 602.9107, ~~602.9107A,~~
11 26 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges
11 27 may elect to receive an optional retirement annuity during the

11 28 judge's lifetime and have the optional retirement annuity, or
11 29 a designated fraction of the optional retirement annuity,
11 30 continued and paid to the judge's survivor after the judge's
11 31 death and during the lifetime of the survivor.

11 32 The optional retirement annuity shall be the actuarial
11 33 equivalent of the amounts of the annuities payable to judges
11 34 and survivors under sections 602.9107, ~~602.9107A~~, 602.9115,
11 35 602.9204, 602.9208, and 602.9209. The actuarial equivalent
12 1 shall be based on the mortality and interest assumptions set
12 2 out in section 602.9107, subsection 3.

12 3 Sec. 13. Section 602.9116, subsection 1, Code 2005, is
12 4 amended to read as follows:

12 5 1. The court administrator shall cause an actuarial
12 6 valuation to be made of the assets and liabilities of the
12 7 judicial retirement fund at least once every four years
12 8 commencing with the fiscal year beginning July 1, 1981. For
12 9 each fiscal year in which an actuarial valuation is not
12 10 conducted, the court administrator shall cause an annual
12 11 actuarial update to be prepared for the purpose of determining
12 12 the adequacy of the contribution rates specified in section
12 13 ~~602.9104, subsection 4~~. The court administrator shall adopt
12 14 mortality tables and other necessary factors for use in the
12 15 actuarial calculations required for the valuation upon the
12 16 recommendation of the actuary. Following the actuarial
12 17 valuation or annual actuarial update, the court administrator
12 18 shall determine the condition of the system and shall report
12 19 its findings and recommendations to the general assembly.

12 20 Sec. 14. Section 602.9203, subsection 2, paragraph b, Code
12 21 2005, is amended to read as follows:

12 22 b. Meets the minimum requirements for entitlement to an
12 23 annuity as specified in section 602.9106. However, a judge
12 24 who elects to retire prior to attaining the age of sixty-five
12 25 and who has not had ~~twenty-five~~ twenty years of consecutive
12 26 service, may serve as a senior judge, but shall not be paid an
12 27 annuity pursuant to section 602.9204 until attaining age
12 28 sixty-five.

12 29 Sec. 15. Section 602.9204, subsection 1, Code 2005, is
12 30 amended to read as follows:

12 31 1. A judge who retires on or after July 1, 1994, and who
12 32 is appointed a senior judge under section 602.9203 shall be
12 33 paid a salary as determined by the general assembly. A senior
12 34 judge or retired senior judge shall be paid an annuity under
12 35 the judicial retirement system in the manner provided in
13 1 section 602.9109, but computed under this section in lieu of
13 2 section 602.9107, as follows: The annuity paid to a senior
13 3 judge or retired senior judge shall be an amount equal to
13 4 ~~three percent the applicable percentage multiplier~~ of the
13 5 basic senior judge salary, multiplied by the judge's years of
13 6 service prior to retirement as a judge of one or more of the
13 7 courts included under this article, for which contributions
13 8 were made to the system, except the annuity of the senior
13 9 judge or retired senior judge shall not exceed an amount equal
13 10 to the applicable specified percentage of the basic senior
13 11 judge salary used in calculating the annuity. However,
13 12 following the twelve-month period during which the senior
13 13 judge or retired senior judge attains seventy-eight years of
13 14 age, the annuity paid to the person shall be an amount equal
13 15 to ~~three percent the applicable percentage multiplier~~ of the
13 16 basic senior judge salary cap, multiplied by the judge's years
13 17 of service prior to retirement as a judge of one or more of
13 18 the courts included under this article, for which
13 19 contributions were made to the system, except that the annuity
13 20 shall not exceed an amount equal to the applicable specified
13 21 percentage of the basic senior judge salary cap. A senior
13 22 judge or retired senior judge shall not receive benefits
13 23 calculated using a basic senior judge salary established after
13 24 the twelve-month period in which the senior judge or retired
13 25 senior judge attains seventy-eight years of age. The state
13 26 shall provide, regardless of age, to an active senior judge or
13 27 a senior judge with six years of service as a senior judge and
13 28 to the judge's spouse, and pay for medical insurance until the
13 29 judge attains the age of seventy-eight years.

13 30 Sec. 16. Section 602.9204, subsection 2, Code 2005, is
13 31 amended by adding the following new paragraph:

13 32 NEW PARAGRAPH. oa. "Applicable percentage multiplier"
13 33 means as follows:

13 34 (1) For a senior judge or retired senior judge who retired
13 35 as a judge and received an annuity prior to July 1, 2005,
14 1 three percent.

14 2 (2) For a senior judge or a retired senior judge who
14 3 retired as a judge and received an annuity on or after July 1,

14 4 2005, three and one-half percent.

14 5 EXPLANATION

14 6 This bill makes changes to the Iowa public employees'
14 7 retirement system and the judicial retirement system. The
14 8 bill may include a state mandate as defined in Code section
14 9 25B.3. The state mandate funding requirement in Code section
14 10 25B.2, however, does not apply to public employee retirement
14 11 systems. The changes to each public retirement system are as
14 12 follows:

14 13 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

14 14 The bill amends Code section 97B.11 relating to the
14 15 contributions made to the system by employers and employees.
14 16 Currently, the employer rate is 5.75 percent and the employee
14 17 rate is 3.7 percent of a member's covered wages. The bill
14 18 provides that the base employer rate will increase from the
14 19 current rate by .6 percentage points per fiscal year beginning
14 20 July 1, 2006, until reaching 8.15 percent on July 1, 2009.
14 21 The bill further provides that the base employee rate will
14 22 increase from the current rate by .4 percentage points per
14 23 fiscal year beginning July 1, 2006, until reaching 5.3 percent
14 24 on July 1, 2009. Beginning July 1, 2010, the total employer
14 25 percentage shall be 8.15 percent and 50 percent of the total
14 26 adjusted required percentage, and the total employee
14 27 percentage shall be 5.3 percent and 50 percent of the total
14 28 adjusted required percentage. The bill provides that the
14 29 total additional required percentage shall be, beginning for
14 30 each fiscal year on or after July 1, 2010, the percentage
14 31 rate, whether positive or negative, equal to the total
14 32 required percentage minus 13.45 percent. The bill provides
14 33 that the total required percentage rate for a fiscal year is
14 34 the total adjusted required percentage for the prior year plus
14 35 13.45 percent unless IPERS determines that this total rate

15 1 should be modified. The bill provides that if the total rate
15 2 for the prior year is insufficient to amortize the system's
15 3 unfunded actuarial liability within 30 years, the rate will
15 4 increase to the lesser of the rate needed to amortize the
15 5 unfunded actuarial liability in 30 years or one percentage
15 6 point over the prior year's total rate. On the other hand,
15 7 the bill provides that if the total rate for the prior year is
15 8 sufficient to amortize the system's unfunded actuarial
15 9 liability in 10 years or less, the rate will decrease to the
15 10 greater of one percentage point less than the prior year's
15 11 total rate, or the rate equal to the normal cost rate plus the
15 12 greater of an additional .75 percent or such other percent as
15 13 necessary to amortize any unfunded liability of the system
15 14 over 20 years. The bill also makes conforming changes to the
15 15 Code sections providing for the contributions paid by special
15 16 service members of IPERS to retain the current contribution
15 17 rate calculation for these members.

15 18 The bill also requires the public retirement systems
15 19 committee to conduct a review of pension flexibility issues
15 20 and to submit its findings and recommendations to the
15 21 legislature by January 1, 2006. The pension flexibility
15 22 review is charged to examine and consider various
15 23 supplementary defined-contribution and hybrid retirement
15 24 plans.

15 25 JUDICIAL RETIREMENT SYSTEM

15 26 Code section 602.9104, concerning contributions by judges
15 27 and the state to the judicial retirement fund, is amended.
15 28 Under current law, judges pay 5 percent of their salary and
15 29 the state pays 23.7 percent of all judges' salaries to the
15 30 fund until the fund becomes fully funded based upon the
15 31 benefits provided judges as of July 1, 2001. The bill changes
15 32 the definition of fully funded to provide that a funded status
15 33 of 90 percent, instead of 100 percent, is deemed fully funded.
15 34 The bill further provides that judges will pay 6.5 percent of
15 35 their salary for the fiscal year beginning July 1, 2005, and
16 1 each fiscal year thereafter, until the fund becomes fully
16 2 funded based upon the benefits provided judges as of July 1,
16 3 2001, multiplied by a fraction determined by taking the actual
16 4 state contribution rate for the fiscal year divided by 23.7.
16 5 Once the fund becomes fully funded, judges will pay 50 percent
16 6 of the percentage of the total amount necessary to keep the
16 7 fund fully funded. As for the state's contribution, the bill
16 8 provides that the state will continue to pay 23.7 percent of
16 9 total pay for each fiscal year until the fund becomes fully
16 10 funded based upon the benefits provided judges as of July 1,
16 11 2001. Once the fund becomes fully funded, the state will pay
16 12 50 percent of the percentage of the total amount necessary to
16 13 keep the fund fully funded.

16 14 Code section 602.9106 is amended to reduce from 25 to 20

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

16 21 Code section 602.9107, concerning the calculation of a
16 22 retirement annuity under the judicial retirement system, is
16 23 amended. The bill increases the percentage multiplier used in
16 24 calculating a judge's retirement annuity from 3 percent to 3.5
16 25 percent for each year of service under the retirement system
16 26 and increases the maximum percentage of the judge's final
16 27 average salary used in calculating an annuity from 60 percent
16 28 to 70 percent for judges with 20 years of service or less who
16 29 retire on or after July 1, 2005. The bill also provides that
16 30 a judge with more than 20 years of service who retires on or
16 31 after July 1, 2005, can receive an additional .25 percent of
16 32 the judge's final highest average salary, for each quarter
16 33 year of service over 20 years, up to a maximum of 5 additional
16 34 percentage points.

16 35 Code section 602.9204, concerning the calculation of a
17 1 retirement annuity for senior judges, is amended to provide
17 2 that the percentage multiplier used to calculate senior judge
17 3 annuities is also increased from 3 percent to 3.5 percent per
17 4 year of service for judges who retired and received an annuity
17 5 on or after July 1, 2005. The maximum percentage applicable
17 6 to each senior judge is not changed.
17 7 LSB 1330HC 81
17 8 ec:rj/gg/14.1