

Senate Study Bill 3152

SENATE/HOUSE FILE _____
BY (PROPOSED IOWA PUBLIC
EMPLOYEES' RETIREMENT
SYSTEM BILL)

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

A BILL FOR

1 An Act concerning the Iowa public employees' retirement system
2 and including effective date and retroactive applicability
3 provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5463DP 82
6 ec/sc/5

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1 1 Section 1. Section 97B.9, subsection 2, Code 2007, is
1 2 amended to read as follows:
1 3 2. If within thirty days after due notice the employer
1 4 defaults in payment of contributions or interest thereon, the
1 5 amount due ~~shall~~ may be collected by civil action in the name
1 6 of the system, and the employer adjudged in default shall pay
1 7 the costs of such action. Civil actions brought under this
1 8 section to collect contributions or interest thereon shall be
1 9 heard by the court at the earliest possible date and shall be
1 10 entitled to preference upon the calendar of the court over all
1 11 other civil actions.

1 12 Sec. 2. Section 97B.10, subsection 3, Code 2007, is
1 13 amended to read as follows:

1 14 3. ~~Except as provided in this subsection, interest~~
1 15 Interest shall not be paid on credits issued pursuant to this
1 16 section. However, if a credit for contributions paid prior to
1 17 ~~an individual's decision to elect out of coverage pursuant to~~
1 18 ~~section 97B.42A is issued, accumulated interest and interest~~
1 19 ~~on dividends as provided in section 97B.70 shall apply. In~~
1 20 ~~addition, the system may, at any time, apply accumulated~~
1 21 ~~interest and interest dividends as provided in section 97B.70~~
1 22 ~~on any credits issued under this section if the system finds~~
1 23 ~~that the crediting of interest is just and equitable.~~

1 24 Sec. 3. Section 97B.33, Code 2007, is amended to read as
1 25 follows:

1 26 97B.33 ~~CERTIFICATION TO DIRECTOR~~ PAYMENT TO INDIVIDUALS.

1 27 Upon final decision of the system, or upon final judgment
1 28 of any court of competent jurisdiction, that any person is
1 29 entitled to any payment or payments under this chapter, the
1 30 system shall ~~certify to the director of the department of~~
1 31 ~~administrative services the name and address of the person so~~
1 32 ~~entitled to receive such payment or payments, the amount of~~
1 33 ~~such payment or payments, and the time at which such payment~~
1 34 ~~or payments should be made, and the system, through the~~
1 35 ~~director of the department of administrative services, shall~~
2 1 ~~make payment in accordance with the certification of the~~
2 2 ~~system to the person, provided that where judicial review of~~
2 3 ~~the system's decision is or may be sought in accordance~~
2 4 ~~with the terms of the Iowa administrative procedure Act,~~
2 5 ~~chapter 17A, certification of payment may be withheld pending~~
2 6 ~~such review. The director of the department of administrative~~
2 7 ~~services shall not be held personally liable for any payment~~
2 8 ~~or payments made in accordance with a certification by the~~
2 9 ~~system.~~

2 10 Sec. 4. Section 97B.34A, subsections 1 and 2, Code 2007,
2 11 are amended to read as follows:

2 12 1. If the total sum to be paid to the minor is less than
2 13 ~~ten~~ the greater of twenty-five thousand dollars or the maximum
2 14 amount permitted under section 565B.7, subsection 3, the funds
2 15 may be paid to an adult as custodian for the minor. The
2 16 custodian must complete the proper forms as determined by the
2 17 system.

2 18 2. If the total sum to be paid to the minor is equal to or
2 19 more than ~~ten thousand dollars~~ the amount authorized in
2 20 subsection 1, the funds must be paid to a court-established
2 21 conservator. The system shall not make payment until the
2 22 conservatorship has been established and the system has
2 23 received the appropriate documentation.

2 24 Sec. 5. Section 97B.49F, subsection 1, paragraph b,
2 25 subparagraph (2), subparagraph subdivision (b), Code 2007, is
2 26 amended to read as follows:

2 27 (b) The percentage representing the percentage amount the
2 28 actuary has certified, ~~in the annual actuarial valuation of~~
2 29 ~~the retirement system as of June 30 of the year in which the~~
2 30 ~~dividend is to be paid~~, that the fund can absorb without
2 31 requiring an increase in the employer and employee
2 32 contributions to the fund. The actuary's certification of
2 33 such percentage amount shall be based on a comparison of the
2 34 actuarially required contribution rate for the fiscal year of
2 35 the dividend adjustment to the statutory contribution rate for
3 1 that same fiscal year. If the actuarially required
3 2 contribution rate exceeds the statutory contribution rate for
3 3 that same fiscal year, the percentage amount shall be zero.

3 4 Sec. 6. Section 97B.49H, subsection 3, Code 2007, is
3 5 amended to read as follows:

3 6 3. The system shall annually determine the amount to be
3 7 credited to the supplemental accounts of active members. The
3 8 total amount credited to the supplemental accounts of all
3 9 active members shall not exceed the amount that the system
3 10 determines, in consultation with the system's actuary, ~~can be~~
3 11 ~~absorbed without significantly impacting the funded status of~~
3 12 ~~leaves the system fully funded following the crediting of the~~
3 13 ~~total amount to the supplemental accounts.~~ The amount to be
3 14 credited shall not be greater than the amount calculated by
3 15 multiplying the member's covered wages for the applicable wage
3 16 reporting period by the supplemental rate. For purposes of
3 17 this subsection, the supplemental rate is the difference, if
3 18 positive, between the combined employee and employer statutory
3 19 contribution rates in effect under section 97B.11 and the
3 20 normal cost rate of the retirement system as determined by the
3 21 system's actuary in the most recent annual actuarial valuation
3 22 of the retirement system. The credits shall be made ~~at least~~
3 23 ~~quarterly to each member's account at the time that covered~~
3 24 ~~wages are reported for each wage reporting period during the~~
3 25 ~~calendar year following a determination that the retirement~~
3 26 ~~system does not have an unfunded accrued liability will remain~~
3 27 ~~fully funded following the crediting of the total amount to~~
3 28 ~~the supplemental accounts.~~ The normal cost rate, calculated
3 29 according to the actuarial cost method used, is the percent of
3 30 pay allocated to each year of service that is necessary to
3 31 fund projected benefits over all members' service with the
3 32 retirement system.

3 33 Sec. 7. Section 97B.52, subsection 1, paragraph a,
3 34 unnumbered paragraphs 1 and 3, Code 2007, are amended to read
3 35 as follows:

4 1 A lump sum payment equal to the accumulated contributions
4 2 of the member at the date of death plus the product of an
4 3 amount equal to the highest year of covered wages of the
4 4 deceased member and the number of years of membership service
4 5 divided by the applicable denominator. ~~However, a lump sum~~
4 6 ~~payment made to a beneficiary under this paragraph due to the~~
4 7 ~~death of a member shall not be less than the amount that would~~
4 8 ~~have been payable on the death of the member on June 30, 1984,~~
4 9 ~~under this paragraph as it appeared in the 1983 Code.~~

4 10 ~~Effective July 1, 1978, a method of payment under this~~
4 11 ~~paragraph filed with the system by a member does not apply.~~

4 12 Sec. 8. Section 97B.53B, Code 2007, is amended to read as
4 13 follows:

4 14 97B.53B ROLLOVERS OF MEMBERS' ACCOUNTS.

4 15 1. As used in this section, unless the context otherwise
4 16 requires, and to the extent permitted by the internal revenue
4 17 service:

4 18 a. "Direct rollover" means a payment by the system to the
4 19 eligible retirement plan specified by ~~the member or the~~
4 20 ~~member's surviving spouse an eligible person.~~

4 21 b. "Eligible person" means any of the following:

4 22 (1) The member.

4 23 (2) The member's surviving spouse.

4 24 (3) The member's spouse or former spouse as an alternate
4 25 payee under a qualified domestic relations order.

4 26 (4) Effective January 1, 2007, the member's nonspouse
4 27 beneficiaries who are designated beneficiaries as defined by
4 28 section 401(a)(9)(E) of the federal Internal Revenue Code, as

4 29 authorized under section 829 of the federal Pension Protection
4 30 Act of 2006.

4 31 c. "Eligible retirement plan" means ~~either, for an~~
4 32 ~~eligible person, any of the following retirement plans that~~
4 33 ~~accepts can accept~~ an eligible rollover distribution from a
4 34 ~~member or a member's surviving spouse that eligible person:~~

4 35 (1) An individual retirement account in accordance with
5 1 section 408(a) of the federal Internal Revenue Code.

5 2 (2) An individual retirement annuity in accordance with
5 3 section 408(b) of the federal Internal Revenue Code.

5 4 ~~(3) In addition, an "eligible retirement plan" includes an~~
5 5 ~~annuity plan in accordance with section 403(a) of the~~
5 6 ~~federal Internal Revenue Code, or a qualified trust in~~
5 7 ~~accordance with section 401(a) of the federal Internal Revenue~~
5 8 ~~Code, that accepts an eligible rollover distribution from a~~
5 9 ~~member.~~

5 10 (4) Effective January 1, 2002, ~~the term "eligible~~
5 11 ~~retirement plan" also includes~~ an annuity contract described
5 12 in section 403(b) of the federal Internal Revenue Code, and an
5 13 eligible plan under section 457(b) of the federal Internal
5 14 Revenue Code which is maintained by a state, political
5 15 subdivision of a state, or any agency or instrumentality of a
5 16 state or political subdivision of a state that chooses to
5 17 separately account for amounts transferred into such eligible
5 18 retirement plan from the system.

5 19 (5) ~~Effective January 1, 2008, a Roth individual~~
5 20 ~~retirement account or a Roth individual retirement annuity~~
5 21 ~~established under section 408A of the Internal Revenue Code.~~

5 22 e. d. (1) "Eligible rollover distribution" includes any
5 23 of the following:

5 24 (a) All or any portion of a member's account and
5 25 supplemental account.

5 26 (b) Effective January 1, 2002, after-tax employee
5 27 contributions, if the plan to which such amounts are to be
5 28 transferred is an individual retirement account described in
5 29 federal Internal Revenue Code section 408(a) or 408(b), or is
5 30 a qualified defined contribution plan described in federal
5 31 Internal Revenue Code section 401(a) or 403(a), and such plan
5 32 agrees to separately account for the after-tax amount so
5 33 transferred.

5 34 (c) ~~A distribution made on behalf of a surviving spouse~~
5 35 ~~and to an alternate payee, who is a spouse or former spouse,~~
6 1 ~~under a qualified domestic relations order. Effective January~~
6 2 ~~1, 2007, after-tax employee contributions to a qualified~~
6 3 ~~defined benefit plan described in federal Internal Revenue~~
6 4 ~~Code section 401(a) or 403(a), or a tax-sheltered annuity plan~~
6 5 ~~described in federal Internal Revenue Code section 403(b), and~~
6 6 ~~such plan agrees to separately account for the after-tax~~
6 7 ~~amount so transferred.~~

6 8 (2) An eligible rollover distribution does not include any
6 9 of the following:

6 10 (a) A distribution that is one of a series of
6 11 substantially equal periodic payments, which occur annually or
6 12 more frequently, made for the life or life expectancy of the
6 13 distributee or the joint lives or joint life expectancies of
6 14 the distributee and the distributee's designated beneficiary,
6 15 or made for a specified period of ten years or more.

6 16 (b) A distribution to the extent that the distribution is
6 17 required pursuant to section 401(a)(9) of the federal Internal
6 18 Revenue Code.

6 19 (c) Prior to January 1, 2002, the portion of any
6 20 distribution that is not includible in the gross income of the
6 21 distributee, determined without regard to the exclusion for
6 22 net unrealized appreciation with respect to employer
6 23 securities.

6 24 2. ~~Effective January 1, 1993, a member or a member's~~
6 25 ~~surviving spouse An eligible person may elect, at the time and~~
6 26 ~~in the manner prescribed in rules adopted by the system and in~~
6 27 ~~rules of the receiving retirement plan, to have the system pay~~
6 28 ~~all or a portion of an eligible rollover distribution directly~~
6 29 ~~to an eligible retirement plan, specified by the member or the~~
6 30 ~~member's surviving spouse, in a direct rollover. However,~~
6 31 ~~effective January 1, 2007, if the eligible person is a~~
6 32 ~~nonspouse beneficiary as described in subsection 1, paragraph~~
6 33 ~~"b", subparagraph (4), the nonspouse beneficiary may only have~~
6 34 ~~a direct rollover of the distribution to an individual~~
6 35 ~~retirement account or annuity as described in subsection 1,~~
7 1 ~~paragraph "c", subparagraphs (1) or (2), established for the~~
7 2 ~~purpose of receiving the distribution on behalf of the~~
7 3 ~~nonspouse beneficiary, and such individual retirement account~~
7 4 ~~or annuity will be treated as an inherited individual~~

~~7 5 retirement account or annuity pursuant to section 829 of the
7 6 federal Pension Protection Act of 2006.~~

~~7 7 Sec. 9. Section 97B.80C, subsection 1, paragraph a, Code
7 8 2007, is amended to read as follows:~~

~~7 9 a. "Nonqualified service" means ~~service that is not~~
7 10 ~~qualified service and includes, but is not limited to, any of~~
7 11 ~~the following:~~~~

~~7 12 (1) ~~Full-time volunteer public service in the federal~~
7 13 ~~peace corps program. Service that is not qualified service.~~~~

~~7 14 (2) ~~Public employment comparable to employment covered~~
7 15 ~~under this chapter in a qualified Canadian governmental entity~~
7 16 ~~that is an elementary school, secondary school, college, or~~
7 17 ~~university that is organized, administered, and primarily~~
7 18 ~~supported by the provincial, territorial, or federal~~
7 19 ~~governments of Canada, or any combination of the same. Any~~
7 20 ~~period of time for which there was no performance of services.~~~~

~~7 21 (3) ~~Service as described in subsection 1, paragraph "c",~~
7 22 ~~subparagraph (2).~~~~

~~7 23 Sec. 10. Section 97B.80C, subsection 2, Code 2007, is
7 24 amended to read as follows:~~

~~7 25 2. a. A vested or retired member may make contributions
7 26 to the retirement system to purchase up to the maximum amount
7 27 of permissive service credit for qualified service as
7 28 determined by the system, pursuant to Internal Revenue Code
7 29 section 415(n), ~~and the requirements of this section, and the~~
7 30 ~~system's administrative rules.~~~~

~~7 31 b. A vested or retired member of the retirement system ~~who~~
7 32 ~~has five or more full calendar years of covered wages~~ may make
7 33 contributions to the retirement system to purchase up to ~~five~~
7 34 ~~years a maximum of twenty quarters~~ of permissive service
7 35 credit for nonqualified service as determined by the system,
8 1 pursuant to Internal Revenue Code section 415(n), ~~and the~~
8 2 requirements of this section, ~~and the system's administrative~~
8 3 ~~rules. A vested or retired member must have at least twenty~~
8 4 ~~quarters of covered wages in order to purchase permissive~~
8 5 ~~service credit for nonqualified service.~~~~

~~8 6 c. In addition, a vested or retired member may convert
8 7 regular member service credit to special service credit by
8 8 payment of the amount actuarially determined as necessary to
8 9 fund the resulting increase in the member's accrued benefit.
8 10 The conversion shall be treated as a purchase of qualified
8 11 service credit subject to the requirements of paragraph "a" if
8 12 the service credit to be converted was or would have been for
8 13 qualified service. The conversion shall be treated as a
8 14 purchase of nonqualified service credit subject to the
8 15 requirements of paragraph "b" if the service credit to be
8 16 converted was purchased as nonqualified service credit.~~

~~8 17 Sec. 11. Section 97B.82, subsection 2, paragraph b,
8 18 subparagraph (2), subparagraph subdivision (c), Code 2007, is
8 19 amended to read as follows:~~

~~8 20 (c) ~~The For rollover service purchases prior to January 1,~~
8 21 ~~2007, the portion of any distribution that is not includible~~
8 22 ~~in the gross income of the distributee, determined without~~
8 23 ~~regard to the exclusion for net unrealized appreciation with~~
8 24 ~~respect to employer securities.~~~~

~~8 25 ~~For rollover service purchases on or after January 1, 2007,~~
8 26 ~~the portion of any distribution that is not includible in the~~
8 27 ~~gross income of the distributee, determined without regard to~~
8 28 ~~the exclusion for net unrealized appreciation with respect to~~
8 29 ~~employer securities, shall be treated as an eligible rollover~~
8 30 ~~distribution only when such portion is received from a~~
8 31 ~~qualified plan under section 401(a) or 403(a) of the federal~~
8 32 ~~Internal Revenue Code.~~~~

~~8 33 Sec. 12. Section 97B.82, subsection 3, Code 2007, is
8 34 amended to read as follows:~~

~~8 35 3. A member may purchase any service credit as authorized
9 1 by this section, to the extent permitted by the internal
9 2 revenue service, by means of a direct transfer, ~~excluding of~~
9 3 ~~pretax amounts, and effective January 1, 2007, any after-tax~~
9 4 contributions, from an annuity contract qualified under
9 5 federal Internal Revenue Code section 403(b), or an eligible
9 6 plan described in federal Internal Revenue Code section
9 7 457(b), maintained by a state, political subdivision of a
9 8 state, or any agency or instrumentality of a state or
9 9 political subdivision of a state. A direct transfer is a
9 10 trustee-to-trustee transfer to the retirement system of
9 11 contributions made to annuity contracts qualified under
9 12 federal Internal Revenue Code section 403(b) and eligible
9 13 governmental plans qualified under federal Internal Revenue
9 14 Code section 457(b) for purposes of purchasing service credit
9 15 in the retirement system.~~

9 16 Sec. 13. Section 97B.73B, Code 2007, is repealed.
9 17 Sec. 14. EFFECTIVE DATES == RETROACTIVE APPLICABILITY.
9 18 1. The section of this Act amending section 97B.9,
9 19 subsection 2, takes effect May 1, 2008.
9 20 2. The section of this Act amending section 97B.10,
9 21 subsection 3, takes effect May 1, 2008.
9 22 3. The section of this Act amending section 97B.53B, being
9 23 deemed of immediate importance, takes effect upon enactment,
9 24 and, except as otherwise stated, is retroactively applicable
9 25 to January 1, 2007, and is applicable on and after that date.
9 26 4. The sections of this Act amending section 97B.82, being
9 27 deemed of immediate importance, take effect upon enactment,
9 28 and are retroactively applicable to January 1, 2007, and are
9 29 applicable on and after that date.

9 30 EXPLANATION

9 31 This bill makes changes relative to the Iowa Public
9 32 Employees' Retirement System (IPERS).
9 33 Code section 97B.9, subsection 1, concerning the collection
9 34 of unpaid contributions, is amended to make civil actions to
9 35 collect unpaid contributions from employers permissive. This
10 1 provision takes effect May 1, 2008.
10 2 Code section 97B.10, concerning the crediting of erroneous
10 3 contributions, is amended to eliminate a provision awarding
10 4 interest on a credit for contributions paid prior to an
10 5 individual's decision to elect out of IPERS coverage. This
10 6 provision takes effect May 1, 2008.
10 7 Code section 97B.33, concerning payments made to an
10 8 individual arising out of a decision by the system or a court,
10 9 is amended to provide that the system may make the payment
10 10 without certifying to the director of the department of
10 11 administrative services that the person is entitled to the
10 12 payment.
10 13 Code section 97B.34A, concerning payment to minors, is
10 14 amended to provide that if the sum to be paid is less than the
10 15 greater of \$25,000 or the amount authorized in section 565B.7,
10 16 subsection 3 (currently \$25,000), the funds may be paid to an
10 17 adult as custodian for the minor. Payments in excess of this
10 18 amount are to be paid to a court-established conservator.
10 19 Current law sets the maximum amount that can be paid to an
10 20 adult custodian at \$10,000.
10 21 Code section 97B.49F, concerning the determination of the
10 22 cost of living dividend, is amended. Current law provides
10 23 that the dividend increases by a percentage that is the lesser
10 24 of 3 percent, the percentage increase in the consumer price
10 25 index, and the percentage certified by the system's actuary
10 26 that the system can absorb. The bill amends the determination
10 27 of the percentage calculated by the system's actuary to
10 28 provide that the determination be made by comparing the
10 29 actuarial required contribution rate for the system and the
10 30 statutory contribution rate. If the actuarial required rate
10 31 exceeds that statutory rate, the bill provides that the
10 32 percentage certified by the actuary shall be zero.
10 33 Code section 97B.49H, concerning active member supplemental
10 34 accounts, is amended to provide that no payments to the
10 35 accounts be made unless the system remains fully funded
11 1 following the payment to the supplemental accounts. Current
11 2 law allows payment only if the payment can be absorbed without
11 3 significantly impacting the funded status of the system.
11 4 Code section 97B.52, concerning payment of a lump sum death
11 5 benefit, is amended to eliminate a provision requiring a
11 6 determination of what the lump sum payment would have been if
11 7 the person had died on June 30, 1984, and a provision that the
11 8 method of payment to a beneficiary selected by a member does
11 9 not apply.
11 10 Code section 97B.53B, concerning rollovers of members'
11 11 accounts from IPERS to another eligible retirement plan, is
11 12 amended to reflect Internal Revenue Code changes. The bill
11 13 provides that nonspouse beneficiaries of a member that are
11 14 designated as beneficiaries pursuant to federal law are
11 15 allowed to elect to have IPERS pay all or a portion of an
11 16 eligible distribution to certain eligible retirement plans.
11 17 The bill also provides that, beginning January 1, 2008, Roth
11 18 individual retirement accounts and annuities are eligible
11 19 retirement plans for a member, a member's surviving spouse, or
11 20 a qualified payee under a qualified domestic relations order.
11 21 The provision of the bill amending Code section 97B.53B takes
11 22 effect upon enactment and is retroactively applicable to
11 23 January 1, 2007.
11 24 Code section 97B.73, concerning the purchase of service for
11 25 patient advocates, is repealed by the bill.
11 26 Code section 97B.80C, concerning purchases of permissive

11 27 service credit, is amended. The bill provides that any period
11 28 of time when there was not performance of services is
11 29 considered nonqualified service eligible for a purchase of
11 30 service. The bill also provides that a member may convert
11 31 existing regular service credit to special service credit upon
11 32 paying the actuarial cost of that enhanced benefit. The bill
11 33 provides that if the existing service was nonqualified
11 34 service, then the purchase of special service credit for that
11 35 service shall be made pursuant to the requirements governing
12 1 the purchase of nonqualified service. Alternatively, if the
12 2 existing service was qualified service, then the purchase of
12 3 special service credit for that service shall be made pursuant
12 4 to the requirements governing the purchase of qualified
12 5 service.
12 6 Code section 97B.82, concerning the purchase of service
12 7 credit from a direct rollover of moneys from another
12 8 retirement plan to IPERS, is amended to reflect Internal
12 9 Revenue Code changes. The provisions of the bill amending
12 10 Code section 97B.82 take effect upon enactment and are
12 11 retroactively applicable to January 1, 2007.
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