
LEGAL UPDATE

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PUBLIC RETIREMENT SYSTEMS COMMITTEE MEETING — DECEMBER 9, 2025

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OVERVIEW.

The Public Retirement Systems Committee received testimony from individuals involved with the Judicial Retirement System, the Iowa Public Employees' Retirement System, the Peace Officers' Retirement System, the Municipal Fire and Police Retirement System, and the State of Iowa deferred compensation program for certain governmental and school employees. Additional materials presented for consideration by the committee are included on the committee's Internet site.

JUDICIAL RETIREMENT SYSTEM.

Mr. Robert Gast, State Court Administrator; and Ms. Patrice Beckham, Consulting Actuary, CavMac Consulting Services, provided background on the retirement system which covers all full-time judges and other judicial officers. Mr. Gast noted that the Judicial Retirement System is referenced in the Iowa State Constitution and is administered by the State Court Administrator. The State Treasurer is responsible for investing the assets of the retirement fund. Mr. Gast provided details about the current system population, which was impacted by recent legislation raising the mandatory retirement age from 72 to 78 years of age, and certain related financial statistics.

Ms. Beckham provided the committee a primer on actuarial concepts, discussed a plan maturity measurement, and then commented on the July 1, 2025, actuarial valuation of the system. Ms. Beckham discussed a plan maturity measurement referred to as the asset volatility ratio. The ratio, determined by dividing the market value of assets by covered payroll for a retirement system, tests the impact of varying investment returns. Ms. Beckham reported that the Judicial Retirement System was fully funded on July 1, 2021, and as a result, the statutory contribution rate moved from a fixed rate to a variable rate, requiring employees to contribute 40 percent and the state to contribute 60 percent of the actuarially required contribution rate, beginning in fiscal year 2023. Legislation in 2024 changed the split to 35 percent for employees and 65 percent for the state. Presently, the system is 101 percent funded. Investment volatility creates volatility in the actuarial contribution rate and, therefore, creates volatility in the employee and employer contribution rates. Member and state contributions are expected to fluctuate, but cannot fluctuate by more than 1 percent per year.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS).

IPERS Staff. Mr. Gregory S. Samorajski, Chief Executive Officer, and Ms. Patrice Beckham, Consulting Actuary, provided an overview of the retirement system, focusing primarily on the June 30, 2025, actuarial valuation of the system. Mr. Samorajski noted that the historical goals for IPERS are to attract and retain

a quality workforce and to provide a secure retirement with lifetime pension payments. Ms. Beckham discussed the July 1, 2025, actuarial valuation of the system and noted that the actuarial valuation of assets for the system is currently \$45 billion. Key funding measures based on the July 1, 2025, actuarial report include an increase in the funded ratio of actuarial assets to actuarial liabilities for the system as a whole from 90.75 percent to 92.17 percent, and a decrease in the unfunded actuarial liability from \$4.38 billion to \$3.84 billion. Based upon IPERS's contribution rate policy, the total contribution rate for the regular membership classification will remain at 15.73 percent of pay, payable on a 60-40 employer and employee basis. For members of the sheriffs and deputies classification, the total contribution rate will increase from 24.18 percent of pay to 24.42 percent, payable on a 50-50 employer and employee basis. For members of the protection occupation classification, the total contribution rate will remain at 15.52 percent, payable on a 60-40 employer and employee basis. Both the protection occupation and sheriffs and deputies' contribution rates are adjusted by 0.125 percent, due to HF 969, which broadens cancer coverage for sheriffs and deputies and protection occupation members. Ms. Beckham noted that the funded ratio for IPERS regular membership is 91.56 percent; for the sheriffs and deputies classification, 90.94 percent; and for the protection occupation classification, 104.47 percent. Ms. Beckham also commented that the projected unfunded liability balance for regular members is scheduled to be paid off by 2037. Mr. Samorajski stated that IPERS continues to aim to improve risk management and compliance, as well as to improve and modernize service through in-person, virtual, and digital methods.

IPERS Benefit Advisory Committee (BAC). Matt Carver, chairperson of BAC, addressed the committee on behalf of the BAC. The goal of membership groups represented on the BAC is the long-term viability of the IPERS trust fund. The BAC reviews proposals for benefit changes, but did not offer any benefit changes at the meeting. In October, BAC approved a resolution encouraging IPERS to maintain its current legal framework.

IPERS Investment Board. Ms. Kris Rowley, Vice-chairperson of the IPERS Investment Board, discussed the role of the board and IPERS investments. Ms. Rowley noted the fiduciary responsibility of the board as a trustee of the IPERS fund and its role in setting and reviewing investment policy and actuarial assumptions.

IPERS Investment Update. Mr. Siriam Lakshminarayanan, Chief Investment Officer of IPERS, stated he has a staff of seven employees who implement the board's investment policies and oversee and evaluate investment managers. IPERS began internally managing about \$90 million in 2023, with authorization from the board to manage \$500 million in three different programs. Mr. Lakshminarayanan noted that the ability to manage some moneys in-house can help attract talent, as it is interesting work. IPERS remains a well-diversified portfolio and does well managing risk. Mr. Lakshminarayanan discussed the asset allocation of the IPERS portfolio, noting that the determination of this allocation is critical in determining the rate of return. Mr. Lakshminarayanan discussed managing the liquidity of the fund to ensure monthly benefits are paid. He noted that the rate of return for FY 2025 was 9.87 percent, and the target rate is 7 percent. Representative Zabner asked about how much was paid in fees to the different asset classes. Mr. Lakshminarayanan explained that private markets are the most expensive, with private equity being the most expensive, followed by private credit, then real assets. IPERS paid over \$500 million in fees last year. Most of the fees are dependent on the performance of the assets, and Mr. Samorajski stated that IPERS has benefited from investing in private markets despite the fees.

PEACE OFFICERS' RETIREMENT SYSTEM (PORS).

Mr. Jim Wittenwyler, Administrative Services Director, Iowa Department of Public Safety, and Ms. Patrice Beckham, Consulting Actuary, provided background on the system. Mr. Wittenwyler noted that the system is governed by a board of trustees and covers sworn peace officers of the Iowa Department of Public Safety, and members of the system are not covered by Social Security. Mr. Wittenwyler reviewed benefit provisions and the target asset allocation applicable to the system, and noted the investment return assumption is 6.5 percent. Ms. Beckham discussed the July 1, 2025, actuarial valuation of the system. Ms. Beckham provided a historical overview of the funded status of the system, noting that the funded ratio has increased from a low of 61 percent in 2012 to 79 percent as of July 1, 2025. Long term, the financial health of the system is dependent on future investment returns and scheduled contributions, including continued payment of the state supplemental appropriation to the system of \$5 million until the system is 85 percent funded. Ms. Beckham noted the unfunded actuarial liability of the fund decreased from \$221 million to \$220 million as of the July 1, 2025, valuation, and the contribution rate shortfall for FY 2026 will be 11.747 percent or \$7.1 million. Ms. Beckham commented that the impact of the \$5 million supplemental annual appropriation into the fund diminishes each year as the payroll increases. Discussion ensued about possible solutions to the unfunded liability. Mr. Wittenwyler stated that hiring has not kept up with retirement rates, despite active

recruitment. Senator Kraayenbrink stated that it would be prudent for the board to come up with three to four potential solutions now before the problem escalates. This sentiment was repeated by Senator Lofgren and Representative Thomson.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI).

Mr. Dan Cassady, Executive Director, MFPRSI, and Mr. Glen Gahan, Actuary, HUB International, provided background information concerning the retirement system. Mr. Cassady noted that the mission of the system is to provide retirement and disability benefits to eligible local police officers and fire fighters through responsible stewardship of assets held in trust. Mr. Cassady provided an overview of the system, including its governance, member cities, responsibilities, and major program activities. He discussed the system description and statistics and continuing challenges for the system. Current challenges for the system include investment return expectations of 7.5 percent, restoration of 100 percent funding status, financial support for the system from the state, steady rise in number of disability claims, increasing pressure from groups to divest from specific investments, maintaining up-to-date controls, keeping spending power of members in line with inflation, and the evaluation of the investment activities of the firms currently managing MFPRSI's portfolios including reviews of asset allocation, operational controls, and audit processes of the investment managers. Mr. Cassady noted that the board of trustees' report on the system supports having the state resume its contribution to the retirement system at 3.79 percent of earnable compensation in order to reinstate the funding agreement between the state and the participating cities from 1976.

Mr. Gahan then discussed the July 1, 2025, actuarial valuation of the system. As of July 1, 2025, the funded ratio of the system based on the actuarial value of assets is 85.42 percent and the city contribution rate beginning July 1, 2025, decreased to 22.555 percent. He noted that of the total required contribution, about half is utilized to address the unfunded actuarial accrued liability of the system. Mr. Gahan discussed future trends in the actuarial contribution rate to be paid by cities and the system's funded ratio over the next 25 years using current assumptions.

DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS).

Mr. Mark Campbell, Interim Director, Department of Administrative Services (DAS), discussed the supplemental deferred compensation programs operated by DAS collectively called the Retirement Investors' Club (RIC). The programs are differentiated by the three applicable Internal Revenue Code sections describing public employee deferred compensation programs, 457, 401a, and 403b. The 457 program is available to primarily state employees, includes an employer match component (401a), and is utilized by about 69 percent of eligible state employees. The state's 403b program, which covers primarily educational employees, was established in 2009, is available to educational employers and their employees who participate in the program, does not provide an employer match, and is utilized by only about 13,086 participants, which reflects a fairly low participation rate. All programs offer core providers of investment products selected pursuant to certain requirements relating to fees and other service and performance metrics. In addition, the 403b program offers optional providers that are made available for school districts.

COMMITTEE DISCUSSION.

The committee did not adopt any formal recommendations.

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