

***REPORT TO THE IOWA LEGISLATIVE COMMITTEE
ON PUBLIC RETIREMENT SYSTEMS***

REPORT ON THE CONCEPT OF PARITY

December 16, 1999

MFPRSI, POR, IPERS

FROM REPORT TO LEGISLATIVE COMMITTEE - DECEMBER 1998

PRIORITY : based upon the number of individuals affected and the disparity between the financial value of the benefits.

		AFFECTED GROUP(S)	PAGE(s)
A	Social Security supplement benefit, beginning at age 62. Benefit to be determined by actuarial formula.	All POR & MFPRSI Members	1 & 2
A	Comparable disability coverage for non-covered groups adjusted for any worker's compensation and/or S.S. Disability benefit .	Both IPERS Groups	3
B	Equalize the number of years required to establish 60% formula.	IPERS Protection Classifications	4
C	Provide credit for at-least 30 years of service.	IPERS Protection Classifications	4
C	Provide the same credit per year - 1.5%	IPERS Protection Classifications	4
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**A Social Security supplement benefit, beginning at age 62.
Benefit to be determined by actuarial formula.**

Application: All POR & MFPRSI Members (1)
Individuals who retire on or after a specified date, under each of the 3 retirement systems.

Implementation: Establish program by statute, and phase in the implementation of the concept by the retirement Systems as they are actuarially affordable.
(See discussion on the following page)

Cost Estimates:	(full implementation)	IPERS SHERIFFS & AIRPORT FF	IPERS PROTECTION CLASSIFICATION	POR	MFPRSI
		none	none	10.51%	11.88%

(1) Concept may be applied to IPERS membership as an option choice applied against their standard benefits, as discussed below)

Concept: Social Security Alternative Payment at Age 62

For POR & MFPRSI Membership

- 1 **The retirement systems would utilize the Social Security formula to compute the benefit payable at age 62. The formula is wage based and weighted to the front end of the salary. Therefore, those individuals who are at lower final pay levels receive a higher percentage from the formula. The retirement Systems would utilize a standard computation model provided by their actuaries. The computation of the benefit payable would be based upon the final pay of the member, discounted by an average rate of inflation for their total period of public service under the retirement system.**
- 2 **A member retiring prior to age 62 would have the "option" to receive a reduced benefit calculated based upon an actuarial reduction OR they could defer initiation of the benefit until age 62.**

For IPERS Membership

- 3 **Consideration:
IPERS membership would only be eligible to receive their additional payments, beginning at age 62 when eligible for Social Security.
Concept:
Establish program by which an IPERS member who retires prior to age 62 would have the "Option" to receive an additional benefit payment from IPERS for the period from their retirement date to age 62.
Upon reaching age 62, their retirement benefit from IPERS would be reduced actuarially to offset the additional payments they have received.**

Compensation \$		SOCIAL SECURITY TABLE YEARS of SERVICE
AT 40k %	AT 60 K %	
21.67	19.07	22
23.72	19.87	25
26.81	20.83	30
28.06	21.22	32
29.22	21.74	35

The 1998 study of parity & equity of benefits among public safety workers within Iowa's public retirement systems identified the following examples of the percentage payable at age 62 by Social Security.

A **Comparable disability coverage for non-covered groups adjusted for any worker's compensation and/or S.S. Disability benefit .**

Application:	Individuals who retire on or after a specified date, under IPERS. - Sheriffs/Deputies & Airport Fire Fighters	Both IPERS Groups - Protection Classification Group			
Implementation:	Establish program by statute, provide for effective date, increase contributions rates sufficient to pay for the additional cost.				
Cost Estimates:	(full implementation)	IPERS SHERIFFS & AIRPORT FF	IPERS PROTECTION CLASSIFICATION	POR	MFPRSI
		2.47%	3.76%	N/A	N/A
Concept:	Permanent Disability Program for Individuals Within the Groups - Accidental Disability (work related), 60% or service retirement, whichever is greater & Ordinary Disability (non-work related), a 50% formula or service retirement, whichever is greater. - Comprehensive Disability Program containing the following concepts: a) Applies to those suffering a "Permanent Disability": defined to be a condition that will exist for greater than one year. b) For active members who cannot perform the regular duties of an individual within that specific pay classification.				

B Equalize the number of years required to establish 60% formula.

C Provide credit for at-least 30 years of service.

C Provide the same credit per year - 1.5%

Application: Individuals who retire on or after a specified date, under IPERS. IPERS Group
- Protection Classification Group

Implementation: Establish program by statute, provide for effective date,
increase contributions rates sufficient to pay for the additional cost.

Cost Estimates:	(full implementation)	IPERS SHERIFFS & AIRPORT FF	IPERS PROTECTION CLASSIFICATION	POR	MFPRSI
		N/A	2.09%	N/A	N/A

Concept: **B** Establish revised retirement formula for members of the employee groups under this classification
Equalize the number of years required to establish 60% formula.
- currently at 25 years for normal retirement, all others at 22 years

C Provide credit for at-least 30 years of service.

C Provide the same credit per year - 1.5%
- each year of service from 22 - 30 years (8) would add additional 1.5% to formula
consistent with formula in place for other systems.

D

Fixed rate contribution structure for IPERS groups.

Application: Effective on selected date, contribution rates fixed for each group. **Both IPERS Groups**
 - Sheriffs/Deputies & Airport Fire Fighters
 - Protection Classification Group

Implementation: Actuary establishes rates, adopted by authorizing statutory language.

Cost Estimates: If the individual benefit concepts are implemented by the General Assembly, the contribution rate structures would be as depicted on the following chart.
 The two groups within IPERS would have statutorily established fixed rates.
 The contribution rates for Social Security for these groups will continue as will the worker's compensation rates.
 The rate structures for the other two retirement Systems would continue in place.

CHART <i>TOTAL COSTS OF RETIREMENT & DISABILITY</i>	IPERS SHERIFFS & AIRPORT FF		IPERS PROTECTION GROUPS		POR		MFPRSI	
	EMPLOYER (E)	MEMBER (M) %	E	M	E	M	E	M
SUM OF CONTRIBUTION COSTS	<i>19.59</i>	<i>13.24</i>	<i>21.03</i>	<i>14.20</i>	<i>18.20</i>	<i>10.55</i>	<i>18.20</i>	<i>10.55</i>
RETIREMENT SYSTEM: EMPLOYER	8.39		9.83		17.00		17.00	
RETIREMENT SYSTEM: EMPLOYEE			5.59	6.55		9.35		9.35
SOCIAL SECURITY/MEDICARE EMPLOYER	7.65		7.65		1.20		1.20	
SOCIAL SECURITY/MEDICARE EMPLOYEE			7.65	7.65		1.20		1.20
WORKERS COMPENSATION (sheriff/deputy) (Airport Fire Fighters have higher rate) [Under current program, estimated average.]	3.55		3.55		N/A		N/A	

[Medicare only for POR & MFPRSI]

Contribution Concepts

Concepts concerning the treatment of future contributions upon the attainment of "parity" of benefits between the memberships of the various systems.

Application: Upon establishment of "parity" of benefits.
Each retirement system and their individual groups.

Implementation: Confirmation by the retirement system(s) that legislative goals have been met whereby "parity" of formulas would exist.

Cost Estimates:	(full implementation)	IPERS SHERIFFS & AIRPORT FF	IPERS PROTECTION CLASSIFICATION	POR	MFPRSI
		N/A	N/A	N/A	N/A

Concept: Upon the establishment of "parity" of pension benefits among the retirement plans, and the development of an actuarial "margin" in a given year and due to favorable experience of the plan, several alternatives will exist as to the utilization of the contribution margin:

- a) provide that the individual retirement systems retain the "margin" to provide for a cushion for future periods of adverse experience
- b) provide that such contributions rates be reduced for the individual year for the employer and employee on a pro-rated basis
- c) provide for the establishment of additional benefits (other than pensions) for future retirees or the extension of additional benefits to those already retired, or a combination of both.

[A combination of the above alternatives could be adopted.]

TABLE: INFORMATION ON SYSTEMS

Types	IPERS SHERIFFS/DEPUTIES & AIRPORT FIRE FIGHTERS	IPERS PROTECTION CLASSIFICATIONS	POR	MFPRSI
	A. Sheriffs/deputy sheriffs and Airport safety officers	B, Conservation Peace Officer, Correctional Officer, DOT Peace Officer, Fire Prevention Inspector Small Town Peace Officers/ Marshals, Small Town Firefighters.	All peace officers employed by the Department of Public Safety	Police officers and firefighters in cities included in civil service as set forth in Iowa Code Section 411.2 and 411.3

MEMBERSHIP

	as of 1998	as of 1998	as of 1999	as of 1999
Population Totals				
13813	1679	4135	1056	6943
Actives				
9307	1439	3481	641	3746
Retired Members				
2996	155	347	317	2177
Retired Beneficiaries				
934	14	23	83	814
Terminated Vested				
576	71	284	15	206