

IPERS RECOMMENDATION
PUBLIC RETIREMENT SYSTEMS COMMITTEE
Presented by Dr. Gaylord Tryon
(Representing School Administrators of Iowa)
November 1, 2007

RECOMMENDATION:

Change the formula multiplier to two percent for each year of employment for all Regular Members—regardless of the number of years employed.

CURRENTLY:

A formula multiplier is in place (based on years of experience) that is not to exceed 65%. The 65 % is reached by earning:

- 2 % for each year employed up to 30 years
- 1 % for each year employed from 31-35 years
- (no additional percent is allowed past 35 years)

IMPACT OF CURRENT POLICY:

1. There is a “disincentive” in place to continue employment past 35 years because the state does not allow the multiplier to increase.
2. This encourages people to leave Iowa and work in neighboring states.
3. There is a fairness issue at play here. For example, both the employee and the employer are continuing to pay into the program despite the fact there is minimal or no change in the multiplier. Workers are getting only one additional percent on the multiplier (years 31-35) and no additional percent on the multiplier beyond 35 years.
4. The current policy discriminates against older workers.

IMPACT OF RECOMMENDATION:

1. There would be more of an incentive to continue employment if the multiplier would increase each year.
2. This would encourage teachers, administrators, and others to stay in the work force longer—thus minimizing the need to find replacements for those positions that are difficult to fill.
3. Because people are living longer, and because health insurance has become a huge issue, workers will be retiring later than originally planned.
4. A 65-year old employee, for example, would be granted the same credit (on the multiplier) for each year worked as a person 25 years of age (no more discriminating against older workers).