

Presentation by Jim West
To
PUBLIC RETIREMENT SYSTEMS COMMITTEE
November 1, 2007

This presentation addresses what I think is an unfairness which resulted from legislation enacted ten years ago changing the IPERS "buy back" for former employees returning to IPERS covered service. It is not a criticism of IPERS.

Prior to 1999, Section 97B.74 had provided that an IPERS member who had left IPERS covered service and who had withdrawn the employee's IPERS contributions could, upon reentering IPERS covered service, "buy back" the employee's prior service for purposes of IPERS benefits by repaying the amount of the employee's contributions withdrawn plus interest.

In 1998 Section 97B.74 was amended to provide that after July 1, 1999, an IPERS covered employee "buying back" prior service was required to pay the actuarial cost of the service "brought back".

That change sounds fair, but what that change also meant was that an employee who had left IPERS covered service and had withdrawn the employee's IPERS contributions prior to July 1, 1999 does not receive any credit against the actuarial cost of a "buy back" for the contributions made to IPERS by the employee's former employer on the employee's behalf, or the earnings on those contributions, which were kept by IPERS.

That's not fair. The employee should get a credit against the actuarial cost of the "buy back" for the money that had been contributed to IPERS on behalf of the employee, plus the earnings on those contributions, which had been kept by IPERS.

It is my understanding that IPERS presently includes in its actuarial calculations in determining the adequacy of IPERS's funding the amounts of the employer contributions plus earnings which former employees have left behind and which IPERS keeps.

That doesn't make it fair.

I believe the Iowa Legislature wants to do what's fair. I think the present IPERS "buy back" provisions which deny an employee wishing to "buy back" prior service credit for the employee's prior employer's contributions made to IPERS on behalf of the employee and the earnings on those contributions which were kept by IPERS is not fair.

If you agree its not fair, I ask you to include legislation correcting this unfairness in the Committee's recommendations.

Attached are copies of SSB 1170 and HSB 101, companion State Government Committee Study Bills offered this last session to correct this unfairness.

Kibbie, Chair
Connolly
Liemann

State Government

SSB# 117C

SENATE FILE _____

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON CONNOLLY)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing a credit for a buyback of service under the Iowa
2 public employees' retirement system and including an
3 implementation provision.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 97B.80C, subsection 3, Code 2007, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. e. For a member making contributions for a
4 purchase of permissive service credit for qualified service as
5 described in subsection 1, paragraph "c", subparagraph (1),
6 subparagraph subdivision (h), in which the member received a
7 refund of the member's accumulated contributions prior to July
8 1, 1998, the member shall receive a credit against the
9 actuarial cost of the service purchase equal to the amount of
10 the member's employer's accumulated contributions which were
11 not paid to the member as a refund pursuant to section 97B.53
12 plus interest as calculated pursuant to section 97B.70.

13 Sec. 2. IMPLEMENTATION PROVISION. Notwithstanding any
14 provision of section 97B.65 to the contrary, the provisions of
15 this Act shall be enacted and implemented by the Iowa public
16 employees' retirement system upon the effective date of this
17 Act.

18 EXPLANATION

19 This bill provides that a member buying back service under
20 the Iowa public employees' retirement system (IPERS) can
21 receive a credit for the cost of purchasing that prior service
22 equal to the amount of the member's employer's accumulated
23 contributions that were not paid when the member received a
24 refund for that service plus interest as calculated in Code
25 section 97B.70 if the member received the refund prior to July
26 1, 1998.

27 The bill shall be enacted and implemented upon the
28 effective date of the bill.

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HSB 101
STATE GOVERNMENT

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

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

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