

November 7, 2006

To: IPERS Benefits Advisory Committee

FR: David Martin, Chief Benefits Officer

RE: Jailers and Military Installation Officer's Request for Protection Occupation

Summary of Events

February 6, 2006, the BAC heard presentations by individuals who requested inclusion in the protection occupation class.

April 3, 2006, the BAC approved to pay the cost for the actuarial cost study for the jailers and military installation officers.

May 1, 2006, the BAC was provided with an estimated cost of adding the jailers and military installation officers to the protection occupation class. The System's actuary calculated the increase in contribution rate to be .93 percent for the jailers and .09 percent for the military installation officers. It was determined that not all counties identified their jailers, so the BAC requested IPERS to contact those counties that did not respond and recalculate the cost.

August 29, 2006, the BAC was provided with an updated cost for the jailers. The System's actuary calculated the increase to be 1.93 percent of payroll. The BAC requested that IPERS survey the impacted members, the county sheriffs, and the county board of supervisors.

October 9, 2006, the BAC was provided a sample of the survey letter to be mailed to the jailers, county sheriffs, and the county board of supervisors.

Jailer and Military Installation Officer's Request for Protection Occupation

Memo Continued

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Summary of Survey Results

Sherrifs (99)

	Total	Percent Total	Percent of Responses
Yes	60	61%	79%
No	16	16%	21%
NR	23	23%	

Board of Supervisors (99)

	Total	Percent Total	Percent of Responses
Yes	21	21%	44%
No	27	27%	56%
NR	51	52%	

Jailors (1237)

	Total	Percent Total	Percent of Responses
Yes	405	33%	96%
No	18	1%	4%
NR	814	66%	

Military Installation Officers (30)

	Total	Percent Total	Percent of Responses
Yes	12	40%	92%
No	1	3%	8%
NR	17	57%	



Milliman

Consultants and Actuaries

1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

April 3, 2006

Ms. Donna Mueller
Chief Executive Officer
Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, IA 50321

Re: Actuarial Cost Study for Adding Certain Groups to Special Services Group

Dear Donna:

As you requested, Milliman, Inc. has completed an actuarial cost study to determine the estimated cost impact of including the county jailors and military installation guards, who currently are in the general membership, in the Special Services Group 2 (other than sheriffs and deputies). It is our understanding that the membership change would be prospective only and that the hybrid formula would be used to ultimately calculate the amount of retirement benefit for these members. However, all service – both past and future – would be used in determining eligibility for retirement, disability, and vested benefits.

To perform our cost study, we used the membership data for jailors and military installation guards supplied by David Martin of IPERS and the June 30, 2005 valuation data. The data for the 523 jailors and 30 guards provided by IPERS reflected earnings and service through December 31, 2005. For purposes of our cost study, the results must be compared to the last valuation, so results were adjusted to reflect estimated costs as of June 30, 2005.

Because past service will not be recognized for benefit purposes under the special services formula and there will be no transfer of assets from the General Membership to the Special Services Group 2, we have chosen to reflect the increased cost due to the change in membership entirely in the normal cost rate. Consequently, there is no increase in the actuarial liability or the unfunded actuarial liability/(surplus). However, because the amortization of the surplus is spread over a higher payroll amount when the new groups are included, the UAL/(surplus) rate changes.



Jailors Only

Based on the June 30, 2005 actuarial valuation, the estimated cost impact of including the jailors in Special Service Group 2 is shown in the following table:

	<u>Baseline</u>	<u>Proposed Change</u>	<u>Increase</u>
Unfunded Actuarial Liability/(Surplus)	(\$30.9M)	(\$30.9M)	\$0.0M
Normal Cost Rate	16.16%	17.00%	0.84%
UAL/(Surplus) Rate*	(0.96%)	(0.87%)	0.09%
Total Contribution Rate	15.20%	16.13%	0.93%

* Contribution rate determined based on 30 year amortization of UAL/(Surplus)

The substantial increase in normal cost is expected because the new group is treated for actuarial purposes as new entrants, i.e. the entry age of the group is equal to their attained age. The jailors have an average attained age of 38.8 while the Special Services Group 2 has an average attained age of 42.1, but an average entry age of 30.7. By adding 523 jailors to the 4,267 current Special Services Group 2 active members, the average *entry age* is increased to 31.4. This increase in average entry age translates directly into an increase in the normal cost rate. Over the long term, the normal cost rate would be expected to decline as current jailors retire and new jailors replace them with an entry age lower than 38.8. However, since the average age of hire for the jailors of 31.8 is still higher than the average entry age for the current group, we would expect the normal cost rate to stabilize at a rate somewhat higher than the present rate of 16.16%.

Military Installation Guards Only

	<u>Baseline</u>	<u>Proposed Change</u>	<u>Increase</u>
Unfunded Actuarial Liability/(Surplus)	(\$30.9M)	(\$30.9M)	\$0.0M
Normal Cost Rate	16.16%	16.24%	0.08%
UAL/(Surplus) Rate*	(0.96%)	(0.95%)	0.01%
Total Contribution Rate	15.20%	15.29%	0.09%

* Contribution rate determined based on 30 year amortization of UAL/(Surplus)

The cost impact of adding this group is small; primarily because of the size of the group being added (there are 30 guards and over 4,200 current Special Services Group 2 active members).



Again, because they are being treated as new entrants in the Special Service Group 2 they have an older attained age and there is a small increase in the normal cost rate.

Both Groups

We also considered the combined impact should both the jailors and military installation guards be included in the Special Service Group 2 membership. The methodology was consistent with that described above and the jailors and guards were treated as new entrants for funding purposes. Because of the size of the group being added, the addition has a substantial impact. The results of the study are shown in the table below:

	<u>Baseline</u>	<u>Proposed Change</u>	<u>Increase</u>
Unfunded Actuarial Liability/(Surplus)	(\$30.9M)	(\$30.9M)	\$0.0M
Normal Cost Rate	16.16%	17.07%	0.91%
UAL/(Surplus) Rate*	(0.96%)	(0.86%)	0.10%
Total Contribution Rate	15.20%	16.21%	1.01%

* Contribution rate determined based on 30 year amortization of UAL/(Surplus)

Caveats and Assumptions

The cost estimates contained in this letter are based on the membership data used in the June 30, 2005 actuarial valuation and the supplemental data provided by IPERS for purposes of this cost study (described above). To the extent that any of that data is inaccurate, our calculations may need to be revised. In general, the assumptions and methods used in the cost study are the same as those used in the June 30, 2005 actuarial valuation and are shown in Appendix C of that report.

These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs may vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.

This information is for the exclusive use of IPERS for the purposes stated herein. It is a complex technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be in its entirety, unless prior written consent from Milliman is obtained.

Ms. Donna Mueller
April 3, 2006
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We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this proposal with legal counsel.

On the basis of the foregoing, I hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

GUIDELINES FOR CONSIDERATION OF PROTECTION OCCUPATION MEMBERSHIP

The Benefits Advisory Committee is charged with making recommendations to the System and the General Assembly concerning benefits policy. To this end, the BAC adopts the following guidelines to be applied in making recommendations on requested group classification within the Protection Occupation Membership of §§97B.49B and 97B.49C.

1. The primary duties of a Protection Occupation Position are the preservation of the physical safety of individuals and/or protection of property, and
2. The duties devoted to the preservation of the physical safety of individuals and/or protection of property must be hazardous, and physically demanding. "Hazardous" means that the duties place one's own life in peril or may place another person's life in peril. "Physically demanding" means the duties require strength, or speed, or stamina, or agility, or some combination thereof, and
3. The duties described above generally require professional certification or specialized training directly related to the preservation of the physical safety of individuals and/or protection of property by individual in those positions. Statutory references to professional certification or specialized training requirements may be useful in the documentation of professional certification or specialized training requirements, and
4. The duties devoted to the preservation of the physical safety of individuals and/or protection of property must be such that age materially reduces the capacity to perform at an acceptable level. As the result of the material reduction in capacity due to age, the Protection Occupation Member may find it necessary to retire at an earlier age and with less service than a Regular Member and likely to suffer an economic deprivation thereby, and
5. An employer association or organization that has broad representation of the covered employers that employ members requesting protection occupation status agrees that the duties of the class of positions under review generally meet the foregoing guidelines.

6. Recommendations to add new group classifications to the Protection Occupation Class must not recommend converting previously earned regular service credits to protection occupation service credits. That is to say that the period that the position was classified as regular membership will remain at the regular membership calculation.

October 9, 2006

The IPERS Benefits Advisory Committee (BAC) was asked to review a potential law change that would reclassify Jailers and Installation Security Officers from regular to protection occupation class pension benefits. The BAC wants to hear your opinion before taking a position and asked us to explain how the change would affect your benefits and contributions.

The table below summarizes differences between the two classifications. The enclosed benefit booklets further explain the differences, including additional death and disability benefits for those in the protection occupation class.

	Regular Class	Protection Occupation
Contribution Rate	3.90% of wages (employee) 6.05% of wages (employer)	6.852% of wages (employee)* 10.278% of wages (employer)*
Normal Retirement Age	Age 65 Age 62 with 20 years of service Rule of 88	Age 55
Benefit Accrual	2% of salary each year of service (Maximum 65% of final average salary)	2.73% of salary each year of service (Maximum 72% of final average salary)

**These are estimated rates beginning July 1, 2007. The rate is adjusted annually and may increase or decrease.*

BOB DOE
123 CRAZY ST
DES MOINES IA 50312

Please take part in the IPERS poll on the back side of this notice.

It's quick and easy.

Return your survey by October 27, 2006.

Survey Number:

If the legislature and governor approve a law change, all benefit accruals under the new classification would be prospective only. This means the years of IPERS service you earned as a member of the regular class stay in the regular class. Only the service credits you earn working in a protection occupation job after the law changes are counted as protective occupation service. Since you will have service under both IPERS regular and protection classes, IPERS may use a hybrid formula that considers how much time you had in each class when figuring your pension at retirement. The maximum benefit accrual under the hybrid formula is 65% of final average salary.

Return your survey by October 27, 2006, using the enclosed postage paid envelope. You may vote only once. Your response is confidential and will be used only as part of the total result provided to the BAC.

Check a box below and return the letter to IPERS.

- Yes, I support the change to protection occupation class. I understand a change will affect my benefits and contribution rate.
- No, I do not support the change.

Thank you for your participation. The result of the poll and the BAC's recommendation will be posted on IPERS' Web site in late November.

September 26, 2006

Name
Street
City St Zip

Dear:

The IPERS Benefit Advisory Committee (BAC) was asked to support reclassifying jailers from regular to protection occupation class for IPERS pension benefits. Before recommending a change in the law, the BAC wants to know if you agree that employees performing the work of jailers meet protection occupation guidelines.

1. The primary duties of a protection occupation position are the preservation of the physical safety of individuals and/or protection of property, and
2. The duties devoted to the preservation of the physical safety of individuals and/or protection of property must be hazardous, and physically demanding. "Hazardous" means that the duties place one's own life in peril or may place another person's life in peril. "Physically demanding" means the duties require strength, or speed, or stamina, or agility, or some combination thereof, and
3. The duties described above generally require professional certification or specialized training directly related to the preservation of the physical safety of individuals and/or protection of property by individual in those positions. Statutory references to professional certification or specialized training requirements may be useful in the documentation of professional certification or specialized training requirements, and
4. The duties devoted to the preservation of the physical safety of individuals and/or protection of property must be such that age materially reduces the capacity to perform at an acceptable level. As the result of the material reduction in capacity due to age, the protection occupation member may find it necessary to retire at an earlier age and with less service than a regular member and likely to suffer an economic deprivation.

Do your employees who perform the work of a jailer generally meet these guidelines?

Yes No

Please complete and return this survey in the enclosed postage paid envelope by October 27, 2006.

Sincerely,

David Martin
Chief Benefits Officer