IPERS 2005

I wish to thank the members for allowing me to make a presentation to the committee at this time. It has been 6 years since I was allowed to make a presentation even though I had prepared a statement for 2001 and 2003 (Exhibit 1 and 2).

I became interested in Iowa Public Employees Retirement System (IPERS) when I first started employment with the State of Iowa/Iowa Highway Commission. I must say that it has become quite rewarding for the public employee. Since the time that I calculated my benefits in 1957, the requirements to receive a monthly benefit of $144 per month was to work 42 years to where IPERS can now create IPERS's millionaires with only 30 years of employment. There will be examples of this later in this presentation. I did not get involved in trying to improve IPERS until 1966 when I became President of the State of Iowa Employees Association (SIEA).

To fully understand IPERS, you must understand the history of the public employees' retirement program. IPERS was not the first retirement program initiated for the public employees. The first program established in 1946 was called Iowa Old Age Survivors Insurance (IOASI). The program was so lucrative in benefits for the employees that it was going bankrupt by 1952. The Iowa Legislature ended the program and IPERS was established in 1953. It was considered a "Contribution Defined" program and the limit of contribution and level of covered salary on which contributions were made was set at 3.5 percent on the first $4,000 of salary. The percentage of contribution stayed relative the same but the salary level was increased over a period of years.

Senator Andrew Frommelt was the lead on the 1966 IPERS Study Committee and I, as President of the SIEA, was chosen as a panelist (Exhibit 3) to represent the employees under IPERS at the 1966 Commonwealth Conference held in Iowa City. Other panelists were Representative Maurice Barringer, (later Treasurer of the State of Iowa), Representative Minnette Doderer, Edmund Longnecker, advisory member of IPERS, Marc M. Twinney Jr., (actuary from Haight, Davis & Haight), John F. Briggs, Director of Research, Bureau of Governmental Research and Lloyd A. Knowler, Professor of Statistics, The University of Iowa.

At that time the biggest problem was to determine how to improve IPERS and what to do with the "Quit Fund". This was a fund created by employees who resigned from public employment and withdrew their share leaving the employer's share in IPERS. It was decided to spread the "quit fund" among the remaining

employees by increasing the amount of interest paid on the contributions made by the employees. The interest had remained at 2.0 percent on the employees contribution since the conception in 1953. Benefits were determined to be 40 percent on the employees CAREER AVERAGE COVERED SALARY. Approximate pension for a retirees would have been about $1,600 per year. In 1953 the legislature also decided to place the public employees under Social Security Act. This had not been so prior to that time.

In 1975 the legislature took the first step in creating a deficit program by changing the basis of calculating the benefit from career average of covered salary to using only the top three years. The covered salary level was increased from $10,800 to $20,000. By 1979 a person could receive 50 percent of $20,000, at the age of 65 with 30 years of service, as a benefit. This may appear impossible since IPERS would only be 26 years old, but the people who left their money in the IOASI fund when IPERS was created, could claim service from the origination (1946) of the older fund. The employee's contribution into IPERS would have been approximately $7,300 at that time. As can be seen by the example (Exhibit 4) the employees benefit would have consumed the employees total contribution within the first year. The benefit for that employee from then on would have to be taken from the common fund. This was created by the legislature in the change made in 1975 from a "Contribution Defined" benefit to a "Formula Defined" benefit. Of course the pension would be reduced if the employee was not 65 and the years of service was less than 30 years. Some of these reductions were change over the following years. The IPERS program was further changed to allow employees to retire at the age of 62 with 30 years of service. Of course removing the level of covered salary in 1996 further created deficit spending from the IPERS fund.

When SF 2245 was introduced in 1996, I prepared a synopsis (Exhibit 5) of the effect of the bill and passed it around in both Houses of the legislature. My pleas to change the bill were ignored and I was called by some legislators as being too negative. After the bill was passed by both Houses, I gave a copy of my synopsis to the Governor's office and because of the apparent large deficit being built into the program, asked that the Governor veto the bill . With the fund as presented in the 2003 study, only able to fund 83 percent of the obligation, it would appear that I was only being conservative. I have prepared a handout (Exhibit 6) to show what resulted when the penalty clause that was included in SF 2245 ran out. The change in pension benefit in the example increase by $4,855 without one dime extra being contributed to the IPERS Fund.

I have included in my presentation a copy of the 1999 minutes (Exhibit 7) from the IPERS's study committee. As can be seen, even though the fund only provided

97 percent of the of actuarial assess to liabilities, Greg Cusack, representing IPERS and Mollie Anderson, Director of the Department of Personnel recommended even more increases (by reducing the need of the employee by lowering the formula even further) in benefits. The only presenter to oppose the increase in benefits was myself. Even those groups who are suppose to represent taxpayers, Iowa Association of School Boards and Iowa League of Cities, supported the increase in benefits. I called for the extension of the pension reduction formula in my presentation in 1999, 2001 and 2003 (Exhibit 7, 1 and 2).

It is time for the legislature to take the bull by the horn and address the problem without increasing the cost to the taxpayers. But they need to expand the benefits to the older employees that built the fund and not give everything to the new employees that are reaping the benefits from the fund.

I stated that I would cite examples why the IPERS Fund is being depleted:

To take a look at the problem with the program, we merely have to examine the case of Dr. Ed Stanek of the Lottery Commission. In the year 2004, Dr. Stanek was given a $81,000 raise. The amount that Dr, Stanek would have to contribute on his raise would only be $2,997 ($81,000 x 0.037) annually for a total of $8,991 for the next three years. His pension based upon the next three years will be increased by $48,600 ($81,000 x 0.60). If Dr. Stanek years of service and age exceeds the "Rule 88" he could receive up to an additional 5 percent and I am sure that Dr. Stanek would qualify for the higher rate under the "Rule 88" formula for an additional $4,050. I am sure that with his employment with that state that Dr. Stanek contributed on the lower amount as listed on Exhibit 4. In 1975, Dr. Stanek would have contributed only $700 ($20,000 x 0.035) into the fund, similar to what I would have contributed as well. In 1992, Dr. Stanek would have contributed only $1,295 ($35,000 x 0.037) into the IPERS fund similar to what I would have contributed, but Dr. Stanek will receive a pension as if he contributed on $207,000 for his entire length of service to the state. While Dr. Stanek may have contributed more into the IPERS fund because of the changes made in 1996, his pension far out strip the pension that people in my situation would receive. The total pension for Dr. Stanek will be approximately $133,250 per year or 9 times the amount people in my situation receives. This does not include any Social Security benefit that he might receive.

Another example is the raise given to Jack Ketterer, I am not sure how old Mr. Ketterer is or how long he has been a public employee, but the big raise

could really play havoc with the already strained IPERS program. If Mr. Ketterer would qualify for the "Rule 88", the raise alone could cost the IPERS fund an additional $43,200 per year for a mere pittance of a contribution for the next 3 years. His contribution for the next 3 years would only be $7,992 ($72,000 x .037 = 2,664 x 3 = $7,992) on the raise. This type of thinking that the bureaucrat must reconcile when giving the large raises to their friends.

IPERS was not under-funded prior to 1996, only generous raises in benefits doled out by the politicians since 1996 have created this giant deficit funnel. Between Dr, Stanek and Mr. Ketterer, their raises alone could raid the IPERS fund by nearly $100,000 per year ($1,000,000 in 10 years). Over a period of 10 years the cost of the two people pension could reach a pay out of $2,292,000 ($175,000 + 207,000 = $382,000 x 60% = $229,200 x 10 years = $2,292,000).

I would like to point out a problem with the chart on page 30 of the 2003 study. It shows that Iowa public employees has only 9.45 percent being contributed to a pension plan. It does not include the 15.30 percent going into Social Security for their retirement. Together, the contribution for Iowa Public Employees would be 24.75 percent. Some of the comparisons of other states' public employees used in the study are not covered by Social Security.

I have read the IPERS Bill (HF 729) passed by the House of Representative and believe that the increase in funding spread over a 8 year period will not solve the problem of ever increasing wages and ultimately the increases in pension benefits.

One suggestion that I made in 1983and again in my presentation of 1987 (Exhibit 8) , was to establish IPERS as a separate agency from the Personnel Office. It covers more than state employees and should be a separate agency similar to the Iowa Labor Relation Board.

I have suggested on several occasions that the program retreat to "Rule 92" as it would only increase the employee's service by 2 years while requiring additional contributions.

Reinstate the pension reduction formula under the following conditions, if a person's 3 years average salary is under $55,000 use the last 3 years of covered salary. If the employee's 3 years average salary falls between $55,000 and $65,000, use the employee's average of 4 years of covered salary. If the employee's 3 years average salary falls between $65,000 and $75,000 use the employee's average of 5 years of covered salary. If the employee's 3 years average

salary falls between $75,000 and $85,000 use the employee's average of 6 years of covered salary. If the employee's 3 years average salary falls between $75,000 and above, use the employee's average of 7 years of covered salary.

To created a fully funded pension program would be to go to a "Contribution Defined" program, where the benefits are calculated by what a person and their employer would have contributed into the IPERS fund with no guarantee of a percentage of their top three years of salary.

I know that there will be threats of law suits by those covered by IPERS, but there was an old saying when I was employed by the state, "What God (the Legislature) has given, God (the Legislature) can take away." It is the responsibility of the Legislature to represent the public to the best of their ability and not just grant windfalls benefits willy-nilly to the recipient of the public benefits at the cost to the taxpayers.

EXHIBIT 1

Review of IPERS Improvements from my perspective

by Edward Moses

I have followed IPERS for about 35 years, and I believe that there are brick bats and bouquets to be given to the Legislature for that period of time. I know that there are legislators voting on changes to IPERS that do not know the difference between a "contribution defined" pension and the "benefit defined" pension nor have any historical references to it's evolution to what it is today.

The contribution defined pension other-wised known as a "money purchase" program is based on strictly the amount of money one person has in their account when they retire. The benefit defined pension is based on a pool of funds and the benefit is calculated based upon a person's salary times a percentage. One is generally a very sound program while the other will embraced unfunded deficit because of the basis of pay-out without making a comparison to the contributions a person makes. Iowa provides both types of pension programs to state employees. One is under the Board of Regents and the other covers the rest of the state employees

I have followed the many changes in IPERS from being a panelist on IPERS at the 1966 Commonwealth Conference to where I am now a retiree under the program. From seeing the program go from the "contribution defined" (money-purchased) program to a "benefit defined" program and from employees receiving 40% of your career-average covered salary to upward of 65% of the average of the top three years of covered salary. While in the past, I was very exact in my use of numbers in my presentations, I have now become somewhat weary with all of the changes that has happened over the last 35 years and especially the changes that have taken place in the program since 1996 and may not be as accurate on my figures as I was before.

First I would like to cite some of the bouquets that the legislature deserves.

I believe the legislature should receive a bouquet for deciding to invest IPERS funds into common stock for growth adopted in 1973. It was a proposal presented to the IPERS study committee chaired by Senator Francis Messerly of Waterloo and was made by the State of Iowa Employees Association of which I was the President.

I believe that the legislature should receive a bouquet for increasing the contribution ratio of the employer/employee contribution adopted in 1975 to bring IPERS more into conformance with what the state had been providing to the state employees at the Universities under TIAA/CREF. I had made that original proposal in 1966 and to every study committee until it was presented to the legislature by the Joint Council on IPERS. The Council was made up of 21 public employees groups of which I was Vice-Chair.

I believe that the legislature should receive a bouquet for adopting a new philosophy of rewarding a pension for public employee based up on age and year of service in 1988 called "Rule 92". Here again it was a proposal that I presented to the IPERS study committee as the President of the Iowa Association of Professional, Managerial and Scientific State Employees. Of course this

proposal was not being considers as a result of Senator Jack Nystrom of Boone biases, but received approval by effort of Senator Charles Brunner of Ames.

There were other smaller benefits that were enacted that the legislature should receive bouquets for such as increasing the percentage of benefits from 40% to 44% to 48% of "career average" covered salary" up to the present day benefits of 65% on "average of the top 3 years" of covered salary.

And of course the legislature should receive a bouquet for maintaining the IPERS program on a sound basis, although I am not sure that is the case base upon the changes made since and including 1996.

As I stated there are areas in which the legislature should receive brick bat for what they have done as well.

I believe the legislature should get a brick bat for the treatment the public employees received in the past when the covered salaries were so low and the maximum interest paid on the employees contribution was set at 2% on the last year balance so as to build the IPERS fund.

I believe that the legislature should receive a brick bat for the length of time it took the legislature to get IPERS up to the point where the public employees is treated similar to what the many state employees under the auspices of the Board of Regents has enjoyed..

I believe that the legislature should receive a brick bat for removing the lid of the covered salary in one year instead of the incremental increases that had been in the law previously to 1996. This change cost the taxpayers additional funds to match the employees contribution on the increase of covered salary.

I believe that the legislature should receive a brick bat for the "Rule 88" for the basis of calculating the public employees retirement benefit. "Rule 90" was examined in 1987 by an IPERS study committee and was found to be unfundable by the actuaries at that time and could not be implemented without a large increase in contributions by both the employee and the employer. ("Rule 88" did not become feasible until the huge growth in the stock investments in the early 1990's and of course the benefits were given to the future retirees which did not have much to do with the growth of the fund and of course to provide a minimum benefit (welfare) for recipients of IPERS retirement payment.).

I would like to cite some examples to what has resulted with some of the changes made by the Legislature since 1996.

Mr. A worked for the county for 10 years at the beginning of the IPERS program from 1953 to 1963. He resigned from the county workforce and went to work for the Federal government for 30 years. He retired from the Federal employment. As a result of his working under IPERS for those 10 years he was receiving a monthly benefit of $160 ($1,920 per year) plus his federal pension. With the creation of the minimum benefit (here again using 10 years as starting point),

his pension was increased from $160 to $210, so his annual pension from IPERS was $2,520 or more in one year than he would have contributed into IPERS in the 10 years of employment with the county. The maximum anyone could have contributed into IPERS in those 10 years was $1,400 ($140 per year,3.5% on $4,000) plus 2% interest on the contribution balance of the previous year.

A second example is Mr. B who has worked long enough under "Rule 88" to receive 65% of the top 3 years of average salary. His average salary for his top 3 years equals $4,000 ($48,000 per year) per month. Since changing the basis from "Rule 92" to "Rule 88", he will qualify for 65% instead of 60% that had been previously set as a maximum. You can calculate he will receive $2,600 a month benefit instead of the previous $2,400 a month benefit prior to the change. That is an additional $2,400 per year benefit without contributing one cent more into the IPERS fund. Of course his Social Security benefit will equal $1,300 that will give Mr. B a pension of $3,900 a month for a return of 97.5% of his working salary.

My last example will of course be about our Ex-governor Terry Banstad. Under the bill passed in 1996 the benefit reduction formula will end on June 30, 2003. The formula was an attempt to reduce the unfunded deficit that is a direct result of the legislature removing the ceiling of covered salary all at once and changing from "Rule 92" to "Rule 88".

Mr. Branstad would have paid on his total salary for only that last 2 years as governor. I believe the amounts of his covered salary in 1997 and 1998 were $95,000± and $105,000± respectively. Under the old law the amounts that he would have contribute on would have been $47,000 and $50,000 for 1997 and 1998. The difference in the covered salary that Mr. Branstad would have made his contribution into the IPERS fund for those two years is $103,000± or an additional $3,811± of personal contribution. As a result his top 3 year average of covered salary would be $81,333±. Since his average is above $55,000 and because of the pension reduction formula, he would need to average in 2 additional years of covered salary. Of course those years of covered salary would be limited by the old law and would be $38,000 and $41,000. This would reduce his average covered salary to $64,600 and based upon the 60% basis his benefit would be only $38,760 per year prior to June 30, 2003. Subsequent to the changes made in 1996 his maximum pension benefit would have been $28,200 or a $10,560 lower. However, if Mr. Branstad waits until after, June 30, 2003, his pension will increase to $48,800± or an increase of $20,600± above pre-1996 changes. If Mr. Branstad lives 10 years after applying for IPERS he would receive an additional $206,000 over what he would have received under the law pre-1996. And since the legislature has brought in "Rule 88" instead of "Rule 92" he will receive the pension 4 years earlier. This gives him an additional benefit of $195,200 for a total of $401,200 for an investment of only $3,811±. This is quite a return on his investment. If only the majority of the past IPERS retirees could be so lucky. Because Mr. Branstad is only an example of what can be expected in 2003 the picture is depressing. Of course prior to 1993, I paid more into IPERS than Mr. Branstad and my pension because of the option I selected is only $15,336 per year (about 32% of my annual salary). If I had chosen a different option the maximum I would have received is $17,808 per year (39% of my annual salary). Of course I used myself as an example because I know what I had in the IPERS fund before I chose to retire and what benefit I would be receiving.

I know that some of the lobbyist of the interest groups in IPERS benefits are ignorant of actual facts. A few years back I informed one of the lobbyist what I had in my account when I retired and he called me a liar.

My suggestion for any changes in the IPERS law:

1. **Is to stop making any changes for the future retirees. Any more improving (?) changes in benefit is motivated by one thing and that is greed, the legislature should protect us from that,**
2. **Extend the period of the pension reduction formula for an additional 7 years. This would reduce the influx of retiree that can be expected from the public sector after July 1, 2003. It would spread the influx of retirees over more years instead of facing a huge demand in the immediate future,**
3. **Return to the "Rule 92" basis of benefit as it was studied during a period of limited growth and was found to be sound. "Rule 90" was studied at the same time and was found to be unfundable without increasing the percent of contributions by employee and employer.**
4. **Restore the death benefit to families that was in the original IPERS bill.**

Ronald Reagan changed the Federal basis of benefit based upon 55 years of age with 30 years of service, because of the large unfunded deficit being created for the program. Do we as Iowans really want the IPERS program to go the way of Social Security and the Federal Pension program or do we want a program that is patterned after the pension provided by the Board of Regents.

Thank you.

EXHIBIT Z

October 13, 2003

To the editor:

Being a retired state employee, your articles and editorial concerning the Iowa Public Employees Retirement Fund is of great interest. However it would appear that the Des Moines Register's reporters and editorialist seem to have a desire to create a "henny-penny" complex, concerning the fund, built into the articles. This not the first time that it was determined that the fund would only provide 93% of the fund obligation. It was true in 1999 as well.

I see that the editorialist only suggestion is to increase age of retirement or increase the contributions of both the employee and employer. This is sheer nonsense. There is a word in the dictionary called **retrench**. In other words, seek out the area of unfunded liabilities and make the necessary changes. Retrenching is not new to the legislature as it was done once before in 1953 when the legislature decided that the original public employees pension program, the Iowa Old Ages Survivor Insurance, was spending more in obligation than in income. The new creation was called Iowa Public Employees Retirement System (IPERS).

In 1996, there were great changes in IPERS that created the opportunity for the unfunded liability to increase. These changes were made by SF 2245 and were followed by several irresponsible acts of the legislature. I was oppose to SF 2245 that was passed in 1996 and even asked our governor Terry Branstad to veto the bill until some of the problems that would be created could be solved. He did not chose to do so.

Prior to 1996 the highest level of covered salary to be implemented was $55,000. This ceiling was removed in 1996 so that all of an employee's salary could be covered and in three years they could receive a maximum pension up to that level even though the maximum covered salary prior to that time was only $44,000. This created a unfunded liability of about $6,600 in benefit for each of the individual that fell into that category without a great amount of contribution by those individuals. Above the level of $55,000 there was a pension reduction formula. However the level of $55,000 was increased to $75,000 in 1999. This change alone created an additional unfunded liability of up to $12,000 for some individuals without any additional contribution being made to the fund.

Prior to 1996 there was a "Rule 92" in existence and the legislature changed that to "Rule 88". This actually created the opportunity for an employee to retire 2 years earlier ($55,000 x 60% x 2 = $66,000 unfunded liability) creating additional unfunded liabilities. In 1987 (prior to the great influx of the stock market) there was a study made by actuaries on different rules of retirement. At that time it was determined that "Rule 90" would require an increase in contributions by the employers and employees. This seems to be verified by the IPERS Advisory Committee's present recommendation. However the 1987's study seemed to have been ignored in 1996 when the legislature determined to change the "Rule" to "88"

.

Prior to 1999 the idea of a person 60 years of age with 20 years of service receiving a full pension was unheard of and this creates in it own right a unfunded liability as well. There is no way that a public employee could contribute enough in 20 years to justify the pension that they were awarded by the legislature.

Prior to about 1998 or 1999 if you had more years than was necessary to meet "Rule 92" or "Rule 88" that was just tough. But with the legislature great wisdom and the fund doing so well in the stock market they awarded up to 5% more in pension benefits to the new retirees whose total years of service and age were greater than the "Rules" mentioned. Without additional contribution to IPERS this change also created a unfunded liability to be made up by the total fund. I will also point out that up to 1999 anyone with more years than the required "Rule 88" or "Rule 92" did not get additional percentage of benefit for the additional years of service. I myself had 3 years of additional service under "Rule 92" and 7 years of additional service if compared to "Rule 88" which of course did not benefit me at all. I know of many other ex-public employees who would fall into this category as well.

Being that it is the legislature that will make the decisions on what happens to the IPERS fund, they must realize that increasing the contribution by the employers, is increasing taxes on both the local and state government level. In this time where every level of government is increasing the taxes on the people that this back door approach is an abominable action. Accepting the fact that there are about 220,000 active public employees assuming an average salary in the range of $40,000 per employee the increase to 8.07% will cost the taxpayers about $204.2 million annually.

There are other areas of deficit spending, but I believe with one or two major changes the IPERS fund could become solvent without increasing the rate of contributions or in some words extending the age of the recipient of IPERS benefits.

Suggested changes in the IPERS program:

1. Retrench to "Rule 92" instead of "Rule 88",
2. Reintroduce the pension reduction formula for 3 years average salaries over $55,000 for an additional 7 years,
3. Remove the idea that a person 60 years of age with only 20 years of service is entitled to a full pension, and
4. Do not increase the percentage of benefits for the additional years of service over the basic 60%.

What is ironic is that Greg Cusack approved the many changes that created the fiasco that is being reported in the Des Moines Register by William Petroski and Lynn Okamoto.

Edward Moses
1407 N. Brobst
Knoxville, IA 50138
641-842-3166

(I believe that I have pretty good credentials for my ideas on IPERS. I was a panelist on IPERS at the 1966 Commonwealth Conference in Iowa City. I made several proposal to the IPERS study committees including investing common stock (as President of the State of Iowa Employees Association) in 1972 and the "Rule 92" (as President of the Iowa Association of Professional, Managerial and Scientific State Employees) in 1987. Both were adopted by the legislature. Both were actuarially sound.

EXHIBIT #3

Program

COMMONWEALTH CONFERENCE ON LEGISLATIVE AND ADMINISTRATIVE RESEARCH

Iowa Memorial Union
The University of Iowa, Iowa City
November 18, 1966

MORNING SESSION

9:00-10:00 a.m. Registration and Coffee
Ballroom Lobby

10:00-12:00 a.m. General Session--Ballroom

Dewey B. Stuit, Dean, College of Liberal Arts,
The University of Iowa, presiding

"The Legislative Research Committee," Senator
John R. Kibbie, Chairman

"The Tax Structure Study," James A. Papke, Professor,
Herman C. Krannert School of Industrial Administration,
Purdue University

"The Executive Agencies Reorganization Study,"

Background of the Study--Frank Covington,
Director of Planning, State of Iowa

Recommendations--Carl Hamilton, Chairman,
Advisory Commission on Governmental
Reorganization

(Questions from the floor will be welcome following each
presentation)

12:15-1:15 p.m. Buffet Luncheon--Main Lounge

AFTERNOON SESSIONS

1:30-3:30 p.m. Panel Discussions (Third Floor, Iowa Memorial Union)

Yale Room

RETIREMENT PROGRAMS STUDY COMMITTEE

Moderator: Senator Andrew G. Frommelt, Chairman, Retirement Programs Study Committee, Dubuque

Panel Members: Representative Maurice E. Baringer, Committee Member, Oelwein; Representative Minnette F. Doderer, Committee Member, Iowa City; Edmund Longnecker, Advisory Member, United Public Service Organizations, Des Moines; Marc M. Twinney, Jr., Actuary, Haight, Davis & Haight, Omaha, Nebraska; John F. Briggs, Director of Research, Bureau of Governmental Research, Des Moines; Professor Lloyd A. Knowler, Professor of Statistics, The University of Iowa; Edward Moses, President, Iowa State Employees Association, Ames

Recorder: James M. Ausberger, Legal Counsel, Iowa Legislative Research Bureau

Harvard Room

IOWA HIGHWAY STUDY COMMITTEE AND IOWA MOTOR VEHICLE LAWS STUDY COMMITTEE

Co-Moderators: Senator John P. Kibbie, Chairman, Iowa Highway Study Committee, Emmetsburg

Senator Vernon H. Kyhl, Vice Chairman, Iowa Motor Vehicle Laws Study Committee, Parkersburg

Highway Study Panel Members: L. M. Clausen, Chief Engineer, Iowa Highway Commission, Ames; Herman Batts, Director, Traffic and Transportation Safety, City of Des Moines; Gene Needles, Commissioner, State Department of Public Safety, Des Moines; Alfred Kahl, Executive Vice President, Iowa Auto Dealers Association, Des Moines

Motor Vehicle
Laws Study
Panel Members: Senator Merle W. Hagedorn, Committee Member, Royal; Representative Harold V. Nelson, Committee Member, Aurelia; Ray Fenton, Polk County Attorney, Des Moines; Gene Needles, Commissioner, State Department of Public Safety, Des Moines; Lillian C. Schwenk, Head of Safety Education and Research, Iowa State University, Ames

Recorder: Frederic M. Wise, Legislative Counsel, Iowa Legislative Research Bureau

Princeton Room

DRAINAGE LAWS STUDY COMMITTEE

Moderator: Senator Lucas J. DeKoster, Vice Chairman, Drainage Laws Study Committee, Hull

Panel Members: Senator Seeley G. Lodwick, Committee Member, Wever; Representative Dale M. Cochran, Committee Member, Eagle Grove; C. Arthur Elliott, Greene County Engineer, Jefferson; E. A. Hicklin, Iowa State Bar Association, Wapello; B. L. Willis, League of Iowa Municipalities, Lake City

Recorder: Tom Powers, Legal Counsel, Iowa Legislative Research Bureau

Indiana Room

ELECTRICAL CODE STUDY COMMITTEE

Moderator: Representative C. Raymond Fisher, Vice Chairman, Electrical Code Study Committee, Grand Junction

Panel Members: Richard G. Biermann, Electrical Workers Association, Des Moines; Wilbur Johnson, State Fire Marshal, Des Moines; Ralph F. Schlenker, Investor-Owned Power Companies, Des Moines; Dale Schreiner, Cooperative Power Companies, Moville; Robert Williams, Business Manager, Local Union #347, IBEW, Des Moines

Recorder: Philip E. Burks, Legislative Counsel, Iowa Legislative Research Bureau

Michigan State Room

STRIP MINING STUDY COMMITTEE

Moderator: Representative Floyd Millen, Committee Member, Farmington

Panel Members: Senator Don S. McGill, Committee Member, Melrose; Representative Floyd P. Edgington, Committee Member, Sheffield; Dr. John Lemish, Chairman, State Mining Board, and Professor of Geology, Iowa State University, Ames; Marvin J. Nelson, Vice President, Concrete Materials Division, Martin-Marietta Corporation, Cedar Rapids; Verne P. Smith, President, University Avenue Coal Company, Des Moines; Glen Yates, Superintendent of Federal Aid, State Conservation Commission, Des Moines

Recorder: Harry R. Smith, Chief of Research, Institute of Public Affairs, The University of Iowa

EXHIBIT 4

	Covered Salary	Annual Contribution	
1954	$4,000	$140	
1955	$4,000	$140	
1956	$4,000	$140	
1957	$4,000	$140	
1958	$4,000	$140	
1959	$4,000	$140	
1960	$4,000	$140	
1961	$4,000	$140	
1962	$4,000	$140	
1963	$4,000	$140	
1964	$4,800	$168	
1965	$4,800	$168	
1966	$4,800	$168	
1967	$4,800	$168	
1968	$7,000	$245	
1969	$7,000	$245	
1970	$7,000	$245	
1971	$7,800	$273	
1972	$7,800	$273	
1973	$10,800	$378	
1974	$10,800	$378	
1975	$10,800	$378	
1976	$20,000	$700	
1977	$20,000	$700	
1978	$20,000	$700	
1979	$20,000	$700	Total
1980	$20,000		$7,287
1981	$20,000		
1982	$20,000		
1983	$20,000		
1984	$21,000		
1985	$21,000		
1986	$22,000		
1987	$23,000		
1988	$24,000		
1989	$26,000		
1990	$28,000		
1991	$31,000		
1992	$34,000		
1993	$35,000		
1994	$38,000		
1995	$41,000		
1996	$44,000		
1997	$47,000		
1998	$50,000		
1999	$53,000		
2000	$55,000		
2001	$55,000		
2002	$55,000		
2003	$55,000		
2004	$55,000		
2005	$55,000		

EXHIBIT 5

SYNOPSIS OF SENATE FILE 2245

The Iowa Public Employees Retirement System (IPERS) is complicated in and of itself. But when the law is amended, the process of creating a bill is to create confusion. The more complicated a bill is, the more confusion is created and people have a hard time understanding the results of the bill.

With the spread sheet that I have attached, I have tried to construct what the bill will provide to some employees. I have created three examples in the spread sheet, one of an employee earning $31,000, an employee earning $75,000 and an employee earning $100,000 a year. I increased their salary by 4.0% per year. I further projected their salaries by increasing the Consumer Price Index (CPI) by 4.0% per year. I believe the headings of the columns are self-explantory and need very little explanation. As indicated the raising of the ceiling for the higher paid employees creates a windfall for them. By the year 2005 the employee making $100,000 in 1997 will increase the IPERS pension by $33,738 (column 26) a year, but will only have to increase the contribution into the IPERS fund by $21,39[illegible] (column 27) during the period. Based on a 10 year life expectancy, this results in a cost to the fund of an additional $337,380. The employee making $75,000 would increase the IPERS pension by $21,722 per year (column 22) with a total contribution to the fund of only $11,607 (column 23). * in ten years would cost the fund $217,230

There is one senario that needs to be discussed. If the employees making $75,000 and $100,000 would work until after January 1, 1997, but not complete the first quarter of the year, than they would be allowed to construct an annual salary from their previous years. If they were making enough to generally having their contributions into IPERS completed within their first or second quarter prior to 1995, then they could construct an annual salary of more than the present covered salary. To get a three year average, the employees would use the covered salary for 1995, 1996 and the first quarter of each of the previous 4 years. Section 19(b)1 would come into play, but the employees would receive the increase pension with no additional contributions into the funds. This is not an illegal process, because it is outlined in the bill, but it creates a benefit without "Quid pro Quo".

Example: Employee that earns $100,000 in 1997, earned $80,000 in 1991 and contributed into IPERS on $20,000 the first quarter of the year. The employee earned $84,000 in 1992 and contributed into IPERS on $21,000 the first quarter of the year. In 1993, the employee earned $90,000 and contributed into IPERS on $22,500 the first quarter of the year, than in 1994 the employee earned $95,000 and contributed into IPERS on $24,000. To create the third year for the three year average, the IPERS group would merely add the 4 quarter together to get an annual salary of $87,500. This average with the two previou years would give the employee a three year average of $57,500 with a pension of approximately $34,500 without adding one more dollar to his contributions into IPERS.

As demonstrated in the spread sheet, the penalties as outlined in Section 41(f)1-6 does not come into play in the first few years of the examples.

YEAR	1 COVERED SALARY OLD LAW	2 THREE YR AVERAGE COVERED OLD LAW	3 $31,000 COVERED SALARY NEW LAW	4 THREE YR AVERAGE COVERED NEW LAW	5 $75,000 COVERED SALARY NEW LAW	6 THREE YR AVERAGE COVERED NEW LAW	7 SEC. 18(b) AVERAGE COVERED NEW LAW	8 $100,000 COVERED SALARY NEW LAW	9 THREE YR AVERAGE COVERED NEW LAW	10 SEC. 18(b) AVERAGE COVERED NEW LAW
1991	31,000		31,000		31,000			31,000		
1992	34,000		32,240		34,000			34,000		
1993	35,000	33,333	33,530	32,257	35,000	33,333	33,333	35,000	33,333	33,333
1994	38,000	35,667	34,871	33,547	38,000	35,667	35,667	38,000	35,667	35,667
1995	41,000	38,000	36,266	34,889	41,000	38,000	38,000	41,000	38,000	38,000
1996	44,000	41,000	37,716	36,284	44,000	41,000	41,000	44,000	41,000	41,000
1997	47,000	44,000	39,225	37,736	75,000	53,333	49,500	100,000	61,667	55,750
1998	50,000	47,000	40,794	39,245	78,000	65,667	55,200	104,000	82,667	65,400
1999	53,000	50,000	42,426	40,815	81,120	78,040	59,520	108,160	104,053	72,527
2000	55,000	52,667	44,123	42,447	84,365	81,162	63,087	112,486	108,215	78,307
2001	55,000	54,333	45,888	44,145	87,739	84,408	70,199	116,986	112,544	89,599
2002	55,000	55,000	47,723	45,911	91,249	87,784	84,451	121,665	117,046	112,602
2003	55,000	55,000	49,632	47,748	94,899	91,296	87,829	126,532	121,728	117,106
2004	55,000	55,000	51,617	49,657	98,695	94,748	91,343	131,593	126,597	121,790
2005	55,000	55,000	53,682	51,644	102,643	98,745	94,996	136,857	131,661	126,662

YEAR	11 CONTRIBUTION BY EMPLOYEE OLD LAW	12 BENEFIT FOR EMPLOYEE OLD LAW	13 CONTRIBUTION BY EMPLOYEE NEW LAW	14 BENEFIT FOR EMPLOYEE NEW LAW	15 CONTRIBUTION BY EMPLOYEE NEW LAW	16	17 BENEFIT FOR EMPLOYEE NEW LAW	18 CONTRIBUTION BY EMPLOYEE NEW LAW	19	20 BENEFIT FOR EMPLOYEE NEW LAW
1991	1,147		1,147		1,147			1,147		
1992	1,258		1,193		1,258			1,258		
1993	1,295	18,667	1,241	18,064	1,295		18,667	1,295		18,667
1994	1,406	20,473	1,290	19,256	1,406		20,473	1,406		20,473
1995	1,517	22,800	1,342	20,933	1,517		22,800	1,517		22,800
1996	1,628	24,600	1,396	21,771	1,628		24,600	1,628		24,600
1997	1,739	26,400	1,451	22,641	2,775		29,700	3,700		33,375
1998	1,850	28,200	1,509	23,547	2,886		33,120	3,848		38,420
1999	1,961	30,000	1,570	24,489	3,001		35,710	4,002		42,101
2000	2,035	31,600	1,633	25,468	3,121		37,730	4,162		45,081
2001	2,035	32,600	1,698	26,487	3,246		41,534	4,328		50,463
2002	2,035	33,000	1,766	27,547	3,376		48,649	4,502		57,330
2003	2,035	33,000	1,836	28,649	3,511		50,595	4,682		61,703
2004	2,035	33,000	1,910	29,794	3,652		52,618	4,869		64,172
2005	2,035	33,000	1,986	30,986	3,798		54,723	5,064		66,738

	21	22	23	24	25	26	27	28
EAR	BASED ON 60% BENEFIT FOR EMPLOYEE NEW LAW $75,000	DIFFERENCE IN BENEFITS BETWEEN OLD AND NEW LAW FOR SALARY $75,000	DIFFERENCE IN COST BETWEEN OLD AND NEW LAW FOR SALARY $75,000	DIFFERENCE IN BENEFITS BETWEEN 60% AND PENALTY SEC. 41(F)(1-6 $75,000	BASED ON 60% BENEFIT FOR EMPLOYEE NEW LAW $100,000	DIFFERENCE IN BENEFITS BETWEEN OLD AND NEW LAW FOR SALARY $100,000	DIFFERENCE IN COST BETWEEN OLD AND NEW LAW FOR SALARY $100,000	DIFFERENCE IN BENEFITS BETWEEN 60% AND PENALTY SEC. 41(F)(1-6) $100,000
991		0	0	0		0	0	0
992		0	0	0		0	0	0
993	18,667	0	0	0	18,667	0	0	0
994	20,473	0	0	0	20,473	0	0	0
995	22,800	0	0	0	22,800	0	0	0
996	24,600	0	0	0	24,600	0	0	0
997	29,700	3,300	1,036	0	33,450	6,975	1,961	75
998	33,120	4,920	1,036	0	39,240	10,220	1,998	820
999	35,712	5,710	1,040	2	43,516	12,101	2,041	1,415
000	37,852	6,130	1,086	122	46,734	13,461	2,127	1,903
001	42,119	8,934	1,211	586	53,755	17,865	2,293	3,297
002	50,671	13,649	1,341	2,022	67,561	26,330	2,457	8,231
003	52,698	17,595	1,476	2,103	71,264	28,708	2,647	8,560
004	54,806	19,618	1,617	2,157	73,974	31,172	2,834	8,902
005	56,998	21,723	1,763	2,274	75,997	33,738	3,029	9,259

Assumption: The amount listed in Senate File 2045 the CPI was expanded on a yearly basis of 4%.

	1997	1998	1999	2000	2000	2002	2003	2004	2005
1	55,000	57,200	59,488	61,868	64,342	66,916	69,592	72,376	75,271
2	65,000	67,600	70,304	73,116	76,041	79,082	82,246	85,536	88,957
3	75,000	78,000	81,120	84,365	87,739	91,249	94,899	98,695	102,643
4	85,000	88,400	91,936	95,613	99,438	103,415	107,552	111,854	116,328
5	95,000	98,800	102,752	106,862	111,137	115,582	120,205	125,014	130,014

6 Based upon this example, the 40 percent penalty never came into effect.

EXHIBIT 6

	June 2003 Salaries Used in Calculation for Retirement Benefit	July 2003 Salaries Used in Calculation for Retirement Benefit	Limit under the old law		Additional cost to the public by the new law
1	$95,000	$95,000	$55,000	$40,000	$1,480
2	$90,476	$90,476	$55,000	$35,476	$1,313
3	$86,168	$86,168	$55,000	$31,168	$1,153
4	$82,065		$55,000	$27,065	$1,001
5	$78,157		$53,000	$25,157	$931
6	$74,435		$50,000	$24,435	$904
7	$70,890		$47,000	$23,890	$884

June 2003	July 2003		
$577,191	$271,644		
$82,456	$90,548	Under rule "88"	
x 0.60	x 0.60		
$49,473	$54,329		$4,855
		If years of service and age	
x 0.65	x 0.65	add up to" 93" instead of "88"	
$53,596	$58,856		$5,260

Under this program they will still receive a thirteenth check just like the old timer does.

Under the old law the limit would have been restricted to a level of only $55,000. Below is a calculation of what would have been

	June 2003 Salaries Used in Calculation for Retirement Benefit	July 2003 Salaries Used in Calculation for Retirement Benefit
1	$55,000	$55,000
2	$55,000	$55,000
3	$54,000	$54,000
	$164,000	$164,000
	$54,667	$54,667
	x .60	x .60
	$32,800	$32,800

EXHIBIT 7

IV. Judicial Retirement System.

A. Judicial Branch. Peggy Sullivan, Director of Finance and Personnel, Judicial Branch, summarized the results of a recent actuarial report and indicated that as of June 30, 1999, the funded ratio of assets to liabilities of the system is now 90 percent. In response to questions regarding an apparent decrease in investment income in the fund from 1998 to 1999, a representative from the State Treasurer's Office, Gene Lackershire, discussed investment strategies and monitoring practices. Senator Connolly indicated he would be interested in obtaining additional information relating to the selection and performance of investments made under the direction of the State Treasurer's Office.

B. Iowa Judges Association. Judge John Nahra, Chief Judge of the Seventh Judicial District of Iowa, represented the Iowa Judges Association in recommending that the current cap for retiree benefits should be increased from 52 percent to 60 percent of the judge's final salary for a minimum of 20 years of service. Judge Nahra provided a history of the Judicial Retirement System, and noted that since its inception in 1949, the general character of Iowa's judiciary has significantly changed. Newly appointed judges are entering the system at younger ages and at an earlier point in their legal career, with the result that attractive retirement benefits are playing an increasingly significant role in attracting top-level judicial candidates. Judge Nahra summarized an actuarial analysis which indicates that the system's unfunded pension obligation has been nearly eliminated during the preceding six-year period, and that an increase in the maximum pension benefit to 60 percent would not increase the state's annual pension contribution.

V. Iowa Public Employees' Retirement System (IPERS).

A. Director's Comments. Mollie Anderson, Director, Iowa Department of Personnel, indicated that she has proposed to the Governor that the Governor appoint a task force to examine and make recommendations concerning the governance and structure of IPERS. Ms. Anderson emphasized that she recognizes that her fiduciary and administrative responsibilities extend to all members of IPERS, and that she and her staff will do all that they can to provide assistance during the upcoming legislative session. She noted that she is in the process of finalizing a "100-Day Report" summarizing observations and recommendations relating to the Department of Personnel. Key recommendations to be contained in the report will regard a focus on workforce planning, departmental reorganization, and the possibility of establishing an internal auditor position. She also noted that IPERS has purchased a headquarters facility at a location close to the airport in Des Moines, and distributed a news release regarding the purchase.

B. Actuarial and Funding Report. Kathy Comito, Chief Investment Officer, and Patrice Beckham, Consulting Actuary, discussed the financial health of IPERS. As of June 30, 1999, the system's funded ratio of actuarial assets to liabilities is 97 percent. The number of years needed to amortize this unfunded liability is 20 years. Ms. Comito summarized various factors impacting the financial health of IPERS, including actuarial assumptions and methodology, actual system experience, contribution rates, operational expenses, benefit plan design, and funding policy, and characterized each regarding the extent to which IPERS exercises significant control or has significant input.

Ms. Beckham discussed the changes she recommended concerning the various economic and demographic actuarial assumptions used by the system to assess future liabilities, and indicated that the fact that they appear more significant than in previous years is primarily due to technological advancements generating an improved capacity to analyze and predict system performance. New assumptions resulting in an increase in liabilities include lowering mortality rates, earlier retirement ages, and lower termination rates and salary increases for members with

C. Benefit Enhancements. Greg Cusack, Chief Benefits Officer of IPERS, presented several recommendations for benefit enhancements. He indicated that most of the proposed enhancements are of no cost to the retirement system. The recommendations, in priority order, are as follows:

1. Provide IPERS' special public safety occupations with the same kind of disability benefits provided members of PORS and MFPRSI.
2. Increase the cost of living adjustment for members who retired prior to July 1990, from 80 percent of the consumer price index to 100 percent, retaining the existing ceiling of 3 percent.
3. Place a cap on the favorable experience reserve fund equivalent to 10 years of maximum payouts.
4. Permit retirement without a reduction under the Rule of 85 (age plus years of IPERS-covered service) instead of 88. Delay implementation until the cost can be absorbed within the current contribution rates.
5. Improve the death benefit for the beneficiaries of those members who die before initiating retirement. Delay implementation until the cost can be absorbed within the current contribution rates.
6. For public safety employees within IPERS, establish a fixed contribution rate for both employees and employers in order to provide a margin to purchase additional enhancements in order to further benefit parity among all public safety employees within IPERS, PORS, and MFPRSI.
7. Allow adjunct instructors at community colleges to elect coverage under IPERS if they already have an IPERS account. No cost to the system, but the cost to community colleges should be considered prior to implementation.
8. Replace the current "calendar year" determination for the computation of retirement benefits to 12 contiguous quarters.
9. Allow elected officials other than legislators to terminate their full-time, IPERS-covered positions and retire without having to resign their elected positions.
10. Modify the current phase-in of the impact of the elimination of the cap on covered wages by increasing the default standard by $10,000 per year, freezing the multiyear averaging at six years, and eliminating the phase-in effective January 2002.
11. Create a "pop-up" option for retirement benefit option 4 to option 2 upon a contingent annuitant's death prior to the member's death.
12. Raise the ceiling on yearly re-employment wages for IPERS retirees under 65 years of age from $12,000 to $25,000.

Mr. Cusack indicated that IPERS supports the goal of achieving parity between systems. He also discussed the impact of a recent legislative change providing for the partial refund of employer contributions to IPERS to terminating employees, stating that the number of refund requests has significantly increased as a result.

VI. Presentations Primarily Concerned with IPERS.

A. IPERS Constituent Group.

Lowell Dauenbaugh, Chairperson, IPERS Constituent Group, addressed the Committee on behalf of the group. The group was formed in 1994 to assist IPERS in making recommendations regarding benefit enhancements. Currently, the group consists of 11 organizations, two state department representatives, one benefits expert, and various IPERS staff members. The consensus position of the constituent group is in favor of the benefit enhancements proposed by IPERS. The constituent group also favors establishment of a board of trustees to govern IPERS. Mr. Dauenbaugh indicated that the group is committed to preserving the financially sound status of IPERS, maintaining a stable contribution rate, and achieving a competitive level of benefits when compared to other state retirement systems.

B. School Administrators of Iowa. Dr. Gaylord Tryon, Executive Director, School Administrators of Iowa, stated that the organization's top priority is to provide an enhanced death

benefit to a member's beneficiary as proposed by IPERS. The organization also supports immediate elimination of the current reduction of the three-year highest covered wage used to calculate retirement benefits for certain high-wage employees. Dr. Tryon indicated that the impact of the current phase-in program is that many administrators are delaying retirement until 2003, thereby likely causing severe difficulties in replacing administrators who will decide to wait and retire in that year. He distributed a recently completed Iowa Administrator Retirement Intentions Study projecting that 610 of the 674 administrators eligible for retirement under the Rule of 88 by 2003 indicate an intent to retire that year.

C. Iowa State Education Association. Brad Hudson, representing the Association, noted that it represents approximately 50 percent of IPERS membership. Mr. Hudson indicated that the Association supports adoption of the benefit enhancements included in the recommendations proposed by IPERS. The key issues for the Association are the adoption of the Rule of 85, establishing a board of trustees to govern IPERS, providing an enhanced death benefit, modifying the current phase-in of the covered wage as proposed by IPERS, and increasing the reemployment earnings cap.

D. School Administrator Issue Input. Peter Pashler, an attorney with the law firm of Ahlers, Cooney, Dorweiler, Haynie, Smith and Allbee, and Gary Ray, President, Ray and Associates, provided input regarding the projected school administrator shortage. Mr. Pashler indicated that they share the concerns previously raised regarding the impact of the current phase-in program, and that this is a real, not merely theoretical, threat. Mr. Ray indicated that his firm is involved with school administrator recruitment searches throughout the state, and that they are observing an extreme impending shortage with insufficient potential replacements in many school districts.

E. Older Retirees Perspective. Edward Moses, past president of the State of Iowa Employees Association, provided his perspective regarding IPERS recommendations. Mr. Moses indicated that he advocates reevaluation of the pension benefits of older retirees using the 60 percent benefit under the Rule of 88, maintaining the $55,000 level for the penalty passed in 1996 to eliminate windfalls for higher paid public employees, extension of the penalty limit phase for an additional seven years, and consideration of giving a lump sum cost of living increase to all retired public employees. He also recommended that the pre-1984 death benefit be reinstated.

F. Iowa Department of Education. Ted Stilwill, Director of the Department of Education, stated that the Department believes that the current law providing for the gradual phase-in of the three-year covered wage used to calculate the retirement benefit of certain high-wage employees by 2003 has the potential of harming education in Iowa by creating an unusually high number of school retirees all in 2003. The Department supports the immediate elimination of the current phase-in program, or, at least, an acceleration of the elimination of the current phase-in program as proposed by IPERS. Mr. Stilwill related that, to put the problem in perspective, entire staffs in some schools may be retiring at virtually the same time, and that ultimately, this situation runs directly counter to the best interests of the schoolchildren in the state.

G. Iowa Retired School Personnel Association. Walt Galvin, representing the Iowa Retired School Personnel Association, conveyed support for the adoption of the benefit enhancements recommended by IPERS. The enhancements which directly impact members of the association are going from 80 percent of CPI to 100 percent, the option 4 "pop-up" proposal, with the hope that the option is retroactive to members who have selected option 4 and whose contingent annuitant is still alive, and the proposal to raise the reemployment wages ceiling from $12,000 to $25,000.

H. Iowa Association of Community College Trustees. Dr. Gene Gardner, Executive Director, Iowa Association of Community College Trustees, indicated that the Association supports the proposal providing certain adjunct instructors the option of remaining in IPERS so long as this mandate on community colleges is funded. The Association indicated that the cost of this option to community colleges would be a minimum of approximately $300,000.

I. IPERS Improvement Association. Janie Gaar, appearing for IPERS Improvement Association, stated that the Association membership is open to anyone covered under IPERS in

either active or retired status, and that it is a volunteer group maintaining close contact with citizens throughout the state. The Association meets four times annually to review IPERS activities and ascertain concerns. She indicated that the Association supports adoption of the benefit enhancements proposed by IPERS except that they do not favor adoption of the Rule of 85 until the fund can afford it. In addition, while the Association supports most of the proposed modifications in the current phase-in program concerning the three-year covered wage, the Association recommends leaving the maximum multiyear average at seven years and not reducing it to six years.

J. AFSCME. Mike Campbell, representing AFSCME Council 61, provided the Committee with a letter from AFSCME Council 61 President Jan Corderman, supporting the benefit enhancements proposed by IPERS. In addition, AFSCME supports establishing a governance board for IPERS, indicating that there are good examples of governing boards already in place in several other states. Additionally, while working toward parity is considered by AFSCME to be a desirable goal, they would oppose efforts to consolidate the several retirement systems currently in existence.

VII. Presentations From Employer Organizations Concerned with IPERS.

A. Iowa Association of School Boards. Jennifer Owenson, representing the Iowa Association of School Boards, stated that the Association's role is to support school board members in providing a quality educational program for all children in the state, and that there is a direct correlation between student achievement and staff quality. Attraction and retention of quality staff, in turn, is enhanced by the provision of compensation and benefits systems which adequately reward educational staff for the work they perform. She indicated that the Association supports the immediate removal of the phase-in of the modification of the covered wage for certain high-wage employees. Because of the current teacher and substitute teacher shortage, the Association opposes going to the Rule of 85, supports the reduction or elimination of the four-month period necessary to establish a bona fide retirement, and supports the IPERS' proposal to raise the ceiling concerning reemployment wages. Some Committee members suggested that the Association reconsider its position with regard to the Rule of 85, and in response Ms. Owenson repeated that the Association's position is from the employer perspective.

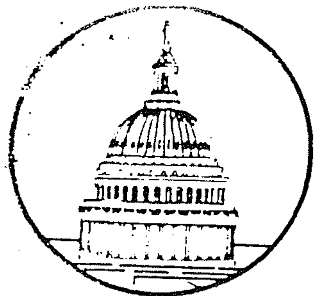
B. Iowa League of Cities. Andi Stewart, Manager of Administrative Services for the Iowa League of Cities, informed the Committee that the League supports the recommendations from IPERS and the IPERS Constituent Group, especially the provision concerning elected officials. She indicated that the League has some reservations concerning implementation of the disability program as the increased cost of the program will be an unfunded mandate. The League contends that the implementation date should be modified if the proposal does not pass until near the end of the legislative session. In addition, the League has concerns relative to the disability recommendation about the heart and lung presumption as it relates to smokers, and the lack of a requirement to implement fitness standards.

VIII. Presentations From Organizations Primarily Concerned with IPERS Special Classifications.

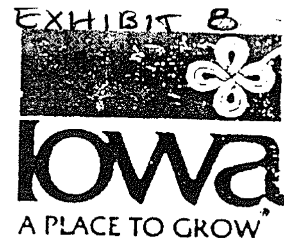
A. Iowa State Sheriffs' and Deputies Association. Susan Cameron, representing the Iowa State Sheriffs' and Deputies Association, stated that the Association supports the establishment of a disability retirement program for public safety members of IPERS. The Association also supports establishing a fixed contribution rate so as to permit the funding of other benefit enhancements to provide parity of benefits among all public safety employees in the state. Ms. Cameron indicated, in response to Committee questions, that the Association would favor fitness standards, if imposed at the local, rather than state, level pursuant to collective bargaining.

B. Iowa Association of Chiefs of Police and Peace Officers. Laverne Schroeder, representing the Association, indicated support for the establishment of disability benefits and for granting members of the protected occupation classification the same credit for additional years of service as is granted to the sheriff's classification under IPERS.

C. State Police Officers Council - Iowa Fish and Game Conservation Officers Association,



IOWA ASSOCIATION OF PROFESSIONAL, MANAGERIAL, AND SCIENTIFIC STATE EMPLOYEES, INC.
P.O. BOX 67 AMES, IOWA 50010



IAPMSSE's Proposal on IPERS Improvements

I want to thank you for the opportunity to address the study committee on the subject of the Iowa Public Employees Retirement System. In March, 1987 the Iowa Association of Professional Managerial and Scientific State Employees (IAPMSSE) surveyed the professional group of state employees. IAPMSSE sent out 5500 surveys to find out what was of interest with this group of employees. IPERS was the second highest concern behind a TRUE cost-of-living increase listed by those who responded. Item listed in the order of the greatest number of reponses, IPERS ranked first with wage increases and state employee image tied for second. The following concerns were listed:

1. Provide additional benefits for those public employees who work longer than 30 years through one of the following methods:

   a. Adopt a "Rule 92" in calculating pension benefits. That is when an employee's age and years of service equal 92, he/she can retire without any penalty. (See IAPMSSE's draft bill attached.) In April, 1987 there were 3,214 public employees that had 30 or more years of service. Of these employees 782 were age 62 and older. These 782 can retire at any time with no reduction in benefits.

   b. If the "Rule 92" can not be considered at this time, than IAPMSSE would suggest the IPERS's study committee to recommend the passage of H.F. 501(?) introduced by Representative Ralph Rosenberg. (See IAPMSSE's draft bill attached.)

2. Restore the death benefit to the original conditions that existed for 31 years. (See IAPMSSE's draft bill attached.)

3. Create a separate department to oversee IPERS. This does not cost the state one cent, as the cost is appropiated from the IPERS fund. IPERS covers city employees, county employees, state employees, school employees and various other quasi-public employees. Therefore, IPERS should not be controlled in any manner by the Iowa Department of Personnel. There are many city, county and school officials that do not know that IPERS has been put under IDOP jurisdiction.

4. At the present time IPERS does not credit a member, who has retired, any interest on his/her account. This is not fair, as any other investment would pay interest on a person's remaining funds. This depletes a person account much faster than it should. Every employee, whether they are drawing a pension or contributing into the funds should be paid interest. (Included in H.F. 501 (?) by Rep. Ralph Rosenberg, and in IAPMSSE's draft bill.)

5. Give strong consideration to implementing the intent of the Legislature as it is written in the Iowa Code, Chapter 97B.67.