

Presentation By Jim West  
To  
PUBLIC RETIREMENT SYSTEMS COMMITTEE  
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UNFAIRNESS OF CERTAIN IPERS “BUY BACK” REQUIREMENTS

1. Chapter 1183, Section 67 of the Acts of the 1998 session of the 77<sup>th</sup> G.A. (“Ch. 1183”) amended Section 97B.74 to provide that after July 1, 1999 a member of IPERS “buying back” prior service, for which the member had received a refund of the member’s prior service contributions, was required to pay the actuarial cost of the service purchased.  
  
(Note: In 2004 Section 97B.74 was repealed and its provisions were recodified into new Section 97B.80C)
  
2. Prior to the enactment of Ch. 1183, Section 97B.74 had provided that a vested member “buying back” prior service for which the member had received a refund of the member’s prior service contributions was only required to repay the amount of the member’s contribution received by the member plus interest.
  
3. Ch. 1183 also amended Section 97B.53(1), effective July, 1999, to provide that upon termination of employment by a member, the member could elect to be paid the member’s accumulated contribution and, for a vested member, a portion of the accumulated employer contributions for the vested member plus interest based upon years of service.

4. Prior to the enactment of Ch. 1183, Section 97B.53(1) had provided that upon termination of employment by a member, the member could only be paid the member's accumulated contributions (not the contributions by the member's employer to IPERS on behalf of the member).
  
5. The result was that (after Ch. 1183 was implemented):
  - (a) Members who left covered service after July 1, 1999 and who had received a refund of both the member's and the computed portion of the member's employer's contributions plus interest and then had subsequently reentered covered employment, were required to pay the full actuarial cost of a "buy back" but they do not receive any credit against the actuarial cost of a "buy back" for that portion of the contributions to the system by their prior employer on their behalf which had been retained by IPERS.
  
  - (b) Members who had left covered employment prior to July 1, 1999, and who had received a refund of only the member's contributions (not any part of the member's employer's contributions) and then had subsequently reentered covered employment, were required to pay the full actuarial cost of a "buy back" but they do not receive any credit against the actuarial cost of a "buy back" for the contributions to the system by their prior employer on their behalf which had been retained by IPERS.

6. The unfairness which I perceive is not the requirement that the full actuarial cost of a “buy back” be paid. The pre Ch. 1183 requirement was flawed. IPERS was subsidizing “buy backs” by the amount of the actuarial cost of a “buy back” which was in excess of the total the amount of the contributions to the system by a member’s prior employer on behalf of the member which had been retained by IPERS (plus earnings) and the amount paid to IPERS by the member for the “buy back”.

7. The unfairness which I perceive is that in those instances where IPERS retained the employer contributions which had been made by a member’s employer on behalf of the member (and the accumulated earnings on those contributions), the member does not receive a credit against the full actuarial cost of a “buy back” for those retained employer contributions and the earnings on those contributions. In effect IPERS, in part, gets paid twice.

That is simply not fair.

8. Where IPERS retained employer’s contributions made on behalf of a member, the member should receive an appropriate credit against the full actuarial cost of a “buy back”. IPERS should be paid the cash difference between the full actuarial cost of the “buy back” and the amount of the employer’s contributions made on behalf of a member (plus earnings) which were retained by IPERS.

That is fair.

9. I understand that IPERS presently includes in its actuarial computations the amounts of the employer contributions which members have left behind and which IPERS presently gets to keep.

That doesn't make it fair.

10. Attached is a draft which I have prepared for your consideration of a proposed amendment to Chapter 97B to allow a member to receive a credit against the full actuarial cost of a "buy back" for the member's employer's contributions made on behalf of the member (and the accumulated earnings on those contributions) which were retained by IPERS.

## DRAFT PROPOSAL

Amend Section 97B.80C, subsection 3 by adding the following new paragraph:

NEW PARAGRAPH e. For a member making contributions for a purchase of permissive service credit for qualified service as described in subsection 1, paragraph “c”, subparagraph (1), subparagraph subdivision (h) under this section, the member shall receive a credit against the actuarial cost of the permissive service purchase credit as determined pursuant to paragraph “d” of this subsection for the amount of the member’s employer’s accumulated contributions to the system pursuant to section 97B.11 on behalf of the member, including the accumulated earnings thereon, which were not paid to the member pursuant to Sec. 97B.53.