

CHAPTER 1261**ADMINISTRATION AND BENEFITS OF IOWA PUBLIC RETIREMENT SYSTEMS***S.F. 2178*

AN ACT relating to the administration and benefits of public retirement systems.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 97A.1, subsections 9 and 10, Code 1981, are amended to read as follows:

9. "Child" or "children" ~~shall mean~~ means only the surviving issue of a deceased active or retired member, or ~~the a child or children~~ legally adopted by a deceased member prior to his the member's retirement. "Child" includes only an individual who is under the age of eighteen years, an individual who is under the age of twenty-two and is a full-time student, or an individual who is disabled under the definitions used in section 402 of the Social Security Act as amended if the disability occurred to the individual during the time the individual was under the age of eighteen years and the parent of the individual was an active member of the system.

10. "Earnable compensation" or "compensation earnable" shall mean the regular compensation which a member would earn during one year on the basis of the stated compensation for the member's rank or position including compensation for longevity and the daily amount received for meals under section 80.8 and excluding any amount received for overtime compensation or other special additional compensation, ~~meal and other payments for meal expenses, uniform cleaning allowances,~~ travel expenses, and uniform allowances and excluding any amount received upon termination or retirement in payment for accumulated sick leave or vacation.

Sec. 2. Section 97A.1, subsection 12, Code 1981, is amended to read as follows:

12. "Average final compensation" shall mean the average earnable compensation of the member during the member's highest ~~five~~ three years of service as a member of the state department of public safety, or if the member has had less than ~~five~~ three years of such service, then the average earnable compensation of the member's entire period of service.

Sec. 3. Section 97A.6, subsection 1, paragraph b, Code 1981, is amended to read as follows:

b. Any member in service who has been a member of the retirement system fifteen or more years and whose employment is terminated prior to the member's retirement, other than by death or disability, shall upon attaining retirement age, receive a service retirement allowance of fifteen ~~twenty~~-seconds of the retirement allowance the member would receive at retirement if the member's employment had not been terminated, and an additional one ~~twenty~~-second of such retirement allowance for each additional year of service not exceeding twenty-two years of service. The amount of the retirement allowance shall be ~~based on~~ calculated in the manner provided in this paragraph using the average final compensation at the time of termination of employment.

Sec. 4. Section 97A.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if he or

~~she~~ the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance originally granted adjusted by annual readjustments of pensions pursuant to subsection 15 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have his or her retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed in the same manner as provided in subsection 15, paragraph "d," of this section for readjustment of pensions when a rank or position has been abolished.

Sec. 5. Section 97A.6, subsection 7, paragraph b, Code 1981, is amended to read as follows:

b. Should a disability beneficiary under age fifty-five be restored to active service at a compensation not less than ~~his~~ the disability beneficiary's average final compensation, ~~his~~ the disability beneficiary's retirement allowance shall cease, ~~he~~ the disability beneficiary shall again become a member and he shall contribute thereafter at the same rate he paid prior to disability, and any former service on the basis of which his the disability beneficiary's service was computed at the time of his retirement shall be restored to full force and effect and upon his subsequent retirement he the disability beneficiary shall be credited with all his service as a member, and also with the period of disability retirement, provided that during such period of disability he has not engaged in a gainful occupation from which his net earnings exceeded the difference between his disability retirement allowance and the amount he would have received for said period if his compensation at the time of disability had continued.

Sec. 6. Section 97A.6, subsection 8, paragraphs b, d, e, and f, Code 1981, are amended to read as follows:

b. If there ~~be~~ is no ~~such~~ nomination of beneficiary, the benefits provided in paragraph "a" of this subsection 8 shall be paid to the member's estate; or in lieu thereof, at the option of the following beneficiaries, respectively, even though nominated as ~~such~~ beneficiaries, for a member in service ~~there shall be paid at the time of death~~ a pension which shall be paid equal to one-fourth of the average final compensation of ~~such~~ the member, but in no instance less than fifty dollars per month or for a member not in service ~~at the time of death~~ the pension shall be reduced as provided in subsection 1, paragraph "c", of this section and shall be paid commencing when the member would have attained the age of fifty-five except if there is a child of the member ~~under the age of eighteen, or under the age of twenty-two who is a full-time student, or who is disabled, under the definitions used in section 402 of the Social Security Act as amended to July 1, 1978 (42 U.S.C. 402)~~, the pension shall be paid commencing with the member's death until the children reach the age of eighteen, or twenty-two if applicable, and shall resume commencing when the member would have attained the age of fifty-five;

d. If there be is no surviving spouse, or if the spouse dies or remarries before any child of such deceased member shall have attained the age of eighteen years and there is a child of a member, then to the guardian of the member's child or children under said age, divided in such manner as the board of trustees in its discretion shall determine determines, to continue as a joint and survivor pension until every such child of the member dies or attains the age of eighteen or twenty-two if applicable; or

e. If there be is no surviving spouse or child under age eighteen, then to the member's dependent father or mother or both, as the board of trustees in its discretion shall determine determines, to continue until remarriage or death.

f. In addition to the benefits herein enumerated in this subsection, there shall also be paid for each child of a member under the age of eighteen years a monthly pension equal to six percent of the monthly earnable compensation payable to an active member having the rank of senior patrolman of the Iowa highway safety patrol.

For the purpose of this chapter, a senior patrolman is a man or woman who has completed ten years of service in the Iowa highway safety patrol.

Sec. 7. Section 97A.6, subsection 9, paragraphs b and c, Code 1981, are amended to read as follows:

b. If there be is no surviving spouse, children under the age of eighteen years child, or dependent parent surviving such a deceased member, the death shall be treated as an ordinary death case and the benefit payable in accordance with the provisions of under subsection 8, paragraph "a" of this section, in lieu of the pension provided in paragraph "a" of this subsection 9, shall be paid to the member's estate.

c. In addition to the benefits for the surviving spouse herein enumerated in this subsection, there shall also be paid for each dependent child of a member under the age of eighteen years a monthly pension equal to six percent of the monthly earnable compensation payable to an active member having the rank of senior patrolman of the Iowa highway safety patrol.

Sec. 8. Section 97A.6, subsection 12, paragraph b, Code 1981, is amended to read as follows:

b. In the event of the death of If the spouse dies either prior or subsequent to the death of the member, to the guardian of each surviving child under eighteen years of age, a monthly pension equal to the monthly pension payable under subsection 9, paragraph "c," of this section for the support of such the child.

Sec. 9. Section 97A.8, subsection 1, paragraph f, Code 1981, is amended to read as follows:

f. An amount equal to two three and twenty-one hundredths one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the pension accumulation fund.

Sec. 10. Section 97B.7, subsection 2, paragraph b, subparagraphs (3), (4), and (5), Code 1981, are amended by striking the subparagraphs, inserting in lieu thereof the following subparagraphs, and renumbering the remaining subparagraphs:

(3) That the common stock or shares issued by solvent corporations or institutions are eligible for investment if the stock or shares are listed or admitted to trading on a securities exchange located in the United States or are publicly held and have been traded in the "over-the-counter" market and market quotations are readily available.

(4) That, where prudent, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state.

Sec. 11. Section 97B.8, Code 1981, is amended to read as follows:

97B.8 ADVISORY INVESTMENT BOARD. A board shall be is established to be known as the "Advisory Investment Board of the Iowa Public Employees' Retirement System", hereinafter called the "board", whose duties shall be are to advise and confer with the department in matters relating to the investment of the trust funds of the Iowa public employees' retirement system. The powers of the board shall be purely are advisory and the department shall is not be bound in the making of any an investment by the recommendations of the board.

PARAGRAPH DIVIDED. The board shall consist of seven members. Five of the members shall be appointed by the governor, one of whom shall be an executive of a domestic life insurance company, one an executive of a state or national bank operating within the state of Iowa, one an executive of a major industrial corporation located within the state of Iowa, and two shall be active members of the system, one of whom shall be an employee of a school district, county school system, joint county system area education agency, or merged area and one of whom shall not be an employee of a school district, county school system, joint county system area education agency, or merged area. The president of the senate shall appoint one member from the membership of the senate and the speaker of the house of representatives shall appoint one member from the membership of the house. The two members appointed by the president of the senate and the speaker of the house of representatives and the two active members of the system appointed by the governor shall be are ex officio members of the board.

PARAGRAPH DIVIDED. The members who are executives of a domestic life insurance company, a state or national bank and a major industrial corporation shall be paid their actual expenses incurred in performance of their duties and shall receive in addition the sum of forty dollars for each day of service not exceeding forty days per year. Legislative members shall receive the sum of forty dollars for each day of service and their actual expenses incurred in the performance of their duties. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The members who are active members of the system shall be paid their actual expenses incurred in the performance of their duties as members of the board and performance of their duties as members of the board shall not affect their salaries, vacation or leaves of absence for sickness or injury. The appointive terms of the members appointed by the governor shall be are for a period of six years beginning and ending as provided in section 69.19. In the event of If there is a vacancy, through resignation or any other cause, in the membership of the board, the governor shall have has the power of appointment. Appointees to this board shall be are subject to confirmation by the senate.

*Sec. 12. Section 97B.11, Code 1981, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE. Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and six-tenths seven-tenths percent of the covered wages paid by the employer through June 30, 1979 December 31, 1984, and commencing July 1, 1979 January 1, 1985, in the amount of three and seven-tenths eight-tenths percent of the covered wages paid by the employer, until the first of the month in which the member attains the age of seventy years or the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of three and one-half percent of the covered wages of the member for service through December 31, 1975, and in the amount of five and twenty-five seventy-five hundredths percent of the covered wages of the member for service commencing July 1, 1977 through June 30, 1979 December 31, 1984, and in the amount of five and seventy-five six and twenty-five hundredths percent of the covered wages of the member for service commencing July 1, 1979 January 1, 1985.

* Item veto; see message at end of this Act

Sec. 13. Section 97B.41, subsection 1, paragraph a, unnumbered paragraph 1, Code 1981, is amended to read as follows:

"Wages" means all remuneration for employment, including the cash value of remuneration paid in any a medium other than cash, but not including the cash value of remuneration paid in any a medium other than cash necessitated by the convenience of the employer, such. The amount as agreed upon by the employer and employee and for remuneration paid in a medium other than cash shall be reported to the department by the employer shall be and is conclusive of the value of the remuneration in a medium other than cash; except that. However, remuneration which does not equal or exceed the sum of three hundred dollars in any a calendar quarter shall be excluded. "Wages" does not include special lump sum payments made as payment for sick leave or accrued vacation or payments made as an incentive for early retirement. Wages for an elected official means the salary received by an elected official, exclusive of expense and travel allowances.

Sec. 14. Section 97B.41, subsection 1, paragraph b, subparagraph (4), Code 1981, is amended to read as follows:

(4) For each calendar year from January 1, 1976, and thereafter through December 31, 1983, wages not in excess of twenty thousand dollars.

Sec. 15. Section 97B.41, subsection 1, paragraph b, subparagraph (6), Code 1981, is amended to read as follows:

(6) If a member is employed by more than one employer during a calendar year, the total amount of wages paid to ~~him~~ the member by ~~his~~ the several employers shall be included in determining the limitation on covered wages as provided ~~by~~ in this paragraph "b", subparagraph (3), of this section. If the amount of wages paid to a member by ~~his~~ the member's several employers during a calendar year exceeds the covered wage limit, the amount of such excess shall not be subject to the contributions required by section 97B.11.

Sec. 16. Section 97B.41, subsection 1, paragraph b, Code 1981, is amended by adding the following new subparagraphs after subparagraph (4) and renumbering the remaining subparagraphs:

NEW SUBPARAGRAPH. For each calendar year from January 1, 1984 through December 31, 1985, wages not in excess of twenty-one thousand dollars per year.

NEW SUBPARAGRAPH. For each calendar year from January 1, 1986 and thereafter, wages not in excess of twenty-two thousand dollars.

Sec. 17. Section 97B.41, subsection 20, Code 1981, is amended by striking the subsection and inserting in lieu thereof the following:

20. "Five-year average covered wage" means a member's covered wages averaged for the highest five years of the member's service. If the member has less than five years of service, then the average shall be computed using the actual number of years as a member. The highest five years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a year of employment does not occur at the end of a calendar year, the department may determine the wages for the fifth year by combining the wages from the highest quarter or quarters not being used in the selection of the four highest years with the final quarter or quarters of the member's service to create a full year. If the five-year average covered wage of a member exceeds the highest maximum covered wages in effect for a calendar year during the member's period of service, the five-year average covered wage of the member shall be reduced to the highest maximum covered wages in effect during the member's period of service.

Sec. 18. Section 97B.48, subsection 3, Code 1981, is amended to read as follows:

3. If at any time after the first day of the month in which the member attains the age of fifty-five years and until the member's sixty-fifth birthday, a member who is retired under this chapter is in regular full-time employment, the member's retirement allowance shall be suspended for as long as the member remains in employment. However, employment shall not be regarded as full-time employment until the member receives remuneration in an amount in excess of two thousand one hundred dollars for any a calendar year. Effective the first of the month in which a member attains the age of sixty-five years, a retired member shall be entitled to may receive a retirement allowance after return to covered employment regardless of the amount of remuneration received. As of the first of the month in which the member attains the age of seventy years, the member shall be entitled to may receive a retirement allowance determined under section 97B.49, regardless of the amount of remuneration received. Upon any a retirement after re-employment, a retired member shall be entitled to may have his or her the retired member's retirement allowance redetermined under this section or section 97B.49 or 97B.50, whichever is applicable, based upon the employee's and employer's additional contributions, and any addition of credit for the years of membership service of the employee after re-employment.

Sec. 19. Section 97B.49, subsection 5, unnumbered paragraph 1, Code 1981, is amended to read as follows:

For each active member retiring ~~on or after~~ between January 1, 1976 and June 30, 1982, with four or more complete years of service, a monthly benefit shall be computed which is equal to one-twelfth of an amount equal to forty-seven percent of the five-year average covered wage multiplied by a fraction of years of service. For each member retiring on or after July 1, 1982, with four or more complete years of service, the percent used in computing the monthly benefit is fifty. For the purposes of this subsection, "fraction of years of service" means a number, not to exceed one, equal to the sum of the years of membership service and the number of years of prior service divided by thirty years.

Sec. 20. Section 97B.49, subsection 7, Code 1981, is amended to read as follows:

7. Notwithstanding the other provisions of this chapter, a member who is or has been employed as a conservation peace officer under the ~~provisions of~~ section 107.13 and who retires ~~on or after~~ between July 1, 1978 and June 30, 1982 and at the time of retirement is at least sixty years of age and has completed at least twenty-five years of membership service as a conservation peace officer, may elect to receive, in lieu of the receipt of any benefits under subsection 5 of this section, a monthly retirement allowance equal to one-twelfth of forty-seven percent of the member's five-year average covered wage as a conservation peace officer ~~multiplied by a fraction of years of service~~, with benefits payable during the member's lifetime. For each conservation peace officer eligible for benefits under this subsection who retires on or after July 1, 1982, the percent used in computing the monthly retirement allowance is fifty. There is appropriated from the general fund of the state to the Iowa department of job service from funds not otherwise appropriated an amount sufficient to pay eight and forty-three hundredths percent of the covered wages of each conservation peace officer, in addition to the contribution paid by the employer under section 97B.11, to finance increased benefits to conservation peace officers under this subsection.

Sec. 21. Section 97B.49, subsection 8, Code 1981, is amended to read as follows:

8. a. Notwithstanding the other provisions of this chapter, a member who is or has been employed as a county sheriff, as defined in section 39.17, or as a deputy sheriff appointed pursuant to ~~chapter 341~~ section 341.1, Code 1981, or section 331.903, Code 1981 Supplement, and who retires ~~on or after~~ between January 1, 1978 and June 30, 1982, and at the time of retirement is at least sixty years of age and has completed at least twenty-five years of membership

service as a county sheriff or deputy sheriff, may elect to receive, in lieu of the benefits under subsection 5 of this section, a monthly retirement allowance equal to one-twelfth of forty-seven percent of the member's five-year average covered wage as a sheriff or deputy sheriff multiplied by a fraction of years of service, with benefits payable during the member's lifetime. For each sheriff and deputy sheriff eligible for benefits under this subsection who retires between July 1, 1982 and June 30, 1983, the percent used in computing the monthly retirement allowance is fifty.

Notwithstanding other provisions of this chapter, a member who is or has been employed as a peace officer, and who retires on or after July 1, 1983 and meets the age requirements and membership service requirements for benefits specified in this paragraph may elect to receive a monthly retirement allowance equal to one-twelfth of fifty percent of the member's five-year average covered wage as a peace officer, with benefits payable during the member's lifetime.

For the purpose of this subsection membership service as a peace officer means service under this system as any or all of the following:

(1) As a county sheriff as defined in section 39.17.

(2) As a deputy sheriff appointed pursuant to section 341.1, Code 1981, or section 331.903, Code 1981 Supplement.

(3) As a marshal or police officer in a city not covered under chapter 400.

b. Each county and applicable city and employee eligible for benefits under this section shall annually contribute an amount determined by the Iowa department of job service, as a percentage of covered wages, to be necessary to pay for the additional benefits provided by this section. The annual contribution in excess of the employer and employee contributions required by this chapter shall be paid by the employer and the employee in the same proportion that employer and employee contributions are made under section 97B.11. The additional percentage of covered wage wages shall be calculated separately by the department for service under paragraph a, subparagraphs (1) and (2), and for service under paragraph a, subparagraph (3), and each shall be an actuarially determined amount for that type of service which, if contributed throughout the entire period of active service, would be sufficient to provide the pension benefit provided in this section.

Sec. 22. Section 97B.49, subsection 10, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Notwithstanding sections of this chapter relating to eligibility for and determination of retirement benefits, a vested member who is or has been employed as a correctional officer by the department of social services and who retires on or after July 1, 1983 and at the time of retirement is at least sixty years of age and has completed at least thirty years of membership service as a correctional officer, may elect to receive, in lieu of the receipt of benefits under subsection 5 of this section, a monthly retirement allowance equal to one-twelfth of ~~forty-seven~~ fifty percent of the member's five-year average covered wages as a correctional officer multiplied by a fraction of years of service, with benefits payable during the member's lifetime.

Sec. 23. Section 97B.49, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. a. Effective beginning July 1, 1982, for each member who retired from the system prior to January 1, 1976, and for each member who retired from the system on or after January 1, 1976 under subsection 1 of this section, the amount of regular monthly retirement allowance attributable to membership service and prior service that was payable to the member for June 1982 is increased as follows:

(1) For the first ten years of service, fifty cents per month for each complete year of service.

(2) For the eleventh through the twentieth years of service, one dollar per month for each complete year of service.

(3) For the twenty-first through the thirtieth years of service, one dollar and fifty cents per month for each complete year of service.

(4) The amount of monthly increase payable to a member under this subsection is also payable to a beneficiary and a contingent annuitant and shall be reduced by an amount based upon the actuarial equivalent of the option selected in section 97B.51 or section 97B.52 compared to the full monthly benefit provided in this section.

[*b. (1) There is appropriated annually from the general fund of the state to the Iowa department of job service to be deposited in the Iowa public employees' retirement fund, to pay for the benefit increases provided in this subsection, except as otherwise provided in this subsection, the sum of two million two hundred seventeen thousand dollars per year, commencing with the fiscal year beginning July 1, 1982 and through the fiscal year beginning July 1, 2001, for each fiscal year in which the unobligated state general fund balance on June 30 of the preceding fiscal year as certified by the state comptroller by the following September 10 is more than thirty-five million dollars.

(2) If the unobligated state general fund balance on June 30 of any year from 1982 through 2001 as certified by the state comptroller by the following September 10 is less than thirty-five million dollars, the cost of benefit increases provided in this subsection of two million two hundred seventeen thousand dollars per year for the fiscal year following that June 30 shall be absorbed by the Iowa public employees' retirement fund.

(3) If the unobligated state general fund balance on June 30 of any year from 1982 through 2001, minus the amount appropriated in subparagraph (1), is more than thirty-five million dollars as certified by the state comptroller by the following September 10 and the cost of the benefit increases provided in this subsection during that fiscal year, or any previous fiscal year, has been absorbed by the Iowa public employees' retirement fund and has not previously been repaid from the state general fund in the manner provided in this subparagraph, there is appropriated from the general fund of the state to the Iowa department of job service for the fiscal year beginning the following July 1 two million two hundred seventeen thousand dollars to be deposited in the Iowa public employees' retirement fund to pay the cost of the benefit increases provided in this subsection and absorbed by the Iowa public employees' retirement fund for a previous fiscal year or portion of a fiscal year.

(4) Notwithstanding subparagraphs (1) and (3), funds appropriated in subparagraphs (1) and (3) for a fiscal year shall not exceed the amount by which the unobligated state general fund balance on June 30 of a fiscal year as certified by the state comptroller by the following September 10 exceeds thirty-five million dollars.]

Sec. 24. Section 97B.53, Code 1981, is amended by adding the following new subsection:
NEW SUBSECTION. The department shall refund employee and employer contributions on the covered wages earned by a retired member that are not used in the recomputation of monthly benefits of that member.

Sec. 25. Section 97B.75, Code 1981, is amended to read as follows:
97B.75 PRIOR SERVICE CREDIT BEFORE JANUARY 1, 1946. An active, vested, or retired member who was employed prior to January 1, 1946 by the state or a political subdivision, except for a member employed by a school district which had established a pension and annuity retirement system under sections 204.8, 204.9, and 204.10, and was not employed by the state or a political subdivision between January 1, 1946 and July 4, 1953, an employer may file written verification of the member's dates of employment with the department of job service and receive credit for years of prior service for the period of employment. However, a member who is eligible for or receiving a retirement allowance based upon employment with an employer prior to January 1, 1946 is not eligible for credit for that period of employment.

* Item veto; see message at end of this Act

Sec. 26. Section 411.1, subsection 11, Code 1981, is amended to read as follows:

11. "Child" or "children" shall mean means only surviving issue of a deceased active or retired member, or ~~the a child or children~~ legally adopted by a deceased member prior to his the member's retirement. "Child" includes only an individual who is under the age of eighteen years, an individual who is under the age of twenty-two years and is a full-time student, or an individual who is disabled at the time under the definitions used in section 402 of the Social Security Act as amended if the disability occurred to the individual during the time the individual was under the age of eighteen years and the parent of the individual was an active member of the system.

Sec. 27. Section 411.1, subsection 14, Code 1981, is amended to read as follows:

14. "Average final compensation" shall mean means the average earnable compensation of the member during the five three years of service ~~he the member~~ earned his the member's highest salary as a police officer or fireman fire fighter, or if ~~he the member~~ has had less than five three years of such service, then the average earnable compensation of his the member's entire period of service.

Sec. 28. Section 411.5, subsection 1, paragraphs a and b, Code 1981, are amended to read as follows:

a. The chief officer of the fire department, the city treasurer, ~~the city solicitor or attorney,~~ two firemen fire fighters elected by secret ballot by the members of said the department who are entitled to participate in a firemen's pension fund fire retirement system established by law, and ~~two three~~ three citizens who do not hold any other another public office, who shall be appointed by the mayor with the approval of the city council, shall ~~constitute~~ serve as the members of the board of trustees of the fire retirement system.

b. The chief officer of the police department, the city treasurer, ~~the city solicitor or attorney,~~ two police officers elected by secret ballot by the members of said the department who are entitled to participate in a police officers' pension fund police retirement system established by law, and ~~two three~~ three citizens who do not hold any other another public office, who shall be appointed by the mayor with the approval of the city council, shall ~~constitute~~ serve as the members of the board of trustees of the police retirement system.

Sec. 29. Section 411.5, subsection 8, Code 1981, is amended to read as follows:

8. LEGAL ADVISER. The city attorney or solicitor of ~~the said cities~~ a city shall be serve as the legal adviser of the ~~boards~~ board of trustees at the request of the board.

Sec. 30. Section 411.6, subsection 1, paragraph a, Code 1981, is amended to read as follows:

a. Any member in service may retire upon his written application to the board of police or fire trustees as the case may be, setting forth at what time, not less than thirty nor more than ninety days subsequent to the execution and filing ~~therefor,~~ he of the application, the member desires to be retired, ~~provided, that.~~ However, the said member at the time so specified for his retirement shall have attained the age of fifty-five and shall have served twenty-two years or more in said department, and notwithstanding that, during such the period of notification, he the member may have separated from the service.

Sec. 31. Section 411.6, subsection 1, paragraph b, Code 1981, is amended to read as follows:

b. Any member in service who has been a member of the retirement system fifteen or more years and whose employment is terminated prior to the member's retirement, other than by death or disability, shall upon attaining retirement age, receive a service retirement allowance of fifteen ~~twenty-seconds~~ twentieths of the retirement allowance the member would receive at retirement if ~~his or her~~ the member's employment had not been terminated, and an additional

one twenty-second of such retirement allowance for each additional year of service not exceeding twenty-two years of service. The amount of the retirement allowance shall be based on calculated in the manner provided in this paragraph using the average final compensation at the time of termination of employment.

Sec. 32. Section 411.6, subsection 7, paragraph a, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Should any beneficiary for either ordinary or accidental disability, except a beneficiary who is fifty-five years of age or over and would have completed twenty-two years of service if he or she the beneficiary had remained in active service, be engaged in a gainful occupation paying more than the difference between the member's retirement allowance and one and one-half times the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement, then the amount of the member's retirement allowance shall be reduced to an amount which together with the amount earned by the member shall equal one and one-half times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. Should the member's earning capacity be later changed, the amount of the member's retirement allowance may be further modified, provided, that the new retirement allowance shall not exceed the amount of the retirement allowance adjusted by annual readjustments of pensions pursuant to subsection 12 of this section nor an amount which, when added to the amount earned by the beneficiary, equals one and one-half times the amount of the earnable compensation of an active member at the same position on the salary scale within the member's rank as the member held at retirement. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which the member was retired at age fifty-five or greater, shall not again become a member of the retirement system and shall have his or her retirement allowance suspended while in active service. If the rank or position held by the retired member is subsequently abolished, adjustments to the allowable limit on the amount of income which can be earned in a gainful occupation shall be computed in the same manner as provided in subsection 12, paragraph "c," of this section for readjustment of pensions when a rank or position has been abolished.

Sec. 33. Section 411.6, subsection 7, paragraph b, Code 1981, is amended to read as follows:

b. Should a disability beneficiary under age fifty-five be restored to active service at a compensation not less than his the disability beneficiary's average final compensation, his the disability beneficiary's retirement allowance shall cease, he the disability beneficiary shall again become a member and he shall contribute thereafter at the same rate he paid prior to disability, and any former service on the basis of which his the disability beneficiary's service was computed at the time of his retirement shall be restored to full force and effect and upon his subsequent retirement he the disability beneficiary shall be credited with all his service as a member and also with the period of disability retirement, provided that during such period of disability he has not engaged in a gainful occupation from which his net earnings exceeded the difference between his disability retirement allowance and the amount he would have received for said period if his compensation at the time of disability had continued.

Sec. 34. Section 411.6, subsection 8, paragraphs b, d, and e, Code 1981, are amended to read as follows:

b. If there be is no such nomination of beneficiary, the benefits provided in paragraph "a" shall be paid to the member's estate; or in lieu thereof, at the option of the following beneficiaries, respectively, even though nominated as such beneficiaries, for a member in service, there shall be paid at the time of death a pension which shall be paid equal to one-fourth

of the average final compensation of ~~such~~ the member, but in no instance less than seventy-five dollars. ~~In addition to the benefits herein enumerated, there~~ There shall also be paid for each child of a member under the age of eighteen years a monthly pension equal to six percent of the monthly earnable compensation paid to an active member holding the highest grade in the rank of fire fighter, for a child of a deceased member of a fire department, or the highest grade in the rank of police patrol officer, for a child of a deceased member of a police department, or for a member not in service the pension shall be reduced as provided in subsection 1, paragraph "c," of this section and shall be paid commencing when the member would have attained the age of fifty-five except that if there is a child of the member under the age of eighteen, or under the age of twenty-two who is a full-time student, or who is disabled, under the definitions used in section 402 of the Social Security Act as amended to July 1, 1978 42 U.S.C. 402, the pension shall be paid commencing with the member's death until the children reach the age of eighteen, or twenty-two if applicable. The pension shall resume commencing when the member would have attained the age of fifty-five;

d. ~~If there be is no spouse, or if the spouse dies or remarries before any child of such deceased member shall have attained the age of eighteen years and there is a child of a member, then to the guardian of his or her the member's child or children under said age, divided in such manner as the board of trustees in its discretion shall determine determines, to continue as a joint and survivor pension until every such child of the member dies or attains the age of eighteen or twenty-two if applicable; or~~

e. ~~If there be is no surviving spouse or child under age eighteen, then to his or her the member's dependent father or mother or both, as the board of trustees in its discretion shall determine determines, to continue until remarriage or death.~~

Sec. 35. Section 411.6, subsection 9, paragraphs a and b, Code 1981, are amended to read as follows:

a. A pension equal to one-half of the average final compensation of ~~such~~ the member shall be paid to the member's spouse, children or dependent parents as provided in paragraphs "c", "d" and "e" of subsection 8 of this section. ~~In addition to the benefits for the spouse herein enumerated, there~~ There shall also be paid for each dependent child of a member under the age of eighteen years a monthly pension equal to six percent of the monthly earnable compensation paid to an active member holding the highest grade in the rank of fire fighter, for a child of a deceased member of a fire department, or holding the highest grade in the rank of police patrol officer, for a child of a deceased member of a police department.

b. ~~If there be is no spouse, children under the age of eighteen years child, or dependent parent surviving such a deceased member, the death shall be treated as an ordinary death case and the benefit payable in accordance with the provisions of under subsection 8, paragraph "a", in lieu of the pension provided in paragraph "a" of this subsection 9, shall be paid to the member's estate.~~

Sec. 36. Section 411.6, subsection 11, paragraph b, Code 1981, is amended to read as follows:

b. ~~In the event of the death of If the spouse dies either prior or subsequent to the death of the member, to the guardian of each surviving child under eighteen years of age, a monthly pension equal to the monthly pension payable under subsection 9 of this section for the support of such the child.~~

Sec. 37. Section 411.6, subsection 12, paragraph a, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Effective July 1, 1980, and on On each July 1 thereafter and January 1, the monthly pensions authorized in this section payable to retired members and to beneficiaries, except children of a

deceased member, shall be adjusted as provided in this paragraph. An amount equal to the following percentages of the difference between the monthly earnable compensation payable to an active member of the department, of the same rank and position on the salary scale as was held by the retired or deceased member at the time of the member's retirement or death, for July of the preceding year the month in which the last preceding adjustment was made and the monthly earnable compensation payable to an active member of the department of the same rank and position on the salary scale for July of the year just beginning the month in which the adjustment is made shall be added to the monthly pension of each retired member and each beneficiary as follows:

Sec. 38. Section 411.6, subsection 12, paragraph a, unnumbered paragraph 4, Code 1981, is amended to read as follows:

As of ~~the first of July~~ July 1 and January 1 of each year, the monthly pension payable to each surviving child under the provisions of subsections 8, 9, and 11 of this section shall be adjusted to equal six percent of the monthly earnable compensation payable on that July 1 or January 1 to an active member holding the highest grade in the rank of fire fighter, for a child of a deceased member of a fire department, or holding the highest grade in the rank of police patrol officer, for a child of a deceased member of a police department.

Sec. 39. Section 411.6, subsection 12, paragraphs b and d, Code 1981, are amended to read as follows:

b. All monthly pensions adjusted as provided in this subsection shall be payable beginning on July 1 and January 1 of the year in which the adjustment is made and shall continue in effect until the next ~~following July 1~~ adjustment at which time the monthly pensions shall again be adjusted in accordance with paragraph "a" of this subsection.

d. A retired member eligible for benefits under ~~the provisions~~ of subsection 1 of this section is not eligible for the ~~annual~~ readjustment of pensions provided in this subsection unless the member served twenty-two years and attained the age of fifty-five years prior to ~~his~~ the member's termination of employment.

Sec. 40. Section 411.7, subsection 2, Code 1981, is amended by striking the subsection and inserting in lieu thereof the following:

2. The city treasurer may invest at the direction of the respective boards of trustees a portion of the funds established in section 411.8 which in the judgment of the respective boards are not needed for current payment of benefits under this chapter in investments authorized in section 97B.7, subsection 2, paragraph b, for moneys in the Iowa public employees' retirement fund.

Sec. 41. Section 411.8, subsection 1, paragraph f, Code 1981, is amended to read as follows:

f. An amount equal to ~~two three and twenty-one hundredths~~ one-tenth percent of each member's compensation from the earnable compensation of the member shall be paid to the pension accumulation fund.

Sec. 42. Section 411.11, Code 1981, is amended to read as follows:

411.11 CONTRIBUTIONS BY THE CITY. On or before January 1 of each year the respective boards of trustees shall certify to the superintendent of public safety the amounts which will become due and payable during the year next following to the pension accumulation fund and the expense fund. The amounts so certified shall be included by the superintendent of public safety in ~~his~~ the annual budget estimate. The amounts so certified shall be appropriated by the ~~said~~ respective cities and transferred to the retirement system for the ensuing year. ~~Said~~ The cities shall annually levy a tax sufficient in amount to cover ~~such~~ the appropriations.

However, the amounts due and payable for a retirement system during its first year, or portion of a year, of operation shall be determined using the rates of contribution adopted by the board of trustees.

Sec. 43. Section 411.19, Code 1981, is amended to read as follows:

411.19 TRANSFER OF BENEFITS TO ANOTHER CITY. A member of a retirement system established in this chapter who terminates employment with a city and is subsequently employed by another city and is eligible for coverage under this chapter, or who transfers in the same city from one retirement system under this chapter to another retirement system under this chapter, may transfer membership service earned under the first system to the system under which the member is employed. Upon the written request of the member with verification by the board of trustees of the system under which the member is employed, the board of trustees of the first system shall transmit to the board of trustees of the system under which the member is employed, within thirty days of the receipt of the request, the member's accumulated contributions to be deposited in the annuity savings fund of the system under which the member is employed and the actuarial equivalent of the amount in the pension accumulation fund which would be necessary to fund a pension equal to one twenty-second times the number of years of membership service completed, under the first system, to be deposited in the pension accumulation fund of the system under which the member is employed.

Sec. 44. Section 411.20, Code 1981, is amended to read as follows:

411.20 APPROPRIATION TO MUNICIPAL ASSISTANCE FUND.

1. There is appropriated from the general fund of the state to the municipal assistance fund established in chapter 405 for each fiscal year an amount necessary to be distributed to cities which have established fire and police retirement systems under the provisions of this chapter. Funds shall be used to finance the costs of benefits provided in this chapter by amendments of the Acts of the Sixty-sixth General Assembly, chapter 1089.

2. Commencing with the fiscal year beginning July 1, 1979 for retirement systems in existence on June 30, 1978, the amounts distributed to each eligible city to pay the state's portion of the costs of benefit improvements provided by the Sixty-sixth General Assembly, chapter 1089 shall be computed by the actuary employed by the respective board of trustees on the basis of the results of actuarial studies valuations performed by such the actuary for the fiscal years beginning July 1, 1978 and July 1, 1979 as provided in this section.

Prior to December 31, 1979 the actuary employed by the respective board of trustees shall perform the actuarial valuations of the system which are needed to determine the state's portion of the cost of the benefit improvements provided by the Acts of the Sixty-sixth General Assembly, chapter 1089, for the fiscal year commencing July 1, 1979, under this section as this section was effective on June 30, 1978. In addition, the actuary shall perform the actuarial valuations of the system which would have been needed to determine the state's portion of the cost of the benefit improvements under this section as this section was effective on June 30, 1978, for the fiscal year commencing July 1, 1978.

On the basis of the results of the actuarial valuations described above, each actuary employed by a board of trustees shall determine a ratio of the payroll which is determined by dividing the total of the state's portion of the cost of said benefit improvements as determined by the actuarial valuations described for the two fiscal years by the total payroll of the members of the system for the two fiscal years. The actuary shall certify the ratio so determined to the state comptroller.

For the fiscal year commencing July 1, 1979 and each fiscal year thereafter, the state comptroller shall pay to each city an amount equal to the ratio of payroll computed for a city retirement system times the payroll of the active members employed under that system by that city for the fiscal year.

3. For retirement systems established on or after July 1, 1978, the amounts distributed to cities shall be computed in the manner provided in subsections 1 and 2 by the actuary employed by the respective board of trustees on the basis of results of actuarial valuations performed by the actuary for the first fiscal year, or portion of a fiscal year, and the second fiscal year for which this chapter applies. The results of the actuarial valuations for the first fiscal year, or portion of a fiscal year, for which this chapter applies, shall determine the state's portion of the costs for that fiscal year, or portion of a fiscal year. The results of the actuarial valuations for the first two fiscal years, or for a portion of the first fiscal year and all of the second fiscal year shall determine the state's portion of the costs for the second and later fiscal years. Payment shall be made based upon the ratio of payroll determined in the manner provided in subsection 2.

Sec. 45. Section 411.21, subsection 7, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Notwithstanding subsections 1, 3, 4, 5 and 6 of this section, beginning January 1, 1981, an active or vested member may request in writing and receive from the board of trustees, ~~his or her~~ the member's accumulated contributions from the annuity savings fund and remain eligible to receive benefits under section 411.6. However, a member with fifteen or more years of service prior to July 1, 1979, is not eligible for a service retirement allowance under section 411.6 if ~~he or she~~ the member withdrew ~~his or her~~ the member's accumulated contributions from the annuity savings fund after July 1, 1972 but prior to July 1, 1979, except as provided in section 411.4. Accumulated contributions shall be paid according to the following schedule:

Sec. 46. Pensions payable under section 45 of this Act shall commence July 1, 1982 for a member or a member's spouse.

Sec. 47. Payment of benefits to a child, as defined in sections 1 and 26 of this Act, under sections 6, 7, 8, 34, 35, and 36 of this Act is retroactive to July 1, 1981.

Approved May 22, 1982, except the two items which I hereby disapprove and which are designated as Section 12, and the portion of Section 23, which is herein bracketed in ink and initialed by me. These are delineated with my reasons for vetoing in the item veto message pertaining to this Act to the Secretary of State, a copy of which is attached hereto.



ROBERT D. RAY
Governor

The Honorable Mary Jane Odell
Secretary of State
State Capitol Building
L O C A L

Dear Madam Secretary:

I hereby transmit Senate File 2178, an act relating to the administration and benefits of public retirement systems.

Senate File 2178 is approved May 22, 1982, with the following exceptions which I hereby disapprove.

I am unable to approve the item designated in the act as Section 12 which reads as follows:

Sec. 12. Section 97B.11, Code 1981, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE. Each employer shall deduct from the wages of each member of the system a contribution in the amount of three and ~~six-tenths~~ seven-tenths percent of the covered wages paid by the employer through ~~June 30, 1979~~ December 31, 1984, and commencing ~~July 1, 1979~~ January 1, 1985, in the amount of three and ~~seven-tenths~~ eight-tenths percent of the covered wages paid by the employer, until the first of the month in which the member attains the age of seventy years or the member's termination or retirement from employment, whichever is earlier. The contributions of the employer shall be in the amount of ~~three and one-half percent of the covered wages of the member for service through December 31, 1975, and in the amount of five and twenty-five~~ seventy-five hundredths percent of the covered wages of the member for service ~~commencing July 1, 1977~~ through ~~June 30, 1979~~ December 31, 1984, and in the amount of ~~five and seventy-five~~ six and twenty-five hundredths percent of the covered wages of the member for service commencing ~~July 1, 1979~~ January 1, 1985.

I am unable to approve the item designated in the act as Section 23, Subsection b, numbered subparagraphs 1, 2, 3, and 4 which read as follows:

b. (1) There is appropriated annually from the general fund of the state to the Iowa department of job service to be deposited in the Iowa public employees' retirement fund, to pay for the benefit increases provided in this subsection, except as otherwise provided in this subsection, the sum of two million two hundred seventeen thousand dollars per year, commencing with the fiscal year beginning July 1, 1982 and through the fiscal year beginning July 1, 2001, for each fiscal year in which the unobligated state general fund balance on June 30 of the preceding fiscal year as certified by the state comptroller by the following September 10 is more than thirty-five million dollars.

(2) If the unobligated state general fund balance on June 30 of any year from 1982 through 2001 as certified by the state comptroller by the following September 10 is less than thirty-five million dollars, the cost of benefit increases provided in this subsection of two million two hundred seventeen thousand dollars per year for the fiscal year following that June 30 shall be absorbed by the Iowa public employees' retirement fund.

(3) If the unobligated state general fund balance on June 30 of any year from 1982 through 2001, minus the amount appropriated in subparagraph (1), is more than thirty-five million dollars as certified by the state comptroller by the following September 10 and the cost of the benefit increases provided in this subsection during that fiscal year, or any previous fiscal year, has been absorbed by the Iowa public employees' retirement fund and has not previously been repaid from the state general fund in the manner provided in this subparagraph, there is appropriated from the general fund of the state to the Iowa department of job service for the fiscal year beginning the following July 1 two million two hundred seventeen thousand dollars to be deposited in the Iowa public employees' retirement fund to pay the cost of the benefit increases provided in this subsection and absorbed by the Iowa public employees' retirement fund for a previous fiscal year or portion of a fiscal year.

(4) Notwithstanding subparagraphs (1) and (3), funds appropriated in subparagraphs (1) and (3) for a fiscal year shall not exceed the amount by which the unobligated state general fund balance on June 30 of a fiscal year as certified by the state comptroller by the following September 10 exceeds thirty-five million dollars.

Senate File 2178 significantly and appropriately upgrades the benefits for public employees who retire under the IPERS system. Employee wages covered under the system are raised from \$20,000 to \$21,000 on January 1, 1984, and to \$22,000 on January 1, 1986. Retirement benefit levels will be calculated by using the highest five years of wages earned rather than the highest five consecutive years. The retirement benefits will then be equal to 50 percent of these highest five years of wages earned rather than the 47 percent level now in the law. And, the maximum benefits for the pre-1976 IPERS retirees will be increased by up to \$30 per month.

While these benefit increases are appropriate, they also up the demands on the IPERS fund. Section 12 and a portion of Section 23 of Senate File 2178 were apparently included in the bill to address that concern.

Section 12 increases the contribution rate for employers in IPERS from 5.75 to 6.25 percent of all covered wages on January 1, 1985. At the same time, the employee contribution rate is increased from 3.7 to 3.8 percent of covered wages. This would result in an annual \$8.2 million increase in the employer contribution, and a \$1.6 million increase in the employees' contribution. This contribution increase would affect the IPERS employers and employees as follows:

<u>Government Entity</u>	<u>Employer Contribution of \$8,189,353</u>	<u>Employee Contribution of \$1,637,871</u>
State	\$1,345,511	\$269,102
Regents	131,030	26,206
Counties	1,194,827	238,965
Cities	909,018	181,804
Township	819	164
Schools	4,209,327	841,866
Multiple Units	336,582	67,316
Utilities	62,239	12,448
Total	\$8,189,353	\$1,637,871

While this would generate substantial revenue for the IPERS fund, it would also burden financially strapped local governments with a state-mandated contribution increase. Without provisions to assist local governments in handling these increased financial demands, this section of the bill could force some local governments to increase property taxes. That is not fair play.

Moreover, it is apparent that the increase in IPERS benefits provided for in the bill can be paid for without a contribution increase. Present benefit levels are significantly less than the level of contributions to the fund. This fact, combined with the increased contributions associated with hiking the covered wages and the substantial investment income in the fund, ensure the actuarial soundness of IPERS without a contribution rate increase now or in 1985.

Therefore, by disapproving Section 12, IPERS benefits will be appropriately increased, local governments will be spared the extra financial burden resulting from a state-mandated contribution hike and the IPERS fund will remain sound for the future.

Subsection b, numbered subparagraphs 1, 2, 3, and 4 were apparently added by the legislature as an alternative method of financing the increased benefits granted to pre-1976 retirees in the bill. These subparagraphs appropriate from the state general fund \$2.2 million to the IPERS fund for each of the next 20 years in order to pay for the anticipated cost of the pre-1976 retiree benefits. However, the general fund appropriation is to be made only when the fund has a balance sufficient to make the appropriation while maintaining at least a \$35 million balance. In addition, a \$4.4 million appropriation must be made from the general fund if a previous year's balance was insufficient to allow for that year's appropriation.

These provisions are unwieldy and unnecessary. Despite the \$35 million trigger established in the bill, the Comptroller would be required to set aside each year's appropriation. This would effectively prevent the use of the \$2.2 million in fiscal year 1983 and in the 19 ensuing fiscal years. The state can ill afford to have the small 1983 general fund balance reduced even further by this bill. Moreover, the provisions for the retroactive payment of a previous year's unfunded appropriation would be difficult to administer and would further drain the state general fund.

In addition, as was mentioned previously, the IPERS fund can safely absorb the cost of the pre-1976 retiree benefit increase with the contributions provided in the bill. Therefore, it would appear unnecessary to appropriate additional state general funds to IPERS.

The remaining sections of Senate File 2178 provide for significant benefit increases for state and local peace officers and firemen in cities of over 8,000 population. The bill provides that the calculation of pension benefits for these employees is to be based on the high three rather than the high five years of salary. This is an appropriate change for several reasons:

- It takes into account the disparity between IPERS retirees, who get Social Security as well as IPERS benefits, and peace officers and firemen who are not covered under Social Security.
- The change makes Iowa's peace officer retirement system more competitive with those of our neighboring states.

—The bill also provides a mechanism for the employees to at least partially pay for this benefit increase by adding .89 percent to the employee contribution rate. The extent to which this contribution rate hike will actually pay for the benefits granted to local peace officers and firemen was the subject of considerable confusion during the closing hours of the legislative session and remains subject to some debate. I urge the legislature next year to re-examine the relationship of the contribution rate increase to the fiscal impact of the high three on local governments. If it is determined that the rate hike is not sufficient to cover the costs of the high three, the legislature should take action to adjust the employee contribution rate or provide the necessary funding to cities through the Municipal Assistance Fund.

Senate File 2178 also allows peace officers in the cities under 8,000 to satisfy IPERS requirements with 25 years of service and a retirement age of 60. This appears to be an appropriate change since it makes the pension benefits for these peace officers more compatible with those of their counterparts in cities over 8,000 and with state peace officers. However, the cost of this change for these cities has also been the subject to debate. Since this provision is not effective until July 1, 1983, the legislature next year will have the time to review and to address its fiscal impact.

For the above reasons, I hereby disapprove these items in accordance with Amendment 4 of the Amendments of 1968 to the Constitution of the state of Iowa. All other items of Senate File 2178 are hereby approved as of this date.

Sincerely,



Robert D. Ray
Governor