

522B, or 543B, or a contract establishing a franchise relationship with respect to the sale of construction equipment, lawn or garden equipment, or real estate.

Sec. 23. Section 103A.26 and sections 103A.30 through 103A.33, Code 2005, are repealed.

Sec. 24. Chapter 322B, Code 2005, is repealed.

Sec. 25. TRANSITION. The state department of transportation shall refund any portion of a license fee paid pursuant to chapter 322B prior to the effective date of this Act that remains unexpired as of January 1, 2007, to the licensee that paid the fee.

Sec. 26. EFFECTIVE DATE. The sections of this Act amending section 103A.10, subsection 3, and section 322B.3, subsection 5, being deemed of immediate importance, take effect upon enactment. The remainder of this Act takes effect on January 1, 2007.

Approved April 26, 2006

CHAPTER 1091

IOWA PUBLIC EMPLOYEES' AND JUDICIAL RETIREMENT SYSTEMS

H.F. 729

AN ACT relating to the Iowa public employees' retirement system and the judicial retirement system.

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

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. Section 97B.1A, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 11A. "Fully funded" means a funded ratio of at least one hundred percent using the most recent actuarial valuation. For purposes of this subsection, "funded ratio" means the ratio produced by dividing the lesser of the actuarial value of the system's assets or the market value of the system's assets, by the system's actuarial liabilities, using the actuarial method adopted by the investment board pursuant to section 97B.8A, subsection 3.

Sec. 2. Section 97B.1A, subsection 24, paragraph a, Code Supplement 2005, is amended to read as follows:

a. "Three-year average covered wage" means, ~~for a member who retires prior to July 1, 2008,~~ a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three 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 system may determine the wages for the third year by computing the average quarter of all quarters from the member's highest calendar year of covered wages not being used in the selection of the two highest years and using the computed average quarter for each quarter in the third year in which no wages have been reported in combination with the final quarter or quarters of the member's

service to create a full year. However, the system shall not use the member's final quarter of wages if using that quarter would reduce the member's three-year average covered wage. If the three-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 three-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. Notwithstanding any other provision of this paragraph to the contrary, a member's wages for the third year as computed by this paragraph shall not exceed, by more than three percent, the member's highest actual calendar year of covered wages for a member whose first month of entitlement is January 1999 or later.

Sec. 3. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph and inserting in lieu thereof the following:¹

c. Notwithstanding any other provisions of this subsection to the contrary, for a member who retires on or after July 1, 2007, the member's three-year average covered wage shall be the lesser of the three-year average covered wage as calculated pursuant to paragraph "a" and the adjusted covered wage amount. For purposes of this paragraph, the adjusted covered wage amount shall be the greater of the member's three-year average covered wage calculated pursuant to paragraph "a" as of July 1, 2007, and an amount equal to one hundred twenty-one percent of the member's applicable calendar year wages. The member's applicable calendar year wages shall be the member's highest full calendar year of covered wages not used in the calculation of the member's three-year average covered wage pursuant to paragraph "a", or, if the member does not have another full calendar year of covered wages that was not used in the calculation of the three-year average covered wage under paragraph "a", the lowest full calendar year of covered wages that was used in the calculation of the member's three-year average covered wage pursuant to paragraph "a".

Sec. 4. Section 97B.11, Code 2005, is amended to read as follows:

97B.11 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

1. Each employer shall deduct from the wages of each member of the retirement system a contribution in the amount of ~~three and seven-tenths percent the applicable employee percentage~~ of the covered wages paid by the employer, until the member's termination from employment. The contributions of the employer shall be in the amount of ~~five and seventy-five hundredths percent the applicable employer percentage~~ of the covered wages of the member.

2. For purposes of this section, unless the context otherwise requires:

a. "Applicable employee percentage" means the percentage rate equal to three and seven-tenths percent plus forty percent of the total additional percentage.

b. "Applicable employer percentage" means the percentage rate equal to five and seventy-five hundredths percent plus sixty percent of the total additional percentage.

c. "Total additional percentage" means as follows:

(1) For the fiscal period beginning July 1, 2007, through June 30, 2011, the total additional percentage for a fiscal year shall be the total additional percentage for the prior fiscal year plus, only if the total comparison percentage is greater than the total of the applicable employee percentage and the applicable employer percentage for the prior fiscal year, one-half percentage point.

(2) For each fiscal year beginning on or after July 1, 2011, the total additional percentage shall be the total additional percentage for the prior fiscal year.

d. "Total comparison percentage" means the percentage rate that the system determines, based upon the most recent actuarial valuation of the retirement system, would be sufficient to amortize the unfunded actuarial liability of the retirement system in ten years.

Sec. 5. Section 97B.48A, subsection 1, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For purposes of this subsection and not for purposes of determining a retiree's covered wages, remuneration paid on and after July 1, 2007, includes

¹ See chapter 1092, §2; chapter 1185, §126 herein

noncovered contributions to a defined contribution plan qualified under Internal Revenue Code section 401(a), a tax-deferred annuity qualified under Internal Revenue Code section 403(b), an eligible deferred compensation plan qualified under Internal Revenue Code section 457, or any other tax qualified or nonqualified investment vehicle, that is provided by an employer to a retiree who has been or will be reemployed in covered employment.

Sec. 6. Section 97B.49C, subsection 3, paragraph a, Code Supplement 2005, is amended to read as follows:

a. Annually, the system shall actuarially determine the cost of the benefits provided for members covered under this section as a percentage of the covered wages of the employees covered by this section. Fifty ~~Notwithstanding any provision of section 97B.11 to the contrary,~~ fifty percent of the cost shall be paid by the employers of employees covered under this section and fifty percent of the cost shall be paid by the employees. The employer and employee contributions required under this paragraph ~~are in lieu of the~~ shall be treated as contributions paid under sections 97B.11 and 97B.11A.

Sec. 7. Section 97B.49F, subsection 2, paragraph c, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4A) Notwithstanding any provisions of this paragraph to the contrary, moneys shall not be credited to the reserve account if the system is not fully funded or if the system would not remain fully funded if moneys were credited to the reserve account.

Sec. 8. Section 97B.49H, subsection 3, Code 2005, is amended to read as follows:

3. The system shall annually determine the amount to be credited to the supplemental accounts of active members. The total amount credited to the supplemental accounts of all active members shall not exceed the amount that the system determines, in consultation with the system's actuary, can be absorbed without significantly impacting the funded status of the system. The amount to be credited shall ~~be not be~~ greater than the amount calculated by multiplying the member's covered wages for the applicable wage reporting period by the supplemental rate. For purposes of this subsection, the supplemental rate is the difference, if positive, between the combined employee and employer statutory contribution rates in effect under section 97B.11 and the normal cost rate of the retirement system as determined by the system's actuary in the most recent annual actuarial valuation of the retirement system. The credits shall be made at least quarterly during the calendar year following a determination that the retirement system does not have an unfunded accrued liability. The normal cost rate, calculated according to the actuarial cost method used, is the percent of pay allocated to each year of service that is necessary to fund projected benefits over all members' service with the retirement system.

Sec. 9. Section 97B.50A, subsection 12, Code 2005, is amended to read as follows:

12. ~~ADDITIONAL CONTRIBUTIONS.~~ The expenses incurred in the administration of this section by the system shall be paid through ~~additional~~ contributions as determined pursuant to section 97B.49B, subsection 3, or section 97B.49C, subsection 3, as applicable.

Sec. 10. Section 97B.65, Code 2005, is amended to read as follows:

97B.65 REVISION RIGHTS RESERVED — INCREASE OF BENEFITS — RATES OF CONTRIBUTION.

The right is reserved to the general assembly to alter, amend, or repeal any provision of this chapter or any application thereof to any person, provided, however, that to the extent of the funds in the retirement system the amount of benefits which at the time of any such alteration, amendment, or repeal shall have accrued to any member of the retirement system shall not be repudiated, provided further, however, that the amount of benefits accrued on account of prior service shall be adjusted to the extent of any unfunded accrued liability then outstanding. ~~Any An~~ increase enacted in the benefits or retirement allowance ~~allowances provided~~ under

this chapter shall not be enacted until after the system's actuary determines that the system is fully funded and will continue to be fully funded immediately following enactment of the increase. However, an increase in the benefits or retirement allowances provided under this chapter may be enacted if the increase is accompanied by a change in the employer and employee contribution rates necessary to support such increase, all as determined in accordance with sound actuarial principles and methods by the system's actuary.

Sec. 11. PUBLIC RETIREMENT SYSTEMS COMMITTEE — PENSION FLEXIBILITY REVIEW — REPORT.

1. The public retirement systems committee (committee) established by section 97D.4 shall conduct a review of various options to provide persons covered under the Iowa public employees' retirement system (IPERS) additional flexibility in plan design with features incorporating aspects of defined contribution type vehicles. In conducting its review, the committee shall consider previous studies and reports on pension flexibility issues in Iowa and across the country, and shall solicit input on pension flexibility issues from IPERS staff, the IPERS benefits advisory committee, and other interested parties.

2. The committee's review of pension flexibility issues shall consider, among other ideas, the following:

a. Ways in which IPERS can assist employers in expanding existing supplemental plans offered by public employers.

b. Ways in which IPERS could offer its own defined contribution type supplementary plan vehicle to complement its core defined benefit plan.

c. Ways in which IPERS could provide a cost of living or favorable experience dividend benefit to members through either defined contribution or alternative defined benefit type plans.

d. Various hybrid plan designs incorporating features of both defined benefit and defined contribution plan vehicles, including, but not limited to, an integrated defined benefit and defined contribution plan, a floor-offset plan, or a pension equity plan.

3. The committee shall submit a report to the general assembly by October 1, 2007, which report shall contain, in addition to any other findings and recommendations concerning public retirement systems in Iowa, its findings and recommendations concerning its review of pension flexibility issues, including any proposal or proposals regarding adding additional flexibility in IPERS' plan design for the benefit of IPERS covered employees and employers.

DIVISION II
JUDICIAL RETIREMENT SYSTEM

Sec. 12. Section 602.9104, Code 2005, is amended to read as follows:

602.9104 DEDUCTIONS FROM JUDGES' SALARIES — CONTRIBUTIONS BY STATE.

1. ~~a. A judge to whom this article applies shall be paid an amount equal to ninety-five percent of the basic salary of the judge as set by the general assembly. An amount equal to five percent of the basic salary of the judge as set by the general assembly is designated as the judge's required contribution to the judicial retirement fund, and. The amount designated as the judge's required contribution shall be paid by the state in the manner provided in subsection 2.~~

b. The state shall contribute annually to the judicial retirement fund an amount equal to the state's required contribution for all judges covered under this article. The state's required contribution shall be appropriated directly to the judicial retirement fund by the general assembly.

2. The amount designated ~~in subsection 1~~ as the judge's required contribution to the judicial retirement fund shall be paid by the department of administrative services from the general fund of the state to the court administrator for deposit with the treasurer of state to the credit of the judicial retirement fund. Moneys in the fund are appropriated for the payment of annuities, refunds, and allowances provided by this article, except that the amount of the appropriations affecting payment of annuities, refunds, and allowances to judges of the municipal and superior court is limited to that part of the fund accumulated for their benefit as provided in

this article. The corpus and income of the fund shall be used only for the exclusive benefit of the judges covered under this article, their survivors, or an alternate payee who is assigned benefits pursuant to a domestic relations order.

3. A judge covered under this article is deemed to consent to the reduction in basic salary as provided in subsection 1.

4. ~~a.~~ As used in this ~~subsection~~ section, unless the context otherwise requires:

(1) ~~a.~~ "Actuarial valuation" means an actuarial valuation of the judicial retirement system or an annual actuarial update of an actuarial valuation, as required pursuant to section 602.9116.

(2) ~~b.~~ "Fully funded status" means that the most recent actuarial valuation reflects that, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, the funded status of the system is at least one hundred ninety percent, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2006.

~~c.~~ "Judge's required contribution" means an amount equal to the basic salary of the judge multiplied by the following applicable percentage:

(1) For the fiscal year beginning July 1, 2006, and for each subsequent fiscal year until the system attains fully funded status, six percent multiplied by a fraction equal to the actual percentage rate contributed by the state for that fiscal year divided by twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

(3) ~~d.~~ "Required contribution rate" means that percentage of the basic salary of all judges covered under this article which, in addition to the judge's contribution established in subsection 1, the actuary of the system determines is necessary, using the projected unit credit method in accordance with generally recognized and accepted actuarial principles and practices set forth by the American academy of actuaries, to maintain fully funded status amortize the unfunded actuarial liability of the judicial retirement system within twenty years.

~~e.~~ "State's required contribution" means an amount equal to the basic salary of all judges covered under this article multiplied by the following applicable percentage:

(1) For the fiscal year beginning July 1, 2006, and for each subsequent fiscal year until the system attains fully funded status, twenty-three and seven-tenths percent.

(2) Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to fifty percent of the required contribution rate.

~~b.~~ Effective with the fiscal year commencing July 1, 1994, and for each subsequent fiscal year until the system attains fully funded status, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2001, the state shall contribute annually to the judicial retirement fund an amount equal to at least twenty-three and seven-tenths percent of the basic salary of all judges covered under this article. Commencing with the first fiscal year in which the system attains fully funded status, based upon the benefits provided for judges through the judicial retirement system as of July 1, 2001, and for each subsequent fiscal year, the state shall contribute to the judicial retirement fund the required contribution rate. The state's contribution shall be appropriated directly to the judicial retirement fund.

Sec. 13. Section 602.9106, Code 2005, is amended to read as follows:
602.9106 RETIREMENT.

Any person who shall have become separated from service as a judge of any of the courts included in this article and who has had an aggregate of at least six ~~four~~ years of service as a judge of one or more of such courts and shall have attained the age of sixty-five years or who has had ~~twenty-five~~ twenty years of consecutive service as a judge of one or more of said courts and shall have attained the age of fifty years, and who shall have otherwise qualified as provided in this article, shall be entitled to an annuity as hereinafter provided.

Sec. 14. Section 602.9107, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. The annual annuity of a judge under this system is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge of one or more of the courts included in this article, multiplied by the judge's years of service as a judge of one or more of the courts for which contributions were made to the system. However, an annual annuity shall not exceed an amount equal to a specified percentage of the highest basic annual salary which the judge is receiving or had received as of the time the judge became separated from service. Forfeitures shall not be used to increase the annuities a judge or survivor would otherwise receive under the system.

Sec. 15. Section 602.9107, subsection 1, paragraph b, subparagraph (4), Code 2005, is amended to read as follows:

(4) For judges who retire and receive an annuity on or after July 1, 2001, but before July 1, 2006, the specified percentage shall be sixty percent.

Sec. 16. Section 602.9107, subsection 1, paragraph b, Code 2005, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (5) For judges who retire and receive an annuity on or after July 1, 2006, the specified percentage shall be sixty-five percent.

Sec. 17. Section 602.9107C, subsection 1, Code 2005, is amended to read as follows:

1. A judge under this system who has at least six four years of service as a judge of any of the courts included in this article and who was a member of the Iowa public employees' retirement system as provided in chapter 97B, but who was not retired under that system, upon submitting verification of membership and service in the Iowa public employees' retirement system to the court administrator, including proof that the judge has no further claim upon a retirement benefit from that public system, may make contributions as provided by this section to the system either for the entire period of service in the other public system, or for partial service in the other public system in increments of one or more calendar quarters, and receive credit for that service under the system.

Sec. 18. Section 602.9108, Code 2005, is amended to read as follows:

602.9108 INDIVIDUAL ACCOUNTS — REFUNDING.

The amount designated as the judge's contribution to the judicial retirement fund in section 602.9104, subsection 1, and all amounts paid into the fund by a judge shall be credited to the individual account of the judge. If a judge covered under this article becomes separated from service as a judge before the judge completes an aggregate of six four years of service as a judge of one or more of the courts, the total amount in the judge's individual account shall be returned to the judge or the judge's legal representatives within one year of the separation. If a judge, who is covered under this article and who has completed an aggregate of six four years or more of service as a judge of one or more of the courts, dies before retirement, without a survivor, the total amount in the judge's individual account shall be paid in one sum to the judge's legal representatives within one year of the judge's death. If an annuitant under this section dies without a survivor, and without having received in annuities an amount equal to the total amount in the judge's individual account at the time of separation from service, the amount remaining to the annuitant's credit shall be paid in one sum to the annuitant's legal representatives within one year of the annuitant's death.

Sec. 19. Section 602.9112, Code 2005, is amended to read as follows:

602.9112 VOLUNTARY RETIREMENT FOR DISABILITY.

Any judge of the supreme, district or municipal court, including a district associate judge, or a judge of the court of appeals, who shall have served as a judge of one or more of such courts for a period of six four years in the aggregate and who believes the judge has become perma-

nently incapacitated, physically or mentally, to perform the duties of the judge's office may personally or by the judge's next friend or guardian file with the court administrator a written application for retirement. The application shall be filed in duplicate and accompanied by an affidavit as to the duration and particulars of the judge's service and the nature of the judge's incapacity. The court administrator shall forthwith transmit one copy of the application and affidavit to the chief justice who shall request the attorney general in writing to cause an investigation to be made relative to the claimed incapacity and report back the results thereof in writing. If the chief justice finds from the report of the attorney general that the applicant is permanently incapacitated, physically or mentally, to perform the duties of the applicant's office the chief justice shall by endorsement thereon declare the applicant retired, and the office vacant, and shall file the report in the office of the court administrator, and a copy in the office of the secretary of state. From the date of such filing the applicant shall be deemed retired from the applicant's office and entitled to the benefits of this article to the same extent as if the applicant had retired under the provisions of section 602.9106.

Sec. 20. Section 602.9115A, unnumbered paragraphs 1 and 3, Code 2005, are amended to read as follows:

In lieu of the annuities and refunds provided for judges and judges' survivors under sections 602.9107, ~~602.9107A~~, 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges may elect to receive an optional retirement annuity during the judge's lifetime and have the optional retirement annuity, or a designated fraction of the optional retirement annuity, continued and paid to the judge's survivor after the judge's death and during the lifetime of the survivor.

The optional retirement annuity shall be the actuarial equivalent of the amounts of the annuities payable to judges and survivors under sections 602.9107, ~~602.9107A~~, 602.9115, 602.9204, 602.9208, and 602.9209. The actuarial equivalent shall be based on the mortality and interest assumptions set out in section 602.9107, subsection 3.

Sec. 21. Section 602.9116, subsection 1, Code 2005, is amended to read as follows:

1. The court administrator shall cause an actuarial valuation to be made of the assets and liabilities of the judicial retirement fund at least once every four years commencing with the fiscal year beginning July 1, 1981. For each fiscal year in which an actuarial valuation is not conducted, the court administrator shall cause an annual actuarial update to be prepared for the purpose of determining the adequacy of the contribution rates specified in section 602.9104, ~~subsection 4~~. The court administrator shall adopt mortality tables and other necessary factors for use in the actuarial calculations required for the valuation upon the recommendation of the actuary. Following the actuarial valuation or annual actuarial update, the court administrator shall determine the condition of the system and shall report its findings and recommendations to the general assembly.

Sec. 22. Section 602.9203, subsection 2, paragraph b, Code 2005, is amended to read as follows:

b. Meets the minimum requirements for entitlement to an annuity as specified in section 602.9106. However, a judge who elects to retire prior to attaining the age of sixty-five and who has not had ~~twenty-five~~ twenty years of consecutive service, may serve as a senior judge, but shall not be paid an annuity pursuant to section 602.9204 until attaining age sixty-five.

Sec. 23. Section 602.9204, subsection 1, Code 2005, is amended to read as follows:

1. A judge who retires on or after July 1, 1994, and who is appointed a senior judge under section 602.9203 shall be paid a salary as determined by the general assembly. A senior judge or retired senior judge shall be paid an annuity under the judicial retirement system in the manner provided in section 602.9109, but computed under this section in lieu of section 602.9107, as follows: The annuity paid to a senior judge or retired senior judge shall be an amount equal to ~~three percent~~ the applicable percentage multiplier of the basic senior judge salary, multiplied by the judge's years of service prior to retirement as a judge of one or more

of the courts included under this article, for which contributions were made to the system, except the annuity of the senior judge or retired senior judge shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary used in calculating the annuity. However, following the twelve-month period during which the senior judge or retired senior judge attains seventy-eight years of age, the annuity paid to the person shall be an amount equal to ~~three percent~~ the applicable percentage multiplier of the basic senior judge salary cap, multiplied by the judge's years of service prior to retirement as a judge of one or more of the courts included under this article, for which contributions were made to the system, except that the annuity shall not exceed an amount equal to the applicable specified percentage of the basic senior judge salary cap. A senior judge or retired senior judge shall not receive benefits calculated using a basic senior judge salary established after the twelve-month period in which the senior judge or retired senior judge attains seventy-eight years of age. The state shall provide, regardless of age, to an active senior judge or a senior judge with six years of service as a senior judge and to the judge's spouse, and pay for medical insurance until the judge attains the age of seventy-eight years.

Sec. 24. Section 602.9204, subsection 2, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. oa. "Applicable percentage multiplier" means as follows:

- (1) For a senior judge or retired senior judge who retired as a judge and received an annuity prior to July 1, 2006, three percent.
- (2) For a senior judge or a retired senior judge who retired as a judge and received an annuity on or after July 1, 2006, three and one-fourth percent.

Sec. 25. Section 602.9107A, Code 2005, is repealed.

Approved April 26, 2006

CHAPTER 1092

IOWA PUBLIC EMPLOYEES' AND STATEWIDE FIRE AND POLICE RETIREMENT SYSTEMS

H.F. 2245

AN ACT concerning the Iowa public employees' retirement system and the statewide fire and police retirement system, and providing an effective and retroactive applicability date.

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

DIVISION I IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Section 1. Section 97B.1A, subsection 24, paragraph a, Code Supplement 2005, is amended to read as follows:

- a. "Three-year average covered wage" means, ~~for a member who retires prior to July 1, 2008,~~ a member's covered wages averaged for the highest three years of the member's service, except as otherwise provided in this subsection. The highest three years of a member's covered wages shall be determined using calendar years. However, if a member's final quarter of a