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Place On Calendar

HOUSE FILE 729  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 166)

Passed House, Date 3-31-05 Passed Senate, Date 2-14-06  
Vote: Ayes 94 Nays 5 Vote: Ayes 46 Nays 0

Approved April 26, 2005  
*Passed 4-4-06*  
*Vote 97-0*

**A BILL FOR**

1 An Act relating to the Iowa public employees' retirement system  
2 and the judicial retirement system.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4

**HOUSE FILE 729**

**H-1058**

- 1 Amend House File 729 as follows:
- 2 1. Page 12, by inserting after line 2 the
- 3 following:
- 4 "Sec. \_\_\_\_ . Section 602.9107A, Code 2005, is
- 5 repealed."
- 6 2. By renumbering as necessary.

**By ELGIN of Linn**

**H-1058 FILED MARCH 14, 2005**

HF 729

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DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. 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, 2006, through June 30, 2014, 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, 2014, 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

1 sufficient to amortize the unfunded actuarial liability of the  
2 retirement system in ten years.

3 Sec. 2. Section 97B.49C, subsection 3, paragraph a, Code  
4 2005, is amended to read as follows:

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

15 Sec. 3. Section 97B.50A, subsection 12, Code 2005, is  
16 amended to read as follows:

17 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in  
18 the administration of this section by the system shall be paid  
19 through ~~additional~~ contributions as determined pursuant to  
20 section 97B.49B, subsection 3, or section 97B.49C, subsection  
21 3, as applicable.

22 Sec. 4. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION  
23 FLEXIBILITY REVIEW -- REPORT.

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

35 2. The committee's review of pension flexibility issues

1 shall consider, among other ideas, the following:

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

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

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

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

16 3. The committee shall submit a report to the general  
17 assembly by January 1, 2006, which report shall contain, in  
18 addition to any other findings and recommendations concerning  
19 public retirement systems in Iowa, its findings and  
20 recommendations concerning its review of pension flexibility  
21 issues, including any proposal or proposals regarding adding  
22 additional flexibility in IPERS' plan design for the benefit  
23 of IPERS covered employees and employers.

24 DIVISION II

25 JUDICIAL RETIREMENT SYSTEM

26 Sec. 5. Section 602.9104, Code 2005, is amended to read as  
27 follows:

28 602.9104 DEDUCTIONS FROM JUDGES' SALARIES -- CONTRIBUTIONS  
29 BY STATE.

30 1. a. A judge to whom this article applies shall be paid  
31 an amount equal to ~~ninety-five-percent-of~~ the basic salary of  
32 the judge as set by the general assembly. ~~An~~ reduced by an  
33 amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge~~  
34 ~~as-set-by-the-general-assembly-is~~ designated as the judge's  
35 required contribution to the judicial retirement fund ~~and.~~

1 The amount designated as the judge's required contribution  
2 shall be paid by the state in the manner provided in  
3 subsection 2.

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

9 2. The amount designated ~~in subsection 1~~ as the judge's  
10 required contribution to the judicial retirement fund shall be  
11 paid by the department of administrative services from the  
12 general fund of the state to the court administrator for  
13 deposit with the treasurer of state to the credit of the  
14 judicial retirement fund. Moneys in the fund are appropriated  
15 for the payment of annuities, refunds, and allowances provided  
16 by this article, except that the amount of the appropriations  
17 affecting payment of annuities, refunds, and allowances to  
18 judges of the municipal and superior court is limited to that  
19 part of the fund accumulated for their benefit as provided in  
20 this article. The corpus and income of the fund shall be used  
21 only for the exclusive benefit of the judges covered under  
22 this article, their survivors, or an alternate payee who is  
23 assigned benefits pursuant to a domestic relations order.

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

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

28 ~~{1}~~ a. "Actuarial valuation" means an actuarial valuation  
29 of the judicial retirement system or an annual actuarial  
30 update of an actuarial valuation, as required pursuant to  
31 section 602.9116.

32 ~~{2}~~ b. "Fully funded status" means that the most recent  
33 actuarial valuation reflects that, using the projected unit  
34 credit method in accordance with generally recognized and  
35 accepted actuarial principles and practices set forth by the

1 American academy of actuaries, the funded status of the system  
2 is at least one-hundred ninety percent, based upon the  
3 benefits provided for judges through the judicial retirement  
4 system as of July 1, 2005.

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

8 (1) For the fiscal year beginning July 1, 2005, and for  
9 each subsequent fiscal year until the system attains fully  
10 funded status, six percent multiplied by a fraction equal to  
11 the actual percentage rate contributed by the state for that  
12 fiscal year divided by twenty-three and seven-tenths percent.

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

17 ~~(3)~~ d. "Required contribution rate" means that percentage  
18 of the basic salary of all judges covered under this article  
19 which, in addition to the judge's contribution established in  
20 subsection 17, the actuary of the system determines is  
21 necessary, using the projected unit credit method in  
22 accordance with generally recognized and accepted actuarial  
23 principles and practices set forth by the American academy of  
24 actuaries, to maintain fully funded status amortize the  
25 unfunded actuarial liability of the judicial retirement system  
26 within twenty years.

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

30 (1) For the fiscal year beginning July 1, 2005, and for  
31 each subsequent fiscal year until the system attains fully  
32 funded status, twenty-three and seven-tenths percent.

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

1 required contribution rate.

2 ~~b.---Effective-with-the-fiscal-year-commencing-July-17-1994,~~  
3 ~~and-for-each-subsequent-fiscal-year-until-the-system-attains~~  
4 ~~fully-funded-status,-based-upon-the-benefits-provided-for~~  
5 ~~judges-through-the-judicial-retirement-system-as-of-July-17~~  
6 ~~2001,-the-state-shall-contribute-annually-to-the-judicial~~  
7 ~~retirement-fund-an-amount-equal-to-at-least-twenty-three-and~~  
8 ~~seven-tenths-percent-of-the-basic-salary-of-all-judges-covered~~  
9 ~~under-this-article.---Commencing-with-the-first-fiscal-year-in~~  
10 ~~which-the-system-attains-fully-funded-status,-based-upon-the~~  
11 ~~benefits-provided-for-judges-through-the-judicial-retirement~~  
12 ~~system-as-of-July-17-2001,-and-for-each-subsequent-fiscal~~  
13 ~~year,-the-state-shall-contribute-to-the-judicial-retirement~~  
14 ~~fund-the-required-contribution-rate.---The-state's-contribution~~  
15 ~~shall-be-appropriated-directly-to-the-judicial-retirement~~  
16 ~~fund.~~

17 Sec. 6. Section 602.9106, Code 2005, is amended to read as  
18 follows:

19 602.9106 RETIREMENT.

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

29 Sec. 7. Section 602.9107, subsection 1, paragraph a, Code  
30 2005, is amended to read as follows:

31 a. The annual annuity of a judge under this system is an  
32 amount equal to three and one-fourth percent of the judge's  
33 average annual basic salary for the judge's highest three  
34 years as a judge of one or more of the courts included in this  
35 article, multiplied by the judge's years of service as a judge

1 of one or more of the courts for which contributions were made  
2 to the system. However, an annual annuity shall not exceed an  
3 amount equal to a specified percentage of the highest basic  
4 annual salary which the judge is receiving or had received as  
5 of the time the judge became separated from service.

6 Forfeitures shall not be used to increase the annuities a  
7 judge or survivor would otherwise receive under the system.

8 Sec. 8. Section 602.9107, subsection 1, paragraph b,  
9 subparagraph (4), Code 2005, is amended to read as follows:

10 (4) For judges who retire and receive an annuity on or  
11 after July 1, 2001, but before July 1, 2005, the specified  
12 percentage shall be sixty percent.

13 Sec. 9. Section 602.9107, subsection 1, paragraph b, Code  
14 2005, is amended by adding the following new subparagraph:

15 NEW SUBPARAGRAPH. (5) For judges who retire and receive  
16 an annuity on or after July 1, 2005, the specified percentage  
17 shall be sixty-five percent.

18 Sec. 10. Section 602.9107C, subsection 1, Code 2005, is  
19 amended to read as follows:

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

34 Sec. 11. Section 602.9108, Code 2005, is amended to read  
35 as follows:

1     602.9108   INDIVIDUAL ACCOUNTS -- REFUNDING.

2     The amount designated as the judge's contribution to the  
3   judicial retirement fund in section 602.9104, ~~subsection-17~~,  
4   and all amounts paid into the fund by a judge shall be  
5   credited to the individual account of the judge.  If a judge  
6   covered under this article becomes separated from service as a  
7   judge before the judge completes an aggregate of ~~six~~ four  
8   years of service as a judge of one or more of the courts, the  
9   total amount in the judge's individual account shall be  
10  returned to the judge or the judge's legal representatives  
11  within one year of the separation.  If a judge, who is covered  
12  under this article and who has completed an aggregate of ~~six~~  
13  four years or more of service as a judge of one or more of the  
14  courts, dies before retirement, without a survivor, the total  
15  amount in the judge's individual account shall be paid in one  
16  sum to the judge's legal representatives within one year of  
17  the judge's death.  If an annuitant under this section dies  
18  without a survivor, and without having received in annuities  
19  an amount equal to the total amount in the judge's individual  
20  account at the time of separation from service, the amount  
21  remaining to the annuitant's credit shall be paid in one sum  
22  to the annuitant's legal representatives within one year of  
23  the annuitant's death.

24    Sec. 12.  Section 602.9112, Code 2005, is amended to read  
25  as follows:

26    602.9112   VOLUNTARY RETIREMENT FOR DISABILITY.

27    Any judge of the supreme, district or municipal court,  
28  including a district associate judge, or a judge of the court  
29  of appeals, who shall have served as a judge of one or more of  
30  such courts for a period of ~~six~~ four years in the aggregate  
31  and who believes the judge has become permanently  
32  incapacitated, physically or mentally, to perform the duties  
33  of the judge's office may personally or by the judge's next  
34  friend or guardian file with the court administrator a written  
35  application for retirement.  The application shall be filed in

1 duplicate and accompanied by an affidavit as to the duration  
2 and particulars of the judge's service and the nature of the  
3 judge's incapacity. The court administrator shall forthwith  
4 transmit one copy of the application and affidavit to the  
5 chief justice who shall request the attorney general in  
6 writing to cause an investigation to be made relative to the  
7 claimed incapacity and report back the results thereof in  
8 writing. If the chief justice finds from the report of the  
9 attorney general that the applicant is permanently  
10 incapacitated, physically or mentally, to perform the duties  
11 of the applicant's office the chief justice shall by  
12 endorsement thereon declare the applicant retired, and the  
13 office vacant, and shall file the report in the office of the  
14 court administrator, and a copy in the office of the secretary  
15 of state. From the date of such filing the applicant shall be  
16 deemed retired from the applicant's office and entitled to the  
17 benefits of this article to the same extent as if the  
18 applicant had retired under the provisions of section  
19 602.9106.

20 Sec. 13. Section 602.9115A, unnumbered paragraphs 1 and 3,  
21 Code 2005, are amended to read as follows:

22 In lieu of the annuities and refunds provided for judges  
23 and judges' survivors under sections 602.9107, ~~602.9107A~~  
24 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges  
25 may elect to receive an optional retirement annuity during the  
26 judge's lifetime and have the optional retirement annuity, or  
27 a designated fraction of the optional retirement annuity,  
28 continued and paid to the judge's survivor after the judge's  
29 death and during the lifetime of the survivor.

30 The optional retirement annuity shall be the actuarial  
31 equivalent of the amounts of the annuities payable to judges  
32 and survivors under sections 602.9107, ~~602.9107A~~, 602.9115,  
33 602.9204, 602.9208, and 602.9209. The actuarial equivalent  
34 shall be based on the mortality and interest assumptions set  
35 out in section 602.9107, subsection 3.

1     Sec. 14. Section 602.9116, subsection 1, Code 2005, is  
2 amended to read as follows:

3     1. The court administrator shall cause an actuarial  
4 valuation to be made of the assets and liabilities of the  
5 judicial retirement fund at least once every four years  
6 commencing with the fiscal year beginning July 1, 1981. For  
7 each fiscal year in which an actuarial valuation is not  
8 conducted, the court administrator shall cause an annual  
9 actuarial update to be prepared for the purpose of determining  
10 the adequacy of the contribution rates specified in section  
11 602.9104, ~~subsection 4~~. The court administrator shall adopt  
12 mortality tables and other necessary factors for use in the  
13 actuarial calculations required for the valuation upon the  
14 recommendation of the actuary. Following the actuarial  
15 valuation or annual actuarial update, the court administrator  
16 shall determine the condition of the system and shall report  
17 its findings and recommendations to the general assembly.

18     Sec. 15. Section 602.9203, subsection 2, paragraph b, Code  
19 2005, is amended to read as follows:

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

27     Sec. 16. Section 602.9204, subsection 1, Code 2005, is  
28 amended to read as follows:

29     1. A judge who retires on or after July 1, 1994, and who  
30 is appointed a senior judge under section 602.9203 shall be  
31 paid a salary as determined by the general assembly. A senior  
32 judge or retired senior judge shall be paid an annuity under  
33 the judicial retirement system in the manner provided in  
34 section 602.9109, but computed under this section in lieu of  
35 section 602.9107, as follows: The annuity paid to a senior

1 judge or retired senior judge shall be an amount equal to  
2 ~~three-percent~~ the applicable percentage multiplier of the  
3 basic senior judge salary, multiplied by the judge's years of  
4 service prior to retirement as a judge of one or more of the  
5 courts included under this article, for which contributions  
6 were made to the system, except the annuity of the senior  
7 judge or retired senior judge shall not exceed an amount equal  
8 to the applicable specified percentage of the basic senior  
9 judge salary used in calculating the annuity. However,  
10 following the twelve-month period during which the senior  
11 judge or retired senior judge attains seventy-eight years of  
12 age, the annuity paid to the person shall be an amount equal  
13 to ~~three-percent~~ the applicable percentage multiplier of the  
14 basic senior judge salary cap, multiplied by the judge's years  
15 of service prior to retirement as a judge of one or more of  
16 the courts included under this article, for which  
17 contributions were made to the system, except that the annuity  
18 shall not exceed an amount equal to the applicable specified  
19 percentage of the basic senior judge salary cap. A senior  
20 judge or retired senior judge shall not receive benefits  
21 calculated using a basic senior judge salary established after  
22 the twelve-month period in which the senior judge or retired  
23 senior judge attains seventy-eight years of age. The state  
24 shall provide, regardless of age, to an active senior judge or  
25 a senior judge with six years of service as a senior judge and  
26 to the judge's spouse, and pay for medical insurance until the  
27 judge attains the age of seventy-eight years.

28 Sec. 17. Section 602.9204, subsection 2, Code 2005, is  
29 amended by adding the following new paragraph:

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

32 (1) For a senior judge or retired senior judge who retired  
33 as a judge and received an annuity prior to July 1, 2005,  
34 three percent.

35 (2) For a senior judge or a retired senior judge who

1 retired as a judge and received an annuity on or after July 1,  
2 2005, three and one-fourth percent.

3 EXPLANATION

4 This bill makes changes to the Iowa public employees'  
5 retirement system and the judicial retirement system. The  
6 bill may include a state mandate as defined in Code section  
7 25B.3. The state mandate funding requirement in Code section  
8 25B.2, however, does not apply to public employee retirement  
9 systems. The changes to each public retirement system are as  
10 follows:

11 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

12 The bill amends Code section 97B.11 relating to the  
13 contributions made to the system by employers and employees.  
14 Currently, the employer rate is 5.75 percent and the employee  
15 rate is 3.7 percent of a member's covered wages. The bill  
16 provides that for the fiscal period beginning July 1, 2006,  
17 and ending June 30, 2014, the base employer rate may increase  
18 from the current rate by .3 percentage points per fiscal year  
19 and the base employee rate may increase from the current rate  
20 by .2 percentage points per fiscal year. The bill provides  
21 that the increase in contribution rates for any fiscal year  
22 will occur only if the percentage rate IPERS determines would  
23 be sufficient to amortize the unfunded actuarial liability of  
24 the system in 10 years is greater than the total employer and  
25 employee contribution rate for the prior fiscal year. If the  
26 rate to amortize the unfunded actuarial liability in 10 years  
27 is less than the total employer and employee contribution rate  
28 for the prior fiscal year, then the employer and employee  
29 rates will not increase by a total of .5 percentage points for  
30 that year. The bill further provides that beginning July 1,  
31 2014, the total employer and employee contribution rate shall  
32 be the same as for the prior fiscal year. Based on the bill,  
33 the maximum total contribution rate from both employers and  
34 employees could increase from the current 9.45 percent to  
35 13.45 percent by July 1, 2013. The bill also makes conforming

1 changes to the Code sections providing for the contributions  
2 paid by special service members of IPERS to retain the current  
3 contribution rate calculation for these members.

4 The bill also requires the public retirement systems  
5 committee to conduct a review of pension flexibility issues  
6 and to submit its findings and recommendations to the  
7 legislature by January 1, 2006. The pension flexibility  
8 review is charged to examine and consider various  
9 supplementary defined-contribution and hybrid retirement  
10 plans.

11 JUDICIAL RETIREMENT SYSTEM

12 Code section 602.9104, concerning contributions by judges  
13 and the state to the judicial retirement fund, is amended.  
14 Under current law, judges pay 5 percent of their salary and  
15 the state pays 23.7 percent of all judges' salaries to the  
16 fund until the fund becomes fully funded based upon the  
17 benefits provided judges as of July 1, 2001. The bill changes  
18 the definition of fully funded to provide that a funded status  
19 of 90 percent, instead of 100 percent, is deemed fully funded.  
20 The bill further provides that judges will pay 6 percent of  
21 their salary for the fiscal year beginning July 1, 2005, and  
22 each fiscal year thereafter, until the fund becomes fully  
23 funded based upon the benefits provided judges as of July 1,  
24 2005, multiplied by a fraction determined by taking the actual  
25 state contribution rate for the fiscal year divided by 23.7.  
26 As for the state's contribution, the bill provides that the  
27 state will continue to pay 23.7 percent of total pay for each  
28 fiscal year until the fund becomes fully funded based upon the  
29 benefits provided judges as of July 1, 2005. Once the system  
30 becomes fully funded, the judges and the state will each pay  
31 50 percent of the percentage of the total amount necessary to  
32 amortize any unfunded liability of the system within 20 years.  
33 Code section 602.9106 is amended to provide that a judge  
34 may retire and receive an unreduced retirement allowance after  
35 service of 20 years, instead of 25 years, as a judge so long

1 as the judge is at least 50 years of age. The section is also  
2 amended to provide that a judge vests under the retirement  
3 system after four years of service instead of six. Other Code  
4 sections are amended to conform to these changes.

5 Code section 602.9107, concerning the calculation of a  
6 retirement annuity under the judicial retirement system, is  
7 amended. The bill increases the percentage multiplier used in  
8 calculating a judge's retirement annuity from 3 percent to  
9 3.25 percent for each year of service under the retirement  
10 system and increases the maximum percentage of the judge's  
11 final average salary used in calculating an annuity from 60  
12 percent to 65 percent for judges with 20 years of service or  
13 less who retire on or after July 1, 2005.

14 Code section 602.9204, concerning the calculation of a  
15 retirement annuity for senior judges, is amended to provide  
16 that the percentage multiplier used to calculate senior judge  
17 annuities is also increased from 3 percent to 3.25 percent per  
18 year of service for judges who retired and received an annuity  
19 on or after July 1, 2005. The maximum percentage applicable  
20 to each senior judge is not changed.

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HOUSE FILE 729

H-1149

1 Amend House File 729 as follows:

2 1. Page 1, by inserting before line 1 the  
3 following:

4 "DIVISION I

5 PUBLIC SAFETY PEACE OFFICERS' RETIREMENT SYSTEM

6 Section 1. Section 97A.4, Code 2005, is amended by  
7 adding the following new unnumbered paragraph:

8 NEW UNNUMBERED PARAGRAPH. Upon application by the  
9 member, the board of trustees shall credit as service  
10 for a member of the system a previous period of  
11 service as a member of a city fire retirement system  
12 and police retirement system operating under chapter  
13 411 prior to January 1, 1992, for which service was  
14 not eligible to be transferred to this system pursuant  
15 to section 97A.17.

16 Sec. 2. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
17 ACCIDENT, AND DISABILITY SYSTEM -- ADDITIONAL  
18 APPROPRIATION.

19 1. Notwithstanding any provision of section 97A.8  
20 to the contrary, the Iowa department of public safety  
21 peace officers' retirement, accident, and disability  
22 system as defined in section 97A.2 shall not increase  
23 the contribution rate of members of the system to  
24 cover any increase in cost to the system resulting  
25 from this Act.

26 2. In addition to any payments to the pension  
27 accumulation fund as provided in section 97A.8, there  
28 shall be appropriated from the general fund of the  
29 state to the pension accumulation fund described in  
30 section 97A.8 an annual amount equal to fifty thousand  
31 dollars for the fiscal period beginning July 1, 2005,  
32 and ending June 30, 2027."

33 2. Title page, line 1, by inserting after the  
34 words "to the" the following: "public safety peace  
35 officers' retirement system, the".

36 3. Title page, line 2, by inserting after the  
37 word "system" the following: ", and providing an  
38 appropriation".

39 4. By renumbering, redesignating, and correcting  
40 internal references as necessary.

By FREVERT of Palo Alto

H-1149 FILED MARCH 22, 2005

HOUSE FILE 729

H-1262

1 Amend House File 729 as follows:

2 1. Page 2, by inserting after line 2 the  
3 following:

4 "Sec. \_\_\_\_ . Section 97B.42, Code 2005, is amended  
5 by adding the following new unnumbered paragraphs:  
6 NEW UNNUMBERED PARAGRAPH. Notwithstanding any  
7 other provision of this section, commencing July 1,  
8 2006, a member who is employed by a school district or  
9 area education agency as an elementary or secondary  
10 school teacher may elect coverage under the eligible  
11 alternative retirement benefits system as provided in  
12 section 294.17, in lieu of continuing or commencing  
13 contributions to the Iowa public employees' retirement  
14 system. However, the employer's and employee's annual  
15 contribution in dollars to the eligible alternative  
16 retirement benefits system shall equal, but not  
17 exceed, the annual contribution in dollars which the  
18 employer and employee would contribute if the employee  
19 had elected to remain an active member under this  
20 chapter, as set forth in section 97B.11. A member who  
21 elects coverage under the eligible alternative  
22 retirement benefits system as provided by this  
23 paragraph may withdraw the member's accumulated  
24 contributions effective when coverage under the  
25 eligible alternative retirement benefits system  
26 commences. A member who is employed by a school  
27 district or area education agency as an elementary or  
28 secondary school teacher prior to July 1, 2006, must  
29 file an election for coverage under the eligible  
30 alternative retirement benefits system described in  
31 section 294.17, with the system and the employing  
32 school district or area education agency within  
33 eighteen months of the first day on which coverage  
34 commences under the eligible alternative retirement  
35 benefits system described in section 294.17, or the  
36 employee shall remain a member under this chapter and  
37 shall not be eligible to elect to participate in the  
38 eligible alternative retirement benefits system at a  
39 later date. A person hired on or after July 1, 2006,  
40 by a school district or area education agency as an  
41 elementary or secondary school teacher must file an  
42 election for coverage under the eligible alternative  
43 retirement benefits system with the system and the  
44 employing school district or area education agency  
45 within sixty days of commencing employment, or the  
46 employee shall remain a member under this chapter and  
47 shall not be eligible to elect to participate in the  
48 eligible alternative retirement benefits system at a  
49 later date. The system shall cooperate with the state  
50 board of education and with applicable school

H-1262

1 districts and area education agencies to facilitate  
2 the implementation of this provision.  
3 NEW UNNUMBERED PARAGRAPH. Notwithstanding any  
4 other provision of this section, commencing July 1,  
5 2006, a member who is employed by a public hospital  
6 may elect coverage under the eligible alternative  
7 retirement benefits system as provided in section  
8 347.14 or 392.6, in lieu of continuing or commencing  
9 contributions to the Iowa public employees' retirement  
10 system. However, the employer's and employee's annual  
11 contribution in dollars to the eligible alternative  
12 retirement benefits system shall equal, but not  
13 exceed, the annual contribution in dollars which the  
14 employer and employee would contribute if the employee  
15 had elected to remain an active member under this  
16 chapter, as set forth in section 97B.11. A member who  
17 elects coverage under the eligible alternative  
18 retirement benefits system as provided by this  
19 paragraph may withdraw the member's accumulated  
20 contributions effective when coverage under the  
21 eligible alternative retirement benefits system  
22 commences. A member who is employed by a public  
23 hospital prior to July 1, 2006, must file an election  
24 for coverage under the eligible alternative retirement  
25 benefits system described in section 347.14 or 392.6,  
26 with the system and the employing public hospital  
27 within eighteen months of the first day on which  
28 coverage commences under the eligible alternative  
29 retirement benefits system described in section 347.14  
30 or 392.6, or the employee shall remain a member under  
31 this chapter and shall not be eligible to elect to  
32 participate in the eligible alternative retirement  
33 benefits system at a later date. A person hired on or  
34 after July 1, 2006, by a public hospital must file an  
35 election for coverage under the eligible alternative  
36 retirement benefits system with the system and the  
37 employing public hospital within sixty days of  
38 commencing employment, or the employee shall remain a  
39 member under this chapter and shall not be eligible to  
40 elect to participate in the eligible alternative  
41 retirement benefits system at a later date. In  
42 addition, an election by a member to participate in an  
43 alternative retirement benefits system as provided by  
44 this paragraph shall be irrevocable and the member  
45 shall not be eligible to elect coverage under this  
46 chapter while employed by a public hospital in this  
47 state that has made an alternative retirement benefits  
48 system available. The system shall cooperate with  
49 boards of trustees of public hospitals authorized to  
50 offer an eligible alternative retirement benefits

1 system to facilitate the implementation of this  
2 provision."

3 2. Page 2, by inserting after line 21 the  
4 following:

5 "Sec. \_\_\_\_\_. Section 256.7, Code 2005, is amended by  
6 adding the following new subsection:

7 NEW SUBSECTION. 26. By July 1, 2006, provide for  
8 the establishment of an eligible alternative  
9 retirement benefits system for elementary and  
10 secondary school teachers employed by a school  
11 district or area education agency consistent with the  
12 requirements of section 294.17.

13 Sec. \_\_\_\_\_. NEW SECTION. 294.17 ELIGIBLE  
14 ALTERNATIVE PENSION AND ANNUITY RETIREMENT SYSTEM.

15 1. The state board of education shall establish an  
16 eligible alternative pension and annuity retirement  
17 system, hereafter called the "retirement system",  
18 effective July 1, 2006, for elementary and secondary  
19 school teachers employed by a school district or area  
20 education agency pursuant to the requirements of this  
21 section. The state board of education shall be the  
22 plan sponsor of the retirement system and shall file  
23 an application for a favorable determination letter  
24 for the retirement system with the internal revenue  
25 service.

26 2. The state board of education shall select a  
27 provider of the retirement system that is a financial  
28 institution capable of providing bundled services for  
29 the retirement system, including, but not limited to,  
30 administration, investment management, employee  
31 education, and recordkeeping. In selecting a  
32 provider, the state board of education shall place  
33 primary emphasis on the reasonableness of services in  
34 relation to cost, the ability and experience of the  
35 provider in providing bundled retirement services to  
36 the educational community, the financial stability of  
37 the provider, and the ability of the provider to  
38 provide services as required by this section.

39 3. To be an eligible alternative retirement  
40 benefits system, the retirement system shall meet the  
41 following requirements:

42 a. The retirement system shall be an employer-  
43 sponsored defined contribution plan requiring  
44 mandatory employer contributions that meet the  
45 requirements of section 401(a) of the Internal Revenue  
46 Code.

47 b. The employer's and employee's annual  
48 contribution in dollars under an eligible alternative  
49 retirement benefits system described in this section  
50 shall equal, but not exceed, the annual contribution

1 in dollars which the employer and employee would  
2 contribute if the employee had elected to remain an  
3 active member pursuant to the Iowa public employees'  
4 retirement system, as set forth in section 97B.11.  
5 Contributions under the retirement system shall be  
6 treated in the same manner as contributions under the  
7 Iowa public employees' retirement system are treated  
8 pursuant to section 97B.11A.

9 c. Employer and employee contributions under the  
10 retirement system shall be fully vested immediately.

11 d. Upon termination of employment as an elementary  
12 or secondary school teacher employed by a school  
13 district or area education agency, the teacher shall  
14 be eligible to receive a benefit payable in at least  
15 any of the following forms:

16 (1) Payment of all or part of the teacher's  
17 account balance in the retirement system in a lump  
18 sum.

19 (2) Payment based on the teacher's account balance  
20 in the retirement system in monthly, quarterly, or  
21 annual installments over a fixed reasonable period of  
22 time, not exceeding the life expectancy of the teacher  
23 and the teacher's beneficiary, if applicable.

24 (3) Payment based on the teacher's account balance  
25 in the form of a single life or joint life and  
26 survivorship annuity.

27 4. Persons employed by a school district or area  
28 education agency as an elementary or secondary school  
29 teacher on or after July 1, 2006, may elect coverage  
30 under the retirement system established in this  
31 section in lieu of coverage under the Iowa public  
32 employees' retirement system, pursuant to the  
33 requirements of section 97B.42.

34 Sec. \_\_\_\_\_. Section 347.14, Code 2005, is amended by  
35 adding the following new subsection:

36 NEW SUBSECTION. 17. Provide an eligible  
37 alternative retirement benefits system offered through  
38 the county hospital pursuant to this subsection which  
39 is issued by or through an insurance company  
40 authorized to issue annuity contracts in this state  
41 for persons employed by the county hospital in lieu of  
42 coverage under the Iowa public employees' retirement  
43 system. For purposes of this subsection, "eligible  
44 alternative retirement benefits system" means an  
45 employer-sponsored primary pension plan requiring  
46 mandatory employer contributions that meets the  
47 requirements of section 401(a), 401(k), 403(a), or  
48 403(b) of the Internal Revenue Code.

49 Sec. \_\_\_\_\_. Section 392.6, Code 2005, is amended by  
50 adding the following new unnumbered paragraph:

1 NEW UNNUMBERED PARAGRAPH. The board of trustees  
 2 may provide an eligible alternative retirement  
 3 benefits system offered through the city hospital  
 4 pursuant to this paragraph which is issued by or  
 5 through an insurance company authorized to issue  
 6 annuity contracts in this state for persons employed  
 7 by the city hospital in lieu of coverage under the  
 8 Iowa public employees' retirement system. For  
 9 purposes of this paragraph, "eligible alternative  
 10 retirement benefits system" means an employer-  
 11 sponsored primary pension plan requiring mandatory  
 12 employer contributions that meets the requirements of  
 13 section 401(a), 401(k), 403(a), or 403(b) of the  
 14 Internal Revenue Code."

15 3. By renumbering as necessary.

|                               |                           |
|-------------------------------|---------------------------|
| <b>By</b> KURTENBACH of Story | HOFFMAN of Crawford       |
| DIX of Butler                 | ROBERTS of Carroll        |
| PAULSEN of Linn               | LUKAN of Dubuque          |
| JENKINS of Black Hawk         | RASMUSSEN of Buchanan     |
| BAUDLER of Adair              | VAN ENGELNHOVEN of Marion |
| ANDERSON of Page              | ARNOLD of Lucas           |
| HUTTER of Scott               | STRUYK of Pottawattamie   |
| KAUFMANN of Cedar             | DOLECHECK of Ringgold     |
| CHAMBERS of O'Brien           | EICHHORN of Hamilton      |
| FREEMAN of Buena Vista        | HORBACH of Tama           |

**Fiscal Services Division  
Legislative Services Agency  
Fiscal Note**

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HF 729 - Public Pension Omnibus (LSB 1330 HV)  
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)  
Fiscal Note Version - New

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**Description**

House File 729 makes substantive changes to the Iowa Public Employees' Retirement System (IPERS) and the Iowa Judicial Retirement System. This Fiscal Note will examine the substantive changes with a significant cost.

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)**

The Bill permits the IPERS to adjust the total employee and employer contribution rates by up to 0.50% each year beginning in FY 2007, and ending in FY 2014, with the employee paying 40.00% (0.20%) and the employer paying 60.00% (0.30%) above the current applicable percentages. The current applicable percentage for employees is 3.70% and for employers it is 5.75%, for a total contribution of 9.45%. The maximum contribution rate could be 5.30% for employees and 8.15% for employers, for a total contribution of 13.45%. After FY 2014, the rates will remain the same as in FY 2014.

The IPERS will only adjust the rates for the following year if the prior years combined contributions will be insufficient to amortize the unfunded actuarial liability of the System within 10 years by increasing the total contribution to a rate that will amortize the unfunded actuarial liability of the System within ten years. However, the combined rate will never be below the prior years rates.

The Bill requires the Public Retirement Systems Committee to study and report to the General Assembly, by January 1, 2006, on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

**Assumptions**

1. A 4.00% annual payroll growth is assumed.
2. Contribution rates will only be impacted by the changes in the Bill.
3. The number of members by employer and covered payroll for FY 2004 are as follows:

| <u>Employer</u>    | <u>Active<br/>Member<br/>Counts</u> | <u>FY 2004<br/>Covered Payroll<br/>(\$ in millions)</u> |
|--------------------|-------------------------------------|---------------------------------------------------------|
| State              | 19,584                              | \$ 881.7                                                |
| Board of Regents   | 2,111                               | 36.8                                                    |
| Counties           | 23,845                              | 726.4                                                   |
| Cities             | 21,781                              | 605.3                                                   |
| Schools            | 74,830                              | 2,210.5                                                 |
| Community Colleges | 3,659                               | 115.5                                                   |
| Other              | 8,469                               | 278.9                                                   |
| <b>Total</b>       | <b>154,279</b>                      | <b>\$ 4,855.1</b>                                       |

4. The number of members in each class will remain constant.
5. A combined regular IPERS contribution will be insufficient to amortize the unfunded actuarial liability of the System within ten years in FY 2007 through FY 2014.

### Fiscal Impact

The Regular IPERS employees' current contributions of 3.70% and employers' contributions of 5.75% will increase as follows:

|         | <b>Employees'<br/>Contribution<br/>Rate</b> | <b>Employers'<br/>Contribution<br/>Rate</b> | <b>Total<br/>Contribution<br/>Rates</b> |
|---------|---------------------------------------------|---------------------------------------------|-----------------------------------------|
| FY 2006 | 3.70%                                       | 5.75%                                       | 9.45%                                   |
| FY 2007 | 3.90%                                       | 6.05%                                       | 9.95%                                   |
| FY 2008 | 4.10%                                       | 6.35%                                       | 10.45%                                  |
| FY 2009 | 4.30%                                       | 6.65%                                       | 10.95%                                  |
| FY 2010 | 4.50%                                       | 6.95%                                       | 11.45%                                  |
| FY 2011 | 4.70%                                       | 7.25%                                       | 11.95%                                  |
| FY 2012 | 4.90%                                       | 7.55%                                       | 12.45%                                  |
| FY 2013 | 5.10%                                       | 7.85%                                       | 12.95%                                  |
| FY 2014 | 5.30%                                       | 8.15%                                       | 13.45%                                  |
| FY 2015 | 5.30%                                       | 8.15%                                       | 13.45%                                  |

**ATTACHMENT 1** provides a detailed explanation of the impact of HF 729 on the employees and employers, by employer group for FY 2007 through FY 2015. The average change per employee varies by employer group due the variance in the average wage of the groups. An employee that earns a higher wage will have their contribution increase more than an employee with a lower wage.

The total employer increases are \$16.4 million for FY 2007 and \$34.1 million for FY 2008. The estimates are broken out as follows:

| (Dollars in Millions) |                |                |
|-----------------------|----------------|----------------|
| <b>Employer</b>       | <b>FY 2007</b> | <b>FY 2008</b> |
| State                 | \$ 3.0         | \$ 6.2         |
| Board of Regents      | 0.1            | 0.3            |
| Counties              | 2.5            | 5.1            |
| Cities                | 2.0            | 4.2            |
| Schools               | 7.5            | 15.5           |
| Community Colleges    | 0.4            | 0.8            |
| Other                 | 0.9            | 2.0            |
| <b>Total Regular</b>  | <b>\$ 16.4</b> | <b>\$ 34.1</b> |

There will be no significant fiscal impact for the Public Retirement Systems Committee report on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

### **JUDICIAL RETIREMENT SYSTEM**

The Bill makes two changes to the Judicial Retirement System.

The Bill changes how a judge's contribution is calculated. Under current law, judges contribute 5.00% of their salary. The Bill increases the contribution to 6.00%, if the State contributes the required 23.70% of covered payroll. If the State fails to fully fund the State's share, the judges required contribution is based upon the ratio of the State's actual contribution to the required contribution. Once the System is fully funded, which is defined by the Bill to be 90.00% of the

Systems actuarially determined liabilities, the judges and the State will contribute 50.00% of the required contribution. The required contribution is defined by the Bill to mean the rate that will amortize any unfunded liabilities of the System with 20 years.

The Bill reduces the vesting requirement from six years to four years. When a judge becomes vested, the judge is eligible to obtain a retirement annuity rather than the return of the judge's contribution.

The Bill also reduces the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years, as long as the judge is at least 50 years of age.

The Bill increases the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increases maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00%. The multiplier is also increased for judges on senior status without an increase in the maximum percentage.

### **Assumptions**

1. The covered payroll for FY 2006 will be \$22.0 million.
2. Under current law, the State would be required to contribute \$5.2 million (23.70% of covered payroll). The Judges would be required to contribute \$1.1 million (5.00% of covered payroll). The State would be contributing 82.58% and the judges would be contributing 17.42%, of the total funding.
3. While the State contributed \$2.0 million in FY 2005, the estimate assumes the State will fully fund the State's 23.70% contribution at \$5.2 million.
4. The actuarial calculation for reducing the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years requires a 2.52% increase in contributions.
5. While the actuarial calculation for increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% is not available, a 3.50% multiplier with a 70.00% maximum percentage would require a 6.91% increase in contributions.

### **Fiscal Impact**

Under this Bill, if the State notwithstanding the 23.70% required contribution and continues to contribute \$2.0 million, this would be 9.29% of covered payroll, and the Judges would be required to contribute \$507,000 (2.31% of covered payroll). The State would be contributing 80.09% and the judges would be contributing 19.91%, of the total funding.

Under this Bill, the State would be required to contribute \$5.2 million (23.70% of covered payroll). The Judges would be required to contribute \$1.3 million (6.00% of covered payroll). The State would be contributing 79.80% and the judges would be contributing 20.20%, of the total funding.

The judges' contributions will increase by an estimated \$220,000 annually due to increasing their contribution from 5.00% to 6.00%.

Reducing the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years will have an estimated negative annual impact on the System of \$554,000.

Increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% will have an estimated negative annual impact on the System of less than \$1.5 million.

The State making the required contribution will benefit the System by an estimated \$3.2 million annually.

The net benefit to the Judicial Retirement System of House File 729 will be an estimated \$1.4 million annually.

**Sources**

Iowa Public Employees' Retirement System (IPERS)  
Milliman USA Consultants and Actuaries  
Iowa Judicial Retirement System

/s/ Holly M. Lyons

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March 17, 2005

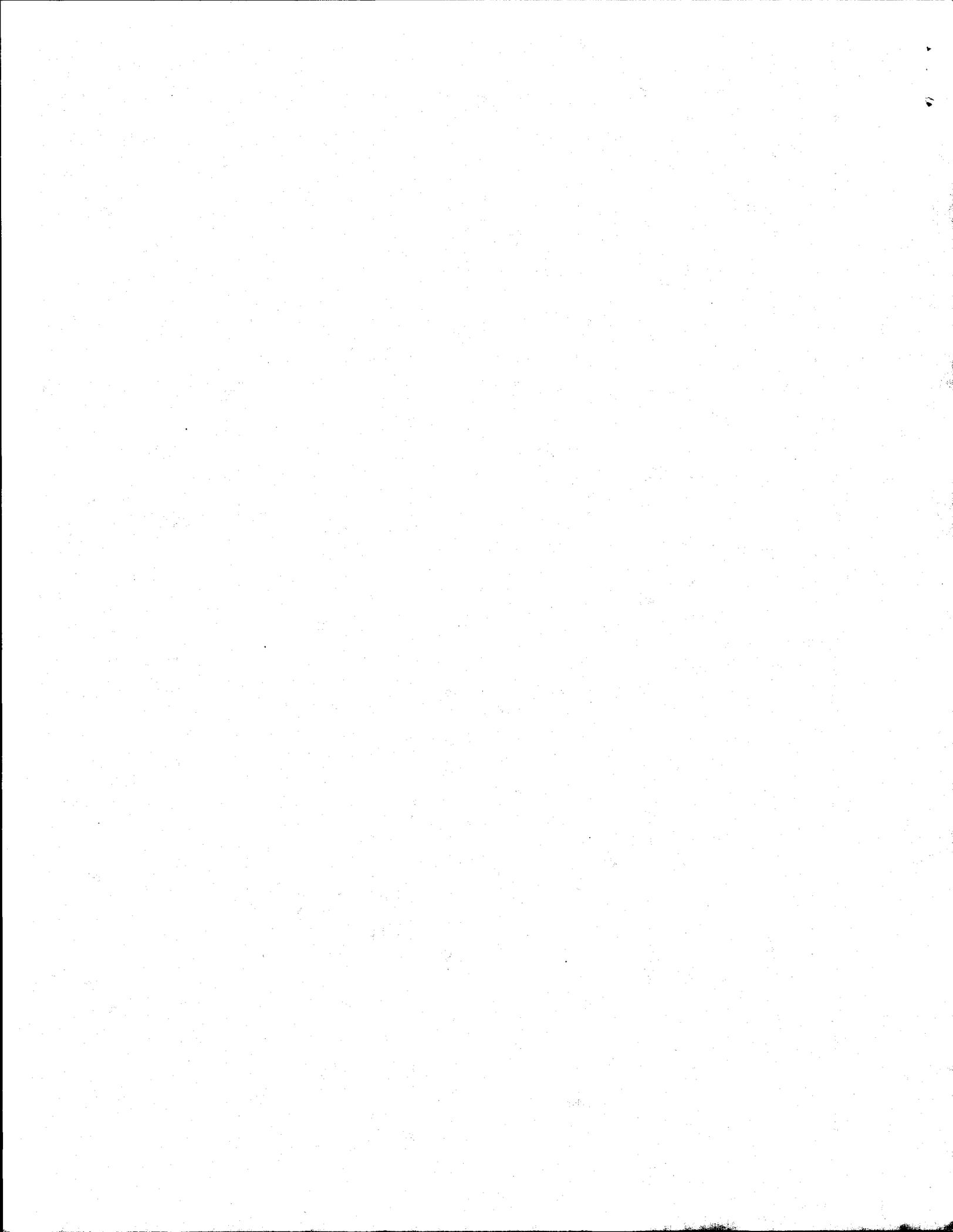
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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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Attachment 1

| Employer | Active Member Counts | FY 2004        |                  | Fiscal Year | Current Law Employer Contribution |       |             | Adjusted Employer Contribution |             |       | Employer Total Contribution Change | Current Law Employee |       |             | Adjusted Employee |             |       | Total Employee Contribution Change | Average Change Per Employee |
|----------|----------------------|----------------|------------------|-------------|-----------------------------------|-------|-------------|--------------------------------|-------------|-------|------------------------------------|----------------------|-------|-------------|-------------------|-------------|-------|------------------------------------|-----------------------------|
|          |                      | Covered        | Payroll          |             | Rate                              | Rate  | Rate Change | Rate                           | Rate Change | Rate  |                                    | Rate Change          | Rate  | Rate Change | Rate              | Rate Change |       |                                    |                             |
| State    | 19,584               | \$ 861,689,127 |                  | FY 2004     | 5.75%                             | 5.75% | 0.00%       | \$ 0                           | 3.70%       | 3.70% | 0.00%                              | \$ 0                 | 3.70% | 3.70%       | 0.00%             | \$ 0        | \$ 0  | 0                                  |                             |
|          | 19,584               | 916,956,692    |                  | FY 2005     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 19,584               | 953,634,960    |                  | FY 2006     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 19,584               | 991,780,358    |                  | FY 2007     | 5.75%                             | 6.05% | 0.30%       | 2,975,341                      | 3.70%       | 3.90% | 0.20%                              | 1,983,561            | 3.70% | 4.10%       | 0.20%             | 4,125,806   | 211   | 101                                |                             |
|          | 19,584               | 1,031,451,572  |                  | FY 2008     | 5.75%                             | 6.35% | 0.30%       | 6,188,709                      | 3.70%       | 4.10% | 0.20%                              | 9,654,387            | 3.70% | 4.30%       | 0.20%             | 8,426,258   | 329   | 211                                |                             |
|          | 19,584               | 1,072,709,635  |                  | FY 2009     | 5.75%                             | 6.65% | 0.30%       | 9,654,387                      | 3.70%       | 4.50% | 0.20%                              | 8,924,944            | 3.70% | 4.70%       | 0.20%             | 11,602,427  | 592   | 329                                |                             |
|          | 19,584               | 1,115,618,021  |                  | FY 2010     | 5.75%                             | 6.95% | 0.30%       | 13,387,416                     | 3.70%       | 4.90% | 0.20%                              | 14,479,829           | 3.70% | 5.10%       | 0.20%             | 17,568,860  | 897   | 592                                |                             |
|          | 19,584               | 1,160,242,742  |                  | FY 2011     | 5.75%                             | 7.25% | 0.30%       | 17,403,641                     | 3.70%       | 5.30% | 0.20%                              | 20,881,845           | 3.70% | 5.70%       | 0.20%             | 21,717,118  | 1,108 | 897                                |                             |
|          | 19,584               | 1,206,652,451  |                  | FY 2012     | 5.75%                             | 7.55% | 0.30%       | 21,719,744                     | 3.70%       | 5.90% | 0.20%                              | 26,353,290           | 3.70% | 6.30%       | 0.20%             | 31,322,767  | 1,066 | 1,108                              |                             |
|          | 19,584               | 1,254,918,549  |                  | FY 2013     | 5.75%                             | 7.85% | 0.30%       | 26,353,290                     | 3.70%       | 6.70% | 0.20%                              | 32,575,678           | 3.70% | 7.10%       | 0.20%             | 37,575,678  | 1,000 | 1,066                              |                             |
|          | 19,584               | 1,305,115,291  |                  | FY 2014     | 5.75%                             | 8.15% | 0.30%       | 31,322,767                     | 3.70%       | 7.50% | 0.20%                              | 37,575,678           | 3.70% | 7.90%       | 0.20%             | 42,575,678  | 1,000 | 1,000                              |                             |
|          | 19,584               | 1,357,319,903  |                  | FY 2015     | 5.75%                             | 8.15% | 0.00%       | 32,575,678                     | 3.70%       | 7.50% | 0.00%                              | 37,575,678           | 3.70% | 7.50%       | 0.00%             | 42,575,678  | 1,000 | 1,000                              |                             |
|          | Board of Regents     | 2,111          | \$ 36,817,920    |             | FY 2004                           | 5.75% | 5.75%       | 0.00%                          | \$ 0        | 3.70% | 3.70%                              | 0.00%                | \$ 0  | 3.70%       | 3.70%             | 0.00%       | \$ 0  | \$ 0                               | 0                           |
|          |                      | 2,111          | 38,290,637       |             | FY 2005                           | 5.75% | 5.75%       | 0.00%                          | 0           | 3.70% | 3.70%                              | 0.00%                | 0     | 3.70%       | 3.70%             | 0.00%       | 0     | 0                                  | 0                           |
|          |                      | 2,111          | 39,822,202       |             | FY 2006                           | 5.75% | 5.75%       | 0.00%                          | 0           | 3.70% | 3.70%                              | 0.00%                | 0     | 3.70%       | 3.70%             | 0.00%       | 0     | 0                                  | 0                           |
| 2,111    |                      | 41,415,153     |                  | FY 2007     | 5.75%                             | 6.05% | 0.30%       | 124,245                        | 3.70%       | 3.90% | 0.20%                              | 82,830               | 3.70% | 4.10%       | 0.20%             | 172,287     | 39    | 39                                 |                             |
| 2,111    |                      | 43,071,759     |                  | FY 2008     | 5.75%                             | 6.35% | 0.30%       | 258,431                        | 3.70%       | 4.10% | 0.20%                              | 172,287              | 3.70% | 4.30%       | 0.20%             | 268,768     | 127   | 82                                 |                             |
| 2,111    |                      | 44,794,629     |                  | FY 2009     | 5.75%                             | 6.65% | 0.30%       | 403,152                        | 3.70%       | 4.30% | 0.20%                              | 268,768              | 3.70% | 4.50%       | 0.20%             | 372,691     | 177   | 127                                |                             |
| 2,111    |                      | 46,586,414     |                  | FY 2010     | 5.75%                             | 6.95% | 0.30%       | 559,037                        | 3.70%       | 4.50% | 0.20%                              | 372,691              | 3.70% | 4.70%       | 0.20%             | 484,499     | 230   | 177                                |                             |
| 2,111    |                      | 48,449,871     |                  | FY 2011     | 5.75%                             | 7.25% | 0.30%       | 726,748                        | 3.70%       | 4.90% | 0.20%                              | 604,654              | 3.70% | 5.10%       | 0.20%             | 733,647     | 348   | 230                                |                             |
| 2,111    |                      | 50,387,866     |                  | FY 2012     | 5.75%                             | 7.55% | 0.30%       | 906,982                        | 3.70%       | 5.30% | 0.20%                              | 871,992              | 3.70% | 5.70%       | 0.20%             | 906,872     | 430   | 348                                |                             |
| 2,111    |                      | 52,403,380     |                  | FY 2013     | 5.75%                             | 7.85% | 0.30%       | 1,100,471                      | 3.70%       | 5.90% | 0.20%                              | 1,307,988            | 3.70% | 6.30%       | 0.20%             | 1,307,988   | 413   | 430                                |                             |
| 2,111    |                      | 54,999,516     |                  | FY 2014     | 5.75%                             | 8.15% | 0.30%       | 1,307,988                      | 3.70%       | 6.70% | 0.20%                              | 1,307,988            | 3.70% | 7.10%       | 0.20%             | 1,307,988   | 413   | 413                                |                             |
| 2,111    |                      | 56,679,496     |                  | FY 2015     | 5.75%                             | 8.15% | 0.00%       | 1,360,308                      | 3.70%       | 7.10% | 0.00%                              | 1,360,308            | 3.70% | 7.10%       | 0.00%             | 1,360,308   | 430   | 413                                |                             |
| County   | 23,845               | \$ 726,405,870 |                  | FY 2004     | 5.75%                             | 5.75% | 0.00%       | \$ 0                           | 3.70%       | 3.70% | 0.00%                              | \$ 0                 | 3.70% | 3.70%       | 0.00%             | \$ 0        | \$ 0  | 0                                  |                             |
|          | 23,845               | 755,462,105    |                  | FY 2005     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 23,845               | 785,660,589    |                  | FY 2006     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 23,845               | 817,107,813    |                  | FY 2007     | 5.75%                             | 6.05% | 0.30%       | 2,451,323                      | 3.70%       | 3.90% | 0.20%                              | 1,634,216            | 3.70% | 4.10%       | 0.20%             | 3,399,169   | 143   | 69                                 |                             |
|          | 23,845               | 849,792,125    |                  | FY 2008     | 5.75%                             | 6.35% | 0.30%       | 5,098,753                      | 3.70%       | 4.10% | 0.20%                              | 5,302,703            | 3.70% | 4.30%       | 0.20%             | 7,353,081   | 308   | 143                                |                             |
|          | 23,845               | 883,783,810    |                  | FY 2009     | 5.75%                             | 6.65% | 0.30%       | 7,954,054                      | 3.70%       | 4.30% | 0.20%                              | 9,559,006            | 3.70% | 4.50%       | 0.20%             | 11,929,639  | 500   | 308                                |                             |
|          | 23,845               | 919,135,182    |                  | FY 2010     | 5.75%                             | 6.95% | 0.30%       | 11,029,622                     | 3.70%       | 4.50% | 0.20%                              | 14,338,509           | 3.70% | 4.70%       | 0.20%             | 17,892,939  | 607   | 500                                |                             |
|          | 23,845               | 955,900,569    |                  | FY 2011     | 5.75%                             | 7.25% | 0.30%       | 14,338,509                     | 3.70%       | 4.90% | 0.20%                              | 21,711,943           | 3.70% | 5.10%       | 0.20%             | 25,806,195  | 721   | 607                                |                             |
|          | 23,845               | 994,136,592    |                  | FY 2012     | 5.75%                             | 7.55% | 0.30%       | 17,894,459                     | 3.70%       | 5.30% | 0.20%                              | 25,806,195           | 3.70% | 5.70%       | 0.20%             | 26,838,443  | 750   | 721                                |                             |
|          | 23,845               | 1,033,902,055  |                  | FY 2013     | 5.75%                             | 7.85% | 0.30%       | 21,711,943                     | 3.70%       | 5.90% | 0.20%                              | 26,838,443           | 3.70% | 6.30%       | 0.20%             | 26,838,443  | 750   | 750                                |                             |
|          | 23,845               | 1,075,258,138  |                  | FY 2014     | 5.75%                             | 8.15% | 0.30%       | 26,838,443                     | 3.70%       | 6.70% | 0.20%                              | 26,838,443           | 3.70% | 7.10%       | 0.20%             | 26,838,443  | 750   | 750                                |                             |
|          | 23,845               | 1,118,268,463  |                  | FY 2015     | 5.75%                             | 8.15% | 0.00%       | 26,838,443                     | 3.70%       | 7.10% | 0.00%                              | 26,838,443           | 3.70% | 7.10%       | 0.00%             | 26,838,443  | 750   | 750                                |                             |
| City     | 21,781               | \$ 605,278,594 |                  | FY 2004     | 5.75%                             | 5.75% | 0.00%       | \$ 0                           | 3.70%       | 3.70% | 0.00%                              | \$ 0                 | 3.70% | 3.70%       | 0.00%             | \$ 0        | \$ 0  | 0                                  |                             |
|          | 21,781               | 629,489,738    |                  | FY 2005     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 21,781               | 654,669,327    |                  | FY 2006     | 5.75%                             | 5.75% | 0.00%       | 0                              | 3.70%       | 3.70% | 0.00%                              | 0                    | 3.70% | 3.70%       | 0.00%             | 0           | 0     | 0                                  |                             |
|          | 21,781               | 680,858,100    |                  | FY 2007     | 5.75%                             | 6.05% | 0.30%       | 2,042,568                      | 3.70%       | 3.90% | 0.20%                              | 1,361,712            | 3.70% | 4.10%       | 0.20%             | 2,832,361   | 130   | 63                                 |                             |
|          | 21,781               | 708,090,344    |                  | FY 2008     | 5.75%                             | 6.35% | 0.30%       | 4,248,542                      | 3.70%       | 4.10% | 0.20%                              | 4,418,484            | 3.70% | 4.30%       | 0.20%             | 6,126,964   | 281   | 130                                |                             |
|          | 21,781               | 736,413,958    |                  | FY 2009     | 5.75%                             | 6.65% | 0.30%       | 6,627,726                      | 3.70%       | 4.30% | 0.20%                              | 7,965,053            | 3.70% | 4.50%       | 0.20%             | 9,940,387   | 456   | 281                                |                             |
|          | 21,781               | 765,870,516    |                  | FY 2010     | 5.75%                             | 6.95% | 0.30%       | 9,190,446                      | 3.70%       | 4.50% | 0.20%                              | 11,929,639           | 3.70% | 4.70%       | 0.20%             | 14,479,829  | 607   | 456                                |                             |
|          | 21,781               | 796,505,337    |                  | FY 2011     | 5.75%                             | 7.25% | 0.30%       | 11,947,580                     | 3.70%       | 4.90% | 0.20%                              | 14,479,829           | 3.70% | 5.10%       | 0.20%             | 17,204,130  | 721   | 607                                |                             |
|          | 21,781               | 828,365,551    |                  | FY 2012     | 5.75%                             | 7.55% | 0.30%       | 14,910,580                     | 3.70%       | 5.30% | 0.20%                              | 17,204,130           | 3.70% | 5.70%       | 0.20%             | 17,892,939  | 750   | 721                                |                             |
|          | 21,781               | 861,500,173    |                  | FY 2013     | 5.75%                             | 7.85% | 0.30%       | 18,091,504                     | 3.70%       | 5.90% | 0.20%                              | 21,503,044           | 3.70% | 6.30%       | 0.20%             | 21,503,044  | 750   | 750                                |                             |
|          | 21,781               | 895,960,180    |                  | FY 2014     | 5.75%                             | 8.15% | 0.30%       | 21,503,044                     | 3.70%       | 6.70% | 0.20%                              | 21,503,044           | 3.70% | 7.10%       | 0.20%             | 21,503,044  | 750   | 750                                |                             |
|          | 21,781               | 931,798,587    |                  | FY 2015     | 5.75%                             | 8.15% | 0.00%       | 22,363,166                     | 3.70%       | 7.10% | 0.00%                              | 22,363,166           | 3.70% | 7.10%       | 0.00%             | 22,363,166  | 750   | 750                                |                             |
|          | Schools              | 74,830         | \$ 2,210,526,742 |             | FY 2004                           | 5.75% | 5.75%       | 0.00%                          | \$ 0        | 3.70% | 3.70%                              | 0.00%                | \$ 0  | 3.70%       | 3.70%             | 0.00%       | \$ 0  | \$ 0                               | 0                           |
|          |                      | 74,830         | 2,298,947,812    |             | FY 2005                           | 5.75% | 5.75%       | 0.00%                          | 0           | 3.70% | 3.70%                              | 0.00%                | 0     | 3.70%       | 3.70%             | 0.00%       | 0     | 0                                  | 0                           |
|          |                      | 74,830         | 2,390,905,724    |             | FY 2006                           | 5.75% | 5.75%       | 0.00%                          | 0           | 3.70% | 3.70%                              | 0.00%                | 0     | 3.70%       | 3.70%             | 0.00%       | 0     | 0                                  | 0                           |
| 74,830   |                      | 2,486,541,953  |                  | FY 2007     | 5.75%                             | 6.05% | 0.30%       | 7,459,626                      | 3.70%       | 3.90% | 0.20%                              | 4,973,084            | 3.70% | 4.10%       | 0.20%             | 10,344,015  | 138   | 66                                 |                             |
| 74,830   |                      | 2,586,003,831  |                  | FY 2008     | 5.75%                             | 6.35% | 0.30%       | 15,516,022                     | 3.70%       | 4.10% | 0.20%                              | 16,136,663           | 3.70% | 4.30%       | 0.20%             | 22,376,172  | 296   | 138                                |                             |
| 74,830   |                      | 2,689,443,776  |                  | FY 2009     | 5.75%                             | 6.65% | 0.30%       | 24,204,994                     | 3.70%       | 4.30% | 0.20%                              | 23,376,172           | 3.70% | 4.50%       | 0.20%             | 29,089,024  | 389   | 296                                |                             |
| 74,830   |                      | 2,797,021,528  |                  | FY 2010     | 5.75%                             | 6.95% | 0.30%       | 33,564,258                     | 3.70%       | 4.50% | 0.20%                              | 38,303,102           | 3.70% | 4.70%       | 0.20%             | 44,047,764  | 589   | 389                                |                             |
| 74,830   |                      | 2,908,902,389  |                  | FY 2011     | 5.75%                             | 7.25% | 0.30%       | 43,833,536                     | 3.70%       | 4.90% | 0.20%                              | 54,454,653           | 3.70% | 5.10%       | 0.20%             | 66,071,645  | 700   | 589                                |                             |
| 74,830   |                      | 3,025,258,484  |                  | FY 2012     | 5.75%                             | 7.55% | 0.30%       | 54,454,653                     | 3.70%       | 5.30% | 0.20%                              | 78,530,870           | 3.70% | 5.70%       | 0.20%             | 81,672,105  | 728   | 700                                |                             |
| 74,830   |                      | 3,146,268,824  |                  | FY 2013     | 5.75%                             | 7.85% | 0.30%       | 66,071,645                     | 3.70%       | 6.30% | 0.20%                              | 81,672,105           | 3.70% | 6.70%       | 0.20%             | 81,672,105  | 728   | 728                                |                             |
| 74,830   |                      | 3,272,119,577  |                  | FY 2014     | 5.75%                             | 8.15% | 0.30%       | 78,530,870                     | 3.70%       | 7.10% | 0.20%                              | 81,672,105           | 3.70% | 7.50%       | 0.20%             | 81,672,105  | 728   | 728                                |                             |
| 74,830   |                      | 3,403,004,360  |                  | FY 2015     | 5.75%                             | 8.15% | 0.00%       | 81,672,105                     | 3.70%       | 7.10% | 0.00%                              | 81,672,105           | 3.70% | 7.10        |                   |             |       |                                    |                             |



HOUSE FILE 729

H-1265

1 Amend the amendment, H-1262, to House File 729 as  
2 follows:

3 1. Page 1, line 8, by inserting after the words  
4 "who is" the following: "newly".

5 2. Page 1, line 10, by inserting after the word  
6 "teacher" the following: "on or after July 1, 2006,".

7 3. Page 1, by striking lines 20 through 39 and  
8 inserting the following: "chapter, as set forth in  
9 section 97B.11. A person hired on or after July 1,  
10 2006,".

11 4. Page 2, line 5, by inserting after the words  
12 "who is" the following: "newly".

13 5. Page 2, line 5, by inserting after the word  
14 "hospital" the following: "on or after July 1,  
15 2006,".

16 6. Page 2, by striking lines 16 through 33 and  
17 inserting the following: "chapter, as set forth in  
18 section 97B.11. A person hired on or".

19 7. Page 3, by striking lines 26 through 32 and  
20 inserting the following:

21 "2. The state board of education shall select  
22 providers of the retirement system that are insurance  
23 companies authorized to issue annuity contracts in  
24 this state that are capable of providing bundled  
25 services for the retirement system, including, but not  
26 limited to, administration, investment management,  
27 employee education, and recordkeeping. The state  
28 board of education may limit the number of providers  
29 offered pursuant to this subsection to no more than  
30 six. The selection by the state board of education of  
31 a provider of the retirement system pursuant to this  
32 subsection shall not constitute an endorsement of the  
33 provider by the state board of education. In  
34 selecting providers, the state board of education  
35 shall place".

By KURTENBACH of Story

H-1265 FILED MARCH 31, 2005

ADOPTED

HOUSE FILE 729  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 166)

(As Amended and Passed by the House March 31, 2005)

Re-Passed House, Date 4-4-06 Passed Senate, Date 2-14-06  
Vote: Ayes 97 Nays 0 Vote: Ayes 46 Nays 0  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the Iowa public employees' retirement system  
2 and the judicial retirement system.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments \_\_\_\_\_

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. 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, 2006, through June 30, 2014, 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, 2014, 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

1 sufficient to amortize the unfunded actuarial liability of the  
2 retirement system in ten years.

3 Sec. 2. Section 97B.49C, subsection 3, paragraph a, Code  
4 2005, is amended to read as follows:

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

15 Sec. 3. Section 97B.50A, subsection 12, Code 2005, is  
16 amended to read as follows:

17 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in  
18 the administration of this section by the system shall be paid  
19 through ~~additional~~ contributions as determined pursuant to  
20 section 97B.49B, subsection 3, or section 97B.49C, subsection  
21 3, as applicable.

22 Sec. 4. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION  
23 FLEXIBILITY REVIEW -- REPORT.

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

35 2. The committee's review of pension flexibility issues

1 shall consider, among other ideas, the following:

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

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

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

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

16 3. The committee shall submit a report to the general  
17 assembly by January 1, 2006, which report shall contain, in  
18 addition to any other findings and recommendations concerning  
19 public retirement systems in Iowa, its findings and  
20 recommendations concerning its review of pension flexibility  
21 issues, including any proposal or proposals regarding adding  
22 additional flexibility in IPERS' plan design for the benefit  
23 of IPERS covered employees and employers.

24 DIVISION II

25 JUDICIAL RETIREMENT SYSTEM

26 Sec. 5. Section 602.9104, Code 2005, is amended to read as  
27 follows:

28 602.9104 DEDUCTIONS FROM JUDGES' SALARIES -- CONTRIBUTIONS  
29 BY STATE.

30 1. a. A judge to whom this article applies shall be paid  
31 an amount equal to ~~ninety-five-percent-of~~ the basic salary of  
32 the judge as set by the general assembly. --An reduced by an  
33 ~~amount equal-to-five-percent-of-the-basic-salary-of-the-judge~~  
34 ~~as-set-by-the-general-assembly-is~~ designated as the judge's  
35 required contribution to the judicial retirement fund, and.

1 The amount designated as the judge's required contribution  
2 shall be paid by the state in the manner provided in  
3 subsection 2.

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

9 2. The amount designated ~~in subsection 1~~ as the judge's  
10 required contribution to the judicial retirement fund shall be  
11 paid by the department of administrative services from the  
12 general fund of the state to the court administrator for  
13 deposit with the treasurer of state to the credit of the  
14 judicial retirement fund. Moneys in the fund are appropriated  
15 for the payment of annuities, refunds, and allowances provided  
16 by this article, except that the amount of the appropriations  
17 affecting payment of annuities, refunds, and allowances to  
18 judges of the municipal and superior court is limited to that  
19 part of the fund accumulated for their benefit as provided in  
20 this article. The corpus and income of the fund shall be used  
21 only for the exclusive benefit of the judges covered under  
22 this article, their survivors, or an alternate payee who is  
23 assigned benefits pursuant to a domestic relations order.

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

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

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

32 ~~(2)~~ b. "Fully funded status" means that the most recent  
33 actuarial valuation reflects that, using the projected unit  
34 credit method in accordance with generally recognized and  
35 accepted actuarial principles and practices set forth by the

1 American academy of actuaries, the funded status of the system  
2 is at least one-hundred ninety percent, based upon the  
3 benefits provided for judges through the judicial retirement  
4 system as of July 1, 2005.

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

8 (1) For the fiscal year beginning July 1, 2005, and for  
9 each subsequent fiscal year until the system attains fully  
10 funded status, six percent multiplied by a fraction equal to  
11 the actual percentage rate contributed by the state for that  
12 fiscal year divided by twenty-three and seven-tenths percent.

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

17 ~~{3}~~ d. "Required contribution rate" means that percentage  
18 of the basic salary of all judges covered under this article  
19 which, in addition to the judge's contribution established in  
20 subsection 17, the actuary of the system determines is  
21 necessary, using the projected unit credit method in  
22 accordance with generally recognized and accepted actuarial  
23 principles and practices set forth by the American academy of  
24 actuaries, to maintain fully-funded status amortize the  
25 unfunded actuarial liability of the judicial retirement system  
26 within twenty years.

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

30 (1) For the fiscal year beginning July 1, 2005, and for  
31 each subsequent fiscal year until the system attains fully  
32 funded status, twenty-three and seven-tenths percent.

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

1 required contribution rate.

2 ~~b.--Effective with the fiscal year commencing July 1, 1994,~~  
3 ~~and for each subsequent fiscal year until the system attains~~  
4 ~~fully-funded status, based upon the benefits provided for~~  
5 ~~judges through the judicial retirement system as of July 1,~~  
6 ~~2001, the state shall contribute annually to the judicial~~  
7 ~~retirement fund an amount equal to at least twenty-three and~~  
8 ~~seven-tenths percent of the basic salary of all judges covered~~  
9 ~~under this article.--Commencing with the first fiscal year in~~  
10 ~~which the system attains fully-funded status, based upon the~~  
11 ~~benefits provided for judges through the judicial retirement~~  
12 ~~system as of July 1, 2001, and for each subsequent fiscal~~  
13 ~~year, the state shall contribute to the judicial retirement~~  
14 ~~fund the required contribution rate.--The state's contribution~~  
15 ~~shall be appropriated directly to the judicial retirement~~  
16 ~~fund.~~

17 Sec. 6. Section 602.9106, Code 2005, is amended to read as  
18 follows:

19 602.9106 RETIREMENT.

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

29 Sec. 7. Section 602.9107, subsection 1, paragraph a, Code  
30 2005, is amended to read as follows:

31 a. The annual annuity of a judge under this system is an  
32 amount equal to three and one-fourth percent of the judge's  
33 average annual basic salary for the judge's highest three  
34 years as a judge of one or more of the courts included in this  
35 article, multiplied by the judge's years of service as a judge

1 of one or more of the courts for which contributions were made  
2 to the system. However, an annual annuity shall not exceed an  
3 amount equal to a specified percentage of the highest basic  
4 annual salary which the judge is receiving or had received as  
5 of the time the judge became separated from service.

6 Forfeitures shall not be used to increase the annuities a  
7 judge or survivor would otherwise receive under the system.

8 Sec. 8. Section 602.9107, subsection 1, paragraph b,  
9 subparagraph (4), Code 2005, is amended to read as follows:

10 (4) For judges who retire and receive an annuity on or  
11 after July 1, 2001, but before July 1, 2005, the specified  
12 percentage shall be sixty percent.

13 Sec. 9. Section 602.9107, subsection 1, paragraph b, Code  
14 2005, is amended by adding the following new subparagraph:

15 NEW SUBPARAGRAPH. (5) For judges who retire and receive  
16 an annuity on or after July 1, 2005, the specified percentage  
17 shall be sixty-five percent.

18 Sec. 10. Section 602.9107C, subsection 1, Code 2005, is  
19 amended to read as follows:

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

34 Sec. 11. Section 602.9108, Code 2005, is amended to read  
35 as follows:

1     602.9108   INDIVIDUAL ACCOUNTS -- REFUNDING.

2     The amount designated as the judge's contribution to the  
3 judicial retirement fund in section 602.9104, ~~subsection-1,~~  
4 and all amounts paid into the fund by a judge shall be  
5 credited to the individual account of the judge. If a judge  
6 covered under this article becomes separated from service as a  
7 judge before the judge completes an aggregate of ~~six~~ four  
8 years of service as a judge of one or more of the courts, the  
9 total amount in the judge's individual account shall be  
10 returned to the judge or the judge's legal representatives  
11 within one year of the separation. If a judge, who is covered  
12 under this article and who has completed an aggregate of ~~six~~  
13 four years or more of service as a judge of one or more of the  
14 courts, dies before retirement, without a survivor, the total  
15 amount in the judge's individual account shall be paid in one  
16 sum to the judge's legal representatives within one year of  
17 the judge's death. If an annuitant under this section dies  
18 without a survivor, and without having received in annuities  
19 an amount equal to the total amount in the judge's individual  
20 account at the time of separation from service, the amount  
21 remaining to the annuitant's credit shall be paid in one sum  
22 to the annuitant's legal representatives within one year of  
23 the annuitant's death.

24     Sec. 12. Section 602.9112, Code 2005, is amended to read  
25 as follows:

26     602.9112   VOLUNTARY RETIREMENT FOR DISABILITY.

27     Any judge of the supreme, district or municipal court,  
28 including a district associate judge, or a judge of the court  
29 of appeals, who shall have served as a judge of one or more of  
30 such courts for a period of ~~six~~ four years in the aggregate  
31 and who believes the judge has become permanently  
32 incapacitated, physically or mentally, to perform the duties  
33 of the judge's office may personally or by the judge's next  
34 friend or guardian file with the court administrator a written  
35 application for retirement. The application shall be filed in

1 duplicate and accompanied by an affidavit as to the duration  
2 and particulars of the judge's service and the nature of the  
3 judge's incapacity. The court administrator shall forthwith  
4 transmit one copy of the application and affidavit to the  
5 chief justice who shall request the attorney general in  
6 writing to cause an investigation to be made relative to the  
7 claimed incapacity and report back the results thereof in  
8 writing. If the chief justice finds from the report of the  
9 attorney general that the applicant is permanently  
10 incapacitated, physically or mentally, to perform the duties  
11 of the applicant's office the chief justice shall by  
12 endorsement thereon declare the applicant retired, and the  
13 office vacant, and shall file the report in the office of the  
14 court administrator, and a copy in the office of the secretary  
15 of state. From the date of such filing the applicant shall be  
16 deemed retired from the applicant's office and entitled to the  
17 benefits of this article to the same extent as if the  
18 applicant had retired under the provisions of section  
19 602.9106.

20 Sec. 13. Section 602.9115A, unnumbered paragraphs 1 and 3,  
21 Code 2005, are amended to read as follows:

22 In lieu of the annuities and refunds provided for judges  
23 and judges' survivors under sections 602.9107, ~~602.9107A~~,  
24 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges  
25 may elect to receive an optional retirement annuity during the  
26 judge's lifetime and have the optional retirement annuity, or  
27 a designated fraction of the optional retirement annuity,  
28 continued and paid to the judge's survivor after the judge's  
29 death and during the lifetime of the survivor.

30 The optional retirement annuity shall be the actuarial  
31 equivalent of the amounts of the annuities payable to judges  
32 and survivors under sections 602.9107, ~~602.9107A~~, 602.9115,  
33 602.9204, 602.9208, and 602.9209. The actuarial equivalent  
34 shall be based on the mortality and interest assumptions set  
35 out in section 602.9107, subsection 3.

1     Sec. 14. Section 602.9116, subsection 1, Code 2005, is  
2 amended to read as follows:

3     1. The court administrator shall cause an actuarial  
4 valuation to be made of the assets and liabilities of the  
5 judicial retirement fund at least once every four years  
6 commencing with the fiscal year beginning July 1, 1981. For  
7 each fiscal year in which an actuarial valuation is not  
8 conducted, the court administrator shall cause an annual  
9 actuarial update to be prepared for the purpose of determining  
10 the adequacy of the contribution rates specified in section  
11 602.9104~~7-subsection-4~~. The court administrator shall adopt  
12 mortality tables and other necessary factors for use in the  
13 actuarial calculations required for the valuation upon the  
14 recommendation of the actuary. Following the actuarial  
15 valuation or annual actuarial update, the court administrator  
16 shall determine the condition of the system and shall report  
17 its findings and recommendations to the general assembly.

18     Sec. 15. Section 602.9203, subsection 2, paragraph b, Code  
19 2005, is amended to read as follows:

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

27     Sec. 16. Section 602.9204, subsection 1, Code 2005, is  
28 amended to read as follows:

29     1. A judge who retires on or after July 1, 1994, and who  
30 is appointed a senior judge under section 602.9203 shall be  
31 paid a salary as determined by the general assembly. A senior  
32 judge or retired senior judge shall be paid an annuity under  
33 the judicial retirement system in the manner provided in  
34 section 602.9109, but computed under this section in lieu of  
35 section 602.9107, as follows: The annuity paid to a senior

1 judge or retired senior judge shall be an amount equal to  
2 ~~three-percent~~ the applicable percentage multiplier of the  
3 basic senior judge salary, multiplied by the judge's years of  
4 service prior to retirement as a judge of one or more of the  
5 courts included under this article, for which contributions  
6 were made to the system, except the annuity of the senior  
7 judge or retired senior judge shall not exceed an amount equal  
8 to the applicable specified percentage of the basic senior  
9 judge salary used in calculating the annuity. However,  
10 following the twelve-month period during which the senior  
11 judge or retired senior judge attains seventy-eight years of  
12 age, the annuity paid to the person shall be an amount equal  
13 to ~~three-percent~~ the applicable percentage multiplier of the  
14 basic senior judge salary cap, multiplied by the judge's years  
15 of service prior to retirement as a judge of one or more of  
16 the courts included under this article, for which  
17 contributions were made to the system, except that the annuity  
18 shall not exceed an amount equal to the applicable specified  
19 percentage of the basic senior judge salary cap. A senior  
20 judge or retired senior judge shall not receive benefits  
21 calculated using a basic senior judge salary established after  
22 the twelve-month period in which the senior judge or retired  
23 senior judge attains seventy-eight years of age. The state  
24 shall provide, regardless of age, to an active senior judge or  
25 a senior judge with six years of service as a senior judge and  
26 to the judge's spouse, and pay for medical insurance until the  
27 judge attains the age of seventy-eight years.

28 Sec. 17. Section 602.9204, subsection 2, Code 2005, is  
29 amended by adding the following new paragraph:

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

32 (1) For a senior judge or retired senior judge who retired  
33 as a judge and received an annuity prior to July 1, 2005,  
34 three percent.

35 (2) For a senior judge or a retired senior judge who

1 retired as a judge and received an annuity on or after July 1,  
2 2005, three and one-fourth percent.

3 Sec. 18. Section 602.9107A, Code 2005, is repealed.

4  
5

**HOUSE FILE 729**

**S-3129**

1 Amend the amendment, S-3105, to House File 729, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

- 4 1. By striking page 1, line 3, through page 2,  
5 line 6.
- 6 2. By striking page 3, line 50, through page 4,  
7 line 39.
- 8 3. By striking page 4, line 40, through page 5,  
9 line 5, and inserting the following:  
10 "Sec. \_\_\_\_ . Section 97B.49B, subsection 3, Code  
11 2005, is amended to read as follows:"
- 12 4. By striking page 6, line 26, through page 10,  
13 line 16.
- 14 5. Page 10, by striking lines 19 through 26.
- 15 6. By renumbering as necessary.

**By MARK ZIEMAN**

**S-3129 FILED APRIL 14, 2005**

21

2

**HOUSE FILE 729**

**S-3220**

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:

- 3 1. Page 2, by inserting after line 21, the  
4 following:  
5 "Sec. \_\_\_\_ . Section 97B.80C, subsection 1,  
6 paragraph a, Code 2005, is amended by adding the  
7 following new subparagraph:  
8 NEW SUBPARAGRAPH. (3) Any service that is not  
9 qualified service for which the internal revenue  
10 service permits the purchase of permissive service  
11 credit."
- 12 2. By renumbering as necessary.

**By JACK HATCH**

**S-3220 FILED MAY 2, 2005**

34

35

S-3105

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by inserting after line 2 the  
4 following:

5 "Section 1. Section 97B.1A, Code 2005, is amended  
6 by adding the following new subsections:  
7 NEW SUBSECTION. 10A. "Final average salary" means  
8 as follows:

9 a. For a member whose first date of service is  
10 before July 1, 2005, the member's three-year average  
11 covered wage.

12 b. For a member whose first date of service is on  
13 or after July 1, 2005, the member's five-year average  
14 covered wage.

15 NEW SUBSECTION. 10B. "First date of service"  
16 means the later of the following, if applicable:

17 a. The date a person first enters service if no  
18 refund of contributions for service on that date is  
19 made.

20 b. The date an inactive nonvested member first  
21 reenters service if no refund of contributions for  
22 service on that date is made.

23 NEW SUBSECTION. 11A. a. "Five-year average  
24 covered wage" means, for a member who retires prior to  
25 July 1, 2008, a member's covered wages averaged for  
26 the highest five years of the member's service, except  
27 as otherwise provided in this subsection. The highest  
28 five years of a member's covered wages shall be  
29 determined using calendar years. However, if a  
30 member's final quarter of a year of employment does  
31 not occur at the end of a calendar year, the system  
32 may determine the wages for the fifth year by  
33 computing the average quarter of all quarters from the  
34 member's highest calendar year of covered wages not  
35 being used in the selection of the four highest years  
36 and using the computed average quarter for each  
37 quarter in the fifth year in which no wages have been  
38 reported in combination with the final quarter or  
39 quarters of the member's service to create a full  
40 year. However, the system shall not use the member's  
41 final quarter of wages if using that quarter would  
42 reduce the member's five-year average covered wage.  
43 Notwithstanding any other provision of this paragraph  
44 to the contrary, a member's wages for the fifth year  
45 as computed by this paragraph shall not exceed, by  
46 more than three percent, the member's highest actual  
47 calendar year of covered wages.

48 b. "Five-year average covered wage" means, for a  
49 member who retires on or after July 1, 2008, the  
50 greater of the member's covered wages averaged for a

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1 member's highest twenty consecutive quarters of  
2 service or the member's covered wages averaged for a  
3 member's highest five calendar years of service. The  
4 system shall adopt rules to implement this paragraph  
5 in accordance with the requirements of this chapter  
6 and the federal Internal Revenue Code."

7 2. Page 1, by striking lines 14 through 32 and  
8 inserting the following:

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

11 a. "Applicable employee percentage" means the  
12 percentage rate equal to three and seventy-five  
13 hundredths percent plus the total additional employee  
14 percentage plus fifty percent of the total adjusted  
15 percentage.

16 b. "Applicable employer percentage" means the  
17 percentage rate equal to five and seventy-five  
18 hundredths percent plus fifty percent of the total  
19 adjusted percentage.

20 c. "Total additional employee percentage" means as  
21 follows:

22 (1) For the fiscal period beginning July 1, 2005,  
23 through June 30, 2013, the total additional employee  
24 percentage for a fiscal year shall be the total  
25 additional employee percentage for the prior fiscal  
26 year plus, only if the total comparison percentage is  
27 greater than the total of the applicable employee  
28 percentage for the prior fiscal year and the  
29 applicable employer percentage for the prior fiscal  
30 year, one-half percentage point. The maximum total  
31 additional employee percentage shall be two percentage  
32 points.

33 (2) For each fiscal year beginning on or after  
34 July 1, 2014, the total additional employee percentage  
35 shall be the total additional employee percentage for  
36 the prior fiscal year.

37 d. "Total adjusted percentage" means as follows:

38 (1) For the fiscal period beginning July 1, 2009,  
39 through June 30, 2013, the total adjusted percentage  
40 for a fiscal year shall be the total adjusted  
41 percentage for the prior fiscal year plus, only if the  
42 total additional employee percentage for the prior  
43 fiscal year was two percentage points and the total  
44 comparison percentage is greater than the total of the  
45 applicable employee percentage for the prior fiscal  
46 year and the applicable employer percentage for the  
47 prior fiscal year, one-half percentage point.

48 (2) For each fiscal year beginning on or after  
49 July 1, 2013, the total adjusted percentage shall be  
50 the lesser of the percentage rate, whether positive or

1 negative, equal to the total required percentage, as  
2 defined in paragraph "f", for that fiscal year minus  
3 eleven and one-half percent or the total adjusted  
4 percentage for the fiscal year beginning July 1,  
5 2013."

6 3. Page 1, line 33, by striking the words "d."  
7 and inserting the following: "e.".

8 4. Page 2, by inserting after line 2, the  
9 following:

10 "f. "Total required percentage" for a fiscal year  
11 means the percentage rate equal to the total of eleven  
12 and one-half percent and the total adjusted percentage  
13 for the prior fiscal year unless any of the following  
14 applies:

15 (1) If the system determines, based upon the most  
16 recent actuarial valuation of the retirement system,  
17 that the total required percentage for the prior  
18 fiscal year is insufficient to amortize the unfunded  
19 actuarial liability of the retirement system within  
20 thirty years, the total required percentage for the  
21 next fiscal year shall be the lesser, as determined by  
22 the system's actuary, of the percentage rate needed to  
23 amortize the unfunded actuarial liability of the  
24 retirement system in thirty years or a percentage rate  
25 equal to one percentage point greater than the total  
26 required percentage for the prior fiscal year.

27 (2) If the system determines, based upon the most  
28 recent actuarial valuation of the retirement system,  
29 that the total required percentage for the prior  
30 fiscal year is sufficient to amortize the unfunded  
31 actuarial liability of the retirement system within  
32 ten years or less, the total required percentage for  
33 the next fiscal year shall be the greater, as  
34 determined by the system, of the following:

35 (a) One percentage point less than the total  
36 required percentage for the prior fiscal year.

37 (b) The percentage rate equal to the normal cost  
38 rate as certified by the system's actuary plus that  
39 percentage necessary, but in no event less than  
40 seventy-five hundredths of one percent, to amortize  
41 any unfunded actuarial liability of the retirement  
42 system within twenty years.

43 The total required percentage as provided by this  
44 paragraph "f" for a particular fiscal year shall be  
45 determined by the system, by rule, following a  
46 determination by the system's actuary as to the total  
47 required percentage for that fiscal year based upon  
48 the most recent actuarial valuation of the retirement  
49 system by the system's actuary.

50 Sec. \_\_\_\_\_. Section 97B.45, subsection 4, Code 2005,

1 is amended to read as follows:

2 4. ~~The~~ For a member whose first date of service is  
3 before July 1, 2005, the first of any month in which  
4 the member is at least fifty-five years of age and for  
5 which the sum of the number of years of membership  
6 service and prior service and the member's age in  
7 years as of the member's last birthday equals or  
8 exceeds eighty-eight.

9 Sec. \_\_\_\_\_. Section 97B.47, Code 2005, is amended to  
10 read as follows:

11 97B.47 EARLY RETIREMENT DATE.

12 1. ~~A member's~~ The early retirement date of a  
13 member whose first date of service is before July 1,  
14 2005, shall be the first of the month in which a  
15 member attains the age of fifty-five years or the  
16 first of any month after attaining the age of fifty-  
17 five years prior to the member's normal retirement  
18 date, provided such date shall be after the last day  
19 of service.

20 2. The early retirement date of a member whose  
21 first date of service is on or after July 1, 2005,  
22 shall be the first of the month in which the member  
23 attains the age of sixty-two years or the first of any  
24 month after attaining the age of sixty-two years prior  
25 to the member's normal retirement date, provided such  
26 date shall be after the last day of service.

27 Sec. \_\_\_\_\_. Section 97B.49A, subsection 3, Code  
28 2005, is amended to read as follows:

29 3. CALCULATION OF MONTHLY ALLOWANCE. For each  
30 active or inactive vested member retiring on or after  
31 July 1, 1994, with four or more complete years of  
32 service, a monthly benefit shall be computed which is  
33 equal to one-twelfth of an amount equal to the  
34 applicable percentage of the ~~three-year average~~  
35 ~~covered wage~~ member's final average salary multiplied  
36 by a fraction of years of service. However, if  
37 benefits under this section commence on an early  
38 retirement date, the amount of the benefit shall be  
39 reduced in accordance with section 97B.50.

40 Sec. \_\_\_\_\_. Section 97B.49B, subsections 2, 3, and  
41 4, Code 2005, are amended to read as follows:

42 2. CALCULATION OF MONTHLY ALLOWANCE.  
43 Notwithstanding other provisions of this chapter, a  
44 member who is or has been employed in a protection  
45 occupation who retires on or after July 1, 1994, and  
46 at the time of retirement is at least fifty-five years  
47 of age may elect to receive, in lieu of the receipt of  
48 any benefits as calculated pursuant to section 97B.49A  
49 or 97B.49D, a monthly retirement allowance equal to  
50 one-twelfth of an amount equal to the applicable

1 percentage of the ~~three-year average covered wage~~  
2 member's final average salary as a member who has been  
3 employed in a protection occupation multiplied by a  
4 fraction of years of service, with benefits payable  
5 during the member's lifetime.

6 3. ~~ADDITIONAL~~ CONTRIBUTIONS.

7 a. Annually, the system shall actuarially  
8 determine the cost of the ~~additional~~ benefits provided  
9 for members covered under this section as a percentage  
10 of the covered wages of the employees covered by this  
11 section. Sixty Notwithstanding any provision of  
12 section 97B.11 to the contrary, sixty percent of the  
13 cost shall be paid by the employers of employees  
14 covered under this section and forty percent of the  
15 cost shall be paid by the employees. The employer and  
16 employee contributions required under this paragraph  
17 are in addition to the shall be treated as  
18 contributions paid under sections 97B.11 and 97B.11A.

19 b. (1) For the fiscal year commencing July 1,  
20 1988, and each succeeding fiscal year, there is  
21 appropriated from the state fish and game protection  
22 fund to the system the amount necessary to pay the  
23 employer share of the cost of the ~~additional~~ benefits  
24 provided to employees covered under subsection 1,  
25 paragraph "e", subparagraph (1).

26 (2) Annually, during each fiscal year commencing  
27 with the fiscal year beginning July 1, 1988, each  
28 applicable city shall pay to the system the amount  
29 necessary to pay the employer share of the cost of the  
30 ~~additional~~ benefits provided to employees of that city  
31 covered under subsection 1, paragraph "e",  
32 subparagraphs (2) and (4).

33 (3) For the fiscal year commencing July 1, 1988,  
34 and each succeeding fiscal year, the department of  
35 corrections shall pay to the system from funds  
36 appropriated to the Iowa department of corrections,  
37 the amount necessary to pay the employer share of the  
38 cost of the ~~additional~~ benefits provided to employees  
39 covered under subsection 1, paragraph "e",  
40 subparagraph (3).

41 (4) For the fiscal year commencing July 1, 1990,  
42 and each succeeding fiscal year, the state department  
43 of transportation shall pay to the system, from funds  
44 appropriated to the state department of transportation  
45 from the road use tax fund and the primary road fund,  
46 the amount necessary to pay the employer share of the  
47 cost of the ~~additional~~ benefits provided to employees  
48 covered under subsection 1, paragraph "e",  
49 subparagraph (5).

50 (5) For the fiscal year commencing July 1, 1992,

1 and each succeeding fiscal year, the department of  
2 public safety shall pay to the system from funds  
3 appropriated to the department of public safety, the  
4 amount necessary to pay the employer share of the cost  
5 of the ~~additional~~ benefits provided to a fire  
6 prevention inspector peace officer pursuant to  
7 subsection 1, paragraph "e", subparagraph (6).

8 (6) For the fiscal year commencing July 1, 1994,  
9 and each succeeding fiscal year through the fiscal  
10 year ending June 30, 1998, each judicial district  
11 department of correctional services shall pay to the  
12 system from funds appropriated to that judicial  
13 district department of correctional services, the  
14 amount necessary to pay the employer share of the cost  
15 of the ~~additional~~ benefits provided to employees of a  
16 judicial district department of correctional services  
17 who are employed as a probation officer III or a  
18 parole officer III.

19 (7) For the fiscal year commencing July 1, 2004,  
20 and each succeeding fiscal year, there is appropriated  
21 from the general fund of the state to the system, from  
22 funds not otherwise appropriated, an amount necessary  
23 to pay the employer share of the cost of the  
24 ~~additional~~ benefits provided to airport fire fighters  
25 under this section.

26 4. Notwithstanding any provision of this chapter  
27 to the contrary, the ~~three-year average covered wage~~  
28 member's final average salary for a member retiring  
29 under this section whose years of eligible service  
30 equals or exceeds twenty-two years of eligible service  
31 for that member shall be determined by calculating the  
32 member's eligible combined wage for each year of  
33 eligible service. For purposes of this subsection,  
34 "eligible combined wage" means the wages earned by the  
35 member for each quarter year period from eligible  
36 service and from covered employment that is not  
37 eligible service if at least seventy-five percent of  
38 the wages earned was from eligible service.

39 Sec. \_\_\_\_ . Section 97B.49C, subsection 2,  
40 paragraphs a and b, Code 2005, are amended to read as  
41 follows:

42 a. Notwithstanding other provisions of this  
43 chapter, a member who retires from employment as a  
44 sheriff, deputy sheriff, or airport fire fighter on or  
45 after July 1, 1994, and before July 1, 2004, and at  
46 the time of retirement is at least fifty-five years of  
47 age may elect to receive, in lieu of the receipt of  
48 any benefits as calculated pursuant to section 97B.49A  
49 or 97B.49D, a monthly retirement allowance equal to  
50 one-twelfth of an amount equal to the applicable

1 percentage of the ~~three-year average covered wage~~  
2 member's final average salary as a member who has been  
3 employed in eligible service multiplied by a fraction  
4 of years of service, with benefits payable during the  
5 member's lifetime.

6 b. Notwithstanding other provisions of this  
7 chapter, a member who retires from employment as a  
8 sheriff or deputy sheriff on or after July 1, 2004,  
9 and at the time of retirement is either at least  
10 fifty-five years of age or is at least the applicable  
11 early retirement age with at least twenty-two years of  
12 eligible service may elect to receive, in lieu of the  
13 receipt of any benefits as calculated pursuant to  
14 section 97B.49A or 97B.49D, a monthly retirement  
15 allowance equal to one-twelfth of an amount equal to  
16 the applicable percentage of the ~~three-year average~~  
17 ~~covered wage~~ member's final average salary as a member  
18 who has been employed in eligible service multiplied  
19 by a fraction of years of service, with benefits  
20 payable during the member's lifetime."

21 5. Page 2, by inserting after line 14 the  
22 following:

23 "Sec. \_\_\_\_ . Section 97B.49C, subsection 4, Code  
24 2005, is amended to read as follows:

25 4. Notwithstanding any provision of this chapter  
26 to the contrary, the ~~three-year average covered wage~~  
27 member's final average salary for a member retiring  
28 under this section whose years of eligible service  
29 equals or exceeds twenty-two years of eligible service  
30 for that member shall be determined by calculating the  
31 member's eligible combined wage for each quarter year  
32 of eligible service. For purposes of this subsection,  
33 "eligible combined wage" means the wages earned by the  
34 member for each quarter year period from eligible  
35 service and from covered employment that is not  
36 eligible service if at least seventy-five percent of  
37 the wages earned was from eligible service.

38 Sec. \_\_\_\_ . Section 97B.49D, subsection 1,  
39 paragraphs a, b, and c, Code 2005, are amended to read  
40 as follows:

41 a. One-twelfth of an amount equal to the  
42 applicable percentage of the member's ~~three-year~~  
43 ~~average covered wage~~ final average salary multiplied  
44 by a fraction of years of service. The fraction of  
45 years of service for purposes of this paragraph shall  
46 be the actual years of service, not to exceed thirty,  
47 for which regular service contributions were made,  
48 divided by thirty. However, any otherwise applicable  
49 age reduction for early retirement shall apply to the  
50 calculation under this paragraph.

1 b. One-twelfth of an amount equal to the  
2 applicable percentage of the member's ~~three-year~~  
3 ~~average covered wage~~ final average salary multiplied  
4 by a fraction of years of service. The fraction of  
5 years of service for purposes of this paragraph shall  
6 be the actual years of service, not to exceed the  
7 applicable years of service for the member as defined  
8 in section 97B.49B, earned in a position described in  
9 section 97B.49B, for which special service  
10 contributions were made, divided by the applicable  
11 years of service for the member as defined in section  
12 97B.49B. In calculating the fractions of years of  
13 service under the paragraph, a member shall not  
14 receive special service credit for years of service  
15 for which the member and the member's employer did not  
16 make the required special service contributions to the  
17 system.

18 c. One-twelfth of an amount equal to the  
19 applicable percentage of the member's ~~three-year~~  
20 ~~average covered wage~~ final average salary multiplied  
21 by a fraction of years of service. The fraction of  
22 years of service for purposes of this paragraph shall  
23 be the actual years of service, not to exceed twenty-  
24 two, earned in a position described in section  
25 97B.49C, for which special service contributions were  
26 made, divided by twenty-two. In calculating the  
27 fractions of years of service under this paragraph, a  
28 member shall not receive special service credit for  
29 years of service for which the member and the member's  
30 employer did not make the required special service  
31 contributions to the system.

32 Sec. \_\_\_\_\_. Section 97B.50, subsection 1, paragraph  
33 a, Code 2005, is amended to read as follows:

34 a. For a member ~~who is less than sixty-two years~~  
35 ~~of age~~ whose first date of service is before July 1,  
36 2005, by twenty-five hundredths of one percent per  
37 month for each month that the early retirement date  
38 precedes the normal retirement date.

39 Sec. \_\_\_\_\_. Section 97B.50, subsection 1, paragraph  
40 b, Code 2005, is amended by striking the paragraph and  
41 inserting in lieu thereof the following:

42 b. For a member whose first date of service is on  
43 or after July 1, 2005, by the actuarial cost to the  
44 system for each month that the early retirement date  
45 precedes the normal retirement date.

46 Sec. \_\_\_\_\_. Section 97B.50A, subsection 1, paragraph  
47 c, Code 2005, is amended to read as follows:

48 c. "Reemployment comparison amount" means an  
49 amount equal to the current covered wages of an active  
50 special service member at the same position on the

1 salary scale within the rank or position the member  
2 held at the time the member received a disability  
3 retirement allowance pursuant to this section. If the  
4 rank or position held by the member at the time of  
5 retirement pursuant to this section is abolished, the  
6 amount shall be computed by the system as though the  
7 rank or position had not been abolished and salary  
8 increases had been granted on the same basis as  
9 granted to other ranks or positions by the former  
10 employer of the member. The reemployment comparison  
11 amount shall not be less than the ~~three-year average~~  
12 ~~covered wage~~ final average salary of the member, based  
13 on all regular and special service covered under this  
14 chapter.

15 Sec. \_\_\_\_\_. Section 97B.50A, subsection 2, paragraph  
16 d, Code 2005, is amended to read as follows:

17 d. Upon retirement for an in-service disability as  
18 provided by this subsection, a member shall have the  
19 option to receive a monthly in-service disability  
20 retirement allowance calculated under this subsection  
21 or a monthly retirement allowance as provided in  
22 section 97B.49A, 97B.49B, 97B.49C, 97B.49D, or  
23 97B.49G, as applicable, that the member would receive  
24 if the member had attained fifty-five years of age.  
25 The monthly in-service disability allowance calculated  
26 under this subsection shall consist of an allowance  
27 equal to one-twelfth of sixty percent of the member's  
28 ~~three-year average covered wage~~ final average salary  
29 or its actuarial equivalent as provided under section  
30 97B.51.

31 Sec. \_\_\_\_\_. Section 97B.50A, subsection 3, paragraph  
32 c, Code 2005, is amended to read as follows:

33 c. Upon retirement for an ordinary disability as  
34 provided by this subsection, a member shall receive  
35 the greater of a monthly ordinary disability  
36 retirement allowance calculated under this subsection  
37 or a monthly retirement allowance as provided in  
38 section 97B.49A, 97B.49B, 97B.49C, 97B.49D, or  
39 97B.49G, as applicable. The monthly ordinary  
40 disability allowance calculated under this subsection  
41 shall consist of an allowance equal to one-twelfth of  
42 fifty percent of the member's ~~three-year average~~  
43 ~~covered wage~~ final average salary or its actuarial  
44 equivalent as provided under section 97B.51.

45 Sec. \_\_\_\_\_. Section 97B.53, subsection 2, Code 2005,  
46 is amended to read as follows:

47 2. If a vested member's employment is terminated  
48 prior to the member's retirement, other than by death,  
49 the member may receive a monthly retirement allowance  
50 commencing on the first day of the month in which the

1 member attains the age of sixty-five years, if the  
2 member is then alive, or, if the member so elects in  
3 accordance with section 97B.47, commencing on the  
4 ~~first day of the month in which the member attains the~~  
5 ~~age of fifty-five member's early retirement date or~~  
6 any month thereafter prior to the date the member  
7 attains the age of sixty-five years, and continuing on  
8 the first day of each month thereafter during the  
9 member's lifetime, provided the member does not  
10 receive prior to the date the member's retirement  
11 allowance is to commence a refund of moneys in the  
12 member's account as provided under any of the  
13 provisions of this chapter. The amount of each such  
14 monthly retirement allowance shall be determined as  
15 provided in either sections 97B.49A through 97B.49G,  
16 or in section 97B.50, whichever is applicable."

17 6. Page 3, by inserting after line 23 the  
18 following:

19 "Sec. \_\_\_\_\_. FAVORABLE EXPERIENCE DIVIDEND RESERVE  
20 ACCOUNT -- TRANSFER OF MONEYS. Notwithstanding any  
21 provision of chapter 97B to the contrary, the Iowa  
22 public employees' retirement system shall have the  
23 authority to transfer a portion of the moneys in the  
24 favorable experience dividend reserve account created  
25 in section 97B.49F to the retirement fund created in  
26 section 97B.7.

27 Sec. \_\_\_\_\_. IPERS BENEFIT ENHANCEMENTS -- DELAYED  
28 EFFECTIVE DATE. Notwithstanding any provision of law  
29 to the contrary, if any benefit enhancements are  
30 enacted during the fiscal period beginning July 1,  
31 2005, through June 30, 2013, for members of the Iowa  
32 public employees' retirement system (IPERS), the  
33 benefit enhancements shall become effective the latter  
34 of July 1, 2014, or the July 1 following the most  
35 recent actuarial valuation of the retirement system in  
36 which the IPERS actuary certifies that the funded  
37 status of IPERS is at least one hundred percent. For  
38 purposes of this section, benefit enhancements are  
39 retirement benefits provided to members of IPERS which  
40 the IPERS actuary determines will increase IPERS'  
41 normal cost rate."

42 7. Title page, line 2, by inserting after the  
43 word "system" the following: "and including an  
44 effective date provision".

45 8. By renumbering, redesignating, and correcting  
46 internal references as necessary.

COMMITTEE ON STATE GOVERNMENT  
WALLY E. HORN, CO-CHAIRPERSON  
LARRY MCKIBBEN, CO-CHAIRPERSON

S-3145

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 14 through 32 and  
4 inserting the following:

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

7 a. "Applicable employee percentage" means the  
8 percentage rate equal to three and seventy-five  
9 hundredths percent plus the total additional employee  
10 percentage plus fifty percent of the total adjusted  
11 percentage.

12 b. "Applicable employer percentage" means the  
13 percentage rate equal to five and seventy-five  
14 hundredths percent plus fifty percent of the total  
15 adjusted percentage.

16 c. "Total additional employee percentage" means as  
17 follows:

18 (1) For the fiscal period beginning July 1, 2005,  
19 through June 30, 2013, the total additional employee  
20 percentage for a fiscal year shall be the total  
21 additional employee percentage for the prior fiscal  
22 year plus, only if the total comparison percentage is  
23 greater than the total of the applicable employee  
24 percentage for the prior fiscal year and the  
25 applicable employer percentage for the prior fiscal  
26 year, one-half percentage point. The maximum total  
27 additional employee percentage shall be two percentage  
28 points.

29 (2) For each fiscal year beginning on or after  
30 July 1, 2014, the total additional employee percentage  
31 shall be the total additional employee percentage for  
32 the prior fiscal year.

33 d. "Total adjusted percentage" means as follows:

34 (1) For the fiscal period beginning July 1, 2009,  
35 through June 30, 2013, the total adjusted percentage  
36 for a fiscal year shall be the total adjusted  
37 percentage for the prior fiscal year plus, only if the  
38 total additional employee percentage for the prior  
39 fiscal year was two percentage points and the total  
40 comparison percentage is greater than the total of the  
41 applicable employee percentage for the prior fiscal  
42 year and the applicable employer percentage for the  
43 prior fiscal year, one-half percentage point.

44 (2) For each fiscal year beginning on or after  
45 July 1, 2013, the total adjusted percentage shall be  
46 the lesser of the percentage rate, whether positive or  
47 negative, equal to the total required percentage, as  
48 defined in paragraph "f", for that fiscal year minus  
49 eleven and one-half percent or the total adjusted  
50 percentage for the fiscal year beginning July 1,

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1 2013."

2 2. Page 1, line 33, by striking the word "d." and  
3 inserting the following: "e."

4 3. Page 2, by inserting after line 2, the  
5 following:

6 "f. "Total required percentage" for a fiscal year  
7 means the percentage rate equal to the total of eleven  
8 and one-half percent and the total adjusted percentage  
9 for the prior fiscal year unless any of the following  
10 applies:

11 (1) If the system determines, based upon the most  
12 recent actuarial valuation of the retirement system,  
13 that the total required percentage for the prior  
14 fiscal year is insufficient to amortize the unfunded  
15 actuarial liability of the retirement system within  
16 thirty years, the total required percentage for the  
17 next fiscal year shall be the lesser, as determined by  
18 the system's actuary, of the percentage rate needed to  
19 amortize the unfunded actuarial liability of the  
20 retirement system in thirty years or a percentage rate  
21 equal to one percentage point greater than the total  
22 required percentage for the prior fiscal year.

23 (2) If the system determines, based upon the most  
24 recent actuarial valuation of the retirement system,  
25 that the total required percentage for the prior  
26 fiscal year is sufficient to amortize the unfunded  
27 actuarial liability of the retirement system within  
28 ten years or less, the total required percentage for  
29 the next fiscal year shall be the greater, as  
30 determined by the system, of the following:

31 (a) One percentage point less than the total  
32 required percentage for the prior fiscal year.

33 (b) The percentage rate equal to the normal cost  
34 rate as certified by the system's actuary plus that  
35 percentage necessary, but in no event less than  
36 seventy-five hundredths of one percent, to amortize  
37 any unfunded actuarial liability of the retirement  
38 system within twenty years.

39 The total required percentage as provided by this  
40 paragraph "f" for a particular fiscal year shall be  
41 determined by the system, by rule, following a  
42 determination by the system's actuary as to the total  
43 required percentage for that fiscal year based upon  
44 the most recent actuarial valuation of the retirement  
45 system by the system's actuary.

46 Sec. \_\_\_\_ . Section 97B.49B, subsection 3, Code  
47 2005, is amended to read as follows:

48 3. ADDITIONAL CONTRIBUTIONS.

49 a. Annually, the system shall actuarially  
50 determine the cost of the ~~additional~~ benefits provided

1 for members covered under this section as a percentage  
2 of the covered wages of the employees covered by this  
3 section. ~~Sixty~~ Notwithstanding any provision of  
4 section 97B.11 to the contrary, sixty percent of the  
5 cost shall be paid by the employers of employees  
6 covered under this section and forty percent of the  
7 cost shall be paid by the employees. The employer and  
8 employee contributions required under this paragraph  
9 are in addition to the shall be treated as  
10 contributions paid under sections 97B.11 and 97B.11A.

11 b. (1) For the fiscal year commencing July 1,  
12 1988, and each succeeding fiscal year, there is  
13 appropriated from the state fish and game protection  
14 fund to the system the amount necessary to pay the  
15 employer share of the cost of the ~~additional~~ benefits  
16 provided to employees covered under subsection 1,  
17 paragraph "e", subparagraph (1).

18 (2) Annually, during each fiscal year commencing  
19 with the fiscal year beginning July 1, 1988, each  
20 applicable city shall pay to the system the amount  
21 necessary to pay the employer share of the cost of the  
22 ~~additional~~ benefits provided to employees of that city  
23 covered under subsection 1, paragraph "e",  
24 subparagraphs (2) and (4).

25 (3) For the fiscal year commencing July 1, 1988,  
26 and each succeeding fiscal year, the department of  
27 corrections shall pay to the system from funds  
28 appropriated to the Iowa department of corrections,  
29 the amount necessary to pay the employer share of the  
30 cost of the ~~additional~~ benefits provided to employees  
31 covered under subsection 1, paragraph "e",  
32 subparagraph (3).

33 (4) For the fiscal year commencing July 1, 1990,  
34 and each succeeding fiscal year, the state department  
35 of transportation shall pay to the system, from funds  
36 appropriated to the state department of transportation  
37 from the road use tax fund and the primary road fund,  
38 the amount necessary to pay the employer share of the  
39 cost of the ~~additional~~ benefits provided to employees  
40 covered under subsection 1, paragraph "e",  
41 subparagraph (5).

42 (5) For the fiscal year commencing July 1, 1992,  
43 and each succeeding fiscal year, the department of  
44 public safety shall pay to the system from funds  
45 appropriated to the department of public safety, the  
46 amount necessary to pay the employer share of the cost  
47 of the ~~additional~~ benefits provided to a fire  
48 prevention inspector peace officer pursuant to  
49 subsection 1, paragraph "e", subparagraph (6).

50 (6) For the fiscal year commencing July 1, 1994,

1 and each succeeding fiscal year through the fiscal  
2 year ending June 30, 1998, each judicial district  
3 department of correctional services shall pay to the  
4 system from funds appropriated to that judicial  
5 district department of correctional services, the  
6 amount necessary to pay the employer share of the cost  
7 of the ~~additional~~ benefits provided to employees of a  
8 judicial district department of correctional services  
9 who are employed as a probation officer III or a  
10 parole officer III.

11 (7) For the fiscal year commencing July 1, 2004,  
12 and each succeeding fiscal year, there is appropriated  
13 from the general fund of the state to the system, from  
14 funds not otherwise appropriated, an amount necessary  
15 to pay the employer share of the cost of the  
16 ~~additional~~ benefits provided to airport fire fighters  
17 under this section."

18 4. Page 3, by inserting after line 23 the  
19 following:

20 Sec. \_\_\_\_\_. IPERS BENEFIT ENHANCEMENTS -- DELAYED  
21 EFFECTIVE DATE. Notwithstanding any provision of law  
22 to the contrary, if any benefit enhancements are  
23 enacted during the fiscal period beginning July 1,  
24 2005, through June 30, 2013, for members of the Iowa  
25 public employees' retirement system (IPERS), the  
26 benefit enhancements shall become effective the latter  
27 of July 1, 2014, or the July 1 following the most  
28 recent actuarial valuation of the retirement system in  
29 which the IPERS actuary certifies that the funded  
30 status of IPERS is at least one hundred percent. For  
31 purposes of this section, benefit enhancements are  
32 retirement benefits provided to members of IPERS which  
33 the IPERS actuary determines will increase IPERS'  
34 normal cost rate."

35 5. Title page, line 2, by inserting after the  
36 word "system" the following: "and including an  
37 effective date provision".

38 6. By renumbering, redesignating, and correcting  
39 internal references as necessary.

By MARK ZIEMAN

S-3151

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 2, by inserting after line 2, the  
4 following:  
5 "Sec. \_\_\_\_ . Section 97B.42, Code 2005, is amended  
6 by adding the following new unnumbered paragraphs:  
7 NEW UNNUMBERED PARAGRAPH. Notwithstanding any  
8 other provision of this section, commencing on the  
9 applicable start date, a member who is employed by a  
10 school district or area education agency as an  
11 elementary or secondary school teacher may elect  
12 coverage under the eligible alternative retirement  
13 benefits system as provided in section 294.17, in lieu  
14 of continuing or commencing contributions to the Iowa  
15 public employees' retirement system. However, the  
16 employer's and employee's annual contribution in  
17 dollars to the eligible alternative retirement  
18 benefits system shall equal, but not exceed, the  
19 annual contribution in dollars which the employer and  
20 employee would contribute if the employee had elected  
21 to remain an active member under this chapter, as set  
22 forth in section 97B.11. A member who elects coverage  
23 under the eligible alternative retirement benefits  
24 system as provided by this paragraph may withdraw the  
25 member's accumulated contributions effective when  
26 coverage under the eligible alternative retirement  
27 benefits system commences. A member who is employed  
28 by a school district or area education agency as an  
29 elementary or secondary school teacher prior to the  
30 applicable start date, must file an election for  
31 coverage under the eligible alternative retirement  
32 benefits system described in section 294.17, with the  
33 system and the employing school district or area  
34 education agency within eighteen months of the first  
35 day on which coverage commences under the eligible  
36 alternative retirement benefits system described in  
37 section 294.17, or the employee shall remain a member  
38 under this chapter and shall not be eligible to elect  
39 to participate in the eligible alternative retirement  
40 benefits system at a later date. A person hired on or  
41 after the applicable start date, by a school district  
42 or area education agency as an elementary or secondary  
43 school teacher must file an election for coverage  
44 under the eligible alternative retirement benefits  
45 system with the system and the employing school  
46 district or area education agency within sixty days of  
47 commencing employment, or the employee shall remain a  
48 member under this chapter and shall not be eligible to  
49 elect to participate in the eligible alternative  
50 retirement benefits system at a later date. The

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1 system shall cooperate with the state board of  
2 education and with applicable school districts and  
3 area education agencies to facilitate the  
4 implementation of this provision.

5 NEW UNNUMBERED PARAGRAPH. Notwithstanding any  
6 other provision of this section, commencing on the  
7 applicable start date, a member who is employed by a  
8 public hospital may elect coverage under the eligible  
9 alternative retirement benefits system as provided in  
10 section 347.14 or 392.6, in lieu of continuing or  
11 commencing contributions to the Iowa public employees'  
12 retirement system. However, the employer's and  
13 employee's annual contribution in dollars to the  
14 eligible alternative retirement benefits system shall  
15 equal, but not exceed, the annual contribution in  
16 dollars which the employer and employee would  
17 contribute if the employee had elected to remain an  
18 active member under this chapter, as set forth in  
19 section 97B.11. A member who elects coverage under  
20 the eligible alternative retirement benefits system as  
21 provided by this paragraph may withdraw the member's  
22 accumulated contributions effective when coverage  
23 under the eligible alternative retirement benefits  
24 system commences. A member who is employed by a  
25 public hospital prior to the applicable start date,  
26 must file an election for coverage under the eligible  
27 alternative retirement benefits system described in  
28 section 347.14 or 392.6, with the system and the  
29 employing public hospital within eighteen months of  
30 the first day on which coverage commences under the  
31 eligible alternative retirement benefits system  
32 described in section 347.14 or 392.6, or the employee  
33 shall remain a member under this chapter and shall not  
34 be eligible to elect to participate in the eligible  
35 alternative retirement benefits system at a later  
36 date. A person hired on or after the applicable start  
37 date, by a public hospital must file an election for  
38 coverage under the eligible alternative retirement  
39 benefits system with the system and the employing  
40 public hospital within sixty days of commencing  
41 employment, or the employee shall remain a member  
42 under this chapter and shall not be eligible to elect  
43 to participate in the eligible alternative retirement  
44 benefits system at a later date. In addition, an  
45 election by a member to participate in an alternative  
46 retirement benefits system as provided by this  
47 paragraph shall be irrevocable and the member shall  
48 not be eligible to elect coverage under this chapter  
49 while employed by a public hospital in this state that  
50 has made an alternative retirement benefits system

1 available. The system shall cooperate with boards of  
2 trustees of public hospitals authorized to offer an  
3 eligible alternative retirement benefits system to  
4 facilitate the implementation of this provision.

5 NEW UNNUMBERED PARAGRAPH. For purposes of this  
6 section, the "applicable start date" means the July 1  
7 following the most recent actuarial valuation of the  
8 retirement system in which the system's actuary  
9 certifies that the actuarial valuation of assets of  
10 the retirement system equals or exceeds the actuarial  
11 valuation of the accrued liabilities of the retirement  
12 system."

13 2. Page 2, by inserting after line 21, the  
14 following:

15 "Sec. \_\_\_\_\_. Section 256.7, Code 2005, is amended by  
16 adding the following new subsection:

17 NEW SUBSECTION. 26. By the applicable start date  
18 as defined in section 97B.42, provide for the  
19 establishment of an eligible alternative retirement  
20 benefits system for elementary and secondary school  
21 teachers employed by a school district or area  
22 education agency consistent with the requirements of  
23 section 294.17.

24 Sec. \_\_\_\_\_. NEW SECTION. 294.17 ELIGIBLE  
25 ALTERNATIVE PENSION AND ANNUITY RETIREMENT SYSTEM.

26 1. The state board of education shall establish an  
27 eligible alternative pension and annuity retirement  
28 system, hereafter called the "retirement system",  
29 effective on the applicable start date as defined in  
30 section 97B.42, for elementary and secondary school  
31 teachers employed by a school district or area  
32 education agency pursuant to the requirements of this  
33 section. The state board of education shall be the  
34 plan sponsor of the retirement system and shall file  
35 an application for a favorable determination letter  
36 for the retirement system with the internal revenue  
37 service.

38 2. The state board of education shall select a  
39 provider of the retirement system that is a financial  
40 institution capable of providing bundled services for  
41 the retirement system, including, but not limited to,  
42 administration, investment management, employee  
43 education, and recordkeeping. In selecting a  
44 provider, the state board of education shall place  
45 primary emphasis on the reasonableness of services in  
46 relation to cost, the ability and experience of the  
47 provider in providing bundled retirement services to  
48 the educational community, the financial stability of  
49 the provider, and the ability of the provider to  
50 provide services as required by this section.

1 3. To be an eligible alternative retirement  
2 benefits system, the retirement system shall meet the  
3 following requirements:

4 a. The retirement system shall be an employer-  
5 sponsored defined contribution plan requiring  
6 mandatory employer contributions that meet the  
7 requirements of section 401(a) of the Internal Revenue  
8 Code.

9 b. The employer's and employee's annual  
10 contribution in dollars under an eligible alternative  
11 retirement benefits system described in this section  
12 shall equal, but not exceed, the annual contribution  
13 in dollars which the employer and employee would  
14 contribute if the employee had elected to remain an  
15 active member pursuant to the Iowa public employees'  
16 retirement system, as set forth in section 97B.11.  
17 Contributions under the retirement system shall be  
18 treated in the same manner as contributions under the  
19 Iowa public employees' retirement system are treated  
20 pursuant to section 97B.11A.

21 c. Employer and employee contributions under the  
22 retirement system shall be fully vested immediately.

23 d. Upon termination of employment as an elementary  
24 or secondary school teacher employed by a school  
25 district or area education agency, the teacher shall  
26 be eligible to receive a benefit payable in at least  
27 any of the following forms:

28 (1) Payment of all or part of the teacher's  
29 account balance in the retirement system in a lump  
30 sum.

31 (2) Payment based on the teacher's account balance  
32 in the retirement system in monthly, quarterly, or  
33 annual installments over a fixed reasonable period of  
34 time, not exceeding the life expectancy of the teacher  
35 and the teacher's beneficiary, if applicable.

36 (3) Payment based on the teacher's account balance  
37 in the form of a single life or joint life and  
38 survivorship annuity.

39 4. Persons employed by a school district or area  
40 education agency as an elementary or secondary school  
41 teacher on or after the applicable start date as  
42 defined in section 97B.42, may elect coverage under  
43 the retirement system established in this section in  
44 lieu of coverage under the Iowa public employees'  
45 retirement system, pursuant to the requirements of  
46 section 97B.42.

47 Sec. \_\_\_\_\_. Section 347.14, Code 2005, is amended by  
48 adding the following new subsection:

49 NEW SUBSECTION. 17. Provide an eligible  
50 alternative retirement benefits system offered through

1 the county hospital pursuant to this subsection which  
2 is issued by or through an insurance company  
3 authorized to issue annuity contracts in this state  
4 for persons employed by the county hospital in lieu of  
5 coverage under the Iowa public employees' retirement  
6 system. For purposes of this subsection, "eligible  
7 alternative retirement benefits system" means an  
8 employer-sponsored primary pension plan requiring  
9 mandatory employer contributions that meets the  
10 requirements of section 401(a), 401(k), 403(a), or  
11 403(b) of the Internal Revenue Code.

12 Sec. \_\_\_\_\_. Section 392.6, Code 2005, is amended by  
13 adding the following new unnumbered paragraph:

14 NEW UNNUMBERED PARAGRAPH. The board of trustees  
15 may provide an eligible alternative retirement  
16 benefits system offered through the city hospital  
17 pursuant to this paragraph which is issued by or  
18 through an insurance company authorized to issue  
19 annuity contracts in this state for persons employed  
20 by the city hospital in lieu of coverage under the  
21 Iowa public employees' retirement system. For  
22 purposes of this paragraph, "eligible alternative  
23 retirement benefits system" means an employer-  
24 sponsored primary pension plan requiring mandatory  
25 employer contributions that meets the requirements of  
26 section 401(a), 401(k), 403(a), or 403(b) of the  
27 Internal Revenue Code."

28 3. By renumbering as necessary.

By STEWART IVERSON, Jr.

S-3151 FILED APRIL 20, 2005

DEFERRED

S-3153

1 Amend the amendment, S-3151, to House File 729, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

4 1. Page 3, by striking lines 38 through 44 and  
5 inserting the following:

6 "2. The state board of education shall select  
7 providers of the retirement system that are insurance  
8 companies authorized to issue annuity contracts in  
9 this state that are capable of providing bundled  
10 services for the retirement system, including, but not  
11 limited to, administration, investment management,  
12 employee education, and recordkeeping. The state  
13 board of education may limit the number of providers  
14 offered pursuant to this subsection to no more than  
15 six. The selection by the state board of education of  
16 a provider of the retirement system pursuant to this  
17 subsection shall not constitute an endorsement of the  
18 provider by the state board of education. In  
19 selecting providers, the state board of education  
20 shall place".

By STEWART IVERSON, Jr.

S-3153 FILED APRIL 20, 2005

S-3264

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. By striking page 1, line 14 through page 2,  
4 line 2, and inserting the following:

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

7 a. "Applicable employee percentage" is as follows:

8 (1) Prior to July 1, 2006, three and seven-tenths  
9 percent.

10 (2) Beginning on or after July 1, 2006, but before  
11 July 1, 2007, four and eight hundredths percent.

12 (3) Beginning on or after July 1, 2007, but before  
13 July 1, 2008, four and forty-six hundredths percent.

14 (4) Beginning on or after July 1, 2008, but before  
15 July 1, 2009, four and eighty-four hundredths percent.

16 (5) Beginning on or after July 1, 2009, but before  
17 July 1, 2010, five and twenty-two hundredths percent.

18 (6) Beginning on or after July 1, 2010, but before  
19 July 1, 2011, five and six-tenths percent.

20 (7) Beginning on or after July 1, 2011, but before  
21 July 1, 2012, five and ninety-eight hundredths  
22 percent.

23 (8) Beginning on or after July 1, 2012, but before  
24 July 1, 2013, six and thirty-six hundredths percent.

25 (9) Beginning on or after July 1, 2013, but before  
26 July 1, 2014, six and seventy-five hundredths percent.

27 (10) Beginning on or after July 1, 2014, fifty  
28 percent of the total required percentage.

29 b. "Applicable employer percentage" is as follows:

30 (1) Prior to July 1, 2006, five and seventy-five  
31 hundredths percent.

32 (2) Beginning on or after July 1, 2006, but before  
33 July 1, 2007, six and twenty-five hundredths percent.

34 (3) Beginning on or after July 1, 2007, but before  
35 July 1, 2014, six and seventy-five hundredths percent.

36 (4) Beginning on or after July 1, 2014, fifty  
37 percent of the total required percentage.

38 c. "Total required percentage" for a fiscal year  
39 means the percentage rate equal to the applicable  
40 employee percentage and the applicable employer  
41 percentage for the prior fiscal year unless any of the  
42 following applies:

43 (1) If the system determines, based upon the most  
44 recent actuarial valuation of the retirement system,  
45 that the total required percentage for the prior  
46 fiscal year is insufficient to amortize the unfunded  
47 actuarial liability of the retirement system within  
48 thirty years, the total required percentage for the  
49 next fiscal year shall be the lesser, as determined by  
50 the system's actuary, of the percentage rate needed to

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1 amortize the unfunded actuarial liability of the  
2 retirement system in thirty years or a percentage rate  
3 equal to one percentage point greater than the total  
4 required percentage for the prior fiscal year.

5 (2) If the system determines, based upon the most  
6 recent actuarial valuation of the retirement system,  
7 that the total required percentage for the prior  
8 fiscal year is sufficient to amortize the unfunded  
9 actuarial liability of the retirement system within  
10 ten years or less, the total required percentage for  
11 the next fiscal year shall be the greater, as  
12 determined by the system, of the following:

13 (a) One percentage point less than the total  
14 required percentage for the prior fiscal year.

15 (b) The percentage rate equal to the normal cost  
16 rate as certified by the system's actuary plus that  
17 percentage necessary, but in no event less than  
18 seventy-five hundredths of one percent, to amortize  
19 any unfunded actuarial liability of the retirement  
20 system within twenty years.

21 3. For each fiscal year beginning on or after July  
22 1, 2014, the applicable employee percentage and the  
23 applicable employer percentage for a particular fiscal  
24 year shall be determined by the system, by rule,  
25 following a determination by the system's actuary as  
26 to the total required percentage for that fiscal year  
27 based upon the most recent actuarial valuation of the  
28 retirement system by the system's actuary.

29 Sec. \_\_\_\_. Section 97B.49B, subsection 3, Code  
30 2005, is amended to read as follows:

31 3. ~~ADDITIONAL~~ CONTRIBUTIONS.

32 a. Annually, the system shall actuarially  
33 determine the cost of the ~~additional~~ benefits provided  
34 for members covered under this section as a percentage  
35 of the covered wages of the employees covered by this  
36 section. ~~Sixty~~ Notwithstanding any provision of  
37 section 97B.11 to the contrary, sixty percent of the  
38 cost shall be paid by the employers of employees  
39 covered under this section and forty percent of the  
40 cost shall be paid by the employees. The employer and  
41 employee contributions required under this paragraph  
42 ~~are in addition to the~~ shall be treated as  
43 contributions paid under sections 97B.11 and 97B.11A.

44 b. (1) For the fiscal year commencing July 1,  
45 1988, and each succeeding fiscal year, there is  
46 appropriated from the state fish and game protection  
47 fund to the system the amount necessary to pay the  
48 employer share of the cost of the ~~additional~~ benefits  
49 provided to employees covered under subsection 1,  
50 paragraph "e", subparagraph (1).

1 (2) Annually, during each fiscal year commencing  
2 with the fiscal year beginning July 1, 1988, each  
3 applicable city shall pay to the system the amount  
4 necessary to pay the employer share of the cost of the  
5 ~~additional~~ benefits provided to employees of that city  
6 covered under subsection 1, paragraph "e",  
7 subparagraphs (2) and (4).

8 (3) For the fiscal year commencing July 1, 1988,  
9 and each succeeding fiscal year, the department of  
10 corrections shall pay to the system from funds  
11 appropriated to the Iowa department of corrections,  
12 the amount necessary to pay the employer share of the  
13 cost of the ~~additional~~ benefits provided to employees  
14 covered under subsection 1, paragraph "e",  
15 subparagraph (3).

16 (4) For the fiscal year commencing July 1, 1990,  
17 and each succeeding fiscal year, the state department  
18 of transportation shall pay to the system, from funds  
19 appropriated to the state department of transportation  
20 from the road use tax fund and the primary road fund,  
21 the amount necessary to pay the employer share of the  
22 cost of the ~~additional~~ benefits provided to employees  
23 covered under subsection 1, paragraph "e",  
24 subparagraph (5).

25 (5) For the fiscal year commencing July 1, 1992,  
26 and each succeeding fiscal year, the department of  
27 public safety shall pay to the system from funds  
28 appropriated to the department of public safety, the  
29 amount necessary to pay the employer share of the cost  
30 of the ~~additional~~ benefits provided to a fire  
31 prevention inspector peace officer pursuant to  
32 subsection 1, paragraph "e", subparagraph (6).

33 (6) For the fiscal year commencing July 1, 1994,  
34 and each succeeding fiscal year through the fiscal  
35 year ending June 30, 1998, each judicial district  
36 department of correctional services shall pay to the  
37 system from funds appropriated to that judicial  
38 district department of correctional services, the  
39 amount necessary to pay the employer share of the cost  
40 of the ~~additional~~ benefits provided to employees of a  
41 judicial district department of correctional services  
42 who are employed as a probation officer III or a  
43 parole officer III.

44 (7) For the fiscal year commencing July 1, 2004,  
45 and each succeeding fiscal year, there is appropriated  
46 from the general fund of the state to the system, from  
47 funds not otherwise appropriated, an amount necessary  
48 to pay the employer share of the cost of the  
49 ~~additional~~ benefits provided to airport fire fighters  
50 under this section."

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Page 4

1 2. By renumbering as necessary.

**By** STEWART IVERSON, Jr.

**S-3264** FILED MAY 4, 2005

**EIGHTY FIRST GENERAL ASSEMBLY  
2006 REGULAR SESSION  
DAILY  
SENATE CLIP SHEET**

FEBRUARY 13, 2006

**HOUSE FILE 729**

**S-5003**

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by inserting after line 2 the  
4 following:

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

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

16 Sec. \_\_\_\_\_. Section 97B.1A, subsection 24, paragraph  
17 a, Code Supplement 2005, is amended to read as  
18 follows:

19 a. ~~"Three-year average covered wage" means, for a~~  
20 ~~member who retires prior to July 1, 2008,~~ a member's  
21 covered wages averaged for the highest three years of  
22 the member's service, except as otherwise provided in  
23 this subsection. The highest three years of a  
24 member's covered wages shall be determined using  
25 calendar years. However, if a member's final quarter  
26 of a year of employment does not occur at the end of a  
27 calendar year, the system may determine the wages for  
28 the third year by computing the average quarter of all  
29 quarters from the member's highest calendar year of  
30 covered wages not being used in the selection of the  
31 two highest years and using the computed average  
32 quarter for each quarter in the third year in which no  
33 wages have been reported in combination with the final  
34 quarter or quarters of the member's service to create  
35 a full year. However, the system shall not use the  
36 member's final quarter of wages if using that quarter  
37 would reduce the member's three-year average covered  
38 wage. If the three-year average covered wage of a  
39 member exceeds the highest maximum covered wages in  
40 effect for a calendar year during the member's period  
41 of service, the three-year average covered wage of the  
42 member shall be reduced to the highest maximum covered  
43 wages in effect during the member's period of service.  
44 Notwithstanding any other provision of this paragraph  
45 to the contrary, a member's wages for the third year  
46 as computed by this paragraph shall not exceed, by  
47 more than three percent, the member's highest actual  
48 calendar year of covered wages for a member whose  
49 first month of entitlement is January 1999 or later.

50 Sec. \_\_\_\_\_. Section 97B.1A, subsection 24, paragraph

**S-5003**

1 c, Code Supplement 2005, is amended by striking the  
2 paragraph and inserting in lieu thereof the following:

3 c. Notwithstanding any other provisions of this  
4 subsection to the contrary, for a member who retires  
5 on or after July 1, 2007, the member's three-year  
6 average covered wage shall be the lesser of the three-  
7 year average covered wage as calculated pursuant to  
8 paragraph "a" and the adjusted covered wage amount.  
9 For purposes of this paragraph, the adjusted covered  
10 wage amount shall be the greater of the member's  
11 three-year average covered wage calculated pursuant to  
12 paragraph "a" as of July 1, 2007, and an amount equal  
13 to one hundred twenty-one percent of the member's  
14 applicable calendar year wages. The member's  
15 applicable calendar year wages shall be the member's  
16 highest full calendar year of covered wages not used  
17 in the calculation of the member's three-year average  
18 covered wage pursuant to paragraph "a", or, if the  
19 member does not have another full calendar year of  
20 covered wages that was not used in the calculation of  
21 the three-year average covered wage under paragraph  
22 "a", the lowest full calendar year of covered wages  
23 that was used in the calculation of the member's  
24 three-year average covered wage pursuant to paragraph  
25 "a".

26 2. Page 1, line 23, by striking the figure "2006"  
27 and inserting the following: "2007".

28 3. Page 1, line 24, by striking the figure "2014"  
29 and inserting the following: "2011".

30 4. Page 1, line 31, by striking the figure "2014"  
31 and inserting the following: "2011".

32 5. Page 2, by inserting after line 2 the  
33 following:

34 "Sec. \_\_\_\_ Section 97B.48A, subsection 1, Code  
35 2005, is amended by adding the following new  
36 unnumbered paragraph:

37 NEW UNNUMBERED PARAGRAPH. For purposes of this  
38 subsection and not for purposes of determining a  
39 retiree's covered wages, remuneration paid on and  
40 after July 1, 2007, includes noncovered contributions  
41 to a defined contribution plan qualified under  
42 Internal Revenue Code section 401(a), a tax-deferred  
43 annuity qualified under Internal Revenue Code section  
44 403(b), an eligible deferred compensation plan  
45 qualified under Internal Revenue Code section 457, or  
46 any other tax qualified or nonqualified investment  
47 vehicle, that is provided by an employer to a retiree  
48 who has been or will be reemployed in covered  
49 employment."

50 6. Page 2, line 3, by inserting after the word

1 "Code" the following: "Supplement".

2 7. Page 2, by inserting after line 14 the  
3 following:

4 "Sec. \_\_\_\_\_. Section 97B.49F, subsection 2,  
5 paragraph c, Code 2005, is amended by adding the  
6 following new subparagraph:

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

13 Sec. \_\_\_\_\_. Section 97B.49H, subsection 3, Code  
14 2005, is amended to read as follows:

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

41 8. Page 2, by inserting after line 21 the  
42 following:

43 "Sec. \_\_\_\_\_. Section 97B.65, Code 2005, is amended  
44 to read as follows:

45 97B.65 REVISION RIGHTS RESERVED -- INCREASE OF  
46 BENEFITS -- RATES OF CONTRIBUTION.

47 The right is reserved to the general assembly to  
48 alter, amend, or repeal any provision of this chapter  
49 or any application thereof to any person, provided,  
50 however, that to the extent of the funds in the

1 retirement system the amount of benefits which at the  
2 time of any such alteration, amendment, or repeal  
3 shall have accrued to any member of the retirement  
4 system shall not be repudiated, provided further,  
5 however, that the amount of benefits accrued on  
6 account of prior service shall be adjusted to the  
7 extent of any unfunded accrued liability then  
8 outstanding. ~~Any An increase enacted in the benefits~~  
9 ~~or retirement allowance allowances provided under this~~  
10 ~~chapter shall not be enacted until after the system's~~  
11 ~~actuary determines that the system is fully funded and~~  
12 ~~will continue to be fully funded immediately following~~  
13 ~~enactment of the increase. However, an increase in~~  
14 ~~the benefits or retirement allowances provided under~~  
15 ~~this chapter may be enacted if the increase is~~  
16 ~~accompanied by a change in the employer and employee~~  
17 ~~contribution rates necessary to support such increase,~~  
18 ~~all as determined in accordance with sound actuarial~~  
19 ~~principles and methods by the system's actuary."~~

20 9. Page 3, line 17, by striking the word and  
21 figures "January 1, 2006" and inserting the following:  
22 "October 1, 2007".

23 10. Page 5, line 4, by striking the figure "2005"  
24 and inserting the following: "2006".

25 11. Page 5, line 8, by striking the figure "2005"  
26 and inserting the following: "2006".

27 12. Page 5, line 30, by striking the figure  
28 "2005" and inserting the following: "2006".

29 13. Page 7, line 11, by striking the figure  
30 "2005" and inserting the following: "2006".

31 14. Page 7, line 16, by striking the figure  
32 "2005" and inserting the following: "2006".

33 15. Page 11, line 33, by striking the figure  
34 "2005" and inserting the following: "2006".

35 16. Page 12, line 2, by striking the figure  
36 "2005" and inserting the following: "2006".

37 17. By renumbering as necessary.

COMMITTEE ON STATE GOVERNMENT  
WALLY E. HORN, CO-CHAIRPERSON  
LARRY MCKIBBEN, CO-CHAIRPERSON

**EIGHTY-FIRST GENERAL ASSEMBLY  
2006 REGULAR SESSION  
DAILY  
HOUSE CLIP SHEET**

FEBRUARY 16, 2006

**SENATE AMENDMENT TO  
HOUSE FILE 729**

**H-8029**

1 Amend House File 729, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 1, by inserting after line 2 the  
4 following:  
5 "Section 1. Section 97B.1A, Code Supplement 2005,  
6 is amended by adding the following new subsection:  
7 NEW SUBSECTION. 11A. "Fully funded" means a  
8 funded ratio of at least one hundred percent using the  
9 most recent actuarial valuation. For purposes of this  
10 subsection, "funded ratio" means the ratio produced by  
11 dividing the lesser of the actuarial value of the  
12 system's assets or the market value of the system's  
13 assets, by the system's actuarial liabilities, using  
14 the actuarial method adopted by the investment board  
15 pursuant to section 97B.8A, subsection 3.  
16 Sec. \_\_\_\_\_. Section 97B.1A, subsection 24, paragraph  
17 a, Code Supplement 2005, is amended to read as  
18 follows:  
19 a. "Three-year average covered wage" means, ~~for a~~  
20 ~~member who retires prior to July 1, 2008,~~ a member's  
21 covered wages averaged for the highest three years of  
22 the member's service, except as otherwise provided in  
23 this subsection. The highest three years of a  
24 member's covered wages shall be determined using  
25 calendar years. However, if a member's final quarter  
26 of a year of employment does not occur at the end of a  
27 calendar year, the system may determine the wages for  
28 the third year by computing the average quarter of all  
29 quarters from the member's highest calendar year of  
30 covered wages not being used in the selection of the  
31 two highest years and using the computed average  
32 quarter for each quarter in the third year in which no  
33 wages have been reported in combination with the final  
34 quarter or quarters of the member's service to create  
35 a full year. However, the system shall not use the  
36 member's final quarter of wages if using that quarter  
37 would reduce the member's three-year average covered  
38 wage. If the three-year average covered wage of a  
39 member exceeds the highest maximum covered wages in  
40 effect for a calendar year during the member's period  
41 of service, the three-year average covered wage of the  
42 member shall be reduced to the highest maximum covered  
43 wages in effect during the member's period of service.  
44 Notwithstanding any other provision of this paragraph  
45 to the contrary, a member's wages for the third year  
46 as computed by this paragraph shall not exceed, by  
47 more than three percent, the member's highest actual  
48 calendar year of covered wages for a member whose  
49 first month of entitlement is January 1999 or later.  
50 Sec. \_\_\_\_\_. Section 97B.1A, subsection 24, paragraph

**H-8029**

1 c, Code Supplement 2005, is amended by striking the  
 2 paragraph and inserting in lieu thereof the following:  
 3 c. Notwithstanding any other provisions of this  
 4 subsection to the contrary, for a member who retires  
 5 on or after July 1, 2007, the member's three-year  
 6 average covered wage shall be the lesser of the three-  
 7 year average covered wage as calculated pursuant to  
 8 paragraph "a" and the adjusted covered wage amount.  
 9 For purposes of this paragraph, the adjusted covered  
 10 wage amount shall be the greater of the member's  
 11 three-year average covered wage calculated pursuant to  
 12 paragraph "a" as of July 1, 2007, and an amount equal  
 13 to one hundred twenty-one percent of the member's  
 14 applicable calendar year wages. The member's  
 15 applicable calendar year wages shall be the member's  
 16 highest full calendar year of covered wages not used  
 17 in the calculation of the member's three-year average  
 18 covered wage pursuant to paragraph "a", or, if the  
 19 member does not have another full calendar year of  
 20 covered wages that was not used in the calculation of  
 21 the three-year average covered wage under paragraph  
 22 "a", the lowest full calendar year of covered wages  
 23 that was used in the calculation of the member's  
 24 three-year average covered wage pursuant to paragraph  
 25 "a".

26 2. Page 1, line 23, by striking the figure "2006"  
 27 and inserting the following: "2007".

28 3. Page 1, line 24, by striking the figure "2014"  
 29 and inserting the following: "2011".

30 4. Page 1, line 31, by striking the figure "2014"  
 31 and inserting the following: "2011".

32 5. Page 2, by inserting after line 2 the  
 33 following:

34 "Sec. \_\_\_\_ . Section 97B.48A, subsection 1, Code  
 35 2005, is amended by adding the following new  
 36 unnumbered paragraph:

37 NEW UNNUMBERED PARAGRAPH. For purposes of this  
 38 subsection and not for purposes of determining a  
 39 retiree's covered wages, remuneration paid on and  
 40 after July 1, 2007, includes noncovered contributions  
 41 to a defined contribution plan qualified under  
 42 Internal Revenue Code section 401(a), a tax-deferred  
 43 annuity qualified under Internal Revenue Code section  
 44 403(b), an eligible deferred compensation plan  
 45 qualified under Internal Revenue Code section 457, or  
 46 any other tax qualified or nonqualified investment  
 47 vehicle, that is provided by an employer to a retiree  
 48 who has been or will be reemployed in covered  
 49 employment."

50 6. Page 2, line 3, by inserting after the word

1 "Code" the following: "Supplement".

2 7. Page 2, by inserting after line 14 the  
3 following:

4 "Sec. \_\_\_\_\_. Section 97B.49F, subsection 2,  
5 paragraph c, Code 2005, is amended by adding the  
6 following new subparagraph:

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

13 Sec. \_\_\_\_\_. Section 97B.49H, subsection 3, Code  
14 2005, is amended to read as follows:

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

41 8. Page 2, by inserting after line 21 the  
42 following:

43 "Sec. \_\_\_\_\_. Section 97B.65, Code 2005, is amended  
44 to read as follows:

45 97B.65 REVISION RIGHTS RESERVED -- INCREASE OF  
46 BENEFITS -- RATES OF CONTRIBUTION.

47 The right is reserved to the general assembly to  
48 alter, amend, or repeal any provision of this chapter  
49 or any application thereof to any person, provided,  
50 however, that to the extent of the funds in the

1 retirement system the amount of benefits which at the  
2 time of any such alteration, amendment, or repeal  
3 shall have accrued to any member of the retirement  
4 system shall not be repudiated, provided further,  
5 however, that the amount of benefits accrued on  
6 account of prior service shall be adjusted to the  
7 extent of any unfunded accrued liability then  
8 outstanding. ~~Any An~~ increase ~~enacted~~ in the benefits  
9 or retirement ~~allowance~~ allowances provided under this  
10 chapter shall not be enacted until after the system's  
11 actuary determines that the system is fully funded and  
12 will continue to be fully funded immediately following  
13 enactment of the increase. However, an increase in  
14 the benefits or retirement allowances provided under  
15 this chapter may be enacted if the increase is  
16 accompanied by a change in the employer and employee  
17 contribution rates necessary to support such increase,  
18 ~~all as determined in accordance with sound actuarial~~  
19 ~~principles and methods~~ by the system's actuary."  
20 9. Page 3, line 17, by striking the word and  
21 figures "January 1, 2006" and inserting the following:  
22 "October 1, 2007".  
23 10. Page 5, line 4, by striking the figure "2005"  
24 and inserting the following: "2006".  
25 11. Page 5, line 8, by striking the figure "2005"  
26 and inserting the following: "2006".  
27 12. Page 5, line 30, by striking the figure  
28 "2005" and inserting the following: "2006".  
29 13. Page 7, line 11, by striking the figure  
30 "2005" and inserting the following: "2006".  
31 14. Page 7, line 16, by striking the figure  
32 "2005" and inserting the following: "2006".  
33 15. Page 11, line 33, by striking the figure  
34 "2005" and inserting the following: "2006".  
35 16. Page 12, line 2, by striking the figure  
36 "2005" and inserting the following: "2006".  
37 17. By renumbering as necessary.

RECEIVED FROM THE SENATE

**Fiscal Services Division  
Legislative Services Agency  
Fiscal Note**

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HF 729 - Public Pension Omnibus (LSB 1330 HV)  
Analyst: Sam Leto (Phone: (515) 281-6764) ([sam.let@legis.state.ia.us](mailto:sam.let@legis.state.ia.us))  
Fiscal Note Version – As Amended and Passed by the Senate

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**Description**

House File 729, as Amended and Passed by the Senate, (H-8029), makes several changes to the Iowa Public Employees' Retirement System (IPERS) and the Iowa Judicial Retirement System. This Fiscal Note will examine the substantive changes with a significant cost.

1. For IPERS, creates a new definition of "fully funded." IPERS would be considered "fully funded" when the System assets are at least equal to the System liabilities.
2. For IPERS, changes the calculation of average covered wages to prevent "spiking" of retirement benefits by limiting the covered wage that determines benefits to the lesser of the member's three-year average covered wage and 121.00% of the members highest annual wage not included in the three-year average.
3. For IPERS, reduces the number of years that increases in contribution rates are permitted from eight years to four years and the rate increase from 4.00% to 2.00%.
4. For IPERS, specifies that retirement investment plan contributions by the employer will be considered during the determination of \$30,000 reemployment wages before a reduction in the member's retirement allowance is made.
5. For IPERS, specifies that additional funds will not be credited to the Favorable Experience Dividend (FED) Fund until the System is "fully funded".
6. For IPERS, specifies that an amount to be credited to a member's supplemental account will be reduced when the System determines that crediting the account would significantly impact the funded status of the System.
7. For IPERS, specifies that benefit increases will not be enacted, unless contribution rates are increased to fully pay for the increased benefits, or the System would remain fully funded after the benefit increase.
8. For IPERS, changes the date a pension flexibility report is due to the Interim Retirement and Pensions Committee from January 1, 2006, to October 1, 2007.

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)**

The Bill, as Amended and Passed by the Senate, permits the IPERS to adjust the total employee and employer contribution rates by up to 0.50% each year beginning in FY 2008, and ending in FY 2011, with the employee paying 0.20% (40.00%) and the employer paying 0.30% (60.00%) above the current applicable percentages. The current applicable percentage for employees is 3.70% and for employers it is 5.75%, for a total contribution of 9.45%. The maximum contribution rate could be 4.50% for employees and 6.95% for employers, for a total contribution of 11.45%. After FY 2011, the rates will remain the same as in FY 2011.

The IPERS will only adjust the rates for the following year if the prior years combined contributions will be insufficient to amortize the unfunded actuarial liability of the System within ten years by increasing the total contribution to a rate that will amortize the unfunded actuarial liability of the System within ten years. However, the combined rate will never be below the prior year's rates.

As Amended by the Senate, the Bill requires the Public Retirement Systems Committee to study and report to the General Assembly, by October 1, 2007, on previous studies and reports pertaining to, pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

**Assumptions**

1. A 4.00% annual payroll growth is assumed.
2. Contribution rates will only be impacted by the changes in the Bill.
3. The number of members by employer and covered payroll for FY 2005 are as follows:

| <u>Employer</u>    | <u>Active<br/>Member<br/>Counts</u> | <u>FY 2005<br/>Covered Payroll<br/>(\$ in millions)</u> |
|--------------------|-------------------------------------|---------------------------------------------------------|
| State              | 19,924                              | \$ 919.6                                                |
| Board of Regents   | 2,037                               | 41.0                                                    |
| Counties           | 24,011                              | 745.9                                                   |
| Cities             | 22,093                              | 639.9                                                   |
| Schools            | 78,534                              | 2,266.2                                                 |
| Community Colleges | 3,528                               | 128.3                                                   |
| Other              | 8,565                               | 289.0                                                   |
| <b>Total</b>       | <b><u>158,692</u></b>               | <b><u>\$ 5,029.9</u></b>                                |

4. The number of members in each class will remain constant.
5. A combined regular IPERS contribution will be insufficient to amortize the unfunded actuarial liability of the System within ten years in FY 2008 through FY 2011.

**Fiscal Impact**

The Regular IPERS employees' current contributions of 3.70% and employers' contributions of 5.75% will increase as follows:

|         | <u>Employees'<br/>Contribution<br/>Rate</u> | <u>Employers'<br/>Contribution<br/>Rate</u> | <u>Total<br/>Contribution<br/>Rates</u> |
|---------|---------------------------------------------|---------------------------------------------|-----------------------------------------|
| FY 2006 | 3.70%                                       | 5.75%                                       | 9.45%                                   |
| FY 2007 | 3.70%                                       | 5.75%                                       | 9.45%                                   |
| FY 2008 | 3.90%                                       | 6.05%                                       | 9.95%                                   |
| FY 2009 | 4.10%                                       | 6.35%                                       | 10.45%                                  |
| FY 2010 | 4.30%                                       | 6.65%                                       | 10.95%                                  |
| FY 2011 | 4.50%                                       | 6.95%                                       | 11.45%                                  |
| FY 2012 | 4.50%                                       | 6.95%                                       | 11.45%                                  |

**ATTACHMENT 1** provides a detailed explanation of the impact of HF 729, as amended, on the employees and employers, by employer group for FY 2008 through FY 2012. The average change per employee varies by employer group due to the variance in the average wage of the groups. An employee that earns a higher wage will have their contribution increase more than an employee with a lower wage.

The estimated total employer increases are \$17.0 million for FY 2008 and \$35.3 million for FY 2009, as shown in the table below.

(Dollars in Millions)

| <u>Employer</u>    | <u>FY 2008</u> | <u>FY 2009</u> |
|--------------------|----------------|----------------|
| State              | \$ 3.1         | \$ 6.5         |
| Board of Regents   | 0.1            | 0.3            |
| Counties           | 2.5            | 5.2            |
| Cities             | 2.2            | 4.5            |
| Schools            | 7.7            | 15.9           |
| Community Colleges | 0.4            | 0.9            |
| Other              | 1.0            | 2.0            |
| Total Regular      | <u>\$ 17.0</u> | <u>\$ 35.3</u> |

There will be no significant fiscal impact for the Public Retirement Systems Committee report on previous studies and reports pertaining to pension flexibility, supplemental defined contribution plans, and cost-of-living adjustment plans.

### **JUDICIAL RETIREMENT SYSTEM**

The Bill, as Amended and Passed by the Senate, makes two changes to the Judicial Retirement System.

The Bill, as amended, changes how a judge's contribution is calculated. Under current law, judges contribute 5.00% of their salary. As amended, the Bill increases the contribution to 6.00%, if the State contributes the required 23.70% of covered payroll. If the State fails to fully fund the State's share, the judges required contribution is based upon the ratio of the State's actual contribution to the required contribution. Once the System is fully funded, which is defined by the Bill, to be 90.00% of the System's actuarially determined liabilities, the judges and the State will contribute 50.00% of the required contribution. The required contribution is defined by the Bill as the rate that will amortize any unfunded liabilities of the System with 20 years.

The Bill, as amended, reduces the vesting requirement from six years to four years. When a judge becomes vested, the judge is eligible to obtain a retirement annuity rather than return the judge's contribution.

The Bill, as amended, also reduces the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years, if the judge is at least 50 years of age.

The Bill, as amended, increases the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increases the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00%. The multiplier is also increased for judges on senior status without an increase in the maximum percentage.

## **Assumptions**

1. The covered payroll for FY 2007 will be \$22.2 million.
2. Under current law, the State would be required to contribute \$5.3 million (23.70% of covered payroll). The Judges would be required to contribute \$1.1 million (5.00% of covered payroll). The State would be contributing 82.81% and the judges would be contributing 17.19%, of the total funding.
3. While the State contributed \$2.0 million in FY 2006, the estimate assumes the State will fully fund the State's 23.70% contribution at \$5.3 million.
4. The actuarial calculation for reducing the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years requires a 2.52% increase in contributions.
5. While the actuarial calculation for increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% is not available, a 3.50% multiplier with a 70.00% maximum percentage would require a 6.91% increase in contributions.

## **Fiscal Impact**

Under this Bill, as Amended and Passed by the Senate, the State would be required to contribute \$5.3 million (23.70% of covered payroll). The Judges would be required to contribute \$1.3 million (6.00% of covered payroll). The State would be contributing 80.30% and the judges would be contributing 19.70%, of the total funding.

If the State notwithstanding the 23.70% required contribution and continues to contribute \$2.0 million, this would be 9.01% of covered payroll, and the Judges would be required to contribute \$506,000 (2.28% of covered payroll). The State would be contributing 79.81% and the judges would be contributing 20.19%, of the total funding.

The judges' contributions will increase by an estimated \$222,000 annually due to increasing their contribution from 5.00% to 6.00%.

Reducing the number of years of service a judge must have in order to receive an unreduced retirement allowance from the current 25 years to 20 years will have an estimated negative annual impact on the System of \$559,000.

Increasing the multiplier that is used to determine the retirement payment from 3.00% to 3.25% per year of service, and increasing the maximum percentage of the judge's salary that payments are based upon to 65.00% from 60.00% will have an estimated negative annual impact on the System of less than \$1.5 million.

The State making the required contribution will benefit the System by an estimated \$3.3 million annually.

The net benefit to the Judicial Retirement System of House File 729, as Amended and Passed by the Senate, will be an estimated \$1.4 million annually.

**Sources**

Iowa Public Employees' Retirement System (IPERS)  
Milliman USA Consultants and Actuaries  
Iowa Judicial Retirement System

/s/ Holly M. Lyons

February 22, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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## House File 729 – Public Pensions Omnibus IPERS

| Employer                                        | Active Member Counts | FY 2005 Covered Payroll | Fiscal Year | Current Law                | Adjusted                   | Rate Change | Employer                  | Current Law                | Adjusted                   | Rate Change | Total                        | Average             |
|-------------------------------------------------|----------------------|-------------------------|-------------|----------------------------|----------------------------|-------------|---------------------------|----------------------------|----------------------------|-------------|------------------------------|---------------------|
|                                                 |                      |                         |             | Employer Contribution Rate | Employer Contribution Rate |             | Total Contribution Change | Employee Contribution Rate | Employee Contribution Rate |             | Employee Contribution Change | Change Per Employee |
| State                                           | 19,584               | 919,560,703             | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 19,584               | 956,343,131             | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 19,584               | 994,593,856             | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 19,584               | 1,034,377,610           | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 3,103,133                 | 3.70%                      | 3.90%                      | 0.20%       | 2,068,755                    | 106                 |
|                                                 | 19,584               | 1,075,752,715           | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 6,454,516                 | 3.70%                      | 4.10%                      | 0.20%       | 4,303,011                    | 220                 |
|                                                 | 19,584               | 1,118,782,823           | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 10,069,045                | 3.70%                      | 4.30%                      | 0.20%       | 6,712,697                    | 343                 |
|                                                 | 19,584               | 1,163,534,136           | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 13,962,410                | 3.70%                      | 4.50%                      | 0.20%       | 9,308,273                    | 475                 |
|                                                 | 19,584               | 1,210,075,502           | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 14,520,906                | 3.70%                      | 4.50%                      | 0.00%       | 9,680,604                    | 494                 |
| Board of Regents                                | 2,111                | 40,957,912              | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 2,111                | 42,596,228              | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 2,111                | 44,300,078              | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 2,111                | 46,072,081              | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 138,216                   | 3.70%                      | 3.90%                      | 0.20%       | 92,144                       | 44                  |
|                                                 | 2,111                | 47,914,964              | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 287,490                   | 3.70%                      | 4.10%                      | 0.20%       | 191,660                      | 91                  |
|                                                 | 2,111                | 49,831,563              | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 448,484                   | 3.70%                      | 4.30%                      | 0.20%       | 298,989                      | 142                 |
|                                                 | 2,111                | 51,824,825              | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 621,898                   | 3.70%                      | 4.50%                      | 0.20%       | 414,599                      | 196                 |
|                                                 | 2,111                | 53,897,818              | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 646,774                   | 3.70%                      | 4.50%                      | 0.00%       | 431,183                      | 204                 |
| County                                          | 23,845               | 745,864,664             | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 23,845               | 775,699,251             | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 23,845               | 806,727,221             | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 23,845               | 838,996,309             | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 2,516,989                 | 3.70%                      | 3.90%                      | 0.20%       | 1,677,993                    | 70                  |
|                                                 | 23,845               | 872,556,162             | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 5,235,337                 | 3.70%                      | 4.10%                      | 0.20%       | 3,490,225                    | 146                 |
|                                                 | 23,845               | 907,458,408             | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 8,167,126                 | 3.70%                      | 4.30%                      | 0.20%       | 5,444,750                    | 228                 |
|                                                 | 23,845               | 943,756,745             | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 11,325,081                | 3.70%                      | 4.50%                      | 0.20%       | 7,550,054                    | 317                 |
|                                                 | 23,845               | 981,507,014             | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 11,778,084                | 3.70%                      | 4.50%                      | 0.00%       | 7,852,056                    | 329                 |
| City                                            | 21,781               | 639,908,949             | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 21,781               | 665,505,307             | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 21,781               | 692,125,519             | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 21,781               | 719,810,540             | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 2,159,432                 | 3.70%                      | 3.90%                      | 0.20%       | 1,439,621                    | 66                  |
|                                                 | 21,781               | 748,602,962             | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 4,491,618                 | 3.70%                      | 4.10%                      | 0.20%       | 2,994,412                    | 137                 |
|                                                 | 21,781               | 778,547,080             | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 7,006,924                 | 3.70%                      | 4.30%                      | 0.20%       | 4,671,282                    | 214                 |
|                                                 | 21,781               | 809,688,963             | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 9,716,268                 | 3.70%                      | 4.50%                      | 0.20%       | 6,477,512                    | 297                 |
|                                                 | 21,781               | 842,076,522             | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 10,104,918                | 3.70%                      | 4.50%                      | 0.00%       | 6,736,612                    | 309                 |
| Schools                                         | 74,830               | 2,266,220,746           | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 74,830               | 2,356,869,576           | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 74,830               | 2,451,144,359           | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 74,830               | 2,549,190,133           | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 7,647,570                 | 3.70%                      | 3.90%                      | 0.20%       | 5,098,380                    | 68                  |
|                                                 | 74,830               | 2,651,157,739           | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 15,906,946                | 3.70%                      | 4.10%                      | 0.20%       | 10,604,631                   | 142                 |
|                                                 | 74,830               | 2,757,204,048           | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 24,814,836                | 3.70%                      | 4.30%                      | 0.20%       | 16,543,224                   | 221                 |
|                                                 | 74,830               | 2,867,492,210           | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 34,409,907                | 3.70%                      | 4.50%                      | 0.20%       | 22,939,938                   | 307                 |
|                                                 | 74,830               | 2,982,191,988           | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 35,786,303                | 3.70%                      | 4.50%                      | 0.00%       | 23,857,535                   | 319                 |
| Community Colleges                              | 3,659                | 128,350,692             | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 3,659                | 133,484,720             | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 3,659                | 138,824,108             | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 3,659                | 144,377,073             | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 433,131                   | 3.70%                      | 3.90%                      | 0.20%       | 288,754                      | 79                  |
|                                                 | 3,659                | 150,152,156             | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 900,913                   | 3.70%                      | 4.10%                      | 0.20%       | 600,609                      | 164                 |
|                                                 | 3,659                | 156,158,242             | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 1,405,424                 | 3.70%                      | 4.30%                      | 0.20%       | 936,949                      | 256                 |
|                                                 | 3,659                | 162,404,572             | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 1,948,855                 | 3.70%                      | 4.50%                      | 0.20%       | 1,299,237                    | 355                 |
|                                                 | 3,659                | 168,900,754             | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 2,026,809                 | 3.70%                      | 4.50%                      | 0.00%       | 1,351,206                    | 369                 |
| Other:<br>Townships<br>Multi-Units<br>Utilities | 8,469                | 289,014,587             | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 8,469                | 300,575,170             | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 8,469                | 312,598,177             | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 8,469                | 325,102,104             | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 975,306                   | 3.70%                      | 3.90%                      | 0.20%       | 650,204                      | 77                  |
|                                                 | 8,469                | 338,106,189             | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 2,028,637                 | 3.70%                      | 4.10%                      | 0.20%       | 1,352,425                    | 160                 |
|                                                 | 8,469                | 351,630,436             | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 3,164,674                 | 3.70%                      | 4.30%                      | 0.20%       | 2,109,783                    | 249                 |
|                                                 | 8,469                | 365,695,654             | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 4,388,348                 | 3.70%                      | 4.50%                      | 0.20%       | 2,925,565                    | 345                 |
|                                                 | 8,469                | 380,323,480             | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 4,563,882                 | 3.70%                      | 4.50%                      | 0.00%       | 3,042,588                    | 359                 |
| Total Regular                                   | 154,279              | 5,029,878,253           | FY 2005     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 154,279              | 5,231,073,383           | FY 2006     | 5.75%                      | 5.75%                      | 0.00%       | 0                         | 3.70%                      | 3.70%                      | 0.00%       | 0                            | 0                   |
|                                                 | 154,279              | 5,440,313,318           | FY 2007     | 5.75%                      | 5.75%                      | 0.30%       | 0                         | 3.70%                      | 3.70%                      | 0.20%       | 0                            | 0                   |
|                                                 | 154,279              | 5,657,925,851           | FY 2008     | 5.75%                      | 6.05%                      | 0.30%       | 16,973,778                | 3.70%                      | 3.90%                      | 0.20%       | 11,315,852                   | 73                  |
|                                                 | 154,279              | 5,884,242,885           | FY 2009     | 5.75%                      | 6.35%                      | 0.30%       | 35,305,457                | 3.70%                      | 4.10%                      | 0.20%       | 23,536,972                   | 153                 |
|                                                 | 154,279              | 6,119,612,601           | FY 2010     | 5.75%                      | 6.65%                      | 0.30%       | 55,076,513                | 3.70%                      | 4.30%                      | 0.20%       | 36,717,676                   | 238                 |
|                                                 | 154,279              | 6,364,397,105           | FY 2011     | 5.75%                      | 6.95%                      | 0.30%       | 76,372,765                | 3.70%                      | 4.50%                      | 0.20%       | 50,915,177                   | 330                 |
|                                                 | 154,279              | 6,618,972,989           | FY 2012     | 5.75%                      | 6.95%                      | 0.00%       | 79,427,676                | 3.70%                      | 4.50%                      | 0.00%       | 52,951,784                   | 343                 |

Chair: Elgin  
Drake  
Jochum  
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HSB 166  
729 STATE GOVERNMENT

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
STATE GOVERNMENT BILL  
BY CHAIRPERSON ELGIN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the Iowa public employees' retirement system  
2 and the judicial retirement system.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Section 1. 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 the base employee percentage and fifty percent of the total adjusted required percentage.

b. "Applicable employer percentage" means the percentage rate equal to the base employer percentage and fifty percent of the total adjusted required percentage.

c. "Base employee percentage" means as follows:

(1) Prior to July 1, 2006, three and seven-tenths percent.

(2) Beginning on or after July 1, 2006, but before July 1, 2007, four and one-tenth percent.

(3) Beginning on or after July 1, 2007, but before July 1, 2008, four and one-half percent.

(4) Beginning on or after July 1, 2008, but before July 1, 2009, four and nine-tenths percent.

(5) On or after July 1, 2009, five and three-tenths percent.

d. "Base employer percentage" means as follows:

(1) Prior to July 1, 2006, five and seventy-five hundredths percent.

(2) Beginning on or after July 1, 2006, but before July 1,

1 2007, six and thirty-five hundredths percent.

2 (3) Beginning on or after July 1, 2007, but before July 1,  
3 2008, six and ninety-five hundredths percent.

4 (4) Beginning on or after July 1, 2008, but before July 1,  
5 2009, seven and fifty-five hundredths percent.

6 (5) On or after July 1, 2009, eight and fifteen hundredths  
7 percent.

8 e. "Total adjusted required percentage" means, for each  
9 fiscal year beginning on or after July 1, 2010, the percentage  
10 rate, whether positive or negative, equal to the total  
11 required percentage, as defined in paragraph "f", for that  
12 fiscal year minus thirteen and forty-five hundredths percent.

13 f. "Total required percentage" for a fiscal year means the  
14 percentage rate equal to the total of thirteen and forty-five  
15 hundredths percent and the total adjusted required percentage  
16 for the prior fiscal year unless any of the following applies:

17 (1) If the system determines, based upon the most recent  
18 actuarial valuation of the retirement system, that the total  
19 required percentage for the prior fiscal year is insufficient  
20 to amortize the unfunded actuarial liability of the retirement  
21 system within thirty years, the total required percentage for  
22 the next fiscal year shall be the lesser, as determined by the  
23 system's actuary, of the percentage rate needed to amortize  
24 the unfunded actuarial liability of the retirement system in  
25 thirty years or a percentage rate equal to one percentage  
26 point greater than the total required percentage for the prior  
27 fiscal year.

28 (2) If the system determines, based upon the most recent  
29 actuarial valuation of the retirement system, that the total  
30 required percentage for the prior fiscal year is sufficient to  
31 amortize the unfunded actuarial liability of the retirement  
32 system within ten years or less, the total required percentage  
33 for the next fiscal year shall be the greater, as determined  
34 by the system, of the following:

35 (a) One percentage point less than the total required

1 percentage for the prior fiscal year.

2 (b) The percentage rate equal to the normal cost rate as  
3 certified by the system's actuary plus that percentage  
4 necessary, but in no event less than seventy-five hundredths  
5 of one percent, to amortize any unfunded actuarial liability  
6 of the retirement system within twenty years.

7 The total required percentage as provided by this paragraph  
8 "f" for a particular fiscal year shall be determined by the  
9 system, by rule, following a determination by the system's  
10 actuary as to the total required percentage for that fiscal  
11 year based upon the most recent actuarial valuation of the  
12 retirement system by the system's actuary.

13 Sec. 2. Section 97B.49B, subsection 3, Code 2005, is  
14 amended to read as follows:

15 3. ~~ADDITIONAL~~ CONTRIBUTIONS.

16 a. Annually, the system shall actuarially determine the  
17 cost of the ~~additional~~ benefits provided for members covered  
18 under this section as a percentage of the covered wages of the  
19 employees covered by this section. ~~Sixty~~ Notwithstanding any  
20 provision of section 97B.11 to the contrary, sixty percent of  
21 the cost shall be paid by the employers of employees covered  
22 under this section and forty percent of the cost shall be paid  
23 by the employees. The employer and employee contributions  
24 required under this paragraph ~~are-in-addition-to-the~~ shall be  
25 treated as contributions paid under sections 97B.11 and  
26 97B.11A.

27 b. (1) For the fiscal year commencing July 1, 1988, and  
28 each succeeding fiscal year, there is appropriated from the  
29 state fish and game protection fund to the system the amount  
30 necessary to pay the employer share of the cost of the  
31 ~~additional~~ benefits provided to employees covered under  
32 subsection 1, paragraph "e", subparagraph (1).

33 (2) Annually, during each fiscal year commencing with the  
34 fiscal year beginning July 1, 1988, each applicable city shall  
35 pay to the system the amount necessary to pay the employer

1 share of the cost of the ~~additional~~ benefits provided to  
2 employees of that city covered under subsection 1, paragraph  
3 "e", subparagraphs (2) and (4).

4 (3) For the fiscal year commencing July 1, 1988, and each  
5 succeeding fiscal year, the department of corrections shall  
6 pay to the system from funds appropriated to the Iowa  
7 department of corrections, the amount necessary to pay the  
8 employer share of the cost of the ~~additional~~ benefits provided  
9 to employees covered under subsection 1, paragraph "e",  
10 subparagraph (3).

11 (4) For the fiscal year commencing July 1, 1990, and each  
12 succeeding fiscal year, the state department of transportation  
13 shall pay to the system, from funds appropriated to the state  
14 department of transportation from the road use tax fund and  
15 the primary road fund, the amount necessary to pay the  
16 employer share of the cost of the ~~additional~~ benefits provided  
17 to employees covered under subsection 1, paragraph "e",  
18 subparagraph (5).

19 (5) For the fiscal year commencing July 1, 1992, and each  
20 succeeding fiscal year, the department of public safety shall  
21 pay to the system from funds appropriated to the department of  
22 public safety, the amount necessary to pay the employer share  
23 of the cost of the ~~additional~~ benefits provided to a fire  
24 prevention inspector peace officer pursuant to subsection 1,  
25 paragraph "e", subparagraph (6).

26 (6) For the fiscal year commencing July 1, 1994, and each  
27 succeeding fiscal year through the fiscal year ending June 30,  
28 1998, each judicial district department of correctional  
29 services shall pay to the system from funds appropriated to  
30 that judicial district department of correctional services,  
31 the amount necessary to pay the employer share of the cost of  
32 the ~~additional~~ benefits provided to employees of a judicial  
33 district department of correctional services who are employed  
34 as a probation officer III or a parole officer III.

35 (7) For the fiscal year commencing July 1, 2004, and each

1 succeeding fiscal year, there is appropriated from the general  
2 fund of the state to the system, from funds not otherwise  
3 appropriated, an amount necessary to pay the employer share of  
4 the cost of the ~~additional~~ benefits provided to airport fire  
5 fighters under this section.

6 Sec. 3. Section 97B.49C, subsection 3, paragraph a, Code  
7 2005, is amended to read as follows:

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

18 Sec. 4. Section 97B.50A, subsection 12, Code 2005, is  
19 amended to read as follows:

20 12. ~~ADDITIONAL~~ CONTRIBUTIONS. The expenses incurred in  
21 the administration of this section by the system shall be paid  
22 through ~~additional~~ contributions as determined pursuant to  
23 section 97B.49B, subsection 3, or section 97B.49C, subsection  
24 3, as applicable.

25 Sec. 5. PUBLIC RETIREMENT SYSTEMS COMMITTEE -- PENSION  
26 FLEXIBILITY REVIEW -- REPORT.

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

1 staff, the IPERS benefits advisory committee, and other  
2 interested parties.

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

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

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

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

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

19 3. The committee shall submit a report to the general  
20 assembly by January 1, 2006, which report shall contain, in  
21 addition to any other findings and recommendations concerning  
22 public retirement systems in Iowa, its findings and  
23 recommendations concerning its review of pension flexibility  
24 issues, including any proposal or proposals regarding adding  
25 additional flexibility in IPERS' plan design for the benefit  
26 of IPERS covered employees and employers.

27

#### DIVISION II

28

#### JUDICIAL RETIREMENT SYSTEM

29 Sec. 6. Section 602.9104, Code 2005, is amended to read as  
30 follows:

31 602.9104 DEDUCTIONS FROM JUDGES' SALARIES -- CONTRIBUTIONS  
32 BY STATE.

33 1. a. A judge to whom this article applies shall be paid  
34 an amount equal to ~~ninety-five-percent-of~~ the basic salary of  
35 the judge as set by the general assembly. --An reduced by an

1 amount ~~equal-to-five-percent-of-the-basic-salary-of-the-judge~~  
2 ~~as-set-by-the-general-assembly-is~~ designated as the judge's  
3 required contribution to the judicial retirement fund~~7-and.~~  
4 The amount designated as the judge's required contribution  
5 shall be paid by the state in the manner provided in  
6 subsection 2.

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

12 2. The amount designated ~~in-subsection-1~~ as the judge's  
13 required contribution to the judicial retirement fund shall be  
14 paid by the department of administrative services from the  
15 general fund of the state to the court administrator for  
16 deposit with the treasurer of state to the credit of the  
17 judicial retirement fund. Moneys in the fund are appropriated  
18 for the payment of annuities, refunds, and allowances provided  
19 by this article, except that the amount of the appropriations  
20 affecting payment of annuities, refunds, and allowances to  
21 judges of the municipal and superior court is limited to that  
22 part of the fund accumulated for their benefit as provided in  
23 this article. The corpus and income of the fund shall be used  
24 only for the exclusive benefit of the judges covered under  
25 this article, their survivors, or an alternate payee who is  
26 assigned benefits pursuant to a domestic relations order.

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

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

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

35 ~~(2)~~ b. "Fully funded status" means that the most recent

1 actuarial valuation reflects that, using the projected unit  
2 credit method in accordance with generally recognized and  
3 accepted actuarial principles and practices set forth by the  
4 American academy of actuaries, the funded status of the system  
5 is at least one-hundred ninety percent.

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

9 (1) For the fiscal year beginning July 1, 2005, and for  
10 each subsequent fiscal year until the system attains fully  
11 funded status based upon the benefits provided for judges  
12 through the judicial retirement system as of July 1, 2001, six  
13 and one-half percent multiplied by a fraction equal to the  
14 actual percentage rate contributed by the state for that  
15 fiscal year divided by twenty-three and seven-tenths percent.

16 (2) Commencing with the first fiscal year in which the  
17 system attains fully funded status, based upon the benefits  
18 provided for judges through the judicial retirement system as  
19 of July 1, 2001, and for each subsequent fiscal year, the  
20 percentage rate equal to fifty percent of the required  
21 contribution rate.

22 ~~(3)~~ d. "Required contribution rate" means that percentage  
23 of the basic salary of all judges covered under this article  
24 which, in addition to the judge's contribution established in  
25 subsection 1, the actuary of the system determines is  
26 necessary to maintain fully funded status.

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

30 (1) For the fiscal year beginning July 1, 2005, and for  
31 each subsequent fiscal year until the system attains fully  
32 funded status based upon the benefits provided for judges  
33 through the judicial retirement system as of July 1, 2001,  
34 twenty-three and seven-tenths percent.

35 (2) Commencing with the first fiscal year in which the

1 system attains fully funded status, based upon the benefits  
2 provided for judges through the judicial retirement system as  
3 of July 1, 2001, and for each subsequent fiscal year, the  
4 percentage rate equal to fifty percent of the required  
5 contribution rate.

6 ~~b.---Effective-with-the-fiscal-year-commencing-July-1,1994,~~  
7 ~~and-for-each-subsequent-fiscal-year-until-the-system-attains~~  
8 ~~fully-funded-status,-based-upon-the-benefits-provided-for~~  
9 ~~judges-through-the-judicial-retirement-system-as-of-July-1,~~  
10 ~~2001,-the-state-shall-contribute-annually-to-the-judicial~~  
11 ~~retirement-fund-an-amount-equal-to-at-least-twenty-three-and~~  
12 ~~seven-tenths-percent-of-the-basic-salary-of-all-judges-covered~~  
13 ~~under-this-article.---Commencing-with-the-first-fiscal-year-in~~  
14 ~~which-the-system-attains-fully-funded-status,-based-upon-the~~  
15 ~~benefits-provided-for-judges-through-the-judicial-retirement~~  
16 ~~system-as-of-July-1,-2001,-and-for-each-subsequent-fiscal~~  
17 ~~year,-the-state-shall-contribute-to-the-judicial-retirement~~  
18 ~~fund-the-required-contribution-rate.---The-state's-contribution~~  
19 ~~shall-be-appropriated-directly-to-the-judicial-retirement~~  
20 ~~fund.~~

21 Sec. 7. Section 602.9106, Code 2005, is amended to read as  
22 follows:

23 602.9106 RETIREMENT.

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

33 Sec. 8. Section 602.9107, subsection 1, paragraph a, Code  
34 2005, is amended to read as follows:

35 a. (1) The annual annuity of a judge under this system is

1 an amount equal to three and one-half percent of the judge's  
2 average annual basic salary for the judge's highest three  
3 years as a judge of one or more of the courts included in this  
4 article, multiplied by the judge's years of service as a judge  
5 of one or more of the courts for which contributions were made  
6 to the system. However, an annual annuity shall not exceed an  
7 amount equal to a specified percentage of the highest basic  
8 annual salary which the judge is receiving or had received as  
9 of the time the judge became separated from service.

10 Forfeitures shall not be used to increase the annuities a  
11 judge or survivor would otherwise receive under the system.

12 (2) For each judge who retires and receives an annuity on  
13 or after July 1, 2005, and who has completed more than twenty  
14 years of service, the annual annuity of a judge is an amount  
15 equal to seventy percent of the judge's average annual basic  
16 salary for the judge's highest three years as a judge of one  
17 or more of the courts included in this article, plus an  
18 additional one-fourth of one percentage point for each  
19 additional calendar quarter of eligible service beyond twenty  
20 years of service, not to exceed a total of five additional  
21 percentage points.

22 Sec. 9. Section 602.9107, subsection 1, paragraph b,  
23 subparagraph (4), Code 2005, is amended to read as follows:

24 (4) For judges who retire and receive an annuity on or  
25 after July 1, 2001, but before July 1, 2005, the specified  
26 percentage shall be sixty percent.

27 Sec. 10. Section 602.9107, subsection 1, paragraph b, Code  
28 2005, is amended by adding the following new subparagraph:

29 NEW SUBPARAGRAPH. (5) For judges who retire and receive  
30 an annuity on or after July 1, 2005, the specified percentage  
31 shall be seventy percent.

32 Sec. 11. Section 602.9108, Code 2005, is amended to read  
33 as follows:

34 602.9108 INDIVIDUAL ACCOUNTS -- REFUNDING.

35 The amount designated as the judge's contribution to the

1 judicial retirement fund in section 602.9104, ~~subsection-17~~  
2 and all amounts paid into the fund by a judge shall be  
3 credited to the individual account of the judge. If a judge  
4 covered under this article becomes separated from service as a  
5 judge before the judge completes an aggregate of six years of  
6 service as a judge of one or more of the courts, the total  
7 amount in the judge's individual account shall be returned to  
8 the judge or the judge's legal representatives within one year  
9 of the separation. If a judge, who is covered under this  
10 article and who has completed an aggregate of six years or  
11 more of service as a judge of one or more of the courts, dies  
12 before retirement, without a survivor, the total amount in the  
13 judge's individual account shall be paid in one sum to the  
14 judge's legal representatives within one year of the judge's  
15 death. If an annuitant under this section dies without a  
16 survivor, and without having received in annuities an amount  
17 equal to the total amount in the judge's individual account at  
18 the time of separation from service, the amount remaining to  
19 the annuitant's credit shall be paid in one sum to the  
20 annuitant's legal representatives within one year of the  
21 annuitant's death.

22 Sec. 12. Section 602.9115A, unnumbered paragraphs 1 and 3,  
23 Code 2005, are amended to read as follows:

24 In lieu of the annuities and refunds provided for judges  
25 and judges' survivors under sections 602.9107, ~~602-9107A7~~  
26 602.9108, 602.9115, 602.9204, 602.9208, and 602.9209, judges  
27 may elect to receive an optional retirement annuity during the  
28 judge's lifetime and have the optional retirement annuity, or  
29 a designated fraction of the optional retirement annuity,  
30 continued and paid to the judge's survivor after the judge's  
31 death and during the lifetime of the survivor.

32 The optional retirement annuity shall be the actuarial  
33 equivalent of the amounts of the annuities payable to judges  
34 and survivors under sections 602.9107, ~~602-9107A7~~ 602.9115,  
35 602.9204, 602.9208, and 602.9209. The actuarial equivalent

1 shall be based on the mortality and interest assumptions set  
2 out in section 602.9107, subsection 3.

3 Sec. 13. Section 602.9116, subsection 1, Code 2005, is  
4 amended to read as follows:

5 1. The court administrator shall cause an actuarial  
6 valuation to be made of the assets and liabilities of the  
7 judicial retirement fund at least once every four years  
8 commencing with the fiscal year beginning July 1, 1981. For  
9 each fiscal year in which an actuarial valuation is not  
10 conducted, the court administrator shall cause an annual  
11 actuarial update to be prepared for the purpose of determining  
12 the adequacy of the contribution rates specified in section  
13 602.9104~~7~~-~~subsection-4~~. The court administrator shall adopt  
14 mortality tables and other necessary factors for use in the  
15 actuarial calculations required for the valuation upon the  
16 recommendation of the actuary. Following the actuarial  
17 valuation or annual actuarial update, the court administrator  
18 shall determine the condition of the system and shall report  
19 its findings and recommendations to the general assembly.

20 Sec. 14. Section 602.9203, subsection 2, paragraph b, Code  
21 2005, is amended to read as follows:

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

29 Sec. 15. Section 602.9204, subsection 1, Code 2005, is  
30 amended to read as follows:

31 1. A judge who retires on or after July 1, 1994, and who  
32 is appointed a senior judge under section 602.9203 shall be  
33 paid a salary as determined by the general assembly. A senior  
34 judge or retired senior judge shall be paid an annuity under  
35 the judicial retirement system in the manner provided in

1 section 602.9109, but computed under this section in lieu of  
2 section 602.9107, as follows: The annuity paid to a senior  
3 judge or retired senior judge shall be an amount equal to  
4 ~~three-percent~~ the applicable percentage multiplier of the  
5 basic senior judge salary, multiplied by the judge's years of  
6 service prior to retirement as a judge of one or more of the  
7 courts included under this article, for which contributions  
8 were made to the system, except the annuity of the senior  
9 judge or retired senior judge shall not exceed an amount equal  
10 to the applicable specified percentage of the basic senior  
11 judge salary used in calculating the annuity. However,  
12 following the twelve-month period during which the senior  
13 judge or retired senior judge attains seventy-eight years of  
14 age, the annuity paid to the person shall be an amount equal  
15 to ~~three-percent~~ the applicable percentage multiplier of the  
16 basic senior judge salary cap, multiplied by the judge's years  
17 of service prior to retirement as a judge of one or more of  
18 the courts included under this article, for which  
19 contributions were made to the system, except that the annuity  
20 shall not exceed an amount equal to the applicable specified  
21 percentage of the basic senior judge salary cap. A senior  
22 judge or retired senior judge shall not receive benefits  
23 calculated using a basic senior judge salary established after  
24 the twelve-month period in which the senior judge or retired  
25 senior judge attains seventy-eight years of age. The state  
26 shall provide, regardless of age, to an active senior judge or  
27 a senior judge with six years of service as a senior judge and  
28 to the judge's spouse, and pay for medical insurance until the  
29 judge attains the age of seventy-eight years.

30 Sec. 16. Section 602.9204, subsection 2, Code 2005, is  
31 amended by adding the following new paragraph:

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

34 (1) For a senior judge or retired senior judge who retired  
35 as a judge and received an annuity prior to July 1, 2005,

1 three percent.

2 (2) For a senior judge or a retired senior judge who  
3 retired as a judge and received an annuity on or after July 1,  
4 2005, three and one-half percent.

5 EXPLANATION

6 This bill makes changes to the Iowa public employees'  
7 retirement system and the judicial retirement system. The  
8 bill may include a state mandate as defined in Code section  
9 25B.3. The state mandate funding requirement in Code section  
10 25B.2, however, does not apply to public employee retirement  
11 systems. The changes to each public retirement system are as  
12 follows:

13 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

14 The bill amends Code section 97B.11 relating to the  
15 contributions made to the system by employers and employees.  
16 Currently, the employer rate is 5.75 percent and the employee  
17 rate is 3.7 percent of a member's covered wages. The bill  
18 provides that the base employer rate will increase from the  
19 current rate by .6 percentage points per fiscal year beginning  
20 July 1, 2006, until reaching 8.15 percent on July 1, 2009.  
21 The bill further provides that the base employee rate will  
22 increase from the current rate by .4 percentage points per  
23 fiscal year beginning July 1, 2006, until reaching 5.3 percent  
24 on July 1, 2009. Beginning July 1, 2010, the total employer  
25 percentage shall be 8.15 percent and 50 percent of the total  
26 adjusted required percentage, and the total employee  
27 percentage shall be 5.3 percent and 50 percent of the total  
28 adjusted required percentage. The bill provides that the  
29 total additional required percentage shall be, beginning for  
30 each fiscal year on or after July 1, 2010, the percentage  
31 rate, whether positive or negative, equal to the total  
32 required percentage minus 13.45 percent. The bill provides  
33 that the total required percentage rate for a fiscal year is  
34 the total adjusted required percentage for the prior year plus  
35 13.45 percent unless IPERS determines that this total rate

1 should be modified. The bill provides that if the total rate  
2 for the prior year is insufficient to amortize the system's  
3 unfunded actuarial liability within 30 years, the rate will  
4 increase to the lesser of the rate needed to amortize the  
5 unfunded actuarial liability in 30 years or one percentage  
6 point over the prior year's total rate. On the other hand,  
7 the bill provides that if the total rate for the prior year is  
8 sufficient to amortize the system's unfunded actuarial  
9 liability in 10 years or less, the rate will decrease to the  
10 greater of one percentage point less than the prior year's  
11 total rate, or the rate equal to the normal cost rate plus the  
12 greater of an additional .75 percent or such other percent as  
13 necessary to amortize any unfunded liability of the system  
14 over 20 years. The bill also makes conforming changes to the  
15 Code sections providing for the contributions paid by special  
16 service members of IPERS to retain the current contribution  
17 rate calculation for these members.

18 The bill also requires the public retirement systems  
19 committee to conduct a review of pension flexibility issues  
20 and to submit its findings and recommendations to the  
21 legislature by January 1, 2006. The pension flexibility  
22 review is charged to examine and consider various  
23 supplementary defined-contribution and hybrid retirement  
24 plans.

25 JUDICIAL RETIREMENT SYSTEM

26 Code section 602.9104, concerning contributions by judges  
27 and the state to the judicial retirement fund, is amended.  
28 Under current law, judges pay 5 percent of their salary and  
29 the state pays 23.7 percent of all judges' salaries to the  
30 fund until the fund becomes fully funded based upon the  
31 benefits provided judges as of July 1, 2001. The bill changes  
32 the definition of fully funded to provide that a funded status  
33 of 90 percent, instead of 100 percent, is deemed fully funded.  
34 The bill further provides that judges will pay 6.5 percent of  
35 their salary for the fiscal year beginning July 1, 2005, and

1 each fiscal year thereafter, until the fund becomes fully  
2 funded based upon the benefits provided judges as of July 1,  
3 2001, multiplied by a fraction determined by taking the actual  
4 state contribution rate for the fiscal year divided by 23.7.  
5 Once the fund becomes fully funded, judges will pay 50 percent  
6 of the percentage of the total amount necessary to keep the  
7 fund fully funded. As for the state's contribution, the bill  
8 provides that the state will continue to pay 23.7 percent of  
9 total pay for each fiscal year until the fund becomes fully  
10 funded based upon the benefits provided judges as of July 1,  
11 2001. Once the fund becomes fully funded, the state will pay  
12 50 percent of the percentage of the total amount necessary to  
13 keep the fund fully funded.

14 Code section 602.9106 is amended to reduce from 25 to 20  
15 years the number of years of service a judge must have under  
16 the retirement system in order to receive an unreduced  
17 retirement allowance. Code section 602.9107A, which provided  
18 a reduced retirement allowance for judges with at least 20  
19 years of service but less than 25 years of service, is  
20 repealed.

21 Code section 602.9107, concerning the calculation of a  
22 retirement annuity under the judicial retirement system, is  
23 amended. The bill increases the percentage multiplier used in  
24 calculating a judge's retirement annuity from 3 percent to 3.5  
25 percent for each year of service under the retirement system  
26 and increases the maximum percentage of the judge's final  
27 average salary used in calculating an annuity from 60 percent  
28 to 70 percent for judges with 20 years of service or less who  
29 retire on or after July 1, 2005. The bill also provides that  
30 a judge with more than 20 years of service who retires on or  
31 after July 1, 2005, can receive an additional .25 percent of  
32 the judge's final highest average salary, for each quarter  
33 year of service over 20 years, up to a maximum of 5 additional  
34 percentage points.

35 Code section 602.9204, concerning the calculation of a

1 retirement annuity for senior judges, is amended to provide  
2 that the percentage multiplier used to calculate senior judge  
3 annuities is also increased from 3 percent to 3.5 percent per  
4 year of service for judges who retired and received an annuity  
5 on or after July 1, 2005. The maximum percentage applicable  
6 to each senior judge is not changed.

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HOUSE FILE 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 17, 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:

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 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~~ reduced by 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 permanently 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 court administrator, 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.

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CHRISTOPHER C. RANTS  
Speaker of the House

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JEFFREY M. LAMBERTI  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 729, Eighty-first General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved *April 26*, 2006

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THOMAS J. VILSACK  
Governor