

FEB 3 2006
Place On Calendar

HOUSE FILE 2245
BY COMMITTEE ON STATE
GOVERNMENT

(SUCCESSOR TO HSB 536)

Passed House, Date 2-8-06 Passed Senate, Date 4-4-06
Vote: Ayes 99 Nays 0 Vote: Ayes 50 Nays 0
Re-passed
4-6-06 98-0 Approved April 26, 2006

A BILL FOR

1 An Act concerning the Iowa public employees' retirement system
2 and the statewide fire and police retirement system, and
3 providing an effective and retroactive applicability date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2245

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DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

a. ~~"Three-year average covered wage" means, for a member who retires prior to July 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. 2. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph.

Sec. 3. Section 97B.4, subsection 4, paragraph a, Code

1 2005, is amended to read as follows:

2 a. ANNUAL REPORT TO GOVERNOR. Not later than the
3 ~~fifteenth~~ thirty-first day of December of each year, the
4 system shall submit to the governor a report covering the
5 administration and operation of this chapter during the
6 preceding fiscal year and shall make recommendations for
7 amendments to this chapter. The report shall include a
8 balance sheet of the moneys in the retirement fund. The
9 report shall also include information concerning the
10 investment management expenses for the retirement fund for
11 each fiscal year expressed as a percent of the market value of
12 the retirement fund investment assets, including the
13 information described in section 97B.7, subsection 3,
14 paragraph "d". The information provided under this paragraph
15 shall also include information on the investment policies and
16 investment performance of the retirement fund. In providing
17 this information, to the extent possible, the system shall
18 include the total investment return for the entire fund, for
19 portions of the fund managed by investment managers, and for
20 internally managed portions of the fund, and the cost of
21 managing the fund per thousand dollars of assets. The
22 performance shall be based upon market value, and shall be
23 contrasted with relevant market indices and with performances
24 of pension funds of similar asset size.

25 Sec. 4. Section 97B.48, subsection 5, Code 2005, is
26 amended to read as follows:

27 5. Effective on such date as the system determines by
28 rule, but in no event later than July 1, 2006, if the system
29 determines that the ~~accumulated-contributions-of-a-member,~~
30 lump sum amount payable to a living member who has had a break
31 in service or to a beneficiary of a deceased member, ~~are is~~
32 less than three-thousand-dollars the current maximum amount
33 prescribed by the internal revenue service that may be
34 distributed without triggering automatic rollover rights, the
35 lump sum amount payable under this chapter shall be paid to

1 the living member or beneficiary in full satisfaction of all
2 rights of the member or beneficiary to receive any payments
3 under the system. For purposes of this section, a "break in
4 service" means twenty consecutive calendar quarters in which
5 no wages are reported to the system. The lump sum payment
6 shall be made within one hundred eighty days after the
7 calendar quarter in which the member completes a break in
8 service or dies, whichever is applicable. A member or
9 beneficiary who receives a mandatory distribution under this
10 subsection shall have sixty days to return the distribution to
11 the system and restore the member's or beneficiary's account.

12 Sec. 5. Section 97B.49C, subsection 1, paragraph c, Code
13 Supplement 2005, is amended to read as follows:

14 c. "Eligible service" means membership and prior service
15 as a sheriff or deputy sheriff under this section. In
16 addition, eligible service includes membership and prior
17 service as a ~~marshal-in-a-city-not-covered-under-chapter-400~~
18 ~~or-a-fire-fighter-or-police-officer-of-a-city-not~~
19 ~~participating-in-the-retirement-systems-established-in-chapter~~
20 ~~410-or-4117-and-as-an-airport-fire-fighter-prior-to-July-1,~~
21 ~~1994~~ member in a protection occupation as defined in section
22 97B.49B.

23 Sec. 6. Section 97B.52A, subsection 1, paragraph c, Code
24 Supplement 2005, is amended to read as follows:

25 c. For a member whose first month of entitlement is July
26 2000 or later, the member does not return to any employment
27 with a covered employer until the member has qualified for at
28 least one calendar month of retirement benefits, and the
29 member does not return to covered employment until the member
30 has qualified for no fewer than four calendar months of
31 retirement benefits. For purposes of this paragraph,
32 effective July 1, 2000, any employment with a covered employer
33 does not include employment as an elective official or member
34 of the general assembly if the member is not covered under
35 this chapter for that employment. For purposes of determining

1 a bona fide retirement under this paragraph and for a member
2 whose first month of entitlement is July 2004 or later, but
3 before July ~~2006~~ 2010, covered employment does not include
4 employment as a licensed health care professional by a public
5 hospital as defined in section 249J.3, with the exception of
6 public hospitals governed pursuant to chapter 226.

7 Sec. 7. 2004 Iowa Acts, chapter 1103, section 62, is
8 amended to read as follows:

9 SEC. 62. LICENSED HEALTH CARE PROFESSIONALS -- BONA FIDE
10 RETIREMENT REPORT. The Iowa public employees' retirement
11 system and the Iowa hospital association shall each submit a
12 report to the general assembly by ~~December 17, 2006~~ October 1,
13 2009, concerning the costs and effectiveness of the provision
14 of this Act amending section 97B.52A that provides that
15 covered employment, for purposes of establishing a bona fide
16 retirement, does not include employment as a licensed health
17 care professional by a public hospital as defined in section
18 249I.3. Each report shall provide statistics concerning the
19 number of members taking advantage of this provision, the
20 costs and financial benefits, if any, associated with this
21 provision, and recommendations for further action.

22 Sec. 8. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
23 section of this Act amending section 97B.48, subsection 5,
24 being deemed of immediate importance, takes effect upon
25 enactment and is retroactively applicable to January 1, 2006,
26 and is applicable on or after that date.

27 DIVISION II

28 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

29 Sec. 9. Section 411.1, subsection 12, Code 2005, is
30 amended to read as follows:

31 12. "Member in good standing" means a member in service
32 who is not subject to removal by the employing city of the
33 member pursuant to section 400.18 or 400.19, or other
34 comparable process, and who is not the subject of an
35 investigation that could lead to such removal. A person who

1 is restored to active service for purposes of applying for a
2 pension under this chapter is not a member in good standing.

3 Sec. 10. Section 411.5, subsection 6, Code 2005, is
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. d. Records containing financial or
6 commercial information that relates to the investment of
7 retirement system funds if the disclosure of such information
8 could result in a loss to the retirement system or to the
9 provider of the information are not public records for the
10 purposes of chapter 22.

11 Sec. 11. Section 411.5, Code 2005, is amended by adding
12 the following new subsection:

13 NEW SUBSECTION. 15. CLOSED SESSIONS. In addition to the
14 reasons provided in section 21.5, subsection 1, the board may
15 hold a closed session pursuant to the requirements of section
16 21.5 of that portion of a board meeting in which financial or
17 commercial information is provided to or discussed by the
18 board if the board determines that disclosure of such
19 information could result in a loss to the retirement system or
20 to the provider of the information.

21 Sec. 12. Section 411.6, subsection 5, paragraph a, Code
22 2005, is amended to read as follows:

23 a. Upon application to the system, of a member in good
24 standing or of the chief of the police or fire departments,
25 respectively, any member in good standing who has become
26 totally and permanently incapacitated for duty as the natural
27 and proximate result of an injury or disease incurred in or
28 aggravated by the actual performance of duty at some definite
29 time and place, or while acting pursuant to order, outside of
30 the city by which the member is regularly employed, shall be
31 retired by the system if the medical board certifies that the
32 member is mentally or physically incapacitated for further
33 performance of duty, that the incapacity is likely to be
34 permanent, and that the member should be retired. However, if
35 a person's membership in the system first commenced on or

1 after July 1, 1992, the member shall not be eligible for
2 benefits with respect to a disability which would not exist,
3 but for a medical condition that was known to exist on the
4 date that membership commenced. A medical condition shall be
5 deemed to have been known to exist on the date that membership
6 commenced if the medical condition is reflected in any record
7 or document completed or obtained in accordance with the
8 system's medical protocols pursuant to section 400.8, or in
9 any other record or document obtained pursuant to an
10 application for disability benefits from the system, if such
11 record or document existed prior to the date membership
12 commenced. A member who is denied a benefit under this
13 subsection, by reason of a finding by the medical board that
14 the member is not mentally or physically incapacitated for the
15 further performance of duty, shall be entitled to be restored
16 to active service in the same position held immediately prior
17 to the application for disability benefits.

18 Sec. 13. Section 411.6, subsection 5, paragraph b, Code
19 2005, is amended to read as follows:

20 b. If a member in service or the chief of the police or
21 fire departments becomes incapacitated for duty as a natural
22 or proximate result of an injury or disease incurred in or
23 aggravated by the actual performance of duty at some definite
24 time or place or while acting, pursuant to order, outside the
25 city by which the member is regularly employed, the member,
26 upon being found to be temporarily incapacitated following a
27 medical examination as directed by the city, is entitled to
28 receive the member's full pay and allowances from the city's
29 general fund or trust and agency fund until re-examined as
30 directed by the city and found to be fully recovered or until
31 the city determines that the member is likely to be
32 permanently disabled. If the temporary incapacity of a member
33 continues more than sixty days, or if the city expects the
34 incapacity to continue more than sixty days, the city shall
35 notify the system of the temporary incapacity. Upon

1 notification by a city, the system may refer the matter to the
2 medical board for review and consultation with the member's
3 treating physician during the temporary incapacity. Except as
4 provided by this paragraph, the board of trustees of the
5 statewide system has no jurisdiction over these matters until
6 the city determines that the disability is likely to be
7 permanent.

8 Sec. 14. Section 411.6, subsection 8, paragraph c,
9 subparagraph (3), Code 2005, is amended to read as follows:

10 (3) If there is no surviving spouse or child, then the
11 member's dependent father or mother, or both, as the system
12 determines, to continue until ~~remarriage~~-or death.

13 Sec. 15. Section 411.6, subsection 9, paragraph b,
14 subparagraph (1), subparagraph subdivision (c), Code 2005, is
15 amended to read as follows:

16 (c) If the member's designated beneficiary is the member's
17 dependent father or mother, or both, then to the father or
18 mother, or both, in equal shares, to continue until ~~remarriage~~
19 or death.

20 Sec. 16. Section 411.6, subsection 9, paragraph b,
21 subparagraph (2), subparagraph subdivision (c), Code 2005, is
22 amended to read as follows:

23 (c) If there is no surviving spouse or child, then to the
24 member's dependent father or mother, or both, in equal shares,
25 to continue until ~~remarriage~~-or death.

26 Sec. 17. Section 411.23, Code 2005, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 3. a. Commencing July 1, 2006, a
29 member's contributions shall be refunded to the member by the
30 system if the following conditions are met:

31 (1) The member was a member of the system for less than
32 four years.

33 (2) The member terminated service four or more years prior
34 to the date of the refund.

35 (3) The amount to be refunded does not exceed five

1 thousand dollars, or such other amount as may be established
2 under section 401(a) of the Internal Revenue Code.

3 b. In the event a refund is made in accordance with this
4 subsection without the member's consent, the system shall pay
5 the distribution in a direct rollover to an individual
6 retirement plan designated by the system unless the member
7 elects to have such distribution paid directly to an eligible
8 retirement plan specified by the member in a direct rollover
9 in accordance with section 411.6B or elects to receive the
10 distribution directly. The system may, by rule, implement a
11 de minimus exception to the automatic rollover provision of
12 this subsection, subject to the limitations of the Internal
13 Revenue Code and any applicable internal revenue service
14 regulations.

15 EXPLANATION

16 This bill makes changes to the Iowa public employees'
17 retirement system in Code chapter 97B and the statewide fire
18 and police retirement system created in Code chapter 411. The
19 changes to each public retirement system are as follows:

20 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

21 Code section 97B.1A, subsection 24, concerning the
22 definition of three-year average covered wage, is amended to
23 eliminate the provision that would have changed this
24 calculation from the highest three years of service to the
25 highest 12 consecutive quarters of service effective July 1,
26 2008.

27 Code section 97B.4, subsection 4, is amended to provide
28 that IPERS shall submit its annual report to the governor by
29 December 31, not the current December 15.

30 Code section 97B.48 is amended to provide that the maximum
31 account balance on inactive accounts that IPERS may distribute
32 in a lump sum to a member who has had a break in service or to
33 a beneficiary of a deceased member is set at the amount the
34 internal revenue service (IRS) permits IPERS to distribute
35 without establishing a rollover account for the distribution.

1 Current law sets this amount at \$3,000, which is not based
2 upon the distribution amount permitted by the IRS. This
3 provision of the bill takes effect upon enactment and is
4 retroactively applicable to January 1, 2006.

5 Code section 97B.49C, subsection 1, concerning eligible
6 service for coverage in the sheriffs and deputy sheriffs
7 category, is amended to include all service as a member in any
8 protection occupation. Current law only includes prior
9 service as a marshal in a city or a city fire fighter or
10 police officer as additional eligible service under the
11 sheriffs' category.

12 Code section 97B.52A, concerning bona fide retirement, is
13 amended. Current law provides an exception to the bona fide
14 retirement provisions for licensed health care professionals
15 employed by a public hospital for the period beginning July
16 2004 and ending July 2006. The exception allows the health
17 care professional to return to covered employment after one
18 month following retirement. The bill extends this period to
19 July 2010. The bill also provides that IPERS and the Iowa
20 hospital association shall submit their reports concerning
21 this exception on October 1, 2009, instead of December 1,
22 2006.

23 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

24 The definition of "member in good standing" in Code section
25 411.1 is amended to provide that a person who is restored to
26 active service for purposes of applying for a pension is not a
27 member in good standing.

28 Code section 411.5, governing the administration of the
29 system, is amended to provide that investment-related records
30 of the system are not to be considered public records subject
31 to disclosure under Code chapter 22 if the disclosure could
32 result in a loss to the system or the provider of the
33 information. In addition, the section is amended to permit
34 the board governing the system to go into closed session to
35 discuss financial or commercial information if the disclosure

1 of such information may result in a loss to the system or to
2 the provider of the information.

3 Code section 411.6, subsection 5, concerning the
4 determination of an accidental disability retirement is
5 amended. Current law precludes the member from receiving
6 disability benefits for a condition known to exist prior to
7 the member's entrance to the system. The bill provides that
8 the existence of a medical condition can be established if it
9 is reflected in any document obtained through the system's
10 medical protocol or through the disability application process
11 and in existence prior to the date membership commenced.

12 Code section 411.6, subsection 5, is further amended to
13 allow cities to pay a member who is temporarily disabled due
14 to a work injury or illness the worker's full pay and
15 allowances from the city's trust and agency funds or the
16 city's general fund. Current law only allows this payment
17 from the city's general fund.

18 Code section 411.6 is further amended concerning the
19 eligibility of a dependent parent of a deceased member to
20 receive death benefits. Under current law, the surviving
21 dependent mother or father of a deceased member can continue
22 to receive a death benefit, if otherwise eligible, until the
23 dependent mother or father dies or remarries. The bill
24 eliminates the provision terminating the death benefit if the
25 dependent mother or father remarries.

26 Code section 411.23 is amended to authorize the system to
27 automatically disburse a refund of contributions for certain
28 members who have left service under the system. The bill
29 provides for this automatic disbursement if the contribution
30 amount to be refunded is less than \$5,000 or the amount the
31 internal revenue service allows and the recipient is a
32 terminated, nonvested member of the system who has been absent
33 from active membership for four years or more. The bill
34 provides that the refunded amount will be distributed to an
35 individual retirement plan designated by the system unless the

1 member elects to receive the distribution directly or as a
2 rollover to an eligible retirement plan.

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HOUSE FILE 2245

S-5076

1 Amend House File 2245, as passed by the House, as
2 follows:
3 1. Page 5, by inserting after line 2 the
4 following:
5 "Sec. _____. Section 411.3, subsection 3, paragraph
6 b, Code 2005, is amended to read as follows:
7 b. If a person is reemployed, the person shall not
8 become an active member of the system upon
9 reemployment, and the person so reemployed and the
10 participating city shall not make contributions to the
11 system based upon the person's compensation for
12 reemployment. A person who is so reemployed shall
13 continue not be eligible to receive the a service
14 retirement allowance for the period of reemployment.
15 The service retirement allowance shall be reinstated
16 upon termination of the reemployment, and but the
17 service retirement allowance shall not be recalculated
18 based upon the person's reemployment. Notwithstanding
19 section 97B.1A or any other provision of law to the
20 contrary, a person reemployed as provided in this
21 subsection shall be exempt from chapter 97B."
22 2. By renumbering as necessary.

By JOHN P. KIBBIE

S-5076 FILED MARCH 15, 2006

SENATE AMENDMENT TO
HOUSE FILE 2245

H-8473

1 Amend House File 2245, as passed by the House, as
2 follows:
3 1. Page 5, by inserting after line 2 the
4 following:
5 "Sec. _____. Section 411.3, subsection 3, paragraph
6 b, Code 2005, is amended to read as follows:
7 b. If a person is reemployed, the person shall not
8 become an active member of the system upon
9 reemployment, and the person so reemployed and the
10 participating city shall not make contributions to the
11 system based upon the person's compensation for
12 reemployment. A person who is so reemployed shall
13 continue not be eligible to receive the a service
14 retirement allowance for the period of reemployment.
15 The service retirement allowance shall be reinstated
16 upon termination of the reemployment, and but the
17 service retirement allowance shall not be recalculated
18 based upon the person's reemployment. Notwithstanding
19 section 97B.1A or any other provision of law to the
20 contrary, a person reemployed as provided in this
21 subsection shall be exempt from chapter 97B."
22 2. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-8473 FILED APRIL 4, 2006

SUCCESSOR

SF

02245

HSB 536

STATE GOVERNMENT

Crake, chair

Glavin

Sothum

Kertenbach

Tomenga

Taylor, T.

Wendt.

SENATE/HOUSE FILE _____

BY (PROPOSED IOWA PUBLIC
EMPLOYEES' RETIREMENT
SYSTEM BILL)

Passed Senate, Date _____

Passed House, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act concerning the Iowa public employees' retirement system,
2 and providing an effective and retroactive applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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

3 a. ~~"Three-year average covered wage" means~~~~for a member~~
4 ~~who retires prior to July 17, 2008,~~ a member's covered wages
5 averaged for the highest three years of the member's service,
6 except as otherwise provided in this subsection. The highest
7 three years of a member's covered wages shall be determined
8 using calendar years. However, if a member's final quarter of
9 a year of employment does not occur at the end of a calendar
10 year, the system may determine the wages for the third year by
11 computing the average quarter of all quarters from the
12 member's highest calendar year of covered wages not being used
13 in the selection of the two highest years and using the
14 computed average quarter for each quarter in the third year in
15 which no wages have been reported in combination with the
16 final quarter or quarters of the member's service to create a
17 full year. However, the system shall not use the member's
18 final quarter of wages if using that quarter would reduce the
19 member's three-year average covered wage. If the three-year
20 average covered wage of a member exceeds the highest maximum
21 covered wages in effect for a calendar year during the
22 member's period of service, the three-year average covered
23 wage of the member shall be reduced to the highest maximum
24 covered wages in effect during the member's period of service.
25 Notwithstanding any other provision of this paragraph to the
26 contrary, a member's wages for the third year as computed by
27 this paragraph shall not exceed, by more than three percent,
28 the member's highest actual calendar year of covered wages for
29 a member whose first month of entitlement is January 1999 or
30 later.

31 Sec. 2. Section 97B.1A, subsection 24, paragraph c, Code
32 Supplement 2005, is amended by striking the paragraph.

33 Sec. 3. Section 97B.4, subsection 4, paragraph a, Code
34 2005, is amended to read as follows:

35 a. ANNUAL REPORT TO GOVERNOR. Not later than the

1 ~~fifteenth~~ thirty-first day of December of each year, the
2 system shall submit to the governor a report covering the
3 administration and operation of this chapter during the
4 preceding fiscal year and shall make recommendations for
5 amendments to this chapter. The report shall include a
6 balance sheet of the moneys in the retirement fund. The
7 report shall also include information concerning the
8 investment management expenses for the retirement fund for
9 each fiscal year expressed as a percent of the market value of
10 the retirement fund investment assets, including the
11 information described in section 97B.7, subsection 3,
12 paragraph "d". The information provided under this paragraph
13 shall also include information on the investment policies and
14 investment performance of the retirement fund. In providing
15 this information, to the extent possible, the system shall
16 include the total investment return for the entire fund, for
17 portions of the fund managed by investment managers, and for
18 internally managed portions of the fund, and the cost of
19 managing the fund per thousand dollars of assets. The
20 performance shall be based upon market value, and shall be
21 contrasted with relevant market indices and with performances
22 of pension funds of similar asset size.

23 Sec. 4. Section 97B.48, subsection 5, Code 2005, is
24 amended to read as follows:

25 5. Effective on such date as the system determines by
26 rule, but in no event later than July 1, 2006, if the system
27 determines that the ~~accumulated-contributions-of-a-member,~~
28 lump sum amount payable to a living member who has had a break
29 in service or to a beneficiary of a deceased member, ~~are is~~
30 less than three-thousand-dollars the current maximum amount
31 prescribed by the internal revenue service that may be
32 distributed without triggering automatic rollover rights, the
33 lump sum amount payable under this chapter shall be paid to
34 the living member or beneficiary in full satisfaction of all
35 rights of the member or beneficiary to receive any payments

1 under the system. For purposes of this section, a "break in
2 service" means twenty consecutive calendar quarters in which
3 no wages are reported to the system. The lump sum payment
4 shall be made within one hundred eighty days after the
5 calendar quarter in which the member completes a break in
6 service or dies, whichever is applicable. A member or
7 beneficiary who receives a mandatory distribution under this
8 subsection shall have sixty days to return the distribution to
9 the system and restore the member's or beneficiary's account.

10 Sec. 5. Section 97B.49C, subsection 1, paragraph c, Code
11 Supplement 2005, is amended to read as follows:

12 c. "Eligible service" means membership and prior service
13 as a sheriff or deputy sheriff under this section. In
14 addition, eligible service includes membership and prior
15 service as a ~~marshal-in-a-city-not-covered-under-chapter-400~~
16 ~~or-a-fire-fighter-or-police-officer-of-a-city-not~~
17 ~~participating-in-the-retirement-systems-established-in-chapter~~
18 ~~410-or-4117-and-as-an-airport-fire-fighter-prior-to-July-17~~
19 ~~1994~~ member in a protection occupation as defined in section
20 97B.49B.

21 Sec. 6. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The
22 section of this Act amending section 97B.48, subsection 5,
23 being deemed of immediate importance, takes effect upon
24 enactment and is retroactively applicable to January 1, 2006,
25 and is applicable on or after that date.

26 EXPLANATION

27 This bill makes changes to the Iowa public employees'
28 retirement system (IPERS).

29 Code section 97B.1A, subsection 24, concerning the
30 definition of three-year average covered wage, is amended to
31 eliminate the provision that would have changed this
32 calculation from the highest three years of service to the
33 highest 12 consecutive quarters of service effective July 1,
34 2008.

35 Code section 97B.4, subsection 4, is amended to provide

1 that IPERS shall submit its annual report to the governor by
2 December 31, not the current December 15.

3 Code section 97B.48 is amended to provide that the maximum
4 account balance on inactive accounts that IPERS may distribute
5 in a lump sum to a member who has had a break in service or to
6 a beneficiary of a deceased member is set at the amount the
7 internal revenue service (IRS) permits IPERS to distribute
8 without establishing a rollover account for the distribution.
9 Current law sets this amount at \$3,000, which is not based
10 upon the distribution amount permitted by the IRS. This
11 provision of the bill takes effect upon enactment and is
12 retroactively applicable to January 1, 2006.

13 Code section 97B.49C, subsection 1, concerning eligible
14 service for coverage in the sheriffs and deputy sheriffs
15 category, is amended to include all service as a member in any
16 protection occupation. Current law only includes prior
17 service as a marshal in a city or a city fire fighter or
18 police officer as additional eligible service under the
19 sheriffs category.

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Thomas J. Vilsack
GOVERNOR

Sally J. Pederson
LT. GOVERNOR



Donna M. Mueller
CHIEF EXECUTIVE OFFICER

November 14, 2005

Honorable Members of the Iowa General Assembly:

I respectfully submit this bill making technical changes to Chapter 97B, which governs the Iowa Public Employees' Retirement System. The changes do not affect basic plan design or IPERS funding.

Couple with IRS requirements

The IRS lowered the maximum account balance on inactive accounts that public retirement plans may distribute, or cash out, without establishing rollover accounts for the distributions. Currently IPERS cashes out accounts that have been inactive for five or more years if the account balance is less than \$3,000. This exceeds the new IRS maximum and, if not changed, IPERS' Plan will not comply with the IRS' retirement plan qualification requirements.

Make reporting deadlines consistent

IPERS must submit our comprehensive annual financial report to the Governor by December 15. This deadline is different from the end-of-December reporting deadline for submitting our report to the Government Financial Officers Association (GFOA). The GFOA sets standards for financial reporting and IPERS strives to meet those high standards. We consistently receive an award from GFOA for excellence in financial reporting.

Maintain current method used to determine final average salary

IPERS is required, beginning in 2008, to determine final average salary using a member's highest 12 consecutive quarters rather than highest 3 years of covered wages. The final average salary, years of service, and a multiplier determine the amount of a retiree's monthly pension.

IPERS originally requested the change to help control wage spiking, which artificially inflates the retirement benefits an individual receives. However, over the course of five years, we are overhauling the technology we use to administer retirement benefits. Computer system and reporting improvements will help IPERS address spiking without the change. In addition, making Plan changes while we are revamping our computer system will complicate that project, creating additional work and costs.

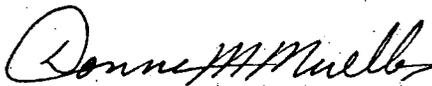
Correct the definition of "eligible service"

"Eligible service" that counts in qualifying for retirement benefits for sheriffs and deputy sheriffs includes service in some, but not all, of the other protection occupations. For example, currently if an airport firefighter or local county conservation officer becomes a county sheriff or deputy sheriff, the service as an airport firefighter or conservation officer is not "eligible service" for IPERS retirement benefits for sheriffs and deputies. However, other firefighters in IPERS' Special Services group who would later become a sheriff or deputy sheriff could count the firefighting service as "eligible service" for retirement as a sheriff and deputy.

Although IPERS has two categories of Special Services members, sheriffs and deputy sheriffs and all other protection occupations, all are public safety positions. All pay an actuarially determined contribution rate that is higher than that paid by regular IPERS members. Sheriffs and deputies should be able to count service in any protection occupation as "eligible service."

Thank you for your consideration of these technical changes.

Sincerely,



Donna M. Mueller
Chief Executive Officer

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
TECHNICAL CORRECTIONS BILL
2006 LEGISLATIVE SESSION

1. Amend 97B.1A(24)"c" as follows:

~~c. "Three year average covered wage" means for a member who retires on or after July 1, 2008, the great of the member's covered wage averaged for a member's highest twelve consecutive quarters of service or the member's covered wages averaged for a member's highest three calendar years of service. The system shall adopt rules to implement this section in accordance with the requirement of this chapter and the federal Internal Revenue Code.~~

2. Amend Section 97B.4(4)"a" as follows:

a. *Annual report to governor.* Not later than the ~~fifteenth~~ thirty-first day of December of each year, the system shall submit to the governor a report covering the administration and operation of this chapter during the preceding fiscal year and shall make recommendations for amendments to this chapter. The report shall include a balance sheet of the moneys in the retirement fund. The report shall also include information concerning the investment management expenses for the retirement fund for each fiscal year expressed as a percent of the market value of the retirement fund investment assets, including the information described in section 97B.7, subsection 3, paragraph "d". The information provided under this paragraph shall also include information on the investment policies and investment performance of the retirement fund. In providing this information, to the extent possible, the system shall include the total investment return for the entire fund, for portions of the fund managed by investment managers, and for internally managed portions of the fund, and the cost of managing the fund per thousand dollars of assets. The performance shall be based upon market value, and shall be contrasted with relevant market indices and with performances of pension funds of similar asset size.

3. Amend Section 97B.48(5) as follows:

5. Effective on such date as the system determines by rule, but in no event later than July 1, 2006, if the system determines that ~~the accumulated contributions of a member,~~ lump sum amount payable to a living member who has had a break in service or to a beneficiary of a deceased member, is less than ~~three~~ the current maximum amount prescribed by the IRS that may be cashed out without triggering automatic rollover rights, the lump sum amount payable under this chapter shall be paid to the living member or beneficiary in full satisfaction of all rights of the member or beneficiary to receive any payments under the system. For purposes of this section, a "break in service" means twenty consecutive calendar quarters in which no wages are reported to the system. The lump sum

payment shall be made within one hundred eighty days after the calendar quarter in which the member completes a break in service or dies, whichever is applicable. A member or beneficiary who receives a mandatory distribution under this subsection shall have sixty days to return the distribution to the system and restore the member's or beneficiary's account.

4. Amend Section 97B.49C(1)"c' as follows:

c. "Eligible service" means membership and prior service as a sheriff and deputy sheriff under this section. In addition, eligible service includes membership and prior service in a protection occupation as defined in section 97B.49B as a marshal in a city not covered under chapter 400 or a fire fighter or police officer of a city not participating in the retirement systems established in chapter 410 or 411, and as an airport fire fighter prior to July 1, 1994.

HOUSE FILE 2245

AN ACT

CONCERNING THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND
THE STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM, AND
PROVIDING AN EFFECTIVE AND RETROACTIVE APPLICABILITY DATE.

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

DIVISION I

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

a. "Three-year average covered wage" means ~~for a member who retires prior to July 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. 2. Section 97B.1A, subsection 24, paragraph c, Code Supplement 2005, is amended by striking the paragraph.

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

a. ANNUAL REPORT TO GOVERNOR. Not later than the fifteenth thirty-first day of December of each year, the system shall submit to the governor a report covering the administration and operation of this chapter during the preceding fiscal year and shall make recommendations for amendments to this chapter. The report shall include a balance sheet of the moneys in the retirement fund. The report shall also include information concerning the investment management expenses for the retirement fund for each fiscal year expressed as a percent of the market value of the retirement fund investment assets, including the information described in section 97B.7, subsection 3, paragraph "d". The information provided under this paragraph shall also include information on the investment policies and investment performance of the retirement fund. In providing this information, to the extent possible, the system shall include the total investment return for the entire fund, for portions of the fund managed by investment managers, and for internally managed portions of the fund, and the cost of managing the fund per thousand dollars of assets. The performance shall be based upon market value, and shall be contrasted with relevant market indices and with performances of pension funds of similar asset size.

Sec. 4. Section 97B.48, subsection 5, Code 2005, is amended to read as follows:

5. Effective on such date as the system determines by rule, but in no event later than July 1, 2006, if the system determines that the ~~accumulated-contributions-of-a-member,~~ lump sum amount payable to a living member who has had a break in service or to a beneficiary of a deceased member ~~are is~~ less than three-thousand-dollars the current maximum amount prescribed by the internal revenue service that may be distributed without triggering automatic rollover rights, the lump sum amount payable under this chapter shall be paid to the living member or beneficiary in full satisfaction of all rights of the member or beneficiary to receive any payments under the system. For purposes of this section, a "break in service" means twenty consecutive calendar quarters in which no wages are reported to the system. The lump sum payment shall be made within one hundred eighty days after the calendar quarter in which the member completes a break in service or dies, whichever is applicable. A member or beneficiary who receives a mandatory distribution under this subsection shall have sixty days to return the distribution to the system and restore the member's or beneficiary's account.

Sec. 5. Section 97B.49C, subsection 1, paragraph c, Code Supplement 2005, is amended to read as follows:

c. "Eligible service" means membership and prior service as a sheriff or deputy sheriff under this section. In addition, eligible service includes membership and prior service as a ~~marshal-in-a-city-not-covered-under-chapter-400 or-a-fire-fighter-or-police-officer-of-a-city-not participating-in-the-retirement-systems-established-in-chapter 410-or-411-and-as-an-airport-fire-fighter-prior-to-July-17-1994~~ member in a protection occupation as defined in section 97B.49B.

Sec. 6. Section 97B.52A, subsection 1, paragraph c, Code Supplement 2005, is amended to read as follows:

c. For a member whose first month of entitlement is July 2000 or later, the member does not return to any employment with a covered employer until the member has qualified for at least one calendar month of retirement benefits, and the member does not return to covered employment until the member has qualified for no fewer than four calendar months of retirement benefits. For purposes of this paragraph, effective July 1, 2000, any employment with a covered employer does not include employment as an elective official or member of the general assembly if the member is not covered under this chapter for that employment. For purposes of determining a bona fide retirement under this paragraph and for a member whose first month of entitlement is July 2004 or later, but before July ~~2006~~ 2010, covered employment does not include employment as a licensed health care professional by a public hospital as defined in section 249J.3, with the exception of public hospitals governed pursuant to chapter 226.

Sec. 7. 2004 Iowa Acts, chapter 1103, section 62, is amended to read as follows:

SEC. 62. LICENSED HEALTH CARE PROFESSIONALS -- BONA FIDE RETIREMENT REPORT. The Iowa public employees' retirement system and the Iowa hospital association shall each submit a report to the general assembly by ~~December-17-2006~~ October 1, 2009, concerning the costs and effectiveness of the provision of this Act amending section 97B.52A that provides that covered employment, for purposes of establishing a bona fide retirement, does not include employment as a licensed health care professional by a public hospital as defined in section 249I.3. Each report shall provide statistics concerning the number of members taking advantage of this provision, the costs and financial benefits, if any, associated with this provision, and recommendations for further action.

Sec. 8. EFFECTIVE DATE -- RETROACTIVE APPLICABILITY. The section of this Act amending section 97B.48, subsection 5, being deemed of immediate importance, takes effect upon

enactment and is retroactively applicable to January 1, 2006, and is applicable on or after that date.

DIVISION II

STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

Sec. 9. Section 411.1, subsection 12, Code 2005, is amended to read as follows:

12. "Member in good standing" means a member in service who is not subject to removal by the employing city of the member pursuant to section 400.18 or 400.19, or other comparable process, and who is not the subject of an investigation that could lead to such removal. A person who is restored to active service for purposes of applying for a pension under this chapter is not a member in good standing.

Sec. 10. Section 411.3, subsection 3, paragraph b, Code 2005, is amended to read as follows:

b. If a person is reemployed, the person shall not become an active member of the system upon reemployment, and the person so reemployed and the participating city shall not make contributions to the system based upon the person's compensation for reemployment. A person who is so reemployed shall continue not be eligible to receive the a service retirement allowance for the period of reemployment. The service retirement allowance shall be reinstated upon termination of the reemployment, and but the service retirement allowance shall not be recalculated based upon the person's reemployment. Notwithstanding section 97B.1A or any other provision of law to the contrary, a person reemployed as provided in this subsection shall be exempt from chapter 97B.

Sec. 11. Section 411.5, subsection 6, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. Records containing financial or commercial information that relates to the investment of retirement system funds if the disclosure of such information could result in a loss to the retirement system or to the provider of the information are not public records for the purposes of chapter 22.

Sec. 12. Section 411.5, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 15. CLOSED SESSIONS. In addition to the reasons provided in section 21.5, subsection 1, the board may hold a closed session pursuant to the requirements of section 21.5 of that portion of a board meeting in which financial or commercial information is provided to or discussed by the board if the board determines that disclosure of such information could result in a loss to the retirement system or to the provider of the information.

Sec. 13. Section 411.6, subsection 5, paragraph a, Code 2005, is amended to read as follows:

a. Upon application to the system, of a member in good standing or of the chief of the police or fire departments, respectively, any member in good standing who has become totally and permanently incapacitated for duty as the natural and proximate result of an injury or disease incurred in or aggravated by the actual performance of duty at some definite time and place, or while acting pursuant to order, outside of the city by which the member is regularly employed, shall be retired by the system if the medical board certifies that the member is mentally or physically incapacitated for further performance of duty, that the incapacity is likely to be permanent, and that the member should be retired. However, if a person's membership in the system first commenced on or after July 1, 1992, the member shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced. A medical condition shall be deemed to have been known to exist on the date that membership commenced if the medical condition is reflected in any record or document completed or obtained in accordance with the system's medical protocols pursuant to section 400.8, or in any other record or document obtained pursuant to an application for disability benefits from the system, if such

record or document existed prior to the date membership commenced. A member who is denied a benefit under this subsection, by reason of a finding by the medical board that the member is not mentally or physically incapacitated for the further performance of duty, shall be entitled to be restored to active service in the same position held immediately prior to the application for disability benefits.

Sec. 14. Section 411.6, subsection 5, paragraph b, Code 2005, is amended to read as follows:

b. If a member in service or the chief of the police or fire departments becomes incapacitated for duty as a natural or proximate result of an injury or disease incurred in or aggravated by the actual performance of duty at some definite time or place or while acting, pursuant to order, outside the city by which the member is regularly employed, the member, upon being found to be temporarily incapacitated following a medical examination as directed by the city, is entitled to receive the member's full pay and allowances from the city's general fund or trust and agency fund until re-examined as directed by the city and found to be fully recovered or until the city determines that the member is likely to be permanently disabled. If the temporary incapacity of a member continues more than sixty days, or if the city expects the incapacity to continue more than sixty days, the city shall notify the system of the temporary incapacity. Upon notification by a city, the system may refer the matter to the medical board for review and consultation with the member's treating physician during the temporary incapacity. Except as provided by this paragraph, the board of trustees of the statewide system has no jurisdiction over these matters until the city determines that the disability is likely to be permanent.

Sec. 15. Section 411.6, subsection 8, paragraph c, subparagraph (3), Code 2005, is amended to read as follows:

(3) If there is no surviving spouse or child, then the member's dependent father or mother, or both, as the system determines, to continue until ~~remarriage~~ or death.

Sec. 16. Section 411.6, subsection 9, paragraph b, subparagraph (1), subparagraph subdivision (c), Code 2005, is amended to read as follows:

(c) If the member's designated beneficiary is the member's dependent father or mother, or both, then to the father or mother, or both, in equal shares, to continue until ~~remarriage~~ or death.

Sec. 17. Section 411.6, subsection 9, paragraph b, subparagraph (2), subparagraph subdivision (c), Code 2005, is amended to read as follows:

(c) If there is no surviving spouse or child, then to the member's dependent father or mother, or both, in equal shares, to continue until ~~remarriage~~ or death.

Sec. 18. Section 411.23, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 3. a. Commencing July 1, 2006, a member's contributions shall be refunded to the member by the system if the following conditions are met:

- (1) The member was a member of the system for less than four years.
 - (2) The member terminated service four or more years prior to the date of the refund.
 - (3) The amount to be refunded does not exceed five thousand dollars, or such other amount as may be established under section 401(a) of the Internal Revenue Code.
- b. In the event a refund is made in accordance with this subsection without the member's consent, the system shall pay the distribution in a direct rollover to an individual retirement plan designated by the system unless the member elects to have such distribution paid directly to an eligible retirement plan specified by the member in a direct rollover in accordance with section 411.6B or elects to receive the

distribution directly. The system may, by rule, implement a de minimus exception to the automatic rollover provision of this subsection, subject to the limitations of the Internal Revenue Code and any applicable internal revenue service regulations.

CHRISTOPHER C. RANTS
Speaker of the House

JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2245, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved _____, 2006

THOMAS J. VILSACK
Governor