the Latest Word

For IPERS Employers

Iowa Public Employees' Retirement System | Winter 2007/2008

IPERS contribution rates set for fiscal year 2009

The IPERS contribution rate for regular members will increase one-half percentage point, to 10.45 percent, effective July 1, 2008. This is the second of four adjustments approved by the Iowa Legislature in 2006, the first time the legislature increased the rate since 1979. Contributions will continue to be shared about 60 percent by employers and 40 percent by employees.

Employees will see a difference of $20 a year for each $10,000 they earn in fiscal year (FY) 2009. Therefore an employee with annual IPERS-covered wages of $40,000 will pay $80 more, or about $6.67 a month.

During the next legislative session, IPERS will ask for the authority to set future contribution rates for regular members as it does for sheriffs, deputies, and members in protection occupations. Each year IPERS' actuary completes an actuarial valuation, which is an evaluation of IPERS' funding at a point in time. This snapshot shows the contribution rates necessary to fund promised benefits that will be paid in the future. To complete the valuation, the actuary makes certain assumptions the IPERS Investment Board has approved, such as when people will retire, how long they will live in retirement, and the IPERS Trust Fund's rate of return on investments.

Adjusting the rate at regular intervals costs less in the long run than catching up after getting behind. By regularly adjusting the contribution rate, IPERS is able to control overall increases. In fact, the contribution rates for FY2009 for sheriffs, deputies, and members in protection occupations are about the same as they were a decade ago.

IPERS CONTRIBUTION RATES

July 1, 2008–June 30, 2009

MEMBERSHIP CLASS	EMPLOYEE	EMPLOYER	TOTAL
REGULAR MEMBERS	4.10%	6.35%	10.45%
SHERIFFS & DEPUTY SHERIFFS	7.52%	7.52%	15.04%
PROTECTION OCCUPATIONS	5.63%	8.45%	14.08%

COVERED WAGE CEILING $230,000 FOR CALENDAR YEAR 2008

Effective January 1, 2008, the Internal Revenue Code limitation that applies to IPERS-covered wages will increase from $225,000 (in 2007) to $230,000 for calendar year 2008. Wages paid to employees over $230,000 in 2008 are not subject to IPERS withholding and should not be reported to IPERS. Please make the appropriate changes to your payroll system for 2008.

If an employee of your organization has more than one employer and exceeds the wage ceiling before April 2008 because of dual employment, IPERS will adjust the wages accordingly and notify you of the overpayment.

For the monthly reporting periods of April 2008 and later, wages for members with multiple employers will no longer be prorated. Instead, IPERS will accept all wages until a member has reached the IRS limit. IPERS will notify employers who report wages over the limit and return any excess contributions to the employers.

I-Que
SMART—SOLID—SECURE

EMPLOYER BULLETIN ON I-QUE

IPERS recently issued Employer Bulletin 2007-3, providing the new requirements and formats for IPERS' wage reports in I-Que starting May 2008. The bulletin also summarizes future changes to policies and fees.

The bulletin was sent by regular mail to all IPERS reporting officials, and by e-mail to other employer representatives and reporting officials who are signed up for ICON, IPERS' current online reporting system. If you did not receive this information and would like a copy of Employer Bulletin 2007-3, it is available on IPERS' Web site or by calling the IPERS office.

See Employer Bulletin 2007-3 for details on the formats to report wages in I-Que starting in May 2008.

I-QUE TRAINING

IPERS will hold I-Que training sessions for employers throughout April 2008. In-person training sessions will be offered at various locations throughout the state. You also will be able to attend online interactive sessions and complete Web-based training at your convenience. Registration information will be sent directly to employers in late winter with specific dates, times, and locations.

Q&A Coverage, retirement, and

Q: Is IPERS coverage required for all elected official positions?

A: No. Although elected positions are IPERS-covered, the law allows some elected officials to elect out of coverage, including:

- Full- or part-time elected officials in positions for which the compensation is on a fee basis;
- Full- or part-time elected officials of school districts;
- Full- or part-time elected officials of townships;
- Part-time elected officials of other political subdivisions, such as township clerks and city council members; and
- Iowa legislators.

For IPERS' purposes, "elected officials" are people elected by the public *and* those who are appointed for an interim period to fill vacant positions that normally are elected.

Q: Are there any exceptions to the requirements for optional coverage?

A: Yes. Those elected to a board may or may not have optional coverage depending on how they are paid and whether the board members serve in full- or part-time positions. (Iowa's township trustees are considered elected board members.)

- Full-time elected board members who are paid a salary do not have an option; they must be IPERS-covered.
- Part-time elected board members who are paid a salary have optional IPERS coverage; they are covered unless they elect out of coverage.
- Elected board members who are paid *only* per diem and/or expenses are not IPERS-covered.

Although county attorneys are elected, they *may not* elect out of IPERS coverage, regardless of whether they are full- or part-time.

Q: Exactly when and how can an elected official elect out of coverage?

A: An elected official who does not want to be covered by IPERS must complete an *Election for Termination of IPERS Coverage* form, obtain employer verification on the form, and submit it to IPERS within 60 days of taking office. If IPERS does not receive a properly completed form within 60 days, the elected official must be IPERS-covered.

Q: If an elected official elects out of coverage, can the elected official be IPERS-covered again in the future?

A: The decision to elect out of IPERS coverage is a one-time irrevocable decision *for this employment, with this employer.* This decision does not affect IPERS eligibility for separate employment, whether the separate employment has mandatory or optional coverage. Also, if the official is elected to a different position, or leaves office for a period of time and is later reelected to the same office, the individual would again be eligible for IPERS coverage.

Remember to notify newly elected officials taking office in January of their optional coverage rights! Please see the *Election for Termination of IPERS Coverage* form (available on IPERS' Web site) for a list of all positions with optional coverage. Detailed instructions are in the IPERS Employer Handbook.

reemployment for elected officials

Q: How many service credits does an IPERS-covered elected official accrue if the elected official is not paid in each quarter of a year?

A: Elected officials receive IPERS service credits for each quarter they are in office, regardless of whether or not they receive pay in each quarter. It is important that employers correctly report elected officials under Occupation Code 17, so that IPERS can identify these employees and ensure they are granted service credits correctly.

Be sure to report elected officials under Occupation Code 17.

Q: Can an elected official begin to receive retirement benefits and retain an elected position?

A: Yes. Elected officials who do not have IPERS coverage for their elected positions, either because the positions are exempt from coverage or because they elected out of IPERS, may receive retirement benefits earned through other employment while in office.

Elected officials who did not elect out of IPERS coverage for their elected position may maintain their elected position and receive IPERS retirement benefits if they end IPERS coverage for the elected position. By properly ending IPERS coverage for the elected position when they begin to collect retirement benefits, elected officials will not violate IPERS bona fide retirement requirements. However, they must meet other bona fide retirement requirements, which include terminating all employment with an IPERS-covered employer *other* than their elected official positions.

To end coverage for the elected position, the member must write a letter to the employer informing the employer of the decision to terminate IPERS membership for employment as an elected official and begin drawing IPERS benefits. The member must submit a copy of this letter to IPERS with a completed application for retirement benefits. This is the only opportunity for elected officials to end IPERS coverage of their elected official positions beyond the first 60 days of taking office.

Q: Can IPERS members fill elected positions without jeopardizing their IPERS benefits if the first term starts during IPERS' normal four-month bona fide retirement period?

A: Yes. The Iowa Code has an exception for retirees elected to public offices if the first term begins during the normal four-month bona fide retirement period. Although retirees must have ended other IPERS-covered employment to qualify for benefits, they may accept pay and have IPERS coverage for the elected position without putting their IPERS benefits at risk.

If an elected official has IPERS coverage for the elected position and is reelected to the same position for another term, the elected official must end IPERS coverage in order to receive retirement benefits.

Q: Is an elected official subject to IPERS' reemployment earnings limitation after retiring?

A: No. The $30,000 earnings limitation does not apply to covered employment as an elected official.

Other questions?

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Please share The Latest Word *with others in your agency who need to know about IPERS.*

The Latest Word is published by the Iowa Public Employees' Retirement System for participating employers and others interested in IPERS policy and funding.

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IPERS CEO's 2008 legislative recommendations

Contribution rates

Recommendation: Allow IPERS to adjust contribution rates for benefits currently provided to regular members. Limit increases and decreases in the contribution rate to no more than 0.5 percentage points a year to provide predictability and stability. Announce the rate six months before it is effective to provide employers time to budget, and provide for legislative oversight through the administrative rules process. If the legislature and Governor increase benefits, they should adjust contribution rates at that time based on an actuarial projection of the cost of the benefit increase.

Rationale: *IPERS already adjusts rates for our two Special Service groups, and Special Service benefits are more than 100 percent funded. The benefits for regular IPERS members, about 96 percent of the total membership, are only 89.5 percent funded. Although Special Service contribution rates fluctuate from year to year, they are about the same as they were 10 years ago. Small but timely adjustments use the power of compounding to make this possible.*

Bonuses and allowances

Recommendation: Eliminate bonuses and allowances from the definition of IPERS-covered wages.

Rationale: *Bonuses and allowances do not reflect a normal progression of wages over a career. They can be used to increase retirement payments by inflating the wages included in the benefit formula without commensurate contributions. Most public employees do not receive bonuses and allowances and would not be affected. IPERS will work with education groups to ensure appropriations intended to improve salaries are not defined as bonuses but also do not inflate the wages used in the benefit formula.*

I-Que

Recommendation: Support I-Que and do not implement changes to the benefit structure in FY2009.

Rationale: *Some law changes are needed to implement I-Que. However, changes to how benefits are structured before I-Que is implemented will require programming changes and could increase I-Que costs significantly.*

See page 1 for FY2009 contribution rates