



The LATEST WORD

Spring 2005

FOR IPERS EMPLOYERS

Snow days may affect first month of eligibility for IPERS benefits

Due to the number of snow days this year, some school districts' school years have been pushed into June. This will affect the first month of IPERS retirement eligibility for the new retirees of those school districts.

Retirees are eligible to start IPERS retirement benefits the month *after* the month in which they terminate employment. If snow days have pushed the end of the school year from one month into another, such as from May into June, the first month of retirement eligibility is delayed for one month as well.

If the school district adjusts the retiree's contract so that the employment relationship is formally terminated by the end of May (instead of in June), the retiree would be eligible to begin IPERS retirement benefits in June (instead of July). However,

whether or not an employer allows a retiree this option is not within IPERS' control, and is between the retiree and the school district to negotiate. Retirees who terminate early and do not complete the number of days required in their original contract must be able to demonstrate a loss in salary and/or benefits equivalent to the days not worked of the contract period. The employee may *not* be paid for vacation, personal, or sick leave for the days not worked in June, since such compensation would constitute employment into June. According to an opinion from the Iowa Attorney General's office, employees may not "volunteer" their services in June.

In addition, retirees should consider whether terminating their employment early would affect any other benefits offered by their employer, such as insurance cover-

age or retirement incentives. Again, IPERS does not have any control over an employer's requirements for offering such benefits, so such an arrangement is between the retiree and his or her employer.

Reporting officials must verify each retiree's final date of employment by completion of the "Employer's Verification of Termination" page from the retiree's *Application for IPERS Retirement Benefits*. If the reporting official completes this verification page early, and later there are changes to any of the information provided (such as the retiree's final date of employment), the reporting official must contact IPERS to update the retiree's application. Failure to notify IPERS of the changes could result in the retiree having to pay back retirement benefits.

IPERS

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Legislative bills approach funnel date

The irony of the title of this publication and print media, is that by the time this issue of *The Latest Word* reaches you, it most likely will not be the *latest* word on legislative action or inaction on IPERS' request for increased contribution rates. To read why IPERS is requesting a contribution rate increase, see the Presentation to the Joint State Government Committees at <http://www.ipers.org/news/ceolegisupdate200501.htm>. For an update on legislative activity, please visit the IPERS Web site at <http://www.ipers.org/legislation.htm>.

A crucial deadline is fast

approaching in the Iowa General Assembly. March 11, 2005 is what is often referred to as the "first funnel date." This is the final date by which the bills must be reported out of committee (either on the House side or the Senate). While some bills are exempt from the "funnel date," the bills that IPERS is following must be reported out of the Senate or House State Government Committee by March 11 to be further considered.

Therefore, by the time you are reading this issue, we will know which of the following bills will have made it "through the funnel!"

From Donna Mueller, CEO



For the past two years, IPERS has called for legislative action to increase the contribution rate that was set by statute in 1979. This call for

legislative action was not undertaken lightly, but rather followed careful consideration of industry standards, including sound actuarial principles, Governmental Accounting Standards Board (GASB) standards, and IPERS' own funding policy established in 1996. All of these pointed in the direction that action should be taken sooner rather than later to address the growing unfunded actuarial liability.

The article on pages 1 and 3 on legislative activity in the 2005 Iowa General Assembly details the variety of proposals that have been filed

relating to the contribution rates paid by IPERS' members and employers. I hope that as you read this, positive action will have been taken on IPERS' call for an increase in contribution rates. If action is taken, I am fairly confident that the effective date of any change will be delayed to fiscal year 2007 (July 1, 2006). Through bulletins, newsletters and the Web, we will endeavor to keep you informed.

The reasons for the call for increased contribution rates (growing unfunded actuarial liability and increases in the normal cost of benefits) have been detailed in earlier publications (most recently in the Fiscal Year 2004 Financial Summary and the winter issue of *The Latest Word*). Rather than repeating myself, I encourage you to revisit some of our publications on the Web site for more detailed discussion of the nature of the funding imbalance and the steps

that have been suggested to address it. If you would prefer that any of the following materials be mailed to you, please feel free to contact IPERS at 515-281-0020 or 1-800-622-3849.

The presentation before the joint meeting of the State Government Committees can be found at: <http://www.ipers.org/pdfs/news/jointstgovtpres01182005.pdf>.

The Fiscal Year 2004 Financial Summary is located at: <http://www.ipers.org/pdfs/cafr/cafr2004summary.pdf>.

And a copy of the winter issue of *The Latest Word* can be found at: <http://www.ipers.org/pdfs/employers/latestword/latestword2004winter.pdf>.

Our goal is to work with the Legislature to ensure that IPERS can continue to provide a sufficient core retirement benefit that will aid employers in attracting and retaining quality public employees.

Cost-of-living increases and IPERS

Employers have a hard job to do: In many ways, they act as the go-between for employees and IPERS. Because of that, we want to provide employers with information that will give them the confidence to answer the general questions employees may ask about retirement benefits. To that end, we'd like to explain how our cost-of-living programs work.

Since monthly benefit amounts are fixed at the time of retirement, IPERS has two programs that are designed to make extra payments to lessen the effects of inflation. IPERS' two post-retirement programs are

the guaranteed November Cost-of-Living Dividend and the nonguaranteed January Favorable Experience Dividend.

IPERS pays the November Dividend to all retirees who retired before July 1, 1990. Although this payment is guaranteed to those retirees, they have received the same amount since 2001. In better financial circumstances, the dividend payments would be increased every year either by the rate of inflation as measured by the Consumer Price Index or by 3 percent (whichever is less).

Increases can be made to the

November Dividend on the condition that IPERS' actuary certifies that the extra cost can be absorbed within IPERS' current contribution rates. It is unlikely that the November Dividend will be increased in the near future with the current contribution rate.

The January Dividend is paid to retirees who retired after July 1, 1990 and who have been retired for at least one year. The payments are made from IPERS' Favorable Experience Dividend Reserve Account, which was established in 1998 by the Iowa Legislature. The Reserve Account may receive funds when the IPERS Trust

LEGISLATIVE BILLS APPROACH FUNNEL DATE (continued from cover)

House Study Bill 56: Proposal filed by IPERS. Implements the Benefits Advisory Committee (BAC) recommendation to increase contribution rates by one percentage point a year for four years beginning on July 1, 2005. The proposed increase maintains the current split of contribution rates of about 60 percent paid by the employer and 40 percent paid by the employee. Beginning with fiscal year 2010 (July 1, 2009), IPERS would set the rates as actuarially determined within strict parameters not to increase or decrease more than one percentage point a year. As many of you may be aware, the contribution rates for Special Service members of IPERS (sheriffs, deputies, police, and firefighters) have long been set at actuarially determined rates on an annual basis. The funding for Special Service members is actuarially sound. An identical bill has been filed in the Senate, Senate Study Bill 1197.

House Study Bill 166: Proposed bill filed by the House Committee on

State Government (Chairperson Elgin). This bill is similar to IPERS' bill except that the increases in contribution rates do not begin until July 1, 2006. While it maintains the 60-40 split for the first four years of rate increases, it changes to a 50-50 split of any actuarially determined adjustments. The bill also calls for the Public Retirement Systems Committee to conduct a review of pension flexibility issues (defined contribution and hybrid retirement plans).

House File 72: Proposal filed by Representative Chambers to increase the employees' contribution rates by one-half of a percentage point each year for three years beginning July 1, 2005 and 0.55 of a percentage point July 1, 2008, while maintaining the employer rate at the current rate of 5.75 percent. This would result in the contribution rates being split 50-50 between employees and employers, while bringing the overall contribution rate to only 11.50 percent (far below the amount that the actuary recommended as a result of the asset/

liability study conducted in 2003).

House File 94: Proposed bill filed by Representative Kurtenbach. This bill provides for the establishment of an alternative retirement system to IPERS for teachers and employees of municipal and county hospitals. The alternative system would be a defined contribution system established by the State Board of Education for elementary and secondary school teachers. Hospitals may choose to establish an alternative defined contribution system.

House Files 191 and 208: Both bills propose raising the earnings limitation that applies to retirees of IPERS who have returned to public employment covered by IPERS. The limitation would be raised from \$30,000 to \$45,000 before the member would see a reduction in his/her current retirement benefit.

Senate File 213: This bill adds jailers and certain detention officers as members in Special Service group 1.

Fund has a favorable experience over and above the amount needed for the security of future retirement benefits. No funds have been credited to the Reserve Account since 2001 based upon favorable experience.

The January Dividend amount for each retiree is determined based upon the monthly benefit amount, the number of years retired, and a percent multiplier. The percent multiplier, which has been fixed at 1.07 percent since 2003, is determined at the discretion of the IPERS chief executive officer, not to exceed 3 percent. The multiplier has been held constant in

order to approach parity with the November Dividend program.

Unlike the November Dividend, the January Dividend is not guaranteed. There was approximately \$524 million in the Reserve Account as of June 30, 2004, and IPERS does not expect to make any more deposits based on favorable experience in the near future. IPERS projects being able to pay the January Dividend using a 1.07 percent multiplier for up to ten more years before the Reserve Account is exhausted. This projection takes into account the information above as well as the increasing

number of people who will receive the January Dividend each year.

An increase in the contribution rate will not secure IPERS' cost-of-living programs. The current discussion concerning contribution rates will only directly affect the ability to increase the November Dividend. The ability to continue to pay a January Dividend will not be directly impacted by a contribution rate increase. At some point, new legislation may be explored to put into place a guaranteed cost-of-living increase for all retirees.

IPERS Retirement Planning spring/summer 2005

We have scheduled time for individual consultations at all locations listed on the following page and group presentations where possible. Individual consultations are most beneficial for members retiring within the next three to five years. Benefit projections are provided as well as discussion of the various retirement options and most advantageous retirement dates.

Appointments are required and are scheduled throughout the day and evening on a half-hour basis. Evening sessions fill up quickly, so call early for an appointment. Individual sessions are held in most areas at least twice a year. Call IPERS at 1-800-622-3849 to schedule an individual counseling session.

As alternatives to the individual consultations listed on the following page, you are always welcome to make a personal appointment with a counselor at our location in Des Moines. Video consultations are also available through the Iowa Communications Network. Contact Kevin Wenndt at 515-281-0036 or kevin.wenndt@ipers.org to make an appointment for a video consultation.

Group presentations provide an overview of IPERS and answers to general questions. Attending a group presentation is recommended for new IPERS members as well as those with several years in the retirement plan. No registration is required. Group sessions are not held at all locations.

ICON: IPERS Connection Online

IPERS has just completed processing the wages reported on IPERS Connection Online (ICON) for the quarter ending December 31, 2004. IPERS made a significant software upgrade to a new software version just prior to this latest reporting cycle, which made improvements for some but caused problems for others at the beginning of the cycle. We know all of you have been through software upgrades and understand they do not always go as planned. We apologize if you were one of those that experienced difficulties in reporting your wages through ICON this last quarter. We have identified a few more changes that will be made for the next reporting cycle in an effort to continually improve the system to better assist you in getting your job done.

The ICON system, a secure, password-protected area of IPERS' Web site, has been in operation now for

seven quarters, the first quarter of operation being the quarter ending June 30, 2003. ICON is used to report wages, change information for employees, inquire as to past wages reported, and update employer information. There are many advantages to you, the employer, when you use ICON, including immediate feedback to you on your wage reporting and 24/7 availability.

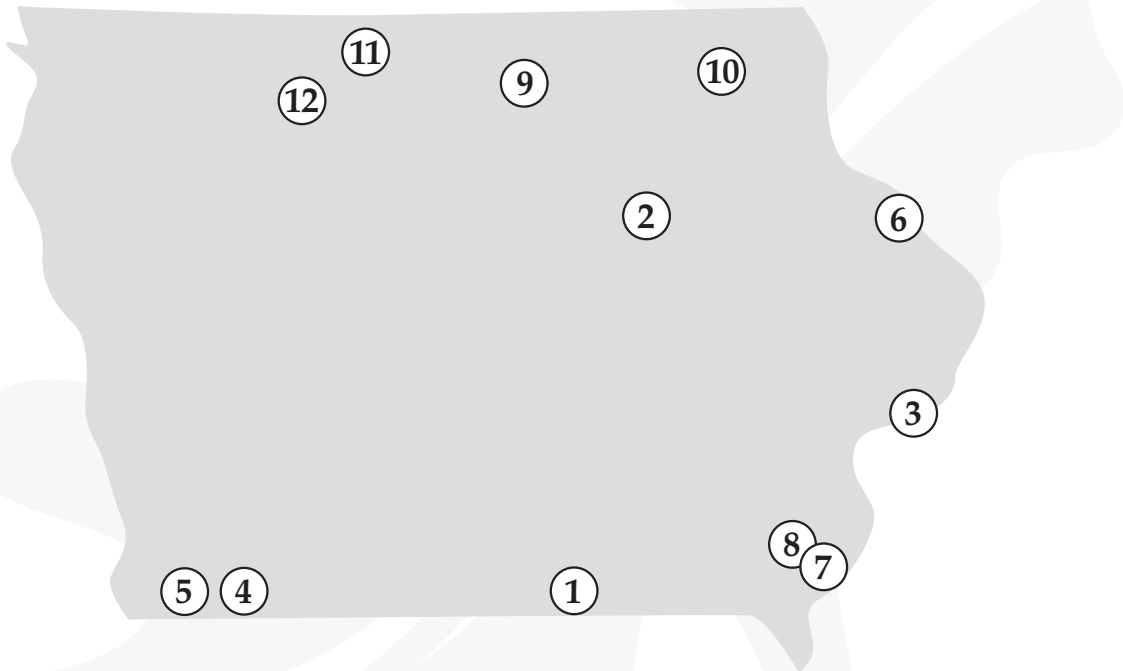
We thank you for making the last quarter a record for ICON. The most recent statistics show that participation in ICON is at an all-time high and is still growing. For the quarter ending December 31, 2004, 665 of the 2384 IPERS-covered employers, or 28 percent, used the ICON system to report their wages and reconcile their account. Participation has grown steadily each quarter since the first reporting period this system was available. We have been encourag-

ing different groups of employers to begin using ICON to their advantage.

Recently, we have been working with those employers who have 50 employees or more and had been hand-entering each employee's wages into the system each quarter. This was a significant effort for those employers and unfortunately also a significant burden on the system, contributing to slow response times for everyone. We have shown those employers how to switch from hand-entering wages to a simple file transfer. This saves them time and work, and still gets the job done.

In the near future, we will focus our efforts on those employers who have signed up for ICON but have not started using ICON to report wages. Currently, there are about 100 employers in this group. We know that once you learn how to report wages with ICON, you'll be glad you did.

Continued on back cover



- 1 CENTERVILLE—APRIL 7, 2005**
 Appanoose County Courthouse
 201 North 12th Street
 INDIVIDUAL CONSULTATIONS (Full)
 9 a.m.–4 p.m.
- 2 WATERLOO—APRIL 11-14, 2005**
 Hawkeye Community College
 1501 East Orange Road
 GROUP PRESENTATION
 Apr. 11, 6:30 p.m., Tama Hall, rm. 107
 INDIVIDUAL CONSULTATIONS (Full)
 Apr. 12-14, 8:30 a.m.–6:30 p.m., Tama
 Hall, rm. 103 & 104
- 3 DAVENPORT—APRIL 25-28, 2005**
 Scott County Offices
 428 Western, 6th floor
 GROUP PRESENTATION
 Apr. 25, 6:30 p.m.
 INDIVIDUAL CONSULTATIONS (Full)
 Apr. 26, 9 a.m.–6 p.m.
 Apr. 27, 8:30 a.m.–6:30 p.m.
 Apr. 28, 8:30 a.m.–6 p.m.
- 4 CLARINDA—MAY 4, 2005**
 Page County Courthouse
 112 East Main Street
 INDIVIDUAL CONSULTATIONS (Full)
 9 a.m.–4 p.m.
- 5 SHENANDOAH—MAY 5, 2005**
 Shenandoah City Hall
 500 West Clarinda Avenue
 INDIVIDUAL CONSULTATIONS
 (Some openings)
 9 a.m.–4 p.m.
- 6 DUBUQUE—MAY 9-12, 2005**
 The Forum
 2300 Chaney Road
 INDIVIDUAL CONSULTATIONS (Daytime
 and evening appointments available)
 May 9, 3 p.m.–6 p.m.
 May 10, 8:30 a.m.–6:30 p.m.
 May 11 & 12, 8:30 a.m.–6 p.m.
- 7 WEST BURLINGTON—MAY 23-25, 2005**
 Southeastern Community College
 1500 West Agency Road, building 400
 GROUP PRESENTATION
 May 23, 6:30 p.m., Little Theater
 INDIVIDUAL CONSULTATIONS (Daytime
 appointments available)
 May 23, 2 p.m.–4 p.m.
 May 24-25, 8:30 a.m.–6:30 p.m.,
 Private Dining Room
- 8 MOUNT PLEASANT—MAY 26, 2005**
 Henry County Health Center
 407 South White Street
 Health Education Center
 INDIVIDUAL CONSULTATIONS (Daytime
 appointments available)
 8:30 a.m.–6:30 p.m.
- 9 MASON CITY—MAY 31-JUNE 2, 2005**
 North Iowa Area Community College
 500 College Drive
 Activity Center
 GROUP PRESENTATION
 May 31, 6:30 p.m., rm. 101
 INDIVIDUAL CONSULTATIONS (Daytime
 appointments available)
 June 1, 8:30 a.m.–6:30 p.m., rm. 212 & 213
 June 2, 8:30 a.m.–6 p.m., rm. 212 & 213
- 10 CALMAR—JUNE 13-16, 2005**
 Northeast Iowa Community College
 1625 Highway 150
 Wilder Hall
 GROUP PRESENTATION
 June 13, 6:30 p.m., auditorium
 INDIVIDUAL CONSULTATIONS (Daytime
 and evening appointments available)
 June 14-16, 8 a.m.–6:30 p.m., rm. 101 &
 105
- 11 ESTHERVILLE—JUNE 27-28, 2005**
 Iowa Lakes Community College
 300 South 18th Street
 INDIVIDUAL CONSULTATIONS (Daytime
 and evening appointments available)
 June 27, 2 p.m.–6:30 p.m.
 June 28, 8:30 a.m.–6:30 p.m.
- 12 EMMETSBURG—JUNE 29-30, 2005**
 Iowa Lakes Community College
 3200 College Drive
 INDIVIDUAL CONSULTATIONS (Daytime
 and evening appointments available)
 June 29, 10 a.m.–6:30 p.m.
 June 30, 8:30 a.m.–6:30 p.m.

Identity theft: How to react

IPERS has recently been notified that many members of other public pension plans have received unsolicited e-mails. These e-mails were a scam in an effort to collect personal information from the members. The e-mails have said that retirement plan benefits have changed; some have promised complimentary estimates in exchange for personal information. Do not respond to these types of e-mails. IPERS does not request personal information by e-mail.

Identity theft occurs when a criminal uses another person's personal information to take on that person's identity. To learn more about identity theft and find out how to protect yourself, visit the United States Department of Justice Web page on identity theft and fraud at <http://www.usdoj.gov/criminal/fraud/idtheft.html> or the Consumer Protection division of the Iowa Attorney General's Web site at <http://www.state.ia.us/government/ag/idavoid.htm>.

If you think you may be a victim of identity theft, contact the Federal Trade Commission (FTC) to report what happened. You can:

- Call the FTC's ID Theft Hotline at 1-877-IDTHEFT (1-877-438-4338).
- Use the FTC's online ID Theft Complaint form at [https://rn.ftc.gov/pls/dod/widtpubl\\$.startup?Z_ORG_CODE=PU03](https://rn.ftc.gov/pls/dod/widtpubl$.startup?Z_ORG_CODE=PU03).
- Send mail to Consumer Response Center, FTC, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

Training for new IPERS reporting officials in April

IPERS' Employer Relations Team will hold their semiannual training for new reporting officials on April 26 and 27, 2005, at IPERS' offices in Des Moines. This training is intended for those new to the reporting official position or who have never attended IPERS training before. Registration forms were sent at the beginning of March by e-mail to those enrolled in ICON, and were included in the quarterly packets for everyone else.

You may print additional registration forms from IPERS' Web site (www.ipers.org) by clicking on "Employer Publications" and looking under the list titled "Special Notices." A map to IPERS' offices is on the Web site under "About IPERS." Hope to see you at the training!



Interim employer services executive officer selected

Effective as of January 2005, Robert Sharp was appointed interim executive officer for employer services and quality assurance at IPERS, replacing Curt Sorteberg, who retired. Bob brings a wealth of knowledge and experience to the position. Life before IPERS included a distinguished career in the health delivery system, with both the Iowa Health System and the Central Iowa Health System.

For the past five years with IPERS, Bob has been leading the quality assurance analyst team.

Quality assurance provides continuous business process monitoring, management reporting, and corrective action planning. This team is charged with facilitating efficient and effective employer and member services, which is crucial to IPERS' pledge of delivering quality retirement services.

Bob also provides a counterbalance to the many Cy and Hawkeye fans with his Bulldog allegiance (for non-sports fans, this means Bob is a graduate of Drake University). *GO SHARP!*

HELP DESK



Melinda Rushing advises employers

Arising telephone and callers with problems are a big part of Melinda Rushing's workday at IPERS. Fortunately, talking with employers and solving problems just happen to be the parts of her job that Rushing likes best.

Since 1997, Rushing has spent much of her time on the telephone helping employers adjust their IPERS wage withholdings.

"Entering wage adjustments into the [computer] system can be tedious. But I like talking with employers and I like challenges," said Rushing.

Rushing has a piece of advice for all employers: "Read the information we send and if you don't understand something, call us," she stressed.

Rushing says it is best to ask questions and avoid mistakes, or at least

ask questions so any mistakes are discovered early.

"If you have questions about how to do something, it is better to call and ask us before you do it," she advised. "Don't wait for us to discover a problem in a year or two. That just makes it harder to make corrections."

Rushing says some employers regularly call with questions and she is glad to talk to them.

"Other employers never call, and we wish they would," she said. "We can help."

Besides wage adjustments, Rushing is the person to call for help using IPERS' online employer tool, ICON. She can also help with Social Security issues and retirement requirements for part-time elected officials.

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

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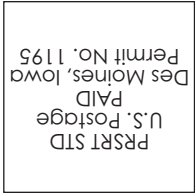
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2005 covered wage ceiling

Effective January 1, 2005, the Internal Revenue Code limitation that applies to IPERS-covered wages increased from \$205,000 (in 2004) to \$210,000 for calendar year 2005. Wages paid to employees above \$210,000 are not subject to IPERS withholding and should not be reported on IPERS' reports. Please make the appropriate changes to your payroll system for 2005.



7401 Register Drive
P.O. Box 9117
Des Moines, Iowa 50306-9117

OFFICE HOURS
8 a.m. - 4:30 p.m.

PHONE CENTER HOURS
7:30 a.m. - 5 p.m.

1-800-622-3849
515-281-0020



ICON: IPERS CONNECTION ONLINE (continued from page 4)

Want to know more about what ICON can do for you? Visit www.ipers.org and select the green "Employers" tab to view the employer homepage, which features online publications, forms, answers to frequently asked questions, and, of course, ICON. Select the link "Sneak Preview of the ICON System" in the ICON paragraph to preview the system. Want to be an ICON user? Select "How to Enroll in ICON" and follow the three easy steps listed.

ICON will provide you with a quick, convenient way to interact with IPERS without all the paperwork. There will be no copying and mailing of the quarterly wage reports

or diskettes, no forms to change employees' addresses, no lost remittance advices because ICON stores them electronically for you to print off at your convenience, and no more \$50 administrative fee for reporting more than 50 employers on paper. You can even retrieve previous quarters' wage reports from the ICON system.

Contact Julyn Goodhue on the IPERS Accounting Team at julyn.goodhue@ipers.org or 515-281-0091 if you have questions about reporting wages with ICON. If you'd like to sign up for ICON, contact Melinda Rushing on the Employer Relations Team at melinda.rushing@ipers.org or 515-281-0033.

Other questions?

E-mail

employerrelations@ipers.org

Phone

515-281-0020

1-800-622-3849

(Ask for a member of the Employer Relations Team)

Fax

515-281-0053

Web site

www.ipers.org

(Select the "Employers" tab)

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