

PENSIONERS' POST

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IPERS' Strategic Plan: A Vision For the Future!

by Greg Cusack, Chief Benefits Officer

The managers and staff at your retirement system have always attempted to look down the road to anticipate both how we might offer greater service and value to our members and participating employers, and position ourselves to meet the challenges which changing demographics and member expectations present. (For example, you can find on our web site documents that contain summaries of plan design and benefit enhancement goals which have been regularly expressed to the Governor and Legislature for the past dozen years. These documents include the **Portability Study** given to the Governor and General Assembly, September 2001. Our web site address is www.state.ia.us/ipers.)

In recent years, both the General Assembly and Governor Vilsack have urged all State agencies to do a more thorough and focused development effort through what is called *strategic planning*. Through this process, which utilizes information from staff, members and participating employers, as well as benchmarking standards of our peers (other statewide public retirement systems in the United States), we:

- 1) *Assess* "where we are today" with respect to several vital areas, including such things as member services, technology, access to and utilization of sufficient resources, and structure and governance;
- 2) *Review* our almost 50 year tradition of expressed vision, core purpose, core values, and declared goals;
- 3) *Identify* those areas which we deem to be critical issues;
- 4) *Develop* strategies designed to address each of those critical issues in a successful way;
- 5) *Create* a plan (strategic document) which contains step-by-step measures by which we will put into practice those strategies; and
- 6) *Act* to implement.

I recognize that this may not seem terribly exciting to you. But even if you are not a "process 'wonk'", the proposed goals should be of vital interest to you as a member of IPERS.

Why is this so? Because public retirement plans continue to be under terrific pressure across this nation. Members and participating employers expect (rightly) that we will continue to deliver a superior product (secure retirement income) with high efficiencies of service, while others in the financial markets would dearly love to "crack open" public defined benefit plans in order to "outsource" the management of the money invested in IPERS into private firms. Therefore, if retirement systems like IPERS are to survive for another 50 years, we are going to have to do a better job than ever of articulating our vision, mission and goals. We must also secure even more enthusiastic and vocal support from our members.

In the remainder of this article, you will see where *your* system proposes to "go" in the next 2-5 years.

Our *vision* is, simply, to "be recognized as the best-administered public retirement system in the country, providing our members and beneficiaries valuable benefits and superior services." We *exist* for the "exclusive benefit of our members and their beneficiaries."

Among our *core values* are:

- a) Independent responsible management of the trust fund for the exclusive benefit of our members and beneficiaries is our most important fiduciary responsibility and must not be compromised for political or operational expediency.

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New Benefits Advisory Committee "Takes Charge" On July 1, 2002

by Lowell Dauenbaugh, Chairman
IPERS' Transition Benefits Advisory Committee

During the 2001 session of the Iowa General Assembly, the Legislature passed Senate File 497, which included several changes to IPERS' governance which will be fully implemented July 1, 2002. In addition to IPERS' first time ever Chief Executive Officer and alterations to the composition of the Investment Board, July 1 will also see the change from the *Transition* Benefits Advisory Committee to the *ongoing* **Benefits Advisory Committee**.

Beginning in 1993, IPERS' Chief Benefits Officer Greg Cusack called together some representatives of member and participating employer associations to work with him to develop benefit enhancement proposals and to improve member services. Calling themselves the *Constituent Group*, its membership expanded over time to include representatives of all major employer and employee associations. Almost all of the current members of the Transition Benefits Advisory Committee were also longtime members of the Constituent Group. Each participating group selects its own representative, ensuring continued accountability between the person selected and the sponsoring group. We believe the Constituent Group was a vital force in helping IPERS achieve substantial benefits improvements in the years since 1993, even as we have stood firm on keeping IPERS a sound and well-funded system. Our members are respected on Capitol Hill for their knowledge, professionalism, and dedication to IPERS.

The Transition Benefits Advisory Committee was the legislatively created successor to the informal, nonstatutory Constituent Group. Since its formation in July of 2001, it has continued the frequency, focus, and nature of its predecessor Constituent Group. Most months of the year it gathers for several hours on the first Wednesday of the month. There, with an agenda established in coordination with IPERS' managers, the membership reviews significant issues involving benefit policy, plan design, member services, and strategic planning. We operate in a very democratic manner, taking as few votes as necessary. All association representatives are equal at our meeting table and are expected to speak frankly and work cooperatively with each other. It is our goal to always reach consensus on important issues; there are very few times in our nine years of existence in which we have failed to do so.

The current (and long-standing) members of the Transition Benefits Advisory Committee, together with the associations they represent, are:

Lowell Dauenbaugh (Chairman), Iowa State Education Association; Dr. Gene Gardner (Vice-Chairman) Iowa Association of Community College Trustees; Dr. Marc Haack, School Administrators of Iowa; Jennifer Owenson, Iowa Association of School Boards; Walt Galvin, Retired School Personnel Association; Diane Reid, State Conservation Officers; Mollie Anderson, Director, Department of Personnel; Steve Timmins, Department of Management; Janie Garr, IPERS' Improvement Association; Mike Campbell, American Federation of State, County, and Municipal Employees; Bill Sage, Sheriffs and Deputy Sheriffs' Association; Jim Maloney, Association of Counties; Mike Rolow, Chiefs of Police; Andi Stewart, League of Iowa Cities; and Larry Zimpleman, pension expert and Vice-President of Principal Financial Group.

Beginning July 1, while we will continue to operate on a consensus basis involving all members, the governing statute states that nine of our number are to be formally voting members. These nine will include

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**New Benefits Advisory Committee "Takes Charge" On July 1, 2002
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Four representatives from each of the major employer groups (state, cities, counties, and educational institutions), four representatives from our active and retired membership associations (one of whom has to represent teachers), and a ninth person to represent the public, elected by the other eight.

We look forward to the many challenges and opportunities ahead, and invite you to keep abreast of our meetings and the issues we are confronting by frequently checking the IPERS web site at:

<http://www.state.ia.us/idop/benadvcomindex.htm>.

We welcome your input. Please feel free to contact me, or any other member of the Committee, by either writing to us at the IPERS address, or sending emails to us via the IPERS web site.

Your Advice Is Important And Needed!

by Greg Cusack, Chief Benefits Officer

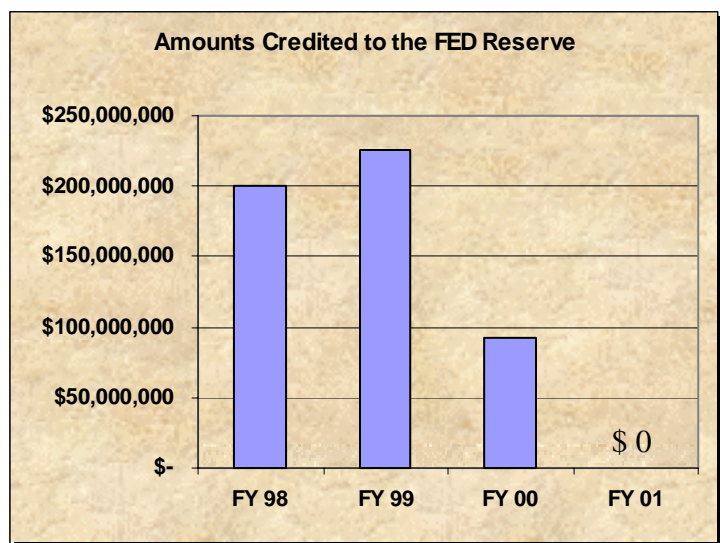
This article is directed towards all IPERS members who retired on or after July 1, 1990.

What is the Favorable Experience Dividend (FED)?

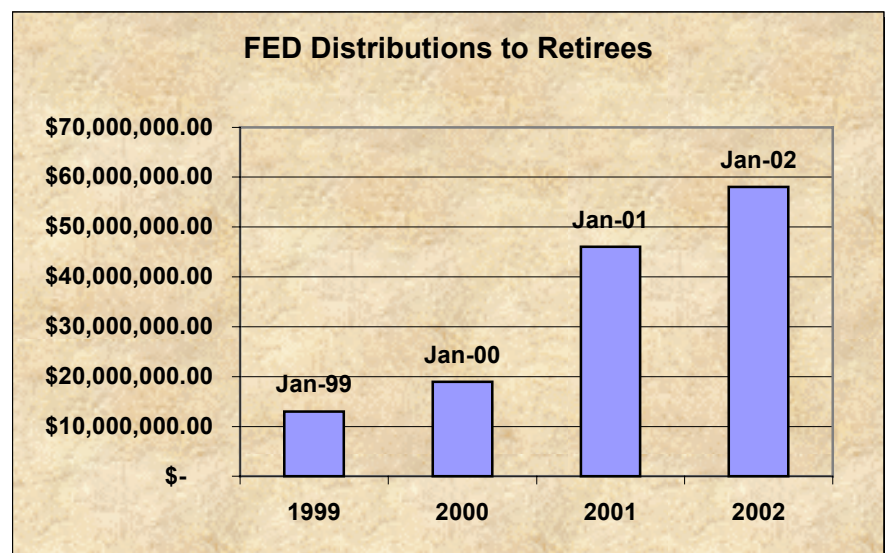
The FED dividend program is intended to provide supplemental lump sum payments each January to all IPERS' members who had retired after June 1990 (and had been in retirement for at least one full calendar year). Unlike a similar dividend program for members who retired before July of 1990, the FED dividend is not guaranteed.

How is funding for FED dividends provided?

When the Legislature established this program it directed IPERS to place funds sufficient to credit five years of maximum FED payments into a separate "FED reserve account" within the IPERS' Trust Fund. In each year when the Fund enjoys "favorable experience" a portion of that amount" is credited to the FED reserve account. In years when IPERS does not enjoy "favorable experience," however, no such transfer into the FED reserve account is made.



NOTE: There was no favorable experience in 2001.



How is the amount of each year's FED distribution computed by IPERS?

By law, IPERS' managers (the Director, Chief Investment Officer, General Counsel, Chief Operations Officer and myself) annually

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IPERS' Investment Returns as of December 31, 2001

by Kathy Comito, Chief Investment Officer

IPERS, like most other institutional investors and most individual investors, has experienced lower investment returns since early calendar year 2000. While we want to keep you informed about our returns, we caution you to remember that since IPERS is a "defined benefit" pension plan, *your benefits are guaranteed under Iowa law*, rather than being determined by the investment returns earned on your individual IPERS contributions.

The table below shows IPERS' annualized investment returns at 12/31/01, and compares these to two of the System's long-term investment return objectives.

	One Year	Three Years	Five Years	Ten Years
IPERS' Total Fund Return	-4.26%	4.32%	9.44%	9.97%
CPI + 3%	4.55%	5.54%	5.18%	5.51%
Actuary's Return Assumption	7.50%	7.50%	7.50%	7.50%

IPERS' and our actuary's objectives are established for the System's long-term investment performance. Since a pension plan's liabilities are very long term in nature, their investment goals need to be also set based on long-term performance. These investment objectives have been exceeded by our actual performance for the five-year and ten-year time periods. Returns for the shorter periods of three years and one year clearly have not. Some level of recovery in global stock market returns is expected this calendar year, although this may not materialize before the June 30, 2002 end of IPERS' fiscal year.

For calendar year 2001, IPERS' investment loss was controlled by the portfolio's diversification across several asset classes. The System's highest investment returns for the year were achieved in our global bond portfolio at 8.9%, and our real estate portfolio at 8.5%. Lowest returns were seen in our private equity portfolio at -25.2%, and in our international equity portfolio at -19.2%. The latter two are known to be quite volatile asset classes, where higher returns and portfolio diversification benefits in most years can only be obtained by accepting the risk of low returns in a few other years.

Qualified Domestic Relations Orders

by Ann Zenk, Associate Counsel

We receive many requests for assistance in the preparation of Qualified Domestic Relations Orders (QDROS) for our members. The first place that members can look for assistance is our web page at www.state.ia.us/ipers or www.ipers.info. There is a section which deals specifically with QDROS. This section includes a release of information so that we may send information regarding your account to your attorney. There is also a Model Form for a QDRO that will be of assistance to you and your attorney as you draft the QDRO and send it to us for review. It is important to remember as your attorney is drafting a QDRO that once you begin monthly benefits, the option you have chosen cannot be changed in the QDRO.

Another thing to keep in mind is that the QDRO is only effective when it is accepted by IPERS as a qualified order. Therefore, it is important to follow through on this part of your divorce to make sure that we have received a QDRO and that it reflects the agreement of the parties or the court order dividing your assets.

As always, we are happy to assist you in any way that we can. Please feel free to call our QDRO Administrator, Charlotte Schipper at 515-281-0039 or 800-622-3849, ext. 10039.

Reminder:

A summary of IPERS law changes is enclosed with this newsletter.

IPERS LAW CHANGES

Revised in accordance with Law Changes of the 79th General Assembly, 2001-2002

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This Summary describes legislative changes that are generally effective July 1, 2002, except as otherwise indicated. This Summary also describes administrative rule changes, where applicable, beginning January 1, 2001 to date.

This Summary is designed to explain your rights and benefits in a clear and useful manner. It is not intended to be a complete presentation of the IPERS law, administrative rules, and policies. Because of the complexity of these laws, administrative rules, and policies, and the many ways in which they interact, the most accurate determination about your particular case or circumstances will be made when an IPERS staff member works with you. Any alleged inconsistencies or inadvertent omissions from the Member Handbook or this Summary will be resolved in favor of the law.

I. COVERAGE

- IPERS coverage is extended to county medical examiners and deputy county medical examiners who are full-time public employees. This change is retroactive to January 1, 1995.
- The Iowa Student Loan Liquidity Corporation (ISLLC) is excluded from treatment as a covered employer. ISLLC has long had its own retirement plan, which would bar coverage for its employees, or discontinuance of that plan, if IPERS coverage was extended.
- A clarification about coverage for part-time elected officials' right to terminate IPERS coverage was adopted. Only a part-time elected official who has chosen optional coverage can subsequently stop all IPERS coverage, terminate all other covered employment, and begin an IPERS retirement allowance without terminating the elected position. A full-time elected official cannot stop IPERS coverage without terminating all covered employment, including the elected position. (This paragraph does apply to members of the General Assembly.)
- An amendment to Iowa Code chapter 97C has been adopted. This amendment, when effective, will permit part-time elected officials to participate in both IPERS and Social Security. The decision whether to extend dual coverage is to be made by each employer. Currently a part-time elected official who chooses IPERS coverage is automatically excluded from Social Security coverage on wages earned as an elected official. Approval of this change, including provisions relating to corrections procedures, must receive Social Security approval before implementation. All employers will be notified by IPERS when Social Security's approval or disapproval is received.

II. CONTRIBUTIONS

RATES

Contributions are made to IPERS for a member's public service by both the member and employer. Members are required to contribute to IPERS through payroll deductions. A member's position or classification determines the contribution rate applied to the member's covered wage. While the rates for regular occupation members have not changed since 1979, IPERS' actuary by law annually adjusts the rates for public safety workers.

Employee Category	Employee Share		Employer Share	
	Effective 07-01-01	Effective 07-01-02	Effective 07-01-01	Effective 07-01-02
Regular	3.7%	3.7%	5.75%	5.75%
Sheriff, deputy sheriff, and airport firefighter	5.50%	5.37%	8.25%	8.05%
Protection occupations	6.2%	6.04%	9.29%	9.07%

WAGES

The term "wages" means all compensation for employment, including the cash value of remuneration paid in a medium other than cash, such as room and board, unless the remuneration is provided for the convenience of the employer. For example, the fair market value of required uniforms or vehicles provided for the convenience of the employer are not considered wages.

Effective April 2002, the term "wages" does not include tips, honoraria, or recruitment bonuses.

Wages also does not include special lump sum payments made for accrued sick leave, accrued vacation, as an incentive for *early retirement*, or upon dismissal or severance.

Wages for a member of the General Assembly means the total compensation received, whether paid in the form of per diem or annual salary, exclusive of expense and travel allowances paid to the member except as otherwise provided in this paragraph. Wages includes per diem payments paid to members of the General Assembly during interim periods between sessions of the General Assembly. Wages also includes daily allowances to members of the General Assembly for nontravel expenses during a session of the General

Assembly, but does not include the portion of the daily allowance which exceeds the maximum established by law for members from Polk County.

Wages for other elected officials means the salary received by an elected official, exclusive of expense and travel allowances.

Contributions for covered wage equivalents are based on the fair market value of the room, meals, or other wage equivalents, if reasonably quantifiable.

Wages for certain federal testing purposes are limited to amounts that are includible as wages under federal Internal Revenue Code § 415.

Wages used for computing retirement benefits are referred to as *covered wages*. *Covered wages* are the maximum amount of a member's wages in each calendar year that are eligible for IPERS coverage. Effective January 1, 1997, the covered wage ceiling was set at the maximum amount permitted under federal law. The current covered wage ceiling is \$200,000 and may be adjusted in succeeding years. For a summary of the covered wage ceiling for prior years, please refer to the Glossary of Terms.

III. SERVICE CREDIT

SERVICE PURCHASES

Substantial changes have been made. These changes greatly improve portability into IPERS.

1. First, direct rollover service purchases from 401(a) (including 401(c) qualified plans) IRA accounts and annuities, governmental 403(b) tax sheltered annuities, and governmental 457(b) deferred compensation plans are authorized.
2. Second, direct transfers from governmental 403(b) tax sheltered annuities and governmental 457(b) plans are authorized for service purchases by members who are still working in covered employment.
3. Finally, virtually all employment with any public employer, and up to 5 years of private employment, subject to adequate documentation requirements, is authorized for purchase.
4. In addition to service purchases from the above described plans, IPERS lump sum distributions can also be rolled into such plans.

V. RETIREMENT

ELIGIBILITY

Generally, a spouse's consent is required in a member's application for retirement benefits. That requirement is modified to assist a member who cannot locate a missing spouse. The change permits members to submit sworn statements that their spouses cannot be located, after reasonable efforts, to file an application and begin benefits without the usual spousal consent. The change also holds IPERS harmless in acting upon such submissions, in case the missing spouse later comes forward.

This change does not authorize IPERS to waive the spousal signature requirement in cases where the spouses location is known but the spouse is not cooperating. In those cases, the member may have to use the courts to obtain the signature.

NOTE: Retirement means a member has begun receiving retirement benefits. However, benefits do not begin automatically. You must file an application with IPERS to begin the process for your retirement. Your application for retirement benefits is not final until it has been reviewed and approved by IPERS.

The provisions governing disability benefits for *special service members* have been amended effective July 1, 2002. As a result, *special service members* approved for in-service disability benefits can receive a monthly amount equal to their accrued retirement allowance, calculated without reduction for early retirement, **or** a monthly amount equal to one-twelfth of sixty percent of the member's three-year covered wage (as adjusted depending on option choice).

OPTION CHOICES

A Level Income payment alternative is authorized for *special service members*. This alternative applies to all IPERS retirement options except Option 6. The Level Income payment alternative permits a *special service member* to receive a relatively level income both before and after age 62 when benefits from IPERS and Social Security are combined. By recognizing that a Social Security payment will commence at age 62 (and therefore the IPERS benefit can decrease by that amount), a higher IPERS benefit can be paid prior to age 62 and still provide the member with a level payment when both sources are considered.

When the member reaches age 62, the member's retirement allowance is permanently reduced by an amount determined by our actuary which is sufficient to make IPERS' Trust Fund "whole" through the remainder of the member's estimated lifespan. This amount is determined when the member retires and is not recomputed based on the actual Social Security benefit. Members will be required to obtain age 62 estimates of their Social Security retirement allowance and provide them to IPERS sixty days before their first IPERS payment. The intent of providing this optional form of payment is to permit IPERS *special service members* the option to elect a benefit payment stream that is more comparable to the retirement benefits offered to their peers in the other statewide retirement pension systems maintained for police and firefighters.

These are only examples used for illustration purposes.

Example 1:

Age at retirement:	55		
Final Ave. Salary:	\$ 38,000		
Years of Service:	22		
IPERS Monthly Benefit:	\$ 2,280		
Social Security Benefit age 62:	\$ 920		
OPTION 2 Benefit:			
	IPERS	Soc. Sec.	Total
55-62	\$2,280	\$0.00	\$2,280
After 62	\$2,280	\$920	\$3,200
LEVEL INCOME OPTION 2 Benefit:			
	IPERS	Soc. Sec.	Total
55-62	\$2,744	\$0.00	\$2,744
After 62	\$1,824	\$920	\$2,744

Example 2:

Age at retirement:	58		
Final Ave. Salary:	\$ 38,000		
Years of Service:	22		
IPERS Monthly Benefit:	\$ 2,280		
Social Security Benefit age 62:	\$ 920		
OPTION 2 Benefit:			
	IPERS	Soc. Sec.	Total
58-62	\$2,280	\$0.00	\$2,280
After 62	\$2,280	\$920	\$3,200
LEVEL INCOME OPTION 2 Benefit:			
	IPERS	Soc. Sec.	Total
58-62	\$2,895	\$0.00	\$2,895
After 62	\$1,975	\$920	\$2,895

FAVORABLE EXPERIENCE DIVIDEND

A clarification was adopted providing that all beneficiaries who receive a monthly allowance after the death of a active member qualify for favorable experience dividend (FED) payments in the same manner as retirees and beneficiaries of retirees who receive monthly benefit. When the FED statute was drafted, beneficiaries of active members could only receive lump sum payments, and accordingly were not included. IPERS has always provided FED payments to all recipients of monthly payments, including recipients of monthly preretirement death benefit payments, and now the approach is better supported by Chapter 97B.

VI. BENEFIT CALCULATIONS

AVERAGE SALARY DEFINITION

IPERS received an extension of the implementation date for the scheduled change to the final average salary calculation to July 1, 2005. The scheduled change eliminates “computed years” in favor of a highest 12 consecutive quarters calculation. In order to minimize risk to the system due to possible implementation problems, additional time for design and testing was requested and granted by the General Assembly.

BENEFIT FORMULA FOR SPECIAL SERVICE MEMBERS

The statutes relating to the retirement formula are amended. **If** a *special service member* does not qualify for the hybrid statute, but has other covered employment, the member may be able to include wages from that other covered employment in the member’s benefit calculations under the applicable Special Service statute. Generally, this exception applies **if** 75 percent of the total wages from all covered employment are from special service employment. The change is limited in scope because there is an element of subsidization in the change. This change **only** relates to a limited class of cases and **only** relates to the calculation of this three-year average covered wage.

CONTRIBUTIONS TO RESTORE AVERAGE SALARY

Contributions have been authorized for a member whose three-year average salary is adversely affected by a temporary mandatory leave of absence imposed during the period beginning January 1, 2002 and ending no later than June 30, 2003. These “make-up”

contributions must be made pursuant to a payroll deduction authorization signed by the employer and employee and deducted from the member’s wages before the member leaves employment with a public employer. Failure to notify IPERS and the employer in time to have the necessary pick up contributions deducted from wages will forfeit the member’s right to such make-up contributions. IPERS currently plans to close this program by December 31, 2003.

VII. REEMPLOYMENT

ELIGIBILITY

1. The earnings limit on reemployment wages is raised to \$30,000.
2. IPERS is required to notify age 70 members that they can retire while still working when they attain age 70. Chapter 97B is amended to clarify that IPERS meets its notice requirements if it contacts all members for which it actually has a valid address, on or before the date the member attains age 70.

VIII. TERMINATION BEFORE RETIREMENT

ALTERNATIVES

The refund statute is amended to return to a minimum 30-day bona fide severance period. Prior to the change, the bona fide severance period was four months. The change was requested because of the large number of violations of the four month rule, and related collection and service credit problems.

IX. DEATH BENEFITS

BEFORE RETIREMENT

IPERS requested a clarification stating that interest is payable only on preretirement death benefits. This has been IPERS’ practice since Chapter 97B was adopted.

AFTER RETIREMENT

IPERS requested a clarification stating that when option one has been elected and a death benefit amount selected, the death benefit amount cannot be changed after monthly benefits begin. This has been IPERS practice since Option 1 death benefits were adopted.

IPERS also requested a clarification that interest is not payable on postretirement death benefits. This has been IPERS’ practice since Chapter 97B was adopted.

DESIGNATING A BENEFICIARY

Generally, a spouse’s consent is required in an IPERS designation of beneficiary form. That requirement is modified to assist a member that cannot locate a missing spouse. The change permits members who submit sworn statements that their spouses cannot be located, after reasonable efforts, to file a designation of beneficiary form without the usual spousal consent. The change also holds IPERS harmless in acting upon such submissions, in case the missing spouse later comes forward. This has been IPERS practice since Option 1 death benefits were adopted.

X. MISCELLANEOUS

ROLLOVERS

As indicated under "Service Credit," IPERS rollover rules have been substantially revised to provide increased portability as permitted under the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Effective January 1, 2002, IPERS lump sum distributions may be rolled over to Internal Revenue Code section 403(b) tax sheltered annuities and governmental 457(b) deferred compensation plans.

In addition to the foregoing changes, restrictions relating to small rollover amounts have been removed. Previously, an amount less than \$200 was excluded from rollover treatment, and if a member wanted to split a rollover distribution between two or more eligible retirement plans, partial rollover amounts had to be at least \$500. As indicated, those restrictions have been removed.

If acceptable to the recipient plan, after-tax amounts are also now eligible for rollover transfers.

TAXATION

As indicated above, the small amount limitations on rollovers have been removed. Accordingly, **all** taxable amounts are subject to mandatory 20% withholding if not directly rolled over to an eligible retirement plan. Previously, if an IPERS lump sum amount was not eligible for rollover because of the small amount limitation, 10% withholding applied.

CONFIDENTIALITY OF RECORDS

IPERS is permitted to release information (otherwise described as confidential) to the legislative fiscal bureau, the department of management and the department of personnel, and other IPERS employers for use in the performance of their official duties. Recipients of confidential information are required to maintain the confidentiality of any confidential information provided by IPERS.

MERGER OF PENSION PLANS INTO IPERS

Effective July 1, 2002, pension plans maintained by public waterworks and water utilities may be merged into IPERS, if IPERS and the merging plan agree to the terms of the merger. IPERS is in the process of developing administrative rules to accomplish these mergers.

GLOSSARY OF TERMS

First Month of Entitlement

A narrow but important exception to the rules governing "first month of entitlement" has been adopted February 14, 2002 with retroactive effective date of January 1, 2001.

Generally, the first month of entitlement of an employee who qualifies for retirement benefits is the first month after the employee is paid the last paycheck, if paid more than one calendar month after termination. If the final paycheck is paid within the month after termination, the first month of entitlement is the month following termination.

Notwithstanding the foregoing, effective January 1, 2001, employees of a school corporation permitted by the terms of their employment contracts to receive their annual salaries in monthly installments over periods ranging from 9 to 12 months will be allowed to retire at the end of a school year and receive trailing wages through the end of the contract year, if they have completely fulfilled their contract obligations at the time of retirement. "Trailing wages" refers to previously earned wage payments made to such employees **after** the first month of entitlement that do not result in more than one quarter of service credit being added. "School corporation" refers to community colleges, area education agencies, and K-12 public schools. The "trailing wage" exception does not apply to hourly employees, including those who make arrangements with their employer to hold back hourly wages for payment at a later date, to employees who are placed on sick or disability leave or leave of absence, or to employees who receive lump sum leave, vacation leave, early retirement incentive pay or any other lump sum payments in installments.

Covered Wages

Maximum Annual Covered Wages
Effective 1/1/97 the covered wage limit was set as the maximum amount permitted by federal law. Effective January 1, 2002, that amount is \$200,000.

HOW TO CONTACT IPERS

IF YOU WOULD LIKE TO REQUEST:

- more information about these changes or other entitlements,
- an application for retirement,
- an estimate of benefits,
- information about your account, or
- an application for a refund, please **write** to us at:

Iowa Public Employees' Retirement System
 PO Box 9117
 Des Moines IA 50306-9117

Please include your name, Social Security number, telephone number, address, and signature in all correspondence sent to IPERS by mail or fax. The Benefits Administration fax number is **1-515-281-0053**.

You may call IPERS at **1-800-622-3849** or **1-515-281-0020**.

If you wish to visit IPERS, our address is:

Iowa Public Employees' Retirement System
 7401 Register Drive
 Des Moines IA

Our web site address is:

www.state.ia.us/ipers or
www.ipers.info

IPERS' Busy Year: A Report To Our Members

by Greg Cusack, Chief Benefits Officer

Elsewhere in this issue of your newsletter, I discuss IPERS' *Strategic Plan* and our multi-year implementation goals resulting from it. While related to this longer-range plan, we also have our strenuous and demanding *short-term work plan* for the fiscal year beginning July 1, 2002.

Principal among these are:

Actuary initiated efforts

1. IPERS retains on contract a consulting actuary who performs a number of crucial tasks for us, the most important of which is an annual assessment of our funded status. In short, this is a snapshot at the end of each fiscal year portraying the financial health of our system. From your perspective, its chief importance is the actuary's annual finding that IPERS is on course to continue to pay all of the benefits to which our members (active and retired) are entitled. From this report we – and interested policy makers – learn whether the System:
 - Is “fully funded” or, alternatively, has some degree of unfunded liability;
 - Had “favorable experience” the previous year (actuarial liabilities are less than predicted);
 - Can credit some of this “favorable experience” to the separate *Favorable Experience Dividend* account within the Trust Fund (from which cost-of-living dividends are eligible to be paid each January);
 - Can continue with its present contribution rates (unchanged since 1979) or whether, alternatively, the contribution rates need to be increased.
2. The actuary also performs, on a multi-year cycle, an *experience* study which compares the many assumptions she makes about the System (including financial, but also key demographic aspects of our membership, including salary increase, retirement, and mortality rates) with the actual experience of the System in recent years. She uses her findings to recommend any needed adjustments in System assumptions for the future. This year's results will be “wrapped into” her annual report on the System's financial health.
3. Lastly, during this coming fiscal year she will also be performing an *asset-liability* study in which she works with IPERS' investment consultant to project longer term balances between our anticipated assets and projected liabilities. Should she find that they are becoming “out of synch” this could also be an occasion for recommending action with respect to future contribution rates.

Legislatively Initiated Activities

1. The Budget – By the middle of September, IPERS will have to propose its requested budget for the fiscal year beginning in July of 2003. This will include any budget “enhancement packages” needed for expenses beyond our projected annual expenditures.
2. Baldrige Self-Assessment and Accountable Government Act — Both the Governor and Legislature have mandated some additional assessment and planning initiatives which, while beginning early this fiscal year, will not be “wrapped up” for some time as both involve ongoing efforts.
3. Special Studies – The major pension bill from the 2002 session of the Iowa Legislature directed IPERS to perform two special studies, both of which were recommendations of the 2001 *Portability Study*:
 - a. Research creating a deferred retirement option plan (DROP), which would give members nearing retirement an additional incentive to continue longer in the work force; and,
 - b. Research devising an additional attractive option for members terminating public employment some years before their first eligibility for retirement so that even more of these people would choose to leave their accrued retirement funds in IPERS.

IPERS' Initiated Activities

1. Initiating expanded benchmarking standards for member and employer services – For many years, we have tracked numerous “member demand” measures as well as assessed member responses to the quality of various services we provide (such as group presentations and individual retirement counseling). We now want to begin annual assessments of how we “measure up” to our peers around the country (other statewide public pension systems). We intend to share the results with you, our members, and with our policy makers, so that we can identify, together, what improvements are still needed.
2. Reviewing options to make our cost of living program payments more dependable – As many of you know, while the program for members who retired before July 1990 is guaranteed, the *Favorable Experience Dividend* program for post June 1990 retirees is not. From your responses to our survey last year about how you used IPERS' cost of living payments, we know how terribly important these are to you. We want to examine ways in which the likelihood of annual payments can be increased.
3. Reviewing plan design options which would provide greater value to active members – Several years ago we succeeded in persuading the Legislature to create the Supplemental Account for Active Members (SAAM) program. Unfortunately, we have yet to credit any SAAM amounts, because the System must have zero unfunded liability before any credits can be made. We need to see if the concept behind the SAAM is still sound and, even if it is, be open to alternative methods of conveying greater value to active members.

As always, we have a “full plate” before us. Know that we in your retirement system are never content to “rest on our laurels” of past accomplishments; rather, we are always looking for ways to improve our services, including communications with you, in ever more efficient ways. We always welcome your perspective, feedback, and suggestions! Please feel free to write me at Greg.Cusack@idop.state.ia.us.

Portability Changes

by Kelly Lovell, Deputy General Counsel

For distributions of lump sums **out** of IPERS, excluding death benefits payable to nonspouses, the array of tax sheltered rollover vehicles for IPERS lump sums now includes IRAs, 401(a) (including 401(k) plans, 403(a) plans, governmental 403(b) and 457(b) plans, SEP IRAs and SIMPLE 401(k) plans.

Chapter 97B has also been amended improve portability **into** IPERS. Effective July 1, 2002, vested members and retirees can purchase service credit, subject to the applicable federal contribution limits and adequate documentation, for any amount and any type of public employment. Purchases of up to 5 years of service credit for private employment are also authorized for vested members and retirees. However, service credit cannot be purchased for a calendar quarter already credited to a member, cannot be used to buy vesting credit, and cannot be used to “buy up” increased wages for a quarter.

Finally, amounts accumulated in one of the recipient plans described in the first paragraph can be transferred in a direct rollover or direct transfer to IPERS to purchase service credit. “Direct rollover service purchases” generally are made by persons who have **terminated** employment covered under the plan holding their account balance. However, “direct transfer service purchases” can be made by **active** employees who have amounts accumulated in governmental 403(b) and 457(b) plans. The direct transfer change permits members to save for IPERS service purchases on a tax-deferred basis, and then to make service purchases at a younger age, when costs are generally lower.

Persons interested in direct rollover and direct transfer service purchases are reminded that these transactions are irrevocable. Furthermore, direct rollovers and direct transfers cannot exceed the cost of the service, nor can they include nontaxable amounts. Please contact IPERS for more information about the applicable requirements and limits.

Summer 2002

Pensioners' Post
A Newsletter for the
Retired Members of IPERS

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IPERS' Strategic Plan: A Vision For the Future!

Continued from page 1

- b) Honesty and integrity shall prevail in our dealings with members, other stakeholders and with our colleagues.
- c) Respect for staff guides our deliberations and we are committed to follow the highest standards of professional conduct.

Our *long-term strategic goals* flow from the above.

As expressed in our strategic plan document (p. 18), they are:

- By July 1, 2003, IPERS will be a separate system with its own board of trustees with comprehensive budgeting, operational and staffing authority.
- By July 1, 2003, IPERS will have established and implemented an inter-unit research and planning function that will facilitate enterprise-wide planning activities designed to forward this strategic plan.
- By July 1, 2004, IPERS will have fully benchmarked its benefits and services against peer and other retirement systems so that we know whether services to all segments of membership will be relevant and competitive.
- By July 1, 2005, IPERS will have identified benefits and services for active members designed to provide enhanced value.
- By January 31, 2008, IPERS will have replaced [its] core computer system, reengineered and documented business processes and will have implemented a fully functional document and records management system and interactive internet access for members, employers and other stakeholders.

Please note that several of these goals require legislative action before they can be fully accomplished. *If* we can achieve these considerable objectives and continue to deliver dependable and member-friendly services, we believe IPERS will be well positioned to serve you – and those who follow us – for the next 50 years.

We always treasure your perspective and feedback, so please feel free to write me at: Greg.Cusack@idop.state.ia.us. This is your retirement system. Be sure to maintain an aware and active stake in it!

Thanks for the Gratitude

by Greg Cusack, Chief Benefits Officer

Shortly after mailing letters to our retired members declaring the “dividends” payable this past November (of 2001) and January (of 2002), we at IPERS received hundreds of cards and letters thanking us for these “dividends.”

Although the number of responses were greater than we could respond to individually, I did want to acknowledge how much all of us appreciated your expressions of gratitude. You continue to demonstrate that, over all, our retired members are generous and appreciative people. **Your staff here at IPERS is always buoyed by your kindness and support.**

THANK YOU!

Your Advice Is Important And Needed!

Continued from page 2

determine both whether a FED is to be paid and, if so, how much that distribution might be. While the target rate for the FED distribution is the same percentage as paid in the November COLA payment, IPERS must by law take into consideration many other factors before declaring the actual dividend (such as the amounts previously paid out in both FED and COLA distributions, funding set aside for past and future FED distributions, and the adequacy of funding for future FED payments, etc).

Can the FED reserve account become exhausted so that no further payments are possible, at least for a while?

Yes. If we continue making annual payments from the FED reserve account without being in a position to replenish it, it could become depleted in time.

How will IPERS react to a shrinking FED reserve account?

We know how important these dividend payments are to you.

Therefore, we are requesting your feedback to help us should we face a situation where the reserve fund nears depletion.

Please circle your choice of a, b, or c.

- a) I would prefer that IPERS distribute the FED annually, at the same percentage dividend as given to the November COLA recipients, even if this exhausts the reserve account. (NOTE: Under this option, distributions would not begin again until sufficient funds are credited to the reserve account from future “favorable experience.”)
- b) I would prefer that IPERS distribute the FED annually, but at reduced percentage dividends (when compared to the November COLA recipients), so that annual distributions will continue until such time as future “favorable experience” again replenishes the fund. (NOTE: Under this option, IPERS’ managers would reduce the payable dividend, either starting immediately or when the reserve account had been depleted to a specified level, in order to stretch out payments for more years.)
- c) I don’t agree with either “a” or “b.” Rather, I suggest that you consider:

Please return your choices and comments to me via e-mail (Greg.Cusack@idop.state.ia.us), or by regular mail:

Greg Cusack
Chief Benefits Officer
Iowa Public Employees' Retirement System
PO Box 9117
Des Moines, Iowa 50306-9117

Thank you so much for your assistance!