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LifeTimes

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM NEWS FOR RETIREES WINTER 2010

MONTHLY PAYMENTS ARE GUARANTEED

Chances were good that when an IPERS retirement counselor answered the phone in the last year, a voice on the line asked, "Are my monthly benefits safe?"

As the recession dragged on, its impact on individuals, companies, and the government grew. To recover from the recession, IPERS had to intensify talks about increasing contributions and reducing benefits employees have not yet earned. These talks caused some retirees to question whether their monthly IPERS payments were safe.

Monthly IPERS benefit payments are guaranteed. Even after the recession, the IPERS Trust Fund has enough money to continue paying benefits for years. On June 30, 2009, the end of fiscal year 2009, about \$18 billion was in the IPERS Trust Fund. By fall, markets were recovering and on December 31, 2009,

the estimated value of the Trust Fund had grown to about \$20 billion. IPERS continues to collect nearly \$700 million a year in contributions.

Investments provide most of the income needed to pay benefits, but receiving the right contributions to invest is critical. Contributions plus investment income must cover the cost of the benefits IPERS has promised to pay in the future. Because projections show income will fall short over the next 30 years, there is a [legislative proposal](#) to adjust the benefits employees have not yet earned and increase their contributions.

IPERS plans decades ahead. There is time to make a correction so IPERS can set aside enough money to cover the cost of benefits current employees are earning before IPERS must pay the benefits.

Pros outweighed cons in talks about DIVIDEND PAYMENTS

IPERS paid to retirees both the November dividend and, in January 2010, the Favorable Experience Dividend (FED), even though there was deflation instead of inflation last year and paying the FED is optional. IPERS' Benefits Advisory Committee said IPERS should pay the FED because:

- 1) The law requires paying the November dividend to people who retired before July 1, 1990.
- 2) Since some retirees would receive a November dividend, paying the FED would treat retirees equitably.
- 3) The law restricts IPERS from using the FED account for anything other than paying the FED.
- 4) There was no cost-of-living adjustment to social security benefits even though health care costs were increasing.
- 5) While the [dividend payments](#) would help retirees manage during the recession, the payments also would help the communities where retirees spend the money. IPERS paid over \$81 million in dividends in FY2009, and about 88 percent of benefit payments stayed in Iowa.

FUTURE OF THE FED DIMS

The nearly \$371 million left in the FED reserve account at the end of FY2009 is a lot of money, but it likely will pay full FED payments only through January 2013.

Nearly \$68.5 million of the \$81 million IPERS paid in dividends in FY2009 were FED payments.

The total amount needed for FED payments continues to climb each year as the number of eligible retirees grows by several thousand each year. The dollar amount also increases because the formula used to figure each member's payment amount applies an increase for each year retired.

To project how long the money in the FED Reserve Account will last, IPERS must assume certain events will happen. These assumptions are:

- IPERS will earn 7.5 percent on the Reserve Account each year through investments.
- The multiplier used in the formula that determines individual payments will not increase.
- The number of retirees will continue to increase.
- The legislature will not change the current law.

If these assumptions are accurate, IPERS will be able to pay the FED for three more years. If investments do better than expected, that number may increase. On the other hand, another year of major investment losses could decrease the number of years IPERS can pay the FED.

No matter how much investments earn, it is unlikely that other money will be deposited to the Reserve Account. Current law does not allow IPERS to transfer money from the general IPERS Trust Fund to the Reserve Account. An appropriation to the Reserve Account from the State General Fund is unlikely.

Possible **BONA FIDE** RETIREMENT changes

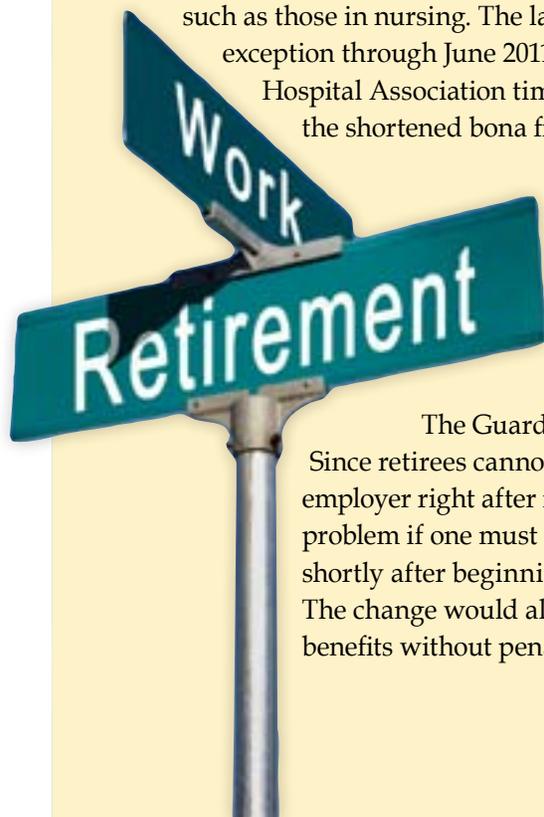
Two legislative proposals would affect IPERS' bona fide retirement period, the time that IPERS members must not work in IPERS-covered employment to qualify for retirement benefits.

One change would extend a temporary law that allows licensed health care professionals such as nurses to retire and return to work in one month. Other employees must stay out of work for at least four months to have a bona fide retirement and receive IPERS benefits.

The Iowa Hospital Association has advocated for the exception because it is difficult for hospitals to fill some critical positions, such as those in nursing. The law change would extend the exception through June 2011, giving IPERS and the Iowa Hospital Association time to further study the effect of the shortened bona fide retirement period.

The other change would create an exception for members called to state active duty with the Iowa National Guard, as can happen during state emergencies such as floods.

The Guard is an IPERS-covered employer. Since retirees cannot work for an IPERS-covered employer right after retirement, there is a potential problem if one must respond to a state emergency shortly after beginning to receive IPERS benefits. The change would allow IPERS to continue paying benefits without penalty.



NINE FROM '09

Highlights from the
fiscal year 2009 summary

Trust Fund value:
\$17.97 billion

Benefits

- Total paid: **\$1.18 billion**
- Paid in Iowa: **\$1.04 billion**

Investment returns

- FY2009 investment return:
-16.27%
- Annualized investment return
FY1981-FY2009: **10.02%**

Membership

- **324,411** total members
- **89,852** retirees
- **167,717** active (contributing)
members

Funded ratio: 81.2%

(Actuarial assets divided
by actuarial liabilities)
IPERS' funded ratio is a
measure that includes
estimated *future* obligations.
It does not measure IPERS'
ability to pay current benefits.

Tips for preventing MEDICARE FRAUD & IDENTITY THEFT

From the U.S. Department of Health and Human Services

Guarding Against Identity Theft

Identity theft is a serious crime that happens when personal information is used without consent to commit fraud or other crimes. Personal information includes a person's name, Social Security number or credit card number. Individual Medicare ID numbers can also be used to commit fraud and identity theft.

Putting a Stop to Billing Fraud

Most doctors, pharmacists, suppliers, insurance providers, and other health care providers who work with Medicare are honest. Unfortunately, there may be some who are dishonest. Medicare fraud happens when Medicare is billed for services or supplies that beneficiaries never receive. Medicare fraud costs taxpayers millions of dollars each year.

More information about Medicare prescription drug and health plans is available at www.medicare.gov or by calling 1-800-633-4227 (1-800-MEDICARE)/ (TTY 1-877-486-2048).

Tips for Consumers

Medicare is committed to helping protect beneficiaries from fraud and identity theft and offers the following suggestions:

- **Protect your Medicare number,** which is located on your Medicare card. Treat your Medicare card like it is a credit card. Do not ever give it out except to your doctor or other Medicare provider. Never give your Medicare or Medicaid number in exchange for free medical equipment or any other free offer. Dishonest providers could use your number to get payment for services they never delivered.
- **If someone comes to your door** claiming to be from Medicare or Medicaid, remember that Medicare and Medicaid do not send representatives to your home.
- **Ask questions!** You have a right to know everything about your medical care, including the costs billed to Medicare.
- **Educate yourself about Medicare.** Know your rights and know what a provider can and cannot bill to Medicare.
- **Use a calendar to record** all of your doctor's appointments and what tests or X-rays you get. Then check your Medicare statements carefully to make sure you got each service listed and that all the details are correct.
- **Be cautious** of any provider or plan representative who says he has been approved by the Federal government.
- **Be wary** of providers who tell you that the item or service is not usually covered, but they "know how to bill Medicare" so that Medicare will pay.
- **Make sure you understand** how a plan works before you join.
- **Always check your pills** before you leave the pharmacy to be sure you got the full amount. If you do not get your full prescription, report the problem to the pharmacist.
- **Review your Medicare payment notice for errors.** The payment notice shows what services or supplies were billed to Medicare, what Medicare paid, and what you owe. Make sure Medicare was not billed for health care services or medical supplies and equipment you did not receive. If you spend time in a hospital, make sure the admission date, discharge date, and diagnosis on your bill are correct.
- **Report suspected instances of fraud** by calling 1-800-633-4227 (1-800-MEDICARE). If a beneficiary believes he or she is a victim of fraud or identity theft the beneficiary should contact 1-800-HHS-TIPS (1-800-447-8477)/(TTY #: 1-800-377-4950) to report the incident. More information is available at www.stopmedicarefraud.gov.

Most benefits for nonretired members unchanged by legislative proposal;

NO CHANGE FOR RETIREES

Although there has been a lot of discussion about possible changes to benefits employees have not yet earned, retirees' monthly benefits are protected by law. Your benefits would not change under any proposal studied. Recommended changes included in the proposal passed by the legislative Public Retirement Systems Committee do not touch most parts of the benefit plan for regular members who have not yet retired. The proposal still must go through a full legislative review and the governor must agree to any changes the legislature approves.

The following would not change:

- The Rule of 88 and Rule of 62/20
- The current benefit multiplier (2% a year for first 30 years and 1% for years 31-35)
- The lifetime benefit guarantee at retirement
- Death benefits
- Disability benefits

Changes to the benefit plans for Special Service members (sheriffs/deputies and members working in protection occupations) have not been discussed either. These groups have been paying the right amount of contributions to IPERS. Unlike rates for regular members, which have been set by law, the contribution rates for sheriffs, deputies, and employees in protection occupations are adjusted by IPERS each year based on the actuarial valuation. Basing rates off the actuarial valuation ensures contribution rates keep up with the value of benefits being earned.

To minimize the impact on employees who have already earned benefits but have not yet retired, transition rules will ensure they get full credit for the time they work before the law changes. The rules will allow enough transition time so anyone considering retirement has time to adjust plans.

PROPOSED CHANGES

All membership classes

Contribution rate adjustments, effective 07/01/11

- Maximum change each year of 1 percentage point up or down (now: changes limited to 0.5 percentage point)
- Rates based on actuary's annual valuation that examines IPERS' funding

Regular membership class only

Contribution rate, effective 07/01/11

- 13.45 percent of wages (now: would be 11.95 percent on that date)
- Employees continue to pay 40 percent of the contribution; employers 60 percent

Benefits, effective 07/01/12

- Seven years to vest (now: four years)
- Average of the highest five years' wages in benefit formula (now: highest three)
- Reduce benefits 6 percent a year if a member retires before normal retirement age (now: benefits reduced 3 percent for each year retired before normal retirement age*)

*Age 65, Rule of 88 (age + years of service = 88), or Rule of 62/20 (age 62 with 20 years of service)

eFile taxes for a FAST REFUND

From the Iowa Department of Revenue

Most filers receive refunds and want them fast. To get your refund in ten days or less, electronically file through the Iowa Department of Revenue Web site, purchased software, or tax professionals. Last year 74 percent of Iowa returns were e-filed.

The Iowa Department of Revenue Web site has links to companies that provide online filing of federal and Iowa income tax returns. Click the e-file logo at www.state.ia.us/tax to find two categories of electronic filing: "eFile for Free" and "eFile for a Fee." Those who do not qualify to file free will discover that online filing is not expensive.

If your cause is green, you should know that e-filing is good for the environment. The Department of Revenue and e-filers use and store little, if any, paper.

BE COUNTED!

Your participation in the 2010 Census brings home \$3.5 billion of federal dollars to Iowa every year.

2010 Census
It's in Our Hands

2010 BENEFIT PAYMENTS

| Month | Paper checks mailed | Direct deposit |
|-----------|---------------------|----------------|
| January | 28 | 29 |
| February | 25 | 26 |
| March | 30 | 31 |
| April | 29 | 30 |
| May | 27 | 28 |
| June | 29 | 30 |
| July | 29 | 30 |
| August | 30 | 31 |
| September | 29 | 30 |
| October | 28 | 29 |
| November | 29 | 30 |
| December | 29 | 30 |



IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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OFFICE HOURS
8 a.m.–4:30 p.m.

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7:30 a.m.–5 p.m.

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