

simply IPERS

special edition | Summer 2010

5 fixes to secure future retirements

While other states continue searching for ways to recover from the recession amid growing retirement costs, Iowa has already taken steps to preserve IPERS for younger generations. Read a summary of law changes to the IPERS plan and find out where to go for more information. PAGE 2



8 IPERS ESSENTIALS unchanged

After much talk, many rumors, and a few fears about which retirement benefits would change, most of the IPERS plan remains the same. PAGE 3

7 reasons retirees care about benefits for workers

Critics say defined benefit plans such as IPERS are too costly and unfair to private sector workers who don't have similar pensions. IPERS retirees have been among the strongest advocates for protecting IPERS for future generations. PAGE 6

A dozen reasons the FED's future is in jeopardy

The legislature created the Favorable Experience Dividend (FED) because IPERS does not adjust monthly pensions for increases in the cost of living. However, money for the FED is running out. PAGE 7

3 steps for retiring employees hit by budget cuts

Soon-to-be-retired employees can act to keep some lowered wages from affecting their monthly IPERS benefits. PAGE 6

A few changes affecting a few

There are exceptions to the bona fide retirement rule for certain licensed health care providers and National Guard members. PAGE 3



10 ways to save a tree

Simply IPERS is part of a larger plan to save time, money, and trees by increasing online business with IPERS. You will be able to do more online after IPERS finishes installing a new computer system this fall. PAGE 5

IPERSSM



Five fixes to secure future retirements



PERS is financially strong now, and benefits already earned by current workers are safe. However, long-term projections showed something had to change so that IPERS can keep promises to the workers who will retire 30 years from now. Unprecedented investment losses during the recession on top of years of lower-than-needed contributions called for prompt action.

IPERS' Benefits Advisory Committee of employee and employer delegates decided the fairest approach was to increase contributions while trimming benefits employees have not yet earned. The legislature and governor agreed.

These changes affect only regular IPERS members. However, the changes do not affect benefits they have already earned. The changes do not affect sheriffs, deputies, protection occupation employees, or retirees either.

EFFECTIVE JULY 1, 2011

1 The total contribution rate will be 13.45 percent.

Employees will contribute 5.38 percent of their wages, which is 40 percent of the total contribution. **Employers** will contribute 8.07 percent of employees' wages, which is 60 percent of the total contribution. *Before the law change, employees would have paid 4.70 percent on 7/1/11.*

The increase to 5.38 percent means an employee with weekly wages of \$1,000 will have \$6.80 more deducted each week.

EFFECTIVE JULY 1, 2012

2 IPERS can adjust the total contribution rate up or down each year, by no more than 1.0 percentage point.

3 Members become vested after seven years of service (currently four years of service), or upon reaching age 65 while in IPERS-covered employment (currently age 55), whichever comes first. Vesting is when a member establishes rights to IPERS benefits.

4 The wages used to calculate benefit amounts will be the average over the five years the employee earned the most (currently the average is based on three years). IPERS will continue to use a control year outside of the "high five" years to test for wage spiking, which inflates benefits.

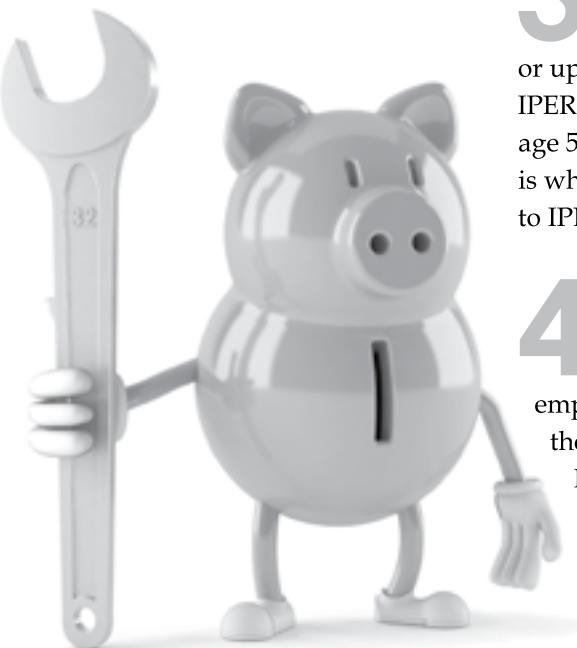
Three membership classes



IPERS has three membership classes, each with different contribution rates and benefits. **Most law changes affect people in IPERS' regular membership class, which includes 95 percent of our members.**

Only sheriffs, deputy sheriffs, and those working in protection occupations are not regular members. (Protection occupations include many employees of the Department of Corrections, state and county conservation peace officers, city police officers, DOT peace officers, airport firefighters and safety officers, fire prevention inspector peace officers, regular and volunteer firefighters, air base security officers, county jailers, emergency medical service providers, county attorney investigators, and National Guard installation security officers.)

5 The amount lifetime monthly benefits are reduced for early retirement increases from 3 percent to 6 percent times the number of years the member receives benefits before age 65. The 6 percent reduction for early retirement will affect only people who retire before reaching normal retirement age.





See page 4 to learn where to find more information about the 2010–2012 changes.



A few changes affecting a few

The law extends for two more years (to July 1, 2012) a study of a one-month bona fide retirement period for **licensed health care professionals in city and county hospitals**. Most IPERS members have a four-month bona fide retirement period. This means they must stay out of employment with an IPERS-covered employer for the first four months they receive benefits.

The law also creates a bona fide retirement exception for **members of the Iowa National Guard who are called to state duty**.

This applies when the Guard responds to a disaster such as a flood or tornado. The state is an IPERS-covered employer and without the exception, a retiree's IPERS benefits could be at risk because the person reported for Guard duty.

Eight IPERS essentials unchanged

The new law does not touch fundamental pieces of the benefit formula for regular members. Retirement benefits for sheriffs, deputies, and members in protection occupations will not change. And, of course, benefits retirees have already started receiving are guaranteed for life.

Regular members

- 1. Benefit formula**
(highest average salary × multiplier)
- 2. Multiplier**
 - 2% a year for first 30 years
 - 1% a year for next 5 years
 - Maximum multiplier: 65%
- 3. Normal retirement age** (when benefits are not reduced for early retirement)
 - Age 65
 - Rule of 88 (when age + years of service = 88)
 - Rule of 62/20 (age 62 with 20 years of service)
- 4. Disability benefits**
- 5. Death benefits**



Sheriffs, deputies, and members in protection occupations

- 6. All benefits stay the same.** (The new law adds a cancer and infectious disease presumption for in-service Special Service disability benefits.)
- 7. IPERS will continue to adjust** these members' contribution rates each year as calculated by IPERS' actuary.



Retirees

- 8. Guaranteed lifetime benefits and the death benefits**, if any, chosen at retirement.

Behind-the-scenes news from the CEO

I started blogging last year, a stretch for this baby boomer. I wanted to address rumors that were circulating about possible changes to IPERS. I appreciate that many of you visited my blog, IPERS UpFront, and let me know what was on your mind.

Now that the new law has passed and we know what the changes are, it's time for me to end my blogging hiatus. I've gone back to the keyboard to give you behind-the-scenes news as we work with the new law. Many other things affect IPERS that you may not hear about, and I'll blog about those too.

Please visit my blog. You can ask me questions and leave me comments. You can get to IPERS UpFront from the home page of IPERS Web site or go to it directly at <www.ipers.org/blog>.

Donna M. Mueller



2010–2012 CHANGES Where to find more information



Summary of 2010–2012 IPERS Changes

A brochure providing a quick review of law changes.



Q&A: 2010–2012 IPERS Law Changes

A publication addressing common questions about how the law changes affect IPERS benefits, with examples.

Member Handbook Supplement

A detailed description of the legal changes to the IPERS plan.

Presentations and Training

View recorded presentations on demand, sign up for online training, and see scheduled events. See the Training and Retirement Planning tab in the Members section of IPERS' Web site.



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Monday–Friday

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All publications and training are available at <www.ipers.org>. You can order print copies of publications from IPERS' Web site, or ask for copies by phone or e-mail.

Ten ways to save a tree

We have learned what Kermit the Frog already knew. It isn't easy being green. Many of you have wanted to receive IPERS news electronically, and the wait is almost over. IPERS is nearly finished installing an advanced computer system that supports more online business and reduces IPERS' reliance on paper.



The new computer system, known fondly by IPERS employees as I-Que (IPERS' Quest for Excellence), will be working hard in the background processing over a million benefit payments a year totaling about \$1.2 billion. I-Que collects monthly contributions payments from 2,241 employers for nearly 170,000 workers. It must track each employee's entire work history to record IPERS service credits. I-Que must be able to calculate benefits accurately using the correct formula for each person's membership class.

I-Que starts working the employee's first day on the job. It continues to work on the employee's behalf through the last benefit payment, which could be more than 75 years later.

This winter you will be able to go online to:

1. See individualized information about your contributions.
2. Track how much IPERS service you have.
3. Fill out forms.
4. Set your preference to receive information from IPERS by e-mail or postal mail.
5. View copies of your correspondence to and from IPERS.
6. Register for classes explaining how IPERS works.
7. Track payments if you have started receiving benefits.

Later on, you will also be able to:

8. Estimate your benefits using information in your IPERS record.
9. See how different retirement dates would change your benefit amount.
10. Get an estimate of how much it would cost you to buy more IPERS service.

You can sign up beginning this winter from your secure online account at <www.ipers.org>.

In the meantime, you can continue to:

- View and print a copy of your benefits statement.
- Change your contact information.
- Make sure your beneficiary information is up to date.

I-Que

Three steps for retiring employees hit by budget cuts

A furlough or bumping into a position with lower wages can reduce the highest average salary IPERS will use to figure your benefit amount. A lower average means lower benefits. You can avoid the reduction in your benefit by paying contributions to IPERS as though your wages had not been reduced.

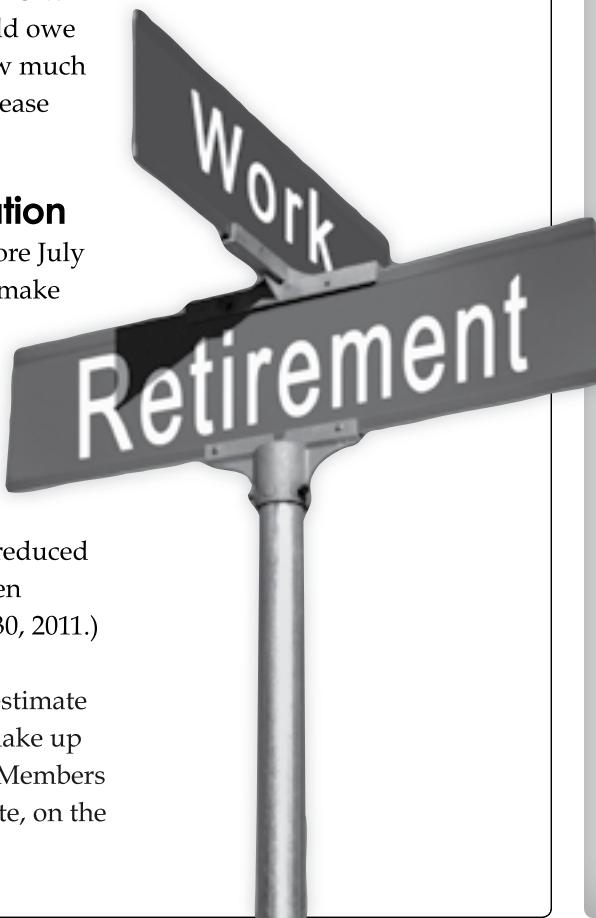
You pay IPERS the contributions you and your employer would have paid if your wages had not been cut. IPERS will then use the higher wage amount in the benefit calculation. This is helpful *only* if your wages in calendar year 2009, 2010, and/or 2011 are used in your highest average salary.

1. Call IPERS if you have any questions about how a furlough or bumping to a lower-paid position during layoffs can affect your IPERS benefits.

2. Get an estimate to see how much you would owe in contributions and how much paying them would increase your benefits.

3. File an application with your employer before July 1, 2011, if you decide to make up contributions. Your employer will deduct the contributions from your paycheck. (If you choose to make up contributions, you must make them for *all* reduced hours and wages between January 2009, and June 30, 2011.)

The form to request an estimate and the application to make up contributions are in the Members section of IPERS' Web site, on the Forms page.



Seven reasons **retirees** care about benefits for Iowa workers

IPERS retirees have been among the strongest voices calling for changes that will preserve IPERS benefits for public employees. Retirees have called, written, and met with legislators to discuss why IPERS is important. The IPERS Benefits Advisory Committee, which said we must preserve IPERS as a traditional defined benefit plan, also includes retirees.

Some of the reasons retirees support keeping IPERS as a defined benefit plan are:

1 Retirees know employee benefits make a difference in keeping critical government positions filled.

2 They are aware that public employees are not getting a free ride—employees contribute to IPERS.

3 Retirees' families have a legacy of public service, and they worry about their children, grandchildren, and great-grandchildren.

4 Retirees know how hard it is to begin saving for retirement when you are young if you have to do it alone.

5 Retirees have seen what a recession (or two) can do to personal savings.

6 Since one of their greatest fears is being a burden to their families, retirees know how important a secure lifetime income is.

7 Most IPERS retirees still live in Iowa and spend their IPERS benefits in their own communities. Each year IPERS pays over 88 percent of all benefits, over \$1 billion, in Iowa.

A DOZEN REASONS the FED's future is in jeopardy

PERS paid retirees nearly \$90 million in the November 2009 dividend and the January 2010 Favorable Experience Dividend (FED). IPERS pays the FED in January to members who retired July 1, 1990, and later, after their first full year of retirement. The legislature created the November dividend and the FED since inflation reduces the buying power of the monthly benefit during retirement.

1 The FED is not a mandated payment (however, the November dividend, a payment to older retirees, is mandated).

2 IPERS pays the FED from a special account funded by transfers from the general IPERS Trust Fund.

3 The law forbids more transfers into the FED account as long as the IPERS plan is underfunded.

4 Even with the law changing contributions and benefits not yet earned, projections show IPERS will continue to be underfunded for decades.

5 The FED account earns its share of investment gains; investment losses, such as -16.27 percent for fiscal year 2009, also apply.

6 The FED payment increases with each year someone is retired.

7 The number of retirees who receive the FED increases each year.

8 The total cost of the FED grows each year.

9 Financial projections that include the expected growth in the number of retirees and the rising cost of the FED payments show IPERS can pay the FED for about three more years.

10 Another down economy resulting in more investment losses could reduce the number of years.

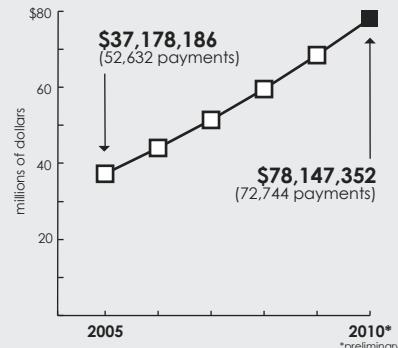
11 The Benefits Advisory Committee has not found a reasonable solution that is fair to employees, who would bear the costs if the legislature approved another transfer to the FED account.

12 Given the state budget, it is unlikely the legislature will use other sources of funding for the FED account.

FED formula

DECEMBER BENEFIT \times 12 MONTHS
 \times MULTIPLIER \times YEARS RETIRED

FED payments



Remember!
The future of the FED does not affect your monthly benefit payment. Your pension is guaranteed for life.

NOTICE: IPERS will not publish summer 2010 newsletters. Instead, IPERS published this special edition of Simply IPERS and the extra publications explaining plan changes described on page 4.

Simply IPERS is a news summary published by the Iowa Public Employees' Retirement System. It highlights news in *LifeTimes*, a newsletter for IPERS retirees, and *Inside IPERS*, for nonretired IPERS members. Copies of newsletters are available online. Printed copies are mailed when requested.

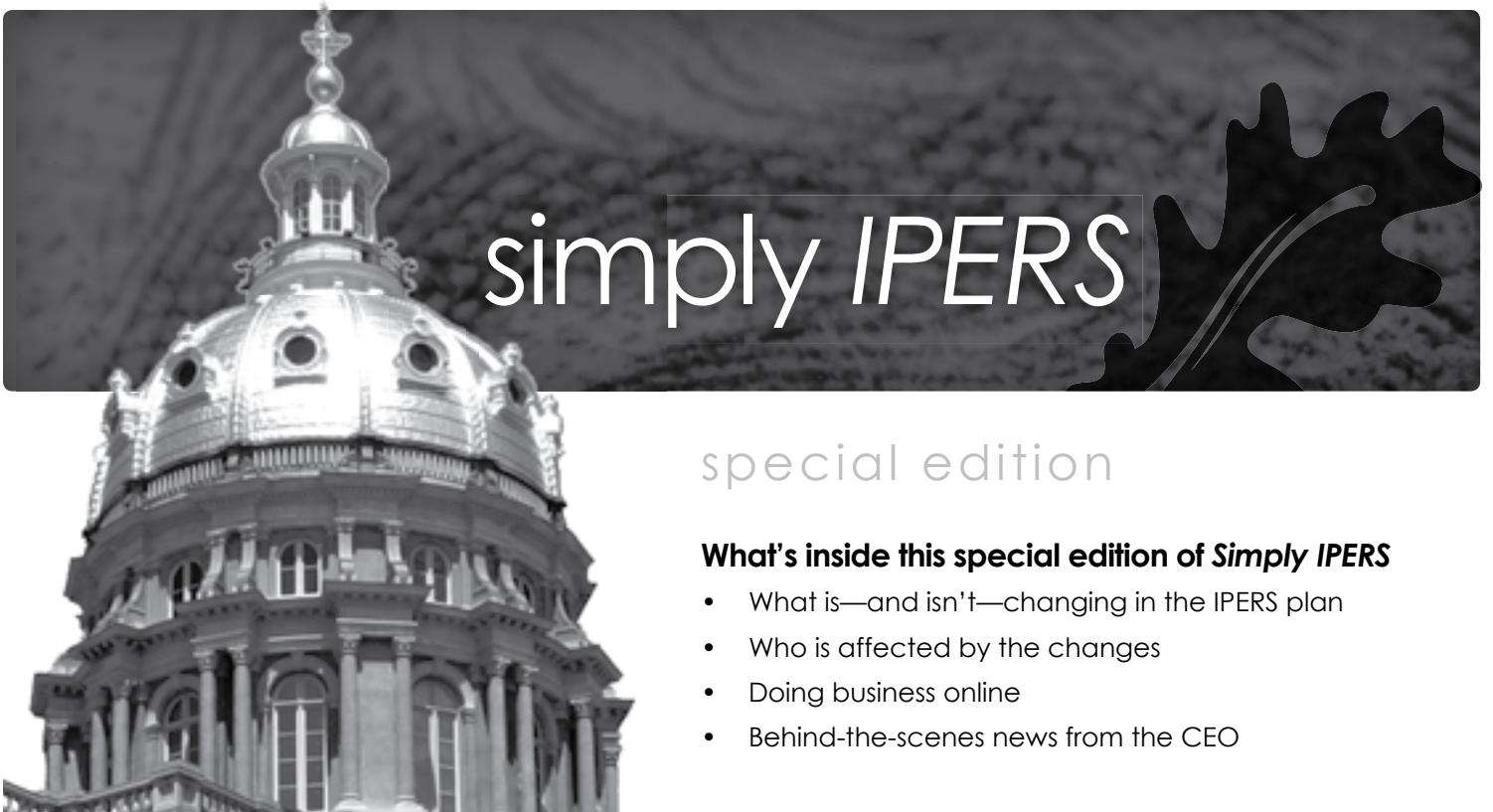
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IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM



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A black and white photograph of the Iowa State Capitol building's dome, showing its ornate architecture and spire against a cloudy sky. The dome is positioned on the left side of the frame, while the right side features a large, stylized silhouette of an oak leaf.

simply IPERS

special edition

What's inside this special edition of *Simply IPERS*

- What is—and isn't—changing in the IPERS plan
- Who is affected by the changes
- Doing business online
- Behind-the-scenes news from the CEO

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