Member Handbook

Iowa Public Employees' Retirement System

IPERS®

Working Today for Your Tomorrow

Introduction

PURPOSE OF THIS PUBLICATION

The IPERS Member Handbook summarizes the retirement plan that is provided for most employees of Iowa's schools, cities, counties, townships, state agencies, and other governmental units. This publication explains the rights and benefits of IPERS membership in as clear and useful a manner as possible; however, it is not intended to be a complete presentation of the IPERS law and policies.

Benefits provided under IPERS differ for Special service members—sheriffs, deputy sheriffs, and those working in other protection occupations, such as firefighters, police, correctional officers, and conservation officers. This publication explains what these differences are.

To help you find information that applies only to you, IPERS also publishes a variety of booklets and brochures to guide you through IPERS benefits at specific stages of your career, from membership enrollment to retirement. These educational resources are available for viewing or printing from our website at www.ipers.org. You may also contact IPERS and request a free printed copy.

Alternative formats containing the information in this publication are available upon request.

Note: This publication reflects the law as of July 2011. Some provisions will become effective at later dates, as noted. Any inconsistencies or inadvertent omissions will be resolved in favor of the law.

IPERS AND ITS MISSION

The Iowa Legislature created the Iowa Public Employees' Retirement System (IPERS) in 1953 to provide a dependable and economical retirement plan for Iowa's public employees. IPERS retirement benefits are intended to help Iowa's public employers attract and keep qualified personnel in public service. The benefits also help public employees care for themselves during retirement.

The IPERS plan is a *defined benefit plan* with a *qualified plan* status under federal Internal Revenue Code section 401(a). A defined benefit plan provides a lifetime benefit calculated using a formula. Your benefits grow with you during your working career. So, as your years of service and salary increase, your IPERS benefits also grow. At retirement, you receive the benefit you earned regardless of the performance of the stock market.

This plan reinforces the notion that saving for retirement is important at every stage in your life. Indeed, IPERS has been designed to supplement both Social Security and private savings. That's why IPERS encourages its members to start saving early for retirement.

YOUR SAFETY NET

To protect you and your family against the unexpected, IPERS provides death and disability benefits in addition to monthly retirement benefits. It is important that you understand how IPERS benefits work and that you have a current beneficiary designation form on file with IPERS.

WAYS TO USE THIS PUBLICATION

This publication is intended to help you become better acquainted with the features of the IPERS retirement plan. You will notice that the publication's topics—from member enrollment to retirement and beyond—follow common stages in a person's career. Thus, early chapters focus on types of coverage, designation of beneficiaries, and how service can be earned or purchased to supplement retirement benefits. Later chapters discuss preparing for retirement, retirement itself, and how benefits are calculated. A Glossary of Terms is also included, containing definitions of many words that may not be familiar to you.

Throughout this publication, you'll see a few symbols designed to highlight important information. These symbols are defined below:

Important! Lets you know about things that are worth remembering and will help you make good decisions in your retirement planning.

Regular Membership. Tells you when information applies only to Regular members.

Special Service Membership. Tells you when information applies only to Special service members.

But Please Don't "Go It Alone."

IPERS has knowledgeable staff ready to help you understand features of the IPERS plan contained in this publication. Our staff is familiar with the complex laws governing this state-administered pension plan, and can help you navigate through the publication, offering additional information that you may find very helpful. They are also well versed in your individual rights and entitlements. Contact IPERS if you have questions about the plan.

Membership in IPERS

MEMBERSHIP

Automatic Membership

Permanent Public Employees (Full- and Part-Time)
Your membership in IPERS is automatic if you are a permanent full- or part-time public employee, regardless of the amount of wages or compensation you receive, unless you are:

- Specifically excluded from membership by law, or
- Allowed to elect out of the IPERS plan

If your employment began after July 4, 1953, and before June 30, 1965, you became an IPERS member upon the first day of the first month following your hire date. Since July 1, 1965, you become an IPERS member on the first day for which you receive IPERS-covered wages.

In general, you are considered an employee if you are subject to substantial control by the public employer for which you perform services for pay. The term "control" refers only to employment and includes control over how, where, and when an employee performs work. The control may not need to be exercised for an employer-employee relationship to exist; the right to exercise the control is enough.

Every employee accepting covered employment or continuing in IPERS-covered employment is deemed to consent and agree to the deductions from compensation required by Iowa Code chapter 97B.

Temporary Employees
IPERS defines a temporary employee as an individual hired to work for less than six consecutive months or on an irregular, seasonal, or on-call basis. In general, most temporary employees are excluded from IPERS membership. However, in some cases a temporary employee may become eligible for IPERS membership if an "ongoing relationship" with an IPERS-covered employer is established as follows:

- When wages paid are $1,000 or more in two consecutive quarters, or
- When employed for 1,040 hours or more in a calendar year

Your IPERS membership begins in the quarter **after** you establish an ongoing relationship with an IPERS-covered employer. If you have established an ongoing relationship with one employer, you are not automatically eligible for IPERS membership with every employer. As a temporary employee, you must qualify separately with each employer.

Your IPERS coverage ends when you terminate employment or, if there is no formal termination, when you perform no services for an employer during four consecutive calendar quarters.

Optional Membership

Iowa state law classifies certain positions as IPERS-covered, unless employees in those positions elect out of IPERS coverage, as follows:

Positions Eligible to Elect Out of IPERS Coverage

- Elected officials paid on a fee basis
- Elected officials of townships
- Elected officials of school districts
- Part-time elective officials of other political subdivisions, except part-time county attorneys
- Members of the Iowa General Assembly
- Temporary employees of the Iowa General Assembly
- Nonvested employees of drainage and levee districts
- Magistrates
- Employees of a community action program that is an instrumentality of the state or a political subdivision
- Members of the ministry, rabbinate, or other religious order who have taken vows of poverty
- Persons employed as city managers, or as city administrators performing the duties of city managers, under Iowa Code chapter 372 or chapter 420
- Members of the Iowa Transportation Commission, the Iowa Board of Parole, and the Iowa Health Facilities Council
- Part-time members of county boards of supervisors, whether paid a salary or per diem
- Part-time elective members of boards and commissions (other than county boards of supervisors) who receive a salary
- Employees of the Board of Trustees of the Municipal Fire and Police Retirement System of Iowa
- Employees of the Regents institutions and community colleges*
- Employees of water utilities/waterworks that have retirement systems established under Iowa Code chapter 412

***** *If you are eligible to choose between IPERS and an alternative plan on your date of hire, you must choose the alternative plan coverage within 60 days of your date of hire, or your IPERS coverage will be irrevocable. If eligibility for the alternative plan is established after your date of hire, you must choose the alternative plan coverage within 60 days of becoming eligible, or your IPERS coverage will be irrevocable.*

Each IPERS-covered employer is responsible for notifying employees of their right to this election. Eligible employees hired on or after January 1, 1999, must elect out of coverage within 60 days of hire (or eligibility).

If you are eligible to elect out of coverage and would like to do so, you must complete and return an *Election for Termination of IPERS Coverage* form to your employer.

If you do not elect out of IPERS coverage within 60 days after you are hired and become eligible for IPERS coverage, you automatically become an IPERS member.

Your decision to elect out of IPERS coverage is irrevocable during employment with a specific employer. You may adjust this election only if you:

- Have an eligible break in service, such as a bona fide termination of employment and returning at a later date. The reemployment cannot be prearranged.
- Are elected to a position for the first time or to a different position.
- Accept a different eligible position with a different IPERS-covered employer.

Dual Retirement Plan Coverage

You cannot receive IPERS service credit for your job if the position you are in is covered by another retirement plan supported in whole or in part by public funds and you are an active member of that plan. You cannot choose to participate in IPERS for one position and in another retirement plan for a different position with the same employer.

However, you can actively contribute to IPERS and be an active, contributing member of another retirement plan if you are employed in positions with *two* separate employers.

Specific Groups

Area Agencies on Aging
Employees of area agencies on aging are covered by IPERS unless—as of July 1, 1994—individual agencies provide for participation by all employees in an alternative qualified plan.

Iowa General Assembly
Members and temporary employees of the Iowa General Assembly have been eligible for IPERS coverage since January 8, 1979. Members of this group may elect out of IPERS coverage by applying to IPERS on the appropriate forms within 60 days of their date of hire or assumption of elected office. A member of the General Assembly, who terminates all non-legislative positions covered by IPERS, as well as IPERS coverage as a legislator, may file an application for retirement benefits while continuing to serve as a legislator.

MEMBERSHIP CLASSES

IPERS has different membership classes. Each membership class has different retirement benefits, and members of each class and their employers contribute to IPERS at different rates. This publication explains the differences in membership classes and contribution rates.

Regular Membership Class

About 95 percent of all IPERS members are in the Regular membership class. You are a Regular member unless you are a Special service member or have a hybrid membership as described below.

Hybrid Membership (Members With Service in More Than One Membership Class)

If you have worked in Regular service and Special service (see definition below), you have combination membership in IPERS. Your benefits may be calculated using a hybrid formula that takes all of your service into account.

Special service members and those with combination membership make up a combined 5 percent of IPERS' total membership.

Special Service Membership Classes

Special service members are those in some type of public safety position. There are two membership classes of Special service members: the protection occupation membership class and the sheriff/deputy sheriff membership class.

Sheriff and Deputy Sheriff Membership Class
Sheriffs and deputy sheriffs who are employed by county governments.

Protection Occupation Membership Class

Airport Firefighters

Airport firefighters employed by the military division of the Department of Public Defense.

Airport Safety Officers

Airport safety officers employed under Iowa Code chapter 400 by an airport commission in a city with a population of 100,000 or more.

Airport Security Officers

Employees covered by the merit system as provided in Iowa Code chapter 8A, whose primary duty is providing airport security and who carry or are licensed to carry a firearm while performing those duties.

Conservation Peace Officers

All conservation peace officers, state and county, as defined in Iowa Code sections 350.5 and 456A.13.

Correctional Officers

Designated correctional officers or correctional supervisors employed by the Department of Corrections. (This group includes those employees whose primary job responsibility is, through ongoing direct inmate contact, to enforce and maintain discipline, safety, and security within a correctional facility.) By law, the Department of Corrections and the Human Resources Enterprise of the Department of Administrative Services jointly determine which job classes are covered.

County Attorney Investigators

Investigators employed by a county attorney's office who are certified law enforcement officers and who are deputized as investigators for the county attorney's office by the sheriff of the applicable county.

County Jailers

Jailers or detention officers who perform duties as jailers, including but not limited to the transportation of inmates, who are certified as having completed jailer training pursuant to chapter 80B, and who are employed by a county as jailers.

DOT Peace Officers

Peace officers as defined in Iowa Code section 321.477 employed by the Department of Transportation.

Emergency Medical Service Providers

Emergency medical care providers who provide emergency medical services, as defined in section 147A.1, and who are not members of the retirement systems established in chapter 410 or 411.

Fire Prevention Inspector Peace Officers

Employees of the Department of Public Safety designated as fire prevention inspector peace officers.

Marshals, Police Officers (Including Part-Time Police Officers), and Firefighters

Marshals, police officers, or firefighters in a city not covered under Iowa Code chapters 400, 410, or 411.

National Guard Installation Security Officers

Employees covered by the merit system as provided in chapter 8A, subchapter IV, whose primary duty is providing security at Iowa National Guard installations and facilities, and who carry or are licensed to carry a firearm while performing those duties.

THROUGHOUT YOUR CAREER AS A MEMBER OF IPERS

This portion of the publication introduces you to important things you need to know and do as a contributing member of the IPERS plan.

Member ID Number

Upon becoming a member of IPERS, a unique member ID number will be issued to you so you can access your account.

Designating a Beneficiary

When you become an IPERS member you need to file an IPERS *Enrollment/ Beneficiary Designation* form, naming the person or people who will be eligible for any benefits payable upon your death. It is essential that you make sure IPERS has a current IPERS *Enrollment/Beneficiary Designation* form on file for you so that IPERS can carry out your wishes upon your death. If you die and have not designated a beneficiary, your estate may become your beneficiary.

Legal documents, such as wills, dissolutions, assignments, or court orders (other than Qualified Domestic Relations Orders [QDROs], which divide benefits in a divorce), do not supersede the designation of beneficiary filed with IPERS. For more about QDROs, see the "If You Divorce" section in this publication.

Payments to Minors
When designating a beneficiary, keep in mind that IPERS cannot make payments directly to minors. If the amount to be paid to the minor is under $25,000, IPERS can make the payment to an adult as custodian for the minor. If the amount is $25,000 or more, the amount must be paid to a court-established conservator. Alternatively, if the minor will turn 18 before the application deadline, the minor can wait and apply upon reaching age 18. The minor's legal guardian should contact IPERS to ensure that waiting to claim a death benefit will not cause the death benefit to be forfeited.

Changing Beneficiaries
You may change your designated beneficiary by completing and submitting a new *Enrollment/Beneficiary Designation* form. If you are a retired reemployed member, your most recent beneficiary designation governs all death benefits that are payable.

There are two exceptions to this general rule for members who retired under Option 4 or 6, which provide joint and survivor annuities. If you retired under Option 4 or 6, you can designate a different beneficiary for your reemployment period, but only if your contingent annuitant (the beneficiary of your monthly benefits) either is your former spouse or dies before you do. (See pages 47 and 48 for more details on Options 4 and 6.)

When Signatures Are Required
If you are married, your beneficiary designation must be signed by your spouse and witnessed by a disinterested person. If, after reasonable efforts, you are unable to locate your spouse, you may submit a sworn statement asserting your spouse cannot be located and file an *Enrollment/Beneficiary Designation* form without the usual spousal consent. IPERS is held harmless in acting upon your sworn statement if the missing spouse later comes forward.

If either you or your beneficiary has a name change, make sure you contact IPERS to update and sign all applicable documents.

If Your Beneficiary Dies
It is important that you promptly file a new IPERS *Enrollment/Beneficiary Designation* form if your designated beneficiary dies or other circumstances warrant a change. If your beneficiary dies before you do and you do not name a new beneficiary, your estate may become your beneficiary.

Death Benefit Payment Deadline
Generally, your designated beneficiary must apply for a lump-sum death benefit within five years of the date of your death or the benefit is forfeited. A longer period may apply if your spouse is your designated beneficiary. A shorter claim period also may apply, depending on Internal Revenue Service rules for required minimum distributions of accounts.

Discuss IPERS death benefits with your beneficiaries and stress the importance of notifying IPERS of your death within 30 days.

If You Take a Refund
If you leave public employment and take a refund, your beneficiary designation is canceled. If you return to covered employment, you must file a new IPERS *Enrollment/Beneficiary Designation* form.

Obtaining *Enrollment/Beneficiary Designation* Forms
An IPERS *Enrollment/Beneficiary Designation* form is available on our website at www.ipers.org. You may also contact IPERS to have a form sent to you.

Benefits Statements for Members and Retired Reemployed Members

By June 30 of each year, IPERS prepares statements for nonretired and retired reemployed members showing your accumulated service credit for the preceding calendar year. Your statement includes a summary of the covered wages your employer(s) reported to IPERS, the contributions you made, interest on the contributions, your designated beneficiary, and information about your accrued benefits.

Mailed Statements
You will receive your benefits statement in the mail if IPERS has an address for you. You should review your statement for accuracy and be sure the address on the statement is current. A current address on your IPERS account will ensure that statements and other information are delivered promptly.

Retirees do not receive statements unless they have active wages because of reemployment.

Name and Address Changes

It is important for you or someone legally responsible for your business affairs to advise IPERS of changes in your name and address. You may make changes by calling 1-800-622-3849 or by writing us. A *Name or Address Change* form is available on our website at www.ipers.org. This form should be used for change of name or address only. For beneficiary changes, see page 8.

Supplemental Accounts for Active Members (SAAM)

In 1998, the General Assembly enacted legislation that authorized supplemental accounts for active members (SAAM). These accounts were established to allow IPERS to return contributions that exceed the amount needed to pay benefits being earned by current employees (active members). IPERS has never used the accounts because contributions have not been sufficient to pay for the benefits being promised to members.

Funds in the supplemental accounts would be distributed as follows:

- When the member takes a refund
- When the member retires
- When the member dies

IPERS' Role in Your Retirement Planning

IPERS' role is to manage and administer a pension plan for covered public employees. IPERS strives to ensure that members have access to the very best information available about their rights and options under the plan.

! Representatives of IPERS *are not* financial planners and IPERS benefits are only one part of your overall retirement savings. IPERS benefits were designed to **supplement** Social Security benefits and private savings. IPERS benefits are not intended to fully fund your retirement.

In order to have enough money for retirement, it is important that you set aside additional savings from each paycheck when possible. One of the most cost-effective ways to save for retirement is to take advantage of the tax-deferred savings vehicles offered by many public employers. Two examples of these programs are:

- Tax-sheltered annuities (annuities qualified under IRC section 403[b]) offered to employees of many school districts

- Deferred-compensation programs offered to other public employees

For further information about programs your employer offers, contact your personnel office or human resources department. If you are a state employee, you can contact your deferred compensation plan at 515-281-8677.

The advantage of tax-deferred savings vehicles over most other types of investments (mutual funds, stocks and bonds, certificates of deposit, and money market accounts) is that taxes on both contributions and earnings are deferred until you receive those funds. The longer you have to invest (generally, the younger you are), the greater the advantage.

Contributions Help Fund Your Benefits

Both you and your employer contribute a percentage of your covered wages to IPERS to help fund your retirement benefits. Your employer deducts your contributions from your paycheck and sends both your share and your employer's share to IPERS. Contributions from all IPERS members are pooled and invested. The contributions and investment income are held in a trust fund for the exclusive purposes of paying benefits to IPERS members and their beneficiaries and the related administrative costs.

Because IPERS is a defined benefit plan that pays a lifetime pension based on a formula, your contributions reflect only a small part of the potential value of your IPERS benefits. The value of your benefits grows as your years of public employment increase.

Your contributions plus interest are always yours. If you leave public employment before you retire, you may keep your money at IPERS, roll it over to another qualified retirement plan that meets IRS requirements, or take a refund.

CONTRIBUTION RATES

Your position or job classification determines your membership class and the contribution rate applied to your covered wages. Contribution rates for all membership classes are subject to change each year on July 1. See our website for current rates.

Regular Members

The total contribution rate for Regular members is 13.45 percent from July 1, 2011, through June 30, 2012. Employees contribute 5.38 percent, which is 40 percent of the total rate. Employers contribute 8.07 percent, which is 60 percent of the total rate.

Each year starting July 1, 2012, IPERS can adjust the total contribution rate by no more than 1.0 percentage point up or down. IPERS will set the rate following an actuarial valuation, which is a snapshot of IPERS' finances over the next 30 years. Contribution rates will remain split with the employee paying 40 percent of the total rate and the employer paying the other 60 percent.

How the contribution rate is applied to covered wages:

From 7/1/11–6/30/12, employees who are Regular IPERS members will contribute 5.38 percent of their wages. To calculate contributions for a member making $45,000 a year:

$$\$45{,}000 \times 0.0538 = \$2{,}421$$

$$\$2{,}421 \div 52 \text{ weeks} = \$46.56$$

An employee with covered wages of $45,000 a year will contribute $2,421 a year, or $46.56 a week, between July 1, 2011, and June 30, 2012.

How IPERS adjusts contribution rates:
After projecting assets and liabilities, IPERS' actuary concludes the total contribution rate should be 16 percent. However, the total contribution rate for the prior year was 13.45 percent. Because the total rate cannot increase or decrease by more than 1.0 percentage point a year, the total contribution rate would be 14.45 percent, not the 16 percent calculated by the actuary. Employees pay 40 percent of the total. The contribution rate for employees would be 5.78 percent.

Special Service Members

The rates for Special service members are based on recommendations from IPERS' actuary. Sheriffs and deputy sheriffs split the contributions equally with their employers, each paying 50 percent. Protection occupation members pay about 40 percent of the total contribution and their employers pay about 60 percent.

Membership Class 7/1/11–6/30/12	Employee Share	Employer Share	Total
Sheriffs and Deputies	9.83%	9.83%	19.66%
Protection Occupations	6.65%	9.97%	16.62%

EMPLOYER PICK-UP (PRETAX)

Federal law provides for deferring federal income tax on the amount of employee contributions made to a government-sponsored pension plan. It is often referred to as employer pick-up (or pretax). Beginning January 1, 1995, members began making contributions to IPERS on a pretax basis for federal income tax purposes; beginning January 1, 1999, members also began contributing to IPERS on a pretax basis for Iowa state income tax purposes. Pretax contributions effectively reduce both federal and state taxable wages for the year in which they are made.

The following chart illustrates how pretax contributions work. For all purposes other than federal and state income taxes (e.g., Federal Insurance Contributions Act [FICA] and IPERS contributions), employees' gross wages are not affected by this "pretax" treatment. IPERS will continue to credit the amount deducted by the employer to the employees' accounts.

Example: A member earning $30,000 annually who contributes at the 5.38% rate.

(1999 and later)

(1) IPERS-covered wages		$30,000	
(2) IPERS contributions			
(a) Employee*	= $30,000 × 5.38%		$1,614
(b) Employer	= $30,000 × 8.07%		$2,421
(3) Federal taxable wage	= (1) – (2a)		$28,386
(4) State taxable wage	= (1) – (2a)		$28,386
(5) FICA-covered wage	= (1)		$30,000

*Employee contributions will not be included in federal or state taxable wages. Employee contributions will be reported as $1,614 for all other purposes.

WAGES

IPERS-Covered Wages

IPERS-covered wages are the portion of your compensation from which contributions to IPERS are withheld. Employers do not report to IPERS wages over this limit and there are no contributions for wages over this limit. The maximum annual covered wages set by the Iowa Legislature for each year from 1953 through 1996 are as follows:

Maximum Annual Covered Wages			
7/4/1953–12/31/1963	$ 4,000	1/1/1988–12/31/1988	$24,000
1/1/1964–12/31/1967	4,800	1/1/1989–12/31/1989	26,000
1/1/1968–12/31/1970	7,000	1/1/1990–12/31/1990	28,000
1/1/1971–12/31/1972	7,800	1/1/1991–12/31/1991	31,000
1/1/1973–12/31/1975	10,800	1/1/1992–12/31/1992	34,000
1/1/1976–12/31/1983	20,000	1/1/1993–12/31/1993	35,000
1/1/1984–12/31/1985	21,000	1/1/1994–12/31/1994	38,000
1/1/1986–12/31/1986	22,000	1/1/1995–12/31/1995	41,000
1/1/1987–12/31/1987	23,000	1/1/1996–12/31/1996*	44,000

Maximum Annual Covered Wages

**Effective January 1, 1997, the covered wage limit was set as the maximum amount permitted by federal law. Effective January 1, 2011, that amount is $245,000.*

Since January 1, 1997, the IPERS-covered wage ceiling is set at the maximum amount permitted by federal law under IRC section 401(a)(17). For 2011, the maximum covered wage is $245,000. This amount may be adjusted in the coming years based on maximum wage limits set by the Internal Revenue Service.

For IPERS' purposes, the portion of your compensation included in your covered wages may vary, based on the employer and employee's benefits, job classification, and collective bargaining contract, if applicable.

For most IPERS members, covered wages include:

- Regular pay
- Vacation pay, unless paid in a lump sum
- Sick pay, unless paid in a lump sum
- Overtime
- Back pay, unless paid as damages to avoid litigation
- Amounts deducted from your pay at your discretion for tax-sheltered annuities, dependent care, and cafeteria plans

For elected officials (other than members of the General Assembly), covered wages are defined as the salary received by an elected official, whether paid as a salary or per diem, exclusive of expense and travel allowances.

For members of the General Assembly, covered wages are defined as:

- 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 during a session, except as otherwise noted in this section.
- Per diem payments paid during interim periods between sessions.
- Daily allowances for non-travel expenses of the office during a session (for members from Polk County, this amount may not exceed the maximum established by law).

Exclusions From IPERS-Covered Wages

For IPERS' purposes, covered wages do not include:

- Special lump-sum payments made as a payoff for accrued sick leave or accrued vacation, or another similar leave program.
- Payments made as an incentive for early retirement.
- Payments made upon dismissal or severance.
- Amounts paid pursuant to special arrangements under which an employer increases a member's compensation by the employer's share of health care costs and has the member reimburse the employer or a third-party provider for such health care costs.
- Amounts paid pursuant to special arrangements between an employer and member whereby compensation in excess of the covered wage ceiling for a particular year is deferred to one or more subsequent years.
- Deferrals to and distributions from nonqualified deferred compensation plans.
- Employer contributions to a plan, program, or arrangement whereby the amounts contributed are not included in the employee's federal taxable income (excluding member contributions to an IRC section 403[b] tax-sheltered annuity or a section 457[b] deferred compensation program).
- Ad hoc payments made in lieu of any employer-paid group insurance coverage or payments made for the difference between the costs of single and family insurance coverage where the difference is not uniformly available to all employees.
- The amount of life insurance premiums paid by employers for policies over $50,000.

This list is not all-inclusive. Many other types of compensation are not IPERS-covered either. If a situation arises for which there is no precedent, your employer will contact IPERS, and IPERS will make a determination.

Other Forms of Compensation

The table summarizes the many forms of wages and compensation that may or may not be included in IPERS-covered wages.

Compensation Type	IPERS Coverage
Allowance (e.g., car or clothing)	Not covered
Back pay	If covered, the employer reports back pay in the quarters in which it should have been paid; not covered if it represents damages paid to avoid litigation. See also "Legal settlements."
Banked holiday pay	Treated as either vacation pay or compensatory pay.
Bonus	Not covered
Cafeteria plan contributions	Employee share: Covered if deducted from pay at the employee's discretion. Employer share: Generally covered if the contribution can be received in cash uniformly at the employee's election, even if the member does not choose cash. Many exceptions apply. See Iowa Code section 97B.1A(26) and IAC 495-6.5(97B) and your employer for more details. IPERS recommends to employers that they submit plan documentation to IPERS in writing so IPERS can determine plan coverage.
Compensatory pay	Covered, when used to replace normal work hours. If paid as a lump sum, a maximum of 240 hours a year is covered.
Disability pay	Covered if paid from the general assets of the employer. Not covered if paid by insurance or another third party.
Early retirement incentive	Not covered
Hourly pay	Covered
Legal settlements	Covered if amount is equal to wages that would have been paid but for an employment dispute. Not covered if payment does not reflect actual wages that would have been paid.
Longevity pay	Covered
Overtime	Covered
Per diem	Not covered, unless paid to an elected official in certain covered positions.

Compensation Type	IPERS Coverage
Reimbursement of business expenses	Not covered
Salary	Covered
Severance pay	Not covered. Any money paid as part of a severance package is not covered.
Sick pay	Covered when used to continue normal pay during a regular pay period. Not covered when paid out as a lump sum or in a series of installments for the lump sum.
Tax-sheltered annuity, 457 tax-deferred plan, and flexible spending account plan contributions	Covered if the contribution can currently be received in cash uniformly at the employee's election.
Vacation pay	Covered when used to continue normal pay during a regular pay period. Not covered when paid out as a lump sum or in a series of installments for the lump sum during or after termination.
Wage equivalent	Not covered if not reportable for federal income tax purposes. Also not covered if reportable for federal income tax purposes but provided primarily for the benefit of the employer. Covered otherwise.
Workers' compensation	Amounts paid by the employer to supplement the workers' compensation are covered. Amounts from other sources are not covered.

Accruing Service Credits

Service is an important part of the IPERS benefit formula. Service affects how much your monthly pension will be and may affect when you decide to retire. This section explains how service accrues.

IPERS CREDIT

You receive 0.25 years of service for each calendar quarter in which covered wages are reported for you (after July 4, 1953). Therefore, if covered wages are reported for you for a full year, which is four calendar quarters, you earn one year of service.

Quarter	Years of Service
First Quarter: January–March	0.25
Second Quarter: April–June	0.25
Third Quarter: July–September	0.25
Fourth Quarter: October–December	0.25
Total:	1

If you are working for a school district or other educational institution that operates on a nine-month basis, you will receive service credit for all four quarters each year you receive wages in the second and fourth quarters in the same occupation class code.

If you are employed as an elected official, you will receive four quarters of service credit each year, regardless of whether you are paid IPERS-covered wages in all four quarters. To receive this credit you must receive covered wages in at least one quarter of that year.

You cannot receive credit for more than four quarters of service in a calendar year, no matter how many employers are reporting covered wages for you. A calendar year is the 12-month period starting January 1 and ending December 31.

You will receive free service credit for unpaid leaves of absence that began before July 1, 1998, and were authorized in up to 12-month increments, if verified by the employer.

With proper documentation, you may also receive free service credit for service in the Armed Forces of the United States. For more information, refer to the "If You Serve in the Military "section.

IOASI SYSTEM CREDIT

You will receive "prior service" credit for service completed on or after January 1, 1946, and before July 4, 1953, if you made contributions under the abolished Iowa Old-Age and Survivors' Insurance System (IOASI) and you have not qualified for IOASI benefits or applied for and received a refund of the related contributions.

PRE-1946 CREDIT

You may receive credit for years of service prior to January 1, 1946, if you:

- Are an active, vested, or retired member who worked for a public employer in Iowa prior to January 1, 1946
- Are not eligible for or receiving a retirement allowance from that public employer
- File acceptable written verification with IPERS documenting the dates of that public employment

What It Means to Be Vested

HOW TO BECOME VESTED

There are a few different ways you can become a vested IPERS member.

If You Are a Regular Member

Before July 1, 2012, you become vested when you have four years (16 quarters) of service or when you reach age 55 while in covered employment, whichever occurs first. Beginning July 1, 2012, you become a vested member when you have seven years (28 quarters) of service or when you reach age 65 while in covered employment, whichever occurs first.

> ***Example***
> Susan has 5 years of service on June 30, 2012. On July 1, 2012, the vesting period changes to 7 years. Because Susan had more than 4 years of service, she was vested on June 30, 2012. Susan remains vested.
>
> Nicholas has 3½ years of service on June 30, 2012. Because he was not vested before July 1, 2012, Nicholas must work another 3½ years, for a total of 7 years, to become vested.

If You Are a Special Service Member

You become vested when you have four years (16 quarters) of service, or when you reach age 55 while in covered employment, whichever occurs first.

BENEFITS OF BEING VESTED

Vesting gives you a permanent future right to an IPERS benefit. Once you are vested, you gain access to the following:

Purchasing Service

IPERS recognizes that there may be instances when you need (or want) additional service to help you increase your retirement benefits so you can retire when you are ready. Vested members are eligible to purchase service for certain periods of time that they are away from IPERS-covered employment.

Disability Benefits

If you receive Social Security disability or Railroad Retirement disability benefits, you may be eligible for disability benefits from IPERS even before age 55.

Death Benefits

IPERS provides death benefits if you die before you begin receiving your retirement benefits. Death benefits are available to vested and non-vested members, but vested members are eligible for additional death benefits.

Portability of Benefits

If you leave IPERS-covered employment, you can choose to leave your money in IPERS. This may be helpful if you plan to return to covered employment or if you want later to draw monthly benefit payments from IPERS. You also can take a refund or roll over all or a portion of your investment and a portion of your employer's investment to a qualified plan like a 401(k) or IRA.

Access to Employer Contributions

All IPERS members are always entitled to 100 percent of their contributions and interest earnings. As a vested member, if you leave covered employment and take a refund, you will receive a portion of your employer's contributions made on your behalf plus interest. The portion is the percentage calculated when your years of service are divided by 30 (22 for Special service members).

Lifetime Retirement Benefits

Vested members can receive lifetime monthly retirement benefits as early as age 55.

Purchasing Service Credits

IPERS allows you to increase your IPERS benefits through a service purchase. A service purchase allows you to buy service time that you do not already have. When purchasing service, you make a payment to IPERS to receive additional service credits. Then, whenever you retire or take a refund, these additional credits will be used in the calculation of your benefit. It's important to determine whether the added benefits you receive from a service purchase outweigh the cost of making the service purchase.

IPERS provides free service credit for certain times when you are not working in IPERS-covered employment (for example, if you have a military leave of absence or took a properly authorized leave of absence before July 1, 1998).

WHY PURCHASE SERVICE?

The amount of your benefit is partially based on the amount of service you have. Purchasing additional service under the IPERS plan can increase the amount of your retirement benefits or eliminate an early retirement penalty—which may affect benefits when you decide to retire.

WHAT ARE THE VARIOUS TYPES OF SERVICE PURCHASES?

The chart that follows summarizes the various types of service purchases. Note that all service purchase applications must be in writing using IPERS' *Application for Service Purchase*. You may purchase service if you are vested, even if you are already retired.

Service purchases are divided into two broad classifications: qualified service purchases and nonqualified service purchases. Qualified service purchases require you to have less IPERS service credit and have fewer limits on how much you can buy than nonqualified service purchases.

Qualified Service Purchases

IPERS Buy-Up Credit Conversion
You may convert Regular membership class service credits to Special service class credits, provided that you meet both of these conditions: • Are a vested IPERS member. • Have at least one quarter of covered wages on file with IPERS in a Special service membership class (for example, service as a sheriff, police officer, or firefighter).

Leave of Absence/Workers' Compensation Buy-In

You can purchase IPERS service for a leave of absence or a leave that qualified for workers' compensation benefits and began on or after July 1, 1998, if you meet both of these conditions:

- Are a vested member of IPERS with at least four quarters of covered wages on file.
- Were on an approved leave of absence or were absent because of an illness or injury that qualified for workers' compensation benefits.

Buy-Ins for Members of the Iowa General Assembly

If you served in the Iowa Legislature and elected out of IPERS coverage, you may buy this service.

IPERS Buy-Back Because of Disability

If you terminated covered employment because of an illness or injury that qualified for Social Security disability benefits or Railroad Retirement disability benefits and you requested an IPERS refund, you may be eligible to purchase service for the period covered by the refund, provided that you meet **all** of the following conditions:

- Were a vested member who had terminated IPERS-covered employment because of a disability.
- Have been issued an IPERS refund payment.
- Have begun to receive federal Social Security disability payments or Railroad Retirement disability payments for the disability.
- Provide IPERS with a copy of the applicable disability award letter within 90 days of beginning to receive disability payments.

IPERS Buy-Back

If you took a refund for service earned after July 4, 1953, you may purchase the refunded credit if you meet both of these conditions:

- Are a vested IPERS member.
- Have received one or more refunds for the applicable period.

IPERS Buy-Back With Cost Credit

Effective January 1, 2009, you may be able to receive a credit against the actuarial cost of the buy-back if you meet the conditions listed under "IPERS Buy-Back" plus all of the following requirements:

- Received a refund before July 1, 1998.
- Were vested in IPERS when you received the refund.
- Returned to full-time employment before July 1, 1998, with mandatory IPERS coverage.

Veteran's Credit Buy-In

You may purchase IPERS credit for active duty in the Armed Forces of the United States, provided that you meet all of these conditions:

- Are a vested IPERS member with at least four quarters of covered wages on file.
- Submit a copy of *DD Form 214* (or other acceptable military records) to verify the dates of the active-duty service.
- Are not receiving and are not eligible to receive military disability benefits in place of military retirement benefits.

You may purchase service credit for all your active duty if you receive retirement pay for non-regular military service (for example, service in the military reserves or disability pay from the U.S. Department of Veterans Affairs that is not paid in place of retirement benefits).

If you are eligible for a regular military pension, your service purchase will be limited to 20 quarters maximum.

Qualified or Nonqualified Service Purchases

The following meet requirements for a qualified service purchase only if you are not eligible for a retirement benefit for the period of employment related to the purchase. If you are eligible for a retirement benefit based on the employment, you may still purchase service, but it will be a nonqualified service purchase. Limits on buying nonqualified service are explained below.

Other U.S. Public Employment Buy-In

You may purchase IPERS service credit for other U.S. public employment if you are a vested IPERS member with at least four quarters of covered wages on file. This employment can be as a public employee in another state or the federal government comparable to IPERS-covered employment, or public employment within Iowa that was not covered by IPERS.

Buy-Ins for Members With Elective Coverage

You can purchase service on the basis of employment with optional IPERS coverage if you meet all of these conditions:

- Are a vested IPERS member with at least four quarters of covered wages on file.
- Were employed before January 1, 1999, in a position eligible for optional IPERS coverage.
- Have not previously elected coverage for that employment.

Nonqualified Service Purchases

You must have at least 20 quarters of covered wages on file with IPERS to buy nonqualified service. You may purchase up to 20 quarters of nonqualified service.

Nonqualified service is:

- Service that is not considered a qualified service purchase as described above.
- Periods of time in which you were not working (known as “air time”).
- Service in public employment (excluding certain military service) for which you remain eligible for retirement benefits.

HOW TO PURCHASE SERVICE

Application

Use the *Application for Service Purchase* to begin the process to purchase service. **Completing the application does not obligate you to purchase service.**

Cost

You must complete an *Application for Service Purchase* to find out the cost of purchasing service. IPERS' actuary determines the cost of your service purchase.

Your cost quote will include an expiration date. Service purchase payments must be postmarked by the expiration date on the cost quote. If you request more than one cost quote, IPERS will use the most recent cost quote and all previous cost quotes will become invalid.

You can purchase all or a portion of your qualified service in quarter-year increments. For example, if you are eligible to purchase two years of service (eight quarters), you can purchase any amount from one quarter to all eight quarters. Service purchases must be made in the following order: 1) buy-up, 2) buy-back with cost credit, 3) buy-back, and 4) buy-in. If you apply for a cost quote of more than one of these four kinds of purchases, and decide to make a purchase, you will have to buy all service of one kind before you can purchase any service of another kind. Purchasing service in this order generally allows you to purchase the least expensive service first.

Service purchases made in a calendar year cannot exceed a limit set by the federal government ($49,000 in 2011), unless you roll over money to IPERS from another retirement account or buy back IPERS service. There is no limit on the amount you can spend in a calendar year when you buy back IPERS service or when you roll over money from another retirement account to purchase service.

Although the amount you wish to purchase may be within the dollar limits described above, your service purchase cannot increase your IPERS benefits beyond the IRS limit on annual benefit payments and may be limited accordingly.

Remember, completing the *Application for Service Purchase* does not mean that you are obligated to purchase service. Allow IPERS at least four to six weeks to process a service purchase application.

Using Rollover Money to Purchase Service

If you have money in another retirement plan or retirement account, you may be able to use that money to purchase IPERS service credit without incurring any tax penalties. This is called a rollover. IPERS accepts rollover money from certain types of retirement plans including:

- 401(a) and other qualified plans
- IRAs and annuities

- 403(b) tax-sheltered annuities
- Governmental 457(b) plans

If you have money in another retirement plan or retirement account, confirm with your retirement plan administrator the type of plan it is. Remember, the federal government does not limit how much you can purchase in a calendar year by rolling over money to IPERS.

FREE SERVICE CREDIT

IPERS will provide you with service credit at no cost for the following types of service:

- Family and medical leaves of absence granted under standards established by the federal Family and Medical Leave Act.
- Service in the U.S. Armed Forces, provided you worked in covered employment immediately before entering the Armed Forces and you return to covered employment within one year after leaving active duty service in the Armed Forces.*
- Leaves of absence that occurred before July 1, 1998.

Free service credit will also be granted for your period of military leave if you do not return to IPERS-covered employment because of an active duty injury or disease that results in death. In order to receive this free service credit, the injury or disease must be sustained in a combat zone, hazardous duty area, or during a contingency operation and the death must occur within two years after you suffer the injury or disease.

If you think you qualify for free service credit, contact IPERS. Also, refer to “If You Serve in the Military” in the next section of this publication.

If You Serve in the Military

MILITARY SERVICE MAY HAVE A FAVORABLE IMPACT ON YOUR RETIREMENT

This section is devoted to helping you understand how service in the military can impact your retirement, death, and disability benefits. Under the law, you have certain rights as detailed below. Still, whenever you are called to active duty or return from military service, it is very important that you contact IPERS to learn about your options for obtaining or purchasing service credits. (You should also contact your employer.) In fact, you may be eligible for free service under some circumstances, which are described in the following paragraphs.

It is important to note that the benefits described here apply solely to your IPERS benefits.

RETURNING TO WORK WITH YOUR IPERS-COVERED EMPLOYER

About the Uniformed Services Employment and Reemployment Rights Act.

If you serve in the military, you have certain rights under the law. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) helps to minimize the disruption that can occur in your life by providing you with certain rights regarding reemployment when you leave from and return to covered employment following service in the military.

Under USERRA, service includes the performance of duty on a voluntary or involuntary basis in a uniformed service including:

- Active duty
- Active duty for training
- Initial active duty for training
- Inactive duty for training
- Full-time National Guard duty

Absence for examinations used to determine fitness for duty "Uniformed services" includes:

- Armed Forces
- Army National Guard
- Air National Guard
- The commissioned corps of the Public Health Service
- Any other category of persons designated by the President of the United States in time of war or emergency

To be eligible for the rights and other benefits covered under USERRA, you must receive an honorable discharge from military service. Under USERRA, reemployment and reinstatement deadlines are based on your length of military service. Contact your employer for more information about when you need to apply for reemployment under USERRA guidelines.

MAXIMIZING YOUR IPERS BENEFIT

The number of service credits you have under the IPERS plan affects the amount of your retirement benefit, death benefit, and refund. Under the IPERS plan, you may be eligible to receive free service credit or purchase service credits for active duty service. You also have the option to make up contributions.

Free Service Credit

If you are called to active military duty from an IPERS-covered position, and you return to any IPERS-covered position in Iowa within one year of your release from active duty, you are eligible for free IPERS service credit for the period of your military service. To be eligible for free service credit, you must meet both of the following conditions:

- Be working in IPERS-covered employment immediately before entering the Armed Forces.
- Return to IPERS-covered employment within one year after discharge.*

If you do not return to IPERS-covered employment within one year after being released from active duty, you can still purchase service credit for your period of military service.

*If you are unable to return to IPERS-covered employment because of an active duty injury or disease sustained in a combat zone, hazardous duty area, or during a contingency operation that results in death, free service credit will be granted for your period of military leave. In order to receive this free service credit, the death must occur within two years after you suffer the injury or disease.

Deemed Wages

If you qualify for free service credit, your account will also be credited with the wages you would have earned had you not been deployed. These deemed wages may be considered in determining your average salary.

Making Up Contributions

If you leave from and return to IPERS-covered employment, you may, but are not required to, make up the contributions you would have paid while on active duty.

Making up contributions may help you if you want:

- A refund
- To maximize your death benefits

If you decide to make up the IPERS contributions, your IPERS-covered employer will take a pretax deduction from your paycheck and send it to IPERS. Your employer also will pay IPERS the employer's share.

You have up to three times the period of your military service (up to a maximum of five years) from the date of your reemployment to apply for and pay contributions to IPERS. (For example, if your military service was 12 months, you have 36 months to apply for and make up the contributions.) Also, you must sign an agreement that you will make the required contributions within the required period. After you sign the agreement, it cannot be revoked.

Purchasing Service for Active Duty

If you served in the U.S. Armed Forces, but are not eligible for free service, you can still purchase additional service called Veteran's Credit Buy-In. You can purchase IPERS service for periods of active duty in the U.S. Armed Forces if you meet all of these conditions:

- Are a vested or retired member of IPERS
- Have at least four quarters of covered wages on file
- Are not eligible to receive military retirement or disability pay in lieu of military retirement, unless the retirement pay is for non-regular service (for example, service in the military reserve)

You will need to provide a copy of *DD Form 214*, *Certificate of Release or Discharge From Active Duty* (or other acceptable military records) to verify the dates of your active duty. You can obtain a copy of a *DD Form 214* by contacting your military personnel office or veterans' representative (for more information, visit www.archives.gov/st-louis/military-personnel). Disability pay received from the U.S. Department of Veterans Affairs that is not payable in lieu of retirement will not affect your ability to purchase service credit.

To see how military service credits can boost your monthly retirement benefit or death benefit, look at the example below:

Example—Military Service Purchase

Jeff is a member of the National Guard and was called up to active duty while working for an IPERS-covered employer. During his tour of active duty, wages were not reported on his behalf for five quarters. Upon his return to IPERS-covered employment, Jeff contacted IPERS to inquire about his free military credit and the possibility of making up contributions. After completing the application for free military credit and providing acceptable proof of active duty military service, Jeff's account is credited with the five quarters of service at no cost to him. Let's look at how the five quarters of free military credit and making up contributions for five quarters affect his IPERS benefits.

Refund Value	**Increase in Monthly Pension Benefit**	**Preretirement Death Benefit Amount**
Without the five quarters of service:		
$42,310.07	Not applicable	$46,744.02
With the five quarters of service only:		
$43,840.64	$95.08	$48,713.03
With the five quarters of service and make-up contributions for five quarters:		
$45,589.12	$95.08 (same as above)	$50,461.52

If You Divorce

If you have divorced or are divorcing, it's important that you read this section. It's also important that you contact IPERS to find out how divorce may affect your benefits, and what legal documents may be required.

QUALIFIED DOMESTIC RELATIONS ORDERS

A Qualified Domestic Relations Order (QDRO) is a special court order that individuals obtain in divorce to specify how their pension assets will be divided. Here are three things to keep in mind:

- A QDRO is not an alimony award.
- A QDRO is not always necessary in situations of divorce. If you and your spouse or former spouse can agree to divide other marital property equitably, then IPERS benefits may not need to be divided, and there may not be a need for a QDRO.
- An IPERS QDRO must be a final judgment, decree, or order that has been approved by IPERS. If an order has not been signed by a duly appointed judicial official and filed in accordance with applicable laws and procedures, the order may be a domestic relations order, but it is not an IPERS QDRO. An IPERS QDRO must satisfy the requirements of Iowa Code section 97B.39 and 495 Iowa Administrative Code 16.2 (97B).

DESIGNATING A BENEFICIARY WHEN A DIVORCE IS INVOLVED

If you get a divorce or annulment and your designated beneficiary is your former spouse or certain relatives of your former spouse, your beneficiary designation will be voided unless any of the following apply:

- The divorce or annulment decree directs you not to change your beneficiary designation.
- After the decree is issued, you sign a new *Enrollment/Beneficiary Designation* form.
- You and your ex-spouse remarry.
- Before the decree is issued, IPERS has already begun making monthly benefit payments to you under Option 4 or 6, which include a joint and survivor annuity.
- There is a QDRO approved by IPERS that names your ex-spouse to receive benefits from your account.

If you have an approved QDRO on file with IPERS that explicitly divides your death benefits, you must designate the appropriate beneficiary according to the terms of the order. If your ex-spouse is awarded a portion, but not all, of your death benefit, you must also designate who will receive the balance of the death benefit.

SAMPLE QDRO

IPERS does not generate QDROs or other divorce documents; however, IPERS has prepared a model QDRO to assist you and your legal representative. The model includes mandatory, permitted, and prohibited provisions, a summary of the legal requirements, and some practical pointers on how to draft an IPERS QDRO. Use of the model will help expedite review and acceptance of a proposed or final order. You can get the model QDRO and additional information at www.ipers.org or by contacting the IPERS office. If you or your attorney has questions about the drafting of a QDRO, call IPERS at 515-281-7623.

If You Retire Because of Disability

If you are vested, you may retire at any time without an early-retirement reduction if you qualify to retire because of disability. See the specific conditions for qualifying for disability below.

DISABILITY BENEFITS FOR REGULAR MEMBERS

To qualify for Regular disability benefits, you must meet all of the following conditions:

- Have ended all employment with an IPERS-covered employer.
- Be vested.
- Be receiving federal Social Security or Railroad Retirement disability benefits.
- Apply for benefits. You must indicate on your application for IPERS retirement benefits that you are retiring because of a disability, or you will not be eligible for this benefit.

See the “Retirement” section for more on the selection of retirement options if you are eligible for disability benefits.

Important: IPERS cannot assist members in obtaining disability benefits from either the Social Security Administration or Railroad Retirement Board.

Important Considerations When Applying for Benefits

If you are considering applying for IPERS disability benefits, proceed carefully in deciding when to terminate covered employment. In order to be eligible for benefits, you must live into your first month of entitlement. The first month of entitlement is the first month you qualify for a monthly benefit. This usually is the month following the month in which you end employment (no matter which day of the month you terminate). If you do not live into your first month of entitlement, your application will be canceled and a preretirement death benefit will be payable to your beneficiary.

Continuing Eligibility for Disability Benefits

To remain eligible for IPERS Regular disability benefits, you may be asked to certify that you are still eligible to receive Social Security disability or Railroad Retirement disability benefits each year. If you do not certify that you are still eligible, your IPERS disability benefits will be suspended if you are under age 55. If you are over 55, your benefit amount will be reduced to the amount you would have received without the disability provision applied to your benefit.

DISABILITY BENEFITS FOR SPECIAL SERVICE MEMBERS

If you are a vested Special service member and you retire because of a disability, you may choose between Regular and Special service disability benefits. You are eligible for Regular disability benefits if you are receiving Social Security or Railroad Retirement disability benefits.

However, you do not have to receive federal disability benefits to qualify for Special service disability benefits. Instead, you complete a medical exam by the Medical Board of the University of Iowa and IPERS staff makes the disability ruling.

To be eligible for Special service disability benefits, you must have been an IPERS-covered employee on or after July 1, 2000.

Eligibility for Special Service Disability Benefits

Ordinary Disability
An ordinary disability means a total and permanent disability resulting in mental or physical incapacity that stops you from performing the assigned duties of your job. An ordinary disability does not occur on the job.

Annual ordinary disability benefits equal one of the following:

- 50 percent of your highest three-year average salary, or
- The amount of retirement benefits earned at the time of your disability

In-Service Disability
An in-service disability means a total and permanent incapacity resulting from an on-the-job injury, disease, or exposure that occurred at a specific time and place and prevents you from performing your job. The law provides a presumption that certain medical conditions were contracted while you were on active duty, unless there is credible evidence to the contrary. The presumption includes heart, lung, and respiratory tract diseases, and certain types of cancer and infectious diseases.

Cancer
Prostate cancer, primary brain cancer, breast cancer, ovarian cancer, cervical cancer, uterine cancer, malignant melanoma, leukemia, non-Hodgkin's lymphoma, bladder cancer, colorectal cancer, multiple myeloma, testicular cancer, and kidney cancer.

Infectious disease
Acquired immune deficiency syndrome (AIDS), human immunodeficiency virus (HIV), all strains of hepatitis, meningococcal meningitis, and mycobacterium tuberculosis.
The heart and lung presumptions do not apply if you did not become an IPERS member until July 1, 2000, or later, *and* the medical condition existed when membership started.

Annual in-service disability benefits equal one of the following, whichever is more:

- 60 percent of your highest three-year average salary, or
- The amount of the retirement benefit you earned at the time of your disability, without reduction for retiring before normal retirement age

Applying for Special Service Disability Benefits

You must apply for IPERS Special service disability benefits within one year after you terminate employment (after July 1, 2000). You may qualify for benefits for an in-service disability or an ordinary disability.

After IPERS processes your completed application, you usually will be required to complete a medical exam and evaluation by the Medical Board at the University of Iowa. If you are not yet 55 years old (50 years old if you are retiring as a sheriff or deputy with 22 years of Special service), you may be required to have additional examinations in the future to continue to receive benefits.

Upon receipt of the letter of recommendation from the Medical Board, IPERS will determine whether you have a disability. If you do, IPERS will determine the type of disability and prepare an estimate of your benefits.

If approved for in-service disability benefits, you can receive a monthly benefit equal to your accrued retirement allowance, calculated without reduction for early retirement, or a monthly amount equal to one-twelfth of 60 percent of your highest three-year average salary (adjusted for the option you selected). See the "Retirement" section for more on the selection of retirement options.

Offsetting Special Service Disability Benefits

Your Special service disability benefits generally will be offset (reduced) by other disability-related payments you receive for the same disability, including benefits from:

- Social Security
- Long-term disability insurance
- Workers' compensation
- Unemployment insurance
- Employer-paid disability plans, programs, or policies
- Other laws

If you receive these other disability-related payments as a lump sum payment, IPERS will calculate a monthly benefit offset.

If you are receiving Special service disability benefits, IPERS requires you to provide complete copies of your state and federal tax returns by June 30 of each calendar year. IPERS reviews these returns to determine whether offsets apply to your Special service disability benefits based on the income you declared on the tax returns.

If You Return to Work While Receiving Special Service Disability Benefits

You may decide to return to work after being awarded IPERS Special service disability benefits. If you are under age 55 and return to IPERS-covered employment, all benefits will cease immediately. (If you retired as a sheriff or deputy sheriff with at least 22 years of Special service, your benefits will stop if you return to covered employment under age 50.) If you return to non-covered employment, your IPERS Special service disability benefits will be limited according to the reemployment comparison amount formula below:

Reemployment Comparison Amount Formula

IPERS uses the following to determine the excess disability benefit.

- Net Disability Retirement Allowance (NDRA): The amount determined by subtracting the amount you paid during the previous calendar year for health insurance or similar health care coverage for you and your dependents from the amount of your disability benefit.
- Earnings from gainful noncovered employment (E): The amount of income as shown on your federal income tax forms for wages and self-employment income.
- Reemployment Comparison Amount (RCA): An amount equal to the current covered wages of an active Special service member at the same position on the salary scale as you held at the time you received a disability benefit. This amount will not be less than your highest three-year average salary.

Step 1: Determine whether your (NDRA + E) is greater than (1.5 × RCA).
If the answer is "No," then no excess disability benefit has been paid. Your disability benefit will not be decreased.

Step 2: If the answer in Step 1 is "Yes," add NDRA + E and then subtract 1.5 × RCA to calculate your excess disability benefit.

Example : RCA = $20,000
NDRA = $20,000
E = $15,000

$20,000 (NDRA) + $15,000 (E) = $35,000

$35,000 – (1.5 × $20,000) (RCA)

$35,000 – $30,000 = $5,000

This amount would be deducted in installments from your disability benefit each month for the following year.

If You Decide to Leave IPERS-Covered Employment Before Retirement

When you leave IPERS-covered employment before you retire, you need to decide what to do with your IPERS account. You have several choices, and it's a good idea to contact IPERS to talk about your options before you decide what to do.

LEAVING FUNDS WITH IPERS

If you leave IPERS-covered employment before you retire, you may leave your contributions in IPERS. Your account will continue to accrue interest until you apply for retirement benefits, return to covered employment, or take a refund. If you are a vested member, you may apply for retirement benefits to start as early as age 55, although an early-retirement reduction may apply. A vested member who qualifies for IPERS disability benefits may retire before age 55.

If you return to IPERS-covered employment, you will continue to build on the service credits in your account.

If you leave money in IPERS, do not contribute for five years, and have an account balance less than the maximum set by the IRS, IPERS automatically will send a payout check to close your account. You have 60 days to restore your account. If IPERS cannot locate you to close out your account, no further interest will be credited.

APPLYING FOR A REFUND

When you terminate employment with an IPERS-covered employer, you are allowed to take a refund of your accumulated contributions. If you are vested, you also will receive a portion of your employers' accumulated contributions. The portion is the percentage calculated when your years of service are divided by the applicable denominator. The applicable denominator is 30 for Regular members and 22 for sheriffs, deputy sheriffs, and members in other protection occupations. The percentage cannot exceed 100 percent.

Refunds will not be sent automatically upon your termination from public employment. You must apply for a refund on an *Application for IPERS Refund*. This form includes IPERS' *Special Tax Notice Regarding Plan Payments*. The form is available at www.ipers.org. Like all IPERS publications and forms, paper copies of the form and the *Special Tax Notice* by itself are available from IPERS for free.

If You Take a Refund

When you take a refund, you forfeit **all** membership rights, including any further benefit claims upon IPERS for the period covered by the refund. Generally, the only way to reinstate a period of service covered by a refund is to return to covered employment, become vested, and complete a service purchase. Limited exceptions apply to people who are reinstated following an employment dispute and people who qualify for Social Security disability or Railroad Retirement disability benefits. If you are in one of these groups, contact IPERS immediately for more information.

You must stay out of covered employment for 30 days after terminating your employment or your refund will be revoked. You must pay back to IPERS the amount of your refund within 30 days after receiving notice. After that, you must complete a service purchase if you wish to restore service credit for the period covered by the refund.

! Even though, by law, you are allowed to take a refund of your contributions if you leave IPERS-covered employment, it may not always be in your best interest. IPERS recommends that you speak to an IPERS representative before initiating this request. Representatives can help you understand all your options.

Rollovers

Federal law allows you to roll over the pretax portion of a refund or actuarial equivalent lump-sum benefit to a traditional Individual Retirement Account (IRA) or an eligible retirement plan, which includes plans qualified under section 401(a) of the Internal Revenue Code. If acceptable to the recipient plan, after-tax amounts are also eligible for rollover transfers.

Lump-Sum Distributions

Generally, all taxable amounts paid out in a lump sum are subject to a mandatory 20 percent federal withholding tax if not directly rolled over to an eligible retirement plan. If you are an Iowa resident, you will be subject to 5 percent withholding on the taxable portion, unless you qualify for an exemption (or do a rollover). The Iowa exemption is $6,000 for individuals, and not everyone is eligible. The IPERS refund application contains further details about the Iowa exemption. (Nonresidents may request Iowa withholding from a refund.)

If You Die Before Retirement

This section addresses what happens to your IPERS benefits if you die before you retire.

APPLICABLE TO ALL MEMBERS

If you die before living into your first month of entitlement to benefits, your beneficiary will be entitled to receive a death benefit as listed below:

If you are vested or active. If you designated only one individual as your beneficiary, your beneficiary may choose between a lump-sum payment or a lifetime monthly benefit (provided the monthly benefit is $50 or more). Otherwise, benefits will be paid as a lump-sum payment. The lump-sum payment will be one of the following, whichever is greater.

- A lump-sum payment equal to the actuarial present value of your accrued benefit as of your date of death.

  OR

- A lump-sum payment calculated using the following formula: your accumulated contributions plus the product of your highest year of covered salary and your total years of service (may exceed 30 years) divided by the applicable denominator. The applicable denominator is 30 years for Regular members; 22 years for Special service members.

Federal law permits a member's spouse to roll over the pretax portion of a lump-sum death benefit to a traditional IRA or an eligible retirement plan, which includes plans qualified under section 401(a) of the Internal Revenue Code. If acceptable to the recipient plan, after-tax amounts are also eligible for rollover transfers. Rolling over the taxable portion to another retirement plan or an IRA allows the funds to continue to grow on a tax-deferred basis until the spouse is ready to retire. Non-spouse beneficiaries have the same rollover rights as spouses, except their rollovers can only be made to IRAs that follow inherited IRA rules.

The federal Internal Revenue Code requires that lump-sum death benefits for an IRC section 401(a) plan cannot exceed 100 times the expected monthly payout the member would have received under Option 2 if the member had been at normal retirement age at the time of death. Death benefits may be reduced to comply with this requirement.

If you are not vested by service and are inactive. Regardless of the number or type of beneficiary(ies) designated, death benefits will be paid as a lump-sum payment as explained above. If you are an inactive nonvested member, the lump-sum preretirement death benefits for your beneficiary(ies) will be calculated using a formula that includes how much you contributed to IPERS, years of service, highest year's salary, and other factors. Your beneficiaries cannot receive a benefit based on the present value of your accrued benefits at death, or a monthly benefit.

The following table displays a couple of examples showing death benefits for a member who died prior to retirement. (In both instances, the member was vested.)

Example 1
Preretirement Death Benefit (Member With 15.25 Years of Service) After working for an IPERS-covered employer for 15.25 years, Bill dies at age 42. At the time of his death, his average salary is $45,635. Bill's lump-sum preretirement death benefit would be $46,744.
Example 2
Preretirement Death Benefit (Member With 21 Years of Service) After working for an IPERS-covered employer for 21 years, Jane dies at age 59. At the time of her death, her average salary is $42,000. Jane's lump-sum preretirement death benefit would be $147,000.

LINE-OF-DUTY DEATH BENEFITS

SHERIFFS AND DEPUTY SHERIFFS

PROTECTION OCCUPATIONS

If a Special service member's death is the direct result of a personal injury incurred in the line of duty, a line-of-duty death benefit of up to $100,000 may be payable. The line-of-duty benefit will be paid as a lump sum and is in addition to any other death benefits that are payable (not to exceed the Internal Revenue Code maximum).

Volunteer emergency workers covered under IPERS may receive this coverage under a state-sponsored benefit program other than IPERS.

MAXIMUM DEATH BENEFITS

The Internal Revenue Code requires that lump-sum death benefits for an IRC section 401(a) plan cannot exceed 100 times the expected monthly payout the member would have received under Option 2 if the member had reached normal retirement age at the time of death. (Line-of-duty death benefits may be reduced to comply with this requirement.)

Retirement

As you prepare for this significant milestone, it's important to know what makes you eligible for IPERS retirement benefits, the steps you need to take, and when to file an application for retirement benefits. This section covers eligibility for retirement, benefit options, and Special service members' Level Payment Option.

Throughout this publication, when you see the word *retire*, or *retirement*, it means *begin receiving IPERS benefits*.

ELIGIBILITY TO RETIRE: REGULAR MEMBERS

You are eligible for retirement benefits if you are a vested member, no longer working for an IPERS-covered employer, and meet one of these conditions:

- You are at least 55 years old.
- You retire because of a disability and are receiving Social Security disability or Railroad Retirement disability benefits.
- You are age 70 and still working for an IPERS-covered employer, which means that you may apply for IPERS retirement benefits while still employed. When you stop working, IPERS may adjust your benefit to account for your additional years of service and salary.

Early Retirement (For Regular Members Only)

If you retire before reaching normal retirement age, and you do not retire because of a disability, you will receive a lower benefit. The reduction is to make up for the increased time that you will collect benefits.

Normal Retirement Age

Normal retirement age, when an early-retirement reduction no longer applies, is one of the following, whichever comes first:

- When your years of service plus your age at your last birthday equals or exceeds 88 (Rule of 88)
- Age 62 if you have 20 or more years of service (Rule of 62/20)
- Age 65

For service through June 30, 2012, the reduction is 3 percent for each year (or 0.25 percent for each month) you receive benefits before your closest normal retirement age.

For service earned starting July 1, 2012, the reduction increases to 6 percent times the number of years (or 0.50 percent times the number of months) you receive benefits before your 65th birthday.

Early-retirement benefit reductions apply *only if* you retire before normal retirement age.

- The 3 percent reduction applies to all service before July 1, 2012.
- The 6 percent reduction applies only to service after June 30, 2012.

ELIGIBILITY TO RETIRE: SHERIFFS AND DEPUTIES

You are eligible for retirement benefits if you are a vested member, no longer working for an IPERS-covered employer, and meet one of these conditions:

- You are at least 50 years old with at least 22 years of eligible service. In addition, you must be a sheriff or deputy sheriff when you end IPERS-covered employment to retire before age 55.
- Eligible service includes all of the following:
  - Service as a sheriff or deputy sheriff.
  - Service in a protection occupation.
- You are at least 55 years old.
- You retire because of a disability and are eligible for Regular disability benefits or Special service disability benefits.

ELIGIBILITY TO RETIRE: MEMBERS IN PROTECTION OCCUPATIONS

You are eligible for retirement benefits if you are a vested member, no longer working for an IPERS-covered employer, and meet one of these conditions:

- You are at least 55 years old.
- You retire because of a disability and are eligible for Regular disability benefits or Special service disability benefits.

WHAT STEPS TO TAKE

Learn About Your Options and Get an Estimate of Retirement Benefits

Contact IPERS at least two years before you plan to retire. IPERS representatives will provide benefit estimates and help you apply for benefits.

When you contact IPERS, be prepared to provide your:

1. Full name
2. Member ID number
3. Birth date

4. Full address
5. Telephone number
6. Approximate date of retirement
7. Contingent annuitant's date of birth. (This is required because payments under a joint and survivor annuity are based on actuarial tables that take into account both your and the contingent annuitant's birth dates.) You must indicate whether your contingent annuitant is your spouse.

In return, IPERS will prepare a written estimate of the amounts available under the various benefit options and send it to you along with a benefit application, if applicable. This estimate is provided to aid in your retirement planning and does not constitute a final calculation of your IPERS pension, nor is it binding on IPERS. The final calculation of your benefit will be completed when all wages and service credits have posted to your IPERS account.

! Did you know that IPERS provides online retirement calculators where you can get on-the-fly benefit estimates for each benefit option offered by IPERS? So, well in advance of your actual retirement, you can begin using the calculators to get an estimate of what your retirement benefits might be given different scenarios and benefit options. Visit www.ipers.org.

Meet With an IPERS Representative

Whether you plan to visit IPERS at our office in Des Moines or meet with a representative in your area, be sure to schedule your appointment well in advance so IPERS can prepare an up-to-date estimate for you. IPERS representatives regularly meet with members in various locations around Iowa. The schedule is published in IPERS newsletters and is always available on the IPERS website at www.ipers.org.

Prepare for your appointment by gathering necessary papers. This will help make your meeting as informative as possible. If you plan to apply for your retirement benefits during your visit, please bring:

- Proof of your birth date
- Proof of your contingent annuitant's birth date, if you select Option 4 or 6
- Your spouse, if you are married, because the law requires your spouse's signature on your benefit application

Your spouse must show consent by signing your application for retirement benefits. IPERS can waive this requirement only if you cannot locate a missing spouse. In this instance, you may begin receiving benefits without the usual spousal consent if you submit a sworn statement that, after reasonable efforts, your spouse cannot be located. IPERS is held harmless in acting upon your sworn statement if the missing spouse later comes forward.

IPERS cannot waive the spousal signature requirement if your spouse's location is known but your spouse is uncooperative. In this case, you may have to use the courts to obtain the signature.

WHEN TO APPLY FOR BENEFITS

Remember, your retirement benefits do not begin automatically! You must file a completed application with IPERS to begin the process for your retirement. Benefits cannot commence any earlier than the month your completed application is received by the IPERS office. **All incomplete applications will be returned.** An application for retirement benefits is not final until it has been reviewed and approved by IPERS. **It is your responsibility to file in a timely manner.**

Before You Leave Employment

As you approach retirement, you should contact IPERS yearly for updated information. Even if you have already received estimates, you should request an updated estimate and an application six months before retirement. Submit your completed application at least 60 days before the month you plan to receive your first benefit to allow sufficient processing time.

After You Leave Employment

If you left employment with your covered employer and are eligible to begin benefits, but you did not file a benefit application beforehand, your entitlement to benefit payments may be limited. You must file your benefit application in a timely manner so that benefit payments will not be forfeited.

Retroactive Payments

If you are eligible for IPERS disability benefits, you may be eligible for retroactive benefits.

Mandatory Distributions

The Internal Revenue Code requires the following:

- If you are **no longer** employed by an IPERS-covered employer, you must begin receiving benefits (known as "mandatory minimum distributions") by April 1 of the calendar year after the calendar year you attain age 70½.
- If you **are still** employed by an IPERS-covered employer after you reach age 70½, you must begin receiving monthly benefits (known as "mandatory minimum distributions") by April 1 of the calendar year following the calendar year you terminate such employment.

If you do not file your application on time, IPERS will automatically begin paying monthly benefits to you under Option 2. If your benefit would be less than $50 a month, IPERS will instead pay you a one-time lump-sum retirement benefit (known as an "actuarial equivalent," or AE).

If you do not receive a payment according to these guidelines, you may be subject to a 50 percent federal excise tax on the amount you should have received.

OPTION CHOICES

You may choose monthly benefit payments under one of six options that differ according to the death benefits provided. You select an option when you file an application for retirement benefits. You may not change your option once your first benefit payment is issued. It is important to become familiar with the differences in the six options so that you can make the choice that best suits you. Even though IPERS does not provide financial planning counseling, IPERS can explain the various options to you, and provide you an estimate for each option to help you decide.

As a member, no matter which option you choose, **monthly benefits are paid for your life**. Payments after your death are as follows.

IMPORTANT: The examples used are for illustrative purposes only. Your benefit amount will be different as it will be based on *your* situation. IPERS recommends you meet with one of our benefits counselors 3–5 years before you plan to retire, and then again within 6 months of your retirement date. You will receive a benefit estimate from IPERS that you can use in your retirement planning.

Option	Description	Lump-Sum Death Benefit	Monthly Death Benefit
Option 1: Annuity With Fixed Lump-Sum Survivor Benefit	• Monthly benefit for life. • You specify an amount, in $1,000 increments, to be paid in a lump sum to your beneficiary when you die. • After retirement, you cannot change death benefit amount. • Death benefit cannot exceed your total contributions plus interest.	Yes.	No.
Option 2: Annuity With Variable Decreasing Lump Sum	• Monthly benefit for life. • At your death, beneficiary receives difference between retirement benefit received and accumulated contributions (total contributions plus interest). • Most retirees recover their IPERS contributions plus interest within the first three years of receiving pension payments.	Maybe.	No.
Option 3: Single Life Annuity	• Monthly benefit for life. • At your death, no further benefits payable.	No.	No.

Option	Description	Lump-Sum Death Benefit	Monthly Death Benefit
Option 4: 100%, 75%, 50%, or 25% Joint and Survivor Annuity	• Monthly benefit for life. • At your death, contingent annuitant receives 100%, 75%, 50%, or 25% of your benefit for life. • Restrictions on percentages apply if contingent annuitant is not your opposite-sex spouse and is more than ten years younger than you. • You cannot change your contingent annuitant after IPERS has made the first monthly payment.	No.	Yes, if your contingent annuitant outlives you.
Option 5: 120-Month Term Certain Annuity	• Monthly benefit for life. • If you die before receiving 120 payments, beneficiary receives benefit (otherwise, no further benefits payable). • If beneficiary is an individual, beneficiary receives monthly benefit for 120 months minus payments received by you. • If beneficiary is several individuals, a trust, or an estate, payment is made in a lump sum equivalent to the present value of the remaining monthly payments. • Must be under age 90 to elect this option.	Maybe. If your beneficiary is several individuals, a trust, or an estate, payments will be made in a commuted lump sum based on today's value of the remaining monthly payments.	Maybe. A monthly benefit can only be paid if you named one beneficiary and if you received less than 120 payments.
Option 6: 100%, 75%, 50%, or 25% Joint and Survivor Pop-Up Annuity	• Monthly benefit for life. • At your death, contingent annuitant receives 100%, 75%, 50%, or 25% of your benefit for life. • You cannot change your contingent annuitant after IPERS has made the first monthly payment. • Restrictions on percentages apply if contingent annuitant is not your opposite-sex spouse and is more than ten years younger than you. • If contingent annuitant dies before you, benefit pops up to what it would have been under Option 2. You may designate a new beneficiary at this time.	Maybe, if your contingent annuitant dies before you and any balance remains of your total contributions plus interest.	Yes, if your contingent annuitant outlives you.

<table>
<tr><th colspan="2">Example</th></tr>
<tr><td colspan="2">Joe retires two months before his 59th birthday after working in IPERS-covered employment for 21 years and earning a high three-year average salary of $42,014.26. His wife is age 60 and 10 months. His IPERS contributions plus interest total $44,563.91. Here's the amount of his benefits under each option.</td></tr>
<tr><td>Option 1:
Annuity With Fixed Lump-Sum Survivor Benefit</td><td>Monthly Benefit Payable to Joe: $1,331.76
Minimum Lump-Sum Benefit Payable to Joe's Wife in the Event of His Death: $1,000
Maximum Lump-Sum Benefit Payable to Joe's Wife in the Event of His Death: $44,000 (Joe's monthly benefit would be $1,249.20.)</td></tr>
<tr><td>Option 2:
Annuity With Variable Decreasing Lump Sum</td><td>Monthly Benefit Payable to Joe: $1,330.80
Lump-Sum Benefit Payable to Joe's Wife in the Event of His Death: $12,624.71 after two years of monthly benefit payments. After Joe receives 34 monthly payments, there will not be any death benefit payable to his wife.</td></tr>
<tr><td>Option 3:
Single Life Annuity</td><td>Monthly Benefit Payable to Joe: $1,333.68
Benefit Payable to Joe's Wife in the Event of His Death: None</td></tr>
<tr><td>Option 4:
100%, 75%, 50%, or 25% Joint and Survivor Annuity</td><td>Monthly Benefit Payable to Joe:
<table><tr><td>100%</td><td>75%</td><td>50%</td><td>25%</td></tr><tr><td>$1,174.50</td><td>$1,210.62</td><td>$1,249.04</td><td>$1,289.97</td></tr></table>
Monthly Benefit Payable to Joe's Wife in the Event of His Death:
<table><tr><td>100%</td><td>75%</td><td>50%</td><td>25%</td></tr><tr><td>$1,174.50</td><td>$907.96</td><td>$624.52</td><td>$322.49</td></tr></table></td></tr>
<tr><td>Option 5:
120-Month Term Certain Annuity</td><td>Monthly Benefit Payable to Joe: $1,301.79
Monthly Benefit Payable to Joe's Wife in the Event of His Death After 24 Months: $1,301.79 each month for 96 months; thereafter, no benefits payable.
Lump-Sum Benefit Payable If Joe Designated Multiple People, an Estate, or a Trust: $97,600.52 if Joe dies after 24 months of pension payments.</td></tr>
<tr><td>Option 6:
100%, 75%, 50%, or 25% Joint and Survivor Pop-Up Annuity</td><td>Monthly Benefit Payable to Joe:
<table><tr><td>100%</td><td>75%</td><td>50%</td><td>25%</td></tr><tr><td>$1,157.91</td><td>$1,197.43</td><td>$1,239.75</td><td>$1,285.16</td></tr></table>
Monthly Benefit Payable to Joe's Wife in the Event of His Death:
<table><tr><td>100%</td><td>75%</td><td>50%</td><td>25%</td></tr><tr><td>$1,157.91</td><td>$898.07</td><td>$619.87</td><td>$321.29</td></tr></table></td></tr>
</table>

LEVEL PAYMENT OPTION FOR SPECIAL SERVICE MEMBERS ONLY

Special service members (sheriffs, deputies, members in protection occupations) may use the Level Payment Option for retirement Options 1 through 5. By choosing a Level Payment Option, a Special service member may have a relatively level income before and after age 62 when combining IPERS with Social Security benefits.

If you select a Level Payment Option, you will receive higher IPERS benefits before age 62. When you reach age 62, your monthly retirement benefit will be permanently reduced by an amount determined by IPERS' actuary. The higher benefit payable before age 62 and the permanent reduction after 62 are calculated to be actuarially equivalent to the benefit otherwise payable to you.

The payment amount is determined when you retire and is not recomputed based on your actual Social Security benefit. If you select a Level Payment Option, you are required to obtain an estimate from Social Security of the amount your social security benefit will be at age 62 and provide it to IPERS at least 60 days before your first IPERS payment.

The following examples illustrate how the Level Payment Options work.

Example 1:

Age at Retirement:	55
Average Salary:	$38,000
Years of Service:	22
IPERS Monthly Benefit:	$ 1,900
Social Security Benefit at Age 62:	$ 920

Option 2 Benefit

	IPERS	Social Security	Total
55–62	$1,900	$ 0	$1,900
After 62	$1,900	$920	$2,820

Level Payment Option 2 Benefit

	IPERS	Social Security	Total
55–62	$2,397	$ 0	$2,397
After 62	$1,477	$920	$2,397

Example 2:

Age at Retirement:			58
Average Salary:			$38,000
Years of Service:			22
IPERS Monthly Benefit:			$ 1,900
Social Security Benefit at Age 62:			$ 920
Option 2 Benefit			
	IPERS	**Social Security**	**Total**
58–62	$1,900	$ 0	$1,900
After 62	$1,900	$920	$2,820
Level Payment Option 2 Benefit			
	IPERS	**Social Security**	**Total**
58–62	$2,541	$ 0	$2,541
After 62	$1,621	$920	$2,541

RECALCULATION OF BENEFITS

Your monthly benefit may begin before your employer reports your final covered wages to IPERS. The initial calculation of your benefit will include all covered wages posted as of that date. When your final covered wages have been reported, audited, and posted to your IPERS account, your benefit is automatically recalculated using the original benefit formula and age factors. If your benefit increases, IPERS will pay the increase retroactively to the first month of entitlement.

If you started receiving benefits at age 70 or older while still working for an IPERS-covered employer, and you stop working, IPERS may adjust your benefit to account for your additional years of service and salary.

ACTUARIAL EQUIVALENT (AE) LUMP-SUM BENEFIT PAYMENT

If you are a vested member and entitled to receive a benefit, but your benefit would be less than $50 per month under Option 2, IPERS will pay your retirement benefit as an actuarial equivalent (AE) lump sum. The lump sum will equal the accumulated contributions from you and your employer.

How Your Benefits Are Calculated

This section lays out the formulas used to calculate your retirement benefits. You can obtain an estimate of your benefits for all six payment options by contacting an IPERS representative, or by using the retirement calculators found on the IPERS website, www.ipers.org.

CONDITIONS FOR RECEIVING A MINIMUM BENEFIT OR MANDATORY LUMP-SUM PAYMENT

Minimum Benefit

Any member who retires on or after July 1, 1990, will receive a minimum benefit of $50 per month if the following conditions are met. You must:

- Have at least ten years of service after July 4, 1953.
- Have covered wages and a length of service that do not provide for larger benefits.

The $50 minimum applies to Option 2, selected at normal retirement age. The benefit will be reduced if you retire before normal retirement age or select an option other than Option 2.

Mandatory Lump-Sum Payment

If your benefit under Option 2 is less than $50 a month, an actuarial equivalent (AE) lump sum equal to your and your employer's accumulated contributions will be paid.

As a defined benefit plan, IPERS uses a formula to determine your benefit amount. The components of the formula are different for Regular and Special service members.

CALCULATING BENEFITS FOR REGULAR MEMBERS

The formula to calculate a Regular member's annual benefit amount is:

Average Salary	×	Multiplier	–	Early-retirement reduction (if any)

The parts of the formula are determined as follows.

Average Salary

Your average salary is the wage amount IPERS uses to calculate your benefit amount. The salaries we will use in the calculation are determined by the covered wages reported for you over a calendar year (January 1–December 31).

If you start receiving benefits ***before*** *July 2012*, your average salary is determined by averaging your three highest calendar years' wages.

If you start receiving benefits **after** June 2012, your average salary is the greater of:

Highest three-year average salary *Snapshot taken at June 30, 2012*	**OR**	Highest five-year average salary *Over your entire career*

When calculating your benefit, IPERS tests for wage spiking, to prevent overpaying your benefits. Your average salary will be decreased if wage spiking occurred.

- To test your highest three-year average salary for wage spiking, IPERS compares it to a “control-year salary” (your highest calendar year’s salary outside of the three salaries making up your highest three-year average). If your highest three-year average salary is more than 121 percent of your control-year salary, your salary in the benefit formula will be reduced to 121 percent of your control-year salary. Additional rules apply when your control-year salary does not represent a full year of salary.
- To test your highest five-year average salary for wage spiking, IPERS compares it to a “control-year salary” (your highest calendar year’s salary outside of the five salaries making up your highest five-year average). If your highest five-year average salary is more than 134 percent of your control-year salary, your salary in the benefit formula will be reduced to 134 percent of your control-year salary.

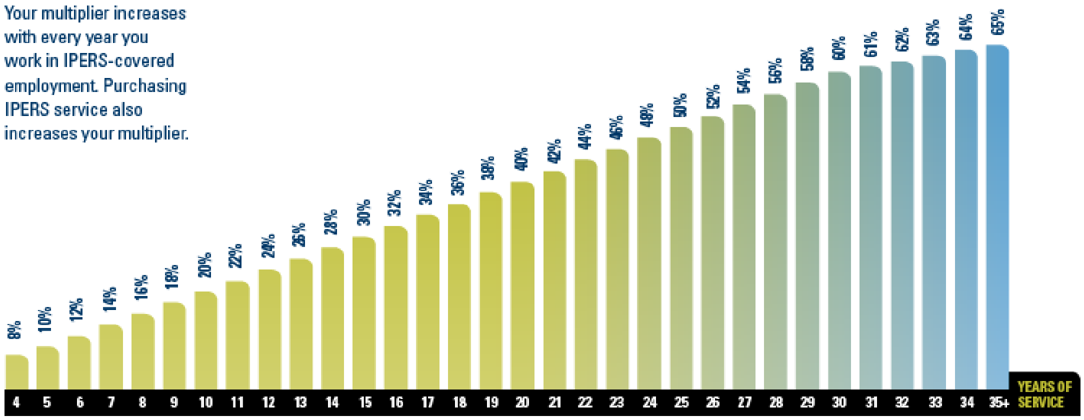
If you stop working before the end of a calendar year, we will calculate your final calendar year’s wage as follows:

1. We will look at the wages you earned in each quarter of your last year of employment.
2. We will look at your highest calendar year wage not used in the average salary calculation and calculate the average quarterly wage for that year.
3. We will use the amount calculated in Step 2 for the quarters you did not work in your last year, and add up the amounts for all four quarters. This is called your computed-year wage.

If the computed-year wage is more than your third- (or fifth-) highest calendar year wage, then the computed-year wage is used as your final year’s wage. (The computed-year wage is limited to 103 percent of your highest calendar year wage. This calculation will not result in additional service credit.)

Multiplier

The multiplier increases 2 percent a year for your first 30 years of IPERS-covered employment, and 1 percent a year for years 31–35. The maximum is 65 percent.



Early-Retirement Reduction

If you have already reached normal retirement age when you start receiving benefits, your benefits are not reduced.

Normal retirement age, when an early-retirement reduction no longer applies, is one of the following, whichever comes first:

- When your years of service plus your age at your last birthday equals or exceeds 88 (Rule of 88)
- Age 62 if you have 20 or more years of service (Rule of 62/20)
- Age 65

If you start receiving benefits *before* normal retirement age, they will be reduced. The reduction serves to make up for the increased time that you will collect benefits.

Through June 30, 2012, the reduction is 3 percent for each year (or 0.25 percent for each month) that you receive benefits before the date you would first reach your earliest normal retirement age.

On July 1, 2012, the reduction increases to 6 percent times the number of years (or 0.50 percent times the number of months) you receive benefits before your 65th birthday.

Early-retirement reductions apply only if you retire before **normal retirement age.**

- The 3 percent reduction applies to all service before July 1, 2012.
- The 6 percent reduction applies to all service after June 30, 2012.

Here are some examples of how IPERS benefits are calculated. The average salary and early-retirement reduction change on July 1, 2012, as shown in the following examples. These examples are for illustrative purposes only. Your benefits will be based on your own experience, including your covered wages, length of service, age, and date when you begin receiving benefits.

RETIRING BEFORE JULY 1, 2012

Example 1

Jane's highest three salaries are $50,456, $51,900, and $53,086. She has worked in IPERS-covered employment for 21 years. She retires in January 2012, at age 62, after she has reached normal retirement age and before July 1, 2012.

$51,814 salary Jane's highest 3-year average	×	**42% multiplier** Based on Jane's years of service	=	**$21,761.88** Annual benefit under Option 2

Example 2

When Steve leaves covered employment, his highest three-year average salary is $64,000. He has worked for an IPERS-covered employer for 25 years and decides to retire in June 2012, at age 55, before he meets normal retirement age.

$64,000 salary Steve's highest 3-year average	×	**50% multiplier** Based on Steve's years of service	–	**$6,720 reduction** 3% a year × 7 years	=	**$25,280** Annual benefit under Option 2

Example 3

Carol's highest three-year average salary is $60,000. Her fourth-highest salary is $46,000. She has worked for an IPERS-covered employer for 30 years and decides to retire at age 65 in April 2012.

Carol's highest three-year average salary	$60,000
Carol's fourth-highest salary × 121%	$55,660

IPERS will use the lesser of these two amounts as Carol's average salary.

$55,660 salary Carol's 4th-highest salary × 121%	×	**60% multiplier** Based on Carol's years of service	=	**$33,396** Annual benefit under Option 2

RETIRING AFTER JUNE 30, 2012

Example 1

When Jane retires in January 2014, her highest five-year average salary over her entire career is more than her highest three-year average salary at June 30, 2012. Because Jane's five-year average is more than her June 30, 2012, snapshot of her highest three-year average, the five-year average is used in the benefit formula.

Jane's earnings:

		1/1–12/31, 2009	$50,046
1/1–12/31, 2010	$51,900	1/1–12/31, 2010	$51,900
1/1–12/31, 2011	$53,086	1/1–12/31, 2011	$53,086
First half of 2012 (1/1–6/30), plus two quarters' worth of Jane's 2009 average quarterly salary	$53,900	1/1–12/31, 2012	$54,476
Snapshot of highest three-year average salary at 6/30/2012	**$52,962**	1/1–12/31, 2013	$55,732
		Highest five-year average salary over entire career	**$53,048**

Jane has worked in IPERS-covered employment for 23 years. She retires at age 64, after she has reached normal retirement age.

$53,048 salary Jane's highest 5-year average	×	**46% multiplier** Based on Jane's years of service	=	**$24,402.08** Annual benefit under Option 2

Example 2

In December 2014, Steve is 61 years old and has 26½ years of service. His average salary is $54,000. Because he is retiring before meeting normal retirement age, his benefits will be reduced. The reduction amount will be increased for all service Steve earned after June 30, 2012.

A 3-percent-a-year early-retirement reduction from Steve's nearest normal retirement applies to the 24 years of service he earned before July 1, 2012. Because Steve has more than 20 years of service, his nearest normal retirement is age 62. Steve's early-retirement reduction for his service before July 1, 2012, is 3 percent × 1 year = 3 percent.

$54,000 salary Steve's highest 5-year average over entire career	×	**48% multiplier** Based on Steve's years of service before July 1, 2012	–	**$777.60 reduction** 3% reduction	=	**$25,142.40**

A 6-percent-a-year early retirement reduction from age 65 applies to the 2½ years of service Steve has earned since July 1, 2012. He is 4 years from age 65. His early retirement reduction for his service after June 30, 2012, is 6 percent × 4 years = 24 percent.

$54,000 salary Steve's highest 5-year average over entire career	×	**5% multiplier** Based on Steve's years of service after June 30, 2012	–	**$648 reduction** 24% reduction	=	**$2,052**

When Steve retires in December 2014, his annual benefit (under Option 2) is:

$25,142.40	+	$2,052	=	$27,194.40

Example 3 (Continued From Example 2)

If Steve waited until June 2015 to retire, he would still be 61 years old and he would have 27 years of service. He now meets the Rule of 88.

$54,000 salary Steve's highest 5-year average over entire career	×	**54% multiplier** Based on Steve's years of service	–	**$0** No reduction	=	**$29,160** Annual benefit under Option 2

By working six more months, Steve could increase his benefit by $1,965.60 a year, or $163.80 each month. If Steve collects his monthly benefit for 20 years, he can increase his lifetime benefit by $39,312 by delaying his retirement only six months.

CALCULATING BENEFITS FOR SPECIAL SERVICE MEMBERS

The formula used to calculate a Special service member's annual benefit amount is:

Average Salary	×	Multiplier (Based on your years of service)

Average Salary

The salaries used in the calculation are determined by the covered wages reported for you over a calendar year (January 1–December 31).

Your average salary is the average of your highest three years' wages. When calculating your average salary, IPERS tests for wage spiking, to prevent overpaying your benefits. Your average salary will be decreased if wage spiking has occurred.

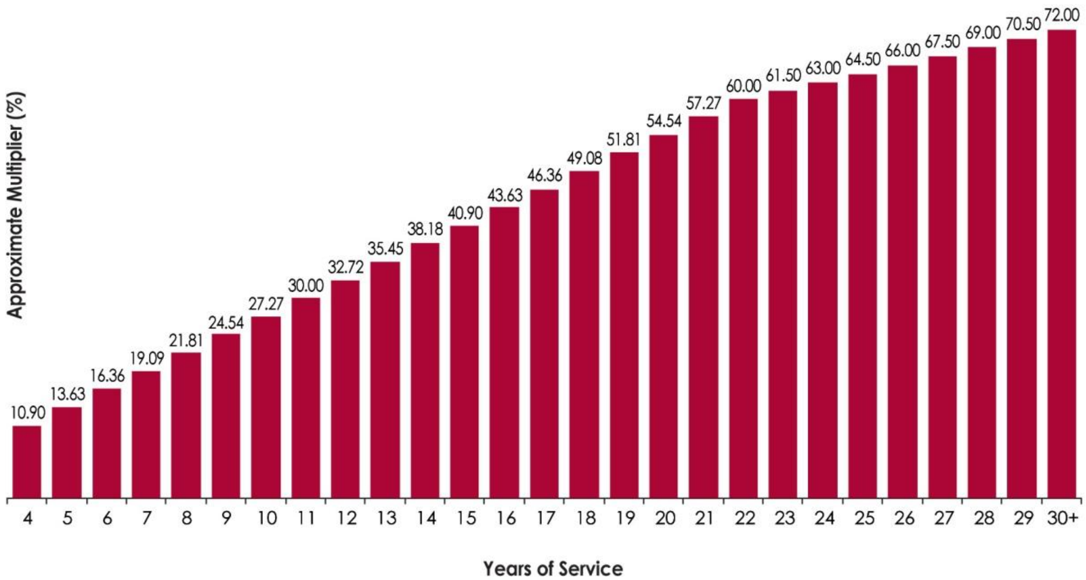
- To test your highest three-year average salary for wage spiking, IPERS compares it to a "control-year salary" (your highest calendar year's salary outside of the three salaries making up your highest three-year average). If your highest three-year average salary is more than 121 percent of your control-year salary, your salary in the benefit formula will be reduced to 121 percent of your control-year salary. Additional rules apply when your fourth-highest salary does not represent a full year of salary.

If you stop working before the end of a calendar year, we will calculate your final calendar year's wage as follows:

1. We will look at the wages you earned in each quarter of your last year of employment.
2. We will look at your highest calendar year wage not used in the highest average salary calculation and calculate the average quarterly wage for that year.
3. We will use the amount calculated in Step 2 for the quarters you did not work in your last year, and add up the amounts for all four quarters. This is called your computed-year wage.
4. If the computed-year wage is more than your third-highest calendar year wage, then the computed-year wage is used as your final year's wage. (The computed-year wage is limited to 103 percent of your highest calendar year wage. This calculation will not result in additional service credit.)

Multiplier

To determine the approximate multiplier used in the calculation above, refer to the chart below.



Sheriffs and deputy sheriffs with 22 or more years of eligible service first qualify for a retirement benefit at age 50. Members retiring from a protection occupation first qualify for a retirement benefit at age 55. Special service members' benefits are not reduced for early retirement.

Scenario A

Joe works for an IPERS-covered employer for 21 years. He retires at age 55, when he qualifies for a normal retirement pension. His highest three-year average salary is $51,814. His annual retirement benefit would be $29,673.88 (57.27% × $51,814) under Option 2. Depending on the payment option Joe elects, this amount may be adjusted.

$51,814 Salary (Joe's highest 3-year average)	×	**57.27% Multiplier** (Based on Joe's years of service)	=	**$29,673.88**

Scenario B

If Joe worked another 3 years and retired at age 58 with a highest three-year average salary of $55,056, his annual retirement benefit would be $34,685.28 (63% × $55,056) under Option 2. Again, depending on the payment option Joe elects, this amount may be adjusted.

$55,056 Salary (Joe's highest 3-year average)	×	**63% Multiplier** (Based on Joe's years of service)	=	**$34,685.28**

Scenario C—Retirement Benefits Calculated With Control-Year Salary

Brenda works for an IPERS-covered employer for 30 years and decides to retire at age 65. Her highest three-year average salary is $60,000. Her control-year salary is $46,000. To find out what to use as Brenda's salary in the benefit formula, IPERS must multiply $46,000 by 121 percent, which equals $55,660. Because $60,000 is more than $55,660, IPERS will adjust Brenda's salary used in the benefit formula to $55,660. Brenda's annual retirement benefit would be $40,075.20 (72% × $55,660) under Option 2.

Brenda's highest three-year average salary	$60,000
Brenda's control-year salary × 121%	$55,660

$60,000 > $55,660, so $55,660 is used in the benefit formula.

$55,660 Salary (121% of Brenda's control-year salary)	×	**72% Multiplier** (Based on Brenda's years of service)	=	**$40,075.20**

CALCULATING BENEFITS USING THE HYBRID FORMULA

If you have a mix of Special service and Regular service, IPERS may use a hybrid formula to calculate your benefits when you retire. The hybrid formula applies the Regular service multiplier to your Regular-class service and the Special service multiplier to the service you earned as a sheriff, deputy sheriff, or protection occupation employee. The maximum retirement benefit under the hybrid formula is 65 percent of your average salary.

Grandfathered years of Special service (years in which you contributed at Regular rather than Special Service rates while working in a Special service position) are treated as Regular service in this formula. If a hybrid formula is used to calculate your benefits, they could be reduced if you begin receiving them before normal retirement age. A benefit reduction for early retirement will apply *only* to your Regular service credits. Normal retirement age is when an early-retirement reduction no longer applies. Normal retirement age for members with both regular service and Special service is one of the following, whichever comes first:

- When your years of service plus your age at your last birthday equals or exceeds 88 (Rule of 88)
- Age 62 if you have 20 or more years of service (Rule of 62/20)
- Age 65

The hybrid formula cannot be used if you have 30 or more years of Regular service or 22 or more years of Special service. The following examples show benefits calculated using the hybrid formula.

Example 1

Nancy works for an IPERS-covered employer for 21 years. During those years, she worked as a Regular-class employee for 6 years (before July 1, 2012) and as a deputy sheriff for 15 years. She retires at age 62, when she qualifies for a normal retirement pension. Her highest three-year average salary is $53,754. Her annual retirement benefit would be $28,435.87 (12% Regular-class formula multiplier × $53,754 + 40.90% Special service formula multiplier × $53,754) under Option 2. Depending on the payment option Nancy elects, this amount may be adjusted.

12% Multiplier (Based on Nancy's years of service as a Regular-class employee)	×	**$53,754 Salary** (Nancy's highest 3-year average)	=	$6,450.48
40.90% Multiplier (Based on Nancy's years of service as a Special service employee)	×	**$53,754 Salary** (Nancy's highest 3-year average)	=	<u>$21,985.39</u>
				$28,435.87

Example 2

Jack works for an IPERS-covered employer for 20 years. During those years, he worked as a Regular-class employee for 10 years (before July 1, 2012) and as a police officer for 10 years. He retires at age 55, before he meets normal retirement age. His highest three-year annual salary is $50,000. His annual retirement benefit would be $21,535 (20% Regular-class formula multiplier × $50,000 – $2,100 age reduction [7 years before normal retirement age × 3%-a-year reduction] + 27.27% Special service formula multiplier × $50,000) under Option 2. Depending on the payment option Jack elects, this amount may be adjusted.

20% Multiplier (Based on Jack's years of service as a Regular-class employee)	×	**$50,000 Salary** (Jack's highest 3-year average)	–	**$2,100 Reduction for Early Retirement** (3% per year)	=	$ 7,900.00
27.27% Multiplier (Based on Jack's years of service as a Special service employee)	×	**$50,000 Salary** (Jack's highest 3-year average)			=	<u>$13,635.00</u>
						$21,535.00

Example 3

Jerry retires at age 55 with five years of Special service and nine years of Regular service. He worked as a Regular-class employee for five years before July 1, 2012, and for another four years after June 30, 2012. Because he is not eligible for normal retirement as a Regular member, Jerry's benefits will be reduced slightly more as a result of the law changes effective July 1, 2012. However, the early-retirement reduction will apply *only* to his regular service credits.

Average salary	×	Multiplier	–	Early-retirement reduction	=	Annual benefit (Option 2)
		From Special service				
$57,500 *3-year average salary at retirement*	×	**13.636%** *5 years × 2.7272%*	–	**$0** *No reduction*	=	$7,840.70
From Regular service before 7/1/12						
$55,000* *5-year average salary at retirement*	×	10% *5 years × 2%*	–	**$1,650** *30% reduction*	=	$3,850.00
		From Regular service after 6/30/12				
$55,000* *5-year average salary at retirement*	×	**8%** *4 years × 2%*	–	**$2,640** *60% reduction*	=	$1,760.00
Annual benefit (Option 2)						**$13,450.70**

*If your five-year average salary at retirement is higher than your three-year average on June 30, 2012, IPERS will use the five-year average in the calculation. See pages 51 and 52 for more information.

After Retirement

This section describes what happens after you retire and begin receiving IPERS benefits. It explains dividend payments, returning to work, and death benefits.

DIVIDENDS

November Dividend

A November dividend is guaranteed under Iowa Code section 97B.49F(1) for members who retired June 30, 1990, or earlier. This dividend is intended to help offset the negative effects of postretirement inflation. It is paid once a year.

The formula used to figure the dividend amount:

- Includes a base payment which is guaranteed by law.
- May apply a percentage multiplier to the base payment to increase the amount of the dividend. (The multiplier is applied only if IPERS' actuary certifies that the increase can be supported by current contribution rates.)

Favorable Experience Dividend (FED)

For members who retired after June 30, 1990, a Favorable Experience Dividend (FED) Reserve Account has been established under Iowa Code section 97B.49F(2). The FED payment is not guaranteed by law. Like the November dividend, the FED is intended to help offset the negative effects of postretirement inflation. All members and beneficiaries receiving monthly benefit payments qualify for FEDs. Each November, IPERS will determine if a FED payment should be paid the following January subject to the following conditions:

- You must be retired one full calendar year.
- The FED rate cannot exceed 3 percent.

The formula is as follows:

December's monthly benefit	×	12 months	×	Rate	×	Full calendar years retired	=	FED
Example: $1,000	×	12	×	1.07%	×	2	=	$256.80

RETURNING TO WORK AFTER RETIREMENT

Retired IPERS members may at some time decide to return to work. It's important to understand how your retirement benefits may be affected, based on:

- Your age
- The type of employer you work for
- How much you earn

If you are considering reemployment after retirement, review this section carefully. If you have questions, contact IPERS for more information before accepting any position with a covered employer.

Time Restrictions

If You Work for a Non-IPERS-Covered Employer

If you retire and return to work with an employer that is not covered by IPERS, there are no time restrictions on reemployment. You can work as soon after retirement as you want, with no effect on your IPERS benefit, regardless of your age.

If You Work for an IPERS-Covered Employer

Age 70 or Older When You Begin Benefits

You may return to work at any time. However, you must end all employment with covered employers for at least 30 days in order to have your retirement benefit recalculated.

Age 55 up to Age 70 When You Begin Benefits

You must complete a bona fide retirement (see below) before returning to work with any IPERS-covered employer.

Bona Fide Retirement

A bona fide retirement is a period during which you end IPERS-covered employment, complete the application for retirement benefits, and demonstrate that you are entitled to retirement benefits. To qualify for a bona fide retirement, you must:

- End all service with covered employers, including noncovered service.
- File an IPERS benefit application.
- Stay out of all employment with a covered employer for one month.
- Stay out of all employment in an IPERS-covered position for an additional three months.

The qualification period begins with your first month of entitlement for retirement benefits as approved by IPERS. See the bona fide retirement table on the next page.

You cannot enter into reemployment agreements, either written or verbal, before you have received at least one benefit payment from IPERS. You may accept temporary employment after your first month of entitlement in your previous position. However, reemployment in your previous position can't be used as a means of evading the bona fide retirement rules.

If IPERS learns you were hired as a temporary employee during the bona fide retirement period, and then, for whatever reason, your employer treats you as a **covered employee immediately following the bona fide retirement period, IPERS will audit the** employment. If IPERS learns your employer did not make reason-able efforts to fill the vacancy you left when you retired with a new permanent employee, IPERS will revoke your benefits.

Exceptions:

- Licensed health care professionals may return to IPERS-covered employment in some public hospitals after one month of separation rather than the four months currently required for a bona fide retirement. This provision is effective until June 30, 2012.
- Part-time elective officials may retire and retain their office without violating the bona fide retirement rules if the employee notifies IPERS in writing of the intent to retire, terminates IPERS coverage for the elected position, and terminates all other covered employment. The elected official must have a bona fide termination of all other employment covered under this chapter (except as an elected official).
- Elected officials may be elected to a new office during their bona fide retirement period without violating the rules. (However, if you are reelected to the same position, you must have a bona fide retirement.)
- Part-time appointed members of boards and commissions may be appointed prior to or during their first month of entitlement as long as they receive only per diem pay and reimbursement for business expenses.
- Effective retroactively to May 25, 2008, members of the Iowa National Guard who are called to duty can serve without completing a bona fide retirement first.

If you violate these provisions, your application for retirement benefits will be canceled and you will be required to repay all funds received to date plus interest.

Your Bona Fide Retirement Period

If you receive your first benefit in:	You can start employment with a *covered* employer	
	in a *noncovered* position in:	in a *covered* position in:
January	February	May
February	March	June
March	April	July
April	May	August
May	June	September
June	July	October
July	August	November
August	September	December
September	October	January
October	November	February
November	December	March
December	January	April
You can remain employed or start employment with a **non-IPERS-covered employer** anytime.		

Earnings Restrictions

Non-IPERS-Covered Employer
If you retire and return to work for a non-IPERS-covered employer, there are no restrictions on earnings. Your earnings do not affect your IPERS benefits. However, keep in mind that Social Security has certain income limitations that apply to your Social Security benefit.

IPERS-Covered Employer
If you retire and return to work for an IPERS-covered employer, the following rules apply:

Age 65 or Older

There is no limit on the amount you can earn. Your benefit is not affected by your earnings.

Age 55 up to Age 65

If you return to covered employment after completing a bona fide retirement, your earnings will be subject to an annual earnings limit. The limit does not apply if you are elected to public office. Currently, this annual earnings limit is $30,000 of IPERS-covered wages per calendar year or the annual Social Security wage limit, whichever is higher. These wage limits may change each year. You may review these at www.ssa.gov.

Although you do not pay IPERS contributions for all types of compensation, certain types of wages count toward the annual earnings limit. Wages that count toward the limit include bonuses, allowances, and employer contributions to defined contribution and deferred compensation retirement plans.

If you exceed the annual earnings limit, your monthly retirement benefit for the remainder of the calendar year will be reduced by 50 cents for each dollar of IPERS-covered wages you earn beyond the earnings limit.

Returning to Work While Receiving Disability Benefits

If you are receiving IPERS disability benefits and become reemployed, there may be an impact on your benefits. These impacts are described in the following paragraphs.

Regular Disability Benefits

If you are receiving IPERS disability benefits, IPERS may ask you to certify that you are still eligible to receive Social Security disability or Railroad Retirement disability benefits each year. If you do not certify that you are still eligible, your IPERS disability benefits will be suspended if you are under age 55. If you are over age 55, your benefit amount will be reduced to the amount that you would have received without the disability provision applied to your benefit.

Special Service Disability Benefits

If you retire with Special service disability benefits, complete a bona fide retirement, and return to covered employment before age 55, your benefits **will cease immediately**. If you return to noncovered employment, your Special service disability benefits will be limited according to the reemployment comparison amount formula.

RERETIREMENT AND RECOMPUTATION

When you are ready to retire again after returning to work with an IPERS-covered employer, contact IPERS to have your retirement benefits recomputed to include any additional benefits you earned during your reemployment. Your reemployment period (the period you work after you retire) is considered a separate period of service. The recomputation formula will be adjusted so that no more than 30 years of service are used in the calculation. Any benefits you receive for reemployment will be calculated separately—even though they may be treated as part of your original benefit for income tax purposes. You may have the second benefit added to the initial monthly payment or receive a one-time lump-sum payment. If you end reemployment and do not request a monthly payment or lump-sum payment within a year, a lump-sum payment may be paid to you automatically. If your reemployment period is less than four years (effective July 1, 2012, it will be seven years), the formula used to recalculate your additional benefits is different from the standard formula. Your benefits will be determined using a money purchase formula that is based on the amount of contributions you made while reemployed.

If you began receiving monthly pension payments at the age of 70 without terminating your employment, you can have IPERS recalculate your initial monthly payment when you actually retire from your IPERS-covered position. IPERS uses the standard benefit formula, calculating all of your years of service as part of the original benefit, to recompute your monthly payment. Be sure to contact IPERS when you terminate your IPERS-covered employment.

Death Before Recomputation

If you are retired, have become reemployed, and die before benefits are recomputed because of reemployment, your designated beneficiary will be eligible for additional death benefits based on your reemployment wages.

IF YOU DIE AFTER RETIREMENT

When you selected a payment option at retirement, you decided what kind of death benefits your beneficiary(ies) would receive. However, benefits are not paid automatically upon your death. The paragraphs below stress the importance of keeping beneficiary information up to date so that when you die, IPERS can pay benefits to your beneficiary without delay.

Applying for Death Benefits

To receive death benefits, your beneficiary(ies) must file an application with IPERS and provide the necessary supporting paperwork.

Generally, your designated beneficiary(ies) must apply for the death benefit within five years from the date of your death or the benefit is forfeited. A longer period may apply if your spouse is your designated beneficiary. A shorter claim period also may apply, depending on the application of the IRS' minimum distribution rules to your situation.

If you die after living into your first month of entitlement to benefits, the amount (if any) of the death benefit to your beneficiary(ies) depends on the benefit payment option you selected at the time of retirement. To understand the various payment options, refer to the "Retirement" section of this publication.

If you die before your first month of entitlement to benefits, your benefit application will be canceled and a preretirement death benefit will be payable to your beneficiary.

Members: Discuss IPERS death benefits with your beneficiaries. Stress the importance of notifying IPERS as soon as possible of your death and completing an application for remaining death benefits if applicable.

Payments to Minors

As you learned in the "Membership in IPERS" section, IPERS cannot make payments directly to minors. If the amount to be paid to the minor is under $25,000, payment may be made to an adult as custodian for the minor. If the amount is $25,000 or more, the amount must be paid to a court-established conservator. Alternatively, if the minor will turn 18 within the applicable time period for making a distribution, the minor can wait and apply upon reaching age 18. Be sure to contact IPERS to ensure that waiting to claim a death benefit will not cause the death benefit to be forfeited.

Amounts Payable to Beneficiaries Who Fail to File Claims

If you have multiple beneficiaries or heirs, it is possible that some may not apply for benefits within the required claim period. If this happens, IPERS divides the shares that would have gone to the beneficiaries or heirs who did not file a timely claim among those who did file on time. The shares are divided on a prorated basis.

Rollovers

Federal law permits a member's spouse to roll over the taxable portion of a lump-sum death benefit to a traditional IRA or an eligible retirement plan, which includes plans qualified under section 401(a) of the Internal Revenue Code. If acceptable to the recipient plan, after-tax amounts are also eligible for rollover transfers. Rolling over the taxable portion to another retirement plan or an IRA allows the funds to continue to grow on a tax-deferred basis until the spouse is ready to retire. Non-spouse beneficiaries have the same rollover rights as spouses, except their rollovers can only be made to IRAs that follow inherited IRA rules.

Remember to keep your IPERS *Enrollment/Beneficiary Designation* form current. If your beneficiary dies before you and you do not name a new beneficiary or if you have not designated a beneficiary, your estate may become your beneficiary.

Taxes and Legal Rights and Responsibilities

This section addresses taxes on your benefits and information about IPERS and IPERS members' legal rights and responsibilities, as well as your right to appeal when you disagree with a decision made by IPERS.

TAXATION

Monthly Benefits

Most IPERS benefits are taxable for federal and state income tax purposes.

IPERS benefits are partially exempt from Iowa income tax ($6,000 or $12,000 a year depending on filing status). IPERS will not withhold Iowa income tax for retirees who are not Iowa residents. IPERS must withhold Iowa income tax if you elect federal withholding, are an Iowa resident, and your benefit is more than $6,000 a year ($12,000 a year if you are married).

Lump-Sum Distributions

Generally, all taxable amounts paid out in a lump sum are subject to a mandatory 20 percent federal withholding tax if not directly rolled over to an eligible retirement plan. If you are an Iowa resident, you will be subject to 5 percent withholding on the taxable portion, unless you qualify for an exemption (or do a rollover). The Iowa exemption is $6,000 for individuals, and not everyone is eligible. The IPERS refund application contains further details about the Iowa exemption. (Nonresidents may request Iowa withholding from a refund.)

If a member dies and the member's spouse receives a lump-sum death benefit, the same federal and state withholding rules apply. Other beneficiaries may be able to exempt a portion from Iowa income taxes. Contact the Iowa Department of Revenue for more information.

All IPERS applications for lump-sum distribution include IPERS' *Special Tax Notice Regarding Plan Payments*. Like all IPERS publications and forms, paper copies of the lump-sum distribution forms and the *Special Tax Notice* by itself are available from IPERS for free.

PROCESSING FEE FOR PAPER CHECKS

IPERS charges a processing fee of $1.00 for each check to cover the administrative costs of issuing paper benefit checks. There is no charge for direct deposit of payments. All payments with I-Que will have direct deposit (starting 1/3/12).

OVERPAYMENT OF BENEFITS

An overpayment is any payment of money by IPERS that results in a higher payment than the recipient is entitled to receive under Iowa Code chapter 97B and the administrative rules thereunder. If an overpayment is not repaid to IPERS in full within 30 days after notice, interest at an annual rate of 5 percent (7.5 percent for fraud cases) will be charged until the overpayment is repaid. Legal action may be brought to collect the overpayment and interest if IPERS is unable to secure acceptable repayment arrangements. After your death, your estate and your beneficiaries may become liable to repay overpayments on your account.

APPEAL RIGHTS

Members and other payees (collectively, appellants) may appeal any IPERS decision that affects their rights. To appeal, the appellant must submit a notice of appeal to IPERS within 30 days after notification of the decision is mailed to the appellant. The notice must state the decision to be appealed and the reasons for the appeal along with all documentation. All relevant written evidence should be submitted with the notice. For further information on the appeal process, contact IPERS.

CONFIDENTIALITY OF RECORDS

As a member, your requests for information about your account will be honored if the request is in writing and includes your signature and member ID number or if the request is made by phone and IPERS has your current address and other verification information on file. IPERS will accept a faxed request that includes such information. Examples when this information might be needed include:

1. If verification of income is needed when requesting government assistance
2. During income tax preparation
3. When working with a financial planner
4. In dissolutions of marriage

Furthermore, IPERS is permitted to release information (otherwise described as confidential) to the legislative fiscal bureau, the department of management, the department of administrative services, and other IPERS-covered 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.

IDENTIFICATION OF AGENTS

If a member or beneficiary is physically, mentally, or legally incapable of applying for benefits, IPERS may accept an application for a retirement benefit, refund, or death benefit completed by a person having the authority to sign on behalf of the incapacitated applicant. This person may also be able to file a designation of beneficiary form, subject to the terms of his or her appointment. Documentation of the appointment as conservator, guardian, attorney-in-fact, or Social Security representative payee must accompany the application or request for information. A representative payee must also sign an IPERS representative payee agreement before IPERS will accept that person as a member's or beneficiary's agent. Contact IPERS if you need a copy of the representative payee agreement.

INCREASED MONITORING OF WAGE MANIPULATION

IPERS has stepped up efforts to identify when wages are being manipulated to increase members' benefits above what they should be eligible for. Wage manipulation hurts all members and employers who fairly report wages.

A change in the schedule of when wages are paid or an increase in wages of 10 percent or more between any two consecutive years may trigger a review. IPERS may require wage adjustments or refer cases of wage manipulation to the state auditor and to law enforcement authority for prosecution.

ATTACHMENT AND GARNISHMENT OF IPERS PAYMENTS

Retirement benefits, refunds, and death benefits payable to IPERS members and their beneficiaries are subject to attachment or garnishment for tax, spousal, child, or medical support obligations. Payments from IPERS also are subject to marital property orders that are accepted by IPERS as Qualified Domestic Relations Orders (QDROs). For more information on this topic, see the "If You Divorce" section in this publication, or the "Divorce and IPERS Benefits" brochure located at www.ipers.org. Otherwise, contact IPERS' QDRO administrator in writing or by phone.

ERRORS INVOLVING A MEMBER'S ACCOUNT

If IPERS determines that any type of error has been made with regard to a member's account, IPERS will make an adjustment to the account. An adjustment will be made whether the error was made by any of the member's former IPERS-covered employers, the member, or by IPERS. If the adjustment results in an underpayment of benefits, IPERS will pay the amount of the underpayment to the member or beneficiary. If the adjustment results in an overpayment of benefits, the member or the member's beneficiary will be responsible for returning the overpayment to IPERS with interest if the overpayment is not repaid in 30 days. IPERS may deduct a certain amount from a member's or beneficiary's monthly benefit to repay the amount owed to IPERS. In cases involving a fraudulent practice, or if a member or beneficiary makes any false statement or representation for the purpose of causing an increase in benefits, IPERS may suspend all payments to the person. In addition, IPERS may refer the case to the Iowa Auditor of State or appropriate law enforcement authority for investigation and possible prosecution.

Glossary of Terms

Active Member	One who has made contributions to IPERS during the current calendar year and has not applied for a retirement benefit or a refund. For example, you could have stopped working in January but you are still considered an active member through December 31.
Accumulated Contributions	A member's (or employer's) total contributions and the interest earned. By law, interest is granted at 1 percent above the one-year certificate of deposit rate.
Average Salary	The compensation component of the benefit formula.
Bona Fide Retirement	The period during which an IPERS member ends IPERS-covered employment, files a completed application for benefits, and demonstrates the member is entitled to benefits.
Buy-Back	A service purchase when a member who previously took a refund from IPERS purchases the refunded service credit.
Buy-In	Any authorized service purchase that is not a buy-back or buy-up.
Buy-Up	A service purchase when a member converts Regular service credits to Special service credits.
Calendar Year	The 12-month period beginning January 1 and ending December 31.
Computed Year	Part of IPERS' retirement benefit formula that helps determine a member's average salary when the member's last year of employment is not a complete calendar year.
Contingent Annuitant	A person, named by the member, who is guaranteed lifetime monthly payments upon the death of the member. A member designates a contingent annuitant (in place of a beneficiary) only if the member chooses Option 4 or 6 at retirement.
Covered Employment	Any employment for which a person accrues benefits under IPERS. You receive service credit for any quarter during which you make contributions. (See the definition of Service for exceptions and more information.) However, as soon as you terminate, you are no longer in covered employment.
Covered Wages	The compensation eligible for IPERS coverage. Any compensation in excess of a set maximum is not used in determining contributions or calculating a retirement benefit.

Defined Benefit Plan	An employer pension plan that uses a formula to guarantee a specified benefit at retirement. As a defined benefit plan, IPERS provides guaranteed benefits using a formula based on a member's age, years of service, and covered wages.
Disability Benefits	Benefits provided to eligible members of any age with a qualified disability. Disability benefits are not adjusted for early retirement.
Dividends	Lump-sum payments intended to help compensate for the eroding effect of inflation over time. IPERS has two types of dividends: November dividends and Favorable Experience Dividends (FEDs).
Early Retirement	Starting to receive benefits before normal retirement age. Benefits will be reduced with an early-retirement reduction.
First Month of Entitlement (FME)	The first month a member qualifies for a monthly benefit. This is usually the month following the month in which a member terminates employment. A member must live into the first month of entitlement in order to qualify for retirement benefits.
Former Member	A person who, following termination of employment with all covered employers, has taken a refund. By doing so, this person has forfeited membership and all other rights in IPERS for the period covered by the refund.
Hybrid Formula	The benefit formula that uses service from more than one membership class (the Regular class and at least one of the Special service classes) to compute a retirement benefit.
Hybrid Membership	Members who have service in both the Regular membership class and at least one Special service membership class have hybrid membership. Benefits may be calculated with a hybrid formula.
Inactive Member	One who has left covered employment, has not made any contributions during the calendar year, and who has not yet applied for a retirement benefit or a refund.
Iowa General Assembly	The legislative branch of Iowa state government with the authority to make laws. Also known as the Iowa Legislature, the General Assembly consists of the House of Representatives and the Senate. The General Assembly passes the laws that govern IPERS.
Membership Class	A category of IPERS member. Each membership class has slightly different retirement benefits, and members of each class and their employers contribute to IPERS at different rates. There are three membership classes: Regular, sheriff/deputy, and protection occupation. Sheriffs/deputies and members in protection occupations are also known as Special service members.

Multiplier	The value of each year of service used in calculating a member's retirement benefit, expressed as a percentage in the benefit formula.
Normal Retirement, Normal Retirement Age	The time when a member begins receiving benefits that are not subject to an early-retirement reduction.
Pretax Contributions	Also called employer pick-up, pretax contributions are employee contributions that the employer pays on behalf of the employee. Employers are required to reduce employees' wages for federal and state income tax purposes by the appropriate contribution amount.
Prior Service	Service for a covered employer in Iowa before July 4, 1953.
Protection Occupation Membership Class	The group of public safety positions defined in Iowa Code 97B.49B. The members of this Special service membership class have benefits calculated differently from the majority of IPERS' membership, Regular members.
Qualified Domestic Relations Order (QDRO)	A special court order that individuals obtain in divorce that specifies how IPERS pension assets will be divided.
Qualified Plan	A status under the federal Internal Revenue Code that conveys certain tax advantages to the members of the plan, such as having contributions and investment earnings treated on a tax-deferred basis. IPERS has a qualified plan status under federal Internal Revenue Code section 401(a).
Reemployment Comparison Amount Formula	A benefit limitation that applies to certain reemployed Special service members who receive disability benefits under Iowa Code 97B.50A.
Required Beginning Date	The date when members aged 70½ or older must begin receiving IPERS benefit payments, as required by Internal Revenue Code section 401(a)(9).
Retired Member	A member who has applied for and begun receiving IPERS retirement benefits is considered retired.
Retirement	*Retirement* means applying for and beginning to receive benefits. A member's retirement will be revoked if the member returns to employment with an IPERS-covered employer without satisfying the bona fide retirement requirement. A member who has severed the employee/employer relationship, but has not taken the steps above, is not retired for IPERS' purposes. The member has simply terminated employment.

Rule of 88	One way members can reach normal retirement age. A member must be age 55 or older, and the sum of the member's age at the last birthday and years of membership service must equal or exceed 88. (This applies only if these qualifications are met on the member's first month of entitlement to benefits.)
Rule of 62/20	One way members can reach normal retirement age. A member with 20 or more years of service may retire at age 62 without an early-retirement reduction.
Service	IPERS-covered employment completed by a member after July 4, 1953. Years of service are counted to the quarter of the calendar year. Service also includes credit for service purchases and service qualifying for free credit, such as certain military time. For any calendar quarter in which a member receives both Regular and Special service wages, the quarter will be coded based on the membership class that generated the majority of reported wages for that quarter.
Special Service Members	Include sheriffs, deputy sheriffs, and members in protection occupations. See *protection occupation membership class* and *membership class* for more details.
Vested Member	Becoming vested means a member has established rights to IPERS benefits and is eligible for additional membership rights such as purchasing service. Members can become vested in several ways related to years of service or age while employed.

Member Resources

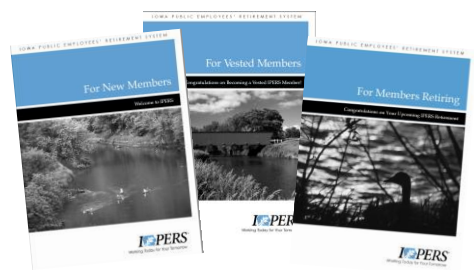
The IPERS plan is designed to meet your needs. If you need additional information, here's a list of resources:

Group Counseling/Retirement Planning Sessions

Throughout the year, we hold retirement planning sessions online and in person that give you the opportunity to learn more about IPERS. More information and schedules are available in the IPERS Training and Retirement planning section of our website

Individual Counseling/Representatives
We connect you with representatives knowledgeable about IPERS. You can get your questions answered over the phone or you can schedule an appointment to meet with a retirement counselor face to face.

Benefit Booklets
IPERS provides a library of booklets targeted to various stages of your life/career, for new members, vested members, members retiring. The booklets are available online or by request.



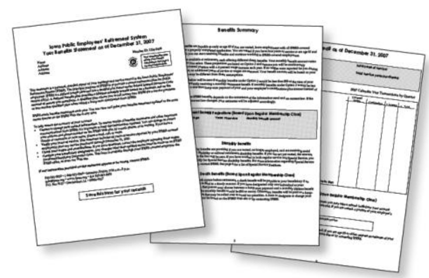
Informational Brochures
IPERS offers several brochures available online or hard copy by request for you and your beneficiaries targeted to specific topics, including purchasing service, military service credit, returning to work after retirement. See the website for additional publications.

IPERS website

The site, located at www.ipers.org, provides benefits summaries, retirement planning tools, downloadable forms, and various retirement benefit calculators. IPERS is always updating the available content and tools.

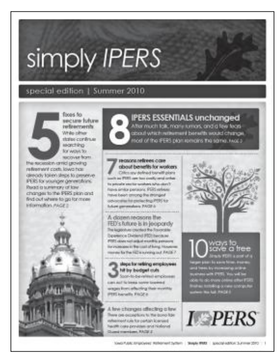
Personalized Statements

IPERS offers two different personalized statements. A benefits statement provides a summary of contributions and an estimate of the IPERS benefit you may receive. An on-demand benefit estimate provides more detailed information about the benefits payable under each payment option.



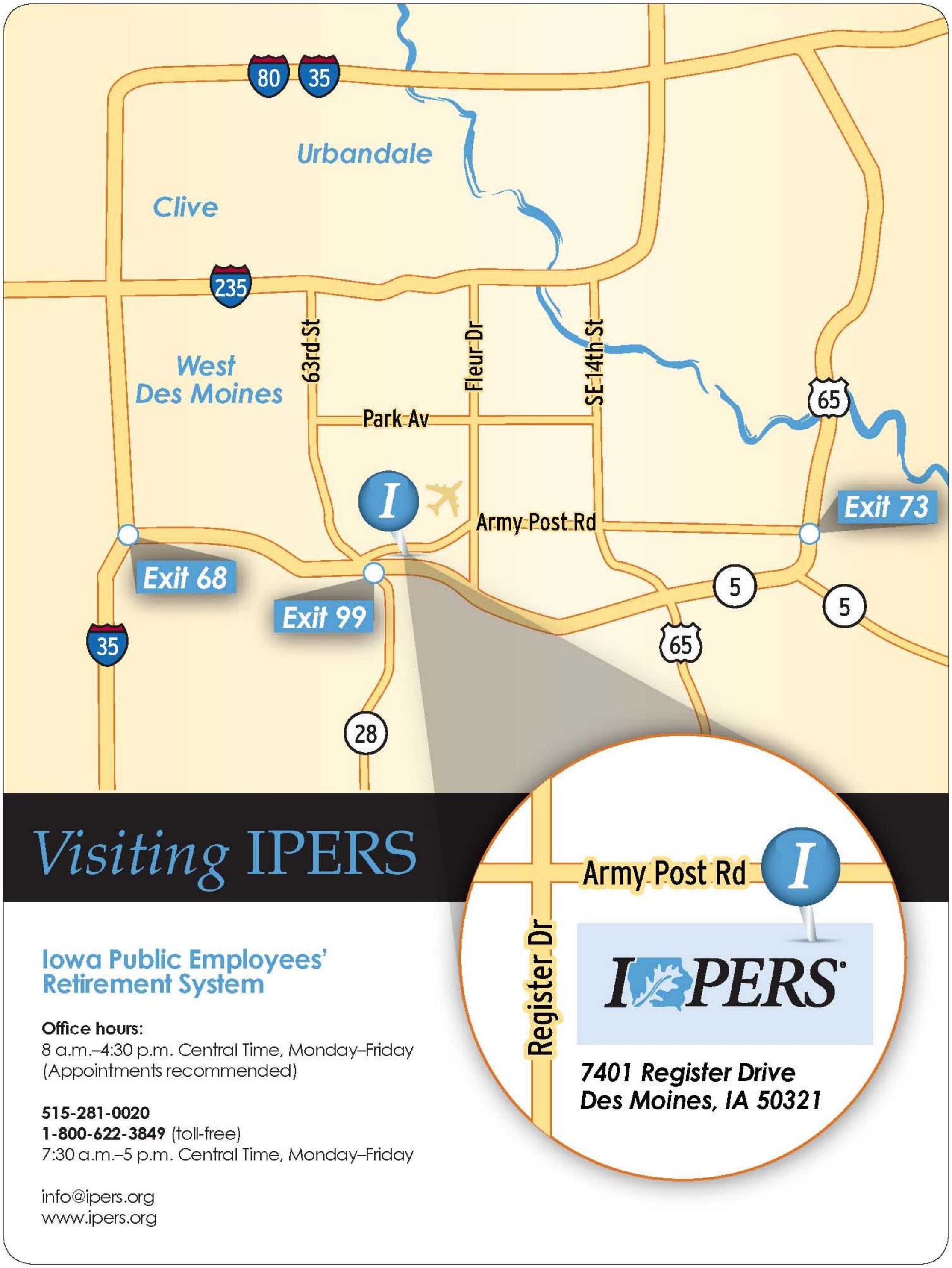
Online Newsletters

Periodically, IPERS publishes various newsletters to help members understand benefits. Check the IPERS website for the latest edition.



If You Plan a Visit to IPERS

IPERS is located in Des Moines at the intersection of Army Post Road and Register Drive. The office is south of the Des Moines International Airport and north of Norwalk.



Questions? *Contact us.*

www.ipers.org

info@ipers.org

515-281-0020
1-800-622-3849 (toll-free)
7:30 a.m.–5 p.m. Central Time
Monday–Friday

Fax: 515-281-0053

MAILING ADDRESS
Iowa Public Employees'
Retirement System
P.O. Box 9117
Des Moines, IA 50306-9117

OFFICE HOURS
8 a.m.–4:30 p.m. Central Time
Monday–Friday
7401 Register Drive
Des Moines, IA 50321

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