

PENSIONERS' POST

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Consultant Submits Report On Portability Options

by Greg Cusack, Chief Benefits Officer

The 1999 session of the Iowa General Assembly instructed IPERS to consider various proposals to provide members increased portability of pensions earned prior to coverage under IPERS and also of pensions earned under IPERS.

Through a competitive bid process, IPERS secured the services of Dr. Joseph Metz of Buck Consultants. Dr. Metz had, under previous contracts, submitted three other very influential reports to IPERS since 1995 which have formed the bulk of our benefits enhancement goals for both active and retired members.

On June 15, 2001, Dr. Metz presented his final report to IPERS at a special meeting of its Constituent Group [see related article on the Constituent Group elsewhere in this issue]. "...our Report proposes that members be permitted to purchase additional service credit for prior employment as authorized by the Federal Internal Revenue Code. This will enhance portability into IPERS. With respect to portability "out of" IPERS, our report addresses the needs of terminated vested members, permitting them to roll over the full accrued value of their vested benefits into another tax-qualified retirement plan upon reaching early retirement age (age 55). We address the needs of those approaching retirement who want to continue working, but would like to "lock in" their retirement benefits earned to date and would like an incentive to continue work (called a DROP plan). We also address the needs of those in IPERS who have worked 30 or more years of service. Finally, we address the needs of retirees who return to work in the public sector and are also drawing pension benefits." Specifically, these recommendations are:

1. Expanding our purchase of service credit program to include other, including private, service time.
2. Permitting vested members who terminate prior to retirement age to roll over the full accrued value of their vested benefits into another tax-qualified retirement plan upon reaching early retirement age (age 55).
3. Lifting or eliminating current earnings limitations for reemployed retirees.
4. Granting service credit for members with up to 40 years of service.
5. Establishing a voluntary supplemental savings plan (such as deferred compensation or tax sheltered annuities) within IPERS or, alternatively, expanding the State's existing deferred compensation plan to include IPERS' members with no access to a voluntary supplemental savings plan.
6. Adopting a deferred retirement option plan (DROP) which would permit active members of IPERS who are eligible to retire because of age and/or service the option of receiving a lump-sum payment in addition to their retirement annuity.
7. Establishing a pension equity plan (PEP) within IPERS for short-term, highly compensated employees and officers of the legislative and executive branches of State government.

I have been working with my colleagues here and the transition Benefits Advisory Committee on IPERS' report to the General Assembly on this same subject. Our report was due to the General Assembly on or before September 1, 2001. If you have any comments upon these recommendations, or wish an e-mail copy of Dr. Metz's Executive Summary of this report, please let me know at Greg.Cusack@idop.state.ia.us.

Constituent Group Becomes Transition Benefits Advisory Committee

by Greg Cusack, Chief Benefits Officer

During this past session, the Legislature made some significant changes to IPERS' governance and structure. Among them, the informal Constituent Group made up of 15 representatives of IPERS' member and employer associations became the *transition* Benefits Advisory Committee on July 1, 2001. Since I first called them together in 1993, the Constituent Group has proven highly effective in working with IPERS in considering and advocating for improvements in our plan design and benefit structure. The fact that they enjoy good working relationships with members of the General Assembly has been of invaluable assistance to IPERS over the years.

In their new role the committee members will continue to advocate for quality member services, integrity of plan design, and needed improvements in our benefit structure. During the coming year they are also to prepare the way for a *permanent* Benefits Advisory Committee beginning July 1, 2002. The *transition* Benefits Advisory Committee members, and the groups they represent, are: Lowell Dauenbaugh of the Iowa State Education Association; Dr. Gene Gardner of the Iowa Association of Community College Trustees; Dr. Mark Haack of the School Administrators of Iowa; Jenifer Owenson of the Iowa Association of School Boards; Walt Galvin of the Retired School Personnel Association; Diane Reid for the State's Conservation Officers; Mollie Anderson, Director of the Iowa Department of Personnel; Steve Timmins of the Department of Management; Janie Garr of the IPERS' Improvement Association; Mike Campbell of the American Federation of State, County, and Municipal Employees (AFSCME); Bill Sage of the Sheriffs and Deputy Sheriffs' Association; Jim Maloney of the Association of Counties; Mike Rolow of the Iowa Association of Police; Andi Stewart of the League of Iowa Cities; and Larry Zimpleman of Principal Financial who is the "public" member. In the near future they will have their own location within IPERS' web site (<http://www.state.ia.us/idop/RetirementHome.html>) to allow you to keep updated on agendas for their forthcoming meetings and condensed notes from past meetings.

Dividend Survey Of Retired Members

by Greg Cusack, Chief Benefits Officer

In our last newsletter, I had asked retired members to "take a moment" to respond to some brief questions about the November or January dividend payments they receive. Specifically, I asked for feedback about which one they received and how they spent that portion they did not save. I was hoping to be proactive in collecting information from you (anonymously as I promised) which would support how vital these cost of living programs are to you in your retired lives. I am going to be giving the Governor and the Legislature a more detailed report precisely because I think it shows these good folks, who have steadily supported IPERS and its members throughout the years, that the COLA and FED programs are resounding successes! These programs are success stories for Iowa and for our elected officials who crafted them.

The response was impressive: 4,500! (Approximately 250 of these came via e-mail.) I personally read almost all of them, and responded to as many of the e-mails personally as I could manage. But allow me here to say THANK YOU! to all who took the time to respond. I wish each of you could read the responses: they are a heart-warming example of how generous and mindful of others you are. They also affirm

IPERS Retired Member Retirement Education Survey

by Curt Sorteberg, Executive Officer

Planning for retirement is more complicated today than ever before because of changes in federal and state pension laws and the greater availability of investment choices in many retirement savings plans. IPERS is surveying our active members to help determine their retirement education needs. We thought it would also be useful to survey retirees in order to benefit from your experience with retirement. We are interested in the reasons why you retired and if you felt your planning for retirement was sufficient to ensure adequate resources and personal enjoyment.

Please take a few minutes to answer these survey questions. Please mail your answers to:

Curt Sorteberg
IPERS
P.O. Box 9117
Des Moines, IA 50306-9117.

You may also e-mail me at curt.sorteberg@idop.state.ia.us. Thanks for your participation.

Dividend Survey of Retired Members Continued from page 1

that the so-called Golden Years can become a little tarnished when health or money problems set in. You were unanimous in two of your sentiments: 1) Thanking us at IPERS (as well as the elected officials who voted) for providing these programs; and 2) Pleading/insisting that we do all we can to "keep [others'] hands off the Trust Fund."

Some more specific data from your responses:

- 44% of those responding received the November (COLA) dividend; 54% the January (FED) payment (2% did not indicate which they received);
- 50% of all responding said they "had to spend it all";
- However, among the 40% who said they "saved and spent," it was clear from their other responses that a vast majority of our retirees need this additional money for vital necessities, including food (42%), medicine (45%), general accumulating bills (37%), taxes (6%), heating bills, (7%) etc. [Note: As you were allowed to check or indicate as many of the above as you wished, totals add to more than 100%.]
- In addition, an impressive 15% of your spending goes to "other" expenses including nursing homes, some form of health insurance, donations to churches or charity, and other family needs.

About one-third of you took the time to write additional comments, some of them fairly lengthy. There is no way to adequately summarize these, although we have kept them all for future reference (again, anonymously, as I promised you). Thank you for responding and helping us build this vital, informative database of just how important these programs are to you. It was both touching and inspiring to read of your trust and confidence in us! Stay involved, stay vigilant, stay connected! Help us continue to keep IPERS strong so that we may able to serve the younger generations following you with these same programs.

Reminders

- ✉ Please remember to keep your address, name changes, and telephone numbers current with IPERS. Failure to do so may interfere with you receiving important information from our office.
- ✉ Please include your Social Security number in all correspondence to IPERS. Your account is accessed by using that number.
- ✉ **IPERS has moved** to 7401 Register Drive. Our mailing address will continue to be PO BOX 9117 DES MOINES IA 50306-9117.

Detach and mail, please.

- What factors were most important to you in making your decision to retire? (Check all that apply, please.)
 - 1. "Burned out," or "tired of the grind."
 - 2. When combined, IPERS, Social Security, deferred compensation, and other savings were adequate.
 - 3. Early Retirement Incentive(s). Please list on the line below:

 - 4. Your health, or the health of your spouse
 - 5. Other career opportunities.
 - 6. Had to retire for health or other reasons.
 - 7. Had planned to retire at that time.
 - 8. Wanted to retire while you had good health and the energy to enjoy it.

- At the time you retired, did you believe you had adequate knowledge and information to choose the best IPERS payment option? Yes No

Comments: _____

- Now that you are retired, are you satisfied with your choice of IPERS' options? Yes No

Comments: _____

- Do you believe that your planning for retirement was adequate in terms of the total financial resources you have available to you? Yes No

Comments: _____

- In which of the following areas of retirement planning could you have used more information or education? Check all that apply and indicate who should have been responsible for providing the information and/or education using the codes indicated. You may enter more than one code for each issue.

A=IPERS B=Social Security Administration
C=Other Government Agency D=Private Provider

Check if applies	Retirement Planning Issue	Who should have provided the assistance?
<input type="checkbox"/>	General financial planning	
<input type="checkbox"/>	IPERS payment options	
<input type="checkbox"/>	Other savings vehicles such as IRAs, deferred compensation, etc.	
<input type="checkbox"/>	Health and wellness programs	
<input type="checkbox"/>	Retirement opportunities including volunteering, travel, part-time employment, etc.	
<input type="checkbox"/>	Health Care Assistance	
<input type="checkbox"/>	Other (Please indicate):	

NOTE: IPERS recently activated an Interactive Voice Response unit to answer frequently asked questions and allow members to request certain forms. Callers can transfer to a counselor at any point.

Member Demand Measures for FY 01 – Implications for IPERS

by Greg Cusack, Chief Benefits Officer

Throughout the year we track certain key numbers which represent the “demand” you, our members, make upon us. We also have additional member and quality service data which we use to assess “how we’re doing” in meeting your expectations. We believe it is important for us – the stewards of your retirement system – to give you regular updates on this data so that you are also well informed members, ever ready to spring to the defense of IPERS should the need arise.

As reported in an earlier edition of this newsletter, our actuary is predicting that the number of retirees (currently approaching 70,000) will **double** in the next 12 to 15 years. However, in the last year this number grew just 3% over the previous year. We expect a substantial spike in annual retirements to begin in FY 06 or FY 07 at the latest, with numbers perhaps doubling or tripling over current levels. This is precisely when the leading edge of the “baby-boomers” will enter retirement age.

The early warning ripples of this demographic wave are already appearing: benefit estimates requested for members preparing for retirement is up 13% this year (to 64,556), and phone calls continue to

increase (up 2.5% to 91,620 over last year). There was also a corresponding rise in the numbers of folks who attended group informational sessions sponsored by IPERS around the State – up 29% (to 3,016) over last year.

IPERS is a vital *economic engine* for Iowa! This past year your retirement system pumped over \$666 million into the hands of our members in distributions of all types, including over \$605 million in monthly annuity payments and cost of living dividend payments to retirees (89% of whom have chosen to remain in Iowa). This annual payroll increased by \$35 million over last year, with the average retired member now receiving about \$670 monthly!

Investing for retirement for our public servants is a wonderfully effective way to increase community sustenance in Iowa. Retired public servants reinvest IPERS dollars in Iowa communities when they spend on housing, food, medical and other services.

Because IPERS has 311,873 members, we estimate that one out of three or four households has an “investment” in IPERS’ stability and well-being and the retirement system contributes to their own livelihood as well. Your staff continues to “hustle” in the hopes of meriting your continued confidence. We are here for you!

Direct Deposit Of Monthly Benefit Payments

by Shirley Coyle, Retirement Benefits Technician

For your convenience, IPERS offers the option of having monthly benefits deposited directly to your account at the financial institution of your choice. This means the payments are sent electronically to your bank and then the bank “posts” it to your account.

If you wish to begin direct deposit or make changes in your direct deposit arrangements that are in place, please note the important information that follows.

- Complete the direct deposit authorization form found to the right and attach a “voided” check. A check is preferred over a deposit slip as the information we need is not always found on the deposit slip.
- Send your direct deposit instructions so that IPERS receives them no later than the 15th of the month you want it to be effective. If you are changing your existing direct deposit information and we do not receive your request by the 15th of the month, you may experience a delay in your benefit payment.
- Include your correct address, telephone number, and Social Security number when sending direct deposit information.
- Include Power of Attorney papers if someone acts on your behalf. We must be able to verify that the person requesting the change for you is authorized to do so.

If you have not considered direct deposit of your benefit payments before, we encourage you to try it. It is efficient, safe, and dependable.

IPERS MEMBER ADDRESS CHANGE FORM

(If change in name or beneficiary, please use IPERS Membership Information and Beneficiary Designation form.)

Please complete and return this form only if you have a change of address.

PLEASE PRINT IN INK OR TYPE

Your Social Security number: - -

Name: First _____ MI _____ Last _____

Address: _____

City: _____ State: _____ Zip: _____ - _____

Phone: Home () _____ Work () _____

New Address Effective: _____

Signature: _____ Date: _____

Mail to: IPERS PO Box 9117 Des Moines IA 50306-9117 or Fax to: (515) 281-0053

------(Cutting Line)-----

AUTOMATIC ELECTRONIC DEPOSIT AUTHORIZATION

Your Social Security number: - -

Address: _____

City: _____ State: _____ Zip: _____ - _____

Signature: _____ Date: _____

Checking Savings

ATTACH A DEPOSIT SLIP OR VOIDED CHECK HERE

I agree to allow IPERS to correct and recover electronic deposits of IPERS payments hereunder if an error in calculation or other overpayment of IPERS benefits to which I am not entitled occurs, including but not limited to overpayments caused by death or legal incapacity.

Investment Swindles Part II—News You Can Use*

by Gregg Schochenmaier, General Counsel

In the last edition of the Pensioners' Post, I discussed the characteristics of investment swindlers. We learned about who are investment swindlers; who are their victims; how they attract their victims; and, about some of the techniques investment swindlers use on their victims.

One difference between a reputable investment firm and a swindler is that reputable firms *encourage* you to ask questions, to obtain as much information as possible, to clearly understand the risks involved, and to be entirely comfortable with any investment decision you make. These are some of the questions investment swindlers don't like to hear:

1. *Where did you get my name?* If the response is that you were chosen from a "select list," that select list might be the telephone directory, or a purchased list of persons who purchased magazines or responded to newspaper ads. If you have made ill-advised investments in the past, you can be pretty sure your name is on someone's alumni list. It's the list swindlers prize most: Easy victims who are eager to recoup (but are doomed to repeat) their earlier losses.
2. *What risks are involved in the proposed investment?* Virtually every investment involves some degree of risk. Some investments are more risky than others. Keep in mind that if the salesman had knowledge of a sure thing, he wouldn't be on the phone with you because he would be busy investing his own money in the "sure thing."
3. *Can you send me a written explanation of your investment so I can consider it at my leisure?* For someone peddling fraudulent investments, this question can be a double turnoff. First, most crooks are reluctant to put anything in writing that might run afoul of postal authorities or at some point be used against them as evidence in a fraud trial. Second, swindlers don't want anything to be at your leisure. They want your money now! Accordingly, a good rule of thumb is that if an investment must be made immediately, it shouldn't be made at all. You may not always be right, but you are less likely to be sorry.
4. *Would you mind explaining your investment proposal to some third party, such as my attorney, accountant, investment advisor or bank?* If the answer goes something like, "normally, I'd be glad to, but there isn't time for that" or "can't you make your own investment decisions," these are virtually certain clues that your final answer should be an emphatic "No" to this investment proposal.
5. *What governmental or industry regulatory supervision is your firm subject to?* If the salesman rattles off a list that ranges from the SEC to the FBI to Boy Scouts, tell him you would like to check the firm's good standing before making your decision. Then check with those authorities. Few things discourage a swindler faster than the thought that his first visitor the next morning may be from a regulatory or law enforcement agency. If, on the other hand, you are told this particular area of investment isn't subject to regulation, consider this information very carefully. At the very least, recognize that if ongoing supervision is not provided by a regulatory agency, the supervision will have to be provided by you. Are you able to perform this function?
6. *What has your track record been?* Before you accept assurances about the money a salesperson is going to make for you, you have the right to know what this investment's performance has been in the past. Ask to have this information (if there is any) in writing. Boasting over the phone is one thing, putting it down on paper is another. Even if you are provided information in writing, don't lose sight of the fact that past performance provides no assurance of future performance.
7. *Where, exactly, will my money be? What type of regular accounting statements do you provide?* In many investment areas, such as futures trading, firms are required to maintain their customers' funds in segregated accounts at all times. Any mingling of investor's funds with those of the firm or principals is prohibited. You might also find out what, if any, routine outside audits the firm's accounting records are subject to and how often you receive account statements.
8. *How much of my money would go for commissions, management fees, and other charges against my account?* Insist on specific answers, not glib and evasive responses such as "that's not important" or "what's really important is how much money you are going to make." Again, get it in writing just as you would any other type of contract.
9. *How can I liquidate (i.e., sell the item I'm investing in) if and when I decide I want my money?* The swindler may indicate to you that your investment is freely disposable without penalty. If you find your investment is not liquid, or there would be substantial costs if liquidated, or that you are unable to get straight and solid answers, these are important things to consider in deciding whether you want to invest.
10. *Are the investments you are offering traded on a regulated exchange, such as a securities or futures exchange?* Some bona fide investments are and some aren't. Exchanges have strict rules designed to assure fair dealing and competitive price determination. There are also mechanisms in place to provide for rule enforcement and to impose severe sanctions against those who fail to observe these rules. An investment may be legitimately off-exchange, but you should exercise increased care and diligence in investigating before you buy.

The first line of defense against investment fraud is your inalienable right to ask questions. I have provided you ten questions that, when asked, should give you some idea whether you are working with a legitimate investment provider or an investment swindler. There are many more you can ask. If the answers you receive make you uneasy, I encourage you to call your nearest law enforcement agency. Not only may you be saving your own hard earned savings, you may be saving your neighbor and friends from an investment swindler.

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