



IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

# Summary of 2010–2012 IPERS changes



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The changes described in this summary are the result of a 2010 Iowa law (House File 2518).



## IPERS MEMBERSHIP CLASSES

*IPERS has three membership classes. Each class has different contribution rates and benefits. Most IPERS members are in the regular class. Only sheriffs, deputy sheriffs, and those working in protection occupations are not. (Protection occupations include certain employees of the Department of Corrections, state and county conservation peace officers, city police officers, DOT peace officers, airport firefighters, airport safety officers, fire prevention inspector peace officers, regular and volunteer firefighters, air base security officers, county jailers, emergency medical service providers, county attorney investigators, and National Guard installation security officers.)*



# no changes



### Regular members

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



### Sheriffs, deputies, and protection occupations

- All benefits stay the same.
- IPERS will continue to adjust these members' contribution rates each year as calculated by IPERS' actuary.

# benefits

*Changes will affect new employees and current employees differently because the benefits current employees have already earned cannot be lowered.*

## Effective July 1, 2012

### Vesting



- A member becomes vested after seven years of service, or upon reaching age 65 while in IPERS-covered employment, whichever comes first.

### Benefit amounts



- The wages used to calculate benefit amounts will be the average over the five years the employee earned the most. IPERS will continue to use a control year outside of the “high five” years to test for wage spiking that inflates benefits.
- The amount lifetime monthly benefits are reduced for early retirement increases to 6 percent times the number of years the member receives benefits before age 65. The 6 percent reduction for early retirement will affect only people who retire before reaching normal retirement age.

# contributions

*The contribution rate is the percentage of wages employees and their employers pay to IPERS.*

## Effective July 1, 2011



- The total contribution rate will be 13.45 percent.
- Employees will contribute 5.38 percent, which is 40 percent of the total.
- Employers will contribute 8.07 percent, which is 60 percent of the total.

Before the law change, employees would pay 4.7 percent on 7/1/11. The increase to 5.38 percent means an employee with weekly wages of \$1,000 will have \$6.80 more deducted each week.

## Effective July 1, 2012



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

## disability benefits

Effective July 1, 2011



The law will contain a cancer and infectious disease presumption connected to these members' in-service disability benefits.

## bona fide retirement

Effective now



Extends, to July 1, 2012, a one-month bona fide retirement exemption for licensed health care professionals in city and county hospitals.



Creates, retroactive to May 25, 2008, a bona fide retirement exemption for members of the Iowa National Guard if they are called to state duty.

## furloughs & bumping

Effective now through  
June 30, 2011



Employees may make up contributions to have unreduced wages recorded by IPERS when pay goes down because of:

- Required unpaid time off.
- Bumping to avoid a layoff (retroactive to 1/1/09).

*Employees must pay both the employer and employee share of IPERS contributions. **This is most likely to help employees who are near retirement, when recorded wages affect how much retirement benefits will be.***