



Vested Members

Iowa Public Employees' Retirement System

For Vested IPERS Members | Protection Occupations



I^{IPERS}

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CONGRATULATIONS ON BECOMING A VESTED IPERS MEMBER!

As a vested member, you have reached an important milestone on the road to retirement.
Vesting entitles you to special benefits as described in this brochure.

Remember, IPERS provides the security you need through guaranteed benefits. With IPERS, unlike other retirement plans, benefits aren't tied to the performance of the stock market and you don't need to be an experienced investor to make your retirement dreams a reality. Your IPERS benefits are only one part of your overall retirement savings. Your total retirement income will come from a combination of your IPERS benefits, Social Security, personal savings, and any other retirement plan benefits.



This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available on the IPERS website.

Rights of Vested Members

Vesting entitles you to special rights under IPERS. You become vested when you meet one of these conditions:

- You have completed 4 years of service.
- You reach age 55 while in covered employment.

Vesting gives you access to the benefits described below.

Purchasing Service

There may be instances when you need (or want) additional service to help you increase your retirement benefits. You may be able to purchase service credit at retirement, or even receive free service credit.

At retirement, you may contribute funds to convert (“buy up”) Regular IPERS-covered service into Special Service, and you may purchase service for legislative service, if you withdrew contributions (took a refund), worked for another public or private employer, or have not elected coverage for previous employment.

You may also be eligible for free credit for certain disability leaves and for service in the Armed Forces.

For more information, see the IPERS *Purchasing Service* booklet available online or contact IPERS.



Portability of Benefits

If you change jobs, you continue to grow your IPERS benefits if your new job is also an IPERS-covered position. If you take a job in Regular IPERS-covered employment (not Special Service), your benefits under IPERS could change. Contact us before you switch jobs to discuss the effect it may have on your benefits.

If you leave IPERS-covered employment, you can choose to leave your money in IPERS. This may be helpful if you plan on returning to covered employment. You can also take a refund or roll over all or a portion to a qualified plan such as a 401(k) plan or IRA.

SECURE AND DEPENDABLE RETIREMENT BENEFITS

No hassle, no risk — guaranteed! IPERS uses a formula to calculate your benefits, providing you with guaranteed lifetime retirement benefits. Your benefits aren't tied to the performance of the stock market, so you don't have to worry about riding out the bumps in the market. IPERS takes on all the investment risk, providing you with retirement benefits you can depend on.

EXAMPLE:

Jenny has 11 years of covered service when she terminates employment. She is eligible to receive 50% of her employer's investment (11 years ÷ 22).

Access to Employer Contributions

You are always entitled to 100% of your own contributions and interest earnings. 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 22.

Disability Benefits

Being vested is a requirement for becoming eligible for disability benefits. These benefits provide important protection for you and your family. If you qualify for disability benefits from IPERS, your benefits can begin before you would normally be eligible for benefits. You may have a choice between two types of disability benefits: Special Service disability benefits and Regular disability benefits. See the *Understanding Your Disability Benefits* booklet available online for more details.

Special Service Disability Benefits

To be eligible for Special Service disability benefits, you must:

- Be vested.
- Have a disability that began while you were employed in an IPERS-covered Special Service job — but not necessarily while you were on duty.
- Leave your IPERS-covered Special Service job because of your disability.
- Apply for benefits within one year of leaving IPERS-covered employment.
- Complete a medical exam by the Medical Board of the University of Iowa, unless waived by IPERS.

Regular Disability Benefits

To qualify for Regular disability benefits, you must:

- Be vested.
- Have ended all IPERS-covered employment.
- Be receiving federal Social Security or Railroad Retirement disability benefits.

If you are under age 65, you must also:

- Provide proof to IPERS that you remain eligible for federal Social Security disability or Railroad Retirement disability benefits each year.

Death Benefits

IPERS provides death benefits if you die before beginning to receive your IPERS retirement benefits. Death benefits are available to vested and nonvested members, but vested members are eligible for additional death benefits. If you die on the job, up to \$100,000 of your death benefit may be paid as a line-of-duty death benefit, as a lump-sum tax-free payment.

When you began working in covered employment, you should have completed and submitted an *Enrollment/Beneficiary Designation* form to IPERS. The form is available on the IPERS website or by calling IPERS. It's important to review your beneficiary information periodically as your personal situation may change. You can check your beneficiary designation by registering for and logging in to My Account on IPERS' website.

A Plan Designed for You

The IPERS plan is a defined benefit pension plan. The lifetime monthly benefit you receive is predictable and stable because it is calculated using a formula. Your benefits grow with you throughout your IPERS-covered employment. As your years of service and salary increase, your IPERS benefits grow too.

IPERS was established for the sole purpose of providing a retirement plan to public employees throughout Iowa. As a public agency, IPERS' goals are aligned with its members' goals.

IPERS benefits are designed to supplement personal savings and Social Security benefits in retirement. Benefits also offer financial protection for families in the event of death or disability.

Strength in Numbers: Our Membership

IPERS covers most Iowa public employees. With 355,000 members and 2,000 covered employers, IPERS is the largest public retirement system in Iowa. IPERS offers retirement benefit stability and security that members can count on.

Most public employees in Iowa automatically become members of IPERS when they start employment with an IPERS-covered employer.

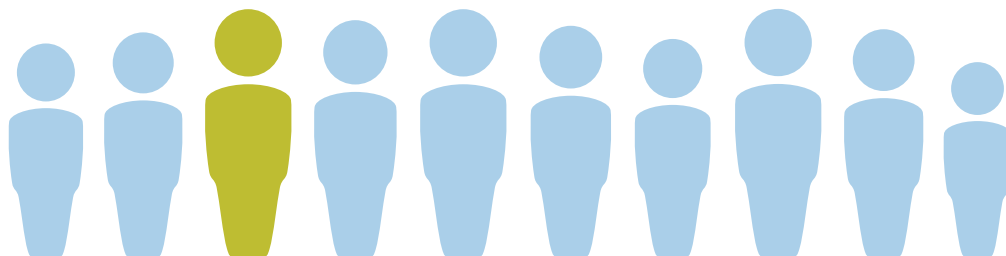
Covered employers include:

- Schools
- Counties
- State agencies
- Cities
- Townships
- Other public employers

DEFINED BENEFIT PENSION PLANS, SUCH AS IPERS, ARE ECONOMICALLY EFFICIENT AND APPRECIATED BY EMPLOYEES

Middle-income earners, such as teachers, **fare better** in terms of savings with a DB [defined benefit] pension than with a DC [defined contribution] plan.

— CHRISTIAN E. WELLER, "WIN-WIN: PENSIONS EFFICIENTLY SERVE AMERICAN SCHOOLS AND TEACHERS," NATIONAL INSTITUTE ON RETIREMENT SECURITY, OCTOBER 2017



Did you know? **One in ten** Iowans is an IPERS member.

In 2017, 88% of Americans say those with a pension are **more likely** to have a secure retirement.

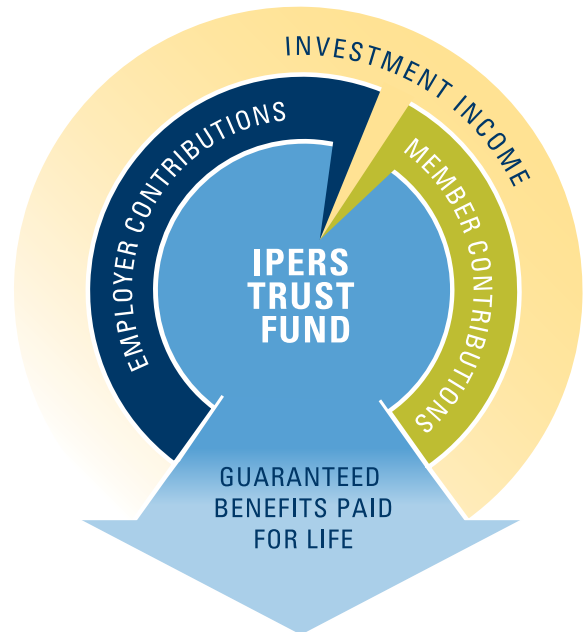
— DIANE OAKLEY AND KELLY KENNEALLY, "RETIREMENT SECURITY 2017: A ROADMAP FOR POLICY MAKERS / AMERICANS' VIEWS OF THE RETIREMENT CRISIS AND SOLUTIONS," NATIONAL INSTITUTE ON RETIREMENT SECURITY, FEBRUARY 2017

Contributing to IPERS

Both you and your employer contribute to IPERS. IPERS invests the contributions and holds the investment income in a Trust Fund for the exclusive purpose of paying benefits to members and their beneficiaries.

The Iowa Legislature and Governor determine the positions of employment in each membership group and the benefits provided. Most members are Regular members. The rest are Special Service members, who work in public safety jobs. (See more information on page 10.)

IPERS sets contribution rates as part of its annual actuarial valuation, which applies actuarial assumptions and IPERS' funding policy. Rates for



all membership groups are released and posted on the IPERS website in November. New rates take effect the following July 1.

IPERS is a prefunded retirement plan. That means the money employees contribute today is pooled and invested so it can grow and pay for their own future benefits.

Benefits of Contributing to IPERS

- **Automatic retirement savings.** Automatic deductions from your paycheck ensure you set aside retirement savings.
- **Income you won't miss.** Since the deductions come out of your check automatically, you won't miss the income.
- **Pretax deductions.** Your contributions reduce your taxable income.
- **It's easy.** IPERS takes on all the investment risk. You don't have to worry about investment market fluctuations.



Membership Rewards

Saving for retirement is important.

IPERS benefits are designed to supplement personal savings and Social Security benefits. Consider these rewards of IPERS membership.

Security

IPERS is a well-funded retirement plan. IPERS' administration and an independent actuary scrutinize IPERS' financial statements yearly. IPERS' administrators evaluate the retirement plan's sustainability and request changes when appropriate.

Accountability

The Iowa Legislature and Governor are the plan sponsors for IPERS. The Legislature authorizes spending from the Trust Fund for administrative expenses. IPERS closely monitors and negotiates investment management expenses, does not spend money on costly advertising campaigns, and operates with a small and efficient staff. Annual financial statements on the Trust Fund are available online or from IPERS for free.

Worry-Free Benefits

Since IPERS provides a defined benefit, you don't have to worry about monitoring where your money is invested or how the stock market performs. It's easy and worry-free. You have the option of receiving your benefits as a monthly lifetime payment—which means you can never outlive your benefits. The amount of your benefit is based on a formula that factors in your years of service, age, and highest 3-year

average salary. By design, IPERS takes on all the investment risk; with a defined contribution plan, you take on the investment risk and must ensure your investment grows at a sufficient rate to provide benefits for your lifetime.

Resources

IPERS helps you plan for a secure retirement. You are encouraged to speak one-on-one with a representative who can answer your questions and address your individual situation. In addition, online resources and periodic mailings keep you informed about your IPERS benefits.

LOW ADMINISTRATIVE EXPENSES

According to CEM Benchmarking Inc., an independent company that reviews pension systems, IPERS' administrative expenses are among the lowest of similarly sized public retirement systems, averaging 50% less than our peers.

IPERS Membership Has Rewards

- **Security.** IPERS is a large, well-funded plan.
- **A guaranteed benefit.** Your benefit is based on a formula; benefits are predictable.
- **A safety net.** IPERS provides death and disability benefits.
- **Public accountability.** You elect the officials who sponsor the plan; these officials want to provide sound, yet cost-effective benefits. Plan financials are fully disclosed.
- **Portability.** If you change jobs to another IPERS-covered position, you continue to grow your IPERS benefits. If you leave public employment, you can take your contributions with you.
- **Retirement planning resources.** Talk or meet with an IPERS representative to discuss your IPERS benefits.

Eligibility for Benefits & Your Benefit Amount

WILL YOUR BENEFIT BE REDUCED FOR EARLY RETIREMENT?

If all of your IPERS-covered jobs are considered Special service, your benefit is not reduced for early retirement. If you work in a Regular IPERS-covered position at any point in your career, a hybrid formula may be used to calculate your benefit. Keep reading for more information on calculations for members with both types of service.

If you are vested and leave covered employment, you can begin receiving monthly benefits at age 55.

The formula used to calculate your annual IPERS benefit includes:

- **YOUR AVERAGE SALARY**
(average of your highest 3 years' salaries)
- **A MULTIPLIER**
(based on your years of service)

Benefit Calculation for Special Service Members

$$\text{Average Salary} \times \text{Multiplier}$$

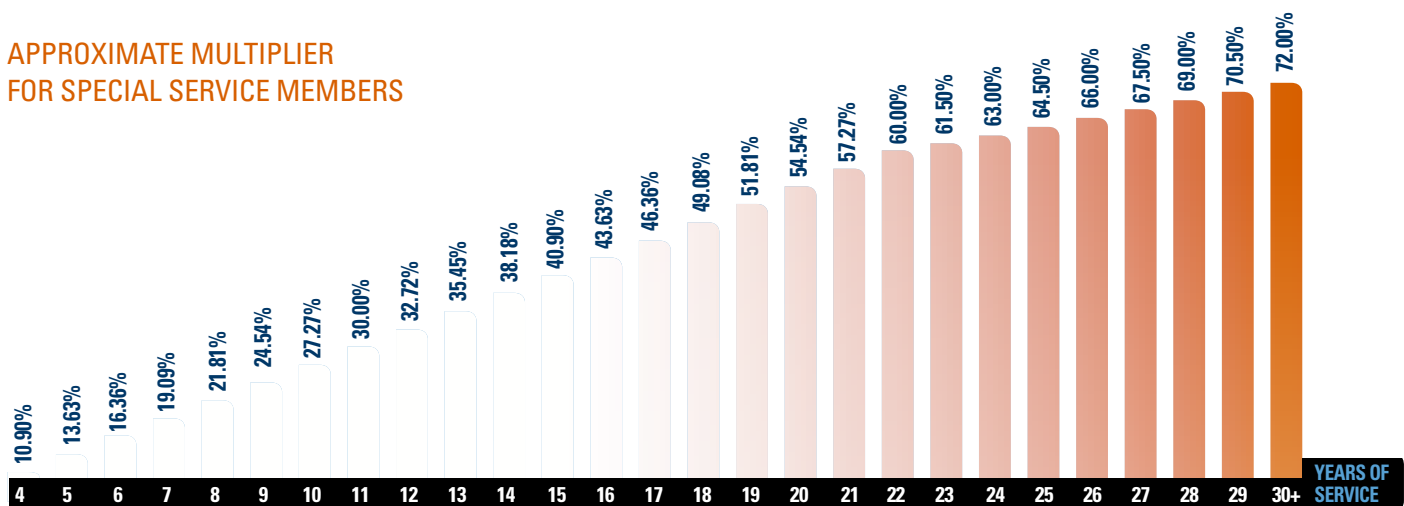
Your Annual IPERS Benefit

IPERS will compare your highest 3-year **average salary** to your highest calendar year salary (control-year salary) not being used in the formula. If your highest 3-year average salary is more than 121% of your control-year salary, your salary in the benefit formula will be reduced to 121% of your control-year salary. Additional rules apply when your control-year salary does not represent a full year of salary.

Your **multiplier** increases with every year you work in IPERS-covered employment. Purchasing IPERS service also increases your multiplier. The maximum multiplier is 72%.

IMPORTANT! If you are considering switching to a job in IPERS-covered Regular employment, contact IPERS beforehand to discuss how the change will affect your IPERS benefits.

APPROXIMATE MULTIPLIER FOR SPECIAL SERVICE MEMBERS



Calculation Examples



Retirement benefits in the following examples are calculated under Option 2. The amounts will be adjusted if another option is chosen. These calculations use Special Service credit only (employment in the sheriff/deputy membership group or the protection occupation membership group, but not in the Regular membership group).

EXAMPLE 1:

Retirement Benefits Calculated With *Average Salary*

JOE, AGE 55

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 3-year average salary is \$51,814.

$$\begin{array}{rcl} \$51,814.00 & \text{Joe's 3-year average salary} \\ \times 57.27\% & \text{Multiplier (2.7272\%} \times 21 \text{ years of service)} \\ \hline \$29,673.88 & \text{Joe's annual benefit} \end{array}$$

JOE, AGE 58

If Joe worked another 3 years and retired at age 58 with a highest 3-year average salary of \$55,056, his annual retirement benefit would be as follows.

$$\begin{array}{rcl} \$55,056.00 & \text{Joe's 3-year average salary} \\ \times 63\% & \text{Multiplier (2.7272\%} \times 22 \text{ years of service} \\ & + 1.5\% \times 2 \text{ years of service)} \\ \hline \$34,685.28 & \text{Joe's annual benefit} \end{array}$$

Preretirement Death Benefits

If Joe died at age 58 before his benefits started, a lump-sum benefit of \$289,044 would be payable to Joe's beneficiary.

EXAMPLE 2:

Retirement Benefits Calculated With *Control-Year Salary*

BRENDA, AGE 65

Brenda works for an IPERS-covered employer for 30 years and decides to retire at age 65. Her highest 3-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 multiplies \$46,000 by 121 percent, which equals \$55,660.

Because \$55,660 is less than \$60,000, IPERS will adjust Brenda's salary used in the benefit formula to \$55,660.

$$\begin{array}{rcl} \$55,660.00 & \text{121\% of Brenda's control-year salary} \\ \times 72\% & \text{Multiplier (2.7272\%} \times 22 \text{ years of service} \\ & + 1.5\% \times 8 \text{ years of service)} \\ \hline \$40,075.20 & \text{Brenda's annual benefit} \end{array}$$

Preretirement Death Benefits

If Brenda died before she started receiving her retirement benefits, her beneficiary would be eligible for a death benefit of \$333,960.

These examples are for illustrative purposes only. Your benefits may be different depending on your employer, length of service, covered wages, and the payment option you choose at retirement.

If You Have Regular Service in Addition to Special Service

If you have worked in IPERS-covered Special Service *and* Regular service, a hybrid formula may be used to calculate your benefit. The hybrid formula cannot be used if you have 30 or more years of Regular service or 22 or more years of Special Service. 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.

The hybrid formula takes all of your service (up to the maximums) into account by applying the appropriate multiplier for each membership group to the service you earned in that group. The multiplier for the first 22 years of Special Service is shown on page 8.

Generally, your highest five-year average salary is used with your Regular service multiplier. Your highest three-year average salary is usually used with your Special Service multiplier.

Your benefits under the hybrid formula will be reduced if you begin receiving them before normal retirement age. An early-retirement reduction will apply *only* to your Regular service credits. Normal retirement age is one of the following, whichever comes first:

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

The maximum retirement benefit under the hybrid formula is 65% of your average salary. The following examples show benefits calculated using the hybrid formula.

About IPERS Membership Groups



IPERS has three membership groups: the Regular membership group (which makes up about 95% of the membership), the sheriff/deputy membership group, and the protection occupation membership group. Sheriffs/deputies and members in protection occupations are known as Special Service members. These members work in public safety occupations. Their careers tend to be shorter because of the physical demands of their jobs. There are some differences in the retirement benefits offered to each membership group.

Hybrid Calculation Examples



EXAMPLE 3:

Hybrid Retirement Benefits Payable at Normal Retirement Age

NANCY, AGE 62

Nancy works for an IPERS-covered employer for 21 years. During those years, she worked as a Regular-group employee for 6 years and as a deputy sheriff for 15 years. She retires at age 62, after reaching normal retirement age.

FROM SPECIAL SERVICE

$$\begin{array}{rcl} \$53,754.00 & \text{Nancy's 3-year average salary} & \\ \times 40.90\% \text{ Multiplier } (2.7272\% \times 15 \text{ years of service}) & & \\ \hline \$21,985.39 & & \end{array}$$

FROM REGULAR SERVICE

$$\begin{array}{rcl} \$52,054.40 & \text{Nancy's 5-year average salary} & \\ \times 12\% \text{ Multiplier } (2\% \times 6 \text{ years of service}) & & \\ \hline \$6,246.53 & & \end{array}$$

TOTAL HYBRID BENEFIT

$$\begin{array}{rcl} \$21,985.39 & \text{From Special Service} & \\ + \$6,246.53 & \text{From Regular service} & \\ \hline \$28,231.92 & \text{Nancy's annual benefit} & \end{array}$$

EXAMPLE 4:

Hybrid Retirement Benefits Payable Before Normal Retirement Age

JERRY, AGE 55

Jerry retires at age 55 with 5 years of Special Service and 9 years of Regular service (5 years before 7/1/2012, and 4 years after 6/30/2012). Because he has not reached normal retirement age (65), Jerry's benefits will be reduced. The early-retirement reduction applies only to his Regular service credits.

FROM SPECIAL SERVICE

$$\begin{array}{rcl} \$57,500 & \text{Jerry's 3-year average salary} & \\ \times 13.636\% \text{ Multiplier } (2.7272\% \times 5 \text{ years of service}) & & \\ - \$0 & \text{No early-retirement reduction} & \\ \hline \$7,840.70 & & \end{array}$$

FROM PRE-7/1/12 REGULAR SERVICE

$$\begin{array}{rcl} \$55,000 & \text{Jerry's 5-year average salary} & \\ \times 10\% \text{ Multiplier } (2\% \times 5 \text{ years of service}) & & \\ - \$1,650 & \text{Reduction } (3\% \times 10 \text{ years of early retirement}) & \\ \hline \$3,850 & & \end{array}$$

FROM POST-6/30/12 REGULAR SERVICE

$$\begin{array}{rcl} \$55,000 & \text{Jerry's 5-year average salary} & \\ \times 8\% \text{ Multiplier } (2\% \times 4 \text{ years of service}) & & \\ - \$2,640 & \text{Reduction } (6\% \times 10 \text{ years of early retirement}) & \\ \hline \$1,760 & & \end{array}$$

TOTAL HYBRID BENEFIT

$$\begin{array}{rcl} \$7,840.70 & \text{From Special Service} & \\ + \$3,850.00 & \text{From pre-7/1/12 Regular service} & \\ + \$1,760.00 & \text{From post-6/30/12 Regular service} & \\ \hline \$13,450.70 & \text{Jerry's annual benefit} & \end{array}$$

Questions? *Contact us.*

info@ipers.org
www.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



OFFICE HOURS

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

MAILING ADDRESS

P.O. Box 9117
Des Moines, IA 50306-9117

Simple Steps

Take these simple steps to make the most of your IPERS membership.

- **Keep your address updated with IPERS.** Your employer does not tell IPERS when you move.
- **Review and update your beneficiary designation.** To designate or change your beneficiary, fill out an *Enrollment/Beneficiary Designation* form. You can check your current beneficiary designation by logging in to My Account at www.ipers.org.
- **Review your annual benefits statement.** It shows your service credits, reported wages, contributions, estimated benefits, and beneficiary designation.
- **Contact your employer if you have questions about your wages.** It's important to make sure your wages are reported correctly.
- **Read IPERS newsletters and annual summaries.** Stay informed by reading all the IPERS materials available to you.
- **Attend an IPERS educational session to learn more about IPERS.** For information, call IPERS or visit our website.
- **Provide input to IPERS, the Governor, and your Legislature.** You elect the officials who sponsor the IPERS plan.
- **Visit www.ipers.org.** The site provides benefits summaries, retirement planning tools, and forms. You can also register for My Account to access account information at anytime.



Working Today for Your Tomorrow