

YOUR IPERS BENEFITS



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STATE OF IOWA

YOUR IPERS BENEFITS

IOWA PUBLIC EMPLOYEES
RETIREMENT SYSTEM

1968

Administered by
IOWA EMPLOYMENT
SECURITY COMMISSION
DES MOINES, IOWA

**A Booklet of Information for Employees
of the State of Iowa, its Cities, Counties,
Townships and School Districts**

FOREWORD

This booklet describes your benefits, rights and obligations as a member of the Iowa Public Employees Retirement System. It replaces an earlier edition which does not include the amendments adopted in 1967 by the Sixty-second General Assembly of Iowa.

The most important change made by these amendments is from "money-purchase" type of benefit to what is referred to as the new "formula" benefit. As you approach retirement, the formula benefit enables you to determine more readily and accurately the amount of benefits you may expect to receive at retirement.

Another important change is the increase in the amount of wages on which your contributions and your benefits are made since this will assure you of a larger benefit at retirement.

The meaning of the law's provisions are presented in a simple, narrative form in this booklet and, while it is reasonably accurate, a good many technical details have not been covered. As a result, this booklet does not have the effect of a rule or regulation. Final and accurate determinations in any particular case or circumstance must be governed by administrative computations and decisions made under the law, rules and authorized procedures.

SOME FACTS ABOUT YOUR RETIREMENT SYSTEM

- It is a "joint contributory" system because both members and their employers contribute to the cost of benefits.
- It is a "funded" system because contributions are sufficient to fully fund or pay for the benefits being credited. Actuarial computations are made annually to assure that benefits are fully funded.
- It was started July 4, 1953. Any service before that date is "prior service" which had to be elected by each eligible member before October 1, 1953 if prior service benefits were to be credited.
- Its membership consists of public employees and certain elected officials. Excluded from membership are members of other retirement systems receiving income from public contributions in Iowa.
- It is administered by the Iowa Employment Security Commission which is authorized to appoint or employ any needed personnel for the administration of the System.
- Its income comes from three principal sources: members' contributions, employers' contributions and earnings on investments.
- Its funds are held in a trust fund deposited with the State Treasurer. An Advisory Investment Board advises the Commission on the investment of funds. Moody's Investment Counseling Service has been retained to assist in making investments and Calvin Bullock, Ltd. will be retained April 1, 1968.

- It maintains an individual account for each member under his name and Social Security number. An annual statement is furnished to each member showing his accumulated contributions and benefit credits.

RETIREMENT BENEFITS

Some Important Definitions

Certain terms are used throughout this book so you may want to read these definitions now and refer to them later on.

FORMULA BENEFIT is the new retirement benefit for service after July 4, 1953. This new larger benefit was provided by amendment made by Iowa's Sixty-second General Assembly.

NORMAL RETIREMENT DATE is the first of the month coinciding with or next following your 65th birthday.

EARLY RETIREMENT DATE is the first of any month coinciding with or following your 55th birthday and before your normal retirement date.

MEMBERSHIP SERVICE means the years of service after July 4, 1953 until the date of retirement but not past your 70th birthday.

COVERED WAGES are wages during years of membership service not in excess of the following amounts:

	Maximum Annual Covered Wages
July 4, 1953-December 31, 1963.....	\$4,000
January 1, 1964-December 31, 1967..	4,800
January 1, 1968 and thereafter.....	7,000

Some Important Ages and Dates

A member may retire on his normal retirement date and receive his full retirement allowance.

A member may retire on an early retirement date and receive a reduced retirement allowance.

A member may remain in public service after his normal retirement date up to age 70.

A member must retire at age 70 unless his employment is continued at the request of his employer. After age 70 he makes no further contributions.

A member who retires at the normal retirement date or later may work in public employment, have earnings up to \$1,800 a year and still receive his full retirement allowance.

A member who is age 72 or older whether working or retired may apply and receive his full retirement allowance regardless of the amount of his earnings.

A member whose employment is terminated after 8 years of service or after age 55 is eligible for either a reduced early retirement benefit or a normal retirement benefit if he doesn't receive a refund of his contributions.

YOUR RETIREMENT ALLOWANCE

The Formula Benefit

A member retiring on his normal retirement date or later who has five or more years of service will receive a retirement allowance based on the new benefit formula. The annual formula benefit is $1\frac{1}{4}$ percent for each year of membership service multiplied by the average annual covered wage. To find the amount of the monthly benefit you divide the result by 12:

EXAMPLE

John Smith is retiring on his normal retirement date with 25 years of membership service. His retirement benefits are based on:

Membership Service	Annual Covered Salary	Years of Service	Total Covered Salary
January 1, 1955 to December 31, 1963....	\$4,000	9	\$ 36,000
January 1, 1964 to December 31, 1967....	4,800	4	19,200
January 1, 1968 to December 31, 1979....	6,750	12	81,000
			\$136,200

To find his average annual covered salary, divide his total salary by his membership service.

$$\frac{\$136,200}{25} = \$5,448$$

To find his monthly formula benefit, multiply his average annual covered salary by his years of service and by 1¼ percent and then divide by 12.

$$\begin{array}{r}
 \$ 5,448.00 \\
 \times 25 \\
 \hline
 \$136,200.00 \\
 \times 1\frac{1}{4}\% \\
 \hline
 \$ 1,702.50 \text{ annual benefit} \\
 \div 12 \\
 \hline
 \$ 141.875 \text{ monthly formula benefit}
 \end{array}$$

The changes in the IPERS law became effective July 1, 1967 and generally provide a larger retirement allowance. If, in any case, the formula benefit would result in a smaller retirement allowance for your years of membership service up to July 1, 1967, the provisions in effect up to that time would apply to those years of service.

MONTHLY MEMBERSHIP SERVICE RETIREMENT ALLOWANCES EFFECTIVE JULY 1, 1967

**Based upon Retirement at Age 65, No Limitation
on Years of Service**

Monthly Benefit Examples

Average Annual Covered Wages

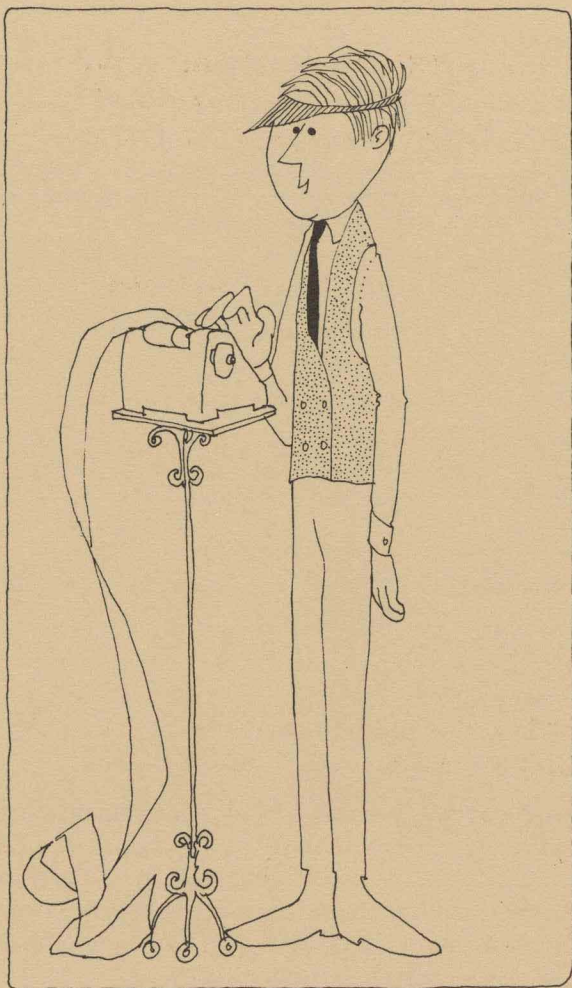
Years of Service from July 4, 1953	\$3,500	\$4,000	\$4,800	\$5,600	\$6,000	\$6,600	\$7,000
10	\$ 37	\$ 42	\$ 50	\$ 58	\$ 63	\$ 69	\$ 73
15	55	63	75	88	94	103	110
30	111	125	150	175	188	207	219
40	148	168	200	232	252	276	292
Approximate Allowance Per Month for Each Year of Service	\$ 3.70	\$ 4.20	\$ 5.00	\$ 5.80	\$ 6.30	\$ 6.90	\$ 7.30

When the Formula Benefit Doesn't Apply

If you are a member who left employment before age 55 and after 8 years of service or a member retiring with less than five years of service, the formula benefit does not apply to you. Instead you will receive a monthly benefit based on the accumulated contributions paid by you and your employer and any retirement dividends credited to you before December 31, 1966.

The New Prior Service Benefit

Effective July 1, 1967, a larger prior service benefit is provided for every member qualified for prior service. The new prior service benefit is 1 percent for each year of prior service multiplied by the total wages up to \$3,000 during the year of prior service with the highest wages.



EXAMPLE

Henry Jones was employed in Iowa public employment for 10 years before IPERS was established and he qualified for 10 years of prior service credit. His new prior service benefit is

$$1\% \times \$3,000 \times 10 = \$300 \text{ annual benefit}$$
$$\$ 25 \text{ monthly benefit}$$

His total benefit consists of this prior service benefit plus his formula benefit for membership service.

The Early Retirement Benefit

A member who retires after age 55 and before age 65 receives a retirement allowance which is computed in the same manner as the normal retirement benefit and then reduced by 5/10 of 1 percent for each month his early retirement precedes his normal retirement date.

EXAMPLE

Henry Jones of the previous example decides to retire two years early at age 63. At that time, he had 24½ years of membership service besides his 10 years of prior service. His benefits are based on:

Membership Service	Average Annual Covered Salary	Years of Service	Total Covered Salary
July 4, 1953 to December 31, 1963....	\$4,000	10½	\$ 42,000
January 1, 1964 to December 31, 1967	4,600	4	18,400
January 1, 1968 to December 31, 1977....	6,200	10	62,000
		24½	\$122,400

To find his average annual covered salary, we divide his total salary by his membership service.

$$\frac{\$122,400}{24\frac{1}{2}} = \$4,995.92$$

To find his monthly formula benefit, multiply his average annual covered salary by his years of service and by 1¼ percent and then divide by 12.

$$\begin{array}{r} \$ 4,995.92 \\ \times 24\frac{1}{2} \\ \hline \end{array}$$

$$\begin{array}{r} \$122,400.00 \\ \times 1\frac{1}{4}\% \\ \hline \end{array}$$

$$\begin{array}{r} \$ 1,530.00 \text{ annual benefit} \\ \div 12 \\ \hline \end{array}$$

$$\begin{array}{r} \$ 127.50 \text{ monthly formula benefit} \end{array}$$

The reduction for retirement two years early is 24 months multiplied by 5/10 of 1 percent or 12 percent. A 12 percent reduction of \$127.50 is \$15.30. Henry Jones' early retirement monthly benefit for membership service is

$$\$127.50 - 15.30 = \$112.20$$

His monthly benefit for prior service was \$25 at his normal retirement date. Since he will start receiving his benefits two years early, his prior service benefit is also reduced 12 percent.

This reduction of 12 percent of \$25 amounts to \$3. His prior service benefit at early retirement is

$$\$25 - \$3 = \$22$$

Henry Jones will receive a total monthly retirement income of

$$\$112.20 + \$22 = \$134.20$$

He will receive this amount beginning at age 63, two years before his normal retirement date and continuing the rest of his life.



OPTIONAL BENEFITS: TYPES OF RETIREMENT PAYMENTS

Members may choose benefits under one of four different plans. Since the selection is made by each member, these plans are known as retirement options. Option selection is made when the member retires.

Option 1.

Under this option, the member and his beneficiaries are assured of the full payment of the member's accumulated contributions, his employer's matching contributions plus interest and interest dividends. If the member dies before he has received the full payment of this amount in monthly benefits, the remainder is paid in a lump sum cash payment to his designated beneficiary or to his estate. Of course, the member's retirement benefits continue regardless of how long he lives.

Option 2.

The monthly retirement benefit examples in the preceding section were computed under this option since this is the benefit for normal retirement. This option provides a somewhat larger monthly benefit than Option 1. At death, a refund is made of only the member's own contributions, interest and interest dividends minus the total retirement benefits paid to the member.

Option 3.

Option 3 provides the maximum retirement allowance and the member receives payments of a designated amount each month as long as he lives. However, when the member dies, benefits cease and no further payments are made to anyone.

Option 4.

Under this option the member receives a reduced monthly benefit so a monthly benefit can be provided after his death to the person named. The member specifies the amount to be paid monthly to the survivor. It can equal his own benefit or be one half or one fourth as much as his own benefit. Naturally the larger amount payable to the beneficiary, the greater the reduction in the member's own retirement allowance.

WITHDRAWAL OF CONTRIBUTIONS

Any member whose public employment is terminated for any reason may elect to take a refund of all the contributions he has made plus interest and interest dividends. The member must apply for a refund on a form provided by the retirement system. Acceptance of this refund terminates membership and results in forfeiture of any future retirement benefits based on service prior to the refund.

1. More Than 8 Years of Service

A member who has 8 or more years of service has another choice if he terminates his employment. Instead of accepting a refund, he may choose "vested member" status which allows him to leave his contributions in the system until he reaches age 55 or older. Then he can apply for and receive either an early retirement benefit or a normal retirement benefit depending upon his age at the time benefit payments begin.

2. After Age 55

A member who is 55 or older when he terminates his employment is not required to accept a refund of his contributions. He is entitled to either an early retirement benefit or a normal retirement benefit regardless of his length of service.

3. Less Than 8 Years of Service and Less Than Age 55

A member whose service terminates before he completes 8 years of service or before he attains the age of 55 does not have the right to monthly benefits but is eligible for the refund.

However, a member who has at least five years of service may elect to leave his contributions in the system for five years and if he returns to public employment within five years, he can retain his full benefit credits. He, of course, may elect to take a refund any time before he returns to covered employment.

DEATH BENEFITS

1. In Service

If a member dies while in service, his beneficiary receives a lump sum cash payment of the member's contributions and his employer's contributions plus interest and interest dividends credited before his death.

2. After Termination—Vested Members

If a vested member dies before filing a claim for monthly benefits and he has not accepted a refund, his beneficiary receives a lump sum cash payment of the member's contributions, his employer's contributions, interest and interest dividends.

3. After Retirement

When a member dies after retirement, the death benefit depends on the option he selected at retirement. These options are explained on page 11 of this booklet.

MISCELLANEOUS INFORMATION

1. Designation of Beneficiary

As soon as you become a member of IPERS, you should file with the Iowa Public Employees Retirement System a Designation of Beneficiary form, IPERS-503, naming the beneficiary you wish to receive your death benefit.

If no beneficiary is designated, the death benefit is payable to your estate for distribution according to law. It is important that a new Designation of Beneficiary form be filed when your designated beneficiary dies or when circumstances warrant a change.

2. Application for Benefits

The benefits provided by IPERS and Social Security are not conferred automatically but must be applied for. When you decide to retire, you must submit a notice stating the date your retirement becomes effective. Forms may be obtained from the IPERS office.

3. Taxation of Benefits

IPERS benefits are partially exempt from federal income tax to permit the member to recover his contributions free of tax. If your retirement allowance allows recovery of contributions within three years, all benefits are exempt until you receive benefits equal to your contributions. After this, the entire benefit becomes subject to tax.

If you do not recover your contributions within three years, the Internal Revenue Service applies a formula which once determined establishes the percentage of benefits that are tax free each year.

All Social Security benefits are exempt from taxes.

4. Contributions

All members are required to contribute to IPERS through payroll deductions at a rate of 3½ percent of their wages up to \$7,000 a year. Members' contributions are matched by the employer.

5. Interest and Interest Dividends

Interest at a basic rate of 2 percent a year is credited to the member's contributions and to his employer's contributions. In addition, both the member's and his employer's contributions are credited annually with interest dividends based on interest earnings to the fund in excess of 2 percent. In recent years, interest credits have been in excess of 4 percent a year.

6. Federal Social Security

Your IPERS benefits are in addition to your Social Security benefits.

EXAMPLE

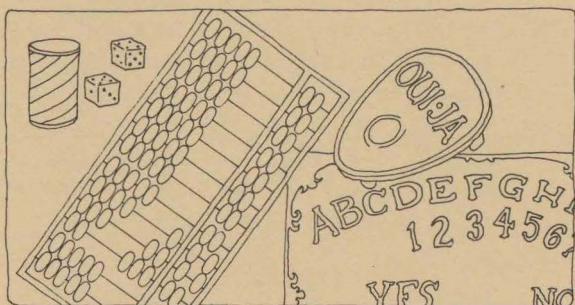
In our example on page 6, John Smith retires January 1, 1980. His IPERS benefit was computed in the example as \$141.88. Under the Social Security law as amended in 1967, Mr. Smith's primary Social Security benefit, based on the wages we used, will be \$166.20. If John Smith is married, his wife will be entitled to half this amount or more if she was a wage earner. His monthly retirement income would be:

IPERS Benefit	\$141.88
Primary Social Security Benefit	166.20
Wife's Social Security Benefit	83.10
	<hr/>
	391.18

You Can Figure It Out for Yourself

The example on pages 9 and 10 of this booklet shows you how retirement benefits are computed. They are figured on an annual basis and divided by 12 to show monthly benefits.

Another method which may be more convenient for you is illustrated in the following work sheet which you can use for estimating your retirement benefits.



ESTIMATING YOUR NORMAL RETIREMENT BENEFIT

One of the factors required to compute your retirement benefits is your total covered wages for your years of membership service. Since it is impossible for you to know what your wages will be for future years, any computation of your retirement benefits before your actual retirement can only be an estimate. (Your latest annual statement shows your total covered wages through the end of the previous calendar year.)

**You can estimate your normal
retirement benefit this way:**

1. List your covered wages from July 4, 1953 and for each year through 1963. Use no more than \$4,000 for these years. Add these amounts and enter the total here.1. \$ _____
2. List your covered wages for each year from 1964 through 1967. Use no more than \$4,800 for each of these years. Add these amounts and enter the total here.2. \$ _____
3. Estimate your covered wages for each year beginning with 1968 to your normal retirement date. Use no more than \$7,000 for any of these years. Add these amounts and enter the total here.3. \$ _____
4. Determine your total covered wages by adding the amounts in 1, 2 and 3.4. \$ _____
5. To compute your monthly retirement benefit multiply your total covered wages by $x .001041667$
.001041667.5. \$ _____

ESTIMATING YOUR EARLY RETIREMENT BENEFIT

You can estimate your early retirement benefit this way:

1. Compute your benefit using the same method as you used to compute your normal retirement benefit including your covered wages up to your expected early retirement date.1. \$ _____
Monthly Benefit

Since you will begin receiving your benefit payments earlier than your normal retirement date, you may expect to receive them for a longer time, so the monthly benefit is reduced this way:

2. Figure the number of months by which your early retirement date precedes your normal retirement date at age 65.2. _____ months
3. Multiply the number of months by 5/10 of 1 percent. This is the reduction factor for your early retirement.3. _____ %
4. Multiply your benefit in No. 1 by the factor in No. 3 to find the amount of reduction for your early retirement.4. \$ _____
5. Subtract the amount in No. 4 from the amount in No. 1 to find your estimated monthly early retirement benefit.5. \$ _____

QUESTIONS AND ANSWERS

AS YOU HAVE READ THIS BOOKLET, YOU MAY HAVE HAD VARIOUS QUESTIONS. HERE ARE A FEW TYPICAL QUESTIONS AND ANSWERS TO THEM.

1. MUST I BECOME A MEMBER OF IPERS?

Yes, unless you are specifically excluded by law.

2. IF I TRANSFER FROM ONE JOB TO ANOTHER BUT STILL REMAIN IN PUBLIC EMPLOYMENT IN IOWA, MAY I RETAIN MY MEMBERSHIP IN IPERS?

Yes, changing from one public employer to another covered public employer does not interrupt membership service.

3. MAY I LEAVE PUBLIC EMPLOYMENT FOR A PERIOD OF TIME AND RETAIN MY MEMBERSHIP IN IPERS?

Yes, if you have accumulated 5 or more years of service and do not elect to receive a refund of your contributions, you may renew your membership with the same credits if you return any time within a 5-year period. No interest will be credited to your account during your absence. After another 3-year period of service, you would have a vested right to benefits.

4. HOW MAY I AGAIN BECOME A MEMBER IF MY MEMBERSHIP HAS CEASED?

If you return to employment after you have received a refund of your contributions, you are enrolled as a new member.

5. **WHAT SERVICE COUNTS TOWARD RETIREMENT?**

- A. Prior Service credited before July, 1953.
- B. Membership Service credited after July, 1953.
- C. Military Service if you were in public employment when you entered the Armed Forces and returned to the same employer within 90 days after your release from duty.
- D. Authorized leaves of absence not exceeding 12 months per request.

6. **HOW LONG MUST I CONTRIBUTE?**

You make contributions as long as you are employed unless you are employed past age 70.

7. **WHEN DO I RECEIVE THE ANNUAL STATEMENT OF MY ACCOUNT?**

The statements are sent to the employers about July 1 each year to be distributed to members. They show the total contributions with interest and the benefit credits through December 31 of the preceding year.

8. **WHEN MAY I WITHDRAW MY CONTRIBUTIONS?**

If you leave public employment in Iowa before you are eligible for retirement benefits, you can apply for a refund of your accumulated contributions.

9. **MUST I APPLY TO RECEIVE A REFUND?**

Yes, you must apply on a form available from your personnel office, from your former employer or request it from the IPERS office.

10. WILL I RECEIVE A REFUND OF ALL MY CONTRIBUTIONS?

Yes, and in addition, regular interest and interest dividends to the date you terminated employment.

11. DOES A REFUND OF MY CONTRIBUTIONS CANCEL ALL RETIREMENT CREDIT?

Yes, if you later return to Iowa public employment, you will be enrolled as a new member without credit for any service before the refund.

12. IS THERE ANY DISABILITY BENEFIT?

No, the law makes no provision for a special disability benefit other than a refund of contributions or the vested benefit described on page 12.

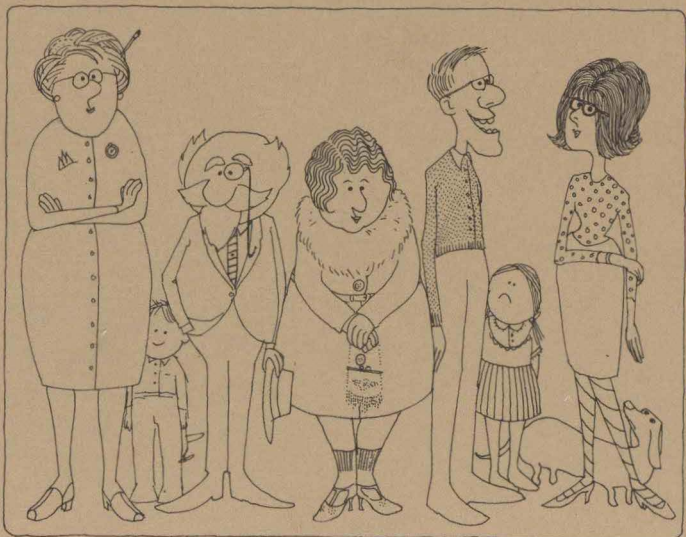
13. WHAT SHOULD I DO WHEN I RETIRE?

Write to the IPERS office stating when you plan to retire. Your application can be filed during your last month of employment but must be filed no later than during the first month for which you claim benefits. Back payments cannot be made if you fail to file your application promptly.

We hope this booklet has helped you to understand your retirement system. If you have further questions on the procedures, your rights and your privileges under the Iowa Public Employees Retirement System, do not hesitate to call or write

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