

Drake  
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SSB-1247  
State Government

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED GOVERNOR'S BILL)

Succeeded By  
SF/HF 497

Passed Senate, Date \_\_\_\_\_

Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the governance of the Iowa public employees'  
2 retirement system and providing an effective date.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 12.8, unnumbered paragraph 3, Code  
2 2001, is amended to read as follows:

3 The treasurer of state, with the approval of the investment  
4 board of the Iowa public employees' retirement system, may  
5 conduct a program of lending securities in the Iowa public  
6 employees' retirement system portfolio. When securities are  
7 loaned as provided by this paragraph, the treasurer shall act  
8 in the manner provided for investment of moneys in the Iowa  
9 public employees' retirement fund under section 97B-7 97B.7A.  
10 The treasurer of state shall report at least annually to the  
11 investment board of the Iowa public employees' retirement  
12 system on the program and shall provide additional information  
13 on the program upon the request of the investment board or the  
14 employees of the Iowa public employees' retirement system  
15 division of the department of personnel.

16 Sec. 2. Section 12B.10, subsection 4, paragraph f, Code  
17 2001, is amended to read as follows:

18 f. Investments authorized for the Iowa public employees'  
19 retirement system in section 97B-7-~~subsection-2-paragraph~~  
20 "b" 97B.7A, except that investment in common stocks is not  
21 permitted.

22 Sec. 3. Section 12C.5, Code 2001, is amended to read as  
23 follows:

24 12C.5 REFUSAL OF DEPOSITS -- PROCEDURE.

25 If the approved depositories will not accept the deposits  
26 under the conditions prescribed or authorized in this chapter,  
27 the funds may be deposited, on the same or better terms as  
28 were offered to the depositories, in one or more approved  
29 depositories conveniently located within the state.

30 The treasurer of state may invest in any of the investments  
31 authorized for the Iowa public employees' retirement system in  
32 section 97B-7-~~subsection-2-paragraph~~-~~"b"~~ 97B.7A except that  
33 investment in common stocks shall not be permitted.

34 Sec. 4. Section 12C.10, Code 2001, is amended to read as  
35 follows:

1 12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.  
 2 The governing council or board, who by law have control of  
 3 any fund created by direct vote of the people, may invest any  
 4 portion of the fund not currently needed, in investments  
 5 authorized in section 12B.10. The treasurer of state may  
 6 invest in any of the investments authorized for the Iowa  
 7 public employees' retirement system in section ~~97B:77~~  
 8 ~~subsection-27-paragraph-"b"~~ 97B.7A except that investment in  
 9 common stocks shall not be permitted. Interest or earnings on  
 10 such funds shall be credited as provided in section 12C.7,  
 11 subsection 2.

12 Sec. 5. Section 19A.1, subsection 3, paragraph b, Code  
 13 2001, is amended to read as follows:

14 b. The investment board of the Iowa public employees'  
 15 retirement system created by section ~~97B:8~~ 97B.8A.

16 Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended  
 17 to read as follows:

18 2. The several funds created by this chapter may be  
 19 invested in any investments authorized for the Iowa public  
 20 employees' retirement system in section ~~97B:77-subsection-27~~  
 21 ~~paragraph-"b"~~ 97B.7A.

22 Sec. 7. Section 97B.1, Code 2001, is amended to read as  
 23 follows:

24 97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

25 1. The "Iowa Public Employees' Retirement System" is  
 26 created. The Iowa public employees' retirement system is  
 27 division, a separate and distinct division within the  
 28 department of personnel, shall administer the system.

29 2. As used in this chapter unless the context requires  
 30 otherwise:

31 a. "Board" means the investment board created by section  
 32 ~~97B:8~~ 97B.8A.

33 b. "Chief executive officer" means the chief executive  
 34 officer of the Iowa public employees' retirement system  
 35 division, notwithstanding section 7E.2, subsection 3,

1 paragraph "c", subparagraph (1).

2 c. "Committee" means the benefits advisory committee  
3 created by section 97B.8B.

4 ~~b.~~ d. "Department Division" means the department-of  
5 personnel Iowa public employees' retirement system division.

6 ~~c.--"Director"--means-the-director-of-the-department-of~~  
7 ~~personnel.~~

8 ~~d.~~ e. "System" means the Iowa public employees' retirement  
9 system.

10 Sec. 8. NEW SECTION. 97B.3A CHIEF EXECUTIVE OFFICER --  
11 APPOINTMENT AND QUALIFICATIONS.

12 1. The administrator of the division is the chief  
13 executive officer. The chief executive officer shall be  
14 appointed by the governor subject to confirmation by the  
15 senate and shall serve at the pleasure of the governor.

16 2. The qualifications for appointment as the chief  
17 executive officer shall include a demonstrated knowledge of  
18 and executive-level experience in all aspects of pension fund  
19 administration, including financial management, investment  
20 asset management, benefit design and delivery, legal  
21 administration, and operations administration. The chief  
22 executive officer shall not be selected on the basis of  
23 political affiliation, and while employed as the chief  
24 executive officer, shall not be a member of a political  
25 committee, participate in a political campaign, or be a  
26 candidate for a partisan elective office, and shall not  
27 contribute to a political campaign fund, except that the chief  
28 executive officer may designate on the checkoff portion of the  
29 state or federal income tax return, or both, a party or  
30 parties to which a contribution is made pursuant to the  
31 checkoff. The chief executive officer shall not hold any  
32 other office under the laws of the United States or of this or  
33 any state and shall devote full time to the duties of office.

34 Sec. 9. Section 97B.4, Code 2001, is amended by striking  
35 the section and inserting in lieu thereof the following:

1 97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES OF  
2 DIVISION -- IMMUNITY.

3 1. CHIEF EXECUTIVE OFFICER. The division, through the  
4 chief executive officer, shall administer this chapter. The  
5 chief executive officer shall also be the division's statutory  
6 designee with respect to the rulemaking power.

7 2. GENERAL AUTHORITY.

8 a. The division may adopt, amend, waive, or rescind rules,  
9 employ persons, execute contracts with outside parties, make  
10 expenditures, require reports, make investigations, and take  
11 other action it deems necessary for the administration of the  
12 system in conformity with the requirements of this chapter,  
13 the applicable provisions of the Internal Revenue Code, and  
14 all other applicable federal and state laws. The rules shall  
15 be effective upon compliance with chapter 17A.

16 b. The division may delegate to any person such authority  
17 as it deems reasonable and proper for the effective  
18 administration of this chapter, and may bond any person  
19 handling moneys or signing checks under this chapter.

20 c. In administering this chapter, the division shall enter  
21 into a biennial agreement with the department of personnel  
22 concerning the sharing of resources between the division and  
23 department which are of benefit to each and which are  
24 consistent with the mission of the division and the  
25 department. The budget program for the division shall be  
26 compiled by the department of personnel in collaboration with  
27 the division and submitted by the department pursuant to  
28 section 8.23.

29 3. PERSONNEL.

30 a. CHIEF INVESTMENT OFFICER. The chief executive officer,  
31 following consultation with the board, shall employ a chief  
32 investment officer who shall be appointed pursuant to chapter  
33 19A and shall be responsible for administering the investment  
34 program for the retirement fund pursuant to the investment  
35 policies of the board.

1 b. CHIEF BENEFITS OFFICER. The chief executive officer,  
2 following consultation with the benefits advisory committee,  
3 shall employ a chief benefits officer who shall be appointed  
4 pursuant to chapter 19A and shall be responsible for  
5 administering the benefits and other services provided under  
6 the system.

7 c. ACTUARY. The division shall employ an actuary who  
8 shall be selected by the board and shall serve at the pleasure  
9 of the board. The actuary shall be the technical advisor for  
10 the system on matters regarding the operation of the  
11 retirement fund.

12 d. DIVISION EMPLOYEES. Subject to other provisions of  
13 this chapter, the division may employ all other personnel as  
14 necessary for the administration of the system. The maximum  
15 number of full-time equivalent employees specified by the  
16 general assembly for the division for administration of the  
17 system for a fiscal year shall not be reduced by any authority  
18 other than the general assembly. The personnel of the  
19 division shall be appointed pursuant to chapter 19A. The  
20 division shall not appoint or employ a person who is an  
21 officer or committee member of a political party organization  
22 or who holds or is a candidate for a partisan elective public  
23 office.

24 e. LEGAL ADVISORS. The division may employ attorneys and  
25 contract with attorneys and legal firms for the provision of  
26 legal counsel and advice in the administration of this chapter  
27 and chapter 97C.

28 f. OUTSIDE ADVISORS. The division may execute contracts  
29 with persons outside state government, including investment  
30 advisors, consultants, and managers, in the administration of  
31 this chapter. However, a contract with an investment manager  
32 or investment consultant shall not be executed by the division  
33 pursuant to this paragraph without the prior approval by the  
34 board of the hiring of the investment manager or investment  
35 consultant.

1 4. REPORTS.

2 a. ANNUAL REPORT TO GOVERNOR. Not later than the  
3 fifteenth day of December of each year, the division shall  
4 submit to the governor a report covering the administration  
5 and operation of this chapter during the preceding fiscal year  
6 and shall make recommendations for amendments to this chapter.  
7 The report shall include a balance sheet of the moneys in the  
8 retirement fund. The report shall also include information  
9 concerning the investment management expenses for the  
10 retirement fund for each fiscal year expressed as a percent of  
11 the market value of the retirement fund investment assets,  
12 including the information described in section 97B.7,  
13 subsection 3, paragraph "d". The information provided under  
14 this paragraph shall also include information on the  
15 investment policies and investment performance of the  
16 retirement fund. In providing this information, to the extent  
17 possible, the division shall include the total investment  
18 return for the entire fund, for portions of the fund managed  
19 by investment managers, and for internally managed portions of  
20 the fund, and the cost of managing the fund per thousand  
21 dollars of assets. The performance shall be based upon market  
22 value, and shall be contrasted with relevant market indices  
23 and with performances of pension funds of similar asset size.

24 b. ANNUAL STATEMENT TO MEMBERS. The division shall  
25 prepare and distribute to the members, at the expense of the  
26 retirement fund, an annual statement of the member's account  
27 and, in such a manner as the division deems appropriate, other  
28 information concerning the system.

29 c. ACTUARIAL INVESTIGATION. During calendar year 2002,  
30 and every four years thereafter, the division shall cause an  
31 actuarial investigation to be made of all experience under the  
32 retirement system. Pursuant to such an investigation, the  
33 division shall, from time to time, determine upon an actuarial  
34 basis the condition of the system and shall report to the  
35 general assembly its findings and recommendations.

1 d. ANNUAL VALUATION OF ASSETS. The division shall cause  
2 an annual actuarial valuation to be made of the assets and  
3 liabilities of the system and shall prepare an annual  
4 statement of the amounts to be contributed under this chapter,  
5 and shall publish annually such valuation of the assets and  
6 liabilities and the statement of receipts and disbursements of  
7 the system. Based upon the actuarial methods and assumptions  
8 adopted by the board for the annual valuation, the division  
9 shall certify to the governor the contribution rates  
10 determined thereby as the rates necessary and sufficient for  
11 members and employers to fully fund the benefits and  
12 retirement allowances being credited.

13 5. INVESTMENTS. The division, through the chief  
14 investment officer, shall invest, in accordance with the  
15 investment policy and goal statement established by the board,  
16 the portion of the retirement fund which, in the judgment of  
17 the division, is not needed for current payment of benefits  
18 under this chapter subject to the requirements of section  
19 97B.7A.

20 6. OLD RECORDS. The division may destroy or dispose of  
21 such original reports or records as have been properly  
22 recorded or summarized in the permanent records of the  
23 division and are deemed by the chief executive officer to be  
24 no longer necessary to the proper administration of this  
25 chapter. The destruction or disposition shall be made only by  
26 order of the chief executive officer. Records of deceased  
27 members of the system may be destroyed ten years after the  
28 later of the final payment made to a third party on behalf of  
29 the member or the death of the member. Any moneys received  
30 from the disposition of these records shall be deposited to  
31 the credit of the retirement fund subject to rules adopted by  
32 the division.

33 7. IMMUNITY. The division, employees of the division, the  
34 board, the members of the board, and the treasurer of state  
35 are not personally liable for actions or omissions under this

1 chapter that do not involve malicious or wanton misconduct  
2 even if those actions or omissions violate the standards  
3 established in section 97B.7A.

4 Sec. 10. Section 97B.7, Code 2001, is amended by striking  
5 the section and inserting in lieu thereof the following:

6 97B.7 FUND CREATED -- EXCLUSIVE BENEFIT -- STANDING  
7 APPROPRIATIONS.

8 1. There is hereby created as a special fund, separate and  
9 apart from all other public moneys or funds of this state, the  
10 "Iowa Public Employees' Retirement Fund", hereafter called the  
11 "retirement fund". The retirement fund shall consist of all  
12 moneys collected under this chapter, together with all  
13 interest, dividends, and rents thereon, and shall also include  
14 all securities or investment income and other assets acquired  
15 by and through the use of the moneys belonging to the  
16 retirement fund and any other moneys that have been paid into  
17 the retirement fund.

18 2. The treasurer of the state of Iowa is hereby made the  
19 custodian of the retirement fund and shall hold and disburse  
20 the retirement fund in accordance with the requirements of  
21 this chapter. As custodian, the treasurer shall be authorized  
22 to disburse moneys in the retirement fund upon warrants drawn  
23 by the director of revenue and finance pursuant to the order  
24 of the division.

25 3. All moneys which are paid or deposited into the fund  
26 are appropriated and made available to the division to be used  
27 for the exclusive benefit of the members and their  
28 beneficiaries or contingent annuitants as provided in this  
29 chapter:

30 a. To be used by the division for the payment of claims  
31 for benefits under this chapter.

32 b. To be used by the division to pay refunds provided for  
33 in this chapter.

34 c. To be used for the costs of administering the system,  
35 including up to \$50,000 per fiscal year for actual and

1 necessary expenses of the benefits advisory committee. If as  
2 a result of action under section 8.31, the governor has  
3 reduced the moneys appropriated from the retirement fund to  
4 the division for salaries, support, maintenance, and other  
5 operational purposes to pay the costs of the system for a  
6 fiscal year, it is the intent of the general assembly that the  
7 amount by which the appropriation has been reduced should be  
8 transferred from the retirement fund to the division for  
9 salaries, support, maintenance, and other operational purposes  
10 to pay the costs of the system for that fiscal year.

11 d. To be used to pay for investment management expenses  
12 incurred in the management of the retirement fund. Expenses  
13 incurred pursuant to this paragraph shall be charged to the  
14 investment income of the retirement fund. However, the amount  
15 appropriated for a fiscal year under this paragraph shall not  
16 exceed four-tenths of one percent of the market value of the  
17 retirement fund.

18 Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT  
19 OF RETIREMENT FUND -- STANDARDS -- IMMUNITY.

20 1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In  
21 establishing the investment policy of the retirement fund and  
22 providing for the investment of the retirement fund, the  
23 division and board shall do the following:

24 a. Exercise the judgment and care, under the circumstances  
25 then prevailing, which persons of prudence, discretion, and  
26 intelligence exercise in the management of their own affairs,  
27 not for the purpose of speculation, but with regard to the  
28 permanent disposition of the funds, considering the probable  
29 income, as well as the probable safety, of their capital.

30 b. Give appropriate consideration to those facts and  
31 circumstances that the division and board know or should know  
32 are relevant to the particular investment or investment policy  
33 involved, including the role the investment plays in the total  
34 value of the retirement fund.

35 c. For the purposes of this subsection, appropriate

1 consideration includes, but is not limited to, a determination  
 2 that the particular investment or investment policy is  
 3 reasonably designed to further the purposes of the system,  
 4 taking into consideration the risk of loss and the opportunity  
 5 for gain or income associated with the investment or  
 6 investment policy and consideration of the following factors  
 7 as they relate to the retirement fund:

8 (1) The composition of the retirement fund with regard to  
 9 diversification.

10 (2) The liquidity and current return of the investments in  
 11 the retirement fund relative to the anticipated cash flow  
 12 requirements of the system.

13 (3) The projected return of the investments relative to  
 14 the funding objectives of the retirement system.

15 2. INVESTMENT ACQUISITIONS. Within the limitations of the  
 16 investment standards prescribed in this section, the system  
 17 may acquire and retain every kind of property and every kind  
 18 of investment which persons of prudence, discretion, and  
 19 intelligence acquire or retain for their own account.  
 20 Consistent with this section, investments shall be made in a  
 21 manner that will enhance the economy of this state, and in  
 22 particular, will result in increased employment of the  
 23 residents of this state. Investments of moneys in the  
 24 retirement fund are not subject to sections 73.15 through  
 25 73.21.

26 3. LIABILITY -- REIMBURSEMENT. Except as provided in  
 27 section 97B.4, subsection 7, if there is loss to the  
 28 retirement fund, the treasurer of state, the division, the  
 29 employees of the division, the members of the board severally,  
 30 and the board are not personally liable, and the loss shall be  
 31 charged against the retirement fund. There is appropriated  
 32 from the retirement fund, the amount required to cover a loss.

33 4. INVESTMENT PROCEDURES. In managing the investment of  
 34 the retirement fund, the division, in accordance with the  
 35 investment policy established by the board, is authorized to

1 do the following:

2 a. To sell any securities or other property in the  
3 retirement fund and reinvest the proceeds when such action may  
4 be deemed advisable by the division for the protection of the  
5 retirement fund or the preservation of the value of the  
6 investment. Such sale of securities or other property of the  
7 retirement fund and reinvestment shall only be made in  
8 accordance with policies of the board in the manner and to the  
9 extent provided in this chapter.

10 b. To subscribe for the purchase of securities for future  
11 delivery in anticipation of future income. The securities  
12 shall be paid for by anticipated income or from funds from the  
13 sale of securities or other property held by the retirement  
14 fund.

15 c. To pay for securities directed to be purchased upon the  
16 receipt of the purchasing bank's paid statement or paid  
17 confirmation of purchase.

18 5. TRAVEL. In the administration of the investment of  
19 moneys in the retirement fund, employees of the division and  
20 members of the board may travel outside the state for the  
21 purpose of meeting with investment firms and consultants and  
22 attending conferences and meetings to fulfill their fiduciary  
23 responsibilities. This travel is not subject to section  
24 421.38, subsection 2.

25 Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

26 1. BOARD ESTABLISHED. A board is established to be known  
27 as the "Investment Board of the Iowa Public Employees'  
28 Retirement System", referred to in this chapter as the  
29 "board". The duties of the board are to establish policy, and  
30 review its implementation, in matters relating to the  
31 investment of the retirement fund. The board shall be the  
32 trustee of the retirement fund.

33 2. INVESTMENT REVIEW. a. At least annually the board  
34 shall review the investment policies and procedures used by  
35 the board and division, and shall hold a public meeting on the

1 investment policies and investment performance of the  
 2 retirement fund. Following its review and the public meeting,  
 3 the board shall, pursuant to the requirements of section  
 4 97B.7A, and in consultation with the chief investment officer  
 5 and other relevant personnel of the division, establish an  
 6 investment policy and goal statement that shall direct the  
 7 investment activities concerning the retirement fund.

8 b. The board shall review and approve, prior to the  
 9 execution of a contract with the division, the hiring of each  
 10 investment manager and investment consultant outside of state  
 11 government.

12 c. The board shall be involved in the performance  
 13 evaluation of the chief investment officer.

14 3. ACTUARIAL RESPONSIBILITIES.

15 a. The board shall select the actuary to be employed by  
 16 the system as provided in section 97B.4.

17 b. The board shall, in consultation with the chief  
 18 executive officer, the actuary, and other relevant personnel  
 19 of the division, adopt from time to time mortality tables and  
 20 all other necessary factors for use in actuarial calculations  
 21 required in connection with the system. The board shall also  
 22 adopt the actuarial methods and assumptions to be used by the  
 23 actuary for the annual valuation of assets as required by  
 24 section 97B.4.

25 4. MEMBERSHIP.

26 a. The board shall consist of nine members, including  
 27 seven voting members and two nonvoting members. The voting  
 28 members shall be as follows:

29 (1) Three public members, appointed by the governor, who  
 30 are not members of the system and who each have substantial  
 31 institutional investment experience or substantial  
 32 institutional financial experience.

33 (2) Three members, appointed by the governor, who are  
 34 members of the system. Of the three members appointed, one  
 35 shall be an active member who is an employee of a school

1 district, area education agency, or merged area; one shall be  
2 an active member who is not an employee of a school district,  
3 area education agency, or merged area; and one shall be a  
4 retired member of the system.

5 (3) The treasurer of state.

6 The nonvoting members of the board shall be one state  
7 representative, appointed by the speaker of the house of  
8 representatives, and one state senator, appointed by the  
9 president of the senate, after consultation with the majority  
10 leader and the minority leader of the senate.

11 b. Four voting members of the board shall constitute a  
12 quorum.

13 c. The three members who have substantial institutional  
14 investment experience or substantial institutional financial  
15 experience, and the member who is a retired member of the  
16 system, shall be paid their actual expenses incurred in the  
17 performance of their duties and shall receive a per diem as  
18 specified in section 7E.6 for each day of service not  
19 exceeding forty days per year. Legislative members shall be  
20 paid the per diem and expenses specified in section 2.10, for  
21 each day of service. The per diem and expenses of the  
22 legislative members shall be paid from funds appropriated  
23 under section 2.12. The members who are active members of the  
24 system and the treasurer of state shall be paid their actual  
25 expenses incurred in the performance of their duties as  
26 members of the board and the performance of their duties as  
27 members of the board shall not affect their salaries,  
28 vacations, or leaves of absence for sickness or injury.

29 d. The appointive terms of the members appointed by the  
30 governor are for a period of six years beginning and ending as  
31 provided in section 69.19. If there is a vacancy in the  
32 membership of the board for one of the members appointed by  
33 the governor, the governor has the power of appointment.  
34 Gubernatorial appointees to this board are subject to  
35 confirmation by the senate.

1 5. CLOSED SESSIONS. In addition to the reasons provided  
 2 in section 21.5, subsection 1, the board may hold a closed  
 3 session pursuant to the requirements of section 21.5 of that  
 4 portion of a board meeting in which financial or commercial  
 5 information is provided to or discussed by the board if the  
 6 board determines that disclosure of such information could  
 7 result in a loss to the system or to the provider of the  
 8 information.

9 Sec. 13. NEW SECTION. 97B.8B BENEFITS ADVISORY  
 10 COMMITTEE.

11 1. COMMITTEE ESTABLISHED. A benefits advisory committee  
 12 shall be established whose duty is to consider and make  
 13 recommendations to the division and the general assembly  
 14 concerning the provision of benefits to members of the system.

15 2. MEMBERSHIP. The benefits advisory committee shall be  
 16 comprised of representatives of constituent groups concerned  
 17 with the system, and shall include representatives of  
 18 employers, active members, and retired members. In addition,  
 19 the director of the department of personnel and a member of  
 20 the public selected by the voting members of the committee  
 21 shall serve as members of the committee. The division shall  
 22 adopt rules under chapter 17A to provide for the selection of  
 23 members to the committee and the election of the voting  
 24 members of the committee.

25 3. VOTING MEMBERS. Of the members who comprise the  
 26 committee, nine members shall be voting members. Except as  
 27 otherwise provided by this subsection, the voting members  
 28 shall be elected by the members of the committee from the  
 29 membership of the committee. Of the nine voting members of  
 30 the committee, four shall represent covered employers, and  
 31 four shall represent the members of the system. Of the four  
 32 voting members representing employers, one shall be the  
 33 director of the department of personnel, one shall be a member  
 34 of a constituent group that represents cities, one shall be a  
 35 member of a constituent group that represents counties, and

1 one shall be a member of a constituent group that represents  
2 local school districts. Of the four voting members who  
3 represent members of the system, one shall be a member of a  
4 constituent group that represents teachers. The ninth voting  
5 member of the committee shall be a citizen who is not a member  
6 of the system and who is elected by the other voting members  
7 of the committee.

8 4. DUTIES.

9 a. At least every two years, the benefits advisory  
10 committee shall review the benefits and services provided to  
11 members under this chapter, and the voting members of the  
12 committee shall make recommendations to the division and the  
13 general assembly concerning the benefits, benefits policy, and  
14 benefit goals, provided under this chapter.

15 b. The benefits advisory committee shall be involved in  
16 the performance evaluation of the chief benefits officer.

17 5. TERMS OF VOTING MEMBERS. Except for the director of  
18 the department of personnel and as otherwise provided in the  
19 rules for the initial selection of voting members of the  
20 committee, each member selected to be a voting member shall  
21 serve as a voting member for three years. Terms for voting  
22 members begin on May 1 in the year of selection and expire on  
23 April 30 in the year of expiration. Vacancies shall be filled  
24 in the same manner as the original selections. A vacancy  
25 shall be filled for the unexpired term.

26 6. EXPENSES. The members who are not active members of  
27 the system shall be paid their actual expenses incurred in the  
28 performance of their duties and shall receive a per diem as  
29 specified in section 7E.6 for each day of service not  
30 exceeding forty days per year. The members who are active  
31 members of the system and the director of the department of  
32 personnel shall be paid their actual expenses incurred in the  
33 performance of their duties as members of the committee and  
34 the performance of their duties as members of the committee  
35 shall not affect their salaries, vacations, or leaves of

1 absence for sickness or injury.

2 Sec. 14. Section 97B.20A, Code 2001, is amended to read as  
3 follows:

4 97B.20A APPEAL PROCEDURE.

5 Members and third-party payees may appeal any decision made  
6 by the department division that affects their rights under  
7 this chapter. The appeal shall be filed with the department  
8 division within thirty days after the notification of the  
9 decision was mailed to the party's last known mailing address,  
10 or the decision of the department division is final. If the  
11 party appeals the decision of the department division, the  
12 department division shall conduct an internal review of the  
13 decision and the chief benefits executive officer shall notify  
14 the individual who has filed the appeal in writing of the  
15 department's division's decision. The individual who has  
16 filed the appeal may file an appeal of the department's  
17 division's final decision with the department division under  
18 chapter 17A by notifying the department division of the appeal  
19 in writing within thirty days after the notification of its  
20 final decision was mailed to the party's last known mailing  
21 address. Once notified, the department division shall forward  
22 the appeal to the department of inspections and appeals.

23 Sec. 15. Section 97B.25, Code 2001, is amended to read as  
24 follows:

25 97B.25 APPLICATIONS FOR BENEFITS.

26 A representative designated by the chief benefits executive  
27 officer and referred to in this chapter as a retirement  
28 benefits officer shall promptly examine applications for  
29 retirement benefits and on the basis of facts found shall  
30 determine whether or not the claim is valid. If the claim is  
31 valid, the retirement benefits officer shall send a  
32 notification to the member stating the option the member has  
33 selected pursuant to section 97B.51, the month with respect to  
34 which benefits shall commence, and the monthly benefit amount  
35 payable. If the claim is invalid, the retirement benefits

1 officer shall promptly notify the applicant and any other  
2 interested party of the decision and the reasons. A  
3 retirement application shall not be amended or revoked by the  
4 member once the first retirement allowance is paid. A  
5 member's death during the first month of entitlement shall not  
6 invalidate an approved application.

7 Sec. 16. Section 257B.20, subsection 4, Code 2001, is  
8 amended to read as follows:

9 4. In any investments authorized for the Iowa public  
10 employees' retirement system in section 97B-77-subsection-27  
11 paragraph-"b" 97B.7A, except that investment in common stocks  
12 shall not be permitted.

13 Sec. 17. Section 411.7, subsection 2, Code 2001, is  
14 amended to read as follows:

15 2. The secretary of the board of trustees shall invest, in  
16 accordance with the investment policy established by the board  
17 of trustees, the portion of the fund established in section  
18 411.8 which in the judgment of the board is not needed for  
19 current payment of benefits under this chapter in investments  
20 authorized in section 97B-77-subsection-27-paragraph-"b"  
21 97B.7A, for moneys in the Iowa public employees' retirement  
22 fund.

23 Sec. 18. Section 602.9111, subsection 1, Code 2001, is  
24 amended to read as follows:

25 1. So much of the judicial retirement fund as may not be  
26 necessary to be kept on hand for the making of disbursements  
27 under this article shall be invested by the treasurer of state  
28 in any investments authorized for the Iowa public employees'  
29 retirement system in section 97B-77-subsection-27-paragraph  
30 "b" 97B.7A, and the earnings therefrom shall be credited to  
31 the fund. The treasurer of state may execute contracts and  
32 agreements with investment advisors, consultants, and  
33 investment management and benefit consultant firms in the  
34 administration of the judicial retirement fund.

35 Sec. 19. INVESTMENT BOARD TRANSITION.

1 1. Notwithstanding provisions of section 97B.8A, as  
2 enacted in this Act, to the contrary, the new investment board  
3 of the Iowa public employees' retirement system shall, on July  
4 1, 2002, consist of the following members, who shall serve the  
5 following terms:

6 a. The members of the investment board established under  
7 section 97B.8, Code 2001, who are an active member who is an  
8 employee of a school district, area education agency, or  
9 merged area; an active member who is not an employee of a  
10 school district, area education agency, or merged area; and a  
11 retired member, shall cease membership on the investment board  
12 and commence membership on the new investment board  
13 established under section 97B.8A on July 1, 2002. The terms  
14 of these members on the investment board established under  
15 section 97B.8A shall expire on the same date as their terms  
16 would have expired on the investment board in accordance with  
17 section 97B.8, Code 2001.

18 b. The members of the investment board established under  
19 section 97B.8, Code 2001, who are an executive of a domestic  
20 life insurance company, an executive of a state or national  
21 bank, and an executive of an industrial corporation located  
22 within the state of Iowa, shall cease membership on the  
23 investment board and commence membership on the new investment  
24 board established under section 97B.8A on July 1, 2002. The  
25 terms of these members on the new investment board established  
26 under section 97B.8A shall expire on the same date as their  
27 terms would have expired on the investment board in accordance  
28 with section 97B.8, Code 2001. Upon expiration of each of  
29 these member's term of office, the governor shall appoint a  
30 member to the board consistent with the requirements of  
31 section 97B.8A, subsection 4, paragraph "a", subparagraph (1).

32 c. The members of the investment board established under  
33 section 97B.8, Code 2001, who are legislative members shall  
34 cease membership on the investment board and commence  
35 membership on the new investment board established under

1 section 97B.8A on July 1, 2002. The terms of these members  
2 shall expire at the pleasure of the appointing authorities as  
3 provided in section 97B.8A, as enacted in this Act.

4 d. The director of the department of personnel shall cease  
5 membership on the investment board established under section  
6 97B.8, Code 2001, on July 1, 2002. The treasurer of state  
7 shall commence membership on the new investment board  
8 established under section 97B.8A, and shall serve on the board  
9 as provided in section 97B.8A, as enacted in this Act.

10 2. Initial appointments by the governor under this section  
11 are subject to confirmation by the senate. If a vacancy  
12 occurs as to a member of the investment board established  
13 under section 97B.8A who is appointed by the governor prior to  
14 the expiration of a term as provided in this section, the  
15 governor shall appoint a member to serve the remainder of the  
16 term so that the membership requirements of section 97B.8A, as  
17 enacted in this Act, are fulfilled, and the appointment shall  
18 be subject to confirmation by the senate. Upon the expiration  
19 of a term established in this section, a member shall be  
20 appointed in the manner and for a term of service as specified  
21 in section 97B.8A, as enacted in this Act. Except as  
22 otherwise provided in this section, the investment board  
23 established under this section shall be subject to the  
24 requirements of section 97B.8A, as enacted in this Act.

25 **Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.**

26 1. Effective July 1, 2001, and notwithstanding provisions  
27 of section 97B.8B, as enacted in this Act, to the contrary, a  
28 transition benefits advisory committee shall be created and  
29 shall consist of the following voting members:

30 a. A member representing the Iowa state education  
31 association.

32 b. A member representing the Iowa association of community  
33 college trustees.

34 c. A member representing the school administrators of  
35 Iowa.

1 d. A member representing the Iowa association of school  
2 boards.

3 e. A member representing the retired school personnel  
4 association.

5 f. A member representing the state police officers  
6 council.

7 g. The director of the department of personnel.

8 h. A member representing the IPERS' improvement  
9 association.

10 i. A member representing the American federation of state,  
11 county, and municipal employees.

12 j. A member representing the Iowa state sheriffs' and  
13 deputies' association.

14 k. A member representing the Iowa state association of  
15 counties.

16 l. A member representing the Iowa league of cities.

17 m. A member representing the Iowa association of chiefs of  
18 police and peace officers.

19 n. A member of the public with substantial pension  
20 benefits experience as selected by the chief benefits officer  
21 of the Iowa public employees' retirement system.

22 o. A member representing the department of management.

23 2. By July 1, 2002, the transition benefits advisory  
24 committee shall issue a report to the Iowa public employees'  
25 retirement system division concerning the rules to be adopted  
26 by the division governing the benefits advisory committee as  
27 provided in section 97B.8B, as enacted in this Act. The rules  
28 should include provisions governing the selection of members  
29 of the committee, the selection of voting members of the  
30 committee, and any other provisions deemed necessary for  
31 establishing the benefits advisory committee consistent with  
32 the requirements of section 97B.8B.

33 3. The transition benefits advisory committee shall be  
34 dissolved by July 31, 2002.

35 Sec. 21. AMENDMENTS CHANGING TERMINOLOGY -- DIRECTIVES TO

1 CODE EDITOR. Except as otherwise provided in this Act, the  
2 Iowa Code editor is directed to strike the words "department",  
3 "department of personnel", and "department's" and insert the  
4 words "division" and "division's" wherever the word  
5 "department", "department of personnel", or "department's"  
6 appears in chapter 97B of the Iowa Code and the reference to  
7 "department", "department of personnel", or "department's"  
8 means the department of personnel unless a contrary intent is  
9 clearly evident.

10 Sec. 22. ADMINISTRATIVE RULES. To the extent not  
11 inconsistent with this Act, the administrative rules  
12 promulgated and adopted by the department of personnel  
13 concerning the Iowa public employees' retirement system prior  
14 to July 1, 2002, shall be the rules of the Iowa public  
15 employees' retirement system division and shall remain in  
16 effect on and after July 1, 2002, subject to the authority of  
17 the division to modify or change the rules pursuant to Iowa  
18 Code chapter 17A.

19 Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59,  
20 97B.60, 97B.61, Code 2001, are repealed.

21 Sec. 24. EFFECTIVE DATE. This Act takes effect July 1,  
22 2002. However, section 21 of this Act, establishing a  
23 benefits advisory committee transition, takes effect July 1,  
24 2001.

25 EXPLANATION

26 This bill modifies the governance and structure of the Iowa  
27 public employees' retirement system (IPERS). Under current  
28 law, IPERS is administered by the department of personnel  
29 through the chief benefits officer and the chief investment  
30 officer, both of whom are selected by the department. The  
31 treasurer of state is the trustee of the IPERS retirement  
32 fund, and the IPERS investment board is statutorily required  
33 to advise the department in the formulation of the investment  
34 policy for the fund.

35 Under the bill, IPERS remains within the department of

1 personnel. However, the management of IPERS is made the  
 2 direct responsibility of the newly created IPERS division  
 3 within the department, and all powers and duties currently  
 4 given to the department of personnel to manage and operate  
 5 IPERS are given to the division. A chief executive officer,  
 6 who shall manage the division, shall be appointed by the  
 7 governor and be subject to confirmation by the senate. The  
 8 bill requires that the chief executive officer have  
 9 demonstrated knowledge of and executive-level experience in  
 10 all aspects of pension fund administration. The bill also  
 11 requires the chief executive officer to employ a chief  
 12 investment officer who shall be selected following  
 13 consultation with the investment board and a chief benefits  
 14 officer who shall be selected following consultation with the  
 15 benefits advisory committee.

16 The current IPERS investment board is modified under the  
 17 bill in both structure and duties.

18 Under the bill, the investment board is made the trustee of  
 19 the IPERS retirement fund. The board is given the explicit  
 20 authority, in consultation with the chief investment officer  
 21 and other personnel of the division, to develop the investment  
 22 policy and goal statement that will direct the investment  
 23 activities concerning the fund. The actual investment of the  
 24 fund remains the responsibility of the division subject to the  
 25 investment policy established by the board. In addition, the  
 26 investment board is given the authority to hire and fire the  
 27 actuary to be used as the technical advisor of the system.  
 28 The board is also given the responsibility of adopting the  
 29 actuarial assumptions to be used by the actuary in determining  
 30 the condition of the retirement fund. The board is required  
 31 to consult with the chief executive officer, the actuary, and  
 32 other relevant division personnel in the development of the  
 33 actuarial assumptions.

34 The membership of the board is also modified under the  
 35 bill. Under the bill, the director of the department of

1 personnel is replaced with the treasurer of state, and the  
2 treasurer is made a voting member of the board. In addition,  
3 the three current members who must be an executive of a  
4 domestic life insurance company, an executive of a state or  
5 national bank operating within the state of Iowa, and an  
6 executive of an industrial corporation located within the  
7 state of Iowa, are replaced with three members who must have  
8 substantial institutional investment experience or financial  
9 experience. In addition, the three current members of the  
10 board who are members of the system remain. The two  
11 legislative members of the board also remain but are made  
12 nonvoting members of the new board. The bill also establishes  
13 a mechanism for transitioning from the current board  
14 membership to the new board membership.

15 The bill also establishes a new benefits advisory  
16 committee. The duties of the committee are to review and make  
17 recommendations to the division and the general assembly  
18 concerning the provision of benefits to members of the system.  
19 The bill provides that the members of this board shall be  
20 comprised of representatives of constituent groups concerned  
21 with the system, including representatives of employers,  
22 active members, and retired members. The election of these  
23 members shall be done pursuant to rules adopted by the  
24 division. The director of the department of personnel and a  
25 person to be selected by the voting members of the committee  
26 are also specifically included as voting members of the  
27 committee. The bill provides that of the members of the  
28 committee, nine shall be voting members who shall serve as  
29 voting members for three-year terms. Of the nine voting  
30 members, four shall represent employers, and four shall  
31 represent employees. The ninth member shall be a member of  
32 the public and shall be chosen by the other eight voting  
33 members of the committee. Of the employer representatives,  
34 one shall be the director of the department of personnel, one  
35 shall represent a constituent group that represents the

1 cities, one shall represent a constituent group that  
 2 represents the counties, and one shall represent local school  
 3 districts. Of the employee representatives, one shall be from  
 4 a group that represents teachers. Expenses for members of the  
 5 committee shall be paid in the same manner and amount as they  
 6 are paid for the current members of the investment board. The  
 7 bill also provides for the establishment of a transition  
 8 benefits advisory committee on July 1, 2001. The bill  
 9 establishes the exact membership of this transition committee  
 10 and provides that it shall be dissolved by July 31, 2002. The  
 11 transition committee is given the task of making  
 12 recommendations in a report to the IPERS division no later  
 13 than July 1, 2002, concerning the rules to adopt in governing  
 14 the new benefits advisory committee. The proposed rules in  
 15 the report shall include, at a minimum, provisions governing  
 16 the selection of members to the committee and the selection of  
 17 voting members of the committee.

18 The bill provides that the administrative rules adopted by  
 19 the department of personnel concerning IPERS shall, consistent  
 20 with this bill, remain in effect after the effective date of  
 21 this bill.

22 Except for the section of the bill concerning the benefits  
 23 advisory committee transition which takes effect July 1, 2001,  
 24 the bill takes effect July 1, 2002.

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FILED MAR 19 01

SENATE FILE 497  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 1247)

Passed Senate, Date (P.961) 4/3/01 Passed House, Date (P.1184) 4-16-01  
Vote: Ayes 48 Nays 0 Vote: Ayes 97 Nays 1  
Approved April 24, 2001

A BILL FOR

1 An Act relating to the governance of the Iowa public employees'  
2 retirement system and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 497

1 Section 1. Section 12.8, unnumbered paragraph 3, Code  
2 2001, is amended to read as follows:

3 The treasurer of state, with the approval of the investment  
4 board of the Iowa public employees' retirement system, may  
5 conduct a program of lending securities in the Iowa public  
6 employees' retirement system portfolio. When securities are  
7 loaned as provided by this paragraph, the treasurer shall act  
8 in the manner provided for investment of moneys in the Iowa  
9 public employees' retirement fund under section ~~97B-7~~ 97B.7A.  
10 The treasurer of state shall report at least annually to the  
11 investment board of the Iowa public employees' retirement  
12 system on the program and shall provide additional information  
13 on the program upon the request of the investment board or the  
14 employees of the Iowa public employees' retirement system  
15 division of the department of personnel.

16 Sec. 2. Section 12B.10, subsection 4, paragraph f, Code  
17 2001, is amended to read as follows:

18 f. Investments authorized for the Iowa public employees'  
19 retirement system in section ~~97B:77-subsection-27-paragraph~~  
20 ~~"b"~~ 97B.7A, except that investment in common stocks is not  
21 permitted.

22 Sec. 3. Section 12C.5, Code 2001, is amended to read as  
23 follows:

24 12C.5 REFUSAL OF DEPOSITS -- PROCEDURE.

25 If the approved depositories will not accept the deposits  
26 under the conditions prescribed or authorized in this chapter,  
27 the funds may be deposited, on the same or better terms as  
28 were offered to the depositories, in one or more approved  
29 depositories conveniently located within the state.

30 The treasurer of state may invest in any of the investments  
31 authorized for the Iowa public employees' retirement system in  
32 section ~~97B:77-subsection-27-paragraph-"b"~~ 97B.7A except that  
33 investment in common stocks shall not be permitted.

34 Sec. 4. Section 12C.10, Code 2001, is amended to read as  
35 follows:

1 12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.

2 The governing council or board, who by law have control of  
3 any fund created by direct vote of the people, may invest any  
4 portion of the fund not currently needed, in investments  
5 authorized in section 12B.10. The treasurer of state may  
6 invest in any of the investments authorized for the Iowa  
7 public employees' retirement system in section 97B:7,  
8 ~~subsection-2, paragraph-"b"~~ 97B.7A except that investment in  
9 common stocks shall not be permitted. Interest or earnings on  
10 such funds shall be credited as provided in section 12C.7,  
11 subsection 2.

12 Sec. 5. Section 19A.1, subsection 3, paragraph b, Code  
13 2001, is amended to read as follows:

14 b. The investment board of the Iowa public employees'  
15 retirement system created by section 97B:8 97B.8A.

16 Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended  
17 to read as follows:

18 2. The several funds created by this chapter may be  
19 invested in any investments authorized for the Iowa public  
20 employees' retirement system in section 97B:7,~~subsection-2,~~  
21 ~~paragraph-"b"~~ 97B.7A.

22 Sec. 7. Section 97B.1, Code 2001, is amended to read as  
23 follows:

24 97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

25 1. The "Iowa Public Employees' Retirement System" is  
26 created. The Iowa public employees' retirement system is  
27 division, a separate and distinct division within the  
28 department of personnel, shall administer the system.

29 2. As used in this chapter unless the context requires  
30 otherwise:

31 a. "Board" means the investment board created by section  
32 97B:8 97B.8A.

33 b. "Chief executive officer" means the chief executive  
34 officer of the Iowa public employees' retirement system  
35 division, notwithstanding section 7E.2, subsection 3,

1 paragraph "c", subparagraph (1).

2 c. "Committee" means the benefits advisory committee  
3 created by section 97B.8B.

4 b- d. "Department Division" means the department-of  
5 personnel Iowa public employees' retirement system division.

6 ~~c. "Director" means the director of the department of~~  
7 ~~personnel.~~

8 d- e. "System" means the Iowa public employees' retirement  
9 system.

10 Sec. 8. NEW SECTION. 97B.3A CHIEF EXECUTIVE OFFICER --  
11 APPOINTMENT AND QUALIFICATIONS.

12 1. The administrator of the division is the chief  
13 executive officer. The chief executive officer shall be  
14 appointed by the governor subject to confirmation by the  
15 senate and shall serve at the pleasure of the governor.

16 2. The qualifications for appointment as the chief  
17 executive officer shall include a demonstrated knowledge of  
18 and executive-level experience in all aspects of pension fund  
19 administration, including financial management, investment  
20 asset management, benefit design and delivery, legal  
21 administration, and operations administration. The chief  
22 executive officer shall not be selected on the basis of  
23 political affiliation, and while employed as the chief  
24 executive officer, shall not be a member of a political  
25 committee, participate in a political campaign, or be a  
26 candidate for a partisan elective office, and shall not  
27 contribute to a political campaign fund, except that the chief  
28 executive officer may designate on the checkoff portion of the  
29 state or federal income tax return, or both, a party or  
30 parties to which a contribution is made pursuant to the  
31 checkoff. The chief executive officer shall not hold any  
32 other office under the laws of the United States or of this or  
33 any state and shall devote full time to the duties of office.

34 Sec. 9. Section 97B.4, Code 2001, is amended by striking  
35 the section and inserting in lieu thereof the following:

1 97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES OF  
2 DIVISION -- IMMUNITY.

3 1. CHIEF EXECUTIVE OFFICER. The division, through the  
4 chief executive officer, shall administer this chapter. The  
5 chief executive officer shall also be the division's statutory  
6 designee with respect to the rulemaking power.

7 2. GENERAL AUTHORITY.

8 a. The division may adopt, amend, waive, or rescind rules,  
9 employ persons, execute contracts with outside parties, make  
10 expenditures, require reports, make investigations, and take  
11 other action it deems necessary for the administration of the  
12 system in conformity with the requirements of this chapter,  
13 the applicable provisions of the Internal Revenue Code, and  
14 all other applicable federal and state laws. The rules shall  
15 be effective upon compliance with chapter 17A.

16 b. The division may delegate to any person such authority  
17 as it deems reasonable and proper for the effective  
18 administration of this chapter, and may bond any person  
19 handling moneys or signing checks under this chapter.

20 c. In administering this chapter, the division shall enter  
21 into a biennial agreement with the department of personnel  
22 concerning the sharing of resources between the division and  
23 department which are of benefit to each and which are  
24 consistent with the mission of the division and the  
25 department. The budget program for the division shall be  
26 compiled by the department of personnel in collaboration with  
27 the division and submitted by the department pursuant to  
28 section 8.23.

29 3. PERSONNEL.

30 a. CHIEF INVESTMENT OFFICER. The chief executive officer,  
31 following consultation with the board, shall employ a chief  
32 investment officer who shall be appointed pursuant to chapter  
33 19A and shall be responsible for administering the investment  
34 program for the retirement fund pursuant to the investment  
35 policies of the board.

1 b. CHIEF BENEFITS OFFICER. The chief executive officer,  
2 following consultation with the benefits advisory committee,  
3 shall employ a chief benefits officer who shall be appointed  
4 pursuant to chapter 19A and shall be responsible for  
5 administering the benefits and other services provided under  
6 the system.

7 c. ACTUARY. The division shall employ an actuary who  
8 shall be selected by the board and shall serve at the pleasure  
9 of the board. The actuary shall be the technical advisor for  
10 the system on matters regarding the operation of the  
11 retirement fund.

12 d. DIVISION EMPLOYEES. Subject to other provisions of  
13 this chapter, the division may employ all other personnel as  
14 necessary for the administration of the system. The maximum  
15 number of full-time equivalent employees specified by the  
16 general assembly for the division for administration of the  
17 system for a fiscal year shall not be reduced by any authority  
18 other than the general assembly. The personnel of the  
19 division shall be appointed pursuant to chapter 19A. The  
20 division shall not appoint or employ a person who is an  
21 officer or committee member of a political party organization  
22 or who holds or is a candidate for a partisan elective public  
23 office.

24 e. LEGAL ADVISORS. The division may employ attorneys and  
25 contract with attorneys and legal firms for the provision of  
26 legal counsel and advice in the administration of this chapter  
27 and chapter 97C.

28 f. OUTSIDE ADVISORS. The division may execute contracts  
29 with persons outside state government, including investment  
30 advisors, consultants, and managers, in the administration of  
31 this chapter. However, a contract with an investment manager  
32 or investment consultant shall not be executed by the division  
33 pursuant to this paragraph without the prior approval by the  
34 board of the hiring of the investment manager or investment  
35 consultant.

1 4. REPORTS.

2 a. ANNUAL REPORT TO GOVERNOR. Not later than the  
3 fifteenth day of December of each year, the division shall  
4 submit to the governor a report covering the administration  
5 and operation of this chapter during the preceding fiscal year  
6 and shall make recommendations for amendments to this chapter.  
7 The report shall include a balance sheet of the moneys in the  
8 retirement fund. The report shall also include information  
9 concerning the investment management expenses for the  
10 retirement fund for each fiscal year expressed as a percent of  
11 the market value of the retirement fund investment assets,  
12 including the information described in section 97B.7,  
13 subsection 3, paragraph "d". The information provided under  
14 this paragraph shall also include information on the  
15 investment policies and investment performance of the  
16 retirement fund. In providing this information, to the extent  
17 possible, the division shall include the total investment  
18 return for the entire fund, for portions of the fund managed  
19 by investment managers, and for internally managed portions of  
20 the fund, and the cost of managing the fund per thousand  
21 dollars of assets. The performance shall be based upon market  
22 value, and shall be contrasted with relevant market indices  
23 and with performances of pension funds of similar asset size.

24 b. ANNUAL STATEMENT TO MEMBERS. The division shall  
25 prepare and distribute to the members, at the expense of the  
26 retirement fund, an annual statement of the member's account  
27 and, in such a manner as the division deems appropriate, other  
28 information concerning the system.

29 c. ACTUARIAL INVESTIGATION. During calendar year 2002,  
30 and every four years thereafter, the division shall cause an  
31 actuarial investigation to be made of all experience under the  
32 retirement system. Pursuant to such an investigation, the  
33 division shall, from time to time, determine upon an actuarial  
34 basis the condition of the system and shall report to the  
35 general assembly its findings and recommendations.

1 d. ANNUAL VALUATION OF ASSETS. The division shall cause  
2 an annual actuarial valuation to be made of the assets and  
3 liabilities of the system and shall prepare an annual  
4 statement of the amounts to be contributed under this chapter,  
5 and shall publish annually such valuation of the assets and  
6 liabilities and the statement of receipts and disbursements of  
7 the system. Based upon the actuarial methods and assumptions  
8 adopted by the board for the annual valuation, the division  
9 shall certify to the governor the contribution rates  
10 determined thereby as the rates necessary and sufficient for  
11 members and employers to fully fund the benefits and  
12 retirement allowances being credited.

13 5. INVESTMENTS. The division, through the chief  
14 investment officer, shall invest, in accordance with the  
15 investment policy and goal statement established by the board,  
16 the portion of the retirement fund which, in the judgment of  
17 the division, is not needed for current payment of benefits  
18 under this chapter subject to the requirements of section  
19 97B.7A.

20 6. OLD RECORDS. The division may destroy or dispose of  
21 such original reports or records as have been properly  
22 recorded or summarized in the permanent records of the  
23 division and are deemed by the chief executive officer to be  
24 no longer necessary to the proper administration of this  
25 chapter. The destruction or disposition shall be made only by  
26 order of the chief executive officer. Records of deceased  
27 members of the system may be destroyed ten years after the  
28 later of the final payment made to a third party on behalf of  
29 the member or the death of the member. Any moneys received  
30 from the disposition of these records shall be deposited to  
31 the credit of the retirement fund subject to rules adopted by  
32 the division.

33 7. IMMUNITY. The division, employees of the division, the  
34 board, the members of the board, and the treasurer of state  
35 are not personally liable for actions or omissions under this

1 chapter that do not involve malicious or wanton misconduct  
2 even if those actions or omissions violate the standards  
3 established in section 97B.7A.

4 Sec. 10. Section 97B.7, Code 2001, is amended by striking  
5 the section and inserting in lieu thereof the following:

6 97B.7 FUND CREATED -- EXCLUSIVE BENEFIT -- STANDING  
7 APPROPRIATIONS.

8 1. There is hereby created as a special fund, separate and  
9 apart from all other public moneys or funds of this state, the  
10 "Iowa Public Employees' Retirement Fund", hereafter called the  
11 "retirement fund". The retirement fund shall consist of all  
12 moneys collected under this chapter, together with all  
13 interest, dividends, and rents thereon, and shall also include  
14 all securities or investment income and other assets acquired  
15 by and through the use of the moneys belonging to the  
16 retirement fund and any other moneys that have been paid into  
17 the retirement fund.

18 2. The treasurer of the state of Iowa is hereby made the  
19 custodian of the retirement fund and shall hold and disburse  
20 the retirement fund in accordance with the requirements of  
21 this chapter. As custodian, the treasurer shall be authorized  
22 to disburse moneys in the retirement fund upon warrants drawn  
23 by the director of revenue and finance pursuant to the order  
24 of the division.

25 3. All moneys which are paid or deposited into the fund  
26 are appropriated and made available to the division to be used  
27 for the exclusive benefit of the members and their  
28 beneficiaries or contingent annuitants as provided in this  
29 chapter:

30 a. To be used by the division for the payment of claims  
31 for benefits under this chapter.

32 b. To be used by the division to pay refunds provided for  
33 in this chapter.

34 c. To be used for the costs of administering the system,  
35 including up to \$50,000 per fiscal year for actual and

1 necessary expenses of the benefits advisory committee. If as  
2 a result of action under section 8.31, the governor has  
3 reduced the moneys appropriated from the retirement fund to  
4 the division for salaries, support, maintenance, and other  
5 operational purposes to pay the costs of the system for a  
6 fiscal year, it is the intent of the general assembly that the  
7 amount by which the appropriation has been reduced should be  
8 transferred from the retirement fund to the division for  
9 salaries, support, maintenance, and other operational purposes  
10 to pay the costs of the system for that fiscal year.

11 d. To be used to pay for investment management expenses  
12 incurred in the management of the retirement fund. Expenses  
13 incurred pursuant to this paragraph shall be charged to the  
14 investment income of the retirement fund. However, the amount  
15 appropriated for a fiscal year under this paragraph shall not  
16 exceed four-tenths of one percent of the market value of the  
17 retirement fund.

18 Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT  
19 OF RETIREMENT FUND -- STANDARDS -- IMMUNITY.

20 1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In  
21 establishing the investment policy of the retirement fund and  
22 providing for the investment of the retirement fund, the  
23 division and board shall do the following:

24 a. Exercise the judgment and care, under the circumstances  
25 then prevailing, which persons of prudence, discretion, and  
26 intelligence exercise in the management of their own affairs,  
27 not for the purpose of speculation, but with regard to the  
28 permanent disposition of the funds, considering the probable  
29 income, as well as the probable safety, of their capital.

30 b. Give appropriate consideration to those facts and  
31 circumstances that the division and board know or should know  
32 are relevant to the particular investment or investment policy  
33 involved, including the role the investment plays in the total  
34 value of the retirement fund.

35 c. For the purposes of this subsection, appropriate

1 consideration includes, but is not limited to, a determination  
2 that the particular investment or investment policy is  
3 reasonably designed to further the purposes of the system,  
4 taking into consideration the risk of loss and the opportunity  
5 for gain or income associated with the investment or  
6 investment policy and consideration of the following factors  
7 as they relate to the retirement fund:

8 (1) The composition of the retirement fund with regard to  
9 diversification.

10 (2) The liquidity and current return of the investments in  
11 the retirement fund relative to the anticipated cash flow  
12 requirements of the system.

13 (3) The projected return of the investments relative to  
14 the funding objectives of the retirement system.

15 2. INVESTMENT ACQUISITIONS. Within the limitations of the  
16 investment standards prescribed in this section, the system  
17 may acquire and retain every kind of property and every kind  
18 of investment which persons of prudence, discretion, and  
19 intelligence acquire or retain for their own account.

20 Consistent with this section, investments shall be made in a  
21 manner that will enhance the economy of this state, and in  
22 particular, will result in increased employment of the  
23 residents of this state. Investments of moneys in the  
24 retirement fund are not subject to sections 73.15 through  
25 73.21.

26 3. LIABILITY -- REIMBURSEMENT. Except as provided in  
27 section 97B.4, subsection 7, if there is loss to the  
28 retirement fund, the treasurer of state, the division, the  
29 employees of the division, the members of the board severally,  
30 and the board are not personally liable, and the loss shall be  
31 charged against the retirement fund. There is appropriated  
32 from the retirement fund, the amount required to cover a loss.

33 4. INVESTMENT PROCEDURES. In managing the investment of  
34 the retirement fund, the division, in accordance with the  
35 investment policy established by the board, is authorized to

1 do the following:

2 a. To sell any securities or other property in the  
3 retirement fund and reinvest the proceeds when such action may  
4 be deemed advisable by the division for the protection of the  
5 retirement fund or the preservation of the value of the  
6 investment. Such sale of securities or other property of the  
7 retirement fund and reinvestment shall only be made in  
8 accordance with policies of the board in the manner and to the  
9 extent provided in this chapter.

10 b. To subscribe for the purchase of securities for future  
11 delivery in anticipation of future income. The securities  
12 shall be paid for by anticipated income or from funds from the  
13 sale of securities or other property held by the retirement  
14 fund.

15 c. To pay for securities directed to be purchased upon the  
16 receipt of the purchasing bank's paid statement or paid  
17 confirmation of purchase.

18 5. TRAVEL. In the administration of the investment of  
19 moneys in the retirement fund, employees of the division and  
20 members of the board may travel outside the state for the  
21 purpose of meeting with investment firms and consultants and  
22 attending conferences and meetings to fulfill their fiduciary  
23 responsibilities. This travel is not subject to section  
24 421.38, subsection 2.

25 Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

26 1. BOARD ESTABLISHED. A board is established to be known  
27 as the "Investment Board of the Iowa Public Employees'  
28 Retirement System", referred to in this chapter as the  
29 "board". The duties of the board are to establish policy, and  
30 review its implementation, in matters relating to the  
31 investment of the retirement fund. The board shall be the  
32 trustee of the retirement fund.

33 2. INVESTMENT REVIEW. a. At least annually the board  
34 shall review the investment policies and procedures used by  
35 the board and division, and shall hold a public meeting on the

1 investment policies and investment performance of the  
2 retirement fund. Following its review and the public meeting,  
3 the board shall, pursuant to the requirements of section  
4 97B.7A, and in consultation with the chief investment officer  
5 and other relevant personnel of the division, establish an  
6 investment policy and goal statement that shall direct the  
7 investment activities concerning the retirement fund.

8 b. The board shall review and approve, prior to the  
9 execution of a contract with the division, the hiring of each  
10 investment manager and investment consultant outside of state  
11 government.

12 c. The board shall be involved in the performance  
13 evaluation of the chief investment officer.

14 3. ACTUARIAL RESPONSIBILITIES.

15 a. The board shall select the actuary to be employed by  
16 the system as provided in section 97B.4.

17 b. The board shall, in consultation with the chief  
18 executive officer, the actuary, and other relevant personnel  
19 of the division, adopt from time to time mortality tables and  
20 all other necessary factors for use in actuarial calculations  
21 required in connection with the system. The board shall also  
22 adopt the actuarial methods and assumptions to be used by the  
23 actuary for the annual valuation of assets as required by  
24 section 97B.4.

25 4. MEMBERSHIP.

26 a. The board shall consist of nine members, including  
27 seven voting members and two nonvoting members. The voting  
28 members shall be as follows:

29 (1) Three public members, appointed by the governor, who  
30 are not members of the system and who each have substantial  
31 institutional investment experience or substantial  
32 institutional financial experience.

33 (2) Three members, appointed by the governor, who are  
34 members of the system. Of the three members appointed, one  
35 shall be an active member who is an employee of a school

1 district, area education agency, or merged area; one shall be  
2 an active member who is not an employee of a school district,  
3 area education agency, or merged area; and one shall be a  
4 retired member of the system.

5 (3) The treasurer of state.

6 The nonvoting members of the board shall be one state  
7 representative, appointed by the speaker of the house of  
8 representatives, and one state senator, appointed by the  
9 president of the senate, after consultation with the majority  
10 leader and the minority leader of the senate.

11 b. Four voting members of the board shall constitute a  
12 quorum.

13 c. The three members who have substantial institutional  
14 investment experience or substantial institutional financial  
15 experience, and the member who is a retired member of the  
16 system, shall be paid their actual expenses incurred in the  
17 performance of their duties and shall receive a per diem as  
18 specified in section 7E.6 for each day of service not  
19 exceeding forty days per year. Legislative members shall be  
20 paid the per diem and expenses specified in section 2.10, for  
21 each day of service. The per diem and expenses of the  
22 legislative members shall be paid from funds appropriated  
23 under section 2.12. The members who are active members of the  
24 system and the treasurer of state shall be paid their actual  
25 expenses incurred in the performance of their duties as  
26 members of the board and the performance of their duties as  
27 members of the board shall not affect their salaries,  
28 vacations, or leaves of absence for sickness or injury.

29 d. The appointive terms of the members appointed by the  
30 governor are for a period of six years beginning and ending as  
31 provided in section 69.19. If there is a vacancy in the  
32 membership of the board for one of the members appointed by  
33 the governor, the governor has the power of appointment.  
34 Gubernatorial appointees to this board are subject to  
35 confirmation by the senate.

1 5. CLOSED SESSIONS. In addition to the reasons provided  
2 in section 21.5, subsection 1, the board may hold a closed  
3 session pursuant to the requirements of section 21.5 of that  
4 portion of a board meeting in which financial or commercial  
5 information is provided to or discussed by the board if the  
6 board determines that disclosure of such information could  
7 result in a loss to the system or to the provider of the  
8 information.

9 Sec. 13. NEW SECTION. 97B.8B BENEFITS ADVISORY  
10 COMMITTEE.

11 1. COMMITTEE ESTABLISHED. A benefits advisory committee  
12 shall be established whose duty is to consider and make  
13 recommendations to the division and the general assembly  
14 concerning the provision of benefits to members of the system.

15 2. MEMBERSHIP. The benefits advisory committee shall be  
16 comprised of representatives of constituent groups concerned  
17 with the system, and shall include representatives of  
18 employers, active members, and retired members. In addition,  
19 the director of the department of personnel and a member of  
20 the public selected by the voting members of the committee  
21 shall serve as members of the committee. The division shall  
22 adopt rules under chapter 17A to provide for the selection of  
23 members to the committee and the election of the voting  
24 members of the committee.

25 3. VOTING MEMBERS. Of the members who comprise the  
26 committee, nine members shall be voting members. Except as  
27 otherwise provided by this subsection, the voting members  
28 shall be elected by the members of the committee from the  
29 membership of the committee. Of the nine voting members of  
30 the committee, four shall represent covered employers, and  
31 four shall represent the members of the system. Of the four  
32 voting members representing employers, one shall be the  
33 director of the department of personnel, one shall be a member  
34 of a constituent group that represents cities, one shall be a  
35 member of a constituent group that represents counties, and

1 one shall be a member of a constituent group that represents  
2 local school districts. Of the four voting members who  
3 represent members of the system, one shall be a member of a  
4 constituent group that represents teachers. The ninth voting  
5 member of the committee shall be a citizen who is not a member  
6 of the system and who is elected by the other voting members  
7 of the committee.

8 4. DUTIES.

9 a. At least every two years, the benefits advisory  
10 committee shall review the benefits and services provided to  
11 members under this chapter, and the voting members of the  
12 committee shall make recommendations to the division and the  
13 general assembly concerning the benefits, benefits policy, and  
14 benefit goals, provided under this chapter.

15 b. The benefits advisory committee shall be involved in  
16 the performance evaluation of the chief benefits officer.

17 5. TERMS OF VOTING MEMBERS. Except for the director of  
18 the department of personnel and as otherwise provided in the  
19 rules for the initial selection of voting members of the  
20 committee, each member selected to be a voting member shall  
21 serve as a voting member for three years. Terms for voting  
22 members begin on May 1 in the year of selection and expire on  
23 April 30 in the year of expiration. Vacancies shall be filled  
24 in the same manner as the original selections. A vacancy  
25 shall be filled for the unexpired term.

26 6. EXPENSES. The members who are not active members of  
27 the system shall be paid their actual expenses incurred in the  
28 performance of their duties and shall receive a per diem as  
29 specified in section 7E.6 for each day of service not  
30 exceeding forty days per year. The members who are active  
31 members of the system and the director of the department of  
32 personnel shall be paid their actual expenses incurred in the  
33 performance of their duties as members of the committee and  
34 the performance of their duties as members of the committee  
35 shall not affect their salaries, vacations, or leaves of

1 absence for sickness or injury.

2 Sec. 14. Section 97B.20A, Code 2001, is amended to read as  
3 follows:

4 97B.20A APPEAL PROCEDURE.

5 Members and third-party payees may appeal any decision made  
6 by the department division that affects their rights under  
7 this chapter. The appeal shall be filed with the department  
8 division within thirty days after the notification of the  
9 decision was mailed to the party's last known mailing address,  
10 or the decision of the department division is final. If the  
11 party appeals the decision of the department division, the  
12 department division shall conduct an internal review of the  
13 decision and the chief benefits executive officer shall notify  
14 the individual who has filed the appeal in writing of the  
15 department's division's decision. The individual who has  
16 filed the appeal may file an appeal of the department's  
17 division's final decision with the department division under  
18 chapter 17A by notifying the department division of the appeal  
19 in writing within thirty days after the notification of its  
20 final decision was mailed to the party's last known mailing  
21 address. Once notified, the department division shall forward  
22 the appeal to the department of inspections and appeals.

23 Sec. 15. Section 97B.25, Code 2001, is amended to read as  
24 follows:

25 97B.25 APPLICATIONS FOR BENEFITS.

26 A representative designated by the chief benefits executive  
27 officer and referred to in this chapter as a retirement  
28 benefits officer shall promptly examine applications for  
29 retirement benefits and on the basis of facts found shall  
30 determine whether or not the claim is valid. If the claim is  
31 valid, the retirement benefits officer shall send a  
32 notification to the member stating the option the member has  
33 selected pursuant to section 97B.51, the month with respect to  
34 which benefits shall commence, and the monthly benefit amount  
35 payable. If the claim is invalid, the retirement benefits

1 officer shall promptly notify the applicant and any other  
2 interested party of the decision and the reasons. A  
3 retirement application shall not be amended or revoked by the  
4 member once the first retirement allowance is paid. A  
5 member's death during the first month of entitlement shall not  
6 invalidate an approved application.

7 Sec. 16. Section 257B.20, subsection 4, Code 2001, is  
8 amended to read as follows:

9 4. In any investments authorized for the Iowa public  
10 employees' retirement system in section ~~97B.77-subsection-27~~  
11 ~~paragraph-"b"~~ 97B.7A, except that investment in common stocks  
12 shall not be permitted.

13 Sec. 17. Section 411.7, subsection 2, Code 2001, is  
14 amended to read as follows:

15 2. The secretary of the board of trustees shall invest, in  
16 accordance with the investment policy established by the board  
17 of trustees, the portion of the fund established in section  
18 411.8 which in the judgment of the board is not needed for  
19 current payment of benefits under this chapter in investments  
20 authorized in section ~~97B.77-subsection-27-paragraph-"b"~~  
21 97B.7A, for moneys in the Iowa public employees' retirement  
22 fund.

23 Sec. 18. Section 602.9111, subsection 1, Code 2001, is  
24 amended to read as follows:

25 1. So much of the judicial retirement fund as may not be  
26 necessary to be kept on hand for the making of disbursements  
27 under this article shall be invested by the treasurer of state  
28 in any investments authorized for the Iowa public employees'  
29 retirement system in section ~~97B.77-subsection-27-paragraph~~  
30 ~~"b"~~ 97B.7A, and the earnings therefrom shall be credited to  
31 the fund. The treasurer of state may execute contracts and  
32 agreements with investment advisors, consultants, and  
33 investment management and benefit consultant firms in the  
34 administration of the judicial retirement fund.

35 Sec. 19. INVESTMENT BOARD TRANSITION.

1 1. Notwithstanding provisions of section 97B.8A, as  
2 enacted in this Act, to the contrary, the new investment board  
3 of the Iowa public employees' retirement system shall, on July  
4 1, 2002, consist of the following members, who shall serve the  
5 following terms:

6 a. The members of the investment board established under  
7 section 97B.8, Code 2001, who are an active member who is an  
8 employee of a school district, area education agency, or  
9 merged area; an active member who is not an employee of a  
10 school district, area education agency, or merged area; and a  
11 retired member, shall cease membership on the investment board  
12 and commence membership on the new investment board  
13 established under section 97B.8A on July 1, 2002. The terms  
14 of these members on the investment board established under  
15 section 97B.8A shall expire on the same date as their terms  
16 would have expired on the investment board in accordance with  
17 section 97B.8, Code 2001.

18 b. The members of the investment board established under  
19 section 97B.8, Code 2001, who are an executive of a domestic  
20 life insurance company, an executive of a state or national  
21 bank, and an executive of an industrial corporation located  
22 within the state of Iowa, shall cease membership on the  
23 investment board and commence membership on the new investment  
24 board established under section 97B.8A on July 1, 2002. The  
25 terms of these members on the new investment board established  
26 under section 97B.8A shall expire on the same date as their  
27 terms would have expired on the investment board in accordance  
28 with section 97B.8, Code 2001. Upon expiration of each of  
29 these member's term of office, the governor shall appoint a  
30 member to the board consistent with the requirements of  
31 section 97B.8A, subsection 4, paragraph "a", subparagraph (1).

32 c. The members of the investment board established under  
33 section 97B.8, Code 2001, who are legislative members shall  
34 cease membership on the investment board and commence  
35 membership on the new investment board established under

1 section 97B.8A on July 1, 2002. The terms of these members  
2 shall expire at the pleasure of the appointing authorities as  
3 provided in section 97B.8A, as enacted in this Act.

4 d. The director of the department of personnel shall cease  
5 membership on the investment board established under section  
6 97B.8, Code 2001, on July 1, 2002. The treasurer of state  
7 shall commence membership on the new investment board  
8 established under section 97B.8A, and shall serve on the board  
9 as provided in section 97B.8A, as enacted in this Act.

10 2. Initial appointments by the governor under this section  
11 are subject to confirmation by the senate. If a vacancy  
12 occurs as to a member of the investment board established  
13 under section 97B.8A who is appointed by the governor prior to  
14 the expiration of a term as provided in this section, the  
15 governor shall appoint a member to serve the remainder of the  
16 term so that the membership requirements of section 97B.8A, as  
17 enacted in this Act, are fulfilled, and the appointment shall  
18 be subject to confirmation by the senate. Upon the expiration  
19 of a term established in this section, a member shall be  
20 appointed in the manner and for a term of service as specified  
21 in section 97B.8A, as enacted in this Act. Except as  
22 otherwise provided in this section, the investment board  
23 established under this section shall be subject to the  
24 requirements of section 97B.8A, as enacted in this Act.

25 Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.

26 1. Effective July 1, 2001, and notwithstanding provisions  
27 of section 97B.8B, as enacted in this Act, to the contrary, a  
28 transition benefits advisory committee shall be created and  
29 shall consist of the following voting members:

30 a. A member representing the Iowa state education  
31 association.

32 b. A member representing the Iowa association of community  
33 college trustees.

34 c. A member representing the school administrators of  
35 Iowa.

1 d. A member representing the Iowa association of school  
2 boards.

3 e. A member representing the retired school personnel  
4 association.

5 f. A member representing the state police officers  
6 council.

7 g. The director of the department of personnel.

8 h. A member representing the IPERS' improvement  
9 association.

10 i. A member representing the American federation of state,  
11 county, and municipal employees.

12 j. A member representing the Iowa state sheriffs' and  
13 deputies' association.

14 k. A member representing the Iowa state association of  
15 counties.

16 l. A member representing the Iowa league of cities.

17 m. A member representing the Iowa association of chiefs of  
18 police and peace officers.

19 n. A member of the public with substantial pension  
20 benefits experience as selected by the chief benefits officer  
21 of the Iowa public employees' retirement system.

22 o. A member representing the department of management.

23 2. By July 1, 2002, the transition benefits advisory  
24 committee shall issue a report to the Iowa public employees'  
25 retirement system division concerning the rules to be adopted  
26 by the division governing the benefits advisory committee as  
27 provided in section 97B.8B, as enacted in this Act. The rules  
28 should include provisions governing the selection of members  
29 of the committee, the selection of voting members of the  
30 committee, and any other provisions deemed necessary for  
31 establishing the benefits advisory committee consistent with  
32 the requirements of section 97B.8B.

33 3. The transition benefits advisory committee shall be  
34 dissolved by July 31, 2002.

35 Sec. 21. AMENDMENTS CHANGING TERMINOLOGY -- DIRECTIVES TO

1 CODE EDITOR. Except as otherwise provided in this Act, the  
2 Iowa Code editor is directed to strike the words "department",  
3 "department of personnel", and "department's" and insert the  
4 words "division" and "division's" wherever the word  
5 "department", "department of personnel", or "department's"  
6 appears in chapter 97B of the Iowa Code and the reference to  
7 "department", "department of personnel", or "department's"  
8 means the department of personnel unless a contrary intent is  
9 clearly evident.

10 Sec. 22. ADMINISTRATIVE RULES. To the extent not  
11 inconsistent with this Act, the administrative rules  
12 promulgated and adopted by the department of personnel  
13 concerning the Iowa public employees' retirement system prior  
14 to July 1, 2002, shall be the rules of the Iowa public  
15 employees' retirement system division and shall remain in  
16 effect on and after July 1, 2002, subject to the authority of  
17 the division to modify or change the rules pursuant to Iowa  
18 Code chapter 17A.

19 Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59,  
20 97B.60, 97B.61, Code 2001, are repealed.

21 Sec. 24. EFFECTIVE DATE. This Act takes effect July 1,  
22 2002. However, section 21 of this Act, establishing a  
23 benefits advisory committee transition, takes effect July 1,  
24 2001.

#### 25 EXPLANATION

26 This bill modifies the governance and structure of the Iowa  
27 public employees' retirement system (IPERS). Under current  
28 law, IPERS is administered by the department of personnel  
29 through the chief benefits officer and the chief investment  
30 officer, both of whom are selected by the department. The  
31 treasurer of state is the trustee of the IPERS retirement  
32 fund, and the IPERS investment board is statutorily required  
33 to advise the department in the formulation of the investment  
34 policy for the fund.

35 Under the bill, IPERS remains within the department of

1 personnel. However, the management of IPERS is made the  
2 direct responsibility of the newly created IPERS division  
3 within the department, and all powers and duties currently  
4 given to the department of personnel to manage and operate  
5 IPERS are given to the division. A chief executive officer,  
6 who shall manage the division, shall be appointed by the  
7 governor and be subject to confirmation by the senate. The  
8 bill requires that the chief executive officer have  
9 demonstrated knowledge of and executive-level experience in  
10 all aspects of pension fund administration. The bill also  
11 requires the chief executive officer to employ a chief  
12 investment officer who shall be selected following  
13 consultation with the investment board and a chief benefits  
14 officer who shall be selected following consultation with the  
15 benefits advisory committee.

16 The current IPERS investment board is modified under the  
17 bill in both structure and duties.

18 Under the bill, the investment board is made the trustee of  
19 the IPERS retirement fund. The board is given the explicit  
20 authority, in consultation with the chief investment officer  
21 and other personnel of the division, to develop the investment  
22 policy and goal statement that will direct the investment  
23 activities concerning the fund. The actual investment of the  
24 fund remains the responsibility of the division subject to the  
25 investment policy established by the board. In addition, the  
26 investment board is given the authority to hire and fire the  
27 actuary to be used as the technical advisor of the system.  
28 The board is also given the responsibility of adopting the  
29 actuarial assumptions to be used by the actuary in determining  
30 the condition of the retirement fund. The board is required  
31 to consult with the chief executive officer, the actuary, and  
32 other relevant division personnel in the development of the  
33 actuarial assumptions.

34 The membership of the board is also modified under the  
35 bill. Under the bill, the director of the department of

1 personnel is replaced with the treasurer of state, and the  
2 treasurer is made a voting member of the board. In addition,  
3 the three current members who must be an executive of a  
4 domestic life insurance company, an executive of a state or  
5 national bank operating within the state of Iowa, and an  
6 executive of an industrial corporation located within the  
7 state of Iowa, are replaced with three members who must have  
8 substantial institutional investment experience or financial  
9 experience. In addition, the three current members of the  
10 board who are members of the system remain. The two  
11 legislative members of the board also remain but are made  
12 nonvoting members of the new board. The bill also establishes  
13 a mechanism for transitioning from the current board  
14 membership to the new board membership.

15 The bill also establishes a new benefits advisory  
16 committee. The duties of the committee are to review and make  
17 recommendations to the division and the general assembly  
18 concerning the provision of benefits to members of the system.  
19 The bill provides that the members of this board shall be  
20 comprised of representatives of constituent groups concerned  
21 with the system, including representatives of employers,  
22 active members, and retired members. The election of these  
23 members shall be done pursuant to rules adopted by the  
24 division. The director of the department of personnel and a  
25 person to be selected by the voting members of the committee  
26 are also specifically included as voting members of the  
27 committee. The bill provides that of the members of the  
28 committee, nine shall be voting members who shall serve as  
29 voting members for three-year terms. Of the nine voting  
30 members, four shall represent employers, and four shall  
31 represent employees. The ninth member shall be a member of  
32 the public and shall be chosen by the other eight voting  
33 members of the committee. Of the employer representatives,  
34 one shall be the director of the department of personnel, one  
35 shall represent a constituent group that represents the

1 cities, one shall represent a constituent group that  
2 represents the counties, and one shall represent local school  
3 districts. Of the employee representatives, one shall be from  
4 a group that represents teachers. Expenses for members of the  
5 committee shall be paid in the same manner and amount as they  
6 are paid for the current members of the investment board. The  
7 bill also provides for the establishment of a transition  
8 benefits advisory committee on July 1, 2001. The bill  
9 establishes the exact membership of this transition committee  
10 and provides that it shall be dissolved by July 31, 2002. The  
11 transition committee is given the task of making  
12 recommendations in a report to the IPERS division no later  
13 than July 1, 2002, concerning the rules to adopt in governing  
14 the new benefits advisory committee. The proposed rules in  
15 the report shall include, at a minimum, provisions governing  
16 the selection of members to the committee and the selection of  
17 voting members of the committee.

18 The bill provides that the administrative rules adopted by  
19 the department of personnel concerning IPERS shall, consistent  
20 with this bill, remain in effect after the effective date of  
21 this bill.

22 Except for the section of the bill concerning the benefits  
23 advisory committee transition which takes effect July 1, 2001,  
24 the bill takes effect July 1, 2002.

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**SENATE FILE 497****S-3258**

1 Amend Senate File 497 as follows:

2 1. Page 3, by striking line 15 and inserting the  
3 following: "senate. A vacancy shall be filled for  
4 the unexpired portion of the term in the same manner  
5 as a full-term appointment is made. The governor may  
6 remove the chief executive officer for malfeasance in  
7 office, or for any cause that renders the chief  
8 executive officer ineligible, incapable, or unfit to  
9 discharge the duties of the office."

10 2. Page 3, line 17, by inserting after the words  
11 "shall include" the following: "management-level  
12 pension fund administration experience. The  
13 qualifications for appointment as the chief executive  
14 officer shall also include".

15 3. Page 3, line 18, by striking the words "and  
16 executive-level experience in".

17 4. Page 4, by striking lines 25 through 28 and  
18 inserting the following: "department. The budget  
19 program for the division shall be established by the  
20 chief executive officer in consultation with the board  
21 and other staff of the division and shall be compiled  
22 by the department of personnel in collaboration with  
23 the division and submitted on behalf of the division  
24 by the department pursuant to section 8.23."

25 5. Page 8, line 24, by inserting after the word  
26 "division." the following: "The treasurer shall not  
27 select any bank or other third party for the purposes  
28 of investment asset safekeeping, other custody, or  
29 settlement services without prior consultation with  
30 the board."

31 6. Page 12, line 26, by striking the word "nine"  
32 and inserting the following: "eleven".

33 7. Page 12, line 27, by striking the word "two"  
34 and inserting the following: "four".

35 8. Page 12, line 34, by inserting after the word  
36 "system." the following: "Prior to the appointment by  
37 the governor of a member of the board under this  
38 subparagraph, the benefits advisory committee shall  
39 submit a slate of at least two nominees per position  
40 to the governor for the governor's consideration. The  
41 governor is not required to appoint a member from the  
42 slate submitted."

43 9. Page 13, by striking lines 6 through 10 and  
44 inserting the following: "The nonvoting members of  
45 the board shall be two state representatives, one  
46 appointed by the speaker of the house of  
47 representatives and one by the minority leader of the  
48 house, and two state senators, one appointed by the  
49 majority leader of the senate and one by the minority  
50 leader of the senate."

**S-3258**

**S-3258**

Page 2

1 10. Page 14, line 14, by inserting after the word  
2 "benefits" the following: "and services".

3 11. Page 15, line 13, by inserting after the word  
4 "concerning" the following: "the services provided to  
5 members and".

6 12. Page 15, by inserting after line 16 the  
7 following:

8 "c. Upon the expiration of the term of office of  
9 or a vacancy concerning one of the three members of  
10 the investment board described in section 97B.8A,  
11 subsection 4, paragraph "a", subparagraph (2), the  
12 voting members of the committee shall submit to the  
13 governor the names of at least two nominees who meet  
14 the requirements specified in that subparagraph. The  
15 governor may appoint the member from the list  
16 submitted by the committee."

17 13. Page 16, line 1, by inserting after the word  
18 "injury." the following: "However, the benefits  
19 advisory committee shall not incur any additional  
20 expenses in fulfilling its duties as provided by this  
21 section without the express written authority of the  
22 chief executive officer."

23 14. Page 19, line 1, by inserting after the word  
24 and figures "July 1, 2002." the following: "Two  
25 additional legislative members shall be appointed and  
26 commence membership on the new investment board on  
27 July 1, 2002, as provided in section 97B.8A as enacted  
28 in this Act."

29 15. By renumbering as necessary.

By JOHN P. KIBBIE  
RICHARD F. DRAKE

MARY LOU FREEMAN  
SHELDON RITTMER

**S-3258** FILED MARCH 27, 2001

*Adapted*  
*4/3/01*  
*(P. 961)*

H. 4/4/01 State Gov  
H. 4/6/01 Do Pass  
H. 4/12/01 UNRECORDED BUSINESS CALENDAR

SENATE FILE 497  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 1247)

(AS AMENDED AND PASSED BY THE SENATE APRIL 3, 2001)

\_\_\_\_\_ - New Language by the Senate  
\* - Language Stricken by the Senate

Passed Senate, Date <sup>(P. 961)</sup> 4/3/01 Passed House, Date <sup>(P. 1184)</sup> 4-16-01  
Vote: Ayes 48 Nays 0 Vote: Ayes 97 Nays 1  
Approved April 24, 2001

A BILL FOR

1 An Act relating to the governance of the Iowa public employees'  
2 retirement system and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

S.F. 497

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1 Section 1. Section 12.8, unnumbered paragraph 3, Code  
2 2001, is amended to read as follows:

3 The treasurer of state, with the approval of the investment  
4 board of the Iowa public employees' retirement system, may  
5 conduct a program of lending securities in the Iowa public  
6 employees' retirement system portfolio. When securities are  
7 loaned as provided by this paragraph, the treasurer shall act  
8 in the manner provided for investment of moneys in the Iowa  
9 public employees' retirement fund under section 97B-7 97B.7A.  
10 The treasurer of state shall report at least annually to the  
11 investment board of the Iowa public employees' retirement  
12 system on the program and shall provide additional information  
13 on the program upon the request of the investment board or the  
14 employees of the Iowa public employees' retirement system  
15 division of the department of personnel.

16 Sec. 2. Section 12B.10, subsection 4, paragraph f, Code  
17 2001, is amended to read as follows:

18 f. Investments authorized for the Iowa public employees'  
19 retirement system in section 97B-77-subsection-27-paragraph  
20 "b" 97B.7A, except that investment in common stocks is not  
21 permitted.

22 Sec. 3. Section 12C.5, Code 2001, is amended to read as  
23 follows:

24 12C.5 REFUSAL OF DEPOSITS -- PROCEDURE.

25 If the approved depositories will not accept the deposits  
26 under the conditions prescribed or authorized in this chapter,  
27 the funds may be deposited, on the same or better terms as  
28 were offered to the depositories, in one or more approved  
29 depositories conveniently located within the state.

30 The treasurer of state may invest in any of the investments  
31 authorized for the Iowa public employees' retirement system in  
32 section 97B-77-subsection-27-paragraph-"b" 97B.7A except that  
33 investment in common stocks shall not be permitted.

34 Sec. 4. Section 12C.10, Code 2001, is amended to read as  
35 follows:

1 12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.

2 The governing council or board, who by law have control of  
3 any fund created by direct vote of the people, may invest any  
4 portion of the fund not currently needed, in investments  
5 authorized in section 12B.10. The treasurer of state may  
6 invest in any of the investments authorized for the Iowa  
7 public employees' retirement system in section 97B-7,  
8 ~~subsection-27-paragraph-"b"~~ 97B.7A except that investment in  
9 common stocks shall not be permitted. Interest or earnings on  
10 such funds shall be credited as provided in section 12C.7,  
11 subsection 2.

12 Sec. 5. Section 19A.1, subsection 3, paragraph b, Code  
13 2001, is amended to read as follows:

14 b. The investment board of the Iowa public employees'  
15 retirement system created by section 97B-8 97B.8A.

16 Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended  
17 to read as follows:

18 2. The several funds created by this chapter may be  
19 invested in any investments authorized for the Iowa public  
20 employees' retirement system in section 97B-77-~~subsection-27~~  
21 ~~paragraph-"b"~~ 97B.7A.

22 Sec. 7. Section 97B.1, Code 2001, is amended to read as  
23 follows:

24 97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

25 1. The "Iowa Public Employees' Retirement System" is  
26 created. The Iowa public employees' retirement system is  
27 division, a separate and distinct division within the  
28 department of personnel, shall administer the system.

29 2. As used in this chapter unless the context requires  
30 otherwise:

31 a. "Board" means the investment board created by section  
32 97B-8 97B.8A.

33 b. "Chief executive officer" means the chief executive  
34 officer of the Iowa public employees' retirement system  
35 division, notwithstanding section 7E.2, subsection 3,

1 paragraph "c", subparagraph (1).

2 c. "Committee" means the benefits advisory committee  
3 created by section 97B.8B.

4 b: d. "Department Division" means the department-of  
5 personnel Iowa public employees' retirement system division.

6 c:--"Director"--means-the-director-of-the-department-of  
7 personnel;

8 d: e. "System" means the Iowa public employees' retirement  
9 system.

10 Sec. 8. NEW SECTION. 97B.3A CHIEF EXECUTIVE OFFICER --  
11 APPOINTMENT AND QUALIFICATIONS.

12 1. The administrator of the division is the chief  
13 executive officer. The chief executive officer shall be  
14 appointed by the governor subject to confirmation by the  
15 senate. A vacancy shall be filled for the unexpired portion  
16 of the term in the same manner as a full-term appointment is  
17 made. The governor may remove the chief executive officer for  
18 malfeasance in office, or for any cause that renders the chief  
19 executive officer ineligible, incapable, or unfit to discharge  
20 the duties of the office.

21 2. The qualifications for appointment as the chief  
22 executive officer shall include management-level pension fund  
23 administration experience. The qualifications for appointment  
24 as the chief executive officer shall also include a  
\*25 demonstrated knowledge of all aspects of pension fund  
26 administration, including financial management, investment  
27 asset management, benefit design and delivery, legal  
28 administration, and operations administration. The chief  
29 executive officer shall not be selected on the basis of  
30 political affiliation, and while employed as the chief  
31 executive officer, shall not be a member of a political  
32 committee, participate in a political campaign, or be a  
33 candidate for a partisan elective office, and shall not  
34 contribute to a political campaign fund, except that the chief  
35 executive officer may designate on the checkoff portion of the

1 state or federal income tax return, or both, a party or  
2 parties to which a contribution is made pursuant to the  
3 checkoff. The chief executive officer shall not hold any  
4 other office under the laws of the United States or of this or  
5 any state and shall devote full time to the duties of office.

6 Sec. 9. Section 97B.4, Code 2001, is amended by striking  
7 the section and inserting in lieu thereof the following:

8 97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES OF  
9 DIVISION -- IMMUNITY.

10 1. CHIEF EXECUTIVE OFFICER. The division, through the  
11 chief executive officer, shall administer this chapter. The  
12 chief executive officer shall also be the division's statutory  
13 designee with respect to the rulemaking power.

14 2. GENERAL AUTHORITY.

15 a. The division may adopt, amend, waive, or rescind rules,  
16 employ persons, execute contracts with outside parties, make  
17 expenditures, require reports, make investigations, and take  
18 other action it deems necessary for the administration of the  
19 system in conformity with the requirements of this chapter,  
20 the applicable provisions of the Internal Revenue Code, and  
21 all other applicable federal and state laws. The rules shall  
22 be effective upon compliance with chapter 17A.

23 b. The division may delegate to any person such authority  
24 as it deems reasonable and proper for the effective  
25 administration of this chapter, and may bond any person  
26 handling moneys or signing checks under this chapter.

27 c. In administering this chapter, the division shall enter  
28 into a biennial agreement with the department of personnel  
29 concerning the sharing of resources between the division and  
30 department which are of benefit to each and which are  
31 consistent with the mission of the division and the  
32 department. The budget program for the division shall be  
33 established by the chief executive officer in consultation  
34 with the board and other staff of the division and shall be  
35 compiled by the department of personnel in collaboration with

1 the division and submitted on behalf of the division by the  
2 department pursuant to section 8.23.

3 3. PERSONNEL.

4 a. CHIEF INVESTMENT OFFICER. The chief executive officer,  
5 following consultation with the board, shall employ a chief  
6 investment officer who shall be appointed pursuant to chapter  
7 19A and shall be responsible for administering the investment  
8 program for the retirement fund pursuant to the investment  
9 policies of the board.

10 b. CHIEF BENEFITS OFFICER. The chief executive officer,  
11 following consultation with the benefits advisory committee,  
12 shall employ a chief benefits officer who shall be appointed  
13 pursuant to chapter 19A and shall be responsible for  
14 administering the benefits and other services provided under  
15 the system.

16 c. ACTUARY. The division shall employ an actuary who  
17 shall be selected by the board and shall serve at the pleasure  
18 of the board. The actuary shall be the technical advisor for  
19 the system on matters regarding the operation of the  
20 retirement fund.

21 d. DIVISION EMPLOYEES. Subject to other provisions of  
22 this chapter, the division may employ all other personnel as  
23 necessary for the administration of the system. The maximum  
24 number of full-time equivalent employees specified by the  
25 general assembly for the division for administration of the  
26 system for a fiscal year shall not be reduced by any authority  
27 other than the general assembly. The personnel of the  
28 division shall be appointed pursuant to chapter 19A. The  
29 division shall not appoint or employ a person who is an  
30 officer or committee member of a political party organization  
31 or who holds or is a candidate for a partisan elective public  
32 office.

33 e. LEGAL ADVISORS. The division may employ attorneys and  
34 contract with attorneys and legal firms for the provision of  
35 legal counsel and advice in the administration of this chapter

1 and chapter 97C.

2 f. OUTSIDE ADVISORS. The division may execute contracts  
3 with persons outside state government, including investment  
4 advisors, consultants, and managers, in the administration of  
5 this chapter. However, a contract with an investment manager  
6 or investment consultant shall not be executed by the division  
7 pursuant to this paragraph without the prior approval by the  
8 board of the hiring of the investment manager or investment  
9 consultant.

10 4. REPORTS.

11 a. ANNUAL REPORT TO GOVERNOR. Not later than the  
12 fifteenth day of December of each year, the division shall  
13 submit to the governor a report covering the administration  
14 and operation of this chapter during the preceding fiscal year  
15 and shall make recommendations for amendments to this chapter.  
16 The report shall include a balance sheet of the moneys in the  
17 retirement fund. The report shall also include information  
18 concerning the investment management expenses for the  
19 retirement fund for each fiscal year expressed as a percent of  
20 the market value of the retirement fund investment assets,  
21 including the information described in section 97B.7,  
22 subsection 3, paragraph "d". The information provided under  
23 this paragraph shall also include information on the  
24 investment policies and investment performance of the  
25 retirement fund. In providing this information, to the extent  
26 possible, the division shall include the total investment  
27 return for the entire fund, for portions of the fund managed  
28 by investment managers, and for internally managed portions of  
29 the fund, and the cost of managing the fund per thousand  
30 dollars of assets. The performance shall be based upon market  
31 value, and shall be contrasted with relevant market indices  
32 and with performances of pension funds of similar asset size.

33 b. ANNUAL STATEMENT TO MEMBERS. The division shall  
34 prepare and distribute to the members, at the expense of the  
35 retirement fund, an annual statement of the member's account

1 prior consultation with the board.

2 3. All moneys which are paid or deposited into the fund  
3 are appropriated and made available to the division to be used  
4 for the exclusive benefit of the members and their  
5 beneficiaries or contingent annuitants as provided in this  
6 chapter:

7 a. To be used by the division for the payment of claims  
8 for benefits under this chapter.

9 b. To be used by the division to pay refunds provided for  
10 in this chapter.

11 c. To be used for the costs of administering the system,  
12 including up to \$50,000 per fiscal year for actual and  
13 necessary expenses of the benefits advisory committee. If as  
14 a result of action under section 8.31, the governor has  
15 reduced the moneys appropriated from the retirement fund to  
16 the division for salaries, support, maintenance, and other  
17 operational purposes to pay the costs of the system for a  
18 fiscal year, it is the intent of the general assembly that the  
19 amount by which the appropriation has been reduced should be  
20 transferred from the retirement fund to the division for  
21 salaries, support, maintenance, and other operational purposes  
22 to pay the costs of the system for that fiscal year.

23 d. To be used to pay for investment management expenses  
24 incurred in the management of the retirement fund. Expenses  
25 incurred pursuant to this paragraph shall be charged to the  
26 investment income of the retirement fund. However, the amount  
27 appropriated for a fiscal year under this paragraph shall not  
28 exceed four-tenths of one percent of the market value of the  
29 retirement fund.

30 Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT  
31 OF RETIREMENT FUND -- STANDARDS -- IMMUNITY.

32 1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In  
33 establishing the investment policy of the retirement fund and  
34 providing for the investment of the retirement fund, the  
35 division and board shall do the following:

1 a. Exercise the judgment and care, under the circumstances  
2 then prevailing, which persons of prudence, discretion, and  
3 intelligence exercise in the management of their own affairs,  
4 not for the purpose of speculation, but with regard to the  
5 permanent disposition of the funds, considering the probable  
6 income, as well as the probable safety, of their capital.

7 b. Give appropriate consideration to those facts and  
8 circumstances that the division and board know or should know  
9 are relevant to the particular investment or investment policy  
10 involved, including the role the investment plays in the total  
11 value of the retirement fund.

12 c. For the purposes of this subsection, appropriate  
13 consideration includes, but is not limited to, a determination  
14 that the particular investment or investment policy is  
15 reasonably designed to further the purposes of the system,  
16 taking into consideration the risk of loss and the opportunity  
17 for gain or income associated with the investment or  
18 investment policy and consideration of the following factors  
19 as they relate to the retirement fund:

20 (1) The composition of the retirement fund with regard to  
21 diversification.

22 (2) The liquidity and current return of the investments in  
23 the retirement fund relative to the anticipated cash flow  
24 requirements of the system.

25 (3) The projected return of the investments relative to  
26 the funding objectives of the retirement system.

27 2. INVESTMENT ACQUISITIONS. Within the limitations of the  
28 investment standards prescribed in this section, the system  
29 may acquire and retain every kind of property and every kind  
30 of investment which persons of prudence, discretion, and  
31 intelligence acquire or retain for their own account.  
32 Consistent with this section, investments shall be made in a  
33 manner that will enhance the economy of this state, and in  
34 particular, will result in increased employment of the  
35 residents of this state. Investments of moneys in the

1 retirement fund are not subject to sections 73.15 through  
2 73.21.

3 3. LIABILITY -- REIMBURSEMENT. Except as provided in  
4 section 97B.4, subsection 7, if there is loss to the  
5 retirement fund, the treasurer of state, the division, the  
6 employees of the division, the members of the board severally,  
7 and the board are not personally liable, and the loss shall be  
8 charged against the retirement fund. There is appropriated  
9 from the retirement fund, the amount required to cover a loss.

10 4. INVESTMENT PROCEDURES. In managing the investment of  
11 the retirement fund, the division, in accordance with the  
12 investment policy established by the board, is authorized to  
13 do the following:

14 a. To sell any securities or other property in the  
15 retirement fund and reinvest the proceeds when such action may  
16 be deemed advisable by the division for the protection of the  
17 retirement fund or the preservation of the value of the  
18 investment. Such sale of securities or other property of the  
19 retirement fund and reinvestment shall only be made in  
20 accordance with policies of the board in the manner and to the  
21 extent provided in this chapter.

22 b. To subscribe for the purchase of securities for future  
23 delivery in anticipation of future income. The securities  
24 shall be paid for by anticipated income or from funds from the  
25 sale of securities or other property held by the retirement  
26 fund.

27 c. To pay for securities directed to be purchased upon the  
28 receipt of the purchasing bank's paid statement or paid  
29 confirmation of purchase.

30 5. TRAVEL. In the administration of the investment of  
31 moneys in the retirement fund, employees of the division and  
32 members of the board may travel outside the state for the  
33 purpose of meeting with investment firms and consultants and  
34 attending conferences and meetings to fulfill their fiduciary  
35 responsibilities. This travel is not subject to section

1 421.38, subsection 2.

2 Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

3 1. BOARD ESTABLISHED. A board is established to be known  
4 as the "Investment Board of the Iowa Public Employees'  
5 Retirement System", referred to in this chapter as the  
6 "board". The duties of the board are to establish policy, and  
7 review its implementation, in matters relating to the  
8 investment of the retirement fund. The board shall be the  
9 trustee of the retirement fund.

10 2. INVESTMENT REVIEW. a. At least annually the board  
11 shall review the investment policies and procedures used by  
12 the board and division, and shall hold a public meeting on the  
13 investment policies and investment performance of the  
14 retirement fund. Following its review and the public meeting,  
15 the board shall, pursuant to the requirements of section  
16 97B.7A, and in consultation with the chief investment officer  
17 and other relevant personnel of the division, establish an  
18 investment policy and goal statement that shall direct the  
19 investment activities concerning the retirement fund.

20 b. The board shall review and approve, prior to the  
21 execution of a contract with the division, the hiring of each  
22 investment manager and investment consultant outside of state  
23 government.

24 c. The board shall be involved in the performance  
25 evaluation of the chief investment officer.

26 3. ACTUARIAL RESPONSIBILITIES.

27 a. The board shall select the actuary to be employed by  
28 the system as provided in section 97B.4.

29 b. The board shall, in consultation with the chief  
30 executive officer, the actuary, and other relevant personnel  
31 of the division, adopt from time to time mortality tables and  
32 all other necessary factors for use in actuarial calculations  
33 required in connection with the system. The board shall also  
34 adopt the actuarial methods and assumptions to be used by the  
35 actuary for the annual valuation of assets as required by

1 section 97B.4.

2 4. MEMBERSHIP.

3 a. The board shall consist of eleven members, including  
4 seven voting members and four nonvoting members. The voting  
5 members shall be as follows:

6 (1) Three public members, appointed by the governor, who  
7 are not members of the system and who each have substantial  
8 institutional investment experience or substantial  
9 institutional financial experience.

10 (2) Three members, appointed by the governor, who are  
11 members of the system. Prior to the appointment by the  
12 governor of a member of the board under this subparagraph, the  
13 benefits advisory committee shall submit a slate of at least  
14 two nominees per position to the governor for the governor's  
15 consideration. The governor is not required to appoint a  
16 member from the slate submitted. Of the three members  
17 appointed, one shall be an active member who is an employee of  
18 a school district, area education agency, or merged area; one  
19 shall be an active member who is not an employee of a school  
20 district, area education agency, or merged area; and one shall  
21 be a retired member of the system.

22 (3) The treasurer of state. The nonvoting members of the  
23 board shall be two state representatives, one appointed by the  
24 speaker of the house of representatives and one by the  
25 minority leader of the house, and two state senators, one  
26 appointed by the majority leader of the senate and one by the  
27 minority leader of the senate.

28 b. Four voting members of the board shall constitute a  
29 quorum.

30 c. The three members who have substantial institutional  
31 investment experience or substantial institutional financial  
32 experience, and the member who is a retired member of the  
33 system, shall be paid their actual expenses incurred in the  
34 performance of their duties and shall receive a per diem as  
35 specified in section 7E.6 for each day of service not

1 exceeding forty days per year. Legislative members shall be  
2 paid the per diem and expenses specified in section 2.10, for  
3 each day of service. The per diem and expenses of the  
4 legislative members shall be paid from funds appropriated  
5 under section 2.12. The members who are active members of the  
6 system and the treasurer of state shall be paid their actual  
7 expenses incurred in the performance of their duties as  
8 members of the board and the performance of their duties as  
9 members of the board shall not affect their salaries,  
10 vacations, or leaves of absence for sickness or injury.

11 d. The appointive terms of the members appointed by the  
12 governor are for a period of six years beginning and ending as  
13 provided in section 69.19. If there is a vacancy in the  
14 membership of the board for one of the members appointed by  
15 the governor, the governor has the power of appointment.  
16 Gubernatorial appointees to this board are subject to  
17 confirmation by the senate.

18 5. CLOSED SESSIONS. In addition to the reasons provided  
19 in section 21.5, subsection 1, the board may hold a closed  
20 session pursuant to the requirements of section 21.5 of that  
21 portion of a board meeting in which financial or commercial  
22 information is provided to or discussed by the board if the  
23 board determines that disclosure of such information could  
24 result in a loss to the system or to the provider of the  
25 information.

26 Sec. 13. NEW SECTION. 97B.8B BENEFITS ADVISORY  
27 COMMITTEE.

28 1. COMMITTEE ESTABLISHED. A benefits advisory committee  
29 shall be established whose duty is to consider and make  
30 recommendations to the division and the general assembly  
31 concerning the provision of benefits and services to members  
32 of the system.

33 2. MEMBERSHIP. The benefits advisory committee shall be  
34 comprised of representatives of constituent groups concerned  
35 with the system, and shall include representatives of

1 employers, active members, and retired members. In addition,  
2 the director of the department of personnel and a member of  
3 the public selected by the voting members of the committee  
4 shall serve as members of the committee. The division shall  
5 adopt rules under chapter 17A to provide for the selection of  
6 members to the committee and the election of the voting  
7 members of the committee.

8 3. VOTING MEMBERS. Of the members who comprise the  
9 committee, nine members shall be voting members. Except as  
10 otherwise provided by this subsection, the voting members  
11 shall be elected by the members of the committee from the  
12 membership of the committee. Of the nine voting members of  
13 the committee, four shall represent covered employers, and  
14 four shall represent the members of the system. Of the four  
15 voting members representing employers, one shall be the  
16 director of the department of personnel, one shall be a member  
17 of a constituent group that represents cities, one shall be a  
18 member of a constituent group that represents counties, and  
19 one shall be a member of a constituent group that represents  
20 local school districts. Of the four voting members who  
21 represent members of the system, one shall be a member of a  
22 constituent group that represents teachers. The ninth voting  
23 member of the committee shall be a citizen who is not a member  
24 of the system and who is elected by the other voting members  
25 of the committee.

26 4. DUTIES.

27 a. At least every two years, the benefits advisory  
28 committee shall review the benefits and services provided to  
29 members under this chapter, and the voting members of the  
30 committee shall make recommendations to the division and the  
31 general assembly concerning the services provided to members  
32 and the benefits, benefits policy, and benefit goals, provided  
33 under this chapter.

34 b. The benefits advisory committee shall be involved in  
35 the performance evaluation of the chief benefits officer.

1 c. Upon the expiration of the term of office of or a  
2 vacancy concerning one of the three members of the investment  
3 board described in section 97B.8A, subsection 4, paragraph  
4 "a", subparagraph (2), the voting members of the committee  
5 shall submit to the governor the names of at least two  
6 nominees who meet the requirements specified in that  
7 subparagraph. The governor may appoint the member from the  
8 list submitted by the committee.

9 5. TERMS OF VOTING MEMBERS. Except for the director of  
10 the department of personnel and as otherwise provided in the  
11 rules for the initial selection of voting members of the  
12 committee, each member selected to be a voting member shall  
13 serve as a voting member for three years. Terms for voting  
14 members begin on May 1 in the year of selection and expire on  
15 April 30 in the year of expiration. Vacancies shall be filled  
16 in the same manner as the original selections. A vacancy  
17 shall be filled for the unexpired term.

18 6. EXPENSES. The members who are not active members of  
19 the system shall be paid their actual expenses incurred in the  
20 performance of their duties and shall receive a per diem as  
21 specified in section 7E.6 for each day of service not  
22 exceeding forty days per year. The members who are active  
23 members of the system and the director of the department of  
24 personnel shall be paid their actual expenses incurred in the  
25 performance of their duties as members of the committee and  
26 the performance of their duties as members of the committee  
27 shall not affect their salaries, vacations, or leaves of  
28 absence for sickness or injury. However, the benefits  
29 advisory committee shall not incur any additional expenses in  
30 fulfilling its duties as provided by this section without the  
31 express written authority of the chief executive officer.

32 Sec. 14. Section 97B.20A, Code 2001, is amended to read as  
33 follows:

34 97B.20A APPEAL PROCEDURE.

35 Members and third-party payees may appeal any decision made

1 by the department division that affects their rights under  
2 this chapter. The appeal shall be filed with the department  
3 division within thirty days after the notification of the  
4 decision was mailed to the party's last known mailing address,  
5 or the decision of the department division is final. If the  
6 party appeals the decision of the department division, the  
7 department division shall conduct an internal review of the  
8 decision and the chief benefits executive officer shall notify  
9 the individual who has filed the appeal in writing of the  
10 department's division's decision. The individual who has  
11 filed the appeal may file an appeal of the department's  
12 division's final decision with the department division under  
13 chapter 17A by notifying the department division of the appeal  
14 in writing within thirty days after the notification of its  
15 final decision was mailed to the party's last known mailing  
16 address. Once notified, the department division shall forward  
17 the appeal to the department of inspections and appeals.

18 Sec. 15. Section 97B.25, Code 2001, is amended to read as  
19 follows:

20 97B.25 APPLICATIONS FOR BENEFITS.

21 A representative designated by the chief benefits executive  
22 officer and referred to in this chapter as a retirement  
23 benefits officer shall promptly examine applications for  
24 retirement benefits and on the basis of facts found shall  
25 determine whether or not the claim is valid. If the claim is  
26 valid, the retirement benefits officer shall send a  
27 notification to the member stating the option the member has  
28 selected pursuant to section 97B.51, the month with respect to  
29 which benefits shall commence, and the monthly benefit amount  
30 payable. If the claim is invalid, the retirement benefits  
31 officer shall promptly notify the applicant and any other  
32 interested party of the decision and the reasons. A  
33 retirement application shall not be amended or revoked by the  
34 member once the first retirement allowance is paid. A  
35 member's death during the first month of entitlement shall not

1 invalidate an approved application.

2 Sec. 16. Section 257B.20, subsection 4, Code 2001, is  
3 amended to read as follows:

4 4. In any investments authorized for the Iowa public  
5 employees' retirement system in section ~~97B.77-subsection-27~~  
6 ~~paragraph-"b"~~ 97B.7A, except that investment in common stocks  
7 shall not be permitted.

8 Sec. 17. Section 411.7, subsection 2, Code 2001, is  
9 amended to read as follows:

10 2. The secretary of the board of trustees shall invest, in  
11 accordance with the investment policy established by the board  
12 of trustees, the portion of the fund established in section  
13 411.8 which in the judgment of the board is not needed for  
14 current payment of benefits under this chapter in investments  
15 authorized in section ~~97B.77-subsection-27-paragraph-"b"~~  
16 97B.7A, for moneys in the Iowa public employees' retirement  
17 fund.

18 Sec. 18. Section 602.9111, subsection 1, Code 2001, is  
19 amended to read as follows:

20 1. So much of the judicial retirement fund as may not be  
21 necessary to be kept on hand for the making of disbursements  
22 under this article shall be invested by the treasurer of state  
23 in any investments authorized for the Iowa public employees'  
24 retirement system in section ~~97B.77-subsection-27-paragraph~~  
25 ~~"b"~~ 97B.7A, and the earnings therefrom shall be credited to  
26 the fund. The treasurer of state may execute contracts and  
27 agreements with investment advisors, consultants, and  
28 investment management and benefit consultant firms in the  
29 administration of the judicial retirement fund.

30 Sec. 19. INVESTMENT BOARD TRANSITION.

31 1. Notwithstanding provisions of section 97B.8A, as  
32 enacted in this Act, to the contrary, the new investment board  
33 of the Iowa public employees' retirement system shall, on July  
34 1, 2002, consist of the following members, who shall serve the  
35 following terms:

1 a. The members of the investment board established under  
2 section 97B.8, Code 2001, who are an active member who is an  
3 employee of a school district, area education agency, or  
4 merged area; an active member who is not an employee of a  
5 school district, area education agency, or merged area; and a  
6 retired member, shall cease membership on the investment board  
7 and commence membership on the new investment board  
8 established under section 97B.8A on July 1, 2002. The terms  
9 of these members on the investment board established under  
10 section 97B.8A shall expire on the same date as their terms  
11 would have expired on the investment board in accordance with  
12 section 97B.8, Code 2001.

13 b. The members of the investment board established under  
14 section 97B.8, Code 2001, who are an executive of a domestic  
15 life insurance company, an executive of a state or national  
16 bank, and an executive of an industrial corporation located  
17 within the state of Iowa, shall cease membership on the  
18 investment board and commence membership on the new investment  
19 board established under section 97B.8A on July 1, 2002. The  
20 terms of these members on the new investment board established  
21 under section 97B.8A shall expire on the same date as their  
22 terms would have expired on the investment board in accordance  
23 with section 97B.8, Code 2001. Upon expiration of each of  
24 these member's term of office, the governor shall appoint a  
25 member to the board consistent with the requirements of  
26 section 97B.8A, subsection 4, paragraph "a", subparagraph (1).

27 c. The members of the investment board established under  
28 section 97B.8, Code 2001, who are legislative members shall  
29 cease membership on the investment board and commence  
30 membership on the new investment board established under  
31 section 97B.8A on July 1, 2002. Two additional legislative  
32 members shall be appointed and commence membership on the new  
33 investment board on July 1, 2002, as provided in section  
34 97B.8A as enacted in this Act. The terms of these members  
35 shall expire at the pleasure of the appointing authorities as

1 provided in section 97B.8A, as enacted in this Act.

2 d. The director of the department of personnel shall cease  
3 membership on the investment board established under section  
4 97B.8, Code 2001, on July 1, 2002. The treasurer of state  
5 shall commence membership on the new investment board  
6 established under section 97B.8A, and shall serve on the board  
7 as provided in section 97B.8A, as enacted in this Act.

8 2. Initial appointments by the governor under this section  
9 are subject to confirmation by the senate. If a vacancy  
10 occurs as to a member of the investment board established  
11 under section 97B.8A who is appointed by the governor prior to  
12 the expiration of a term as provided in this section, the  
13 governor shall appoint a member to serve the remainder of the  
14 term so that the membership requirements of section 97B.8A, as  
15 enacted in this Act, are fulfilled, and the appointment shall  
16 be subject to confirmation by the senate. Upon the expiration  
17 of a term established in this section, a member shall be  
18 appointed in the manner and for a term of service as specified  
19 in section 97B.8A, as enacted in this Act. Except as  
20 otherwise provided in this section, the investment board  
21 established under this section shall be subject to the  
22 requirements of section 97B.8A, as enacted in this Act.

23 Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.

24 1. Effective July 1, 2001, and notwithstanding provisions  
25 of section 97B.8B, as enacted in this Act, to the contrary, a  
26 transition benefits advisory committee shall be created and  
27 shall consist of the following voting members:

28 a. A member representing the Iowa state education  
29 association.

30 b. A member representing the Iowa association of community  
31 college trustees.

32 c. A member representing the school administrators of  
33 Iowa.

34 d. A member representing the Iowa association of school  
35 boards.

- 1 e. A member representing the retired school personnel  
2 association.
- 3 f. A member representing the state police officers  
4 council.
- 5 g. The director of the department of personnel.
- 6 h. A member representing the IPERS' improvement  
7 association.
- 8 i. A member representing the American federation of state,  
9 county, and municipal employees.
- 10 j. A member representing the Iowa state sheriffs' and  
11 deputies' association.
- 12 k. A member representing the Iowa state association of  
13 counties.
- 14 l. A member representing the Iowa league of cities.
- 15 m. A member representing the Iowa association of chiefs of  
16 police and peace officers.
- 17 n. A member of the public with substantial pension  
18 benefits experience as selected by the chief benefits officer  
19 of the Iowa public employees' retirement system.
- 20 o. A member representing the department of management.
- 21 2. By July 1, 2002, the transition benefits advisory  
22 committee shall issue a report to the Iowa public employees'  
23 retirement system division concerning the rules to be adopted  
24 by the division governing the benefits advisory committee as  
25 provided in section 97B.8B, as enacted in this Act. The rules  
26 should include provisions governing the selection of members  
27 of the committee, the selection of voting members of the  
28 committee, and any other provisions deemed necessary for  
29 establishing the benefits advisory committee consistent with  
30 the requirements of section 97B.8B.
- 31 3. The transition benefits advisory committee shall be  
32 dissolved by July 31, 2002.

33 Sec. 21. AMENDMENTS CHANGING TERMINOLOGY -- DIRECTIVES TO  
34 CODE EDITOR. Except as otherwise provided in this Act, the  
35 Iowa Code editor is directed to strike the words "department",

1 "department of personnel", and "department's" and insert the  
2 words "division" and "division's" wherever the word  
3 "department", "department of personnel", or "department's"  
4 appears in chapter 97B of the Iowa Code and the reference to  
5 "department", "department of personnel", or "department's"  
6 means the department of personnel unless a contrary intent is  
7 clearly evident.

8 Sec. 22. ADMINISTRATIVE RULES. To the extent not  
9 inconsistent with this Act, the administrative rules  
10 promulgated and adopted by the department of personnel  
11 concerning the Iowa public employees' retirement system prior  
12 to July 1, 2002, shall be the rules of the Iowa public  
13 employees' retirement system division and shall remain in  
14 effect on and after July 1, 2002, subject to the authority of  
15 the division to modify or change the rules pursuant to Iowa  
16 Code chapter 17A.

17 Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59,  
18 97B.60, 97B.61, Code 2001, are repealed.

19 Sec. 24. EFFECTIVE DATE. This Act takes effect July 1,  
20 2002. However, section 21 of this Act, establishing a  
21 benefits advisory committee transition, takes effect July 1,  
22 2001.

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**SENATE FILE 497  
FISCAL NOTE**

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A fiscal note for **Senate File 497** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 497 makes the Iowa Public Employees' Retirement System (IPERS) a separate and distinct Division within the Department of Personnel to administer the Iowa Public Employees' Retirement System. All powers and duties currently given to the Department of Personnel to manage and operate IPERS are given to the Division. A Chief Executive Officer (CEO), who shall manage the Division, shall be appointed by the Governor and be subject to confirmation by the Senate.

The Bill also requires the Chief Executive Officer to employ a Chief Investment Officer (CIO) who shall be selected following consultation with the Investment Board and a Chief Benefits Officer (CBO) who shall be selected following consultation with the Benefits Advisory Committee.

Under the Bill, the Investment Board, instead of the Treasurer of State, is made the Trustee of the IPERS Retirement Fund. The two legislative members of the Board remain but are made nonvoting members of the new Board. The Bill also establishes a new Benefits Advisory Committee. The duties of the Committee are to review and make recommendations to the Division and the General Assembly concerning the provision of benefits to members of the system.

The Bill provides that of the members of the Committee, nine shall be voting members who shall serve as voting members for three-year terms. Expenses for members of the Committee shall be paid in the same manner and amount as current members of the Investment Board. The Bill also provides for the establishment of a Transition Benefits Advisory Committee on July 1, 2001. The Bill establishes the exact membership of this Transition Committee and provides that it shall be dissolved by July 31, 2002. The Transition Committee is given the task of making recommendations in a report to the IPERS Division no later than July 1, 2002, concerning the rules to adopt in governing the new Benefits Advisory Committee.

Except for the section of the Bill concerning the Benefits Advisory Committee transition that takes effect July 1, 2001, the Bill takes effect July 1, 2002.

**ASSUMPTIONS**

1. The General Fund will be used to pay half of the current costs of salary and support for the Director of the Department of Personnel and an assistant that is current paid for by IPERS.
2. The net cost to IPERS for salary and benefits of IPERS' Chief Executive and an administrative assistant takes into account the salary and support for the Director of the Department of Personnel and an assistant that will no longer be paid for from the IPERS Trust Fund.

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3. All current arrangements regarding the sharing of various functions between the Department of Personnel and IPERS will continue.
4. Estimated cost includes payment of moving expenses for a new IPERS' Chief Executive.
5. Estimated cost includes the hiring of a consultant to assist with recruitment and interviewing of a new IPERS' Chief Executive.

**FISCAL IMPACT**

The fiscal impact of Senate File 497 will result in increased expenditures as follows:

|   | INCREASED EXPENDITURES |         |
|---|------------------------|---------|
|   | (dollars in thousands) |         |
|   | FY 2003                | FY 2004 |
|   | -----                  | -----   |
| <u>General Fund</u>                                       |                        |         |
| IEOP Dir. & Asst. Salary/Support                          | \$ 98                  | \$ 98   |
| Total General Fund  | \$ 98                  | \$ 98   |
|   | -----                  | -----   |
| <u>IPERS Trust Fund</u>                                   |                        |         |
| Furniture/Computers                                       | \$ 28                  | \$ 0    |
| Recruitment/Interview/Moving Exp.                         | 75                     | 0       |
| CEO & Asst Salary/Benefits                                | 85                     | 65      |
| CEO Support Costs   | 17                     | 17      |
| Benefits Advisory Committee &<br>Investment Board Expense | 50                     | 50      |
| Total IPERS Trust Fund                                    | \$ 255                 | \$ 152  |
|   | -----                  | -----   |
| Total Impact  | \$ 353                 | \$ 250  |
|   | -----                  | -----   |

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**SOURCES**

Iowa Public Employees' Retirement System  
Department of Personnel

(LSB 1627sv, RNR)

FILED APRIL 4, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 497

AN ACT

RELATING TO THE GOVERNANCE OF THE IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 12.8, unnumbered paragraph 3, Code 2001, is amended to read as follows:

The treasurer of state, with the approval of the investment board of the Iowa public employees' retirement system, may conduct a program of lending securities in the Iowa public employees' retirement system portfolio. When securities are loaned as provided by this paragraph, the treasurer shall act in the manner provided for investment of moneys in the Iowa public employees' retirement fund under section 97B:7 97B.7A. The treasurer of state shall report at least annually to the investment board of the Iowa public employees' retirement system on the program and shall provide additional information on the program upon the request of the investment board or the employees of the Iowa public employees' retirement system division of the department of personnel.

Sec. 2. Section 12B.10, subsection 4, paragraph f, Code 2001, is amended to read as follows:

f. Investments authorized for the Iowa public employees' retirement system in section 97B:7-subsection-2-paragraph "b" 97B.7A, except that investment in common stocks is not permitted.

Sec. 3. Section 12C.5, Code 2001, is amended to read as follows:

12C.5 REFUSAL OF DEPOSITS -- PROCEDURE.

If the approved depositories will not accept the deposits under the conditions prescribed or authorized in this chapter, the funds may be deposited, on the same or better terms as were offered to the depositories, in one or more approved depositories conveniently located within the state.

The treasurer of state may invest in any of the investments authorized for the Iowa public employees' retirement system in section 97B:7-subsection-2-paragraph-"b" 97B.7A except that investment in common stocks shall not be permitted.

Sec. 4. Section 12C.10, Code 2001, is amended to read as follows:

12C.10 INVESTMENT OF FUNDS CREATED BY ELECTION.

The governing council or board, who by law have control of any fund created by direct vote of the people, may invest any portion of the fund not currently needed, in investments authorized in section 12B.10. The treasurer of state may invest in any of the investments authorized for the Iowa public employees' retirement system in section 97B:7 subsection-2-paragraph-"b" 97B.7A except that investment in common stocks shall not be permitted. Interest or earnings on such funds shall be credited as provided in section 12C.7, subsection 2.

Sec. 5. Section 19A.1, subsection 3, paragraph b, Code 2001, is amended to read as follows:

b. The investment board of the Iowa public employees' retirement system created by section 97B:8 97B.8A.

Sec. 6. Section 97A.7, subsection 2, Code 2001, is amended to read as follows:

2. The several funds created by this chapter may be invested in any investments authorized for the Iowa public employees' retirement system in section 97B.77-subsection-27 paragraph-"b" 97B.7A.

Sec. 7. Section 97B.1, Code 2001, is amended to read as follows:

97B.1 SYSTEM CREATED -- ORGANIZATIONAL DEFINITIONS.

1. The "Iowa Public Employees' Retirement System" is created. The Iowa public employees' retirement system is division, a separate and distinct division within the department of personnel, shall administer the system.

2. As used in this chapter unless the context requires otherwise:

a. "Board" means the investment board created by section 97B.8 97B.8A.

b. "Chief executive officer" means the chief executive officer of the Iowa public employees' retirement system division, notwithstanding section 7E.2, subsection 3, paragraph "c", subparagraph (1).

c. "Committee" means the benefits advisory committee created by section 97B.8B.

or d. "Department Division" means the department-of personnel Iowa public employees' retirement system division.

c:--~~"Director" means the director of the department of personnel~~

or e. "System" means the Iowa public employees' retirement system.

Sec. 8. NEW SECTION. 97B.3A CHIEF EXECUTIVE OFFICER -- APPOINTMENT AND QUALIFICATIONS.

1. The administrator of the division is the chief executive officer. The chief executive officer shall be appointed by the governor subject to confirmation by the senate. A vacancy shall be filled for the unexpired portion of the term in the same manner as a full-term appointment is made. The governor may remove the chief executive officer for

malfeasance in office, or for any cause that renders the chief executive officer ineligible, incapable, or unfit to discharge the duties of the office.

2. The qualifications for appointment as the chief executive officer shall include management-level pension fund administration experience. The qualifications for appointment as the chief executive officer shall also include a demonstrated knowledge of all aspects of pension fund administration, including financial management, investment asset management, benefit design and delivery, legal administration, and operations administration. The chief executive officer shall not be selected on the basis of political affiliation, and while employed as the chief executive officer, shall not be a member of a political committee, participate in a political campaign, or be a candidate for a partisan elective office, and shall not contribute to a political campaign fund, except that the chief executive officer may designate on the checkoff portion of the state or federal income tax return, or both, a party or parties to which a contribution is made pursuant to the checkoff. The chief executive officer shall not hold any other office under the laws of the United States or of this or any state and shall devote full time to the duties of office.

Sec. 9. Section 97B.4, Code 2001, is amended by striking the section and inserting in lieu thereof the following:

97B.4 ADMINISTRATION OF SYSTEM -- POWERS AND DUTIES OF DIVISION -- IMMUNITY.

1. CHIEF EXECUTIVE OFFICER. The division, through the chief executive officer, shall administer this chapter. The chief executive officer shall also be the division's statutory designee with respect to the rulemaking power.

2. GENERAL AUTHORITY.

a. The division may adopt, amend, waive, or rescind rules, employ persons, execute contracts with outside parties, make expenditures, require reports, make investigations, and take

other action it deems necessary for the administration of the system in conformity with the requirements of this chapter, the applicable provisions of the Internal Revenue Code, and all other applicable federal and state laws. The rules shall be effective upon compliance with chapter 17A.

b. The division may delegate to any person such authority as it deems reasonable and proper for the effective administration of this chapter, and may bond any person handling moneys or signing checks under this chapter.

c. In administering this chapter, the division shall enter into a biennial agreement with the department of personnel concerning the sharing of resources between the division and department which are of benefit to each and which are consistent with the mission of the division and the department. The budget program for the division shall be established by the chief executive officer in consultation with the board and other staff of the division and shall be compiled by the department of personnel in collaboration with the division and submitted on behalf of the division by the department pursuant to section 8.23.

3. PERSONNEL.

a. CHIEF INVESTMENT OFFICER. The chief executive officer, following consultation with the board, shall employ a chief investment officer who shall be appointed pursuant to chapter 19A and shall be responsible for administering the investment program for the retirement fund pursuant to the investment policies of the board.

b. CHIEF BENEFITS OFFICER. The chief executive officer, following consultation with the benefits advisory committee, shall employ a chief benefits officer who shall be appointed pursuant to chapter 19A and shall be responsible for administering the benefits and other services provided under the system.

c. ACTUARY. The division shall employ an actuary who shall be selected by the board and shall serve at the pleasure

of the board. The actuary shall be the technical advisor for the system on matters regarding the operation of the retirement fund.

d. DIVISION EMPLOYEES. Subject to other provisions of this chapter, the division may employ all other personnel as necessary for the administration of the system. The maximum number of full-time equivalent employees specified by the general assembly for the division for administration of the system for a fiscal year shall not be reduced by any authority other than the general assembly. The personnel of the division shall be appointed pursuant to chapter 19A. The division shall not appoint or employ a person who is an officer or committee member of a political party organization or who holds or is a candidate for a partisan elective public office.

e. LEGAL ADVISORS. The division may employ attorneys and contract with attorneys and legal firms for the provision of legal counsel and advice in the administration of this chapter and chapter 97C.

f. OUTSIDE ADVISORS. The division may execute contracts with persons outside state government, including investment advisors, consultants, and managers, in the administration of this chapter. However, a contract with an investment manager or investment consultant shall not be executed by the division pursuant to this paragraph without the prior approval by the board of the hiring of the investment manager or investment consultant.

4. REPORTS.

a. ANNUAL REPORT TO GOVERNOR. Not later than the fifteenth day of December of each year, the division shall submit to the governor a report covering the administration and operation of this chapter during the preceding fiscal year and shall make recommendations for amendments to this chapter. The report shall include a balance sheet of the moneys in the retirement fund. The report shall also include information

concerning the investment management expenses for the retirement fund for each fiscal year expressed as a percent of the market value of the retirement fund investment assets, including the information described in section 97B.7, subsection 3, paragraph "d". The information provided under this paragraph shall also include information on the investment policies and investment performance of the retirement fund. In providing this information, to the extent possible, the division shall include the total investment return for the entire fund, for portions of the fund managed by investment managers, and for internally managed portions of the fund, and the cost of managing the fund per thousand dollars of assets. The performance shall be based upon market value, and shall be contrasted with relevant market indices and with performances of pension funds of similar asset size.

b. ANNUAL STATEMENT TO MEMBERS. The division shall prepare and distribute to the members, at the expense of the retirement fund, an annual statement of the member's account and, in such a manner as the division deems appropriate, other information concerning the system.

c. ACTUARIAL INVESTIGATION. During calendar year 2002, and every four years thereafter, the division shall cause an actuarial investigation to be made of all experience under the retirement system. Pursuant to such an investigation, the division shall, from time to time, determine upon an actuarial basis the condition of the system and shall report to the general assembly its findings and recommendations.

d. ANNUAL VALUATION OF ASSETS. The division shall cause an annual actuarial valuation to be made of the assets and liabilities of the system and shall prepare an annual statement of the amounts to be contributed under this chapter, and shall publish annually such valuation of the assets and liabilities and the statement of receipts and disbursements of the system. Based upon the actuarial methods and assumptions adopted by the board for the annual valuation, the division

shall certify to the governor the contribution rates determined thereby as the rates necessary and sufficient for members and employers to fully fund the benefits and retirement allowances being credited.

5. INVESTMENTS. The division, through the chief investment officer, shall invest, in accordance with the investment policy and goal statement established by the board, the portion of the retirement fund which, in the judgment of the division, is not needed for current payment of benefits under this chapter subject to the requirements of section 97B.7A.

6. OLD RECORDS. The division may destroy or dispose of such original reports or records as have been properly recorded or summarized in the permanent records of the division and are deemed by the chief executive officer to be no longer necessary to the proper administration of this chapter. The destruction or disposition shall be made only by order of the chief executive officer. Records of deceased members of the system may be destroyed ten years after the later of the final payment made to a third party on behalf of the member or the death of the member. Any moneys received from the disposition of these records shall be deposited to the credit of the retirement fund subject to rules adopted by the division.

7. IMMUNITY. The division, employees of the division, the board, the members of the board, and the treasurer of state are not personally liable for actions or omissions under this chapter that do not involve malicious or wanton misconduct even if those actions or omissions violate the standards established in section 97B.7A.

Sec. 10. Section 97B.7, Code 2001, is amended by striking the section and inserting in lieu thereof the following:

97B.7 FUND CREATED -- EXCLUSIVE BENEFIT -- STANDING APPROPRIATIONS.

1. There is hereby created as a special fund, separate and apart from all other public moneys or funds of this state, the "Iowa Public Employees' Retirement Fund", hereafter called the "retirement fund". The retirement fund shall consist of all moneys collected under this chapter, together with all interest, dividends, and rents thereon, and shall also include all securities or investment income and other assets acquired by and through the use of the moneys belonging to the retirement fund and any other moneys that have been paid into the retirement fund.

2. The treasurer of the state of Iowa is hereby made the custodian of the retirement fund and shall hold and disburse the retirement fund in accordance with the requirements of this chapter. As custodian, the treasurer shall be authorized to disburse moneys in the retirement fund upon warrants drawn by the director of revenue and finance pursuant to the order of the division. The treasurer shall not select any bank or other third party for the purposes of investment asset safekeeping, other custody, or settlement services without prior consultation with the board.

3. All moneys which are paid or deposited into the fund are appropriated and made available to the division to be used for the exclusive benefit of the members and their beneficiaries or contingent annuitants as provided in this chapter:

- a. To be used by the division for the payment of claims for benefits under this chapter.
- b. To be used by the division to pay refunds provided for in this chapter.
- c. To be used for the costs of administering the system, including up to \$50,000 per fiscal year for actual and necessary expenses of the benefits advisory committee. If as a result of action under section 8.31, the governor has reduced the moneys appropriated from the retirement fund to the division for salaries, support, maintenance, and other

operational purposes to pay the costs of the system for a fiscal year, it is the intent of the general assembly that the amount by which the appropriation has been reduced should be transferred from the retirement fund to the division for salaries, support, maintenance, and other operational purposes to pay the costs of the system for that fiscal year.

d. To be used to pay for investment management expenses incurred in the management of the retirement fund. Expenses incurred pursuant to this paragraph shall be charged to the investment income of the retirement fund. However, the amount appropriated for a fiscal year under this paragraph shall not exceed four-tenths of one percent of the market value of the retirement fund.

Sec. 11. NEW SECTION. 97B.7A INVESTMENT AND MANAGEMENT OF RETIREMENT FUND -- STANDARDS -- IMMUNITY.

1. INVESTMENT AND INVESTMENT POLICY STANDARDS. In establishing the investment policy of the retirement fund and providing for the investment of the retirement fund, the division and board shall do the following:

- a. Exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital.
- b. Give appropriate consideration to those facts and circumstances that the division and board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.
- c. For the purposes of this subsection, appropriate consideration includes, but is not limited to, a determination that the particular investment or investment policy is reasonably designed to further the purposes of the system, taking into consideration the risk of loss and the opportunity

for gain or income associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:

- (1) The composition of the retirement fund with regard to diversification.
- (2) The liquidity and current return of the investments in the retirement fund relative to the anticipated cash flow requirements of the system.
- (3) The projected return of the investments relative to the funding objectives of the retirement system.

2. INVESTMENT ACQUISITIONS. Within the limitations of the investment standards prescribed in this section, the system may acquire and retain every kind of property and every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account. Consistent with this section, investments shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state. Investments of moneys in the retirement fund are not subject to sections 73.15 through 73.21.

3. LIABILITY -- REIMBURSEMENT. Except as provided in section 97B.4, subsection 7, if there is loss to the retirement fund, the treasurer of state, the division, the employees of the division, the members of the board severally, and the board are not personally liable, and the loss shall be charged against the retirement fund. There is appropriated from the retirement fund, the amount required to cover a loss.

4. INVESTMENT PROCEDURES. In managing the investment of the retirement fund, the division, in accordance with the investment policy established by the board, is authorized to do the following:

- a. To sell any securities or other property in the retirement fund and reinvest the proceeds when such action may be deemed advisable by the division for the protection of the

retirement fund or the preservation of the value of the investment. Such sale of securities or other property of the retirement fund and reinvestment shall only be made in accordance with policies of the board in the manner and to the extent provided in this chapter.

- b. To subscribe for the purchase of securities for future delivery in anticipation of future income. The securities shall be paid for by anticipated income or from funds from the sale of securities or other property held by the retirement fund.

- c. To pay for securities directed to be purchased upon the receipt of the purchasing bank's paid statement or paid confirmation of purchase.

5. TRAVEL. In the administration of the investment of moneys in the retirement fund, employees of the division and members of the board may travel outside the state for the purpose of meeting with investment firms and consultants and attending conferences and meetings to fulfill their fiduciary responsibilities. This travel is not subject to section 421.38, subsection 2.

Sec. 12. NEW SECTION. 97B.8A INVESTMENT BOARD.

1. BOARD ESTABLISHED. A board is established to be known as the "Investment Board of the Iowa Public Employees' Retirement System", referred to in this chapter as the "board". The duties of the board are to establish policy, and review its implementation, in matters relating to the investment of the retirement fund. The board shall be the trustee of the retirement fund.

2. INVESTMENT REVIEW. a. At least annually the board shall review the investment policies and procedures used by the board and division, and shall hold a public meeting on the investment policies and investment performance of the retirement fund. Following its review and the public meeting, the board shall, pursuant to the requirements of section 97B.7A, and in consultation with the chief investment officer

and other relevant personnel of the division, establish an investment policy and goal statement that shall direct the investment activities concerning the retirement fund.

b. The board shall review and approve, prior to the execution of a contract with the division, the hiring of each investment manager and investment consultant outside of state government.

c. The board shall be involved in the performance evaluation of the chief investment officer.

### 3. ACTUARIAL RESPONSIBILITIES.

a. The board shall select the actuary to be employed by the system as provided in section 97B.4.

b. The board shall, in consultation with the chief executive officer, the actuary, and other relevant personnel of the division, adopt from time to time mortality tables and all other necessary factors for use in actuarial calculations required in connection with the system. The board shall also adopt the actuarial methods and assumptions to be used by the actuary for the annual valuation of assets as required by section 97B.4.

### 4. MEMBERSHIP.

a. The board shall consist of eleven members, including seven voting members and four nonvoting members. The voting members shall be as follows:

(1) Three public members, appointed by the governor, who are not members of the system and who each have substantial institutional investment experience or substantial institutional financial experience.

(2) Three members, appointed by the governor, who are members of the system. Prior to the appointment by the governor of a member of the board under this subparagraph, the benefits advisory committee shall submit a slate of at least two nominees per position to the governor for the governor's consideration. The governor is not required to appoint a member from the slate submitted. Of the three members

appointed, one shall be an active member who is an employee of a school district, area education agency, or merged area; one shall be an active member who is not an employee of a school district, area education agency, or merged area; and one shall be a retired member of the system.

(3) The treasurer of state.

The nonvoting members of the board shall be two state representatives, one appointed by the speaker of the house of representatives and one by the minority leader of the house, and two state senators, one appointed by the majority leader of the senate and one by the minority leader of the senate.

b. Four voting members of the board shall constitute a quorum.

c. The three members who have substantial institutional investment experience or substantial institutional financial experience, and the member who is a retired member of the system, shall be paid their actual expenses incurred in the performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. Legislative members shall be paid the per diem and expenses specified in section 2.10, for each day of service. The per diem and expenses of the legislative members shall be paid from funds appropriated under section 2.12. The members who are active members of the system and the treasurer of state shall be paid their actual expenses incurred in the performance of their duties as members of the board and the performance of their duties as members of the board shall not affect their salaries, vacations, or leaves of absence for sickness or injury.

d. The appointive terms of the members appointed by the governor are for a period of six years beginning and ending as provided in section 69.19. If there is a vacancy in the membership of the board for one of the members appointed by the governor, the governor has the power of appointment. gubernatorial appointees to this board are subject to confirmation by the senate.

5. CLOSED SESSIONS. In addition to the reasons provided in section 21.5, subsection 1, the board may hold a closed session pursuant to the requirements of section 21.5 of that portion of a board meeting in which financial or commercial information is provided to or discussed by the board if the board determines that disclosure of such information could result in a loss to the system or to the provider of the information.

Sec. 13. NEW SECTION. 97B.88 BENEFITS ADVISORY COMMITTEE.

1. COMMITTEE ESTABLISHED. A benefits advisory committee shall be established whose duty is to consider and make recommendations to the division and the general assembly concerning the provision of benefits and services to members of the system.

2. MEMBERSHIP. The benefits advisory committee shall be comprised of representatives of constituent groups concerned with the system, and shall include representatives of employers, active members, and retired members. In addition, the director of the department of personnel and a member of the public selected by the voting members of the committee shall serve as members of the committee. The division shall adopt rules under chapter 17A to provide for the selection of members to the committee and the election of the voting members of the committee.

3. VOTING MEMBERS. Of the members who comprise the committee, nine members shall be voting members. Except as otherwise provided by this subsection, the voting members shall be elected by the members of the committee from the membership of the committee. Of the nine voting members of the committee, four shall represent covered employers, and four shall represent the members of the system. Of the four voting members representing employers, one shall be the director of the department of personnel, one shall be a member of a constituent group that represents cities, one shall be a

member of a constituent group that represents counties, and one shall be a member of a constituent group that represents local school districts. Of the four voting members who represent members of the system, one shall be a member of a constituent group that represents teachers. The ninth voting member of the committee shall be a citizen who is not a member of the system and who is elected by the other voting members of the committee.

4. DUTIES.

a. At least every two years, the benefits advisory committee shall review the benefits and services provided to members under this chapter, and the voting members of the committee shall make recommendations to the division and the general assembly concerning the services provided to members and the benefits, benefits policy, and benefit goals, provided under this chapter.

b. The benefits advisory committee shall be involved in the performance evaluation of the chief benefits officer.

c. Upon the expiration of the term of office of or a vacancy concerning one of the three members of the investment board described in section 97B.8A, subsection 4, paragraph "a", subparagraph (2), the voting members of the committee shall submit to the governor the names of at least two nominees who meet the requirements specified in that subparagraph. The governor may appoint the member from the list submitted by the committee.

5. TERMS OF VOTING MEMBERS. Except for the director of the department of personnel and as otherwise provided in the rules for the initial selection of voting members of the committee, each member selected to be a voting member shall serve as a voting member for three years. Terms for voting members begin on May 1 in the year of selection and expire on April 30 in the year of expiration. Vacancies shall be filled in the same manner as the original selections. A vacancy shall be filled for the unexpired term.

6. EXPENSES. The members who are not active members of the system shall be paid their actual expenses incurred in the performance of their duties and shall receive a per diem as specified in section 7E.6 for each day of service not exceeding forty days per year. The members who are active members of the system and the director of the department of personnel shall be paid their actual expenses incurred in the performance of their duties as members of the committee and the performance of their duties as members of the committee shall not affect their salaries, vacations, or leaves of absence for sickness or injury. However, the benefits advisory committee shall not incur any additional expenses in fulfilling its duties as provided by this section without the express written authority of the chief executive officer.

Sec. 14. Section 97B.20A, Code 2001, is amended to read as follows:

97B.20A APPEAL PROCEDURE.

Members and third-party payees may appeal any decision made by the department division that affects their rights under this chapter. The appeal shall be filed with the department division within thirty days after the notification of the decision was mailed to the party's last known mailing address, or the decision of the department division is final. If the party appeals the decision of the department division, the department division shall conduct an internal review of the decision and the chief benefits executive officer shall notify the individual who has filed the appeal in writing of the department's division's decision. The individual who has filed the appeal may file an appeal of the department's division's final decision with the department division under chapter 17A by notifying the department division of the appeal in writing within thirty days after the notification of its final decision was mailed to the party's last known mailing address. Once notified, the department division shall forward the appeal to the department of inspections and appeals.

Sec. 15. Section 97B.25, Code 2001, is amended to read as follows:

97B.25 APPLICATIONS FOR BENEFITS.

A representative designated by the chief benefits executive officer and referred to in this chapter as a retirement benefits officer shall promptly examine applications for retirement benefits and on the basis of facts found shall determine whether or not the claim is valid. If the claim is valid, the retirement benefits officer shall send a notification to the member stating the option the member has selected pursuant to section 97B.51, the month with respect to which benefits shall commence, and the monthly benefit amount payable. If the claim is invalid, the retirement benefits officer shall promptly notify the applicant and any other interested party of the decision and the reasons. A retirement application shall not be amended or revoked by the member once the first retirement allowance is paid. A member's death during the first month of entitlement shall not invalidate an approved application.

Sec. 16. Section 257B.20, subsection 4, Code 2001, is amended to read as follows:

4. In any investments authorized for the Iowa public employees' retirement system in section 97B.7, ~~subsection 2, paragraph "b"~~ 97B.7A, except that investment in common stocks shall not be permitted.

Sec. 17. Section 411.7, subsection 2, Code 2001, is amended to read as follows:

2. The secretary of the board of trustees shall invest, in accordance with the investment policy established by the board of trustees, the portion of the fund established in section 411.8 which in the judgment of the board is not needed for current payment of benefits under this chapter in investments authorized in section 97B.7, ~~subsection 2, paragraph "b"~~ 97B.7A, for moneys in the Iowa public employees' retirement fund.

Sec. 18. Section 602.9111, subsection 1, Code 2001, is amended to read as follows:

1. So much of the judicial retirement fund as may not be necessary to be kept on hand for the making of disbursements under this article shall be invested by the treasurer of state in any investments authorized for the Iowa public employees' retirement system in section 97B.7A, subsection 2, paragraph "b" 97B.7A, and the earnings therefrom shall be credited to the fund. The treasurer of state may execute contracts and agreements with investment advisors, consultants, and investment management and benefit consultant firms in the administration of the judicial retirement fund.

Sec. 19. INVESTMENT BOARD TRANSITION.

1. Notwithstanding provisions of section 97B.8A, as enacted in this Act, to the contrary, the new investment board of the Iowa public employees' retirement system shall, on July 1, 2002, consist of the following members, who shall serve the following terms:

a. The members of the investment board established under section 97B.8, Code 2001, who are an active member who is an employee of a school district, area education agency, or merged area; an active member who is not an employee of a school district, area education agency, or merged area; and a retired member, shall cease membership on the investment board and commence membership on the new investment board established under section 97B.8A on July 1, 2002. The terms of these members on the investment board established under section 97B.8A shall expire on the same date as their terms would have expired on the investment board in accordance with section 97B.8, Code 2001.

b. The members of the investment board established under section 97B.8, Code 2001, who are an executive of a domestic life insurance company, an executive of a state or national bank, and an executive of an industrial corporation located within the state of Iowa, shall cease membership on the

investment board and commence membership on the new investment board established under section 97B.8A on July 1, 2002. The terms of these members on the new investment board established under section 97B.8A shall expire on the same date as their terms would have expired on the investment board in accordance with section 97B.8, Code 2001. Upon expiration of each of these member's term of office, the governor shall appoint a member to the board consistent with the requirements of section 97B.8A, subsection 4, paragraph "a", subparagraph (1).

c. The members of the investment board established under section 97B.8, Code 2001, who are legislative members shall cease membership on the investment board and commence membership on the new investment board established under section 97B.8A on July 1, 2002. Two additional legislative members shall be appointed and commence membership on the new investment board on July 1, 2002, as provided in section 97B.8A as enacted in this Act. The terms of these members shall expire at the pleasure of the appointing authorities as provided in section 97B.8A, as enacted in this Act.

d. The director of the department of personnel shall cease membership on the investment board established under section 97B.8, Code 2001, on July 1, 2002. The treasurer of state shall commence membership on the new investment board established under section 97B.8A, and shall serve on the board as provided in section 97B.8A, as enacted in this Act.

2. Initial appointments by the governor under this section are subject to confirmation by the senate. If a vacancy occurs as to a member of the investment board established under section 97B.8A who is appointed by the governor prior to the expiration of a term as provided in this section, the governor shall appoint a member to serve the remainder of the term so that the membership requirements of section 97B.8A, as enacted in this Act, are fulfilled, and the appointment shall be subject to confirmation by the senate. Upon the expiration of a term established in this section, a member shall be

appointed in the manner and for a term of service as specified in section 97B.8A, as enacted in this Act. Except as otherwise provided in this section, the investment board established under this section shall be subject to the requirements of section 97B.8A, as enacted in this Act.

Sec. 20. BENEFITS ADVISORY COMMITTEE TRANSITION.

1. Effective July 1, 2001, and notwithstanding provisions of section 97B.8B, as enacted in this Act, to the contrary, a transition benefits advisory committee shall be created and shall consist of the following voting members:

- a. A member representing the Iowa state education association.
- b. A member representing the Iowa association of community college trustees.
- c. A member representing the school administrators of Iowa.
- d. A member representing the Iowa association of school boards.
- e. A member representing the retired school personnel association.
- f. A member representing the state police officers council.
- g. The director of the department of personnel.
- h. A member representing the IPERS' improvement association.
- i. A member representing the American federation of state, county, and municipal employees.
- j. A member representing the Iowa state sheriffs' and deputies' association.
- k. A member representing the Iowa state association of counties.
- l. A member representing the Iowa league of cities.
- m. A member representing the Iowa association of chiefs of police and peace officers.

n. A member of the public with substantial pension benefits experience as selected by the chief benefits officer of the Iowa public employees' retirement system.

o. A member representing the department of management.

2. By July 1, 2002, the transition benefits advisory committee shall issue a report to the Iowa public employees' retirement system division concerning the rules to be adopted by the division governing the benefits advisory committee as provided in section 97B.8B, as enacted in this Act. The rules should include provisions governing the selection of members of the committee, the selection of voting members of the committee, and any other provisions deemed necessary for establishing the benefits advisory committee consistent with the requirements of section 97B.8B.

3. The transition benefits advisory committee shall be dissolved by July 31, 2002.

Sec. 21. AMENDMENTS CHANGING TERMINOLOGY -- DIRECTIVES TO CODE EDITOR. Except as otherwise provided in this Act, the Iowa Code editor is directed to strike the words "department", "department of personnel", and "department's" and insert the words "division" and "division's" wherever the word "department", "department of personnel", or "department's" appears in chapter 97B of the Iowa Code and the reference to "department", "department of personnel", or "department's" means the department of personnel unless a contrary intent is clearly evident.

Sec. 22. ADMINISTRATIVE RULES. To the extent not inconsistent with this Act, the administrative rules promulgated and adopted by the department of personnel concerning the Iowa public employees' retirement system prior to July 1, 2002, shall be the rules of the Iowa public employees' retirement system division and shall remain in effect on and after July 1, 2002, subject to the authority of the division to modify or change the rules pursuant to Iowa Code chapter 17A.

Sec. 23. Sections 97B.5, 97B.6, 97B.8, 97B.57, 97B.59, 97B.60, 97B.61, Code 2001, are repealed.

Sec. 24. EFFECTIVE DATE. This Act takes effect July 1, 2002. However, section 20 of this Act, establishing a benefits advisory committee transition, takes effect July 1, 2001.

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MARY E. KRAMER  
President of the Senate

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BRENT SIEGRIST  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 497, Seventy-ninth General Assembly.

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MICHAEL E. MARSHALL  
Secretary of the Senate

Approved April 24, 2001

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THOMAS J. VILSACK  
Governor