

FINAL REPORT

PUBLIC RETIREMENT SYSTEMS COMMITTEE

January 1994

AUTHORIZATION AND APPOINTMENT

The Public Retirement Systems Committee is established in section 97D.4 of the Code of Iowa. The duties of the Committee are specified in Chapter 97D.

The members of the Committee during the 1993 Interim were as follows:

Senator John Kibbie, Co-chairperson
Representative Dorothy Carpenter, Co-chairperson
Senator William Dieleman
Senator Richard Drake
Senator Michael Gronstal
Senator Sheldon Rittmer
Representative John Connors
Representative Chuck Gipp
Representative Darrell Hanson
Representative Dennis Renaud

Chapter 97D requires the Committee to consider proposals relating to all public retirement systems in the state. The four publicly-operated systems include the Iowa Public Employees' Retirement System (IPERS), the Municipal Fire and Police Retirement Systems of Iowa (MFPRSI) the Department of Public Safety Peace Officers' Retirement, Accident and Disability System (PORS), and the Judicial Retirement System. Employees of universities governed by the State Board of Regents, employees of the Board's office, and certain community college employees may elect to be members of the privately-operated Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA - CREF).

COMMITTEE PROCEEDINGS

The Legislative Council authorized two meetings of the Committee during the 1993 Interim. The Committee held a two-day meeting on November 2 and 3, 1993.

MEETING OF NOVEMBER 2, 1993

On the first day of its two-day meeting, on November 2, 1993, the Committee invited representatives of organizations interested in public retirement systems to testify before the Committee. Ms. Mary Jo Small, Associate Vice President of Finance and University Services at the University of Iowa, and Mr. Donald Volm, with the State Board of Regents, addressed the Committee concerning the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), and discussed the differences between defined benefit plans, such as the Iowa Public Employees' Retirement System (IPERS), and defined contribution plans, such as TIAA-CREF.

The Honorable Arthur E. Gamble, Fifth Judicial District Court Judge, addressed the Committee on behalf of the Iowa Judges Association concerning the Judicial Retirement System. Accompanying Judge Gamble to assist with questions from the Committee were the Honorable Louis Lavorato, Iowa Supreme Court Justice, and the Honorable David B. Hendrickson, Eighth Judicial District Court Judge. Judge Gamble stated that the reason that the Judicial Retirement System is underfunded is because of "the failure of the State of Iowa to live up to its constitutional and statutory obligations to finance the system." On behalf of the Iowa Judges Association, Judge Gamble recommended increasing benefits under the system, and increasing court fees to resolve funding problems.

Mr. Rick Conn, representing the Iowa State Troopers Association, and Mr. Ron Reid, representing the Iowa State Patrol Supervisor's Association, addressed the Committee concerning two proposals with respect to the Iowa Department of Public Safety Peace Officers' Retirement, Accident, and Disability System (PORS). Mr. Conn and Mr. Reid recommended improvements pertaining to the credit for years of service beyond 22 years, and increases in certain escalators.

Mr. Blaine Goff addressed the Committee on behalf of the Retired Troopers and Agents Association, and recommended increasing benefits under PORS for surviving spouses.

On behalf of the League of Iowa Municipalities, Mr. Kent Sovern provided comments concerning the transition to a unified, statewide retirement system for municipal police officers and firefighters. Mr. Sovern recommended changes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI) pertaining to work-related injuries, hospitalization and medical costs, and contribution rates.

Mr. Craig Downing addressed the Committee concerning IPERS on behalf of the Iowa Retired School Personnel Association, and provided recommendations concerning retirement dividends and increases in benefits pertaining to retirees.

Mr. Donald Nelson, Principal at West Lyon Elementary School, presented testimony on behalf of the School Administrators of Iowa concerning IPERS, and recommended eliminating restrictions concerning buy-backs.

Representing the Iowa State Education Association, Ms. Jan Reinicke provided specific recommendations concerning changes to the IPERS benefit formula, removal of the covered wage ceiling, increases in benefits for the currently retired, and safeguarding the IPERS fund.

Mr. Dick Rattray addressed the Committee on behalf of the IPERS Improvement Association, and briefly discussed the membership of his Association. Mr. Rattray provided recommendations concerning IPERS administration, as well as benefits for both active and retired members.

Mr. Don Kerr testified on behalf of the Iowa Association of Community College Trustees, and provided recommendations pertaining to the selection of an alternative retirement system, such as TIAA-CREF, by community college employees, as well as changes pertaining to tax-sheltered annuity contracts purchased on behalf of employees of the community colleges.

On behalf of the Iowa Association of School Boards, Mr. Jason Bridie noted that the Association supports recent benefit enhancements in IPERS, and further increases to attain a covered wage base of \$55,000.

Chief Deputy Kenneth J. Runde of the Dubuque County Sheriff's Office addressed the Committee on behalf of the Iowa State Sheriffs and Deputies Association, and recommended a proposal to permit sheriffs and deputy sheriffs to retire after 25 years of service, with full benefits, regardless of age. Mr. Runde noted that the members of his Association are willing to pay increased contributions to permit this retirement alternative, in addition to the current alternative of retirement after 22 years of service, upon reaching age 55.

Representing the Iowa Corrections Association, Mr. Larry Hardy addressed the Committee concerning the history of the protection occupation classification of IPERS, and recommended expansion of the classification to include additional individuals in the corrections profession. Mr. Joe Crook, with the Fifth Judicial District Department of Correctional Services, spoke on behalf of a group of probation and parole officers who are seeking inclusion of the following job classifications in the IPERS protection occupation classification: probation and parole officers I, II, and III, and residential counselors and residential advisors employed by the judicial district departments of correctional services.

Mr. David Constable, representing Airport Firefighters, discussed with the Committee the long hours worked by airport firefighters, who are included in the protection occupation classification of IPERS, and recommended reducing the years of service necessary for airport firefighters to receive full benefits.

On behalf of the Iowa Fish and Game Conservation Officers Association, Inc., Mr. Lon Lindenberg addressed the Committee concerning disability issues. Mr. Lindenberg recommended amending Iowa Code section 70A.20, pertaining to the state disability program, to exempt from inclusion in the program employees who are covered by disability insurance under the terms of a collective bargaining agreement.

Mr. Paul Tinder, President of the Iowa State Fire Marshal's Association, noted that arson investigators employed by the State Fire Marshal's Office prior to July 1, 1988, are included in PORS, whereas arson investigators hired on or after July 1, 1988, and fire prevention inspectors are included in the protection occupation classification of IPERS. Mr. Tinder explained that the disability issue needs to be addressed, because while these employees are subject to the same hazards, the arson investigators covered by PORS receive greater disability benefits. He also noted that inclusion in different retirement systems discourages transfers between different positions within the Department of Public Safety.

Mr. Tom Fey and Mr. Jack Reed, representing the Iowa State Association of Professional Fire Fighters, discussed the Municipal Fire and Police Retirement System of Iowa (MFPRSI). Mr. Fey recommended several statutory changes as a result of changes in the federal Age Discrimination in Employment Act (ADEA), as well as standardization of the formula for calculating the escalator, and emphasized the need to resist any efforts to change the heart and lung presumptions in chapter 411.

The last presenter to address the Committee on the first day of its meeting was Mr. Rick Ahlstrom, on behalf of the Iowa State Police Association. Mr. Ahlstrom noted that his Association is generally pleased with the activities of the Board of Trustees of MFPRSI, and emphasized that his Association is opposed to the recommendations proposed to the Committee by the League of Iowa Municipalities.

MEETING OF NOVEMBER 3, 1993

The Committee reconvened on November 3, 1993, and heard testimony from representatives of the various public retirement systems and their actuaries. Mr. Dennis Jacobs, Executive Director of the Municipal Fire and Police Retirement System of Iowa, Mr. Dean Johnson, a member of the Board of Trustees of the System, and Mr. James Dillman, the actuary for the System, with TPF & C in Minneapolis, Minnesota, addressed the Committee with respect to the MFPRSI. Mr. Jacobs provided an extensive report, which is on file with the Legislative Service Bureau, and described the history of the System and the transition activities of the Board of Trustees. Mr. Jacobs provided demographic and statistical information, as well as a report of investment activities, and presented the recommendations of the Board of Trustees for statutory changes. Mr. Dillman addressed the improved funded status of the System, as demonstrated in the results of the July 1, 1993, actuarial valuation.

With respect to IPERS, the Committee received testimony from Mr. Greg Cusack, Chief Benefits Officer, Ms. Betsy Sanders, Chief Investment Officer, and Ms. Patrice Beckham, the actuary for IPERS, with Milliman & Robertson, Inc., of Omaha, Nebraska. The IPERS Division provided notebooks to the Committee containing the various reports and studies discussed, and a copy is on file with the Legislative Service Bureau. Mr. Cusack provided background and historical information pertaining to IPERS, as well as demographic and statistical information and the recommendations of the IPERS Division of the Department

of Personnel. Ms. Beckham discussed the funded status of IPERS, as well as different actuarial cost methods, and noted some funding concerns and her recommendations as to how those concerns should be resolved. Ms. Sanders addressed the 10-year experience study commissioned by the Division, and explained the decision to change the actuarial interest rate assumption for IPERS from 6.50 percent to 6.75 percent.

The following individuals spoke to the Committee concerning the status of PORS: Mr. Paul Wieck, Commissioner of Public Safety; Mr. Scott S. Willman, the actuary for the System, with The Wyatt Company of Minneapolis, Minnesota; and Mr. Jeffrey Slocum, the investment consultant for the System, with Jeffrey Slocum and Associates of Minneapolis, Minnesota. Commissioner Wieck noted that Mr. Larry Thornton, with the State Treasurer's Office, and Mr. Carroll Bidler, with the Department of Public Safety, were also present. Commissioner Wieck commented upon the improved funded status of PORS and recommended that the state contribution remain at 18 percent. Commissioner Wieck also discussed the problems associated with the inclusion of different peace officers employed by the Department of Public Safety in different retirement systems, and recommended pretax treatment of employee contributions to PORS. Mr. Willman discussed the July 1, 1993, actuarial valuation, and summarized the valuation with respect to required contributions, different measures of liabilities, and the funded status of the plan. Mr. Slocum discussed the more aggressive investment strategy adopted by PORS, which has resulted in an improved investment return.

The last presentation to the Committee pertained to the Judicial Retirement System, and consisted of the following panel of speakers: Ms. Peggy Sullivan, Director of Finance and Personnel of the Judicial Department; Mr. Michael Bollin, the actuary for the System, with William M. Mercer of Kansas City, Missouri; and Mr. Slocum, who in addition to serving as an investment consultant for PORS, also serves as an investment consultant for the Judicial Retirement System. Ms. Sullivan provided demographic information concerning the System. Mr. Bollin addressed the most recent actuarial update and the funded status of the System, and responded to questions pertaining to the unfunded pension benefit obligation, and in particular, the costs of the senior judge program. Mr. Slocum outlined the restructuring of the investment strategy of the System, which has resulted in an improved investment return.

The Committee received written testimony from Mr. Donald G. McKee, President of the American Federation of State, County, and Municipal Employees (AFSCME)/Iowa Council 61. Mr. McKee provided a series of recommendations pertaining to both active and retired members of IPERS, and emphasized that the IPERS fund should be used for the exclusive benefit of its members. The Committee also received written testimony from Mr. Doug Kern, which included an analysis of the "Rule of 92." Mr. Kern stated that the "Rule of 92" provides disproportionately higher benefits than those paid to members retiring at age 65.

Upon conclusion of the testimony, the Committee discussed the information it had received. The Committee directed the Legislative Service Bureau to pursue information requested of various speakers and forward the responses to the Committee. The Committee further directed the Legislative Service Bureau to prepare a Final Report which separately lists

each recommendation presented to the Committee. This Final Report contains those recommendations. For the most part, only those recommendations which require legislative action are included, as opposed to recommendations to maintain the current statutory scheme. Attachment "A" lists the recommendations provided by each speaker. Attachment "B" sorts the recommendations according to the applicable public retirement system. The Committee also agreed to meet during the early portion of the 1994 Regular Session to consider all of the recommendations presented and the additional information received.

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ATTACHMENT "A"

RECOMMENDATIONS SUBMITTED TO THE COMMITTEE LISTED BY SPEAKER¹

Tuesday, November 2, 1993

The Honorable Arthur E. Gamble

1. Judicial salaries should be increased at commensurate salary levels or in the same percentage as raises for state employees. (Judicial Retirement System)
2. Judicial pensions should be increased to 60 percent of salary rather than the current 50 percent. (Judicial Retirement System)
3. The senior judge program should be funded from the general fund rather than the *Judicial Retirement Fund*. (Judicial Retirement System)
4. Senate File 413, which increases certain court fees, should be amended and enacted so that all additional funds raised through the increased fees are directed to the *Judicial Retirement Fund* and other items related to the operation of the courts, and are not used to fund training for ambulance drivers. (Judicial Retirement System)

Mr. Rick Conn, Iowa State Troopers Association, and Mr. Ron Reid, Iowa State Patrol Supervisor's Association

1. Implement a plan to make PORS actuarially sound. (PORS)
2. When excess funds are available, increase from .6 percent to one percent the benefit for each additional year of service after 22 years, up to a maximum of 30 years. (PORS)
3. When excess funds are available, increase all 25 percent escalators to 30 percent, and all 12.5 percent escalators to 15 percent. (PORS)

Mr. Blaine Goff, Retired Troopers and Agents Association

1. Increase benefits for surviving spouses. (PORS)

¹ Attachment "B" lists the recommendations in groupings by the appropriate public retirement system. In addition, the listing in this attachment lists the recommendations by speaker, and the applicable public retirement system is listed at the end of the recommendation in parenthesis.

Mr. Kent Sovern, League of Iowa Municipalities

1. Work-related injuries suffered by police officers or firefighters should be adjudicated by the Industrial Commissioner and compensated pursuant to the workers' compensation statutes. The statute should be amended to clearly state that the heart and lung presumptions are rebuttable in contested case proceedings. (MFPRSI)
2. Hospitalization and medical costs related to police officers and firefighters which are now "out-of-system costs" should be included in the total system costs of the MFPRSI; once a disability retirement is awarded to a member, all benefits to the member should be paid from the retirement fund. (MFPRSI)
3. The General Assembly should remove the minimum contribution rates for the employer and employee, and move immediately to the objective of a 60 percent employer, 40 percent employee split of the total system costs. The Board of Trustees should be given the authority and responsibility of setting the employer and employee contribution rates based upon a 60/40 split, according to reasonable actuarial recommendations. (MFPRSI)

Mr. Craig Downing, Iowa Retired School Personnel Association

1. With regard to the \$2.85 million of the IPERS fund set aside in accordance with legislation enacted in 1993, dividend increases should be provided to retirees as follows: (1) a four percent increase for the pre-1976 group; (2) a three percent increase for the 1976-82 group of retirees; and (3) a two percent increase for the 1982-86 retirees. (IPERS)
2. Retirees with over 20 years of service who receive less than \$300 per month in IPERS benefits should have their retirement benefits increased to \$400-500 per month, if the fund can afford the increase. (IPERS)
3. Create a new dividend group for individuals who retired after June 30, 1986. (IPERS)

Mr. Donald Nelson, School Administrators of Iowa

1. Eliminate restrictions on buy-backs. (IPERS)

Ms. Jan Reinicke, Iowa State Education Association

1. Change the "Rule of 92" criteria for receiving maximum benefits under IPERS to a "Rule of 90." (IPERS)

2. Continue to raise, and eventually eliminate, the covered wage ceiling. (IPERS)
3. Develop a plan to guarantee that current retirees' benefits are increased independent of the political process and without placing an undue burden upon active members of the system. (IPERS)

Mr. Dick Rattray, IPERS Improvement Association

1. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (All public plans)
2. Within the next two years, phase in a cost of living adjustment (COLA) for all IPERS retirees; continue the dividends until the COLA is implemented. Consider increasing contributions to fund this benefit enhancement. (This proposal is subject to approval by the Board of the IPERS Improvement Association.) (IPERS)
3. Add a representative of the IPERS Improvement Association to the IPERS Investment Board. (IPERS)
4. Change the "Rule of 92" to a "Rule of 90," with the same minimum requirements with respect to 30 years of service and a retirement age of at least 55. (This proposal is subject to approval by the Board of the IPERS Improvement Association.) (IPERS)
5. Provide that members may receive a credit for years of service beyond 30 years, by adding one percent to the percentage multiplier for every year of service beyond 30 years, but not to exceed a total percentage multiplier of 70 percent. (This proposal is subject to approval by the Board of the IPERS Improvement Association.) (IPERS)

Mr. Don Kerr, Iowa Association of Community College Trustees

1. Provide that employees of the community colleges who are not vested in IPERS, and who desire to enroll in an alternative retirement program, may transfer from IPERS to the alternative program both the employer and employee contributions. Current law will permit the transfer of employee contributions only, commencing July 1, 1994. (IPERS/TIAA-CREF)
2. Amend section 260C.23, subsection 9, pertaining to tax-sheltered annuities purchased on behalf of employees of the community colleges, to be similar to the section pertaining to the employees of the Board of Regents, section

294.16, to permit participation through mutual funds. (Inapplicable to a particular retirement system, but impacts IPERS and TIAA-CREF)

Chief Deputy Kenneth L. Runde, Iowa State Sheriffs and Deputies Association

1. In addition to the current benefit formula, which provides for full benefits upon reaching age 55 with 22 years of service, permit sheriff and deputies to retire with full benefits upon completing 25 years of service, regardless of age. (IPERS)

Mr. Larry Hardy, Iowa Corrections Association

1. Expand the protection occupation classification of IPERS to include the following positions: nurses and psychologists employed in a correctional institution, and intensive supervision parole and probation officers and residential advisors working in community-based corrections. (IPERS)

Mr. Joe Crook, Fifth Judicial District Department of Correctional Services

1. Expand the protection occupation classification of IPERS to include the following employees of the judicial district departments of correctional services: probation and parole officers I, II, and III, and residential counselors and residential advisors. (IPERS)

Mr. David Constable, Airport Fire Fighters

1. Due to the extensive hours worked by airport fire fighters, reduce the number of years of service necessary for airport firefighters to receive full benefits (currently 25 years). (IPERS)

Mr. Lon Lindenberg, Iowa Fish and Game Conservation Officers Association, Inc.

1. Amend Iowa Code section 70A.20, pertaining to the state disability program, to exempt from inclusion in the program employees who are covered by disability insurance under the terms of a collective bargaining agreement. (Does not pertain to a specific retirement system, but was recommended by members of IPERS.)

Mr. Paul Tinder, Iowa State Fire Marshal's Association

1. Address the issue of disability benefits for arson investigators hired on or after July 1, 1988, and fire prevention inspectors. Options include transferring these classifications to PORS, adding additional disability benefits to IPERS, or amending the provisions in the state's disability insurance program (section 70A.20). (IPERS/PORS)

Mr. Tom Fey, Iowa State Association of Professional Fire Fighters

1. Amend the provisions of chapter 411 which provide for graduated contribution rates based upon age, so that the statute is consistent with the federal Age Discrimination in Employment Act (ADEA). (MFPRSI)
2. Amend the provisions of chapter 411 pertaining to eliminating, at age 55, the additional credits for years of service over 22 years, so that statute is consistent with the federal ADEA. (MFPRSI)
3. Standardize the formula for calculating the escalator under chapter 411, in a manner which provides fair treatment to retirees while offering a single formula for adjusting pensions. (MFPRSI)

Mr. Dennis Jacobs, Executive Director, Municipal Fire and Police Retirement System of Iowa (MFPRSI)

1. Address the issue of reemployment. Amend chapter 411 to address the questions associated with an individual who returns to employment after retirement, considering the following issues: coverage as a member; the continuation of contributions; recalculation of the retirement benefit; and continuation of the benefit payment. Provide that statutory changes are retroactive to July 1, 1993. (MFPRSI)
2. Adopt statutory language necessary to comply with the qualified plan requirements of the federal Internal Revenue Code. (MFPRSI)
3. Eliminate the age 55 cap on accrual of additional credits for years of service over 22 years, retroactive to October 16, 1992. (MFPRSI)
4. Eliminate the graduated contribution rates for older active members, retroactive to October 16, 1992. (MFPRSI)
5. Correct archaic language in section 411.6, subsection 10, pertaining to the offset of pension benefits by workers' compensation benefits. (MFPRSI)
6. Reestablish the state's contribution to the System, at a rate of 3.79 percent of covered payroll. (MFPRSI)
7. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect other systems as well.)

Mr. Greg Cusack, Chief Benefits Officer, IPERS Division²

1. Renew and increase the various dividends paid to already retired members, to the extent that funding, and meeting other priorities, allows. (IPERS)
2. Review, in the context of greater inclusiveness, how coverage for "temporary" or "substitute" employees should be addressed. (IPERS)
3. Establish the minimum amount of money a retired, reemployed member between ages 65 and 70 can earn before having retirement benefits suspended for the remainder of the calendar year. (IPERS)
4. Review the cost assigned to purchasing buy-ins and adjust for greater equity. (IPERS)
5. Beginning with the actuarial valuation of the System for the period from July 1, 1993 through June 30, 1994, allocate future available margins, after providing for the statutory increase in the covered wage, in the following manner: (1) one-third toward prefunding future increases in the covered wage ceiling; (2) one-third toward retiree dividend increases, not to exceed dividend increases of 2.5 percent in any one given year; and (3) one-third toward implementing the indexing of benefits for terminated vesteds. (IPERS)

Ms. Patrice Beckham, Actuary for IPERS, Milliman & Robertson, Inc.

1. To insure that the current level of dividends paid to retirees can be paid in future years, with no increase in contribution rates, the current level of dividend payments should be included as permanent benefits in the valuation of liabilities of the System. This methodology can only be reflected in the results of the regular valuation if the permanent commitment is reflected in the law. (IPERS)
2. Use part of the margin generated from the change in the interest rate assumption, effective in 1994, to begin prefunding future increases in the covered wage base. (IPERS)

² Mr. Cusack also listed within the recommendations section of his report some items which do not require statutory change, but rather, entail the continuation of current policies. Accordingly, these items are not included in the recommendations listed above, but are noted here as follows: (1) continue the course charted by the 1990 Legislature by incrementally raising the covered wage ceiling by \$3,000 per year; (2) retain the maximum benefit formula at 60 percent; (3) resist further proposals to lower either the "Rule of 92" or the three percent per year reduction for each year of early retirement; and (4) continue to prepare a plan to index the value of a member's earned benefit from the time of termination from public service until retirement.

Mr. Paul Wieck, Commissioner of Public Safety

1. Based upon improved funding, maintain the state's contribution to PORS at 18 percent. (PORS)
2. Examine disparities caused by the inclusion of different peace officers employed by the Department of Public Safety in three different retirement classifications: PORS, IPERS general membership, and IPERS protection occupation classification. (PORS/IPERS)
3. Consideration should be given to allowing members of PORS to make employee contributions on a pretax basis. (PORS)

Mr. Donald G. McKee, President, AFSCME/Iowa Council 61

1. Change the "Rule of 92" to a "Rule of 90." (IPERS)
2. Include employees of the judicial district departments of correctional services in the protection occupation classification of IPERS. (IPERS)
3. Use future available margins to fund increases in the covered wage ceiling and to increase benefits to individuals who retired prior to the fiscal year commencing July 1, 1986. (IPERS)
4. To the extent that IPERS funds are available, include a health care package for members choosing early retirement. (IPERS)
5. Due to the extensive hours worked by airport fire fighters, reduce the number of years of service necessary for airport firefighters to receive full benefits (currently 25 years). (IPERS)

ATTACHMENT "B"

RECOMMENDATIONS SUBMITTED TO THE COMMITTEE LISTED BY RETIREMENT SYSTEM³

Iowa Public Employees' Retirement System (IPERS)⁴

1. With regard to the \$2.85 million of the IPERS fund set aside in accordance with legislation enacted in 1993, dividend increases should be provided to retirees as follows: (1) a four percent increase for the pre-1976 group; (2) a three percent increase for the 1976-82 group of retirees; and (3) a two percent increase for the 1982-86 retirees. (Downing)
2. Retirees with over 20 years of service who receive less than \$300 per month in IPERS benefits should have their retirement benefits increased to \$400-500 per month, if the fund can afford the increase. (Downing)
3. Create a new dividend group for individuals who retired after June 30, 1986. (Downing)
4. Eliminate restrictions on buy-backs. (Nelson)
5. Change the "Rule of 92" criteria for receiving maximum benefits under IPERS to a "Rule of 90." (Reinicke and McKee) Subject to the approval of its Board, the IPERS Improvement Association also supports this proposal, and specifies that the minimum requirements with respect to 30 years of service and a retirement age of at least 55 should remain in place. (Rattray)
6. Continue to raise, and eventually eliminate, the covered wage ceiling. (Reinicke)

³ Attachment "A" lists the recommendations in groupings by each individual who addressed the Committee. In addition, the listing in this attachment lists the recommendations for each retirement system, and the individual who provided the recommendation is listed at the end of the recommendation in parenthesis.

⁴ Mr. Cusack also listed within the recommendations section of his report some items pertaining to IPERS which do not require statutory change, but rather, entail the continuation of current policies. Accordingly, these items are not included in the recommendations listed above, but are noted here as follows: (1) continue the course charted by the 1990 Legislature by incrementally raising the covered wage ceiling by \$3,000 per year; (2) retain the maximum benefit formula at 60 percent; (3) resist further proposals to lower either the "Rule of 92" or the three percent per year reduction for each year of early retirement; and (4) continue to prepare a plan to index the value of a member's earned benefit from the time of termination from public service until retirement.

7. Develop a plan to guarantee that current retirees' benefits are increased independent of the political process and without placing an undue burden upon active members of the system. (Reinicke)
8. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (Rattray)
9. Within the next two years, phase in a cost of living adjustment (COLA) for all IPERS retirees; continue the dividends until the COLA is implemented. Consider increasing contributions to fund this benefit enhancement. (This proposal is subject to approval by the Board of the IPERS Improvement Association.) (Rattray)
10. Add a representative of the IPERS Improvement Association to the IPERS Investment Board. (Rattray)
11. Provide that members may receive a credit for years of service beyond 30 years, by adding one percent to the percentage multiplier for every year of service beyond 30 years, but not to exceed a total percentage multiplier of 70 percent. (This proposal is subject to approval by the Board of the IPERS Improvement Association.) (Rattray)
12. Provide that employees of the community colleges who are not vested in IPERS, and who desire to enroll in an alternative retirement program, may transfer from IPERS to the alternative program both the employer and employee contributions. Current law will permit the transfer of employee contributions only, commencing July 1, 1994. (Kerr)
13. Amend section 260C.23, subsection 9, pertaining to tax-sheltered annuities purchased on behalf of employees of the community colleges, to be similar to the section pertaining to the employees of the Board of Regents, section 294.16, to permit participation through mutual funds. (Inapplicable to a particular retirement system, but impacts IPERS and TIAA-CREF) (Kerr)
14. In addition to the current benefit formula, which provides for full benefits upon reaching age 55 with 22 years of service, permit sheriff and deputies to retire with full benefits upon completing 25 years of service, regardless of age. (Runde)
15. Expand the protection occupation classification of IPERS to include the following positions: nurses and psychologists employed in a correctional institution, and intensive supervision parole and probation officers and residential advisors working in community-based corrections. (Hardy)
Expand the protection occupation classification of IPERS to include the

following employees of the judicial district departments of correctional services: probation and parole officers I, II, and III, and residential counselors and residential advisors. (Crook) AFSCME also recommends including employees of the judicial district departments of correctional services within the protection occupation classification, but did not specify job categories. (McKee)

16. Due to the extensive hours worked by airport fire fighters, reduce the number of years of service necessary for airport firefighters to receive full benefits (currently 25 years). (Constable and McKee)
17. Amend Iowa Code section 70A.20, pertaining to the state disability program, to exempt from inclusion in the program employees who are covered by disability insurance under the terms of a collective bargaining agreement. (Does not pertain to a specific retirement system, but was recommended by members of IPERS.) (Lindenberg)
18. Address the issue of disability benefits for arson investigators hired on or after July 1, 1988, and fire prevention inspectors. Options include transferring these classifications to PORS, adding additional disability benefits to IPERS, or amending the provisions in the state's disability insurance program (section 70A.20). (Tinder)
19. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect IPERS as well.) (Jacobs)
20. Renew and increase the various dividends paid to already retired members, to the extent that funding, and meeting other priorities, allows. (Cusack)
21. Review, in the context of greater inclusiveness, how coverage for "temporary" or "substitute" employees should be addressed. (Cusack)
22. Establish the minimum amount of money a retired, reemployed member between ages 65 and 70 can earn before having retirement benefits suspended for the remainder of the calendar year. (Cusack)
23. Review the cost assigned to purchasing buy-ins and adjust for greater equity. (Cusack)
24. Beginning with the actuarial valuation of the System for the period from July 1, 1993 through June 30, 1994, allocate future available margins, after providing for the statutory increase in the covered wage, in the following manner: (1) one-third toward prefunding future increases in the covered wage ceiling; (2) one-third toward retiree dividend increases, not to exceed

dividend increases of 2.5 percent in any one given year; and (3) one-third toward implementing the indexing of benefits for terminated vesteds. (Cusack) The actuary of the System also recommends using part of the future margins to prefund future increases in the covered wage base. (Beckham)

25. To insure that the current level of dividends paid to retirees can be paid in future years, with no increase in contribution rates, the current level of dividend payments should be included as permanent benefits in the valuation of liabilities of the System. This methodology can only be reflected in the results of the regular valuation if the permanent commitment is reflected in the law. (Beckham)
26. Examine disparities caused by the inclusion of different peace officers employed by the Department of Public Safety in three different retirement classifications: PORS, IPERS general membership, and IPERS protection occupation classification. (Wieck)
27. Use future available margins to fund increases in the covered wage ceiling and to increase benefits to individuals who retired prior to the fiscal year commencing July 1, 1986. (McKee)
28. To the extent that IPERS funds are available, include a health care package for members choosing early retirement. (McKee)

Iowa Department of Public Safety Peace Officers' Retirement, Accident, and Disability System (PORS)⁵

1. Implement a plan to make PORS actuarially sound. (Conn and Reid)
2. When excess funds are available, increase from .6 percent to one percent the benefit for each additional year of service after 22 years, up to a maximum of 30 years. (Conn and Reid)
3. When excess funds are available, increase all 25 percent escalators to 30 percent, and all 12.5 percent escalators to 15 percent. (Conn and Reid)
4. Increase benefits for surviving spouses. (Goff)

⁵ While the recommendations may not have been presented in this manner, because many of the provisions in PORS and MFPRSI are identical, recommendations which were presented by an association or individual interested in one system may also apply to the other system. For the purposes of this report, the recommendations are listed as presented by the individuals who provided them.

5. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (Ratray)
6. Address the issue of disability benefits for arson investigators hired on or after July 1, 1988, and fire prevention inspectors. Options include transferring these classifications to PORS, adding additional disability benefits to IPERS, or amending the provisions in the state's disability insurance program (section 70A.20). (Tinder) Examine disparities caused by the inclusion of different peace officers employed by the Department of Public Safety in three different retirement classifications: PORS, IPERS general membership, and IPERS protection occupation classification. (Wieck)
7. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect PORS as well.) (Jacobs)
8. Based upon improved funding, maintain the state's contribution to PORS at 18 percent. (Wieck)
9. Consideration should be given to allowing members of PORS to make employee contributions on a pretax basis. (Wieck)

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

1. Work-related injuries suffered by police officers or firefighters should be adjudicated by the Industrial Commissioner and compensated pursuant to the workers' compensation statutes. The statute should be amended to clearly state that the heart and lung presumptions are rebuttable in contested case proceedings. (Sovern)
2. Hospitalization and medical costs related to police officers and firefighters which are now "out-of-system costs" should be included in the total system costs of the MFPRSI; once a disability retirement is awarded to a member, all benefits to the member should be paid from the retirement fund. (Sovern)
3. The General Assembly should remove the minimum contribution rates for the employer and employee, and move immediately to the objective of a 60 percent employer, 40 percent employee split of the total system costs. The Board of Trustees should be given the authority and responsibility of setting the employer and employee contribution rates based upon a 60/40 split, according to reasonable actuarial recommendations. (Sovern)

4. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (Rattray)
5. Eliminate the graduated contribution rates for older active members, so that the statute is consistent with the federal Age Discrimination in Employment Act (ADEA). (Fey) This change should be retroactive to October 16, 1992. (Jacobs)
6. Eliminate the age 55 cap on accrual of additional credits for years of service over 22 years, so that statute is consistent with the federal ADEA. (Fey) This change should be retroactive to October 16, 1992. (Jacobs)
7. Standardize the formula for calculating the escalator under chapter 411, in a manner which provides fair treatment to retirees while offering a single formula for adjusting pensions. (Fey)
8. Address the issue of reemployment. Amend chapter 411 to address the questions associated with an individual who returns to employment after retirement, considering the following issues: coverage as a member; the continuation of contributions; recalculation of the retirement benefit; and continuation of the benefit payment. Provide that statutory changes are retroactive to July 1, 1993. (Jacobs)
9. Adopt statutory language necessary to comply with the qualified plan requirements of the federal Internal Revenue Code. (Jacobs)
10. Correct archaic language in section 411.6, subsection 10, pertaining to the offset of pension benefits by workers' compensation benefits. (Jacobs)
11. Reestablish the state's contribution to the System, at a rate of 3.79 percent of covered payroll. (Jacobs)
12. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect other systems as well.) (Jacobs)

Judicial Retirement System

1. Judicial salaries should be increased at commensurate salary levels or in the same percentage as raises for state employees. (Gamble)
2. Judicial pensions should be increased to 60 percent of salary rather than the current 50 percent. (Gamble)

3. The senior judge program should be funded from the general fund rather than the Judicial Retirement Fund. (Gamble)
4. Senate File 413, which increases certain court fees, should be amended and enacted so that all additional funds raised through the increased fees are directed to the Judicial Retirement Fund and other items related to the operation of the courts, and are not used to fund training for ambulance drivers. (Gamble)
5. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (Ratray)
6. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect the Judicial Retirement System as well.) (Jacobs)

Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF)

1. Consider standardized reporting, disclosure, and accountability for public retirement systems in Iowa, similar to those required of private plans under the federal Employee Retirement Income Security Act (ERISA). (Ratray)
2. Provide that employees of the community colleges who are not vested in IPERS, and who desire to enroll in an alternative retirement program, may transfer from IPERS to the alternative program both the employer and employee contributions. Current law will permit the transfer of employee contributions only, commencing July 1, 1994. (Kerr)
3. Amend section 260C.23, subsection 9, pertaining to tax-sheltered annuities purchased on behalf of employees of the community colleges, to be similar to the section pertaining to the employees of the Board of Regents, section 294.16, to permit participation through mutual funds. (Inapplicable to a particular retirement system, but impacts IPERS and TIAA-CREF) (Kerr)

Miscellaneous Provisions

1. Amend section 260C.23, subsection 9, pertaining to tax-sheltered annuities purchased on behalf of employees of the community colleges, to be similar to the section pertaining to the employees of the Board of Regents, section 294.16, to permit participation through mutual funds. (Inapplicable to a particular retirement system, but impacts IPERS and TIAA-CREF) (Kerr)

2. Amend Iowa Code section 70A.20, pertaining to the state disability program, to exempt from inclusion in the program employees who are covered by disability insurance under the terms of a collective bargaining agreement. (Lindenberg)
3. Address the issue of disability benefits for arson investigators hired on or after July 1, 1988, and fire prevention inspectors. Options include transferring these classifications to PORS, adding additional disability benefits to IPERS, or amending the provisions in the state's disability insurance program (section 70A.20). (Tinder)
4. Remove restrictions on investing in companies that do business in South Africa. (Recommended with respect to MFPRSI, but would affect other systems as well.) (Jacobs)

ADDENDUM TO FINAL REPORT

PUBLIC RETIREMENT SYSTEMS COMMITTEE

MEETING OF JANUARY 17, 1994

The Public Retirement Systems Committee met on January 17, 1994, to consider the recommendations which it had received during its two days of meetings during the 1993 Interim. The Committee approved the Final Report attached to this Addendum as the Final Report of its interim activities, and requested that this Addendum be prepared.

Upon extensive discussion, the Committee made the following recommendations and decisions:

1. The dividends for the groups of currently retired members of the Iowa Public Employees' Retirement System (IPERS) shall be extended for an additional two years, with the groups receiving the following increases: pre-1976, 4 percent; 1976-82, 3 percent; 1982-86, 2 percent. (Include this provision in bill draft.) Request that the IPERS Division provide a breakdown of this distribution.
2. Require that the staff of the IPERS Division obtain the approval of the IPERS Investment Board prior to changing the interest rate assumption on investments. (Include this provision in bill draft.)
3. With respect to the Judicial Retirement System, for future enrollees in the senior judge program, reduce the escalator to 75 percent. (Include this provision in bill draft.)
4. With respect to the Judicial Retirement System, require that a total of 25 percent (4 percent employee, 21 percent employer) of the covered salary be contributed to the *Judicial Retirement Fund*, until such time as the system is fully funded. When the system is fully funded, set the state's contribution rate as determined by the actuary. (Include this provision in bill.) Senate File 413 should be amended, to remove all language from the Code which earmarks court fees and fines to the Judicial Retirement Fund. Funding for the increased state contribution should come from the increased fees and fines in Senate File 413, which should be deposited in the general fund. Rather than earmarking court fees and fines, an increased amount should be appropriated to the Judicial Department to pay the increased state contribution. (These provisions will need to be enacted in Senate File 413 and in the justice system appropriations bill.)

5. Obtain a cost estimate from the Judicial Department concerning the cost of including the juvenile judges and probate judges, who were once referees, in the Judicial Retirement System.
6. With respect to the Municipal Fire and Police Retirement System of Iowa (MFPRSI) and the Department of Public Safety Peace Officers' Retirement, Accident, and Disability System (PORS), eliminate the graduated contribution rates for older active members and eliminate the age 55 cap on accrual of additional credits for years of service over 22 years, so that the statutes are consistent with the federal Age Discrimination in Employment Act, with changes retroactive to October 16, 1992. (Include these provisions in bill.)
7. Request information from the Department of Public Safety concerning any Social Security concerns which would need to be addressed if the three arson investigators who have been hired since July 1, 1988, are transferred from IPERS protection occupation to PORS.
8. Request information from the staff of MFPRSI and the Department of Public Safety concerning the cost of increasing all 25 percent escalators to 30 percent, and all 12.5 percent escalators to 15 percent.
9. Request information from the staff of the MFPRSI concerning the differential in benefits paid under the optional benefits for members who are married and members who are single.
10. Request information from the IPERS Division concerning the costs of changing the airport firefighters from the current protection occupation benefit formula to a formula based upon attaining age 55, with 22 years of service, as is currently done for sheriffs and deputy sheriffs.
11. With respect to the transition of community college employees from IPERS to an alternative retirement system, effective July 1, 1994, amend section 97B.42 and section 260C.23, subsection 17, which provide that the employee and employer contributions to the alternative system shall be substantially the same as provided by the state board of regents under TIAA-CREF, and require that the employer contribution to the alternative system shall not exceed the employer contribution paid for IPERS general membership. (Include these provisions in bill.)
12. Amend section 260C.23, subsection 9, pertaining to tax-sheltered annuities purchased on behalf of employees of the community colleges, to be similar to the section pertaining to employees of the Board of Regents, section 294.16, which permits participation through mutual funds. (Include this provision in bill.)

13. Include technical provisions requested by the MFPRSI Board of Trustees, which are agreed upon by a subcommittee consisting of the Co-chairpersons, in consultation with organizations associated with MFPRSI and PORS. (Include these provisions in bill.)

The Committee directed that its recommendations be included in companion State Government Committee study bills requested by the Public Retirement Systems Committee.

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