

IPERS Employer Bulletin 2010-1

DATE: April 27, 2010
TO: Reporting Officials
FROM: Donna M. Mueller, CEO
SUBJECT: Notice of Changes in 2010 Legislation

This bulletin itemizes changes to the IPERS chapter of the Iowa Code in House File 2518, signed into law on April 23, 2010. The changes have different effective dates, with some changes effective immediately.

Extension of period for making up contributions for furloughs

The provision allowing furloughed employees to minimize the negative impact on their IPERS benefit by making up missed IPERS contributions is extended through June 30, 2011. Employees must pay both the employer and employee share of IPERS contributions.

The procedures are the same as those outlined in *IPERS Employer Bulletin 2009-1* with the following date changes:

- Furloughs must occur between January 1, 2009, and June 30, 2011.
- Employees must file an application form with employers before July 1, 2011.
- Employers must submit wage certifications and withhold additional furlough contributions from member wages no later than July 31, 2011.

For more information, see [IPERS Employer Bulletin 2009-1](#) (in Employer Publications) and the [application form](#) (in Member Forms) on IPERS' Web site, <www.ipers.org>. Current and future [contribution rates](#) are also always posted on the Web site.

Covered wage restorations to include making up contributions when pay is lower because of bumping

Employees whose pay is lower because they exercised bumping rights during layoffs can now make up missed IPERS contributions to minimize the negative impact on their IPERS benefit. The provision is retroactive to January 1, 2009, and effective through June 30, 2011. The procedures are the same as when making up contributions for furloughs.

Contribution rates for regular members

The fiscal year (FY) 2012 contribution rate for regular members will be 13.45 percent. The law was also amended to allow IPERS to adjust contribution rates by no more than 1.0 percentage point each year after FY2012. Before the law change, the FY2012 contribution rate was expected to be 11.95 percent, and the yearly rate change was limited to 0.5 percentage point. There is no change to the contribution rates previously announced for FY2011.

Beginning in FY2012, employees will pay 40 percent of the contribution and employers will pay 60 percent of it. Employees have been paying slightly less than 40 percent of the total contribution. Employers have been paying slightly more than 60 percent of it.

	FY2011 (July 1, 2010–June 30, 2011)			FY2012 (July 1, 2011–June 30, 2012)		
	Member	Employer	Total rate	Member	Employer	Total rate
Regular members	4.50%	6.95%	11.45%	5.38%	8.07%	13.45%
Sheriffs and deputy sheriffs	8.94%	8.94%	17.88%	To be determined		
Protection occupations	6.64%	9.95%	16.59%			

STARTING FY2013 (July 1, 2012, forward)			
	How and when	Limit on annual change	Paid by
Regular members	Determined each year no later than December. Based on the actuarial valuation. Public notice is by administrative rule.	+/- 1 percentage point (Maximum contribution rate for FY2013 would be 14.45%)	40% employee 60% employer
Sheriffs and deputy sheriffs		No limit	50% employee 50% employer
Protection occupations		No limit	40% employee 60% employer

Benefit changes for regular members

The following benefit changes will affect regular members only. Changes will affect new employees and current employees differently because the benefits current employees have already earned cannot be lowered. The changes do not affect benefits for sheriffs, deputy sheriffs, or those working in protection occupations.

Effective July 1, 2012:

- A member becomes vested after seven years of service, or upon reaching age 65 while in IPERS-covered employment, whichever comes first.
- The wages used to calculate retirement benefit amounts will be the member's highest five years of wages.
- The amount lifetime monthly benefits are reduced for early retirement increases to 6 percent times the number of years the member receives benefits before age 65.

The 6 percent reduction for early retirement will affect only people who retire before reaching normal retirement age. Normal retirement age is age 65, or age 62 with 20 years of service, or when the Rule of 88 is met (age + years of service = 88). IPERS will continue to use a control year outside of the “high five” years to test for wage spiking that inflates benefits. IPERS also will continue to calculate a full year’s earnings when a member’s last day of work is not at the end of the calendar year.

The following benefits for regular members will not change.

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

Sheriffs/deputies and protection occupation classes

Only one change will affect these membership classes. Starting July 1, 2010, the law will contain a cancer and infectious disease presumption connected to these members’ disability benefits. All benefits stay the same. IPERS will continue to adjust these members’ contribution rates each year as calculated by IPERS’ actuary.

Bona fide retirement for hospital employees and Iowa National Guard

House File 2518 extends, to July 1, 2012, the one-month bona fide retirement exemption for licensed health care professionals in city and county hospitals. It also creates, retroactive to May 25, 2008, a bona fide retirement exemption for members of the Iowa National Guard if they are called to state duty.

Inquiries

Contact the Employer Relations Bureau at 1-877-473-7799 (8 a.m.–4:30 p.m., Monday–Friday) or employerrelations@ipers.org and refer to IPERS Employer Bulletin 2010-1.

More information is available on <www.ipers.org>. Q&As on [furloughs, bumping, and IPERS benefits](#) and [changes in House File 2518](#) are available for distribution to employees. IPERS will also let members know about changes affecting them in upcoming [newsletters](#).