

# About IPERS

The Rewards of IPERS Membership



**I** **PERS**

*Working Today for Your Tomorrow*



**I**t's never too early to start thinking about retirement. Regardless of your retirement plans or anticipated retirement age, you want a financially secure retirement. IPERS provides the security you need through guaranteed benefits. With IPERS, unlike other retirement plans, benefits aren't tied to the performance of the stock market and you don't need to be an experienced investor to make your retirement dreams a reality.

Remember, your IPERS benefits are only one part of your overall retirement savings. Your total retirement income will come from a combination of your IPERS benefits, social security, personal savings, and any other retirement plan benefits.



Photo courtesy of the Legislative Information Office

*The distinctive 275-foot gold-leafed dome of the Iowa State Capitol is 80 feet in diameter and the 23-karat gold is 1/250,000th of an inch thick. The Capitol was completed in 1886 at an original cost of less than \$2.9 million.*

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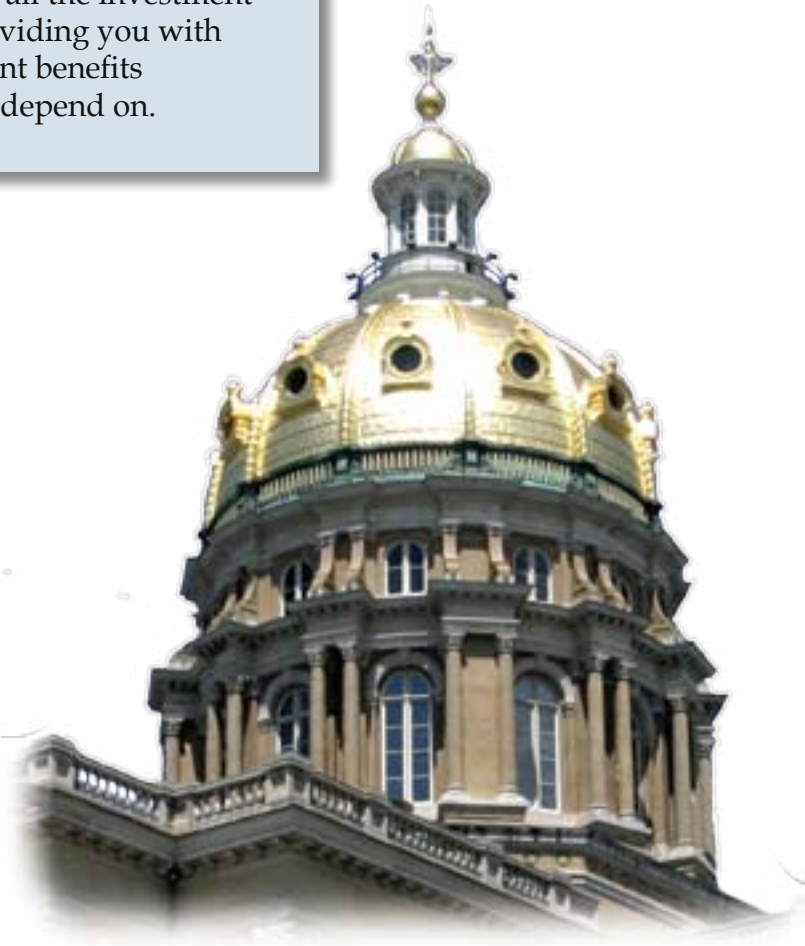
IPERS uses a formula to calculate your benefits, providing you with guaranteed **lifetime** retirement benefits. Your benefits aren't tied to the performance of the stock market, so you don't have to worry about riding out the bumps in the market. IPERS takes on all the investment risk, providing you with retirement benefits you can depend on.

**A PLAN DESIGNED FOR YOU**

The IPERS plan is a defined benefit plan. The lifetime monthly benefit you receive is defined; it's calculated using a formula. Your benefits grow with you during your working career. As your years of service and salary increase, your IPERS benefits grow too.

IPERS, a public agency, was established for the sole purpose of providing a retirement plan to public employees of the state of Iowa. As a public agency, there is no profit mentality and IPERS' interests are aligned with those of members.

The average monthly benefit paid to members retiring in fiscal year 2007 was \$1,506. IPERS benefits, designed to supplement personal savings and social security benefits, help ensure members have the financial security to do the things they want during retirement. Benefits also offer financial protection for families in the event of death or disability.



## Strength in Numbers: Our Membership

For more than 50 years, IPERS has covered – and continues to cover – most Iowa public employees. With over 300,000 members and about 2,300 covered employers, IPERS is the largest public retirement system in Iowa. IPERS offers retirement benefit stability and security that covered members can count on.

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

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

Some employees (listed below) have a choice between IPERS coverage and other retirement plans. For many of these employees, IPERS coverage may be the best alternative. If you fall into one of the following categories, call IPERS to learn why IPERS coverage may be the right choice for you.

- Employees hired by the Board of Regents, including state universities
- Employees of community colleges
- City managers
- City administrators performing the duties of city managers
- Legislators
- Temporary legislative employees
- Magistrates
- Part-time elected officials
- Elected officials paid on a fee basis
- Elected officials of school districts
- Elected officials of townships
- Nonvested employees of levee and drainage districts
- Employees of community action agencies
- Members of the ministry, rabbinate, or other religious orders who have taken a vow of poverty
- Members of the Iowa Transportation Commission
- Members of the Iowa Board of Parole
- Members of the Iowa Health Facilities Council
- Employees of the Board of Trustees of the Municipal Fire and Police Retirement System of Iowa
- Employees of a municipal water utility or waterworks



For more than 50 years, IPERS has provided retirement benefits to public employees in Iowa. Current membership stands at over 300,000, including more than 160,000 active members currently employed and contributing to IPERS. When you join IPERS, you become part of a long-standing tradition of excellence in and commitment to providing solid retirement benefits.



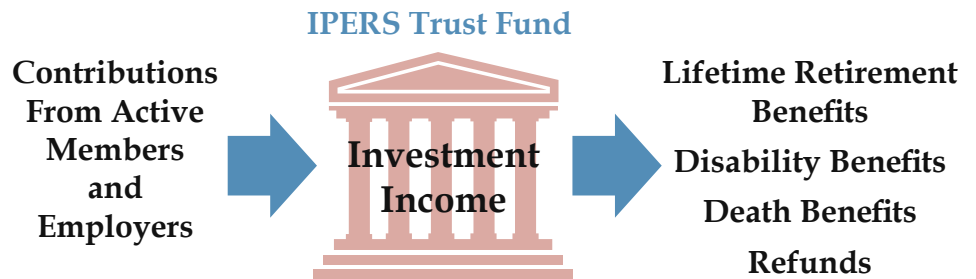
If you fall into one of the groups listed at left, be sure to review the benefits of IPERS membership before making a decision. If you don't choose IPERS, you cannot later elect coverage while in the same position. Your decision is binding, so weigh your options carefully.

## You Get Back More Than You Contribute

Since IPERS provides lifetime monthly benefits, most retirees get back much more than they contribute. A typical retiree recovers his or her contributions and interest earned *within 3 years* of beginning to receive IPERS benefits.

## CONTRIBUTING TO IPERS

Both you and your employer contribute to IPERS. IPERS invests the contributions and holds the investment income in a Trust Fund for the exclusive purpose of paying benefits to members and their beneficiaries. If you leave public employment before you retire, you may keep your money at IPERS, roll it over to another qualified retirement plan that meets IRS requirements, or take a refund.



*The IPERS Trust Fund must be used for the exclusive benefit of members.*

The Iowa Legislature and Governor determine the positions of employment that fall under each membership class and the benefits provided. The Iowa Legislature set the contribution rates for regular members through June 30, 2011. Beginning July 1, 2011, IPERS will set regular member contribution rates using an annual actuarial valuation, which is a snapshot of IPERS' finances. Rates for sheriffs, deputies, and members in protection occupations are actuarially determined each year.

### Contribution Rates (Percentage of Employee's Pretax Pay)

<b>Regular Members</b>	Member/ Employee Share	Employer Share	Total
July 1, 2008–June 30, 2009	4.10%	6.35%	10.45%
July 1, 2009–June 30, 2010	4.30%	6.65%	10.95%
July 1, 2010–June 30, 2011	4.50%	6.95%	11.45%
<b>Sheriffs and Deputies</b>			
July 1, 2008–June 30, 2009	7.52%	7.52%	15.04%
<b>Protection Occupations</b>			
July 1, 2008–June 30, 2009	5.63%	8.45%	14.08%

### Benefits of Contributing to IPERS

- **Automatic retirement savings.** Automatic deductions from your paycheck ensure you set aside retirement savings. Despite good intentions, it's sometimes hard to save for retirement on your own.
- **Income you won't miss.** Since the deductions come out of your check automatically, you won't miss the income. Deductions are set aside before they hit your bank account.

- **Pretax deductions reduce your taxable income.** Setting aside money on a pretax basis reduces your taxable income. You will pay less at tax time.
- **It's easy.** IPERS manages how plan assets are invested so you don't have to worry about making investment decisions. You focus on today, while IPERS focuses on your retirement years.

## MEMBERSHIP HAS REWARDS

Saving for retirement is important. Be sure you're prepared so you can enjoy your retirement years and have peace of mind. IPERS benefits are designed to supplement personal savings and social security benefits. Consider these rewards of IPERS membership.



### Security

For over a half century, IPERS has provided Iowa's public employees with retirement income. IPERS invests and safeguards over \$20 billion in assets for members' retirement, death, disability, and termination benefits, and collects over \$500 million in contributions from employers and members annually. The benefits paid to members are guaranteed: they are not tied to the performance of the stock market. With IPERS, you get a dependable, solid retirement investment.

### A Guaranteed Benefit

Since IPERS provides a defined benefit, you don't have to worry about monitoring where your money is invested or how the stock market performs. It's easy and worry-free. You have the option of receiving your benefits as a monthly lifetime payment – which means you can never outlive your benefits.



The amount of your benefit is based on a formula that factors in your years of service, age, and highest 3-year average salary. By design, IPERS takes on all the investment risk; with a defined contribution plan, you take on the investment risk and must ensure your investment grows at a sufficient rate to provide benefits for your lifetime.

### Protection Against the Unexpected

IPERS provides death and disability benefits. These benefits provide important protection for you and your family.

If you die before beginning to receive IPERS benefits, your beneficiary(ies) may be eligible for a one-time lump-sum payment or monthly benefits. If you die after you have started receiving your monthly benefits, your beneficiary(ies) may be eligible for a benefit depending on the benefit payment option you elected.

You may be eligible for an IPERS disability benefit if you meet certain requirements. See page 10 for more information.

In many cases, a defined contribution plan provides neither of these benefits to its members.



*“The IPERS plan works for me. Making contributions is effortless, and I know that I'll get a benefit for the rest of my life.”*

*– IPERS Member for 9 Months,  
Age 22 and Starting Public  
Service Career*

## IPERS Membership Has Rewards

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



## Low Administrative Expenses

**Consider This:** CEM Benchmarking Inc., an independent company that reviews pension systems, each year finds that IPERS' administrative expenses are among the lowest of similarly sized public retirement systems. At the same time, IPERS' service consistency rates high.

## Public Accountability

The Iowa Legislature and the Governor are the plan sponsors for IPERS. The Legislature and Governor determine benefits provided for members and oversee the administration of the plan. These elected officials want to ensure they provide a retirement plan that meets the needs of their constituents.



The Legislature authorizes spending from the Trust Fund for administrative expenses other than investment management expenses.

IPERS closely monitors and negotiates what it pays to investment portfolio managers, does not spend money on costly advertising campaigns, and manages itself with a lean and efficient staff. Limiting administrative expenses allows IPERS to use its assets to pay out benefits and ensures the long-term funding of the plan.



## Portability if You Change Jobs

You are always entitled to 100 percent of your contributions and interest earnings.

If you change jobs and move to another IPERS-covered position, you can maintain your IPERS coverage. If you take a job with a non-IPERS-covered employer, you may leave your money in IPERS, roll over your IPERS account to another qualified retirement plan, or take a refund.

If you are vested, leave IPERS-covered employment before you retire, and decide not to leave your money in IPERS, the amount you take with you will include a portion of your employer's investment based on your years of service in addition to your own investment. You become a vested IPERS member when you accrue 4 years of service or when you reach age 55 and are making contributions to IPERS, whichever occurs first.

## Retirement Planning Resources

IPERS goes beyond providing guaranteed and secure retirement benefits. Through IPERS, you have access to resources to help you plan for a secure retirement. You can speak one on one with a representative who can answer your questions and address your individual situation. In addition, online resources and periodic mailings keep you informed about the plan and your IPERS benefits.





## THE BOTTOM LINE: WHAT'S THE PAYOUT?

The formula used to calculate the annual IPERS benefit for all members except those in public safety positions includes:

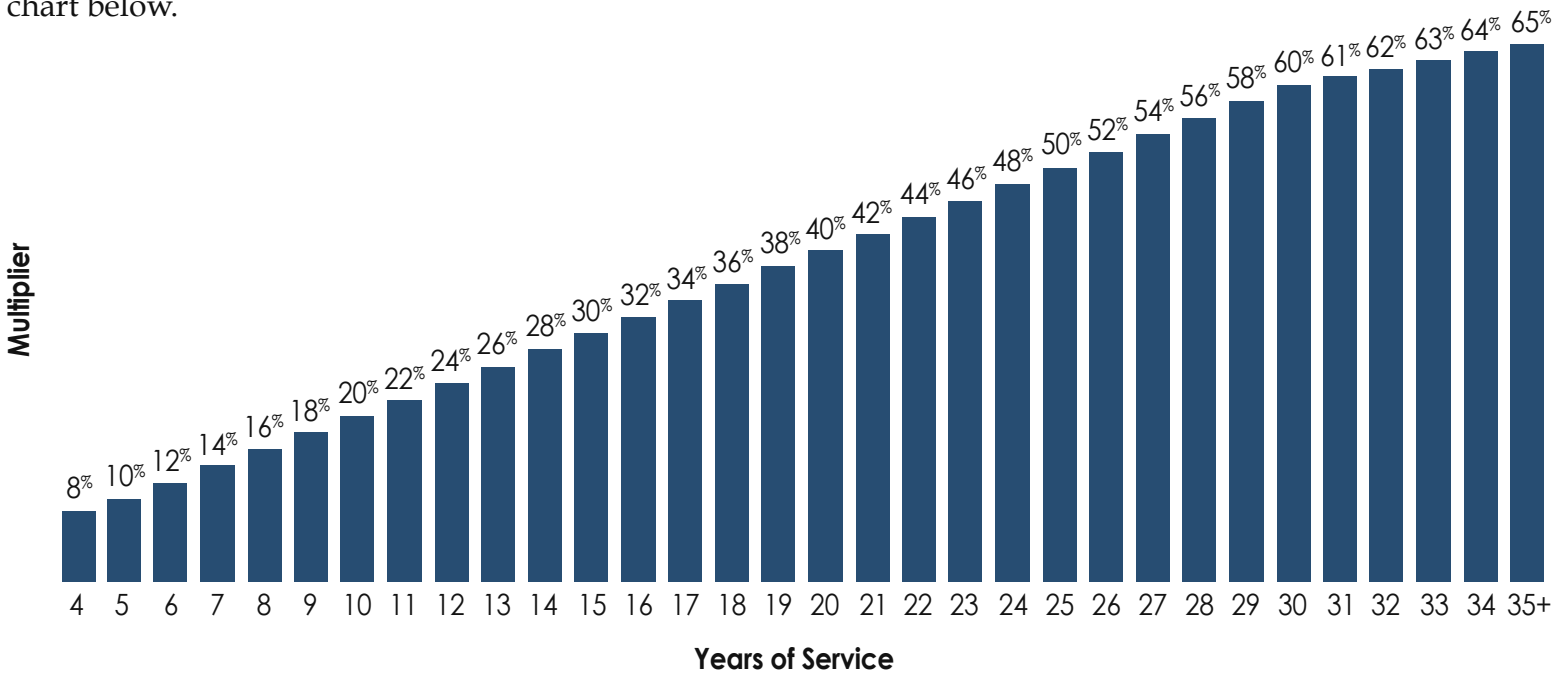
1. A formula multiplier (based on your years of service).
2. Your highest 3-year average salary.
3. Your age at retirement (your benefit is reduced if it is received before normal retirement age).

Your annual IPERS benefit is calculated\* as follows:

$$\begin{array}{ccc} \text{Multiplier} & & \text{Salary} \\ \text{(Based on Your Years of Service)} & \times & \text{(Your Highest 3-Year Average)} \end{array}$$

\*If you receive benefits before normal retirement age, they will be reduced since you will receive benefits over a longer period. Your benefits are reduced 0.25 percent for each month (or 3 percent per year) that you receive benefits before you would have attained normal retirement age.

To determine the multiplier used in the calculation, refer to the chart below.



**Normal retirement age is one of the following, whichever comes first:**

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

Let's look at some examples of the IPERS benefits a member might receive. Please keep in mind that these examples are for illustrative purposes only. Your benefits may be different depending on your employer, age when you begin receiving your benefits, length of service, covered wages, and the payment option you choose at retirement.

## Example 1

### RETIREMENT BENEFITS PAYABLE AT NORMAL RETIREMENT AGE

#### Scenario A

Jane works for an IPERS-covered employer for 21 years. She retires at age 62, when she qualifies for a normal retirement pension. Her highest 3-year average salary is \$51,814. Her annual retirement benefit would be \$21,761.88 (42% × \$51,814) under Option 2. Depending on the payment option Jane elects, this amount may be adjusted.

$$\begin{array}{rclcl} \mathbf{42\% \text{ Multiplier}} & & \mathbf{\$51,814 \text{ Salary}} & & \\ \text{(Based on Jane's} & \times & \text{(Jane's Highest} & = & \mathbf{\$21,761.88} \\ \text{Years of Service)} & & \text{3-Year Average)} & & \end{array}$$

#### Scenario B

If Jane worked another 3 years and retired at age 65 with a highest 3-year average salary of \$55,056, her annual retirement benefit would be \$26,426.88 (48% × \$55,056) under Option 2. Again, depending on the payment option Jane elects, this amount may be adjusted.

$$\begin{array}{rclcl} \mathbf{48\% \text{ Multiplier}} & & \mathbf{\$55,056 \text{ Salary}} & & \\ \text{(Based on Jane's} & \times & \text{(Jane's Highest} & = & \mathbf{\$26,426.88} \\ \text{Years of Service)} & & \text{3-Year Average)} & & \end{array}$$

## Example 2

### RETIREMENT BENEFITS PAYABLE BEFORE NORMAL RETIREMENT AGE

Steve works for an IPERS-covered employer for 25 years and decides to retire at age 55 before he meets normal retirement age. When he leaves covered employment, his highest 3-year average salary is \$64,000. His annual retirement benefit under Option 2 would be \$25,280 (50% × \$64,000 = \$32,000 - \$6,720 age reduction [7 years before normal retirement age × 3% per year reduction]).

$$\begin{array}{rclcl} \mathbf{50\% \text{ Multiplier}} & & \mathbf{\$64,000 \text{ Salary}} & & \mathbf{\$6,720 \text{ Reduction}} \\ \text{(Based on Steve's} & \times & \text{(Steve's Highest} & - & \mathbf{\text{for Early Retirement}} \\ \text{Years of Service)} & & \text{3-Year Average)} & & \text{(3\% per year)} \\ & & & = & \mathbf{\$25,280} \end{array}$$

### DISABILITY AND DEATH BENEFITS

Assuming the same years of service, age, and salary, Steve would receive a \$32,000 annual benefit under Option 2 if he became eligible for disability benefits at age 55. In the event of his death at age 55 **before** retiring, a lump-sum benefit of \$207,132.16 would be payable to his beneficiary.

## GETTING STARTED IS SIMPLE!

IPERS makes enrolling in the plan easy – coverage is automatic for most employees. You will just need to designate a beneficiary.

If you have the option to select between IPERS and another plan, your employer will let you know soon after you become employed. Do not complete an *Election for Termination of IPERS Coverage* form unless you do not want IPERS coverage. If you elect not to participate in IPERS, you **cannot** elect coverage at a later date while in the same position.

## MEMBER RESOURCES: TAKE ADVANTAGE OF THE PLAN!

IPERS exists for the exclusive purpose of providing retirement security for you and strongly encourages you to take advantage of available plan resources:

- ❑ We connect you with representatives knowledgeable about IPERS. Call us at 515-281-0020 or toll-free at 1-800-622-3849 with your questions. Or, you can schedule an appointment to meet with an IPERS representative face to face.
- ❑ Throughout the year, we hold educational sessions that give you a chance to learn more about IPERS. For information about when the next session will be held in your area, give us a call or visit our Web site. Schedules are also included in IPERS newsletters.
- ❑ Information about IPERS is available 24/7 on our Web site at <www.ipers.org>. The site provides benefits summaries, retirement planning tools, downloadable forms, and various retirement benefit calculators. You can also set up a personal account to access account information and update your address.
- ❑ Once you become a member, you will receive a benefits statement each year that summarizes your service credits, reported wages, contributions, estimated amount of benefits, and beneficiary information. You may also request a more detailed benefit estimate that shows the amount of your benefits payable under all available payment options.

## ! IPERS Helps Reduce the Burden of Saving for Retirement

Receiving guaranteed retirement benefits from IPERS can help reduce the financial burden of saving for retirement. Consider that “current trends in Social Security, 401(k) plans, and personal saving suggest that individuals will need to save more to ensure that they can enjoy a comfortable retirement....National saving has generally been declining over the past quarter century, falling from over 8 percent of the nation’s gross domestic product in 1981 to less than 2 percent today.”

– “National Saving and Social Security Reform,”  
Andrew Eschtruth and  
Robert Triest, Center for  
Retirement Research at  
Boston College, 2005



## THE IPERS PLAN VS. DEFINED CONTRIBUTION PLANS: WHAT'S THE DIFFERENCE?

### The IPERS Plan

The IPERS plan is a defined benefit plan. Defined benefit plans are sometimes called traditional pension plans.

<b>Guaranteed Benefit</b>	Yes. You receive a guaranteed lifetime benefit. You can't outlive your benefit.
<b>Benefit Amount</b>	You receive a predictable benefit, calculated using a set formula.
<b>Who Takes on Investment Risk</b>	IPERS takes on all the investment risk. The amount of your benefit is not affected by fluctuations in the investment marketplace.
<b>Withdrawals and Loans</b>	IPERS does not allow you to borrow against your account, and only terminated members may withdraw money. Keep in mind that taking a refund of your money from the plan may not be in your best interest because you are forfeiting your membership rights.
<b>Vesting (Entitlement to Benefits)</b>	You are always 100 percent vested in your contributions. After 4 years of service or when you reach age 55 while in IPERS-covered employment, you become vested in a portion of the employer contributions made on your behalf. Vesting also entitles you to additional benefits.
<b>Portability if You Change Jobs</b>	If you change jobs or employers, but continue working in an IPERS-covered position, your participation under IPERS continues. If you leave public employment, you may roll the value of your account over to another qualified plan, take a refund, or leave your money in IPERS.
<b>Disability Benefits</b>	IPERS provides disability benefits. To qualify for disability benefits, you must have ended all IPERS-covered employment, be vested, be receiving federal social security or railroad retirement disability benefits, and apply for benefits (you must indicate on your application for IPERS retirement benefits that you are retiring because of a disability).
<b>Death Benefits</b>	IPERS provides pre- and postretirement death benefits. The methods of payment, such as a lump sum or monthly benefit, differ depending on whether you die before or after retirement, the payment option you choose at retirement, and the number and type of beneficiary(ies) you designate.
<b>Administrative Expenses</b>	The Iowa Legislature oversees IPERS' expenses to ensure they are reasonable. Since a formula is used to calculate your benefit, what IPERS pays out in expenses does not affect the amount of your benefit.

## Defined Contribution Plans

401(k) and 403(b) plans are types of defined contribution plans. The amount contributed to the plan is defined, but your benefit at retirement is not. The sponsor of the plan may or may not contribute to your account balance.

No. The amount of your benefit can fluctuate – up and down – depending on how much you’ve contributed, the performance of the investments you select, and whether you take out a loan or withdraw some of your money. When your account balance reaches \$0, you will no longer have any benefits under the plan.

Your benefit is based on your contributions, any employer contributions, and any investment earnings or losses on those contributions (minus any withdrawals or loans received).

You, the employee, take on the risk. You (or the plan in some cases) are responsible for deciding how to invest your money and monitoring ongoing investment performance.

Many defined contribution plans allow for withdrawals and loans. Keep in mind that if you withdraw or borrow money, you may reduce your available income at retirement.

You are always 100 percent vested in your contributions. Vesting in your employer’s contributions varies by the plan sponsor (for example, you may become 20 percent vested in employer contributions for each year of service until you are fully vested).

Your vested account balance is portable. You may roll it over to another qualified plan.

Typically, defined contribution plans do not provide disability benefits.

When you die, your account balance is transferred to your beneficiary(ies). Your beneficiary may then decide how the value of the account is paid out to him or her.

Fees are typically higher with a defined contribution plan. Administrative and investment management expenses are distributed across accounts or taken directly from individual balances based on investment options; therefore, fees affect the amount of your retirement benefits.



### 401(k) Plans: A Reality Check

**Myth:** 401(k)s enable employees to save significantly more than traditional pensions.

**Reality:** In 2004, the median 401(k) balance for heads of household aged 55–64 was \$60,000. This amount would generate less than \$400 a month. Similarly, workers aged 45–54 were not on track to have enough retirement savings.

– “401(k) Plans Are Still Coming Up Short,” Alicia H. Munnell and Annika Sundén, Center for Retirement Research at Boston College, March 2006

**Myth:** 401(k)s produce higher returns for participants than traditional pensions.

**Reality:** From 1988 to 2004, traditional plans outperformed 401(k) plans by 1 percentage point thanks in part to lower investment management fees.

**Myth:** Most employees diversify their 401(k) investments.

**Reality:** A majority of participants are not diversified at all and face the risk of not having enough retirement income or having large swings in the value of their assets.

– “Investment Returns: Defined Benefit vs. 401(k) Plans,” Alicia H. Munnell, Mauricio Soto, Jerilyn Libby, and John Prinzivalli, Center for Retirement Research at Boston College, September 2006



### Important!

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

## CONTACT US

We're here to help you! If you have questions about IPERS, please don't hesitate to contact us.



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