

Ready, Set, Retire

An IPERS Overview

Presented by IPERS



About IPERS

- Trust fund is more than \$40 billion – the largest public retirement system in Iowa
- A defined benefit program
 - Lifetime retirement benefits are paid based on a formula, not on the amount of contributions
 - Formula factors: age, years of service, highest average salary

Your Retirement Benefit Calculation

$$\text{Your Average Salary} \times \text{Multiplier} - \text{Reduction} = \text{Your Retirement Benefit}$$

Multiplier (Based on years in IPERS-covered employment) Reduction (If you retire before normal retirement age)

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DB vs. DC: What's the difference?

	IPERS (Defined Benefit Plan)	401(k), 403(b), etc. (Defined Contribution Plan)
Guaranteed Benefit	YES. Monthly retirement benefit is guaranteed for life.	NO. Benefit fluctuates with market performance.
Investment Risk	Pooled investments. IPERS takes on all the risk.	YOU take on all the risk.
Withdrawals & Loans	NOT AVAILABLE	TYPICALLY AVAILABLE
Vesting	100% in your contributions	100% in your contributions
Portability	YES	YES
Death Benefits	YES	YES
Disability Benefits	YES. IPERS provides disability benefits depending on certain qualifications.	NO. Defined contribution plans do not usually provide disability benefits.
Fees & Expenses	INCLUDED	TYPICALLY HIGH

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Membership Groups

- **Regular**
- **Special Service**
(includes Protection Occupations and Sheriffs/Deputy Sheriffs)
- **Hybrid**
(both Regular and Special Service)



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Your Contributions

• Contributions

- Contributions are based on gross wages.
- IPERS can adjust the total contribution rate by no more than one percentage point up, or down, following a yearly actuarial valuation.

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FY2025 Contribution Rates

• Regular member contribution rates:

- 6.29% from you
- 9.44% from your employer

• Protection Occupations contribution rates:

- 6.21% from you
- 9.31% from your employer

• Sheriffs/Deputy Sheriffs contribution rates:

- 8.51% equally from you/employer

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How do you become vested?



Regular members become vested when they:

- Complete seven years (28 quarters) of reported wages
- OR**
- Turn age 65 while in IPERS-covered employment



Protection Occupations and Sheriffs/Deputy Sheriffs members become vested when they:

- Complete four years (16 quarters) of covered service
- OR**
- Turn age 55 while in IPERS-covered employment

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What is vesting?

Entitles you to:

- A monthly retirement or disability benefit
- A portion of your employer's investment if a refund is taken
- Purchase service at retirement (if vested by years of service, not age alone)

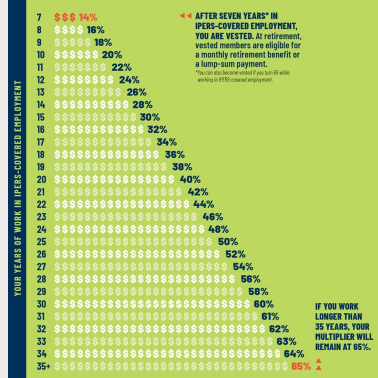
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The Benefit Formula – Regular Members



- The multiplier increases 2 percentage points per year for the first 30 years worked.
- Increases 1 percentage point per year for years 31–35, for a maximum of 65% of final average salary.
- Early retirement reduction applies if you retire before normal retirement age.



Normal Retirement Age



Rule of 88

Years of service + your age = 88 or greater

Rule of 62/20

Age 62 with 20 or more years of service

Age 65

No minimum service requirement



Early Retirement Reduction



If you start receiving retirement benefits before reaching a normal retirement age, reductions will apply.

For portion of service earned before July 1, 2012

Reduced 3% a year

From nearest retirement eligibility (rule of 88; rule of 62/20; age 65)

For service earned after June 30, 2012

Reduced 6% a year thereafter

From age 65



The Benefit Formula – Special Service



- For all Special Service members, the multiplier increases 2.7272 percentage points each year for the first 22 years.
- Protection Occupations:** 1.5 percentage points from 23 to 30 years. The maximum multiplier is 72%.
- Sheriffs/Deputy Sheriffs:** 2.5 percentage points from 23 to 30 years. The maximum multiplier is 80%.
- Benefits are not reduced for early retirement if you have always been a Special Service member.
- Benefit enhancements for Sheriffs/Deputy Sheriffs members effective July 1, 2024.
 - Larger multiplier
 - 1.5% annual COLA
 - Visit www.ipers.org for full eligibility details.

YEARS OF SERVICE	SPECIAL SERVICE MULTIPLIERS	
	PROTECTION OCCUPATION	SHERIFFS AND DEPUTIES
4	10.90%	10.90%
5	13.63%	13.63%
6	16.36%	16.36%
7	19.09%	19.09%
8	21.81%	21.81%
9	24.54%	24.54%
10	27.27%	27.27%
11	30.00%	30.00%
12	32.72%	32.72%
13	35.45%	35.45%
14	38.18%	38.18%
15	40.90%	40.90%
16	43.63%	43.63%
17	46.36%	46.36%
18	49.09%	49.09%
19	51.81%	51.81%
20	54.54%	54.54%
21	57.27%	57.27%
22	60.0%	60.0%
23	61.5%	62.5%
24	63.0%	65.0%
25	64.5%	67.5%
26	66.0%	70.0%
27	67.5%	72.5%
28	69.0%	75.0%
29	70.5%	77.5%
30+	72.0%	80.0%



Purchasing Service

- Increases your IPERS service credits
- Free Service Credit
 - Leave of absence prior to 1998
 - Military duty while in IPERS-covered employment
 - FMLA up to 12 weeks/year

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Purchasing Service

Service Purchase Types

- Nonqualified service ("air time") ← **5-year limit**
- Refunded IPERS service (buy-back)
- Other public employment
(if *not* eligible to draw pension from the other system)
- Active military duty/LOA time not eligible for free credit
- IPERS buy-up credit conversion (hybrid members)

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Purchasing Service

- Purchase at retirement
- Request a service purchase cost **estimate** to help you plan for a purchase at retirement
- Save money in a separate retirement account that can eventually be rolled over to IPERS to make your purchase

You are not obligated to purchase service if you request a quote.

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Retirement Estimates

- Request benefit estimates from IPERS before deciding on a retirement date
- Working a little longer could increase benefits significantly
- May be eligible to retire earlier

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Sample Retirement Estimate

IPERS Benefit Estimate for: JOHN DOE
Member ID: 1234-5678

Information we used to figure your estimate

When you will start receiving benefits		Years of service and multiplier		Regular class average salary calculation	
Month you leave employment	12/2029	Membership class	Regular	Current salary	\$63,654.04
Month of last paycheck	01/2030			Yearly salary increase rate	2.00%
First month of entitlement	01/2030			Highest salaries	2029 \$87,383.36
Normal or early retirement?		Years of service	12.50 17.75	2028	\$55,669.96
Birth date	01/30/1969	Assumed Regular service purchase	0.00 0.00	2027	\$83,990.15
Nearest age at retirement	61			2026	\$82,343.29
		Total years of service	30.25	2025	\$80,728.71
		Future quarterly service	4	Average salary used in benefit \$84,023.09	
Months to go before normal retirement age	0 0	Regular class multiplier	60.250%		
Early retirement percentage	100% 100%	Sheriff class multiplier	0.000%		
Disability benefits	N	Protection class multiplier	0.000%		
Contingent annuitant (CA)		Contributions			
Relationship	Spouse	Investment	\$30,132.69		
Birth date	06/11/1962	Service purchase cost estimate	\$0.00		
Nearest age at your retirement	68	Total	\$30,132.69		

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Benefit Payment Options

- Six monthly payment options
- Retirement benefits are paid for life
- Different death benefit provisions

IMPORTANT:

Your option choice cannot change once benefit payments begin.

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Option Summary

OPTION 1: Annuity with fixed lump-sum survivor benefit

Example:

A lifetime monthly retirement benefit of approximately \$1,600. After your death, your designated beneficiary(ies) will receive a one-time lump-sum death benefit of \$1,000.

If your investment is at least \$2,000, you may designate a higher death benefit amount, in increments of \$1,000. Your monthly retirement benefit will be reduced by \$1.00 for each additional \$1,000 in death benefits.

If you designate \$9,000 for the death benefit, your monthly benefit will be about \$1,592.

If you choose the maximum death benefit amount of \$18,000, your monthly benefit will be about \$1,583.

NOTE: All examples are for illustrative purposes only. Actual amounts will vary based on your individual situation.

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Option Summary

OPTION 2: Annuity with variable decreasing lump-sum death benefit

Example:

A lifetime monthly retirement benefit of approximately \$1,607.

If gross benefits paid to you during your lifetime are less than your investment of \$18,541, your designated beneficiary(ies) will receive a lump-sum payment of the remaining amount after your death.

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Option Summary

OPTION 3: Single life annuity

Example:

A lifetime monthly retirement benefit of approximately \$1,608.
This option does not provide a payment after your death.

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Option Summary

OPTION 5: 120-month term certain annuity

Example:

A lifetime monthly retirement benefit of approximately \$1,586.

We guarantee to pay \$190,320 to you and/or your sole beneficiary. Your own monthly benefit is not limited to a 10-year period. However, if you die before you have received benefits for 10 years, the following applies:

- If you have designated only one beneficiary, your beneficiary will receive the same monthly benefits for the remainder of the 10 years. Your beneficiary cannot choose to receive a one-time lump-sum death benefit.
- If you have designated more than one beneficiary, or if your beneficiary is an entity such as an estate, your beneficiaries will receive a lump-sum death benefit.
- The amount of a lump-sum death benefit will not be the amount of the remaining 10 years of monthly payments. It will be the present value of future payments.

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Beneficiaries vs. Contingent Annuitant

- With **options 1, 2 and 5**, your beneficiary or beneficiaries can be changed at any time as long as there is a death benefit to be left.
- With **option 3**, there is no need to name a beneficiary because there is no death benefit. LSIO
- With the **options 4 and 6**, you will name a contingent annuitant rather than a beneficiary. Unlike a beneficiary, a contingent annuitant can never be changed regardless of death or divorce.

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Option Summary

OPTION 4: 100%, 75%, 50% or 25% joint and survivor annuity

Example:

A lifetime monthly retirement benefit for you, and a lifetime monthly death benefit for your contingent annuitant (CA) if that person lives longer. You cannot change your CA after you start receiving monthly retirement benefits, even if that person dies before you. You must provide proof of your CA's birth date and choose one of the following:

After your death, CA will receive	Your monthly retirement benefit (approximately)	CA's monthly benefit (approximately)
100% of your monthly benefit amount	\$1,493.61	\$1,493.61
75% of your monthly benefit amount	\$1,520.51	\$1,140.38
50% of your monthly benefit amount	\$1,548.40	\$774.20
25% of your monthly benefit amount	\$1,577.33	\$394.33

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Option Summary

OPTION 6: 100%, 75%, 50% or 25% joint and survivor annuity with pop-up annuity

Example:

A lifetime monthly retirement benefit for you, and a lifetime monthly death benefit for your contingent annuitant (CA) if that person lives longer. You cannot change your CA after you start receiving monthly benefits, even if that person dies before you. You must provide proof of your CA's birth date and choose one of the following:

After your death, CA will receive	Your monthly retirement benefit (approximately)	CA's monthly benefit (approximately)
100% of your monthly benefit amount	\$1,478.89	\$1,478.89
75% of your monthly benefit amount	\$1,509.04	\$1,131.78
50% of your monthly benefit amount	\$1,540.45	\$770.23
25% of your monthly benefit amount	\$1,573.19	\$393.30

If your CA dies before you, your monthly retirement benefit will increase to the amount you would have received if you had chosen Option 2. You may then designate a new beneficiary for your Option 2 death benefit, if any.

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Pre-Retirement Death Benefits

- Designated **sole beneficiary of a vested member** can elect a lump-sum payment or lifetime monthly death benefits.
- If designated beneficiary is **more than one individual, an estate or entity**, death benefit can only be paid as a lump-sum payment.
- If **no beneficiary** has been designated, a lump-sum payment is made to the estate.

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Applying for Retirement

- Must be **age 55** or older
 - Not required if you are vested and eligible for IPERS disability benefits
- Must submit a **completed** retirement application
- Benefits are paid on the **last business day** of month
- Must **terminate all IPERS-covered employment** unless age 70

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Returning to Work – Bona Fide Retirement

To return to work with an IPERS-covered employer, you must have a **Bona Fide Retirement**:

- You have submitted a retirement application and IPERS has approved it.
- You have left employment with all IPERS-covered employers, including non-covered positions, with no written or verbal agreements to return.
- You are receiving retirement benefits.
- You have followed the time restrictions for providing services for an IPERS-covered employer (next slide).

IMPORTANT: There is a financial penalty for violating this requirement.

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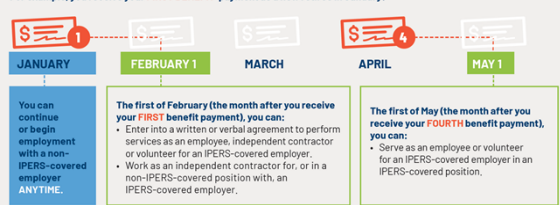


Returning to Work – Bona Fide Retirement

Bona Fide Retirement time restrictions

- Stay out of all employment with IPERS-covered employers until you've received one retirement benefit payment.
- Stay out of all employment in an IPERS-covered position until you've received four retirement benefit payments.

For example, you receive your **FIRST BENEFIT** payment as a new retiree in January:



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Returning to Work – Bona Fide Retirement

No Bona Fide Retirement if you:

- Enter into a verbal or written arrangement to perform duties for your former employer(s) as an **independent contractor** prior to receiving one retirement benefit payment;

OR

- Perform any duties for your former employer(s) as an independent contractor prior to receiving **one** month of retirement benefit payments.

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Reemployment Guidelines

- Must have a Bona Fide Retirement.
- **It's your responsibility to contact IPERS** if you are returning to an IPERS-covered position.
- Know the Social Security earning limits. Sick Leave Insurance Program (SLIP) rules may be different.
- Contact us about specific elected official/appointed position rules/questions.
- There may be other exceptions to the BFR period.

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Reemployment Guidelines

Applies to IPERS-covered employment only

- \$50,000 earnings limit younger than age 65 (benefits reduced 50 cents for each dollar earned over the limit)
- No earnings limit after age 65
- Contact us upon second "retirement"

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Taxes

- **Benefit payments are subject to all applicable federal income tax.**
 - You can request that taxes be withheld from your monthly retirement benefit payment
- **IPERS will mail you a 1099-R in January for tax purposes.**



Beginning January 1, 2023, IPERS benefit payments are exempt from all personal state income tax.

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Fraud Prevention

IPERS is committed to protecting your personal information and takes steps to prevent fraud and identity theft.

Safely communicate with IPERS:

- By Phone
- My Account



Report suspicious activity: www.ipers.org/report-fraud

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www.ipers.org

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My Account

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Contact Us



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