



# *Preparing for* Your Retirement

How to Begin Receiving IPERS Benefit Payments



**IPERS**<sup>®</sup>

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**Your** IPERS retirement toolkit

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Visit [www.ipers.org/myaccount](http://www.ipers.org/myaccount) to learn more about My Account and how to log in.

## **Before Retirement**

- Create estimates of your projected IPERS benefits.
- View a record of your IPERS contributions.

## **After Retirement**

- Change withholding amounts.
- View 1099-R information and other documents.
- See your benefit payment history.

# IPERS Announces Transition to Digital Delivery

IPERS mails millions of pieces of paper annually which has environmental and financial consequences.

IPERS defaults ALL members' document delivery preference to digital.\* Members can manage their preference by calling IPERS or in My Account.

*\*IPERS will continue to mail a small number of documents, including the annual 1099-R.*



Working Today for Your Tomorrow





## Congratulations! You've reached an important milestone: retirement.

This booklet guides you through the steps to begin receiving your IPERS benefit payments. As you embark on this exciting time, we're here to help you.

Your IPERS benefits are only one part of your overall retirement savings. Your total retirement income will come from your IPERS benefits, Social Security, personal savings, and other retirement plans.

Before completing your application for benefits, review this booklet and your benefit estimate. Make sure you understand all the benefit options. If you discover any errors or discrepancies in your estimate, or have any questions, contact IPERS.

**DISCLAIMER:**

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 on the IPERS website.

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# Deciding When to Retire

## Requirements for Receiving Monthly Benefit Payments

If you meet all of the following requirements, and you feel the timing is right for you to retire, then you are ready to apply!

You can start receiving monthly benefit payments from IPERS if you are:

- **A vested IPERS member**  
(see right for vesting requirements)
- **AND At least age 55**
- **AND Eligible for a monthly benefit of at least \$50**

In addition, to remain eligible for benefits, you must:

- **Have a bona fide retirement** (see next page)
- **Live into the month in which you receive your first benefit** (or your benefit application will be canceled)

### Have You Reached Age 70?

If you are age 70 and still working for an IPERS-covered employer, you may apply for IPERS retirement benefit payments while remaining employed.

### Vesting Requirements

There are four ways to become a vested IPERS member. To be vested, you must:

- Have at least four years of service in IPERS-covered employment before July 1, 2012,
- **OR** Have worked in IPERS-covered employment after age 55 and before July 1, 2012,
- **OR** Have at least seven years of service in IPERS-covered employment,
- **OR** Work in IPERS-covered employment after age 65

Deciding when to retire is a big decision and may be a difficult one. While the decision is yours to make, this resource will make it easier for you.

# Staying Eligible for Benefits

Before you decide when to begin receiving benefits, be sure you are ready to leave all employment with an IPERS-covered employer for several months. This is called a **bona fide retirement** period.

## Your Bona Fide Retirement Period

Your bona fide retirement period is a legally required time of separation from IPERS-covered employment and IPERS-covered employers. If you violate this requirement, your application will be canceled and **you will have to pay back all benefits you received, plus interest.**

## Requirements for a Bona Fide Retirement

- Apply for monthly benefit payments.
- Leave employment with all IPERS-covered employers, including noncovered employment with covered employers.
- Begin receiving benefits.
- Follow the time restrictions on providing services for an IPERS-covered employer (described below).

If you receive your first benefit in:	You can start employment with a COVERED employer	
	in a NONCOVERED position in:	in a COVERED position in:
January	February	May
February	March	June
March	April	July
April	May	August
May	June	September
June	July	October
July	August	November
August	September	December
September	October	January
October	November	February
November	December	March
December	January	April

You can remain employed or start employment with a non-IPERS-covered employer anytime.

### IMPORTANT:

If you are hired as a temporary employee during your bona fide retirement period, and then, for whatever reason, your employer treats you as a covered employee during or immediately following your bona fide retirement period, an audit will be performed. If IPERS determines that your employer did not make reasonable efforts to fill the vacancy left by your retirement with a new permanent employee, IPERS will revoke your benefits.

Action	Time Restriction
Entering into an <b>agreement (written or verbal)</b> to perform services (as an employee, independent contractor, or volunteer) for an IPERS-covered employer	Not until the first of the month after you receive your <b>1st</b> benefit payment
<b>Non-IPERS-covered employment</b> or <b>temporary employment</b> with an IPERS-covered employer	Not until the first of the month after you receive your <b>1st</b> benefit payment
<b>Independent contracting</b> for your former IPERS-covered employer(s)	Not until the first of the month after you receive your <b>1st</b> benefit payment
<b>Covered employment</b> with or <b>volunteering</b> for a traditionally paid position for an IPERS-covered employer	Not until the first of the month after you receive your <b>4th</b> benefit payment
You can remain employed or start employment with a <b>non-IPERS-covered employer</b> anytime.	

See exceptions on the next page.

## Exceptions to Bona Fide Retirement

You do not need a bona fide retirement if you meet one of the following:

- **You are age 70 or older** when you start receiving benefits.
- **You are a newly elected official in one of the following positions:**
  - **Elected officials in positions for which compensation is fee based.**
  - **School districts.**
  - **Townships.**
  - **Other political sub-divisions who hold part time positions.**
- **Bona fide retirement requirements may be different for retirees who return to work as licensed teachers.** Visit [www.ipers.org/teachers](http://www.ipers.org/teachers) to learn more.
- **You are a member of the Iowa National Guard and you are called to state duty;** for example, when the Guard responds to a disaster such as a flood.
- **You are a current part-time elected official.**

## Example

### For New Retirees Ages 55 to 70

If you receive your first benefit in **January**:

- You may begin independent contracting or employment in a non-covered position with an IPERS-covered employer in **February**.
- You may begin employment in a covered position with your former covered employer(s), in **May**.
- You may begin or continue employment with a non-IPERS-covered employer **anytime**.

If you qualify as an elected official as described above, you must leave all other IPERS-covered employment and send a letter to IPERS and your employer indicating your intent to retire and stop contributing to IPERS.

# Increasing Benefits: Purchasing Service and Free Service

You may purchase IPERS service at the time of your retirement. IPERS also grants free service credit in certain situations.

## Purchasing Service

Service purchases increase the multiplier used in the benefit formula when IPERS calculates your benefit amount. If you are vested by service (with at least four or seven years of service, as shown in the vesting requirements on page 5), you can purchase service during the retirement process.

Request a cost estimate anytime during your career to help you plan for a future service purchase. After your *Application for Retirement Benefits* is on file with IPERS and final wages have been received, you will receive your official

cost quote and can then decide whether to make your service purchase. Your service purchase must be completed by the expiration date on your cost quote. Service purchases can take several months to complete, so start the process as soon as you receive your quote.

## Free Service

You may be entitled to free service credit for military service and leaves qualified under the Family Medical Leave Act.



## When to Apply

We encourage you to file your completed application 60 days before the month you want to begin receiving benefits. For example, if you are entitled to begin monthly benefits in July, file your application by the beginning of May.

Your benefits cannot start until your completed application is received by the IPERS office. Your application for retirement benefits is not final until it has been reviewed and approved by IPERS.

It is your responsibility to file your application in a timely manner. All incomplete applications will be returned to you, and could cause you to lose benefits.

## Timing Your Last Paycheck and First Benefit Payment

Knowing when you'll receive your last paycheck and first benefit payment will help you decide when to start your benefit payments.

### OVER AGE 72?

You must begin receiving your IPERS retirement benefits by April 1 of the year after the year in which you turn 72 if you are no longer employed by an IPERS-covered employer.

Your "first month of entitlement" is the month you will receive your first monthly retirement benefit. It cannot be changed after your first benefit has been paid.

### Receiving Your Last Paycheck

You may receive your last paycheck in the month after you leave employment and still be entitled to retirement benefits. For example, you could terminate employment June 30, receive your last paycheck July 8, and receive your first monthly benefit from IPERS in July.

### When You Can Start Receiving Benefits

If you do not select a first month of entitlement, we will select the earliest possible month for you.

- **If You Are at Least Age 55 and Under Age 70**

You can receive your first benefit starting in the month after the last month you are considered an employee of a covered employer.

- **If You Have Reached Age 70** You can receive your first benefit the month you reach your 70th birthday, and you do not need to leave covered employment. When you stop working, IPERS will adjust your benefit to account for any additional years of service and salary.

## Your First Benefit Payment

If your final paycheck is paid:	You can receive your first benefit:
During the same quarter you leave employment or during the quarter after (and your employer reports wages under the normal pay schedule)	The month after you leave employment
More than one quarter after you leave employment*	The month after your last paycheck is paid

*\*Trailing wages may add no more than one-quarter of service credit to your record.*

### Timing of Payments

Benefits are paid the last business day of the month for which the payment is issued. For example, if you submit an application to begin benefits in January, the payment for January will be paid the last business day of January.



# Completing Your Application

## Your Payment Option Choices

As part of your application, you must choose a benefit option. There are six benefit options from which to choose.

Your benefit estimate shows the estimated amount you can receive under each option. If your benefit estimate is older than six months, or Option 4 or 6 is not shown, please call IPERS and request an updated estimate.

- Monthly benefits are paid to you for life, no matter which option you choose.
- Your choice will determine what kind of death benefits may become available to your beneficiary(ies) after your death—a lump-sum death benefit, monthly death benefits or no death benefit.
- Your option choice may affect your monthly benefit amount.
- If you are married, your spouse must consent in writing to the payment option you elect.
- You cannot change your payment option after your first benefit payment is issued.

The table on the following page gives an example of each option. Your personal situation may vary.

Review the tax consequences of the death benefits you are considering with your tax adviser. Death benefits may be subject to federal and state taxes, so it's important to understand potential tax consequences.

If you have a valid qualified domestic relations order (QDRO) in your member record, IPERS will follow the terms of the QDRO first and pay remaining benefits as applicable.

Your application is not final until it has been reviewed and approved by IPERS.

Your payment option choice cannot be changed after your first benefit is issued.

# Your Payment Options

## WHEN SELECTING A PAYMENT OPTION, CONSIDER:

- What your expenses will be after you retire
- The type of death benefit you want for your beneficiary(ies)/contingent annuitant

You select your option on your benefit application. If you are married, your spouse needs to consent in writing to your choice. You cannot change your decision after your first benefit payment is issued. No matter which option you choose, monthly benefits are paid to you for life if you are vested and your monthly benefit under Option 2 must be at least \$50.

Depending on the option you choose, death benefits can be paid as either lump-sum or monthly benefits. Other circumstances such as your date of death, your beneficiary(ies) and their date of death may affect the benefits as well.

Payment Option	Description	Important to Note
<b>1 Annuity With Fixed Lump-Sum Survivor Benefit</b>	<b>Monthly benefit for life.</b> You specify an amount, in \$1,000 increments, to be paid in a lump sum to your beneficiary when you die.	<ul style="list-style-type: none"> <li>• After retirement, you cannot change the death benefit amount.</li> <li>• The death benefit amount cannot exceed your total contributions plus interest.</li> </ul>
<b>2 Annuity With Variable Decreasing Lump Sum</b>	<b>Monthly benefit for life.</b> After your death, your beneficiary receives the difference between the retirement benefits you received and your total contributions plus interest.	<ul style="list-style-type: none"> <li>• A death benefit is not guaranteed.</li> <li>• Once you have received monthly benefits adding up to the amount of your contributions plus interest, no death benefit will be payable to your beneficiary(ies).</li> </ul>
<b>3 Single Life Annuity</b>	<b>Monthly benefit for life.</b>	<ul style="list-style-type: none"> <li>• After your death, no further benefits are payable.</li> </ul>
<b>4 100%, 75%, 50%, or 25% Joint and Survivor Annuity</b>	<b>Monthly benefit for life.</b> After your death, your contingent annuitant receives 100%, 75%, 50%, or 25% of your monthly benefit for life.	<ul style="list-style-type: none"> <li>• Restrictions on percentages apply if your contingent annuitant is not your spouse and is more than 10 years younger than you.</li> <li>• You cannot change your contingent annuitant after IPERS has made your first monthly payment.</li> </ul>
<b>5 120-Month Term Certain Annuity</b>	<b>Monthly benefit for life.</b> If you die before receiving 120 payments, your beneficiary begins receiving a monthly benefit (otherwise, no further benefits payable).	<ul style="list-style-type: none"> <li>• If you designate only one person as your beneficiary, your beneficiary receives the same monthly benefit for 120 months minus the number of payments you received.</li> <li>• If you designate more than one person, a trust, or an estate as your beneficiary, payment is made in a lump sum equivalent to the value of the remaining monthly payments as of your date of death.</li> <li>• Must be under age 90 to elect this option.</li> </ul>
<b>6 100%, 75%, 50%, or 25% Joint and Survivor Annuity With Pop-Up Annuity</b>	<b>Monthly benefit for life.</b> After your death, your contingent annuitant receives 100%, 75%, 50%, or 25% of your monthly benefit for life.	<ul style="list-style-type: none"> <li>• Restrictions on percentages apply if your contingent annuitant is not your spouse and is more than 10 years younger than you.</li> <li>• If your contingent annuitant dies before you, your benefit pops up to what it would have been under Option 2. You may designate a new beneficiary at this time.</li> <li>• You cannot change your contingent annuitant after IPERS has made the first monthly payment.</li> </ul>



EXAMPLE:

## All Benefit Payment Options

Ann starts receiving benefits in November 2020 at age 58, after working in IPERS-covered employment for 25.75 years, with an average salary of \$22,136.36. Her husband is 55 years old. Her IPERS contributions plus interest total \$22,861.

Here's the amount of her benefits under each option.

	Death Benefits Payable to Your Beneficiary		Here's the amount of her benefits under each option.	
	Lump-Sum Benefit	Monthly Benefit	Monthly Benefit Payable to Ann	Death Benefit Payable to Ann's Husband After Ann Dies
	Yes	No	\$888.45 if Ann selects a \$1,000 death benefit. \$858 if Ann selects a \$22,000 death benefit.	<b>Minimum lump sum:</b> \$1,000 <b>Maximum lump sum:</b> \$22,000
	Maybe	No	\$889.52	<b>Lump sum:</b> \$6,849.64 after 18 months. After Ann receives 26 monthly payments, no death benefit will be payable to her husband.
	No	No	\$889.90	None
	No	Yes, if your contingent annuitant outlives you.	<b>100%</b> \$801.78 <b>75%</b> \$822.13 <b>50%</b> \$843.55 <b>25%</b> \$866.10	<b>100%</b> \$801.78 <b>75%</b> \$616.60 <b>50%</b> \$421.78 <b>25%</b> \$216.53
	If you've named several beneficiaries, a trust, or an estate, payments will be made in a commuted lump sum based on today's value of the remaining monthly payments.	A monthly benefit can be paid only if you named one beneficiary and received less than 120 payments.	\$876.76	<b>Monthly benefit after 24 months:</b> \$876.76 for 96 months; thereafter, no benefits payable. <b>OR Lump sum:</b> \$64,101.27 if Ann dies after 24 months of benefit payments. (Payable only to multiple beneficiaries, a trust, or an estate.)
	If your contingent annuitant dies before you and any balance remains of your total contributions plus interest.	Yes, if your contingent annuitant outlives you.	<b>100%</b> \$795.53 <b>75%</b> \$817.20 <b>50%</b> \$840.09 <b>25%</b> \$864.29	<b>100%</b> \$795.53 <b>75%</b> \$612.90 <b>50%</b> \$420.05 <b>25%</b> \$216.07

# Designating Your Beneficiary(ies) or Contingent Annuitant

## Designating Your Beneficiary(ies)

*For Options 1, 2, or 5*

If you name two or more people as beneficiaries at one level (primary or secondary), IPERS will pay an equal amount to each upon your death.

### Who Is Eligible to Be a Beneficiary?

Any person (related to you or not), church, charity, or estate may be designated as a primary or secondary beneficiary. If you designate your estate as beneficiary, IPERS will pay the estate and your benefits will be paid according to your testamentary will or according to state laws for intestate distribution. You cannot designate a commercial entity, such as a funeral home, as your beneficiary.

### Naming your primary beneficiary(ies)

Beneficiary Name	Relationship	Sex (M/F)	Date of Birth (mm/dd/yyyy)
<i>Susan Smith</i>	<i>Spouse</i>	<i>F</i>	<i>05/17/1950</i>

### Naming your secondary beneficiary(ies)

Beneficiary Name	Relationship	Sex (M/F)	Date of Birth (mm/dd/yyyy)
<i>Jim Smith</i>	<i>Son</i>	<i>M</i>	<i>01/31/1970</i>
<i>Jill Smith</i>	<i>Daughter</i>	<i>F</i>	<i>07/21/1975</i>
<i>Bob Smith</i>	<i>Son</i>	<i>M</i>	<i>05/15/1977</i>

### Naming an Estate as Beneficiary

You may name your estate as either primary or secondary beneficiary. If you name your estate as a primary beneficiary, you cannot name a secondary beneficiary.

### Naming a Trust or Trustee as Beneficiary

You may name a living trust or a testamentary trust as a primary or secondary beneficiary. At your death, the successor trustee will be contacted about the death benefits payable.

### Naming a living trust as beneficiary

Beneficiary Name	Relationship	Sex (M/F)	Date of Birth (mm/dd/yyyy)
(Name of the trust), (date the trust was created) <b>REQUIRED</b>			
(Name of the trustee), trustee, (address of the trustee) <b>REQUIRED</b>			
(Name of the successor trustee), successor trustee, (address of the successor trustee) <b>RECOMMENDED BUT NOT REQUIRED</b>			
The living trust of Jane J. Smith, 01/01/2000			
Jane J. Smith, trustee, 123 Main St., Anytown, WI 53001			
Albert J. Doe, successor trustee, 123 Main St., Anytown, WI 53001			

### Naming a testamentary trust as beneficiary

Beneficiary Name	Relationship	Sex (M/F)	Date of Birth (mm/dd/yyyy)
(Name of the trust), created under my last will and testament. <b>REQUIRED</b>			
(Name of the trustee), trustee, (address of the trustee) <b>REQUIRED</b>			
John L. Doe Trust, created under my last will and testament.			
Susan J. Smith, trustee, 123 Main St., Anytown, WI 53001			

### Naming a charity as beneficiary

Beneficiary Name	Relationship	Sex (M/F)	Date of Birth (mm/dd/yyyy)
Juvenile Diabetes Research Foundation 123 Main St., Anytown, IA 50000			

## Designating Your Contingent Annuitant

For Options 4 and 6

### Who Is Eligible to Be a Contingent Annuitant?

Any person (related to you or not) is eligible to be your contingent annuitant.

### Naming your contingent annuitant

Social Security number:	987-65-4321
First name:	Susan
Middle initial:	A
Last name:	Smith
Date of birth:	05/17/1950
Is this person your spouse?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

If your contingent annuitant is not your spouse and is at least ten years younger than you, your contingent annuitant's monthly death benefits may be limited.

If the difference between your ages is:	Your contingent annuitant can receive up to ___% of your benefit amount
Less than 10 years	100%
At least 10 years, but less than 20 years	75%
At least 20 years	50%



# Tax Withholding Information

Most IPERS benefits are subject to federal income taxes but are excluded from Iowa income taxes under certain conditions. We will withhold taxes from your retirement benefit, per your direction.

## If You Are a Resident of Iowa

Income from the following sources of retirement income may be excluded from Iowa income taxes:

- Pensions.
- Annuities.
- Self-employed retirement plans.
- Deferred compensation plans.
- IRAs.
- Some other retirement benefit plans.

The following individuals qualify for the exclusion:

- Those who are 55 years of age or older.
- Those who are disabled.\*
- Surviving spouses or other qualifying survivors who receive retirement income due to the death of an individual who would have qualified for the exclusion.

IPERS will withhold Iowa income tax unless you indicate on your Iowa W-4P that your IPERS benefits are excluded.

If you are a non-U.S. citizen or a nonresident alien living outside the United States, go to [www.irs.gov](http://www.irs.gov) and print, complete, and attach IRS Form W-8BEN to your application.

*\*To be considered disabled you must be receiving retirement income on the basis of a documented disability or you must meet federal or state criteria for a disability. Federal Civil Service annuitants who want Iowa taxes withheld from federal pensions should contact the Office of Personnel Management at 888-767-6738 or [retire@opm.gov](mailto:retire@opm.gov).*

## A Few More Things to Plan For

- **Proof of Birth Date** You must submit proof of your date of birth. If you choose Option 4 or 6 (see pages 10-11), you must also submit proof of your contingent annuitant's birth date. Your contingent annuitant is the person you choose to receive monthly benefits after your death. A photocopy of a birth certificate, U.S. passport, REAL ID-marked driver's license (with a star in the upper right corner), or infant baptismal certificate is preferred. Other acceptable alternatives for birth date proof are listed on the application.
- **Direct Deposit** Direct deposit means your monthly benefit payment will be deposited electronically into your checking or savings account. It is the most efficient and secure way to receive your payments. To sign up for direct deposit, complete the form that's part of the retirement application. There is no fee for direct deposit. If you prefer to receive a paper check, there is a fee of \$1.00 a month. IPERS checks cannot be forwarded by the U.S. Postal Service. If you have a change of address, notify IPERS as soon as possible or your check may be returned to IPERS.



Photo courtesy of Winnebago Industries.

# After You Apply

## Changes After Filing Your Application

If you want to change the month you will receive your first benefit or cancel your application, submit a written request with your signature, postmarked by the last business day of the month you selected to receive your first benefit.

If you want to change your benefit option, contact IPERS to receive a copy of the *Retirement Option Change* form. The form must be postmarked by the last business day of the month you selected to receive your first benefit.

### **Initial Benefit Amount and Recalculations**

When you first begin receiving benefits, your benefit will be calculated using the information your employer has reported for you by that date.

If your employer reports additional contributions and/or quarters of service that change your benefit amount, we will recalculate your benefits when the final wages are accounted for, and any increase due will be paid retroactively.

If any information used to determine your benefit changes or is found to be incorrect, your benefit will be adjusted accordingly, IPERS will recover any overpayment, and interest may be charged.

# Returning to Work

You may decide to return to work after retirement. Whatever the reason, it's important to understand how your retirement benefits may be affected, based on:

- Your age
- The type of employer for which you work
- How much you earn

If you decide to return to employment after you start receiving IPERS benefits, certain restrictions may apply. It's important to consider the following before accepting employment:

## **Re-Employment With a Non-IPERS-Covered Employer**

If the employment is with a non-IPERS-covered employer, there are no restrictions. However, keep in mind that Social Security has certain income limitations that apply to your Social Security benefits.

## **Re-Employment With an IPERS-Covered Employer**

### **At Least Age 55, but Younger Than Age 65**

You must have a bona fide retirement (see page 6). If you return to IPERS-covered employment, you will have an earnings limit of \$50,000 a year, or the Social Security wage limit, whichever is higher. This earnings limit may change each calendar year. The limit does not apply if you are elected to public office.

Although you do not pay IPERS contributions for all types of compensation, most types of wages from reemployment count toward the earnings limit. Wages that count toward the limit include bonuses, allowances, and employer contributions to defined contribution and deferred compensation retirement plans.

### **If You Exceed the Earnings Limit**

There is a penalty of 50 cents for each dollar you earn over the earnings limit. After the end of the calendar year, IPERS will determine the amount you exceeded the limit by, and let you know the amount that must be recovered. To repay, you may choose to have your monthly benefit reduced or pay a lump sum. You will be required to confirm your decision with IPERS in writing.

As an alternative, you may ask IPERS in writing to suspend your IPERS benefits at the time you exceed the limit. This way, you will avoid benefit overpayments and recovery procedures.

If you die and the overpayment has not been repaid, the remaining amounts will be deducted from the death benefits, if any, to be made to your beneficiary or contingent annuitant. If there are no death benefits to be paid, or the death benefits are insufficient, the unrecovered amounts will be charged to your estate.

### **At Least Age 65, but Younger Than Age 70**

You must have a bona fide retirement (see page 6). There is no limit on your earnings.

### **Age 70 and After**

You may start receiving monthly benefits while working, or return to covered employment anytime without any restrictions. However, you must end all employment with covered employers for at least 30 days to have your retirement benefit recalculated.



## Recalculating Your Benefit

When you stop working, apply for a recalculation of your benefit using IPERS' *Re-Employment Termination Verification* form.

You may choose to receive a lump-sum payment for your period of re-employment instead of adding to your monthly benefit amount, unless you started receiving benefits after age 70 and continue to work. Your re-employment period is considered a separate period of service. The benefit you receive as a result of your re-employment is calculated as a separate benefit, even though it may be treated as part of your original benefit for income tax purposes. The recalculation formula will be adjusted so that no more than 30 years of service are used.

If your re-employment period lasts less than seven years, the formula used to calculate your additional benefit may be different from the standard formula. Your benefit may be determined using a money purchase formula that is based on the amount of contributions you made while re-employed. See IPERS' *Returning to Work After Retirement* booklet for more information.

If you started receiving IPERS benefits after age 70 and did not terminate your original employment, you cannot receive a lump-sum payment for your period of re-employment. Instead, you may be eligible for an increased monthly benefit.

Re-employment does not always increase your monthly benefits, in which case you will receive a lump-sum payment for your period of re-employment.

### MANDATORY PAYOUT

If you leave employment again and do not request a monthly benefit or lump sum within a year, IPERS will automatically pay you the lump sum if your gross payment is less than the IRS limit (currently \$1,000).

## If You Die Before the Month You Start Receiving Benefits

If you die before the month you would receive your first benefit, your benefit application will be canceled. The beneficiary you designated in your retirement benefit application will be eligible for a preretirement death benefit.

- If you have only one beneficiary, he or she may choose from a lump-sum payment or a lifetime monthly payment, when eligible (the monthly benefit must be \$50 or more).
- If you have more than one person or an estate, trust, charity, etc. listed as your beneficiary, only a lump sum will be payable.

### *When must beneficiaries apply for preretirement death benefits?*

If the death benefit is:	The beneficiary must apply:
A lump sum	By December 31 of the fifth year after your death
Monthly	If the beneficiary is your spouse: By Dec. 31 of the year you would have reached age 72
	If the beneficiary is NOT your spouse: Within 12 months of your death



# Applying for Disability Benefits

## Requirements for Receiving Monthly Regular Disability Benefit Payments

You can qualify for IPERS disability benefits at any age. Your disability benefits won't be reduced because of your age.

### Eligibility

To receive Regular disability benefits, you must:

- Be vested.
- Have ended all IPERS-covered employment.
- Be receiving federal Social Security disability or Railroad Retirement disability benefits.
- Have a bona fide retirement (see page 6).
- Live into the month you receive your first benefit in (or your benefit application will be canceled).

In addition, to remain eligible for Regular disability benefits, you must:

- Provide proof to IPERS that you remain eligible for federal Social Security disability or Railroad Retirement disability benefits each year.
- If you cannot show proof and you are under age 55, your benefits will stop.
- If you cannot show proof and you are between ages 55 and 65, your benefits may be reduced to "nondisability" benefits.

### When Can Benefits Start?

Your "first month of entitlement" is the month you will receive your first monthly retirement benefit. It cannot be changed after your first benefit has been paid.

- You can receive your first benefit no earlier than the month after the last month you are considered an employee of a covered employer.
- You may become eligible for up to 36 months of retroactive Regular disability benefits.
- There are no age restrictions on when you can start receiving disability benefits.

If you do not select a first month of entitlement, we will select the earliest possible month for you.

# Completing Your Application

To apply for IPERS Regular disability benefits, use the *Application for Retirement Benefits*.

## **An Important Note About Regular Disability Benefits**

To be awarded IPERS disability benefits, you must also submit a photocopy of your disability award letter from the Social Security Administration or Railroad Retirement Board.

If you are younger than 55, your disability award letter must accompany your application for IPERS benefits.

If you are over age 55, you do not need to submit your disability award letter with your IPERS benefit application. You can start receiving retirement benefits (not disability benefits), and submit the award letter at a later time. You may become eligible for retroactive disability benefits at that point.

Pages 9 – 14 contain more information about the retirement benefit application.

## After You Apply

### **Returning to Work While Receiving IPERS Regular Disability Benefits**

#### **If You Return to Work for a Non-IPERS-Covered Employer**

Your IPERS Regular disability benefits will not be affected.

#### **If You Return to Work With an IPERS-Covered Employer**

The rules described in IPERS' *Returning to Work After Retirement* booklet may apply to you, as well as the rules on continuing eligibility shown on the previous page. See the booklet for the rules on:

- Bona fide retirement
- Earnings limit







# How Your Benefits Are Calculated

## The IPERS Benefit Formula

### WHAT IS NORMAL RETIREMENT AGE?

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 (**Rule of 62/20**)
- When your years of service plus your age equals or exceeds 88 (**Rule of 88**)

If you are vested by age, not service (see requirements on page 5), your benefits will be calculated using a money purchase formula instead of the formula described in this booklet. Contact IPERS for more information.

The formula used to calculate your annual IPERS benefit includes:

- **YOUR AVERAGE SALARY**
- **A MULTIPLIER**
- **AN EARLY-RETIREMENT REDUCTION**  
only if you don't meet *normal retirement age* when you start receiving benefits.

### *IPERS Benefit Calculation*

$$\begin{array}{r} \text{Average Salary} \\ \times \text{Multiplier} \\ - \text{Reduction, If Any} \end{array}$$

### **Your Annual IPERS Benefit**

This formula is the starting point for your benefit amount. Your benefit amount will be adjusted if you choose a payment option other than Option 2.

### Your Average Salary

Your average salary is the wage amount IPERS uses to calculate your benefit amount. The salaries we use in the calculation are determined by the covered wages reported for you over a calendar year (January 1–December 31).

Your average salary is the greater of:

- Highest three-year average salary (snapshot taken at June 30, 2012)
- **OR** Highest five-year average salary (over your entire career)

When calculating your benefit, IPERS tests for wage spiking, to prevent overpaying your benefits. Your average salary will be decreased if wage spiking occurred.



**If you stop working before the end of a calendar year, we will calculate your final calendar year's wage as follows:**

- 1) We will look at the wages you earned in each quarter of your last year of employment.
- 2) We will look at your highest calendar year wage *not used* in this calculation and calculate the average quarterly wage for that year.
- 3) We will use the amount calculated in Step 2 for the quarters you did not work in your last year, and add up the amounts for all four quarters. This is called your computed-year wage.
- 4) If the computed-year wage is more than your third- (or fifth-) highest calendar year wage, then the computed-year wage is used as your final year's wage. (The computed-year wage is limited to 103% of your highest calendar year wage. This calculation will not result in additional service credit.)

## Early-Retirement Reduction

If you have already reached normal retirement age when you start receiving benefits, your benefits are not reduced.

**If you start receiving benefits before normal retirement age, they will be reduced.** The reduction serves to make up for the increased time that you will collect benefits.

For service through June 30, 2012, the reduction is **3%** for each year (or 0.25% for each month) that you receive benefits before the date you would first reach your earliest normal retirement age.

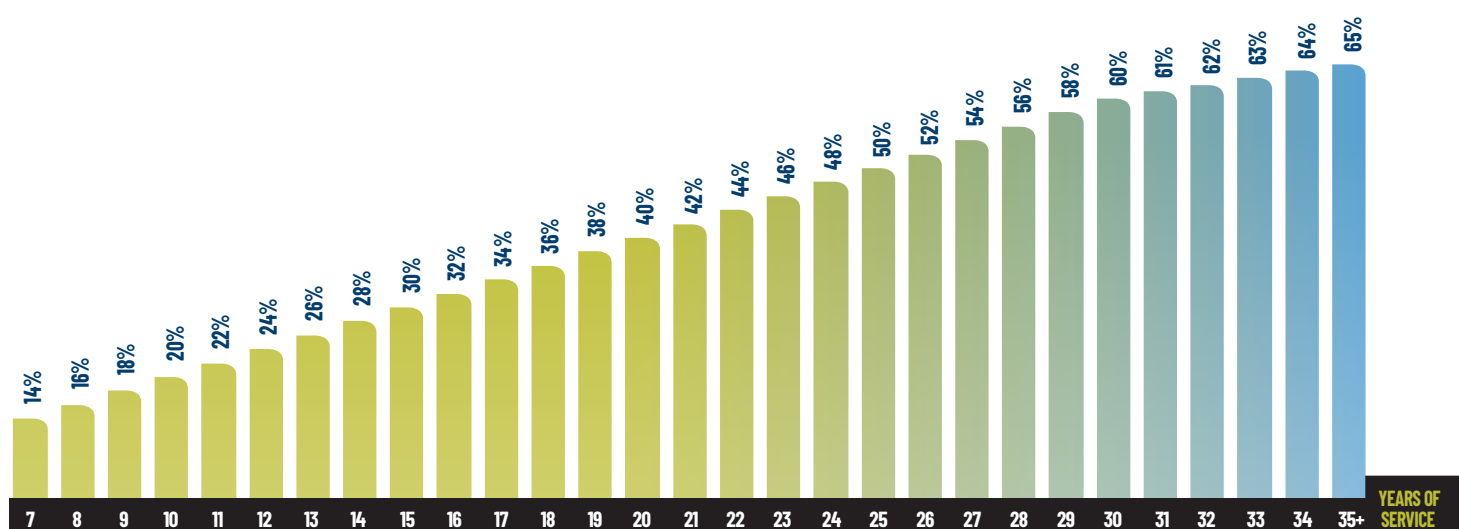
For service earned starting July 1, 2012, the reduction is **6%** times the number of years (or 0.50% times the number of months) you receive benefits before your 65 birthday.

**Early retirement benefit reductions apply only if you retire before normal retirement age.** (See page 20 for an explanation of normal retirement age.)

## Your Multiplier

The multiplier is based on how many years of service you have. To determine the multiplier used in the calculation, refer to the chart below.

Your multiplier increases 2% for every year of service from 1 to 30, and 1% for each year of service from 31 to 35.



# Calculation Examples

Here are some examples of the IPERS benefits a member might receive. These examples are for illustrative purposes only. Retirement benefits in the following examples are calculated under Option 2. The amounts will be adjusted if another option is chosen. Depending on the payment option, the benefit amount will be different. Call IPERS to receive a benefit calculation based on your factors.

EXAMPLE 1:

## Retirement Benefits Payable Before Normal Retirement Age

In December 2021, Steve is 61 years old and has 26½ years of service. His average salary is \$54,000.

Because he is retiring before normal retirement age, his benefits will be reduced. The reduction amount will be increased for all service Steve earned after June 30, 2012.

A 3-percent-a-year early-retirement reduction from Steve's nearest normal retirement applies to the 17 years of service he earned before July 1, 2012. Because Steve has more than 20 years of service, his nearest normal retirement is age 62. Steve's early-retirement reduction for his service before July 1, 2012, is  $3\% \times 1 \text{ year} = 3\%$ .

\$54,000.00	Average salary
× 34%	Multiplier for service before July 1, 2012
– \$550.80	Early-retirement reduction (3% × 1 year)
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\$17,809.20	Benefit earned before July 1, 2012

A 6-percent-a-year early-retirement reduction from age 65 applies to the 9½ years of service Steve has earned since July 1, 2012. He is 4 years from age 65. His early- retirement reduction for his service after June 30, 2012, is  $6\% \times 4 \text{ years} = 24\%$ .

\$54,000.00	Average salary
× 19%	Multiplier for service after June 30, 2012
– \$2,462.40	Early-retirement reduction of (6% × 4 years)
<hr/>	
\$7,797.60	Benefit earned after June 30, 2012

When Steve retires in December 2021, his annual benefit is:	
\$17,809.20	From service before July 1, 2012
+ \$7,797.60	From service after June 30, 2012
<hr/>	
\$25,606.80	Steve's annual benefit

EXAMPLE 2 (CONTINUED FROM EXAMPLE 1):

## Retirement Benefits Payable at Normal Retirement Age

If Steve waited until June 2022 to retire, he would still be 61 years old and he would have 27 years of service. He now meets the Rule of 88.

\$54,000	Average salary
× 54%	Multiplier from years of service
– \$0	No reduction
<hr/>	
\$29,160	Steve's annual benefit

By working six more months, Steve could increase his benefit by \$3,553.20 a year, or \$296.10 each month. If Steve collects his monthly benefit for 20 years, he can increase his lifetime benefit by \$71,064 by delaying his retirement only six months.

These examples are for illustrative purposes only. Your benefits may be different depending on your employer, length of service, covered wages, and the payment option you choose at retirement.





# Questions? *Contact us.*

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## *Retirement Checklist*

- **Keep your address updated with IPERS.**  
Your employer does not tell IPERS when you move.
- **Review and update your beneficiary designation.** Everyone must complete a new beneficiary/contingent annuitant designation when applying for benefits – unless you select Option 3. To change your beneficiary before you apply, fill out a *Beneficiary Designation* form. You can check and change your current beneficiary designation by logging in to *My Account* at [www.ipers.org](http://www.ipers.org).
- **Request a benefit estimate.**  
The estimate will show your estimated retirement benefit and death benefit payable under each option. It may also help you decide when to retire.
- **Talk with an IPERS representative.**  
Retirement planning sessions are held periodically across Iowa and in our Des Moines office. Call IPERS to schedule an appointment.
- **Tell your beneficiary to contact IPERS as soon as possible after your death.**  
This will help ensure timely processing of any benefits.
- **Consider a service purchase.**  
Service purchases can be made after you have filed your application for retirement benefits. Service purchases can take several months to complete, so start the process early.
- **Visit [www.ipers.org](http://www.ipers.org).**  
Our website provides benefits summaries, retirement planning tools, and forms. Registering for *My Account* allows you to access your account information online at anytime.



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