

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 495-Chapters 4, 5, and 11 "Contribution Rates"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 97B.4 and 97B.15

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 97B and SECURE 2.0 Act of 2022

PUBLIC HEARING

A public hearing at which persons may present their views orally or in writing will be held as follows:

December 6, 2023

1 p.m. to 2 p.m.

Iowa Public Employees' Retirement System (IPERS) Boardroom

Via video/conference call:

teams.microsoft.com/l/meetup-join/19%3ameeting_M2U5NwVjN2YtMDA-INC00ZGEILWFjMDitOWYyOGJk:OTg0MDIz%40thread.v2/0?context=%7b%22Tid%22%3a%22af5fa057-d92d-4799-9857-ab5d6d03669f%22%2c%220id%22%3a%220b57ae51-efdf-4a96-95e6-f5c76086fd0e%22%7d

Meeting ID: 237 603 473 172

Passcode: fSnADd

PUBLIC COMMENT

Any interested person may submit written or oral comments concerning this Regulatory Analysis. Written or oral comments in response to this Regulatory Analysis must be received by IPERS no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Des Moines, Iowa 50321

Phone: 515.281.7623

Email: cheryl.vanderhart@ipers.org

PURPOSE AND SUMMARY

The proposed amendments include the following:

Item 1: Implement contribution rates for employers and regular and special service members beginning July 1, 2024, to reflect FY 2025 rates. Pursuant to the Iowa Code, the rates must be reviewed and updated yearly.

Item 2: Eliminate an invalid reference within a lettered paragraph as requested by the Legislative Services Agency (LSA).

Item 3: Align an existing lettered paragraph with applicable provision(s) of the federal SECURE 2.0 Act of 2022.

Item 4: Add a dollar amount to an existing subrule establishing that IPERS will charge a processing fee for paper warrants, pursuant to new Iowa Code section 17 A.6C, which requires any fee established by an agency be adopted by rule. There is no new fee being created here; a dollar amount is being added to bring this subrule into compliance with legislation enacted in the 2023 Legislative Session.

Item 5: Bring an existing subrule, pursuant to 2023 Iowa Acts, House File 3565 as amended by 2023 Iowa Acts, House File 2641, sections 72 through 74, into compliance with the required transition from the Department of Administrative Services to the Department of Revenue.

ANALYSIS OF IMPACT

1. Persons affected by the proposed rulemaking:
 - Classes of persons that will bear the costs of the proposed rulemaking: IPERS members and employers will bear the costs.
 - Classes of persons that will benefit from the proposed rulemaking: IPERS members and employers will benefit.
2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:
 - Quantitative description of impact: Please see attached financial documents.
 - Qualitative description of impact: The contribution rates rise or fall based upon procedures outlined in the Iowa Code in conjunction with the determination of the designated consulting actuary.
3. Costs to the State:
 - Implementation and enforcement costs borne by the agency or any other agency: There are costs associated with updated rates being calculated by designated consulting actuary and minimal costs to update the IPERS website.
 - Anticipated effect on state revenues: The effect depends entirely upon whether the updated contribution rates for each IPERS member class remain at the same levels or are lowered and/or raised; a corresponding effect on revenue will be seen. Contribution rates for all member classes remain the same for July 1, 2024, through June 30, 2025.
4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction: Inaction would violate the Iowa Code and IPERS' Contribution Rate Funding Policy.
5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking: Not applicable.
6. Alternative methods considered by the agency:
 - Description of any alternative methods that were seriously considered by the agency: Not applicable.
 - Reasons why alternative methods were rejected in favor of the proposed rulemaking: The Iowa Code gives IPERS certain parameters that must be followed when IPERS lowers or raises contribution levels, and the contribution levels are set forth by IPERS' actuary. IPERS is charged with setting a "Required Contribution Rate" for each membership category within IPERS that will discharge its liabilities. Iowa Code section 97B.11(3)"d" provides the basic framework for implementing this charge.

SMALL BUSINESS IMPACT

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Not applicable.

TEXT OF PROPOSED RULEMAKING

ITEM 1. Amend subrules 4.6(1) to 4.6(3) as follows: 4.6(1) Contribution rates for regular class members.

- No change.
- Effective July 1, 2012, and every year thereafter, the contribution rates for regular members shall be publicly declared by IPERS staff no later than the preceding December as determined by the annual valuation of the preceding fiscal year. The public declaration of contribution rates will be followed by rule making rulemaking that will include a notice and comment period and that will become effective July 1 of the next fiscal year. Contribution rates for regular members are as follows.

	Effective July 1, 2019	Effective July 1, 2020	Effective July 1, 2021	Effective July 1, 2022	Effective July 1, 2023	Effective July 1, 2024
Combined Rate	15.73%	15.73%	15.73%	15.73%	15.73%	<u>15.73%</u>
Employer	9.44%	9.44%	9.44%	9.44%	9.44%	<u>9.44%</u>
Employee	6.29%	6.29%	6.29%	6.29%	6.29%	<u>6.29%</u>

4.6(2) Contribution rates for sheriffs and deputy sheriffs are as follows.

	Effective July 1, 2019	Effective July 1, 2020	Effective July 1, 2021	Effective July 1, 2022	Effective July 1, 2023	Effective July 1, 2024
Combined Rate	19.02%	18.52%	18.02%	17.52%	17.02%	<u>17.02%</u>
Employer	9.51%	9.26%	9.01%	8.76%	8.51%	<u>8.51%</u>
Employee	9.51%	9.26%	9.01%	8.76%	8.51%	<u>8.51%</u>

4.6(3) Contribution rates for protection occupations are as follows.

	Effective July 1, 2019	Effective July 1, 2020	Effective July 1, 2021	Effective July 1, 2022	Effective July 1, 2023	Effective July 1, 2024
Combined Rate	16.52%	16.02%	15.52%	15.52%	15.52%	<u>15.52%</u>
Employer	9.91%	9.61%	9.31%	9.31%	9.31%	<u>9.31%</u>
Employee	6.61%	6.41%	6.21%	6.21%	6.21%	<u>6.21%</u>

ITEM 2. Amend paragraph 5.2(6)"g" as follows:

g. An emergency medical care provider who provides emergency medical services, as defined in Iowa Code section 14 7 A.1, and who is not a member of the retirement systems established in Iowa Code chapter 401--ef 411 shall be covered.

14 7 A.1, and who is not a member of the retirement systems established in Iowa Code chapter 401--ef 411 shall be covered.

Sections 97B.49A to 97B.491 (under Option 2) no later than the "required beginning date" ~~specified under Internal Revenue Code Section 401(a)(9)~~, even if the member has not submitted the application for benefits. If the lump sum actuarial equivalent could have been elected by the member, payments shall be made in such a lump sum rather than as a monthly allowance. The "required beginning date" is defined as the later of: ~~(1) April 1 of the year following the year that the member attains the age of 72 (or the age of 70½ for that member who attains the age of 70½ on or before December 31, 2019), or (2) April 1 of the year following the year that the member actually terminates all employment with employers covered under Iowa Code chapter 97B.~~

(1) April 1 of the year following the year that the member attains the applicable age, determined as follows:

1. For members who turned age 72 before 2023, the applicable age is age 72 (or age 70½ if they were born before July 1, 1949), and
 2. For members who will turn age 72 after 2022 and age 73 before 2033, the applicable age is age 73; or
- (2) April 1 of the year following the year that the member actually terminates all employment with employers covered under Iowa Code chapter 97B.

ITEM 4. Amend subrule 11.6(1) as follows:

11.6(1) Monthly paper warrants processing fee. Effective July 1, 2005, IPERS shall charge a \$1 per-warrant processing fee to members who choose to receive paper warrants in lieu of electronic deposits of their monthly retirement allowance. The fee may be waived if the person establishes that it would be an undue hardship for the person to do what is necessary to receive payment of the person's IPERS monthly retirement allowance by electronic deposit. The processing fee will be deducted from the member's retirement allowance on a post-tax basis.

For purposes of this subrule, a member claiming undue hardship must establish that the cost normally assessed for the processing of paper warrants would be unduly burdensome because of the member's limited income or is otherwise financially burdensome or physically impracticable.

ITEM 5. Amend subrule 11.7(6) as follows:

11.7(6) Offsets against amounts payable. IPERS may, in addition to other remedies and after notice to the recipient, request an offset against amounts owing to the recipient by the state according to the

offset procedures pursuant to Iowa Code sections 8A.504 and 421.17, or section 421.65 as enacted by 2020 Iowa Acts, House File 2565, section 16, as applicable.

ESTIMATED IPERS CONTRIBUTIONS												
Sheriffs and Deputy Sheriffs												
Comparison of 17.02% for FY24 and 17.02% for FY25												
FY25	EMPLOYER TYPE	PROJECTED WAGES	17.02% - Rate for FY24			FY25	Rate for FY25 to 17.02%			MEMBER DIFFERENCE	EMPLOYER DIFFERENCE	TOTAL DIFFERENCE
			8.51%	8.51%	17.02%		PROJECTED WAGES	MEMBER RATE 8.51%	EMPLOYER RATE 8.51%			
	County	159,320,217	13,558,150	13,558,150	27,116,301	159,320,217	13,558,150	13,558,150	27,116,301	-	-	-
FY25 wage projection from the Actuarial Valuation Report as of June 30, 2023 Page 39_ Exhibit 14												

ESTIMATED IPERS CONTRIBUTIONS												
Protection Occupation Class												
Both FY24 and FY25 will be 15.52% - no change												
FY25	EMPLOYER TYPE	PROJECTED WAGES	15.52% - Rate for FY24			FY25	15.52% - Rate for FY25			MEMBER DIFFERENCE	EMPLOYER DIFFERENCE	TOTAL DIFFERENCE
			MEMBER CONTRIBUTION 6.21%	EMPLOYER CONTRIBUTION 9.31%	COMBINED RATE 15.52%		PROJECTED WAGES	MEMBER RATE 6.21%	EMPLOYER RATE 9.31%			
	State	225,431,719	13,999,310	20,987,693	34,987,003	225,431,719	13,999,310	20,987,693	34,987,003	-	-	-
	County	150,622,529	9,353,659	14,022,957	23,376,617	150,622,529	9,353,659	14,022,957	23,376,617	-	-	-
	City	123,008,399	7,638,822	11,452,082	19,090,904	123,008,399	7,638,822	11,452,082	19,090,904	-	-	-
	Other	3,012,451	187,073	280,459	467,532	3,012,451	187,073	280,459	467,532	-	-	-
		502,075,098	31,178,864	46,743,192	77,922,055	502,075,098	31,178,864	46,743,192	77,922,055	-	-	-
FY24 wage projection from the Actuarial Valuation Report as of June 30, 2022 Page 40_ Exhibit 15												

ESTIMATED IPERS CONTRIBUTIONS												
Regular Members												
Both FY24 and FY25 will be 15.73% - no change												
* use percentage breakdown per ACFR pie charts(FY2023 page 36) for FY25												
FY25	EMPLOYER TYPE	PROJECTED WAGES	15.73% - Rate for FY24			FY25	15.73% - Rate for FY25			MEMBER DIFFERENCE	EMPLOYER DIFFERENCE	TOTAL DIFFERENCE
			MEMBER CONTRIBUTION 6.29%	EMPLOYER CONTRIBUTION 9.44%	COMBINED RATE 15.73%		PROJECTED WAGES	MEMBER RATE 6.29%	EMPLOYER RATE 9.44%			
	Education	5,046,233,436	317,408,083	476,364,436	793,772,519	5,046,233,436	317,408,083	476,364,436	793,772,519	-	-	-
	State	1,455,644,260	91,560,024	137,412,818	228,972,842	1,455,644,260	91,560,024	137,412,818	228,972,842	-	-	-
	County	1,552,687,211	97,664,026	146,573,673	244,237,698	1,552,687,211	97,664,026	146,573,673	244,237,698	-	-	-
	City	1,358,601,310	85,456,022	128,251,964	213,707,986	1,358,601,310	85,456,022	128,251,964	213,707,986	-	-	-
	Other	291,128,852	18,312,005	27,482,564	45,794,568	291,128,852	18,312,005	27,482,564	45,794,568	-	-	-
		9,704,295,069	610,400,160	916,085,455	1,526,485,614	9,704,295,069	610,400,160	916,085,455	1,526,485,614	-	-	-
FY25 wage projection from the Actuarial Valuation Report as of June 30, 2023 Page 38 Exhibit_13												

