



IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Gregory S. Samorajski, CFA
Chief Executive Officer

Kim Reynolds
Governor

Adam Gregg
Lt. Governor

AGENDA

Monday, January 23, 2023

1:00 p.m.

IPERS BENEFITS ADVISORY COMMITTEE

IPERS Board Room or

Conference Telephone # 312-626-6799

Meeting ID: 816-5619-6310#

- 1) Call to Order / 1:00 p.m.
 - a) Roll Call of Members
 - b) Approval of Minutes – October 31, 2022, and December 1, 2022
- 2) CEO Report – Greg Samorajski
- 3) 2023 Legislative Session – Shawna Lode
- 4) Benefit Enhancement Cost Studies for Non-Retired Sheriffs and Deputies – David Martin
- 5) Staff Reports
 - a) Benefits Update – David Martin
 - b) Investment Update – Sriram Lakshminarayanan
 - c) Appeals Report – Elizabeth Hennessey
- 6) Other Business
- 7) Public Comments
- 8) Confirm Next Meeting Date – Monday, February 27, 2023
 - a) Friday, March 24, 2023 – Investment Board Meeting
 - b) Monday, March 27, 2023 – BAC Meeting



BENEFITS ADVISORY COMMITTEE MEETING MINUTES

IPERS BOARD ROOM

7401 Register Drive, Des Moines Iowa

October 31, 2022

The following people attended the IPERS Benefits Advisory Committee (BAC) meeting held on Monday, October 31, 2022.

Members of the Benefits Advisory Committee - Present

Len Cockman, Chair

Lowell Dauenbaugh, Vice

Chair Matt Carver

Sue Cave

Matt Cosgrove

Rick Eilander

Steve Hoffman

Connie Kuennen

Erin Mullenix

Jim Romar

Melissa Peterson

Phil Tetzloff

Members of the Benefits Advisory Committee - Absent

Andrew Hennesy

Adam Steen

IPERS Administration and Staff

Greg Samorajski, Chief Executive Officer

David Martin, Chief Benefits Officer

Melinda McElroy, Executive Assistant

Sriram Lakshminarayanan, CIO

Elizabeth Hennessey, General Counsel

Shawna Lode, Director of Communications

Tara Hagan, Chief Financial Officer

Rick Hindman, Chief Operations Officer

Call to Order

Len Cockman, chair, called the meeting to order at 1:00 p.m.

Matt Carver made the motion to approve the minutes from the August 22, 2022, Benefits Advisory Committee meeting. Steve Hoffman seconded; the motion carried by unanimous voice vote.

CEO Report – Greg Samorajski

FY2024 Contribution Rates – Contribution rates for Regular members and Protection Occupation members will remain unchanged at 15.73% and 15.52% respectively. Contribution rates for Sheriff and Deputy Sheriff members will be reduced 0.50% to 17.02%.

NIRS Annual Membership Renewal – Phil Tetzloff made the motion that the BAC authorize the expenditure of \$6,800 from its budget to renew IPERS' membership in the National Institute of Retirement Security. Matt Carver seconded; the motion carried by unanimous voice vote.

2023 Legislative Session – Greg Samorajski reviewed IPERS' FY2024 budget appropriation request. The request represents a status quo budget, but if approved by the Governor, IPERS plans to seek an additional appropriation of \$4.5 million.

November Dividend Adjustment – David Martin

David Martin reported that 2022 November Dividend recipients would receive a 3% adjustment based on actuarial certification. Approximately 1,792 recipients will receive a total of \$3.51 million.

Administrative Rules – Elizabeth Hennessey

Elizabeth Hennessey reviewed the proposed administrative rules package. The changes will be filed in December. Matt Carver made the motion to support the proposed rule package as presented. Jim Romar seconded; the motion carried by unanimous roll call vote.

Iowa State Sheriffs and Deputies Association's Request for Benefit Enhancement Cost Studies – Steve Hoffman

Steve Hoffman reported that the ISSDA would like to request a cost study quote from IPERS' actuary to study the following benefit enhancements: change the contribution rate split to 60% employer and 40% employee, increase the service multiplier from 1.5% to 2.5% for years over 22 through 30 years of service (80% maximum), and institute an automatic compounding COLA of 1.5%. Matt Carver made the motion that the BAC supports the request for a cost quote for the study. Melissa Peterson seconded; the motion carried by unanimous roll call vote.

IPERS Staff Reports

Benefits Update – David Martin reported that he and his team continue to hire and fill vacant retirement benefit officer positions.

Investment Update – Sriram Lakshminarayanan reported the IPERS Trust Fund balance at \$39.416 billion and noted third quarter markets returns of approximately -6.71%.

Appeals Update – Elizabeth Hennessey reviewed the October 2022 Appeal Status report.

Other Business

None

Public Comments

Former Senator Patrick Deluhery requested a comparison of IPERS' current Trust Fund balance to a previous point in time. Sriram Lakshminarayanan referred him to the Trust Fund balance reported at the last BAC meeting. Deluhery next asked about the split between active members and retirees. David Martin answered that IPERS has approximately 176,000 active members and 123,000 retirees.

Future Meeting Dates

The next scheduled BAC meeting is Monday, January 23, 2023. With no further business to come before the committee, Steve Hoffman made the motion to adjourn the meeting. Matt Carver seconded; the motion carried by unanimous voice vote. Meeting adjourned at 1:50 p.m.



BENEFITS ADVISORY COMMITTEE MEETING MINUTES

IPERS BOARD ROOM

7401 Register Drive, Des Moines Iowa

December 1, 2022

The following people attended the IPERS Benefits Advisory Committee (BAC) meeting held on Thursday, December 1, 2022.

Members of the Benefits Advisory Committee - Present

Len Cockman, Chair

Lowell Dauenbaugh, Vice Chair

Matt Carver

Steve Hoffman

Connie Kuennen

Erin Mullenix

Melissa Peterson

Phil Tetzloff

Members of the Benefits Advisory Committee - Absent

Sue Cave

Rick Eilander

Andrew Hennesy

Richard Hoffman

Adam Steen

IPERS Administration and Staff

Greg Samorajski, Chief Executive Officer

David Martin, Chief Benefits Officer

Melinda McElroy, Executive Assistant

Elizabeth Hennessey, General Counsel

Tara Hagan, Chief Financial Officer

Call to Order

Len Cockman, chair, called the meeting to order at noon.

Cost Study Estimate for Iowa State Sheriffs and Deputies Association's Request for Benefit Enhancements – Greg Samorajski and David Martin

At the October BAC meeting, the ISSDA requested permission to request a cost study quote from IPERS' actuary to study the following benefit enhancements for non-retired sheriffs and deputies: change the contribution rate split to 60% employer and 40% employee, increase the service multiplier from 1.5% to 2.5% for years over 22 through 30 years of service (80% maximum), and institute an automatic compounding COLA of 1.5%.

Cavanaugh Macdonald estimated the fees associated with completing these studies would be in the range of \$5,200 to \$6,300.

Phil Tetzloff made the motion that the BAC approves proceeding with the cost study for the mentioned benefit enhancements and paying for the study from the BAC's budget. Connie Kuennen seconded; the motion carried by unanimous roll call vote.

Other Business

Len Cockman reported that during the Investment Board meeting, which immediately preceded the BAC meeting, the Board tasked CEO Samorajski with forming a COLA working group consisting of Board and BAC members. Melissa Peterson, Phil Tetzloff and Steve Hoffman volunteered to represent the BAC.

Public Comments

None

Future Meeting Dates

The next scheduled BAC meeting is Monday, January 23, 2023. With no further business to come before the committee, Lowell Dauenbaugh made the motion to adjourn the meeting. Steve Hoffman seconded; the motion carried by unanimous voice vote. Meeting adjourned at 12:10 p.m.

IPERS Bill Tracker (1-18-23)

Legislation (Introduced)	HSB 38	A bill for an act providing for membership in a protection occupation under the Iowa public employees' retirement system and including effective date and retroactive applicability provisions.	01/17/2023
Legislation (Introduced)	SF 55	A bill for an act providing for membership in a protection occupation under the Iowa public employees' retirement system and including effective date and retroactive applicability provisions.	01/11/2023
Legislation (Introduced)	HF 3	A bill for an act relating to public assistance program integrity, making appropriations, and including effective date provisions.	01/11/2023
Legislation (Introduced)	HF 2	A bill for an act relating to public contracts, public fund investing, and lending practices with certain companies that engage in economic boycotts based on environmental, social, or governance criteria, and including effective date and applicability provisions.	01/11/2023
Legislation (Introduced)	SSB 1001	A bill for an act relating to the maximum age of certain fire fighters and peace officers, and including effective date provisions.	01/10/2023



Cavanaugh Macdonald

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December 22, 2022

Mr. Greg Samorajski
Chief Executive Officer
Iowa Public Employees Retirement System
7401 Register Drive
PO Box 9117
Des Moines, IA 50321

Re: Cost Studies for Non-Retired Sheriffs & Deputies

Dear Greg:

At your request, we have prepared three actuarial cost studies to analyze the impact of the proposed changes for non-retired members of the Sheriffs & Deputies group. The changes include:

- A) Lower the employees' share of the Required Contribution Rate from 50% to 40%.
- B) Increase the benefit multiplier from 1.5% to 2.5% for years of service between 22 and 30.
- C) Add a permanent and automatic cost-of-living adjustment (COLA) of 1.5%, compounded annually.
- D) All changes described in A, B, and C combined.

Currently, automatic annual dividends are paid to members who retired prior to July 1, 1990 in the form of a 13th check. The automatic dividend amount is adjusted each year by the least of the following percentages: (i) the change in the CPI, (ii) percentage certified by the actuary as affordable by the System, and (iii) 3.0%. For members who retire on or after July 1, 1990, a Favorable Experience Dividend (FED) reserve account was established (via 1998 legislation) to help offset the negative effects of post-retirement inflation by paying dividends to these members when there is sufficient favorable experience on the total System's actuarial liabilities and assets and the System is fully funded. The proposed automatic 1.5% COLA would replace the FED for non-retired members of the Sheriffs & Deputies group.

Cost Analysis

The results of this cost study are based on the most recent actuarial valuation, prepared as of June 30, 2022. The actuarial assumptions and methods used in analyzing the proposed plan changes are the same as those used in the June 30, 2022 actuarial valuation (see Appendix C of that report). The following table summarizes the cost impact of the proposed changes for the Sheriffs and Deputies group.



		(A) 60/40 Split Required Contribution Rate	(B) 2.5% Multiplier After 22 YOS	(C) 1.5% COLA	(D) All Changes Combined
Actuarial Liability	\$849,677,745	\$849,677,745	\$880,128,253	\$911,607,822	\$946,704,110
Actuarial Value of Assets	<u>889,635,045</u>	<u>889,635,045</u>	<u>889,696,544</u>	<u>889,755,772</u>	<u>889,817,130</u>
Unfunded Actuarial Liability	(\$39,957,300)	(\$39,957,300)	(\$9,568,291)	\$21,852,050	\$56,886,980
Impact Compared to 6/30/2022 Valuation		\$0	\$30,389,009	\$61,809,350	\$96,844,280
Funded Ratio	104.70%	104.70%	101.09%	97.60%	93.99%
Impact Compared to 6/30/2022 Valuation		0.00%	(3.61%)	(7.10%)	(10.71%)
Normal Cost Rate	16.78%	16.78%	17.88%	19.43%	20.70%
UAL Contribution Rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.28%</u>	<u>3.20%</u>
Actuarial Contribution Rate	16.78%	16.78%	17.88%	20.71%	23.90%
Impact Compared to 6/30/2022 Valuation		0.00%	1.10%	3.93%	7.12%
Required Contribution Rate	17.02%	17.02%	17.88%	20.71%	23.90%
Impact Compared to 6/30/2022 Valuation		0.00%	0.86%	3.69%	6.88%
Employee Contribution Rate	8.51%	6.81%	8.94%	10.36%	9.56%
Employer Contribution Rate	8.51%	10.21%	8.94%	10.35%	14.34%
Impact Compared to 6/30/2022 Valuation		1.70%	0.43%	1.84%	5.83%
Contribution Shortfall/(Margin)	(0.24%)	(0.24%)	0.00%	0.00%	0.00%

Note: Increase in the actuarial liability reduces the surplus (which is amortized over 30 years) under Proposal B, while creating a net unfunded actuarial liability to be amortized over a closed 20-year period under Proposals C and D.

As shown in the table above, Proposals B, C and D result in an increase in the actuarial liability, a lower funded ratio, a higher Actuarial Contribution Rate and a higher Required Contribution Rate. For Proposal A, there is no change to the benefit structure and, therefore, no change to the Required Contribution Rate. However, a larger share of the costs is allocated to employers. For Proposals B, C and D, the current margin of the Required Contribution Rate over the Actuarial Contribution Rate is insufficient to cover the additional cost of the proposed benefit enhancements. Therefore, those proposed changes would result in an increase in the Required Contribution Rate, which then impacts both the employer and employee contribution rate.

Risk Considerations

Both proposals B and C increase the benefits that will ultimately be paid to members. These increased benefits will inherently increase the risk to the plan. This is particularly true where the benefit enhancements are combined under Proposal D. This increased risk is expected to result in larger changes to the Actuarial Contribution Rate and, consequently, the Required Contribution Rate as the Sheriffs & Deputies group will require a larger pool of assets, as a percent of member payroll, to satisfy their benefit obligations in the



Mr. Greg Samorajski
December 22, 2022
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future. The change in the allocation of the contributions in Proposals A and D does not change the total risk, but it does transfer some of the risk from the members to the employers.

Data, Assumptions and Methodology

The analysis contained in this letter is based on the June 30, 2022 actuarial valuation. To the extent that any of that data is inaccurate, our analysis may need to be revised. In order to prepare the results in this letter, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the results. Unless otherwise noted, the actuarial assumptions and methods used in analyzing the proposed plan changes are the same as those used in the June 30, 2022 actuarial valuation, which are shown in Appendix C of that report. Note that any change in the actuarial assumptions would likely impact the results of the cost analysis included in this letter.

The comments and analysis contained in this letter are not intended to give exact calculations of costs. They should be considered as estimates. The emerging costs will vary from those presented in this letter to the extent that actual experience differs from that projected by the actuarial assumptions. This cost analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this proposal with counsel.

We, Patrice A. Beckham, FSA, and Brent A. Banister, FSA, are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or additional information is needed, please let us know.

Sincerely,

A handwritten signature in blue ink that reads 'Patrice Beckham' in a cursive script.

Patrice A. Beckham, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Brent A. Banister' in a cursive script.

Brent A. Banister, PhD, FSA, EA, FCA, MAAA
Chief Actuary

January 2023 Appeal Status Report for Benefits Advisory Committee

#	ISSUE	STATUS
545-20	POA of deceased Member disputes IPERS' attempts to collect overpayment and denies overpayment is a "result of wrong doing, negligence, misrepresentation, or omission of the recipient."	Initial appeal received 07/08/2020. Letter of receipt mailed to POA at home address, prison address, and attorney's office per POAs request, 07/13/2020. POA passed away in November 2020. Criminal case against POAs spouse is still ongoing. Criminal case against POAs spouse not being pursued by county attorney—advised IPERS to proceed in civil court. Outside counsel has been retained by IPERS to proceed in trying to collect overpayment from POAs spouse. Case filed in probate in Utah on 07/27/2021. Hearing is scheduled on 08/30/2021. Hearing is scheduled on 11/04/2021. Civil suit has been filed against the Estate and the POAs spouse. Mediation has been scheduled for August 24, 2022. Mediation was held—no resolution reached. Civil case was filed August 26, 2022. Hearing on motion to dismiss the estate filing scheduled for January 18, 2023.
553-21	Deceased Member's Spouse appealing Rejection of Beneficiary Designation form	Initial appeal received 5/14/2021. Letter acknowledging receipt mailed to member's spouse's attorney 5/18/2021. 05/27/2021—On hold per agreement between GC and attorney representing the deceased member's spouse while the matter is argued in district court. 11/10/2022 Dismissed with prejudice. DONE.
566-21	Member appealing denial of special services disability	Appeal received by IPERS Legal on 11/23/21. Appeal is being reviewed. Waiting on documentation from the member. Documentation received from member. Sent for review.
572-22	Member appealing denial of special services disability	Appeal received by IPERS Legal on 10/18/2022. Appeal acknowledgement letter not necessary per GC. FAD mailed to member 10/27/2022. On hold.
573-22	Member appealing final average salary	Appeal received by IPERS Legal on 11/21/22. Appeal acknowledgement letter sent via email on 11/22/2022. Member withdrew appeal on 12/20/2022. Letter acknowledging appeal is withdrawn on 12/20/2022. DONE
574-22	Member appealing final average salary	Appeal received by IPERS Legal on 11/29/22. Appeal acknowledgement letter sent via email on 11/29/22. FAD mailed to member 12/28/2022.
575-22	Member appealing special service disability	Appeal received by IPERS Legal on 11/29/2022. Appeal acknowledgement letter sent on 11/30/2022. FAD mailed to member 12/27/2022. Appeal of FAD received 01/17/2023.

Bolded text indicates new information since last report.

IPERS' Appeal Process. An IPERS member or beneficiary can appeal a decision that impacts their rights. Typically, an **initial appeal** is filed after IPERS makes an “**initial agency decision**” on some matter. Pursuant to Iowa Code chapter 97B, each **initial appeal** is routed through an **internal review** process. During this **internal review**, IPERS’ staff conduct a thorough review of the facts and law surrounding the **initial appeal**. Frequently, this review includes gathering additional information and may include further discussions with the appellant. Once the **initial review** is finished, a **Final Agency Determination (FAD)** is issued. The **FAD** can affirm, modify, or rescind the **initial agency decision**. The **FAD** is sent to the appellant who has the opportunity to appeal the **FAD**. If the **FAD** is appealed, IPERS transfers the case to the **Department of Inspections & Appeals** for assignment of an administrative law judge to hold a **contested case hearing**. After the **contested case hearing** is held and the administrative law judge issues a **proposed agency decision**, IPERS or the appellant can appeal the **proposed agency decision** to the **Employment Appeal Board (EAB)**. The **EAB** reviews the records and **proposed agency decision**. The **EAB** issues its own opinion that can affirm, deny, or modify the **proposed agency decision**. If IPERS or the appellant are unsatisfied with the **EAB’s** decision, then a **Petition for Judicial Review** can be filed. Ultimately, IPERS or the appellant can appeal all the way to the **Iowa Supreme Court**.