

# Ready, Set, Retire

## An IPERS Overview

**Presented by Kevin Wenndt**

Senior Retirement Benefits Officer



# 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

$$\begin{array}{l} \text{Your Average} \\ \text{Salary} \end{array} \times \begin{array}{l} \text{Multiplier} \\ \text{(Based on years} \\ \text{in IPERS-covered} \\ \text{employment)} \end{array} - \begin{array}{l} \text{Reduction} \\ \text{(If you retire before} \\ \text{normal retirement age)} \end{array} = \begin{array}{l} \text{Your} \\ \text{Retirement} \\ \text{Benefit} \end{array}$$

# DB vs. DC: What's the difference?

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

# Membership Groups

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



# 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.

# FY2024 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

# 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



# What is vesting?

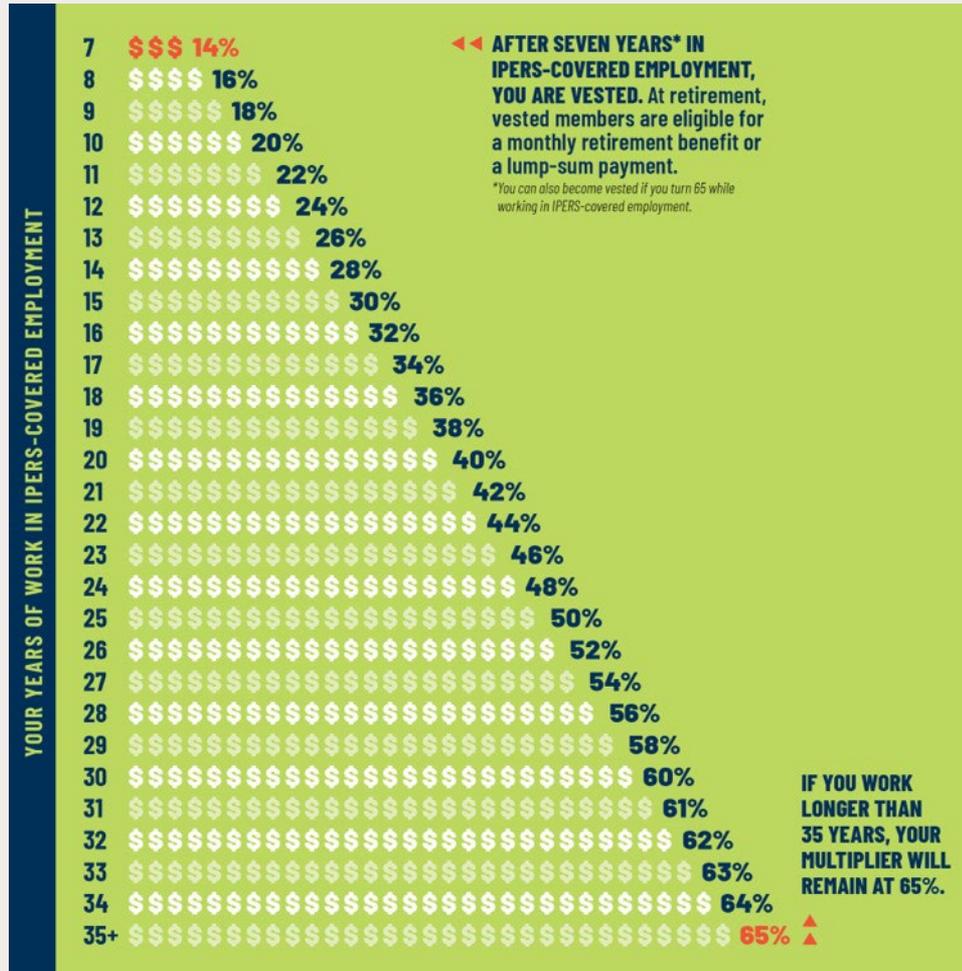
## Entitles you to:

- 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)

# 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**

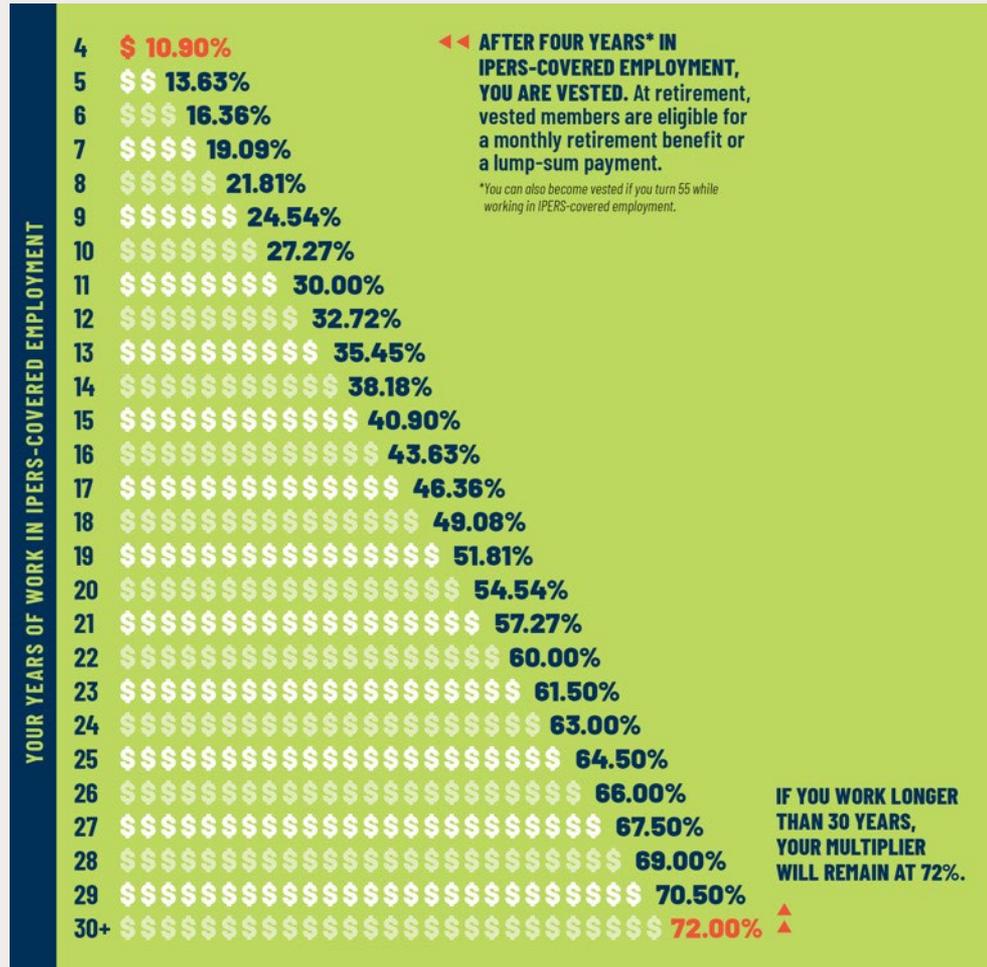
**Reduced 6% a year thereafter**

From age 65

# The Benefit Formula – Special Service



- The multiplier increases 2.7272 percentage points each year for the first 22 years, and 1.5 percentage points from 22 to 30 years.
- The maximum multiplier is 72%.
- Benefits are not reduced for early retirement if you have always been a Special Service member.



# 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

# 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)

# 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.*

# 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

# 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    |                                 |
|---|---------------------------------|
| Month you leave employment                | 12/2029                         |
| Month of last paycheck                    | 01/2030                         |
| First month of entitlement                | 01/2030                         |
| Normal or early retirement?               |                                 |
| Birth date                                | 01/30/1969                      |
| Nearest age at retirement                 | 61                              |
|   | <i>Before</i> <i>After</i>      |
|   | <i>July '12</i> <i>June '12</i> |
| Months to go before normal retirement age | 0      0                        |
| Early retirement percentage               | 100%    100%                    |
| Disability benefits                       | N                               |
| Contingent annuitant (CA)                 |                                 |
| Relationship                              | Spouse                          |
| Birth date                                | 06/11/1962                      |
| Nearest age at your retirement            | 68                              |

| Years of service and multiplier  |                 |                 |
|----------------------------------|-----------------|-----------------|
| Membership class                 | <i>Before</i>   | <i>Regular</i>  |
|                                  | <i>July '12</i> | <i>June '12</i> |
| Years of service                 | 12.50           | 17.75           |
| Assumed Regular service purchase | 0.00            | 0.00            |
| Total years of service           | 30.25           |                 |
| Future quarterly service         | 4               |                 |
| Regular class multiplier         | 60.250%         |                 |
| Sheriff class multiplier         | 0.000%          |                 |
| Protection class multiplier      | 0.000%          |                 |
| Contributions                    |                 |                 |
| Investment                       | \$30,132.69     |                 |
| Service purchase cost estimate   | \$0.00          |                 |
| Total                            | \$30,132.69     |                 |

| Regular class average salary calculation |             |             |
|--|-------------|-------------|
| Current salary                           | \$63,654.04 |             |
| Yearly salary increase rate              | 2.00%       |             |
| Highest salaries                         | 2029        | \$87,383.36 |
|  | 2028        | \$85,669.96 |
|  | 2027        | \$83,990.15 |
|  | 2026        | \$82,343.29 |
|  | 2025        | \$80,728.71 |
| Average salary used in benefit           | \$84,023.09 |             |

# 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.

# 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.*

# 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.

# 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.

# 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.

# 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.
- 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.

# 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                             |

# 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.

# 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.

# 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

# 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).

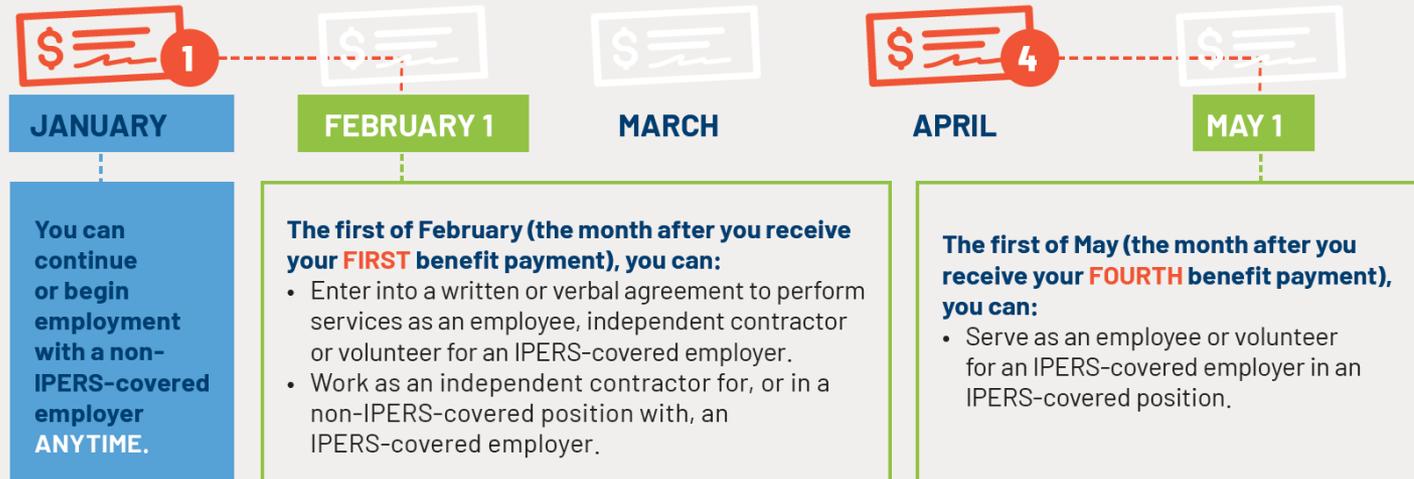
**IMPORTANT:** There is a financial penalty for violating this requirement.

# 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:



# 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.

# 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.

# 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”

# 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.**



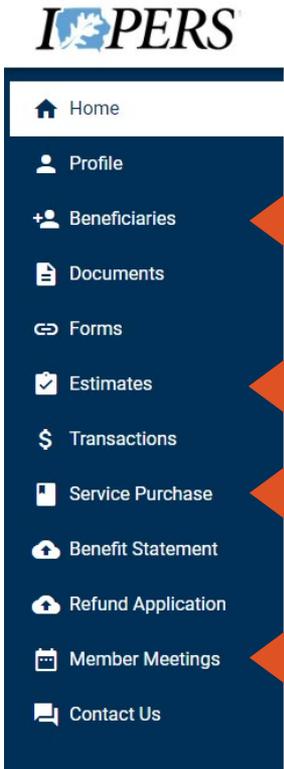
**UPDATE:** Beginning January 1, 2023, IPERS benefit payments are exempt from all personal state income tax.

The screenshot shows the IPERS website homepage. At the top left is the IPERS logo. To its right is the phone number 800-622-3849 and a search bar with the text "I want to ..." and "Search IPERS.org". Below the logo is a navigation bar with several items: "Beneficiary Form Service Purchase Application" (with a blue arrow pointing right), "FORMS" (circled in orange), "Log in to see all your account information" (with a blue arrow pointing right), "MY ACCOUNT LOGIN" (circled in orange with a fingerprint icon), and "EMPLOYER LOGIN".

The main content area features a large image of a smiling man with a beard looking at his smartphone. To the left of the image, the text reads: "THE MOST IMPORTANT THING IPERS DOES IS PAY BENEFITS". Below this, it says "More than 380,000 Iowans rely on IPERS to provide secure retirement benefits." and there is an "About Us" button.

At the bottom, there is a red navigation bar with icons for "New Members", "Job Change", "Divorce", "Disability", "Nearing Retirement" (circled in orange), and "More information about getting ready to retire" (with a blue arrow pointing right). Below this bar is a grey section with the text "Stay up to date with IPERS by following us on social media" (with a blue arrow pointing right) and social media icons for Facebook, Twitter, LinkedIn, and YouTube (circled in orange). Below the social media icons is the phone number 800-622-3849, the address "7401 Register Drive, Des Moines, IA 50321", and links for "Office Hours", "Contact Us", and "Get Directions".

# My Account



Check/Change Beneficiaries

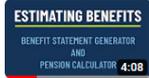
Pension Estimate

Service Purchase Estimate

Set up one-on-one session



[Watch our My Account instructional videos](#)

-  My Account | An Overview 3:12
-  Estimating Benefits with My Account 4:08
-  Logging In To My Account 3:06
-  Designate Your Beneficiary in My Account 2:21
-  Service Purchase Estimator 4:04
-  Schedule Meetings in My Account 3:06
-  Updating Payment Preferences in My Account 3:43

# Contact Us



[info@IPERS.org](mailto:info@IPERS.org)



800-622-3849

