



IPERS
Working Today for Your Tomorrow




Changes to IPERS


Presented by Ronda Onken
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Summer 2011




Who will be affected?




Everyone...



Except...



County sheriffs
and deputies



Protection
occupations
(correctional
officers, jailors,
firefighters,
police officers,
and others)

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Summary of Changes



7/2011

- Change in Contribution Rates

7/2012

- Change in Vesting Rules
- Change to High 5 Average
- Change in Early Retirement Reduction Percentage
- **New reduction rules apply only to service earned 7/1/12 and later**

Contribution Rate Change



7/2010

Contribution rate
11.45%

7/2011

Contribution rate
13.45%

Split 60/40
Employee 5.38%
Employer 8.07%

Possible change
+/-1.0% annually

Scheduled Contribution Rate



Current contribution rate

11.45%, split 60/40

Employer 6.95%

Employee 4.50%

\$45,000 annual wage

X .0450

\$ 2,025 per year

or \$168.75 monthly

Scheduled contribution rate 7/1/11 with law change

13.45%, split 60/40

Employer 8.07%

Employee 5.38%

\$45,000 annual wage

X .0538

\$ 2,421 per year

or \$201.75 monthly

Increase = \$396 a year/\$33.00 monthly

Vesting Rule Change



**Now through
6/30/2012**

Vesting after **4**
years

On July 1, 2012

Vesting after **7**
years

Vesting Changes



If vested on 6/30/12; you remain vested

- At least 4 years of service **OR**
- Year age 55 or older and contributing

If not vested on 6/30/12; you vest at 7 years

- At least 7 years of service **OR**
- Month age 65 or older and contributing

High 5 Average Change



Now through
6/30/2012

High 3 year
average

On July 1, 2012

High 5 year
average

High 5 Average



Compare and use higher of:



**Snapshot of
High 3 on 06/30/12**

**High 5
at retirement**

Example 1: High 5



Member retiring December 2014 with pay raise each year.

06/30/12

\$45,000
47,000
47,000
\$139,000 ÷ 3

\$ 46,333

Retire

\$45,000
47,000
47,000
49,000
50,000
\$238,000 ÷ 5

\$ 47,600

Example 2: High 5



Member retiring December 2014 with decrease in pay.

06/30/12

\$45,000
47,000
47,000
\$139,000 ÷ 3

\$ 46,333

Retire

\$45,000
47,000
47,000
40,000
43,000
\$222,000 ÷ 5

\$44,400

Spiking control still applies



\$ 37,000
38,000
40,000
41,000
45,000
47,000
47,000
52,000
71,000
93,000

6th highest

High 5

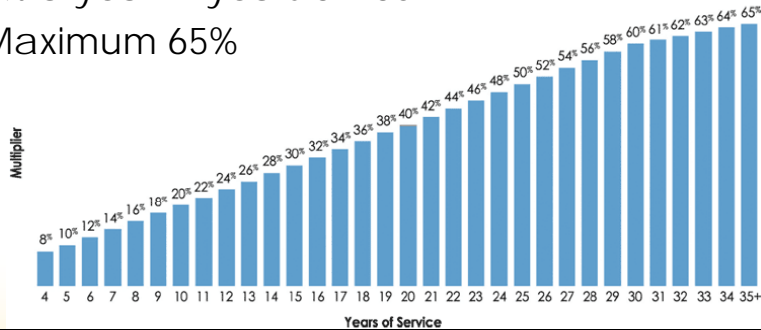
\$45,000
x 134%
= **\$60,300**

\$310,000 ÷ 5 = \$62,000

Benefit multiplier – No change



2% a year for 30 years
1% a year in years 31–35
Maximum 65%



Benefit Formula: Average Salary x Multiplier

Normal retirement age



(No early retirement reduction) – **No Change**

Age 65

Regardless of service

Rule of 62/20

At least age 62 with 20 or more years of service

Rule of 88

Age + Years of service = 88 or greater

Early retirement age reduction



Current

Reduce 3% a year for portion of service through **06/30/12**

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

July 1, 2012

Time earned after July 1, 2012, without meeting normal retirement age, benefits will be reduced 6% a year from age 65.

Example: Early Retirement



**Retire age 61 with
26.5 years of service**

	June 30, 2012	
	↓	
	← 24 →	← 2.5 →
Total years	26.5	26.5
Annual multiplier	2%	2%
Adjustment factor	3%	6%
Adjusted to	62/20	65
How long	1 yr	4 yr
Reduction	3%	24%

Example: Early retirement



24 yrs

Reduce 3%/year for 1 year

Earned before 7/1/12:
 $24 \times 2\% = 48\%$ multiplier
 $\$54,000 \times 48\% = \$25,920$

Early retirement reduction:
 $\$25,920 \times 3\% = \777.60

$\$25,920 - \$777.60 = \$25,142.40$

2.5 yrs

Reduce 6%/year for 4 yrs

Earned starting 7/1/12:
 $2.5 \times 2\% = 5\%$ multiplier
 $\$54,000 \times 5\% = \$2,700$

Early retirement reduction:
 $\$2,700 \times 24\% = \648

$\$2,700 - \$648 = \$2,052$

Annual benefit = **\$27,194.40**

Example: Work 6 more months



Retire age 61 with
 27 years of service

June 30, 2012

Total years 27

24

3

Annual multiplier

2%

2%

Adjustment factor

0%

0%

Adjusted to

Rule of 88

Rule of 88

How long

0 yr

0 yr

Reduction

0%

0%

Example: Work 6 more months



24 yrs

Rule of 88

Earned before 7/1/12:
 $24 \times 2\% = 48\%$ multiplier
 $\$54,000 \times 48\% = \mathbf{\$25,920}$

Early retirement reduction:
 $\$25,920 \times 0\% = \0

\$25,920

3 yrs

Rule of 88

Earned starting 7/1/12:
 $3 \times 2\% = 6\%$ multiplier
 $\$54,000 \times 6\% = \mathbf{\$3,240}$

Early retirement reduction:
 $\$2,700 \times 0\% = \0

\$3,240

Annual benefit = **\$29,160.00**

Value of working the additional 6 months



Annual Pension with Reduction - \$27,194.40

Annual Pension with Rule of 88 - \$29,160.00

Increase of **\$163.80 per month**
for lifetime for working an
additional 6 months

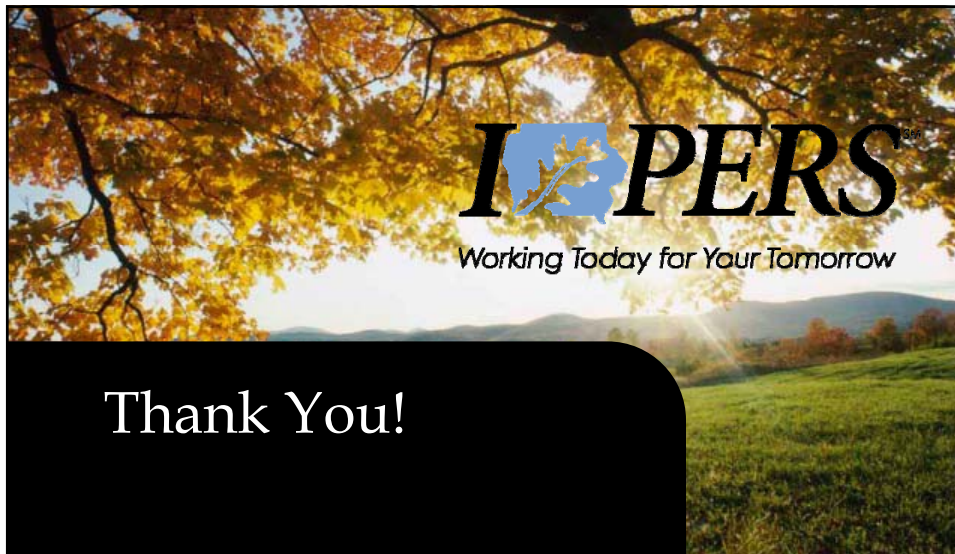
Contact us:



The purpose of this presentation is to give you a brief overview of IPERS and upcoming law changes.

For detailed information on your account:

- Call toll free **1-800-622-3849** or locally at **515-281-0020** Phones are answered by Retirement Benefit Officers from **7:30 am to 5:00 pm** Monday through Friday, excluding holidays.
- **Website:** www.ipers.org
 - E-mail requests: info@ipers.org
 - Retirement calculators
 - Handbook
 - Newsletters
 - Other important information



Thank You!

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