Upcoming GASB Changes

Presented by Darla Iverson
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School Administrators of Iowa - 2013
What is GASB?

GASB stands for...

Governmental
Accounting
Standards
Board

To learn more about GASB, go to the GASB website at www.gasb.org.
New Accounting Standards

• Two new GASB statements

  – Statement No. 67 applies to the PLAN.

    • IPERS’ fiscal year 2014

  – Statement No. 68 applies to EMPLOYERS who utilize GAAP reporting.

    • The fiscal year that begins after 6/15/2014
Breaking the Link

• Currently actuarial valuation numbers used for accounting and funding purposes.
• Funding measures still valid and essential but no longer reported in financial reports.
• The new standards change the way public pension obligations are reported in financial reports.
• Accounting and funding are no longer linked.
Employer Allocation

- IPERS is a **multiple-employer, cost-sharing pension plan**.

- There are over **2,100** participating employers.

- Under the new standards, each employer utilizing GAAP reporting will record their share of the **net pension liability and pension expense** based on their proportion of contributions paid to IPERS.
Employers’ Responsibilities

This is NEW and IMPORTANT:

• Employers will have to recognize their share of the net pension liability.

• And a new measure of the pension expense on their financial statements.
What This Means...

• A pension liability on the employer’s financial statements.
  – Current standards require pension liability only if contractual contributions not paid.

• A pension expense different from the current expense of contributions paid.

Contributions are determined by actuarial methods, not accounting standards.
Questions?

• If you have questions about this presentation, please send them to:

employerrelations@ipers.org
What is IPERS?

- The largest public retirement system in Iowa
  - Members include employees of:
    - public schools, cities, counties, state government, state universities, State Board of Regents
- Approximately 335,000 members
- 2,100 employers
- 101,000+ retirees
- $1.5 billion in benefit payments paid annually
What is IPERS?

• 401A (defined benefit plan) under IRS codes:
  – Lifetime benefits are paid based on a formula **not** on the amount of contributions.
  – Formula factors
    • Age
    • Years of service
    • Highest average salary
A UAL (unfunded actuarial liability) indicates that the Trust Fund does not currently have all the money needed to pay all future benefits. It does not mean that it will someday run out of money. Generally, an amortization period of 30 years or less is considered healthy. IPERS’ UAL amortization period was infinity from 2002–2009, 34 years in 2010 and 2011, and is now 30 years in 2012.
IPERS’ investment performance

- 79.9% funding status
- 3.73% return on investments as of 6/30/12
- 30 years to amortize unfunded liabilities

IPERS’ impact...

- benefit payments in excess of $1.5 billion in FY2012.
  - with $1.4 billion staying in Iowa
How does it work?

Contributions from Active Members and Employers are paid in.

The IPERS Trust Fund

Lifetime Retirement Benefits, Disability Benefits, Death Benefits and Refunds are paid out.

The IPERS Trust Fund must be used for the exclusive benefit of members and their beneficiaries.
**What's My Part?**

- Contributions + Interest
  - Contributions based on gross wages
  - Current Regular class contribution rate:
    - 5.95% from you, the **member**
    - 8.93% from your **employer**
  - Interest is credited quarterly
What is “vesting”? 

Vesting status is obtained after:

- 28 quarters (7 years) of reported wages,
- or
- When wages are reported in the same calendar year age 65 or older is attained.
Vesting

• Entitles the member to:
  • Monthly retirement or disability benefit
  • A portion of employer’s investment if refund is taken
    and
  • Is required for a service purchase
Benefit Formula

• Monthly benefits are calculated using:
  - Years of Service
  - Age
  - Highest Average Salary
Each year worked earns 2% of the 60% payable for the first 30 years.
1% for a maximum total of 65% payable for each additional year after 30.
Early retirement reduction if before normal retirement.
Normal Retirement Age

**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
Reduce 3% a year for portion of service through 06/30/12
From nearest normal retirement eligibility (Rule of 88; rule of 62/20; age 65)

As of July 1, 2012
Reduce 6% a year thereafter
From age 65
• Request estimates from IPERS before deciding on a retirement date.

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.

• Working a little longer could increase benefits significantly.

• May be eligible to retire earlier!
Monthly Benefit

• Six monthly payment options
  – Always \textit{lifetime} to member
  – Different death benefit provisions

\textbf{IMPORTANT!}

• \textit{Option choice cannot be changed once benefits are paid.}
Option Summary

Always lifetime to member!

**OPTION 1**
Guaranteed death benefit in $1,000 increments

**OPTION 2**
Death benefit only if balance of investment remains

**OPTION 3**
No death benefit

**OPTION 4**
Dual life annuity

**OPTION 5**
Guaranteed 10 year monthly benefit payments

**OPTION 6**
Dual life annuity with pop-up feature for member
Maximizing Years of Service

• Free credit
  – Leaves of absence
    • Granted prior to July 1998
    • Requires verification from employer
  – Active military duty
    • Entered military as an IPERS covered employee and returned to IPERS employment within one year of discharge
    • Submission of DD214 form required
Service Purchase Options

• Refunded IPERS service
• IPERS employment not previously covered
• Other public system(s)
• Active duty military time not eligible for free credit
• Leave of Absence
• Non-Qualified Service (Air Time)
• IPERS Buy-up Credit Conversion
• Buy back Credit
Important Facts to Remember!

- Working **any time** in a month makes you **ineligible** for benefits that month.

- You **can** get a paycheck in the same month you start IPERS payments.
Getting Monthly Benefits Started

- Must terminate employment unless age 70
- Must be age 55 or older
  - Unless vested and eligible for IPERS disability benefits
- Must make application
Bona Fide Retirement

• No employment with an IPERS-covered employer for one calendar month
• No IPERS covered employment for an additional three months for a total of four calendar months
• Months are counted by number of pension payments qualified for and received
Re-employment

• Must have a **bona fide retirement**.

• *It’s your responsibility* to contact IPERS if you are returning to an IPERS-covered position.
  – It’s possible that returning to an IPERS-covered position will affect your benefit.

• Know the Social Security earning limits
• Benefit payments are subject to federal and state income tax
  – You can request that the tax can be withheld from monthly benefit payment
• 1099R mailed each January
• For detailed tax information, contact the IRS for publication 575 or consult a tax advisor
Favorable Experience Dividend

• The FED Payment
  – Paid with the January benefit
  – Not guaranteed
  – Last payment occurs in January 2014
  – Paid from a separate account, established by a transfer from the Trust Fund
  – By law, cannot replenish until Trust Fund is 100% funded
Visit IPERS Website

IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Recent News

07/22/13 | RAGBRAI-related traffic delays expected July 23-24 in Des Moines.
07/12/13 | RAC meeting date changed to Monday, August 26, 2013
06/21/13 | IPERS has posted a webinar for employers on upcoming GASB changes.
06/20/13 | Planning to start drawing IPERS benefits soon? Schedule an appointment with IPERS in a location near you.
06/07/13 | IPERS has released the Summer 2013 issue of The Latest Word, the newsletter for employers.

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IPERS Member Self-Serve

Please log in below.

IPERS upgraded its online system in January. This change requires all members to register (or re-register) in order to use the My Account function. If you registered prior to January 9, 2012, you must re-register in order to use My Account.

All members, including those already receiving benefits, can log on to see individualized information about IPERS benefits.

Username: 

Password: 

PLEASE NOTE: Using the browser's back button may cause your session to become invalid. Please do not use the browser's Back button.

- **Beneficiary Designations**
- **History of Letters and Documents**
- **Link to all forms**

**General Account Information**

**Account Balance/Estimates**

- **Your Transaction Details**
- **Benefit Statement**
- **Pension Estimates and Calculators**
- **Tax Documents - 1099R**
- **Generate Refund Application**

**Self-Service Account Settings**

- **Your Password and Other Account Settings**
- **Go Paperless**

**Contact Information**

- **Phone:**
- **Email:** kevin.wenndt@ipers.org

**News and Alerts**

View documents Here

Change Address Here

Get a refund application, Benefit Statement or print an estimate
When to Contact IPERS

• 3-5 years from possible retirement for estimates
• 5-6 months from retirement to obtain application packet
• At termination, if before age 55 for additional options
• If a disability occurs
Visiting IPERS

Questions? Contact Us!

Iowa Public Employees' Retirement System
7401 Register Drive, Des Moines IA 50321

Office hours: Monday–Friday, 8 a.m.–4:30 p.m. Central Time (Appointments recommended)
515-281-0020 | 1-800-622-3849 (toll-free)
Monday–Friday, 7:30 a.m.–5 p.m. Central Time
info@ipers.org | www.ipers.org
Thank You!

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