

IOWA POLICE JOURNAL



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BOARD SPOTLIGHT

By Todd Thoeming, ISPA Second Vice President



Hello, I hope this edition of the newsletter finds everyone in good health. Secretary/Treasurer Rick Host and I attended the Pensions and Benefits Seminar sponsored by the National Association of Police Organizers (NAPO) in Las Vegas January 25-27, 2015. As with last year when Vice President Lewis attended, the largest concern is with the push to change the defined benefit (DB) pension systems to a defined contribution (DC) system. If this were to happen, it would basically give you another 457 plan if you already have one established.

I'm going to show some numbers to compare the difference in your benefit under each system. Let's assume an average high three-yearly salary of \$50,000. For the DC let's assume you are contributing 5 percent of your salary with the city matching that amount. I am not including any interest which may be earned or the ups and downs in the market in which the DC is based.

If you would retire at 22 years at \$50,000 at the 66 percent benefit, you would receive approximately \$33,000 per year or \$2,750 per month. Under the DC, if you invested \$5,000 a year (your 5 percent and the city's 5 percent) after 22 years you would have approximately \$110,000 for your retirement. Divide this by \$2,750 (your monthly DB benefit) and the DC benefit would last around 40 months.

If you would retire with 30 years at \$50,000 at the 82 percent benefit, you would receive approximately \$41,000 per year or \$3,416 per month. Under the DC if you invested the same \$5,000 a month you would have approximately \$150,000 for your retirement. Divide this by \$3,416 (your monthly DB benefit) and the DC benefit would last around 44 months.

Now let's look at the numbers in the event of a disability. Let's look at retirement at 10 years at \$50,000 per year. Through the DB plan, you would receive 60 percent, which would be approximately \$30,000 per year or \$2,500 per month. If you had placed the said \$5,000 per year into a DC plan, you would have approximately \$50,000. Divide this by \$2,500 (your DB disability) and the DC benefit would last around 20 months.

I hope this helps to remind you how valuable our current retirement system is to you and your family when you retire. This is the reason I and the rest of the Iowa State Police Association (ISPA) Board continually ask that you contact your state representative to maintain our pension.

This is especially important since there are a lot of new members in the statehouse from the last election. Please feel free to contact any of the board members if you have questions.

Be safe.