Written by Lynn Campbell
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Officials with the Iowa Public Employees Retirement System (IPERS) attempted to ease concerns this week about its $339-million investment with Westridge Capital Management that's been frozen during the investigation of Westridge owners Paul Greenwood and Stephen Walsh for securities fraud.

Donna Mueller, IPERS' chief executive officer, told the legislature's joint Government Oversight Committee that the frozen assets represent just 2 percent of the pension fund that serves about 300,000 current and former employees in state government, cities, counties and school districts.

"We're going to aggressively pursue every last dollar," Mueller said. "We maintain an additional cash balance so that we do not have to unnecessarily cash out investments. We are managing cash so we have a cash reserve to pay monthly benefits. It's only 2 percent, so we have other assets that are available to manage and to pay benefits. A greater concern, almost, is what's happening in the economy and impacting the entire portfolio."

Karl Koch, IPERS' chief investment officer, said IPERS has been seeking modest and consistent returns, not chasing high returns. Koch said about 15 percent of IPERS strategies could be considered high-risk, while 51 percent are of moderate risk. He said that when IPERS officials learned the National Futures Association had taken action against one of its managers, they hoped it was a Friday-the-13th hoax. He said it will probably be years for the matter to be settled.

"We thought we had covered our bases. Obviously, something went wrong," Koch said. "We will learn from our mistakes."

Chairs of the Government Oversight Committee appeared satisfied that IPERS officials did what they could to prevent problems with its investments.

"I think they tried to do their job and investigate this company and make sure they were a good company, but again, they need to look internally and make sure that they do a better job in doing that and protecting all of our dollars that we put in there," said Senator Rich Olive (D-Sioux City).

Representative Vicki Lensing (D-Iowa City) said newspaper headlines about $339 million of IPERS' assets being frozen create a lot of fear for Iowans. She said lawmakers want to reassure Iowans that things are working the best they can, and those receiving IPERS checks will continue to get them.

"I think they're being very proactive," Lensing said of IPERS officials. "Other regulatory agencies didn't recognize there were problems. There had been audits done and there was no indication. I think it took them by surprise. I'm pleased they're looking inside to see if there are other things they could do to be more preventative going forward."

State Works Ratify Two-Year Contract

Members of Iowa's largest union for state workers have by an overwhelming 95.3 percent ratified a new two-year contract in voting that closed at 11 p.m. on Friday, February 27, union President Danny Homan said this week.

The new contract for the nearly 22,000 members of the American Federation of State, County & Municipal Employees (AFSCME) Iowa Council 61 calls for a zero-percent increase in base pay in the first year that begins July 1. Workers would see a 2-percent across-the-board increase July 1, 2010, and a 1-percent increase January 1, 2011.

"The state has some financial issues, none of which was caused by state employees," Homan said. "We hope this settlement will be beneficial to reduce the number of layoffs."

Every percentage-point increase would have cost the state $32.2 million, so Homan believes

the union saved the state about $100 million by agreeing to the first-year wage freeze. Homan said this is the third time in a decade the union has agreed to a wage freeze, and he believes state workers deserve some credit instead of criticism for their sacrifice. "State employees have stepped up to the plate again," he said.

AFSCME initially asked for a 5-percent raise in base pay when it began negotiations with the state in November, while the state started by calling for no raises. Homan acknowledged that in a normal year, the two sides would have probably ended up at about 3 percent.

Despite the first-year freeze in base wages, state workers will still qualify for step or merit increases of up to 4.5 percent. Homan said about half the workers qualify for such increases, while the other half have topped out at the top of their pay scales.

Officials Line Up for, Against National Popular Vote for President

In an unusual twist, top Iowa Democrats took opposing viewpoints this week on the National Popular Vote Compact, which would essentially do away with the Electoral College and base the outcome of the presidential election on the national popular vote.

Republican Party of Iowa Chair Matt Strawn held a press conference arguing against the proposal, saying it would take away Iowa's electoral votes and run counter to everything Iowans believe.

"Although we stand here today as Republicans in front of you, the issue we're here to address shouldn't be a partisan one, and that is keeping Iowa relevant in future presidential elections," Strawn said.

Iowa Secretary of State Michael A. Mauro, a Democrat and the state's top election official, then sent out a news release cautioning lawmakers about the National Popular Vote Compact, which he said could be detrimental to Iowa and the state's role in choosing the president of the United

States.

"Our nation's current Electoral College system was created to protect less-populated states like Iowa to ensure we were included in the process," Mauro said. "As we know, Iowa plays a very important role not only in the nomination process but also during the general election. In the past 20 years, Iowa has been a battleground state in determining our president. There's a reason each party's nominee visited our state days before Election Day - because our state still mattered."

Governor Chet Culver also opposes any legislation that would require Iowa's Electoral College votes to be cast for the winner of the national popular vote, spokesperson Troy Price said.

"As the last three elections have shown, Iowa is now a battleground state, and, as such, the issues of Iowans are heard by the candidates of both parties," Price said. "If we require our Electoral College votes to be cast to the winner of the national popular vote, we lose our status as a battleground state and the opportunity to ensure that the ideas that are important on Iowa's Main Streets remain important on both ends of Pennsylvania Avenue."

But two top Iowa Democrats -- U.S. Senator Tom Harkin and Democratic Senate Majority Leader Mike Gronstal -- said they backed the proposal.

"I support the popular-vote reforms because they will ensure that every Iowan's vote is counted in presidential elections," Gronstal said. "It is mystifying to me why anyone would cling to an antiquated, winner-take-all Electoral College system that allows a person to be elected to the presidency without winning the most popular votes nationwide. ... I am confident that Iowa will retain its first-in-the-nation caucus status if we adopt the National Popular Vote Act."

Harkin said the Electoral College is outdated and should be eliminated. "I just don't buy that argument that somehow we'd become less important," Harkin said of Iowa. "I've long advocated we should just have straight election of the president, and then we wouldn't have these problems of where somebody gets more popular vote but they don't win the presidency."

Legislature Passes Dozens of Bills Out of Committee Ahead of "Funnel"

Dozens of bills moved through committee this week as Iowa House leaders treated this week as a *de facto* "funnel week," when all bills must clear at least one committee to remain alive for the remainder of the session.

Funnel week is officially next week, March 9 to 13. Bills that have not cleared at least one committee by next week Friday are considered to be dead for the remainder of the session. However, budget and tax bills are not subject to that deadline, and any issue can be revived with a leadership bill.

Among the bills approved, the House Education Committee voted 16-7 to change the earliest school start date to the fourth Monday in August. Representative Polly Bukta (D-Clinton) said the current law makes it too easy for schools to start classes earlier and earlier.

"There are no teeth in the bill in the present code for school districts to give a reason why they need a waiver," Bukta said. "Change is always difficult, and I understand that. I know this is controversial, but I do think it's in the best interest of the schools and the state."

The Iowa Association of School Boards and its members said they oppose the legislation, which they said would eliminate school districts' ability to select their own school start dates and set calendars that are most beneficial for their communities. Currently, Iowa law says classes can begin no sooner than the week of September 1, but most school districts get a waiver through the Iowa Department of Education and begin school in August.

"This is a local-control issue and should remain that way," said Sam Harding, Jefferson-Scranton school-board vice president. "One of the things I've heard repeatedly from the legislature over the past several years is that we should always be making our decisions based on the impact on student achievement based on research-based data. I don't think tourism or less air conditioning has any research that I know of that impacts student achievement."

Other bills approved include one that would establish and implement a statewide writing assessment for public-school students in grades three, six, and 10. That bill was approved 10-0 Wednesday by the Senate Education Committee. Another bill would require Iowa businesses to give a 30-day notice if they plan to lay off 25 or more full-time employees.

"Choice of Doctor" Bill Next Up in Iowa House

The Iowa House is expected to move quickly next week with action on the "choice of doctor" bill, which gives the injured employee rather than the employer his or her choice of doctor under state workers-compensation laws.

Rick Olson, chair of the House Labor Committee, confirmed Thursday night that a subcommittee on the bill will meet at about 1:30 p.m. on Monday, March 9. The House Labor Committee will meet Tuesday, recess for the public hearing from 7 to 9 p.m., then vote the bill out that night. The bill will be on the House floor Friday, he said.

"How many people out there really realize that if they fall on their driveway, they get to go to their own doctor, but if they fall on their employer's driveway, they have to go to a doctor of their employer's choosing?" asked Olson (D-Des Moines), an attorney. "I would hope that you would be able to go to a doctor that you've utilized in the past. He would have a better grasp on what your overall health is."

The "choice of doctor" bill is even more controversial than the one involving prevailing wage, which fell one vote short of passage last month, because it affects both public and private employers. Details of House File 5300 were unavailable online Thursday night, but lobbyist declarations on a Senate version of the bill are 10 pages long and include 16 for the bill, 198 against, and 66 undecided.

Those in favor of the bill are unions including AFSCME, Iowa State Police Association, Iowa Professional Fire Fighters, and the Iowa Federation of Labor. Those against it include the Iowa

Chamber Alliance, Iowa Association of School Boards, and many business associations.

The choice-of-doctor bill cleared the Iowa Senate Labor & Business Relations Committee February 11 on a party-line 6-4 vote, but not until Democratic lawmakers got an earful on how much it would drive up costs in a struggling economy. Myron Linn of the Pella Corporation said it will increase the cost to do business in the state of Iowa by $120 million. He said workers-compensation insurance costs will increase by 14 percent and it would affect state government, cities, counties, and schools, possibly leading to teacher layoffs.

But Olson, who said he's worked on this issue for the past two years, said the House bill is different from the Senate's. He said under his proposal, which he calls a "hybrid," any increase in premiums would be statistically insignificant or minimal at best. A business study done three years ago proves it, he said.

"Figures being tossed around by the business community do not address this specific bill," Olson said. "This is not that. It's not an open choice of doctor. If you do not pre-designate who your doctor is, your employer still directs your medical care. If you've got a doctor, you get to use your doctor. If you don't, your employer gets to choose."

Iowa Democratic legislative leaders have had an unlucky recent history with labor bills. A bill that would have expanded the scope of collective bargaining received final legislative approval last year but was vetoed by Culver. Then last month, the prevailing-wage bill fell one vote short of passage after Representative McKinley Bailey (D-Webster City) changed his mind and voted "no."

A public hearing on the choice-of-doctor bill will be held from 7 to 9 p.m. Tuesday in the House chamber. Those wishing to speak should call (515)281-5129.

Ethics Complaint Dismissed Against Dolores Mertz

The Iowa House Ethics Committee on Monday unanimously dismissed an ethics complaint against state Representative Dolores Mertz, saying her ties to the factory-farm industry and her chairmanship of the House Agriculture Committee do not rise to the level of being a conflict of interest.

"It lacks specificity on what's been done other than she's been chair and she has ties to the factory-farm industry," said Representative Scott Raecker (R-Urbandale) of the complaint endorsed by 125 members and supporters of Iowa Citizens for Community Improvement (CCI).

CCI filed the complaint saying that Mertz has family and financial ties to the factory-farm industry. Her sons, Peter and David, own and operate a 4,000-head hog factory in Kossuth County. The complaint also accused Mertz of having a well-documented history of supporting legislation that favors factory farms, and cited state legislators as saying that bills which that would crack down on factory farms will go nowhere as long as Mertz remains chair.

Dozens of CCI members packed the committee room for the 90-minute meeting about the rare ethics complaint.

"The decision today is a travesty against the people, against justice," said Larry Ginter, a family farmer from Rhodes. "They're washing this under the rug, under the table, and it's wrong. ... We are outraged about this decision. It's business as usual down here at the Statehouse. And people are tired of not getting justice out here about clean air and clean water and a little local control, and we're not getting that from these legislators. It's wrong."

Mertz (D-Ottosen), who is serving her 21st year in the legislature, said she was relieved the ethics complaint was dismissed. She called the complaint "a big slap in my face" because she said she tries to do what's right and best for the state. However, she said she wasn't shocked by the ethics complaint against her because CCI has been after her for years.

"They have threatened to shoot me -- I have that tape at home yet -- they have threatened to burn my boys' hog houses down, they ran me off the road a year ago. Good thing it was a shallow ditch -- I drove in and drove out," Mertz said. "I've never really done anything about that because I think, ‘Oh, those things will all subside, I'll be OK. I'm a tough person and strong person.'"

Hugh Espey, executive director of Iowa CCI, called Mertz's accusations false, off-the-wall, libelous, and slanderous against Iowa CCI. "Those are just absolutely false. They're wildly ludicrous. There's no basis in fact for that," Espey said. "We're about fighting for justice. Violence does not play into our strategies."

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