



January 17, 2025

Board of Trustees
Iowa Peace Officers' Retirement, Accident, and Disability System
215 East 7th Street
Des Moines, IA 50319

Re: Actuarial Analysis under Chapter 97A.5, subsection 11.b.

Dear Trustees:

SF 2420, which was passed by the 2014 Iowa Legislature, added a presumption of cancer and infectious disease to Chapter 97A.6(5), which sets out the requirements for accidental disability benefits. At that time, the Iowa Peace Officers Retirement System (POR) already had a heart and lung presumption under 97A.6(5)(b) so SF 2420 broadened the category to include prostate cancer, primary brain cancer, breast cancer, ovarian cancer, cervical cancer, uterine cancer, malignant melanoma, leukemia, non-Hodgkin's lymphoma, bladder cancer, colorectal cancer, multiple myeloma, testicular cancer, and kidney cancer. "Infectious disease", as defined in statute, includes HIV or AIDS, all strains of hepatitis, meningococcal meningitis, and mycobacterium tuberculosis. If a disability occurs as a result of one of these cancers or infectious diseases (as defined above), the member is eligible for an accidental (duty related) disability rather than an ordinary disability.

When the cancer and infectious disease presumption was added to the statutes in 2014, the member contribution rate was increased by 0.05%, effective July 1, 2014, to fund the expected increase in liabilities. Section 97A.5, subsection (11)(b) of the Iowa Code requires that an actuarial investigation related to the implementation, utilization, and actuarial cost associated with providing that cancer and infectious disease are presumed to be a disease contracted while the member is on active duty be made during calendar year 2019 and every five years thereafter. Therefore, an analysis is due in the current fiscal year. Based on the results of the analysis, the Board of Trustees may change the contribution rate assessed for the cost of this provision. If the Board makes a change, the new contribution rate would be effective July 1, 2025. This letter summarizes our analysis of the actuarial cost of the presumption of cancer and infectious disease as contracted while on active duty and the corresponding benefit increase expected to be paid as a result of the disability qualifying as an accidental disability.



Background

At the time the legislation was passed, an actuarial cost study was prepared to estimate the possible cost implications of including these forms of cancer and infectious disease, as contracted on active duty, and thus resulting in payment of benefit under the accidental disability provisions. That study, dated September 21, 2012, explained the challenges of attempting to determine the impact of the proposed change on the cost of the System. The actuarial study performed was based on the expectation that the total number of disabilities would not change significantly, but that some of the disabilities that would have been classified as ordinary disabilities under the prior law would instead be considered accidental disabilities. Since it was not possible to anticipate exactly how the number of disabilities would be impacted or the percentage of total disabilities ultimately due to accidental retirement types, cost results were provided using two different sets of assumptions. One assumption assumed that 50% of the ordinary disabilities would become accidental disabilities under the cancer and infectious disease presumption while the other assumed that 15% of the ordinary disabilities would become accidental disabilities. The resulting increase in costs at that time under the two assumptions was 0.07% and 0.02% respectively.

Cost Analysis

The cost impact of adding the cancer and infectious disease presumption is small due to two factors:

- The probability of a member becoming disabled is relatively small, and the likelihood that the disability falls under the cancer and infectious disease category is even smaller. Very few occurrences are expected to occur.
- The additional monthly benefit payable to a member who retired under an accidental disability retirement is not significantly larger than the benefit payable under an ordinary disability retirement (in general, 60% of final average pay versus 50%). However, if the member's regular service retirement at age 55 is higher than the 50% or 60%, the disability retirement, whether ordinary or accidental, will be the service retirement amount. Since many disability retirees are older at the time of disability, there may be no difference in the ordinary and accidental disability monthly benefit, i.e., the full accrued benefit is paid in either scenario. The cost of members becoming disabled and drawing an ordinary disability benefit has historically been included in the actuarial contribution rate developed in the actuarial valuation so only the additional cost associated with paying the higher accidental disability benefit must be covered with the higher contribution rate.
- Another cost associated with granting an accidental disability retirement rather than an ordinary disability retirement is the reimbursement of medical expenses for the disabling condition that are not covered by medical insurance. When considering the actual experience for recent disabled members, there is a significant variation in the amount of expenses reimbursed. However, given the potential medical cost of treatments for cancer and infectious disease it is possible this expense could be significant if it were to occur.



The first step in analyzing the impact of this presumption is to study the actual experience of the POR System with respect to this provision over the last ten years (shown below). Please note that this data was provided directly by the System:

Fiscal Year	Type of Disability Retirement		
	Accidental	Ordinary	Total
2015	2	0	2
2016	3	0	3
2017	1	1	2
2018	4	0	4
2019	3	0	3
2020	2	0	2
2021	2	0	2
2022	3	0	3
2023	2	0	2
2024	3	1	4
Total	25	2	27

Over this ten-year period, four members who qualified for accidental disability retirement were eligible due to the cancer and infectious disease presumption. As was mentioned earlier the probability of such a disability occurring is very small. It is worth noting that the total active population is about 580 so the rate of total disability over this period was about 0.47% [$27/(10*580)$]. Given that the cancer and infectious disease provision impacts a small subset of the overall disability group, the probability of its occurrence would be even smaller. Based on the data, the probability is 0.07% [$4/(10*580)$]. When a small probability is applied to a relatively small group, we expect significant volatility in the actual experience compared to the expected experience from year to year. For example, there were no accidental disabilities due to this cause over the five years ending June 30, 2019 (effectively a 0.0% actual occurrence rate), there were four disabilities in the last five fiscal years due to this provision. The percentage of disabilities due to this presumption for the last five years is 30.8% (4/13). Due to the limited data and small probabilities that apply for this occurrence, the System's actual experience, and therefore costs, may deviate significantly from the assumption. Therefore, the actual data observed during the last ten years is of limited value in assessing the long-term cost of the provision.

Another way to evaluate the actuarial impact of the cancer and infectious disease presumption is to consider the additional funding resulting from the higher employee contribution rate of 0.05%. Over fiscal years 2015 through 2024, we estimate the higher employee contribution rate of 0.05% produced additional contributions of about \$236,000. If one accidental disability is granted rather than an ordinary disability, a higher benefit is payable for the life of the member and his spouse. The average salary of active members in the July 1, 2024 actuarial valuation was \$101,090 so if the benefit payable is 60% of final average salary (accidental disability benefit) rather than 50% (ordinary disability benefit), a difference of 10% of pay would be about \$10,109 per year, with future post-retirement escalations, for the lifetime of the member and his/her spouse. For illustrative purposes, the additional liability experienced by the System for the higher monthly benefit would be roughly \$150,000 at age 45, based on the current actuarial assumptions. Any



potential medical payments are not included in this analysis. This is just an example to illustrate the point that one such disability could be sufficient to exhaust the additional contributions made in the past to fund the higher benefits paid under this presumption. The actual difference in benefits as a result of a member receiving an accidental disability retirement rather than an ordinary disability retirement will vary with each member's individual situation, including actual salary history and years of service, as discussed on page two of this letter.

Additionally, the actuarial assumptions used for funding the System have changed since the last evaluation in 2019 including the investment return assumption, which was lowered from 7.5% to 6.75%, and the mortality assumption (which now reflects longer life expectancy). Both of these assumption changes result in higher liabilities and costs, as is evidenced by a normal cost rate of 26.53% in the July 1, 2019 valuation compared to a normal cost rate in the July 1, 2024 actuarial valuation of 35.33%. While we have not quantified the impact of the new set of actuarial assumptions on the previous cost analysis, the new assumptions will tend to increase the costs compared to those developed in the 2019 analysis.

In summary, there have been four accidental disabilities granted on the basis of the cancer and infectious disease presumption in the past ten years. However, all four have occurred in the last three years. The current level of additional contributions over the last ten years have been sufficient to help fund the potential benefits payable due to this provision. However, the very small probability of this event means that one or two such disabilities in a ten-year period can result in liabilities that offset the impact of the higher contributions. **Based on the analysis in this letter, we recommend maintaining the current contribution rate of 0.05% at this time.**

On the basis of the foregoing, I hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Patrice A. Beckham, FSA, FCA, EA, MAAA
Consulting Actuary

Aaron Chochon, ASA, FCA, EA, MAAA
Senior Actuary

BOARD OF TRUSTEES
PEACE OFFICERS' RETIREMENT, ACCIDENT AND DISABILITY SYSTEM
ORAN PAPE STATE OFFICE BUILDING, DES MOINES, IOWA 50319-0050
MINUTES OF REGULAR MEETING HELD JANUARY 21, 2025

The Board of Trustees of the Peace Officers' Retirement, Accident & Disability System convened on January 21, 2025, at 2:02 p.m. Members of the Board present and constituting a quorum were Chairman Stephan Bayens, Trustee Mark Oiler (Remote), Trustee Roby Smith (Remote), and Trustee Marland Winter. Members of the Board absent were Trustee Robert Conrad. Others present were POR Legal Counsel John Lundquist (AG's Office, remote), Sue Cave (SPOC, remote), Jina Bresson (TOS), and Keith Traylor (TOS). DPS staff present were Director Jim Wittenwyler and POR Board Secretary Jasmine Cripps.

Item 1 - Approval of minutes from POR Board meeting held December 16, 2024

Trustee Winter made a motion to approve the minutes. Trustee Oiler seconded. The motion carried by unanimous voice vote.

Item 2 - Application for Service Retirement – James Bullington

Sergeant James Bullington with the Iowa State Patrol has applied for service retirement effective February 14, 2025. Trustee Winter made a motion to approve the application for service retirement. Trustee Oiler seconded. The motion carried by unanimous voice vote.

Item 3 – Request for Medical Expense Reimbursement – Dennis McMahon

Accidental disability retiree Dennis McMahon submitted documentation for reimbursement of \$750.00 in medical expenses not paid by his health insurance. Trustee Winter made a motion to approve payment of \$750.00 for reimbursement of expenses directly related to Dennis McMahon's disabling condition. Trustee Oiler seconded. The motion carried by unanimous voice vote.

Item 4 – Request for Medical Expense Reimbursement – Kirk Nielsen

Accidental disability retiree Kirk Nielsen submitted documentation for reimbursement of \$301.34 in medical expenses not paid by his health insurance. Trustee Winter made a motion to approve payment of \$301.34 for reimbursement of expenses directly related to Kirk Nielsen's disabling condition. Trustee Oiler seconded. The motion carried by unanimous voice vote.

Item 5 – Actuarial Analysis of Cancer and Infectious Diseases Presumption Report from CavMac and Rate Certification under Chapter 97A.5, subsection 11.b – POR Staff

A copy of the report from CavMac was provided to the Trustees. Based on the analysis CavMac recommends maintaining the current POR member contribution rate increase of 0.05%. Trustee Oiler made a motion to maintain the current member contribution rate increase of 0.05%. Trustee Winter seconded. The motion carried by unanimous voice vote.

Item 6 – POR Legislative Update – Robert Conrad

Trustee Smith shared that a meeting was held at the Capitol with plans to continue further discussions with key leaders before any legislation is submitted.

Item 7 – Open Forum

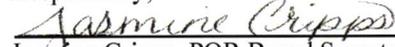
POR Board Secretary Jasmine Cripps advised the board that an application for ordinary disability was received for Public Safety Executive Officer Nathan Ludwig. POR Staff will provide an update once the medical records have been submitted to the POR Medical Board.

Director Jim Wittenwyler advised the board that an offer to fill the Retirement Benefits Officer Senior position was made and accepted with a start date of February 4th, 2025.

Next POR Board Meeting - Monday, February 17th, 2025, at 2:00 p.m.
Oran Pape State Office Building; 1st Floor Public Conference Room

Adjournment. Trustee Winter made a motion to adjourn the meeting. Trustee Oiler seconded. The motion carried by unanimous voice vote. The meeting was adjourned at 2:11 p.m.

Respectfully,



Jasmine Cripps, POR Board Secretary