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November 12, 2009

Mr. Dave Heuton
 Iowa Department of Public Safety
 Iowa Peace Officers
 215 East 7th Street, 4th Floor
 Des Moines, IA 50319

Re: Actuarial Cost Studies

Dear Dave:

At your request, Milliman, Inc. has completed four actuarial cost studies to estimate the impact of several changes to the benefit structure. The studies, which were assumed to impact all current actives, included:

- 1) Amend 97A.1(3) by modifying the definition of "Average Final Compensation" to be based on the member's highest five years of service instead of the highest three years.
- 2) Amend 97A.1(9) by eliminating daily meal allowance from inclusion in the definition of earnable compensation. Those remaining elements would be the regular stated compensation (bi-weekly salary) and longevity pay.
- 3) Amend 97A.1(9) by eliminating longevity pay from inclusion in the definition of earnable compensation. Those remaining elements would be the regular stated compensation (bi-weekly salary) daily meal allowance.
- 4) Amend 97A.6(14)(2) by striking the "flat escalation" based on years since having retired (\$15 for 0<5 yrs, \$20 for years 5 - 10, and so on). This change would only impact future retirees.

The results of our studies are summarized below. Please note that the amount of covered payroll changes in some of the studies so comparing rates of pay may not accurately identify the cost savings of the proposal.

	Baseline (2009 Val)	High 5 FAS	No Meal Pay	No Longevity Pay	No Flat Escalator
Actuarial Liability	\$432.9M	\$426.8M	\$428.4M	\$430.7M	\$429.9M
Actuarial Asset	300.3	300.3	300.3	300.3	300.3
Unfunded Actuarial Liability (UAL)	132.6	126.5	128.1	130.4	129.6
Change in UAL		(6.1)	(4.5)	(2.2)	(3.0)
Contribution Rate	44.53%	42.86%	44.48%	44.42%	43.36%
Payroll	\$41.9M	\$41.9M	\$40.6M	\$41.5M	\$41.9M
Contribution Amount	\$18.6M	\$17.9M	\$18.1M	\$18.4M	\$18.2M
Change in Contribution Amount		(0.7)M	(0.5)M	(0.2)M	(0.4)M



This work product was prepared solely for POR for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Caveats and Assumptions

The cost estimates contained in this letter are based on the membership data used in the July 1, 2009 actuarial valuation. To the extent that any of that data is inaccurate, our calculations may need to be revised. In general, the assumptions and methods used in the cost study are the same as those used in the July 1, 2009 actuarial valuation and are shown in Appendix C of that report.

These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs may vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.

Due to time constraints, these cost studies have not been through the required internal peer review process. If any of the changes move forward in the legislative process, Milliman will need to perform the additional peer review. At this point in time, these numbers should not be relied upon for fiscal note preparation. Milliman reserves the right to modify the results after further review.

This information is for the exclusive use of POR for the purposes stated herein. It is a complex technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be in its entirety, unless prior written consent from Milliman is obtained. We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review these proposals with legal counsel.

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 in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements 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, F.S.A.
Consulting Actuary