

Interim Public Retirement
Systems Committee
Presentation



Peace Officers' Retirement, Accident and Disability System (POR)

Presented by:

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Governance

- Board of Trustees
 - Commissioner of Public Safety – Roxann Ryan (Chairperson)
 - Treasurer of State – Michael Fitzgerald
 - Governor's Appointee – Chris Mayer, Actuary (Principal Insurance)
 - Active Member Representative – Trooper Robert Conrad
 - Retired Member Representative – Gail Schwab (Sergeant)

- *Iowa Code, 97A*
- *Iowa Administrative Code - 661*



Active Membership

- Sworn peace officers of the Iowa Department of Public Safety
 - Division of Criminal Investigation
 - Division of Narcotics Enforcement
 - Division of Intelligence
 - Iowa State Patrol Division
 - State Fire Marshal Division

- Members not covered by Social Security

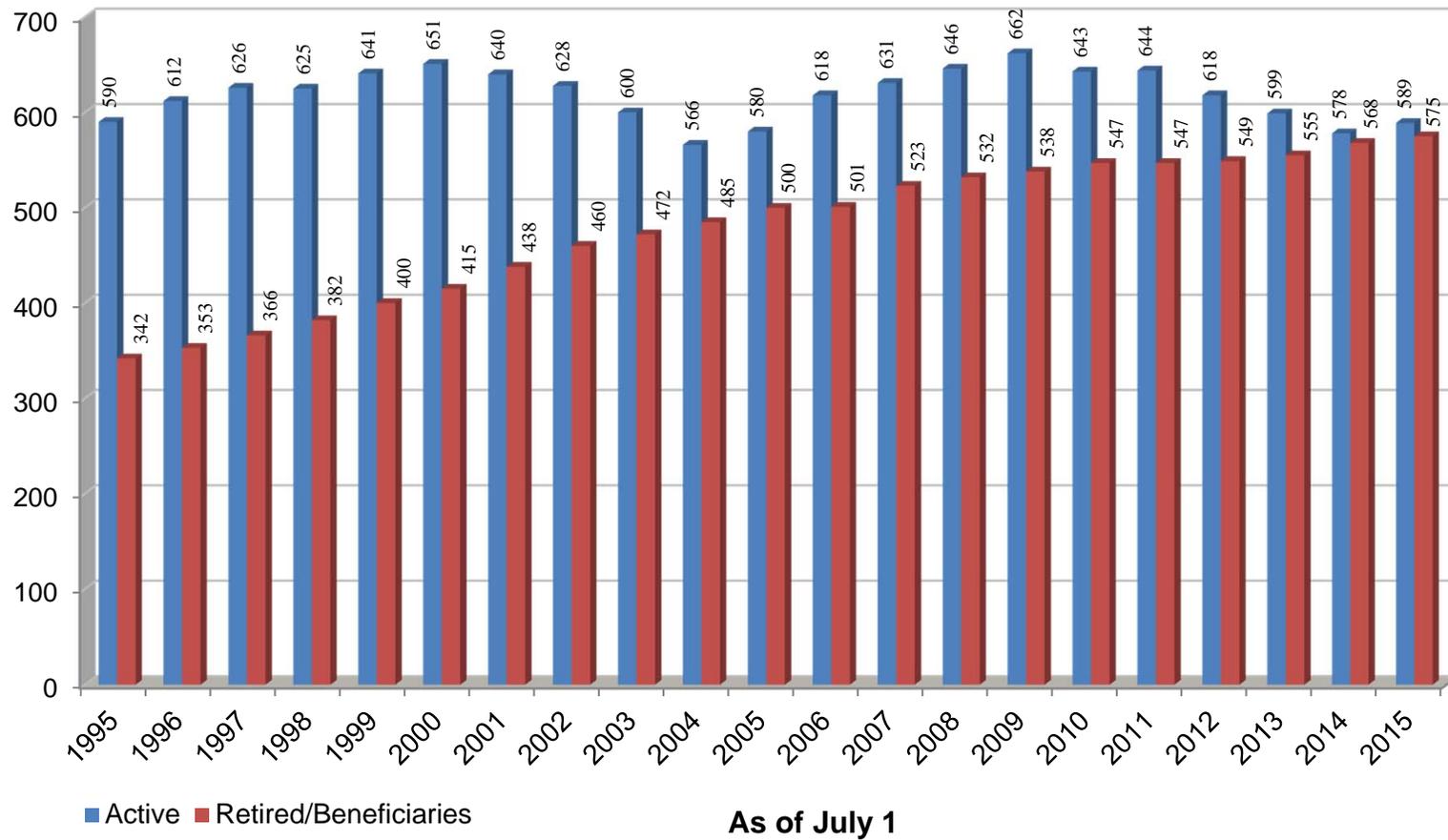


Plan Overview

- Benefit based on years of service and highest 3 years of Average Final Compensation (bi-weekly pay + longevity + meal allowance)
- Service Retirement with 7 optional benefit selections
- Accidental and Ordinary Disability/Death Benefits
- Minimum benefit 60.5% of high 3 years, after 22 years of service and age 55. Increases by 2.75% per year, up to 32 years of service.
- Flat Escalator with a percentage based on a wage increase provided for active members of the same rank.
- Line of Duty Death Benefit of \$100,000
- Earnings while a member of POR are exempt from Social Security (if sworn after March 1986 must pay Medicare 1.45%)



Peace Officers' Retirement Membership



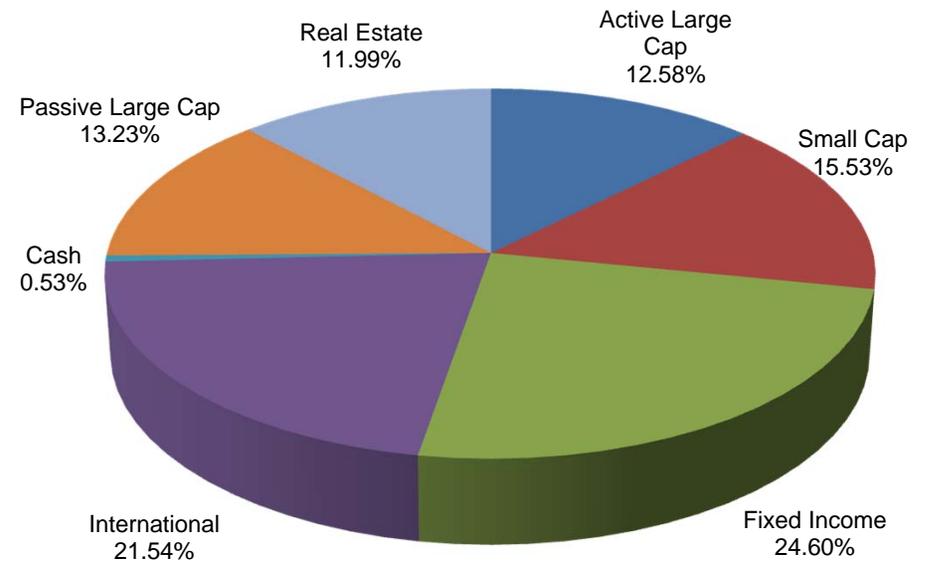
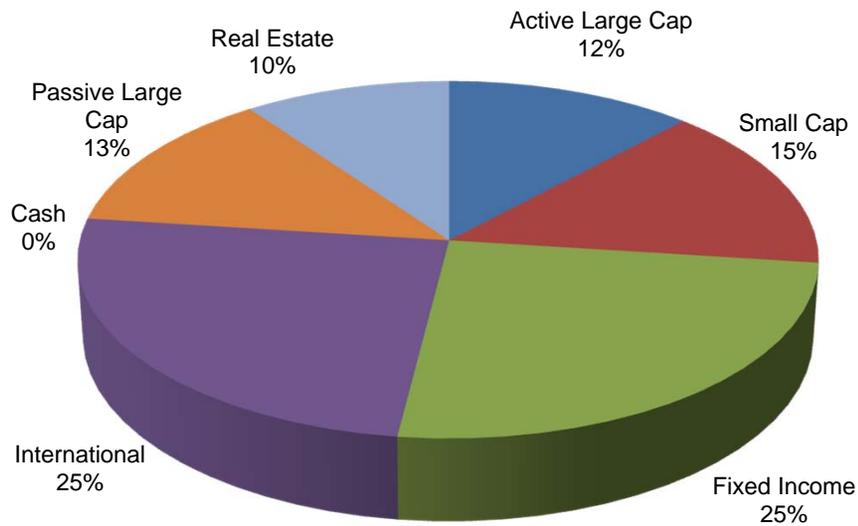


Asset Allocation

As of 7/1/2015

Target Allocation

Actual Allocation





Funding a Retirement Program



C = Contributions
I = Investment Income

B = Benefits
E = Expenses



Actuarial Terminology

- **Total Liability:** value of all future benefit payments in today's dollars
- **Normal Cost:** allocation of Total Liability to current year of service worked by active members
- **Actuarial Liability:** Target asset value based on the financing mechanism, assumptions, benefit structure and membership

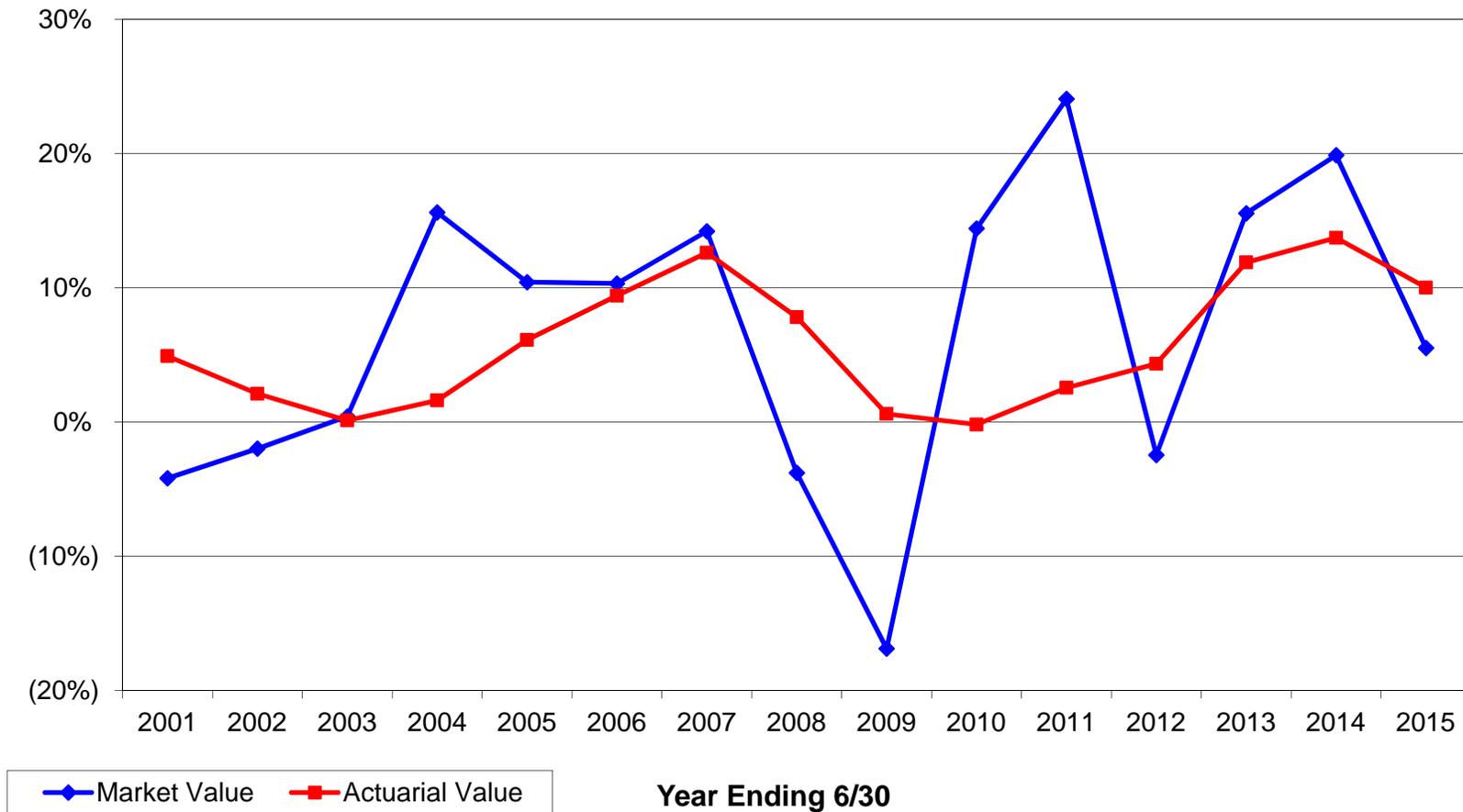


Actuarial Terminology

- Actuarial Assets: Smoothed value of assets used in the valuation process
- Unfunded Actuarial Liability (UAL): Actuarial Liability minus Actuarial Assets
- Actuarial Contribution Rate = Sum of Normal Cost and UAL Payment

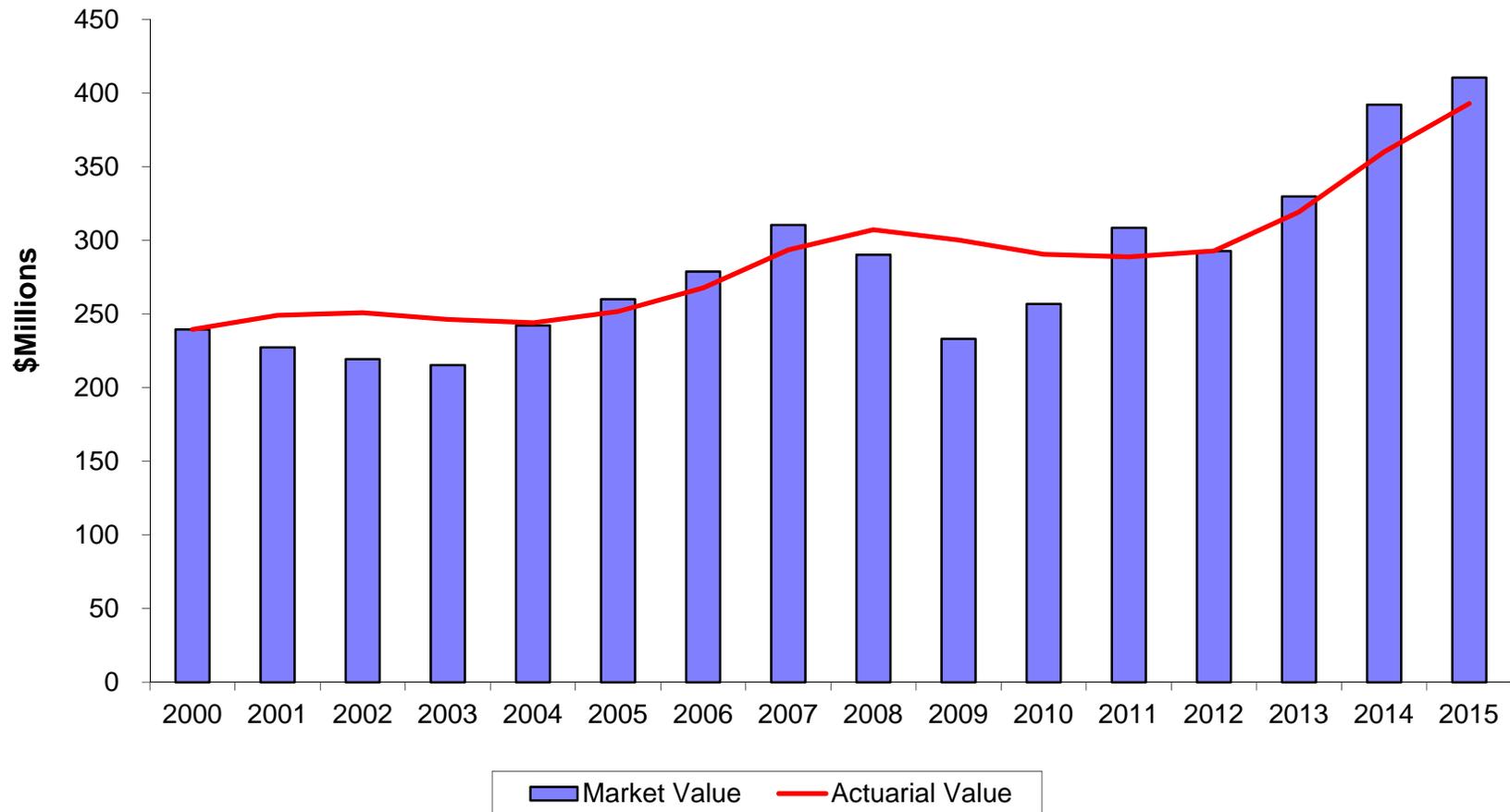


Market and Actuarial Return





Value of Assets – Market and Actuarial





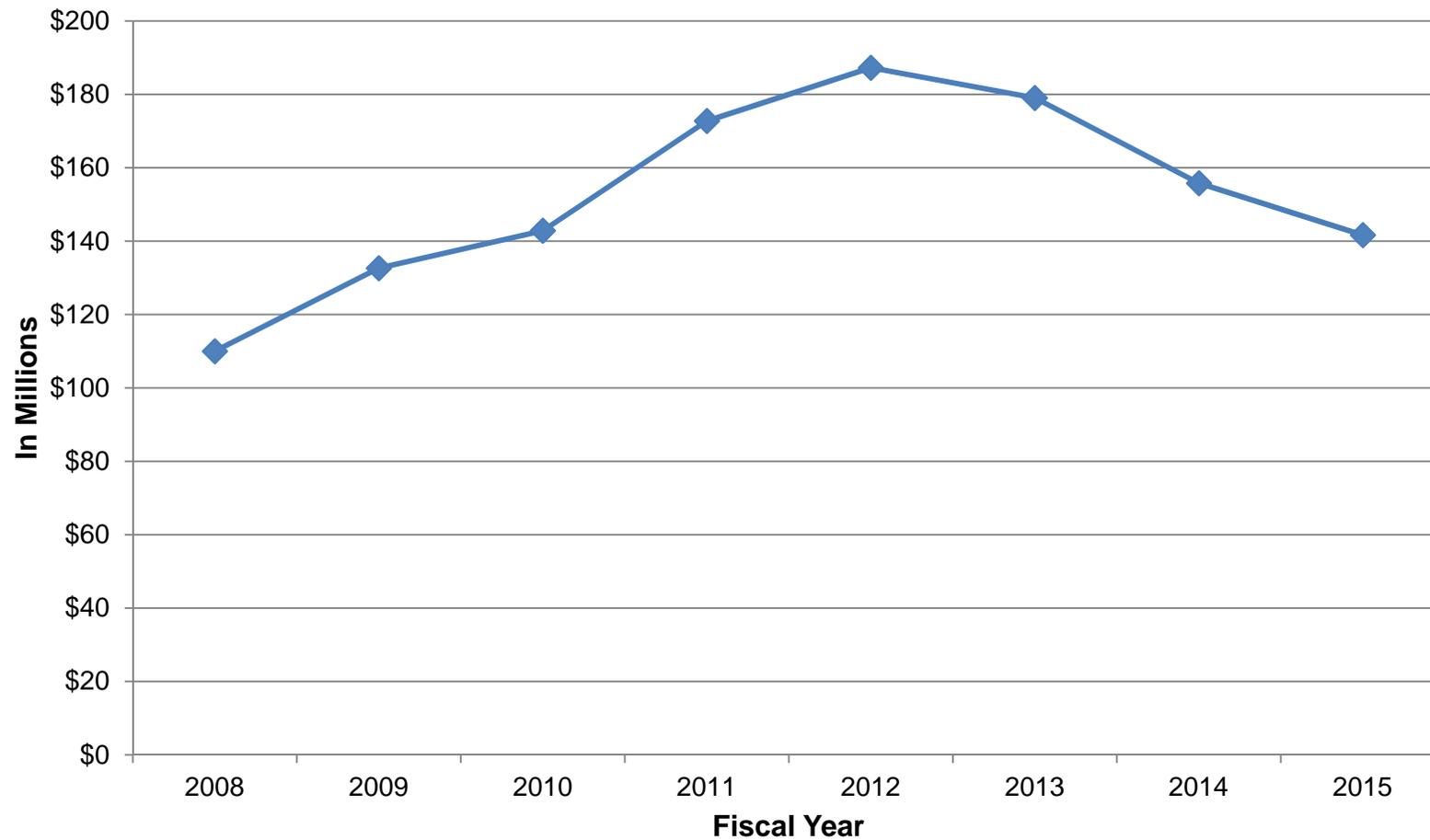
Key Valuation Measurements

(\$ in Millions)

	<u>As of July 1,</u>	
	<u>2015</u>	<u>2014</u>
Actuarial Liability	\$ 535	\$ 516
Actuarial Assets	<u>393</u>	<u>360</u>
Unfunded AL	\$ 142	\$ 156
Funded Ratio (AVA)	74%	70%
Market Value Assets	\$ 411	\$ 392
Funded Ratio (MVA)	77%	76%



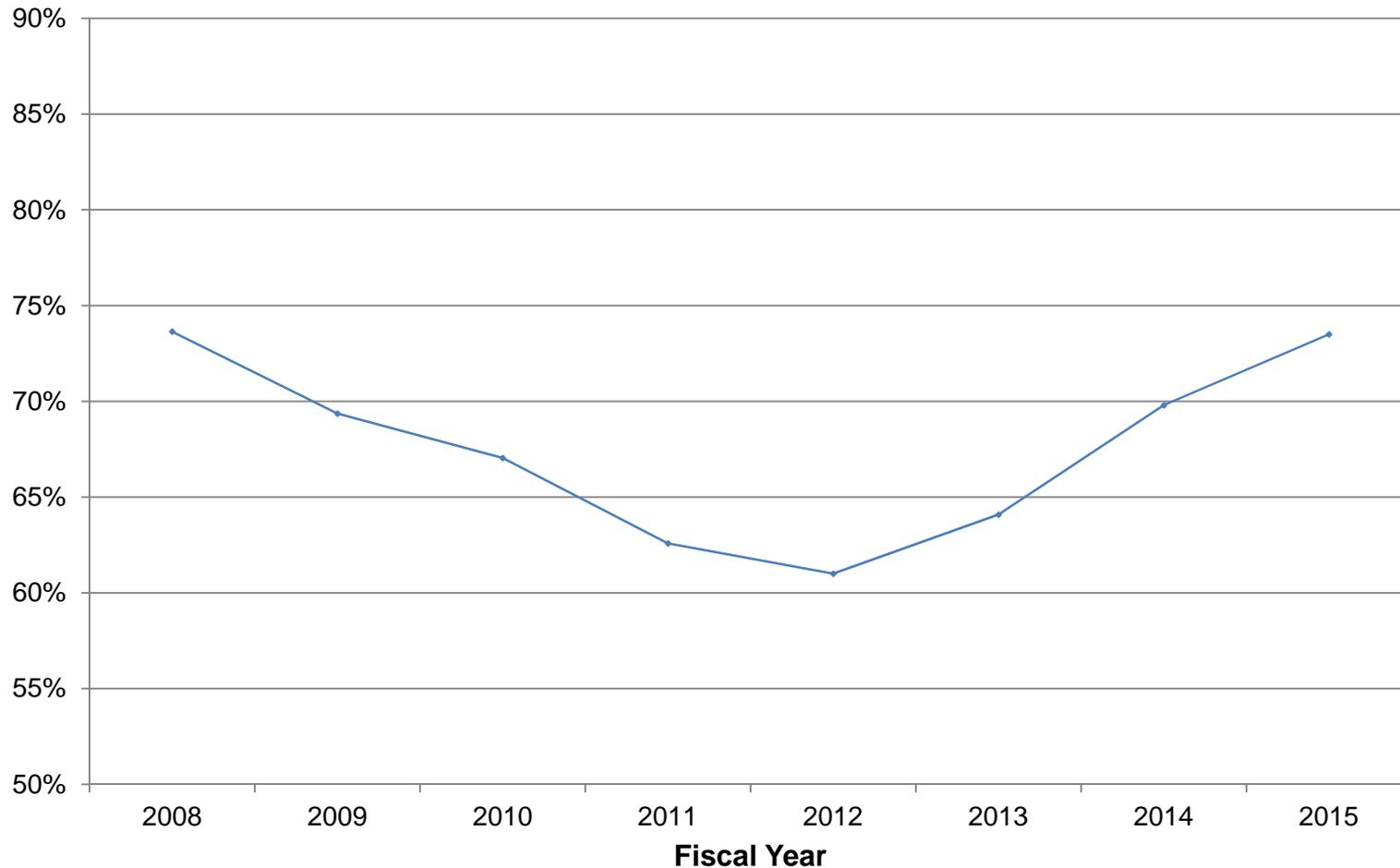
Unfunded Actuarial Liability



The Entry Age Normal method which reports an unfunded actuarial liability has only been used since 2008.



Historical Funded Ratio



The Entry Age Normal method has only been used since 2008 so funded ratios are reported for those year only.



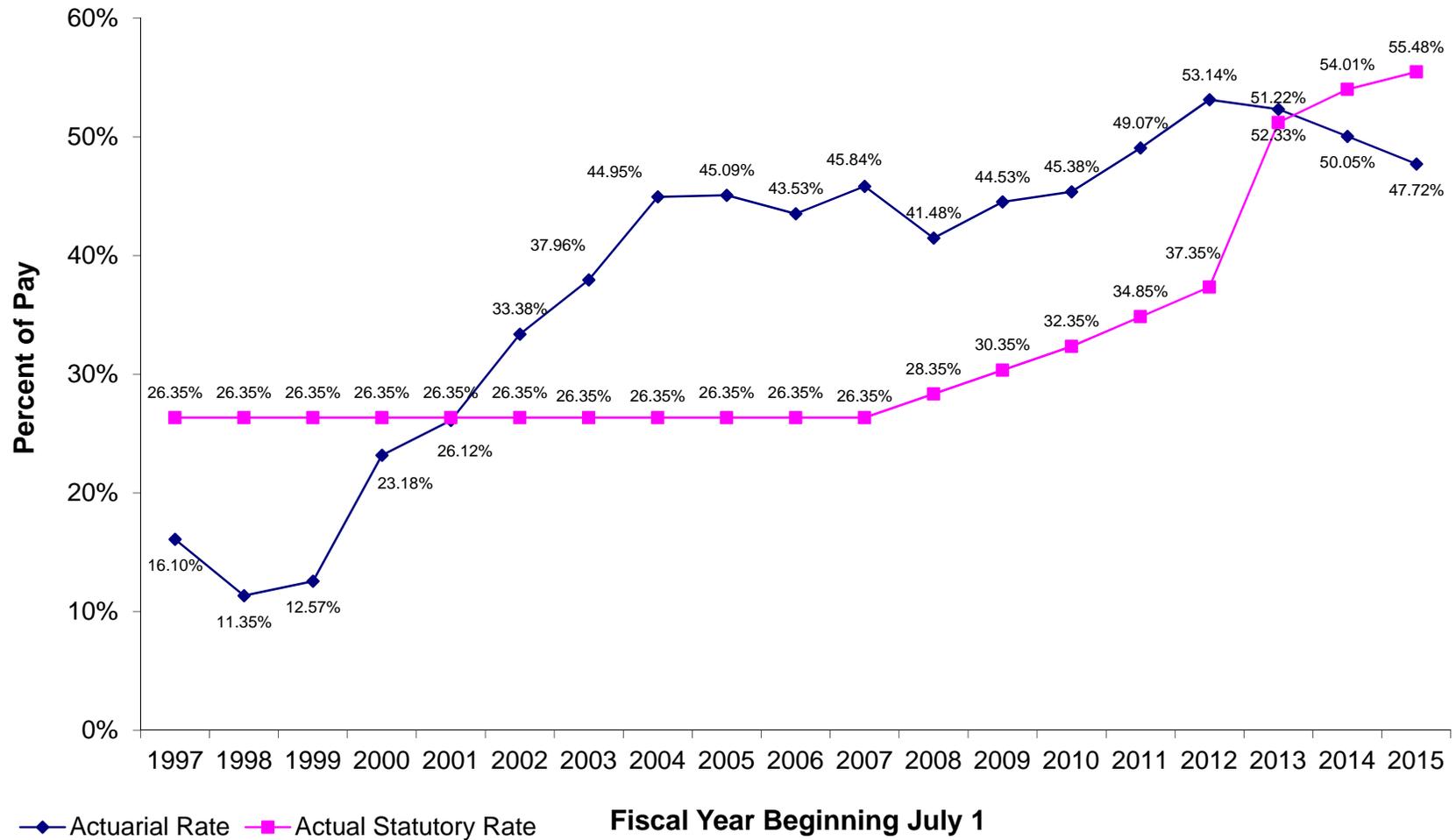
Key Valuation Results

	<u>Fiscal Year Beginning</u>	
	<u>7/1/2015</u>	<u>7/1/2014</u>
Normal Cost	26.43%	26.13%
UAL Payment	<u>21.29%</u>	<u>23.92%</u>
Total Actuarial Contribution Rate	47.72%	50.05%
Member Rate	<u>(11.40%)</u>	<u>(11.40%)</u>
Employer Rate	36.32%	38.65%
State Fixed Contribution Rate	(33.00%)	(31.00%)
Supplemental Contribution*	(11.08%)	(11.61%)
Contribution Shortfall/(Margin)	(7.76%)	(3.96%)

* \$5 million State supplemental contribution scheduled for the fiscal year.

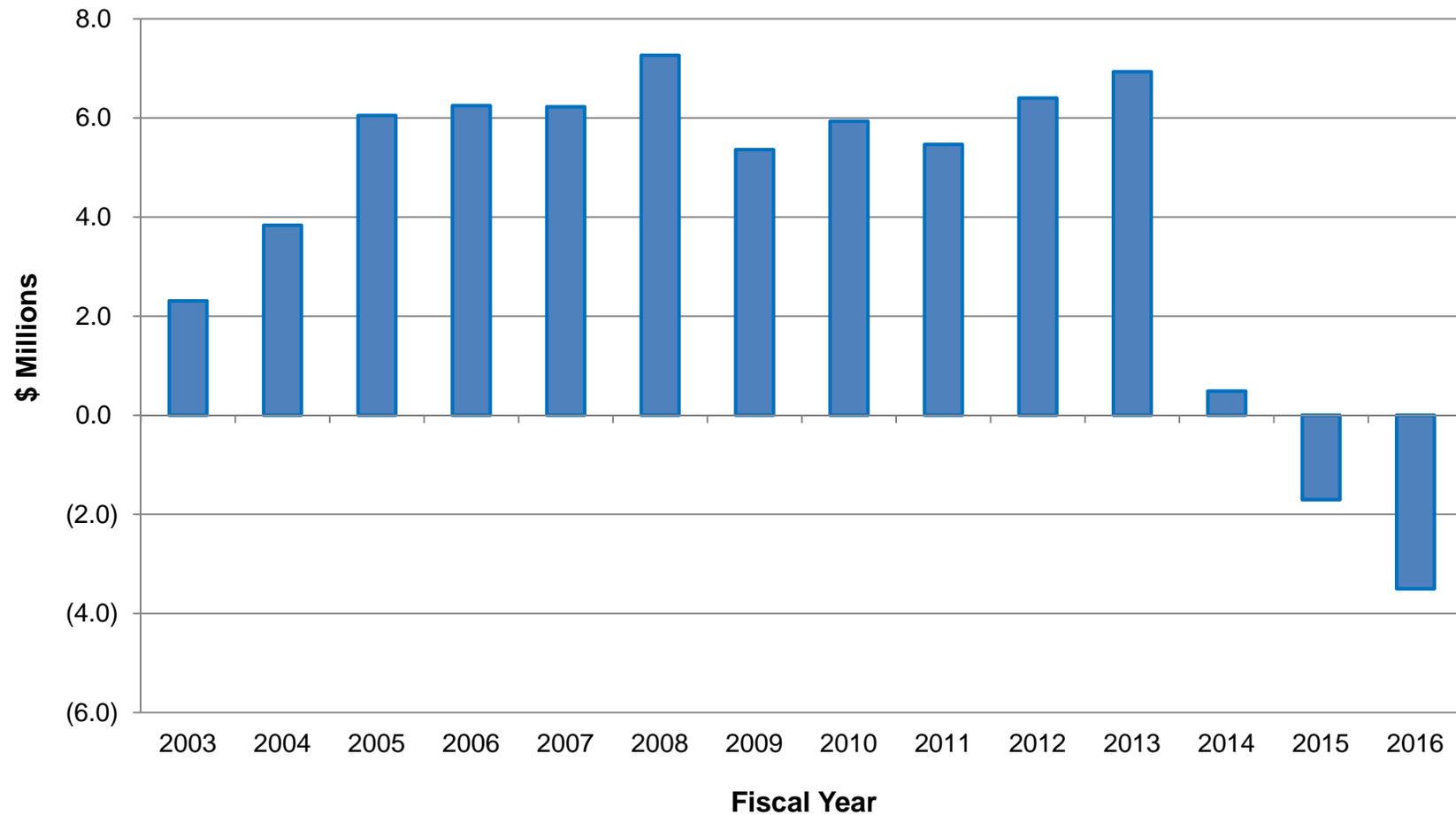


Historical Contribution Rates





Contribution Shortfall/(Margin)





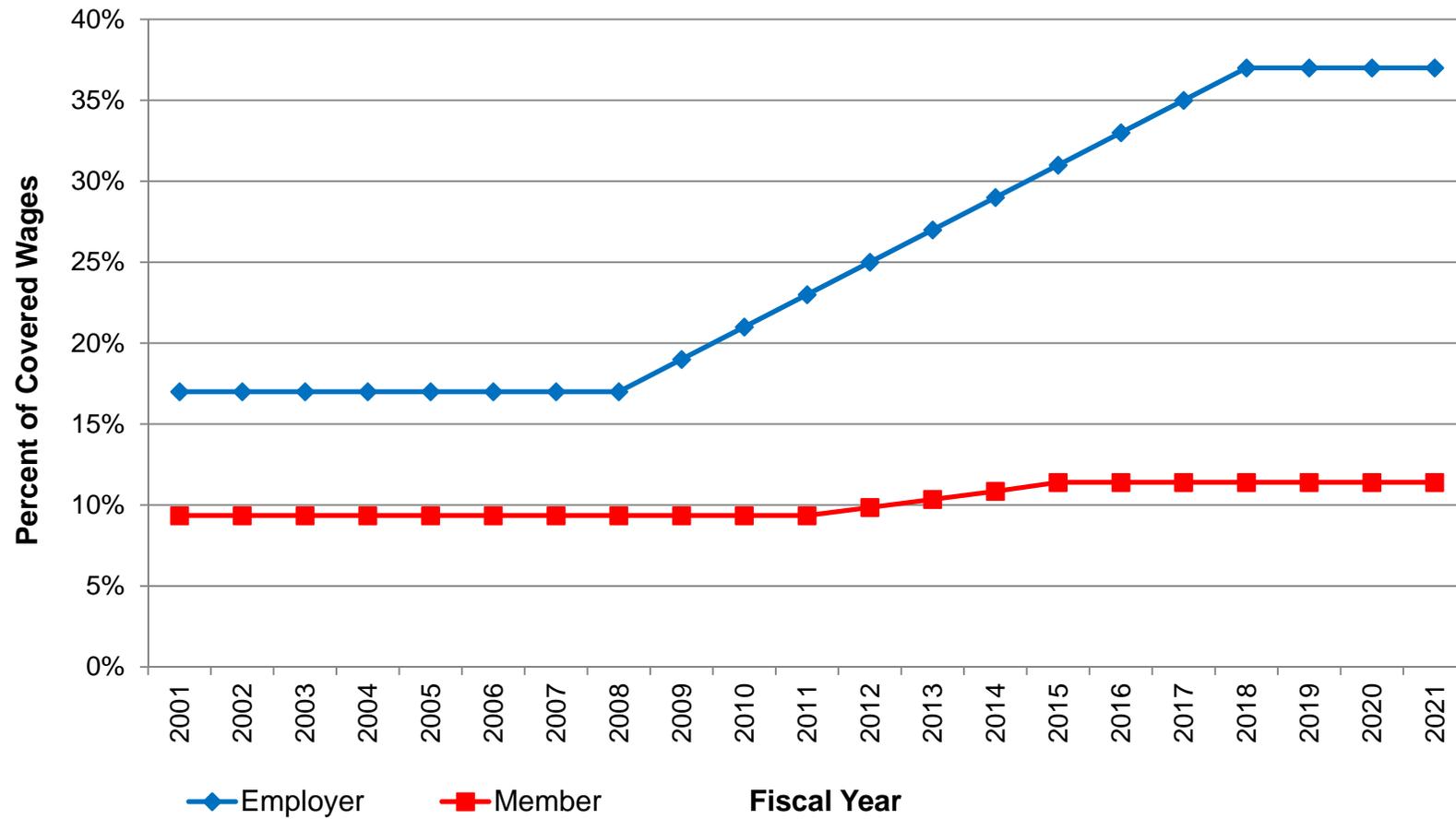
Changes Made to Help Funding Status

Changes Made in 2010 Session:

- Clarified the adjustment of pensions pursuant to 97A.6(14)(a)(2a), otherwise known as the flat escalator. Estimated impact on the required contribution rate of 2.24%, or an annual savings of \$940,000.
- Extended the annual 2% increase in employer contribution rate from FY2012 to FY2017, increasing to 37% (up from 27%)
- Provided a supplemental general fund appropriation of \$5,000,000 beginning in fiscal year 2013 (extended to fiscal year 2014) until the funded ratio reaches 85%
- Increased the employee contribution rate by .5% points each year over the following four years, for a total of 2% (from 9.35% to 11.35%)

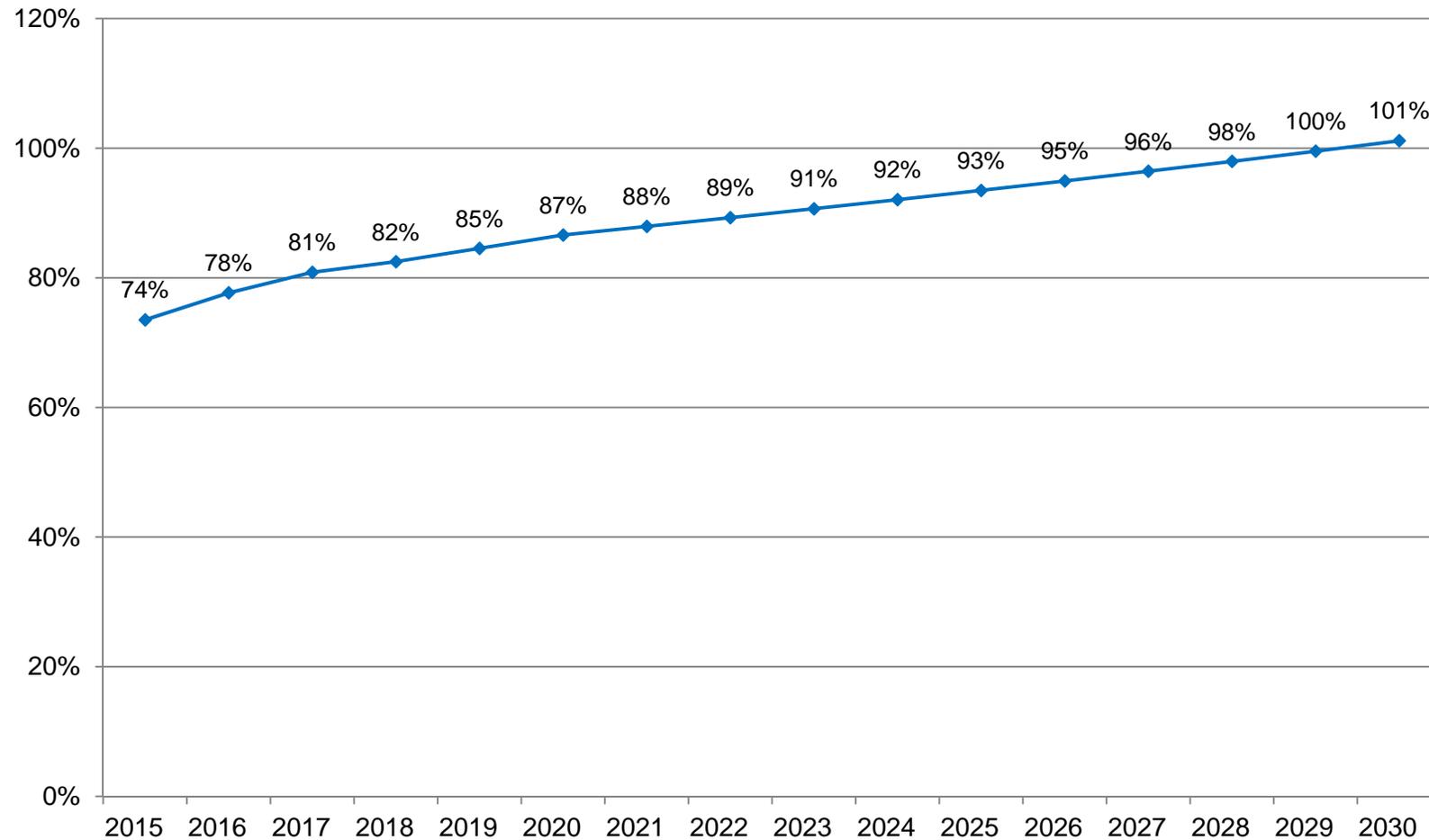


Statutory Contribution Rates Fiscal Years 2001-2021





Projected Funded Ratio



Note: Assumes all actuarial assumptions are met, including an 8% return on the market value of assets and all scheduled contributions, in statute, are made to the System.



Comments

- Positive outlook
 - Due to asset smoothing method, gain on actuarial assets in FY 2015
 - Market value of assets still exceeds the actuarial value
 - Contribution margin increased which provides ability of the system to absorb adverse experience in the future.

- Long-term financial health is dependent on future investment returns and contributions, including the supplemental payment of \$5 million

- Impact of higher contributions on funded ratio takes a long time to materialize in the valuation results