

**Legislative  
Interim Report  
Public Retirement  
Systems Committee  
December 8, 2021**



Board of Trustees  
Municipal Fire and Police  
Retirement System of Iowa  
7155 Lake Drive, Suite 201  
West Des Moines, IA 50266

# Mission Statement

MFPRSI provides a comprehensive set of retirement and disability benefits to eligible local police officers and firefighters in a sound, sustainable, and efficient manner in accordance with the requirements of the program's governing statute.

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# Establishment and Governance

## Establishment

MFPRSI was created on January 1, 1992, by an act of the 1990 Iowa General Assembly, Iowa Code Chapter 411. House File 2543 stated that a 13-member Board of Trustees (9 voting members, 4 nonvoting legislative members) oversee the retirement system.

## Governance

The Board of Trustees is comprised of the following:

Two firefighter representatives and two police representatives:

- Marty Pottebaum, retired police officer, Sioux City (Chairperson)
- June Anne Gaeta, retired firefighter, Muscatine
- David McFarland, active police officer, Waterloo
- Jason Zilk, active firefighter, Des Moines

Four representatives of the participating cities:

- Duane Pitcher, Ames
- Laura Schaefer, Carroll
- Nicholas Schaul, Des Moines
- Michelle Weidner, Waterloo

One private citizen selected by the Board of Trustees:

- Mary Bilden, CPA, Boone (Vice Chairperson)

Two Senators from the Iowa Senate and two Representatives from the Iowa House of Representatives. All four legislative members are non-voting participants.

- Senator Jackie Smith, Senate District 7
- Senator Roby Smith, Senate District 47
- Representative Eric Gjerde, House District 67
- Representative Bobby Kaufmann, House District 73

# System Creation

In May of 1990 the Iowa General Assembly enacted legislation, House File 2543, to consolidate 87 local (municipal) police and fire retirement plans. House File 2543 provided the following requirements for participating cities in the newly created retirement system:

- Cities whose police and fire departments were under the State of Iowa's civil service law at the time of the legislation's adoption were required to enroll in the retirement system.
- Cities whose population was under 8,000 prior to the federal census in 1990 were not required to join. If a city surpasses 8,000 citizens after 1990, they are also not required to join.
- Cities that did not have a paid fire and/or police department at the time of the legislation were not required to enlist in the retirement system.

These criteria grouped the 49 participating cities that are still associated with MFPRSI today.

- Additionally, the legislation conceived a "statewide" system rather than a "state" system. The implication was that the 49 participating cities act in a coordinated fashion rather than the retirement system exist as a state entity separate and distinct from the cities.
- Approximately \$575 million in investment assets were transferred from the cities to the retirement system in 1992.
- As of June 30, 2021, MFPRSI manages over \$3.3 billion in assets. The retirement system currently has over 8,000 members.

# System Creation

## Membership Cities

Ames	Ankeny	Bettendorf	Boone	Burlington
Camanche	<i>Carroll</i>	Cedar Falls	Cedar Rapids	Centerville
Charles City	Clinton	<i>Clive</i>	Council Bluffs	Creston
Davenport	Decorah	Des Moines	<i>DeWitt</i>	Dubuque
<i>Estherville</i>	<i>Evansdale</i>	Fairfield	Ft. Dodge	Ft. Madison
Grinnell	<i>Indianola</i>	Iowa City	Keokuk	<i>Knoxville</i>
<i>Le Mars</i>	<i>Maquoketa</i>	Marion	Marshalltown	Mason City
Muscatine	Newton	Oelwein	Oskaloosa	Ottumwa
<i>Pella</i>	Sioux City	Spencer	Storm Lake	Urbandale
Waterloo	<i>Waverly</i>	Webster City	West Des Moines	

*Italics denote police department participation only.*

# Responsibilities & Major Program Activities of MFPRSI

## Program Responsibilities

- Collection of member and employer contributions.
- Pre-retirement and refund counseling.
- Administration of a permanent disability program.
- Execution of regular benefit and refund payrolls.
- Compliance with federal legal/tax requirements.
- Implementation of a diversified investment policy.
- Application of statutory provisions (including marital and dependent provisions).
- Extensive member communications.

# Responsibilities & Major Program Activities of MFPRSI

## 10-Year Actuarial Experience Analysis

- The study, provided by the retirement system's actuary, included data used for actuarial evaluations as of July 1 annually for the years 2010 through 2020.
- The study's purpose was the following:
  - Compare the actual experience of the retirement system with the current actuarial assumptions used in the annual actuarial valuation;
  - Make any observations and suggest to the Board to evaluate alternative assumptions based on the historical actual experience; and,
  - To take into account consideration of expected future experience.
  - Examination of actuarial experience and adjustment of assumptions (conducted by retirement system's actuary, SilverStone Group) every five years.
- The assumptions were reviewed for reasonableness and the Board did not make any recommendations for changes.

## Strategic Plan Review

- The Strategic Plan is a review of the system's comprehensiveness, efficiency, soundness, and sustainability.
  - The aim of the Strategic Plan is to compare measurable factors between MFPRSI with other similarly sized plans in the U.S.
  - Included in the review are benefit structure, administrative costs, net investment returns, investment return standard deviation, and analysis of actuarial methods employed by the retirement system.
- The retirement system was found to be in-line with its peers on all these measurable data points.

# Responsibilities & Major Program Activities of MFPRSI

## Other Major Program Activities

- Adoption of national standards for the pre-employment medical protocols and review of activities of the medical examination network.
- Use of document imaging system to electronically maintain member records and data, thus eliminating dependence on paper records.
  - The document system also enhances the staff's efficiency of processing and long-term security of data.
- The administration is currently in the process of implementing online access for its membership, allowing members to obtain and review forms and basic personal information.
  - The platform is called, My411, and it has been rolled out to active members with the goal of including retired members later in 2021.
- Systematic investment policy revisions (asset - liability forecasting).
- Annual investment policy implementation and oversight (scheduled meetings, quarterly updates).
- Review and evaluation of goals.
- Legislative changes (i.e., technical advice and implementation).
- Escalator program (annual benefit adjustment - July 2021, 3,779 individuals, \$86.77 per individual per month, 2.2% increase).

# Responsibilities & Major Program Activities of MFPRSI

## Other Major Program Activities - Continued

- Federal legislative interest in public funds (i.e., monitor and comment as warranted).
- Litigation representation (e.g., District, Appeals, and Iowa Supreme Court).
- DROP implementation in 2007 - 50% of those eligible have participated.
- Federal PPA of 2006 (i.e., retiree income tax exclusion, up to \$3000, for health insurance).
- Annual comprehensive review of audit controls and safeguards for the retirement system's portfolios.
- Conduct annual actuarial valuation of benefit program and establish contribution rates.
- Keep members and stakeholders informed of the retirement system's activities through a comprehensive communications program.

# Program Description & Statistics

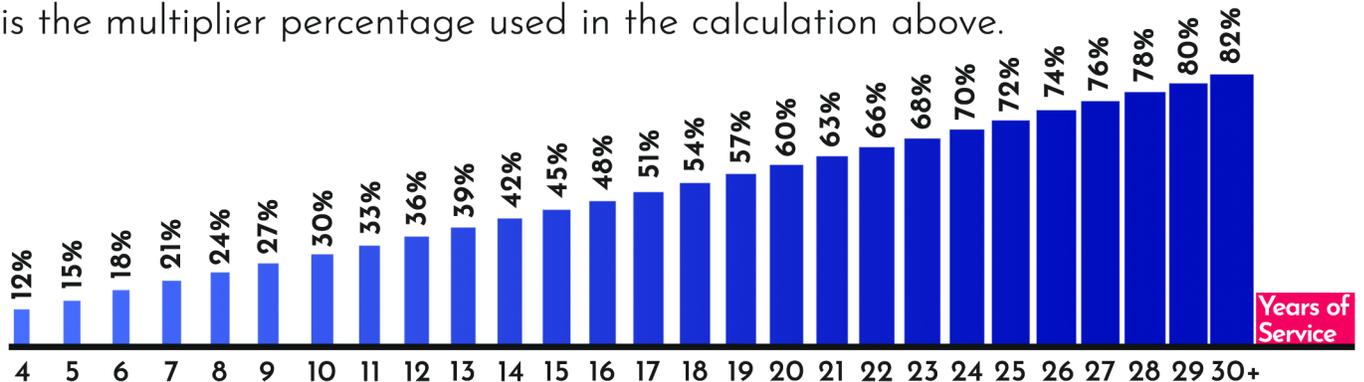
## Basic Benefit Calculation

The average of a member's

$$\begin{array}{c}
 \text{HIGHEST} \\
 \text{THREE YEARS} \\
 \text{of earnable} \\
 \text{compensation}
 \end{array}
 \times
 \begin{array}{c}
 \text{MULTIPLIER} \\
 \text{PERCENTAGE} \\
 \text{found on} \\
 \text{the chart below}
 \end{array}
 =
 \begin{array}{c}
 \text{BASIC} \\
 \text{BENEFIT}
 \end{array}$$

## Basic Benefit Multiplier Percentages

To find a member's basic benefit multiplier percentage, locate their number of years served on the chart. The corresponding percentage is the multiplier percentage used in the calculation above.



## Benefit Program Description - Disability Benefit Percentages

Basic Accidental Disability Retirement Formula\* 60%

Basic Ordinary Disability Retirement Formula\* 50%

\*An individual retiring on disability is entitled to the greater of the disability formula or the percentage payable corresponding to the number of years of service that the individual has earned.

# Program Description & Statistics

**As of July 1, 2021**

## **Active Members**

Number	4,107
Average Attained Age	40.4
Average Past Service	13.2
Total Annual Compensation	\$336,941,302
Average Annual Compensation	\$82,041

## **Non-Active Members in Pay Status**

Number	4,285
Average Age (excluding children)	70.1
Total Annual Benefits	\$192,769,032
Average Annual Benefit	\$44,987
Average Age of New Service Retirements	58.2

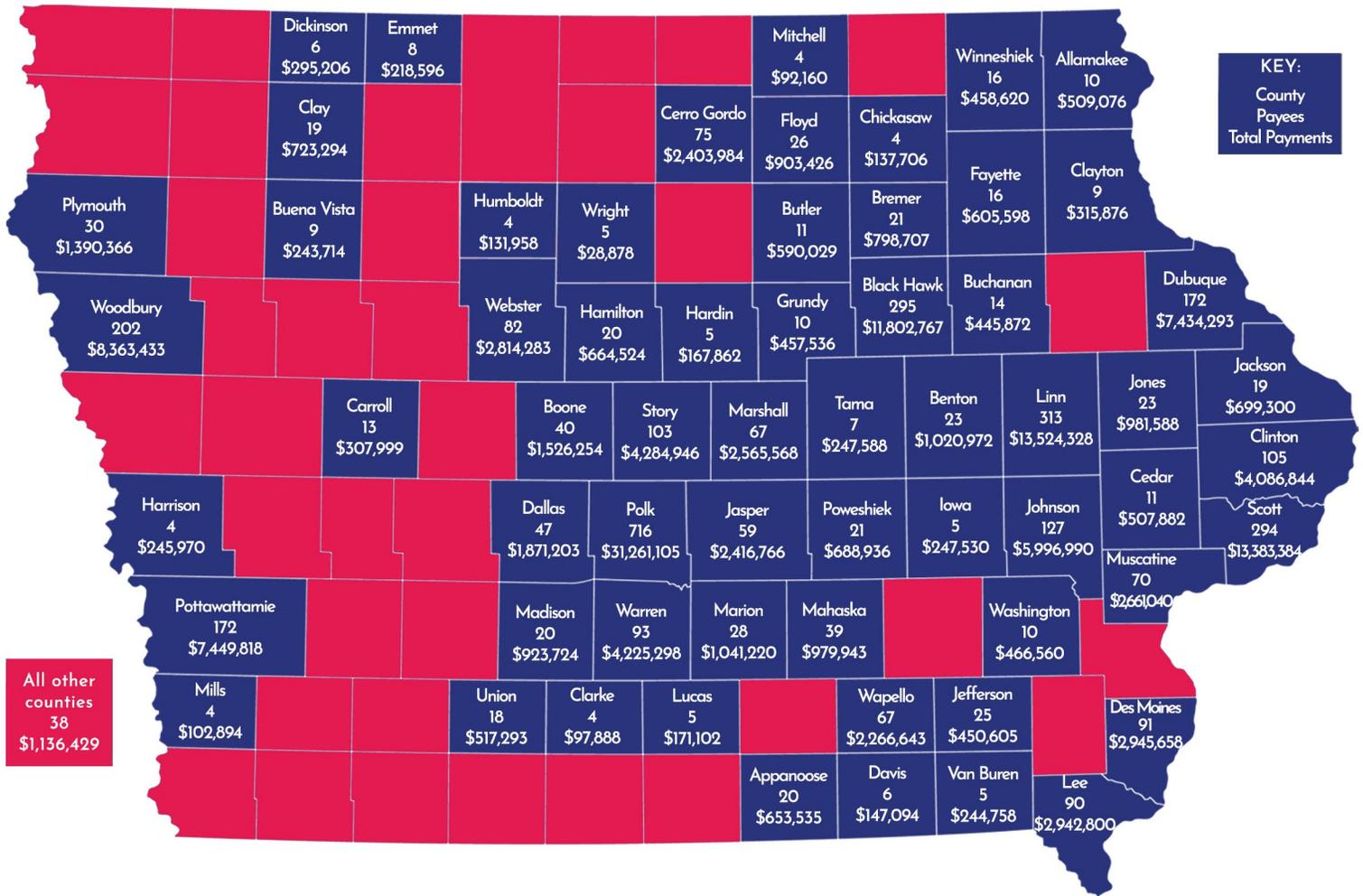
## **Non-Active Members with Deferred Benefits**

Number*	415
Average Age	43.7
Total Annual Benefits	\$8,524,068
Average Annual Benefit	\$20,540

\*Excludes 84 terminated non-vested members who had not yet received a refund of contributions as of 2021.

# Program Description & Statistics

## Benefit Payees and Total Benefit Payments by County 2020



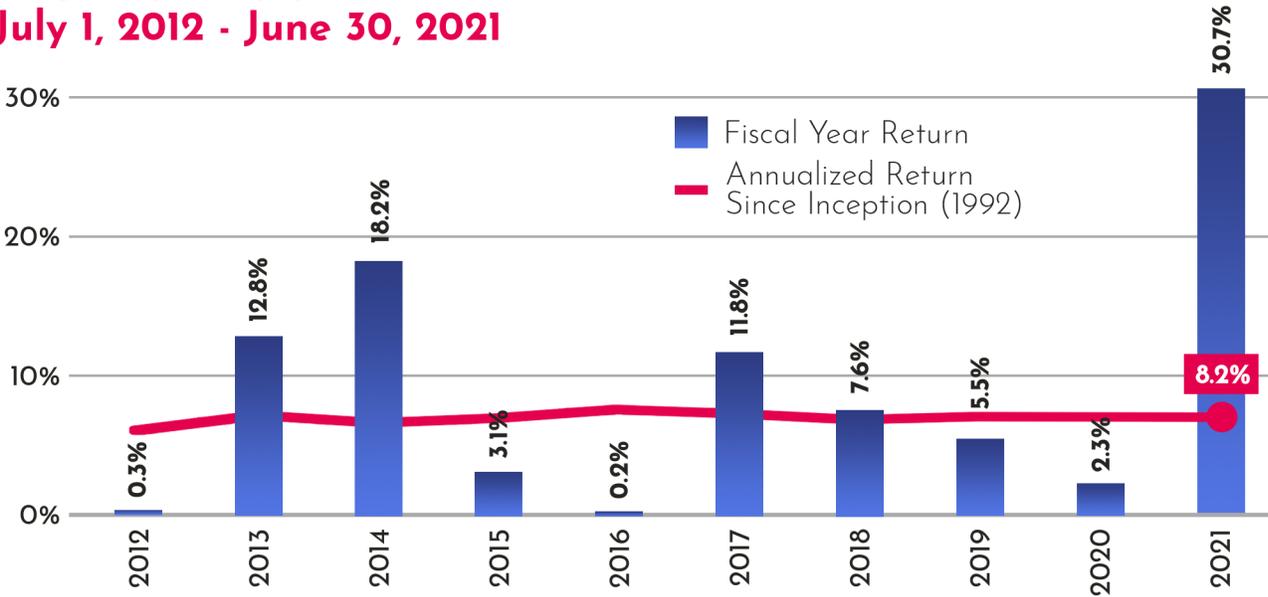
- \$181 million total benefits paid, including \$157 million paid in Iowa
- 4,557 total payees
- 3,875 payees in Iowa
- \$86 million total state-wide employer contributions

# Program Description & Statistics

## Assets and Investments

- Initial transfer liability January 1, 1992: \$574,500,000
- Market value of MFPRSI’s assets, June 30, 2021: \$3.3 billion, a positive change of \$701 million year over year according to the retirement system’s investment consultant, Marquette Associates.

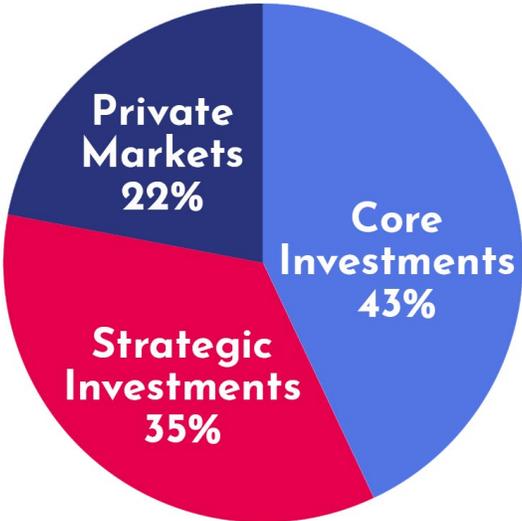
## Investment Returns July 1, 2012 - June 30, 2021



# Program Description & Statistics

## Current Investment Allocation Policy

Core Investments	43%
Strategic Investments	35%
Private Markets	22%
<b>Total Allocation</b>	<b>100%</b>



## Performance and Risk Expectation

Average annualized 10-year return	7.77%
Average annualized 10-year volatility	10.41%
Rate of Inflation %	1.70%
Actuarial Return Assumption %	7.5%*

Performance expectation and risk projection based upon Marquette Associates’ December 2020 assumptions.

\* In August 1991, the Board adopted 7.5% for its targeted rate of return for both the transition of assets from cities to the retirement system and for its ongoing investments. The 7.5% target rate has been reviewed periodically since, as recently as January 2021, and has remained as the retirement system’s target rate.

# Challenges Facing MFPRSI

1. Investment return expectations and surpassing the 7.5% actuarial assumption for the plan.
  - The Board of Trustees periodically reviews the asset/liability profile of the plan including the asset allocation policy based upon long-term expectations for the investment markets and regularly evaluates the performance of the retirement system's portfolios in the context of long-term horizons.
2. Financial status of the plan and the restoration of a 100% funding status.
  - The decline in the investment markets in 2007-2009 caused a substantial reduction in the funding status of the plan. In accordance with Iowa Code Chapter 411, the cities' contribution rate is annually adjusted to meet the actuarially determined requirement.
  - MFPRSI's funding ratio has risen to 83% after falling to 74% following the Great Recession.
3. Financial support for the retirement system from the State of Iowa.
  - MFPRSI continues to request restoration of the full State funding of 3.79% of earnable compensation that was committed to in 1977 by the State of Iowa.
  - Total impact on participating cities due to the elimination of the State of Iowa's contribution, since inception (1992): \$145,206,853.

# Challenges Facing MFPRSI

4. The administrative cost of the Pension Protection Act (PPA) of 2006.
  - The Board of Trustees strongly believes that our retired members are entitled to the tax relief provided by PPA, but the process to administer the law has become burdensome.
  - Section 845 of the PPA allows retired public safety officers to deduct health insurance premiums up to \$3,000 per year if the deductions are made from their pensions and paid by the retirement system directly to the insurer.
    - The number of insurance companies with whom the administration must coordinate has grown and will continue to grow expeditiously.
    - The administrative task of providing this benefit is becoming increasingly difficult to execute.
  - MFPRSI is working with national organizations to change the federal law to allow the retirement system to include an identifier on the member's 1099-R indicating the individual received a pension from an eligible retirement plan and is entitled to receive a tax credit up to the maximum amount or the amount of gross pension paid by the retirement system, whichever is less.
    - Such a provision would provide more proof of compliance with PPA than is presently required by federal law.

# Challenges Facing MFPRSI

## 5. COVID-19 Protocols.

- The administration implemented a safety and precaution plan that included a variety of measures, including remote working, closing the office to external visitors, and temporarily ending in-person outreach counseling in favor of phone and video conferencing.
- The administration maintained normal hours of operations and provided uninterrupted service to its members throughout the pandemic.
- In-person counseling resumed in MFPRSI's offices in late-spring 2021.

## 6. Veteran's reemployment rights and the implementation of federal and state requirements.

- 285 members of the retirement system have been called to active military duty. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) protects the reemployment rights of these individuals. Under USERRA and Iowa Code Chapter 411, the following requirements exist upon a member's return from active duty:
  - a. The member is restored to their prior position with full pay and benefits, adjusted as if they had not been called to active duty.
  - b. The member is granted membership service credit by MFPRSI for the period of military service.
  - c. Employer contributions are made to the retirement system for the period of military service. The contributions are made without interest/earnings.
  - d. The member is exempt from making the member's contributions to the retirement system for the period of military service.
  - e. Lost contributions to date: \$1,891,861.

# Challenges Facing MFPRSI

7. Evaluation of the investment activities of the firms currently managing MFPRSI's portfolios and review of asset allocation, as well as review of the operational controls and audit processes of the investment managers.
8. The Board developed mission and vision statements to help guide the retirement system. In order to assure the retirement system's goals are being met, the Board established a set of pension metrics to measure progress. These actions are delineated within the vision statement in Attachment 3 to this report.

# Legislative Activities

## No legislative changes in the past two years.

- MFPRSI continues to request restoration of the full State funding of 3.79% of earnable compensation that was committed to in 1977 by the State of Iowa.
- Responded to fiscal note requests and other legislative inquiries for information.
- MFPRSI requests Iowa Code 411.5(6)(b) be updated to match Iowa Code 97B.17(2) (IPERS)  
Iowa Code 411.5(6)(b)  
“...Member and beneficiary records containing personal information are not public records for the purposes of chapter 22. However, summary information concerning the demographics of the members and general statistical information concerning the system is subject to chapter 22, as well as aggregate information by category.”  
(Emphasis added)

### Iowa Code 97B.17(2) (IPERS)

The following records maintained under this chapter are not public records for the purposes of chapter 22:

- a. Records containing social security numbers.
- b. Records specifying amounts accumulated in members' accounts and supplemental accounts.
- c. Records containing names or addresses of members or their beneficiaries.
- d. Records containing amounts of payments to members or their beneficiaries.
- e. Records containing financial or commercial information that relates to the investment of retirement system funds if the disclosure of such information could result in a loss to the retirement system or to the provider of the information.

# July 1, 2021, Actuarial Report

## Contribution Rate Requirement

The contribution rate derived from this formula and approved by the Board will be effective July 1, 2022.

### Contribution Rate

Estimated Earnable Compensation	\$336,941,302
Estimated State's Contribution	\$0
Member's Contribution Rate	9.4%
Actuarial Calculated Rate for Cities	23.90%

## Valuation of Assets and Liabilities

### Market Value vs. Actuarial Value of Investment Assets

Market Value of Total Assets (Net)	\$3,293,610,268
Actuarial Value of Assets*	2,918,169,854
Actuarial Accrued Liability	3,518,184,403
Interest Rate Assumption	7.5%

\*MFPRSI utilizes 5-year rolling average to value assets for actuarial calculation.

# July 1, 2021, Actuarial Report

## MFPRSI Liabilities

The unfunded actuarial accrued liability is the amount the actuarial accrued liability exceeds the actuarial value of plan assets determined as of the actuarial valuation date.

### Unfunded Actuarial Accrued Liability

	2021	2020
1. Actuarial Accrued Liability		
Active members	\$1,342,335,299	\$1,332,215,721
Inactive members	2,175,849,104	2,058,133,007
Total	3,518,184,403	3,390,348,728
2. Actuarial Value of Plan Assets	2,918,169,854	2,710,027,554
3. Unfunded Actuarial Accrued Liability before changes (Excess of #1 over #2)	600,014,549	680,321,174
4. Change in Unfunded Actuarial Accrued Liability	0	0
5. Unfunded Actuarial Accrued Liability after changes (#3 plus #4)	600,014,549	680,321,174

# July 1, 2021, Actuarial Report

## MFPRSI Contributions

### Annual Contributions

	2021	2020
<u>Preliminary Total Contribution</u>		
1. Annual Normal Cost	\$58,814,108	\$56,807,678
2. Estimated Member Contributions	31,672,482	30,819,788
3. Unfunded Actuarial Accrued Liability	53,373,587	59,851,487
4. Total (Cities plus State) Contribution = #1 - #2 + #3	80,515,213	85,839,377
<u>Cities' Contribution</u>		
5. Preliminary Total Contribution = #4	80,515,213	85,839,377
6. Estimated State Contribution	0	0
7. Preliminary Cities' Contribution = #5 - #6	80,515,213	85,839,377
8. Covered Payroll	336,941,302	327,870,085
9. Cities' Contribution as a percent of payroll = #7 / #8	23.90%	26.18%
10. Minimum required contribution rate for Cities	17.00%	17.00%
11. Cities' Contribution = Greater of #9 x #8 or #10 x #8	80,528,971	85,836,388

# Funded Ratio

## Current and Projected Funded Ratio of the Plan

The following information is provided to assist the Public Retirement Systems Committee in its deliberation concerning MFPRSI. Information provided is as of the July 1, 2021, actuarial valuation study. Responses are shown using the Entry Age Normal actuarial methodology, as adopted by the Board of Trustees beginning July 1, 2011.

### Funded Ratio and Contribution Rates

	2021	2020
Current Funded Ratio		
Entry Age Normal	82.95%	79.93%
Contribution Rates		
Employee	9.4%	9.4%
Employer - Actuarially determined each year. Minimum of 17%.		
Fiscal Year 2021		26.18%
Fiscal Year 2022	23.90%	
State Contribution	\$0	\$0

Contribution projection over 25 years, using an interest rate assumption of 7.5%. See Attachment 1.

# Attachment 1:

## Contribution Rate 25-Year Forecast

### Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Actual Prior Year								
Investment Return on Assets								
- Market Value	N/A	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	N/A	11.35%	10.84%	10.74%	11.07%	7.50%	7.50%	7.50%
Covered Payroll	336,941	349,745	363,035	376,831	391,150	406,014	421,443	437,457
<b>Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization</b>								
Actuarial Accrued Liability	3,518,184	3,651,806	3,777,701	3,905,835	4,036,027	4,168,066	4,297,415	4,427,621
Asset Values								
- Market Value	3,293,610	3,451,152	3,607,379	3,759,582	3,906,791	4,052,086	4,200,920	4,353,200
- Actuarial Value	2,918,170	3,158,206	3,396,324	3,640,779	3,906,791	4,052,086	4,200,920	4,353,200
Funded Ratio (Actuarial Value Assets)	82.95%	86.48%	89.90%	93.21%	96.80%	97.22%	97.75%	98.32%
Contribution Rates (% of Payroll)								
- Cities	23.90%	21.16%	18.52%	17.00%	17.00%	17.00%	17.00%	17.00%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	33.30%	30.56%	27.92%	26.40%	26.40%	26.40%	26.40%	26.40%
Actual Cities Contribution Rate	26.18%	23.90%	21.16%	18.52%	17.00%	17.00%	17.00%	17.00%
<b>Assumptions and Data</b>								
Interest Rate	7.5%				Non-Investment Expense Growth	3.0%		
Active Members					Census Data			
- Population Growth	0.2%				- As of July 1, 2021			
- Average Age	40.4				Asset Data			
- Average Service	13.2				- As of July 1, 2021			

# Attachment 1:

## Contribution Rate 25-Year Forecast

### Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2029	7/1/2030	7/1/2031	7/1/2032	7/1/2033	7/1/2034	7/1/2035	7/1/2036	7/1/2037
Actual Prior Year									
Investment Return on Assets									
- Market Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	454,081	471,336	489,247	507,838	527,136	547,167	567,959	589,542	611,944

#### Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization

Actuarial Accrued Liability	4,558,326	4,689,124	4,819,556	4,949,107	5,077,202	5,197,998	5,315,461	5,428,758	5,536,964
Asset Values									
- Market Value	4,508,809	4,667,603	4,829,407	4,994,017	5,161,190	5,330,642	5,502,049	5,675,035	5,849,174
- Actuarial Value	4,508,809	4,667,603	4,829,407	4,994,017	5,161,190	5,330,642	5,502,049	5,675,035	5,849,174
Funded Ratio (Actuarial Value Assets)	98.91%	99.54%	100.20%	100.91%	101.65%	102.55%	103.51%	104.54%	105.64%
Contribution Rates (% of Payroll)									
- Cities	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%
Actual Cities Contribution Rate	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%

#### Assumptions and Data

Interest Rate	7.5%	Non-Investment Expense Growth	3.0%
Active Members		Census Data	
- Population Growth	0.2%	- As of July 1, 2021	
- Average Age	40.4	Asset Data	
- Average Service	13.2	- As of July 1, 2021	

# Attachment 1:

## Contribution Rate 25-Year Forecast

### Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2038	7/1/2039	7/1/2040	7/1/2041	7/1/2042	7/1/2043	7/1/2044	7/1/2045	7/1/2046
Actual Prior Year									
Investment Return on Assets									
- Market Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	635,198	659,336	684,390	710,397	737,392	765,413	794,499	824,690	856,028

#### Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization

Actuarial Accrued Liability	5,639,059	5,733,915	5,820,287	5,896,805	5,961,963	6,014,106	6,051,415	6,071,899	6,073,373
Asset Values									
- Market Value	6,023,979	6,198,903	6,373,327	6,546,554	6,717,808	6,886,218	7,050,815	7,210,522	7,364,143
- Actuarial Value	6,023,979	6,198,903	6,373,327	6,546,554	6,717,808	6,886,218	7,050,815	7,210,522	7,364,143
Funded Ratio (Actuarial Value Assets)	106.83%	108.11%	109.50%	111.02%	112.68%	114.50%	116.52%	118.75%	121.25%
Contribution Rates (% of Payroll)									
- Cities	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%
- Members	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%	9.40%
- State	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Total	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%
Actual Cities Contribution Rate	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%

#### Assumptions and Data

Interest Rate	7.5%	Non-Investment Expense Growth	3.0%
Active Members		Census Data	
- Population Growth	0.2%	- As of July 1, 2021	
- Average Age	40.4	Asset Data	
- Average Service	13.2	- As of July 1, 2021	

# Attachment 2: Alternative Statutory Actuarial Reporting



September 23, 2021

Mr. Dan Cassady  
Executive Director  
Municipal Fire & Police Retirement System of Iowa  
7155 Lake Drive, Suite 201  
West Des Moines, IA 50266

RE: July 1, 2021 Alternative Actuarial Reporting to General Assembly

Dear Dan:

Enclosed are the results of the alternative actuarial valuation for the Municipal Fire & Police Retirement System of Iowa under common standards for General Assembly reporting. This reporting is based on the Entry Age Normal Cost Method as required for reporting to the General Assembly reflecting a level percent of pay amortization of the Unfunded Accrued Liability. We present below a summary of the July 1, 2021 actuarial valuation results under the current and alternative reporting and have also attached details of the calculation.

	Current Reporting	Alternative Reporting
Cities Contribution Rate		
- Prior to 17% Minimum	23.90%	16.15%
- After 17% Minimum	23.90%	17.00%
Cost Method	Entry Age Normal	Entry Age Normal
Amortization Period	25 Years	30 Years
Amortization Method	Level Dollar Closed	Level Percent of Pay Open
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing
Interest Rate	7.5%	7.5%
Inflation Growth*	N/A	N/A
Funded Ratio	82.95%	82.95%

Please note the funded ratio is determined by comparing the actuarial value of assets to the actuarial accrued liability for this reporting purpose. All other assumptions and methods are consistent with those used for the July 1, 2021 actuarial valuation.

\* For current reporting purposes, there is no explicit inflation growth assumption. Inflation growth is implicitly part of the valuation interest rate and salary growth assumptions, but is not explicitly defined. Further, currently the annual escalator benefit for retirees and beneficiaries is a fixed percentage plus a fixed dollar amount per year, not based on inflation growth.

Please do not hesitate to call me if you have any questions or if we can be of additional assistance.

Sincerely,

Michael S. Ehmke, ASA, EA, MAAA  
Principal

MSE/lsa

Enclosure

# Attachment 2: Alternative Statutory Actuarial Reporting

## MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

### Current and Alternative Reporting As of July 1, 2021

<b>Current Reporting*</b>	<b>Entry Age Normal (25 Yr Level \$)</b>
1. Plan Liability- Actuarial Accrued Liability	3,518,184,403
2. Actuarial Value of Assets	2,918,169,854
3. Funded Ratio = (2)/(1)	82.95%
4. Unfunded Accrued Liability = (1)-(2)	600,014,549
5. 25-year Level Dollar Closed Layered Amortization of (4)	53,373,587
6. Normal Cost	58,814,108
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	112,187,695
8. Estimated Member Contributions	31,672,482
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	80,515,213
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$336,941,302)	23.90%
<b>Alternative Reporting**</b>	<b>Entry Age Normal (30 Yr Level %)</b>
1. Plan Liability- Actuarial Accrued Liability	3,518,184,403
2. Actuarial Value of Assets	2,918,169,854
3. Funded Ratio = (2)/(1)	82.95%
4. Unfunded Accrued Liability = (1)-(2)	600,014,549
5. 30-year Level Percent of Pay Amortization of (4)	27,271,160
6. Normal Cost	58,814,108
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	86,085,268
8. Estimated Member Contributions	31,672,482
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	54,412,786
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$336,941,302)	16.15%

\*Current Reporting: Entry Age Normal Cost Method, 25 Year Level Dollar Closed Layered Amortization of UAL, 7.5% interest rate, RP 2014 Blue Collar Healthy Annuitant Mortality with 50% of Scale BB Improvement Projection and Graded Salary Growth

\*\*Alternative Reporting: Entry Age Normal Cost Method, 30 Year Level Percent of Pay Amortization of UAL, 7.5% interest rate, RP 2014 Blue Collar Healthy Annuitant Mortality with 50% of Scale BB Improvement Projection and Graded Salary Growth

# Attachment 3:

## Vision Statement

### Comprehensive

Adequacy of retirement and disability benefits to attract and retain top quality police officers and firefighters and provide for them and their families when they are no longer working or able to do so. Retirement and disability benefits should be competitive with comparable police and fire systems.

- In 2021, MFPRSI researched and compared the benefits to 8 similarly-sized public safety retirement plans and concluded that MFPRSI's benefits remain competitive. The Plan's minimum retirement age of 55 was slightly higher than the survey average of 53. The Plan's 3% multiplier for the first 22 years was above the survey average of 2.48% for public safety plans not covered by social security. "Final average salary" based on 3 years of earnable compensation was slightly lower than the survey average of 3.38 years. The member's contribution rate of 9.4% was slightly above the survey average of 9.30% for public safety employees not covered by social security.
- Next comparison of benefit levels scheduled for 2024.

# Attachment 3:

## Vision Statement

### Efficient

Managing the system and the investment portfolio in a timely, professional, cost effective and customer-oriented manner. Obtaining top quality management services for a cost that is mid-range for comparable systems. The investment portfolio should provide net returns in the top quartile for similarly-sized plans. On a risk-adjusted basis the portfolio's returns should be no less than the median for public plans.

- MFPRSI annually compares its administrative costs to eight similarly-sized public safety retirement plans using data from the plans' financial reports. The most recent study compared 2020 data and showed that MFPRSI's average administrative cost per member was at the median at \$223.
- In order to define the retirement system's peer universe, Marquette used InvestorForce public DB plans with net returns between \$1 billion - \$5 billion. As of December 31, 2020, MFPRSI's 1- and 10-year net returns were in the top quartile at 13.4% and 8.4%, respectively, while the 3- and 5-year net returns were slightly below the top quartile at 8.3% and 9.3%, respectively.
- MFPRSI annually uses a rolling trend analysis to compare its 5-year returns and standard deviation against all public funds between \$1 billion to \$5 billion. MFPRSI's 5-year return was slightly below the top quartile with a standard deviation below the median.
- MFPRSI will conduct satisfaction surveys with both its membership and employer cities to obtain comments and opinions of the level of service provided by MFPRSI. Surveys will be conducted in late 2021.

# Attachment 3:

## Vision Statement

### Sound

Stable and secure retirement benefits and funding policy based upon fiduciary principles, appropriate risk management policies and independent governance. Funding should be based upon actuarially determined contribution rates and intergenerational equity, and a disciplined, accountable and transparent funding policy. Investment practices should be cognizant of unexpected volatility.

- Most recent five-year study of all assumptions completed in May 2018. In January 2021, at the mid-point of the five-year review cycle, assumptions were reviewed for reasonableness and no recommendations for changes were made. The next review is scheduled for May 2023.
- The Board has received education sessions from its investment consultant, Marquette Associates, and legal counsel, BrownWinick, covering investment themes and fiduciary standards.

# Attachment 3:

## Vision Statement

### Sustainable

The retirement system shall be economically and politically durable. Economically, the retirement system should sustain progress toward 100% funded status while maintaining employer contributions on a consistent basis at 30% or less of covered payroll. Significant year-to-year variability in funding requirements should be avoided for both members and cities. Once full funded status is achieved, benefit or contribution changes should take into consideration necessary buffers against inevitable financial market downturns.

- Most recent five-year study of all assumptions completed in May 2018. In January 2021, at the mid-point of the five-year review cycle, assumptions were reviewed for reasonableness and no recommendations for changes were made. Marquette Associates projected the 10-year return at 7.9%. The next review is scheduled for May 2023.