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Legislative Interim Report

Public Retirement Systems Committee

December 6, 2023

Board of Trustees

Municipal Fire & Police Retirement System of Iowa

7155 Lake Drive, Suite 201

West Des Moines, IA 50266

MFPRSI

MFPRSI

MUNICIPAL FIRE & POLICE
RETIREMENT SYSTEM OF IOWA

Mission Statement

The system is an independent leader delivering promised retirement and disability benefits to eligible municipal firefighters and police officers through responsible stewardship of assets held in trust.

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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 (Vice Chairperson)
- Eric Snyder, active police officer, Ames
- Jason Zilk, active firefighter, Des Moines

Four representatives of the participating cities:

- Mallory Merritt, Davenport
- Laura Schaefer, Carroll
- Nicholas Schaul, Des Moines
- Jennifer Sease, Ankeny

One private citizen selected by the Board of Trustees:

- Duane Pitcher, Ames

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

- Senator Nate Boulton, Senate District 20
- Senator Tim Kraayenbrink, Senate District 5
- Representative Kenan Judge, House District 44
- Representative Matthew Rinker, House District 99

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, 2023, MFPRSI manages over \$3.2 billion in assets. The retirement system currently has over 9,000 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

Strategic Plan Review

- The Board established a goal for fiscal year 2022 to review and update the retirement system's Strategic Plan.
- Over several meetings, they discussed the goals and purpose of MFPRSI.
 - This included a historical review of MFPRSI's original Strategic Plan.
 - The Board also reviewed Strategic Plan metrics:
 - The Board adopted a new Mission Statement in June 2022.
 - Additionally, the Board adopted a new Vision Statement, along with corresponding action items, in November 2022.
 - The approved Vision Statement:
 - **Independent:** To operate as a self-directed system guided by fiduciary-based decision making.
 - **Leader:** To seek best practices and innovative ideas through research-driven processes, education, and trustworthy advisors and staff.
 - **Promised:** To deliver benefits earned through a 100% targeted funding policy, an investment portfolio that meets liquidity needs and return assumptions with acceptable risk, and quality and timely services.
 - **Responsible:** To ensure a durable structure by applying consistent standards, adapting with time, evaluating risk-reward measures, security, staffing, and results-based decision making.
- SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis was undertaken.
- As a result of this work, the Board updated MFPRSI's Strategic Plan in January 2023.
 - The Strategic Plan will serve as the roadmap for long-term goals for the retirement system.

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 2012 through 2022.
- 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;
 - To take into account consideration of expected future experience; and,
 - Comply with Iowa Code Chapter 411.5(10) which requires an examination of actuarial experience and adjustment of assumptions (conducted by retirement system's actuary, SilverStone Group) at least once every five years.
- The assumptions were reviewed for reasonableness and the Board made the following changes:
 - Increased the rate of active withdrawals 10% for members below the age of 40.
 - Increased the rate of participation in the DROP (deferred retirement option plan) from 50% to 60% for ages 55 and 56.
 - Additionally, the rate of premature withdrawal from DROP was increased from 5% to 30% for ages 55 and 56.
 - For members between the ages of 35 to 54, the rate of ordinary disability was increased by 50%.
 - For accidental disabilities, the rate of occurrence was increased by 50% for ages 35 through 49.

Internal Investment Plan

- The Board approved allocating 2.5% of the total portfolio to an internally managed non-leveraged absolute return investment portfolio.
- As part of the planning for this investment, the Board discussed and adopted a new asset allocation.
 - Additionally, the board adopted a Compliance Policies & Manual, License Agreement, and Conflict of Interest Waiver.

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 implemented online access for its membership, allowing members to obtain and review forms and basic personal information.
 - The platform, called My411, has over 2,770 registered members.
- 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., Iowa exemption of retirement income, technical advice and implementation).
- Escalator program (annual benefit adjustment – July 2023: 3,870 individuals, \$90.99 per individual per month, 2.2% increase).
- 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 – 49% of those eligible have participated.
- 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.
- Reviewed, revised, and adopted the Board Manual.

Program Description & Statistics

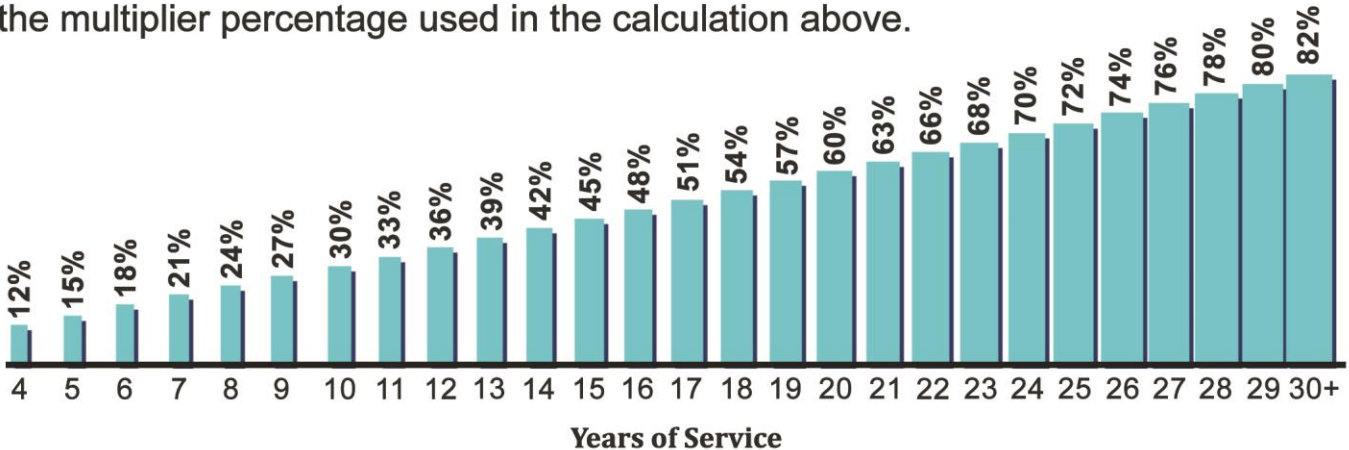
Basic Benefit Calculation

The average of
a member's

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

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, 2023

Active Members

Number	4,168
Average Attained Age	40.1
Average Past Service	12.8
Total Annual Compensation	\$374,768,422
Average Annual Compensation	\$89,916

Non-Active Members in Pay Status

Number	4,433
Average Age (excluding children)	70.3
Total Annual Benefits	\$209,546,340
Average Annual Benefit	\$47,269
Average Age of New Service Retirements	58.7

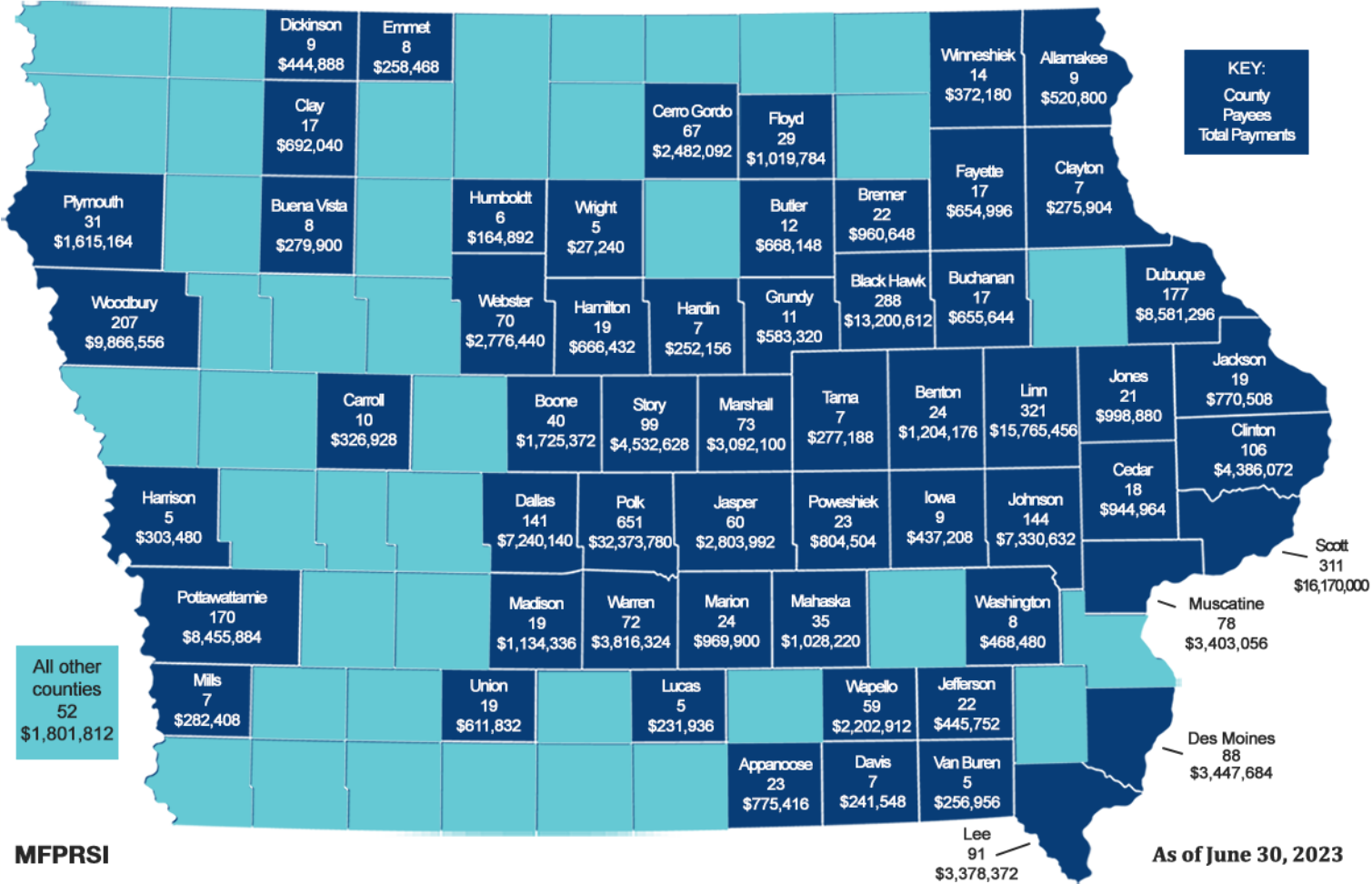
Non-Active Members with Deferred Benefits

Number*	465
Average Age	43.4
Total Annual Benefits	\$10,151,220
Average Annual Benefit	\$21,831

*Excludes 111 terminated non-vested members who had not yet received a refund of contributions as of 2023.

Program Description & Statistics

Benefit Plan - Payees and Total Benefit Payments by County



MFPRSI

As of June 30, 2023

- \$214 million total benefits paid, including \$172* million paid in Iowa.
- 85%* of retirees and beneficiaries reside in Iowa.
- \$87 million total state-wide employer contributions.

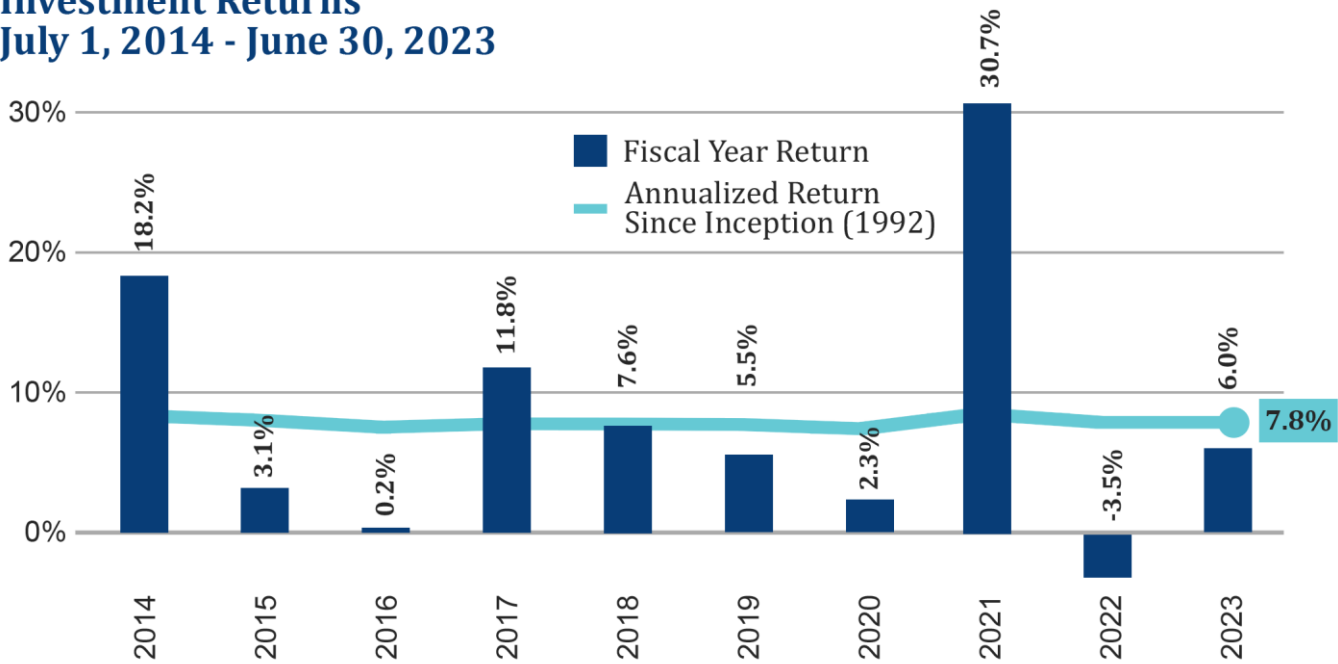
*Data includes regular payroll participants, MPOs, DROP, and refunds in the June 30, 2023, payroll.

Program Description & Statistics

Assets and Investments

- Initial transfer liability January 1, 1992: \$574,500,000
- Market value of MFPRSI’s assets, June 30, 2023: \$3.2 billion, a positive change of \$100 million year over year according to the retirement system’s investment consultant, Marquette Associates.

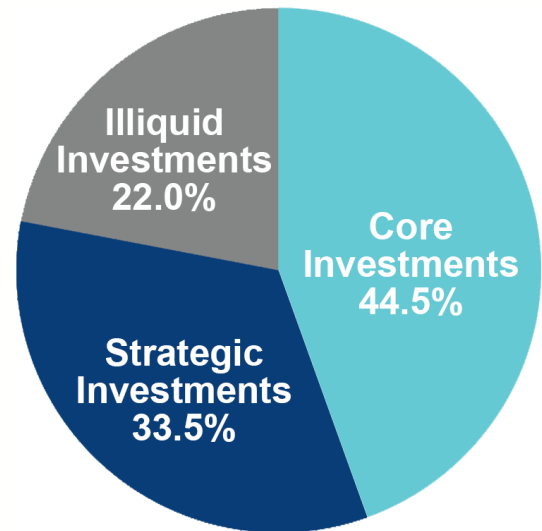
Investment Returns July 1, 2014 - June 30, 2023



Program Description & Statistics

Current Investment Allocation Policy

Core Investments	44.5%
Strategic Investments	33.5%
Illiquid Investments	22.0%
Total Allocation	100.0%



Performance and Risk Expectation

Average annualized 10-year return	8.21%
Average annualized 10-year volatility	9.32%
Actuarial Return Assumption %	7.50%

Performance expectation and risk projection based upon Marquette Associates' March 2023 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 April 2023, and has remained as the retirement system's target rate.

Challenges Facing MFPRSI

1. 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 85% after falling to 74% following the Great Recession.
2. 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): \$171,000,000.
3. The steady rise of the number of members applying and receiving disability retirements.
4. Under Iowa Code 411.1A, the purpose of Chapter 411 is to promote economy and efficiency in the municipal public safety service by providing a retirement system for the payment of pensions and a comprehensive disability program for covered members.
 - To promote the economy and efficiency in the municipal public safety service, MFPRSI has established a goal to help municipalities attract and retain quality public safety personnel.
 - There has been a substantial increase in the turnover of public safety personnel over the last 5 years.
 - Terminations are a financial gain for the retirement system, but replacement costs create a substantial burden for the municipalities

Challenges Facing MFPRSI

5. 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.
6. The increasing pressure from special interest groups and legislative bodies to divest from specific investments.
 - Investors, including pension funds, are under increasing pressure to leverage their investments to influence change in the global marketplace.
 - The cost of divesting can be significant, both on the opportunity cost of not experiencing the accumulative returns of holding the divested asset and on the sell-side where expunging the asset due to divestment pressures can lead to lower prices when selling.
 - Compliance with divestment legislation creates significant administrative burdens. Since 2011, MFPRSI has spent approximately \$90,000, in addition to manpower hours, to comply with Iowa's current divestment laws.
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. Maintaining up-to-date controls regarding cyber security and electronic data.
 - The threat of cyber crime is growing as criminals become increasingly sophisticated.
 - MFPRSI offers members a static view of their retirement account information through its online portal, www.my411.org.
 - Protocols are in place to help ensure the safety of member data.

Challenges Facing MFPRSI

9. Keeping the spending power of its retired members in line with the cost of goods during periods of inflation.
 - MFPRSI offers a cost-of-living adjustment type benefit raise each year on July 1, called the “escalator.”
 - Members receiving benefits for service retirements and disability retirements are eligible for the escalator.
 - The escalator is a 1.5 percent increase on a member’s gross monthly benefit plus a flat dollar amount depending on how long the member has been retired.
 - \$35 for members retired more than 20 years
 - \$30 for members retired between 15 and 20 years
 - \$25 for members retired between 10 and 15 years
 - \$20 for members retired between 5 and 10 years
 - \$15 for members retired fewer than 5 years.
10. Veteran’s reemployment rights and the implementation of federal and state requirements.
 - 350 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.

Legislative Activities

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.
- 2023 Legislative Changes:
 - Senate File 418 applies to investments in entities controlled by the Chinese government or military and designated by the US government as entities in which investments are restricted.
- 2022 Legislative Changes:
 - House File 2154 updated what is considered to be personal information of members for the purposes of open records requests.
 - The Chapter 411 Code now matches the IPERS 97B Code.
 - The following information is not considered public record:
 - Social security numbers;
 - Amounts accumulated in members' accounts and supplemental accounts;
 - The names or addresses of members or their beneficiaries;
 - Payment amounts to members or their beneficiaries; and,
 - Financial or commercial information relating 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.
 - House File 2373 extended the codified prohibition of investing in companies that boycott Israel by state entities.
 - Expanded the definition of a "company" to include subsidiaries, parent, and affiliate companies.

July 1, 2023, Actuarial Report

Contribution Rate Requirement

The contribution rate derived from this formula and approved by the Board will be effective July 1, 2024.

Contribution Rate

Estimated Earnable Compensation	\$374,768,422
Estimated State's Contribution	\$0
Member's Contribution Rate	9.4%
Actuarial Calculated Rate for Cities	22.66%

Valuation of Assets and Liabilities

Market Value vs. Actuarial Value of Investment Assets

Market Value of Total Assets (Net)	\$3,175,750,413
Actuarial Value of Assets*	3,215,148,052
Actuarial Accrued Liability	3,801,949,463
Investment Rate of Return Assumption	7.5%

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

July 1, 2023, 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

	2023	2022
1. Actuarial Accrued Liability		
Active members	\$1,443,115,639	\$1,368,864,249
Inactive members	2,354,909,786	2,282,753,089
Total	3,798,025,425	3,651,617,338
2. Actuarial Value of Plan Assets	3,215,148,052	3,083,242,438
3. Unfunded Actuarial Accrued Liability before assumption changes (Excess of #1 over #2)	582,877,373	568,374,900
4. Change in Unfunded Actuarial Accrued Liability	3,924,038	0
5. Unfunded Actuarial Accrued Liability after changes (#3 plus #4)	586,801,411	568,374,900

July 1, 2023, Actuarial Report

MFPRSI Contributions

Annual Contributions

	2023	2022
<u>Preliminary Total Contribution</u>		
1. Annual Normal Cost	\$65,495,151	\$61,347,565
2. Estimated Member Contributions	35,228,232	32,876,731
3. Unfunded Actuarial Accrued Liability Amortization Payment	54,638,078	51,904,632
4. Total (Cities plus State) Contribution = #1 - #2 + #3	84,904,997	80,375,466
<u>Cities' Contribution</u>		
5. Preliminary Total Contribution = #4	84,904,997	80,375,466
6. Estimated State Contribution	0	0
7. Preliminary Cities' Contribution = #5 - #6	84,904,997	80,375,466
8. Covered Payroll	374,768,422	349,752,458
9. Cities' Contribution as a percent of payroll = #7 / #8	22.66%	22.98%
10. Minimum required contribution rate for Cities	17.00%	17.00%
11. Cities' Contribution = Greater of #9 x #8 or #10 x #8	84,922,524	80,373,115

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, 2023, 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

	2023	2022
Current Funded Ratio		
Entry Age Normal	84.57%	84.43%
Contribution Rates		
Employee	9.4%	9.4%
Employer - Actuarially determined each year. Minimum of 17%.		
Fiscal Year 2023		22.98%
Fiscal Year 2024	22.66%	
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	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030	7/1/2031	7/1/2032	7/1/2033	7/1/2034	7/1/2035
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%	7.50%	7.50%	7.50%	7.50%	7.50%
- Actuarial Value	N/A	7.78%	8.55%	4.98%	7.23%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	374,768	389,010	403,792	419,136	435,063	451,596	468,756	486,569	505,059	524,251	544,172	564,851	586,315
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization													
Actuarial Accrued Liability	3,801,949	3,942,732	4,074,953	4,209,370	4,345,782	4,483,959	4,623,631	4,764,494	4,901,301	5,038,038	5,174,217	5,309,293	5,442,655
Asset Values													
- Market Value	3,175,750	3,303,072	3,433,053	3,565,772	3,697,805	3,840,956	3,988,096	4,137,593	4,289,206	4,442,660	4,597,206	4,752,421	4,907,830
- Actuarial Value	3,215,148	3,354,224	3,522,512	3,574,735	3,697,805	3,840,956	3,988,096	4,137,593	4,289,206	4,442,660	4,597,206	4,752,421	4,907,830
Funded Ratio (Actuarial Value Assets)	84.57%	85.07%	86.44%	84.92%	85.09%	85.66%	86.25%	86.84%	87.51%	88.18%	88.85%	89.51%	90.17%
Contribution Rates (% of Payroll)													
- Cities	22.66%	22.40%	21.39%	23.15%	23.15%	22.82%	22.50%	22.19%	21.81%	21.44%	21.08%	20.73%	20.39%
- Members	9.40%	9.40%	9.40%	9.40%	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%	0.00%	0.00%	0.00%	0.00%
- Total	32.06%	31.80%	30.79%	32.55%	32.55%	32.22%	31.90%	31.59%	31.21%	30.84%	30.48%	30.13%	29.79%
Actual Cities Contribution Rate	22.98%	22.66%	22.40%	21.39%	23.15%	23.15%	22.82%	22.50%	22.19%	21.81%	21.44%	21.08%	20.73%
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, 2023						
- Average Age	40.1						Asset Data						
- Average Service	12.8						- As of July 1, 2023						

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	7/1/2036	7/1/2037	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	7/1/2047	7/1/2048
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%	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%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	608,595	631,722	655,727	680,645	706,509	733,357	761,224	790,151	820,177	851,343	883,694	917,275	952,131
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization													
Actuarial Accrued Liability	5,573,621	5,701,433	5,819,429	5,931,940	6,037,896	6,136,118	6,225,308	6,304,035	6,370,729	6,423,666	6,460,955	6,480,523	6,486,582
Asset Values													
- Market Value	5,062,899	5,217,029	5,367,327	5,515,094	5,644,603	5,770,262	5,891,143	6,006,220	6,114,361	6,214,315	6,304,702	6,384,005	6,450,557
- Actuarial Value	5,062,899	5,217,029	5,367,327	5,515,094	5,644,603	5,770,262	5,891,143	6,006,220	6,114,361	6,214,315	6,304,702	6,384,005	6,450,557
Funded Ratio (Actuarial Value Assets)	90.84%	91.50%	92.23%	92.97%	93.49%	94.04%	94.63%	95.28%	95.98%	96.74%	97.58%	98.51%	99.44%
Contribution Rates (% of Payroll)													
- Cities	19.72%	19.41%	17.00%	17.00%	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%	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%	0.00%	0.00%	0.00%	0.00%
- Total	29.12%	28.81%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%	26.40%
Actual Cities Contribution Rate	20.39%	19.72%	19.41%	17.00%	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, 2023											
- Average Age	40.1	Asset Data											
- Average Service	12.8	- As of July 1, 2023											

Attachment 2: Alternative Statutory Actuarial Reporting



September 21, 2023

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, 2023 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, 2023 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	22.66%	15.19%
- After 17% Minimum	22.66%	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	84.57%	84.57%

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, 2023 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
Senior Vice President

MSE/Isa

Enclosure

Attachment 2: Alternative Statutory Actuarial Reporting

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

Current and Alternative Reporting As of July 1, 2023

Current Reporting*	Entry Age Normal (25 Yr Level \$)
1. Plan Liability- Actuarial Accrued Liability	3,801,949,463
2. Actuarial Value of Assets	3,215,148,052
3. Funded Ratio = (2)/(1)	84.57%
4. Unfunded Accrued Liability = (1)-(2)	586,801,411
5. 25-year Level Dollar Closed Layered Amortization of (4)	54,638,078
6. Normal Cost	65,495,151
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	120,133,229
8. Estimated Member Contributions	35,228,232
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	84,904,997
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$374,768,422)	22.66%

Alternative Reporting**	Entry Age Normal (30 Yr Level %)
1. Plan Liability- Actuarial Accrued Liability	3,801,949,463
2. Actuarial Value of Assets	3,215,148,052
3. Funded Ratio = (2)/(1)	84.57%
4. Unfunded Accrued Liability = (1)-(2)	586,801,411
5. 30-year Level Percent of Pay Amortization of (4)	26,654,357
6. Normal Cost	65,495,151
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	92,149,508
8. Estimated Member Contributions	35,228,232
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	56,921,276
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$374,768,422)	15.19%

*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