



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



*Presented by:*

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Cavanaugh Macdonald Consulting, LLC

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# Governance



- Board of Trustees
  - Commissioner of Public Safety – Stephan K. Bayens
  - Treasurer of State – Roby Smith
  - Governor’s Appointee – Mark Oiler (Chief Actuary, Principal Financial Group)
  - Active Member Representative – Seth Bean (Trooper, Iowa State Patrol)
  - Retired Member Representative – Marland Winter (Retired Sergeant, Iowa State Patrol)
- *Iowa Code, 97A*
- *Iowa Administrative Code – 661*

# General Plan Overview



- Fund Value at July 1, 2025: \$817,716,339
- Membership: Total of 1,332
  - Actives: 577
  - Retirees/Beneficiaries: 700
  - Inactives: 55
- Total Annual Pension Benefits: \$45,579,334
  - Average annual benefit: \$65,113
- Total Annual Covered Payroll: \$60,431,321
  - Average annual salary: \$104,734
- Total Contributions (FY 2025)
  - Members: \$7,248,816
  - State: \$21,696,838 plus additional \$5 million



# Membership



- Division of Criminal Investigation
- Division of Narcotics Enforcement
- Division of Intelligence
- Iowa State Patrol Division
- State Fire Marshal Division



# General Plan Overview

- Earnings while a member of POR are exempt from Social Security (if sworn after March 1986 must pay Medicare 1.45%)
  - No retirement benefits received from Social Security



# Benefit Provisions



- Benefit based on years of service and highest 3 years of compensation
- Retirement at age 55 with 22 years of service
  - Benefit is 60.5% after 22 years of service and then increases by 2.75% per year, up to 32 years of service.
  - Maximum benefit of 88%
  - Mandatory retirement age is age 65
- Service retirement benefit is paid as a Joint and 50% Survivor Annuity
  - Seven (7) optional forms of payment available at retirement
- Post-retirement benefit escalator: a percentage based on wage increase provided for active members of the same rank. Also, a flat dollar amount (\$15 to \$35 per month) based on years since retirement.

# Benefit Provisions

- Eligibility for vested benefit
  - Four years of service
  - Benefit payable at age 55
- Ancillary benefits provided
  - Line of Duty Death Benefit of \$100,000
  - Accidental and Ordinary Disability Monthly Benefits
  - Accidental and Ordinary Death Monthly Benefits





# Funding Provisions

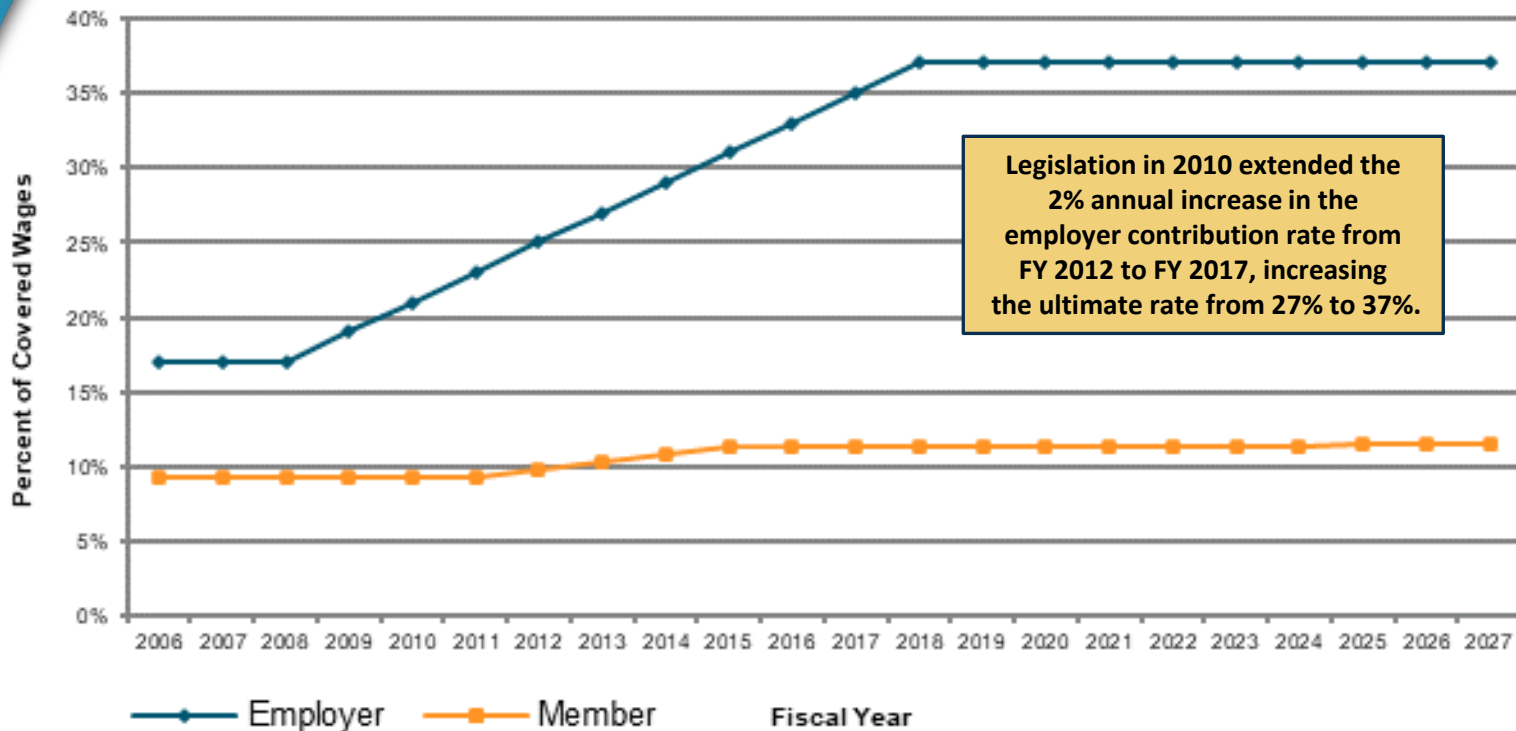


- Current Contribution Rates
  - Member contribution rate: 11.525%
  - State statutory contribution: 37.00%
  - State supplemental contribution: \$5 M until Plan is 85% funded
- Contribution rates have changed over the years, most recently as the result of legislation in the 2025 session

# Statutory Contribution Rates

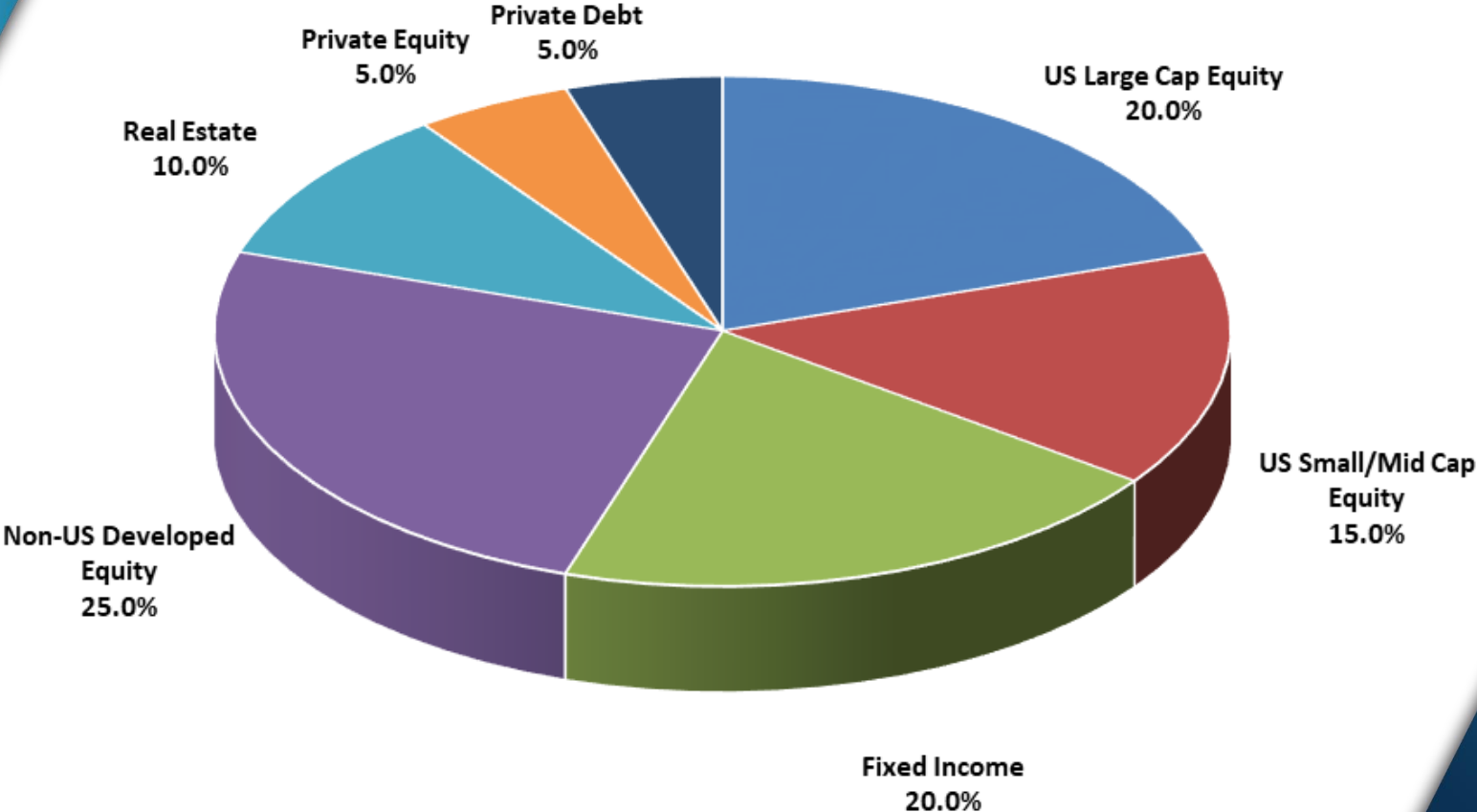


Statutory Contribution Rates  
Fiscal Years 2006-2027

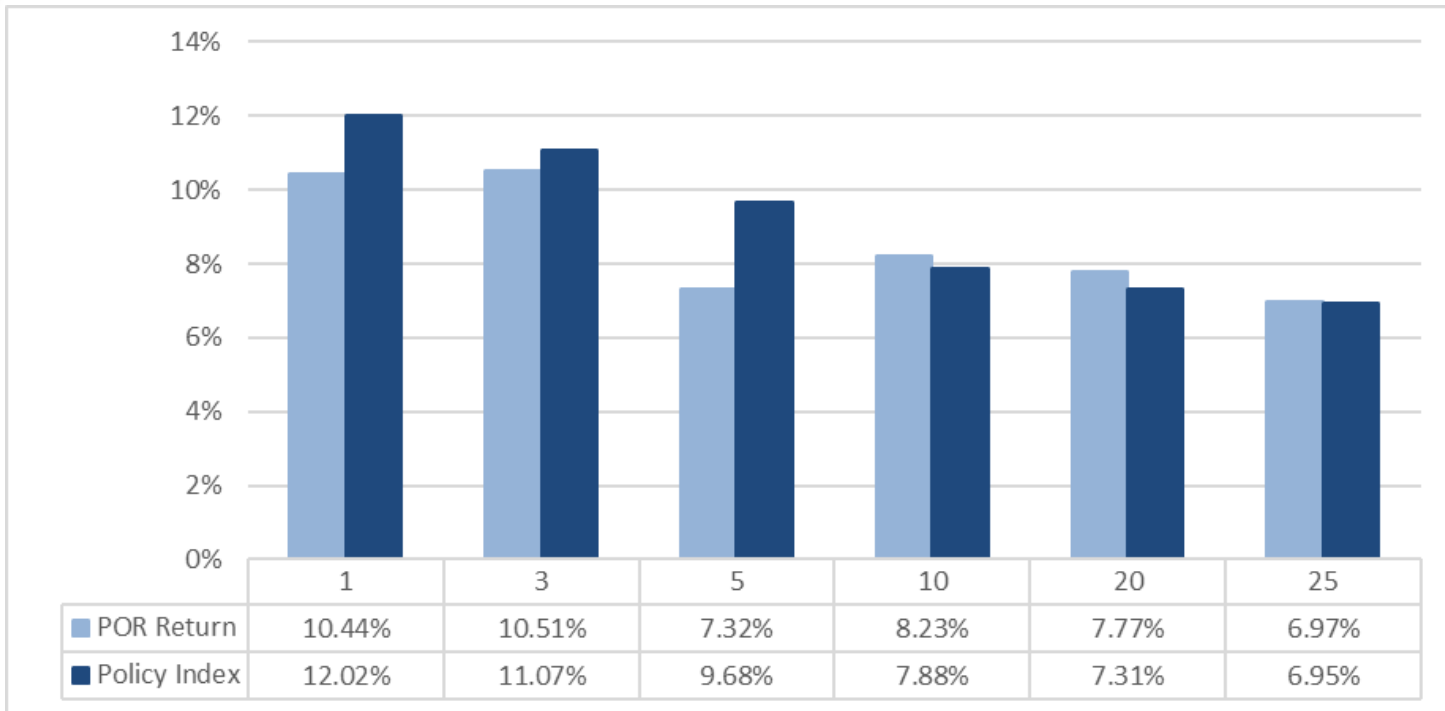


# Target Asset Allocation

As of 7/1/2025

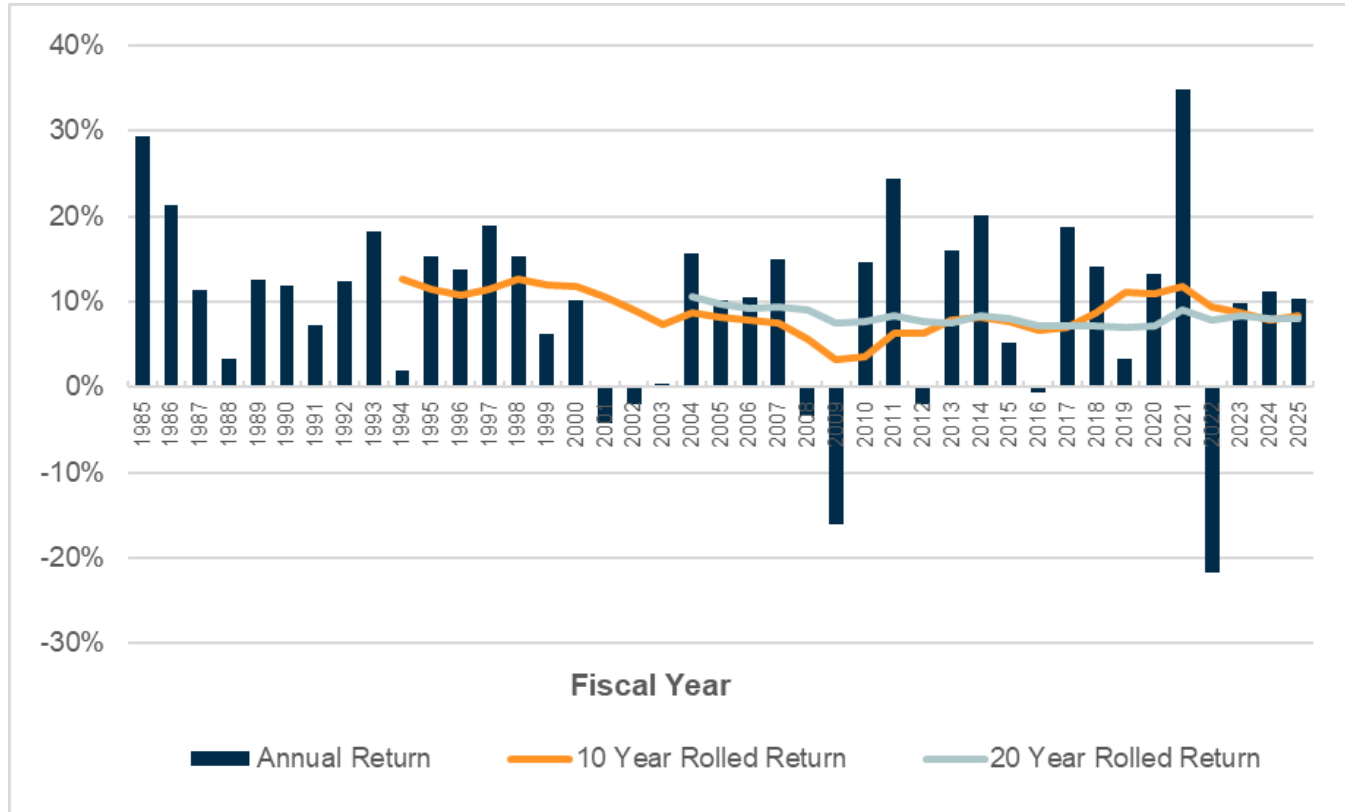


# Investment Performance History



Note: Current investment return assumption, which is forward-looking, is 6.50%.

# POR Rolling Fund Returns (1985 – 2025)



Returns are much smoother over longer periods of time, like 20 or 30 years.

# Actuarial Reserve Funding



Builds funds during working careers.



Investment returns help pay for benefits.



Actuarial valuation is mathematical model of financial future of system.



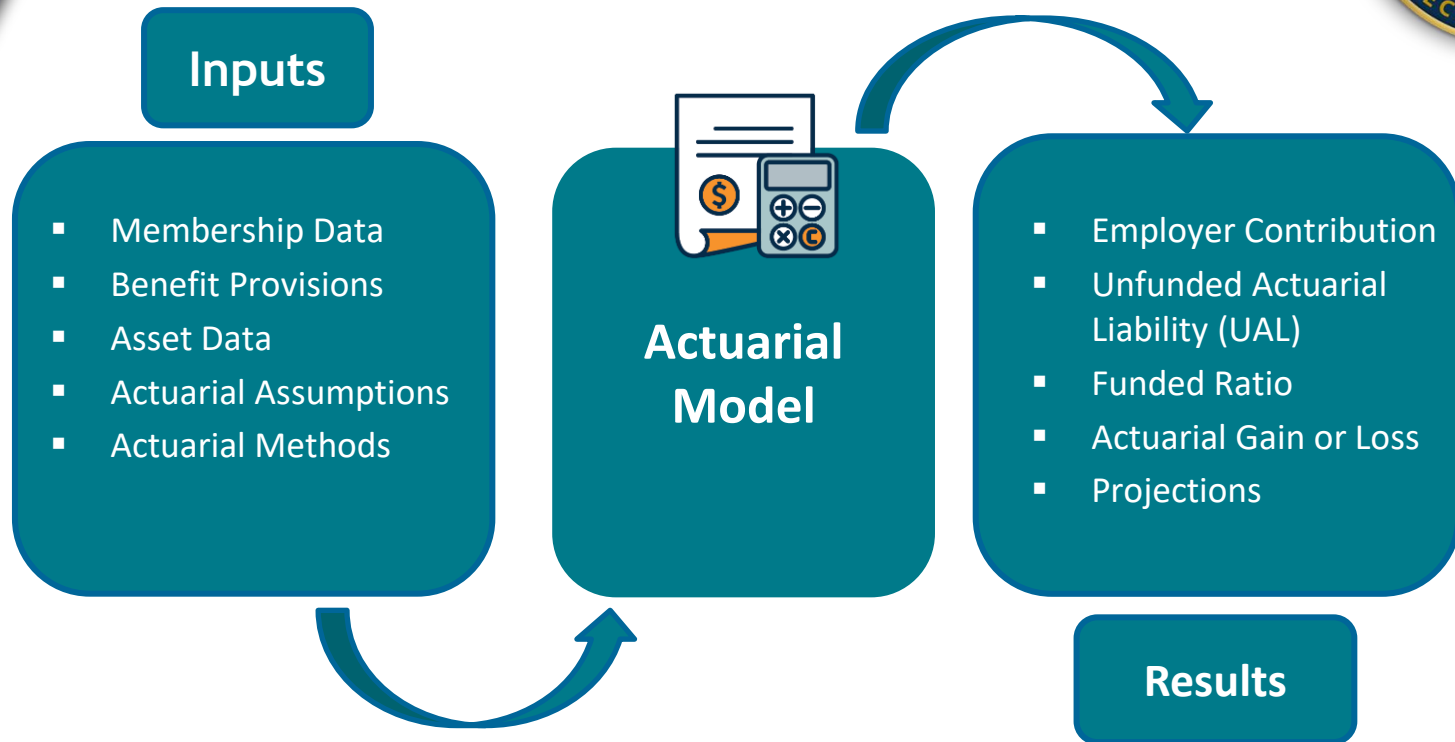
Actuarial cost method's goal is level contributions as percent of payroll.



Goal is contribution equity among generations of active members and taxpayers.



# The Actuarial Model




**Basic Funding Equation:  $C + I = B + E$**

# Actuarial Valuation Process




**Performed  
Annually as of  
July 1**

- Update previous valuation and reflect fiscal year 2025 events
- Comment on, and quantify, fiscal year 2025 events that impacted the July 1, 2025 valuation
- Assess and disclose key funding risks



**Funding  
Results**

- Disclose key asset and liabilities measures
- Monitor funding progress including Funded Ratio and Unfunded Actuarial Liability (UAL) as of July 1, 2025
- Determine Actuarial Contribution Rate for FY 2026
- Determine sufficiency of statutory funding.



**Projection  
Results**

- Using modeling tool, project System's funded status in the future, if all assumptions are met.
- Sensitivity analysis on projection results if investment returns vary from the assumed rate of return.

# Actuarial Valuation Process



## Asset Experience

- Net market return for fiscal year 2025 of 10.4%.
- Due to asset smoothing, return on actuarial (smoothed) assets was 6.9%, primarily due to FY 2022 experience.
- **Resulted in an actuarial gain of \$3.2 million.**

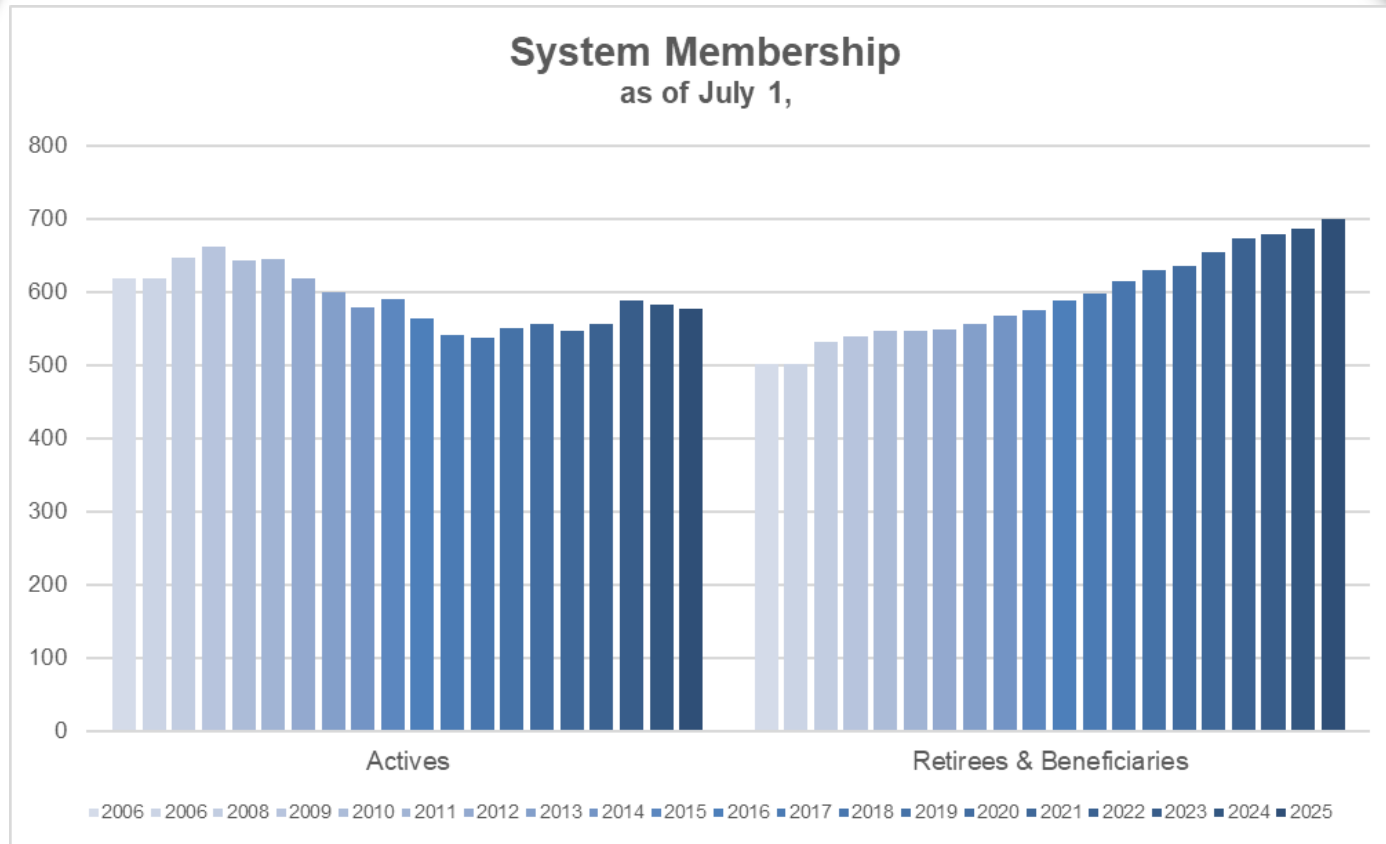
## Liability and Other Experience

- Both actuarial gains and losses on liabilities occurred in fiscal year 2025.
- Main sources of loss were mortality and salary experience that were less favorable than expected.
- **Net liability loss of \$1.6 million.**

## Legislative Changes

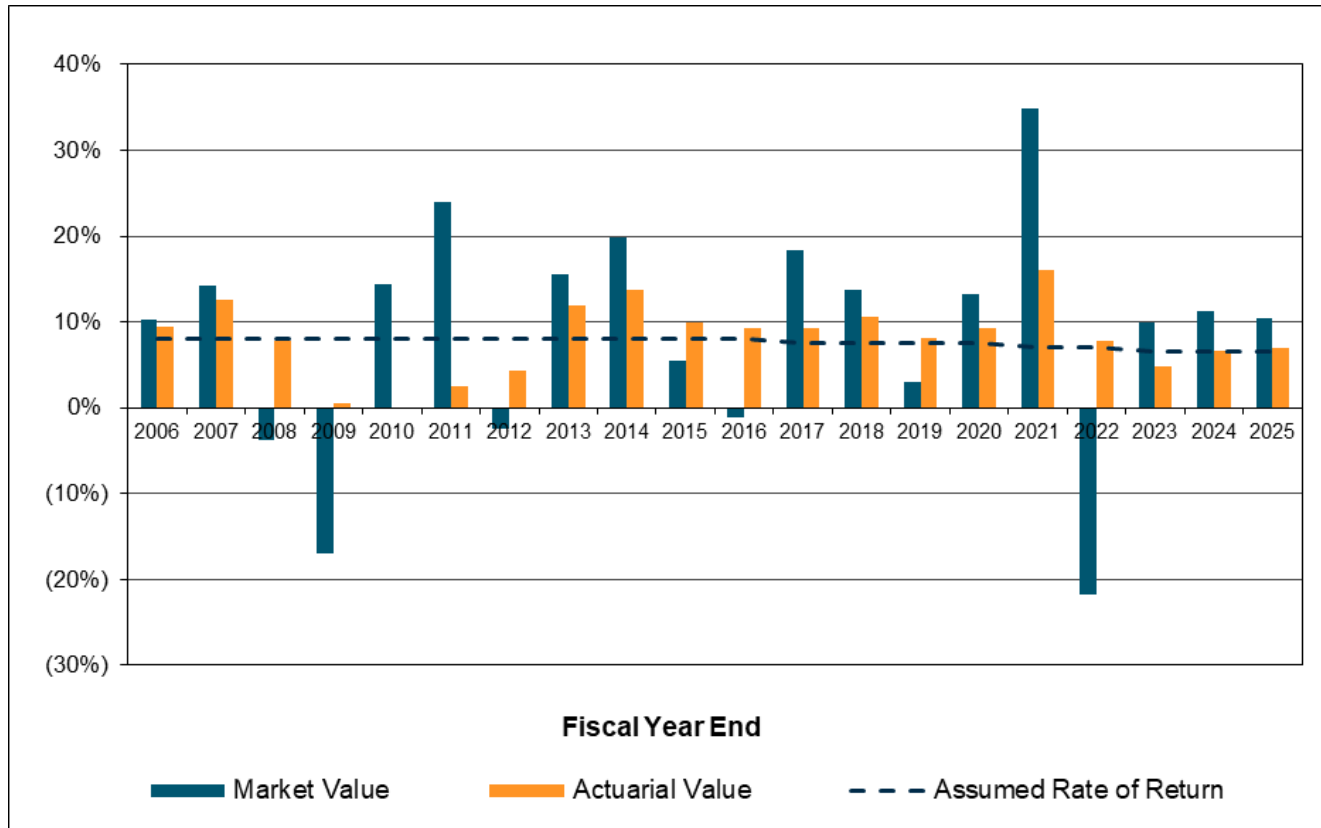
- House File 969 broadened the cancer coverage for accidental disability.
- Member contribution rate increased 0.125% of payroll to offset the potential cost of HF969.
- **Contribution shortfall for FY 2025 increased the UAL by \$6.7 million.**

# POR Membership



The active membership has fluctuated over this period, but inactive members (retirees and beneficiaries) have steadily increased.

# Returns on Market and Actuarial Assets



An asset smoothing method is used to average out the volatility of asset returns and provide stability to the funding of the System.

# Valuation Results: Funded Status

(\$ in Millions)



	<u>As of July 1,</u>	
	<b>2025</b>	<b>2024</b>
Actuarial Liability (AL)	\$1,031	\$989
Actuarial Value of Assets (AVA)	<u>\$812</u>	<u>\$768</u>
Unfunded Actuarial Liability (UAL)	\$220	\$221
<b>Funded Ratio (AVA/AL)</b>	<b>79%</b>	<b>78%</b>
Market Value Assets	\$818	\$749
<b>Funded Ratio (MVA/AL)</b>	<b>79%</b>	<b>76%</b>

Note: Numbers may not add due to rounding.

# Change in the Unfunded Actuarial Liability (UAL)

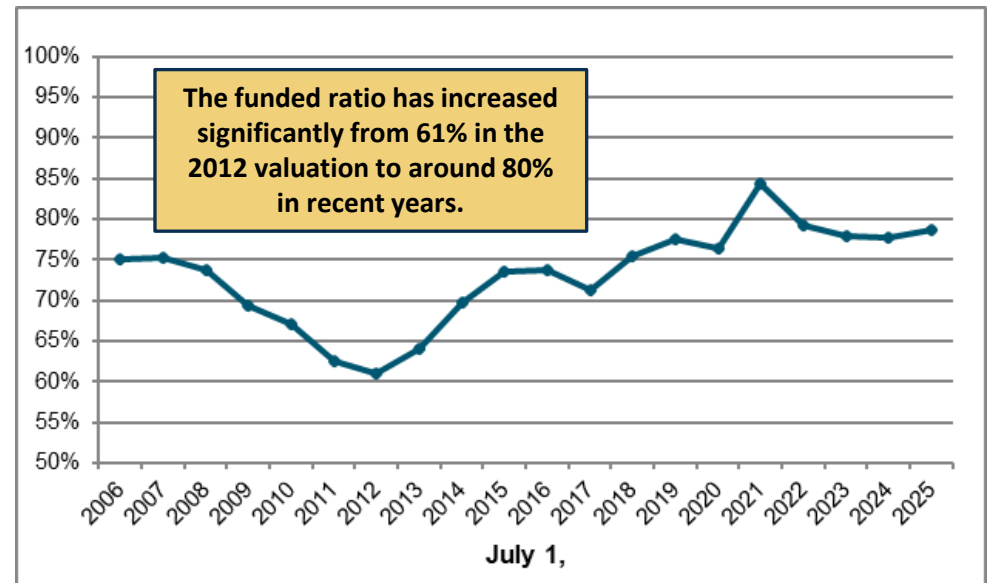


UAL July 1, 2024	\$220.6
• Expected decrease from amortization	(5.2)
• Contributions below actuarial rate	6.7
• Investment experience	(3.2)
• Liability experience*	1.6
• Other experience	(0.8)
UAL July 1, 2025	<hr/> \$219.7

\*Primarily due to mortality and salary experience that were less favorable than expected, based on actuarial assumptions.



# Historical Funded Ratio



# Valuation Results: Contributions



	<u>7/1/2025</u>	<u>7/1/2024</u>
Total Actuarial Contribution Rate	68.546%	68.070%
Member Contribution Rate	<u>(11.525%)</u>	<u>(11.400%)</u>
State Actuarial Contribution Rate	57.021%	56.670%
Statutory State Contribution Rate	(37.000%)	(37.000%)
State Supplemental Contribution*	<u>(8.274%)</u>	<u>(8.480%)</u>
Contribution Shortfall/(Margin)	11.747%	11.190%
Expected Payroll (\$M)	\$60.4	\$58.9
Estimated Shortfall/Margin (\$M)	\$7.1	\$6.6

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

# Change in the Contribution Rate

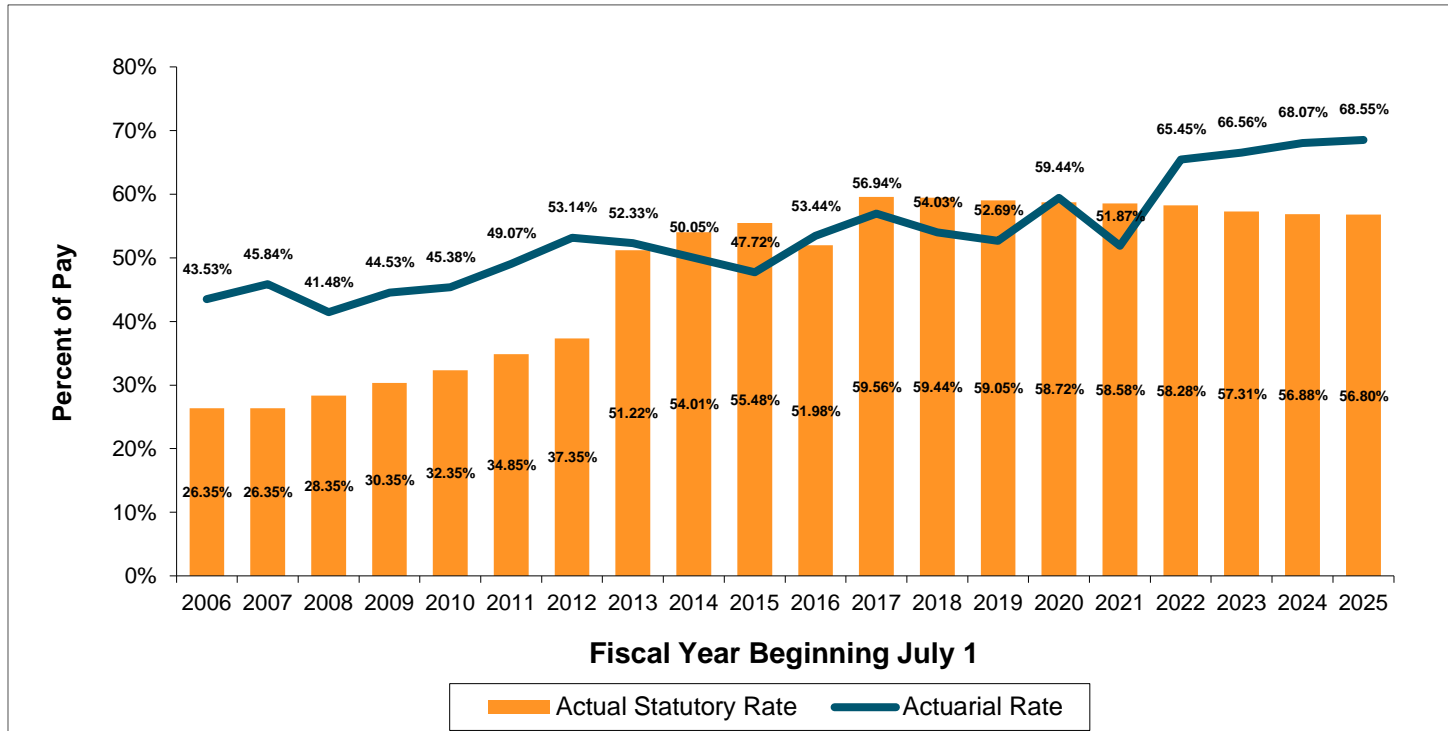


▪ <b>Actuarial Contribution Rate 7/1/24</b>	<b>68.070%</b>
▪ Change due to:	
– Asset experience	(0.373%)
– Liability experience	(0.002%)
– Payroll increase less than expected	0.068%
– Change in normal cost rate	(0.009%)
– Contributions less than actuarial rate	<u>0.792%</u>
▪ <b>Actuarial Contribution Rate 7/1/25</b>	<b>68.546%</b>

Although the actuarial contribution rate changes each year, the statutory contributions do not change. This increases the funding risk for the System.

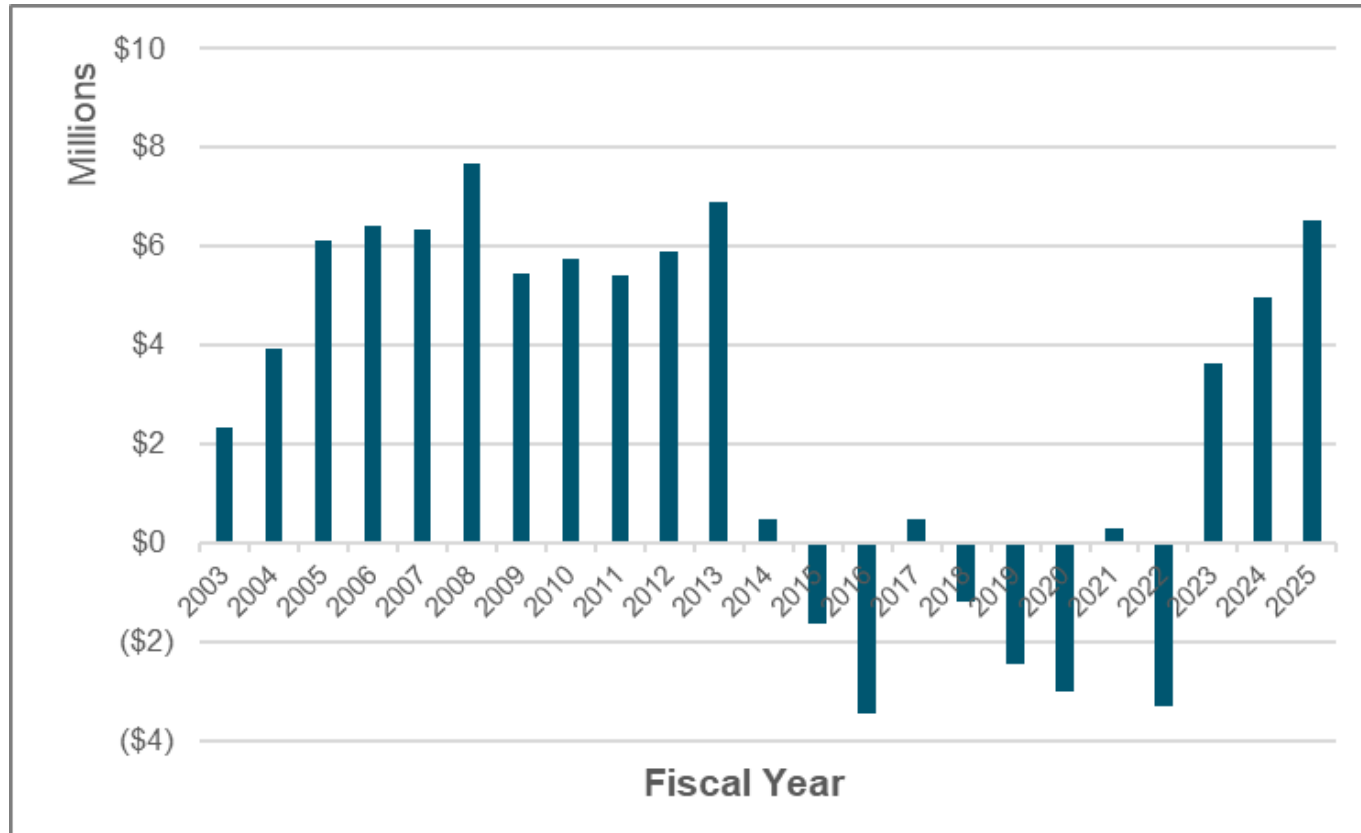


# Historical Contribution Rates

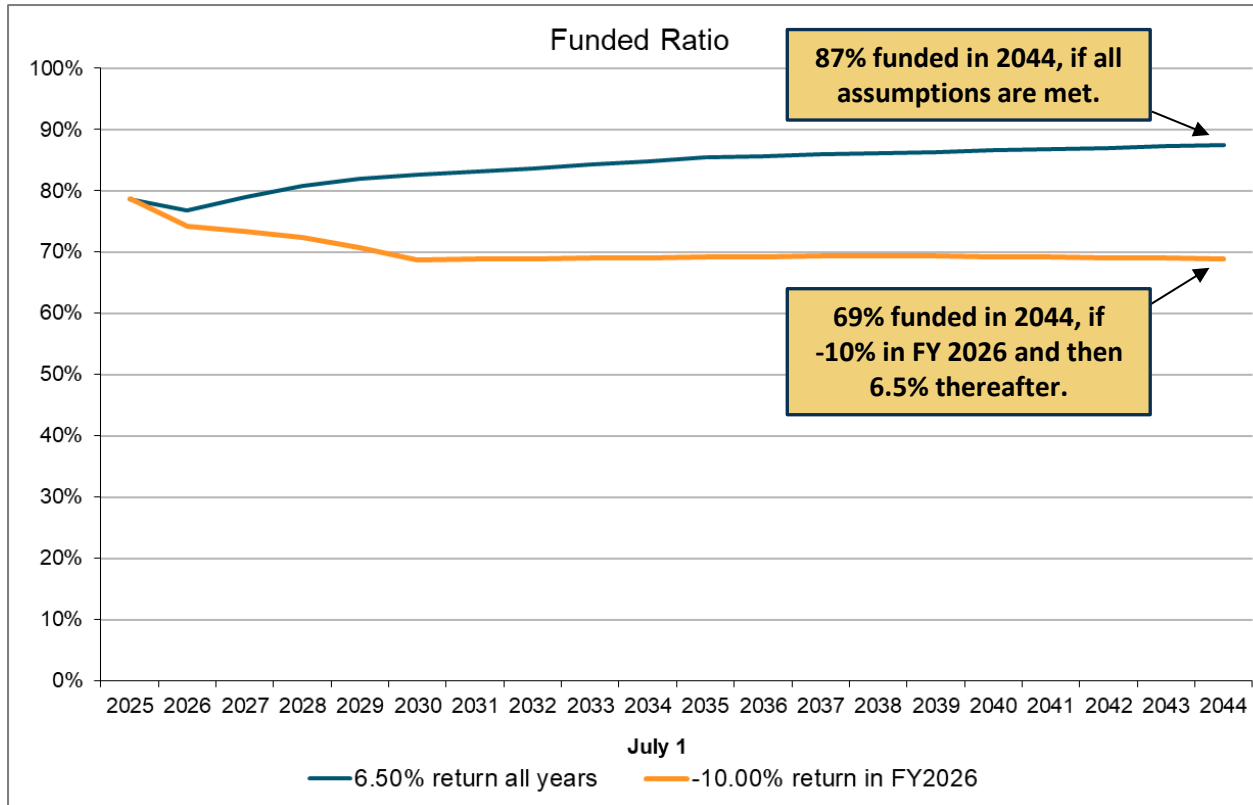


Over the early part of this period, the statutory rate was significantly below the actuarial rate. With legislative changes, the statutory contribution rate has been close to or greater than the actuarial rate between fiscal year 2014 and fiscal year 2022. However, there have been contribution shortfalls in the past four valuations.

# Contribution Shortfall/(Margin) for Fiscal Year



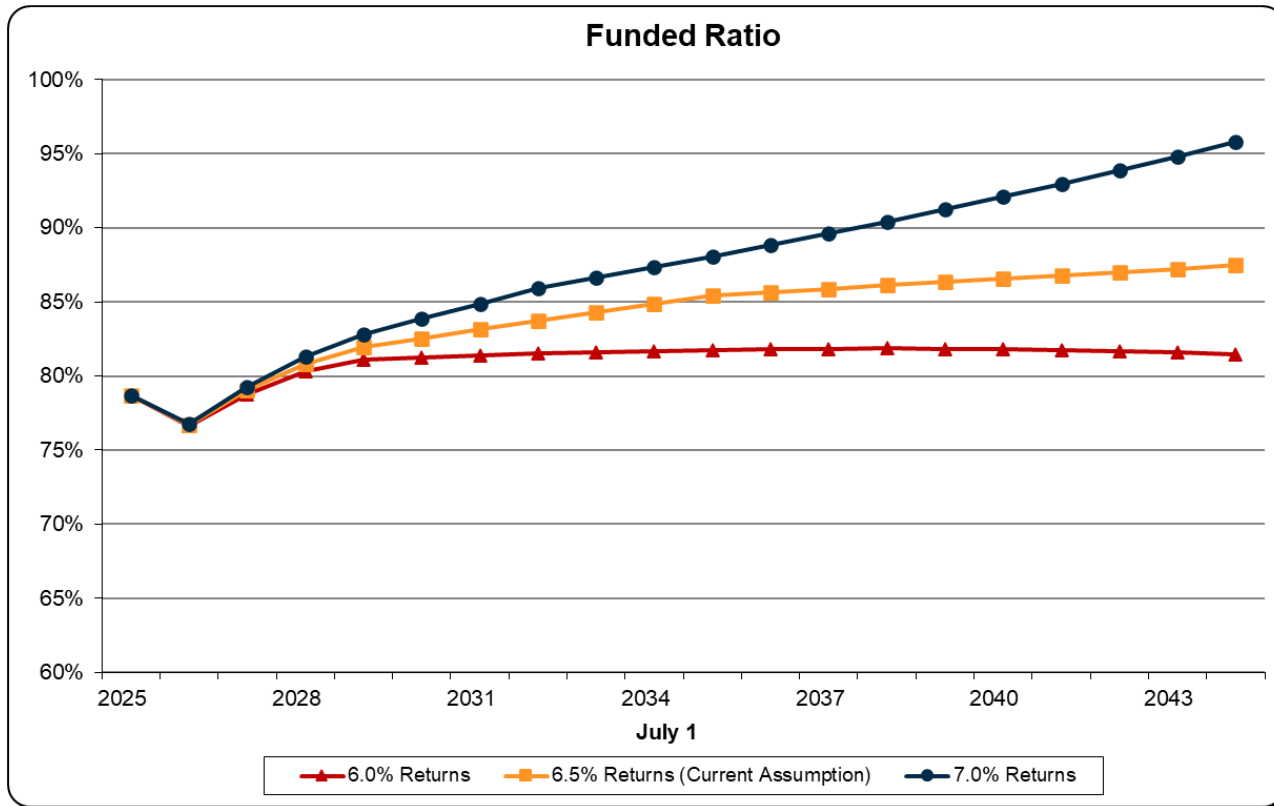
# Sensitivity Analysis: Varying Returns



Projections assume all actuarial assumptions, other than investment return in FY 2026, are met each year in the future and all contributions are made as scheduled.



# Projected Funded Status



Based on the July 1, 2025 actuarial valuation of POR and assumes all assumptions, other than the investment return shown above, are met in the future.

# Analysis of Investment Risk



Years of additional \$5 million State contribution given various FY 2026 returns. Returns in FY 2027 and beyond are assumed to be 6.5% for purposes of this analysis.

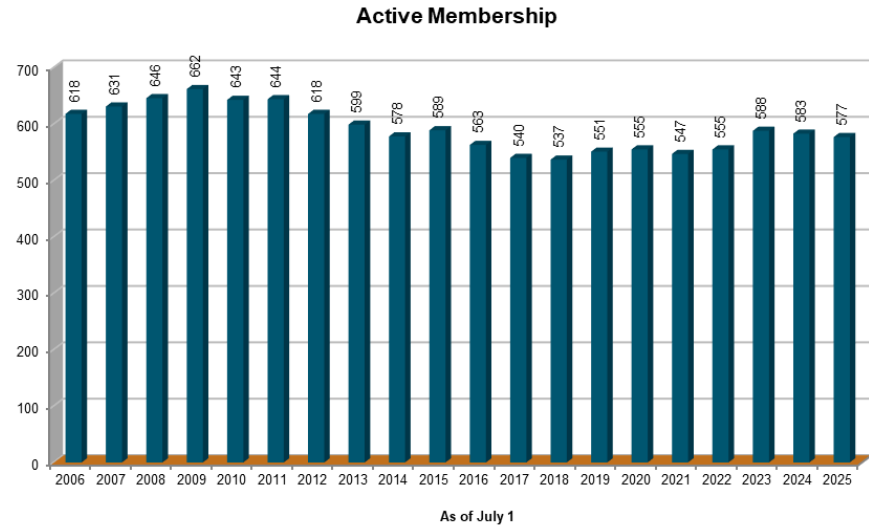
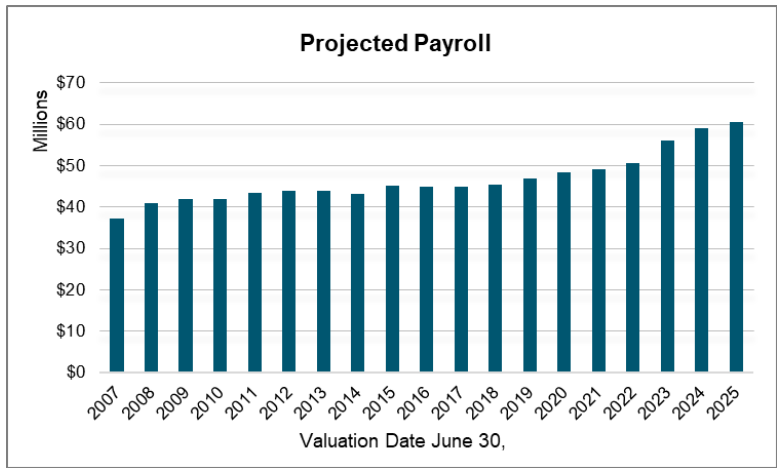
FY 2026 Rate of Return	Years of Additional \$5M
10.0%	5 years
6.5%	10 years
3.0%	17 years
0.0%	28 years

Assumes that all actuarial assumptions are met in the future and current statutory funding remains unchanged.

# Risk Analysis: Payroll Growth



**With fixed contribution rates, lower contributions result when the number of active members decreases which usually results in lower covered payroll than expected. The result is slower progress in paying off the UAAL.**





# Summary Comments



- Contribution shortfall for FY 2026 of 11.747% (\$7.1 million)
  - Return of +6.9% on actuarial value of assets resulted in a \$3.2M gain.
  - Partially offset by liability loss of \$1.6M
  - State supplemental contribution of \$5M is expected in foreseeable future.

# Summary Comments

- Long-term financial health of the System is dependent on future investment returns and scheduled contributions, including the \$5 million supplemental payment.
  - The funded ratio is projected to remain between 75% and 85% over the next 9 years if all assumptions are met. Actual experience will impact these projections from year to year, perhaps significantly.
  - Recommend closely monitoring the contribution shortfall and projected funded status trend each year in order to evaluate whether changes in the current funding policy are needed to address the long-term funding of the System.



# Actuarial Certification



I, Patrice Beckham, FSA, am a consulting actuary with Cavanaugh Macdonald Consulting, LLC. I am a member of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. I am available to answer any questions or provide additional information as needed.

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