



City of Storm Lake
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**Subject: Municipal Fire and Police Retirement System of Iowa (MFPRSI)
Talking Points/Discussion
November 9, 2011**

Several changes were made to the MFPRSI during the 2010 legislative session. Most significant was the phasing out of the State's contribution to the fund over the next two years by reducing contributions to \$1.5 million in FY 2011 and \$750,000 in FY 2012. Another issue is the way the MFPRSI is regulated. The employee contribution never increases from the fixed rate of 9.4% therefore, Cities are required to pick up a disproportionate share of the contributions.

The MFPRSI Board of Trustees has determined that the City's contribution rate will increase from the current 19.9% to 24.76 % effective July 1, 2011 (employee rate stays at 9.4%) and the City's contribution rate will increase to an anticipated 31.24% in 2012 (employee rate stays at 9.4%) based on an assumed 7.5% rate of return. The direct tax increase in FY 2011 was \$51,706.70 in FY11 and an additional \$108,717.81 in FY 12. The MFPRSI Trustee's projections are that the City's contribution will continue to increase through FY 2026-2027 to a rate of 39.76% while the employee's rate stays at 9.4%. This is a direct tax to the City property owners and an unfunded mandate given to cities and towns.

Municipal Fire and Police officers certainly provide critical services to citizens, but they are not a protected class of municipal workers. All other municipal employees participate in their retirement system at a proportional rate along with the City's share help pay for increases to any rate increases. There are several potential outcomes should this system continue on its present course: 411 cities and towns will not be able to financially maintain the current level of police and/or fire fighters, wages will be fixed or reduced due to the contribution to the retirement system which will cause officers to leave for pay purposes to non 411 cities and towns and/or sheriff's departments that are on IPERS instead of MFPRSI, cities contracting for police services, full time fire department down grading to volunteer. None of these scenarios are desirable but are already happening.

Storm Lake has 19 sworn officers. Since the mid 90's the City has lost 12 officers to County departments and 4 officers to small towns that are not covered by the 411 system. Since 2005 that number is seven officers, two within the last four months, to go to county departments not covered by

411. The Counties they went to (Buena Vista, Carroll, Clay, Sac, and Scott) are all close to Storm Lake and in most cases the employee did not have to move. They went there because of pay. They get more pay now and do not seem concerned about the pension benefits. It is difficult to manage a Police Department and build a team when the turnover is so high.

The following wage scale was prepared trying to control the variables. Assuming that the City and County had the same net pot of money to spend on an officer, \$60,500 and using our current 1 year anniversary rate of \$18.30/hr. the County could pay that same employee \$0.70 more per hour (\$19.00/hr) than the City can simply based on the difference between retirement benefit packages. This means that a comparable employee would have gross earnings of \$1,565 more per year working for a County than Storm Lake.

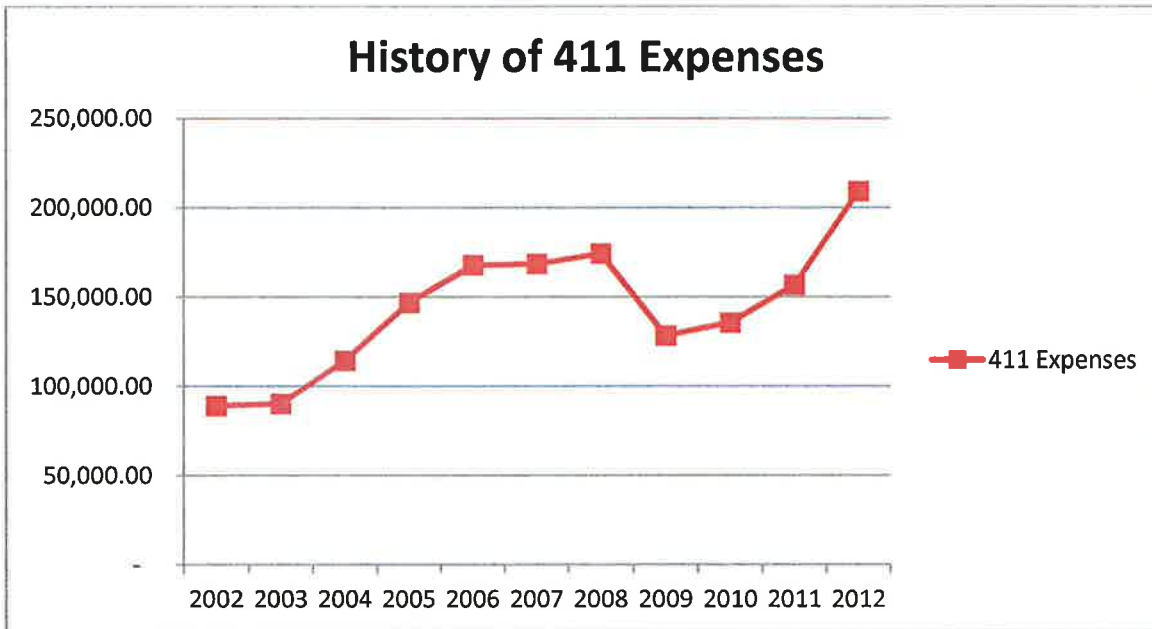
Milestone	% of Sheriff's Wage	Annual Cost	Hourly Rate (*)	City Rate
Starting	60%	39,627.60	17.72	18.00
6 Months	63%	41,608.98	18.61	
1 Year	66%	43,590.39	19.49	18.30
2 Years	69%	45,571.74	20.38	18.60
3 Years	72.5%	47,883.35	21.41	18.90
4 Years	75%	49,534.50	22.15	19.20
5 Years	78%	51,515.88	23.04	19.50
6 Years	80%	52,836.80	23.63	19.80
7 Years				20.10
8 Years				20.40

The higher the wages, the more disproportional the contribution to MFRPSI. City of Storm Lake respectfully requests a more unbiased review of the MFPRSI resulting in modifications as needed to the contribution rate, examination of benefits (especially to new hires), examination of the system finances all with the goal of making statutory changes to the system. We would further request your favorable consideration of allowing the employee contributions to increase proportionally (60%/40% split). The City would oppose the inclusion of overtime as covered wages.

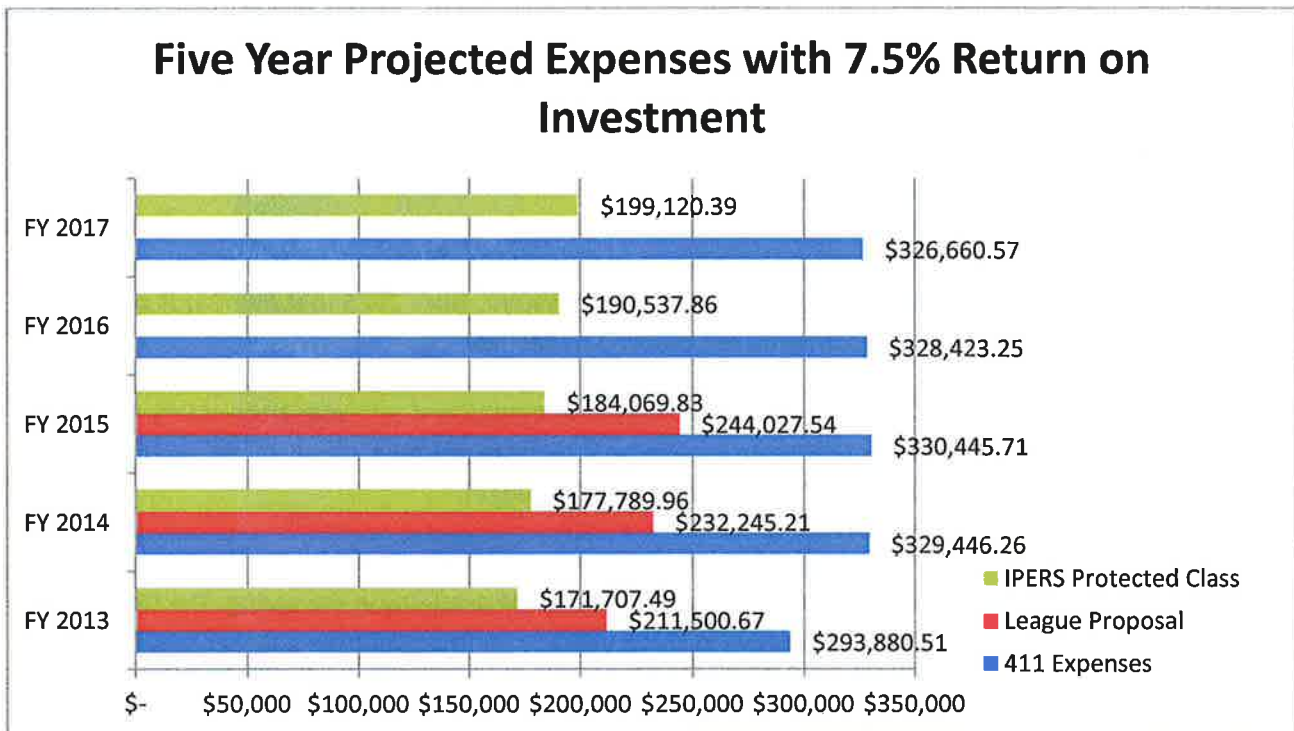


City of Storm Lake – MFPRSI Impact

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✓ In FY 2009 the City of Storm Lake was down four (4) officers.



✓ Assumes a 2% increase in pay each year for MFPRSI covered employees.

Impact to Storm Lake Taxpayers

	Assessed \$82,000 Home	Assessed \$150,000 Commercial
FY 2011-2012	\$38.00	\$137.00
FY 2012-2013		
<i>411 w/ 7.5% ROI</i>	\$40.00	\$144.00
<i>IPERS</i>	\$23.00	\$84.00
<i>League Proposal</i>	\$29.00	\$103.00
FY 2013-2014		
<i>411 w/ 7.5% ROI</i>	\$43.00	\$155.00
<i>IPERS</i>	\$23.00	\$83.00
<i>League Proposal</i>	\$30.00	\$109.00
FY 2014-2015		
<i>411 w/ 7.5% ROI</i>	\$41.00	\$149.00
<i>IPERS</i>	\$23.00	\$83.00
<i>League Proposal</i>	\$30.00	\$110.00
FY 2015-2016		
<i>411 w/ 7.5% ROI</i>	\$39.00	\$142.00
<i>IPERS</i>	\$23.00	\$82.00
<i>League Proposal</i>	Rate Unavailable	Rate Unavailable
FY 2016-2017		
<i>411 w/ 7.5% ROI</i>	\$38.00	\$136.00
<i>IPERS</i>	\$23.00	\$83.00
<i>League Proposal</i>	Rate Unavailable	Rate Unavailable

- ✓ Assumes a 4% increase in taxable valuation each year based on a 10-year history
- ✓ Assumes no increase in staff
- ✓ Assumes a 2% raise over the next five years.

Since the mid 1990's we have lost twelve (12) officers to County Sheriff departments and four (4) officers to small towns that are not covered by the MFPRSI system. Since 2005 that number is seven (7) officers leaving to go to county departments not covered by MFPRSI.

Assuming that the City had \$60,500 to spend on an officer at our current one-year anniversary rate of \$18.30/hour the County would pay that same employee \$.70 more per hour simply based on the difference between benefit packages with the same \$60,500 budget.

The cost of a starting, training, and equipping a new officer is approximately \$18,000. The City currently has two new officers in the Academy and two that will attend the academy in the spring. The City is a training ground for new officers who will leave in three years to go to a county or another non-411 city for better pay.