


Iowa League of Cities

The 411 on 411


A Few Basics Regarding Iowa's
Municipal Fire and Police Retirement
System
(Iowa Code Chapter 411)

Monday, November 13, 2006



Iowa League of Cities 2007 Legislative Priorities

- Support initiatives to control all public pension costs and, in addition, increase state funding of the Municipal Fire and Police Retirement System of Iowa (MFPRS).




What is Chapter 411 (MFPRS) and Why are 411 costs a League Priority?

- A statewide pension and disability system for fire fighters and police officers
- 49 member cities
- \$1.6 billion in plan assets
- Covers \$206 million of annual participating payroll
- Pays \$90 million in annual pension benefits
- Covers 7,633 members



Member Cities


Ames	Davenport	LeMars	Waterloo
Ankeny	Decorah	Maquoketa	Waverly
Bottendorf	Des Moines	Marion	Webster City
Boone	DeWitt	Marshalltown	West Des Moines
Burlington	Dubuque	Mason City	
Camanche	Estherville	Muscatine	
Carroll	Evansdale	Newton	
Cedar Falls	Fairfield	Delwin	
Cedar Rapids	Fort Dodge	Oskaloosa	
Centerville	Fort Madison	Ottumwa	
Charles City	Grinnell	Pella	
Clinton	Indianola	Sioux City	
Clive	Iowa City	Spencer	
Council Bluffs	Keokuk	Storm Lake	
Creston	Knoxville	Urbandale	



Sources of Funding For the Year Ending June 30, 2006

- Cities (employer) contributions
 - \$56,078,840
 - 72.5% of total dollars contributed
- Member (employee) contributions
 - \$18,525,032
 - 24% of total dollars contributed
- State General Fund Appropriation
 - \$2,745,784
 - 3.5% of total dollars contributed

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City Contributions

- Iowa Code Section 411.8 mandates a minimum contribution rate of 17% of earnable compensation (even if the percentage needed to ensure a sound system is actuarially less)
- As a result, over-funded the system in past
- Current contribution rate: 27.75% of earnable compensation
- Next year: 25.24% of earnable compensation

City Contributions



- No cap
- No discretion
- Increase in trust and agency levy attributable to MFPSI costs, from FY 1996 to FY 2005: 225.49%

(Source: Iowa Department of Management)

Member Contributions



- Iowa Code Section 411.8 sets rate at 9.35% of earnable compensation
- Unchanged since 1995
- New benefits may increase employee contribution, but no more than 11.3% of earnable compensation
- Then 60/40 split between employer and employee

State Contributions



- Prior Statutory Commitment: 3.79% of covered payroll
- In 1992, changed to standing appropriation of set dollar amount: \$2,942,726 (approximately \$1.5 million less than 3.79%)
- Further reductions:
 - 2002: \$2,816,189
 - 2004: \$2,752,625
 - 2005: \$2,745,784

State Contributions



- Now, state contribution is equivalent of 1.33% of covered payroll
- Impact (1993 – 2006):
 - \$41,962,275 shortfall in state contributions
 - \$18,268,829 additional cost to cities
- Projected Future Impact of Reduced State Contribution (2007 – 2016):
 - \$72,985,792 shortfall in state contributions and in additional cost to cities

Our Request



- Renew the State's commitment to assist in funding MFPSI
- Increase state general fund appropriation to MFPSI
- Help guard against pension system changes that increase employer cost, and consider making changes that promote procedural and financial fairness

MFPSI Costs to Member Cities



TABLE - CITIES REQUIRED CONTRIBUTION RATE

17.00%	for the period 1/1/92 - 6/30/93*
19.80%	for the period 7/1/93 - 6/30/94
18.75%	for the period 7/1/94 - 6/30/95
17.60%	for the period 7/1/95 - 6/30/96
17.00%	for the period 7/1/96 - 6/30/97*
17.00%	for the period 7/1/97 - 6/30/98*
17.00%	for the period 7/1/98 - 6/30/99*
17.00%	for the period 7/1/99 - 6/30/00*
17.00%	for the period 7/1/00 - 6/30/01*
17.00%	for the period 7/1/01 - 6/30/02*
17.00%	for the period 7/1/02 - 6/30/03*
20.48%	for the period 7/1/03 - 6/30/04
21.92%	for the period 7/1/04 - 6/30/05
23.21%	for the period 7/1/05 - 6/30/06
27.75%	for the period 7/1/06 - 6/30/07

* Rate established at statutory minimum of 17.00%.
Source: MFPSI Annual Report for the Year Ended June 30, 2005

July 1, 2006

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRS)

IMPACT OF 1992 LEGISLATION - CONTRIBUTION CHANGED FROM 3.79% TO FIXED DOLLAR AMOUNT

FISCAL YEAR	MFPRS COVERED PAYROLL \$	PRIOR STATUTORY COMMITMENT 3.79% OF COVERED PAYROLL \$	REVISED STATUTORY CONTRIBUTION OF \$2,745,784 FROM STATE \$	SHORTFALL IN DOLLARS	SHORTFALL IN PERCENTAGES	CITIES RATE FOR YEAR %	IMPACT ON CITIES RATE %	IMPACT ON CITIES DOLLARS	IMPACT ON PLAN %	CONTRIBUTION IMPACT ON PLAN DOLLARS
1 1993	\$115,334,259	\$4,371,168	\$2,942,726	\$1,428,442	1.24%	17.00%	0.00%	\$0	1.24%	\$1,428,442
2 1994	\$119,251,347	\$4,519,626	\$2,942,724	\$1,576,902	1.32%	19.66%	1.32%	\$1,576,902	0.00%	\$0
3 1995	\$123,826,722	\$4,693,033	\$2,942,724	\$1,750,309	1.41%	18.71%	1.41%	\$1,750,309	0.00%	\$0
4 1996	\$128,174,026	\$4,857,796	\$2,942,724	\$1,915,072	1.49%	17.66%	0.66%	\$845,949	0.83%	\$1,069,123
5 1997	\$134,721,583	\$5,105,948	\$2,942,724	\$2,163,224	1.61%	17.00%	0.00%	\$0	1.61%	\$2,163,224
6 1998	\$140,849,965	\$5,338,214	\$2,942,724	\$2,395,490	1.70%	17.00%	0.00%	\$0	1.70%	\$2,395,490
7 1999	\$147,031,641	\$5,572,499	\$2,942,724	\$2,629,775	1.79%	17.00%	0.00%	\$0	1.79%	\$2,629,775
8 2000	\$153,939,399	\$5,834,303	\$2,942,724	\$2,891,579	1.88%	17.00%	0.00%	\$0	1.88%	\$2,891,579
9 2001	\$166,018,043	\$6,292,084	\$2,942,724	\$3,349,360	2.02%	17.00%	0.00%	\$0	2.02%	\$3,349,360
10 2002	\$173,140,899	\$6,562,040	\$2,816,189	\$3,745,851	2.16%	17.00%	0.00%	\$0	2.16%	\$3,745,851
11 2003	\$180,390,246	\$6,836,790	\$2,816,189	\$4,020,601	2.23%	17.00%	0.00%	\$0	2.23%	\$4,020,601
12 2004	\$186,919,429	\$7,084,246	\$2,752,825	\$4,331,421	2.32%	20.48%	2.32%	\$4,331,421	0.00%	\$0
13 2005	\$196,143,062	\$7,433,822	\$2,745,784	\$4,688,038	2.39%	24.92%	2.39%	\$4,688,038	0.00%	\$0
14 2006	\$206,385,084	\$7,821,995	\$2,745,784	\$5,076,211	2.46%	28.21%	2.46%	\$5,076,211	0.00%	\$0
TOTAL FISCAL YEARS TO DATE				\$41,962,275				\$18,268,829		\$23,693,446
ACTUALS								WITH EARNINGS OF PLAN		\$36,928,565

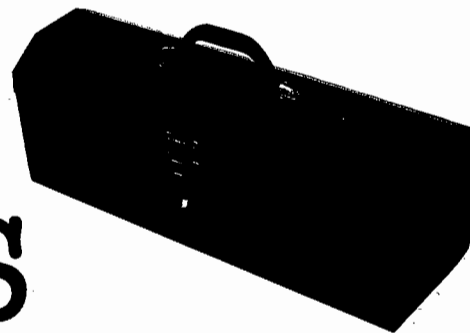
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

IMPACT OF 1992 LEGISLATION - CONTRIBUTION CHANGED FROM 3.79% TO FIXED DOLLAR AMOUNT

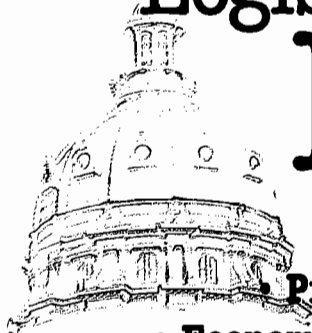
FISCAL YEAR	MFPRSI COVERED PAYROLL	PRIOR STATUTORY COMMITMENT 3.79% OF COVERED PAYROLL	REVISED STATUTORY CONTRIBUTION OF \$2,745,784 FROM STATE	SHORTFALL IN DOLLARS	SHORTFALL IN PERCENTAGES	CITIES RATE FOR YEAR	IMPACT ON CITIES RATE	IMPACT ON CITIES DOLLARS	IMPACT ON PLAN	CONTRIBUTION IMPACT ON PLAN DOLLARS
	\$	\$	\$	\$	%	%	%	\$	%	\$
IF COST IS PASSED TO CITIES DUE TO NON-AVAILABILITY OF MARGIN IN THE PLAN FOR NEXT 10 YEARS										
1	\$215,672,413	\$8,173,984	\$2,745,784	\$5,428,200	2.52%	27.75%	2.52%	\$5,428,200	0.00%	\$0
2	\$225,377,671	\$8,541,814	\$2,745,784	\$5,796,030	2.57%	25.48%	2.57%	\$5,796,030	0.00%	\$0
3	\$235,519,667	\$8,926,195	\$2,745,784	\$6,180,411	2.62%	19.62%	2.62%	\$6,180,411	0.00%	\$0
4	\$248,118,052	\$9,327,874	\$2,745,784	\$6,582,090	2.67%	19.67%	2.67%	\$6,582,090	0.00%	\$0
5	\$257,193,364	\$9,747,628	\$2,745,784	\$7,001,844	2.72%	19.72%	2.72%	\$7,001,844	0.00%	\$0
6	\$268,767,065	\$10,186,272	\$2,745,784	\$7,440,488	2.77%	19.77%	2.77%	\$7,440,488	0.00%	\$0
7	\$280,861,583	\$10,644,654	\$2,745,784	\$7,898,870	2.81%	19.81%	2.81%	\$7,898,870	0.00%	\$0
8	\$293,500,354	\$11,123,663	\$2,745,784	\$8,377,879	2.85%	19.85%	2.85%	\$8,377,879	0.00%	\$0
9	\$306,707,870	\$11,624,228	\$2,745,784	\$8,878,444	2.89%	19.89%	2.89%	\$8,878,444	0.00%	\$0
10	\$320,509,725	\$12,147,319	\$2,745,784	\$9,401,535	2.93%	19.93%	2.93%	\$9,401,535	0.00%	\$0
TOTAL FUTURE FISCAL YEARS				\$72,985,792				\$72,985,792		\$0
PROJECTION										
FY 2006 - FY 2015				ESTIMATED	STATUTORY CONTRIBUTION RATES:		MEMBERS: 9.35% FIXED			
				CITIES: 17.00% MINIMUM						

IOWA LEAGUE of CITIES

Legislative 2007 Priorities



City Advocacy Toolbox



- Property Tax Reform
- Local Government Finance
- Economic Development and Growth
- Controlling Pension Costs

The Iowa League of Cities promotes city progress by encouraging use of all tools available to achieve innovative and efficient delivery of important services to citizens. League members unanimously adopted four legislative priorities for 2007 that demonstrate the need for new and sharpened tools to build stronger, more vibrant communities throughout Iowa.

About the League's Priorities

These yellow frames contain the exact priority language ratified by the Iowa League of Cities' membership. If you have questions regarding the League's legislative priorities, please contact the League office.

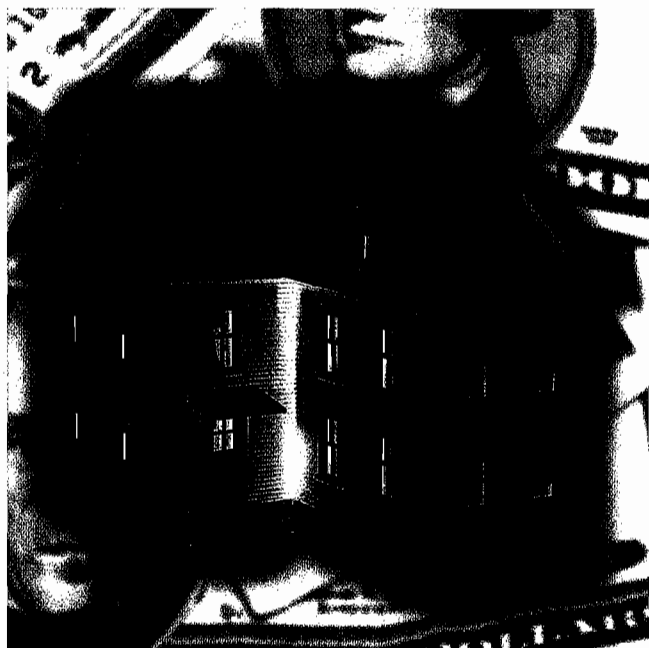
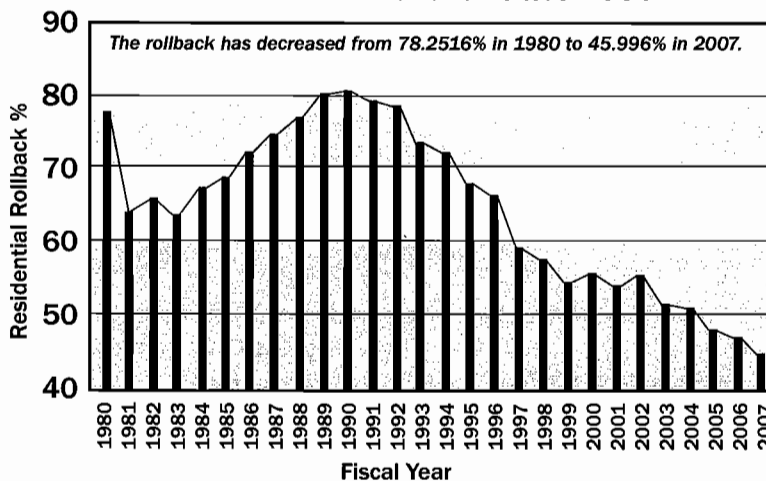
Property Tax Reform



1 Priority: Support a property tax reform initiative that includes elimination of inequities caused by the rollback formula.

Background: Property taxes are an important revenue source for cities and other local governments. Since the current system was put in place in 1978, first impacting the 1980 fiscal year, Iowa's property tax system has functioned under a "rollback formula" that rolls back the percentage of taxable valuation when growth occurs. Even though most residential growth has occurred in certain areas of the state, the rollback applies uniformly, eroding revenues in low growth areas and shifting the burden to commercial properties in all communities. Five out of every six cities have now reached the general fund levy limit, impeding their ability to provide needed local government services. The rollback formula must be addressed to improve accountability, equity and stability.

Residential Rollback since 1980



The Iowa League of Cities is the oldest, continuously operating municipal league in the country. Founded in 1898, the League is a not-for-profit organization that advocates for issues affecting cities throughout Iowa. The League provides wide-ranging services for cities including research, workshops, reports, publications, pooled investments, and risk management.

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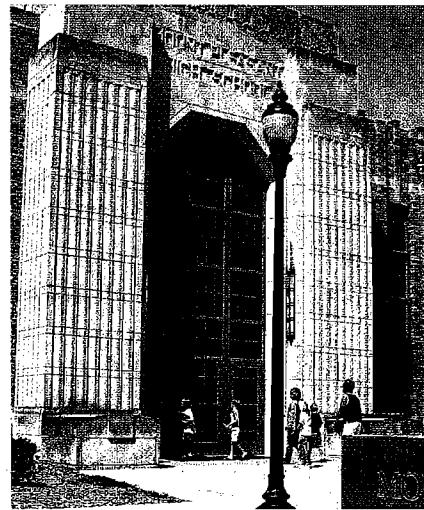
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Local Government Finance

Priority: Enable and enhance revenue alternatives, and reduce costly mandates, to allow cities to efficiently manage vital services including public safety, transportation, utilities and other quality of life amenities.

Background: Local government efficiency depends not only on reform of the property tax system, but on enabling appropriate revenue sources and reducing mandated practices that are costly and yield little benefit. Revenues that should be addressed include but are not limited to fire service levies and fees, utility franchise fees, water quality funding, road improvement funding, and funding for amenities such as parks and trails. State incentives to encourage local government sharing should be provided, including resources for joint planning efforts. An Iowa Center for Governing Excellence should be created, and new funding should be provided to the Local Government Innovation Fund to encourage collaborative projects among local governments.



The city of Mount Pleasant used Vision Iowa funds to renovate their old high school building into a civic center and city library. The building also includes an auditorium, gymnasium, day care classrooms, school district offices, and meeting space.

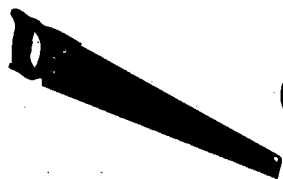
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Economic Development and Growth



Priority: Protect and enhance economic development tools enabling cities in Iowa to promote economic improvement throughout the state.

Background: Changes are needed to the eminent domain law to ensure that blighted areas can be improved and public projects can proceed. Tax increment financing (TIF) should be supported as an important tool used by cities to promote economic development. Local government financing tools need to be diversified, such as enabling a sales tax increment for certain developments. Successful quality of life programs need continued funding, such as Vision Iowa, Iowa Great Places, Main Street, and tax credits for historic preservation.



4

Controlling Pension Costs

Priority: Support initiatives to control all public pension costs and, in addition, increase state funding of the Municipal Fire and Police Retirement System of Iowa (MFPRSI).

Background: Although legislators traditionally focus on pension issues in even-numbered years, the League is advocating for increased state contributions to the Municipal Fire and Police Retirement System in 2007. Currently, the state provides less than one percent of funds needed each year to maintain the soundness of the system. Since employee contributions are capped and city contributions are not, rising costs have placed pressure on city funding and therefore on taxpayers. Improvements that would allow public pension systems to operate more equitably are sought, including adoption of more long term actuarial smoothing assumptions, up-to-date mortality tables, and clarifying subrogation provisions. These improvements will provide cities with tools for more effective and comprehensive public safety programs.



The city contribution rate to MFPRSI has risen dramatically in the last decade. Cities now pay nearly two-thirds more than they did in 1996.

Iowa League of Cities - Legislative Priorities 2007

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