State Police Officers Council
33944 Overton Circle, Adel, IA 50003
Sue Brown, Executive Director SPOC
(515) 669-6617
execdir.spoc@gmail.com

Pension Committee Members:

The State Police Officers Council (SPOC) appreciates the opportunity to provide written comments for your consideration as you deliberate on public employee pension policy.

We believe the Peace Officer Retirement System (POR) and IPERS Protected Class are financially sound and stable. You have received extensive documentation from the POR System's staff and actuaries as well as the IPERS staff and actuaries demonstrating the stability, reliability and capacity of the system. We have confidence in the financial and governance structure of the POR System and the IPERS Protected Class. Our members count on the POR System not only for retirement but also if they are disabled. IPERS Protected Class also has accidental and ordinary disability/death benefits. The POR System and IPERS Protected Class are extremely important to our members.

The attached documents present facts to further demonstrate the stability, reliability and economic relevance of the POR System and IPERS Protected Class.

Thank you for your consideration and please let us know if you have any questions.

Jason Bardsley,
SPOC President
President.spoc@gmail.com
(402) 908-5576

Brad Baker,
President Iowa Fish & Game Conservation Officer's Association
Bradamybaker.baker@gmail.com
(319) 430-4455

Kory Kinnick, President Iowa Park Rangers Association
kinnickkory@yahoo.com
(515) 669-0783

Tony Peterson, President, Iowa Special Agents' Association
Ampete75@yahoo.com
(402) 250-5296

David Helton, President Iowa State Troopers Association
dthelton@hotmail.com
(563) 320-4650

Andrew McCall, President, Iowa State Fire Marshal's Association
Andrewm7795@hotmail.com
(515) 689-4226

State Police Officers Council
33944 Overton Circle, Adel, IA 50003
(515) 669-6617
execdir.spoc@gmail.com DRAFT

POR System Overview:

SPOC represents all of the non-supervisory members of the Peace Officer Retirement System (PORS). This includes Troopers, DCI Agents (including criminal investigators, drug enforcement officers, intelligence officers and casino law enforcement officers), and Fire Inspectors. These are all State peace officers with **retirement benefit**s after serving and protecting Iowans throughout their career. PORS was specifically designed because due to our public safety profession, **we are not part of the Social Security System and will never receive a Social Security benefit**. The state as the employer saves 6.2% of covered wages by not having to pay into social security.

Second, PORS provides **disability benefits** to its members who do not otherwise qualify for Social Security or workers compensation benefits. This dual benefit structure, well established throughout the country for the public safety profession, was created to address the inherent risks faced by those in uniform. It is well documented that public safety workers are more prone to on the job disabilities and have a shorter life expectancy because of the dangers they are subjected to over the course of their careers.

From 2001 to 2009, the Actuarial Required Contribution Rate was not paid into the system. This resulted in an ever-increasing unfunded liability to the system. As a result, the POR fund dropped to a funded ratio of less than 70% and was headed downward if no changes were made. Our members took the initiative and the following reforms resulted from our collaboration with DPS, the members, and the retirees; were adopted by the Legislature; and signed into law by the Governor in 2010:

- Members increased their contribution rate by 2% over a four-year period to a level of 11.35% of wages;
- Retirees gave up some of their benefits by reducing an escalator payment;
- The State agreed to infuse $5 million per year into the system until the funded ratio reaches 85% starting July 1, 2012 (the Legislature delayed the first payment in 2012 with the first payment made in 2013);
- Future benefit enhancements are funded 60% by the State and 40% by the Member. In the past, benefit enhancements were funded by the system at the existing employer and employee contribution rates, so this change results in a potential decreased future liability to the State and a potential increased future liability to the Members.

It is of paramount concern that we have a disability and retirement system adequate to meet the unique needs of officers in uniform. Our members took responsible steps in 2010 by offering reforms to bring the system onto solid financial footing. With those changes in place, the system has now turned the corner and is headed in the right direction. As of the October 2017 valuation report by the actuary, the fund is now expected to hit 85% in 2026. We ask the Legislature to simply allow these reforms to work and not make any structural changes to PORS.

Other Pertinent Facts About POR:

- **Return on investment**
  - The assumed return on investment is 7.5%. Prior to July 1, 2016, the return on investment assumptions was 8.0%.
  - The average return on investment (gross) over the last 25 years is 8.44%; the five-year average return on investment (gross) as of March 31/June 30 is 9.62%
  - As of the October 2017 Actuary Report the current year return on investment is 18.4%
  - The data demonstrates the return on investment assumption is cautious, responsible and sustainable. The POR system just completed their five-year experience study. That process determined that the return on investment assumption is prudent.

- **Employer contribution rate**
  - The statutory rate is 37%, the maximum under the Code per the 2010 reform package.

- **Employee contribution rate**
  - Iowa rate set in statute at 11.4% of covered wages (In FY14 increased by .05% to cover the anticipated cost of cancer and infectious disease presumption – in effect until 2020 when it will be re-evaluated)
  - The Employee contribution rate is in line with neighboring states (Minnesota = 14.4% South Dakota = 8%, Kansas = 7.15%, Wisconsin = 6.8%

- **Funded ratio**
  - 71% (October 2017 Actuary Report)
  - The funded ratio cratered in 2012 at 61%. The reforms passed in 2010 and implemented in 2013 have steadily increased the funded ratio when fully implemented. In 2016 the funded ratio did not increase at the rate expected between 2015 and 2016 because the $5 million state appropriation was cut in half to $2.5 million by the Legislature. The increase in the funded ratio has slowed in 2017 because the rate of return was adjusted downward by the POR Board from 8% to 7.5%, mortality assumption was adjusted (members are living longer), salary assumption was adjusted (fewer members and pay has not increased at the 3% rate previously assumed).
  - According to a GAO report to the US Senate Finance Committee in January, 2008: *"Many experts consider a funded ratio of about 80 percent or better to be sound for government pensions."*
  - A 100% funded ratio is only necessary if a retirement system has to pay out all obligations on one day. For example, a home mortgage isn't 100% funded or paid on day one of the loan – it is paid off over time.
  - The employers' ability to discount debt – pay it over time at a cheaper rate – is a benefit to the employers and therefore to state taxpayers.

- **Retirement age is 55**