

**Legislative Interim Report
Public Retirement Systems Committee
December 18, 2017**

Board of Trustees
Municipal Fire and Police Retirement System of Iowa
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West Des Moines

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Presenters: Terry Slattery, Executive Director, MFPRSI
Glen Gahan, Principal, SilverStone Group



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Establishment, Governance, and Goals

Established

January 1, 1992 by an Act of the 1990 Iowa General Assembly – Iowa Code Chapter 411.

Governance

Four representatives of the membership – Two firefighter representatives and two police representatives:

Marty Pottebaum, retired police officer, Sioux City (Chairperson)

Eric Court, active police officer, Davenport

June Anne Gaeta, active firefighter, Muscatine

Frank Guihan, retired firefighter, West Burlington

Four representatives of the participating cities:

P. Kay Cmelik, Grinnell

Duane Pitcher, Ames

Dan Ritter, Des Moines

Michelle Weidner, Waterloo

One private citizen selected by the Board of Trustees:

Mary Bilden, CPA, Boone (Vice Chairperson)



Establishment, Governance, and Goals

Governance, continued

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

Senator Wally E. Horn, Cedar Rapids

Senator Mark Lofgren, Muscatine

Representative Scott Ourth, Ackworth

Representative Dawn Pettengill, Mount Auburn

Mission

The System provides a comprehensive set of retirement and disability benefits to eligible local police officers and firefighters in a sound, sustainable and efficient manner, in accordance with the requirements of the program's governing statute.



System Creation

Creation of MFPRSI

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 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.
- 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.

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.

House File 2543 stated that a 13-member Board of Trustees (9 voting members, 4 non-voting legislative members) oversee the retirement system.



System Creation

Creation of MFPRSI

- The retirement system's name, "Municipal Fire and Police Retirement System of Iowa" was adopted by its Board of Trustees in November 1990.
- Actuarial experience studies were conducted on June 30 of both 1990 and 1991. An additional experience study as of January 1, 1992, determining the final liability for each participating city.
- A master custodian bank was selected in July, 1991, to provide guardianship over the retirement system's investment assets.
- 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, but has remained as the retirement system's target rate.
 - Also in August 1991 the Board elected to mail benefit checks on the final working day of each month. Today, over 98% of benefit payments are transferred via ACH on the final business day of each month.
- MFPRSI opened its office on January 1, 1992, at 950 Office Park Road, Suite 321, in West Des Moines. Over 7,000 members transferred from the cities to the retirement system. The retirement system currently has over 8,000 members.
 - Approximately \$575 million in investment assets were transferred from the cities to the retirement system in 1992. As of June 30, 2017, MFPRSI manages over \$2.4 billion in assets.



Responsibilities & Major 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 Activities of MFPRSI

Major Program Activities

- Systematic Investment Policy Revisions (asset – liability forecasting).
- Annual Investment Policy Implementation and Oversight (scheduled meetings, quarterly updates).
- Review and Evaluation of Goals.
- Examination of Actuarial Experience and Adjustment of Assumptions (SilverStone Group) every five years.
- Legislative Changes (Technical advice and implementation).
- Escalator Program (Annual retiree adjustment – July 2017, 3,623 individuals, \$79.22 per month, 2.3% increase).
- Federal Legislative Interest in Public Funds (Monitor and comment as warranted).
- Litigation Representation (District, Appeals, and Iowa Supreme Court).
- DROP Implementation in 2007 – 46% of those eligible have participated.



Responsibilities & Major Activities of MFPRSI

Major Program Activities

- Federal PPA of 2006 (Retiree income tax exclusion, up to \$3000, for health insurance – Sept. 2007).
- Annual Comprehensive Review of Audit Controls and Safeguards for System's Portfolios.
- Conduct Annual Actuarial Valuation of Benefit Program and establish Contribution Rates.
- Maintain System's tax exempt status by obtaining IRS Determination Letter.
- Keep members and stakeholders informed of System activities through a comprehensive communications program.



Program Description & Statistics

Membership Profile as of July 1, 2017

Active Members

Number	3,968
Average Attained Age	41.0
Average Past Service	13.7
Total Annual Compensation	\$296,237,982
Average Annual Compensation	\$74,657

Members & Beneficiaries in Pay

Number	4,045
Average Age (excluding children)	69.7
Total Annual Benefits	\$160,521,708
Average Annual Benefit	\$39,684
Average Age of New Service Retirements	58.6

Non-Active Members with Deferred Benefits

Number	356
Average Age	43.9
Total Annual Benefits	\$6,175,008
Average Annual Benefit	\$17,346

Data provided by July 1, 2017, actuarial report created by SilverStone Group.



Program Description & Statistics

Benefit Program Description - Retirement Formulas

Basic Service Retirement Formula (22 years of service)	66%
Additional credit (up to 8 years beyond 22 years – 2% per year)	16%
Maximum retirement formula with 30 or more years of service	82%
Basic Accidental Disability Retirement Formula (work-related)*	60%
Basic Ordinary Disability Retirement Formula*	50%

*An individual retiring on disability is entitled to either the disability formula or the percentage payable corresponding to the number of years of service that the individual has earned.

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	Knoxville	<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	Waverly	Webster City	West Des Moines

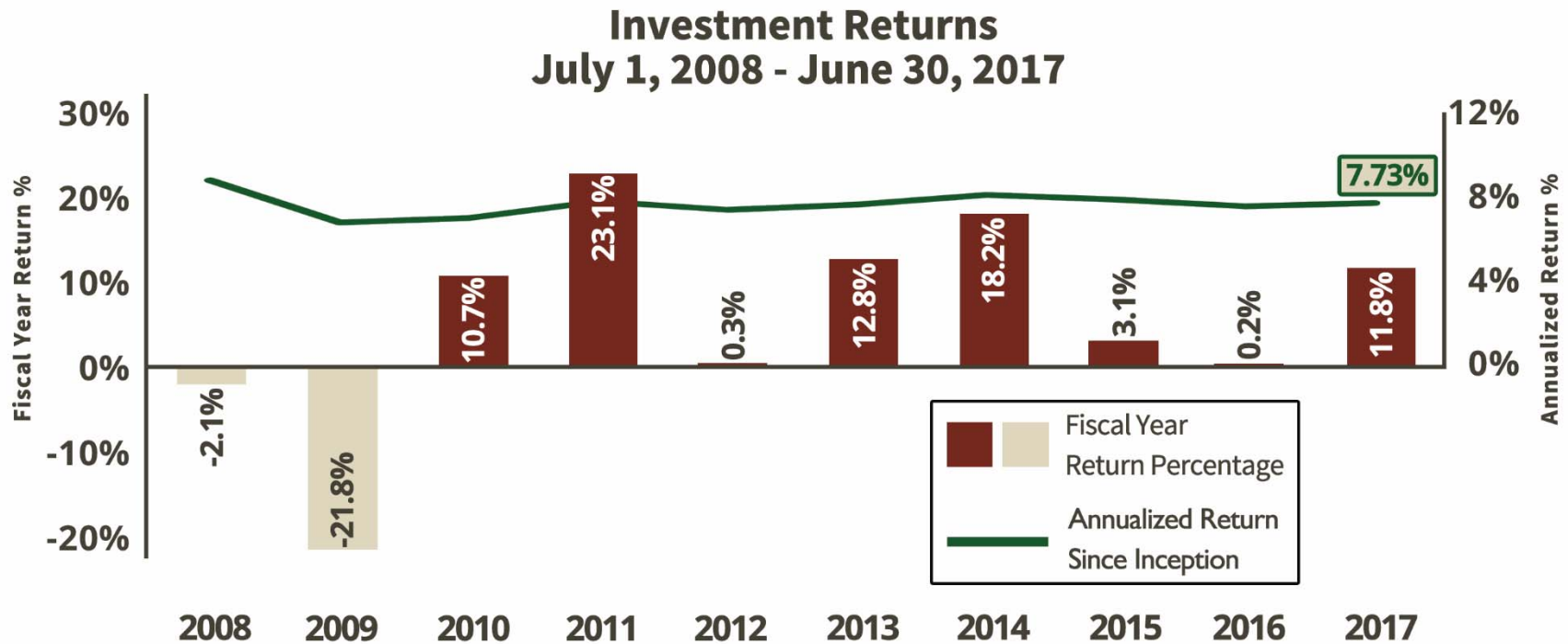
Italics denote police department participation only.



Program Description & Statistics

Assets and Investments

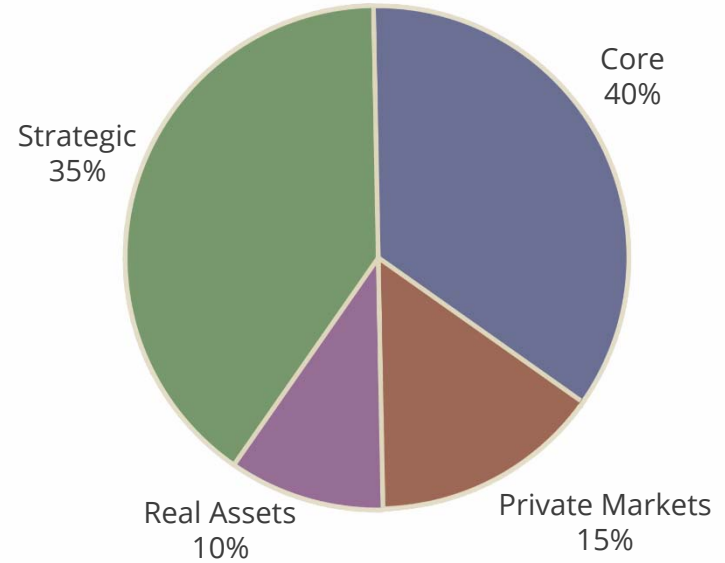
- Initial transfer liability January 1, 1992: \$574,500,000
- Market value of MFPRSI's assets, June 30, 2017: \$2.445 billion, a positive change of \$193 million year over year according to Summit Strategies.



Program Description & Statistics

Current Investment Allocation Policy

Core Investments	40%
Strategic Investments	35%
Private Market Investments	15%
Real Asset Investments	10%
Total Allocation	100%



Performance and Risk Expectation

10-year Plan Performance Expectation %	7.7%
Risk (Standard Deviation) %	12.5%
Rate of Inflation %	2.25%
Actuarial Return Assumption %	7.5%

Performance expectation and risk projection based upon Summit Strategies' 12/31/16 assumptions.



Challenges Facing MFPRSI

Investment Return Expectations

The Board of Trustees completed an asset/liability study in 2017 working with our investment consultant to review the existing portfolio diversification. The goal of the exercise was to determine if the expected risk/return scenario of the portfolio could be improved through exposure to additional asset classes. Examples of new asset classes were high-yield bonds, infrastructure, and risk parity.

As a result of the study, the Board determined that the existing portfolio diversification provided the optimal risk/return scenario. Additionally, based on the investment consultant's return assumptions, the 10-year expected rate of return is 7.7% with a standard deviation of 12.5%.

Strategic Planning

In 2015, the Board of Trustees conducted a strategic planning exercise in which a revised Mission Statement was adopted (page 4). To achieve MFPRSI's mission, the Board created its Vision Statement (Attachment Three) which included measurements to determine the achievements of its goals.

1. For efficiency, MFPRSI's administrative costs were mid-range compared to eight other U.S. police and fire retirement funds.
2. As of June 30, 2016, MFPRSI's investment performance ranked in the top quartile for its 3-year and 5-year periods when measured against 19 similarly sized funds. For the 1-year and 10-year periods, MFPRSI ranked above the median.



Challenges Facing MFPRSI

Funding Policy

The Board of Trustees developed a funding policy with the goal of fully funding the System over a 25-year period using a steady contribution rate.

Financial Status of the Plan

The correction of investment markets during the period 2007-2009 had a significant impact on the funded status of MFPRSI. The System's funding dropped from 100% in fiscal year 2007 to 74% in fiscal year 2013. The System's investment portfolio has regained those losses and is currently valued at \$2.4 billion, an all-time high for MFPRSI. In addition, the funded status has improved to 81.4% as of July 1, 2017. The Trustees approved a city contribution rate of 26.02% beginning July 1, 2018. This calculation incorporates both the strong investment performance for the fiscal year and a change to its future mortality improvement assumption.

In an effort to clearly communicate the value of MFPRSI to stakeholders, the Trustees created a strategic plan to define long-term missions, goals, and the means by which MFPRSI will measure its success. As part of this effort, the Board discovered that the benefits provided to its members are competitive with other police and fire retirement systems in the USA. Additionally, research uncovered that MFPRSI's administrative costs are average compared to retirement systems nationwide. The Board adopted a Mission Statement and accompanying Vision Statements in order to clearly communicate a concise focus for the retirement system. The Board and staff conducted surveys of both its membership and city representatives. The survey asked for each group's level of satisfaction concerning MFPRSI's communication and accessibility. The survey found both groups to be very satisfied with the type and efficiency of MFPRSI's communication and accessibility efforts.



Challenges Facing MFPRSI

Implementation of Complex Programs

Implementation of a number of complex programs, including:

1. Adoption of national standards for the pre-employment medical protocols and review of activities of the medical examination network.
2. Evaluation of the investment activities of the firms currently managing MFPRSI's portfolios and review of asset allocation.
3. Development of legislative reports in response to the requests of Committees or individual legislators.
4. Administration of the DROP program and of the PPA of 2006.
5. Maintain MFPRSI's tax-qualified status from the IRS in 2014 by obtaining a favorable determination letter.
6. Review of the operational controls and audit processes of the investment managers.
7. Integrating GASB 67 and 68 into annual financial statement preparation.
8. Use of document imaging system to electronically maintain member records and data, thus eliminating dependence on paper records. The system will also enhance the staff's efficiency of processing and long-term security of data.
9. The Board of Trustees oversight of the provisions in the Mission Statement and Vision Statement establishing the future direction of MFPRSI.



Legislative Activities

Funding Change

As required by statute, the board of trustees provided the General Assembly with MFPRSI's Financial Evaluation Report in January 2017. The report included the board's recommendation that the State resume its contribution to the retirement system at a rate of 3.79% of earnable compensation.

This recommendation would reinstate the funding agreement between the State and participating cities dating back to 1976. A bill reflecting this recommendation, S.F. 188 sponsored by Senator Danielson, was introduced and did not pass in the 2015 legislative session.



July 1, 2017, Actuarial Report

Contribution Rate Requirement

The contribution rate derived from this formula and approved by the Board will be implemented effective July 1, 2018.

Contribution Rate

Estimated Earnable Compensation	\$ 296,237,982
Estimated State's Contribution	\$0
Member's Contribution Rate	9.4%
Actuarial Calculated Rate for Cities	26.02%

Valuation of Assets & Liabilities

Market Value vs. Actuarial Value of Investment Assets

Market Value of Total Assets (Net)	\$ 2,436,896,111
Actuarial Value of Assets*	2,461,161,417
Actuarial Accrued Liability	3,023,371,171
Interest Rate Assumption	7.5%

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



July 1, 2017, 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 as of July 1, 2017

1. Actuarial Accrued Liability	
Active members	\$ 1,212,847,369
Inactive members	1,770,772,706
Total	2,983,620,075
2. Actuarial Value of Plan Assets	2,461,161,417
3. Unfunded Actuarial Accrued Liability before changes (Excess of #1 over #2)	522,458,658
4. Change in Actuarial Assumptions	39,751,096
5. Unfunded Actuarial Accrued Liability after change in assumptions (Excess of #3 plus #4)	562,209,754



July 1, 2017, Actuarial Report

MFPRSI Contributions

Annual Contributions as of July 1, 2017

Preliminary Total Contribution

1. Annual Normal Cost	\$	56,128,110
2. Estimated Member Contributions		27,846,370
3. Unfunded Actuarial Accrued Liability		48,787,152
4. Total (Cities plus State) Contribution = #1 - #2 + #3		77,068,892

Cities' Contribution

5. Preliminary Total Contribution = #4		77,068,892
6. Estimated State Contribution		0
7. Preliminary Cities' Contribution = #5 - #6		77,068,892
8. Covered Payroll		296,237,982
9. Cities' Contribution as a percent of payroll = #7 / #8		26.02%
10. Minimum required contribution rate for Cities		17.00%
11. Cities' Contribution = Greater of #9 x #8 or #10 x #8	\$	77,081,123



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 the Plan. Information provided is as of the July 1, 2017, 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

Current Funded Ratio

Entry Age Normal	81%
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Contribution Rates

Employee	9.4%
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Employer - Actuarially determined each year. Minimum of 17%

Fiscal Year 2018	25.68%
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Fiscal Year 2019	26.02%
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State Contribution	\$ 0
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Contribution projection over 25 years, using an interest rate assumption of 7.5%

See following slides



Attachment One: Contribution Rate 25-Year Forecast

Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029
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	7.73%	6.02%	6.93%	8.24%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Covered Payroll	296,238	308,088	320,257	332,907	346,057	359,726	373,935	388,706	404,060	420,020	436,611	453,857	471,784
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization													
Actuarial Accrued Liability	3,023,371	3,147,080	3,264,745	3,384,948	3,507,548	3,632,379	3,759,243	3,887,909	4,010,088	4,132,625	4,255,098	4,377,030	4,497,886
Asset Values													
- Market Value	2,436,896	2,546,408	2,660,858	2,778,244	2,903,866	3,036,149	3,169,523	3,305,660	3,444,408	3,585,543	3,728,069	3,871,572	4,015,676
- Actuarial Value	2,461,161	2,578,061	2,657,289	2,759,438	2,903,866	3,036,149	3,169,523	3,305,660	3,444,408	3,585,543	3,728,069	3,871,572	4,015,676
Funded Ratio (Actuarial Value Assets)	81.40%	81.92%	81.39%	81.52%	82.79%	83.59%	84.31%	85.02%	85.89%	86.76%	87.61%	88.45%	89.28%
Contribution Rates (% of Payroll)													
- Cities	26.02%	25.71%	26.97%	27.60%	26.63%	26.22%	25.83%	25.45%	24.91%	24.38%	23.88%	23.39%	22.93%
- 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	35.42%	35.11%	36.37%	37.00%	36.03%	35.62%	35.23%	34.85%	34.31%	33.78%	33.28%	32.79%	32.33%
Actual Cities Contribution Rate	25.68%	26.02%	25.71%	26.97%	27.60%	26.63%	26.22%	25.83%	25.45%	24.91%	24.38%	23.88%	23.39%
Assumptions and Data													
Interest Rate	7.5%	Non-Investment Expense Growth		4.0%	September 29, 2017								
Active Members		Census Data		SilverStone Group									
- Population Growth	0.2%	- As of July 1, 2017											
- Average Age	41.0	Asset Data											
- Average Service	13.7	- As of July 1, 2017											



Attachment One: Contribution Rate 25-Year Forecast

Municipal Fire & Police Retirement System of Iowa Forecast of Contribution Rates and Funded Status (Amounts in Thousands)

Valuation Date	7/1/2030	7/1/2031	7/1/2032	7/1/2033	7/1/2034	7/1/2035	7/1/2036	7/1/2037	7/1/2038	7/1/2039	7/1/2040	7/1/2041	7/1/2042
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	490,420	509,791	529,928	550,860	572,619	595,238	618,750	643,190	668,596	695,006	722,459	750,996	780,660
Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization													
Actuarial Accrued Liability	4,617,065	4,733,893	4,847,620	4,957,411	5,062,338	5,161,371	5,253,368	5,337,070	5,411,084	5,473,874	5,523,750	5,558,852	5,588,290
Asset Values													
- Market Value	4,159,866	4,303,658	4,446,414	4,587,414	4,725,970	4,861,203	4,992,137	5,117,748	5,236,911	5,348,313	5,432,850	5,506,954	5,568,974
- Actuarial Value	4,159,866	4,303,658	4,446,414	4,587,414	4,725,970	4,861,203	4,992,137	5,117,748	5,236,911	5,348,313	5,432,850	5,506,954	5,568,974
Funded Ratio (Actuarial Value Assets)	90.10%	90.91%	91.72%	92.54%	93.36%	94.18%	95.03%	95.89%	96.78%	97.71%	98.35%	99.07%	99.65%
Contribution Rates (% of Payroll)													
- Cities	22.48%	22.04%	21.63%	21.23%	20.84%	20.47%	20.12%	19.78%	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	31.88%	31.44%	31.03%	30.63%	30.24%	29.87%	29.52%	29.18%	26.40%	26.40%	26.40%	26.40%	26.40%
Actual Cities Contribution Rate	22.93%	22.48%	22.04%	21.63%	21.23%	20.84%	20.47%	20.12%	19.78%	17.00%	17.00%	17.00%	17.00%
Assumptions and Data													
Interest Rate	7.5%	Non-Investment Expense Growth	4.0%	September 29, 2017									
Active Members		Census Data	SilverStone Group										
- Population Growth	0.2%	- As of July 1, 2017											
- Average Age	41.0	Asset Data											
- Average Service	13.7	- As of July 1, 2017											



Attachment Two: Alternative Statutory Actuarial Reporting



BUSINESS AND PERSONAL RESOURCE MANAGEMENT

September 22, 2017

Mr. Terry Slattery
 Executive Director
 Municipal Fire & Police Retirement System of Iowa
 7155 Lake Drive, Suite 201
 West Des Moines, IA 50266

RE: July 1, 2017 Alternative Actuarial Reporting to General Assembly

Dear Terry:

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, 2017 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	26.02%	17.87%
- After 17% Minimum	26.02%	17.87%
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	81.40%	81.40%

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, 2017 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
 Principal



Attachment Two: Alternative Statutory Actuarial Reporting

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

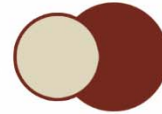
Current and Alternative Reporting As of July 1, 2017

Current Reporting*	Entry Age Normal (25 Yr Level \$)
1. Plan Liability- Actuarial Accrued Liability	3,023,371,171
2. Actuarial Value of Assets	2,461,161,417
3. Funded Ratio = (2)/(1)	81.40%
4. Unfunded Accrued Liability = (1)-(2)	562,209,754
5. 25-year Level Dollar Closed Layered Amortization of (4)	48,787,152
6. Normal Cost	56,128,110
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	104,915,262
8. Estimated Member Contributions	27,846,370
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	77,068,892
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$296,237,982)	26.02%

Alternative Reporting**	Entry Age Normal (30 Yr Level %)
1. Plan Liability- Actuarial Accrued Liability	3,023,371,171
2. Actuarial Value of Assets	2,461,161,417
3. Funded Ratio = (2)/(1)	81.40%
4. Unfunded Accrued Liability = (1)-(2)	562,209,754
5. 30-year Level Percent of Pay Amortization of (4)	24,647,407
6. Normal Cost	56,128,110
7. Total (Cities plus State plus Members) Contribution = (5)+(6)	80,775,517
8. Estimated Member Contributions	27,846,370
9. Estimated State Contribution	0
10. Cities Contribution = (7)-(8)-(9)	52,929,147
11. Cities' Contribution Rate Prior to 17% Statutory Minimum = (10)/(Covered Payroll of \$296,237,982)	17.87%

*Current Reporting: Entry Age Normal Cost Method, 25 Year Level Dollar Closed Layered Amortization of UAL, 7.5% interest rate, RP 2000 Blue Collar Combined Healthy Mortality with 5 Year 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 2000 Blue Collar Combined Healthy Mortality with 5 Year Scale BB Improvement Projection and Graded Salary Growth



Attachment Three: Vision Statement

Comprehensive

Adequacy of retirement and disability benefits to attract and retain top quality police officers and firefighters and provide for them and their families when they are no longer working or able to do so. Retirement and disability benefits should be competitive with comparable police and fire systems.

- The National Association of State Retirement Administrators conducted a Public Fund Survey in 2013. Comparing the results of this survey with its benefit structure, MFPRSI concludes that its benefit structure is comparable with similar defined benefit plans. Included in this comparison is minimum retirement age, final average salary, social security participation, and average benefit multiplier.

Efficient

Managing the system and the investment portfolio in a timely, professional, cost effective and customer-oriented manner. Obtaining top quality management services for a cost that is mid-range for comparable systems. The investment portfolio should provide net returns in the top quartile for similarly-sized plans. On a risk-adjusted basis the portfolio's returns should be no less than the median for public plans.

- MFPRSI, in conjunction with its investment consultant, Summit Strategies, compared its investment portfolio against all other public pension funds between \$1 billion and \$5 billion in asset size in the United States. Using data as of December 31, 2014, the study showed that MFPRSI's fee agreements with its investment managers is in-line with its peers across multiple time periods (e.g., 3 months, 1 year, 3 years, 5 years, 7 years, and 10 years).



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Sound

Stable and secure retirement benefits and funding policy based upon fiduciary principles, appropriate risk management policies and independent governance. Funding should be based upon actuarially determined contribution rates and intergenerational equity, and a disciplined, accountable and transparent funding policy. Investment practices should be cognizant of unexpected volatility.

- MFPRSI reviewed its investment asset allocation policy against comparably sized funds in the United States as of June 30, 2014, and determined that its investment portfolio's allocation to fixed income, public equity, private equity, and real assets are approximately at the median in each category across the data set. MFPRSI's investment portfolio returns, however, rank higher than the average of its peers across 1 year, 3 year, 5 year, and 10 year return periods.

Sustainable

The system shall be economically and politically durable. Economically, the system should sustain progress toward 100% funded status while maintaining employer contributions on a consistent basis at 30% or less of covered payroll. Significant year-to-year variability in funding requirements should be avoided for both members and cities. Once full funded status is achieved, benefit or contribution changes should take into consideration necessary buffers against inevitable financial market downturns.

- MFPRSI and its actuarial consultant, SilverStone, annually review contribution requirement projections of its participating cities. The annual projection provides estimates of city contribution rates for the next 25 years using rate of return assumptions and achieving a funded ratio of 100%.

