

Municipal Fire and Police Retirement System of Iowa

Required GASB 68 Reporting Information as of
and for the Year Ended June 30, 2014, and
Related Independent Auditor's Reports

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

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Independent Auditor's Report

To the Board of Trustees
Municipal Fire and Police Retirement System of Iowa
Des Moines, Iowa

Report on Schedule of Allocations and Net Pension Amounts by Employer

We have audited the accompanying schedules of net pension liability (NPL) by city (proportionate share, share of NPL as of June 30, 2013, share of NPL as of June 30, 2014, covered payroll, NPL as a percent of covered payroll) as of June 30, 2013 and 2014, and the schedules of deferred inflows of resources by city (expected and actual experience, changes in assumptions, projected and actual earnings and total deferred inflows), deferred outflow of resources by city (expected and actual experience, changes in assumptions, projected and actual earnings and total deferred outflows), for the Municipal Fire and Police Retirement System of Iowa (the System) as of June 30, 2014 and the related schedule of pension expense by city (collectively the Schedules) for the year then ended, and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to System's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the Schedules referred to above present fairly, in all material respects, the schedules of net pension liability (NPL) by city (proportionate share, share of NPL as of June 30, 2013, share of NPL as of June 30, 2014, covered payroll, NPL as a percent of covered payroll), deferred inflows of resources by city (expected and actual experience, changes in assumptions, projected and actual earnings and total deferred inflows), deferred outflow of resources by city (expected and actual experience, changes in assumptions, projected and actual earnings and total deferred outflows), and pension expense by city for the System as of and for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended June 30, 2014, and our report thereon, dated November 14, 2014, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the System's management, the System's Board of Trustees, System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
May 27, 2015

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

NET PENSION LIABILITY (NPL) BY CITY AS OF JUNE 30, 2014

City	Proportionate Share (%)	Share of NPL June 30, 2013	Share of NPL June 30, 2014	Covered Payroll *	NPL as % of Covered Payroll
Ames	2.68%	\$ 14,870,589	\$ 9,730,925	\$ 6,855,169	141.95%
Ankeny	1.66%	9,202,324	6,021,760	4,242,165	141.95%
Bettendorf	1.87%	10,384,926	6,795,625	4,787,332	141.95%
Boone	0.58%	3,222,780	2,108,903	1,485,664	141.95%
Burlington	1.80%	9,981,123	6,531,386	4,601,182	141.95%
Camanche	0.26%	1,426,881	933,714	657,777	141.95%
Carroll	0.28%	1,541,055	1,008,426	710,408	141.95%
Cedar Falls	1.78%	9,875,872	6,462,513	4,552,662	141.95%
Cedar Rapids	9.30%	51,525,644	33,717,037	23,752,724	141.95%
Centerville	0.24%	1,334,522	873,276	615,198	141.95%
Charles City	0.29%	1,629,726	1,066,450	751,285	141.95%
Clinton	1.97%	10,912,849	7,141,084	5,030,699	141.95%
Clive	0.60%	3,325,567	2,176,164	1,533,048	141.95%
Council Bluffs	5.82%	32,267,996	21,115,335	14,875,173	141.95%
Creston	0.29%	1,596,733	1,044,861	736,075	141.95%
Davenport	8.23%	45,598,149	29,838,239	21,020,220	141.95%
Decorah	0.29%	1,603,244	1,049,121	739,076	141.95%
Des Moines	18.20%	100,846,444	65,991,282	46,489,038	141.95%
Dewitt	0.21%	1,146,448	750,206	528,500	141.95%
Dubuque	5.08%	28,134,621	18,410,561	12,969,732	141.95%
Estherville	0.25%	1,386,658	907,392	639,233	141.95%
Evansdale	0.10%	572,057	374,339	263,713	141.95%
Fairfield	0.32%	1,779,514	1,164,467	820,334	141.95%
Fort Dodge	1.48%	8,201,652	5,366,947	3,780,866	141.95%
Fort Madison	0.68%	3,785,618	2,477,210	1,745,125	141.95%
Grinnell	0.41%	2,255,734	1,476,093	1,039,869	141.95%
Indianola	0.47%	2,591,543	1,695,838	1,194,671	141.95%
Iowa City	3.78%	20,929,442	13,695,681	9,648,230	141.95%
Keokuk	0.81%	4,483,812	2,934,090	2,066,986	141.95%
Knoxville	0.25%	1,410,943	923,284	650,427	141.95%
Lemars	0.35%	1,947,350	1,274,295	897,705	141.95%
Maquoketa	0.21%	1,186,167	776,197	546,808	141.95%
Marion	1.84%	10,189,952	6,668,039	4,697,451	141.95%
Marshalltown	1.56%	8,647,652	5,658,798	3,986,468	141.95%
Mason City	2.01%	11,109,630	7,269,852	5,121,412	141.95%
Muscatine	1.76%	9,722,246	6,361,984	4,481,844	141.95%
Newton	1.07%	5,901,114	3,861,535	2,720,346	141.95%
Oelwein	0.23%	1,299,988	850,678	599,280	141.95%
Oskaloosa	0.49%	2,703,124	1,768,854	1,246,109	141.95%
Ottumwa	1.48%	8,217,510	5,377,325	3,788,177	141.95%
Pella	0.31%	1,716,928	1,123,513	791,483	141.95%
Sioux City	6.47%	35,850,114	23,459,379	16,526,487	141.95%
Spencer	0.50%	2,793,711	1,828,132	1,287,867	141.95%
Storm Lake	0.37%	2,074,574	1,357,547	956,354	141.95%
Urbandale	1.81%	10,022,541	6,558,490	4,620,275	141.95%
Waterloo	5.72%	31,689,507	20,736,787	14,608,497	141.95%
Waverly	0.36%	2,020,227	1,321,984	931,301	141.95%
Webster City	0.31%	1,727,875	1,130,677	796,532	141.95%
West Des Moines	3.13%	17,317,285	11,331,979	7,983,067	141.95%
Total	100.00%	\$ 553,961,961	\$ 362,498,253	\$ 255,370,044	

* Represents reported covered payroll. Amount reported is based on pensionable payroll and not total payroll. Please consult you when presenting covered payroll in your reports.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

DEFERRED INFLOWS OF RESOURCES BY CITY AS OF JUNE 30, 2014

City	Proportionate Share (%)	Expected and Actual Experience	Changes in Assumptions	Projected and Actual Earnings	Contributions Made After Measurement Date	Total Deferred Inflows
Ames	2.68%	\$ (27,540)	\$ -	\$ (4,574,238)	TBD	\$ (4,601,778)
Ankeny	1.66%	(17,042)	-	(2,830,663)	TBD	(2,847,706)
Bettendorf	1.87%	(19,232)	-	(3,194,436)	TBD	(3,213,668)
Boone	0.58%	(5,968)	-	(991,337)	TBD	(997,306)
Burlington	1.80%	(18,485)	-	(3,070,224)	TBD	(3,088,709)
Camanche	0.26%	(2,643)	-	(438,913)	TBD	(441,556)
Carroll	0.28%	(2,854)	-	(474,033)	TBD	(476,887)
Cedar Falls	1.78%	(18,290)	-	(3,037,849)	TBD	(3,056,139)
Cedar Rapids	9.30%	(95,423)	-	(15,849,448)	TBD	(15,944,872)
Centerville	0.24%	(2,471)	-	(410,503)	TBD	(412,975)
Charles City	0.29%	(3,018)	-	(501,309)	TBD	(504,327)
Clinton	1.97%	(20,210)	-	(3,356,826)	TBD	(3,377,037)
Clive	0.60%	(6,159)	-	(1,022,955)	TBD	(1,029,114)
Council Bluffs	5.82%	(59,759)	-	(9,925,736)	TBD	(9,985,495)
Creston	0.29%	(2,957)	-	(491,160)	TBD	(494,117)
Davenport	8.23%	(84,446)	-	(14,026,133)	TBD	(14,110,579)
Decorah	0.29%	(2,969)	-	(493,163)	TBD	(496,132)
Des Moines	18.20%	(186,764)	-	(31,020,680)	TBD	(31,207,444)
Dewitt	0.21%	(2,123)	-	(352,651)	TBD	(354,774)
Dubuque	5.08%	(52,104)	-	(8,654,297)	TBD	(8,706,401)
Estherville	0.25%	(2,568)	-	(426,540)	TBD	(429,108)
Evansdale	0.10%	(1,059)	-	(175,967)	TBD	(177,026)
Fairfield	0.32%	(3,296)	-	(547,384)	TBD	(550,680)
Fort Dodge	1.48%	(15,189)	-	(2,522,854)	TBD	(2,538,043)
Fort Madison	0.68%	(7,011)	-	(1,164,468)	TBD	(1,171,479)
Grinnell	0.41%	(4,178)	-	(693,871)	TBD	(698,048)
Indianola	0.47%	(4,799)	-	(797,167)	TBD	(801,966)
Iowa City	3.78%	(38,761)	-	(6,437,961)	TBD	(6,476,722)
Keokuk	0.81%	(8,304)	-	(1,379,234)	TBD	(1,387,538)
Knoxville	0.25%	(2,613)	-	(434,010)	TBD	(436,623)
Lemars	0.35%	(3,606)	-	(599,011)	TBD	(602,617)
Maquoketa	0.21%	(2,197)	-	(364,869)	TBD	(367,066)
Marion	1.84%	(18,871)	-	(3,134,461)	TBD	(3,153,332)
Marshalltown	1.56%	(16,015)	-	(2,660,045)	TBD	(2,676,060)
Mason City	2.01%	(20,575)	-	(3,417,357)	TBD	(3,437,931)
Muscatine	1.76%	(18,005)	-	(2,990,593)	TBD	(3,008,598)
Newton	1.07%	(10,929)	-	(1,815,201)	TBD	(1,826,130)
Oelwein	0.23%	(2,408)	-	(399,880)	TBD	(402,288)
Oskaloosa	0.49%	(5,006)	-	(831,489)	TBD	(836,495)
Ottumwa	1.48%	(15,219)	-	(2,527,732)	TBD	(2,542,950)
Pella	0.31%	(3,180)	-	(528,132)	TBD	(531,312)
Sioux City	6.47%	(66,393)	-	(11,027,606)	TBD	(11,093,999)
Spencer	0.50%	(5,174)	-	(859,354)	TBD	(864,528)
Storm Lake	0.37%	(3,842)	-	(638,145)	TBD	(641,987)
Urbandale	1.81%	(18,561)	-	(3,082,965)	TBD	(3,101,526)
Waterloo	5.72%	(58,688)	-	(9,747,791)	TBD	(9,806,479)
Waverly	0.36%	(3,741)	-	(621,428)	TBD	(625,170)
Webster City	0.31%	(3,200)	-	(531,500)	TBD	(534,700)
West Des Moines	3.13%	(32,071)	-	(5,326,851)	TBD	(5,358,921)
Total	100.00%	\$ (1,025,916)	\$ -	\$ (170,400,421)		\$ (171,426,338)

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

DEFERRED OUTFLOWS OF RESOURCES BY CITY AS OF JUNE 30, 2014

City	Proportionate Share (%)	Expected and Actual Experience	Changes in Assumptions	Projected and Actual Earnings	Contributions Made After Measurement Date	Total Deferred Outflows
Ames	2.68%	\$ -	\$ 719,213	\$ -	TBD	\$ 719,213
Ankeny	1.66%	-	445,069	-	TBD	445,069
Bettendorf	1.87%	-	502,265	-	TBD	502,265
Boone	0.58%	-	155,869	-	TBD	155,869
Burlington	1.80%	-	482,735	-	TBD	482,735
Camanche	0.26%	-	69,011	-	TBD	69,011
Carroll	0.28%	-	74,533	-	TBD	74,533
Cedar Falls	1.78%	-	477,644	-	TBD	477,644
Cedar Rapids	9.30%	-	2,492,027	-	TBD	2,492,027
Centerville	0.24%	-	64,544	-	TBD	64,544
Charles City	0.29%	-	78,821	-	TBD	78,821
Clinton	1.97%	-	527,798	-	TBD	527,798
Clive	0.60%	-	160,840	-	TBD	160,840
Council Bluffs	5.82%	-	1,560,635	-	TBD	1,560,635
Creston	0.29%	-	77,226	-	TBD	77,226
Davenport	8.23%	-	2,205,346	-	TBD	2,205,346
Decorah	0.29%	-	77,540	-	TBD	77,540
Des Moines	18.20%	-	4,877,419	-	TBD	4,877,419
Dewitt	0.21%	-	55,448	-	TBD	55,448
Dubuque	5.08%	-	1,360,725	-	TBD	1,360,725
Estherville	0.25%	-	67,065	-	TBD	67,065
Evansdale	0.10%	-	27,668	-	TBD	27,668
Fairfield	0.32%	-	86,066	-	TBD	86,066
Fort Dodge	1.48%	-	396,671	-	TBD	396,671
Fort Madison	0.68%	-	183,091	-	TBD	183,091
Grinnell	0.41%	-	109,098	-	TBD	109,098
Indianola	0.47%	-	125,339	-	TBD	125,339
Iowa City	3.78%	-	1,012,248	-	TBD	1,012,248
Keokuk	0.81%	-	216,859	-	TBD	216,859
Knoxville	0.25%	-	68,240	-	TBD	68,240
Lemars	0.35%	-	94,183	-	TBD	94,183
Maquoketa	0.21%	-	57,369	-	TBD	57,369
Marion	1.84%	-	492,835	-	TBD	492,835
Marshalltown	1.56%	-	418,242	-	TBD	418,242
Mason City	2.01%	-	537,315	-	TBD	537,315
Muscatine	1.76%	-	470,215	-	TBD	470,215
Newton	1.07%	-	285,406	-	TBD	285,406
Oelwein	0.23%	-	62,874	-	TBD	62,874
Oskaloosa	0.49%	-	130,736	-	TBD	130,736
Ottumwa	1.48%	-	397,438	-	TBD	397,438
Pella	0.31%	-	83,039	-	TBD	83,039
Sioux City	6.47%	-	1,733,884	-	TBD	1,733,884
Spencer	0.50%	-	135,117	-	TBD	135,117
Storm Lake	0.37%	-	100,336	-	TBD	100,336
Urbandale	1.81%	-	484,738	-	TBD	484,738
Waterloo	5.72%	-	1,532,657	-	TBD	1,532,657
Waverly	0.36%	-	97,708	-	TBD	97,708
Webster City	0.31%	-	83,568	-	TBD	83,568
West Des Moines	3.13%	-	837,547	-	TBD	837,547
Total	100.00%	\$ -	\$ 26,792,260	\$ -		\$ 26,792,260

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

PENSION EXPENSE BY CITY FOR THE PERIOD ENDED JUNE 30, 2014

City	Proportionate Share (%)	Share of Pension Expense
Ames	2.68%	\$ 807,679
Ankeny	1.66%	499,813
Bettendorf	1.87%	564,046
Boone	0.58%	175,042
Burlington	1.80%	542,114
Camanche	0.26%	77,499
Carroll	0.28%	83,701
Cedar Falls	1.78%	536,397
Cedar Rapids	9.30%	2,798,558
Centerville	0.24%	72,483
Charles City	0.29%	88,517
Clinton	1.97%	592,719
Clive	0.60%	180,624
Council Bluffs	5.82%	1,752,600
Creston	0.29%	86,725
Davenport	8.23%	2,476,613
Decorah	0.29%	87,078
Des Moines	18.20%	5,477,363
Dewitt	0.21%	62,268
Dubuque	5.08%	1,528,101
Estherville	0.25%	75,315
Evansdale	0.10%	31,071
Fairfield	0.32%	96,652
Fort Dodge	1.48%	445,464
Fort Madison	0.68%	205,612
Grinnell	0.41%	122,518
Indianola	0.47%	140,757
Iowa City	3.78%	1,136,759
Keokuk	0.81%	243,533
Knoxville	0.25%	76,634
Lemars	0.35%	105,768
Maquoketa	0.21%	64,425
Marion	1.84%	553,456
Marshalltown	1.56%	469,688
Mason City	2.01%	603,407
Muscatine	1.76%	528,053
Newton	1.07%	320,512
Oelwein	0.23%	70,607
Oskaloosa	0.49%	146,817
Ottumwa	1.48%	446,325
Pella	0.31%	93,253
Sioux City	6.47%	1,947,159
Spencer	0.50%	151,737
Storm Lake	0.37%	112,678
Urbandale	1.81%	544,363
Waterloo	5.72%	1,721,181
Waverly	0.36%	109,726
Webster City	0.31%	93,848
West Des Moines	3.13%	940,569
Total	100.00%	\$ 30,087,829

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

NOTES TO SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Plan Administration

The Municipal Fire and Police Retirement System of Iowa (System) was created by the Iowa General Assembly in 1990 to establish a statewide retirement system for fire and police personnel covered by the provisions of Iowa Code Chapter 411. The programs of the System include the payment of pension benefits for service retirement, ordinary disability retirement, accidental disability retirement, survivors of deceased members and the refund of contributions upon withdrawal by a terminated member.

The System is managed by a Board of Trustees established by Iowa Code Chapter 411. The Board of Trustees represents the police officer and firefighter memberships, Cities, and citizens of Iowa, while the Iowa General Assembly provides the System with direction and oversight.

Basis of Accounting

Contributions for employers and net pension liability are recognized on an accrual basis of accounting.

Use of Estimates in the Preparation of the Schedules

The preparation of the Schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Plan Membership

As of July 1, 2014, System membership consisted of the following:

Inactive members (or beneficiaries) currently receiving benefits	3,896
Inactive members entitled to but not yet receiving benefits	321
Active members	<u>3,885</u>
Total	<u><u>8,102</u></u>

Plan Description – The System’s membership is mandatory for fire fighters and police officers of the city. Members of the System are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the System. The System issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive Suite 201 West Des Moines, IA 50266 or at www.MFPRSI.org.

System benefits are established under Iowa Code chapter 411 and the administrative rules thereunder. Chapter 411 and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

Participating members are entitled to the benefit provisions in effect on the member's date of termination. The following is a summary of System benefit provisions as of June 30, 2014:

Retirement - Members with four or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (22 years). Members with less than four years of service are entitled to a refund of their contribution only, with interest for the period of employment.

Benefits are calculated based upon the member's highest three years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of eight years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Disability and Death - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Iowa Code Chapter 411.6 which states a standard formula for the increases.

Traumatic Personal Injury - The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Deferred Retirement Option Program (DROP) - Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the DROP Program. The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Contributions

Member - Member contribution rates are set by state statute. In accordance with Iowa Code Chapter 411 as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2014.

Employer - Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.12% for the year ended June 30, 2014.

State Appropriations - State appropriations are approved by the state legislature and may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

The allocation amongst all Cities of the contributions to the System for the period ended June 30, 2014 was as follows:

City	Proportionate Share (%)	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency/ (Excess)	Covered Payroll *	Contributions as a % of Covered Payroll
Ames	2.68%	\$ 2,064,777	\$ 2,064,777	\$ -	\$ 6,855,169	30.12%
Ankeny	1.66%	1,277,740	1,277,740	-	4,242,165	30.12%
Bettendorf	1.87%	1,441,944	1,441,944	-	4,787,332	30.12%
Boone	0.58%	447,482	447,482	-	1,485,664	30.12%
Burlington	1.80%	1,385,876	1,385,876	-	4,601,182	30.12%
Camanche	0.26%	198,122	198,122	-	657,777	30.12%
Carroll	0.28%	213,975	213,975	-	710,408	30.12%
Cedar Falls	1.78%	1,371,262	1,371,262	-	4,552,662	30.12%
Cedar Rapids	9.30%	7,154,321	7,154,321	-	23,752,724	30.12%
Centerville	0.24%	185,298	185,298	-	615,198	30.12%
Charles City	0.29%	226,287	226,287	-	751,285	30.12%
Clinton	1.97%	1,515,246	1,515,246	-	5,030,699	30.12%
Clive	0.60%	461,754	461,754	-	1,533,048	30.12%
Council Bluffs	5.82%	4,480,402	4,480,402	-	14,875,173	30.12%
Creston	0.29%	221,706	221,706	-	736,075	30.12%
Davenport	8.23%	6,331,290	6,331,290	-	21,020,220	30.12%
Decorah	0.29%	222,610	222,610	-	739,076	30.12%
Des Moines	18.20%	14,002,500	14,002,500	-	46,489,038	30.12%
Dewitt	0.21%	159,184	159,184	-	528,500	30.12%
Dubuque	5.08%	3,906,484	3,906,484	-	12,969,732	30.12%
Estherville	0.25%	192,537	192,537	-	639,233	30.12%
Evansdale	0.10%	79,430	79,430	-	263,713	30.12%
Fairfield	0.32%	247,085	247,085	-	820,334	30.12%
Fort Dodge	1.48%	1,138,797	1,138,797	-	3,780,866	30.12%
Fort Madison	0.68%	525,632	525,632	-	1,745,125	30.12%
Grinnell	0.41%	313,208	313,208	-	1,039,869	30.12%
Indianola	0.47%	359,835	359,835	-	1,194,671	30.12%
Iowa City	3.78%	2,906,047	2,906,047	-	9,648,230	30.12%
Keokuk	0.81%	622,576	622,576	-	2,066,986	30.12%
Knoxville	0.25%	195,909	195,909	-	650,427	30.12%
Lemars	0.35%	270,389	270,389	-	897,705	30.12%
Maquoketa	0.21%	164,699	164,699	-	546,808	30.12%
Marion	1.84%	1,414,872	1,414,872	-	4,697,451	30.12%
Marshalltown	1.56%	1,200,724	1,200,724	-	3,986,468	30.12%
Mason City	2.01%	1,542,569	1,542,569	-	5,121,412	30.12%
Muscatine	1.76%	1,349,931	1,349,931	-	4,481,844	30.12%
Newton	1.07%	819,368	819,368	-	2,720,346	30.12%
Oelwein	0.23%	180,503	180,503	-	599,280	30.12%
Oskaloosa	0.49%	375,328	375,328	-	1,246,109	30.12%
Ottumwa	1.48%	1,140,999	1,140,999	-	3,788,177	30.12%
Pella	0.31%	238,395	238,395	-	791,483	30.12%
Sioux City	6.47%	4,977,778	4,977,778	-	16,526,487	30.12%
Spencer	0.50%	387,906	387,906	-	1,287,867	30.12%
Storm Lake	0.37%	288,054	288,054	-	956,354	30.12%
Urbandale	1.81%	1,391,627	1,391,627	-	4,620,275	30.12%
Waterloo	5.72%	4,400,079	4,400,079	-	14,608,497	30.12%
Waverly	0.36%	280,508	280,508	-	931,301	30.12%
Webster City	0.31%	239,915	239,915	-	796,532	30.12%
West Des Moines	3.13%	2,404,500	2,404,500	-	7,983,067	30.12%
Total	100.00%	\$ 76,917,460	\$ 76,917,460	\$ -	\$ 255,370,044	

* Represents reported covered payroll. Amount reported is based on pensionable payroll and not total payroll. Please consult your auditor when presenting covered payroll in your reports.

Investment Policy

The investment policy and decisions are governed by the Board of Trustees.

Net Pension Liability

The components of the net pension liability of the System at June 30, 2014 were as follows:

Total Pension Liability	\$ 2,640,955,176
Plan Fiduciary Net Position	<u>(2,278,456,923)</u>
Net Pension Liability	<u>\$ 362,498,253</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>86.27%</u>

The following schedule presents the changes in net pension liability for fiscal year ended June 30, 2014:

Total Pension Liability - Beginning of Year	\$ 2,518,228,578
Service Cost	48,020,046
Interest	187,172,397
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(1,248,941)
Changes of Assumptions	32,616,664
Benefit Payments, Including Refunds	<u>(143,833,568)</u>
Total Pension Liability - End of Year	<u>2,640,955,176</u>
Plan Fiduciary Net Position - Beginning of Year	1,964,266,618
Contributions - Employer and State	76,917,460
Contributions - Member	24,054,541
Net Investment Income	358,680,682
Benefit Payments, including refunds	(143,833,568)
Administrative Expenses	(1,553,740)
Other	<u>(75,070)</u>
Plan Fiduciary Net Position - End of Year	<u>2,278,456,923</u>
Net Pension Liability - End of Year	<u>\$ 362,498,253</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.27%
Covered-Employee Payroll*	\$ 255,370,044
Net Pension Liability as a Percentage of the Covered-Employee Payroll	141.95%

*Represents reported covered payroll. Amount reported is based on pensionable payroll and not total payroll. Please consult your auditor when presenting covered payroll in your reports.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the current discount rate of 7.50%, as well as the net pension liability calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$2,973,518,273	\$2,640,955,176	\$2,364,625,165
Plan Fiduciary Net Position	<u>(2,278,456,923)</u>	<u>(2,278,456,923)</u>	<u>(2,278,456,923)</u>
Net Pension Liability	<u>\$ 695,061,350</u>	<u>\$ 362,498,253</u>	<u>\$ 86,168,242</u>

The allocation amongst all Cities of the sensitivity in Net Pension Liability of the System at June 30, 2014 was as follows:

City	Proportionate Share (%)	Current Discount Rate	
		1% Decrease 6.50%	1% Increase 8.50%
Ames	2.68%	\$ 18,658,269	\$ 2,313,106
Ankeny	1.66%	11,546,243	1,431,412
Bettendorf	1.87%	13,030,066	1,615,365
Boone	0.58%	4,043,652	501,300
Burlington	1.80%	12,523,409	1,552,554
Camanche	0.26%	1,790,321	221,950
Carroll	0.28%	1,933,576	239,710
Cedar Falls	1.78%	12,391,351	1,536,182
Cedar Rapids	9.30%	64,649,717	8,014,764
Centerville	0.24%	1,674,437	207,584
Charles City	0.29%	2,044,833	253,502
Clinton	1.97%	13,692,456	1,697,483
Clive	0.60%	4,172,620	517,289
Council Bluffs	5.82%	40,486,962	5,019,255
Creston	0.29%	2,003,437	248,370
Davenport	8.23%	57,212,432	7,092,748
Decorah	0.29%	2,011,606	249,383
Des Moines	18.20%	126,532,995	15,686,566
Dewitt	0.21%	1,438,459	178,329
Dubuque	5.08%	35,300,776	4,376,313
Estherville	0.25%	1,739,852	215,693
Evansdale	0.10%	717,766	88,983
Fairfield	0.32%	2,232,773	276,802
Fort Dodge	1.48%	10,290,691	1,275,759
Fort Madison	0.68%	4,749,851	588,849
Grinnell	0.41%	2,830,291	350,877
Indianola	0.47%	3,251,634	403,112
Iowa City	3.78%	26,260,370	3,255,554
Keokuk	0.81%	5,625,881	697,453
Knoxville	0.25%	1,770,323	219,471
Lemars	0.35%	2,443,359	302,908
Maquoketa	0.21%	1,488,295	184,507
Marion	1.84%	12,785,431	1,585,037
Marshalltown	1.56%	10,850,291	1,345,134
Mason City	2.01%	13,939,359	1,728,092
Muscatine	1.76%	12,198,594	1,512,286
Newton	1.07%	7,404,184	917,913
Oelwein	0.23%	1,631,108	202,212
Oskaloosa	0.49%	3,391,635	420,468
Ottumwa	1.48%	10,310,589	1,278,226
Pella	0.31%	2,154,246	267,067
Sioux City	6.47%	44,981,479	5,576,450
Spencer	0.50%	3,505,296	434,559
Storm Lake	0.37%	2,602,988	322,698
Urbandale	1.81%	12,575,378	1,558,997
Waterloo	5.72%	39,761,126	4,929,272
Waverly	0.36%	2,534,799	314,244
Webster City	0.31%	2,167,982	268,769
West Des Moines	3.13%	21,728,162	2,693,687
Total	100.00%	\$ 695,061,350	\$ 86,168,242

Deferred Inflows and Outflows of Resources

As of June 30, 2014 the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (1,025,916)	\$ -
Changes of assumptions	-	26,792,260
Net difference between projected and actual earnings	(170,400,422)	-
Contributions made subsequent to measurement date*	<u>TBD</u>	<u>TBD</u>
Total	<u>\$ (171,426,338)</u>	<u>\$ 26,792,260</u>

*Contributions made subsequent to the measurement date will not be known until after the end of the reporting period.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future years' pension expense as follows:

<u>Year ending June 30,</u>	<u>Annual Recognition</u>
2015	\$ (36,998,727)
2016	(36,998,727)
2017	(36,998,727)
2018	(36,998,727)
2019	3,360,830
Thereafter	-

The allocation amongst all Cities of amounts currently reported as Deferred (Inflows)/Outflows of the System to be recognized in Pension Expense was as follows:

City	Proportionate Share (%)	Year Ending June 30,					
		2015	2016	2017	2018	2019	Thereafter
Ames	2.68%	\$ (993,196)	\$ (993,196)	\$ (993,196)	\$ (993,196)	\$ 90,218	\$ -
Ankeny	1.66%	(614,617)	(614,617)	(614,617)	(614,617)	55,830	-
Bettendorf	1.87%	(693,602)	(693,602)	(693,602)	(693,602)	63,004	-
Boone	0.58%	(215,247)	(215,247)	(215,247)	(215,247)	19,552	-
Burlington	1.80%	(666,632)	(666,632)	(666,632)	(666,632)	60,554	-
Camanche	0.26%	(95,300)	(95,300)	(95,300)	(95,300)	8,657	-
Carroll	0.28%	(102,926)	(102,926)	(102,926)	(102,926)	9,349	-
Cedar Falls	1.78%	(659,602)	(659,602)	(659,602)	(659,602)	59,916	-
Cedar Rapids	9.30%	(3,441,361)	(3,441,361)	(3,441,361)	(3,441,361)	312,601	-
Centerville	0.24%	(89,132)	(89,132)	(89,132)	(89,132)	8,096	-
Charles City	0.29%	(108,848)	(108,848)	(108,848)	(108,848)	9,887	-
Clinton	1.97%	(728,861)	(728,861)	(728,861)	(728,861)	66,207	-
Clive	0.60%	(222,112)	(222,112)	(222,112)	(222,112)	20,176	-
Council Bluffs	5.82%	(2,155,157)	(2,155,157)	(2,155,157)	(2,155,157)	195,767	-
Creston	0.29%	(106,645)	(106,645)	(106,645)	(106,645)	9,687	-
Davenport	8.23%	(3,045,468)	(3,045,468)	(3,045,468)	(3,045,468)	276,639	-
Decorah	0.29%	(107,080)	(107,080)	(107,080)	(107,080)	9,727	-
Des Moines	18.20%	(6,735,463)	(6,735,463)	(6,735,463)	(6,735,463)	611,825	-
Dewitt	0.21%	(76,570)	(76,570)	(76,570)	(76,570)	6,955	-
Dubuque	5.08%	(1,879,091)	(1,879,091)	(1,879,091)	(1,879,091)	170,690	-
Estherville	0.25%	(92,614)	(92,614)	(92,614)	(92,614)	8,413	-
Evansdale	0.10%	(38,207)	(38,207)	(38,207)	(38,207)	3,471	-
Fairfield	0.32%	(118,852)	(118,852)	(118,852)	(118,852)	10,796	-
Fort Dodge	1.48%	(547,783)	(547,783)	(547,783)	(547,783)	49,759	-
Fort Madison	0.68%	(252,839)	(252,839)	(252,839)	(252,839)	22,967	-
Grinnell	0.41%	(150,659)	(150,659)	(150,659)	(150,659)	13,685	-
Indianola	0.47%	(173,087)	(173,087)	(173,087)	(173,087)	15,723	-
Iowa City	3.78%	(1,397,863)	(1,397,863)	(1,397,863)	(1,397,863)	126,977	-
Keokuk	0.81%	(299,471)	(299,471)	(299,471)	(299,471)	27,203	-
Knoxville	0.25%	(94,236)	(94,236)	(94,236)	(94,236)	8,560	-
Lemars	0.35%	(130,062)	(130,062)	(130,062)	(130,062)	11,814	-
Maquoketa	0.21%	(79,223)	(79,223)	(79,223)	(79,223)	7,196	-
Marion	1.84%	(680,580)	(680,580)	(680,580)	(680,580)	61,821	-
Marshalltown	1.56%	(577,571)	(577,571)	(577,571)	(577,571)	52,464	-
Mason City	2.01%	(742,004)	(742,004)	(742,004)	(742,004)	67,401	-
Muscatine	1.76%	(649,342)	(649,342)	(649,342)	(649,342)	58,984	-
Newton	1.07%	(394,131)	(394,131)	(394,131)	(394,131)	35,801	-
Oelwein	0.23%	(86,825)	(86,825)	(86,825)	(86,825)	7,887	-
Oskaloosa	0.49%	(180,540)	(180,540)	(180,540)	(180,540)	16,400	-
Ottumwa	1.48%	(548,842)	(548,842)	(548,842)	(548,842)	49,855	-
Pella	0.31%	(114,672)	(114,672)	(114,672)	(114,672)	10,416	-
Sioux City	6.47%	(2,394,404)	(2,394,404)	(2,394,404)	(2,394,404)	217,499	-
Spencer	0.50%	(186,590)	(186,590)	(186,590)	(186,590)	16,949	-
Storm Lake	0.37%	(138,559)	(138,559)	(138,559)	(138,559)	12,586	-
Urbandale	1.81%	(669,398)	(669,398)	(669,398)	(669,398)	60,806	-
Waterloo	5.72%	(2,116,520)	(2,116,520)	(2,116,520)	(2,116,520)	192,257	-
Waverly	0.36%	(134,930)	(134,930)	(134,930)	(134,930)	12,257	-
Webster City	0.31%	(115,404)	(115,404)	(115,404)	(115,404)	10,483	-
West Des Moines	3.13%	(1,156,609)	(1,156,609)	(1,156,609)	(1,156,609)	105,062	-
Total	100.00%	<u>\$(36,998,727)</u>	<u>\$(36,998,727)</u>	<u>\$(36,998,727)</u>	<u>\$(36,998,727)</u>	<u>\$3,360,830</u>	<u>\$ -</u>

Expected Remaining Service Lives

Under GASB 68, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Investment gains and losses are recognized over a closed five year period. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

The amortization period for the June 30, 2013 to June 30, 2014 measurement period was determined as follows:

<u>As of June 30, 2013</u>	<u>Members</u>	<u>Expected Remaining Service Lives</u>
Active Members	3,866	11.736
Inactive Members	4,177	0.000
Weighted Average Rounded to the Nearest Tenth		5.600
Pension Expense		<u>June 30, 2014</u>
Service Cost		\$ 48,020,046
Interest on Total Pension Liability		187,172,397
Effect of Plan Changes		-
Administrative Expenses		1,553,740
Other Changes in Fiduciary Net Position		75,070
Member Contributions		(24,054,541)
Expected Investment Return Net of Investment Expenses		(145,680,154)
Recognition of Deferred (Inflows)/Outflows of Resources		
Economic/Demographic (Gains)/Losses		(223,025)
Assumption Changes		5,824,404
Investment (Gains)/Losses		<u>(42,600,106)</u>
Pension Expense		<u>\$ 30,087,831</u>

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00 percent
Salary Increases	4.5 to 15.11 percent including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period of July 1, 2002, to June 30, 2012. There were no significant changes of benefit terms.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement. There are two additional steps to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighing of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core-Plus Fixed Income	7.0%		3.8%
Emerging Markets Debt	3.0%		6.5%
Domestic equities	12.5%		6.0%
Master Limited Partnerships (MLP)	5.0%		8.5%
International equities	12.5%		7.0%
Core Investments		40.0%	
Tactical Asset Allocation		35.0%	6.0%
Private equity/debt		15.0%	9.8%
Private Non-Core Real Estate	5.0%		9.3%
Private Core Real Estate	5.0%		6.8%
Real estate		10.0%	
Total		100%	

Discount Rate. The discount rate used to measure the total pension liability as of June 30, 2014 was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.