

# Municipal Fire and Police Retirement System of Iowa

Required GASB 68 Reporting Information as of  
and for the Year Ended June 30, 2017, and  
Related Independent Auditor's Report

# 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, 2017, covered payroll, NPL as a percent of covered payroll) as of June 30, 2017, 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, 2017 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 NPL by city (proportionate share, share of NPL as of June 30, 2017, 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, 2017, 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, 2017, and our report thereon, dated October 11, 2017, 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  
March 31, 2018

# MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

## NET PENSION LIABILITY (NPL) BY CITY

AS OF JUNE 30, 2017

City	Proportionate	Share of NPL	Covered	NPL as % of
	Share (%)		Payroll *	Covered Payroll
Ames	2.651310%	\$ 15,549,272	\$ 7,509,095	207.07%
Ankeny	1.963901%	\$ 11,517,790	\$ 5,562,201	207.07%
Bettendorf	1.896859%	\$ 11,124,605	\$ 5,372,323	207.07%
Boone	0.575595%	\$ 3,375,721	\$ 1,630,212	207.07%
Burlington	1.844703%	\$ 10,818,723	\$ 5,224,606	207.07%
Camanche	0.211978%	\$ 1,243,198	\$ 600,368	207.07%
Carroll	0.303698%	\$ 1,781,113	\$ 860,140	207.07%
Cedar Falls	1.671545%	\$ 9,803,195	\$ 4,734,184	207.07%
Cedar Rapids	9.657767%	\$ 56,640,395	\$ 27,352,926	207.07%
Centerville	0.242963%	\$ 1,424,917	\$ 688,125	207.07%
Charles City	0.321384%	\$ 1,884,837	\$ 910,230	207.07%
Clinton	1.861210%	\$ 10,915,532	\$ 5,271,357	207.07%
Clive	0.592403%	\$ 3,474,296	\$ 1,677,816	207.07%
Council Bluffs	5.813905%	\$ 34,097,103	\$ 16,466,261	207.07%
Creston	0.289316%	\$ 1,696,766	\$ 819,407	207.07%
Davenport	7.813983%	\$ 45,827,061	\$ 22,130,923	207.07%
Decorah	0.313742%	\$ 1,840,019	\$ 888,587	207.07%
Des Moines	18.007198%	\$ 105,607,726	\$ 51,000,353	207.07%
Dewitt	0.218305%	\$ 1,280,304	\$ 618,288	207.07%
Dubuque	4.784868%	\$ 28,062,057	\$ 13,551,802	207.07%
Estherville	0.235174%	\$ 1,379,237	\$ 666,065	207.07%
Evansdale	0.120476%	\$ 706,562	\$ 341,215	207.07%
Fairfield	0.348951%	\$ 2,046,511	\$ 988,306	207.07%
Fort Dodge	1.494614%	\$ 8,765,538	\$ 4,233,077	207.07%
Fort Madison	0.720401%	\$ 4,224,972	\$ 2,040,335	207.07%
Grinnell	0.412931%	\$ 2,421,737	\$ 1,169,512	207.07%
Indianola	0.455810%	\$ 2,673,212	\$ 1,290,954	207.07%
Iowa City	3.648635%	\$ 21,398,334	\$ 10,333,739	207.07%
Keokuk	0.831471%	\$ 4,876,370	\$ 2,354,909	207.07%
Knoxville	0.269520%	\$ 1,580,668	\$ 763,340	207.07%
Lemars	0.351577%	\$ 2,061,911	\$ 995,744	207.07%
Maquoketa	0.212417%	\$ 1,245,773	\$ 601,612	207.07%
Marion	2.010125%	\$ 11,788,882	\$ 5,693,117	207.07%
Marshalltown	1.480374%	\$ 8,682,024	\$ 4,192,746	207.07%
Mason City	2.030274%	\$ 11,907,051	\$ 5,750,184	207.07%
Muscatine	1.844853%	\$ 10,819,603	\$ 5,225,031	207.07%
Newton	1.059213%	\$ 6,212,020	\$ 2,999,925	207.07%
Oelwein	0.226444%	\$ 1,328,038	\$ 641,339	207.07%
Oskaloosa	0.483844%	\$ 2,837,624	\$ 1,370,353	207.07%
Ottumwa	1.443588%	\$ 8,466,284	\$ 4,088,560	207.07%
Pella	0.347156%	\$ 2,035,983	\$ 983,222	207.07%
Sioux City	6.498742%	\$ 38,113,501	\$ 18,405,871	207.07%
Spencer	0.509766%	\$ 2,989,650	\$ 1,443,770	207.07%
Storm Lake	0.367670%	\$ 2,156,293	\$ 1,041,323	207.07%
Urbandale	2.028049%	\$ 11,894,002	\$ 5,743,882	207.07%
Waterloo	5.703286%	\$ 33,448,350	\$ 16,152,964	207.07%
Waverly	0.363855%	\$ 2,133,919	\$ 1,030,518	207.07%
Webster City	0.307001%	\$ 1,800,484	\$ 869,495	207.07%
West Des Moines	3.157150%	\$ 18,515,897	\$ 8,941,745	207.07%
Total	100.00%	\$ 586,475,060	\$ 283,222,057	

\* 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.

See Notes to Schedules

# MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

## DEFERRED INFLOWS OF RESOURCES BY CITY

AS OF JUNE 30, 2017

City	Proportionate Share (%)	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Earnings	Contributions Made After Measurement Date	Total Deferred Inflows
Ames	2.651310%	\$ (9,461)	\$ (176,609)	\$ (3,123,916)	TBD	\$ (3,309,986)
Ankeny	1.963901%	(7,008)	(130,819)	(2,313,974)	TBD	(2,451,801)
Bettendorf	1.896859%	(6,769)	(126,353)	(2,234,981)	TBD	(2,368,103)
Boone	0.575595%	(2,054)	(38,341)	(678,197)	TBD	(718,592)
Burlington	1.844703%	(6,583)	(122,879)	(2,173,528)	TBD	(2,302,990)
Camanche	0.211978%	(756)	(14,120)	(249,764)	TBD	(264,641)
Carroll	0.303698%	(1,084)	(20,230)	(357,833)	TBD	(379,147)
Cedar Falls	1.671545%	(5,965)	(111,345)	(1,969,504)	TBD	(2,086,814)
Cedar Rapids	9.657767%	(34,463)	(643,322)	(11,379,300)	TBD	(12,057,085)
Centerville	0.242963%	(867)	(16,184)	(286,272)	TBD	(303,323)
Charles City	0.321384%	(1,147)	(21,408)	(378,672)	TBD	(401,227)
Clinton	1.861210%	(6,642)	(123,979)	(2,192,978)	TBD	(2,323,598)
Clive	0.592403%	(2,114)	(39,461)	(698,001)	TBD	(739,576)
Council Bluffs	5.813905%	(20,746)	(387,275)	(6,850,255)	TBD	(7,258,277)
Creston	0.289316%	(1,032)	(19,272)	(340,888)	TBD	(361,192)
Davenport	7.813983%	(27,883)	(520,504)	(9,206,855)	TBD	(9,755,242)
Decorah	0.313742%	(1,120)	(20,899)	(369,668)	TBD	(391,686)
Des Moines	18.007198%	(64,257)	(1,199,493)	(21,217,049)	TBD	(22,480,799)
Dewitt	0.218305%	(779)	(14,542)	(257,219)	TBD	(272,539)
Dubuque	4.784868%	(17,074)	(318,729)	(5,637,789)	TBD	(5,973,592)
Estherville	0.235174%	(839)	(15,665)	(277,095)	TBD	(293,599)
Evansdale	0.120476%	(430)	(8,025)	(141,951)	TBD	(150,406)
Fairfield	0.348951%	(1,245)	(23,244)	(411,153)	TBD	(435,642)
Fort Dodge	1.494614%	(5,333)	(99,559)	(1,761,034)	TBD	(1,865,927)
Fort Madison	0.720401%	(2,571)	(47,987)	(848,815)	TBD	(899,373)
Grinnell	0.412931%	(1,474)	(27,506)	(486,537)	TBD	(515,517)
Indianola	0.455810%	(1,627)	(30,362)	(537,060)	TBD	(569,049)
Iowa City	3.648635%	(13,020)	(243,042)	(4,299,018)	TBD	(4,555,080)
Keokuk	0.831471%	(2,967)	(55,386)	(979,684)	TBD	(1,038,037)
Knoxville	0.269520%	(962)	(17,953)	(317,563)	TBD	(336,478)
Lemars	0.351577%	(1,255)	(23,419)	(414,247)	TBD	(438,921)
Maquoketa	0.212417%	(758)	(14,149)	(250,281)	TBD	(265,189)
Marion	2.010125%	(7,173)	(133,898)	(2,368,437)	TBD	(2,509,508)
Marshalltown	1.480374%	(5,283)	(98,610)	(1,744,256)	TBD	(1,848,149)
Mason City	2.030274%	(7,245)	(135,240)	(2,392,178)	TBD	(2,534,663)
Muscatine	1.844853%	(6,583)	(122,889)	(2,173,705)	TBD	(2,303,177)
Newton	1.059213%	(3,780)	(70,556)	(1,248,022)	TBD	(1,322,358)
Oelwein	0.226444%	(808)	(15,084)	(266,809)	TBD	(282,700)
Oskaloosa	0.483844%	(1,727)	(32,230)	(570,091)	TBD	(604,047)
Ottumwa	1.443588%	(5,151)	(96,160)	(1,700,913)	TBD	(1,802,224)
Pella	0.347156%	(1,239)	(23,125)	(409,038)	TBD	(433,401)
Sioux City	6.498742%	(23,190)	(432,893)	(7,657,167)	TBD	(8,113,251)
Spencer	0.509766%	(1,819)	(33,956)	(600,634)	TBD	(636,409)
Storm Lake	0.367670%	(1,312)	(24,491)	(433,209)	TBD	(459,012)
Urbandale	2.028049%	(7,237)	(135,092)	(2,389,556)	TBD	(2,531,885)
Waterloo	5.703286%	(20,352)	(379,906)	(6,719,918)	TBD	(7,120,176)
Waverly	0.363855%	(1,298)	(24,237)	(428,714)	TBD	(454,249)
Webster City	0.307001%	(1,096)	(20,450)	(361,725)	TBD	(383,270)
West Des Moines	3.157150%	(11,266)	(210,304)	(3,719,924)	TBD	(3,941,493)
Total	100.00%	\$ (356,841)	\$ (6,661,184)	\$ (117,825,376)		\$ (124,843,401)

See Notes to Schedules

# MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

## DEFERRED OUTFLOWS OF RESOURCES BY CITY

AS OF JUNE 30, 2017

City	Proportionate Share (%)	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Earnings	Contributions Made After Measurement Date	Total Deferred Outflows
Ames	2.651310%	\$ 596,706	\$ 1,321,353	\$ 3,761,030	TBD	\$ 5,679,089
Ankeny	1.963901%	441,997	978,764	2,785,902	TBD	4,206,663
Bettendorf	1.896859%	426,908	945,352	2,690,799	TBD	4,063,059
Boone	0.575595%	129,544	286,864	816,513	TBD	1,232,921
Burlington	1.844703%	415,170	919,358	2,616,813	TBD	3,951,341
Camanche	0.211978%	47,708	105,645	300,702	TBD	454,055
Carroll	0.303698%	68,350	151,356	430,812	TBD	650,518
Cedar Falls	1.671545%	376,199	833,060	2,371,179	TBD	3,580,438
Cedar Rapids	9.657767%	2,173,584	4,813,212	13,700,076	TBD	20,686,872
Centerville	0.242963%	54,681	121,087	344,656	TBD	520,424
Charles City	0.321384%	72,331	160,171	455,901	TBD	688,403
Clinton	1.861210%	418,885	927,585	2,640,229	TBD	3,986,699
Clive	0.592403%	133,327	295,240	840,356	TBD	1,268,923
Council Bluffs	5.813905%	1,308,482	2,897,519	8,247,345	TBD	12,453,346
Creston	0.289316%	65,114	144,189	410,411	TBD	619,714
Davenport	7.813983%	1,758,621	3,894,312	11,084,566	TBD	16,737,499
Decorah	0.313742%	70,611	156,362	445,060	TBD	672,033
Des Moines	18.007198%	4,052,715	8,974,376	25,544,210	TBD	38,571,301
Dewitt	0.218305%	49,132	108,798	309,678	TBD	467,608
Dubuque	4.784868%	1,076,886	2,384,670	6,787,599	TBD	10,249,155
Estherville	0.235174%	52,928	117,205	333,607	TBD	503,740
Evansdale	0.120476%	27,114	60,043	170,902	TBD	258,059
Fairfield	0.348951%	78,535	173,909	495,006	TBD	747,450
Fort Dodge	1.494614%	336,379	744,882	2,120,192	TBD	3,201,453
Fort Madison	0.720401%	162,134	359,032	1,021,929	TBD	1,543,095
Grinnell	0.412931%	92,935	205,795	585,765	TBD	884,495
Indianola	0.455810%	102,585	227,165	646,592	TBD	976,342
Iowa City	3.648635%	821,164	1,818,397	5,175,790	TBD	7,815,351
Keokuk	0.831471%	187,131	414,386	1,179,488	TBD	1,781,005
Knoxville	0.269520%	60,658	134,323	382,329	TBD	577,310
Lemars	0.351577%	79,126	175,218	498,731	TBD	753,075
Maquoketa	0.212417%	47,807	105,864	301,325	TBD	454,996
Marion	2.010125%	452,400	1,001,801	2,851,473	TBD	4,305,674
Marshalltown	1.480374%	333,174	737,785	2,099,992	TBD	3,170,951
Mason City	2.030274%	456,935	1,011,843	2,880,056	TBD	4,348,834
Muscatine	1.844853%	415,204	919,433	2,617,026	TBD	3,951,663
Newton	1.059213%	238,387	527,888	1,502,552	TBD	2,268,827
Oelwein	0.226444%	50,964	112,855	321,223	TBD	485,042
Oskaloosa	0.483844%	108,894	241,137	686,359	TBD	1,036,390
Ottumwa	1.443588%	324,895	719,452	2,047,809	TBD	3,092,156
Pella	0.347156%	78,131	173,015	492,460	TBD	743,606
Sioux City	6.498742%	1,462,612	3,238,826	9,218,824	TBD	13,920,262
Spencer	0.509766%	114,728	254,056	723,131	TBD	1,091,915
Storm Lake	0.367670%	82,748	183,238	521,560	TBD	787,546
Urbandale	2.028049%	456,434	1,010,734	2,876,899	TBD	4,344,067
Waterloo	5.703286%	1,283,586	2,842,389	8,090,426	TBD	12,216,401
Waverly	0.363855%	81,889	181,337	516,148	TBD	779,374
Webster City	0.307001%	69,094	153,002	435,498	TBD	657,594
West Des Moines	3.157150%	710,550	1,573,452	4,478,592	TBD	6,762,594
Total	100.00%	\$ 22,506,072	\$ 49,837,735	\$ 141,855,521		\$ 214,199,328

See Notes to Schedules

# MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

## PENSION EXPENSE BY CITY

FOR THE YEAR ENDED JUNE 30, 2017

<u>City</u>	<u>Proportionate Share (%)</u>	<u>Share of Pension Expense</u>
Ames	2.651310%	\$ 2,365,546
Ankeny	1.963901%	1,752,227
Bettendorf	1.896859%	1,692,411
Boone	0.575595%	513,556
Burlington	1.844703%	1,645,877
Camanche	0.211978%	189,131
Carroll	0.303698%	270,965
Cedar Falls	1.671545%	1,491,382
Cedar Rapids	9.657767%	8,616,831
Centerville	0.242963%	216,776
Charles City	0.321384%	286,745
Clinton	1.861210%	1,660,605
Clive	0.592403%	528,553
Council Bluffs	5.813905%	5,187,269
Creston	0.289316%	258,133
Davenport	7.813983%	6,971,774
Decorah	0.313742%	279,926
Des Moines	18.007198%	16,066,342
Dewitt	0.218305%	194,776
Dubuque	4.784868%	4,269,144
Estherville	0.235174%	209,826
Evansdale	0.120476%	107,491
Fairfield	0.348951%	311,340
Fort Dodge	1.494614%	1,333,521
Fort Madison	0.720401%	642,755
Grinnell	0.412931%	368,424
Indianola	0.455810%	406,682
Iowa City	3.648635%	3,255,377
Keokuk	0.831471%	741,853
Knoxville	0.269520%	240,471
Lemars	0.351577%	313,683
Maquoketa	0.212417%	189,522
Marion	2.010125%	1,793,469
Marshalltown	1.480374%	1,320,816
Mason City	2.030274%	1,811,447
Muscatine	1.844853%	1,646,011
Newton	1.059213%	945,049
Oelwein	0.226444%	202,037
Oskaloosa	0.483844%	431,694
Ottumwa	1.443588%	1,287,995
Pella	0.347156%	309,739
Sioux City	6.498742%	5,798,293
Spencer	0.509766%	454,822
Storm Lake	0.367670%	328,042
Urbandale	2.028049%	1,809,461
Waterloo	5.703286%	5,088,573
Waverly	0.363855%	324,638
Webster City	0.307001%	273,912
West Des Moines	3.157150%	2,816,866
Total	<u>100.00%</u>	<u>\$ 89,221,778</u>

See Notes to Schedules

# MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

## NOTES TO SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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### 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, 2017, System membership consisted of the following:

Inactive members (or beneficiaries) currently receiving benefits	4,045
Inactive members entitled to but not yet receiving benefits	356
Active members	<u>3,968</u>
Total	<u><u>8,369</u></u>

### Plan Description

The System's membership is mandatory for firefighters and police officers of the Cities. 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](http://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, 2017:

*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, 2017.

*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 25.92% for the year ended June 30, 2017.

*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, 2017 was as follows:

## MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

### SCHEDULE OF CONTRIBUTIONS BY CITY

#### FOR THE YEAR ENDED JUNE 30, 2017

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	2.651310%	\$ 1,946,358	\$ 1,946,358	\$ -	\$ 7,509,095	25.92%
Ankeny	1.963901%	1,441,723	1,441,723	-	5,562,201	25.92%
Bettendorf	1.896859%	1,392,506	1,392,506	-	5,372,323	25.92%
Boone	0.575595%	422,551	422,551	-	1,630,212	25.92%
Burlington	1.844703%	1,354,218	1,354,218	-	5,224,606	25.92%
Camanche	0.211978%	155,616	155,616	-	600,368	25.92%
Carroll	0.303698%	222,948	222,948	-	860,140	25.92%
Cedar Falls	1.671545%	1,227,101	1,227,101	-	4,734,184	25.92%
Cedar Rapids	9.657767%	7,089,879	7,089,879	-	27,352,926	25.92%
Centerville	0.242963%	178,362	178,362	-	688,125	25.92%
Charles City	0.321384%	235,932	235,932	-	910,230	25.92%
Clinton	1.861210%	1,366,336	1,366,336	-	5,271,357	25.92%
Clive	0.592403%	434,890	434,890	-	1,677,816	25.92%
Council Bluffs	5.813905%	4,268,055	4,268,055	-	16,466,261	25.92%
Creston	0.289316%	212,390	212,390	-	819,407	25.92%
Davenport	7.813983%	5,736,336	5,736,336	-	22,130,923	25.92%
Decorah	0.313742%	230,322	230,322	-	888,587	25.92%
Des Moines	18.007198%	13,219,290	13,219,290	-	51,000,353	25.92%
Dewitt	0.218305%	160,260	160,260	-	618,288	25.92%
Dubuque	4.784868%	3,512,627	3,512,627	-	13,551,802	25.92%
Estherville	0.235174%	172,644	172,644	-	666,065	25.92%
Evansdale	0.120476%	88,443	88,443	-	341,215	25.92%
Fairfield	0.348951%	256,169	256,169	-	988,306	25.92%
Fort Dodge	1.494614%	1,097,214	1,097,214	-	4,233,077	25.92%
Fort Madison	0.720401%	528,855	528,855	-	2,040,335	25.92%
Grinnell	0.412931%	303,137	303,137	-	1,169,512	25.92%
Indianola	0.455810%	334,615	334,615	-	1,290,954	25.92%
Iowa City	3.648635%	2,678,505	2,678,505	-	10,333,739	25.92%
Keokuk	0.831471%	610,393	610,393	-	2,354,909	25.92%
Knoxville	0.269520%	197,858	197,858	-	763,340	25.92%
Lemars	0.351577%	258,097	258,097	-	995,744	25.92%
Maquoketa	0.212417%	155,938	155,938	-	601,612	25.92%
Marion	2.010125%	1,475,656	1,475,656	-	5,693,117	25.92%
Marshalltown	1.480374%	1,086,760	1,086,760	-	4,192,746	25.92%
Mason City	2.030274%	1,490,448	1,490,448	-	5,750,184	25.92%
Muscatine	1.844853%	1,354,328	1,354,328	-	5,225,031	25.92%
Newton	1.059213%	777,581	777,581	-	2,999,925	25.92%
Oelwein	0.226444%	166,235	166,235	-	641,339	25.92%
Oskaloosa	0.483844%	355,196	355,196	-	1,370,353	25.92%
Ottumwa	1.443588%	1,059,755	1,059,755	-	4,088,560	25.92%
Pella	0.347156%	254,851	254,851	-	983,222	25.92%
Sioux City	6.498742%	4,770,802	4,770,802	-	18,405,871	25.92%
Spencer	0.509766%	374,225	374,225	-	1,443,770	25.92%
Storm Lake	0.367670%	269,911	269,911	-	1,041,323	25.92%
Urbandale	2.028049%	1,488,814	1,488,814	-	5,743,882	25.92%
Waterloo	5.703286%	4,186,849	4,186,849	-	16,152,964	25.92%
Waverly	0.363855%	267,110	267,110	-	1,030,518	25.92%
Webster City	0.307001%	225,373	225,373	-	869,495	25.92%
West Des Moines	3.157150%	2,317,701	2,317,701	-	8,941,745	25.92%
Total	100.00%	\$ 73,411,163	\$ 73,411,163	\$ -	\$ 283,222,057	

\* 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, 2017, were as follows:

Total Pension Liability	\$ 3,023,371,171
Plan Fiduciary Net Position	<u>(2,436,896,111)</u>
Net Pension Liability	<u>\$ 586,475,060</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>80.60%</u>

The following schedule presents the changes in net pension liability for fiscal year ended June 30, 2017:

Total Pension Liability - Beginning of Year	\$ 2,867,807,326
Service Cost	53,423,772
Interest	213,069,288
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	12,891,275
Changes of Assumptions	39,751,096
Benefit Payments, Including Refunds	<u>(163,571,586)</u>
Total Pension Liability - End of Year	<u>3,023,371,171</u>
Plan Fiduciary Net Position - Beginning of Year	2,242,546,392
Contributions - Employer and State	73,411,163
Contributions - Member	26,625,022
Net Investment Income	259,812,040
Benefit Payments, Including Refunds	(163,571,586)
Administrative Expenses	(1,767,657)
Other	<u>(159,263)</u>
Plan Fiduciary Net Position - End of Year	<u>2,436,896,111</u>
Net Pension Liability - End of Year	<u>\$ 586,475,060</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.60%
Covered Payroll*	\$ 283,222,057
Net Pension Liability as a Percentage of the Covered Payroll	207.07%

\*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	\$3,400,732,561	\$3,023,371,171	\$2,709,502,873
Plan Fiduciary Net Position	<u>(2,436,896,111)</u>	<u>(2,436,896,111)</u>	<u>(2,436,896,111)</u>
Net Pension Liability	<u>\$ 963,836,450</u>	<u>\$ 586,475,060</u>	<u>\$ 272,606,762</u>

The allocation amongst all Cities of the sensitivity in Net Pension Liability of the System at June 30, 2017, was as follows:

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA**

**SENSITIVITY ANALYSIS OF NET PENSION LIABILITY BY CITY**

**AS OF JUNE 30, 2017**

City	Proportionate Share (%)	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Ames	2.651310%	\$ 25,554,292	\$ 15,549,272	\$ 7,227,650
Ankeny	1.963901%	18,928,794	11,517,790	5,353,727
Bettendorf	1.896859%	18,282,619	11,124,605	5,170,966
Boone	0.575595%	5,547,794	3,375,721	1,569,111
Burlington	1.844703%	17,779,920	10,818,723	5,028,785
Camanche	0.211978%	2,043,121	1,243,198	577,866
Carroll	0.303698%	2,927,152	1,781,113	827,901
Cedar Falls	1.671545%	16,110,961	9,803,195	4,556,745
Cedar Rapids	9.657767%	93,085,079	56,640,395	26,327,726
Centerville	0.242963%	2,341,765	1,424,917	662,333
Charles City	0.321384%	3,097,616	1,884,837	876,115
Clinton	1.861210%	17,939,020	10,915,532	5,073,784
Clive	0.592403%	5,709,796	3,474,296	1,614,931
Council Bluffs	5.813905%	56,036,536	34,097,103	15,849,098
Creston	0.289316%	2,788,533	1,696,766	788,695
Davenport	7.813983%	75,314,016	45,827,061	21,301,446
Decorah	0.313742%	3,023,960	1,840,019	855,282
Des Moines	18.007198%	173,559,939	105,607,726	49,088,840
Dewitt	0.218305%	2,104,103	1,280,304	595,114
Dubuque	4.784868%	46,118,301	28,062,057	13,043,874
Estherville	0.235174%	2,266,693	1,379,237	641,100
Evansdale	0.120476%	1,161,192	706,562	328,426
Fairfield	0.348951%	3,363,318	2,046,511	951,264
Fort Dodge	1.494614%	14,405,634	8,765,538	4,074,419
Fort Madison	0.720401%	6,943,487	4,224,972	1,963,862
Grinnell	0.412931%	3,979,979	2,421,737	1,125,678
Indianola	0.455810%	4,393,263	2,673,212	1,242,569
Iowa City	3.648635%	35,166,874	21,398,334	9,946,426
Keokuk	0.831471%	8,014,020	4,876,370	2,266,646
Knoxville	0.269520%	2,597,733	1,580,668	734,730
Lemars	0.351577%	3,388,627	2,061,911	958,422
Maquoketa	0.212417%	2,047,353	1,245,773	579,063
Marion	2.010125%	19,374,318	11,788,882	5,479,737
Marshalltown	1.480374%	14,268,384	8,682,024	4,035,599
Mason City	2.030274%	19,568,521	11,907,051	5,534,664
Muscatine	1.844853%	17,781,366	10,819,603	5,029,194
Newton	1.059213%	10,209,081	6,212,020	2,887,486
Oelwein	0.226444%	2,182,550	1,328,038	617,302
Oskaloosa	0.483844%	4,663,464	2,837,624	1,318,991
Ottumwa	1.443588%	13,913,828	8,466,284	3,935,319
Pella	0.347156%	3,346,015	2,035,983	946,371
Sioux City	6.498742%	62,637,244	38,113,501	17,716,010
Spencer	0.509766%	4,913,310	2,989,650	1,389,656
Storm Lake	0.367670%	3,543,738	2,156,293	1,002,293
Urbandale	2.028049%	19,547,076	11,894,002	5,528,599
Waterloo	5.703286%	54,970,349	33,448,350	15,547,543
Waverly	0.363855%	3,506,967	2,133,919	991,893
Webster City	0.307001%	2,958,987	1,800,484	836,905
West Des Moines	3.157150%	30,429,762	18,515,897	8,606,604
Total	100.00%	\$ 963,836,450	\$ 586,475,060	\$ 272,606,762

## Deferred Inflows and Outflows of Resources

As of June 30, 2017, 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	\$ (356,841)	\$ 22,506,072
Changes of assumptions	(6,661,184)	49,837,735
Net difference between projected and actual earnings	(117,825,376)	141,855,521
Contributions made subsequent to measurement date*	<u>TBD</u>	<u>TBD</u>
Total	<u>\$ (124,843,401)</u>	<u>\$ 214,199,328</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>
2018	\$ 13,207,272
2019	53,566,824
2020	27,996,852
2021	(9,314,455)
2022	3,899,424
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:

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA**

**FUTURE DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES TO BE RECOGNIZED BY CITY**

**AS OF JUNE 30, 2017**

City	Proportionate Share (%)	Year Ending June 30,				
		2018	2019	2020	2021	2022
Ames	2.651310%	\$ 350,166	\$ 1,420,223	\$ 742,283	\$ (246,955)	\$ 103,386
Ankeny	1.963901%	259,378	1,051,999	549,830	(182,927)	76,581
Bettendorf	1.896859%	250,523	1,016,087	531,061	(176,682)	73,967
Boone	0.575595%	76,020	308,328	161,148	(53,614)	22,445
Burlington	1.844703%	243,635	988,149	516,459	(171,824)	71,933
Camanche	0.211978%	27,997	113,550	59,347	(19,745)	8,266
Carroll	0.303698%	40,110	162,681	85,026	(28,288)	11,842
Cedar Falls	1.671545%	220,766	895,394	467,980	(155,695)	65,181
Cedar Rapids	9.657767%	1,275,528	5,173,359	2,703,871	(899,568)	376,597
Centerville	0.242963%	32,089	130,148	68,022	(22,631)	9,474
Charles City	0.321384%	42,446	172,155	89,977	(29,935)	12,532
Clinton	1.861210%	245,815	996,991	521,080	(173,362)	72,576
Clive	0.592403%	78,240	317,331	165,854	(55,179)	23,100
Council Bluffs	5.813905%	767,858	3,114,324	1,627,710	(541,534)	226,709
Creston	0.289316%	38,211	154,977	80,999	(26,948)	11,282
Davenport	7.813983%	1,032,014	4,185,702	2,187,669	(727,830)	304,700
Decorah	0.313742%	41,437	168,062	87,838	(29,223)	12,234
Des Moines	18.007198%	2,378,260	9,645,884	5,041,449	(1,677,272)	702,177
Dewitt	0.218305%	28,832	116,939	61,119	(20,334)	8,513
Dubuque	4.784868%	631,951	2,563,102	1,339,612	(445,684)	186,582
Estherville	0.235174%	31,060	125,975	65,841	(21,905)	9,170
Evansdale	0.120476%	15,912	64,535	33,730	(11,222)	4,698
Fairfield	0.348951%	46,087	186,922	97,695	(32,503)	13,607
Fort Dodge	1.494614%	197,398	800,617	418,445	(139,215)	58,281
Fort Madison	0.720401%	95,145	385,896	201,690	(67,101)	28,091
Grinnell	0.412931%	54,537	221,194	115,608	(38,462)	16,102
Indianola	0.455810%	60,200	244,163	127,612	(42,456)	17,774
Iowa City	3.648635%	481,885	1,954,458	1,021,503	(339,850)	142,276
Keokuk	0.831471%	109,815	445,393	232,786	(77,447)	32,423
Knoxville	0.269520%	35,596	144,373	75,457	(25,104)	10,510
Lemars	0.351577%	46,434	188,329	98,430	(32,747)	13,709
Maquoketa	0.212417%	28,054	113,785	59,470	(19,785)	8,283
Marion	2.010125%	265,483	1,076,760	562,772	(187,232)	78,383
Marshalltown	1.480374%	195,517	792,989	414,458	(137,889)	57,726
Mason City	2.030274%	268,144	1,087,553	568,413	(189,109)	79,169
Muscatine	1.844853%	243,655	988,229	516,501	(171,838)	71,939
Newton	1.059213%	139,893	567,387	296,546	(98,660)	41,303
Oelwein	0.226444%	29,907	121,299	63,397	(21,092)	8,830
Oskaloosa	0.483844%	63,903	259,180	135,461	(45,067)	18,867
Ottumwa	1.443588%	190,659	773,284	404,159	(134,462)	56,292
Pella	0.347156%	45,850	185,960	97,193	(32,336)	13,537
Sioux City	6.498742%	858,307	3,481,170	1,819,443	(605,322)	253,414
Spencer	0.509766%	67,326	273,065	142,718	(47,482)	19,878
Storm Lake	0.367670%	48,559	196,949	102,936	(34,246)	14,337
Urbandale	2.028049%	267,850	1,086,361	567,790	(188,902)	79,082
Waterloo	5.703286%	753,248	3,055,069	1,596,741	(531,230)	222,395
Waverly	0.363855%	48,055	194,906	101,868	(33,891)	14,188
Webster City	0.307001%	40,546	164,451	85,951	(28,595)	11,971
West Des Moines	3.157150%	416,973	1,691,185	883,903	(294,071)	123,111
<b>Total</b>	<b>100.00%</b>	<b>\$ 13,207,272</b>	<b>\$ 53,566,824</b>	<b>\$ 27,996,852</b>	<b>\$ (9,314,455)</b>	<b>\$ 3,899,424</b>

## 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, 2016 to June 30, 2017 measurement period was determined as follows:

<u>As of June 30, 2016</u>	<u>Members</u>	<u>Expected Remaining Service Lives</u>
Active Members	3,926	11.433
Inactive Members	4,327	0.000
Weighted Average Rounded to the Nearest Tenth		5.400
 Pension Expense		 <u>June 30, 2017</u>
Service Cost		\$ 53,423,772
Interest on Total Pension Liability		213,069,288
Effect of Plan Changes		-
Administrative Expenses		1,767,657
Other Changes in Fiduciary Net Position		159,263
Member Contributions		(26,625,022)
Expected Investment Return Net of Investment Expenses		(165,780,450)
Recognition of Deferred (Inflows)/Outflows of Resources		
Economic/Demographic (Gains)/Losses		6,299,363
Assumption Changes		14,409,025
Investment (Gains)/Losses		<u>(7,501,118)</u>
 Pension Expense		 <u>\$ 89,221,778</u>

## Actuarial Assumptions

The total pension liability in the June 30, 2017 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, 2017, 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 as of June 30, 2017, were based on RP 2000 Blue Collar Combined Healthy table with males set-back two years, females set-forward one year and disabled set-forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.

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 of return (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap	5.5%
Small Cap	5.8%
International Large Cap	7.3%
Emerging Markets	9.0%
Emerging Market Debt	6.3%
Private Non-Core Real Estate	8.0%
Master Limited Partnerships	9.0%
Private Equity	9.0%
Core Plus Fixed Income	3.3%
Private Core Real Estate	6.0%
Tactical Asset Allocation	6.4%

Discount rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.