

IOWA LEAGUE OF CITIES

MFPRSI UPDATE

NOVEMBER 15, 2021

MFPRSI MUNICIPAL FIRE & POLICE
RETIREMENT SYSTEM OF IOWA

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TABLE OF CONTENTS

| | |
|-----------------------------------|----|
| MFPRSI Profile | 3 |
| Board of Trustees | 4 |
| MFPRSI Benefit Profile | 5 |
| Recent MFPRSI Activities | |
| Benefit Plan | 7 |
| Management | 10 |
| Legislative Activities | 13 |
| Financial / Investment Activities | 15 |
| Recent MFPRSI Trends | 18 |
| 25-Year Projection | 21 |

MFPRSI PROFILE

- Purpose of MFPRSI is to provide sound and secure income for individuals receiving benefits under the program.
- Created by Iowa General Assembly on January 1, 1992, under Iowa Code Chapter 411.
- Benefits include: Service Retirement, Ordinary and Accidental Disability, Death Benefits, and Refunds.

BOARD OF TRUSTEES

Voting Members



Marty Pottebaum

Chair
Retired
Police Officer
Sioux City



Mary Bilden

Citizen
Boone



June Anne Gaeta

Retired
Firefighter
Muscatine



David McFarland

Active
Police Officer
Waterloo



Duane Pitcher

City
Representative
Ames



Laura Schaefer

City
Representative
Carroll



Nickolas Schaul

City
Representative
Des Moines



Michelle Weidner

City
Representative
Waterloo



Jason Zilk

Active
Firefighter
Des Moines

Non- Voting Members



Jackie Smith

Senator

Senate
District 7



Roby Smith

Senator

Senate
District 47



Eric Gjerde

Representative

House
District 67



Bobby Kaufmann

Representative

House
District 73

MFPRSI BENEFIT PROFILE

- Defined Benefit plan.
 - Benefit determined by defined formula and ensures payment upon retirement.
- Member must be vested in order to be eligible to receive a Service Retirement.
 - Vesting - Achieved upon completion of 4 years of membership service under the System or at age 55 while performing membership service.
- Annual Escalator/COLA

MFPRSI BENEFIT PROFILE

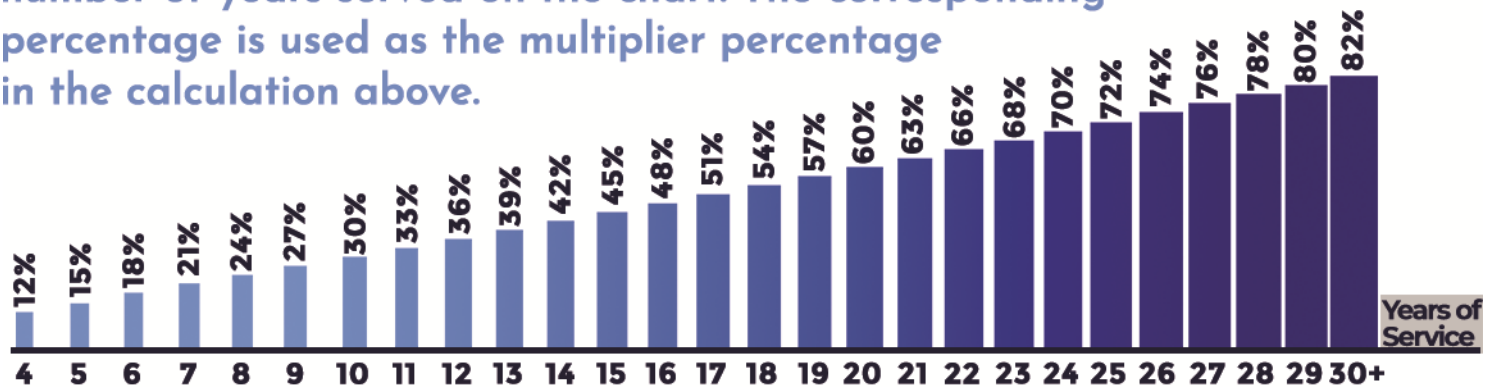
Basic Benefit Calculation

The average of member's

$$\begin{array}{c} \text{HIGHEST} \\ \text{THREE YEARS} \\ \text{of earnable} \\ \text{compensation} \end{array} \times \begin{array}{c} \text{MULTIPLIER} \\ \text{PERCENTAGE} \\ \text{found on} \\ \text{the chart below} \end{array} = \text{BASIC BENEFIT}$$

Basic Benefit Multiplier Percentages

The basic benefit multiplier percentage is located with the member's number of years served on the chart. The corresponding percentage is used as the multiplier percentage in the calculation above.



RECENT MFPRSI ACTIVITIES

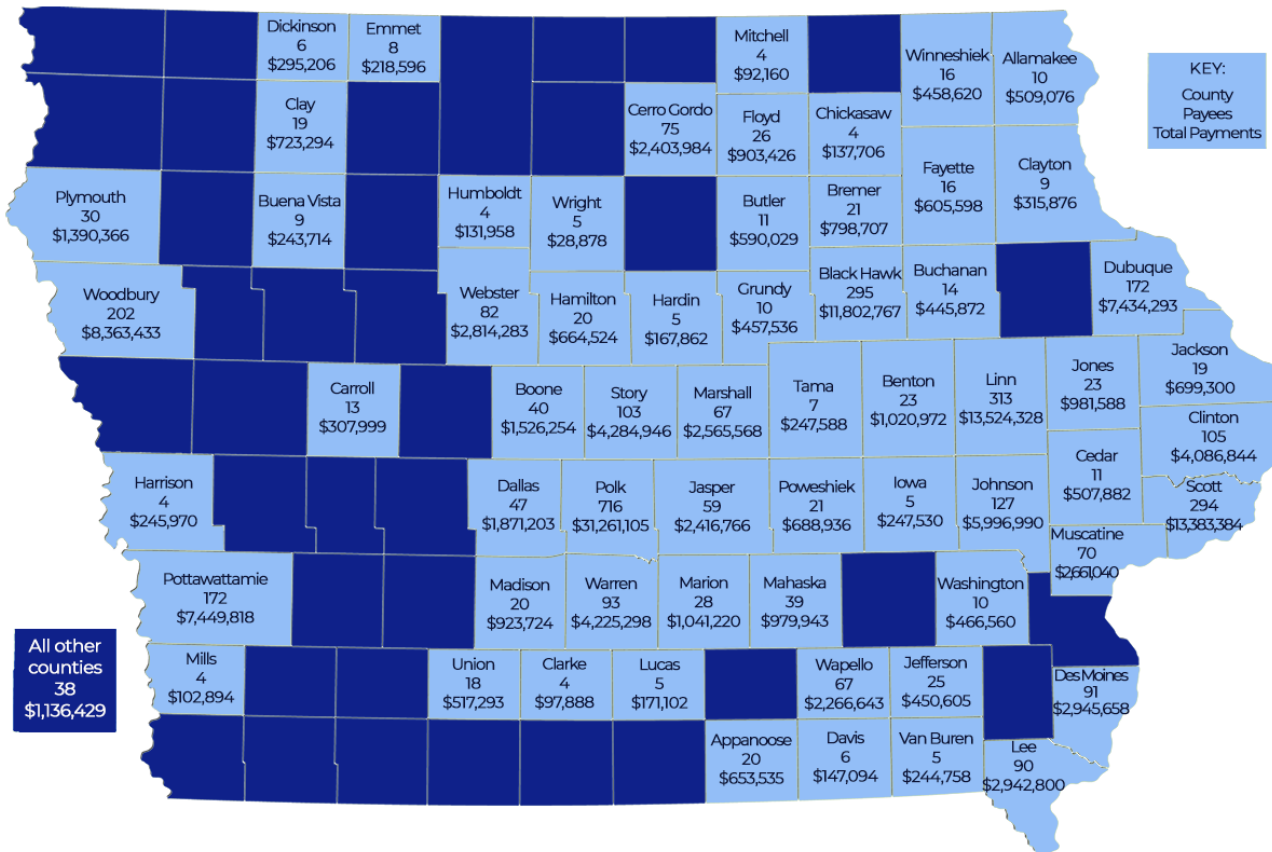
Benefit Plan

- On a monthly basis the retirement system administers \$15 million in benefits to over 4,000 retirees & beneficiaries.
- DROP participation remains steady.
 - 50% eligible members currently participate.
 - Average DROP payout: \$154,081

RECENT MFPRSI ACTIVITIES

Benefit Plan

Benefit Payees and Total Benefit Payments by County 2020



- \$181 million total benefits paid, including \$157 million paid in Iowa
- \$86 million total state-wide employer contributions
- As of June 30, 2021, 85% of retirees and beneficiaries reside in Iowa.

RECENT MFPRSI ACTIVITIES

Benefit Plan

- 4,107 active members as of July 1, 2021.
 - Average age: 40.4 years
 - Average years of service: 13.2 years
 - Average active member salary: \$82,041
 - Average annual Service Retirement Benefit: \$60,494

RECENT MFPRSI ACTIVITIES

Management

- Communications
 - MFPRSI continues to work with a communications consultant to improve the overall messaging and awareness of interested parties.
 - Brief, 8-page pamphlets are being created focusing on key provisions of the retirement system.
 - Various publications, including annual report, audit report, and actuary report are available on our website.
 - Satisfaction surveys to be conducted in December with participating cities and membership.

RECENT MFPRSI ACTIVITIES

Management

- Outreach
 - In-person Outreach meetings canceled 2021.
 - Meetings were available via telephone and video conferencing with a Senior Pension Officer.
 - Provides opportunity for members to meet on an individual basis to discuss their retirement.
 - Members may also correspond with a Senior Pension Officer through email and telephone.
 - In-person meetings to resume in 2022.

RECENT MFPRSI ACTIVITIES

Management

- My411 - Online Member Account Access
 - My411.mfprsi.org - can also access from our homepage, www.mfprsi.org
 - Initial push to register active members in early 2021. Will open to retired members late 2021 / early 2022.
 - Allow members to view static account information:
 - Annual statements, newsletters, beneficiary designation, etc.

RECENT MFPRSI ACTIVITIES

Legislative Activities

- The Board restated their position that the State of Iowa adheres to its 1976 annual contribution commitment of 3.79% of earnable compensation.

RECENT MFPRSI ACTIVITIES

Legislative Activities

House File 797 (HF 797)- Disability Retirement

- Did not pass out of the Senate.
- Would have changed various parameters of the disability program:
 - Raised member contribution rate to 9.55%.
 - Removed specific time & place requirement for Accidental Disabilities.
 - Removed unusual stress standard for mental Accidental Disabilities.
 - Allowed members on Ordinary Disability within 5 years of retirement to apply for an Accidental Disability.
 - Removed link between MFPRSI Accidental Disability and medical costs covered by cities.
 - Established time restrictions for identifying injuries and diseases for medical cost coverage.
 - Modified “Member in Good Standing.”

RECENT MFPRSI ACTIVITIES

Financial / Investment Activities

- A diversified investment portfolio is structured to achieve MFPRSI's actuarial assumed rate of return, 7.5%, at a level of risk that is acceptable to the members of the Board.

| Performance and Risk Expectation | |
|-----------------------------------------------------------------------------------------------------------|--------|
| Expected 10-Year Return | 7.77% |
| Expected 10-Year Volatility | 10.41% |
| Rate of Inflation | 1.70% |
| Performance expectation and risk projection are based on Marquette Associates' December 2020 assumptions. | |

RECENT MFPRSI ACTIVITIES

Financial / Investment Activities

| Investment Performance | | | | | | |
|-------------------------------------------------------------|-----------|--------|---------|---------|----------|-----------|
| | Asset \$ | 1 Year | 3 Years | 5 Years | 10 Years | Inception |
| Total Fund | \$3,305 M | 30.7% | 12.2% | 11.2% | 8.9% | 8.2% |
| • Annualized performance (net of fees) as of June 30, 2021. | | | | | | |

- Funded status as of July 1, 2021: 83%

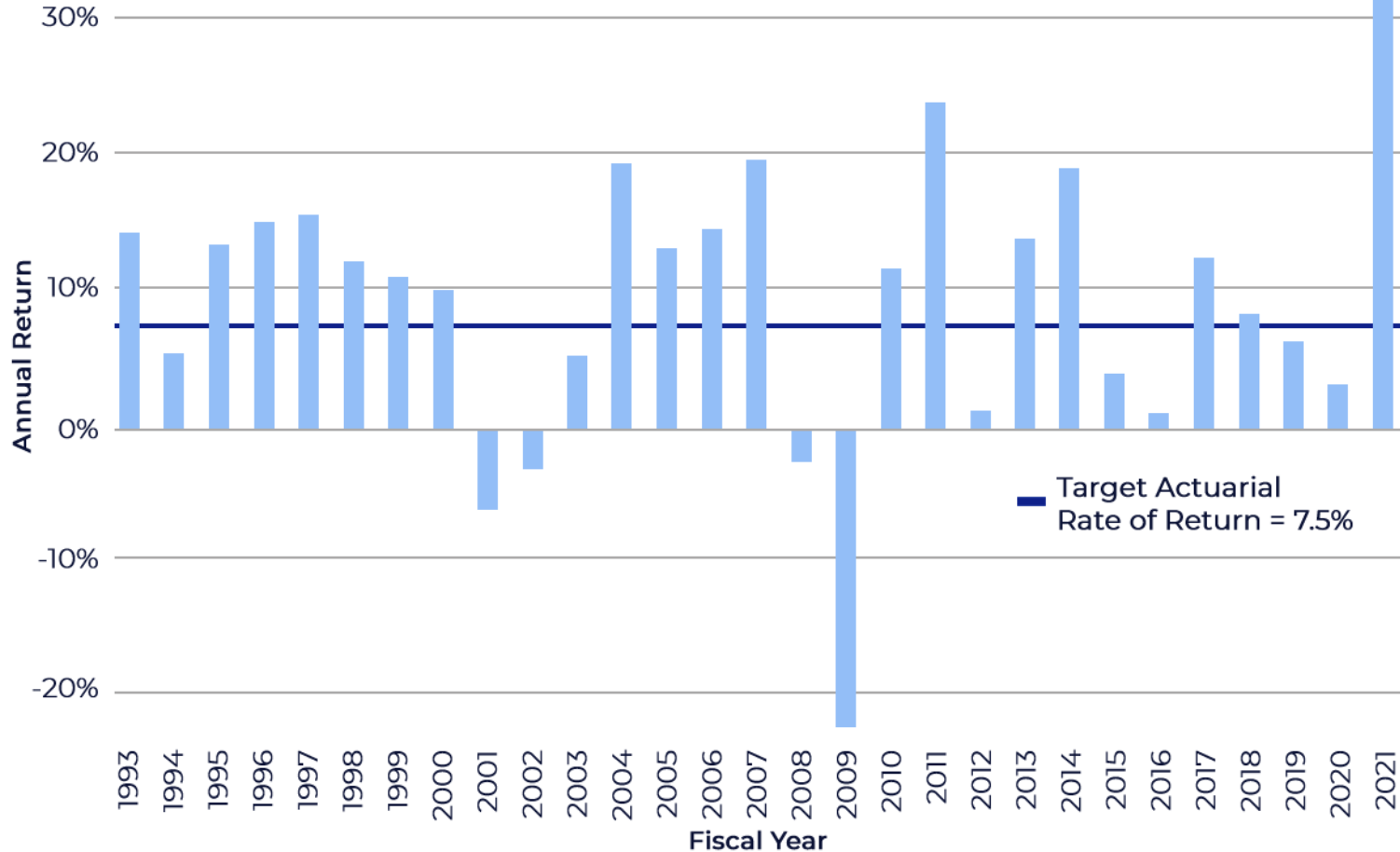
RECENT MFPRSI ACTIVITIES

Financial / Investment Activities

- Effective July 1, 2021:
 - Employer Contribution Rate increased to 26.18% from 25.31%
 - Member Contribution Rate remained at 9.40%
- Effective July 1, 2022:
 - Employer Contribution Rate decreases to 23.90%
- Annual Normal Cost as of July 1, 2021: 17.46%
 - This is the actual cost for the benefits provided.
 - The additional amounts contributed by the cities and members go toward paying the Unfunded Actuarial Accrued Liability (UAAL).

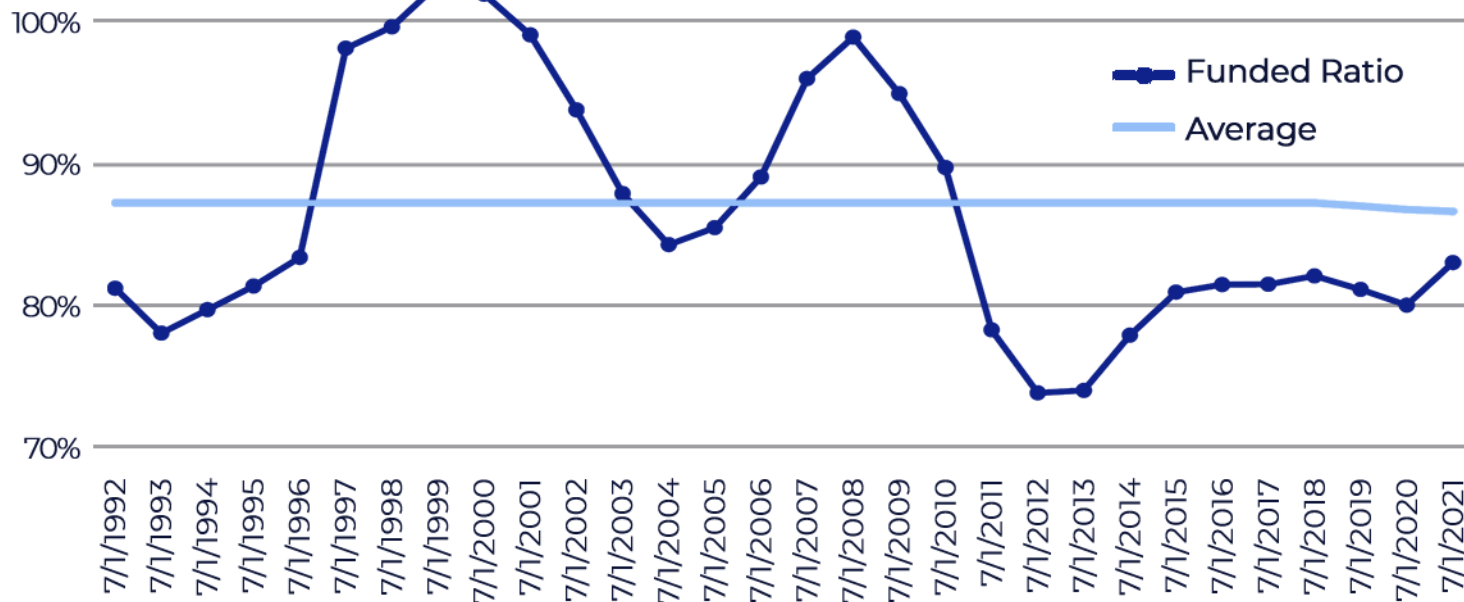
RECENT MFPRSI TRENDS

Fiscal Year Investment Performance 1993-2021



RECENT MFPRSI TRENDS

Funded Rate History 1992-2021



Notes:

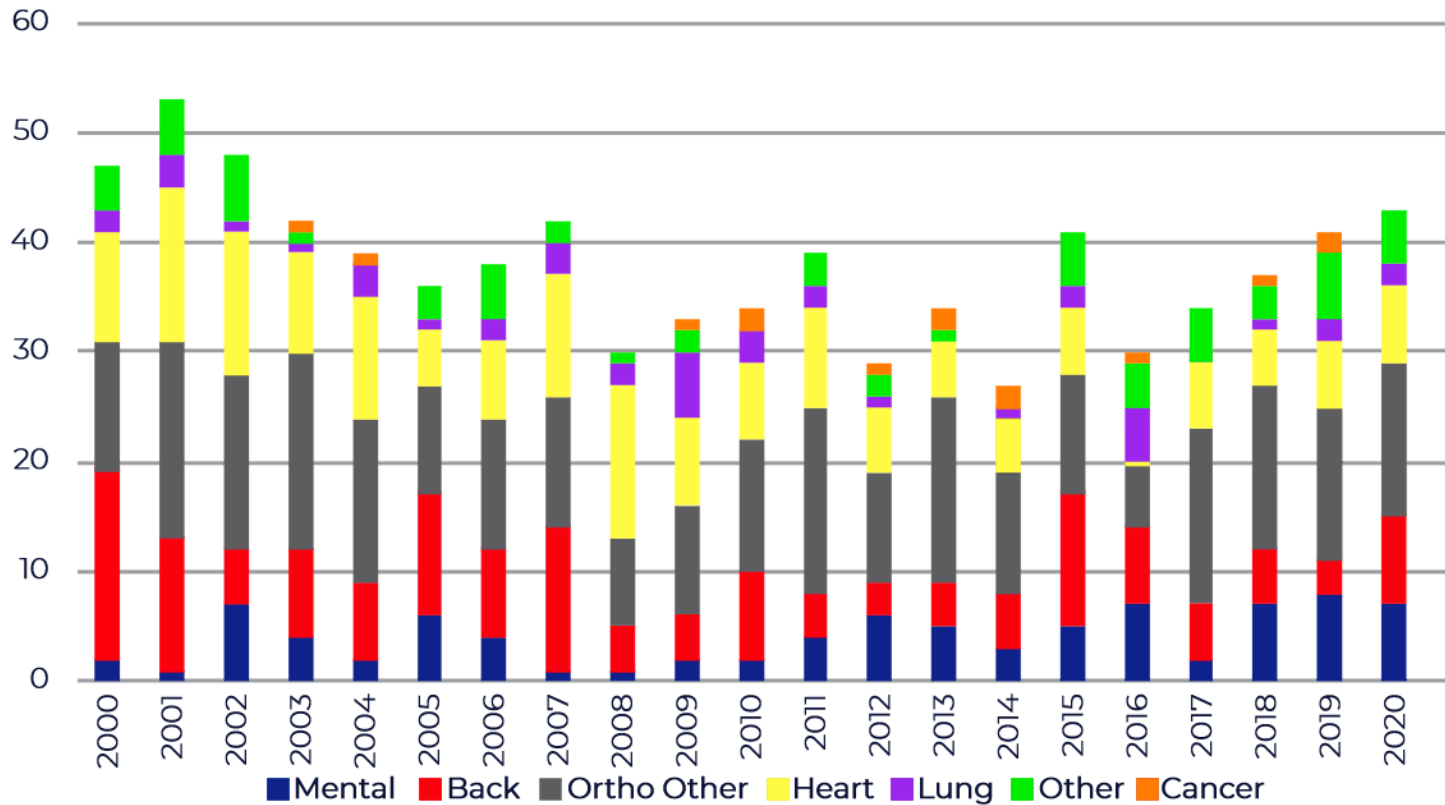
July 1, 1992 - July 1, 2010, based on Actuarial Present Value of Accumulated Plan Benefits / Actuarial Value.

July 1, 2011 - Current based on Actuarial Accrued Liability / Actuarial Value of Assets.

Prior to July 1, 2011, MFPRSI used the Aggregate Method cost method which did not calculate an Actuarial Accrued Liability.

RECENT MFPRSI TRENDS

Disability by Type 2000-2020



25-YEAR PROJECTION

Municipal Fire & Police Retirement System of Iowa

Forecast of Contribution Rates and Funded Status

(Amounts in Thousands)

| Valuation Date | 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 | 7/1/2030 | 7/1/2031 | 7/1/2032 | 7/1/2033 |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 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 | 11.35% | 10.84% | 10.74% | 11.07% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| Covered Payroll | 336,941 | 349,745 | 363,035 | 376,831 | 391,150 | 406,014 | 421,443 | 437,457 | 454,081 | 471,336 | 489,247 | 507,838 | 527,136 |

**Current Entry Age Normal Method
25-Year Amortization Period of UAL
Level Dollar, Closed Layered Amortization**

[illegible]

Assumptions and Data

| | | | |
|---------------------|------|-------------------------------|------|
| Interest Rate | 7.5% | Non-Investment Expense Growth | 3.0% |
| Active Members | | Census Data | |
| - Population Growth | 0.2% | - As of July 1, 2021 | |
| - Average Age | 40.4 | Asset Data | |
| - Average Service | 13.2 | - As of July 1, 2021 | |

25-YEAR PROJECTION

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

| Valuation Date | 7/1/2034 | 7/1/2035 | 7/1/2036 | 7/1/2038 | 7/1/2039 | 7/1/2040 | 7/1/2041 | 7/1/2042 | 7/1/2043 | 7/1/2044 | 7/1/2045 | 7/1/2046 |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 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% |
| - 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% |
| Covered Payroll | 547,167 | 567,959 | 589,542 | 635,198 | 659,336 | 684,390 | 710,397 | 737,392 | 765,413 | 794,499 | 824,690 | 856,028 |

Current Entry Age Normal Method 25-Year Amortization Period of UAL Level Dollar, Closed Layered Amortization

| | | | | | | | | | | | | |
|------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarial Accrued Liability | 5,197,998 | 5,315,461 | 5,428,758 | 5,639,059 | 5,733,915 | 5,820,287 | 5,896,805 | 5,961,963 | 6,014,106 | 6,051,415 | 6,071,899 | 6,073,373 |
| Asset Values | | | | | | | | | | | | |
| - Market Value | 5,330,642 | 5,502,049 | 5,675,035 | 6,023,979 | 6,198,903 | 6,373,327 | 6,546,554 | 6,717,808 | 6,886,218 | 7,050,815 | 7,210,522 | 7,364,143 |
| - Actuarial Value | 5,330,642 | 5,502,049 | 5,675,035 | 6,023,979 | 6,198,903 | 6,373,327 | 6,546,554 | 6,717,808 | 6,886,218 | 7,050,815 | 7,210,522 | 7,364,143 |
| Funded Ratio (Actuarial Value Assets) | 102.55% | 103.51% | 104.54% | 106.83% | 108.11% | 109.50% | 111.02% | 112.68% | 114.50% | 116.52% | 118.75% | 121.25% |
| Contribution Rates (% of Payroll) | | | | | | | | | | | | |
| - Cities | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 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% |
| - 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% |
| - Total | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% | 26.40% |
| Actual Cities Contribution Rate | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% | 17.00% |

Assumptions and Data

| | | | |
|---------------------|------|-------------------------------|------|
| Interest Rate | 7.5% | Non-Investment Expense Growth | 3.0% |
| Active Members | | Census Data | |
| - Population Growth | 0.2% | - As of July 1, 2021 | |
| - Average Age | 40.4 | Asset Data | |
| - Average Service | 13.2 | - As of July 1, 2021 | |