MFPRSI 25 1992 - 2017 YEARS MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA

Annual Report

Fiscal Year 2017

Celebrating twenty-five years as a pension trust for municipal police officers and firefighters in the State of Iowa.

MFPRSI 25 1992 - 2017 YEARS MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA

MISSION & VISION STATEMENTS

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

Comprehensive. Retirement and disability benefits will be adequate in order to attract and retain top quality police officers and firefighters, and provide for them and their families when they are no longer working or able to do so. Retirement and disability benefits should be competitive with comparable police and fire systems.

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

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

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

2017 Financial Highlights

Membership	
Active Members	3,968
Inactive Members	4,401
Investments	
Market Value of Portfolio	$2,447,997,895
Fiscal Year Rate of Return	11.8%
Funding	
Funded Ratio*	81.4%
Contributions	
Members	$26,625,022
Employers	$73,411,163
State	$0
Distributions	
Benefits Paid	$162,588,755
Refund of Contributions Paid	$982,831
Actuarial	
Total Pension Liability	$3,023,371,171
Plan Fiduciary Net Position	$(2,436,896,111)
Net Pension Liability	$586,475,060
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.6%

Investment data provided by MFPRSI's investment consultant, Summit Strategies Group.

Actuarial data provided by MFPRSI's actuary, SilverStone Group.

*The Funded Ratio measures the actuarial value of assets $2,461,161,417 against the actuarial accrued liability $3,023,371,171.

Table of Contents

MFPRSI 25 1992 - 2017 YEARS MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA

Chairperson's Annual Letter

Marty Pottebaum
Board of Trustees Chair

Dear Members and City Officials,

The conclusion of fiscal year 2017 was an important one for MFPRSI. It marked the achievement of 25 years as an institution assisting police officers and firefighters in planning for their lives once they end their careers.

In 1990, we were given a directive by the Iowa General Assembly to consolidate 87 local fire and police retirement plans across the state into one, cohesive system. The legislation, House File 2543, granted new mandates to provide consistent retirement benefits for all covered members, merge the liability costs carried by the individual cities, address the funded status of the local plans, and enhance long-term investment returns through greater diversification of pooled assets within its investment portfolio.

Starting with the first meeting of a "unified Chapter 411 board" on November 19, 1990, through the official commencement date of operations as "MFPRSI" on January 1, 1992, these directives were accomplished. A payroll system was established, benefit and membership records were consolidated and assets were transferred from 87 cities, an investment policy was developed, the cities' liabilities were valued, and consultants were hired in an effort to create a healthy and sustainable retirement system for those who commit their lives to civil service as a police officer or a firefighter.

While these accomplishments from the early days of the retirement system are truly astonishing, we are focusing this year's annual report on our members. We, as trustees, along with the staff of the retirement system, keep our focus on the big picture so that our members can enjoy a retirement befitting their commitment to their careers. That is our job as trustees, and we take it seriously. Every decision we make is for the benefit of the members of the retirement system.

To achieve our responsibilities, each meeting of the Board of Trustees includes topics focusing on long-term goals. We review an abundance of big-picture themes, including benefit and membership data, investment performance, industry headwinds, and fiduciary standards, to name a few. What we do not always get to discuss, however, are individual stories about those directly impacted by the benefits of MFPRSI: the stories about the lives of the brave police officers and firefighters who make up our membership. If we do not get many opportunities to hear about these stories, it is doubtful that anyone else does either, including the media and our legislators.

The tens of thousands of people who have participated in the Chapter 411 system over the past 25 years need to be represented. Our members are important, and we faithfully act as fiduciaries so that they can harvest the benefits of a well-run retirement system. Therefore, we have collected a small number of stories from a large universe of opportunities to show anyone who picks up this report what MFPRSI means to those directly affected by it. We chose these stories not because they allow us to congratulate ourselves on a job well done, but rather to trumpet the importance of our membership.

We hope these stories provide context that we are more than just an institution. We are a collection of people, each with a story to tell.

Sincerely,

Marty Pottebaum

Dana Wingert, Chief of Police Des Moines Police Department

Des Moines Police Chief Dana Wingert Highlights the Importance of MFPRSI

Born and raised in Wesley, Iowa, Des Moines Chief of Police Dana Wingert never aspired to serve in law enforcement, let alone to lead the largest police department in the state. Yet, 26 years after his wife Tami encouraged him to fill out an application with the Des Moines Police Department (DMPD), Chief Wingert has played an integral role in recruiting top talent to Des Moines and building community support.

"We're in a special place in central Iowa," Wingert said. "While law enforcement agencies, large and small, are struggling to recruit, we have tremendous community support, competitive pay, and a reliable pension system. With all the violence around the country, it's imperative that we are able to attract the right individuals to protect our communities. If people are entitled to one thing, it's their safety and security."

Hailing from a community with a population of less than 400, high school sweethearts Dana and Tami moved to Des Moines in 1988. Tami attended AIB College of Business, while Dana worked construction for three years before joining the DMPD. Without a postsecondary education, Dana's primary goal when considering a career was salary, benefits, and job security. Three kids and 28 years of marriage later, Dana and Tami have made Des Moines home.

"I knew I needed to find long-term, steady work to raise a family," Wingert said. "The city of Des Moines has provided endless opportunities for our family — Tami serving Neumann Brothers for 27 years, and two of our children working locally for the Des Moines Fire Department and Des Moines Park and Recreation."

"We have tremendous community support, competitive pay, and a reliable pension system. With all the violence around the country, it's imperative that we are able to attract the right individuals to protect our communities. If people are entitled to one thing, it's their safety and security."

After successfully completing written and physical exams, Wingert began his career in law enforcement undergoing 21 weeks of specialized training at the Des Moines Police Academy. He then hit the streets as a police officer for nine years before being promoted to sergeant. Wingert's work ethic and ability to lead others propelled his career forward, as he worked his way to lieutenant, captain and later major. He was leading the Des Moines Operations Division when former Chief Judy Bradshaw retired.

"The DMPD conducted a national search for the position," Wingert said. "With only three majors in the building, I thought — 'Why not give it a shot?' I knew what I was getting into and how the department worked, so when I formally accepted the position in 2015 it was time to get to work and ask ourselves, 'What can we do to be the best police department in the nation?'"

Wingert wasted no time in taking action, placing the two other majors in key positions, including assistant chief. Since that time, the DMPD has worked diligently to ensure the safety of central Iowans by recruiting and retaining quality police officers.

"In this day and age, we have too much at risk when it comes to hiring people to serve the public safety needs of our community," Wingert said. "Working in law enforcement is a tremendous responsibility that requires high character and a desire to serve."

He attributes part of his success in recruitment to the state's pension system, funded through the Municipal Fire and Police Retirement System of Iowa.

"In Des Moines, I compete with a vibrant business sector for the best individuals in the state," Wingert said. "I can't give out Christmas bonuses or a company gas card. Serving in the public safety profession, you will work nights, weekends and holidays in every outdoor element imaginable. You will make sacrifices and miss family events, your child's sporting events and dance recitals. The pension provided through MFPRSI is one thing I can tout that the private sector may not be able to offer."

After serving a career in public safety, the hazards and stress of the job take a toll on you, both mentally and physically, he adds. The pension system is a way communities can acknowledge and thank those who have served and sacrificed, giving them the comfort of knowing they can live the next phase of life comfortably.

Over the past several years, Wingert has also seen the impact of MFPRSI on the families of those lost unexpectedly in the line of duty. He reiterates the importance of providing for those who have served.

"The pension provided through MFPRSI is one thing I can tout that the private sector may not be able to offer."

"With all the heartache and tragedy, if there is a glimmer of hope, it's knowing the family is going to be taken care of," Wingert said. "Though these families have experienced an irreplaceable loss, the pension system takes care of the financial aspect, which could be the difference between losing and keeping their home."

Though he admits law enforcement can be a difficult job, there's always a silver lining when it comes to helping others.

"There are always cases — crimes against youth, elderly community members and our colleagues — that weigh heavy on your heart and mind," Wingert said. "But the best part of the job is knowing that you're making a difference. When people don't know where else to turn, they call us for help. Over the years, I have built countless relationships that have turned into friendships."

Wingert encourages his team to always be on the lookout for individuals who would make good officers, and he must be doing something right. During a time when popular cities, like San Diego, are 300-plus candidates down, the DMPD had 600 applicants in 2017, the largest number the department has seen in a decade.

Montgomery Makes History

Amy Montgomery Named First Female District Chief in Des Moines

This year marked a significant time in history for the Des Moines Fire Department, as Amy Montgomery became the first female to be named district chief.

"It is a tremendous honor to serve in the position of district chief," Montgomery said. "Being a firefighter is the greatest job in the world. You have to be willing to put in the time and the work if you want to move up, but it's worth the wait."

Amy Montgomery, district chief, Des Moines Fire Department, and husband, Scott Douglas, retired district chief, Des Moines Fire Department

Self-motivated and determined, Montgomery worked her way through the ranks, starting as a volunteer firefighter in Clive. In 1993, she accepted her first full-time, fire service job in West Des Moines as a firefighter and a year later transitioned to Des Moines.

From there, Montgomery continued her upward career progression as engineer, lieutenant, captain and, most recently, district chief. However, success didn't come overnight.

A native of Estherville, Iowa, Montgomery grew up understanding the value of hard work. She graduated from Estherville High School and continued her secondary education at Iowa State University, where she earned her bachelor's degree in distributed studies, a combination of chemistry, biology and business, and competed for the university's volleyball team. She completed an additional year of training to become a medical technologist, and worked in the laboratory at Methodist Hospital in downtown Des Moines for five years.

"My interest in fire developed while I was working in the lab at Methodist," Montgomery said. "Fire medics from the metro area would bring patients to the hospital for emergency care. When I realized who was actually doing this work, I took an interest in working on the medical side of the fire department."

From there, the rest is history. Montgomery began volunteering at the Clive Fire Department, located just two blocks from her home at the time. As a woman in a heavily male-dominated profession, she acknowledges that her initial perception was that she had to work harder.

"I assumed I would be under more scrutiny than my male counterparts, that I would be under a microscope," Montgomery said. "But looking back, I put a lot of pressure on myself. My goal was always to become a captain, so I pushed myself to work hard and never get too comfortable."

Today, 134 years after the Des Moines Fire Department was founded and 35 years after the first female, Mary Davis, joined the department, Montgomery is one of six district chiefs overseeing the duties of the city. Though she acknowledges there isn't another job she would rather do, Montgomery does admit firefighters have a difficult, and sometimes dangerous, job.

"Firefighting is an incredibly physical job," Montgomery said. "From long, defined hours to emergency calls, it is our responsibility to be prepared for the unexpected."

Montgomery estimates that, on average, the Des Moines Fire Department responds to more than 26,000 calls on an annual basis, 70 percent of which are emergency medical calls.

"The most difficult part of this job is responding to emergencies — because whoever made the phone call is probably having the worst day of their life," Montgomery said. "Whether it is the death of a spouse or loved one, firefighters are often the first responders on call. It's our job to help in any way possible, first and foremost through safety and our medical capabilities, but we also play a role in providing comfort to our fellow community members."

Montgomery also acknowledges that in order to recruit talented individuals to the profession, and allow senior team members to retire at an appropriate age, pension benefits are essential.

"MFPRSI benefits are a huge part of attracting tomorrow's leaders," Montgomery said. "We can't offer flex hours or compete with salaries in the private sector, which has been typical of civil service jobs for many years, nor are we eligible for social security benefits — but the pension benefits help to compensate and offset those differences."

Montgomery and her husband of 15 years, Scott Douglas, former Des Moines Fire Department District Chief, have experienced the impact of the pension system since his retirement in 2013. Over the past several years, they have been able to enjoy traveling, golf, motorcycling and lifting weights together.

> **"MFPRSI benefits are a huge part of attracting tomorrow's leaders. We can't offer flex hours or compete with salaries in the private sector, which has been typical of civil service jobs for many years, nor are we eligible for social security benefits – but the pension benefits help to compensate and offset those differences."**

With mandatory retirement at age 65, Montgomery acknowledges the physical toll the job can have on each individual.

"This is a young person's job," Montgomery said. "The physical requirements are hard on you as you get older. Doing this job at any age, but especially into your 60s, can lead to serious injury. That's why it's important we provide financial security for our firefighters as they enter retirement."

She encourages her colleagues across the state to have a discussion with community members and legislators.

"The idea of a pension was huge for me. It's important to know that you're secure financially in retirement, or that should something happen to you in the line of duty, that your family will be taken care of," Montgomery said. "With all of the changes occurring in legislation, it's pretty scary to think that pension offerings for civil service jobs could change. I often wonder what retirement will look like 30 years from now, for those choosing a career in fire or law enforcement today."

"It's important to know that you're secure financially in retirement, or that should something happen to you in the line of duty, that your family will be taken care of."

Always leading by example, Montgomery's passion for serving others and respect for her colleagues is evident. She is humble in acceptance of her role as district chief and is excited to see what the future has in store.

"I enjoy the people, the camaraderie at the fire house and the excitement that each day brings," Montgomery said. "Every time you go out the door, you don't know what you're going to see, but what I do know, is that I work with incredibly talented people, and I've gained a really big family."

Percy Coleman, assistant fire chief,
Des Moines Fire Department

Coleman Breaks Barriers

Percy Coleman Named First African-American Assistant Chief

Born and raised in Houston, Texas, Percy Coleman first came to the Midwest on a football scholarship to Northwest Missouri State in Maryville, Missouri, in 1989. Nearly three decades later, Coleman is still making big plays. Earlier this year, he became the first African-American promoted to assistant chief in the Des Moines Fire Department.

"When Chief TeKippe called to share with me that I got the job, I was excited, and yet humbled," Coleman said. "The fact that he had enough confidence in me to appoint me to this position meant the world to me."

Growing up, Coleman's passion for firefighting began at a young age. The Coleman family lived near a fire station in Houston, where Percy's neighbor also worked.

"As kids we rode our bikes down to the station, where we were always welcomed with open arms," Coleman said. "That left a positive impression on me at a young age and piqued my curiosity in firefighting."

Coleman pursued his education at Northwest Missouri State, where he earned his bachelor's degree in sociology and criminal justice, while competing as a college athlete. He took his first full-time job at Orchard Place in Des Moines, where he served as a case worker from 1992 to 1996.

"I enjoyed the work I did as a case worker," Coleman said. "But I missed being outside, working in a more physical environment. I considered being a police officer as well, because I was drawn to something team-oriented, that provided that adrenaline rush. Once I joined the fire department, I knew this was it."

Coleman entered the Fire Academy on July 29, 1996, just a year before settling down with his wife of 20 years, Mia.

He acknowledges the landscape of the department looked quite different than it does today.

"When I first came to the department, there weren't many African-Americans or minorities in leadership positions," Coleman said. "I began to observe rank and structure, and quickly learned I needed to get involved in the organization to move up. When I looked at the history of the department, I realized that in order for things to change, I needed to be a part of it."

Coleman worked through the ranks at the Des Moines Fire Department, first as a firefighter, then as a fire medic, senior medic, lieutenant, training division captain, district chief, and today, assistant chief. Throughout his career, Coleman has led by example, constantly working to improve his skill set and knowledge through continued education. He put himself through paramedic school, earned his fire science certification through Des Moines Area Community College and became the fourth person at the Des Moines Fire Department to complete the Executive Fire Officer Program at the National Fire Academy.

"The fire service workforce is predominately white and male across the country," Coleman said. "I felt that I had to work harder to prove myself, and to be accepted. But through my work ethic and professional development opportunities, I have been able to demonstrate my capabilities as a leader in this organization."

As a role model, both inside and outside of the organization, Coleman shares the importance of helping others and working collaboratively on the job.

"It's important for young people in the public and working in the fire department to see us giving back by serving our communities," Coleman said. "We work in an environment that can be dangerous. At the end of the day, you're part of a team. Everyone has a role and every time you go out on a call you're running a play — but the stakes are high. You have to work together to make sure everyone makes it home at the end of shift."

In addition to looking out for his teammates on duty, Coleman stresses the importance of security into retirement.

"The [MFPRSI] pension system is designed for our benefits to be available when we retire," Coleman said. "When you finish a 30-year career, it's important firefighters and police officers are able to retire with confidence — or should something happen, to find comfort knowing that their family can carry on and survive in their absence."

Throughout his career, Coleman has experienced the loss of friends in the line of duty and seen the pension system in action.

"Without the system, in addition to the traumatic loss of a loved one, financial burden would have greatly impacted their families," Coleman said. "Once you're in the profession, you're sold on knowing that your family will be provided for, should the need arise."

"The pension system is designed for our benefits to be available when we retire. When you finish a 30-year career, it's important firefighters and police officers are able to retire with confidence."

Over the years, the fire department has also seen a drop in incoming applicants, from 1,600 people applying each year in the 1990s to only 400 to 500 in the past two recruitment periods in 2016 and 2017.

"As firefighters, the public must have faith in us," Coleman said. "We are there for them when they need us most. Firefighters must be ethical, trustworthy and hard-working. That's why it's important that we are able to recruit the best of the best to serve our communities."

And, just like the football team at Northwest Missouri State, Coleman has found another team he is proud to be a part of.

"I enjoy the people I work with and the friendships I've made at the Des Moines Fire Department. Those relationships develop into something like family when you spend the amount of time together that we do," Coleman said. "When I leave home, it's like I'm going to my other family. We go through some of the most difficult experiences as a team, and it brings us together. But it's just as important to make sure we each get to go home to our real families at the end of each day."

Susan Farrell, police officer,
Des Moines Police Department

Husband Remembers Wife, Mother, Hero

Des Moines Police Officer Susan Farrell died on duty in March 2016

Saturday, March 26, 2016, is a day Jesse Farrell won't ever forget.

"I had a premonition that something was going to happen and woke up around 11 that evening," the Pleasant Hill police officer said.

At 12:40 a.m. that morning, his wife, Susan, and Carlos Puente-Morales, both Des Moines police officers, were struck and killed in a head-on collision on Interstate 80, just west of Des Moines.

"Finding out about the accident was surreal," Jesse said. "I had the opportunity to speak with Susan through text message before the accident, to tell her I loved her. That has helped to provide some closure."

Both Iowa natives, the couple first met as colleagues working in the Polk County Jail. Jesse shares it was her smile that first caught his attention.

A well-known prankster and avid outdoor enthusiast, Susan was well-liked and respected. She graduated from Southeast Polk High School in 2004 and earned her associate degree in criminal justice from Hamilton Business College. She began her career at the Polk County Jail where she served a total of 10 years, five as a member of the Response Team. This is where she earned the nickname "Lady Redshirt" — as the Response Team wore red — from inmates who had come to know and respect her.


Susan and Jesse

"She had a way of talking to people that made them want to listen to her," Jesse said. "She didn't go easy on anyone, but she was open and upfront. She was called into many intense situations and could often diffuse an escalating scenario with a direct approach."

During that time period, Susan and Jesse were married in Hawaii, and on their wedding day, discovered they were pregnant with daughter, Ryleigh, who is now three.

"Susan kept the pregnancy a secret from me until the day after our wedding," Jesse said. "She shared the news by drawing a heart in the sand with a message that read Baby Farrell 11-7-13. We took a picture and added it to the slide show at our reception back home — and based on our family's reaction, you would have thought they won the lottery."

Susan's career also took her to the Pleasant Hill Police Department where she served as a reserve officer for eight years, while also working as a detention officer at the Polk County Jail. She was named deputy in 2015, and shortly after, received notice that her dream had come true — she had been formally accepted to the Des Moines Police Department. Susan graduated from the Des Moines Police Academy in October 2015, less than six months before the fatal accident.

Jesse reflects on the outpouring of support he received from the couple's fellow police officers, community and friends.

"I had no idea my family would grow to be so large," Jesse said. "The camaraderie and brotherhood I've experienced as a police officer is unparalleled. That, and the fact that Susan helped me get to where I am today, is what makes me want to stay in a career that comes with risk."

Jesse is also appreciative of the financial support provided through the Municipal Fire and Police Retirement System of Iowa. Following Susan's passing in the line of duty, a monthly service benefit, based on her salary and years of service, is distributed to her family.

Susan and Ryleigh

"It's difficult to put into words the toll the accident and losing a spouse and a mother takes on your family," Jesse said. "There are times it's difficult to find the desire to go to work — because it's different now when my daughter says, 'Daddy, I don't want you to go to work.' Susan and I bought things together and created a comfortable family lifestyle, one that would be hard to maintain if we lost half of our income."

Jesse shares the additional income from MFPRSI's pension system has also been helpful in covering day care, clothing and food costs for Ryleigh.

"As a single parent, the financial benefits of the pension system have helped to alleviate some of the stress of providing for my family," Jesse said.

Jesse, who attributes his position with the Pleasant Hill Police Department to Susan, plans to continue his career in law enforcement. Though, speaking from personal experience as a six-year veteran at Pleasant Hill, he acknowledges it's a tough job.

"As police officers, we are held to higher standards," Jesse said. "You have to be kind, you have to listen to multiple stories and you must always use your best judgment — all in the midst of a sometimes volatile environment."

But, he admits, it's an important job that requires stamina, mental toughness and a passion to serve.

Jesse and Susan

"I originally went into law enforcement to give back to the community," Jesse said. And today, he continues to serve, mostly because, "Susan would have wanted me to."

Today, Jesse and friends honor Susan's memory through an annual Memorial Ride, a horseback ride and outing at Lake Red Rock in honor of her love of riding, camping, and the outdoors.

INTRODUCTION

Reflecting Back on Starting MFPRSI

by Judy Bradshaw
former Board of Trustees Chair

Judy Bradshaw former MFPRSI Board of Trustees Chair and former Chief of Police Des Moines Police Department

In May of 1990 the Iowa General Assembly enacted House File 2543 consolidating 87 local, or municipal, police and firefighter retirement plans into one, statewide system. The legislation called for the new retirement system, which would become officially known as Municipal Fire and Police Retirement System of Iowa in November of that same year, to be led by a 13-member Board of Trustees. Judy Bradshaw was the first elected chair, a position which she held from 1990 to 2014. She led the retirement system from its first days and guided it into being the sustainable and healthy system it is today. To help mark the 25th anniversary of MFPRSI, Judy offers her experiences getting MFPRSI up and running starting shortly after the passage of House File 2543 through January 1, 1992, the first day of operations.

In 1990, I was a Sergeant with the Des Moines Police Department (DMPD) working an afternoon patrol shift when I was contacted by Rick Host, a board member with the Iowa State Police Association (ISPA), to meet and discuss what he termed "an offer for you to consider." Curious, I met with Rick and John Daws, the President of ISPA, for lunch. They informed me the Iowa General Assembly had just passed legislation consolidating all of the individual cities covered under the Iowa Code Chapter 411 pension system.

I was only 30 years old at the time and the last thing I was thinking about was my pension, but the consolidation called for a "transition board" whose members were appointed by ISPA, the Iowa Professional Fire Fighters (IPFF), and the Iowa League of Cities.

I hesitated at the offer, but I was told that it would not be much of a commitment, requiring only one day each month for board meetings. I agreed and attended my first consolidated retirement system board meeting at the Iowa State Capital the morning after completing an afternoon patrol shift. It was standing room only and I felt intimidated as I pulled a chair up to the enormous meeting table. I remember thinking, "What have I gotten myself into?" and that I may be in over my head.

Senator Mary Lundby, a legislative member of the board, took control of the meeting immediately. She commanded the room and hushed the crowd, which I later learned was mostly comprised of investment managers and consultants anxious to have an opportunity to manage and advise our investment assets. Senator Lundby sat what seemed like 50 yards away from me at the opposite end of the table, and I remember trying not to stand out, avoiding eye contact with her and others at the meeting.

"The first order of business is to elect a chair," she stated. I felt like she was talking directly to me, and I shuffled papers around attempting not to be noticed. Vern Cook, a retired firefighter from Clinton, called for a recess so the police and fire members could discuss strategy.

Vern believed the new retirement system's success was contingent on a member of the retirement system holding the inaugural chair position for the Board of Trustees.

Vern's vision for success was precise and he stated, "We need to elect a woman to this position." He wasn't looking at me when he said it, but all eyes shifted my way, and it didn't take me long to figure out he was talking about me, the only woman in the group.

I felt like a deer frozen in a beam of headlights and answered, "Well, I will, but I don't know anything about pensions and certainly don't know what I'm doing."

"That's OK, it won't be hard and we will help you through it," Vern retorted.

Having settled on my nomination, we shuffled back to the table and Senator Lundby asked for nominations. We were informed that one of the city representative members was unable to attend the meeting. This meant the members held a majority vote. Therefore, my confirmation as chair was approved by the full board.

After the votes were counted, Senator Lundby announced, "I am turning the floor over to the newly-elected chair." With everyone focused on me I had no idea what should happen next. I remember looking at Senator Lundby, and she must have sensed my fear. She took back the floor slowly walking me and the other board members through the remainder of the agenda. That would be the last meeting that I would sit by silently, however, as afterward I purchased "Robert's Rules of Order" and quickly learned how to manage a meeting.

Not long after our first meeting, the board was informed we could no longer meet at the capitol building and needed to find a larger public venue for our board meetings. Fortunately, we had heard there were "transition dollars" available from the State of Iowa that would assist in procuring a meeting place and hiring staff to develop a transition plan.

Harold Fryman, a retired police officer and tough old bull dog (I learned later he, after retiring from the police department, chased a burglar in his neighborhood and received a bullet wound for his trouble) and I trudged up the state capitol steps and met with the team from the Department of Management to ask for the transition dollars. We faced a barrage of questions: Where will you place the state dollars appropriated for the transition?; Who is responsible for the state dollars once it is allocated to you? What is your timeline for distributing benefits?; Where are your offices located?; and, Who is your director and staff? These were questions I had never considered let alone questions for which I had solid answers.

We tried unsuccessfully to explain that many of the items they had questions about could not be accomplished without the transition dollars. Unfortunately, we were denied access to the appropriation and told to come back when we had a plan.

Meanwhile, I had been transferred to the midnight shift as the records/jail sergeant, which made it harder to work on pension issues without tapping into my sleep. One morning, after a long overnight shift, I placed a cold call to Doug Gross, a lawyer whose contact information I had obtained. I left a long, rambling message and hours later his return phone call woke me up. We scheduled an appointment for that same day. When I arrived to meet Doug I was happily surprised that he had already researched the new legislation and offered to put together a timeline of tasks and responsibilities for completion by the board.

I was impressed by what I saw and believed that Doug Gross and his law firm had the depth and expertise to lead the board through the transition period and beyond. Doug had served as chief of staff for Governor Terry Branstad and was acutely familiar with the inner workings of legislation and government in general.

I told Doug before I could bring his plan to the board I needed to convince Representative Gene Blanchan, a legislator who was instrumental in developing and moving the consolidation through the General Assembly. Gene was also on our board and he, along with the rest of us, knew we had just a few months left to hire a director and staff, locate office space, adopt policies and procedures, and hire investment consultants, money managers, and an actuary. Most importantly, the clock was ticking for us to successfully produce and distribute our first month of pension checks to our members and beneficiaries.

Representative Blanchan was skeptical at first, but he ultimately agreed to allow Doug to provide a proposal to the board and to support my recommendation to hire him and his law firm. Doug's proposal was very well received by the members of the board who were eager to make substantial progress. Doug and his team were instrumental in both freeing up the appropriation allowing us to hire a director and assisting in organizing the board's activities.

Once we had received funding, I divided the board into focused subcommittees for executive, benefits, and investment tasks. I chaired the executive committee and after a thorough recruitment process we hired our first director. He promptly hired a clerical position and found us office space. Finally, we were making meaningful progress toward consolidating the retirement systems. Unfortunately, though, the new director proved to not be a good fit for our organization and we let him go, so we had to start a new search for a director.

Our second search lead us to make an offer to a candidate who ultimately never showed up when we went to pick him up at the Des Moines airport. Not only did he not arrive, but he was unreachable, and the board never heard from him again.

To further add to our dilemma, we were nearing the deadline for distributing the first set of pension checks to retirees. Despite our only clerical employee serving as both office manager and staff, she was not experienced in pension systems. In fact, no one involved had experience in running a large-scale payroll. Getting benefit checks to our members was going to be a difficult task.

Personally, I was still assigned to the midnight shift at this time. I met with DMPD Chief of Police Bill Moulder, and I explained our situation and asked for his support by allowing me to work a “special assignment” within the pension office until we hired a permanent and full-time director. He supported me 100 percent and said it was in everyone's best interest that the new system succeeds.

With Chief Moulder's consent, the lone clerical assistant and I embarked on my “special assignment” operating the daily affairs of the pension system for several weeks.

Reluctantly, the Board initiated a third hiring process for a director, but within a few days I had word that the assistant director for the Iowa Public Employees Retirement System (IPERS) might be interested in the job. With the assistance of Doug Gross we met with the assistant director at IPERS, Dennis Jacobs.

Dennis' credentials were impressive, and he knew the exact steps needed to structure the operations of the pension system. Additionally, Dennis told me we were running out of time and that a huge amount of work needed to be done in order to issue benefit checks.

I believed Dennis was competent and capable of completing the transition responsibilities and he would be a great director for us. As the executive subcommittee negotiated with Dennis, he prepared a proposal for the board that was considered a “package deal.” In addition to hiring him as our director, Dennis insisted two other IPERS employees, Larry Thompson and Sandra Wells, come aboard to operate as a finance officer and benefits officer, respectively.

The Board, impressed with Dennis and his transition plan, agreed to the proposal and with one single vote we had filled pressing needs hiring both a new director and a team to manage the retirement system.

Under Dennis' leadership the board quickly and successfully hired a custodial bank, investment consultants, money managers, and additional support staff. We also refined protocols for hiring police officers and firefighters and established standards for job-related disabilities. Finally, after many months our hard work came to fruition and the retirement system was fully realized and operational.

Since those early days, MFPRSI has grown from a legislative directive on a piece of paper into a strong, sustainable system for our police officers and firefighters statewide. We are now a model for public pension systems nationwide and are one of the exceptional plans who are able to offer a DROP (Deferred Retirement Option Plan) program to its membership.

I thoroughly enjoyed my time on the pension board from 1990-2014, largely because of my fellow board members who made the retirement system stronger by challenging one another. Although none of the original transition board members presently serve on the board, the current members are competent, reliable fiduciaries who are committed to maintaining a well-funded retirement system.

The staff of MFPRSI is made up of the most dedicated group of employees I've known, who are sensitive to the needs of all stakeholders involved with the retirement system.

I established great relationships with both the Director, Dennis Jacobs, and lead Legal Advisor, Doug Gross, through our monthly planning luncheons and numerous meetings. I miss the banter and heady discussions we commonly held with one another.

As the consolidated system celebrates its 25th anniversary, the membership, participating cities, and legislators can be assured the fund is properly funded and very well managed under Executive Director Terry Slattery and Deputy Director Dan Cassady, both seasoned executives within the retirement system universe.

Retirement System Overview

MFPRSI 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. Upon its establishment, MFPRSI consolidated 87 local fire and police retirement systems formerly administered by 49 of Iowa's largest cities. The retirement system initiated its formal operations on January 1, 1992, to administer the retirement benefits for fire and police personnel in Iowa's participating cities.

The mission of MFPRSI is to provide a comprehensive set of retirement and disability benefits to eligible local police officers and firefighters in a sound, sustainable, and efficient manner in accordance with the requirements of the program's governing statute. The programs of the retirement system include the payment of pension benefits for service retirement, ordinary disability retirement, accidental disability retirement, survivors of deceased members (e.g., spouse and dependent benefits), and the refund of contribution upon withdrawal by a terminated member.

In its effort to accomplish its goals, MFPRSI administers a contributory defined benefit plan for firefighters and police officers as established in Iowa Code Chapter 411. The benefits available through the retirement system are based on a formula using years of membership service, the average of the highest three years of earned wages as a member, and a multiplier. In addition to service retirement benefits, MFPRSI offers a comprehensive disability program that includes establishing standards for entrance physical examinations, guidelines for ongoing fitness and wellness, and post-disability retirement compliance requirements.

Permanent full-time firefighters and police officers in the participating cities are granted membership by Iowa Code Chapter 411. Participants are vested upon attaining four years of membership service. Vested status may also be achieved by actively earning service credit at age 55.

The Board of Trustees ("Board") represents the police officer and firefighter memberships, cities, and citizens of Iowa, while the Iowa General Assembly provides the retirement system with direction and oversight. Iowa Code also includes specific authorization to administer each of the following: actuarial services, medical board, legal services, and organization and staff. The individuals comprising the administrative staff are available to assist members, city officials, and interested parties with any questions or concerns about the retirement program.

Membership. MFPRSI had 8,369 members at the end of fiscal year 2017, with 3,968 active members employed by the 49 participating cities. Of the remainder, 1,136 receive benefits due to disability, 2,909 are either retired or a beneficiary, and 356 are terminated-vested members. MFPRSI made over 49,000 accurate and timely benefit payments over the course of the fiscal year. Approximately 98 percent of those payments were made via electronic funds transfer. During the year members received annual statements summarizing their contributions as well as two newsletters highlighting news, statistics, and announcements. On its website, www.mfprsi.org, MFPRSI also provides its membership with a comprehensive Member Handbook which details the various benefit structures that are available.

Investments. Member benefits are made available through employee contributions, employer contributions, and investment earnings. Of those three sources, the investment portfolio provides the greatest percentage of income. MFPRSI manages an investment portfolio that is well diversified with a long-term investment horizon. The portfolio is designed to capture positive investment returns in public equity, fixed income, real assets, and private markets when the markets are up, while minimizing losses during negative investment periods.

The fund is monitored by a staff of investment officers at MFPRSI under the direction of the Executive Director who acts as the Chief Investment Officer. Investment recommendations are made by the executive director; deputy director; Summit Strategies Group ("Summit"), MFPRSI's investment consultant; and investment officers. In turn, the Board uses the information provided by those parties to make final decisions on asset allocation. On an annual basis (and more frequently as necessary) the Board reviews and revises the investment policy.

MFPRSI's investment portfolio returned 11.8 percent in fiscal year 2017. The five-year return for the period ending June 30, 2017, is 9.1 percent. The long-term target rate of return, as determined by the Board, is 7.5 percent. The target rate is adopted by the Board as the investment rate of return by which the retirement system can meet its liabilities at the current level of employee and employer contributions. The investment portfolio's performance since inception in 1992 is 7.7 percent.

Accomplishments

Over the course of fiscal year 2017 (July 1, 2016, to June 30, 2017), MFPRSI engaged in a number of activities pertaining to both the retirement system's active and retired memberships, as well as the financial management of the assets of the plan. The following projects were intended to either enhance the services provided to membership and cities or further the performance opportunities for the investment portfolio:

Administration. The Board and staff conducted surveys of its membership and city representatives. The surveys focused on each group's level of satisfaction concerning MFPRSI's communication and accessibility. Question types on the surveys included "yes" or "no" questions, comment/feedback questions, and multiple choice questions. The conclusion of the surveys indicated that both groups are very satisfied with the communication and accessibility of information provided by the retirement system.

In conjunction with its communications consultant, Wixted & Company, the Board updated its Legislative Guide. The guide was distributed to members of the Iowa General Assembly. The four-page document highlighted important facts and statistics in order to provide useful information to legislators.

The Board, staff, and Wixted & Company produced a brief introductory video to show to new members. The video describes the basic concepts of the retirement system and the benefits provided. The video will be available on our website, www.mfprsi.org, when it is completed in fiscal year 2018.

The Board reviewed its vendor relationship with Eide Bailly, its financial auditing services provider. Eide Bailly was retained for an additional three years after extensive examination.

MFPRSI implemented a document imaging system providing electronic file maintenance of member files. The document imaging system reduces the need for paper records, improves long-term security of information, and enhances efficiency with processing member records.

Kathy Fraise was hired as a senior pension officer. She is responsible for establishing and maintaining member records and communicating with members concerning benefit and membership status.

The Board submitted its biennial Financial Evaluation Report to the Iowa General Assembly. The report provides a high-level overview of the retirement system's structure and responsibilities as delineated by Iowa Code Chapter 411. The report includes actuarial and investment return data, as well as a timeline of major legislative changes made to the plan since its inception in 1992.

Financial and Investments. As part of its regular review of the investment portfolio, the Board committed $30 million to a private markets fund focusing on small market buyout opportunities in the U.S.

The Board also committed $50 million to an additional private equity fund focusing on venture opportunities in the U.S.

A commitment was made to add an additional investment manager to the retirement system's strategic portfolio. Upon completion of contract negotiations, the investment portfolio will grow from three to four strategic investment managers.

Additionally, a European-focused real estate fund was approved by the Board. A $25 million dollar commitment will be made following successful conclusions to both a due diligence review by staff and contract negotiations by Brown Winick, the retirement system's legal representatives.

In addition to conducting its annual review of the "Investment Policy," the Board and staff reviewed and adopted its "Investment Program Implementation and Oversight" (IPIO) document. This report provides, in detail, the components and concepts of the investment portfolio.

Summit Strategies (Summit) provided expected return and asset allocation comparisons with similarly-sized retirement plans in the U.S. This was part of an overall review regarding the retirement system's assets and liabilities and whether MFPRSI's return goal of 7.5 percent remained feasible. After extensive reviews and discussions over the course of several meetings, the Board concluded that 7.5 percent remained a viable target rate of return for its investment portfolio.

Summit provided educational workshops to the Board on specific investment concepts related to the investment portfolio and investment markets. Topics covered during fiscal year 2017 included reviewing specific themes and investment managers within the portfolio, infrastructural opportunities, and the compositions of both the fixed income and strategic portfolios.

Investment officers traveled to investment firms managing assets on behalf of the retirement system. They met with professionals responsible for managing its investment portfolios.

The Board and staff conducted reviews with the investment firms managing MFPRSI's assets. In addition to the written reports provided by the firms, the staff engaged in regularly scheduled conference call reviews with each investment firm.

Benefit Plan. The Board adopted a mortality table with modifications in order to more closely match the retirement system's actuarial mortality experience.

A new affiliate health provider was added to MFPRSI's roster of medical services providers.

MFPRSI continued the administration of the retirement, disability, and Deferred Retirement Option Plan (DROP). Participation in

DROP remained steady at 46 percent of those eligible.

The Board also reviewed its fiduciary standards.

MFPRSI continued its application of the Federal Pension Protection Act of 2006. This act established a $3,000 income tax exclusion for eligible retired public safety officers who elect to use a portion of their distributions from an eligible retirement plan to directly pay for qualified health insurance premiums. The utilization of this program among eligible retirees has expanded significantly over the past several years.

Legislation. The Iowa General Assembly produced a bill, House File 291, commonly known as the bill that scales back collective bargaining rights for state public workers. It did not affect MFPRSI after language was removed from the original bill prior to being signed into law by Governor Terry Branstad.

An additional bill was introduced, but was not ratified, that would have required state pension plans to develop a defined contribution plan for employees hired after July 1, 2019.

Again this year, the lobbying efforts of MFPRSI pushed forward an appropriations bill allocating $10.8 million to the retirement system for fiscal year 2017. This allocation would have honored the State of Iowa's original commitment made in 1976 to the retirement system. The bill was assigned to an appropriations subcommittee and was not considered for a vote. The State of Iowa contributed $0 to MFPRSI for the fifth consecutive year.

Board Re-Elections. P.Kay Cmelik and Eric Court were re-elected for four-year terms by the Iowa League of Cities and the ISPA, respectively. The average tenure for the nine voting trustees stands at 10 years as of April 30, 2017.

Board of Trustees

The activities of MFPRSI are under the direction of its Board which has nine voting members and four non-voting, legislative representatives. The voting coalition of the Board is comprised of four representatives of the active and retired fire and police memberships, four representatives of the cities, and one private citizen.

Individuals are appointed to four-year terms by the fire and police associations and by the Iowa League of Cities. The eight voting members select a private citizen to serve as the ninth voting member.

Non-voting members are chosen by the leadership of the Iowa Senate and Iowa House of Representatives and serve two-year terms.

Voting members, top row left to right: Marty Pottebaum, chairperson, retired police officer; Mary Bilden, citizen member; P. Kay Cmelik, city representative. Second row: Eric Court, active police officer; June Anne Gaeta, active firefighter; Frank Guihan, retired firefighter. Third row: Duane Pitcher, city representative; Dan Ritter, city representative; Michelle Weidner, city representative.

Non-voting members, fourth row: Senator Wally Horn; Senator Mark Lofgren. Fifth row: Representative Scott Ourth; Representative Dawn Pettengill.

Staff

Staff Responsibilities. The executive director and deputy director act as advisors to the Board on all issues relevant to MFPRSI, establish contracts for professional services, and employ the remaining staff needed to maintain the retirement system.

The executive administrator develops research information, acts as the human resources director, and maintains contracts with external vendors.

The senior pension officers administer payrolls, and establish and maintain the membership records of the retirement system. Additionally, they communicate with members regarding benefit and membership status.

The accounting/investment officers perform accounting, auditing, and control functions of the retirement system. They also provide analysis for the investment portfolio.

The investment/communications officer creates visual/print media and provides analysis for the investment portfolio.

Staff, top row, left to right: Terry Slattery, executive director; Dan Cassady, deputy director; BriAnna Nystrom, executive administrator. Middle row: Jill Hagge, senior pension officer; Angie Conner, senior pension officer; Kathy Fraise, senior pension officer. Bottom row: James Bybee, accountant/investment officer; Blake Jeffrey, accountant/investment officer; Cody Jans, investment/communications officer.

FINANCIAL STATEMENTS

Independent Auditor's Opinion

Provided by Eide Bailly LLP

EideBailly℠

CPAs & BUSINESS ADVISORS

Report on the Financial Statements. We have audited the accompanying financial statements of MFPRSI which comprise the statements of fiduciary net position as of June 30, 2017 and 2016, and the related statements of changes in fiduciary net position, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements. Management (i.e., MFPRSI) is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.A. and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity'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 financial statements.

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

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statements of fiduciary net position of MFPRSI, as of June 30, 2017 and 2016, and the respective changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the U.S.A.

Emphasis of Matter. As discussed in the Summary of Significant Accounting Policies and Invesments financial notes, total MFPRSI investments include investments valued at $779.6 million (31.7 percent of total assets) as of June 30, 2017, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to that or this matter.

Required Supplementary Information. Accounting principles generally accepted in the U.S.A. require that the management's discussion and analysis and the required supplementary information be presented to expand the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the U.S.A., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards. In accordance with Government Auditing Standards, we have also issued our report on our consideration of MFPRSI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MFPRSI's internal control over financial reporting and compliance.

Management's Discussion and Analysis

The following discussion and analysis of MFPRSI's financial performance provides an overview of the retirement system's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read in conjunction with the basic financial statements, which follow this discussion. These statements represent the current condition from an accounting perspective, but do not reflect MFPRSI's actuarial status. Refer to MFPRSI's actuarial valuation for the retirement system's funding status regarding long-term benefit obligations.

Financial Highlights.

- MFPRSI's assets exceeded its financial liabilities at the close of the fiscal years 2017 and 2016 by $2,436,896,111 and $2,242,546,392 (reported as plan net position restricted for pension benefits), respectively. Net position restricted for pension benefits is held in trust to meet future benefit payments.

- Additions for the year ended June 30, 2017, were $359,850,135, which is comprised of contributions of $100,036,185, net investment income of $259,812,040, and other income of $1,910. Additions for the year ended June 30, 2016, were $100,876,167, which is comprised of contributions of $100,710,324, net investment income of $164,100, and other income of $1,743.

- Benefit payments were $162,588,755 and $155,469,400 for the years ended June 30, 2017, and 2016, respectively, a 4.6 percent increase from year to year.

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. This annual financial report consists of two financial statements; the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. These financial statements report information about MFPRSI as a whole and its financial condition that should help answer the question: Is MFPRSI, as a whole, better off or worse off as a result of this fiscal year's experience? These financial statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Fiduciary Net Position presents all of MFPRSI's assets and liabilities, with the difference between assets and liabilities reported as plan net position restricted for pension benefits. Over time, increases and decreases in plan net position restricted for pension benefits is one method of measuring whether MFPRSI's financial position is improving or deteriorating. The Statement of Changes in Fiduciary Net Position present the changes in plan net assets during the respective fiscal year.

Financial Analysis. Retirement system assets as of June 30, 2017, and 2016, were approximately $2.46 billion and $2.26 billion, respectively, and were primarily comprised of investments, cash, receivables from brokers, and contributions due from employers. The $197,140,111, or 8.7 percent, increase in assets from June 30, 2016, to June 30, 2017, was primarily due to the unrealized gains experienced in invested assets.

Condensed Statement of Fiduciary Net Position (In Thousands of Dollars)

Assets	**2017**	**2016**	**2017/2016 Inc/(Dec)**	**2015**	**2016/2015 Inc/(Dec)**
Cash	$24,764	$7,692	221.9%	$4,330	77.6%
Investments	$2,427,393	$2,250,515	7.9%	$2,311,197	(2.6)%
Receivables	$7,563	$4,327	74.8%	$4,220	2.5%
Other Assets	$143	$188	(23.9)%	$60	213.3%
Total Assets	$2,459,863	$2,262,722	8.7%	$2,319,807	(2.5)%
Pension Related Deferred Outflows	$325	$207	57.0%	$115	80.0%
Liabilities					
Benefits and Refunds Payable	$16,185	$16,781	(3.6)%	$15,775	6.4%
Investment Management Expenses Payable	$2,250	$2,152	4.6%	$2,818	(23.6)%
Administrative Expenses Payable	$393	$402	(2.2)%	$365	10.1%
Net Pensions Liability attributed to IPERS	$794	$633	25.4%	$516	22.7%
Payable to Brokers for Unsettled Trades	$3,562	$268	1,229.1%	$71	277.5%
Total Liabilities	$23,184	$20,236	14.6%	$19,545	3.5%
Pension Related Deferred Inflows	$108	$147	(26.5)%	$197	(25.4)%
Net Pension Position Restricted for Pension Benefits	$2,436,896	$2,242,546	8.7%	$2,300,180	(2.5)%

Condensed Statement of Changes in Fiduciary Net Position (In Thousands of Dollars)

Additions	2017	2016	2017/2016 Inc/(Dec)	2015	2016/2015 Inc/(Dec)
Contributions	$100,036	$100,710	(0.7)%	$104,371	(3.5)%
Net Investment Income	$259,812	$164	158,322.0%	$69,834	(99.8)%
Other Income	$2	$2	0.0%	$17	(88.2)%
Total Additions	$359,850	$100,876	256.7%	$174,222	(42.1)%
Deductions					
Benefits and Refunds Payments	$163,572	$156,566	4.5%	$150,026	4.4%
Administrative Expenses	$1,928	$1,944	(0.8)%	$1,836	5.9%
Total Deductions	$165,500	$158,510	4.4%	$151,862	4.4%
Net Increase (Decrease)	$194,350	$(57,634)	(437.2)%	$22,360	(357.8)%
Plan Net Position Restricted for Pension Benefits					
Beginning of Year	$2,242,546	$2,300,180	(2.5)%	$2,278,457	1.0%
Prior Period Adjustment	$0	$0	0.0%	$(637)	0.0%
End of Year	$2,436,896	$2,242,546	8.7%	$2,300,1800	(2.5)%

As discussed in both the Summary of Significant Accounting Policies and Investments sections of the Notes to Financial Statements, total retirement system investments include investments valued at $779.6 million (31.7 percent of total assets) and $761.6 million (33.7 percent of total assets) as of June 30, 2017, and 2016, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Total liabilities as of June 30, 2017, and 2016, were $23,183,768 and $20,236,314, respectively, and were primarily comprised of obligations under benefits and refunds payable, as well as investment management expenses payable. The $2,947,454, or 14.6 percent, increase in liabilities from June 30, 2016, to June 30, 2017, was due to an increase in payables to brokers for unsettled trades.

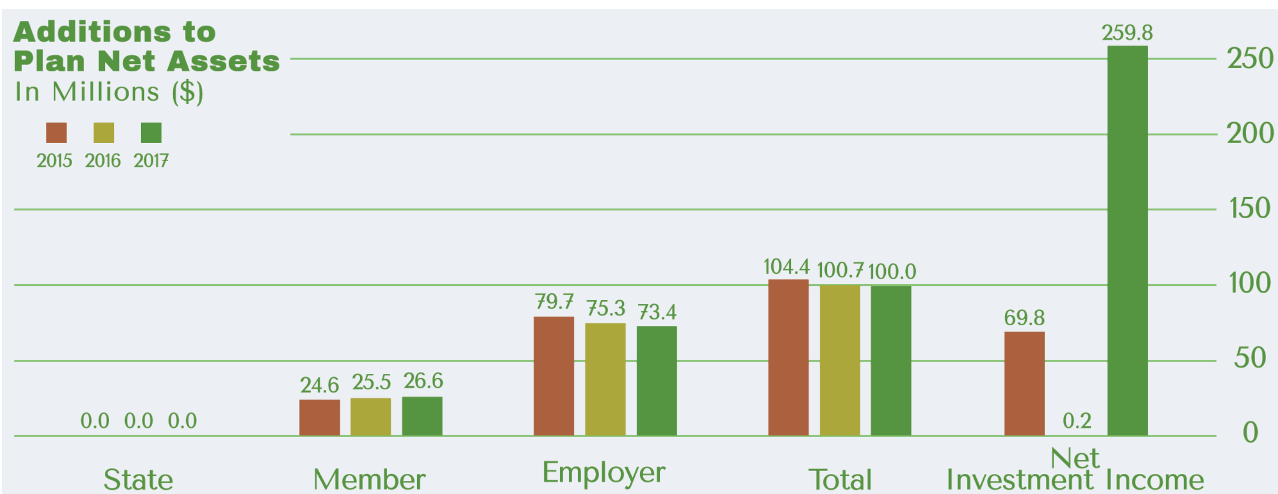
During the year ended June 30, 2017, plan net position restricted for pension benefits increased $194,349,719, or 8.7 percent, from the previous fiscal year, primarily due to unrealized gains experienced in invested assets. This is in comparison to the previous fiscal year, when net position decreased by $57,633,963, or 2.5 percent, from the prior year.

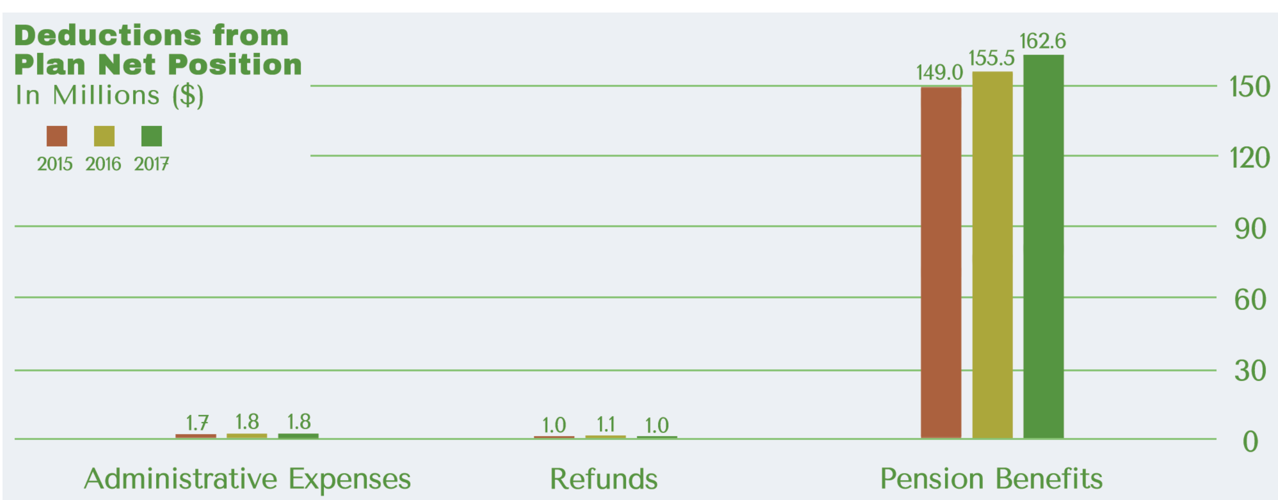
Revenues - Additions to Fiduciary Net Position. Reserves needed to finance retirement benefits are accumulated through the collection of contributions and earnings on investments. Contributions and net investment income for the fiscal year 2017 totaled $359,850,135.

Contributions decreased from the previous year by $674,139. This decrease is primarily due to a decrease in the employer contribution rate from 27.77 percent to 25.92 percent for the years ended June 30, 2016, and 2017, respectively. Net investment income increased from the previous year by $259,647,940. This change is primarily due to a net appreciation in the fair value of investments.

Expenses - Deductions from Fiduciary Net Position. The principal expenses of MFPRSI include the payment of pension benefits to retired members and beneficiaries, refund of contributions to former members, and the cost of administering the retirement system. Total deductions for the fiscal year 2017 were $165,500,416, an increase of 4.4 percent over fiscal year 2016 deductions.

Pension benefit payments increased by $7,119,355, or 4.6 percent, from the previous year. Refund of contributions decreased by $114,251, or 10.4 percent. These changes are primarily due to the annual escalator fund applied to benefit payments and the noted decrease in number of applications for refunds in 2017.





Statement of Fiduciary Net Position

As of June 30, 2017, and 2016

Assets	**2017**	**2016**
Cash	$24,763,759	$7,692,232
Investments, at Fair Value:		
U.S. Government Obligations	$35,117,865	$36,540,236
U.S. Corporate Fixed Income	$30,286,680	$36,341,573
U.S. Equity Securities	$451,698,916	$379,113,341
Foreign Equity Securities	$390,895,373	$331,528,119
Commingled Fixed Income	$194,995,096	$201,186,577
Multi-Strategy Commingled Fund	$56,953,655	$51,515,754
Short-Term Investments and Currency Positions	$19,859,423	$23,540,490
Real Estate	$279,113,610	$285,563,595
Private Equity	$487,615,861	$473,361,796
Fund-of-Funds Commingled Investments	$480,856,341	$431,823,372
Total Investments - At Fair Value	$2,427,392,820	$2,250,514,853
Receivables		
Contributions	$3,978,089	$3,093,200
Investment Income	$41,719	$35,711
Receivable from Brokers for Unsettled Trades, Net	$3,543,162	$1,198,449
Total Receivables	$7,562,970	$4,327,360
Other Assets	$143,148	$188,141
Total Assets	$2,459,862,697	$2,262,722,586
Pension Related Deferred Outflows	$325,323	$207,439
Liabilities		
Benefits and Refunds Payable	$16,184,765	$16,780,731
Investment Management Expenses Payable	$2,249,603	$2,152,250
Administrative Expenses Payable	$393,485	$402,497
Net Pension Liability Attributed to IPERS	$794,389	$632,688
Payable to Brokers for Unsettled Trades, Net	$3,561,526	$268,148
Total Liabilities	$23,183,768	$20,236,314
Pension Related Deferred Inflows	$108,141	$147,319
Plan Net Position Restricted for Pension Benefits	$2,436,896,111	$2,242,546,392

See notes to financial statements

Statement of Changes in Fiduciary Net Position

For the Years Ended June 30, 2017, and 2016

Additions	**2017**	**2016**
Contributions:		
Member	$26,625,022	$25,455,597
Employer	$73,411,163	$75,254,727
State Appropriations	$0	$0
Total Contributions	$100,036,185	$100,710,324
Investment Income:		
Interest	$2,923,848	$3,097,088
Dividends	$20,757,172	$23,407,318
Net Appreciation (Depreciation) in Fair Value of Investments	$254,088,496	$(8,780,267)
Net Investment Income from Investment Activity	$277,769,516	$17,724,139
Less Investment Expenses:		
Management Fees and Other	$17,957,476	$17,560,039
Net Investment Income	$259,812,040	$164,100
Other Income	$1,910	$1,743
Total Additions	$359,850,135	$100,876,167
Deductions		
Benefits Payments	$162,588,755	$155,469,400
Refund Payments	$982,831	$1,097,082
Administrative Expenses	$1,806,317	$1,778,400
Disability Expenses	$122,513	$165,248
Total Deductions	$165,500,416	$158,510,130
Net Increase (Decrease)	$194,349,719	$(57,633,963)
Plan Net Position Restricted for Pension Benefits		
Net Position - Beginning	$2,242,546,392	$2,300,180,355
Net Position - Ending	$2,436,896,111	$2,242,546,392

See notes to financial statements

Notes to Financial Statements

Plan Description. MFPRSI was created under Chapter 411.35 of the Code of Iowa to replace 87 separate fire and police retirement systems from 49 cities and one county in Iowa ("separate systems"). Effective January 1, 1992, the separate systems were terminated, and the respective entities were required to transfer assets to MFPRSI equal to their respective accrued liabilities (as measured by MFPRSI's actuary). Upon transfer of the assets, MFPRSI assumed all membership, benefits rights and financial obligations of the separate systems.

MFPRSI is the administrator of a multi-employer, cost sharing, defined benefit pension plan for the exclusive benefit of eligible employees of participating cities (substantially all full-time employees of the respective cities' fire and police departments), (the Plan). It is governed by a nine-member Board who is appointed by police and fire associations and by the Iowa League of Cities. The eight voting members select a private citizen to serve as the ninth voting member.

The Board is authorized by the state legislature to make investments, pay benefits, set contribution rates, hire staff and consultants and perform all necessary functions to carry out the provisions of the Code of Iowa. MFPRSI is separate and apart from state government and is not included in the state's financial statements.

As of June 30, 2017, MFPRSI was comprised of 49 cities covering 3,968 active members; 356 terminated members entitled to benefits; and 4,045 retired firefighters, police officers, bailiffs, and eligible beneficiaries across Iowa.

Funding by Members - 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 percent of earnable compensation for the years ended June 30, 2017 and 2016.

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 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 one 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 percent of earnable compensation. The contribution rate was 25.92 percent and 27.77 percent for the years ended June 30, 2017 and 2016, respectively.

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 percent of earnable compensation. The state therefore is considered to be a non-employer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 — Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations for the years ended June 30, 2017 and 2016.

Benefits Provided - Participating members are entitled to the benefit provisions in effect on the member's date of termination. The following is a summary of the retirement system's benefit provisions for the years ended June 30, 2017 and 2016:

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 four 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 three 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 (two 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 five 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 five 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 DROP. 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 three, four, or five 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 percent of the member's retirement benefit at the member's earliest date eligible and 100 percent 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. The balance of the amounts held by MFPRSI pursuant to the DROP is $15,980,000 as of June 30, 2017 and $16,584,000 as of June 30, 2016.

Net Pension Liability of MFPRSI - The components of MFPRSI's net pension liability at June 30, 2017 and 2016 are displayed on Table 1.

Table 1. Net Pension Liability of the Retirement System

The components of MFPRSI's net pension liability at June 30, 2017, and 2016.

	2017	2016
Total Pension Liability	$3,023,371,171	$2,867,807,326
Plan Fiduciary Net Position	$(2,436,896,111)	$(2,242,546,392)
MFPRSI's Net Pension Liability	$586,475,060	$625,260,934
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.6%	78.2%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016, using the actuarial assumptions listed on Table 2, applied to all periods included in the measurement:

Table 2. Actuarial Assumptions Used to Determine Total Pension Liability

Inflation	3.0%
Salary Increases	4.5% to 15.11%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense

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

Table 3. Actuarial Assumptions - Estimated Real Rates of Return

Best estimates of geometric real rates of return for each major asset class included in MFPRSI's target asset allocation as of September 30, 2016, are summarized below.

Asset Class	Long-Term Expected Real Rate of Return
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 (MLPs)	9.0%
Private Equity	9.0%
Core-Plus Fixed Income	3.3%
Private Core Real Estate	6.0%
Tactical Asset Allocation	6.4%

with Scale BB.

Mortality rates as of June 30, 2016, 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 no projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period of July 1, 2002 to June 30, 2012.

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.

Table 3 lists real rates of return for the major asset classes included in MFPRSI's investment portfolio.

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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Table 4 provides MFPRSI's net pension liability using various discount rates.

Table 4. Sensitivity of the Net Pension Liability to Changes in the Discounted Rate

The following presents MFPRSI's net pension liability calculated using a discount rate of 7.5% as well as what the retirement system's net pension net liability would be if it were calculated using a discount rate that is 1% lower (6.5%) and 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
MFPRSI's Net Pension Liability	$963,836,450	$586,475,060	$272,606,762

Summary of Significant Accounting Policies.

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. MFPRSI prepared its financial statements using the accrual basis of accounting. It recognizes member and employer contributions as revenues in the month member earnings are paid. Benefits and refunds are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. MFPRSI's estimates are primarily related to the valuation of various investment instruments, including real estate, private equity, and the multi-strategy commingled fund. Actual results could differ from those estimates.

Investments - MFPRSI's securities are reported at fair value. Where appropriate, the fair value includes estimated disposition costs. Certificates of deposit are recorded at amortized cost, which approximates fair value. Interest income is recognized when earned. Dividend income is recognized on the ex-dividend date. Gains or losses on stocks and bonds are recognized on an average cost basis calculated separately for each investment manager. Other gains and losses are recognized on an identified cost basis. Gains and losses on sales and exchanges are recognized on the trade date.

The fair values of marketable securities held at June 30 are determined by using the closing price listed on national securities exchanges and quoted market prices are provided by independent pricing services. For commingled funds, the net asset and quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager. Investments in real estate, private equities, and the multi-strategy commingled fund which invest in both publicly and privately owned securities are valued based on estimates and assumptions of general partners, partnership valuation committees, or third party appraisal firms, in the absence of readily determined market values.

Such valuations generally reflect cash flows, discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Table 5 lists the retirement system's asset allocation policy as of the end of fiscal year 2017.

Rate of Return - For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.72 percent and 0.02 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Outflows/Inflows of Resources and Unavailable Revenue - In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. MFPRSI has only one item related to pensions which qualifies for reporting in this category. See the financial note title, "Iowa Public Employees Pension System (IPERS)" for additional details.

In addition to liabilities, the statements of fiduciary net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. MFPRSI has only one item related to pensions which qualifies for reporting in this category. See the financial note title, "Iowa Public Employees Pension System (IPERS)" for additional details.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IPERS and additions to and deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Table 5. Asset Allocation Policy as of June 30, 2017

Asset Class	Target Allocation
Core Investments	40%
Strategic Investments	35%
Private Markets	15%
Real Assets	10%
Total	100%

Table 6. Summary of Cash Balances

As of June 30,	2017	2016
Insured	$250,000	$250,000
Uninsured and Uncollateralized	$25,387,539	$8,261,540
Bank Balance	$25,637,539	$8,511,540

Cash. For cash deposits, custodial credit risk is the risk that in the event of a bank failure, MFPRSI's deposits may not be returned. A summary of MFPRSI's cash balances is listed in Table 6.

Investments. *Investment Policy* - The investment authority, as prescribed by the Code of Iowa, is governed by the "prudent person rule." This rule requires that an investment be made with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of a like character with like aims. Within the "prudent person" framework, the Board has adopted investment guidelines for the System's investment program.

MFPRSI is prohibited from holding direct investments in Sudan, Iran, and companies that boycott Israel due to state statute.

The following investment vehicles are permitted by MFPRSI's investment policy and may be considered for its funds:

Stocks and Bonds (Domestic, International & Emerging Markets):

- Securities issued by and the obligations of or guaranteed by the U.S.A. or U.S. government sponsored enterprises or by the Dominion of Canada or any province thereof, financial futures and options;
- Bonds issued by the State of Iowa or its political subdivisions;
- Common stock, American Depository Receipts, corporate bonds or other evidences of indebtedness issued under the laws of the Dominion of Canada or any province thereof;
- Common stock, bonds or other evidences of indebtedness issued under the laws of selected foreign countries or their political subdivisions;
- Debt instruments issued by multinational organizations, on behalf of selected nations or groups of nations, such as Brady Bonds, whether in U.S. dollars or foreign currencies;
- Mutual funds, commingled funds, or private equity which are, comprised of stocks, equity and/ or debt instruments, including those which hold positions in emerging markets, whether in U.S. dollars or foreign currencies; and,
- Derivative instruments, such as futures and options, can be utilized as an alternative to a stock or bond position, as specified.

Other Asset Classes - MFPRSI's currency positions include the currency of a group of selected nations, which have well established and stable economic and political structures. Currency positions are only taken in countries or in multinational currencies (for example, Euros) in which MFPRSI has determined to invest its assets. MFPRSI's currency assets are represented within the individual portfolios of the investment managers, which have mandates, and include international bonds or stocks. The benchmark against which these managers run the portfolios shall include a zero percent hedged position to the U.S. dollar for the international portions of the mandate.

Derivative Instruments — Derivative instruments, such as futures and options, may be utilized in selected portfolios for the following purposes:

1. As an alternative to maintaining a selected asset position,
2. To maintain the duration of securities in a portfolio,
3. To gain exposure in a time of dollar strength to a foreign bond market with minimal exposure to the currency of the country,
4. To hedge or otherwise protect existing or anticipated portfolio positions,
5. To establish and maintain the currency positions for the currency overlay portfolio and for the individual currency activities of the individual portfolios, and
6. Not to speculate or leverage (gear-up) the portfolio.

Derivative instruments are generally defined as contracts whose value depends on ("derives" from) the value of an underlying asset, reference rate, or index. Derivative instruments include both of the following:

a. "Over the counter" (OTC) derivatives: privately negotiated contracts provided directly by dealers to end-users; which include swaps, futures and options, based upon interest rates, currencies, equities, and commodities; and,

b. Standardized contracts sold on exchanges: futures and options.

Real Estate - MFPRSI's real estate positions may include domestic or international real estate investments in individual properties or groups of properties, through one or more of the following: direct purchase or mortgage of individual properties, participation in a commingled fund (open-ended or closed-ended) or in a trust or a partnership, which has positions in one or more properties.

MFPRSI's real estate positions may also include investments in securitized real estate, via publicly traded or privately held Real Estate Investment Trusts (REITs).

Fund of Funds Commingled Investments - Table 7 offers information pertaining to MFPRSI's fund-of-funds commingled investments.

Investment Risk Disclosure: Credit Risk - Table 8 provides information pertaining to MFPRSI's credit risk profile.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the

Table 7. Fund-of-Funds Commingled Investments

As of June 30,	2017	2016
Investments - at Fair Value		
U.S. Equity Securities	$185,356,750	$185,331,516
Foreign Equity Securities	$139,744,143	$65,876,778
Fixed Income	$106,596,775	$119,407,241
Alternative Investments	$31,348,243	$27,246,320
Short-Term Investments and Currency Positions	$17,810,430	$33,961,517
Total Fund-of-Funds Commingled Investments	$480,856,341	$431,823,372

Table 8. Risk Disclosure

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations as of June 30, 2017, and 2016, are as follows.

2017

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$1,030,424	0.40%
AA	$160,077,049	61.47%
A	$8,320,589	3.20%
BBB	$21,060,148	8.09%
BB	$68,141,466	26.17%
B	$726,812	0.28%
CCC	$1,043,153	0.40%
Total Fixed Income Securities	$260,399,641	100%

2016

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$365,443	0.13%
AA	$88,446,786	32.27%
A	$84,680,709	30.90%
BBB	$80,365,499	29.32%
BB	$16,290,074	5.94%
B	$3,840,925	1.40%
NR	$78,950	0.03%
Total Fixed Income Securities	$274,068,386	100%

MFPRSI does not have a formal policy that limits the quality grade in which it may invest.

counter-party, MFPRSI will not be able to recover the value or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the retirement system, and are held by either the counter-party or the counter-party's trust department or agent but not in MFPRSI's name.

Iowa Code 411.7 establishes the secretary of the Board as the custodian of the fund and provides for MFPRSI to select master custodian banks to provide custody of its assets. MFPRSI has arranged for Wells Fargo Bank to act as the master custodian bank. The master custodian bank may hold MFPRSI's property in the name of its nominee, bearer form, or in book entry form, so long as the custodian's records clearly indicate that such property is held as part of MFPRSI's account.

Concentration of Credit Risk - MFPRSI is guided by statute and policy in the selection of security investments. No investments in any one organization represent five percent or more of plan assets.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Table 9 discloses the fair value and average duration of fixed income investments as of June 30, 2017.

Table 9. Interest Rate Risk

Investment Type	Fair Value	Duration
Short-Term	$3,839,676	0.0139
Fixed Income	$65,404,545	4.9535
Commingled	$194,995,096	5.7002
Total Fair Value	$264,239,317	
Portfolio Modified Duration		5.4328

Duration is a measure of interest rate risk. The greater the duration of a bond, or portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is the measure of a bond price's sensitivity to a 100-basis point change in interest rates. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move up/down by 8%.

Commitments - The retirement system is committed, as of June 30, 2017, to invest approximately $338,000,000 in certain private equity, real estate partnerships, and real estate commingled funds.

Fair Value Measurements - MFPRSI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities.

The fair value of Mortgage-Related Securities, Corporate Securities and Government-Related Securities at June 30, 2017 and 2016, was determined primarily based on level 2 inputs. Wells Fargo estimates the fair value of these investments using other inputs such

Table 10. Assets and Liabilities Measured at Fair Value on a Recurring Basis (continues on next page)

Investments by Fair Value Level	Balance at June 30, 2017	Fair Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Treasury Securities	$10,486,532	$10,486,532	$0	$0
Mortgage-Related Securities	$20,804,607	$0	$20,804,607	$0
Government-Related Securities	$3,803,077	$0	$3,803,077	$0
Corporate Securities	$30,286,680	$0	$30,286,680	$0
Cash Collateral	$23,650	$0	$0	$23,650
Total Debt Securities	$65,404,546	$10,486,532	$54,894,363	$23,650
Equity Securities:				
Master Limited Partnerships (MLPs)	$105,638,417	$105,638,417	$0	$0
Preferred Stock	$701,460	$701,460	$0	$0
Total Equity Securities	$106,339,877	$106,339,877	$0	$0
Total Investments by Fair Value Level	$171,744,423	$116,826,409	$54,894,363	$23,650
Investments Measured at the Net Asset Value (NAV)				
Domestic Equity Funds	$322,526,267			
International Equity Funds	$370,106,198			
Global Equity Funds	$43,621,947			
Global Bond Funds	$135,879,791			
Emerging Debt Funds	$59,115,305			
Real Estate Funds	$273,696,992			
Private Equity Funds	$487,615,861			
Multi-Strategy Hedge Funds	$56,953,655			
Fund-of-Funds Commingled Investments	$480,856,341			
Real Estate Held as Investment	$5,407,318			
Total Investments Measured at the NAV	$2,235,779,675			
Total Investments Measured at Fair Value	$2,407,524,098			

Table 10 (continued from previous page).
Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Measurement Using:		
Investments by Fair Value Level	**Balance at June 30, 2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Debt Securities:				
U.S. Treasury Securities	$7,999,236	$7,999,236	$0	$0
Mortgage-Related Securities	$24,669,649	$0	$24,669,649	$0
Government-Related Securities	$3,792,401	$0	$3,792,401	$0
Corporate Securities	$36,341,573	$0	$36,341,573	$0
Cash Collateral	$78,950	$0	$0	$78,950
Total Debt Securities	$72,881,809	$7,999,236	$64,803,623	$78,950
Equity Securities:				
Master Limited Partnerships (MLPs)	$100,821,699	$100,821,699	$0	$0
Preferred Stock	$703,890	$703,890	$0	$0
Total Equity Securities	$101,525,589	$101,525,589	$0	$0
Total Investments by Fair Value Level	$174,407,398	$109,524,825	$64,803,623	$78,950
Investments Measured at the Net Asset Value (NAV)				
Domestic Equity Funds	$265,772,739			
International Equity Funds	$321,186,391			
Global Equity Funds	$22,156,741			
Global Bond Funds	$137,293,542			
Emerging Debt Funds	$63,893,035			
Real Estate Funds	$280,148,670			
Private Equity Funds	$473,361,796			
Multi-Strategy Hedge Funds	$51,515,754			
Fund-of-Funds Commingled Investments	$431,823,372			
Real Estate Held as Investment	$5,414,925			
Total Investments Measured at the NAV	$2,052,566,965			
Total Investments Measured at Fair Value	$2,226,974,363			

as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of Cash Collateral at June 30, 2017 and 2016, was determined primarily based on Level 3 inputs. Wells Fargo estimates the fair value of these investments using its own estimates using pricing models, discounted cash flow methodologies, or similar techniques taken into account the characteristics of the asset.

Table 10 displays more information on the retirement system's fair value measurements.

Investments in Entities that Calculate Net Asset Value per Share - MFPRSI holds shares or interest in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. Table 11 provides greater detail on these investments.

Derivatives. MFPRSI's investment managers may invest in derivative securities as permitted by their contracts. A derivative security is an investment whose payoff depends upon the value of an underlying asset such as bond and stock prices or a market index. All derivatives are considered investments.

The fair values of all derivative financial instruments are reported in the Statements of Fiduciary Net Position as 'Short-term investments and currency positions'. Changes in the values of derivative financial instruments are reported in the Statements of Changes

Table 11. Investments Measured at the Net Asset Value (NAV)
(Dollars in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Equity Funds	$323	$0	Daily	1-5 Days
International Equity Funds	$370	$0	Daily, Monthly	1 week/15th
Global Equity Funds	$44	$0	Daily	2 days
Global Bond Funds	$136	$0	Daily	1 day
Emerging Debt Funds	$59	$0	Monthly	3 days
Real Estate Funds	$274	$65	N/A	N/A
Private Equity Funds	$487	$273	N/A	N/A
Multi-Strategy Funds	$57	$0	Monthly	2 weeks
Fund-of-Funds Commingled Investments	$481	$0	Daily	1 day
Real Estate held as Investment	$5	$0	N/A	N/A
Total Investments Measured at the NAV	$2,236			

The retirement system does not anticipate restrictions, other than those outlined in the table, on the ability to sell individual investments at the measurement date. Additionally, MFPRSI does not anticipate that NAV-driven investments will become redeemable at valuations materially different from the corresponding NAV listed above. MFPRSI has no prescribed time frame to liquidate the investments.

The multi-strategy hedge funds class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The underlying portfolios hold both long and short positions in various asset classes and may also employ leverage. The investments of the underlying portfolios will likely include, but will not be limited to, common stocks, depository receipts, bank loans, bonds (including sovereign debt of emerging market countries), notes, commodities, currencies, forwards, futures, options, and swap agreements.

in Fiduciary Net Position as 'Net appreciation in fair value of investments'. Derivative financial instruments involve, to varying degrees, credit risk and market risk. As of June 30, 2017 and 2016, MFPRSI had no derivative financial instruments.

Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. To limit credit risk, each investment manager screens potential counter-parties and establishes and maintains an approved list of acceptable firms which meet a high level of credit-worthiness. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is managed by imposing contractual requirements on the investment managers as to the types, amounts and degree of risk they may undertake. Investment managers' derivative activities are reviewed on a periodic basis by MFPRSI as well as the Board to monitor compliance with the contracts. MFPRSI does not purchase derivatives with borrowed funds and does not allow the leveraging of the portfolios.

The retirement system's derivative investments may include: foreign currency forward contracts, options, futures, and collateralized mortgage obligations. Derivative securities may also be used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

Iowa Public Employees Pension System (IPERS).
IPERS Plan Description - IPERS membership is mandatory for employees of MFPRSI. Employees of MFPRSI are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by request by mailing IPERS at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117, or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B 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.

IPERS Pension Benefits - A "Regular" member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first (these qualifications must be met on the member's first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary (for members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

IPERS Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

IPERS Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point.

IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of pay and MFPRSI contributed 8.93 percent for a total rate of 14.88 percent. MFPRSI's total contributions to IPERS for the year ended June 30, 2017, were $88,268.

IPERS Pension Liabilities, Pension Exposure, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - As of June 30, 2017, MFPRSI reported a liability of $794,389 for its proportionate share of the IPERS net pension liability. The IPERS net pension liability was measured as of June 30, 2016, and the IPERS total pension liability used to calculate the IPERS net pension liability was determined by an actuarial valuation as of that date. MFPRSI's proportion of the IPERS net pension liability was based on MFPRSI's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, MFPRSI's proportion was 0.012738 percent, which was an increase from 0.012726, its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, MFPRSI recognized pension expense of $94,218. Table 12 displays the sources of MFPRSI's reported deferred outflows and inflows of resources.

A reported $88,268 as deferred outflows of resources related to pensions resulting from MFPRSI contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Table 13 offers the amounts reported as deferred outflows of resources related to pensions.

IPERS Actuarial Assumptions - Table 14 displays the assumptions used by IPERS to determine its total pension liability as of June 30, 2016.

Table 12. Deferred Outflow and Deferred Inflow Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$7,021	$9,481
Changes of Assumptions	$12,120	$0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$211,479	$98,304
Changes in Proportion and Differences between MFPRSI Contributions and Proportionate Share of Contributions	$6,435	$356
MFPRSI Contributions Subsequent to the Measurement Date of June 30, 2016	$88,268	$0
Total	$325,323	$108,141

Table 13. Deferred Outflows and Deferred Inflows of Resources Recognized as Pension Expense by Year

Year Ended June 30,		
	2018	$16,502
	2019	$16,502
	2020	$59,790
	2021	$33,130
	2022	$(708)
	Thereafter	$0

There were no non-employer contributing entities at IPERS.

Table 14. Actuarial Assumptions Used by IPERS to Determine Total Pension Liability
As of June 30, 2016

Rate of Inflation (Effective June 30, 2014)	3.0% per annum.
Rates of Salary Increases (Effective June 30, 2010)	4.0% to 17.0% average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (Effective June 30, 1996)	7.5%, compounded annually, net of investment expense, including inflation.

The IPERS actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies with dates corresponding to those listed in Table 14.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 arithmetic real rates of return for each major asset class are summarized in Table 15.

IPERS 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 employee contributions will be made at the current contribution rate and that contributions from MFPRSI will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of MFPRSI's Proportionate Share of the IPERS Net Pension Liability to Changes in the Discount Rate - Table 16 provides MFPRSI's proportionate share of IPERS' net pension liability.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - As of June 30, 2017, MFPRSI reported payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

As of June 30, 2016, MFPRSI reported payables to the defined benefit pension plan of $6,250 for legally required employer contributions and $4,164 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

As of June 30, 2015, MFPRSI reported payables to the defined benefit pension plan of $6,094 for legally required employer contributions and $4,060 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Table 15. IPERS' Target Asset Allocation and Real Rates of Return Expectations

Asset Class	IPERS Target Allocation	IPERS Long-Term Expected Real Rate of Return
U.S. Equity	24%	5.85%
Non-U.S. Equity	16%	6.32%
Private Equity	11%	10.31%
Real Estate	8%	3.87%
Core-Plus Fixed Income	28%	1.90%
Credit Opportunities	5%	4.48%
Treasury Inflation-Protected Securities (TIPS)	5%	1.36%
Other Real Assets	2%	6.42%
Cash	1%	(0.26)%
Total	100%	

Table 16. Sensitivity of MFPRSI's Proportionate Share of IPERS' Net Pension Liability to Changes in the Discount Rate

The following presents MFPRSI's proportionate share of IPERS' net pension liability calculated using a discount rate of 7.5% as well as what MFPRSI's proportionate share of IPERS' net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%).

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (7.5%)
MFPRSI's Proportionate Share of IPERS' Net Pension Liability	$1,285,215	$794,389	$380,127

Required Supplementary Information.

Schedule of Changes in MFPRSI's Net Pension Liability
Last Six Fiscal Years

Total Pension Liability	2017	2016	2015	2014	2013	2012
Service Cost	$53,423,772	$51,366,130	$49,893,939	$48,020,046	$47,487,380	$45,660,053
Interest	$213,069,288	$205,836,959	$196,289,405	$187,172,397	$185,532,855	$177,678,499
Difference between Expected and Actual Experience	$12,891,275	$7,643,609	$15,374,059	$(1,248,941)	$(22,020,082)	$14,628,549
Changes of Assumptions	$39,751,096	$(10,467,574)	$17,508,411	$32,616,664	$(49,002,711)	$0
Benefit Payments, including Refunds	$(163,571,586)	$(156,566,482)	$(150,026,306)	$(143,833,568)	$(137,617,880)	$(132,611,997)
Net Change in Total Pension Liability	$155,563,845	$97,812,642	$129,039,508	$122,726,598	$24,379,562	$105,355,104
Total Pension Liability - Beginning	$2,867,807,326	$2,769,994,684	$2,640,955,176	$2,518,228,578	$2,493,849,016	$2,388,493,912
Total Pension Liability - Ending	$3,023,371,171	$2,867,807,326	$2,769,994,684	$2,640,955,176	$2,518,228,578	$2,493,489,016
Plan Fiduciary Net Position						
Contributions - Employer	$73,411,163	$75,254,727	$79,748,943	$76,917,460	$65,327,766	$62,661,684
Contributions - Member	$26,625,022	$25,455,597	$24,622,310	$24,054,541	$23,358,844	$23,419,864
Net Investment Income	$259,812,040	$164,100	$69,833,569	$358,680,682	$229,592,075	$4,057,940
Benefit Payments, including Refunds	$(163,571,586)	$(156,566,482)	$(150,026,306)	$(143,833,568)	$(137,617,880)	$(132,611,997)
Administrative Expense	$(1,767,657)	$(1,728,951)	$(1,680,944)	$(1,553,740)	$(1,523,477)	$(1,606,072)
Other	$(159,263)	$(212,954)	$(744,140)	$(75,070)	$(99,223)	$(98,573)
Net Change in Plan Fiduciary Net Position	$194,349,719	$(57,633,963)	$21,723,432	$314,190,305	$179,038,105	$(44,177,154)
Plan Fiduciary Net Position - Beginning	$2,242,546,392	$2,300,180,355	$2,278,456,923	$1,964,266,618	$1,785,228,513	$1,829,405,667
Plan Fiduciary Net Position - Ending	$2,436,896,111	$2,242,546,392	$2,300,180,355	$2,278,456,923	$1,964,266,618	$1,785,228,513
MFPRSI's Net Pension Liability (Asset) - Ending	$586,475,060	$625,260,934	$469,814,329	$362,498,253	$553,961,960	$708,620,503

GASB Statement No. 68 requires 10 years of information to be presented in this table; however, until a 10-year trend is compiled, MFPRSI will present information for those years in which information is available.

Schedule of MFPRSI's Net Pension Liability

Last Six Fiscal Years

	2017	2016	2015	2014	2013	2012
Total Pension Liability	$3,023,371,171	$2,867,807,326	$2,769,994,684	$2,640,955,176	$2,518,228,578	$2,493,849,016
Plan Fiduciary Net Position	$2,436,896,111	$2,242,546,392	$2,300,180,355	$2,278,456,923	$1,964,266,618	$1,785,228,513
MFPRSI's Net Pension Liability (Asset)	$586,475,060	$625,260,934	$469,814,329	$362,498,253	$553,961,960	$708,620,503
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.60%	78.20%	83.04%	86.27%	78.00%	71.59%
Actuarial Projected Covered Payroll	$283,222,057	$270,986,891	$262,260,060	$255,370,044	$250,107,112	$250,047,187
MFPRSI's Net Pension Liability (Asset) as a Percentage of Covered Payroll	207.07%	230.73%	179.14%	141.95%	221.49%	283.39%

GASB Statement No. 68 requires 10 years of information to be presented in this table; however, until a 10-year trend is compiled, MFPRSI will present information for those years in which information is available.

Schedule of MFPRSI's Contributions

Last Six Fiscal Years

	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	$73,411,163	$75,254,727	$79,748,943	$76,917,460	$65,327,766	$61,911,684
Contributions in Relation to the Actuarially Determined Contribution	$73,411,163	$75,254,727	$79,748,943	$76,917,460	$65,327,766	$61,911,684
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
Reported Covered Payroll	$283,222,057	$270,986,891	$262,260,060	$255,370,044	$250,107,112	$250,047,187
Contributions as a Percentage of Covered-Employee Payroll	25.92%	27.77%	30.41%	30.12%	26.12%	24.76%

GASB Statement No. 68 requires 10 years of information to be presented in this table; however, until a 10-year trend is compiled, MFPRSI will present information for those years in which information is available.

Schedule of Investment Returns

Last 10 Fiscal Years

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	11.72%
2016	0.02%
2015	3.02%
2014	17.97%
2013	13.10%
2012	(0.27)%
2011	23.34%
2010	11.48%
2009	(21.80)%
2008	(1.60)%

Schedule of MFPRSI's Proportionate Share of the Net Pension Liability
Iowa Public Retirement System
Last Three Fiscal Years

	2016	2015	2014
MFPRSI's Proportion of the Net Pension Liability (Asset)	0.012738%	0.012726%	0.012759%
MFPRSI's Proportionate Share of the Net Pension Liability (Asset)	$794,389	$632,688	$516,371
MFPRSI's Covered Payroll	$902,363	$877,346	$851,989
MFPRSI's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	88.03%	72.11%	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	81.82%	84.19%	56.84%

The amounts presented for each fiscal year were determined as of June 30.

GASB Statement No. 68 requires 10 years of information to be presented in this table; however, until a 10-year trend is compiled, MFPRSI will present information for those years in which information is available.

Schedule of MFPRSI's Contributions
Last Four Fiscal Years

	2017	2016	2015	2014
Actuarially Determined Contribution	$88,268	$80,581	$78,347	$76,083
Contributions in Relation to the Actuarially Determined Contribution	$(88,268)	$(80,581)	$(78,347)	$(76,083)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Reported Covered Payroll	$988,443	$902,363	$877,346	$851,989
Contribution as a Percentage of Covered Payroll	8.93%	8.93%	8.93%	8.93%

GASB Statement No. 68 requires 10 years of information to be presented in this table; however, until a 10-year trend is compiled, MFPRSI will present information for those years in which information is available.

Notes to Required Supplementary Information. *Methods and Assumptions Used in Calculations of Actuarially Determined Contributions* - The actuarially determined contribution rates in the schedule of MFPRSI's contributions are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed, Layered
Remaining Amortization Period	25 Years
Asset Valuation Method	Five-Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.5%
Projected Salary Increases	4.5% to 15.11%
Post-Retirement Mortality Table	
Ordinary	RP 2000 Blue Collar Combined Healthy Mortality Table with males set-back two years and females set-forward one year with five years projection of future mortality improvement with Scale BB.
Disabled	RP 2000 Blue Collar Combined Healthy Mortality Table with males set-forward one year with five years projection of future mortality improvement with Scale BB.

ACTUARY

Actuarial Valuation's Purpose

The actuarial data in this section was determined by MFPRSI's actuarial services provider, SilverStone Group (SilverStone). The information in this report presents a portion of annual actuarial valuation, which was determined in accordance with Iowa Code Chapter 411. The complete actuarial valuation report as of July 1, 2017, can be read on the retirement system's website, www.mfprsi.org.

The costs developed and presented in this section are based on asset values as of June 30, 2017, member census data as of July 1, 2017, and current retirement system provisions, all of which were supplied by MFPRSI.

The purposes of the actuarial valuation are the following:

1. To determine the normal contribution rate that is payable by the cities under Chapter 411 of the Iowa Code;

2. To determine the funded status of MFPRSI; and,

3. To provide information relating to the disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67 — Financial Reporting for Defined Benefit Pension Plans (an amendment of GASB Statement No. 25).

All costs and liabilities were determined in accordance with generally accepted actuarial principles and procedures and are based on the actuarial assumptions and methods prescribed by the Board in accordance with Iowa Code Section 411.5.10-11. The information supplied in this section is complete, accurate, and the assumptions are fairly related to both MFPRSI's experience and reasonable expectations under the retirement system in the opinion of SilverStone.

The amounts presented in both this section of the report and in the full actuarial valuation report have been determined appropriately according to the actuarial assumptions and methods utilized and fully and fairly disclose the actuarial position of MFPRSI.

Cities' Recommended Contribution Rate
for Fiscal Year 2019

Contribution Rate Formula (effective July 1, 2018). The cities' contribution rate is established by Iowa Code Chapter 411. The rate specified for employees is set by the statute, currently at 9.40 percent of earnable compensation. The rate for employers is established each year by the Board following the completion of the annual actuarial valuation. The required contribution rate as determined by MFPRSI's actuary is developed in the chart on the right.

	Preliminary Total Contribution	
1.	Annual Normal Cost	$56,128,110
2.	Estimated Member Contributions	$27,486,370
3.	Unfunded Actuarial Accrued Liability Amortization Payment	$48,787,152
4.	Total (Cities + State) Contributions = [(1)-(2)+(3)]	$77,068,892
	Cities' Contribution	
5.	Preliminary Total Contribution = (4)	$77,068,892
6.	Estimated State Contribution	$0
7.	Preliminary Cities' Contribution = (5)-(6)	$77,068,892
8.	Covered Payroll	$296,237,982
9.	Cities' Contribution as a Percent of Payroll = (7)/(8)	26.02%

Minimum required contribution rate for cities is 17.00%

The change in the rate year-over-year is shown on the chart on the right. Starting with the Normal Contribution Rate adopted in 2016 of 25.68 percent, explanations for the year-over-year changes are discussed below.

State Contribution. The State of Iowa's contribution remained unchanged at $0 for both 2016 and 2017.

Effect of Cities' Contribution Different than Actuarially Determined. The cities' actual contribution rate as a percent of covered payroll was 25.92 percent for the period ended June 30, 2017. The actuarially determined rate for the same period was 25.68 percent of covered payroll. This had the effect of producing larger contributions than expected and decreased the cities' contribution rate by 0.02 percent.

MFPRSI Experience More Favorable than Assumed. A set of factors contributed to creating a more favorable actuarial experience than was expected: salary increases of membership, MFPRSI's return on its investment portfolio, new members joining the retirement system, DROP participation, and changes in the membership population (e.g., the number of service retirements, the number of disability retirements, the number of contribution refunds, etc.). This set of factors combined to create a net reduction of 0.91 percent to the cities' contribution rate.

Year-Over-Year Changes to MFPRSI's Cities' Contribution Rate

July 1, 2016, Normal Contribution Rate effective July 1, 2017	25.68%
Effect of State Contribution	0.00%
Effect of Cities' Contribution Different than Actuarially Determined	(0.02)%
MFPRSI Experience More Favorable than Assumed	(0.91%)
Changes in MFPRSI provisions	0.00%
Changes in actuarial assumptions	1.27%
Changes in actuarial methods	0.00%
July 1, 2017, Normal Contribution Rate effective July 1, 2018	26.02%

Changes in MFPRSI Provisions. There were no changes in MFPRSI's benefit provisions from the prior year valuation.

Changes in Actuarial Assumptions. The Board made one actuarial assumption change during fiscal year 2017: They adopted a projection of future mortality improvement of five years to its base mortality table, the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years and females set-forward one year.

This projection is accomplished by utilizing the Society of Actuaries Mortality Improvement Scale BB. This projection provides margin for mortality improvement based upon the latest investigation by the retirement system's actuary. The investigation included reviews of service retirements, disability retirements, and beneficiary experience of the retirement system.

The Board's action was precipitated by the anticipated new mortality tables being released in 2018 as well as a five-year experience investigation scheduled for next year.

This change in actuarial assumptions increased the cities' contribution rate by 1.27 percent.

Change in Actuarial Methods. All actuarial cost methods remain unchanged from the prior year valuation.

Conclusion. Incorporating these year-over-year changes, the Normal Contribution Rate adopted on July 1, 2017 was 26.02 percent.

Contribution Rate History

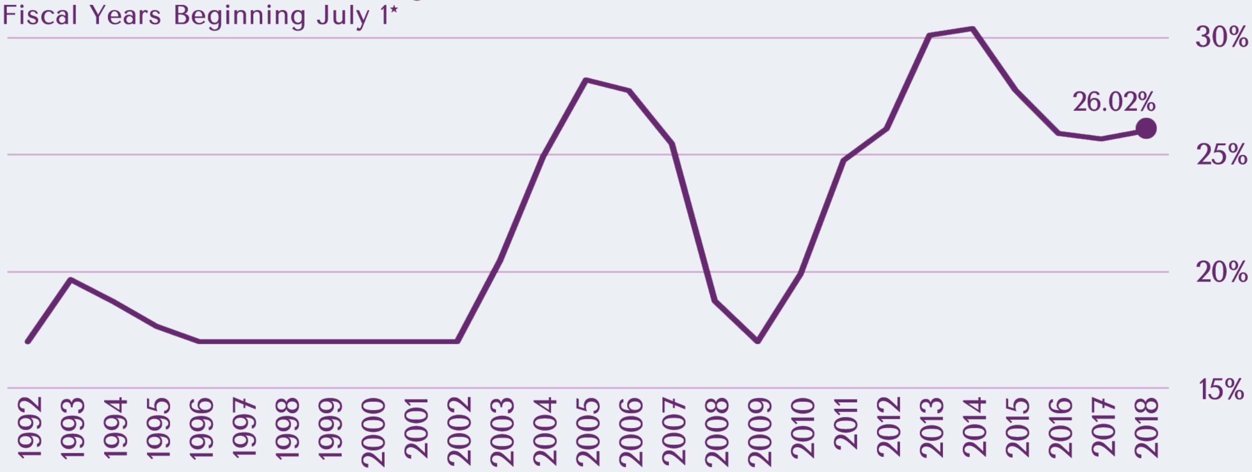
Contribution Rate 1992* - 2018

Fiscal Year beginning July 1	Rate	Fiscal Year beginning July 1	Rate
1992*	17.00%	2006	27.75%
1993	19.66%	2007	25.48%
1994	18.71%	2008	18.75%
1995	17.66%	2009#	17.00%
1996#	17.00%	2010	19.90%
1997#	17.00%	2011	24.76%
1998#	17.00%	2012	26.12%
1999#	17.00%	2013	30.12%
2000#	17.00%	2014	30.41%
2001#	17.00%	2015	27.77%
2002#	17.00%	2016	25.92%
2003	20.48%	2017	25.68%
2004	24.92%	2018	26.02%
2005	28.21%		

*MFPRSI's first fiscal year started January 1, 1992. In all subsequent years the fiscal year began July 1.

#Rate certified at 17.00%, the minimum as required by statute.

Contribution Rate History
Fiscal Years Beginning July 1*



*MFPRSI's first fiscal year started January 1, 1992.

Actuarial Report Highlights

As of July 1,	2017	2016	2015
Cities' Recommended Contribution	$77,081,123	$$72,838,723	$70,844,369
Normal Contribution Rate	26.02%	25.68%	25.92%
Plan Assets			
Market Value	$2,436,896,111	$2,242,546,392	$2,300,180,355
Actuarial Value	$2,461,161,417	$2,333,944,800	$2,239,539,373
Prior Year Investment Return			
Market Value	11.75%	0.01%	3.07%
Actuarial Value	8.37%	6.88%	11.43%
Actuarial Accrued Liability	$3,023,371,171	$2,867,807,326	$2,769,994,684
Funded Ratio*	81.40%	81.38%	80.85%
Annual Participating Payroll	$296,237,982	$283,639,887	$273,319,323
Annual Normal Cost	$56,128,110	$53,423,772	$51,366,130
Percent of Payroll	18.95%	18.84%	18.79%
Annual Pension Benefits			
Service Retirement	$87,272,844	$82,955,208	$79,525,488
Disabled Retirement	$47,563,392	$45,967,620	$44,024,136
Vested Retirement	$6,677,184	$6,196,356	$5,747,688
Beneficiaries	$19,008,288	$17,580,996	$17,506,836
Total	$160,521,708	$152,700,180	$146,804,148
Number of Members			
Active	3,968	3,926	3,892
Disabled	1,136	1,132	1,121
Retirees and Beneficiaries	2,909	2,854	2,814
Vested Terminated	356	341	328
Total	8,369	8,253	8,155

*Based on the ratio of the Actuarial Value of Assets to Actuarial Accrued Liability.

Actuarial Value of Assets
Year Ending June 30, 2017

1.	Actuarial Value of Assets at July 1, 2016					$2,333,944,800
2.	Contributions for 2016 Plan Year (Members, Cities, and State)					$100,036,185
3.	Benefit Distributions and Refunds for 2016 Plan Year					$(163,571,586)
4.	Non-Investment Expenses					
a.	Administrative Expenses					$(1,767,657)
b.	Disability Expenses					$(122,513)
c.	Other Expenses					$(38,660)
d.	Total					$(1,928,830)
5.	Expected Return on Market Value of Assets for Year at 7.5%					$165,780,450
6.	Asset Gains/(Losses) for Prior 5 Plan Years					
		(I) Asset Gain or (Loss)	Years Recognized	Years Remaining	(II) Recognition Percentage	(I) x (II) Recognized Amount
a.	2016	$94,033,500	1	4	20%	$18,806,700
b.	2015	$(170,219,375)	2	3	20%	$(34,043,875)
c.	2014	$(99,921,132)	3	2	20%	$(19,984,226)
d.	2013	$213,044,387	4	1	20%	$42,608,877
e.	2012	$97,564,609	5	0	20%	$19,512,922
f.	Total					$26,900,398
7.	Asset Gains/(Losses) to be Recognized = 6(f)					$26,900,398
8.	Actuarial Value of Assets at July 1, 2017 = (1) + (2) + (3) + (4d) + (5) + (7)					$2,461,161,417
9.	Market Value of Assets at July 1, 2017					$2,436,896,111
10.	Ratio of Actuarial Value to Market Value at July 1, 2017 = (8) / (9)					101.0%

Unfunded Actuarial Accrued Liability. The unfunded actuarial accrued liability is the amount the actuarial accrued liability exceeding the actuarial value of plan assets determined as of the actuarial valuation date. The unfunded actuarial accrued liability is reduced when retirement system funding exceeds the annual normal cost and interest accrued on the prior year's unfunded accrued liability.

The unfunded actuarial accrued liability is also reduced (increased) when the investment return on retirement system assets exceeds (is less than) the assumed investment return.

The actuarial accrued liability is increased if there are amendments that revise benefits payable from MFPRSI.

The actuarial accrued liability may be increased or decreased as the result of MFPRSI's experience or if there are changes in the actuarial assumptions used to determine annual contributions.

Unfunded Actuarial Accrued Liability

As of July 1,	2017	2016
1. Actuarial Accrued Liability Before Changes		
a. Active Members		
Service Retirements/DROP	$1,020,290,100	$975,784,101
Ordinary Disability	$21,749,952	$20,879,197
Accidental Disability	$140,341,729	$134,091,184
Ordinary Death	$5,540,299	$5,518,165
Accidental Death	$3,594,165	$3,573,416
Withdrawal	$21,331,124	$21,154,806
Total Active	$1,212,847,369	$1,161,000,869
b. Inactive Members		
Members Receiving Benefits	$1,729,713,546	$1,678,663,673
Deferred Vested Terminations	$40,711,355	$38,337,081
Refund of Member Contributions Due	$347,805	$273,277
Total Inactive	$1,770,772,706	$1,717,274,031
c. Total Actuarial Accrued Liability	$2,983,620,075	$2,878,274,900
2. Actuarial Value of Plan Assets	$2,461,161,417	$2,333,944,800
3. Unfunded Actuarial Accrued Liability Before Changes = [Excess of (1) over (2)]	$522,458,658	$544,330,100
4. Change in Unfunded Actuarial Accrued Liability		
a. Change in System Provisions	$0	$0
b. Change in Actuarial Assumptions	$39,751,096	$(10,467,574)
5. Unfunded Actuarial Accrued Liability After Changes	$562,209,754	$533,862,526

Unfunded Accrued Liability Payments

Amortization Base	Date Established	Source of Base
$657,280,700	July 1, 2013	Initial Unfunded
$(101,748,328)	July 1, 2014	Actuarial Gain
$32,616,664	July 1, 2014	Assumption Change
$(64,447,420)	July 1, 2015	Actuarial Gain
$17,508,411	July 1, 2015	Assumption Change
$21,275,521	July 1, 2016	Actuarial Loss
$(10,467,574)	July 1, 2016	Assumption Change
$(7,154,241)	July 1, 2017	Actuarial Gain
$39,751,096	July 1, 2017	Assumption Change

Charge Bases

Initial Amortization Base	Initial Term - Years	Remaining Term on Valuation Date	Amortization Payment
$657,280,700	25	21	$54,851,250
$32,616,664	25	22	$2,721,919
$17,508,411	25	23	$1,461,108
$21,275,521	25	24	$1,775,480
$39,751,093	25	25	$3,317,300
		Total	$64,127,057

Credit Bases

Initial Amortization Base	Initial Term - Years	Remaining Term on Valuation Date	Amortization Payment
$101,748,328	25	22	$8,491,080
$64,447,420	25	23	$5,378,253
$10,467,521	25	24	$873,538
$7,154,241	25	25	$597,034
		Total	$15,339,905
		Net Amortization Payment	$48,787,152

Actuarial Present Value of Accrued Benefits on July 1, 2016	$2,602,728,879
Change in Present Value of Accrued Benefits from July 1, 2016 to July 1, 2017, due to:	
• Additional Benefits Accumulated	$80,836,676
• Interest Due to Passage of Time	$189,181,622
• Benefits Paid	$(163,571,586)
• Change in Assumptions	$37,425,407
• Change in MFPRSI provisions	$0
Actuarial Present Value of Accrued Benefits on July 1, 2017	$2,746,600,998

Unfunded Accrued Liability Payments. One of the components included to determine the recommended contribution is the unfunded accrued liability payment. The unfunded accrued liability payment is an annual amount that will amortize over 25 years on a closed, layered, level-dollar basis:

- The initial unfunded accrued liability established as of July 1, 2013.
- An increase in unfunded accrued liability if MFPRSI's benefits are improved through amendments.
- An increase or decrease in the unfunded accrued liability associated with a change in actuarial assumptions.
- An increase or decrease in the unfunded accrued liability resulting from actuarial gains or losses due to MFPRSI's experience resulting in a more or less favorable actual experience than expected.

The chart to the left documents the amortization bases established for the retirement system and displays other values associated with determining the unfunded accrued liability payment.

Change in Actuarial Present Value of Accrued Benefits. The change in actuarial present value of accrued benefits due to various factors including benefits accumulated, the passage of time, benefits paid, changes in assumptions and changes in MFPRSI's provisions are displayed on the chart on the bottom left of the previous page.

Actuarial Gain / Loss

Expected Unfunded Accrued Liability

1. Expected Actuarial Accrued Liability	
Actuarial Accrued Liability on July 1, 2016	$2,867,807,326
Normal Cost	$53,423,772
Benefit Distributions	$(163,571,586)
Interest on Above at 7.50% to June 30, 2017	$213,069,288
Total	$2,970,728,800
2. Expected Assets	
Actuarial Value of Assets on July 1, 2016	$2,333,944,800
Contributions	$100,036,185
Benefit Distributions and Non-Investment Expenses	$(165,500,416)
Interest On/Above at 7.50% to June 30, 2017	$172,635,332
Total	$2,441,115,901
3. Expected Unfunded Actuarial Accrued Liability on June 30, 2017	$529,612,899

Actual Unfunded Actuarial Accrued Liability

1. Actuarial Accrued Liability Before Changes	$2,983,620,075
2. Actuarial Value of Assets	$2,461,161,417
3. Actual Unfunded Actuarial Accrued Liability on July 1, 2017 = (1) - (2)	$522,458,658

Actuarial Gain or (Loss)

1. Expected Unfunded Actuarial Accrued Liability	$529,612,899
2. Actual Unfunded Actuarial Accrued Liability	$522,458,658
3. Actuarial Gain or (Loss) for 2017 Fiscal Year = (1) - (2)	$7,154,241

Actuarial Present Value of Accrued Benefits

As of July 1,	2017	2016
1. Present Value of Vested Accrued Benefits		
a. Present Value of Vested Accrued Benefits for Active Members	$913,217,482	$871,315,876
b. Present Value of Benefits for Terminated Members	$41,294,293	$38,819,638
c. Present Value of Benefits for Service Retirees, Beneficiaries, and Disabled Retirees	$1,758,560,217	$1,660,602,787
Total	$2,713,071,992	$$2,570,738,301
2. Present Value of Accrued Non-Vested Benefits	$33,529,006	$31,990,578
3. Present Value of All Accrued Benefits = (1) + (2)	$2,746,600,998	$2,602,728,879
4. Market Value of Assets	$2,436,896,111	$2,242,546,392
5. Ratio of Market Value of Assets to the Present Value of All Accrued Benefits = (4) / (3)	88.72%	86.16%
6. Ratio of Market Value of Assets to the Present Value of Vested Accrued Benefits = (4) / (1)	89.82%	87.23%

BENEFITS

Description of Benefit Plan
Optional Forms of Payment
DROP - Deferred Retirement Option Plan

Description of Benefit Plan

Benefit formulas are established by Iowa Code Chapter 411, and revisions to the benefit program can only be instituted by the Iowa General Assembly. The Board and staff are required to administer retirement benefits in compliance with the statutory provisions. Questions concerning an individual's eligibility should be directed to the administration.

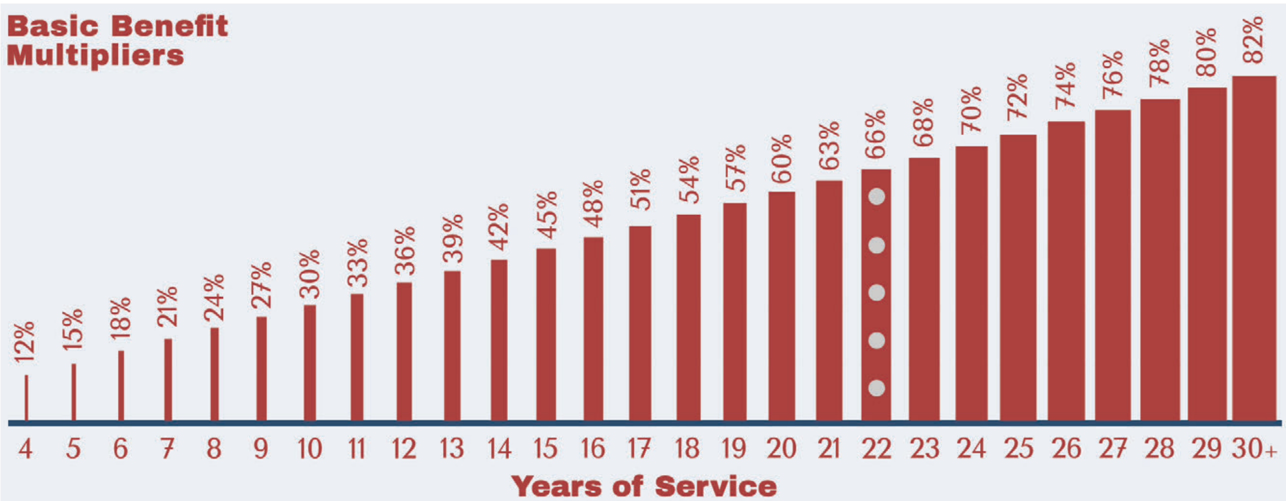
Retirement Age. To qualify for a full service retirement, the member must be age 55 or older with a minimum of 22 years of service at termination of employment. The other forms of benefits, with the exception of vested retirement and the Deferred Retirement Option Program (DROP), do not have specific age or length of service requirements. Retirement under the ordinary disability or accidental disability programs of MFPRSI are available to members who become permanently disabled (while there are no age or length of service requirements, "permanently disabled" is defined as a duration of one year or longer) while employed as a firefighter or police officer without regard to the age of the member.

Benefit Amounts. Current benefit amounts are based upon a percentage of the member's average monthly earnable compensation. The average monthly earnable compensation is calculated by adding the member's earnable compensation for the highest three years of service and dividing it by 36. The percentage multiplier varies by type of retirement and the length of the member's service. The benefit percentage for a service retirement is 66 percent with 22 years of service and 82 percent with 30 years of service.

Refunds. Since July 1, 1990, members who terminate service, other than by death or disability, may withdraw their contributions in total from their date of hire through their termination date. If a member withdraws contributions, the member waives any claim to benefits for the period of membership for which the withdrawal is made.

Members who terminate service also have the option to rollover the eligible portion of their refund to another qualified retirement plan or to an Individual Retirement Account (IRA). Such rollovers must be approved in advance by MFPRSI. The contributions being withdrawn are credited with an annualized simple interest rate determined by the Board, currently set at 5 percent.

Vesting. When a member earns at least 4 years of credited service or reaches age fifty-five while performing membership service, the member becomes vested in the retirement system. Once vested, the member is entitled to a vested or a full service retirement.



The basic benefit provides a lifetime annuity to retired members and a surviving spouse annuity equal to 50% of the basic benefit.

Optional Forms of Payment

Members retiring through a service or vested service retirement have the opportunity to select either the basic benefit as provided by Chapter 411, or one of six optional forms of benefits. The basic benefit is a lifetime benefit based on the member's average monthly compensation and number of years of service. Each option is an actuarially adjusted and based on the basic benefit.

Basic Benefit. The member receives a lifetime monthly benefit. Upon the member's death the surviving spouse is entitled to 50 percent of the member's gross benefit at the time of the member's death. If there is no surviving spouse, the benefit ends. Please visit www.mfprsi.org, for more information about the basic benefit. The optional forms of payment are calculated using actuarial tables which consider the age of the member at retirement, the age of the member's beneficiary, and the assumed life expectancy of both.

Joint and 75 Percent Survivor Annuity Benefit. The named beneficiary receives 75 percent of the gross amount of the member's payment at the time of the member's death. The beneficiary receives this amount for his or her lifetime.

Upon the death of the beneficiary, the benefit ends. If the beneficiary precedes the member in death, the benefit ends with the death of the member.

Joint and 75 Percent Survivor Annuity with Pop-up. The designated beneficiary of the member will receive, for the duration of his or her lifetime, 75 percent of the member's retirement allowance at the time of the member's death.

If the designated beneficiary precedes the member in death, the member's retirement allowance shall be increased to the amount of the service retirement allowance under the basic benefit, and no survivor benefit is payable following the death of the member.

Joint and 100 Percent Survivor Annuity Benefit. The named beneficiary receives 100 percent of the gross amount of the member's payment at the time of the member's death. The beneficiary receives this amount for the duration of his or her lifetime. Upon the death of the beneficiary, the benefit ends.

If the beneficiary dies before the member, the benefit ends with the death of the member.

Joint and 100 Percent Survivor Annuity with Pop-up. Following the member's death, the designated beneficiary of the member will receive, for the duration of his or her lifetime, 100 percent of the member's retirement allowance at the time of the member's death.

If the designated beneficiary precedes the member in death, the member's retirement allowance shall be increased to the amount of the service retirement allowance under the basic benefit, and no survivor benefit is payable following the death of the member.

Single Life Annuity with Designated Lump Sum Benefit. Upon the death of the member, a pre-designated lump sum is paid to the named beneficiary or beneficiaries and the benefit ends.

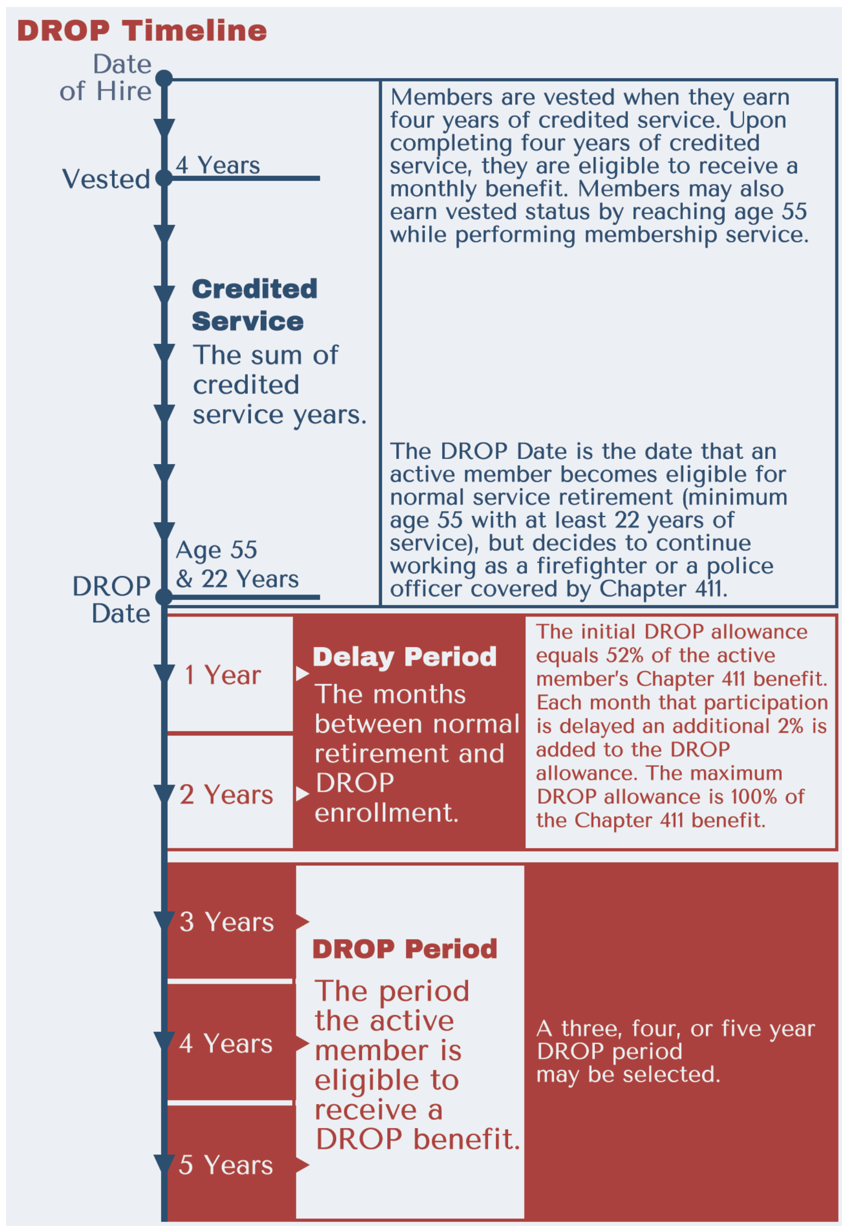
If the beneficiary dies before the member, the lump sum is paid to the member's estate.

Straight Life Annuity Benefit. Following the member's death, no further benefits are payable.

DROP - Deferred Retirement Option Plan

Active members, at least 55 years old with 22 or more years of service, have the option to participate in DROP. This program is an arrangement for members who are otherwise eligible to retire and begin benefits, but continue working. Members can elect a three, four, or five year DROP period. Members will sign a contract indicating they will retire at the end of the selected DROP period by electing to participate in the program.

During the member's selected DROP period the member's retirement benefit is frozen and a DROP benefit is credited to an account established for the member. The DROP benefit is equal to 52 percent of the member's retirement benefit at the member's earliest date eligible and 100 percent if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed in the form of a lump sum or rollover to an eligible plan.



INVESTMENTS

Investment Consultant's Report Performance Overview

Investment Consultant's Report

by Phineas W. Troy
CFA, Vice President
Summit Strategies Group

Phineas Troy
CFA, Vice President
Summit Strategies Group

As of June 30, 2017, MFPRSI's aggregate portfolio totaled $2.48 billion, after earning an 11.8 percent investment return, net of fees, for the fiscal year. Investors saw global investment market returns rebound significantly for the period of July 1, 2016, to June 30, 2017, compared to the previous 12-month period.

Market returns over the first six months of the fiscal year (July 1, 2016 - December 31, 2016) were driven by three major events. First, global markets in aggregate made a large move to the upside in the third quarter of 2016 (the Morgan Stanley Capital International All Country World Index Investable Market Index [MSCI ACWI IMI] was up 5.6 percent) as investors came back to the market after the surprising result of Brexit and corresponding market sell-off just a few weeks earlier.

Secondly, and perhaps the biggest factor for the market returns of the first six months of the fiscal year, was the election of Donald Trump as the 45th President of the United States in November. As the election outcome was largely unexpected by investors and pollsters, markets adjusted to likely policy changes throughout the remainder of the quarter.

The market reaction was generally consistent with the President-elect's proposed economic and trade policies, which are expected to promote growth and increase inflation, particularly in the United States. For example, U.S. equity markets experienced strong quarterly gains as shown by the 4.2 percent produced by the Russell 3000 Index. Meanwhile, international equity markets lost value (MSCI Emerging Australasia and Far East [EAFE] lost 0.2 percent and MSCI Emerging Markets Index [EMI] produced a negative 4.2 percent).

The third major event was the Federal Reserve's decision to raise the federal fund's interest rate in December. The strengthening of the U.S. labor market and increasing consumer and business confidence led the Federal Reserve to increase rates by 25 basis points in December after keeping the federal funds rate unchanged since December 2015. As both interest rates and expectations for inflation rose during the quarter, bond prices dropped (Bloomberg Barclays U.S. Universal was down 2.6 percent).

The second half of the fiscal year (January 1, 2017 - June 30, 2017) saw an increase in economic performance globally, as both economic and corporate data releases surprised to the upside throughout most of the world. This was taken by investors as a sign that accommodative monetary policy may be starting to flow toward economic activity outside the U.S.

Increased corporate sales and earnings growth, combined with high consumer and business confidence, set the stage for global equity indices to continue their strong run achieving high returns for the fiscal year (MSCI ACWI IMI produced 19.0 percent) with international indices slightly outperforming those in the U.S. (MSCI EAFE +20.3 percent, MSCI EMI +23.7 percent, and Russell 3000 Index +18.5 percent). Bond indices rebounded in the first half of 2017 as well, ending slightly positive for the 12-months ending June 30, 2017 (Bloomberg Barclays U.S. Universal +0.9 percent).

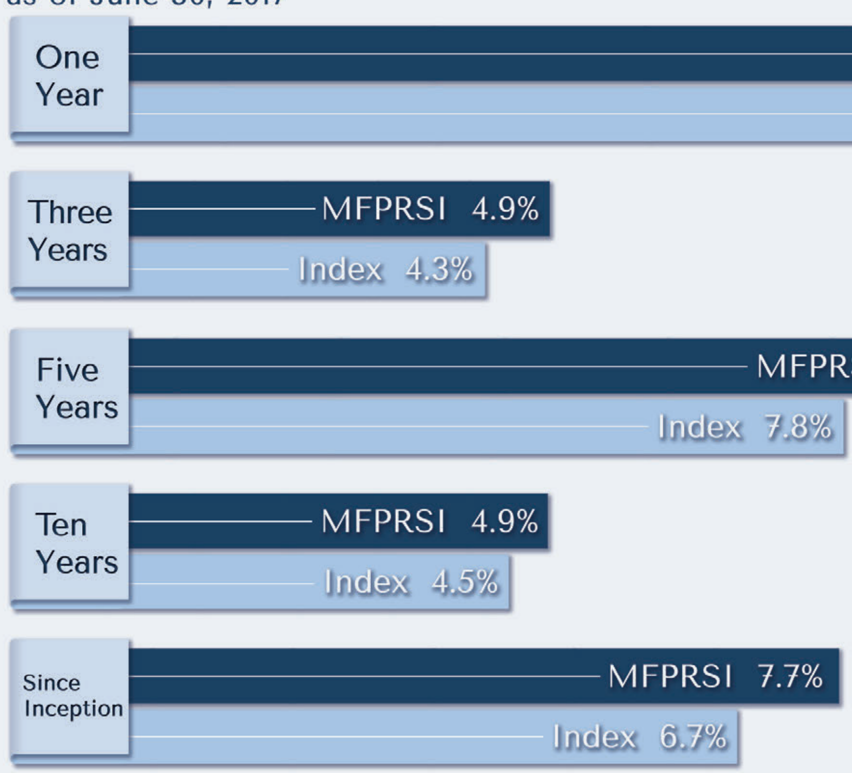
In this environment, a hypothetical portfolio of 60 percent global stocks and 40 percent domestic bonds would have earned a positive 10.5 percent return for the year, lagging MFPRSI's return by over one percent. During this period of strong investor confidence and earnings growth, global equities were the clear winners in the investment landscape.

The retirement system's investment portfolio is significantly more diversified than a traditional 60 percent equity/40 percent fixed income allocation, including much less public equity exposure than the benchmark. Even with this more diversified approach, MFPRSI was able to outperform over the fiscal year due to strong absolute performance from each area of the portfolio (MFPRSI's Core Investments returned 12.9 percent, Strategic Investments produced 11.9 percent, and alternative investments [Private Markets and Real Assets] generated 10.2 percent) and strong relative out-performance by many of MFPRSI's individual investment managers over their respective benchmarks.

Overall, June 30, 2016, through June 30, 2017, was a period of strong economic activity following investors' initial low expectations for growth. This dynamic led to strong equity returns, which certainly benefited the retirement system. Summit believes the ability to capitalize on this strong return environment, while still providing diversification away from traditional stocks and bonds, will be a significant benefit to the retirement system going forward.

Performance

Investment Performance
as of June 30, 2017



Inception date is January 1, 1992. The Index is 60% Morgan Stanley Capital International All Countries World Index Investable Market Index (MSCI ACWI IMI) and 40% Barclays Capital Aggregate index. It is important to note that historical performance is not a guarantee of future performance of the portfolio due to the cyclical nature of markets and the individual components thereof.

Overview

In order to maximize the important role that investment returns play in the funded status of MFPRSI's investment portfolio the Board has adopted an Investment Policy & Objectives statement. This document is designed to provide the framework necessary to guide the investment portfolio toward the retirement system's ongoing requirements of the benefit plan. The complete Investment Policy & Objectives is available on MFPRSI's website, www.mfprsi.org.

MFPRSI's overall investment performance goal is to exceed an annualized actuarial assumed rate of return of 7.5 percent over a long-term time horizon. The actuarial assumed rate of return is the rate of return which will meet or exceed the benefits and administrative funding requirements of the retirement system. While the investment portfolio will exceed or fall short of that goal in shorter time periods, it is designed to withstand all market environments and out-pace the actuarial assumed rate of return over the long-term.

MFPRSI's investments are managed by professional investment management firms who have full discretion to direct the investment and reinvestment of the assets in their respective accounts in accordance with MFPRSI's investment policies, applicable to federal and state statutes and regulations, and the executed and detailed investment management agreements.

The net investment market values reported in this section differ from those shown in the Financial Statements and Actuary sections of this report. The values used in this section are the appropriate industry standard basis for investment return calculations.

Asset Allocation and Diversification. Asset allocation is a process designed to construct an optimal long-term mix that achieves a specific set of investment objectives. The Investment Policy & Objectives statement establishes the retirement system's asset allocation policy to meet those objectives. The asset allocation policy is adopted to provide diversification of assets, in order to maximize returns within appropriate levels of market and economic risks.

MFPRSI pursues diversification in the investment portfolio by varying its investment style. The success of any individual investment style tends to be cyclical, and diversification is one tool to help reduce overexposure to any one asset class. For example, growth equities may outperform value equities over several consecutive time periods and then revert over several consecutive time periods. Diversification beneficially limits exposure to each asset class during time periods when they are out of favor with investors.

Ultimately, investment markets are cyclical and no single investment style or asset class outperforms over the long-term. Investment styles come in and out of fashion and using this logic, MFPRSI utilizes multiple approaches to investing. Performance at the total investment fund level, therefore, avoids dependency on any one style of investment.

Overall, diversification of assets within the investment portfolio enhances the potential to achieve MFPRSI's long-term goal of meeting a 7.5 percent annualized actuarial assumed rate of return.

Risk. Investing in any asset involves the possibility that the asset's actual return will differentiate from its expected return. Investment risk can be defined as the potential occurrence of a loss relative to the expected return on investment.

Risk is a vital element when determining the forecast of an investment. Typically, most investors shy away from risk as no investor wants to lose money on an investment. This is prudent behavior to avoid losing money. However, the rule of thumb towards risk is that the higher the risk, the better the return.

MFPRSI, and its investment consultant, Summit Strategies (Summit), carefully consider investment risk when implementing its investment strategy. The investment portfolio is tasked with achieving a long-term 7.5 percent actuarially assumed rate of return. In order to do so, the investment portfolio must take on risk.

Simply investing in low-risk or no-risk assets (e.g., certificates of deposit whose 1-year interest rates are typically in the low 1 percent range) would make it difficult for the investment portfolio to achieve the 7.5 percent benchmark. Therefore, a moderate amount of risk must be accepted in order to surpass the actuarial assumed rate of return.

One common tool to measure risk is standard deviation which, in the retirement system's case, is the average amount an investment's returns differ from the mean of its return. The lower the standard deviation, the closer an investment's actual returns are to its average returns; meanwhile, the higher the standard deviation, the farther its actual returns are from its average returns.

In its measurement dated December 31, 2016, Summit reported the retirement system's standard deviation for its investment portfolio at 12.5 percent. This is the level of uncertainty the retirement system accepts in order to achieve its actuarial assumed rate of return. This is a relatively low risk expectation given the task of building an investment portfolio to provide annual returns of 7.5 percent.

MFPRSI and Summit regularly review the investment portfolio's level of risk and will make changes as necessary to mitigate the investment portfolio's risk profile. This is done as part of the Board's commitment to being a sound retirement system.

Allocation Terminology. The retirement system's investment portfolio is separated into four main categories:

Core Investments are comprised of a diversified mix of global public equity and debt portfolios. The aggregate Core Investments' allocation and underlying investment manager makeup are determined by the Board, with the intention of out-performing a specified composite index on both an absolute and risk-adjusted basis and over a full-market cycle.

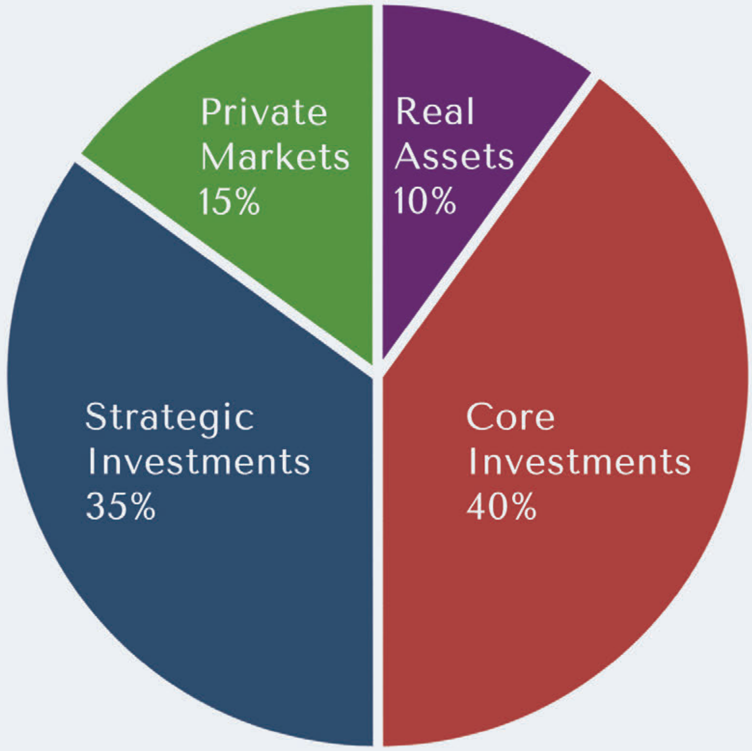
Strategic Investments are comprised of multi-asset investment managers that invest in global securities, including but not limited to: public debt and equity, real assets, private market investments, currencies, derivatives, and cash. The intent of the Strategic Investments is to outperform a specified composite index on both an absolute and risk-adjusted basis over a full-market cycle. Individual managers in the Strategic Investments portfolio are granted the flexibility to tactically adjust their underlying asset allocations to take advantage of market opportunities they believe will benefit the retirement system.

The indices for Core and Strategic Investments are determined and regularly reviewed by the Board in an attempt to meet or exceed MFPRSI's actuarial assumed rate of return over time.

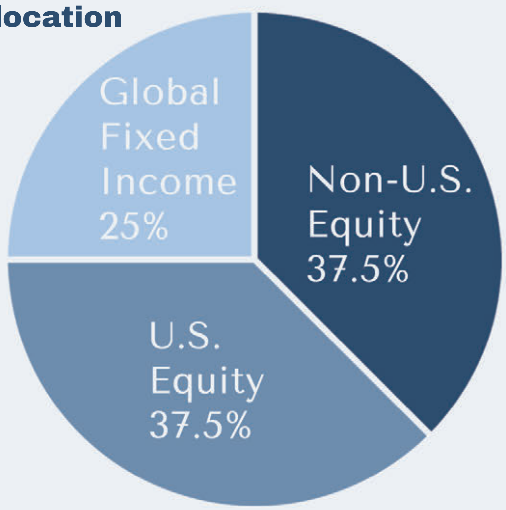
Private Markets refer to various investment managers who invest in private market opportunities, including but not limited to: venture, buyout, opportunistic, secondary market, debt-related, and direct investment. These opportunities will consist of investing in private companies that do not offer equity and fixed income securities on public markets.

Real Assets consist primarily of real estate and may also include, but is not limited to other real assets, such as infrastructure, commodities, or energy-related investments. Real assets may be domestic or international, and may be either liquid, marketable investments or private market investments.

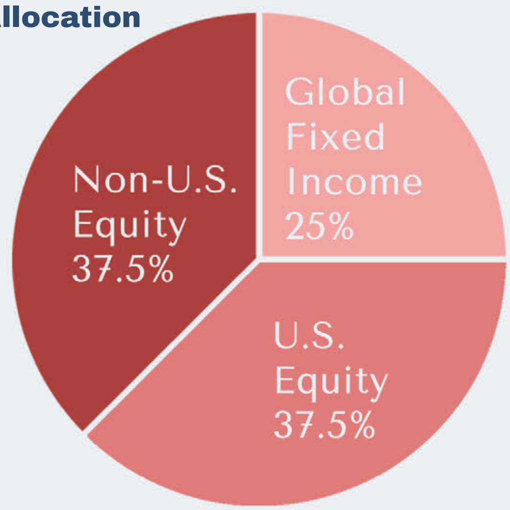
Total Fund Allocation



Strategic Investments Allocation



Core Investments Allocation



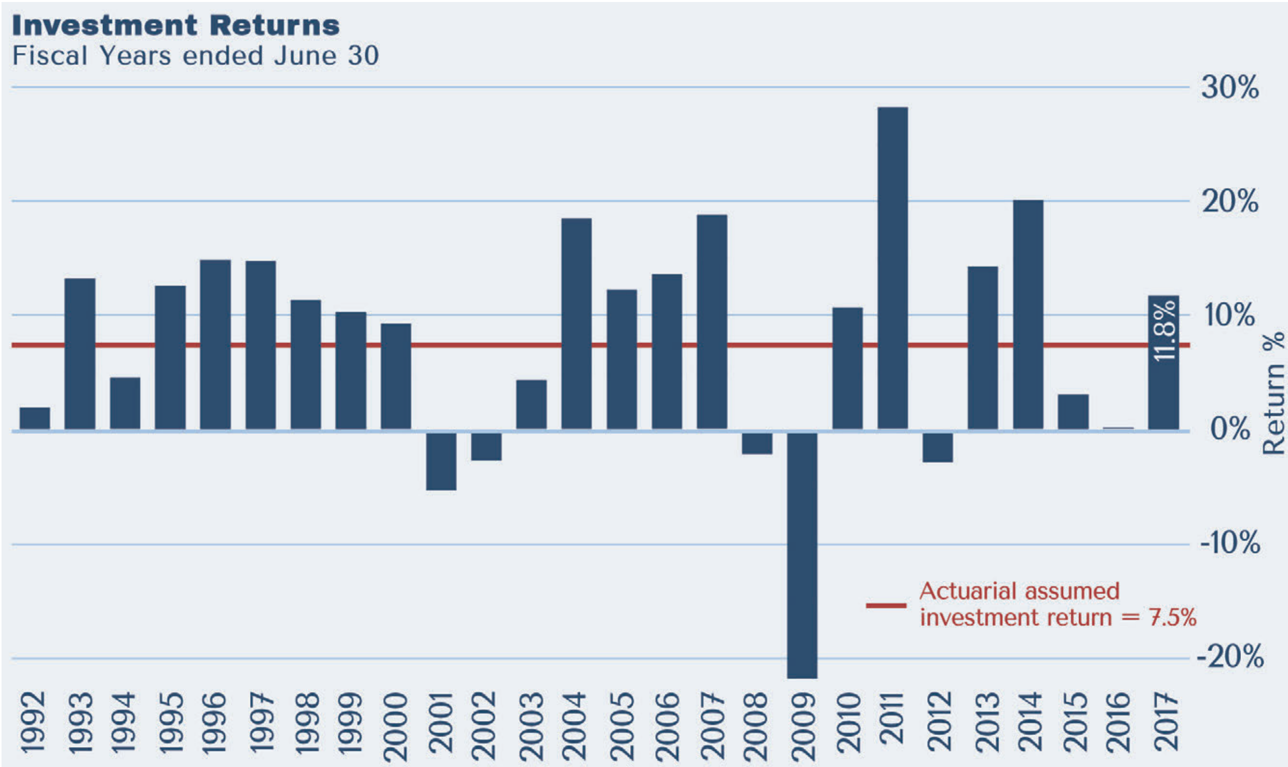
Caveats:

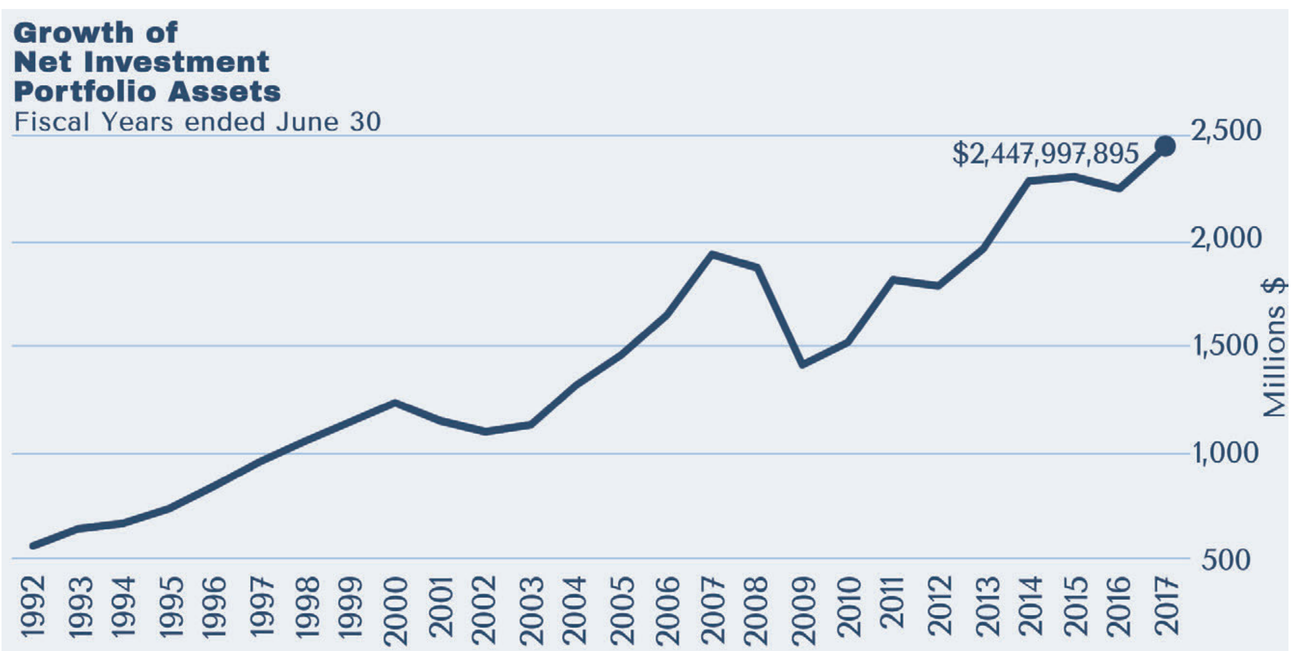
1. In the absence of suitable opportunities within a specific market, the funds will be directed to other components within the debt or equity categories. Due to the fluctuations of market values, positioning within 5 percent of the target will constitute compliance with the policy.
2. Reviews of the allocation policy occur periodically allowing the Board to consider the effect of any changes in market conditions or the expectations for the retirement system.

Investment Managers.

Firm	Portfolio	Allocation
Aberdeen Asset Management	Total Return Bond Plus Strategy	Core Investments
Adams Street Partners	2003 Vintage	Private Markets
Adams Street Partners	2006 Vintage	Private Markets
Adams Street Partners	2014 Global	Private Markets
Adams Street Partners	Co-Investment 3	Private Markets
Adams Street Partners	U.S. Small Market Buyout	Private Markets
Ares Partners	Fund 5	Real Assets
Baillie Gifford Overseas Ltd.	International Choice Fund	Core Investments
Contrarian Capital Management	Distressed Real Estate Fund 2	Real Assets
Contrarian Capital Management	Distressed Real Estate Fund 3	Real Assets
Dimensional Fund Advisors	U.S. Small Cap Subtrust	Core Investments
Dodge & Cox	Fixed Income Separate Account	Core Investments
Equus Capital Partners	Investment Partnership X	Real Assets
GMO	Global Tactical Asset Allocation	Strategic Investments
Harbourvest Partners	Buyout 7	Private Markets
Harbourvest Partners	Buyout 8	Private Markets
Harbourvest Partners	Venture 7	Private Markets
Harbourvest Partners	Venture 8	Private Markets
Harbourvest Partners	Venture 9	Private Markets
Harbourvest Partners	HIPEP 6	Private Markets
Harbourvest Partners	Dover Street 8	Private Markets
Harvest Group Advisors	MLP Separate Account	Core Investments
Hines Interests	US Office Value Added Fund 2	Real Assets
Intech Investment Management	U.S. Broad Enhanced Plus	Core Investments
JPMorgan Asset Management	Large Cap Core Plus 130/30	Core Investments
JPMorgan Asset Management	Strategic Property Fund	Real Assets
JPMorgan Asset Management	Global Tactical Asset Allocation	Strategic Investments
Long Wharf Real Estate Partners	Fidelity Real Estate Growth Fund 3	Real Assets
Long Wharf Real Estate Partners	Long Wharf Real Estate Partners 5	Real Assets
Mondrian Investment Partners	ACWI Ex-U.S. Equity Fund	Core Investments
Neuberger Berman Group LLC	Crossroads 2010 Fund	Private Markets
Neuberger Berman Group LLC	Crossroads XX Fund	Private Markets
Pictet Asset Management	Emerging Local Currency Debt Fund	Core Investments
Principal Global Investors	Enhanced Property Fund	Real Assets
Principal Global Investors	CMBS Fund	Real Assets
Schroders Investment Mgmt.	Diversified Growth	Strategic Investments
Siguler Guff & Company	Distressed Opportunities Fund 2	Private Markets
Siguler Guff & Company	Distressed Opportunities Fund 3	Private Markets
Siguler Guff & Company	BRIC Fund 2	Private Markets
Siguler Guff & Company	Hawkeye - Separate Account	Private Markets
State Street Global Advisors	ACWI IMI Index	Core Investments
TA Associates Realty	Realty Associates Fund VIII	Real Assets
Tortoise Capital Advisors	MLP Separate Account	Core Investments

Graphs.


Investment Returns
Fiscal Years ended June 30
30%
20%
10%
0%
-10%
-20%
Return %
11.8%
Actuarial assumed investment return = 7.5%
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017


Growth of Net Investment Portfolio Assets
Fiscal Years ended June 30
$2,447,997,895
2,500
2,000
1,500
1,000
500
Millions $
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

STATISTICS

Methods
Membership Data

Methods

The Statistics section provides financial and operational trend information in order to render the details necessary to better understand MFPRSI's financial condition.

Data for the Statistics section are derived from information provided by MFPRSI's actuarial consultant, SilverStone Group. Additional data are derived from financial statements and internal sources as prepared by MFPRSI.

In order to better understand the following statistical information, the following list of terms and their definitions are provided:

"Active members" is defined as those members of MFPRSI with wages reported for the last quarter of each fiscal year.

"Non-active members" is defined as those members of MFPRSI who are retired from service as a firefighter or police officer from a participating city and receiving benefit payments as of the final month of each fiscal year.

"Retired members" and **"beneficiaries"** are those members of the retirement system who were paid benefits in the final month of each fiscal year.

"Accidental disability" and **"ordinary disability"** are used to describe members who either received an accidental disability payment or an ordinary disability payment, respectively.

"Terminated (or 'term') vested" is used to describe former members of MFPRSI who have left the retirement system after achieving vested status (i.e., four years of employment as a firefighter or a police officer with a participating city employer), but before reaching eligibility for a service retirement as of the final month of each fiscal year.

Membership Data

Retirement System Membership Profile

Active Members	As of July 1, 2017	Year Over Year Increase/ (Decrease)
Number	3,968	42
Average Age (in years)	41.0	(0.2)
Average Past Service (in years)	13.7	(0.1)
Total Annual Compensation	$296,237,982	$12,598,095
Average Annual Compensation	$74,657	$2,410
Non-Active Members with Deferred Benefits		
Number*	356	15
Average Age (in years)	43.9	0.0
Total Annual Benefits	$6,175,008	$347,316
Average Annual Benefit	$17,346	$256
Members and Beneficiaries in Pay Status		
Number	4,045	59
Average Age (excluding children, in years)	69.7	0.2
Total Annual Benefits	$160,521,708	$7,821,528
Average Annual Benefit	$39,684	$1,375

* Excludes 42 terminated non-vested members in 2016 and 42 terminated non-vested members in 2017 who had not received a refund of contributions.

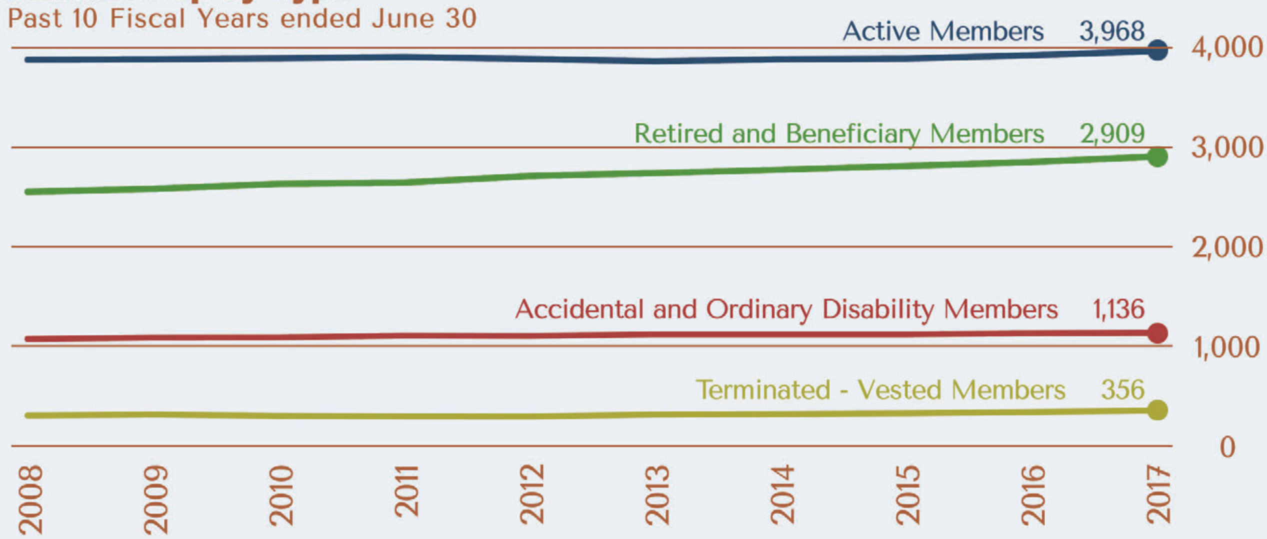
Participating Cities

Ames	Des Moines	Marshalltown
Ankeny	DeWitt*	Mason City
Bettendorf	Dubuque	Muscatine
Boone	Estherville*	Newton
Burlington	Evansdale*	Oelwein
Camanche	Fairfield	Oskaloosa
Carroll*	Fort Dodge	Ottumwa
Cedar Falls	Fort Madison	Pella*
Cedar Rapids	Grinnell	Sioux City
Centerville	Indianola*	Spencer
Charles City	Iowa City	Storm Lake
Clinton	Keokuk	Urbandale
Clive*	Knoxville*	Waterloo
Council Bluffs	Le Mars*	Waverly*
Creston	Maquoketa*	Webster City
Davenport	Marion	West Des Moines
Decorah		

*Police department only.

Membership by Type

Past 10 Fiscal Years ended June 30



Service Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
55 - 59	132	$8,352,396	$63,276
60 - 64	343	$20,985,120	$61,181
65 - 69	378	$21,904,104	$57,947
70 - 74	306	$16,479,432	$53,854
75 - 79	225	$10,317,744	$45,857
80 - 84	140	$5,370,888	$38,363
85 and Over	114	$3,863,160	$33,887
Total	1,638	$87,272,844	$53,280

Accidental Disability Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 40	16	$615,504	$38,469
40 - 49	67	$2,689,104	$40,136
50 - 59	159	$7,139,760	$44,904
60 - 69	339	$15,714,372	$46,355
70 - 79	266	$10,926,624	$41,078
80 and Over	97	$3,554,400	$36,463
Total	944	$40,639,764	$43,051

Ordinary Disability Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 40	9	$219,864	$24,429
40 - 49	28	$920,724	$32,883
50 - 59	36	$1,245,264	$34,591
60 - 69	68	$2,724,012	$40,059
70 - 79	41	$1,514,712	$36,944
80 and Over	10	$299,052	$29,905
Total	192	$6,923,628	$36,061

Beneficiary (Spouse) Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 50	24	$675,132	$28,131
50 - 59	43	$992,736	$23,087
60 - 69	160	$4,048,296	$25,302
70 - 79	265	$5,779,884	$21,811
80 and Over	365	$7,195,344	$19,713
Total	857	$18,691,392	$21,810

Beneficiary (Children) Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 12	8	$40,404	$5,051
12 - 17	15	$84,900	$5,660
18 and Over	28	$191,592	$6,843
Total	51	$316,896	$6,214

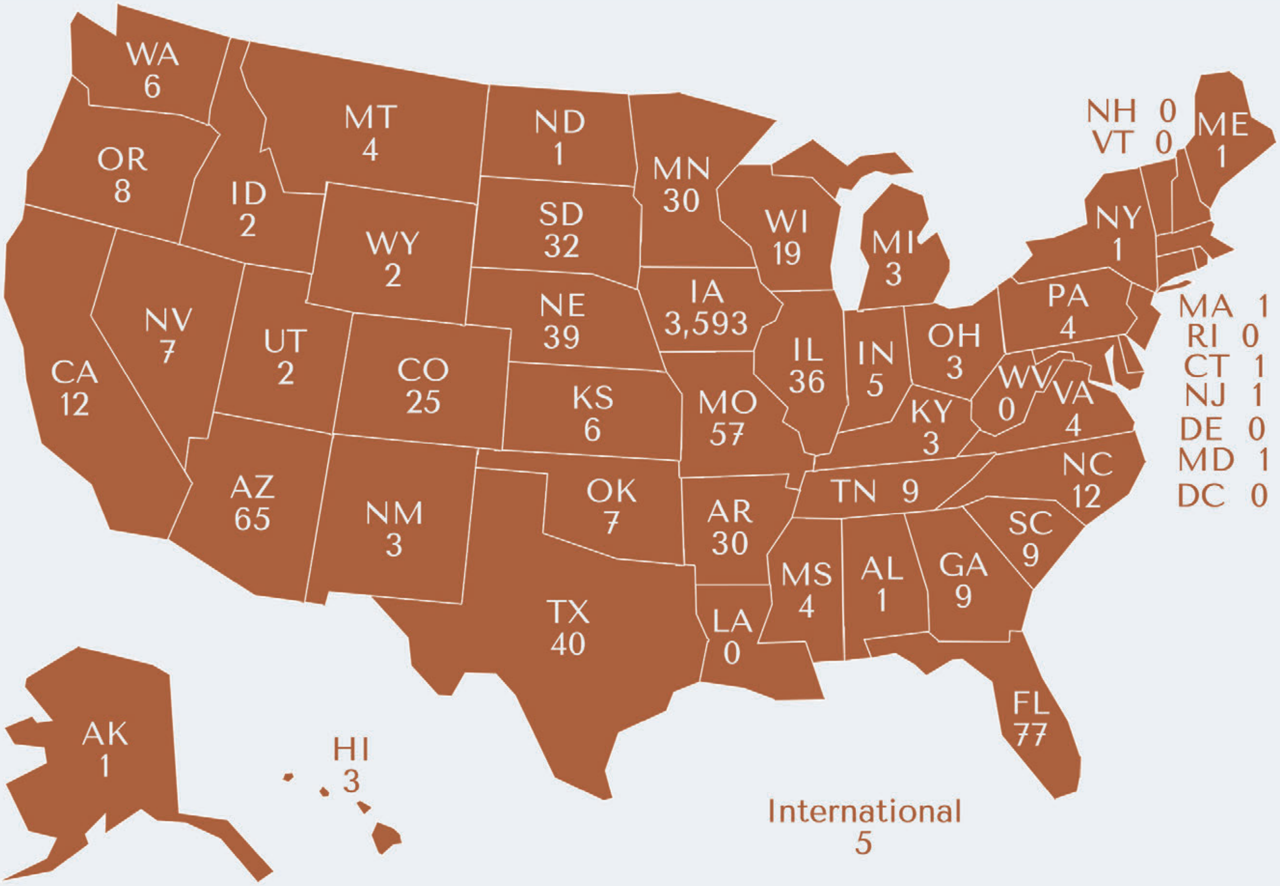
Vested Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
55 - 59	85	$1,801,128	$21,190
60 - 69	183	$3,589,788	$19,616
70 - 79	68	$1,051,932	$15,470
80 and Over	27	$234,336	$8,679
Total	363	$6,677,184	$18,394

Terminated-Vested Benefits

Age	Number	Total Annual Benefit	Average Annual Benefit
Under 40	114	$1,370,304	$12,020
40 - 49	134	$2,413,164	$18,009
50 and Over	108	$2,391,540	$22,144
Total	356	$6,175,008	$17,346

Number of Benefit Payments by State as of June 30, 2017



The map above lists the number of benefit payments issued to recipients living in each state for MFPRSI's benefits payroll on June 30, 2017.

The preparation of this report and financial statements were the result of the combined efforts of the retirement system's staff under the direction of the executive director and deputy director.

MFPRSI Annual Report Fiscal Year 2017 was prepared by MFPRSI staff using data gathered from various sources including MFPRSI's actuarial services provider, SilverStone Group, investment consultant, Summit Strategies Group, and communications consultant, Wixted & Co. The stories on pages 9 - 22 were written by Jordan Rose, communications advisor with Wixted & Co.

The firm of Eide Bailly, LLP, conducted an audit for the period ending June 30, 2017. A copy of the audit report has been provided to each of the employing cities and is viewable at www.mfprsi.org. The report is also available at MFPRSI's office in West Des Moines, Iowa. The audit report can be viewed in the financial section of this report.

This report is intended to provide complete and reliable information as a basis for management decisions, legal compliance, and stewardship of the retirement system's assets. The Board and staff appreciate the efforts extended by city officials as well as the support given to MFPRSI by the active and retired memberships and city representatives.

Design/Production/Writing - Cody Jans
Printing - Colorfx

MFPRSI 25 1992 - 2017 YEARS MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA

MFPRSI 25
1992 - 2017
YEARS
MUNICIPAL FIRE & POLICE
RETIREMENT SYSTEM OF IOWA