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BOARD APPROVES CONTRIBUTION RATE REDUCTION

MFPRSI MUNICIPAL FIRE & POLICE RETIREMENT SYSTEM OF IOWA

The Municipal Fire and Police Retirement System of Iowa (MFPRSI) announced a significant reduction in the employer contribution rate for July 1, 2016. The MFPRSI Board of Trustees approved a new rate of 25.92 percent, down from a peak of 30.41 percent in 2014, and the current rate of 27.77 percent in 2015. The new rate will take effect July 1, 2016.

“We are pleased with the downward trend of rates over the past couple of years, as it signifies our commitment to providing an affordable plan for the municipalities we serve,” said Terry Slattery, executive director of MFPRSI. “Strong investment returns and the funding strategy adopted by our board of trustees allows us to support favorable contribution rates for the cities and deliver a secure retirement for Iowa’s civil servants — our courageous police officers and fire fighters.”

Each year, the MFPRSI Board of Trustees adopts a new employer contribution rate pursuant to Chapter 411 of the Iowa Code. By law, the contribution rate paid by employees remains constant at 9.4 percent. However, the employer rate changes based on an annual actuarial review, and the board’s long-term plans for ensuring they meet future obligations to retirees.

In recent years, the employer contribution rate had steadily risen to compensate for the market downturns in 2007 and 2008. But as the economy has rebounded, and MFPRSI has realized strong rates of return on its investments — 12.8 percent in fiscal year 2013 and 18.2 percent in 2014 — the employer rate has now begun to decline. New projections show the system will be fully funded, and at the statutory minimum employer contribution rate of 17 percent, within 25 years. This is excellent news for the 49 contributing cities in Iowa.

“We expect municipalities will continue to see their contribution rate fall for the foreseeable future,” said Marty Pottebaum, chairman of the MFPRSI Board of Trustees. “As a member of the board, I am pleased to represent our leadership team. We take pride in ensuring our plan and funding strategy is fiscally responsible because the cities of Iowa and those that serve and protect us depend on it. Our plan strategy limits short-term volatility for contributing cities during periods of economic hardship with the ultimate goal of ensuring a sustainable, secure retirement for our police officers and fire fighters.”

Article courtesy of MFPRSI website (mfprsi.org).