MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

ANNUAL REPORT FISCAL YEAR 2014

A PENSION TRUST FUND FOR MUNICIPAL POLICE OFFICERS AND FIREFIGHTERS IN THE STATE OF IOWA.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

ANNUAL REPORT FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

PREPARED BY MFPRSI STAFF

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As a tribute and in honor of the firefighters and police officers Municipal Fire & Police Retirement System of Iowa serves, this year's annual report includes photos provided by fire and police departments that participate in the Chapter 411 retirement system. Most of the photographs are from the first half of the 20th century, while several date as far back as the 1880s. The photos used in this year's annual report were selected to show the great traditions of both fire and police professions.

Fiscal Year 2014 Highlights

as of June 30, 2014

Membership

Active Members...3,885

Inactive Members...4,217

Investments

Market Value of Portfolio*............................$2,291,047,164

Rate of Return..18.2%

Funding

Funding Ratio**...77.8%

Contributions

Members Total...$24,054,541

Employers Total...$76,917,460

State Total...$0

Distributions

Benefits Paid.. $142,640,646

Refunds Paid..$1,192,922

*The Market Value of Portfolio as determined by MFPRSI's investment consultant, Summit Strategies Group.

**The Funding Ratio measures the actuarial value of assets ($2,054,844,278) to the actuarial accrued liability ($2,640,955,176).

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INTRODUCTION

Letter from the Board of Trustees Chairperson

Municipal Fire and Police Retirement System of Iowa

7155 Lake Drive, Suite 201
West Des Moines, IA 50266

To the Members of Municipal Fire and Police Retirement System of Iowa, City Officials, Elected Officials, and Interested Parties:

On behalf of the Board of Trustees, I am pleased to present MFPRSI's report for the period ending June 30, 2014 (Fiscal Year 2014). This report provides information on the financial status of the retirement system and fulfills the obligation set forth in Iowa Code section 411.5(6).

The accomplishments of the Trustees and administration of MFPRSI over the last fiscal year are summarized on the following pages. The development of this report is the result of the combined effort of MFPRSI's administration under the direction of the Trustees, Executive Director, and Deputy Director.

MFPRSI's investment portfolio ended the fiscal year valued at $2.29 billion, which exceeded the previous fiscal year ending market value by $320 million. The investment portfolio produced an annual return of 18.2%. This return was due to strong performance in public equity markets and asset allocation as approved by the Board of Trustees.

The firm of Eide Bailly, LLP, conducted an audit for the period ending June 30, 2014. A copy of the audit report has been provided to each of the employing cities and is viewable at MFPRSI's website, www.mfprsi.org. The report is also available at MFPRSI's office in West Des Moines, IA.

The Trustees and administration appreciate the efforts extended by city officials as well as the support given to MFPRSI by the active and retired memberships and city representatives.

Thank you for your interest.

Judy Bradshaw
Chairperson
Board of Trustees

Retirement System Overview

Municipal Fire and Police Retirement System of Iowa (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 accomplished the consolidation of 87 local fire and police retirement systems formerly administered by 49 of Iowa's largest cities. MFPRSI initiated its formal operations on January 1, 1992 to administer the retirement benefits for fire and police personnel in Iowa's largest participating cities.

The purpose of MFPRSI is to provide a sound and secure retirement income for individuals receiving benefits under its programs. 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 (i.e., 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 MFPRSI are based on a formula using a member's years of service, the average of a member's highest three years of earned wages, and a multiplier. The fiscal year begins July 1 and ends June 30.

In addition to the 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.

A Board of Trustees is established by Iowa Code section 411.36 to provide direction and administration for MFPRSI, and Iowa Code section 411.7(1) requires it to act as fiduciaries for the retirement fund. The Board represents the police officer and firefighter memberships, cities, citizens of Iowa, while the Iowa General Assembly provides the retirement system with direction and oversight. In addition, the Board also may hire a staff to act as administrators for the retirement fund and its membership. Iowa Code section 411.5 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 8,102 members at the end of fiscal year 2014, with 3,885 active members employed by the 49 participating cities. Of the remainder 1,121 receive benefits due to disability, 2,775 are retired or a beneficiary, and 321 are terminated vested members receiving a monthly pension payment. MFPRSI made over 48,000 accurate and timely benefit payments over the course of the fiscal year. Approximately 98% 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.

Members, city officials, and any interested parties are encouraged to contact MFPRSI with any questions concerning the programs it administers under Iowa Code Chapter 411.

Investments

Member benefits are made available through both employee and employer contributions, and investment earnings. Of those two 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 equity, fixed income, real estate, and private markets when the markets are up while minimizing loss 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, investment consultant, and investment officers. In turn, the Board of Trustees 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 as necessary.

MFPRSI's investment portfolio returned 18.2% in fiscal year 2014. The 10-year return for the period ending June 30, 2014 is 7.8%. The long-term target rate of return, as determined by the Board, is 7.5%. The target rate is adopted by the Board as the investment rate of return in 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 8.1%.

Board of Trustees

The activities of MFPRSI are under the direction of a Board of Trustees (the "Board") with nine voting members and four non-voting, legislative representatives. The voting membership of the Board is comprised of four representatives of the active and retired fire and police membership, four representatives of the cities, and one private citizen.

Individuals are appointed to the Board 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. Each voting member serves a four-year term.

The following are the Board members with voting rights as of June 30, 2014:

Name	Position	City	Term Expires
Judy Bradshaw*	Chief of Police	Des Moines	April 2017
Mary Bilden	Citizen	Boone	April 2018
P. Kay Cmelik	City Clerk / Finance Director	Grinnell	April 2017
June Anne Gaeta	Fire Captain	Muscatine	April 2018
Frank Guihan	Retired Firefighter	West Burlington	April 2016
Duane Pitcher	Director of Finance	Ames	April 2018
Marty Pottebaum	Retired Police Officer	Sioux City	April 2015
Scott Sanders	Assistant City Manager	Des Moines	April 2015
Jody E. Smith	Deputy City Manager / City Clerk	West Des Moines	April 2016

*Chairperson

The leadership of the Iowa Senate and the Iowa House of Representatives appoint legislative members to the Board. The following are the legislative representatives as of June 30, 2014:

Name	Elected Position	Name	Elected Position
Wally E. Horn	Senator	Scott Ourth	Representative
Ken Rozenboom	Senator	Jason Schultz	Representative

Fiduciary Responsibilities

Upon appointment to the Board, the individual members accept a fiduciary responsibility to the retirement system and its members. Statutory responsibilities as fiduciaries, as delineated within Iowa Code Chapter 411, include the following:

- The Board is responsible for the overall operation, administration, and establishment of governing rules of MFPRSI.

- The Board establishes MFPRSI's budget and oversees its execution.
- The Board maintains a record of all its proceedings and submits an annual report to the Governor, the General Assembly, and the city council of each of the participating cities.
- The Board engages in actuarial and other services as deemed necessary and employs a staff as necessary to assist in carrying out its responsibilities.
- The Board ensures that proper determinations are made on applications for benefits and that monthly benefits are paid in a timely and accurate manner.
- The Board establishes the rate of interest to be paid on withdrawn contributions.
- The Board manages the investment fund and establishes an investment policy on an annual basis. Assets are invested in accordance with that policy.
- The Board provides the maintenance of actuarial data for the purpose of valuing the fund and assessing the experience of MFPRSI. The board determines a rate of contribution for the participating cities based upon an annual actuarial valuation and certifies the rate to the proper officials of the cities.

In order to maintain MFPRSI's status as a qualified plan, the members of the Board act in accordance with the exclusive benefit provision of the Internal Revenue Code.

Administration

Under the direction of the Board, the programs of MFPRSI are developed and executed by an administrative staff. The following individuals are available to assist members, city officials, and interested parties with any questions or concerns they may have about the retirement program:

Name	Position
Terry Slattery	Executive Director
Dan Cassady	Deputy Director
Brian Danielson	Benefits Supervisor
BriAnna Nystrom	Administrative Officer
Sandra Wells	Senior Pension Officer
Jill Hagge	Senior Pension Officer
Angie Conner	Senior Pension Officer
James Bybee	Accountant / Investment Officer
Blake Jeffrey	Accountant / Investment Officer
Cody Jans	Accountant / Investment Officer

MFPRSI Contact Information and Hours of Operation

Local telephone..........515-254-9200
Toll free telephone..........888-254-9200
Fax..........515-254-9300
Email..........pensions@mfprsi.org
Website..........www.mfprsi.org
Address..........7155 Lake Drive, Suite 201
West Des Moines, IA 50266

The offices of MFPRSI are open 8:00 a.m. to 4:30 p.m., Monday though Friday, excluding recognized national holidays.

MFPRSI's Accomplishments

Over the course of the fiscal year 2014 (July 1, 2013, to June 30, 2014) MFPRSI engaged in a number of activities pertaining to both the retirement plan's active and retired memberships as well as to the financial management of the assets of the plan. Projects were intended to either enhance the services provided to membership and cities or to further the performance opportunities for the investment portfolio. During this period, the Board and administration performed the following:

Administration

- Based on the results of the most recent 10-year experience study performed by the retirement system's actuary services provider, the Board will adopt additional steps in order to phase-in the mortality table of 11/12 of the 1994 Group Annuity Mortality (GAM) Table and 1/12 of the 1971 GAM Table. The current mortality table weighting is 10/12 of the 1994 GAM table and 2/12 of the 1971 GAM table. Taking the additional steps will match the past 10-year experience to the assumption rate.
- The 10-year experience study also led the Board to implement the following changes to its actuarial assumptions:
    - Increase the rate for year-over-year salary increases of active members.
    - Increase the ordinary disability rate.
    - Decrease the accidental disability rate.
    - Decrease the age at retirement for active members aged 55 – 64.
    - Lower accidental mortality rates for active members.
    - Lowered mortality rates for inactive members.
    - Added a 80% marriage assumption for inactive members with a Joint and 50% Survivor Annuity.
- The Board adopted a funding policy that provides reasonable assurance that the cost of benefits provided to the retirement system's members will be funded in

an equitable and sustainable manner. As part of the funding policy, the Board modified the retirement system's actuarial amortization method from level dollar, open to level dollar, closed, layered. Under the new methodology, changes in the Unfunded Accrued Liability (UAL) as measured on subsequent valuation dates (the first valuation date was July 1, 2013) are amortized as a level dollar amount over a 25-year closed period following each valuation date.

- A satisfaction survey of membership, both active and retired, and city contacts was conducted. The survey asked all parties for opinions as to how effectively the Chapter 411 retirement system serves its constituents. Responses were overwhelmingly positive with over two-thirds of all responses earning one of the top two options, either "Excellent" or "Good." Survey questions covered an array of topics, including membership's and city contact's opinions of MFPRSI's newsletter, website, union presentations, and the level of knowledge and courtesy provided by staff. In total, 684 members and 69 city contacts completed the survey.
- MFPRSI provided city employers with the ability to submit payroll data via a secure website.

Financial / Investment

- The Board and MFPRSI's investment consultant conducted an asset/liability study. The goal of the study was to determine how best to fund the future obligations of the retirement system and improve the risk/return aspect of the portfolio through the additional diversification of assets.
- As a result of the asset/liability study, the Board approved an allocation to a Global Tactical Asset Allocation manager (GTAA). The hired GTAA manager utilizes a flexible asset allocation approach driven by thematic and tactical ideas with an emphasis on reducing downside risk.
- The Board and staff reviewed both the investment allocation policy and increased the allocation in strategic investments from 30% to 35% while reducing the fund's position in private markets from 20% to 15%. These modifications were made in order to provide greater liquidity and reduce the risk profile of the portfolio.
- The Board was briefed on specific investment concepts related to the investment portfolio by the retirement system's investment consultant.
- Individuals of the administration traveled to the investment firms which the retirement system has hired to manage assets and met with professionals responsible for administering its investment portfolios.
- The Board and staff conducted regular scheduled reviews with the investment firms managing the retirement system's assets. In addition to the comprehensive written reports provided by the firms as required by the contracts established with MFPRSI, the administration engaged in scheduled monthly and quarterly reviews with each investment firm.

Benefit Plan

- MFPRSI continued the administration of the retirement, disability, and DROP programs. Individual counseling with members was provided upon request. Participation in DROP increased 1% year over year to 46% of those eligible.
- The Board periodically reviewed its fiduciary standards.
- MFPRSI continued its application of the Federal Pension Protection Act of 2006 (PPA). 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

- In October, 2013, the Board submitted its biennial Legislative Interim Report to the Iowa General Assembly Public Retirement Systems Committee. The report provided the committee and its staff a summary of the retirement system's responsibilities, actuary profile, and financial status.
- Also included in the Legislative Interim Report:
    1. A summary of the Board's request of the Iowa General Assembly to resume its commitment to the retirement system's funding at a rate of 3.79%. The request did not make it out of its committee stage.
    2. The efforts of MFPRSI to implement GASB Summary of Statements 67 & 68. These two statements provide standards for financial reports and specifies the required approach for measuring a participating employer's pension liability for all defined benefit contribution plans, of which MFPRSI is defined.

FINANCIAL REPORTS

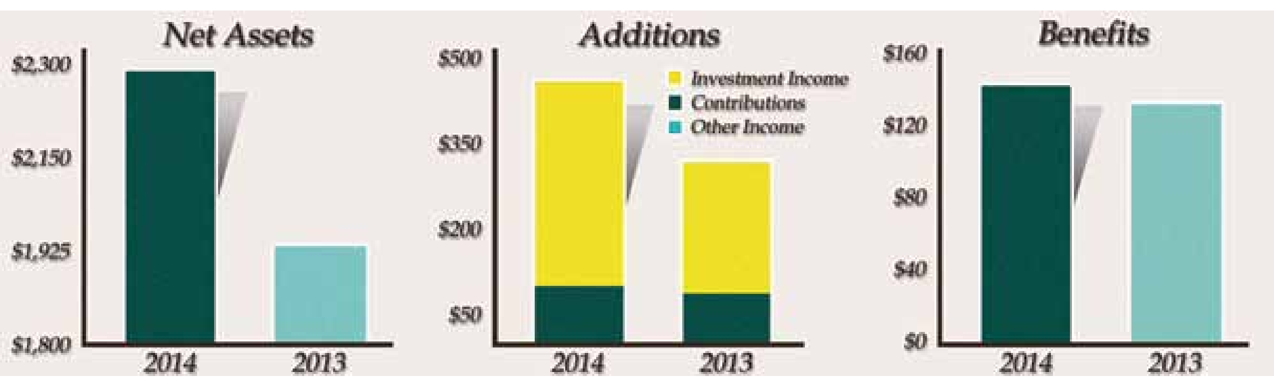
MANAGEMENT'S DISCUSSION & ANALYSIS
STATEMENT OF FIDUCIARY NET POSITION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
NOTES TO FINANCIAL STATEMENTS

Management's Discussion and Analysis

The following discussion and analysis of the Municipal Fire and Police Retirement System of Iowa's financial performance provides an overview of the retirement system's financial activities for the fiscal years ended June 30, 2014 and 2013. 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 its funding status regarding long term benefit obligations. The actuarial valuation can be found on MFPRSI's website, www.mfprsi.org.

Financial Highlights

- The retirement system's assets exceeded its financial liabilities at the close of the fiscal years 2014 and 2013 by $2,278,456,923 and $1,964,266,618 (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, 2014 were $459,696,542, which is comprised of contributions of $100,972,001, net investment income of $358,680,682, and other income of $43,859. Additions for the year ended June 30, 2013 were $318,281,742, which is comprised of contributions of $88,686,610, net investment income of $229,592,075, and other income of $3,057.
- Benefit payments were $142,640,646 and $136,593,585 for the years ended June 30, 2014 and 2013, respectively, a 4.4% increase from year to year.



The graphs above display data in millions.

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets

The annual financial report consists of two financial statements; the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These financial statements report information about the retirement system as a whole, and 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 the retirement system's financial position is improving or deteriorating. The Statement of Changes in Fiduciary Net Position presents the changes in plan net assets during the respective fiscal year.

Financial Analysis

MFPRSI's assets as of June 30, 2014, and 2013 were approximately $2.30 billion and $1.98 billion, respectively, and were primarily comprised of investments, cash, receivables from brokers, and contributions due from employers. The $314,615,977, or 15.9%, increase in assets from June 30, 2013 to June 30, 2014 was primarily due to the unrealized gains experienced in invested assets.

As discussed in Notes 2 and 4 to the financial statements, total MFPRSI investments include investments valued at $699.7 million (30.5% of total assets) and $644.0 million (32.5% of total assets) as of June 30, 2014 and 2013, 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, 2014, and 2013 were $18,143,032 and $17,717,360, respectively, and were primarily comprised of obligations under benefits and refunds payable, as well as investment management expenses payable. The $425,672, or 2.4%, increase in liabilities from June 30, 2013, to June 30, 2014, was due to an increase in payables for investment management expenses.

MFPRSI's assets exceeded liabilities at the close of fiscal year 2014 by $2,278,456,923. During the year ended June 30, 2014, plan net position restricted for pension benefits increased $314,190,305, or 16.0%, 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 assets increased by $179,038,105, or 10.0%, from the prior year.

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

Assets	2014	2013	2014/2013 Inc/(Dec)	2012	2013/2012 Inc/(Dec)
Cash	56,944	4,965	1,046.9%	3,929	26.4%
Investments	2,234,763	1,970,919	13.4%	1,794,484	9.8%
Receivables	4,817	6,016	(19.9)%	4,347	38.4%
Other assets	76	84	(9.5)%	57	47.4%
Total assets	2,296,600	1,981,984	15.9%	1,802,817	9.9%
Liabilities					
Benefits and refunds payable	15,067	15,269	(1.3)%	14,117	8.2%
Investment management expenses payable	2,094	1,681	24.6%	3,202	(47.5)%
Administrative expenses payable	293	387	(24.3)%	269	43.9%
Payable to brokers for unsettled trades	689	380	81.3%	0	0%
Total liabilities	18,143	17,717	2.4%	17,588	0.7%
Net position restricted for pension benefits	2,278,457	1,964,267	16.0%	1,785,229	10%

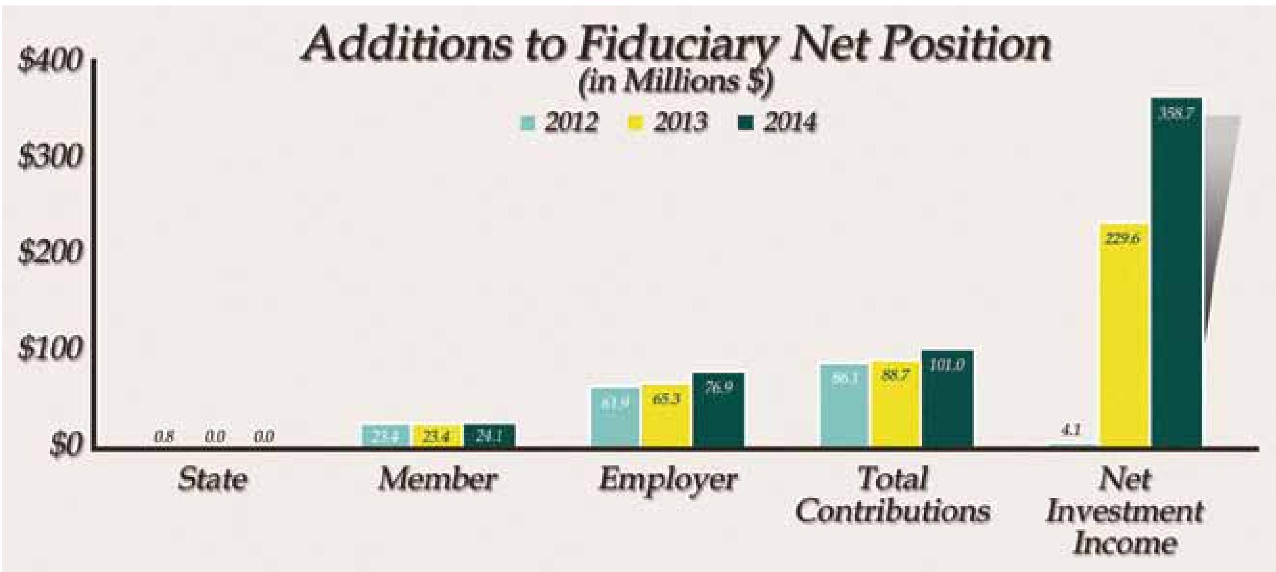
Condensed Statement of Changes in Fiduciary Net Position
(In Thousands of $)

Additions	2014	2013	2014/2013 Inc/(Dec)	2012	2013/2012 Inc/(Dec)
Contributions	100,972	88,687	13.9%	86,082	3.0%
Net investment income	358,680	229,592	56.2%	4,058	5,557.8%
Other income	44	3	1,334.7%	3	7.3%
Total additions	459,696	318,282	44.4%	90,142	253.1%
Deductions					
Benefits and refund payments	143,833	137,618	4.5%	132,612	3.8%
Expenses	1,673	1,626	2.9%	1,707	(4.8)%
Total deductions	145,506	139,244	4.5%	134,319	3.7%
Net increase (decrease)	314,190	179,038	75.5%	(44,177)	505.3%
Plan net position restricted for pension benefits					
Beginning of year	1,964,267	1,785,229	10.0%	1,829,406	(2.4)%
End of year	2,278,457	1,964,267	16.0%	1,785,229	10.0%

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 2014 totaled $459,652,683.

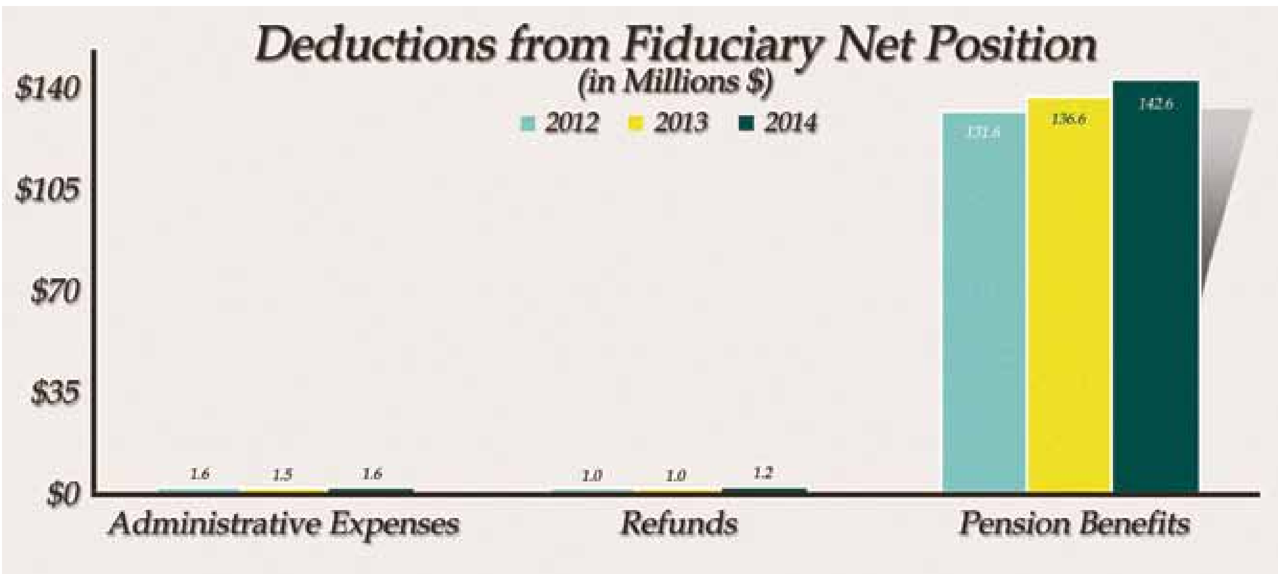
Contributions increased from the previous year by $12,285,391. This increase is primarily due to an increase in the employer contribution rate from 26.12% to 30.12% for the years ended June 30, 2013, and 2014, respectively. Net investment income increased from the previous year by $129,088,607. This change is primarily due to an increase in the appreciation of 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 2014 were $145,506,237, an increase of 4.5% over fiscal year 2013 deductions.

Pension benefit payments increased by $6,047,061, or 4.4%, from the previous year. Refund of contributions increased by $168,627, or 16.5%.



Retirement System as a Whole

It is important to note the financial obligations established by the Iowa legislature in Iowa Code Chapter 411 are committed benefits, which are to be funded through the contributions made by the employers and the membership, in concert with the long-term return on investments. The "public policy" within Iowa has always been to meet the benefit commitments of the pension plans. The history of the plan benefits under Chapter 411 traces to 1934. The funding methods established by the legislature in the Iowa Code, whereby contributions are made from the individual employers and members, coupled with the "prudent person" concept for investment policy, provides the financial foundation for this public policy.

Contacting the System

This financial report is designed to provide MFPRSI's Board of Trustees, membership, and cities a general overview of the retirement system's finances and to demonstrate accountability for assets. If you have any questions about this or need additional financial information, contact MFPRSI's office, located at 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Statements of Fiduciary Net Position
as of June 30, 2014 & 2013

	2014	2013
Assets		
Cash	$56,943,345	$4,964,537
Investments, at fair value		
U.S. equity securities	493,329,995	443,271,741
Foreign equity securities	409,651,790	364,734,621
Commingled fixed income	296,083,727	189,709,264
Fund of funds commingled investment	270,728,842	247,589,014
Short-term investments and currency positions	17,993,663	16,232,704
Real estate	235,012,853	271,974,484
Private equity	431,964,766	354,581,877
Multi-strategy commingled fund	79,997,565	82,824,878
Total investments, at fair value	2,234,763,201	1,970,918,583
Receivables		
Contributions	3,450,680	4,342,743
Investment Income	21,965	27,306
Receivable from brokers for unsettled trades, net	1,344,540	1,646,358
Total Receivables	4,817,185	6,016,407
Other		
Other assets	76,224	84,451
Total assets	2,296,599,955	1,981,983,978
Liabilities		
Benefits & Refunds Payable	15,066,966	15,269,329
Investment Management Expenses Payable	2,093,921	1,680,596
Administrative Expenses Payable	292,940	387,435
Payable to brokers for unsettled trades, net	689,205	380,000
Total liabilities	18,143,032	17,717,360
Plan net position restricted for pension benefits	$2,278,456,923	$1,964,266,618

See notes to financial statements.

Statements of Changes in Fiduciary Net Position
for the Years Ended June 30, 2014, and 2013

	2014	2013
Additions		
Contributions:		
Member	$24,054,541	$23,358,844
Employer	76,917,460	65,327,766
State appropriations	0	0
Total contributions	100,972,001	88,686,610
Investment income:		
Interest	187,987	204,942
Dividend	16,530,308	13,061,699
Net appreciation in fair value of investments	358,885,478	230,476,832
Net investment income from investment activity	375,603,773	243,743,473
Less investment expenses:		
Management fees and other	16,923,091	14,151,398
Net investment income	358,680,682	229,592,075
Other income	43,859	3,057
Total additions	459,696,542	318,281,742
Deductions		
Benefit payments	142,640,646	136,593,585
Refund payments	1,192,922	1,024,295
Administrative expenses	1,553,740	1,523,477
Disability expenses	105,859	102,280
Depreciation	13,070	0
Total deductions	145,506,237	139,243,637
Net increase	314,190,305	179,038,105
Plan net position restricted for pension benefits:		
Beginning of year	1,964,266,618	1,785,228,513
End of year	$2,278,456,923	$1,964,266,618

See notes to financial statements.

Notes to Financial Statements

Plan Description

General

The Municipal Fire and Police Retirement System of Iowa was created under Chapter 411.35 of the Code of Iowa to replace 87 separate fire and police retirement systems from 49 cities and 1 county in Iowa (Separate Systems). Effective January 1, 1992, the Separate Systems were terminated, and the respective entities were required to transfer assets to the System 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 of Trustees (Board) who are appointed to the Board 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 contributions rates, hire staff and consultants and perform all necessary functions to carry out the provisions of the Code of Iowa. The retirement system is separate and apart from state government and is not included in the state's financial statements.

At June 30, 2014, MFPRSI was comprised of 49 cities covering 3,885 active members; 321 terminated members entitled to benefits; and 3,896 retired firefighters, police officers, bailiffs, and eligible beneficiaries across Iowa.

Funding

Member contribution rates are set by state statute. In accordance with Iowa Code Chapter 411 as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the years ended June 30, 2014, and 2013.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.12% and 26.12% for the years ended June 30, 2014, and 2013, respectively.

State appropriations are approved by the state legislature and may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State therefore is considered to be a 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).

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 System benefit provisions for the years ended June 30, 2014, and 2013:

Retirement - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (22 years). Members with less than 4 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 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

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

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

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

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

Deferred Retirement Option Program (DROP) - Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the DROP Program. The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan. The balance of the amounts held by the System pursuant to the DROP is $15,085,000 as of June 30, 2014 and $15,252,000 as of June 30, 2013.

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

Total pension liability	$2,640,955,176
Plan fiduciary net position	(2,278,456,923)
System's net pension liability	$362,498,253
Plan fiduciary net position as a percentage of the total pension liability	86.27%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.50 to 15.11 percent including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on weighing equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period of July 1, 2002, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of October 1, 2013 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	6.0%
Small Cap	5.8%
International Large Cap	7.0%
Emerging Markets	8.8%
Emerging Markets Debt	6.5%
Private Non-Core Real Estate	9.3%
Master Limited Partnerships (MLP)	8.5%
Private Equity	9.8%
Core-Plus Fixed Income	3.8%
Private Core Real Estate	6.8%
Treasury Inflation Protected Securities (TIPS)	2.8%
Tactical Asset Allocation	6.0%

Discount rate – The discount rate used to measure the total pension liability was 7.50 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 – The following presents the net pension liability of the retirement system, calculated using the discount rate of 7.5 percent, as well as what the retirement system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
System's net pension liability......	$695,061,350	$362,498,253	$86,168,242

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

The retirement system'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 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 the 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. The following was the Board's adopted asset allocation policy as of June 30, 2014:

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

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

New Accounting Pronouncements

MFPRSI has adopted GASB 67 which was adopted during the year ended June 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB No. 67 did not significantly impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB No. 67, is presented in Note 1 and in the Required Supplementary Information.

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. The table below presents a summary of cash balances of the retirement system at June 30, 2014, and 2013:

	2014	2013
Insured	$250,000	$250,000
Uninsured and uncollateralized	56,693,345	$4,714,537
Bank balance - June 30	$56,943,345	$4,964,537

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 retirement system's investment program.

MFPRSI is prohibited from holding direct investments in the Sudan and Iran due to State statute.

The following investment vehicles are permitted by the retirement system's investment policy and may be considered for the System's funds:

Stocks and Bonds (Domestic, International & Emerging Markets)

- Securities issued by and the obligations of or guaranteed by the United States of America 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

The currency positions of the retirement system 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 examples, Euros) in which the retirement system has determined to invest its assets. The currency assets of MFPRSI are represented within the individual portfolios of the investment managers, which have mandates, which 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

The real estate positions of the retirement system 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.

The real estate positions of the retirement system may include investment in securitized real estate, via publicly traded or privately held Real Estate Investment Trusts (REITs).

Fund of Funds Commingled Investments

As of June 30, 2014, and 2013, MFPRSI was invested in fund of funds commingled investments, which can be broken down into the following asset classes:

Investments, at fair value	2014	2013
U.S. equity securities	$150,025,709	$134,575,916
Foreign equity securities	74,766,546	75,883,390
Commingled fixed income	45,134,358	31,008,506
Short-term investments and currency positions	802,229	6,121,202
Total fund of funds commingled investments	$270,728,842	$247,589,014

Investment Risk Disclosure

Credit Risk

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations as of June 30, 2014, are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$0	0%
AA	139,543,334	47.13
A	76,630,851	25.88
BBB	63,930,408	21.59
BB	15,979,134	5.40
Total fixed income securities	$296,083,727	100%

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the 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 the retirement system's name.

Iowa Code 411.7 establishes the secretary of the Board as the custodian of the fund and provides for the retirement system to select master custodian banks to provide custody of the 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 the retirement system'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 5% 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. The following table discloses the fair value and average duration of fixed income investments as of June 30, 2014.

Investment type	Fair Value	Duration
Short-term	$2,908,629	0.1582
Commingled	296,083,727	4.7979
Total fair value	$298,992,356	
Portfolio modified duration		4.7527

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

MFPRSI is committed, as of June 30, 2014, to invest approximately $358,000,000 in certain private equity, real estate partnerships, and real estate commingled funds.

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 in Fiduciary Net Position as 'Net appreciation in fair value of investments'. Derivative financial instruments involve, to varying degrees, credit risk and market risk. At June 30, 2014, and 2013, 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 the retirement system as well as the Board to monitor compliance with the contracts. The retirement system does not purchase derivatives with borrowed funds and does not allow the leveraging of the portfolios.

MFPRSI'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.

Required Supplementary Information

Schedule of Changes in the System's Net Pension Liability
Last 3 Fiscal Years

Total pension liability	2014	2013	2012
Service cost	$48,020,046	$47,487,380	$45,660,053
Interest	187,172,397	185,532,855	177,678,499
Changes in benefit terms	0	0	0
Differences between expected and actual experience	(1,248,941)	(22,020,082)	14,628,549
Changes of assumptions	32,616,664	(49,002,711)	0
Benefit payments, including refunds	(143,833,568)	(137,617,880)	(132,611,997)
Net change in total pension liability	122,726,598	24,379,562	105,355,104
Total pension liability - beginning	2,518,228,578	2,493,849,016	2,388,493,912
Total pension liability - ending	2,640,955,176	2,518,228,578	2,493,849,016

Plan fiduciary net position	2014	2013	2012
Contributions - employer	76,917,460	65,327,766	62,661,684
Contributions - member	24,054,541	23,358,844	23,419,864
Net investment income	358,680,682	229,592,075	4,057,940
Benefit payments, including refunds	(143,833,568)	(137,617,880)	(132,611,997)
Administrative expense	(1,553,740)	(1,523,477)	(1,606,072)
Other	(75,070)	(99,223)	(98,573)
Net change in plan fiduciary net position	314,190,305	179,038,105	(44,177,154)
Plan fiduciary net position - beginning	1,964,266,618	1,785,228,513	1,829,405,667
Plan fiduciary net position - ending	$2,278,456,923	$1,964,266,618	$1,785,228,513
System's net pension liability (asset) - ending	$362,498,253	$553,961,960	$708,620,503

Schedule of System's Net Pension Liability
Last 3 Fiscal Years

	2014	2013	2012
Total pension liability	$2,640,955,176	$2,518,228,578	$2,493,849,016
Plan fiduciary net position	2,278,456,923	1,964,266,618	1,785,228,513
System's net pension liability (asset)	$362,498,253	$553,961,960	$708,620,503
Plan fiduciary net position as a percentage of the total pension liability	86.27%	78.00%	71.59%
Actuarial projected covered-employee payroll	255,370,044	250,107,112	250,047,187
System's net pension liability (asset) as a percentage of covered-employee payroll	141.95%	221.49%	283.39%

Schedule of System's Contributions
Last 3 Fiscal Years

	2014	2013	2012
Actuarially determined contribution	$76,917,460	$65,327,766	$61,911,684
Contributions in relation to the actuarially determined contribution	76,917,460	65,327,766	61,911,684
Contribution deficiency (excess)	0	0	0
Reported covered-employee payroll	255,370,044	250,107,112	250,047,187
Contributions as a percentage of covered-employee payroll	30.12%	26.12%	24.76%

Schedule of Investment Returns
Last 10 Fiscal Years

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2014	17.97%
2013	13.10%
2012	-0.27%
2011	23.34%
2010	11.48%
2009	-21.80%
2008	-1.60%
2007	19.35%
2006	14.10%
2005	12.53%

BENEFITS

DESCRIPTION OF BENEFIT PLAN
OPTIONAL FORMS OF PAYMENT
DROP - DEFERRED RETIREMENT OPTION PLAN
EXAMPLES OF MONTHLY BENEFIT CALCULATIONS

Description of Benefit Plan

The following section describes the eligibility of the membership of MFPRSI for different types of retirement benefits. Benefit formulas are established by Iowa Code Chapter 411. Revisions to the benefit program can only be instituted by the Iowa General Assembly. The Board and the administration of the retirement system are required to administer retirement benefits in compliance with the statutory provisions. Questions concerning an individual's eligibility should be directed to the administration of the retirement system.

Retirement Age

To qualify for a full service retirement, the member shall 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 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 (permanently 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% with 22 years of service and 82% 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.

Effective July 1, 1994, 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%.

Vesting

If the employment of a member is terminated before age 55 (other than by death or disability) and the member has at least four years of service, or if the member retires after age 55 but with less than 22 years of service the member is entitled to a vested service retirement payable at age 55 or at termination. The benefit formula is a fraction of the pension the member would have received under a regular service retirement.

Optional Forms of Payment

Members retiring as 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 benefit. Each of the optional forms is based on the member's average monthly compensation and number of years of service. The options 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. Summaries of each option are listed below:

Joint and 75% Survivor Annuity Benefit

The member receives an actuarially adjusted benefit for his or her lifetime. Upon the member's death, the named beneficiary receives 75% 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 dies before the member, the benefit ends with the death of the member.

Joint and 75% Survivor Annuity with Pop-up

An actuarially adjusted retirement allowance based upon the basic benefit. Following the member's death, the designated beneficiary of the member will receive for the duration of his or her lifetime 75% of the member's retirement allowance at the time of the member's death. If the designated beneficiary predeceases the member, 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% Survivor Annuity Benefit

The member receives an actuarially adjusted benefit for his or her lifetime. Upon the member's death, the named beneficiary receives 100% 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% Survivor Annuity with Pop-up

An actuarially adjusted retirement allowance based upon the basic benefit. Following the member's death, the designated beneficiary of the member will receive for the duration of his or her lifetime 100% of the member's retirement allowance at the time for the member's death. If the designated beneficiary predeceases the member, 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

The member receives an actuarially adjusted benefit for his or her lifetime. 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

An actuarially adjusted retirement allowance based upon the basic benefit. Following the member's death, no further benefits are payable.

DROP - Deferred Retirement Option Program

Active members, at least 55 years old, with 22 or more years of service have the option to participate in the DROP Program. The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period.

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

Examples of Monthly Benefit Calculations

Assumptions

Member Age.. 55	Spouse Age.............54	Lump Sum......$100,000
Average Monthly Compensation...... $5,000	Beneficiary Age......54	

Service Retirement Basic Benefit & Optional Forms of Monthly Benefit Payment

Basic Benefit..$5,000 x 66% =...........$3,300
Maximum Benefit.....................................$5,000 x 82% =...........$4,100

Optional Forms of Payment (Based on 66% Base Benefit of $3,300)

Joint & 75% Survivor...$3,165
Joint & 75% Survivor with Pop-up.............................$3,132
Joint & 100% Survivor...$3,041
Joint & 100% Survivor with Pop-up...........................$3,001
Straight Life Annuity with Lump Sum.........................$1,804
Straight Life Annuity with No Survivor.......................$3,607

Service retirement basic benefit is equivalent to 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service; up to a maximum of 8 additional years).

Accidental Disability Retirement Form of Monthly Benefit Payment

Basic Benefit..$5,000 x 60% =...........$3,000
Maximum Benefit:....................................$5,000 x 82% =...........$4,100

Accidental disability is the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount.

Ordinary Disability Retirement Form of Monthly Benefit Payment

Basic Benefit with less than 5 years of service..................$5,000 x 25% =..........$1,250
Basic Benefit with more than 5 years of service.................$5,000 x 50% =..........$2,500
Maximum Benefit...$5,000 x 82% =..........$4,100

Ordinary disability is greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Accidental / Ordinary Death Forms of Monthly Benefit Payment

Accidental Death Benefit	$5,000 x 50% = $2,500
Ordinary Death Benefit	$5,000 x 40% = $2,000
Child Benefit	$5,000 x 6% = $300

Accidental death benefits are 50% of the member's average final compensation and ordinary death benefits are 40% of the member's average final compensation plus an additional benefit for each child.

Death after Retirement (Spousal & Child Benefit) Forms of Monthly Benefit Payment

Survivor Benefit*	$3,300 x 50% = $1,650
Child Benefit	$5,000 x 6% = $300

*Survivor Benefit assumes member chose the basic benefit.

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.

STATISTICS

MEMBERSHIP DATA
CONTRIBUTIONS TO THE PLAN

Membership Data

MFPRSI experienced an increase year-over-year (as of fiscal years ending June 30 of both 2014 and 2013) in both its number of active members and total sum of all members' annual compensation. The average annual compensation of active members also increased by $1,691. This is due to normal salary and inflation adjustments. The average age of the active members increased by 0.2 to 41.0 years and the average years of service for active members also increased by 0.2 to 13.7 years over the course of the fiscal year.

Non-active members (e.g., members who terminate before age 55) increased by 6 and their average benefit increased by $7 year-over-year. Meanwhile, the average age of non-active members, 44.6, remain unchanged year-over-year.

Members and beneficiaries receiving monthly benefit payments increased by 34 and their benefit payments increased by an average of $1,139 over the course of the year. The benefit increase was caused by both new retirees and the annual adjustment of benefits. The annual benefit adjustment is required by state law.

Membership Profile
July 1, 2014

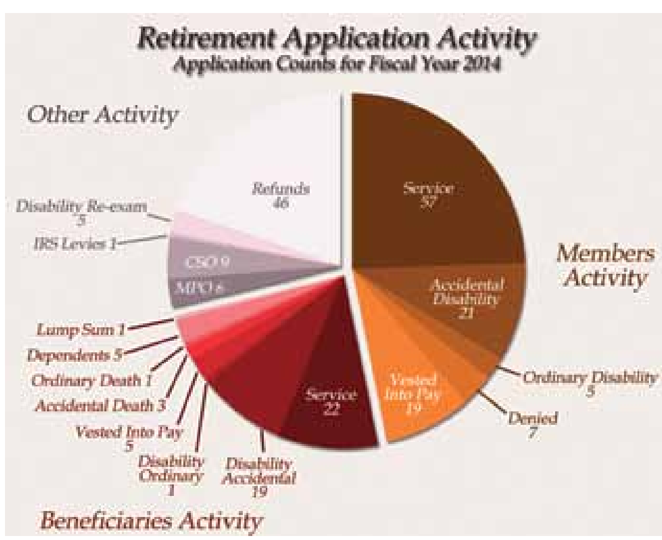
Active Members	2014	+/-
Number	3,885	19
Average age	41.0	0.2
Average past service	13.7	0.2
Total annual compensation	$266,265,413	$7,840,202
Average annual compensation	$68,537	$1,691
Non-Active Members with Deferred Benefits		
Number*	321	6
Average age	44.6	0
Total annual benefits	$5,458,080	$104,364
Average annual benefit	$17,003	$7
Members and Beneficiaries in Pay Status		
Number	3,896	34
Average age (excluding children)	69.2	0.3
Total annual benefits	$138,974,424	$5,610,456
Average annual benefit	$35,671	$1,139

* Excludes 14 and 24 terminated non-vested members who had not yet received a refund of contributions as of 2013 and 2014, respectively.

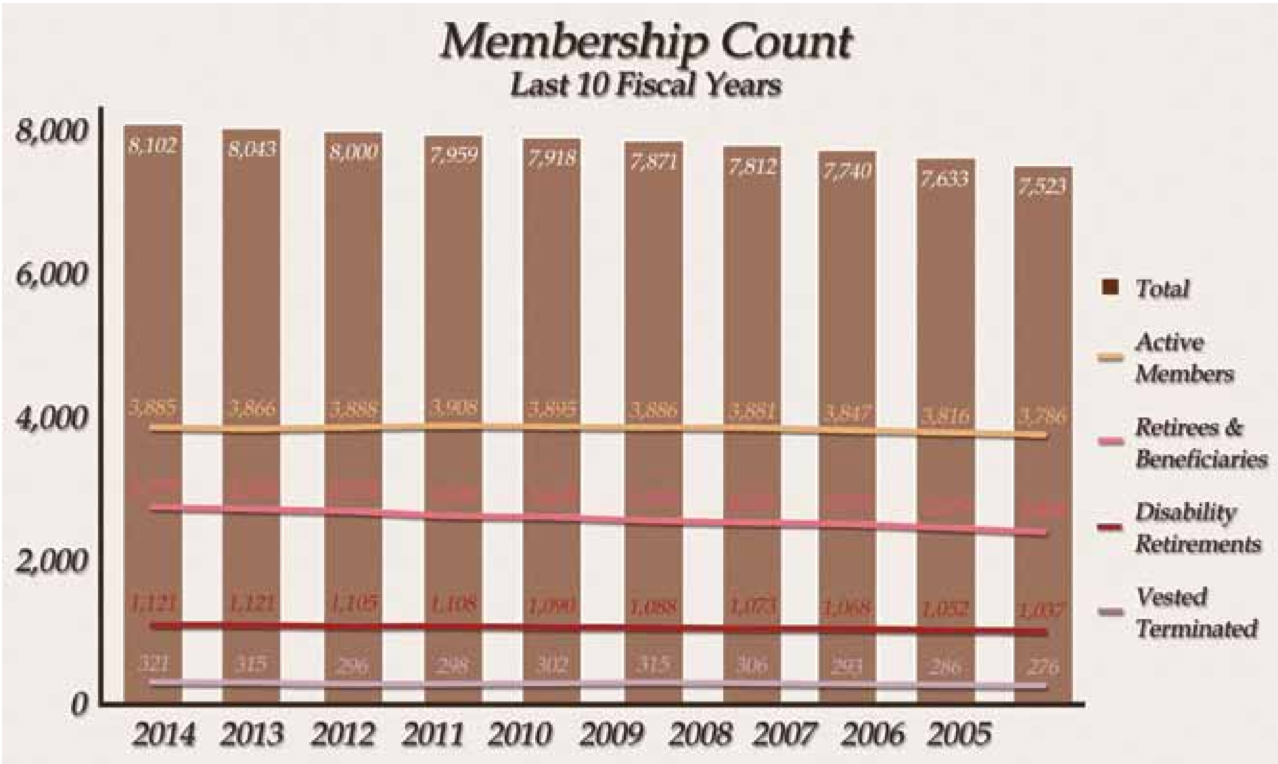
+/- column compares data as of July 1, 2014, to data as of July 1, 2013.

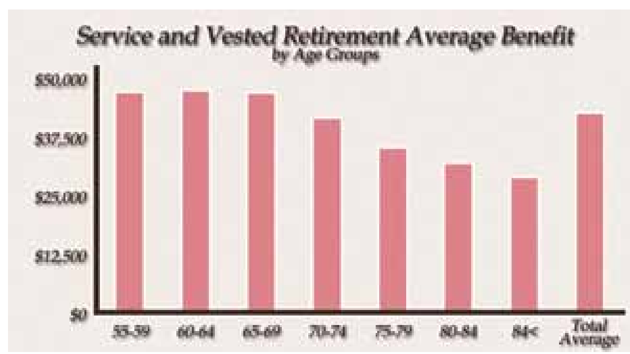
Membership Retirement Application Activity
Through June 30, 2014

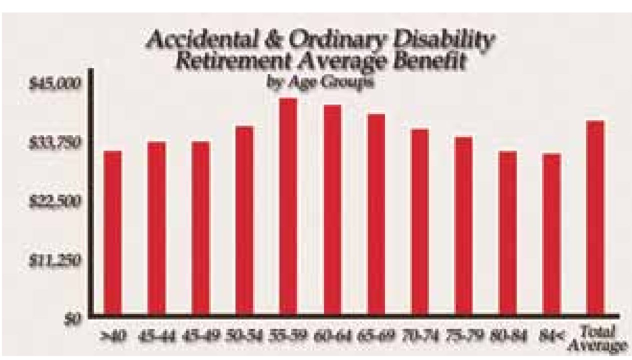
	FYs 1992-1997	FYs 1998-2003	FYs 2004-2009	FYs 2010-2013	FY 2014	FYs 1992 - 2014 Total
Members						
Service	378	405	393	309	57	1,542
Disability accidental	186	233	193	108	21	741
Disability ordinary	40	49	42	23	5	159
Denied	28	17	19	13	7	84
Vested into pay status	42	67	105	80	19	313
Beneficiaries						
Service	126	156	177	82	22	563
Disability accidental	72	88	80	47	19	306
Disability ordinary	17	17	13	19	1	67
Vested into pay status	11	17	23	9	5	65
Accidental death	7	9	5	2	3	26
Ordinary death	9	11	11	1	1	33
Dependents	43	40	41	13	5	142
Lump sum	4	6	8	6	1	25
Subtotal	963	1,115	1,110	712	166	4,066
Other Application Activity						
Marital property orders					6	733
Child support orders					9	86
IRS levies					1	18
Disability re-exams	23	35	42	13	5	118
Refunds	257	384	448	232	46	1,367
Total Activity	1,243	1,534	1,600	957	233	6,388

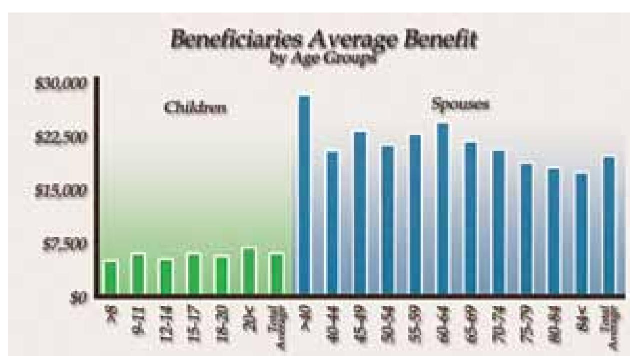


Membership Profile
Membership Census as of June 30, 2014







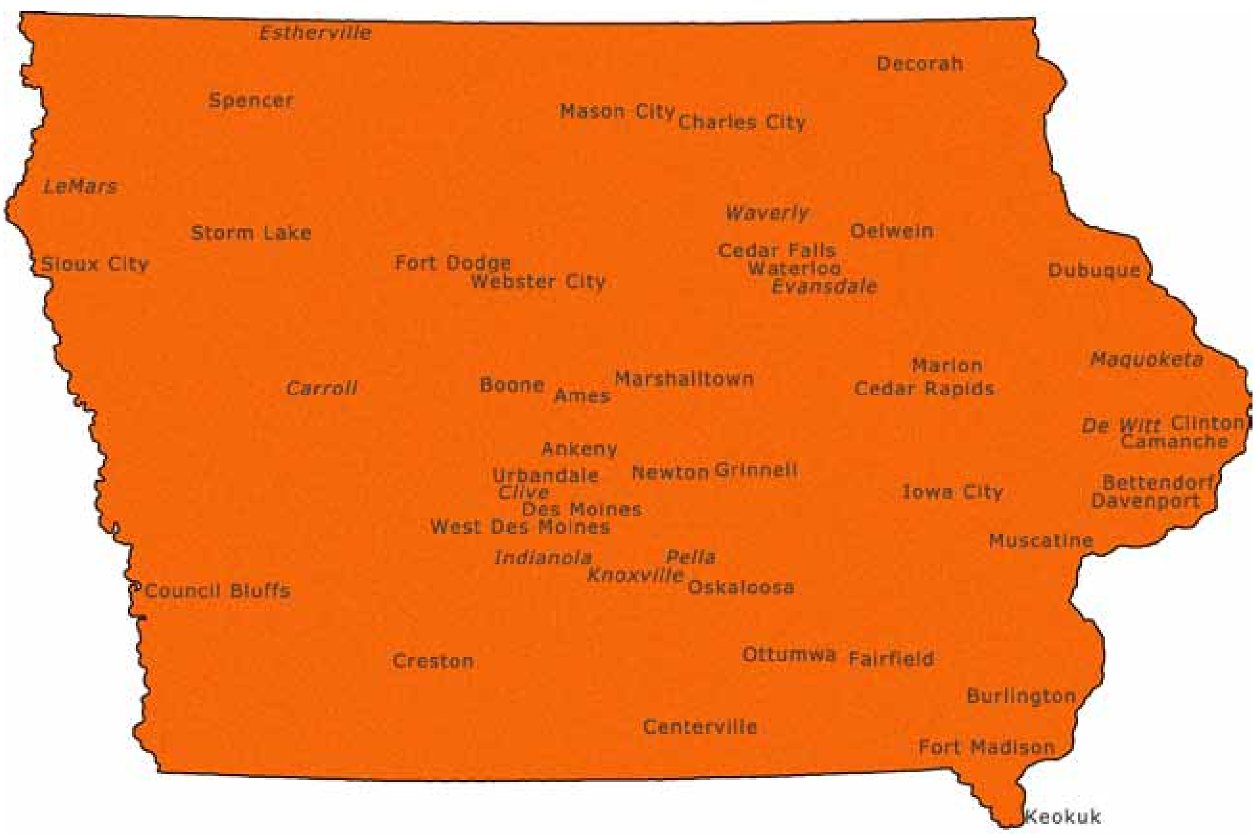


The data for the graphs above provided by Sivilerstone Group.

Participating cities in the Chapter 411 retirement system in Iowa

The membership of MFPRSI includes firefighters and police officers from the largest cities within the State of Iowa. The 49 cities, whose fire and/or police personnel are covered by Chapter 411 of the Iowa Code, are as follows *(italics denotes police department only)*:

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



Contributions to the Plan

The financing of the retirement system is derived from payments in the form of regular contributions from the membership and cities and from the growth of invested assets.

Members' Rate of Contribution

Member contributions to MFPRSI are based on a percentage of earnable compensation as defined in Chapter 411 of the Iowa Code and further defined in MFPRSI's *Administrative Rules*. To establish compliance with the Federal Older Workers Benefit Protection Act, the contribution rate for all active membership was statutorily adjusted to 9.35% in 1995. Effective July 1, 2010, the contribution rate was statutorily adjusted to 9.40% to establish the presumption that cancer and infectious diseases are considered work-related for purposes of disability and death benefits of active members.

Cities' Rate of Contribution

Contributions to MFPRSI by the member cities are based on an annual actuarial valuation of the accrued liabilities and assets of MFPRSI and the amount needed to fund future benefit accruals of the membership. The contribution rate for the cities is discussed in the Actuary section of this report.

Funds from the State of Iowa

The Board and MFPRSI's administration have actively sought re-establishment of full contributions from the State of Iowa and repayment of the under-funding over the last several fiscal years. The State of Iowa provided $0 this year toward its commitment (enacted by 1976 legislation).

INVESTMENTS

INVESTMENT PERFORMANCE   INVESTMENT POLICY & OBJECTIVES
INVESTMENT ALLOCATION

Investment Performance

An investment consulting firm, Summit Strategies Group ("Summit") submits a report to MFPRSI each quarter and provides technical information and investment advisory services to the Board and administration. Periodically, the Board reviews MFPRSI's investment policy and implements changes to the strategic and tactical policies of the investment program. Summit, located in St. Louis, MO, has been MFPRSI's investment consultant since July 1, 2004. Summit provides the Board with the periodic investment performance and market reports.

Using data provided by Summit, the performance of MFPRSI's portfolio from the inception of the fund through the latest fiscal year is reported on the chart and line graph below:

Investment Performance as of June 30, 2014

	One Year	Three Years	Five Years	Ten Years	Since Inception*
Total fund	18.2%	10.3%	12.8%	7.8%	8.1%
Policy index**	15.5%	7.9%	11.0%	7.0%	7.1%
Excess return	2.7%	2.4%	1.8%	0.8%	1.0%
Target actuarial rate	7.5%	7.5%	7.5%	7.5%	7.5%

* Inception Date: January 1, 1992

** Policy index = 60% MSCI ACWI IMI Index; 40% BarCap 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.

Additional information which describes the performance of the investment portfolio(s) is available upon request.

Investment Policy & Objectives
for the Fiscal Year ending June 30, 2014

Municipal Fire and Police Retirement System of Iowa is a statewide retirement system for firefighters and police officer personnel employed in Iowa's largest cities. Pursuant to State of Iowa Code Section 411.7 (as amended by Chapter 1240, Act of the 1990 Iowa General Assembly), effective January 1, 1992, MFPRSI consolidated eighty-seven local retirement systems previously administered in forty-nine cities. Permanent, full-time firefighters and police officers in the participating cities are automatically MFPRSI members. Vesting occurs when members have obtained four years of membership service or attain the age of 55 while performing membership service with MFPRSI.

MFPRSI is a defined benefit plan and maintained to provide income to employees upon their retirement. The retirement system also provides benefits in the event of an employee's death, disability, or in the event of a vested employee's termination of employment prior to normal retirement. MFPRSI's fiscal year runs July 1 to June 30.

Statement of Purpose

Investment Policy and Objectives is intended to provide a guideline for MFPRSI's investment portfolio, which, in turn, is intended to provide benefits to the members of MFPRSI by generating a total rate of return on investments consistent with risks taken within a carefully monitored and implemented risk framework.

In addition, *Investment Policy and Objectives* intends to provide the following:

- Delineates the investment related responsibilities of the Board of Trustees, MFPRSI's administration, and the retirement system's investment service providers (the "investment managers").

- Establishes formal yet flexible investment guidelines which incorporate prudent asset allocation and realistic total return goals.

- Provides a framework for ongoing communication between the Trustees, administration, and investment managers.

- Creates standards of investment performance that are reasonable and consistent with the goals of the Trustees and by which the investment managers agree to be measured over time.

It is anticipated that this statement will be reviewed annually by the Board to insure the relevance of its contents to investment market conditions and the retirement system's needs.

Investment Goals & Strategic Assumptions

Investment Goals - The investment activities of MFPRSI are designed to meet the ongoing funding requirements of the benefit plan with which it is charged under Iowa Code Chapter 411. The comprehensive goals of the investment program are as follows:

- Meet the ongoing financial needs of the benefit plan as defined by MFPRSI's actuary consistent with conservative actuarial policies.
- Create a well-diversified portfolio of assets that is anticipated to meet or exceed the retirement system's long-term actuarial interest rate assumption while taking an acceptable level of risk exposure.
- Implement the requirements of the program as delineated within the performance polices established by this document.
- Establish relationships with investment managers and investment consultants who further the goals of MFPRSI's financial purposes and provide for the continuing refinement of a comprehensive investment program.

Obtaining specific performance goals in individual portfolios and in the various investment markets is contingent upon prevailing economic conditions and the performance of the capital markets. Performance over specific periods will vary.

Strategic Assumptions - The following basic assumptions concerning the investment markets are the foundation for the development of MFPRSI's investment policy.

- Over the long-term there is a distinct relationship between return and risk; expected returns should be commensurate with risks taken to achieve them.
- It is extremely difficult to "time the stock market" knowing when stock markets will experience positive growth and negative growth. Therefore, cash should be kept to a minimum and target asset allocations should be maintained within reasonable bands.
- Diversification is essential to generate return, manage risk, and maintain exposure to the capital markets opportunity set.
- The role of active portfolio management is to add incremental value net of fees incurred.

General Investment Policies

The following general investment policies of MFPRSI are intended to meet the investment goals and represent the resolution of the Trustees in accordance with the Prudent Person mandate of Iowa Code Chapters 411 and 97B.

Asset Allocation Policies

MFPRSI will adopt and execute an asset allocation policy predicated on a number of factors that will include, but is not necessarily limited to the following:

- The projected liability stream of benefits and their costs.
- The level of expected risk and long-term performance of the capital markets.
- The historical performance of the capital markets.
- The view of current and future economic conditions including inflation and interest rate assumptions.
- The relationship between the current and projected assets of the plan and its actuarial requirements.
- The projected or expected changes in the level of financial support from its funding sources.

The policy will identify the classes of assets MFPRSI will utilize as well as the percentages they are intended to represent of the total fund. The policy is designed to provide asset diversification in an effort to enhance the investment return consistent with market and economic risk. Additionally, this policy provides the framework for distribution of cash flows and establishes the projected rate of return and standard deviation of return. The *Asset Allocation* section delineates the asset allocation policy as adopted by the Board.

Operational Expectations – MFPRSI will invest its resources in conformity with the Board's asset allocation policy. MFPRSI expects maintaining specific allocation targets is difficult due to the fluctuation of the capital markets. Therefore, the retirement system shall be viewed to be in compliance with the asset allocation policy if the asset class allocations are maintained within 5% above or below the respective target.

Performance Policies

General Performance Expectations - The performance of MFPRSI's investment program will periodically be evaluated by the Board.

The investment returns on each asset class and the returns on the total investment portfolio, asset class composites and individual manager portfolios will be compared to the appropriate indices for the market or strategy in which they invest, and/or to the interest rate assumption of the retirement system.

Portfolio Adjustments

MFPRSI will allocate cash flows to establish the portfolios consistent with the target allocation for each portfolio type. Periodically, the Board will examine the weights of each portfolio relative to the targets and to the ranges established by the asset allocation policy. MFPRSI may act to adjust the size of individual portfolios through the withdrawal of funds from individual portfolios and the reallocation to under-weighted portfolios or may rely upon the commitment of future cash flow to increase the size of individual portfolios.

Time Horizon

The progress of the retirement system, its fund, and its components relative to their return objectives will typically be measured over a full market cycle. Market cycles may differ markedly in length and there is no standardized measure for a market cycle's term. For MFPRSI's purposes, a full market cycle encompasses both a down stage and an up stage, in either order. The up or down portions of each stage will be of at least two consecutive quarters in length. Therefore, a full market cycle may be as short as one year though, in general, market cycles are expected to last from three to five years.

The market cycle concept as described above does not preempt the periodic review and evaluation of the activities and performance of individual investment managers over a period of time that is of longer or shorter duration than a market cycle. The Board reserve the right to take action relative to individual managers or to the portfolio as a whole without regard to the above described concept at any time.

Relationship Policies

Investment Manager Policies - MFPRSI selects and utilizes external investment managers to invest portions of its assets. The selection of investment managers is accomplished as described in the *Selection and Retention* section. Investment managers function either under a formal contract that delineates their responsibilities and provides an appropriate performance expectation or under a formal trust or partnership agreement with MFPRSI. When appropriate, MFPRSI may compensate the investment managers through the use of performance fees. Soft dollars generated through brokerage activity may, if authorized by the contract, be used to acquire investment research and analysis and to defray various administrative expenses. The retirement system may determine to have a portion of its portfolio managed by its administration.

Manager Investment Discretion - The investment managers under contract or who manage the applicable trust or partnership in which MFPRSI participates will have full discretion to direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document, applicable to federal and state statutes and regulations, and the executed contracts.

Manager Brokerage Discretion - The investment managers under contract to MFPRSI shall have discretion to establish and execute accounts with one or more securities broker/dealer(s) they deem appropriate. The investment managers will attempt to obtain the "best available price and most favorable execution" standard of care with respect to portfolio transactions unless such standard is not applicable in the relevant markets (e.g., private and/or foreign markets).

Manager Evaluation - The investment managers under contract with MFPRSI will meet with the administration and/or the Board for the purpose of reviewing the investment activities, portfolio performance, investment strategy, and the relevant market(s) in which it operates. The investment managers are expected to meet periodically with the administration at its request. Such meetings may be conducted at the offices of the investment firms.

Short Term Investments - Cash allocated for investment by the investment managers is managed in accordance with the guidelines established in the contractual agreement with each separate account investment manager. The guidelines with each separate account investment manager will stipulate that cash will primarily be invested in the STIF account of MFPRSI's custodial bank. Due to the fluid nature of the capital markets, cash allocation decisions may be made by the administration consistent with the Trustees' asset allocation policy.

Investment Consultants - MFPRSI may utilize the services of investment consultant(s) for various purposes, including performance reviews, asset allocation studies, manager selection screenings, and topical studies. The comments and recommendations of the investment consultant(s) will be considered in conjunction with other available information for the purpose of making an informed and prudent decision. Each investment consultant shall function under a formal contract that delineates its responsibilities.

Custodial Bank - The investment assets of the retirement system shall be held in a custody/record-keeping account in a master custodial bank and in the international sub-custodian banks under contract to the master custodial bank. The custodial bank shall function under a formal contract that delineates its responsibilities.

Securities Lending - MFPRSI may, at its discretion, authorize the execution of a securities lending program.

Selection and Retention - At its discretion, MFPRSI will:

a. Utilize a competitive Request for Proposal (RFP) or Request for Information (RFI) process to select investment managers and custodian bank.

or

b. In consideration of the extensive screening process conducted by its investment consultant, request a list of the top candidate firms created by its investment consultant. Subsequent to the identification of the top candidate firms, the firms will be evaluated by the administration and MFPRSI's investment consultant. Upon completion of this evaluation the firm identified as the top candidate will be interviewed by MFPRSI with the participation of the consultant (more than one firm may be interviewed). Upon completion of the process a recommendation will be made to the Board. Upon approval of the Board, the retirement system will either establish a contract or participate in a partnership or trust managed by the selected firm subject to legal review and negotiation of terms and conditions.

MFPRSI may utilize an RFP to select investment consultant(s).

The contracts established on behalf of MFPRSI will provide for an ongoing relationship and establish definite service requirements for the firm. The contract with the firm will provide for the termination of the relationship at MFPRSI's discretion. Action to terminate a relationship with a firm will be based upon the firm's performance while under contract and may take into account all relevant information concerning the firm.

Administrative Policies

Proxy Voting - Voting rights of corporate stocks will be exercised by the administration or, at its direction, by designated investment managers, in the best interest of MFPRSI and in accordance with the applicable statutes. The custodial bank will forward all proxies to the administration or to the designated investment manager. The administration or the designated investment managers will execute the voting of the proxies in accordance with the "prudent person" standard delineated in Iowa Code Chapter 97B. It is the general policy of MFPRSI to vote its shares against measures that would hinder or prevent the acquisition or takeover of a corporation or company where a takeover or acquisition may be beneficial to the long-term earnings of the fund. Additionally, it is the general policy of MFPRSI to abstain from voting its shares on social issues except where the voting of said proxy may serve to further the safety of the membership of the retirement system if consistent with the execution of MFPRSI's fiduciary responsibility. Issues arising in the proxy process may include, but are not limited to the following:

- Election of directors, including the number and terms of office, attendance, and number of meetings held.
- Selection and ratification of auditors.
- Stock splits, dividend, and fractional share issues.
- Application for listing of securities.
- Corporate name changes.
- Remuneration of management, directors, and employees including ratification of employee stock option plans.

- Employment issues.
- Cumulative voting issues.
- Fees paid to auditors or consultants.
- Date or location of annual meetings.
- Contributions to charities or educational institutions.
- All other items which are not expected to have a material adverse effect on the price of the security or which would not substantially affect the rights or privileges of the security.
- Acquisitions, mergers, and divestitures.
- Significant changes in the company's articles of incorporation or by-laws, such as anti-takeover provisions, poison pills, or rights issues.
- Increases in the number of authorized shares.
- Business abroad.

Education and Due Diligence - To maintain and strengthen the investment management of MFPRSI, the Board, and/or the administration may, when appropriate:

- Participate in conferences/seminars related to the investment activities of public and private institutional investors and participate in the meetings of organizations of which MFPRSI is a member.
- Meet periodically with the MFPRSI's investment managers at their office to perform a review and to clarify investment or administrative issues related to the management of the portfolio.
- Participate in the investors' meetings conducted by the various investment managers of MFPRSI's assets.
- Conduct due diligence visits to assess the acceptability of an investment manager(s) under consideration for management of the retirement system's assets and maintain good faith in its current investment managers under contract.

Organizations - To maintain and strengthen the investment management of the retirement system, MFPRSI may join national organizations related to institutional management, finance, and education.

Responsibilities

Board of Trustees

The Trustees on the Board acknowledge their individual and collective responsibility as fiduciaries of the retirement system. In the management and administration of the invested assets that comprise MFPRSI, the Board strives to act prudently and for the best long-term interest of the retirement system and its membership.

The Board will periodically review the progress of the retirement system in achieving its investment objectives, on the compliance with the policies and guidelines as outlined in this investment policy, and on other matters as appropriate. The Board as a group shall, as an Investment Committee of the whole, or periodically through an ad hoc Investment Committee appointed as their representative, perform the following:

1. Ensure that the contributions to MFPRSI and the proceeds from the investments are used in accordance with its objectives.
2. Evaluate and select an independent investment consultant, if deemed necessary, to assist the Board in forming investment objectives and policies, allocating assets, selecting investment opportunities and investment managers, monitoring performance, and considering other appropriate issues as they may occur.
3. Develop investment objectives, guidelines, and performance standards which are consistent with the risk, performance, and policy parameters of each investment component.
4. Evaluate and select investment managers, pooled funds, mutual funds, or other appropriate investment vehicles for each investment component of MFPRSI's assets.
5. Communicate the investment objectives, guidelines and standards (including any material changes that may occur) to the investment managers or responsible representatives of the selected investment managers of the funds.
6. Review and evaluate results of each investment component in context with established standards of performance.
7. Implement or direct appropriate action(s) as deemed prudent if investment results are below expectations or if prevailing conditions warrant.
8. Ensure the compliance with the provisions and reporting requirements of pertinent federal, state, and local regulations and rulings.

Investment Consultant

The investment consultant(s), in recognition of their role as a fiduciary of MFPRSI, will perform the following:

1. Support the development of *Investment Policy and Objectives* which identifies the various policy issues affecting MFPRSI's investment of assets.
2. Make recommendations, when deemed necessary, as to changes in the objectives, guidelines, or standards based upon material and sustained changes in the capital

markets.

3. Make recommendations with supporting materials as to the appropriate portfolio weights among the various major asset classes (i.e., stocks, bonds, and cash) within the funds.
4. Assist the Board in selecting investment managers by:
   a. Identifying and screening candidates for appropriate portfolio and organizational characteristics.
   b. Performing due diligence reviews and evaluations.
   c. Quantifying the analysis between expected returns and risks among various investment alternatives.
   d. Functioning as an information-gathering agent.
5. Perform a quarterly performance evaluation of MFPRSI's portfolios and their components and provide a written report to the Board following the end of each quarter. The written report will cover four basic areas:
   a. Returns - Total time weighted rates of returns.
   b. Comparisons - Returns will be compared to appropriate benchmark indices and a universe of similar funds.
   c. Diagnostics - Measurement of risk adjusted performance, analysis of risks, style characteristics, and return attribution.
   d. Compliance - The investment manager's compliance with the assigned portfolio level mandates of the individual contracts.
6. Participate in periodic review meetings with the Board and/or the administration to evaluate and assess the performance and quality of the individual managers. The purpose of such meetings will be to provide the following:
   a. A review and re-appraisal of the investment program.
   b. A commentary on investment results in light of the appropriate standards of performance.
   c. A discussion of any key policy issues.
   d. Any other matters as deemed appropriate by the Board or the administration.

Administration

The administration shall perform the following on behalf of the Board:

1. Coordinate the development of *Investment Policy and Objectives* which identifies the various policy issues affecting the MFPRSI's investment of assets.

2. Make recommendations concerning changes in the objectives, guidelines, or standards based upon material and sustained changes in the capital markets.
3. Administer the various policies delineated by this document and execute decisions made by the Board concerning the investment program.
4. Participate in periodic review meetings with the Board to evaluate and assess the performance and quality of the individual managers. Periodically meet with individual investment managers, the custodian bank, and consultants to assess the quality of the services being provided to MFPRSI.
5. Establish contracts with the support of MFPRSI's legal counsel with investment managers, consultants, and the custodian bank.
6. Vote the shares of the MFPRSI's equity assets through the proxy process in consideration of its economic interests or direct the managers to vote the proxies of MFPRSI.
7. Manage a portion of the MFPRSI's assets upon authorization of the Board and the establishment of specific guidelines.
8. Coordinate the investment manager selection process with the investment consultant to develop a consensus recommendation to the Board.
9. Continually monitor the activities and operations of each investment manager to ensure the investment guidelines are followed and the assets are secure through the proper implementation of internal controls.

Investment Managers

The investment managers, in recognition of their role as fiduciaries of MFPRSI, shall assume the following responsibilities as they pertain to:

1. Legally commit to invest MFPRSI's funds in accordance with the objectives, guidelines, and standards delineated in the contractual document established between MFPRSI and the investment firm.
2. Exercise full discretionary authority as to all buy, hold, and sell decisions for each asset under the firm's management subject to the requirements of the contract.
3. Make recommendations, when deemed necessary, as to changes in the objectives, guidelines, or standards contained within the contract based upon material and sustained changes in the capital markets.
4. Produce a statement for MFPRSI at the end of each month describing the portfolio asset class weights, individual security positions showing both cost and market value, and all principal cash transactions including all buys and sells in sufficient descriptive detail. For commingled assets this statement should show unit position and unit value. Reports will include a performance review and be submitted to MFPRSI as requested (e.g., quarterly, monthly, ad hoc).

5. At MFPRSI's request, participate in periodic review meetings with any or all of the following: the Board, the administration, or investment consultant. The subjects to be discussed shall include:
    a. A review of the activities of the manager pertaining to the individual portfolio and commentary upon the specifics of the investment strategy.
    b. A commentary on investment results in light of the appropriate standards of performance.
    c. A synopsis of the key investment decisions made by the investment manager, the underlying rationale, and how those decisions could affect future results.
    d. A discussion of the investment manager's outlook, including specific investment decisions the outlook may generate, and how these decisions may affect future results.
6. Provide frequent and open communication with MFPRSI on all material matters pertaining to investment policies and the management of the fund's assets. In particular, the investment managers will:
    a. Provide notice of any material changes in their investment outlook, strategy, and portfolio structure.
    b. Notify MFPRSI of material changes in the investment firm's ownership, organizational structure, financial condition, senior staffing, and management.
    c. Provide a copy to MFPRSI of each investment manager's periodic SEC Form ADV filing and of any other documents required by the contract with MFPRSI.
7. The investment managers will use their best judgment to obtain brokerage services based upon consideration of the objective of the best execution of trades and the lowest cost to the retirement system. MFPRSI may direct the investment manager to direct a reasonable amount of brokerage fees to particular brokerage firms in payment for certain third-party services as may be determined to be needed by the retirement system.
8. The investment managers shall, upon request from the administration, provide information concerning individual proxy issues. Issues arising in the proxy process may include both routine and non-routine matters.

Custodian Bank

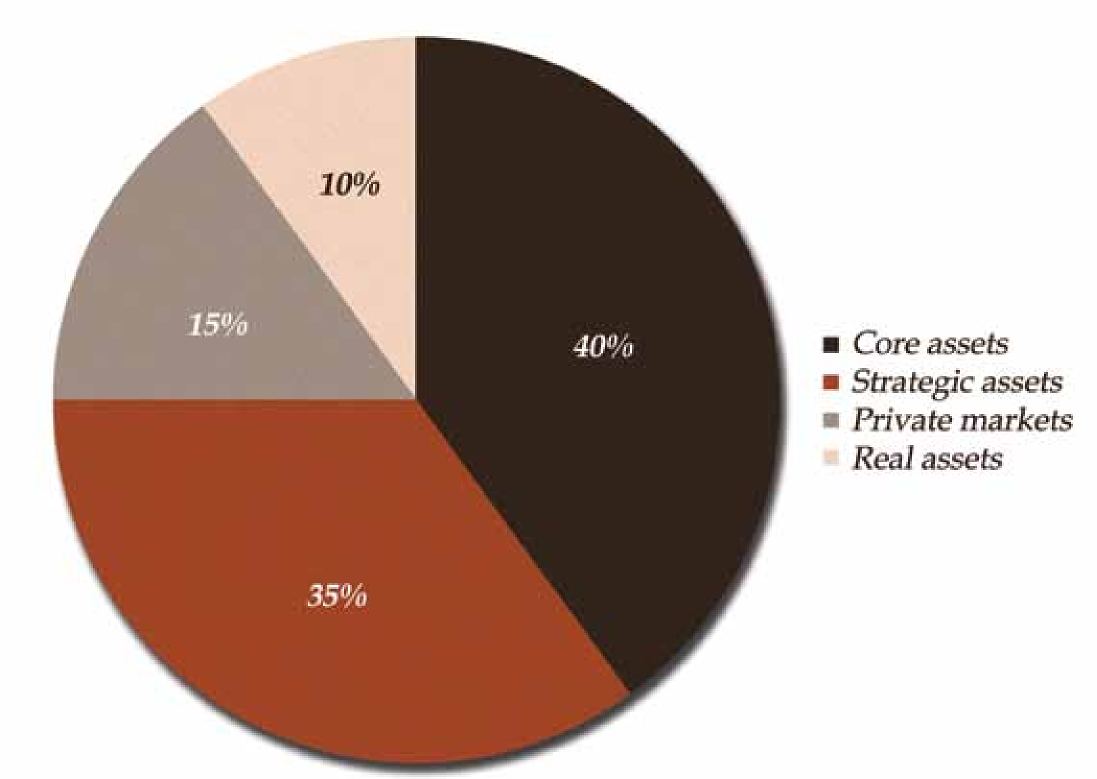
The custodian bank, in recognition of its role as MFPRSI's fiduciary, shall assume the following responsibilities:

1. Hold all MFPRSI deposits in the appropriate accounts and provide highly secure storage of stock certificates and bonds such that there is essentially no risk of loss due to theft, fire, or accident. Maintain appropriate records on computer files (i.e., data bases) that are secure and free from inappropriate manipulation.
2. Arrange for timely and business-like settlement of all purchases and sales made for MFPRSI. Transactions shall be on a delivery versus payment basis unless dictated by the requirements of the markets in which the transactions are conducted. The custodian bank shall act to insure the safety of the assets in the markets in which the transactions are conducted.
3. Provide for receipt and prompt crediting of all dividend and interest payments received as a result of MFPRSI's holdings. Monitor income receipts to ensure that income is received when due and institute investigative process to track and correct tardy or insufficient payments including reimbursement of interest lost due to tardiness or shortfall.
4. Sweep excess cash daily into an interest bearing account featuring a high degree of safety of principal and liquidity.
5. Provide monthly reports showing individual asset holdings with sufficient descriptive detail to include units volume, unit price, cost, market value, CUSIP number (where available), and any other information requested by MFPRSI. Principal cash transactions, including dividends and interest received, deposits, withdrawals, securities purchased, sold, matured, and fee payments will also be listed.
6. At the direction of MFPRSI's Executive Director or their appointed representative, transfer funds into and from specified accounts.
7. Promptly forward all proxy materials received to the administration or, at the administration's direction, to the appropriate investment manager for execution.
8. Monitor all securities litigation affecting the retirement system and keep MFPRSI informed of all activities related to each lawsuit.

Investment Allocation

Asset Allocation as of June 30, 2014	Portfolio Target Percentage
Core investments[1]	40%
Strategic investments[2]	35%
Private markets	15%
Real assets	10%
Total	100%
Total plan 10-year performance expectation*	8.0%
Standard deviation (risk)*	12.2%

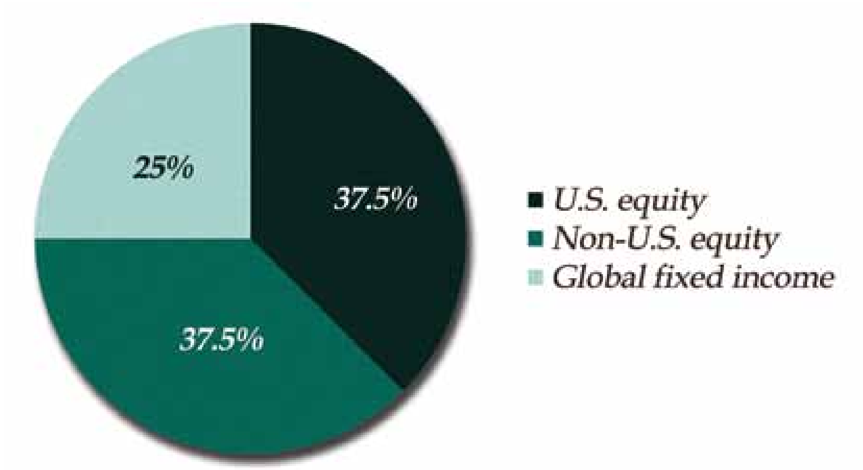
*Performance expectation and risk projection based upon Summit Strategies' 2012 assumptions.



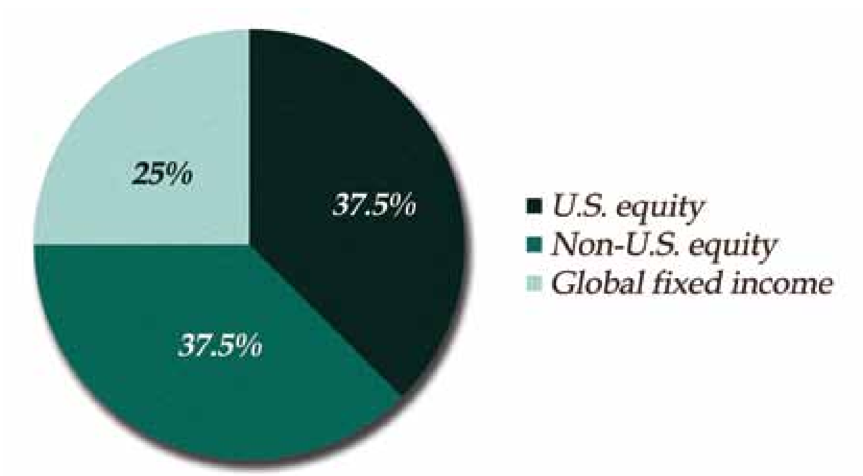
Caveats:

1. In the absence of suitable opportunities within a specific market the funds shall be directed to the other components within the debt or equity category. Due to the fluctuation of market values positioning within a range shall constitute compliance with the policy.
2. A review of the allocation policy shall occur periodically to allow the Board of Trustees to consider the affect of any changes in market conditions or of the expectations for the retirement system.

[1]Core Investments Allocation Policy	Portfolio Target Percentage
U.S. equity	37.5%
Non-U.S. equity	37.5%
Global fixed income	25.0%
Total	100%



[2]Strategic Investments Allocation Policy	Portfolio Target Percentage
U.S. equity	37.5%
Non-U.S. equity	37.5%
Global fixed income	25.0%
Total	100%



Asset Guidelines

The assets held in each portfolio are delineated in the contract established with the individual investment management firm. The requirements for the individual managers shall be consistent with the general policies described as follows:

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

The stock and bond holdings of the fund may include individual debt or equity securities issued by state, federal or foreign governments, or business entities domiciled therein. These holdings may also include mutual or commingled funds comprised of stock or bond holdings as well as individual instruments (e.g., futures and options) which may be utilized as an alternative to stock or bond positions as specified.

The stock, equity, bond, and debt holdings of the retirement system are subject to the Iowa Sudan Divestment Act of 2007, as enacted by the 2007 Iowa General Assembly and the Iran Divestment Act of 2011 as enacted by the 2011 Iowa General Assembly. Security holdings in the investment portfolios of the retirement system are subject to the non-investment and divestment provisions of the acts.

Other Asset Classes - Cash

The currency position of MFPRSI's investment portfolio may include the currency of a group of selected nations which have well established and stable economic and political structures. Currency positions will be only taken in countries or in multinational currencies (e.g., Euros) in which MFPRSI has determined to invest its assets. The fund's currency assets may be represented within the individual portfolios of the investment managers which are governed by investment mandates and may include international bond 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 investment mandates.

Other Asset Classes - Derivative Instruments

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

- As an alternative to maintaining a selected asset position.
- To maintain the duration of securities in a portfolio.
- To gain exposure in a time of U.S. dollar strength to a foreign bond market with minimal exposure to the currency of the country.
- To hedge or protect existing or anticipated portfolio positions.

- To establish and maintain the currency positions for currency overlay portfolio(s) and for the individual currency activities of the individual portfolios.
- Not to speculate or leverage the portfolio.

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

1. Over The Counter (OTC) derivatives: privately negotiated contracts provided directly by dealers to end-users. OTC derivatives may include swaps, futures, and options based upon interest rates, currencies, equities, and commodities.
2. Standardized contracts sold on exchanges. Both futures and options would be included under this definition.

Other Asset Classes - Real Assets

MFRPSI may from time to time invest in real assets. The largest portion of this asset class is 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. Other than such property as it may elect to purchase and occupy for use as administrative offices, MFPRSI will not invest directly in real estate as either an equity owner or lender.

Other Asset Classes - Private Markets

The fund may hire various investment managers who invest in private market opportunities, including but not limited to venture, buyout, opportunistic, secondary market, and direct investment. These opportunities will consist of investing in private companies that do not offer equity and fixed income securities on public markets.

ACTUARY

ACTUARIAL SUMMARY   FUNDING RATIO

Actuarial Summary

Over the course of the fiscal year ending July 1, 2014, MFPRSI covered 3,885 active members, 4,217 inactive participants, and distributed approximately $139 million in pension benefits.

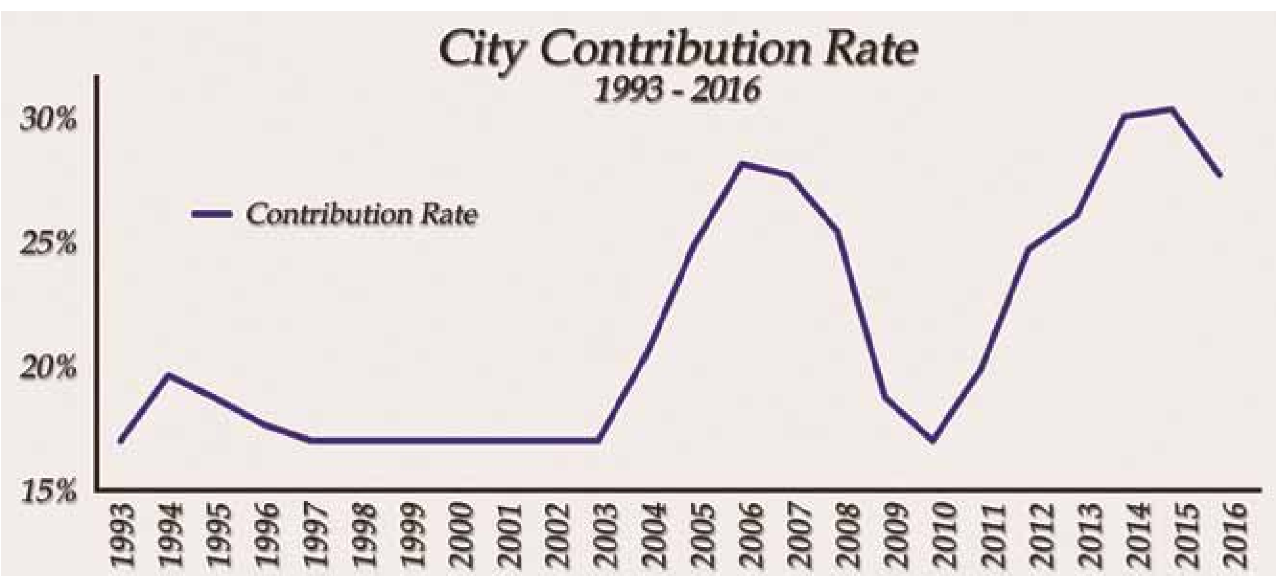
The required contribution rate for the cities for the 2015-2016 plan year has been certified by the Board at 27.77% of covered payroll (earnable compensation). The contribution rate was calculated by the actuary as shown on the following page.

The following table shows the required contribution rates for the cities since the inception of MFPRSI. The 2014 valuation is based on asset values as of June 30, 2014, participant census data as of July 1, 2014, and current MFPRSI provisions.

Contribution Rate History

Period	Rate	Period	Rate
1/1/92 - 6/30/93*	17.00%	7/1/04 - 6/30/05	24.92%
7/1/93 - 6/30/94	19.66%	7/1/05 - 6/30/06	28.21%
7/1/94 - 6/30/95	18.71%	7/1/06 - 6/30/07	27.75%
7/1/95 - 6/30/96	17.66%	7/1/07 - 6/30/08	25.48%
7/1/96 - 6/30/97*	17.00%	7/1/08 - 6/30/09	18.75%
7/1/97 - 6/30/98*	17.00%	7/1/09 - 6/30/10*	17.00%
7/1/98 - 6/30/99*	17.00%	7/1/10 - 6/30/11	19.90%
7/1/99 - 6/30/00*	17.00%	7/1/11 - 6/30/12	24.76%
7/1/00 - 6/30/01*	17.00%	7/1/12 - 6/30/13	26.12%
7/1/01 - 6/30/02*	17.00%	7/1/13 - 6/30/14	30.12%
7/1/02 - 6/30/03*	17.00%	7/1/14 - 6/30/15	30.41%
7/1/03 - 6/30/04	20.48%	7/1/15 - 6/30/16	27.77%

* Rate certified at statutory minimum of 17.00%



Valuation as of June 30, 2014 - Contribution Rate
(Effective July 1, 2015)

Preliminary Total Contribution

1.Annual Normal Cost	$49,893,939
2.Estimated Member Contributions	25,028,949
3.Unfunded Actuarial Accrued Liability Amortization Payment	49,082,088
4.Total (Cities plus State) Contributions (1) – (2) + (3)	73,947,078

Cities' Contribution

5.Preliminary Total Contribution (4)	73,947,078
6.Estimated State Contribution	0
7.Preliminary Cities' Contribution (5) – (6)	73,947,078
8.Covered Payroll	266,265,413
9.Cities' Contribution as a percent of payroll (7) / (8)	27.77%
10.Minimum required contribution rate for Cities	17.00%
11.Cities' Contribution [Greater of (9) or (10)] x (8)	$73,941,905

Funding Ratio

A comparison of the actuarial value of assets with the actuarial entry age normal liability provides one measure of the funded status of MFPRSI. The actuarial entry age normal liability consists of the liability for pension and ancillary benefits that have been earned on the basis of each participant's salary and service history as of the fiscal year-end valuation date. These values under the assumptions as of the current valuation date are shown below along with funded percentage (the actuarial market value of assets divided by the actuarial entry age normal liability).

Funding Ratio	July 1, 2014
1.Actuarial Accrued Liability	$2,640,955,176
2.Actuarial Value of Assets	2,054,844,278
3.Unfunded Actuarial Accrued Liability (1) - (2)	586,110,898
4.Funding Ratio (2) / (1)	77.8%

Additional Actuarial Valuation Information

Valuation date................................ July 1, 2014
Actuarial cost method....................Entry age normal
Asset valuation method................ 5 year smoothed market
Amortization method....................Level dollar, closed, layered
Amortization period......................25 years
Actuarial assumptions:
Projected salary increases.......4.50% to 15.11%
Investment rate of return........7.50%
COLAs......................................Annual adjustment in accordance with Iowa Code Chapter 411.6
Mortality Table.........................Weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method was used to determine recommended contributions. Using this method, the annual contribution consists of a normal cost and an unfunded accrued liability payment.

The normal cost is determined as the sum of the individual normal costs for each active member of MFPRSI. A normal cost accrual rate is determined for each member. The accrual rate is equal to the actuarial present value of future benefits determined as of the member's entry age, divided by the actuarial present value of the assumed salaries paid to the member from entry age to retirement age. The normal cost accrual rate is multiplied by current salary to provide the member's individual normal cost.

The actuarial accrued liability is the sum of the individual actuarial accrued liabilities for all MFPRSI members. Each member's actuarial accrued liability equals the actuarial present value of future benefits, less the actuarial present value of the member's normal costs payable in the future. These present values are calculated at the member's attained age. The unfunded actuarial accrued liability equals the total actuarial accrued liability less the actuarial value of plan assets. The unfunded actuarial accrued liability payment is the amount payable toward the amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over 25 years on a level dollar, closed, layered basis.

At the end of each year, a determination of actuarial gains and losses is made. Actuarial gains and losses indicate the extent to which actual experience is deviating from that expected on the basis of the actuarial assumptions. Actuarial gains result from experience more favorable than assumed and reduce the unfunded actuarial accrued liability. Actuarial losses result from experience less favorable than assumed and increase the unfunded actuarial accrued liability.

Government Accounting Standards Board Disclosure

Measurements used to evaluate the funded status of the retirement system are based on procedures set forth by GASB (Government Accounting Standards Board). In an effort to enhance the understandability and usefulness of the pension information that is included in the financial reports of pension plans for state and local governments, GASB has issued Statement No. 25—Financial Reporting for Defined Benefit Pension Plans and Statement No. 50 – Pension Disclosures. GASB Statement No. 25 and No. 50 establish a financial reporting framework for defined benefit plans.

GASB has issued two new statements, Statement No. 67 – Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25), and Statement No. 68 – Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27). Statement No. 67 is effective for fiscal years beginning after June 15, 2013, while Statement No. 68 is effective for fiscal years beginning after June 15, 2014. Statement No. 67 applies to financial reporting by pension plans, while Statement No. 68 applies to accounting and financial reporting by state and local governments for pensions. This report includes information relative to reporting requirements of GASB Statement No. 67 while information relative to reporting requirements of GASB Statement No. 68 is prepared in a separate report.

In addition to two required statements regarding the retirement system's assets, the statement requires four schedules and accompanying notes disclosing information relative to provisions of the retirement system, assumptions used to measure the total pension liability, the funded status of the retirement system and historical contribution patterns.

- The Schedule of Changes in Net Pension Liability provides changes in the total pension liability, the plan's fiduciary net position and the net pension liability.

- The Schedule of Net Pension Liability provides the net pension liability as a percentage of covered payroll.

- The Schedule of Employer Contributions provides historical information about the Actuarially Determined Contribution (ADC) and the percentage of the ADC that was actually contributed. For the retirement system, the ADC is equal to the normal contribution rate multiplied by the covered payroll for the year. This is the total ADC before any adjustment for minimum contribution rates or state contributions.

- The Schedule of Investment Returns presents the annual money-weighted rate of return on pension plan investments. This information is prepared in a separate report.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

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In addition to the photographs provided by Iowa municipal fire and police departments, this publication is designed using stock illustrations. The illustrations are chosen for descriptive purposes only and they do not imply any particular attitudes, behaviors, or actions on the part of anyone associated with MFPRSI.