Iowa Peace Officers Retirement, Accident and Disability System

JULY 1, 2026 VALUATION RESULTS



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CavMac
Actuarial Consulting Services

Actuarial Reserve Funding

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Builds funds during working careers.

Investment returns help pay for benefits.

Actuarial valuation is mathematical model of financial future of system.

Actuarial cost method's goal is level contributions as percent of payroll.

Goal is contribution equity among generations of active members and taxpayers.

The Actuarial Model

Inputs

- Membership Data
- Benefit Provisions
- Asset Data
- Actuarial Assumptions
- Actuarial Methods



Actuarial Model

- Employer Contribution
- Unfunded Actuarial Accrued Liability (UAAL)
- Funded Ratio
- Actuarial Gain or Loss
- Projections

Results

Purpose of an Actuarial Valuation

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Performed Annually as of July 1

- Update previous valuation and reflect FY2026 events
- Comment on, and quantify, FY2026 events that impacted the July 1, 2026 valuation
- Assess and disclose key funding risks
- Analyze and report on trends



Funding Results

- Disclose key asset and liabilities measures, including funded ratio and Unfunded Actuarial Accrued Liability (UAAL) as of July 1, 2026
- Determine Actuarial Contribution Rate for FY 2027
- Evaluate the sufficiency of the current statutory funding of the System including additional $5 million supplemental State contribution.



Projection Results

- Using modeling tool, project System's funded status in the future, if all assumptions are met.
- Sensitivity analysis on projection results if investment returns vary from the assumed rate of return.

Experience impacting the July 1, 2026 valuation

Asset Experience

- Net market return for FY 2026 of 14.6%
- Due to asset smoothing, return on actuarial assets was 4.6%
- **Resulted in an actuarial loss of $15.5 million**
- Deferred investment gain increased from $6.1M to $88.6M

Liability Experience

- Both actuarial gains and losses on liabilities occurred in FY 2026
- Largest source of gain was post-retirement benefit increases that were lower than expected, based on the assumptions. Partially offset by retirement experience.
- **Net liability gain of $0.9 million**

Other Experience

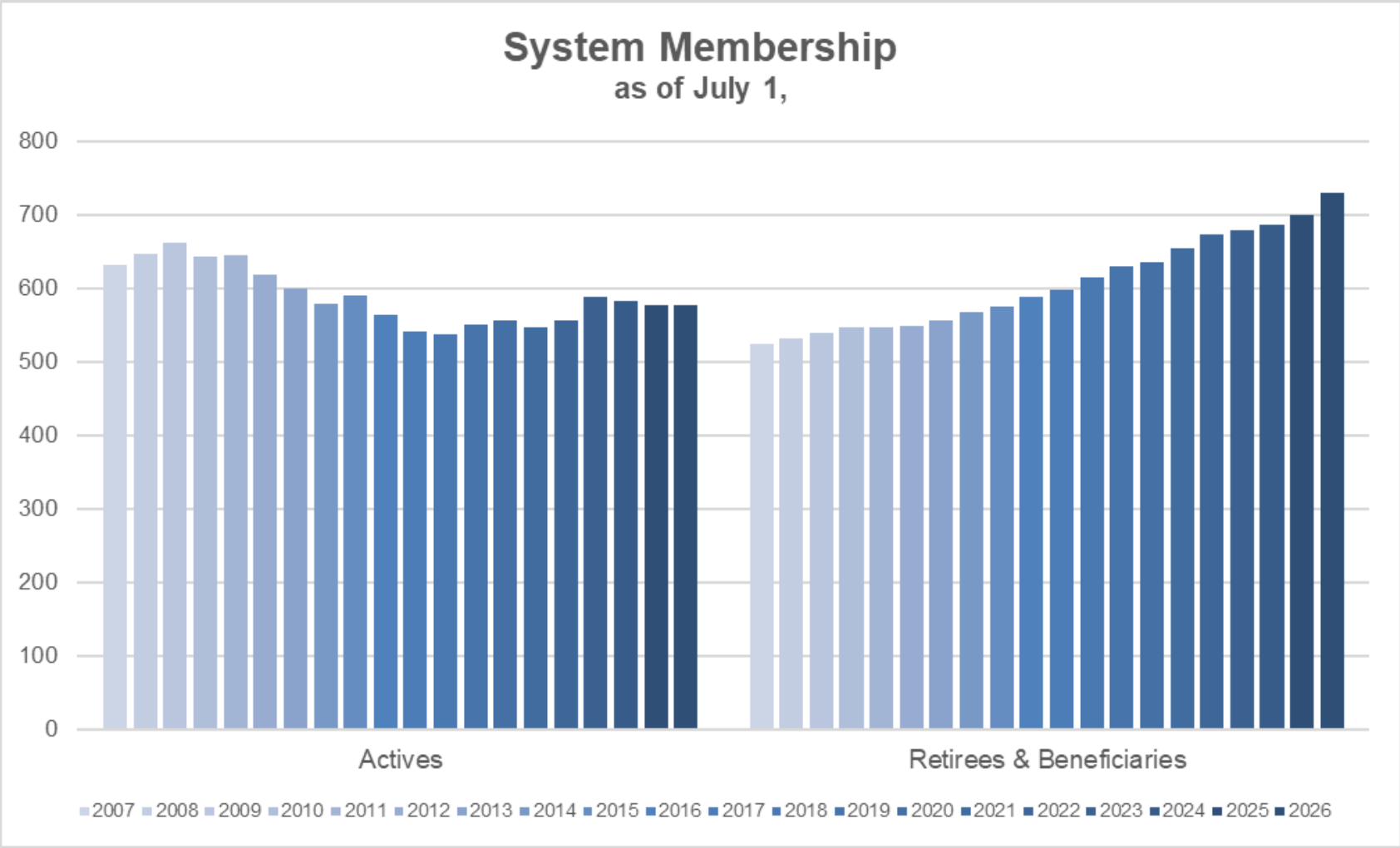
- State's actuarial contribution rate for FY 2026 exceeded actual contribution rate by 11.747%
- **Contribution shortfall for FY 2026 increased the UAAL by $7.1 million**

Membership Data

	July 1 Valuation				
	2026	2025	2024	2023	2022
Active Members					
Count	577	577	583	588	555
Average Age	40.0	40.8	41.1	41.1	41.6
Credited Service	14.5	15.4	15.6	15.7	16.2
Annual Salary	$106,995	$104,734	$101,090	$95,390	$91,176
Retired Members					
Count	729	700	687	679	673
Average Age	70.8	71.1	71.0	71.2	70.9
Annual Benefit	$67,371	$65,113	$62,559	$59,472	$57,541
Inactive Vested					
Count	42	43	44	44	42



Longer Term Historical Membership Data



The active count has declined by 13% from its peak in 2009 while the number of members receiving a benefit has steadily increased. With fixed contribution rates, the decrease in the active population creates pressure on the funding of the System because covered payroll, and therefore contributions, are lower.

Actuarial Value of Assets

- Market value of assets is not used directly in the valuation

- Asset valuation method used to smooth the effect of market fluctuations (how and when actuarial asset gains/losses are recognized
  - Current method smooths the difference between actual and expected return on market value of assets evenly over 5 years
  - Goal is to provide more stability in funded status and actuarial contribution rate
  - Smoothed value is called “actuarial value of assets” and is used in all measurements in the valuation

Change in Asset Values ($M)

	Market	Actuarial
▪ July 1,2025 Value	$817.7	$811.7
– Contributions	34.3	34.3
– Benefit Payments	(46.0)	(46.0)
– Admin Expenses	(0.4)	(0.4)
– Net Investment Return	119.4	36.9
▪ July 1, 2026 Value	$925.1	$836.5
▪ Rate of Return	+14.6%	+4.6%

Note: numbers may not add due to rounding

The 4.6% return on the actuarial value of assets was lower than the assumed rate of return of 6.5% which created an actuarial loss of $15.5 million.

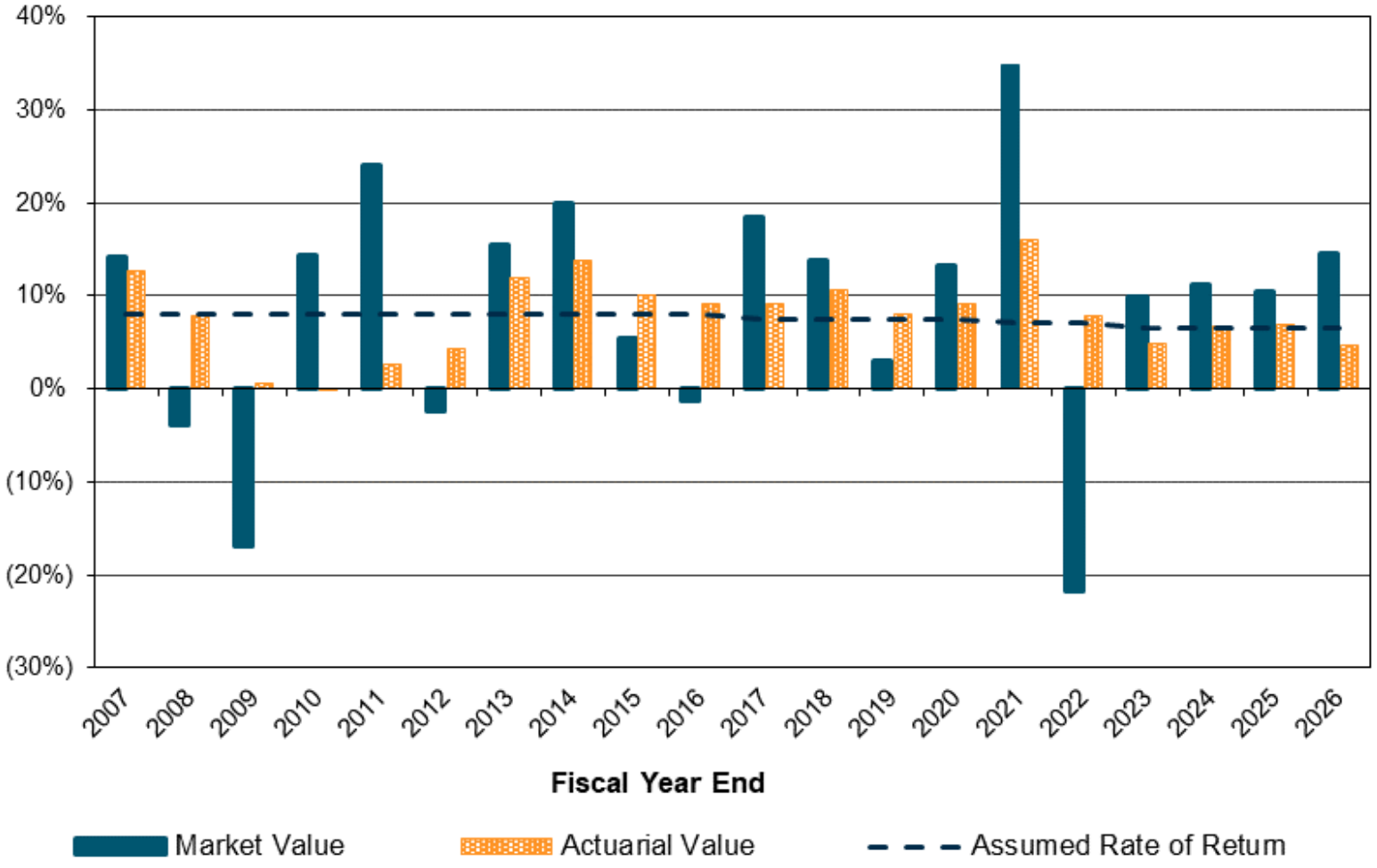


Recognition of Deferred Asset Experience

Plan Year Ended	Gain/(Loss) Deferred to Future Years	Gain/(Loss) to be Recognized in Plan Year Ending			
		2027	2028	2029	2030
6/30/2023	4,322,485	4,322,485			
6/30/2024	13,072,726	6,536,363	6,536,363		
6/30/2025	17,862,205	5,954,068	5,954,068	5,954,069	
6/30/2026	53,331,578	13,332,895	13,332,895	13,332,895	13,332,893
Total	$88,588,994	$30,145,811	$25,823,326	$19,286,964	$13,332,893

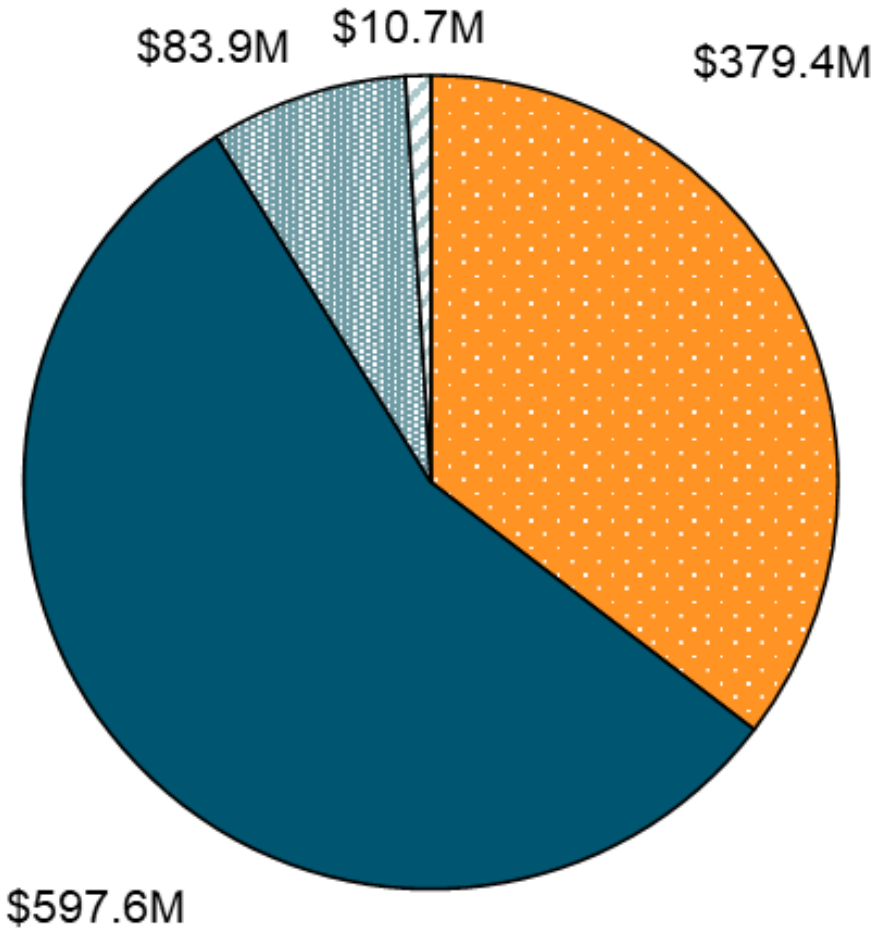
Note: the net deferred experience of $88.6M is not recognized equally over the next four years, but rather each year's experience is recognized over its own five-year period. Future experience will also impact the net amount of gain/loss recognized in future years.

Historical Asset Returns



To prevent the extreme volatility in the market value returns from generating volatile funding results, an asset valuation method is used to smooth the returns.

Actuarial Accrued Liability (AAL)



Retiree & beneficiary liability of $682M is 64% of total actuarial accrued liability.

Actuarial Accrued Liability:	$1,072M
Actuarial Assets:	837M
Unfunded Liability:	$ 235M
Funded Ratio:	78%

Unfunded Actuarial Accrued Liability (UAAL)

UAAL July 1, 2025	$219.7
• Expected decrease from amortization	(6.1)
• Contributions below actuarial rate	7.1
• Investment experience	15.5
• Liability experience*	(0.9)
• Other experience	(0.2)
UAAL July 1, 2026	$235.1

*Primarily due to post-retirement escalator increases that were lower than expected, based on actuarial assumptions.



Actuarial Gain/(Loss) by Source



Actuarial Contribution Rate

Components:

- Normal Cost
- Administrative Expenses
- Amortization of UAAL

“Layered amortization” method is used:

- Legacy UAAL amortized over 30 Years from 2008 (Closed Period) so 12 years remain as of July 1, 2026
- New pieces of UAAL amortized over closed 20-year periods
- UAAL payment is the sum of the payments for all bases

Utilization:

- Only a benchmark to evaluate the adequacy of the current contribution rates
- Projections are necessary to analyze the Plan’s long-term funding

Normal Cost Rate

	July 1, 2026 Valuation	July 1, 2025 Valuation
Retirement Benefits	28.715%	28.702%
Withdrawal Benefits	0.687%	0.680%
Death Benefits	0.739%	0.739%
Disability Benefits	5.203%	5.200%
Total	35.344%	35.321%

The normal cost rate usually remains stable, absent changes to the actuarial assumptions.

UAAL Contribution Rate

Amortization Bases	Original Amount	July 1, 2026 Remaining Payments	Date of Last Payment	Outstanding Balance as of July 1, 2026	Annual Contribution*
2017 UAAL Base	$ 182,759,035	12	7/1/2037	$ 157,259,989	$ 16,346,121
2018 Experience Base	(20,775,216)	12	7/1/2037	(17,876,600)	(1,858,153)
2019 Experience Base	(7,599,217)	13	7/1/2038	(6,746,208)	(658,110)
2020 Assumption Change Base	42,755,186	14	7/1/2039	38,933,055	3,585,347
2020 Experience Base	(18,319,662)	14	7/1/2039	(16,681,964)	(1,536,243)
2021 Experience Base	(53,264,638)	15	7/1/2040	(49,665,629)	(4,339,284)
2022 Assumption Change Base	72,348,995	16	7/1/2041	68,779,716	5,726,121
2022 Experience Base	(8,541,603)	16	7/1/2041	(8,120,210)	(676,032)
2023 Experience Base	26,302,521	17	7/1/2042	25,442,005	2,026,019
2024 Experience Base	18,307,800	18	7/1/2043	17,957,940	1,372,463
2025 Experience Base	4,365,237	19	7/1/2044	4,329,100	318,486
2026 Experience Base	21,532,236	20	7/1/2045	21,532,236	1,528,938
Total				**$ 235,143,430**	**$ 21,835,673**

* Contribution amount reflects mid-year timing.

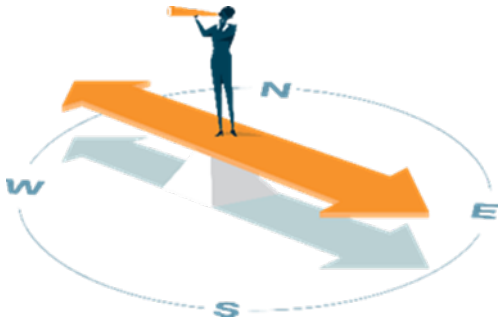
1. Total UAAL Amortization Payments	$ 21,835,673
2. Projected Payroll for Plan Year Ending June 30, 2027	$ 61,736,109
3. UAAL Amortization Payment Rate	35.369%

Actuarial Contribution Rate

Normal Cost	35.344%
Administrative Expenses	0.638%
UAAL Contribution *	35.369%
Total Actuarial Contribution Rate	71.351%

* Amortization of UAAL payments are as a level percent of payroll, assuming a 2.75% annual increase in payroll so the dollar amount of payments increase in the future.

In our professional judgement, the actuarial contribution rate developed here is "reasonable" as defined in Actuarial Standard of Practice Number 4.



Change in Actuarial Contribution Rate

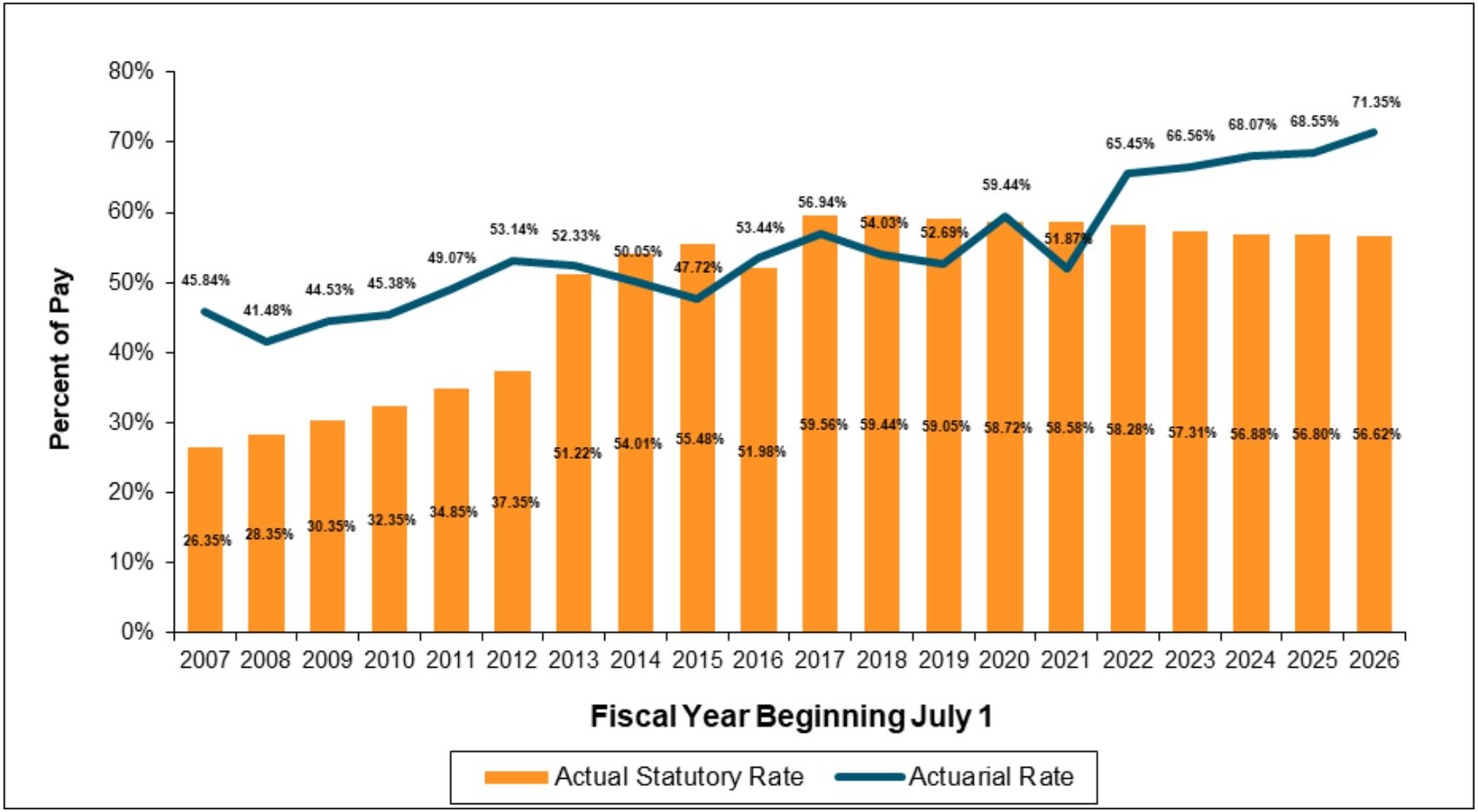
Actuarial Contribution Rate 7/1/2025	68.546%
· change due to asset experience	1.780%
· change due to liability/other experience	(0.137%)
· change due to contribution less than actuarial rate	0.819%
· change due to payroll increase less than expected	0.203%
· change in normal cost rate	0.023%
· change in administrative expenses	0.117%
Actuarial Contribution Rate 7/1/2026	71.351%

Contribution Rate Analysis

	7/1/2026	7/1/2025
Total Actuarial Contribution Rate	71.351%	68.546%
Member Contribution Rate	(11.525%)	(11.525%)
State Actuarial Contribution Rate	59.826%	57.021%
Statutory State Contribution Rate	(37.000%)	(37.000%)
State Supplemental Contribution*	(8.099%)	(8.274%)
Contribution Shortfall/(Margin)	14.727%	11.747%
Expected Payroll ($M)	$61.7	$60.4
Estimated Shortfall/(Margin) ($M)	$9.1	$7.1

* $5.0 million per year for both FY 2026 and FY 2027.

Historical Contribution Rates



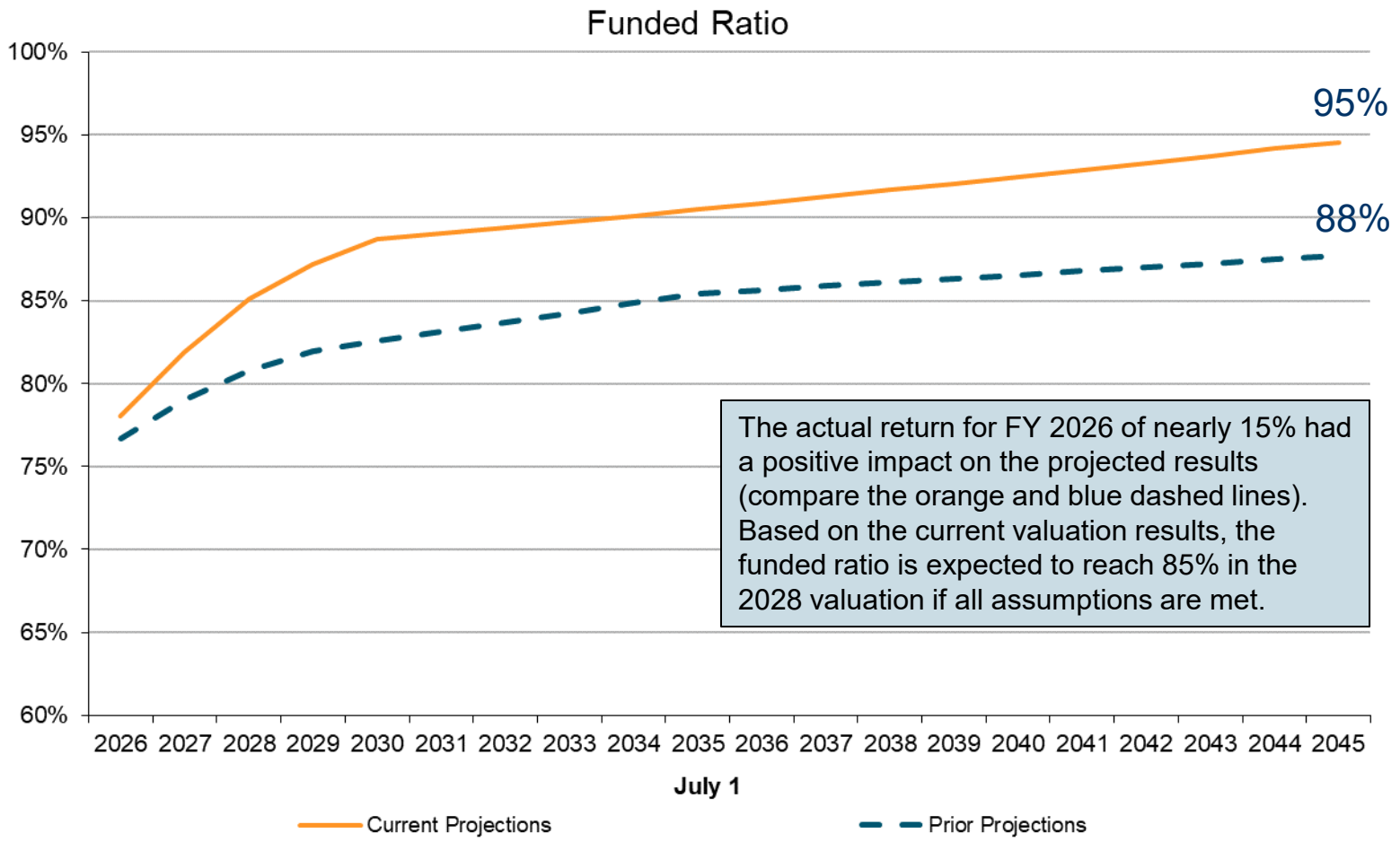
Over the early part of this period, the statutory rate was significantly below the actuarial rate. With legislative changes, the statutory contribution rate had been close to or greater than the actuarial rate between fiscal year 2014 and fiscal year 2022. However, there have been contribution shortfalls in the past five valuations.

Limitations of Projections

- Not precise predictions but rather general trends
- Projections based on many assumptions
  - Assumes the investment return assumption is met in all future years, unless otherwise noted
  - All other actuarial assumptions met in the future
  - Stable active membership
  - No change in current plan provisions or contribution levels

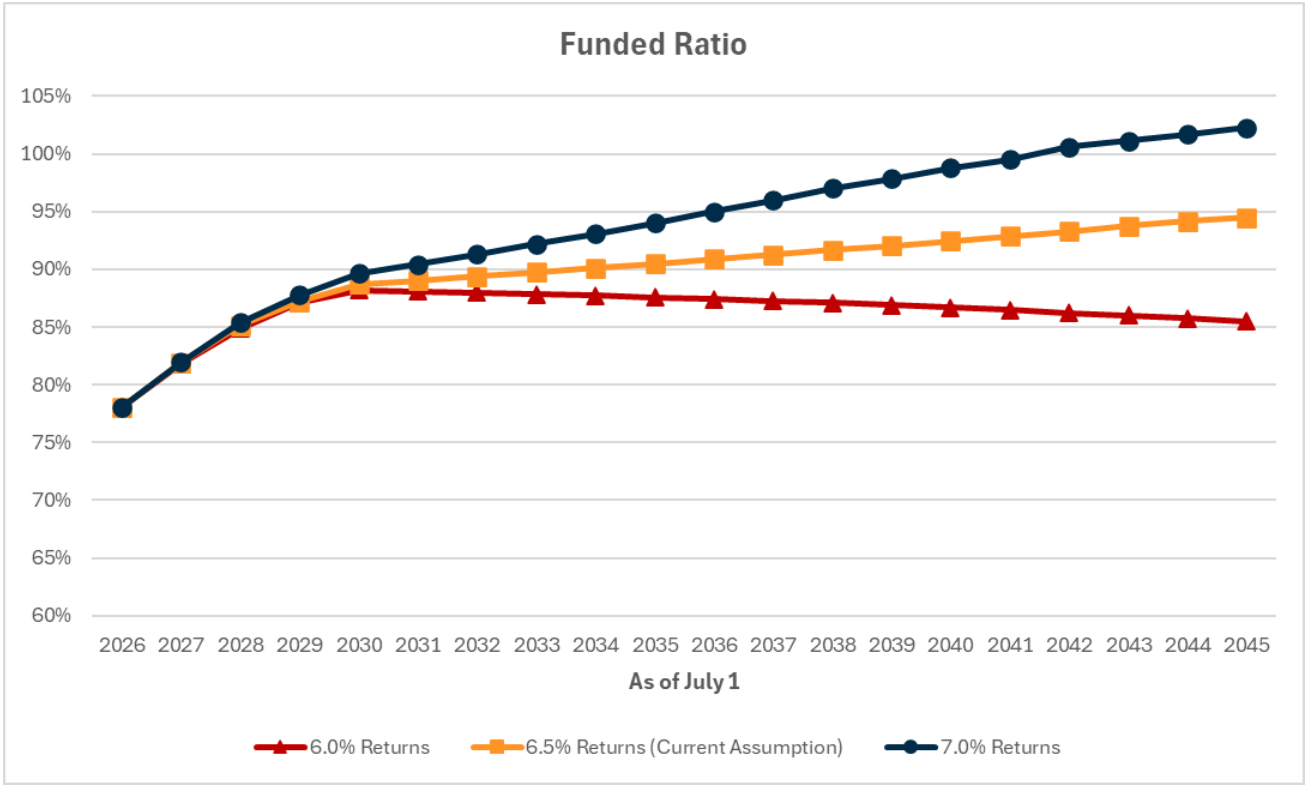


Projected Funded Status



Projections assume all actuarial assumptions are met each year in the future and all contributions are made as scheduled, including the $5 million supplemental contributions until the System is 85% funded.

Risk Analysis: Investment Return



Investment return is the most significant risk factor. This scenario testing shows the impact if the actual return on assets in the future varies from the current assumption of 6.50%.

Projections assume all actuarial assumptions are met each year in the future and all contributions are made as scheduled, including the $5 million supplemental contributions until the System is 85% funded.

Investment Risk Analysis

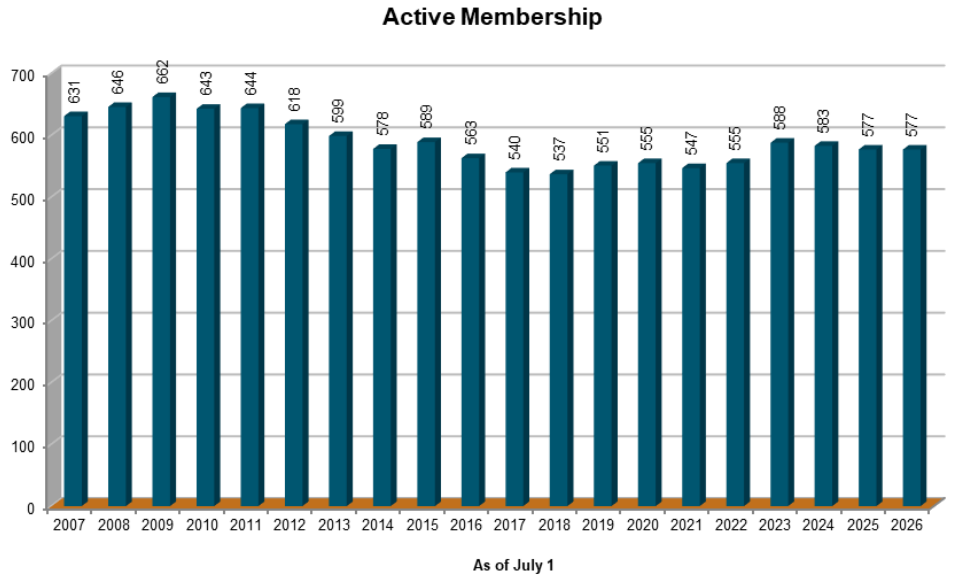
Years of additional $5 million State contribution given various FY 2027 returns. Returns in FY 2028 and beyond are assumed to be 6.5% for purposes of this analysis.

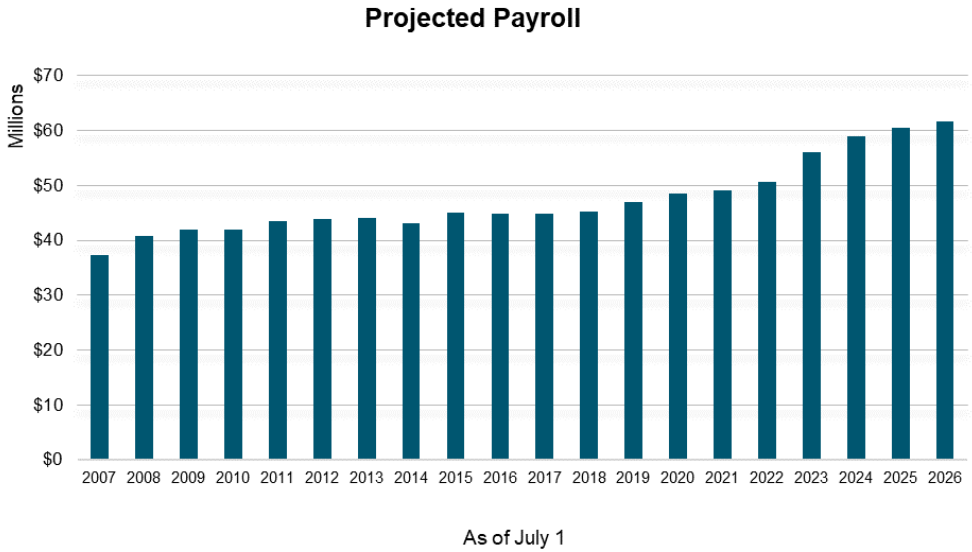
FY 2027 Rate of Return	Years of Additional $5M
6.5%	2 years
3.0%	3 years
0.0%	7 years
-3.0%	12 years

Unless otherwise noted, assumes that all actuarial assumptions are met in the future and current statutory funding remains unchanged.

Risk Analysis: Payroll Growth

With fixed contribution rates, lower contributions result when covered payroll is lower than expected, resulting in slower progress in paying off the UAAL.





Summary Comments

- Contribution shortfall for FY 2027 increased to 14.727% (11.747% for FY 2026).
- State supplemental contribution of $5M is expected for the next two years, absent negative actuarial experience.
- Long-term financial health of the System is dependent on future investment returns and scheduled contributions, including the $5 million supplemental payment
  - The funded ratio is projected to reach 85% in the 2028 valuation if all assumptions are met. Actual experience may cause this projection to vary from year to year, potentially significantly.
  - Recommend closely monitoring trends in the contribution shortfall and projected funded status to assess the adequacy of the current funding policy.

Actuarial Certification

We, Patrice Beckham, FSA, and Aaron Chochon, ASA are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. We are available to answer any questions or provide additional information as needed.

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THANK
YOU