MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

Financial Statements as of and for the Years Ended June 30, 2010 and 2009, Required Supplementary Information, and Related Independent Auditors' Reports

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Municipal Fire and Police Retirement System of Iowa

We have audited the accompanying statements of plan net assets of Municipal Fire and Police Retirement System of Iowa (System) as of June 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2010 and 2009, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4 to the financial statements, the financial statements include investments valued at $410.6 million (26.2% of total assets) and $383.8 million (26.0% of total assets) as of June 30, 2010 and 2009, 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.

The management's discussion and analysis and the schedules of contributions from the employers and other contributing entities and of funding progress, listed in the foregoing table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

November 8, 2010
Des Moines, Iowa

Management's Discussion and Analysis

The following discussion and analysis of the Municipal Fire and Police Retirement System of Iowa's (System) financial performance provides an overview of the System's financial activities for the fiscal years ended June 30, 2010 and 2009. 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 the System's actuarial status. Refer to the System's actuarial valuation for the System's funding status regarding long term benefit obligations.

FINANCIAL HIGHLIGHTS

- System assets exceeded its financial liabilities at the close of the fiscal years 2010 and 2009 by $1,534,412,575 and $1,434,583,769 (reported as plan net assets held in trust for pension benefits), respectively. Net assets are held in trust to meet future benefit payments.

- Additions for the year ended June 30, 2010 were $218,151,253, which is comprised of contributions of $63,979,851, net investment income of $154,115,892, and other income of $55,510. Additions for the year ended June 30, 2009 were $(340,853,722), which is comprised of contributions of $65,726,979, net investment loss of $(406,583,978), and other income of $3,277.

- Benefit payments were $114,788,679 and $107,808,853 for the years ended June 30, 2010 and 2009, respectively, a 6.5% increase from year to year.

THE STATEMENTS OF PLAN NET ASSETS AND THE STATEMENTS OF CHANGES IN PLAN NET ASSETS

This Annual Financial Report consists of two financial statements: the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. These financial statements report information about the System, as a whole, and financial condition that should help answer the question: Is the System, 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 Statements of Plan Net Assets present all of the System's assets and liabilities, with the difference between assets and liabilities reported as plan net assets. Over time, increases and decreases in plan net assets is one way to measure whether the System's financial position is improving or deteriorating. The Statements of Changes in Plan Net Assets present the changes in plan net assets during the respective fiscal year.

FINANCIAL ANALYSIS

System assets as of June 30, 2010 and 2009 were approximately $1.57 billion and $1.48 billion, respectively, and were primarily comprised of investments, cash, receivables from brokers, and contributions due from employers. The $90,835,351, or 6.1%, increase in assets from June 30, 2009 to June 30, 2010 was due to the unrealized gains experienced in invested assets.

As discussed in Notes 2 and 4 to the financial statements, total System investments include investments valued at $410.6 million (26.2% of total assets) and $383.8 million (26.0% of total assets) as of June 30, 2010 and 2009, 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, 2010 and 2009 were $33,482,597 and $42,476,052, respectively, and were primarily comprised of obligations under securities lending and benefits and refunds payable. The $8,993,455, or 21.2%, decrease in liabilities from June 30, 2009 to June 30, 2010 was primarily due to a decrease in payables for unsettled trades.

System assets exceeded liabilities at the close of fiscal year 2010 by $1,534,412,575. During the year ended June 30, 2010 plan net assets held in trust for pension benefits increased $99,828,806, or 7.0%, from the previous fiscal year, primarily due to unrealized investment gains. This is in comparison to the previous fiscal year, when net assets decreased by $451,150,230, or 23.9%, from the prior year.

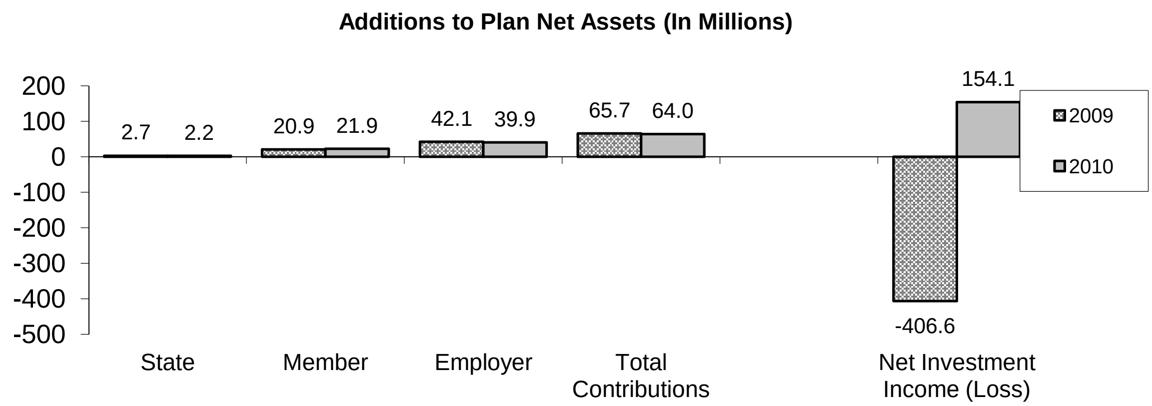
Municipal Fire and Police Retirement System of Iowa
Condensed Statements of Plan Net Assets
(In Thousands)

	2010	2009	Total Percentage Change
Assets:			
Cash	$ 2,413	$ 9,012	(73.2) %
Investments	1,541,684	1,437,951	7.2 %
Securities lending short-term cash collateral	17,954	16,880	6.4 %
Receivables	5,764	13,168	(56.2) %
Fixed assets	0	3	(100.0) %
Other assets	80	46	73.9 %
Total Assets	1,567,895	1,477,060	6.1 %
Liabilities:			
Benefits and refunds payable	10,036	7,868	27.6 %
Investment management expenses payable	1,984	1,197	65.7 %
Administrative expenses payable	534	518	3.1 %
Payable for securities lending	18,332	17,257	6.2 %
Payable to brokers for unsettled trades	2,596	15,636	(83.4) %
Total Liabilities	33,482	42,476	(21.2) %
Plan Net Assets	$ 1,534,413	$ 1,434,584	7.0 %

REVENUES – ADDITIONS TO PLAN NET ASSETS

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 2010 totaled $218,095,743.

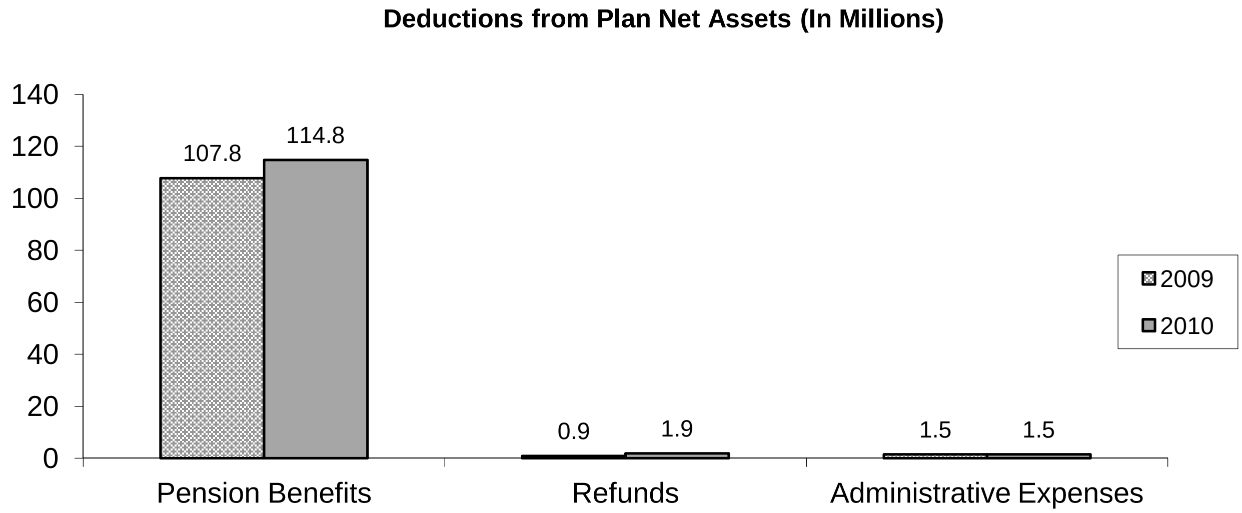
Contributions decreased from the previous year by $1,747,128. This decrease is primarily due to a decrease in the employer contribution rate from 18.75% to 17.00% for the years ended June 30, 2009 and 2010, respectively. Net investment income increased from the previous year by $560,699,870. This change is primarily due to an appreciation in the fair value of investments.



EXPENSES – DEDUCTIONS FROM PLAN NET ASSETS

The principal expenses of the System include the payment of pension benefits to retired members and beneficiaries, refund of contributions to former members, and the cost of administering the System. Total deductions for the fiscal year 2010 were $118,322,447, an increase of 7.3% over fiscal year 2009 deductions.

Pension benefit payments increased by $6,979,826, or 6.5%, from the previous year. Refund of contributions increased by $1,059,261, or 119.8%.



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

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash	$ 2,412,638	$ 9,011,819
INVESTMENTS — At fair value:		
U.S. government obligations	15,529,213	6,482,211
U.S. corporate fixed income	56,415,352	86,962,013
U.S. equity securities	369,177,235	360,983,151
Foreign government obligations	4,801,356	7,729,976
Foreign corporate fixed income	5,453,674	14,664,734
Foreign equity securities	422,937,455	302,047,178
Commingled fixed income	195,918,060	189,036,595
Short-term investments and currency positions	60,876,872	80,498,278
Real estate	108,335,302	137,780,459
Private equity	242,265,286	182,004,561
Multi-strategy commingled fund	59,973,905	69,761,647
Total investments — at fair value	1,541,683,710	1,437,950,803
Securities lending short-term collateral investment pool	17,954,167	16,879,966
RECEIVABLES:		
Contributions	1,971,662	2,343,263
Investment income	1,581,516	1,946,769
Receivable from brokers for unsettled trades — net	2,210,813	8,877,520
Total receivables	5,763,991	13,167,552
Fixed assets (net of accumulated depreciation of $209,734 and $211,543 in 2010 and 2009, respectively)	-	2,980
Other assets	80,666	46,701
Total assets	1,567,895,172	1,477,059,821
LIABILITIES		
Benefits and refunds payable	10,036,277	7,868,079
Investment management expenses payable	1,983,903	1,196,518
Administrative expenses payable	533,872	518,143
Payable for securities lending	18,331,698	17,257,497
Payable to brokers for unsettled trades — net	2,596,847	15,635,815
Total liabilities	33,482,597	42,476,052
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,534,412,575	$ 1,434,583,769

See notes to financial statements.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
ADDITIONS:		
Contributions:		
Member	$ 21,874,015	$ 20,909,488
Employer	39,852,678	42,112,894
State appropriations	2,253,158	2,704,597
Total contributions	63,979,851	65,726,979
Investment income (loss):		
Interest	11,822,921	15,721,155
Dividends	19,679,962	23,365,019
Securities lending	115,142	645,600
Net appreciation (depreciation) in fair value of investments	133,352,479	(429,111,460)
Net investment income (loss) from investment activity	164,970,504	(389,379,686)
Less investment expenses:		
Securities lending	6,635	296,987
Management fees and other	10,847,977	16,907,305
Net investment income (loss)	154,115,892	(406,583,978)
Service credit actuarial adjustments	37,301	-
Other income	18,209	3,277
Total other income	55,510	3,277
Total additions	218,151,253	(340,853,722)
DEDUCTIONS:		
Benefit payments	114,788,679	107,808,853
Refund payments	1,943,313	884,052
Administrative expenses	1,503,638	1,499,243
Disability expenses	83,837	92,073
Other	2,980	12,287
Total deductions	118,322,447	110,296,508
NET INCREASE (DECREASE)	99,828,806	(451,150,230)
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,434,583,769	1,885,733,999
End of year	$1,534,412,575	$1,434,583,769

See notes to financial statements.

1. PLAN DESCRIPTION

General — The Municipal Fire and Police Retirement System of Iowa (System) 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 the System's actuary). Upon transfer of the assets, the System assumed all membership, benefits rights and financial obligations of the Separate Systems.

The System 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 System is separate and apart from state government and is not included in the state's financial statements.

At June 30, 2010, the System was comprised of 49 cities covering 3,895 active members; 302 terminated members entitled to benefits; and 3,721 retired firefighters, police officers, bailiffs, and eligible beneficiaries across Iowa.

Funding:

Member — 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 year ended June 30, 2010 and 9.35% of earnable compensation for the year ended June 30, 2009.

Employer — Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the aggregate actuarial cost method set forth in 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 17.00% and 18.75% for the years ended June 30, 2010 and 2009, respectively.

State Appropriations — State appropriations are approved by the state legislature and may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation.

Benefits — 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, 2010 and 2009:

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% 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% 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% 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% 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.

2. 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. The System has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, that do not contradict Governmental Accounting Standards Board (GASB) pronouncements.

The System 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. The System'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.

Risks and Uncertainties — The System utilizes various investment securities including U.S. government securities, corporate debt instruments, mutual funds, private equities, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Investments — The 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 multi-strategy commingled funds 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 discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

Fixed Assets — Fixed assets are stated at cost, net of accumulated depreciation. Depreciation is recognized on a straight-line basis over estimated useful lives of three to ten years.

Income Taxes — The System has a tax determination letter from the Internal Revenue Service stating that it qualifies under the provision of Section 401 of the Internal Revenue Code and is exempt from federal and state income taxes.

New Accounting Standards Adopted — On July 1, 2009, the System adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments* (GASB 53). GASB 53 was effective for periods beginning after June 15, 2009 and prospective application was permissible. The adoption did not have an impact on the System's financial statements but did require additional disclosures related to the System's derivative investments, as set forth in Note 6 to the System's 2010 financial statements.

3. CASH

For cash deposits, custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The table below presents a summary of cash balances of the System at June 30, 2010 and 2009:

	2010	2009
Bank balance — June 30:		
Insured	$ 250,000	$ 250,000
Uninsured and uncollateralized	2,162,638	9,396,470
Carrying amount — June 30	$2,412,638	$9,646,470

4. INVESTMENTS

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

The System is prohibited from holding direct investments in the Sudan due to state statute.

The following investment vehicles are permitted by the 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;

- 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 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 System has determined to invest the System's assets. The currency assets of the System 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 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 System may include investment in securitized real estate, via publicly traded or privately held Real Estate Investments Trusts (REITS).

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, 2010, are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$ 18,140,098	6.52 %
AA	94,987,461	34.16
A	23,035,562	8.29
BBB	23,047,541	8.29
BB	19,827,272	7.13
B	23,705,053	8.52
CCC	6,907,816	2.48
CC	60,184	0.02
Unrated	2,374,293	0.85
Total credit risk debt securities	212,085,280	76.26
U.S. Government Fixed Income Securities*	66,032,375	23.74
Total fixed income securities	$278,117,655	100.00 %

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System 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 System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

Iowa Code 411.7 establishes the secretary of the Board as the custodian of the fund and provides for the System to select master custodian banks to provide custody of the System's assets. The System has arranged for Bank of New York Mellon Corporation to act as the master custodian bank. The master custodian bank may hold System 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 System's account.

Concentration of Credit Risk — The System 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.

	Fair Value	Duration
Investment type:		
Short-term	$ 52,816,066	0.0717
Fixed income	82,199,595	4.8161
Commingled	195,918,060	3.5218
Total fair value	$330,933,721	
Portfolio modified duration		3.2927

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%.

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System had exposure to foreign currency fluctuations as follows:

	Fair Value	Percentage of Holdings
Currency:		
British Pound Unit	$ 50,775,933	24.56 %
Euro Currency Unit	47,224,683	22.84
Japanese Yen	39,931,145	19.31
Canadian Dollar	16,107,423	7.79
Australian Dollar	13,538,382	6.55
Swedish Krona	10,261,354	4.96
Swiss Franc	9,857,013	4.77
Hong Kong Dollar	5,811,877	2.81
Singapore Dollar	5,128,107	2.48
Norwegian Krone	4,585,103	2.22
Other	3,552,218	1.71
Total foreign currency holdings	$206,773,238	100.00 %

Commitments — The System is committed, as of June 30, 2010, to invest approximately $103,684,089 in certain private equity, real estate partnerships, and real estate commingled funds.

5. SECURITIES LENDING PROGRAM

Under the provisions of state statutes and the System's investment policy, the System lends securities, both equity and fixed income, to securities firms on a temporary basis primarily through the master trustee, Bank of New York Mellon Corporation. The System receives a portion of the earnings (split) for all loans and retains the right to amounts equal to all interest and dividend payments while securities are on loan.

Security loan agreements are collateralized by cash, U.S. government issued securities or irrevocable bank letters of credit. Domestic loans are initially collateralized at 102 percent of the market value plus any accrued interest. If the loans fall below 100 percent collateralization, the loan is marked back to 102 percent. Loans of non-U.S. securities are initially collateralized at 105 percent and are marked back to 105 percent if they fall below 105 percent. Notwithstanding the forgoing, however, standard industry practices may from time to time preclude the lending agent from obtaining additional collateral in connection with loans of global securities by the close of the next business day, unless the value of collateral held by the lending agent in connection with such loans is less than 100 percent.

Mellon Bank Global Securities Lending, a division of Bank of New York Mellon Corporation, invests all of the cash collateral generated from the System's securities loans into a collective cash collateral pool. The System holds an undivided share of the collateral provided by the borrower of its securities. The System cannot pledge nor sell the collateral unless the borrower fails to return the securities borrowed.

All securities loans can be terminated on demand by either the lender or the borrower. When a loan is closed, the securities on loan are returned to the System and the collateral associated with the loan is returned to the borrower. The lending agent shall hold the System harmless for any losses, cost or expenses arising as a result of negligence, misconduct or fraud by the lending agent.

The System had no credit risk with the borrowers of its securities within this program as the collateral held exceeded the market value of the securities lent during the years ended June 30, 2010 and 2009. In a case that the party refuses to return the securities belonging to the System, the System keeps the collateral that was received for the securities loaned.

6. DERIVATIVES

The System'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 System has no hedging derivatives because all derivatives are entered primarily for the purpose of achieving a positive return. The fair values of all derivative financial instruments are reported in the Statements of Plan Net Assets as 'Short-term investments and currency positions'. Changes in the values of derivative financial instruments are reported in the Statements of Changes in Plan Net Assets as 'Net appreciation (depreciation) in fair value of investments'. Derivative financial instruments involve, to varying degrees, credit risk and market risk. At June 30, 2010 and 2009, the System had two types of derivative financial instruments: futures and currency forwards.

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 counterparties 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 System as well as the Board to monitor compliance with the contracts. The System does not purchase derivatives with borrowed funds and does not allow the leveraging of the portfolios.

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

A forward contract is an agreement to buy or sell a specific currency position or security at a specified delivery or maturity date. As the fair value of the forward contract fluctuates, the System records an unrealized gain or loss. At June 30, 2010, the System had the currency forwards shown below.

Currency Forwards

Currency	Cost	Exchange Purchases	Pending Foreign Exchange Sales	Fair Value and Change in Fair Value 2010	Notional Amount
Australian Dollar	$ (320,537)	$ (13,807,121)	$ 12,971,546	$ (835,575)	$ (1,000,192)
Brazil Real	(1,339,179)	(1,364,086)	-	(1,364,086)	(2,493,618)
Canadian Dollar	5,992,776	(17,615,042)	23,253,591	5,638,549	5,992,495
Swiss Franc	(4,078,852)	(18,853,953)	15,046,164	(3,807,789)	(4,103,903)
Euro Currency Unit	(552,973)	(35,647,670)	36,189,201	541,531	442,173
British Pound Sterling	1,236,222	(18,393,261)	19,752,152	1,358,891	908,300
Hong Kong Dollar	1,062,078	(65,117)	1,127,416	1,062,299	8,271,797
Indian Rupee	1,674	-	1,677	1,677	78,095
Japanese Yen	2,601,366	(16,610,011)	19,197,404	2,587,393	228,937,335
South Korean Won	484,328	-	443,127	443,127	541,962,890
Mexican Peso	584,665	-	569,072	569,072	7,394,303
Malaysian Ringgit	359,200	(497,082)	858,073	360,991	1,170,000
Norwegian Krone	4,718,297	(6,537,871)	10,652,305	4,114,434	26,803,343
New Zealand Dollar	(2,879,812)	(8,931,897)	6,271,869	(2,660,028)	(3,877,387)
Russian Ruble	25,762	(465,518)	469,948	4,430	138,474
Swedish Krona	5,998,949	(11,179,530)	16,542,890	5,363,360	41,738,700
Singapore Dollar	1,260,328	-	1,252,345	1,252,345	1,748,276
United States Dollar	(15,154,292)	(91,504,149)	76,349,857	(15,154,292)	(15,154,292)
Net forward subject to currency risk				$ (523,671)	

The data in the table above represents only a single year's investment. All currency forwards held as of June 30, 2010 were entered into during the fiscal year. All currency forwards held as of June 30, 2009 settled during the fiscal year 2010. The fair value and the change in fair value for the fiscal year 2009 for currency forwards were $(242,331).

A financial option is an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. The System's leverage prohibitions which apply to forwards and futures also apply to options. There were no financial options outstanding at June 30, 2010 or 2009.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the System's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. At June 30, 2010 the System's futures investments had the notional and fair value balances as shown below.

Futures	**Notional Amount**	**Effective Date Rating**	**Maturity Date Range**	**Fair Value and Change in Fair Value 2010**
Cash and Cash Equivalent Derivative Futures:				
Long	$ -			$ -
Short	-			-
Equity Derivatives Futures:				
Long	56,126,605	6/9/10 to 6/28/10	7/16/10 to 9/17/10	(2,282,235)
Short	(14,041,963)	6/8/10 to 6/28/10	7/16/10 to 9/17/10	580,207
Fixed Income Derivatives Futures:				
Long	13,545,647	5/25/10 to 6/10/10	9/15/10 to 9/30/10	155,784
Short	(44,521,549)	5/25/10 to 6/30/10	9/8/10 to 9/30/10	(450,195)
Net futures	$ 11,108,740			$ (1,996,439)

The fair value and the change in fair value for the fiscal year 2009 for futures were $(376,728).

Contractual amounts, which represent the fair value of the underlying assets the derivative contracts control, are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the amounts potentially subject to risk because long positions are offset with short positions and vice versa. Every position which is sold or purchased must be backed by assets, since the investment managers are not allowed to leverage the portfolio.

Derivatives which are exchange traded are not subject to the custodial credit risk disclosure. At June 30, 2010, the counterparties' credit ratings for currency forwards are subject to credit risk as follows.

Derivatives at Fair Value

Quality Rating	Forwards	Options	Swaps	Futures	Total
No Credit Risk	$ -	$ -	$ -	$ (1,996,439)	$ (1,996,439)
AAA	(74,152)	-	-	-	(74,152)
AA	1,474	-	-	-	1,474
AA-	(432,069)	-	-	-	(432,069)
A+	728,961	-	-	-	728,961
A	(756,551)	-	-	-	(756,551)
Unrated	8,666	-	-	-	8,666
Net derivatives	$ (523,671)	$ -	$ -	$ (1,996,439)	$ (2,520,110)

7. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of July 1, 2010, as calculated using entry age normal using a 30 year amortization period is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$ 1,862,630	$ 2,296,382	$ 433,752	81.1 %	$ 242,481	178.9 %

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2010
Actuarial cost method	Entry age
Authorization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50 percent
Projected salary increases	4.50 to 15.11 percent
COLAs	Annual Adjustment in accordance with Iowa Code Chapter 411.6

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Year Ended	Annual Required Contributions			Percentage Contributed		
June 30,	Employer	Member	State	Employer	Member	State
2010	$39,852,678	$21,874,015	$ 2,253,158	100 %	100 %	100 %
2009	42,112,894	20,909,488	2,704,597	100	100	100
2008	54,565,393	20,009,916	2,745,784	100	100	100
2007	57,019,034	19,146,427	2,745,784	100	100	100
2006	56,078,840	18,525,032	2,745,784	100	100	100
2005	47,717,299	17,672,155	2,745,784	100	100	100
2004	36,868,735	16,772,145	2,745,784	100	100	100
2003	28,857,743	15,871,489	2,816,189	100	100	100
2002	28,542,482	15,696,746	2,816,189	100	100	100
2001	27,345,914	15,039,155	2,942,724	100	100	100

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

SCHEDULE OF FUNDING PROGRESS
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability — (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	$1,862,630	$2,296,382	$433,752	81.1 %	$242,481	178.9 %
7/1/2009	1,897,931	2,216,645	318,714	85.6	232,872	136.9
7/1/2008	1,891,172	2,109,111	217,939	89.7	223,752	97.4
7/1/2007	1,752,135	2,010,377	258,242	87.2	213,039	121.2

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	July 1, 2010, 2009, 2008 and 2007
Actuarial cost method	Aggregate
Asset valuation method	Fair value adjusted for a five-year amortization of asset gains (losses) as of July 1, 2010, 2009, and 2008 Fair value adjusted for a four-year amortization of asset gains (losses) as of July 1, 2007
Actuarial assumptions:	
Investment rate of return	7.50 percent
Projected salary increases	4.50 to 15.11 percent
Mortality table	Effective with the July 1, 1999 actuarial valuation, the System began a 12 step phase-in of the 1994 Group Annuity Mortality Table from the 1971 Group Annuity Mortality Table.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Municipal Fire and Police Retirement System of Iowa

We have audited the financial statements of Municipal Fire and Police Retirement System of Iowa (System) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010 (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph relating to certain investments whose fair values have been estimated by management in the absence of readily determinable fair values). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the System, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 8, 2010
Des Moines, Iowa