Municipal Fire and Police Retirement System of Iowa

Financial Statements as of and for the
Years Ended June 30, 2011 and 2010,
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, 2011 and 2010, 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, 2011 and 2010, 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 $505.3 million (27.4% of total assets) and $410.6 million (26.2% of total assets) as of June 30, 2011 and 2010, 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 December 27, 2011, 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

December 27, 2011
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, 2011 and 2010. 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 2011 and 2010 by $1,829,405,667 and $1,534,412,575 (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, 2011 were $420,246,181, which is comprised of contributions of $71,221,583, net investment income of $348,999,106, and other income of $25,492. 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.

- Benefit payments were $121,624,351 and $114,788,679 for the years ended June 30, 2011 and 2010, respectively, a 6.0% 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 method of measuring 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, 2011 and 2010 were approximately $1.84 billion and $1.57 billion, respectively, and were primarily comprised of investments, cash, receivables from brokers, and contributions due from employers. The $276,371,277, or 17.6%, increase in assets from June 30, 2010 to June 30, 2011 was primarily 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 $505.3 million (27.4% of total assets) and $410.6 million (26.2% of total assets) as of June 30, 2011 and 2010, 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, 2011 and 2010 were $14,860,782 and $33,482,597, respectively, and were primarily comprised of obligations under benefits and refunds payable, and securities lending in 2010. The $18,621,815, or 55.6%, decrease in liabilities from June 30, 2010 to June 30, 2011 was primarily due to a decrease in payables for securities lending, which was terminated in 2011.

System assets exceeded liabilities at the close of fiscal year 2011 by $1,829,405,667. During the year ended June 30, 2011 plan net assets held in trust for pension benefits increased $294,993,092, or 19.2%, from the previous fiscal year, primarily due to unrealized investment gains. This is in comparison to the previous fiscal year, when net assets increased by $99,828,806, or 7.0%, from the prior year.

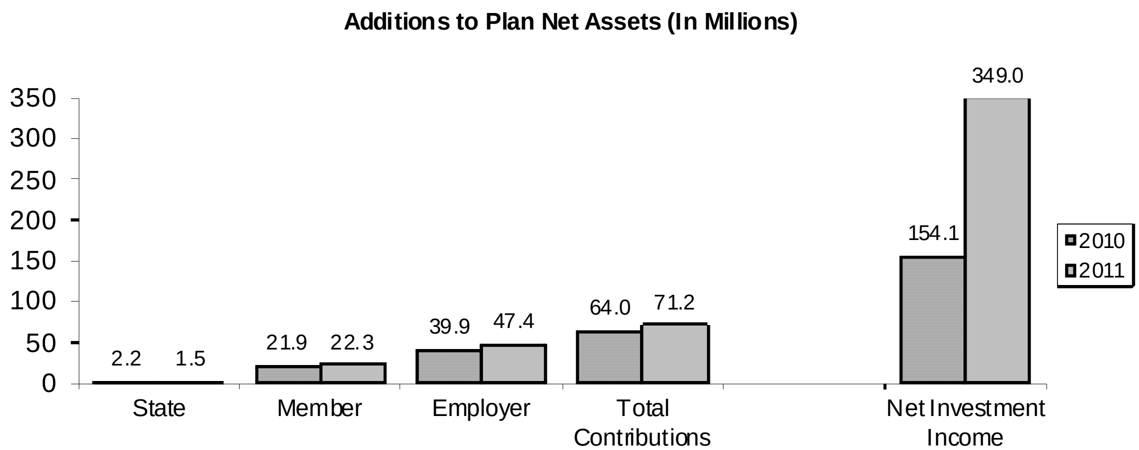
Municipal Fire and Police Retirement System of Iowa
Condensed Statements of Plan Net Assets
(In Thousands)

	2011	2010	Total Percentage Change
Assets:			
Cash	$ 775	$ 2,413	(67.9) %
Investments	1,802,521	1,541,684	16.9 %
Securities lending short-term cash collateral	-	17,954	(100.0) %
Receivables	40,902	5,764	609.6 %
Other assets	68	80	(15.0) %
Total Assets	1,844,266	1,567,895	17.6 %
Liabilities:			
Benefits and refunds payable	12,667	10,036	26.2 %
Investment management expenses payable	1,620	1,984	(18.3) %
Administrative expenses payable	478	534	(10.5) %
Payable for securities lending	-	18,332	(100.0) %
Payable to brokers for unsettled trades	95	2,596	(96.3) %
Total Liabilities	14,860	33,482	(55.6) %
Plan Net Assets	$ 1,829,406	$ 1,534,413	19.2 %

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 fiscal year 2011 totaled $420,220,689.

Contributions increased from the previous year by $7,241,732. This increase is primarily due to an increase in the employer contribution rate from 17.00% to 19.90% for the years ended June 30, 2010 and 2011, respectively. Net investment income increased from the previous year by $194,883,214. This change is primarily due to an appreciation in the fair value of investments.

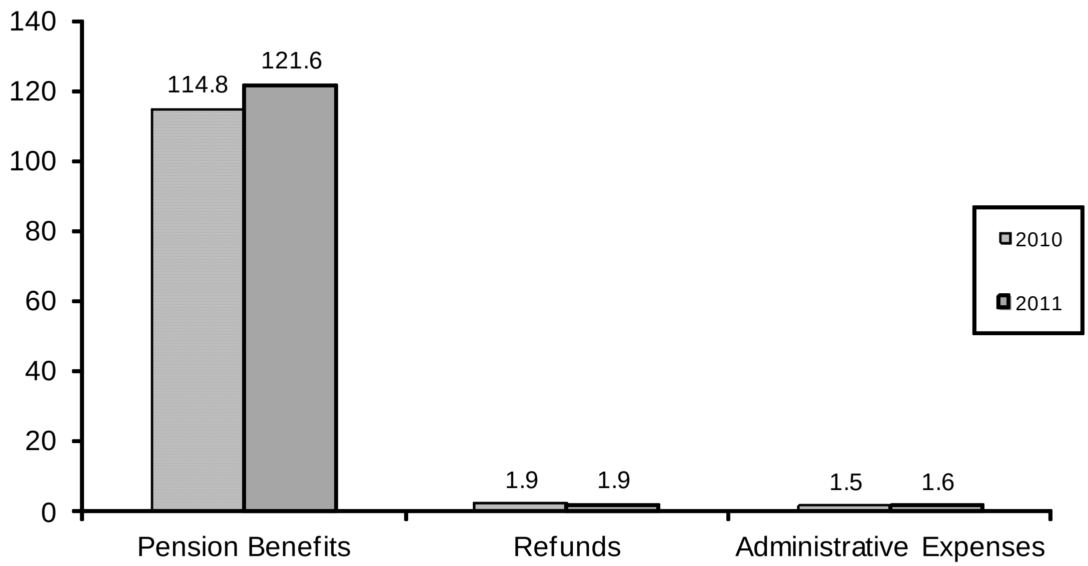


EXPENSES – DEDUCTIONS FROM PLAN NET ASSETS

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 2011 were $125,253,089, an increase of 5.9% over fiscal year 2010 deductions.

Pension benefit payments increased by $6,835,672, or 6.0%, from the previous year. Refund of contributions decreased by $22,539, or 1.2%.

Deductions from Plan Net Assets (In Millions)



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, 2011 AND 2010

	2011	2010
ASSETS		
CASH	$ 775,422	$ 2,412,638
INVESTMENTS — At fair value:		
U.S. government obligations	-	15,529,213
U.S. corporate fixed income	58,477,547	56,415,352
U.S. equity securities	376,787,539	369,177,235
Foreign government obligations	-	4,801,356
Foreign corporate fixed income	-	5,453,674
Foreign equity securities	415,406,875	422,937,455
Commingled fixed income	185,176,982	195,918,060
Fund of funds commingled investments	229,970,526	-
Short-term investments and currency positions	31,431,715	60,876,872
Real estate	158,695,604	108,335,302
Private equity	282,442,188	242,265,286
Multi-strategy commingled fund	64,131,676	59,973,905
Total investments — at fair value	1,802,520,652	1,541,683,710
SECURITIES LENDING SHORT-TERM COLLATERAL INVESTMENT POOL	-	17,954,167
RECEIVABLES:		
Contributions	2,241,721	1,971,662
Investment income	1,121,066	1,581,516
Receivable from brokers for unsettled trades — net	37,539,428	2,210,813
Total receivables	40,902,215	5,763,991
OTHER ASSETS	68,160	80,666
Total assets	1,844,266,449	1,567,895,172
LIABILITIES		
BENEFITS AND REFUNDS PAYABLE	12,666,937	10,036,277
INVESTMENT MANAGEMENT EXPENSES PAYABLE	1,620,034	1,983,903
ADMINISTRATIVE EXPENSES PAYABLE	478,272	533,872
PAYABLE FOR SECURITIES LENDING	-	18,331,698
PAYABLE TO BROKERS FOR UNSETTLED TRADES — Net	95,539	2,596,847
Total liabilities	14,860,782	33,482,597
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,829,405,667	$ 1,534,412,575

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, 2011 AND 2010

	2011	2010
ADDITIONS:		
Contributions:		
Member	$ 22,328,836	$ 21,874,015
Employer	47,392,747	39,852,678
State appropriations	1,500,000	2,253,158
Total contributions	71,221,583	63,979,851
Investment income:		
Interest	8,852,298	11,822,921
Dividends	14,010,817	19,679,962
Securities lending	41,944	115,142
Net appreciation in fair value of investments	337,408,048	133,352,479
Net investment income from investment activity	360,313,107	164,970,504
Less investment expenses:		
Securities lending	-	6,635
Management fees and other	11,314,001	10,847,977
Net investment income	348,999,106	154,115,892
Service credit actuarial adjustments	23,690	37,301
Other income	1,802	18,209
Total other income	25,492	55,510
Total additions	420,246,181	218,151,253
DEDUCTIONS:		
Benefit payments	121,624,351	114,788,679
Refund payments	1,920,774	1,943,313
Administrative expenses	1,587,234	1,503,638
Disability expenses	120,730	83,837
Other	-	2,980
Total deductions	125,253,089	118,322,447
NET INCREASE	294,993,092	99,828,806
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,534,412,575	1,434,583,769
End of year	$1,829,405,667	$1,534,412,575

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, 2011, the System was comprised of 49 cities covering 3,908 active members; 298 terminated members entitled to benefits; and 3,753 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 years ended June 30, 2011 and 2010.

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 19.90% and 17.00% for the years ended June 30, 2011 and 2010, 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, 2011 and 2010:

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.

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 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 discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

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.

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, 2011 and 2010:

	2011	2010
Bank balance — June 30:		
Insured	$ 250,000	$ 250,000
Uninsured and uncollateralized	525,422	2,162,638
Carrying amount — June 30	$ 775,422	$ 2,412,638

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 Investment Trusts (REITs).

Fund of Funds Commingled Investments — As of June 30, 2011, the System is invested in fund of funds commingled investments, which can be broken down into the following asset classes:

INVESTMENTS — At fair value:	
U.S. equity securities	$ 76,195,830
Foreign equity securities	106,529,059
Commingled fixed income	39,925,701
Short-term investments and currency positions	7,319,936
Total fund of funds commingled investments	$ 229,970,526

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, 2011 are as follows:

Quality Rating	Fair Value	Percentage of Portfolio
AAA	$ 4,169,040	1.71 %
AA	119,817,923	49.18
A	5,587,640	2.29
BBB	7,587,680	3.11
BB	24,691,713	10.14
B	15,125,925	6.21
CCC	1,099,495	0.45
Total credit risk debt securities	178,079,416	73.09
U.S. Government Fixed Income Securities*	65,575,113	26.91
Total fixed income securities	$ 243,654,529	100.00 %

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

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	$ 18,550,835	0.0272
Fixed income	58,477,547	4.4830
Commingled	185,176,982	5.0498
Total fair value	$262,205,364	
Portfolio modified duration		4.5681

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 Sterling	$11,844,256	84.21 %
Euro Currency Unit	1,696,467	12.06
Swiss Franc	453,678	3.23
Other	69,933	0.50
Total foreign currency holdings	$14,064,334	100.00 %

Commitments — The System is committed, as of June 30, 2011, to invest approximately $259,000,000 in certain private equity, real estate partnerships, and real estate commingled funds.

5. SECURITIES LENDING PROGRAM

The System discontinued participation in the Bank of New York Mellon Corporation's securities lending program in fiscal year 2011. As of June 30, 2011, the System had no securities on loan and all positions were settled.

In accordance with the System's investment policy, the System previously lent 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 received a portion of the earnings (split) for all loans and retained the right to amounts equal to all interest and dividend payments while securities were on loan.

Security loan agreements were collateralized by cash, U.S. government issued securities or irrevocable bank letters of credit. Domestic loans were initially collateralized at 102 percent of the market value plus any accrued interest. If the loans fell below 100 percent collateralization, the loans were marked back to 102 percent. Loans of non-U.S. securities were initially collateralized at 105 percent and were marked back to 105 percent if they fell below 105 percent. Notwithstanding the foregoing, however, standard industry practices could have from time to time precluded 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 was less than 100 percent.

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

All securities loans could have been terminated on demand by either the lender or the borrower. When a loan was closed, the securities on loan were returned to the System and the collateral associated with the loan was returned to the borrower.

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 year ended June 30, 2010. In a case that the party refused to return the securities belonging to the System, the System would have kept 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 in fair value of investments'. Derivative financial instruments involve, to varying degrees, credit risk and market risk. At June 30, 2011, the System had one type of derivative financial instrument: currency forwards. At June 30, 2010, 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 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 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 remaining 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, 2011 and 2010, the System had the currency forwards shown below.

Currency Forwards

Currency	Cost 2011	Pending Foreign Exchange Purchases 2011	Pending Foreign Exchange Sales 2011	Fair Value and Change in Fair Value 2011	Notional Amount 2011	Fair Value and Change in Fair Value 2010
Australian Dollar	$ -	$ -	$ -	$ -	$ -	$ (835,575)
Brazil Real	-	-	-	-	-	(1,364,086)
Canadian Dollar	22,651	(22,702)	-	(22,702)	(21,910)	5,638,549
Swiss Franc	105,206	(105,718)	-	(105,718)	(89,015)	(3,807,789)
Euro Currency Unit	160,517	(161,108)	-	(161,108)	(111,123)	541,531
British Pound Sterling	4,113	(4,132)	-	(4,132)	(2,574)	1,358,891
Hong Kong Dollar	7,911	(7,913)	-	(7,913)	(61,576)	1,062,299
Indian Rupee	-	-	-	-	-	1,677
Japanese Yen	57,346	(57,410)	-	(57,410)	(4,636,400)	2,587,393
South Korean Won	-	-	-	-	-	443,127
Mexican Peso	-	-	-	-	-	569,072
Malaysian Ringgit	-	-	-	-	-	360,991
Norwegian Krone	-	-	-	-	-	4,114,434
New Zealand Dollar	-	-	-	-	-	(2,660,028)
Russian Ruble	-	-	-	-	-	4,430
Swedish Krona	-	-	-	-	-	5,363,360
Singapore Dollar	439	(440)	-	(440)	(540)	1,252,345
United States Dollar	(358,183)	-	358,183	358,183	358,183	(15,154,292)
Net forwards subject to currency risk				$ (1,240)		$ (523,671)

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, 2011 or 2010.

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. As of June 30, 2011, the System was not invested in futures. 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 Derivatives 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)

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. As of June 30, 2011, the System was not invested in currency forwards. 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, 2011 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)
$ 1,867,281	$ 2,388,494	$ 521,213	78.2 %	$ 248,869	209.4 %

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, 2011
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
2011	$47,392,747	$22,328,836	$1,500,000	100 %	100 %	100 %
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

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)
07/01/2011	$1,867,281	$2,388,494	$521,213	78.2 %	$248,869	209.4 %
07/01/2010	1,862,630	2,296,382	433,752	81.1	242,481	178.9
07/01/2009	1,897,931	2,216,645	318,714	85.6	232,872	136.6
07/01/2008	1,891,172	2,109,111	217,939	89.7	223,752	97.4
07/01/2007	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, 2011
* Actuarial cost method	Entry Age Normal
Remaining amortization period	25 years
Asset valuation method	Fair value adjusted for a five-year amortization of asset gains as of July 1, 2011, 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
Post-retirement mortality table:	
Ordinary	A weighting equal to 4/12 of the 1971 Group Annuity Mortality Table, Male and Female and 8/12 of the 1994 Group Annuity Mortality Table, Male and Female
Disabled	A weighting equal to 4/12 of the 1971 Group Annuity Mortality Table — Male, set forward three years and 8/12 of the 1994 Group Annuity Mortality Table — Male, set forward three years

* Aggregate cost method used July 1, 1992 – July 1, 2010

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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, 2011, and have issued our report thereon dated December 27, 2011 (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.

Member of
Deloitte Touche Tohmatsu Limited

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

December 27, 2011
Des Moines, Iowa