

JOINT ADDENDUM TO FINAL RISK SHARING VALUATION STUDY FOR FY 2022

Pursuant to §13B(f)(2)(B)(ii) of Texas Revised Civil Statutes 6243e.2(1) (“Statute”), the Executive Director for the Houston Firefighters’ Relief and Retirement Fund (“Fund”) and the Finance Director for the City of Houston (the “Municipality”) do hereby execute this joint addendum to the respective Fund and Municipality final risk sharing valuation studies (“RSVS”) reflecting the arithmetic average for fiscal year 2022 in which the difference between the Fund and Municipality’s estimated contribution rate was greater than two percentage points. Additionally, the Fund and Municipality recognize that the conditions described in §13E(a) and (b)(1) of the Statute are satisfied; therefore, the Municipal Contribution Rate for fiscal year 2022 shall be the Corridor Midpoint.

| Fiscal Year | Estimated Contribution Rate from the Fund | Estimated Contribution Rate from the Municipality | Arithmetic Average of Estimated Contribution Rate | Corridor Midpoint |
|-------------|---|---|---|-------------------|
| 2022 | 30.80% | 25.18% | 27.99% | 31.89% |

HOUSTON FIREFIGHTERS’ RELIEF AND RETIREMENT FUND



Executive Director

January 11, 2020

Date

CITY OF HOUSTON

DocuSigned by:



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Finance Director

1/12/2021

Date



500 Plaza Drive
Secaucus, NJ 07096

December 28, 2020

Mr. Ralph D. Marsh
Executive Director
Houston Firefighters' Relief and Retirement Fund
4225 Interwood North Parkway
Houston, Texas 77032

Re: Final Risk Sharing Valuation Study

Dear Ralph:

Pursuant to our engagement to provide actuarial services to the Houston Firefighters' Relief and Retirement Fund (Fund), we have prepared this Risk Sharing Valuation Study, as required under Senate Bill 2190¹, for the Fund as of July 1, 2020. This reflects the benefit provisions of the Fund as amended by, as well as funding policies mandated by, Senate Bill 2190.

Risk Sharing Valuation Results¹

| (\$000) | 2020 Risk Sharing Valuation Results | 2019 Risk Sharing Valuation Results |
|---|--|--|
| Present Value of Future Benefits | \$ 5,626,313 | \$ 5,843,854 |
| Actuarial Accrued Liability | \$ 4,932,307 | \$ 5,057,759 |
| Actuarial Value of Assets | \$ 4,251,851 | \$ 4,190,934 |
| Unfunded Accrued Liability | \$ 680,456 | \$ 866,825 |
| Funded Ratio | 86.2% | 82.9% |
| City Normal Cost Rate ² | 14.89% | 17.15% |
| City Accrued Liability Rate | 15.91% | 19.10% |
| Total City Contribution Rate ³ | 30.80% | 36.25% |
| Estimated City Contribution for following Fiscal Year | \$ 80,253 | \$ 99,496 |
| Employee Contribution Rate | 10.50% | 10.50% |

¹ This Risk Sharing Valuation Study has been provided without waiving the Fund's right to litigate the constitutionality of SB2190.

² Contains an allowance for administrative expenses equal to 1.25% of payroll.

³ As a percentage of pensionable compensation

Development of the Actuarial Value of Assets (\$000)

Actuarial Investment Gain (Loss)

| | Fiscal Year End June 30, 2020 |
|--|--|
| Market Value of Assets at beginning of year | \$ 4,237,692 |
| Net Cash Flow | |
| Contributions | \$ 117,278 |
| Disbursements | <u>336,153</u> |
| Net Cash Flow | \$ (218,875) |
| Expected Investment Return | \$ 289,107 |
| Expected Market Value of Assets at end of year | \$ 4,307,924 |
| Market Value of Assets at end of year | \$ 4,102,932 |
| Investment Gain / (Loss) | \$ (204,992) |

Schedule of Actuarial Investment Gains (Losses)

| Plan Year Ending | Initial Actuarial Gain (Loss) | Current Year Recognized Gain (Loss) | Unrecognized Gain (Loss) As of July 1, 2020 |
|-------------------------|--|--|--|
| June 30, 2017 | \$ 176,604 | \$ 35,321 | \$ 35,321 |
| June 30, 2018 | 46,641 | 9,328 | 18,656 |
| June 30, 2019 | (64,836) | (12,967) | (38,902) |
| June 30, 2020 | (204,992) | (40,998) | <u>(163,994)</u> |
| | | | \$ (148,919) |

Actuarial Value of Assets

| | |
|--|----------------|
| Market Value as of July 1, 2020 | \$ 4,102,932 |
| (Gain) / Loss to be Recognized in Future Years | <u>148,919</u> |
| Actuarial Value as of July 1, 2020 | \$ 4,251,851 |

Change in Key Results since the Prior Risk Sharing Valuation (\$000)

| Analysis of Change in Unfunded Liability | 2019/2020 |
|---|-----------------|
| Unfunded at Beginning of Period | \$ 866,825 |
| Estimated Change Due to Normal Operation | |
| Normal Cost | \$ 70,345 |
| Contributions | (117,278) |
| Administrative Expenses | 5,830 |
| Interest | <u>59,264</u> |
| Net Change | \$ 18,161 |
| Estimated Change due to Actuarial Experience | |
| Actuarial (gain) loss from asset sources | \$ 6,042 |
| Actuarial (gain) loss from liability sources | <u>(89,454)</u> |
| Net change | \$ (83,412) |
| Preliminary Unfunded Actuarial Accrued Liability at End of Period | \$ 801,574 |
| Change in Unfunded Actuarial Accrued Liability - Assumption Changes | \$ (121,118) |
| Unfunded Actuarial Accrued Liability at End of Period | \$ 680,456 |

Development of Liability Layer for Plan Year Ending June 30, 2020

| Source | Amount (\$000) |
|---|----------------|
| Actuarial Value of Assets (Gain)/Loss | \$ 6,042 |
| Actuarial Accrued Liability (Gain)/Loss | (89,454) |
| Impact of Assumption Changes | (121,118) |
| Contributions Different than Expected | <u>14,109</u> |
| Total | \$ (190,421) |

Amortization Schedule as of July 1, 2020 (\$000)

| Plan Year Ending | Initial Liability Layer | Liability Layer as of July 1, 2020 | Remaining Amortization Payments as of July 1, 2020 | Payment for Fiscal Year 2022 | As a % of Fiscal Year 2022 Payroll |
|------------------|-------------------------|------------------------------------|--|------------------------------|------------------------------------|
| June 30, 2016 | \$ 900,223 | \$ 992,892 | 26 | \$ 61,548 | 23.62% |
| June 30, 2017 | (19,325) | (21,076) | 26 ¹ | (1,306) | (0.50)% |
| June 30, 2018 | (32,368) | (34,946) | 26 ¹ | (2,166) | (0.83)% |
| June 30, 2019 | (61,676) | (65,993) | 26 ¹ | (4,091) | (1.57)% |
| June 30, 2020 | (190,421) | <u>(190,421)</u> | 26 ¹ | <u>(12,533)</u> | <u>(4.81)%</u> |
| Total | | \$ 680,456 | | \$ 41,452 | 15.91% |

¹ Per SB 2190, the amortization period for a new liability gain layer is equal to the remaining amortization period on the largest remaining liability loss layer.

Actuarial Certification

We certify that the information contained in this Risk Sharing Valuation Study has been prepared in accordance with the appropriate Actuarial Standards of Practice. To the best of our knowledge, the information fairly presents the actuarial position of the Houston Firefighters' Relief & Retirement Fund as of July 1, 2020 on the basis of the actuarial assumptions, methods and Fund provisions set forth herein.

The Board of Trustees of the Fund may use this report for discussing and reaching consensus with the City of Houston on the City Contribution Rate. Use of this report for any other purpose or by anyone other than the Board or the City of Houston may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, Buck recommends requesting an advance review of any statement, document, or filing to be based on information contained in this report. Buck will accept no liability for any such statement, document or filing made without prior review by Buck.

Future actuarial measurements may differ significantly from current measurements due to Fund experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in Fund provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this Risk Sharing Valuation Study.

Where presented, references to "funded ratio" and "unfunded accrued liability" typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets could result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the Fund if the Fund were to settle a portion or all of its liabilities.

In preparing the actuarial results, we have relied upon information provided by the Board of Trustees as of July 1, 2020 regarding Fund provisions, Fund participants, Fund assets, contribution rates and other matters used in the Risk Sharing Valuation Study. Specifically, a market value of assets equal to \$4,102,931,779 has been provided by the Fund representatives. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results of this Risk Sharing Valuation Study is dependent on the accuracy of the data.

Actuarial Standard of Practice No. 56 ("ASOP 56") provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. Buck uses third-party software in the performance of annual actuarial valuations and projections. The model is intended to calculate the liabilities associated with the provisions of the plan using data and assumptions as of the measurement date under the funding methods specified in this report. The output from the third-party vendor software is used as input to an internally developed model that applies applicable funding methods and policies to the liabilities derived and other inputs, such as plan assets and contributions, to generate many of the exhibits found in this report. Buck has an extensive review process whereby the results of the liability calculations are checked using detailed sample output, changes from year to year are summarized by source, and significant deviations from expectations are investigated. Other funding outputs and the internal model are similarly reviewed in detail and at a high level for accuracy, reasonability and consistency with prior results. Buck also reviews the third-party model

when significant changes are made to the software. The review is performed by experts within the company who are familiar with applicable funding methods as well as the manner in which the model generates its output. If significant changes are made to the internal model, extra checking and review are completed. Significant changes to the internal model that are applicable to multiple clients are generally developed, checked and reviewed by multiple experts within the company who are familiar with the details of the required changes.

As required under Senate Bill 2190, experience studies are performed once in every four-year period. This Risk Sharing Valuation Study was prepared on the basis of the demographic and economic assumptions that were selected on the basis of the Fiscal Year Ending June 30, 2015 through Fiscal Year Ending June 30, 2019 Experience Review and adopted by the Board of Trustees at their October 20, 2020 meeting. This experience study is conducted to determine the assumptions that will serve as the basis for the Risk Sharing Valuation Studies from July 1, 2020 – July 1, 2023.

Except as prescribed in Senate Bill 2190 (as noted in Appendix A), the Board of Trustees has sole authority to determine the actuarial assumptions and has selected the actuarial methods and assumptions used in this Risk Sharing Valuation Study. In our opinion, those actuarial assumptions selected by the Board are reasonably related to the experience of the Fund and to reasonable long-term expectations. The actuarial assumptions prescribed by Senate Bill 2190 have been reflected in this Risk Sharing Valuation Study.

A summary of the actuarial assumptions, major Fund provisions, and Fund participant data used to calculate the results of this study can be found in the appendices.

Based on the statutory requirements of Senate Bill 2190 it is our understanding that the actual City contribution rate may be established as an average of the contribution rates shown in this report and those shown in the Risk Sharing Valuation Study prepared by the City's actuary. If future contributions are established in this manner at levels below those presented in this report, the Fund may not be expected to achieve a fully funded position over the 30-year time horizon as contemplated in the statute based on the data, assumptions and methods set forth on the attached pages.

I am a Fellow of the Society of Actuaries and Member of the American Academy of Actuaries. I meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions about it.

If you have any questions concerning this information, please let me know.

Respectfully submitted,

Buck Global, LLC



Michael A. Ribble, FSA, EA, MAAA, FCA
Principal, Consulting Actuary

Appendix A: Summary of Actuarial Methods and Assumptions

Basis for Assumptions

The economic and demographic assumptions used in the study (except for the investment return assumption) were adopted by the Board in consultation with Buck. Senate Bill 2190 requires that an actuarial experience study be performed in order to review the experience of the Fund at least once every four years to determine if any changes to the Risk Sharing Valuation Study assumptions are warranted. In general, the assumptions used in the Risk Sharing Valuation Study are based on recommendations made and approved by the Board as part of an Experience Study covering Fiscal Year Ending June 30, 2015 through Fiscal Year Ending June 30, 2019. Senate Bill 2190 requires the use of an investment return assumption of not more than 7.00%.

Actuarial Methods

Actuarial Value of Assets

Senate Bill 2190 requires the use of an asset valuation method that recognizes gains and losses on the market value of assets (based on the difference between the actual rate of return and the assumed rate of return) over five years. Past gains and losses were fully recognized in the Actuarial Value of Assets at July 1, 2016. New gains and losses will be recognized over five years beginning July 1, 2017.

Actuarial Cost Method

Senate Bill 2190 requires the use of the Ultimate Entry Age Method with liabilities allocated from date of entry to expected payment of benefit. Under the Ultimate Entry Age Method, future normal cost for active employees is calculated based on the Fund provisions in effect for the most recently hired employees.

Senate Bill 2190 also requires the use of a 30-year, closed, level percent of payroll amortization period, in which new gain/loss amortization bases are established each year. The Unfunded Actuarial Accrued Liability at July 1, 2016 was amortized as a level percentage of payroll over a closed amortization period of 30 years with payments effective for fiscal year beginning July 1, 2017. Additional actuarial experience losses will be amortized over a closed amortization period of 30 years in future Risk Sharing Valuation Studies. If, in any given year, the Fund experiences an actuarial gain, any such gain will be used to offset the largest outstanding loss amortization base, if applicable.

Key Economic Assumptions

Investment Return

| | |
|---------------------|--------------|
| Real Rate of Return | 4.50% |
| Price Inflation | <u>2.50%</u> |
| Total Nominal Rate | 7.00% |

Expected future investment returns are assumed to be net of investment expenses.

Wage Inflation

3.00%

Payroll Growth Rate

3.00%

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

Normal Cost Load for Administrative Expenses

1.25% of pensionable payroll¹

Individual Pay Increase Rate

| Age | (Nominal = Merit + Wage Inflation) | |
|-----|---------------------------------------|-------|
| | Nominal | Merit |
| 20 | 7.00% | 4.00% |
| 25 | 6.25% | 3.25% |
| 30 | 5.50% | 2.50% |
| 35 | 5.00% | 2.00% |
| 40 | 4.00% | 1.00% |
| 45 | 3.70% | 0.70% |
| 50 | 3.40% | 0.40% |
| 55 | 3.00% | 0.00% |

Key Demographic Assumptions

Retirement Rates

| Number of Years of Service | Probability of Retiring Within One Year |
|----------------------------|---|
| Less than 25 | 2.0% ² |
| 25 | 2.0% |
| 26 | 5.5% |
| 27 | 5.5% |
| 28 | 5.5% |
| 29 | 5.5% |
| 30 | 13.0% |
| 31 | 15.0% |
| 32 | 20.0% |
| 33 | 20.0% |
| 34 | 20.0% |
| 35 | 30.0% |
| 36 | 30.0% |
| 37 | 40.0% |
| 38 | 40.0% |
| 39 | 40.0% |
| 40+ | 100.0% |

¹ required by Senate Bill 2190

² participants eligible to enter the DROP in the future are not assumed to retire with less than 25 years of service before age 55

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

DROP Duration

| Duration of DROP at Retirement | Percentage of Participants Electing Retirement at the Specified Duration |
|--------------------------------|--|
| 0 | 0% |
| 3 | 0 |
| 5 | 10 |
| 8 | 20 |
| 10 | 45 |
| 13 | 25 |

Sample Rates

| Number of Years of Service at Actual Retirement | Percentage of Participants Retiring with Specific Drop Durations | | | | |
|---|--|--------|--------|---------|---------|
| | 3 yrs. | 5 yrs. | 8 yrs. | 10 yrs. | 13 yrs. |
| 20-24 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 25-27 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 28-29 | 0.0% | 33.3% | 66.7% | 0.0% | 0.0% |
| 30-32 | 0.0% | 13.3% | 26.7% | 60.0% | 0.0% |
| 33-40 | 0.0% | 10.0% | 20.0% | 45.0% | 25.0% |

DROP balances for active members are assumed to be paid out over 15 years upon exiting the DROP. DROP balances of members who have left active service are assumed to be paid out over 7.5 years. Future DROP payments are discounted based on the difference between the assumed investment rate of return and the assumed DROP interest crediting rate.

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

Mortality Rates

Service Retirees and Contingent Annuities

SOA Public Safety (Below-Median, base year 2010) amount weighted tables generationally projected with Mortality Improvement Scale MP-2019. The base table for males is adjusted by 97.2% to reflect credible plan experience.

Survivor Beneficiaries

SOA Public Contingent Survivor (Below-Median, base year 2010) amount weighted tables generationally projected with Mortality Improvement Scale MP-2019. The base table for females is adjusted by 106.0% to reflect credible plan experience.

Disabled Retirees

SOA Public Safety Disabled Retiree (base year 2010) amount weighted tables generationally projected with Mortality Improvement Scale MP-2019.

All others, including active and vested terminated participants

SOA Public Safety (Below-Median, base year 2010) amount weighted tables generationally projected with Mortality Improvement Scale MP-2019.

Disability Rates

Graduated rates.

| Sample Rates per 100 Participants | |
|-----------------------------------|------------|
| Age | Disability |
| 20 | 0.45 |
| 25 | 0.45 |
| 30 | 0.45 |
| 35 | 1.00 |
| 40 | 1.00 |
| 45 | 1.00 |
| 50 | 1.00 |
| 55 | 1.00 |
| 60 | 1.00 |

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

Percentage of Deaths and Disabilities in the Line of Duty

| Age | Death | Disability ¹ |
|-----|-------|-------------------------|
| 25 | 80% | 80% |
| 35 | 80 | 80 |
| 45 | 40 | 80 |
| 55 | 20 | 80 |

Termination Rates

| Age | Termination Rate |
|-----|------------------|
| 20 | 2.40% |
| 25 | 2.40 |
| 30 | 2.40 |
| 35 | 1.50 |
| 40 | 0.75 |
| 45 | 0.75 |
| 50 | 0.00 |

For members hired prior to July 1, 2017 who are terminating with at least 10 years but less than 20 years of service:

- 80% will elect a contribution refund
- 20% will elect a deferred monthly pension benefit

¹ Percentage of disabilities in the line of duty is assumed to be a flat 80% for all ages. 50% of firefighters who become disabled in the line of duty are assumed to be incapable of performing any substantial gainful activity.

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

Marital Status at Benefit Eligibility

Percentage married

82% of male participants are assumed to be married, and 85% of female participants are assumed to be married.

No beneficiaries other than the spouse assumed.

Age difference

Male participants are assumed to be two years older than wives, and female participants are assumed to be six years younger than their husbands.

Development of Risk Sharing Valuation Study Pay

The Risk Sharing Valuation Study pay is developed by increasing the prior year's pay with the nominal individual pay increase rate. For participants reported with compensation less than \$10,000, their compensation is set equal to their most recent annual compensation amount in excess of \$10,000.

Age at which Benefits End for Child Beneficiaries

Benefits are assumed to end once the child beneficiary reaches age 23.

Future DROP Returns

Future DROP interest crediting rates are assumed to be equal to 65% of the assumed asset return (currently 65% of 7% equals 4.55%).

Future Cost-of-Living Adjustments

COLAs are assumed to be equal to the assumed asset return less 4.75% (currently 7% minus 4.75% equals 2.25%).

Census Dates

All dates in the census used to calculate liabilities are set as July 1st in the year of the event.

Missing Data Assumptions

Pay for New Hires

None were missing.

Employee Contributions

Based on the prior year's contributions.

Benefits Not Valued

The proportional retirement program between the Houston municipal, police and fire pension funds which allows for combining service credit from two or more City of Houston pension plans was not valued because its impact is expected not to be material.

Appendix A: Summary of Actuarial Methods and Assumptions (continued)

Summary of Changes from the July 1, 2019 Risk Sharing Valuation Study

- In general, the assumptions used in the Risk Sharing Valuation Study are based on recommendations made and approved by the Board as part of an Experience Study covering plan years from July 1, 2014 through June 30, 2019. Assumptions reviewed and updated as a result of this experience study are:
 - Mortality
 - Percentage of active service-connected deaths
 - Termination
 - Commencement age and form of payment for terminated employees hired prior to July 1, 2017
 - Disability
 - Percentage of service-connected disability
 - Percentage of service-connected disability without capability of performing substantially gainful activity
 - Retirement
 - Marriage Assumption and Spouse Age Difference
 - DROP Duration
 - Payment of DROP Balances
 - Price inflation
 - Adjustment to Reflect Definition of Average Monthly Salary for Members Hired Prior to July 1, 2017

These changes decreased the actuarial accrued liability by approximately \$121.1M.

Appendix B: Summary of Plan Provisions

Membership

Any firefighter who has not reached the age of 36 at the time he or she first enters employment shall automatically become a participant in the Fund upon completing the training period. Before October 1, 1990, the eligibility age was age 31. Before 1984, participants entered the Fund on January 1 or July 1.

Average Salary

For members hired prior to July 1, 2017, the average of the highest 36 months of pensionable pay (or 78 pay periods). For members hired on or after July 1, 2017, the average of the final 36 months of pensionable pay (or 78 pay periods).

Pensionable Pay

Pensionable pay prior to July 1, 2017 includes base pay and overtime, before reduction for pre-tax employee contributions and salary deferrals. Pensionable pay after July 1, 2017 includes base pay, before reduction for pre-tax employee contributions and salary deferrals.

Standard Service Pension – Members hired prior to July 1, 2017

Eligibility

20 years of service

Benefit

For retirement on or after November 1, 1997 and applicable for service accrued prior to July 1, 2017, 50% of average monthly salary; plus 3% of average monthly salary per year of service in excess of 20 years. For service accrued after July 1, 2017, 2.75% of average monthly salary per year of service for the member's first 20 years of service; plus 2.00% of average monthly salary per year of service in excess of 20 years.

For retirement on or after November 1, 1996 and prior to November 1, 1997, 48.334% of average monthly salary, plus 2.834% of average monthly salary per year of service in excess of 20 years.

For retirement on or after November 1, 1995 and prior to November 1, 1996, 46.667% of average monthly salary, plus 2.667% of average monthly salary per year of service in excess of 20 years.

For retirement on or after September 1, 1991 and prior to November 1, 1995, 45% of average monthly salary, plus 2.5% of average monthly salary per year of service in excess of 20 years, up to 30 years, plus 1.0% of average monthly salary in excess of 30 years.

For retirement on or after September 1, 1989 and prior to September 1, 1991, 45% of average monthly salary, plus 2.5% of average monthly salary per year of service in excess of 20 years.

For retirement on or after September 1, 1987 and prior to September 1, 1989, 45% of average monthly salary, plus 2% of average monthly salary per year of service in excess of 20 years.

For retirement on or after July 1, 1986 and prior to September 1, 1987, 40% of average monthly salary plus 2% of average monthly salary per year of service in excess of 20 years.

For retirement on or after January 1, 1970 and prior to July 1, 1986, 35% of average monthly salary plus 3% of average monthly salary per year of service in excess of salary per year of service in excess of 25 years.

Maximum

For retirement on or after July 1, 2017, none.

For retirement on or after September 1, 1991, 80% of average monthly salary.

For retirement on or after September 1, 1989 and prior to September 1, 1991, 70% of average monthly salary.

For retirement on or after September 1, 1987 and prior to September 1, 1989, 65% of average monthly salary.

For retirements on or after January 1, 1970 and prior to September 1, 1987, 60% of average monthly salary.

In addition, a member will receive a \$5,000 lump sum payment upon retirement.

Appendix B: Summary of Plan Provisions (continued)

Standard Service Pension – Members hired on or after July 1, 2017

Eligibility

Age at which the sum of the member's age and service equals 70.

Benefit

2.25% of average monthly salary per year of service for the member's first 20 years of service; plus 2.00% of average monthly salary per year of service in excess of 20 years.

Maximum

80% of average monthly salary.

In addition, a member will receive a \$5,000 lump sum payment upon retirement.

Alternate Service Pension

Eligibility

Firefighters who became participants prior to September 1, 1987 and who attain age 50 with 20 years of service will receive the greater of the standard or alternate pension.

Benefit

50% of average monthly salary plus 1% of average monthly salary per year of service after becoming eligible to retire on an alternate pension.

Maximum

65% of average monthly salary.

Supplemental Bonus Check

Supplemental payments totaling up to \$5 million will be payable on a prorated basis determined by the Board of Trustees to all retirees and survivors.

Deferred Retirement Option Plan (DROP)

Eligibility

20 years of service. Members hired on or after July 1, 2017 are not eligible to enter DROP.

Benefit

Effective July 1, 2000, eligible participants may elect to participate in the DROP. The member's standard or alternate service pension (whichever is greater) will be calculated based on service and earnings at the time the DROP is elected.

A notional account will be maintained for each DROP participant. This account will be credited with the following amounts while the member is a participant of the DROP:

- The member's monthly retirement pension, including applicable cost-of-living adjustments (no cost-of living adjustments will be granted while a member is a participant in DROP after July 1, 2017),
- The member's contributions to the Retirement Fund contributed prior to July 1, 2017, and
- Investment earnings/losses at the rate of the Retirement Fund's earnings/losses averaged over a five-year period. Effective July 1, 2017, investment earnings will be contributed to a member's DROP account at the rate of 65% of the Retirement Fund's earnings/losses averaged over a five-year period.

A benefit equal to the DROP account balance would be paid at the time the member leaves active service. The payment would be made as a single lump sum or as the member chooses.

Effective on July 1, 2000, a three-year back DROP is available for all eligible participants. The DROP account would be recalculated based on what the account balance would have been had the participant elected the DROP up to 3 years earlier than he/she actually did. The initial DROP entry date cannot be backdated prior to September 1, 1995, or prior to completion of 20 years of credited service, and must be on the first day of the month selected.

Appendix B: Summary of Plan Provisions (continued)

The monthly benefit for a participant at actual retirement will increase 2% for every year of DROP participation, not to exceed 10 years.

Members can remain in the DROP for 13 years. If a member remains in active service after 13 years in DROP, no further deposits other than unused leave pay will be made to the DROP account, but the DROP account will continue to accrue interest.

If a DROP participant suffers an on-duty disability resulting in the inability to perform any gainful activity or dies in the line of duty, the death or disability annuity benefit would be calculated as though the participant had not entered the DROP. In addition, the DROP account would be payable to the participant or beneficiary.

Service-Connected Disability Pension

Eligibility

No age or service requirements.

Benefit

50% of average monthly salary, or service pension if greater and eligible. Firefighters who are not capable of performing any substantial gainful activity will receive 75% of average monthly salary, or service pension, if greater and eligible.

In addition, a member will receive a \$5,000 lump sum.

Non-Service-Connected Disability Pension

Eligibility

No age or service requirements.

Benefit

25% of average monthly salary, plus 2.5% of average monthly salary per year of service.

Maximum

50% of average monthly salary or service pension, if greater and eligible.

In addition, a member will receive a \$5,000 lump sum.

Vested Pension

Eligibility

For members hired prior to July 1, 2017, at least 10 but less than 20 years of service.

Benefit

For members hired prior to July 1, 2017, 1.7% of average monthly salary per year of service payable beginning at age 50. For members hired on or after July 1, 2017, the benefit is equal to their accrued service pension benefit deferred to the age at which the sum of the member's age and service equals 70. Members receive a refund of contributions without interest in the event of termination before 10 years of service. Members who elect a refund of contributions after attaining 10 years of service receive interest only on contributions made prior to July 1, 2017.

Death Benefits

Payable as specified below if survived by a spouse, dependent children, or dependent parents. Effective November 1, 1997 dependent children can continue to receive benefits between the ages of 18 and 22 if they are in college.

Non-service-connected

Monthly benefit that would have been payable had the participant retired for non-service-connected disability on the date of his or her death (or service pension if greater).

Appendix B: Summary of Plan Provisions (continued)

Postretirement

Monthly benefit payable to the participant prior to his or her death. Effective July 1, 1998, a “graded” postretirement death benefit is payable to a surviving spouse if the retiree was not married at the time of retirement. This “graded” benefit is equal to 20% of the postretirement death benefit for each year of marriage to a maximum 100% after five years of marriage.

Preretirement

In the case of the death of an active firefighter in the line of duty, eligible survivor will receive a benefit equal to 100% of the decedent’s average monthly salary. Refund of contributions made if no eligible survivors. If death occurs after 10 years of service, interest is credited on the contributions at the flat rate of 5% not compounded. If death occurs before 10 years of service, no interest is credited.

Lump sum

A one-time \$5,000 lump sum death benefit for any active or retired firefighter. This benefit applies to active members, current retirees, and disabled participants.

Additional Benefit

Effective on or after July 1, 2001, an extra monthly benefit of \$150 is payable for life to any retired or disabled member or to an eligible survivor of a deceased member. This benefit is not subject to the postretirement adjustment.

Excess Benefit

Benefit equal to the excess of any members’ standard service pension benefit over the limit imposed by Section 415 of the code.

Postretirement Adjustment

Prior to October 1, 1990

Pensions adjusted each year based on changes in the CPI-U, but not below original amount or above original amount increased 3% each year, not compounded.

Pension adjustments for participants who retire after March 1, 1982 begin at age 55.

Pension adjustments begin immediately for participants whose benefits become payable on or after July 1, 1986 and are based upon 30 or more years of service.

On or after October 1, 1990 and prior to November 1, 1997

Pensions adjusted each year based on changes in the CPI-U. The adjustment is based on the amount of benefits payable at the time of adjustment. The maximum annual increase shall be 3% of the benefits payable at the time of adjustment.

Pension adjustments begin immediately for participants whose benefits become payable on or after July 1, 1986 and are based upon 30 or more years of service.

On or after November 1, 1997 and prior to October 1, 2017

Pensions adjusted each year at a fixed rate of 3%. The adjustment is based on the amount of benefits payable at the time of adjustment.

Pension adjustments for participants who retire or terminate with a vested benefit after March 1, 1982 begin at age 48. Pension adjustments begin immediately for participants who become disabled and cannot perform any substantial gainful activity (current and future) and qualify for general on-duty disability benefits.

Participants whose benefits become payable on or after July 1, 1986 and are based upon 30 or more years of service are also eligible for pension adjustments to begin immediately.

On or after October 1, 2017 and prior to October 1, 2019

Pensions adjusted each year at a rate equal to the Fund’s most recent five fiscal years’ smoothed return minus 5% (but not less than 0% nor greater than 4%). The adjustment is based on the amount of benefits payable at the time of adjustment. Pension adjustments only paid to members who are at least 70 years old.

Appendix B: Summary of Plan Provisions (continued)

On or after October 1, 2019

Pensions adjusted each year at a rate equal to the Fund's most recent five fiscal years' smoothed return minus 4.75% (but not less than 0% nor greater than 4%). The adjustment is based on the amount of benefits payable at the time of adjustment. Pension adjustments only paid to members who are at least 70 years old in October 2019. Pension adjustments only paid to members who are at least 55 years old after October 2019.

Contribution Rates

Members

10.5% of salary effective July 1, 2017. Members receive a refund of contributions without interest in the event of termination before 10 years of service. Members who elect a refund of contributions after attaining 10 years of service receive interest only on contributions made prior to July 1, 2017.

City

Effective for fiscal year ending 2018, city contribution rates will be made in accordance with the annual Risk Sharing Valuation Study. The city contribution rate in any fiscal year will not be greater than the city contribution rate projected in the initial Risk Sharing Valuation Study for that fiscal year plus 5%. The city contribution rate in any fiscal year will not be less than the city contribution rate projected in the initial Risk Sharing Valuation Study for that fiscal year minus 5%.

Appendix C: Participant Information

Summary of Active Participants as of July 1, 2020

| Attained Age | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
|--------------------|---------|--------------|--------|----------|----------|------------------|----------|----------|----------|---------|--------|
| Under 25 | 5 | 20 | 1 | - | - | - | - | - | - | - | 26 |
| Avg. Pay | 47,454 | 50,806 | 61,799 | - | - | - | - | - | - | - | 50,584 |
| 25 to 29 | 7 | 162 | 77 | - | - | - | - | - | - | - | 246 |
| Avg. Pay | 46,582 | 51,908 | 62,180 | - | - | - | - | - | - | - | 54,971 |
| 30 to 34 | 3 | 192 | 314 | 51 | - | - | - | - | - | - | 560 |
| Avg. Pay | 45,407 | 52,076 | 61,675 | 68,664 | - | - | - | - | - | - | 58,933 |
| 35 to 39 | - | 80 | 229 | 249 | 130 | - | - | - | - | - | 688 |
| Avg. Pay | - | 53,062 | 60,324 | 68,086 | 72,323 | - | - | - | - | - | 64,556 |
| 40 to 44 | - | 8 | 56 | 152 | 511 | 18 | - | - | - | - | 745 |
| Avg. Pay | - | 53,793 | 62,642 | 66,139 | 71,681 | 78,865 | - | - | - | - | 69,852 |
| 45 to 49 | - | - | 5 | 61 | 358 | 103 | 1 | - | - | - | 528 |
| Avg. Pay | - | - | 60,596 | 66,616 | 71,247 | 80,122 | 99,494 | - | - | - | 72,396 |
| 50 to 54 | - | - | - | 1 | 150 | 76 | 1 | 1 | - | - | 229 |
| Avg. Pay | - | - | - | 75,526 | 71,181 | 76,621 | 98,078 | 95,939 | - | - | 73,231 |
| 55 to 59 | - | - | - | - | 4 | 12 | - | - | - | - | 16 |
| Avg. Pay | - | - | - | - | 71,898 | 73,153 | - | - | - | - | 72,839 |
| 60 to 64 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 65 to 69 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 70 & up | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| Total | 15 | 462 | 682 | 514 | 1,153 | 209 | 2 | 1 | - | - | 3,038 |
| Avg. Pay | 46,638 | 52,162 | 61,350 | 67,407 | 71,554 | 78,341 | 98,786 | 95,939 | - | - | 65,983 |
| | | Average Age: | | 39.32 | | Average Service: | | 11.79 | | | |

Appendix C: Participant Information (continued)

Summary of DROP Participants as of July 1, 2020

| Attained Age | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
|--------------------|---------|--------|--------|----------|------------------|----------|----------|----------|----------|---------|--------|
| Under 25 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 25 to 29 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 30 to 34 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 35 to 39 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 40 to 44 | - | - | - | - | - | - | - | - | - | - | - |
| Avg. Pay | - | - | - | - | - | - | - | - | - | - | - |
| 45 to 49 | - | - | - | - | - | 57 | 54 | 2 | - | - | 113 |
| Avg. Pay | - | - | - | - | - | 80,388 | 81,147 | 71,946 | - | - | 80,601 |
| 50 to 54 | - | - | - | - | - | 80 | 134 | 63 | - | - | 277 |
| Avg. Pay | - | - | - | - | - | 76,167 | 77,557 | 84,317 | - | - | 78,693 |
| 55 to 59 | - | - | - | - | - | 41 | 76 | 75 | 22 | - | 214 |
| Avg. Pay | - | - | - | - | - | 77,601 | 76,006 | 79,346 | 82,728 | - | 78,173 |
| 60 to 64 | - | - | - | - | - | - | 20 | 20 | 12 | 5 | 57 |
| Avg. Pay | - | - | - | - | - | - | 76,478 | 80,134 | 83,602 | 91,258 | 80,557 |
| 65 to 69 | - | - | - | - | - | - | - | - | 1 | 2 | 3 |
| Avg. Pay | - | - | - | - | - | - | - | - | 71,070 | 71,070 | 71,070 |
| 70 & up | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Avg. Pay | - | - | - | - | - | - | - | - | - | 77,250 | 77,250 |
| Total | - | - | - | - | - | 178 | 284 | 160 | 35 | 8 | 665 |
| Avg. Pay | - | - | - | - | - | 77,849 | 77,748 | 81,310 | 82,694 | 84,460 | 78,973 |
| Average Age: | | | | 53.62 | Average Service: | | | | 27.29 | | |

Appendix C: Participant Information (continued)

Summary of Active and DROP Participants as of July 1, 2020

| Attained Age | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total | | | | |
|--------------------|---------|--------|--------|----------|----------|----------|----------|------------------|----------|---------|--------|-------|--|--|--|
| Under 25 | 5 | 20 | 1 | - | - | - | - | - | - | - | 26 | | | | |
| Avg. Pay | 47,454 | 50,806 | 61,799 | - | - | - | - | - | - | - | 50,584 | | | | |
| 25 to 29 | 7 | 162 | 77 | - | - | - | - | - | - | - | 246 | | | | |
| Avg. Pay | 46,582 | 51,908 | 62,180 | - | - | - | - | - | - | - | 54,971 | | | | |
| 30 to 34 | 3 | 192 | 314 | 51 | - | - | - | - | - | - | 560 | | | | |
| Avg. Pay | 45,407 | 52,076 | 61,675 | 68,664 | - | - | - | - | - | - | 58,933 | | | | |
| 35 to 39 | - | 80 | 229 | 249 | 130 | - | - | - | - | - | 688 | | | | |
| Avg. Pay | - | 53,062 | 60,324 | 68,086 | 72,323 | - | - | - | - | - | 64,556 | | | | |
| 40 to 44 | - | 8 | 56 | 152 | 511 | 18 | - | - | - | - | 745 | | | | |
| Avg. Pay | - | 53,793 | 62,642 | 66,139 | 71,681 | 78,865 | - | - | - | - | 69,852 | | | | |
| 45 to 49 | - | - | 5 | 61 | 358 | 160 | 55 | 2 | - | - | 641 | | | | |
| Avg. Pay | - | - | 60,596 | 66,616 | 71,247 | 80,217 | 81,481 | 71,946 | - | - | 73,842 | | | | |
| 50 to 54 | - | - | - | 1 | 150 | 156 | 135 | 64 | - | - | 506 | | | | |
| Avg. Pay | - | - | - | 75,526 | 71,181 | 76,388 | 77,709 | 84,499 | - | - | 76,221 | | | | |
| 55 to 59 | - | - | - | - | 4 | 53 | 76 | 75 | 22 | - | 230 | | | | |
| Avg. Pay | - | - | - | - | 71,898 | 76,594 | 76,006 | 79,346 | 82,728 | - | 77,802 | | | | |
| 60 to 64 | - | - | - | - | - | - | 20 | 20 | 12 | 5 | 57 | | | | |
| Avg. Pay | - | - | - | - | - | - | 76,478 | 80,134 | 83,602 | 91,258 | 80,557 | | | | |
| 65 to 69 | - | - | - | - | - | - | - | - | 1 | 2 | 3 | | | | |
| Avg. Pay | - | - | - | - | - | - | - | - | 71,070 | 71,070 | 71,070 | | | | |
| 70 & up | - | - | - | - | - | - | - | - | - | 1 | 1 | | | | |
| Avg. Pay | - | - | - | - | - | - | - | - | - | 77,250 | 77,250 | | | | |
| Total | 15 | 462 | 682 | 514 | 1,153 | 387 | 286 | 161 | 35 | 8 | 3,703 | | | | |
| Avg. Pay | 46,638 | 52,162 | 61,350 | 67,407 | 71,554 | 78,115 | 77,895 | 81,401 | 82,694 | 84,460 | 68,316 | | | | |
| Average Age: | | | | 41.89 | | | | Average Service: | | | | 14.57 | | | |

Appendix C: Participant Information (continued)

Summary of Inactive Participants as of July 1, 2020

| | Number | Annual Benefits (\$000) | Average Annual Benefits |
|--------------------------------|------------|----------------------------|----------------------------|
| Benefits in Pay Status | | | |
| Retirees | 2,468 | \$ 133,757 | \$ 54,197 |
| Beneficiaries | 643 | 29,397 | 45,718 |
| Disabled Participants | <u>299</u> | <u>15,896</u> | <u>53,165</u> |
| Total | 3,410 | \$ 179,050 | \$ 52,508 |
| Deferred Benefits | | | |
| Vested Terminated Participants | 141 | \$ 346 ¹ | \$ 11,937 ² |
| Beneficiaries | N/A | N/A | N/A |
| Disabled Participants | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Total | 141 | \$ 346 | \$ 11,937 |

¹ Does not include \$3,092,421 in pending refunds for 112 members

² Average is over 29 members not due pending refunds

Appendix C: Participant Information (continued)

Participant Data Reconciliation

| | Active | DROP | Deferred Vested | Retired | Total |
|--|--------|------|-----------------|---------|-------|
| Number of members as of July 1, 2019 | 3,185 | 748 | 113 | 3,345 | 7,391 |
| Change in status during the plan year: | | | | | |
| Actives who retired | (5) | (93) | | 98 | 0 |
| Actives who terminated | (60) | | 60 | | 0 |
| Actives who entered DROP | (11) | 11 | | | 0 |
| Inactives who returned to service | | | | | 0 |
| Inactives who retired | | | | | 0 |
| Participants who became disabled | | (1) | (1) | 2 | 0 |
| No longer members due to: | | | | | |
| Death | (6) | | | (74) | (80) |
| Non-vested terminations | | | | | 0 |
| Child attained cut-off age | | | | (8) | (8) |
| Benefits no longer due | (80) | | (31) | (1) | (112) |
| New member due to: | | | | | |
| Initial membership | 15 | | | | 15 |
| Death of another member | | | | 45 | 45 |
| Correction | | | | 3 | 3 |
| Number of members as of July 1, 2020 | 3,038 | 665 | 141 | 3,410 | 7,254 |

Appendix C: Participant Information (continued)

Retiree and Beneficiaries Added to and Removed from Rolls

| Period Ended | Added to Rolls | | Removed from Rolls | | Rolls at the End of the Year | | | |
|----------------------------|----------------|-------------------------|--------------------|-------------------------|------------------------------|-------------------------|--|------------------------|
| | Number | Annual Benefits (\$000) | Number | Annual Benefits (\$000) | Number | Annual Benefits (\$000) | Percentage Increase in Annual Benefits | Average Annual Benefit |
| December 31, 1978 | 72 | 719 | 23 | 76 | 794 | 4,294 | 15.8% | 5,408 |
| December 31, 1979 | 67 | 719 | 21 | 83 | 840 | 5,008 | 16.6 | 5,962 |
| December 31, 1980 | 33 | 473 | 23 | 84 | 850 | 5,498 | 9.8 | 6,468 |
| December 31, 1981 | 61 | 862 | 38 | 159 | 873 | 6,097 | 10.9 | 6,983 |
| December 31, 1982 | 63 | 644 | 26 | 171 | 910 | 6,772 | 11.1 | 7,442 |
| December 31, 1983 | 54 | 605 | 39 | 207 | 925 | 7,403 | 9.3 | 8,003 |
| June 30, 1984 ¹ | 41 | 619 | 17 | 98 | 949 | 3,952 | 6.8 | 8,328 |
| June 30, 1985 | 75 | 968 | 53 | 290 | 971 | 8,432 | 6.7 | 8,684 |
| June 30, 1986 | 54 | 752 | 38 | 243 | 987 | 9,550 | 13.3 | 9,676 |
| June 30, 1987 | 76 | 1,101 | 33 | 235 | 1,030 | 10,522 | 10.2 | 10,215 |
| June 30, 1988 | 121 | 2,002 | 38 | 311 | 1,113 | 12,754 | 21.2 | 11,459 |
| June 30, 1989 | 74 | 1,306 | 42 | 299 | 1,145 | 14,032 | 10.0 | 12,255 |
| June 30, 1990 | 111 | 1,996 | 37 | 288 | 1,219 | 16,428 | 17.1 | 13,477 |
| June 30, 1991 | 129 | 1,784 | 38 | 401 | 1,310 | 17,888 | 8.9 | 13,665 |
| June 30, 1992 | 78 | 1,588 | 44 | 401 | 1,344 | 19,866 | 11.1 | 14,781 |
| June 30, 1993 | 82 | 1,717 | 48 | 585 | 1,378 | 21,516 | 8.3 | 15,614 |
| June 30, 1994 | 112 | 2,006 | 58 | 660 | 1,432 | 23,297 | 8.3 | 16,269 |
| June 30, 1995 | 87 | 1,728 | 28 | 353 | 1,491 | 25,142 | 7.9 | 16,863 |
| June 30, 1996 | 67 | 1,402 | 56 | 660 | 1,502 | 26,379 | 4.9 | 17,563 |
| June 30, 1997 | 56 | 1,050 | 37 | 487 | 1,521 | 27,581 | 4.6 | 18,133 |

¹ Six-month period

Appendix C: Participant Information (continued)

Retirees and Beneficiaries Added to and Removed from Rolls (continued)

| Period Ended | Added to Rolls | | Removed from Rolls | | Rolls at the End of the Year | | Percentage Increase in Annual Benefits | Average Annual Benefit |
|----------------------------|----------------|-------------------------|--------------------|-------------------------|------------------------------|-------------------------|--|------------------------|
| | Number | Annual Benefits (\$000) | Number | Annual Benefits (\$000) | Number | Annual Benefits (\$000) | | |
| June 30, 1998 | 54 | 1,064 | 43 | 477 | 1,532 | 28,675 | 4.0 | 18,717 |
| June 30, 1999 | 64 | 1,840 | 28 | 551 | 1,568 | 30,233 | 5.4 | 19,281 |
| June 30, 2000 | 95 | 2,364 | 71 | 1,167 | 1,592 | 34,583 | 14.4 | 21,723 |
| June 30, 2001 | 127 | 3,581 | 47 | 775 | 1,672 | 38,347 | 10.9 | 22,935 |
| June 30, 2002 | 172 | 5,493 | 61 | 998 | 1,783 | 44,300 | 15.5 | 24,846 |
| June 30, 2004 ¹ | 377 | N/A | 109 | N/A | 2,051 | 57,676 | 30.2 | 28,121 |
| June 30, 2005 | 135 | 4,353 | 53 | 1,107 | 2,133 | 62,882 | 9.0 | 29,481 |
| June 30, 2006 | 195 | 7,231 | 60 | 1,437 | 2,268 | 70,420 | 12.0 | 31,050 |
| June 30, 2007 | 106 | 3,822 | 59 | 1,407 | 2,315 | 74,948 | 6.4 | 32,375 |
| June 30, 2008 | 166 | 9,334 | 21 | 828 | 2,460 | 98,216 | 31.0 | 39,925 |
| June 30, 2009 | 133 | 3,369 | 43 | 2,081 | 2,550 | 94,536 | -3.7 | 37,073 |
| June 30, 2010 | 162 | 7,159 | 103 | 2,886 | 2,609 | 96,580 | 2.2 | 37,018 |
| June 30, 2011 | 181 | 8,905 | 64 | 1,489 | 2,726 | 106,832 | 10.6 | 39,190 |
| June 30, 2012 | 141 | 7,042 | 77 | 2,398 | 2,790 | 114,176 | 6.8 | 40,923 |
| June 30, 2013 | 170 | 8,286 | 54 | 1,837 | 2,906 | 124,080 | 8.7 | 42,698 |
| June 30, 2014 | 162 | 7,772 | 70 | 1,401 | 2,998 | 132,749 | 7.0 | 44,279 |
| June 30, 2015 | 147 | 7,273 | 85 | 383 | 3,060 | 140,629 | 5.9 | 45,957 |
| June 30, 2016 | 138 | 7,496 | 60 | 2,302 | 3,138 | 150,005 | 6.7 | 47,803 |
| June 30, 2017 | 207 | 11,829 | 95 | 3,667 | 3,250 | 162,671 | 8.4 | 50,053 |
| June 30, 2018 | 150 | 8,353 | 88 | 2,546 | 3,312 | 169,601 | 4.3 | 51,208 |
| June 30, 2019 | 114 | 6,432 | 81 | 3,818 | 3,345 | 173,433 | 2.3 | 51,848 |
| June 30, 2020 | 148 | 8,388 | 83 | 3,821 | 3,410 | 179,050 | 3.2 | 52,508 |

¹ Two-year period

Appendix D: ASOP 51

Actuarial Standard of Practice No. 51 Disclosures

Funding future retirement benefits prior to when those benefits become due involves assumptions regarding future economic and demographic experience. These assumptions are applied to calculate actuarial liabilities and the corresponding funded status of the Fund. However, to the extent future experience deviates from the assumptions used, variations will occur in these calculated values. These variations create risk to the Fund. Understanding the risks to the funding of the Fund is important. Therefore, an Actuarial Standard of Practice (ASOP) has been adopted. Actuarial Standard of Practice No. 51 (ASOP 51) requires certain disclosures of potential risks to the Fund and provides useful information for intended users of actuarial reports that determine Fund contributions or evaluate the adequacy of specified contribution levels to support benefit provisions.

Under ASOP 51, risk is defined as the potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience.

It is important to note that not all risk is negative but all risk should be understood and accepted based on knowledge, judgment and educated decisions. Future measurements may deviate in ways that produce positive or negative financial impacts to the Fund.

In the actuary's professional judgment, the following risks may reasonably be anticipated to significantly affect the plan's future financial condition:

- Investment risk – the risk that assets will have a lower return than expected
- Contribution risk – the risk that the actual contribution made will be different than the recommended contribution in the Risk Sharing Valuation Study
- Salary increase risk – the risk that actual salary increases will be higher than expected
- Longevity and other demographic risk – the risk that mortality or other demographic experience will be different from expected

The following information is provided to comply with ASOP 51 and furnish beneficial information on potential risks to the Fund. This list is not all-inclusive; it is an attempt to identify the most significant risks and how those risks might affect the results shown in this report.

Note that ASOP 51 does not require the actuary to evaluate the ability or willingness of the Fund sponsor to make contributions to the Fund. In addition, this Risk Sharing Valuation Study report is not intended to provide investment advice or to provide guidance on the management or reduction of risk. Buck welcomes the opportunity to assist in such matters as part of a separate project or projects utilizing the appropriate staff and resources for those objectives.

Appendix D: ASOP 51 (continued)

Assessment of Risks

- Investment return - One type of investment risk is that assets materially underperform expected return.
 - Lower assets mean higher unfunded liability and larger contribution amounts. For example, if returns on assets at market value were an additional 1% less than expected, this would reduce the actuarial value of assets by approximately \$8,664,000, which would increase the estimated City Contribution for Fiscal Year 2022 contribution by \$573,000.
 - The five-year smoothing method used for the actuarial value of assets defers a portion of investment gain/loss in each of the previous five years. If the assumed return on assets consistently overestimates the actual return on assets, the actuarial value of assets will be consistently higher than the true market value. Consistent underestimation of the unfunded liability can prevent the Fund from achieving anticipated funding goals even when all minimum required contributions are made timely.
- Asset growth does not keep pace with liability increases over time - Another type of investment risk is that asset returns do not keep pace with liability growth over time. Fund liabilities are based on the discounted present value of anticipated future benefit payments. That present value grows at the discount rate as time passes and the future payouts move closer. If investment returns are lower than the rates used to discount liabilities, Fund liabilities will increase more rapidly than Fund assets. Over extended periods of time, such as those involved in pension obligations, these discrepancies can accumulate to significant shortfalls.
- Market shocks or regime changes - Invested assets are subject to significant disruptions from market shocks, such as the financial crisis of 2008/2009, or as a result of systemic regime changes that persist for years, such as historically low interest rates over the recent decade. These shocks or changes will increase the risk that investments will underperform the expected return. They may also lead to a need to lower the long-term return on assets assumption. Since the long-term return on asset assumption is also used for discounting liabilities a lower assumption will increase liabilities and recommended contributions. Currently the investment return assumption used for funding is set by Senate Bill 2190.
- Salary increases - Fund costs are sensitive to salary increases, with higher rates leading to higher obligations. This is because benefits at retirement are pay related, meaning that higher pay generates higher benefit levels at retirement. Compensation increases greater than assumed lead to actuarial losses since projected benefits are higher than predicted by assumed rates.
- The Fund provides certain eligible members to enter the Deferred Retirement Option Program (DROP). It allows members who elect DROP the option to continue to work beyond their standard or alternative service eligibility date and convert part of their retirement benefit into a lump sum.

Appendix D: ASOP 51 (continued)

- A DROP presents a risk due to large lump sums paid, particularly during economic downturns. Another investment consideration is the need for liquid assets to pay DROP lump sums as employees and retirees may elect to receive their DROP account at any time creating either the necessity to maintain larger allocations of cash to pay these large lump sum benefits or force the Fund to sell securities or other illiquid investments at inopportune times. These payments are less predictable than monthly retirement benefits and may cause some losses.
 - The DROP provided by the Fund also presents risk due to investment return provided to the DROP account. The Fund provides DROP investment return at the rate of 65% of the Fund's earnings/losses averaged over a five-year period. When the average is a loss, the DROP account is only decreased by 65% of the loss rate and the Fund has to absorb the remaining 35%. However, this risk is also mitigated by the 65% factor - when the average is an earning, the Fund gets to keep the extra 35% earnings.
- Longevity and other demographic risks - Potential that mortality or other demographic experience (retirement, turnover, disability) may be different than expected. As the Fund matures and the majority of participants reach (or have reached) retirement eligibility, risks associated when participants retire can become significant. The Fund provides for unreduced early retirement benefits after meeting certain age and service conditions. These benefits are highly subsidized and thus can be significantly more valuable than normal retirement benefits and regular early retirement benefits. The demographic assumptions used to determine the Risk Sharing Valuation Study attempt to account for unreduced early retirement based on historical plan experience. However, due to the unpredictable nature of such benefits, future experience could differ significantly from past experience.

In addition to the risk that participants will not retire as expected, the Fund is subject to longevity risk - the risk that participants will live longer (or shorter) than expected. Cost of living adjustments (COLA) provided by the Fund increase longevity risk because if a participant lives longer than expected more COLA will be provided.

- Declining active workforce - since the City's contributions are based on a percentage of participant's salaries, a declining active workforce will have the impact of the Fund potentially receiving lower contributions. In addition, if the required dollar amount of contributions remain level or increase, a declining active workforce will result in higher contribution rates in order to meet required contribution levels.
- Contribution risk – risk of not contributing an actuarially determined contribution. Based on the statutory requirements of Senate Bill 2190 it is our understanding that the actual City contribution rate may be established as an average of the contribution rates shown in this report and those shown in the Risk Sharing Valuation Study prepared by the City's actuary. If future contributions are established in this manner at levels below those presented in this report, the Fund may not be expected to achieve a fully funded position over the 30-year time horizon as contemplated in the statute based on the data, assumptions and methods set forth in this report.
- Ultimate Entry Age Normal Cost Method (Ultimate EANC) - The Ultimate EANC method is a variation of EANC, where the normal cost is calculated for each active member based on the Fund provisions applicable to new members of the Fund. As the Fund has a lower annual cost for new members hired on or after July 1, 2017, use of the Ultimate EANC method lowers the normal cost and increases the actuarial accrued liability, as compared to EANC.

Appendix D: ASOP 51 (continued)

Historical Results

The following table shows selected historical values of key Risk Sharing Valuation Study measures. These items illustrate how actual volatility has impacted the Fund in recent years and gives additional context to the risks described above. Further information can be found in the RSVS reports for each year.

| (\$1,000) | | | | | Current |
|--|-----------|-----------|-----------|-----------|------------------|
| RSVS Date | 07/01/16 | 07/01/17 | 07/01/18 | 07/01/19 | RSVS 07/01/20 |
| <u>Liabilities and Assets at Valuation Date</u> | | | | | |
| • Actuarial Accrued Liability (AAL) | 4,629,893 | 4,827,721 | 4,948,133 | 5,057,759 | 4,932,307 |
| - Normal Cost | 68,987 | 69,304 | 69,741 | 70,345 | 61,078 |
| • Actuarial Value of Assets (AVA) | 3,729,670 | 3,883,807 | 4,027,079 | 4,190,934 | 4,251,851 |
| - Funded Percent (AVA) | 81% | 80% | 81% | 83% | 86% |
| • Market Value of Assets (MVA) | 3,729,670 | 4,025,090 | 4,170,354 | 4,237,692 | 4,102,932 |
| - Funded Percent (MVA) | 81% | 83% | 84% | 84% | 83% |
| <u>Contributions and Disbursements for Plan Year Ended</u> | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| • Actuarially Determined Contribution (ADC) | 87,464 | 88,745 | 96,530 | 99,676 | 96,332 |
| • Actual Contribution | 94,279 | 93,658 | 83,010 | 89,897 | 83,837 |
| • Disbursements | 220,334 | 256,590 | 295,674 | 278,615 | 336,153 |
| <u>Rates of Return for Plan Year Ended</u> | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| • Assumed | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| • AVA | -1.70% | 8.00% | 8.40% | 8.10% | 6.90% |
| • MVA | -1.20% | 11.80% | 8.20% | 5.40% | 2.00% |
| <u>Maturity Measures at Valuation Date</u> | | | | | |
| • Payroll | 280,436 | 289,947 | 260,345 | 272,498 | 259,235 |
| - Asset Volatility Ratio (AVA / Payroll) | 13.3 | 13.4 | 15.5 | 15.4 | 16.4 |
| - Liability Volatility Ratio (AAL / Payroll) | 16.5 | 16.7 | 19.0 | 18.6 | 19.0 |
| • Retiree and Beneficiary (In-pay) Liability | 3,013,676 | 3,270,639 | 3,381,597 | 3,445,240 | 3,428,579 |
| - Percent of Total Liability | 65% | 68% | 68% | 68% | 70% |
| • Contributions minus Disbursements in Prior Year | (126,055) | (162,932) | (212,664) | (188,718) | (252,316) |
| - Percent Market Value of Assets | -3.4% | -4.0% | -5.1% | -4.5% | -6.1% |

Appendix D: ASOP 51 (continued)

Commentary on Plan Maturity Measures

The ratio of retired life actuarial accrued liability to total actuarial accrued liability

A mature plan will often have a ratio above 60 - 65 percent. A higher percentage will generally indicate an increased need for asset / liability matching due to inability to absorb volatility in future returns. Also, an increasing percentage may indicate a need for a less risky asset allocation which may lead to a lower long-term return on assets assumption and increased costs.

The ratio of cashflow to market value of assets

The cashflow as a percentage of assets means the Fund may need to invest in more liquid assets to cover the benefit payments. More liquid assets may not garner the same returns as less liquid assets and therefore increase the investment risk. However, there may already be enough liquid assets to cover the benefit payments, less investment return is needed to cover the shortfall, or only a small portion of assets will need to be converted to cash. Therefore, the investment risk is likely not amplified at this time. This maturity measure should be monitored for continual upward trend with greater magnitude.

The ratio of actuarial value of assets to participant payroll

Plans that have higher asset-to-payroll ratios experience *more* volatile employer contributions (as a percentage of payroll) due to investment return. For example, if lower than expected asset return increases the unfunded liability of two plans by the same percent the plan with a higher assets-to-payroll ratio may experience higher contribution volatility than a plan with a lower asset-to-payroll ratio.



City of Houston
HFRRF
Final Risk Sharing
Valuation Study
As of July 1, 2020

December 28, 2020



December 28, 2020

Ms. Tantri Emo
Director, Finance Department
City of Houston
611 Walker
Houston, TX 77002

Re: HFRRF Final Risk Sharing Valuation Study as of July 1, 2020

Dear Tantri:

Texas Revised Statutes article 6243e.2(1) (the Article) sets forth requirements for a Risk Sharing Valuation Study (RSVS) of the Houston Firefighters' Relief and Retirement Fund (HFRRF). The purpose of this study is to determine the City Contribution Rate for the following fiscal year. Retirement Horizons Inc. (RHI) was engaged by the City of Houston to perform this Risk Sharing Valuation Study as of July 1, 2020 as the Municipal Actuary. This report provides the results of the Study and is organized as follows:

- Section 1 – Risk Sharing Valuation Study Results
- Section 2 – Actuarial Exhibits
- Section 3 – Summary of Plan Provisions
- Section 4 – Actuarial Methods and Assumptions
- Section 5 – Summary of Valuation Data
- Section 6 – Data Sources
- Section 7 – ASOP 51 Assessment and Disclosure of Risk

RHI received Actuarial Data as defined in Section 1-a of the Article and required by Section 13C(b) of the Article. RHI conducted the RSVS using the Actuarial Data provided and plan provisions as summarized in this report. The analysis presented in this report is based on the interest rate assumption and actuarial cost and asset methods prescribed by the Article. All other actuarial methods and assumptions summarized in this report were adopted in conjunction with the 2020 HFRRF Experience Study per the Article.

The HFRRF actuary published a proposed RSVS dated November 20, 2020. That report was then provided to RHI on the same day by the HFRRF actuary. RHI conducted the proposed RSVS using the Actuarial Data provided and plan provisions described in a report published on November 25, 2020.

During the reconciliation process, a minor change to the assumed retirement date for future terminations was made that increased the CCR from 25.16% to 25.18% of payroll. The other differences in the results of the two 2020 Proposed Risk Sharing Valuation Studies have not been fully determined. As the 2020 RSVS assumptions align with those used in the 2020 experience study, the difference is in plan provision, methodology, and/or software coding. These differences are expected to be explored further in the upcoming actuarial audit.

Ms. Tantri Emo
December 28, 2020

As described in the Article, results of the Risk Sharing Valuation Study performed by the HFRRF actuary will be compared to the results in this report. Since the results are greater than two percentage points different, a mathematical average of the Municipal and Fund actuary's results will be used.

The actual costs, City Contribution Rates, and other results could be materially different from those described in this report in the future if actual plan experience differs significantly from the underlying valuation basis. Differences could occur for a number of reasons such as plan experience differing from the underlying demographic and economic assumptions or changes in plan provisions. Due to the limited scope of this report, analysis of the potential range of such future measurements has not been performed.

The results in this report and any measures of funded status are predicated on the notion of the Fund's ongoing operation and should not be relied upon for assessing the sufficiency of plan assets for settlement of plan termination liabilities.

The information contained in this report was prepared as requested by the City of Houston and solely for the purpose of satisfying the RSVS requirements of the Article, and should not be used for any other purpose. As significantly different results from those contained in this report may be needed for other purposes, this report should only be provided to other parties in its entirety.

The signing actuary for this report is a member of the Society of Actuaries and other professional actuarial organizations and meets the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion." The undersigned is available to answer questions regarding the information contained in this report or to provide further explanations or details as needed.

Respectfully submitted by Retirement Horizons Inc.

A handwritten signature in blue ink that reads "David A. Sawyer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

David A. Sawyer, FSA EA MAAA
Senior Consulting Actuary

Risk Sharing Valuation Study Results

Corridor Midpoint

The table below contains the Corridor Midpoint, along with the corresponding Minimum and Maximum Contribution Rates using a 5% Corridor Margin as specified in the Article. Based on RHI's proposed RSVS results, the City Contribution Rate for FY 2022 would be 25.18% of pensionable payroll, which is below the Corridor Minimum. The Final City Contribution Rate will be determined after consideration of the results of the Fund Actuary's RSVS.

| FY | Corridor Midpoint | Corridor Minimum | Corridor Maximum | RHI Calculated City Contribution Rate | Final City Contribution Rate * |
|-----------|-------------------|------------------|------------------|---------------------------------------|--------------------------------|
| 2018 | 31.89% | 26.89% | 36.89% | 26.98% | 31.89% |
| 2019 | 31.89% | 26.89% | 36.89% | 28.33% | 32.99% |
| 2020 | 31.89% | 26.89% | 36.89% | 27.52% | 32.34% |
| 2021 | 31.89% | 26.89% | 36.89% | 26.19% | 31.89% |
| 2022 | 31.89% | 26.89% | 36.89% | 25.18% | |
| 2023 | 31.89% | 26.89% | 36.89% | | |
| 2024 | 31.89% | 26.89% | 36.89% | | |
| 2025 | 31.89% | 26.89% | 36.89% | | |
| 2026 | 31.89% | 26.89% | 36.89% | | |
| 2027 | 31.89% | 26.89% | 36.89% | | |
| 2028 | 31.89% | 26.89% | 36.89% | | |
| 2029 | 31.89% | 26.89% | 36.89% | | |
| 2030 | 31.89% | 26.89% | 36.89% | | |
| 2031 | 31.89% | 26.89% | 36.89% | | |
| 2032 | 31.89% | 26.89% | 36.89% | | |
| 2033 | 31.89% | 26.89% | 36.89% | | |
| 2034 | 31.89% | 26.89% | 36.89% | | |
| 2035 | 31.89% | 26.89% | 36.89% | | |
| 2036 | 31.89% | 26.89% | 36.89% | | |
| 2037 | 31.89% | 26.89% | 36.89% | | |
| 2038 | 31.89% | 26.89% | 36.89% | | |
| 2039 | 31.89% | 26.89% | 36.89% | | |
| 2040-2047 | 31.89% | 26.89% | 36.89% | | |
| 2048 | 15.92% | 10.92% | 20.92% | | |

* Final City Contribution Rates for FY 2018 – 2021 were based on an average of Municipal and Fund Actuaries' RSVS and then subjected to the Article's corridor.

Risk Sharing Valuation Study Results

City Contribution Rate

The City Contribution Rate is equal to the sum of the Employer Normal Cost Rate and the Amortization Rate from any Liability Layers. The Employer Normal Cost Rate is equal to the Gross Normal Cost Rate plus Administrative Expense Rate less the Member Contribution Rate.

| FY | Employer Normal Cost Rate | Liability Layer Amortization Rate | Estimated City Contribution Rate |
|------|---------------------------|-----------------------------------|----------------------------------|
| 2018 | 14.74% | 12.24% | 26.98% |
| 2019 | 14.72% | 13.61% | 28.33% |
| 2020 | 14.68% | 12.84% | 27.52% |
| 2021 | 14.67% | 11.52% | 26.19% |
| 2022 | 15.10% | 10.08% | 25.18% |
| 2023 | | | |
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| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |

Actuarial Exhibits

2.1. Fair Value of Assets

| | July 1, 2019 | July 1, 2020 |
|---|------------------|------------------|
| A. Fair Value of Plan Assets | | |
| 1. Cash & Short Term Investments | \$ 96,191,472 | \$ 149,727,779 |
| 2. Fixed Income | 1,182,708,848 | 999,000,749 |
| 3. Equity Securities | 1,819,994,293 | 1,577,748,829 |
| 4. Alternative Investments | 928,980,068 | 1,142,017,234 |
| 5. Real Estate | 195,647,628 | 230,010,788 |
| 6. Land, Building, Etc. | 4,560,371 | 4,267,765 |
| 7. Accrued Interest & Dividends | 5,444,362 | 4,052,284 |
| 8. Accrued City Contributions | 3,720,252 | 6,093,531 |
| 9. Accrued Member Contributions | 1,680,081 | 3,013,705 |
| 10. Other | (1,235,295) | (13,000,885) |
| 11. Total Fair Value | \$ 4,237,692,080 | \$ 4,102,931,779 |
| B. Change in Fair Value | | |
| 1. Contributions | Change | |
| a. Members | \$ 33,441,101 | |
| b. City | 83,836,678 | |
| c. Total | \$ 117,277,779 | |
| 2. Disbursements | | |
| a. Benefit Payments | \$ (330,322,949) | |
| b. Administrative Expenses | (5,830,113) | |
| c. Total | \$ (336,153,062) | |
| 3. Investment Return | | |
| a. Interest and Dividends | \$ 23,502,186 | |
| b. Realized and Unrealized Gain/(Loss) | 67,428,527 | |
| c. Plan Investment Expenses | (6,815,731) | |
| d. Total Return | \$ 84,114,982 | |
| 4. Net Change | \$ (134,760,301) | |
| 5. Average Rate of Return | | |
| a. Average Asset Value | \$4,128,254,439 | |
| b. Income Net of Investment Expenses | \$ 84,114,982 | |
| c. Annual Rate of Return - Net of Investment Expenses | 2.04% | |
| d. Annual Rate of Return - Gross | 2.20% | |

Actuarial Exhibits

2.2. Actuarial Value of Assets

| | |
|--|------------------|
| 1. Market Value of Assets at beginning of year | \$ 4,237,692,080 |
| 2. Net Cash Flow | |
| a. Contributions | \$ 117,277,779 |
| b. Benefit Disbursements | (330,322,949) |
| c. Administrative Expenses | (5,830,113) |
| d. Net Cash Flow [2.a. + 2.b. + 2.c.] | \$ (218,875,283) |
| 3. Expected Investment Return [1. x 0.07] + [2.d. x ((1.07) ^{.5-1})] | \$ 289,107,375 |
| 4. Expected Market Value of Assets at end of year [1. + 2.d. + 3.] | \$ 4,307,924,172 |
| 5. Market Value of Assets at end of year | \$ 4,102,931,779 |
| 6. Investment Gain/(Loss) [5. - 4.] | \$ (204,992,393) |

7. Schedule of Actuarial Investment Gains (Losses)

| | Fiscal Year End | Initial Actuarial Gain (Loss) | Five-Year Recognition | Deferred Gain (Loss) As of July 1, 2020 |
|--|--------------------|----------------------------------|--------------------------|---|
| | 2017 | \$ 176,603,306 | \$141,282,645 | \$ 35,320,661 |
| | 2018 | \$ 46,641,921 | \$ 27,985,153 | \$ 18,656,768 |
| | 2019 | \$ (64,835,689) | \$ (25,934,276) | \$ (38,901,413) |
| | 2020 | \$ (204,992,393) | \$ (40,998,479) | \$ (163,993,914) |
| | 2021 | N/A | N/A | N/A |
| | Total | \$ (46,582,855) | \$ 102,335,043 | \$ (148,917,898) |

| | |
|--|------------------|
| 8. Market Value as of July 1, 2020 | \$ 4,102,931,779 |
| (Gain) Loss to be Recognized in Future Years | 148,917,898 |
| Actuarial Value as of July 1, 2020 | \$ 4,251,849,677 |
| 9. Actuarial Value of Assets, Prior Year | \$ 4,190,934,156 |
| 10. Rate of Return on Actuarial Value of Assets (Net of Investment Expenses) | 6.9% |

Actuarial Exhibits

2.3. Actuarial Accrued Liability

| | July 1, 2019 | July 1, 2020 |
|--|------------------|------------------|
| A. Discount Rate | 7.0% | 7.0% |
| B. Actuarial Accrued Liability | | |
| 1. Active | \$1,448,629,842 | \$1,311,493,001 |
| 2. Terminated Vested | \$4,691,665 | \$3,092,521 |
| 3. Disabled | \$211,448,364 | \$223,445,828 |
| 4. Retired | \$3,049,948,921 | \$3,139,451,184 |
| 5. Total | \$4,714,718,792 | \$4,677,482,534 |
| C. Change in Actuarial Accrued Liability | | 2020 Fiscal Year |
| 1. Benefits Accumulated | | \$63,731,466 |
| 2. Benefits Paid | | (\$330,322,949) |
| 3. Decrease in Discount Period | | \$320,857,424 |
| 4. Plan Experience | | (\$56,911,809) |
| 5. Actuarial Assumptions | | (\$34,590,390) |
| 6. Actuarial Methods | | \$0 |
| 7. Plan Amendments | | \$0 |
| 8. Net Change | | (\$37,236,258) |
| D. Actuarial Value of Assets | \$ 4,190,934,156 | \$ 4,251,849,677 |
| E. Unfunded Actuarial Liability | \$523,784,636 | \$425,632,857 |
| F. Total Normal Cost % of Payroll ¹ | 25.17% | 25.60% |
| G. Member Contribution % of Payroll | 10.50% | 10.50% |
| H. Employer Normal Cost Rate [F - G] | 14.67% | 15.10% |

¹ Includes administrative expense load

Actuarial Exhibits

2.4. Liability Layers

| Valuation Date Base Established | Initial Amount of Liability Layer (BOY) | Remaining Liability to be Amortized as of 7/1/2020 | Remaining Amortization Period as of 7/1/2020 | Amortization Amount for FY 2022 |
|---|--|--|---|---------------------------------------|
| 07/01/2016 | \$601,731,984 | \$599,807,037 | 26 | \$37,181,372 |
| 07/01/2017 | \$47,533,433 | \$52,140,879 | 27 | \$3,063,309 |
| 07/01/2018 | (\$47,351,521) | (\$51,212,840) | 26 | (\$3,076,746) |
| 07/01/2019 | (\$71,518,992) | (\$76,525,321) | 26 | (\$4,605,553) |
| 07/01/2020 | (\$98,576,898) | (\$98,576,898) | 26 | (\$6,299,188) |
| Total | | \$425,632,857 | | \$26,263,194 |
| Projected Payroll for Fiscal Year +1 | | | | \$260,583,059 |
| Amortization Payments as a % of Projected Payroll | | | | 10.08% |

Summary of Plan Provisions

Eligibility and Participation

Any firefighter shall automatically become a participant in the plan upon completing the training period, as long as he or she has not reached age 36.

Final Average Pay (FAP)

For members hired prior to July 1, 2017, the average of the highest 78 bi-weekly payroll periods of salary, before reduction for pre-tax employee contributions and salary deferrals. Overtime and any excess of the salary earned on the basis of the member's appointed position over the salary of the member's highest tested rank are excluded for pay periods after July 1, 2017. For members hired after July 1, 2017, the average of the final 78 bi-weekly payroll periods of salary, before reduction for pre-tax employee contributions and salary deferrals, and excluding overtime and any excess of the salary earned on the basis of the member's appointed position over the salary of the member's highest tested rank.

Credited Service

Elapsed time from date of hire, for all periods of service classified as full-time, fully paid, active duty employment with the City of Houston Fire Department.

Retirement Benefit

Eligibility

20 years of service if hired prior to July 1, 2017. Attainment of age plus service of at least seventy (Rule of 70) for those hired on or after July 1, 2017.

Amount

Prior to July 1, 2017, 2.5% of FAP times credited service up to 20 years of service, plus 3.0% of FAP for credited service in excess of 20 years, up to a maximum pension of 80% of FAP. In addition, the member will receive a \$5,000 lump sum.

On or after July 1, 2017, 2.75% per year prior to 20 years of service and 2.00% thereafter for those hired prior to July 1, 2017 (no maximum). For those hired on or after that date, 2.25% per year up to 20 years of service and 2.00% thereafter, up to a maximum of 80% of FAP. Percentages earned prior to July 1, 2017 are retained. \$5,000 lump sum payable upon retirement if member has completed 20 years of service, regardless of date of hire.

Summary of Plan Provisions

Termination Benefit

| | |
|-------------|---|
| Eligibility | Termination of employment prior to satisfying the retirement eligibility requirements. |
| Amount | Hired prior to July 1, 2017 with less than 10 years of service: Lump sum refund of member contributions without interest. Hired prior to July 1, 2017 with at least 10 but less than 20 years of service: Choice of <ul style="list-style-type: none">• Refund of contributions (with 5% interest, not compounded, on contributions made prior to July 1, 2017), or• Monthly benefit of 1.7% of final average pay per year of service, payable at age 50 Hired on or after July 1, 2017: Lump sum refund of member contributions without interest. |

On-Duty Disability

| | |
|-------------|--|
| Eligibility | No age or service requirements. |
| Amount | Firefighters who are not capable of performing their normal and customary firefighter duties receive the greater of their accrued retirement benefit or 50% of FAP (75% of FAP for firefighters not capable of performing any substantial gainful activity). In addition, the member will receive a \$5,000 lump sum. This benefit was assumed to be payable immediately, even if the member does not yet meet retirement eligibility. |

Off-Duty Disability

| | |
|-------------|--|
| Eligibility | No age or service requirements. |
| Benefit | Firefighters who are not capable of performing their normal and customary firefighter duties receive the greater of their accrued retirement benefit or 25% of FAP plus 2.5% of FAP per year of service (up to a maximum of 50% of FAP). In addition, the member will receive a \$5,000 lump sum. This benefit was assumed to be payable immediately, even if the member does not yet meet retirement eligibility. |

Summary of Plan Provisions

Active Member Death

| | |
|-----------------------------|--|
| Eligibility | No age or service requirements. |
| Duty Related Benefit | 100% of FAP. In addition, the beneficiary will receive a \$5,000 lump sum. |
| Non-Duty Related Benefit | Greater of the accrued retirement benefit or Off-Duty Disability benefit. In addition, the beneficiary will receive a \$5,000 lump sum. |
| Allocation to Beneficiaries | The benefit amount above is payable to a surviving spouse, or allocated 50% to the surviving spouse with the remaining 50% divided equally among any eligible children, or if no surviving spouse divided equally among any eligible children, or otherwise paid to any eligible parents if no surviving spouse or eligible children. An eligible child enrolled in college must be unmarried. |

Please Note: Members who become disabled or die from heart or lung disease or cancer must have at least six years of service to receive a disability or death benefit. They must also have passed a physical upon beginning employment or prior to the claimed disability or death which did not reveal evidence of the condition.

Retired Member Death

| | |
|-----------------------------|---|
| Eligibility | Retired and receiving monthly pension. |
| Benefit | 100% of monthly pension the retired member was receiving plus a \$5,000 lump sum death benefit. |
| Allocation to Beneficiaries | The annuity benefit above is payable to a surviving spouse, or allocated 50% to the surviving spouse with the remaining 50% divided equally among any eligible children, or if no surviving spouse divided equally among any eligible children, or otherwise paid to any eligible parents if no surviving spouse or eligible children. An eligible child enrolled in college must be unmarried. |

Supplemental Annuity

An extra monthly benefit of \$150 is payable for life to any retired or disabled member or to an eligible survivor of a deceased member.

Supplemental Bonus Checks

Annual payments of up to \$5 million are provided to retirees and beneficiaries.

Summary of Plan Provisions

Cost of Living Adjustment

Beginning at age 55, a retired member or beneficiary will receive an adjustment reflecting the Fund's 5-year average investment return less 4.75%, with a floor of 0% and a cap of 4%. Prior to July 1, 2020, no COLA is provided to members under age 70. Notwithstanding the foregoing, prior to July 1, 2019, COLA provided to members who are at least 70 years of age is the Fund's 5-year average investment return less 5%, with a floor of 0% and a cap of 4%.

DROP

Hired prior to July 1, 2017: Upon reaching retirement eligibility, members may enter the Deferred Retirement Option Plan (DROP). The member's monthly annuity is added to a notional account. Interest is credited on the account using 65% of the 5-year average of the Fund's rate of return, with a minimum of 2.5%. COLAs are not applied to the monthly benefit until the member exits DROP, and member contributions are not credited to the DROP account.

For those eligible to retire prior to July 1, 2017, upon exiting the DROP for retirement, the member's monthly benefit is increased by 2% of the original monthly benefit for each year the member remained in DROP, up to 10 years.

Please note: for accumulation to July 1, 2017, DROP accounts include the value of COLAs after age 48 at 3.0% per year, as well as member contributions of 9% of total pay.

Hired on or after July 1, 2017: not available.

PROP

Prior to July 1, 2017, a member could elect to have all or a portion of his or her monthly annuity credited to the Post Retirement Option Plan (PROP) account, along with interest. On and after July 1, 2017, the interest credit is 65% of the 5-year average of the Fund's rate of return, with a minimum of 2.5% (same as DROP crediting rate). Additionally, no new amounts are eligible for deferral into the PROP.

Contribution Rates

Members

10.50% of pensionable pay.

City

The City Contribution Rate from the RSVS applied to pensionable payroll.

Actuarial Methods and Assumptions

Actuarial Cost Methods

| | |
|---------------------------|---|
| Measurement Date | Census data as of July 1, 2020. Impact of plan changes measured on future accruals only; no impact to accruals through the valuation date, including for back-DROP accruals based on dates before the valuation date. |
| Actuarial Value of Assets | Five-year smoothing of future gains and losses. 20% of each gain or loss will be recognized each year. Gains and losses are based on the difference between the actual and expected fair market value each year. The expected value is based on the assumed rate of return on investments and is net of investment expenses. |
| Actuarial Cost Method | <u>The Ultimate Entry Age Normal Actuarial Cost Method</u> As used in the City Funding Policy, a method under which the actuarial present value of all potential future projected benefits of each individual included in the valuation is calculated, assuming continued service and pay increases. The <i>normal cost</i> is calculated as the average uniform percentage of payroll which, if applied to the compensation of each participant during the entire period of anticipated covered service, would meet the cost of all benefits payable based on benefits provisions for new hires. The portion of the actuarial present value of future benefits not provided for at the valuation date by the present value of future normal costs is called the <i>actuarial accrued liability</i> . |

Key Economic Assumptions

| | |
|---------------------------|---------------------------------------|
| Interest Rate | 7.0%, as required by Senate Bill 2190 |
| Inflation | 2.50% |
| Wage Inflation | 3.00% |
| Payroll Growth | 3.00% |
| Cost of Living Adjustment | 2.25% |
| Administrative Expenses | 1.25% of payroll |

Actuarial Methods and Assumptions

Individual Pay Increase Rate

| Age | Assumed Increase |
|------------|-------------------------|
| 20 | 7.00% |
| 25 | 6.25% |
| 30 | 5.50% |
| 35 | 5.00% |
| 40 | 4.00% |
| 45 | 3.70% |
| 50 | 3.40% |
| 55 | 3.00% |

DROP Interest Crediting Rate 4.55%.

Demographic Assumptions

Mortality Rates:

| | |
|--------------------------------------|--|
| Active and Vested Terminated Members | SOA Public Safety below-median amount weighted tables with longevity improvement projected using Scale MP-2019. |
| Retired Members | SOA Public Safety below-median amount weighted tables with longevity improvement projected using Scale MP-2019. The base table for males is adjusted 97.2% to reflect credible plan experience. |
| Survivor Beneficiaries | SOA Public Safety below-median amount weighted tables with longevity improvement projected using Scale MP-2019. The base table for females is adjusted 106.0% to reflect credible plan experience. |
| Disabled Pensioners | SOA Public Safety Disabled Retiree amount weighted tables with longevity improvement projected using Scale MP-2019. |

Actuarial Methods and Assumptions

Retirement Rates

| <i>Years of Service</i> | <i>Probability of Retiring Within One Year</i> |
|-------------------------|--|
| 20 – 25 | 2.0% |
| 26 - 29 | 5.5% |
| 30 | 13.0% |
| 31 | 15.0% |
| 32 – 34 | 20.0% |
| 35 - 36 | 30.0% |
| 37 – 39 | 40.0% |
| 40+ | 100.0% |

DROP eligible members are assumed not to retire with less than 25 years of service.

Members currently in DROP are assumed to retire according to the retirement rates, with 100% retirement assumed after thirteen years in DROP.

The following table shows, for sample years of service, the assumed probability of the active members not currently in DROP having been in the DROP for a certain number of years at retirement:

| Years of Service at Retirement | Percent Electing Specified DROP Period at Retirement | | | | |
|---------------------------------------|---|----------------|----------------|-----------------|-----------------|
| | 3 Years | 5 Years | 8 Years | 10 Years | 13 Years |
| 20 – 24 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 25 – 27 | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 28 -29 | 0.0% | 33.3% | 66.7% | 0.0% | 0.0% |
| 30 – 32 | 0.0% | 13.3% | 26.7% | 60.0% | 0.0% |
| 33 - 40 | 0.0% | 10.0% | 20.0% | 45.0% | 25.0% |

Actuarial Methods and Assumptions

Disability Rates

| <i>Disability per 100</i> | |
|---------------------------|------------|
| <i>Age</i> | <i>All</i> |
| 20 | 0.45 |
| 25 | 0.45 |
| 30 | 0.45 |
| 35 | 1.00 |
| 40 | 1.00 |
| 45 | 1.00 |
| 50 | 1.00 |
| 55 | 1.00 |
| 60 | 1.00 |

Percentage of Deaths and Disabilities in the Line of Duty

| <i>Age</i> | <i>Death</i> | <i>Disability *</i> |
|------------|--------------|---------------------|
| 25 | 80% | 80% |
| 35 | 80% | 80% |
| 45 | 40% | 80% |
| 55 | 20% | 80% |

* 50% of Line of Duty Disabilities are assumed to result in members being incapable of performing any substantial gainful activity.

Termination Rates

Sample Rates

| <i>Age</i> | <i>Termination Rate</i> |
|------------|-------------------------|
| 20 | 2.40% |
| 25 | 2.40% |
| 30 | 2.40% |
| 35 | 1.50% |
| 40 | 0.75% |
| 45 | 0.75% |
| 50 | 0.00% |

For participants hired prior to July 1, 2017 with at least 10 years of service but not yet eligible to retire, 80% are assumed to elect a contribution refund, and 20% are assumed to elect a deferred monthly benefit payable at age 50.

Actuarial Methods and Assumptions

| | |
|------------------------------|---|
| Percentage married | <p>82% of male and 85% of female participants are assumed to be married.</p> <p>No beneficiaries other than the spouse assumed.</p> |
| Age difference | <p>Female spouses are assumed to be two years younger than the retired male member and male spouses are assumed to be six years older than the retired female member.</p> |
| Child Benefits | <p>For children under the age of 23, the benefit was assumed to cease at age 23. Children over the age of 23 were assumed to be disabled and were measured assuming a lifetime annuity.</p> |
| Development of Valuation Pay | <p>Valuation pay is projected by increasing the prior year's pay with the individual pay increase rate.</p> |
| Payment of DROP Balances | <p>Installments over 15 years for active members and 7.5 years for inactive members.</p> |
| Funding Policy | <p>The City is assumed to contribute the City Contribution Rate, subject to the Corridor, from the prior year. The actuarially determined City Contribution Rate is measured as the normal cost rate, plus the administrative expenses rate, plus 30-year amortization rate of the Unfunded Actuarial Accrued Liability (UAAL) from the initial RSVS, plus the amortization rates of all subsequently-determined Liability Layers, less the member contribution rate, adjusted with interest to mid-year. The closed amortization rates for the Liability Layers are calculated as a level percent of pay. The initial amortization period for a Liability Loss Layer is 30 years. The initial amortization period for a Liability Gain Layer is equal to the remaining amortization period for the largest Liability Loss Layer.</p> |
| Benefits Not Valued | <p>Due to limitations of the data received, no adjustment has been made for the difference between pay based on the appointed position and pay based on the highest tested rank. Additionally, no marital status was provided for child beneficiaries, so the provision against married children in college receiving a survivor benefit was not valued.</p> |

Actuarial Methods and Assumptions

Change in Assumptions

There were several new assumptions resulting from the experience study published in 2020. These changes include updates to the mortality, percentage of active service-connected deaths, termination rates, commencement age and form of payment for terminated employees hired prior to July 1, 2017, disability rates, percentage of service-connected disability, retirement rates, marriage assumption, spouse age difference, DROP duration, payout timing of DROP balances, price inflation, COLA, and the elimination of the adjustment to the average monthly salary for members hired prior to July 1, 2017.

Summary of Valuation Data

| | July 1, 2019 | July 1, 2020 |
|--------------------------------------|---------------|---------------|
| A. Active Members Not in DROP | | |
| 1. Number | 3,185 | 3,038 |
| 2. Valuation payroll | \$207,078,246 | \$200,476,085 |
| 3. Average pay | \$65,017 | \$65,989 |
| 4. Average age | 38.2 | 39.4 |
| 5. Average service | 10.7 | 11.8 |
| B. Active Members in DROP | | |
| 1. Number | 748 | 665 |
| 2. Valuation payroll | \$59,399,225 | \$52,517,176 |
| 3. Average pay | \$79,411 | \$78,973 |
| 4. Average age | 53.1 | 53.6 |
| 5. Average service | 26.9 | 27.3 |
| C. Terminated Vested | | |
| 1. Number | 21 | 29 |
| 2. Total benefits | \$226,572 | \$334,572 |
| 3. Average Annual benefits | \$10,789 | \$11,537 |
| D. Disabled | | |
| 1. Number | 307 | 299 |
| 2. Total benefits | \$16,152,000 | \$15,816,000 |
| 3. Average Annual benefits | \$52,612 | \$52,896 |
| E. Retired | | |
| 1. Number | 2,416 | 2,468 |
| 2. Total benefits | \$129,276,000 | \$133,752,000 |
| 3. Average Annual benefits | \$53,508 | \$54,194 |
| F. Beneficiaries | | |
| 1. Number | 622 | 643 |
| 2. Total benefits | \$28,116,000 | \$29,484,000 |
| 3. Average Annual benefits | \$45,203 | \$45,854 |

Notes:

1. DROP Balance values not shown.
2. Terminated Vested count does not include 62 members due refunds totaling \$2,364,392 for July 1, 2019 and 112 members due refunds totaling \$3,092,421 for July 1, 2020.
3. Payroll and Pay values exclude overtime.
4. Date fields provided to RHI by HFRRF only included the year (no month or day).

Data Sources

Data and inputs used in this report were provided from the following sources:

- Census data for all members was provided on October 1, 2020. We understand this data is substantially the same as that used by the HFRRF actuary for their Risk Sharing Valuation Study. As the data provided to RHI does not contain the month for any dates, we have assumed all dates are July 1st of the respective year. Because the benefit provisions differ by the date of hire, some members will be measured under the wrong provisions. RHI is following the provisions of the Article, but we are unable to determine the magnitude of this difference without more precise data.
- The DROP balances for active members were provided in the Actuarial Data. The aggregate DROP/PROP balance for inactive members was provided by the Municipal Actuary on November 20, 2020. In prior years, the aggregate DROP/PROP balance for inactive members was determined by subtracting the sum of the DROP balances for active members provided in the Actuarial Data from the aggregate total of all DROP/PROP balances disclosed in the financial statements.
- The fair value of assets of \$4,102,931,779 as of June 30, 2020 was provided in the audited HFRRF financials. These were provided to RHI by HFRRF on October 21, 2020.
- The Fiscal Year 2021 payroll used was \$252,993,265, which was based on the census data as of June 30, 2020 increased with one year of salary scale. The Fiscal Year 2022 payroll is equal to the Fiscal Year 2021 payroll increased with one year of payroll growth.
- The provisions of the Article are contained in the enrolled text of Senate Bill 2190, which was signed by the Governor on May 31, 2017.

ASOP 51 Assessment and Disclosure of Risk

The measurement of Pension Obligations and Actuarially Determined Contributions requires assumptions about future economic and demographic variables. The events and outcomes identified below are some of the risks associated with these measurements and how they may impact the pension obligations, funded status, and the adequacy of the funding policy. The assessment and disclosure of these risks and the actual future results may reasonably be expected to differ.

Investment Risk - As the return on the plan trust assets is subject to market return, should the actual rate of return be lower than the expected return the cost of the plan will rise and vice versa.

Asset/Liability Mismatch Risk - The changes in assets are not directly tied to the changes in the value of liabilities in magnitude or direction.

Longevity and other Demographic Risks - Cessation from employment due to termination, disability, death, or retirement may not directly align with the assumptions used to value the Actuarial Accrued Liability (AAL). Actual demographic experience of the plan population may increase or decrease the future measurement of the AAL.

Payroll Risk – The funded status and future Actuarially Determined Contributions Rates (ADCR) are subject to payroll risk. Payroll lower than expected can result in future increases in the ADCR required to amortize the Unfunded Actuarial Accrued Liability and vice versa.

Contribution Risk - The City and members are assumed to make the statutorily required contributions and this valuation has not considered the possibility of unpaid contributions. If contributions are less than expected, the funded status will likely decrease over time. Due to the all the risks mentioned above, even making the statutorily required contributions does not fully guarantee the benefit security.

Understand that the above risks may not be independent of one another. Thus, it is important to discuss any known upcoming changes in the City's financials and the impact on the Fund to better identify associated risks. Any impending changes should be discussed as soon as possible, so corresponding measures may be taken to align the pension plan liabilities with these variations.

Also understand that this valuation did not assess the likelihood or consequences of potential future changes in applicable law that would impact future benefits or funding of the plan. Should applicable law be changed, these changes will be addressed in separate actuarial communications.

ASOP 51 Assessment and Disclosure of Risk

Historical Results

The following information summarizes some of the historical RSVS measurements. This information may be helpful in better understanding the risks of sponsoring this defined benefit pension plan.

Actuarial Liabilities and Assets

The numerical results in this section provides funded status progress since July 1, 2017. Over this period, the favorable investment returns exceeded any unexpected growth in the Actuarial Accrued Liability (AAL) due to experience and assumption changes resulting in a reduction in the Unfunded AAL over this period.

Cash Flows

Negative cash flows indicate benefit payments and expenses exceed the contributions coming into the trust. Negative cash flows are common for mature plans like HFRRF, but this may require liquidation of higher returning investments at inopportune times impacting the investment return. As noted on the next page, the cash flows have been negative in each of the last four years.

Rates of Return

The trust assets are invested in a diversified portfolio. The results of the RSVS assume the trust earns 7% per year over the long-term future, but actual annual returns will differ from the 7% assumption. The historical returns provide information on how these returns have differed from the assumption in recent years. As noted above, returns above the 7% assumption reduce the long-term cost and vice versa.

Maturity Measures

The last section summarizes several maturity measures related to payroll and the inactive members. The ratio of the asset measure to payroll provides information on contribution volatility as it relates to asset returns. The higher the ratio, the larger the increase/decrease in contributions (as a % of payroll) are for unfavorable/favorable investment experience compared to the 7% return assumption.

The ratio of the number of active members to the number of inactive members is an important measure of the plan maturity. This ratio will typically decrease as the plan matures over time. As the ratio of active to inactive members decreases, larger increases in contribution rates (as a % of payroll) are typically required to amortize the same percentage increase in UAAL. The ratio of inactive AAL to total AAL is a similar measure of the plan maturity. As the percentage of the inactive member AAL increases, larger increases in contribution rates are typically required to amortize the same percentage increase in UAAL. As plans mature, the contribution volatility for these mature plans becomes more dependent on the investment returns than contribution amounts.

ASOP 51 Assessment and Disclosure of Risk

Historical Results

The table below shows historical measures from the prior Risk Sharing Valuation Studies. This information demonstrates trends in the Plan's funded status, information on the cash flows, volatility of the asset returns and several maturity measures.

(\$1,000)

| Actuarial Liabilities and Assets (BOY - 7/1) | 2017 | | 2018 | | 2019 | | 2020 | |
|---|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| Fair Value of Assets (FVA) | \$ | 4,025,090 | \$ | 4,170,354 | \$ | 4,237,692 | \$ | 4,102,932 |
| Actuarial Value of Assets (AVA) | \$ | 3,883,807 | \$ | 4,027,078 | \$ | 4,190,934 | \$ | 4,251,850 |
| Actuarial Accrued Liability (AAL) | \$ | 4,513,234 | \$ | 4,619,041 | \$ | 4,714,719 | \$ | 4,677,483 |
| Funded Status (AVA/AAL) | | 86.1% | | 87.2% | | 88.9% | | 90.9% |
| Unfunded AAL (AAL - AVA) | \$ | 629,427 | \$ | 591,963 | \$ | 523,785 | \$ | 425,633 |
| | | | | | | | | |
| Total Normal Cost as % of Payroll | | 25.22% | | 25.18% | | 25.17% | | 25.60% |
| | | | | | | | | |
| Cash Flows (EOY - 6/30) | | | | | | | | |
| Contributions (City + Member) | \$ | 119,061 | \$ | 118,632 | \$ | 124,178 | \$ | 117,278 |
| Disbursements | \$ | (256,590) | \$ | (295,674) | \$ | (278,615) | \$ | (336,153) |
| Positive/(Negative) Cash Flows | \$ | (137,529) | \$ | (177,042) | \$ | (154,437) | \$ | (218,875) |
| - as % of Fair Value of Assets | | -3.4% | | -4.2% | | -3.6% | | -5.3% |
| | | | | | | | | |
| Rates of Return (EOY - 6/30) | | | | | | | | |
| Assumed Rate | | 7.0% | | 7.0% | | 7.0% | | 7.0% |
| AVA | | 8.0% | | 8.4% | | 8.1% | | 6.9% |
| FVA | | 11.8% | | 8.2% | | 5.4% | | 2.0% |
| | | | | | | | | |
| Maturity Measures (BOY - 7/1) | | | | | | | | |
| Payroll | \$ | 289,947 | \$ | 260,345 | \$ | 272,498 | \$ | 259,235 |
| - FVA/Payroll | | 13.9 | | 16.0 | | 15.6 | | 15.8 |
| - AVA/Payroll | | 13.4 | | 15.5 | | 15.4 | | 16.4 |
| - AAL/Payroll | | 15.6 | | 17.7 | | 17.3 | | 18.0 |
| - UAAL/Payroll | | 2.2 | | 2.3 | | 1.9 | | 1.6 |
| Inactive Member Measures | | | | | | | | |
| - # of Actives/# of Inactives | | 125.5% | | 119.2% | | 116.8% | | 107.7% |
| - Inactive AAL/Total AAL | | 68.5% | | 69.4% | | 69.3% | | 72.0% |