

July 25, 2017

Mr. William E. Stefka  
Austin Firefighters'  
Relief and Retirement Fund  
4101 Parkstone Heights Drive, Suite 270  
Austin, TX 78746

Re: Austin Firefighters' Relief and Retirement Fund

Dear Mr. Stefka:

We are pleased to present to the Board this report of the annual actuarial valuation of the Austin Firefighters' Relief and Retirement Fund (AFRRF). The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year(s). Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of the Texas Local Fire Fighters' Retirement Act (TLFFRA) and Vernon's Texas Civil Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, financial reports, and asset information supplied by the AFRRF staff, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.


To our knowledge, no associate of Foster & Foster Inc. working on valuations of the program has any direct financial interest or indirect material interest in the city of Austin, nor does anyone at Foster & Foster Inc. act as a member of the Board of Trustees of the AFRRF. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster Inc.

By:

  
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Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #17-6901

BRH/lke

Enclosures

## SUMMARY OF REPORT

The regular annual actuarial valuation of the Austin Firefighters' Relief and Retirement Fund, performed as of December 31, 2016, has been completed and the results are presented in this Report. The pension costs, compared with those developed in the December 31, 2015 actuarial valuation, are as follows:

| <u>Valuation Date</u>                                      | <u>12/31/2016</u> | <u>12/31/2015</u> |
|------------------------------------------------------------|-------------------|-------------------|
| Current Normal Cost Rate                                   |                   |                   |
| % of Covered Payroll                                       | 29.16%            | 29.39%            |
| <hr/>                                                      |                   |                   |
| Actuarial Accrued Liability (AAL)                          | \$981,771,267     | \$921,875,579     |
| Actuarial Value of Assets (AVA)                            | \$866,512,111     | \$828,920,231     |
| Unfunded Actuarial Accrued Liability<br>(UAAL = AAL - AVA) | \$115,259,156     | \$92,955,348      |
| Funded Ratio (AVA / AAL)                                   | 88.3%             | 89.9%             |
| Amortization Period                                        | 16.17 years       | 12.29 years       |
| <hr/>                                                      |                   |                   |
| Expected City Contribution Rate                            | 22.05%            | 22.05%            |
| Expected Member Contribution Rate                          | 18.70%            | 18.33%            |
| Total Expected Contribution Rate                           | 40.75%            | 40.38%            |
| <hr/>                                                      |                   |                   |
| City 20-Year Funding Cost <sup>1</sup>                     | 20.48%            |                   |
| City 30-Year Funding Cost <sup>2</sup>                     | 18.35%            |                   |
| City 40-Year Funding Cost <sup>1</sup>                     | 17.37%            |                   |

<sup>1</sup> The Texas Pension Review Board Guidelines for Actuarial Soundness state that funding should be adequate to amortize the UAAL over a period not to exceed 40 years, with 15-25 years being a more preferable target.

<sup>2</sup> Per Section 802.101(a) of the Texas Government Code, the actuarial valuation must include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

During the past year, the plan has realized net unfavorable actuarial experience. The primary components of actuarial loss were attributable to a 5.84% investment return (Actuarial Asset basis) which fell short of the 7.70% assumption and unfavorable retirement experience.

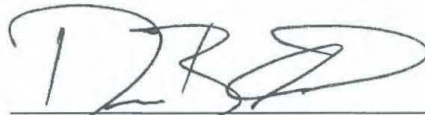
Additionally, the plan realized an increase in liabilities as a result of granting a 1.50% cost-of-living adjustment to eligible retirees, effective January 1, 2017.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER INC.

By:   
Bradley R. Heinrichs, FSA, EA, MAAA

By:   
Drew D. Ballard, EA, MAAA



## CHANGES SINCE PRIOR VALUATION

### Fund Changes

There have been no changes in benefit provisions since the prior valuation.

### Actuarial Assumption/Method Changes

There have been no changes to the assumptions or methods since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

|                                | <u>12/31/2016</u>    | <u>12/31/2015</u>    |
|--------------------------------|----------------------|----------------------|
| A. Participant Data            |                      |                      |
| Actives                        | 990                  | 1,050                |
| Service Retirees + DROP        | 618                  | 570                  |
| Beneficiaries                  | 71                   | 74                   |
| QDRO                           | 44                   | 44                   |
| Disability Retirees            | 17                   | 16                   |
| Terminated Vested              | 7                    | 6                    |
| Total                          | <u>1,747</u>         | <u>1,760</u>         |
| Covered Payroll                | 84,864,171           | 85,942,585           |
| Payroll Under Assumed Ret. Age | 84,500,978           | 85,719,980           |
| Annual Rate of Payments to:    |                      |                      |
| Service Retirees               | 36,626,360           | 32,653,975           |
| Beneficiaries                  | 2,637,771            | 2,690,548            |
| QDRO                           | 830,901              | 837,997              |
| Disability Retirees            | 694,439              | 619,221              |
| Terminated Vested              | 256,595              | 211,375              |
| B. Assets                      |                      |                      |
| Actuarial Value                | 866,512,111          | 828,920,231          |
| Market Value                   | 829,610,196          | 785,211,061          |
| C. Liabilities *               |                      |                      |
| Present Value of Benefits      |                      |                      |
| Active Members                 |                      |                      |
| Retirement + Vested Benefits   | 670,666,482          | 685,965,621          |
| Death Benefits                 | 8,056,817            | 8,388,094            |
| Disability Benefits            | 22,777,807           | 23,237,495           |
| Service Retirees + DROP        | 479,203,306          | 416,621,896          |
| Beneficiaries                  | 21,063,811           | 20,931,589           |
| QDRO                           | 9,194,296            | 9,351,105            |
| Disability Retirees            | 6,158,042            | 5,398,122            |
| Terminated Vested              | 2,276,246            | 2,080,755            |
| Total                          | <u>1,219,396,807</u> | <u>1,171,974,677</u> |

\* Liabilities shown represent present value of future payments.

|                                                | <u>12/31/2016</u>  | <u>12/31/2015</u>  |
|------------------------------------------------|--------------------|--------------------|
| C. Liabilities - (Continued)                   |                    |                    |
| Present Value of Future Salaries               | 846,052,806        | 885,669,007        |
| Normal Cost (Entry Age Normal)                 |                    |                    |
| Retirement + Vested Benefits                   | 22,107,403         | 22,581,239         |
| Death Benefits                                 | 542,455            | 551,700            |
| Disability Benefits                            | 1,180,638          | 1,189,478          |
| Total Normal Cost                              | <u>23,830,496</u>  | <u>24,322,417</u>  |
| Present Value of Future Normal Costs           | 237,625,540        | 250,099,098        |
| Actuarial Accrued Liability                    |                    |                    |
| Retirement + Vested Benefits                   | 449,883,922        | 453,442,537        |
| Death Benefits                                 | 2,945,121          | 3,032,102          |
| Disability Benefits                            | 11,046,523         | 11,017,473         |
| Inactives                                      | 517,895,701        | 454,383,467        |
| Total Actuarial Accrued Liability              | <u>981,771,267</u> | <u>921,875,579</u> |
| Unfunded Actuarial Accrued Liability (UAAL)    | 115,259,156        | 92,955,348         |
| Funded Ratio (AVA/AL)                          | 88.3%              | 89.9%              |
| D. Actuarial Present Value of Accrued Benefits |                    |                    |
| Inactives                                      | 517,895,701        | 454,383,467        |
| Actives                                        | 328,470,323        | 351,278,235        |
| Total Present Value Accrued Benefits           | <u>846,366,024</u> | <u>805,661,702</u> |
| Funded Ratio (MVA/PVAB)                        | 98.0%              | 97.5%              |

## GAIN/LOSS ANALYSIS

### a. Total Gain/(Loss)

|                                                                 |                  |
|-----------------------------------------------------------------|------------------|
| 1. Unfunded Actuarial Accrued Liability as of December 31, 2015 | 92,955,348       |
| 2. Normal Cost applicable for 2016                              | 24,322,417       |
| 3. Interest on (1) and (2)                                      | 9,030,388        |
| 4. Contributions made during 2016                               | 34,988,152       |
| 5. Interest on (4)                                              | 1,322,066        |
| 6. Expected UAAL as of December 31, 2016: (1)+(2)+(3)-(4)-(5)   | 89,997,935       |
| 7. Actual UAAL as of December 31, 2016                          | 115,259,156      |
| <br>Total Actuarial Gain/(Loss)                                 | <br>(25,261,221) |

### b. Gain/(Loss) on Assets

|                                                             |                  |
|-------------------------------------------------------------|------------------|
| 1. Actuarial Value of Assets as of December 31, 2015        | 828,920,231      |
| 2. Contributions Less Benefit Payments                      | (10,507,530)     |
| 3. Expected Investment Earnings                             | 63,422,318       |
| 4. Expected AVA as of December 31, 2016: (1)+(2)+(3)        | 881,835,019      |
| 5. Actual Actuarial Value of Assets as of December 31, 2016 | 866,512,111      |
| <br>Gain/(Loss) on Assets                                   | <br>(15,322,908) |

### c. Gain/(Loss) on Liabilities

|                                                    |                 |
|----------------------------------------------------|-----------------|
| 1. Expected Actuarial Accrued Liability: a(6)+b(4) | 971,832,954     |
| 2. Actual Actuarial Accrued Liability              | 981,771,267     |
| <br>Gain/(Loss) on Liabilities                     | <br>(9,938,313) |



ACTUARIAL ASSUMPTIONS AND METHODS  
(Effective December 31, 2016)

|                                         |                                                                                                                                                                                                                                          |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Mortality Rates – Healthy Lives</u>  | RP2000 (Fully Generational using Scale AA) set back two years for males and females -- Sex Distinct.<br><br>The assumed rates of mortality sufficiently accommodate expected mortality improvements.                                     |
| <u>Mortality Rates – Disabled Lives</u> | RP2000 Disability Mortality Table                                                                                                                                                                                                        |
| <u>Retirement Elections</u>             | See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                 |
| <u>Termination Rates</u>                | See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                 |
| <u>Disability Rates</u>                 | See tables below. These assumptions were reviewed in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                 |
| <u>Interest Rate</u>                    | 7.70% per year, compounded annually, net of all expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.                                                                |
| <u>Salary Increases</u>                 | See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                 |
| <u>General Wage Inflation</u>           | 3.00% per year. This assumption was approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                      |
| <u>Inflation</u>                        | 3.50% per year. This is reasonable based upon long-term historical experience.                                                                                                                                                           |
| <u>Payroll Growth</u>                   | 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. This is reasonable based upon long-term historical experience.                                                                                              |
| <u>Asset Valuation Method</u>           | All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. |

Marital Status

100% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 4 years younger than Males. Additionally, 50% are assumed to have dependent children. The age of the youngest child is assumed to be one year.

These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.

Funding Method

Entry Age Normal Actuarial Cost Method.

Termination Rates

| <u>Years of Service</u> | <u>Termination Probability</u> |
|-------------------------|--------------------------------|
| 0-4                     | 1.0%                           |
| 5-13                    | 0.5                            |
| 14+                     | 0                              |

Retirement Rates

| <u>Number of Years After First Eligibility for Early Retirement</u> | <u>Probability of Retirement</u> |
|---------------------------------------------------------------------|----------------------------------|
| 0                                                                   | 2.0%                             |
| 1                                                                   | 2.0                              |
| 2                                                                   | 2.0                              |
| 3                                                                   | 2.0                              |
| 4                                                                   | 2.0                              |
| 5                                                                   | 5.0                              |
| 6                                                                   | 7.5                              |
| 7                                                                   | 7.5                              |
| 8                                                                   | 10.0                             |
| 9                                                                   | 16.7                             |
| 10                                                                  | 16.7                             |
| 11                                                                  | 16.7                             |
| 12                                                                  | 20.0                             |
| 13                                                                  | 20.0                             |
| 14                                                                  | 30.0                             |
| 15                                                                  | 40.0                             |
| 16                                                                  | 50.0                             |
| 17                                                                  | 75.0                             |
| 18                                                                  | 100.0                            |

Retro-DROP Elections

| Number of Years After<br>First Eligibility for<br>Early Retirement | <u>No-DROP Elected</u> | <u>Duration 1 Election</u> | <u>Duration 2 Election</u> |
|--------------------------------------------------------------------|------------------------|----------------------------|----------------------------|
| 0                                                                  | 90%                    | 0.5 years (10%)            | n/a                        |
| 1                                                                  | 50%                    | 1 year (50%)               | n/a                        |
| 2                                                                  | 50%                    | 1 year (25%)               | 2 years (25%)              |
| 3                                                                  | 50%                    | 1 year (25%)               | 2 years (25%)              |
| 4                                                                  | 20%                    | 1 year (60%)               | 3 years (20%)              |
| 5                                                                  | 20%                    | 2 years (40%)              | 4 years (40%)              |
| 6                                                                  | 20%                    | 2 years (60%)              | 5 years (20%)              |
| 7                                                                  | 20%                    | 2 years (50%)              | 5 years (30%)              |
| 8                                                                  | 20%                    | 3 years (60%)              | 6 years (20%)              |
| 9                                                                  | 10%                    | 3 years (50%)              | 6 years (40%)              |
| 10                                                                 | 10%                    | 3 years (50%)              | 6 years (40%)              |
| 11                                                                 | 10%                    | 3 years (60%)              | 6 years (30%)              |
| 12                                                                 | 10%                    | 3 years (75%)              | 6 years (15%)              |
| 13                                                                 | 10%                    | 3 years (40%)              | 6 years (50%)              |
| 14                                                                 | 10%                    | 3 years (40%)              | 6 years (50%)              |
| 15                                                                 | 10%                    | 3 years (20%)              | 6 years (70%)              |
| 16                                                                 | 10%                    | 3 years (20%)              | 6 years (70%)              |
| 17                                                                 | 10%                    | 3 years (20%)              | 6 years (70%)              |
| 18                                                                 | 10%                    | 3 years (20%)              | 6 years (70%)              |

Disability Rates

| <u>Age</u> | <u>Probability of Disablement</u> |
|------------|-----------------------------------|
| 20         | 0.014%                            |
| 25         | 0.019                             |
| 30         | 0.031                             |
| 35         | 0.052                             |
| 40         | 0.092                             |
| 45         | 0.209                             |
| 50         | 0.379                             |
| 55         | 0.490                             |
| 60         | 0.911                             |

% Increase in Salary\*

| <u>Years of Service</u> | <u>Increase</u> |
|-------------------------|-----------------|
| 0                       | 6.00%           |
| 1                       | 8.50            |
| 2                       | 7.50            |
| 3                       | 4.00            |
| 4                       | 1.00            |
| 5                       | 5.00            |
| 10                      | 1.50            |
| 15                      | 1.50            |
| 20                      | 5.50            |
| 21+                     | 1.00            |

\* Expected increase in salary in addition to general wage inflation assumption.

## VALUATION NOTES

Payroll under Assumed Retirement Age is the projected rate of pay as of the valuation date of all active participants who are not subject to a 100% probability of retirement in the first year following the valuation date, discounted to take into account the probability of remaining an active participant.

Covered Payroll is equal to the Payroll under Assumed Retirement Age, with an addition for the projected rate of pay for the active participants who are subject to a 100% probability of retirement in the first year following the valuation date, discounted to take into account interest for middle of year timing.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

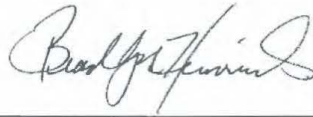
Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Fund. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets.



STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of the Texas Local Fire Fighters' Retirement Act (TLFFRA), Vernon's Texas Civil Statutes, and adhere to the Actuarial Standards of Practice. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



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Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #17-6901

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016

| <u>ASSETS</u>                            | COST VALUE         | MARKET VALUE       |
|------------------------------------------|--------------------|--------------------|
| Cash and Cash Equivalents:               |                    |                    |
| Property, Furniture & Equipment          | 246,201.23         | 246,201.23         |
| Checking Account - Expenses              | 221,649.92         | 221,649.92         |
| Checking Account - Benefits              | 3,083,394.13       | 3,083,394.13       |
| Money Market                             | 7,952,385.29       | 7,952,385.29       |
| <br>Total Cash and Equivalents           | <br>11,503,630.57  | <br>11,503,630.57  |
| Receivables:                             |                    |                    |
| From Broker for Investments Sold         | 4,501,170.02       | 4,501,170.02       |
| Investment Income                        | 137,722.70         | 137,722.70         |
| <br>Total Receivable                     | <br>4,638,892.72   | <br>4,638,892.72   |
| Investments:                             |                    |                    |
| State Street Securities                  | 687,279,963.52     | 814,420,020.52     |
| <br>Total Investments                    | <br>687,279,963.52 | <br>814,420,020.52 |
| <br>Total Assets                         | <br>703,422,486.81 | <br>830,562,543.81 |
| <br><u>LIABILITIES</u>                   |                    |                    |
| Payables:                                |                    |                    |
| Accounts Payable                         | 467,755.35         | 467,755.35         |
| To Broker for Investments Purchased      | 484,592.48         | 484,592.48         |
| <br>Total Liabilities                    | <br>952,347.83     | <br>952,347.83     |
| <br>NET POSITION RESTRICTED FOR PENSIONS | <br>702,470,138.98 | <br>829,610,195.98 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
Market Value Basis

ADDITIONS

Contributions:

|                                           |                |                      |
|-------------------------------------------|----------------|----------------------|
| Member                                    | 15,884,260.52  |                      |
| City                                      | 19,103,891.00  |                      |
| <b>Total Contributions</b>                |                | <b>34,988,151.52</b> |
| Investment Income:                        |                |                      |
| Miscellaneous Income                      | 74,984.08      |                      |
| Net Realized Gain (Loss)                  | 24,920,237.91  |                      |
| Unrealized Gain (Loss)                    | 27,127,664.39  |                      |
| Net Increase in Fair Value of Investments | 52,122,886.38  |                      |
| Interest & Dividends                      | 5,620,082.71   |                      |
| Less Investment Expense <sup>1</sup>      | (2,173,803.25) |                      |
| <b>Net Investment Income</b>              |                | <b>55,569,165.84</b> |
| <b>Total Additions</b>                    |                | <b>90,557,317.36</b> |

DEDUCTIONS

Distributions to Members:

|                                     |               |                      |
|-------------------------------------|---------------|----------------------|
| Benefit Payments                    | 38,595,308.44 |                      |
| Lump Sum DROP Distributions         | 6,862,148.42  |                      |
| Refunds of Member Contributions     | 38,224.90     |                      |
| <b>Total Distributions</b>          |               | <b>45,495,681.76</b> |
| Administrative Expense              |               | 662,501.09           |
| <b>Total Deductions</b>             |               | <b>46,158,182.85</b> |
| <b>Net Increase in Net Position</b> |               | <b>44,399,134.51</b> |

NET POSITION RESTRICTED FOR PENSIONS

|                       |  |                |
|-----------------------|--|----------------|
| Beginning of the Year |  | 785,211,061.47 |
| End of the Year       |  | 829,610,195.98 |

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
December 31, 2016

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

| Plan Year<br>Ending | Gain/(Loss)  | <u>Gains/(Losses) Not Yet Recognized</u>     |              |              |             |      |
|---------------------|--------------|----------------------------------------------|--------------|--------------|-------------|------|
|                     |              | Amounts Not Yet Recognized by Valuation Year |              |              |             |      |
|                     |              | 2017                                         | 2018         | 2019         | 2020        | 2021 |
| 12/31/2012          | N/A          | 0                                            | 0            | 0            | 0           | 0    |
| 12/31/2013          | N/A          | 0                                            | 0            | 0            | 0           | 0    |
| 12/31/2014          | N/A          | 0                                            | 0            | 0            | 0           | 0    |
| 12/31/2015          | (54,636,462) | (32,781,877)                                 | (21,854,585) | (10,927,292) | 0           | 0    |
| 12/31/2016          | (5,150,047)  | (4,120,038)                                  | (3,090,028)  | (2,060,019)  | (1,030,009) | 0    |
| Total               |              | (36,901,915)                                 | (24,944,613) | (12,987,311) | (1,030,009) | 0    |

| <u>Development of Investment Gain/(Loss)</u> |                    |
|----------------------------------------------|--------------------|
| Market Value of Assets, 12/31/2015           | 785,211,061        |
| Contributions Less Benefit Payments          | (10,507,530)       |
| Expected Investment Earnings*                | 60,056,712         |
| Actual Net Investment Earnings               | 54,906,665         |
| Actuarial Investment Gain/(Loss)             | <u>(5,150,047)</u> |

\*Expected Investment Earnings = 0.077 \* [785,211,061 + 0.5 \* (10,507,530)]

| <u>Development of Actuarial Value of Assets</u>                        |                     |
|------------------------------------------------------------------------|---------------------|
| (1) Market Value of Assets, 12/31/2016                                 | 829,610,196         |
| (2) Gains/(Losses) Not Yet Recognized                                  | <u>(36,901,915)</u> |
| (3) Actuarial Value of Assets, 12/31/2016, (1) - (2)                   | 866,512,111         |
| (A) 12/31/2015 Actuarial Assets:                                       | 828,920,231         |
| (I) Net Investment Income:                                             |                     |
| 1. Interest and Dividends                                              | 5,695,067           |
| 2. Realized Gains (Losses)                                             | 24,920,238          |
| 3. Change in Actuarial Value                                           | 20,320,409          |
| 4. Investment & Administrative Expenses                                | <u>(2,836,304)</u>  |
| Total                                                                  | 48,099,410          |
| (B) 12/31/2016 Actuarial Assets:                                       | 866,512,111         |
| Actuarial Assets Rate of Return = 2I/(A+B-I):                          | 5.84%               |
| Market Value of Assets Rate of Return:                                 | 7.04%               |
| Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) | (15,322,908)        |
| 12/31/2016 Limited Actuarial Assets:                                   | 866,512,111         |



CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2016  
Actuarial Asset Basis

REVENUES

|                                            |               |                      |
|--------------------------------------------|---------------|----------------------|
| Contributions:                             |               |                      |
| Member                                     | 15,884,260.52 |                      |
| City                                       | 19,103,891.00 |                      |
| <b>Total Contributions</b>                 |               | <b>34,988,151.52</b> |
| Earnings from Investments:                 |               |                      |
| Interest & Dividends                       | 5,620,082.71  |                      |
| Miscellaneous Income                       | 74,984.08     |                      |
| Net Realized Gain (Loss)                   | 24,920,237.91 |                      |
| Change in Actuarial Value                  | 20,320,409.39 |                      |
| <b>Total Earnings and Investment Gains</b> |               | <b>50,935,714.09</b> |

EXPENDITURES

|                                               |               |                       |
|-----------------------------------------------|---------------|-----------------------|
| Distributions to Members:                     |               |                       |
| Benefit Payments                              | 38,595,308.44 |                       |
| Lump Sum DROP Distributions                   | 6,862,148.42  |                       |
| Refunds of Member Contributions               | 38,224.90     |                       |
| <b>Total Distributions</b>                    |               | <b>45,495,681.76</b>  |
| Expenses:                                     |               |                       |
| Investment related <sup>1</sup>               | 2,173,803.25  |                       |
| Administrative                                | 662,501.09    |                       |
| <b>Total Expenses</b>                         |               | <b>2,836,304.34</b>   |
| <b>Change in Net Assets for the Year</b>      |               | <b>37,591,879.51</b>  |
| <b>Net Assets Beginning of the Year</b>       |               | <b>828,920,231.47</b> |
| <b>Net Assets End of the Year<sup>2</sup></b> |               | <b>866,512,110.98</b> |

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

STATISTICAL DATA

|                           | <u>12/31/2014</u> | <u>12/31/2015</u> | <u>12/31/2016</u> |
|---------------------------|-------------------|-------------------|-------------------|
| Actives                   | 1,025             | 1,050             | 990               |
| Average Current Age       | 42.7              | 42.6              | 43.1              |
| Average Age at Employment | 28.2              | 28.4              | 28.6              |
| Average Past Service      | 14.5              | 14.2              | 14.5              |
| Average Annual Salary     | \$84,895          | \$86,181          | \$90,088          |

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

| AGE     | 0 | 1  | 2 | 3  | 4  | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | Total |
|---------|---|----|---|----|----|-----|-------|-------|-------|-------|-----|-------|
| 15 - 19 | 0 | 0  | 0 | 0  | 0  | 0   | 0     | 0     | 0     | 0     | 0   | 0     |
| 20 - 24 | 0 | 1  | 0 | 0  | 0  | 0   | 0     | 0     | 0     | 0     | 0   | 1     |
| 25 - 29 | 0 | 17 | 0 | 17 | 1  | 1   | 0     | 0     | 0     | 0     | 0   | 36    |
| 30 - 34 | 0 | 29 | 0 | 51 | 19 | 25  | 4     | 0     | 0     | 0     | 0   | 128   |
| 35 - 39 | 0 | 15 | 0 | 21 | 41 | 66  | 37    | 14    | 0     | 0     | 0   | 194   |
| 40 - 44 | 0 | 0  | 0 | 5  | 17 | 36  | 67    | 59    | 12    | 0     | 0   | 196   |
| 45 - 49 | 0 | 0  | 0 | 0  | 3  | 12  | 47    | 66    | 78    | 6     | 0   | 212   |
| 50 - 54 | 0 | 0  | 0 | 0  | 0  | 0   | 3     | 22    | 62    | 54    | 12  | 153   |
| 55 - 59 | 0 | 0  | 0 | 0  | 0  | 0   | 0     | 0     | 6     | 30    | 27  | 63    |
| 60 - 64 | 0 | 0  | 0 | 0  | 0  | 0   | 0     | 0     | 0     | 1     | 6   | 7     |
| 65+     | 0 | 0  | 0 | 0  | 0  | 0   | 0     | 0     | 0     | 0     | 0   | 0     |
| Total   | 0 | 62 | 0 | 94 | 81 | 140 | 158   | 161   | 158   | 91    | 45  | 990   |

AUSTIN FIREFIGHTERS'  
RELIEF AND RETIREMENT FUND  
SUMMARY OF BENEFIT PROVISIONS

|                                     |                                                                                                                                                                                                                                                                                                            |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Service</u>                      | Total years and completed months during which a Member makes contributions to the Fund.                                                                                                                                                                                                                    |
| <u>Average Monthly Compensation</u> | Average Salary for the highest 36 months of service.                                                                                                                                                                                                                                                       |
| <u>Member Contributions</u>         | 18.70% of Salary.                                                                                                                                                                                                                                                                                          |
| <u>City Contributions</u>           | 22.05% of payroll.                                                                                                                                                                                                                                                                                         |
| <u>Normal Retirement</u>            |                                                                                                                                                                                                                                                                                                            |
| Date                                | Earlier of age 50 and 10 years of Service, or 25 years of Service, regardless of age.                                                                                                                                                                                                                      |
| Benefit                             | 3.30% of Average Monthly Compensation <u>times</u> Service (\$1,200 minimum). Effective July 1, 2012, the minimum benefit was increased to \$2,000 per month for all retirees and surviving spouses currently receiving normal or disability retirement benefits which commenced prior to January 1, 1994. |
| Form of Benefit                     | <u>Married</u> : Life Annuity with 75% continued to Surviving Spouse<br><br><u>Single</u> : Life Annuity with 75% continued to designated beneficiary.                                                                                                                                                     |
| <u>Early Retirement</u>             |                                                                                                                                                                                                                                                                                                            |
| Date                                | Earlier of age 45 and 10 years of Service, or 20 years of Service, regardless of age.                                                                                                                                                                                                                      |
| Benefit                             | Same for Normal Retirement as shown above. Members who retire under Early Retirement are not eligible to receive any COLA adjustments until the date they would have met Normal Retirement eligibility requirements.                                                                                       |



Vesting

Schedule

100% after 10 years of Service.

Benefit Amount

Member will receive his (her) accrued benefit payable at age 50 or the date they would have completed 25 years of Service had they remained employed.

Non-vested members receive a refund of member contributions accumulated with 5.0% interest.

Disability

Eligibility

Disability preventing the Member from performing the duties of a firefighter during the two and one-half years after becoming disabled or any employment after the two and one-half years after becoming disabled.

Benefit

Accrued benefit at date of disability, but not less than 66% of Average Monthly Compensation.

Form of Benefit

Married: Life Annuity with 75% continued to Surviving Spouse

Single: Life Annuity

Death Benefits

Surviving Spouse of Member:

75% of Member's accrued benefit at date of death, but not less than 49.5% of Average Monthly Compensation.

Dependent Children of Member:  
(with Surviving Spouse)

Each child is entitled to 15% of the payment paid to the surviving spouse as shown directly above.

Dependent Children of Member:  
(with no Surviving Spouse)

75% of the payment that would have been paid to a surviving spouse as shown above, split equally among each dependent child.

Cost of Living Adjustment

Eligibility

Normal Retirement.

Amount

Determined by the actuary if providing a COLA will not impair financial stability of the Fund.

Retroactive DROP

Eligibility

Satisfaction of Early or Normal Retirement Eligibility.

Participation Period

Upon election to retroactively enter DROP, the Retro DROP period will not exceed 84 months.

Rate of Return

5.0%, compounded annually, on monthly benefits that would have been deposited into a DROP account and Member contributions deposited into the fund between the effective DROP entry date and the actual date of termination.

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016

| <u>ASSETS</u>                            | MARKET VALUE    |
|------------------------------------------|-----------------|
| Cash and Cash Equivalents:               |                 |
| Property, Furniture & Equipment          | 246,201         |
| Checking Account - Expenses              | 221,650         |
| Checking Account - Benefits              | 3,083,394       |
| Money Market                             | 7,952,385       |
| <br>Total Cash and Equivalents           | <br>11,503,630  |
| Receivables:                             |                 |
| From Broker for Investments Sold         | 4,501,170       |
| Investment Income                        | 137,723         |
| <br>Total Receivable                     | <br>4,638,893   |
| Investments:                             |                 |
| State Street Securities                  | 814,420,021     |
| <br>Total Investments                    | <br>814,420,021 |
| <br>Total Assets                         | <br>830,562,544 |
| <br><u>LIABILITIES</u>                   |                 |
| Payables:                                |                 |
| Accounts Payable                         | 467,755         |
| To Broker for Investments Purchased      | 484,593         |
| <br>Total Liabilities                    | <br>952,348     |
| <br>NET POSITION RESTRICTED FOR PENSIONS | <br>829,610,196 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
Market Value Basis

ADDITIONS

## Contributions:

|        |            |
|--------|------------|
| Member | 15,884,261 |
| City   | 19,103,891 |

|                     |            |
|---------------------|------------|
| Total Contributions | 34,988,152 |
|---------------------|------------|

## Investment Income:

|                                           |             |  |
|-------------------------------------------|-------------|--|
| Miscellaneous Income                      | 74,984      |  |
| Net Realized Gain (Loss)                  | 24,920,238  |  |
| Unrealized Gain (Loss)                    | 27,127,664  |  |
| Net Increase in Fair Value of Investments | 52,122,886  |  |
| Interest & Dividends                      | 5,620,082   |  |
| Less Investment Expense <sup>1</sup>      | (2,173,803) |  |

|                       |            |
|-----------------------|------------|
| Net Investment Income | 55,569,165 |
|-----------------------|------------|

|                 |            |
|-----------------|------------|
| Total Additions | 90,557,317 |
|-----------------|------------|

DEDUCTIONS

## Distributions to Members:

|                                 |            |
|---------------------------------|------------|
| Benefit Payments                | 38,595,308 |
| Lump Sum DROP Distributions     | 6,862,148  |
| Refunds of Member Contributions | 38,225     |

|                     |            |
|---------------------|------------|
| Total Distributions | 45,495,681 |
|---------------------|------------|

|                        |         |
|------------------------|---------|
| Administrative Expense | 662,501 |
|------------------------|---------|

|                  |            |
|------------------|------------|
| Total Deductions | 46,158,182 |
|------------------|------------|

|                              |            |
|------------------------------|------------|
| Net Increase in Net Position | 44,399,135 |
|------------------------------|------------|

## NET POSITION RESTRICTED FOR PENSIONS

|                       |             |
|-----------------------|-------------|
| Beginning of the Year | 785,211,061 |
|-----------------------|-------------|

|                 |             |
|-----------------|-------------|
| End of the Year | 829,610,196 |
|-----------------|-------------|

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.



NOTES TO THE FINANCIAL STATEMENTS  
 (For the Year Ended December 31, 2016)

Plan Description

*Plan Administration*

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. The Mayor of the municipality,
- b. The city treasurer or, if there is no treasurer, the person who by law, charter provision, or ordinance performs the duty of city treasurer,
- c. Three Members of the fund to be selected by vote of the firefighters and retirees.

*Plan Membership as of December 31, 2015:*

|                                                                     |       |
|---------------------------------------------------------------------|-------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 704   |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 6     |
| Active Plan Members                                                 | 1,050 |
|                                                                     | 1,760 |

*Benefits Provided*

The Plan provides retirement, disability, termination and death benefits.

Normal Retirement:

Earlier of age 50 and 10 years of Service, or 25 years of Service, regardless of age.

Benefit: 3.30% of Average Monthly Compensation times Service (\$1,200 minimum). Effective July 1, 2012, the minimum benefit was increased to \$2,000 per month for all retirees and surviving spouses currently receiving normal or disability retirement benefits which commenced prior to January 1, 1994.

Early Retirement:

Earlier of age 45 and 10 years of Service, or 20 years of Service, regardless of age.

Benefit: Same for Normal Retirement as shown above. Members who retire under Early Retirement are not eligible to receive any COLA adjustments until the date they would have met Normal Retirement eligibility requirements.

Vesting:

Schedule: 100% after 10 years of Service.

Benefit Amount: Member will receive his (her) accrued benefit payable at age 50 or the date they would have completed 25 years of Service had they remained employed.

Non-vested members receive a refund of member contributions accumulated with 5.0% interest.

Disability:

Disability preventing the Member from performing the duties of a firefighter during the two and one-half years after becoming disabled or any employment after the two and one-half years after becoming disabled.

Accrued benefit at date of disability, but not less than 66% of Average Monthly Compensation.

Death Benefits:

Surviving Spouse of Member: 75% of Member's accrued benefit at date of death, but not less than 49.5% of Average Monthly Compensation.

Dependent Children of Member (with Surviving Spouse): Each child is entitled to 15% of the payment paid to the surviving spouse as shown directly above.

Dependent Children of Member (with no Surviving Spouse): 75% of the payment that would have been paid to a surviving spouse as shown above, split equally among each dependent child.

Cost of Living Adjustment:

Eligibility: Normal Retirement

Amount: Determined by the actuary if providing a COLA will not impair financial stability of the Fund.

*Contributions*

Member Contributions: 18.20% of Salary from 10/01/2015 to 09/30/2016. 18.70% of Salary on and after 10/01/2016.

City Contributions: 22.05% of payroll.

## GASB 67

### Investments

#### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of December 31, 2016:

| <u>Asset Class</u>           | <u>Target Allocation</u> |
|------------------------------|--------------------------|
| Public Domestic Equity       | 20%                      |
| Public Foreign Equity        | 22%                      |
| Private Equity Fund of Funds | 15%                      |
| Investment Grade Bonds       | 13%                      |
| TIPS                         | 5%                       |
| High Yield/Bank Loans        | 5%                       |
| Emerging Market Debt         | 7%                       |
| Core Real Estate             | 5%                       |
| Non-Core Real Estate         | 5%                       |
| Natural Resources            | 3%                       |
| <u>Total</u>                 | <u>100%</u>              |

#### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

#### *Rate of Return:*

For the year ended December 31, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 7.13 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Deferred Retirement Option Program

##### *Retroactive DROP*

Eligibility: Satisfaction of Early or Normal Retirement Eligibility.

Participation Period: Upon election to retroactively enter DROP, the Retro DROP period will not exceed 84 months.

Rate of Return: 5.0%, compounded annually, on monthly benefits that would have been deposited into a DROP account and Member contributions deposited into the fund between the effective DROP entry date and the actual date of termination.

The DROP balance as December 31, 2016 is \$69,354,195.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on December 31, 2016 were as follows:

|                                                                        |                         |
|------------------------------------------------------------------------|-------------------------|
| Total Pension Liability                                                | \$ 977,722,762          |
| Plan Fiduciary Net Position                                            | <u>\$ (829,610,196)</u> |
| Sponsor's Net Pension Liability                                        | <u>\$ 148,112,566</u>   |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 84.85%                  |

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2015 updated to December 31, 2016 using the following actuarial assumptions:

|                           |               |
|---------------------------|---------------|
| Inflation                 | 3.00%         |
| Salary Increases          | 1.00% - 6.00% |
| Discount Rate             | 7.70%         |
| Investment Rate of Return | 7.70%         |

Mortality Rates Healthy Lives: RP-2000 (Fully Generational using Scale AA) set back two years for males and females - Sex distinct. The assumed rates of mortality sufficiently accommodate expected mortality improvements.

Mortality Rates Disabled Lives: RP2000 Disability Mortality Table.

The most recent actuarial experience study used to review the other significant assumptions was dated June 15, 2015.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016, the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

| <u>Asset Class</u>           | <u>Long Term Expected Real Rate of Return</u> |
|------------------------------|-----------------------------------------------|
| Public Domestic Equity       | 5.3%                                          |
| Public Foreign Equity        | 6.9%                                          |
| Private Equity Fund of Funds | 5.6%                                          |
| Investment Grade Bonds       | 1.1%                                          |
| TIPS                         | 0.8%                                          |
| High Yield/Bank Loans        | 3.8%                                          |
| Emerging Market Debt         | 3.6%                                          |
| Core Real Estate             | 3.4%                                          |
| Non-Core Real Estate         | 5.0%                                          |
| Natural Resources            | 5.9%                                          |



## GASB 67

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.70 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.70%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 7.70%.

|                                 | 1% Decrease<br>6.70% | Current<br>Discount Rate<br>7.70% | 1% Increase<br>8.70% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 248,625,776       | \$ 148,112,566                    | \$ 63,515,024        |



SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Years

|                                                                            | 12/31/2016    | 12/31/2015    |
|----------------------------------------------------------------------------|---------------|---------------|
| Total Pension Liability                                                    |               |               |
| Service Cost                                                               | 24,322,417    | 23,309,543    |
| Interest                                                                   | 70,892,708    | 66,404,730    |
| Changes of benefit terms                                                   | 5,491,908     | -             |
| Differences between Expected and Actual Experience                         | 8,893,371     | 7,192,645     |
| Changes of assumptions                                                     | -             | -             |
| Benefit Payments, including Refunds of Employee Contributions              | (45,495,681)  | (44,756,847)  |
| Net Change in Total Pension Liability                                      | 64,104,723    | 52,150,071    |
| Total Pension Liability - Beginning                                        | 913,618,039   | 861,467,968   |
| Total Pension Liability - Ending (a)                                       | \$977,722,762 | \$913,618,039 |
| <br>                                                                       |               |               |
| Plan Fiduciary Net Position                                                |               |               |
| Contributions - Employer                                                   | 19,103,891    | 19,222,329    |
| Contributions - Employee                                                   | 15,884,261    | 15,546,979    |
| Net Investment Income                                                      | 55,569,165    | 6,328,063     |
| Benefit Payments, including Refunds of Employee Contributions              | (45,495,681)  | (44,756,847)  |
| Administrative Expense                                                     | (662,501)     | (562,687)     |
| Net Change in Plan Fiduciary Net Position                                  | 44,399,135    | (4,222,163)   |
| Plan Fiduciary Net Position - Beginning                                    | 785,211,061   | 789,433,224   |
| Plan Fiduciary Net Position - Ending (b)                                   | \$829,610,196 | \$785,211,061 |
| <br>                                                                       |               |               |
| Net Pension Liability - Ending (a) - (b)                                   | \$148,112,566 | \$128,406,978 |
| <br>                                                                       |               |               |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 84.85%        | 85.95%        |
| <br>                                                                       |               |               |
| Covered Employee Payroll                                                   | \$ 86,638,961 | \$ 87,836,040 |
| Net Pension Liability as a percentage of Covered Employee Payroll          | 170.95%       | 146.19%       |

**Notes to Schedule:***Changes of benefit terms:*

For measurement date 12/31/2016, amounts reported as changes of benefit terms resulted from a cost-of-living adjustment. Eligible retirees receive a 1.5% cost-of-living adjustment, effective January 1, 2017.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Years

|                                                                            | <u>12/31/2014</u>           | <u>12/31/2013</u>           |
|----------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Total Pension Liability                                                    |                             |                             |
| Service Cost                                                               | 25,318,456                  | 23,497,407                  |
| Interest                                                                   | 62,976,839                  | 59,249,151                  |
| Changes of benefit terms                                                   | -                           | -                           |
| Differences between Expected and Actual Experience                         | -                           | -                           |
| Changes of assumptions                                                     | 4,883,207                   | -                           |
| Benefit Payments, including Refunds of Employee Contributions              | <u>(37,992,903)</u>         | <u>(34,943,917)</u>         |
| Net Change in Total Pension Liability                                      | 55,185,599                  | 47,802,641                  |
| Total Pension Liability - Beginning                                        | <u>806,282,369</u>          | <u>758,479,728</u>          |
| Total Pension Liability - Ending (a)                                       | <u><u>\$861,467,968</u></u> | <u><u>\$806,282,369</u></u> |
| <br>                                                                       |                             |                             |
| Plan Fiduciary Net Position                                                |                             |                             |
| Contributions - Employer                                                   | 18,669,944                  | 17,786,494                  |
| Contributions - Employee                                                   | 14,659,946                  | 14,000,514                  |
| Net Investment Income                                                      | 42,005,227                  | 101,289,167                 |
| Benefit Payments, including Refunds of Employee Contributions              | <u>(37,992,903)</u>         | <u>(34,943,917)</u>         |
| Administrative Expense                                                     | <u>(530,816)</u>            | <u>(363,050)</u>            |
| Net Change in Plan Fiduciary Net Position                                  | 36,811,398                  | 97,769,208                  |
| Plan Fiduciary Net Position - Beginning                                    | <u>752,621,826</u>          | <u>654,852,618</u>          |
| Plan Fiduciary Net Position - Ending (b)                                   | <u><u>\$789,433,224</u></u> | <u><u>\$752,621,826</u></u> |
| <br>                                                                       |                             |                             |
| Net Pension Liability - Ending (a) - (b)                                   | <u><u>\$ 72,034,744</u></u> | <u><u>\$ 53,660,543</u></u> |
| <br>                                                                       |                             |                             |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 91.64%                      | 93.34%                      |
| <br>                                                                       |                             |                             |
| Covered Employee Payroll                                                   | \$ 84,670,948               | \$ 83,279,101               |
| Net Pension Liability as a percentage of Covered Employee Payroll          | 85.08%                      | 64.43%                      |

**Notes to Schedule:***Changes of assumptions:*

For measurement date 12/31/2014, amounts reported as changes of assumptions resulted from an actuarial experience study dated June 15, 2015, below a brief overview of the changes:

- A "fresh-start" on the actuarial asset value has been implemented. For all future valuations, the asset valuation method will utilize a new smoothing technique.
- The investment return assumption has been decreased from 7.75% to 7.70% per year compounded annually, net of all expenses.
- The general wage inflation rate has been decreased from 3.5% to 3.0% per year.
- The service-based table attributable to merit and longevity salary increases has been amended.
- The retirement rates have been amended.
- The Retro-DROP election assumptions have been amended.
- The withdrawal rates have been amended.
- The assumed spousal age difference has been amended.



SCHEDULE OF CONTRIBUTIONS

Last 10 Years

|                                                                       | 12/31/2016    | 12/31/2015    | 12/31/2014    | 12/31/2013    |
|-----------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution                                   | N/A           | N/A           | N/A           | N/A           |
| Contributions in relation to the Actuarially Determined Contributions | N/A           | N/A           | N/A           | N/A           |
| Contribution Deficiency (Excess)                                      | N/A           | N/A           | N/A           | N/A           |
| Covered Employee Payroll                                              | \$ 86,638,961 | \$ 87,836,040 | \$ 84,670,948 | \$ 83,279,101 |
| Contributions as a percentage of Covered Employee Payroll             | 22.05%        | 22.05%        | 21.36%        | 21.36%        |

Notes to Schedule

Methods and assumptions used to determine liabilities:

| Mortality Rates - Healthy Lives  | RP-2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.<br>The assumed rates of mortality sufficiently accommodate expected mortality improvements.                                                                                                                                                              |                  |                         |     |       |      |       |     |       |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|-----|-------|------|-------|-----|-------|
| Mortality Rates - Disabled Lives | RP2000 Disability Mortality Table.                                                                                                                                                                                                                                                                                                                            |                  |                         |     |       |      |       |     |       |
| Retirement Elections:            | See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                          |                  |                         |     |       |      |       |     |       |
| Termination Rates:               | See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                      |                  |                         |     |       |      |       |     |       |
| Disability Rates:                | See tables on following pages. These assumptions were reviewed in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
| Interest Rate:                   | 7.70% per year, compounded annually, net of all expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.                                                                                                                                                                                     |                  |                         |     |       |      |       |     |       |
| Salary Increases:                | See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                          |                  |                         |     |       |      |       |     |       |
| General Wage Inflation:          | 3.00% per year. This assumption was approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                           |                  |                         |     |       |      |       |     |       |
| Inflation:                       | 3.50% per year. This is reasonable based upon long-term historical experience.                                                                                                                                                                                                                                                                                |                  |                         |     |       |      |       |     |       |
| Payroll Growth:                  | 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. This is reasonable based upon long-term historical experience.                                                                                                                                                                                                                   |                  |                         |     |       |      |       |     |       |
| Asset Valuation Method:          | All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.                                                                                                                      |                  |                         |     |       |      |       |     |       |
| Marital Status:                  | 100% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 4 years younger than Males. Additionally, 50% are assumed to have dependent children. The age of the youngest child is assumed to be one year.<br>These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015. |                  |                         |     |       |      |       |     |       |
| Actuarial Cost Method:           | Entry Age Normal Actuarial Cost Method.                                                                                                                                                                                                                                                                                                                       |                  |                         |     |       |      |       |     |       |
| Amortization Method:             | Level Percentage of Pay, Closed.                                                                                                                                                                                                                                                                                                                              |                  |                         |     |       |      |       |     |       |
| Remaining Amortization Period:   | 12.29 Years (as of 12/31/2015).                                                                                                                                                                                                                                                                                                                               |                  |                         |     |       |      |       |     |       |
| Termination Rates:               | <table border="1"> <thead> <tr> <th>Years of Service</th> <th>Termination Probability</th> </tr> </thead> <tbody> <tr> <td>0-4</td> <td>1.00%</td> </tr> <tr> <td>5-13</td> <td>0.50%</td> </tr> <tr> <td>14+</td> <td>0.00%</td> </tr> </tbody> </table>                                                                                                     | Years of Service | Termination Probability | 0-4 | 1.00% | 5-13 | 0.50% | 14+ | 0.00% |
| Years of Service                 | Termination Probability                                                                                                                                                                                                                                                                                                                                       |                  |                         |     |       |      |       |     |       |
| 0-4                              | 1.00%                                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
| 5-13                             | 0.50%                                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
| 14+                              | 0.00%                                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |

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| Retirement Rates: | Number of Years After First      | Probability of Retirement |
|-------------------|----------------------------------|---------------------------|
|                   | Eligibility for Early Retirement |                           |
|                   | 0                                | 2.00%                     |
|                   | 1                                | 2.00%                     |
|                   | 2                                | 2.00%                     |
|                   | 3                                | 2.00%                     |
|                   | 4                                | 2.00%                     |
|                   | 5                                | 5.00%                     |
|                   | 6                                | 7.50%                     |
|                   | 7                                | 7.50%                     |
|                   | 8                                | 10.00%                    |
|                   | 9                                | 16.70%                    |
|                   | 10                               | 16.70%                    |
|                   | 11                               | 16.70%                    |
|                   | 12                               | 20.00%                    |
|                   | 13                               | 20.00%                    |
|                   | 14                               | 30.00%                    |
|                   | 15                               | 40.00%                    |
|                   | 16                               | 50.00%                    |
|                   | 17                               | 75.00%                    |
|                   | 18                               | 100.00%                   |

| Retro-DROP Elections: | Number of         | No-DROP | Duration 1      | Duration 2    |
|-----------------------|-------------------|---------|-----------------|---------------|
|                       | Years After       |         |                 |               |
|                       | First Eligibility | Elected | Election        | Election      |
|                       | for Early         |         |                 |               |
|                       | Retirement        |         |                 |               |
|                       | 0                 | 90%     | 0.5 years (10%) | n/a           |
|                       | 1                 | 50%     | 1 year (50%)    | n/a           |
|                       | 2                 | 50%     | 1 year (25%)    | 2 years (25%) |
|                       | 3                 | 50%     | 1 year (25%)    | 2 years (25%) |
|                       | 4                 | 20%     | 1 year (60%)    | 3 years (20%) |
|                       | 5                 | 20%     | 2 years (40%)   | 4 years (40%) |
|                       | 6                 | 20%     | 2 years (60%)   | 5 years (20%) |
|                       | 7                 | 20%     | 2 years (50%)   | 5 years (30%) |
|                       | 8                 | 20%     | 3 years (60%)   | 6 years (20%) |
|                       | 9                 | 10%     | 3 years (50%)   | 6 years (40%) |
|                       | 10                | 10%     | 3 years (50%)   | 6 years (40%) |
|                       | 11                | 10%     | 3 years (60%)   | 6 years (30%) |
|                       | 12                | 10%     | 3 years (75%)   | 6 years (15%) |
|                       | 13                | 10%     | 3 years (40%)   | 6 years (50%) |
|                       | 14                | 10%     | 3 years (40%)   | 6 years (50%) |
|                       | 15                | 10%     | 3 years (20%)   | 6 years (70%) |
|                       | 16                | 10%     | 3 years (20%)   | 6 years (70%) |
|                       | 17                | 10%     | 3 years (20%)   | 6 years (70%) |
|                       | 18                | 10%     | 3 years (20%)   | 6 years (70%) |



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Disability Rate Table:

| Age | Probability of Disablement |
|-----|----------------------------|
| 20  | 0.014%                     |
| 25  | 0.019%                     |
| 30  | 0.031%                     |
| 35  | 0.052%                     |
| 40  | 0.092%                     |
| 45  | 0.209%                     |
| 50  | 0.379%                     |
| 55  | 0.490%                     |
| 60  | 0.911%                     |

% Increase in Salary\*:

| Years of Service | Increase |
|------------------|----------|
| 0                | 6.00%    |
| 1                | 8.50%    |
| 2                | 7.50%    |
| 3                | 4.00%    |
| 4                | 1.00%    |
| 5                | 5.00%    |
| 10               | 1.50%    |
| 15               | 1.50%    |
| 20               | 5.50%    |
| 21+              | 1.00%    |

\* Expected increase in salary in addition to general wage inflation assumption.

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Years

|                                      | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> | <u>12/31/2013</u> |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Money-Weighted Rate of Return |                   |                   |                   |                   |
| Net of Investment Expense            | 7.13%             | 0.81%             | 5.60%             | 13.30%            |

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2017)

General Information about the Pension Plan

*Plan Description*

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. The Mayor of the municipality,
- b. The city treasurer or, if there is no treasurer, the person who by law, charter provision, or ordinance performs the duty of city treasurer,
- c. Three Members of the fund to be selected by vote of the firefighters and retirees.

A person who begins service as a firefighter in a municipality to which this Act applies and who is not ineligible for Membership in the fund becomes a member of the fund as a condition of that person's appointment.

*Plan Membership as of December 31, 2015:*

|                                                                     |       |
|---------------------------------------------------------------------|-------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 704   |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 6     |
| Active Plan Members                                                 | 1,050 |
|                                                                     | 1,760 |

*Benefits Provided*

The Plan provides retirement, disability, termination and death benefits.

Normal Retirement:

Earlier of age 50 and 10 years of Service, or 25 years of Service, regardless of age.

Benefit: 3.30% of Average Monthly Compensation times Service (\$1,200 minimum). Effective July 1, 2012, the minimum benefit was increased to \$2,000 per month for all retirees and surviving spouses currently receiving normal or disability retirement benefits which commenced prior to January 1, 1994.

Early Retirement:

Earlier of age 45 and 10 years of Service, or 20 years of Service, regardless of age.

Benefit: Same for Normal Retirement as shown above. Members who retire under Early Retirement are not eligible to receive any COLA adjustments until the date they would have met Normal Retirement eligibility requirements.

Vesting:

Schedule: 100% after 10 years of Service.

Benefit Amount: Member will receive his (her) accrued benefit payable at age 50 or the date they would have completed 25 years of Service had they remained employed.

Non-vested members receive a refund of member contributions accumulated with 5.0% interest.

Disability:

Disability preventing the Member from performing the duties of a firefighter during the two and one-half years after becoming disabled or any employment after the two and one-half years after becoming disabled.

Accrued benefit at date of disability, but not less than 66% of Average Monthly Compensation.

Death Benefits:

Surviving Spouse of Member: 75% of Member's accrued benefit at date of death, but not less than 49.5% of Average Monthly Compensation.

Dependent Children of Member (with Surviving Spouse): Each child is entitled to 15% of the payment paid to the surviving spouse as shown directly above.

Dependent Children of Member (with no Surviving Spouse): 75% of the payment that would have been paid to a surviving spouse as shown above, split equally among each dependent child.

Cost of Living Adjustment:

Eligibility: Normal Retirement

Amount: Determined by the actuary if providing a COLA will not impair financial stability of the Fund.

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### Contributions

Member Contributions: 18.20% of Salary from 10/01/2015 to 09/30/2016. 18.70% of Salary on and after 10/01/2016.

City Contributions: 22.05% of payroll.

### Net Pension Liability

The measurement date is December 31, 2016.

The measurement period for the pension expense was December 31, 2015 to December 31, 2016.

The reporting period is September 30, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of December 31, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

### Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2015 updated to December 31, 2016 using the following actuarial assumptions:

|                           |               |
|---------------------------|---------------|
| Inflation                 | 3.00%         |
| Salary Increases          | 1.00% - 6.00% |
| Discount Rate             | 7.70%         |
| Investment Rate of Return | 7.70%         |

Mortality Rates Healthy Lives: RP-2000 (Fully Generational using Scale AA) set back two years for males and females - Sex distinct. The assumed rates of mortality sufficiently accommodate expected mortality improvements.

Mortality Rates Disabled Lives: RP2000 Disability Mortality Table.

The most recent actuarial experience study used to review the other significant assumptions was dated June 15, 2015.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016, the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|-----------------------------------------------|
| Public Domestic Equity       | 20%                      | 5.3%                                          |
| Public Foreign Equity        | 22%                      | 6.9%                                          |
| Private Equity Fund of Funds | 15%                      | 5.6%                                          |
| Investment Grade Bonds       | 13%                      | 1.1%                                          |
| TIPS                         | 5%                       | 0.8%                                          |
| High Yield/Bank Loans        | 5%                       | 3.8%                                          |
| Emerging Market Debt         | 7%                       | 3.6%                                          |
| Core Real Estate             | 5%                       | 3.4%                                          |
| Non-Core Real Estate         | 5%                       | 5.0%                                          |
| Natural Resources            | 3%                       | 5.9%                                          |
| <u>Total</u>                 | <u>100%</u>              |                                               |



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### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.70 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.70%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 7.70%.



## CHANGES IN NET PENSION LIABILITY

|                                                               | Increase (Decrease)        |                                |                          |
|---------------------------------------------------------------|----------------------------|--------------------------------|--------------------------|
|                                                               | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|                                                               | (a)                        | (b)                            | (a)-(b)                  |
| Reporting Period Ending September 30, 2016                    | \$ 913,618,039             | \$ 785,211,061                 | \$ 128,406,978           |
| Changes for a Year:                                           |                            |                                |                          |
| Service Cost                                                  | 24,322,417                 | -                              | 24,322,417               |
| Interest                                                      | 70,892,708                 | -                              | 70,892,708               |
| Differences between Expected and Actual Experience            | 8,893,371                  | -                              | 8,893,371                |
| Changes of assumptions                                        | -                          | -                              | -                        |
| Changes of benefit terms                                      | 5,491,908                  | -                              | 5,491,908                |
| Contributions - Employer                                      | -                          | 19,103,891                     | (19,103,891)             |
| Contributions - Employee                                      | -                          | 15,884,261                     | (15,884,261)             |
| Contributions - Buy Back                                      | -                          | -                              | -                        |
| Net Investment Income                                         | -                          | 55,569,165                     | (55,569,165)             |
| Benefit Payments, including Refunds of Employee Contributions | (45,495,681)               | (45,495,681)                   | -                        |
| Administrative Expense                                        | -                          | (662,501)                      | 662,501                  |
| Net Changes                                                   | 64,104,723                 | 44,399,135                     | 19,705,588               |
| Reporting Period Ending September 30, 2017                    | <u>\$ 977,722,762</u>      | <u>\$ 829,610,196</u>          | <u>\$ 148,112,566</u>    |

*Sensitivity of the Net Pension Liability to changes in the Discount Rate.*

|                                 | Current Discount     |                |                      |
|---------------------------------|----------------------|----------------|----------------------|
|                                 | 1% Decrease<br>6.70% | Rate<br>7.70%  | 1% Increase<br>8.70% |
| Sponsor's Net Pension Liability | \$ 248,625,776       | \$ 148,112,566 | \$ 63,515,024        |

*Pension Plan Fiduciary Net Position.*

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

FINAL PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND  
 DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS  
 FISCAL YEAR SEPTEMBER 30, 2016

For the year ended September 30, 2016, the Sponsor has recognized a Pension Expense of \$29,751,226.

On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

|                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Experience                               | 6,293,565                            | -                                   |
| Changes of assumptions                                                           | 3,798,049                            | -                                   |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 52,689,703                           | -                                   |
| Employer contributions subsequent to the measurement date                        | 13,993,961                           | -                                   |
| <b>Total</b>                                                                     | <b>\$ 76,775,278</b>                 | <b>\$ -</b>                         |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date has been recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

| Year ended September 30: |  |               |
|--------------------------|--|---------------|
| 2017                     |  | \$ 15,401,420 |
| 2018                     |  | \$ 15,401,419 |
| 2019                     |  | \$ 15,401,420 |
| 2020                     |  | \$ 12,252,081 |
| 2021                     |  | \$ 1,441,659  |
| Thereafter               |  | \$ 2,883,318  |

PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND  
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS  
FISCAL YEAR SEPTEMBER 30, 2017

For the year ended September 30, 2017, the Sponsor will recognize a Pension Expense of \$42,859,568.

On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

|                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Experience                               | 13,176,184                           | -                                   |
| Changes of assumptions                                                           | 3,255,470                            | -                                   |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 42,299,574                           | -                                   |
| Employer contributions subsequent to the measurement date                        | TBD                                  | -                                   |
| Total                                                                            | <u>TBD</u>                           | <u>\$ -</u>                         |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2017.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

|                          |               |
|--------------------------|---------------|
| Year ended September 30: |               |
| 2018                     | \$ 17,405,499 |
| 2019                     | \$ 17,405,500 |
| 2020                     | \$ 14,256,160 |
| 2021                     | \$ 3,445,738  |
| 2022                     | \$ 2,553,330  |
| Thereafter               | \$ 3,665,001  |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years

| Reporting Period Ending                                                    | 09/30/2017           | 09/30/2016           |
|----------------------------------------------------------------------------|----------------------|----------------------|
| Measurement Date                                                           | 12/31/2016           | 12/31/2015           |
| Total Pension Liability                                                    |                      |                      |
| Service Cost                                                               | 24,322,417           | 23,309,543           |
| Interest                                                                   | 70,892,708           | 66,404,730           |
| Changes of benefit terms                                                   | 5,491,908            | -                    |
| Differences between Expected and Actual Experience                         | 8,893,371            | 7,192,645            |
| Changes of assumptions                                                     | -                    | -                    |
| Benefit Payments, including Refunds of Employee Contributions              | (45,495,681)         | (44,756,847)         |
| Net Change in Total Pension Liability                                      | 64,104,723           | 52,150,071           |
| Total Pension Liability - Beginning                                        | 913,618,039          | 861,467,968          |
| Total Pension Liability - Ending (a)                                       | <u>\$977,722,762</u> | <u>\$913,618,039</u> |
| <br>                                                                       |                      |                      |
| Plan Fiduciary Net Position                                                |                      |                      |
| Contributions - Employer                                                   | 19,103,891           | 19,222,329           |
| Contributions - Employee                                                   | 15,884,261           | 15,546,979           |
| Net Investment Income                                                      | 55,569,165           | 6,328,063            |
| Benefit Payments, including Refunds of Employee Contributions              | (45,495,681)         | (44,756,847)         |
| Administrative Expense                                                     | (662,501)            | (562,687)            |
| Net Change in Plan Fiduciary Net Position                                  | 44,399,135           | (4,222,163)          |
| Plan Fiduciary Net Position - Beginning                                    | 785,211,061          | 789,433,224          |
| Plan Fiduciary Net Position - Ending (b)                                   | <u>\$829,610,196</u> | <u>\$785,211,061</u> |
| <br>                                                                       |                      |                      |
| Net Pension Liability - Ending (a) - (b)                                   | <u>\$148,112,566</u> | <u>\$128,406,978</u> |
| <br>                                                                       |                      |                      |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 84.85%               | 85.95%               |
| <br>                                                                       |                      |                      |
| Covered Employee Payroll                                                   | \$ 86,638,961        | \$ 87,836,040        |
| Net Pension Liability as a percentage of Covered Employee Payroll          | 170.95%              | 146.19%              |

**Notes to Schedule:***Changes of benefit terms:*

For measurement date 12/31/2016, amounts reported as changes of benefit terms resulted from a cost-of-living adjustment. Eligible retirees receive a 1.5% cost-of-living adjustment, effective January 1, 2017.



SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years

| Reporting Period Ending                                                    | 09/30/2015           | 09/30/2014           |
|----------------------------------------------------------------------------|----------------------|----------------------|
| Measurement Date                                                           | 12/31/2014           | 12/31/2013           |
| Total Pension Liability                                                    |                      |                      |
| Service Cost                                                               | 25,318,456           | 23,497,407           |
| Interest                                                                   | 62,976,839           | 59,249,151           |
| Changes of benefit terms                                                   | -                    | -                    |
| Differences between Expected and Actual Experience                         | -                    | -                    |
| Changes of assumptions                                                     | 4,883,207            | -                    |
| Benefit Payments, including Refunds of Employee Contributions              | (37,992,903)         | (34,943,917)         |
| Net Change in Total Pension Liability                                      | 55,185,599           | 47,802,641           |
| Total Pension Liability - Beginning                                        | 806,282,369          | 758,479,728          |
| Total Pension Liability - Ending (a)                                       | <u>\$861,467,968</u> | <u>\$806,282,369</u> |
| <br>                                                                       |                      |                      |
| Plan Fiduciary Net Position                                                |                      |                      |
| Contributions - Employer                                                   | 18,669,944           | 17,786,494           |
| Contributions - Employee                                                   | 14,659,946           | 14,000,514           |
| Net Investment Income                                                      | 42,005,227           | 101,289,167          |
| Benefit Payments, including Refunds of Employee Contributions              | (37,992,903)         | (34,943,917)         |
| Administrative Expense                                                     | (530,816)            | (363,050)            |
| Net Change in Plan Fiduciary Net Position                                  | 36,811,398           | 97,769,208           |
| Plan Fiduciary Net Position - Beginning                                    | 752,621,826          | 654,852,618          |
| Plan Fiduciary Net Position - Ending (b)                                   | <u>\$789,433,224</u> | <u>\$752,621,826</u> |
| <br>                                                                       |                      |                      |
| Net Pension Liability - Ending (a) - (b)                                   | <u>\$ 72,034,744</u> | <u>\$ 53,660,543</u> |
| <br>                                                                       |                      |                      |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 91.64%               | 93.34%               |
| <br>                                                                       |                      |                      |
| Covered Employee Payroll                                                   | \$ 84,670,948        | \$ 83,279,101        |
| Net Pension Liability as a percentage of Covered Employee Payroll          | 85.08%               | 64.43%               |

**Notes to Schedule:**

*Changes of assumptions:*

For measurement date 12/31/2014, amounts reported as changes of assumptions resulted from an actuarial experience study dated June 15, 2015, below a brief overview of the changes:

- A "fresh-start" on the actuarial asset value has been implemented. For all future valuations, the asset valuation method will utilize a new smoothing technique.
- The investment return assumption has been decreased from 7.75% to 7.70% per year compounded annually, net of all expenses.
- The general wage inflation rate has been decreased from 3.5% to 3.0% per year.
- The service-based table attributable to merit and longevity salary increases has been amended.
- The retirement rates have been amended.
- The Retro-DROP election assumptions have been amended.
- The withdrawal rates have been amended.
- The assumed spousal age difference has been amended.

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

|                                                                                                                                            | 09/30/2017  | 09/30/2016  | 09/30/2015  |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Actuarially Determined Contribution Contributions in relation to the Actuarially Determined Contributions Contribution Deficiency (Excess) | N/A         | N/A         | N/A         |
|                                                                                                                                            | N/A         | N/A         | N/A         |
|                                                                                                                                            | N/A         | N/A         | N/A         |
| Covered Employee Payroll Contributions as a percentage of Covered Employee Payroll                                                         | TBD by City | TBD by City | TBD by City |
|                                                                                                                                            | 22.05%      | 22.05%      | 22.05%      |

Notes to Schedule

Methods and assumptions used to determine liabilities:

| Mortality Rates - Healthy Lives  | RP-2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.<br>The assumed rates of mortality sufficiently accommodate expected mortality improvements.                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|-----|-------|------|-------|-----|-------|
| Mortality Rates - Disabled Lives | RP2000 Disability Mortality Table.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                  |                         |     |       |      |       |     |       |
| Retirement Elections:            | See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                         |     |       |      |       |     |       |
| Termination Rates:               | See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                 |                  |                         |     |       |      |       |     |       |
| Disability Rates:                | See tables on following pages. These assumptions were reviewed in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                         |     |       |      |       |     |       |
| Interest Rate:                   | 7.70% per year, compounded annually, net of all expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.                                                                                                                                                                                                                                                                                                                                                                |                  |                         |     |       |      |       |     |       |
| Salary Increases:                | See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                         |     |       |      |       |     |       |
| General Wage Inflation:          | 3.00% per year. This assumption was approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                         |     |       |      |       |     |       |
| Inflation:                       | 3.50% per year. This is reasonable based upon long-term historical experience.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                         |     |       |      |       |     |       |
| Payroll Growth:                  | 3.50% per year :                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
| Asset Valuation Method:          | All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.                                                                                                                                                                                                                                                                                                 |                  |                         |     |       |      |       |     |       |
| Marital Status:                  | 100% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 4 years younger than Males. Additionally, 50% are assumed to have dependent children. The age of the youngest child is assumed to be one year.<br>These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.                                                                                                                                                                            |                  |                         |     |       |      |       |     |       |
| Actuarial Cost Method:           | Entry Age Normal Actuarial Cost Method.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                         |     |       |      |       |     |       |
| Amortization Method:             | Level Percentage of Pay, Closed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |                         |     |       |      |       |     |       |
| Remaining Amortization Period:   | 12.29 Years (as of 12/31/2015).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                  |                         |     |       |      |       |     |       |
| Termination Rates:               | <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Termination Probability</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0-4</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td style="text-align: center;">5-13</td> <td style="text-align: center;">0.50%</td> </tr> <tr> <td style="text-align: center;">14+</td> <td style="text-align: center;">0.00%</td> </tr> </tbody> </table> | Years of Service | Termination Probability | 0-4 | 1.00% | 5-13 | 0.50% | 14+ | 0.00% |
| Years of Service                 | Termination Probability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                         |     |       |      |       |     |       |
| 0-4                              | 1.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                         |     |       |      |       |     |       |
| 5-13                             | 0.50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                         |     |       |      |       |     |       |
| 14+                              | 0.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                         |     |       |      |       |     |       |

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Retirement Rates:

| Number of Years After First Eligibility for Early Retirement | Probability of Retirement |
|--------------------------------------------------------------|---------------------------|
| 0                                                            | 2.00%                     |
| 1                                                            | 2.00%                     |
| 2                                                            | 2.00%                     |
| 3                                                            | 2.00%                     |
| 4                                                            | 2.00%                     |
| 5                                                            | 5.00%                     |
| 6                                                            | 7.50%                     |
| 7                                                            | 7.50%                     |
| 8                                                            | 10.00%                    |
| 9                                                            | 16.70%                    |
| 10                                                           | 16.70%                    |
| 11                                                           | 16.70%                    |
| 12                                                           | 20.00%                    |
| 13                                                           | 20.00%                    |
| 14                                                           | 30.00%                    |
| 15                                                           | 40.00%                    |
| 16                                                           | 50.00%                    |
| 17                                                           | 75.00%                    |
| 18                                                           | 100.00%                   |

Retro-DROP Elections:

| Years After First Eligibility for Early | No-DROP Elected | Duration 1 Election | Duration 2 Election |
|-----------------------------------------|-----------------|---------------------|---------------------|
| 0                                       | 90%             | 0.5 years (10%)     | n/a                 |
| 1                                       | 50%             | 1 year (50%)        | n/a                 |
| 2                                       | 50%             | 1 year (25%)        | 2 years (25%)       |
| 3                                       | 50%             | 1 year (25%)        | 2 years (25%)       |
| 4                                       | 20%             | 1 year (60%)        | 3 years (20%)       |
| 5                                       | 20%             | 2 years (40%)       | 4 years (40%)       |
| 6                                       | 20%             | 2 years (60%)       | 5 years (20%)       |
| 7                                       | 20%             | 2 years (50%)       | 5 years (30%)       |
| 8                                       | 20%             | 3 years (60%)       | 6 years (20%)       |
| 9                                       | 10%             | 3 years (50%)       | 6 years (40%)       |
| 10                                      | 10%             | 3 years (50%)       | 6 years (40%)       |
| 11                                      | 10%             | 3 years (60%)       | 6 years (30%)       |
| 12                                      | 10%             | 3 years (75%)       | 6 years (15%)       |
| 13                                      | 10%             | 3 years (40%)       | 6 years (50%)       |
| 14                                      | 10%             | 3 years (40%)       | 6 years (50%)       |
| 15                                      | 10%             | 3 years (20%)       | 6 years (70%)       |
| 16                                      | 10%             | 3 years (20%)       | 6 years (70%)       |
| 17                                      | 10%             | 3 years (20%)       | 6 years (70%)       |
| 18                                      | 10%             | 3 years (20%)       | 6 years (70%)       |



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Disability Rate Table:

| Age | Probability of Disablement |
|-----|----------------------------|
| 20  | 0.014%                     |
| 25  | 0.019%                     |
| 30  | 0.031%                     |
| 35  | 0.052%                     |
| 40  | 0.092%                     |
| 45  | 0.209%                     |
| 50  | 0.379%                     |
| 55  | 0.490%                     |
| 60  | 0.911%                     |

% Increase in Salary\*:

| Years of Service | Increase |
|------------------|----------|
| 0                | 6.00%    |
| 1                | 8.50%    |
| 2                | 7.50%    |
| 3                | 4.00%    |
| 4                | 1.00%    |
| 5                | 5.00%    |
| 10               | 1.50%    |
| 15               | 1.50%    |
| 20               | 5.50%    |
| 21+              | 1.00%    |

\* Expected increase in salary in addition to general wage inflation assumption.



FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2016

|                                                                                                          | Net Pension<br>Liability | Deferred<br>Inflows | Deferred<br>Outflows | Pension<br>Expense   |
|----------------------------------------------------------------------------------------------------------|--------------------------|---------------------|----------------------|----------------------|
| Beginning balance                                                                                        | \$ 72,034,744            | \$ -                | \$ 31,007,032        | \$ -                 |
| Employer Contributions made after 12/31/2015                                                             | -                        | -                   | 13,993,961           | -                    |
| Total Pension Liability Factors:                                                                         |                          |                     |                      |                      |
| Service Cost                                                                                             | 23,309,543               | -                   | -                    | 23,309,543           |
| Interest                                                                                                 | 66,404,730               | -                   | -                    | 66,404,730           |
| Changes in benefit terms                                                                                 | -                        | -                   | -                    | -                    |
| Differences between Expected and Actual Experience<br>with regard to economic or demographic assumptions | 7,192,645                | -                   | 7,192,645            | -                    |
| Current year amortization of experience difference                                                       | -                        | -                   | (899,080)            | 899,080              |
| Change in assumptions about future economic or<br>demographic factors or other inputs                    | -                        | -                   | -                    | -                    |
| Current year amortization of change in assumptions                                                       | -                        | -                   | (542,579)            | 542,579              |
| Benefit Payments                                                                                         | (44,756,847)             | -                   | -                    | (44,756,847)         |
| Net change                                                                                               | <u>52,150,071</u>        | <u>-</u>            | <u>19,744,947</u>    | <u>46,399,085</u>    |
| Plan Fiduciary Net Position:                                                                             |                          |                     |                      |                      |
| Contributions - Employer                                                                                 | 19,222,329               | -                   | (14,069,052)         | -                    |
| Contributions - Employee                                                                                 | 15,546,979               | -                   | -                    | (15,546,979)         |
| Projected Net Investment Income                                                                          | 60,380,175               | -                   | -                    | (60,380,175)         |
| Difference between projected and actual earnings on<br>Pension Plan investments                          | (54,052,112)             | -                   | 54,052,112           | -                    |
| Current year amortization                                                                                | -                        | -                   | (13,959,761)         | 13,959,761           |
| Benefit Payments                                                                                         | (44,756,847)             | -                   | -                    | 44,756,847           |
| Administrative Expenses                                                                                  | (562,687)                | -                   | -                    | 562,687              |
| Net change                                                                                               | <u>(4,222,163)</u>       | <u>-</u>            | <u>26,023,299</u>    | <u>(16,647,859)</u>  |
| Ending Balance                                                                                           | <u>\$ 128,406,978</u>    | <u>\$ -</u>         | <u>\$ 76,775,278</u> | <u>\$ 29,751,226</u> |

PRELIMINARY COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2017

|                                                                                                          | Net Pension<br>Liability | Deferred<br>Inflows | Deferred<br>Outflows | Pension<br>Expense   |
|----------------------------------------------------------------------------------------------------------|--------------------------|---------------------|----------------------|----------------------|
| Beginning balance                                                                                        | \$ 128,406,978           | \$ -                | \$ 76,775,278        | \$ -                 |
| Employer Contributions made after 12/31/2016                                                             | -                        | -                   | TBD*                 | -                    |
| Total Pension Liability Factors:                                                                         |                          |                     |                      |                      |
| Service Cost                                                                                             | 24,322,417               | -                   | -                    | 24,322,417           |
| Interest                                                                                                 | 70,892,708               | -                   | -                    | 70,892,708           |
| Changes in benefit terms                                                                                 | 5,491,908                | -                   | -                    | 5,491,908            |
| Differences between Expected and Actual Experience<br>with regard to economic or demographic assumptions | 8,893,371                | -                   | 8,893,371            | -                    |
| Current year amortization of experience difference                                                       | -                        | -                   | (2,010,752)          | 2,010,752            |
| Change in assumptions about future economic or<br>demographic factors or other inputs                    | -                        | -                   | -                    | -                    |
| Current year amortization of change in assumptions                                                       | -                        | -                   | (542,579)            | 542,579              |
| Benefit Payments                                                                                         | (45,495,681)             | -                   | -                    | (45,495,681)         |
| Net change                                                                                               | <u>64,104,723</u>        | <u>-</u>            | <u>6,340,040</u>     | <u>57,764,683</u>    |
| Plan Fiduciary Net Position:                                                                             |                          |                     |                      |                      |
| Contributions - Employer                                                                                 | 19,103,891               | -                   | (13,993,961)         | -                    |
| Contributions - Employee                                                                                 | 15,884,261               | -                   | -                    | (15,884,261)         |
| Projected Net Investment Income                                                                          | 60,031,206               | -                   | -                    | (60,031,206)         |
| Difference between projected and actual earnings on<br>Pension Plan investments                          | (4,462,041)              | -                   | 4,462,041            | -                    |
| Current year amortization                                                                                | -                        | -                   | (14,852,170)         | 14,852,170           |
| Benefit Payments                                                                                         | (45,495,681)             | -                   | -                    | 45,495,681           |
| Administrative Expenses                                                                                  | (662,501)                | -                   | -                    | 662,501              |
| Net change                                                                                               | <u>44,399,135</u>        | <u>-</u>            | <u>(24,384,090)</u>  | <u>(14,905,115)</u>  |
| Ending Balance                                                                                           | <u>\$ 148,112,566</u>    | <u>\$ -</u>         | <u>TBD</u>           | <u>\$ 42,859,568</u> |

\* Employer Contributions subsequent to the measurement date made after December 31, 2016 but made on or before September 30, 2017 need to be added.

AMORTIZATION SCHEDULE - INVESTMENT

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

| Plan Year<br>Ending                        | Differences<br>Between<br>Projected and<br>Actual Earnings | Recognition<br>Period (Years) | Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments |               |               |               |            |      |      |      |      |      |      |
|--------------------------------------------|------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|------------|------|------|------|------|------|------|
|                                            |                                                            |                               | 2017                                                                                                                                                        | 2018          | 2019          | 2020          | 2021       | 2022 | 2023 | 2024 | 2025 | 2026 |      |
| 2014                                       | \$ 15,746,691                                              | 5                             | \$ 3,149,338                                                                                                                                                | \$ 3,149,338  | \$ 3,149,338  | \$ -          | \$ -       | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015                                       | \$ 54,052,112                                              | 5                             | \$ 10,810,423                                                                                                                                               | \$ 10,810,422 | \$ 10,810,422 | \$ 10,810,422 | \$ -       | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016                                       | \$ 4,462,041                                               | 5                             | \$ 892,409                                                                                                                                                  | \$ 892,408    | \$ 892,408    | \$ 892,408    | \$ 892,408 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense |                                                            |                               | \$ 14,852,170                                                                                                                                               | \$ 14,852,168 | \$ 14,852,168 | \$ 11,702,830 | \$ 892,408 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

| Plan Year Ending                           | Changes of Assumptions | Recognition Period (Years) | 2017       | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       | 2024 | 2025 | 2026 | 2027 |
|--------------------------------------------|------------------------|----------------------------|------------|------------|------------|------------|------------|------------|------------|------|------|------|------|
| 2014                                       | \$ 4,883,207           | 9                          | \$ 542,579 | \$ 542,579 | \$ 542,579 | \$ 542,578 | \$ 542,578 | \$ 542,578 | \$ 542,578 | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense |                        |                            | \$ 542,579 | \$ 542,579 | \$ 542,579 | \$ 542,578 | \$ 542,578 | \$ 542,578 | \$ 542,578 | \$ - | \$ - | \$ - | \$ - |

Austin Firefighters' Relief and Retirement Fund

FOSTER & FOSTER



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AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

| Plan Year Ending                           | Differences Between Expected and Actual Experience | Recognition Period (Years) | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | 2025 | 2026 |
|--------------------------------------------|----------------------------------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| 2015                                       | \$ 7,192,645                                       | 8                          | \$ 899,080   | \$ 899,080   | \$ 899,081   | \$ 899,081   | \$ 899,081   | \$ 899,081   | \$ 899,081   | \$ -         | \$ - | \$ - |
| 2016                                       | \$ 8,893,371                                       | 8                          | \$ 1,111,672 | \$ 1,111,672 | \$ 1,111,672 | \$ 1,111,671 | \$ 1,111,671 | \$ 1,111,671 | \$ 1,111,671 | \$ 1,111,671 | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense |                                                    |                            | \$ 2,010,752 | \$ 2,010,752 | \$ 2,010,753 | \$ 2,010,752 | \$ 2,010,752 | \$ 2,010,752 | \$ 2,010,752 | \$ 1,111,671 | \$ - | \$ - |

Austin Firefighters' Relief and Retirement Fund

FOSTER & FOSTER

## PENSION PLAN GUIDE

### GOVERNING PENSION LAW

The pension plan was established by an Act of the 45th Legislature of the State of Texas, which met in 1937. The fund was created by state statute article 6243e and the Austin Firefighters Relief and Retirement Fund is currently governed by article 6243e.1. This statute only pertains to the Austin firefighters.

### ADMINISTRATION

The fund is administered by a Board of Trustees consisting of five (5) members. The Mayor is the Board Chairman and the City Treasurer is the Secretary-Treasurer of the Board. Members of the fund elect three (3) department members to serve on the Board. The Board elects a Vice-Chairman annually from among their number.

An administrative pension office and staff have been established to better serve the firefighters, retirees, and their beneficiaries. Administrative costs and expenses for professional services rendered are paid by the fund.

### INVESTMENT OF FUNDS

The Board is required by law to keep separate from all other city funds all money for the use and benefit of the Firefighters Relief and Retirement Fund. The Board has hired an investment consultant, Summit Strategies, who assists the pension board with the development, enhancement, and monitoring of the plan's investment policies and guidelines. They also assist the Board in researching investment managers and making recommendations in the selection of such investment managers. Surplus pension funds are then invested by these professional investment managers as selected by the pension board.

The fund has an investment custody account agreement with State Street designating them as the master trust custodian for the pension fund. State Street's home office is in Boston, Massachusetts and also has divisions in Winston-Salem, North Carolina, Jacksonville, Florida, and Kansas City, Missouri, which all provide various key services to the fund.

### ELIGIBILITY

All commissioned civil service and Texas state-certified firefighters with at least six (6) months of service who are employed by the fire department pursuant to the Firemen's and Policemen's Civil Service Statute.

### CONTRIBUTIONS

Per our statute, the firefighter is to contribute 15.70% of their bi-weekly base pay and longevity pay. The City of Austin's pension contributions will increase from 18.05% of salary to 22.05% in a total of four 1% increments by the year 2013. The firefighters' contributions will increase from 15.70% of salary to 18.70% in a total of six ½% increments by the year 2016.

### SERVICE CONSIDERED

The period of time for which a member is required to make and does make prescribed contributions. Military service, only which interrupts fire department service, may also be considered under certain circumstances.

### COMPENSATION CONSIDERED IN DETERMINING AVERAGE SALARY

Base pay and longevity pay is considered. Overtime, any temporary pay in a higher classification, educational incentive pay, and lump sum payments for accrued sick leave or vacation are not considered.

### RETIREMENT BENEFIT

A firefighter is eligible for a normal service retirement benefit once he/she either attains age fifty (50) or accrues twenty-five (25) years of service, regardless of age. The monthly annuity, payable for life, is 3.30% of salary multiplied by years of service considered. Average salary is the monthly average of the firefighter's salary for the highest thirty-six (36) months during his/her period of service, excluding overtime pay, any temporary pay in higher classifications, educational incentive pay, Christmas Day bonus pay, automobile and clothing allowances.



## EARLY RETIREMENT BENEFIT

A firefighter is eligible for an early retirement benefit at age forty-five (45), with at least (10) years of service, or twenty (20) years of service regardless of age. The early retirement benefit does not include a reduction in the factor. However, firefighters who retire early or who participate in a deferred retirement option plan (DROP), do not become eligible for cost-of-living adjustments (COLA's) until reaching normal service retirement eligibility at age fifty (50) with at least ten (10) years of service, or twenty-five (25) years of service credit regardless of age; whichever comes first.

## DEFERRED RETIREMENT OPTION PLAN

Under this program a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account in the member's name as of their eligible retirement (DROP) date. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had actually retired as of that eligible DROP date. Any eligible cost-of-living adjustments (COLAS) would be applied to the monthly annuity during this DROP period. In addition, during the DROP period, the member would have all of their appropriate pension contributions and applicable annual interest of 5% compounded monthly credited to their account during the DROP period as well. When the member actually retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed to the member from the DROP account if the retiree is eligible for such direct distribution by meeting age requirements according to pension board policy. Certain penalties could apply for "early distributions," so the pension board encourages seeking tax advisement when in doubt. The DROP account lump sum may also be "rolled over" into a qualified Individual Retirement Account (IRA) which is typically the option chosen by most firefighters. A third option is for the DROP account lump sum to remain in the fund in the member's name continuing to draw 5% interest compounded monthly until the retiree is ready to have the funds moved elsewhere. At this time of termination for retirement, the member will then begin receiving their ongoing monthly pension benefit payments from the fund as well.

A member who has remained in active service after becoming eligible for service retirement can retroactively establish such a DROP account. That is, in lieu of electing to participate in the DROP before actual retirement, a member who is eligible for normal service retirement may elect to terminate active service as a firefighter and establish the DROP account at termination. This is commonly referred to as a "BACK DROP," whereby the firefighter's DROP account reflects the accrual from the actual termination date back to a date upon or after which they become eligible for normal service retirement. The maximum period under which a firefighter can participate in a DROP is 7 years. A firefighter may elect to establish a DROP account after reaching normal or early service retirement eligibility.

Effective September 1, 2001 all DROP calculations, including "BACK DROP" calculations, have used a 3.30% factor regardless of the actual DROP date. Any firefighter eligible for a DROP who dies before retirement, and who is survived by a spouse, shall have such DROP options extended to their surviving spouse.

## DISABILITY BENEFIT

A firefighter is eligible for a disability retirement benefit during the first thirty (30) months of his/her disability if he/she is unable to perform the duties of his/her occupation as a firefighter. After this initial thirty (30) month period, a disability retirement benefit may be continued, reduced, or discontinued according to criteria as established by the American Medical Association and as adopted by the pension board. The annuity is equal to the firefighter's accrued unreduced pension based on the greater of (1) his/her service at time of disability, or (2) twenty (20) years of service.

It is the policy of the Board that no disability retirement benefit shall commence retroactively more than ninety (90) days prior to the date on which the application is filed with the fund.

## DEATH BENEFIT

If a firefighter dies either before or after retirement, the firefighter's surviving spouse shall receive seventy-five (75) percent of the member's accrued unreduced pension based on the greater of (1) his/her service at time of death, or (2) twenty (20) years of service. If the member's employment is terminated by death before retirement and he/she leaves no surviving beneficiary entitled to pension benefits, then the member's estate shall receive their contributions with interest. Any lump sum payments to the member's estate will include 5% interest based on a method of application approved by the Board.



**VESTED BENEFIT**

If the member has at least ten (10) years of service and terminated his/her employment with the fire department, he/she may elect to leave his/her accumulated deposits in the fund. He/She will be entitled to a vested benefit commencing at the earliest of age fifty (50) or at the age which the firefighter would have completed twenty-five (25) years of service regardless of age, whichever occurs first.

**SEVERANCE**

The severance benefit of a firefighter who subsequently terminates his/her employment before he/she is eligible for retirement shall be an amount equal to the sum total of his/her pension contributions, with interest, which were made while a participating member of the fund.

Severance benefits for such terminating members will include their contributions along with 5% interest and will be based on a method of application approved by the Board.

**COST-OF-LIVING ADJUSTMENTS**

Cost-of-living adjustments (COLA's) may not be made unless the fund's actuary has advised the pension board that the adjustment would not impair the financial stability of the fund.

Although a COLA has not been able to be actuarially approved consistently in recent years, the pension board remains committed to granting COLA's to retirees as soon as reserves are available and following actuarial certification.

**BEFORE-TAX CONTRIBUTIONS**

Funds available to pay benefits come from three (3) sources....

- Your contributions
- City of Austin contributions, and
- Investment earnings

You contribute 15.70% of your bi-weekly base pay and longevity pay (increasing to 18.70% by 2016). The City of Austin contributes 18.05% of base pay and longevity pay for each plan participant (increasing to 22.05% by 2013). For example, if your annual pay is \$40,000.00, you will contribute \$6,280.00 (15.70%) a year and the City of Austin will contribute \$7,220.00 (18.05%). Since January 1, 1986, your contributions into the plan are being made before taxes are figured. This reduces your taxable income, so you pay less federal income tax and your take-home pay is greater. An example follows:

|                                       | <u>BEFORE TAX</u> | <u>AFTER TAX</u> |
|---------------------------------------|-------------------|------------------|
| Assume your pay is                    | \$40,000.00       | \$40,000.00      |
| Pre-Tax Contributions                 | -6,280.00         | -0.00            |
| Federal Taxes<br>(Assume 15% bracket) | <u>-5,058.00</u>  | <u>-6,000.00</u> |
|                                       | \$28,662.00       | \$34,000.00      |
| After-Tax Contributions               | <u>- .00</u>      | <u>-6,280.00</u> |
| Take Home Pay                         | \$28,662.00       | \$27,720.00      |

**RETIREMENT BENEFIT EXAMPLE**

Your retirement benefit is based upon three (3) components...

- Years of credited service in plan, multiplied by
- Retirement factor of 3.30%, multiplied by
- Your highest thirty-six (36) months average salary

Assume you are a retiring firefighter who is fifty-five (55) years old with twenty-seven (27) years of credited service, and whose highest thirty-six (36) months average salary is \$4,000.00. Your pension would be calculated as follows:

|                   |                   |
|-------------------|-------------------|
| - Years           | 27                |
| - Factor          | 3.30%             |
| - Salary          | <u>\$4,000.00</u> |
| - Monthly Benefit | \$3,564.00        |



## EARLY RETIREMENT BENEFIT EXAMPLE

A firefighter is eligible for an early retirement benefit at age forty-five (45), with at least ten (10) years of service, or twenty (20) years of credited service regardless of age. The early retirement benefit does not include a reduction in the factor. However, firefighters who retire early or who participate in a deferred retirement option plan (DROP) do not become eligible for cost-of-living adjustments (COLA's) until reaching normal service retirement eligibility (age fifty (50) with at least (10) years of service, or twenty-five (25) years of service regardless of age; whichever comes first).

Assume you joined the fire department and pension plan at age twenty-five (25). At age forty-five (45), with twenty (20) years of service, you elect to terminate service in order to begin receiving an early retirement benefit. Also assume your highest thirty-six (36) months average salary is \$4,000.00. The benefit is then calculated as follows:

|                              |                   |
|------------------------------|-------------------|
| - Years                      | 20                |
| - Factor                     | 3.30%             |
| - Salary                     | <u>\$4,000.00</u> |
| - Monthly Retirement Benefit | \$2,640.00        |

## DISABILITY RETIREMENT EXAMPLE

If a firefighter is eligible for disability benefits but has less than twenty (20) years of credited service, then twenty (20) years is used in the calculation. A disability benefit is calculated the same way a regular retirement benefit is, using the same three (3) components as follows:

|                             |                   |
|-----------------------------|-------------------|
| - Years (assume 20 if less) | 20                |
| - Factor                    | 3.30%             |
| - Salary (assumed)          | <u>\$3,000.00</u> |
| - Monthly Disability        | \$1,980.00        |

## SURVIVORS BENEFIT

Benefits are available to eligible dependents of all plan participants should such participant die before or after retirement. Eligible dependents include...

- Spouse, if married to you at time of retirement.
- Spouse, if married to you after retirement and you remained married for at least 24 consecutive months prior to your death.
- Spouse, if married to you at time of your death; and you die before retirement.
- All unmarried children under age twenty-two (22), unless the Board determines to the contrary.
- Dependent parent, if no surviving spouse or children are eligible.
- Designated surviving beneficiaries other than a spouse, child, or dependent parent as explained below.

Effective September 1, 2001, on the death of unmarried members who are retired or who are eligible to retire, designated beneficiaries other than an eligible spouse or children are eligible for survivor benefits; but only if there is no benefit payable to a surviving spouse or children. Since September 1, 1997, eligible spousal benefits are paid for life even after remarriage. Also since September 1, 1997, as mentioned above, spousal benefits apply to those who become married to the retiree after such retiree's retirement and remain married to such retiree at least 24 consecutive months prior to the retiree's death.

After all payments cease any remaining balance of the member's total contributions including interest at the date of the member's death, which exceeds any retirement and death benefits paid, shall go to the member's estate.

## SURVIVORS BENEFIT EXAMPLE

Assume you are retired drawing \$3,564.00 per month and pass away, leaving a spouse who is eligible for benefits and have no children. Your spouse will receive seventy-five (75) percent of your benefit as follows:

## SURVIVORS BENEFIT EXAMPLE (Continued)

|                                 |                  |
|---------------------------------|------------------|
| - Your monthly benefit          | \$3,564.00       |
|                                 | <u>X 75.00 %</u> |
| - Your spouse's monthly benefit | \$2,673.00       |

Assume you pass away before retirement and you are survived by an eligible spouse and child. Suppose your average salary for the highest thirty-six (36) months averaged \$4,000.00, and you had eight (8) years of service at the time of death.

You first calculate the benefit you would have been entitled to at the date of death and then determine the appropriate amount to be paid to your spouse and child.

Your benefit would have been...

|                             |                   |
|-----------------------------|-------------------|
| - Years (assume 20 if less) | 20                |
| - Factor                    | 3.30 %            |
| - Salary                    | <u>\$4,000.00</u> |
| - Monthly benefit           | \$2,640.00        |

Your spouse's benefit is...

|                            |                 |
|----------------------------|-----------------|
| - Firefighter base benefit | \$2,640.00      |
| - Factor                   | <u>X 75.00%</u> |
| - Spousal monthly benefit  | \$1,980.00      |

A minimum monthly benefit of \$2,000.00 was approved for eligible retirees and spouses effective July 1, 2012. However, this minimum benefit does not necessarily apply to children's benefits and benefits paid according to court orders, divorce decrees, and qualified domestic relations orders.

The retirement factor for the child is actuarially designed to be fifteen (15) percent of the regular retirement factor (3.30%), which is .495 percent. The child receives .495 percent (.00495) of the fire fighter's average salary, multiplied by the number of years of service, assuming twenty (20) years if less.

Your child's benefit is...

|                             |                   |
|-----------------------------|-------------------|
| - Years (assume 20 if less) | 20                |
| - Child's benefit factor    | .495 %            |
| - Average salary            | <u>\$4,000.00</u> |
| - Child's monthly benefit   | \$396.00          |

The eligible children, together, will be entitled to a total amount of seventy-five (75) percent of the fire fighter's accrued benefit at the time of death, if there is no surviving spouse.

## PERSONNEL RECORDS

A personnel record (Form 500) is to be completed by all firefighters. This information furnishes the pension office necessary data regarding age, years of service, beneficiaries, birth dates, social security numbers and marital status. Updating this information keeps our pension office current for providing accurate data to our actuaries. The actuaries conduct biennial valuations and other occasional studies in order to determine the overall soundness of the fund.

## RETIREMENT PROCESS

When a firefighter is ready to retire, there are forms available at the pension office to be completed. There will probably be other information to be furnished to the AFD administrative office as well. Upon retirement, the firefighter will receive a monthly annuity. Deductions can be made for withholding tax, as well as any health or dental insurance available through the City of Austin which the firefighter chooses. Direct deposit is also available. Please contact the pension office with any questions you have regarding your retirement. You can visit our web site at [AFRS.ORG](http://AFRS.ORG) for more information about your retirement.



## FUND HISTORY

The pension plan was established by an Act of the 45th Legislature of the State of Texas in 1937. The Austin Fire Fighters Pension Fund participated under state statute Article 6243e Vernon' Texas Civil Statutes until 1975. This law covered approximately 38 paid and part paid fire departments around the state. When benefit enhancements were being considered, it was difficult to revise wording which would not disrupt the other pension funds operating under the same statute. In 1975 Article 6243e.1 was established which would only cover the Austin Fire Fighters Pension Fund. The pension plan currently provides retirement, disability, death, and survivor benefits to approximately 1,700 active and retired participants and their eligible beneficiaries.

In 1984 an actuarial study was conducted to adjust all the current retirees' benefits based upon the effect of inflation from their original date of retirement. At that time there were some annuitants on the rolls that retired at the original monthly pension of \$100. Although these retirees had received cost-of-living increases through the years, they were still losing ground to inflation. After the actuarial changes were made, if a retiree's adjusted monthly benefit came to less than \$500, then a minimum monthly pension of \$500 would take effect. This was approved by the pension board in December 1984 and went into effect March 31, 1985. Since that time the minimum monthly benefit has been increased several times (See Chronology Of Pension Plan Changes below). A full inflation cost-of-living adjustment (COLA) was approved by the pension boards in most years from 1985 through 2002. Since that time, a very challenging financial market environment resulted in the inability to continue that pattern. Providing sound pension benefits and COLA's, when affordable, continues to be a top priority of the pension board.

### CHRONOLOGY OF PENSION PLAN CHANGES

Significant plan changes and benefit enhancements since 1975 are as follows:

#### 1975

A 2.0% COLA approved.

The retirement calculations changed from using the highest 5 years' average salary to using the highest 3 years' average salary.

The minimum monthly disability benefit changed from \$100 to \$200.

State statute Article 6243e.1 is created pertaining only to the Austin Firefighters Pension Fund, allowing the plan to branch away from the former statewide system.

#### 1976

A 2.0% COLA approved.

#### 1977

A 2.0% COLA approved.

#### 1978

A 2.0% COLA approved.

The retirement multiplier increased from 2.0% to 2.1%

#### 1979

A 2.0% COLA approved.

The minimum monthly spousal benefit increased from \$100 to \$200.

The minimum children's benefit increased from \$50 to \$100.

#### 1980

A 2.0% COLA approved.

#### 1981

A 2.0% COLA approved.

## CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

The retirement multiplier increased from 2.1% to 2.2%.

1982

A 2.0% COLA approved.

1983

A 2.0% COLA approved.

1984

A 2.0% COLA approved.

The retirement multiplier increased from 2.2% to 2.3%.

An actuarial study is conducted to adjust all then current retirees' benefits upward to offset the erosion of their benefits to inflation from their date of original retirement.

1985

A 4.0% COLA approved.

Early retirement eligibility set at age 50 and 25 years of service. (Normal retirement eligibility remained at age 55 or 35 years of service, regardless of age, which had been in effect for many years.)

Contribution rate by city increased from 14.0% to 14.05%.

The retirement multiplier increased from 2.3% to 2.5%

Employee contributions treated as employer contributions (pre-taxed) for federal income tax purposes.

Contributions are paid pre-taxed creating more take home pay.

A special increase for all current retirees to "catch their benefits up" with inflation from the time of their original retirement. If the resulting monthly benefit was less than \$500, then a \$500 minimum monthly benefit was approved where applicable.

1986

A 3.0% COLA approved.

1987

A 1.5% COLA approved.

The retirement multiplier increased from 2.50% to 2.65%.

Normal retirement eligibility lowered from age 55 or 35 years of service, regardless of age to age 55 or 30 years of service, regardless of age.

1988

A 4.0% COLA approved. The retirement multiplier increased from 2.65% to 2.90%.

1989

A 4.25% COLA approved.

The workers' compensation offset for disability benefits was eliminated.

Actuarially, an assumption adopted that 12% of firefighters were assumed to be single at retirement.

1990

A 4.50% COLA approved.



## CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

1991

A 6.30% COLA approved.

The minimum monthly pension benefit increased from \$500 to \$850 for normal service retirement, current retirees and spouses.

Normal retirement eligibility reduced from age 55 or 30 years of service, regardless of age to age 53 or 28 years of service, regardless of age. Surviving children eligible for full spousal benefits in the event there is no surviving spouse.

Actuarially, across the board salary increases assumption was decreased from 6.50% to 5.50% annually.

1992

A 2.90% COLA approved.

The minimum monthly pension benefit increased from \$850 to \$1000 for normal service retirement, current retirees and spouses.

Actuarially, a 5% anticipated COLA is extended through 1996.

1993

A 3.20% COLA is approved.

Normal retirement eligibility lowered from age 53 or 28 years of service, regardless of age to age 52 or 27 years of service, regardless of age.

Early retirement eligibility lowered from age 50 with 25 years of service to age 50 or 25 years of service, regardless of age.

The survivor (spousal) benefit is changed to a flat 75% of retiree's benefit.

Contribution refunds are paid with 5% interest.

Actuarially, growth in payroll no longer assumes 1% growth in membership annually.

Actuarially, a 5% anticipated COLA is extended through 1998.

1994

A 2.80% COLA is approved.

The minimum monthly pension benefit is increased from \$1000 to \$1200 for normal service retirement, current retirees and spouses.

City of Austin contributions increased from 14.05% to 16.05% of pay, while the contribution rate by the firefighters remains at 13.70%.

1995

A 2.60% COLA is approved.

Normal retirement eligibility reduced from age 52 to 50 (with at least 10 years of service) or with 25 years of service, regardless of age, down from 27 years of service.

Early retirement eligibility reduced from age 50 to age 48 (with at least 10 years of service) or with 23 years of service regardless of age, down from 25 years of service.

The retirement multiplier was increased from 2.90% to 3.0%.

A deferred retirement option plan (DROP) feature was added allowing up to 2 years of service designated for DROP participation.

## CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

City of Austin contributions increased from 16.05% to 18.05% of pay, while the contribution rate by the firefighters remains at 13.70%.

Actuarially, a 5% anticipated COLA is extended through 2002.

### 1996

A 2.90% COLA is approved.

### 1997

A 3.0% COLA is approved.

Early retirement eligibility (unreduced by the retirement multiplier) lowered from age 48 to age 45 (with at least 10 years of service), or with 20 years of service regardless of age, down from 23 years of service.

COLAs delayed until normal retirement eligibility is met.

The deferred retirement option plan (DROP) feature is extended from a maximum of 2 years to a maximum of 5 years of service designated for DROP participation.

Benefits made available to surviving spouses of retirees married after retirement.

Eliminate the requirement that a spouse's benefit terminate after remarriage.

Firefighter contributions "bought down" by 2% to 11.70%, while the city contributions increase to 20.05% due to the "meet and confer" agreement. (Firefighters continue to get credit for 13.70% per statute requirements.)

Actuarially, a 5% anticipated COLA is extended through 2004.

### 1998

A 2.10% COLA is approved.

Actuarially, the retirement incident rate revised to 100% of the members to retire and elect a 5 year DROP one year following the age first eligible for a 5 year DROP.

### 1999

A 1.50% COLA is approved.

A 3.33% benefit increase is approved September 1, 1999 to all then current retirees at the time based on the percentage increase of the retirement multiplier from 3.0% to 3.10%.

The retirement multiplier increased from 3.0% to 3.10%, effective September 1, 1999.

All DROP calculations including "BACKDROPS" will use a 3.10% multiplier after September 1, 1999, regardless of the DROP date.

The deferred retirement option plan (DROP) benefits made available to eligible survivors of members who die before retirement but after becoming eligible for a DROP.

In November 1999, a new "meet and confer" agreement is set whereby firefighters are to receive a 3% salary increase in November 1999 and every six months going forward, beginning in March of 2000 through March 2002.

Actuarially, mortality tables for actives and non-disabled annuitants were updated to the 1994 Group Annuity Mortality tables, reflecting current industry standards.

### 2000

A 2.60% COLA approved.

## CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

### 2001

A 3.40% COLA approved.

A 6.45% benefit increase is approved September 1, 2001 to all then current retirees at the time based on the percentage increase of the retirement multiplier from 3.10% to 3.30%.

The retirement multiplier increased from 3.10% to 3.30%.

All DROP calculations including "BACKDROPS" will use a 3.30% multiplier after September 1, 2001, regardless of the DROP date.

Effective September 1, 2001, the deferred retirement option plan (DROP) feature is extended from a maximum of 5 years to a maximum of 7 years of service designated for DROP participation. A survivor benefit is made available for all unmarried retirees, and for unmarried firefighters who die after becoming eligible to retire, per statute provisions. The percentage will be an actuarial equivalent of 75% of the firefighter's accrued benefit and will be tied to the age difference of the firefighter and the designated beneficiary.

### 2002

A 2.1% COLA approved.

### 2003

Effective June 1, 2003 the contribution rate by the firefighters increased from 13.70% to 15.70% of pay, while the contribution rate by the City of Austin remained at 18.05%.

### 2004

No changes

### 2005

\$32.00 per month increase in benefits for all eligible retirees.

### 2006

\$100.00 per month increase in benefits for all eligible retirees.

### 2007

No changes

### 2008

No changes

### 2009

Prudent investor rule adopted in pension statute.

### 2010

As a result of an agreement between the firefighters and the City of Austin, the City's pension contributions will increase from 18.05% of salary to 22.05% in a total of four 1% increments by the year 2013. In addition, the firefighters elected to increase their contributions from 15.70% to 18.70% in a total of six ½% increments by the year 2016.

### 2011

No changes

### 2012

Effective July 1, 2012 the minimum monthly pension is increased to \$2,000 for all current annuitants who were on the rolls in 1994 when the last adjustment of this type was made.

CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

2013

\$93.00 per month increase in benefits for all eligible retirees.

2014

\$64.00 per month increase in benefits for all eligible retirees.

2015

A 1.3% COLA approved.

2016

No Changes

2017

A 1.5% COLA approved.