



500 Plaza Drive
 Secaucus, NJ 07096

December 28, 2020

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

Re: Final Risk Sharing Valuation Study

Dear Ralph:

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

Risk Sharing Valuation Results¹

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

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

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

³ As a percentage of pensionable compensation

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

Actuarial Investment Gain (Loss)

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

Schedule of Actuarial Investment Gains (Losses)

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

Actuarial Value of Assets

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

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

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

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

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

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

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

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

Actuarial Certification

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

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

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

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

Buck Global, LLC



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

Appendix A: Summary of Actuarial Methods and Assumptions

Basis for Assumptions

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

Actuarial Methods

Actuarial Value of Assets

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

Actuarial Cost Method

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

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

Key Economic Assumptions

Investment Return

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

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

Wage Inflation

3.00%

Payroll Growth Rate

3.00%

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

Normal Cost Load for Administrative Expenses

1.25% of pensionable payroll¹

Individual Pay Increase Rate

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

Key Demographic Assumptions

Retirement Rates

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

¹ required by Senate Bill 2190

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

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

DROP Duration

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

Sample Rates

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

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

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

Mortality Rates

Service Retirees and Contingent Annuities

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

Survivor Beneficiaries

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

Disabled Retirees

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

All others, including active and vested terminated participants

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

Disability Rates

Graduated rates.

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

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

Percentage of Deaths and Disabilities in the Line of Duty

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

Termination Rates

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

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

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

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

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

Marital Status at Benefit Eligibility

Percentage married

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

No beneficiaries other than the spouse assumed.

Age difference

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

Development of Risk Sharing Valuation Study Pay

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

Age at which Benefits End for Child Beneficiaries

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

Future DROP Returns

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

Future Cost-of-Living Adjustments

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

Census Dates

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

Missing Data Assumptions

Pay for New Hires

None were missing.

Employee Contributions

Based on the prior year's contributions.

Benefits Not Valued

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

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

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

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

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

Appendix B: Summary of Plan Provisions

Membership

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

Average Salary

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

Pensionable Pay

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

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

Eligibility

20 years of service

Benefit

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

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

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

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

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

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

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

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

Maximum

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

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

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

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

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

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

Appendix B: Summary of Plan Provisions (continued)

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

Eligibility

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

Benefit

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

Maximum

80% of average monthly salary.

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

Alternate Service Pension

Eligibility

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

Benefit

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

Maximum

65% of average monthly salary.

Supplemental Bonus Check

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

Deferred Retirement Option Plan (DROP)

Eligibility

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

Benefit

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

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

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

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

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

Appendix B: Summary of Plan Provisions (continued)

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

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

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

Service-Connected Disability Pension

Eligibility

No age or service requirements.

Benefit

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

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

Non-Service-Connected Disability Pension

Eligibility

No age or service requirements.

Benefit

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

Maximum

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

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

Vested Pension

Eligibility

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

Benefit

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

Death Benefits

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

Non-service-connected

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

Appendix B: Summary of Plan Provisions (continued)

Postretirement

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

Preretirement

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

Lump sum

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

Additional Benefit

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

Excess Benefit

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

Postretirement Adjustment

Prior to October 1, 1990

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

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

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

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

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

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

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

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

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

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

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

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

Appendix B: Summary of Plan Provisions (continued)

On or after October 1, 2019

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

Contribution Rates

Members

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

City

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

Appendix C: Participant Information

Summary of Active Participants as of July 1, 2020

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

Appendix C: Participant Information (continued)

Summary of DROP Participants as of July 1, 2020

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

Appendix C: Participant Information (continued)

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

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

Appendix C: Participant Information (continued)

Summary of Inactive Participants as of July 1, 2020

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

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

² Average is over 29 members not due pending refunds

Appendix C: Participant Information (continued)

Participant Data Reconciliation

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

Appendix C: Participant Information (continued)

Retiree and Beneficiaries Added to and Removed from Rolls

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

¹ Six-month period

Appendix C: Participant Information (continued)

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

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

¹ Two-year period

Appendix D: ASOP 51

Actuarial Standard of Practice No. 51 Disclosures

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

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

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

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

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

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

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

Appendix D: ASOP 51 (continued)

Assessment of Risks

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

Appendix D: ASOP 51 (continued)

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

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

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

Appendix D: ASOP 51 (continued)

Historical Results

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

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

Appendix D: ASOP 51 (continued)

Commentary on Plan Maturity Measures

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

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

The ratio of cashflow to market value of assets

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

The ratio of actuarial value of assets to participant payroll

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