

Fire and Police Pension Fund, San Antonio

Actuarial Valuation and Review

As of January 1, 2021



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June 25, 2021

Board of Trustees
Fire and Police Pension Fund, San Antonio
11603 W. Coker Loop, Suite 201
San Antonio, Texas 78216-3099

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2021. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal 2021.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Pension Fund. The census information and financial information on which our calculations were based was prepared by the staff of the Fund. That assistance is gratefully acknowledged.

The actuarial calculations were directed under the supervision of Deborah K. Brigham, FCA, ASA, MAAA, Enrolled Actuary. Ms. Brigham is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Fund.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,
Segal

A handwritten signature in cursive script that reads "Malichi Waterman".

Malichi S. Waterman, FCA, ASA, MAAA, EA
Consulting Actuary

A handwritten signature in cursive script that reads "Deborah K. Brigham".

Deborah K. Brigham, FCA, ASA, MAAA, EA
Senior Vice President and Consulting Actuary

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report was prepared by Segal to present a valuation of the San Antonio Fire and Police Pension Fund as of January 1, 2021. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of Fund assets to cover the estimated cost of settling the Fund's benefit obligations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Fund, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of December 31, 2020, provided by the Fund;
- The assets of the Plan as of December 31, 2020, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. and
- The funding policy adopted by the Board.

The assumptions and methods used to value the Fund were set by the Board of Trustees, based on recommendations made by Segal following a 4.25-year experience study for the period ended December 31, 2018.

Certain disclosure information required by GASB Statements No 67 for the Pension Fund's financial statements as of December 31, 2020 and by GASB Statement No. 68 for the City's financial statements as of September 30, 2021 is provided in a separate report.

Section 1: Actuarial Valuation Summary

Valuation highlights

1. The Board's Actuarial Funding Policy for the Pension Fund was updated in March 2020. The policy sets a goal of attaining 100% funding by December 31, 2044, or 24 years from this valuation date. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability and the policy adopted by the Fund meets this standard. The Board Recommended Contribution (BRC) under the funding policy is comprised of the normal cost plus an amortization of the unfunded actuarial accrued liability on a level percentage of payroll method. The amortization of the unfunded liability for the recommended contribution in this report is based on 20 years, less than the 24-year target.
2. The recommended contribution for the upcoming year is 32.78% of projected payroll, a decrease of 0.98% of pay from the last valuation's recommended rate of 33.76%. As a dollar amount, the recommended contribution has decreased from \$115.3 million to \$114.4 million.
3. The City is expected to continue to contribute 24.64% of pay, and members are expected to contribute 12.32%, for a total of 36.96% of pay. The total normal cost is 23.15% of payroll and is fully covered by the 36.96% contribution rate. Since the actual budgeted contributions are greater than the recommended amount, the unfunded liability is effectively being amortized over a period of 12.09 years as a level percent of pay. This is a 1.60-year decrease in the effective period from 13.69 in the prior valuation. If all assumptions are met in the future, 100% funding is projected in the 2033 Plan Year, well before 2044, and therefore the Fund is in compliance with the provisions of the Board's funding policy. The Fund also continues to meet the requirements of the Texas Pension Review Board (PRB) for actuarial soundness, and no Funding Soundness Restoration Plan is required.
4. The funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) is 88.85%, compared to the prior year funded ratio of 87.64%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio is 91.68%, compared to 86.99% as of the prior valuation date.
5. The rate of return on the market value of assets was 11.56% for the 2020 plan year. The return on the actuarial value of assets was 7.35% for the same period due to the partial recognition of prior years' investment gains and losses under the asset smoothing method. Since 7.35% is greater than the assumed rate of 7.25%, there was an actuarial investment gain this year.
6. The total actuarial experience gain for 2020 is \$28.8 million, or 0.7% of actuarial accrued liability. The gain consisted of an actuarial investment gain of \$3.3 million, a contribution gain of \$13.9 million and a net gain of \$11.6 million from all other sources.
7. The City of San Antonio and the San Antonio Professional Firefighters Association came to terms on a new collective bargaining agreement in February 2020. The new agreement provided a 5% of pay lump sum payment in 2020, and will provide several smaller lump sums over the course of the five-year agreement. These amounts will be included in pensionable compensation, but are not reflected in salary for future wage increases. The impact of the 5% lump sum is included in this year's valuation, in

Section 1: Actuarial Valuation Summary

the determination of the final average salary for those expected to retire in the next three years. No changes were made to the long-term salary scale assumption for the firefighters.

8. This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution under the Plan's funding policy and measuring the progress of that funding policy. The Net Pension Liability (NPL) and Pension Expense under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68, for inclusion in the Fund's financial statements as of December 31, 2020 and the City's financial statements as of September 30, 2021, will be provided separately.
9. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. Segal has not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Fund's future financial condition, but have included a brief discussion of some risks that may affect the Fund in Section 2.
10. It is important to note that this actuarial valuation is based on plan assets as of December 31, 2020. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term COVID-19 impacts on mortality of the covered population that may emerge after December 31, 2020. While it is impossible to determine how the pandemic will affect market conditions and other demographic experience of the Fund in future valuations, Segal is available to prepare projections of potential outcomes upon request.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

		2021	2020
Contributions for plan year beginning January 1:	• Recommended contribution	\$114,383,193	\$115,252,139
	• Recommended contribution as a percent of payroll	32.78%	33.76%
	• Actual contributions	--	\$128,539,354
	• Actual contribution rate	36.96%	36.96%
	• Effective amortization period	12.09 years	13.69 years
Actuarial accrued liability for plan year beginning January 1:	• Retired participants and beneficiaries	\$2,267,831,825	\$2,120,961,569
	• Inactive vested participants ¹	--	1,712,775
	• Active participants	1,799,855,439	1,793,719,675
	• Inactive participants due a refund of employee contributions	2,311,909	2,129,777
	• Total	4,069,999,173	3,918,523,796
	• Normal cost including administrative expenses and adjusted for timing	80,791,866	79,380,993
Assets for plan year beginning January 1:	• Market value of assets (MVA)	\$3,731,196,911	\$3,408,690,035
	• Actuarial value of assets (AVA)	3,616,358,403	3,434,094,746
	• AVA as a percentage of MVA	96.92%	100.75%
Funded status for plan year beginning January 1:	• Unfunded actuarial accrued liability on market value of assets	\$338,802,262	\$509,833,761
	• Funded percentage on MVA basis	91.68%	86.99%
	• Unfunded actuarial accrued liability on actuarial value of assets	\$453,640,770	\$484,429,050
	• Funded percentage on AVA basis	88.85%	87.64%
Key assumptions	• Net investment return	7.25%	7.25%
	• Inflation rate	3.00%	3.00%
	• Payroll increase	3.00%	3.00%
Demographic data for plan year beginning January 1:	• Number of retired participants and beneficiaries	2,980	2,858
	• Number of inactive vested participants ¹	0	2
	• Number of inactive participants due a refund of employee contributions	30	35
	• Number of active participants	4,119	4,081
	• Total payroll	\$338,045,420	\$321,760,368
	• Average payroll	82,070	78,844
	• Projected payroll	348,902,877	341,384,778

¹Participants with 20 or more years of service who are on indefinite suspension are included as inactive vested participants entitled to retirement benefits, rather than inactive participants due a refund on contributions.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the Fund. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the Fund. The Fund uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

Actuarial results in this report are not rounded, but that does not imply precision.

If the Fund is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Boa should look to their other advisors for expertise in these areas.

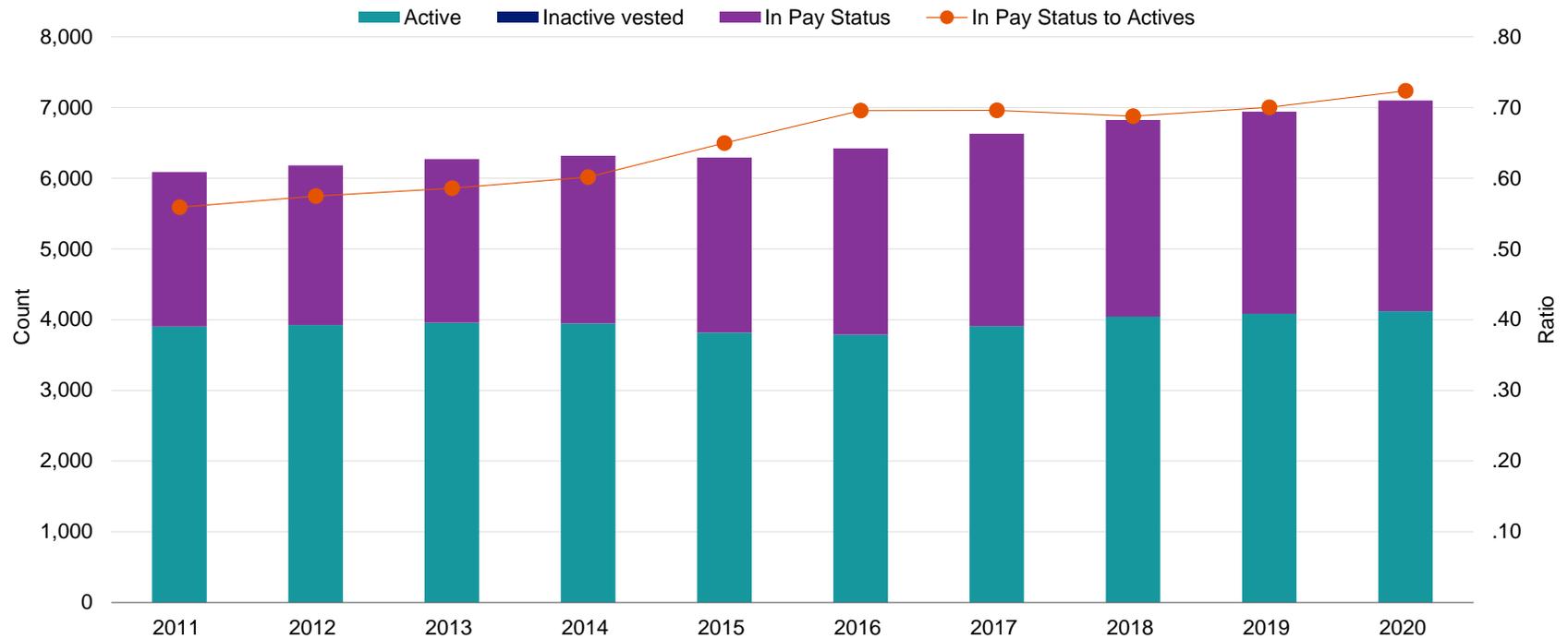
As Segal has no discretionary authority with respect to the management or assets of the Fund, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Fund.

Section 2: Actuarial Valuation Results

Participant data

This section presents a summary of significant statistical data on covered participants. More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, and C*.

Participant Population: 2011 – 2020¹



In Pay Status	2,182	2,255	2,317	2,373	2,478	2,634	2,719	2,779	2,858	2,980
Inactive Vested ²	0	0	0	0	0	0	3	1	2	0
Active	3,904	3,925	3,955	3,944	3,815	3,787	3,906	4,042	4,081	4,119
Ratio	0.56	0.57	0.59	0.60	0.65	0.70	0.70	0.69	0.70	0.72

¹Prior to 2016, valuation cycles reflect 12-month periods ending September 30.

²The chart excludes terminated participants due a refund of employee contributions. Beginning with the 2018 valuation, participants with 20 or more years of service who are on indefinite suspension from employment are included as inactive vested participants entitled to retirement benefits.

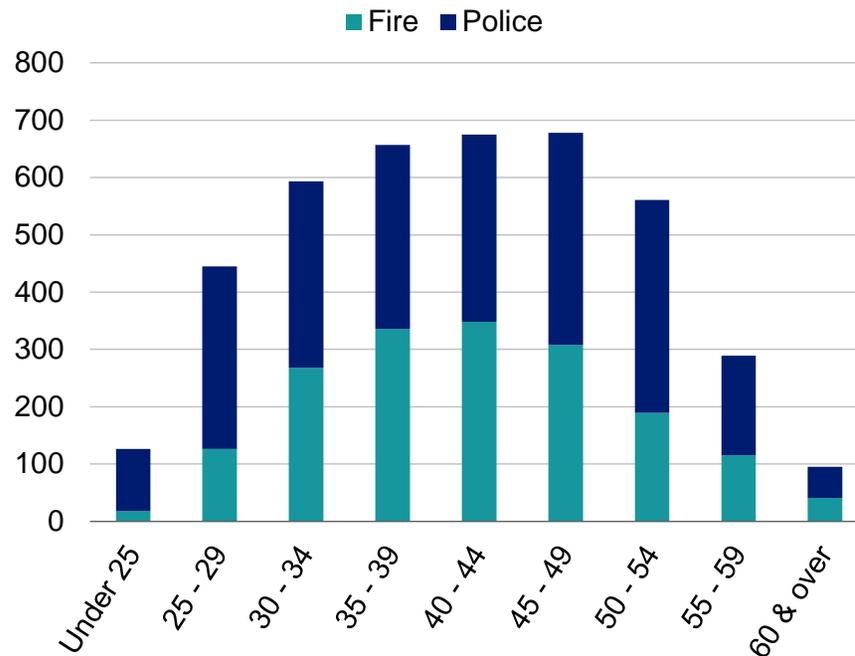
Section 2: Actuarial Valuation Results

Active participants

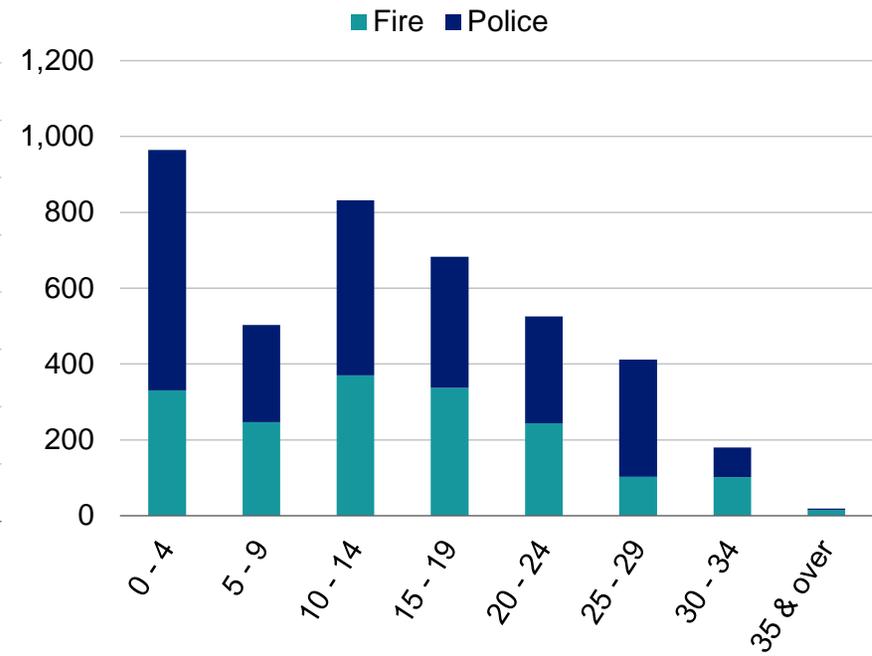
As of December 31,	2020	2019	Change
Active participants	4,119	4,081	0.9%
Average age	41.7	41.9	-0.2 years
Average years of service	14.0	14.2	-0.2 years
Average compensation	\$82,070	\$78,844	4.1%

Distribution of Active Participants as of December 31, 2020

Actives by Age



Actives by Years of Service



Section 2: Actuarial Valuation Results

Inactive participants

In this year's valuation, there were no participants with a vested right to a deferred or immediate vested benefit. However, there were 30 participants entitled to a return of their employee contributions.

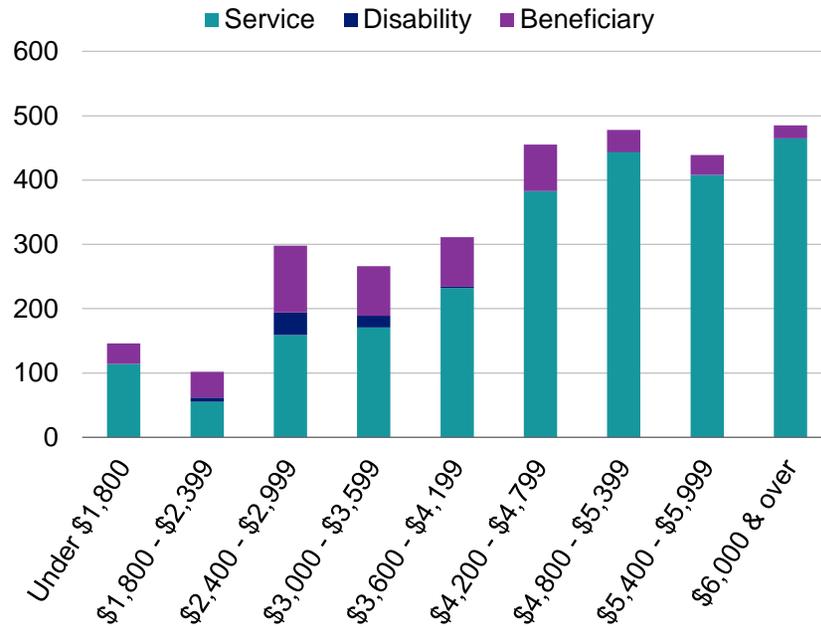
Section 2: Actuarial Valuation Results

Retired participants and beneficiaries

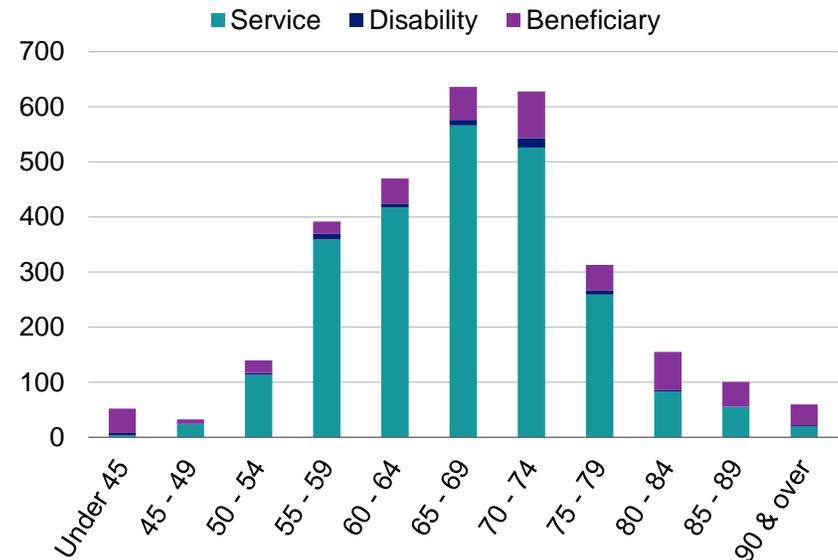
As of December 31,	2020	2019	Change
Retirees	2,493	2,377	4.9%
Beneficiaries	487	481	1.2%
Average age	68.4	68.3	0.1 years
Average amount	\$4,556	\$4,411	3.3%
Total monthly amount	\$13,578,329	\$12,607,264	7.7%

Distribution of Retired Participants and Beneficiaries as of December 31, 2020

By Type and Monthly Amount



By Type and Age



Section 2: Actuarial Valuation Results

Historical plan population

Participant Data Statistics: 2011 – 2020

Year Ended December 31 ¹	Active Participants			Retired Participants and Beneficiaries		
	Count	Average Age	Average Service	Count	Average Age	Average Monthly Amount
2011	3,904	40.9	13.4	2,182	66.3	\$3,573
2012	3,925	41.2	13.6	2,255	66.7	3,712
2013	3,955	41.5	13.9	2,317	67.1	3,796
2014	3,944	41.9	14.3	2,373	67.4	3,879
2015	3,815	42.4	14.8	2,478	67.4	3,951
2016	3,787	42.4	14.8	2,634	67.5	4,049
2017	3,906	42.1	14.5	2,719	67.8	4,160
2018	4,042	41.9	14.3	2,779	68.1	4,281
2019	4,081	41.9	14.2	2,858	68.3	4,411
2020	4,119	41.7	14.0	2,980	68.4	4,556

¹Prior to 2016, the valuation cycle was for the 12-month period ending September 30.

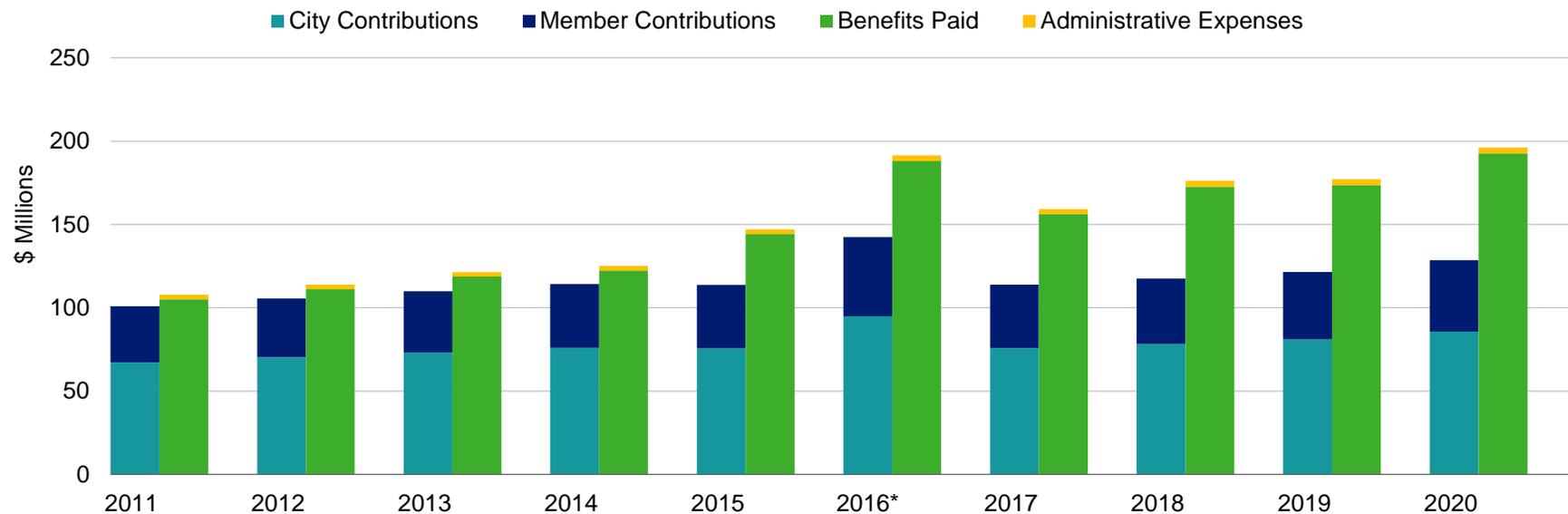
Section 2: Actuarial Valuation Results

Financial information

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits D, E and F*.

Comparison of Contributions Made with Benefits and Expenses Paid
for Years Ended September 30, 2011 – December 31, 2020



*The cash flows shown for 2016 reflect a 15-month period, due to the change in Plan Year from a September 30 year-end to a December 31, year-end.

Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

With the 2018 valuation, the actuarial value of assets was reset to market value, and asset method was revised to reflect a five-year smoothing method with a 20% corridor. Prospectively, market value gains and losses will be recognized over a five-year period.

Determination of Actuarial Value of Assets for Year Ended December 31, 2020

1	Market value of assets, December 31, 2020				\$3,731,196,911
2	Calculation of unrecognized return	Original Amount¹	Percent Deferred²	Unrecognized Amount³	
	(a) Year ended December 31, 2020	\$145,345,337	80%	\$116,276,270	
	(b) Year ended December 31, 2019	232,480,658	60%	139,488,396	
	(c) Year ended December 31, 2018	-352,315,393	40%	-140,926,158	
	(d) Year ended December 31, 2017	N/A	20%	N/A	
	(e) Year ended December 31, 2016	N/A	0%	<u>N/A</u>	
	(f) Total unrecognized return				\$114,838,508
3	Preliminary actuarial value: (1) - (2f)				3,616,358,403
4	Adjustment to be within 30% corridor				0
5	Final actuarial value of assets as of December 31, 2020: (3) + (4)				<u>3,616,358,403</u>
6	Actuarial value as a percentage of market value: (5) ÷ (1)				96.9%
7	Amount deferred for future recognition ⁴ : (1) - (5)				\$114,838,508

¹Total return minus expected return on a market value basis

²Percent deferred applies to the current valuation year

³Recognition at 20% per year over five years

⁴Deferred return as of December 31, 2020 recognized in each of the next four years:

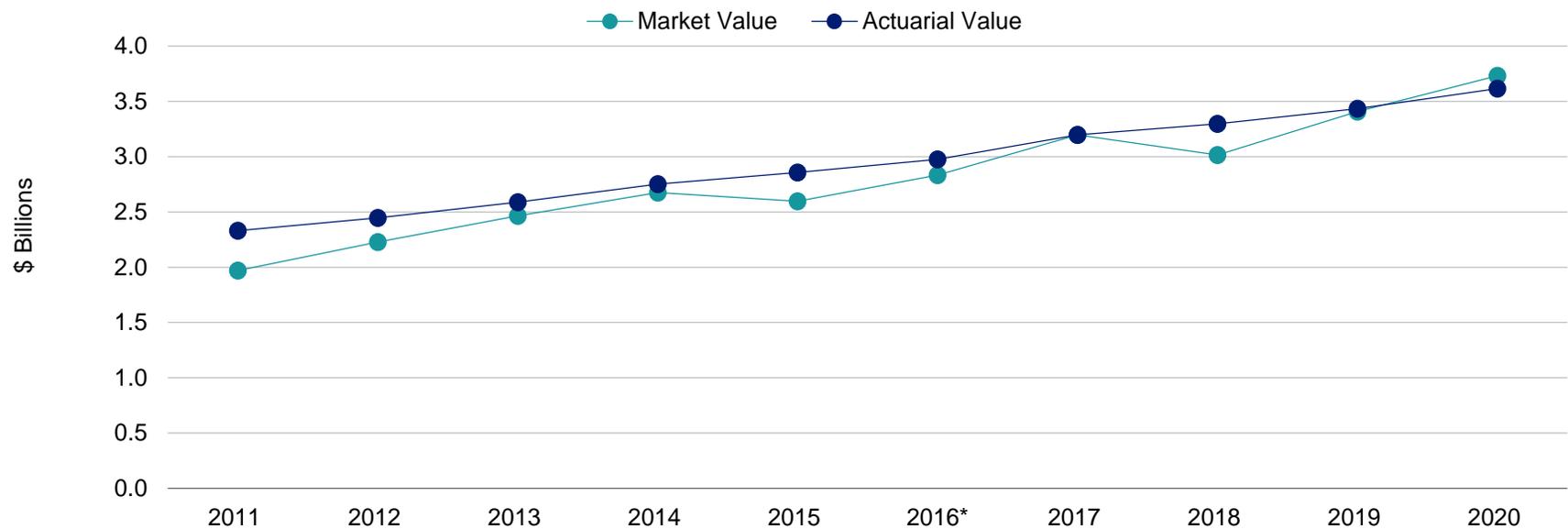
(a) Amount recognized on December 31, 2021	\$5,102,120
(b) Amount recognized on December 31, 2022	5,102,120
(c) Amount recognized on December 31, 2023	75,565,199
(d) Amount recognized on December 31, 2024	29,069,067

Section 2: Actuarial Valuation Results

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the recommended contribution.

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart on the following page shows the rate of return on an actuarial basis compared to the actual market value investment return for the last 20 years, including averages over select time periods.

Market Value of Assets vs. Actuarial Value of Assets



	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
Market Value ¹	\$1.97	\$2.23	\$2.46	\$2.68	\$2.60	\$2.83	\$3.20	\$3.02	\$3.41	\$3.73
Actuarial Value ¹	2.33	2.45	2.59	2.75	2.86	2.98	3.20	3.30	3.43	3.62

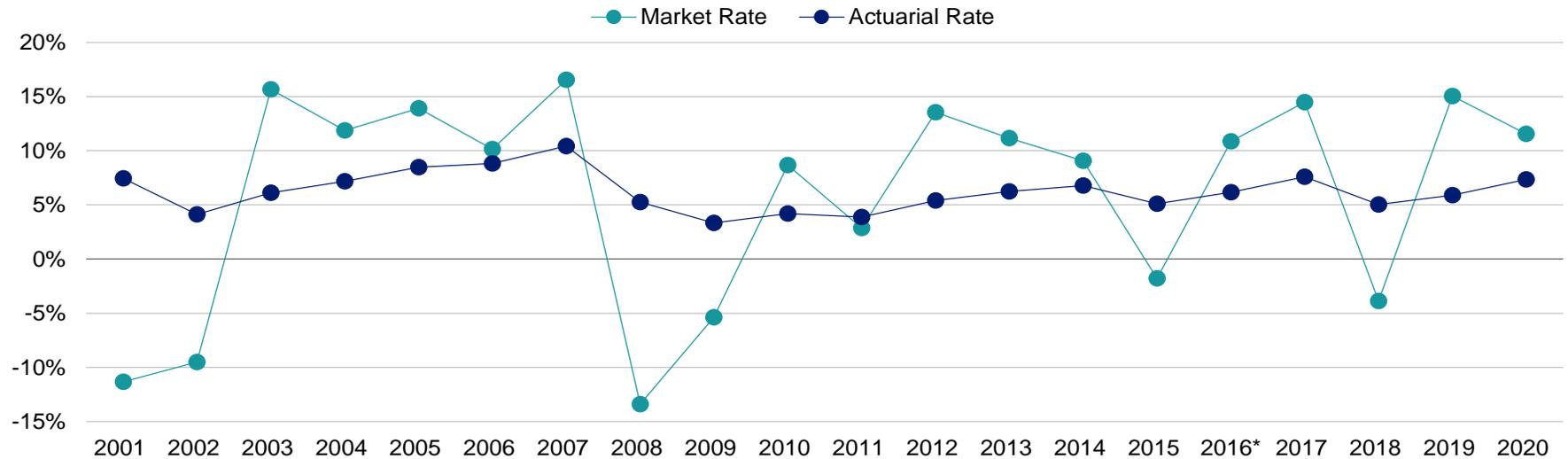
*2016 reflects a 15-month period due to the change in Plan Year from a September 30 year-end to a December 31 year-end

¹In \$ billions

Section 2: Actuarial Valuation Results

As described earlier in this section, the actuarial asset valuation method gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market and Actuarial Rates of Return for Years Ended September 30, 2001 - December 31, 2020*



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
Market rate	-11.32%	-9.51%	15.66%	11.87%	13.90%	10.15%	16.54%	-13.40%	-5.36%	8.68%	2.87%	13.54%	11.17%	9.07%	-1.79%	10.87%	14.48%	-3.87%	15.03%	11.56%
Actuarial rate	7.44%	4.13%	6.10%	7.18%	8.49%	8.82%	10.41%	5.24%	3.33%	4.20%	3.87%	5.39%	6.23%	6.77%	5.10%	6.15%	7.59%	5.03%	5.89%	7.35%
Assumed rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	7.75%	7.75%	7.50%	7.50%	7.50%	7.50%	7.25%	7.25%	7.25%	7.25%	7.25%

Average Rates of Return	Market Value	Actuarial Value
Most recent five-year average return:	9.42%	6.40%
Most recent ten-year average return:	8.23%	6.01%
Most recent 15-year average return:	6.74%	6.05%
20-year average return:	6.31%	6.16%

*Prior to 2017, valuation cycles reflect 12-month periods ending September 30. The amounts for the period ended December 31, 2016 cover the 15 months from October 1, 2015 through December 31, 2016. The actuarial and market returns for the year ended December 31, 2016 were 5.99% and 9.26%, respectively.

Section 2: Actuarial Valuation Results

Actuarial experience

To calculate any recommended contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), any contribution requirement will decrease from the previous year. On the other hand, any contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience. If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. The Fund undergoes an in-depth study every five years to compare the actuarial assumptions to actual experience, and the assumptions are updated as appropriate.

The total gain is \$28,783,399, which includes \$3,260,276 from investment gains, \$13,915,027 in contribution gains, and \$11,608,096 in net gains from all other sources. The net experience variation from individual sources other than investments or contributions was 0.3% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

Actuarial Experience for Year Ended December 31, 2020

1	Net gain from investments	\$3,260,276
2	Net gain from administrative expenses	12,955
3	Net gain from contributions	13,915,027
4	Net gain from other experience	11,595,141
5	Net experience gain: 1 + 2 + 3 + 4	\$28,783,399

Section 2: Actuarial Valuation Results

Investment experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Fund's investment policy. The rate of return on the market value of assets was 11.56% for the year ended December 31, 2020.

For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.25%. The actual rate of return on an actuarial basis for the 2020 plan year was 7.35%. Since the actual return for the year was greater than the assumed return, the Fund experienced an actuarial gain during the year ended December 31, 2020 with regard to its investments.

Investment Experience

		Year Ended December 31, 2020	
		Market Value	Actuarial Value
1	Net investment income	\$390,027,733	\$249,784,514
2	Average value of assets	3,374,929,607	3,400,334,318
3	Rate of return: 1 ÷ 2	11.56%	7.35%
4	Assumed rate of return	7.25%	7.25%
5	Expected investment income: 2 x 4	244,682,396	246,524,238
6	Actuarial gain/(loss): 1 - 5	<u>\$145,345,337</u>	<u>\$3,260,276</u>

Section 2: Actuarial Valuation Results

Contributions

Contributions for the year ended December 31, 2020 totaled \$128,539,354, compared to the projected amount of \$115,252,139. This resulted in a gain of \$13,915,027 for the year, when adjusted for timing.

Non-investment experience

Administrative expenses

- Administrative expenses for the year ended December 31, 2020 totaled \$3,389,565, as compared to the assumption of \$3,400,000. This resulted in a gain of \$12,955 for the year. Based on average expenses in the last three years, we have maintained the assumption of \$3,400,000 for the current year.

Mortality experience

- Mortality experience (more or fewer than expected deaths) yields actuarial gains or losses.
- The number of deaths for nondisabled retirees over the past year was 40 compared to 41.8 projected deaths. However, the average number of deaths for pensioners is too small to be statistically credible, so the mortality tables take into account public safety experience nationally.

Other experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among participants,
- retirement experience (earlier or later than projected),
- the number of disability retirements (more or fewer than projected),
- salary increases (greater or smaller than projected), and
- inflationary cost-of-living adjustments higher or lower than anticipated.

The net gain from this other experience for the year ended December 31, 2020 amounted to \$11,595,141, which is 0.3% of the actuarial accrued liability.

Section 2: Actuarial Valuation Results

Actuarial assumptions

There are no assumption changes reflected in this report. Details on actuarial assumptions and methods are in Section 4, Exhibit I.

Plan provisions

There were no changes in plan provisions since the prior valuation. A summary of plan provisions is in Section 4, Exhibit II.

Section 2: Actuarial Valuation Results

Development of Unfunded Actuarial Accrued Liability for Year Ended December 31, 2020

1	Unfunded actuarial accrued liability at beginning of year	\$484,429,050
2	Normal cost at beginning of year	76,604,095
3	Total expected contributions	-128,539,354
4	Interest on 1, 2 & 3	36,015,351
5	Expected unfunded actuarial accrued liability	\$468,509,142
6	Change due to net experience gain:	-14,868,372
7	Unfunded actuarial accrued liability at end of year	<u>\$453,640,770</u>

Section 2: Actuarial Valuation Results

Recommended contribution

The recommended contribution is equal to the normal cost payment and a 20-year level percentage-of-pay payment on the unfunded actuarial accrued liability. As of January 1, 2021, the recommended contribution is \$114,383,193, or 32.78% of payroll.

As set by State legislature, the total amount of annual contributions is comprised of a 12.32% of pay member contribution and a 24.64% of pay City contribution, for a total contribution of 36.96% of pay. Since the recommended contribution is 32.78% of payroll, there is a margin of 4.18% of projected pay.

The calculated normal cost (including expenses) is 23.15% of projected payroll after adjustment for timing. The remaining 13.81% of projected payroll will amortize the unfunded actuarial accrued liability over a period of 12.09 years if all assumptions are met. This is a reasonable amortization period, and complies with the Texas State Pension Review Board's Guidelines for Actuarial Soundness.

The contribution requirement as of January 1, 2021 are based on the data previously described, the actuarial assumptions and plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

Recommended Contribution for Year Beginning January 1

	2021		2020	
	Amount	% of Projected Payroll	Amount	% of Projected Payroll
1 Normal cost	\$74,682,542		\$73,321,024	
2 Administrative expenses	<u>3,283,071</u>		<u>3,283,071</u>	
3 Employer normal cost: (1) + (2), adjusted for timing	\$80,791,866	23.15%	\$79,380,993	23.25%
4 Actuarial accrued liability	\$4,069,999,173		\$3,918,523,796	
5 Actuarial value of assets	<u>3,616,358,403</u>		<u>3,434,094,746</u>	
6 Unfunded actuarial accrued liability: (4) - (5)	\$453,640,770		\$484,429,050	
7 Payment on unfunded actuarial accrued liability, adjusted for timing	33,591,327	9.63%	35,871,146	10.51%
8 Total recommended contribution: (3) + (7)	<u>\$114,383,193</u>	<u>32.78%</u>	<u>\$115,252,139</u>	<u>33.76%</u>
9 Projected payroll	\$348,902,877		\$341,384,778	

Note: Recommended contributions are assumed to be paid at the middle of every year.

Section 2: Actuarial Valuation Results

Reconciliation of recommended contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

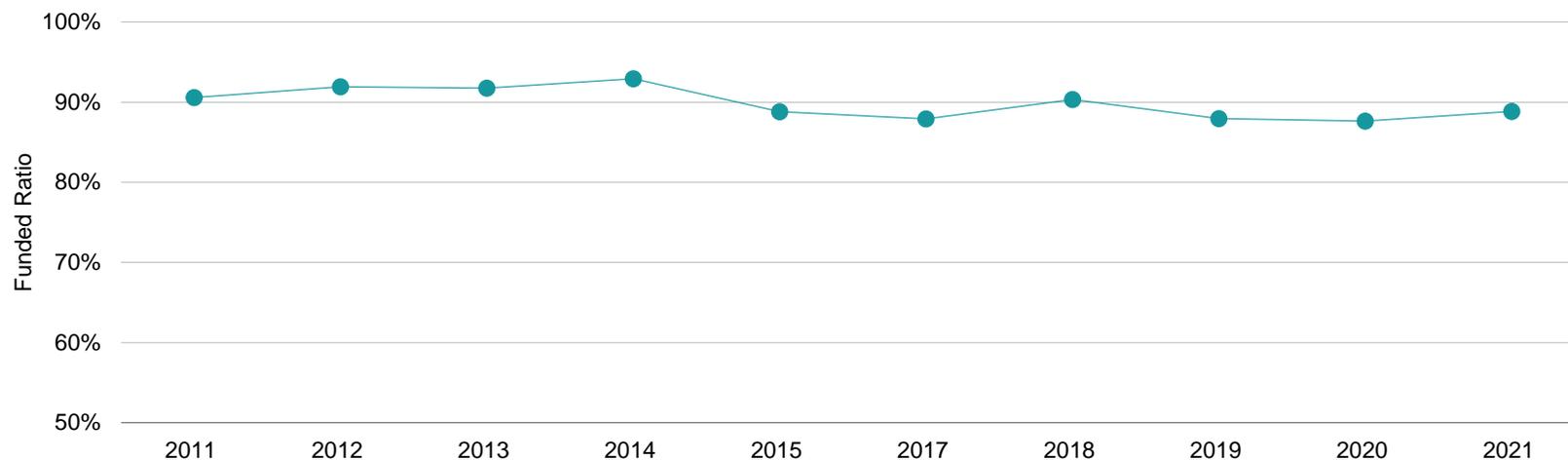
Reconciliation of Recommended Contribution from January 1, 2020 to January 1, 2021

		Amount	% of Payroll
1	Recommended Contribution as of January 1, 2020	\$115,252,139	33.76%
2	Effect of increase in projected payroll	2,538,110	N/A
3	Effect of maintaining 20-year amortization period	-1,151,528	-0.33%
4	Effect of contributions more than recommended contribution	-1,065,706	-0.31%
5	Effect of investment gain	-249,694	-0.07%
6	Effect of other gains and losses on accrued liability	-889,026	-0.26%
7	Net effect of other changes, including composition and number of participants	<u>-51,102</u>	<u>-0.01%</u>
8	Total change	-\$868,946	-0.98%
9	Recommended Contribution as of January 1, 2021	\$114,383,193	32.78%

Section 2: Actuarial Valuation Results

Schedule of funding progress through December 31, 2020

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
10/01/2011	\$2,330,520,561	\$2,573,261,950	\$242,741,389	90.57%
10/01/2012	2,447,587,725	2,662,264,359	214,676,634	91.94%
10/01/2013	2,588,307,109	2,821,195,803	232,888,694	91.75%
10/01/2014	2,752,286,963	2,962,238,443	209,951,480	92.91%
10/01/2015	2,858,461,847	3,218,382,810	359,920,963	88.82%
01/01/2017	2,976,885,674	3,385,806,423	408,920,749	87.92%
01/01/2018	3,196,529,718	3,538,230,508	341,700,790	90.34%
01/01/2019	3,297,010,974	3,749,250,860	452,239,886	87.94%
01/01/2020	3,434,094,746	3,918,523,796	484,429,050	87.64%
01/01/2021	3,616,358,403	4,069,999,173	453,640,770	88.85%



Section 2: Actuarial Valuation Results

Risk

Since the actuarial valuation results are dependent on a given set of assumptions and data as of a specific date, there is a risk that emerging results may differ significantly as actual experience differs from the assumptions.

This report does not contain a detailed analysis of the potential range of future measurements, but does include a brief discussion of some risks that may affect the Fund.

- Investment Risk (the risk that returns will be different than expected)

If the actual return on market value for the next Plan Year were 1% different from the assumed (either higher or lower), the projected unfunded actuarial liability would change by 1.6%, or about \$7.5 million

Since the Plan's assets are much larger than contributions, investment performance may create volatility in contribution requirements. For example, for each 1% difference in return from the assumed return, the recommended contribution would increase or decrease by \$550,000 (0.16% of payroll).

The market value rate of return over the last 20 years has ranged from a low of -13.40% to a high of 16.54%.

- Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the recommended contribution.

- Contribution Risk (the risk that actual contributions will be different from recommended contribution)

Plan contributions are set by statute. Periodic projections comparing expected statutory contributions with the projected recommended contributions are developed to determine if the statutory amounts are sufficient to fund the Plan and to ensure the payment of promised benefits.

If contributions remain at current level and future experience matches the current assumptions, we project the unfunded actuarial accrued liability will be paid off in 12.1 years, in compliance with the Board's amortization policy. Currently, contribution risk for the Fund is negligible.

Section 2: Actuarial Valuation Results

- Demographic Risk (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed. The value of retirement plan benefits is sensitive to the rate of benefit accruals and any early retirement subsidies that apply.
- More or less active participant turnover than assumed.

- Actual Experience Over the Last Ten Years and Implications for the Future

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past ten years:

The non-investment gain/(loss) for a year has ranged from a loss of \$58.3 million to a gain of \$61.4 million.

The funded percentage on the actuarial value of assets has ranged from a low of 87.6% to a high of 92.9% since 2011.

- Maturity Measures

As pension plans mature, the cash need to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities.

Currently the Plan has a non-active to active participant ratio of 0.72. For the prior year, benefits paid (including BackDROP payments and administrative expenses) were \$67.5 million more than contributions received. As the Plan matures, more cash will be needed from the investment portfolio to meet benefit payments.

While it is difficult to quantify the impact of potential experience, for the Pension Fund, each 1% change in the actuarial cost factors would result in a change in the recommended contribution of \$3.8 million.

Section 2: Actuarial Valuation Results

GFOA funded liability by type

The Actuarial Accrued Liability represents the present value of benefits earned, calculated using the Fund's actuarial cost method. The Actuarial Value of Assets reflects the financial resources available to liquidate the liability. The portion of the liability covered by assets reflects the extent to which accumulated plan assets are sufficient to pay future benefits, and is shown for liabilities associated with employee contributions, pensioner liabilities, and other liabilities. The Government Finance Officers Association (GFOA) recommends that the funding policy aim to achieve a funded ratio of 100 percent. The Board's funding policy targets 100 percent funding by December 31, 2044.

GFOA Funded Liability by Type as of December 31

	2021	2020
Actuarial accrued liability (AAL)		
• Active member contributions	\$474,170,147	\$467,051,408
• Retirees and beneficiaries	2,267,831,825	2,120,961,569
• Active and inactive members (employer-financed)	1,327,997,201	1,330,510,819
Total	\$4,069,999,173	\$3,918,523,796
Actuarial value of assets	\$3,616,358,403	\$3,434,094,746
Cumulative portion of AAL covered		
• Active member contributions	100.00%	100.00%
• Retirees and beneficiaries	100.00%	100.00%
• Active and inactive members (employer-financed)	65.84%	63.59%

Section 2: Actuarial Valuation Results

Volatility ratios

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measurement since it is based on the current level of assets.

The current AVR is about 11.0. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 11.0% of one-year's payroll. Since actuarial gains and losses are amortized over 20 years, there would be a 0.8% of payroll decrease/(increase) in the required contribution for each 1% asset gain or loss. The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 12.0. This is about 9.1% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

Volatility Ratios for Years Ended 2011 - 2020

Year Ended December 31	Asset Volatility Risk	Liability Volatility Risk
2011	7.2	9.3
2012	7.9	9.4
2013	8.3	9.5
2014	8.7	9.6
2015	8.6	10.7
2016*	9.3	11.1
2017	10.4	11.5
2018	9.4	11.7
2019	10.6	12.2
2020	11.0	12.0

Section 3: Supplemental Information

Exhibit A: Table of Plan Demographics

A-1 Total

Category	Year Ended December 31		Change From Prior Year
	2020	2019	
Active participants in valuation:			
• Number	4,119	4,081	0.9%
• Average age	41.7	41.9	-0.2
• Average years of service	14.0	14.2	-0.2
• Total payroll	\$338,045,420	\$321,760,368	5.1%
• Average payroll	82,070	78,844	4.1%
• Account balances	474,170,147	467,051,408	1.5%
• Total active vested participants	1,137	1,131	0.5%
Inactive vested participants¹	0	2	-100.0%
Inactive nonvested participants due a refund	30	35	-14.3%
Retired participants:			
• Number in pay status	2,429	2,314	5.0%
• Average age	67.5	67.5	0.0
• Average monthly benefit	\$4,790	\$4,660	2.8%
Disabled participants:			
• Number in pay status	64	63	1.6%
• Average age	67.0	66.7	0.3
• Average monthly benefit	\$2,886	\$2,785	3.6%
Beneficiaries:			
• Number in pay status	487	481	1.2%
• Average age	73.0	72.7	0.3
• Average monthly benefit	\$3,609	\$3,495	3.3%

¹Terminated participants with 20 or more year of service are included as inactive vested participants.

Section 3: Supplemental Information

Exhibit A: Table of Plan Demographics

A-2 Fire

Category	Year Ended December 31		Change From Prior Year
	2020	2019	
Active participants in valuation:			
• Number	1,749	1,750	-0.1%
• Average age	42.1	42.1	0.0
• Average years of service	14.5	14.6	-0.1
• Total payroll	\$141,604,302	\$134,386,224	5.4%
• Average payroll	80,963	76,792	5.4%
• Account balances	204,963,835	201,264,473	1.8%
• Total active vested participants	464	464	0.0%
Inactive vested participants¹	0	1	-100.0%
Inactive nonvested participants due a refund	15	15	0.0%
Retired participants:			
• Number in pay status	989	939	5.3%
• Average age	68.4	68.3	0.1
• Average monthly benefit	\$4,815	\$4,697	2.5%
Disabled participants:			
• Number in pay status	29	27	7.4%
• Average age	69.4	70.4	-1.0
• Average monthly benefit	\$2,937	\$2,793	5.2%
Beneficiaries:			
• Number in pay status	197	197	0.0%
• Average age	74.5	74.5	0.0
• Average monthly benefit	\$3,811	\$3,740	1.9%

¹Terminated participants with 20 or more year of service are included as inactive vested participants.

Section 3: Supplemental Information

Exhibit A: Table of Plan Demographics

A-3 Police

Category	Year Ended December 31		Change From Prior Year
	2020	2019	
Active participants in valuation:			
• Number	2,370	2,331	1.7%
• Average age	41.5	41.8	-0.3
• Average years of service	13.6	14.0	-0.4
• Total payroll	\$196,441,118	\$187,374,144	4.8%
• Average payroll	82,887	80,384	3.1%
• Account balances	269,206,312	265,786,935	1.3%
• Total active vested participants	673	667	0.9%
Inactive vested participants¹	0	1	-100.0%
Inactive nonvested participants due a refund	15	20	-25.0%
Retired participants:			
• Number in pay status	1,440	1,375	4.7%
• Average age	66.9	66.8	0.1
• Average monthly benefit	\$4,774	\$4,611	3.5%
Disabled participants:			
• Number in pay status	35	36	-2.8%
• Average age	65.1	63.9	1.2
• Average monthly benefit	\$2,844	\$2,779	2.3%
Beneficiaries:			
• Number in pay status	290	284	2.1%
• Average age	71.9	71.4	0.5
• Average monthly benefit	\$3,472	\$3,326	4.4%

¹Terminated participants with 20 or more year of service are included as inactive vested participants.

Section 3: Supplemental Information

Exhibit B: Participants in Active Service as of December 31, 2020 by Age, Years of Service, and Average Payroll

B-1 Total

Age	Total	Years of Service								
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	126	126	--	--	--	--	--	--	--	--
	\$49,697	\$49,697	--	--	--	--	--	--	--	--
25 - 29	445	399	46	--	--	--	--	--	--	--
	62,831	61,384	\$75,381	--	--	--	--	--	--	--
30 - 34	593	303	204	86	--	--	--	--	--	--
	70,036	61,904	77,154	\$81,802	--	--	--	--	--	--
35 - 39	657	105	179	329	44	--	--	--	--	--
	77,956	63,707	76,216	82,452	\$85,418	--	--	--	--	--
40 - 44	675	24	56	272	272	51	--	--	--	--
	84,969	63,689	75,825	81,899	89,548	\$96,973	--	--	--	--
45 - 49	678	7	13	102	264	226	66	--	--	--
	91,688	63,182	80,533	82,355	89,331	96,412	\$104,582	--	--	--
50 - 54	561	--	5	35	87	179	215	40	--	--
	95,917	--	76,179	82,801	86,552	93,673	102,650	\$104,077	--	--
55 - 59	289	--	--	8	12	59	109	97	4	--
	98,935	--	--	87,085	93,265	92,677	98,563	104,469	\$107,874	--
60 - 64	84	--	--	--	4	8	20	42	8	2
	96,540	--	--	--	82,703	91,490	96,052	98,457	98,728	\$100,299
65 - 69	10	--	--	--	--	3	2	1	1	3
	96,285	--	--	--	--	90,952	95,568	114,664	87,337	98,952
70 & over	1	--	--	--	--	--	--	--	--	1
	83,098	--	--	--	--	--	--	--	--	83,098
Total	4,119	964	503	832	683	526	412	180	13	6
	\$82,070	\$60,343	\$76,588	\$82,252	\$88,842	\$95,010	\$101,524	\$103,036	\$100,666	\$96,758

Section 3: Supplemental Information

Exhibit B: Participants in Active Service as of December 31, 2020 by Age, Years of Service, and Average Payroll

B-2 Fire

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	18	18	--	--	--	--	--	--	--	--
	\$48,411	\$48,411	--	--	--	--	--	--	--	--
25 - 29	126	109	17	--	--	--	--	--	--	--
	58,954	56,801	\$72,758	--	--	--	--	--	--	--
30 - 34	268	149	80	39	--	--	--	--	--	--
	66,771	59,894	73,796	\$78,633	--	--	--	--	--	--
35 - 39	336	54	110	146	26	--	--	--	--	--
	75,848	63,703	73,821	80,010	\$86,274	--	--	--	--	--
40 - 44	348	1	39	141	148	19	--	--	--	--
	83,811	41,807	74,592	79,505	88,330	\$101,706	--	--	--	--
45 - 49	308	--	1	44	130	112	21	--	--	--
	90,976	--	73,614	79,820	88,019	95,783	\$107,843	--	--	--
50 - 54	189	--	--	--	33	87	49	20	--	--
	93,453	--	--	--	85,131	91,489	99,393	\$101,176	--	--
55 - 59	115	--	--	--	--	26	32	54	3	--
	96,645	--	--	--	--	91,888	97,656	97,829	\$105,775	--
60 - 64	36	--	--	--	--	--	1	28	5	2
	97,061	--	--	--	--	--	104,482	97,671	90,864	\$100,299
65 - 69	4	--	--	--	--	--	--	--	1	3
	96,048	--	--	--	--	--	--	--	87,337	98,952
70 & over	1	--	--	--	--	--	--	--	--	1
	83,098	--	--	--	--	--	--	--	--	83,098
Total	1,749	331	247	370	337	244	103	102	9	6
	\$80,963	\$58,818	\$73,861	\$79,650	\$87,738	\$94,298	\$100,626	\$98,442	\$95,443	\$96,758

Section 3: Supplemental Information

Exhibit B: Participants in Active Service as of December 31, 2020 by Age, Years of Service, and Average Payroll

B-3 Police

Age	Years of Service								
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39
Under 25	108	108	--	--	--	--	--	--	--
	\$49,911	\$49,911	--	--	--	--	--	--	--
25 - 29	319	290	29	--	--	--	--	--	--
	64,362	63,106	\$76,919	--	--	--	--	--	--
30 - 34	325	154	124	47	--	--	--	--	--
	72,729	63,849	79,321	\$84,432	--	--	--	--	--
35 - 39	321	51	69	183	18	--	--	--	--
	80,163	63,711	80,034	84,401	\$84,182	--	--	--	--
40 - 44	327	23	17	131	124	32	--	--	--
	86,201	64,640	78,653	84,476	91,003	\$94,163	--	--	--
45 - 49	370	7	12	58	134	114	45	--	--
	92,281	63,182	81,109	84,279	90,604	97,031	\$103,059	--	--
50 - 54	372	--	5	35	54	92	166	20	--
	97,169	--	76,179	82,801	87,421	95,738	103,612	\$106,978	--
55 - 59	174	--	--	8	12	33	77	43	1
	100,448	--	--	87,085	93,265	93,298	98,940	112,809	\$114,169
60 - 64	48	--	--	--	4	8	19	14	3
	96,150	--	--	--	82,703	91,490	95,608	100,028	111,834
65 & over	6	--	--	--	--	3	2	1	--
	96,443	--	--	--	--	90,952	95,568	114,664	--
Total	2,370	633	256	462	346	282	309	78	4
	\$82,887	\$61,141	\$79,219	\$84,335	\$89,917	\$95,625	\$101,823	\$109,043	\$112,418

Section 3: Supplemental Information

Exhibit C: Reconciliation of Participant Data

	Active Participants	Inactive Vested Participants	Disableds	Retired Participants	Beneficiaries	Total
Number as of January 1, 2020	4,081	2	63	2,314	481	6,941
• New participants	207	N/A	N/A	N/A	N/A	207
• Terminations – with vested rights	0	0	0	0	0	0
• Terminations – without vested rights	-3	N/A	N/A	N/A	N/A	-3
• Retirements	-146	-1	N/A	147	N/A	0
• New disabilities	-2	0	2	N/A	N/A	0
• Return to work	1	-1	0	0	N/A	0
• Deceased	-2	0	-1	-40	-22	-65
• New beneficiaries	0	0	0	0	30	30
• Lump sum cash-outs	-17	0	0	0	0	-17
• Payment period for dependent children expired	N/A	N/A	0	0	-2	-2
• Data adjustments	0	0	0	0	0	0
• Active participants no longer accruing benefits	0	0	N/A	N/A	N/A	0
• QDRO adjustments ¹	0	0	0	8	0	8
Number as of January 1, 2021	4,119	0	64	2,429	487	7,099

Note: Chart excludes terminated participants due a refund of employee contributions.

¹The data includes 8 new former spouses receiving benefit under qualified domestic relations orders (QDROs), and excludes two former spouses whose benefit terminated during the year.

Section 3: Supplemental Information

Exhibit D: Summary Statement of Income and Expenses on a Market Value Basis

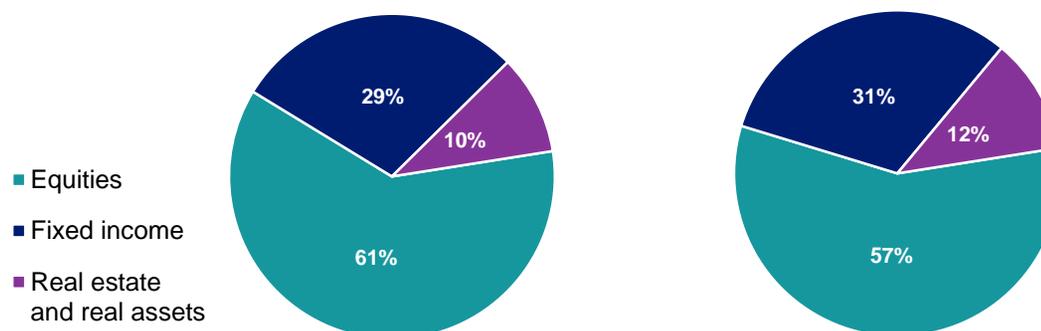
	Year Ended December 31, 2020	Year Ended December 31, 2019
Net assets at market value at the beginning of the year	\$3,408,690,035	\$3,015,158,660
Contribution income:		
• City contributions	\$85,693,319	\$81,016,332
• Member contributions	42,846,035	40,507,611
• Less administrative expenses	<u>-3,389,565</u>	<u>-3,564,973</u>
<i>Net contribution income</i>	\$125,149,789	\$117,958,970
Investment income:		
• Interest, dividends and other income	\$53,056,336	\$69,548,748
• Asset appreciation	352,372,543	395,739,670
• Less investment fees	<u>-15,401,146</u>	<u>-16,221,906</u>
<i>Net investment income</i>	<u>\$390,027,733</u>	<u>\$449,066,512</u>
Total income available for benefits	\$515,177,522	\$567,025,482
Less benefit payments:		
• Benefits	-\$158,817,156	-\$148,724,828
• BackDROP payments	-32,316,449	-23,596,830
• Refunds	<u>-1,537,041</u>	<u>-1,172,449</u>
<i>Net benefit payments</i>	-\$192,670,646	-\$173,494,107
Change in reserve for future benefits	\$322,506,876	\$393,531,375
Net assets at market value at the end of the year	\$3,731,196,911	\$3,408,690,035

Section 3: Supplemental Information

Exhibit E: Summary Statement of Plan Assets

	December 31, 2020	December 31, 2019
Cash equivalents	\$54,824,616	\$91,443,273
Total accounts receivable	\$42,858,509	\$35,413,239
Investments:		
• Equities	\$2,234,212,243	\$1,889,424,491
• Fixed income	1,053,144,465	1,033,934,624
• Real estate and real assets	361,487,533	378,994,861
• Property, plant and equipment ¹	<u>709,986</u>	<u>748,274</u>
Total investments at market value	\$3,649,554,227	\$3,303,102,250
Total assets	\$3,747,237,352	\$3,429,958,762
Total accounts payable	-16,040,441	-21,268,727
Net assets at market value	\$3,731,196,911	\$3,408,690,035
Net assets at actuarial value	\$3,616,358,403	\$3,434,094,746

¹Represents less than 0.1% of the total investments



Section 3: Supplemental Information

Exhibit F: Development of the Fund through December 31, 2020

Year Ended December 31 ¹	City Contributions	Member Contributions	Net Investment Return ²	Admin. Expenses	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2011	\$67,328,000	\$33,663,000	\$54,976,000	\$2,728,000	\$105,159,000	\$1,970,054,000	\$2,330,520,561	118.3%
2012	70,389,000	35,193,000	266,277,000	2,747,000	111,164,000	2,228,002,000	2,447,587,725	109.9%
2013	73,255,620	36,629,009	248,187,404	2,714,633	118,680,884	2,464,678,516	2,588,307,109	105.0%
2014	76,145,635	38,072,618	223,053,939	2,789,578	122,305,997	2,676,855,133	2,752,286,963	102.8%
2015	75,801,715	37,901,064	-47,586,525	2,903,392	144,157,312	2,595,910,683	2,858,461,847	110.1%
2016 ³	94,972,075	47,485,016	287,674,638	3,568,003	187,925,984	2,834,548,425	2,976,885,674	105.0%
2017	75,915,522	37,958,082	407,279,701	3,034,563	156,137,449	3,196,529,718	3,196,529,718	100.0%
2018	78,312,472	39,182,276	-122,694,031	3,479,408	172,692,367	3,015,158,660	3,297,010,974	109.3%
2019	81,016,332	40,507,611	449,066,512	3,564,973	173,494,107	3,408,690,035	3,434,094,746	100.7%
2020	85,693,319	42,846,035	390,027,733	3,389,565	192,670,646	3,731,196,911	3,616,358,403	96.9%

¹Prior to 2016, financial information was based on 12-month periods ending September 30.

²On a market basis, net of investment fees.

³Reflects the 15-month period from October 1, 2015 through December 31, 2016.

Section 3: Supplemental Information

Exhibit G: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability for Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Retirees and Beneficiaries:	Actuarial Present Value of lifetime benefits to existing retirees and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the recommended contribution.
Actuarial Gain or Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially Equivalent:	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	<p>The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:</p> <ul style="list-style-type: none">Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, andDiscounted according to an assumed rate (or rates) of return to reflect the time value of money.

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Actuarial Present Value of Future Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
Actuarial Value of Assets (AVA):	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially Determined Contribution (ADC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability.

Section 3: Supplemental Information

Assumptions or Actuarial Assumptions:	The estimates upon which the cost of the Plan is calculated, including: <u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future; <u>Mortality rates</u> - the rate or probability of death at a given age for employees and retirees; <u>Retirement rates</u> - the rate or probability of retirement at a given age or service; <u>Disability rates</u> - the rate or probability of disability retirement at a given age; <u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; <u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases.
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded Ratio:	The ratio of the Actuarial Value of Assets (AVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.

Section 3: Supplemental Information

GASB 67 and GASB 68:	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Net Pension Liability (NPL):	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.
Normal Cost:	The portion of the Actuarial Present Value of Future Benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.
Plan Fiduciary Net Position:	Market value of assets.
Total Pension Liability (TPL):	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Section 4: Actuarial Valuation Basis

Exhibit I: Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions	The assumptions and methods upon which this valuation is based were set by the Board of Trustees, based on recommendations by Segal following a 4.25-year experience study for the period ended December 31, 2018. The information and analysis used in selecting each assumption are shown in that experience study report. Assumptions are generally reviewed annually and updated on a five-year cycle.	
Net Investment Return:	7.25%. The net investment return assumption was chosen by the Pension Fund's Board of Trustees, with input from the actuary. The assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes as well as the Fund's target asset allocation.	
Administrative Expenses:	\$3,400,000 payable mid-year for the year beginning January 1, 2021 (equivalent to \$3,283,071 payable at the beginning of the year)	
Salary Increases:	Years of Service	Rate (%)
	1	14.00%
	2	9.00
	3	6.00
	4	5.00
	5	4.00
	6	3.75
	7	3.50
	8	3.25
	9 or more	3.00
	<i>Includes an underlying 3.00% inflation component Assumed to occur at the beginning of each year</i>	
Payroll Growth:	3.00% (used to amortize the unfunded actuarial accrued liability as a level percentage of payroll)	

Section 4: Actuarial Valuation Basis

Cost-of-Living Adjustments:

<i>Retirement before October 1, 1999:</i>	3.00%
<i>Retirement on or after October 1, 1999:</i>	2.25%

Valuation liabilities reflect the actual COLA granted for 2021. The stated assumptions apply to 2022 forward, at the beginning of each year.

Mortality Rates:

Pre-retirement:

Healthy annuitants:

Disabled annuitants:

Beneficiaries:

PUBS-2010 Safety Employee Amount-Weighted Table, generationally projected using Scale SSA2019-2D
 PUBS-2010 Safety Healthy Retiree Amount-Weighted Table, generationally projected using Scale SSA2019-2D
 PUBS-2010 Safety Disabled Retiree Amount-Weighted Table, generationally projected using Scale SSA2019-2D
 PUBS-2010 Safety Contingent Survivor Amount-Weighted Table, generationally projected using Scale SSA2019-2D

The tables above, projected to 2021, reasonably reflect the mortality experience of the Fire and Police Pension Fund as of the measurement date. The mortality tables are generationally projected using Scale SSA2019-2D to reflect future mortality improvement.

Duty Death Percentages:

10% of deaths are assumed to be in the line of duty

Annuitant Mortality Rates:

Age	Rate (%) ¹					
	Healthy		Disabled		Beneficiary	
	Male	Female	Male	Female	Male	Female
55	0.31	0.26	0.48	0.46	0.82	0.45
60	0.51	0.45	0.74	0.70	1.01	0.62
65	0.88	0.77	1.19	1.06	1.38	0.90
70	1.57	1.33	1.91	1.61	2.13	1.35
75	2.83	2.30	3.24	2.44	3.38	2.15
80	5.10	3.96	5.60	3.96	5.36	3.57
85	9.14	6.84	9.21	6.84	8.74	6.32
90	15.86	11.82	15.86	11.82	14.42	11.33

¹Rates shown do not include generational projection.

Catastrophic Disability:

0% of disabilities are assumed to be catastrophic

Section 4: Actuarial Valuation Basis

Termination Rates Before Retirement:

Age	Rate (%)						
	Mortality ¹		Disability ²		Withdrawal ³		
	Male	Female	Fire	Police	Years of Service	Fire	Police
20	0.04	0.02	0.01	0.01	Less than 1	1.00	2.25
25	0.04	0.02	0.01	0.01	1	1.00	2.25
30	0.04	0.03	0.01	0.01	2	0.60	2.25
35	0.05	0.04	0.01	0.01	3	0.50	2.25
40	0.06	0.05	0.02	0.02	4 - 7	0.40	2.25
45	0.08	0.07	0.04	0.04	8	0.40	2.00
50	0.12	0.09	0.00	0.00	9 - 11	0.40	0.50
55	0.18	0.12	0.00	0.00	12 - 20	0.10	0.50
60	0.26	0.17	0.00	0.00	20 or more	0.00	0.00

¹Rates shown do not include generational projection.

²Disability rates cease at 21 years of service

³Withdrawal rates cease at first eligibility for retirement

Retirement Rates:

Fire		Police	
Years of Service	Rate (%)	Years of Service	Rate (%)
20 – 25	1.5	20 – 22	2.5
26	2.0	23 – 24	3.0
27 – 28	3.0	25	4.0
29	8.0	26	5.0
30	10.0	27	10.0
31	15.0	28	12.0
32	30.0	29	17.0
33 – 35	45.0	30	27.0
36	35.0	31	30.0
37	55.0	32	50.0
38	30.0	33	60.0
39	25.0	34	50.0
40	35.0	35 – 38	45.0
41	15.0	39	70.0
42	40.0	40	100.0
43	100.0		

Retirement is assumed to occur no later than age 65 if participant has at least 20 years of service.

Section 4: Actuarial Valuation Basis

Retirement Rates for Inactive Vested Participants:	Former participants with rights to deferred benefits are assumed to retire at earliest eligibility.
Description of Weighted Average Retirement Age:	Age 59.4 for Firefighters and 57.2 for Police Officers, determined as follows: The weighted average retirement age for each participant is calculated as the sum of the product of each potential current or future retirement age times the probability of surviving from current age to that age and then retiring at that age, assuming no other decrements. The overall weighted retirement age is the average of the individual retirement ages based on all the active participants included in the January 1, 2021 actuarial valuation.
Percent Married:	Males: 95% Females: 60%
Age of Spouse:	Females three years younger than males
Marriage after Retirement:	The retiree liability includes a 0.20% load and the disability liability includes a 0.40% load to account for unmarried retirees marrying after retirement.
Beneficiary Liability:	The spousal beneficiary liability includes a 2% load to account for future increased spousal benefits when dependent children receiving benefits reach the age of majority and are no longer eligible to receive benefits.
Utilization of BackDROP:	90% of retiring Firefighters and new beneficiaries are assumed to elect a four-year BackDROP. Firefighters who retire prior to 24 years of service are not assumed to utilize the BackDROP provisions of the plan. 75% of retiring Police Officers and new beneficiaries are assumed to elect a three-year BackDROP. Police Officers who retire prior to 23 years of service are not assumed to utilize the BackDROP provisions of the plan.
13th and 14th Checks:	For purposes of estimating the cost of this asymmetric benefit, active liabilities are loaded by 0.03% and non-active liabilities are loaded by 0.1%.
Sick Leave:	For purposes of calculating Fund benefits, total service at decrement is increased by 1.0% for Firefighters and 0.2% for Police Officers to recognize inclusion of sick leave.
Decrement Methodology:	Decrement rates are independent probabilities, and all decrements are assumed to occur at the beginning of the valuation year.
Benefit Limits:	Salary and benefit limitations under IRC Sections 401(a)(17) and 415 are disregarded for purposes of determining the valuation liabilities.
Actuarial Value of Assets:	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation.
Justification for Change in Actuarial Assumptions:	There have been no changes in actuarial assumptions since the last valuation.

Section 4: Actuarial Valuation Basis

Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	January 1 through December 31
Plan Status:	Ongoing
Normal Retirement:	
<i>Service Requirement</i>	<ul style="list-style-type: none">• 20 years of service and contributions, regardless of age
<i>Amount</i>	<ul style="list-style-type: none">• 2.25% of Average Salary for each of the first 20 years of service, plus• 5.00% of Average Salary for each of the next 7 years of service, plus• 2.00% of Average Salary for each of the next 3 years of service, plus• 0.50% of Average Salary for each year of service thereafter, with a maximum benefit percentage of 87.50%.
<i>Average Salary</i>	<ul style="list-style-type: none">• The average of the highest three years of annual salary during the five-year period ending on the date of retirement.
Disability:	
<i>Eligibility</i>	<ul style="list-style-type: none">• Immediately eligible upon membership, payable after 30 days of continuous disability
<i>Amount</i>	<ul style="list-style-type: none">• 50% of Average Salary
Catastrophic Injury Disability:	
<i>Eligibility</i>	<ul style="list-style-type: none">• Be unable to secure any type of third-party employment, or engage in any self-employment, and as a result make an annual income below the poverty level.
<i>Amount</i>	<ul style="list-style-type: none">• 87.50% of Average Salary
Termination Benefits:	<ul style="list-style-type: none">• No benefits are vested prior to eligibility for disability or normal retirement benefits, or at death. However, a participant may receive a refund of member contributions without interest.

Section 4: Actuarial Valuation Basis

Survivor's Pre-Retirement Death Benefit (death not in line of duty): <i>Eligibility</i> <i>Amount</i>	<ul style="list-style-type: none">• Immediately upon membership• <i>Spouse</i> - Participant's accrued benefit, with a minimum of 50% of average salary and a maximum based on 27 years of service. 25% of the benefit is paid to the children who are under age 18 or disabled, if any, divided equally among them.• <i>Children only (under age 18, or disabled)</i> -Participant's accrued benefit, with a minimum of 50% of average salary and a maximum based on 27 years of service. Benefits are divided equally among the children.• <i>Dependent parents, no wife or children</i> - 33% of Average Salary, if two; 25% if one.• <i>No dependents</i> - Lump sum equal to ten times the accrued retirement benefit based on service and salary at time of death, or a refund of member contributions, if greater.• <i>Wholly-dependent orphaned children</i> - 100% of the surviving spouse's benefit for life.
Survivor's Pre-Retirement Death Benefit (death in line of duty): <i>Eligibility</i> <i>Amount</i>	<ul style="list-style-type: none">• Immediately upon membership• Surviving spouse and dependent children will receive a total pension equal to the salary, including longevity pay, of the member at the time of death.
Post-Retirement Death Benefit: <i>Amount</i>	<ul style="list-style-type: none">• Percentage of Average Salary available for retirement benefit, with a maximum benefit based on 27 years of service, with the percentage based on the formula in effect on the date of the retiree's death minus BackDROP period; maximum benefit equal to benefit being received by retiree at death.• For marriages after retirement if the widow was married less than five years a lump sum of \$15,000 is payable and if the widow was married at least five years than the widow is eligible for the entire death benefit of a surviving spouse starting at age 55.• If a retiree dies leaving no beneficiaries, the estate is entitled to an amount equal to ten times the annual annuity awarded on the date of retirement, minus any payments already made to the retiree.
Cost-of-Living Adjustments:	<ul style="list-style-type: none">• If retirement was before October 1, 1999, the benefits are adjusted annually by 100% of the CPI, provided the index shows an increase, if the percentage increase is 8% or less. If the increase is more than 8%, the benefits shall be increased by 8% plus a percentage equal to 75% of the percentage increase that is more than 8%. If retirement is on or after October 1, 1999, benefits are adjusted by 75% of the CPI.
13th and 14th Pension Checks:	<ul style="list-style-type: none">• The Board may authorize the disbursement of a 13th pension check in a year in which the arithmetic average of the annual rates of return for the most recent five years exceeds the assumed rate by at least 100 basis points. A 14th check may be authorized if the five-year average return exceeds the assumed rate by at least 300 basis points.

Section 4: Actuarial Valuation Basis

<p>BackDROP:</p> <p><i>Eligibility</i></p> <p><i>Amount</i></p> <p><i>BackDROP Retirement Date</i></p>	<ul style="list-style-type: none"> • Participants who are eligible to retire may elect a BackDROP. (Not applicable to line-of-duty or disability). The surviving spouse of an active member may elect a BackDROP, but the service upon which the spousal BackDROP benefit is based may not exceed 27 years of service. • The backward deferred retirement option plan (BackDROP) benefit provides a lump sum payment based on pay and service as of the BackDROP retirement date times the number of months elected in exchange for a reduced monthly benefit. The monthly benefit is based on pay and all service as of the BackDROP retirement date plus sick leave credit. • Actual retirement date minus number of months elected. The number of months cannot exceed the lesser of 60 months or the number of months of service in excess of 20years.
<p>Contributions:</p> <p><i>Member contributions</i></p> <p><i>City contributions</i></p>	<ul style="list-style-type: none"> • Members pay 12.32% of total salary, excluding overtime pay • The City pays 24.64% of total salary, excluding overtime pay
<p>Changes in Plan Provisions:</p>	<p>There have been no changes in plan provisions since the last valuation.</p>

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