

City of Fresno Employees Retirement System

**Actuarial Valuation and Review
as of June 30, 2024**



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Segal



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November 18, 2024

Board of Retirement
City of Fresno Employees Retirement System
2828 Fresno Street, Suite 201
Fresno, California 93721-1327

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2024. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal year 2025–2026.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board in administering the City of Fresno Employees Retirement System, based upon information provided by the staff of the Retirement System and the Plan's other service providers.

Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. To the extent we can, however, Segal does review the data for reasonableness and consistency. Based on our review of the data, we have no reason to doubt the substantial accuracy of the information on which we have based this report and we have no reason to believe there are facts or circumstances that would affect the validity of these results.

The measurements shown in this actuarial valuation may not be applicable for other purposes. 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 actuarial calculations were directed under the supervision of Andy Yeung, ASA, MAAA, FCA and Enrolled Actuary. We are members of the American Academy of Actuaries and we meet 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. The assumptions used in this actuarial valuation were selected by the Board of Retirement based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the City of Fresno

Board of Retirement
City of Fresno Employees Retirement System
November 18, 2024

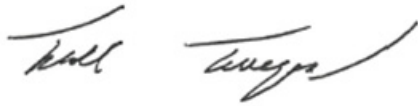
Employees Retirement System and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

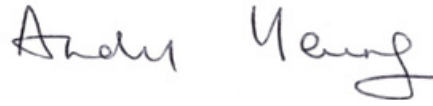
We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal



Todd Tauzer, FSA, CERA, MAAA, FCA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
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JY/jl

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present a valuation of the City of Fresno Employees Retirement System (“the Retirement System” or “the System” or “the Plan”) as of June 30, 2024. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits.

The contribution requirements presented in this report are based on:

- The benefit provisions of the Plan, as administered by the Board of Retirement;
- The characteristics of covered active members, DROP participants, inactive vested members, and retired members and beneficiaries as of June 30, 2024, provided by the Retirement System;
- The assets of the Plan as of June 30, 2024, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board of Retirement for the June 30, 2024 valuation;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. adopted by the Board of Retirement for the June 30, 2024 valuation; and
- The funding policy adopted by the Board of Retirement.

Certain disclosure information required by Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 as of June 30, 2024 for the Plan and the employer, respectively, are provided in separate reports.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the Retirement System’s liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

The contribution requirements are determined as a percentage of payroll. The Retirement System’s employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have applied the funding policy adopted by the Board.¹ Details of the funding policy are provided in *Section 4, Exhibit 1* starting on page 65.

¹ A “Comprehensive Actuarial Funding Policy” was jointly adopted on November 7, 2012 by the Retirement Boards for both the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System. This policy was subsequently amended to lengthen the period used to amortize the actuarial surplus, when assets are greater than 110% of the actuarial accrued liabilities, from 25 years to 30 years starting with the June 30, 2018 valuations.

Section 1: Actuarial Valuation Summary

The rates calculated in this report may be adopted by the Board of Retirement for the fiscal year that extends from July 1, 2025 through June 30, 2026.

The Actuarial Standard of Practice (ASOP) No. 4 provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement System that utilizes the actuarial surplus to provide contribution rate offsets and a Post Retirement Supplemental Benefit (PRSB) benefit, the valuation report must indicate that the impact of the application of any future actuarial surplus on the future financial condition of the plan has not been explicitly measured in the valuation. Furthermore, the actuary must consider using alternative procedures (such as stochastic modeling) for “gain sharing provisions that trigger benefit increases when investment returns are favorable but do not trigger benefit decreases when investment returns are unfavorable.” Based on our analysis, we do not believe the System’s actuarial surplus distribution provisions would necessarily fall under the guidelines of ASOP No. 4 so as to require quantification. This is based on the observation that only a portion of the surplus is available for distribution (on an amortized basis over 30 years) when the funded status of the System is over 110% in a particular valuation and that surplus distribution will be suspended immediately if the funded status falls below 110% in the following valuation. Nonetheless, it should be understood that there is still a potential financial impact associated with the surplus distribution provision. The Board may wish to consider authorizing a supplemental study so that the potential impact can be quantified.

Valuation highlights

Implementation of the employer and member contribution rates in June 30, 2023 valuation

1. In the June 30, 2023 valuation, we provided the recommended 2024-2025 fiscal year employer and member contribution rates prepared under the Board’s funding policy and those contribution rates were adopted by the Board on November 28, 2023. Even though we understand that these rates have not yet been implemented by the City, following a discussion we have had with Retirement System staff, we have been directed to assume for the purposes of developing the results in this study that those rates would ultimately be implemented by the City.

Funding measures

2. The funded ratio (the ratio of valuation value of assets to the actuarial accrued liability) decreased from 111.1% to 109.8%. 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 increased from 111.7% to 112.8%. These measurements are not necessarily appropriate for assessing the

Section 1: Actuarial Valuation Summary

sufficiency of plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for, or the amount of, future contributions. A history of the System's funded ratios is provided in *Section 2, Subsection G* on pages 34 and 35.

3. The prefunded actuarial accrued liability (the difference between the actuarial accrued liability and the valuation value of assets) decreased from \$151.3 million to \$142.7 million. The decrease in prefunded actuarial accrued liability (PAAL) is primarily due to individual salary increases greater than expected, larger than expected COLA benefit increases for continuing retirees and DROP members, partially offset by an investment return on the valuation value (i.e., after asset smoothing) greater than the assumed rate of 6.75% used in the June 30, 2023 valuation. A reconciliation of the System's PAAL from the prior year is provided in *Section 2, Subsection E* on page 29.
4. As of June 30, 2024, there is no longer an actuarial surplus available for distribution as the Retirement System has Valuation Value of Assets that has fallen below 110% of the actuarial accrued liability. When available, any actuarial surplus in the Retirement System is first used to reduce the City and the employees' COLA contribution rates, and after those allocations, if there is any surplus remaining, to provide a PRSB. The determination and allocation of actuarial surplus as of June 30, 2024 as well as for the last valuation as of June 30, 2023 is provided in Section 3, Exhibit H of this report.

Actuarial experience

5. The net actuarial loss was \$16.9 million, or 1.2% of actuarial accrued liability. While there were gains from investments of \$20.9 million, or 1.4% of actuarial accrued liability, those gains were entirely offset by a contribution loss of \$2.3 million, or 0.2% of actuarial accrued liability, and losses from other actuarial experience of \$35.5 million, or 2.4% of the actuarial accrued liability. The losses from sources other than investment and contribution experience were primarily due to individual salary increases greater than expected for active members and COLA increases greater than expected for continuing retirees and beneficiaries.
6. The rate of return on the market value of assets was 10.21% for the year ending June 30, 2024. The return on the valuation value of assets was 8.15% for the same period after recognizing a portion of this year's investment gain and a portion of prior years' investment gains and losses. This resulted in an actuarial gain when measured against the assumed rate of return of 6.75% used in the June 30, 2023 valuation.

Contributions

7. The average employer rate calculated in this valuation has decreased from 14.06% to 13.94% of payroll. This decrease is primarily due to a change in membership demographics among all active (DROP and non-DROP) members. A complete reconciliation of the Retirement System's aggregate employer rate is provided in *Section 2, Subsection F* on page 31.

Section 1: Actuarial Valuation Summary

8. The average member rate calculated in this valuation has increased from 9.61% to 9.83% of payroll. The primary reason for this increase in the member rate is a decrease in the surplus (to zero) available to pay employee COLA contributions. A complete reconciliation of the Retirement System's aggregate member rate is provided in *Section 2, Subsection F* on page 32.

Effective March 7, 2011, active members who signed up for the DROP are required to continue their employee contributions; however, those contributions are deposited into the members' DROP accounts and therefore not available to fund the value of the retirement benefit earned up to the date of the DROP. Therefore, those contributions that will be deposited into the DROP accounts are disregarded in this valuation.

The detailed member rates are provided in *Section 4, Exhibit 3* of this report.

Future expectations

9. The total unrecognized net investment **gain** as of June 30, 2024 is \$43.8 million as compared to an unrecognized net investment **gain** of \$7.0 million in the previous valuation. This net deferred gain of \$43.8 million will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years as shown in *Section 2, Subsection B* on page 22.

The net deferred gain of \$43.8 million represents about 2.4% of the market value of assets. Unless offset by future investment losses or other unfavorable experience, the recognition of the \$43.8 million net market gain is expected to have an impact on the Retirement System's future funded ratio and contribution rate requirements. This potential impact may be illustrated as follows:

- a. If the net deferred gain was recognized immediately in the valuation value of assets, the funded percentage would increase from 109.8% to 112.8%.

For comparison purposes, if the net deferred gain in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the funded percentage would have increased from 111.1% to 111.7%.

- b. If the net deferred gain was recognized immediately in the valuation value of assets, the average employer contribution rate would decrease from 13.94% to 13.48% of payroll.

For comparison purposes, if the net deferred gain in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the average employer contribution rate would have decreased from 14.06% to 13.96% of payroll.

- c. If the net deferred gain was recognized immediately in the valuation value of assets, the average employee contribution rate would decrease from 9.83% to 9.33% of payroll.

For comparison purposes, if the net deferred gain in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the average employee contribution rate would have decreased from 9.61% to 9.50% of payroll.

- d. There would be no PRSB benefit provided regardless of whether all the net deferred gains in the June 30, 2024 valuation were recognized immediately, because there is no distributable actuarial surplus available to provide a PRSB in either case.

Section 1: Actuarial Valuation Summary

The same commentary would also apply with respect to the determination of the PRSB benefit in the June 30, 2023 valuation.

Risk

10. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2024. 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. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.
11. Because 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. We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition, but have included a brief discussion of some risks that may affect the Plan in Section 2, Subsection I, beginning on page 37. A more detailed assessment would provide the Board of Retirement with a better understanding of the inherent risks.
12. The risk assessment in *Section 2, Subsection I* includes the disclosure of a "Low-Default-Risk Obligation Measure" (LDRM). This disclosure, along with commentary on the significance of the LDRM, is a requirement under Actuarial Standard of Practice No. 4 (ASOP 4) for all pension funding actuarial valuation reports and can be found on pages 39-40.

GASB

13. This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution (ADC) under the Plan's funding policy and measuring the progress of that funding policy. The Net Pension Liability and Pension Expense under GASB Statements No. 67 and No. 68, for inclusion in the Plan's and employer's financial statements as of June 30, 2024, will be provided separately. The accounting disclosures will utilize different methodologies from those employed in the funding valuation, as required by the GASB. However, the ADC in this valuation is expected to be used as the ADC for GASB financial reporting.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Average Employer and Member Contribution Calculated as of June 30
(\$ in '000s)

Line Description	2024 Contribution Rate	2024 Annual Amount	2023 Contribution Rate	2023 Annual Amount
Employer contribution rates¹				
• Normal Cost Rate	13.96%	\$34,274	14.09%	\$34,594
• Surplus Offset	0.00%	0	(0.21%)	(516)
• Contribution (Excess)/Shortfall from Prior Fiscal Year	(0.02%)	(60)	0.18%	442
Required Contributions	13.94%	\$34,214	14.06%	\$34,520
Aggregate member contribution rates²				
• Basic	6.68%	\$15,132	6.69%	\$15,155
• COLA	3.15%	7,136	3.15%	7,136
• Surplus Offset	(0.00%)	(0)	(0.23%)	(521)
Total	9.83%	\$22,268	9.61%	\$21,770

¹ Based on projected fiscal year 2025–2026 annual payroll for active non-DROP and DROP members of \$245,519 (dollars in thousands).

² Based on projected fiscal year 2025–2026 annual payroll for members not in the DROP of \$226,533 (dollars in thousands).

Section 1: Actuarial Valuation Summary

Valuation Results as of June 30 (\$ in '000s)

Line Description	2024	2023
Actuarial accrued liability		
• Total actuarial accrued liability (AAL)	\$1,457,747	\$1,358,214
– Active non-DROP members	\$425,029	364,909
– Active DROP members	120,042	137,992
– Retired members and beneficiaries	829,257	779,793
– Inactive members ¹	83,419	75,520
• Normal cost for plan year beginning June 30	\$54,886	\$45,365
Assets		
• Market value of assets (MVA) ²	\$1,644,254	\$1,516,547
• Valuation value of assets (VVA)	\$1,600,473	\$1,509,532
Funded status		
• Prefunded/(Unfunded) actuarial accrued liability on market value of assets	\$186,507	\$158,333
• Funded percentage on MVA basis	112.8%	111.7%
• Prefunded/(Unfunded) actuarial accrued liability on valuation value of assets	\$142,726	\$151,318
• Funded percentage on VVA basis	109.8%	111.1%
Key assumptions		
• Net investment return	6.75%	6.75%
• Inflation rate	2.50%	2.50%
• Payroll growth	3.00%	3.00%
• Amortization period on VVA Basis ³	30 years	30 years
• Cost-of-living adjustments (COLA)	2.50%	2.50%

¹ Includes inactive members due a refund of contributions.

² Excludes non-valuation reserves and other adjustments.

³ Change in Prefunded AAL or Unfunded AAL as a result of gains or losses for each valuation are amortized over 30 years (when the Plan has Prefunded AAL) or separate periods of 15 years (when the Plan has Unfunded AAL). Details on the funding policy are provided in Section 4, Exhibit 1.

Section 1: Actuarial Valuation Summary

Demographic Data as of June 30

Demographic Data by Status	2024	2023	Change
Active non-DROP members			
• Number of members	2,759	2,447	12.8%
• Average age	42.4	42.9	-0.5
• Average service	6.4	6.8	-0.4
• Total projected compensation	\$219,934,550	\$177,732,502	23.7%
• Average projected compensation ¹	\$79,715	\$72,633	9.8%
Active DROP members			
• Number of members	204	247	-17.4%
• Average age	61.5	61.4	0.1
• Average service	22.4	22.4	0.0
• Total projected compensation	\$18,432,604	\$20,074,374	-8.2%
• Average projected compensation ¹	\$90,356	\$81,273	11.2%
Retired members and beneficiaries			
• Number of members	2,307	2,229	3.5%
– Service retired	1,707	1,649	3.5%
– Disability retired	168	168	0.0%
– Beneficiaries	432	412	4.9%
• Average age	72.3	72.1	0.2
• Average monthly benefit ²	\$2,487	\$2,381	4.5%
Inactive members			
• Number of members ³	592	508	16.5%
• Average age	43.7	44.2	-0.5
Total members	5,862	5,431	7.9%

¹ June 30, 2023 payroll was projected payroll for fiscal year 2023–2024. June 30, 2024 payroll was projected payroll for fiscal year 2024–2025.

² Excludes supplemental benefits (if any) paid from PRSB and benefits derived from DROP account balances.

³ Includes inactive members due a refund of member 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:

Input Item	Description
Plan provisions	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.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by the System. 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.
Financial information	Part of the cost of a plan will be paid from existing assets — the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the System. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use 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 starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if applicable). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

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 System. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date—it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If the Retirement System 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 and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the System upon delivery and review. The System should notify Segal immediately of any questions or concerns about the final content.

Section 2: Actuarial Valuation Results

A. Member information

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive vested members, retired members and beneficiaries.

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

Member Population

As of June 30	Active Members ¹	Inactive Members ²	Retired Members and Beneficiaries (Pay Status)	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Pay Status to Actives
2015	1,888	263	1,790	2,053	1.09	0.95
2016	1,958	282	1,858	2,140	1.09	0.95
2017	2,085	304	1,919	2,223	1.07	0.92
2018	2,163	316	1,981	2,297	1.06	0.92
2019	2,228	336	2,045	2,381	1.07	0.92
2020	2,288	342	2,088	2,430	1.06	0.91
2021	2,313	370	2,132	2,502	1.08	0.92
2022	2,431	433	2,176	2,609	1.07	0.90
2023	2,694	508	2,229	2,737	1.02	0.83
2024	2,963	592	2,307	2,899	0.98	0.78

¹ Includes DROP members.

² Includes inactive members due a refund of member contributions.

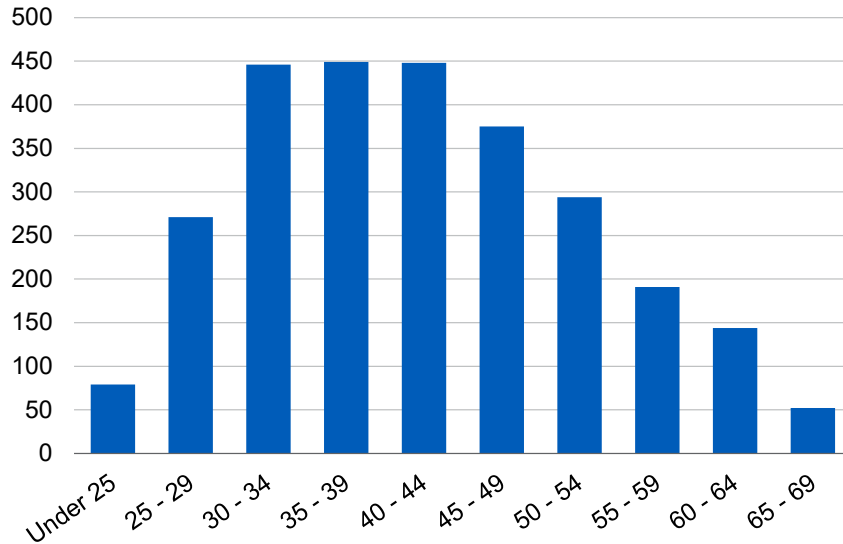
Section 2: Actuarial Valuation Results

Non-DROP active members

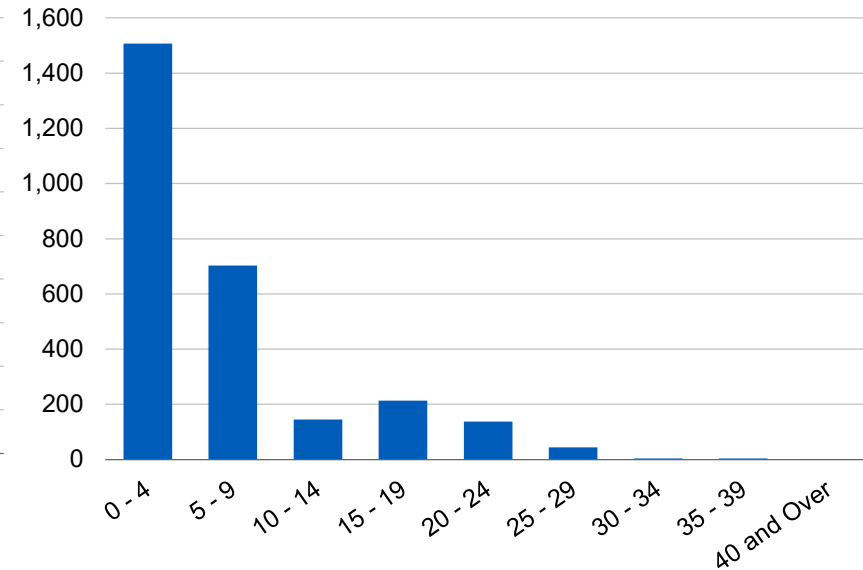
Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Active members	2,759	2,447	12.8%
Average age ¹	42.4	42.9	(0.5)
Average years of service	6.4	6.8	(0.4)
Average compensation	\$79,715	\$72,633	9.8%

Distribution of Non-DROP Active Members as of June 30, 2024

Non-DROP Actives by Age



Non-DROP Actives by Years of Service



¹ Among the active members, there were none with unknown age information.

Section 2: Actuarial Valuation Results

DROP active members

Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Active members	204	247	(17.4%)
Average age ¹	61.5	61.4	0.1
Average years of service	22.4	22.4	0.0
Average compensation	\$90,356	\$81,273	11.2%

Inactive members

Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Inactive members ²	592	508	16.5%

¹ Among the active members, there were none with unknown age information.

² Includes inactive members due a refund of member contributions.

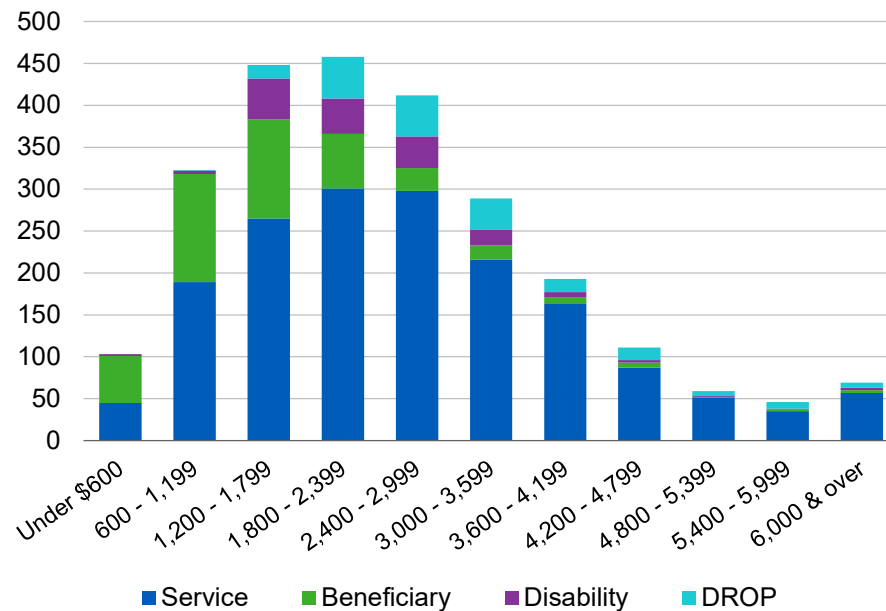
Section 2: Actuarial Valuation Results

Retired members and beneficiaries

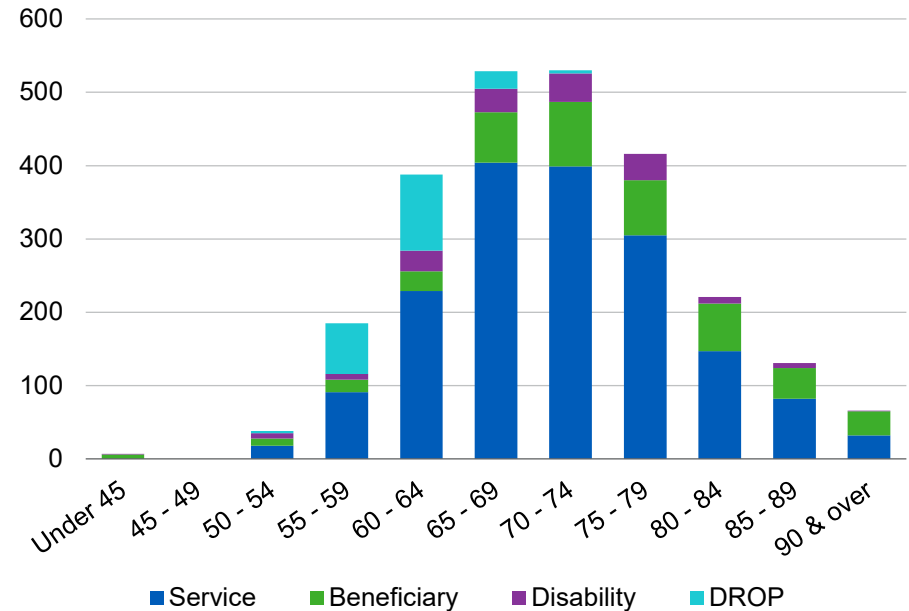
Demographic Data	As of June 30, 2024	As of June 30, 2023	Change
Retired members	1,875	1,817	3.2%
Beneficiaries	432	412	4.9%
Average age	72.3	72.1	0.2
Average monthly amount	\$2,487	\$2,381	4.5%
Total monthly amount	\$5,737,687	\$5,308,229	8.1%

Distribution of Retired Members and Beneficiaries as of June 30, 2024

By Type and Monthly Amount



By Type and Age



Section 2: Actuarial Valuation Results

Historical plan population

The chart below demonstrates the progression of the active non-DROP and DROP populations over the last ten years. The chart also shows the growth among the retired population over the same time period.

Historical Member Data

Active Members versus Retired Members and Beneficiaries (Pay Status)

As of June 30	Active Non-DROP Count	Active Non-DROP Average Age	Active Non-DROP Average Service	Active DROP Count	Active DROP Average Age	Active DROP Average Service	Pay Status Count	Pay Status Average Age	Pay Status Monthly Amount
2015	1,524	47.1	10.8	364	60.3	22.7	1,790	70.5	\$1,962
2016	1,592	46.3	9.9	366	60.6	22.5	1,858	71.0	1,961
2017	1,715	45.3	8.9	370	60.7	22.2	1,919	70.7	1,997
2018	1,812	44.8	8.4	351	60.8	22.2	1,981	71.0	2,035
2019	1,890	44.5	8.2	338	61.0	22.1	2,045	71.2	2,077
2020	1,952	44.2	8.1	336	61.2	22.2	2,088	71.6	2,122
2021	2,009	44.1	7.9	304	61.3	22.3	2,132	71.8	2,164
2022	2,157	43.5	7.5	274	61.7	22.2	2,176	71.9	2,276
2023	2,447	42.9	6.8	247	61.4	22.4	2,229	72.1	2,381
2024	2,759	42.4	6.4	204	61.5	22.4	2,307	72.3	2,487

Section 2: Actuarial Valuation Results

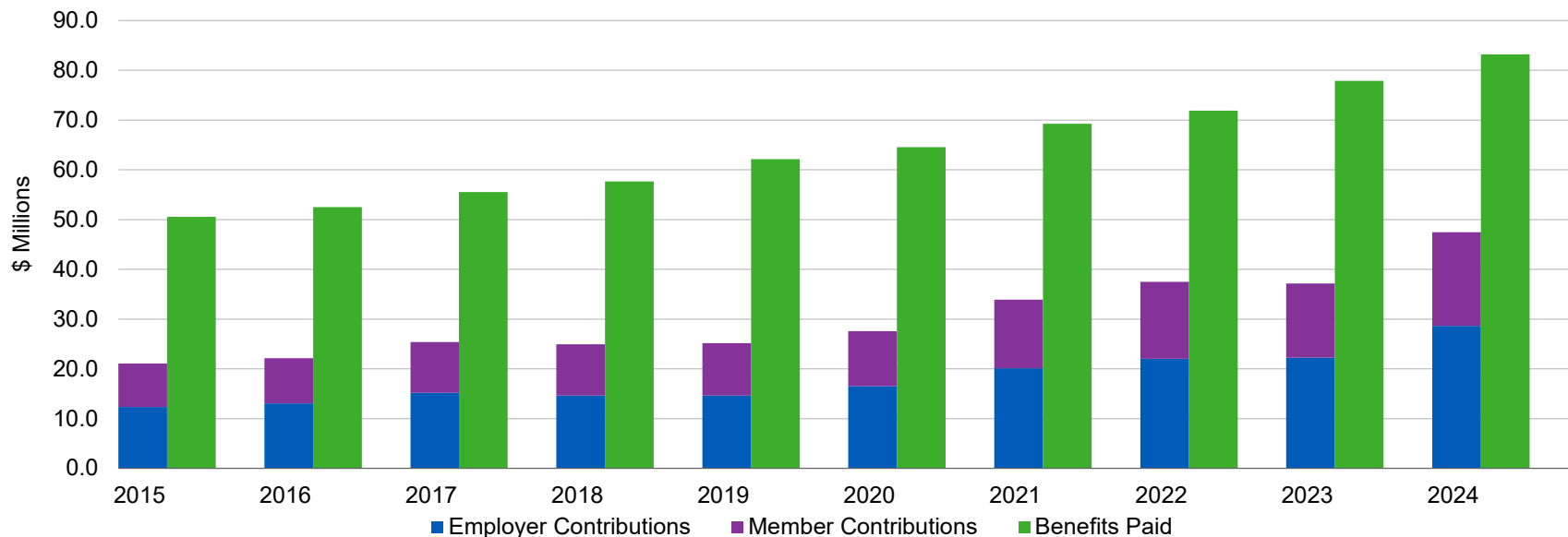
B. Financial information

Retirement plan funding anticipates that, over the long term, both contributions and investment earnings (less investment fees) will be needed to cover benefit payments and administrative expenses. 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, F and G*.

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 valuation 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.

Comparison of Contributions Made with Benefits for Years Ended June 30



Section 2: Actuarial Valuation Results

Determination of Actuarial Value and Valuation Value of Assets for Year Ended June 30, 2024

Step	Actual Return	Expected Return	Investment Gain/(Loss) ¹	Percent Deferred	Amount
1. Market value of assets					\$1,815,104,966
2. Calculation of unrecognized return					
a. Year ended June 30, 2020	\$20,108,723	\$95,205,016	\$(75,096,293)	0%	\$0
b. Year ended June 30, 2021	407,810,699	93,949,227	313,861,472	20%	62,772,294
c. Year ended June 30, 2022	(132,624,884)	119,911,742	(252,536,626)	40%	(101,014,650)
d. Year ended June 30, 2023	164,014,181	104,000,161	60,014,020	60%	36,008,412
e. Year ended June 30, 2024	169,857,906	112,338,900	57,519,006	80%	46,015,205
f. Total deferred return²					\$43,781,261
3. Actuarial value of assets: 1 – 2f					\$1,771,323,705
4. Ratio of actuarial to market value: 3 ÷ 1					97.6%
5. Non-valuation reserves					
a. DROP reserve					\$171,142,000
b. PRSB reserve					0
c. City surplus reserve ³					(291,000)
d. Total: Sum of 5a, 5b, and greater of 5c or zero					\$170,851,000
6. Valuation value of assets: 3 – 5d					\$1,600,472,705

¹ Administrative expenses are treated as benefit payments and are excluded from the calculation of actual versus expected income.

² The total deferred return as of June 30, 2024 is recognized in each of the next four years as follows:

a. Amount recognized on June 30, 2025	\$35,771,575
b. Amount recognized on June 30, 2026	(27,000,720)
c. Amount recognized on June 30, 2027	23,506,605
d. Amount recognized on June 30, 2028	<u>11,503,801</u>
e. Total unrecognized return as of June 30, 2024	\$43,781,261

³ The City Surplus Reserve is treated as an asset; it represents the City's prior shortfall contributions due to the difference between the actual versus the estimated contributions for 2023–2024. This difference is taken into account in developing the contribution rate requirement for 2025–2026. See Steps (4) and (12) in Table 4 of Section 3, Exhibit H for these calculations.

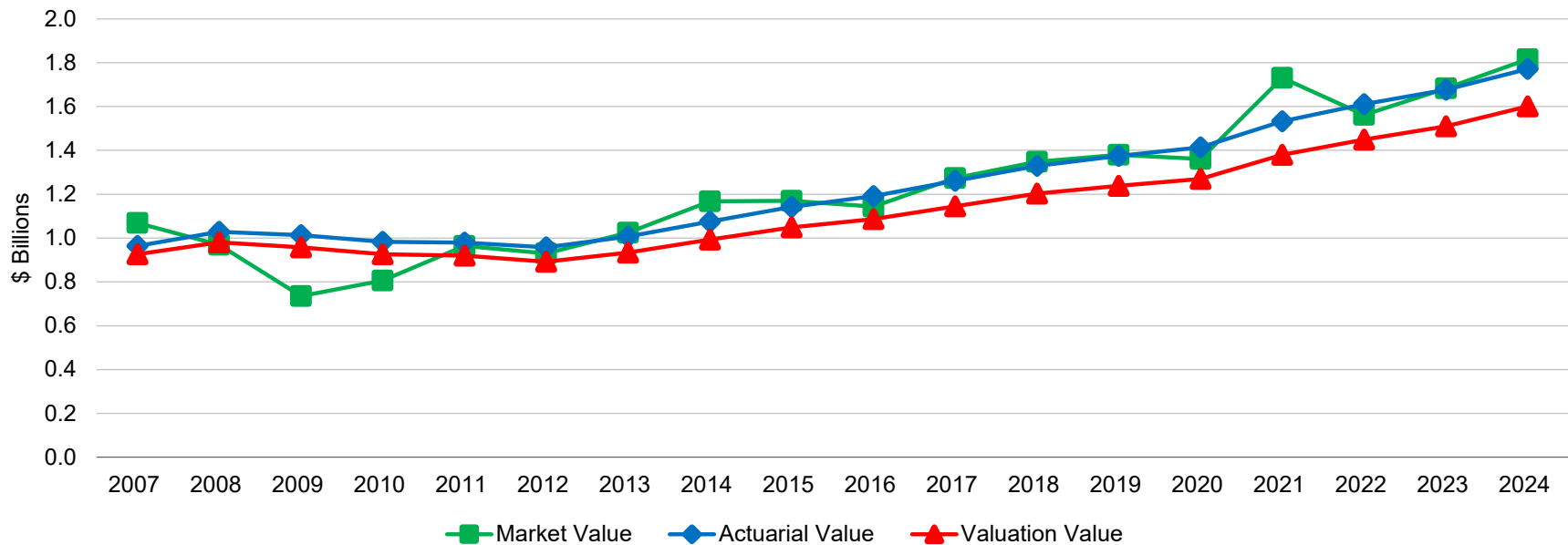
Section 2: Actuarial Valuation Results

Asset history

The market value, actuarial value and valuation value of assets are representations of the Plan'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 valuation value of assets is generally the actuarial value, excluding any non-valuation reserves.

The valuation value of assets is significant because the Plan'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 contribution requirement.

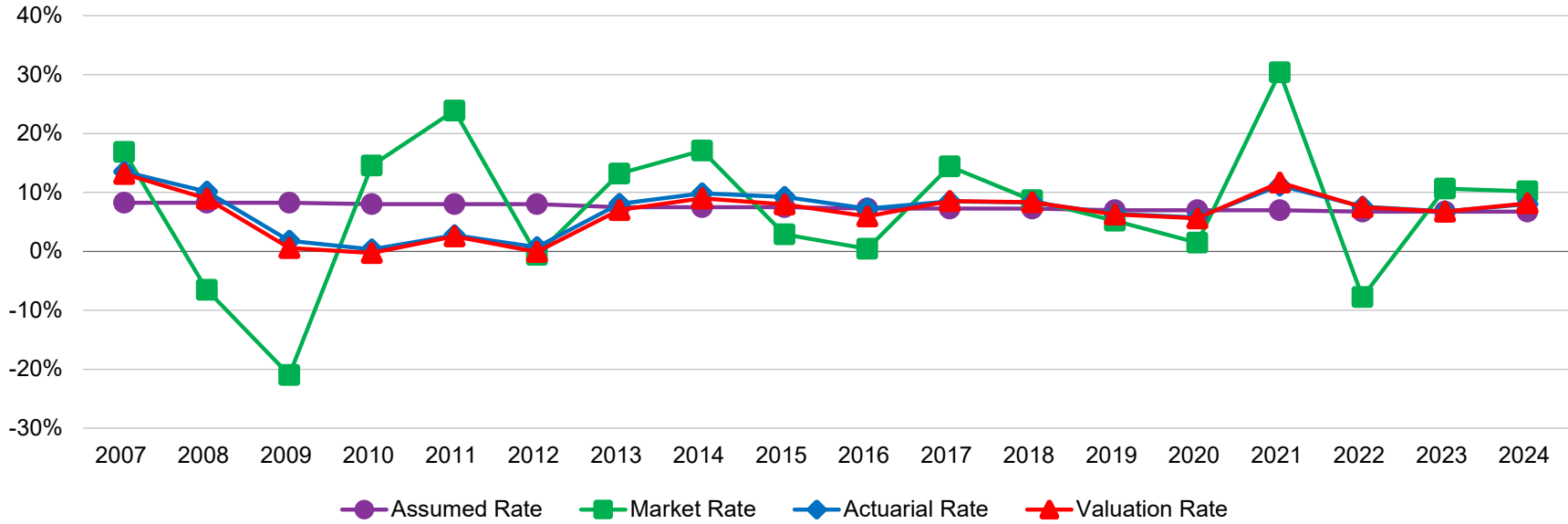
Market Value, Actuarial Value, and Valuation Value of Assets as of June 30



Section 2: Actuarial Valuation Results

Historical investment returns

Market, Actuarial and Valuation Rates of Return for Years Ended June 30



Legend	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Market rate	16.85%	(6.50%)	(20.97%)	14.54%	23.88%	(0.59%)	13.21%	17.11%	2.89%	0.44%	14.40%	8.67%	5.22%	1.48%	30.39%	(7.74%)	10.65%	10.21%
◆ Actuarial rate	13.53%	10.13%	1.81%	0.35%	2.76%	0.74%	8.05%	9.86%	9.24%	7.26%	8.50%	8.31%	6.39%	5.77%	11.18%	7.62%	6.78%	8.03%
▲ Valuation rate	13.17%	8.95%	0.59%	(0.25%)	2.56%	(0.07%)	7.01%	8.99%	7.98%	5.93%	8.52%	8.34%	6.29%	5.60%	11.68%	7.50%	6.77%	8.15%
● Assumed rate	8.25%	8.25%	8.25%	8.00%	8.00%	8.00%	7.50%	7.50%	7.50%	7.25%	7.25%	7.25%	7.00%	7.00%	7.00%	6.75%	6.75%	6.75%

Average Rates of Return	Market Value	Actuarial Value	Valuation Value
Most recent five-year geometric average return	8.28%	7.86%	7.92%
Most recent 10-year geometric average return	7.24%	7.90%	7.66%
Most recent 15-year geometric average return	9.24%	6.68%	6.28%

Section 2: Actuarial Valuation Results

C. Actuarial experience

To calculate any actuarially determined 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), the actuarially determined contribution will decrease from the previous year. On the other hand, the actuarially determined contribution 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. There are no changes in actuarial assumptions reflected in this valuation.

The actuarial experience for the year can be found below and a discussion of the major components can be found on the following pages.

Actuarial Experience for Year Ended June 30, 2024

Source	Amount
1. Net (gain) from investments ¹	\$(20,948,000)
2. Net loss from contributions	2,331,000
3. Net loss from other experience ²	35,544,000
4. Net experience loss	\$16,927,000

¹ Details on next page.

² See *Subsection E* for further details. Does not include the effect of plan, method or assumption changes, if any.

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 Plan's investment policy.

For valuation purposes, the assumed rate of return on the valuation value of assets is 6.75% based on the June 30, 2023 valuation. The actual rate of return on a valuation basis for the 2023-2024 plan year was 8.15% after recognizing a portion of this year's investment gain and a portion of prior years' investment gains and losses. Since the actual return for the year was more than the assumed return, the Plan experienced an actuarial gain during the year ended June 30, 2024 with regard to its investments.

Investment Experience for Year Ended June 30, 2024

Line Description	Market Value	Actuarial Value	Valuation Value
1. Net investment income	\$169,857,906	\$133,091,215	\$121,799,825
2. Average value of assets	\$1,664,280,005	\$1,657,265,435	\$1,494,102,630
3. Rate of return: 1 ÷ 2	10.21%	8.03%	8.15% ¹
4. Assumed rate of return	6.75%	6.75%	6.75%
5. Expected investment income: 2 × 4	\$112,338,900	\$111,865,417	\$100,851,928
6. Investment gain/(loss): 1 – 5	\$57,519,006	\$21,225,798	\$20,947,898

¹ The rate of return on the Valuation Value is "backed" into by using the change in the beginning of the year Valuation Value of Assets, contributions, benefit payments, and the end of year Valuation Value of Assets. The rate return is therefore sometimes different between what we calculated for the Employees and Fire and Police Systems.

Section 2: Actuarial Valuation Results

Contributions

Contributions for the year ended June 30, 2024 totaled \$45.7 million, compared to the projected amount of \$48.0 million. This resulted in loss of \$2.3 million for the year.

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:

- Mortality experience (more or fewer than expected deaths)
- The extent of turnover among members
- Retirement experience (earlier or later than projected)
- The number of disability retirements (more or fewer than projected)
- Salary increases (greater or smaller than projected)
- DROP experience different than assumed
- Cost-of-living adjustments (COLAs) higher or lower than anticipated

The net loss from this other experience for the year ended June 30, 2024 amounted to \$35.5 million, which is 2.4% of the actuarial accrued liability. This net loss was mainly due to higher than expected salary increases for actives and higher than expected COLA increases for continuing retirees and beneficiaries. See *Section 2, Subsection E* for a detailed development of the unfunded actuarial accrued liability.

Section 2: Actuarial Valuation Results

D. Other changes impacting the actuarial accrued liability

The Actuarial Accrued Liability as of June 30, 2024 is \$1.46 billion, an increase of \$99.5 million, or 7.3%, from the Actuarial Accrued Liability as of the prior valuation date. The liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

Actuarial assumptions

There were no changes in actuarial assumptions since the prior valuation.

Details on actuarial assumptions and methods are in *Section 4, Exhibit 1*.

Plan provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit 2*.

Section 2: Actuarial Valuation Results

E. Unfunded actuarial accrued liability

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2024

Line Description	Amount
1. Unfunded/(Prefunded) actuarial accrued liability at beginning of year	\$(151,318,000)
2. Normal cost at middle of year	45,365,000
3. Expected employer and member contributions ¹	(43,547,000)
4. Expected 2023–2024 PRSB Allocation, excluding draw down of the PRSB reserve and non-valuation assets	0
5. Interest to end of year	(10,153,000)
6. Expected unfunded actuarial accrued liability at end of year	\$(159,653,000)
7. Changes due to:	
a. Actual contribution experience ²	\$2,331,000
b. Investment return greater than expected, after asset smoothing	(20,948,000)
c. Individual salary increases greater than expected	21,089,000
d. COLA increases greater than expected	7,892,000
e. Other net experience (gain)/loss ³	6,563,000
f. Total changes	\$16,927,000
8. Unfunded/(Prefunded) actuarial accrued liability at end of year: 6 + 7f	\$(142,726,000)

Note: The sum of items 7c through 7e equals the “Net (gain)/loss from other experience” shown in *Section 2, Subsection C*.

¹ Expected employer and member contributions reflect amount required to be paid after allocation of actuarial surplus, if any.

² The contribution loss shown is due to the scheduled one-year delay in implementing contribution rates from the previous valuation, and to a larger than expected drawdown from the surplus due to application of the surplus offset to a larger than expected payroll for the 2023-2024 fiscal year.

³ Due primarily to updated membership data for some vested terminated members and to other actuarial gains/losses.

Section 2: Actuarial Valuation Results

F. Recommended contribution

The recommended contribution is equal to the employer Normal Cost payment, plus a payment on the Unfunded Actuarial Accrued Liability or the employer's share of the amortization of Actuarial Surplus, plus an adjustment for any contribution excess/shortfall in the prior year. As of June 30, 2024, the average recommended employer contribution is 13.94% of payroll.

The Board sets the funding policy used to calculate the recommended contribution based on layered amortization periods. See Section 4, Exhibit I for further details on the funding policy.

The contribution requirement as of June 30, 2024 for fiscal year 2025/2026 is 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.

Average Recommended Employer Contribution Calculated as of June 30 (\$ in '000s)

Line Description	2024 Amount	2024 % of Projected Compensation	2023 Amount	2023 % of Projected Compensation
1. Total normal cost	\$56,542	23.03%	\$56,297	22.93%
2. Expected member normal cost contributions	(22,268)	(9.07%)	(21,703)	(8.84%)
3. Employer normal cost: 1 + 2	\$34,274	13.96%	\$34,594	14.09%
4. Surplus offset	0	0.00%	(516)	(0.21%)
5. Contribution (excess)/shortfall from prior fiscal year	(60)	(0.02%)	442	0.18%
6. Total recommended employer contribution: 3 + 4 + 5	\$34,214	13.94%	\$34,520	14.06%
7. Projected 2025–2026 compensation for non-DROP and DROP members	\$245,519		\$245,519	

Note: Contributions are assumed to be paid at the middle of the year.

Section 2: Actuarial Valuation Results

Reconciliation of average recommended employer contribution rate

Reconciliation from June 30, 2023 to June 30, 2024
 (\$ in '000s)

Item	Contribution Rate	Estimated Annual Dollar Amount ¹
1. Average recommended employer contribution as of June 30, 2023 (for 2024–2025 fiscal year)	14.06%	\$34,520
2. Changes due to:		
a. Reverse effect of contribution offset included in the above rate (payable 2024–2025)	0.18%	\$442
b. Reverse effect of surplus allocated to the City in the 6/30/2023 valuation for the 2024–2025 fiscal year	(0.21%)	(516)
c. Normal Cost Rate as of June 30, 2023	14.09%	\$34,594
3. Actuarial experience during 2023–2024 on Normal Cost Rate		
a. Changes in membership demographics among all active (DROP and non-DROP) members	(0.13%)	(320)
b. Normal Cost Rate as of June 30, 2024	13.96%	\$34,274
4. Changes due to:		
a. Charge for the difference between the actual and the estimated 2024–2025 fiscal year contributions	(0.02%)	(60)
b. Credit for surplus allocated to the City in the 6/30/2024 valuation to reduce the employer's COLA rate for the 2025–2026 fiscal year	0.00%	\$0
5. Average recommended employer contribution as of June 30, 2024 (for 2025–2026 fiscal year): 2c + 3a + 4a + 4b	13.94%	\$34,214

¹ Based on projected fiscal year 2025–2026 annual payroll of \$245,519 for active non-DROP and DROP members (dollars in thousands).

Section 2: Actuarial Valuation Results

Reconciliation of average recommended member contribution rate

Reconciliation from June 30, 2023 to June 30, 2024
 (\$ in '000s)

Item	Contribution Rate	Estimated Annual Dollar Amount ¹
1. Average recommended member contribution as of June 30, 2023 (for 2024–2025 fiscal year)	9.61%	\$21,770
2. Changes due to:		
a. Reverse effect of 2024–2025 fiscal year COLA contribution offset included in the above rate	(0.23%)	(521)
b. Normal Cost Rate as of June 30, 2023	9.84%	22,291
3. Actuarial experience during 2023–2024 on Normal Cost Rate		
a. Changes in membership demographics among all active (DROP and non-DROP) members	(0.01%)	(23)
b. Normal Cost Rate as of June 30, 2024	9.83%	22,268
4. Changes due to:		
a. Credit for surplus allocated to pay employee COLA contributions for the 2025–2026 fiscal year	0.00%	0
5. Average Recommended Member Contribution as of June 30, 2024 (for 2025–2026 fiscal year): 2b + 3a + 4a	9.83%	\$22,268

¹ Based on projected fiscal year 2025–2026 annual payroll of \$226,533 for active non-DROP (dollars in thousands).

Section 2: Actuarial Valuation Results

Breakdown of total normal cost for each type of benefit

As requested by the Retirement System, we have provided a breakdown of the Normal Cost to fund each type of benefit.

Elements of Normal Cost for Year Ending June 30

Normal Cost	2024	2023
Service retirement	18.67%	18.61%
Vested deferred retirement and contribution refunds	2.50%	2.47%
Death-in-service	0.17%	0.18%
Disability	1.69%	1.67%
Total normal cost	23.03%	22.93%
Less expected employee contributions, ignoring surplus offset ¹	(9.07%)	(8.84%)
Net employer normal cost	13.96%	14.09%

¹ The offset for employee contributions is less than the aggregate member rate because it excludes the surplus offset (if any) and expresses the employee contribution dollar amount as a percent of projected fiscal year 2025–2026 annual payroll for all active members (non-DROP and DROP) of \$245,519 instead of annual payroll for only active non-DROP members of \$226,533 (dollars in thousands).

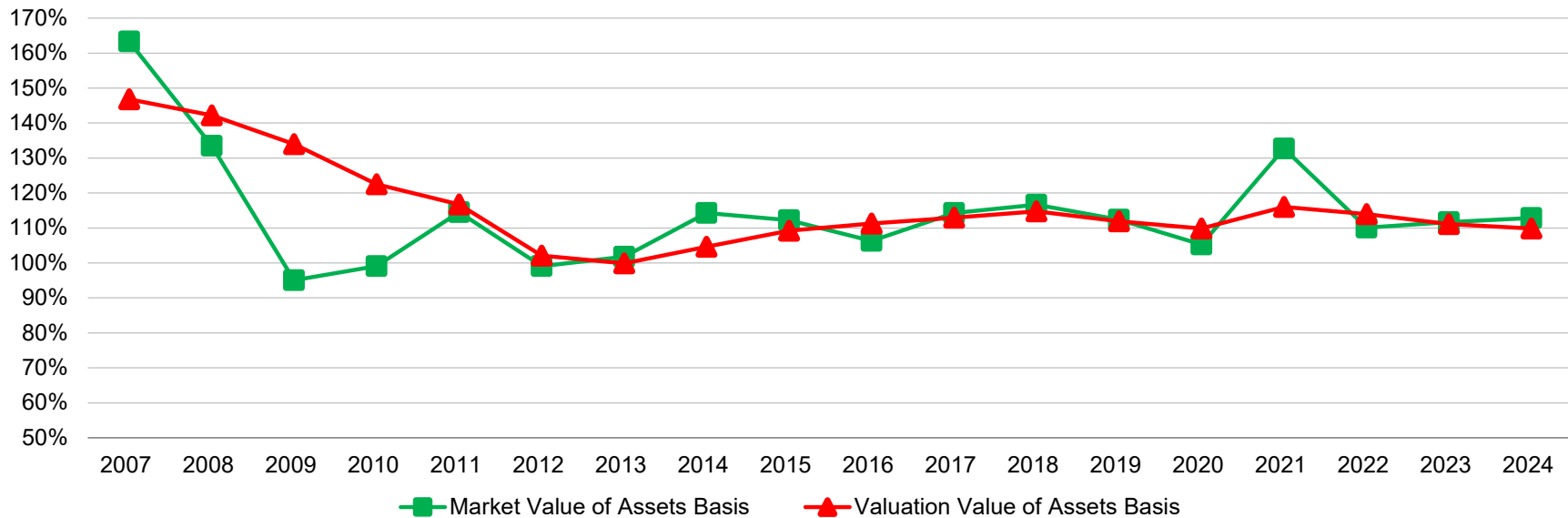
Section 2: Actuarial Valuation Results

G. Funded status

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. These ratios compare the market value of assets (excluding non-valuation reserves) and valuation value of assets to the actuarial accrued liability of the Plan. Higher ratios indicate a relatively well-funded plan while lower ratios may indicate recent changes to actuarial assumptions, funding of the plan below actuarial requirements, poor asset performance, or a variety of other causes.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the market, actuarial, or valuation value of assets is used.

Funded Ratio as of June 30



Section 2: Actuarial Valuation Results

Schedule of Funding Progress (\$ in '000s)

As of June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Prefunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Projected Compensation (c)	Prefunded AAL/(UAAL) as a % of Projected Compensation [(b) - (a)] ÷ (c)
2015	\$1,049,093	\$960,364	\$88,729	109.2	\$110,107	80.6
2016	1,087,125	976,909	110,216	111.3	113,436	97.2
2017	1,145,061	1,013,684	131,377	113.0	125,915	104.3
2018	1,202,691	1,047,692	154,999	114.8	134,946	114.9
2019	1,238,651	1,106,660	131,991	111.9	145,458	90.7
2020	1,269,173	1,155,060	114,113	109.9	156,355	73.0
2021	1,380,265	1,189,980	190,285	116.0	160,372	118.7
2022	1,449,730	1,271,762	177,968	114.0	171,676	103.7
2023	1,509,532	1,358,214	151,318	111.1	197,807	76.5
2024	1,600,473	1,457,747	142,726	109.8	238,367	59.9

Section 2: Actuarial Valuation Results

H. Actuarial balance sheet

An overview of the Plan's funding is given by an actuarial balance sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet as of June 30 (*\$ in '000s*)

Line Description	2024	2023
Liabilities		
Present value of benefits already granted, excluding current active DROP	\$829,257	\$779,793
Present value of benefits for current active DROP	126,295	145,397
Present value of benefits to be granted	1,015,071	844,045
Total liabilities	\$1,970,623	\$1,769,235
Current and Future Assets		
Total valuation value of assets	\$1,600,473	\$1,509,532
Present value of future member total cost	184,920	146,278
Present value of future employer total cost	327,956	264,743
• Unfunded actuarial accrued liability	(142,726)	(151,318)
Total of current and future assets	\$1,970,623	\$1,769,235

Section 2: Actuarial Valuation Results

I. Risk

Because the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the plan.

This section does not contain a detailed analysis of the potential range of future measurements, but does include a concise discussion of some of the primary risks that may affect the Plan's future financial condition. As we discussed with the Retirement System's staff, because the Plan is sufficiently well-funded (funded percentage of 109.8%), adverse experience for a short period of time is less likely to result immediately in an unfunded liability compared with plans whose funded percentage is closer to or below 100%. However, should the Plan's funded percentage fall closer to or below 100%, we will recommend that the Retirement System consider a stand-alone report with a more detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition. At that time, a more detailed assessment of the risks tailored to specific interests or concerns of the Board would provide the Board with a better understanding of the inherent risks and would further discuss and highlight information and risks particular to the Retirement System such as detailed historical experience and key events, growing plan maturity, heightened contribution sensitivity to asset and liability changes, and projected sensitivity to potential future investment returns through selected scenario or stress test and stochastic modeling.

This section provides descriptions and basic assessments of the primary risks that are likely to have an ongoing influence on the Plan's financial health, as well as a discussion of historical trends and maturity measures:

Risk assessments

- **Asset/Liability Mismatch Risk** (the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge)

The most significant asset/liability mismatch risk to the Plan is investment risk, as discussed below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first is evident in annual valuations; when asset values deviate from assumptions they are typically independent from liability changes. The second can be caused when systemic asset deviations from assumptions may signal the need for an assumption change, which causes liability values and contribution rates to move in the opposite direction from any change in the expected experience of asset growth rates.

Asset/liability mismatch can also be caused by demographic assumption risk such as longevity, which affects liabilities but has no impact on asset levels. This risk is also discussed below.

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

Section 2: Actuarial Valuation Results

The investment return assumption is a long-term, static assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. That volatility can cause significant changes in the financial condition of the Plan, affecting both funded status and contribution rates. The inherent year-to-year volatility is reduced by smoothing through the valuation value of assets, however investment experience can still have a sizable impact. As discussed in *Section 2, Subsection J, Volatility Ratios*, on page 41, a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.6% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss) if the Retirement System has an unfunded actuarial accrued liability.

The year-by-year market value rate of return over the last 10 years has ranged from a low of -7.74% to a high of 30.39%.

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

The actuarial valuation includes current life expectancy assumptions and an expectation of future improvement in life expectancy, which are significant assumptions given the relatively long duration of liabilities for pension plans. Emerging plan experience that does not match these expectations will result in increases or decreases in the actuarially determined contribution over time. This risk can be reduced by using tables appropriate for the Plan (public experience tables) that are weighted by benefit levels, and by using generational mortality projections. The Board has adopted mortality tables based on this methodology.

- **Other Risks**

In addition to longevity, the valuation includes a variety of other assumptions that are unlikely to match future experience exactly. One example is projected salary scales over time. As salary is central to the determination of benefits paid in retirement, deviations from the projected salary scales could have a material impact on the benefits anticipated for each member. Examples of other demographic assumptions include retirement, termination and disability assumptions, and will likely vary in significance for different groups (for example, disability assumptions are typically more significant for older members).

Some plans also carry significant contribution risk, defined as the potential for actual future contributions deviating from expected future contributions. While the City has not yet implemented the contribution rates adopted by the Board for 2024–2025, that is the first time that has happened so we would wait to opine on this risk pending future information.

Evaluation of historical trends

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

- The funded percentage on the valuation value of assets basis has ranged from a low of 109.2% in 2015 to a high of 116.0% in 2021. For a more detailed history see *Section 2, Subsection G, Funded status* starting on page 35.

Section 2: Actuarial Valuation Results

- The average geometric investment return on the valuation value of assets over the last 10 years was 7.66%. This includes a high of 11.68% and a low of 5.60%. The average over the last five years is 7.92%. For more details see the *Section 2, Subsection B, Historical investment returns* on page 24.

Maturity measures

In the last 10 years the ratio of members in pay status to active participants has declined from a high of 0.95 in 2015 to 0.78 as of the current valuation. A decreased ratio indicates that the plan has become less mature over time. This is caused by an increase in the number of active members during the past ten years. Generally speaking, we would expect a retirement plan to become more mature over time as the number of members in pay-status increase relative to the number of active members. For more details see *Section 2, Subsection A, Member information* on page 16.

As pension plans mature, the cash needed 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. Over the past year, benefits paid were \$36 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return. For more details on historical cash flows see *Section 2, Subsection B, Financial information* on page 21.

A further discussion of plan maturity measures and how they relate to changes in assets and liabilities is included in *Section 2, Subsection J, Volatility ratios* on page 41.

Low-Default-Risk Obligation Measure (LDROM)

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. One of the revisions to ASOP 4 requires the disclosure of a Low-Default-Risk Obligation Measure (LDROM) when performing a funding valuation. The LDROM presented in this report is calculated using the same methodology and assumptions used to determine the AAL used for funding, except for the discount rate. The LDROM is required to be calculated using "a discount rate...derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future."

The LDROM is a calculation assuming a plan's assets are invested in an all-bond portfolio, generally lowering expected long-term investment returns. The discount rate selected and used for this purpose is the Bond Buyer General Obligation 20-year Municipal Bond Index Rate, published at the end of each week. The last published rate in December of the measurement period, by The Bond Buyer, is 3.93% for use effective June 30, 2024. This is the rate used to determine the discount rate for valuing reported public pension plan liabilities in accordance with Governmental Accounting Standards when plan assets are projected to be insufficient to

Section 2: Actuarial Valuation Results

make projected benefit payments, and the 20-year period reasonably approximates the duration of plan liabilities. The LDRM is not used to determine a plan's funded status or actuarially determined contribution rates. The plan's expected return on assets, currently 6.75%, is used for these calculations.

As of June 30, 2024, the LDRM for the Plan is \$2.20 billion.¹ The difference between the Plan's AAL of \$1.46 billion and the LDRM can be thought of as the increase in the AAL if the entire portfolio were invested in low-default-risk securities. Alternatively, this difference could also be viewed as representing the expected savings from investing in the Plan's diversified portfolio compared to investing only in low-default-risk securities.

ASOP 4 requires commentary to help the intended user understand the significance of the LDRM with respect to the funded status of the plan, plan contributions, and the security of member benefits. In general, if plan assets were invested exclusively in low-default-risk securities, the funded status would be lower and the actuarially determined contribution would be higher. While investing in a portfolio with low-default-risk securities may be more likely to reduce investment volatility and the volatility of employer contributions, it also may be more likely to result in higher employer contributions or lower benefits.

¹ For comparison purposes, as of June 30, 2023, the LDRM was \$2.02 billion based on a discount rate of 3.65%, while the Plan's actuarial accrued liability was \$1.36 billion.

Section 2: Actuarial Valuation Results

J. 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 projected compensation, 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 AVR¹ is about 7.6. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.6% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss) if the Retirement System has an unfunded actuarial accrued liability.

The Liability Volatility Ratio (LVR), which is equal to the actuarial accrued liability divided by total projected compensation, 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 total Plan LVR is about 6.1. This is about 20% lower than the AVR.

¹ In developing the AVR, we have used the entire Market Value of Assets, including the non-valuation reserves and other adjustments.

Section 2: Actuarial Valuation Results

Volatility Ratios

Asset Volatility Ratio (AVR) versus Liability Volatility Ratio (LVR)

As of June 30	Asset Volatility Ratio	Liability Volatility Ratio
2015	10.6	8.7
2016	10.1	8.6
2017	10.1	8.1
2018	10.0	7.8
2019	9.5	7.6
2020	8.7	7.4
2021	10.8	7.4
2022	9.1	7.4
2023	8.5	6.9
2024	7.6	6.1

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Exhibit A: Table of plan demographics

Total Plan — Demographics as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number	2,759	2,447	12.8%
• Average age	42.4	42.9	-0.5
• Average years of service	6.4	6.8	-0.4
• Total projected compensation	\$219,934,550	\$177,732,502	23.7%
• Average projected compensation	\$79,715	\$72,633	9.8%
• Account balances	\$127,682,170	\$113,939,609	12.1%
• Total active vested members	1,252	1,163	7.7%
Active DROP members in valuation			
• Number	204	247	-17.4%
• Average age	61.5	61.4	0.1
• Average service	22.4	22.4	0.0
• Projected total compensation	\$18,432,604	\$20,074,374	-8.2%
• Projected average compensation	\$90,356	\$81,273	11.2%
Inactive members			
• Number ¹	592	508	16.5%
• Average age	43.7	44.2	-0.5

¹ Includes inactive members due a refund of member contributions.

Section 3: Supplemental Information

Demographic Data by Status	2024	2023	Change
Retired members			
• Number	1,707	1,649	3.5%
• Average age	71.8	71.7	0.1
• Average monthly benefit ¹	\$2,733	\$2,616	4.5%
Disabled members			
• Number	168	168	0.0%
• Average age	70.6	70.2	0.4
• Average monthly benefit ¹	\$2,396	\$2,298	4.3%
Beneficiaries			
• Number	432	412	4.9%
• Average age	74.9	74.5	0.4
• Average monthly benefit ¹	\$1,551	\$1,478	4.9%

¹ Excludes supplemental benefits paid from PRSB.

Section 3: Supplemental Information

Exhibit B: Distribution of active members

Total Plan¹

Active Counts & Average Projected Compensation by Age and Years of Service as of June 30, 2024

Age	Total	0–4 Years	5–9 Years	10–14 Years	15–19 Years	20–24 Years	25–29 Years	30–34 Years	35–39 Years	40 Years and Over
Under 25	79	79	—	—	—	—	—	—	—	—
	\$56,561	\$56,561	—	—	—	—	—	—	—	—
25–29	271	255	16	—	—	—	—	—	—	—
	64,714	64,155	\$73,629	—	—	—	—	—	—	—
30–34	446	339	104	3	—	—	—	—	—	—
	73,416	70,425	82,798	\$86,130	—	—	—	—	—	—
35–39	449	265	154	20	10	—	—	—	—	—
	79,920	71,988	88,738	100,033	\$114,096	—	—	—	—	—
40–44	448	237	142	29	34	6	—	—	—	—
	84,444	76,709	87,811	117,522	92,534	\$104,608	—	—	—	—
45–49	375	146	106	26	51	40	6	—	—	—
	85,745	75,572	85,094	102,036	92,451	101,547	\$111,850	—	—	—
50–54	294	78	70	23	50	51	21	1	—	—
	83,601	69,883	88,127	77,658	86,897	91,840	97,250	\$102,005	—	—
55–59	191	60	44	20	31	21	13	2	—	—
	86,627	74,834	81,052	100,729	99,255	100,868	84,187	92,648	—	—
60–64	144	37	50	13	28	12	2	—	1	1
	86,231	84,203	86,328	81,199	79,414	117,971	68,958	—	\$75,562	\$77,030
65–69	52	9	13	10	8	7	1	1	3	—
	94,107	94,748	89,837	96,844	77,676	119,130	120,876	78,018	83,432	—
70 and over	10	2	4	1	1	1	1	—	—	—
	88,010	131,975	65,119	97,820	117,831	67,591	72,431	—	—	—
Total	2,759	1,507	703	145	213	138	44	4	4	1
	\$79,715	\$71,112	\$85,951	\$98,225	\$91,017	\$100,063	\$94,068	\$91,330	\$81,464	\$77,030

¹ Excludes 204 active members in DROP with a projected average compensation of \$90,356.

Section 3: Supplemental Information

Exhibit C: Reconciliation of member data

Line Description	Non-DROP Active Members	DROP Members	Inactive Members	Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2023	2,447 ¹	247 ¹	508	1,649	168	412	5,431
New members	591	0	0	0	0	34	625
Terminations with vested rights	(164)	0	164	0	0	0	0
Contribution refunds	(75)	0	(42)	0	0	0	(117)
DROP entry	(15)	15	0	0	0	0	0
Retirements	(31)	(56)	(27)	114	0	0	0
New disabilities	0	0	0	(4)	4	0	0
Return to work	11	0	(11)	0	0	0	0
Died with or without beneficiary	(5)	(2)	0	(53)	(4)	(15)	(79)
Data adjustments	0	0	0	1	0	1	2
Number as of June 30, 2024	2,759²	204²	592	1,707	168	432	5,862

¹ There was a total of 2,694 actives (including non-DROP and DROP members) at the beginning of the fiscal year.

² There was a total of 2,963 actives (including non-DROP and DROP members) at the end of the fiscal year.

Section 3: Supplemental Information

Exhibit D: Summary of income and expenses on a market value basis

Statement of Income and Expenses for Years Ended June 30

Line Description	2024	2023
Contribution income		
• Employer contributions	\$28,621,359	\$22,236,117
• Member contributions	18,833,018	14,894,336
• Less administrative expenses	(2,318,078)	(2,145,866)
– Net contribution income	\$45,136,299	\$34,984,587
Investment income		
• Interest, dividends and other income	\$15,104,005	\$18,886,931
• Asset appreciation	189,059,116	170,225,291
• Less investment fees	(34,305,215)	(25,098,041)
– Net investment income	\$169,857,906	\$164,014,181
Total income available for benefits	\$214,994,205	\$198,998,768
Less benefit payments		
• Benefits paid	\$(81,555,616)	\$(76,024,703)
• Post retirement supplemental benefits	0	0
• Refund of contributions	(1,646,573)	(1,848,595)
– Net benefit payments	\$(83,202,189)	\$(77,873,298)
Change in market value of assets	\$131,792,016	\$121,125,470
Net assets at market value at the beginning of the year	\$1,683,312,950	\$1,562,187,480
Net assets at market value at the end of the year	\$1,815,104,966	\$1,683,312,950

Note: Results may be slightly off due to rounding.

Section 3: Supplemental Information

Exhibit E: Summary statement of plan assets

Statement of Plan Assets as of June 30

Line Description	2024	2023
Cash equivalents	\$545,336	\$547,117
Accounts receivable		
• Receivables for investments sold	\$5,004,319	\$17,781,397
• Interest and dividends	1,868,313	1,680,049
• Other receivables	713,143	4,942,754
– Total accounts receivable	\$7,585,775	\$24,404,200
Investments		
• Domestic and international equity	\$796,168,219	\$792,344,610
• Government and corporate bonds	224,246,610	203,918,928
• Real assets	382,654,714	354,324,504
• Collateral held for securities lent	24,737,950	22,259,394
• Other investments	411,008,005	334,316,807
– Total investments at market value	\$1,838,815,498	\$1,707,164,243
Other assets	105,115	134,932
Total assets	\$1,847,051,724	\$1,732,250,492
Accounts payable		
• Collateral held for securities lent	\$(24,737,950)	\$(22,259,394)
• Payable for investments and foreign currency purchased	(6,356,358)	(19,000,885)
• Other liabilities	(852,450)	(7,677,263)
– Total accounts payable	\$(31,946,758)	\$(48,937,542)
Net assets at market value	\$1,815,104,966	\$1,683,312,950
Net assets at actuarial value	\$1,771,323,705	\$1,676,298,380
Net assets at valuation value	\$1,600,472,705	\$1,509,532,380

Note: Results may be slightly off due to rounding.

Section 3: Supplemental Information

Exhibit F: Summary of reported reserve information

Reserve Information as of June 30, 2024

Line Description	Reserves (\$ in '000s)
Used in Development of Valuation Value of Assets	
• Employer Reserves	\$1,488,300
• Active Member Reserves	155,954
– Subtotal	\$1,644,254
Not Used in Development of Valuation Value of Assets:	
• DROP Reserves	\$171,142
• Reserves for PRSB	0
• City Surplus Reserve ¹	(291)
– Subtotal	\$170,851
Net market value	\$1,815,105

Note: Results may be slightly off due to rounding.

¹ The City Surplus Reserve is treated as an asset; it represents the City's prior shortfall contributions due to the difference between the actual versus the estimated contributions for 2023–2024. This difference is taken into account in developing the contribution rate requirement for 2025–2026.

Section 3: Supplemental Information

Exhibit G: Development of the Plan through June 30, 2024

Year Ended June 30	Employer Contributions	Member Contributions	Administrative Expenses	Net Investment Return ¹	Benefit Payments	Market Value of Assets at Year-End	Valuation Value of Assets at Year-End	Valuation Value as a Percent of Market Value
2015	\$12,326,570	\$8,750,214	\$1,070,996	\$33,309,388	\$50,545,713	\$1,169,926,556	\$1,141,925,965	97.6%
2016	13,060,088	9,098,286	1,346,189	5,089,099	52,528,821	1,143,299,019	1,191,946,081	104.3%
2017	15,205,360	10,180,589	1,386,778	162,373,451	55,549,905	1,274,121,736	1,260,320,145	98.9%
2018	14,608,659	10,329,475	1,618,767	108,915,466	57,665,936	1,348,690,633	1,329,287,315	98.6%
2019	14,627,425	10,515,533	1,663,359	69,388,982	62,144,085	1,379,415,129	1,374,376,718	99.6%
2020	16,553,928	11,027,519	1,748,928	20,108,723	64,519,468	1,360,836,903	1,413,867,360	103.9%
2021	20,144,322	13,749,909	2,058,363	407,810,699	69,246,057	1,731,237,413	1,532,444,471	88.5%
2022	22,016,525	15,492,662	2,049,858	(132,624,884)	71,884,378	1,562,187,480	1,611,336,315	103.1%
2023	22,236,117	14,894,336	2,145,866	164,014,181	77,873,298	1,683,312,950	1,676,298,380	99.6%
2024	28,621,359	18,833,018	2,318,078	169,857,906	83,202,189	1,815,104,966	1,771,323,705	97.6%

¹ On a market value basis, net of investment fees.

Section 3: Supplemental Information

Exhibit H: Allocation of Actuarial Surplus

Overview

Line Description	June 30, 2024	June 30, 2023
Surplus as of Date of Valuation (Table 1)	\$142,725,705	\$151,318,380
Actuarial Surplus (Table 1)	\$0	\$15,496,980
Distributable Actuarial Surplus as of date of valuation (Table 2)	\$0	\$857,148
Allocation of Distributable Surplus as of Date of Valuation:		
Member COLA Contribution Offset (Table 3)	\$0	\$428,574
City COLA Contribution Offset (Table 3)	\$0	\$428,574
Additional City Allocation (Table 3)	\$0	\$0
PRSB Allocation (Table 3)	\$0	\$0
Total	\$0	\$857,148

The Allocation of Distributable Actuarial Surplus is insufficient to:

- Provide any offset to the member and City COLA contribution requirements for the 2025–2026 fiscal year (see Table 4).
- Furthermore, no PRSB benefit will be paid over the 2025 calendar year (see Table 5).

Table 1: Calculation of Actuarial Surplus

Line Description	June 30, 2024	June 30, 2023
1. Valuation Value of Assets	\$1,600,472,705	\$1,509,532,380
2. Actuarial Accrued Liability	\$1,457,747,000	\$1,358,214,000
3. Surplus: 1 – 2 , not less than zero	\$142,725,705	\$151,318,380
4. Contingency Reserve: 10% of 2 , not more than 3	\$142,725,705	\$135,821,400
5. Actuarial Surplus: 3 – 4	\$0	\$15,496,980

Section 3: Supplemental Information

Table 2: Determination of Distributable Actuarial Surplus

Line Description	June 30, 2024	June 30, 2023
1. Actuarial Surplus (Table 1)	\$0	\$15,496,980
2. Amortization of Balance of Actuarial Surplus:		
a. Amortization Period	30	30
b. Amortization Factor	0.055311	0.055311
3. c) Amortization of Balance of Actuarial Surplus: 1 × 2b	\$0	\$857,148

Table 3: Allocation of Distributable Actuarial Surplus

Line Description	June 30, 2024	June 30, 2023
1. Distributable Actuarial Surplus	\$0	\$857,148
2. Expected COLA Contributions:		
a. City	\$6,776,000	\$5,623,000
b. Member	\$7,136,000	\$5,767,000
c. Total	\$13,912,000	\$11,390,000
3. Actual Amount Allocated to Buydown COLA Contributions:		
a. City	\$0	\$428,574
b. Member	\$0	\$428,574
c. Total	\$0	\$857,148
4. Net Distributable Actuarial Surplus: 1 – 3c, not less than zero		\$0
5. Additional City Allocation: 4 x 2/3	\$0	\$0
6. PRSB Allocation: 4 – 5	\$0	\$0

The City Allocation (items 3a and 5) (along with any City Surplus Reserve and City Prepaid Contribution Accounts) is available to reduce the City's contributions for the fiscal year that commences one year following the date of the valuation.

The PRSB Allocations (along with the PRSB Reserve Account) is available to provide retirees and beneficiaries a monthly PRSB benefit during the calendar year that commences 6 months following the date of the valuation. The benefit is derived in Table 5.

Section 3: Supplemental Information

Table 4: City Contribution Requirements

Line Description	2025–2026 Basic	2025–2026 COLA	2025–2026 Total	2024–2025 Basic	2024–2025 COLA	2024–2025 Total
1. City normal cost rate	11.20%	2.76%	13.96%	11.33%	2.76%	14.09%
2. Projected annual payroll	\$245,519,000	\$245,519,000	\$245,519,000	\$238,368,000	\$238,368,000	\$238,368,000
3. City allocation of fiscal year distributable actuarial surplus	0	0	0	0	428,574	428,574
4. City surplus reserve account (from prior years)	0	0	0	(291,000)	0	(291,000)
5. ½ Year Interest on 4	0	0	0	(9,821)	0	(9,821)
6. Total Contribution Offsets Available: 3 + 4 + 5	0	0	0	(300,821)	428,574	127,753
7. Total Contribution Required 1 × 2	27,498,128	6,776,000	34,274,128	27,007,094	6,578,957	33,586,051
8. City contribution requirement prior to application of prepaid employer contribution account: 7 – 6, not less than zero	27,498,128	6,776,000	34,274,128	27,307,916	6,150,383	33,458,298
9. Contribution rate adopted by the City for FY 2024–2025						14.06%
10. Projected city contributions based on rate adopted by the city: 9 × 2				27,364,158	6,150,383	33,514,541
11. Net additional city contribution before application of prepaid employer contribution account: 8 – 10	27,498,128	6,776,000	34,274,128	(56,242)	0	(56,242)
12. City's prepaid employer Contribution Account Balance (Negative Account Balance Represents Contribution Shortfall) ¹	58,141	0	58,141	0	0	0
13. ½ Year Interest on 12	1,962	0	1,962	0	0	0
14. City's fiscal year contribution after application of prepaid employer contribution account: 11 – 12 – 13, not less than zero	27,438,025	6,776,000	34,214,025	0	0	0
15. Projected residual prepaid employer contribution account at year end (negative account balance represents contribution shortfall): 12 + 13 – 11, adjusted with ½ year interest			0	58,141	0	58,141

¹ Contribution excess based on the projection of the prepaid contribution account balance.

Section 3: Supplemental Information

Table 5: Calculations for PRSB and PRSB Reserve Account

Line Description	June 30, 2024	June 30, 2023
1. PRSB Allocation of Distributable Actuarial Surplus	\$0	\$0
2. PRSB Reserve Account (as of Valuation Date)	\$0	\$0
3. Estimated July 1 to December 31 PRSB Payments	\$0	\$0
4. Total amount available for PRSB: 1 + 2 – 3	\$0	\$0
5. 95% x 4	\$0	\$0
6. Number of eligible participants (Retirees & Beneficiaries)	2,511	2,476
7. Monthly PRSB Benefit for next calendar year: One-Twelfth of 5 ÷ 6	\$0.00	\$0.00
8. Target Monthly Benefit ¹	\$1,500.00	\$1,428.00
9. Benefit Shortfall: 8 – 7	\$1,500.00	\$1,428.00
10. Estimated PRSB Reserve Account as of end of next calendar year: 4 – 6 x 7 x Twelve	\$0	\$0

¹ Under section 3-567(f)(4)(iii)(2) of the Municipal Code, we understand that the PRSB reserve shall be used to increase the PRSB benefit to the extent necessary to pay the monthly health insurance premium.

Section 3: Supplemental Information

Exhibit I: Table of amortization bases

Base Type	Date Established	Initial Amount	Initial Period	Outstanding Balance	Years Remaining	Annual Payment
UAAL	June 30, 2024	N/A	N/A	N/A	N/A	N/A
Total				N/A		N/A

Section 4: Actuarial Valuation Basis

Exhibit 1: Actuarial assumptions, methods and models

Rationale for assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2018 through June 30, 2021 Actuarial Experience Study and June 30, 2022 Economic Actuarial Assumptions Report, both dated May 3, 2022. These assumptions were adopted by the Board.

Net investment return

6.75%; net of administrative and investment expenses.

Based on the Actuarial Experience Study reference above, expected administrative and investment expenses represent about 1.00% of the Actuarial Value of Assets.

Employee contribution crediting rate

6.75%, compounded semi-annually.

Inflation

Increase of 2.50% per year.

Cost of Living Adjustments (COLA)

Retiree COLA increases of 2.50% due to CPI.

Payroll growth

Inflation of 2.50% per year plus “across the board” real salary increases of 0.50% per year, used to amortize the Prefunded/Unfunded Actuarial Accrued Liability as a level percentage of payroll.

Section 4: Actuarial Valuation Basis

Salary increase

The annual rate of compensation increase includes:

- Inflation at 2.50%, plus
- “Across-the-board” salary increase of 0.50% per year, plus
- Merit and promotion increase based on years of service:

Merit and Promotion Increases (%)

Years of Service	Rate (%)
Less than 1	8.50
1–2	6.25
2–3	4.75
3–4	4.25
4–5	3.50
5–6	2.50
6–7	1.75
7–10	1.50
10–15	1.25
15–19	1.00
20 and over	0.75

Post-retirement mortality rates

The Pub-2010 mortality tables and adjustments as shown below reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Section 4: Actuarial Valuation Basis

Healthy

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries not currently in Pay Status

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Beneficiaries in Pay Status

Pub-2010 General Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Pre-retirement mortality rates

Pub-2010 General Employee Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Pre-Retirement Mortality Rates (%) — Before Generational Projection from 2010

Age	Male	Female
25	0.03	0.01
30	0.04	0.01
35	0.05	0.02
40	0.07	0.04
45	0.10	0.06
50	0.15	0.08
55	0.22	0.12

Section 4: Actuarial Valuation Basis

Age	Male	Female
60	0.32	0.19
65	0.47	0.30
70	0.70	0.49

All pre-retirement deaths are assumed to be non-service-connected.

Mortality rates for member contributions

Healthy

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years with the two-dimensional mortality improvement scale MP-2021, weighted 65% male and 35% female

Beneficiaries

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years with the two-dimensional mortality improvement scale MP-2021, weighted 35% male and 65% female

Optional benefits

Healthy

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021, weighted 65% male and 35% female

Disabled

Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021, weighted 65% male and 35% female.

Section 4: Actuarial Valuation Basis

Beneficiaries

Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021, weighted 35% male and 65% female.

Disability

Disability Incidence Rates (%)

Age	Rate (%)
20	0.00
25	0.00
30	0.00
35	0.30
40	0.30
45	0.30
50	0.70
55	1.20
60	3.10
65	3.10
70	7.00

All disabilities are assumed to be non-service-connected disabilities.

Applied only to actives with more than 10 years of service.

Section 4: Actuarial Valuation Basis

Termination

Termination Rates (%) by Years of Service

Age	Less than 1	1–2	2–3	3–4	4–5	5 and over
20	15.00	15.00	13.00	12.00	12.00	12.00
25	13.00	10.00	10.00	10.00	10.00	8.00
30	13.00	8.00	7.00	7.00	6.00	6.00
35	13.00	7.00	6.00	6.00	5.00	5.00
40	13.00	6.00	5.00	5.00	3.00	3.00
45	13.00	6.00	5.00	5.00	3.00	3.00
50+	13.00	6.00	5.00	5.00	3.00	0.00

Members with less than five years of service

90% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire.

Members with five or more years of service

40% of are assumed to elect a withdrawal of contributions. The remaining members are assumed to elect a deferred vested benefit. No termination is assumed after a member is assumed to retire.

Section 4: Actuarial Valuation Basis

Retirement rates

Retirement Rates (%)

Age	Rate (%)
50	1.00
51	1.00
52	1.75
53	1.75
54	1.75
55	4.50
56	3.00
57	3.00
58	4.00
59	4.00
60	5.50
61	5.50
62	10.00
63	9.00
64	15.00
65	20.00
66	25.00
67	25.00
68	25.00
69	30.00
70	60.00
71	60.00
72	60.00
73	60.00
74	60.00
75 and over	100.00

Retirement rates only apply to members that are eligible to retire at the age shown.

Section 4: Actuarial Valuation Basis

DROP assumptions

DROP Rates (%) by Years of Service

Age	5–10	10–15	15–20	20–25	25 and over
50	0.0	0.0	1.5	2.5	2.5
51	0.0	0.0	1.5	2.5	2.5
52	0.0	0.0	1.5	5.0	15.0
53	0.0	0.0	1.5	5.0	15.0
54	0.0	0.0	10.0	30.0	45.0
55	1.0	10.0	35.0	40.0	50.0
56	1.0	5.0	20.0	35.0	35.0
57	1.0	5.0	20.0	30.0	30.0
58	1.0	5.0	20.0	30.0	30.0
59	1.0	5.0	18.0	30.0	10.0
60	1.0	5.0	18.0	30.0	10.0
61	1.0	5.0	18.0	30.0	10.0
62	1.0	5.0	10.0	15.0	10.0
63	1.0	5.0	10.0	15.0	10.0
64	1.0	5.0	10.0	15.0	10.0
65	1.0	5.0	10.0	10.0	10.0
66	1.0	5.0	10.0	10.0	10.0
67	1.0	5.0	10.0	10.0	10.0
68	1.0	5.0	10.0	10.0	10.0
69	1.0	5.0	10.0	10.0	10.0
70	1.0	5.0	10.0	10.0	10.0
71 and over	0.0	0.0	0.0	0.0	0.0

Members are assumed to remain in DROP for 6 years.

Section 4: Actuarial Valuation Basis

Retirement age and benefit for inactive vested members

For current inactive vested members, the retirement assumption is age 56.

We assume that all inactive members who are expected to elect a deferred vested benefit will have their benefit calculated using a salary that will be increased by a 3.75% compensation increase per annum.

Future benefit accruals

1.0 year of service per year.

Unknown data for members

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Inclusion of inactive vested members

All inactive vested members are included in the valuation.

Percent with survivor

80% of male members and 55% of female members.

Age and gender of spouse

For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.

Election of optional forms of benefit at retirement

Rate (%)

Benefit	Male Members with Survivor	Female Members with Survivor	Members without Survivor
Unmodified	35%	70%	100%
Option 2 (A/B)	45%	20%	–
Option 3 (A/B)	20%	10%	–

Section 4: Actuarial Valuation Basis

Actuarial cost method

Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formula for each individual has always been in effect (i.e., “replacement life within a tier”).

Actuarial Value of Assets

Market value of assets (MVA) less unrecognized returns in each of the last four annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized annually over a five-year period.

Valuation Value of Assets

The Actuarial Value of Assets reduced by the value of the non-valuation reserves.

Amortization policy

If the Valuation Value of Assets (VVA) is greater than 110% of the Actuarial Accrued Liability (AAL), the difference (“actuarial surplus”) is amortized over a 30-year rolling amortization period.

If the VVA is less than the AAL, any new Unfunded Actuarial Accrued Liability (UAAL) resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 25-year periods; and experience gains/losses are also amortized over separate decreasing 15-year periods.

The amortization periods include annual crediting of interest at the assumed investment earning rate. The payments (credits) are calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Retirement System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

Section 4: Actuarial Valuation Basis

Employer contributions

City contributions consist of three components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would, together with the member's contributions, accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Adjustment for prepaid contributions / contribution shortfall

The accumulated difference between the City contribution rate adopted for the prior fiscal year (determined using projected annual payroll) and the required City contribution rate for that same fiscal year (determined using actual payroll), arising due to the one-year delay in implementing the City contribution rate.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL) / Allocation of the actuarial surplus

In the case of a UAAL, the annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL.

In the case of an actuarial surplus, the City's share of the Distributable Actuarial Surplus determined pursuant to Section 3-567(f) of the Municipal Code.

The amortization policy is described on the previous page.

The recommended City contributions are provided in *Section 2, Subsection F*.

Section 4: Actuarial Valuation Basis

Member contributions

Normal cost

Provide for an average annuity at age 55 equal to 1/150 of FAS for each of the first 25 years of service and 1/300 for each year in excess of 25 (§3-523).

Cost of living

One-half of the total normal cost necessary to fund cost-of-living benefits, graded in proportion to the member's normal contributions (§3-553).

Internal Revenue Code Section 415

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$275,000 for 2024 and \$280,000 for 2025. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation reflect Section 415 limitations for members who became members in the Retirement System after June 28, 1991 and are therefore ineligible to participate in the Qualified Excess Governmental Benefit Arrangement pursuant to Section 3-570 of the municipal code.

Section 4: Actuarial Valuation Basis

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.

Changes in actuarial assumptions, methods or models

There have been no changes in actuarial assumptions, methods or models since the prior valuation.

Section 4: Actuarial Valuation Basis

Exhibit 2: 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. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.

Plan year

July 1 through June 30

Membership eligibility

Permanent full-time employees except sworn Fire, Police, and Airport Public Safety personnel.

Final compensation for benefit determination

Highest average consecutive thirty-six months of compensation earnable calculated using the rate of pay in effect at the time of the retirement (§3-501).

Service retirement benefits

Provision	Service Retirement Plan Provision
Eligibility	
All members	Age 50 with 5 years of service (§3-540).
Benefit amount	
All members	2% of FAS times each of first 25 years of service plus 1% of FAS for any years of service in excess of 25, multiplied by a benefit factor that varies by retirement age, as shown in the table below (§3-541):

Section 4: Actuarial Valuation Basis

Service Retirement Benefit Factor

Retirement Age	Benefit Factor
55	1.00
56	1.02
57	1.04
58	1.06
59	1.08
60	1.10
61	1.14
62	1.18
63	1.22
64	1.26
65	1.30
Above 65	Add 0.01 each quarter-year after age 65

Effective January 28, 2008, members may retire at age 50 with a reduced early retirement benefit. The reduced early retirement benefit is calculated to be actuarially equivalent to the service retirement benefit payable at age 55.

Deferred Retirement Option Program (DROP)

Provision	DROP Plan Provision
Eligibility	
All members	Same as Service Retirement.
Benefit amount	
All members	DROP benefits (calculated using age, service, and salary at the commencement date of participation in DROP) will be credited to a DROP account with interest at rates determined by the Board. Members will no longer be required to make member contributions. Effective March 7, 2011, active members who signed up for the DROP are required to continue their employee contributions; however, those contributions are deposited into the members' DROP accounts and therefore not available to fund the value of the retirement benefit earned up to the date of the DROP. Therefore, those contributions that will be deposited into the DROP accounts are disregarded in this valuation. Members may participate in DROP for up to ten years (§3-566).

Section 4: Actuarial Valuation Basis

Ordinary or service connected disability benefits

Provision	Disability Benefit Plan Provision
Eligibility	
All members	Ten years of service (§3-546).
Benefit amount	
All members	Greater of 1.8% × FAS × Yrs, 33.33% of FAS, or Service Retirement benefit (§3-547).

Pre-retirement death benefits

All members

Provision	Pre-Retirement Basic Death Benefit Plan Provision
Eligibility	
All members	None.
Benefit amount	
All members	Refund of employee contributions with interest, plus one month of final compensation for each year of service, to a maximum of six month's compensation (§3-537).

Vested members

Provision	Pre-Retirement Death Benefit by Eligibility for Service Retirement Plan Provision
Not Yet Eligible	
Eligibility	At least five years of service but ineligible for Service Retirement at death (§3-552).
Benefit amount	50% of Service Retirement Benefit as if the member were age 55 based on years of service at death (§3-552).
Eligible	
Eligibility	Eligible for Service Retirement.
Benefit amount	50% of Service Retirement Benefit based on benefit due on member's date of death (§3-552).

Section 4: Actuarial Valuation Basis

Post-retirement death benefits

Service retirement or disability retirement

50% of member's unmodified allowance continued to eligible spouse/domestic partner (§3-550).

Pursuant to Section 3-554 of the Municipal Code, a member may elect to receive an optional form of benefit at retirement that is the actuarial equivalent of his or her unmodified retirement allowance in the form of a lesser retirement allowance payable throughout life, with one of the six options stipulated in the Code.

Withdrawal benefits

Less than five years of service

Refund of accumulated employee contributions with interest.

Five or more years of service

If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§3-535).

Post-retirement cost-of-living benefits

Future changes based on Consumer Price Index to a maximum of 5% per year, excess banked (§3-553).

Member contributions

Please refer to *Section 4, Exhibit 3* for specific rates.

Contribution Component	Member Contribution Plan Provision
Normal contributions	Provide for an average annuity at age 55 equal to 1/150 of FAS for each of the first 25 years of service and 1/300 for each year in excess of 25 (§3-523).
Cost-of-Living contributions	Cost of Living – One-half of the total normal cost necessary to fund cost-of-living benefits, graded in proportion to the member's normal contributions (§3-553).

Section 4: Actuarial Valuation Basis

City contributions

Effective with the June 30, 2013 valuation, any new UAAL established on each subsequent valuation as a result of actuarial gains or losses or plan amendments are amortized over separate 15-year declining periods (with the exception of temporary retirement incentives which are amortized over its own declining period of up to 5 years). Any new UAAL established as a result of changes in actuarial assumptions or methods at each valuation is amortized over separate 25-year declining periods. Effective with the June 30, 2018 valuation, when there is any “actuarial surplus” (the funded ratio is over 110%) the portion of surplus in excess of 110% will be amortized over a non-declining 30-year period (prior to June 30, 2018, this was a non-declining 25-year period).

Post Retirement Supplemental Benefits (PRSB)

PRSB may be paid to retired DROP participants, eligible retirees, and beneficiaries (§3-567). This benefit has been excluded from this valuation.

Changes in plan provisions

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

Section 4: Actuarial Valuation Basis

Exhibit 3: Member contribution rates

Comparison of total member rate

Comparison Based on June 30 Valuation
(\$ in '000s)

Category	2024 Rate	2024 Estimated Annual Amount	2023 Rate	2023 Estimated Annual Amount
1. Basic	6.68%	\$15,132	6.69%	\$15,155
2. COLA, Before Surplus Offset	3.15%	7,136	3.15%	7,136
3. Surplus Offset	(0.00%)	(0)	(0.23%)	(521)
4. Total	9.83%	\$22,268	9.61%	\$21,770
5. Projected 2025–2026 compensation, excluding DROP members		\$226,533		\$226,533

Section 4: Actuarial Valuation Basis

Members' Contribution Rates as of June 30, 2024

Entry Age	Basic	Cola	Surplus Offset	Total
16	3.96%	1.87%	0.00%	5.83%
17	4.07%	1.92%	0.00%	5.99%
18	4.18%	1.97%	0.00%	6.15%
19	4.30%	2.03%	0.00%	6.33%
20	4.43%	2.09%	0.00%	6.52%
21	4.57%	2.15%	0.00%	6.72%
22	4.71%	2.22%	0.00%	6.93%
23	4.85%	2.29%	0.00%	7.14%
24	5.01%	2.36%	0.00%	7.37%
25	5.17%	2.44%	0.00%	7.61%
26	5.35%	2.52%	0.00%	7.87%
27	5.53%	2.61%	0.00%	8.14%
28	5.73%	2.70%	0.00%	8.43%
29	5.94%	2.80%	0.00%	8.74%
30	6.17%	2.91%	0.00%	9.08%
31	6.28%	2.96%	0.00%	9.24%
32	6.39%	3.01%	0.00%	9.40%
33	6.50%	3.07%	0.00%	9.57%
34	6.61%	3.12%	0.00%	9.73%
35	6.72%	3.17%	0.00%	9.89%
36	6.83%	3.22%	0.00%	10.05%
37	6.95%	3.28%	0.00%	10.23%
38	7.06%	3.33%	0.00%	10.39%
39	7.17%	3.38%	0.00%	10.55%
40	7.28%	3.43%	0.00%	10.71%

Section 4: Actuarial Valuation Basis

Entry Age	Basic	Cola	Surplus Offset	Total
41	7.39%	3.49%	0.00%	10.88%
42	7.51%	3.54%	0.00%	11.05%
43	7.63%	3.60%	0.00%	11.23%
44	7.74%	3.65%	0.00%	11.39%
45	7.87%	3.71%	0.00%	11.58%
46	7.99%	3.77%	0.00%	11.76%
47	8.10%	3.82%	0.00%	11.92%
48	8.18%	3.86%	0.00%	12.04%
49	8.22%	3.88%	0.00%	12.10%
50	8.22%	3.88%	0.00%	12.10%
51	8.18%	3.86%	0.00%	12.04%
52	8.06%	3.80%	0.00%	11.86%
53	8.20%	3.87%	0.00%	12.07%
54	8.34%	3.93%	0.00%	12.27%

Interest:	6.75% per annum
COLA:	2.50%
Mortality:	See <i>Section 4, Exhibit 1</i>
Salary Increase:	Inflation (2.50%) + “across-the-board” (0.50%) + merit and promotion (See <i>Section 4, Exhibit 1</i>)
COLA:	2.50% per annum
Non-Refundability Factor:	94.71%

Appendix A: Definition of Pension Terms

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

Term	Definition
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 actuarially determined 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	<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> <p>Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)</p> <p>Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and</p> <p>Discounted according to an assumed rate (or rates) of return to reflect the time value of money.</p>

Appendix A: Definition of Pension Terms

Term	Definition
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	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	The employer's contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The actuarially determined contribution 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 actuarially determined contribution, that is intended to pay off the unfunded actuarial accrued liability.

Appendix A: Definition of Pension Terms

Term	Definition
Assumptions or actuarial assumptions	The estimates upon which the cost of the Plan is calculated, including: Investment return — the rate of investment yield that the Plan will earn over the long-term future; Mortality rates — the rate or probability of death at a given age for employees and retirees; Retirement rates — the rate or probability of retirement at a given age or service; DROP entry rates — the rate or probability of DROP entry at a given age or service; Disability rates — the rate or probability of disability retirement at a given age; Withdrawal rates — the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; Salary increase rates — 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 valuation value of assets to the actuarial accrued liability. Plans sometimes also calculate a market funded ratio, using the market value of assets, rather than the valuation value of assets.
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.

Appendix A: Definition of Pension Terms

Term	Definition
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.
Negative amortization	Negative amortization is a result of an increase in the unfunded actuarial accrued liability when the amortization payment is less than the interest accrued on the unfunded actuarial accrued liability.
Net pension liability	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, if applicable, 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.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Total pension liability	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 valuation 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.
Valuation value of assets	The actuarial value of assets reduced by the value of non-valuation reserves.

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