City of Lincoln Police and Fire Pension Fund

Actuarial Valuation Report as of August 31, 2025

SUBMITTED: JANUARY 22, 2026

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CavMac
Actuarial Consulting Services

January 22, 2026

The City Council
City of Lincoln
575 South 10th Street, Suite 4401
Lincoln, NE 68508

Re: City of Lincoln Police and Fire Pension Fund

Dear Council Members:

At your request, we have performed an actuarial valuation of the City of Lincoln Police and Fire Pension Fund as of August 31, 2025 to determine the actuarial contribution for the fiscal year ending August 31, 2027. The major findings of the valuation are contained in this report which reflects the benefit provisions in effect as of August 31, 2025. There were no changes to the actuarial methods or benefit provisions from the prior valuation, but there were two changes to the actuarial assumptions used in this valuation. The investment return assumption and the assumed interest rate credited on member contributions were both lowered from 7.20% to 7.10%, as scheduled. The net impact of the assumption changes was an increase in both the unfunded actuarial accrued liability and the actuarial contribution rate.

In preparing this report, we relied, without audit, on information (some oral and some written) supplied by the Plan's staff. This information includes, but is not limited to, plan provisions, member data and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different, and our calculations may need to be revised.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and determine actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the necessary results. The valuation results summarized in this report involve actuarial calculations that require the use of many assumptions about future events. The assumptions are adopted by the City after consultation with the actuary. We believe that the assumptions and methods used in this report are reasonable and appropriate for the purpose for which they have been used. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable, and valuation results based on

those assumptions could be materially different. No single set of assumptions is uniquely correct, but rather there is a range of reasonable assumptions. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of contributions.

Future actuarial results may differ significantly from the current results 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 (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in the plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not present herein.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan. The calculations have been made on a basis consistent with our understanding of the Plan's funding policy and goals and the plan provisions described in Appendix B of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. Actuarial computations for the purpose of fulfilling financial accounting requirements for the Plan under Governmental Account Standards No. 67 and No. 68 are provided in a separate report.

This is to certify that the independent consulting actuaries have experience in performing valuations for public retirement systems, the valuation was prepared in accordance with Actuarial Standards of Practice prescribed by the Actuarial Standards Board, and the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

We, Patrice A. Beckham, FSA, and Bryan K. Hoge, FSA, are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. We are available to answer any questions on the material contained in this report or to provide explanations or further details as may be appropriate.

We herewith submit the following report and look forward to discussing it with you.

Respectfully Submitted,

Patrice A. Beckham, FSA, EA, FCA, MAAA
Consulting Actuary

Bryan K. Hoge, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

SECTION 1 – EXECUTIVE SUMMARY

OVERVIEW

This report presents the results of the August 31, 2025 actuarial valuation of the City of Lincoln Police and Fire Pension Fund (Plan). The primary purposes of performing a valuation are to:

- disclose asset and liability measures as of the valuation date,
- calculate the actuarially determined employer contribution rate required to fund the Plan for the fiscal year ending two years from the valuation date,
- determine the actual experience of the Plan since the last valuation date,
- assess and disclose the key risks associated with funding the Plan, and
- analyze and report on trends in contributions, assets, and liabilities over the past several years.

The plan provisions and actuarial methods remain unchanged from the prior valuation. However, the investment return assumption and the assumed interest rate credited on member contributions were both decreased from 7.20% to 7.10%. Based on the most recent experience study, the City's intention has been to decrease the assumption incrementally each year until reaching an ultimate assumption of 7.00% in the August 31, 2026 valuation. As a result of the assumption changes in this valuation, the actuarial accrued liability (AAL) increased by $5.2 million, the actuarial required contribution rate increased by 0.91% of pay, and the employer contribution amount increased by $0.6 million.

The valuation results provide a "snapshot" view of the Plan's financial condition on August 31, 2025 as shown in the table below. Overall, the valuation results indicate net unfavorable experience, the result of an actuarial gain of $2.5 million on actuarial assets and an actuarial loss of $4.7 million on the actuarial accrued liability. The liability loss is primarily due to larger salary increases than expected, based on the actuarial assumptions. The net experience loss (both assets and liabilities) was $2.3 million which increased the unfunded actuarial accrued liability. A detailed analysis of the change in the unfunded actuarial accrued liability from August 31, 2024 to August 31, 2025 can be found on page 4.

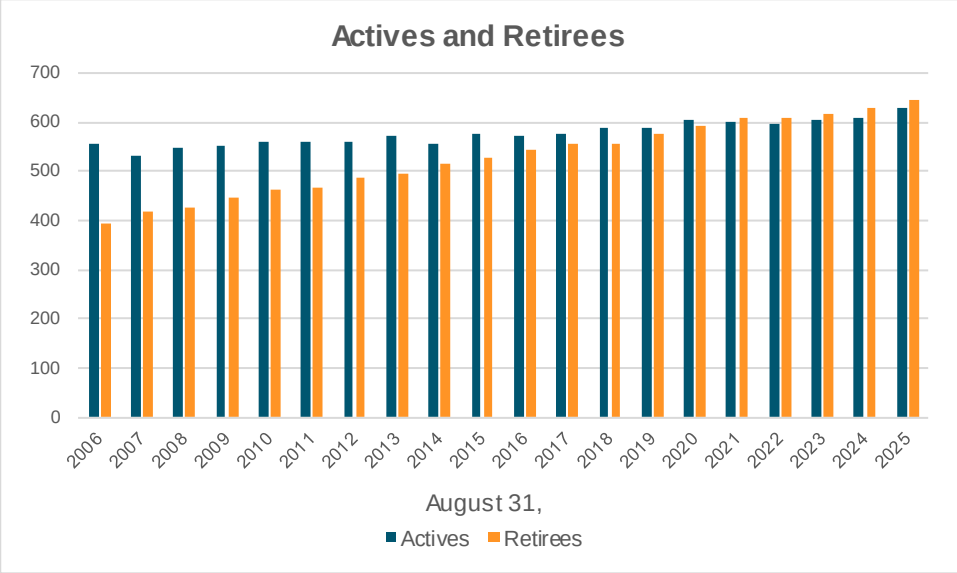
	8/31/2025 Valuation	8/31/2024 Valuation
Unfunded Actuarial Accrued Liability	$ 97,004,884	$ 90,916,948
Funded Ratio (Actuarial Assets)	78.8%	78.9%
Actuarially Determined Employer Contribution Rate	21.78%	21.20%
Estimated Covered Payroll	$ 68,017,313	$ 63,257,284
City Contribution for Following Fiscal Year*	$ 15,412,411	$ 14,101,657

* Includes administrative expenses. See Table 12 for details.

As a result of the unfavorable experience and the change in the actuarial assumptions, the dollar amount of the City's contribution for fiscal year 2027 is $15,412,411 compared to $14,101,657 for fiscal year 2026.

MEMBERSHIP

The active membership count increased 3.1% with 628 active members in the 2025 valuation compared to 609 in the 2024 valuation. The following graph compares the number of active members and members receiving benefits (retirees, beneficiaries and DROP members) in each valuation since 2006. While the number of active members remained fairly steady over this period, the number of members receiving a benefit has steadily increased, reaching 644 in this valuation. This is a standard indicator of the maturity of the system and is not necessarily unexpected or problematic. However, this metric does indicate the likelihood of a higher degree of contribution rate volatility when actual experience varies from that expected by the assumptions.



ASSETS

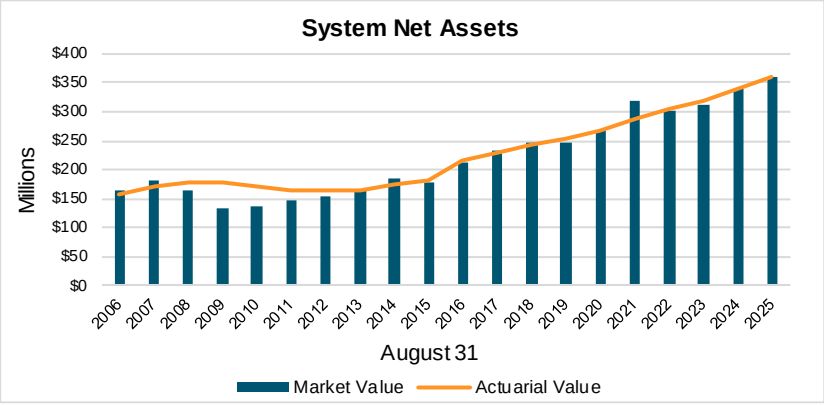
As of the valuation date, the Plan had total assets of $361.8 million, when measured on a market value basis. This represents an increase of $22.0 million from the August 31, 2024 value of $339.7 million. The market value of assets is not used directly in the actuarial valuation because of the volatility of market returns. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation (called the "actuarial value of assets"). Differences between the dollar amount of the actual and assumed return on the market value of assets are recognized equally over a five-year period.

See Table 3 for a detailed development of the actuarial value of assets. The components of the change in the market and actuarial value of assets for the Plan (in millions) are set forth in the following table.

	Market Value ($M)	Actuarial Value ($M)
Assets, August 31, 2024	$339.7	$339.6
• City and Member Contributions*	18.8	18.8
• Benefit Payments and Refunds	(23.2)	(23.2)
• Administrative Expenses	(0.6)	(0.6)
• Investment Income, Net of Expenses	27.1	26.8
Assets, August 31, 2025	$361.8	$361.4
Estimated Rate of Return, Net of Expenses	8.1%	7.9%

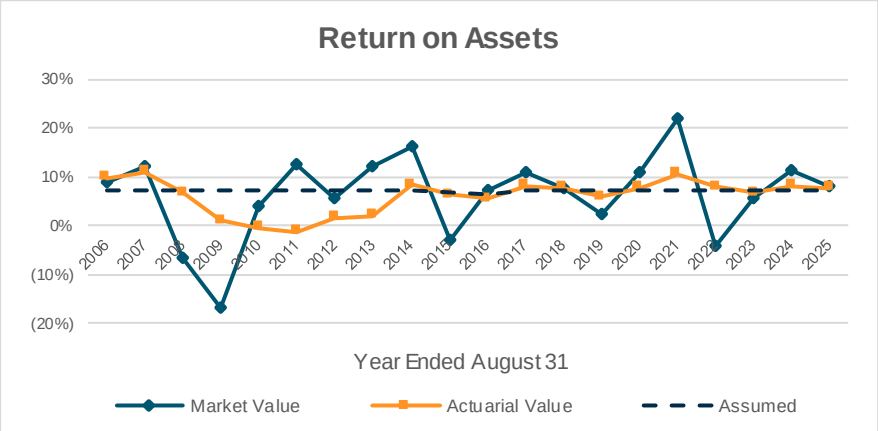
*Includes service purchases

The rate of return, measured on the market value of assets, was 8.1%, as reported by the City. Due to the combined impact of favorable asset experience for fiscal year 2025 and the scheduled recognition of the deferred investment experience from the prior four years, the return on the actuarial or smoothed value of assets was about 7.9%. Since this return is greater than the investment return assumption for FY 2025 of 7.20%, it generated an experience gain of $2.4 million on the actuarial value of assets. Due to the asset smoothing method, the market value of assets exceeds the actuarial value of assets by $0.4 million. This net deferred investment gain will flow through the asset smoothing method and be recognized over the next four years (see Table 4).



The actuarial value of assets has been both above and below the market value over this period. This is to be expected when using an asset smoothing method.

Note: Results for years before 2015 were prepared by the prior actuary.



The rate of return on the actuarial value of assets has been less volatile than the market value return, which is the key reason for using an asset smoothing method.

Note: Results for years before 2015 were prepared by the prior actuary.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the asset value at the same date is referred to as the unfunded actuarial accrued liability (UAAL). The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year and interest on the previous balance of the unfunded actuarial accrued liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and procedures will also impact the total actuarial accrued liability and the unfunded portion thereof.

The Unfunded Actuarial Accrued Liability for the Plan as of August 31, 2025 is:

Actuarial Accrued Liability	$458,395,730
Actuarial Value of Assets	361,390,846
Unfunded Actuarial Accrued Liability	$ 97,004,884

Between August 31, 2024 and August 31, 2025, the components of the change in the UAAL for the Plan are shown in the following table:

	$ millions
Unfunded Actuarial Accrued Liability, August 31, 2024	$90.9
· Expected change due to amortization payment	(0.7)
· Effect of contributions above the actuarial rate	(1.3)
· Investment experience	(2.4)
· Liability experience*	4.7
· Assumption changes	5.2
· Other experience	0.6
Unfunded Actuarial Accrued Liability, August 31, 2025	$97.0

* Liability loss is about 1.03% of total actuarial accrued liability.

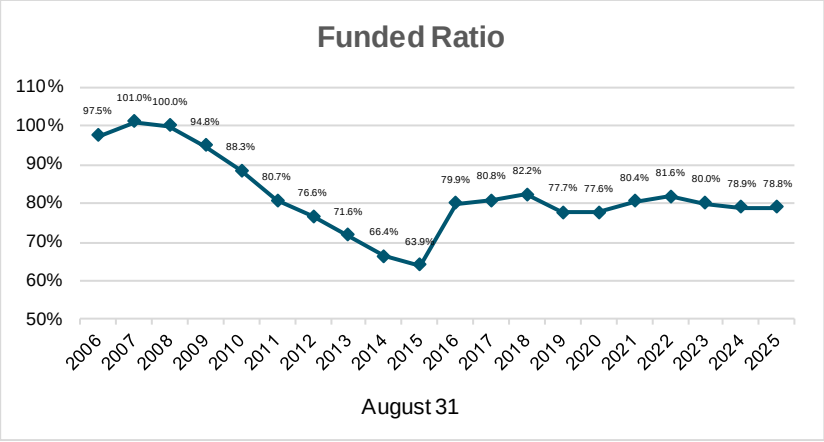
SECTION 1 – EXECUTIVE SUMMARY

The experience loss of $2.3 million for the last plan year was the net result of an experience loss of $4.7 million on Plan liabilities and an experience gain of $2.4 million on Plan assets (actuarial value). The unfavorable experience on Plan liabilities was primarily due to salary increases that were larger than expected, based on the actuarial assumptions.

Analysis of the unfunded actuarial accrued liability strictly as a dollar amount can be misleading. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. This information for recent years is shown in the following table (in millions). Historical information is shown in the graph below. Note that the funded ratio does not indicate whether or not the Plan has sufficient funds to settle all current obligations, nor is it necessarily indicative of the need for, or amount of, future funding.

	8/31/21	8/31/22	8/31/23	8/31/24	8/31/25
Actuarial Accrued Liability ($M)	$358.6	$375.5	$401.1	$430.5	$458.4
Actuarial Value of Assets ($M)	$288.2	$306.4	$320.7	$339.6	$361.4
Unfunded AAL*	$70.4	$69.0	$80.4	$90.9	$97.0
Funded Ratio (Actuarial Assets/AAL)	80.4%	81.6%	80.0%	78.9%	78.8%
Actuarial Accrued Liability ($M)	$358.6	$375.5	$401.1	$430.5	$458.4
Market Value of Assets ($M)	$318.9	$301.2	$312.2	$339.7	$361.8
Unfunded AAL*	$39.7	$74.2	$88.9	$90.8	$96.6
Funded Ratio (MVA/AAL)	88.9%	80.2%	77.8%	78.9%	78.9%

* Numbers may not add due to rounding.



From 2007 to 2015, the funded ratio steadily declined due to changes in assumptions, adverse experience, and contributions less than the full actuarial rate. The large improvement in 2016 was due to the merger of the COLA Pool Fund with the general pension fund which resulted in an increase in the investment return assumption.

Note: Results for years prior to 2015 were prepared by prior actuaries.

As mentioned earlier, due to the asset smoothing method there is a $0.4 million difference between the market and actuarial value of assets. This deferred investment gain will flow through the asset smoothing method over the next four years. If all actuarial assumptions are met in the future and unfavorable investment experience does not occur, the funded ratio will increase

slightly as the asset smoothing method recognizes the deferred investment gain. The Plan's funded status will continue to be heavily dependent on actual investment returns in the future.

CONTRIBUTION RATES

Generally, contributions to the Plan consist of:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the current year; and

- an "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

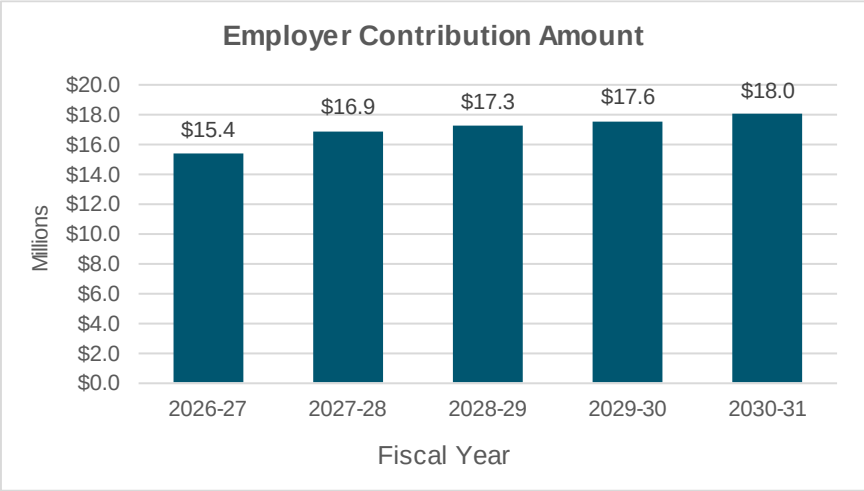
Contribution rates are computed with the objective of developing costs that are level as a percentage of covered payroll. As a result, even if all assumptions are met and the contribution rate remains constant the dollar amount of contributions is expected to increase as covered payroll increases over time. The contribution rate computed in the August 31, 2025 valuation is used to determine the amount of the City contribution for the fiscal year ending August 31, 2027.

By ordinance, the City is required to contribute the Actuarially Determined Employer Contribution (ADEC), which is the greater of the employer normal cost rate or the sum of the employer normal cost rate and UAAL contribution rate. The dollar amount of the City contribution is determined by multiplying the ADEC rate by expected payroll for the applicable fiscal year plus the projected administrative expenses. Due to several factors, the most significant of which was the change in the actuarial assumptions, the actuarially determined employer contribution rate increased by 0.58% from the 2024 to the 2025 valuation (see the following table). In addition, the covered payroll also increased by 7.5%. As a result, the dollar amount of the employer contribution increased by over 9% from the 2024 to the 2025 valuation.

	Actuarial Valuation	
Actuarially Determined Contribution Rate	**8/31/2025**	**8/31/2024**
1) a. Total Normal Cost	18.14%	17.74%
b. Member Financed	7.88%	7.87%
c. Employer Portion (1a) - (1b)	10.26%	9.87%
2) UAAL Contribution	11.52%	11.33%
3) Employer Contribution Rate	21.78%	21.20%
4) Projected Covered Payroll	$68,017,313	$63,257,284
5) Actuarial Employer Contribution*	$15,412,411	$14,101,657

* Includes administrative expenses. See Table 12 for details.

As the investment return assumption is lowered in the next valuation, the actuarially determined contribution rate is expected to increase and, therefore, so is the dollar amount of the City's contribution. Based on the current valuation results, scheduled change to the investment return assumption, and assuming all actuarial assumptions are met in the future, the estimated City contributions are shown in the following graph:



While these projected contribution amounts are our best estimates at this time, actual experience that occurs in future years will impact the amount of the required employer contribution.

COMMENTS

The Lincoln City Council passed Lincoln City Ordinance #20495 in May 2017, strengthening the Plan's long-term funding by modifying the amortization policy for the unfunded actuarial accrued liability to use layered amortization with closed amortization periods. The ordinance also requires the City to contribute the full actuarially determined employer contribution (ADEC) as calculated in the annual actuarial valuation. These changes to the funding policy were intended to improve the Plan's long-term funding, with the goal of accumulating sufficient assets over time to fully finance the future benefits payable to members. If all assumptions are met and the City makes the full actuarial contributions as required under the ordinance, the funding policy will result in the Plan reaching fully funded status.

As of August 31, 2025, the actuarial accrued liability of the Plan was $458.4 million and the actuarial value of assets was $361.4 million, resulting in a funded ratio of 78.8%, down slightly from the funded ratio of 78.9% in last year's valuation. Using the market value of assets, the funded ratio held steady at 78.9%.

Retirement plans use several mechanisms to create more stability in the contribution levels. These include an asset valuation method, which smoothes out the volatility in the investment

returns, and amortization of any actuarial gains or losses over a number of years. The unfunded actuarial accrued liability is amortized using a "layered" approach. Under the Plan's funding policy, a new amortization base equal to the difference between the actual and expected UAAL is created each year and amortized over a closed 20-year period. The intent of this methodology is to mitigate the impact of the actuarial experience (actual versus expected experience) on the actuarially determined contribution rate, thereby creating stability in the contribution rate.

The Plan utilizes an asset smoothing method that recognizes the difference between the expected and actual return over a five-year period. The rate of return on the actuarial value of assets for the plan year ending in 2025 was 7.9%, compared to an 8.1% return on the market value of assets. As of August 31, 2025, the net deferred investment gain (market value less actuarial value of assets) is $0.4 million which will flow through the asset smoothing method over the next four years. If all actuarial assumptions are met in the future and unfavorable investment experience does not occur, the funded ratio is expected to increase slightly as the asset smoothing method recognizes the deferred investment gain.

While the use of an asset smoothing method is a common practice for public retirement systems, it is important to identify the potential impact of the deferred investment experience. This is accomplished by comparing the key valuation results from the August 31, 2025 actuarial valuation using both the actuarial and market value of assets. The impact on valuation results is not significant this year because there is not a large difference in the amount of the actuarial and market values of assets.

	Using Actuarial Value of Assets	Using Market Value of Assets
Actuarial Accrued Liability (AAL)	$ 458,395,730	$ 458,395,730
Asset Value	361,390,846	361,753,511
Unfunded Actuarial Accrued Liability (UAAL)	$ 97,004,884	$ 96,642,219
Funded Ratio	78.8%	78.9%
Normal Cost Rate	18.14%	18.14%
UAAL Contribution Rate	11.52%	11.48%
Total Actuarial Contribution Rate	29.66%	29.62%
Member Contribution Rate	(7.88%)	(7.88%)
Employer Actuarial Contribution Rate	21.78%	21.74%

A typical retirement plan faces many different risks. The term "risk" is typically associated with an outcome with undesirable results. However, in the actuarial world risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions each year and that uncertainty, whether favorable or unfavorable, creates risk. Actuarial Standard of Practice Number 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the

actuarial assumptions. Risk evaluation is an important part of managing a defined benefit plan. Please see Section 6 of this report for an in-depth discussion of the specific risks facing the City of Lincoln Police and Fire Pension Fund.

A summary of key data elements and valuation results as of August 31, 2025 and August 31, 2024 are presented on the following page. More detail on each of these elements can be found in the following sections of this report.

	8/31/2025 Valuation	8/31/2024 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	628	609	3.1%
DROP Members	53	51	3.9%
Retirees, Disabled Members and Beneficiaries	591	578	2.2%
Inactive Vested Members	22	27	(18.5%)
Refund Due	13	13	0.0%
Total Members	1,307	1,278	2.3%
Projected Salaries for Next Fiscal Year	$ 66,036,226	$ 61,414,839	7.5%
Average Projected Salary	$ 105,153	$ 100,845	4.3%
Annual Retirement Payments for DROP Members, Disabled Members, Retirees and Beneficiaries*	$ 23,231,755	$ 21,940,248	5.9%
Average Annual Benefit	$ 36,074	$ 34,881	3.4%
2. ASSETS AND LIABILITIES			
a. Total Actuarial Accrued Liability	$458,395,730	$430,533,761	6.5%
b. Market Value of Assets	361,753,511	339,731,903	6.5%
c. Actuarial Value of Assets	361,390,846	339,616,813	6.4%
d. Unfunded Actuarial Accrued Liability (a) - (c)	$ 97,004,884	$ 90,916,948	6.7%
e. Funded Ratio - Actuarial Value (c) / (a)	78.8%	78.9%	(0.1%)
f. Funded Ratio - Market Value (b) / (a)	78.9%	78.9%	0.0%
3. ACTUARIAL CONTRIBUTION RATE			
a. Normal Cost	18.14%	17.74%	2.3%
b. UAAL Amortization	11.52%	11.33%	1.7%
c. Actuarial Determined Contribution Rate (a) + (b)	29.66%	29.07%	2.0%
d. Effective Employee Contribution Rate	(7.88%)	(7.87%)	0.1%
e. Employer Actuarial Contribution Rate (c) + (d)	21.78%	21.20%	2.7%
f. Employer Contribution Amount	$ 15,412,411	$ 14,101,657	9.3%

*Includes 13th check amounts.

SECTION 2 – SCOPE OF THE REPORT

This report presents the results of the actuarial valuation of the City of Lincoln Police and Fire Pension Fund as of August 31, 2025. This valuation was prepared at the request of the City.

Please pay particular attention to our actuarial certification letter, where the guidelines employed in the preparation of this report are outlined. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings which result from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the Plan. Sections 4 and 5 describe how the obligations of the Plan are to be met under the actuarial cost method in use. Section 6 discloses key maturity measurements and discusses the key risks facing the funding of the Plan. Section 7 includes some historical funding and other information.

This report includes several appendices:

- Appendix A — Schedules of valuation data classified by various categories of members.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on August 31, 2025.
- Appendix C — A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D — A glossary of actuarial terms.

SECTION 3 – ASSETS

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is August 31, 2025. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the Plan, which are generally in excess of assets. The actuarial process then leads to a method of determining the contributions needed by members and the employer in the future to balance the Plan assets and liabilities.

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of Plan assets as of the valuation date. In addition, the market value of assets provides a basis for measuring investment performance from time to time. Table 1 is a comparison, at market values, of Plan assets as of August 31, 2025 and August 31, 2024, in total and by investment category. Table 2 summarizes the change in the market value of assets from August 31, 2024 to August 31, 2025.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of Plan assets, nor the book value of assets, representing the cost of investments, may be the best measure of the Plan's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. Under the asset smoothing methodology, the difference between the actual investment return on the market value of assets and assumed investment return on the market value of assets is recognized evenly over a five-year period.

Table 3 shows the development of the actuarial value of assets (AVA) as of the valuation date.

TABLE 1

STATEMENT OF NET PLAN ASSETS AT MARKET VALUE

	Market Value	
	August 31, 2025	August 31, 2024
Cash & Equivalents	$ 8,755,768	$ 9,889,364
Accrued Interest & Dividends	51,934	33,789
Fixed Income Investments	67,471,973	60,400,590
Equity Investments	198,186,346	179,031,882
Alternative Investments	87,287,490	90,376,278
Total Assets	$ 361,753,511	$ 339,731,903
Contributions Receivable	$ 0	$ 0
Net Assets Available for Benefits	$ 361,753,511	$ 339,731,903

TABLE 2

STATEMENT OF CHANGES IN NET ASSETS DURING YEAR ENDED AUGUST 31, 2025

(Market value)

1. Market Value of Assets as of August 31, 2024	$	339,731,903
2. Contributions:		
a. Members	$	4,871,974
b. City		13,752,662
c. Service Purchases		149,641
d. Total	$	18,774,277
3. Investment Income		
a. Interest and Dividends	$	1,713,877
b. Realized Gains/(Losses)		6,196,112
c. Short and Long Term Capital Gains		(505,453)
d. Unrealized Gains/(Losses)		19,401,810
e. Miscellaneous		134,010
f. Net Investment Income	$	26,940,356
4. Expenditures		
a. Refunds of Member Contributions	$	509,266
b. Benefits Paid:		
(1) Pension Payments		19,306,791
(2) DROP Payments		3,342,171
(3) Temporary Total Disability		0
c. Administrative Expenses		583,649
d. Total	$	23,741,877
5. Changes and Adjustments	$	48,852
6. Net Change (2d) + (3f) - (4d) + (5)	$	22,021,608
7. Market Value of Assets as of August 31, 2025	$	361,753,511
8. Return on Market Value of Assets, Net of Investment Expenses*		8.1%

* Annual rate of return reported by the City.

TABLE 3

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

		Year End			
		8/31/2022	8/31/2023	8/31/2024	8/31/2025
1.	Asset Value, Beginning of Year	$ 318,905,474	$ 301,227,002	$ 312,197,770	$ 339,731,903
2.	Contributions During Year				
	a. Members	$ 3,839,689	$ 4,228,254	$ 4,609,406	$ 4,871,974
	b. City	11,573,047	10,533,904	10,783,513	13,752,662
	c. Service Purchases	465,169	267,174	58,362	149,641
	d. Contributions Receivable	0	0	0	0
	e. Total	$ 15,877,905	$ 15,029,332	$ 15,451,281	$ 18,774,277
3.	Benefit Payments and Expenses*	$ 20,555,982	$ 21,223,956	$ 22,524,209	$ 23,693,025
4.	Assumed Rate of Return	7.35%	7.30%	7.25%	7.20%
5.	Expected Investment Income on (1), (2) and (3)	$ 23,270,681	$ 21,767,450	$ 22,382,431	$ 24,286,700
6.	Actual Return on Market Value, Net of Investment Expenses	$ (13,000,395)	$ 17,165,392	$ 34,607,061	$ 26,940,356
7.	Return to be Spread, End of Year (6) - (5)	$ (36,271,076)	$ (4,602,058)	$ 12,224,630	$ 2,653,656

* 2025 includes $48,852 in recovered overpayments

8. Return to be Spread

Plan Year Ending	Return to be Spread	Unrecognized Percent	Unrecognized Return
2025	$2,653,656	80%	$2,122,925
2024	12,224,630	60%	7,334,778
2023	(4,602,058)	40%	(1,840,823)
2022	(36,271,076)	20%	(7,254,215)
			$362,665

9.	Total Market Value of Assets as of August 31, 2025	$361,753,511
10.	Total Actuarial Value of Assets as of August 31, 2025 (9) - (8)	$361,390,846
11.	Asset Ratios	
	(a) Actuarial Value to Market Value (10) / (9)	99.90%
	(b) Market Value to Actuarial Value (9) / (10)	100.10%
12.	Return on Actuarial Value of Assets, Net of Expenses	7.9%

TABLE 4

SCHEDULE OF DEFERRED ACTUARIAL VALUE OF ASSETS EXPERIENCE

Plan Year Ended	Gain/(Loss) Deferred to Future Years	Gain/(Loss) to be Recognized in Plan Year Ending			
		2026	2027	2028	2029
8/31/2022	($7,254,215)	(7,254,215)			
8/31/2023	(1,840,823)	(920,412)	(920,411)		
8/31/2024	7,334,778	2,444,926	2,444,926	2,444,926	
8/31/2025	2,122,925	530,731	530,731	530,731	530,732
Total	$362,665	($5,198,970)	$2,055,246	$2,975,657	$530,732

SECTION 4 – PLAN LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the City of Lincoln Police and Fire Pension Fund as of the valuation date, August 31, 2025. In this section, the discussion will focus on the commitments (future benefit payments) of the Plan, which are referred to as its liabilities.

Table 5 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries.

The liabilities summarized in Table 5 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measurement of both benefits already earned and future benefits expected to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and for the lives of the surviving beneficiaries.

All liabilities reflect the benefit provisions in place as of August 31, 2025.

Actuarial Accrued Liability

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past, and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "actuarial accrued liability". The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost". Table 6 contains the calculation of actuarial accrued liability for the Plan. The Entry Age Normal actuarial cost method is used to develop the actuarial accrued liability.

TABLE 5

PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF AUGUST 31, 2025

1. Active Employees	
a. Retirement Benefits	$ 286,651,983
b. Pre-Retirement Death Benefits	4,075,670
c. Termination Benefits	12,683,343
d. Disability Benefits	8,069,356
e. Total	$ 311,480,352
2. Inactive Vested Members	$ 5,991,860
3. Refunds Due	$ 178,461
4. In Pay Members	
a. Retirees	$ 177,091,460
b. Disabled Members	24,059,426
c. DROP Members	43,488,065
d. Beneficiaries	11,307,945
e. Total	$ 255,946,896
5. Total Present Value of Future Benefits (1e) + (2) + (3) + (4e)	$ 573,597,569

TABLE 6

ACTUARIAL ACCRUED LIABILITY
AS OF AUGUST 31, 2025

1. Active Employees		
a. Present Value of Future Benefits	$	311,480,352
b. Present Value of Future Normal Costs		115,201,839
c. Actuarial Accrued Liability (1a) - (1b)	$	196,278,513
2. Inactive Members	$	6,170,321
3. In Pay Members		
a. Retirees	$	177,091,460
b. Disabled Members		24,059,426
c. DROP Members		43,488,065
d. Beneficiaries		11,307,945
e. Total	$	255,946,896
4. Total Actuarial Accrued Liability (1c) + (2) + (3e)	$	458,395,730
5. Actuarial Value of Assets	$	361,390,846
6. Unfunded Actuarial Accrued Liability (4) - (5)	$	97,004,884

TABLE 7

ACTUARIAL BALANCE SHEET
AS OF AUGUST 31, 2025

ASSETS

Actuarial Value of Assets		$ 361,390,846
Present Value of Future Normal Costs		$ 115,201,839
Present Value of Future Payments on the Unfunded Actuarial Accrued Liability		$ 97,004,884
Total Assets		$ 573,597,569

LIABILITIES

Active Employees:		
a. Retirement Benefits	$ 286,651,983	
b. Pre-Retirement Death Benefits	4,075,670	
c. Termination Benefits	12,683,343	
d. Disability Benefits	8,069,356	
e. Total		$ 311,480,352
Inactive Members		$ 6,170,321
In Pay Members		
a. Retirees	$ 177,091,460	
b. Disabled Members	24,059,426	
c. DROP Members	43,488,065	
d. Beneficiaries	11,307,945	
e. Total		$ 255,946,896
Total Liabilities		$ 573,597,569

TABLE 8

ACTUARIAL GAIN/(LOSS)

Liabilities		
1. Actuarial Accrued Liability as of August 31, 2024	$	430,533,761
2. Normal Cost and Service Purchases for Plan Year Ending August 31, 2025		10,179,001
3. Benefit Payments During Plan Year Ending August 31, 2025		(23,158,228)
4. Interest at 7.20%		30,912,112
5. Assumption Changes		5,193,694
6. Expected Actuarial Accrued Liability as of August 31, 2025	$	453,660,340
7. Actuarial Accrued Liability as of August 31, 2025	$	458,395,730
Assets		
8. Actuarial Value of Assets as of August 31, 2024	$	339,616,813
9. Contributions During Plan Year Ending August 31, 2025		18,774,277
10. Benefit Payments and Expenses During Plan Year Ending August 31, 2025		(23,693,025)
11. Interest at 7.20%		24,278,413
12. Expected Actuarial Value of Assets as of August 31, 2025	$	358,976,478
13. Actuarial Value of Assets as of August 31, 2025	$	361,390,846
Gain / (Loss)		
14. Expected Unfunded Actuarial Accrued Liability (6) – (12)	$	94,683,862
15. Unfunded Actuarial Accrued Liability (7) – (13)	$	97,004,884
16. Actuarial Gain / (Loss) (14) – (15)	$	(2,321,022)
17. Actuarial Gain / (Loss) on Actuarial Value of Assets (13) – (12)	$	2,414,368
18. Actuarial Gain / (Loss) on Actuarial Accrued Liability (6) – (7)	$	(4,735,390)

TABLE 9

GAIN/(LOSS) BY SOURCE

The purpose of conducting an actuarial valuation of a retirement plan is to estimate the costs and liabilities for the benefits expected to be paid from the plan, to determine the annual level of contribution for the current plan year that should be made to support these benefits and, finally, to analyze the plan's experience. The costs and liabilities of this retirement plan depend not only upon the benefit formula and plan provisions but also upon factors such as the investment return on the Fund, mortality rates among active and retired members, withdrawal and retirement rates among active members, rates at which salaries increase, and the rate at which the 13th check increases.

The actuarial assumptions employed as to these and other contingencies in the current valuation are set forth in Appendix C of this report.

Since the overall results of the valuation will reflect the choice of assumptions made, periodic studies of the various components compromising the plan's experience are conducted in which the experience for each component is analyzed in relation to the assumption used for that component (experience study). This summary is not intended to be an actual "experience study", but rather an analysis of sources of gain and loss in the past plan year.

Gain/(Loss) By Source

The Plan experienced a net actuarial loss on liabilities of $4,735,000 during the plan year ended August 31, 2025 and an actuarial gain on assets of $2,414,000. The net actuarial loss was $2,321,000. The major components of this net actuarial experience loss are shown below:

Liability Sources	**Gain/(Loss)**
Salary Increases	(2,914,000)
Mortality	(333,000)
Terminations	(203,000)
Retirements	(615,000)
Disability	338,000
New Entrants/Rehires	(434,000)
13th Check	(72,000)
Miscellaneous	(502,000)
Total Liability Gain/(Loss)*	(4,735,000)
Asset Gain/(Loss)	2,414,000
Net Actuarial Gain/(Loss)	(2,321,000)

* Liability loss is about 1.03% of total actuarial accrued liability.

SECTION 5 – EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the Plan. A comparison of Tables 3 and 5 indicates that current assets (actuarial value) fall short of meeting the present value of future benefits (total liability). This is expected in all but a completely closed fund, where no further contributions are anticipated. In an active Plan, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost rate and (2) the unfunded actuarial accrued liability contribution rate.

The term “fully funded” is often applied to a Plan in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, Plans are not fully funded, either because of past benefit improvements that have not been completely funded or because actuarial deficiencies have occurred when experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists. Likewise, when the actuarial value of assets is greater than the actuarial accrued liability, a surplus exists.

Description of Contribution Rate Components

The Entry Age Normal (EAN) actuarial cost method is used for the valuation. Under that method, the normal cost for each year from entry age to assumed exit age is a constant percentage of the member’s year by year projected compensation. The portion of the present value of future benefits not provided by the present value of future normal costs in the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

In general, contributions are computed in accordance with a level percent-of-payroll funding objective. The funding policy for the Plan, which determines the City’s contribution, can be found in Appendix B of Chapter 2.62 in the Lincoln Municipal Code. The contribution rate developed in the August 31, 2025 actuarial valuation will be used to determine the dollar amount of the actuarially determined employer contribution to the City of Lincoln Police and Fire Pension Fund for fiscal year end 2027. In this context, the term “contribution rate” means the percentage, which is applied to the estimated active member payroll for the applicable plan year to determine the actual employer contribution amount (i.e., in dollars) for the group.

There is a line item property tax levy specific to the City of Lincoln Police and Fire Pension Fund. The budgeted amount can only be 90% of the amount expected to be collected. If the actual

amount collected exceeds 90% of the total, the City contribution amount will exceed the calculated actuarially determined employer contribution amount.

As of August 31, 2025 the actuarial accrued liability was greater than the valuation assets, so an unfunded actuarial accrued liability (UAAL) exists. The UAAL is amortized, as a level-percent of payroll, using a layered approach. The existing UAAL as of August 31, 2016 serves as the initial base and is amortized over a closed 30-year period beginning on August 31, 2014 (19 years remaining in this valuation). For each valuation subsequent to August 31, 2016, annual net experience gains/losses are amortized over a new, closed 20-year period. Subsequent plan amendments or changes in actuarial assumptions or methods that create a change in the UAAL will be amortized over a demographically appropriate time period selected by the Plan Administrator at the time that the change is reflected in the annual actuarial valuation.

Please note that the use of closed amortization periods, coupled with the City contributing the full actuarial required contribution each year, will result in the Plan being fully funded at the end of the amortization period, if all actuarial assumptions are met. In our opinion, the amortization policy meets the requirements of Actuarial Standard of Practice Number 4.

This approach is intended to promote stable contributions, balance cost among generations of taxpayers and members, and ensure adequate prefunding of benefits. The amortization schedule will fully fund the UAAL within 20 years, and the scheduled payments currently exceed the normal cost plus interest on the UAAL.

Contribution Rate Summary

In Table 10, the amortization payment related to the unfunded actuarial accrued liability, as of August 31, 2025, is developed. Table 11 develops the actuarially determined employer contribution (ADEC) rate.

The actuarial contribution rates shown in this report are based on the actuarial assumptions and cost methods described in Appendix C.

TABLE 10

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE

We believe the use of the layered amortization policy, with new bases over 20 years and the remainder of the legacy base over 19 years, complies with Actuarial Standard of Practice Number 4. This policy will fully amortize the individual, as well as the total, unfunded actuarial accrued liability within a reasonable timeframe and/or reduce the amount of the UAAL by a reasonable amount within a sufficiently short period.

Amortization Bases	Original Amount	Remaining Payments	Base is Paid Off	Outstanding Balance as of August 31, 2025	Annual Contribution*
2016 UAAL Base	$ 54,590,515	19	8/31/2044	$ 56,203,593	$ 4,252,017
2017 Experience Base	(286,327)	12	8/31/2037	(250,784)	(26,565)
2018 Experience Base	(2,490,622)	13	8/31/2038	(2,250,132)	(224,001)
2019 Experience Base	5,276,186	14	8/31/2039	4,888,441	460,006
2019 Assumption Change Base	13,739,593	14	8/31/2039	12,729,876	1,197,891
2020 Experience Base	2,583,532	15	8/31/2040	2,446,870	218,737
2020 Assumption Change Base	1,831,310	15	8/31/2040	1,734,439	155,049
2021 Experience Base	(8,629,870)	16	8/31/2041	(8,320,608)	(709,682)
2021 Assumption Change Base	1,998,466	16	8/31/2041	1,926,847	164,345
2022 Experience Base	(3,324,286)	17	8/31/2042	(3,251,201)	(265,580)
2022 Assumption Change Base	2,091,838	17	8/31/2042	2,045,849	167,119
2023 Experience Base	6,841,729	18	8/31/2043	6,766,121	531,113
2023 Assumption Change Base	4,810,131	18	8/31/2043	4,756,975	373,403
2024 Experience Base	8,427,545	19	8/31/2044	8,391,211	634,827
2024 Assumption Change Base	2,452,446	19	8/31/2044	2,441,873	184,737
2025 Experience Base	1,551,820	20	8/31/2045	1,551,820	113,451
2025 Assumption Change Base	5,193,694	20	8/31/2045	5,193,694	379,701
Total				$ 97,004,884	$ 7,606,568

* Amounts reflect mid-year timing. Based on level percentage of payroll, assuming payroll increases 3.00% per year.

1. Total UAAL Amortization Payment	$ 7,606,568
2. Total Projected Payroll for FY 2025-26	$ 66,036,226
3. UAAL Amortization Payment as a Percent of Payroll	11.52%

TABLE 11

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION RATE

	Valuation Date	
	8/31/2025	8/31/2024
Normal Cost		
Retirement benefits	14.92%	14.56%
Pre-retirement death benefits	0.46%	0.46%
Termination benefits	1.79%	1.76%
Disability benefits	0.97%	0.96%
Total Normal Cost	18.14%	17.74%
Total UAAL Amortization Payment	11.52%	11.33%
Actuarial Determined Contribution Rate	29.66%	29.07%
Member portion	7.88%	7.87%
City portion	21.78%	21.20%

TABLE 12

FIVE-YEAR BUDGET REQUEST ESTIMATE

The Employer Contribution Amount, per City Ordinance 20495, requires the City to contribute the Actuarially Determined Employer Contribution Amount plus Administrative Expenses to the Plan.

Fiscal Year	(1) Total Payroll*	(2) Employer Normal Cost Rate	(3) UAAL Contribution Rate	(4) Actuarially Determined Employer Contribution Rate (2) + (3)	(5) Actuarially Determined Employer Contribution Amount (1) * (4)	(6) Admin. Expenses**	(7) **Employer Contribution Amount (5) + (6)**
2026-27	68,017,313	10.26%	11.52%	21.78%	14,814,171	598,240	**15,412,411**
2027-28	70,057,832	10.64%	12.67%	23.31%	16,330,481	613,196	16,943,677
2028-29	72,159,567	10.60%	12.53%	23.13%	16,690,508	628,526	17,319,034
2029-30	74,324,354	10.56%	12.20%	22.76%	16,916,223	644,239	17,560,462
2030-31	76,554,085	10.56%	12.13%	22.69%	17,370,122	660,345	18,030,467

Note: Projected employer contribution amounts assume that all actuarial assumptions are met in the future and reflect the expectation that the investment return assumption will decrease to 7.00% in the August 31, 2026 valuation (which determines the City contribution for FY 2027-2028). Consequently, the assumed return in each year shown in this table varies in accordance with the investment return assumption for that year (7.10% for contributions in FY 2026-2027 and 7.00% thereafter).

* *Total payroll is projected to increase at 3.00% per year for future years.*
** *Administrative expenses are assumed to increase with price inflation of 2.50% per year.*

SECTION 6 – RISK CONSIDERATIONS

Actuarial Standards of Practice are issued by the Actuarial Standards Board and are binding on credentialed actuaries practicing in the United States. These standards generally identify what the actuary should consider, document and disclose when performing an actuarial assignment. In September 2017, Actuarial Standard of Practice Number 51, *Assessment and Disclosure of Risk in Measuring Pension Obligations*, (ASOP 51) was issued as final with application to measurement dates on or after November 1, 2018. This ASOP, which applies to funding valuations, actuarial projections, and actuarial cost studies of proposed plan changes, was first applicable for the August 31, 2019 actuarial valuation for the City of Lincoln Police and Fire Pension Fund.

A typical retirement plan faces many different risks, but the greatest risk is the inability to make benefit payments when due. If plan assets are depleted, benefits may not be paid which could create legal and litigation risk or the plan could become "pay as you go". The term "risk" is most commonly associated with an outcome with undesirable results. However, in the actuarial world, risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions and that uncertainty, whether favorable or unfavorable, creates risk. ASOP 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions.

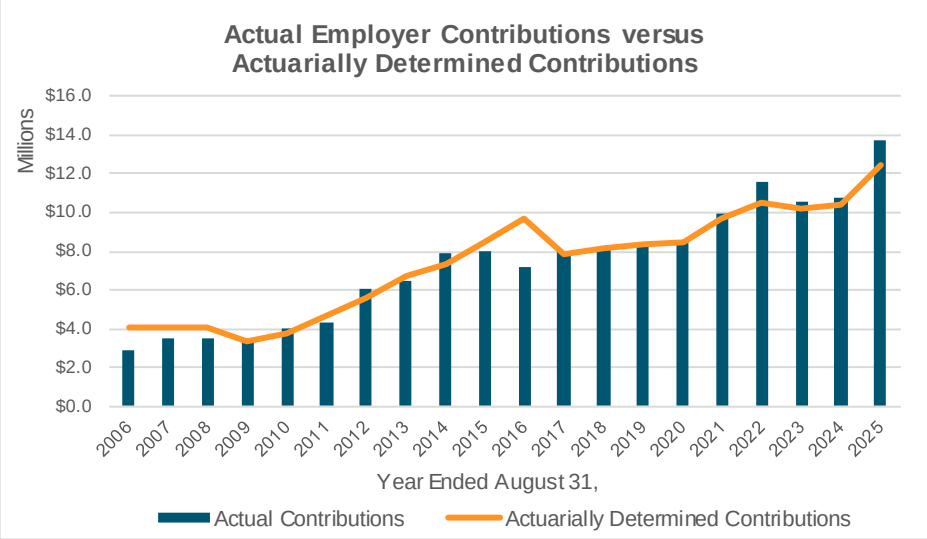
The various risk factors for a given plan can have a significant impact – positive or negative – on the actuarial projection of liability and contribution rates. There are a number of risks inherent in the funding of a defined benefit plan. These include:

- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be higher than expected due to population changes or other factors (note ASOP 51 does not require the actuary to opine on the willingness or ability of the plan sponsor to pay the contribution rate);
- external risks, such as the regulatory and political environment (which are not included in the risks to be assessed under ASOP 51).

Funding Policy

One of the most important factors in the funding of a retirement system is consistently making contributions that are at least equal to the actuarial required contribution. There is a direct correlation between healthy, well-funded retirement plans and consistent contributions at the full actuarial contribution rate each year. For the Lincoln Police and Fire Pension Fund, members contribute a fixed percentage of pay that varies by benefit tier (plan), with most contributing 8.0% under Plan A. The resulting shortfall between the Actuarial Determined Contribution Rate and the effective member contribution rate is the City's obligation. Actual City contributions have been

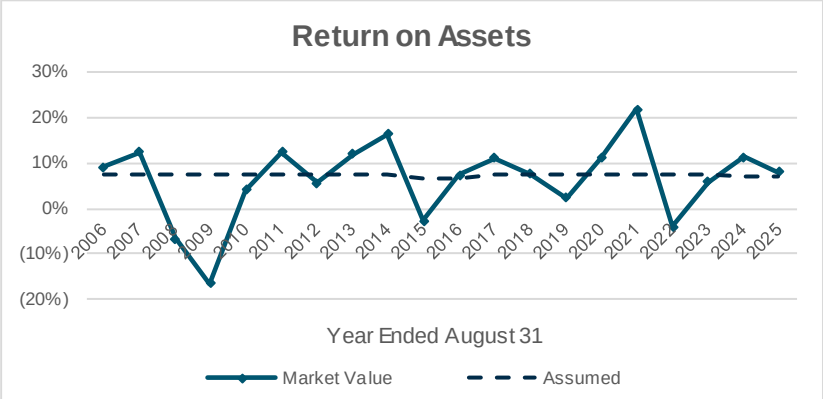
less than the full actuarial contribution in 7 of the last 20 years, as shown in the following graph, with the greatest shortfall occurring during FY 2015-2016.



However, in May of 2017, the Plan's funding policy was modified by City ordinance to require the City to contribute the Actuarially Determined Employer Contribution (ADEC), which is defined as the greater of the employer normal cost rate or the sum of the employer normal cost rate and UAAL contribution rate. The dollar amount of the City contribution is also required to include a component for administrative expenses. Prior to this change, the ordinance only required the contribution to be at least the employer normal cost plus administrative expenses, i.e., the full actuarial contribution was not required to be made. The changes to the funding policy in 2017 were implemented to strengthen the Plan's long-term funding and are expected to do so if actual City contributions continue to follow the Policy.

Investment Return Risk

Perhaps the most significant risk factor for most retirement systems, including the City of Lincoln Police and Fire Pension Fund, is investment return because of the volatility of returns associated with the asset allocations (see Table 13). Historically, actual returns in any given year have varied significantly from the assumed rate of return (see the graph following this paragraph). This is to be expected, given the Plan's asset allocation and the standard deviation of the portfolio, but it does create a high degree of uncertainty, or risk.



The effective compound rate of return over the past 20 years, which includes the Great Recession, is 6.1%, but the range of returns varied from -17% to +22%. When actual investment returns are lower than the assumed rate of return, the actuarial contribution rate increases absent offsetting gains on liabilities. Over the past decade, the effective compound rate of return has been 8.0%.

Under the revised Actuarial Standards of Practice (ASOP) No. 4, effective for valuations after February 15, 2023, we are required to include a low-default-risk obligation measure of the System's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or health of the plan. This measure uses the unit credit cost method and reflects all the assumptions and provisions of the funding valuation except that the discount rate is derived from considering low-default-risk fixed income securities. We considered the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of August 31, 2025 with the 30-year spot rate used for all durations beyond 30. Using these assumptions, we calculate a liability of approximately $585.2 million. This amount approximates the termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. This assurance of funded status and benefit security is typically more relevant for corporate plans than for governmental plans since governments rarely have the need or option to completely terminate a plan. However, this informational disclosure is required for all plans whether corporate or governmental and care should be taken to ensure the one size fits all metric is not misconstrued.

Demographic Risks

A key demographic risk for all retirement systems, including the City of Lincoln Police and Fire Pension Fund, is improvements in mortality (longevity) greater than anticipated. While the actuarial assumptions reflect small, continuous improvements in mortality experience over time and these assumptions are refined every experience study, the risk arises because there is a possibility of a more sudden shift, perhaps from a significant medical breakthrough that could quickly increase liabilities. Likewise, there is also the possibility of a significant public health crisis that could result in a significant number of additional deaths in a short time period, as experienced

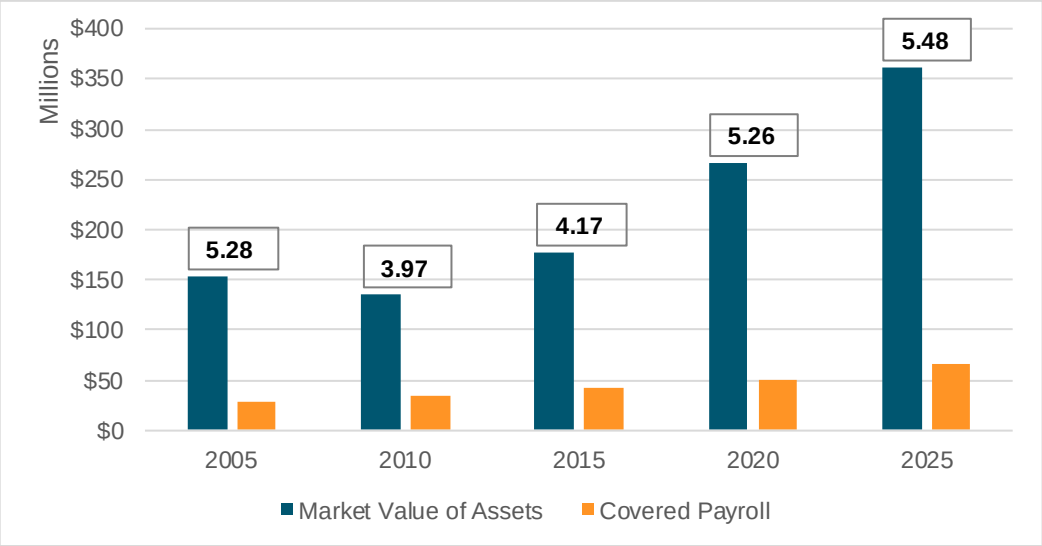
with the COVID-19 pandemic. This type of event is also significant, although the impact on the Plan's funding is more easily absorbed. While either of these events could happen, it represents a relatively small probability and thus represents much less risk than the volatility associated with investment returns.

The following exhibits summarize some historical information that helps indicate how certain key risk metrics have changed over time. Many are due to the natural maturing of the retirement system over time.

TABLE 13

HISTORICAL ASSET VOLATILITY RATIOS

As a retirement plan matures, benefits accumulate, the population ages and plan obligations become larger relative to the source of contributions (payroll). The size of the plan assets relative to covered payroll, sometimes referred to as the asset volatility ratio, is an important indicator of the contribution risk for the plan. The higher this ratio, the more sensitive a plan's contribution rate is to investment return volatility. In other words, it will be harder to recover from investment losses with increased contributions due to the magnitude of the increase.



Note: Years prior to 8/31/2015 were provided by the prior actuary.

The asset volatility ratio of 5.48 in 2025 is about 4% higher than the asset volatility ratio was in 2005. So, the same investment return in 2026 will have a more dramatic impact on the contribution to the Plan than compared to twenty years ago (2005). For example, if the actual return underperforms the investment return assumption by 10.00% (i.e., earn -2.90% for one year), the contribution rate ultimately increases by 4.01% of payroll compared to the same underperformance in 2005 which would have increased the contribution rate by 3.86%.

TABLE 14

LIABILITY MATURITY MEASUREMENTS

Most public sector retirement systems have been in operation for many years. As a result, they have aging plan populations, and in some cases declining active populations, resulting in an increasing ratio of retirees to active members and a growing percentage of retiree liability. With more of the total liability residing with retirees, investment volatility has a greater impact on the funding of the system because it is more difficult to restore the system financially after losses occur when there is comparatively less payroll over which to spread costs.

Year End	Retiree Liability (a)	Total Actuarial Accrued Liability (b)	Retiree Percentage (a) / (b)
8/31/2006	$67,729,832	$161,583,285	41.9%
8/31/2007	76,597,657	169,587,458	45.2%
8/31/2008	81,480,790	179,376,149	45.4%
8/31/2009	88,108,214	187,292,374	47.0%
8/31/2010	94,844,691	195,206,353	48.6%
8/31/2011	96,971,599	204,990,324	47.3%
8/31/2012	106,051,038	214,878,992	49.4%
8/31/2013	113,673,206	229,192,937	49.6%
8/31/2014	139,496,202	262,918,401	53.1%
8/31/2015	147,478,263	286,493,673	51.5%
8/31/2016	150,187,027	271,594,222	55.3%
8/31/2017	157,805,935	285,038,672	55.4%
8/31/2018	159,139,159	296,440,660	53.7%
8/31/2019	177,864,308	325,109,208	54.7%
8/31/2020	187,742,509	343,087,750	54.7%
8/31/2021	204,175,685	358,573,819	56.9%
8/31/2022	212,530,618	375,472,940	56.6%
8/31/2023	224,636,068	401,094,971	56.0%
8/31/2024	239,846,690	430,533,761	55.7%
8/31/2025	255,946,896	458,395,730	55.8%

Note: Years prior to 8/31/2015 were provided by the prior actuary.

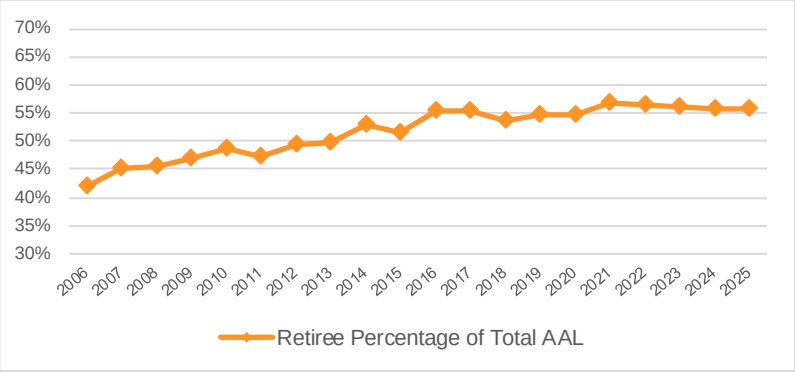


TABLE 15

HISTORICAL MEMBER STATISTICS

The decreasing ratio of active to in-pay members is to be expected as the System matures and the number of retirees grows. It is, in fact, one of the key reasons for advance funding of retirement systems. As the ratio of active to in-pay members decreases, it creates contribution risk to funding the System as deviations in actual experience are recovered by higher contributions, which are based on the active member payroll.

Valuation Date August 31,	Number of Active Members	Number of Benefit Recipients*	Active / Benefit Recipients*
2011	562	467	1.20
2012	559	487	1.15
2013	573	496	1.16
2014	555	517	1.07
2015	576	528	1.09
2016	573	546	1.05
2017	576	558	1.03
2018	587	558	1.05
2019	590	578	1.02
2020	607	594	1.02
2021	599	608	0.99
2022	595	609	0.98
2023	607	618	0.98
2024	609	629	0.97
2025	628	644	0.98

**Includes members participating in DROP.*

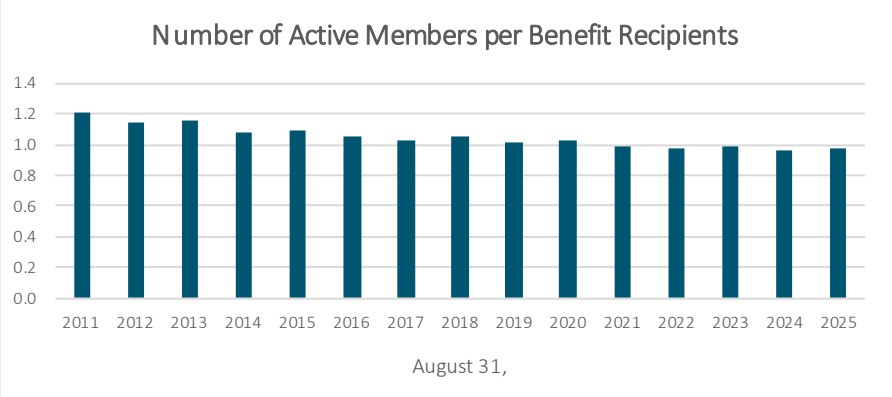


TABLE 16

COMPARISON OF VALUATION RESULTS UNDER ALTERNATE INVESTMENT RETURN ASSUMPTIONS

($ in thousands)

This exhibit compares the key August 31, 2025 valuation results under five (5) different investment return assumptions to illustrate the impact of different assumptions on the funding of the Plan. Note that only the investment return assumption is changed, as identified in the heading below. All other assumptions are unchanged for purposes of this analysis.

Investment Return Assumption	**6.75%**	**7.00%**	**7.10%**	**7.50%**	**7.75%**
Contributions					
Normal Cost Rate	19.66%	18.56%	18.14%	16.55%	15.65%
UAAL Amortization Rate	13.26%	12.01%	11.52%	9.55%	8.33%
Actuarial Determined Contribution Rate	32.92%	30.57%	29.66%	26.10%	23.98%
Effective Employee Contribution Rate	(7.88%)	(7.88%)	(7.88%)	(7.88%)	(7.88%)
Employer Required Contribution Rate	25.04%	22.69%	21.78%	18.22%	16.10%
Employer Contribution Amount for FY 2026-2027	$17,630	$16,031	$15,412	$12,991	$11,549
Actuarial Accrued Liability	$477,346	$463,686	$458,396	$438,176	$426,259
Actuarial Value of Assets	361,391	361,391	361,391	361,391	361,391
Unfunded Actuarial Accrued Liability*	$115,955	$102,295	$97,005	$76,785	$64,868
Funded Ratio	75.7%	77.9%	78.8%	82.5%	84.8%

Note: All other assumptions are unchanged for purposes of this sensitivity analysis.
*May not add due to rounding.

SECTION 7 – HISTORICAL FUNDING AND OTHER INFORMATION

In this section, some historical information regarding the funding progress of the Plan is included. These exhibits retain some of the information that was previously required for accounting purposes, which are included because they assist in explaining the Plan's funding history. An exhibit showing the expected benefit payments for current members of the Plan is also included.

TABLE 17

SCHEDULE OF FUNDING PROGRESS

Two tests of funding progress based on the relationship between valuation assets and actuarial accrued liabilities are shown on the following pages. These tests are based upon the actuarial cost method used in the valuation.

The Ratio of Valuation Assets to Actuarial Accrued Liabilities is a traditional measure of a Plan's funding progress. Except in years when the benefit provisions are amended or actuarial assumptions are revised, the ratio can be expected to gradually tend toward 100%, assuming recommended contribution amounts are received by the plan.

The Ratio of Unfunded Actuarial Accrued Liabilities to Valuation Payroll is another relative index of condition. In an inflationary economy, the value of dollars is decreasing. This environment results in employee salaries increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded actuarial accrued liabilities increasing in dollar amounts – all at a time when the actual substance of these items may be decreasing. When looking at dollar amounts, the effects of inflation can hide the actual funding progress from year to year. Unfunded actuarial accrued liability dollars divided by active employee payroll dollars provides an index which attempts to eliminate the misleading effects of inflation. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the Plan. Observation of this relative index over a period of years will provide an indication of whether the Plan is becoming financially stronger or weaker.

TABLE 17 (continued)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Total Payroll*	(6) Unfunded AAL as a Percentage of Payroll (4) / (5)
8/31/1996	$94,347,990	$81,583,068	115.7%	($12,764,922)	$19,224,719	(66.40%)
8/31/1997	101,475,648	91,022,617	111.5%	(10,453,031)	20,908,549	(49.99%)
8/31/1998	109,213,474	94,847,667	115.2%	(14,365,807)	21,860,493	(65.72%)
8/31/1999	113,902,477	104,691,766	108.8%	(9,210,711)	23,611,284	(39.01%)
8/31/2000	121,404,314	115,671,249	105.0%	(5,733,065)	25,808,088	(22.21%)
8/31/2001	128,069,831	122,660,542	104.4%	(5,409,289)	28,215,685	(19.17%)
8/31/2002	128,319,145	130,875,473	98.1%	2,556,328	26,606,881	9.61%
8/31/2003	132,577,506	137,507,824	96.4%	4,930,318	27,415,330	17.98%
8/31/2004	136,973,679	144,178,758	95.0%	7,205,079	28,124,862	25.62%
8/31/2005	145,730,474	151,978,408	95.9%	6,247,934	29,029,309	21.52%
8/31/2006	157,527,392	161,583,285	97.5%	4,055,893	30,724,333	13.20%
8/31/2007	171,263,791	169,587,458	101.0%	(1,676,333)	30,546,235	(5.49%)
8/31/2008	179,390,472	179,376,149	100.0%	(14,323)	32,265,715	(0.04%)
8/31/2009	177,526,641	187,292,374	94.8%	9,765,733	33,449,977	29.20%
8/31/2010	172,317,463	195,206,353	88.3%	22,888,890	34,233,197	66.86%
8/31/2011	165,436,361	204,990,324	80.7%	39,553,963	35,763,446	110.60%
8/31/2012	164,500,414	214,878,992	76.6%	50,378,578	36,310,880	138.74%
8/31/2013	164,189,914	229,192,937	71.6%	65,003,023	38,107,652	170.58%
8/31/2014	174,569,411	262,918,401	66.4%	88,348,990	37,887,505	233.19%
8/31/2015	183,011,274	286,493,673	63.9%	103,482,399	42,381,059	244.17%
8/31/2016	217,003,707	271,594,222	79.9%	54,590,515	42,930,194	127.16%
8/31/2017	230,159,635	285,038,672	80.8%	54,879,037	44,776,055	122.56%
8/31/2018	243,538,925	296,440,660	82.2%	52,901,735	46,877,559	112.85%
8/31/2019	252,739,770	325,109,208	77.7%	72,369,438	48,131,172	150.36%
8/31/2020	266,114,273	343,087,750	77.6%	76,973,477	50,809,087	151.50%
8/31/2021	288,205,780	358,573,819	80.4%	70,368,039	50,765,438	138.61%
8/31/2022	306,442,498	375,472,940	81.6%	69,030,442	52,184,225	132.28%
8/31/2023	320,675,480	401,094,971	80.0%	80,419,491	57,006,805	141.07%
8/31/2024	339,616,813	430,533,761	78.9%	90,916,948	61,414,839	148.04%
8/31/2025	361,390,846	458,395,730	78.8%	97,004,884	66,036,226	146.90%

Note: For valuation dates prior to 2015, information shown is from the prior actuary's report.
** Non-DROP Payroll in 2002 and later.*

TABLE 18

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning September 1	Actuarial Valuation Date	Actuarially Determined Employer Contribution*		Actual Contribution	Contribution Deficiency/ (Excess)
2007	8/31/2006	$4,076,536		$3,456,424	$620,112
2008	8/31/2007	3,316,464		3,521,858	(205,394)
2009	8/31/2008	3,752,124		4,014,414	(262,290)
2010	8/31/2009	4,651,872		4,333,811	318,061
2011	8/31/2010	5,574,482		6,052,020	(477,538)
2012	8/31/2011	6,718,467		6,446,472	271,995
2013	8/31/2012	7,377,763		7,865,929	(488,166)
2014	8/31/2013	8,418,199		8,045,293	372,906
2015	8/31/2014	9,666,852		7,170,104	2,496,748
2016	8/31/2015	7,829,103	**	7,974,731	(145,628)
2017	8/31/2016	8,164,782		8,239,839	(75,057)
2018	8/31/2017	8,333,901		8,333,901	0
2019	8/31/2018	8,422,965		8,490,046	(67,081)
2020	8/31/2019	9,733,221		9,988,807	(255,586)
2021	8/31/2020	10,509,325		11,573,047	(1,063,722)
2022	8/31/2021	10,159,639		10,533,904	(374,265)
2023	8/31/2022	10,453,600		10,783,513	(329,913)
2024	8/31/2023	12,462,426		13,752,662	(1,290,236)
2025	8/31/2024	14,101,657		N/A	N/A
2026	8/31/2025	15,412,411		N/A	N/A

** Actuarially Determined Employer Contribution is equal to the initial Budget Request amount shown in Table 12 for the appropriate fiscal year. The employer contribution rate from 8/31/06 to 8/31/08 is based on a 10-year amortization of the UAAL/(Surplus). The UAAL was amortized over 30 years from 8/31/09 to 8/31/13. The UAAL is currently amortized using a layered approach, where the initial base is amortized over a closed 30-year period effective 8/31/14. Bases established after 8/31/16 are amortized over closed 20-year periods.*

*** Actuarially Determined Employer Contribution was reduced from $12,065,465 in the 2015 valuation report due to the plan change merging the COLA Pool fund into the general pension fund.*

Note: For valuation dates prior to 2015, information shown is from the prior actuary's report.

TABLE 19

PROJECTED BENEFIT PAYMENTS

The table below shows estimated benefits expected to be paid over the next twenty years, based on the assumptions used in this valuation. The "In-Pay" column shows benefits expected to be paid to members currently receiving benefit payments as of August 31, 2025. The "Not In-Pay" column shows benefits expected to be paid to all other members. This included those who, as of August 31, 2025, are active or have terminated employment and are entitled to a deferred vested benefit. No future members are reflected.

Year Ending August 31	Not In-Pay	In-Pay	Total
2026	$ 1,936,000	$ 23,667,000	$ 25,603,000
2027	3,487,000	23,446,000	26,933,000
2028	5,075,000	23,273,000	28,348,000
2029	6,122,000	23,069,000	29,191,000
2030	7,244,000	22,797,000	30,041,000
2031	8,780,000	22,507,000	31,287,000
2032	10,198,000	22,210,000	32,408,000
2033	11,603,000	21,874,000	33,477,000
2034	13,277,000	21,524,000	34,801,000
2035	15,321,000	21,174,000	36,495,000
2036	17,364,000	20,746,000	38,110,000
2037	19,209,000	20,290,000	39,499,000
2038	21,127,000	19,813,000	40,940,000
2039	23,148,000	19,314,000	42,462,000
2040	24,997,000	18,782,000	43,779,000
2041	26,875,000	18,231,000	45,106,000
2042	28,928,000	17,661,000	46,589,000
2043	31,136,000	17,072,000	48,208,000
2044	33,312,000	16,465,000	49,777,000
2045	36,015,000	15,841,000	51,856,000

Note: Cash flows are the expected future non-discounted payments to current members. These numbers exclude refund payouts to current nonvested inactives and assume future retirees elect the normal form of payment and future withdrawals elect refunds according to valuation assumptions.

MEMBER DATA RECONCILIATION

August 31, 2024 to August 31, 2025

The number of members included in the valuation, as summarized in the table below, is in accordance with the data submitted by the Plan for members as of the valuation date.

	Active Participants	DROP Members	Service Retirees	Disabled Retirees	Beneficiaries	Inactive Vested	Refunds Due	Total
Members as of 08/31/24	609	51	464	58	56	27	13	1,278
New Participants	49	0	0	0	0	0	0	49
Rehired	0	0	0	0	0	0	0	0
Terminations								
Refunded	(3)	0	0	0	0	0	(9)	(12)
Refund Due	(9)	0	0	0	0	0	9	0
Deferred Vested	(1)	0	0	0	0	1	0	0
Retirements								
Service	(4)	(10)	21	0	0	(7)	0	0
Disability	0	0	0	0	0	0	0	0
DROP	(12)	12	0	0	0	0	0	0
Deaths								
Cashed Out	0	0	0	0	0	0	0	0
Refund Due	0	0	0	0	0	0	0	0
With Beneficiary	(1)	0	(2)	0	3	0	0	0
Without Beneficiary	0	0	(8)	0	(1)	0	0	(9)
Data Adjustments	0	0	0	0	0	1	0	1
Members as of 08/31/25	**628**	**53**	**475**	**58**	**58**	**22**	**13**	**1,307**

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Year Ended	Added to Rolls		Removed from Rolls		Rolls End of Year		% Incr. Annual Benefits	Average Annual Benefit
	No.*	Annual Benefits**	No.	Annual Benefits**	No.	Annual Benefits**		
Aug. 31, 1996	8	$149,099	2	$16,566	203	$2,395,616	5.9%	$11,801
Aug. 31, 1997	73#	590,041	4	56,890	272	3,042,547	27.0%	11,186
Aug. 31, 1998	10	155,262	11	71,670	271	3,126,139	2.7%	11,536
Aug. 31, 1999	23	414,130	1	22,889	293	3,517,380	12.5%	12,005
Aug. 31, 2000	17	335,244	7	62,014	303	3,790,610	7.8%	12,510
Aug. 31, 2001	14	225,737	16	105,022	301	3,911,325	3.2%	12,994
Aug. 31, 2002	18	278,160	14	115,340	305	4,074,145	4.2%	13,358
Aug. 31, 2003	15	219,569	11	119,499	309	4,174,215	2.5%	13,509
Aug. 31, 2004	12	175,551	5	74,835	316	4,274,931	2.4%	13,528
Aug. 31, 2005	30	702,721	12	73,072	334	4,904,580	14.7%	14,684
Aug. 31, 2006	10	262,420	4	36,362	340	5,130,638	4.6%	15,090
Aug. 31, 2007	38	1,101,713	8	55,280	370	6,177,071	20.4%	16,695
Aug. 31, 2008	24	621,708	10	128,736	384	6,670,043	8.0%	17,370
Aug. 31, 2009	20	560,105	2	28,641	402	7,185,166	7.7%	17,874
Aug. 31, 2010	14	408,351	8	66,170	408	7,477,874	4.1%	18,328
Aug. 31, 2011	15	455,866	8	84,553	415	7,846,879	4.9%	18,908
Aug. 31, 2012	30	1,083,442	7	101,972	438	8,828,349	12.5%	20,156
Aug. 31, 2013	21	700,308	11	165,739	448	9,362,919	6.1%	20,899
Aug. 31, 2014	20	771,356	3	21,973	465	10,112,391	8.0%	21,747
Aug. 31, 2015	27	1,045,339	6	106,230	486	11,051,500	9.3%	22,740
Aug. 31, 2016	24	792,387	9	108,466	501	11,735,421	6.2%	23,424
Aug. 31, 2017	23	880,462	9	105,124	515	13,098,301	11.6%	25,434
Aug. 31, 2018	16	538,514	12	174,596	519	13,462,219	2.8%	25,939
Aug. 31, 2019	26	1,066,538	9	101,001	536	14,427,756	7.2%	26,917
Aug. 31, 2020	24	833,934	11	184,344	549	15,077,346	4.5%	27,463
Aug. 31, 2021	34	1,421,186	23	292,724	560	16,205,808	7.5%	28,939
Aug. 31, 2022	30	1,388,011	21	310,316	569	17,283,503	6.7%	30,375
Aug. 31, 2023	25	1,162,673	20	375,023	574	18,071,153	4.6%	31,483
Aug. 31, 2024	19	1,023,598	15	291,951	578	18,802,800	4.0%	32,531
Aug. 31, 2025	24	1,321,034	11	283,034	591	19,840,800	5.5%	33,572

** Includes Retirements from DROP*

*** Beginning in 2017, includes 13th Check amounts. This increased Annual Benefits by $587,542 on Aug. 31, 2017.*

 # Includes the addition of "Old Plan" members

Note: For valuation dates prior to 2015, information shown is from the prior actuary's report.

APPENDIX A – SUMMARY OF MEMBERSHIP DATA

NOT-IN-PAY MEMBERS INCLUDED IN VALUATION

Valuation Date	Active Members	Inactive Vested Members	Total Payroll*	Average Age	Average Service	Average Pay	% Increase
Aug. 31, 1996	545	42	$19,224,719	39.1	14.3	$35,275	0.0%
Aug. 31, 1997	549	43	20,908,549	38.9	13.3	38,085	8.0%
Aug. 31, 1998	561	47	21,860,493	38.8	13.2	38,967	2.3%
Aug. 31, 1999	545	48	23,611,284	39.1	13.5	43,323	11.2%
Aug. 31, 2000	543	45	25,808,088	39.5	13.8	47,529	9.7%
Aug. 31, 2001	584	41	28,215,685	39.3	13.3	48,315	1.7%
Aug. 31, 2002	536	36	26,606,881	38.4	12.3	49,640	2.7%
Aug. 31, 2003	535	31	27,415,330	38.7	12.5	51,244	3.2%
Aug. 31, 2004	533	25	28,124,862	38.8	12.5	52,767	3.0%
Aug. 31, 2005	533	25	29,029,309	39.1	12.9	54,464	3.2%
Aug. 31, 2006	558	25	30,724,333	39.2	12.8	55,062	1.1%
Aug. 31, 2007	531	28	30,546,235	39.5	13.0	57,526	4.5%
Aug. 31, 2008	549	30	32,265,715	39.3	12.7	58,772	2.2%
Aug. 31, 2009	553	27	33,449,977	39.3	12.6	60,488	2.9%
Aug. 31, 2010	561	26	34,233,197	39.4	12.4	61,022	0.9%
Aug. 31, 2011	562	28	35,763,446	39.6	12.7	63,636	4.3%
Aug. 31, 2012	559	26	36,310,880	39.5	12.6	64,957	2.1%
Aug. 31, 2013	573	24	38,107,652	39.4	12.4	66,506	2.4%
Aug. 31, 2014	555	27	37,887,505	39.6	12.5	68,266	2.6%
Aug. 31, 2015	576	28	42,381,059	39.4	12.3	73,578	7.8%
Aug. 31, 2016	573	27	42,930,194	39.5	12.3	74,922	1.8%
Aug. 31, 2017	576	24	44,776,055	39.7	12.4	77,736	3.8%
Aug. 31, 2018	587	25	46,877,559	40.0	12.7	79,860	2.7%
Aug. 31, 2019	590	24	48,131,172	39.7	12.4	81,578	2.2%
Aug. 31, 2020	607	25	50,809,087	39.5	12.2	83,705	2.6%
Aug. 31, 2021	599	29	50,765,438	39.3	11.9	84,750	1.2%
Aug. 31, 2022	595	32	52,184,225	39.6	12.0	87,705	3.5%
Aug. 31, 2023	607	26	57,006,805	39.5	11.8	93,916	7.1%
Aug. 31, 2024	609	27	61,414,839	39.3	11.7	100,845	7.4%
Aug. 31, 2025	628	22	66,036,226	39.0	11.6	105,153	4.3%

** Reflects Non-DROP projected payroll in 2002 and later.*
Note: For valuation dates prior to 2015, information shown is from the prior actuary's report.

MEMBERSHIP DATA – AUGUST 31, 2025

Active Members (Not Participating in DROP)

Group	Count	Employee Contribution Rate	Effective Employee Contribution Percentage	Projected Annual Payroll	Average Age	Average Service	Average Salary
Police							
- Plan A	315	8.00%	8.00%	$ 32,413,866	38.1	11.4	$ 102,901
- Plan B*	2	7.60%	0.00%	305,800	57.4	34.1	152,900
Fire							
- Plan A	306	8.00%	8.00%	32,605,993	39.6	11.3	106,556
- Plan B*	5	7.60%	0.00%	710,567	59.8	35.4	142,113
Total	628	7.99%	7.88%	$ 66,036,226	39.0	11.6	$ 105,153

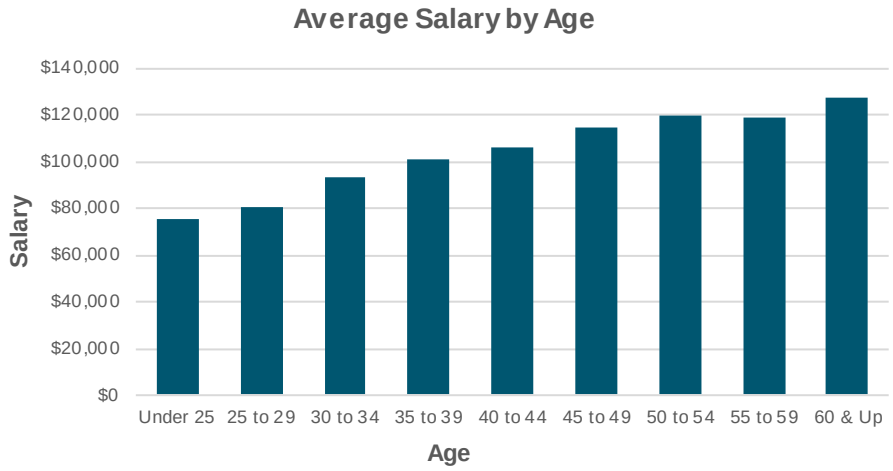
* *Employee contributions stop after 21 years of service for this group.*

SUMMARY OF ACTIVE MEMBERS
As of August 31, 2025

Fire

Age	Number			Annual Reported Salary For Year Ended		
	Male	Female	Total	Male	Female	Total
Under 25	10	4	14	$ 746,683	$ 304,447	$ 1,051,130
25 to 29	33	7	40	2,693,132	543,116	3,236,248
30 to 34	41	9	50	3,787,461	859,661	4,647,122
35 to 39	38	4	42	3,831,840	399,999	4,231,839
40 to 44	60	8	68	6,352,945	853,990	7,206,935
45 to 49	44	2	46	5,057,782	208,394	5,266,176
50 to 54	34	3	37	4,126,389	303,703	4,430,092
55 to 59	6	0	6	713,656	0	713,656
60 & Up	8	0	8	1,016,508	0	1,016,508
Total	274	37	311	$ 28,326,396	$ 3,473,310	$ 31,799,706

Average Age: 39.9
Average Salary: $102,250

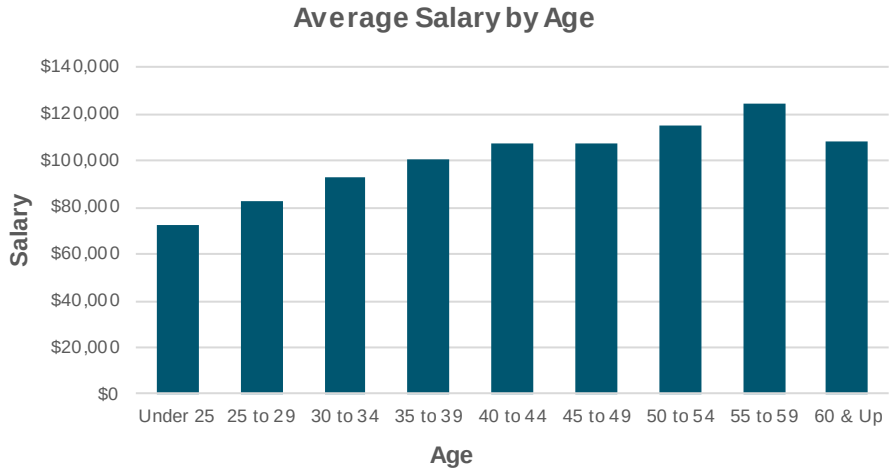


SUMMARY OF ACTIVE MEMBERS
As of August 31, 2025

Police

Age	Number			Annual Reported Salary For Year Ended		
	Male	Female	Total	Male	Female	Total
Under 25	13	8	21	$ 933,457	$ 581,798	$ 1,515,255
25 to 29	38	12	50	3,135,621	987,769	4,123,390
30 to 34	48	9	57	4,452,310	852,231	5,304,541
35 to 39	47	9	56	4,748,264	894,250	5,642,514
40 to 44	49	3	52	5,236,196	365,227	5,601,423
45 to 49	37	6	43	3,973,591	651,261	4,624,852
50 to 54	28	2	30	3,217,259	234,349	3,451,608
55 to 59	5	0	5	621,999	0	621,999
60 & Up	3	0	3	323,612	0	323,612
Total	268	49	317	$ 26,642,309	$ 4,566,885	$ 31,209,194

Average Age: 38.2
Average Salary: $98,452

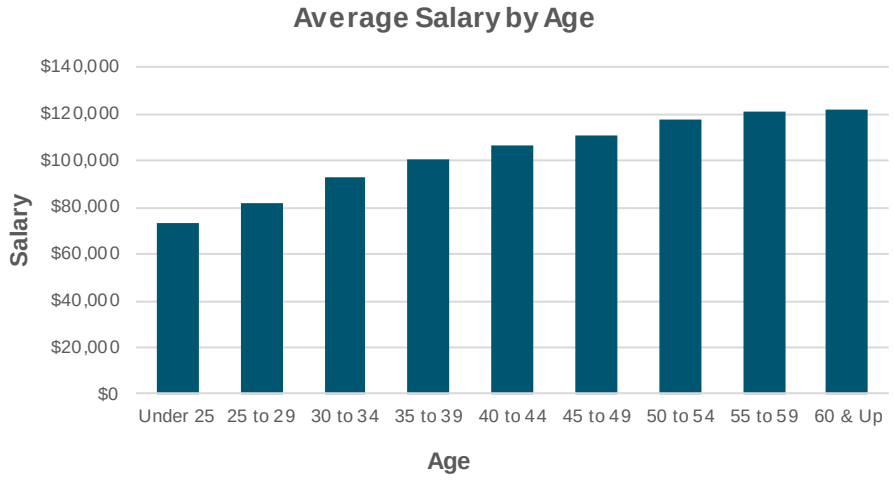


SUMMARY OF ACTIVE MEMBERS
As of August 31, 2025

Total

Age	Number			Annual Reported Salary For Year Ended		
	Male	Female	Total	Male	Female	Total
Under 25	23	12	35	$ 1,680,140	$ 886,245	$ 2,566,385
25 to 29	71	19	90	5,828,753	1,530,885	7,359,638
30 to 34	89	18	107	8,239,771	1,711,892	9,951,663
35 to 39	85	13	98	8,580,104	1,294,249	9,874,353
40 to 44	109	11	120	11,589,141	1,219,217	12,808,358
45 to 49	81	8	89	9,031,373	859,655	9,891,028
50 to 54	62	5	67	7,343,648	538,052	7,881,700
55 to 59	11	0	11	1,335,655	0	1,335,655
60 & Up	11	0	11	1,340,120	0	1,340,120
Total	542	86	628	$ 54,968,705	$ 8,040,195	$ 63,008,900

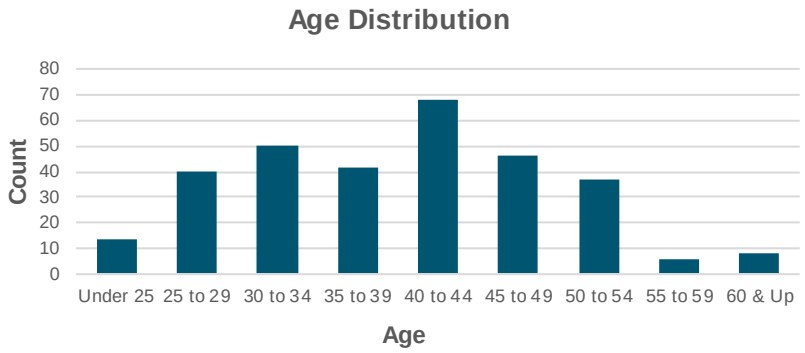
Average Age: 39.0
Average Salary: $100,333

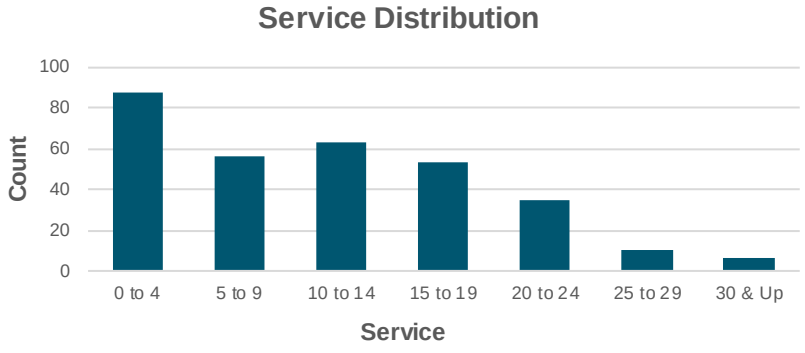


DISTRIBUTION OF ACTIVE MEMBERS
As of August 31, 2025

Fire

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	14	0	0	0	0	0	0	14
25 to 29	32	8	0	0	0	0	0	40
30 to 34	23	19	8	0	0	0	0	50
35 to 39	13	12	15	2	0	0	0	42
40 to 44	6	13	27	20	2	0	0	68
45 to 49	0	3	10	16	16	1	0	46
50 to 54	0	1	2	12	11	8	3	37
55 to 59	0	0	1	2	2	1	0	6
60 & Up	0	0	0	1	4	0	3	8
Total	88	56	63	53	35	10	6	311

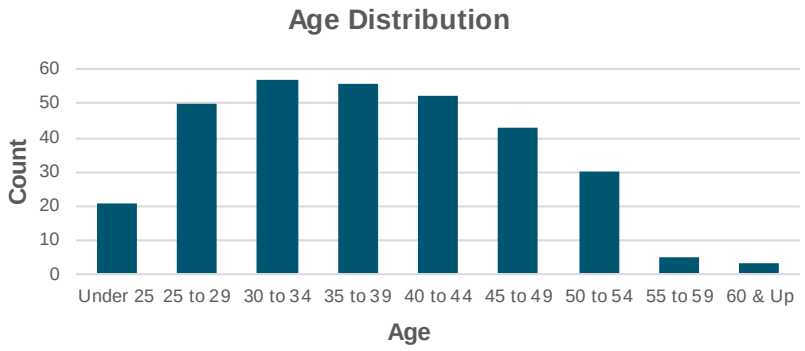


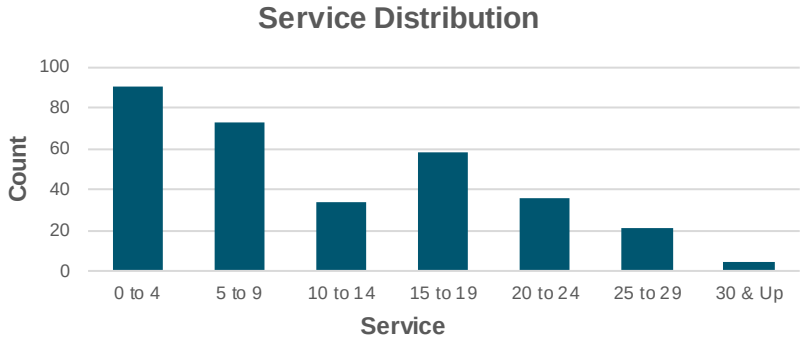


DISTRIBUTION OF ACTIVE MEMBERS
As of August 31, 2025

Police

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	21	0	0	0	0	0	0	21
25 to 29	35	15	0	0	0	0	0	50
30 to 34	19	34	4	0	0	0	0	57
35 to 39	6	18	23	9	0	0	0	56
40 to 44	5	3	4	35	5	0	0	52
45 to 49	1	1	2	11	18	10	0	43
50 to 54	2	2	1	2	12	11	0	30
55 to 59	0	0	0	1	1	0	3	5
60 & Up	2	0	0	0	0	0	1	3
Total	91	73	34	58	36	21	4	317

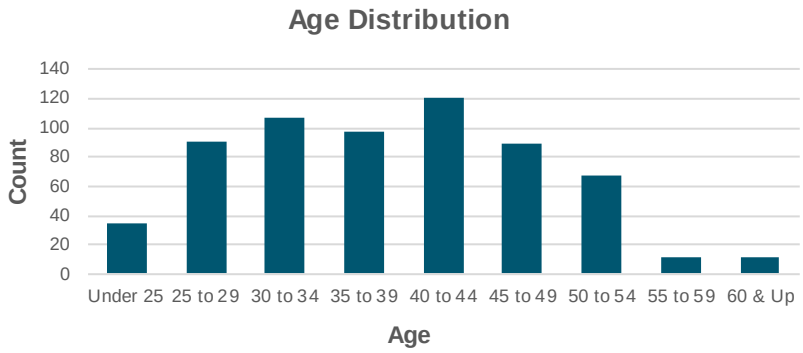


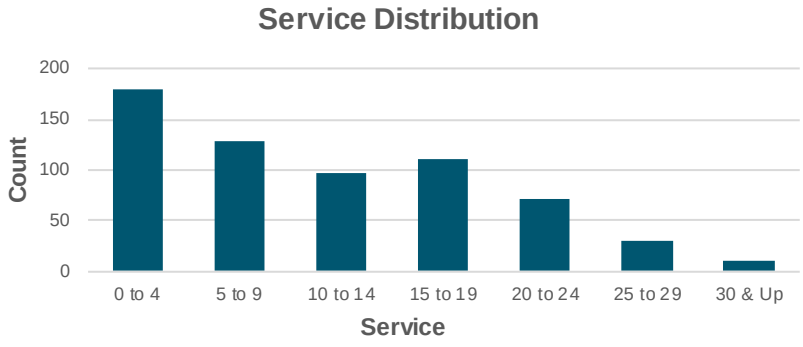


DISTRIBUTION OF ACTIVE MEMBERS
As of August 31, 2025

Total

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	35	0	0	0	0	0	0	35
25 to 29	67	23	0	0	0	0	0	90
30 to 34	42	53	12	0	0	0	0	107
35 to 39	19	30	38	11	0	0	0	98
40 to 44	11	16	31	55	7	0	0	120
45 to 49	1	4	12	27	34	11	0	89
50 to 54	2	3	3	14	23	19	3	67
55 to 59	0	0	1	3	3	1	3	11
60 & Up	2	0	0	1	4	0	4	11
Total	179	129	97	111	71	31	10	628

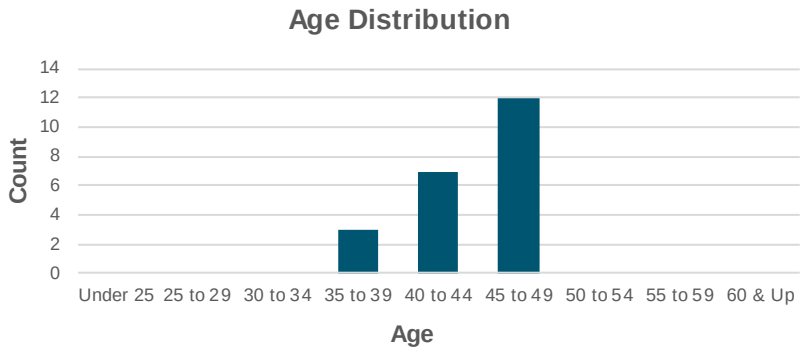


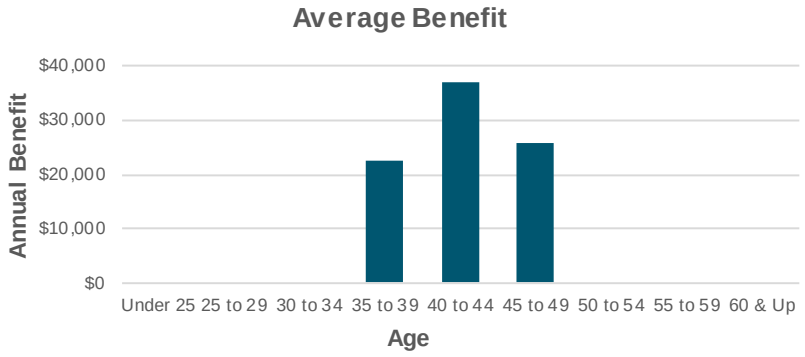


SUMMARY OF INACTIVE VESTED MEMBERS
As of August 31, 2025

	Number			Annual Benefit at Retirement*		
Age	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ 0	$ 0	$ 0
25 to 29	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0
35 to 39	3	0	3	67,668	0	67,668
40 to 44	4	3	7	160,436	99,755	260,191
45 to 49	11	1	12	287,689	20,299	307,988
50 to 54	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0
60 & Up	0	0	0	0	0	0
Total	18	4	22	$ 515,793	$ 120,054	$ 635,847

* Includes 13th Check amounts.



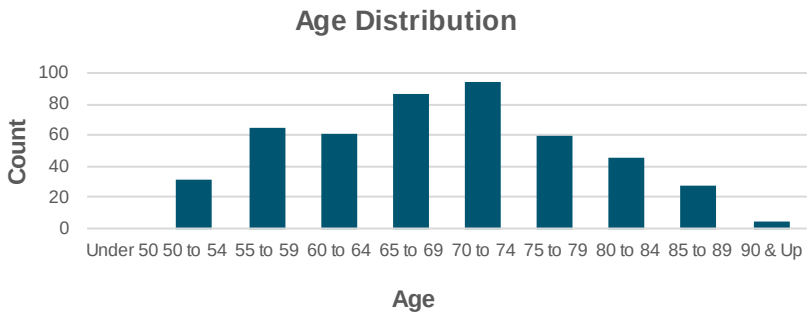


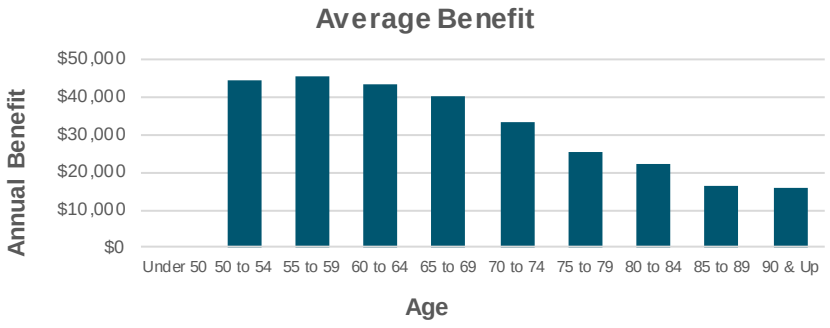
SUMMARY OF RETIRED MEMBERS
As of August 31, 2025

Service Retirees

	Number			Annual Benefit*		
Age	Male	Female	Total	Male	Female	Total
Under 50	0	0	0	$ 0	$ 0	$ 0
50 to 54	24	7	31	999,880	373,472	1,373,352
55 to 59	55	10	65	2,713,407	249,165	2,962,572
60 to 64	51	10	61	2,278,089	359,031	2,637,120
65 to 69	78	9	87	3,097,764	416,985	3,514,749
70 to 74	91	3	94	3,017,312	126,917	3,144,229
75 to 79	59	1	60	1,520,780	16,949	1,537,729
80 to 84	44	1	45	986,105	19,622	1,005,727
85 to 89	26	2	28	435,806	27,246	463,052
90 & Up	4	0	4	63,260	0	63,260
Total	432	43	475	$15,112,403	$ 1,589,387	$16,701,790

* Includes 13th Check amounts.



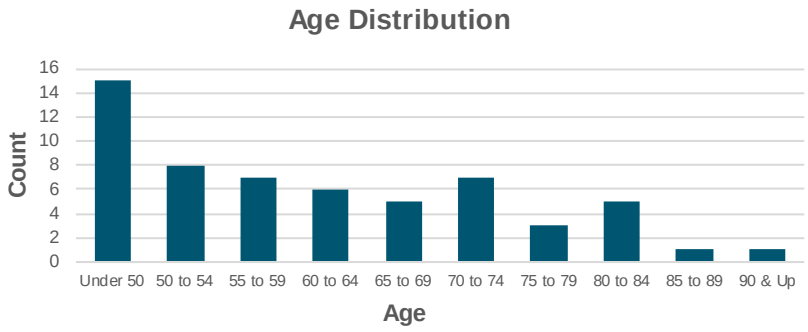


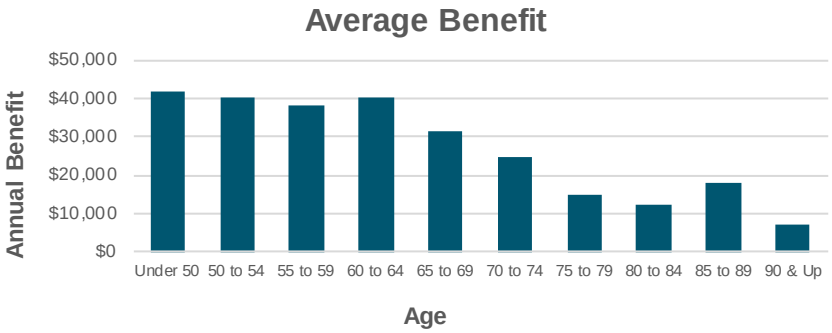
SUMMARY OF RETIRED MEMBERS
As of August 31, 2025

Disabled Retirees

Age	Number			Annual Benefit*		
	Male	Female	Total	Male	Female	Total
Under 50	10	5	15	$ 424,620	$ 203,802	$ 628,422
50 to 54	7	1	8	285,751	35,257	321,008
55 to 59	5	2	7	213,079	55,398	268,477
60 to 64	5	1	6	221,560	19,621	241,181
65 to 69	5	0	5	158,440	0	158,440
70 to 74	6	1	7	161,370	10,744	172,114
75 to 79	3	0	3	44,739	0	44,739
80 to 84	5	0	5	61,521	0	61,521
85 to 89	1	0	1	17,811	0	17,811
90 & Up	1	0	1	7,283	0	7,283
Total	48	10	58	$ 1,596,174	$ 324,822	$ 1,920,996

* Includes 13th Check amounts.



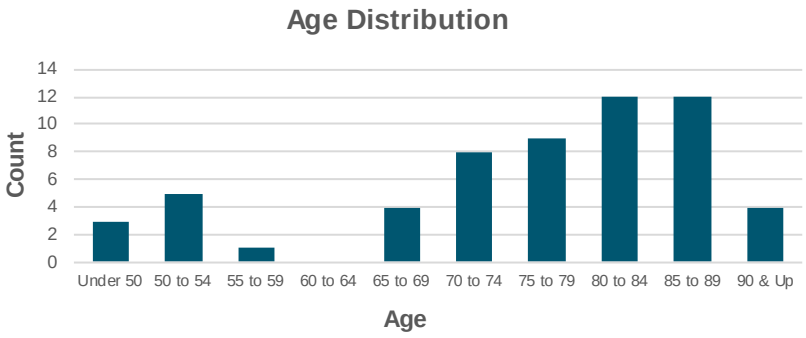


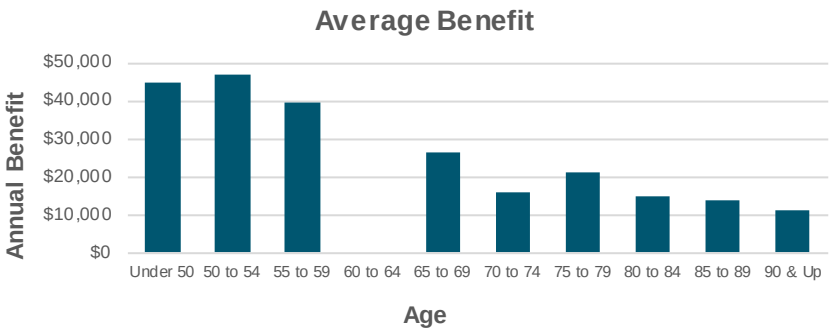
SUMMARY OF RETIRED MEMBERS
As of August 31, 2025

Beneficiaries

	Number			Annual Benefit*		
Age	Male	Female	Total	Male	Female	Total
Under 50	0	3	3	$ 0	$ 134,367	$ 134,367
50 to 54	1	4	5	34,317	199,621	233,938
55 to 59	0	1	1	0	39,527	39,527
60 to 64	0	0	0	0	0	0
65 to 69	0	4	4	0	105,595	105,595
70 to 74	0	8	8	0	128,453	128,453
75 to 79	1	8	9	10,650	180,671	191,321
80 to 84	0	12	12	0	177,080	177,080
85 to 89	1	11	12	15,486	147,556	163,042
90 & Up	0	4	4	0	44,691	44,691
Total	3	55	58	$ 60,453	$ 1,157,561	$ 1,218,014

* Includes 13th Check amounts.



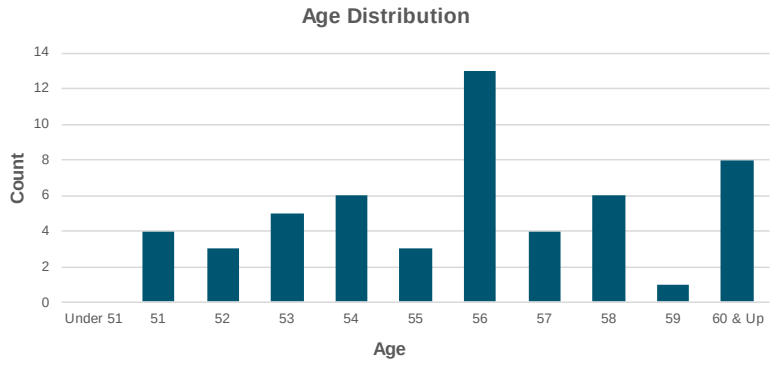


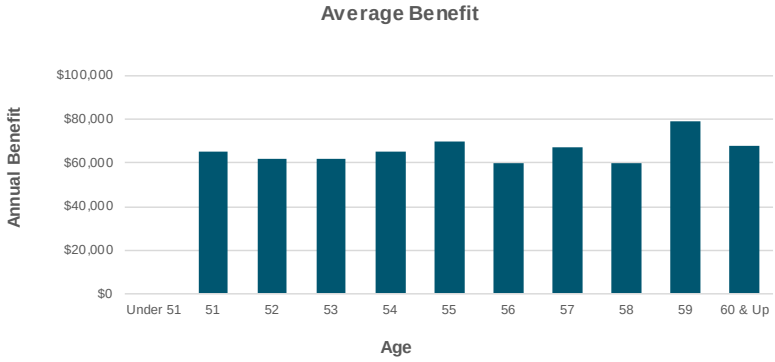
SUMMARY OF RETIRED MEMBERS
As of August 31, 2025

DROP Members

	Number			Annual Benefit*		
Age	Male	Female	Total	Male	Female	Total
Under 51	0	0	0	$ 0	$ 0	$ 0
51	2	2	4	131,746	129,665	261,411
52	3	0	3	185,152	0	185,152
53	4	1	5	250,481	60,620	311,101
54	6	0	6	390,636	0	390,636
55	2	1	3	148,404	61,859	210,263
56	11	2	13	676,183	101,709	777,892
57	4	0	4	269,150	0	269,150
58	6	0	6	361,024	0	361,024
59	1	0	1	79,308	0	79,308
60 & Up	7	1	8	490,974	54,044	545,018
Total	46	7	53	$ 2,983,058	$ 407,897	$ 3,390,955

* Includes 13th Check amounts.





APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

Plan A is applicable to members who were hired on/after April 1, 1995 or who were hired prior to that date, but elected Plan A coverage.

Plan B is applicable to members who were employed on/after April 11, 1984 or who, prior to April 11, 1984, elected Plan B coverage.

Plan C is applicable to members who were employed before April 11, 1984 and did not elect to move to Plan B or A.

Regular Pay

All plans: Member's base pay and City's contributions to the Post-Employment Health Plan for the last consecutive 26 bi-weekly pay periods. In case of a demotion, or out of class pay, it shall mean the highest consecutive 26 bi-weekly pay periods.

Normal Retirement Age

Plan A:	Age 50
Plans B and C:	Age 53

Normal Retirement

Eligibility – Plan A: Normal Retirement Age and 25 years of service.
Plans B and C: Normal Retirement Age and 21 years of service.

Amount of Pension – Plan A: 2.56% of Regular Pay times years of service to a maximum of 64% of Regular Pay.

Plan B: 58% of Regular Pay with 21 years of service plus 2% of Regular Pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

Plan C: 54% of Regular Pay with 21 years of service plus 2% of Regular Pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

Early Retirement

Eligibility – All Plans: Age 50 and 21 years of service.

Amount of Pension – Plan A: 2.56% of Regular Pay times years of service up to a maximum of 64% of Regular Pay.

Plan B: 52% of Regular Pay plus 2% of Regular Pay for each year of service rendered after becoming eligible to a maximum increase of 6%.

Plan C: 48% of Regular Pay plus 2% of Regular Pay for each year of service rendered after becoming eligible to a maximum increase of 6%.

Partial Annuity

Eligibility – all plans: Normal Retirement Age and 10 or more years of service.

Amount of Pension – Plan A: 2.56% of Regular Pay times years of service.

Plan B: 58% of Regular Pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 58% of Regular Pay.

Plan C: 54% of Regular Pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 54% of Regular Pay.

Deferred Annuity (Vested Termination)

Eligibility – all plans: Age less than Normal Retirement Age and 10, or more, years of service. Payments begin at age 50.

Amount of Pension – Plan A: 2.56% of Regular Pay times years of service.

Plan B: 58% of Regular Pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 58% of Regular Pay.

Plan C: 54% of Regular Pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 54% of Regular Pay.

Duty-Related Disability

Eligibility – all plans: Permanent inability to perform the duties of position from a cause occurring while in line of duty.

Amount of Pension – Plan A: 58% of Regular Pay.

Plan B and C: A pension equal to 58% or 54% of Regular Pay respectively, plus 2% of Regular Pay for each year of service rendered after becoming eligible for retirement, to a maximum increase of 10% of Regular Pay.

Such pension shall continue after the member's death to the member's surviving spouse, until death or remarriage, minor children or designated Option A beneficiary (a reduced amount in this case). The above amounts are subject to deduction of the amount received from worker's compensation.

Non-Duty Disability

Eligibility – all plans: Permanent inability to perform duties of position from a cause not occurring in the line of duty

Amount of Pension: A pension equal to the following percent of Regular Pay:

Years of Service (YOS)	Plan A	Plan B	Plan C
5 ≤ YOS < 10	23%	23%	21%
10 ≤ YOS < 15	39%	39%	36%
YOS ≥15	53%	53%	49%

Duty-Related Death

Eligibility – all plans: Active member dies in the line of duty or as a result of injuries received while in the line of duty.

Amount of Pension: Spouse beneficiary paid at Duty Related Disability rate until remarriage or death. Upon spouse's remarriage or death, dependent children paid prorate at the same rate until age 19. Non-spouse beneficiary paid at 100% survivor rate for lifetime.

The above amounts are subject to deduction of the amount received from worker's compensation.

Non-Duty Death

Eligibility – All Plans: 5 years of service.

Amount of Pension: Pension which would have been payable as a Non-Duty Disability awarded the day prior to death and elected Option A (Joint & 100% Survivor).

Death after Retirement – Remainder Refund

Eligibility – all plans: Employed on January 1, 1992 or hired between January 1, 1992 and March 31, 2010.

Amount of Benefit: Upon retirement, the member's balance of contributions plus accrued interest is reduced each month by a level amount equal to the member's balance divided by the expected number of payments. Once both the member and, if applicable, their joint annuitant have died, the remaining balance is paid as a lump sum to a designated beneficiary.

The expected number of monthly payments is established in the Internal Revenue Code in effect April 1, 2010 and depends on the age of the retiree at retirement, or the combined ages of the retiree and joint annuitant.

Non-Vested Termination

Eligibility – all plans: Termination of employment and no pension is or will become payable.

Amount of Benefit: Refund of member's contributions plus annual interest.

Employee Contributions

Plan A:	8.0% of pay.
Plan B:	7.6% of pay.
Plan C:	7.0% of pay.

Employee contributions are credited with regular interest, which is the rate of interest earned each calendar month in conformity with the actual earnings on investments of the Police and Fire Pension Fund.

Upon reaching 21 years of service, member contributions are discontinued for Plan B and Plan C members. Members participating in Old Plan B or Old Plan C contribute until reaching 26 years of service.

Deferred Retirement Option Plan (DROP)

Eligibility for the DROP:

Members of Plan B and C may join the DROP within 1 year of becoming eligible for normal retirement benefits as described earlier in this section.

Grandfather provision allows members of Plan B and C who were eligible to retire on the date of DROP implementation, a one-time opportunity to join the DROP.

Members of Plan A may join the DROP at any time after meeting the eligibility conditions for normal retirement.

DROP benefits:

100% of the member's accrued benefit at the time of DROP will be contributed to the member's DROP account.

If the member elects annuity withdrawal (available to members of Plans B and C) the lump sum payment and corresponding reduced annuity will be credited to the member's DROP account.

DROP funding Period:

Both the City and the employee will contribute (in accordance with the provisions of each Plan) until the employee enters the DROP. No contributions are made on the payroll of DROP members.

DROP Period:

Maximum of 5 years.

13th Check

For members who have been receiving a pension for at least 12 months, a lump sum payment will be made on each September 1. The base amount of the lump sum payment is $750 effective 9/1/1994. The base amount is increased each year by the lesser of 3.0% and the annual the percentage increase in the CPI-U. Members who retired with at least 21 years of service and members who were granted a duty disability pension will receive the full payment amount. All other members who have been receiving a pension for at least 12 months (and their beneficiaries) will receive a partial payment. The payment for these members is determined on a pro-rata basis according to their service.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

Investment Return: 7.10% compounded annually, net of investment expenses. While the City expects to decrease the assumption incrementally until reaching the ultimate rate of 7.00% in 2026, the decision to change the assumption must be confirmed each year and thus is not reflected in the current valuation results.

Inflation Rate: 2.50% compounded annually

Salary Increases: These assumptions are used to project current salaries to those upon which benefits will be based.

	Annual Rate of Pay Increase for Sample		
Years of Service	Base (Economic)	Merit and Longevity	Total
0	3.00%	5.75%	8.75%
1	3.00%	4.75%	7.75%
2	3.00%	3.75%	6.75%
3-7	3.00%	3.25%	6.25%
8	3.00%	2.25%	5.25%
9	3.00%	1.25%	4.25%
10-14	3.00%	0.75%	3.75%
15-19	3.00%	0.25%	3.25%
20+	3.00%	0.00%	3.00%

Payroll Growth: 3.00% per year

Mortality:

Actives and Inactive Vested Members: PubS-2010 Employee Mortality Table with generational mortality improvement using the MP-2021 Mortality Improvement Scale.

65% of active member deaths were assumed to be duty related and 35% were assumed to be non-duty related.

Healthy Retirees: PubS-2010 Healthy Annuitant Mortality Table with generational mortality improvement using the MP-2021 Mortality Improvement Scale.

Beneficiaries: Pub-2010 Contingent Survivors Mortality Table with generational mortality improvement using the MP-2021 Mortality Improvement Scale.

Disabled Retirees: PubS-2010 Disabled Mortality Table with generational mortality improvement using the MP-2021 Mortality Improvement Scale.

Termination:

	% Separating within Next Year	
Years of Service	**Police**	**Fire**
0	10.00%	4.00%
1	9.00%	3.50%
2	8.00%	3.50%
3	7.00%	3.50%
4	6.00%	3.50%
5	5.00%	3.50%
6	4.00%	2.50%
7	3.00%	1.50%
8	2.00%	1.50%
9-15	1.00%	1.50%
16-19	0.75%	1.50%
20-24	0.75%	0.00%
25+	0.00%	0.00%

Disability:

Sample Ages	**% Becoming Disabled Within Next Year**
20	0.05%
25	0.05%
30	0.06%
35	0.09%
40	0.19%
45	0.30%
50	0.52%
55	0.78%
60	1.04%

65% of assumed liabilities were assumed to be duty related and 35% were assumed to be non-duty related.

Retirement and DROP Entry:

	Rates of Retirement and/or DROP Entry			
	Plan A		Plan B, C & Old Plan	
Service	Police	Fire	Police	Fire
21	0%	0%	25%	33%
22	0%	0%	25%	33%
23	0%	0%	25%	33%
24	0%	0%	25%	33%
25	50%	55%	25%	33%
26	50%	30%	85%	40%
27	45%	30%	85%	50%
28	45%	30%	85%	50%
29	45%	30%	85%	50%
30	100%	100%	100%	100%

Terminated vested members are assumed to begin receiving their benefits upon reaching their Normal Retirement Age.

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption: 90% of both males and females are assumed to be married for purposes of death-in-service benefits. Females are assumed to be three years younger than males.

Decrement Timing: All decrements are assumed to occur mid-year.

Eligibility Testing: Eligibility for benefits is determined based upon the age nearest birthday and years of service on the date the decrement is assumed to occur.

Benefit Service: Exact fractional service on the decrement date is used to determine the amount of benefit payable.

Normal Form of Benefit: The assumed normal form of benefit is the straight life form.

Incidence of Contributions: Contributions are assumed to be received continuously throughout the applicable fiscal year based upon the contribution rate shown in this report, and the actual payroll at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

Interest Credited on Member Contributions: 7.10% compounded annually.

Funding Period: Both the City and employee contribute (in accordance with the provisions of each plan) until the employee enters the DROP or otherwise exits the Plan.

13th Check: The 13th Check amount is assumed to increase 2.50% annually.

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL METHODS

Funding Method

Under the Entry Age Normal (EAN) cost method, the actuarial present value of each member's projected benefits is allocated on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability (UAAL) represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

The UAAL is amortized, as a level-percent of payroll, using a layered approach. The August 31, 2016 UAAL serves as the initial base and is amortized over a closed 28-year period (closed 30-year period beginning on August 31, 2014). For each valuation subsequent to August 31, 2016, annual net experience gains/losses will be amortized over a new, closed 20-year period. Subsequent plan amendments or changes in actuarial assumptions or methods that create a change in the UAAL will be amortized over a demographically appropriate time period selected by the Plan Administrator at the time that the change is reflected in the annual actuarial valuation.

Asset Valuation Method

The actuarial value of assets is based on a five-year smoothing method and is determined by spreading the effect of each year's investment return in excess of or below the expected return. The Market Value of assets as of the valuation date is reduced by the sum of the following:

i. 80% of the return to be spread during the first year preceding the valuation date,
ii. 60% of the return to be spread during the second year preceding the valuation date,
iii. 40% of the return to be spread during the third year preceding the valuation date, and
iv. 20% of the return to be spread during the fourth year preceding the valuation date.

The return to be spread is the difference between (1) the actual investment return on Market Value and (2) the expected return on Market Value.

APPENDIX D – GLOSSARY OF TERMS

Actuarial Accrued Liability	The difference between the actuarial present value of Plan benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability".
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
Accrued Service	Service credited under the Plan which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement Plan benefits between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with a lump sum payment.
Normal Cost	The portion of the actuarial present value of Plan benefits allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability	The difference between actuarial accrued liability and the valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability". Most retirement Plans have an unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

APPENDIX E – FUNDING POLICY

I. Introduction

This funding policy pertains to the City of Lincoln, Nebraska ("City") Police and Fire Pension ("Pension") as described in Lincoln Municipal Code § 2.62.010, 2.65.010 and 2.66.010. The Plan Administrator sets the following guiding principles in the development of a comprehensive funding plan to maintain long-term sustainability, if needed:

- Shared responsibility among members and employer;
- Intergenerational equity;
- Preservation of the defined benefit plan.

II. Funding Goals

The objective of funding the Plan is to accumulate sufficient assets during a member's employment with the City to fully finance the benefits the member receives throughout retirement. In meeting this objective, the Pension Plan will strive to meet the following funding goals:

- To maintain a pattern of stable contribution rates as a percentage of member's payroll;
- To maintain an increasing funded ratio absent the impact of any changes to the assumptions or benefit provisions;
- To maintain adequate assets so that benefit payments can be paid to members and their beneficiaries as they become due.

III. Benchmarks

To track progress in achieving the previously outlined funding goals, the following benchmarks will be measured annually as part of the actuarial valuation with recognition that a single year's results may not be indicative of long-term trends.

Funded Ratio: The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should be increasing over time, before any adjustments for changes in benefits, actuarial methods, or actuarial assumptions.

City's Contribution: An Actuarial Valuation Report shall be prepared annually, as of the City's fiscal year-end date, to calculate the Actuarially Determined Employer Contribution for the fiscal year ending two years after the valuation date. For example, the Actuarially Determined Employer Contribution for the fiscal year September 1, 20XX+1 to August 31, 20XX+2 shall be based on metrics in the August 31, 20XX Actuarial Valuation Report. The Actuarial Valuation Report shall be based on the actuarial assumptions and methods, as approved by the Plan Administrator. The Actuarially Determined Employer Contribution Rate shall be the greater of the Employer Normal Cost Rate or the sum of the Employer Normal Cost rate and the UAAL contribution rate. A negative amortization payment shall only be applied if the plan has been at least 115 percent funded for the current and prior two years. The dollar amount of the Employer Contribution shall

be the ADEC rate multiplied by the valuation payroll projected forward to the fiscal year under consideration, plus the actual administrative expenses for the fiscal year ending on the valuation date projected forward one year with the valuation's inflation assumption.

IV. Actuarial Methods and Assumptions

Actuarial Cost Method: The actuarial cost method is a mathematical budgeting procedure for allocating how the total present value of future benefits for current active and inactive members is allocated to each year of service, including past years. Due to the goal of stable contribution rates, the Plan Administrator has adopted the Entry Age Normal actuarial cost method.

Asset Smoothing Method: The method of valuing assets is intended to recognize a "smoothed" value of assets that is market related. Asset smoothing methods reduce the effect of short term volatility on contributions while still tracking the overall movement of the market value of assets by recognizing the effects of investment gains and losses over a period of years. The asset valuation method used to develop the actuarial value of assets first calculates the expected earnings on the prior year's market value of assets plus net cash flow (contributions minus benefit payments for the year) and then compares it to the actual earnings on the market value of assets. The difference, positive or negative, is recognized equally over a five-year period.

Actuarial Assumptions: The actuarial assumptions used in the actuarial valuation shall be derived and proposed by the Plan's actuary in conformity with the applicable *Actuarial Standards of Practice* issued by the Actuarial Standards Board. The assumptions are intended to represent the best estimate of anticipated experience and are intended to be long-term in nature. In the development of actuarial assumptions, not only past experience but also trends, external economic forces, and future demographic and economic expectations shall be considered. A formal investigation into the actual experience of the Pension Plan shall be conducted by the actuary at least every five years and the results of the investigation used to form the basis of the actuary's recommendations for changes in the assumptions. In addition, the actual experience compared to the actuarial assumptions will be monitored each year in the annual actuarial valuation by including an analysis of the actuarial gain or loss.

Amortization Policy: For the Actuarial Valuation Report prepared as of August 31, 2016, the amortization period of the Unfunded Actuarial Accrued Liability (UAAL) shall be a 28-year closed term. This will be designated as the initial UAAL base for subsequent valuations and will be amortized over the remaining years of the 30-year closed period set on August 31, 2014. For each Actuarial Valuation Report subsequent to August 31, 2016, annual net experience gains/losses will be amortized over a new, closed 20-year period. Subsequent plan amendments or changes in actuarial assumptions or methods that create a change in the UAAL will be amortized over a demographically appropriate time period selected by the Plan Administrator at the time that the change is reflected in the annual actuarial valuation.

If the valuation shows a surplus, i.e., funded ratio above 100%, the prior amortization bases will be eliminated and one base equal to the amount of surplus shall be established. The amortization period of a surplus shall be a 20-year open period.

The amortization payment on each UAAL base will be calculated as a level percent of valuation payroll using the actuarial assumption for future payroll growth. Such calculation is consistent with the development of the normal cost rate and is intended to serve as a method to provide stability to the actuarial contribution rate.

Risk Control: The Plan Administrator will carefully monitor the key risk measures of funding the system and shall consider steps to mitigate risk, particularly as the funded ratio increases. Risk mitigation may involve such things as a reduction in the assumed rate of investment return, review of asset allocation with a goal of reducing the standard deviation of the portfolio return, establishment of a contribution rate stabilization reserve, and other strategies identified by the Plan Administrator.

V. Funding Policy Review

The Plan Administrator may periodically conduct special studies to provide insight into whether the goals and objectives established in this Policy are being met. These special studies may include asset liability studies, projection modeling studies, and sensitivity analysis of key risk factors. These special studies may be performed at the Plan Administrator's discretion.

It is recognized that this funding policy may need to be amended in the future as the funding of the Plan is a dynamic process which is dependent on a number of variables. Therefore, the funding policy will be reviewed by the Plan Administrator not less frequently than every five years following the actuarial experience study. Proposed amendments to the funding policy shall be forwarded to the City Council for their consideration and approval. (Ord. 20495; May 15, 2017).