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City of Lincoln Police and Fire Pension Fund

**Actuarial Valuation Report
as of August 31, 2021**





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December 27, 2021

The City Council
City of Lincoln
555 South 10th Street, Room 111
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, 2021 to determine the actuarial contribution for the fiscal year ending August 31, 2023. The major findings of the valuation are contained in this report. This report reflects the benefit provisions in effect as of August 31, 2021, which were unchanged from the prior valuation. There was one change to the actuarial assumptions since the prior valuation. The investment return assumption decreased from 7.40% to 7.35%, as scheduled. Continued decreases of 0.05% are expected to occur until the investment assumption reaches 7.25% in the August 31, 2023 valuation.

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 develop 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

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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 purposes of fulfilling financial accounting requirements for the Plan under Governmental Account Standards No. 67 and No. 68 are provided in a separate report.

We note that as we prepare this report, the world is still recovering from the Covid-19 pandemic. We have considered all available information, but do not believe there is sufficient data yet to warrant the modification of any of our long-term actuarial assumptions. We will continue to monitor the situation and advise of any adjustments that we believe would be appropriate.

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,

A handwritten signature in blue ink that reads "Patrice Beckham". The signature is fluid and cursive.

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

A handwritten signature in blue ink that reads "Bryan K. Hoge". The signature is fluid and cursive.

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



SECTION I – EXECUTIVE SUMMARY

OVERVIEW

This report presents the results of the August 31, 2021 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, actuarial methods and actuarial assumptions remain unchanged from the prior valuation with one exception. The investment return assumption decreased by 0.05% from 7.40% to 7.35%, as scheduled. It is expected to continue to decrease by 0.05% each year until the investment return assumption reaches 7.25% in the August 31, 2023 valuation. The change to the investment return assumption impacted the 2021 valuation results by increasing the actuarial accrued liability by \$2.0 million and the actuarial required contribution rate by 0.44% of pay.

The valuation results provide a “snapshot” view of the Plan’s financial condition on August 31, 2021. Overall, the valuation results indicated favorable experience as indicated by the following:

- The unfunded actuarial accrued liability (UAAL) decreased from \$77.0 million last year to \$70.4 million in this year’s valuation.
- The funded ratio increased from 78% in last year’s valuation to 80% this year.
- The Actuarially Determined Employer Contribution Rate decreased by 0.73% from 19.13% in last year’s valuation to 18.40% in this year’s valuation.

As a result of the favorable experience, **the dollar amount of the city’s contribution for fiscal year 2023 is \$10,159,639 compared to \$10,509,325 for fiscal year 2022.**

The main factor that favorably impacted the valuation results was a rate of return on the market value of assets for the year ending August 31, 2021 of 21.9%, as reported by the City. This exceeded the assumed return of 7.40% (which is the investment return assumption used in the 2020 actuarial valuation). Due to the favorable experience in fiscal year 2021 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 10.6%. Since this return is higher than the investment return assumption of 7.40% for FY 2021, it generated an experience gain of \$8.5 million on the actuarial value of assets.

Favorable experience on the actuarial liabilities generated a small experience gain of \$0.05 million, primarily due to actual retirement experience that was more favorable than expected based on the actuarial assumptions and lower salary increases than anticipated by the assumption. This experience gain was largely offset by unfavorable disability experience caused by more disabilities occurring during the year than expected. The combined experience gain (both assets and



SECTION I – EXECUTIVE SUMMARY

liabilities) was \$8.5 million. A detailed analysis of the change in the unfunded actuarial accrued liability from August 31, 2020 to August 31, 2021 can be found on page 4.

ASSETS

As of the valuation date, the Plan had total assets of \$318.9 million, when measured on a market value basis. This represents an increase of \$51.7 million from the August 31, 2020 value of \$267.2 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.

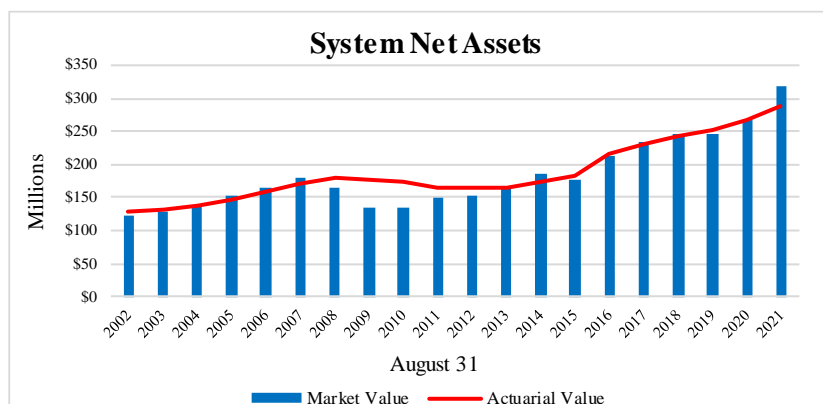
See Table 3 for a detailed development of the actuarial value of assets. The components of the change in the market and actuarial value of assets for the Plan (in millions) are set forth in the following table.

	Market Value (\$M)	Actuarial Value (\$M)
Assets, August 31, 2020	\$267.2	\$266.1
• City and Member Contributions	13.7	13.7
• Benefit Payments and Refunds	(19.0)	(19.0)
• Administrative Expenses	(0.5)	(0.5)
• Investment Income, Net of Expenses	<u>57.5</u>	<u>27.9</u>
Assets, August 31, 2021	\$318.9	\$288.2
Estimated Rate of Return, Net of Expenses	21.9%	10.6%

The estimated rate of return, measured on the actuarial value of assets, was 10.6% and, when measured on the market value of assets, was about 21.9%, as reported by the City. The actuarial value of assets as of August 31, 2021 was \$288.2 million, which reflects an actuarial gain of \$8.5 million resulting from the net impact of recognizing a portion of the actual versus expected return on the market value of assets in the current and preceding four years. Due to the asset smoothing method, the market value of assets exceeds the actuarial value of assets by \$30.7 million. This differential of \$30.7 million (a net deferred investment gain) will flow through the asset smoothing method and be recognized over the next four years.

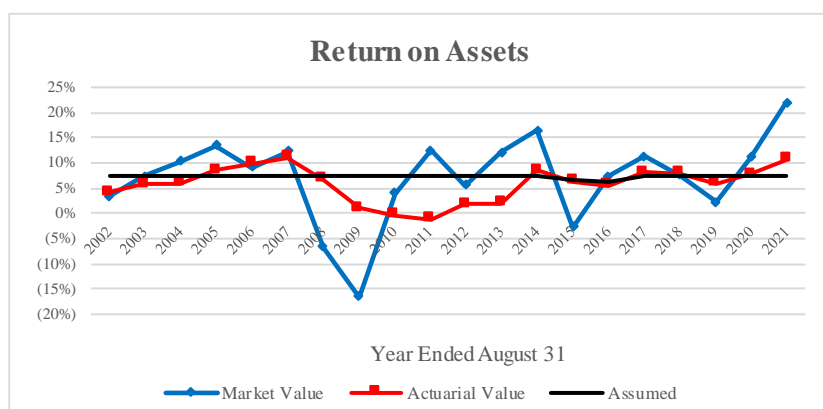


SECTION I – EXECUTIVE SUMMARY



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 main 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, or surplus if the asset value exceeds the actuarial accrued liability. The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned 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, 2021 is:

Actuarial Accrued Liability	\$358,573,819
Actuarial Value of Assets	288,205,780
Unfunded Actuarial Accrued Liability	<u>\$70,368,039</u>



SECTION I – EXECUTIVE SUMMARY

Between August 31, 2020 and August 31, 2021, the components of the change in the UAAL for the Plan are shown in the following table:

	<u>\$ millions</u>
Unfunded Actuarial Accrued Liability, August 31, 2020	\$77.0
• Effect of contributions above the actuarial rate	(0.3)
• Expected increase due to amortization method	0.0
• Investment experience	(8.5)
• Liability experience	0.0
• Assumption changes	2.0
• Other experience	<u>0.2</u>
Unfunded Actuarial Accrued Liability, August 31, 2021	\$70.4

The overall experience gain of \$8.5 million for the last plan year was the combined result of a small experience gain of \$0.05 million on Plan liabilities and an experience gain of \$8.5 million on Plan assets (actuarial value). The favorable experience on Plan liabilities was primarily due to actual retirement experience that was more favorable than expected based on the actuarial assumptions. This gain was largely offset by unfavorable disability experience caused by more disabilities occurring during the year than expected.

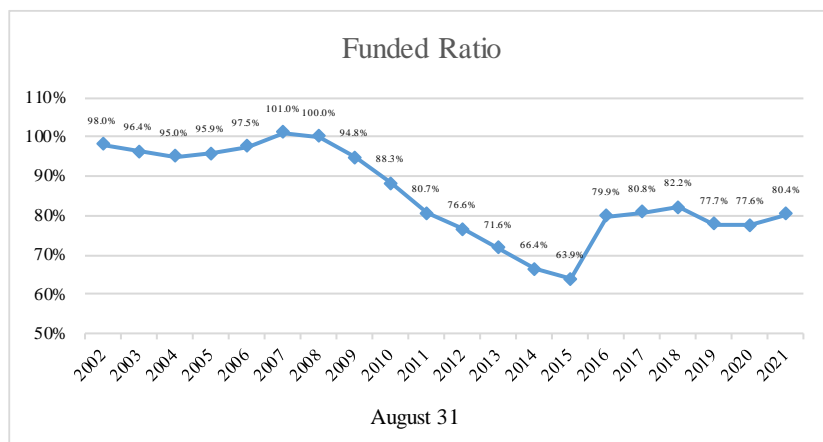
Analysis of the unfunded actuarial accrued liability strictly as a dollar amount can be misleading. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. This information for recent years is shown in the following table (in millions). Historical information is shown in the graph on the following page. 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 future funding.

	8/31/17	8/31/18	8/31/19	8/31/20	8/31/21
Actuarial Accrued Liability (\$M)	\$285.0	\$296.4	\$325.1	\$343.1	\$358.6
Actuarial Value of Assets (\$M)	\$230.2	\$243.5	\$252.7	\$266.1	\$288.2
Unfunded AAL*	\$54.8	\$52.9	\$72.4	\$77.0	\$70.4
Funded Ratio (Actuarial Assets/AAL)	80.8%	82.2%	77.7%	77.6%	80.4%
Actuarial Accrued Liability (\$M)	\$285.0	\$296.4	\$325.1	\$343.1	\$358.6
Market Value of Assets (\$M)	\$233.1	\$245.9	\$246.3	\$267.2	\$318.9
Unfunded AAL*	\$51.9	\$50.6	\$78.8	\$75.9	\$39.7
Funded Ratio (MVA/AAL)	81.8%	82.9%	75.8%	77.9%	88.9%

* Numbers may not add due to rounding.



SECTION I – EXECUTIVE SUMMARY



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 \$30.7 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 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, 2021 valuation is used to determine the amount of the city contribution for the fiscal year ending August 31, 2023.

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 a number of factors, the most significant of which was the favorable asset experience, the actuarially determined employer contribution rate decreased by 0.73% from the 2020 to the 2021 valuation (see the table on the following page). As a result, the dollar amount of the employer contribution also decreased from the 2020 to the 2021 valuation.

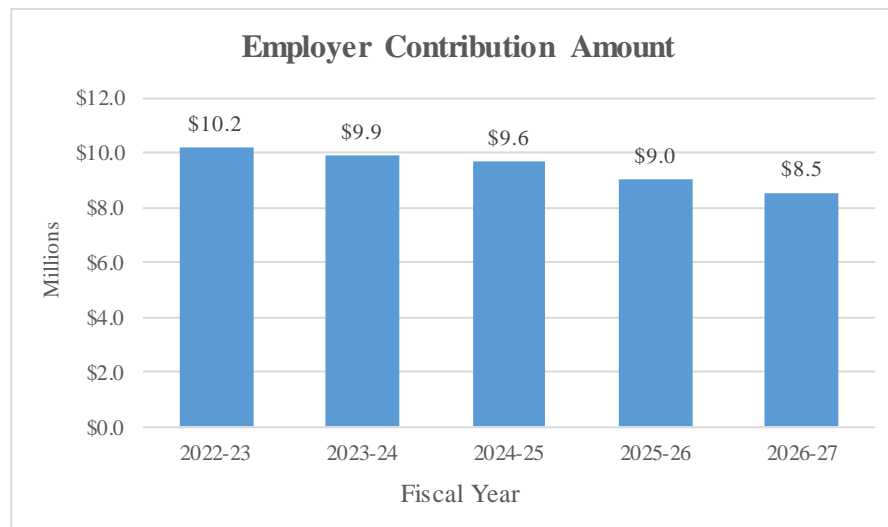


SECTION I – EXECUTIVE SUMMARY

Actuarially Determined Contribution Rate	Actuarial Valuation	
	8/31/2021	8/31/2020
1) a. Total Normal Cost	16.04%	15.86%
b. Member Financed	<u>7.67%</u>	<u>7.50%</u>
c. Employer Portion (1a) - (1b)	8.37%	8.36%
2) UAAL Contribution	<u>10.03%</u>	<u>10.77%</u>
3) Employer Contribution Rate	18.40%	19.13%
4) Projected Covered Payroll	\$52,161,488	\$52,206,337
5) Actuarial Employer Contribution*	\$10,159,639	\$10,509,325

* Includes administrative expenses. See Table 11 for details.

As the investment return assumption is incrementally lowered over the next two valuations, it is expected to increase the actuarial contribution rate, and therefore the City's contribution. However, the current deferred investment gains are projected to more than offset these increases, if all actuarial assumptions are met in the future and unfavorable investment experience does not occur. The resulting amount of City contributions under that scenario is shown below:



COMMENTS

The Lincoln City Council passed Lincoln City Ordinance #20495 in May 2017, strengthening the Plan's long-term funding by modifying the amortization of 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



SECTION I – EXECUTIVE SUMMARY

the future benefits payable to members. If all assumptions are met and the City contributes as required under the ordinance, the funding policy will result in the Plan reaching fully funded status.

As of August 31, 2021, the actuarial accrued liability of the Plan was \$358.6 million and the actuarial value of assets was \$288.2 million, resulting in a funded ratio of 80%, up from the funded ratio of 78% in last year's valuation. Using the market value of assets, the funded ratio is 89%.

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, which includes the experience gain in FY 2021, 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 on the actuarial contribution rate, thereby creating stability in the contribution rate.

The Plan utilizes an asset smoothing method that spreads the difference between 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 2021 was 10.6%, compared to the 21.9% return on the market value of assets. As of August 31, 2021, the net deferred investment gain (market value less actuarial value of assets) is \$30.7 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 as the asset smoothing method recognizes the deferred investment gain.

While the use of an asset smoothing method is a common procedure 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, 2021 actuarial valuation using both the actuarial and market value of assets.

	Using Actuarial Value of Assets	Using Market Value of Assets
Actuarial Accrued Liability (AAL)	\$358,573,819	\$358,573,819
Asset Value	288,205,780	318,905,474
Unfunded Actuarial Accrued Liability (UAAL)	\$70,368,039	\$39,668,345
Funded Ratio	80%	89%
Normal Cost Rate	16.04%	16.04%
UAAL Contribution Rate	10.03%	5.43%
Total Actuarial Contribution Rate	26.07%	21.47%
Member Contribution Rate	(7.67%)	(7.67%)
Employer Actuarial Contribution Rate	18.40%	13.80%



SECTION I – EXECUTIVE SUMMARY

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 VI 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, 2021 and August 31, 2020 are presented on the following page. More detail on each of these elements can be found in the following sections of this report.



SECTION I – EXECUTIVE SUMMARY

	8/31/2021 <u>Valuation</u>	8/31/2020 <u>Valuation</u>	% <u>Change</u>
1. PARTICIPANT DATA			
Number of:			
Active Members	599	607	(1.3)%
DROP Members	48	45	6.7%
Retirees, Disabled Members and Beneficiaries	560	549	2.0%
Inactive Vested Members	29	25	16.0%
Refund Due	6	2	200.0%
Total Members	<u>1,242</u>	<u>1,228</u>	1.1%
Projected Salaries for Following Fiscal Year	\$ 50,765,438	\$ 50,809,087	(0.1)%
Average Projected Salary	\$ 84,750	\$ 83,705	1.2%
Annual Retirement Payments for DROP Members, Disabled Members, Retirees and Beneficiaries	\$ 18,936,501	\$ 17,518,844	8.1%
Average Annual Benefit	\$ 31,146	\$ 29,493	5.6%
2. ASSETS AND LIABILITIES			
a. Total Actuarial Accrued Liability	\$358,573,819	\$343,087,750	4.5%
b. Market Value of Assets	318,905,474	267,193,074	19.4%
c. Actuarial Value of Assets	288,205,780	266,114,273	8.3%
d. Unfunded Actuarial Accrued Liability (a) - (c)	\$ 70,368,039	\$ 76,973,477	(8.6)%
e. Funded Ratio - Actuarial Value (c) / (a)	80.38%	77.56%	3.6%
f. Funded Ratio - Market Value (b) / (a)	88.94%	77.88%	14.2%
3. ACTUARIAL CONTRIBUTION RATE			
a. Normal Cost	16.04%	15.86%	1.1%
b. UAAL Amortization	<u>10.03%</u>	<u>10.77%</u>	(6.9)%
c. Actuarial Determined Contribution Rate (a) + (b)	26.07%	26.63%	(2.1)%
d. Effective Employee Contribution Rate	<u>(7.67%)</u>	<u>(7.50%)</u>	2.3%
e. Employer Actuarial Contribution Rate (c) - (d)	18.40%	19.13%	(3.8)%
f. Employer Contribution Amount	\$ 10,159,639	\$ 10,509,325	(3.3)%



SECTION II – 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, 2021. 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 III describes the assets and investment experience of the Plan. Sections IV and V describe how the obligations of the Plan are to be met under the actuarial cost method in use. Section VI discloses key maturity measurements and discusses the key risks facing the funding of the Plan. Section VII 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, 2021.
- 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 III – 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, 2021. 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, 2021 and August 31, 2020, in total and by investment category. Table 2 summarizes the change in the market value of assets from August 31, 2020 to August 31, 2021.

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.



SECTION III – ASSETS

TABLE 1
STATEMENT OF NET PLAN ASSETS AT MARKET VALUE

	Market Value	
	August 31, 2021	August 31, 2020
Cash & Equivalents	\$ 7,930,360	\$ 4,372,485
Accrued Interest & Dividends	63	124
Fixed Income Investments	52,076,285	45,665,383
Equity Investments	169,645,176	137,607,708
Alternative Investments	89,253,590	79,547,374
Total Assets	\$ 318,905,474	\$ 267,193,074
Contributions Receivable	\$ 0	\$ 0
Net Assets Available for Benefits	\$ 318,905,474	\$ 267,193,074



SECTION III – ASSETS

TABLE 2

**STATEMENT OF CHANGES IN NET ASSETS
DURING YEAR ENDED AUGUST 31, 2021**
(Market value)

1. Market Value of Assets as of August 31, 2020	\$ 267,193,074
2. Contributions:	
a. Members	\$ 3,706,959
b. City	9,988,807
c. Total	\$ 13,695,766
3. Investment Income	
a. Interest and Dividends	\$ 2,053,531
b. Realized Gains/(Losses)	14,135,248
c. Short and Long Term Capital Gains	899,551
d. Unrealized Gains/(Losses)	40,645,160
e. Miscellaneous	114,571
f. Investment Expenses	(263,899)
g. Net Investment Income	\$ 57,584,162
4. Expenditures	
a. Refunds of Member Contributions	\$ 488,139
b. Benefits Paid:	
(1) Pension and Compensation Payments	\$ 15,718,107
(2) DROP Payments	2,811,722
(3) Temporary Total Disability	0
c. Administrative Expenses	549,560
d. Total	\$ 19,567,528
5. Changes and Adjustments	\$ 0
6. Net Change	\$ 51,712,400
(2c) + (3g) - (4d) + (5)	
7. Market Value of Assets as of August 31, 2021	\$ 318,905,474
8. Return on Market Value of Assets, Net of Investment Expenses*	21.9%

* Annual rate of return reported by the City.



SECTION III – ASSETS

TABLE 3
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	Year End			
	8/31/2018	8/31/2019	8/31/2020	8/31/2021
1. Asset Value, Beginning of Year	\$ 230,159,635	\$ 243,538,925	\$ 246,294,314	\$ 267,193,074
2. Contributions During Year				
a. Members	\$ 3,195,658	\$ 3,366,841	\$ 3,576,557	\$ 3,706,959
b. City	8,239,839	8,007,547	8,490,046	9,988,807
c. Contributions Receivable	0	326,354	0	0
d. Total	\$ 11,435,497	\$ 11,700,742	\$ 12,066,603	\$ 13,695,766
3. Benefit Payments and Expenses	\$ 16,103,135	\$ 16,721,737	\$ 18,079,225	\$ 19,567,528
4. Assumed Rate of Return	7.50%	7.50%	7.45%	7.40%
5. Expected Investment Income on (1), (2) and (3)	\$ 17,090,101	\$ 18,068,519	\$ 18,128,979	\$ 19,558,909
6. Actual Return on Market Value, Net of Investment Expenses	\$ 17,407,833	\$ 5,434,779	\$ 26,911,382	\$ 57,584,162
7. Return to be Spread, End of Year (6) - (5)	\$ 317,732	\$ (12,633,740)	\$ 8,782,403	\$ 38,025,253
8. Return to be Spread				
	Plan Year Ending	Return to be Spread	Unrecognized Percent	Unrecognized Return
	2021	\$38,025,253	80%	\$30,420,202
	2020	8,782,403	60%	5,269,442
	2019	(12,633,740)	40%	(5,053,496)
	2018	317,732	20%	63,546
				<u>\$30,699,694</u>
9. Total Market Value of Assets as of August 31, 2021				\$ 318,905,474
10. Total Actuarial Value of Assets as of August 31, 2021 (9) - (8)				\$ 288,205,780
11. Asset Ratios				
(a) Actuarial Value to Market Value (10) / (9)				90.37%
(b) Market Value to Actuarial Value (9) / (10)				110.65%
12. Return on Actuarial Value of Assets, Net of Expenses				10.6%



SECTION IV – 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, 2021. In this section, the discussion will focus on the commitments (future benefit payments) of the Plan, which are referred to as its liabilities.

Table 4 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 4 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 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, 2021.

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 5 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.



SECTION IV – PLAN LIABILITIES

TABLE 4

**PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF AUGUST 31, 2021**

1. Active Employees	
a. Retirement Benefits	\$ 206,541,879
b. Pre-Retirement Death Benefits	2,022,379
c. Termination Benefits	7,321,771
d. Disability Benefits	4,514,407
e. Total	<u>\$ 220,400,436</u>
2. Inactive Vested Members	\$ 7,772,863
3. Refunds Due	\$ 165,029
4. In Pay Members	
a. Retirees	\$ 138,218,647
b. Disabled Members	21,742,524
c. DROP Members	33,738,247
d. Beneficiaries	10,476,267
e. Total	<u>\$ 204,175,685</u>
5. Total Present Value of Future Benefits (1e) + (2) + (3) + (4e)	\$ 432,514,013



SECTION IV – PLAN LIABILITIES

TABLE 5

**ACTUARIAL ACCRUED LIABILITY
AS OF AUGUST 31, 2021**

1. Active Employees	
a. Present Value of Future Benefits	\$ 220,400,436
b. Present Value of Future Normal Costs	73,940,194
c. Actuarial Accrued Liability	<u>\$ 146,460,242</u>
(1a) - (1b)	
2. Inactive Members	\$ 7,937,892
3. In Pay Members	
a. Retirees	\$ 138,218,647
b. Disabled Members	21,742,524
c. DROP Members	33,738,247
d. Beneficiaries	<u>10,476,267</u>
e. Total	\$ 204,175,685
4. Total Actuarial Accrued Liability	\$ 358,573,819
(1c) + (2) + (3e)	
5. Actuarial Value of Assets	\$ 288,205,780
6. Unfunded Actuarial Accrued Liability	\$ 70,368,039
(4) - (5)	



SECTION IV – PLAN LIABILITIES

TABLE 6
ACTUARIAL BALANCE SHEET
AS OF AUGUST 31, 2021

ASSETS

Actuarial Value of Assets	\$ 288,205,780
Present Value of Future Normal Costs	\$ 73,940,194
Present Value of Future Payments on the Unfunded Actuarial Accrued Liability	<u>\$ 70,368,039</u>
Total Assets	<u><u>\$ 432,514,013</u></u>

LIABILITIES

Active Employees:	
a. Retirement Benefits	\$ 206,541,879
b. Pre-Retirement Death Benefits	2,022,379
c. Termination Benefits	7,321,771
d. Disability Benefits	<u>4,514,407</u>
e. Total	\$ 220,400,436
Inactive Members	\$ 7,937,892
In Pay Members	
a. Retirees	\$ 138,218,647
b. Disabled Members	21,742,524
c. DROP Members	33,738,247
d. Beneficiaries	<u>10,476,267</u>
e. Total	<u>\$ 204,175,685</u>
Total Liabilities	<u><u>\$ 432,514,013</u></u>



SECTION IV – PLAN LIABILITIES

TABLE 7
ACTUARIAL GAIN/(LOSS)

Liabilities

1. Actuarial Accrued Liability as of August 31, 2020	\$ 343,087,750
2. Normal Cost for Plan Year Ending August 31, 2021	7,312,244
3. Benefit Payments During Plan Year Ending August 31, 2021	(19,017,968)
4. Interest at 7.40%	25,238,492
5. Assumption Changes	1,998,466
6. Expected Actuarial Accrued Liability as of August 31, 2021	\$ 358,618,984
7. Actuarial Accrued Liability as of August 31, 2021	\$ 358,573,819

Assets

8. Actuarial Value of Assets as of August 31, 2020	\$ 266,114,273
9. Contributions During Plan Year Ending August 31, 2021	13,695,766
10. Benefit Payments and Expenses During Plan Year Ending August 31, 2021	(19,567,528)
11. Interest at 7.40%	19,479,078
12. Expected Actuarial Value of Assets as of August 31, 2021	\$ 279,721,589
13. Actuarial Value of Assets as of August 31, 2021	\$ 288,205,780

Gain / (Loss)

14. Expected Unfunded Actuarial Accrued Liability (6) – (12)	\$ 78,897,395
15. Unfunded Actuarial Accrued Liability (7) – (13)	\$ 70,368,039
16. Actuarial Gain / (Loss) (14) – (15)	\$ 8,529,356
17. Actuarial Gain / (Loss) on Actuarial Value of Assets (13) – (12)	\$ 8,484,191
18. Actuarial Gain / (Loss) on Actuarial Accrued Liability (6) – (7)	\$ 45,165



SECTION IV – PLAN LIABILITIES

TABLE 8

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 cost of living 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 gain on liabilities of \$45,000 during the plan year ended August 31, 2021 and an actuarial gain on assets of \$8,484,000. The net actuarial gain was \$8,529,000. The major components of this net actuarial experience gain are shown below:

Liability Sources	<u>Gain/(Loss)</u>
Salary Increases	314,000
Mortality	(291,000)
Terminations	215,000
Retirements	832,000
Disability	(680,000)
New Entrants/Rehires	(219,000)
13 th Check	109,000
Miscellaneous	<u>(235,000)</u>
Total Liability Gain/(Loss)	45,000
Asset Gain/(Loss)	8,484,000
Net Actuarial Gain/(Loss)	8,529,000



SECTION V – 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 4 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, 2021 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 2023. 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.

As of August 31, 2021 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 (23 years remaining in this valuation). For each valuation subsequent to August 31, 2016, annual net



SECTION V – EMPLOYER CONTRIBUTIONS

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.

Contribution Rate Summary

In Table 9, the amortization payment related to the unfunded actuarial accrued liability, as of August 31, 2021, is developed. Table 10 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.



SECTION V – EMPLOYER CONTRIBUTIONS

TABLE 9

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE

Amortization Bases	Original Amount	Remaining Payments	Base is Paid Off	Outstanding Balance as of August 31, 2021	Annual Contribution*
2016 UAAL Base	\$ 54,590,515	23	8/31/2044	\$ 56,547,705	\$ 3,954,916
2017 Experience Base	(286,327)	16	8/31/2037	(276,812)	(24,395)
2018 Experience Base	(2,490,622)	17	8/31/2038	(2,437,296)	(206,097)
2019 Experience Base	5,276,186	18	8/31/2039	5,209,047	424,039
2019 Assumption Change Base	13,739,593	18	8/31/2039	13,564,760	1,104,229
2020 Experience Base	2,583,532	19	8/31/2040	2,570,188	202,009
2020 Assumption Change Base	1,831,310	19	8/31/2040	1,821,851	143,192
2021 Experience Base	(8,629,870)	20	8/31/2041	(8,629,870)	(656,608)
2021 Assumption Change Base	1,998,466	20	8/31/2041	1,998,466	152,054
Total				\$ 70,368,039	\$ 5,093,339

* Amounts reflect mid-year timing. Based on level percentage of payroll, assuming payroll increases 2.75% per year.

1. Total UAAL Amortization Payment	\$ 5,093,339
2. Total Projected Payroll for FY 2021-22	\$ 50,765,438
3. UAAL Amortization Payment as a Percent of Payroll	10.03%



SECTION V – EMPLOYER CONTRIBUTIONS

TABLE 10

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION RATE

	Valuation Date	
	8/31/2021	8/31/2020
Normal Cost		
Retirement benefits	13.41%	13.23%
Pre-retirement death benefits	0.31%	0.32%
Termination benefits	1.58%	1.57%
Disability benefits	0.74%	0.74%
Total Normal Cost	16.04%	15.86%
 Total UAAL Amortization Payment	 10.03%	 10.77%
 Actuarial Determined Contribution Rate	 26.07%	 26.63%
Member portion	7.67%	7.50%
City portion	18.40%	19.13%



SECTION V – EMPLOYER CONTRIBUTIONS

TABLE 11

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.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Employer	UAAL	Actuarially	Actuarially		Employer
		Normal Cost	Contribution	Determined	Determined		Contribution
		Rate	Rate	Employer	Employer		Amount
Fiscal	Total			Contribution	Contribution	Admin.	
Year	Payroll*			Rate	Amount	Expenses**	Amount
				(2) + (3)	(1) * (4)		(5) + (6)
2022-23	52,161,488	8.37%	10.03%	18.40%	9,597,714	561,925	10,159,639
2023-24	53,595,929	8.46%	8.89%	17.35%	9,298,894	574,568	9,873,462
2024-25	55,069,817	8.57%	7.88%	16.45%	9,058,985	587,496	9,646,481
2025-26	56,584,237	8.50%	6.37%	14.87%	8,414,076	600,715	9,014,791
2026-27	58,140,304	8.44%	5.16%	13.60%	7,907,081	614,231	8,521,312

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 0.05% per year until reaching 7.25% in the August 31, 2023 valuation (which determines the City contribution for FY 2024-2025). Consequently, the assumed return in each year shown in this table varies in accordance with the investment return assumption for that year (so 7.35% for FY 2021-2022, 7.30% for FY 2022-2023, etc.).

* Total payroll is projected to increase at 2.75% per year for future years.

** Administrative expenses are assumed to increase with price inflation of 2.25% per year.



SECTION VI – 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:

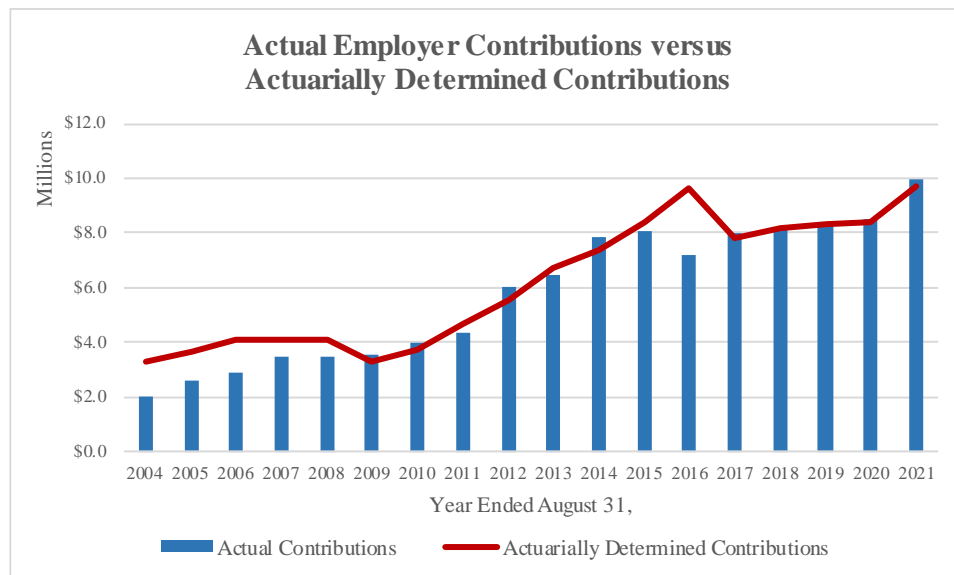
- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be higher than expected due to population 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 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 9 of the last 18 years, as shown in the following graph, with the greatest shortfall occurring during FY 2015-2016.



SECTION VI – RISK CONSIDERATIONS



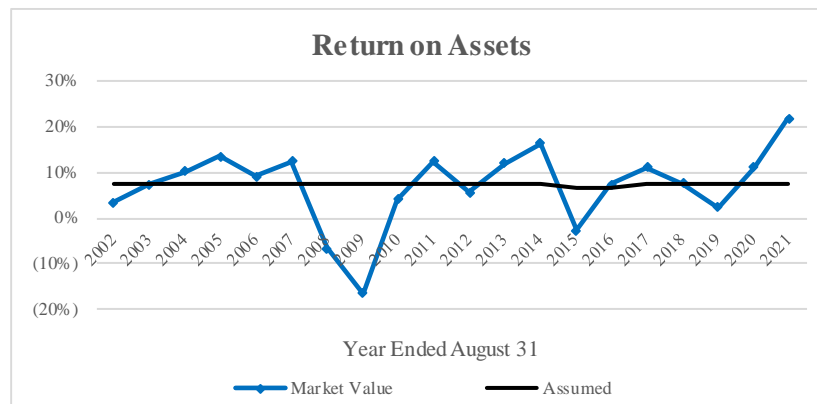
However, in May of 2017, the Plan’s funding policy was modified by City ordinance to require the City to contribute the Actuarially Determined Employer Contribution (ADEC), which is defined as the greater of the employer normal cost rate or the sum of the employer normal cost rate and UAAL contribution 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 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 12). 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.



SECTION VI – RISK CONSIDERATIONS



The effective compound rate of return over the past 20 years, which includes the Great Recession, is 6.7%, 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 9.1%.

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.

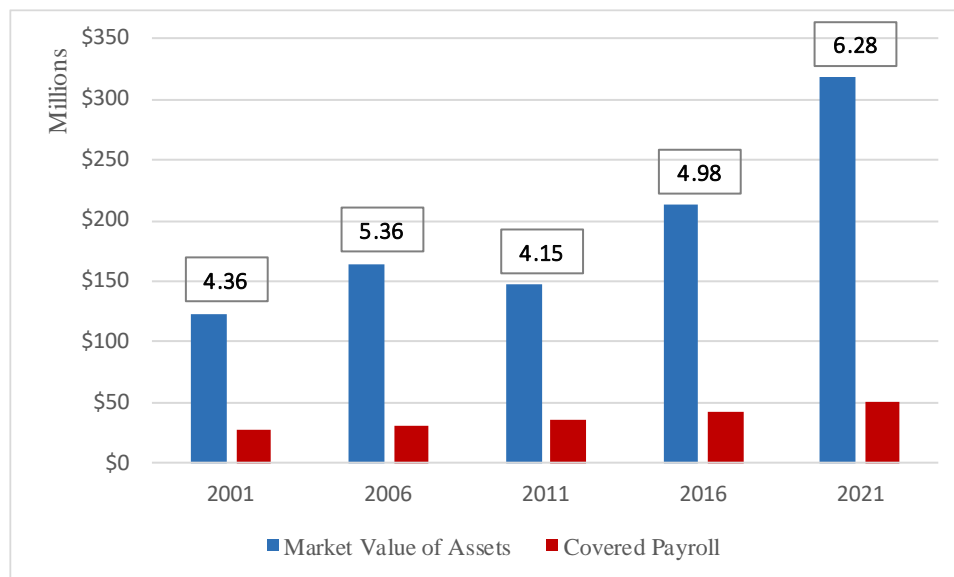


SECTION VI – RISK CONSIDERATIONS

TABLE 12

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 same investment return in 2022 will have a more dramatic impact on the contribution to the Plan than compared to twenty years ago (2001). For example, if the actual return underperforms the investment return assumption by 10.00% (i.e., earn -2.65% for one year), the contribution rate ultimately increases by 4.78% of payroll compared to the same underperformance in 2001 which would have increased the contribution rate by 3.32%.



SECTION VI – RISK CONSIDERATIONS

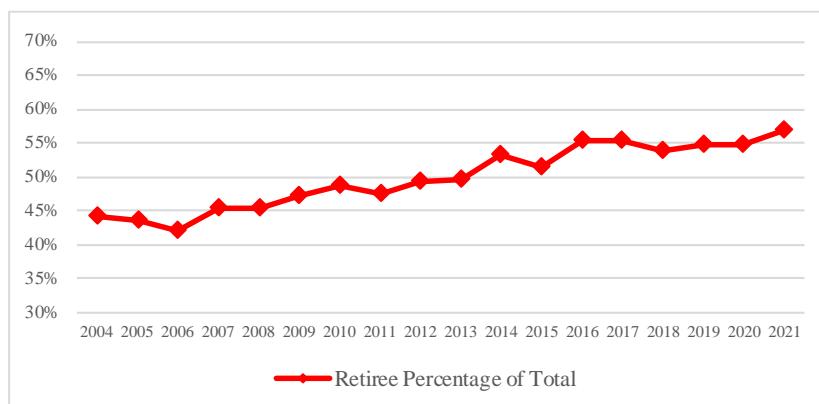
TABLE 13

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)
8/31/2004	\$63,567,028	\$144,178,758	44.1%
8/31/2005	65,946,867	151,978,408	43.4%
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%

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





SECTION VI – RISK CONSIDERATIONS

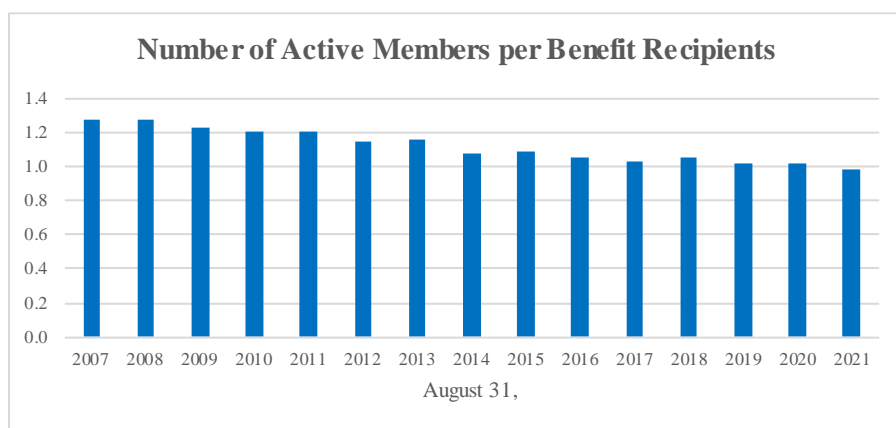
TABLE 14

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*
2007	531	417	1.27
2008	549	428	1.28
2009	553	449	1.23
2010	561	463	1.21
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

**Includes members participating in DROP.*





SECTION VI – RISK CONSIDERATIONS

TABLE 15

**COMPARISON OF VALUATION RESULTS UNDER
ALTERNATE INVESTMENT RETURN ASSUMPTIONS**

(\$ in thousands)

This exhibit compares the key August 31, 2021 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	6.85%	7.10%	7.35%	7.60%	7.85%
Contributions					
Normal Cost Rate	18.01%	16.98%	16.04%	15.15%	14.33%
UAAL Amortization Rate	12.64%	11.33%	10.03%	8.75%	7.47%
Actuarial Determined Contribution Rate	30.65%	28.31%	26.07%	23.90%	21.80%
Effective Employee Contribution Rate	(7.67%)	(7.67%)	(7.67%)	(7.67%)	(7.67%)
Employer Required Contribution Rate	22.98%	20.64%	18.40%	16.23%	14.13%
Employer Contribution Amount for FY 2022-2023	\$12,549	\$11,328	\$10,160	\$9,028	\$7,932
Actuarial Accrued Liability	\$379,633	\$368,847	\$358,574	\$348,763	\$339,381
Actuarial Value of Assets	<u>288,206</u>	<u>288,206</u>	<u>288,206</u>	<u>288,206</u>	<u>288,206</u>
Unfunded Actuarial Accrued Liability*	\$91,427	\$80,642	\$70,368	\$60,557	\$51,175
Funded Ratio	75.92%	78.14%	80.38%	82.64%	84.92%

Note: All other assumptions are unchanged for purposes of this sensitivity analysis.

*May not add due to rounding.



SECTION VII – OTHER INFORMATION

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 and 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 16

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.



SECTION VII – OTHER INFORMATION

TABLE 16 (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)
8/31/1992	\$77,980,000	\$63,407,000	123.00%	(\$14,573,000)	\$15,365,000	(95.00%)
8/31/1993	86,583,000	67,910,000	127.00%	(18,673,000)	16,722,000	(112.00%)
8/31/1994	83,307,827	70,517,314	118.14%	(12,790,513)	17,698,377	(72.27%)
8/31/1995	92,235,349	79,202,449	116.46%	(13,032,900)	18,561,302	(70.22%)
8/31/1996	94,347,990	81,583,068	115.65%	(12,764,922)	19,224,719	(66.40%)
8/31/1997	101,475,648	91,022,617	111.48%	(10,453,031)	20,908,549	(49.99%)
8/31/1998	109,213,474	94,847,667	115.15%	(14,365,807)	21,860,493	(65.72%)
8/31/1999	113,902,477	104,691,766	108.80%	(9,210,711)	23,611,284	(39.01%)
8/31/2000	121,404,314	115,671,249	104.96%	(5,733,065)	25,808,088	(22.21%)
8/31/2001	128,069,831	122,660,542	104.41%	(5,409,289)	28,215,685	(19.17%)
8/31/2002	128,319,145	130,875,473	98.05%	2,556,328	26,606,881	9.61%
8/31/2003	132,577,506	137,507,824	96.41%	4,930,318	27,415,330	17.98%
8/31/2004	136,973,679	144,178,758	95.00%	7,205,079	28,124,862	25.62%
8/31/2005	145,730,474	151,978,408	95.89%	6,247,934	29,029,309	21.52%
8/31/2006	157,527,392	161,583,285	97.49%	4,055,893	30,724,333	13.20%
8/31/2007	171,263,791	169,587,458	100.99%	(1,676,333)	30,546,235	(5.49%)
8/31/2008	179,390,472	179,376,149	100.01%	(14,323)	32,265,715	(0.04%)
8/31/2009	177,526,641	187,292,374	94.79%	9,765,733	33,449,977	29.20%
8/31/2010	172,317,463	195,206,353	88.27%	22,888,890	34,233,197	66.86%
8/31/2011	165,436,361	204,990,324	80.70%	39,553,963	35,763,446	110.60%
8/31/2012	164,500,414	214,878,992	76.55%	50,378,578	36,310,880	138.74%
8/31/2013	164,189,914	229,192,937	71.64%	65,003,023	38,107,652	170.58%
8/31/2014	174,569,411	262,918,401	66.40%	88,348,990	37,887,505	233.19%
8/31/2015	183,011,274	286,493,673	63.88%	103,482,399	42,381,059	244.17%
8/31/2016	217,003,707	271,594,222	79.90%	54,590,515	42,930,194	127.16%
8/31/2017	230,159,635	285,038,672	80.75%	54,879,037	44,776,055	122.56%
8/31/2018	243,538,925	296,440,660	82.15%	52,901,735	46,877,559	112.85%
8/31/2019	252,739,770	325,109,208	77.74%	72,369,438	48,131,172	150.36%
8/31/2020	266,114,273	343,087,750	77.56%	76,973,477	50,809,087	151.50%
8/31/2021	288,205,780	358,573,819	80.38%	70,368,039	50,765,438	138.61%

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

** Non-DROP Payroll in 2002 and later.*



SECTION VII – OTHER INFORMATION

TABLE 17

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning September 1	Actuarial Valuation Date	Actuarially Determined Employer Contribution*	Actual Contribution	Contribution Deficiency/ (Excess)
2003	8/31/2002	\$3,297,577	\$1,991,672	\$1,305,905
2004	8/31/2003	3,684,264	2,562,850	1,121,414
2005	8/31/2004	4,077,037	2,892,711	1,184,326
2006	8/31/2005	4,056,195	3,494,590	561,605
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	N/A	N/A
2022	8/31/2021	10,159,639	N/A	N/A

* Actuarially Determined Employer Contribution is equal to the initial Budget Request amount shown in Table 11 for the appropriate fiscal year. The employer contribution rate from 8/31/02 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.



SECTION VII – OTHER INFORMATION

TABLE 18

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, 2021. The “Not In-Pay” column shows benefits expected to be paid to all other members. This included those who, as of August 31, 2021, are active or have terminated employment and are entitled to a deferred vested benefit. No future members are reflected.

Year Ending <u>August 31</u>	<u>Not In-Pay</u>	<u>In-Pay</u>	<u>Total</u>
2022	\$ 1,480,000	\$ 19,265,000	\$ 20,745,000
2023	2,334,000	19,275,000	21,609,000
2024	3,217,000	19,136,000	22,353,000
2025	4,071,000	18,987,000	23,058,000
2026	5,298,000	18,833,000	24,131,000
2027	6,874,000	18,591,000	25,465,000
2028	8,400,000	18,346,000	26,746,000
2029	9,410,000	18,101,000	27,511,000
2030	10,483,000	17,801,000	28,284,000
2031	12,015,000	17,480,000	29,495,000
2032	13,370,000	17,142,000	30,512,000
2033	14,654,000	16,784,000	31,438,000
2034	16,158,000	16,396,000	32,554,000
2035	17,930,000	16,001,000	33,931,000
2036	19,756,000	15,585,000	35,341,000
2037	21,392,000	15,146,000	36,538,000
2038	23,120,000	14,688,000	37,808,000
2039	24,866,000	14,208,000	39,074,000
2040	26,364,000	13,707,000	40,071,000
2041	27,870,000	13,213,000	41,083,000

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.



APPENDIX A – SUMMARY OF MEMBERSHIP DATA

APPENDIX A SUMMARY OF MEMBERSHIP DATA MEMBER DATA RECONCILIATION August 31, 2020 to August 31, 2021

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 08/31/20	607	45	432	57	60	25	2	1,228
New Participants	44	0	0	0	1	0	0	45
Rehired	1	0	0	0	0	0	(1)	0
Terminations								
Refunded	(14)	0	0	0	0	0	(1)	(15)
Refund Due	(5)	0	0	0	0	0	5	0
Deferred Vested	(7)	0	0	0	0	7	0	0
Retirements								
Service	(6)	(14)	23	0	0	(3)	0	0
Disability	(3)	0	0	3	0	0	0	0
DROP	(17)	17	0	0	0	0	0	0
Deaths								
Cashed Out	0	0	0	0	0	0	0	0
Refund Due	0	0	(1)	0	0	0	1	0
With Beneficiary	(1)	0	(5)	(2)	8	0	0	0
Without Beneficiary	0	0	(6)	0	(3)	0	0	(9)
Data Adjustments	0	0	0	0	(7)	0	0	(7)
Members as of 08/31/21	599	48	443	58	59	29	6	1,242

* The 8/31/20 counts include 7 alternate payees. The alternate payees were removed in the data adjustments as their benefits are valued on the retiree records in the 8/31/21 valuation.



APPENDIX A – SUMMARY OF MEMBERSHIP DATA

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, 1992	16	221,944	1	3,816	157	1,678,798	14.9%	10,693
Aug. 31, 1993	17	219,974	1	10,698	173	1,888,074	12.5%	10,914
Aug. 31, 1994	16	218,777	4	17,829	185	2,089,022	10.6%	11,292
Aug. 31, 1995	16	211,219	4	37,158	197	2,263,083	8.3%	11,488
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

* Includes Retirements from DROP

Includes one member not previously reported

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

** 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



APPENDIX A – SUMMARY OF MEMBERSHIP DATA

NOT-IN-PAY MEMBERS INCLUDED IN VALUATION

Valuation Date	Active Members	Inactive	Total Payroll*	Average			%
		Vested Members		Age	Service	Pay	Increase
Aug. 31, 1992	471	37	\$15,364,976	40.0	15.0	\$32,622	5.5%
Aug. 31, 1993	516	38	16,721,658	39.3	14.5	32,406	(0.7%)
Aug. 31, 1994	521	42	17,698,377	39.0	13.4	33,970	4.8%
Aug. 31, 1995	526	41	18,561,302	39.1	14.5	35,288	3.9%
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%

* 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.



APPENDIX A – SUMMARY OF MEMBERSHIP DATA

MEMBERSHIP DATA – AUGUST 31, 2021

Active Members (Not Participating in DROP)

Group	Count	Employee Contribution Rate	Effective Employee Contribution Percentage	Projected Annual Payroll	Average		
					Age	Service	Salary
Police							
- Old Plan**	2	7.60%	0.00%	\$ 176,519	52.8	28.6	\$ 88,260
- Plan A	301	8.00%	8.00%	24,617,018	37.4	11.0	81,784
- Plan B*	6	7.60%	0.00%	608,991	52.7	29.3	101,499
- Plan C*	1	7.00%	0.00%	103,506	67.6	43.7	103,506
Fire							
- Plan A	278	8.00%	8.00%	24,037,785	40.3	11.4	86,467
- Plan B*	11	7.60%	0.00%	1,221,619	55.0	30.1	111,056
Total	599	7.98%	7.67%	\$ 50,765,438	39.3	11.9	\$ 84,750

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

** Employee contributions stop after 26 years of service for this group.



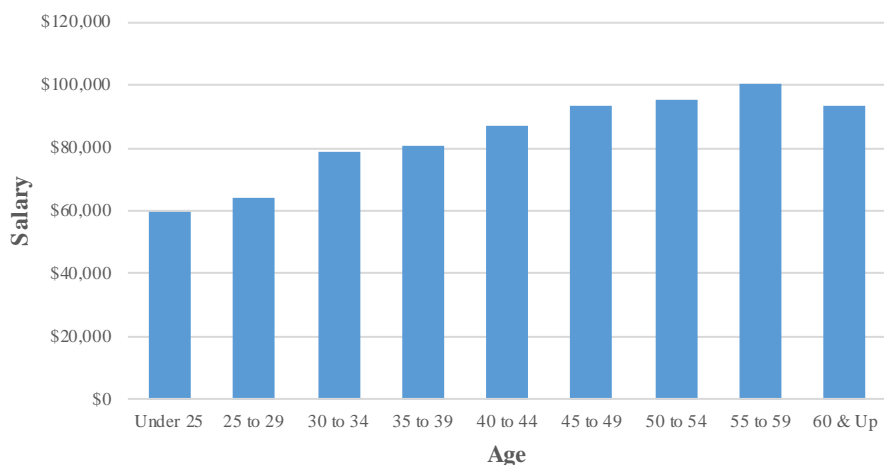
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF ACTIVE MEMBERS As of August 31, 2021

Fire

Age	Number			Annual Reported Salary		
	Male	Female	Total	Male	Female	Total
Under 25	6	5	11	\$ 364,846	\$ 291,960	\$ 656,806
25 to 29	31	7	38	2,001,717	428,430	2,430,147
30 to 34	23	6	29	1,850,485	444,930	2,295,415
35 to 39	53	6	59	4,264,154	499,290	4,763,444
40 to 44	45	3	48	3,921,887	271,723	4,193,610
45 to 49	51	4	55	4,809,028	334,475	5,143,503
50 to 54	23	1	24	2,204,369	89,919	2,294,288
55 to 59	16	1	17	1,611,240	99,820	1,711,060
60 & Up	8	0	8	748,642	0	748,642
Total	256	33	289	\$ 21,776,368	\$ 2,460,547	\$ 24,236,915

Average Salary by Age





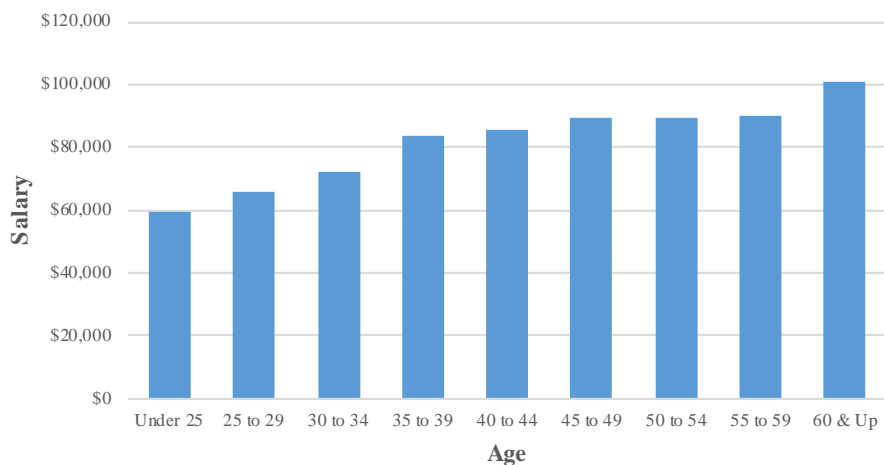
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF ACTIVE MEMBERS As of August 31, 2021

Police

Age	Number			Annual Reported Salary		
	Male	Female	Total	Male	Female	Total
Under 25	16	3	19	\$ 950,077	\$ 180,925	\$ 1,131,002
25 to 29	41	9	50	2,705,356	594,814	3,300,170
30 to 34	45	18	63	3,328,146	1,224,488	4,552,634
35 to 39	49	5	54	4,057,929	451,575	4,509,504
40 to 44	35	7	42	2,991,500	602,826	3,594,326
45 to 49	45	9	54	4,020,399	820,045	4,840,444
50 to 54	22	2	24	1,976,868	169,291	2,146,159
55 to 59	3	0	3	270,582	0	270,582
60 & Up	1	0	1	100,736	0	100,736
Total	257	53	310	\$ 20,401,593	\$ 4,043,964	\$ 24,445,557

Average Salary by Age





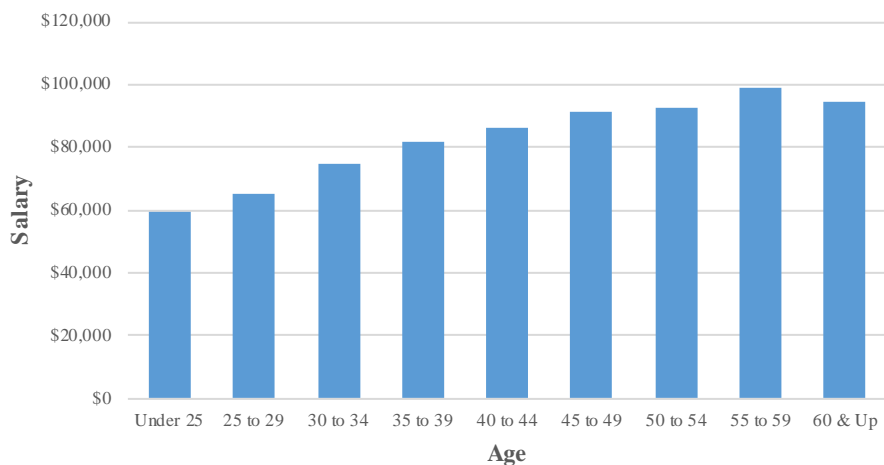
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF ACTIVE MEMBERS As of August 31, 2021

Total

Age	Number			Annual Reported Salary		
	Male	Female	Total	Male	Female	Total
Under 25	22	8	30	\$ 1,314,923	\$ 472,885	\$ 1,787,808
25 to 29	72	16	88	4,707,073	1,023,244	5,730,317
30 to 34	68	24	92	5,178,631	1,669,418	6,848,049
35 to 39	102	11	113	8,322,083	950,865	9,272,948
40 to 44	80	10	90	6,913,387	874,549	7,787,936
45 to 49	96	13	109	8,829,427	1,154,520	9,983,947
50 to 54	45	3	48	4,181,237	259,210	4,440,447
55 to 59	19	1	20	1,881,822	99,820	1,981,642
60 & Up	9	0	9	849,378	0	849,378
Total	513	86	599	\$ 42,177,961	\$ 6,504,511	\$ 48,682,472

Average Salary by Age





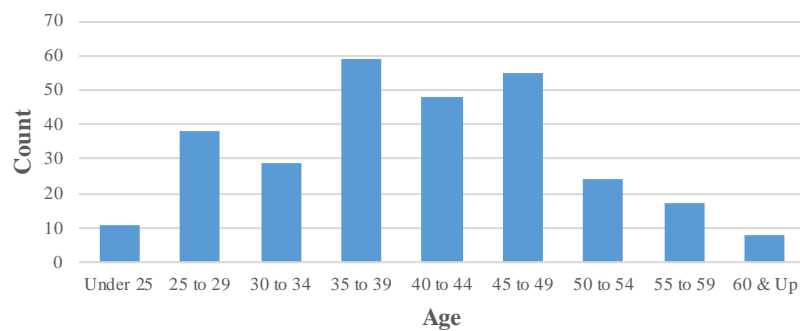
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

DISTRIBUTION OF ACTIVE MEMBERS As of August 31, 2021

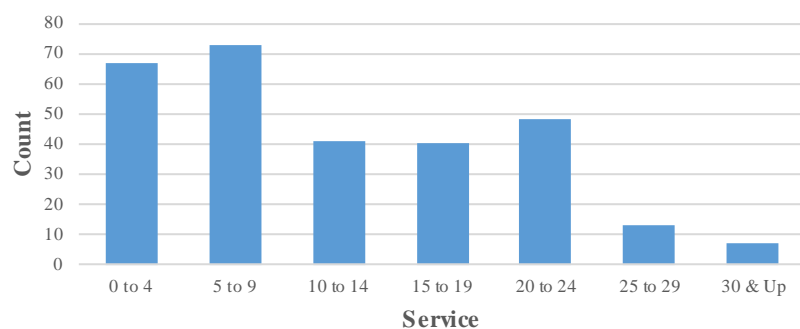
Fire

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	11	0	0	0	0	0	0	11
25 to 29	32	6	0	0	0	0	0	38
30 to 34	11	16	2	0	0	0	0	29
35 to 39	9	31	16	3	0	0	0	59
40 to 44	4	15	13	11	5	0	0	48
45 to 49	0	3	6	20	22	4	0	55
50 to 54	0	2	3	4	8	6	1	24
55 to 59	0	0	0	1	9	3	4	17
60 & Up	0	0	1	1	4	0	2	8
Total	67	73	41	40	48	13	7	289

Age Distribution



Service Distribution





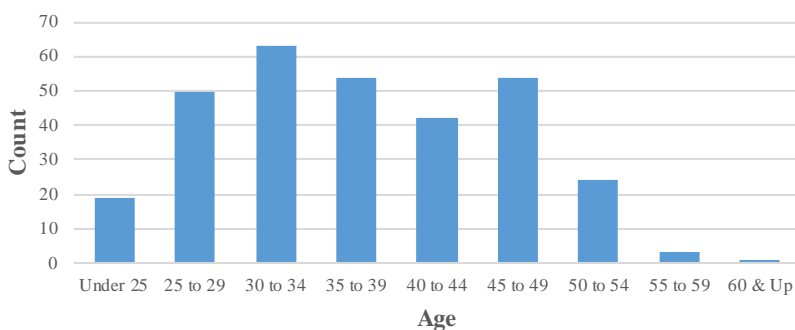
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

DISTRIBUTION OF ACTIVE MEMBERS As of August 31, 2021

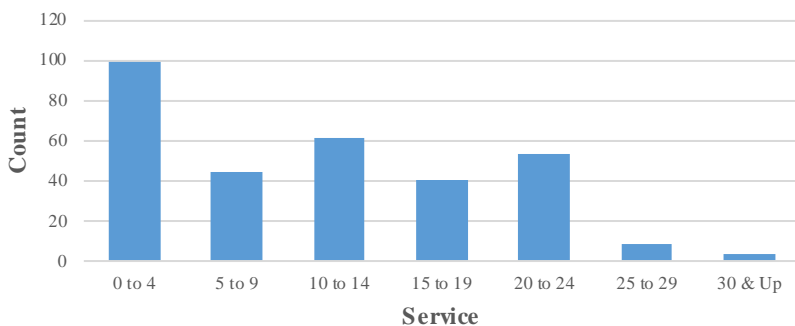
Police

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	19	0	0	0	0	0	0	19
25 to 29	39	11	0	0	0	0	0	50
30 to 34	31	23	9	0	0	0	0	63
35 to 39	6	8	36	4	0	0	0	54
40 to 44	1	2	13	17	9	0	0	42
45 to 49	2	0	2	16	33	1	0	54
50 to 54	1	0	1	2	10	8	2	24
55 to 59	0	0	0	1	1	0	1	3
60 & Up	0	0	0	0	0	0	1	1
Total	99	44	61	40	53	9	4	310

Age Distribution



Service Distribution





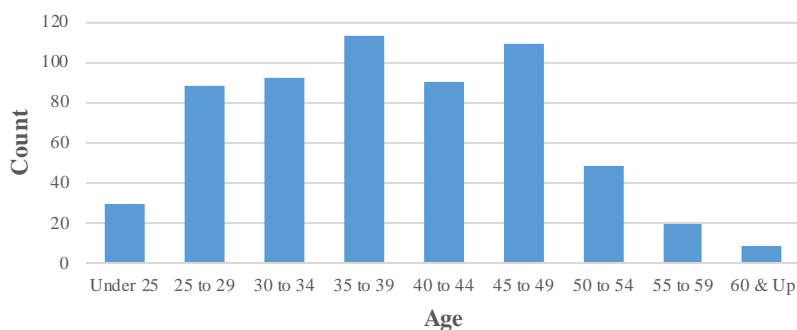
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

DISTRIBUTION OF ACTIVE MEMBERS As of August 31, 2021

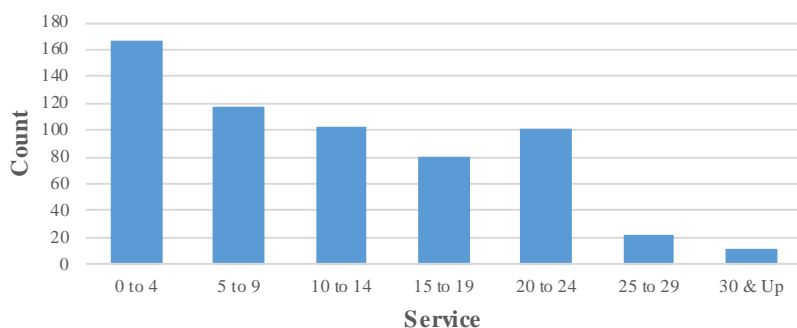
Total

Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	30	0	0	0	0	0	0	30
25 to 29	71	17	0	0	0	0	0	88
30 to 34	42	39	11	0	0	0	0	92
35 to 39	15	39	52	7	0	0	0	113
40 to 44	5	17	26	28	14	0	0	90
45 to 49	2	3	8	36	55	5	0	109
50 to 54	1	2	4	6	18	14	3	48
55 to 59	0	0	0	2	10	3	5	20
60 & Up	0	0	1	1	4	0	3	9
Total	166	117	102	80	101	22	11	599

Age Distribution



Service Distribution





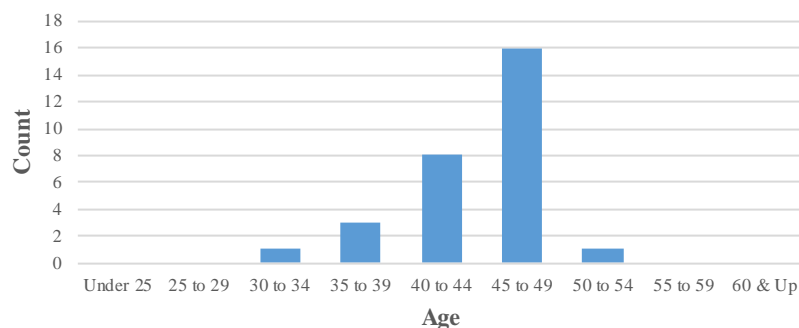
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF INACTIVE VESTED MEMBERS As of August 31, 2021

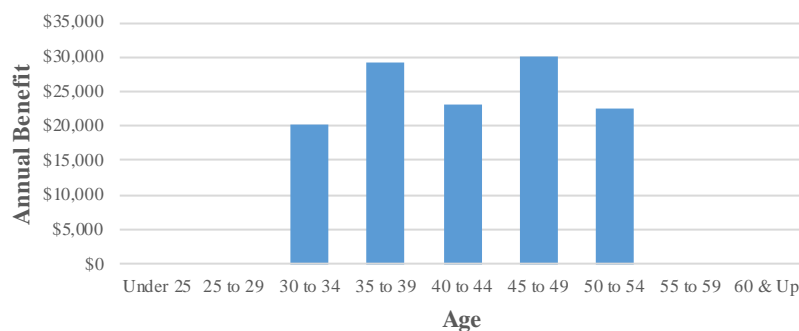
Age	Number			Annual Benefit at Retirement*		
	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	\$ 0	\$ 0	\$ 0
25 to 29	0	0	0	0	0	0
30 to 34	1	0	1	20,101	0	20,101
35 to 39	3	0	3	87,723	0	87,723
40 to 44	7	1	8	159,821	24,687	184,508
45 to 49	13	3	16	394,391	85,945	480,336
50 to 54	0	1	1	0	22,616	22,616
55 to 59	0	0	0	0	0	0
60 & Up	0	0	0	0	0	0
Total	24	5	29	\$ 662,036	\$ 133,248	\$ 795,284

* Includes 13th Check amounts.

Age Distribution



Average Benefit





APPENDIX A – SUMMARY OF MEMBERSHIP DATA

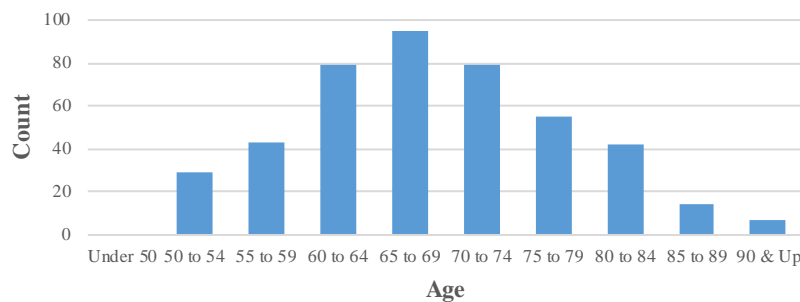
SUMMARY OF RETIRED MEMBERS As of August 31, 2021

Service Retirees

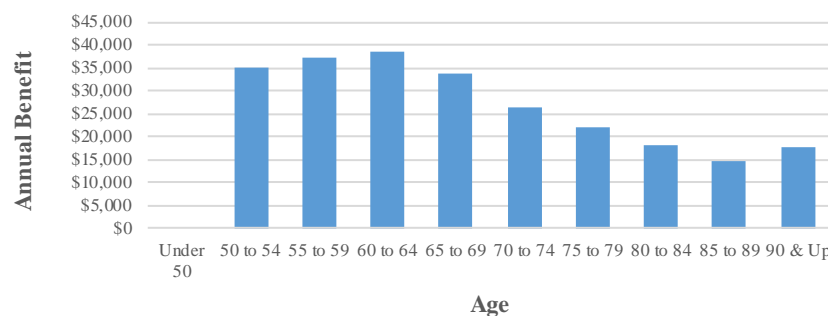
Age	Number			Annual Benefit*		
	Male	Female	Total	Male	Female	Total
Under 50	0	0	0	\$ 0	\$ 0	\$ 0
50 to 54	22	7	29	876,169	144,235	1,020,404
55 to 59	32	11	43	1,264,056	346,631	1,610,687
60 to 64	70	9	79	2,653,453	389,675	3,043,128
65 to 69	92	3	95	3,102,521	126,519	3,229,040
70 to 74	78	1	79	2,078,470	16,872	2,095,342
75 to 79	54	1	55	1,206,788	19,462	1,226,250
80 to 84	40	2	42	729,073	26,927	756,000
85 to 89	14	0	14	208,587	0	208,587
90 & Up	7	0	7	125,788	0	125,788
Total	409	34	443	\$12,244,905	\$ 1,070,321	\$13,315,226

* Includes 13th Check amounts.

Age Distribution



Average Benefit





APPENDIX A – SUMMARY OF MEMBERSHIP DATA

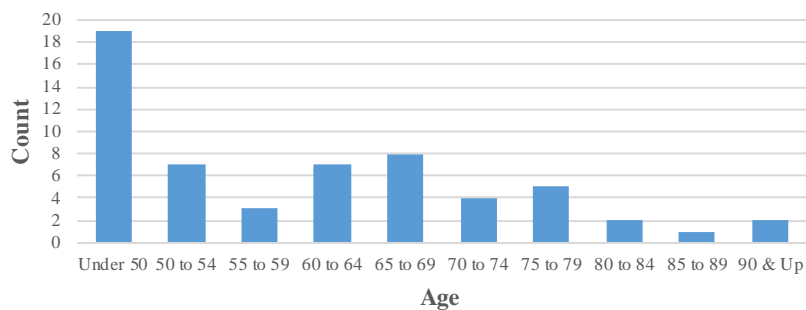
SUMMARY OF RETIRED MEMBERS As of August 31, 2021

Disabled Retirees

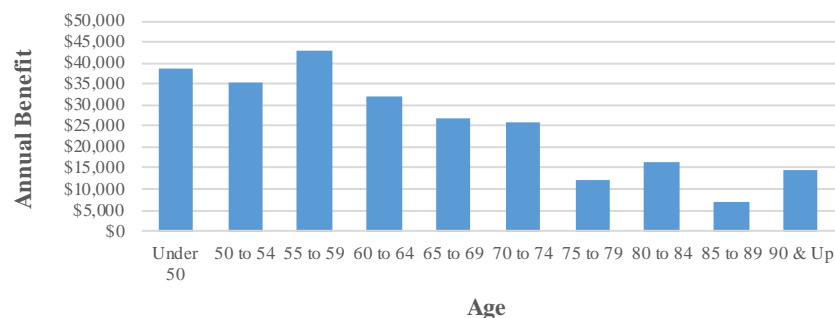
Age	Number			Annual Benefit*		
	Male	Female	Total	Male	Female	Total
Under 50	14	5	19	\$ 559,480	\$ 178,803	\$ 738,283
50 to 54	5	2	7	191,577	55,188	246,765
55 to 59	3	0	3	129,263	0	129,263
60 to 64	6	1	7	206,393	19,461	225,854
65 to 69	7	1	8	203,244	10,641	213,885
70 to 74	4	0	4	103,727	0	103,727
75 to 79	5	0	5	60,834	0	60,834
80 to 84	2	0	2	32,439	0	32,439
85 to 89	1	0	1	7,124	0	7,124
90 & Up	2	0	2	29,066	0	29,066
Total	49	9	58	\$ 1,523,147	\$ 264,093	\$ 1,787,240

* Includes 13th Check amounts.

Age Distribution



Average Benefit





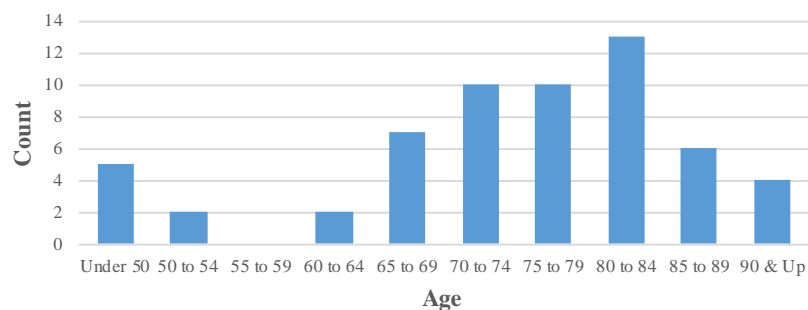
APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF RETIRED MEMBERS As of August 31, 2021 Beneficiaries

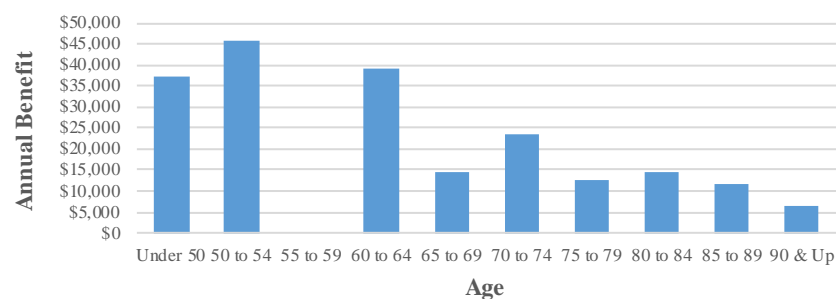
Age	Number			Annual Benefit*		
	Male	Female	Total	Male	Female	Total
Under 50	1	4	5	\$ 34,200	\$ 152,242	\$ 186,442
50 to 54	0	2	2	0	91,251	91,251
55 to 59	0	0	0	0	0	0
60 to 64	0	2	2	0	78,073	78,073
65 to 69	0	7	7	0	102,155	102,155
70 to 74	0	10	10	0	233,420	233,420
75 to 79	1	9	10	10,490	114,744	125,234
80 to 84	0	13	13	0	189,378	189,378
85 to 89	1	5	6	15,326	55,456	70,782
90 & Up	0	4	4	0	26,607	26,607
Total	3	56	59	\$ 60,016	\$ 1,043,326	\$ 1,103,342

* Includes 13th Check amounts.

Age Distribution



Average Benefit





APPENDIX A – SUMMARY OF MEMBERSHIP DATA

SUMMARY OF RETIRED MEMBERS

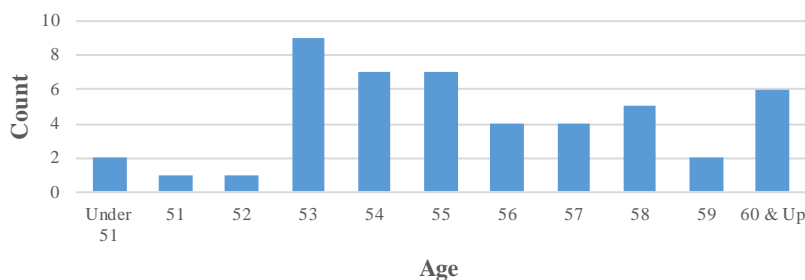
As of August 31, 2021

DROP Members

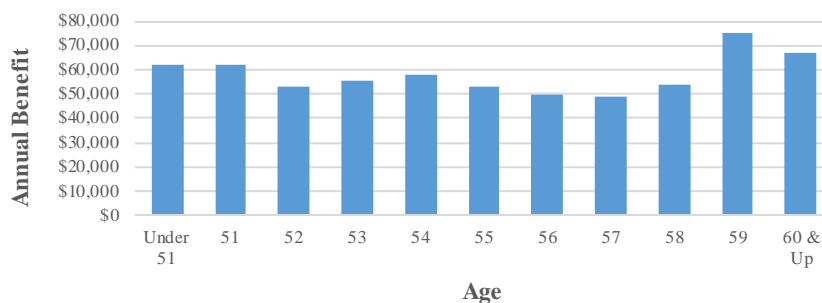
Age	Number			Annual Benefit*		
	Male	Female	Total	Male	Female	Total
Under 51	1	1	2	\$ 67,507	\$ 56,471	\$ 123,978
51	1	0	1	62,005	0	62,005
52	1	0	1	52,607	0	52,607
53	9	0	9	499,500	0	499,500
54	7	0	7	405,648	0	405,648
55	7	0	7	369,823	0	369,823
56	4	0	4	198,891	0	198,891
57	4	0	4	196,682	0	196,682
58	5	0	5	268,948	0	268,948
59	2	0	2	150,425	0	150,425
60 & Up	4	2	6	272,645	129,541	402,186
Total	45	3	48	\$ 2,544,681	\$ 186,012	\$ 2,730,693

* Includes 13th Check amounts.

Age Distribution



Average Benefit





APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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%.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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
$5 \leq \text{YOS} < 10$	23%	23%	21%
$10 \leq \text{YOS} < 15$	39%	39%	36%
$\text{YOS} \geq 15$	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 prorata 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.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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

APPENDIX C

ACTUARIAL ASSUMPTIONS AND METHODS

Investment Return: 7.35% compounded annually, net of investment expenses. While the City expects to decrease the assumption by 0.05% per year until reaching the ultimate rate of 7.25% in 2023, the decision to change the assumption must be confirmed each year and thus is not reflected in the current valuation results.

Inflation Rate: 2.25% compounded annually

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

Years of Service	Annual Rate of Pay Increase for Sample		
	Base (Economic)	Merit and Longevity	Total
0	2.75%	5.50%	8.25%
1	2.75%	4.50%	7.25%
2	2.75%	3.50%	6.25%
3-7	2.75%	3.00%	5.75%
8	2.75%	2.00%	4.75%
9	2.75%	1.00%	3.75%
10-14	2.75%	0.50%	3.25%
15+	2.75%	0.00%	2.75%

Payroll Growth: 2.75% per year

Mortality:

Actives and Inactive

Vested Members: PubS-2010 Active Mortality Table with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.

Healthy Retirees

and Beneficiaries: PubS-2010 Healthy Annuitant Mortality Table with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.

Disabled Retirees:

PubS-2010 Disabled Mortality Table with generational mortality improvement using the Nebraska Public Retirement System Mortality Improvement Scale.



APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

Termination:

Years of Service	% Separating within Next Year	
	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+	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	0.14%
45	0.23%
50	0.40%
55	0.60%
60	0.80%

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



APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

Retirement and DROP Entry:

Service	Rates of Retirement and/or DROP Entry			
	Plan A		Plan B, C & Old Plan	
	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	45%	60%	25%	33%
26	45%	25%	85%	40%
27	40%	25%	85%	50%
28	40%	25%	85%	50%
29	40%	25%	85%	50%
30	100%	100%	100%	100%



APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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:	7.35% 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 13 th Check amount is assumed to increase 2.25% 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.



APPENDIX D – GLOSSARY OF TERMS

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



APPENDIX E – FUNDING POLICY

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.



APPENDIX E – FUNDING POLICY

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).