



Austin Police Retirement System

2024 Annual Comprehensive Financial Report

For the Fiscal Period Beginning January 1, 2024
and Ending December 31, 2024
Austin, Texas

"To serve the APRS membership and protect the retirement benefits for the past, present and future members of the System"



Austin Police Retirement System
A Pension Trust Fund of the City of Austin, Texas

ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

Issued by:

Pattie Featherston
Executive Director

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INTRODUCTORY SECTION



June 18, 2025

Board of Trustees and Members of the System
Austin Police Retirement System
Austin, Texas

Ladies and Gentlemen:

We are pleased to present the 2024 Annual Comprehensive Financial Report of the Austin Police Retirement System (APRS or System). This annual report covers the period from January 1 through December 31, 2024. It includes the operations and financial status of the retirement system, a summary description of the retirement plan, investment objectives and policy, actuarial reports, and historical and statistical information about active members, annuitants and benefit payments. This transmittal letter is designed to complement the Management Discussion and Analysis (MD&A) in the Financial Section of this report.

Management Responsibility

This report consists of management's representations concerning APRS finances. Management assumes full responsibility for the completeness and reliability of all information presented in this report. The System's management is responsible for the accuracy, completeness and fair presentation of the information, as well as all disclosures in this report. To the best of our knowledge, the included data is accurate in all material respects and fairly represents our financial position and operating results.

Audited Financial Statements and Summary

The financial statements included in this Annual Comprehensive Financial Report have been prepared by APRS management in accordance with Generally Accepted Accounting Principles (GAAP) and presented in accordance with guidelines established by the Governmental Accounting Standards Board (GASB).

An independent certified public accounting firm, Montemayor Britton Bender Carey PC, conducted an independent audit of the System's financial statements for Fiscal Year 2024. The audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) and resulted in an unmodified opinion of the financial statements. The Financial Section contains the audit opinion letter and additional information including Management's Discussion and Analysis (MD&A) that provides a narrative introduction, overview, and analysis of the basic financial statements.

Internal Controls

APRS maintains a framework of internal controls to establish reasonable assurance that assets are safeguarded, transactions are completed accurately, financial statements are fair and reliable, and that the governing statute and policies are correctly followed. There are inherent limitations to internal controls, and risk cannot always be foreseen or completely eliminated. Our objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements, since the cost of internal control should not exceed the benefits obtained.

System Profile

The Austin Police Retirement System is a defined benefit plan that was established in 1991 by the 72nd Legislature and is governed by state statute at Article 6243n-1, Vernon's Texas Civil Statutes. APRS was created for the exclusive purpose of providing retirement, death and disability benefits to members of the System. Members of the System include full-time City of Austin police officers and employees of the System. APRS membership consists of approximately 1,600 active members and provides retirement benefits to over 1,400 annuitants. The ratio of active members to annuitants is rapidly changing, as the System has experienced record retirements since 2020 plus an increase in exiting police officers not yet eligible for retirement.

APRS is administered by an eleven-member Board of Trustees. Both the City of Austin, as the employer, and its participating members make contributions to fund APRS. Retirement benefits are determined by a formula that applies a multiplier to final average compensation for each year of creditable service. Disability retirement is available pursuant to specific criteria established by the governing statute. A death benefit of \$10,000 is payable upon the death of a retired member of APRS. Vesting occurs at 10 years of creditable service. Additional information concerning current APRS plan provisions is contained in the Membership and Benefits Overview report in this section.

Investment Performance

APRS recognizes that the System is an essential vehicle for providing income benefits to retired participants or their beneficiaries. APRS also recognizes that the obligations of the System are long-term and so the investment policy is constructed with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return – defined as interest and dividend income plus realized and unrealized capital gains or losses – commensurate with its fiduciary duties under Texas law and any other applicable statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation is paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board of Trustees maintains an Investment Policy Statement and directs that it applies to all assets under control. The Board also employs investment professionals to whom Trustees delegate certain authority for the oversight and investment of the assets of the System.

During 2024, the return on System investments totaled a gain of 8.59% net of fees. On a three-year annualized basis, the System has returned 2.31%. Annual rates of return for the five and ten-year periods ending December 31, 2024, were 7.07% and 6.65%, respectively. Please refer to the Investment Section for additional information about the System's investment policies, strategies, safeguards and fees.

Funding Status

APRS is funded by employee contributions, employer contributions, and investment income. Prior to 2022, APRS members and the plan sponsor contributed a fixed rate contribution. However, beginning in January 2022 and in accordance with the 2021 amended governing statute, APRS enacted an Actuarially Determined Employer Contribution (ADEC) to improve the funding status of the System. The statutory amendments resulted in the APRS amortization period for the Unfunded Actuarial Accrued Liability (UAAL) changing from Infinite in 2020 to 30 years in 2021. As of December 31, 2024, the amortization period is 27.4 years, the actuarial accrued liability is \$1,877,635,572, and the actuarial value of assets is \$1,095,007,001. The System's 2024 funded ratio is 58.3%. A detailed discussion of funding is provided in the Actuarial Section of this report.

Major Initiatives

In 2024, the System completed the implementation of a new multi-million-dollar pension administrative software that went live January 1, 2025. This advanced software is designed to optimize the efficiency and accuracy of pension management. The System also completed the custom design of a self-service portal – MemberDirect. The custom portal gives APRS members convenient access to their information and offers many self-service features.

The APRS Board of Trustees revised several of its most important policies in 2024: the Investment Policy Statement, Disability Retirement Benefits, , and the Post Retirement Option Plan Policy.

Awards

APRS is pleased to announce that the Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to APRS for its annual comprehensive financial report for the fiscal year ended December 31, 2023. The report has been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

APRS also received the Public Pension Standards Award for Funding & Administration in 2024 from the Public Pension Coordinating Council. This award was received in recognition of meeting professional standards for both plan funding and administration as set forth in the Public Pension Standards.

Acknowledgements

This annual comprehensive financial report is the result of a significant team effort, both by APRS staff and advisors. We express our gratitude to our entire group of dedicated staff and advisors whose work this report represents. The report is an important asset to our organization, and we hope it provides meaningful information to System membership and stakeholders. We also thank the APRS Board of Trustees for its leadership and willingness to serve the members of this System by accepting the substantial responsibilities of serving as a Trustee.

Sincerely,



Pattie Featherston
Executive Director



Sheldon Askew
2024 Chairman of the Board

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**Austin Police Retirement System
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2024***

Presented to

Austin Police Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

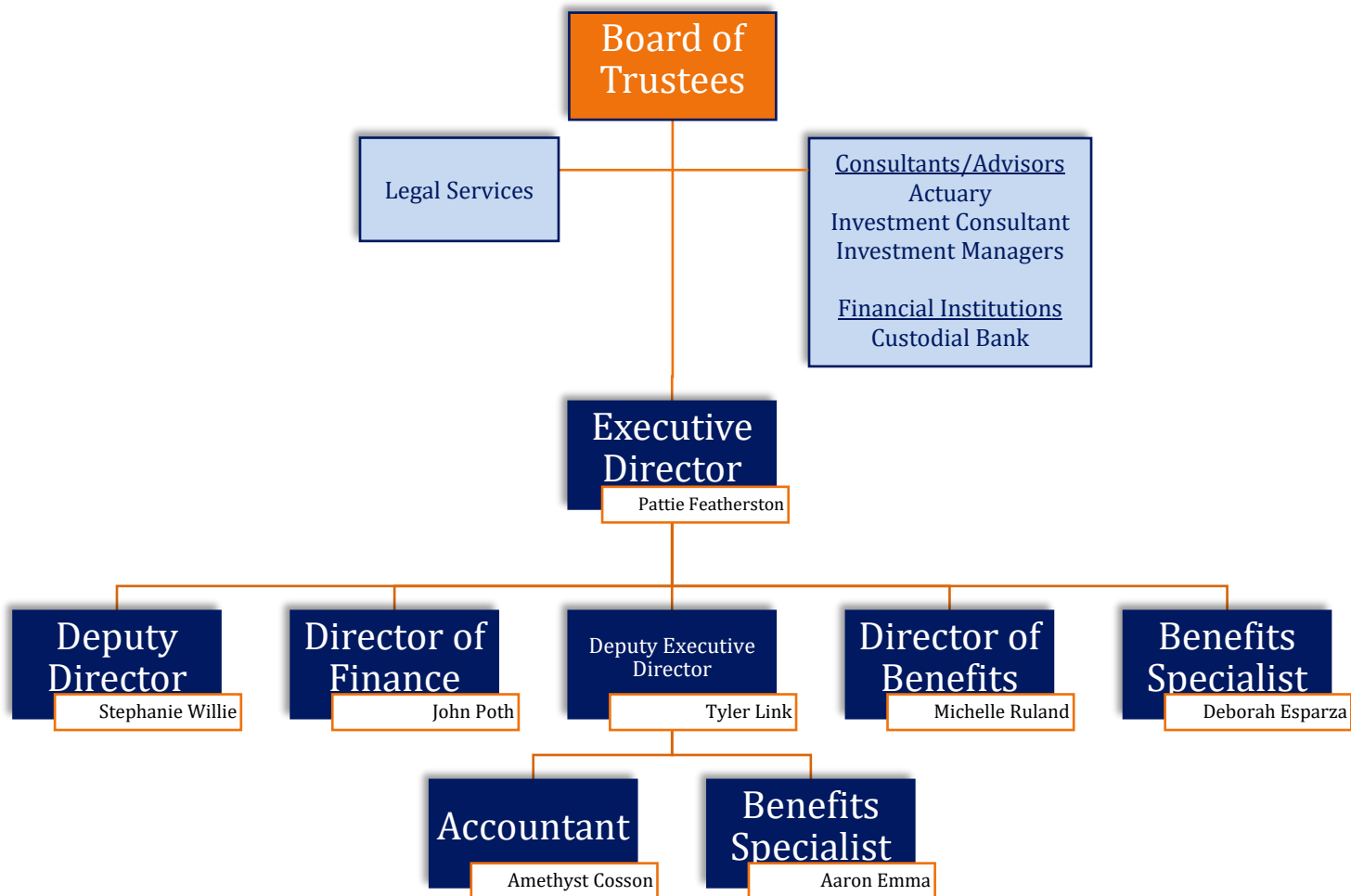
Alan H. Winkle
Program Administrator

BOARD OF TRUSTEES

| | |
|---------------------------------------|----------------------------|
| ACTIVE POLICE MEMBER | Sheldon Askew, Chair |
| RETIRED POLICE MEMBER | Keith Harrison, Vice Chair |
| ACTIVE POLICE MEMBER | Michael Burgeson |
| RETIRED POLICE MEMBER | Michael Cowden |
| CITY COUNCIL CITIZEN APPOINTEE | Michael Granof |
| CITY COUNCIL MEMBER | Mackenzie Kelly |
| CITY MANAGER DESIGNEE | Kerri Lang |
| ACTIVE POLICE MEMBER | Shelly Holmstrom |
| ACTIVE POLICE MEMBER | Christopher Salacki |
| CITY FINANCE DIRECTOR DESIGNEE | Diana Thomas |
| APRS BOARD CITIZEN APPOINTEE | Chesley Wood |

Board composition reflects Trustees as of 12/31/2024

ORGANIZATIONAL CHART



Custodian Bank

The Northern Trust Company, Chicago, Illinois

Investment Consultant & Performance Evaluator

Mariner Institutional, Overland Park, Kansas ¹

Actuary

Gabriel, Roeder, Smith & Company, Dallas, Texas

Auditor

Montemayor Britton Bender Carey PC, Austin, Texas

Legal Counsel

Chuck Campbell, Jackson Walker, L.L.C., Austin, Texas

¹ Formerly known as AndCo Consulting, Mariner Institutional was established following a merger in 2024.

Domestic Equity

MFS Mid Cap Value, Boston, Massachusetts
Northern Trust (NTGI Russell 3000 Index Fund), Chicago, Illinois
Westfield Mid Cap Growth, Boston, Massachusetts

International Equity

Driehaus International Securities, LLC, Chicago, Illinois
Fidelity Total International Index, Boston, Massachusetts
Thompson, Siegel & Walmsley (TSW), LLC, Richmond, Virginia
WCM Investment Management, Laguna Beach, California

Other Equity

Franklin Park Associates, LLC, Bala Cynwyd, Pennsylvania
WR Huff Energy Fund, LP, Morristown, New Jersey

Total Fixed Income

Baird Aggregate Income Bond Fund, Milwaukee Wisconsin
Dodge & Cox Fixed Income Fund, San Francisco, California
PIMCO, Newport Beach, California

Other Fixed Income

Benefit Street Partners (Providence Debt Fund), New York, NY
Capital Point Partners, Houston, Texas
LBC Credit Partners, Inc., Philadelphia, Pennsylvania

Real Estate

AEW Capital Management, LP, Boston, Massachusetts
Apollo Global Management (India Property Fund), LLC, New York, New York
Artemis Real Estate Partners, Chevy Chase, Maryland
Avison & Young, LLC (Gainesville Property), Atlanta, Georgia
Bentall-Green Oak (Green Oak US III), New York, New York
Brookfield Asset Management, Inc., New York, New York
Edison Investments, Inc., Wichita, Kansas
Morgan Stanley (Prime Property Fund), New York, New York
Stockbridge (Smart Markets Fund), San Francisco, CA

Timber

Domain Capital Group (Domain Timber Advisors), Atlanta, Georgia

For more information on investment professionals who provide services to APRS, including schedules of fees and commissions, refer to Other Supplementary Information on page 65, Schedule of Investment Results on page 77, Investment Expenses on page 79, and Broker Commissions on page 83.

Introduction

This is a general overview of the Austin Police Retirement System (APRS or System) membership and benefits. In the event of any inconsistency between this general overview and state or federal law as modified, interpreted, and applied from time to time, the state or federal law will govern and control.

APRS is an IRS tax-qualified 401(a) defined benefit plan governed by Texas state law.

Membership Requirements

All cadets upon enrollment in the Austin Police Academy, and commissioned law enforcement officers employed by the City of Austin Police Department, as well as full time employees of the Austin Police Retirement System (after serving a 6-month probationary period), become members of the Austin Police Retirement System at the date of employment.

Contributions

The City of Austin (City) contributes a rate based on employee payroll as calculated by an Actuarially Determined Employer Contribution (ADEC), keeping the rate within a certain corridor to ensure long-term funding. The City also contributes a fixed dollar amount to pay off the legacy unfunded liability over 30 years that existed as of December 31, 2020. For 2024, the combination of the two contributions from the City produced an overall contribution rate of 36.522% if expressed as a percentage of employee payroll.

Each member of the System contributes a percentage of bi-weekly base pay and annual longevity pay through payroll deduction. Overtime pay and special pay are not included for the calculation of contributions nor for the final average salary used to calculate benefits. Contributions continue unless a member is on leave of absence or withdraws by terminating or retiring. The member contribution rate for 2024 is 15%. The member contribution rate could vary in the future if the ADEC corridor is breached and the City contribution rate is capped; however, the member contribution rate is capped at 17%.

Creditable Service

Creditable service is service that is used in computing retirement benefits. There are seven types of creditable service:

- Membership Service
- Probationary Service
- Pre-Membership Military Service
- Uniformed Leave of Absence Service
- Reinstated Forfeited Service
- Cadet Service
- Permissive Service Credit
- Deferred Retirement Permissive Service Credit

Proportionate Retirement Program

The Proportionate Retirement Program is established in state law. It provides that participating Texas public retirement systems recognize service from other participating systems. A member with service credit in more than one participating retirement system may be eligible to combine that service to satisfy the length of service requirements used to determine eligibility for service retirement. Proportionate service counts for eligibility purposes only and does not add to additional service credit years for pension calculation purposes. Participating systems include:

- Austin Police Retirement System (APRS)
- City of Austin Employees' Retirement System (COAERS)
- El Paso City Employees' Pension Fund
- El Paso Firemen and Policemen's Pension Fund
- Employees Retirement System of Texas (ERS)
- Judicial Retirement System of Texas I & II
- Teacher Retirement System of Texas (TRS)
- Texas Municipal Retirement System of Texas (TMRS)
- Texas County and District Retirement System (TCDRS)
- Other Texas retirement systems covering municipal employees who have qualified plans and have elected to participate in the Proportionate Retirement Program.

Vesting

When a member reaches ten (10) years of creditable service, which may include approved Proportionate Service Credit if applicable, they become a vested member of the retirement System.

Retirement Eligibility

Members are eligible for normal retirement when they meet one of the following age and service requirements, excluding pre-membership military service:

Group A Members (hired on or before 12/31/2021)

- Age 62
- Age 55 with 20 years of creditable service
- Any age with 23 years creditable service

Group B Members (hired on or after 1/1/2022)

- Age 62
- Age 50 with 25 years of creditable service

Retirement Benefit Calculation

The basic retirement benefit Life Annuity is calculated by using the following formula:

Group A Members (hired on or before 12/31/2021)

3.2% times the years of creditable service times the average monthly salary for the highest 36 months of the last ten years of contributing service.

Group B Members (hired on or after 1/1/2022)

2.5% times the years of creditable service times the average monthly salary for the highest 60 months of the last ten years of contributing service.

The monthly annuity benefit payment begins the month following the member's retirement from the System.

Retirement Benefit Options

The Austin Police Retirement System provides several options under which monthly benefits may be paid. The options below require verifiable information to be submitted to the System for calculation. The options that include benefits to a survivor are calculated using the ages of both the member and survivor included in the plan. A member's benefit is permanently reduced if an option is chosen that provides survivor benefits. A member may not change their chosen option or survivor after they have already retired.

Options Provided:

- Life Annuity
- 100% Joint and Survivor Annuity
- 50% Joint and Survivor Annuity
- 66-2/3% Joint and Survivor Annuity
- Joint and 66-2/3% Last Survivor Annuity
- Fifteen Year Certain and Life Annuity

Retroactive Deferred Retirement Option (Retro DROP)

The retroactive deferred retirement option plan, referred to as Retro DROP, is a one-time benefit paid at retirement to a member with a subsequent associated reduced monthly annuity. To be eligible, a Group A member must qualify with a normal service retirement of 23 years at any age, excluding pre-membership military or permissive service credit. The maximum amount of service to be used in computation of the Retro DROP after normal service retirement of 23 years is 36 months. Effective April 1, 2015, the Retro DROP program will only apply to Group A members with 23 years of creditable service as of that date; therefore, Group B members are not eligible.

Forward Deferred Retirement Option (Forward DROP)

The Forward DROP allows active police officers to freeze their retirement benefit calculation, but continue working and drawing a paycheck from APD, while their retirement annuity is deferred into a DROP account on their behalf at the System. To be eligible a member must qualify with a normal service retirement applicable to their Group, as of the date of his or her election to participate in the Forward DROP.

- Five-Year Forward DROP for Group A members with 23 years of creditable service as of February 17, 2016:

The maximum amount of service to be used in computation of the Forward DROP after normal service retirement of 23 years, excluding pre-membership service credit and permissive service credit, is sixty (60) months. During the period that a member participates in Forward DROP, the employee retirement contributions shall be made to the member's Forward DROP account. The Forward DROP benefit balance will include the accumulated monthly benefits during Forward DROP participation, member contributions and a simple interest calculation on December 31st for balances on deposit as of January 1st of the same calendar year. Effective August 1, 2015, the interest rate for new DROP members will be the same as PROP, which was 3.87% in fiscal year 2024. Members with 23 years of service by July 31, 2015, earn interest at 5.0%.

- Seven-Year Forward DROP for members:
 - Group A members with 23 years of creditable service after February 17, 2016;
 - Group B members who have attained age 50 and have 25 years of creditable service;

The maximum amount of service to be used in computation of the Forward DROP after normal service retirement, excluding pre-membership service credit and permissive service credit, is eighty-four (84) months. During the period that a member participates in Forward DROP, employee contributions will be collected but not credited to the member's Forward DROP account. There will be no interest applied to the member's Forward DROP account. In addition, a fee is applied to the participant's monthly Forward DROP amount.

Post Retirement Option Plan (PROP)

Instead of receiving a single lump-sum payment, a member may elect to receive partial payments from the member's RETRO or Forward DROP account by transferring the funds into a PROP account, in an amount elected by the member.

Post Retirement Option Plan (PROP) Monthly Annuity Deferral Program

The PROP Monthly Annuity Deferral plan allows retired members to defer receipt of a minimum of \$250 of their monthly annuity in order to defer the taxation of the deferred payments and to have the monthly benefits in a Post Retirement Option Plan account accumulate for later disbursement and later taxation.

Disability Retirement Benefits

To be eligible for disability retirement, the applicant must be unable to perform their employment duties due to becoming physically or mentally incapacitated. The disability must be considered a permanent job performance disability. The disability must also be subsequent to the member's effective date of membership AND,

- If the member has less than 10 years of creditable service, the disability must have been a direct or proximate result of the performance of the member's employment duties with the City or the System (known as on-duty disability). For Group A, the disability will be calculated at 20 years of service, and for Group B, the disability will be calculated at 25 years of service.
- If the member has 10 years or more of creditable service, the disability does not have to be a direct or proximate result of the performance of the member's employment duties with the City or the System. As mentioned above, on-duty disabilities will be calculated for Group A at 20 years of service and 25 years of service for Group B. Off-duty disabilities will be calculated using the actual number of years of service the member has once the disability is granted.

Death and Survivor Benefits

- At the death of an active or vested member, the designated beneficiary(ies) are entitled to a lump sum benefit of twice the members accumulated contributions with a \$10,000 minimum payment.
- At the death of an active or vested member who is eligible to retire, the designated survivor will be entitled to receive monthly payments under a retirement option in lieu of a lump sum death benefit. In the event a member who is eligible for service retirement dies without making a written option selection, and the member leaves a surviving spouse, the surviving spouse may select a retirement option in the same manner as the member would have made or may select a lump sum payment equal to twice the members accumulated deposits. If there is no surviving spouse, the deceased member's designated beneficiary may elect to receive payment under Option V, a Fifteen Year Certain and Life Annuity, which will pay monthly benefits for a period of fifteen years, or a lump sum payment equal to twice the member's accumulated deposits. When monthly benefits are payable in lieu of a lump sum, a \$10,000 taxable death benefit will be paid to the beneficiary(ies).
- At the death of a retiree, a tax-free death benefit of \$10,000 (or a proportionate amount if the member retired under the Proportionate Retirement Program) is paid to the designated beneficiary(ies) or estate. If the member has a PROP or DROP account at the time of their death, those funds are paid to the designated beneficiary(ies) for those programs. If a survivor option was chosen, the elected survivor begins to receive the elected portion of the annuity. If the Life Annuity was chosen, the monthly benefits cease.



FINANCIAL SECTION



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Trustees
City of Austin Police Retirement System

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying statements of fiduciary net position of the City of Austin Police Retirement System (System) as of 31 December 2024 and 2023, and the related statements of changes in fiduciary net position for the years then ended, which collectively comprise the System's financial statements, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System as of 31 December 2024 and 2023 and the changes in its financial status for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that are identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26–32 and the supplemental schedules of changes in the employer's net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 61-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the System's financial statements. The supplementary schedules of investment expenses, general and administrative expenses, and professional services and consultant expenses on page 65 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



4 June 2025
Austin, Texas

This section of the Austin Police Retirement System's (the System) financial report presents our discussion and analysis of the System's financial performance during the calendar years 2024 and 2023. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

Financial Highlights

- Fiduciary net position held in trust by the System increased by \$67.9 million in 2024, and increased by \$81.8 million in 2023. The 2024 increase is primarily due to stock advances in nearly all developed markets, especially U.S. domestic stocks. The 2023 increase is primarily due to stock advances in nearly all major developed markets as well as strong rebounds in the fixed income markets. See Investment Section for more information.
- Contributions increased in 2024 by \$6.6 million and increased in 2023 by \$6.2 million. The increase in 2024 is largely attributable to the increase in the legacy liability contributions from the City. The increase in 2023 is primarily due to the System receiving additional payments from the City beginning in 2022 to amortize the legacy liability, the Unfunded Actuarial Accrued Liability as of December 31, 2021.
- The benefits paid to retired members and beneficiaries, including refunds to terminating employees, increased by \$776,000 in 2024 and increased by \$10.44 million in 2023. The increases in 2024 and 2023 are due to an increase in the number of retirements by members and refunds made to terminating employees.
- The System's rate of return on investments for the year ended December 31, 2024, was 8.83% gross of fees and 8.59% net of fees, on a time-weighted basis, as compared to 11.82% gross of fees and 11.50% net of fees for the year ended December 31, 2023.
- The funding objective of the System is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2024, the date of the most recent actuarial valuation, the System's funded ratio of actuarial assets as a percentage of actuarial liabilities is 58.3%, as compared to 58.9% on December 31, 2023.

See independent auditor's report.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Systems' financial statements, which are comprised of the following:

- **Statement of Fiduciary Net Position** - presents the Systems' assets and liabilities and the resulting Net Position for pension benefits. This statement reflects a year-end snapshot of the Plan's assets at fair market value, along with cash and short-term investments, receivables and other assets and liabilities.
- **Statement of Changes in Fiduciary Net Position** - provides a view of the current year's additions to and deductions from the fund.
- **Notes to the Financial Statements** - provides additional information that is essential to a full understanding of the data provided in the financial statements.

Collectively, this information presents the Fiduciary Net Position as of the end of each of the last three years and summarizes the changes in Fiduciary Net Position for the year.

Summary of Fiduciary Net Position December 31, 2024, 2023, and 2022

| <u>Assets</u> | 2024 | 2023 | 2022 |
|---|------------------|------------------|----------------|
| Receivables | \$ 4,989,910 | \$ 3,836,257 | \$ 3,618,912 |
| Investments ¹ | 1,079,401,979 | 1,012,494,765 | 930,892,502 |
| Capital assets, net | 794,473 | 889,032 | 787,002 |
| Retiree Death Benefit Fund ² | 2,016,134 | 1,894,286 | 1,615,369 |
| Total assets | \$ 1,087,202,496 | \$ 1,019,114,340 | \$ 936,913,785 |
| <u>Liabilities</u> | | | |
| Total Liabilities | 4,424,912 | 4,211,638 | 3,829,308 |
| Fiduciary net position for pension benefits | \$ 1,082,777,584 | \$ 1,014,902,702 | \$ 933,084,477 |

¹ Assets at custodian and local operating banks less Retiree Death Benefit Fund.

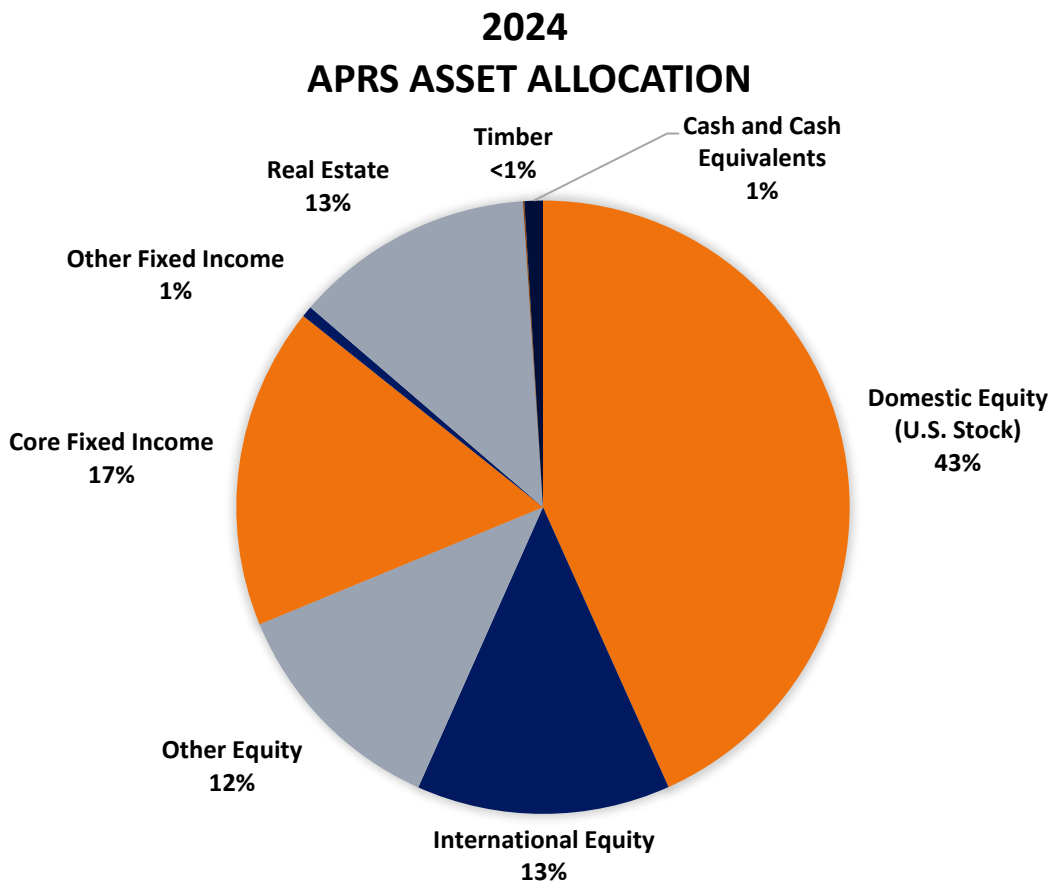
² The RDB cash value within the custodian's Cash Account as of 12/31/24

See independent auditor's report.

MANAGEMENT DISCUSSION AND ANALYSIS

The total Fiduciary Net Position increased by \$67.9 million, or 6.7%, to \$1.083 billion at the end of 2024, compared to an increase of \$81.8 million in 2023, or 8.8% from the prior year. The increase in 2024 was primarily due to stock advances in nearly all developed markets, especially U.S. domestic stocks. See Investment Section for more information.

Below is a chart of the System's asset allocation percentages for the year ending December 31, 2024:

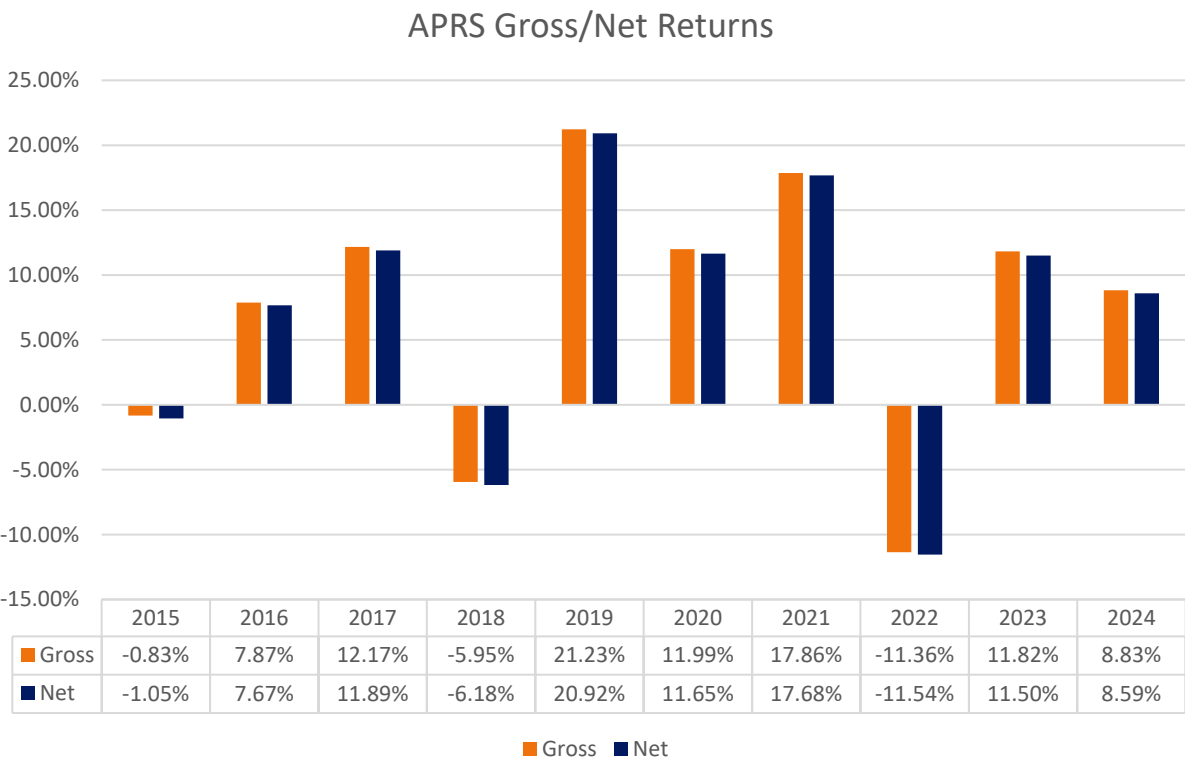


See independent auditor’s report.

Investment Returns and Assumptions. The Systems’ rate of return in 2024 is 8.59% net of expenses. The following chart exhibits the short- and long-term gains and losses.

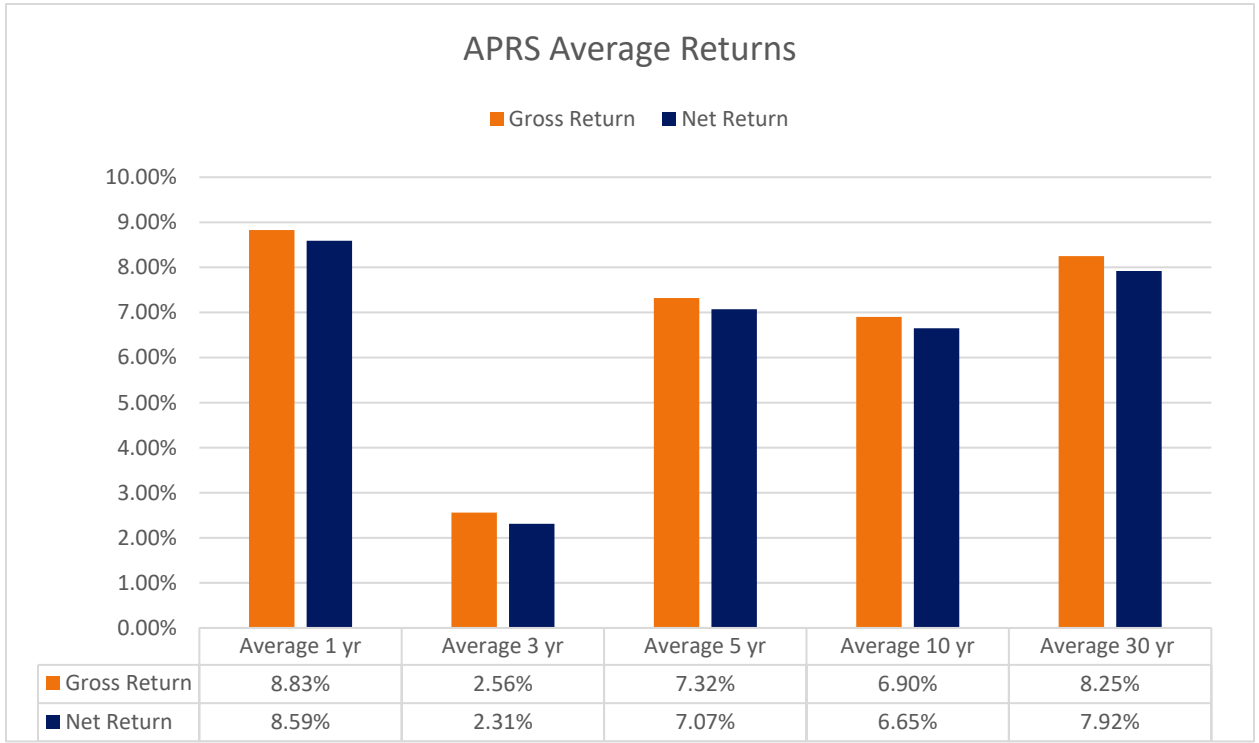
Note: Historical returns for 2000-2015 have been adjusted from previous annual reports to align with the calculations of the current investment consultant using time-weighted annualized returns.

10 Fiscal Year Returns



See independent auditor’s report.

Annualized Rolling Gross & Net Investment Returns



See independent auditor’s report.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Changes in Fiduciary Net Positions

Years Ended December 31, 2024, 2023, and 2022

| <u>Additions</u> | 2024 | 2023 | 2022 |
|--|------------------|------------------|------------------|
| Contributions ¹ | \$ 83,539,189 | \$ 76,961,574 | \$ 70,784,110 |
| Investment income | 88,275,542 | 107,743,968 | (125,775,039) |
| Investment expense ² | (1,258,013) | (2,257,370) | (1,914,990) |
| Net investment income | 87,017,529 | 105,486,598 | (127,690,029) |
| Total additions | \$ 170,556,718 | \$ 182,448,172 | \$ (56,905,919) |
| <u>Deductions</u> | | | |
| Benefit payments & contributions refunded ³ | \$ 98,952,500 | \$ 98,176,441 | \$ 87,733,795 |
| General and administrative expenses | 3,729,336 | 2,453,506 | 3,009,797 |
| Total deductions | \$ 102,681,836 | \$ 100,629,947 | \$ 90,743,592 |
| Net increase/decrease | \$ 67,874,882 | \$ 81,818,225 | \$ (147,649,511) |
| Fiduciary Net position beginning of year | \$ 1,014,902,702 | \$ 933,084,477 | \$ 1,080,733,988 |
| Fiduciary Net position end of year | \$ 1,082,777,584 | \$ 1,014,902,702 | \$ 933,084,477 |

¹ Includes COA Contributions, Member Contributions, Contributions Applied to Death Benefits, Contributions Applied to Proportional Retirement, Service Credit Purchases plus System and Staff Contributions.

² Custodian, investment consultant and direct investment expenses paid from Trust.

³ Includes Retirement Annuity, PROP, DROP, Death Benefit and Refund payments.

Additions. Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and City of Austin contributions for 2024 and 2023 totaled \$83.5 million and \$77.0 million, respectively. The 2024 contributions represent an increase of \$6.6 million, or 8.5% above 2023. The 2023 contributions represent an increase of \$6.2 million, or 8.7%, above 2022. The 2022 contributions represent an increase of \$10.2 million, or 16.8%, above 2021.

The total net rate of return for the System's investment portfolio in 2024 was 8.59%, net investment expense, as compared to 11.50% for 2023 on a time-weighted basis.

See independent auditor's report.

Deductions. The expenses paid by the System encompass benefit payments and administrative costs. Benefit payments, comprising the vast majority of the System's expenses, include payments to retirees, beneficiaries and alternate payees, as well as refunds of member contributions. Administrative expenses support the direct operations of the System, and include employee salaries and benefits, rent, utilities, and office expenses.

In 2024, benefits paid to retirees, beneficiaries, and alternate payees plus contribution refunds to terminating members totaled \$99.0 million, an increase of \$0.8 million or 0.8% over the \$98.2 million paid in 2023. The total number of retirees, beneficiaries and alternate payees increased to 1,414 in 2024 compared to 1,371 in 2023.

Refunds to terminating employees in 2024 increased to \$2.51 million compared to \$2.22 million in 2023. General and administrative expenses increased to \$3.73 million in 2024, from \$2.45 million in 2023. The general and administrative expense increase is primarily due to the implementation of a new pension administration software system, as well as an increase in actuarial consulting service expense due to the periodic experience study conducted in 2024.

Overall Analysis. As of December 31, 2024, the System's Fiduciary Net Position increased by \$67.9 million from the prior year. Over the last three-year period ending December 31, 2024, the System's Fiduciary Net Position has increased by \$149.7 million.

Request for Information. This financial report is designed to provide a general overview of the finances of the Austin Police Retirement System for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Austin Police Retirement System, P.O. Box 40609, Austin, Texas 78704.

See independent auditor's report.

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2024 & 2023

| ASSETS¹ | 2024 | 2023 |
|---|-------------------------|----------------------|
| Investments, at fair value: | | |
| Domestic Equity (U.S. Stock) | \$ 468,131,207 | \$409,941,878 |
| International Equity | 144,671,336 | 138,008,843 |
| Other Equity | 130,808,895 | 122,526,162 |
| Core Fixed Income | 183,357,564 | 181,862,154 |
| Other Fixed Income | 6,262,729 | 10,344,050 |
| Real Estate | 136,907,152 | 134,282,322 |
| Timber | 767,033 | 886,000 |
| Cash & Cash Equivalents ² | 10,512,197 | 16,537,642 |
| Total Investments | 1,081,418,113 | 1,014,389,051 |
| Interest and dividends receivable | 1,027,195 | 522,220 |
| City of Austin retirement contributions receivable ³ | 2,796,538 | 2,364,344 |
| City of Austin death benefit contributions receivable | 5,236 | 5,016 |
| Member contributions receivable | 1,160,941 | 944,677 |
| Capital assets, net | 794,473 | 889,032 |
| Total assets | 1,087,202,496 | 1,019,114,340 |
| LIABILITIES | | |
| Less Accounts payable and accrued liabilities | 4,424,912 | 4,211,638 |
| Total liabilities | 4,424,912 | 4,211,638 |
| FIDUCIARY NET POSITION | \$ 1,082,777,584 | 1,014,902,702 |

1 Assets at custodian bank.

2 Includes cash assets at custodian and local operating banks. Includes the Retiree Death Benefit Fund.

3 Includes City Regular Contributions and Legacy Liability Contributions.

The accompanying notes are an integral part of this financial statement presentation.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR YEARS ENDED DECEMBER 31, 2024 & 2023

ADDITIONS TO PLAN NET POSITION:

| | 2024 | 2023 |
|--|--------------------|--------------------|
| Contributions: | | |
| City of Austin Retirement Contributions | \$ 15,032,967 | \$15,053,346 |
| City of Austin Legacy Liability Contributions ^{1,2} | 42,762,407 | 35,146,519 |
| City of Austin Contributions applied to the Retiree Death Benefit Fund | 121,843 | 198,574 |
| Member Contributions | 23,677,550 | 23,222,119 |
| Service Credit Purchases | 1,701,189 | 3,100,346 |
| APRS Employer Contributions | 94,860 | 95,392 |
| APRS Employee Contributions | 148,373 | 145,278 |
| Total contributions | 83,539,189 | 76,961,574 |
| Investment income: | | |
| Net increase (decrease) in the fair value of investments | 67,208,377 | 93,708,401 |
| Interest and dividends | 20,455,848 | 13,803,798 |
| Other income | 611,318 | 231,769 |
| Total investment gain (loss) before expenses | 88,275,542 | 107,743,968 |
| Investment expenses ³ | (1,258,013) | (2,257,370) |
| Net gain (loss) from investments | 87,017,529 | 105,486,598 |
| Total additions (deletions) to Fiduciary Net Position | 170,556,718 | 182,448,172 |

DEDUCTIONS FROM FIDUCIARY NET POSITION:

| | | |
|---|--------------------|--------------------|
| Retirement benefit payments ⁴ | 96,276,241 | 95,851,459 |
| Death benefit payments | 162,210 | 109,710 |
| Contributions refunded to terminating employees | 2,514,049 | 2,215,272 |
| General and administrative expenses | 3,729,336 | 2,453,506 |
| Total deductions from Fiduciary Net Position | 102,681,836 | 100,629,947 |

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION

| | | |
|---|-------------------------|------------------------|
| Beginning fiduciary Net Position | 1,014,902,702 | 933,084,477 |
| ENDING FIDUCIARY NET POSITION | \$ 1,082,777,584 | \$1,014,902,702 |

¹ Beginning in 2022, APRS began receiving an additional Legacy Liability contribution from the City of Austin. Amount varies slightly from 2023 actuarial valuation due to the timing of City contributions.

² Beginning in 2022, Proportionate Retirement contributions are now incorporated within the Legacy Liability Contributions.

³ Includes custodian bank, consultant, and direct investment expenses.

⁴ Retirement annuities, PROP and DROP.

The accompanying notes are an integral part of this financial statement presentation.

Note 1: Organization and System Description

Board of Trustees. The Board of Trustees (Board) of the Austin Police Retirement System (System) is the administrator of a single employer (City of Austin) defined benefit pension plan; however, System employees are also members of the System. In 2024, the System Board is composed of 11 members. One (1) council member designated by the city council; one (1) city manager or city manager's designee; one (1) city director of finance or the director's designee; four (4) active police officer members elected by the police officer members of the System; two (2) retired members elected by the retired members of the System; one (1) legally qualified voter of the city appointed by the police retirement board; one (1) legally qualified voter of the city appointed by the city council. Elected members and citizen trustees serve staggered four-year terms.

History. The System was originally established in 1979 by a City Council ordinance. However, in 1991, the System became governed by state law. The System provides retirement, death, disability and withdrawal benefits to plan members and their beneficiaries. Benefits vest after 10 years of credited service.

Benefits. Monthly annuity distributions are available to members who have attained retirement eligibility, their designated survivors, or in the event of total and permanent disability, provided the member has completed 10 years of service or the injury was sustained during the performance of employment duties. The terms of the benefit payments are determined by certain elections made by the members, their level of earnings and length of service.

The System is comprised of two benefit tiers: Group A and Group B. Group A participants may retire at 23 years of service excluding any purchased military service credit regardless of age, or at age 55 with 20 years of service excluding any purchased military service or at age 62. The monthly benefit is equal to 3.2% of the highest 36-month average salary multiplied by years and months of service. Group B participants may retire at age 50 with 25 years of service excluding any purchased military service credit regardless of age, or at age 62. The monthly benefit for Group B participants is equal to 2.5% of the highest 60-month average salary multiplied by years and months of service.

Proportionate Retirement. In 2009, the System and the City began participating in the Texas Proportionate Retirement Program (PRP). Service in other participating public employment retirement systems can be combined with service in the System to satisfy the System's eligibility requirements. Other participating systems include the Texas statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

Retro DROP. The Retroactive Deferred Retirement Option Plan (Retro DROP) provisions require that a Group A participant must have 23 years of creditable service with the System excluding purchased military service credit on the date the participant elects the Retro DROP benefit computation date. As of Board action on February 18, 2015, the Retro DROP option is open only to Group A members with 23 years of creditable service as of March 31, 2015. Further, the Retro DROP provisions may be changed in the future by Board rule with approval of the System's actuary.

Forward DROP. The Forward Deferred Retirement Option Plan (Forward DROP) provisions require that a Group A participant must have 23 years of creditable service and a Group B participant must be age 50 and have 25 years of creditable service with the System excluding any purchased military service credit on the date the participant elects to enter the Forward DROP. There are two Forward DROP plans: (1) the Five-Year Forward DROP which is only open to Group A members with 23 years of creditable service as of February 17, 2016; and (2) the Seven-Year Forward DROP which is open to Group A members with 23 years of creditable service after February 17, 2016, and Group B members who are age 50 with 25 years of creditable service. Forward DROP provisions may be changed in the future by Board rule with approval by the System's actuary.

PROP. The Post Retirement Option Plan (PROP) is a program allowing retiring members to transfer a DROP lump sum amount or defer a portion of the monthly annuity payments to an interest-bearing PROP account. Interest will be paid on the participant's PROP account until the entire lump sum is distributed. Interest is payable on PROP accounts at a rate adopted annually by the Board of Trustees upon recommendation by the System's actuary in accordance with Board policy.

Permissive Service Credit. Group A members with at least 20 years of creditable service (including Proportionate Retirement) and Group B members who are age 50 with at least 22 years of creditable service may purchase Permissive Service credit (PSC) up to a maximum of five years in order to become retirement eligible and/or increase the final benefit amount. The purchase constitutes an immediate retirement. In addition, PSC deferred retirement is an option allowing a Group A member with 20 years of creditable service or a Group B member who is age 50 with 22 years of creditable service to purchase service credit necessary to become eligible to retire at a more reasonable cost due to a delay in payment of the retirement benefit.

Retiree Death Benefit. A \$10,000 post-retirement lump sum death benefit is payable from the System.

Membership. System membership consists of full-time police officers, including cadets, employed by the police department of the City and employees of the System. The following membership status of the System was reflected in the actuarial valuation as of December 31, 2024, and 2023:

| | <u>2024</u> |
|---|---------------------|
| Retirees and beneficiaries currently receiving benefits | 1,592 |
| (1,414) and inactive plan members entitled to but not yet receiving benefits (178*) | |
| Current participating members | <u>1,541</u> |
| 2024 Total | <u>3,133</u> |

*Includes 80 terminated vested members and 98 nonvested terminated members due refunds.

| | <u>2023</u> |
|---|---------------------|
| Retirees and beneficiaries currently receiving benefits | 1,527 |
| (1,371) and inactive plan members entitled to but not yet receiving benefits (156*) | |
| Current participating members | <u>1,551</u> |
| 2023 Total | <u>3,078</u> |

*Includes 72 terminated vested members and 84 nonvested terminated members due refunds.

Note 2: Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The System's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred. Revenues are recorded in the accounting period in which they are earned and become measurable.

Investment purchases and sales are recorded as of their settlement date. Contributions are recognized as revenues in the period in which the related employees' payroll is earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CONTRIBUTIONS RECEIVABLE

The final biweekly payroll contributions of employees for the years ended December 31, 2024 and 2023, and the City's related contributions were not deposited in the System by year end and are shown as contributions receivable in both years.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net position held in trust available for pension benefits during the reporting period. Actual results could differ from those estimates.

METHOD USED TO VALUE INVESTMENTS

The System's investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. The System's real estate investments are appraised periodically, and the System receives audited financial statements from the real estate investment managers, which are used to estimate fair value. For other types of investments, the System uses financial statements submitted by investment managers, reviewed for alignment with values held by the external investment consultant and custodian bank.

Investment income is recognized in the period earned, and purchases and sales of investments are recorded on a settlement-date basis.

SYSTEM EXPENSES

All System administrative costs are the responsibility of the System.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued, and there are no further events to disclose.

Note 3: Capital Assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the asset's estimated useful life of 30 years for the building and five to seven years for furniture and equipment. Capital asset activity for the year ended December 31, 2024, is as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|------------------------------------|----------------------|-----------------|----------------------|-------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 150,000 | | (5,445) ¹ | \$ 144,555 |
| Assets being depreciated: | | | | |
| Building and improvements | 1,701,375 | | | 1,701,375 |
| Furniture and equipment | 537,524 | 5,460 | | 542,984 |
| Leasehold improvements | 309,456 | | | 309,456 |
| Totals at historical cost | 2,698,355 | 5,460 | (5,445) | 2,698,370 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (1,151,137) | (41,318) | | (1,192,455) |
| Furniture and equipment | (549,511) | (15,953) | | (565,464) |
| Leasehold improvements | (108,675) | (37,303) | | (145,978) |
| Total accumulated depreciation: | (1,809,323) | (94,574) | | (1,903,897) |
| Net Capital Assets | \$ 889,032 | (89,114) | (5,445) | \$ 794,473 |

¹ In 2024, APRS had a land easement sold to the State of Texas Department of Transportation.

Note 4: Federal Income Taxes

The System is a public employee retirement system and is exempt from federal income taxes. Favorable determination letters from the Internal Revenue Service were issued in September 1996, April 2007, July 2009, and August 2014.

Note 5: Deposit and Investment Risk

The System is authorized as an independent, defined benefit retirement plan in Article 6243n-1, Vernon's Texas Civil Statutes, which was originally signed into law on June 11, 1991. The Board is the trustee of System funds and has the power to invest and reinvest such funds in instruments or investments the Board considers prudent in accordance with the System's investment policy and state and federal law.

The Board annually adopts an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the System, and the IPS is included with every investment manager's agreement. The fair values of the System's investments at December 31, 2024 and 2023 are presented, by type, as follows:

Total Investments by Asset Class¹

| | 2024 | 2023 |
|--------------------------------------|-------------------------|-------------------------|
| Domestic Equity (U.S. Equity) | \$ 468,131,207 | \$ 409,941,878 |
| International Equity | 144,671,336 | 138,008,843 |
| Other Equity | 130,808,895 | 122,526,162 |
| Core Fixed Income | 183,357,564 | 181,862,154 |
| Other Fixed Income | 6,262,729 | 10,344,050 |
| Real Estate | 136,907,152 | 134,282,322 |
| Timber | 767,033 | 886,000 |
| Cash & Cash Equivalents ² | <u>10,512,197</u> | <u>16,537,642</u> |
| Total Investments | <u>\$ 1,081,418,113</u> | <u>\$ 1,014,389,051</u> |

¹ Assets by class at custodian bank

² Includes cash assets at custodian and local operating banks.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. As of December 31, 2024, and 2023, the System's investment securities are not exposed to custodial credit risk because all securities are held by the System's custodial bank in the System's name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. Investments as of December 31, 2024, and December 31, 2023 issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

The Board has adopted an Investment Policy Statement (IPS) with a general investment objective to obtain a total rate of return commensurate with the Prudent Investor Rule and any other applicable statutes. Reasonable consistency of return and protection of assets against the inroads of inflation is paramount. Performance results will be compared over the long-term in the context of five years or more given interest rate fluctuations and volatility of securities markets.

The Board and Investment Policy Statement (IPS) adopts the philosophy that the most effective risk control procedure is to adequately diversify the investments of the Fund among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the System's Funds.

As of December 31, 2024, the System had the following investment asset allocations:

| Asset Class | Target | Allowable Range |
|--------------------------------------|--------|-----------------|
| Domestic Equity (U.S. Equity) | 40.0% | 30%-50% |
| International Equity | 15.0% | 5%-25% |
| Other Equity (Private Equity) | 12.5% | 0%-15% |
| Core Fixed Income | 17.5% | 5%-30% |
| Other Fixed Income (Private Lending) | 0.0% | 0%-5% |
| Real Estate | 15.0% | 0%-30% |
| Timber | 0.0% | 0%-5% |
| Cash & Cash Equivalents | 0.0% | 0%-5% |

The Board will employ investment professionals to oversee and invest the assets within the parameters allowed by the IPS and the agreements. The investment managers will have investment discretion over their mandates, including security selection, sector weightings and investment style, subject to certain constraints of the IPS.

The Investment Policy Statement states that no more than 5% of the total Plan's assets may be invested in the common stock, capital stock or convertible stock of any one issuing company. Furthermore, no more than 5% of the Plan's total assets may be invested in fixed income securities of any single corporate issuer. The Investment Section of this report contains a breakdown of the System's largest direct portfolio holdings.

The responsibilities of the Board Investment Committee, the investment consultant, custodian bank, and investment managers operate in conjunction with the goals and guidelines of the IPS. The IPS also outlines the review and control procedures that the Board will monitor for compliance.

INTEREST RATE RISK

Interest rate risk is the risk that measures whether changes in interest rates will adversely affect the fair value of an investment. The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2024, the System had the following investments:

| Investment Type ¹ | Fair Value | N/A | Less Than 1 Year | 1 to 6 Years | 6 to 10 Years | Over 10 Years |
|------------------------------|----------------|----------------|------------------|--------------|---------------|---------------|
| Bonds | \$ 185,077,202 | \$ 185,077,202 | | | | |

As of December 31, 2023, the System had the following investments:

| Investment Type ¹ | Fair Value | N/A | Less Than 1 Year | 1 to 6 Years | 6 to 10 Years | Over 10 Years |
|------------------------------|----------------|-----|------------------|---------------|---------------|---------------|
| Bonds | \$ 127,777,774 | - | \$ 5,949,498 | \$ 26,295,951 | \$ 25,029,257 | \$ 70,503,068 |

¹ Source: 2024 & 2023 GASB 40 Reports. In 2024, APRS removed several fixed income separate accounts and replaced them with mutual or collective trust funds.

CREDIT RISK

Credit risk is the risk associated with an issuer or other counterparty to an investment that does not fulfill its obligations to the System. While the System has no formal investment policy regarding credit quality rating guidelines, the IPS allows investment managers full discretion in adopting investment strategies to deal with these risks and the portfolios are monitored quarterly by the investment committee.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations on December 31, 2024, are as follows:

| Quality Rating ¹ | Total Fair Value | International Securities | Corporate Bonds | Government Bonds |
|-----------------------------|------------------|--------------------------|-----------------|------------------|
| Aaa / AAA | \$ | - | - | - |
| Aa1 / AA+ | \$ | - | - | - |
| Aa2 / AA | \$ | - | - | - |
| Aa3 / AA- | \$ | - | - | - |
| A1 / A+ | \$ | - | - | - |
| A2 / A | \$ | - | - | - |
| A3 / A- | \$ | - | - | - |
| Baa1 / BBB+ | \$ | - | - | - |
| Baa2 / BBB | \$ | - | - | - |
| Baa3 / BBB- | \$ | - | - | - |
| Ba1 / BB+ | \$ | - | - | - |
| Ba2 / BB | \$ | - | - | - |
| Ba3 / BB- | \$ | - | - | - |
| B1 / B+ | \$ | - | - | - |
| B2 / B | \$ | - | - | - |
| B3 / B- | \$ | - | - | - |
| Caa / CCC | \$ | - | - | - |
| Ca / CC | \$ | - | - | - |
| C and below | \$ | - | - | - |
| Not Rated | \$ | 185,077,202 | 185,077,202 | |
| U.S. Gov't Guaranteed | \$ | - | | |
| Total | \$ | 185,077,202 | \$ | 185,077,202 |

¹ Source: 2024 GASB 40 Report. In 2024, APRS removed several fixed income separate accounts and replaced them with mutual or collective trust funds.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations on December 31, 2023, are as follows:

| Quality Rating ¹ | Total Fair Value | International Securities | Corporate Bonds | Government Bonds |
|-----------------------------|------------------|--------------------------|-----------------|------------------|
| Aaa / AAA | \$ 2,455,891 | | | \$ 2,455,891 |
| Aa1 / AA+ | 2,634,625 | | \$ 2,634,625 | |
| Aa2 / AA | | | | |
| Aa3 / AA- | | | | |
| A1 / A+ | 2,576,719 | | 2,576,719 | |
| A2 / A | 9,296,502 | | 9,296,502 | |
| A3 / A- | 20,453,097 | | 20,453,097 | |
| Baa1 / BBB+ | 15,706,319 | | 15,706,319 | |
| Baa2 / BBB | 10,271,115 | | 10,271,115 | |
| Baa3 / BBB- | 738,324 | | 738,324 | |
| Ba1 / BB+ | | | | |
| Ba2 / BB | | | | |
| Ba3 / BB- | | | | |
| B1 / B+ | | | | |
| B2 / B | | | | |
| B3 / B- | | | | |
| Caa / CCC | | | | |
| Ca / CC | | | | |
| C and below | | | | |
| Not Rated | | | | |
| U.S. Gov't Guaranteed | 63,645,182 | | | 63,645,182 |
| Total | \$ 127,777,774 | | \$ 61,676,701 | \$ 66,101,073 |

¹ Source: 2023 GASB 40 Report

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that occurs when changes in exchange rates adversely affect the fair value of an investment or a deposit. Although the System does not have a formal investment policy governing foreign currency risk, the System does manage its exposure to fair value loss by requiring international investment managers to maintain diversified portfolios to limit foreign currency risk.

The System holds investments in ADRs (American Depository Receipts) which are not included in the schedule below since they are denominated in U.S. dollars and accounted for at fair market value.

The System's exposure to foreign currency risk as of December 31, 2024, is as follows:

2024 Foreign Currency Risk¹

| Country | Non-Securities ² | International Equities | Other ³ |
|----------------|-----------------------------|---------------------------|--------------------|
| Brazil, Real | | 1,034,446 | |
| China, Yuan | | 574,982 | |
| Denmark, Euro | | 1,649,287 | |
| Ireland, Euro | | 809,481 | |
| Isreal, Shekel | - | 845,230 | |
| | \$ | - | \$ 4,913,425 |

¹ Source: 2024 GASB 40 Report

² Represents cash and cash-equivalents, and adjustments to cash

³ Represents fixed income, hedge funds, real estate, venture capital, and other assets

The System's exposure to foreign currency risk as of December 31, 2023, is as follows:

2023 Foreign Currency Risk¹

| Country | Non-Securities ² | International Equities | Other ³ |
|-----------------------|-----------------------------|---------------------------|--------------------|
| Canada, Dollar | | \$ 643,272 | |
| Germany, Euro | | 580,481 | |
| India, Rupee | | 4,667,734 | |
| Ireland, Euro | | 484,175 | |
| Israel, Shekel | | 1,436,580 | |
| Netherlands, Euro | | 600,779 | |
| Taiwan, Dollar | | 417,612 | |
| United Kingdom, Pound | | 3,147,959 | |
| | \$ | - | \$ 11,978,592 |
| | | | \$ - |

¹ Source: 2023 GASB 40 Report

² Represents cash and cash-equivalents, and adjustments to cash

³ Represents fixed income, hedge funds, real estate, venture capital, and other assets

Note 6: Fair Value Measurement

In accordance with GASB 72, the System categorizes the fair measurement of its investments within a fair value hierarchy as established by generally accepted accounting principles. Fair value measurements are classified as Level 1, Level 2 or Level 3, based on inputs utilized to establish fair values:

Level-1 inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that an entity can access at the measurement date.

Level-2 inputs (other than quoted prices included within Level 1) are observable for similar assets or liabilities.

Level-3 inputs are developed by the reporting entity based on unobservable inputs for an asset or liability.

The categorization of investments described below is based solely on the objectivity of the inputs used, to reflect relative reliability in the measurement of an investment's fair value and does not reflect the level of risk associated with the investment.

2024 GASB 72 Fair Value Measurement

| Investments by fair value level ¹ | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) ⁴ | Significant Unobservable Inputs (Level 3) ⁵ | Percentage |
|---|----------------------------|---|--|--|------------|
| Short-Term Securities² | | | | | |
| Cash - STIF Account | | | \$ 10,512,197 | | 0.97% |
| Total | \$ 10,512,197 | | \$ 10,512,197 | | |
| Debt Securities³ | | | | | |
| Debt Securities | | \$ 183,357,564 | | | |
| Total | \$ 183,357,564 | \$ 183,357,564 | | | 16.96% |
| Equity Securities | | | | | |
| U.S. Denominated Equities | | \$ 117,644,842 | | | |
| Total | \$ 117,644,842 | \$ 117,644,842 | | | 10.88% |
| Pooled Funds | | | | | |
| Domestic equity collective trust | | 350,486,365 | | | |
| International equity collective trust | | 103,064,118 | | | |
| Global bond collective trust | | | | | |
| Emerging markets collective trust | | | | | |
| International equity mutual fund | | 41,607,218 | | | |
| Total | \$ 495,157,701 | \$ 495,157,701 | | | 45.79% |
| Total investments by fair value level | \$ 806,672,304 | \$ 796,160,107 | \$ 10,512,197 | | |
| Investments Measured at Level 3 | | | | | |
| Timber | a, | | | 767,033 | |
| Real Estate | b, c, d, e, f, g, h, i, j, | | | 136,907,152 | |
| Other Fixed Income (Private Lending) | k, l, m, | | | 6,262,729 | |
| Other Equity (Private Equity) | n, o | | | 130,808,895 | |
| Total | \$ 274,745,809 | | | \$ 274,745,809 | 25.41% |
| Total Investments measured at fair value | \$1,081,418,113 | | | | |

¹Source: Northern Trust Bank (Book of Record)

²Includes: Cash accounts at custodian bank and local operating bank.

³Includes: Commercial mortgage-backed securities, Corporate Bonds, Government mortgage-backed securities, Government agencies and Government Bonds.

⁴Level 2 investments are valued based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings.

⁵Level 3 investments include investments in a group of non-registered private equity investment partnerships, private equity real estate and private natural resources funds. Fair value determinations by the underlying funds take into consideration the operating results, financial conditions, real estate appraisals and recent sales prices of issuers' securities.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 & 2023 (CONTINUED)

2024 Financial Notes and Security Descriptions Footnotes:

| | | Liquidity | Notice |
|---------------------------------------|--|-----------|---------|
| a) Domain Environmental | Actively managed real estate portfolio of environmental preservation and restoration projects located in the USA. This fund is near the end of its expected term. | Illiquid | N/A |
| b) Artemis Real Estate Fund | Actively manage portfolio of real estate investments located in the USA. | Illiquid | N/A |
| c) Brookfield Real Estate Fund | Actively manage value-added real estate portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| d) Edison Investments (Jayhawk) | Actively managed opportunistic and value-added real estate portfolio of primarily equity real estate investments located in the USA. The investment is in liquidation. | Illiquid | N/A |
| e) India Property Fund (Apollo) | Actively managed opportunistic and value-added real estate portfolio of equity real estate investments located in India. This fund is near the end of its expected term. | Illiquid | N/A |
| f) Gainesville Property | Actively managed portfolio of real estate property located in the Georgia, USA. | Illiquid | N/A |
| g) Morgan Stanley Prime Property Fund | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Quarterly | 90 days |
| h) AEW Partners Fund VIII | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| i) Green Oak US III | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| j) Stockbridge (Smart Markets) | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| k) LBC Credit Partners | Actively managed private investment fund of private loan investments located in the USA. | Illiquid | N/A |
| l) Providence Debt Fund III | Actively managed private investment fund of private loan investments located in the USA. | Illiquid | N/A |
| m) Capital Point Partners | Actively managed private investment fund of private loan investments located in the USA. This investment is in liquidation. | Illiquid | N/A |
| n) Huff Energy | Actively managed portfolio of private energy investments located in the USA. The fund is nearing the end of its expected term. | Illiquid | N/A |
| o) Franklin Park Private Equity Fund | Actively managed portfolio of private finance oriented investments located in the USA. | Illiquid | N/A |

APRS investments have the following fair value measurements as of December 31, 2023.

2023 GASB 72 Fair Value Measurement

| Investments by fair value level ¹ | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) ⁴ | Significant Unobservable Inputs (Level 3) ⁵ | Percentage |
|---|----------------------------|---|--|---|----------------|
| Short-Term Securities ² | | | | | |
| Cash - STIF Account | | | 16,537,642 | | |
| Total | \$16,537,642 | | \$16,537,642 | | 1.63% |
| Debt Securities ³ | | | | | |
| Debt Securities | | | 181,862,154 | | |
| Total | \$181,862,154 | | \$181,862,154 | | 17.93% |
| Equity Securities | | | | | |
| U.S. Denominated Equities | | 172,502,479 | | | |
| Total | \$172,502,479 | \$172,502,479 | | | 17.01% |
| Pooled Funds | | | | | |
| Domestic equity collective trust | | 237,439,399 | | | |
| International equity collective trust | | 97,723,245 | | | |
| Emerging markets collective trust | | 19,009,360 | | | |
| International equity mutual fund | | 21,276,238 | | | |
| Total | \$375,448,242 | \$375,448,242 | | | 37.01% |
| Total investments by fair value level | \$746,350,517 | \$547,950,721 | \$198,399,796 | | 73.58% |
| Investments Measured at Level 3 | | | | | |
| Timber | a, | | | 886,000 | |
| Real Estate | b, c, d, e, f, g, h, i, j, | | | 134,282,322 | |
| Other Fixed Income (Private Lending) | k, l, m, | | | 10,344,050 | |
| Other Equity (Private Equity) | n, o | | | 122,526,162 | |
| Total | \$268,038,534 | | | \$268,038,534 | 26.42% |
| Total investments measured at fair value | \$1,014,389,051 | | | | 100.00% |

¹Source: Northern Trust Bank (Book of Record)

²Includes: Cash accounts at custodian bank and local operating bank.

³Includes: Commercial mortgage-backed securities, Corporate Bonds, Government mortgage-backed securities, Government agencies and Government Bonds.

⁴Level 2 investments are valued based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings.

⁵Level 3 investments include investments in a group of non-registered private equity investment partnerships, private equity real estate and private natural resources funds. Fair value determinations by the underlying funds take into consideration the operating results, financial conditions, real estate appraisals and recent sales prices of issuers' securities.

2023 Financial Notes and Security
Descriptions Footnotes:

| | | Liquidity | Notice |
|---------------------------------------|--|-----------|---------|
| a) Domain Environmental | Actively managed real estate portfolio of environmental preservation and restoration projects located in the USA. This fund is near the end of its expected term. | Illiquid | N/A |
| b) Artemis Real Estate Fund | Actively manage portfolio of real estate investments located in the USA. | Illiquid | N/A |
| c) Brookfield Real Estate Fund | Actively manage value-added real estate portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| d) Edison Investments (Jayhawk) | Actively managed opportunistic and value-added real estate portfolio of primarily equity real estate investments located in the USA. The investment is in liquidation. | Illiquid | N/A |
| e) India Property Fund (Apollo) | Actively managed opportunistic and value-added real estate portfolio of equity real estate investments located in India. This fund is near the end of its expected term. | Illiquid | N/A |
| f) Gainesville Property | Actively managed portfolio of real estate property located in the Georgia, USA. | Illiquid | N/A |
| g) Morgan Stanley Prime Property Fund | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Quarterly | 90 days |
| h) AEW Partners Fund VIII | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| i) Green Oak US III | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| j) Stockbridge (Smart Markets) | Actively managed core portfolio of primarily equity real estate investments located in the USA. | Illiquid | N/A |
| k) LBC Credit Partners | Actively managed private investment fund of private loan investments located in the USA. | Illiquid | N/A |
| l) Providence Debt Fund III | Actively managed private investment fund of private loan investments located in the USA. | Illiquid | N/A |
| m) Capital Point Partners | Actively managed private investment fund of private loan investments located in the USA. This investment is in liquidation. | Illiquid | N/A |
| n) Huff Energy | Actively managed portfolio of private energy investments located in the USA. The fund is nearing the end of its expected term. | Illiquid | N/A |
| o) Franklin Park Private Equity Fund | Actively managed portfolio of private finance oriented investments located in the USA. | Illiquid | N/A |

Note 7: Schedule of Investment Returns

For the year ended December 31, 2024 and 2023 the annual money-weighted rate of return on investments, net of investment expense, was 8.7% and 11.5%, respectively, as calculated by the System actuary.

Note 8: Contributions

The System is funded by biweekly contributions from both employees and the City based on employee compensation, consisting of base pay and longevity pay. Due to the passage of House Bill 4368 of the 87th Legislature in 2021, the member contribution rate was increased from 13% to 15% effective January 1, 2022. The City's contribution rate is calculated in two parts. Part One: The UAAL as of December 31, 2020 (referred to as the Legacy Liability) was set as a predetermined payment amount expressed in dollars in accordance with a payment schedule in the initial risk sharing valuation study which amortizes the Legacy Liability over 30 years. Part Two: An Actuarially Determined Employer Contribution (ADEC) was implemented which pre-calculates the City's contribution rate prior to the start of each fund fiscal year. The City's required contribution rate for fiscal year 2024 is 9.59%; however, when combined with the payments toward the Legacy Liability, the overall City contribution rate based on employee payroll is 36.522%. This compares to 32.514% in fiscal year 2023. More information on the ADEC is available in the Actuarial Section of this report.

As established by statute, the Risk Sharing Valuation Study (RSVS) establishes the contributions by members and the City for the calendar year beginning one year after the date of the RSVS. The RSVS specifies the Legacy Liability payment which is a pre-determined dollar amount and the City Contribution Rate which is determined as a percentage of payroll. The City Contribution Rate is comprised of the normal cost and an amortization payment towards the portion of the unfunded actuarial accrued liability that is not associated with the current Legacy Liability. The aforementioned amortization payment is the sum of individual payments towards liability layers established with each RSVS after the initial RSVS. Each of these layers has its own closed amortization period. The period is 30 years if it is a liability loss layer or is equal to the remaining amortization period of the largest loss layer if the layer is a gain layer. Based on the actuarial valuation as of December 31, 2024, and the plan provisions recognized in the valuation, the normal cost is 24.543% of pay and the period to amortize unfunded liabilities is 27.4 years. On December 31, 2023, with the plan provisions recognized in the valuation, the normal cost is 24.782% of pay and the period to amortize unfunded liabilities is 28.2 years. Legislation passed by the 87th Legislature in 2021 requires funding sufficient to remain within a period to amortize unfunded liabilities in 30 years.

Note 9: Commitments and Contingencies

At December 31, 2024 and 2023, the total accumulated lump sum benefit due to the participants in the Forward Deferred Retirement Option Plan (DROP) was \$2,467,509 and \$1,639,881, respectively.

At December 31, 2024 and 2023, the total accumulated lump sum benefit due to participants in the Post Retirement Option Plan (PROP) was \$30,552,670 and \$31,664,061, respectively.

At December 31, 2024 and 2023, the total accumulated lump sum member account balances subject to be refunded to former active members was \$1,530,055 and \$1,060,956, respectively.

Note 10: Net Pension Liability of the Sponsor

The components of the Net Pension Liability of the Sponsor on December 31, 2024 are as follows:

| | |
|---|-----------------------|
| Total Pension Liability | \$ 1,878,457,525 |
| Plan Fiduciary Net Position | \$ (1,082,777,584) |
| Net Pension Liability | <u>\$ 795,679,941</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | <u>57.64%</u> |

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2024 using the following actuarial assumptions:

| | |
|---------------------------|----------------|
| Inflation | 2.5% |
| Salary Increases | Services Based |
| Discount Rate | 7.25% |
| Investment Rate of Return | 7.25% |

Mortality rates were based on the PubS-2020 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2018.

A single discount rate of 7.25% was used to measure the total pension liability for the plan year ending December 31, 2024. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.08%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the projected benefit payments. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments, with the resulting single discount rate being 7.25%. The single discount rate was 7.25% as of the prior measurement date.

The source of the municipal bond rate is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made in accordance with the provisions of House Bill 4368, 87th Texas Legislature. In other words, the Legacy Liability payments will be paid by the employer over the 30-year period that began January 1, 2022, and the employer will also contribute the ADEC for the appropriate period. The member rate increased to 15% of payroll effective January 1, 2022.

The components of the Net Pension Liability of the Sponsor on December 31, 2023 were as follows:

| | |
|---|-----------------------|
| Total Pension Liability | \$ 1,778,501,723 |
| Plan Fiduciary Net Position | \$ (1,014,902,702) |
| Net Pension Liability | <u>\$ 763,599,021</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | <u>57.07%</u> |

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2023 using the following actuarial assumptions:

| | |
|---------------------------|----------------|
| Inflation | 2.5% |
| Salary Increases | Services Based |
| Discount Rate | 7.25% |
| Investment Rate of Return | 7.25% |

Mortality rates were based on the PubS-2020 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2018.

A single discount rate of 7.25% was used to measure the total pension liability for the plan year ending December 31, 2023. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.05%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the projected benefit payments. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments, with the resulting single discount rate being 7.25%. The single discount rate was 7.25% as of the prior measurement date.

The source of the municipal bond rate is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made in accordance with the provisions of House Bill 4368, 87th Texas Legislature. In other words, the Legacy Liability payments will be paid by the employer over the 30-year period that began January 1, 2022, and the employer will also contribute the ADEC for the appropriate period. The member rate increased to 15% of payroll effective January 1, 2022.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2024 are summarized in the following table:

| Asset Class ¹ | Long Term Expected Real Rate of Return |
|--------------------------|--|
| Domestic Equity | 7.50% |
| International Equity | 8.50% |
| Other Equity | 7.50% |
| Core Fixed Income | 3.00% |
| Other Fixed Income | 3.50% |
| Real Estate | 4.50% |
| Timber | 2.50% |
| Cash & Cash Equivalents | 0.00% |

¹ Multi Asset Class removed in 2023

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of December 31, 2024. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

| | 1% Decrease | Current Single Rate Assumption | 1% Increase |
|--|------------------|--------------------------------|----------------|
| | 6.25% | 7.25% | 8.25% |
| Sponsor's Net Pension Liability | \$ 1,026,082,521 | \$ 795,679,941 | \$ 608,271,109 |

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2023 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|-------------------------|--|
| Domestic Equity | 7.50% |
| International Equity | 8.50% |
| Other Equity | 7.50% |
| Core Fixed Income | 3.00% |
| Other Fixed Income | 3.50% |
| Real Estate | 4.50% |
| Timber | 2.50% |
| Multi Asset Class | 0.00% |
| Cash & Cash Equivalents | 7.50% |

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of December 31, 2023. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|----------------|-----------------------|----------------|
| | 6.25% | 7.25% | 8.25% |
| Sponsor's Net Pension Liability | \$ 978,824,823 | \$ 763,599,021 | \$ 583,989,608 |

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

| Plan year ending December 31, | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total pension liability | | | | | | | | | | |
| Service Cost | \$ 37,271,446 | \$ 37,990,664 | \$ 38,394,210 | \$ 40,069,732 | \$ 84,469,392 | \$ 71,333,761 | \$ 33,757,344 | \$ 35,322,361 | \$ 32,989,949 | \$ 32,138,760 |
| Interest on the Total Pension Liability | 126,767,105 | 120,455,822 | 116,130,073 | 110,640,907 | 89,375,792 | 89,680,333 | 90,478,785 | 84,471,608 | 80,845,879 | 76,999,651 |
| Benefit Changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,079,852) |
| Difference between expected and actual experience of the Total Pension Liability | 33,168,562 | 10,339,504 | (4,529,067) | 6,536,539 | 10,320,384 | (4,743,379) | (12,904,876) | 17,240,801 | 7,454,959 | (6,318,435) |
| Assumption Changes | 0 | 14,789,497 | 0 | 0 | (740,167,135) | 179,003,031 | 666,872,780 | 0 | 5,148,318 | 3,903,538 |
| Contributions - Buy Back | 1,701,189 | 3,100,346 | 2,554,013 | 3,993,033 | 1,941,041 | 1,261,530 | 1,141,907 | 2,914,966 | 1,668,174 | 4,648,271 |
| Benefit Payments and Refunds | (98,952,500) | (98,176,441) | (87,733,795) | (80,206,801) | (76,956,288) | (66,319,031) | (63,982,824) | (56,548,004) | (50,827,501) | (50,005,439) |
| Net Change in Total Pension Liability | 99,955,802 | 88,499,392 | 64,815,434 | 81,033,410 | (631,016,814) | 270,216,245 | 715,363,116 | 83,401,732 | 77,279,778 | 57,286,494 |
| Total Pension Liability - Beginning | 1,778,501,723 | 1,690,002,331 | 1,625,186,897 | 1,544,153,487 | 2,175,170,301 | 1,904,954,056 | 1,189,590,940 | 1,106,189,208 | 1,028,909,430 | 971,622,936 |
| Total Pension Liability - Ending | \$ 1,878,457,525 | \$ 1,778,501,723 | \$ 1,690,002,331 | \$ 1,625,186,897 | \$ 1,544,153,487 | \$ 2,175,170,301 | \$ 1,904,954,056 | \$ 1,189,590,940 | \$ 1,106,189,208 | \$ 1,028,909,430 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$ 58,012,077 | \$ 50,543,717 | \$ 44,419,425 | \$ 35,429,366 | \$ 36,577,137 | \$ 35,993,200 | \$ 35,244,242 | \$ 35,141,204 | \$ 33,814,182 | \$ 33,239,271 |
| Contributions - Member | 23,825,923 | 23,317,511 | 23,810,672 | 21,186,489 | 22,180,985 | 21,941,732 | 21,461,482 | 21,436,998 | 20,623,125 | 20,060,610 |
| Contributions - Buy Back | 1,701,189 | 3,100,346 | 2,554,013 | 3,993,033 | 1,941,041 | 1,261,530 | 1,141,907 | 2,914,966 | 1,668,174 | 4,648,271 |
| Pension Plan Net Investment Income | 87,017,529 | 105,486,598 | (127,690,029) | 164,509,457 | 98,573,363 | 148,162,708 | (43,398,717) | 82,072,002 | 37,964,881 | (321,704) |
| Benefit Payments and Refunds | (98,952,500) | (98,176,441) | (87,733,795) | (80,206,801) | (76,956,288) | (66,319,031) | (63,982,824) | (56,548,004) | (50,827,501) | (50,005,439) |
| Pension Plan Administrative Expense | (3,729,336) | (2,453,506) | (3,009,797) | (2,403,855) | (1,929,168) | (1,720,551) | (1,421,192) | (1,562,685) | (1,396,736) | (1,465,939) |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Change in Plan Fiduciary Net Position | 67,874,882 | 81,818,225 | (147,649,511) | 142,507,689 | 80,387,070 | 139,319,588 | (50,955,102) | 83,454,481 | 41,846,125 | 6,155,070 |
| Plan Fiduciary Net Position - Beginning | 1,014,902,702 | 933,084,477 | 1,080,733,988 | 938,226,299 | 857,839,229 | 718,519,641 | 769,474,743 | 686,020,262 | 644,174,137 | 638,019,067 |
| Plan Fiduciary Net Position - Ending | \$ 1,082,777,584 | \$ 1,014,902,702 | \$ 933,084,477 | \$ 1,080,733,988 | \$ 938,226,299 | \$ 857,839,229 | \$ 718,519,641 | \$ 769,474,743 | \$ 686,020,262 | \$ 644,174,137 |
| Net Pension Liability - Ending | 795,679,941 | 763,599,021 | 756,917,854 | 544,452,909 | 605,927,188 | 1,317,331,072 | 1,186,434,415 | 420,116,197 | 420,168,946 | 384,735,293 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 57.64 % | 57.07 % | 55.21 % | 66.50 % | 60.76 % | 39.44 % | 37.72 % | 64.68 % | 62.02 % | 62.61 % |
| Covered Employee Payroll | \$ 158,839,487 | \$ 155,450,073 | \$ 158,737,813 | \$ 162,972,992 | \$ 170,622,962 | \$ 168,782,554 | \$ 165,088,323 | \$ 164,899,985 | \$ 158,655,196 | \$ 154,243,493 |
| Net Pension Liability as a Percentage of Covered Payroll | 500.93 % | 491.22 % | 476.84 % | 334.08 % | 355.13 % | 780.49 % | 718.67 % | 254.77 % | 264.83 % | 249.43 % |

Notes to Schedule:

For FYE 2017 and later, the covered payroll was determined by imputing the pay based on actual member contributions.

Prior to FYE 2017, the covered payroll was determined by the prior actuary.

See independent auditor's report.

Schedule of Employer Contributions

Last 10 Plan Years

| PY Ending 2024, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll* | Actual Contribution as a % of Covered Payroll |
|--------------------|---|------------------------|--|---------------------|---|
| 2015 | N/A | 33,239,271 | N/A | 154,243,493 | 21.550% |
| 2016 | N/A | 33,814,182 | N/A | 158,655,196 | 21.313% |
| 2017 | N/A | 35,141,204 | N/A | 164,899,985 | 21.313% |
| 2018 | N/A | 35,244,242 | N/A | 165,088,323 | 21.313% |
| 2019 | N/A | 35,993,200 | N/A | 168,782,554 | 21.313% |
| 2020 | \$ 55,244,302 | 36,577,137 | \$ 18,667,165 | 170,622,962 | 21.313% |
| 2021 | 55,446,671 | 35,429,366 | 20,017,305 | 162,972,992 | 21.737% |
| 2022 | 44,419,425 | 44,419,425 | - | 158,737,813 | 27.983% |
| 2023 | 50,543,717 | 50,543,717 | - | 155,450,073 | 32.514% |
| 2024 | 58,012,077 | 58,012,077 | - | 158,839,487 | 36.522% |

*Covered Payroll represents all pay on which contributions were received during the plan year and includes pay for members who are no longer active at the end of the year.

The Board of Trustees of APRS adopted the Policy to Determine Funding Goals and Guidelines on December 18, 2019. Therefore, beginning with the 2020 fiscal year it is appropriate to disclose an Actuarially Determined Contribution (ADC) that complies with the Policy. HB 4368 passed by the 87th Texas Legislature, Regular Session, in 2021, changed the City contribution to an ADC. The City began contributing the ADC in fiscal year 2022

See independent auditor's report.

Notes to Schedule of Employer Contributions

Valuation Date: December 31, 2024

Actuarially determined contribution rates are calculated as of December 31 for the fiscal year that begins one year after the valuation date.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll

Remaining Amortization Period The ADC for fiscal years 2022 and beyond is determined using layered 30-year closed amortization periods.

Asset Valuation Method Smoothed market value recognizing prior 5 years' differences between expected and actual investment income over a period of at most five years.

Inflation 2.50%

Salary Increases 0.50% to 15.20%, in addition to 2.50% general wage increases

Investment Rate of Return 7.25%

Retirement Age Experience-based table of rates, last updated for the December 31, 2023 valuation.

Mortality PubS-2010 gender-distinct mortality tables (employee, healthy retiree, disabled retiree) as appropriate, projected from 2010 with the ultimate mortality improvement rates from MP-2021.

Other Information:

Notes Prior to 2022, the members and employers contribute are based on statutorily fixed rates. Beginning with the January 1, 2022 contributions, the employer contribution rate is determined actuarially. Beginning December 31, 2017, the covered employee payroll is imputed pay based on actual employee contributions during the measurement period.

See independent auditor's report.

Schedule of Investment Returns

The returns for the Plan's fiscal years shown below were determined as annual money-weighted rates of returns net of investment expenses.

Last 10 Fiscal Years

| <u>Fiscal Year Ending December 31, 2024</u> | <u>Annual Return</u> |
|---|----------------------|
| 2024 | 8.66% |
| 2023 | 11.45% |
| 2022 | -11.93% |
| 2021 | 17.74% |
| 2020 | 11.60% |
| 2019 | 20.75% |
| 2018 | -5.67% |
| 2017 | 11.95% |
| 2016 | 5.88% |
| 2015 | -0.05% |

See independent auditor's report.

| Investment Expenses | | |
|--|---------------------|---------------------|
| | 2024 | 2023 |
| Custodial & Transaction Fees | | |
| The Northern Trust Company | \$ 209,671 | \$ 206,686 |
| Transaction and other fees | - | - |
| | 209,671 | 206,686 |
| Investment Manager Fees | 833,342 | 1,835,684 |
| Other Investment-related Expenses | | |
| Consultant Fees – Mariner Institutional | 215,000 | 215,000 |
| | 215,000 | 215,000 |
| Total | \$ 1,258,013 | \$ 2,257,370 |

| General & Administrative Expenses | | |
|-----------------------------------|---------------------|---------------------|
| | 2024 | 2023 |
| Actuarial | \$ 110,434 | \$ 49,334 |
| Legal | 161,791 | 155,229 |
| Audit | 28,000 | 27,500 |
| Non-Investment Consultants | 150,000 | 158,176 |
| Administrative | 3,184,537 | 1,961,404 |
| Depreciation | 94,574 | 101,863 |
| Total | \$ 3,729,336 | \$ 2,453,506 |

| Professional Services and Consultant Expenses | | |
|---|-------------------|-------------------|
| | 2024 | 2023 |
| Actuarial | | |
| Gabriel, Roeder, Smith & Company | \$ 110,434 | \$ 49,334 |
| Legal | | |
| Jackson Walker LLP | 161,791 | 155,229 |
| Audit | | |
| Montemayor Britton Bender Carey P.C. | 28,000 | 27,500 |
| Consultants | | |
| Harkrider Group | 150,000 | 150,000 |
| Medical Board | - | 8,176 |
| | 150,000 | 158,176 |
| Total | \$ 422,225 | \$ 390,239 |

*Information provided in accordance with Texas Government Code Sec. 802.103(a)(3). Also, see pages 77, 79 and 83.

*Investment Manager Fees reported here are direct pay fees. For more information, please refer to the Investment Section.

See independent auditor's report.



INVESTMENT SECTION

MARINER

2024 Investment Review

Prepared by: Mariner Institutional, Investment Consultant to the Board

Global stocks rallied, generating double-digit gains for the second year in a row. Driven by enthusiasm for rapid advancements in artificial intelligence (AI), U.S. stocks soared — lifting the MSCI World Index to a gain of more than 18%. Other major developed markets, including Europe and Japan, generated mostly moderate increases while Chinese stocks bounced back strongly from a rough 2023.

U.S. equities soared to record highs, bolstered by resilient economic growth, interest rate cuts and rising corporate earnings for most sectors. Overall, the S&P 500 Index climbed 25%, far outpacing gains for other global indexes. The Nasdaq Composite Index gained 30%, driven by investor enthusiasm for developments in AI. The Russell 1000 Index rose 25% as growth outpaced value by a wide margin. All S&P 500 Index sectors gained except materials, which was flat. Communication services, information technology, financials and consumer discretionary saw the greatest returns. Shares of chipmakers NVIDIA and Broadcom rose on strong demand for AI chips. Apple shares advanced 31% on rebounding iPhone sales, while Meta Platforms gained 66% on higher revenue and profit.

European stocks advanced as inflation softened and the European Central Bank (ECB) launched its first monetary easing campaign in nearly five years. Economic growth remained sluggish in the 20-member eurozone as Germany, the region's largest economy, narrowly avoided a recession. Overall, the MSCI Europe Index gained nearly 2% in U.S. dollar terms and nearly 8% in local currency terms. Japanese equities rose as economic growth remained frail. The yen lost 10% against the U.S. dollar. The Bank of Japan (BOJ) ended its era of negative rates. In a historic shift, the BOJ reversed its negative interest rate policy in March, raising rates for the first time since 2007. It raised its key rate again in July to around 0.25% where it remained unchanged. Its decision to hold rates steady pushed down the yen against the U.S. dollar. The yen has remained weak and sank to its lowest levels since 1986 in the second quarter.

Emerging markets (EM) stocks rose for a second consecutive year, bolstered by China's significant stimulus measures and interest rate cuts in the U.S. and globally. Stocks fell after the U.S. election in November and the promises of new tariffs but finished the year in positive territory. The MSCI Emerging Markets Index gained 7.5%. Chinese stocks rose more than 19% after three consecutive years of losses. Shares soared in September after the government unveiled sweeping measures to boost its economy and its struggling real estate sector. Officials there are now trying to prepare for what could be significant tariffs on exports to the U.S. under incoming president Trump and they have vowed to continue fiscal support.

MARINER

Most bond markets rose as many central banks around the world moved to reduce interest rates. With inflation softening, the U.S. Federal Reserve (Fed) and the European Central Bank both slashed policy rates multiple times. Nearly all segments of the U.S. bond market generated positive returns, led by a strong rally in high-yield bonds. The Bloomberg U.S. Aggregate Index gained 1.3% as the Fed ended its aggressive tightening campaign. The U.S. Treasury yield curve steepened after being inverted since 2022. The Bloomberg U.S. Corporate Investment Grade Index and the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index rose 2.1% and 8.2%, respectively. Historically tight credit spreads tightened further.

As global markets recovered, The Austin Police Retirement System investment portfolio produced a positive time-weighted return of 8.6% for the full year of 2024. The portfolio generated a net gain on investment of approximately \$89 million and finished the year with a total value of \$1,080.9 million¹.

The Equity allocation, which represents 68.8% of the total Fund, drove portfolio returns as equities advanced 12.5% for the year. U.S. equities (43.3% of the Fund) generated a gain of 18.3% while the international equity allocation (13.4% of the Fund) reported a return of 4.8%. Similarly, the private equity allocation (12.1% of the Fund) gained 2.6% in 2024.

The Fixed Income allocation (17.5% of the Fund) reported a positive return of 2.8% in what turned out to be an extremely volatile year in interest rate markets. Returns within fixed income were driven by the global bond allocation which gained 6.3% in 2024, while private fixed income generated a small decline in value.

The Real Estate allocation (12.7% of the Fund) reported negative performance for the year. Overall, the portfolio's real estate holdings declined 2.0% in 2024 as real estate faced a broad wave of reduced appraisals as cap rates expanded across the Fund's holdings in industrial, office, residential and retail holdings. While the full year was negative for real estate, there is evidence of values having bottomed out in the third quarter as performance began to turn positive in the fourth quarter. Timber (0.1% of the Fund) reported negative returns as the one remaining timber asset continues to move through the liquidation process.

The Board of Trustees remains committed to investing for the long haul using a well-diversified mix of investments among various asset classes managed by professional money managers who have demonstrated their professionalism over time, with the goal of generating a return that equals or exceeds the actuarial return assumption of 7.25

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mariner.com

¹ The total value does not include cash held in the System's local operating banks, which is outside of the invested assets held by the custodial bank.

Investment Policy Statement

Purpose of Investment Policy Statement

The Board of Trustees (the “Board”) maintains that an important determinant of future investment returns is the expression and periodic review of the Austin Police Retirement System (the “Plan”) investment objectives. To that end, the Board has adopted this statement of investment policy and directs that it apply to all assets under its control. Based on the size of the Plan and frequency of meetings, the Investment Committee of the Board of Trustees (the “Investment Committee”) will review the investments of the Plan and offer recommendations to the full Board regarding design and general administrative issues pertaining to the investments of the Plan.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and that the investment policy should be constructed with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - commensurate with its fiduciary duties under Texas law and any other applicable statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation is paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board will employ investment professionals to oversee and invest the assets of the Plan. Within the parameters allowed in this document and their agreements with the Board, the investment management professionals shall have investment discretion over their mandates, including security selection, sector weightings and investment style. The Board, in performing their investment duties, shall comply with Article 6243n-1 Vernon’s Annotated Texas Civil Statutes, Article IX, Section 9.01 and other applicable Texas law.

Target Allocations

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the Plan. The Investment Manager(s) are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established long term asset allocation targets and ranges for the total Plan which can be found in Attachment B of this document:

The Board, with assistance from the Investment Consultant, will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available and with reasonable notice provided to the Investment Managers. The Board does not intend to exercise short-term changes to the target allocation.

Investment Performance Objectives

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers and the overall investment performance of the Plan.

A. Total Portfolio Performance

1. The performance of the total portfolio will be measured for rolling three (3) and five (5) year periods. The performance of the total portfolio will be compared to a customized market index comprised of 40% Russell 3000, 15% MSCI ACWI ex US, 12.5% Bloomberg Barclays Aggregate, 5% Bloomberg Barclays Global Credit, 15% NCREIF NPI, 12.5% Asset Specific (Private Investments).
2. On a relative basis, it is expected that the total portfolio performance will rank in the top 50th percentile of the appropriate peer universe over (3) and five (5) year time periods.
3. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed the actuarial earnings assumption (7.25%) over the long term. This absolute return objective will be evaluated in the context of the prevailing market conditions.

B. Equity Performance

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to a blended index comprised of 75% Russell 3000 and 25% MSCI ACWI ex US index. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to a blended index comprised of 75% Bloomberg Barclays Aggregate Bond Index and 25% Bloomberg Barclays Global Credit. Individual components of the fixed income portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

D. Real Estate Performance

The overall objective of the real estate portfolio is to add diversification, another stable income stream and the possibility of enhanced returns to the total portfolio. The real estate portion of the portfolio, defined as operating, substantially leased properties or, open-ended core private real estate funds, is expected to perform at a rate similar to the NCREIF Property Index (NPI) over the three (3) and five (5) year time periods.

E. Timber Performance

The overall objective of the timber portfolio if utilized is to reduce the volatility of the total portfolio and enhance returns. The timber portion of the total portfolio is expected to perform at a rate similar to the NCREIF Timber Index over the three (3) and five (5) year time periods and as outlined in the manager addendums.

F. Private Investment Performance

The overall objective of the private investment portion of the portfolio if utilized is to reduce the volatility of the total portfolio and enhance returns. The private investment portion of the total portfolio is expected to exceed benchmarks chosen for each specific investment.

G. Multi Asset Class Performance

The overall objective of the multi asset class portion of the portfolio is to reduce the volatility of the total portfolio and enhance returns. The multi asset class portion of the portfolio is expected to perform at a rate at least equal to the benchmarks chosen for each specific investment.

Investment Guidelines

A. Authorized Investments

1. Equities

- a. Investments in equity securities must be traded on a national exchange or electronic network.
- b. No more than 5% of the total Plan's assets may be invested in the common stock, capital stock or convertible stock of any one issuing company. In addition, the aggregate investment in any one company shall not exceed 5% of the outstanding capital stock of that company.
- c. No more than 15% of the Plan's assets, at the time of purchase, may be invested in the shares of companies that have been publicly traded for less than one year.
- d. If expressly permitted in the individual mandate of the Investment Manager, investments may be traded on a government regulated Canadian exchange which exchange is also a participant in the Canadian Securities Administrator. The investment on Canadian exchanges shall be limited to 5% of the portfolio at cost.

2. Fixed Income

- a. No more than 5% of the Plan's total assets may be invested in the securities of any single corporate issuer.

3. Real Estate

- a. Investments in real estate strategies shall not exceed 30% of the market value of the total Plan assets.
- b. The Board will seek to diversify its real estate investments by investment strategy, property type (multi-family residential, industrial, office, retail, timberland, etc.) and property location (geographic region).
- c. All real estate investments shall be managed by experienced and qualified professional real property investment managers.

4. Alternative Investments

- a. The Plan may invest in limited partnerships and/or private equity structures in order to diversify the Plan's portfolio and/or to enhance the Plan's return opportunities. It is understood that these types of investments may have limited liquidity and/or "lock-up" periods with no liquidity. It is also recognized that these types of investments may have higher fees and demonstrate highly variable returns over short periods of time. Given the factors previously listed, the Board shall consider special criteria including, but not limited to, the following in evaluation of any investments in this category:
 - Tenure, expertise and track record of management team;
 - Diversification potential of the alternative investment relative to other Plan investments
 - Risk control provisions of the alternative investment;
 - Liquidity provisions of the alternative investment;
 - Use of leverage or other means of return enhancement by the alternative investment;
 - Fees and potential conflicts of interest associated with the alternative investment.

5. Cash Equivalent Securities

- a. The Investment Managers may invest only in the money market(s) or short-term investment fund (STIF) provided by the Plan's custodian.

6. Pooled Funds:

- a. Investments made by the Plan may include pooled funds. For purposes of this policy, pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity.
- b. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this investment policy. In the event of investment by the Plan into a pooled fund, the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as the Investment Manager addendum to this Investment Policy Statement and included as Attachment A. The Investment Consultant shall periodically review with the Board any material changes in the prospectus or governing policy of a pooled fund.

7. Securities Lending:

- a. This is strictly prohibited with all separate account managers and any account utilized with the Plan Custodian. Some pooled funds may permit securities lending within their vehicle structure as outlined in Section IV. A. 6. In those instances where pooled funds are utilized, this practice may be employed as outlined in the offering documents or prospectus.

8. Trading Parameters

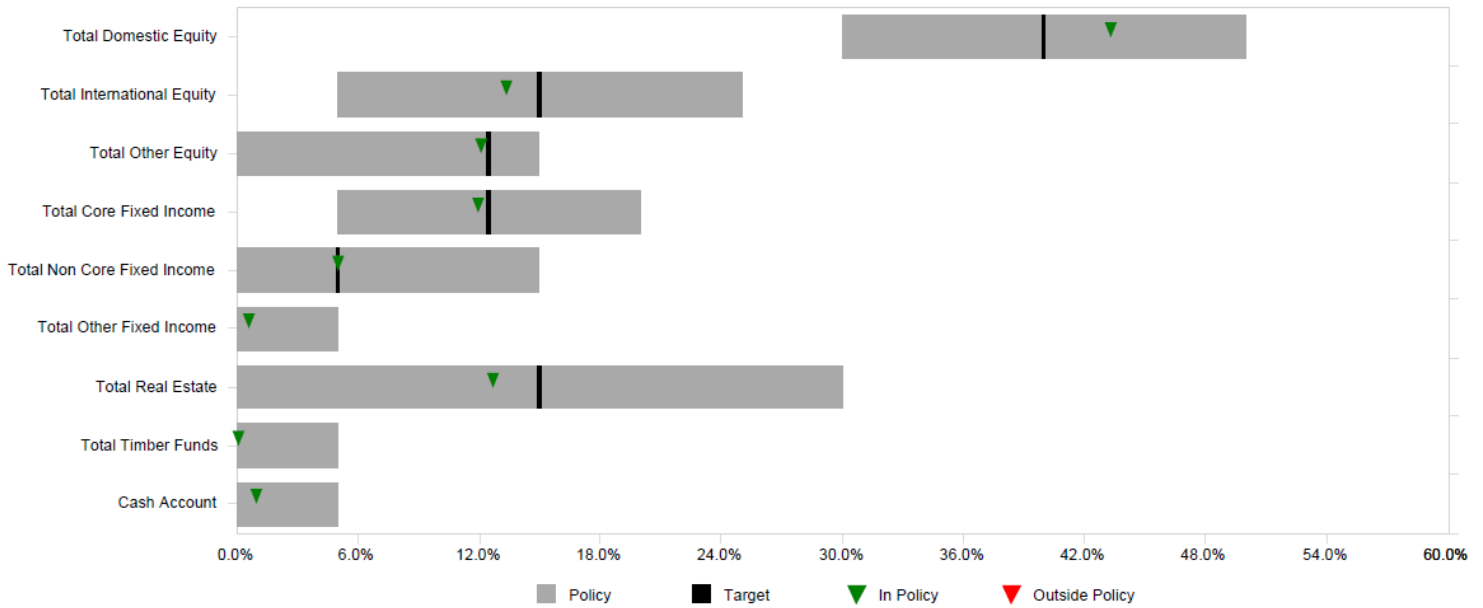
- a. When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for purchase of securities must meet the prevailing best-execution rates. The responsibility of monitoring best price and execution of trades placed by each Investment Manager on behalf of the Plan will be governed by the Portfolio Management Agreement between the Plan and the Investment Manager.

9. Limitations

- a. Investment in equity & equity equivalent securities shall not exceed 80% of the market value of the Plan's assets.
- b. Any investment not specifically allowed as part of this policy.

ASSET ALLOCATION AND FUND POSITIONING AS OF DECEMBER 31, 2024

Executive Summary

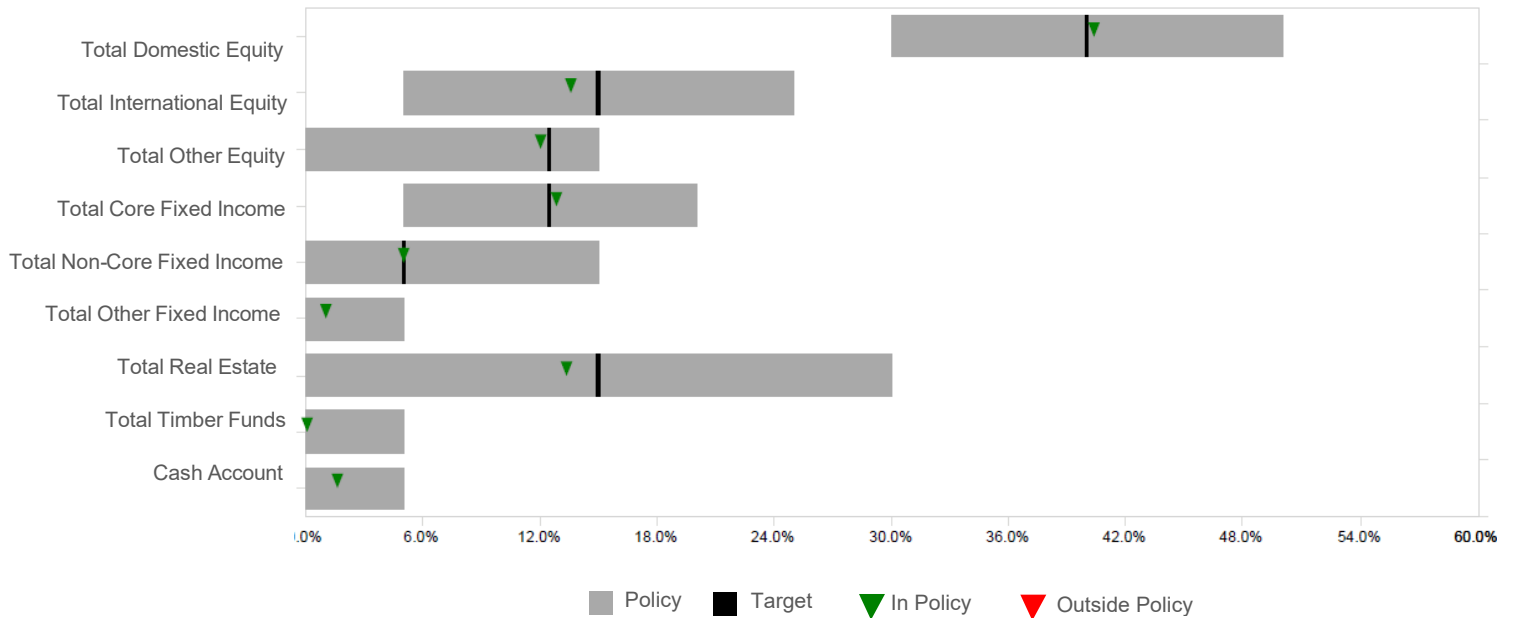


Asset Allocation Compliance

| | Asset Allocation \$ | Current Allocation (%) | Minimum Allocation (%) | Maximum Allocation (%) | Target Allocation (%) |
|--------------------------------|----------------------|------------------------|------------------------|------------------------|-----------------------|
| Total Retirement System | 1,081,418,113 | 100.0 | N/A | N/A | 100.0 |
| Total Domestic Equity | 468,131,207 | 43.3 | 30.0 | 50.0 | 40.0 |
| Total International Equity | 144,671,336 | 13.4 | 5.0 | 25.0 | 15.0 |
| Total Other Equity | 130,808,895 | 12.1 | 0.0 | 15.0 | 12.5 |
| Total Core Fixed Income | 129,052,080 | 11.9 | 5.0 | 20.0 | 12.5 |
| Total Non-Core Fixed Income | 54,305,484 | 5.0 | 0.0 | 15.0 | 5.0 |
| Total Other Fixed Income | 6,262,729 | 0.6 | 0.0 | 5.0 | 0.0 |
| Total Real Estate | 136,907,152 | 12.7 | 0.0 | 30.0 | 15.0 |
| Total Timber Funds | 767,033 | 0.1 | 0.0 | 5.0 | 0.0 |
| Cash Account | 10,512,197 | 0.9 | 0.0 | 5.0 | 0.0 |

ASSET ALLOCATION AND FUND POSITIONING AS OF DECEMBER 31, 2023

Executive Summary



Asset Allocation Compliance

| | Asset Allocation \$ | Current Allocation (%) | Minimum Allocation (%) | Maximum Allocation (%) | Target Allocation (%) |
|--------------------------------|----------------------|------------------------|------------------------|------------------------|-----------------------|
| Total Retirement System | 1,014,389,051 | 100.0 | N/A | N/A | 100.0 |
| Total Domestic Equity | 409,941,879 | 40.4 | 30.0 | 50.0 | 40.0 |
| Total International Equity | 138,008,843 | 13.6 | 5.0 | 25.0 | 15.0 |
| Total Other Equity | 122,526,162 | 12.1 | 0.0 | 15.0 | 12.5 |
| Total Core Fixed Income | 130,768,314 | 12.9 | 5.0 | 20.0 | 12.5 |
| Total Non-Core Fixed Income | 51,093,840 | 5.0 | 0.0 | 15.0 | 5.0 |
| Total Other Fixed Income | 10,344,050 | 1.0 | 0.0 | 5.0 | 0.0 |
| Total Real Estate | 134,282,322 | 13.3 | 0.0 | 30.0 | 15.0 |
| Total Timber Funds | 886,000 | 0.1 | 0.0 | 5.0 | 0.0 |
| Cash Account | 16,537,642 | 1.6 | 0.0 | 5.0 | 0.0 |

SCHEDULE OF INVESTMENT RESULTS

| | Balance 12/31/2023 | Balance 12/31/2024 | FY 2024 Net Return % | FY 2024 Mgmt Fees (Cash Basis) | Annualized Net Return (%) | | |
|---|-------------------------|-------------------------|-------------------------|--------------------------------------|---------------------------|---------------|---------------|
| | | | | | 1 Year | 3 Years | 5 Years |
| Total Fund | \$ 1,014,389,051 | \$ 1,081,418,113 | 8.59% | \$ 5,290,023 | 8.59% | 2.31% | 7.07% |
| Total Equity | \$ 670,476,883 | \$ 743,611,438 | 12.54% | \$ 2,546,337 | 12.54% | 4.07% | 9.61% |
| Domestic Equity | \$ 409,941,878 | \$ 468,131,207 | 18.28% | \$ 930,455 | 18.28% | 5.18% | 11.53% |
| NT Collective Russell 3000 Index | \$ 237,439,399 | \$ 350,486,365 | 23.81% | \$ 61,711 | 23.76% | 8.02% | 13.86% |
| Russell 3000 Index | | | 23.81% | | 23.81% | 8.01% | 13.86% |
| MFS Mid Cap Value | \$ - | \$ 56,450,582 | N/A | \$ 205,336 | N/A | N/A | N/A |
| Russell Midcap Value Index | | | 13.07% | | 13.07% | 3.88% | 8.59% |
| Baird Mid Cap Growth ¹ | \$ 55,535,501 | \$ - | N/A | \$ 188,906 | N/A | N/A | N/A |
| Russell Midcap Growth Index | | | N/A | | N/A | N/A | N/A |
| Nuance Mid Cap Value ¹ | \$ 53,248,145 | \$ - | N/A | \$ 131,376 | N/A | N/A | N/A |
| Russell Midcap Value Index | | | N/A | | N/A | N/A | N/A |
| Kennedy Small Cap Value ¹ | \$ 63,718,833 | \$ - | N/A | \$ 245,477 | N/A | N/A | N/A |
| Russell 2000 Value Index | | | N/A | | N/A | N/A | N/A |
| Westfield Mid Cap Growth | \$ - | \$ 61,194,260 | N/A | \$ 97,649 | N/A | N/A | N/A |
| Russell Midcap Growth Index | | | 22.10% | | 22.10% | 4.04% | 11.47% |
| International Equity | \$ 138,008,843 | \$ 144,671,336 | 4.82% | \$ 965,229 | 4.82% | -2.20% | 3.33% |
| Driehaus International Small Cap Growth | \$ - | \$ 21,991,089 | 3.36% | \$ 203,479 | 3.36% | -4.10% | 5.19% |
| MSCI AC World ex USA Small Growth | | | 3.45% | | 3.45% | -4.24% | 4.02% |
| Thompson Siegel & Walmsley | \$ 56,357,924 | \$ 58,432,988 | 3.68% | \$ 383,296 | 3.68% | 1.33% | 4.77% |
| MSCI EAFE (Net) Index | | | 3.82% | | 3.82% | 1.65% | 4.73% |
| WCM Focused Intl Growth LP | \$ 41,365,321 | \$ 44,631,130 | 7.90% | \$ 340,115 | 7.90% | -3.50% | N/A |
| MSCI AC World ex USA Growth (Net) | | | 5.07% | | 5.07% | -2.67% | 3.44% |
| Fidelity Total International Index | \$ - | \$ 19,616,129 | N/A | \$ 4,058 | N/A | N/A | N/A |
| MSCI AC World ex USA (Net) | | | 5.53% | | 5.53% | 0.82% | 4.10% |
| Wellington Emerging Markets Fund ¹ | \$ 19,009,360 | \$ - | N/A | \$ 34,282 | N/A | N/A | N/A |
| MSCI Emerging Markets (Net) Index | | | N/A | | N/A | N/A | N/A |
| Other Equity | \$ 122,526,162 | \$ 130,808,895 | 14.39% | \$ 650,653 | 2.61% | 14.07% | 9.77% |
| Huff Energy Fund | \$ 24,253,938 | \$ 21,633,621 | -10.78% | \$ - | -10.78% | 47.39% | 3.55% |
| Franklin Park Private Equity | \$ 98,272,224 | \$ 109,175,274 | 5.84% | \$ 650,653 | 5.84% | 7.94% | 13.90% |
| Total Fixed Income | \$ 181,862,154 | \$ 183,357,564 | 6.94% | \$ 849,752 | 6.94% | -1.19% | 0.89% |
| Baird Aggregate Income Bond Fund | \$ - | \$ 64,427,931 | N/A | \$ 160,328 | N/A | N/A | N/A |
| Blmbg. U.S. Aggregate Index | | | 1.25% | | 1.25% | -2.41% | -0.33% |
| Dodge & Cox Fixed Income Fund | \$ - | \$ 64,624,149 | N/A | \$ 219,894 | N/A | N/A | N/A |
| Blmbg. U.S. Aggregate Index | | | 1.25% | | 1.25% | -2.41% | -0.33% |
| Orleans Capital ¹ | \$ 130,768,314 | \$ - | N/A | \$ 73,941 | N/A | N/A | N/A |
| Blmbg. U.S. Aggregate Index | | | 1.25% | | 1.25% | -2.41% | -0.33% |
| Pimco Diversified Income Fund | \$ 51,093,840 | \$ 54,305,484 | 6.29% | \$ 395,588 | 6.29% | 0.38% | N/A |
| Blmbg. Global Credit (Hedged) | | | 4.47% | | 4.47% | -0.49% | 1.08% |
| Other Fixed Income | \$ 10,344,050 | \$ 6,262,729 | -4.01% | \$ 118,672 | 9.04% | 8.84% | 6.08% |
| Capital Point Partners | \$ 3,063,735 | \$ 2,040,974 | -33.31% | \$ 37,816 | -33.31% | -4.81% | -4.02% |
| LBC Credit Partners III | \$ 1,760,465 | \$ 2,154,644 | 24.51% | \$ - | 24.51% | 7.44% | 7.78% |
| LBC Credit Partners IV | \$ 3,836,436 | \$ 956,568 | 10.12% | \$ 79,122 | 10.12% | 10.41% | 8.02% |
| Providence Debt Fund III | \$ 1,683,414 | \$ 1,110,543 | -5.88% | \$ 1,734 | -5.88% | -1.77% | 2.63% |
| Real Estate | \$ 134,282,322 | \$ 136,907,152 | -2.00% | \$ 1,770,032 | -9.31% | 6.20% | 5.48% |
| Morgan Stanley Prime Property | \$ 77,825,160 | \$ 77,223,097 | -0.77% | \$ 705,287 | -0.77% | -0.26% | 4.06% |
| NCREIF Fund Index-ODCE (EW) | | | -2.44% | | -2.44% | -3.11% | 2.23% |
| Brookfield Premier Real Estate Partners | \$ 22,570,516 | \$ 20,550,261 | -8.93% | \$ 210,075 | -8.93% | -6.93% | 0.37% |
| NCREIF Fund Index-ODCE (EW) | | | -2.44% | | -2.44% | -3.11% | 2.23% |
| Stockbridge Smart Markets | \$ 17,343,061 | \$ 17,326,701 | -0.09% | \$ 160,852 | -0.09% | N/A | N/A |
| NCREIF Fund Index-ODCE (EW) | | | -2.44% | | -2.44% | -3.11% | 2.23% |
| Edison Investments | \$ 2,342,426 | \$ 2,361,127 | 2.27% | \$ 32,227 | 2.27% | 2.94% | 2.95% |

SCHEDULE OF INVESTMENT RESULTS (CONCLUDED)

| | | | | | | | | | | |
|-------------------------------------|----|------------|----|------------|--------|----|---------|--------|---------|---------|
| India Property Fund | \$ | 125,024 | \$ | 102,477 | 0.37% | \$ | - | 0.37% | -11.92% | -22.58% |
| Gainesville Property ² | \$ | 1 | \$ | 1 | 0.00% | \$ | - | 0.00% | 6.23% | 2.41% |
| AEW Partners Fund VIII | \$ | 3,218,019 | \$ | 2,142,663 | 9.32% | \$ | 43,547 | 9.32% | 12.43% | 22.29% |
| GreenOak US III | \$ | 8,891,678 | \$ | 9,674,711 | -4.39% | \$ | 92,017 | -4.39% | -8.32% | -5.20% |
| Artemis Real Estate IV | \$ | 1,966,437 | \$ | 7,526,114 | 1.95% | \$ | 526,027 | 1.95% | N/A | N/A |
| Timber | \$ | 886,000 | \$ | 767,033 | -8.03% | \$ | 5,230 | -8.03% | -3.65% | -0.60% |
| Domain Environmental Investments II | \$ | 886,000 | \$ | 767,033 | -8.03% | \$ | 5,230 | -8.03% | -3.65% | -0.60% |
| Other | \$ | 16,537,642 | \$ | 10,512,197 | 5.18% | \$ | - | 5.18% | 3.82% | 2.36% |
| Cash | \$ | 16,537,642 | \$ | 10,512,197 | 5.18% | \$ | - | 5.18% | 3.82% | 2.36% |

**All fees reported on cash basis accounting.*

**Calculated using time-weighted rate of return based on market rate of return.*

**Due to rounding, numbers presented may not add up precisely to totals provided.*

¹ Investment was liquidated in 2024.

² APRS liquidated the majority position in this asset in 2023. The remaining position is carried for accounting purposes only.

**Information provided in accordance with Texas Government Code Sec. 802.103(a)(3). Also, see pages 65, 79 and 83.*

SUPPLEMENTAL SCHEDULE: INVESTMENT EXPENSES

| 2024 ASSET CLASSES | MANAGEMENT FEES PAID FROM TRUST | MANAGEMENT FEES NETTED FROM RETURNS | TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust) | BROKERAGE FEES/COMMISSIONS | PROFIT SHARE/CARRIED INTEREST | TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share) |
|--------------------|---------------------------------|-------------------------------------|---|----------------------------|-------------------------------|---|
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public Equity | \$ 759,401 | \$ 1,786,936 | \$ 2,546,337 | \$ 138,519 | \$ - | \$ 2,684,856 |
| Fixed Income | \$ 73,941 | \$ 894,483 | \$ 968,424 | \$ - | \$ - | \$ 968,424 |
| Real Assets | \$ - | \$ 1,770,032 | \$ 1,770,032 | \$ - | \$ 130,214 | \$ 1,900,246 |
| Alternative/Other | \$ - | \$ 5,230 | \$ 5,230 | \$ - | \$ 353,646 | \$ 358,876 |
| TOTAL | \$ 833,342 | \$ 4,456,681 | \$ 5,290,023 | \$ 138,519 | \$ 483,860 | \$ 5,912,402 |

*Information provided in accordance with Texas Government Code Sec. 802.103(a)(3). Also, see pages 65, 77 and 83.

*For a full list of investment managers engaged by the system, per Texas Government Code Sec. 802.103(a)(4), please see page 16.

| | |
|--|---------------------|
| Total Direct and Indirect Fees and Commissions | \$ 5,912,402 |
| Investment Services | |
| Custodial | \$ 209,671 |
| Research | \$ - |
| Investment Consulting | \$ 215,000 |
| Legal | \$ 4,285 |
| Total | \$ 428,956 |
| | |
| Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services) | \$ 6,341,358 |

| |
|---|
| List of Alternative/Other Investments* |
| Private Equity |
| Private Debt |
| Fund of Funds |

LARGEST DIRECT PORTFOLIO HOLDINGS

Top Ten Direct Holdings - Equities

| Shares | Description | Fair Value | % of Fund |
|---|--------------------------------------|-------------------------|----------------|
| 4,590 | AXON ENTERPRISE INC COM | \$ 2,727,929 | 0.252% |
| 28,690 | PALANTIR TECHNOLOGIES INC CLA CLA | \$ 2,169,825 | 0.201% |
| 18,500 | VERTIV HOLDINGS LLC COM USD0.0001 | \$ 2,101,785 | 0.194% |
| 1,550 | TRANSDIGM GROUP INC COM | \$ 1,964,284 | 0.182% |
| 5,420 | APPROVIN CORP COM CL A COM CL A | \$ 1,755,159 | 0.162% |
| 2,370 | HUBSPOT INC COM | \$ 1,651,345 | 0.153% |
| 11,980 | ADR ASCENDIS PHARMAA/S SPONSORED ADR | \$ 1,649,287 | 0.153% |
| 6,100 | ATLASSIAN CORP CLA | \$ 1,484,618 | 0.137% |
| 16,390 | DEXCOM INC COM | \$ 1,274,650 | 0.118% |
| 33,770 | DRAFTKINGS INC NEW CL A | \$ 1,256,244 | 0.116% |
| Top 10 Direct Holdings - Equities | | \$ 18,035,125 | 1.67% |
| Total APRS Investment Portfolio as of 12/31/2024 | | \$ 1,081,418,113 | 100.00% |

*Full listing available upon request.

Top Ten Direct Holdings - Fixed Income

| Shares | Description | Fair Value | % of Fund |
|---|--|-----------------------|----------------|
| 1,867,159 | FHLMC POOL #SD8189 2.5% 21-01-2051 | \$ 1,583,376 | 0.17% |
| 1,608,118 | FNMA POOL #MA4327 3% 05-01-2051 BEO | \$ 1,415,473 | 0.15% |
| 1,453,969 | FNMA POOL #MA4701 4.5% 08-01-2052 BEO | \$ 1,401,076 | 0.15% |
| 1,500,000 | VALERO ENERGY CORP NEW 2.8% 12-01-2031 | \$ 1,226,767 | 0.13% |
| 1,300,000 | VERIZON 3.875% DUE 02-08-2029 | \$ 1,222,368 | 0.13% |
| 1,300,000 | DEERE JOHN CAP CORP MEDIUM TERM 3.45% 03-07-2029 | \$ 1,208,647 | 0.13% |
| 1,300,000 | JPMORGAN CHASE & CO NT FIXED/FLTG RATE Due 05-01-2028/10-25-2017 R | \$ 1,202,557 | 0.13% |
| 1,370,668 | FHLMC POOL #QC-6752 2.5% DUE 09-01-2051 REG | \$ 1,165,536 | 0.13% |
| 1,250,000 | MCDONALD'S CORPORATION 3.6% DUE 07-01-2030 | \$ 1,149,565 | 0.12% |
| 1,250,000 | AFLAC INC FIXED 3.6% DUE 04-01-2030 | \$ 1,134,261 | 0.12% |
| Top 10 Direct Holdings - Fixed Income | | \$ 12,709,626 | 1.36% |
| Total APRS Investment Portfolio as of 12/31/2024 | | \$ 933,934,678 | 100.00% |

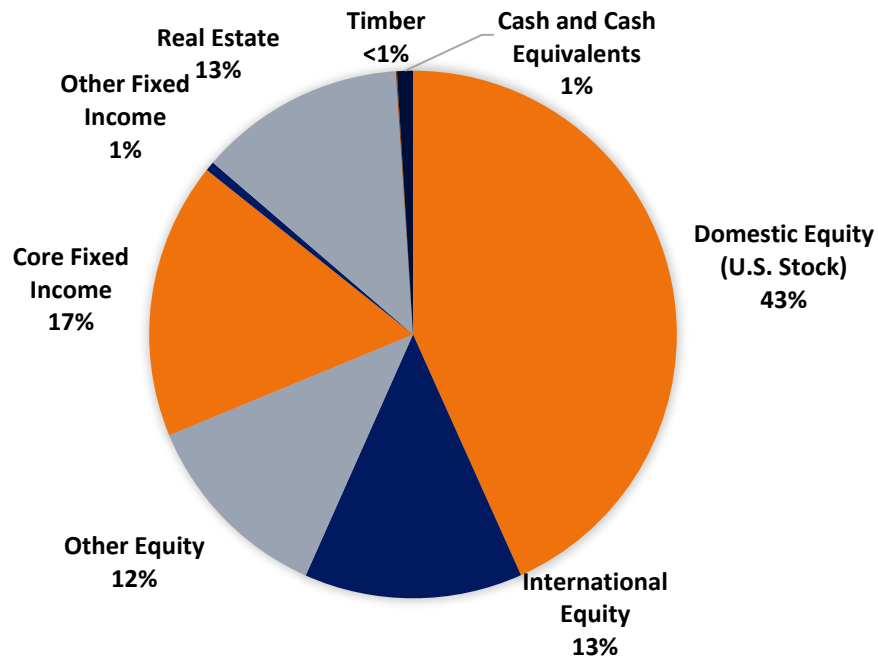
*Full listing available upon request.

INVESTMENT SUMMARY AT FAIR VALUE

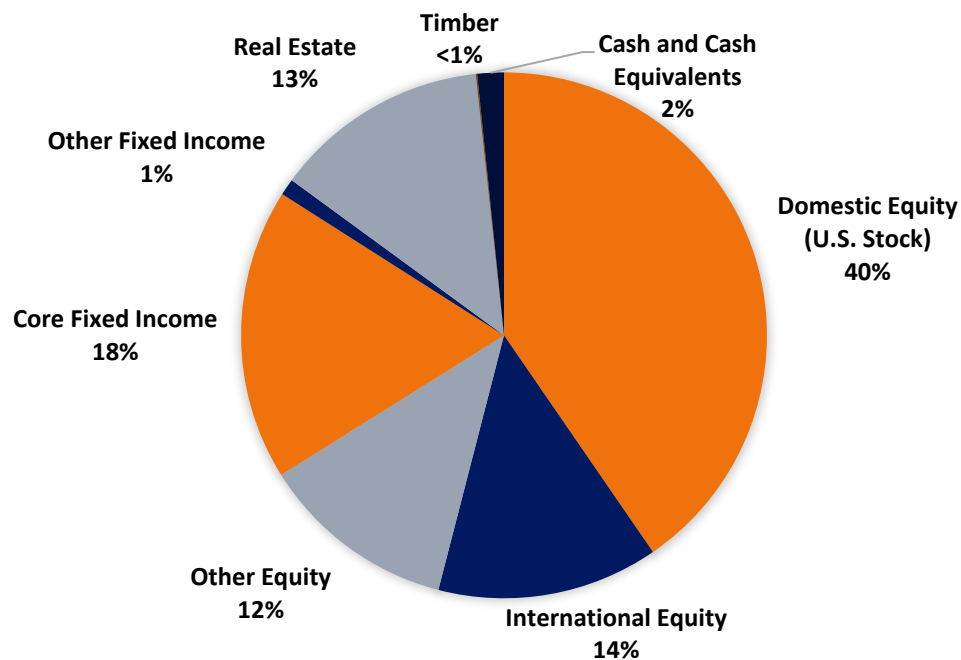
APRS Investment Portfolio

| Asset Class/Sub-Asset Class | 12/31/2024 Fair Value | Percentage of Total |
|----------------------------------|--------------------------|---------------------|
| <u>Total Equity</u> | | |
| Domestic Equity | \$ 468,131,207 | 43.3% |
| International Equity | \$ 144,671,336 | 13.4% |
| Other Equity | \$ 130,808,895 | 12.1% |
| <u>Total Fixed Income</u> | | |
| Core Fixed Income | \$ 183,357,564 | 16.9% |
| Other Fixed Income | \$ 6,262,729 | 0.6% |
| <u>Real Estate</u> | | |
| Real Estate | \$ 136,907,152 | 12.7% |
| <u>Timber</u> | | |
| Timber | \$ 767,033 | 0.1% |
| <u>Other</u> | | |
| Cash | \$ 10,512,197 | 0.9% |
| Total | \$ 1,081,418,113 | 100.00% |

2024 APRS Asset Allocation



2023 APRS Asset Allocation



BROKER COMMISSIONS OVER \$5,000

Broker Commissions Over \$5,000

| Broker Name | # of Shares / Par Traded | Commission Paid | Cost per Share |
|--|--------------------------|-------------------|----------------|
| Northern Trust Company | 129,507,802 | \$ 67,963 | \$ 0.02 |
| Barclay's Bank PLC (All UK offices) | 436,238 | \$ 7,404 | \$ 0.02 |
| Goldman Sachs | 326,226 | \$ 5,037 | \$ 0.02 |
| Morgan Stanley & Co. LLC | 652,073 | \$ 12,401 | \$ 0.02 |
| Raymond James & Associates, INC. | 514,763 | \$ 9,461 | \$ 0.02 |
| COMBINED - 40 Brokers with Commissions < \$5,000 | 1,422,366,123 | \$ 63,152 | \$ - |
| 2024 Total Broker Commissions | 1,552,310,163 | \$ 138,519 | \$ 0.00 |

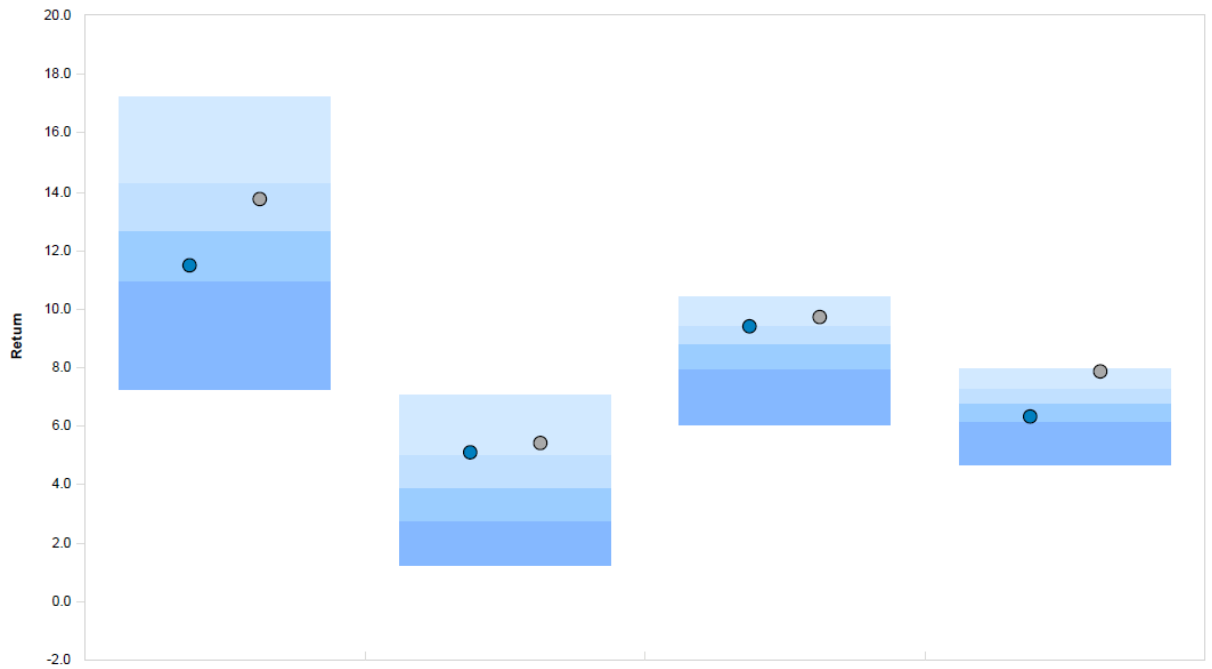
Total Manager Fees and Broker Commissions

| Asset Class | Manager Fees | Commissions Paid | Total Cost |
|---|---------------------|-------------------|---------------------|
| Total Equity | \$ 2,546,337 | \$ 138,519 | \$ 2,684,856 |
| Domestic Equity | \$ 930,455 | \$ 138,519 | \$ 1,068,974 |
| International Equity | \$ 965,229 | \$ - | \$ 965,229 |
| Other Equity | \$ 650,653 | \$ - | \$ 650,653 |
| Total Fixed Income | \$ 968,424 | \$ - | \$ 968,424 |
| Fixed Income | \$ 849,752 | \$ - | \$ 849,752 |
| Other Fixed Income | \$ 118,672 | \$ - | \$ 118,672 |
| Real Estate | \$ 1,770,032 | \$ - | \$ 1,770,032 |
| Timber | \$ 5,230 | \$ - | \$ 5,230 |
| 2024 Total Manager Fees and Broker Commissions | \$ 5,290,023 | \$ 138,519 | \$ 5,428,542 |

*Information provided in accordance with Texas Government Code Sec. 802.103(a)(3). Also see pages 65, 77 and 79.

*Due to rounding, numbers presented may not add up precisely to totals provided.

2024 Fund Performance vs Peers



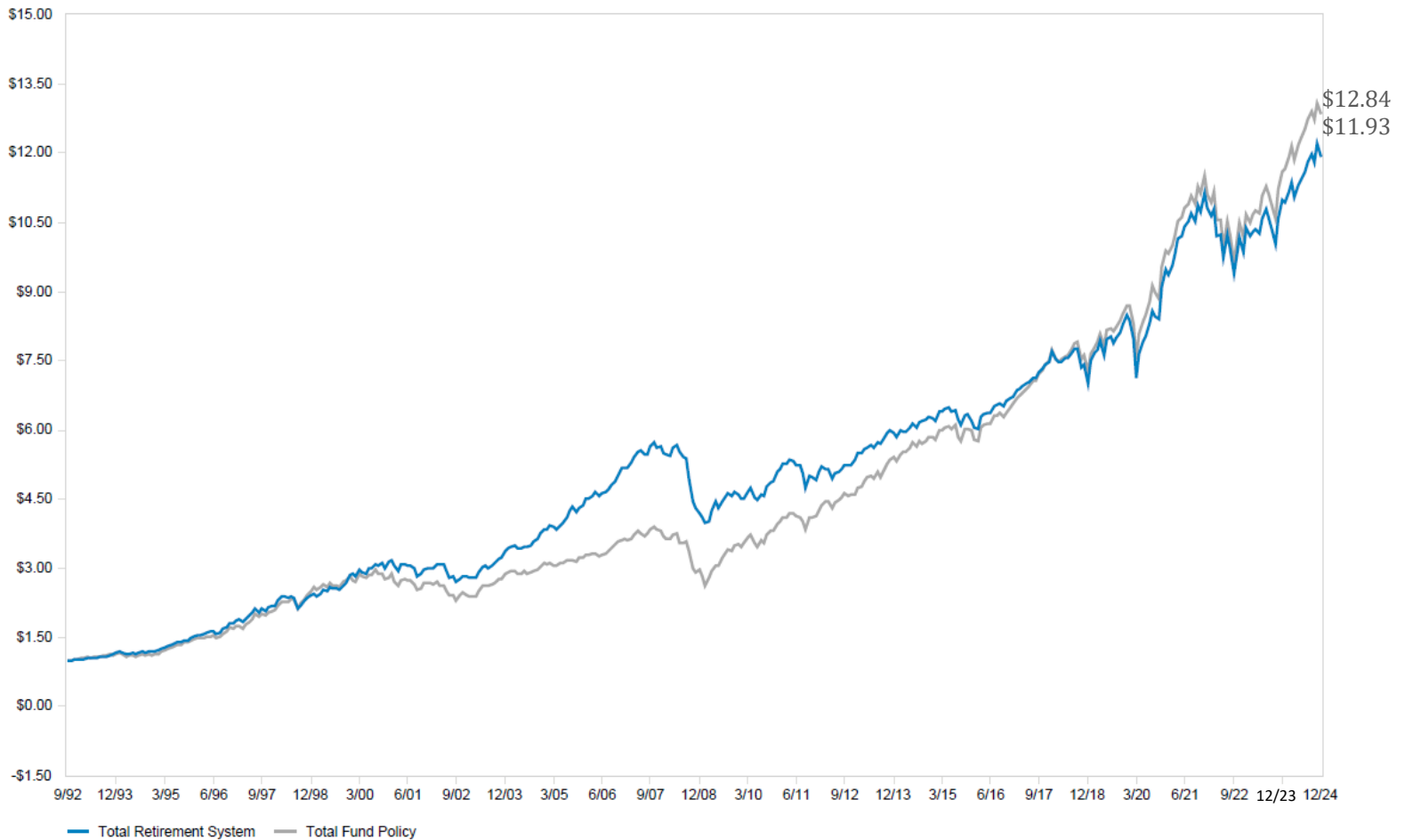
| | 1 YR | 3 YR | 5 YR | 10 YR |
|-----------------------------|------------|-----------|-----------|-----------|
| ● Total Retirement System | 8.59 (77) | 2.31 (60) | 7.07 (39) | 6.65 (61) |
| ● Total Fund Policy | 10.65 (40) | 3.70 (22) | 8.08 (14) | 8.17 (9) |
| 5 th Percentile | 13.43 | 4.98 | 8.80 | 8.43 |
| 1 st Quartile | 11.53 | 3.63 | 7.76 | 7.62 |
| Median | 10.18 | 2.84 | 7.04 | 7.14 |
| 3 rd Quartile | 8.52 | 2.08 | 6.19 | 6.49 |
| 95 th Percentile | 5.63 | 0.90 | 4.13 | 4.72 |

*Parentheses contain percentile rankings.

*Calculation based on monthly periodicity.

TOTAL GROWTH OF \$1.00 VS. STRATEGIC BENCHMARKS

Total Growth of \$1: APRS Fund vs. Strategic Benchmarks



*Calculation based on monthly periodicity.

*Total Fund Policy is comprised of 45% Russell 3000 Index, 15% MSCI World ex U.S., 5% Blmbg. U.S. Aggregate Index, 5% Blmbg. Global Credit, 15% NCREIF Property Index, 5% HFRI Fund of Funds Composite Index, 2.5% Credit Suisse Leveraged Loan Index, and 7.50% Cambridge Associates Private Equity Index.



ACTUARIAL SECTION

Source: Gabriel, Roeder, Smith & Company



June 18, 2025

Board of Trustees

Austin Police Retirement
System 2520 South IH35,
Suite 100

Austin, TX 78704

Re: Actuarial Valuation for Funding Purposes as of December 31, 2024

Members of the Board:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Austin Police Retirement System (APRS) as of December 31, 2024. This report was prepared at the request of the Board and is intended for use by APRS staff and those designated or approved by the Board. This report may be provided to parties other than APRS only in its entirety and only with the permission of the Board.

Actuarial Valuation

The primary purposes of the actuarial valuation report are to determine the actuarially determined contribution (ADC) rates for the City and members, describe the current financial condition of APRS, analyze changes in the condition of APRS, and provide various summaries of the data.

Plan Provisions

There were no changes to the plan provisions during the past year. The current plan provisions are outlined in Section E of this report.

Risk Sharing Valuation

This valuation includes special calculations referred to as the "Risk Sharing Valuation" in statute. There is a section in the report (Section RSV) that contains information which is required as part of this valuation. Page RSV-1 contains a discussion of the RSV exhibits. Page RSV-2 contains the contribution corridor for the City's ADC. The corridor mid-point is the minimum City Contribution Rate until APRS is 90% funded. Page RSV-3 shows the calculation of the ADC for the current valuation. This calculated rate will be the City Contribution Rate if it exceeds the corridor mid-point and is less than the corridor maximum. The rate will be contributed in the calendar year that begins one year after the valuation date. Page RSV-4 shows the remaining liability layers and the corresponding amortization payment for the liability layers created after the establishment of the Legacy Liability. Page RSV-5 shows a projection of the Legacy Liability and the schedule of payments to pay-off the Legacy Liability over a 20-year period.

5605 North MacArthur Boulevard | Suite 870 | Irving, Texas 75038-2631

Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation are the same as used in the prior year. These were adopted by the Board of Trustees effective with the December 31, 2023 actuarial valuation and are based on an experience review for the five-year period from January 1, 2018 through December 31, 2022. All actuarial assumptions used in this report are reasonable for the purposes of this actuarial valuation. Furthermore, the assumptions and methods used in this valuation follow the guidance in the applicable Actuarial Standards of Practice and are expected to have no significant bias. The current actuarial assumptions and methods are outlined in Section F of this report.

Data

The valuation was based upon information as of December 31, 2024 furnished by APRS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by APRS staff.

Certification

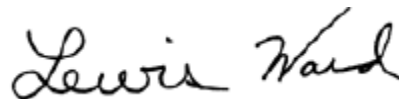
All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of, where applicable, the Internal Revenue Code and ERISA.

The signing actuaries and consultants are independent of the plan sponsor. Mr. Wood is an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, and a Member of the American Academy of Actuaries, and meets the Qualification Standards of the American Academy of Actuaries. Finally, each of the undersigned is experienced in performing valuations for large public retirement systems.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Paul Wood ASA, FCA, MAAA
Senior Consultant



Lewis Ward
Consultant

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Sources: Schedules and data are provided by the consulting actuary, GRS Retirement Consulting, unless otherwise noted.

RSVS DISCUSSION

The purpose of the Risk Sharing Valuation Study (RSVS) is to determine the City Contribution Rate for the APRS fiscal year beginning one year after the valuation date.

The exhibit on page RSV-2 shows the RSVS Corridor which was created from the Initial RSVS. Column 3 shows the Corridor Midpoint for each fiscal year. Columns 2 and 4 show the Corridor Minimum and Corridor Maximum, respectively. Column 5 shows the actual City Contribution Rate for the applicable fiscal year. As shown in the table, the actual City Contribution Rate for FY 2026 is 11.97% of pay.

The exhibit on page RSV-3 shows the individual pieces and total calculated City Contribution Rate. As shown in the table, the calculated City Contribution Rate from this valuation is 11.97% of pay. Because the System is less than 90% funded, the actual City Contribution Rate will be set equal to the greater of the calculated City Contribution Rate and the Corridor Midpoint of 9.08% of pay.

The exhibit on page RSV-4 shows the Liability (Gain)/Loss Layers established each year. Columns 2 and 3 show the original liability layer and any remaining liability layer, respectively. Column 4 is the payment on that particular layer for the fiscal year beginning one year after the valuation date. The payment is determined using a level percentage of payroll and the remaining amortization period as shown in column 5. The payments reflect the one-year delay between the determination of the payment and the beginning of the fiscal year in which the payment is made. The dollar amounts of the payments are summed and then converted to a percentage of payroll based on the projected payroll for the fiscal year beginning one year after the valuation date. As shown in the table, the sum of the current year's payments is positive, which means it is an addition to the contribution rate. The sum of the amortization payments is determined to be 2.72% of projected payroll.

The exhibit on page RSV-5 is the Legacy Liability schedule. This table shows the amortization schedule of the Legacy Liability for each of the 30 years over which it is scheduled to be paid. Column 2 shows the remaining Legacy Liability as of that measurement date while Column 3 shows the payment on the Legacy Liability for the fiscal year in which it is contributed.

The unfunded actuarial accrued liability is equal to the sum of the Remaining Layer column on the Liability Gain/Loss Layers exhibit and the Remaining Legacy Liability column as of the valuation date. This illustrates that there is a schedule to pay off every dollar of the current unfunded actuarial accrued liability. Thus, the calculated ADC under the Board's funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

ACTUARIALLY DETERMINED CONTRIBUTION CORRIDOR

| Fiscal Year <u>Ending</u> | Corridor <u>Minimum</u> | Corridor <u>Midpoint</u> | Corridor <u>Maximum</u> | Actual City Contribution <u>Rate</u> |
|------------------------------|----------------------------|-----------------------------|----------------------------|--|
| (1) | (2) | (3) | (4) | (5) |
| December 31, 2022 | 5.10% | 10.10% | 15.10% | 10.10% |
| December 31, 2023 | 4.85% | 9.85% | 14.85% | 9.85% |
| December 31, 2024 | 4.59% | 9.59% | 14.59% | 9.59% |
| December 31, 2025 | 4.33% | 9.33% | 14.33% | 10.78% |
| December 31, 2026 | 4.08% | 9.08% | 14.08% | 11.97% |
| December 31, 2027 | 3.83% | 8.83% | 13.83% | |
| December 31, 2028 | 3.58% | 8.58% | 13.58% | |
| December 31, 2029 | 3.32% | 8.32% | 13.32% | |
| December 31, 2030 | 3.05% | 8.05% | 13.05% | |
| December 31, 2031 | 2.79% | 7.79% | 12.79% | |
| December 31, 2032 | 2.53% | 7.53% | 12.53% | |
| December 31, 2033 | 2.27% | 7.27% | 12.27% | |
| December 31, 2034 | 2.02% | 7.02% | 12.02% | |
| December 31, 2035 | 1.75% | 6.75% | 11.75% | |
| December 31, 2036 | 1.47% | 6.47% | 11.47% | |
| December 31, 2037 | 1.21% | 6.21% | 11.21% | |
| December 31, 2038 | 0.94% | 5.94% | 10.94% | |
| December 31, 2039 | 0.67% | 5.67% | 10.67% | |
| December 31, 2040 | 0.39% | 5.39% | 10.39% | |
| December 31, 2041 | 0.12% | 5.12% | 10.12% | |
| December 31, 2042 | -0.13%* | 4.87% | 9.87% | |
| December 31, 2043 | -0.36%* | 4.64% | 9.64% | |
| December 31, 2044 | -0.57%* | 4.43% | 9.43% | |
| December 31, 2045 | -0.77%* | 4.23% | 9.23% | |
| December 31, 2046 | -0.92%* | 4.08% | 9.08% | |
| December 31, 2047 | -1.03%* | 3.97% | 8.97% | |
| December 31, 2048 | -1.13%* | 3.87% | 8.87% | |
| December 31, 2049 | -1.20%* | 3.80% | 8.80% | |
| December 31, 2050 | -1.25%* | 3.75% | 8.75% | |
| December 31, 2051 | -1.29%* | 3.71% | 8.71% | |

* The City Contribution Rate cannot go below zero. In other words, a negative City Contribution Rate will not result in a reduction in the Legacy Liability Payment.

CALCULATED ACTUARIALLY DETERMINED CITY CONTRIBUTION RATE

| Fiscal Year <u>Ending</u> (1) | Employer Normal Cost ¹ (2) | Amortization <u>Payment</u> (3) | Calculated City Contribution <u>Rate</u> (4) |
|-------------------------------------|--|---------------------------------------|--|
| December 31, 2022 | 10.10% | 0.00% | 10.10% |
| December 31, 2023 | 9.89% | -0.81% | 9.08% |
| December 31, 2024 | 9.59% | -0.48% | 9.11% |
| December 31, 2025 | 9.59% | 1.19% | 10.78% |
| December 31, 2026 | 9.25% | 2.72% | 11.97% |

¹ Normal Cost for Actuarially Determined City Contribution Rate is projected from valuation date one year prior to the applicable fiscal year.

PROJECTION OF REMANING LEGACY LIABILITY AND LEGACY LIABILITY PAYMENTS

| <u>Fiscal Year Ending</u> | <u>Remaining Legacy Liability</u> | <u>Fiscal Year Payment</u> |
|---------------------------|---------------------------------------|--------------------------------|
| (1) | (2) | (3) |
| December 31, 2020 | \$ 637,738,287 | \$ - |
| December 31, 2021 | 667,018,611 | - |
| December 31, 2022 | 687,421,056 | 26,994,958 |
| December 31, 2023 | 701,289,811 | 34,732,256 |
| December 31, 2024 | 708,151,183 | 42,469,554 |
| December 31, 2025 | 714,190,541 | 43,743,640 |
| December 31, 2026 | 719,308,704 | 45,055,949 |
| December 31, 2027 | 723,398,115 | 46,407,627 |
| December 31, 2028 | 726,342,194 | 47,799,856 |
| December 31, 2029 | 728,014,650 | 49,233,852 |
| December 31, 2030 | 728,278,738 | 50,710,868 |
| December 31, 2031 | 726,986,463 | 52,232,194 |
| December 31, 2032 | 723,977,724 | 53,799,160 |
| December 31, 2033 | 719,079,393 | 55,413,135 |
| December 31, 2034 | 712,104,332 | 57,075,529 |
| December 31, 2035 | 702,850,329 | 58,787,795 |
| December 31, 2036 | 691,098,964 | 60,551,429 |
| December 31, 2037 | 676,614,384 | 62,367,972 |
| December 31, 2038 | 659,141,995 | 64,239,011 |
| December 31, 2039 | 638,407,050 | 66,166,181 |
| December 31, 2040 | 614,113,140 | 68,151,166 |
| December 31, 2041 | 585,940,568 | 70,195,701 |
| December 31, 2042 | 553,544,612 | 72,301,572 |
| December 31, 2043 | 516,553,650 | 74,470,619 |
| December 31, 2044 | 474,567,154 | 76,704,738 |
| December 31, 2045 | 427,153,538 | 79,005,880 |
| December 31, 2046 | 373,847,844 | 81,376,056 |
| December 31, 2047 | 314,149,257 | 83,817,338 |
| December 31, 2048 | 247,518,445 | 86,331,858 |
| December 31, 2049 | 173,374,700 | 88,921,814 |
| December 31, 2050 | 91,092,869 | 91,589,468 |
| December 31, 2051 | - | 94,337,152 |

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EXECUTIVE SUMMARY

| Item | December 31, 2024 | December 31, 2023 |
|---|-------------------|-------------------|
| Membership <ul style="list-style-type: none"> Number of <ul style="list-style-type: none"> - Active members 1,541 1,551 - Inactive, vested 80 72 - Inactive, nonvested 98 84 - Annuitants <u>1,414</u> <u>1,371</u> - Total 3,133 3,078 Annualized Payroll on Valuation Date \$ 166,614,499 \$ 155,330,225 | | |
| Statutory member contribution rate for fiscal year following the valuation date 15.000% 15.000% | | |
| Estimated RSV Total City Contribution for Fiscal Year <ul style="list-style-type: none"> Estimated City Contribution Rate Payment \$ 20,953,408 \$ 18,410,069 Legacy Liability Payment (City Contribution Amount) <u>45,055,949</u> <u>43,743,640</u> Total \$ 66,009,357 \$ 62,153,709 Contribution as % of Projected Payroll¹ 37.71% 36.39% | | |
| Assets <ul style="list-style-type: none"> Market value (MVA) \$ 1,082,777,584 \$ 1,014,902,702 Actuarial value (AVA) \$ 1,095,007,001 \$ 1,047,377,832 Return on market value 8.7% 11.5% Return on actuarial value 6.4% 5.6% | | |
| Actuarial Information on AVA (smoothed) <ul style="list-style-type: none"> Normal cost %² 24.543% 24.782% Total normal cost \$ 41,914,501 \$ 39,456,285 Actuarial accrued liability \$ 1,877,635,572 \$ 1,777,931,566 Unfunded actuarial accrued liability (UAAL) \$ 782,628,571 \$ 730,553,734 Funded ratio 58.3% 58.9% | | |
| Actuarial Information on MVA <ul style="list-style-type: none"> Unfunded actuarial accrued liability (UAAL) \$ 794,857,988 \$ 763,028,864 Funded ratio 57.7% 57.1% | | |

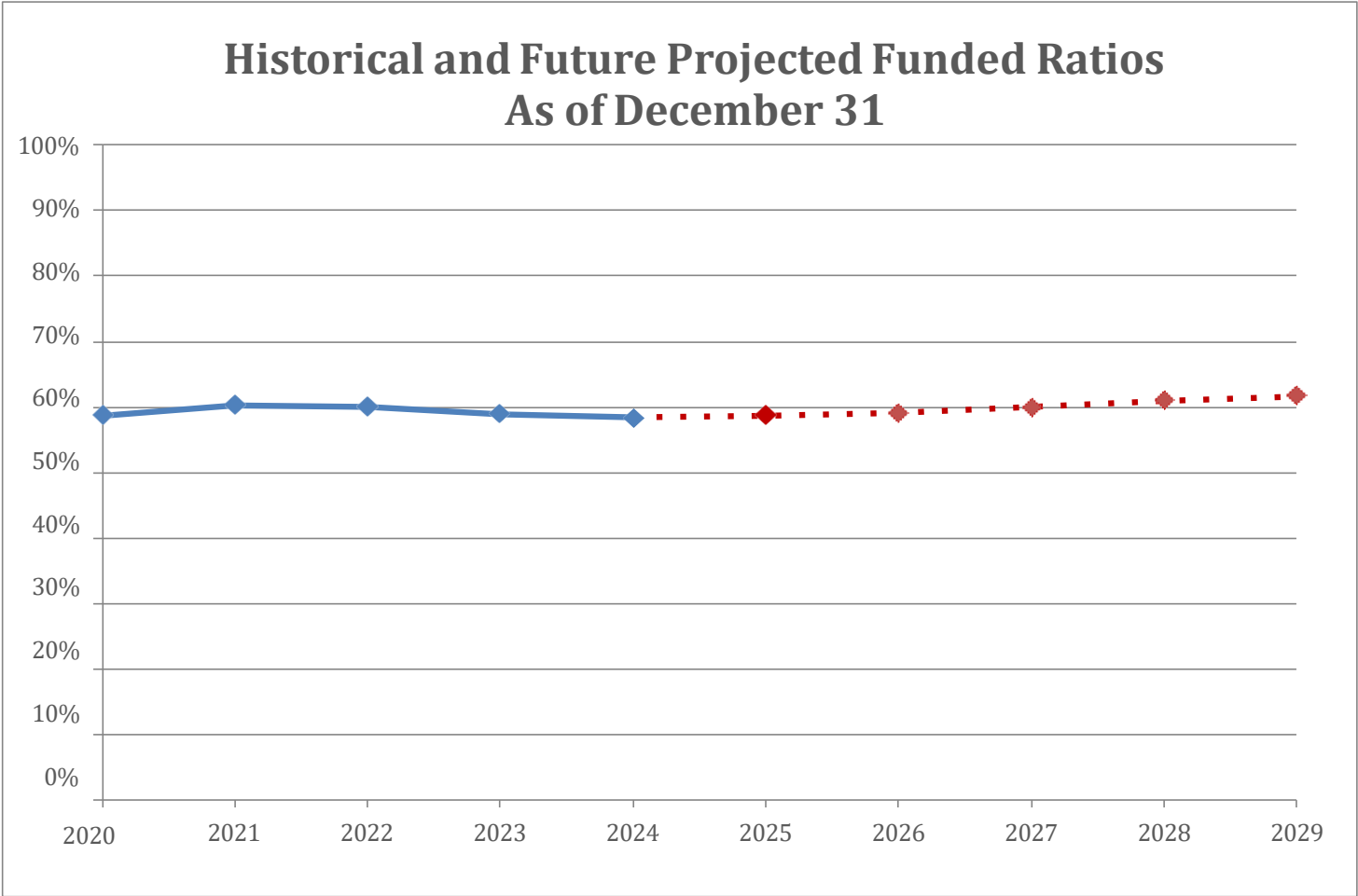
Notes:

¹ Estimated City Contribution Rate Payment for Fiscal Year 2025 updated for payroll as of December 31, 2024

² Based on projected payroll determined as of the valuation date but beginning one year after valuation date.

³ Includes normal cost associated with the Retiree Death Benefit Fund and a load for assumed administrative expenses of the System.

The following chart illustrates the recent history and outlook of the funded status of APRS:



| December 31, | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Funded Ratio | 58.6% | 60.2% | 60.1% | 58.9% | 58.3% | 58.6% | 59.1% | 60.0% | 61.0% | 61.6% |
| UAAL (millions) | \$638 | \$645 | \$674 | \$731 | \$783 | \$804 | \$821 | \$825 | \$827 | \$840 |

The projections beyond 2024 are based on the same assumptions, methods and provisions used for the December 31, 2024 valuation. Additionally, the market value of assets is assumed to earn 7.25% per year.

Based on the new statutory contribution patterns, the new benefit provisions and the actuarial assumptions, APRS’s UAAL is projected to continue to increase the next several years due to negative amortization and the recognition of deferred investment losses. In consistent financial markets, the funded ratio is expected to improve once the deferred investment losses are recognized (or offset by future gains), until APRS is 100% funded.

DISCUSSION

Introduction

The results of the December 31, 2024 actuarial valuation of the Austin Police Retirement System (APRS) are presented in this report.

The primary purposes of the actuarial valuation report are to determine the actuarially determined contribution rates for the City and members, describe the current financial condition of APRS, analyze changes in the condition of APRS, and provide various summaries of the data.

The City Contribution Rate determined by this valuation will begin one year after the valuation date. In addition to this actuarially determined rate, the City contributes a Legacy Liability payment as shown on page RSV - 5.

There was an unexpected increase in the unfunded actuarial liabilities of approximately \$42.3 million. \$41.3 million of this was due to plan experience on the liabilities and assets. The net unexpected increase in the unfunded actuarial accrued liability includes an asset experience loss of \$8.5 million and a liability experience loss of \$32.8 million. The remainder was due to administrative expenses being higher than assumed. It is anticipated that the increased expenses will be short term in nature as they are related to a pension administration software implementation with payments concluding in 2025.

The Retiree Death Benefit Fund was established in 2003 as a separate account within the system to advance fund and to pay the \$10,000 post-retirement lump sum death benefits for retirees. Table 11 outlines the portion of the City contribution rate that should be allocated to the Retiree Death Benefit Fund such that the Retiree Death Benefit Plan will be fully funded 11 years following December 31, 2024. With the exception of Table 11, the amounts outlined in this report represent the total assets and liabilities of APRS, inclusive of the Retiree Death Benefit Plan.

Assessment of Risk

Section D of this report, titled “Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions,” outlines a series of risk measures that are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation.

Actuarial Standards of Practice ASOP No. 4 was revised and requires a funding valuation to now disclose the liabilities of the plan using a Low Default Risk Obligation Measure (LDROM). A brief description of the measurement and the numerical values are located in this section.

Plan Provisions

There were no changes to the plan provisions since the prior valuation. The current plan provisions are outlined in Section E of this report.

Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees effective with the December 31, 2023 actuarial valuation. The current actuarial assumptions and methods are outlined in Section F of this report. The actuarial assumptions used are based on an experience review for the five-year period from January 1, 2018 through December 31, 2022, dated March 20, 2024. The actuarial assumptions used in this report are reasonable for the purposes of this valuation.

Funding Adequacy

The City contribution in calendar year 2025 is comprised of two pieces: 1) a Legacy Liability payment of \$43.7 million, and 2) and the City Contribution Rate of 10.78% of payroll (since the system is less than 90% funded, the City Contribution Rate is equal to the greater of the corridor midpoint of 9.33% and the actuarially determined contribution (ADC) rate of 10.78%). Members contribute 15.000% of payroll. This actuarial valuation determines the ADC for fiscal year 2026. As shown on page RSV-3, the calculated ADC is 11.97%. However, because the System is less than 90% funded, the rate is set to the greater of the calculated ADC and the corridor midpoint of 9.08% (as shown on page RSV-2). The greater of these two numbers at this valuation is the calculated ADC of 11.97% of payroll. In addition, to this contribution, the City will make a Legacy Liability payment for calendar year 2026 of \$45.1 million.

The unfunded actuarial accrued liability (UAAL) of APRS increased from \$731 million as of December 31, 2023 to \$783 million as of December 31, 2024. The increase was more than expected due to the loss on the actuarial value of assets and a liability experience loss due to higher than expected salary increases. The funded ratio of APRS—actuarial value of assets divided by the actuarial accrued liability—decreased from 58.9% to 58.3% as of December 31, 2024. The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

System Assets

This report contains several tables that summarize key information with respect to the APRS assets.

The total market value of assets increased from \$1,015 million as of December 31, 2023 to \$1,083 million as of December 31, 2024. Table 5 reconciles the changes in the fund during the year. Total contributions increased from \$77.0 million to \$83.5 million.

Table 6 shows the development of the actuarial value of assets. The actuarial value of asset method generally recognizes the difference between the actual and expected market value of assets over a five-year period. The total actuarial value of assets is \$1,095 million, which is greater than the market value of assets of \$1,083 million. This indicates that there are currently deferred losses to be recognized in the future.

When measured on a market value, the approximate investment return net of investment-related expenses for the fiscal year ending December 31, 2024 was 8.7%. When measured on an actuarial value, the net investment return was 6.4%, which is lower than the assumed return of 7.25%. APRS experienced an \$8.5 million actuarial asset loss over the past year. Table 7 shows a history of investment return rates. The APRS five-year average market return is 7.0% and the five-year average actuarial return is 7.4%.

Table 8 provides a history of the contributions paid into APRS and the administrative expenses and benefit payments that have been paid out of APRS. This table shows that APRS received less contributions than it paid out in administrative expenses and benefit payments, or -\$19.1 million (or -1.8% of assets) for the year ending December 31, 2024. Negative cashflow is expected for a pre-funded pension program. The entire reason for setting aside assets is to have the ability to use investment earnings to pay for benefits. If the cashflow was always going to be positive, there would be no reason to pre-fund the system.

All of the tables referenced in this discussion appear in Section C of this report.

Data

The valuation was based upon information as of December 31, 2024 furnished by APRS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by APRS staff. The tables in Section G show key census statistics for the various groups included in the valuation.

Sustainability

The passage of HB 4368 during the 2021 legislative session put in place a new lower tier of benefits which will slow the growth of APRS liabilities over the long-term, but more importantly the legislation changed the financing structure of APRS to a methodology that is intended to insure the long-term sustainability of APRS.

TABLE 1
Comparison of Valuation Liabilities
(Inclusive of the Retiree Death Benefit Fund)

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--|--------------------------|--------------------------|
| 1. Payroll | | |
| a. Annualized Payroll on Valuation Date | \$ 166,614,499 | \$ 155,330,225 |
| b. Projected Contributory Payroll | 170,779,861 | 159,213,481 |
| 2. Total Normal Cost Rate | | |
| a. Gross normal cost rate | 23.293% | 23.532% |
| b. Administrative expenses | <u>1.250%</u> | <u>1.250%</u> |
| c. Total (Item 2a + Item 2b) | 24.543% | 24.782% |
| 3. Actuarial Accrued Liability for Active and Active DROP Members | | |
| a. Present value of future benefits for active members | \$ 1,060,389,929 | \$ 987,307,534 |
| b. Less: present value of future normal costs | <u>(334,250,106)</u> | <u>(317,086,565)</u> |
| c. Actuarial accrued liability | \$ 726,139,823 | \$ 670,220,969 |
| 4. Total Actuarial Accrued Liability for: | | |
| a. Retirees and beneficiaries | \$ 1,137,619,484 | \$ 1,096,399,784 |
| b. Inactive members | 13,876,265 | 11,310,813 |
| c. Active and Active DROP members (Item 3c) | <u>726,139,823</u> | <u>670,220,969</u> |
| d. Total | \$ 1,877,635,572 | \$ 1,777,931,566 |
| 5. Actuarial Value of Assets | \$ 1,095,007,001 | \$ 1,047,377,832 |
| 6. Unfunded Actuarial Accrued Liability (UAAL) (Item 4d - Item 5) | \$ 782,628,571 | \$ 730,553,734 |
| 7. Funded Ratio | 58.3% | 58.9% |

Table 2

Actuarial Present Value of Future Benefits

(Inclusive of the Retiree Death Benefit Fund)

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|--|--------------------------|--------------------------|
| 1. Active Members (not in DROP at the valuation date) | | |
| a. Service Retirement | \$ 1,004,529,420 | \$ 939,147,654 |
| b. Disability Benefits | 5,564,710 | 5,298,436 |
| c. Death Before Retirement | 5,523,754 | 5,264,640 |
| d. Termination | <u>26,135,052</u> | <u>24,940,365</u> |
| e. Total | \$ 1,041,752,936 | \$ 974,651,095 |
| 2. Active DROP Members | \$ 18,636,993 | \$ 12,656,439 |
| 3. Inactive Members | | |
| a. Vested Terminated | \$ 12,699,790 | \$ 10,249,857 |
| b. Non-Vested Terminated | <u>1,176,475</u> | <u>1,060,956</u> |
| c. Total | \$ 13,876,265 | \$ 11,310,813 |
| 4. Annuitants | | |
| a. Service Retirement | \$ 1,078,764,172 | \$ 1,039,080,236 |
| b. Disability Retirement | 2,245,218 | 2,260,552 |
| c. Beneficiaries and QDROs | <u>56,610,094</u> | <u>55,058,996</u> |
| d. Total | \$ 1,137,619,484 | \$ 1,096,399,784 |
| 5. Total Actuarial Present Value of Future Benefits | \$ 2,211,885,678 | \$ 2,095,018,131 |

Table 3

Analysis of Normal Cost

(Inclusive of the Retiree Death Benefit Fund)

| | <u>December 31, 2024</u> | <u>December 31, 2023</u> |
|---|--------------------------|--------------------------|
| 1. Gross Normal Cost Rate ¹ | | |
| a. Service Retirement | 20.980% | 21.201% |
| b. Disability Benefits | 0.276% | 0.279% |
| c. Death Before Retirement | 0.180% | 0.183% |
| d. Termination | <u>1.857%</u> | <u>1.869%</u> |
| e. Total | 23.293% | 23.532% |
| 2. Administrative Expenses ² | 1.250% | 1.250% |
| 3. Total Normal Cost | 24.543% | 24.782% |
| 4. Less: Member Rate | 15.000% | 15.000% |
| 5. Employer Normal Cost Rate | 9.543% | 9.782% |

¹ Normal cost based on the census data as of the stated valuation date.

² Includes normal cost associated with the Retiree Death Benefit Fund and a load for assumed administrative expenses of the System.

Table 4
Historical Summary of Active Member Data

| Valuation as of December 31 ¹ , | Active Members | | Covered Payroll | | Average Salary | | Average Age | Average Service |
|---|------------------------|---------------------|--------------------------|---------------------|----------------|---------------------|----------------|--------------------|
| | Number ² | Percent Increase | \$ Amount (thousands) | Percent Increase | \$ Amount | Percent Increase | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 2011 | 1,679 | | 133,709 | | 79,636 | | 39.7 | 11.7 |
| 2012 | 1,709 | 1.8% | 140,273 | 4.9% | 82,079 | 3.1% | 39.6 | 11.5 |
| 2013 | 1,732 | 1.3% | 145,871 | 4.0% | 84,221 | 2.6% | 39.9 | 11.6 |
| 2014 | 1,777 | 2.6% | 150,860 | 3.4% | 84,896 | 0.8% | 40.0 | 11.7 |
| 2015 | 1,761 | -0.9% | 151,855 | 0.7% | 86,232 | 1.6% | 40.1 | 11.1 |
| 2016 | 1,837 | 4.3% | 158,761 | 4.5% | 86,424 | 0.2% | 39.8 | 10.8 |
| 2017 | 1,866 | 1.6% | 162,491 | 2.3% | 87,080 | 0.8% | 40.3 | 11.7 |
| 2018 | 1,892 | 1.4% | 166,565 | 2.5% | 88,036 | 1.1% | 40.5 | 12.0 |
| 2019 | 1,872 | -1.1% | 168,732 | 1.3% | 90,135 | 2.4% | 40.9 | 12.5 |
| 2020 | 1,775 | -5.2% | 164,962 | -2.2% | 92,936 | 3.1% | 41.1 | 12.7 |
| 2021 | 1,673 | -5.7% | 157,820 | -4.3% | 94,334 | 1.5% | 41.0 | 12.6 |
| 2022 | 1,633 | -2.4% | 157,280 | -0.3% | 96,313 | 2.1% | 40.7 | 12.4 |
| 2023 | 1,551 | -5.0% | 155,330 | -1.2% | 100,148 | 4.0% | 40.3 | 12.1 |
| 2024 | 1,541 | -0.6% | 166,614 | 7.3% | 108,121 | 8.0% | 40.3 | 12.3 |

Notes:

¹ Information prior to December 31, 2017 is based on the information provided in the prior actuary's actuarial valuation reports

² Information for December 31, 2017 and later includes all active and active DROP members

Information prior to December 31, 2017 includes only active members not in DROP at the valuation date

Table 5

Reconciliation of Plan Net Position

| | Total | Pension | RDBF |
|---|------------------|------------------|--------------|
| 1. Market value of assets at beginning of year | \$ 1,014,902,702 | \$ 1,013,008,416 | \$ 1,894,286 |
| 2. Revenue for the year | | | |
| a. Contributions for the year | | | |
| i. Member Contributions - Payroll | \$ 23,825,923 | \$ 23,825,923 | \$ 0 |
| ii. Member Contributions - Service Credit Purchases | 1,701,189 | 1,701,189 | 0 |
| iii. City Contributions - Pension (Contribution Rate Payment) | 15,127,827 | 15,127,827 | 0 |
| iv. City Contributions - Pension (Legacy Liability Payment) | 42,762,407 | 42,762,407 | 0 |
| v. City Contributions - Retiree Death Benefit | 121,843 | 0 | 121,843 |
| vi. City Contributions - Proportionate Retirement | 0 | 0 | 0 |
| vii. Total | \$ 83,539,189 | \$ 83,417,346 | \$ 121,843 |
| b. Net Investment income for the year | \$ 87,017,529 | \$ 86,855,314 | \$ 162,215 |
| c. Total revenue | | | \$ 284,058 |
| | \$ 170,556,718 | \$ 170,272,660 | |
| 3. Disbursements for the year | | | |
| a. Retirement and disability benefits | \$ 92,032,549 | \$ 92,032,549 | \$ 0 |
| b. Lump Sum DROP Distributions | 100,000 | 100,000 | 0 |
| c. Lump Sum PROP Distributions | 4,143,692 | 4,143,692 | 0 |
| d. Retiree Death Benefits | 162,210 | 0 | 162,210 |
| e. Refund of Member Contributions | 2,514,049 | 2,514,049 | 0 |
| f. Administrative expenses | 3,729,336 | 3,729,336 | 0 |
| g. Total disbursements | \$ 102,681,836 | \$ 102,519,626 | \$ 162,210 |
| 4. Increase in net Position (Item 2c - Item 3g) | \$ 67,874,882 | \$ 67,753,034 | \$ 121,848 |
| 5. Market value of assets at end of year (Item 1 + Item 4) | \$ 1,082,777,584 | \$ 1,080,761,450 | \$ 2,016,134 |
| 6. Actual net investment income (Item 2b) | \$ 87,017,529 | \$ 86,855,314 | \$ 162,215 |
| 7. Expected net income at 7.25% | | | |
| a. Market value of assets at beginning of year | \$ 73,580,446 | | |
| b. Contributions for the year | 3,028,296 | | |
| c. Disbursements | (3,722,217) | | |
| d. Total | \$ 72,886,525 | | |
| 8. Excess investment income (Item 6 - Item 7d) | \$ 14,131,004 | | |
| 9. Estimated dollar weighted market yield | 8.7% | | |
| 10. Actuarial Value of Assets | | | |
| a. Actuarial value of assets at the beginning of year | \$ 1,047,377,832 | \$ 1,045,483,546 | \$ 1,894,286 |
| b. Actuarial value of assets at the end of year | \$ 1,095,007,001 | \$ 1,092,990,867 | \$ 2,016,134 |
| c. Investment income for the year | \$ 66,771,816 | \$ 66,609,601 | \$ 162,215 |
| d. Estimated dollar weighted actuarial yield | 6.4% | | |
| e. Expected return on the actuarial value of assets | \$ 75,240,972 | | |
| f. Asset gain/(loss) (Item 10c - Item 10e) | \$ (8,469,156) | | |

Table 6

Development of Actuarial Value of Assets

| | | | | | | | Year Ending December 31, 2024 |
|---|---|---------------------------------|----------------------------|--------------------|----------------------------------|-----------------------------------|-------------------------------------|
| 1. Excess/(Shortfall) of investment income for 2024 (Table 5, Item 8) | | | | | | | \$ 14,131,004 |
| 2. Development of amounts to be recognized as of December 31, 2022: | | | | | | | |
| Fiscal Year | Remaining Deferrals of Excess (Shortfall) of Investment Income | Offsetting of Gains/(Losses) | Net Deferrals Remaining | Years Remaining | Recognized for This Valuation | Remaining after This Valuation | |
| End | (1) | (2) | (3) = (1) + (2) | (4) | (5) = (3) / (4) | (6) = (3) - (5) | |
| 2020 | \$ 0 | \$ 0 | \$ 0 | 1 | \$ 0 | \$ 0 | |
| 2021 | 0 | 0 | 0 | 2 | 0 | | |
| 2022 | (32,475,130) | 14,131,004 | (18,344,126) | 3 | (6,114,709) | (12,229,417) | |
| 2023 | 0 | 0 | 0 | 4 | 0 | 0 | |
| 2024 | <u>14,131,004</u> | <u>(14,131,004)</u> | <u>0</u> | 5 | <u>0</u> | <u>0</u> | |
| Total | \$ (18,344,126) | \$ 0 | \$ (18,344,126) | | \$ (6,114,709) | \$ (12,229,417) | |
| 3. Market value of assets including RDFB assets | | | | | | | \$ 1,082,777,584 |
| a. Including RDFB assets | | | | | | | |
| b. Excluding RDFB assets | | | | | | | \$ 1,080,761,450 |
| 4. Actuarial value of assets | | | | | | | |
| a. Including RDFB assets (Item 3.a. - Item 2, Column 6) | | | | | | | \$ 1,095,007,001 |
| b. Excluding RDFB assets | | | | | | | \$ 1,092,990,867 |
| 5. Ratio of actuarial value to market value | | | | | | | 101.1% |

Notes: Remaining deferrals in Column (1) for prior years are from Table 6 of the prior year's report. Column (2) is a direct offset of the current year's excess/(shortfall) return against prior years' excess/(shortfall) of the opposite type (offset against oldest base first).

Table 7

History of Investment Return Rates

| Year Ending December 31, ¹ | Market Returns ² | Actuarial |
|--|--------------------------------|-----------|
| (1) | (2) | (3) |
| 2008 | -26.3% | |
| 2009 | 8.8% | |
| 2010 | 11.8% | |
| 2011 | -3.5% | |
| 2012 | 9.7% | -0.4% |
| 2013 | 8.9% | 6.9% |
| 2014 | 5.7% | 6.5% |
| 2015 | -0.3% | 4.4% |
| 2016 | 5.7% | 5.4% |
| 2017 | 11.7% | 5.9% |
| 2018 | -5.8% | 4.5% |
| 2019 | 20.7% | 6.6% |
| 2020 | 11.6% | 8.3% |
| 2021 | 17.7% | 10.7% |
| 2022 | -11.9% | 5.9% |
| 2023 | 11.5% | 5.6% |
| 2024 | 8.7% | 6.4% |
| Average Returns | | |
| Last Five Years: | 7.0% | 7.4% |
| Last Ten Years: | 6.5% | 6.4% |
| Last Fifteen Years: | 6.5% | N/A |

Notes:

¹ Results prior to December 31, 2017 are based on the information provided in the prior actuary's actuarial valuation reports

² Net of Administrative Expenses through December 31, 2018

Table 8

History of Cash Flow

(thousands \$)

| Year Ending December 31 ¹ | Distributions and Expenditures | | | | External Cash Flow for the Year | Market value of Assets | External Cash Flow as Percent of Market Value |
|---|--------------------------------|---------------------------------|---|-------------|------------------------------------|---------------------------|--|
| | Contributions | Benefit Payments and Refunds | Administrative Expenses ² | Total | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 2008 | \$ 34,943 | \$ (26,118) | | \$ (26,118) | \$ 8,825 | \$ 387,120 | 2.3% |
| 2009 | 38,448 | (28,173) | | (28,173) | 10,275 | 432,028 | 2.4% |
| 2010 | 40,081 | (30,876) | | (30,876) | 9,205 | 492,545 | 1.9% |
| 2011 | 43,641 | (34,863) | | (34,863) | 8,778 | 484,089 | 1.8% |
| 2012 | 47,302 | (40,009) | (1,163) | (41,172) | 6,130 | 538,898 | 1.1% |
| 2013 | 50,629 | (42,825) | (1,115) | (43,940) | 6,689 | 595,110 | 1.1% |
| 2014 | 54,065 | (45,403) | (1,327) | (46,730) | 7,335 | 638,019 | 1.1% |
| 2015 | 57,948 | (50,005) | (1,466) | (51,471) | 6,477 | 644,174 | 1.0% |
| 2016 | 56,105 | (50,828) | (1,397) | (52,225) | 3,880 | 686,020 | 0.6% |
| 2017 | 59,493 | (56,548) | (1,563) | (58,111) | 1,382 | 769,475 | 0.2% |
| 2018 | 57,848 | (63,983) | (1,421) | (65,404) | (7,556) | 718,520 | -1.1% |
| 2019 | 59,196 | (66,319) | (1,721) | (68,040) | (8,844) | 857,839 | -1.0% |
| 2020 | 60,699 | (76,956) | (1,929) | (78,885) | (18,186) | 938,226 | -1.9% |
| 2021 | 60,609 | (80,207) | (2,404) | (82,611) | (22,002) | 1,080,734 | -2.0% |
| 2022 | 70,784 | (87,734) | (3,010) | (90,744) | (19,960) | 933,084 | -2.1% |
| 2023 | 76,962 | (98,176) | (2,454) | (100,630) | (23,668) | 1,014,903 | -2.3% |
| 2024 | 83,539 | (98,953) | (3,729) | (102,682) | (19,143) | 1,082,778 | -1.8% |

Notes:

¹ Results prior to December 31, 2017 are based on the information provided in the prior actuary's actuarial valuation reports

² Information was not provided in the prior actuary's valuation reports

Table 9
Total Experience Gain or Loss
(Inclusive of the Retiree Death Benefit Fund)

| Item | | Year Ending December 31, 2024 | |
|---|------------------|----------------------------------|--------------|
| (1) | | (2) | |
| A. Calculation of total actuarial gain or loss | | | |
| 1. Unfunded actuarial accrued liability (UAAL), previous year | | \$ | 730,553,734 |
| 2. Normal cost for the year, including service purchases | | | 39,079,297 |
| 3. Administrative expenses for the year | | | 3,729,336 |
| 4. Contributions for the year | | | (83,539,189) |
| 5. Interest at 7.25% | | | |
| a. On UAAL | | \$ | 52,965,146 |
| b. On normal cost | | | 1,416,625 |
| c. On administrative expenses | | | 135,188 |
| d. On contributions | | | (3,028,296) |
| e. Total | | \$ | 51,488,663 |
| 6. Changes due to assumptions | | | 0 |
| 7. Expected UAAL, end of year (Sum of items 1 through 6) | | | 741,311,841 |
| 8. Actual UAAL, end of year | | | 782,628,571 |
| 9. Total (gain)/loss for the year (item 8 – item 7) | | \$ | 41,316,730 |
| | % of | | |
| | AAL ¹ | | |
| B. Source of gains and losses | | | |
| 1. Asset (Gain)/Loss | 0.46% | \$ | 8,469,156 |
| 2. Salary (Gain)/Loss | 2.05% | \$ | 37,877,721 |
| 3. Demographic (Gains)/Losses | 0.27% | \$ | (5,030,147) |
| 4. Total | 2.24% | \$ | 41,316,730 |

¹ Percent of expected Actuarial Accrued Liability

Table 10

Funding History

(Inclusive of the Retiree Death Benefit Fund)

| Valuation Date December 31 ¹ , | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) | Funded Ratio (2)/(3) | Annual Covered Payroll | UAAL as % of Payroll (4)/(6) |
|--|------------------------------------|--------------------------------------|--|-------------------------|---------------------------|---------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 2009 | \$ 518,433,065 | \$ 735,334,345 | \$ 216,901,280 | 70.5% | \$ 122,928,285 | 176.4% |
| 2010 | 547,364,486 | 778,005,374 | 230,640,888 | 70.4% | 127,731,696 | 180.6% |
| 2011 | 554,190,027 | 826,366,581 | 272,176,554 | 67.1% | 135,264,530 | 201.2% |
| 2012 | 559,077,407 | 858,949,998 | 299,872,591 | 65.1% | 141,561,047 | 211.8% |
| 2013 | 605,530,903 | 913,591,470 | 308,060,567 | 66.3% | 147,138,718 | 209.4% |
| 2014 | 653,980,764 | 971,213,766 | 317,233,002 | 67.3% | 152,544,227 | 208.0% |
| 2015 | 690,696,986 | 1,039,229,249 | 348,532,263 | 66.5% | 155,832,755 | 223.7% |
| 2016 | 733,105,429 | 1,109,862,137 | 376,756,708 | 66.1% | 163,894,324 | 229.9% |
| 2017 | 779,484,342 | 1,185,017,294 | 405,532,952 | 65.8% | 162,490,560 | 249.6% |
| 2018 | 807,978,988 | 1,389,660,616 | 581,681,628 | 58.1% | 166,564,996 | 349.2% |
| 2019 | 852,294,229 | 1,459,529,788 | 607,235,559 | 58.4% | 168,732,391 | 359.9% |
| 2020 | 904,436,131 | 1,542,174,418 | 637,738,287 | 58.6% | 164,961,691 | 386.6% |
| 2021 | 977,909,434 | 1,623,334,720 | 645,425,286 | 60.2% | 157,820,000 | 409.0% |
| 2022 | 1,015,080,603 | 1,688,755,684 | 673,675,081 | 60.1% | 157,279,666 | 428.3% |
| 2023 | 1,047,377,832 | 1,777,931,566 | 1,047,377,832 | 58.9% | 155,330,225 | 470.3% |
| 2024 | 1,095,007,001 | 1,877,635,572 | 782,628,571 | 58.3% | 166,614,499 | 469.7% |

Notes:

¹ Results prior to December 31, 2017 are based on the information provided in the prior actuary's actuarial valuation reports

² Annual Covered Payroll is the annualized salaries of those members who are active employees on the valuation date.

A 10-year trend history of the actuarially determined employer contributions is shown on the Schedule of Employer Contributions in the Required Supplementary Information section of the ACFR.

Table 11

Retiree Death Benefit Fund

The Retiree Death Benefit Fund was established effective September 1, 2003. The Fund operates as a separate account within the system that is used to advance fund and to pay the \$10,000 post-retirement lump sum death benefits for retirees. The following table illustrates the allocation of the total plan assets and liabilities between the primary pension fund and the Retiree Death Benefit Fund.

| | <u>Pension Fund</u> | <u>Retiree Death Benefit Fund</u> | <u>Total</u> |
|---|----------------------|---------------------------------------|----------------------|
| 1. Total Actuarial Present Value of Future Benefits | | | |
| a. Active Members | \$ 1,059,531,950 | \$ 857,979 | \$ 1,060,389,929 |
| b. Inactive Members | 13,798,118 | 78,147 | 13,876,265 |
| c. Annuitants | <u>1,133,906,230</u> | <u>3,713,254</u> | <u>1,137,619,484</u> |
| d. Total | \$ 2,207,236,298 | \$ 4,649,380 | \$ 2,211,885,678 |
| 2. Present Value of Future Normal Costs | \$ 333,993,252 | \$ 256,854 | \$ 334,250,106 |
| 3. Actuarial Accrued Liability (item 1 - item 2) | \$ 1,873,243,046 | \$ 4,392,526 | \$ 1,877,635,572 |
| 4. Valuation Assets | \$ 1,092,990,867 | \$ 2,016,134 | \$ 1,095,007,001 |
| 5. Unfunded Actuarial Accrued Liability (UAAL) (item 3 - item 4) | \$ 780,252,179 | \$ 2,376,392 | \$ 782,628,571 |
| 6. City Contribution Rate to be Allocated to the Retiree Death Benefit Fund | | | |
| a. Normal Cost Rate | | 0.018% | |
| b. Payment Required to Amortize UAAL over 12 years (as of 12/31/2024) | | 0.163% | |
| c. Total Allocated Rate | | 0.181% | |

Table 12
Solvency Test

| Valuation Date | Aggregated Accrued Liabilities for | | | Reported Assets | Portions of Accrued Liabilities Covered by Reported Assets | | |
|--------------------------------|---|----------------------------|---|-----------------|--|-------------|-------------------|
| | Active and Inactive Members Contributions | Retirees and Beneficiaries | Active and Inactive Members (Employer Financed Portion) | | (5)/(2) | [(5)-(2)]/3 | [(5)-(2)-(3)]/(4) |
| | | | | | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| December 31, 2014 ¹ | 154,815,011 | 468,731,672 | 344,793,711 | 653,980,764 | 100.0% | 100.0% | 8.8% |
| December 31, 2015 ¹ | 161,499,234 | 538,773,935 | 335,844,969 | 690,696,986 | 100.0% | 98.2% | 0.0% |
| December 31, 2016 ¹ | 169,903,845 | 538,731,239 | 401,227,053 | 733,105,429 | 100.0% | 100.0% | 6.1% |
| December 31, 2017 | 175,088,066 | 578,971,295 | 430,957,933 | 779,484,342 | 100.0% | 100.0% | 5.9% |
| December 31, 2018 | 185,130,576 | 666,427,331 | 538,102,709 | 807,978,988 | 100.0% | 93.5% | 0.0% |
| December 31, 2019 | 197,294,035 | 702,378,940 | 559,856,813 | 852,294,229 | 100.0% | 93.3% | 0.0% |
| December 31, 2020 | 200,132,389 | 793,871,767 | 548,170,262 | 904,436,131 | 100.0% | 88.7% | 0.0% |
| December 31, 2021 | 193,599,595 | 910,108,231 | 519,626,894 | 977,909,434 | 100.0% | 86.2% | 0.0% |
| December 31, 2022 | 196,392,470 | 997,116,702 | 495,246,512 | 1,015,080,603 | 100.0% | 82.1% | 0.0% |
| December 31, 2023 | 195,924,557 | 1,096,399,784 | 485,607,225 | 1,047,377,832 | 100.0% | 77.7% | 0.0% |
| December 31, 2024 | 203,451,087 | 1,137,619,484 | 536,565,001 | 1,095,007,001 | 100.0% | 78.4% | 0.0% |

¹ Figures for 2014-2016 are estimates based upon the prior actuary's reports.

ASSESSMENT AND DISCLOSURE OF RISK ASSOCIATED WITH MEASURING PENSION OBLIGATIONS AND DETERMINING PENSION PLAN CONTRIBUTIONS

The determination of the accrued liability and an actuarially determined contribution (or funding period) requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and an actuarially determined contribution (or funding period) that result from the differences between actual experience and the actuarial assumptions

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; 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 plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The actuarially determined employer contribution rates shown on the Executive Summary provide a guide for the adequacy of the current statutory contribution rates received from the membership and the City. As shown on the exhibit, the current contribution rates are not sufficient to ensure the sustainability of the System. The timely receipt of the actuarially determined contributions is critical to support the financial health of the System. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following (please see a description of the measures following the table):

| Valuation as of December 31 st | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Ratio of market value of assets to payroll | 6.5 | 6.5 | 5.9 | 6.8 | 5.7 | 5.1 | 4.3 |
| Ratio of actuarial accrued liability to payroll | 11.3 | 11.4 | 10.7 | 10.3 | 9.3 | 8.6 | 8.3 |
| Ratio of actives to retirees and beneficiaries | 1.1 | 1.1 | 1.3 | 1.4 | 1.7 | 2.0 | 2.1 |
| Ratio of net cash flows to market value of assets | -1.8% | -2.3% | -2.1% | -2.0% | -1.9% | -1.0% | -1.1% |
| Duration of actuarial accrued liability | 13.7 | 13.7 | 14.1 | 14.3 | 14.6 | 14.8 | 15.1 |

RATIO OF MARKET VALUE OF ASSETS TO PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll (5 to 2 ratio), a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percentage of assets may indicate a super-mature plan or a need for additional contributions.

DURATION OF ACTUARIAL ACCRUED LIABILITY

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, a duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

ADDITIONAL RISK ASSESSMENT

Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. A robust measurement of additional risk assessment is outside the scope of the annual actuarial valuation. However, we recommend that some scenario testing and sensitivity testing be included in any sustainability study conducted in the future.

RISKS MEASURES – LOW DEFAULT RISK OBLIGATION MEASURE

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**”

Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of the Austin Police Retirement System (APRS) is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level dollar amount. To fulfill this objective, the discount rate that is used to value the accrued liabilities of the Plan is set equal to the expected return on the Fund’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For the Plan, the investment return assumption is 7.25 %.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the intermediate rate from the FTSE Pension Discount Curve and Liability Index published by the Society of Actuaries. This rate is 5.49% as of December 31, 2024. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the cost to de-risk the diversified portfolio.

| Valuation Accrued Liabilities | LDROM |
|-------------------------------|-----------------|
| \$1,877,635,572 | \$2,308,346,166 |

SUMMARY OF PLAN PROVISIONS FOR AUSTIN POLICE RETIREMENT SYSTEM

Creditable Service (APRS Service)

Total years and completed months (excluding a month in which service amount to fewer than 15 days) during which a Member makes contributions to the System.

Earnings

Base pay plus longevity pay. Overtime or special pay is not included.

Average Final Compensation

Average Earnings for the highest 36 months (60 months for new members beginning January 1, 2022) over the last 120 months of service.

Member Contributions

15.000% of Earnings beginning January 1, 2022. Subject to a possible increase of up to 2% of pay (17% of pay total) if the ADC exceeds the corridor maximum.

City Contributions

Beginning January 1, 2022, City contribution will consist of two components:

- City Contribution Amount – Fixed City payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2020 over a 30-year period (see page RSV-5), plus
- City Contribution Rate – An actuarially determined contribution (ADC) based on plan costs (reduced by the member rate) in addition to the fixed payment plan for the legacy unfunded liability, subject to certain constraints. A contribution rate corridor (see page RSV-2) for the ADEC was established (beginning with contributions being paid in fiscal year 2022) to keep the rate within a certain range to ensure long-term funding but moderating volatility. The City Contribution Rate is the ADC except:
 - If the ADC is less than the corridor midpoint but APRS is less than 90% funded then the City Contribution Rate is the corridor midpoint,
 - If the ADC exceeds the corridor maximum the City Contribution Rate is the corridor maximum.

Normal Retirement

Date:

Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age. For new members beginning January 1, 2022, age 62, or age 50 and 25 years of Creditable Service. Creditable Service for retirement eligibility includes Proportionate Service Credit and excludes pre-membership military service.

Benefit:

3.20% of Average Final Compensation (2.50% for new member beginning January 1, 2022) times Creditable Service (including pre-membership military service).

Form of Benefit:

Life Annuity. At the death of the member, the excess, if any, of the member's accumulated contributions over the amount of payments made to the member will be paid in a lump sum to the member's beneficiary. (Other benefit options available).

Vesting

Schedule:

100% after 10 years of Creditable Service, including Proportionate Service Credit.

Benefit Amount:

Members will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination.

Non-vested members receive a refund of accumulated contributions.

Disability

Eligibility:

10 years of Creditable Service (service requirement is waived if the disability is a direct or proximate result of the performance of the member's employment). Members who are eligible for normal retirement may not apply for disability benefits.

Benefit:

Monthly benefit is calculated in the same manner as the member's normal retirement benefit. Benefit will be calculated with a minimum of 20 years of Creditable Service if the disability is a direct or proximate result of the performance of the member's employment.

Death Benefits

Before Retirement Eligibility:

Lump sum payment equal to twice the amount of the member's accumulated contributions, subject to a minimum of \$10,000.

After Retirement Eligibility (member is married at the time of death):

In lieu of the lump sum benefit described above, the surviving spouse may select a retirement option in the same manner as if the member had retired immediately prior to his death. When monthly benefits are payable in lieu of the lump sum, a \$10,000 death benefit will be paid to the surviving spouse.

After Retirement Eligibility (member is not married at the time of death):

In lieu of the lump sum benefit described above, the member's beneficiary may select a Fifteen Year Certain benefit calculated in the same manner as if the member had retired immediately prior to his death. When monthly benefits are payable in lieu of the lump sum, a \$10,000 death benefit will be paid to the beneficiary.

Retiree Death Benefit Fund

Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to \$10,000.

Proportionate Retirement Program

Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

The cost of the PRP is included as part of the Legacy Liability and the actuarially determined City Contribution Rate.

Forward DROP

Eligibility:

Completion of 23 years of Creditable Service (including Proportionate Service Credit and excluding pre-membership military service). For members hired on or after January 1, 2022 eligibility is age 50 and 25 years of service.

Participation Period:

Not to exceed 60 months. For members with less than 23 years of APRS Service as of February 17, 2016, the maximum participation period was extended to 84 months.

Rate of Return:

Effective August 1, 2015, equal to the PROP interest rate (currently 2.25%). Members with 23 years of APRS service as of July 31, 2015 will receive 5.00% interest credit per year.

Additionally, members with less than 23 years of APRS Service as of February 17, 2016 will not receive interest crediting while in DROP.

DROP Fee/Charge:

For members with less than 23 years of APRS Service as of February 17, 2016, a charge for DROP participation will be applied as shown below. The charge will only apply during the period of DROP participation.

| <u>Year of DROP Participation</u> | <u>Fee/Charge</u> |
|-----------------------------------|-------------------|
| 1 | 25% |
| 2 | 20 |
| 3 | 15 |
| 4 | 10 |
| 5 | 5 |
| 6 | 5 |
| 7 | 5 |

Form of Distribution:

Cash lump sum (or rollover to PROP account) at termination of employment.

Miscellaneous:

For members with less than 23 years of APRS Service as of February 17, 2016, member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System.

Retro DROP

Eligibility:

Completion of 23 years of Creditable Service (included Proportionate Service Credit and excluding pre-membership military service). Members with less than 23 years on April 1, 2015 will not be eligible to participate in Retro DROP.

Participation Period:

Not to exceed 36 months.

Rate of Return:

5.0%.

Form of Distribution:

Cash lump sum (or rollover to PROP account) at termination of employment.

Post-Retirement Option Plan (PROP)

Retiring members who have participated in DROP may transfer all or a portion of their DROP lump sum into their PROP account for later disbursement.

Retired members may defer receipt of a minimum of \$250 of their monthly annuity. These deferred benefits will be accumulated and available for later disbursement. Participants may change their deferral amount twice per calendar year. The interest crediting rate on a member's PROP deferrals is set by the Board. The current crediting rate is 4.19%.

Cost of Living Adjustment

None.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees effective with the December 31, 2022 actuarial valuation. The actuarial assumptions used for the December 31, 2024 actuarial valuation are based on an experience review for the five-year period from January 1, 2018 through December 31, 2022, dated March 20, 2024. Please see this report for a discussion of the analysis and rationale for the recommended assumptions.

I. Valuation Date

The valuation date is December 31 of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

The actuarial valuation is used to determine the adequacy of the current City contribution rate, describe the current financial condition of APRS, analyze changes in the condition of APRS, and provide various summaries of the data.

The actuarial valuation uses the Entry Age Normal (EAN) actuarial cost method. Under this method, the first step is to determine the contribution rate (level as a percentage of pay) required to provide the benefits to each member, or the normal cost rate. The normal cost rate consists of two pieces: (i) the member's contribution rate, and (ii) the remaining portion of the normal cost rate which is the employer's normal cost rate. The total normal cost rate is based on the benefits payable to each individual active member.

The Unfunded Actuarial Accrued Liability (UAAL) is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution is equal to the employer normal cost and two payments towards any unfunded actuarial liabilities.

The Individual Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

Two payments towards the unfunded liabilities are made by the employer. The first is a payment towards the Legacy Liability. This is payment is part of a schedule of known dollar amounts which amortize the Legacy Liability over 30 payments. The second payment towards the UAAL is for unanticipated changes in the UAAL that have occurred since the Legacy Liability was created. Each year a new closed amortization base is created for these unanticipated changes. If the layer is a loss layer the period is 30 years of payments beginning one year after the valuation date. If it is a gain layer then the period is the same as the remaining period as the largest loss layer (which is currently the Legacy Liability layer).

The net sum of these layers layer is the additional payment towards the UAAL. The funding period is the weighted average of the remaining length of time on these amortization layers (including the Legacy Liability).

III. Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment returns in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continuing to be recognized on their original timeframe. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year).

IV. Actuarial Assumptions

Investment Return: 7.25% per year, net of investment-related expenses (composed of an assumed 2.50% inflation rate and a 4.75% real rate of return)

Mortality Decrements:

Pre-Retirement

PubS-2010 Employee Mortality Table for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP-2021 tables.

Healthy Annuitants

PubS-2010 Healthy Retiree Mortality Table for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP-2021 tables.

Disabled Annuitants

PubS-2010 Disability Mortality Table for males and females. Generational mortality improvements projected from the year 2010 using the ultimate mortality improvement rates in the MP-2021 tables.

Service Retirement Decrements:

Members Who Have 23 Years of Service by Age 55

The following rates reflect the members expected departure from active service and are applied based on years of service:

| Years of Service | Probability of Retirement |
|------------------|---------------------------|
| 23 | 40% |
| 24 | 20 |
| 25 | 20 |
| 26 | 20 |
| 27 | 20 |
| 28 | 20 |
| 29 | 30 |
| 30+ | 30 |

100% probability of retirement at age 62.

Members Who Do Not Have 23 Years of Service by Age 55

The following rates reflect the members expected departure from active service and are applied based on the member's age:

| Age | Probability of Retirement |
|-----|---------------------------|
| 55 | 30% |
| 56 | 30 |
| 57 | 30 |
| 58 | 30 |
| 59 | 30 |
| 60 | 30 |
| 61 | 30 |
| 62+ | 100 |

Deferred Retirement Option Program (DROP)

Members eligible for either the Back DROP or 5-year Forward DROP (or both) are assumed to select the most valuable option based on their individual situation at each possible retirement age. Members eligible for only the 7-year Forward DROP are assumed to not participate in DROP.

Post-Retirement Option Plan (PROP) Investment Accounts

75% of members with a PROP account at the valuation date will elect to leave their lump sum in APRS until age 60 and 25% of members will elect to receive their PROP balance at the valuation date. No future PROP deferrals are assumed and current active members are not assumed to enter PROP. Average annual rate credited to the PROP accounts is the average yield of the 10-year treasuries for the 12-month period ending October 31st of the prior calendar year. For valuation purposes we will assume the rate that applies to the calendar year following the valuation date will apply to all future years.

Withdrawal of Employee Contributions

Members that terminate with a vested benefit are assumed to choose the most valuable option available to them at the time of termination: withdrawal of contributions or deferred annuity. Non-vested members are assumed to receive an immediate refund of accumulated contributions.

Members who elect to defer their annuity are assumed to retire on the date they are first eligible.

Disability Retirement Decrements:

Disability Rates

Rates for males and females at selected ages are shown below:

| Age | Rate |
|-----|---------|
| 20 | 0.0004% |
| 25 | 0.0025 |
| 30 | 0.0099 |
| 35 | 0.0259 |
| 40 | 0.0494 |
| 45 | 0.0804 |
| 50 | 0.1188 |
| 55 | 0.1647 |
| 60 | 0.2180 |

Disability rates are set to zero when members become eligible for retirement

In Line of Duty Disability

55% of disability retirements assumed to be in the line of duty.

Termination Decrements for Reasons Other Than Death or Retirement:

Withdrawal Rates

The following service-based rates apply:

| Years of Service | Probability of Termination |
|------------------|----------------------------|
| 0 | 13.00% |
| 1 | 6.00 |
| 2-5 | 3.50 |
| 6-9 | 2.00 |
| 10-22 | 1.00 |
| 23+ | 0.00 |

Termination rates are set to zero when members become eligible for retirement.

Salary Increases: Increases are assumed to vary based on years since academy graduation. Salary increases include an underlying price inflation component of 2.50% and a 0.5% promotional increase is included in all steps. The table below shows the total percentage increase for the year the indicated anniversary of the officer's academy graduation occurs.

| Anniversary of Academy Graduation | Percentage Increase |
|-----------------------------------|---------------------|
| 1* | 15.20% |
| 2 | 13.40 |
| 3 | 3.00 |
| 4 | 3.00 |
| 5 | 3.00 |
| 6 | 10.00 |
| 7 | 3.00 |
| 8 | 3.00 |
| 9 | 3.00 |
| 10 | 10.00 |
| 11 | 3.00 |
| 12 | 3.00 |
| 13 | 3.00 |
| 14 | 10.00 |
| 15 | 3.00 |
| 16 | 10.00 |
| 17-22 | 3.00 |
| 23 | 6.00 |
| 24+ | 3.00 |

If a member is a cadet on the valuation date their pay for the following year is assume to be the starting pay of a graduated officer. The 1st increase in the able above would apply to the following year

Cost-of-Living Adjustments (COLA): Cost of living adjustments are granted on an ad hoc basis. No future COLAs are assumed.

Administrative Expenses: 1.25% of payroll. Included in this assumption would be any administrative expenses associated with the proportionate retirement program, which is currently assumed to be 0.017% of payroll.

Payroll Growth: Member Payroll is assumed to grow at 2.50% per year.

Marital Assumptions: 75% of active members are assumed to be married. Male spouses are assumed to be three years older than female spouses.

Decrement Timing: All decrements – mortality, service retirement, disability retirement, and termination of employment for reasons other than death or retirement – are assumed to occur at the middle of the valuation year.

Census Data and Assets

- The valuation was based on members of APRS as of the valuation date and does not take into account future members.
- All census data was supplied by APRS and was subject to reasonable consistency checks.
- There were data elements that were modified for some members as part of the valuation in order to make the data complete. However, the number of missing data items was immaterial.
- Asset data was supplied by APRS.

Other Actuarial Valuation Procedures

- No provision was made in this actuarial valuation for the limitations of Internal Revenue Code Sections 415 or 401(a)17.
- Annualized Payroll on Valuation Date is the annualized payroll of active members on the valuation date. Projected Contributory Payroll for the upcoming fiscal year (used in determining the amortization period) is the estimated pensionable earnings received by all plan members for the just completed calendar year (including earnings for members who are no longer active employees on the valuation date) increased by the assumed payroll growth rate.

Actuarial Model: This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

DETAILED SUMMARIES OF MEMBERSHIP DATA

Table A

Summary of Active Membership Data

| | <u>December 31, 2024</u> |
|--|--------------------------|
| Active members | |
| a. Number | 1,527 |
| b. Total payroll at the valuation date | \$ 164,828,668 |
| c. Average salary | \$ 107,943 |
| d. Average age | 40.2 |
| e. Average benefit service | 12.1 |
| Active Members currently in DROP | |
| a. Number | 14 |
| b. Total payroll at the valuation date | \$ 1,785,831 |
| c. Average salary | \$ 127,559 |
| d. Average age | 53.7 |
| e. Average benefit service | 27.2 |
| f. Total annual benefits | \$ 1,316,486 |
| g. Average annual benefit | \$ 94,035 |
| h. Total DROP Balance | \$ 2,454,681 |
| Vested inactive members | |
| a. Number | 80 |
| b. Total annual deferred benefits | \$ 2,450,552 |
| c. Average annual deferred benefit | \$ 30,632 |
| d. Average age | 47.6 |
| Nonvested inactive members | |
| a. Number | 98 |
| b. Member contributions due | \$ 1,176,475 |
| c. Average refund due | \$ 12,005 |

Table B

Summary of Annuitant Membership Data

December 31, 2024

Service Retirees

| | | |
|---------------------------|----|------------|
| a. Number | | 1,230 |
| b. Total annual benefits | \$ | 90,756,228 |
| c. Average annual benefit | \$ | 73,786 |
| d. Average age | | 62.9 |
| e. Total PROP Balance | \$ | 30,090,064 |

Disability Retirees

| | | |
|---------------------------|----|---------|
| a. Number | | 5 |
| b. Total annual benefits | \$ | 176,160 |
| c. Average annual benefit | \$ | 35,232 |
| d. Average age | | 54.0 |
| e. Total PROP Balance | \$ | 0 |

Beneficiaries

| | | |
|---------------------------|----|-----------|
| a. Number | | 96 |
| b. Total annual benefits | \$ | 4,229,695 |
| c. Average annual benefit | \$ | 44,523 |
| d. Average age | | 73.3 |
| e. Total PROP Balance | \$ | 457,902 |

QDROs

| | | |
|---------------------------|----|-----------|
| a. Number | | 83 |
| b. Total annual benefits | \$ | 1,575,634 |
| c. Average annual benefit | \$ | 18,984 |
| d. Average age | | 59.6 |
| e. Total PROP Balance | \$ | 0 |

Total Members in Payment

| | | |
|---------------------------|----|------------|
| a. Number | | 1,414 |
| b. Total annual benefits | \$ | 96,737,717 |
| c. Average annual benefit | \$ | 68,414 |
| d. Average age | | 63.4 |
| e. Total PROP Balance | \$ | 30,547,966 |

Table C
Status Reconciliation

| | Active | Active DROP | Vested Terminated | Non-vested Terminated | Retiree | Disability Retiree | Beneficiary | QDRO |
|--------------------------|--------------|----------------|----------------------|--------------------------|--------------|-----------------------|-------------|-----------|
| Beginning of Year | 1,541 | 10 | 72 | 84 | 1,191 | 5 | 95 | 80 |
| Re-hired | - | - | - | 4 | - | - | - | - |
| Termination, non-vested | 14 | - | - | - | - | - | - | 1 |
| Termination, vested | 11 | - | - | 1 | - | - | - | - |
| Entered DROP | 5 | - | - | - | - | - | - | - |
| Retirement | 51 | 1 | 3 | - | - | - | - | - |
| Disability retirement | - | - | - | - | - | - | - | - |
| Contribution refund | 26 | - | - | 29 | - | - | 1 | - |
| Death | - | - | - | - | 16 | - | 5 | - |
| Total Out | 107 | 1 | 3 | 33 | 16 | 0 | 6 | 1 |
| Continuing | 1,434 | 9 | 69 | 51 | 1,175 | 5 | 89 | 79 |
| Total In | 93 | 5 | 11 | 47 | 55 | 0 | 7 | 4 |
| End of Year | 1,527 | 14 | 80 | 98 | 1,230 | 5 | 96 | 83 |

DEFINITION OF TERMS

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or Funding Method: A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADC.

Actuarial Gain or Actuarial Loss: A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
- b. Multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB.

Actuarial Value of Assets or Valuation Assets: The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution or ADC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC): A calculated contribution for a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the calculated contribution has a normal cost payment and an amortization payment.

Closed Amortization Period: A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

Funding Period or Amortization Period: The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

T

STATISTICAL SECTION

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The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements and note disclosures to understand and assess the economic condition of the Austin Police Retirement System (APRS). In compliance with GASB Statement No. 44, Economic Condition Reporting: The Statistical Section schedules are classified into the following categories: Demographic and Economic Information, Operating Information, and Financial Trends.

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Sources: Schedules and data are provided by the consulting actuary, GRS Retirement Consulting, unless otherwise noted.

Table D-1

Group A Active Members – Distribution by Age and Service

| Age | Years of Service | | | | | | | | | Total |
|--------------|------------------|-----------|------------|------------|------------|------------|------------|-------|-----|------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ | |
| Under 25 | 2 | | | | | | | | | 2 |
| | * | | | | | | | | | * |
| 25 - 29 | 37 | 20 | | | | | | | | 57 |
| | \$ 87,954 | \$ 90,914 | | | | | | | | \$ 88,993 |
| 30 - 34 | 33 | 140 | 19 | | | | | | | 192 |
| | \$ 87,627 | \$ 94,898 | \$ 103,343 | | | | | | | \$ 94,484 |
| 35 - 39 | 6 | 97 | 98 | 32 | | 1 | | | | 234 |
| | \$ 88,085 | \$ 96,753 | \$ 107,106 | \$ 119,836 | * | | | | | \$ 104,015 |
| 40 - 44 | 4 | 32 | 92 | 154 | 29 | | | | | 311 |
| | \$ 89,747 | \$ 97,751 | \$ 108,538 | \$ 125,929 | \$ 137,357 | | | | | \$ 118,485 |
| 45 - 49 | | 20 | 29 | 75 | 102 | 20 | | | | 246 |
| | | \$ 97,697 | \$ 107,001 | \$ 122,414 | \$ 136,874 | \$ 131,417 | | | | \$ 125,315 |
| 50 - 54 | | 6 | 15 | 32 | 71 | 46 | 10 | | | 180 |
| | | \$ 96,235 | \$ 105,991 | \$ 125,882 | \$ 131,470 | \$ 144,291 | \$ 149,600 | | | \$ 131,462 |
| 55 - 59 | | | 2 | 10 | 23 | 17 | 7 | 1 | | 60 |
| | | | * | \$ 124,646 | \$ 133,189 | \$ 136,592 | \$ 141,191 | * | | \$ 132,887 |
| 60 - 64 | | | | 4 | | | | 3 | | 7 |
| | | | | \$ 116,662 | | | \$ 142,561 | | | \$ 127,762 |
| Over 64 | | 1 | | | 1 | | | | | 2 |
| | | * | | | * | | | | | * |
| Total | 82 | 316 | 255 | 307 | 227 | 83 | 20 | 1 | | 1,291 |
| | \$ 87,922 | \$ 96,272 | \$ 107,334 | \$ 124,268 | \$ 134,787 | \$ 139,612 | \$ 145,601 | * | | \$ 114,926 |

*For privacy reasons, average salary is not shown for cells with two or fewer employees. Service includes proportionate service.

Table D-2

Group B Active Members – Distribution by Age and Service

| Age | Years of Service | | | | | | | | | Total |
|--------------|------------------|-----|-------|-------|-------|-------|-------|-------|-----|-----------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ | |
| Under 25 | 53 | | | | | | | | | 53 |
| | \$ 67,539 | | | | | | | | | \$ 67,539 |
| 25 - 29 | 107 | | | | | | | | | 107 |
| | \$ 73,930 | | | | | | | | | \$ 73,930 |
| 30 - 34 | 65 | | | | | | | | | 65 |
| | \$ 76,303 | | | | | | | | | \$ 76,303 |
| 35 - 39 | 15 | | | | | | | | | 15 |
| | \$ 74,728 | | | | | | | | | \$ 74,728 |
| 40 - 44 | 6 | | | | | | | | | 6 |
| | \$ 66,264 | | | | | | | | | \$ 66,264 |
| 45 - 49 | 3 | | | | 1 | | | | | 4 |
| | \$ 62,812 | | | | * | | | | | \$ 69,121 |
| 50 - 54 | | | | | | | | | | |
| 55 - 59 | | | | | | | | | | |
| 60 - 64 | | | | | | | | | | |
| Over 64 | | | | | | | | | | |
| Total | 249 | | | | 1 | | | | | 250 |
| | \$ 72,919 | | | | * | | | | | \$ 72,979 |

*For privacy reasons, average salary is not shown for cells with two or fewer employees. Service includes proportionate service.

Table E
**Annuitants – Distribution
by Age**

| Age | Number | Annual Benefit | Average Annual Benefit |
|--------------|---------------|-----------------------|-------------------------------|
| Under 60 | 579 | 44,599,004 | 77,028 |
| 60 - 64 | 271 | 19,519,616 | 72,028 |
| 65 - 69 | 208 | 13,043,794 | 62,711 |
| 70 - 74 | 184 | 10,821,645 | 58,813 |
| 75 - 80 | 95 | 5,122,661 | 53,923 |
| Over 80 | 76 | 3,630,999 | 47,776 |
| Total | 1,413 | 96,737,717 | 68,463 |

Table F

Schedule of Average Benefit Payments

| Retirement Effective Dates | Years Creditable Service | | | | | | |
|---|---------------------------------|------------|--------------|--------------|--------------|--------------|------------|
| January 1, 2019 to December 31, 2024 | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ |
| Period 01/01/2019 to 12/31/2019 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$2,174 | \$4,623 | \$6,568 | \$6,772 | \$7,109 |
| Average Final Salary | \$0 | \$0 | \$83,574 | \$106,427 | \$111,655 | \$101,112 | \$90,557 |
| Number of Active Retirees | 0 | 0 | 1 | 1 | 24 | 15 | 6 |
| Period 01/01/2020 to 12/31/2020 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$2,569 | \$4,523 | \$6,926 | \$6,851 | \$7,077 |
| Average Final Salary | \$0 | \$0 | \$88,626 | \$88,114 | \$114,938 | \$100,276 | \$96,764 |
| Number of Active Retirees | 0 | 0 | 2 | 5 | 39 | 38 | 14 |
| Period 01/01/2021 to 12/31/2021 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$2,690 | \$4,790 | \$6,756 | \$7,378 | \$8,954 |
| Average Final Salary | \$0 | \$0 | \$84,610 | \$103,537 | \$116,678 | \$112,937 | \$127,144 |
| Number of Active Retirees | 0 | 0 | 2 | 3 | 70 | 34 | 6 |
| Period 01/01/2022 to 12/31/2022 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$0 | \$5,738 | \$6,562 | \$7,400 | \$6,848 |
| Average Final Salary | \$0 | \$0 | \$0 | \$113,367 | \$114,397 | \$114,792 | \$95,359 |
| Number of Active Retirees | 0 | 0 | 0 | 2 | 63 | 22 | 10 |
| Period 01/01/2023 to 12/31/2023 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$2,108 | \$4,846 | \$6,914 | \$7,889 | \$7,279 |
| Average Final Salary | \$0 | \$0 | \$64,591 | \$101,883 | \$119,319 | \$120,812 | \$108,519 |
| Number of Active Retirees | 0 | 0 | 2 | 8 | 51 | 38 | 11 |
| Period 01/01/2024 to 12/31/2024 | | | | | | | |
| Average Monthly Benefit | \$0 | \$0 | \$2,601 | \$4,668 | \$6,573 | \$7,843 | \$8,727 |
| Average Final Salary | \$0 | \$0 | \$79,525 | \$108,689 | \$115,301 | \$122,532 | \$135,433 |
| Number of Active Retirees | 0 | 0 | 1 | 2 | 36 | 10 | 6 |

Table G**Retired Members by Type of Benefit**

| Monthly Benefit Amount | Number of Retired Members | Type of Retirement ^a | | | | Option Selected ^b | | | | | |
|------------------------------|---------------------------------|---------------------------------|-----------|----------|-----------|------------------------------|------------|------------|------------|-----------|-----------|
| | | 1 | 2 | 3 | 4 | Unmod. | 2 | 3 | 4 | 5 | 6 |
| Deferred | | | | | | 80 | | | | | |
| \$1-1,000 | 43 | 10 | 0 | 0 | 33 | 40 | 3 | | | | |
| 1,001-2,000 | 51 | 18 | 7 | 1 | 25 | 40 | 7 | 2 | 3 | | 2 |
| 2,001-3,000 | 66 | 30 | 23 | 2 | 11 | 47 | 12 | 5 | 16 | | 1 |
| 3,001-4,000 | 156 | 110 | 34 | 1 | 11 | 94 | 40 | 13 | 19 | 1 | |
| 4,001-5,000 | 186 | 167 | 16 | 1 | 2 | 103 | 50 | 22 | 14 | 2 | 3 |
| 5,001-6,000 | 229 | 219 | 9 | 0 | 1 | 110 | 78 | 26 | 22 | 3 | 5 |
| 6,001-7,000 | 291 | 286 | 5 | 0 | 0 | 138 | 97 | 22 | 15 | 5 | 1 |
| 7,001-8,000 | 199 | 198 | 1 | 0 | 0 | 82 | 74 | 15 | 20 | 4 | 3 |
| Over \$8,000 | 192 | 192 | 0 | 0 | 0 | 88 | 62 | | | | |
| Total | 1,413 | 1,230 | 95 | 5 | 83 | 822 | 423 | 105 | 113 | 15 | 15 |

Notes:

^a Type of Retirement:

1. Normal retirement for age and service
2. Beneficiary payment, normal retirement or death in service
3. Disability retirement
4. QDRO – alternate payee

^b Option Selected:

Unmodified Plan: life annuity (includes Type 2 receiving survivor benefit for life)

The following options reduce the retired member's monthly benefit:

Option 2 - Beneficiary receives 100% of member's reduced monthly benefit

Option 3 - Beneficiary receives 50% of member's reduced monthly benefit

Option 4 - Beneficiary receives 66-2/3% of member's reduced monthly benefit

Option 5 - Survivor receives 66-2/3% of member's reduced monthly benefit upon first death

Option 6 - Life annuity with 15 years guaranteed

Note: The number of Retired Members and number of options selected are not equal due to the inclusion of 80 deferred vested members in the Unmodified option selection.

Table H
**Schedule of Participating
Employers**

The City of Austin and the Austin Police Retirement System are the only participating employers in the plan.

Table I

Change in Net Position, Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|--------------|---------------|---------------|-----------------|----------------|---------------|----------------|------------------|------------------|-----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Additions | | | | | | | | | | |
| Member Contributions | \$24,709 | \$22,291 | \$24,352 | \$22,603 | \$23,203 | \$24,122 | \$25,180 | \$26,365 | \$26,418 | \$25,527 |
| Employer Contributions | 33,239 | 33,814 | 35,141 | 35,244 | 35,993 | 36,577 | 35,429 | 44,419 | \$50,544 | \$58,012 |
| Investment Income (net of expenses) | <u>(322)</u> | <u>37,965</u> | <u>82,072</u> | <u>(43,399)</u> | <u>148,163</u> | <u>98,573</u> | <u>164,509</u> | <u>(127,690)</u> | <u>\$105,486</u> | <u>\$87,018</u> |
| Total additions to plan net position | \$57,626 | \$94,070 | \$141,565 | \$14,449 | \$207,359 | \$159,272 | \$225,118 | (\$56,906) | \$182,448 | \$170,557 |
| Deductions | | | | | | | | | | |
| Benefit Payments | \$42,414 | \$45,661 | \$49,174 | \$53,476 | \$56,414 | \$62,027 | \$70,280 | \$78,129 | \$86,710 | \$92,195 |
| Refunds | 994 | 996 | 1,529 | 3,015 | 1,048 | 1,463 | 2,164 | 3,045 | \$2,215 | \$2,514 |
| Administrative Expenses | 1,466 | 1,397 | 1,563 | 1,421 | 1,721 | 1,929 | 2,404 | 3,010 | \$2,454 | \$3,729 |
| Lump-sum Payments | 6,597 | 4,170 | 5,845 | 7,491 | 8,858 | 13,466 | 7,763 | 6,560 | \$9,251 | \$4,244 |
| Total deductions from plan net position | \$51,471 | \$52,224 | \$58,111 | \$65,404 | \$68,040 | \$78,885 | \$82,611 | \$90,744 | \$100,630 | \$102,682 |
| Change in net position | \$6,155 | \$41,846 | \$83,454 | (\$50,955) | \$139,319 | \$80,387 | \$142,507 | (\$147,650) | \$81,818 | \$67,875 |

Notes: Dollar amounts in thousands
Columns may not add due to rounding

Table J
**Benefit and Refund Deductions from Net
Position by Type, Last Ten Fiscal Years**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Type of Benefit | | | | | | | | | | |
| Age and service benefits: | | | | | | | | | | |
| Retirees ^a | \$42,364 | \$45,591 | \$49,065 | \$53,394 | \$56,298 | \$61,937 | \$70,135 | \$77,954 | \$86,601 | \$92,033 |
| Beneficiaries ^a | | | | | | | | | | |
| Lump-sum payments | \$6,597 | \$4,170 | \$5,845 | \$7,491 | \$8,858 | \$13,466 | \$7,763 | \$6,560 | \$9,251 | \$4,244 |
| In service death benefits: ^b | \$50 | \$70 | \$109 | \$83 | \$116 | \$90 | \$145 | \$175 | \$110 | \$162 |
| Disability benefits: ^c | | | | | | | | | | |
| Total benefits | \$49,011 | \$49,831 | \$55,019 | \$60,968 | \$65,272 | \$75,493 | \$78,043 | \$84,689 | \$95,962 | \$96,439 |
| Type of Refund | | | | | | | | | | |
| Death ^b | | | | | | | | | | |
| Separation | \$994 | \$996 | \$1,529 | \$3,015 | \$1,048 | \$1,463 | \$2,164 | \$3,045 | \$2,215 | \$2,514 |
| Total refunds | \$994 | \$996 | \$1,529 | \$3,015 | \$1,048 | \$1,463 | \$2,164 | \$3,045 | \$2,215 | \$2,514 |

Notes: Dollar amounts in thousands

^a Segregation of age benefits for beneficiaries not currently available

^b Segregation of death benefits between refunds and in service death benefits not currently available

^c Segregation of disability benefits from age and service benefits not currently available

Columns may not add due to rounding

Excludes administrative expenses

COMPARATIVE STATEMENT OF MEMBERSHIP

Comparative Statement of Membership

| | | |
|---|---------------------|---------------------|
| Active Members | <u>2024</u> | <u>2023</u> |
| Total Number of Active Members, January 1 | 1,551 | 1,633 |
| Add: New Members | 98 | 88 |
| Deduct: Members Terminated/Refunded | (51) | (63) |
| Deceased Members | (0) | (3) |
| Members Transferred to Retiree/DROP System | (57) | (104) |
| TOTAL ACTIVE MEMBERS, DECEMBER 31 | <u>1,541</u> | <u>1,551</u> |
| Vested Terminated | | |
| TOTAL VESTED TERMINATED MEMBERS, DECEMBER 31 | <u>80</u> | <u>72</u> |
| Non-Vested Terminated | | |
| TOTAL NONVESTED TERMINATED MEMBERS, DECEMBER 31 | <u>98</u> | <u>84</u> |
| Retired Members | | |
| Total Number of Retired Members, January 1 | 1,371 | 1,258 |
| Add: New Retired Members | 66 | 129 |
| Deduct: Retired Members Deceased | (23) | (16) |
| TOTAL RETIRED MEMBERS, DECEMBER 31 | <u>1,414</u> | <u>1,371</u> |
| TOTAL APRS MEMBERS, DECEMBER 31 | <u>3,133</u> | <u>3,078</u> |

HISTORY OF BENEFIT AND CONTRIBUTION POLICIES

August 1991

The governance of the System changed from City ordinance to state law.

The maximum annual cost-of-living increase which can be granted to retired officers was increased from 4% to 6%.

October 1993

Member contribution rate was increased from 6% to 9%.

October 1994

The City's contribution rate was increased from 12% to 14%.

September 1995

Provision added for retirement eligibility with unreduced benefits to include members who have 25 years of creditable service.

Benefit formula multiplier was increased from 2.3% to 2.8%.

Special increase granted to retirees based on benefit formula multiplier in use at date of Retirement.

The retiree death benefit is increased from \$2,000 to \$5,000.

October 1995

The City's contribution rate was increased from 14% to 16%.

October 1996

The City's contribution rate was increased from 16% to 18%.

September 1997

Benefit formula multiplier was increased from 2.8% to 2.88%.

Special Ad hoc increase granted to retirees based on benefit multiplier 2.88% divided by benefit multiplier 2.8%, minus one, and multiplied by 100.

The retiree death benefit is increased from \$5,000 to \$7,500.

April 1998

Officers who had non-membership time after they were enrolled in Cadet class are now able to buy back that non-membership time as retirement service credit.

Cadets are now members of the Retirement System at enrollment date and upon contributing 9% of their biweekly payroll.

September 1999

Board Membership changed to allow for greater membership participation by adding one active officer and one retired officer position to the Board of Trustees.

July 2000

Benefit formula multiplier was increased from 2.88% to 3.0% with an equivalent special ad hoc increase granted to retirees.

September 2001

Provision added for retirement eligibility with unreduced benefits to include members who have 23 years of creditable service excluding pre-membership military service.

Post Retirement Option Plan (PROP) provision added for members who select the Retroactive Deferred Retirement Option Plan (DROP) and instead of receiving a single lump-sum payment, elect to receive partial payments from the member's DROP account for each calendar year, in an amount elected by the member.

September 2003

IRS Code adopted to allow the retiree death benefit amount of \$7,500 to be distributed to beneficiary of retired member as a tax-free lump sum amount.

Permissive Service Credit provision added, which allows members with 20 years of service to purchase additional time at actuarially neutral cost to the System.

April 2006

The PROP Monthly Annuity Deferral Option was added for retiree members.

October 2006

Member contribution rate was increased from 9% to 11%.

April 2007

Forward Deferred Retirement Option Plan (Forward DROP) provision added for a one-time benefit whereby active police officers can choose to retire, continue working for and receiving a paycheck from APD, while their retirement annuity is deferred into a DROP account on their behalf at the retirement System.

September 2007

Permissive service credit was changed to: (1) allow the purchase by a deceased member's designated beneficiary if there is no surviving spouse; and (2) allow the purchase to be based on deferring the actual date when retirement benefits would begin in order to reduce the member's cost (Deferred Permissive Service).

The retiree death benefit was increased from \$7,500 to \$10,000.

October 2007

Member contribution rate increased from 11% to 13 %.

December 2007

Benefit formula multiplier was increased from 3.0% to 3.2% with an equivalent special ad hoc increase granted to retirees.

January 2009

The City's contribution rate was increased from 18% to 18.25% to fund APRS participation in Texas Proportionate Retirement System.

March 2009

APRS joined the Texas Proportionate Retirement System, which allows members with service credit in more than one participating retirement system to be eligible to combine their service credits in order to satisfy the length of service requirements used to determine eligibility for service retirement.

September 2009

The City's contribution rate was increased from 18.25% to 18.63% to fund APRS participation in Texas Proportionate Retirement Program.

October 2010

The City's contribution rate increased from 18.63% to 19.63%.

October 2011

The City's contribution rate increased from 19.63% to 20.63%.

October 2012

The City's contribution rate increased from 20.63% to 21.63%.

February 2015

Effective February 18, 2015, the opportunity to purchase permissive service in conjunction with utilizing the Forward or Retro DROP was eliminated.

Effective February 18, 2015, permissive service credit factors shall be determined based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.

Effective April 1, 2015, Retro DROP was eliminated for members with less than 23 years of APRS service.

Effective August 1, 2015, the Forward DROP interest rate will be set annually in the same manner as the PROP interest rate, except for those with 23 years of APRS service as of July 31, 2015 who will not be affected.

New hires beginning February 1, 2016, will be required to pay the full actuarial cost to purchase military service. All others will continue to pay 25% of the actuarial cost, which will be based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.

October 2015

The City's contribution rate decreased from 21.63% to 21.313% on October 1, 2015. The change was due to an actuarial study conducted to assess the cost of participation in the Proportionate Retirement Program.

February 2016

A new Forward DROP program was created. Modifications included elimination of interest paid to the account, elimination of member contributions being credited to the account, a graduated fee in each year of the Forward DROP period, and an option to elect up to seven years in the new Forward DROP.

Changes would not apply to members with 23 years of creditable service as of February 17, 2016. Grandfathered members could choose either the old Five Year Forward DROP or the new Seven Year Forward DROP.

October 2020

The City's contribution rate was increased from 21.313% to 21.737% to fund APRS participation in the Texas Proportionate Retirement Program, as required by state law and following an actuarial review of costs as required every five years.

September 2021

House Bill 4368, 87th Legislature, 2021, made various plan changes including the creation of Group B members, which will have different eligibility requirements and benefit calculations. In addition, the contributions for both members and the City of Austin changed in January of 2022. After September 1, 2021, all benefit changes are determined by the legislature, including the granting of COLAs.

Although the bill became effective September 1, 2021, most key provisions were implemented in Fiscal Year 2022.

January 2022

Members hired after January 2022 are considered Group B members and are eligible to retire after 25 years of service and who have attained a minimum age of 50. Group B member's benefit multiplier is 2.5%. Group B member's final average salary is calculated using the member's highest 60 months of the last 10 years of contributing service.

The member contribution rate was increased from 13% to 15%. The City's contribution rate is calculated in two parts. Part One: The UAAL as of December 31, 2020 (referred to as the Legacy Liability), was set as a predetermined payment amount expressed in dollars in accordance with a payment schedule in the initial risk sharing valuation study which amortizes the Legacy Liability over 30 years. Part Two: An Actuarially Determined Employer Contribution (ADEC) was implemented which pre-calculates the City's contribution rate prior to the start of each fund fiscal year.

HISTORY OF CONTRIBUTIONS AND BENEFIT RATES

| Year | Employer Contribution Rate | Member Contribution Rate | Interest Paid on Member Deposits | Benefits Multiplier | Cost of Living Adjustment |
|------|----------------------------|--------------------------|----------------------------------|---------------------|---------------------------|
| 1991 | 12.00% | 6.0% | 5.50% | 2.30% | 6.00% |
| 1992 | " | " | 5.50% | " | 6.00% |
| 1993 | " | 9.00% | 4.50% | " | 5.00% |
| 1994 | " | " | 5.00% | " | 0.00% |
| 1995 | 14.00% | " | 5.00% | 2.80% | 2.00% |
| 1996 | 16.00% | " | 5.00% | " | 3.00% |
| 1997 | 18.00% | " | 5.00% | 2.88% | 2.00% |
| 1998 | " | " | 5.00% | " | 4.00% |
| 1999 | " | " | 5.00% | " | 3.00% |
| 2000 | " | " | 5.00% | 3.00% | 3.00% |
| 2001 | " | " | 4.00% | " | 3.00% |
| 2002 | " | " | 2.00% | " | 1.50% |
| 2003 | " | " | 2.00% | " | 3.00% |
| 2004 | " | " | 1.75% | " | 1.75% |
| 2005 | " | " | 0.00% | " | 0.00% |
| 2006 | " | 11.00% | 0.00% | " | 0.00% |
| 2007 | " | 13.00% | 5.00% | 3.20% | 1.00% |
| 2008 | " | " | 0.00% | " | 0.00% |
| 2009 | 18.63% | " | 0.00% | " | 0.00% |
| 2010 | 19.63% | " | 0.00% | " | 0.00% |
| 2011 | 20.63% | " | 0.00% | " | 0.00% |
| 2012 | 21.63% | " | 0.00% | " | 0.00% |
| 2013 | " | " | 0.00% | " | 0.00% |
| 2014 | " | " | 0.00% | " | 0.00% |
| 2015 | 21.313% | " | 0.00% | " | 0.00% |
| 2016 | " | " | 0.00% | " | 0.00% |
| 2017 | " | " | 0.00% | " | 0.00% |
| 2018 | " | " | 0.00% | " | 0.00% |
| 2019 | " | " | 0.00% | " | 0.00% |
| 2020 | 21.737% | " | 0.00% | " | 0.00% |
| 2021 | " | " | 0.00% | " | 0.00% |
| 2022 | 27.983% | 15.00% | 0.00% | 3.20%/2.5% | 0.00% |
| 2023 | 32.514% | " | 0.00% | " | 0.00% |
| 2024 | 36.522% | " | 0.00% | " | 0.00% |

*Effective, September 1, 2021, COLAs can only be granted by the State Legislature.

*Interest Paid on Member Deposits is determined by the Board of Trustees.