
Laredo Firefighters Retirement System

Actuarial Valuation as of September 30, 2014

March 16, 2015



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March 16, 2015

Board of Trustees
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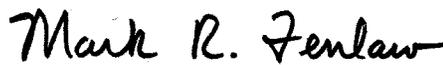
Members of the Board of Trustees:

At the request of the Board of Trustees of the Laredo Firefighters Retirement System, we have prepared this report of the results of the actuarial valuation of the system as of September 30, 2014. This valuation was prepared to determine whether the system has an adequate contribution arrangement.

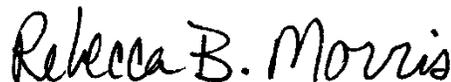
The necessary information for the city's compliance with Governmental Accounting Standards Board (GASB) Statement No. 27 for the fiscal year ending September 30, 2014 was previously provided. This was the last year GASB 27 will be in effect. As a result of the new accounting standard replacing GASB 27 next year, a different report will be required in the fall of 2015 for the actuarial information for the city's compliance with the new GASB 68 for the fiscal year ending September 30, 2015. The new accounting standard replacing GASB 25 for the fund went into effect for the plan year ending September 30, 2014. A separate report will be provided for the system's disclosure for compliance with GASB 67.

We certify that we are members of the American Academy of Actuaries who meet Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

Sincerely,



Mark R. Fenlaw, F.S.A.



Rebecca B. Morris, A.S.A.

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Section I

Valuation Summary

An actuarial valuation of the assets and liabilities of the Laredo Firefighters Retirement System as of September 30, 2014 has been completed. The valuation was based on the Present Plan (Plan Effective February 9, 2012) and the provisions of the Texas Local Fire Fighters' Retirement Act (TLFFRA) which were in effect on September 30, 2014. Section II shows the summary of key results of the actuarial valuation as of September 30, 2014 and discusses the significant changes since the prior valuation that we prepared as of September 30, 2012.

This valuation reflects an actuarially assumed total contribution rate of 35.10%, comprised of 15.00% by the firefighters and 20.10% by the city. The total contribution rate of 35.10% exceeds the normal cost rate of 19.96%, leaving 15.14% available to amortize the unfunded actuarial accrued liability (UAAL) of \$78,288,944. Assuming that the total payroll increases at the rate of 3.50% per year in the future, the contributions in excess of the normal cost **will amortize the UAAL in 29.8 years.**

In order for a retirement plan to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's UAAL over a reasonable period of time. Based on the Texas Pension Review Board guidelines for an actuarially adequate contribution arrangement, our professional judgment, and the actuarial assumptions and methods used in making this valuation, we consider periods of 15 years to 25 years to be preferable and 40 years to be the maximum acceptable period. Since the total contributions are sufficient to pay the fund's normal cost and to amortize the fund's UAAL within the maximum acceptable period, we are of the opinion that the fund, based on present levels of benefits and contributions, **has an adequate contribution arrangement. Section III presents considerations for future benefit improvements.**

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we estimated the amortization periods as of September 30, 2016 and as of September 30, 2018 by making projections from the September 30, 2014 actuarial valuation. These projections examine the effect on the amortization period in the next two actuarial valuations of the actuarial investment gains and losses that the fund experienced in the four years prior to the valuation date (loss in 2011 and gains in 2012, 2013, and 2014) that have been only partially recognized as of September 30, 2014. As shown in Exhibit 6, a smoothing method is used to determine the actuarial value of assets (AVA) for this valuation. This method phases in over a five-year period any investment gains or losses (net actual investment return greater or less than the actuarially assumed investment return) that the fund has had. The AVA used in this current valuation is deferring recognition of various portions of the gains and losses

in 2011-2014 that the fund experienced. The AVA used in this valuation is \$116,056,855. The market value of assets (MVA) is \$118,339,638. The \$2,282,783 difference between the MVA and the AVA is the net of the deferred gains and loss over the past four years that will be recognized in the next two actuarial valuations.

The theory behind the AVA method is to allow time for investment gains and losses to partially offset each other and thereby dampen the volatility associated with the progression of the MVA over time. In practice, the timing and amounts of investment gains and losses can result in irregular effects on the AVA in a given year. However, as intended, the pattern of the AVA is smoother over time than the pattern of the market value of assets, as seen in Exhibit 7.

For the purpose of projecting the amortization period through 2018 we used six scenarios of various assumed annual rates of investment return, net of investment-related expenses, over the 2015-2018 projection period. The projected amortization periods will not be the same as the actual amortization periods from completed future actuarial valuations but are the result of projected future actuarial valuation results based on the completed September 30, 2014 actuarial valuation. These projections show the expected effects over the next four years after the valuation date (1) of the recognition of the portions of the investment gains and losses over the past four years that are deferred as of September 30, 2014, and (2) of investment returns over the next four years different from the 8.00% assumption used in this valuation.

	Scenario					
	1	2	3	4	5	6
Assumed Investment Return for Fiscal Year						
2014-2015	8%	10%	10%	0%	4%	0%
2015-2016	8	8	10	8	4	4
2016-2017	8	8	8	8	4	4
2017-2018	8	8	8	8	4	4
2018-2019 and later	8	8	8	8	8	8
Amortization Period in Years as of September 30:						
2014 (actual)	29.8	29.8	29.8	29.8	29.8	29.8
2016 (projected)	26.6	25.9	25.6	29.7	28.8	30.4
2018 (projected)	24.1	22.8	21.8	30.1	31.9	35.6

The projected future September 30, 2016 valuation in Scenario 1 reveals that instead of decreasing by the expected two years from 29.8 years to 27.8 years, the amortization period is projected to decrease to 26.6 years, due primarily to the deferred gains that will be recognized as of September 30, 2016. The primary conclusion from Scenario 1 is that unless there are some investment losses in 2014-2015 and 2015-2016 from returns less than 8%, the net deferred gains as of September 30, 2014 will somewhat accelerate the

reduction in the amortization period in the next valuation. This is not surprising when you consider that if the AVA were set equal to the MVA, recognizing all of the past gains and losses in this September 30, 2014 actuarial valuation, the amortization period would have been 28.1 years instead of 29.8 years.

One of the characteristics of a fairly mature plan like yours is that the amortization period is relatively sensitive to investment gains and losses, despite their gradual recognition over five years. For example, Scenario 4 is the same as Scenario 1 except for a projected rate of return of 0% for fiscal year 2014-2015. The one adverse year in 2014-2015, without any investment gains or losses in the subsequent three years, results in a projected amortization period of 30.1 years as of September 30, 2018, which is 6.0 years greater than the projected amortization period of 24.1 years in Scenario 1.

We do not know what the investment experience will be for each of the next four fiscal years. However, these scenarios show the sensitivity of the UAAL amortization period in the next two biennial actuarial valuations, even with a modest gain with a 10% rate of return in 2014-2015 or with a significant loss with a 0% rate of return in 2014-2015. Variations in experience from the underlying assumptions, other than investment return, will cause the actual amortization periods to be different from the periods shown above. In addition, the future investment experience in each of the next four fiscal years could be better or worse than the assumed rates shown. These scenarios present a range of plausible scenarios for the next two valuations assuming no changes in benefits.

The primary conclusion from the scenarios is that while the fund has a cushion in the AVA that will accelerate the amortization of the UAAL, the system members should remember the long-term nature of the system and should be cautious in their expectations about benefit improvements both now and in the future due to the sensitivity of the amortization period to investment losses. The board's 2014 policy for anticipating future benefit improvements is mentioned in Section III.

Participant and Asset Data

We have relied on and based our valuation on the active firefighter data, pensioner data, and asset data provided on behalf of the board of trustees by the system's administrator, Mr. Jaime Jasso. We have not audited the data provided but have reviewed it for reasonableness and consistency relative to the data provided for the September 30, 2012 actuarial valuation. Exhibit 1 is a distribution of the active firefighters by age and service. The salaries used for projecting future contributions and benefits in the valuation were based on the actual pay for the 2013-2014 fiscal year, adjusted to fully reflect the 2% general pay increase effective in October 2014. The total of these salaries is our assumed annualized covered payroll for the fiscal year beginning October 1, 2014 and is used in the valuation to determine the UAAL amortization period. The averages of the assumed salaries for the 2014-2015 fiscal year are shown in Exhibit 1.

Exhibit 2 contains summary information on the pensioners. The monthly benefit payments are generally based on the amounts paid September 30, 2014. Exhibit 2A is a reconciliation of firefighters and pensioners from September 30, 2012 to September 30, 2014. Exhibit 3 shows a breakdown of the dollar amount of the monthly benefits for retirees and surviving spouses. Exhibit 4 shows a historical comparison of the actuarial accrued liability and the actuarial value of assets.

The summary of assets contained in Exhibit 5 is based on the September 30, 2014 market value of assets contained in the information received from the board. This exhibit also shows a comparison with the market values and actuarial values of assets as of September 30, 2012 and September 30, 2014. Exhibit 5A contains the statement of changes in assets for fiscal years ending September 30, 2013 and September 30, 2014. Exhibit 6 shows the development of the actuarial value of assets. Exhibit 7 shows a historical comparison between the market value and actuarial value of assets. A comparison of the market value asset allocation by asset class as of September 30, 2012 and September 30, 2014 is shown in Exhibit 8.

Assumptions

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. As a result of our review, we have selected actuarial assumptions we consider to be reasonable and appropriate estimates of future experience for the fund for the long-term future. Their selection complies with the applicable actuarial standards of practice. Significant actuarial assumptions used in the valuation are:

1. 8.00% annual investment return (interest rate) net of investment-related expenses;
2. 3.50% annual general compensation increase plus an average of 1.89% per year for promotion, step, and longevity increases over a 30-year career;
3. Retirement rates which result in an average expected age at retirement of 53.6;
4. RP-2000 Combined Healthy Mortality Tables projected to 2024; and
5. City contribution rate of 20.10% over the UAAL amortization period.

The following actuarial assumption changes have been made, and the new assumptions are compared to those used in the September 30, 2012 valuation:

1. The investment return assumption was changed from 8.00% net of all expenses to 8.00% net of investment-related expenses only. An accompanying change in assumptions was to reflect general administrative expenses assumed to be paid by the system by increasing the normal cost percent as a percent of payroll by 0.75%. This assumption that general administrative expenses will be 0.75% of payroll is

based on a review of the historical relationship over the years 2013-2014. In the past we have used an investment return assumption that was net of all expenses, including general administrative expenses. This revised recognition of expenses is consistent with the new GASB 68, which will first be in effect for the city's fiscal year ending September 30, 2015.

We also modified the components of the 8.00% assumption, increasing the assumed net real rate of return from 4.25% to 4.50% and lowering the assumed inflation rate from 3.75% to 3.50%. The increase in the assumed net real rate of return is due to the combined effect of (a) somewhat higher gross real rate of return assumptions for some of the asset classes compared to two years ago and (b) the moving of the general administrative expenses to a separate assumption.

2. The assumed mortality rates used in this valuation are somewhat lower and were changed to adjust for expected mortality improvement to 2024. The prior valuation used the same published mortality table but with rates adjusted for expected mortality improvement to 2014. This change is explained in more detail in a separate letter to the board dated March 5, 2014.

One other minor mortality assumption change was to assume that the spouse of a retiring firefighter will be four years younger, a change from the prior assumption of two years younger. This change was based on a review of the actual ages of the married firefighters who retired in the last four years.

3. We changed the general compensation increase from 3.75% per year to 3.50%, making it the same as the revised underlying price inflation assumption. As a result, we also changed the aggregate payroll increase assumption from 3.75% per year to 3.50%. Because of the somewhat slower growth anticipated in our economy for the long-term future, we think that the 0.25% reduction in the long-term rate of inflation is appropriate.
4. We modified the coding in our valuation system for recognizing the effects of the RETRO DROP provisions to return to the more straightforward approach we used before the March 31, 2010 actuarial valuation, assuming that 90% of firefighters eligible for the RETRO DROP would elect it for the maximum period for which they are eligible.

We discovered a correction that needed to be made to our actuarial valuation program coding of the RETRO DROP lump sum for a surviving spouse of an active firefighter who dies while eligible to retire and elect RETRO DROP. This actuarial valuation reflects our correction of the coding. The effects of these changes in assumptions and the coding correction on the UAAL amortization period are identified in Section II. A summary of all the assumptions and methods used in the valuation is shown in Exhibits 9 and 10. In our opinion, the assumptions used, both in the aggregate and individually, are reasonably related to the experience of the system and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the system over

the long-term future, and their selection complies with the applicable actuarial standards of practice.

Supporting Exhibits

Exhibit 11 contains definitions of terms used in this actuarial valuation report. Exhibit 12 summarizes the plan provisions of the Present Plan.

Actuarially Determined Contributions by the City

The new GASB 68 is all about accounting for pensions and does away with the concept of annually required contributions, referred to as the ARC. The GASB made a point of separating their new accounting standard for public employee defined benefit plans from the actual funding of those plans. In other words, the city's GASB 68 pension expense will be very different from its actual contributions. That is why separate reports will be needed each year beginning in 2015 to provide the required GASB 68 actuarial information.

As a result of GASB getting out of the business of providing a funding standard, the Texas Pension Review Board (PRB) has recommended in their report to the Texas Legislature at the end of 2014 that actuarial valuation reports for fixed contribution rate plans should disclose contribution levels required for a variety of appropriate amortization periods. Since the preferred range for the UAAL amortization period is 15 to 25 years in the PRB's guidelines for an actuarially adequate contribution arrangement, we have shown the city contribution rate that would have been required beginning October 1, 2014 for amortization periods of 15, 20, and 25 years based on this September 30, 2014 actuarial valuation.

UAAL Amortization Period	Actuarially Determined Contribution Rate by the City	Firefighter Contribution Rate	Total Contribution Rate
15 Years	28.03%	15.00%	43.03%
20 Years	23.95%	15.00%	38.95%
25 Years	21.58%	15.00%	36.58%

Variability in Future Actuarial Measurement

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 current economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- Changes in economic or demographic assumptions; and
- Changes in plan provisions.

Analysis of the potential range of such future measurements resulting from the possible sources of measurement variability is typically outside the scope of an actuarial valuation for funding purposes. However, we provided projected amortization periods for the next two biennial actuarial valuations under six scenarios. Additional or other sensitivity analysis could be performed in a subsequent report if desired by the board of trustees.

Respectfully submitted,
RUDD AND WISDOM, INC.

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Section II
Key Results of the Actuarial Valuation

	September 30, 2012 ¹	September 30, 2014
1. Actuarial present value of future benefits		
a. Those now receiving benefits or former firefighters entitled to receive benefits	\$ 68,671,778	\$ 82,600,933
b. Firefighters	181,893,359	181,983,992
c. Total	\$ 250,565,137	\$ 264,584,925
2. Actuarial present value of future normal cost contributions	\$ 74,607,305	\$ 70,239,126
3. Actuarial accrued liability (Item 1c – Item 2)	\$ 175,957,832	\$ 194,345,799
4. Actuarial value of assets	\$ 95,140,202	\$ 116,056,855
5. Unfunded actuarial accrued liability (UAAL) (Item 3 - Item 4)	\$ 80,817,630	\$ 78,288,944
6. Contributions (percent of pay)		
a. Firefighters	15.00%	15.00%
b. City of Laredo	20.10%	20.10%
c. Total	35.10%	35.10%
7. Normal cost (percent of payroll) ²	19.65%	19.96%
8. Percent of payroll available to amortize the UAAL (Item 6c - Item 7)	15.45%	15.14%
9. Annualized covered payroll	\$ 30,993,969	\$ 31,185,860
10. Present annual amount available to amortize the UAAL (Item 8 x Item 9)	\$ 4,788,568	\$ 4,721,539
11. Years to amortize the UAAL	29.8 ³	29.8 years
12. GASB funded ratio (Item 4 ÷ Item 3) ⁴	54.1%	59.7%

¹ All items are based on the September 30, 2012 actuarial valuation and reflect the Present Plan.

² In the September 30, 2014 actuarial valuation, the 8.00% investment return assumption was net of investment-related expenses only; general administrative expenses were reflected as 0.75% of aggregate payroll included in the normal cost percent. In the September 30, 2012 actuarial valuation, the 8.00% investment return was net of all expenses.

³ Calculated reflecting (a) the increase in the city contribution rate from 18.40% October 2012 to 20.10% October 2013 and (b) the increase in the firefighter contribution rate from 14.66% October 2012 to 15.00% October 2013.

⁴ The funded ratio is not appropriate for assessing either the need for or the amount of future contributions or the adequacy of the assumed contribution rates. Using the market value of assets instead of the actuarial value of assets for Item 12 would have resulted in funded ratios of 53.3% as of September 30, 2012 and 60.9% as of September 30, 2014.

Change in Amortization Period

The amortization period, based on the Present Plan provisions, was determined in the actuarial valuation as of September 30, 2012 to be 29.8 years. Since two years have passed since that valuation date, a 27.8-year amortization period would be expected if all actuarial assumptions had been exactly met, no changes had occurred (other than those expected) in the firefighter and pensioner data, and no changes in assumptions or methods had been made. The amortization period is now 29.8 years based on the same plan provisions. The actual experience occurring between September 30, 2012 and September 30, 2014 differed from the expected experience, and in combination with the changes in assumptions, the resulting amortization period was 29.8 years, which is 2.0 years more than the expected 27.8-year period for the following reasons:

1. The average annual rate of investment return, net of all expenses, on the market value of assets during the two fiscal years 2013 and 2014 was 9.99%. However, the actuarial value of assets (AVA) used in the valuation and the determination of the amortization period is based on an adjusted market value. The average annual rate of return on the AVA, net of investment-related expenses, for fiscal years 2013 and 2014 was 8.13%, slightly above the assumed rate of return for those years of 8.00%. This resulted in a slight **decrease** in the amortization period of 0.2 of a year.
2. The aggregate payroll increased at an average rate of 0.3% per year instead of the assumed 3.75% per year rate, which caused the amortization period to **increase** by 3.8 years.
3. The net result of all experience other than the investment experience and the aggregate payroll experience had the combined effect of **decreasing** the amortization period by 3.3 years. This was primarily the result of two general pay increases of 2% instead of the assumed rate of 3.75% and of less overtime in the last two years.
4. The change in the actuarial assumption for the recognition of the general administrative expenses had the effect of **increasing** the amortization period by 2.4 years.
5. The change in the general compensation increase and aggregate payroll increase assumptions from 3.75% to 3.50% had the combined effect of **decreasing** the amortization period by 1.3 years.
6. The result of the change in the mortality assumptions had the effect of **increasing** the amortization period by 2.0 years.
7. The change in the RETRO DROP approach of coding and assumption had the effect of **decreasing** the amortization period by 0.3 of a year.
8. The correction in our coding of the surviving spouse benefit of the RETRO DROP lump sum **decreased** the amortization period by 1.1 years.

Contribution Rate for the Death Benefit Fund

The 2005 firefighter election and board approval established a Death Benefit Fund effective July 1, 2005. This fund is a separate account within the system used to pay lump sum death benefits. The Death Benefit Fund is funded by a portion of the city's total contribution rate. As a part of the September 30, 2012 actuarial valuation, the city contribution needed for the Death Benefit Fund was determined to be 0.20% of payroll. As a part of this September 30, 2014 actuarial valuation, the city contribution needed for the Death Benefit Fund has been determined also to be 0.20% of payroll. We recommend the continuation of this rate effective October 1, 2015, which is the beginning of the next plan year, for the next two plan years.

The remainder of the city's contribution will be used for the system's liabilities excluding the lump sum death benefits. The 0.20% city contribution rate is comprised of the normal cost percentage plus an additional amount to amortize the unfunded actuarial accrued liability (UAAL) for only the lump sum death benefits over 20 years as shown below. The amortization of this UAAL is determined as a level percentage of payroll assuming that the payroll will increase 3.50% per year.

Allocated City Contribution Effective October 1, 2015 for the Death Benefit Fund	
Normal cost	0.06%
20-year amortization of unfunded actuarial accrued liability	<u>0.14</u>
Total city contribution rate allocated to the Death Benefit Fund as of October 1, 2015	0.20%

The 0.20% city contribution rate was determined using the same funding method and actuarial assumptions used in the September 30, 2014 actuarial valuation for the system. In particular, the entry age actuarial cost method was used with the normal cost determined as a level percentage of payroll. The contribution rate did not decrease due primarily to the facts that the investment income for the death benefit fund has been very low and the calculated contribution rate is a percent of payroll that remained fairly flat. The following is a summary of the actuarial valuation results of the liabilities for the lump sum death benefits.

Actuarial Valuation Results of the Death Benefit Fund as of September 30, 2014	
1. Actuarial present value of future benefits	
a. Current retired members and spouses	\$ 576,347
b. Current active members	<u>373,680</u>
c. Total	\$ 950,027
2. Actuarial present value of future normal cost contributions	\$ 176,638
3. Actuarial accrued liability (Item 1c – Item 2)	\$ 773,389
4. Assets of fund	\$ 190,994
5. Unfunded actuarial accrued liability (Item 3 – Item 4)	\$ 582,395

Section III Benefit Improvements

The results of this actuarial valuation as of September 30, 2014 reveal that the fund, based on the Present Plan of benefits, has an adequate contribution arrangement. As disclosed in both Sections I and II, the amortization period of the UAAL is 29.8 years. In order for benefit improvements to be made to the plan, they must be made in accordance with Section 7 of TLFRA, as amended in May 2013. Sections 7(a), 7(b) and 7(c) are shown below.

- “(a) The board of trustees of a retirement system may change the benefits or eligibility requirements for benefits payable from the retirement system, may provide for reinstatement by a member of service credit previously forfeited, and may adopt or change other requirements for the payment of benefits, except as otherwise prohibited by this Act.
- (b) Before a board of trustees chooses to adopt or change a benefit or requirement for payment of benefits under this section, the proposed addition or change must be approved by:
 - (1) an eligible actuary selected by the board; and
 - (2) a majority of the participating members of the retirement system voting on the addition or change by secret ballot at an election held for that purpose at which at least 50 percent of all participating members of the retirement system vote.
- (c) To be eligible to approve an addition or change under this section, an actuary must be either a fellow of the Society of Actuaries or a member of the American Academy of Actuaries.”

When the system plan was amended in 2011 to increase the firefighters’ contribution rate from 14% of total pay to 15% of total pay, Section H(3)(a) on “good experience” was also amended so that future contributions by the firefighters above 14% would not be recognized for calculating the UAAL AP for determining whether the system has had enough “good experience” to provide a benefit increase for pensioners. That means there are effectively two amortization periods (AP) for the system that must be calculated in each actuarial valuation.

The first AP is based on the 15% firefighter contribution rate and is the highly visible AP that is disclosed and determines whether or not the system has an adequate contribution arrangement. This AP was 29.8 years in the actuarial valuation as of September 30, 2014.

The second AP is based on a firefighter contribution rate of 14% and is the less visible AP that is used to determine whether or not the System has had “good experience”. This

AP was 34.5 years in the actuarial valuation as of September 30, 2014. Based on this second AP, we cannot approve any benefit increases.

The board has demonstrated an intent to be cautious in considering benefit improvements both now and in the future due to the sensitivity of the UAAL amortization period to investment losses as shown in the four-year projections in Section I. In 2014 the board adopted a policy statement on ways to strengthen the system over the long-term future while incorporating periodic benefit improvements. The key goals of the policy statement were to work for appropriate contributions from the city so that the board would be able to coordinate periodic benefit improvements with a gradual lowering of the benefit improvement cap on the UAAL AP to a long-term goal of 15 years. We commend the board for this written policy because it appropriately addresses the following considerations:

1. The Texas Pension Review Board (PRB) guidelines for an actuarially adequate contribution arrangement,
2. The interests of the city in having a well funded system,
3. The interests of the active members in the sustainability of the system,
4. The interests of the pensioners in receiving periodic ad hoc COLAs, and
5. The increasing scrutiny of public employee pension plans.

The initial strategy for injecting caution in future benefit improvements is to wait until the AP is below 22 years, the first preliminary target AP goal, and then to approve benefit improvements that would increase the AP up to as much as 22 years. Further reductions in the target AP would be determined in the future as each preliminary goal is met, working toward the ultimate goal of 15 years. With this approach we would approve benefit improvements based on the September 30, 2016 actuarial valuation only if the AP based on a firefighter contribution rate of 14% is below 22 years.

Following the strategies of the board's 2014 policy statement will both strengthen the actuarial condition of the system and better prepare for the possibility of adverse experience to the system in the future. The stronger actuarial condition of the system will be demonstrated by the progressively lower UAAL AP until getting to the lower end of the preferred range in the PRB guidelines (15 to 25 years). The kinds of future adverse experience that the system will be better prepared to withstand will be primarily adverse investment experience.

One of the challenges the board faces is balancing the goals of providing periodic benefit improvements and of managing all your responsibilities in a way that considers the long-term sustainability of the system. There are a number of stakeholders with different points of view. Some firefighters approaching retirement might wonder how long it will be before they receive an ad hoc COLA after they retire. Younger firefighters who hear about the very good benefits that new retirees are receiving may wonder if the system will be able to pay benefits like that when they retire. Pensioners may wonder what kind

of ad hoc increases in their monthly benefit they will get. The city has a vested interest in providing benefits that are well funded, at a level that is attractive for hiring and retaining good firefighters, and also affordable for the long term. The Legislature has a higher interest in public employee defined benefit plans than ever before. That's the reason for the PRB report to the Legislature at the end of 2014. There are more critics of public employee defined benefit plans than ever before.

Many of the TLFFRA funds (17 in the PRB report, over 41% of the 41 TLFFRA funds) had an AP above 40 years because they didn't have much of a cushion for adverse investment experience in 2000-2002 and 2008. The TLFFRA funds that are currently in good shape actuarially are often there because of the good fortune of an increase in the city contribution rate that has largely offset the adverse investment experience of 2000-2002 and 2008. Part of our responsibility as your system's actuarial firm is to be forward looking and to help the system with the challenges of balancing the desire for more benefits with the goal of long-term sustainability. We strongly believe that strengthening the actuarial condition of your fund by gradually reducing the target AP for benefit improvements will facilitate both periodic benefit improvements years and long-term sustainability. In addition, it will enhance the board's reputation as good fiduciaries and the system's reputation as thoughtful and balanced. Collectively those things should help make the city more receptive to increasing their contribution rate to the system in the next collective bargaining agreement.

Exhibit 1
Distribution of Firefighters by Age and Service on September 30, 2014
with Average Annual Salary

Years of Service	Age									Total	Average Salary
	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over		
0	11	5	2	0	0	0	0	0	0	18	\$47,653
1	0	0	0	0	0	0	0	0	0	0	0
2	11	15	4	0	0	0	0	0	0	30	50,561
3	3	24	12	0	0	0	0	0	0	39	71,156
4	0	0	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0	0	0
6	0	11	7	1	1	0	0	0	0	20	75,893
7	0	4	8	3	0	0	0	0	0	15	76,705
8	0	0	0	0	0	0	0	0	0	0	0
9	0	4	8	8	1	0	0	0	0	21	79,098
10	0	0	0	0	0	0	0	0	0	0	0
11	0	0	0	0	0	0	0	0	0	0	0
12	0	0	19	28	13	1	0	0	0	61	79,960
13	0	0	0	0	0	0	0	0	0	0	0
14	0	0	1	5	5	1	0	0	0	12	86,487
15	0	0	0	13	8	4	0	0	0	25	91,337
16	0	0	0	2	2	0	0	0	0	4	84,536
17	0	0	0	6	5	3	1	0	0	15	97,660
18	0	0	0	0	0	0	0	0	0	0	0
19	0	0	0	3	12	7	3	0	0	25	102,314
20-24	0	0	0	0	34	27	11	4	0	76	104,117
25-29	0	0	0	0	0	1	6	2	0	9	103,476
30-34	0	0	0	0	0	0	2	1	0	3	100,945
35+	<u>0</u>	<u>0</u>	<u>0</u>								
Totals	25	63	61	69	81	44	23	7	0	373	\$83,608

Average Salary \$51,833 \$74,699 \$94,829 \$99,702 \$0 \$83,608

Average age 37.0
 Average years of service 12.6
 Average age at hire 24.4

Exhibit 2
Summary of Pensioner Data

Type of Benefit	Pensioner Data Used in September 30, 2014 Valuation	
	Number of Recipients	Total Monthly Benefit Payments
Service Retirement*	105	\$565,246
Disability Retirement	4	10,384
Vested Terminated	0	0
Surviving Spouse	31	70,773
Surviving Child	<u>3</u>	<u>922</u>
Total	143	\$ 647,325

Type of Benefit	Comparison of Pensioner Count by Type as of The Prior and Current Actuarial Valuations			
	September 30, 2012	New	Ceased	September 30, 2014
Service Retirement*	93	+16	-4	105
Disability Retirement	4	0	0	4
Vested Terminated	0	0	0	0
Surviving Spouse	32	+4	-5	31
Surviving Child	<u>4</u>	<u>0</u>	<u>-1</u>	<u>3</u>
Total	133	+20	-10	143

* Alternate payees are not included in the number of recipients, but the total monthly payments reflect the total benefits including the payments made to alternate payees.

Exhibit 2A
Firefighter and Pensioner Reconciliation

	Firefighters	Current Payment Status	Vested Terminated Firefighters	Total
1. As of September 30, 2012	377	133	0	510
2. Change of status				
a. retirement	(16)	16	0	0
b. disability	0	0	0	0
c. death	(1)	(9)	0	(10)
d. survivor payment begins	0	4	0	4
e. withdrawal	(5)	0	0	(5)
f. vested termination	0	0	0	0
g. completion of payment	0	(1)	0	(1)
h. QDRO alternate payee*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
i. net changes	(22)	10	0	(12)
3. New firefighters	<u>18</u>	<u>0</u>	<u>0</u>	<u>18</u>
4. As of September 30, 2014	373	143	0	516

* Alternate payees are not included in the number of pensioners in current payment status, but the total monthly payments reflect the total benefits, including the payments made to the alternate payees.

Exhibit 3

Breakdown of Pensioners by Monthly Benefit Amounts as of September 30, 2014

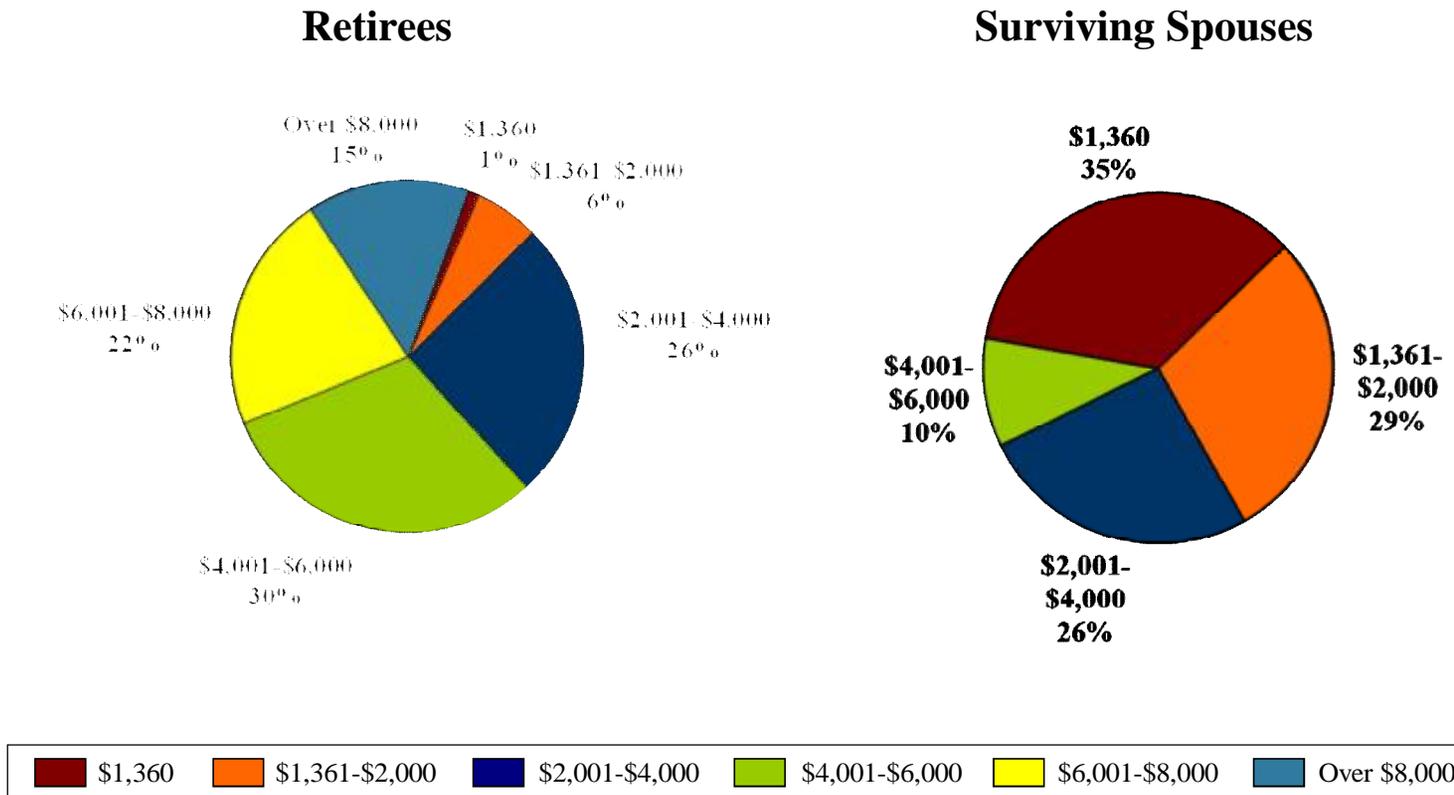


Exhibit 4

Historical Comparison of Actuarial Accrued Liability and Actuarial Value of Assets
(Valuations as of March 31 through 2010; as of September 30 beginning in 2012)

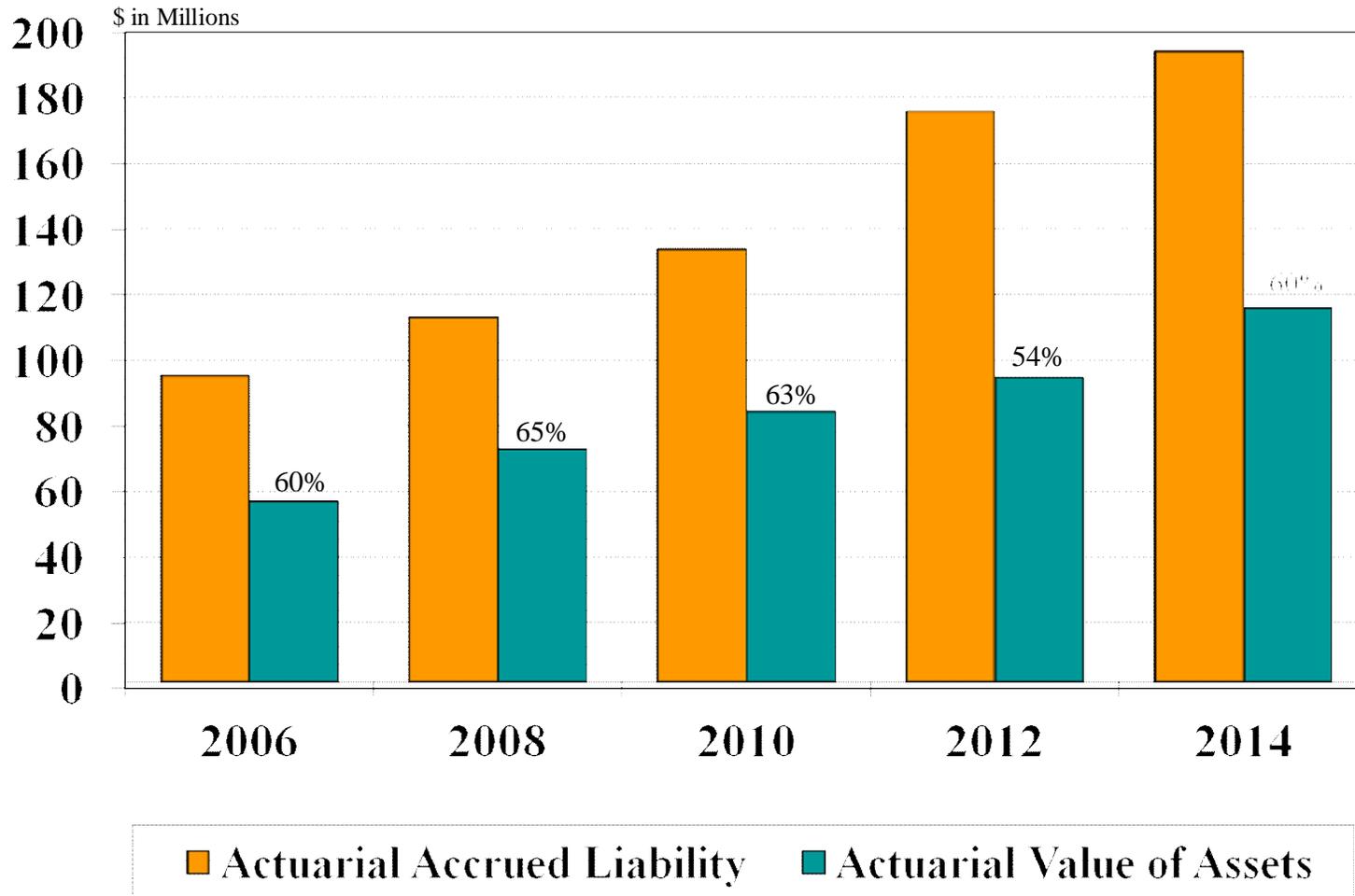


Exhibit 5
Summary of Asset Data

Asset Type	Market Value of Assets as of September 30, 2014	Allocation as a Percent of Grand Total
Equities		
Large Cap	\$18,033,944	15.24%
Mid Cap	9,315,850	7.87
Small Cap	11,795,393	9.97
International Developed	14,209,744	12.01
International Emerging	<u>11,212,669</u>	<u>9.47</u>
Total	64,567,600	54.56
Fixed Income ¹	11,714,661	9.90
Hedge Funds	18,254,023	15.43
Real Estate (REIT)	5,643,626	4.77
Natural Resources	5,752,964	4.86
Cash and Equivalents ¹	<u>12,406,764</u>	<u>10.48</u>
Grand Total	\$118,339,638	100.00%

Comparison of Asset Values as of the Prior and Current Actuarial Valuation Dates		
	<u>September 30, 2012</u>	<u>September 30, 2014</u>
Market Value	\$93,768,384	\$118,339,638
Actuarial Value	\$95,140,202	\$116,056,855
Actuarial Value as a Percent of Market Value	101.5%	98.1%

¹ The board changed one of the fixed income managers late in the fiscal year, and the prior manager's holdings had been liquidated just before the end of the fiscal year. The new manager was given just over \$12 million to invest in early October. After the completion of the change, the fixed income allocation percent was 20.0%, and the cash allocation percent was 0.3%.

Exhibit 5A

Statement of Changes in Audited Assets
for the Years Ended September 30, 2014 and 2013

	<u>9/30/2014</u>	<u>9/30/2013</u>
Additions		
1. Contributions		
a. Employer	\$ 6,044,620	\$ 5,625,179
b. Employees	<u>4,521,220</u>	<u>4,451,249</u>
c. Total	\$ 10,565,840	\$ 10,076,428
2. Investment Income		
a. Interest and dividends	\$ 1,373,872	\$ 1,314,932
b. Net appreciation in fair value	<u>8,009,719</u>	<u>10,636,852</u>
c. Total	\$ 9,383,591	\$ 11,951,784
3. Other Additions	<u>8,996</u>	<u>3,054</u>
Total Additions	\$ 19,958,427	\$ 22,031,266
Deductions		
4. Benefit Payments	\$ 8,500,340	\$ 7,701,071
5. Expenses		
a. Direct investment-related	\$ 361,654	\$ 399,071
b. General administrative	<u>221,416</u>	<u>234,887</u>
c. Total	\$ 583,070	\$ 633,958
Total Deductions	\$ 9,083,410	\$ 8,335,029
Net Increase in Assets	\$ 10,875,017	\$ 13,696,237
Market Value of Assets (Plan Net Position)		
Beginning of Year	\$ 107,464,621	\$ 93,768,384
End of Year	\$ 118,339,638	\$ 107,464,621
Rate of Return		
Net of All Expenses	8.12%	11.92%
Net of Investment-Related Expenses	8.33%	12.18%
Gross	8.68%	12.63%
Direct Investment-Related Expenses	0.35%	0.45%

Exhibit 6

**Laredo Firefighters Retirement System
Development of Actuarial Value of Assets**

Calculation of Actuarial Investment Gain/(Loss) Based on Market Value for Plan Years Ending September 30				
	2014	2013	2012	2011
1. Market Value of Assets as of Beginning of Year	\$107,464,621	\$ 93,768,384	\$ 84,080,924	\$ 80,726,168
2. Firefighter Contributions	4,521,220	4,451,249	4,182,811	3,667,573
3. City Contributions	6,044,620	5,625,179	5,311,893	4,644,823
4. Benefit Payments and Contribution Refunds	(8,500,340)	(7,701,071)	(8,812,627)	(6,696,642)
5. Expected Investment Return *	<u>8,679,790</u>	<u>7,596,485</u>	<u>6,753,232</u>	<u>6,521,480</u>
6. Expected Market Value of Assets as of End of Year	118,209,910	103,740,226	\$ 91,516,233	\$ 88,863,402
7. Actual Market Value of Assets as of End of Year	<u>118,339,638</u>	<u>107,464,621</u>	<u>93,768,384</u>	<u>84,080,924</u>
8. Actuarial Investment Gain/(Loss)	\$ 129,727	\$ 3,724,395	\$ 2,252,151	\$ (4,782,478)
9. Market Value Rate of Return Net of Expenses	8.12%	11.92%	10.68%	2.13%
10. Rate of Actuarial Investment Gain/(Loss)	0.12%	3.92%	2.68%	(5.87)%

* Assuming (1) uniform distribution of contributions and payments during the plan year and (2) expected rate of return of 8% net of expenses.

Plan Year	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) as of 9/30/2014
2014	\$ 129,727	80%	\$ 103,782
2013	3,724,395	60%	2,234,637
2012	2,252,151	40%	900,860
2011	(4,782,478)	20%	(956,496)
Total			\$ 2,282,783

Actuarial Value of Assets as of September 30, 2014	
11. Market Value of Assets as of September 30, 2014	\$ 118,339,638
12. Deferred Gain/(Loss) to be Recognized in Future	<u>2,282,783</u>
13. Preliminary Value (Item 11 – Item 12)	\$ 116,056,855
14. Corridor for Actuarial Value of Assets	
a. 90% of Market Value as of September 30, 2014 (minimum)	\$ 106,505,674
b. 110% of Market Value as of September 30, 2014 (maximum)	\$ 130,173,602
15. Actuarial Value as of September 30, 2014	\$ 116,056,855
16. Write Up/(Down) of Assets (Item 15 – Item 11)	\$ (2,282,783)

Exhibit 7

Historical Comparison of Market and Actuarial Value of Assets
(Valuation as of March 31 through 2010; as of September 30 beginning in 2012)

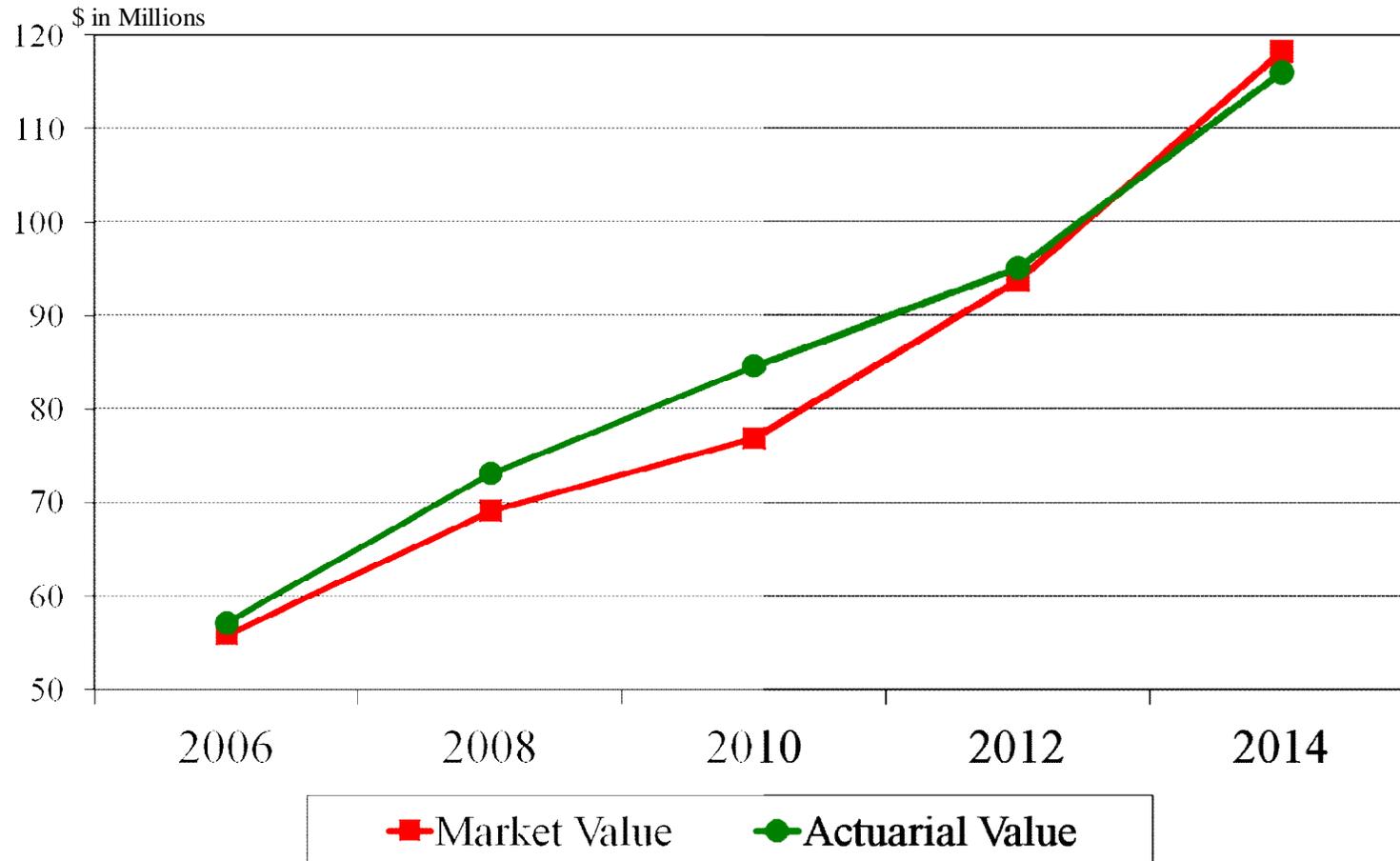
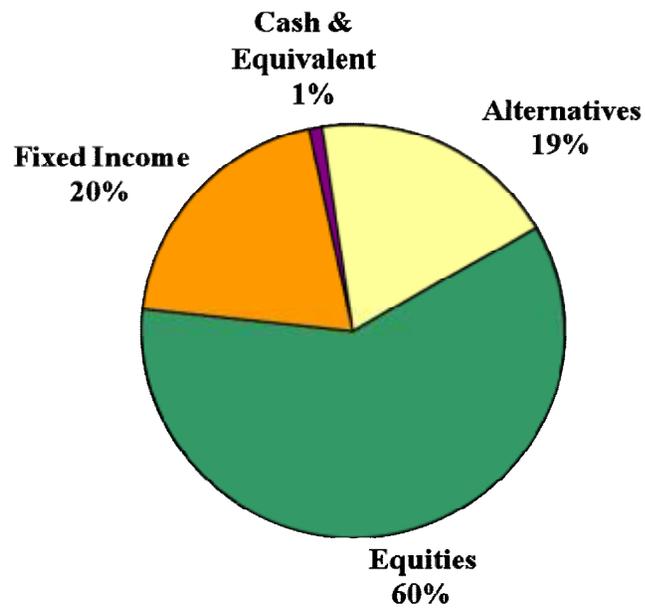


Exhibit 8

Comparison of Market Value Asset Allocation as of the Prior and Current Actuarial Valuation Dates

September 30, 2012



September 30, 2014

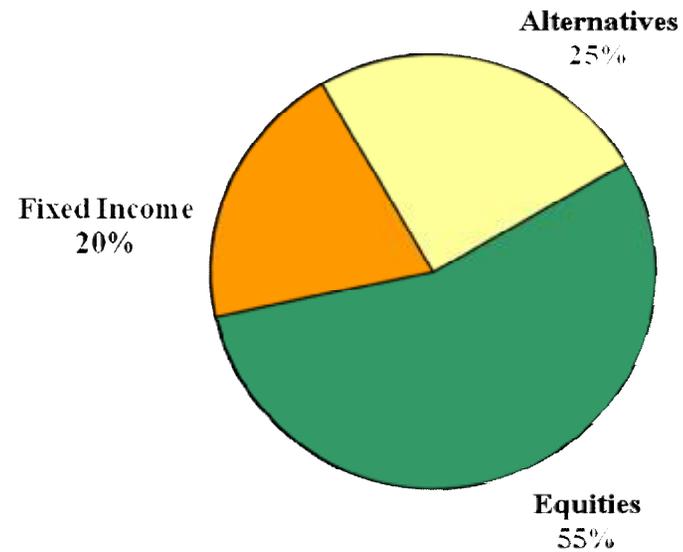


Exhibit 9

Actuarial Methods and Assumptions

A. Actuarial Methods

1. Actuarial Cost Method

The Entry Age Actuarial Cost Method is an actuarial cost method in which the actuarial present value of projected benefits of each active firefighter included in the valuation is allocated as a level percentage of compensation between age at hire and assumed termination. Each active firefighter's normal cost is the current annual contribution in a series of annual contributions which, if made throughout the firefighter's total period of employment, would fund his expected benefits. Each firefighter's normal cost is calculated to be a constant percentage of his expected compensation in each year of employment. The normal cost for the fund is the sum of the normal costs for each active firefighter for the year following the valuation date.

The fund's actuarial accrued liability is the excess of the actuarial present value of projected benefits over the actuarial present value of all future remaining normal cost contributions. The unfunded actuarial accrued liability (UAAL) is the amount by which the actuarial accrued liability exceeds the actuarial value of assets. The UAAL is recalculated each time a valuation is performed. Experience gains and losses, which represent deviations of the UAAL from its expected value based on the prior valuation, are determined at each valuation and are amortized as part of the newly calculated UAAL.

2. Amortization Method

The UAAL is assumed to be amortized with level percentage of payroll contributions (total assumed contribution rate less normal cost contribution rate) based on assumed payroll growth of 3.50% per year. The actuarial determination of the amortization period reflects that contributions are made biweekly.

3. Actuarial Value of Assets Method

All assets are valued at market value with an adjustment made to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. expected market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 90% of market value nor greater than 110% of market value. See Exhibit 6.

B. Actuarial Assumptions

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. The investment return assumption is reviewed using the building block approach that includes several asset allocations, assumed real rates of return for each asset class, an assumed rate of investment-related expenses, and an assumed rate of inflation, with all assumptions for the long-term future. Our economic assumptions are influenced both by long-term historical experience and by future expectations of investment consultants and economists, but we select the economic assumptions and discuss them with the board before completing the actuarial valuation.

We review the termination and retirement experience since the prior valuation and periodically look back more than two years. We also periodically review the average salaries by years of service to get insights into the promotion, step, and longevity compensation patterns for the purpose of reviewing our compensation increase assumption. For the mortality assumptions, we use an appropriate published mortality table with projections for improvement beyond the valuation date. We are guided in our review and selection of assumptions by the relevant actuarial standards of practice. As a result of our review, we have selected actuarial assumptions we consider to be reasonable and appropriate estimates of future experience for the system for the long-term future.

1. Investment Return

8.00% per year net of investment-related expenses.

2. Inflation

3.50% per year included in compensation increases and investment return assumptions.

3. Mortality Rates

RP-2000 Combined Healthy Mortality Table projected to 2024 for males and for females (sex distinct) for all three types of mortality: pre-retirement, post-retirement, and post-disability.

4. Compensation Increases

General increases of 3.50% per year in addition promotion, step, and longevity increases that average 1.89% per year over a 30-year career. See Exhibit 10.

5. Retirement Rates

Age	Rate per Year for Firefighters Eligible to Retire
50-52	15%
53	25
54-57	35
58-59	31
60	100

The average expected retirement age for firefighters under age 50 based on these rates is 53.6.

6. RETRO DROP Election

- a. Percent of firefighters eligible electing RETRO DROP: 90% of service retirements eligible to elect at least a 12-month lump sum.
- b. Months assumed for lump sum: Maximum they are eligible for, up to 24 months.

7. Withdrawal Rates

See Exhibit 10.

8. Disability Rates

See Exhibit 10. The on-duty and off-duty rates are each 50% of the total rate at each age.

9. Reduction in Benefit after 2½ Years of Disability Retirement

45% weighted average reduction in benefit.

10. Percent Married

85% of the firefighters are assumed to be married at retirement, disability, or death while employed, with male firefighters having a spouse four years younger and female firefighters having a spouse four years older.

11. Payment Form for Retirement Benefits Due to Service Retirement, Disability Retirement, or Vested Termination

- Joint and 2/3 to surviving spouse for the 85% assumed to be married
- Life annuity for the 15% assumed to be single

To the extent optional forms of payment are elected and the amounts are determined under an actuarial basis which differs from the basis used in the valuation, actuarial gains or losses will occur. These gains or losses are expected to be very small and will be recognized through the valuation process for those retiring since the prior valuation who made an optional election.

12. Surviving Child's Death Benefit

None are assumed as a result of future deaths.

13. Firefighters' Contribution Rate

15.00% of covered pay.

14. City's Assumed Contribution Rate

20.10% of covered payroll.

15. Covered Payroll for First Year Following Valuation Date

Actual (or annualized) pay for 2014 with adjustment for each firefighter to reflect the 2% pay increase effective in October 2014.

16. General Administrative Expenses

The expenses paid by system assets for other than investment-related expenses are assumed to be 0.75% of payroll. The normal cost rate as a percent of payroll is assumed to be 0.75% of payroll higher to reflect these expenses.

17. Increase in Future Pay-Related Benefits Due to Definition of Average Salary

- 0.70% for RETRO DROP benefits
- 1.95% for all other benefits

Exhibit 10
Disability, Mortality, and Withdrawal Rates per 1,000 Active Members
Compensation Increases by Years of Service

Attained Age	Disability and Mortality Rates			Withdrawal Rates		Compensation Increases	
	Disability ¹	Mortality		Years of Service	Rate	Years of Service	Increase Percent
		Male	Female				
20	0.14	0.218	0.130	0	18	1	10.75%
21	0.15	0.231	0.126	1	16	2	10.75
22	0.16	0.243	0.129	2	14	3	10.75
23	0.17	0.260	0.134	3	13	4	10.75
24	0.18	0.275	0.140	4	11	5	10.75
25	0.19	0.295	0.148	5	9	6	6.61
26	0.21	0.327	0.160	6	8	7	6.61
27	0.23	0.339	0.167	7	7	8	6.61
28	0.25	0.348	0.176	8	6	9	6.61
29	0.28	0.365	0.186	9	6	10	6.61
30	0.31	0.394	0.207	10	5	11	5.05
31	0.35	0.442	0.253	11	4	12	5.05
32	0.40	0.498	0.289	12	4	13	5.05
33	0.45	0.559	0.317	13	3	14	5.05
34	0.49	0.622	0.342	14	3	15	5.05
35	0.52	0.685	0.364	15	3	16	3.50
36	0.54	0.746	0.385	16	3	17	3.50
37	0.57	0.802	0.405	17	2	18	3.50
38	0.62	0.834	0.426	18	2	19	3.50
39	0.73	0.863	0.451	19	2	20	3.50
40	0.92	0.890	0.491	20 & Over	0	21	3.50
41	1.14	0.919	0.539			22	3.50
42	1.32	0.955	0.593			23	3.50
43	1.48	0.996	0.652			24	3.50
44	1.73	1.046	0.716			25	3.50
45	2.09	1.102	0.763			26	3.50
46	2.55	1.152	0.810			27	3.50
47	2.98	1.206	0.857			28	3.50
48	3.34	1.263	0.927			29	3.50
49	3.62	1.322	1.002			30	3.50
50	3.79	1.383	1.111			31	3.50
51	3.92	1.545	1.258			32	3.50
52	4.04	1.642	1.439			33	3.50
53	4.24	1.796	1.652			34	3.50
54	4.56	1.968	1.904			35	3.50
55	0.00	2.287	2.241			36	3.50
56	0.00	2.716	2.674			37	3.50
57	0.00	3.110	3.084			38	3.50
58	0.00	3.580	3.478			39	3.50
59	0.00	4.037	3.938			40	3.50
60		4.581	4.482				
61		5.341	5.155				
62		6.093	5.902				
63		7.138	6.781				
64		8.042	7.642				

¹Applicable when not eligible for service retirement. The on-duty and off-duty rates are each 50% of the total rate at each age.

Exhibit 11

Definitions

1. Actuarial Accrued Liability That portion, as determined by the particular actuarial cost method used, of the Actuarial Present Value of future pension plan benefits as of the Valuation Date that is not provided for by the Actuarial Present Value of future Normal Costs.
2. Actuarial Assumptions Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, termination, disablement and retirement; changes in compensation; rates of investment earnings and asset appreciation; and other relevant items.
3. Actuarially Equivalent Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
4. Actuarial Gain (Loss) A measure of the difference between actual experience and that expected based on the Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with the particular actuarial cost method used.
5. Actuarial Present Value The value of an amount or series of amounts payable or receivable at various times, determined as of a given date (the Valuation Date) by the application of the Actuarial Assumptions.
6. 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 pension plan.
7. Actuarial Value of Assets The value of cash, investments and other property belonging to a pension plan, as determined by a method and used by the actuary for the purpose of an Actuarial Valuation.

8. Entry Age Actuarial Cost Method
An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated as a level percentage of earnings between entry age and assumed termination. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.
9. Plan Year
A 12-month period beginning October 1 and ending September 30.
10. Normal Cost
That portion of the Actuarial Present Value of pension plan benefits that is allocated to a valuation year by the actuarial cost method.
11. Projected Benefits
Those pension plan benefit amounts that are expected to be paid at various future times according to the Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future qualified service.
12. Overfunded Actuarial Accrued Liability
The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.
13. Unfunded Actuarial Accrued Liability
The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
14. Valuation Date
The date upon which the Normal Cost, Actuarial Accrued Liability and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the end of a Plan Year, but it does not have to coincide.
15. Years to Amortize the Unfunded Actuarial Accrued Liability
The period is determined in each Actuarial Valuation as the number of years, beginning with the Valuation Date, to amortize the Unfunded Actuarial Accrued Liability with a level percent of payroll that is the difference between the expected total contribution rate and the Normal Cost contribution rate.

Exhibit 12
Summary of Present Plan

1. Service Retirement and Duty-Related Disability Retirement Monthly Benefit as a Percentage of Final Average Monthly Salary for Each Year of Service (20 year minimum for disability retirements) 3.03%
2. Off-Duty Disability Retirement Benefit is equal to the Duty-Related Disability Retirement Benefit multiplied by 8% for each year of service as of the date of employment termination (100% maximum). If the disability arose out of service with another employer, no monthly benefit will be payable.
3. Normal Service Retirement Eligibility Age 50 and 20 Years
4. RETRO DROP
 - (a) Earliest RETRO DROP benefit calculation date Age 51 and 21 Years
 - (b) Maximum RETRO DROP Benefit Accumulation Period 24 Months
 - (c) Earliest employment termination date with maximum RETRO DROP accumulation period Age 53 and 23 Years
 - (d) RETRO DROP lump sum includes
 - (i) monthly benefits that would have been received between RETRO DROP benefit calculation date and termination of employment,
 - (ii) accumulated contributions made by the firefighter after the RETRO DROP benefit calculation date, and
 - (iii) no interest
5. Early Service Retirement
 - (a) Eligibility Age 45 and 20 Years
 - (b) Reduction in Benefit Actuarially Equivalent
6. Early Service Retirement Benefit
 - (a) Equal to a percentage of the normal service retirement benefit
 - (b) Percentage based on age and calculated to make the early retirement benefit actuarially equivalent to unreduced benefit starting at age 50
7. Vested Terminated Benefit Eligibility (Benefit Deferred to Age 50) 20 Years
8. Surviving Spouse's Monthly Death Benefit for a Firefighter Not Eligible for Service Retirement
 - (a) Portion of monthly retirement benefit for other active firefighters following an on-duty death or an off-duty death with 10 or more years of service (benefit calculated with a minimum of 20 years of service) Two-Thirds
 - (b) Monthly off-duty death benefit for active firefighters with less than 10 years of service:
 - (i) 5 to 9 years \$175
 - (ii) Less than 5 years \$150

9. Surviving Spouse's Monthly Death Benefit for a Firefighter Eligible for Service Retirement: The monthly benefit the firefighter could have received on the date of death if the firefighter had elected the Joint and 100% Surviving Spouse optional form of payment (96% option factor). The 2-year RETRO DROP option is also available to surviving spouses of firefighters who were eligible for the RETRO DROP at the time of death
10. Surviving Children's Death Benefit
- | | |
|---|-------|
| (a) Monthly benefit per unmarried child | \$300 |
| (b) Maximum monthly amount payable for all children | \$900 |
11. Lump Sum Death Benefits
- | | |
|---|----------|
| (a) Payable in five equal annual installments upon the death of an active firefighter | \$35,000 |
| (b) Payable upon the death of a retired firefighter or the surviving spouse | \$ 8,750 |
12. Contributions as a Percent of Pay by:
- | | |
|--------------------|--------|
| (a) Firefighters | 15.00% |
| (b) City of Laredo | 20.10% |
13. The normal form of benefit payment at retirement is a Joint and Two-Thirds to Surviving Spouse, and payment is the last day of each month. A Joint and 50% to Surviving Spouse Option and a Joint and 100% to Surviving Spouse Option are available to married firefighters as optional forms of a service retirement benefit. Retirement benefit options are also available with a reduced initial monthly benefit that automatically increases each year.
14. Salary used to determine the Final (three-year) Average Monthly Salary includes all elements of pay except for lump sum distributions for unused sick leave or vacation upon termination. The average is based on the highest 78 biweekly pay periods out of the last 208 biweekly pay periods.
15. Refund of firefighters' accumulated contributions without interest will be paid to firefighters who terminate employment and either are not eligible for any other benefit from the system or request a refund from the system.
16. An option to purchase military service prior to employment with the city as service credit under the plan is available.