

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND**

**WICHITA FALLS, TEXAS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Wichita Falls Firemen's Relief and Retirement Fund  
Wichita Falls, Texas

### ***Opinion***

We have audited the accompanying financial statements of Wichita Falls Firemen's Relief and Retirement Fund, which comprise the statements of fiduciary net position as of December 31, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Wichita Falls Firemen's Relief and Retirement Fund ("Fund") as of December 31, 2021 and 2020, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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 Wichita Falls Firemen's Relief and Retirement Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Fund's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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 opinion. 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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.

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In performing an 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 on the effectiveness of the Fund'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 Fund'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 we identified during the audit.

#### *Other Matters*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 7 and the Required Supplementary Schedules on pages 20 - 25 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 both the Management's Discussion and Analysis and the Required Supplementary Schedules 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.

*Henry + Peters, P.C.*

Tyler, Texas  
July 20, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
DECEMBER 31, 2021 AND 2020**

The Management's Discussion and Analysis (MD&A) of the Wichita Falls Firemen's Relief and Retirement Fund (Fund) for the years ended December 31, 2021 and 2020, provides a summary of the financial position and performance of the Fund, including highlights and comparisons. The MD&A is presented as a narrative overview and analysis. For more detailed information regarding the Fund's financial activities, the reader should also review the actual financial statements, including the notes and supplementary schedules.

**Overview of the Financial Statements**

This MD&A is intended to serve as an introduction to the Fund's basic financial statements, which comprise the following components:

- Fund financial statements
- Notes to financial statements
- Required supplementary information

Collectively, this information presents the net position and summarizes the changes in fiduciary net position of the Fund as of December 31, 2021 and 2020. The information available in each of these sections is briefly summarized below.

- **Fund Financial Statements.** The financial statements presented include Fiduciary Fund statements. Fiduciary Fund statements represent the financial position and activities of the Pension Trust Fund. A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position are presented for the Pension Trust Fund as of December 31, 2021 and 2020 and for the years then ended. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries.
- **Notes to Financial Statements.** The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below:
  - Note 1 provides a general description of the Fund, including membership and benefit provisions, as well as a description of its reporting entity.
  - Note 2 provides a summary of significant accounting policies, including the basis of presentation and accounting and explanations of investment fair value estimates.
  - Note 3 provides a general description of the contributions.
  - Note 4 provides information on the Fund's investment portfolio including information pertaining to the investment policy, and rate of return of the portfolio.
  - Note 5 provides the components of the net pension liability of the employer, summarizes actuarial assumptions and discount rate.
  - Note 6 explains that the Fund and related trust are designed in accordance with applicable sections of the Internal Revenue Code.
  - Note 7 explains that the Fund is exposed to various investment risks.
  - Note 8 provides a description of the required supplementary schedules.
  - Note 9 explains that the Fund has evaluated subsequent events through the date on which the financial statements were available to be issued.
- **Required Supplementary Schedules.** The required supplementary information includes schedules and related notes concerning the annual fluctuations in the net pension liability of the Fund, employer contributions required of the City of Wichita Falls to the Fund and investment return on plan assets. Also included are certain actuarial assumptions that have an effect on the net pension liability and required contributions.

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
DECEMBER 31, 2021 AND 2020**

**Financial Highlights**

Fiduciary Fund – Pension Trust Fund

The following table displays a summary of assets, liabilities, net position and changes in net position for the Fund at December 31, 2021 and 2020, respectively:

	2021	2020
Assets	\$ 62,380,496	\$ 57,855,599
Liabilities	(21,809)	(26,839)
Net Position	62,358,687	57,828,760
Change in net position	\$ 4,529,927	\$ 4,950,806

Additions to net assets held in the trust for pension benefits include employer and member contributions as well as investment income. Such amounts were as follows in 2021 and 2020, respectively:

	2021	2020
Employer contributions	\$ 1,615,588	\$ 1,551,830
Member contributions	1,583,797	1,551,830
Net investment income	7,983,091	7,864,359
Other Income	3,386	-
Total additions	\$ 11,185,862	\$ 10,968,019

Fund membership totaled 315 and 309 at December 31, 2021 and 2020, respectively. The employer contribution rate was 13.25% and 13.00% for December 31, 2021 and 2020, respectively.

Investment income includes appreciation/depreciation in fair value of investments, interest and dividends, and is shown net of investment-related expenses. The change in investment income for 2021 was due in large part to the increase in fair value of investments and fluctuations of the market and economic conditions.

Deductions from net position restricted for pension benefits include payments of retirement benefits and refunds, as well as administrative and other expenses. Such amounts are as follows for 2021 and 2020, respectively:

	2021	2020
Benefits paid to members	\$ 5,597,079	\$ 5,408,002
Refunds and drop payments	938,220	493,296
Administrative & other expenses	120,636	115,915
Total deductions	\$ 6,655,935	\$ 6,017,213

**Requests for Information**

This financial report is designed to provide a general overview of the Wichita Falls Firemen's Relief and Retirement Fund finances. Questions and requests for additional information should be addressed to the Fire Pension Board, 624 Indiana Avenue, Suite 305, Wichita Falls, TX 76301.

## **BASIC FINANCIAL STATEMENTS**



**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 177	\$ 177
Investments, at fair value:		
Short-term investment funds	255,292	331,803
Equities:		
Domestic	29,881,052	23,721,543
International	8,902,286	10,251,256
Fixed income:		
Domestic	11,596,128	12,239,778
International	2,765,522	2,757,418
Alternative investments	3,684,434	3,434,500
Real estate	5,295,605	5,119,124
Total investments	<u>62,380,319</u>	<u>57,855,422</u>
Total assets	<u>62,380,496</u>	<u>57,855,599</u>
<b>LIABILITIES</b>		
Accrued expenses	21,809	26,839
Net position - restricted for pension benefits	<u><u>\$ 62,358,687</u></u>	<u><u>\$ 57,828,760</u></u>

See accompanying notes to financial statements.

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,615,588	\$ 1,551,830
Members	1,583,797	1,551,830
Total contributions	<u>3,199,385</u>	<u>3,103,660</u>
Investment income, net:		
Interest and dividend income	1,813,660	1,393,627
Net appreciation in fair value of investments	6,796,077	6,844,642
Less investment expense	<u>(626,646)</u>	<u>(373,910)</u>
Total investment income, net	<u>7,983,091</u>	<u>7,864,359</u>
Other income	<u>3,386</u>	<u>-</u>
Total additions	11,185,862	10,968,019
<b>DEDUCTIONS</b>		
Benefits paid to participants	5,597,079	5,408,002
Refunds and drop payments	938,220	493,296
Administrative expenses	<u>120,636</u>	<u>115,915</u>
Total deductions	<u>6,655,935</u>	<u>6,017,213</u>
Net increase	4,529,927	4,950,806
Net position - restricted for pension benefits		
Beginning of year	<u>57,828,760</u>	<u>52,877,954</u>
End of year	<u><u>\$ 62,358,687</u></u>	<u><u>\$ 57,828,760</u></u>

See accompanying notes to financial statements.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 - FUND DESCRIPTION**

**BACKGROUND AND REPORTING ENTITY**

The Wichita Falls Firemen's Relief and Retirement Fund (Fund) was established October 1, 1941, pursuant to the Texas Local Firefighter's Retirement Act of 1937 (Act). The purpose of the Fund is to provide specific benefits to members at retirement or disability and to their beneficiaries in case of death.

The Fund is administered by a seven-member Board of Trustees (Board), which includes three members elected from and by the Fund members, two representatives of the City of Wichita Falls (the City), and two citizen members elected by the Board. The Board oversees the Fund and sets policies for its operation, including appointing management and directing investments.

The Fund is a single-employer defined benefit pension plan. The Fund is an independent entity for financial reporting purposes.

**MEMBERSHIP**

Firefighters for the City are covered by the Fund. The membership consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Inactive Plan members or beneficiaries currently receiving benefits	152	147
Inactive Plan members entitled to but not yet receiving benefits	3	2
Active Plan members	<u>160</u>	<u>160</u>
Total membership	<u><u>315</u></u>	<u><u>309</u></u>

**BENEFIT PROVISIONS**

The Fund provides service retirement, death, disability, and termination benefits. These benefits fully vest after 20 years of credited service. Members may retire at age 50 with 20 years of service. The Fund provides a monthly normal retirement benefit equal to 2.55% of the member's highest three-year average salary, multiplied by years of credited service as of date of termination. Six payment options are available. These options allow members to adjust the amount and longevity of the monthly benefit.

The Fund provisions also allow members the opportunity to select initial lump sum distributions, referred to as DROP payments, if certain eligibility requirements are met. There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide for ad hoc postretirement benefit increases. The benefit provisions of the Fund are authorized by the Act. The Act provides the authority and procedure to amend benefit provisions.

Effective April 20, 2016, the Fund was amended in an effort to reduce the remaining amortization period of the Fund's net pension liability. The member's contribution rate was increased from 12% to 13%. For members hired on or after April 20, 2016, this amendment extended the final average compensation period from three years to five years. The normal retirement date was changed from age fifty to age fifty-five, and the eligibility age for entry into the Deferred Retirement Option Program was changed from age fifty-three to age fifty-five. This amendment also reduced the normal service retirement factor from 2.55% to 2.50%.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION AND ACCOUNTING**

The Fund financial statements are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board ("GASB") for pension trust funds, with the financial activities recorded in a separate fund. The financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due. Benefits and refunds are recognized when paid in accordance with the provisions of the Fund. Investment transactions are recorded as of the date a transaction is agreed upon and investment income, from interest and dividends, is recorded when earned or declared. All other expenses are recognized when incurred.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Fund administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**INVESTMENTS**

Investments are reported at fair value. The Fund determines the fair value of investments as follows:

- Short-term investments, such as debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value.
- Debt and equity securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.
- Debt securities not traded on national or international exchanges are reported at estimated fair value based on equivalent values of comparable securities with similar yield and risk.
- Investments in open-ended mutual funds are based on the funds' current share price.
- Investments in partnerships or other alternative investments that are not traded on national or international exchanges are valued at the last reported share value.
- Investments in common/collective trusts are valued at Net Asset Value (NAV) based on values reported by the sponsor of the trust.

Investment gains and losses arising from increases or decreases in the current market values from the beginning of the year to the end of the year and investment gains and losses arising from the sale or maturity of investments are reported as net appreciation (depreciation) in fair value on investments in the statements of changes in fiduciary net position.

**ADMINISTRATIVE COSTS**

The administrative costs are paid by the Fund through the use of investment earnings.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 - CONTRIBUTIONS**

The contribution provisions of the Fund are authorized by the Act. The Act provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City.

While the contribution requirements are not actuarially determined, state law requires that each category of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the members and the City provides an adequate financing arrangement. The funding policy of the Fund requires contributions by the members at the rate elected by the members according to the Act. The City's contribution rate is based on the Texas Municipal Retirement System's formula. Contributions and contribution rates for the years ended December 31 were as follows:

	2021		2020	
	Amount	Percentage	Amount	Percentage
Employer	\$ 1,615,588	13.25%	\$ 1,551,830	13.00%
Members	1,583,797	13.00%	1,551,830	13.00%

**NOTE 4 - INVESTMENTS**

**INVESTMENTS OVERVIEW**

The Board has established, and has the authority to amend, the following investment guidelines:

**SHORT-TERM INVESTMENT FUNDS**

- The money market fund or short-term investment fund options provided by the Fund's custodian; and
- Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service.

**EQUITIES**

- Must be traded on a national exchange or electronic network; and
- Not more than five percent (5%) of the Fund's assets, at book value, shall be invested in the stock of one corporation, nor shall a retirement system own more than five percent (5%) of the voting stock of one corporation.

**FIXED INCOME**

- The purchase of high yield bonds and convertible bonds is permitted if so stated in the investment manager agreement for that manager. All other fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service unless specifically approved by the Board to invest below investment grade; and
- Not more than five percent (5%) of the Fund's assets, at book value, shall be invested in the bonds of one corporation.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 - INVESTMENTS - CONTINUED**  
**ALTERNATIVE INVESTMENTS/REAL ESTATE**

- Alternative investment strategies are defined as those strategies that seek to produce investment returns that have low correlation to traditional equity and fixed income markets and are highly dependent on manager skill more than market results. These strategies include private equity, hedge funds and fund of funds, real estate, and real assets.
- No more than five percent (5%) of the total Fund should be allocated to any one manager at the time of the commitment. To the extent possible, the allocation to a single manager should be limited to no more than ten percent (10%) of the total Fund based upon market value.
- Given the illiquid nature of most alternative investments and the broad latitude given to most alternative managers, due diligence on these types of investments is of greater importance and shall be conducted, for the most part, by the investment consultant. In evaluating a given opportunity, factors to be analyzed include, but are not necessarily limited to: (1) the type of investment strategy to be employed, (2) the length of time the manager has been operating, (3) the internal controls in place, (4) the external controls in place such as independent administrators, auditors, legal representatives, etc. (5) reporting frequency, (6) valuation policy, (7) registration issues, (8) liquidation rights and (9) personal capital at risk or subordinated to the Fund's investment.

**FAIR VALUE**

The Fund's investments are reported at fair value in the accompanying statements of fiduciary net position. Following is a description of the valuation methodologies used for investments measured at fair value.

- Interest-bearing cash: Valued at cost, which approximates fair value.
- Equity securities and mutual funds: Valued at the daily closing price as reported in the active market where the securities and individual funds are traded. Equity securities and mutual funds held by the Fund are registered with the Securities and Exchange Commission.
- Fixed income: Valued at prices quoted in active markets where the securities are traded.
- Alternative investments and real estate: Valued at the net asset value (NAV) as reported by each individual alternative investment. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by each individual alternative investment or comingled fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 - inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 - observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active, and Level 3 - inputs are unobservable and have the lowest priority. As discussed above, the Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – INVESTMENTS - CONTINUED**

**FAIR VALUE - CONTINUED**

In accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board for pension trust funds, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The following table sets forth by level, within the fair value hierarchy, the Fund's investments at fair value as of December 31, 2021 and 2020, respectively:

Assets at Fair Value as of December 31, 2021		
	Quoted Prices in Active Markets for Identical Assets	
	(Level 1)	Total
Short-term investments	\$ 255,292	\$ 255,292
Equities	38,783,338	38,783,338
Fixed income	14,361,650	14,361,650
Investments measured at net asset value	-	8,980,039
Investments at fair value	<u>\$ 53,400,280</u>	<u>\$ 62,380,319</u>

Assets at Fair Value as of December 31, 2020		
	Quoted Prices in Active Markets for Identical Assets	
	(Level 1)	Total
Short-term investments	\$ 331,803	\$ 331,803
Equities	33,972,799	33,972,799
Fixed income	14,997,196	14,997,196
Investments measured at net asset value	-	8,553,624
Investments at fair value	<u>\$ 49,301,798</u>	<u>\$ 57,855,422</u>

**RATE OF RETURN**

For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on Fund investments, net of investment expenses, was 14.14 and 15.35 percent, respectively. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 – INVESTMENTS - CONTINUED**

**INVESTMENT MANAGEMENT**

The Fund is invested in various financial instruments that are managed by their own respective investment management companies. The following tables lists the investments that the Fund is currently invested in along with their investment managers:

Investment	Investment Manager
Alger Capital Appreciation Institutional Fund App Class Y	Fred Alger Management, LLC
Vanguard Equity Income Fund Eqt Class Adm Mf	Wellington Management Company LLP & Vanguard Quantitative Equity Group
Vanguard Growth Index Fund Class Adm Mf	Vanguard Equity Index Group
Vanguard S&P 500 ETF	Vanguard Equity Index Group
Westwood Smallcap Value Equity	Westwood Holdings Group, Inc.
American Europacific Growth Fund	Capital Research and Management Company
Baird Funds Inc Aggregate Bond Class Inst Mf	Baird Asset Management
LBC Credit Partners IV, L.P.	LBC Credit Partners
Pimco Diversified Income Fund	Pacific Investment Management Company LLC
BlackRock Multi-Asset Income Portfolio K	BlackRock Multi-Asset Strategies & Solutions
ASB Real Estate Investments	ASB Capital Management
Deerpath Capital Advantage V, LP	Deerpath Capital Management, LP
Stockbridge Value Fund III	Stockbridge Capital Group, LLC
Pacific Funds INC Aggregate Bond Class Inst Mf	Pacific Investment Management Company LLC

**INVESTMENT EXPENSE**

In the normal course of operations, the Fund will incur various expenses on behalf of its members due to advisory, consulting, and administrative duties required. The following is a breakdown of investment and administrative expenses for the years ended December 31, 2021 and 2020, respectively:

	2021	2020
Investment expenses:		
Brokerage fees	\$ 415,991	\$ 290,231
Investment consulting fees	35,396	45,119
Carried interest	175,259	38,560
Total investment expenses	<u>626,646</u>	<u>373,910</u>
Administrative expenses:		
Administrative fees	74,827	49,729
Actuary	2,250	28,950
Professional services	43,559	37,236
Total administrative expenses	<u>120,636</u>	<u>115,915</u>
Total investment and administrative expenses	<u>\$ 747,282</u>	<u>\$ 489,825</u>



**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – INVESTMENTS - CONTINUED**  
**INVESTMENT EXPENSE - CONTINUED**

The following table provides a breakdown between investment fees paid by the Fund and fees netted from investment returns for the year ended December 31, 2021 and 2020, respectively:

December 31, 2021 Asset Class	Management Fees Paid From Plan	Management Fees Netted From Returns	Total Investment Management Fees
Equities	\$ 200,584	\$ -	\$ 200,584
Fixed Income	123,247	56,021	179,268
Alternative investments	17,786	-	17,786
Real estate	7,469	221,539	229,008
Total	<u>\$ 349,086</u>	<u>\$ 277,560</u>	<u>\$ 626,646</u>

  

December 31, 2020 Asset Class	Management Fees Paid From Plan	Management Fees Netted From Returns	Total Investment Management Fees
Equities	\$ 107,680	\$ -	\$ 107,680
Fixed Income	98,906	87,305	186,211
Alternative investments	5,240	-	5,240
Real estate	3,748	71,031	74,779
Total	<u>\$ 215,574</u>	<u>\$ 158,336</u>	<u>\$ 373,910</u>

**NOTE 5 - NET PENSION LIABILITY OF THE EMPLOYER**

The components of the net pension liability of the employer on December 31, 2021 were as follows:

Total pension liability	\$ 117,478,369
Plan fiduciary net position	<u>(62,358,687)</u>
Employer's net pension liability	<u>\$ 55,119,682</u>

Plan fiduciary net position as a percentage of total pension liability	53.08%
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**ACTUARIAL ASSUMPTIONS**

The total pension liability was determined by an actuarial valuation as of January 1, 2022 updated to December 31, 2021, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	Service based
Discount rate	5.80%
Investment rate of return	7.75%

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 5 - NET PENSION LIABILITY OF THE EMPLOYER - CONTINUED**

**ACTUARIAL ASSUMPTIONS - CONTINUED**

The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2021 and a base year of 2010.

The long-term expected rate of return on Fund investments for the January 1, 2022 actuarial valuation and December 31, 2021 measurement date was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset class	Long term expected real rate of return
Domestic equity	7.50%
International equity	8.50%
Domestic fixed income	2.50%
Global fixed income	3.50%
Real estate	4.50%
GTAA	3.50%

**DISCOUNT RATE**

The projection of cash flows used to determine the discount rate assumed that current Fund Member and Sponsor contributions will be made at the current contribution rate. Future Member's contributions in excess of their normal costs were also included. Based on those assumptions, the Pension Fund's Fiduciary Net Position was projected to provide future benefit payments for 37 years. These payments were discounted using a discount rate of 7.75%. Future benefit payments beyond 37 years were discounted using a high-quality municipal bond rate of 2.25%. The high-quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. The single equivalent discount rate was 5.80%.

	1% Decrease in Discount Rate 4.80%	Discount Rate 5.80%	1% Increase in Discount Rate 6.80%
Employer's net pension liability	\$ 70,077,975	\$ 55,119,682	\$ 42,668,515

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6 - TAX STATUS**

The Internal Revenue Service has determined and informed the Fund by a letter dated April 30, 2015, that the Fund and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). The Fund has been amended since receiving the determination letter. However, the Fund's board and tax counsel believe that the Fund is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**NOTE 7 - RISKS AND UNCERTAINTIES**

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Investment values are subject to market fluctuations that may cause a decline in the value of investments held at year-end.

**NOTE 8 - REQUIRED SUPPLEMENTARY SCHEDULES**

Required supplementary schedules for the Fund include the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, the Schedule of Investment Returns and the Notes to Required Supplementary Schedules. These are presented in order to demonstrate the Fund's ability to pay the net pension liability and its progress in doing so. Certain schedules should include a ten-year history of information. As provided for in GASB Statement No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of the standard. The full trend information will be accumulated over the next two years as the necessary information becomes available.

**NOTE 9 - SUBSEQUENT EVENTS**

The Fund has evaluated subsequent events through July 20, 2022, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)**

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS \***

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability								
Service cost	\$ 3,462,346	\$ 3,066,397	\$ 2,923,162	\$ 3,797,094	\$ 2,514,077	\$ 1,613,166	\$ 1,514,459	\$ 1,447,068
Interest	6,175,999	6,288,749	6,405,216	5,944,979	5,887,833	5,740,141	5,743,802	5,537,931
Changes of benefit terms	-	-	(6,621,408)	-	-	-	6,752	-
Differences between Expected and Actual Experience	(2,700,656)	-	(117,512)	3,358,881	1,599,916	1,231,956	(3,155,703)	(320,862)
Changes of assumptions	(20,894,841)	8,605,683	(1,593,843)	933,535	24,056,360	16,673,408	-	(423,984)
Benefit payments, including refunds of member contributions	(6,535,299)	(5,901,298)	(5,759,722)	(5,292,918)	(5,250,040)	(4,543,166)	(3,950,906)	(3,616,549)
Net change in total pension liability	(20,492,451)	12,059,531	(4,764,107)	8,741,571	28,808,146	20,715,505	158,404	2,623,604
Total pension liability - beginning	137,970,820	125,911,289	130,675,396	121,933,825	93,125,679	72,410,174	72,251,770	69,628,166
Total pension liability - ending (a)	<u>\$ 117,478,369</u>	<u>\$ 137,970,820</u>	<u>\$ 125,911,289</u>	<u>\$ 130,675,396</u>	<u>\$ 121,933,825</u>	<u>\$ 93,125,679</u>	<u>\$ 72,410,174</u>	<u>\$ 72,251,770</u>
Plan fiduciary net position								
Contributions - employer	\$ 1,615,588	\$ 1,551,830	\$ 1,442,485	\$ 1,455,950	\$ 1,411,351	\$ 1,283,410	\$ 1,273,913	\$ 1,232,957
Contributions - member	1,583,797	1,551,830	1,468,465	1,475,242	1,463,122	1,350,904	1,221,926	1,144,644
Net investment income	8,128,492	7,864,359	9,142,584	(2,225,595)	6,581,299	2,577,572	421,270	3,284,243
Benefit payments, including refunds of member contributions	(6,535,299)	(5,901,298)	(5,759,722)	(5,292,918)	(5,250,040)	(4,543,166)	(3,950,906)	(3,616,549)
Administrative expense	(266,037)	(115,915)	(111,432)	(96,102)	(124,267)	(115,843)	(87,245)	(85,636)
Other	3,386	-	-	-	347,490	250	-	-
Net change in plan fiduciary net position	4,529,927	4,950,806	6,182,380	(4,683,423)	4,428,955	553,127	(1,121,042)	1,959,659
Plan fiduciary net position - beginning	57,828,760	52,877,954	46,695,574	51,378,997	46,950,042	46,396,915	47,517,957	45,558,298
Plan fiduciary net position - ending (b)	<u>\$ 62,358,687</u>	<u>\$ 57,828,760</u>	<u>\$ 52,877,954</u>	<u>\$ 46,695,574</u>	<u>\$ 51,378,997</u>	<u>\$ 46,950,042</u>	<u>\$ 46,396,915</u>	<u>\$ 47,517,957</u>
Net pension liability - ending (a) - (b)	<u>\$ 55,119,682</u>	<u>\$ 80,142,060</u>	<u>\$ 73,033,335</u>	<u>\$ 83,979,822</u>	<u>\$ 70,554,828</u>	<u>\$ 46,175,637</u>	<u>\$ 26,013,259</u>	<u>\$ 24,733,813</u>
Plan fiduciary net position as a percentage of the total pension liability	53.08%	41.91%	42.00%	35.73%	42.14%	50.42%	64.08%	65.77%
Covered member payroll	\$ 12,183,054	\$ 11,937,154	\$ 11,295,885	\$ 11,348,015	\$ 11,254,785	\$ 10,391,569	\$ 10,182,717	\$ 9,520,903
Net pension liability as a percentage of covered Member payroll	452.43%	671.37%	646.55%	740.04%	626.89%	444.36%	255.46%	259.78%

\* - See Note 8 to the Financial Statements.

See summary of assumptions on next page

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS \*  
CONTINUED**

The 2014 results were provided by the prior actuary, John M. Crider, Jr.

For the 2019 year, the following benefit amendments were implemented for all active participants:

- A maximum accrued benefit cap of \$100,000 per year
- The average final compensation period was increased from 3 years to 5 years for members hired prior to April 21, 2016
- The normal form of annuity payment was amended from a 66 2/3% Joint and Survivor Annuity to a Life Annuity

For the 2015 year, amounts reported as changes of benefits resulted from:

- The member contribution rate was increased from 12.0% to 13.0% of Salary for all members
- All future new entrants will accrue benefits under a "Tier 2" benefit structure.

*Changes of assumptions:*

For purposes of determining the GASB discount rate at the 12/31/2021 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 5.80%. The discount rate was decreased from 4.47% to 5.80%.

For purposes of determining the GASB discount rate at the 12/31/2020 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 4.47%. The discount rate was decreased from 4.99% to 4.47%.

For purposes of determining the GASB discount rate at the 12/31/2019 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 4.99%. The discount rate was increased from 4.90% to 4.99%. Additionally, the retirement rate were updated to better reflect anticipated future retirement experience.

For purposes of determining the GASB discount rate at the 12/31/2018 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 4.90%. The discount rate was increased from 4.83% to 4.90%. Additionally, the mortality rates were updated to reflect the PubS-2010 tables.

For purposes of determining the GASB discount rate at the 12/31/2017 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 4.83%. The discount rate was decreased from 6.33% to 4.83%. Other actuarial changes of assumptions in the 2017 year were a result of an actuarial experience study dated October 6, 2017, as approved by the Board of Trustees, the following changes were made:

- The actuarial asset method was changed to eliminate asset smoothing.
- The investment return assumption was lowered from 8.00% to 7.75% per year, net of all expenses.
- The assumed rates of salary increases were amended.
- The assumed rates of retirement were amended.
- The assumed rates of withdrawal were amended.
- The assumed rate of disablement was amended.

For purposes of determining the GASB discount rate at the 12/31/2016 measurement date, a depletion date projection as of that date have been performed. The results of this projection showed a single discount rate of 6.33%. The discount rate was decreased from 8.00% to 6.33%.

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS \***

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually required contribution	\$ 1,615,588	\$ 1,551,830	\$ 1,442,485	\$ 1,455,950	\$ 1,411,351	\$ 1,283,410	\$ 1,273,913	\$ 1,232,957
Contributions in relation to the contractually required contributions	1,615,588	1,551,830	1,442,485	1,455,950	1,411,351	1,283,410	1,273,913	1,232,957
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,183,054	\$ 11,937,154	\$ 11,295,885	\$ 11,348,015	\$ 11,254,785	\$ 10,391,569	\$ 10,182,717	\$ 9,520,903
Contributions as a percentage of covered employee payroll	13.26%	13.00%	12.77%	12.83%	12.54%	12.35%	12.51%	12.95%

\* - See Note 8 to the Financial Statements.

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS \***

	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Annual money-weighted rate of return net of investment expense	14.14%	15.35%	20.15%	(4.60%)	15.42%	5.10%	0.45%	7.32%

\* - See Note 8 to the Financial Statements.



**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES**

**Valuation date:** 1/1/2022

**Methods and assumptions used to determine contribution rates:**

**Funding method:** Entry age normal actuarial cost method.  
**Amortization method:** Level percent of compensation.  
**Remaining amortization period:** 32.1 years (as of January 1, 2022 Valuation)  
**Mortality rate:** PubS-2010 Mortality Tables with sex distinction.  
**Retirement age:** Members are assumed to retire at the later of age 50 or 20 years of service.  
**Termination rates:** See table below.  
**Disability rates:** See table below.

Termination and disability rate table.

Disability		Termination	
Age	rate	Service	rate
25	0.056%	<4	8.00%
35	0.076%	4-10	4.00%
45	0.168%	11+	0.75%
55	0.429%		

**Interest rate:** 7.75% per year, compounded annually, net of expenses.

**Salary increases:**

Service	Increase
<2	12.0%
2-8	6.5%
9-19	5.0%
20+	3.5%

**Payroll growth:** 4.00% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumed payroll growth rate was approved in conjunction with an actuarial experience study dated October 2017.

**Marital status:** 100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two years older than their spouses.

**Dependent children:** Each member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reaches the age of 20.

**Retirement election:** Members eligible for the DROP are assumed to elect either straight service retirement benefits or the DROP, whichever is more valuable. Other members are assumed to receive straight service retirement benefits.

**Actuarial asset method:** Fair market value