

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

**WICHITA FALLS, TEXAS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**WICHITA FALLS FIREMEN'S RELIEF  
AND RETIREMENT FUND  
DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Wichita Falls Firemen's Relief and Retirement Fund (Plan), which comprise the statements of fiduciary net position as of December 31, 2020 and 2019, and the related statements of changes in fiduciary net position, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### *Management's Responsibility 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

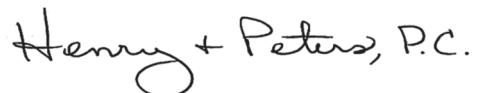
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2020 and 2019, and the changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *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 18 - 23 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.

A handwritten signature in black ink that reads "Henry + Peters, P.C." The signature is fluid and cursive, with "Henry" and "Peters" connected by a plus sign, and "P.C." in a smaller, more formal script following the plus sign.

Tyler, Texas  
June 16, 2021



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED**

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

The Management's Discussion and Analysis (MD&A) of the Wichita Falls Firemen's Relief and Retirement Fund (Plan) for the year ended December 31, 2020 provides a summary of the financial position and performance of the Plan, including highlights and comparisons. The MD&A is presented as a narrative overview and analysis. For more detailed information regarding the Plan'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 Plan'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 position of the Plan as of December 31, 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, 2020 and for the year 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 Plan, 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 Plan'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 Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code.
  - Note 7 explains that the Plan is exposed to various investment risks.
  - Note 8 provides a description of the required supplementary information.
  - Note 9 explains that the Plan 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 Plan, employer contributions required of the City of Wichita Falls to the Plan 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, 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 Plan at December 31, 2020 with comparative data:

	2020	2019
Assets	\$ 57,855,599	\$ 52,895,048
Liabilities	(26,839)	(17,094)
Net Position	57,828,760	52,877,954
Change in net position	\$ 4,950,806	\$ 6,182,380

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 2020 with comparative data:

	2020	2019
Employer contributions	\$ 1,551,830	\$ 1,442,485
Member contributions	1,551,830	1,468,465
Net investment income	7,864,359	9,142,584
Total additions	\$ 10,968,019	\$ 12,053,534

Plan membership totaled 309 and 310 at December 31, 2020 and 2019, respectively. The employer contribution rate was 13.00% and 12.77% for December 31, 2020 and 2019, respectively.

Investment income is presented net of appreciation/depreciation in fair value of investments, and is comprised of interest and dividends. The change in investment income for 2020 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 2020 with comparative data.

	2020	2019
Benefits paid to participants	\$ 5,408,002	\$ 5,234,474
Refunds and drop payments	493,296	525,248
Administrative & other expenses	115,915	111,432
Total deductions	\$ 6,017,213	\$ 5,871,154

**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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 177	\$ 197
Receivables:		
Distribution receivable	-	51,013
Interest and dividends	-	11,498
Total receivables	<u>-</u>	<u>62,511</u>
Investments, at fair value:		
Short-term investment funds	331,803	172,010
Equities:		
Domestic	23,721,543	22,316,804
International	10,251,256	8,183,647
Fixed income:		
Domestic	12,239,778	12,455,885
International	2,757,418	2,699,900
Alternative investments	3,434,500	3,223,705
Real estate	<u>5,119,124</u>	<u>3,780,389</u>
Total investments	<u>57,855,422</u>	<u>52,832,340</u>
Total assets	<u>57,855,599</u>	<u>52,895,048</u>
<b>LIABILITIES</b>		
Accrued expenses	26,839	17,094
Net position - restricted for pension benefits	<u>\$ 57,828,760</u>	<u>\$ 52,877,954</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,551,830	\$ 1,442,485
Members	<u>1,551,830</u>	<u>1,468,465</u>
Total contributions	3,103,660	2,910,950
Investment income, net:		
Interest and dividend income	1,393,627	1,564,764
Net appreciation in fair value of investments	6,844,642	7,975,430
Less investment expense	<u>(373,910)</u>	<u>(397,610)</u>
Total investment income, net	7,864,359	9,142,584
Total additions	10,968,019	12,053,534
<b>DEDUCTIONS</b>		
Benefits paid to participants	5,408,002	5,234,474
Refunds and drop payments	493,296	525,248
Administrative expenses	<u>115,915</u>	<u>111,432</u>
Total deductions	<u>6,017,213</u>	<u>5,871,154</u>
Net increase	4,950,806	6,182,380
Net position - restricted for pension benefits		
Beginning of year	52,877,954	46,695,574
End of year	<u>\$ 57,828,760</u>	<u>\$ 52,877,954</u>

See accompanying notes to financial statements.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 - PLAN DESCRIPTION**

**BACKGROUND AND REPORTING ENTITY**

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

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

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

**MEMBERSHIP**

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

	<u>2020</u>	<u>2019</u>
Inactive Plan members or beneficiaries currently receiving benefits	147	146
Inactive Plan members entitled to but not yet receiving benefits	2	5
Active Plan members	<u>160</u>	<u>159</u>
Total membership	<u>309</u>	<u>310</u>

**BENEFIT PROVISIONS**

The Plan 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 Plan 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 Plan 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 Plan has the authority to provide for ad hoc postretirement benefit increases. The benefit provisions of the Plan are authorized by the Act. The Act provides the authority and procedure to amend benefit provisions.

Effective April 20, 2016, the Plan was amended in an effort to reduce the remaining amortization period of the Plan'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%.

**RECLASSIFICATION**

Certain prior year amounts in the statement of fiduciary net position have been reclassified to conform to the current year's presentation. These changes had no impact on the change in fiduciary net position.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

**BASIS OF PRESENTATION AND ACCOUNTING**

The Plan 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 terms of the Plan. 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 Plan 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 Plan determines the fair value of investments as follows:

- 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 Plan through the use of investment earnings.

**NOTE 3 - CONTRIBUTIONS**

The contribution provisions of the Plan 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 Plan 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 Plan 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. Contribution rates as of December 31 were as follows:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Employer	\$ 1,551,830	13.00%	\$ 1,442,485	12.77%
Members	1,551,830	13.00%	1,468,465	13.00%

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 - INVESTMENTS**

**INVESTMENTS OVERVIEW**

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

**MONEY MARKET**

- The money market fund or short-term investment fund options provided by the Plan'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 Plan'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 Plan's assets, at book value, shall be invested in the bonds of one corporation.

**ALTERNATIVE INVESTMENTS/REAL ESTATE COMPOSITE**

- 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 Plan 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 Plan 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 Plan's investment.

**RATE OF RETURN**

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 15.35 and 20.15 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, 2020 AND 2019**

**NOTE 4 - INVESTMENTS - CONTINUED**

**INVESTMENT MANAGEMENT**

The Plan is invested in various financial instruments that are managed by their own respective investment management companies. The following tables lists the investments that the Plan 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

**INVESTMENT EXPENSE**

In the normal course of operations, the Plan 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 year ended December 31, 2020:

	2020
<b>Investment expenses:</b>	
Brokerage fees	\$ 290,231
Investment consulting fees	45,119
Carried interest	38,560
<b>Total investment expenses</b>	<b><u>373,910</u></b>
 <b>Administrative expenses:</b>	
Administrative fees	49,729
Actuary	28,950
Professional services	37,236
<b>Total administrative expenses</b>	<b><u>115,915</u></b>
<b>Total investment and administrative expenses</b>	<b><u>\$ 489,825</u></b>

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 - INVESTMENTS - CONTINUED**

**INVESTMENT EXPENSE - CONTINUED**

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

Asset Class	Management	Management	Total
	Fees Paid From Plan	Fees Netted From Returns	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, 2020 were as follows:

Total pension liability	\$ 137,970,820
Plan fiduciary net position	(57,828,760)
Employer's net pension liability	<u>\$ 80,142,060</u>

Plan fiduciary net position as a percentage of total pension liability	41.91%
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**ACTUARIAL ASSUMPTIONS**

The total pension liability was determined by an actuarial valuation as of January 1, 2020 updated to December 31, 2020, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	Service based
Discount rate	4.47%
Investment rate of return	7.75%

The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2019 and a base year of 2010.

The long-term expected rate of return on Plan investments for the January 1, 2020 actuarial valuation and December 31, 2020 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.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020 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 Plan 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 Plan's Fiduciary Net Position was projected to provide future benefit payments for 31 years. These payments were discounted using a discount rate of 7.75%. Future benefit payments beyond 22 years were discounted using a high-quality municipal bond rate of 1.93%. 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 4.47%.

	1% Decrease in Discount Rate	1% Increase in Discount Rate	
	3.47%	4.47%	
	\$ 99,501,281	\$ 80,142,060	
Employer's net pension liability			\$ 64,244,423

**NOTE 6 - TAX STATUS**

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

**NOTE 7 - RISKS AND UNCERTAINTIES**

The Plan 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.

**WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 8 - REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary schedules for the Plan 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 Plan'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 five years as the necessary information becomes available.

**NOTE 9 - SUBSEQUENT EVENTS**

The Plan has evaluated subsequent events through June 16, 2021, 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 \***

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability							
Service cost	\$ 3,066,397	\$ 2,923,162	\$ 3,797,094	\$ 2,514,077	\$ 1,613,166	\$ 1,514,459	\$ 1,447,068
Interest	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	-	(117,512)	3,358,881	1,599,916	1,231,956	(3,155,703)	(320,862)
Changes of assumptions	8,605,683	(1,593,843)	933,535	24,056,360	16,673,408	-	(423,984)
Benefit payments, including refunds of member contributions	(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	12,059,531	(4,764,107)	8,741,571	28,808,146	20,715,505	158,404	2,623,604
Total pension liability - beginning	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>\$ 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	\$ 1,551,830	\$ 1,442,485	\$ 1,455,950	\$ 1,411,351	\$ 1,283,410	\$ 1,273,913	\$ 1,232,957
Contributions - member	1,551,830	1,468,465	1,475,242	1,463,122	1,350,904	1,221,926	1,144,644
Net investment income	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	(5,901,298)	(5,759,722)	(5,292,918)	(5,250,040)	(4,543,166)	(3,950,906)	(3,616,549)
Administrative expense	(115,915)	(111,432)	(96,102)	(124,267)	(115,843)	(87,245)	(85,636)
Other	-	-	-	347,490	250	-	-
Net change in plan fiduciary net position	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	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>\$ 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>\$ 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	41.91%	42.00%	35.73%	42.14%	50.42%	64.08%	65.77%
Covered member payroll	\$ 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	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 12/31/2020 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\***

	<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>
Contractually required contribution	\$ 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	<u>1,551,830</u>	<u>1,442,485</u>	<u>1,455,950</u>	<u>1,411,351</u>	<u>1,283,410</u>	<u>1,273,913</u>	<u>1,232,957</u>
Contribution excess	<u>      </u>						
 Covered employee payroll	 \$ 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	13.00%	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>12/31/2020</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	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:** 1/1/2020

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

<b>Funding method:</b>	Entry age normal actuarial cost method.
<b>Amortization method:</b>	Level percent of compensation.
<b>Remaining amortization period:</b>	43.3 years (as of January 1, 2020 Valuation)
<b>Mortality rate:</b>	PubS-2010 Mortality Tables with sex distinction.
<b>Retirement age:</b>	Members are assumed to retire at the later of age 50 or 20 years of service.
<b>Termination rates:</b>	See table below.
<b>Disability rates:</b>	See table below.

Termination and disability rate table.

Age	Disability		Termination	
	Service	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.

<b>Salary increases:</b>	Service	Increase
	0-2	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