



OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Actuarial Valuation Report
As of June 30, 2022

Prepared by
Definiti
October 14, 2022

October 14, 2022

Mr. Chase Rankin
Executive Director
Oklahoma Firefighters Pension and Retirement System
6601 Broadway Extension, Suite 100
Oklahoma City, OK 73116

Re: 2022 ACTUARIAL VALUATION

Dear Chase:

The Oklahoma Firefighters Pension and Retirement System retained Definiti to perform an actuarial valuation of the funding policy for the Oklahoma Firefighters Pension and Retirement System. This report summarizes the results of our study as of July 1, 2022, including the recommended contribution for the upcoming fiscal year. Our report also provides financial accounting and disclosure information in accordance with GASB 67 for the fiscal year ending June 30, 2022, with results organized as follows:

- Section 1 – Valuation Highlights
- Section 2 – Executive Summary
- Section 3 – Actuarial Exhibits
- Section 4 – Valuation Basis

We certify the amounts presented in the 2022 valuation report have been determined according to the actuarial assumptions and methods selected by the Oklahoma Firefighters Pension and Retirement System, with review and concurrence by Definiti. However, it is important to note that future results may be materially different if actual plan experience varies significantly from the underlying valuation basis. Differences could occur for a number of reasons such as plan experience differing from underlying demographic and economic assumptions, changes in the plan provisions, or changes in the law or accounting standards. Due to the limited scope of this report, an analysis of the potential range of impact on results from all such future measurements has not been performed.

Although the scope of this Actuarial Report is as stated above, there are events and anomalies that are identified below to disclose risks associated with their impact on the plan and its cost. The assessment and disclosure of these risk and the actual future results may reasonably be expected to differ. These risks can impact pension obligations, the funded status, and the adequacy of the funding policy.

Investment Risk - As the return on the plan trust assets is subject to market return, should the actual rate of return be lower than the expected return the cost of the plan will rise and vice versa.

Asset/Liability Mismatch Risk - The changes in assets are not tied to the changes in the value of liabilities in magnitude or direction.

Liquidity Risk – The system currently pays more in benefit payments than is received in contributions in part because of the cumulative DROP balances that members can withdraw at their discretion. As the percentage of the cumulative DROP balances have become a significant portion of the assets, the liquidity risk has increased. In addition, if the Plan B interest legal issue is resolved in the System’s favor, then a significant portion of the assets may be immediately dispersed.

Longevity and other Demographic Risks - Cessation from employment due to termination, disability, death, or retirement may not directly align with the assumptions used to value the Actuarial Accrued Liability (AAL). Actual demographic experience of the plan population may increase or decrease the future measurement of the AAL.

Contribution Risk - The contribution amount required to amortize the Unfunded AAL as stated in this valuation presumes future contributions equal to the current funding policy. If contributions are less than expected, the funded status will likely decrease over time. If the Commission knows of events that might impact the ability to follow the funding policy; these events should be discussed and evaluated as to how they may or may not impact the overall funded status of the plan.

Understand that the above risks may not be independent of one another. Thus, it is important to discuss upcoming changes in the Plan financials and the impact on the members to better identify associated risks for the Plan. Please discuss with me any impending changes as soon as possible, so corresponding measures may be taken to align the pension plan liabilities with these variations.

Also understand that this valuation did not assess the likelihood or consequences of potential future changes in applicable law that would impact future benefits or funding of the plan. Should applicable law be changed, these changes will be addressed in separate actuarial communications.

The 2022 actuarial valuation was based upon member census data, audited financial statements, and benefit provisions as provided by the Oklahoma Firefighters Pension and Retirement System. We relied on the member census data provided, and performed testing as needed to assure the reasonableness of the underlying input and the results of the study, but Definiti did not perform a full audit of the member census data. The 2022 valuation was prepared in accordance with generally accepted actuarial principles and practices including compliance with applicable Actuarial Standards of Practice issued by the Actuarial Standards Board.

Information contained in this report was prepared for the Oklahoma Firefighters Pension and Retirement System as well as the auditors of the GASB 67 financial disclosure information. If the final results of the Oklahoma Firefighters Pension and Retirement System’s audited financials differ from the asset values used in this report, then the GASB exhibits contained herein may need to be updated.

Chase Rankin
October 14, 2022

The results in this report are not intended for any other purposes and should not be distributed to any outside party without the express written consent of Definiti, as significantly different results from those contained in this report may be needed for other purposes.

The measures of funded status for long-term funding policy should not be relied upon for assessing the sufficiency of plan assets for settlement of liabilities for plan termination. Likewise, the measurements of funded status for GASB 67 accounting disclosures should not necessarily be relied upon for assessing the need for or amount of future contributions or for assessing the sufficiency of plan assets for settlement of plan liabilities for plan termination.

The undersigned has met the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” and is available to respond to questions regarding the information contained in this report or to provide further details or explanations as needed, respectfully submitted by Definiti.

A handwritten signature in blue ink that reads "David A. Sawyer". The signature is written in a cursive style with a large initial 'D'.

David A. Sawyer, FSA EA MAAA
Senior Consulting Actuary

Table of Contents

1.	Valuation Highlights	6
2.	Executive Summary	
2.1	Fair Value of Plan Assets	8
2.2	Present Value of Projected Benefits.....	9
2.3	Actuarial Accrued Liability.....	10
2.4	Funding Policy Analysis.....	11
2.5	GASB 67 Accounting Information.....	12
3.	Actuarial Exhibits	
3.1	Fair Value of Plan Assets	13
3.2	Actuarial Value of Plan Assets	14
3.3	Actuarial Present Value of Projected Benefits	15
3.4	Actuarial Accrued Liability.....	16
3.5	Funding Policy	17
3.6	GASB 67 Plan Accounting Information	18
4.	Valuation Basis	
4.1	Demographic Summary	21
4.2	Age Service Chart.....	23
4.3	Assumptions and Methods.....	25
4.4	Plan Provisions.....	32

1. Valuation Highlights

FUNDING VALUATION	July 1, 2021	July 1, 2022
Fair Value of Assets	\$3,520,810,306	\$2,977,845,962
Average Annual Return: prior year*	33.4%	-11.9%
Actuarial Value of Assets	\$2,996,605,264	\$3,129,818,758
Average Annual Return: prior year	13.5%	9.1%
Present Value of Projected Benefits	\$4,831,474,435	\$4,988,764,607
Actuarial Accrued Liability	\$4,179,376,793	\$4,285,580,433
% funded	71.7%	73.0%
Unfunded Actuarial Accrued Liability	\$1,182,771,529	\$1,155,761,675
Actuarially Determined Contribution	\$106,129,501	\$105,219,983

DEMOGRAPHICS

Active	12,240	12,060
Terminated with Vested Benefits	2,288	2,467
Retired or Disabled	9,066	9,056
Beneficiary	2,620	2,345
DROP Members	22	10
Total	26,236	25,938
Valuation Compensation	\$311,669,661	\$326,963,158
Average Pay	\$70,641	\$72,594

ASSUMPTIONS

Investment Return	7.50%	7.50%
Inflation	2.75%	2.75%

* Based on FVA adjusted for payables for mandatory DROP interest distributions.

The 2020-2021 return based on invested assets is 31.79%.

The 2021-2022 return based on invested assets is -10.24%.

1. Valuation Highlights (continued)

<u>GASB 67 PLAN ACCOUNTING DISCLOSURE</u>	<u>Fiscal Year Ending June 30, 2021</u>	<u>Fiscal Year Ending June 30, 2022</u>
Total Pension Liability	\$4,179,376,793	\$4,285,580,433
Plan Fiduciary Net Position	<u>\$3,520,810,306</u>	<u>\$2,977,845,962</u>
GASB 67 Fund Net Pension Liability	\$658,566,487	\$1,307,734,471
Effective Discount Rate	7.50%	7.50%

2.1 Fair Value of Plan Assets

The Oklahoma Firefighters Pension and Retirement System makes contributions to a pension trust to fund the participants' retirement benefits. Total Fair Value of Plan Assets (FVA) was \$2.978 billion as of July 1, 2022, compared to \$3.521 billion for the prior valuation.

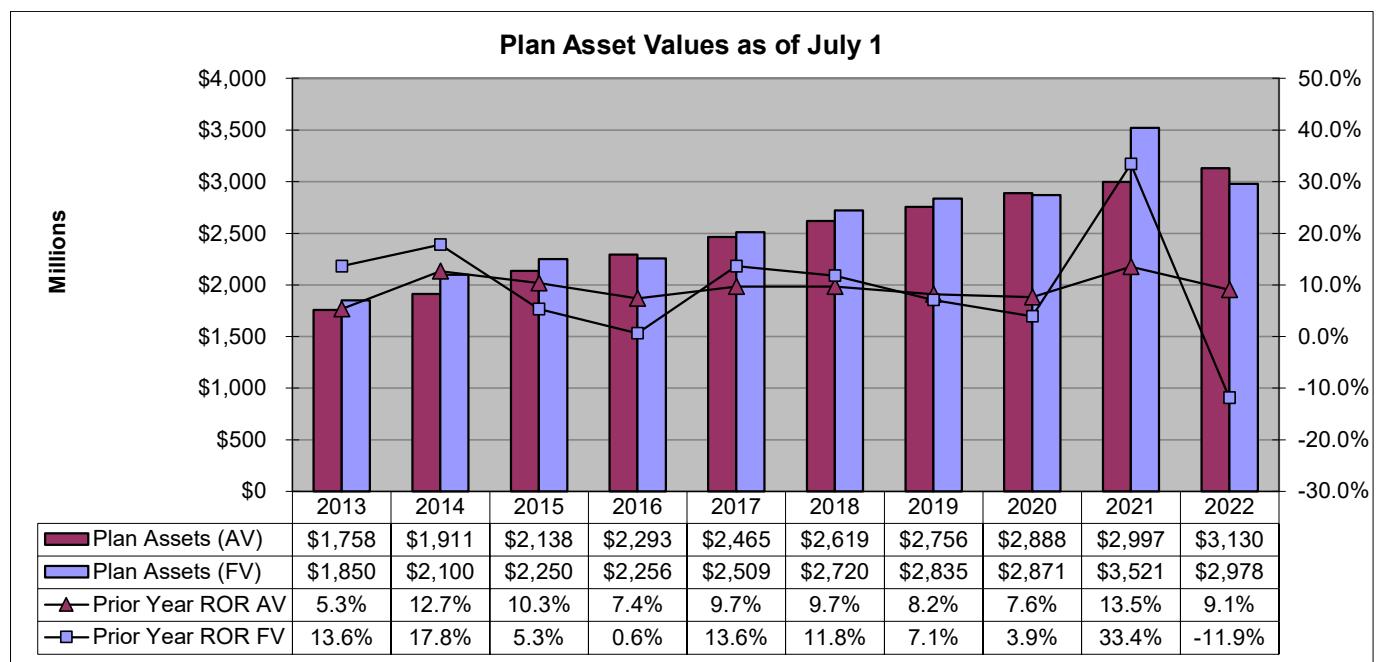
Please note that the FVA for valuation purposes reflects the payables due to the mandatory interest payments on DROP accounts that have not been distributed yet. This FVA returned approximately negative 11.86% for the year. The actual return on invested assets do not reflect these payables since those amounts are still in the invested assets. The actual return on invested assets determined by the System was negative 10.24% for the year.

Please see Exhibit 3.1 for more details on the development of plan assets.

For purposes of funding calculations, the Oklahoma Firefighters Pension and Retirement System uses a standard asset valuation method to "smooth" fluctuations in fair market value that occurred during the prior five plan years. This starts with an expected value of assets equal to the prior year's FVA plus cash flow (excluding investment expenses and realized and unrealized gains and losses) for the year ended on the valuation date and assuming a 7.5% investment return. Any difference in the actual FVA and the expected FVA is amortized over 5 years. The result is constrained to a value of 80% to 120% of the market value of assets.

The total AVA was \$3.130 billion as of July 1, 2022, compared to \$2.997 billion for the prior year. The AVA was higher than the FVA by approximately \$152 million. This difference will be recognized in the AVA over the next five years. Please see Exhibit 3.2 for development of the actuarial value of assets.

Over the past 5 and 10 years, the AVA has returned average annual returns of 9.6% and 9.3% respectively. Returns over these periods exceeded the current 7.5% annual rate of return assumption.



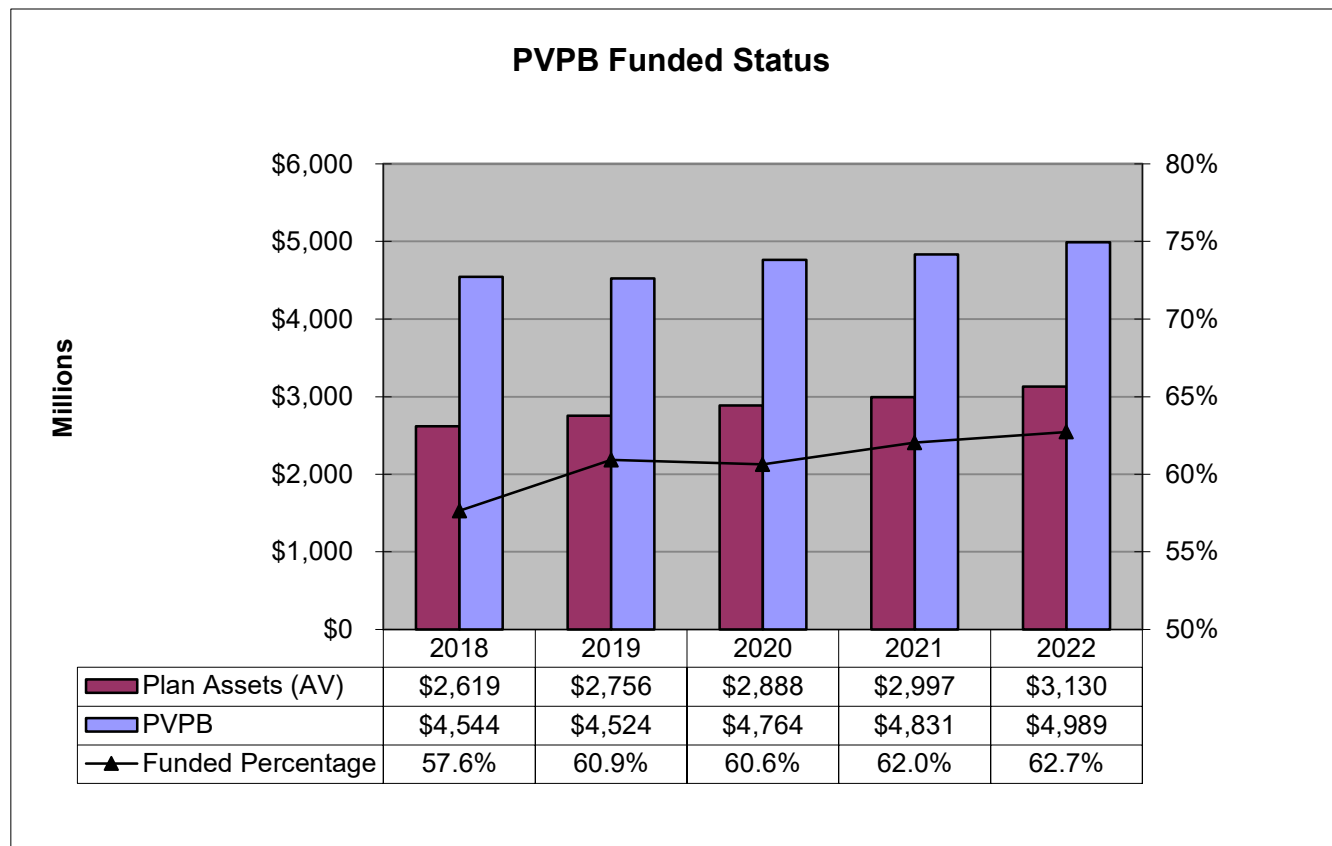
2.2 Present Value of Projected Benefits

The true cost of a pension plan is the accumulation of benefit payments less investment income (net of expenses), over the lifetime of the program. In the actuarial valuation process, we use a mathematical model to project the future stream of plan benefits. The model incorporates current plan provisions and member census data, using the actuarial assumptions to predict future events.

Discounting the stream of expected future benefit payments for the time value of money produces the *Present Value of Projected Benefits (PVPB)*. This represents the hypothetical amount of plan assets necessary to fully fund all future plan costs for the current population – assuming future plan experience follows the actuarial assumptions.

The total PVPB was \$4.989 billion as of July 1, 2022, compared to \$4.831 billion for the prior valuation. There was an experience loss on the PVPB of approximately \$115 million for the year. This loss was primarily due to new entrants to the plan and unfavorable demographic experience during the prior year. Please see Exhibit 3.3 for more details on the development of the PVPB.

Dividing the actuarial value of plan assets (AV) by the PVPB provides another measure of long-term funding policy progress. Over the last 5 years, the funded status has trended upward. This positive trend is primarily due to the funding policy and favorable return on assets.

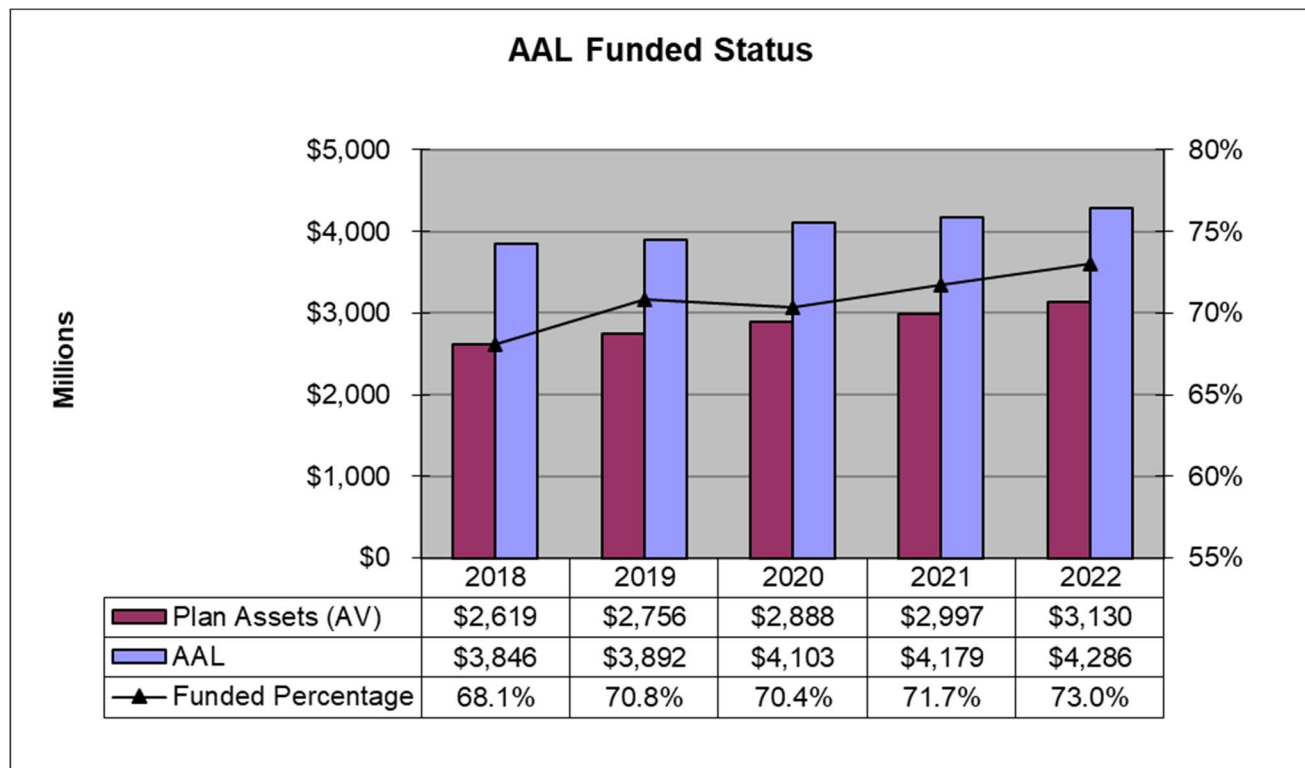


2.3 Actuarial Accrued Liability

As a practical matter, few plan sponsors can afford to fully fund all future benefits before they have been earned. Under generally accepted actuarial standards, the actuarial present value of projected benefits is allocated over periods of employee service, applying a mathematical formula known as an actuarial cost method. The portion assigned to past years of service is called the *actuarial accrued liability (AAL)*. The remainder of the present value of future benefits is referred to as the *actuarial present value of future normal costs*.

The total AAL was \$4.286 billion as of July 1, 2022, compared to \$4.179 billion for the prior year. There was an experience loss on the AAL of approximately \$41 million for the year, attributable mainly to unfavorable demographic experience. Please see Exhibit 3.4 for more details.

Dividing the actuarial value of plan assets (AV) by the AAL provides another measure of long-term funding policy progress. Over the last 5 years, the funded status has trended upward. This positive trend is primarily due to the funding policy and favorable return on assets.



2.4 Funding Policy Analysis

The Oklahoma Firefighters Pension and Retirement System funding policy calculates the annual contributions needed to be made to the pension trust equal to sum of Normal Cost and budgeted expenses plus an amortization amount of the Unfunded Actuarial Accrued Liability (UAAL) minus the expected member contributions. The UAAL amortization period is based on a closed 30-year period beginning July 1, 2014 (currently 22 years).

The recommended State Contribution for the fiscal year ending June 30, 2022 is \$105.2 million, compared to \$106.1 million for the prior fiscal year. The estimated Employer Contributions for the same periods are \$46.3 million and \$44.2 million, respectively. Please see Exhibit 3.5 for more details.

Below is a history of the Employer and State's annual required contribution and actual contribution over the last few years.

<i>Year Ended June 30</i>	<i>Annual Required Contribution</i>	<i>Actual Contributions</i>
2017	\$141,509,975	\$122,700,844
2018	\$155,547,401	\$136,348,698
2019	\$150,174,973	\$139,393,646
2020	\$142,015,118	\$139,986,849
2021	\$151,539,372	\$110,144,459
2022	\$150,350,348	\$134,026,999
2023	\$151,503,140	

Please note that the annual required contribution is provided as of mid-year. The actual contributions shown above have been reduced by the contribution paid to participants under the Back-DROP provisions of the plan (\$14,347,431 for 2022, \$8,080,680 for 2021 and \$8,520,125 for 2020).

2.5 GASB 67 Accounting Information

GASB statement Nos 67 and 68 apply solely to the actuarial valuation for accounting measurements and disclosures only and does not impact the calculation of the actuarially determined funding policy. The accounting statements have many required disclosures for the system and the sponsoring employer in addition to the complex actuarial calculations. Below is a high-level summary of the impact for the Oklahoma Firefighters Pension and Retirement System based on our current understanding of the guidance issued to date:

- Terminology – The actuarial accrued liability is referred to as the Total Pension Liability, the fair market value of assets is referred to as the Plan Fiduciary Position, and the unfunded actuarial liability and balance sheet liability are referred to as the Net Pension Liability.
- Net Pension Liability – Under GASB 67, the System must recognize the unfunded actuarial liability on its balance sheet. Based on the June 30, 2022 actuarial valuation, the Fund's Net Pension Liability increased from \$0.659 billion to \$1.308 billion.
- Discount Rate Assumption – To the extent current plan assets and funding policy are not sufficient to cover projected plan benefit payments, the net pension liability would be measured using a blended discount rate based on the plan's long-term actuarial assumption for the funded portion and a long-term municipal bond index rate (AA/Aa or higher) for the unfunded portion. Based on the 2022 valuation projections, this provision will not impact the results.
- Pension Expense – Under GASB 68, the calculation of pension expense for the City's financial statements will result in more rapid cost recognition of changes in the Net Pension Liability than under the System's funding policy. The GASB 68 pension expense will equal the sum of the following components:
 - Service Cost for additional benefits accrued.
 - Administrative Expenses paid during the fiscal year.
 - Interest Cost on Total Pension Liability less Expected Return on Plan Fiduciary Position.
 - Amortization of changes in the components of Net Pension Liability:
 - Full and immediate recognition of plan changes and improvements.
 - Plan asset experience gains and losses amortized over 5 years.
 - Plan liability experience gain/loss amortized over future service.
 - Impact of assumption changes amortized over future service.

GASB 68 information is not provided in this report.

- Expanded Disclosure – Exhibit 3.6 provides the GASB 67 measurement and disclosure information for June 30, 2022 as well as the prior two years.

3.1 Fair Value of Plan Assets

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Fair Value of Plan Assets		
1. Cash and Short-term Investments	\$51,649,888	\$54,898,218
2. Receivables	\$20,700,530	\$22,913,027
3. Investments at Fair Value		
a. U.S. Government Securities	\$89,421,861	\$66,738,709
b. Domestic Bonds	\$336,501,217	\$122,285,959
c. International Corporate Bonds	\$271,206,183	\$214,652,638
d. Domestic Equities	\$1,820,832,985	\$1,400,630,387
e. International Equities	\$524,398,415	\$435,374,726
f. Private Equity	\$314,894,156	\$551,068,159
g. Low Volatility Hedge Funds	\$0	\$0
h. Long/Short Hedge Funds	\$795,012	\$339,615
i. Real Estate	\$331,457,863	\$389,077,090
j. Securities Lending	\$93,241,580	\$97,513,997
k. Total	<u>\$3,782,749,272</u>	<u>\$3,277,681,280</u>
4. Assets Used in Plan Operations	<u>\$830,971</u>	<u>\$773,765</u>
5. Total assets	<u>\$3,855,930,661</u>	<u>\$3,356,266,290</u>
6. Liabilities		
a. DROP Mandatory Interest	(\$238,862,579)	(\$276,678,602)
b. Expenses	<u>(\$96,257,776)</u>	<u>(\$101,741,726)</u>
c. Total	<u>(\$335,120,355)</u>	<u>(\$378,420,328)</u>
7. Net Assets for Pension Benefits	\$3,520,810,306	\$2,977,845,962
B. Change in Fair Value		
		<u>Change</u>
1. Contributions		
a. Members		\$29,183,440
b. City		\$45,932,405
c. Insurance Premium Tax		\$102,442,025
d. Total		<u>\$177,557,870</u>
2. Disbursements		
a. Monthly Payments (including contribution refunds)		(\$308,495,060)
b. Annuity Purchase		\$0
c. Administrative Expenses		(\$2,257,894)
d. Total		<u>(\$310,752,954)</u>
3. Net Investment Return		<u>(\$409,769,260)</u>
4. Net Change		<u><u>(\$542,964,344)</u></u>
5. Average Rate of Return		
a. Average Asset Value		\$3,454,212,764
b. Income Net of Investment Expenses		(\$409,769,260)
c. Annual Return Net of Investment Expenses		-11.86%
6. Investment Gain/(Loss)		(\$668,835,217)
7. DROP Balances		
a. Beginning of Year		\$1,146,826,833
b. End of Year		\$1,240,636,871

3.2 Actuarial Value of Plan Assets

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Expected Rate of Return on Assets	7.50%	7.50%
B. (Gain)/Loss on Actuarial Value of Assets		
1. Fair Value at Prior Year	\$2,871,141,949	\$3,520,810,306
2. Contributions for Prior Year	\$146,859,561	\$177,557,870
3. Disbursements for Prior Year	(\$411,725,438)	(\$310,752,954)
4. Expected Return on:		
a. Item 1	\$215,335,646	\$264,060,773
b. Item 2	\$5,507,234	\$6,658,420
c. Item 3	(\$15,439,704)	(\$11,653,236)
5. Expected Value at Current Year	\$2,811,679,248	\$3,646,681,179
6. Market Value as of Current Year	\$3,520,810,306	\$2,977,845,962
7. Current Year Asset Gain/(Loss)	\$709,131,058	(\$668,835,217)
C. Actuarial Value of Assets		
1. Fair Value	\$3,520,810,306	\$2,977,845,962
2. 80% of prior year Gains/(Losses)	\$567,304,848	(\$535,068,172)
3. 60% of prior year -1 Gains/(Losses)	(\$60,014,088)	\$425,478,636
4. 40% of prior year -2 Gains/(Losses)	(\$4,747,736)	(\$40,009,392)
5. 20% of prior year -3 Gains/(Losses)	\$21,662,018	(\$2,373,868)
6. Total Deferred Gain/(Loss)	\$524,205,042	(\$151,972,796)
7. Preliminary Actuarial Value	\$2,996,605,264	\$3,129,818,758
8. Corridor Limits:		
a. 80% of Fair Value	\$2,816,648,244	\$2,382,276,769
b. 120% of Fair Value	\$4,224,972,367	\$3,573,415,154
9. Final Actuarial Value	\$2,996,605,264	\$3,129,818,758
D. Change in Asset Values	<u>Change</u>	
1. Contributions	\$177,557,870	
2. Disbursements		
a. Monthly Payments (including contribution refunds)	(\$308,495,060)	
b. Annuity Purchase	\$0	
c. Administrative Expenses	(\$2,257,894)	
d. Total	(\$310,752,954)	
3. Investment Return	\$266,408,578	
4. Net Change	\$133,213,494	
5. Average Rate of Return - Accrual Basis		
a. Average Asset Value	\$2,930,007,722	
b. Income Net of Expenses	\$266,408,578	
c. Annual Rate of Return	9.09%	

3.3 Actuarial Present Value of Projected Benefits

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Discount Rate	7.50%	7.50%
B. Present Value of Projected Benefits		
1. Paid		
a. Active	\$1,776,364,208	\$1,815,203,979
b. Deferred Vested	\$10,738,334	\$10,913,476
c. Retirees	\$777,762,290	\$788,852,874
d. Disabled	\$772,785,088	\$830,846,771
e. Beneficiaries	\$254,947,503	\$241,722,890
f. DROP Plan Members - Annuity	\$12,322,092	\$5,015,001
g. DROP Plan Members - Account Balance	<u>\$1,006,244,972</u>	<u>\$1,068,299,945</u> *
h. Paid Total	\$4,611,164,487	\$4,760,854,936
2. Volunteer		
a. Active	\$73,219,466	\$70,796,203
b. Deferred Vested	\$21,671,827	\$34,503,065
c. Retirees	\$99,865,484	\$99,723,709
d. Disabled	\$5,151,219	\$4,927,224
e. Beneficiaries	\$19,060,200	\$17,906,353
f. DROP Plan Members - Annuity	<u>\$1,341,752</u>	<u>\$53,117</u>
g. Volunteer Total	<u>\$220,309,948</u>	<u>\$227,909,671</u>
3. Grand Total	<u><u>\$4,831,474,435</u></u>	<u><u>\$4,988,764,607</u></u>
C. Change in Present Value of Projected Benefits		
		<u>Change</u>
1. Benefits Accumulated		\$0
2. Benefits Paid		(\$308,495,060)
3. Decrease in Discount Period		\$350,792,018
4. Plan Experience		\$114,993,214
5. Actuarial Assumptions		\$0
6. DROP Mandatory Interest Liability as of 7/1/2021		\$0
7. Plan Amendments		<u>\$0</u>
8. Net Change		<u><u>\$157,290,172</u></u>
D. Actuarial Value of Assets	<u>\$2,996,605,264</u>	<u>\$3,129,818,758</u>
E. Unfunded Liability	\$1,834,869,171	\$1,858,945,849

* Cumulative DROP Mandatory Interest of \$276.7 million was assumed to be paid out to align with audited assets.

3.4 Actuarial Accrued Liability

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Discount Rate	7.50%	7.50%
B. Actuarial Accrued Liability (EAN) *		
1. Paid		
a. Active	\$1,135,199,359	\$1,122,450,271
b. Inactive	\$2,834,800,279	\$2,945,650,957
c. Paid Total	<u>\$3,969,999,638</u>	<u>\$4,068,101,228</u>
2. Volunteer		
a. Active	\$62,286,673	\$60,365,737
b. Inactive	\$147,090,482	\$157,113,468
c. Volunteer Total	<u>\$209,377,155</u>	<u>\$217,479,205</u>
3. Grand Total	<u><u>\$4,179,376,793</u></u>	<u><u>\$4,285,580,433</u></u>
C. Actuarial Value of Assets		
1. Paid Members	\$2,846,482,239	\$2,970,990,682
2. Volunteer Members	\$150,123,025	\$158,828,076
3. Total	<u>\$2,996,605,264</u>	<u>\$3,129,818,758</u>
D. Unfunded Actuarial Liability		
1. Paid Members	\$1,123,517,399	\$1,097,110,546
2. Volunteer Members	\$59,254,130	\$58,651,129
3. Total	<u>\$1,182,771,529</u>	<u>\$1,155,761,675</u>
E. Change in Unfunded Actuarial Accrued Liability	<u>Change</u>	
1. Contributions	(\$177,557,870)	
2. Benefits Accumulated	\$66,622,365	
3. Decrease in Discount Period	\$87,130,793	
4. Administrative Expenses	\$2,257,894	
5. Plan Asset Experience	(\$46,657,999)	
6. Plan Liability Experience	\$41,194,963	
7. Actuarial Assumptions	\$0	
8. DROP Mandatory Interest Liability as of 7/1/2020	\$0	
9. Plan Amendments	\$0	
10. Net Change	<u><u>(\$27,009,854)</u></u>	
F. Funded Status	71.7%	73.0%
G. Present Value of Future Normal Cost	\$652,097,642	\$703,184,174
H. Normal Cost (EAN)		
1. Paid Members	\$64,825,200	\$67,876,690
2. Volunteer Members	\$1,797,165	\$1,720,658
3. Total	<u>\$66,622,365</u>	<u>\$69,597,348</u>
I. Covered Payroll	\$311,669,661	\$326,963,158

* Cumulative DROP Mandatory Interest of \$276.7 million was assumed to be paid out to align with audited assets.

3.5 Funding Policy

Summary of Contribution Requirements	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Total Normal Cost Mid-Year		
1. Paid Members	\$67,212,198	\$70,376,050
2. Volunteer Members	\$1,863,340	\$1,784,016
3. Total	<u>\$69,075,538</u>	<u>\$72,160,066</u>
B. Unfunded Actuarial Accrued Liability (UAAL)		
1. Paid Members	\$1,123,517,399	\$1,097,110,546
2. Volunteer Members	\$59,254,130	\$58,651,129
3. Total	<u>\$1,182,771,529</u>	<u>\$1,155,761,675</u>
C. Amortization of UAAL		
1. Paid Members	\$100,272,745	\$99,663,590
2. Volunteer Members	\$5,288,369	\$5,327,979
3. Total	<u>\$105,561,114</u>	<u>\$104,991,569</u>
D. Budgeted Expenses		
1. Paid Members	\$3,575,399	\$3,586,458
2. Volunteer Members	\$188,566	\$191,731
3. Total	<u>\$3,763,965</u>	<u>\$3,778,189</u>
E. Total Required Contribution		
1. Paid Members	\$171,060,342	\$173,626,098
2. Volunteer Members	\$7,340,275	\$7,303,726
3. Total	<u>\$178,400,617</u>	<u>\$180,929,824</u>
F. Estimated Member Contribution		
1. Paid Members	\$28,050,269	\$29,426,684
2. Volunteer Members	\$0	\$0
3. Total	<u>\$28,050,269</u>	<u>\$29,426,684</u>
G. Estimated Employer Contribution		
1. Paid Members	\$43,751,077	\$45,829,737
2. Volunteer Members	\$469,770	\$453,420
3. Total	<u>\$44,220,847</u>	<u>\$46,283,157</u>
H. Required State Contribution		
1. Paid Members	\$99,258,996	\$98,369,677
2. Volunteer Members	\$6,870,505	\$6,850,306
3. Total	<u>\$106,129,501</u>	<u>\$105,219,983</u>
I. Remaining Amortization Years (30-year amortization from July 1, 2014)	23	22

3.6 GASB 67 Plan Accounting Information

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Total Pension Liability			
Service Cost	\$64,838,677	\$67,201,486	\$66,622,365
Interest	\$287,427,206	\$295,024,955	\$306,881,372
Changes of benefit terms	\$62,829,319	\$0	\$0
Differences between expected and actual experience	\$44,958,487	\$187,276,430	\$41,194,963
Changes of assumptions	\$0	\$0	\$0
Benefit payments, including refunds of member contributions ¹	(\$249,045,036)	(\$473,181,322)	(\$308,495,060)
Net change in total pension liability	\$211,008,653	\$76,321,549	\$106,203,640
Total pension liability - beginning	\$3,892,046,591	\$4,103,055,244	\$4,179,376,793
Total pension liability - ending (a)	\$4,103,055,244	\$4,179,376,793	\$4,285,580,433
Plan fiduciary net position			
Contributions - employer	\$148,506,974	\$118,225,139	\$148,374,430
Contributions - member	\$28,604,332	\$28,634,422	\$29,183,440
Net investment income	\$109,851,676	\$914,534,234	(\$409,769,260)
Benefit payments, including refunds of member contributions	(\$249,045,036)	(\$409,531,086)	(\$308,495,060)
Administrative expense	(\$2,156,585)	(\$2,194,352)	(\$2,257,894)
Other	\$0	\$0	\$0
Net change in plan fiduciary net position	\$35,761,361	\$649,668,357	(\$542,964,344)
Plan fiduciary net position - beginning	\$2,835,380,588	\$2,871,141,949	\$3,520,810,306
Plan fiduciary net position - ending (b)	\$2,871,141,949	\$3,520,810,306	\$2,977,845,962
Fund's net pension liability - ending (a) - (b)	\$1,231,913,295	\$658,566,487	\$1,307,734,471
Plan fiduciary net position as a percentage of the total pension liability	70.0%	84.2%	69.5%
Actual Covered-employee payroll	\$318,472,051	\$313,345,726	\$327,747,370
Fund's net position liability as a percentage of covered employee payroll	386.8%	210.2%	399.0%

Notes to Schedule:

1. The Change in Total Pension Liability for the fiscal year ending June 30, 2020 was changed after the report was published to reclassify the \$62.8 million increase in Total Pension Liability from the ad-hoc COLA from Differences between expected and actual experience to benefit changes.
2. The benefit payments for fiscal year ending June 30, 2021 include \$63.65 million of DROP Mandatory Interest that was netted out of the June 30, 2020 Plan Fiduciary Net Position but not previously netted against the Total Pension
3. The June 30, 2021 DROP Mandatory Interest of \$238.9 million was netted against Total Pension Liability.
4. Actual covered-employee payroll is based on estimated salaries for the paid firefighters, no compensation information was provided for the volunteer firefighters.

3.6 GASB 67 Plan Accounting Information (continued)

Schedule of Oklahoma Firefighters Pension and Retirement System's Contributions

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Actuarially determined contribution	\$142,015,118	\$151,539,372	\$150,350,348
Contributions in relation to the actuarially determined contribution	\$139,986,849	\$110,144,459	\$140,293,750
Contribution deficiency (excess)	\$2,028,269	\$41,394,913	\$10,056,598
Actual covered-employee payroll	\$318,472,051	\$313,345,726	\$327,747,370
Contributions as a percentage of covered-employee payroll	44.0%	35.2%	42.8%

Notes to Schedule

The actuarially determined contributions are based on the normal cost plus administrative expenses plus the amortization of the unfunded actuarial liability over 30 years from July 1, 2014, offset by the member's contributions (9% of payroll).

Please note that the actual contributions have been reduced for the amount of the contribution paid out to DROP participants (\$14,347,431 for 2022, \$8,080,680 for 2021 and \$8,520,125 for 2020).

3.6 GASB 67 Plan Accounting Information (continued)

Notes to Schedule

Discount rate: The discount rate used to measure the total pension liability was 7.50% net of investment expense. The projection of cash flows used to determine the discount rate assumed that the System’s contributions will continue to follow the current funding policy. Total covered employee payroll is assumed to grow at 3.75% per year. The total statewide insurance premium tax is assumed to grow at 2.75% per year.

Prior to July 1, 2020, the System was allocated 36% of the statewide insurance premium tax. The State recently passed legislation that changed the allocation as noted below:

- 25.2% as of September 1, 2020
- 36.0% as of July 1, 2021
- 37.8% as July 1, 2022
- 36.0% as of July 1, 2027

In addition to the change noted above, the System is scheduled to receive \$40,625 each year from July 1, 2022 through June 30, 2027.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all period of benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the Discount rate . The following presents the net pension liability, calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were to calculated using the discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$1,685,116,694	\$1,307,734,471	\$992,072,624

4.1 Demographic Summary

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
A. Active Paid Members		
1. Number	4,412	4,504
2. Total Payroll	\$311,669,661	\$326,963,158
3. Average Payroll	\$70,641	\$72,594
4. Average age	39.4	38.7
5. Average vesting service	13.4	12.7
B. Active Volunteer Members		
1. Number	7,828	7,556
2. Average age	38.8	38.7
3. Average vesting service	9.8	9.8
C. Terminated Vested (TV)		
1. Paid Members		
a. Number*	441	477
b. Total benefits	\$1,060,499	\$1,101,206
c. Average annual benefits	\$2,405	\$2,309
2. Volunteer Members		
a. Number*	1,847	1,990
b. Total benefits	\$2,157,113	\$3,474,679
c. Average annual benefits	\$1,168	\$1,746
3. Total TV Members		
a. Number*	2,288	2,467
b. Total benefits	\$3,217,612	\$4,575,885
c. Average annual benefits	\$1,406	\$1,855
D. Retired or Disabled		
1. Paid Members		
a. Number	4,117	4,156
b. Total benefits	\$139,769,074	\$145,249,823
c. Average annual benefits	\$33,949	\$34,949
2. Volunteer Members		
a. Number	4,949	4,900
b. Total benefits	\$8,792,294	\$8,771,327
c. Average annual benefits	\$1,777	\$1,790
3. Total Retired Members		
a. Number	9,066	9,056
b. Total benefits	\$148,561,368	\$154,021,150
c. Average annual benefits	\$16,387	\$17,008

4.1 Demographic Summary (continued)

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
E. Beneficiaries		
1. Paid Members		
a. Number	1,140	862
b. Total benefits	\$31,212,018	\$19,790,573
c. Average annual benefits	\$27,379	\$22,959
2. Volunteer Members		
a. Number	1,480	1,483
b. Total benefits	\$2,599,319	\$2,629,088
c. Average annual benefits	\$1,756	\$1,773
3. Total Beneficiary Members		
a. Number	2,620	2,345
b. Total benefits	\$33,811,337	\$22,419,661
c. Average annual benefits	\$12,905	\$9,561
F. DROP Members		
1. Paid Members		
a. Number	19	8
b. Total Payroll	\$1,676,065	\$784,212
c. Total benefits	\$875,862	\$395,465
d. Average annual benefits	\$46,098	\$49,433
2. Volunteer Members		
a. Number	3	2
b. Total benefits	\$5,783	\$3,976
c. Average annual benefits	\$1,928	\$1,988
3. Total DROP Members		
a. Number	22	10
b. Total Payroll	\$1,676,065	\$784,212
c. Total benefits	\$19,300,322	\$71,984,003
d. Average annual benefits	\$877,287	\$7,198,400

*Headcount includes those members who are due a refund of contributions

4.2 Age Service Chart

Paid Members

Attained Age	Years of Vesting Service as of July 1, 2022							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 & up	
Under 25	359	17	0	0	0	0	0	376
25-29	380	228	15	0	0	0	0	623
30-34	213	351	187	14	0	0	0	765
35-39	103	185	274	196	12	0	0	770
40-44	33	89	163	250	145	7	0	687
45-49	15	22	72	158	247	112	4	630
50-54	1	6	20	74	123	142	44	410
55-59	0	0	4	20	61	50	46	181
60-64	0	0	0	3	22	12	23	60
65 & up	0	0	0	0	0	1	1	2
Total	1104	898	735	715	610	324	118	4504

Not Vested	Vested
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4.2 Age Service Chart (continued)

Volunteer Members

Attained Age	Years of Vesting Service as of July 1, 2022							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 & up	
Under 25	847	83	0	0	0	0	0	930
25-29	546	356	37	0	0	0	0	939
30-34	441	374	240	38	0	0	0	1093
35-39	383	329	289	215	18	0	0	1234
40-44	310	283	237	259	122	6	0	1217
45-49	97	194	208	211	100	58	2	870
50-54	5	90	170	207	87	57	17	633
55-59	2	7	92	126	92	46	18	383
60-64	0	0	4	74	69	26	25	198
65 & up	0	0	0	2	26	18	13	59
Total	2631	1716	1277	1132	514	211	75	7556

Not Vested	Vested
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4.3 Assumptions and Methods

Paid Firefighters

Economic Assumptions

- Funding Policy Interest Rate: 7.50% per year net of investment expenses
- Annual Inflation: 2.75%
- GASB 67 Discount Rate 7.50% per year
- Individual Salary Increases Sample Rates Below:

Attained Service	Inflation %	Merit %	Increase %
0	2.75	7.75	10.50
1	2.75	7.75	10.50
2	2.75	6.75	9.50
3	2.75	5.95	8.70
4	2.75	5.55	8.30
5	2.75	5.25	8.00
10	2.75	3.25	6.00
15	2.75	1.65	4.40
20	2.75	1.15	3.90
25	2.75	0.35	3.10
30 or more	2.75	0.00	2.75

Demographic Assumptions

Mortality:

- Active Employees Pre-Retirement Pub-2010 Public Safety Table with generational mortality improvement using MP-2018
- Retired Members Pub-2010 Public Safety Below Median Table with generational mortality improvement using Scale MP-2018
- Disabled Members Pub-2010 Public Safety Disabled Table set forward two years

4.3 Assumptions and Methods (continued)

➤ Termination

Graduated Rates. See table below for sample values.

Attained Service	Termination
0	5.00%
1	5.00%
2	3.00%
3	3.00%
4	3.00%
5-7	2.00%
8-14	1.50%
15+	1.00%

➤ Disability

Graduated Rates. See table below for sample values.

Attained Age	Disability
22	0.10%
27	0.10%
32	0.60%
37	0.60%
42	0.60%
47	1.00%
52	4.00%
57	6.00%
62	8.00%

5% of disabilities are assumed to be Non-Duty related and 95% are assumed to be Duty related.

➤ Retirement

Sample Rates Below:

Attained Service	Annual Rate
20*	5%
21*	4%
22-23	4%
24-27	10%
28-29	12%
30	15%
31-32	14%
33-34	20%
35+	100%

* Not applicable for members hired on or after November 1, 2013.

4.3 Assumptions and Methods (continued)

- Assumed Age of Commencement of Deferred Benefits
Later of Age 50 and 20 Years of Service for members hired before November 1, 2013 and Age 50 with 22 Years of Service for members hired on or after November 1, 2013.
- Marital Status
90% of all participants are assumed to be married at the time benefits commence. Males are assumed to be three years older than their spouses.
- Reserve for Guarantee Interest Rate For DROP Account Balances
For members hired before November 1, 2013, DROP account balances are assumed to earn 2.95% more than the assumed investment return (10.45% currently). The account balances are assumed to be paid out over 10 years for current DROP members and over twenty years for future DROP members.

For members hired on or after November 1, 2013, DROP account balances are assumed to be paid as a lump sum upon termination.

Other Assumptions

- Deferred Option Plan
The retirement rates reflect both regular retirement and entry into the DROP. 100% of members retirements with at least 25 years of service are assumed to retroactively elect to enter DROP.
- Cost of Living Increase Assumption
Members who retired with twenty years of service prior to May 26, 1983 receive an increase of half of the dollar amount of a 2.75% assumed increase in base pay. All other members do not receive a cost of living increase.
- Provision for Expenses
Administrative expenses, as budgeted by the Oklahoma Firefighters Pension and Retirement System.
- Change in Assumptions**
None

4.3 Assumptions and Methods (continued)

Volunteer Firefighters

Economic Assumptions

- Funding Policy Interest Rate: 7.50% per year net of investment expenses
- Annual Inflation: 2.75%
- Benefit Level Increases: No increases
- Individual Salary Increases: Not Applicable

Demographic Assumptions

Mortality:

- Active Employees Pre-Retirement: Pub-2010 Public Safety Table with generational mortality improvement using MP-2018
- Retired Members: Pub-2010 Public Safety Below Median Table with generational mortality improvement using Scale MP-2018
- Disabled Members: Pub-2010 Public Safety Disabled Table set forward two years
- Termination: Graduated Rates. See table below for sample values.

Attained Service	Termination
0	20.00%
1	18.00%
2	15.00%
3	13.00%
4-5	12.00%
6	11.00%
7	10.00%
8-11	8.00%
12	7.00%
13	6.00%
14-17	5.00%
18+	4.00%

4.3 Assumptions and Methods (continued)

➤ Disability

Graduated Rates. See table below for sample values.

Attained Age	Disability
22	0.01%
27	0.01%
32	0.01%
37	0.01%
42	0.08%
47	0.20%
52	0.30%
57	0.40%
62	0.70%

40% of disabilities are assumed to be Non-Duty related and 60% are assumed to be Duty related.

➤ Retirement

Sample Rates Below:

Attained Service	Annual Rate
20*	25%
21*	18%
22-23	12%
24-25	20%
26-29	15%
30-34	10%
35+	100%

* Not applicable for members hired on or after November 1, 2013.

➤ Assumed Age of Commencement of Deferred Benefits

Later of Age 50 and 20 Years of Service for members hired before November 1, 2013 and Age 50 with 22 Years of Service for members hired on or after November 1, 2013.

➤ Marital Status

90% of all participants are assumed to be married at the time benefits commence. Males are assumed to be three years older than their spouses.

4.3 Assumptions and Methods (continued)

Other Assumptions

Deferred Option Plan	The retirement rates reflect both regular retirement and entry into the DROP.
Cost of Living Increase Assumption	Members are assumed to receive no annual increase in benefits during retirement.
Provision for Expenses	Administrative expenses, as budgeted by the Oklahoma Firefighters Pension and Retirement System.
Change in Assumptions	None

4.3 Assumptions and Methods (continued)

Methods

Valuation Date	July 1, 2022
Asset Valuation Method	An expected FVA is determined equal to the prior year's FVA plus cash flow (excluding investment expenses and realized and unrealized gains and losses) for the year ended on the valuation date and assuming a 7.5% investment return. Any difference in the actual FVA and the expected FVA is amortized over 5 years. The result is constrained to a value of 80% to 120% of the market value of assets.
Cost Methods:	
Funding Policy and GASB 67	<u>The Entry Age Normal Actuarial Cost Method</u> The present value of the projected benefit (PVB) is determined as of the date the member entered the plan. The present value of future salary (PVFS) is also determined at entry age. The percentage of the PVFS represented by the PVB is the level percent of pay which, if contributed every year, would exactly fund the benefit if the valuation actuarial assumptions were realized. The actuarial accrued liability (AAL) is the theoretical value of assets which would result from the accumulation of these contributions from the plan entry until the valuation date.
Changes in Methods	There have been no changes in the actuarial methods from the prior valuation.

4.4 Plan Provisions

Effective Date	The Plan became effective July 1, 1981 and is regularly amended during legislative session.
Plan Year	July 1 st through June 30 th
Eligibility	All paid and volunteer firefighters of participating municipalities and fire protection districts.
Member Contributions	Paid firefighters contributed 8% of gross salary prior to November 1, 2013. Effective November 1, 2013, paid firefighters contribute 9% of gross salary. No employee contributions are required for volunteer firefighters.
Employer Contributions	Prior to November 1, 2013, participating municipalities and fire protection districts contributed 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Effective November 1, 2013, participating municipalities and fire protection districts contribute 14% of gross salary for each paid firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteer firefighters.
State Contributions	<p>Insurance Premium Tax Allocation. The System received 34% of these collected taxes prior to November 1, 2013. Effective November 1, 2013, the System received 36% of these collected taxes. Effective September 1, 2020 the System is scheduled to receive the allocation below:</p> <ul style="list-style-type: none">• 25.2% as of September 1, 2020• 36.0% as of July 1, 2021• 37.8% as July 1, 2022• 36.0% as of July 1, 2027 <p>In addition to the change noted above, the System is scheduled to receive \$40,625 each year from July 1, 2022 through June 30, 2027.</p>

4.4 Plan Provisions (continued)

Credited Service

The period of membership in the Pension System or a predecessor municipal system. Service for members of a fire protection district does not accrue prior to July 1, 1982.

Military service is credited for one term (unless the member is required by law to re-enlist) if the city continues to make contributions on the member's behalf as though he were in actual service, provided that he returns to actual service within the fire department within ninety days of honorable discharge. War veterans shall receive up to five years of credit for military service.

A member who has withdrawn his contributions and later returns to membership may repay the amount withdrawn plus interest as determined by the Board to reinstate participating service which was canceled by his withdrawal

A member may receive credit for up to five years of credited service accumulated by the member while a member of the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. The cost to buy-back service is determined as the actuarial present value of the benefits attributable to the service, effective January 1, 1991.

Compensation

Compensation includes gross salary excluding overtime, payment for accumulated sick or annual leave upon termination, any uniform allowances or reimbursement of out-of-pocket expenses, but excluding any salary reductions pursuant to Section 457 or Section 414(b) of the Internal Revenue Code. Only salary on which the required contributions have been made may be considered.

Final Average Compensation

Highest 30 consecutive months out of the last 60 months which produce the highest average

4.4 Plan Provisions (continued)

Normal Retirement Date	For members hired before November 1, 2013, the first day following the day the member completes twenty years of service, regardless of age. For members hired on or after November 1, 2013, the first day following the day the member completes twenty-two years of service and is 50 years old.
Normal Retirement Benefit	<p>Paid firefighters receive a monthly benefit equal to 50% of final average compensation.</p> <p>Volunteer firefighters receive \$150.60 per month, effective July 1, 2008.</p>
Late Retirement Benefit	<p>Benefits continue to accrue for service up to thirty years at the following rates:</p> <p>Paid firefighters accrue at 2.5% of final average compensation per year of service.</p> <p>Volunteer firefighters accrue at \$7.53 per month per year of service</p>
Early Retirement Benefit	None
Disability or Death Benefit	<p>All firefighters are eligible for immediate disability or death benefits. Disabilities due to heart disease, injury to the respiratory system, or cancer are considered in the line of duty. If there is no eligible surviving spouse, the death benefit is divided between the children under age 18 or age 22 if children are enrolled as full-time students.</p> <p>Paid firefighters receive 2.5% of final average compensation per year of service, with a minimum service credit of twenty years and a maximum of thirty years. For disabilities not in the line of duty, final average compensation is based on sixty months instead of thirty months.</p> <p>Volunteer firefighters receive \$7.53 per month per year of service, with a maximum of thirty years. For disabilities or deaths in the line of duty, there is a minimum service credit of twenty years.</p>

4.4 Plan Provisions (continued)

Termination Benefit:

For members hired before November 1, 2013:

A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination.

The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulate is not withdrawn.

Members terminating with less than ten years of credited service receive a refund of their contribution accumulation without interest.

For members hired on or after November 1, 2013:

A member who terminates after eleven years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination.

The benefit is payable at age 50 or when the member would have completed twenty-two years of service, whichever is later, provided the member's contribution accumulate is not withdrawn.

Members terminating with less than eleven years of credited service receive a refund of their contribution accumulation without interest.

Lump Sum Death Benefit

Upon death of an active or retired member on or after July 1, 1999, a \$5,000 lump sum death benefit will be paid to the member's beneficiary, or estate if no beneficiary. The \$5,000 death benefit does not apply to members electing vested termination benefit.

Normal Forms of Payment

A Joint and 100% Survivor Annuity if the firefighter is married thirty months prior to death.

4.4 Plan Provisions (continued)

Post-Retirement Adjustments

Firefighters with twenty years of service as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

Deferred Option Plan

A member who is eligible to receive a Normal Retirement Benefit and continues employment may elect to participate in the Deferred Option Plan (DROP). Participation in the DROP shall not exceed five years. The employees' contributions cease upon entering the Plan, but the employer contributions are divided equally between the Retirement System and DROP. The monthly retirement benefits that the employee is eligible to receive are paid into the DROP account.

A member is allowed to retroactively elect to join the DROP as of a back-drop-date which is no earlier than the member's Normal Retirement Date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DROP are credited to the member's DROP account with interest.

The retirement benefits are not recalculated for service and salary past the election date to join DROP. However, the benefits may be increased by any applicable cost-of-living increases.

When the member actually terminates employment, the DROP account balance may be paid in a lump sum or as an annuity or any method approved by the Board. Currently the Board's approval method requires at a minimum that interest earnings shall be withdrawn each year. Monthly retirement benefits are then paid directly to the retired member.

For members hired before November 1, 2013, the DROP account is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater.

4.4 Plan Provisions (continued)

Deferred Option Plan (continued)

For members hired on or after November 1, 2013, the DROP account is guaranteed a minimum of the valuation interest rate for investment return, or 2% less than the fund rate of return, if greater, while in active DROP. The DROP account is credited with 1% less than the fund rate of return once the member leaves active DROP.

On December 15, 2017, the Board adopted a plan change to require that once a member leaves active DROP, they must receive a distribution each year of any interest earned on the DROP account during the year.

Changes in Plan Provisions

Other than the update to the State's contribution schedule, there have been no other changes in the plan provisions since the prior valuation.