
Corpus Christi Fire Fighters' Retirement System

Actuarial Report for System's Compliance with GASB Statement No. 67 for the Fiscal Year Ending December 31, 2024

April 7, 2025



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April 7, 2025

Via E-Mail: gracief@ccfirepension.com

Board of Trustees
Corpus Christi Fire Fighters'
Retirement System
c/o Ms. Gracie Flores
711 N. Carancahua, Suite 724
Corpus Christi, TX 78475

Re: GASB No. 67 Report for the Corpus Christi Fire
Fighters' Retirement System for its Fiscal Year
Ending December 31, 2024

Dear Board Members:

At your request, we have prepared an actuarial report providing actuarial information for the Corpus Christi Fire Fighters' Retirement System (the System) for its fiscal year ending December 31, 2024 based on a measurement date of December 31, 2024 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. This information will be used in the preparation of the System's December 31, 2024 financial report.

The disclosures and required supplementary information in this report are based on (1) the System's actuarial valuation as of December 31, 2022, including the actuarial assumptions and census data summarized in our report to the board of trustees dated November 10, 2023, and (2) the final draft of the statement of changes in plan fiduciary net position for the System's December 31, 2024 financial report.

Governmental Accounting Standards

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amended GASB Statement No. 25 effective for fiscal years beginning after June 15, 2013. GASB 67 allows biennial actuarial valuations, but it requires that the measurement date for the total pension liability be the same date as the end of the System's fiscal year. To facilitate this requirement, paragraph 37 of GASB 67 provides that the "total pension liability should be determined by (a) an actuarial valuation as of the pension plan's most recent fiscal year-end or (b) the use of update procedures to roll forward to the pension plan's most recent fiscal year-end amounts from an actuarial valuation as of a date no more than 24 months earlier than the pension plan's most recent fiscal year-end." For this report, the roll forward procedure is what we used to develop the December 31, 2024 total pension liability from the total pension liability in the December 31, 2022 actuarial valuation. Therefore, there are no differences between expected and actual experience for the System

year ending December 31, 2024 since the theoretical actual demographic experience for that year was assumed to be the same as the expected experience.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements; and
- Changes in plan provisions or applicable law.

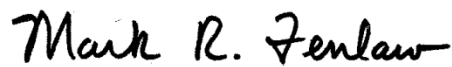
We have not been asked to perform and have not performed any stochastic or deterministic sensitivity analyses of the potential ranges of such future measurements, except as required by GASB 67. If you have an interest in the results of any other such analysis, please let us know.

Required Supplementary Information

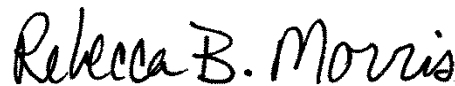
The schedules of required supplementary information (RSI) in Section II of the report do not include the one described in paragraph 32(c) of GASB 67 because the System does not have actuarially determined contributions. The RSI described in paragraph 32(a) and (b) are combined into one schedule, shown as item A on pages 8 and 9.

We hereby certify that we are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We do not have any relationship with the System or with the city which might impair, or appear to impair, the objectivity of our services for the System.

Sincerely,



Mark R. Fenlaw, F.S.A.



Rebecca B. Morris, A.S.A.

MRF/RBM:nlg

TABLE OF CONTENTS

Page No.

Section I: Disclosures to Comply with GASB Statement No. 67

- A. General Information about the Retirement Plan 4
- B. Net Pension Liability 6

Section II: Schedules of Required Supplementary Information

- A. Changes in the Net Pension Liability and Related Ratios..... 8
- B. Investment Returns 10

Section I - Disclosures to Comply with GASB Statement No. 67

A. General Information about the Retirement Plan

1. Plan Description

The city contributes to the retirement plan for firefighters in the Corpus Christi Fire Department known as the Corpus Christi Fire Fighters' Retirement System (the System). The System is a single employer, contributory, defined benefit plan. The benefit provisions of the System are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Corpus Christi Fire Fighters' Retirement System. The board is composed of seven members: the mayor or the mayor's designated representative; the city's chief financial officer or a person designated by the chief financial officer; three active members of the System elected by participating members; and two citizen members who are elected by the other members of the board.

2. Benefits Provided

Firefighters in the Corpus Christi Fire Department are covered by the Corpus Christi Fire Fighters' Retirement System which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 54 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, he may retire starting on the date he would have both completed 20 years of service if he had remained a Corpus Christi firefighter and attained age 54. The present plan provides a monthly normal service retirement benefit, payable in a Joint and 100% to Spouse form of annuity, equal to the greater of (1) 52% of Highest 60-Month Average Pay plus \$150.00 per month for each year of service in excess of 20 years and (2) \$137.00 per month for each year of service.

A retiring firefighter who is eligible for service retirement has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Pay as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date which is 48 months prior to the first day of the month following the date when he actually retires and the first day of the month after he attains age 54 and completes 20 years of service. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the System after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The System has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

3. Members Covered by the System

In the December 31, 2022 actuarial valuation, the following numbers of members were covered by the System:

Retirees and beneficiaries currently receiving benefits	333
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>453</u>
	801

4. Contribution Policy

The contribution provisions of the System are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

The contribution policy of the Corpus Christi Fire Fighters' Retirement System requires contributions equal to 14.1% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. This contribution rate was effective February 1, 2022. Before then, the contribution rate was 13.1%. In 2020, the city agreed to a change in its contribution policy in order to strengthen the actuarial condition of the System over the long term. As a result, the plan is for the city to phase in the contribution rate over five years from 21.28% to an ultimate rate of 26.2%. The intent was to have five uniform annual increases of 0.984% effective each October 1 from October 1, 2020 to October 1, 2024. The city also increased its contribution by an additional 1% for 12 years beginning October 1, 2023 to fund the \$110.00 increase in monthly benefits of certain retirees and surviving spouses. The December 31, 2022 actuarial valuation included the assumption that this intended city contribution policy would be followed over the remainder of the unfunded liability amortization period. However, the city decided not to make the fifth increase of 0.984% as had been planned effective October 1, 2024. So the city contribution rate for calendar year 2024 was 26.216%. The costs of administering the plan are paid from the System assets.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant. For the year ending December 31, 2024, the money-weighted rate of return on pension plan investments was 7.48%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the System must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

B. Net Pension Liability

The city's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2022 and rolled forward to December 31, 2024.

Total pension liability	\$ 323,778,870
Plan fiduciary net position	<u>194,664,003</u>
City's net pension liability	\$ 129,114,867

Plan fiduciary net position as a percentage of the total pension liability	60.1%
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1. Actuarial Assumptions

The total pension liability in the revised December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.65%
Salary increases	2.65%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.15%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.53%) and by adding expected inflation (2.65%). In addition, the final 7.15% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	25.0%	5.85%
Small/mid cap domestic	10.0	6.14
International developed	12.5	6.18
Emerging markets	6.0	7.81
Real estate	10.0	4.41
Fixed income	36.5	2.12
Cash	0.0	0.39
Total	100.0%	
Weighted Average		4.53%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. No projection of cash flows was used to determine the discount rate because the revised December 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 17 years. Because of the 17-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.15% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

3. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the city, calculated using the discount rate of 7.15%, compared to what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
City's Net Pension Liability	\$164,508,407	\$129,114,867	\$99,404,476

Section II – Schedules of Required Supplementary Information

A. Schedule of Changes in the City’s Net Pension Liability and Related Ratios for the Last 10 Fiscal Years

	Fiscal Year Ending				
	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020
1. Total Pension Liability					
a. Service cost	\$ 6,431,058	\$ 6,265,035	\$ 5,779,123	\$ 5,624,451	\$ 4,953,655
b. Interest	22,254,427	21,516,882	20,564,051	19,800,865	19,308,079
c. Changes of benefit provisions	0	0	7,754,448	0	0
d. Differences between expected and actual experience	0	0	(5,166,496)	0	1,109,823
e. Changes of assumptions	0	0	3,106,155	0	5,088,198
f. Benefit payments	(19,452,577)	(15,812,662)	(14,647,067)	(15,459,507)	(15,452,948)
g. Net Change	9,232,908	11,969,255	17,390,214	9,965,809	15,006,807
h. Beginning	314,545,962	302,576,707	285,186,493	275,220,684	260,213,877
i. Ending	\$ 323,778,870²	\$ 314,545,962²	\$ 302,576,707	\$ 285,186,493²	\$ 275,220,684
2. Plan Fiduciary Net Position					
a. Contributions by the city	\$ 11,424,861	\$ 10,278,794	\$ 9,447,617	\$ 9,488,575	\$ 8,414,319
b. Firefighter contributions	6,144,494	5,847,654	5,616,586	5,521,762	5,123,960
c. Net investment income	13,621,612	17,039,996	(27,197,959)	17,486,937	21,284,097
d. Benefit payments	(19,452,577)	(15,812,662)	(14,647,067)	(15,459,507)	(15,452,948)
e. Administrative expenses	(334,347)	(392,743)	(298,963)	(345,864)	(269,765)
f. Net Change	11,404,043	16,961,039	(27,079,786)	16,691,903	19,099,663
g. Beginning	183,259,960	166,298,921	193,378,707	176,686,804	157,587,141
h. Ending	\$ 194,664,003	\$ 183,259,960	\$ 166,298,921	\$ 193,378,707	\$ 176,686,804
3. City’s Net Pension Liability [Item 1(i) – 2(i)]	\$ 129,114,867	\$ 131,286,002	\$ 136,277,786	\$ 91,807,786	\$ 98,533,880
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.1%	58.3%	55.0%	67.8%	64.2%
5. Covered Payroll³	\$ 43,577,972	\$ 41,472,723	\$ 40,175,866	\$ 42,150,855	\$ 39,114,198
6. City’s Net Pension Liability as a Percentage of Covered Payroll	296.3%	316.6%	339.2%	217.8%	251.9%

Notes to Schedule:

² Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

³ Contributions by the firefighters or the city divided by the appropriate contribution rate.

Schedule A, Continued

	Fiscal Year Ending				
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
1. Total Pension Liability					
a. Service cost	\$ 4,804,709	\$ 4,858,080	\$ 4,693,797	\$ 4,480,514	\$ 4,318,568
b. Interest	18,652,455	18,049,980	17,417,403	17,030,100	16,375,781
c. Changes of benefit provisions	0	0	0	0	2,725,939
d. Differences between expected and actual experience	0	(5,495,002)	0	(2,017,698)	0
e. Changes of assumptions	0	12,597,676	0	3,581,876	0
f. Benefit payments	<u>(14,275,964)</u>	<u>(14,045,886)</u>	<u>(14,180,509)</u>	<u>(14,056,060)</u>	<u>(11,091,486)</u>
g. Net Change	9,181,200	15,964,848	7,930,691	9,018,732	12,328,802
h. Beginning	<u>251,032,677</u>	<u>235,067,829</u>	<u>227,137,138</u>	<u>218,118,406</u>	<u>205,789,604</u>
i. Ending	\$ 260,213,877²	\$ 251,032,677	\$ 235,067,829²	\$ 227,137,138	\$ 218,118,406¹
2. Plan Fiduciary Net Position					
a. Contributions by the city	\$ 7,040,090	\$ 6,503,739	\$ 6,562,646	\$ 6,562,993	\$ 6,361,276
b. Firefighter contributions	4,412,568	4,100,046	4,137,182	4,137,400	3,896,613
c. Net investment income	20,915,390	(5,226,990)	18,581,277	7,500,935	312,710
d. Benefit payments	(14,275,964)	(14,045,886)	(14,180,509)	(14,056,060)	(11,091,486)
e. Administrative expenses	<u>(316,029)</u>	<u>(252,645)</u>	<u>(269,405)</u>	<u>(257,440)</u>	<u>(279,729)</u>
f. Net Change	17,776,055	(8,921,736)	14,831,191	3,887,828	(800,616)
g. Beginning	<u>139,811,086</u>	<u>148,732,822</u>	<u>133,901,631</u>	<u>130,013,803</u>	<u>130,814,419</u>
h. Ending	\$ 157,587,141	\$ 139,811,086	\$ 148,732,822	\$ 133,901,631	\$ 130,013,803
3. City's Net Pension Liability [Item 1(i) – 2(i)]	\$ 102,626,736	\$ 111,221,591	\$ 86,335,007	\$ 93,235,507	\$ 88,104,603
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.6%	55.7%	63.3%	59.0%	59.6%
5. Covered Payroll³	\$ 33,683,725	\$ 31,298,070	\$ 31,581,550	\$ 31,583,219	\$ 30,612,493
6. City's Net Pension Liability as a Percentage of Covered Payroll	304.7%	355.4%	273.4%	295.2%	287.8%

Notes to Schedule:

- ¹ Determined from the beginning of year total pension liability based on a special study based on the December 31, 2014 actuarial valuation, using the roll forward procedure allowed by GASB 67.
- ² Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.
- ³ Contributions by the firefighters or the city divided by the appropriate contribution rate.

B. Schedule of Investment Returns for the Last Ten Fiscal Years

Fiscal Year Ending	Annual Money-Weighted Net Rate of Return¹
December 31, 2024	7.48%
December 31, 2023	10.25%
December 31, 2022	(14.06)%
December 31, 2021	9.92%
December 31, 2020	13.60%
December 31, 2019	15.13%
December 31, 2018	(3.56)%
December 31, 2017	14.07%
December 31, 2016	5.85%
December 31, 2015	0.24%

Notes to Schedule

¹ The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the timing of the contributions received and the benefits paid during the year.