

BIG SPRING FIREMEN'S RELIEF AND  
RETIREMENT FUND, TEXAS

---

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2022

310 Nolan Street  
Big Spring, TX 79720  
Phone: 432.264.2517  
[www.bigspringfire.com](http://www.bigspringfire.com)

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS  
FIREFIGHTERS' PENSION FUND**

**TABLE OF CONTENTS**

---

---

**PAGE**

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<a href="#">1</a>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<a href="#">4</a>
<b>FINANCIAL STATEMENTS</b>	
Statement of Fiduciary Net Position	<a href="#">8</a>
Statement of Changes in Fiduciary Net Position	<a href="#">9</a>
Notes to Financial Statements	<a href="#">10</a>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Employer Contributions	<a href="#">22</a>
Schedule of Changes in the Employer's Net Pension Liability	<a href="#">23</a>
Summary of Plan Provisions and Benefits Provisions	<a href="#">25</a>
Schedule of Investment Returns	<a href="#">27</a>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Investment Expenses	<a href="#">29</a>

## **FINANCIAL SECTION**

This section includes:

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Required Supplementary Information

## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the Fund's independent auditing firm.



October 31, 2023

Members of the Pension Board of Trustees  
Big Spring Firemen's Relief and Retirement Fund  
Big Spring, Texas

### **Opinions**

We have audited the basic financial statements of the Big Spring Firemen's Relief and Retirement Fund (the "Pension Fund"), a pension trust fund of Big Spring, Texas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Big Spring Firemen's Relief and Retirement Fund, Texas, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pension Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

As discussed in Note 1, these basic financial statements present only the Pension Fund and are not intended to present fairly the financial position and changes in financial position of the Big Spring, Texas, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the required supplementary information 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.

*Lauterbach & Amen, LLP*  
LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Management's Discussion and Analysis

December 31, 2022

This section presents management's discussion and analysis of the Big Spring Firemen's Relief and Retirement Fund's (the Fund) financial performance and provides an overview of the Fund's financial activities for the year ended December 31, 2022. It is intended to be a narrative supplement to the Fund's financial statements, which can be found in the basic financial statements section of this report.

### Overview of Financial Statements and Accompanying Information

This discussion and analysis is intended to serve as an introduction to the Firefighters' Pension Fund financial reporting which is comprised of the following components:

1. Plan net position of all pension funds administered by the Fund decreased \$2,881,019 during December 31, 2022.
2. Net investment receipts decreased by \$4,671,864 compared to the previous year.
3. Pension benefits paid to retirees and beneficiaries increased by \$400,639.
4. Administrative expenses increased 20.57% from \$63,014 last year to \$75,973 in the current year.

### Using this Financial Report

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the Fund's ongoing plan perspective. This financial report consists of two financial statements arising from cash transactions. The Statement of Plan Net Position and Statement of Changes in Plan Net Position arising from cash transactions provide information about the activities of the Fund, as well as comparative summary information about these activities for the Fund as a whole.

### Plan Net Position

The Statement of Fiduciary Net Position is presented for the Firefighters' Pension Fund as of December 31, 2022 and December 31, 2021. The financial statement reflect the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the Firefighters' Pension Fund net position is presented below:

	Statement of Fiduciary Net Position			
	12/31/22	12/31/21	Dollar Change	% Change
<b>Assets</b>				
Cash and Equivalents	\$ 266,216	380,978	(114,762)	(30.12%)
Investments at Fair Value	14,471,713	17,407,634	(2,935,921)	(16.87%)
Accrued Interest	164,198	1,261	162,937	100.00%
Prepays	—	341	(341)	100.00%
Total Assets	14,902,127	17,790,214	(2,888,087)	
<b>Liabilities</b>				
Accounts Payable	15,450	22,518	(7,068)	100.00%
Total Plan Net Position	14,886,677	17,767,696	(2,881,019)	



## BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

### Management's Discussion and Analysis

December 31, 2022

#### Changes in Fiduciary Net Position

A Statement of Change in Fiduciary Net Position for the years ended December 31, 2022 and December 31, 2021 is presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

	Statement of Change in Fiduciary Net Position			
	12/31/2022	12/31/2021	Dollar Change	% Change
<b>Additions</b>				
Contributions - Employer	\$ 801,731	730,857	70,874	9.70%
Contributions - Plan Members	776,177	709,512	66,665	9.40%
Other	125	164	(39)	(23.78%)
Net Investment Income	(2,684,017)	1,987,847	(4,671,864)	235.02%
Total additions	(1,105,984)	3,428,380	(4,534,364)	(132.26%)
<b>Deductions</b>				
Benefits & Refunds	1,699,062	1,298,423	400,639	30.86%
Administrative Expenses	75,973	63,014	12,959	20.57%
Total deductions	1,775,035	1,361,437	413,598	30.38%
Change in Net Position	(2,881,019)	2,066,943	(4,947,962)	239.39%
Net Position - Beginning	17,767,696	15,700,753	2,066,943	
Net Position - Ending	14,886,677	17,767,696	(2,881,019)	

#### Analysis of Net Position

The Fund was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the Fund. Net position decreased by \$2,881,019 over the last year. Employer contributions increased \$70,874. Member contributions increased by \$66,665.

#### Historical Trends

As detailed in Note 1, the Statement of Plan Net Position reports asset values at cost and includes only benefits and refunds paid to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in Note 3 and the required supplementary information section of this report.

# **BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

## **Management's Discussion and Analysis**

**December 31, 2022**

---

---

### **Requests for Information**

This financial report is designed to provide a general overview of the Firefighters' Pension Fund finances for all those with an interest in the pension fund's finances. Questions that concern information provided in this report or requests for additional financial information should be addressed to Big Spring Firemen's Relief and Retirement Fund, 310 Nolan, Big Spring, Texas 79720.

## **FINANCIAL STATEMENTS**

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS****Statement of Fiduciary Net Position****December 31, 2022**

---

---

	Retirement	Medical Benefits	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 251,007	15,209	266,216
Investments, at Fair Value			
Mutual Funds	11,879,733	610,759	12,490,492
Alternatives	1,936,489	44,732	1,981,221
Accrued Interest Receivable	163,016	1,182	164,198
Total Assets	14,230,245	671,882	14,902,127
<b>LIABILITIES</b>			
Accounts Payable	15,450	—	15,450
<b>NET POSITION</b>			
Net Position Restricted for Pensions	14,214,795	671,882	14,886,677

The notes to the financial statements are an integral part of this statement.

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS****Statement of Change in Fiduciary Net Position  
For the Fiscal Year Ended December 31, 2022**

	Retirement	Medical Benefits	Totals
<b>Additions</b>			
Contributions - Employer	\$ 801,731	—	801,731
Contributions - Plan Members	694,833	81,344	776,177
Other	125	—	125
Total Contributions	1,496,689	81,344	1,578,033
<b>Investment Income</b>			
Interest Earned	(2,517,765)	(132,026)	(2,649,791)
Net Change in Fair Value	—	—	—
	(2,517,765)	(132,026)	(2,649,791)
Less: Investment Expenses	(30,143)	(4,083)	(34,226)
Net Investment Income	(2,547,908)	(136,109)	(2,684,017)
Total Additions	(1,051,219)	(54,765)	(1,105,984)
<b>Deductions</b>			
Administration	75,751	222	75,973
Benefits and Refunds	1,650,229	48,833	1,699,062
Total Deductions	1,725,980	49,055	1,775,035
Change in Fiduciary Net Position	(2,777,199)	(103,820)	(2,881,019)
<b>Net Position Restricted for Pensions</b>			
Beginning	16,991,994	775,702	17,767,696
Ending	14,214,795	671,882	14,886,677

The notes to the financial statements are an integral part of this statement.

# **BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

## **Notes to the Financial Statements**

**December 31, 2022**

---

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Big Spring Firemen's Relief and Retirement Fund (the Fund) provides retirement benefits to firemen employed by the City of Big Spring, Texas (the City). The Fund is a single-employer defined benefit pension plan, which is administered by a seven-member Board. This Board consists of the Mayor or their designee, the City's Chief Financial Officer, three firemen and two outside citizens. Texas Local Fire Fighters' Retirement Act (TLFFRA) requires that the Mayor, or their designee, and the City's Chief Financial Officer be permanent members of the board. In addition, three firemen trustees are elected by the firemen. These five members are then charged with the responsibility of appointing the two final board members, who must be residents of the State of Texas.

#### **REPORTING ENTITY**

The Pension Fund is a fiduciary fund, and specifically, a pension trust fund, of Big Spring, Texas (the "Fund") pursuant to GASB Statement No. 61. The decision to include the Fund in the City's reporting entity was made based upon the significance of their operational or financial relationships with the Fund.

#### **BASIS OF PRESENTATION**

##### **Pension Trust Funds**

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Fire Department.

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

##### **Measurement Focus**

Pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as net position.

##### **Basis of Accounting**

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities\deferred inflows are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### ASSETS, LIABILITIES, AND NET POSITION

##### Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

##### Receivables

The Fund's receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the Pension Fund is accrued interest from cash and investments.

### NOTE 2 - DETAIL NOTES ON ALL FUNDS

#### DEPOSITS, INVESTMENTS AND CONCENTRATIONS

The Fund maintains no deposits in federally insured financial institutions at December 31, 2022:

	Retirement	Medical Benefit	Carrying Value
Demand Accounts	\$ —	—	—
Cash with Trustee	—	—	—
Total Cash and Cash Equivalents	—	—	—

*Deposits.* At year-end, the carrying amount of the Fund's deposits totaled \$266,216 and the bank balances totaled \$266,221.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund's investment policy does not address custodial credit risk for deposits. At December 31, 2022, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 2 - DETAIL NOTES ON ALL FUNDS - Continued

#### DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund's investment policy does not address custodial credit risk for investments. Money market mutual funds are not subject to custodial credit risk.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Fund's investment policy allows for investments in equities, fixed income, alternative investments, money market funds, and pooled funds.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. Per the Fund's investment policy, the overall objective of the alternative portion of the portfolio is to add diversification by utilizing products that have low correlation to conventional asset classes. These investments may be illiquid and require commitments of capital for several years. The total alternative asset portion of the portfolio is expected to perform at a rate at least equal to 100% CPI plus 5% over three (3) and five (5) year periods, taking into account investments in alternative assets that have a longer investment time horizon (such as private equity). At year-end, the Fund has \$12,490,492 invested in mutual funds and \$1,981,221 invested in alternatives. At December 31, 2022, the Fund has over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) invested in the Westwood Quality Allcap - Ultra and Westwood Income Opportunity - Instl.

The Fund has diversified its equity mutual fund holdings as follows:

<u>Alternatives</u>	<u>Fair Value</u>
Si Bellevue Investor, LP	\$ 40,000
Westwood Quality Allcap - Ultra	931,585
Westwood Income Opportunity - Instl	964,904
Largecap Value - EB	44,732
	<u>1,981,221</u>



# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 2 - DETAIL NOTES ON ALL FUNDS - Continued

#### DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

*Concentration of Credit Risk - Continued.* The Pension Board has diversified its equity mutual fund holdings as follows:

Mutual Funds	Fair Value
Guggenheim Total Return Bd Fd Instl	\$ 1,934,433
Metropolitan West Fltg Rate Income FD Istl	709,909
JP Morgan Gbl Bond Opps Fd Instl	704,665
PIMCO All Asset Fund Instl	678,249
TIAA-CREF Real Estate Secs Fd Instl	526,346
Loomis Sayles Growth Fd Cl Y	836,183
Vanguard Lg Cap Index Fd Adm	763,187
Diamond Hill Sm-Mid Cap Fd Cl Y	744,615
Ishares Russell Mid-Cap ETF	425,407
JP Morgan Small Cap Growth Fd R6	566,820
Mfs New Discovery Val Fd Instl	721,884
Vanguard Russell 2000 ETF	425,457
Clearbridge Select Fd Instl	565,145
First Eagle Overseas Fd Instl	1,151,348
Wcm Focused Intl Growth Fd - Instl	1,126,085
Guggenheim Total Return Bd Fd Instl	131,441
Loomis Sayles	46,862
Metro West Fltg	40,508
TIAA CREF	33,662
JPMorgan	40,088
Vanguard	36,296
Fidelity	34,177
Ishares Russell Mid-Cap ETF	26,710
JPMorgan Small Cap	33,697
Mfs New Discovery Val Fd Instl	41,188
Vanguared Russell	26,318
Clearbridge Select Fd Insl	30,238
Vanguard Intl Growth Fund	28,270
Vanguard Intl Value Fd-lv	27,167
T Rowe Emer Mkts	34,137
	<hr/>
Total	12,490,492

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 2 - DETAIL NOTES ON ALL FUNDS - Continued

#### DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued

The Pension Fund's investment policy establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	30.00%	2.50% - 3.50%
Domestic Equities	60.00%	5.50% - 6.30%
International Equities	5.00%	5.20%
Real Estate/Alternatives	5.00%	4.80%
Cash Equivalents	0.00%	0.00%

The GASB 67/68 discount rate includes no allowance for administrative expenses, which are expensed separately.

The long-term expected rate of return on the Pension Fund's investments was determined using a building block method. The best estimate for future real rates of return are developed for each of the major asset classes. Future real rates of return are weighted based on the target asset allocation within the Investment Policy Statement. Expectation inflation is added back in. Adjustment is made to reflect geometric returns. Best estimates or arithmetic real rates of return for each major asset class included in the Pension Fund's target asset allocation as of December 31, 2022 are listed in the previous table.

#### Rate of Return

For the fiscal year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (15.50%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### NOTE 3 - OTHER INFORMATION

#### CONTINGENT LIABILITIES

##### Litigation

The Fund is not a defendant in any lawsuits.

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 3 - OTHER INFORMATION - Continued

#### EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

##### Firefighters' Pension Plan

##### Plan Administration

Big Spring Firemen's Relief and Retirement Fund (the Fund) provides retirement benefits to firemen employed by the City of Big Spring, Texas (the City). The Fund is a single-employer defined benefit pension plan, which is administered by a seven-member board. Firemen are covered upon initial employment by the City and approval of the Trustees.

##### Plan Membership

The plan membership consisted of the following:

	<u>Participants</u>
Retirees and Beneficiaries Currently Receiving Benefits	42
Vested Terminated Employees	2
Active Employees	
Fully Vested - Over 20 Years of Service, Over 50 Years of Age	2
Fully Vested - Over 20 Years of Service, Less than 50 Years of Age	9
Partially Vested - More than 10 Years, Less than 20 Years	28
Non-Vested	<u>34</u>
Total	<u><u>117</u></u>

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS****Notes to the Financial Statements****December 31, 2022****NOTE 3 - OTHER INFORMATION - Continued****EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued****Firefighters' Pension Plan - Continued****Net Pension Liability of the City**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2021	\$ 26,816,753	16,991,994	9,824,759
Changes for the Year:			
Service Cost	748,432	—	748,432
Interest on the Total Pension Liability	2,044,005	—	2,044,005
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(3,066,468)	—	(3,066,468)
Changes of Assumptions	—	—	—
Contributions - Employer	—	801,731	(801,731)
Contributions - Employees	—	694,833	(694,833)
Contributions - Other	—	—	—
Net Investment Income	—	(2,552,863)	2,552,863
Benefit Payments, Including Refunds of Employee Contributions	(1,650,229)	(1,650,229)	—
Other (Net Transfer)	—	(70,670)	70,670
Net Changes	(1,924,260)	(2,777,198)	852,938
Balances at December 31, 2022	24,892,493	14,214,796	10,677,697

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 3 - OTHER INFORMATION - Continued

#### EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

##### Firefighters' Pension Plan - Continued

##### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2022, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal (Level %)
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Interest Rate	7.75%
Salary Increases	4.50%
Cost of Living Adjustments	2.25%
Inflation	2.25%

Mortality rates are based on the Pub2010PS with MP 2018 projection.

This report assumes the Fund will exist as an ongoing entity. All numbers presented are based on this ongoing plan concept with costs and liabilities determined under the projected unit credit actuarial cost method.

*Entry Age Normal Cost Method.* Under the entry age normal cost method, the normal cost is computed as the level dollar amount which, if paid from the time each employee became a participant until his assumed retirement, would accumulate with interest at the assumed valuation rate to a fund sufficient to pay his retirement benefits.

Experience gains (decreases in cost due to favorable experience) or experience losses (increases in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Fund, are reflected as increases or decreases in the unfunded actuarial liability and, through the amortization amount, the contribution required for the Fund.

*Valuation of Liabilities.* All active participants included in the valuation are assumed to earn one full year of credited service for each year of future participation. Employees terminating with vested benefits are assumed to elect either a refund of their contributions with interest or a deferred annuity, whichever has the larger economic value.

Costs for ancillary benefits provided by the Fund have been determined in the same manner and on the same basis as costs for normal retirement benefits.

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Notes to the Financial Statements**

**December 31, 2022**

---

---

**NOTE 3 - OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued**

**Firefighters' Pension Plan - Continued**

**Actuarial Assumptions - Continued**

*Valuation of Assets.*

*For plan funding:* Smoothed market value based on 5 year amortization of gains or losses for each of the 5 trailing years measured against the expected rate of return using the actuarial discount rate.

*For GASB 67 disclosures:* Fair market value.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%, the same as the prior year. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Fund contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**Discount Rate Sensitivity**

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 13,881,538	10,677,697	8,067,482

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Notes to the Financial Statements

December 31, 2022

---

---

### NOTE 3 - OTHER INFORMATION - Continued

#### ADMINISTRATIVE EXPENSES

Administrative expenses for the retirement fund consisted of the following costs:

	2022	2021
Management	\$ 422	17,938
Investment Consultant	39,107	77,104
Audit	3,000	3,575
Actuary	47,565	17,100
Continuing Education	225	1,125
Other	19,880	18,351
	<u>110,199</u>	<u>135,193</u>

#### MEDICAL BENEFITS

Effective January 1, 2021, eligible retirees, their spouses and eligible dependents qualify to receive medical benefits not to exceed \$530 per month if retired over the age of 50 and not to exceed \$530 per month times the actuarial equivalent percentage if retired before the age of 50. During 2022, the participants' bi-weekly contribution rate was a flat rate of \$45.75. These payments and contributions are reported in the Medical Benefits Fund under a 401(h) arrangement attached to the pension plan. No liability exists on the part of the City because funding is provided by members only.

	12/31/2022	12/31/2020	12/31/2018
Beginning Balance	\$ 775,702	564,587	546,032
Changes for the Year:			
Contributions - Employer	—	—	—
Contributions - Employees	81,344	73,815	66,149
Net Investment Income	21,951	60,739	44,228
Unrealized Appreciation	(153,977)	52,623	(76,431)
Benefit Payments, Including Refunds of Employee Contributions	(48,833)	(60,598)	(83,230)
Administrative Expense	(4,305)	(6,175)	(4,852)
Net Changes	<u>(103,821)</u>	<u>120,404</u>	<u>(54,136)</u>
Ending Balance	<u>671,881</u>	<u>684,991</u>	<u>491,896</u>

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Notes to the Financial Statements**

**December 31, 2022**

**NOTE 3 - OTHER INFORMATION - Continued**

**MEDICAL BENEFITS - Continued**

Valuation Date	1/1/2023	1/1/2021	1/1/2019
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Normal Cost	Normal Cost	Normal Cost
Remaining Amortization Period	10 Years	10 Years	10 Years
Asset Valuation Method	5-Year Actuarial Asset Smoothing	5-Year Actuarial Asset Smoothing	5-Year Actuarial Asset Smoothing
Actuarial Assumptions			
Interest Rate	6.00%	6.00%	6.00%
Salary Increases	3.00%	3.00%	4.00%
Mortality	Pub2010PS	Pub2010PS	Pub2010PS
Retirement Rates	Rates are only applied if the employee is eligible to retire	Rates are only applied if the employee is eligible to retire	Rates are only applied if the employee is eligible to retire
Turnover	Graded by age and service	Graded by age and service	Graded by age and service

**SUBSEQUENT FUNDING REQUIREMENTS**

The 2022 contribution rate of 13% of pay from the members and 15% of the pay from the City was deemed sufficient to meet the accruing normal cost of the plan and to amortize the unfunded actuarial liability by level percentage of pay contribution over a period of 33.69 years. In 2023 the employer contribution has increased to 18% of pay from the City to help address the amortization period in the 2021 valuation.

The most recent (June 30, 2017) actuarial funding standards published by the State of Texas Pension Review Board states:

*“An actuarially funded defined benefit public retirement system is considered actuarially sound if an actuary determines that it has sufficient money to pay the ongoing normal cost and amortize the unfunded liability over a period of no more than 30 years, preferably 15 to 25 years ... Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.”*

The remaining amortization period on the valuation date was 33.69 years. The measured funding level of the plan is outside the recommended 30 year maximum limits of the Pension Review Board guidelines. The decrease in the amortization period was primarily due to investment results but also includes demographic effects. The city has since increased the employer contribution rate to 18% to offset these effects.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Schedule of Employer Contributions**

**December 31, 2022**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2013	\$ 799,962	\$ 904,532	\$ 104,570	\$ 3,173,050	28.51%
12/31/2014	799,962	992,091	192,129	3,403,526	29.15%
12/31/2015	934,058	1,051,143	117,085	3,634,001	28.93%
12/31/2016	934,058	1,039,822	105,764	3,766,262	27.61%
12/31/2017	1,028,667	977,110	(51,557)	3,766,262	25.94%
12/31/2018	1,028,667	1,182,659	153,992	4,030,000	29.35%
12/31/2019	1,256,658	1,216,677	(39,981)	4,259,859	28.56%
12/31/2020	1,328,042	1,325,352	(2,690)	4,501,839	29.44%
12/31/2021	1,360,281	1,364,266	3,985	4,501,839	30.30%
12/31/2022	1,400,568	1,496,563	95,995	4,506,666	33.21%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 Years Rolling
Asset Valuation Method	Fair Value
Inflation	3.00%
Salary Increases	4.50%, Effective 12/31/2017 Plus Additional for First 10 Years
Investment Rate of Return	7.75%
Retirement Age	Age and Service Related
Mortality	Pub2010-Ps projected by MP2018 after 2018

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Schedule of Changes in the Employer's Net Pension Liability  
December 31, 2022**

	12/31/2014	12/31/2015
Total Pension Liability		
Service Cost	\$ 453,334	453,334
Interest	1,447,905	1,564,935
Changes in Benefit Terms	—	—
Differences Between Expected and Actual Experience	—	—
Change of Assumptions	—	—
Benefit Payments, Including Refunds of Member Contributions	(1,277,131)	(1,339,860)
Net Change in Total Pension Liability	624,108	678,409
Total Pension Liability - Beginning	19,372,325	19,996,433
Total Pension Liability - Ending	<u>19,996,433</u>	<u>20,674,842</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 496,046	525,572
Contributions - Members	496,046	525,572
Contributions - Other	—	
Net Investment Income	594,840	(107,460)
Benefit Payments, Including Refunds of Member Contributions	(1,277,131)	(1,339,860)
Administrative Expenses	(80,057)	(61,331)
Net Change in Plan Fiduciary Net Position	229,744	(457,507)
Plan Net Position - Beginning	10,927,280	11,157,024
Plan Net Position - Ending	<u>11,157,024</u>	<u>10,699,517</u>
Employer's Net Pension Liability	<u>\$ 8,839,409</u>	<u>9,975,325</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.80%	51.75%
Covered Payroll	\$ 3,634,001	3,634,001
Employer's Net Pension Liability as a Percentage of Covered Payroll	243.24%	274.50%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
506,260	545,439	569,984	696,787	728,142	748,432	748,432
1,598,125	1,562,998	1,633,083	1,710,324	1,800,220	1,947,163	2,044,005
—	—	—	—	—	—	—
(736,630)	—	—	(520,415)	721,784	—	(3,066,468)
—	392,133	—	450,572	(73,715)	—	—
(1,930,220)	(1,231,846)	(1,199,873)	(1,197,642)	(1,329,918)	(1,249,276)	(1,650,229)
(562,465)	1,268,724	1,003,194	1,139,626	1,846,513	1,446,319	(1,924,260)
20,674,842	20,112,377	21,381,101	22,384,295	23,523,921	25,370,434	26,816,753
20,112,377	21,381,101	22,384,295	23,523,921	25,370,434	26,816,753	24,892,493
519,911	488,555	633,568	650,969	710,010	730,857	801,731
519,911	488,555	549,091	565,708	615,342	633,573	694,833
—	—	—	—	—	—	—
691,059	1,655,622	(670,804)	2,370,032	1,861,015	1,923,501	(2,552,863)
(1,930,220)	(1,231,846)	(1,199,873)	(1,197,642)	(1,329,918)	(1,249,276)	(1,650,229)
(100,928)	(107,814)	(101,346)	(44,110)	(88,258)	(62,767)	(70,670)
(300,267)	1,293,072	(789,364)	2,344,957	1,768,191	1,975,888	(2,777,198)
10,699,517	10,399,250	11,692,322	10,902,958	13,247,915	15,016,106	16,991,994
10,399,250	11,692,322	10,902,958	13,247,915	15,016,106	16,991,994	14,214,796
9,713,127	9,688,779	11,481,337	10,276,006	10,354,328	9,824,759	10,677,697
51.71%	54.69%	48.71%	56.32%	59.19%	63.36%	57.10%
3,766,262	3,879,000	4,060,000	4,030,000	4,502,000	4,502,000	4,506,666
257.90%	249.78%	282.79%	254.99%	229.99%	218.23%	236.93%

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Summary of Plan Provisions and Benefits Provisions

December 31, 2022

---

---

Credited Services	The number of years of continuous employment with the Fire Department of the City of Big Spring, Texas.
Final Average Compensation	The monthly average salary during the five years in which the member earned the highest salary (or the three year average as of December 31, 2006, if higher). Members hired after 1/12/2018 include only base pay, certificate pay, longevity pay and FLSA required overtime in the calculation.
Service Requirement Eligibility	Attained age 50 with 20 years of service.
Monthly Accrued Benefit	A monthly benefit equal to 2.55% times years of service times final average compensation.
Contributions	13% of compensation for member and (effective in 2018) 15% of salary for the City.
Interest Credited on Employee	None
Vested Benefits	The monthly accrued benefit multiplied by the following percentages:

Years of Service	Percentage Vested
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20 or More	100

Deferred to the service retirement date (the later of age 50 and the date the member would have had 20 years of service had they continued their employment with the Big Spring Fire Department).

Separation Benefits Return of member contributions without interest for members terminating with less than 10 years of service.

Disability Benefits A disabled member with 10 or more years of service receives his or her vested monthly accrued benefit without reduction for early payments.

However, if the disability is the result of a pre-existing condition, the maximum monthly benefit is \$100 regardless of service.

# BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS

## Summary of Plan Provisions and Benefits Provisions - Continued

December 31, 2022

---

---

Normal Form of Benefit	Monthly annuity payable for life with a guarantee that total monthly benefit paid shall not be less than the employee's accumulated contributions (installment refund guaranteed). Two thirds of the monthly benefit continue to the spouse of a deceased member until the spouse's death or remarriage.
Death Benefits	<p><i>Spouse</i></p> <p>66 2/3% continuation of benefits to spouse (in the event of the death of an active employee, the benefit amount is determined as for a disability pension).</p> <p><i>Minor Children</i></p> <p>With spouse in payment status, \$100 a month; with no spouse in payment status, \$200 a month; the total of spousal and children's benefits may not exceed the employee's amount.</p>
Benefit Enhancement Limitation	Plan benefits may not be materially increased unless the funded level of the plan is at least 80% and plan funding is sufficient to amortize the unfunded actuarial liability over 25 years or less.
Deferred Retirement Option (DROP)	<p>Option 1</p> <ul style="list-style-type: none"><li>• The Firefighter must retire within 5 years of a DROP election.</li><li>• The monthly benefit they will receive from the Plan will be determined based upon their salary and service at the time of their DROP election.</li><li>• At the conclusion of the DROP period, the Firefighter will be paid an amount which is the sum of 1) their Employee contributions from the DROP period including interest at 4% compounded annually, plus 2) the product of their monthly benefit amount times the number of months of the DROP period. This amount must be paid within three (3) years in no more than three (3) installments.</li></ul> <p>Option 2</p> <ul style="list-style-type: none"><li>• Upon retirement, a Firefighter may elect to receive 85% of their regular monthly benefit (with all survivor benefits appropriately reduced) for life and a lump sum equal to 24 times this reduced benefit. This amount must be paid over three (3) years in no more than three (3) installments.</li></ul> <p>DROP benefits will be actuarially converted to a life only benefit for purposes of determining the "Maximum Service Retirement Benefit."</p>
Contributions	The Fund received monthly contributions from the City in the amount of 15% of payroll and from member firemen at 13% of payroll. The actuary has stated that these rates are sufficient to meet the accruing normal cost of the plan and to amortize the unfunded actuarial liability by level percentage of pay contributions over the required minimum period.

**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Schedule of Investment Returns**

**December 31, 2022**

---

---

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2013	15.14%
2014	5.54%
2015	(0.98%)
2016	6.77%
2017	16.20%
2018	(5.77%)
2019	21.76%
2020	14.14%
2021	13.75%
2022	(15.50%)

## **OTHER SUPPLEMENTARY INFORMATION**



**BIG SPRING FIREMEN'S RELIEF AND RETIREMENT FUND, TEXAS**

**Schedule of Investment Expenses  
December 31, 2022**

Direct and Indirect Fees and Commissions

Asset Class	Management Fees Paid from Trust (A)	Management Fees Netted from Returns (B)	Total Investment Management Fees (A+B=C)	Brokerage Fees/ Commissions (D)	Profit Share/ Carried Interest (E)	Total Direct and Indirect Fees and Commissions (C+D+E)
Cash	—	41	41	—	—	41
Public Equity	18,965	52,045	71,010	—	—	71,010
Fixed Income	—	19,151	19,151	—	—	19,151
Real Assets	728	2,474	3,202	—	—	3,202
Alternative/Other	—	6,036	6,036	—	—	6,036
<b>TOTAL</b>	<b>19,693</b>	<b>79,747</b>	<b>99,440</b>	<b>—</b>	<b>—</b>	<b>99,440</b>

Alternative/Other Investments	Investment Managers	Investment Expenses
Silverado Real Estate	LSGRX- Loomis Sayles Large Cap Growth	Total Direct and Indirect Fees and
PAAIX-PIMCO All Asset fund	VLCAX-Vanguard Large Cap Index Fund	99,440
	Westwood AllCap Value Equity - EB	Investment Services
	LBFIX-Clearbridge Select Fund	Custodial
	IWR-iShares Russell Midcap Index Fund	6,464
	DHMYX - Diamond Hill SMID	Research
	JGSMX -JPMorgan Small-Cap Growth	Investment Consulting
	VTWO-Russell 2000 Index Fund	30,036
	NDVIX-MFS New Discovery Fund	Legal
	TIREX - TIAA-CREF Real Estate	—
	WCMIX-WCM International Growth Fund	36,500
	SGOIX-First Eagle Overseas Fund	Total Investment Expenses
	GBOSX-JPMorgan Global Bond Fund	135,940
	GIBIX-Guggenheim Total Return Fund	
	MWFLX - MetWest Floating Rate Fund	
	Westwood Income Opportunity Fund	
	PAAIX-PIMCO All Asset fund	
	AGPXX-Invesco STIT Gov't & Agency (cash)	